

CY-ICER 2014

The national policy-making process in the context of the international economic and financial movements

Tatiana - Camelia Dogaru ^{a*}

^a National School of Political Studies and Public Administration, Str. Povernei, no. 6, District 1, Bucharest, 010643, Romania

Abstract

The international movements, known to our current society have a visible impact on national public policies. Therefore, a wise Government should implement a policy mechanism, which takes into account the involvement of various international actors on public arena. Romania by dint of European Commission, International Monetary Fund, World Bank through stand-by arrangement puts into practice a programme of measures that changed the view of public policy-making. The current paper reveals the changes of policy-making process under the involvement of international actors. From methodological view, and taking into consideration the theoretical and normative framework, the research is based on the matrix of interest factors, as well as on the reviews under the stand-by arrangements, achieving an analysis in a multi-actor context.

© 2014 Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Peer-review under responsibility of the Organizing Committee of CY-ICER 2014.

Keywords: Policy-making process, international actors, structural reforms;

1. Introduction

The international movements, known to our society, at the time being, have a visible impact on policy-making. The nature of the policy-making' responses are shaped by international movements, such as climate change, terrorist threats, and nowadays, by the global economic and financial crisis. Thus, in the context in which, social, political, economic and ecological systems involve mutually adaptive interactions and produce characteristic pattern, the international actors, World Bank, International Monetary Fund, European Commission have an active role on domestic public policy-making, providing guidance how state policies could be shaped so as to pay respect to market economy features.

* Corresponding author: Tatiana-Camelia Dogaru. Tel.: +40-727-70-409
E-mail address: dogaru_tatiana@yahoo.com

2. Theoretical background and research questions

The need for rediscover the method to address the problems with fewer resources became a challenge for all governments. Although public policies in the modern welfare state are usually assumed to be domestic matters, external factors have increasingly intruded. Therefore, the public policy is also no longer a national process, increasing influence being exerted by: (1) international institutions and organisations, (2) the growing role of multinational firms on policy debates, (3) increasingly privatized expert knowledge which has moved to foundation, think tanks and (4) international social, economic, financial movements, which seek to create alternative policy debates and settings (MacCarthaigh, 2013, p. 7).

The international movements, namely Europeanization and global economic and financial crisis showed that the sensitivity to international developments must be a fundamental axiom of public policy process. National welfare states have responded very differently to the disciplines imposed by global competition in the international economy (Diamond, Lodge, 2013, p. 4). Furthermore, the recent global economic and financial crisis hit all countries, but they were not all equally affected. Some countries fared better than others, thus allow us to embrace the assertion that public policies context is described both, by public administration reform features (Andrei et al., 2009; Tvaronaviciene et al., 2009), and European administration development (Matei, Matei, 2011). This theoretical framework brings us to the first issue addressed by this paper, namely: which is the approach of Romania, as member state of European Union for facing economic crisis?

The pressure to develop policies in these times increased the different views of scholars (Laeven, Valencia, 2008; Reinhart, Rogoff, 2009; Kolb, 2010) and policy makers on what nature (monetary or fiscal) or in which direction (expansionary or contractionary) is most appropriate and effective for using. The importance of how public policy is created; framed and evaluated became one of the more prominent issues emerged from the recent economic crisis (MacCarthaigh, 2013, p. 1). If we are looking back to Romanian path for developing policy capacity, it can be find several reforms focused on that direction. For example, after its accession to European Union, Romania developed an institutional structure for ensuring the coordination the public policies, a mechanism for inter-institutional consultation, and a normative framework for carrying out the public policy documents (Matei, Dogaru, 2013). Nonetheless, the international economic movements have shaken the process of policy-making. Therefore, the question is: has been rediscovered the policy-making in Romania after the economic crisis hit?

In order to answer to the above research questions it have been used data extracted by authors from strategic and legislative documents in force, as well as from the available information in official databases of public authorities. In order to complete or to fill the missing data the author used the Law no. 544/2001 on free access to information of public interest for gathering information. It is worth to note, that the predominant research method used to carry out this study is the qualitative analysis, but the results are presented also with the help of quantitative analysis. The point focus of this paper is represented by the policy-making process in the context of international developments, particularly, the economic and financial one, and the period of analysis and data collection is 2005 -2013. In this context, the author raises another research question, namely: is economic boom or economic crisis the ideal time for starting a reform of public policy process?

