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PUBLIC ADMINISTRATION

ITALIAN LOCAL PUBLIC SERVICES: SOME GOVERNANCE HIGHLIGHTS FROM THE LARGER CITIES' EXPERIENCE¹

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Abstract: *Entrusting most local public services to local government entities has led to proliferation of public groups and, consistently, to greater complexity of the governance dynamics of local authorities. Differently from Anglo-Saxon countries, the Italian local public services provision has been characterized by a hybrid externalization process where local entities are legally autonomous but owned by the local government. This leads to a peculiar governance complexity source represented by the dual role (stakeholder and customer) assumed by the local authority. Considering these elements (hybrid externalization and governance structure), this work tries to investigate some governance issues of public groups, basing on the two most populous Italian municipalities. The empirical findings highlight a gap between the presence of the conditions for defining a group governance structure and the adoption of a group approach by the parent local government. The authors try to suggest how to bridge this gap.*

1. EXTERNALIZATION PROCESS OF THE LOCAL PUBLIC SERVICES

The evolution that has interested the public administration in recent years has been related to every sphere of the public sector activity (Broadbent and Guthrie, 1992; Pollit and Bouckaert, 2000; Christensen and Staerbaek, 2007) . Particular turmoil has affected the provision of local public services (Hartley and Hallison, 2000; Boyne and Law, 2005) characterised by an externalization process aimed to the involvement of private organization in order to introduce managerial concepts and tools into public administration.

The privatisation process of the local public services provision (Spulberg, 1997; Feigenbaum et. al., 1998) has been on the political agenda for the last two decades and the literature identifies two main explanation for the diffusion of this process (Pallesen, 2004):

- a political-ideological explanation considers privatization as a strategy to reduce the size of the public sector, to change the political culture from “government nanny” to

¹ This work was prepared jointly by the two authors. However, it is possible to assign paragraphs 1 and 2 to Daniela Preite, paragraph 3 and 4 to Fabio De Matteis.

“enterprise culture” (Pollit, 1990; Studlar et al, 1990) and to obtain efficiency gains in the public administration (Vinning and Boardman, 1992; Lopez de Salines et al., 1997);

- an explanation that defines the privatization as a New Public Management pragmatic policy instrument (Lane, 2000) that can be considered (in a more cynical variant of this pragmatic view) as the solution to immediate problems such as the need for cash (Feigenbaum and Henig, 1994).

The externalization/privatization process can be realized through different alternatives adopted in different geographical areas (Reichard, 2002; Torres and Pina, 2002; van Ham and Koppenjan, 2002; Bovaird, 2004; Grossi and Reichard, 2008). These solutions can be summarized considering that the paper is focused on the Italian context. So it is useful to evidence some aspects of the local public services provision structure in a different context (the authors refer especially to the Anglo-Saxon world) in comparison to the Italian situation.

In the Anglo-Saxon world, the main privatization policies are represented by selling public assets and contracting out. The former provides immediate and significant revenues through the property transfer from public to private organization. Contrarily, contracting out should generate savings on public expenditure (Domberger and Jensen, 1997) entrusting local public services to private operators and regulating the public-private relationship through a contract.

Another externalization alternative is represented by the so called mixed delivery. This implies the use of both private contracts and public production for the same service (Warner and Bel, 2008). This solution should allow:

- the maintenance of a direct involvement of the local government in the service delivery process (Miranda and Lerner, 1995; Brown et al., 2008);
- the facilitation of public-private partnership where the private partner assumes some aspects of service delivery and the public assumes others (Warner and Hefetz, 2008);
- the introduction of competition in the local service market through competitive bidding between public and private operators.

The above mentioned tools, used to realize the privatization strategy, are characterized by the independence of the public and private organizations involved in the process. This represents the crucial difference between the Anglo-Saxon public services provision structure and the Italian one, which is similar to the public services arrangement of the other European continental countries.

In effect, Italian local governments entrust the provision of public services to enterprises that are legally separated by the local government. Since the beginning of the Nineties local utilities have taken an autonomous legal status that is actually represented by a prevalent joint-stock company legal form. So, a local utility can be a publicly owned firm or a mixed public-private firm.

The former is characterized by a private legal form and a capital totally owned by the local government. The second is a firm where the ownership is divided between the local government and the private parties. In both cases, the subsidiary's capital is participated by the local authority. Consequently, the municipality is, at the same time, the principal shareholder and the main customer of the subsidiaries responsible for

delivering local public services (dual role of the parent local government). So, in Italy the provision of local public services to meet the needs of citizens is characterized by a group structure composed of:

- the local authority as leader that retains the ownership of the function and responsibility;
- subsidiaries that are charged to provide public services.

The described situation highlights the specificity of the Italian local public service provision that is characterized by both the coexistence of different organizations (public and private) and the hybrid nature (legally private identity and public ownership) of the local government's subsidiaries. This implies a specific attention to the concept of governance and requires the need to analyze and evaluate the character of governance of the local authority group.

The concept of governance is broad, not univocal and used in different contexts (both public and private). Consequently, it is difficult to find a common point of view on the governance elements and definition. In the public sector, governance can be considered as the set of rules, practices and laws that allow the exercise of public authority in order to satisfy public interests. This approach highlights the aspects of control and coordination involved in a governance process to pursue the common interest (Lynn and Hill, 2003). Control and coordination can be attributed to the reduction of the public authority (Shick, 2003) that increasingly relies on the contributions of private actors in the provision of local public services (Kettl, 2000). The dissemination of different forms of collaboration and the subsequent development of reticular structures involve the emergence of a perspective of governance. The ability to coordinate and to make consistent the activities carried out by many organizations having different objectives (Pierre, 2000), can be considered a typical element of the governance concept. It is interesting to notice that this element implies some evident difficulties that are increased by the peculiar Italian public services provision structure. In effect, the coordination and control activity on the local public group members is more complex considering the dual role of the parent local government (shareholder and customer – see par. 3).

Actors, roles and relationships of the local government group are complex. This implies the relevance of the coordination activity and the difficulty to realize it in order to reach a model of effective governance. Hence the main interest of this work that is represented by the local government group governance, analysed in its main components (number of group members and coordination geared to meet public interests).

Given this premises, the objectives of the paper is to investigate some aspects that characterize the Italian hybrid externalization of the local public services provision in terms of local government groups composition and governance (considering the relations linking the parent local government and the hybrid organizations responsible for providing public services).

To this end, research was conducted and its objectives, methodology and results are presented in the following paragraphs 2 and 3. The analysis highlights:

- the plurality of subjects involved in a group of the public administration;

- the activities carried out by the parent local government and its influence on the composition of the subsidiaries decision-making bodies (coordination activities).

The last section (par. 4) contains some conclusions arising from the empirical results together with suggestions considered helpful by the authors to support the local government in defining an efficient governance structure for the hybrid structure of the local government groups.

2. RESEARCH QUESTION AND METHODOLOGY

Through their research the authors try to answer the following research question: what are the features of the local government group phenomenon in the Italian public sector and how to configure some governance issues relating to the local government group?

In detail, the analysis focuses on the following objectives:

- the composition of local government groups in the main Italian municipalities;
- the role played by the parent local government;
- the manner of appointing local government representatives in the subsidiaries boards;
- the influence of the parent local government in the subsidiaries governance in terms of number of advisers appointed by the total number of members of the Board of Directors of each subsidiary.

To collect information the methodology followed is represented by a telephone questionnaire.

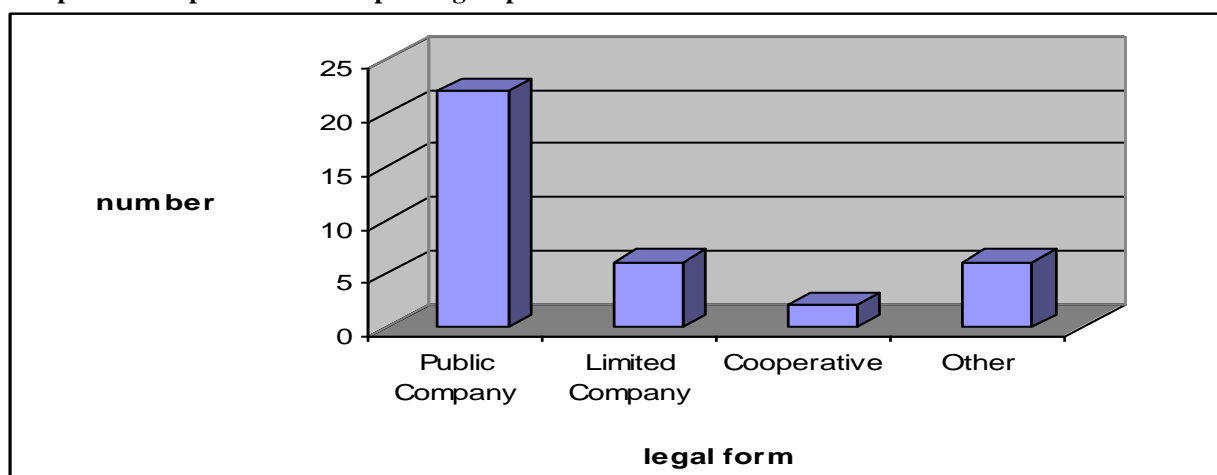
The sample investigated is composed by the Italian local governments having a population greater than 1.000.000 (Rome and Milan). The respondents were technicians of the local governments: directors or officers of “Subsidiaries Office”. Furthermore, the analysis on selected municipalities refers only to the entity directly participated by the local governments.

3. RESEARCH RESULTS

The analysis focuses on the following points:

- composition of local government groups;
- activities conducted by the parent local government;
- some profiles inherent to the governance structure of the local government groups.

Composition of local public groups. The first question of the questionnaire aims to investigate the local public groups composition in terms of the legal form of subsidiaries.

Graph 1 – Composition of local public groups

The 36 subsidiaries identified are shared as follows:

- 61% (22 subsidiaries) is represented by public companies;
- 17% (6 subsidiaries) is represented by limited companies;
- 6% (2 subsidiaries) is represented by cooperatives.

The residual category "Other" (17% – 6 subsidiaries) includes municipal enterprises, agencies, etc.

Together with the legal type variety the research shows a functional variety of the local government group. In fact, the business activities of the subsidiaries are heterogeneous: transport, disposal of waste, reflux of waste water, maintenance of urban green spaces, etc.

The fore mentioned results lead to some thoughts on:

- the need of the parent local government to consider the problems that may arise by the governance asset of the group in planning and controlling its activities. In other words, the definition of the governance structure may influence the group in defining its plans and the related control on results;
- the presence inside the local government group of private legal nature entities together with the local government. This implies the coexistence of public and private logic.

The activities undertaken by the parent local government. The second question of the questionnaire seeks to delve into the activities carried out by the parent local government analyzing its dual role:

- as a customer when it entrusts subsidiaries to provide local public services;
- as a shareholder arising from shares held by the parent local government in the subsidiaries equity.

Table 1 The activities carried out by the parent local government as a customer

	Activities
--	------------

Prevalent legal content activities	Drawing up of service contracts
	Definition of the selecting procedure to choose the providers of public services
Prevalent managerial content activities	Control on service contracts
	Accounting control on payments defined in the service contracts
	Coordination of local government internal sectors competent for the public services delivery carried out by the subsidiaries

Table 1 summarizes the activities carried out by local authorities as a customer. Both Rome and Milan answer that the role of customer is not played by the “Local government entities Office”. It is attributed to each municipal sector that is responsible for the specific service provided by each local government entity.

The respondents are oriented towards a prevalent managerial content activity represented by control on service contracts. The focus of the control is to verify the compliance of local public services to the qualitative and quantitative indicators contained in the service contracts. In some cases the control activity is accounting oriented, and it verifies the correctness of the amounts paid or received by the parent local government for the delivery of public services carried out by the subsidiaries.

More limited is the involvement of the respondents in carrying out an activity of coordination of their different internal sectors that are competent with respect to the local services provided by subsidiaries.

With reference to the activities with prevalent legal content the drawing up of service contracts is predominant. The definition of the selecting procedure to choose the providers of services is marginal.

Furthermore, the following hypothesis should be considered: the greater commitment of the respondents in prevalent managerial content activities stems from the fact that these tasks are of continuous type. Rather, the prevalent legal content activities take place only when their generating situation occurs (e.g. control on service contracts is done periodically throughout the year, while the drawing up of service contracts happens only when it is necessary to regulate relations between parent local government and its subsidiaries).

Table 2 The activities carried out by the parent local government as a shareholder

Prevalent legal content activities	Prevalent managerial content activities
drafting acts and deliberations	the investment plans analysis; the budget analysis; feasibility analysis for the formation of new subsidiary

preparing documents related to special corporate operations and drafting statutes or amendments to them	coordination of the local government representatives in its subsidiaries Board of Directors
collecting the subsidiaries balance sheets in order to annex them to their year-end report	support activity to the decision-making bodies on the subject of municipal investment
verifying the compliance of subsidiaries activities with the legislation on local public services	
participating in subsidiaries meetings	the analysis of the subsidiaries balance sheets; the drafting of qualitative and quantitative reports on the subsidiaries activity at the end of the year
collecting subsidiaries information requested by the Home Office	drawing up of the consolidated financial statement
appoint their own representatives on the Board of Directors of the subsidiaries	

In relation to the parent local government as a shareholder, the empirical findings show that this role is centralised and specifically attributed to the “Local government entities Office”.

The investigated municipalities show that prevalent managerial content activities are represented by: the analysis of the subsidiaries balance sheets; the drafting of qualitative and quantitative reports on the subsidiaries activity at the end of the year; the investment plans analysis; the budget analysis; feasibility analysis for the formation of new subsidiary. Sometime the local governments undertake support activity to the decision-making bodies on the subject of municipal investment. This activity takes place in the drawing up of an informative report by the subsidiaries or by the parent local government. The coordination of the local government representatives in its subsidiaries’ Board of Directors is more marginal. Only Milan declares to be on an experimentation on the drawing up of the consolidated financial statement of the local public group.

As for the prevalent legal content activities, respondents demonstrate a commitment predominantly in drafting acts and deliberations, in preparing documents related to special corporate operations and in drafting statutes or amendments to them.

The parent local governments also declare to collect the subsidiaries balance sheets in order to annex them to their year-end report; to participate in subsidiaries meetings; to verify the compliance of subsidiaries activities with the legislation on local public services; to collect data needed by the Home Office; to appoint their own representatives on the Board of Directors of the subsidiaries.

The empirical findings allow to identify the possible approaches of the parent local governments towards their controlled entities. In order to highlight them in a concise and comprehensive way, the following roles-activities matrix has been built.

Table 3 Roles-activities matrix

	Activities	
	Prevalent legal content	Prevalent managerial content

Roles	Customer	I - LOC	II - MOC
	Shareholder	IV – LOS	III - MOS

The first quadrant shows the parent local governments that act as a customer carrying out prevalent legal content activities (legal oriented customer – LOC). Contrarily, the second quadrant reveals the local governments engaged in prevalent managerial content activities in their role of customer (managerial oriented customer – MOC).

The third quadrant considers the shareholder position of the local governments that carry out prevalent managerial content activities (managerial oriented shareholder – MOS) . The fourth quadrant highlights the parent local government commitment in prevalent legal content activities as a shareholder (legal oriented shareholder – LOS).

The empirical findings on the activities undertaken by the parent local governments show that Rome and Milan are more oriented in playing the shareholder role rather than assuming the customer position. This situation is supported by the organizational point of view: in effect, the shareholder role is played by a specific office (“Local government entities Office”).

Governance profiles. The aspect of the governance structure analysed is the manner of appointing the parent local government representatives within the subsidiaries’ Board of Directors.

Three different ways can be followed by local governments to choose their members on the subsidiaries’ Board of Directors:

- Fiduciary relationship related to the political spoil system;
- Professional profile;
- Mixed method.

Rome and Milan express the use of a mixed method that defines a specific regulation for the appointment of local government representatives in the subsidiaries Board of Directors considering also fiduciary elements.

Two elements could be interpreted as a cause that influences the governance structure of the local government group:

- the strong presence of parent local government representatives in the subsidiaries’ Board of Directors;

- the diffusion of the fiduciary relationship between the politicians and the representatives in appointing the parent local government representatives in the subsidiaries' Board of Directors.

4. CONCLUSIONS AND WAYS FORWARD

Entrusting most local public services to local government entities has led to proliferation of public groups. In Italy, as well as in other European continental countries, the local group is characterized by the presence of a parent local government that has the dual role of shareholder and customer of the subsidiaries responsible for delivering local public services. The dual role assumed by the parent local government affect its relations with the subsidiaries also in terms of activities carried out by the parent local authority.

The empirical findings outlined above involve some concluding reflections on the investigated aspects.

Both the financial resources invested in the group and the social impact of its activities, show the essential need of a careful and united local government group management.

Local government groups are characterized by complexity that derives from at least three factors:

- the coexistence within the group of a public entity (parent local government) with private companies (subsidiaries);
- the hybrid nature (legally private identity and local public ownership) of the local government's subsidiaries;
- the heterogeneity arising both from the subsidiaries legal form variety and their functional variety represented by the different activities that the subsidiaries carry out (the local public services).

The complexity emphasizes the relevance of the coordination by the parent local government on the subsidiaries activities.

As to the activities carried out by the parent local government, they are strictly influenced by the hybrid externalization of the local services provision. In effect, the hybrid solution leads to a local government that is charged of different activities on the basis of its role as a shareholder and as a customer. As outlined by the research results, the shareholder role is centralised in the "Local government entities Office". This is significant because in that position they have the possibility to define the governance profile of the group. As a shareholder the parent local government carries out the managerial content activities related to specific issues (e.g. the analysis of the subsidiaries financial statements and the drafting of qualitative and quantitative reports on the subsidiaries activity at the end of the year). In this case, research highlights a focus on each subsidiary activity and not on the whole group. Furthermore, the local authorities does not aim at the establishment of group strategies and related control system to verify the results achievement. The research has also allowed to have a direct contact with the selected local governments. This reveals that the activities carried out by the parent local governments are conducted in terms of habitual practice, rather than informational supports for the decision-making process. Such a situation highlights that there is not a

"group approach" by the parent local government towards its subsidiaries and, consequently, this leads to a reduced consideration of the governance issues.

In conclusion, the analysis points out the presence of the conditions for defining a governance structure that leads to an efficient and effective group activity. These conditions are represented by the coordination need, the formal control deriving from the parent local government participation in the subsidiaries' equity, the common objective of all the local government group members represented by the community needs satisfaction, etc.,.

The outlined circumstances do not reflect on the parent local governments' commitment in defining an approach to direct the activities of the group.

To improve this situation, the parent local governments could:

- review their relationship with the controlled entities in order to take a more results-oriented point of view rather than one influenced by short-term political objectives;
- adopt a "group approach" as an overall guideline that can be used to address the one-on-one relations between the parent local government and each subsidiary;
- implement planning and control group instruments, e.g. strategic plans and consolidated financial statements (Preite, 2006). These tools can allow the operating effect of the governance commitment;
- empower all members of the group on the defined objectives through the implementation of appropriate instruments of external accountability (De Matteis, 2010).

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NEW STRATEGIC APPROACHES IN ROMANIAN PUBLIC ADMINISTRATION

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Abstract: *In the condition of a dynamic environment where the citizens needs and requirements are constantly changing, a particular importance in ensuring a competitive advantage, it assumes strategic approach of the public organization, where marketing becomes a source, a management model necessary for increasing efficiency of the organization. Marketing fulfils four functions in public organization, which reflects a circuit in a continuous movement, aimed to investigate the market, identify community needs, to meet the needs of citizen, therefore lead to increase economic efficiency and permanently connecting the public organization to dynamic environment, this in turn can be achieved by a thorough and efficient market research for the Community that addresses. Therefore the marketing strategy in public organization is a new concept, a new way of thinking, a new orientation which is designed to meet the needs of citizens and to improve the image of public organizations. This paper proposes a comprehensive approach to community development strategies through public marketing. The structure of the paper is represented by introduction, specialized literature review and content. Our research highlights the importance and the need of implementing a marketing strategy in the public organization for local development and beyond.*

Keywords: *strategies, public administration, public marketing theory, public management*

1. THE CURRENT STATE OF KNOWLEDGE

The scientific research conducted by specialists from the public management field gave the possibility to establish several opinions regarding public marketing and strategic directions for impact implementation, monitoring and evaluation in public administration. Thereby, Alexandru Nedelea (2006) in his study „*Marketing in Public Administration*” argues that public marketing is marked by a number of features caused by the specific of public field, the environmental influence on public institutions and by some specific elements from the public service.

Public marketing could be seen as a form of social innovation for public administration, it could represent a new way for resolving the various problems of the public system regarding the promotion of its programs, their necessity and effects. For

public institution, marketing represent a method to obtain and keep people satisfied with the programs developed and implemented by the public field.

Also, this issue has concerned on Vasile Munteanu in his study „*Public Marketing*” (2006), stating that public marketing is concerned with the development of principles, regularities, methods and techniques available for connecting the services offer and demand (public, for information, charities). Public marketing’s objective would be to meet the citizens’ needs and social prosperity.

Lurdes Marlene Seide Froemming in his study „*Marketing público*” (2009) argues that in order to obtain benefits from using public marketing concepts, it is necessary to apply the principles of strategic planning, as it is achieved in any management activity.

The organization strategy problems discussed by Ana - Maria Bercu in her study „*Public management strategies*” (2013), defining the strategy as being a series of organization goals and objectives, for medium and long term, an optimum use of organization resources for the purpose of achieving them in order to obtain a competitive advantage according to the organization's missions.

Adriana Grigorescu, Constantin Bob, Emilian Dobrescu in their study „*Public and Private Business Marketing*”(2007), underlines that public marketing has show up as a new approach for public organizations because of their need to offer services to citizens in a satisfactory manner. This it aims to change the citizens attitude about the society’s problems overall.

Martial Pasquier in his study „*Marketing del sector público*”(2009) stand by the idea that the services offered by public sector are not a smooth unit. The services nature (health, education, infrastructure etc.), the intervention method (direct implication, delegated to another authority etc.), the management system, the public organizations environment (the authorities’ situation, government monopoly, controlled competition, endless regulations etc.) are extremely varied. The author believes that studying these public organizations services and activities from the marketing’s perspective, it could finally establish some clear criteria to facilitate the method for implementing the marketing tools in the public field.

Also, on this line Judith J. Madill in her study „*Le marketing dans le secteur public*” (1998: 10-20) shows that marketing in the public sector is not a smooth activity because there are four types of marketing in the public service and underlined that there are major differences between public marketing and private marketing, these differences make it impossible to apply marketing techniques from private field to the public one. The author believes that a well-designed public marketing strategy that takes into account the characteristics of institutions from public field, it could help a lot the public officers to serve the citizens and overall to achieve the institution’s objectives.

In contradiction to the ideas developed by the author Judith J. Madill is the opinion of the authors Andreas Kaplan and Michaela Haenlein that in their study „*The increasing importance of public marketing: Explanations, applications and limits of marketing within public administration* (2008), quoting Parker shows that for marketing, the public administration recalls associations of bureaucratic processes, inefficiency and lack of performance, while for public administration, marketing is sometimes seen as a non-productive and resource consumption sector.

Chías Suriol Josep, in his study „*Una teoría general del marketing público*” (1995), states that public marketing represents the changing science from public sector.

On this line, the author Santesmases Mestre Miguel, in his study „*Marketing. Conceptos y estrategias*” (1996) believes that public marketing is a part of the business marketing that circumscribes to the exchange activities between public authorities. However, it doesn't include activities carried out by the companies from public property which compete with the private sector and seek economical benefits.

José Luis Vázquez Burguete, Pablo Gutiérrez Rodríguez, María Purificación García Miguélez, Helena Maria Baptista Alves in their study *Pasado, presente y futuro del Marketing Público. El ciudadano como consumidor de las administraciones públicas* (2010) have introduced the concept of public marketing both in a limited way and in a wide way.

Lucica Matei in the study *Public Management* (2006), shows that the public sector has always performed public marketing, but didn't use this term. One of the main reasons put in favour of public marketing development is the necessity to discover the citizens' needs for meeting the general interests with a quality service. And knowledge needs is just the core of marketing.

2. THE NEED FOR PUBLIC MARKETING AND STRATEGY IN PUBLIC ORGANIZATIONS FROM ROMANIA

In the speciality literature there are a number of interpretations for the strategy concept, it isn't allowed a single universal and unanimous accepted definition. The recent practice in the social sciences field is accompanied by a growing interest in seeing the strategy as a social practice (Nordqvist, Melin, 2009: 15-17), with implications for the development of public organizations. From a historical point, the strategic planning was seen as one of the most important practices of an organization.

The strategy can be defined as a set of organization goals and objectives, on a medium and long term, optimal resources utilization for achieving them, to obtain a competitive advantage according to the organization's missions. Regardless of how the strategy is defined, it maintains a social economic development for public organizations through efficient and optimal resources utilization (human, informational, financial, and technological) and through a satisfaction of citizens needs.

A public organization characterized by strength, formalism and inflexibility, must answer to the ever growing and changing citizens needs, which requires a high degree of adaptability and compliance. The strategically directions can lead to the organization's development, to diversification and expansion. From here, it could be applied a number of strategies such as: communication, diversification, development, administrative, economic strategies and especially marketing strategies.

It is important to understand that marketing is not limited only to advertising or promotion and product pricing determination; distribution and promotion are a part from the marketing strategy (Madill, 1998: 19).

In terms of a dynamic environment where the citizens needs and requirements are constantly changing, a special importance in ensuring a competitive advantage is the

strategic approach of public organization, where marketing becomes a source, a management model necessary for ensuring the organization efficiency growth.

As such, marketing can be defined as planning, coordination and control of all the public organization activities, focused on the current and potential markets. Through a permanent satisfaction of citizens needs, it is pursuing the organization objectives achievement.

The public organizations come into contact with citizens, with which it should maintain good relations. Their purpose is to provide public services such as: transport, health, education, social security etc.. Although they often own monopoly (eg. passports and identity cards releasing, defence services etc.), some services are provided by private actors that offer a qualitative version (eg. private schools, private hospitals, courier services etc). In some opinions (Anton, 2013: 108-110), for the health system in Romania the main challenge is to improve the mix of resources to support medical (doctors, hospital beds and pharmaceuticals) and to develop a strategy for this sector which must have the aim to grow the role of private health systems as: introduction of new formal mechanisms to co-payment for reduce informal payments, further market development and regulation of insurance voluntary health.

As a result, the role of public marketing strategy is to determine citizens' needs, to develop and to improve the products and services offered, to improve the communication between public organization and citizens and also to measure the level of citizens' satisfaction (Lurdes, Seide, 2009: 19).

At present, there are many problems in public organizations and in the way how public services are provided, this leading to a low level of gratitude and satisfaction for the society.

The major difference between public marketing and marketing from the private field is that the public organization doesn't seek a profit, doesn't sell a particular product or service, but wishes to inform, to present some issues that would have a major impact on society, for example the advertising campaigns for information made by Romanian Police regarding the reduction of deadly accidents number, broadcasted by Romanian televisions, their purpose is to determine public opinion awareness on the dynamics and consequences of road accidents and also to reduce the number of road accidents that are caused by excessive speed and passer's indiscipline.

But, public marketing techniques uses the techniques from the private field, by promoting the policies developed by the public organizations, but as already stated, for example, from an advertising campaign (for information) it isn't intended to have as a immediate outcome, selling a product but rather it wants to keep the citizens informed and satisfied with public services.

It is important to mention that public marketing strategy isn't used to transform the public sector into a private sector. This it should take into account the specific characteristics of the public sector, in orders to fortify them by applying marketing concepts. But, public organization must remain careful and not to think that marketing is able of anything: marketing is not a universal cure; it is only a process that allows an efficient organization of the public sector (Romain, 2007: 53-54).

In public organizations, the resources (human, material, financial, informational) are allocated mainly on current activities' evolution (collecting taxes and fees etc.) and less on its services development and innovation, so citizens' are not satisfied with the way they are served by public officers and with the method of solving problems.

Public marketing is considered to be an application of the methods and practices from the private sector into the public one, but it is taking into account the environment and the public activity's feature. There are a number of barriers in the marketing application process in public organizations, which are based on the lack of confidence shown by the staff from public organizations and on the reservation that comes from their part, and public officers perform their duties in a traditional manner and without taking into account the needs and the changing and growing requirements of the citizens.

In some cases, in a public organization when it makes a decision, first it isn't detected the demand and then later it is build the required offer. An example may be the decision to build a gym in a community where the proportion of young population is relatively small and so it isn't show interest and benefit for that community. This decision is made precisely because it refuses to use public marketing techniques designed to remove these differences between "demand" and "offer".

Because of failing to promote the public services and the new techniques of using these services, citizens have a specific negative mentality towards them. In the way that a large part of public organizations do not have a website or if they have it has poor information, there isn't the possibility of using public services online, or it is limited. For example, seeing all websites of the city halls from urban area of Moldova, there was found that some websites such as Darabani, Adjud, Roznov, Comănești City Hall have some vague information about the city hall's activity overall, without including online services, public documents, the number of website visits, etc., while the websites of Galati, Iasi, Piatra Neamt City Hall presents a wide range of information about online services, how to use them, public documents useful to citizens, the number of website visits, a section that promotes certain private companies from the area, etc.

So, through the marketing strategy implementation in public organizations, they will adapt to the social economic realities, because researching the society needs overall and identifying the main complaints of the citizens and their needs, they will be able to act immediately in direct correlation with the changes and the various citizens requirements. Under these conditions, their image is improved, the satisfaction level (for public officers and society) increases and the public services will be better, especially considering the adaptability to the citizens needs.

Public organizations' marketing performs four functions that can be represented schematically as follows:

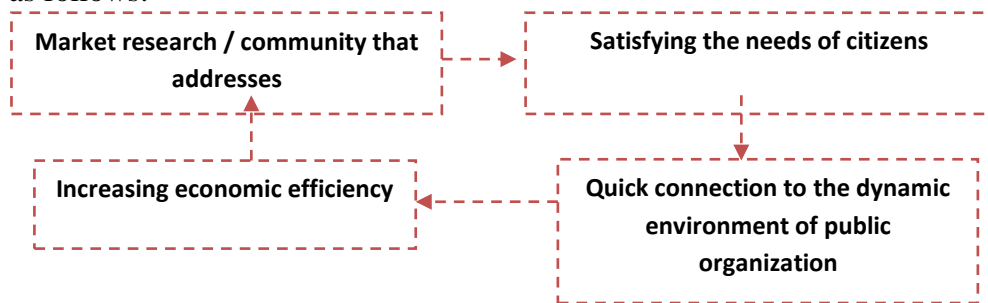


Figure 1.1 Marketing functions in public administration

Source: processing of information by Nedelea (2006)

The four functions that marketing it performs in public administration, represented in Figure 1.1, reflecting a circuit in a continuous movement, designed to research the market, identify community needs, to meet the needs of citizens, lead to increasing economic efficiency and permanently connecting public organization to environmental dynamics, which in turn can be achieved by a thorough and efficient market, which addresses community.

Since the public sector there are little choices and public services offer is poorly promoted people are turning more often to the private sector. In this regard we can mention medical services (hospitals, private clinics), education services (kindergartens, schools, and private universities), and postal services (courier service). As a result, public marketing is required, in order to investigate the "market" thus identifying the needs, and also to investigate the level of citizens' satisfaction.

The public administration misunderstands marketing term because it always is associated with advertising, but it has four instruments: product (service), price, distribution and promotion (the correct information). So the basic idea of marketing is "satisfaction and value for the citizen". According to town halls analysis in the Moldova region was found that out of 55 analyzed only 12 municipalities have implemented the counting number of hits, which means that public organizations are not directly concerned to monitor the site impact to the citizens and that the information presented are of a real value to society as a whole.

As such, even if the relationship is not commercial between citizen and public administration, because citizens do not pay directly and do not choose their supplier, marketing in the public sector is useful in terms of knowledge needs of the population and the need to provide quality services that meet the citizens' needs. Basically, a public organization must research the market and identify those taxpayers' needs that they serve.

