

PERFORMANCE OF THE PUBLIC EXPENDITURE MANAGEMENT AT LOCAL LEVEL IN ROMANIA

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Abstract

The current paper aims to analyze the performance of the public expenditure management based on the decrease of the administrative costs. The paper is grounded on the following premises: (1) Romania as an EU Member State is under a continuous process to harmonize its legislation with the EU legislation. (2) The integration of Romania in EU in 2007 has determined a significant change in the administrative expenditure amount. (3) Strengthening local autonomy through the decentralization and the devolution processes emphasizes clearer the need for improving the performance of the expenditure management at local level. (4) Internal order, flows of communication and transfer, synergy of the governance system assume administrative expenditure that can be determined. (5) The performance of public organizations in managing local governance issues depends directly also on the administrative expenditure level**.

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Introduction

The adequate administration of public expenditure has always been a concern and it was focused on the efficient use of public resources in order to obtain a high economic performance. In the last 10-15 years some concrete measures have been taken in order to reduce public expenditure, both of the public sector as well as of the private sector.

The terminology and contents of administrative costs can differ depending on the analyzed situations and contexts. In general, the administrative costs refer to expenditure for achieving the obligations for disclosing information. According to the International Standard Cost Model Manual, the administrative burden refers to „expenditure generated by companies, when, based on legislation, they meet the information obligations required by public administration based on the legislative rules” (International Standard Cost Model Manual,2005)

The extension of this issue towards the public sector will lead to an extension of the content of the administrative burden to include „compliance costs for enterprises, services and citizens, including administrative and bureaucratic (operational) costs as well as capital costs” (<http://europa.eu.int/comm/dg19/evaluation/en/goodpracticeen.htm>).

It is worth to remark that from this perspective, the occurrence of some networks concerning the application of the Standard Cost Model (SCM) aimed to reduce the administrative expenditure for businesses. Even the European Commission aimed to elaborate and implement a strategy for reducing the administrative costs for the businesses inside the European Union. We find similar initiatives in OECD and several European states, as well as in other countries, such as United Kingdom, Denmark, Netherlands, Sweden, Norway etc.

SCM Network comprises for the time being over 19 states and organizations. Romania has joined the network recently. The Strategic Plan for the period 2007-2009 (management component) elaborated by the General Secretariat of the Romanian Government includes as medium term priorities: „the preliminary analysis of the issue of administrative burden, the development of a general methodology to assess the administrative costs and to elaborate a concrete action plan in order to implement the Standard Administrative Cost Model”. (Romanian Gov.,” Strategic Plan of the General Secretariat for the period 2007-2009”)

I. Public expenditure

Public expenditure represents „the entire annual expenditure for public purposes of a country, which are financed from public budgetary resources” (Dobrota N., 1999). In fact, public expenditure are based on the political decisions of the Government and they represent the costs of the economic policies that aim to deliver public goods. The costs for delivering these goods are covered from the budget of the public sector or they are supported by the private sector, being induced by regulations and laws designed by the public sector.

The term of administrative burden of private companies can be framed in this second category of expenditure. The costs included in the first category are in fact

public expenditure and a part of these costs represent the costs of bureaucracy in any public administration. An extended definition of the administrative burden would include in this category also the costs of bureaucracy for a public administration.

The structure of national or local budgets includes:

- *Exhaustive public expenditure* include the purchasing of goods and services (such as labour and consumables) and capital goods (such as the expenditure of the public sector for constructing streets, schools and hospitals);
- *Transfer public expenditure*, such as public expenditure for pensions, subsidies, interests and unemployment allowances.

Consequently, the administrative burden of the public sector comprises, mainly, the costs for purchasing goods and support services for bureaucracy, as well as payments of some charges.

