

Quality of Government and Decentralization in Romania

Florin BONDAR*

*Ph. D. in Political Science
Agora Est Consulting*

Abstract: The article explores the effects of the decentralization process in Romania as part of the public administration reform, using a set of financial indicators revealing the territorial distribution of the capacity of local public administration to provide public services. These indicators are then correlated with quality of government and government effectiveness indexes at national level. As a result, the analysis reflects a territorial variation of financial independence of administrative units that can be explained by assuming the differences in the institutional set-up of different communities at local level. These results were used further to formulate a perspective on the decentralization process in Romania based on the assumption of non-homogeneity of socio-economic development of different regions in Romania. **Keywords:** *decentralization, quality of government, public services, public administration reform.*

Introduction

Romania ranks last in Europe in terms of government efficiency (Figure 1). This position is given by the value of an indicator, often used in World Bank assessments, that takes into account the capacity of central and local government, the characteristics of the

regulatory system, its impartiality and the quality of public services provided. Compared to other European countries, especially in Eastern Europe, it is found that the value of this indicator has not changed substantially in the last 10 years, Romania occupying constantly the last place (Figure 2).

Since 2000, the issues of

*e-mail: florin.bondar@agoraest.ro. Florin Bondar received his BA degree in Political Philosophy and MA degree in Public Policy from the University of Bucharest, and his PhD in Political Science from the National University of Political Studies and Public Administration (NUPSPA). Florin Bondar has a large experience both as a practitioner and as an academic in the field of Public Policy. As a practitioner, he worked at the General Secretariat of the Romanian Government, where he designed policy formulation procedures and an institutional framework for policy development. He is the co-author of the first set of procedures for policy formulation at central level of the Romanian public administration (i.e. Regulatory Impact Assessment). Furthermore, Florin Bondar has an international experience as a consultant, being involved in several OECD/SIGMA missions for central public administration in Romania and Serbia. As an academic, Florin Bondar has lectured MA level courses at NUPSPA and has made several study visits and partaken to workshops within the field of Public Policy organized by University of Birmingham and University of Manchester. Since 2009, Florin Bondar has been working as a consultant for public administration entities at Agora Est Consulting.

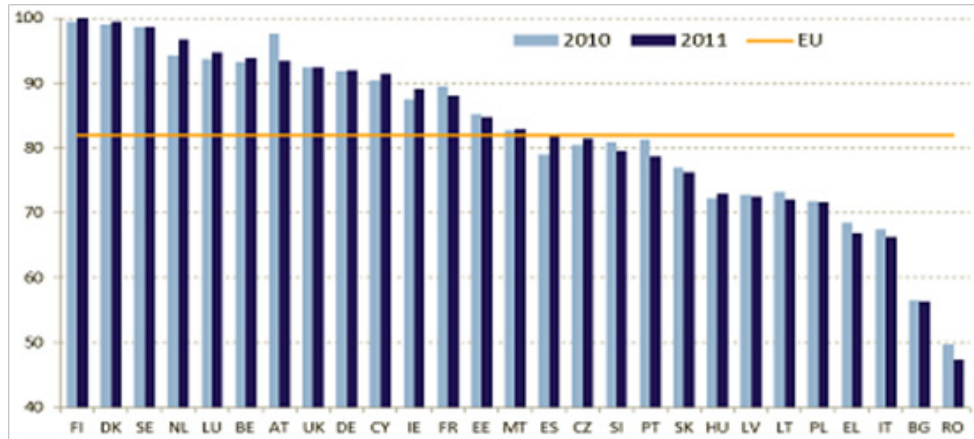


Figure 1. Government Efficiency

Data source: World Bank – Worldwide Governance Indicators (2010, 2011).

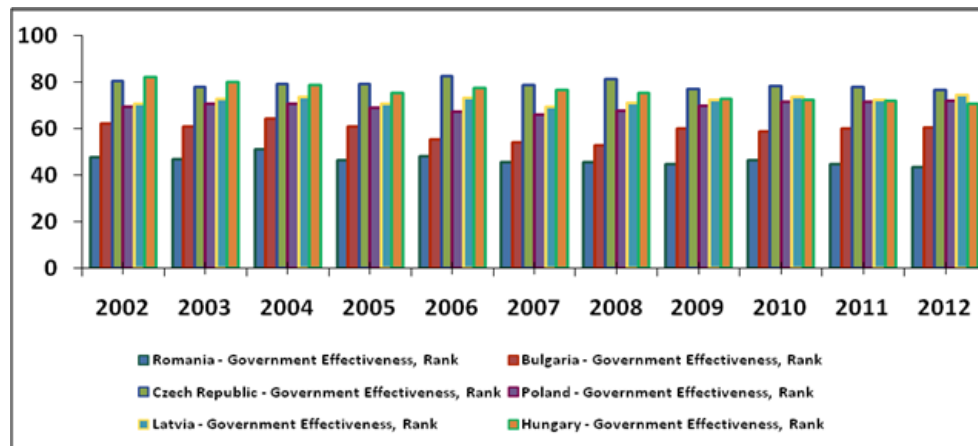


Figure 2. Comparative evolution of government effectiveness of in some countries in Eastern Europe

Data source: World Bank – Worldwide Governance Indicators (2013).

government efficiency and public administration reform have been constantly included in the agendas of Governments that have succeeded into power. Basically, each Cabinet assumed policy recommendations formulated by international funding institutions (World Bank, European Commission and International Monetary Fund) (OECD, 2006). These recommendations have created the roadmap for developing an adequate administrative capacity for the sustainable economic and social

development in Romania. Part of these policies was embedded in the last public administration reform strategy formulated in 2004, with a time horizon of two years (until 2006). It was subsequently continued by the directions formulated in the Operational Programme Administrative Capacity Development, the main EU program financing the development of public administrative capacity for the 2007-2011 period. Despite the fact that this Operational Programme occupied a second place (after Regional

Operational Programme) in the ranking of top absorption of structural funds, the indicator above has not changed substantially, rather it even experienced a decrease from previous years. From 2006 to 2013 there was no coherent plan for public administration reform, which might have resulted in a positive change of the value of the government efficiency indicator mentioned above.

The strategy formulated in 2004, initiated in the process of EU accession, has identified three main strands: the process of decentralization – administrative and financial; civil service reform (increasing the performance of civil servants pay system, career, political independence, etc.); policy formulation and coordination reform (various regulations formulated and implemented exclusively at central government). These three areas of reform were not changed during this period through a programmatic document of a similar scale¹.