Currently, implementing the marketing strategy in public administration in Romania is no more a fashion but a necessity, due primarily to the evolution of society and secondly the requirement of the public sector to meet the multitude of general and collective needs, most of the time with more limited resources (both financial and human).

3. RESEARCH REGARDING THE DEGREE OF IMPLEMENTATION OF THE MARKETING STRATEGY WITHIN PUBLIC ADMINISTRATION IN ROMANIA

3.1. The current stage of implementation of marketing within public institutions in Romania

Currently, public institutions in Romania make decisions and allocate financial, material, economic and informational resources without taking into account the population's requirements and the degree of necessity of a certain service.

At this time, the public marketing strategy is implemented the most in the public transportation field, in the medical field, in education and it is implemented least or not at all within city halls.

A direct marketing program named Ad Personam took place at the public transport level. It was deployed in medium cities and focuses on 7 pilot projects from 7 European countries (Albacete (Spain), Baia Mare (Romania), Besançon (France), Funchal (Portugal), Heraklion (Greece), Lancaster (United Kingdom) and Modena (Italy)). Ad Personam promotes Local Public Transport and it is a European project, co-financed by the European Commission within the “Intelligent Energy Europe” program.

In Romania this program underwent development in Baia Mare by the Baia Mare City Hall and SC Urbis SA (local public transport company). Towards this purpose, the city hall put together a marketing strategy, researching the field and advertising appropriately. The Baia Mare municipality considers the Ad Personam project the starting point of a new friendly and intelligent local transport system, creating a marketing plan that desires its expansion to a national level by involving more local public transport companies, as well as city halls².

In the medical field there are frequent ad campaigns designed to inform the citizens of the excessive use of some products. The Ministry of Health comes to the aid of the citizen by offering products according to their needs and requirements. There is also a series of campaigns to aid people suffering of cancer, HIV, hepatitis etc. all of these in a partnership with the public health domain. The public medical sector is developing marketing strategies with the purpose of helping the citizens have a healthy life.

As for the education sector, public marketing is applied somewhat. For example, universities create a marketing strategy every year to promote their colleges and draw in students, involving campaigns to inform potential students and research their requirements, needs and wishes.

At this point in time, public organizations in Romania are poorly promoted, especially on the Internet, which is a disadvantage when it comes to their image (and the image of the public sector) and when it comes to a more extensive approach to the organization's budget itself.

It is estimated that currently the public marketing strategy is implemented and promoted most in the health, public transport and education fields and it will gradually spread to the other fields and local institutions, like city halls and local councils. Research was conducted on official websites of city halls from the urban area of Moldova to identify the degree of implementation of public marketing in city halls.

3.2 The purpose of the research

The purpose of this research is to emphasize the degree of implementation of the marketing strategy within city halls from the urban area of Moldova, to emphasize the importance and necessity of phasing it into our country's public administration.

²<http://www.marketingpublictransport.eu/spip.php?article579> (accessed on 11.03.2012).

3.3 The research hypotheses and goals

The conducted analysis emphasizes that local administration pays a great deal of attention to public marketing and indentifying marketing activities that are taking place in the urban area of Moldova.

Hypotheses

H1. Within public organizations marketing is a concept, a way of thinking, an orientation meant to answer to the needs of citizens and to improve the image of public administration

H2. The local administration misunderstands the term “marketing” because they always associate it with publicity, not the complex content showcased by the four instruments: product (service), price, distribution and promotion;

H3. Local administration marketing is a systematic search process that leads to knowing the market and the consumer.

H4. City halls contain a public marketing organizational structure.

General objective

The general objective of the study is to emphasizing the degree of public marketing implementation in the city halls in urban areas of Moldova.

Specific objectives

a. Identifying the existence of city halls’ official sites for the purpose of analyzing public institutions.

b. Identifying the popularity of official websites for the city halls in Moldova’s urban area.

c. Identifying the quality of the services offered through the official websites for the city halls in Moldova’s urban area.

d. Identifying the attention city halls pay to public marketing by analyzing local development strategies.

3.4 Research methodology

The research technique used was *description* (Iosif, 2001: 23). This entails taking a photo, an image based on observations and documents. The methods used in this research looked at both quantitative and qualitative elements.

Quantitative methods entailed the collecting of numerical data, processing and analyzing it and presenting them as tables or charts.

The *Qualitative methods* were comparison, decomposition, grouping and generalization.

Comparison represents the most common form of materializing the logical thinking process applied in the examination of phenomena, through which one seeks to establish the similarities and the differences between them. It is the first step of analysis because it leads to obtaining a qualitative and quantitative characteristic of the researched phenomenon’s evolution.

The decomposition method entails splitting the researched phenomena and processes to their basic elements in order to gain in-depth knowledge of them. It is a deductive process, moving from generalization to specifics, from the whole to the part. The method ensures the possibility of locating effects and causes within time and space.

The grouping method entails identifying essential characteristics of the researched collective and forming groups based on them. This method requires conducting a multilateral research that leads to identifying the homogenous groups of characteristics.

Generalization (or result evaluation) is a qualitative method of reuniting the conclusions we drew from the study into a coherent ensemble, while at the same time keeping the essential aspects (Niculescu, 1997: 22).

Applicative research

In order to conduct this research an analysis of the official websites for the city halls in Moldova's urban area was performed. These city halls were chosen because they represent a homogenous, heterogeneous population and because the percentage of population living in an urban environment is greater than the percentage of population living in a rural environment, making the results of the research more relevant.

Data was obtained by individually accessing each official website for the city halls in Moldova. They were found on the internet by using the Google search engine (this step was necessary because there is no standard model for the domain name, for example the Onesti city hall's website is <http://www.onesti.ro/>, while the Gura Humorului city hall can be found at <http://www.primariagh.ro/>). The research was conducted between 17.02.2013 – 05.04.2013.

What was researched?

- a. the existence of the city halls' websites, the design, advertising the city, the local companies and the city hall;
- b. number of hits the website got;
- c. conducting polls on the website;
- d. the existence of local development strategies and how much they value marketing.
- e. the existence of a public marketing department within the organizational structure

For the city halls that have an official website, each researched element was graded (very good, good, satisfactory, bad, and very bad). A description can be found in Appendix 1-5.

3.5 Analyzing and interpreting data

a. The existence of the city halls' websites, the design, advertising the city, the economy and the city hall

Public organizations' budgets could grow if they had internet advertising through a website, on account of the fact that they could advertise the surrounding areas and the tourism potential with the resources they value and most importantly they can obtain money through each click on links or banners, for their contribution to sales or ads, also

local businesses could be included on the city hall website, thus raising their profit as well as the city hall budget.

Advertising activities are a landmark of public organization activities due to them supplying information that can be considered one of the three basic instruments that the organization uses to influence the citizens' opinions, attitudes and behaviour, next to the economy policy instruments and the regulations (Andreas, Kaplan, 2008: 205).

Advertising within public organizations needs to follow the change in the citizens' perception of it by showcasing quality of service and public servant professionalism.

As such, advertising is the way to present an image of the organization that attempts to improve it, displaying the organization's prestige while also seeking the good will of the public by displaying success and accomplishments. This is necessary and efficient for the public sector.

An analysis of the official websites of city halls in Moldova's urban area revealed first of all that most of the have an official website (only two out of 55 don't have one, Beresti city hall in Galati county and Darmanesti city hall in Bacau county) and the city halls of Brosteni (Suceava county) and Podu Iloaei (Iasi county) only have a blog featuring mostly information about the town. Aside from these there is also the website of Vicovu de Sus city hall which could not be accessed due to an error that persisted throughout the entire duration of the research. As such we can conclude that the public administration took a first step towards promoting and implementing a viable and efficient marketing strategy.

Official websites are diverse, from encompassing to lacking in detail. There are some websites that should be an example for the entire Moldova area, like *the Galati city hall website*. It has a clear structure, a simple design and it is easy to find information.



Figure 3.1 Galati City Hall Website
Source: <http://www.primaria.galati.ro/> (accessed on 11.03.2013)

In the *Portal* section there is data about the city hall, local council, organization, public services, the schedule, it includes surveys, counts the number of hits, a map of the city, European projects undertaken or completed, the local development strategy etc. The *Online forms* section contains declarations, applications for issuing licenses, permits, authorizations, etc.

The *Local economy* section features local economy news, information about companies, institutions and organizations in the city, local investments, foreign exchange etc. Companies, institutions, organizations are grouped by area of activity (health, banking, computers and telecommunications, etc.) and their address, phone number and daily schedule are displayed, in other words promoting the local economy and attracting investors to the area. That is why we can say that Galati is a major economic centre in Moldova.

As such the official website of Galati City Hall promotes both the city hall by providing useful information to citizens about the public services they offer, undertaking marketing research and developing a local strategy based on the needs of the citizens, and the city by promoting local investors while pursuing other investors.

Another official site offering information about public services offered to citizens, trying to get closer and closer to them is the *Iasi City Hall site*.

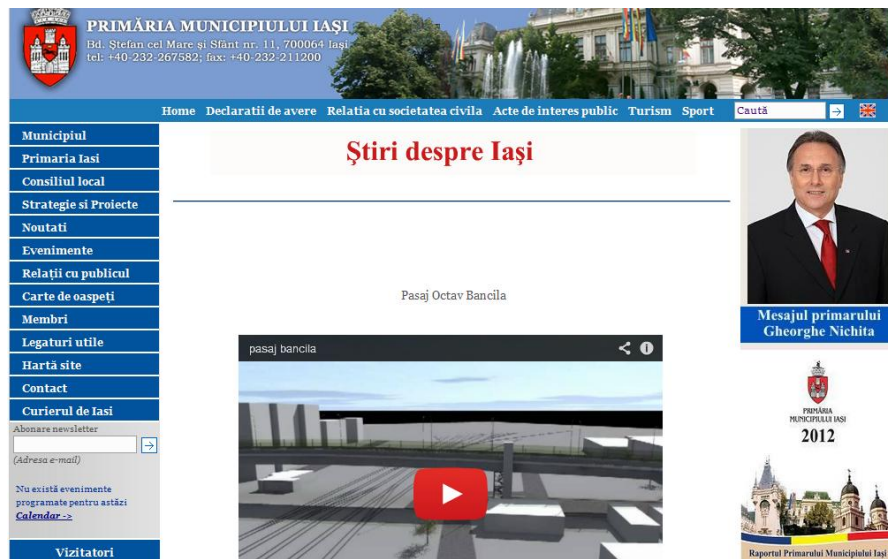


Figure 3.2 Iasi City Hall Website

Source: <http://www.primaria-iasi.ro/> (accessed on 11.03.2013)

It has a nice design but it requires some improvement, it is too simple, but the information is available to citizens, all European projects undertaken and completed are presented and detailed, it presents some aspects of the city in general but it could promote culture, economy, tourism and public institutions better.

Regarding the official website of Piatra-Neamt City Hall, it offers a wide range of information, from things related to the city in general to those directly related to the public institution. The public information it contains is meant to inform citizens about the

organization, its activities and its responsibilities, the sights of the city and its promotion in general. The design is pleasing; colours were used in the coat of arms that is a dark brown, red and gray.



Figure 3.3 Piatra Neamț City Hall Website

Source: <https://www.primariapn.ro/> (accessed on 11.03.2013)

This site promotes both the city with a photo gallery of main sights, and public administration. A page that is useful to citizens is named "*see how public money are being spent*," it consists of an interactive map that can be accessed at the following link <http://www.hartapiatraneamt.com/>, it enables citizens to track investments, their location, their status and their value. This map enables users to search for an investment in Piatra Neamț and also select an area of interest:

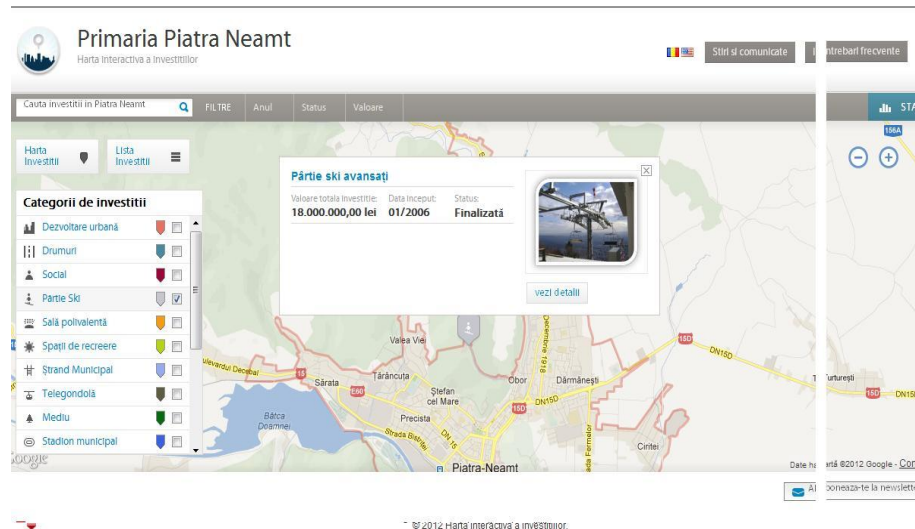


Figure 3.3 Piatra Neamț City Hall Website

Source: <http://www.hartapiatraneamt.com/> (accessed on 11.03.2013)

As such, this site is created to suit the needs and demands of citizens, promoting online services, ensuring high transparency and growing closer to citizens.

On the other hand, the vast majority of sites in the urban area of Moldova are created only because local authorities are required to have a website, they contain little information, contain no online services, they do not present the city hall departments, the

daily schedule, the public documents, etc. In other words they do not "sell themselves" appropriately, do not promote themselves or provide public services that citizens need.

In this regard the Darabani City Hall (Suceava County) website can be given as an example.



Figure 3.4 Darabani City Hall Website

Source: <http://www.primariadarabani.ro> (accessed on 11.03.2013)

As shown in the figure above, the site is simple, it does not provide information about the City Hall activity, contact details, name of the mayor, the existing departments, organization, does not include surveys, counting the number of hits, promote economy area, investors, public institutions and most importantly it does not provide citizens with the necessary information about the municipality (daily schedule, offices etc.)

The Adjud City Hall official website also offers little information, it is outdated, badly promotes the town and the overall activity of the city hall, and most importantly it does not target citizens, it doesn't take into account the needs and wishes of society.

With more involvement by the public authorities, they could be closer to citizens by implementing a well-designed official website that responds to the demands of citizens in an effective manner.

There are major differences between the two categories of websites. Though they all are in urban areas of Moldova, their websites and the services available through them are totally different, what distinguishes them most is the implementation of marketing strategy.

By creating a marketing strategy in line with the requirements, needs and desires of citizens we would see an increase in long-term socio-economic development, the overall public administration picture would improve and people would be more satisfied with the public services provided.

For City Halls that have an official site it has been analyzed primarily in terms of *design, the promotion of the city, the economy (companies in the area), the city hall as a whole* and according to the degree of fulfilment of each of these criteria, a grade was established for each municipality in accordance with Appendix 1.

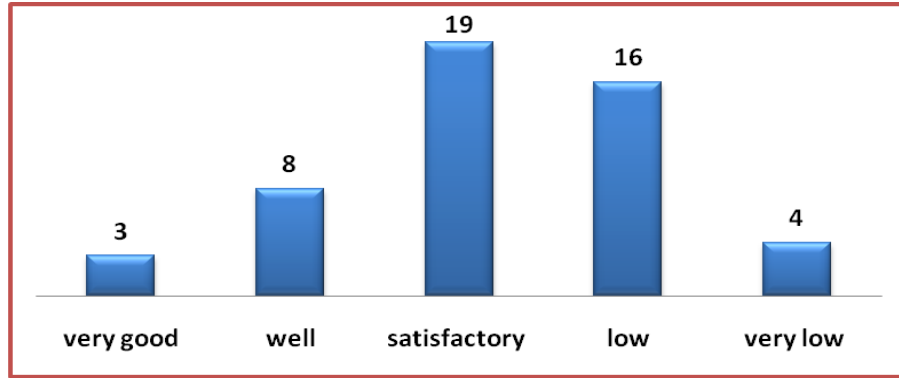


Figure 3.5 Classification of municipalities according to the rating given to the design, their promotion of the economy and the city
Source: processing data by the authors

It follows from the above figure that most official websites of municipalities in urban areas of Moldova were rated *satisfactory* which means that most have overloaded pages, menus with many sub-categories, the promotion of the city and the local economy is weak but it's there, even if only to a small extent. The three sites that were rated *very well* were Galati (Galati County), Piatra Neamt (Neamt County), Gura Humorului (Suceava County), they have a professional website, the pages include new and relevant information. You can easily browse the information about the city and promoting companies in the area is great. They are closely followed by the 8 sites that were evaluated as *good*.

An encouraging aspect is the fact that only 4 of the 50 official sites were rated *very bad* (Darabani, Roznov, Salcea, Solca), which means that marketing is starting to be implemented locally and attention is paid to promoting public image, but it requires some work.

b. Counting the number of hits

As for counting the number of hits the site gets, it is only slightly implemented, meaning that public organizations are not directly concerned with monitoring the impact that the site has on the citizens, if the information presented there are of real value to society as a whole and whether citizens use the services that are provided online.

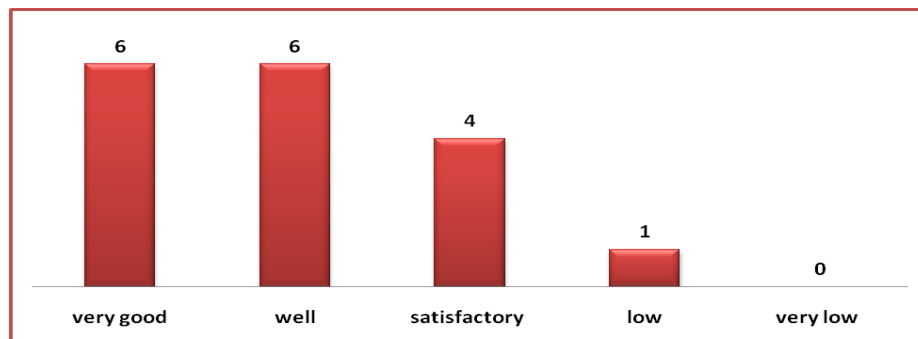


Figure 3.6 Classification of municipalities according to the rating given for counting the number of hits

Source: processing data by the authors

From the figure above we can conclude first of all that of the 50 official sites owned by municipalities in urban areas of Moldova 17 have implemented this service while 33 have not yet implemented counting the number of hits, and second of all it can be observed that of the 17 that have implemented it, most of them evaluated as *very good* and *good*, according to Appendix 2, which means that these municipalities show the total visitors, visitors per day, per current week, per current month, they make charts to identify the point at which there was a decrease or an increase in hits, you can compare the two cities by the charts and also they show the number of online visitors.

Table 3.1 Municipalities / cities that have implemented counting the number of hits

County	City / Municipality
BACĂU	Bacău
	Onești
	Comanesti
BOTOȘANI	Stefanesti
IAȘI	Iași
	Pașcani
SUCEAVA	Suceava
	Câmpulung Moldovnesc
	Gura Humorului
VASLUI	Bârlad
	Huși
VRANCEA	Focșani
	Adjud
	Marăsești
	Odobesti
	Panciu
GALAȚI	Galați

Source: processing data by the authors

Counting the number of hits the site could be considered feedback from the public. For this purpose it's considered that the greater the number of hits, the higher quality of the offered services and the more citizens are satisfied with the information presented on the site.

It follows from Table 3.1 that City Halls / cities that have implemented counting the number of hits are the most interested in the quality of services and the importance that people attach to the information presented on those sites. You can also track the increase or decrease in the number of visitors accessing the website depending on the importance and utility of the services, posted information, and thus identify which are the necessities and preferences of citizens.

c. Conducting surveys on the website

In the public sector as well as in the private sector, market research is needed to identify which are the needs of citizens, their shortcomings, desires, and what you can improve, in order for the public organization to use the adequate tools to provide high quality services to society with professionalism and perseverance.

In the case of public organizations, marketing research helps the manager understand the external and internal context of the organization on order to identify the strong suits, the weaknesses, the opportunities and the threats, as well as to evaluate and develop viable alternatives for the citizens. In other words, marketing research leads to a better understanding of the environment, for the purpose of making better decisions from an economic, political and social standpoint (Olay, 2003: 7) .

According to the analysis of official websites of City Halls in Moldova's urban area it was concluded that of the 50 City Halls that have an official website, only 6 implemented online surveys.

Table 3.2 Municipalities that have done surveys on the site

County	City / Municipality
BACĂU	Bacău
	Moinești
	Comanești
NEAMȚ	Piatra Neamț
VASLUI	Negrești
GALAȚI	Galați

Source: processing data by the authors

Of these, the most useful surveys were applied by the Galati City Hall. They had 5 surveys on different local affairs:



Figure 3.7 Surveys conducted by the Galati City Hall

Source: <http://www.primaria.galati.ro/portal/voteaza.php?pollid=5>

They promote and involve citizens in decision-making, aiming for public services in line with their wishes, needs and views, while promoting increased communication. Performing activities in accordance with the wishes of citizens means they will be happy, satisfied and have a real opportunity to change the city as they wish, achieving high transparency.

The websites for the municipalities of Bacau, Moinesti and Piatra Neamt conducted surveys on public opinion about the current site, which means that they are interested in citizen feedback and willing to create a site that is useful to both the entire population in the area, and people in other areas, granting everyone the right to participate in these surveys.

The City Hall of Negresti (Vaslui county) asked the question “*Do you think changing the current mayor would benefit the city of Negresti?*” and the City Hall of Comănești (Bacau county) asked “*If there were a conference for the purpose of informing citizens about our urgent priorities at this point in time in Comanesti, which of the following approaches would persuade you to participate*”.



Figure 3.8 Classification of municipalities according to the rating given on creating online surveys

Source: processing data by the authors

It follows that in the implementation of surveys a single municipality was rated *very well* (according to Appendix 3), namely Galați City Hall. It was interested in the wishes of citizens in various areas and it tries to grant them in a satisfactory manner. The analysis carried out on the sites pointed out that municipalities that have implemented such surveys have sites that have received *good* and *very good* marks.

Marketing research for government needs to retrieve information from citizens and their reaction to the public services. Preparation, implementation and evaluation of marketing strategies in a public organization should be based on accurate information, on the exact knowledge of the realities, phenomena and processes in society as a whole.

d. The existence of local development strategies on the website

After analyzing the sites of urban municipalities of Moldova it was found that of the 50 municipalities that have official website, 17 have published local development strategy.

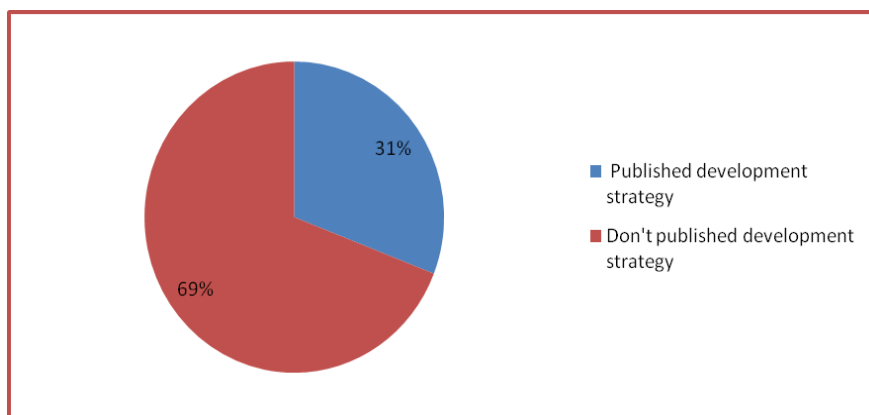


Figure 3.9 Rates for publication on the website of the local development strategy

Source: processing data by the authors

As such, only 31% of municipalities (urban area of Moldova) communicate to the people what they want to achieve in a certain period of time and subject their plans to a public debate in order to identify the needs and wishes of citizens and later to integrate that into the strategy.

Table 3.3 Municipalities and cities that published their development strategy on the website

County	City / Municipality
BACĂU	Moinești
	Onești
	Comanești
	Târgu Ocna
BOTOȘANI	Dorohoi
IAȘI	Iași
NEAMȚ	Piatra Neamț
	Roman
	Roznov
	Târgu Neamț
SUCEAVA	Fălticeni
	Gura Humorului
VASLUI	Bârlad
	Huși
VRANCEA	Adjud
	Mărășești
GALAȚI	Galați

Source: processing data by the authors

The table above shows the cities and towns that published the development strategies. They were analyzed and were marked according to Appendix 4.

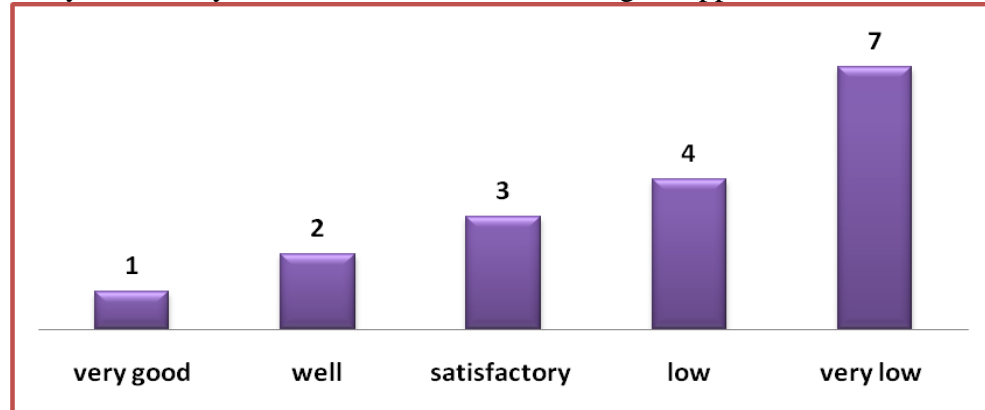


Figure 3.10 Classification of municipalities according to the rating given to local development strategies

Source: processing data by the authors

It follows from the above figure that most of the urban area of municipalities in the urban area of Moldova evaluated as *very bad*, meaning they only published the local development strategy, but they don't contain marketing issues. However, they accomplished a first marketing activity, namely informing citizens about development strategy.

According to Figure 3.10 and the emphasis on marketing in these development strategies, a classification of the official websites of municipalities in urban areas of Moldova was made.

Table 3.11 Classification of municipalities according to the contents of their development strategy

Rankings	City / Municipality
1	Galați (Galați County)
2	Piatra Neamț (Neamț County)
3	Iași (Iași County)
4	Gura Humorului (Suceava County)
5	Onești (Bacău County)

Source: processing data by the authors

From the table above we can see that the development strategy of the *Galați City Hall* is in first place, being the only one that was rated *very good* on account of the fact that it contains marketing issues, placing a greater emphasis on targeting public services at citizens' satisfaction (this is accomplished through marketing research and informing the citizens of the implementation of public services etc.). In addition they provide: the transparency of decision-making and expenditure of public funds through public information on planning costs and city planning regulations, the improvement the public image of the City Hall by providing quality public services consistent with the

requirements of citizens, the conservation and enhancement of cultural heritage and tourism by developing a marketing strategy for the city.

As such, the Municipality of Galati pays attention to service quality and improving services, promoting a positive image, ensuring a high transparency and developing and implementing a marketing strategy, being the only municipality in the subject analysis which takes into account the implementation of a marketing strategy.

Piatra Neamt City Hall ranks second in terms of the contents of the local development strategy. At first, this strategy was subject to public debate through a questionnaire, identifying the desires, needs and shortcomings of citizens, in other words they accomplished what specialized literature calls marketing research.

As a benchmark they proposed a modern local government based on satisfying the needs of citizens, which is achieved using marketing research and the creation of information points at the local government level.

Regarding the local development strategy of *Iasi City Hall*, it ranks third because some aspects of marketing are covered. It aims to create a favourable image for Iasi, creating a knowledge-based industry, the use of tourism potential, all of which are achieved through European projects and through careful promotion. A representative marketing aspect is the implementation of promotional activities to become a major service centre for the region.

Gura Humorului City Hall ranks fourth. Their city development strategy puts more emphasis on tourism, thus they propose campaigns to promote and inform the public of investment opportunities in the area. It also promotes environmental protection in order to attract tourists. Marketing activities envisaged under this scenario are promotion and advertising campaigns.

The fifth is *Onesti City Hall* because the local development strategy addresses marketing issues but to a lesser extent, from the outset stated that city development is not only a problem of the local authority, it is about the willingness and ability of citizens to be actively involved.

The development of local government is the goal, first of all through improving the image of the city hall through surveys on the degree of population satisfaction when it comes to local government. As such, the emphasis is on offered services, service improvement according to the needs and desires of citizens, at the same time conducting marketing research and taking into account the marketing mix (product/service, price, distribution and advertising).

e. The existence of a public marketing department in the organizational structure

Looking at all the sites and thus at the organizational structure it was found that of the 50 municipalities that have an official website, 12 do not have an organizational structure published on their website and none have a public marketing department in the structure.

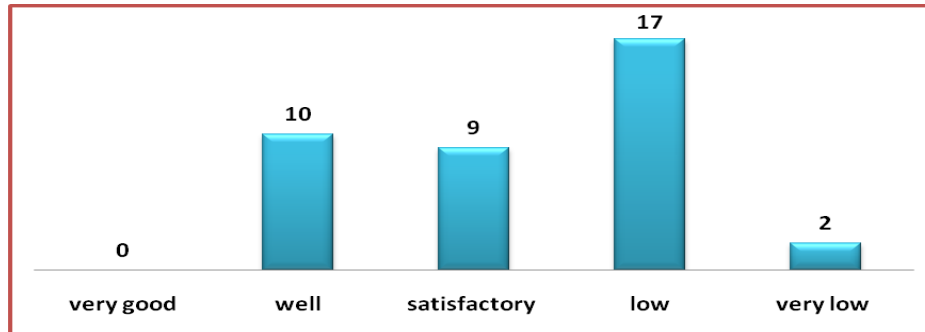


Figure 3.12 Classification of municipalities according to the rating given for the organizational structure

Source: processing data by the authors

It follows from the above figure that most municipalities were rated *bad* (cf. Appendix 5), meaning that they have published a scanned organization chart in which they present the main departments, offices and services without relevant details. Organization charts did not get a *very good* rating because they do not have a marketing department in their organizational structure. A positive aspect is that a large number of charts were evaluated as *good* and *satisfactory*, which means that local authority pays some attention to public marketing and its usefulness in the institutions.

According to research conducted on the official websites of municipalities in urban areas of Moldova, they have websites but some are made so as to provide quality services to citizens and also to create a favourable image showing public services, how to use the online services, they include a promotion section where some private sector companies from the town in question are promoted, the local development strategies, counting the number of hits etc.. The best five sites in the urban area of Moldova are presented according to the marks they received for each element analyzed on the official website. Their classification is shown in the figure below:

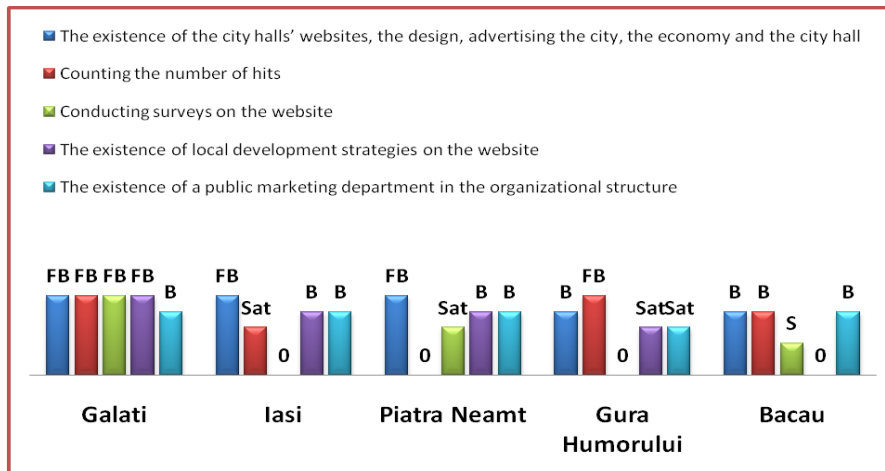


Figure 3.13 Ranking of the five municipalities based on the marks they obtained

Source: processing data by the authors

According to the figure above the first is Galați City Hall's website. As specified in the first part of the research, it has a nice design, offering a wide range of information related to the city, to the public institution and to businesses in the area.

