PUBLIC MANAGEMENT – THE ART OF HARMONIZING DECISIONS WITH PROPOSED OBJECTIVES

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RESEARCH PURPOSE AND OBJECTIVES

This article originates in a study of economic and financial management applied on public institutions administrating public funds.

Purpose of this undertaking was to formulate certain recommendations preface a decisional, informational or organizational change so needed for Romanian public entities (including those from the health care field), characterized by a conservative institutional culture, resistant to essential changes imposed by the administrative updating.

The methodology used is based on direct assessments of the managerial behavior of public entities, questionnaires as flexible research tools and also processing certain public data and information posted on the official websites of public institutions.

1. Romanian economy actualities

Uncertain economic environment, extremely versatile and concerted action of some disturbing factors registered within the area of monetary, commercial, financial, social or public policies, have generated a severe economic crises.

International financial experts and national economies confirmed that the magnitude of financial crisis has reached world wide dimensions, thus affecting the global economy.

In Romania there is a wide typology of public institutions with internal architecture comprising departments, directorates, services and offices unfolding activities according to their profile, structures organically related to compartments that administrate and use public funds.

TAmong relevant recommendations for Romania, resulting from our study: systemic and methodical approach of the objectives proposed, as well as establishing program indicators to assess results to be obtained within the approved funding; monitoring objectives and results; setting agenda of priorities for judiciously selected and associated procurement, at transparent associated costs and not exceeding under any circumstances the initial prices set by contract; increasing institutional capacity and management accountability in terms of management efficiency in terms of legality and public funds administration in legal and efficient terms.

Key words: economic crisis, performance, political decision, Romania.

In the public administration area, the applied management performance – the art of harmonizing decisions with objectives specific to the state authority activities - constitute a decisive factor that could preamble a major change on this line.

Generically, the national public system reunites the assembly of public authorities, ministries, the other specialty bodies of central public administration, autonomous administrative authorities, local public administrative authorities and their subordinated institutions, financed from the state budget, own funds and/or internal and external loans contracted or guaranteed by the state.

The public system has its own functionality, generated by the financing pattern, economic relationships, methods for generating public resources, sizing and allocating the expenditures and, not lastly, by the statutory regulations governing this part of socio-economic activity.

Public resources administration demands respect for the lawfulness and compliance to the specific provisions of those acts regulating the financial discipline in regard to the public expenditures.

In context actual, analyzing the relationship between the acute need for public financial resources and their administration, aims to identify vulnerabilities on the two main directions: generating and collecting the incomes for general state budget and their final utilization by financing the public expenditures.

This approach requires cognizance of public institution organizational structure on the one hand, and framing the informational, organizational, methodological and decision coordinates of financial activities or having financial implications, achieved by these structures as subsystems of the public management system.

The erratic, chaotic activity of public entities, without defining clear objectives and no preset agenda for...
implementation of the operational plans, cannot guarantee the managerial performance. But at a public authority level, effectiveness governance is conditioned by the accomplishment of an interdepartmental integrated management, based on clear objectives continuously monitoring their achievement.

Given these concerns, we thought that a research based on diagnostic analysis of manner of administrating the resources of the general state budget consolidated, feature a present-day interest subject.

To that effect, the following remark is to be made: assessment of the manner of generation and utilization of public resources constitute one of the attributes of Court of Accounts, the supreme auditing institution that is acting according to the general accepted international standards of audit.

On another plan, the results of financial administration evaluation on public system form into information of major interest for authorities, citizens or mass-media, becoming accessible through their presentation in documents elaborated by public authorities by virtue of prerogative given by their specific organization and functioning regulations.

The current undertaking follows the same coordinate, starting from premise that it is not inconsiderable to underline certain aspects regarding deficiencies, irregularities, abnormalities, divergences from legislation and/or from the efficiency, effectiveness and saving principles in using public funds, on defined purpose of contributing to making decision factors more accountable and of stopping or eradicating the phenomenon of public resources waste.

