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The Impact of Economic Crisis on the Emerging Administrations from South-eastern Europe.

A case study: Romania

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Introduction

After 7 February 2007, the date on which in the United States started the mega-global economic crisis, the financial world was vastly reshaped and its effects is likely to persist for many decades now. Impact of the economic and financial crisis, altered national economies worldwide with their structural levels of the financial market and as well among others, the public administrative systems and their models of governance.

On these grounds, the focus of this research aims to explore the impact of the economic crisis on the South-eastern Europe' public administration systems, and the anti-crisis measures undertaken by the public administration at the level of the governance process, with a particular focus on Romania case study. The paper develops on the premises that Romania public administration system was altered directly by the impact of the economic crises and the anti-crises measures affected several structural levels of the public administration system, both at central and local level.

The research raises the awareness of academia and practitioners of the impactions of the economic crises on the emerging economies and public administration systems from South-eastern Europe. It raises the awareness on how important is the local administrative systems and their capacity to react, adapt, and rethinking policy reforms in line with the rapidly changing environment. The economic and financial crisis, starting in 2008, had its roots in the USA - in particular, in the market for derivatives on subprime mortgages. The crisis threatened to bring down the major financial institutions because liquidity dried up as the interbank market froze and banks stopped lending to each other (Stockhammer and Sotirppulos, 2014, pp. 167-170). At global level, the overall leading expert's opinion concluded that the 2008 global financial crisis is, by and large, the worst since the Great Depression of the 1930s. The crisis rapidly developed and spread into a global economic shock, which resulted in a number of European bank failures (Altmana, 2009).

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The crisis's effects over European countries has been seen at different levels. Firstly, in most European countries, there has been seen a sharp recession and rising unemployment, as well as large government budget deficits. Secondly, there was a general re-pricing of risk, which began in the market for private financial assets and then moved to the market for public debt; by the spring of 2010, government bonds in all the peripheral European countries were adversely affected (Stockhammer and Sotiropoulos, 2014, pp. 167-170). In particular, at the structural level, the public finance of many European countries has been affected, the government's budget deficits registering high levels. The several structural issues, as noted by Kickert (2013, pp. 55-62) determined governments to consolidate their budgets and undertake cutback management. In particular, drastic measures (e.g. in the form of economic stimulus packages) and cuts measures in employment has been taken. Many of the structural issues of the public administration systems were put under scrutiny lead to great extent by the pressures imposed by the budgetary resources limitations and the need to be cost effective. The need to invest in the capacity building and reforming the of the public administration as imposed by the quality standards of the European institutions, to align with the *acquis communautaire* guidelines, put in opposition contradicting priorities: to produce more quality public administration but with cost effective resources.

The pressure of the economic crises forced to certain extend the European governments to adopt a variety of anti- crises measures on one hand and to fulfil the new European regulations they agreed to adopt. Many of the policy reforms and the management and governance processes of the public administration systems has been put under scrutiny, in aligning with the external changing environment. The strategic shifts undertook by public administrations, internally and externally, in the relations with the stakeholders, resulted in *mixed governing approaches*, in answering the negative aspects of the economic crises. Several perverse effects of the crises, undermined many ongoing reform trends, going inwards than outwards. Peters, Pierre and Randma-Liiv (2011, pp. 13-27) noted that the crises had impact on the centralization and politicization of the public administration. Relating to the governance process, Pierson (2000, pp. 251-67) noted that the governance patterns are not just about the best manner to govern but also the manner to improve the existing pattern.

The restructuring process of the government and the creation of new procedures in time of crises could also bring confusion and sometimes, failure. The crisis may require and emphasize the needs for several changes but also make the change more difficult to implement (Peters et al., 2011, pp. 13-27). Among the many changes, the governments were forced to reduce spending on public services in order to curb public debt and benefits, yet have to expand spending in order to support a growing group of unemployed citizens. Targeted reductions in public sector spending have gone hand in hand with massive investments in measures to stabilize the financial sector. Increased taxes in order to balance the budget have coincided with targeted tax cuts to stimulate selected economic sectors (Van de Walle and Jilke, 2014, pp. 597-618). On such grounds, the pressure on the society's public services in general has been felt drastically, and this resulted heavily in citizens' decreased trust, expectations and general attitudes towards the role of public leadership in times of uncertainty. In these process, the new European Union member states, benefited to large extend by the support and the financing donor programs (e.g. IMF, EU, World Bank) in the public administration capacity building and development. The economic and financial crisis mobilized in many aspects the international organizations to collective action. Among others, European Union adopted some measures which focused all Member States.

Following the outbreak of the financial crisis, in late 2008, the European Union proposed a European stimulus plan amounting to around US\$256 billion or 1.5% of the European Union's GDP – around 1.2% of GDP from national budgets and the rest 0.3% of GDP from EU and European Investment

Bank budgets (Europe, 2008). For the entire world, the estimated US\$2 trillion total in stimulus packages amounted to approximately 3% of world Gross Domestic Product. This exceeded the call by the IMF for the fiscal stimulus by 2% of global GDP (Nanto, 2009).

The EU member states agreed on the *European Financial Stabilization Mechanism Regulation*³, pursuant to Art. 122 of the Treaty regarding the functioning of the European Union where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council may grant financial assistance. However, the triggering fact shall not depend on a failure to comply with EU law, but it should rather derive from a serious deterioration of international economic and financial conditions. On this basis, the Council created a small fund at the disposal of the European Commission (Napolitano, 2012, in Cassese et al. (ed.), 2012).