1.1. Public expenditure and administrative burden

The percentage of public expenditure depends on the development level of the public or of the private sector. Reported to the latter, the administrative burden of the public sector has a non linear evolution. From this perspective it is worth mentioning the models formulated by Musgrave (1974) and Rostow (), stating that in the early stages of growth and economic development, investments in the public sector are high, providing the core social infrastructure. The purpose of these investments is to help economy to reach higher development stages, where, although the state will continue investments, their role will be to complete the private investments. The two economists conclude that:

- While total investments increase as proportion from GDP growth, the relative share of the public sector decreases (Musgrave R.A.,1974)
- When economy reaches the maturity stage, the mix of public expenditure will be oriented from the expenditure for infrastructure to expenditure for education, health and welfare services (Rostow W., W., 1960)

The conclusions made by these two economists are relevant for the evolution of the administrative burden, both in the public and in the private sector. Therefore, if we take into calculation, the total administrative burden obtained by summing up those from public and private sector:

$$PA_{tot} = PA_{public} + PA_{private} \tag{1}$$

it will have the following characteristics:

- PA_{tot} can be considered constant, for certain periods of economic development;
- PA_{public} and $PA_{private}$ vary in time;
- between PA_{public} and $PA_{private}$ there is bidirectional transfer due to effects of dislocation between public and private expenditure, specific for different periods of economic and social development.

The above assertions are based on Peacock-Wiseman analyses, stating that „Governments have the trend to spend more money and the citizens do not wish to pay many taxes. Consequently, the Governments should take into consideration the

wishes of their citizens”(Payne et. all,2006) In this context, it occurs the so called *effect of dislocation*, namely the public expenditure dislocates the private expenditure in certain periods, such as during crisis.

1.2. Assessing the administrative burden

The idea to assess the administrative burden is based on simple judgements, which focuses on the structure of the public sector, respectively of the private sector. In the literature, public expenditure are grouped based on different administrative and economic criteria. An administrative classification would divide expenditure in:

- *Organic*, when expenditure are grouped based on the institutions: ministries and other central bodies, administrative – territorial units, other public institutions;
- *Functional*, when expenditure are grouped based on the type of the public institution’s activities: general administration, justice and police, international relations, army, culture, education, social services, economic activities.

Based on the economic criterion, public expenditure can be divided in: operational expenditure, transfer expenditure and investment expenditure. In this context, the administrative burden in the public sector can included in the operational expenditure and it is directly proportional with the number and size of the institutions concerned.

The assessment of the administrative burden in the business environment and consequently in the private sector, is defined by another philosophy. The roots for such preoccupation are situated in the Netherlands, when at the beginning of 1990s, the first methods for assessing and reducing the administrative burden for small and medium sized enterprises have been created. Other EU Member States undertook the good practices of the Netherlands in order to reduce bureaucratic expenditure of each public institution.

The administrative burden, as defined in the introduction of this paper, represents those expenditure that are made by a company to achieve its information obligations to the state. Consequently, the assessment activity for the administrative burden should start with precise identification of the information obligations. „An information obligation (IO) represents the duty to draw up and keep record of certain information and to make them available to public administration or other authorized institutions. It is a compulsory activity for companies. Each information obligation comprises a number of data requirements, and the companies should submit them” (International Standard Cost Model Manual, 2005)

The assessment of the costs for administrative activities imposed by IO respects the following scheme, which represents in fact the structure of the standard cost model.

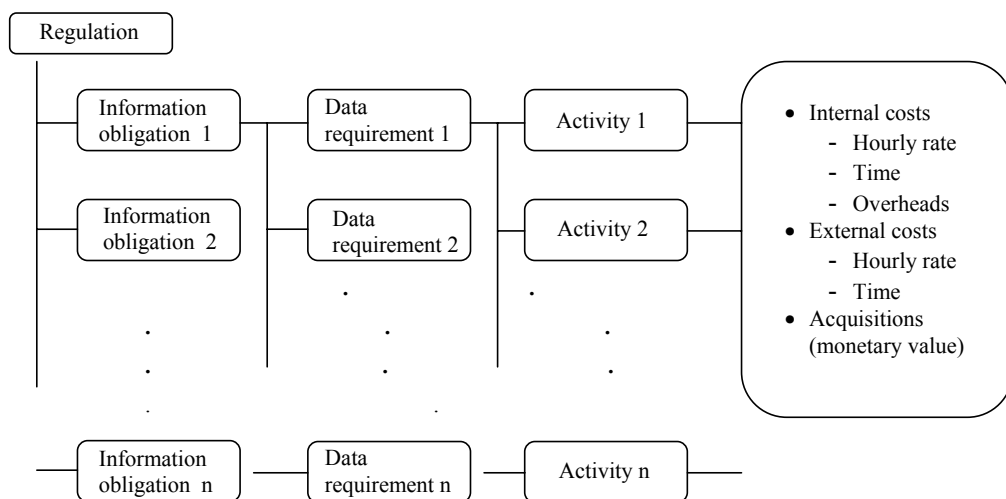


Fig. 1. Structure of the Standard Cost Model (SCM)
(International Standard Cost Model Manual,2005)