Public management performance enforces the award of a preset framework leading to directions for action on middle and long term, covered by strategic planning. Decisions of public institution managers operate within this perimeter, as essence of the managerial acting.

Strategic planning as a definitive element in professionalization of management is identified with the art of using available means so that the proposed objectives are to be accomplished through a well structured action.

Starting from the fact that the public institution is a component of the conventionally named economic system, it is imperative to be aware of the role and importance of activities done at the level of each organizational structure from the entities composing the public domain. That’s why, in a figuative but pragmatic manner, the public management can be defined as ability or capacity to achieve through the managerial acting, congruence or perfect match between actions of each department, compartment or office for achieving the proposed objectives.

Analyzed from this perspective, the management of a public institution is a sum of decisions grouped by economic, investment, procedure etc. area of action, reunited for reaching the single objective of generating surplus value. In Romania there is a wide typology of public institutions with internal architecture comprising departments, directorates, services and offices unfolding activities according to their profile, structures organically related to compartments that administrate and use public funds.

Dimension of public resources allocated to public institutions that should operate for social benefit, is considerable. In these terms, performance of managerial acting in their administration is definitory and accountable for the results acquired.

For the relevance of this assertion, dynamic indicators of the general consolidated state budget, during the period between 2006 and 2010, are presented. (Table 1)

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>General consolidated state budget</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>% of GDP</td>
</tr>
<tr>
<td>1.</td>
<td>Total revenues</td>
<td>106,975.3</td>
<td>31.8</td>
</tr>
<tr>
<td>2.</td>
<td>Total expenditures</td>
<td>112,626.3</td>
<td>33.5</td>
</tr>
<tr>
<td>3.</td>
<td>Surplus(+)/Deficit(-)</td>
<td>-5,651.0</td>
<td>-1.68</td>
</tr>
<tr>
<td>1.</td>
<td>Total revenues</td>
<td>127,108.2</td>
<td>32.5</td>
</tr>
<tr>
<td>2.</td>
<td>Total expenditures</td>
<td>136,556.5</td>
<td>34.9</td>
</tr>
<tr>
<td>3.</td>
<td>Surplus(+)/Deficit(-)</td>
<td>-9,448.4</td>
<td>-2.4</td>
</tr>
<tr>
<td>1.</td>
<td>Total revenues</td>
<td>164,466.8</td>
<td>32.0</td>
</tr>
<tr>
<td>2.</td>
<td>Total expenditures</td>
<td>189,121.7</td>
<td>36.9</td>
</tr>
<tr>
<td>3.</td>
<td>Surplus(+)/Deficit(-)</td>
<td>-24,654.9</td>
<td>-4.8</td>
</tr>
<tr>
<td>1.</td>
<td>Total revenues</td>
<td>156,624.9</td>
<td>31.0</td>
</tr>
<tr>
<td>2.</td>
<td>Total expenditures</td>
<td>193,025.4</td>
<td>38.2</td>
</tr>
<tr>
<td>3.</td>
<td>Surplus(+)/Deficit(-)</td>
<td>-36,400.6</td>
<td>-7.2</td>
</tr>
<tr>
<td>1.</td>
<td>Total revenues</td>
<td>168,598.45</td>
<td>33.0</td>
</tr>
<tr>
<td>2.</td>
<td>Total expenditures</td>
<td>201,903.63</td>
<td>39.5</td>
</tr>
<tr>
<td>3.</td>
<td>Surplus(+)/Deficit(-)</td>
<td>-33,305.2</td>
<td>-6.51</td>
</tr>
</tbody>
</table>

Source: Ministry of Public Finances - Indicators

Diagram 1 – Evolution of the budgetary deficit during the period 2006 – 2010

![Diagram 1 – Evolution of the budgetary deficit during the period 2006 – 2010](image-url)
The above scheme disclose a progressive deterioration of indicators of the general consolidated state budget, increasing the public expenditures in comparison with the level of the revenues resulted from taxes and contributions as their financing source.