3. Empirical overview on link between policy-making and economic crisis

This section concerns itself with a case study from a specific policy area – the civil service and civil servants in Romania without taking into account the data representative for contractual employees and for dignity positions. It is representative for the structural changes of the public sector, which have been developed over time, particularly after 2008. Even though the height of the economic crisis has been in 2009, its effects become more intense in 2010 and 2011 both for public and private sector. Many studies underlined that in order to recover from a crisis, a country must work to both counteract the crisis' effects and reform the economy in such a way as to correct the institutions. So, a state not only must create good policies, but also it must institutionalize that policy in such manner to have a positive effect on economic and financial institutions in long term. In the last years, Romania has made considerable

progress developing institutions compatible with a market economy, and straightened the public policy capacity, but as well as for almost all countries, the crisis has been a complex of interconnected crises: fiscal-budgetary, economic, political, moral and of knowledge. It started as a financial one, then moving into an economic one, gradually. Policy makers are struggling to find ways to cooperate and manage the current economic challenges while preparing their economies to perform well in an increasingly difficult and unpredictable global landscape. Since the Member States have been exposed to reversals of international capital flows, the European Union provided balance-of payments assistance jointly with the IMF and World Bank

In this context, in early 2009 Romanian authorities created a comprehensive policy package guided by the package of macro-stabilization and structural measures, and supported by a multilateral program with the World Bank, International Monetary Fund and the European Commission. The Romanian government started to implement its strict austerity plan in 2009, using the international loan. The most visible impact of this international economic and financial movement on policy-making is reflected on public administration level, and this study try to underline these changes.

3.1. [Re] organisation of the institutional framework

As a consequence of government response to the economic crisis, aimed at re-establishing financial markets, maintaining employment and mitigating the effect of unemployment, the public budgets have come increasingly under strain. Thus, the effects of crisis on Romanian public policies became visible through: (1) the budget changes of the public entities, (2) cuts of wages and jobs (3) delays of activities or stopping out certain activity components, and also through (4) the impact on private companies' activity. The Law no. 329/2009, regarding reorganizing public authorities and institutions, rationalizing public expenditures, sustaining the business environment and respecting the frame-agreements with the European Commission and the IMF represents the first normative act that support the above measures. Regarding the policy instruments, the package include the following ones: (1) gradual fiscal consolidation accompanied by structural reforms to restore fiscal sustainability and boost market confidence, (2) steps to further strengthen the resilience of the financial sector and to obtain commitments from foreign parent banks to maintain their Romanian subsidiaries capitalized and liquid, and (3) prudent monetary policy management to reduce inflation (IMF, 2010, p. 6). In order to attain the objective Romanian authorities got support from international actors. It received 12.95 billion euro [1,114 percent of quota] through a stand-by arrangements with International Monetary Fund, for a period of 24 months, and completed this amount with 5 billion euro from EU's balance of payment financing facility, 1 billion euro from the World Bank, and 1 billion euro from other multilateral commitments [EBRD, EIB, and IFC].

A first measures took by Romanian authorities that changed the view on policy-making process consists on reorganisation several public authorities and institutions through one of the next methods (Law no. 329/2009):

- dismantling the public authorities or institution as a result of fusion by absorption, and taking over its activity by another existing public authority or institution.
- dismantling the public authorities or institution as a result of fusion by absorption, and taking over its activity by a new established structure (department) within other public authorities or institutions.
- dismantling the public authorities or institution as a result of fusion by merger and establishment of a new juridical entity.
- dismantling the public authorities or institution as a result of division (departmentalization) and taking over its activity by two or more existing entities or by a new entity which is thus establish.
- reducing the staff number within the public authorities or institutions.
- changing the financing regime of public authorities or institutions through steering the income of state budget and financing the expenditures of state budget.

