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Public Administration reforms in Albania and Romania: between the  
Weberian model and the New Public Management

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Abstract
A general trend is easily observable in the literature on public administration reforms in post-communist countries and it consists in analyses of the degree of adoption and success of the New Public Management (NPM) model. A relevant implementation gap for some areas of reform which cannot be ascribed to the NPM are highlighted. The combination of these two features - also common, and not by accident, to other European countries - may well be read as the adoption of a modernisation framework different from the NPM, which some authors have come to recognize as a Neo Weberian model. Still, both models are not sufficiently developed and analytical to provide a framework for evaluating country experiences. Therefore, the paper will: 1) perform a systematic review of the literature on the context and cultural dependency of public management reforms, the debate on the NPM and the New Weberianism, with the aim of defining an analytical theoretical framework suitable for the analysis and comparison of country experiences; 2) undertake an in-depth evaluation of public management reform trends in two countries - Albania and Romania - and contrasts these with OECD countries' experience, with the aim of highlighting the approach adopted and how administrative history and traditions influence the reform results. The case studies are analysed with a specific focus on the scope, contents and sequence of reforms as well as on the role of international institutions. Public administrations of some European countries, including Albania and Romania, are not NPM "laggards" but have instead chosen to adopt a different modernisation model: i.e. the New Weberianism. Implications for future research and policy-makers are drawn.

1. Introduction
This article investigates PA reforms with particular reference to countries in transition. A narrative approach is employed and these aspects are analysed through the Albanian and Romanian case study. The lack of a widely-accepted model prioritising PA reform agendas in transition countries has created risks of incoherent reform initiatives, also exacerbated by the multitude of donors financing reforms in these countries (Verheijen, 2002; Jacobs, 2004: 330). The aim of the paper is to investigate whether the public administration reform path resembles the New Public Management (NPM) model of modernisation or the Neo-Weberian model. Empirical and theoretical literature review was carried out with the purpose of investigating the current state of knowledge in the field of PA reform in transition countries and to identify areas of controversy and of high relevance. The case-study approach was appropriate to identify some specific characteristics of public sector modernization in transition and to further research in these areas (Yin, 1994: 23). The research is based on interviews, direct observation and documental analysis. One relevant source of evidence of the orientation of reform programs is the role of international assistance in slowing down, introducing and sustaining public administration reforms in transition countries.
The influence of international institutions and the relevance of PA for achieving sustainable development emerges strongly from the Albanian experience with transition and PA reform. At the outset of the transition, little attention was paid to strengthening the State (it even sounded nonsense in a country coming from fifty years of State omnipresence). Several preliminary, but ineffective, steps were taken during 1992-7 to strengthen PA, also establishing the Department of public administration (DPA), while the weakness of public institutions was recognised as a key factor which led to the 1997 ‘pyramid crisis’. The following Reform and recovery programme, prepared jointly by the World Bank, the European Commission, the European Bank for Reconstruction and Development and the International Monetary Fund emphasised the development of an efficient, honest and effective PA. The 1997 crisis shed a light on the need to enforce PA for the sake of development and this was pursued through a national strategy (budget $US130 million) and many international projects.

2. Public administration reform: the New Public Management and the New Weberianism

The NPM reform movement has in fact far less coherence in theory and practice than in its early days when it was more geographically concentrated and intellectually focused (Kettl, 2006). Several authors consider it a market-related model of administrative reform and have identified it with the adoption of an influential set of management techniques drawn from the private sector, a greater service and client orientation and the introduction of market mechanisms and competition in PA (Pollitt and Bouckaert, 2004; Lapsley, 2009).

Most of the definitions - either from academics or from practitioners - are based on a list of the several NPM tools without paying adequate attention neither to the underlying philosophy nor to the interdependency between them. The OECD called this approach an “instrument fixation” and called for a systemic approach to public management reforms (Matheson and Kwon, 2003: 13). Table 1 summarizes the main tools of the NPM.

<table>
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<tr>
<th>Components</th>
<th>Tools</th>
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<tbody>
<tr>
<td>Adoption of business management techniques</td>
<td>Pay for performance, performance budgeting, external recruiting</td>
</tr>
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<td>Service and client orientation</td>
<td>Citizens' charters</td>
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<td>Market-type mechanisms</td>
<td>Outsourcing, public/public and public/private competition, purchaser-provider split, vouchers</td>
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<td>Delegation of authority and flexibility</td>
<td>Disaggregation of units, leaner and flatter organizations, hands on professional management</td>
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<td>Performance measurement</td>
<td>Output control and accountability, standards of performance</td>
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<tr>
<td>Discipline and parsimony</td>
<td>Program and output budgeting, recruitment restrictions, downsizing</td>
</tr>
<tr>
<td>Political-administrative separation</td>
<td>Negotiated term contracts for senior civil servants, creation of executive arm’s length agencies</td>
</tr>
<tr>
<td>Widespread use of e-government</td>
<td>Front-line services and back-office rationalization</td>
</tr>
<tr>
<td>Regulatory reform and simplification</td>
<td>One-stop shops, measurement of administrative burdens</td>
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</table>
The NPM’s most prominent virtue has been its “sharp and clear definition of the problem of modern government and of the solutions that would fix it” (Kettl 2006: 314), but the literature is far more rich with critiques.

The diversity of reform paths in continental Europe bring Pollitt and Bouckaert (2004) to make the case for the existence of a specific and distinctive model of reform termed the New Weberian State (NWS).

The NWS assembles principles which were at the heart of the Weberian model of PA (reaffirmation of the role of the state and of representative democracy, merit selection and impersonality of civil servants, hierarchy, career advancement, legality and rationality), still close to the European Administrative Space’s main standards of reliability and predictability, openness and transparency, accountability, efficiency and effectiveness (Drechsler, 2005).