The European Financial Stabilization Mechanism Regulation is tightly linked to the Fiscal Compact Treaty. In fact, in order to prevent moral hazard, the Stabilization Mechanism will grant financial support only, in particular conditions (Napolitano, 2012, in Cassese et al. (ed.), 2012):

- The requiring MS (member state) has sought to avoid the crisis by adopting the virtuous behaviours imposed by the Treaty.
- The requiring MS has complied with the conditions laid down by the European Commission.

Research methodology

Raising on the premises that the economic crises had various impact on the public administrations in Europe and required several anti-measure reforms to address emerging changes, the research aims to explore such effects on South-eastern Europe's public administration systems. The South-eastern European region has its particularities, being a region with various economic and democratic characteristics, due to its long term public administrative legacies it had over the last decades, and how these had been evolved along with its economic, political and societal contextual factors. The research will particularly undertake a case study analysis – with a focus on the Romania public administration- a country from the South-eastern Europe, with the aim of underlying some particularities in the answers of the Romanian government under the economic crises.

Therefore, the research attempts to explore and answer the following research questions:

- 1) How the economic crises affected the emerging administrations from South-eastern Europe?
- 2) What were the anti-crisis measures taken at the level of public administration?

In particular, the research will underline:

- I. A macroeconomic picture on the impact of the economic crises in South-Eastern European countries.
- II. Through the lens of Romania's case study public administration - underline a scenario of institutional anti crises-measures program, undertaken at the level of the public administration to counter-attack the effects of the economic crises. A special attention is given to the policy process and decision-making process of the anti-crisis policies.
- III. The international outlook on the impact of the economic crises on the South-eastern European (SEE) public administrations, as well as, the trends and variation in convergences in these

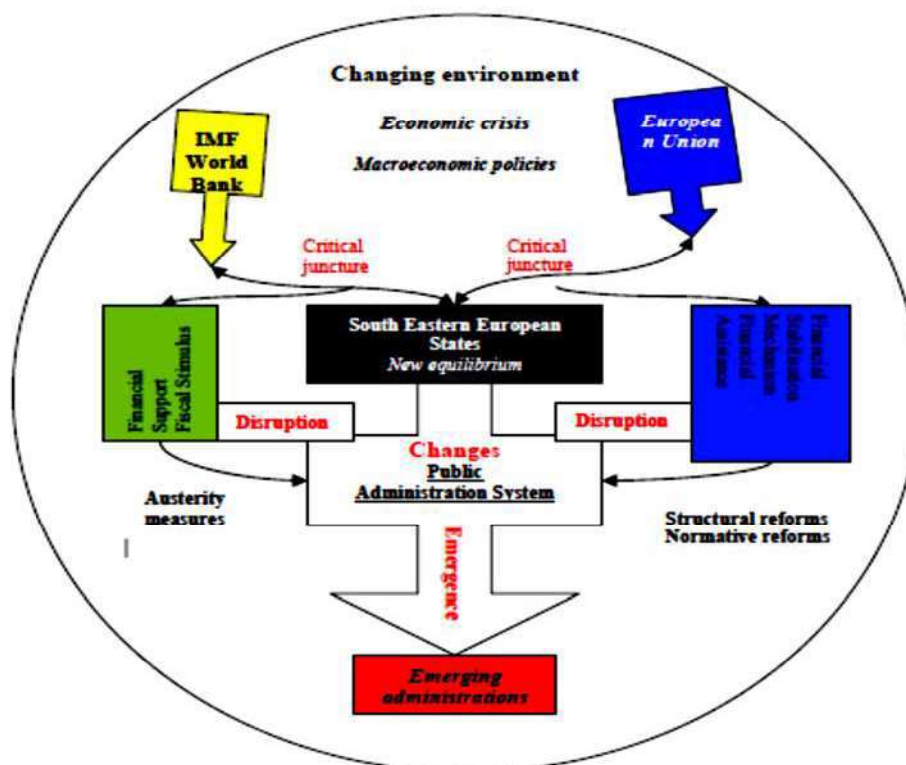
³ Regulation no. 407/2010 of the Council of 11 May 2010.

countries are based on data gathered from the period 2005- 2013, retrieved from official statistics as World Bank and IMF.

Economic crisis and “emerging administrations”

The concept of *emergence* in public administration is, even if in the most of cases indirectly, one of the major topics of discussion regarding the change of the administrative system. The emergence, as a specific characteristic of the complex social systems, occurs as a consequence of the reform process, and it has both a geopolitical and a conceptual causality (Matei and Berceanu, 2014, p. 7). Based on the approaches of Falconer on emergence and emergent change, it can be stated that the emerging public administration is characterized by a process of change which is not linear change, but a continuous process, indeterminate and unpredictable, cumulative alignment and realignment of the administrative system to its environment (Falconer, 2002, pp. 117-130).

It is argued that the current economic crisis has changed the increasing returns in relation to administrative change, and the state is in search of a new equilibrium (Stella, 2014, pp. 184-208). This could be a typical example of the relation between the public administration systems, the economic crisis and the *emergent change* generated by the critical juncture created by the economic crisis (see Figure 1). It can be stated that emergence can be caused also by a critical moment which is happening in the environment. A critical moment is the economic crisis and it can represent a critical juncture. Critical junctures refer to those critical moments, such as the current economic crisis, that may have a lasting impact upon countries. They can take the form of small or bigger events, which are concretized in the change is occur in the public administration system.