Through its construction, the national public budget as document-program reflecting the structure of revenues and expenditures by their economic and functional nature, must ensure the conformation to the budgetary balance principle.

The above presentation shows that year by year, ordinary - fiscal and nonfiscal - public revenues, have been under the level of expenditures authorized by the annual budgetary laws.

We mention that the budget deficit with its two components - structural and cyclic deficit, could be appreciated as „of quality”, only if cumulative comply with two indispensable conditions:

- registered deficit expresses the financing for expenditures dedicated to public investments (example: investments in infrastructure that create the development premises for the other sectors of the national economy - transportations, tourism etc.);
- registered deficit is financed from financial resources estimated as certain, but avoiding the monetary emission option as its financing solution.

In plan economic, the unjustified increasing of public expenditures pursuant to distribution of the revenues in consumption areas that do not generate surplus value, could result in major negative effects by increasing the public debt, pressure on the exchange rate etc.

In our case, a progressive increasing of the budget deficit was observed during the period analyzed. Usually in declarations, this alteration of macroeconomic indicators is motivated by the influence of conjuncture factors as worldwide economic crises, leaving on a back seat the unnegligible objective cause of poor administration of funds allocated from the general consolidated state budget for financing the public entities.

In these circumstances, in order to release judgment opinions completely and objectively informed and solid reasoned, we present here relevant official data, published in 2010 by the Court of Accounts regarding the results of control/audit missions made on economic and financial activity achieved by a number of 2,773 public entities representing 24.79% of total institutions administrating funds allocated from the state budget.

The 2009 Public Report (resulting from the specific control/audit activity achieved by the Court of Accounts in 2010) reveals deviations from the financial discipline registered on three reference areas regarding:

- irregularities generating additional revenues to the public budgets;
- irregularities generating prejudices;
- financial - accounting irregularities.

According to statistical data, quantification of the irregularities or deviations in administration of public funds allocated to the public entities, was as following (Table 2):

<table>
<thead>
<tr>
<th>No.</th>
<th>Specifications</th>
<th>Unit / monetary</th>
<th>Quantification of deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Estimated value</td>
</tr>
<tr>
<td>1</td>
<td>Additional revenues</td>
<td>lei</td>
<td>1,574.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€uro</td>
<td>374.1</td>
</tr>
<tr>
<td>2</td>
<td>Prejudices</td>
<td>lei</td>
<td>705.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€uro</td>
<td>167.5</td>
</tr>
<tr>
<td>3</td>
<td>First total</td>
<td>lei</td>
<td>2,279.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€uro</td>
<td>541.6</td>
</tr>
<tr>
<td>4</td>
<td>Financial – accounting deviations</td>
<td>lei</td>
<td>41,847.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€uro</td>
<td>9,946.6</td>
</tr>
<tr>
<td>5</td>
<td>General Total</td>
<td>lei</td>
<td>44,154.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€uro</td>
<td>10,488.2</td>
</tr>
</tbody>
</table>

Source: 2009 Public Report - The Romanian Court of Accounts

Table 2. Quantification of the irregularities/deviations

Data presented are considered relevant and express with no doubt that poor administration of public resources may be one of the objective causes generating the alteration of the analyzed macroeconomic indicators.

Legitimacy of this assertion is based on the considerable value of irregularities registered by economic and financial activity of the public entities in one single financial year, estimated at 10,534.6 million Euros.

3. Diagnostic analysis of the economic activity of public sector entities

In given circumstances, this study aimed at the evaluation of risk factors and vulnerabilities of public entity internal activity, aspects that have been monitored within a comprehensive and iterative process.

Purpose of this undertake is to contribute to the limitation of negative effects with direct impact on budgetary allocations, insofar as the conclusions formulated will be apprehended by the decision makers as reference points for their further decisions.