Two different positions can be found in the literature with reference to the extent to which NPM reforms fit with the post-communist context1.

Several authors recommend a careful consideration of context variables before adopting NPM reforms. Schick (1998: 124) highlights some important preconditions that transition countries should not ignore in designing their modernization strategies, such as a robust market sector and enforced contract management, highly formalised civil service and budget systems, and low levels of corruption. In the author’s words ‘performance is to government what self-actualisation is in Maslow’s hierarchy of needs. Only when basic requirements have been met is the State ripe to manage for results’ (Schick, 2003: 5).

Polidano (1999) and CLAD (1998) both reject this position, not considering NPM reforms as incompatible with context factors.

3. Public administration reform: the transition countries experience

In post-socialist countries development has been pursued at the outset of transition mainly through downsizing measures aimed at achieving fiscal stabilization. These measures benefited of the full support from the international community. Many earlier reforms, often under pressure from structural adjustment and fiscal stabilization, were concerned with administrative efficiency and involved retrenchment of civil service. The most basic transformation was moving resources from the State to the private sector, which in 1999 produced more than half of GDP in the central eastern European region (World Bank, 1996: 6).

No parallel efforts were made by international institutions and governments to strengthen PA and management and public support was also weak. In spite of past reform efforts, the bureaucratic environment, red tape and corruption still restrain economic activity in some post-communist countries, both with regard to foreign investors and local entrepreneurs. In addressing these issues, reforms of

1 On the other hand, the World Bank, as other donors, showed a keen interest in NPM during 1990, although a word of warning in 2000 recommending a ‘two-pronged strategy’, aimed at building basic institutions as quickly as possible, while preparing the way for broader managerial flexibility (World Bank, 2000b: 36; World Bank, 2000a).
public governance and public management, are expected to provide high dividends for economic growth, trade, investment, private initiative and job creation. As the imperative of PA reform became clearer in middle and late 1990, the NPM had a strong echo in both transition countries and international institutions. Nevertheless, no agreement is found in the literature on the scope, contents and sequence of PA reforms in transition countries, which is too often accepted without further qualification (Jacobs, 2004: 321; Schick, 2002).

Regarding the scope of PA reforms, what distinguishes transition from reforms in other countries is the scale and intensity of the systemic change involved. ‘Reform must penetrate to the fundamental rules of the game that shape behaviour and guide organizations’ (World Bank, 2000b: 97). When coming to consider public management and governance reforms, the key issue is whether to go for a wide-ranging, comprehensive set of reforms or whether to limit to a more restrained, incremental programme of change (Polidano, 2001).

Comprehensive reform programmes may be necessary to attract the aid money without which reform cannot proceed in many countries. Thus, the choice of the first option is often connected to PA reforms from the donor-driven perspective, characterized by a narrow macro-economic focus and it is bound up with the question of uncoupling civil service reform from structural adjustment programmes. However, over-elaborated reform projects, which attempt to address too many objectives simultaneously, can sometimes be beyond the capacity of aid recipients to implement them and are a common cause of project failure (Polidano, 2001).

As far as contents of reform are concerned, there has been a comprehensible reluctance to define a generalised model, preferring instead a contingency approach. Nonetheless, in much of the literature reviewed, the basic assumption is that strategic planning and coordination across PA, stable financial and budgetary management and human resources management are three central areas of PA reform. However, these three levers of change have been considered separately and very often synergies have not been achieved.

The growing attention to public management reforms in recipient countries, along with the evolution of aid destination towards public management and governance reforms draw from similar changes in terms of strategy of international institutions. For example, the World Bank strategy in the central and eastern European region moved from a first stage in the early 1990s initiating more immediate policy reform measures with a strong emphasis on macroeconomic stabilization, liberalization, and privatization. In mid-1990s, it began to tackle public resource management and aspects of administrative reforms in the context of adjustment operations, along with specific functions of the State, such as tax administration and public finance. The past decade has witnessed a significant expansion in the scale, scope and depth of public sector institutional reform activities in the region, addressing more fundamental institutional reforms in fiscal management, effective linkage of policymaking and budgeting through the introduction of medium-term expenditure frameworks (MTEF), PA and civil service reforms (World Bank, 2000b: 97-106). However, this evolution has not been
informed by learning-oriented evaluation, as the literature seems to suggest (Gasper, 2000).

The conceptual framework underpinning these experiences builds on the simple but powerful idea that development results can be improved by an enhanced management focus on them. It brings together three strands of the development dialogue of recent years: country-led development and partnership, results-based management and development effectiveness (OECD/DAC, 2003).

In conclusion, PA reform in transition countries entails a very broad agenda neither prioritised nor clearly defined in terms of effective implementation, though referring to high-level intentions (Jacobs, 2004).

3.1. Public administration reform in Albania

Albania is a transition country of about 3 million people in the Balkan Peninsula. A distinguishing feature of development in Albania during the first years of transition has been its capacity for a quick economic recovery with GDP growth rates ranging from 7 to 11 per cent (during 1993-6 and again from 1998). For many years, Albania was held up as an example for other transitional countries to follow because of its apparently favourable macroeconomic indicators (Vaughan, Whitehead, 1999).

Nonetheless, during 1996-1997, Albania was convulsed by the fall of several huge financial pyramid schemes with about two-thirds of the population investing in them and nominal liabilities amounting at almost half of the country’s GDP. The main international institutions were slow to realize the dangers of the growing influence of pyramid schemes. In early 1997, Albania’s financial pyramid schemes collapsed, plunging the country into a deep economic and social crisis. State institutions ceased to function and economic activity came to a virtual standstill. Although Albania’s transition to a market economy was rapid and quite impressive before that crisis, financial sector reform was very limited and the regulatory framework was inadequate (Jarvis, 1999).