Source: Authors.

Figure 1. Dimensions of emerging administrations in the context of the economic crisis

The *emergent approach* starts from the assumption that change is a continuous, open-ended and unpredictable process of aligning and re-aligning an organization to its changing environment. It has taken over from the planned approach as the dominant approach to change. Emergent change it is more suitable to the turbulent environment, unlike the Planned approach, it recognizes that it is vital for organizations to adapt their internal practices and behaviour in real-time to changing external conditions (Matei and Berceanu, 2014, p. 17). P. Holman was observing that change is always happening. When it is emergent change, it seriously disrupts what's familiar. It behoves us to learn how to work with it creatively.

Our survival in an increasingly unpredictable world is at stake. When change is treated as an opportunity, prospects for positive outcomes are all around us (Holman, 2007, p. 9). Disruptions can be planned or unplanned. They are always non-linear and, when planned, typically produce unintended consequences, some of which can be happy as well as unhappy. With the disruptions to current patterns of organizing, transformation is more likely to take place (Holman, 2013, pp. 18-24).

In the European Union states, the *process of emergence* can be identified as a context in which, the member states are adapting to the rules imposed by the European Union, in our study by the structural and normative reforms, which the EU is imposing to the states in order to reduce the impact of the economic crisis. In a way, institutions limit the agents' perspective about alternatives, and as a result, the status quo is reinforced (Stella, 2014, pp. 184-208). Richard Michod (2005, pp. 967-987) does not define emergence as a continuous process of adaptation suffered by some entities but as a new level of adaptation under the form of a compromise based on previous entities. This can lead us to a consensus of the society regarding the changes which the state has to adopt. The managing of the economic crisis also requires gaining consensus and engagement of the society for legitimizing the proposed changes and decentralization may be a useful strategy for producing that legitimacy for the proposed changes. Linking the policy and decision issues with the collaboration within and outside the government brings positive and negative aspects, and could be a critical need.

The public administration modernization around ideas of decentralization has been evolving for several decades, and more recently the participatory governance and partnerships shift the power from a top-down approach towards bottom-up innovation. These set a new vision and political motivations to more open, accountable, transparent, and efficient and performant system of public administration. The New Public Management have emphasized greater market business aspects, competition and empowerment of a range of actors as a means of enhancing efficiency. However, during the crises, it was observed a perverse effect. For example, Peters et al. (2011, pp. 13-27) noted that, the crises to a certain extent, put pressure for a return to the centralized system, and it is expected, therefore, a common reaction to moving substantial powers to the centre.

The dimension of the “changing environment” in time of economic crisis

The sphere of “Emerging Europe” was recognized as including: Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Croatia, Serbia, Montenegro and Turkey (Matei and Berceanu, 2014, p. 86). The states in South-eastern Europe⁴ have some common features characteristic to this specific geopolitical area: they have all known the totalitarian systems, the centralized economy, the politicized administration, and all countries gave

⁴ The term South-eastern Europe it will be used in this paper, to refer to the countries of former Yugoslavia, Albania, Greece, Bulgaria and Romania.

up their former political systems and are subject to a permanent changing process at all levels, strongly influenced by the European Union and the values it promotes.

The region of South-East Europe together with the state structures composing it shows some similarities and variations. Thus, the states from this region, although in varying degrees, incorporate important elements of post-communism in their domestic policies. Transition exists in the arenas of social, economic and political (Ganev, 2001, pp. 389-420). This is referred to as “inflexible trap” which is defined as a combination of inalienable democratic features such as institutional controls, balanced and regular elections, and an unstable attitude leading to fragile democracies in the region. Over the last two decades the countries of South-eastern Europe (SEE) have been undergoing lengthy structural reforms as a consequence of the combined processes of economic transition, preparations for accession to the EU, reconstruction and development. Moreover, these countries are located within a region that over the last twenty years has suffered from political instability, multiple economic crises, growing social polarization, and ethnic fragmentation.

By late 2008, at the start of the global economic crisis, were facing a number of structural problems, despite significant achievements in the 2000s that included macroeconomic stabilization, strong growth, increasing FDI, and acceleration in transition-related reforms and EU integration (Bartlett and Uvalić 2013). The low and middle-income countries have been the most affected by the crises, as austerity measures implemented across-the-board have had a similar impact as introducing regressive taxes (Voinea and Ion, 2013). The current economic crisis has hit new democracies much harder than the old ones. The role of the international organizations (e.g. IMF, European Commission and so on) in tackling the crisis had also contributed to increased politicization of the decisions.

South-eastern Europe countries: comparative macroeconomic policy changes

The economies of the SEE region have been seriously affected by the global recession, in fact more than other regions in the world (Mitra et al., 2010). This can be also explained by the common historical legacies, that the states from this region share. In 2009 both the EU-27 and the SEE-10 economic growth averages had recorded negative peaks values. The decline marks an end to nearly a decade of accelerating growth in household incomes and employment.