According to legal provisions in force (GD. no. 561/2009, art.1) drafts of public policy documents can be initiated, only by the following public authorities: (a) ministries and other specialized bodies of central public administration, subordinated to the Government, as well as the autonomous administrative authorities; (b) specialized bodies of central public administration subordinated or coordinated by ministries through the ministries in whose subordination or coordination is located; (c) prefects, county councils, the General Council of Bucharest, according to law through the Ministry of Regional Development and Public Administration [the ex-ministry of Administration and Interior], according to their competences and activity area. Under one of the above restructuring

measures are find and some public authorities and institutions, namely: Prime Minister Chancery, the Agency for Governmental Strategies by dismantling the institution, National Anti-Doping Agency through reducing the staff numbers within the institutions, National Agency for Energy Regulation by dismantling, the National Agency of Civil Servants, some ministries, including public policy units, and so on which had implications into policy process. According to the normative act a number of 124 authorities and institutions have been subject of restructuring, but in practice the measures mentioned by law have been applied by a large number of entities, including local public authorities.

The international movements, particularly the global crisis changed the view on management of civil servants, for example in 2012, the National Agency of Civil Servants (NACS) developed 18 proposals for normative acts and kept the procedure for 5 normative acts started in 2011. From these, only ones have been adopted, and they can be seen as results of policy-making, taking one of the following forms:

Table no. 1: The evolution of public policy documents

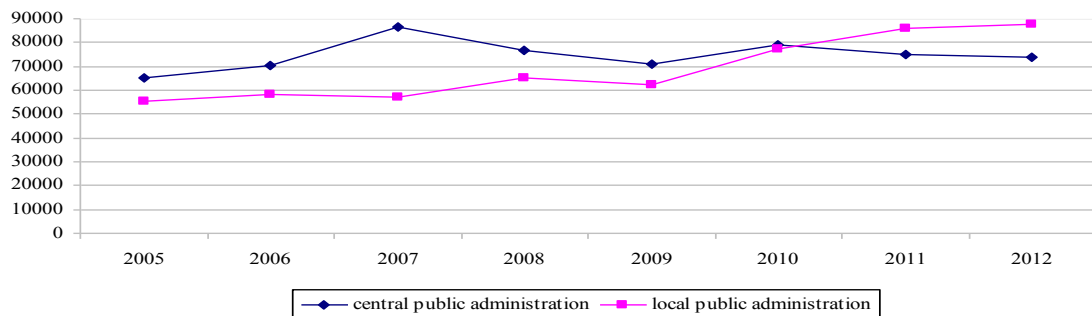
<i>Normative Year acts</i>	<i>Total</i>	<i>Orders of the Minister of Administration and Interior*</i>	<i>Orders of the President of NACS</i>	<i>Government Emergency Ordinance</i>	<i>Government Decision</i>	<i>Rule</i>
2012	13	1	6	0	5	1
2011	9	8	1	0	0	0
2010	8	0	4	0	4	0
2009	10	0	4	3	3	0
2008	19	0	7	3	9	0

* current Ministry of Regional Development and Public Administration

Source: National Agency of Civil Servants, 2008-2013

It is worth to note that the measures for reorganisation, also determined alterations into personnel policy from public sector. In this context, the paper emphasis the impact of reducing the staff number within the public authorities or institutions. At first glance, this measure has been imposed by the evolution of civil service both before and after the crisis. For central public administration, the public policies took before 2007 year, have been crucial for the next policies elaborated under the pressure of international developments.

Graph no. 1: The evolution of civil service for 2005-2012 period



Source: the author based on national data provided by NACS 2005-2013

While the evolution on above graph shown an increase for one component of public administration, meant local public administration in practice this growth is artificial because applying the measures assumed by Romanian authorities through the stand-by arrangements the number of employees decrease, in 2010 almost 100000 of employees left the system. Thus, the real situation can be expressed according to the following data:

Table no. 2: The status of civil service

<i>Status of civil service (%)</i>	<i>Year</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>held positions</i>		84.03	86.86	84.33	86.40	84.70	77.32	78.56	81.95
<i>available positions</i>	<i>(vacancy)</i>	15.97	13.14	15.67	13.60	15.30	22.68	21.44	18.05	-

Source: the author based on national data provided by NACS 2005-2013

The interpretation of data provided by the national authorities with competences for civil service management

reflects that the policies developed have been in accordance with the austerity measures only in 2010 and 2011, and especially for central public administration. In spite of this at local public administration level is found an increasing trend regarding the civil service. However in reality at local public administration level, as well as at central public administration level layoffs occurred, but for local case these changes are not reflected into the civil servants field. So, it can be assumed that they are into contractual staff area. During this time the rule for entry into public sector had 1 person in to 7 persons out. Starting with 2013 this rule has been changed with 1 to 1, and also the available (vacancy) positions have been cut out. Although public policies included activities for reducing the number of employees from public sector, the economic growth become less effective and the functional analysis on public administration made by World Bank’ experts in 2011, stressed that these measures had not the intended impact. One of the consequences is the reducing the number of staff from structures less efficient, and small financial savings from that. Additional to these, in 2009 through Government Emergency Ordinance no. 34/2009, the employment on available (vacant) positions has been deferred for public authorities and institutions.

