

INTERDEPENDENCES BETWEEN THE PUBLIC ADMINISTRATION AND PRIVATE BUSINESS ENVIRONMENT IN THE CONTEXT OF ECONOMIC CRISIS

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The main aim of the UE is to protect and sustain its citizen's expectations by harmonizing the national politics and strategies in order to generate better results. At this moment we have three main actors: Private Business Environment (PBE), National Public Administration (NPA) and European Public Administration and institutions (EPA). The complexity of their interactions and dependences is increasing faster and requires, in our opinion, a new approach as European socio-economic integrated system (ESEIS). We are focusing on the interconnections identification in a normal procedure and the play role in actual global crisis the Europe, but not only, is facing with. The conclusions shows that at the European level has to be identified proper mechanisms for coordinating, implementing and control, by a better structured (EPA) of the strategic plans of sustainable economic development and healthy business environment.

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JEL Classification: M1(M10,M16),M2(M21),M3(38),F5(55),H7(77)

Introduction

According to the Treaty of Lisbon¹⁹⁶, which highlights that social cohesion is a concern of the European model by itself, legal framework and legal instruments necessary for the efficient cooperation between EU member States are established in order to meet the expectations of citizens, to assort the national public administrations with the European one and subsequently to generate response from the private sector in respect of sustainable development, efficiency, stimulation of the competition, increase of quality, rational use of resources and environmental protection.

The existence of complementary processes such as economic growth, stability and social cohesion within the European model emphasizes the need for reinforcement and providing support to private sector by the institutions of the EU or by national public administrations (NPA). To achieve a sustained economic growth within the European model, the existence of a number of policies regulating the market is essential. These policies have to be developed by EU institutions and endorsed by the governments of the member states in their national strategies and field policies. The unification and the imposition of uniform standards and regulations of the market, directly applicable to the all areas of private sector create the right context for developing a complex system. In its dynamic this system is governed by the interactions between the European Public Administration (EPA)¹⁹⁷, through European institutions and the private business environment (PBE).

As we mentioned before, the European Union has a number of instruments operating, for the public sector as well as for the private one, such as: *the legislation* - through which minimum

196 European Union, Lisboa Treaty, European Union Oficial Journal, C 306, 17.12.2007, http://europa.eu/lisbon_treaty/full_text/index_ro.htm

197 Note: At this moment there is no definition for EPA. So, in our opinion it is formed by the EU institutions, formal and informal networks/associations of NPAs (as EUPAN), other institution involved in managing the topics related with European citizens.

standards (imposed in order to obtain a higher quality of life of citizens) and mechanisms in all fields of economic and social life are established; *the executive power* - able to decide common lines of action, forms of support for these lines or forms of coercion and / or penalty; *the budget* - which together with the help state can provide financial support to implement appropriate mechanisms to achieve the aimed objectives; *the knowledge and information management* - designed to collect, systematize and process the intra and extra communication information and to design major targets of the socio-economic community. The implementation of policies to stimulate growth beyond the borders of a state, the oversight and the power of coordinating the economic and monetary unit are major vectors of the integrated development.