It presents all aspects the research focused on: it has a website, it implemented counting the number of visits, it conducts polls on various topics, and there is a local development strategy that contains important aspects of marketing. As such, the Municipality of Galati covers all four marketing tools: product / service, price, distribution and promotion (public information) and it received the highest number of *very good* ratings.

This is followed by the websites of Iasi, Piatra Neamt, Bacau and Gura Humorului, which also have useful information for citizens, but it focuses to a lesser extent on marketing activities compared to Galati.

Table 3.5 Top websites of the municipalities involved in the research

Rankings	City / Municipality
1	Galați (Galați County)
2	Iași (Iași County)
3	Piatra Neamț (Neamț County)
4	Gura Humorului (Suceava County)
5	Bacău (Bacău County)

Source: processing data by the authors

On the other hand the vast majority of sites are made only because they are required to have a website. They contain little information, contain no online services, they do not present the city hall departments, the daily schedule, public documents, etc. In other words they do not "sell" themselves appropriately, they don't promote themselves or provide public services that citizens need. In this regard a classification was made of the worst five sites belonging to the municipalities under investigation. The municipalities that only have a blog or don't have a site at all were not taken into account.

Table 3.6 Inferior websites belonging to the City Halls involved in the research

Rankings	City / Municipality
1	Darabani (Botoșani County)
2	Solca (Suceava County)
3	Buhuși (Bacău County)
4	Murgeni (Vaslui County)
5	Slănic Moldova (Bacău County)

Source: processing data by the authors

The Darabani City Hall website is in first place because it does not present primarily useful information for citizens; there don't have an organizational structure of the City Hall, the name of the mayor, a way to contact the City Hall, services, departments, etc. It covers only a few aspects of the law, general data and nothing

specific to Darabani City Hall. They do not promote themselves and do not implement public marketing in their activities.

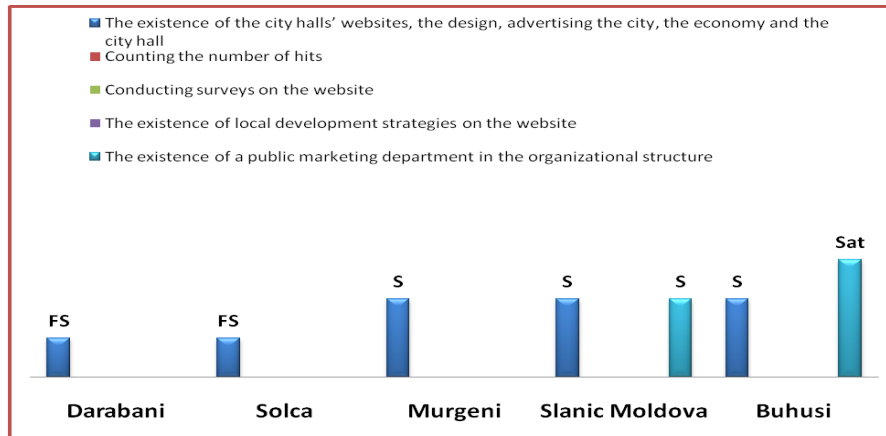


Figura 3.14 Classification of last five City Halls based on marks obtained

Source: processing data by the authors

The above figure tells us that Darabani Town Hall (Botosani County), is classed on first place of lower level town halls top, analyzed according to the criteria of design (but very poorly), followed by Solca Town Hall (Suceava County), which obtained the same ratings, on third place there is Murgeni Town Hall (Vaslui County), this one presenting a more attractive design than the other two, and promoting in a smaller proportion of the town, Slanic Moldova Town Hall (Bacau County), which, even it is a resort, it does not promote tourism and the city at a quality level, does not have publish the developing strategy and the most important, does not present the main landmarks, making it to the forth place in lower level town halls top, followed by Buhusi Town Hall (Bacau County), that has both the local published developing strategy and some of the marketing aspects (like promoting public services).

3.6 Research conclusions

3.6.1 Validating / invalidating research assumptions

After analyzing and interpreting the data from this research, the first hypothesis formulated above is confirmed, namely that marketing in public organization is a concept, a way of thinking, an orientation that is designed to meet the needs of citizens and to improve the image of public administration, the more it is used in the public sector, the higher performance of public authorities and citizens' satisfaction and also a high efficiency socio – economic there it.

Also, the assumption that public administrative does not correctly understand the “marketing” term, because it is always associated with advertising, is confirmed, meaning that most sites presents some information on free public institution without focusing on offered product / service, the way that those are being distributed, and most importantly

on the needs of citizens, seeing only a marketing tool to promote, actually presenting information, as appearing from the research conducted.

Another assumption made previously and confirmed is that government marketing research is a systematic process that leads ultimately to the prior knowledge of the market. Here may be mentioned first surveys on the internet in order to find out the needs, wishes and views of citizens as well as the measuring existence of the number of visits required to give public authorities an indirect feedback on the information presented on the site.

The assumption on the fact that in the content of the town halls organizational charts there is a public marketing organizational structure was invalidated because according to analyzing municipality organizational charts for the towns of Moldova, was found that neither a municipality of 50 who has a site, has no public marketing department in their organizational structure.

Reported to literature, the results reinforce the base idea, from which was started, namely that marketing is an instrument influencing and leading to citizen satisfaction. Therefore, in the future, it is important that each public institution to pay more attention to marketing activities and implementing a marketing strategy in line with citizens' needs to respond favourably to the wishes and problems concerning them.

Thus, public administration must turn its attention and focus more on public marketing strategies and how to implement them.

3.6.2 Premises of future research

In the future, it is important for every public organization to pay a lot more attention to the marketing side, because to effectively meet citizens' needs, it is useful a continuously market research, identifying their needs, offering better services and all the same, creating a favourable image of public administration. Thus, public administration has to focus their attention more on citizens and society as a whole.

Highlighting the importance of the perception of civil servants in the town hall marketing strategy, specifically what are the benefits, what are the marketing activities etc. could be a future research.

4. CONCLUSIONS AND RECOMMENDATIONS

The existence of a large number of issues which should be resolved in the public organizations and which can't be solved efficiently and operatively, requires the establishment of some marketing departments or externalization it, because in this way the costs would be much lower and avoids political influence.

Adaptation to the marketing environment and its active influence requires that the politic authority to develop a marketing policy according to market requirements. Such a policy is expressed by formulating a set of strategic goals, appropriate strategies and a set of tactics (specific measures) under an interdependent relation (Olteanu, Cetina, 1994: 71).

For this purpose every public organization should develop a marketing plan that includes internal and external environment analyzing, setting goals, monitoring the implementation, identification and description of activities/sub-activities, establishing the

budget and of course controlling and evaluating of it. Thus, designing this plan, organizations will be able to identify the needs and grievances of citizens, and so may support them.

Another proposal with a positive impact on public organizations is the implementation of a public marketing legislation which containing certain rules that should be respected by the public sector as a whole.

At the same time, another important aspect of public marketing perspective is the promotion of public institutions and creating a positive image in the society in general and for the citizens in particular. For this purpose it should be introduced public marketing as a discipline of study for students of public administration. Another proposal that has been made in specialized literature and that we sustain is to make students associations, eventually students of public administration and marketing, thus constituting "public promoters", they having the role to promote a good image of the public sector.

To be always closer to the citizen and his needs the public organizations must be on the internet, must be transparent about their activities and must achieve what in specialized literature is called online marketing, to respond promptly and efficiently to citizens' requirements including the required information through an e-mail posted on the site.

Public marketing strategy should not be seen only as a modern form of promotion of the public institution and by creating a random site because they are required according to standards set by the European Union, should be considered all others instruments like product (passports, public transport etc.), price and placement, in other words the marketing mix.

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Appendix 1

The Scale used to evaluate the *existence of city halls websites, design, city promotion, local companies and city halls*:

Qualifying	Description
Very Good (FB)	<ul style="list-style-type: none"> → websites made in advanced technology; → pages are well structured; → loading speed is high; → navigation is easy; → information about the city and promoting companies in the area are very rich; → information are up to date and easy to find.
Well (B)	<ul style="list-style-type: none"> → colours used are consistent with the emblem of the city; → presented data on the city's economy; → companies in the area are promoted; → information is easily accessible.
Satisfactory (Sat)	<ul style="list-style-type: none"> → website page loaded; → menus with many subcategories; → promote the city and the local economy but there are data deficient.
Low (S)	<ul style="list-style-type: none"> → no dynamic website; → design is accomplished in the manner least professional; → structure of the pages is deficient; → promote the city and the local economy lacks;

→ information is not clear and timely.

Very Low (FS) → design is too simple;
→ very poor navigation;
→ contact information on missing;
→ not promote the city, the local economy, the city as a whole.

Source: the authors

Appendix 2

The Scale used to *evaluate the counting number of hits*

Qualifying	Description
Very Good (FB)	→ the total visitors; → presents visitors per day, per month, the current week, current month; → the number of visitors online; → presents the chart hits for a certain period; → possible comparisons between two sites in terms of the number of hits.
Well (B)	→ the total number of hits; → presents the view page; → the chart hits situation.
Satisfactory (Sat)	→ the number of page hits; → not the number of visitors online; → a brief history of visits.
Low (S)	→ only the number of visitors "you are visitor number xyz"; → no history of visits; → does not show the number of visitors online.
Very Low (FS)	→ presents only a number without specifying what is mentioned only "statistics".

Source: the authors

Appendix 3

The Scale used to *evaluate the online surveys on site:*

Qualifying	Description
Very Good (FB)	→ the surveys for different problems and different fields of activity; → the survey for feedback on the site; → the statistics (results) without having to vote in advance; → can be visualized all questionnaires.
Well (B)	→ the opinion surveys for an issue, area of activity; → presents feedback survey about the site ; → shows statistics (results) only after vote; → can be visualized all the questionnaires;
Satisfactory (Sat)	→ shows survey to a particular field of activity; → shows statistics, the results; → can be visualized all questionnaires, but only after the vote.
Low (S)	→ shows survey only feedback regarding site; → shows statistics, results only after voting.

Very Low (FS) → shows only site feedback survey

Source: the authors

Appendix 4

The Scale used to *evaluate the existence of local development strategies and marketing importance:*

Qualifying	Description
Very Good (FB)	<ul style="list-style-type: none"> → has published local development strategy → shows relevant marketing issues; → includes developing and implementing a marketing strategy; → include the marketing research.
Well (B)	<ul style="list-style-type: none"> → has published local development strategy; → shows marketing aspects; → strategy has been subject to public debate; → has conducted a survey among citizens on development strategy.
Satisfactory (Sat)	<ul style="list-style-type: none"> → has published local development strategy; → contains marketing aspects about the image of the village / town hall; → promotes public service.
Low (S)	<ul style="list-style-type: none"> → has published local development strategy; → shows marketing aspects related to promotion and advertising.

Very Low (FS) → has published local development strategy.

Source: the authors

Appendix 5

The Scale used to *evaluate the existence of a public marketing department in organization charts (organizational structure):*

Qualifying	Description
Very Good (FB)	<ul style="list-style-type: none"> → organizational chart has published; → is a dynamic organization; → includes offices / departments detailed; → have in its organizational chart a public department of marketing.
Well (B)	<ul style="list-style-type: none"> → organizational chart has published; → has an interactive organizational chart and relevant information; → includes offices, departments and sub categories with explanations.
Satisfactory (Sat)	<ul style="list-style-type: none"> → organizational chart has published; → organizational chart is scanned; → provides information on types of main departments.
Low (S)	<ul style="list-style-type: none"> → organizational chart has published; → have an organization chart listed scanned departments.
Very Low (FS)	→ organizational chart has scanned.

Source: the authors

EUROPE OF OR WITH REGIONS: REGIONALISM IN ROMANIA

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Abstract: *The scope of this paper is to examine Romania in the larger context of the Council of Europe and EU regional, trans-frontier and cross-border cooperation. The research will be divided into three main parts: it will begin from the national level and will then expand into the Council of Europe and EU levels. The paper will dive into issues of local structure, financial and administrative powers, controversies and cooperation projects. The conclusions will attempt to draw a comparison – in terms of attributes, structures and goals – between the two systems and to depict the image of Romania's failures and successes.*

Keywords: *Romania, regionalism, cross-border and trans-frontier cooperation, Council of Europe, the EU*

1. NATIONAL LEVEL

Romania became a member of the Council of Europe (hereinafter CoE) on 7 October 1993 and ratified the European Charter of Local Self Government (hereinafter ECLSG) on 28 January 1998. This came into force on 1 May 1998. Romania made a reservation regarding article 7 paragraph 2 and an interpretative declaration regarding article 4 paragraphs 4 and 5 of the Charter, the latter one concerning the notion of “region”. In accordance with the existing law, communes, towns and municipalities fall under the ECLSG and the counties are to be equated with “regions”.

This section will investigate the regional administration and distribution of power in Romania, resorting to domestic law, but also to the basic framework provided by the CoE. It will deliberately not take into consideration the prospective territorial re-organization of Romania.

2. THE 6TH GENERAL REPORT

The 6th General Report on the implementation of the ECLSG is illustrative in the sense that it reflects the difficulties of monitoring a large number of states having various and distinct local and regional structures. Just to mention a few:

- the parliamentary legislation differs, some countries having an upper house (such as Romania);
- the means through which local authorities are consulted varies. It might be through national associations (Germany, Austria) or even directly. All local authorities may be consulted directly or just those affected;
- the political multi-mandate-holding is also an issue, expressing a mixture of consultation and lobbying;
- the delegation of powers and responsibilities to local authorities vary greatly, making the assessment task more difficult;

There are certain aspects on which member states seem to have agreed, such as the consultation of local authorities on legislative, decision-making and financial aspects (6th General Report on implementation of ECLSG, paras 53-54), the local authorities' right of association at national level (6th General Report on implementation of ECLSG, para 61). However, it is not the placement of legislation that is an issue, but rather its compliance. Some countries undermine the principles enshrined in the Charter and recognized in their domestic law by, *inter alia*, giving a less important value to associative structures or by downgrading the consultation process.

Romania is mentioned in the 6th General Report and it would have been strange not to, since the Rapporteur, Emil Calota, is a Romanian national. It is outlined that, even though consultation is a general requirement in Romania, there is no domestic obligation that local authorities should be consulted at different *legislative* stages. Also, it is stated that a referendum is necessary, under Romanian law, for territorial reorganization or the changing of local boundaries. The consultation of local authorities on their financial allocations implies joint advisory bodies in which representatives of national governments and associations of local authorities participate. Furthermore, Romanian legislation (but not the Constitution) recognizes local authorities' right of association at national level. In this sense, there are six national associations of local authorities (five of which represent communes, towns, municipalities). There is a trend for central bodies to consult local authorities in Romania, which stresses the consolidation of democratic change. Consequently, there exists an inter-ministerial committee on relations with public administration, including the minister for administration and internal affairs, the deputy minister for public administration, the finance minister and minister coordinating the government general secretariat, three representatives of the federation of local authorities and five representatives of the national union of Romanian district councils. This committee is chaired by the prime minister.

3. REGIONAL ADMINISTRATION AND DISTRIBUTION OF POWER IN ROMANIA

The most recent report regarding local and regional democracy in Romania dates from 3 March 2011. It follows a monitoring visit in Romania and two information reports in 2002 and 2003. The local and regional democracy in Romania was the topic of a recommendation in 1995. The 2011 study report admits that there have been positive changes in the country's development with regard to local and regional democracy since Recommendation 12 (1995). At the same time, it underlines that drawbacks still exist concerning the mechanisms for consultation with local communities on matters that affect them, the attribution of funds to local communities commensurate with their responsibilities, the granting of a special status to Bucharest, as made clear by the Congress of Local and Regional Authorities (hereinafter CLRAE) Recommendation 219 (2007). With regard to this last aspect, the co-rapporteur considers that since the districts of the municipality of Bucharest have their own budgets, they should benefit from legal personality.

The regional administration and distribution of power is made clear in Chapter II, entitled: The administrative-territorial structure of Romania – authorities and powers. It makes recourse to art 3.3 of the Romanian Constitution, according to which “the territory is divided into communes (*comune*), which may include one or more villages, towns (*orașe*) and counties (*judete*). There are a total of 3219 administrative-territorial units (Cg (20)9, Local and regional democracy in Romania, Chapter II, para.14). Under the conditions specified by law, some towns are designated municipalities. The administrative-territorial units comprise two (infra-state) levels: on the one hand, the intermediate administrative level (*judete*) and on the other, the local administrative level which is constituted of communes (*comune*), towns (*orașe*) and municipalities (*municipii*).” These territorial units represent entities with legal personality, can therefore legally have their own assets and are subject to public law.

The intermediate level consists of 41 counties and the municipality of Bucharest. The authorities are:

- The County Council (Consiliul Județean): composed of members that are elected for a term of 4 years. It mostly fulfills social, economic and administrative functions. It has a number of social, health and educational units in its charge (directly dependent and financially supported by the Council).
- The Chair of the County Council (Președintele) is also elected and is in charge of the executive function. He intermediates the activities of the Council with other public institutions or with individuals.
- The Prefect (Prefectul) is the representative of the Prime Minister in the territory and is appointed. He supervises the legality of the acts drafted by the local authorities.

The local level comprises 2 858 communes and 320 towns, out of which 103 are municipalities. The problematic aspect of the local level is the status of the capital, Bucharest, that is a municipality, but it is also integrated into a county. This means that it has attributions at both levels. Furthermore, Bucharest is made out of 6 districts that have separate mayors and City Councils.

The authorities are:

- The Local Council (Consiliul Local): composed of members that are elected for a term of 4 years. It has more deliberative functions.
- The Mayor (Primarul) has executive functions and is elected for a term of 4 years. There are one mayor and one vice-mayor (or, as the Report calls them, “deputy mayors”) for communes, towns and the districts of Bucharest. There are one mayor and two vice-mayors in the case of the residence of the counties and the municipality of Bucharest (Dobre, 2011).

As already mentioned, Romania equates counties with regions within the meaning of the Reference Framework for Regional Democracy. This is the object of the interpretative declaration concerning art 4 paragraphs 3 and 4 of the Charter.

Also, a separation is made between:

- territorial administration of the State (intermediate, only devolved (*déconcentrés*) services): 41 counties plus the municipality of Bucharest (Simina Tănăsescu *et al*, 2011);

· self-governing local public administration - local and county level; decentralization at the local authority level (Cg (20)9, Local and regional democracy in Romania, Chapter II, para.17);

It must be stated that there is no hierarchical connection between the local council and the mayor or the local authorities and the county council ((2009 Structure and Operation of Local and Regional Democracy in Romania, para 17).

The distribution of powers at the national, regional and local levels is emphasized by a comprehensive table included in the 2009 document on Structure and Operation of Local and Regional Democracy in Romania (2009 Structure and Operation of Local and Regional Democracy in Romania, para 18).

Additionally, the financial powers are better outlined by the 2009 Structure and Operation of Local and Regional Democracy in Romania (2009). The document mentions the Local Public Finance Act and it qualifies it as a step forward in the process of making the financial distribution more transparent.

The Structure and Operation of Local and Regional Democracy document praises the progress made by Romania in terms of local and regional cooperation, thus going in the same direction as the monitoring report from 2011. It mentions that, as regards the financial distribution, the legislative process puts forward clear and objective criteria. In this sense, the local authority is based financially on:

- the amount of money raised by means of taxes, quotas and contributions at the local level;
- money coming from the state budget;
- grants sourced in the state (or other) budget(s);
- donations and sponsorship (2009 Structure and Operation of Local and Regional Democracy in Romania, para 23);

4. COE LEVEL

This section will analyze the CoE legislation in the area of regionalism and trans-frontier cooperation, and it will look into one of the trans-frontier cooperation projects developed by Romania, Hungary and the autonomous province of Vojvodina.

The Congress of Local and Regional Authorities

The origins of what we now know as the Congress of Local and Regional Authorities can be traced to the Conference of Local Authorities, which was first appointed pursuant to resolution 56 (29) by the Committee of Ministers (Kiefer, 2010). As the name suggests it, it was a simple conference, gathering European representatives, and not a consultative or a standing body of the CoE. A number of other conferences followed, strengthening the position and importance of such meetings and “serving as a consultant regarding *local* democracy”. Furthermore, a Charter was drafted (and later revised) and the Conference was renamed the Conference of local and *regional* authorities, thus bringing together representatives of European regions, alongside with local authorities. A cornerstone in the development of the Congress was resolution 82 (13), by which the Conference was granted a permanent status (Resolution 82 (13), art 1 para a), thus recognizing the increasing role of the development of local democracy.

Additionally, statutory resolution 94 (3) rebranded the Conference into a Congress. The rebranding was not a simple procedural step, but a substantial one, turning the Congress into an independent organ of the CoE. It stated, in its 4 brief articles, that the Congress should be a consultative body, aiming, *inter alia*, at “ensuring the participation of local and regional authorities in the implementation of the ideal of European unity” (Statutory resolution 94 (3), art 2, para a). The scope of the Congress was expanded by means of statutory resolution (2000) 1, which introduced country-by-country reports and the monitoring of the implementation of the European Charter of Local Self-Government principles (Statutory resolution (2000) 1, art 2.3). The 2010 reform created 3 additional committees: the Monitoring, the Governance and the Current affairs Committees, which play an important role in the monitoring procedures carried out by the Congress. The new priorities focus on 5 fields: monitoring of local and regional democracy, observation of local and regional elections, targeted post-monitoring and post-observation assistance, the local and regional dimension of human rights and streamlined thematic activities.

What Andreas Kiefer makes it clear is that different European countries and regions get to decide *if* and *how* to participate under the umbrella of the CoE. No country is forced to regionalize (Kiefer, 2010) or to participate. Also, the regions’ chances to have an input on the Congress’ / PACE’s / Committee of Ministers’ work rely on the region’s drive to provide the political and administrative capacities. Only if more such regions follow suit and get to participate, will bold projects and drafts, such as the European Charter of Regional Democracy become a reality at the European level.

European Charter of Local Self Governance

The Explanatory Report indicates that the purpose of the ECLSG is, on the one hand, to make good the lack of common European standards in the field, and, on the other, to assure that the parties apply basic rules guaranteeing the political, administrative and financial independence of local authorities. In other words, the ECLSG à-la-carte system aims at preserving the multitude of different communal governments in the member states (Bohner, 2003), while also putting forward necessary principles and rules of local self-government. The result of this unique mixture permits member states to choose their obligations individually: “Each Party undertakes to consider itself bound by at least twenty paragraphs of Part I of the Charter, at least ten of which shall be selected from among the following” (ECLSG, art 12.). With this system, the Congress made sure to adhere to the multitude of diverse national structures and layers of sub-state authorities (Explanatory Report of the ECLSG, art 12).

The mandatory provisions are nuanced by the Explanatory Report, such as, *inter alia*, constitutional and legal foundations for local self-government (Explanatory Report of the ECLSG, art 2), concept of local self-government (Explanatory Report of the ECLSG, art 3), administrative supervision of local authorities’ activities (Explanatory Report of the ECLSG, art 8.2), local authorities’ right to associate (Explanatory Report of the ECLSG, art 10.1), legal protection of local self-government (Explanatory Report of the ECLSG, art 11), etc.

Conversely, non-mandatory provisions give local authorities great leeway in view of the subsidiary principle: “the administrative structures of local authorities and their familiarity with local conditions may make them appropriate bodies to implement certain

functions”(Explanatory Report of the ECLSG, art 4 para 5). They also reflect the idea that the degree of self-government enjoyed by the particularities of each country is an expression of genuine democracy.

The Reference Framework - principles for regional authorities

Initially, CLRAE proposed a European Charter of Regional Self-Government that would take the ECLSG as a model. However, this did not lead to any result, as the Committee of Ministers rejected the proposal.

Since the draft European Charter of Regional Democracy was adopted only in 2008, it was meant to reflect and offer a response to the European developments in terms of regionalisation. It also included the principle of loyalty and respect of territorial integrity of the state, the principles of good governance, participation of citizens and the reaffirmation of respect for local self-government. The Reference Framework, as compared to the ECLSG, places greater emphasis on the principle of subsidiarity (which is also defined), on the principle of social and territorial cohesion and the need for solidarity among the actors of a state. It sets out that there is no (necessary) hierarchical relationship between regional and local authorities. Moreover, it takes into account the concept of “regional interests”, “covering such regional activity sectors as culture and training, social protection and health care, balanced, sustainable development, nature conservation and the protection of biodiversity and economic policies” (CoE Reference Framework for Regional Democracy, p 4).

The Reference Framework is intended to transcend “the scope of Article 13 of the European Charter of Local Self-Government in order to help governments strike the best possible balance in the apportionment of powers and responsibilities among different tiers of government” (CoE Reference Framework for Regional Democracy, p 3).

5. THE EUROPEAN OUTLINE CONVENTION ON TRANS-FRONTIER COOPERATION BETWEEN TERRITORIAL COMMUNITIES OR AUTHORITIES AND THE THREE ADDITIONAL PROTOCOLS

The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities aims at the achievement of greater unity between member states and the development of frontier regions. It has been in force since 22 December 1981, having been presently ratified by 37 parties. No reservations to the provisions of the Protocol are allowed (The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities, art 7).

to the Convention and the Protocols, each Party undertakes to facilitate and foster trans-frontier co-operation between territorial communities or authorities within its jurisdiction and territorial communities or authorities within the jurisdiction of other Contracting Parties. It should also strive to promote the conclusion of agreements and arrangements that may prove necessary for this purpose, taking into account the different constitutional provisions of each Party(The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities, art 1).

Furthermore, states should encourage any initiative by territorial communities and authorities inspired by the outline arrangements between territorial communities and

authorities drawn up in the CoE (The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities, art 3.1) and should ensure that the territorial communities or authorities concerned are informed of the means of action open to them under the Convention (The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities, art 3.1).

Territorial communities or authorities or other bodies - referred to under article 3, para 1- may set up a trans-frontier co-operation body in the form of a "Euroregional co-operation grouping" (ECG) on the territory of the member States of the CoE, Parties to the Protocol, under the conditions provided by it (The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities concerning Euroregional Co-operation Groupings, art 1.1). In any case, individuals cannot be members of an ECG (The European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities concerning Euroregional Co-operation Groupings, art 3.1).

Romania ratified the European Outline Convention on Trans-frontier Cooperation between Territorial Communities or Authorities in 1980 and this entered into force in 1981. Protocol 1 was ratified in 1998, entered into force in 2003, while Protocol 2 was ratified in 1998 and entered into force in 2001. There is no available information regarding the ratification of Protocol 3.

Romania declared that the application of the Convention is subject to the limitations set out by inter-state agreements. The Convention will be applied only to the territories (counties) situated at the frontiers. It also mentioned that the authorities in charge with the application of the provisions of the Convention are județele / Consiliile Județene and, at the local level, the communes / the towns / Consiliile Locale.

Trans-frontier cooperation

The relevant domestic law in Romania regarding trans-frontier cooperation is:

- Law 215/2001 on local public administration (this also regulates trans-frontier cooperation and sets out a general framework for cooperation)
- Law 590/2003 regarding the conclusion of treaties

Before entering a trans-frontier agreement, the local authorities must obtain an "avis" from the Ministry of Foreign affairs and "inform" the Ministry of Public Administration (2006 Report on the current state of the administrative and legal framework of trans-frontier co-operation in Europe, p 116).

The rules concerning the recognition of legal personality of trans-frontier cooperation bodies are an interesting aspect in Romania. According to Law 215/2001, local and regional authorities may set up trans-frontier cooperation bodies having legal personality. The applicable law would be public law. However, legal personality is not a necessary condition and the lack of it "is not generally regarded as an obstacle to cooperation" (2006 Report on the current state of the administrative and legal framework of trans-frontier co-operation in Europe, p 116).

In 1997, when Romania was still not a EU member, the Euro region Dunărea-Criș-Mureș-Tisa (DKMT) was created on the basis of a Cooperation Protocol signed by the Presidents of 9 local structures (8 County Councils from Romania and Hungary and the Autonomous Province of Vojvodina). DKMT thus includes similar levels of

authority, such as counties and provinces: Hungarian megye (counties), Serbian province of Vojvodina and Romanian județe (counties), aiming at the development and the broadening of relationships between “local communities and local governments” (DKMT website). In 2003 a common “development association” was established, that is a “public utility company to ensure the implementation of development aims” (DKMT website).

The territory of the Euro region is 71 879 square km and the population is 5.3 million people.

Presidents of Hungarian and Romanian County Councils and the Executive Council of the Autonomous Province of Vojvodina represent the Forum of Presidents. Cooperation is done by means of a specialized committee, directed by a president (chosen from the members of the Forum of Presidents). The DKMT Euro region has 10 working groups in the following fields:

- Economy, infrastructure and tourism
- Urbanism, nature and environmental protection
- Culture, sports, NGOs and social issues
- International relations, information and mass communication
- Catastrophe prevention
- National health
- Healthcare
- Industrial park
- Tourism
- Agriculture (Cretan, 2005)

Assessment

The CoE regional and trans-frontier cooperation has two major downfalls. The first one is related to the evaluation of the cooperation: building up structures is expensive and, hence, evaluation (efficiency) is the key factor. However, this is not so easy to do, due to the lack of transparency of actions and activities undergone under the umbrella of the Madrid Convention. The second (and interrelated) downfall concerns the difficulty of identifying where the money comes from and who takes the decision to allocate it. There are numerous projects where it is extremely difficult to assess the source of financing, leading to a lack of transparency and accountability.

EU level

Romania has been a member of the EU since 2007. This country has undergone many significant changes since that moment, but still remains one of the European countries with the lowest absorption rate of EU funds (Pop, 2013), caused by the lack of practical experience, knowledge or interest.

There are actually few projects undergone either under the CoE, or the EU system and those that are pursued, have a suspicion of fraud cast upon them. Due to some negative reports and to the European’s Commission expression of worry, funds were ceased and Romania received no support from Brussels for six months. Payment resumed from April 2013, but not integrally, since more and more cases of corruption and ill-use of EU fund were discovered (Pop, 2013).

6. THE INTERPLAY BETWEEN THE EU AND THE COE

The roles, structures and goals of CLRAE in the CoE and the EU's Committee of Regions (hereinafter CoR) are similar, but yet different. The actors of CLRAE are local and regional politicians, democratically elected at the national level. The basis of CLRAE can be cursorily found in the Statute of the CoE, where it is mentioned that the CoE can set up consultative bodies.

On the other hand, the CoR operates under the EU umbrella and it encompasses governors, mayors, democratically elected politicians at national and regional level. Furthermore, the Committee is mentioned specifically in the EC Treaty and in several subsequent legal instruments.

There are two possible roles and contributions:

- consultative role (with different levels of contribution);
- decisional role (veto);

The Congress has a consultative input, but no role at the decisional level. It can only make proposals, but, in the end, the decisions are taken in the CoE, by the Committee of Ministers. It means that the decisional power remains with the states, implying that every proposal must be endorsed by more parties.

At the EU level, the situation is different. The CoR is a consultative body with elements of impact on the decision-making process.

With regard to cross-border or trans-frontier cooperation, most projects are financed by the EU. In practice, it is extremely difficult to identify projects initiated under the Madrid Convention, since many are informal and, hence, are not online-advertised. Furthermore, an equally important factor is that the majority of projects are a result of the politicians' initiatives. This can be easily derived as well from the Romanian case study.

When the Madrid Convention failed to work properly (when Protocol 3 gained limited endorsement), the issue was transferred to the EU level. The rapidity with which this was put forward at the EU level can be explained by the necessity to move funds and power from the center to the periphery and to have a smooth collaboration at the borders. Once again, the idea was that the partners should also be accountable for the money they received. In this sense, the EU could get the money back if it was not used for the designed project and it was leaked to different other sources.

Impact-wise, the EGTC Regulation does not presuppose any ratification. In itself, it only requires *implementation* at the national (or regional) level, also needing no act of transposition into national law.