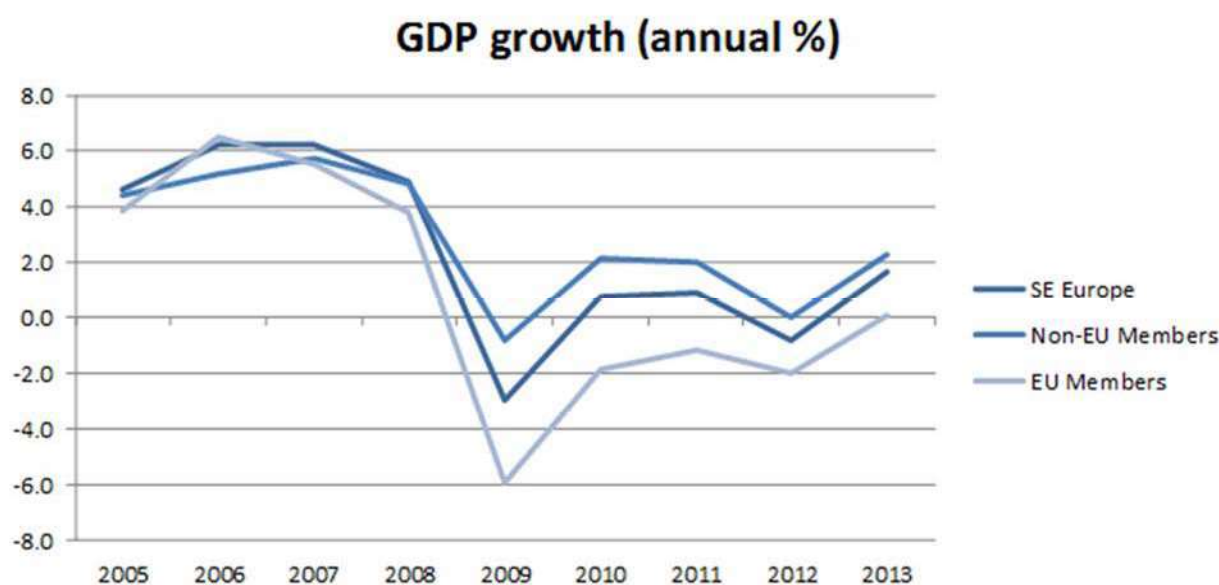
However, while Romania and Croatia have been the most severely hit by the crisis in 2009, with negative growth rates of -6.8 and -7.4, Albania and Kosovo managed to keep positive growth rates in 2009. This suggests that there are economies in the region that performed better than the EU. According to the estimates, the economic growth has resumed in 2011 with positive trends, with the notable exception of Greece. The situation of Greece was the most critical, with negative growth rates over the years 2009 to 2013. Looking into the bellow data (Table 1 and Figure 2), it can be observed that the growth rates are definitely lower than the pre-crisis levels. In 2010, Romania ranked 3rd, after Croatia and Greece, in terms of GDP per capita as share of the EU average.

Furthermore, the negative international outlook led also to a shift in the trend of real convergence with the EU in these countries. More exactly, more than half of the SEE- 9 region (without Kosovo) recorded lower GDP per capita levels as share of the EU-27 average in 2010, as compared to 2008 (Paul Vass and Alexe, 2012).

GDP Growth (annual %)									
Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
Albania	5.5	5.0	5.9	7.5	3.4	3.7	2.5	1.6	1.4
Bosnia and Herzegovina	5.0	6.2	6.8	5.4	-2.9	0.7	1.0	-1.2	2.5
Bulgaria	6.0	6.5	6.9	5.8	-5.0	0.7	2.0	0.5	1.1
Croatia	4.2	4.8	5.2	2.1	-7.4	-1.7	-0.3	-2.2	-0.9
Greece	0.9	5.8	3.5	-0.4	-4.4	-5.4	-8.9	-6.6	-3.3
Kosovo	6.0	6.3	4.5	3.6	3.3	4.4	2.8	3.4	3.0
Macedonia, FYR	4.4	5.0	6.1	5.0	-0.9	2.9	2.8	-0.4	3.1
Montenegro	4.2	8.6	10.7	6.9	-5.7	2.5	3.2	-2.5	3.3
Romania	4.3	8.7	6.3	7.9	-6.8	-0.9	2.3	0.4	3.5
Serbia	5.5	4.9	5.9	5.4	-3.1	0.6	1.4	-1.0	2.6
SE Europe	4.6	6.2	6.2	4.9	-3.0	0.7	0.9	-0.8	1.6
Non-EU Members	4.4	5.1	5.7	4.8	-0.8	2.1	2.0	0.0	2.3
EU Members	3.8	6.4	5.5	3.8	-5.9	-1.9	-1.2	-2.0	0.1

Source: World Bank.

Table 1. GDP growth in South Eastern European Countries



Source: data collected from World Bank.

Figure 2. GDP growth in South Eastern European Countries

Looking into the data provided by Table 2, it can be observed that all SEE countries have experienced growing fiscal deficits in response to the financial crisis. If in 2007 Bosnia and Herzegovina, Kosovo and Bulgaria recorded a fiscal surplus, in 2009 and 2010 all the countries in the region were recording deficits. The average budgetary deficit in the area reached a peak of -8.2 of GDP in 2009 and decreased to -6.7 of GDP in 2010. In Romania, it was observed that *applied severe austerity measures in order to reduce the budgetary deficit*. Two-thirds of the Government's efforts to reduce

the budgetary deficit focused on improving and reducing public expenditure and one third on increasing the revenues. All these measures had a significant impact on the functioning of the public sector and on the public administration overall.