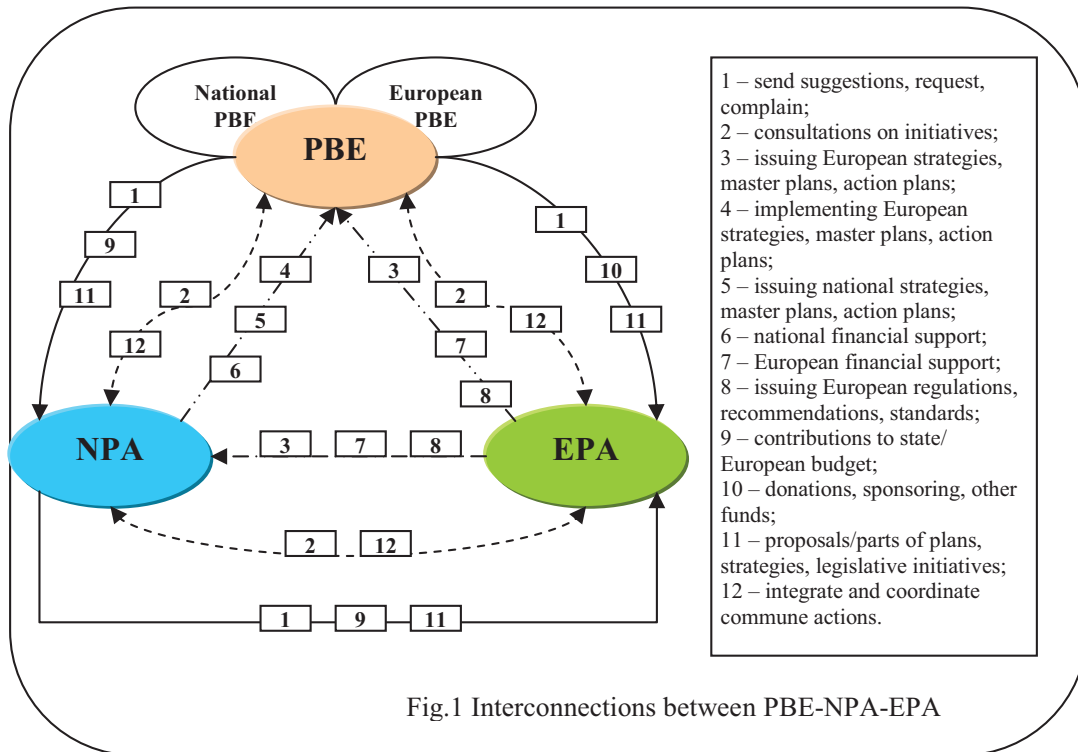
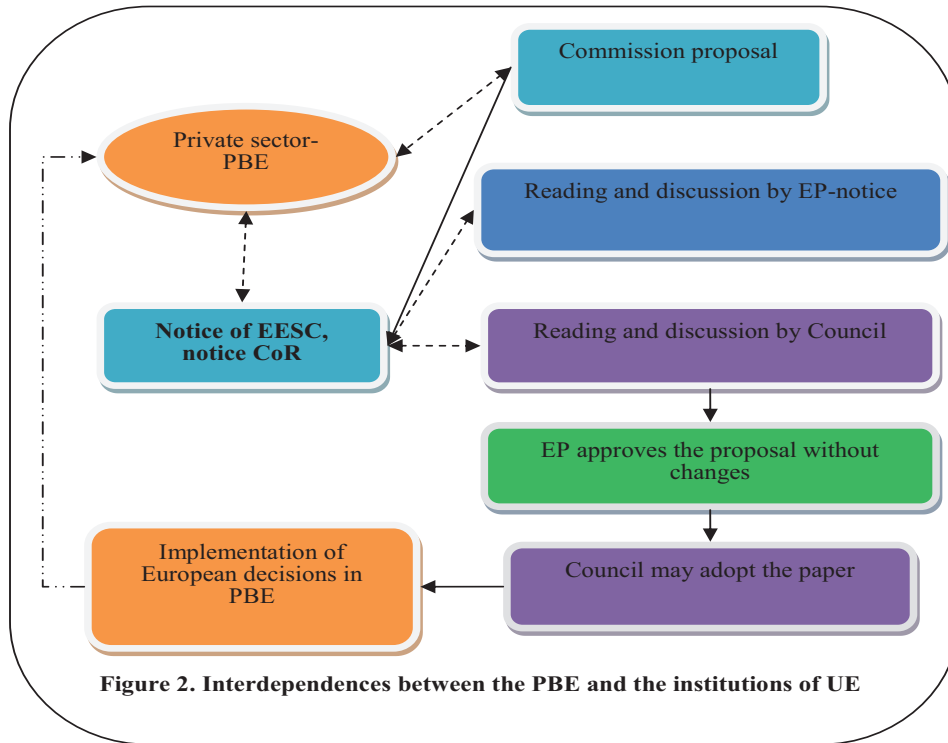
Collaboration in the context of European integration