The sharp decline of 10 per cent of the GDP after the crisis showed the vulnerability of the macroeconomic results achieved and highlighted the imperative of PA reforms. Strengthening PA became the focus of international assistance programs only after that crisis, when it was understood that a strong and functioning PA could not automatically emerge as a consequence of economic development, but is instead a precondition.

In its National strategy for socio-economic development (Republika e Shqiperise, 2001: 53), the Albanian government recognized PA reform as fundamental for the attainment of the medium-term objectives for growth and poverty reduction. The Government strategy for State administrative and institutional reform included strengthening the coordination of public policies; improving policy and program implementation; transparency, effectiveness and accountability in resources management; and government-citizens relationships and public accountability.

However, reforms were addressed mainly by drafting laws and formally establishing new agencies, revealing donor pressure more than a serious commitment of the Albanian government, still unable of implementing much of the reforms.
The Albanian PA includes the central, regional and local level. The public personnel has a modest size amounting to 103,600 (in comparison with 213,000 in 1998). The higher civil service encompasses 3,500 persons in central administration and 2,500 at the local level. Public sector employment has registered a continued decline since 1993, largely achieved through pro-rata cuts aimed at achieving fiscal stabilization.

Central government comprises the Council of Ministers, 16 ministries and many other central government bodies. Public agencies are rapidly expanding and there are several independent administrative authorities operating at the central level.

The process towards distributed public governance has not been accompanied by a parallel reduction in the number and functions of ministries. In this scenario, the protection of the public interest becomes increasingly difficult and priorities move away from the need to create new separate bodies to the challenge of finding the right balance between accountability and autonomy, openness, performance management, as well as strengthening the steering capacity of central ministries (OECD, 2002: 9, 21). Furthermore, steering these central non-ministerial bodies through contract-based public management is beyond reach, which poses crucial whole-of-government issues such as policy coherence and clarity of the administrative organizational system at the central level (Schick, 1998).

During communism, local governments (i.e. territorial divisions of central government controlled by the interior Ministry) were characterized by little political autonomy and high levels of social and economic responsibility.

In the first years of transition, the focus was mainly on reforms at the central level to build key democratic institutions, as well as on basic economic reforms, while less attention was paid to local government reforms. Sub-national administrations were formally re-created in the early 1990s, with a number of laws approved which govern their competencies and authorities. Much of that legal framework has yet to be implemented and local governments in Albania have very limited administrative and fiscal autonomy (Cepiku, 2002: 301; World Bank, 2004a: 6).

Sub-national governments include communes (komuna), municipalities (bashki) and regions (qarqe). Communes and municipalities are the lowest level of local PA, while the 12 regions represent the upper level.

The law on the organization and functioning of the local self-government (July 2000) established that the relationship between levels of government will be based on the principle of subsidiarity, which states that public functions should be assigned to the lowest level of government, whenever no compelling reason would suggest otherwise.

The decentralization strategy has included a first phase (2000) concerning reforms in local financing, a package of laws on physical assets and on local public enterprises. It aimed at improving allocative efficiency, governance and accountability. The law 8653/2000 discontinued the former 36 district councils and re-grouped them into 12 regions, while reconfirming the 65 municipalities (mainly

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2 Another issue questioning the use of contractual relationships in PAs of transition countries is their critics in western market economies, focusing on transaction costs and inability to respond to changing and uncertain environments (Osborne and Kaposvari, 1998: 375).
urban, with more than 15,000 inhabitants) and the 309 communes (mainly rural, with more than 200 inhabitants). The Government also adopted a Strategy of decentralization and local autonomy and set up the National (inter-ministerial) committee for decentralization to deliberate on the implementation of the decentralization strategy, advised by a technical secretariat (Group of experts on decentralization).

The second stage (2001) addressed some key issues linked with the institutional status of local government and financing. Subsequent phases (2002 and beyond) are addressing other important issues, which require a longer timeframe to be implemented, aimed at completing the legal framework and, most of all, building managerial capacities at the local level (Alderman, 2002).

Legislation governing local finance in Albania defines two elements of the local government budget: the ‘conditional’ and the ‘independent’ parts (law 7616/1992). The conditional budget is funded by transfers from the central government and the funds are used for very specific purposes, as determined and allocated by the relevant line ministries and the Ministry of finance. Since the conditional budget accounts for 85 per cent of their expenditures, local governments have little financial autonomy. The legal framework in Albania provides that surplus budget funds derived from locally generated revenues may be carried over to the next year. In practice, local governments have never been able to carry over their excess funds as each year, the Council of ministers has passed a decision or decree which required all or some part of local budget surpluses to be transferred to the State treasury account, regardless of whether they derive from local revenues or from transfers (Cepiku, 2004: 302-303; World Bank, 2004a).

Despite some initial fundamental regulatory and institutional achievements, key challenges that threaten the successful implementation of the government’s decentralization strategy are the following:

(a) The impact of external assistance in decentralisation reforms
(b) Weak administrative capacity (both local and central)
(c) High fragmentation and small size of local units
(d) A still undefined role of the regions and the interactions between levels of government, which create conflicting authorities, duplications, and inefficiencies
(e) The poor coordination of decentralization implementation
(f) The absence of clear service standards and measurement criteria of performance in local service delivery
(g) An inadequate degree of revenue autonomy and predictability.

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3 With some exemptions, donors currently negotiate their assistance programs and maintain their consultation process essentially with line ministries, without considering sub-national governments and communities. The natural outcome of the current unsatisfactory consultation approach has been a lack of sufficient knowledge of local conditions and a biased suspicion of local administrations, which tend to hinder the decentralization implementation process (World Bank, 2004a).
The legal framework on HRM in the Albanian public sector is based on the Labour code and on the law 8549/1999 defining the ‘Status of the civil servant’ (which addresses only high civil servants). The government followed up that law with considerable subsidiary legislation establishing, among other things, detailed procedures regulating job description and evaluation, recruitment and selection procedures, performance appraisal processes, etc.