Combining the components above described, we obtain the core formula for SCM:

$$\text{Administrative cost}^1 = \text{Price} \times \text{Time} \times \text{Quantity (population} \times \text{frequency)}$$

(International Standard Cost Model Manual) (2)

Where:

Price: the price consists of tariffs, wage costs plus overhead for administrative activities done internally, or hourly costs for external service providers;

Time: the amount of time required to complete the administrative activity;

Quantity: comprises the size of the population of businesses affected and the frequency the activity is implemented each year.

II. Comparative approaches to reducing the administrative burden

The concerns to reduce the administrative burden are relative recent. A research institute from the Netherlands established the basis in this field. The other countries that use a model (currently or as a pilot project) for quantitative measurement of bureaucratic expenditure of companies tend to use more the Dutch practice, rather than the theory.

¹ See also „Méthodologie commune de l’Union Européene pour l’estimation des coûts administratifs imposés par le legislation – Manuel operationnel”, http://www.europa.eu.int/comm/secretariat_general/impact/docs_en.htm, p. 3.

II.1. The Netherlands – a pioneer activity

At the beginning of 1990s, the Netherlands started to research the adequate methods to enable transparency of costs imposed by information obligations. The Research Institute for SMEs (EIM), from Zoetermeer, has developed the **MISTRAL METHOD (MeetInSTRument Administrative Lasten)**. Today, this method international recognition and OECD recommends it as an instrument to estimate the administrative burden.

The creation of an instrument for measuring administrative burden does not guarantee the improvement of the quality of specific legislative rules. For this purpose, complex measures are required, combined in a cohesive concept of action, concept that would be easy to implement. Kok Government proposed this objective in its first period of governance, when the agreements in the coalition established quantitative objectives. Between 2004 and 2007, they set reductions in the expenditure of the economy due to attainment of information obligations by approximately 25%, estimating an administrative burden of 16 billion Euros in the business environment. A country can set such objectives only if it has the possibility to make these expenditure to be transparent.

The core element of the Agenda is based on Mistral Method, through **the Standard Cost Model (SCM)**.

An international working group, comprising of Denmark, Sweden, Norway, United Kingdom and the Netherlands has created a guideline of action (International Standard Cost Model Manual), which is updated permanently.

II.2. Germany – determined action for reducing bureaucracy (Federal Government Report on the Use of the Standard Cost Model, 2007)

Taking into account the estimations of the Federal Government, the bureaucratic costs imposed by the Federal Government and the European Union to German companies record approximately 40 billion euros annually. Hans Bernhard Beus, State Secretary in Kanzleramt (Chancellery Office) estimates an amount of 32 billion Euros. The studies of the Federal Office of Statistics confirmed also these data in the first Governmental Report to reduce bureaucracy.

In the spring 2008, the Cabinet presented the measures to reduce the bureaucratic burden. The Government aims to reduce the burdens by approximately 25% by 2011, of which half by the end of 2009. About 6 billion Euros annually represent the obligation for the companies to keep the old accounting documentation. 3.5 billion Euros represent the expenses for documents concerning tax on turnover. The expenses for achieving the annual reports for businesses are also expensive (according to Table 1).

The documentation for chemical fertilizers, pesticides produces expenses of about 110 million Euros, the Register for recording cattle, approximately 34 million Euros, the individual daily record of removing wood waste – about 9 million Euros. The German Government identified the first 100 most important compulsory obligations. In addition, it ranked the 3500 most expensive information obligations out of 11000.

The Federal Government requires information about production expenses of about 30 billion Euros, which add to 10 billion Euros for addressing EU bureaucratic

requirements. The reports required by the administrations of Landers and communes were not calculated, as they do not have a high value, as analysts state.