Table 2. *Fiscal Deficit in Eastern European Countries*

Country	2005	2006	2007	2008	2009	2010	2011	2012
Albania	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bosnia and Herzegovina	2.1	2.8	0.9	-1.6	-4.3	-2.2	-1.2	-1.6
Bulgaria	3.2	3.2	3.2	3.0	-0.1	-3.4	-1.9	-0.8
Croatia	-2.4	-1.5	-1.1	-0.8	-3.0	-4.4	-4.6	-3.4
Greece	-5.4	-5.7	-6.5	-9.5	-15.2	-10.4	-9.9	-9.4
Kosovo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Macedonia, FYR	2.4	-0.2	0.3	-1.0	-2.7	-2.5	-2.7	-4.0
Montenegro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Romania	-1.0	-2.2	-2.3	-4.5	-8.2	-6.7	-5.1	-2.5
Serbia	N/A	N/A	-0.9	-1.7	-2.6	-3.8	-4.2	-6.1
SE Europe	-0.2	-0.6	-0.9	-2.3	-5.2	-4.8	-4.2	-4.0
Non-EU Members	2.2	1.3	0.1	-1.4	-3.2	-2.8	-2.7	-3.9
EU Members	-1.4	-1.6	-1.7	-3.0	-6.6	-6.2	-5.4	-4.0

Source: data collected World Bank (missing data for Kosovo, Montenegro)

Romanian public administration: a case study

In the early 2009, Romanian public administration bodies created a comprehensive policy agenda 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 (Dogaru, 2014, pp. 964-970). In order to explore and underline the effects of the economic crisis on the Romanian public administration, the research is divided on two levels: the first level of analysis explores the causes and describes the anti-crisis measures taking into consideration the normative and structural reforms, while, the second level of analysis *looks into the policy process reform and implementation and the anti-crisis measures programs in the public administration system.*

Rationales behind the economic crises and forms of anti-crisis measures

In 2007, the European Union experienced an abrupt adjustment to the effects of the crisis. The main reasons were the large macroeconomic imbalances, corruption and lack of political vision (Voinea and Ion, 2013). In Romania, has been identified a set of common explanatory factors of the financial crisis and the global downturn including (Voinea, 2009, p. 86):

- The deregulation processes, following the liberalization of the current accounts, in 2004. Despite this, mortgages have not been of much importance in household credits. Moreover, derivatives instruments are almost absent; in consequence, the government has deregulated and liberalized a market that almost does not exist in Romania.
- The high level of corruption, that has been present in the public sector since 1989, when Romania became a democratic capitalist country, that has led to misallocation of resources, an erosion of inter-personal trust and a negative image for foreign investors. Subjective perceptions regarding corruption are relevant: in 2010, the Transparency International Barometer on Corruption for Romania showed that 87% of the respondents believed that

corruption had increased in the previous three years and only 11% believed that it had remained the same.

- The polarization of income, due to the existence of a weak middle class, formed on the basis of debt accumulation rather than capital accumulation. Another cause can be related to the introduction of the flat tax of 16%, in 2005.
- The speculative bubble in the real estate market, that begun in Romania in 2003, and finished in 2008.

Other causes of the Romanian crisis are the *pro-cyclical budgetary and fiscal policies*, such as the flat tax, the large increases of civil servants' salaries, the delay of structural reforms, the reduced absorption of European funds and a generalized political incapacity of anticipating and managing the crisis.

Table 4. *Causes of the economic crisis in Romania public administration*

<i>Causes of the crises</i>	<i>Romania</i>
<i>Structural causes</i>	Over consumption in debt Increased wages without productivity Speculative real estate market
<i>Transmission causes</i>	Financing of the current account deficit by private debt

Source: Elaboration on Voinea, 2009.

As Peters (2011, pp. 13-27) underlined, a crisis may demand new approaches to governance problems, and hence may create the punctuation in even a stable equilibrium. If there is a crisis, there may be evidence that the old patterns of governance were not effective and there is some need for new approaches to the policies in question. To some extent, the presence of the crisis will reveal the *need for change*, but it may also be *an opportunity* for people in government to make changes that would not be possible without the presence of a crisis.

Therefore, to certain extent, it is corresponding to Romanian public administration (PA) attempt to adopt measures regarding the structure of the public administration and the budget costs in the public sector. In this regard, the main normative acts which created the legal framework of the reforms are subsisting around:

- 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 Fund⁵. The law reorganized all the public administration system, having as base principle the reduction of budgetary costs.
- Law no. 330/2009, on unified wage⁶, that affected the salaries and incomes of all the public servants, of the public sector.
- The Fiscal Responsibility Law no. 69/2010⁷. The law aimed to help improving medium term fiscal planning, budget formulation and execution, transparency of the budget process and accountability.

Starting from the legal framework, it can be stated that the main changes at the level of the PA, affected the following functions:

- performance budgeting and expenditures;
- civil service management;

⁵ Published in the Romanian Official Gazette, Part I, No. 761.

⁶ Published in the Romanian Official Gazette, Part I, No. 762.

⁷ Published in the Romanian Official Gazette, Part I, No. 252.

- decentralization;
- openness and transparency of the public administration;
- e-governance and e-administration;
- local public finances and investments.