The DPA is responsible for formulating HRM strategies, while an independent authority (the Civil service commission) monitors the DPA’s activity. Strategy implementation is performed by the DPA regarding central administrations and by locally-based HRM departments for the local level.

From a quantitative point of view, the civil service has continually been on decline as part of the stabilization efforts of the Albanian government. PA employees amount to 4.6 per cent of the population, compared to the European ratio ranging from 2.5 per cent in Greece to 8 per cent in Hungary. Amongst them, 56 per cent are employees of the education and health sector. Civil servants at ministries are less than 1.5 per cent of total public employees.

The qualitative scenario of the civil service suggests that there is room for improvement. A general lack of qualified and professional staff in many fields reduces the capacity of the public service to fulfil fundamental tasks. At the same time, an excess of non-qualified people in the lower levels (such as drivers, cleaners, guards, etc.) is observed.

The increase of the salary of public employees has been one of the main concerns of the government. 5.6 and 4.5 per cent of the employees have left the civil service, mainly for the reason of a better pay, respectively in 2001 and 2003. The salaries fund for the employees of the PA has an important share at the State budget. In 2006 it amounted to 22 per cent of the State budget expenses. Therefore, the management of the employment size and the cost of the employees are of utmost importance, in order to make sure that limited budget funds are used effectively and efficiently.

A survey comparing the pay levels in the public and private sectors in May 2001 found that salaries for non-qualified employees in the public sector were in line with salaries in the private sector. On the other hand, salaries for qualified and senior level employees were not competitive, creating recruitment and maintenance problems of key experts in the civil service.

The reform strategy included a first phase addressing only the higher civil service aimed at developing a professional and managerial core. It was done by legally defining their status and by specifically regulating recruitment and progression. The Civil service commission was created for their tutelage and pay structure was reformed in 2002.

A second phase, still in progress, addressed the whole-of-civil service, aimed at introducing a results-orientation and emphasis on effectiveness of public programmes and policies. Pay reform will also follow. In spring 2005 the Ministry of finance began to compile position-by-position civil service data for individual entities as part of a collaborative effort with the World Bank to improve the fiscal impact analyses of pay and employment policies. The main objective behind reform is the establishment of a professional and sustainable civil service, mainly
through stability and security for civil servants and staff professionalism (Republic of Albania, 2004: 67).

In conclusion, capacity to implement HRM reforms has been weak and political interferences have been a threat for their successful implementation. Effective delivery of public services requires not only well-designed macroeconomic and fiscal policies, but also well functioning institutions such as rules, procedures and organizational arrangements that govern the budget process and shape the incentives that influence the size, allocation and use of budgetary resources. Inheritance from the former soviet regime includes:

‘poorly defined allocation of budgetary responsibilities between the Ministry of finance, line ministries and other budgetary institutions; the existence of numerous extrabudgetary and special funds; separation of decision-making on capital investment programs and operational budgets; weak accounting and reporting standards; poor linkages between budgets and results; and no tradition of multiyear financial planning’ (Allen, 1999: 100).

During most of the 1990s, government efforts focused on maintaining aggregate fiscal discipline, and less on establishing institutional arrangements to bring a more strategic focus to budgetary processes. Some baselines were defined by the EU as minimum standards of performance in four areas of budgeting and financial management – public expenditure management, financial control, public procurement and external audit (Allen, 1999: 96).

In 2000, the introduction of a MTEF (now called Medium-Term Budget Program, MTBP), operating on a three-year rolling cycle was an important first step towards a more strategic and policy-focused budget process. It began to address significant shortcomings in the budget management process such as budget preparation based on outdated budget norms; policy, programming, and budgeting functions in line ministries not fully integrated; little policy debate on spending decisions; and budget monitoring paying little attention to the implementation of the budget program and activities. Budget performance was also hampered by the separate investment and recurrent budget planning processes. Furthermore, budget cuts have led to low levels of public spending on key social services. Inadequate spending on operations and maintenance led to rapid depreciation of existing capital assets.

The government has made the MTBP the centrepiece of its strategy to prioritise expenditures and to strengthen the linkages between policy objectives, budget planning and execution. The Ministry of finance has prepared a draft manual of procedures for programme budgeting and started testing these new budget procedures. A database on public investment projects, both domestically and externally financed, has been established in all ministries. Procedures and guidelines for recording disbursement and expenditures on all foreign financed projects have been finalized and issued. Guidelines to line ministries have been issued improve the reporting of budgetary commitments. Several measures have been taken to strengthen the oversight capacity of Parliament. In addition, the Ministry of finance has prepared a new organic budget law with assistance of UK DFID consultants.

One of the ‘quick wins’ currently being implemented as part of the World Bank PA reform loan is the design, development and implementation of a straightforward
budget execution control and reporting system. The pilot for this system is being implemented in the Tirana regional treasury, which alone is responsible for more than 50 per cent of central government expenditures. The system will also facilitate cash-flow forecasting, since it tracks revenues as well as expenditures. If successful, this system will gradually be introduced in the other regional treasuries, representing a dramatic improvement in the accounting capabilities of the Ministry of finance.

Summing up, macroeconomic stabilization pursued in Albania at the outset of transition, mainly through the support of international institutions, achieved substantial results in terms of GDP growth, employment and inflation. However, as the 1997 crisis made clear, it was more a recovery than a sustainable process of development. PA reform was neglected, bringing about a weak governance system and widespread corruption. This called for a thorough public management reform, which drivers came from international institutions operating in Albania. Regarding strategy and sequencing of reforms, they included:

- Enhancing performance in sectors in which government will continue to be the only or the main supplier (public order, health, social protection, labour market, environmental protection, public transports, etc.).
- Assuming a more regulatory role at the medium and longer term in the sectors of telecommunications, energy, water supply, insurances, television broadcasting, etc.