Presently, at the beginning of the 2014-2020 structural funds programming period, the situation has not changed much now, from what it was seven years ago. Romanian public administration capacity still faces a chronic lack of efficiency. The reasons can be associated either with excessive politicization, high degree of bureaucracy (WB, 2012), corruption (Matei and Popa, 2009) and lack of leadership in the reform process, as well as the effects of a centralized `top-down` approach to reform measures (Shah and Thompson, 2004)².

In support of an alternative of this `top down` approach, this article argues that for developing and implementing reform measures in Romanian central

and local public administration, a `bottom up` approach could prove itself more feasible. Part of this exploratory research consists in the analysis of values of quality of government indicators, relevant at local level, with possible consequences on the design of the public administration reform. The values of such indicators, analysed in this article, could give a good insight into local institutional frameworks, into relation between the centre and local public administration, the degree of independence from the centre of local communities in Romania as well as their institutional framework for socio-economic development potential.

Cartographic representation of financial data available for local public administration showing the distribution at territorial level will be used in the research. Some of these indicators could be relevant in assessing the financial independence of local administration in the context of decentralization process. Based on different correlation of data, several conclusions are drawn. These conclusions could support a possible approach of reform, and are based on the analysis of the values of financial indicators associated with the scores of the quality of government index at local level.

Approach

Most reform initiatives took the `top-down` approach in developing and implementing specific better government policies in Romania, and were most often developed and taken by central institutions and subsequently

propagated at local level under exogenous pressure. However, reforms so far did not consider the existence of an asymmetry in the performance potential of local governments, namely the consequences it might have on how to centrally design the reform measures. Most often the quality of government is assessed using a six variables index (Political Stability and Absence of Violence/Terrorism, Regulatory Quality, Government effectiveness, Rule of Law, Voice and accountability, Control of corruption,) (Kaufmann, Kraay and Mastruzzi, 2010). From these variables, the government effectiveness and regulatory quality are referring to the capacity of the government to effectively formulate and implement sound policies. These types of indicators are often used for national level and, in some extent, led to accurate measurement of nationwide government capacity. On the other hand, as perception based indicators, the effectiveness of government and regulatory quality take indirectly in consideration the actual performance of local government as being influenced by the institutional set-up in the local communities. In a decentralization process the performance of local government are more important and proper use of indicators might be taken in consideration. These indicators may include more variables of the institutional set-up than those commonly used at national level.

In this article will focus on local government effectiveness by analyzing the financial situation of different Administrative Units (AU), considered as highly relevant for the performance of their local governments. The financial situation in terms of share of

own revenues from total revenues of AU is considered as a key output of a local institutional set-up and probably a starting point for further research in this area. So is regulatory quality which, even though is not discussed in this article, could provide useful insights and equally relevant data about how local governments perform in developing their regulation.

As it will be argued in this article, aggregating indicator on the quality of government at national level is not always relevant for local government, as national level macroeconomic indicators are indirectly relevant for socio-economic development at local level. Government actual effectiveness in South East of Romania, for example, is different than in the North West region, as measures of socio-economic development and private sector performance are different but, nevertheless, connected with the quality of government in the same areas.

Figure 3 presents the variation of the quality of government index at European regional level³. As shown, the change in the index on government effectiveness/efficiency at national level (Figures 1 and 2) is different from variations within regions on the quality of government index (Figure 3). But, as mentioned above, quality of government index also includes government effectiveness/efficiency. Some regions of European states, for which the government efficiency index is higher, have their quality of government index value lower than regions of some countries that have experienced a low level of efficiency index at national level. For example, Italy has a country-level government

efficiency index value that is higher than Romania's (Figure 1). However, some regions of Romania have a government quality index value greater than the southern regions of Italy (Figure 3). Also the best performing regions in terms of quality of government in Romania recorded values of this index which are comparable with regions of other countries in Eastern Europe, national government efficiency index values being otherwise higher in those countries than the national level in Romania. These differences are relevant not only to identify the profile of regional policy at EU level to improve government, but also to determine the appropriate approach of reform measures in each Member State individually. I focus in this article on these variations in order to address the problem of the report between quality of government and decentralization based on Romania's territorial differentiations of various financial indicators.

In Romania, data on the quality of government at local level is very limited. This makes it very difficult to compare the impact of the quality of government on the socio-economic development at different local or regional levels and drawing evidence based conclusions. The key initiatives for modernizing government have used national level data, without focusing on the territorial differences of administrative performance. Trends and development objectives of public administration reform were therefore identified based on data aggregated at national level.

Since data are collected from `top-down` and due to exogenous imposed reforms, the reform measures were

designed accordingly. Existing data `measure` the distance between a current state and a future national level reform goal as assumed by the high levels of consistency and efficiency expected at central level.

According to the centralist approach, best practices and import of predefined models are of key focus, without taking into account the cultural background or specific institutional features of different communities. Such an approach of `systemic` or `off the shelf` is less difficult to design as it provides an easier way to understand and monitor the reform, but faces difficulties in implementation. The model is facing various flows in practice because of the inadequate institutional local `frameworks` which it applies. In this approach, central government gives the `start` of reforms, provides development guidelines and is the `engine` of modernization. A diagnostic analysis, formulation of problems and development trends adopted will seek to describe the current situation based on the differences found by comparison with a `more evolved and most desirable system`⁴.

In this sense, the failure of implementation of appropriate reform measures is likely determined in the Romanian case by the oversized expectations for what central government can and should do. This failure was caused either by the implementation or the conception of the reform. Initiated at exogenous pressure (World Bank, European Commission, other institutions) the models seemed coherent on paper but their application proved rather ineffective⁵.