To sum up, from a legal point of view, the CoE has the front spot, being part of a well-established, albeit weaker, legal structure that benefits from many ramifications. From a financial point of view, however, the CoR seems to be more powerful. It will be interesting to assess how this interplay, interconnectedness and spillover will develop in the future in the area of regional, cross-border or trans-frontier cooperation.

Cross border cooperation - Banat Triplex Confinium European Grouping of Territorial Cooperation

The above-mentioned will be exemplified by the Limited Liability European Grouping of Territorial Cooperation (hereinafter EGTC) Banat Triplex Confinium, that

was set up on 5th January 2011 between Romanian and Hungarian regions. It is now open to Serbian municipalities as well. The EGTC has legal personality, since it was registered 5 January 2011 at the Municipal Court. It is based in Mórahalom, Hungary. The cooperation had already begun in 2009, when 50 mayors decided to improve cross border cooperation.

The members of the BTC EGTC are 37 Hungarian and 37 Romanian local governments, and eight Serbian settlements as observer members are in the organization. The aim is to foster economic and social cooperation, especially in the fields of: agricultural innovation, renewable energy, infrastructure and education. However, the EGTC's "main aim is the implementation of territorial cooperation programmes or projects co-financed by the Community through the European Regional Development Fund, the European Social Fund and/or the Cohesion Fund" (BTC website).

The EGTC is already developing projects, which can be summarily found on the Banat Triplex Confinium website. The site is not helpful in terms of constitutive convention, statute or accountability for the projects undergone. Further information might be available in the Banat Triplex Confinium annual report (2011), which is only published online only in Hungarian.

The financial aspects are, once again, not very transparent and not easily available. In 2011 the EGTC developed one project under Romanian – Hungarian cross border cooperation and another one under Serbian – Hungarian cooperation. The latter one was partially financed by the European Regional Development Fund and by the Instrument for Pre-Accession Assistance.

The ETT 2011, which ended in May 2012, received 5.000.000 HUF (around 17,000 euros) funding by the Administration and the Ministry of Justice on behalf of the Fund Manager Alexander Wekerle. From the available documents it is not clear whether this was the entire budget for the year under discussion, adding to the murkiness of the money going in and out of such projects.

Conclusions

The research shows that there have been major changes in the Romanian society since the country became a member of the CoE and of the EU. As similar to other young members of the EU, it is not the placement of legislation that is an issue, but rather its compliance in practice.

Drawbacks still exist concerning the mechanisms for consultation with local communities on matters that affect them, the attribution of funds to local communities commensurate with their responsibilities, the granting of a special status to Bucharest, as made clear by the Congress Recommendation 219 (2007).

There exists, furthermore, no domestic obligation that local authorities should be consulted at different *legislative* stages. Interestingly, it is stated that a referendum is necessary, under Romanian law, for territorial reorganization or the changing of local boundaries. The current domestic discussions touch upon this very point, since the Romania Parliament intends to pass a law drawing fewer and bigger regions. However, it is not yet clear whether this initiative will make use of the tools of a referendum.

The consultation of local authorities on their financial allocations implies joint advisory bodies in which representatives of national governments and associations of

local authorities participate. There is also a trend for central bodies to consult local authorities in Romania, which stresses the consolidation of democratic change.

In terms of trans-frontier and cross-border cooperation, Romania ratified the Madrid convention, but the impact seems to be small. There are actually few projects undergone under either the CoE, or the EU system and those that are pursued, have a suspicion of fraud cast upon them. The seriousness of the situation is showed by the freezing - for six months - of EU funds flowing to Romania.

On the basis of the points mentioned above, it will be interesting to follow how Romania will manage its corruption issues and the need to develop a more efficient local and regional cooperation. Additionally, the prospective regional restructuring might not change the facts of the case too much, but just add to the general confusion and mismanagement.

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FINANCIAL REVENUE AUTONOMY OF LOCAL BUDGETS IN ROMANIA. MEASURING APPROACH

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Abstract: *This study provide direction which are in scientific literature about measurement the financial autonomy of revenues and then to show the stage of the financial autonomy of revenues in Romania in the context of European Union with the help of its relevant indicators and the establishments of legislation limits. The framework of this paper is based on a set of research papers made by institutions as Organization for Economic Cooperation and Development (OECD), Universities' researchers and Central and Local public administrations.*

Keywords: *autonomy, revenues, local budget*

1. INTRODUCTION

In the European Union countries an important part of economic activity is conducted under the responsibility of administrative, financial and legal local authorities as a result of the decentralization of decisions and autonomy of the administrative-territorial units. Since 1980, both quantitative and qualitative indicators of local revenue financial autonomy have undergone a big development.

For the empirical result, the period analyzed is 2000-2008 because starting with 2009 the effects of economic and financial crises are more visible and this period must be analyzed separately.

2. SCIENTIFIC REQUIREMENTS IN MEASURING LOCAL REVENUE AUTONOMY

The attempts to identify the local revenue autonomy involves the analysis of sources of income from the viewpoint of the duty of local authorities to change or influence them. In this regard, Owens and Norregaard in 1991 [1] have classified sources of income after their degree of local autonomy, acknowledging that in the case of most autonomous revenue, i.e. its own revenues, the central authorities may fix the rate and the tax base. Owens and Norregaard established the following classification that can be made on revenue from the standpoint of the right of settlement and administration (table no.1):

Table 1 Classification of revenue by Owens, J. and Norregaard, J. (1991)

Own taxes	Base and rate under local control
Overlapping Taxes, Tax Surcharge	Nationwide tax base, but rates under local control
Non-tax revenues	Under local control, local government is able to determine the fee to be charged
Shared Taxes	Nationwide base and rates, but with local government able to influence either the proportion of revenues attributed the local

	government sector or the amount that each level of local government receives
General purpose Grants	Local government share is fixed by central government (usually with a redistributive element), but local authorities are free to determine how the funds should be spent
Specific Grants	The amount of grant may be determined by central government or may depend upon appending decision of local authorities, but either case central government specifies how the funds should be spent

The authors detailed analysis of revenue autonomy of local budgets in terms of certain parameters. Thus, they considered a separate category of income 1, 2 and 4 of the table, namely own revenues, overlapping taxes or tax surcharge and shared tax with the conclusion that if local authorities determine the tax base, then certainly have full freedom to establish and tax rate, resulting in total control of public authorities on taxes considered. Conversely, however, the authors found that total freedom of local authorities on the tax rate is not necessarily accompanied by total control over the tax base, which will generate a partial control over taxes in question. The authors did not took into account the case of our country where, according to the Tax Code, local authorities are allowed to increase by up to 20% of the tax base of local taxes, but cannot change the tax rate.

Analysis of income categories 5 and 6 in the table, general grants and specific grants, indicate that grants do not reduce the autonomy of income automatically, but depends on the type of grant. Owens and Norregaard believes that capital grants usually generates lower autonomy of expenditures than the current subsidies because they are on oriented projects, economic sectors or specific targets.

Dafflon in 1992 [2], Dafflon and Perritaz in 2000 [3], established a list of " fiscal sovereignty elements " of local government while the local authorities are entitled to higher tax surcharge (piggybacking): choice between different taxes or fees to finance a particular local public service, opportunity to determine the types of deductions, the quality of individual taxpayers, tax calculation, setting tax rates, the maximum amount payable by overcharging, the method for collecting VAT or other taxes; coordination disputed issues. Comparative approach of how various authors have looked at measuring local revenue autonomy can be seen below: (table no. 2)

Table 2 Comparative approach measuring local revenue autonomy in the opinion of some authors

Parameters of autonomy	Owens and Norregaard (1991) [1]	OECD (1999) [4]	Blöchliger and King (2005) [5]	Dafflon (1992) [2]; Dafflon and Peritaz (2000) [3]
Taxes				
*Choice between tax and user charge				*
*Group of taxpayers				*
*Base	*	*	*	*
-types of tax reliefs			*	*
-consultation with citizens		*		
*Rate	*	*	*	*
-unlimited	*		*	

-maximum	*			*
-minimum/maximum	*			
-consulting with citizens				*
*Rate structure	*			*
*Tax surcharge	*	*	*	*
*Calculation method/assessment	*			*
*Collection	*			*
*Contentious issues				*
Revenue-sharing arrangements				
-Right to determine formula		*	*	
-Right to modify formula		*	*	
Intergovernmental transfer and grants				
Grant level	*			
Spending target	*		*	

Source: computed by [6]

This comparative approach to the measuring local revenues autonomy does not include loans that are extraordinary income of local budgets. Also, autonomy is overstated because are not taken into account effective power (productive efficiency) of the decentralized sources of income and the size of the local budget in monetary terms.

Ebel and Yilmaz (2002) [7] propose to determine local revenue autonomy (SRA) as ratio of own revenues of local authorities (OR_{SNG}) and total revenues of local budget (TR_{SNG}).

$$SRA = \frac{OR_{SNG}}{TR_{SNG}} = \frac{[T_{discr} + NT_{discr} + GG_{obj} + SG_{uncond}]_{SNG}}{[T + NT + GG + SG]_{SNG}}$$

Where OR_{SNG} means own revenues which include tax revenues for which sub national governments have significant or full discretion over rates and/or relief (T_{discr}), non-tax revenues for which sub national governments have significant or full discretion over rates and/or relief (NT_{discr}), general purpose grants allocated according to objective criteria (GG_{obj}) and unconditional specific grants (SG_{uncond}). TR_{SNG} include total revenues of sub national governments.

This formula was not accepted by the scientific literature because in the own revenues category were included subsidies. The authors sustained, however, that local authorities have autonomy over subsidies how they are used. However, by applying the formula overestimates the degree of local revenue autonomy.

Meloche, Vaillancourt and Yilmaz (2004) [8] propose the indicator called „Own Revenue Ratio“:

$$ORR = \frac{OR_{SNG}}{TR_{SNG} + TR_{CG}} = \frac{[T_{discr} + NT_{discr} + GG_{obj} + SG_{uncond}]_{SNG}}{[T + NT + GG + SG]_{SNG} + TR_{CG}}$$

Where OR_{SNG} = own revenue, TR_{SNG} = total revenues of sub national governments and TR_{CG} = total revenues of central government.

Also, they propose an opposite indicator as well, the „Dependent Revenue Ratio”:

$$DRR = \frac{DR_{SNG}}{TR_{SNG} + TR_{CG}} = \frac{[(T - T_{discr}) + (NT - NT_{discr}) + (GG - GG_{obj}) + (SG - SG_{uncond})]_{SNG}}{[T + NT + GG + SG]_{SNG} + TR_{CG}}$$

Blöchliger and King (2006) [9] propose to calculate the autonomous tax revenue of sub central governments over general governments tax revenue, defining autonomous tax revenue as the yield of those taxes for which local authorities are free to determine either the tax rates, or the tax base, or both. According the authors, their indicator comes closest to what could be called a *Composite Indicator of Fiscal Autonomy*:

$$CI_{SRA} = \frac{AT_{SCG}}{T_{SCG} + T_{CG}} = \frac{[T_{discr}]_{SCG}}{T_{SCG} + T_{CG}}$$

where AT_{SCG} - autonomous tax revenues of sub central governments and $[T_{discr}]_{SCG}$ - tax revenues for which sub central governments have significant or total discretion over rates and relief.

3. EMPIRICAL EVIDENCE ON LOCAL GOVERNMENT REVENUE AUTONOMY

The most common formula used to calculate the degree of financial autonomy of administrative units, is the share of own revenues in total revenues of local budget. The category of own revenues is established in Romania by law and includes taxes, contributions and other payments, other income and allowances deducted from income tax. The other revenues of local budget, established by Romanian law, are amounts deducted from certain income of the state budget, grants from the state budget and other budgets, donations and sponsorships.

Table 3 The degree of financial autonomy of administrative units in Romania in 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Own revenues of local budget (mil. RON)	2330	1154	1656	2604	3084	8706	12088	16958	20502
Total revenues of local budget (mil. RON)	3344	7112	9323	13078	15956	19481	27709	36805	43629
The degree of financial autonomy (%)	69,68	16,23	17,76	19,91	19,33	44,69	43,62	46,08	46,99

Source: computed by author using data from Statistical Yearbook of Romania 2001-2009 [10], Act on central budget 2007, 2009 [11] and www.mfinante.ro [12]

The degree of autonomy supposes major fluctuations in the period following the reform-oriented on local government decentralization. In this respect, we can see low levels of this indicator in 2001-2004, followed by a doubling of 2005 and since then a slight increase until 2008. However, we believe that the financial dependence of local governments to the central is still high, minimum degree of local autonomy is of 16.23% in 2000 and 46.99% maximum in 2008.

Table no.4 Evolution and structure of local budget revenues in 2000-2008 (mil. RON)

Indicators	2000		2002		2004		2006		2008	
	Sum	%	Sum	%	Sum	%	Sum	%	Sum	%
REVENUE S- total	3345,01	100	9322,80	100	15955,80	100	27708,60	100	43629,10	100
Current revenues	801,74	23,97	1561,50	16,75	2747,20	17,22	26172,40	94,46	38641,30	88,57
Fiscal revenues	614,30	18,36	1184,20	12,70	2177,20	13,65	25236,80	91,08	37346,00	85,60
Non-fiscal revenues	187,44	5,60	377,30	4,05	570,00	3,57	935,60	3,38	1295,30	2,97
Capital revenues	59,51	1,78	59,20	0,64	328,80	2,06	518,80	1,87	639,30	1,47
Donation and sponsor	0,00	0,00	0,00	0,00	19,30	0,12	0,00	0,00	0,00	0,00
Special purpose revenue	352,30	10,53	432,70	4,64	0,00	0,00	0,00	0,00	0,00	0,00
Amounts deducted from income tax	1743,50	52,12	3907,00	41,91	6633,70	41,58	7550,30	27,25	14242,00	32,64
Amount deducted from VAT	0,00	0,00	3185,10	34,16	5274,00	33,05	14539,00	52,47	18644,80	42,71
Subsidies	285,00	8,52	117,40	1,26	920,20	5,77	1016,40	3,67	4345,10	9,96

Source: computed by author using data from Statistical Yearbook of Romania 2001-2009 [10], Act on central budget 2007 [11]

According to the table, one can notice a high percentage of broken shares and transfers from the state budget to local budgets in total revenues. Since 2003, administrative-territorial units have benefited from stamp duty, legal fees and notary established by GEO no. 36/2002 [13] on local taxes. Add to this the inclusion of allowances deducted from income tax under the category of own revenues of local budgets, which increased the total income of own revenues in local budgets. Subsidies have been characterized by major fluctuations in 2000-2008, representing a minimum of 1.26% of total local revenues in 2002 and a maximum of 9.96% in 2008.

In 2005, due to implementation of new tax reforms, evidenced, among other things, the introduction of unique income tax of 16% of individuals, there is change in revenues of local budgets. Reducing income tax rate of individuals and maintaining the same percentage rates of income tax deducted from the administrative-territorial units,

the latter would have been smaller amounts, which determined the Government to increase the rates deducted from income tax since February 2005. Thus, villages, cities and municipalities have provided 47% of tax revenue earned, instead of 36% of county budgets will retain 13% of income tax collected, compared with 10% share of local budget which is balanced available to county councils increased from 17% to 22%. In 2006, local public finance law, kept the same rates of income tax deducted governed by the law before. In 2010, the new legislative framework changes in tax rates on income redistribution split: 44% to local budgets of communes, towns and municipalities on whose territory they operate income tax payers, 12% of the county's local budget, 21% in a separate account, opened the general direction of public finances into the county treasury county capitals, to balance the local budgets of communes, towns and municipalities, and local budget of the county.

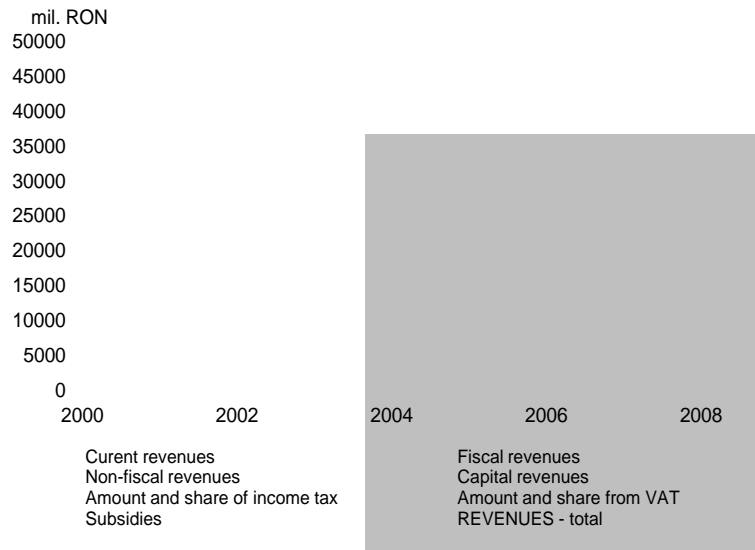


Figure no. 1: Evolution of different categories of local government in 2000-2008

From figure shown, we can see that the revenues of local budgets have upward evolution especially fiscal revenue which increased the current income and overall growth in local budget revenues.

Large own revenues are an essential element of the financial credibility of local governments, including the ability to borrow for local public investments. They also become relevant for local autonomy in terms of their ability to self-financing local government expenditure, namely the degree of coverage of local public expenditure with local budget own revenues.

$$TheCapacityOfAutofinancing = \frac{R_{ownLB}}{E_{LB}} * 100$$

Table 5 Degree of auto financing (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
--	------	------	------	------	------	------	------	------	------

Own revenues of local budget (mil. RON)	2330	1154	1656	2604	3084	8706	12088	16958	20502
Total expenditures of local budget (mil. RON)	3322	7067	9269	12852	15540	18777	25392	33983	42210
Degree of auto financing (%)	70,14	16,33	17,87	20,26	19,85	46,37	47,61	49,90	48,57

Source: computed by author using data from Statistical Yearbook of Romania 2001-2009 [10]

Table 6 Evolution of local budget revenues in GDP in the European Union in 2006-2008 (%)

Countries	2006	2007	2008
Austria	7,6	7,6	7,7
Belgium	6,6	6,7	6,6
Bulgaria	7,0	7,2	7,2
Cyprus	2,0	1,9	1,8
Czech Republic	11,7	11,6	11,4
Denmark	33,6	32,3	33,2
Estonia	9,2	9,3	10,4
Finland	19,2	19,1	20,0
France	10,8	10,8	10,9
Germany	7,4	7,5	7,5
Greece	2,6	2,6	2,7
Hungary	12,1	11,6	11,6
Ireland	13,8	14,2	13,1
Italy	14,5	15,2	15,3
Latvia	10,1	10,0	10,7
Lithuania	8,1	8,0	9,1
Luxemburg	4,9	5,0	5,1
Malta	0,6	0,6	0,6
Netherlands	15,2	15,3	15,3
Poland	13,4	13,4	14,0
Portugal	13,4	13,4	14,0
Slovakia	6,3	6,0	5,4
Slovenia	8,6	8,3	8,5
Spain	6,3	6,0	6,0
Sweden	24,8	24,7	25,2
United Kingdom	12,8	12,8	13,1
EU-27	11,2	11,3	11,3
Romania	8,3	9,3	8,9

Source: [14]

According to the table, we can see that the EU average in its 27 member states was 11.2% in 2006 to 11.3% in 2007 and 2008. The largest share of local government revenue in GDP has Denmark, followed by Sweden, which are also states with the highest degree of financial autonomy.

Local tax reforms are initiated and implemented permanently in the European Union in order to identify the most effective forms of local administration based on the principles

enshrined in the European Charter of Local Self-Government. Thus, reforms of local taxes were also quite numerous and varied in the period 2003-2004, in accord with local economic situation of each country: decrease the level of money transfers from state tax levies by local authorities (Finland), tax increase taxes distributed to the local to central level (France, Italy, Poland, Slovakia, Spain), establishment of new taxes (Estonia, Hungary and Italy), initiation of new local business tax reforms (France, Germany, Italy). In 2008, the public sector has the following configuration indicators presented in the table below:

Table no. 7 Indicators of European public sector in 2008

Countries	GDP (billion €)	GDP/Capita (€)	Total revenues /GDP (%)	Total local revenues/ GDP (%)
Austria	281,9	33 781	43,3	7,7
Belgium	344,7	32 189	45,4	6,6
Bulgaria	34,1	4 454	33,8	7,2
Cyprus	16,9	21 400	41,4	1,8
Czech Republic	147,9	14 178	36,5	11,4
Denmark	232,5	42 334	49,3	33,2
Estonia	16,1	11 986	32,0	10,4
Finland	184,7	34 769	42,9	20,0
France	1 950,1	30 413	44,7	10,9
Germany	2 495,8	30 392	40,4	7,5
Greece	239,1	21 282	34,4	2,7
Hungary	105,5	10 514	39,5	11,6
Ireland	181,8	40 922	32,4	13,1
Italy	1 572,2	26 253	43,0	15,3
Latvia	23,2	10 221	30,4	10,7
Lithuania	32,2	9 590	29,7	9,1
Luxemburg	39,3	80 464	36,2	5,1
Malta	5,7	13 804	35,6	0,6
Netherlands	595,9	36 246	39,1	15,3
Poland	362,4	9 508	34,3	14,0
Portugal	166,4	15 668	37,5	14,0
Slovakia	64,9	12 002	29,3	5,4
Slovenia	37,1	18 366	37,9	8,5
Spain	1 088,5	23 874	37,5	6,0
Sweden	328,3	35 614	48,7	25,2
United Kingdom	1 818,5	29 642	37,7	13,1
EU-27	12502,9	25070	40,5	11,3
Romania	137,0	376	29,8	8,9

Source: computed by authors using data of [15] and [16]

According to the table, we find that there are differences across countries regarding the difference between total revenues in GDP at national and local budget revenues in GDP. Thus, the largest gap recorded is Belgium, where the revenue from the state budget in GDP is 45.4% and the revenue of local budgets in GDP is 6.6%. The smallest gap is in

Denmark the ratio of the two indicators is 49.3% to 33.2%. Data analysis reveals that the gap is lower in countries whose decentralization process is emphasized and in which local autonomy is enhanced (Denmark, Netherlands, Ireland, Sweden).

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BOOK REVIEW

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Laurence J. O'Toole Jr., Kenneth J. Meier (2011) *Public Management. Organizations, Governance and Performance*. United States of America, New York: Cambridge University Press, 331 pp., ISBN: 9781107004412, 1107004411

Students and practitioners of public management wishing to gain a thorough understanding of link between public management and performance, the theories that underpin them, as well as their strengths and weaknesses, need to look no further than to *Public Management. Organizations, Governance and Performance*.

This book, signed by **Laurence J. O'Toole, Jr.** (he is the Margaret Hughes and Robert T. Golembiewski Professor of Public Administration and a Distinguished Research Professor. He serves on the editorial boards of seven scholarly journals and co-edits the Johns Hopkins Studies in Governance and Public Management) and **Kenneth J. Meier** (he is the Charles H. Gregory Chair in Liberal Arts at Texas A&M University, College Station. He is also Professor of Public Management at Cardiff Business School. He is editor-in-chief of *Journal of Public Administration Research and Theory* for which he previously served as associate editor and co-editor) provides important new insights into the impact of public management on organizational performance.

Academic discipline require a point of reference, a major work that establishes their most salient point and that provide important insights and set the stage for future work. The book has produced a seminal contribution to the discipline.

The book is very well documented, the databases employed by the authors compile information from about 1000 organizations and provide to the reader essential information for understanding current problems such as networking, managerial quality and personnel stability in public organizations.

The authors' approach consisting in the formalization of the five underlying principles (public organizations are autoregressive (or inertial) systems; public management can be divided into two broad parts: managing within the organization and managing the organization's relationships with the environment; external management can be divided, at least theoretically, into efforts to exploit opportunities in the environment and efforts to buffer the organization from threats that the environment might generate; the relationships between variables – that is, management, stabilizing elements such as structure, and the environment – are nonlinear (p. xii-xiii)) by means of a mathematical model which will be tested in the chapters of the book.

The authors of this book have proposed to provide answers to a series of fundamental research questions in theoretical and practical terms as well: How effective are public managers as they seek to influence the efforts of public organizations to deliver policy outputs and outcomes? How, and how much, is management related to public program performance? What aspects of management can be distinguished, and can their separable contributions to performance be estimated? How do managers deal with internal operations, opportunities in the environment, and threats or shocks from outside

the organization? Can the networking behavior of managers and the networked structures in which many public organizations sit shape policy results – for good or ill? (p. xi)

The structure of the book is organized around these research questions, each chapter providing an answer to one of them.

The book has preface, eight chapters, and a list of figures, a list of tables, a glossary, references and an index.

The book's first chapter "Public management and performance: an evidence-based perspective" sets the scene, outlining the theoretical perspective on public management and performance.

The second chapter "A model of public management and a source of evidence" introduces the author's theory on public management and its formalization in terms of mathematical modeling. The model is described and presented in comparison with other recently developed models in the field.

Chapters 3 through 7 provide coverage of the management–shapes–performance evidence. Each chapter concentrates on an aspect of management, with the major managerial functions carved from the general model for focused attention.

Chapter three, "Public management in interdependent settings: networks, managerial networking and performance" presents important themes of networks and managerial networking with other interdependent actors.

Chapter four "Managerial quality and performance" presents the qualitative managerial measuring instrument developed by the authors and estimates the impact of quality on the public program. The analyses in this chapter offer three principal contributions: 1. the development and application of an uncommon measure of public management quality; 2. the research offers the fullest rigorous test to date of the proposition that public management quality contributes positively to performance and 3. managerial networking contributes positively to performance, but the returns diminish at higher levels of networking. This chapter, therefore, offers an innovative, albeit indirect, overall measure of public management quality.

Chapter five, "Internal management and performance: stability, human resources and decision making", examines three elements of internal management: creating stable personnel, managing an organization's human resources, and making decisions in the face of a significant budget. Resulting from these analysis: human resources and managerial consistency lead to managerial performance. Better internal management can handle major events (such as budgetary cuts) which may affect the overall coordination, results and performance of the organization.

In the chapter six "Nonlinearities in public management: the role of managerial capacity and organizational buffering" the authors demonstrate the importance of managerial functions of protection and nonlinearity impact of leadership in handling turbulence sources such as budget cuts and natural disasters. The conclusion is that capacity and buffering provide additional aids as public organizations and their managers seek to deliver results.

Chapter seven, "Public management in intergovernmental networks: matching structural networks and managerial networking", presents an initial foray into the distinction between behavior and structural networks. The authors use as a measure of

structural networks a set of intergovernmental fiscal relations and explore the way in which the sources of their funding from government could shape the results, then, show how the network behavior and other management aspects can affect performance in different types of structural networks.

The last chapter, the concluding chapter, “Public management and performance: what we know, and what we need to know”, neatly ties the book’s findings, what we have learned about public management and performance and offers insights on possible future research efforts.

The chapters not only provide an excellent overview of the literature, a perspective, a model, and a large set of empirical findings but also offer innovative ideas in understanding how public managers shape agency and program performance.

The book has a number of strengths. Its vast and varied bibliography is composed first of all on general studies but also on specialized papers authored by renowned scientists in the field. Very well written, its language is in the same time specialized but accessible, which could render the book attractive in the eyes of the reader. Both students and practitioners will find important lessons learned for the public organizations everywhere seek a more solid footing to deal with today’s turbulent socio-economic circumstances. Its main value consists in expressing many original ideas which would deserve extensive debate in the academic spheres.

Although the book was launched in 2011, its theories and research have propelled its authors as citing sources, their ideas being transposed in other papers but in a manner that is more or less obvious to the reader.

FINANCE

**THE REPURCHASE OF SHARES - ANOTHER FORM OF
REWARDING INVESTORS - A THEORETICAL APPROACH**

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Abstract: *Among the shareholder remuneration policies, in recent years, share repurchases are gaining more and more ground. Like any other phenomenon or financial practice, repurchases lacked no theories to explain their motivation, effects and controversies. This paper proposes a theoretical approach to the subject by summarizing relevant research in order to highlight the motivations behind this decision and its implications.*

Keywords: *repurchase shares, equity, signaling theory*

1. INTRODUCTION

Literature deals with share repurchases as a form of dividend policy, since it is actually a way the company offers its investors liquidity. From our perspective, the process is a form of directing the available cash to shareholders but, unlike traditional dividend policy, following repurchases, shareholders lose the ownership of shares and if they desire future dividends they are obliged to buy new equity titles.

Share repurchases, however, both in theory and in practice, are a controversial topic with many implications for investors. Although they offer the opportunity to receive liquid funds in exchange for shares, buybacks require an allocation of significant funds which directly affects the overall liquidity of the firm. The paper proposes a theoretical approach to buyback practice in terms of revealing the motivations and implications behind this decision, based on relevant research.

2. WHY AND WHEN REPURCHASE SHARES?

Buyback phenomenon is relatively new in academia. Among the most important studies on this topic we could mention Bagwell and Shoven (1989), Stephens and Weisbach (1998), Grullon and Michaely (2004), Dittmar and Dittmar (2004). The interest for repurchases grew along with the increasing number of such initiatives, in recent years, as the international practice shows. Like any other decision of a listed company, share repurchases increased in volume, due to their perceived advantages for the issuer or the investor, more or less honorable.

For the issuing company, the repurchase of its shares is primarily a safeguard against possible hostile takeovers, an attempt to increase market value, to reduce agent costs and an alternative to directly remunerate investors without increasing dividends. International media insisted on the use of repurchases as a form of granting the business decision makers, by influencing the price shares to go up and facilitate their ability to execute the contract options offered for their quality of employees. Thus, there are many

large firms that have adopted an oscillating behavior: the issue of new shares - repurchase - further issue of shares.

Another bad behavior of large companies, noted also by the international press, is to take advantage of the low borrowing cost, issuing bonds for 30 years in order to repurchase a part of outstanding shares. Specifically, corporations want through the repurchase of shares to no longer create commitments to investors, as they would be required to by adopting, for example, a clear dividend policy.

Among the most relevant advantages for investors, offered through share repurchases, we could mention the possibility to obtain financial resources for those interested, the increase of EPS (Earnings Per Share) due to decrease of the number of outstanding shares, the increase of exchange rate and the manifestation of a psychological effect related to the firm belief that the shares are undervalued.

Other relevant findings regarding the repurchase of shares, specifically related to the motivations of such an initiative are presented in the following table.

Table 1. Research results about the repurchase of shares by listed companies

Study	Result
Firth and Yeung (2005)	The perception of undervalued shares and the availability of cash surplus are the major factors in the decision to repurchase.
Von Eije and Megginson (2008)	Firms with liquid shares often repurchase and those with a high free float (public distribution range), less often.
Chan, Ikenberry, Lee and Wang (2010)	Some companies use the repurchase of shares as a way to manipulate investors.
Brockman, Howe and Mortal (2008)	Managers prefer share repurchases and then providing dividends due to tax and flexibility reasons.

Note: Results are personal interpretations.

In what it concerns the timing of share repurchase, literature confirmed the existence of certain waves or cycles of this phenomenon, for different reasons. One of them refers to the time when market shares are undervalued and managers consider as appropriate to repurchase, or a necessity to correct the market price (Brav et ali., 2005). Another motivation for the use of repurchases is the existence of a cash surplus. Used as an effective mechanism for the distribution of cash surplus (Skinner, 2008), share repurchases are a significant source of information for the market.

Of course, financial and academic environment offered other motivations for repurchases, such as trying to avoid hostile takeovers or to implement those programs of share distribution among employees. These last reasons cannot be considered primary factors in the attempt to explain the evolution and cyclical character of repurchases phenomenon.

An interesting approach belongs to Skinner (2008) which divides firms in two categories: firms that only repurchase shares and firms which, in addition, also practice a dividend policy. Managers of the latter companies avoid eliminating dividends due to a potential negative signal given to the market, but they use repurchases when there is sufficient cash surplus. Market liquidity is the one that generates a substitution effect

between repurchases and dividends, for large firms with tradition in practicing a dividend policy.