Within the given context, direct investigation tools as questionnaires have been used addressing the subjects (see the annex), mainly regarding the following aspects:

- the way of protecting public entity resources and causes leading to improper utilization of the public funds, as well as factors generating waste from the asset of the administrated patrimony;
- reliability, actuality and precision of information from financial reports, as well as provisions for fighting against financial frauds;
- compliance with specific legislation applied to the public entity area of activity and provisions decided against the corruption of financial results;
• provisions decided by public entities for identifying and administrating risks in public fund use, as well as proceedings initiated by entity management in order to maintain these risks within accessible limits.

Indicators for managerial performance assessment - efficiency, effectiveness and saving - have been in extenso evaluated.

Examination results have revealed weaknesses on several reference areas, of which two representative areas are analyzed in this study and exposed in the chronology given by dimension and frequency of registering those irregularities in economic activity of the public entities (from sample selected for analysis).

3.1. The area of public procurement

Behavior of public institutions management regarding the proper financial administration and ensuring transparency of the budgetary expenditures assigned to procurement of goods, services or works, have revealed deficiencies regarding the compliance to the legal provisions of regulations governing this field of activity.

On this line, we mention that the reference system for any decision related to spending public resources in the investment area, guaranteeing the right utilization of public funds originates in the lows regulating public acquisition process.

Economic analysts appraise that the process of public acquisition transits an accelerated dynamic generated by intensifying of competition mobilized for the public funds.

This assertion is also confirmed by the European Union experts who estimate that 17% of the EU GDP is dedicated to this section of economic activity – assignment of public acquisition contracts for goods, services and public works to the economic operators, while the public institutions are contracting parties.

In given conditions, normative acts regulating the domain of public acquisitions, through their substance, confer to the public institutions management the possibility to transpose the general good practice principles into efficient utilization of public funds and present guidelines for the protection of financial resources against ineligible or illegal utilization.

On this aspect, in our country progresses have been registered regarding both enforcing the institutional capacity and promoting a legislative framework harmonized with the regulations of the communities form the European space.

In given conditions, public managers are required to identify risks in funds utilization for public acquisitions and to rule measures to achieve a balance between their acceptable level and costs involved in these actions. However, public acquisition/procurement assessment revealed that this process is marked by weaknesses mainly regarding:

• performance of the decision to establish investment priorities;
• selecting public procurement procedure;
• operational controlling;
• promoting competition between economic operators;
• ensuring equal and non-discriminatory treatment;
• economy and efficiency in the utilization of public funds allocated for this purpose.

The question addressed through questionnaires aimed at the extent to which the contracting authorities - public entities have established a coherent system of priorities in public procurement process and if ethical, fair and transparent behavior in utilization of funds dedicated to contracts for goods, services or works, was established.

Investigation of these issues revealed that, although in recent years has been an improvement in the public procurement process, there were frequent violations of the laws regulations on:

• the way of drawing up a procurement program;
• obligation to achieve direct procurement by electronic means - SEAP - the minimum percentage of 20% and then 40% of the total value of contracts awarded during the financial year;
• obligation to submit the annual Procurement Report to the National Authority for Regulating and Monitoring of Public Procurement (ANRMAP);
• estimating the value of public procurement contracts;
• documentation files of public procurement;
• setting up specialized department of public procurement;
• selecting the procedure and conduct public procurement process;
• conformation to the principles for conducting public procurement procedure;
• concluding addenda of awarded contracts for goods, services or works;
• keeping to the conditions of conformity with norms of conducting procurement procedure and standard documents developed for this purpose;
• justification for the manner of evaluation factors.

There were also numerous cases where the supporting notes prepared by the contracting authorities confined to invoking the legal framework, without providing estimated average prices on the product or service, so by adding them to determine the price nearest to the value of similar products offered by the market.

The role of such a document is very important in the acquisition file, if it is envisaged that the estimated value of public procurement contracts is, on the one hand, the support for quantification of financial resources needed for achieving the acquisition, and on the other hand, the benchmark value in selecting contract award procedure.

Distinct from this, the allocation of financial resources estimated for procurement is based on the annual program as a management tool, to be grounded in a realistic way, respecting the principles of economy, efficiency and effectiveness in terms of transparency, competition and equal treatment for all competitors.