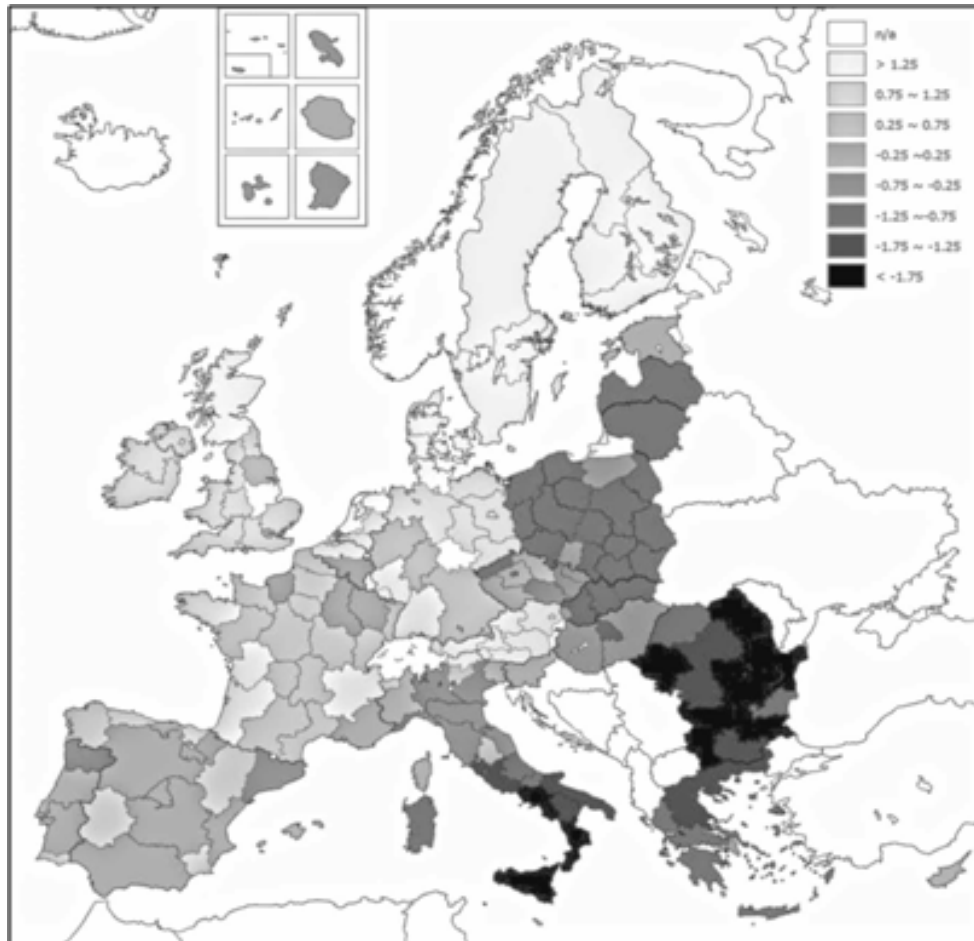


Figure 3. European index on the Quality of Government (regional approach)

Source: Charron, Dijkstra and Lapuente (2013).

Based on this approach, this analysis provides an alternative insight into the analysis of public administration capacity as one of the main dependent links to the quality of government indicator and formulates some elements for a possible framework for development of future reform measures. This approach considers government performance at all levels as being the output of a rather specific institutional historical and cultural setup. The analysis developed in this article uses a 'bottom-up' approach following values of indicators (financial) from local levels of government. Under this

approach, the basic assumption for reviewing the progress in providing a good quality of government at local and central level and the institutional relationships between them is based on their ability to meet the needs of socio-economic development of communities at these levels⁶. The government could identify these needs, but they result from the relationships between members of a community developed based on a set of cultural and historical values, including the peculiarities of the territories in which they live. The impact of the decentralization process and other reform measures on the

capacity of public administration at various levels is considered as a result of a `top-down` designed process as well as a dysfunctional implementation process. A centrally developed reform rarely makes use of locally developed institutions in the implementation process and, consequently, these reforms are facing additional side effects not envisaged in the design stage. That is especially the Romanian case where various provinces were historically under the influences of different administrative cultures and where the administrative power of the centre was permanently facing the challenge to deal with lack of cultural and development homogeneity of the communities from its territory (Săgeată, 2006).

The alternative, in order to overcome these flows, is to find solutions that meet a specific, unrepeatable institutional context in which is rather difficult to assimilate examples of best practices from other similar institutional contexts. According to the approach proposed in this study, public administration is more an instrument of socio-economic development for communities rather than the institution that is the `engine` of development.

A territorially oriented approach is preferred for analyzing the capacity of public administration, especially at local level. This creates the possibility to correlate between different levels of financial independence of communities based on the evolution and territorial distribution of expenses on general public services, local public debt as well as share of own revenues of the total revenues. These correlations can provide useful data for further identifying the distribution of impact

of government capacity on socio-economic development of various communities, the effective contribution of Government to the development of local communities and the effectiveness of the formal relationship between different administrative levels. This could also be considered as a starting point for further studies based on indicators assessing the quality of local government in Romania.

Expenditures and local public debt

As mentioned above, the quality of the government indicator also refers to the financial capacity of local public administration⁷. This aspect is of great impact in the decentralization process and often mentioned as representing the main obstacle against the self sustainability of local governments. I will therefore focus on different values and variation of this type of indicator even though, one may argue that a proper analysis of quality of government, no matter its administrative level, should also include references to the level of corruption or regulation quality⁸. For the purpose of this study, I choose not to make references to values of these types of indicators, but a further analysis of how these indicators may relate could provide interesting results.

In Romania, decentralization of powers to local authorities is governed by the principles and rules laid down by the decentralization framework-law no 195/2006 (art. 7). This law defines decentralization as the transfer of administrative and financial responsibility from the central government to the local government or the private sector. These powers fall in

three categories: exclusive, shared and delegated to different public authorities according with their level: communes, towns, cities and county. The same law defines devolution as redistribution of administrative and financial powers of the ministries and other bodies of public administration central to their specialized structures in the territory.

One of the consequences of decentralization is the increased responsibility for the local administration in supporting the costs for assigned public services to be provided for local communities. Therefore, an important aspect is the financial capacity of local authorities to ensure the provision of exclusive or shared public services. In many cases, local authorities cannot provide a level of income which would be high enough for providing these services, without

additional allocations of public authorities from higher administrative levels. Capacity of local public administration refers in these cases to the budget capacity so that no further central allocations are necessary.

An important aspect regarding financial capacity of local government is given by the revenues and expenditures of local government units. As shown in Table 1⁹, one can see an overall positive trend of their level over a five years period in all AU's in Romania. With regard to the cost of staff, it is clear that there is a fluctuation in 2008-2010 due to mitigation policies in the economic crisis faced by Romania at the time. However, there are national growth trend of these expenditures, particularly in the provision of goods and services and capital expenditures.

Table 1. Spending of administrative units

Spending of administrative units	Year				
	2007	2008	2009	2010	2011
TOTAL (Romanian currency) of which:	33.982.266.777	42.210.198.056	42.074.516.431	41.207.064.453	44.003.827.690
Personal expenses and goods and services that:	18.726.085.653	24.821.868.903	24.699.191.150	22.090.925.672	20.727.949.772
Personal	11.116.375.079	15.310.487.575	16.361.578.802	13.584.318.165	11.241.503.989
Goods and services	7.609.710.574	9.511.381.328	8.337.612.348	8.506.607.507	9.486.445.783
Capital expenditure	6.943.232.689	7.210.464.547	6.323.474.110	6.028.043.097	8.334.480.996
Other expenses	8.312.948.435	10.177.864.606	11.051.851.171	13.088.095.684	14.941.396.922

Data source: National Institute of Statistics.