Strengthening the administration’s stability and increasing the performance of PAs and civil servants remain central areas of concern (Republic of Albania, 2004: 5). However, the current implementation of PA reforms continues to focus on mechanical and formal alterations of the structure of the civil service rather than procedural operations and effectiveness and a change in behaviour within the civil service and its citizens-orientation. The Albanian PA continues to be characterized by rigid hierarchies and a custodial attitude, which government-led reforms have not yet begun to address.

Although the level of official development assistance is relatively high, at about 5 per cent of Albanian GDP, only a core set of international institutions and foreign governments have contributed to public management modernization initiatives in Albania. Problems of coordination are exacerbated because of several donors involved in the same field, during the same period. What emerges quite clearly is that donors have paid increasing attention to governance issues since the 1997 crisis.

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<thead>
<tr>
<th>Areas of PA modernization</th>
<th>PA reform in Albania</th>
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<tbody>
<tr>
<td>Public employment</td>
<td>Law on the Civil service, creation of the Civil service commission.</td>
</tr>
<tr>
<td>Open government, transparency and accountability</td>
<td>Law on the rules of ethics in PA, anti-corruption plans and measures controlling conflict of interest. Law on administrative procedures and law on freedom of information. National ombudsman.</td>
</tr>
<tr>
<td>The use of market-type mechanisms</td>
<td>Fast privatization was pursued (first law approved in August 1991). Other market-type mechanisms (vouchers, PPPs, contracting out/in, etc.) have not been introduced, mainly because of the absence of well developed market and private enterprises.</td>
</tr>
<tr>
<td>Reforming organizational structure</td>
<td>This lever of change has been widely used, but without an underlying coherent strategy and posing serious problems of coordination and continuity.</td>
</tr>
</tbody>
</table>
Public expenditure and budgeting

Introduction of the MTEF, a tax administration modernization project, enactment of a new organic budget law.

Enhancing public sector performance

Performance evaluation has been introduced more at the individual than at the organizational level.

Control systems

Emphasis is on external control legislation and institutions.

Use of ICTs and E-government

ICTs have been used in a fragmented and not homogeneous manner. The use of ICTs for service delivery is still very limited. The legal framework is being completed. The National Strategy of Information and Communication was approved in June 2003, including the main goals and priorities for e-government. Several projects on e-procurement, e-accounting and e-population registry are underway.

Source: Mussari, Cepiku 2007

3.2. Public administration reform in Romania

In the years following the 1989 revolution, the reform of public administration lacked a coherent vision regarding its content, the direction toward which it was headed and concrete implementation tools. The administrative environment was not extremely motivating mainly due to the existing organizational culture, a lack of experience on the behalf of administrative institutions with the reform of public management, the lack of a strategic vision, influence of politics, and the legacy of a centralized administration system.

The path of reforms has not been a smooth ride for Romania. The poor condition of the economy (generated by the collapse of communist economic structures and relationships), uncertainty regarding the ownership of land or real estate, the legacy of a centralized and politically driven administrative systems, widespread corruption, an organizational culture based on values that are not compatible with a democratic society, the lack of viable administrative institutions able to plan and implement change and properly interact with the citizens, all represent a hindrance to a coherent and timely reform process. (Hintea, 2006: 3).

As outlined in a recent report published by the World Bank (2007), after two decades of reform with disastrous performance, Romania has made remarkable progress on stabilization over the last four years. In Global Information Technology Report prepared by the World Economic Forum, Romania registered the most significant progress in Europe, a similar situation as recorded in Ireland.

The deepest GDP fall among Central and Eastern Europe was felt during 1993-96 when GDP fell by 30 percent knocking the first transitional shock resulting in macroeconomic imbalances. After the failed stabilization plan of 1997, Romania went through a second deep transitional recession with the GDP declining by over 12 per cent during three consecutive years. The 1997 stabilization program failed its primary objectives resulting in aggressive public administration reform as the primary agenda of the Romanian Government. (OECD, 2001-03: 8-10, Mihai, 2005:1). The pressures, and implicitly the emerging process of Romania’s accession to the European Union required a significant reforming process of the public administration system. In order to sustain the reform process, a strategy for the Public Administration was adopted in 2004. The reform process is seen as a process of transformation of the central and local administration to address the needs of beneficiaries and of the accession to the European Union. (Andrei-Matei-Tusa-Nedelcu, 2009: 2). In its strategy and policies of pre accession, the Romanian
government recognized PA reform as fundamental for the attainment of the long-run stable and sustainable economic and social structure.

Romania is a country with a population of 21 million inhabitants. The public administration in Romania consists of 110,426 numbers of civil servants positions with an effective employment of 87.97% of the total where 15.14% and 39.90% positions are at State and local levels respectively and the rest 44.96% catering to Territorial Civil service positions. (Management Report, National Agency of Civil Servants, 2007) The Romanian public administration is structured according to a three-tier system of government: central, county and local. The state is divided from a territorial standpoint into counties, which are formed by communes, towns and cities (larger towns).

First, at the central level the President of the Republic is elected directly by the citizens for a five-year term. Second, the county level is a tier of the government whose purpose is to coordinate the local public authorities for common interest projects or for operating public services. The county is a territorial unit, a public law entity, formed by communes, towns and cities. It has local autonomy and is run by a County Council. At the county level, there is also the representative of the central government, the Prefect. Third, the local level is the level where the subsidiarity principle brings public authorities close to the citizens. At this level there are communes, towns and cities. They are all public legal entities and ‘territorial administrative units’.