These areas will be analysed in the following paragraphs, trying to identify which were the main measures and their links to the policy and programs implementation.

Policy process and anti-crisis measures programs in the public administration system

The economic crisis required solid austerity measures, under the *auspicious programs of reforms and need for change*, which lead to the re-evaluation of populist policies, including in public sector wages and pensions. The austerity packages adopted for reducing the budget deficit, determine the Romanian government, to undertake policy changes that would have not been possible without the presence of a crisis. As such, were adopted policy measures targeting the *reorganization and rationalization* of the public sector, based on job cuts, and the possibility of a 10-day period of compulsory unpaid leave for public sector employees, together with reduced working hours (Dogaru, 2014, pp. 964-970).

(i) Performance budgeting and expenditures

A legal framework defining the government's powers with respect to fiscal policy making, budget execution, accounting and audit was introduced, and considerable efforts towards performance budgeting have taken place. However, according to IMF report, the Fiscal and Budgetary Strategy and the Report on the Macroeconomic Situation, underlies the Government's major policy goals and input expected, but, also recognizes that at that moment, no systematically published reporting on the performance of stated outputs or outcomes exists. Before the recession, there was a process of governmental dissaving, with a strong trend of an increase in the fiscal deficit starting in 2006. The fiscal deficit reached a peak in 2009. The most important cause of the fiscal deficit was the lax fiscal policy and implementation of its regulations. In addition, the benefits of the fiscal tax policy were reaped by a high-income small categories of persons. The main policy instruments used to tackle this imbalance bases on increases in VAT and a tighter fiscal policy, but not with adequate attention to its implementation. Therefore, the policy measures increased fiscal evasion and low levels of tax collection. On the positive side, the public awareness of the need to tackle fiscal evasion increased. In this context, the Fiscal Budgetary Strategy for 2011-2013 established a decrease of fiscal evasion as an objective. According to Build SEE Report (2014), Romanian public sector needed to decrease the number of employees in order to reduce public expenditures. In essence, the main public administration functions were oriented to costs reduction. Therefore, the main goal was to reduce the size and costs, not to identify/redefine a new role for the state or the civil service size.

The government implemented a sharp adjustment of the budget deficit, reducing investment and cutting social spending in the period 2010-2011. The cuts in public spending began in July 2010 and included the following measures (Voinea and Ion, 2013, p. 150): a 25% reduction of salaries in the public sector; VAT from 19% to 24%. On a similar vein, Build SEE (2014) report noted that Romanian P.A undertook the following main measures to reduce the impact of economic and financial crisis:

- public expenditures restructuring to reduce expenditures;
- staff costs reduction at central and local government by up to 20% of the costs in 2008, through:
 - 139,500 vacant jobs remained non financed;
 - reduced related pay incentives and performance rewards (travel, bonuses, in-kind incentives);

- 15% of the costs reduction in purchasing goods and services, and a period of 12 months moratorium, which prohibits the purchase of goods and services that are not essential for the functioning of the PA institutions.
- unitary salary system for civil servants and contractual staff, civil servants with special status and others was approved;
- streamlining the costs and social benefits only to precarious social families situation;
- institutional rationalization by analysing the number, structure, activities and staff of public institutions, disregarding their source of financing.

The number of the public sectors employees was reduced from 1,394,000 to 1,068,000 people in 2015, the deadline application of the unitary wage law. These measures are the core of one of the most painful austerity measures applied. The measures aimed to decrease aggregate demand, the main growth driver before the recession. There is no evidence of any prior systematic and rigorous analysis of the effects of such austerity measures, which is the first indicator of yet another chaotic policy measure. The austerity philosophy was borrowed without any critical examination or relevant correlation with the main specificities of the Romanian crisis. Moreover, the government measures were based mainly on expenditure cuts (Heise and Lierse, 2011 in Bartlett and Uvalić, 2013), without guidelines related to the shape of the restructuring to be undertaken. The stagnation followed the recession period not only because the past growth driver was severely affected, but also because there was no other new driver of economic growth to replace households' consumption. The drastic austerity measures based on cutting social costs resulted in street manifestations, declined trust and the generalized public critics. If the short- and medium-term effects can be described as a decrease in purchasing power, the long-term effects are an increase in inequality and a consequent decrease of social cohesion and the emergence deepening social divides between different groups in society.

Another consequence of the crisis was a general convergence towards the need of governance rules for public spending that supported a new set of policy measures. This time the measures were directed towards cutting inefficient public investments. Also, the support of the IMF in the direction of reforming public governance mechanisms was also determinant. In 2009, the Romanian Government noted to the IMF that "crucial to the fiscal strategy will be a series of measures to produce longer-term savings and improve the quality of public finances via public sector reforms".

(ii) Civil service management

If previous to the economic crises, the HR practices in Romanian public organizations focus on recruitment and selection of staff, motivation and reward, training and development of staff, during the economic crises, the public sector jobs have been blocked and were taken cut measures. The austerity measures targeted to reduce the wages by 25% Bercu and Bedrule (2012, pp. 451-456) noted in their work, that the first immediate effects of the austerity measures was staff demotivation and dissatisfaction. Among other key issues facing HR managers in public institutions, some problems are to be underlined:

- Funds allocated to a training and professional development activities are insufficient in relation to the real training needs; this is likely to de-motivate employees and to hinder the process of forecasting training and professional development of civil servants;
- Effects of budgetary adjustments on funds for professional development of civil servants, which may cause a reallocation of funds by just reducing those funds originally allocated for training and professional development activities;
- Lack of information or inability of public organization's managers to attract European funds.