In terms of income, it can be seen an upward trend in 2007-2011 period. Ensuring their income from local taxes, rents, royalties etc., local authorities have placed revenues among their

constant concerns. Nevertheless, the variation of values of different indicators between 2007-2009 shows a decrease in these revenues (16.98 per cent - 2007 14.53 - 2008, from 14.04

to 2009). Thereafter, there is a slight increase, reaching, in 2010, to 17.27

per cent of the total revenue received by administrative units.

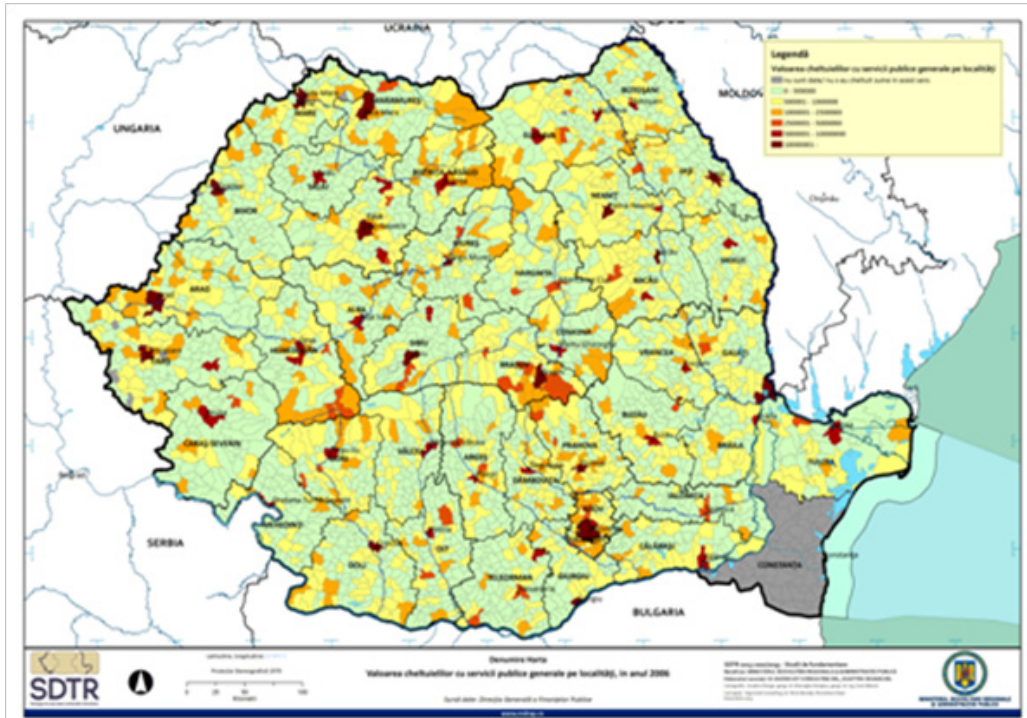


Figure 4. The expenditure on general public services in Administrative Units, 2006

Data source: National Institute for Statistics.

As can be seen in Figures 4 and 5¹⁰, there is an increase in the general services expenses in 2012 compared with 2006 at AU's level on the whole territory of Romania. A smaller increase could be noted though in some areas of the central, respectively North West regions. This growth itself can have different meanings in terms of local government capacity in providing public services if compared with variations of values of other indicators.

One such indicator is the level of local public debt. According to Figure 6, it can be seen a fairly high level of these debts at the end of 2013, especially in southern and eastern areas of the country, unlike other areas where this level is lower as the number AU

they register.

The expenses/spending indicator and the level of public debt, gives a picture of the financial performance of different local public administrations. In western and central areas of Romania, (Timisoara, Cluj or Brasov) even though they register an increase in spending, the level of debt is relatively low compared with other regions of the country.

Another relevant indicator for identifying local government financial capacity can be identified by correlating spending and revenue at AU level. These can include both revenues from contributions from the state budget or from their own income.

The level of personnel, goods and

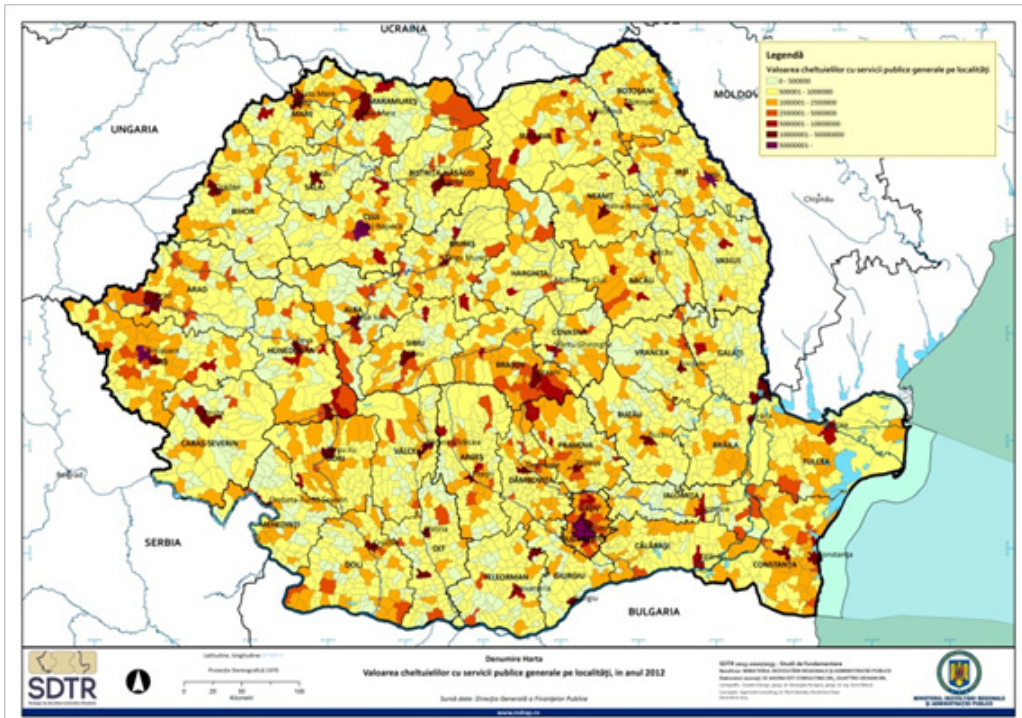


Figure 5. The expenditure on general public services in Administrative Units, in 2012
Data source: National Institute for Statistics.