3. LATEST IDEAS ABOUT REPURCHASES

In the previous section, asking when it is necessary to initiate a share repurchase, we saw that the most results converge towards two directions: when shares are undervalued and when the company has financial resources in excess. However, other recent studies addressed repurchases in connection with the issue of shares, which are actually two opposite decisions, and also have invalidated the shares undervaluation hypothesis as being the optimal time to repurchase. If for issuing shares, managers choose the moment shares are overvalued, by virtue of logic, repurchases should be initiated when shares are undervalued, as the relationship between the two events should be negative.

According to researchers Dittmar and Dittmar (2008), covering the period from 1971 to 2004, the relationship is positive, so this fact calls into question whether market timing is an important element in the company's decision to issue or repurchase shares. Moreover, they argue that the waves recorded during the buyback process cannot be explained by the undervaluation of shares.

Under these conditions, the trigger is sought from another perspective. After focusing the attention upon the company and knowing that in order to repurchase there must be enough cash, while by issuing shares it shows the need for such financial resources, the life cycle of the firm seems to be a key element. Moreover, the national economic situation, measured by the GDP level influences the manifestation of these processes over time. According to the positive correlation found between GDP growth and share repurchases, the last ones are common when the economy is at the beginning of an expansion period and therefore it has sufficient cash resources.

In what it concerns the relation between GDP growth and shares issue, it is a negative one, despite the positive relation between issue – repurchase of shares and between GDP growth – repurchases. A more detailed analysis reveals that although issues or buyback programs tend to increase in periods of economic expansion, the first type of process occurs in the early stages of the business growth, when the need for capital is high and the second process occurs later, in the same context of economic growth, but at the end of it, when the company is in a different business cycle and has sufficient financial resources. Thus, the business cycle is a key element in explaining the evolution of these two phenomena.

The idea that shares issue and repurchases increase or decrease depending on the economic environment becomes elementary. Another problem that arises in this context is to understand the factors that determine some firms, in an economic growth period, for example, to issue shares and to repurchase others. Dittmar and Dittmar (2008) provide some important conclusions about this topic:

- The incorrect market evaluation of shares does not directly generate repurchases and share issues;
- Repurchases and share issues depend to a greater extent of the cost of capital;

- The identified waves are actually the results of different responses given by the companies to the same stimulus. Thus, the GDP growth explains in a high degree the increased number of issues and repurchases. In a context of economic growth, the cost of capital decreases compared to the cost of debt, which leads many companies to issue shares. On the other hand, due to the uncertainty of future events, the company is tempted to repurchase some of the issued shares.

In our opinion, the issue and repurchase of shares are two complementary processes, at least in terms of the capital need. Thus, in terms of deficit or surplus, the firm chooses the issuance or repurchase as two opposing financial flows. In terms of market appreciation, in the light of recent studies, a final conclusion regarding the relation between the two phenomena is premature. At first glance, when shares are overvalued, the company chooses to issue new ones and when shares are underestimated – to repurchase. However, variables such as economic growth, business cycle and the decision to signal the market are factors which make it difficult to draw a strong line between the issue of shares and their repurchase moment.

If shares issues and repurchases are positively correlated with past capital gains, not the same idea can be mentioned about future earnings. Baker and Wurgler (2000) argue that managers intend to take advantage of shares overvaluation moments through this negative relationship between issues and future earnings. According to the data obtained, the firm decision depends to a greater extent of those changes in the business cycle than of the market changes.

The most popular theory about the buyback phenomenon is *the signaling one* (Ikenberry et al., 1995; Lie 2005; Peyer and Vermaelen 2009) – according to which managers announce that the shares are undervalued in terms of good perspectives for the company, and *the free cash flow theory* (Grullon and Michaely 2004; Nohel and Tarhan, 1998) – which recommends the distribution of cash-flow to shareholders instead of using it in inefficient projects.

A reference work belongs to Liang et al. (2012). The authors studied the motivational factors behind the decision to repurchase shares, using as a fundamental resort the development stage of the company. The analysis focuses over 4285 decisions to repurchase adopted by U.S. firms during 1990 and 2006. Researchers choose as variables the firm age, its size, sales and dividends and used as main indicators - value to price ratio and free cash flow ratio. The main conclusion of the study is that firms in the growth phase take the decision to repurchase their shares with the motivation of signaling, while mature companies choose buybacks to use the cash surplus, as the theory of free cash flow states.

Without excluding the signaling theory, Peyer and Vermaelen (2009) proposed an analysis of three major hypotheses explaining the higher yields recorded after a public program buyback: *risk modification hypothesis* – according to which the share evaluation is made because of the positive signaling related to the decreased risk (it is announced that the company has reduced growth prospects, approaching a mature stage and thus the risk is reduced) and not because of the future revenues (Grullon and Michaely, 2004); *the liquidity hypothesis* – which sustains that share repurchases reduce liquidity which is compensated by the share price growth (Pastor and Stambaugh, 2003); *the overreaction*

hypothesis, according to which the stock appreciation is due to the market correction of another overreaction previously manifested, before the share repurchase, as a result of negative news. The analysis focuses upon 3481 public buybacks announcements of U.S. firms, from 1991 to 2001.

Among the three hypotheses, only the last one is validated by practice, so the authors conclude that when the company decides to repurchase the undervalued shares it does that not because it expects a revenue growth but in order to manifest disagreement with market expectations related to decreased revenues in the coming years. The study shows that after the announcement of repurchase, the price of shares appreciates over 48 months, to a greater extent at the securities which price decreased over 6 months before the buyback announcement. In this last case, not the increasing revenue forecasting but market overreaction with no trust in the stock is the main cause why managers take the decision to buy back shares, trying to signal that the market is wrong.

As we mentioned before, the number of repurchases grew in the recent years, becoming the first among the forms of shareholders payment. However, reality has exposed another strange behavior of companies: the public announcement of the decision to repurchase shares without actually getting to do it or making it in a small percentage. However, the market reaction is positive which allows investors obtaining significant capital gains.

If Peyer and Vermaelen (2009) conducted the previous mentioned study without considering asymmetric information to play an important role, Oded (2005) considered this phenomenon a key factor in the decision of companies to repurchase shares.

Signaling the market is costly, according to the practice, in a higher degree by distributing cash to shareholders, as a way to remunerate their confidence in the company. Also practice showed that less successful firms often adopt the behavior of good companies in order to transmit false information to the market. Specifically, bad companies easily announce buybacks, considering that this announcement is not an obligation, just to benefit from stock prices growth. However, this behavior does not go on forever and it certainly involves costs, including the loss of credibility.

4. CONCLUSIONS

Having into consideration the presented facts, we conclude that the decision to repurchase shares is related, most times, to the following situations: shares are undervalued, the company has free cash (Grullon and Michaely, 2004) and wants to signal the market (Peyer and Vermaelen, 2009). Moreover, the repurchase of shares was found to depend to a large extent of the firm life cycle and also of the economic environment in which it operates. Dittmar and Dittmar (2008) concluded from the undertaken survey that a company is more inclined to run a repurchase of its own shares when it is in a mature stage (has enough financial resources) and the economic environment is also in an expansion period (gross domestic product is growing).

The undervaluation of shares is not the reason why a company decides to buy back shares, according to Liang et al. (2012), but the development phase of the firm is. They conclude that growing firms repurchase shares to signal investors while mature

companies repurchase to use the available cash. The approach of Peyer and Vermaelen (2009) is also interesting. They connect the repurchase of shares to the moment in which shares are undervalued, but from a slightly different perspective: the company decides to buyback the undervalued shares not because it expects a revenue growth (so we don't assume here an opportunistic decision of managers) but to manifest disagreement with market expectations related to decreased revenues in the coming years.

Through the present study we brought up to light some of the most relevant articles about share repurchases, with the assumed possibility to have omitted other important research. The diversity in findings is an argument in favor of the idea that the repurchase of shares is a complex decision of listed companies, with multiple implications. The theoretical approach certainly opened the appetite for future studies upon the firm decision to repurchase its shares, as this decision is positioned by the financial practice among the top forms of rewarding shareholders, in the recent years.

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**THE EFFECTS OF RISK EVENTS ON THE EFFICIENCY OF
FINANCIAL MARKET**

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Abstract: *The network of relationships that exists between the participants on the financial market and the need to match the offer with the demand request the efficiency of the financial mechanism. For this reason, the concept of efficiency is nowadays a central issue of market research. Taking into account the real economy this paper tries to reveal the effects of risk on the efficiency of financial market. The approach of the subject has a double perspective: the negative effects of risk on the efficiency and the positive ones, trying to find the benefits of each aspect for the economy as a whole.*

Keywords: *efficiency, risk, financial market*

1. INTRODUCTION

The current financial context is definitely one of the best examples to illustrate the effects of risk events on the financial market. According to the Financial Stability Report for 2012 issued by the National Bank of Romania, the financial environment has become more and more strained, the financial market's volatility has increased and the investors' perception has worsened amid the sovereign debt crisis and the persistent uncertainties about global growth prospects. Rating agencies have downgraded the marks for many EU countries. All these facts lead us to the conclusion that the financial risk has negative implications as direct effects. But this conclusion is not complete, because it also has positive effects, represented by all the solutions and tools developed and implemented in order to counter the negative effects.

2. HOW IS THE EFFICIENCY PERCEIVED ON FINANCIAL MARKET?

An image of an efficient financial market requires a number of simplifying assumptions, having a referential nature that is needed to model the financial system. In a synthetic form, these assumptions are:

- Financial market participants behave rationally and they seek to maximize the utility function of their total wealth.

- There is a financial investment atomicity that makes the securities readily marketable and ensure market liquidity (investments are perfectly divisible and liquid). An investor is in an atomistic position if he returns on the market an insignificant volume of transactions compared to total transactions and therefore cannot influence the price equilibrium established in the market.

- Markets are contingent, this fact allowing a distribution of resources in the economy, a very good risk diversification and, therefore, a very good performance of the economic system.

- All relevant information is available and free.

- The securities exchange rates follow a random path (random walk) and the probability of the distribution yield is approximately the same with a normal distribution (Gauss bell).

- Investors realize homogeneous price anticipations (homogeneous expectations) (Symmetry of information), which means that all the investors assign the same probability distribution for the possible returns of each title.

- Loans can be given at the risk-free interest rate and in unlimited volume.

- All the investors expect that the risk-free interest rate is achieved at the balance point between the marginal rate of substitution (RMS) of the current consumption and the future marginal investment rate (RMI) of saving (S).

- All investors have the same economic horizon, involving a single period.

- Market operations are not affected by any tax duty and transaction costs.

In relation to these assumptions and according to the correspondence between the perfect market and the financial reality, there are various kinds of financial market efficiency (Crăciun, 2012): allocative, operational and informational efficiency:

- allocative efficiency requires the achievement of the Pareto optimum in economy. Efficiency or Pareto optimization is an important concept in economics with multiple applications in game theory, engineering and social sciences. This optimum is achieved when, given a set of alternative allocations, assets or income for a particular set of individuals, a movement of one of these from one individual to another, can make at least one individual to gain a better position, without doing any harm to the others;

- operational efficiency means no frictional forces, perfectly divisible and marketable assets, inexistence of transaction costs and taxation, the lack of regulations to restrict free market access;

- informational efficiency requires equal access to information for all market operators, free of charge information and the instant coverage (by the price of all assets) of all available information. Informational efficiency of the capital market can take three forms (Codirlasu, 2010): low ("weak form") semi-hard ("semistrong form") and hard ("strong form"). According to the weak form the stock prices reflect past information, according to semi-hard form, all information made public are incorporated in the stock, while the hard form is an extension of the other two, including confidential information - "insider information" in the exchange rate. Over the time, semi-hard pattern has become the accepted standard.

Reality has shown that the assumptions on which is based the theory of efficient markets are not real, because investors do not always exhibit risk aversion and they do not react immediately to information. In many cases, they react later, being guided by the trend, this attitude meaning that past information are incorporated in present strategies. Individuals do not always behave in a linear way, incorporating new information immediately, but have a nonlinear behavior and even the markets in which they act are nonlinear dynamic systems.

In this context, the use of statistical models for the analysis of standard random walk data generates incorrect results. Irregular assimilation of information, as it happens in reality, can lead to random motion trend – which is analyzed using fractal time series. Thus, for the study of nonlinearity (unable predictability) the chaos theory is the best method. Chaos theory attempts to discover how simple and predictable functions can

lead to unpredictable results. Through this theory can be understood how systems that were previously considered to be completely chaotic, have now predictable patterns.

In the study of financial markets, the application of chaos theory and fractal time series has generated several conclusions (Codirlaşu, 2010):

- The market is stable when the investors have different time horizons, this explaining the existence of a large liquidity.

- The set of information is more related to the attitude of the market and short-term technical factors (information obtained through technical analysis) than to the information available in the long term (obtained through fundamental analysis).

- The occurrence of an event which question the validity of basic information, determine long-term investors to stop their participation in the market or to start trading on a short-term information (market attitude and technical information) base. In this context, when all the investment horizons narrow to a uniform level, the market becomes stable.

- Prices reflect a combination of information about technical analysis (short term) and fundamental analysis (long-term). Therefore, short-term price changes are more volatile ("noisier") than the long-term. Basic market trend reflects changes in expected revenues, based on the changes of the economic climate. Short-term trends are the result of group behavior ("crowd behavior"). There is no reason to believe that the length (duration) of the short-term trend is related to the underlying economic trend.

- If an action has no relation with the business cycle, then there will be no long-term trend. Liquidity, short-term information and the data related to trading will dominate.

In relation to the financial market's efficiency has been developed the concept of arbitrage. The concept of arbitrage deals with the measurement of financial assets (Crăciun, 2012). In connection with this concept was developed as an assessment tool, the net present value (NPV), value which is used by each investor as a criterion for determining the present value of financial securities. Each investor will seek to maximize the NPV criterion. As long as there is a difference between the purchase price, paid for a security, and the present value of future income, released by the investment project, there will be an arbitration of this difference.

3. THE NEGATIVE EFFECTS OF RISK EVENTS

The manifestation of risk on financial market does not mean that it can be exactly located and framed in a certain typology, but involves assessing its impact and its contagion effect that leads to systemic risk.

Risk is actually the expression of systemic financial instability. This state of financial instability reaches systemic dimensions through different mechanisms: contagion, slow accumulation of financial imbalances and the occurrence of systemic shocks (Cerna, 2012). Under these circumstances, the failure of a market through the collapse of economic agents generates other markets collapse, even if the risks taken were different, leading to a phenomenon called "blocking chain". Such imbalances generate systemic risk because they are not corrected at the right time and become

generalized. Once they become generalized they become global shocks, affecting a large number of financial markets, being impossible to restore the balance on the basis of market self-regulation mechanisms.

There are certain characteristics of markets and financial systems that generate a higher probability of developing systemic risk: externalities and asymmetric information.

Externalities are significant due to the fact that they are more important on financial market than in other sectors, because of the complex and dynamic network of mutual exposures of major financial intermediaries (Cerna, 2012), meaning that in normal times, the multiple interconnections between market participants is an effective mechanism in the process of risk division, and in times of tension, turns into an instability transmission channel, generating consequences on third parties, thus systemic risk being greater than the sum of the various risks taken individually.

Information asymmetry occurs because financial systems mobilize funds from businesses which do not know or are not fully informed about investment opportunities. They enter into relationships with agents who know the possibilities of doing business and are willing to work but do not have the required capital, between them occurring phenomena such as agency problem and adverse selection.

The state of instability of the financial system in the economy can be measured by using macroeconomic indicators that reflects the tensions between the main components of the financial system: financial intermediaries, money market, stocks and bonds, foreign exchange etc.. To study the instability condition is used the "composite indicator of systemic stress" (Composite Indicator of Systemic Stress CISS), built by D. Hollo, K. Kremer and M. Lo Duca. Based on this indicator was concluded that systemic crisis began in September 2008, particularly through bankruptcy of "Lehman Brothers".

Financial crises occur in a climate of widespread financial instability. Financial stability itself is defined in terms of appearance of a crisis.

If the financial system does not fulfill its role, the real economy suffers losses. Financial crises as a result of risk events are actually those economic conditions characterized by widespread failures of businesses, lower incomes and prices. Due to economic interdependence these effects are widely transmitted by the contagion and are generally accompanied by financial disturbances, both at micro and macro level.

A financial crisis usually includes a currency crisis, a banking crisis and a debt crisis.

There are several economic theories on the causes of financial crises (Radu, 2011). The first category identifies as causes predictable events due to inconsistent policies. A second category refers to the interaction between private sector behavior and compromises made by governments, and the third generation of theories brings the idea that crises were generated by the banking system. The crisis we face today is part of the third generation, being classified as a twin crises of banking and currency type.

Financial crises have significant implications on the economy and can be summarized as follows (Radu, 2011):

- additional budget expenditure due to recapitalization of financial institutions affected by systemic shock and of the deposit guarantee schemes;
- damage on the effectiveness of monetary policy, the transmission mechanism being

severely altered;

- slow growth or even loss of gross domestic product by: restricting production, rising cost of financial intermediation, which can fuel the development of the phenomenon of adverse selection;
- reducing the wealth and/or income through impairment of financial investments (partial loss of bank deposits and reduction of the value of stock portfolios) and the loss of disposable income (by reducing wages as a result of reduced demand for labor and tax increases to achieve budgetary resources covering government spending shock occasioned by limiting systemic spread of the financial sector).

4. BENEFITS AND POSITIVE EFFECTS OF RISK EVENTS

Besides negative effects, the financial crisis caused a mobilization phenomenon in order to create and develop the necessary analytical tools to formulate and apply policy to ensure financial stability.

The first aspect (Cerna,2012) was the understanding of all aspects concerning the organization and functioning of modern financial systems (elements, function, efficiency parameters, etc.) and of the risks that they generate. This fact imposed the understanding of the essence of some major changes - financial innovation - and the prediction of how these modern financial products may occur in credit process (credit default swaps or CDS).

Crises have shown the need and importance of timely referral tension and imbalances and the importance of analytical tools necessary to evaluate new financial products, and risk involved.

Second, the crisis demonstrated the need for models, not only the ones that reflect emerging systemic risks in the banking sector, but also models that allow to explain how non-bank financial intermediaries contribute to the transmission of the financial instability.

Third, the postulate of efficiency of financial markets was reviewed. Economic research has shown that the assessment and accounting of assets, financing arrangements of firms and the brokerage process have some major shortcomings that diminish the efficiency of financial markets - contrary to the widespread belief in market efficiency.

The crises have increased the importance of the macroeconomic stress tests (stress tests), tests based on an extreme but plausible macroeconomic scenario, which examine its punctual effect on banks.

Meanwhile, the financial crisis led to systemic risk regulation.

There have been developed five models for systemic risk assessment (Dănilă,2011):

- aggregate indicators of imbalances, which are either macroeconomic data, or monetary data sheet and which are used to signal the strengthening of risk in the financial sector or the economy as a whole;
- indicators of financial market based on risk appetite and liquidity conditions;

- indicators of risk concentration in the financial system, considered very important because they bring into question contagion;
- macroeconomic stress tests, for each national and international economies which are focused on two risk factors for the financial system: economies of scale on the demand side (network effect) and the fact that poor development of the economy and financial conditions influence each other (adverse feedback effect);
- integrated monitoring systems, which are in fact models of exposure of all elements presented above, through a certain representation (such as risk maps (Cechetti, Fender, McGuire, 2010) or through a set of compounds.

Complex systems theory deals with the impossibility of directing risks. Therefore, instead of trying to eliminate or directly limiting risk, a more effective solution may be to create, within the system, some safety nets that allow the survival of financial institutions even in case of strong shocks. And in fact, this is the philosophy of Basel III concerning funds and liquidity of financial institutions. It is also desired to create a rapid procedure for adjudicating bankruptcies, improving recovery plans and creating ad hoc reserve funds.

At the same time in order to solve the problems of contagion, it is expected that financial transactions will be concentrated in central clearing houses. This way, the counterparty risk can be managed more efficiently and recovery operations can be faster.

Crisis phenomena as effects of increased risk events have increased the importance of the macro prudentiality concept.

Macro prudential policies consist of measures to ensure the health of the financial system or prevent out-of-control problem from one part of the financial system (Isărescu, 2011). G20 recommendations on macro-prudential policy, take into account three activities (Dănilă, 2011): identification and monitoring of systemic risk, building a set of indicators for the macro prudential policy, institutional arrangements for policy coordination.

In the same category we can include awareness of the beneficial effects that have quality, quantity and speed of information, this fact involving the submission of efforts to improve data collection, stress tests quality and harmonization of accounting rules to better reflect the economic value of assets in the portfolio.

The current crisis has also revealed the dangers of excessive debt and debt multiplication phenomena. For example, lending to a wide range of economic agents (households of sophisticated financial intermediaries) that do not have sufficient income, own funds or guarantees, was a major cause of instability. Consequently, it became necessary to use administrative tools such as loan-to-value ratio (loan amount to the value of goods purchased) and capping debt relative to income.

Basically, the financial crisis has generated a process of reform. New rules on economic governance in the EU entered into force in late 2011, continuing the process begun in 2010 to strengthen the monitoring and prevention of macroeconomic imbalances, fiscal and competitiveness gaps between EU countries.

The new framework focuses on two components: fiscal and macroeconomic surveillance. It also strengthens the Stability and Growth Pact (SGP), this new regulatory

framework targeting multiple components of the financial stability (National Bank of Romania, 2012):

A. Strengthening the existing framework for monitoring and correcting fiscal slippages:

- preventive side of the SGP: Member States must ensure the achievement of medium-term budgetary objectives in order to ensure fiscal sustainability, in this sense being envisaged a maximum level for the annual increase in public spending;
- corrective side of the SGP: the start of the excessive deficit procedure (EDP) may result in overrunning the limit of budgetary deficit and public debt.
- minimum requirements concerning budgetary frameworks: Member States must ensure the existence of minimum fiscal standards.

B. the introduction of macroeconomic imbalances procedure aimed to monitor and correct the macroeconomic imbalances:

- a monitoring and early warning system (a set of indicators established in order to highlight the possible macroeconomic slippage). European Commission (EC) analyzes the set of indicators and prepares *The report on the alert mechanism*, report based on their analysis. EC may decide to deepen the analysis for specific risk areas and may propose measures for member States;
- the preventive role of the EC is to decide the issue of recommendations in the early stages of formation imbalances;
- the corrective side is represented by the excessive imbalance procedure which can be opened for Member States where there is a severe macroeconomic slippage.

C. Introducing measures to strengthen the new framework by applying penalties for breach of the EC European Council decisions.

According to Governor Isărescu a viable financial system reform should address market failures sources on two levels. The first level refers to the coverage of financial institutions activity in order to preclude involvement in certain risky activities and to protect their essential functions; reintroduction of the separation of commercial banking activity from investment activity (according to the original version of the Glass-Steagall Act) and introducing Volcker Rule severe restrictions on operations on their own. The second level refers to the size of the financial institutions. Starting from the issue of "too big to fail" it is found that bankruptcy law is inadequate and requires a special frame building solutions, which do not cause unacceptable risks to the economy.

At the same time it is envisaged the creation of a banking union. This process involves the simultaneous implementation of four pillars. They refer to the harmonization of the regulatory framework and banking supervision in terms of a single set of regulations, the transfer of the main responsibilities of supervision in terms of a single mechanism of supervision from the national to the European level, the harmonization and centralization of deposit insurance schemes by a single scheme for the guarantee of bank deposits and the introduction of common provisions to ensure legal support necessary to manage bank failures problems through a single bank crisis resolution mechanism.

5. CONCLUSIONS

Risk effects and the lessons of the present financial crisis have been and will be a

landmark for the future development of financial stability. Financial reform measures should not seek to circumvent the market, but to ensure its proper functioning. A higher degree of certainty should not be achieved at the expense of lower efficiency and a lower capacity of the financial system to support robust economic growth in terms of financial globalization. Consequently, transnational cooperation is essential and will need mechanisms and new techniques for achieving information exchange and harmonization of approaches, all of them requested to solve the problems of the banks in difficulty.

Fighting the imbalances and financial market risks, both institutions and companies must adapt their strategies. The risk must be understood through its impact upon development and in this regard is very important the correlation between the maturities of the funds taken and of the funds placed in the form of loans, in the case of banks, and in the case of companies, between the form of the profitability of the investments made with borrowed capital and the repayment terms of loans. Basically, any imbalance of maturities is an imbalance of liquidity and therefore, must be correlated the loan's liquidity with the market's liquidity. The lack of correlations between these liquidity sources attracts the impossibility of repayment and constitutes the essence of what did not work in the economic models of financial markets.

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CURRENT TRENDS IN THE APPROACH OF THE CREDIT RELATIONSHIPS BETWEEN BANKS AND COMPANIES

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Abstract: *The relationship between bank (as lender) - company (as debtor) observed as an ensemble of processes and information flows, has always been a favourite subject of study and analysis of both economics and specialty practice, emphasizing a constant concern for improvement considering its importance for the quality of economic and social life of a nation. The management of the lending activity at the banks level has many common features at the company level. In both types of organizations is required the implementation of a decision-making system to guide about the following aspects: the maximum amount of credit that may be granted, the type of credit and the maximum amount which should be granted considering the credit risk.*

Keywords: *banks, lending activity, soft information, hard information*

1. INTRODUCTION

Considering the importance of the companies and banks for the national economy by generating of the real flows and respectively by intermediating of the financial flows, all the positive and negative implications arising from lending relationships that are formed between these two institutional categories affect the quality of economic and social life at the macro level.

In the specialized literature, there are several ways to approach the subject of bank-company relationship lending, depending on the items on which the research was concentrated:

- Management of the corporate lending activity (analyzed as system) and the credit control as its primary function;
- Credit as a process, the credit risk management and the techniques and methods for its monitoring and mitigation;
- The accessibility of bank lending to companies with a focus on the history (length) of the relationship between the bank and the enterprise;
- The analysis of the company's creditworthiness and solvency based on its available financial information (hard information) or non-financial information (soft information), difficulties occurred in collecting of this information in case of small and medium enterprises;
- Comparative analysis of the lending activity between of small and medium enterprises and large corporations;
- The importance of bank - company lending relations in social and economic development of a nation.

2. MANAGEMENT OF THE CORPORATE LENDING ACTIVITY AND THE CREDIT CONTROL

The major objectives of the management of the corporate lending activity consist in protection of the investment, on the one hand and cash flow optimization, on the other hand. An important function of management is represented by the credit control. Graham Alastair (former chairman of the British Committee on Standards in Public Life, during the period of 2003 – April 2007) and Brian Coyle (former director of BPP Training, the largest professional training in Europe) have approached this aspect from the perspective of the decisional process necessary in credit sizing and for assuring the observing of the negotiated terms and conditions.

The credit control is essential for avoiding the lack of liquidities as a result of excessive investments and to achieve an optimal balance between the profitability and the afferent risks. Structurally, the management of the corporate lending is seen as a system consisting in the following elements:

- management of the payments / receivables cycle;
- establishment of some secured payment methods;
- credit insurance;
- organizational - planning and risk management systems;
- credit policy;
- credit analysis;
- credit limits and terms.

3. CREDIT AS A PROCESS

The companies' lending activity as process was one of the main topics analyzed by Professor Joetta Colquitt (professor at Mercy College and FT Knowledge and professional trainer, with more than 20 years expertise in the analysis of international transactions, corporate and financial and credit risk). He sought to highlight the specific features (in terms of credit risk management) of each of the two major types of lending approach as a process: classical or traditional and modern.

Thus, according to the classical approach of the credit process, the concept of credit risk management aims to ensure the necessary capital for lending activity and reserve forecasting properly with assessment of borrowers

From the perspective of the modern approach of the lending process, the credit risk management is considered to be a dynamic application in which all aspects of the credit risk are built around of a process of measurement and evaluation of the loan portfolio, process which is in a permanent deployment.

4. THE IMPORTANCE OF THE HISTORY OF RELATIONSHIP BETWEEN THE BANK AND THE ENTERPRISE

The statistical analyzes performed by Ginés Hernández-Cánovas (associate professor at the Polytechnic University of Cartagena - Spain, Department of Financial

Economics and Accounting) and Pedro Martínez-Solano (professor of finance at the University of Murcia - Spain, Faculty of Economics and Business, Department of Management and Finance) on lending relationships between banks and companies in Spain, in terms of their age, have revealed two fundamental aspects:

- companies which have a rich history of the lending relationship with a certain bank benefit by an easier access to financing from that bank but with higher costs;
- companies operating through several banks obtain cheaper loans, thus establishing a limit of the concentration degree on a particular bank.

However, the results of these analyzes demonstrate the fact that the presence of a trust between the bank and the borrowed company contributes to the improvement of the access to finance and to the diminishing of the related costs. This is because it increases the probability of providing by the company of the guarantees required to secure the bank loan. Consequently, it is demonstrated that the relationships based on trust represents a better strategy for improving of the companies' access to the bank lending than a richer history or a higher degree of concentration on a particular bank.

In Germany, the strong lending relationships between banks and small and medium enterprises play a key role in the financial and banking system. Erik Lehman (professor at the University of Augsburg - Germany, Faculty of Business and Economics) and Doris Neuberger (professor at the University of Rostok - Germany, Department of Economics and the German Institute for Economic Studies Berlin, director of economic research at Institute of Financial Services of Hamburg and leader of the research group at the Centre for the Study of Demographic Change of Rostok) focused their researches on the social relationships that are established between the loan officers and the companies' managers. In this sense, the two authors have postulated that a lending relationship depends both on the transactions itself and the interactions between the negotiating partners.

An empirical analysis of the bank lending for small and medium enterprises in Germany showed that the loan price is influenced not only by the enterprises characteristics and the credit risk variables, but also by the social interactions between the loan officer and the company's managerial team. They vary significantly according to the age of the company and to the position of the bank compared to the other financing banks of the company (whether or not the institution is the main bank, *house bank*).

In this respect, the companies included within the age class 2-6 years receive significantly lower credit costs because the risk of insolvency is higher. The variables such as mutual trust and obligation have a more important role in the relationships between the company and its main bank than the case of the normal lending relationships with other banks. Thus, the first focuses more on borrowing costs than on cross-selling to be rewarded for the services provided, while the seconds are based on cross-selling as a compensation for guarantees (smaller) received from companies. As is the case of the predecessors, the two authors cannot support the theoretical assumption that the cost of credit depends on the length of the credit relationship.

One of the basic characteristics of the relationships between banks and companies in Italy, is the distribution of a company's exposure on several banks (multiple-bank lending). Giuseppe Vulpes (senior economist in the leadership of Planning Unit,

Research and Risk Management and advisor to the CEO of UniCredit Banca d'Impresa Italia) was interested to analyze the determinants of this practice. In this regard, the research conducted by him revealed the significant role of the governance' particularities at the company level.

In particular, it appears that firms which adopt a less formal governance model - which could indicate a lower informational transparency and generally a lower level of protection of third party creditors - are characterized by a higher degree of distribution of their exposure on multiple banks.

Thus, we could say that this practice is the result of an attitude of risk aversion of banks and it represents an assurance mechanism for banks to overcome the difficulties occurred in corporate clients assessing. This observation is particularly relevant for medium-sized companies which, on the one hand, presents corporate governance characteristics similar to the small companies and, on the other hand, shows a distribution of degree of bank exposure similar to the large enterprises.

This may have important policy implications. Indeed, much of the scientific literature on the bank - company relationship highlights that the exposure distribution on multiple banks, the intensity of it, is associated with a lower availability of credit especially in adverse cyclical conditions (known as the rationalization of the loan). This is especially important in light of the capital requirements imposed by Basel agreements.

5. HARD INFORMATION AND SOFT INFORMATION

An improvement in the banking sector's ability to measure and manage risks may reduce the necessity to share the exposure as a solution for limiting of the uncertainty regarding the real level of the risk of the borrowers. An equally important role to achieve these goals is carried by the progress that companies need to do both in terms of information transparency and corporate governance. The conclusion is that those companies that are not able to improve their model of governance risk as in the near future to face a significant tightening of credit conditions.

The small and medium enterprises in the U.S. and many European countries are limited in terms of the ways in which they can financing its activity. Unlike the large companies which can turn to capital markets, the small and medium enterprises have to rely heavily on the bank loans to cover its financing needs. This is because the small and medium enterprises, unlike their larger counterparts, are not audited accounting and must not publish its quarterly or annual financial statements.