The Chancellor Angela Merkel took over the responsibility for reducing the information obligations costs and assigned the coordination of this action to her Office (Kanzleramt). “The enterprises should be released of unjustified expenses”, states the report. Following the Dutch example, the Government identified more than 11000 information obligations.

The Federal Office of Statistics measures the time companies need to feel out various reports. The needed time multiplied by the costs of wages represents the total cost induced by state requirements. It results: 16 million Euros for obtaining passports for cattle, 15 million Euro for reporting abortions or 13.5 million Euros for announcing the death cases.

Table 1: Costs incurred to German economy
by information obligations to the state (selection)

Rank	Information obligation	Bureaucratic expenditure (Mil. Euros)
1	keeping the accounting documents	6197
2	drawing up the tax on turnover	3650
3	drawing up the annual balance sheet	3540
4	drawing up the annual balance sheet of banking institutions	696
5	information obligation for consumers of insurance contracts	541
6	payments for doctors services from compulsory medical security agencies	453
7	payments for pharmaceutical services from compulsory medical security agencies	446
8	special reports of hospitals and elder homes	378

Source: *Bericht der Bundesregierung 2007 zur Anwendung des Standardkosten-Modells, Bürokratiekosten: Erkennen, Messen, Abbauen* (www.bundesregierung.de)

Beus draws attention to the fact that it is very difficult for the Government to eliminate many reporting obligations. However, there are significant possibilities to reduce the costs by introducing and using the modern measurement techniques or modern information technology. The Government develops quickly and consistently electronic administration (e-government). In this context, there are significant delays in introducing the “Electronic Health Card” – for persons insured compulsory and the “Job Card” – for employees.

The commission in charge for reducing bureaucratic expenses and for preventing the occurrence of new ones asked the governmental coalition (CDU/CSU – SPD) to act in a more efficient way. The coalition should aim to reduce the bureaucracy by 25%. “If we reduce costs of bureaucracy by the front door and we introduce new ones by the back door, all the work is useless”, declared Johannes Ludwig, the chair of the commission. There is no clear direction to diminish effectively the bureaucratic expenses. Along the Federal Government, the Lander governments, local

administrations, social security, associations of entrepreneurs and companies bring their contributions to reducing these expenses.

II.3. EU – the need of a „fresh wind” on reducing bureaucracy

In the EU, since the middle of 1990s, we witness the pressure for reducing the administrative burden, necessary to be paid to administration. This effort embraces various forms: “best practice”, „one-stop-shop” etc.

Since January 2008, at EU level, a group of 15 experts was set up, led by the former Prime Minister of the German Lander Bavaria, Edmund Stoiber, group subordinated to Commissioner Günter Verheugen, direct responsible with reduction of bureaucracy in the EU. Stoiber wants to make “brave recommendations”, to bring “fresh wind” in the too quiet EU initiative on reducing bureaucracy, declares his spokesman.

The expenses due to EU compulsory bureaucratic requirements should decrease by 2012 by 25%, meaning around 150 billion euros for the European economy. Roland Berger expert, belonging to the group in the European Commission, states: “we shall develop new proposals. Beyond the existent laws, we shall take into consideration new laws. Additionally, we should analyse what has to be regulated at EU level and what has to be solved at national level. In this situation, it is compulsory to put under the question mark the tasks received and assumed by EU bureaucracy up to the present.”

The European Union has 3 priorities in the next 3 years for SMEs:

- reducing bureaucracy by 25%;
- intensifying youth qualification for the economic activities;
- increasing (direct and indirect) EU financing for SMEs in 2007-2013; it will be by about 50% greater related to the previous period of time. SMEs in the EU spend 5% with bureaucracy from their revenues; 30% from the expenses with bureaucracy of SMEs can be reduced in the next years, signifying tens of billion euros available for SMEs development and consumption;

The commission created at the European Commission level for reducing the administrative burden for SMEs received already 600 proposals and it analyses them; EU launched an action to simplify the existent legislation, aiming:

- to eliminate the useless provisions and regulations;
- to eliminate the provisions repeated in several regulations;
- to eliminate the provisions that cannot be applied.

II.4. Romania – incipient stage

The topic of reducing the bureaucratic expenses was introduced recently on the working agenda of the public authorities. In the first part of the paper we presented some introductive concepts as there are analyzed in the introductive part of the Strategic Plan of the General Secretariat of the Government for the period 2007-2009.