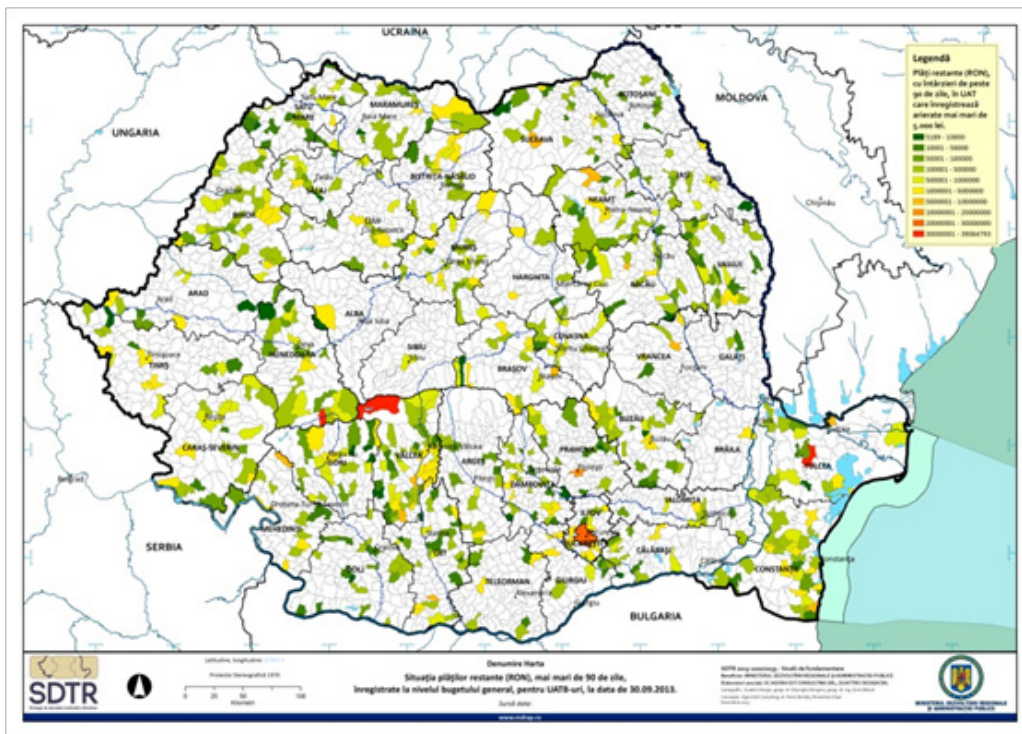


Figure 6. Situation of public debt (Romanian currency) of more than 90 days, recorded in the general budget for Administrative Units, at 30.09.2013
Data source: Department for local fiscal and budgetary policy of the Ministry of Regional Development and Public Administration.

services costs reveals the situation regarding the relationship between expenditure and revenue share also in total revenue. It may be noted that, at national level, local authorities' own resources fail to cover less than 50 per cent of operating expenses (33,38 per cent in 2007, 25,53 per cent in 2008, 24,75 per cent in 2009, 31,31 per cent in 2010 and 37,33 per cent in 2011), without taking into account the expenses necessary to exercise exclusive and shared competences transferred in the decentralization process. The same situation can be seen in case of investment spending share of total spending in 2007-2010 registering a decrease from 20,43 per cent to 14,63 per cent. The year 2011 was marked by an increase to 18,94 per cent. Negative evolution at national level of the relationship between income and expenditure in local government, both in terms of providing public services and proper functioning of the administrative apparatus, indicates lack of rationalization of budgetary allocation corresponding formal transfer of powers to the local level.

This transfer requires an increased capacity of local government to cover the costs for public services transferred through the decentralization process. The government spending level and the ability to cover them is an indicator whose value may prove relevant for the identification of local government capacity.

The incomes of local public administration are the odds deducted from the income tax or the amounts allocated from the income tax to balance local budgets. AU's total revenues include, *in addition to their own income*, the following categories

of income allocated from central administration: The Value Added Tax (VAT) to finance expenditures of villages, towns, cities, amounts deducted from VAT for roads, the VAT to balance local budgets, amounts deducted from VAT for financing infrastructure development programs and sports facilities in rural areas, subsidies and other income.

Own revenues status - financial independence

In this context, the *share of own revenues in total revenues* is an indicator that shows the degree of *financial independence* of local authorities from state budget. The higher the share of own revenues in total revenues of AU, the more financial independence can be assumed. This indicator will also provide information about the administrative capacity to collect local taxes and performance of government of an AU in developing and implementing cost effective public policies. This indicator could be even more relevant if used in relation with other indicators such as the GDP or the expenses incurred at each AU. Aggregation of these indicators at AU level could provide a snapshot of the quality of governance in the designated area.

Figures 7 and 8 present the shares of own revenues compared to total revenue of AU's. In both figures showing the values for years 2010 and 2012, regional differences are evident. For 2010, in the North East, particularly in AU's from border counties, but also in Suceava, Neamt, Bacau, the data show a stronger

dependence on state budget revenues of AU's. A similar situation, but less pronounced, is found in the South West (especially Mehedinți, Dolj, Gorj, Olt and Valcea), South Muntenia (Giurgiu and Teleorman), parts of North West region (especially Salaj, Maramures, Bistrita-Nasaud or Satu Mare). It can be seen that in these areas, those who

know a greater degree of financial independence are urban areas, especially areas of competitiveness poles (e.g. Resita, in the West Region, or Hunedoara, Oradea, Zalau, Suceava, Piatra Neamț). They register a positive development, without significant changes in income in the period 2010-2012.