The PBE of a new community state member states that this status has an impact upon its existence, on its development or on its activities through consequences such as: increasing competition, the compulsory application of standards, access to labor market and European capital. Although these measures highlight the mechanisms of market economy integrated as a core element of the connection established between EPA, NPA and the private sector, the panoramic picture is much more complex. The social components concerned develop *the European citizen* and *the European consumer* adding new valences, higher requirements and higher expectations. The European single market is beyond the concept of "laissez-faire" market as it also accepts other rules than those strictly commercial, such as employment standards, educational and research funding programs, imposed limits on environmental protection etc. Therefore, we believe that European integration is not just the result of unification of the markets, in fact consisting in implementing policies of social cohesion and calling into play the European socio-economic integrated system (ESEIS). The three structures EPA - NPA - PBE interact in ESEIS and connections between them are outlined in figure 1.

Regarding the European integration the contribution of the European Economic and Social Committee (EESC) is notable. This Committee is working to develop a substantial expertise. This objective implies the participation of the Committee in the economic and social life of the country from which the members in question are. Also concerning the European integration we can highlight interdependencies between PBE and EU institutions through the Committee. It performs a dual role, on one hand to accumulate concerns and wishes of civil society organizations, and on the other hand to provide information relevant to these organizations. Thus, the EU institutions are directly or indirectly connected to the private sector, which includes a wide range of legal forms, from big corporations to microenterprises or even authorized person. Decision-making process in the EU is large and involves institutions from the highest level, such as the Commission, the Council (EC) and European Parliament (EP) as well as the advisory bodies, composed of the EESC (European Economic and Social Committee) and the Committee of the

Regions (CoR). In figure 2 we represented the mechanism of interaction between the public sector – EPA and NPA and the private sector - PBE with the assistance and the involvement of EU institutions, for the particular case when EP approves the Commission proposal without changes¹⁹⁸.

198 Figure created upon the scheme presented in Guide to EU institutions for everyone, Brussels, 2007, p 8.



EESC opinion shall be granted after prior consultation with members of the groups which include PBE at national and/or European level. EESC, the body representing the organized civil society in the EU is strongly anchored in the economic and social realities of Europe and is trying to

apply the right of initiative of people covered by the Treaty of Lisbon. Concerning the figure we can note that beyond the advisory relationship within the EESC, which may be considered an input into EU decision-making system, is also found the output generated by the acts adopted and materialized in the effective implementation of European PBE decisions.

In order to highlight the involvement of the private sector in EESC, in the following notes we will continue to emphasize certain aspects that define this Committee. Established by the Treaty of Rome in 1957, the Committee is a European advisory body in which are represented various categories of economic and social activities in the EU. It provides the representatives of interest groups in Europe with a formal platform to express their views on EU issues. It consists of 344 councilors from all EU Member States, grouped in three: *Employers*, *Employees*, *Various activities*. EESC plays an important role in the decision making process within the EU because before the adoption of certain economic and social policy decisions, this committee must be consulted and its opinions are forwarded to the institutions of the highest level, such as the Council, Commission and Parliament. Through the functions which it meets, EESC is the institution that ensures the bond between the civil society, which is encouraged to be involved in the design of public policies in the EU and higher institutions, which are sent grievances of the European citizens. The promotion of a more active and responsive society is aimed to shape a more democratic society in the EU.

The concerns of the Committee on civil society were incorporated into a manifest-program entitled "*Program for Europe: the proposals of civil society*"¹⁹⁹, which has three main objectives: one prospective, one political and one institutional. The prospective objective surprises the vision of the Committee on the necessary actions to be taken by Europe in order to strengthen the future in accordance with the world dominated by the current crisis. Using the principles and measures proposed, a special importance is assigned to the private sector and SMEs are known to be important links in the value chain. Regarding the political objective we can note that it aims to be a manifest to the other European institutions to achieve the common goals of Europe. The proposals for the European institutions on the challenges that Europe will face in future years are included in the institutional objective through the introduction of EESC ideas in debates. These targets are interconnected and converging to fulfill the same purpose, the one to develop a model based on solidarity.