Unfortunately, the austerity measures have not the desirable effects, thus public authorities should take others. In this sense, on the occasion of the seventh review under the Stand-by arrangement 2009-2011, the government signed a new one for 24 month, 2011-2013. The Stand-by Arrangement consists on 3.4 billion euros [300 percent of quota], and the Romanian authorities did not intend to make any drawings and they were treating the arrangement as precautionary. Few months ago, in June 2013, Romania completed the Stand-by Arrangement with an extension of three-month, and requested a new Stand-by Arrangement, equivalent to about 2 billion euros [170 percent of quota]. The authorities intend to treat the Stand-by Arrangement as precautionary and have also requested support from the European Union (2 billion euros), while 1 billion euros remains available under a World Bank policy loan (SBA, 2013).

3.2. [Re]organisation of the normative framework

From its accession to the European Union, Romania received international assistance for develop the public policy capacity. Almost, all studies on the evaluation of public policy management system in Romania carried out by the international bodies such as, OECD, European Commission and World Bank reveal the lack between policy-making and budget process within a general context, strategic planning (Matei, Dogaru, 2012). Quality of public policies depends largely on budget process, and the capacity of fiscal policies it can be find among the conditionality of International Monetary Fund, also. Taking account the GDP growth, the government has taken steps to develop its public financial management system in order to optimize resource mobilization and generate fiscal savings within more transparent, predictable and accountable framework (World Bank, 2009, p. 16).

Table no. 3: The evolution of GDP in Romania

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP growth (annual %)	4.2	7.9	6.0	7.9	-6.6	-0.9	2.3	0.4	-

Source: <http://databank.worldbank.org/data/views/reports/tableview.aspx?isshared=true&ispopular=series&pid=1>,

Under the international pressure, Romanian public authorities adopted a series of policy decisions for strengthening the fiscal-budgeting framework starting with approve of the Fiscal Responsibility Law no. 69/2010. The Fiscal Responsibility Law should help improving medium term fiscal planning, budget formulation and execution, transparency of the budget process and accountability through the following key elements: (1) implementing fiscal rules; (2) requiring supplementary budgets and (3) upgrading reporting requirements and raising accountability. For ensuring the implementation of this normative framework has been set-up the Fiscal Council, and elaborated the Fiscal Strategy for 2012-2014 periods. The medium-term expenditure framework would provide line ministries with incentives to prioritize expenditures within their policy agenda.

Despite the efforts made by Romania, the agreed deficit target could not be reached, and the government passed another austerity package. This provides for deep cuts in the Romanian welfare state, with sweeping cuts of 15% in all social transfers and of 25% in public sector wages in order to bring about a structurally balanced budget by 2014. Although, these measures helped Romania to carry out policies which lead the country toward growth in 2011, a series of factors push the growth around zero in 2012. The Romanian government’s austerity plan can

therefore be considered a renunciation by the state of redistributive and social policy goals (Heise, 2011). In order to support the policy package, the authorities approved in 2009 the Unified Wage Law no. 330/2009, and are committed to reduce the pressures on the wage bill.

Table no. 4: The evolution of normative framework for salaries in public sector

Normative act	entry into force	changed through	reversed through
Law no. 330/2009	O.J. of Romania no. 762/2009 in force from 01 January 2010	L. no. 118/2010 L. no. 121/2011 GO. no. 10/2011	L. no. 284/2010
Law no. 284/2010	O.J. of Romania no. 877/2010 in force from 01 January 2011	L. no. 283/2011 DCC no. 1615/2011 DCC no. 685/2012 GEO no. 84/2012	no
Law no. 285/2010	O.J. of Romania no. 878/2010	no	no
Law no. 283/2011	O.J. of Romania no. 887/2011	no	no
GEO no. 19/2012	O.J. of Romania no. 340/2012	L. no. 182/2012 GEO no. 84/2012	no
GEO no. 77/2013	O.J. of Romania no. 393/2013	no	no

Source: the author based on normative acts

In brief, data exposed by table no. 4 reflect the instability of framework for reforming the salary system in the public sector, and looking to the content of those the analysis underlined that after a series of measures aimed at reducing the salary, the authorities developed several normative acts for re-establish the wage, such as: (1) 15% increase in January 2011; (2) 8% increase in June 2012; (3) 7.4% increase in December 2012.