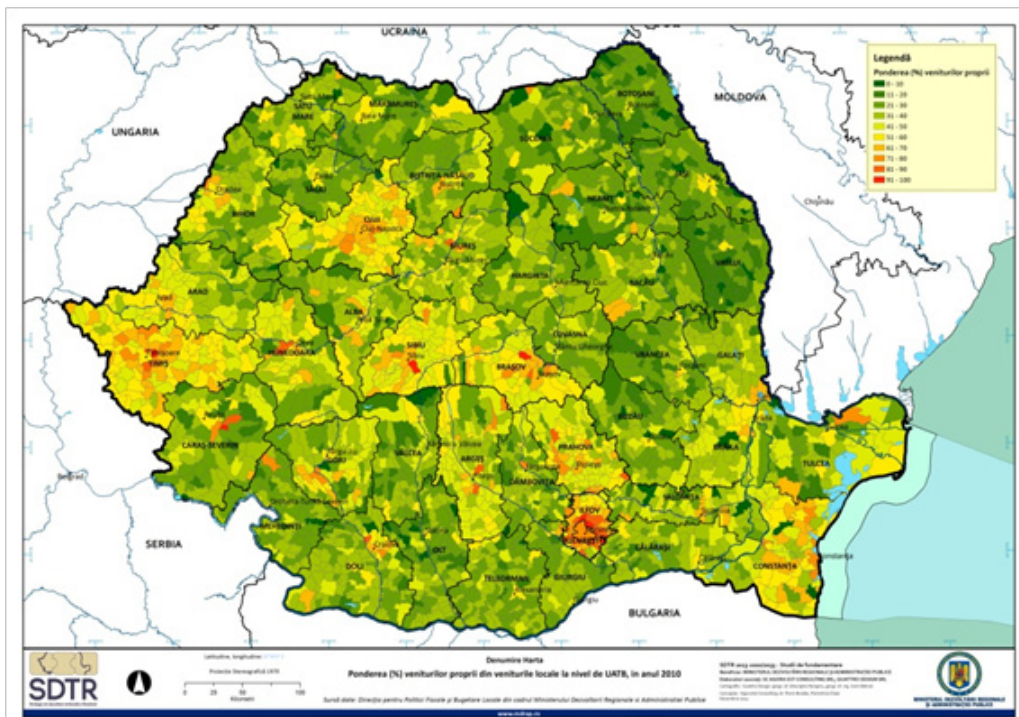


Figure 7. Share (%) of own revenues from total income at UATB level in 2010
 Data source: Department for fiscal and budgetary policy of the Ministry of Regional Development and Public Administration

Compared with 2010, in 2012, changes in the ratio of revenue are rather positive. As can be seen in Figure 8, independence of the various AU's is higher, especially in the country's central regions (AU's in the Central Region, particularly in the counties of Cluj, Sibiu and Brasov) and the West (especially the counties of Timisoara, Arad and parts of Hunedoara) where the share of own revenues in total revenues increase. Positive developments can be

found also in the counties of Constanta, Arges, Prahova and Tulcea.

Further, in 2012 areas where AU record low share of own revenues in total revenues are those from North West (especially Maramures and Bistrita County), North East (especially Botosani, Iasi, Suceava, Vaslui and partly Bacau and Galati).

Distribution of financial independence of AU's shows a territorial variation in capacity to

financially support decentralized service delivery. Nevertheless, for those areas with a flourishing socio-economic development, decentralization process had a positive impact. Thus, in some cases, administrative units with regional importance (e.g. competitive poles) such as county capital or other cities in the county have acquired a higher socioeconomic role than the

entire county. Not the same can be seen in the case of most administrative units, especially in rural areas, where administrative decentralization led to difficulties to finance local policies. For those, decentralization had a negative socioeconomic impact. This situation led to increasing development differences in case of AU's located in approximately same areas.

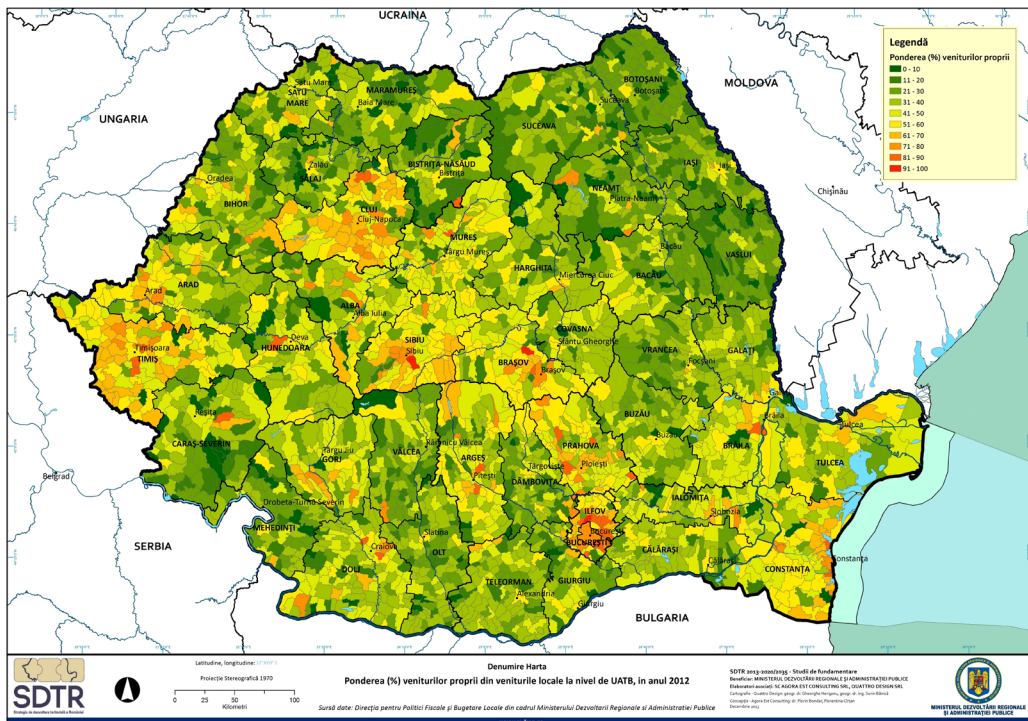


Figure 8. Share (%) of own revenues from total income at ATU level in 2012
 Data source: Department for fiscal and budgetary policy of the Ministry of Regional Development and Public Administration

Taking in consideration these aspects a vicious circle of decentralization process can be noted: reallocation of competences for providing public services led in some cases to an increased financial vulnerability of AU's (especially in the North East, South and North West and generally in rural areas) – decreased share of own revenues in total revenues. Low

financial capacity of AU's justifies increased involvement of central authorities in supporting services locally that leads to overlaps between different central authorities and local government. The financial support provided by central government has consequently a negative impact on quality of local government, the main objective of decentralization process of

bringing services closer to beneficiaries not being met.