The newly adopted strategies in the central public administration integrate the following concepts: transparency, predictability, accountability, adaptability, and effectiveness. A more formal, institutional driven approach to the reform process was also implemented. Specialized governmental structures such as the Central Unit for the Reform of Public Administration (within the Ministry of Administration and Interior), the Superior Council for the Reform of Public Administration, Coordination of Public Policies, and Structural Adjustment (under the direct supervision of the prime minister), Unit for Public Policy were created. The aim was to identify the strategic actors involved in the process of administrative reform and to create national networks for the promotion of the reform. (Hintea, 2006:13)

The sub-national public administration includes communes (Comuna), towns (Oras) and counties (Judet). County councils and Municipal councils are upper level of public administrative structure whereas town councils and commune councils are lower levels with additional district councils of Bucharest.

Local government at the county level is responsible for coordinating communes and town councils in the performance of those public services that are of countrywide interest. For example, the Municipality of Bucharest (1.9 million inhabitants) has ten committees; each of them has six to twenty members. These include the Committee on Economic Affairs, the Committee on Finance and Budget, the Committee on Public Health and Quality of Life, the Committee on Environmental Protection, the Committee on Urban Planning and the committee on Land Development. On the other hand the county council supports local councils by providing technical, juridical or other forms of assistance upon their request. (Coman, Crai, Radulescu, Stanculescu, 2001:371)

The 1991 Romanian Constitution, revised in 2003, institutes the three fundamental principles on which the public administration is grounded: decentralization, local
autonomy, and the deconcentration of public services (Art. 120). Since 1991, several laws have been adopted in order to apply the principles of public administration. The decentralisation and deconcentration, involving the transfer or the delegation of the competences and new responsibilities. (Profiroiu, 2006) The Updated Strategy for the Acceleration of Public Administration Reform (2004), envisages the continuation of the public administration decentralization process. The strategy reinforces the transfer of power from the central to the local level. In order for local autonomy to be achieved, the public administration authorities from communes, cities, and counties adopt a budget and appropriate funds. They can also levy taxes according to the legal provisions.

There are no hierarchical relationships among the governing bodies elected at the local level and the authorities of the central public administration. Also, the relationship between the county public administration and the local public administration is based on the principles of legality, autonomy, and collaboration in dealing with public affairs (Hintea, 2006: 15).

In Romania, one of the problems that hinder the administrative capacity of local public administration is fragmentation. This can be addressed by encouraging cooperation among different municipalities and communes in the provision of services.

The concept of administrative capacity is closely intertwined with the decentralization process. Significant steps have been made, but there are still problems. The most important one stems from a lack of vision and coherence over the long run with regard to decentralization in Romania. Several important measures were implemented but without being coordinated. The newly adopted framework built for the first time tries to phase the decentralization process according to the capacity of the local level. It also creates stimulants for the fragmented local level to cooperate with the provision of public services.

In 2006 a new Law on Decentralization has been adopted. Its positive impact is given, mainly, by: the clarification with regard to local revenue resources for the fulfilment of new local tasks; the classification of territorial-administrative units depending on their administrative capacity; the clear delimitation between central, county and local authorities' competences; and its stipulation that the transfer of competences shall be made simultaneously with the transfer of financial resources and instruments, and the new competences shall be exercised only after the necessary financial resources have been given to county and local public authorities. The decentralization process in Romania can be briefed as follows:

- there is a considerable gap existing policy framework and the field. Theoretically, Romania is already a decentralized state.
- The decentralized effects at local level did not manifest in a consistent manner until the present time.
- There is genuine lack of bookkeeping and financial accountability at local levels.

In 1998 the new National Strategy for Implementation of the Information Society in Romania was enacted as Government Decision 58/1998. This Strategy was aimed at building an information core including national databases for citizens, business,
property, legislation, statistical information, intellectual property, standards and a better data communication infrastructure. Effective e-governance started in Romania after the implementation of eEurope+2003 Action Plan as part of accession process (www.mcti.ro). The current status and perspectives for electronic government does show: The communications infrastructure is very poor; the number of PCs/capita is very low; few people have Internet access, the majority at low speed, and quite expensive; the government is offering basic electronic services mainly in stage one (posting information); the quality of governmental web-sites is low; local government has a weak presence over the Net; the Information Systems of public administration have to be significantly improved. (Sandor, 2005)

The core aspect of the public administration reform, involves the concept of “Civil servant legal Status”. There is need for an in-depth analysis of the Human Resource mechanisms which have an extremely relevant role in building a new professional civil service system.

The data provided by the National Agency for Public Servants show that in 2004, out of 112,849 public servants, 44.43 percent were working in local public administration and among them, only 3.09 percent were new appointees. Out of the vacant positions, only 16.24 percent were debutant positions, which require no experience (www.anfp.ro). There are no data available regarding the educational background of the public servants in management positions and in executive positions. Overall, though, the perception is that the older generation is still in control of the policy-making in public administration, while the infusion of young specialists can be traced at the entry-level positions. Another perception is that the new generation of specialists is tempted to learn the old way of doing public administration, to ‘blend in’, rather than stand out and confront the old techniques. That’s why there is also a migration to the private sector or to other countries of the EU. (Dragos, Neamtu, 2007:637)

In 2001, the Government Ordinance on establishing and organizing the National Institute for Administration pushed forward the legal framework for educating both the nominated candidates and public servants for carrying on new tasks at the local level. Prefects and subprefects were politically appointed by the government (Law No. 69/1991 of Local Public Administration) until the summer of 2006, when they became high civil servants (Law No. 188/1999 of Civil Servants modified; Law No. 340/2004 on Prefect’s Institution modified). As a result, they now enter into office after taking written and oral exams, and they do not have political mandates like public authorities. These changes were aimed at depoliticizing public administration and at ensuring the continuity of the administrative activity. Law No. 188/1999 has also created the National Agency for Civil Servants, which is now the main decisional institution in the field of civil service and civil servants’ management. However, the Law of Civil Servants (last modified in February 2007) has gradually given more powers to county and local public authorities in terms of civil servants’ management.