In other words they do not provide quantitative information (hard information). In these circumstances, in order to be able to fundament its lending decisions, the banks must use a different type of information, known in banking as qualitative information (soft information) and aiming the skills and the experience of the management team, the quality of the ownership, the company strategy, the market share, etc.

The difficulty of collecting by the financial intermediaries of such information as well as the high costs involved represented the starting points of the research conducted by Timo Baas (assistant professor of macroeconomics at the University Duisburg-Essen - Germany, Department of Economics) and Mechthild Schrooten (professor at the German

Institute for Economic Studies, Berlin). They have developed a theoretical model to analyze the behaviour of banks about the credit costs, model that revealed the fact that the lack of reliable information leads to sensible higher lending rates, even if between the company (as borrower) and the bank (as creditor) there are long-term relationships. The analysis thus provides a theoretical explanation for why the managers of the small and medium enterprises consider the external financing as a major impediment to their business development.

The theoretical and empirical work suggests that loan officers have a role in relationship lending by producing qualitative information about their customers. Furthermore, it is assumed that loan officers produce qualitative information that cannot be easily transmitted and that this leads to a greater credit availability for borrowers. However Hirofumi Uchida (professor of banking and financial institutions at the University of Kobe - Japan, Department of Economics), Gregory F. Udell (head of the Department of Finance and Banking - Kelly School of Business at Indiana University, USA) and Nobuyoshi Yamori (professor at the University of Nagoya - Japan, School of Economics) showed that, in case of Japan, this assumption is not valid. The possible explanations could be found, on the one hand, in the fact that the social environment of Japan favours a credit culture in which the transmission the qualitative information from a loan officer at the other is much easier and, on the other hand, in the possibility that the lending relationships are not so important on the Japanese loans market for small and medium enterprises.

6. THE ROLE OF LENDING RELATIONSHIP BANK - COMPANY IN SOCIAL AND ECONOMIC DEVELOPMENT OF A NATION

Despite of various alternatives to cover the capital needs arising from current or investment activity, for most of the companies, the bank loans represent the main source of funding. This dominance is assured by the advantages offered by the bank funding for the company's economic and financial situation:

- obtaining additional funds to support their current projects or the long-term development;
- establishing a relationship with a renowned financial institution facilitates the access to other products and services provided by that bank or other commercial banks;
- increasing the visibility of the company and the degree of confidence in the viability of its business to other potential investors;
- there is a high flexibility regarding the amounts involved, the manner of use of those amounts, prices and terms of repayment of principal and payment of interest;
- the need to convince the bank business viability or simply filling in the credit file may cause the company's management to analyze the business objective to obtain a clear picture of its financial situation and an array of weaknesses, strengths, opportunities and threats which characterize the firm etc.

Considering the role of the banks and companies in assuring of a favourable socio-economic development of a nation, a new philosophy of the bank - company relation focuses on the implementation of team spirit between the relationship manager (bank employee) and financial manager the company, so that they can create value in the mutual interest of the parties and in this way to positively influence the macro-economy.

This becomes more obvious in cases the economy has periods of overheating or recession. In such moment it is necessary that the lending relationship between banks and companies to keep a balance between the expectations of both parties, the people involved having a role in this respect by promoting actions to maintain or restore the trust as a fundamental aspect of the credit relationship.

Thus, during the depression, adoption by banks of a more relaxed attitude in access to finance for companies would have the effect of reducing or at least of limiting the widespread mistrust that block the normal flow of the real economy. On the other hand, in terms of expansion of the economy and financial markets euphoria, the promoting of the lending procedures based on principles of caution would avoid the economy's engines overheating and diminish the amplitude of the future down slope of economic cycle.

7. CONCLUSIONS

The lending relationship between the bank and the company is more than a simple contractual agreement, its correct image being a set of information and operational flows based on trust and transparency, on well grounded decision processes, on accountability and assumed risks. During their performance the lending relationships between banks and enterprises may face with balanced periods but also with periods of stress. The way in which the moments of crisis are overcome directly influences the quality of the relationship, respectively its positive or negative effects on these two types of institutions and furthermore on the real economy

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**ROMANIAN ECONOMIC ENVIRONMENT – RESPONSIBILITY
POLICIES AND BUSINESS ETHICS**

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Abstract: *Corporations regarded as socially responsible can benefit from a large satisfied clientage while the public image of social irresponsibility can end up with a boycott or any other hostile actions from costumers. Positive contributions to social development can be considered by companies as long term investments in the consolidation of a safer community life, better educated and much more equitable which corporations can benefit from by unfolding their activities in a more dynamic, stable and resourceful environment. These are serious economic reasons which can be in the advantage of economic agents who can commit towards different social groups.*

Keywords: *social responsibility, corporate social responsibility, business ethics, best practices.*

1. INTRODUCTION

Companies' social implication has become a frequently approached subject due to a set of factors like: economic globalization, depletion tendency of resources, alarming increase of pollution and the diminishing role of the public sector. Consequently, corporate social responsibility becomes a component more and more significant of the business environment's interaction with the society where organizations unfold their activities. This term is of interest to both those who apply it in their current activities and also to the academic environment which, in order to create future managers, gets involved in its study. Companies which can prove the application of social responsibility policies are economically the elite of the business environment, be it in the EU area or not. According to general opinion, they will survive the globalization phenomenon from the economic field, while the rest disappears. Currently, people have become more aware of environment protection, its greening and a company's purpose achievements because they raised their expectations from companies than product quality and profitability.

Sustainable development is a concept approved by the European Union which aims to involve community organizations in states and local communities with incentives to achieve strategic partnerships with all stakeholders in the process (citizens, businesses, central and local). Global concept of sustainable development is a reality accepted by the entire public opinion alarming consequences of the greenhouse effect, the prospects planetary resource depletion and worsening social situation of more than half of the planet on the edge of subsistence. European countries in general and the members of the

European Union in particular is already a model in sustainable development even if there are large disparities between the 27 EU members. Social responsibility becomes more complex when multinationals go beyond national barriers: it is difficult to reach a consensus on socially responsible behaviour within its own culture, just as it is difficult to determine ethical values common to many areas of culture.

2. SOCIAL RESPONSIBILITY ACTIVITIES

There are three general principles according to which managers should be concerned with the organization's responsible behaviour: a company's right to exist depends on its responsibility towards the environment, governments can introduce strict laws that businesses in their area do not include social standards, a policy characterized by social responsibility leads to social acceptance and thus strengthens a firm's viability. However, in recent years there have been other incentives for accountability in business firms, including pressure from customers, local communities, regulators, banks, financiers and insurance service providers. Corporate involvement in addressing issues that concern society has become a frequent topic on the agenda of the business community and non-governmental sector and ultimately public policy. There are several reasons for increased interest in this topic, the need to find alternative sources of funding and flexibility in employment in a European and global context which requires companies to be more accountable and transparent, from the simple desire to approach a market segment that is a partner or competitor and it addresses the need to respond as effectively and thoroughly to the issues facing each community. (Friedman, M. & Friedman, R., 1998).

3. THE PRACTICE OF SOCIAL ACCOUNTABILITY IN THE ROMANIAN BUSINESS ENVIRONMENT

Identifying opportunities for economic development is the top priority of the XXI century. However, the process can become sustainable only considering the local environment from a perspective that can bring benefits to quality of life. It became an important guide to many communities who have found that traditional modes of interpretation, planning and development create, rather than solve, problems of environmental pollution. Where traditional mentality leads to urban pollution and excessive consumption of resources, sustainable development provides real and lasting solutions that strengthen our relationship with the natural environment. In existing, Romania concerns the leap to a market economy and achieves EU standards / she did a little later than other members for which, the politics of social development and the social responsibility had not taken into account the concept of sustainable development, protecting the environment and helping the poor communities.

The Romanian market is hardly familiar with this concept because the lack of budgetary resources and specific programs of the State left this subject especially in the task of NGOs / s and mass / media and less in the other's task involved actors (authorities, local public opinion, employers, private or public companies, etc.) One of the issues that

concern Romanian managers concerns the question whether it is fair to make you known social projects within the company and among business partners. (Gheorghe S., 2010)

Another question arises from the fact that social responsibility projects are decided and coordinated by managers not business owners. Is it ethical to do philanthropic gestures on other people's money? Sounds like a rhetorical question, because the role of managers is apparently only company to manage money, but we must keep in mind that corporate social responsibility is a marketing tool that can bring profit. Public incentives inactivity social responsibility requires a full awareness of the benefits and economic and environmental costs. Current soil degradation, environmental pollution with harmful substances, lack of educational programs unilateral consumption and storage resources used products in specially designated areas are all opportunities that multinationals company managers, but not only can afford to carry out social responsibility programs and activities.

When taking into account all these factors, these benefits become evident in the sense that, on the one hand communities, local authorities and people manage to overcome social problems with external sources of funding and on the other hand the companies in question are shown in marketing activity over the competition and manage their customer loyalty. By converting waste into usable resources, recycling provides a way to manage solid waste reduce pollution, conserve energy, create jobs and develop industries more competitive. Like in areas designated waste discharge or burning them in incinerators, recycling and it cost money. Judicious use of resources within a company can be a good example of accountability on ecology and environmental protection. For example, Coca-Cola HBC has 650 employees involved in a management training program and preventive ecological driving. In six months, the program led to important changes in driver behaviour, but also to reduce fuel consumption, CO2 emissions and accidents in the whole fleet. Recently, the company OMV Petrom has implemented a program of nationwide social responsibility Andrei's Country which involved more than 600 students from all over the country and involving a program to green land through afforestation. Publicized as a program with a similar impact it runs a competitor - Romania takes roots (Gheorghe S., 2011).

The concept of social responsibility of companies is a relatively new concept on the Romanian market the companies involved in the needs of society, a certain attitude ethics beyond their current business and becomes reality through a partnership between local communities, authorities and international organizations. Terminology is still vague and coverage terms sometimes overlap. Examining multiple definitions can lead to a set of concepts, allowing use this marketing tool by companies who want to promote a responsible attitude in the community. Corporate social responsibility has three faces. (Bauman Z., 2004)

1. compliance with the letter and spirit of the law - to be ethical, transparent, objective, honest
2. reduce or remedy any kind of damage they produce the company's operations, particularly on the environment.
3. sustainable development related decrease damage

Another model of social responsibility based on four components envisages economic responsibility, the primary responsibility of legal, ethical and philanthropic responsibility. However, determines what happens when two or more types of responsibilities are in conflict. Here is a very trivial example. Problem closure of production units, where ArcelorMittal. S.A. Galati frequently puts the problem of finding a balance between economic responsibilities (which require efficiency and profitability) and ethical responsibilities of the company, to the inhabitants of Galati, from which employees are expected to provide stable jobs. Ethics and social responsibility has become a sensitive issue, especially in developed countries economically. Underestimation of this phenomenon can lead to loss of customers; reduce the volume of operational activity and difficulties in attracting new customers. The consequences are implied for business: reduced profitability, low growth prospects, a significant decrease in the market value of the firm. Each of us, as social actors, has its own system of beliefs and values that reflect their social and cultural environment as a result of adaptation to the external environment problems and difficulties of integration and religious norms.

Responsibility of social actors is due to the power relations between them and the existing institutional environment, particularly its structure and functionality. Decisional freedom is the essential component of morality and of ethical, more relevant than any other criterion. For this reason I believe that democracy and the free market system provides the possibility for conflict of interest between social actors in a more equitable than a system based on oppression and domination of others - environmentally friendly, in fact, to enhance corruption and opportunism. Corporate social responsibility has become a frequent topic due to a combination of factors: economic globalization, the trend of resource depletion, pollution hazard alarming increase and decrease the role of the public sector. CSR is becoming an increasingly important component of business interaction with the society in which organizations operate. This term is of interest both to those who apply it in their daily activities and academic environment to create future managers responsible, engaged in studying it. Nowadays constant need for change has become a habit. People, both individuals and legal entities, to develop and assert, must continually adapt to environmental progress, seek to create something new, innovate in everything we undertake.

4. CONCEPTUAL APPROACHES TO SOCIAL RESPONSIBILITY

In Maslow's theory firms have CSR policies only after fulfilling the necessities are on the first three levels and survival needs (or rationality of economic activity) - obtain dividends or profits and level 1 security needs - obtaining and maintaining competitive advantages or level 2 affiliate needs - participation in trade unions or employers or in lobbies or level 3, the need to assume the role of social and community (need for self-equivalent of Maslow model, level 4. social responsibility, becomes more complex when multinationals beyond national barriers: it is difficult to reach a consensus on socially responsible behaviour within its own culture, just as it is difficult to determine ethical values common to several cultural areas. Three general principles according to which managers should be concerned with the organization responsible behaviour: a

company's right to exist depends on its responsibility towards the environment, governments can introduce strict laws that businesses in their area do not include social standards, a policy characterized by social responsibility leads to social acceptance and thus strengthens the viability of a company. (Carroll, A.B., 1979). Yet in recent years have other incentives for accountability in business firms, including pressure from customers, local communities, regulators, banks, donors or insurance providers. Corporate involvement in addressing issues that concern society has become a frequent topic on the agenda of the business community and non-governmental sector and ultimately public policy.

There are several reasons for increased interest the subject, the need to find alternative sources of funding and flexibility in employment in a European and global context which requires companies to be more accountable and transparent, from the simple desire to get closer to a market and partners or competition that it addresses the need to respond as effectively and thoroughly the problems facing each community. Empowerment activities are not necessarily new: most companies have always been close to communities and sought are some good actors or taxpayers. fact, many owners and managers instinctively realized that "doing the right thing" - to serve customers, take care of the morale and safety of staff, being careful to suppliers, to be fair competition and protect the environment is good business practice that helps. European Union actively supports Member States' approach to succeed in imposing a new approach to the relationship between communities and companies operating in national and international markets. effort, already made, to become "the most competitive and dynamic economic sector in the world, capable of sustaining economic growth with better jobs and greater social cohesion" as objective set at the Lisbon European Council in 2000, involves a major social component from all actors involved in the market. international authorities in this way, national, public companies, private and any organization able to engage as responsible are required to connect the proposed new objectives so that economic development and social inclusion have the finality some targets are considered to be both moral and cultural traditions agree and especially with the new European social standards specific to a model of economic growth and social welfare as the EU wants to become. CSR (Corporate Social Responsibility) is a way To understand the development of any business through the medium and long term contribution that you have to hold businesses to achieve standards and development of contemporary society adoption of CSR principles of economic actors at different levels help completing the objectives of sustainable development and to this end states and international organizations have defined a set of criteria for Dummies explains what a "desirable corporate behaviour in society." directly firms are now prepared to cooperate with various local or central authorities in order to increase their visibility in a market whose standards are in constant change. within organizations is desirable in relation to their employees to be concerned companies: (Craciun & Morar, 2005)

- to optimize quality of life standards employees
- providing a safe and healthy work environment for all involved directly and indirectly in company activity

- the specific interests of all parties involved in situations of crisis by restructuring the work done in a responsible way
- minimizing corporate actions performed on natural resources and especially on the environment

5. CONCLUSION

The problem is crucial for companies operating in contemporary Romanian economy since achieving a functioning and competitive market economy should be characterized by an increase in economic efficiency and productivity, which means the disappearance of the weak sectors or environmental performance and staff layoffs. On the other hand, conversion of redundant labour is with some slow, many workers being made redundant and thus putting pressure on central and local budgets redirecting and limiting the potential for new investment and thus create new jobs.

Social responsibility can be seen as a logical consequence of the obligations arising from increased power (importance) of a firm's social and correlation of this growth with social responsibility can lead eventually to the loss of this social power and hence the decline of the company.

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LAW

**THE REGULATION FOR EUROPEAN CIVIL SERVICE: CONCEPT
AND EVOLUTION**

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Abstract: *Since the beginning of construction of European Union, very close relations between Member States were based on the existence of specific institutions to ensure the enforcement of the provisions of the Treaties. In order to ensure continuous and correct operation of the Community institutions, there is a strong demand for a professional group to operate inside and in the name of EU, the European civil service. Considering the civil service regulations in EU countries, there is a dispute between concepts based on the idea of legal status of civil servant and contractual status. The EU civil service status emerged from these two versions, pointing out particular feature which the paper analyzes.*

Key words: *European civil service, regulation, achievements, demands.*

JEL Classification: *K23*

1. INTRODUCTION

From the three European Communities (coal, steel and atomic energy) and up to today's united Europe, states the old continent have come a long way and sometimes difficult. It is therefore greater satisfaction today when Europe is on the verge of political integration steps accomplishment. The entry into force of the Treaty of Lisbon removed the division on the three pillars and stated the legal capacity of the European Union as an autonomous legal subject with rights and obligations.

The integration developed in different forms, which conducted eventually to common political and administrative institutions (Onofrei, 2007). Treaty provisions that create the institutional prerogatives to exercise actually power were declared. There is now a comprehensive institutional framework for recognized EU's duties and functions. Union has an autonomous institutional structure, apart from the institutions of the Member States. The functioning of these institutions requires its own body of officials, selected based on their professional skills and performance with a very good knowledge on the relationship among Member States of the Union.

2. THE CONCEPT OF CIVIL SERVICE AT EUROPEAN LEVEL

There are two categories of public officials in EU countries:

- first, are officials working on the Community institutions and can be designated with the title of European officials
- second, there is the body of officials working in each country's own administration.

We note that in this area the general principle of subsidiarity applies. Each Member State is able to govern the body of its own officials in accordance with the requirements of the local legal system. With regard to European officials, the Community institutions are entitled to regulating their legal status.

Considering the civil service regulations in EU countries, there is a dispute between concepts based on the idea of legal status of civil servant (as the Romanian regulation was when first adopted) and contractual status. Between the two possible solutions, the major difference is in the recruitment procedure: it may be conducted within the institutions of public law (as it is the case of legislation adopted in Romania) or in the sphere of private institutions. In this last situation mentioned, the authority of a public official beside a private subject of law is strongly affected.

In EU law, the regulatory framework for civil service was influenced by the adoption by the European Commission White Paper on administrative reform, in March 2000 (Fuerea, 2002). This document highlighted the principles of public administration at European level, focusing on quality of services, official independence, and its liability for all acts committed, efficient and transparent public service provided to citizens. Starting from the idea that harmonization is a process, the question is who holds the control over it and how to do it better (Popescu, 2010). For practical implementation of these principles, The Code of Good Administrative Behavior was adopted on September 13, 2000, designed primarily as a tool for European institutions staff working directly with the public. Furthermore, the code aims at informing citizens of their right to receive quality services, the conditions that must be expected to receive when dealing with the European institutions and their officials.

The above mentioned Code is highly publicized and analyzed in the literature, pointing out the citizen's right to good administration, maximum generality principle that has a multi-talented implication of all government activities.

3. THE PUBLIC SERVICE CONCEPT IN THE EU MEMBER STATES PUBLIC ADMINISTRATION

As the doctrine of national administrative law compares and shows, in each European country are traditions of public service. It is estimated that the first country to adopt a general civil service status is Spain, the Law of 1852, followed by Luxembourg by a law in 1872 and Denmark in 1899. In Italy, the first statute of civil servants was adopted on November 22, 1908 and the Republic of Ireland first civil service law dates from 1922. Netherlands and Belgium have adopted the first law officers in 1929 and the General Regulations of officials of the United Kingdom of Great Britain and Northern Ireland occurs in 1931 (Iorgovan, 2002).

It seems that Germany has a tradition in the civil service since the Middle Ages, for Professor Jacques Ziller appreciate that the first general law codified civil rules was adopted by the national socialist regime in 1937, although there was a Bavarian code of function public since the early nineteenth century, i.e. from 1 July 1806.

German legal paradox is found in France, where civil traditions are far past the Revolution of 1789 and the rooms have discussed parliamentary bills on several occasions (1879, 1885, 1909 etc.), but the first of the Civil Status was only adopted by the Vichy regime (October 1946). Greece adopted the first civil service status in 1951, being inspired from French status in German law and English law of civil service.

Two matters required to be analyzed to assess civil settlement in EU countries:

- a) Which are the categories of officials covered by the statute, and
- b) What is the generality of the rules contained in the respective statute.

In most countries (Belgium, Greece, Spain, France, Ireland, Netherlands, Portugal) the administrative public law status applies to all permanent government, i.e. state, local authorities and independent establishments. This was the situation in Italy, by Decree-Law of the Government Amato, in February 1993.

Rule applying to all state administrative officials is nuanced in terms of temporary staff, not to be confused with those who have part-time. In a second group lies Germany and Luxembourg, where tradition calls for a clear distinction between civil subjects of unilaterally public law regime (*Beaute*), on the one hand, and employees (*Angestellte*) and workers (*Arbeiter*), subject to contractual arrangements, on other. The distinction is based on the intrinsic difference of functions, German law establishing such a hierarchy of public administration staff. The German doctrine considers that only officers may exercise the powers of the public or general interest in the protection functions and the functions it permanent, while the other two categories of staff performing functions of office, administrative or functions ethnic character.

In the UK the difference is made between common law and statutory regime of civil service, the law conceded that the servants (crown servants) are subject to the rules of common law while the civil servant status is the only reserved for the state administration officials (Bercu, 2011). Also, in a particular situation stands Denmark civil service officials: the overwhelming majority of officials are subject to the statutory regime, although in 1969 a contractual reform was circulated in this regard.

4. THE LEGAL FRAMEWORK FOR THE EU INSTITUTIONS PERSONNEL

European Community institutions meet diverse training staff, whose activity is conducted in accordance with the provisions contained in special laws adopted. These civil rights laws emerge a new European law branch. It has acquired as a new autonomy discipline, granted to these rules due to special interest because of the importance of the legal and regulatory framework for the entire activity of the union.

European notion of public office came in the language of each of us, being used in two ways, depending on the context specifically different.

First, in the broadest sense of the term, the European position covers both those invested with public authority working for a European institution or body carries and officials in public administration structures for each of the Member States of the European Union.

In turn, people who work for institutions and bodies are either European officials (in the narrow sense of the term) or contract staff, or self-employment under a contract and are not invested with public authority.

The three initially established communities (European Economic Community, the Coal and Steel Community and the Energy nuclear power) had its own officials, with special legal regulations. Until the entry into force of the merger treaty, there were three categories of civil service rules as European regulations, especially distinct in terms of hierarchy ranks, level of remuneration, pension scheme etc.

Article 24 of the Merging Treaty of the executives of the Communities (1967) imposed a single regulation establishing common staff and community institutions.

Regulation EEC, ECSC and C.E.E.A. no. 259 of February 29, 1968, which has been several times amended, achieved unification of these rules. EC and EURATOM Regulation no. 723 of 22 March 2004 made the latest and most important change. This regulation as further amended and together with other internal texts of the European institutions is known as the Statute, the subtitle "Rules and regulations applicable to officials and other servants of the European Communities."

The narrow definition of European official is found in the art. 1 of the Statute, that states "an official of the communities within the meaning of this statute is any person who has been appointed as provided by this statute, a permanent office in one of the institutions of the Community, written by an act of the authority vested power of appointment of the institution".

The title of Community official is subject to the act of appointment issued by the competent authority. That the legal act of appointment has the following features (Vedinas, 2007):

- It is a unilateral act, which means that at the time of issue, the only party that bound itself is the issuer; the recipient or beneficiary of the act of naming receive obligations only after express acceptance of the office or dignity and after receiving public instrument of appointment;
- It is issued only in consideration of a vacancy that was filled by competition or by obtaining an elective office;
- It is an act of authority, which takes effect only if issued by the competent body or institution under the rules of Community law;
- It gives to the beneficiary or to the official receiver a new legal status, as a legal act of incorporation of rights;
- It is a formal legal document so it must necessarily be present in material form, an official paper or a document that must contain concrete provisions of the act of appointment;
- It necessarily must show the issuer, issue date, vacant position, beneficiary of the act of appointment, date of appointment, the basis and reasons for investing.

Article 5 of the STATUTE classifies the officials into 4 categories: A, B, C and D. In addition to these categories, some more categories are distinguished: interpreters and translators. Officials belonging to the same categories are subject to identical conditions of recruitment and performance of duties. Each category is further divided in degrees, and the degrees are divided in echelons. When issuing the act of appointment, the powers vested with sworn in must specify the category, grade and considered echelon.

Officials in category A are organized in 8 degrees, grouped into functions or careers. In turn, functions or careers are subdivided into two echelons gradations or so in 16 subcategories of officials. To occupy these positions, mandatory rules of EU law require diploma from the university and any higher diploma is an asset of the candidate to access the civil service vacant position (Calinoiu, 1999). Officials from class A are in

steering positions. Thus, CEOs are appointed to A1 or A2, executives and heads of division are appointed in A3.

Category B consists of five degrees, grouped in careers or functions, each of which is conducted on two echelons. Officials of B correspond to the positions and employment application, which requires knowledge of secondary education level (owner of final diploma from high school). Category B includes those who receive and analyze information necessary for policy or the Union, or to supervise and make that legislation, at present approximately 2892 positions.

Category C contains five degrees, divided in two echelons each. In this category, there are the officials that graduated secondary education or have equivalent professional experience performing the tasks of secretariat, archive or other permanent administrative activities. The number of officials in the category C is twice the number of officials from category B.

Category D groups together only 4 degrees and it consists of officials engaged in activities involving physical labor. Minimum level of training for staff in this category is primary education, possibly supplemented by a series of technical knowledge, the particular business requirements of the job concerned. In this category are found usually officials for guard activities, courier service staff, etc.

In addition to staff working for agencies or EU institution having the status of civil servants, there are many people working under employment contract or cooperation agreement, designated by the name contractual staff.

The contractual agent is different from the official working under the statute provisions, as the contractual agent is not legally entitled to develop a career, is not stable in the position once held, and does not acquired many of the rights contained in the statute. Contractual staff may benefit from the provisions of the statute only in exceptional situations; otherwise their situation is governed by rules applicable to the labor contract. These employees, working under a contract based on a private contract, are not directly involved in public service. They are not invested with public authority in carrying out their activities; therefore they do not enjoy the same protection as civil service rights.

Among EU staff working under private law contract, there are two categories: contract staff serving different EU institutions or bodies from their permanent location and representatives in particular region. Contractual employees to serve a representative of the EU in a Member State or a member of the Union, or staff to carry out certain tasks of the EU at the local level are included in this category. Such persons only receive their payment from EU sources, but their entire activity is conducted according to rules of law of the State in which they operate. Moreover, if the disputes on the activities of staff under the STATUTE are competent to be solved by the European Court of Justice (mainly by the Civil Service Tribunal), litigations involving local law contractual staff are to be solved by the local courts. There have been cases of misusing the name of auxiliary position, although the person assigned to carry out permanent activity after a period of time. In these cases, judges of the European Court of Justice proceeded to re-contract, changing the name used for that function to the objective position title that was in fact occupied (see also ECJ, 01/02/1979, *Desharmes*, Aff.17/87, Rec. 189).

5. CONCLUSION

Although started in the specific national conditions, regulations and legislation on civil service function soon converged to common values and principles that have emerged since the second half of last century which today we call European civil law. To distinguish the EU civil service, in the narrow sense of the term, we should bear in mind that the activity of contractual staff always must be circumscribed to one of the following three situations. First, they conduct EU activities temporarily, for instance when occupying the position of a person who has a temporary post but for which the holder is unavailable for a period of time. Second, they conduct a support activity to current activity of civil service. Third, they may have the position of professional counselors for EU institutions, because the specialized staff in a particular field is missing. If the EU interests require skills and competence in a certain time, the persons having this temporary and specific mission will act as contractual staff of private law or under a contract of counseling (expert advice).

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ANALYSIS OF PUBLIC PROCUREMENT CONTRACTS IN THE EU MEMBER STATES AND THEIR IMPLICATIONS

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Abstract *This article provides a brief analysis of public contracts and the value of contracts in EU Member States. Also, some e-procurement systems and the effects achieved since implementation are presented.*

1. CONCEPTUAL BOUNDARIES ON ADMINISTRATIVE CONTRACTS

The theory of administrative contracts came into being, for the first time in the legal literature of France and is a creation of the jurisprudence of the State Council. Jeze Gaston, founder of the classical conception through his writings showed that in order to ensure the realization of public services, public administration may enter various legal documents with different legal entities.

Here, the theory of administrative contracts appeared with the development of relationship between the government and private entrepreneurs pursuing the concession of public works or services. On this aspect, C. Rarincescu (1940), great writer interwar administrative law, administrative contracts defined as "those contracts between private and administration, concluded to the functioning and organization of the public service".

With the passage of time, administrative law has developed, and administrative contract is seen as "an instrument through which the state can influence the economy", as for example, public works contracts and create jobs require some investment, in turn causes higher standards of living (Sararu, 2009).

Therefore, in addition to being an instrument of government strategy, administrative contract is an item that exceeds the state imposing its traditional model on how to perform the tasks they are to perform and the organization public service is a legal obligation for public administration contracting partner, he and accepting another suggestion (that of private entrepreneurs).

The current doctrine were expressed mainly three views: one of acceptance of the theory of administrative contract with express reference to the concession of public

services being considered by the administration of a particular administrative contract (Manda, 2007); the second is the in rejecting the theory of administrative contracts as it considers that it is compatible with the division administrative acts and administrative management authority, and the last case is the acceptance of the theory of administrative contracts for all government contracts from being subject to public law. These theories arose from the existence of a court finding the need to resolve any disputes that may arise during the execution of contract, the competent court is the National Administrative Court.

2. TYPES OF CONTRACTS

The purpose of administrative contracts is an activity of public interest may cover the provision of a public service, achievement of public works, the enhancement of a good public or private property by the state or municipalities made public.

Classification of administrative contracts can be made according to several criteria: subjects, nature or object, methods etc.

When referring to the subjects, we distinguish two categories of contracts, namely:

- 1) The contract concluded between two government authorities;
- 2) The contract concluded between a person of public law and public private aiming design, financing, construction, rehabilitation, modernization, operation, maintenance, development and transfer of goods or public service.

We identify at least two broad categories from the object point of view: a) Contracts are concluded for the realization of public services for the enhancement of the public domain goods; b) Contracts are concluded for the achievement of other public services (education, health, public order, etc.)

Currently Romanian legislation regulates several types of administrative contracts such as: Public procurement contract, which can be: a) The works contract is to be execution and design works on activities such as insulation, finishing, plumbing, carpentry (Anexe no.1 GEO. No. 34/2006), etc. or design, execution or performance by any means, of a work corresponding to the need and objectives of the contracting authority; b) Supply Contract for the supply of one or more products based on purchase, including rates, hiring or leasing, with or without option to buy. This type of contract is the main supply of products and, as a secondary operation / installation work and commissioning them. c) The service contract is that public contract, other than works or supply contract, which is the provision of one or more services. The agreement's main provision of services and ancillary activities carried such as transport, maintenance and repair, financial services, telecommunications (Anexe no.1 GEO. No. 34/2006), etc.

Another type of contract in the Romanian legislation is the concession contract, which may be: a) public works concession contract shall in consideration of services rendered to the concession grantor to receive the right to exploit the work over a result or this right together with payment of predetermined amounts of money. b) service concession contract covers services as counterparty, concessionaire to receive from the grantor the right to exploit the service for a specified period or this right together with

payment of predetermined amounts of money. c) Contract of public assets concession is a contract in writing by which the grantor submit over a given period concessionaire acting at the risk and responsibility, the right and obligation to operate a public property in exchange for a fee.

A third type of contract is the PPP contract. Public loan contract requires a contract generated by the state to obtain funding from creditors and natural or legal person undertakes to repay them with interest and other costs, within a specified period. Contract appointment of civil servants and the contract for the provision of medical services are other types of contracts. The grant contract is a contract between the management of an estate, for example Romanian Fund for Social Development, and representatives of entities such as rural communities, under which the Fund to the recipient or, where applicable, intermediary organizations, free of charge , money, called grants solely for the execution of approved projects (Chiriac, 2011).

3. FEATURES OF PUBLIC PROCUREMENT CONTRACTS IN THE EUROPEAN UNION MEMBER STATES

The European public procurement aims to apply the principles of transparency and cross-border competition to improve the functioning of public markets, promoting also a better use of public resources.