The Romanian PA faced the need to decrease the number of employees, in order to reduce public expenditures and to meet financial pressures. In the light of the recession, the Romania Government issued several laws for the reduction of the both regarding the number of the public servant and the number of ministries and agencies. Thus, in period 2009-2011 measures for the reduction of the state employees, at local and national level, through restrictive policies of hiring staff in the public sector, have reduced the number from 1,398,757 to 1,255,134 (Boc, 2011, p. 12).

The measures introduced a unitary payment system, adapting the wage level to the importance, responsibility and complexity of the activity deployed. These reforms led to a considerable decrease in personal expenditures. The share of staff expenditures in GDP decreased from 9.4% in 2009 to 7.5% in 2011. For many years, Romania developed a competitive advantage based on low salaries. Year by year, unit labour costs have increased, although at a decreasing pace (see Table 5).

Table 5. *Unit Labor Costs*

	2005	2006	2007	2008	2009	2010	2011
Labour cost index, nominal value-annual data	14.3	19.1	21.1	20.4	12.0	5.2	7.0

Source: Eurostat, Romania.

In 2008 salaries adjusted sharply to the effects of the crisis, and from 2010 they began to decrease causing a loss of purchasing power and a contraction in aggregate demand. Starting in 2008, the gap between salaries and productivity increased exponentially, with productivity much greater than salaries. Another negative effect of the post-crisis period, has been the dangerous application of productivity standards in areas such as health, education and some areas of public service. The mechanistic of the productivity, when applied to social, educational or health services or assistance is unable to improve the quality of these services. It over-emphasizes costs and results and discourages a more flexible development of these services. The 25% cut in the public sector, flexibilization of the Labour Code, reducing firing costs for employers and reducing the power of the trade unions are additional critical measures (Voinea and Ion, 2009, p. 153).

(iii) Decentralization

The process of decentralization in Romanian has not been achieved; the executive agencies were supra-sized or excessively centralized. The downsizing has been done mainly for financial purposes. However, have been settle a direct relationship between decentralization (transfer of responsibilities and resources from central to the local level) and, implicit citizens, though the subsidiarity policies A significant contribution was brought by the European Charter of Local-Self Government that raised the local government importance as the most closed and effective to the citizen needs. Attention paid to state administration reform should, however, is more strongly linked to decentralization (strengthening financial decentralization) (Mititelu, 2014, p. 148). After almost two decades of modernization, research developed by Matei (2009, p. 151) highlights that Romania public administration is a ‘generator’ of weak performance and there is an increased need to introduce practices used in the private sector, in view to increase quality of the public services, to reduce budgetary allowance for the public services and increase efficiency and effectiveness of the public sector.

(iv) Openness and transparency of the public administration

The financial crisis brought uncontested evidence that lack of transparency and accountability, as well as poor regulatory structures in Romania. In Romania, administrative transparency is still considered at its early stages in practice, although there is a comprehensive legislative framework

(Mititelu, 2014, p. 147). Romania places 63th rank on the level of corruption as per Transparency International figures of 2015, comparatively to the 2008, when ranked on the 70th position.

Has been introduced a number of legal acts aimed at improving public participation to the legislative processes. The Economic and Social Council, created in 1997, provides a consultative forum on a wide range of areas, including the draft budget (Law No. 248 of July 2013). The Law No. 544 of October 2001, improved the public access to information, and the Law No. 52 of January 2003, improved public's participation in the development of government legislation. On the other hand, steps have been taken to provide more accessible budget information to citizens. In 2013, a citizens' budget was published, which included the main economic and fiscal projections, as well as, the Government's key policy objectives and the main highlights from the 2013 budget. However, this document did not include detailed information on the implications of budget, on the citizens (IMF, 2015).

In practice, citizens are not provided with timely and sufficient information and sometimes public participation is regarded as an obstacle to decision-making and is tolerated only as a matter of formal requirement, preventing citizens for having a real impact on decisions concerning EU funds programming, implementation and monitoring (CEE Bankwatch Network). Citizen participation term is frequently used with reference to programs imposed by international donors and European funded projects and less in the overall policy making or real life of the community (Șerban, 2007).

(v) E-governance and e-administration

Efforts are done through e-Government strategies, to improve communication between public administration and citizens, quality of public services and citizen involvement in the decision-making process. E-Romania strategy adopted in 2009 addressed the gaps of e-government development and the barriers relating to interoperability and the standards of government data. Some initiatives were introduced, such as the development of the European citizen engagement platform through "SMART Method of Public Policy" and increasing citizen engagement in developing local policies in local administration.