The pay system for public servants currently experiences several challenges with negative implications for those who work at the local level (Romanian Agency for Public Servants Reports, www.anfp.ro):
a. There is a lack of correlation between the level of the salary and the public servant’s responsibilities. The current system disregards the principles of equal pay for equal work. In other words, public servants doing the same kind of work get different salaries depending upon the institution they work for, more if they work for the central administration and less if they work for local institutions, and the ability of the institutions to attract supplementary funds - this mainly happen at the central level. Due to these factors, there is a constant migration of public servants not only from the public sector toward the private one, but also within public administration from the local toward the central level. The most affected by this process are the small communes and municipalities who are not able to keep their personnel.

b. Difficulties associated with fighting corruption among public servants. The low level of salaries and the lack of correlation with the public servants’ duties and responsibilities very often lead to corruption and unethical practices. This phenomenon is exacerbated by very strict incompatibilities imposed for public servants. They are not able to engage in other types of lucrative activities, with very few exceptions. Corruption increases the negative perception of the society vis-a-vis the public administration.

c. A lack of transparency with regard to supplementary revenues obtained by certain public servants. These usually are not disclosed.

The second aspect related to human resources is training. The reform cannot be implemented by civil servants who do not understand it or who simply reject it. The building of a civil service body able to promote and support reform is a major task, and cannot be designed without involving universities (Hintea, 2006). The National Institute for Public Administration, established in 2001, is functioning since 2002-03. It offers intensive training for new recruits as well as continuous training for persons who already work in the system. A special initiative, the EDIS programme, was aimed at training the Romanian civil servants to work European Funds (Mihai, 2005: 6).

The last points that need to be analyzed are accountability and incorruptibility. Even though a code for the civil servants was issued in 2004. What we notice in the case of Romania is a “citizen-oriented” concept of administration still struggling to defeat the old mentality dating back from the communist times, characterized by a lack of service and administration culture. As a direct result, public confidence in central institutions has been constantly lagging at a very low level.

The integration of Romania in EU in 2007 has determined a significant change in the administrative expenditure amount. i) Strengthening local autonomy through the decentralization and the devolution processes emphasizes clearer the need for improving the performance of the expenditure management at local level. ii) Internal order, flows of communication and transfer, synergy of the governance system assume administrative expenditure that can be determined. iii) The performance of public organizations in managing local governance issues depends directly also on the administrative expenditure level (Matei, 2008: 2).

In the last 10-15 years some concrete measures have been taken in order to stabilize public expenditure, both of the public sector as well as of the private sector. As for financial policies, in the beginning of the 90s the Law on the state budget was used to draft and implement Local Government Unit’s (LGU) financial
policies and included information about the funds allocated to the LGU throughout Romania. In 1994, with the Law on Local Taxes and Charges, fiscal decentralization in Romania was initiated and the own sources revenues of LGU were defined. The European Charter of Local Self-Government was ratified in 1997. (Nikolov, 2006: 10) The financial decentralization is an important component of the decentralization process with regard to the allocation of the local financial resources. Clearly, the financial decentralization and administrative one are closely correlated between them. Romania has made significant steps in the process of financial decentralization but “the process of implementing this policy has been confronted with many problems because of the lack of a national strategy for decentralization. (Profiroiu, 2006:126-128)

In recent years, considerable efforts have been made to either abolish extra-budgetary funds or move them on-budget. Currently the Social Security Fund is presented explicitly to parliament, albeit in a separate law, the Health Insurance Fund and Unemployment Fund are annexed to it. Various elements, however, are not yet - or not yet fully - included in the state budget. Expenditures financed by external loans and development aid are outside the state budget. Revenues and expenditures of self-funded public institutions are also outside the state budget, while “own resources” of spending units are excluded from both the state budget and the consolidated budget. Although there has been progress in broadening the scope of the state budget, further efforts are needed to consolidate the various budgets. (www.sigmaweb.org, June 2005)

One of the important tools introduced was DPL (Development Policy Loans) program proposed by World Bank for Romania and its focus on public financial management, the social sectors and the financial sector. The DPL program’s public financial management reforms include cross-sectoral measures relating to the Medium Term Expenditure Framework (MTEF), and initial steps on public sector pay reforms. In the financial sector the reform measures supported by this program of loans fall under two broad categories: contingency planning and reforms to enhance the governance and supervision of the financial sector with a view to strengthening the resilience, functioning and stability of the sector. (www.worldbank.org.ro).

MTEF will introduce more stability, predictability and transparency in public spending. The reform of the public sector will achieve a more transparent and motivating system of public pay. In addition, the proposed program of operations focuses on sectoral reforms in education and health, where, again, the measures seek to improve fiscal management while promoting more efficient service provision and more equitable access. It also covers the budget year plus three forward years, has for several years now formed part of the budgetary process. No effective reconciliation is made, however, between the MTEF of the previous year and either the budget outturn or the current year’s budget. Indeed, it seems that for line ministries there is little correlation between the estimates in the MTEF and the budget. Moreover, ministries apparently do not use the previous year’s MTEF estimates as a guide for the preparation of their budget submissions, and consequently there are numerous requests for additional spending.