The types of indicators displayed so far in Figures 7 and 8 were the following: expenses for general public services, local public debt and share of the own income from the total income. From analysis of their values and territorial distribution, several types of situations can be identified:

- The share of own revenues in total revenues increases while increased spending on general public services - it may be associated with a trend of increasing local tax collection as well as an increased resource allocation for service delivery – this is especially the situation of most of metropolitan areas in the South-East (Constanta, Tulcea and Galati) and Center (Braşov), West (Timisoara) and Prahova;
- The share of own revenues in total income increases along with a decrease in overall expenditure on public services - this may be associated with a resource allocation policy and tax collection at local level that may prove effective in the long term because of the potential envisaged for developing future investments. This situation can be found mainly in AU's from Cluj, Mures or Braila counties, but also in other areas.

These two typical cases highlights the trend of increasing independence from higher administrative levels in term of allocation of resources, ascertaining the interest of local authorities to increase the incomes from local tax collection policies.

Note that this situation should not be associated with a tendency to increase efficiency in resource allocation for the provision or improvement of public service quality at the level of administrative units. Nevertheless, these situations create the premises to ensure a growing trend of development and hence achieving positive values for quality of government indicator.

In addition to these situations other types of trends may be identified:

- The share of own revenues in total revenues decreases while increasing spending on general public services - this is the least favourable for providing a framework for community development of AU's. A high level of expenditure against a decline in their income affects both the quality and coverage of public services. In this situation are the AU's in the North East (Botosani, Iasi, Vaslui, some AU 's from Suceava, Neamt and Bacau). In these cases the level of financial independence from the administrative centre is low which may have negative effects on the community socio-economic development and on the values of the quality of government indicator for these AU 's;
- The share of own revenues in total revenues declining, while decreasing overall expenditure on public services - this can be attributed to a low tax collection rate in the AU, along with a reduction in the allocation of resources to provide services and designate

a situation of regress regarding the financial independence from administrative centre.

These last two cases are unfavourable for development of AU's and define a situation which may constitute the premise for low values in the future for the quality of government indicator.

Another type of conclusions can be drawn from the analysis of the ratio of own revenues and income in terms of the differences in predominantly urban and rural areas. This report does not find substantive changes in urban areas, remaining relatively constant throughout the period (2010-2012). The same cannot be said about the countryside, especially one located near urban areas. In this case report has noted a negative trend which reinforces dependency of ATU in rural areas to higher administrative levels or to more developed urban area.

Conclusions

The research objective of this article was to formulate some elements for a possible framework for development of future reform measures dealing with public administration reform in Romania. This approach considered government performance at all levels as being the output of a rather specific historical and cultural institutional setup. In order to identify the features of this institutional setup, the financial situation of AU was presented as a key evidence of their level of independence from the administrative centre. Conclusions are based on cartographic representations of the values of these indicators (e.g. level of expenses).

They were also correlated with other indicators aiming at showing their relevance for the efficiency component of quality of government index (e.g. share of own revenues from total revenues, debt). Following the analysis, significant differences between different areas at local level were identified. These differences show a variation of the report between income and expenditure, as well as the level of expenses on general public services across the country.

As explained at the beginning of this article the quality of government index includes the government efficiency/effectiveness indicator. This last indicator refers also to the financial capacity of public administration. When applied at local level, the financial data reflect differences among regions which may be used in conjunction with values of other indicators (such as level of corruption, or rule of law). There is a concern that in these conditions further decentralization of services to the local level will affect the quality of government, especially in the regions where there is a shortfall of resources for the provision of general public services.

Following the analysis above, some questions could be raised: If there are differences in capacity to support the provision of public services, how further decentralizations solutions should be developed and implemented in order to avoid a decrease of quality of government index at local level? A general principle of redistribution of attributions and obligations will prove effective when applied to an already differentiated capacity? In other words, can decentralization provide the premises for local development under

a strong dependence on the centre of AU's as regards to the financial capability for providing local public services? Indiscriminate application of territorial decentralization is beneficial for those areas where government quality index values are less positive?

Based on the data presented above, in areas where there is a positive relationship between spending and share of own revenues in total revenues, the quality of government index is higher (particularly AU's in the central and western urban areas). For AU's from these areas decentralization is more beneficial. Other areas, especially in the North and South have less positive values for these indicators. In these cases the quality of government index values are less positive being also where decentralization process had less positive effects on development.

Territorial differentiation of values on the quality of government index emphasizes the issue of the proper approach to decentralization. Compared with the overall better government objectives envisaged by a decentralization process how territorial variation of capacity of various administrative units may affect the design of an approach aiming at a sustainable decentralization?

In order to ensure a proper development framework for local communities several aspects could be considered as important features of a functional decentralization process.

- Lack of hierarchy between different levels of government (national, regional, local) - specific institutional arrangements of a decentralized administrative system are not fully functional without a

political independence from the centre of administrative units. That includes also existence of proper mechanisms for insuring a regulatory quality in terms of citizens participation in the local decision making process;

- Financial independence of administrative units from the administrative centre – a sustainable capacity of local public administration cannot be achieved without a high level of financial independence from the centre - lack of financial independence affects the quality of government;

- Competition among various policies at local level is the key for sustainable socio-economic development of communities – bringing services closer to their beneficiaries (citizens) does include the possibility to choose between various policies developed at local level. The competition among policies is an effect of transfer of accountability to the local level which leads to resizing the policies according with the needs of the community.

Considering these three aspects related with the process of decentralization a series of conclusions are formulated based on the analysis developed above. In the last column from Table 2 some of the elements of the new approach are formulated.

Table 2. Elements for a decentralization approach

Objectives envisaged through decentralization process	Situation according with the analysis	Elements of the new approach
The lack of hierarchy between levels of government – local, regional, national.	Formally in place but territorial variation of values of financial indicators shows premises for an increased dependence of some local public administrations on the center.	<i>Solidarity agreements pacts</i> between different regions and administrative centre – redistribution of resources towards less developed regions.
Financial independence of administrative units from higher administrative levels.	- Financial independence differentiated at regional level; - Urban areas have more benefits from the decentralization process than the rural ones.	<i>Regionalization and amalgamation</i> - solutions identified based on historical and cultural background of the institutional profile of various communities (avoiding the adoption of "of the shelf" solutions by taking into account the particularities of the institutional context: social cohesion, level of development).
Institutional set-up for insuring the competition among policies at the local level.	Low level of public participation at the local level in policy decisions regarding quality of public services provided. (indirect consequence of the analysis)	Increased <i>quality control capacity</i> of administrative centre on locally provided public services.