In an area characterized by the mobility of goods and factors of production according to the economic theory of integration it is stated that "private economic activities and economic policy makers must be consistent."²⁰⁰ Private economic activities must adapt to the conditions imposed by the intersection of supply and demand throughout the Union, by providing products and services suitable for the market, even in the context of the current crisis.

Collaboration in the crisis conditions

As the financial crisis is expanded on the scale of the global economy, it triggers new situation for the community, exacerbating the existing problems, such as poverty, social balance, vitality and innovation of European enterprises, natural resources, energy or migration. Decreased demand for products and services, reduced exports, declining investment, tight credit conditions are just some of the issues affecting national economies and the exponents of PBE. The complexity of socio-economic life has determined the transformation of the financial crisis into a strong economic crisis, which although began in the U.S., is affecting the European states as well, enabling to discuss at the time being *a global crisis*.

199 <http://eesc.europa.eu/events/2009-04-15-programme-for-Europe/index-en.asp>

200 Dinu M., Socol C., Marinaş M., European economy. A synoptic exposure, Editura Economică Publishing House, Bucharest, 2004, p. 141.

Identifying the implications of the economic crisis on the PBE goes to the appearance of certain initially negative signals that are subsequently converted into effects on national economies on three components: financial, economic and social. From the financial perspective we notice that the states are dealing with the decreased liquidity in the banking system, the increase of the public budget deficit and the increased cost of financing the private sector. The economic effects are the reduction rate of economic growth, the removal of many SMEs from the market, the increase of unemployment rate and the contraction of the volume of foreign direct investment. Insecurity of employment and inability to return bank loans in the long run by individuals are the social effects that affect local, national and international communities.

Linking PBE with PNA and PEA in this context becomes an urgent need to design national strategies and the EU one which have to define the mode of state intervention in the economy and the forms of community support. If PBE had an impressive growth rate based on excessive buying behavior of consumers (Romania could be taken as an example) who asked for luxury goods and exclusive services, above the economic crisis, during this period they are determined to steer for and eventually to invest in products and services at a decreased price or rate. The diversification of products, the concentration on potential markets, identifying new sources of raw materials, technology solutions which allow significant cost reduction, productivity growth or identifying new markets are some of the actions that may concern PBE in order to counter the effects of the crisis. In all these actions, the role and the involvement of the state are vital because of the measures of support and protection which it decides. Thus, investment in infrastructure, facilitating access to scientific research and innovation, providing incentives for SMEs, increasing social protection measures, access and stimulating the attract of external grant funding, offering support of the state budget for some promotion campaigns for products and services²⁰¹, represent a small part of the measures that PNA can take to support PBE²⁰².

During this period, pressure caused by low economic growth on living standards, especially in the poorest countries of the Union - The EU 10 (the last 10 countries integrated in the EU) will be exerted, which generates a certain guidance to support them as a priority in the process of balancing the PBE and improving social protection systems²⁰³. EPA's concern and involvement in combating the effects of economic crisis is highlighted by the actions it has already done and that are wished to be expanded.

The report prepared by Elisa Ferreira²⁰⁴ (PSE, Portugal) shows the position of the European Parliament over the economic recovery Plan proposed by the European Commission and indicates that the proposed size of the Community Plan for European economic recovery, amounting to only 30 billion, represents only 15% of the necessary budget. The remaining 170 billion is left to the Member States and, therefore, to asymmetric capabilities to fight the crisis, which could lead to large imbalances. The coordination of the national plans of improvement becomes a priority and must adapt each program to the specific needs of the State concerned, taking into account the common interest, common set of strategies so as to ensure a multiplier effect as strong as possible, especially in terms of employment and social protection.