Reforming Public expenditure management has shown substantial results on the economic growth of Romania in the recent past. The Romanian economy
experienced an economic boom during 2003-08, a large part of the domestic absorption boom was driven by private investment but the process of Public expenditure needs high attention because of high rate of corruption in the public administrative system. In order to analyze the degree to which public administration reform contributes to corruption in Public expenditure the central and local public administration Romania is analyzed with regard to the civil service reform, the decentralization process and fight against corruption in the public administration. Nevertheless, the intensification of the reform process at the administrative management level leads to the reduction of the level of corruption. (Tudorel, 2009:1)

Despite the huge efforts by the international bodies’ one the most severe limitations of the donor assistance in Romania are the extensive attention towards policymaking. In this respect Romania is still ‘donor dependent’. Romania receives substantial external assistance, amounting to 1.64% of GNP in 2002, which is second only to Bulgaria in transitional economies. This is overwhelmingly provided by the two major donors, the European Union and the World Bank but both contributing to different agendas.

Romania benefited from the European Union assistance in public administration field since 1992 by assisting Romanian public institutions mainly through funding twinning projects. Programs for Civil servants has contributed to a great extent in the administrative reform process. The total financial support granted by the EU to the Romanian public sector since 1992 to 2004 is around 42 M EURO. (Mihai, 2005:3) The World Bank contributed significantly to Romania’s development policy agenda, especially in public administration structural reforms through the projects like MTEF.

Some of the worth mentioning projects were taken by SIGMA in the field of external audit, financial control and public management. DFID (UK’s Department for International Development) was an important actor in the donor community until 2004. The other major donor organization in terms of funding is USAID, which started a project in the beginning of the decade in the field of decentralization with a budget of US$40million budget over five years.

However, there are significant agenda differences between the large donors. The largest bilateral donors to Romania are the US, France, Germany, Netherlands, and Japan.

### Table 3: The scope and contents of PA reform in Romania

<table>
<thead>
<tr>
<th>Areas of PA modernization</th>
<th>PA reform in Romania</th>
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<tr>
<td>Public employment</td>
<td>Professionalization of the civil service, adhering to formal regulations on the civil service (Law No. 188/1999, 2000 and 2004 versions) and initiation of more specialised training programmes for civil servants (European Commission, 2006). Establishment of the Civil Service Commission.</td>
</tr>
<tr>
<td>Open government, transparency and accountability</td>
<td>Effective anticorruption strategies; increasing the transparency and integrity in public administration, (anticorruption instruments from UE, UN, CoE and OECD, 2005-2007); the ethics of the public administrators were applicable to the state central administration but are less applicable to the regional and local administration.</td>
</tr>
<tr>
<td>The use of market-type mechanisms</td>
<td>Privatization at faster rate, role of private enterprises, vouchers, Public Private Partnerships increased during accession process.</td>
</tr>
</tbody>
</table>
Reforming organizational structure | Administrative capacity in reforming organizational structure and the competencies of local authorities is improving.
---|---
Public expenditure and budgeting | With the Law on Local Taxes and Charges (1994), fiscal decentralization in Romania was initiated and the own sources revenues of LGU were defined. Introduction of the MTEF gave stability, predictability and transparency in public spending to a certain extent.
Control systems | Controlling is still through legislative procedures, although there has been signs of institutional controlling at local levels.
Use of ICTs and E-government | The new National Strategy for Informatisation and fast implementation of the Information Society (1998) was enacted as a necessary Government decision. In the last few years there are notable progresses in the ICT field and also in implementing e-governance although it is in nascent stage. Public administration through internet is negligible.

Source: Authors

4. Discussion and conclusions

The paper analysed public sector reforms in transition countries, through the case studies of Albania and Romania, with the aim of addressing a relevant literature gap in terms of a widely-accepted model of PA reform agendas in transition countries (Verheijen, 2002; Jacobs, 2004: 330). In particular, the experience of these two countries could be compared with two theoretical models: the NPM and the New Weberianism. Undoubtedly, the specificity of the case study as context and topic sensitive does not allow for comprehensive generalizations, though providing useful insights for other transition countries. The two case studies bring about interesting results on the extent to which NPM-style reforms fit the context conditions in transition countries and on the potentialities of the New Weberianism as an interpretative model. Both countries have generally started civil service reform before a structural overhaul of the PA. This condition is common to other post-communist countries (Verheijen, 2002).

Moreover, the reform path does not resemble the NPM model but, rather, a neo Weberian approach. "A Neo-Weberian State became the requirement without having a completed Weberian state, because it is the only solution for providing a synthesis between legalism and managerialism. [...] A Neo-Weberian State, in which governmental actions are based on the rule of law, in which private enterprises are involved for competing quality in the service delivery, and in which civil society organizations have a full range involvement in public policy making, from decision making to service provision, strengthening of civil sector and its organisations" (Jenei, 2009).

It is, therefore, of fundamental relevance to develop a PA modernisation model based on the key characteristics and needs of transition countries and, subsequently, to use this model – instead of the NPM – for interpreting and assessing the results.

PA reforms have two ways to influence development: downsizing public sector, which frees up resources and provides new opportunities for private actors, and making public sector more responsive, which, although requiring some investments
in the beginning, contributes to better public policies and more integrated economic and social development.

As Mintzberg has wisely noticed with reference to eastern European countries, the leap between State and private ownership can be made more easily than a more balanced shift to cooperative, non-profit and for-profit organizations. In some of these countries, ‘State control seems to have given way to equally devastating control by the private sector’ (Mintzberg, 1996), while in others a slower and more difficult balance has been successfully pursued (Osborne and Kaposvari, 1998). The Albanian and Romanian experiences provide evidence that downsizing measures can help achieve fiscal stability in the short term, while prove to be ineffective in setting the conditions for a longer term sustainable development and also give rise to some unexpected problems of their own.

In retrospect, the case studies seem to confirm the position found in the literature which recommends that matters of constitutional governance should be dealt with before matters of administration; that legal frameworks should be in place before dealing with administrative arrangements; that a functioning core civil service is a pre-condition of more distributed public governance arrangements; and that rationalising rules and enforcing compliance should come before starting to reform the rules (OECD/Puma, 2003; OECD, 1995).

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