The Romanian Government Strategy for 2005-2008 stipulates the elimination of the administrative barriers through:

- elaboration of simpler, clearer and more stable legislation;
- simplification of the requirements for companies entrance and exit from the market;
- reduction of administrative procedures on obtaining authorizations, approvals and certificates.

In order to simplify the procedures for companies to obtain the authorization for operation, the following measures have been proposed:

- elimination of double copies and authorizations, certificates, licenses and permits that are not compulsory according to the acquis communautaire and the practices in other EU Member States;
- implementation of unitary procedures in order to obtain authorizations;
- simplification of tacit procedure by:
 - a) recognizing the authorization based on the certificate issued by the register of the public authority, attesting that the inquiry was submitted and it was not issued in the legal term;
 - b) establishing the individual accountability and contravention accountability for the staff with tasks in issuing the certificate;
 - c) reducing the terms to issue the authorizations, certificates, licenses and permits for the companies, so that the longest term will be of 15 days (instead of 90 days). If the authorization is not obtained in 15 days from the competent authority, the tacit procedure will take place.

In order to reduce the bureaucratic expenses, a specialized website should be created that would provide all the information needed to obtain authorizations, certificates, licenses etc. The website should be created under Government patronage and it should be updated permanently. It should be created an electronic system to submit online requests for obtaining authorizations, certificates, licenses and permits for the activity of the companies.

All the above measures aim to reduce the bureaucracy and the administrative expenditure for authorizing the activity of companies, through improving the transparency and the simplification of the administrative procedures and the enhancement of the relation of the public administration with the private companies.

In January 2008, Romania, through the General Secretariat of the Government jointed the network of the users of the instrument on standard expenditure. The governmental strategy will have a chapter addressing the issue of reducing bureaucracy. The focus will be on the financial aspects and simplification of legislation. By October 2008, the Government should establish the goal for reducing the bureaucratic expenditure. At EU level, the goal is to reduce bureaucracy by 25%. For Romania, the goal should be to have a competitive percentage.

For the beginning, the initiatives to reduce the administrative burden of companies focus on the SMEs sector. In 2006, an inventory of the authorizations, certificates, licenses and permits needed for the activity of companies found that 34 public institutions have competences in the authorization process, 534 authorizations, certificates, licenses, permits are required, and there are authorizations under the

responsibility of several public institutions. The real number of authorizations, certificates, licenses and permits is 488; the difference between the total number and the real number results from the existence of double competences for issuance. The legal term to issue authorizations, certificates, licenses and permits is between 5 working days and 90 days, and only 21.3% of the companies (104) applied for the procedure of tacit approval.

III. The economic performance when reducing the administrative burden

III.1. A practical example: Pilot regions for reducing bureaucracy

Miele, Melitta, Dr. Oetker, Bertelsmann, situated in Ostwestfalen-Lippe, represent companies that have made history in German economy with their brands and performance. These companies have a long tradition, high performance and they are very active in their branch.

The economic structure of the region is balanced:

Branch	Employees	Turnover (Billion Euros)
Industry for manufacturing cars	40247	8.01
Food industry	18988	7.47
Industry for office and electric equipment	24929	5.31
Industry for producing furniture	24931	4.94
Steel industry	25753	4.68
Industry producing paper	14978	2.72

The public administration of the region has removed many barriers for companies and citizens.

If in the past in Minden-Lübbecke, on an extended area there was an army house “Tunis”, now we witness a place with several houses and offices, including an elder house, a business center of 42000 m². The design for the construction of all buildings, the authorization of the design plans for the elder house, the approval of the requests to change the use of the area – “all have been solved in less than one year, although initially the town hall presented a general interdiction for construction”, asserted Friedrich Hildebrand, the project investor. Nine years ago, Mr Hildebrand he struggled three-four years to obtain the authorizations for constructing another project.

Since 2004, Ostwestfalen-Lippe (OWL) Region was officially selected for the three years project “Model region for reducing bureaucracy”. Since 2001, the region administration, through its office, OWL Marketing (Action: OWL Administration close to Economy/”Initiative Wirtschaftnahe Verwaltung in Ostwestfalen-Lippe”), focuses on reducing bureaucracy. “This initiative shows that by bottom-up action, there is a great possibility for reducing the bureaucracy”, declares Jürgen Heinrich, the coordinator of this project.