The European Economic Recovery Plan (EERP²⁰⁵), developed by the EC to face the present economic crisis concerns both directions in the short term and long-term and encourages the

201 ***, Master Plan for Romanian Tourism Development 2007 – 2026, <http://www.turism.gov.ro>

202 <http://www.europarl.ro/view/ro/press-release> (Articles about national plans of economic recovery)

203 ***, Global financial crisis affects the EU 10, but governments and central banks take appropriate measures, Bucharest, 30 October 2008 available at www.worldbank.org.

204 ***, Draft Report on a European Economic Recovery Plan, (2008/2334(INI), Committee on Economic and Monetary Affairs, Rapporteur: Elisa Ferreira, Committee on Budgets, 15.1.2009, <http://www.europarl.europa.eu/sides>

205 ***, A European Economic Recovery Plan, COM(2008) 800 final, Brussels, 20/11/2008, http://ec.europa.eu/commission_barroso/president/pdf/Comm_20081126.pdf

mobilization of the economic and social environment together with the civil society at European level to overcome the economic crisis that affected both businesses and people. Short-term measures are aimed at stimulating demand, maintain jobs and restore confidence, followed by measures which support the budget stimulation together with investments. In the second situation, the demand will be stimulated while making the pan-European investment in sectors relevant to the future, such as ecology, research, innovation, infrastructure to determine the sustainable development of society. For the purposes of supporting the private sector to avoid distortions of competition the Plan also supports the existence of state subsidies controlled. Partnerships between the public and private sectors are encouraged in the above areas through environmental design cars, efficient buildings in terms of energy, increase investment in education and more.

The members of the EESC have commented on aspects of the EERP supporting the private sector, among them we consider three to be relevant for this paper: that bankruptcy is estimated for around 1 million companies, promoting PPP projects with the support and involvement of the European Investment Bank and the request of the position of the European Commission against those who bear fault for generating financial crisis. We consider the assessment for bankruptcy for so many companies for which EU is unable to protect them, dramatically, but through the support of PPP projects the private sector shares the benefits and especially the risks of a business, with EIB.

Companies, particularly SMEs, are addressed in the recovery plan which aims to offer them further support. This support consists of requiring payment of the invoices issued by SMEs, within a month by the public authorities, facilitating access to public contracts and the removal of micro-imposed requirement to prepare annual accounts. The European Commission intercepts in this plan the fact that is relevant to recognize the essential role of the representative business organizations and that these must be integrated systematically, whenever they are relevant, in all the European committees of experts opinion, the high level groups or other appropriate forums. Recognizing the importance of consultation on a regular basis with representatives of the private sector by the European Commission can provide exposure to a clear perspective on how things are carried out into practice. PBE to overcome the economic crisis requires the support of EU institutions.

Conclusions

The perception of the interconnections between PBE, EPA and NPA, the need of dialogue and the need to define the PBE and the civil society as key interlocutors of the European Union, generates changes in thinking that will prove long-term effectiveness. Through social dialogue and solidarity mechanisms, the European model proves capable, in the context of the current global crisis, to implement measures to mitigate and / or counter the effects of the crisis and to support sustainable future development. The private sector manages to communicate the requirements and complaints related to EU policies in a formal and organized framework, through the Committee, which they implement in the reports issued after the members discuss them. If we look from the perspective of the EU institutions to the private sector we find that the adopted acts concern the citizen and often have implications on economic agents.

In the economic crisis case we see the emphasis that is given to the private sector, especially SMEs, representing 99.8% of the entire enterprise sector. In this paper we outlined some of the directions proposed by the EU institutions on the private sector for the purposes of overcoming the current situation, but it becomes intriguing to follow to what extent they will be put into practice. In respect of the European policies in the economic, social and environmental area, the objective must become global sustainable development. Private sector commitment to environment and to community is a pillar of strength in starting and strengthening sustainable activities.

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