(vi) Local public finances and investments

The State Budget is faced growing constraints during the crises. Along with the Law on local public finances (Romanian Parliament, 2006), the state budget involves resources to financing the obligations as per commitments made to the international financial institutions. Romanian economy entered the recession as soon as external financing decreased. Equity investments and foreign direct investments have also declined sharply since 2008, leading to a reduction in foreign financing of approximately €11 billion in just three years. The policy instruments used to tackle the debt problems were negotiation of a €12.95 billion loan from the International Monetary Fund, €5 billion from the EU and €1 billion from the World Bank. Thus, Romania became the third European country to received IMF aid, after Hungary and Latvia. The loan had the objective to cover the external financing deficit, to limit economic contraction and the stability of the exchange rate. The main consequence was a large, doubled, public debt and an increased dependency on foreign financing. In other words, economic responsibilities and risks moved from the private to the state sector. In these regard, the Romanian government had to make a significant changes to its tax legislation at the end of 2008 and in early 2009 in order to offset the impact of the global financial crisis. The IMF financial package approved in May 2009 was to be used for fiscal consolidation, banking reform, and reducing inflation to help restore financial stability. The fiscal reforms include measures to improve budgeting, streamline public wages and pensions, and make public enterprises more efficient to ensure that the

deficit will remain low in the future. These reforms helped produce a leaner, more efficient and more transparent public sector (IMF, 2009).

Along with the modernization programs, the policy agenda to attract capital included the partnership with the private sector, through PPPs to finance the local services. Also, attracting grants and donations, and the partnerships with the non-profit organizations increased to a certain degree to address the demands uncovered. The public financing relied heavily on loans to finance public services in local infrastructure. A major source of finding remains the European funds and projects of investments and other donors in local public service.

When looking to the practice, the revenues management raises the critical issue in terms of lack of expertise and proper projects implementation. However, there has been less investment in PPPs in Romania partly because some planned PPPs failed to obtain financing (Peters, 1999, p. 47). The effectiveness and efficiency of public services are assured if the local public administration creates a favourable climate for private enterprises' development. The promotion of the public-private-social partnerships stimulates the investment and provision of services of general interest (Tesu, 2011).

Discussion and conclusion

The economic crises induced changes at structural and functional level of the public administration. The crisis created a *turbulent environment* which affected the public administration system and in its turn generated the *emergent change*.

As a conclusion from the South-eastern European area, we could observe that the role of public administration in managing the crises was crucial in dealing with the economic downturn and related social effects. The implications of the fiscal and economic crisis in public administration changed its role, as the aims are re- configurations in growing capacity to initiate and implemented reform measures to cope with lower revenues.

Regarding the impact of the crisis on the emerging administration from south eastern European countries, and Romania in particular, it can be observed from the research made in this paper, that the crisis produced a turnover of the prioritizations on the policy agenda and rethinking of the restructuring process of modernization of the PA system – it is what we defined the *disruption* on the system which creates emergence. The main reform paradigm to public management and the governance and their hybrid solution to address the deficiencies during the economic crises suffers gaps in implementation in coping with the consequences and govern efficiently.

Table 6. *Impact of the economic crisis on the emerging administration system of Romania*

<i>Dimension</i>	<i>Structural changes during the crises</i>	<i>Consequences under the crises</i>
<i>Economic</i>		
Public debt	<ul style="list-style-type: none"> ▪ to address the public deficit ▪ before crises low public debt, large private short term debt; ▪ large loans from IMF; 	<ul style="list-style-type: none"> ▪ Large public debts; ▪ Increased dependency of public financing and external constraints;
<i>Sectors of emergent change</i>		
Decentralization	<ul style="list-style-type: none"> ▪ 2006 - Framework Law - administrative and financial responsibilities from the centre to the local government; 	<ul style="list-style-type: none"> ▪ Tendency of centralizing the public spending;

<i>Dimension</i>	<i>Structural changes during the crises</i>	<i>Consequences under the crises</i>
Civil service management	<ul style="list-style-type: none"> ▪ Labour costs flexibilisation in the sense of reducing the firing costs and the union power; 	<ul style="list-style-type: none"> ▪ Less protection for employees; cuts; unemployment; ▪ Unitary system of wages;
E- government	<ul style="list-style-type: none"> ▪ E government strategy; 	<ul style="list-style-type: none"> ▪ Increased dematerialization and online services; ▪ E-governance implementation in public administration is negligible; ▪ Financial resources necessary to support the initiative were not adequately evaluated;
Openness and transparency, participation	<ul style="list-style-type: none"> ▪ Open government policy; ▪ Corruption laws; ▪ Consultation policy (budget); 	<ul style="list-style-type: none"> ▪ Increased reporting ▪ Corruptions levels increased; ▪ Early stages of participation in the decision-making.

Source: Authors elaboration.

The research undertaken reconfirms the differences in the management styles, the path dependency and the influence of the institutions in shaping policies that have continuity in the future (Peters, 1999, p.47). The intensity of the crises in different countries has been different in responses, policy and program of reforms implementation. This was also the case of the Romanian public administration system which had to be rapidly adapt and restructure to answer the pressure of the economic crisis. As it was underlined by Guy Peters, “the crisis did not materialize overnight, but many governments have apparently wanted to solve it overnight” (Peters et al., 2011, pp. 13-27). This reaction lead to hybrid models of reform, which were taken in all the areas of the public sector. In this sense, as succinctly systemized, through the Romanian public administration case study, it can be observed that, there were implemented various types of reforms, referring to state apparatus, the governmental agencies, public sector employees’ wages, public pension system, labour legislation, social dialogue, education system, healthcare system, social assistance, legal system, and fiscal framework, with various impact on the development of the country and on its public administration system. The research shows, not only the need for change and adaptation of the system to new external conditions, but also the fact that there is not a one common idea or practice, regarding the response to the crisis.

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