The European Union currently has a market large-scale procurement and current legislation regulates contracts worth about 447 billion Euros, while the total market for procurement of goods, works and services carried out by the public sector in the EU is estimated over 2 400 billion. There is also a European Commission proposal to increase the effectiveness of EU public procurement, by shifting them towards electronic procurement (e-procurement - Proposal for a Directive of the European Parliament and of the Council on public procurement). However the proposal provides for simplification provisions governing certain procedures and electronic instruments, for example dynamic purchasing systems, electronic auctions and electronic catalogs. It will also become mandatory use of e-CERTIS database. This is a guide showing documents and certificates that require companies bidding for public procurement contracts obtaining in the Member States of the European Union. It helps companies to identify the documents and certificates you need to submit the bid to obtain a contract to a European country and contracting authorities in European countries helped to determine which documents should require companies participating in the auction or what documents may accept from them. e-CERTIS is the result of a joint initiative, the European Commission provides and manages system and national editorial team ensures that the information is complete, accurate and current. It can be accessed from the website of the Directorate General for Internal Market of the European Commission and is available in 22 languages. This would increase legal clarity, especially across borders, about certificates and statements as may be required by Member States.

By using this area of e-procurement (e-procurement) is intended to reduce costs and streamline the entire process of procurement. In many Member States, the use of electronic procurement solution accounted for increasing economic efficiency of the

public procurement process. For example, in Portugal, after the introduction of e-procurement, Portuguese hospitals have reduced their purchase contract prices by 18%. Overall, the transition to e-procurement in Portugal generated savings estimated at about 650 million in the first year. Savings that this State has been through this measure amounts to 6% - 12% of total expenditure for procurement. Most of the savings was due to lower prices as a result of stronger competition (multiple offers on procedure), but were made to the cost savings and administrative.

Another successful example is the XchangeWales - Procurement Programme in Wales - which allowed savings of £ 58 million. Investment costs for setting up the program were recovered in a single year. XchangeWales program mainly aims modernization of public procurement by providing electronic procurement infrastructure, available for all public sector organizations in Wales. This infrastructure will help the buyer-supplier interface and offer easy access to a wide range of tools, procurement eliminating barriers faced some operators, particularly SMEs.

Also UGAP (Union des groupements d'achats publics) - the central purchasing body in France - expected gradual transition to e-Procurement reduced by 10% the administrative burden for buyers (e.g., by analyzing the tenders faster and access Easy to documents) and by 10% for legal services involved (as Procurement involve fewer legal controls). UGAP uses two tools to simplify public procurement, namely: on the one hand UGAP purchase products and services for public bodies, placing orders and making all necessary communications with suppliers. On the other hand UGAP provides a framework for public contracting buyers. By using this program public buyers are exempt from normal procedures and are considered to have fulfilled all obligations on advertising and competition, regardless of the contract amount. Also this program involves the use of modern tools such as e-auction, e-order and e-invoicing. System implementation cost was minimal compared to the benefits already achieved, but efforts were needed to train staff and update internal working methods.

In Romania since 2006 has been the publication of tenders in SEAP (Electronic Procurement System), trying thus saving public money and increase transparency in the procurement process. SEAP is an integrated IT infrastructure that provides public institutions in Romania can purchase products, goods and services by means of computer aided manufacture and operators the opportunity to bid for electronic auctions. Thus this system has the following main objectives: simplification of tender suppliers, use of efficient and standardized work procedures, reducing costs by reducing the purchase price, providing public information about procurement processes and providing a framework. High security and reliability for the activities of management of public funds.

The implementation of electronic purchasing solutions inevitably involve initial costs, but practice shows that they can be recovered in a relatively short period of time. Furthermore, existing systems shows that they are a powerful means to promote the participation of SMEs, including across borders, as SMEs are finding it easier to find tender and respond to these electronic means only in a traditional environment in which to use paper documents.

The economic significance of public procurement in the EU is an important one, this year totaling nearly 3.5% of regional GDP. In public procurement, current

Community rules provide for the use of six types of procedures: open, restricted procedure, accelerated restricted procedure, competitive dialogue, negotiated procedure and an accelerated procedure. The competitive dialogue procedure can only be used when not indicated any other procedure or when it may not achieve the results desired. The open procedure is most commonly used in public procurement, it totaled 73% of all tenders published in the Official Journal of the European Union. Restricted procedures and the negotiations are used for 9% of all offers, one of the countries most frequently uses the United Kingdom (for this country, the open "covers" only 50% of public procurement, well below the average EU). Smaller countries such as Cyprus, Liechtenstein, Malta and Iceland, using almost exclusively the open. The value of public contracts achieve on average in the EU, 400,000 euro, but nearly 9 out of 10 contracts is estimated below the median (which is 3 million).

In 2012, the European Union, the bulk procurement (by value) was achieved by open procedure, the competitive dialogue procedure applying only a small number of cases.

Public contracts and differs according to the procedure used for each value. The open procedure is used predominantly for low-value contracts, while the competitive dialogue procedure is used for higher value contracts. The cost of procurement in the EU is estimated at 1.4% of total purchases, representing 5.3 billion euro (in 2009). Among the EU member states are major differences in cost-effectiveness.

For example, in Germany and Norway, procurement costs amount to 4% of the total value of public procurement in the EU, while in the UK and Italy less than 1%. In this context, we should mention that the procurement cost value is not entirely due to EU rules, but national legislation. Competition in public procurement is significant, estimating that at EU level, each receives on average 5.4 open offers. Spain and Germany are the most competitive markets in the area, with an average of 8 per tender offers open public procurement.

Table no. 1 The cost of procurement in the Member States of the European Union (thousands euro)

Country	Procurement cost
Belgium	28,9
Bulgaria	4,7
Czech Republic	8,5
Denmark	43,7
Germany	47,0
Estonia	7,5
Ireland	36,3
Greece	33,5
Spain	33,5
France	21,6
Italy	48,5
Cyprus	30,7
Latvia	6,8
Lithuania	5,3
Luxembourg	30,1
Hungary	7,3

Malta	12,7
Netherlands	40,1
Austria	38,5
Poland	5,1
Portugal	31,0
Romania	5,1
Slovenia	11,4
Slovakia	8,0
Finland	31,1
Sweden	45,5
Great Britain	52,7

Source: www.ec.europa.eu/internal_market/publicprocurement/cost-effectiveness

From the data analysis we can see that a higher level of acquisition costs are recorded in countries with a higher degree of development, such as Britain and Germany because in these states, the process of public procurement, it puts a lot of offers. Note that the lowest cost is recorded in the new EU member states such as Romania and Bulgaria, because in those countries there is a competition as big.

According to data published in the latest European Commission report on public procurement - Annual Public Procurement Implementation Review, 2012 - total value of bids for procurement auctions amounted in 2010 to 447 billion (representing 3.7 % of EU GDP). Estimates of the Member States, however, are different from those of the European Commission, they indicate a slightly lower value of about 340 billion euro. These estimates can be explained by the fact that there are differences between reported intention and acquisitions effectively performed, but due to time differences between the two types of statistical evidence.

Table no. 2 Differences between the estimates of the European Commission and the Member States, the value of public procurement (billion)

Country	Reports of the Member States	European Commission estimates	The value of European projects
Belgium	4.85	10.96	2,06
Bulgaria	1.24	2.30	6,67
Czech Republic	6.57	8.07	26,53
Denmark	8.59	10.28	0,05
Germany	16.69	32.85	25,48
Estonia	0.76	1.51	3,4
Ireland	7.64	3.65	0,075
Greece	2.46	5.47	20,21
Spain	29.55	34.06	34,65
France	53.03	66.71	13,44
Italy	30.77	53.12	27,95
Cyprus	0.43	0.90	0,061
Latvia	1.52	2.06	4,53
Lithuania	1.35	1.33	6,77
Luxembourg	0.35	0.61	0,005
Hungary	3.95	5.52	24,92
Malta	0.36	0.26	0,0084

Netherlands	20.34	10.92	1,66
Austria	6.20	6.59	1,2
Poland	22.21	30.90	67,18
Portugal	3.57	7.08	21,41
Romania	6.09	7.60	19,21
Slovenia	0	1.63	4,10
Slovakia	3.41	7.62	11,49
Finland	5.61	8.25	1,59
Sweden	22.36	16.88	1,62
Great Britain	80.55	109.88	9,89
Total EU 27	340.43	447.03	≈ 422

Source: *Annual Public Procurement Implementation Review*, 2012 and www.ec.europa.eu

The data analyzed in this table we can see that there are some differences between the estimates of the Member States and the Commission. For example, in countries such as Poland, Germany, Italy and Spain, although larger amounts are allocated European project and European level recorded a large number of offers, which is clear from the Commission's estimates, we see that nationally only half of which are affected. Referring to Romania we find that competition is not as high as in other countries, which shows the number of bids that have been submitted. However we can say that Romania manages to make about three-quarters of the projects submitted.

As regards the UK, the situation changes because although the amount allocated for the financing of European projects is considerably lower compared to other states, we can see that the process is efficient public procurement which is apparent from the large number of offers made but also and the large number of projects completed, the difference between the estimates of the Commission and national reports Realtor small. We can say that the value of public procurement projects undertaken in the UK to constitute about a quarter of the total value of public procurement in the European Union.

The great importance to the public procurement sector in the EU is reflected in the data presented above. I believe that effective procedures can be improved so as to contribute to better outcomes and economically. This can be achieved by modernizing public procurement legislation and thus represents an important step for economic efficiency. At the European level are trying modernizing public procurement legislation through a proposal for a Directive of the European Parliament and of the Council on public procurement, aiming thereby increasing the efficiency of public spending to ensure the best results in terms of value. Also desired simplification and flexibility of existing rules on public procurement, facilitating the use of public procurement by contracting authorities in support of common societal goals, such as environmental protection, energy and resource efficiency, promoting innovation and providing the best conditions possible to provide high quality social services.

4. CONCLUSIONS

The correct efficient and effective application EU procurement rules across the EU remains a constant challenge. Thus the EU is trying to review and modernize the

regulatory framework for public procurement contracts awarded to increase flexibility and allow them to better use in support of other policies. Public procurement is one of the marketing tools to be used to improve the business environment and must ensure the most efficient use of public funds.

Although in Romania since 2006 is an electronic procurement seeking to save money and increase transparency in public procurement, it had the same result as other similar systems in Europe. Thus, the introduction of e-procurement Portugal have made savings of around EUR 650 million, in Wales by introducing e-procurement program XchangeWales have made savings of £ 58 million and in France led to implementing the UGAP 10% reduction in administrative burden for buyers.

So the European Union put a modernization and revision of public procurement regulations, trying thus to promote quality and innovation in this field. Also by the same measure is intended to reduce unnecessary bureaucracy and encourage the use of best value in terms of economic, rather than the use of the criterion of the lowest price in order to more intelligent and efficient procurement. Among other goals, a major role is played by the need for a higher degree of professionalism, increase the participation of SMEs, including social enterprises, combating favoritism, fraud and corruption, and promoting European cross-border contracts in public procurement.

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LEGAL ASPECTS REGARDING THE INSOLVENCY OF ADMINISTRATIVE UNITS

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Abstract: *The insolvency of municipalities can be a real solution to their debt problem. The procedure is similar to that applied to commercial companies, but there are important differences, such as for example that public entities cannot go bankrupt. Legal regulations must take into account the specific situation of these institutions, which cannot be dissolved.*

Keywords: *insolvency, arrears, local debt, municipality*

1. INTRODUCTION

At least 90 cities, towns and villages of Romania, more than half are in the North - East of the country (especially in Vaslui, Botosani, Bacau, Iasi and Neamt), does not even cover 25% of administrative costs, but that does not prevent them from making expenditures that exceed a thousand times the income they are able to collect, preferring to exert pressure continuously on County Councils and the Government to get money through other channels (IPP, 2013).

The government is trying to put stop wastage of public administration for instituting insolvency procedures to administrative territorial units which they not worry about any arrears or loans, because of the central authorities pumped money whenever it reaches a limit situation (Anghel, 2013).

From now on they will have to support the consequences - to default and sell the assets to cover the debt - after approval by the Government (at the IMF request) of an ordinance for insolvency of municipalities.

Discussions on insolvency regulation of municipalities have started in the 2000s, and in 2010 there was even a bill approved by the Government, but it was blocked in Parliament and it was never applied. The large volume of arrears made by local authorities and IMF pressure revived the adoption of a law on municipalities insolvency.

Almost every year the governments have approved amounts of the order of hundreds of millions or even billion lei (about 1.5 billion last year alone) to cover the

debts of local communities, but the results are zero, because other and other liabilities are made annually - for example local arrears (debts of more than 90 days) increased from 800 million in December 2012 to 1.2 billion lei at the end of January.

Table no.1 The evolution of local arrears period 2000-2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Local public debt	3.3	41	73	228	872	2200	3472	6174	8238	10836	11940	12800	13800

Source: Public Finance Minister

The revenues of local governments have soared in the past 10 years, from 6.2 billion in 2000 to 44.8 billion lei (over 10 billion Euros) in 2011, as well as debts increased. If in 2000 they were close to zero, are now 13, 8 billion lei (3.2 billion Euros). This means that 30% of the cumulative annual local authorities are loans, but local communities say they do not worry as these as long-term debt. However, during the European debt crisis devastated the local authorities - the most notorious being the case of Spain, while France does not know how toxic loans to cover at least 17 billion Euros of local communities.

Local authorities will continue to collect taxes, but operating expenses may be incurred in excess of the payment possibilities for municipalities, given that there is a controlling factor of these charges by law.

With the advent of a insolvency law on municipalities there will be the mechanism for identification of financial crisis in time. Local government will always exist, but the question is how these budgets are spent: with reason or without. The insolvency law will not answer the question where the money went, but will be a "benchmark" for stopping the wastage (Anghel, 2013).

Municipalities and county councils, whose financing needs have been constantly increasing, they resorted to the issuance of municipal bonds as an alternative to bank loans to finance various projects such as rehabilitation of roads. Until the financial crisis, the municipal bond market experienced a rapid development. In the last three years, only four municipal bonds have reached on BSE. Currently, they are traded on BSE, 37 municipal bonds with an aggregate value of approximately one billion lei.

The municipal bonds are secured by assets of municipalities. But, investing in such securities are not spared from the adverse effects of the financial crisis: higher interest rates, depreciation of the national currency, the issuer default entry. Small municipalities are more likely to enter into default. In the fall of 2009, Oravița municipality was the first case where a local authority has not paid timely interest on a loan bonds (bonds), firing a warning to investors. Less than half a year in 2010, the city of Aninoasa, Hunedoara county, arrived in default and treasury accounts blocked because of debts to the banks and utilities over 30 million lei.

2. LEGAL FRAMEWORK OF ROMANIAN INSOLVENCY FOR MUNICIPALITIES

For the first time, municipalities and county councils who do not pay their debts becomes insolvent. Government approved an ordinance 46/24.05.2013 replacing the non-paying mayors with judicial administrators. If they are insolvent and do not notifies this situation, the mayors face the risk to enter into jail.

The government warns the mayors and heads of local and county councils, which could lose their right to make any expense to the detriment of a trustee, if they have remaining debts. About an insolvency law governing the local authorities there are consultations for many years, since arrears "from territory" - the firm arrears over 90 days (always missed a target in the agreement with the IMF) - have led to bottlenecks in the economy, after the principle: the firms do work or provide a good or service to local authorities and the state forget to pay. And arrears are: at the end of 2012, local authorities recorded against suppliers of goods, services and works a volume of arrears of 840 million lei, and in January it was 1.2 billion lei. IMF demanded that the debts be paid quickly if Romania wants to have an agreement with the international institution.

The solution found by the government so far has been to take the masked problem at central and local authorities to provide loans to low-interest through Treasury (the central bank reference rate at 5.25%) in ceilings that have all stepped up to reached 800 million lei. The money left from the central budget to the municipalities have reduced the debt to 750 million lei at the end of April. For mayors and local councils, the payment of arrears from its own resources means giving up investment plans and other expenses, so prefer to wait an outstretched hand from the government, often by increasing state budget funds.

Finally, the government approved an emergency ordinance, a project by Boc government in Parliament in 2010 and stuck in the Legislature, replacing the words "this law" to "this ordinance".

According to Government Emergency Ordinance 46/24.05.2013 approved, when the local authority has the obligation to pay overdue more than 90 days, which exceed 15% of the general budget, it must declare a state of financial crisis.

Within 5 days, it is the Committee for the financial crisis, by order of the prefect, which includes:

- Mayor or chairman of the county council, the territorial administrative unit or subdivision, in financial crisis;
- Head of accounting department, the head of the public service that generated local state of financial crisis;
- A representative of the deliberative local unit
- A representative of the General Directorate of Public Finance.

Within 30 days, the Committee shall prepare a financial recovery plan, endorsed by the Court of Auditors of the territory, which should show how to increase revenues and reduce costs. The authorizing officer needs the opinion of any extra expense or credit contracted.

The situation of financial crisis ends when either the problems have been resolved and no longer notice other for 120 days or administrative unit becomes insolvent.

Mayors and heads of county councils are obliged to ask the court to declare insolvency if the local authority has unpaid debts older than 120 days and above 50% of the general budget or have not paid salaries for more than 120 days.

Within 15 days of the declaration of insolvency, the authorizing officer is obliged to request the opening of insolvency proceedings. If this period exceeds 6 months, then he is guilty of simple bankruptcy, which is punishable by imprisonment from 3 months to one year or a fine.

After the bankruptcy judge finds the local authority insolvent, a judicial administrator is appointed, which basically lead local authority finances insolvent. Within 30 days, after the administrator gains access to documents of the local authority that can be seen all expenses incurred by the former mayors, the administrator shall report on the causes of insolvency, indicating the persons responsible for this condition. If those responsible for the insolvency tries to hide, steal or destroy documents, they shall be liable to imprisonment from 6 months to 5 years, for the crime of fraudulent bankruptcy. Fraudulent management, both administrator and officer (mayor or chairman of the board) are liable to 5 to 12 years in prison. Moreover, those who have contributed to the entrance of the administrative-territorial unit in insolvency may be constrained by the bankruptcy judge, at the request of the administrator, to pay the debt.

Also within 30 days, the administrator proposed a recovery plan with the main creditor, with the General Directorate of Public Finance District /Public Finances General Directorate of Bucharest and Territorial Chamber of Accounts, after approval of the final table receivables - which prepares all the administrator. According to art. 39, they may initiate action to cancel a fraudulent acts by the credit contracts in the last 120 days before the opening of insolvency proceedings and give opinion to make layoffs, according to the recovery plan. The receiver has the right to have accelerated payment to certain creditors over others. But if Mayors / Heads of councils have made preferential payments to certain creditors than 120 days before the declaration of insolvency, they have to come up with money from home.

With the agreement of the syndic judge, the judicial administrator may request suspension of main duties of the local authority officer and take him this task. Basically, he will take control of finances, and the mayor or chief of county council has not longer decide over money (art.42 in the case when judicial administrator becomes the principal financial authority, it takes over activities affecting the financial situation and / or the specialized property of the mayor or county council and public institutions or local or county, as appropriate, and shall exercise the powers conferred by law temporarily mayor or county council president, in the name and on his behalf, within the powers laid by the bankruptcy judge").

How insolvency procedure can take up to three years, according to the law, some mayors may have the misfortune was not able to perform their duties only for a very reduced mandate.

The local authorities in insolvency must balance the budget and pay debts to creditors. But the holes are not always covered after being cut investment costs and some

staff is fired. Difficult task to reduce costs can be sweetened with a simple solution to increase taxes.

The judicial administrator has the right to propose to the deliberative authority (local council, county) the establishing of local taxes / new special taxes, recording the law, to finish the situation of insolvency. Thus, taxpayers could be forced to spend more money out of pocket to cover the financial holes caused by mismanagement of mayors and chiefs of county councils.

Insolvency proceedings cannot last more than three years, during which local authorities should pay creditors amounts due. Insolvent debtor is protected from enforcement action and accumulating interest and penalties on invoices and credits. But that does not mean its assets remains untouched.

If in this term, the liabilities are not covered 100%, the judicial administrator must ensure that "all private property of the local government unit are not required to provide essential public services were sold, leased, rented, liquidated and services and related activities, other than those defined as essential public services have been destroyed / system to help meet the demands of creditors "under Article 97. Among the assets that can be liquidated include land and various buildings.

If for a firm, the unsuccessful outcome of insolvency proceedings is often the bankruptcy, the local authorities cannot be eliminated through bankruptcy. Thus, if in three years they have not paid all the debts and creditors have agreed to reduce their claims, the administrative territorial unit falls back into a state of financial crisis.

Essential services are the public services without the administrative-territorial unit cannot function, established by Government decision within 75 days from the date of entry into force of this emergency ordinance. Most likely, however, including essential public services include the collection of taxes, police, local funded hospitals, schools, issuing permits, transportation and sanitation.

Article 105 brings sad news for service providers by local insolvent authorities, which could not receive the money for up to three years for their work. Any provider of electricity, gas, water, telecommunications, and other similar services shall not be entitled during the application of insolvency proceedings under this ordinance, to change, to refuse or temporarily discontinue such service to the administrative-territorial or public institutions and local or county, as appropriate, irrespective of funding.

Any creditor or group of creditors who have one or more debts, liquid and payable against municipalities, with an aggregate value exceeding 50% of its budget over a period of 120 consecutive days, may petition the court in whose jurisdiction the administrative-territorial unit is located, with a request to open insolvency proceedings against the municipality.

Thus, a municipality or a city council / county / Bucharest may enter into insolvency at the solicitude of creditors unless they demands the most of the claims or ally to request the insolvency. Given that the local authority is obliged to seek insolvency under the same conditions, this law is a difficult instrument used by lenders to compel municipalities to pay outstanding debts. Otherwise, creditors have some rights in insolvency encountered and if the relationship between the companies. Creditors' meeting

is convened by those who have at least 30% of the total claims, the composition may also take decisions and actions can challenge the judicial administrator.

3. CASE STUDIES: ROMANIA (ANINOASA) VERSUS USA (STOCKTON)

Aninoasa is a city in Hunedoara County, Transylvania, Romania. It has a population of 5,106 inhabitants, is a town from 1989. The main occupation in this city for 300 years was mining, but the late 90's all the mines were closed, now no longer having any mining town and hence no stable source of income for its residents.

Anina Hall, from the Jiu Valley, submitted to the Hunedoara Court a request for declaration of insolvency due to debts that exceed the local budget.

Indebtedness of the City Aninoasa approaching 150%. The amount of debt, including bank loans, rose to 5.7 million lei, while the local budget for this year was set at 4.2 million lei. The highest duty of Aninoasa Hall is the Romanian Commercial Bank, where the amount to be refunded shall be 3.5 million. Already utilities companies have shut-off valve to water and do not have long to cut the light.

Moreover, local authorities have submitted to the Court of Hunedoara in the next ten days, several documents to be presented their request for a declaration of insolvency.

If the court decides that Aninoasa Hall to be declared insolvent when the municipality will pay the current debts, but penalties will be stopped. Only daily penalties that have to pay the BCR rises to 1,500 lei. Also, utility companies will no longer disconnect the headquarters of the various services, such as water, energy and communications. Aninoasa school will not suffer because of insolvency as it has a separate budget. Aninoasa Hall will be able to recover financially in the next three years, if not will have to pay penalties.

After years of negotiations with creditors and ruthless budget cuts that have led to one of the highest crime rates in the United States, the city of *Stockton*, California, went bankrupt. With nearly 300,000 at the 2010 census, Stockton is the largest city in the U.S. became insolvent, and local government debt restructuring could contain invaluable lessons for Detroit metropolis, which is in a serious financial crisis and also on the verge of bankruptcy.

The evolution of Stockton case is followed closely because it will answer a few questions of constitutional law that gives headaches to the lawyers and accountants alike: who has priority for debt recovery - pension funds, as required by California state law, or the bondholders and creditors under federal law? Federal judge upheld municipal bankruptcy Stockton highlighted this dilemma: „I do not know if pensions too high can be brought under control. There are very complex issues and difficult as we anticipate the horizon".

Local Government Association of Stockton creditor believes that the city has not exhausted all available options of negotiation and mediation debt holders before seeking bankruptcy protection, as required by law. The lenders have acted in bad faith during negotiations required before bankruptcy and refused to pay them back party of the costs of mediation.

Stockton Hall tried to restructure some of the debt by reducing government employees, renegotiating labor contracts and social insurance decreased allocations of public officials. Funding for public libraries and recreational areas was halved, and the police only respond to emergencies in progress. The crime rate is among the highest in the U.S.. Funds for emergency services such as firefighters, were also reduced, along with other cuts included in a budget crisis.

Municipalities cannot liquidate assets so that bankruptcy involves a plan to convince creditors to forgive part of the debt. Stockton has debts of \$ 900 million from CalPERS (California Public Employees Retirement System) pension fund budgetary largest U.S. state, which is, by far, the largest debt of the city. The municipality has borrowed in 2007 to make payments to the pension fund after the recession has reduced tax revenues. It is unclear whether pensions promised to employees in its heyday can be honored. Many California cities are found in a similar situation to CalPERS.

Besides Stockton, six other cities in California have requested bankruptcy protection in the past nine months, also with astronomical debt to the pension fund. Stockton file is likely to reach the Supreme Court and will set an important precedent in relation to government - creditors - pension funds.

4. CONCLUSIONS

Approving the Emergency Ordinance 46/24.05.2013 regarding "insolvency administrative units" (cities, municipalities and counties), giving rise to new legal situation very interesting theoretically, but practically it is not known how many locations are in a position to enter into bankruptcy throughout the country.

The new law says that if localities insolvent debts older than 120 days, representing over 50% of the general budget or obligations have not been paid wages. Large towns, there is no question of entering into insolvency, but this law will temper the mayors who starts big projects without having the money in the budget and remain at the end of the debts. In contrast, for low income municipalities, insolvency proceedings can easily result if not timely receive money from the government, i.e. localities where they can not cover their own local budget amounts can be up to 80% of the general budget.

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BOOK REVIEW

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*Stephen Gardbaum (2013) **The New Commonwealth Model of Constitutionalism. Theory and Practice**, United Kingdom, Cambridge University Press, 262 pp., ISBN: 978-1-107-00928-8, 978-1-107-40199-0*

This book is part of a series which aim is to produce leading monographs in constitutional law. All areas of constitutional law and public law fall within the ambit of the series, including human rights and civil liberties law, administrative law, as well as constitutional theory and the history of constitutional law.

Stephen Gardbaum is the MacArthur Foundation Professor of International Justice and Human Rights at the University of California, Los Angeles (UCLA), School of Law. An internationally recognized constitutional scholar, Gardbaum received a B.A. with First Class Honors from Oxford University, a M.Sc. from London University, a Ph.D. in Political Theory from Columbia and a J.D. from Yale Law School. He is a solicitor of the Supreme Court of England and Wales, and teaches constitutional law, comparative constitutional law, international human rights, European Union law, and comparative law. His research focuses on comparative constitutional law, constitutional theory and federalism.

In this book, Stephen Gardbaum argues that recent bills of rights in Canada, New Zealand, the United Kingdom and Australia are an experiment in a new third way of organizing basic institutional arrangements in a democracy. This “new Commonwealth model of constitutionalism” promises both an alternative to the conventional dichotomy of legislative versus judicial supremacy and also innovative techniques for protecting rights.

The aims of this book are twofold: (1) to present the new model as a novel and general model of constitutionalism in a more systematic and comprehensive way and (2) to assess whether and to what extent it is operating distinctly and successfully. To fulfill

these twin aims, the book is divided into two parts (Part I - Theory and Part II - Practice), exploring respectively the theory and practice of the new model.

Chapter 2 (What is the new Commonwealth model and what is new about it?) is analytical in focus and has the goal of explaining what the new model is and what distinguishes it from the two traditional and previously mutually exclusive, institutional forms of constitutionalism. More specific, the author identifies the new model's novel and distinctive techniques for protecting rights in a democracy. Chapter 3 (The case for the new Commonwealth model) is normative and presents the general case for the new model as a third and intermediate form of constitutionalism. This chapter engages with the latest theoretical contributions to the debate about the merits of judicial or constitutional review. As the author states, if Chapter 3 can be said to present the "external" normative case for the new model as against the other two standards forms of constitutionalism, Chapter 4 (An internal theory of the new model) develops the "internal" normative case for it, in the sense of articulating an ideal theory of how the model ought to work.

In Part II, the book changes gear, from the theoretical to the practical aspects. Chapters 5 to 8 (Chapter 5 – Canada, Chapter 6 – New Zealand, Chapter 7 – The United Kingdom, Chapter 8 – Australia) describe the different versions of the new model adopted in Canada, New Zealand, the United Kingdom and Australia respectively, assess how successfully they are working as instantiations of the new model and in delivering its theoretical benefits presented in Part I, and identify any major practical problems or weaknesses that have emerged.

Chapter 9 (General assessment and conclusions) presents an overall assessment of the new model and an answer to the ink or eraser question. So, it evaluates the general success and distinctness of the new model in practice and critically examines skeptical claims of inherent instability and insufficient difference from judicial supremacy.

This book concludes by proposing a set of general and specific reforms that may help the new model to better achieve its normative goals in practice. And as the author says: "If it is not yet the time to call for the ink, it is also too soon to employ the eraser". Finally, as important features of this book, we can underline the followings:

- Comprehensive study of an important recent constitutional experiment to forge a new way of protecting rights in a democracy will appeal to those who are dissatisfied with the two existing approaches and are looking for an alternative;
- Analysis of the theory and practice of the new Commonwealth model of constitutionalism includes and integrates normative and empirical, legal and political approaches to the subject;
- Systematic comparative analysis of the recent rights revolutions in Canada, New Zealand, the United Kingdom and Australia suggests what can be learned or borrowed from each.

Having in mind that this work is new and actual and of interest to an international audience, we invite you to read and raise questions starting from *The New Commonwealth Model of Constitutionalism. Theory and Practice* by professor Stephen Gardbaum.

CONSIDERATIONS ON PUBLIC DIPLOMACY'S ROLE IN PROMOTING COUNTRY BRAND

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Abstract. *The study addresses the issue of the country brand from a new perspective, aiming to identify and analyse the ways in which public diplomacy can support the branding process. An important part of this study presents a comparative analysis on public diplomacy activities undertaken in order to support the brand of economically developed countries and some countries from Central and Eastern Europe, as well as the elements that define each country's public diplomacy. The most important contribution of the current paper represent the identification of 8 fundamental aspects (the allocation of financial resources, defining factors for the goals of the foreign policy and public diplomacy, the features that are promoted, the involvement of stakeholders in the image branding / promotion, the use of new technologies, the study on the perceptions of foreigners, social and environmental issues, the transfer of responsibilities) against which we can assess the relationship between the country brand strategy and public diplomacy, as well as their manifestation in several countries. Thus obtaining resources of possible good practices for developing Romanian's country brand.*

Keywords: *country brand, country image, public diplomacy, competitive advantages.*

1. THE COUNTRY BRAND AND THE PUBLIC DIPLOMACY

”The country brand is a relatively recent concept. It began to be used in the mid of the 90s in order to support countries in their fierce competition in the competitive environment. In this era of "super-brands" there is nothing unusual to consider a country to be a successful brand. Today we are facing the most communicative society of all time. Countries are competing to attract tourists, investment, talent and credibility. Customers benefit from a very wide range of places to choose from, each with its own attractive messages and highly credible promises” (Popescu & Corboș, 2013: 10).