In order to estimate the fair value of the public procurement contract, contracting authority is necessary to study the market supply in the subject contract, as IT information are very generous in this regard, especially through the promotion of catalogs, brochures, online offers, etc.

This information, along with other media channels, must be milestones in the adoption of managerial decisions to ensure good economic administration and prudent management in terms of efficiency and economical use of public funds allocated.
Moreover, public institutions as the contracting authorities are required to check the costs provided and documents showing prices / charges taken into account in order to assess the estimated amounts and quality of solutions given in the studies conducted, since the provision of such services involve considerable financial efforts from public funds, affecting, in fact, the general consolidated state budget. Assessment results indicate also that usually the unit prices IT equipment and services related purchased by public entities are not in line with similar prices offered on the market, or do not meet the established technical parameters.

In the same register, other types of deviations from the regulations aimed at altering the legal procurement process, are also aligned, with direct impact on the public funds allocated. An example is the public procurement contract - as legal instrument establishing commercial relations between the public entities and economic operators for purchasing goods, services or works and, in some cases, are inserted conditionality or precautionary measures for the contracting authorities with or without requirement for submitting a performance bond by the supplier.

Lack of proof concerning the manner of setting the evaluation factors and their scoring methodology in case of using the award criterion "the most economically advantageous offer, or procurement contract award eligible bidder, but second place, no cancellation and resumption of the procurement procedure under the motivation that the winning trader refused to execute the contract on the value awarded, are just some of the dysfunctions recorded on this segment of activity.

Changing the payment terms, introducing new items of estimate towards the initial offer or conclusion of addenda to the original contracts with no regard for conditions of legality, are other issues that place the public procurement process outside the legal framework.

Matters arising from this research are only a modest reflection of various forms of dysfunctions or deviations registered in the field of public procurement activities with direct impact on the funds of the general consolidated state budget.

Within the current macroeconomic context marked by uncertainty regarding the evolution of global economy and severe budgetary constraints, sizing the public expenditures and their judicious utilization are required. Restoring budgetary balance is a priority and that is why public entities management must exercise caution administrating the allocated funds from the state budget.

To the issues presented, we consider that the main condition for public procurement management, placed moreover in the first echelon of representation, is to direct allocated resources to areas of interest, which generate surplus value and to use them in conditions of legality. In another plan, establishing an agenda of priorities of judiciously selected acquisitions, and costs are transparent and do not exceed the initial prices set by the contracts awarded, is another measure to limit or stop the phenomenon of public funds waste.

3.2. Incurring public expenditures financed from the general consolidated state budget

Analysis of macroeconomic indicators between 2006 - 2010 has revealed, as presented, recording an upward trend of costs incurred by the public entities, a dynamic progressively generating imbalances, measured by values of the budget deficit which increased significantly from 1.68% of GDP up to 7.25% of GDP.

In these circumstances, to achieve and maintain fiscal - budgetary discipline, transparency and sustainability of public finances on medium and long term, the Romanian Government was concerned with implementation of budgetary and fiscal policies conductive to good administration of financial resources and ensure transparency and medium and long term sustainability of public finances in a sustainable economic framework.

Social programs have been reviewed, a series of administrative reforms for resizing public expenditures have been implemented, along with restructuring the administrative apparatus.

Despite all these measures taken by the Executive, the assessment of the administration, management and use of public funds revealed poor managerial behaviors as measured by shortcomings of the economic activities carried out by the public authorities, evidenced by deviations from the legality and regularity, which resulted in unjustified reducing of public resources and affecting the accuracy of data reported at national level.

In these circumstances are part public expenditures reflected in the annual execution accounts of public institution budgets entirely or partly financed from the state budget.

To confirm the relevant aspects of diagnostic analysis as a result of the study performed, we present an extract from the official data reported by the Court of Accounts in the Synthesis - Public Report for 2009, which recorded violations registered by the public Entities checked, as follows (Table 3).