In order to respond to the lack of hierarchy condition and the dependence of administrative units from the centre in some regions of Romania, a formal financial solidarity agreement between regions and centre could be enforced. The centre has the institutional means to redistribute the resources to lower administrative levels (e.g. regions) in order to cope with lack of resources and avoiding the interference with local level of decisions. But these so called agreements are sustainable only if a process of regionalization is fully developed so that proper political conditions for negotiation are in place. The main condition for a sustainable solidarity agreement framework is a high social cohesion at local and central level. If there is a poor social cohesion, the agreements could take the alternative form of a service delivery contracts.

In Romania, the decentralization process was not accompanied by administrative reform (amalgamation, territorial reorganization etc), which has created some problems in the development of formal relations between central and local government. These problems were caused by the absence of an intermediate level between county and national level and was one of the prerequisites for a significant administrative fragmentation. Existence of regions as administrative bodies provides an intermediate level, which could facilitate the dispersion of powers among administrative levels¹¹. The regionalization and amalgamation could be considered as solutions for proper distribution of power among these levels, improving the homogeneity in development of administrative units. In Romanian

case, the territorial reorganization and amalgamation process could prove more difficult because of the lack of homogeneity in development of various regions, as well as differences in profile of institutional setup at local level. This is not the case of other, more homogenous countries in Europe, in which the process of amalgamation was easier to design and implement because of the common features of this local institutional set-up (e.g. Denmark). Regionalization could be designed in Romanian case according to a national cohesion policy plan aiming at a higher level of socio-economic development homogeneity.

Due to the differences noted in terms of availability of resources at the level of administrative units, involving central government is mandatory not only through the *solidarity agreements* but also through the use of its control functions. They may focus on quality of public services and can be implemented using a set of standards. This system would enable further local competition in the provision of these services with a proper central control and arbitration, able to prevent the possible abuses and improper quality. As shown in the table above, the creation of the standard quality system is one of the main elements of the approach but only used in combination with the rest of elements reported.

At the beginning of this article the rank of Romania on government efficiency was mentioned. This indicator is part of the quality of government index. The analysis of a set of financial indicators revealed variations at local level which led to formulation of some conclusions on the effects of decentralization

process on the capacity of local public administration to provide public services at local level. These variations were analysed using a bottom-up approach based on the assumption that institutional setup at local level may influence the quality of government index. This institutional setup was considered crucial for further design of decentralization measures aiming at increasing the homogeneity of socio-economic development of various regions of Romania. This approach was considered as an alternative of a top-down approach which makes use of national aggregated indicators, and proposes a regional focus on the evolution of quality of government indicators. This approach could provide a framework for future developments in public administration reform both at local and central level.

Notes

¹ Some strategic documents include the issue of public administration reform but no coherent substantial change in perspective was ever developed in the last years.

² The top down approach in decentralization process can be associated with measures taken according with a blueprint drawn by national governments to shift some of their responsibilities downwards (Shah and Thompson, 2004). In Romanian case, as in most of new accepted EU members, the 'blueprint' is a centrally developed public administration decentralization scheme, as part of a wider Europeanization process (see Grabbe (2001), and also Iancu (2012) for Romanian case).

³ Figure 3 reveals the regional distribution of values of quality of government index as it was researched in an European survey

for EC DG Regio by Nicholas Charron, Lewis Dijkstra and Victor Lapuente (see Charron & All, 2013). The survey was conducted at regional level and is focused on variation of quality of government on three public services that are often financed, administered or politically accounted for by sub-national authorities, at regional, county or local level: education, healthcare and law enforcement. Respondents were asked to rate these three public services using three related concepts of quality of government based on their perceptions: quality, impartiality and the level of corruption of above mentioned services. Compared with the value of quality of government index at national level the results of the survey led to different values of this indicator for regional level. In calculating the regional values of the quality of government indicators, the national values were also taken in consideration. Given the fact that the model used in aggregating the quality of government index for regional level was a linear one, the value of index at national level could even reduce its value for some regions.

⁴ The main argument against an 'off the self', centrally induced reform is based in this article on the assumption that sustainable economic growth is likely to be achieved when proper institutions are developed in the community (North, 1990). As institutions comprise more than just a set of procedures and regulation but also historically and cultural induced habits that support social cohesion, the value of quality of government index becomes more relevant when applied to communities at local level.

⁵ For an overall short assessment of public administration reform in Romania, the World Bank report 'Public Administration Reform: An Overview of Cross-Cutting Issues' could provide valuable information on the performance on the envisaged reforms (http://www.sgg.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08_Raport%20-%20cross-cutting%20issues.pdf).

⁶ This statement is based on the theoretical assumptions of historical institutionalism. According with one of its most prolific exponents, D.C. North, there is a strong relation between quality of government and economic growth. North has not focused exclusively on the importance of formal (legal) institutions for economic growth but actually gives more weight to the informal (cultural) institutions for economic growth than to the formal ones: 'while formal rules can help in creating such frameworks, it is the informal constraints embodied in norms of behaviour, conventions, and internally imposed codes of conduct that are critical' (North, 1998).

⁷ The link between the financial performance of public administration and quality of government is crucial but is not direct proportional. A high level of financial capacity does not mean that a high level of quality of government is reached. An example is the value of decentralization index (see Muller, 2009). Romania ranks somewhere in the middle among other decentralized countries in Europe. The index is a mixture of subindicators like vertical decentralization or political decentralization. 40 per cent of the decentralization index is represented by the financial independence of administrative units. If the value of financial indicators is low (like Romanian case) and the value of political decentralization is high (Romanian case as well), the decentralization index may register a value which could be higher than expected. But, in fact, a low level of financial independence has negative impact on quality of government because even though formally there is a political independence of local government (formal political decentralization is reached) the financial dependence on the centre may have negative impact on the quality of local government. In this article a proper decentralization process has to induce a positive value of quality of local government.

⁸ The perception based indicators from

the quality of government index are not analysed in this study but the territorial distribution of financial indicators relevant for the government effectiveness indicators show a variations among regions. These variations are considered relevant for further analysis of the impact of institutions on local economic growth.

⁹ The source of data provided is the National Institute for Statistics (Romania) and are presented in the report 'Socio-economic development for public administration' (2013) developed by the Advisory Committee on Administration and Good Governance - Working Group

on Public Administration 2007-2012, Government of Romania.

¹⁰ Figures 4, 5, 6, 7 and 8, presented in this article, were taken from the study 'Romanian public administration structure and functions' (Bondar F., 2014), developed for supporting the National Territorial Strategy, Ministry of Administration and Regional Development Romania.

¹¹ For a very comprehensive analysis of different regionalization options and amalgamation for Romanian case the study of Political-administrative decisions and organization of territory, Săgeată (2006) could be consulted.

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