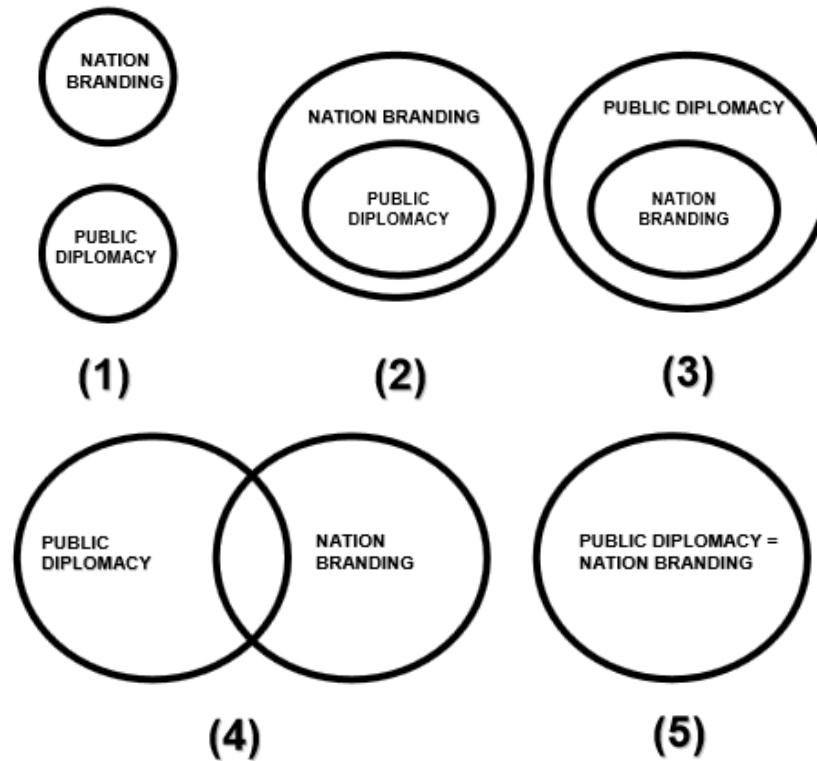
According to Anholt (2005), the current process of globalization has highlighted the need for countries to create a strong image, a brand focused on 4 dimensions (tourism, exports, foreign investment, foreign policy / public diplomacy). Public diplomacy aims to promote a positive image of the country internationally and within interest groups. The branding process involves the construction of this image.

Nistorescu and Barbu (2008: 12) believe that "building a brand image is a difficult, complex and sensitive to process". Vicente (2004: 33) believes that the country image is the result of a cumulative effort in the long term, which requires consistent and stable marketing strategies. The effectiveness of such a strategy is a source of competitive advantage, promoting a positive image of tourism, exports, foreign direct investment and foreign policy of the country. The increasing competition in international markets requires the creation of a country image on each of the four dimensions listed above, but at the same time building an integrated image. In practice, the focus of each country in each campaign for promoting its own image, in the four dimensions vary according to its competitive advantages, as well as the essence of its existing image.

The concept of public diplomacy precedes the country brand, and has become popular since the early '60s. The similarities and differences between the 2 concepts and their practical convergence or divergence have drawn the attention of specialists (Kanev, 2011). Thus, authors such as Zaharna (2004), admit that there is no clear consensus on the relationship between public diplomacy and country brand. In any case, it is clear that certain ideas that are present in the techno-economic approach are also supported by authors from the political category. Szondi (2008: 14-15) has identified 5 different approaches in literature regarding the relationship between the country brand and the public diplomacy (figure 1):

- [1] public diplomacy and country brand are 2 distinct spheres: have different objectives, strategies and actors;
- [2] public diplomacy is part of the country brand, playing the role of branding technique used by politicians;
- [3] the country brand is part of the public diplomacy, it is its instrument;
- [4] the public diplomacy and country brand are 2 distinct concepts that still intersect due to the interest that both give to culture, identity, image and value. Wang (2008) argues that countries operate in a competitive global context, and therefore, can support their interests in the international arena through a strategic management of reputation. In other words, the country brand and the public diplomacy are tools used to gain competitive advantage, regardless of whether the processes are defined in economic or political terms (Kanev, 2011);
- [5] the country brand and public diplomacy coincide and have the same object of activity: promoting the country with the ultimate goal of building a positive image. The disadvantage of this model is that it ignores important differences, so that none of the concepts cannot be used to its full potential.

Fig. 1. The relationships between nation branding and public diplomacy



Source: Szondi, 2008: 14-15

2. PUBLIC DIPLOMACY IN COUNTRIES OF THE WORLD

Next, there will be presented some of the public diplomacy initiatives undertaken in order to support the country brand in different states of the world, as well as the elements that define each country's public diplomacy. For this study we have chosen 3 countries characterized by a high level of economic, political and social development (U.S., UK and Germany), and 3 countries from Central and Eastern Europe (CEE) countries (Poland, Czech Republic and Serbia).

2.1. United States of America (USA)

The activities of foreign policy of USA are based primarily on defining and supporting basic democratic values, such as: peace, prosperity and justice. The objective of these actions is to ensure conditions of stability and progress for the benefit of citizens (Department of State - USA, 2012: 2).

The U.S. foreign policy has as priorities combating terrorism, assuring the energy supply and increasing the competitiveness of the USA companies. The American public diplomacy is focused on the security need, so about 1% of the federal budget is directed towards reducing the threat of nuclear weapons, stabilizing conflict areas, strengthening borders, combating international crime and extremist manifestations and providing

support for building prosperous and stable democracies (Department of State - USA, 2012).

In this regard, the USAID financing system that supports the development of the poorest and most unstable areas of the world represents a strategic investment that allows the initiation of beneficial partnerships in the future. For the year 2013, the USAID budget is \$ 51.6 billion and will be assigned to diplomatic priorities. The budget for the of U.S. diplomatic and consular actions for 2013 is \$ 11.3 billion, up from \$ 10.9 billion allocated for the year 2012 (Department of State - USA, 2012: 22).

The strategic objectives of the USA diplomacy consider the following (Department of State – USA, 2012: 17):

- Sustaining peace and security;
- Fair and democratic governance;
- Investing in people;
- Promoting economic growth and prosperity;
- Strengthening consular and management capabilities.

One of the priority directions of activity is the implementation of educational and cultural exchange programs, for which have been allocated \$ 586 million in 2013. These communicate the USA values and develop future leaders by acquiring a global perspective and create links with the international network of professionals. By aligning with other public diplomacy efforts, these strategic programs build confidence bases and prepare the next generation of leaders to work together to overcome the challenges of the XXI century (Department of State – USA, 2012: 42).

For the United States, involving the non-state actors (NGOs, religious groups, multinational corporations) in defining the priorities of foreign policy is becoming increasingly important. The American diplomacy seeks to expand beyond the traditional limits involving other actors, with a focus on civil society (Department of State – USA, 2010: 8).

After the terrorist attacks of September 11, 2001, the interest in an effective public diplomacy of the United States has increased significantly, as the fight against extremist ideologies has become crucial in the counter-terrorism policy (Nakamura and Weed, 2009).

Regarding U.S. diplomatic activity in Romania, it is clear that their actions are consistent with the general priorities set for diplomatic relations with all countries. For example, in 2012, the United States Embassy in Romania was a partner, participant or organizer at events such as (Embassy of the United States in Romania, 2011):

- World Economic Diplomacy day;
- The project Migratory Birds in the Danube Delta;
- U.S. Visa Campaign 2012;
- The project ReStart Romania - Lost Money;
- The gala restart Education;
- The essay contest "What is the Meaning of Tolerance in the Modern World?";
- The grant awarded to Romania for modernizing the air control system.

2.2. United Kingdom

In the United Kingdom (UK), the authority responsible for promoting the image and national interests and supporting the British citizens and businesses abroad is the Foreign and Commonwealth Office (FCO). Taking into account the current economic climate, the UK is aware that international relations are more important than ever. Democracy and new technologies momentum offer governments and individuals the possibility to contribute to decisions that affect them (FCO, 2013a).

UK aims to position itself effectively on an international scale in order to benefit from existing opportunities. Given the fact that is an influential member of powerful international organizations (such as the UN, NATO, EU and Commonwealth) and the strengthened links with many parts of the world, the UK is building increasingly intense the image as a global centre for ideas and primary force in a search of answers to the main problems of the world (FCO, 2013a).

The main purpose of the British public diplomacy diplomatic is using the diplomatic network in order to protect and promote the state's interests internationally. As in the case of the United States, one of the objectives of foreign policy is to protect national security by countering terrorism and proliferation of weapons of mass destruction, as well as contributing to the reduction of conflict situations (FCO, 2013b).

Increasing investments and exports, opening markets, ensuring access to resources and promoting sustainable development are also approaches of British diplomacy (FCO, 2013c).

FCO addresses consistently the challenge to engage in an effort to achieve foreign policy objectives, exacerbated by the fact that the information environment is continuously changing. In addition to traditional channels of communication between governments, the officials in charge with the objectives of diplomacy also work with non-governmental organizations, think tanks, opinion formers, youth, businessmen and individual citizens (FCO, 2013d).

UK is aware that public diplomacy is not only delivering messages for promoting the state interests, but also in order to establish and maintain a dialogue, listen and learn from audiences around the world to better understand how the perception of the country and its policies changes. Also, the British public diplomacy has concentrated its efforts in organizing successful events, such as the Shanghai Expo 2010, London Olympics, World Cup 2018, Queen's Diamond Jubilee in 2012 etc. The main partners in the projects of public diplomacy are: British Council, BBC World Service and Wilton Park (FCO, 2013d).

On the occasion of the Olympic Games in London, in 2012, was launched *The Great Campaign*, studies showing that this tournament is a unique opportunity to promote the UK abroad, defining international perceptions and delivering long-term tourism benefits (FCO, 2012). Thus, the *GREAT* campaign was conducted to demonstrate the capabilities of the United Kingdom to promote and improve the external reputation and maximize the economic potential of the Olympic Games. The campaign focused on areas of excellence (Technology and Innovation, Entrepreneurship, Creativity,

Knowledge, Environment, Heritage, Sports, Shopping, Music and rural areas), and also on the reasons to visit, invest, work and study in UK (FCO, 2012).

Regarding the UK diplomatic activity in Romania, in 2012 it was focused on the promotion of the following events (British Embassy in Romania, 2012):

- Olympic and Paralympic Games, London 2012;
- Queen's Diamond Jubilee;
- The *GREAT* campaign in the United Kingdom;
- Celebration of 130 years of diplomatic relations Romania - United Kingdom;
- 10:10 campaign to reduce emissions;
- Project offering UK bilateral assistance;
- The campaign *Focus on diversity* for promoting the rights of minorities and disadvantaged people

2.3. Germany

In Germany, the Federal Foreign Office³ (FFO) represents the interests of the state in the world, promoting international trade and ensuring protection for German citizens abroad. The institution maintains Germany's relationships with other countries, as well as international and supranational organizations. However, the activity of the federal office is not only focused on political and security relations, but also on promoting an intensive interaction and exchange with the countries of the world in areas such as business, culture, science and technology, environment, human rights and development issues (FFO, 2013a).

One of the most important tasks of the German diplomacy is to control globalization by maintaining an ongoing relationship with civil society partners, including business organizations and humanitarian and human rights organizations and unions. Germany has realized that the current challenges cannot be tackled by individual countries, but an international cooperation is needed, and therefore it has assumed the responsibility to contribute to the global peace and security (FFO, 2013).

Through public diplomacy, the German government promotes its image internationally. The FFO website includes an extensive section called *Information about Germany*. In this section, there are presented more resources with the help of which foreigners can get familiar with the specific of the country: the portal *Discover Germany*, *Deutschland Magazine - Innovation and Excellence*, the brochure *Facts about Germany* and the *Deutschland Portal* (FFO, 2013b).

Economic, political and cultural (including education) relations are the 3 pillars of Germany's foreign policy activity. The cultural and educational programs that are tailored according to the needs and interests of the citizens from the partner states can create a stable basis for international relations and strengthen the confidence in Germany (FFO, 2013c).

Germany's objectives in terms of cultural relations and educational policies are the following:

³ Federal Bureau of Foreign Affairs.

- Presenting Germany as a country with a lively, multidimensional and internationally acclaimed cultural scene;
- Strengthen Germany's position as a desirable location for higher education by providing scholarships for young researchers from all over the world;
- Promoting the interest in the study of German language internationally;
- Preserving cultural diversity while promoting European integration.

The Federal Bureau of Foreign Affairs carries out projects in collaboration with public organizations and agencies, such as the Goethe Institute, the German Academic Exchange Service (DAAD), the Alexander von Humboldt Foundation, the Institute for Foreign Relations and the German Central Agency for Schools Abroad.

Germany's diplomatic activity in Romania (Embassy of Germany in Romania, 2012), conducted with the purpose to support the promotion of the country's image, in 2012 had the following results:

- Scholarships for international practice in the German Parliament;
- DAAD scholarships for students, graduates and young researchers;
- Exchange programs offered by Inwent (Society for Training and International Professional Development);
- Euraxess internships for scientists;
- *Luther 2017 - The 500th Anniversary of the Reformation*;
- The *Deutsch – Sprache der Ideen* campaign for promoting the German language;
- The project *On the Move-Federal Foreign Office Sports Promotion* for promoting sports;
- The initiative *Schools – Partners for the Future*.

2.4. Poland

Recent years have been a period of development for Poland, with the increasing involvement in European and Euro-Atlantic structures. During this period there have been improvements that led to GDP growth up to 60% of the European average (Ministry of Foreign Affairs of the Republic of Poland, 2012: 5).

The actions undertaken by Poland in the international arena is a reflection of the values underpinning the society: democracy, the rule of law, solidarity and respect for human rights. Through diplomatic actions, Poland aims to ensure national security, heritage and natural environment protection, increasing prosperity, level of civilization and economic development through the development of friendly relationship with other countries and by facilitating cultural contacts (Ministry of Foreign Affairs of the Republic of Poland, 2012: 6).

The effective promotion of Poland's image abroad is one of the main tasks of the Polish diplomacy. The stated goal is to create both a national brand and strong sectorial brands. It is wanted for the country to be associated with a destination of rich culture and traditions, which deserves to be visited and in which it's beneficial to invest. Thus, Poland would be perceived as a partner that guarantees the best quality of goods and services (Ministry of Foreign Affairs of the Republic of Poland, 2012: 25). It is assumed that this

objective will be achieved through a sustained promotion activity of the country in academic conferences, cultural festivals, international economic exchanges etc. In order to reach a vast audience, Poland will focus on the relationships already established with various entrepreneurs, students, academics, journalists, cultural and political. The campaign will be promoted through various media: TV channels, radio stations, Internet (Ministry of Foreign Affairs of the Republic of Poland, 2012).

Increasing the intellectual and creative capital can be considered a pillar of support for the country brand, an utmost importance having the promotion of culture and tourist destinations, as well as education. Therefore, the initiatives involving the development of academic exchanges and Polish language courses will continue to receive an important support in order to encourage foreigners to study in Poland.

Over time, the Polish diplomatic activity in Romania has resulted in the following events (Embassy of Poland in Romania, 2012):

- Visits from the Polish officials;
- The Exhibition "In the pace of the era - Kazimir Illakowiczowna" (June-July 2012, Sibiu);
- Days of Poland in Bucovina, in 2009;
- Organizing Polish language courses.

2.5. Czech Republic

The Ministry of Foreign Affairs of the Czech Republic represents the central government authority in foreign policy, and is therefore responsible for the development of cooperation and coordination of foreign economic relations (Ministry of Foreign Affairs of the Czech Republic, 2013).

The activity of the ministry is currently focused on the following areas: EU, security policy, developing cooperation, humanitarian aid, human rights and transitional policies, export assistance, public diplomacy, multilateral policies (Ministry of Foreign Affairs of the Czech Republic, 2013b).

With regard to culture and promoting the country brand, the Public Diplomacy Department of the Ministry cooperates with the majority of the country's diplomatic missions abroad in order to set up various cultural events. To this end, annual plans are developed for each diplomatic mission that includes cultural program tailored to the needs of the state in which it is established. Also, the Department helps diplomatic missions to organize events in collaboration with local organizations. This department has also other responsibilities, such as: cultural partnership agenda, bilateral agreements on culture, education and science (Ministry of Foreign Affairs of the Czech Republic, 2013c).

These centres are funded in part by the Czech Republic Ministry of Foreign Affairs, and are present in 21 countries on 3 continents, having the mission to promote culture, education, tourism and trade (Ministry of Foreign Affairs of the Czech Republic, 2013c).

The promotion of the Czech culture in Romania is the responsibility of the Czech Centre in Bucharest, which has organized 67 events in 2010, the most important being the

festival of documentaries on human rights, *One World Romania*. 2010 was named the Academic Year for the Department of Slavic Languages and Literature at the University of Bucharest. Also, the Honorary Consulate of the Czech Republic, opened on October 14, 2010 in Timișoara, contributes to the development of educational, cultural, economic and business cooperation (Ministry of Foreign Affairs of the Czech Republic, 2010).

Regarding the activity of the Czech Embassy in Bucharest, in 2013 has taken place the following significant events (Embassy of Czech Republic in Romania, 2013):

- The premiere in Romania of the movie *Burning Stake* (organized by the Czech Centre in collaboration with HBO Romania) (February 2013);
- The inauguration of the sixth edition of the festival of documentary films dedicated to human rights issues *One World Romania*, inspired by the Czech festival *One world* (11 March 2013).

2.6. Serbia

The Serbian Institute for Public Diplomacy is a non-profit organization that focuses actively on the relations between Serbia and the EU. The Institute is one of the most active promoters of Serbia's image at European level. Among its objectives there are (Serbian Institute for Public Diplomacy, 2013):

- Accelerate Serbia's EU accession;
- Increasing the visibility of positive democratic change, the unprecedented economic transformation, and other processes of social evolution that occurred in Serbia since 2000;
- Promoting the economic interests of Serbia in the EU;
- Increasing the ability to attract foreign investment;
- Promoting the Serbian culture and tourism in the EU.

As a promotion centre, the Institute aims to increase the interest of foreigners for national products, economy, culture and tourism in order to preserve and celebrate Serbia's cultural diversity and integrity (Serbian Institute for Public Diplomacy, 2013b).

Important projects that promote the values and the image of Serbia in Romania are the following (Serbian Institute for Public Diplomacy, 2013c):

- Seminars on the Serbian language and cultural heritage;
- The program *Make the most of your internship* for young professionals;
- Charity actions;
- The program *Serbian BREnd* for promoting unique and quality products from Serbia.

3. THE PUBLIC DIPLOMACY IN ROMANIA

The Ministry of Foreign Affairs of Romania (MFA) is a public institution specialized on central public administration. According to Government Decision no.

8/2013⁴, MFA "it ensures the foreign policy of Romanian, by performing the tasks within its competence area that are to be accomplished by Romania as a Member State of the EU and NATO, and participates in promoting Romania's economic interests".

Among the main tasks of the Ministry are the following:

- "Defending and promoting Romania's national abroad;
- Initiating and supporting international activities aimed at developing peaceful and cooperation relations with all the countries based on fundamental principles and applicable rules of the international law; promoting internationally the democratic values, rule of law, and respecting human rights and fundamental freedoms, peaceful cooperation and human solidarity;
- Promoting Romania's national interests in international organizations and other structures;
- Organizing, directing and controlling the activities of the diplomatic missions and consular offices of Romania "(GD. 8/2013: 1-2).

The Government Decision no. 8/2013 stipulates that the Ministry "contributes to promoting Romania's image in the world by organizing and funding at national and international level the public communication actions, public diplomacy⁵ and cultural diplomacy⁶ [...] in accordance with the priorities and objectives of Romania's foreign policy".

The Foreign Service of the Ministry includes diplomatic missions⁷, consulates and cultural institutes. Also, under the "MFA activates the Romanian Cultural Institute (RCI)⁸ and the "Eudoxiu Hurmuzachi" institute for the Romanians around the world, and under

⁴ With regard to the organization and functioning of MFA.

⁵ Examples of such activities are: congresses, conferences, forums and international meetings, campaigns and internal communication events, events for promoting the country's image abroad, campaigns and events for promoting the culture, celebration of important events, participation in international festivals etc. According to Government Decision no. 8/2013, "these actions are financed within the limits of the annual budget approved by the ministry, by the laws of the annual budget act".

⁶ MFA contributes to strengthening Romania's image through the involvement in the cultural diplomacy plan, which has closed 114 active agreements and 30 programs concerning culture, education, science and media. Externally, the involvement of the Ministry is reflected through the cultural departments of diplomatic missions, as well as through a network of Romanian cultural institutes and lectorates of Romanian language and civilization within foreign universities [in 2010 37 lectures were operating in 21 countries, from which 18 European countries (mostly in France and Italy)] (MFA, 2013b).

⁷ The 146 diplomatic missions of Romania organize each year public diplomacy activities which aim to promote our country abroad during certain holidays: National Day, Remembrance Day, and Europe Day. The purpose of these actions is, on one hand, is to assert Romanian's membership to the EU community and to promote Romania's contribution to the cultural and historical heritage of Europe.

⁸ RCI has branches in 18 cities (mostly capitals): Berlin, Brussels, Budapest (with a branch in Szeged), Chisinau, Istanbul, Lisbon, London, Madrid, New York, Paris, Prague, Rome, Szeged, Stockholm, Tel Aviv, Warsaw, Venice, Vienna (MFA, 2013b). The regulation regarding the organization and functioning of RCI says that this institution has the mission "to promote national culture and civilization in the country and abroad. Increasing the visibility of Romania's cultural values in the world represents the primary aim of the activities that are carried out by ICR" (ICR, 2013). "According to the strategy for 2009-2012, RCI has as a goal to become an interface between the Romanian culture and abroad" (RCI, 2013b). Thus, in 2011, "The Romanian cultural institutes abroad have organized a total of 869 events attended by 2.6 million foreigners and 2,670 local artists and cultural figures" (RCI, 2013c).

the coordination of MFA operates the Fulbright Commission and the European Institute of Romania" (Government Decision 8/2013: 8; MFA, 2013a).

For achieving the public diplomacy objectives, MFA collaborates with (MFA, 2013c):

- Institutional partners: The Romanian Cultural Institute (ICR), The Ministry of Culture and National Heritage, The Ministry of Education, Youth and Sports, The Institute of the Romanian Language, The Romanian Academy, The National Authority for Scientific Research, The National Authority for Sport and Youth, The Agency For Loans and Study Scholarships, The National Centre of Cinematography.
- Civil society partners: Policy Centre for Roma and Minorities, Romanian-Swiss Multimedia Institute, Black Sea NGO Forum, Black Sea Trust for Regional Cooperation Foundation.

The projects regarding the public diplomacy and the cultural projects that have been organized by the MFA over time took into consideration the following:

- [1] The campaign "*Visa for the U.S.A*" had as a target group the citizens interested to obtain a temporary visa to the U.S. A in 2011. The message that was promoted was the following: *If you want to see America, show us how much you love Romania!*. The campaign was promoted in the online environment, by displaying web banners, and by displaying billboards on public transport. In order to increase the success rate of this initiative, MFA has partnered with 23 news organizations and five institutions (the Ministry of Regional Development and Tourism, the National Association of Travel Agencies, TAROM, METROREX), which promoted the message pro bono. The campaign was carried out in collaboration with the U.S. Embassy in Romania" (MFA, 2013d);
- [2] *RO20*: launched in December 2009, the program marked the 20th anniversary of the 1989 revolution by underlining the transformations undergone by the Romanian society during the transition period. The program consisted of publishing testimonials of personalities from different fields, launching a blog, organizing events of public diplomacy and cultural events, conferences and debates, photography exhibitions and using the social networks as a promotion tool" (MFA, 2013e);
- [3] "*NATO - the first 60 years, Romania – the first 5 years in NATO*: the communication and public diplomacy campaign was launched in 2009 in order to commemorate five years from joining NATO and the 60th anniversary of the organization" (MFA, 2013f);
- [4] "The campaign *Piazza di Romania* was launched in 2008 in cooperation with the Ministry for Small and Medium Enterprises, Commerce, Tourism and Liberal Professions. The purpose of this campaign, conducted in three Italian cities (Rome, Milan, Turin), was to strengthen the link between Romanian and Italian citizens in the context of a series of unpleasant events, which have affected the image of Romania in that period. The slogan of the campaign was: *Romania, un mondo da scoprire (Romania, a world to discover)*. The events organized during the campaign were: concerts, exhibitions of handicrafts and crafts, puppet

theatre, presenting Romanian films awarded at international festivals, debates and round table discussions” (MFA, 2013g).

4. A COMPARATIVE ANALYSIS OF THE DIPLOMATIC ACTIONS OF THE PRESENTED STATES

The criteria for comparison of the 7 analysed countries have been the following:

- *The allocation of financial resources.* The first difference can be observed in terms of allocating the financial resources for public diplomacy activities. The developed countries are allocating significantly more resources, highlighting the fact that the promotion of the country and the objectives of the foreign policy are a priority to be addressed through a well-planned strategy.

The CEE states lack the resources to achieve maximum efficiency in promoting their objectives, therefore their initiatives involve lower costs and use of resources from other sources than the state budget (for example: the Romania's tourism branding strategy is financed by European funds).

- *The defining factors for the objectives of foreign policy and public diplomacy.* It is obvious that the goals of foreign policy and public diplomacy depend to a significant extent by the level of development of the country, social characteristics, as well as recent events from the history of the state that has these goals. Major events, such as the global financial and economic crisis, or terrorist attacks can radically change the principles that guide the diplomatic actions and the promotion of the country. In this context, the need to defend the national security is becoming increasingly important for all states, regardless of the level of development.

- *Promoted characteristics.* The analysis of public diplomacy actions of the states presented shows that by using this tool, the states with a higher level of development are focused on promoting their culture and educational performances. In the case of Romania, it can be noticed an intense activity in terms of promoting its culture, however in the educational area there are a number of deficiencies that currently generate difficulties in promotion. The challenges in this field, constant conflicts and lack of sustainable strategies underline a low efficiency in the educational process. An intensive promotion of educational opportunities will be possible only with the successful implementation of policies aimed at developing the educational system.

Similar to Romania, Serbia, which is in the context of a future EU membership, focuses its foreign policy and public diplomacy efforts to promote its image inside the European supranational structure, in order to facilitate obtaining the membership status. The campaign *Serbian BREnd* has similar characteristics as the campaign *Made in Romania*, implemented in the same context of pre-accession in order to promote local products.

An important peculiarity of public diplomacy of the CEEC states is that they aim to promote the image of a country favourable for studies and investments, although economic results prove the contrary.

Regarding Romania, the legal framework provides rich opportunities to support the country brand. The diplomatic missions and the Romanian Cultural Institutes from

abroad have the possibility to conduct projects in order to promote a positive image of Romania and also have the legal status to do so.

MFA has been involved in the last 20 years in increasing Romania's visibility internationally. These initiatives were welcomed, despite the fact that the implemented projects and campaigns (*Fabulospirit*, *Piazza di Romania*, *RO20*, etc..) have not achieved the expected results. Also, RCI can contribute to promoting the elements of the Romanian's culture abroad.

However, attention should be paid to the promotion methods used, and the aim should be to avoid unpleasant situations, as those in which the institution has been involved in recent years.

- *The degree of involvement of stakeholders in the branding / image promotion.* Globalization transforms the relations between states, market and society. One aspect of this transformation is the shift in role of the state in international relations: national governments share power with other stakeholders (Wang, 2006). Thus, the state no longer has a monopoly on foreign policy because the country's image is influenced by many stakeholders, while the information technology provides them with the necessary communication tools in order to disseminate the information (Guceac & Porcescu, 2010).

Countries like USA, UK and Germany are increasingly aware that traditional diplomacy has lost power; therefore it is necessary to involve all stakeholders in the promotion of the country image. Currently, a state doesn't only communicate with the authorities of the states with which it maintains diplomatic relations, but also tries to create a direct connection with their citizens, by using various channels of communication: written press and audio-visual, Internet, conferences, debates, cultural events, festivals, exhibitions etc.

The current financial and economic crisis has led to a reformulation of the goals of the foreign policy, which now relies on the cooperation of nations in order to achieve common aspirations. Thus, powerful states seek to promote creativity and innovation in areas, such as technology, environment, research and business opportunities. Therefore, these states are willing to ensure an effective involvement of stakeholders in decisions that affect the country's image: non-governmental organizations, think tanks, businessmen, students.

- *The use of new technologies.* A notable difference between the developed states and the CEE countries represents the interest in the opportunities offered by the modern technological and communication tools⁹. It's essential to use these communication tools for promotional purposes, given the fact that we live in an age of information abundance. Managing this information is essential to improve the perception that foreigners have on a country.

⁹ Currently, most of the perceptions about a country that are assimilated by a foreign audience come from backgrounds that cannot be placed under the strict supervision of the state institutions - books, TV, movies, products etc. In this case, governments can only identify and take advantage of the positive ways in which messages can reach target groups (Guceac & Porcescu, 2010).

- *The study on the perceptions of foreigners.* Both developed countries and the CEE states understand the importance of the study on the fluctuating perceptions of foreigners and take more or less effective actions in order to influence these perceptions in a positive direction.

Both categories of states are facing some issues in terms of promoting a positive image abroad, but economically developed countries are aware that they need to implement measures to address the causes that generate the problems and not their effects. Implementing superficial actions that don't address directly the causes that generate the issues is a typical situation for Romania, the period 1990-2010 being characterized by short-range projects, which led to controversy and met little goals.

As in the case of the United Kingdom, Romania can improve its image by organizing major international events. This is a great opportunity for promotion, as it was demonstrated by the implementation of the campaign *This is Great Britain* at the 2012 Olympic and Paralympic Games.

A weakness of the Romanian brand is the insufficient attention that is given to human rights and minority protection issues. In the context of world states that are increasingly adhering to the principle of respecting the minorities, the unpleasant events in Romania, which involved Romanian immigrants, are extremely harmful to the image of the country.

- *Social and environmental issues.* Environmental issues are currently at the heart of the developed countries, where programs to reduce pollution and to introduce clean production technologies have begun to be successfully implemented. An increased attention to this area and expressing interest at an international level can enhance the reputation of a state. Romania's tourism brand promotes environmental concerns, but the reality is different - in the post-revolutionary period, our country has greatly neglected environmental policies and conservation of natural resources.

- *The transfer of responsibilities.* With regard to the organizations responsible for implementing the concept of country brand, internationally there is a tendency to transfer these responsibilities towards advertisers that have come up with the concept. From our point of view, there should be a close cooperation between agencies and the authorities responsible for promoting a positive image of the country, in order to identify the best messages and channels to promote and develop a brand that takes into account all the unique elements of the country.

CONCLUSIONS

Romania is in a position to build the brand of the country in an environment that is unstable from many points of view. Therefore, we consider the following reflections to be the most appropriate:

- To ensure success in this area is necessary to be rethought how resources are allocated. So far, the authorities responsible for promoting the country's image felt that it is enough to print and distribute materials that emphasize the landscapes and the cultural aspects through images and stereotype formulas. However, by using this approach can't be achieved the best results. Institutions must first address the causes that generate the

image problems: economic performance, tourism infrastructure, the behaviour of the Romanian immigrants. A sustainable change can be achieved, only if it is implemented in a bottom-up approach, trying to change the initial conditions that led to the decline of Romania's reputation on the international stage.

- A particular importance should be given to controlling the abundance of information, because the perception towards a country can be changed very quickly in a positive or a negative one, only through the appearance of an interesting piece of information in various environments, which can then be spread and generate unpredictable effects. In this context, identifying the differentiation and uniqueness aspects of a country and maintaining them on a long-term is particularly important. To ensure continuity and avoid the situations that took place so far (campaigns and projects have been abandoned due to political changes in the leadership of the responsible institutions), it would be useful that the accountability for elaborating and promoting the country brand to be managed by an organization that is independent of the political changes.

- In order to implement a long-term branding strategy, it is recommended to avoid general approaches, which lack originality. Also, a particular importance should be given to clarifying the situations that could damage the country's image, through the diplomatic communication channels.

- The Romanian brand could benefit from the opportunities offered by the new technologies, by being involved actively in the online promotion activities. The public diplomacy, thanks to the opportunities it offers, has the potential to greatly influence the perception of foreigners, by giving them specific information about our country. Studies have shown that the reality is better than the general perception about our country. Therefore, it is essential that this reality is presented outdoors by creating contexts for promoting the country during the diplomatic and economic events, as well as the ones related to tourism, that are held internationally.

- It is important to involve of all stakeholders in the process of creating the branding.

- A very important aspect of Romania's branding process is the need for continuous monitoring of the perception of foreigners about our country, and to identify the reasons that led to the emergence and spread of these perceptions. Implementing an *inside-out* approach can lead to a noticeable improvement of the country's image.

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