In conclusion, we appreciate that the study achieved is the support for formulating recommendations addressed to the managers from public sector in order to guide their actions to demanding realistic assessment aimed to identify shortcomings and to individually contribute to economic recovery and quality improvement of public financial resources administration by implementing measures to improve activity. In this respect, we believe that the most relevant courses of action may concern the following:

- systemic and methodical approach of the proposed objectives as well as setting efficiency and result indicators in public funds utilization within the approved funding limits;
- monitoring the objectives pointed by activities carried out and results obtained;
- setting agenda of priorities including judiciously selected acquisitions and transparent associated costs not exceeding the initial prices set by procurement contracts awarded;
- strengthening internal/managerial control at the level of each component of public institution organizational configuration or architecture;
• increasing institutional capacity and management accountability regarding public funds administration in terms of legality and efficiency;
• identify high-risk areas of inefficient public funds use and factors fostering the public resources waste and increase the role of the surveillance and control of this activity area;
• analysis and informing the legislative forum on how public institutions rank their priorities for substantiating the budget projection within the current economic crisis;
• professional quality assessment of public funds administration by Government and Parliament to those public entities under their jurisdiction;
• notification of the Parliament on the inconsistencies and inadequacies found in the normative acts regulating the area.

In summary, diagnostic analysis based on control-evaluation function, although of post-operative nature, concluded that improving the public management remains a priority objective with multiple action circumscribed to decision making, stressing the responsibility of manager to keep the legal framework.

We appreciate that the recommendations made (their suggestive scheme is shown below) can become operational as far as decision makers become aware of the accountability implied by public position and public funds administration. Diagram 1

As mentioned, in terms of procedure and methodology, in addition to auditing dedicated techniques, operational research has also used a set of questionnaires comprising questions raised in a logical sequence, in order to get relevant and realistic answers from the respondents.

By the overall utilization of audit techniques (direct observation, comparative analysis – benchmarking, confirmation, recalculation etc.), test results were aimed to reflect potential deviations above the significance threshold, so that the risks generating managerial activity slippage to be identified.

For the relevance of this issue, we present for example questions used as basis for assessing the managerial control environment and management expertise in questionnaires developed on this subject, as follows:

• whether the entity has the functional architecture of a specialized structure, formed for methodological coordination of their management control system;
• if there is a permanent relationship between the entity management and management of departments/ functional services;
• if there is an indifferent attitude of the entity management towards the internal control or whether monitoring the implementation of objectives are in the background, meaning that decision-makers have no interest on it;
• if there is correlation between the entity specific activities, its functional structure and financial resources allocated;
• whether formalized procedures have been implemented per activities so as to ensure good practice in public funds administration;
• if the management is operatively advised on possible actions that would allow inefficient utilization of financial resources, internal control dysfunction, public funds waste or unlawful utilization.

CONCLUSIONS
We note that the assessment itself did not missed aspects concerning the fundamental values of ethics and professional integrity.

The other activity levels studied were similarly evaluated, namely public procurement and budgetary expenditures, while the responses received from respondents were enlightening and confirming the results of tests used throughout the entire methodology.

The relevant recommendations resulting from our study were as following:

• systemic and methodical approach of the objectives proposed, as well as establishing program indicators to assess results to be obtained within the approved funding;
• monitoring objectives and results;
• setting agenda of priorities for judiciously selected and associated procurement, at transparent associated costs and not exceeding under any circumstances the initial prices set by contract;
• strengthening internal control at each component of the public institution organizational architecture or configuration;
• increasing institutional capacity and management accountability in terms of management efficiency in terms of legality and public funds administration in legal and efficient terms;
• identify high-risk areas of inefficient public funds use and factors fostering the waste of public resources and increase the role of the surveillance and control bodies on this area of activity;
• analysis and informing the legislative forum on how public institutions rank their priorities for substantiating the budget projection within the current economic crisis;
• professional quality assessment of public funds administration by Government and Parliament to those public entities under their jurisdiction;
• notification of the Parliament on the inconsistencies and/or inadequacies found in the normative acts regulating the area examined.