4. Short conclusions

The crisis has forced strong austerity measures and a re-evaluation of populist policies, including in public sector wages and pensions. The policy-making process has been the subject of changes since Romania became a Member of the European Union, and after the global economic and financial crisis. The austerity packages adopted by Romania for reducing the budget deficit determine a new view of public policy process. In this new perspective, measures for reorganisation and rationalisation of the public sector, including considerable job cuts [reducing the staff number from public entities], and the possibility of a 10-day period of compulsory unpaid leave for public sector employees, together with reduced working hours, were introduced. Even more radical measures have been introduced, means cutting of salaries of public sector employees, and cancel of their 13th month bonus and other benefits.

Looking to the results of this analysis it can be state that the Romanian public policies have been developed based strictly on economic reasons, and had sharply consequences at social level, including persistently high unemployment, and a low sense of wellbeing among the population.

References

- Andrei, T., Matei, A., Tusa, E., Nedelcu, M., (2009). Characteristics of the Reforming Process in the Romanian Public Administration System, *Transylvanian Review of Administrative Sciences*, no. 25E, february, pp.13-31;
- Diamond, P., Lodge, G., (2013). Welfare States after the Crisis: Changing Public Attitudes. *Policy Network Paper*, Foundation of European Progressive Studies.
- Heise, A., Lierse, H., (2011). The Effects of European Austerity Programmes on Social Security Systems, *Modern Economy*, 2, pp. 498-513.
- Kolb, R. W. (2010). Fiscal Policy for the Crisis, in *Lessons from the Financial Crisis: Causes, Consequences, and Our Economic Future*. NJ: John Wiley & Sons.
- Laeven, L., Valencia, F., (2008). Systemic Banking Crises: A New Database, *IMF Working Paper* 08/224.
- MacCarthaigh, M., (2013). Reform of Public Policy-making in Ireland, *Journal of the Statistical and Social Inquiry Society of Ireland*.
- Matei, A., Dogaru, T-C. (2012). Coordination of Public Policies Through Strategic Planning Instruments Romania Case Study, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2096764

- Matei, A., Dogaru, T-C., (2013). Coordination of Public Policies in Romania. An Empirical Analysis, *Procedia - Social and Behavioral Sciences* 81, pp. 65 -71.
- Matei, L., Matei, A., (2011). The Administrative System of the European Union - from Concept to Reality. *Transylvanian Review of Administrative Sciences*, no. 33E, pp.176-196;
- National Agency of Civil Servants. (2005-2012). Reports on civil servants and civil service management. <http://www.anfp.gov.ro/PaginaContinut.aspx?Id=237>.
- Reinhart, C. M., Rogoff, K. S. (2009). *This Time Is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.
- Tvaronaviciene, M., Grybaite, V., Tvaronaviciene, A., (2009). If Institutional Performance Matters: Development Comparisons of Lithuania, Latvia and Estonia, *Journal of Business Economics and Management*, vol. 10, iss. 3, pp. 271-278;
- GD. no. 561/2009 for approving the Regulation on procedures at Government level, for elaboration, approval and submission of policy drafts, legislation, as well as of other documents in order to be adopted/approved
- International Monetary Fund. (2009-2013). Stand-by Arrangements, available at <http://www.fmi.ro/index.php?pid=&lg=en&programs>.
- Law no. 329/2009 on the reorganization of public authorities and institutions, rationalization of public expenditures, business support and respect agreements - with the European Commission and the International Monetary Fund, published in the Official Journal, no. 761 (9).
- Law no. 330/2009 on unified wage, published in the Official Journal no. 762 (9).
- Law no. 69/2010 on fiscal responsibility, published in the Official Journal no. 252 (10).
- World Bank. (2009). Report no. 48665 – International Bank for Reconstruction and Development and International Finance Corporation Country partnership Strategy for Romania for the period 2009-2013.