The government of Nordrhein-Westfalen (NRW) Lander adopted the Law on reducing bureaucracy in Ostwestfalen-Lippe in 2004, and certain regulations were suspended in the region for three years. This decision belonged to the region. In addition, the region proposed 128 regulations to the government, and the Lander

government and the Federal government adopted 80 of them. Other 27 are in OWL in the pilot stage and since April 15, 2007 at the level of the whole Lander. In this way, many communal and regional administrations simplified the process of approving the requests. Other administrative procedures were simplified in order to make easier the activity of the companies.

For example, OWL proposed the elimination of a Lander regulation, so that the taxi cars should have a unitary color, "butter color". The color is expensive and the value to resell the cars is cheaper, due to this color. The term of action for the public services was shortened; for example, a producer of special metallic cables in Lüdke, increased the production capacity. Normally, the formalities to obtain the approval last 25 weeks, but for the company in Lüdke they last only 10 weeks.

The attempts in OWL to transform this area into a region with simpler and shorten bureaucratic procedures is not unique. The German Institute for Certifying and Guaranteeing Performance (das Deutsche Institut für Gütesicherung und Kennzeichnung - RAL) audits 16 different state services and institutions from the country for their performance. If they receive the seal of quality, they receive the certificate: "communal administration favorable to SMEs". Three institutions located in OWL already received the certificate. This project was financed through the governmental fund of NRW Lander for reducing bureaucracy in the region. Jürgen Heinrich states: "The quality of the performance of our administration has increased".

This aspect was also recognized by the federal administration. The commission for controlling the rules selected the Ostwestfalenn-Lippe region as partner. Jürgen Heinrich has also other projects. He prepares for the next three years the project „Innovation and science”, in order to improve cooperation between economy and higher education institutions in the region. Professional foundations will be set up for all the powerful traditional branches of the economy in the region. The idea is to attract graduates with engineering background and high competences. Heinrich states: The project „Reducing bureaucracy” showed that we could foster innovation on a healthy land.

III. 2. A theoretical example: the influence of reducing administrative burden on the economic performance of local government in Romania

The following example that we shall describe is based on a classical approach for production process of an enterprise, using the function of production, Cobb-Douglas.

$$Y = A K^\alpha L^\beta \tag{3}$$

where:

Y – output resulted from the production process;

K – fix capital of the enterprise used in the production process;

L – labor force involved in the production process;

A, α, β are constant coefficients with economic significance:

A – coefficient of dimension, α - elasticity of production related to capital, and

β - elasticity of production related to labor force.

From (3), we define series of performance indicators, including the average productivity (average output), as well as the marginal productivity (marginal output). The average productivity can be determined based on capital (R_K) or based on labor force (R_L) as follows:

$$R_K = A K^{\alpha-1} L^\beta, \text{ respectively,} \quad (4)$$

$$R_L = A K^\alpha L^{\beta-1} \quad (5)$$

III.2.1. The formal model

The model describing the influence of reducing the administrative burden on the economic performance is based on the following important hypotheses:

- Enterprises have a policy for reducing the administrative burden determined both by internal as well as external measures.
- The administrative burden is proportional with the total capital (K_t) and with the total labor force (L_t).

In a more simple form, this hypothesis can be demonstrated by using the positive and sub-unitary constants λ and μ . So, the administrative burden PA can be calculated according to the following formula:

$$PA = \lambda K_t + \mu L_t \quad (6)$$

- In the context of reducing the administrative burden, the flows of money are directed exclusively to production, assuming that they will determine its increase.

Consequently, in the absence of other influences, we will have:

$$\begin{aligned} K_t &= K + \lambda K_t \\ L_t &= L + \mu L_t \end{aligned} \quad (7)$$

Solving (7) and introducing in (3) we obtain:

$$\frac{Y}{(1-\lambda)^\alpha (1-\mu)^\beta} = A K_t^\alpha L_t^\beta \quad (8)$$

If we write:

$$Y_t = Y / (1-\lambda)^\alpha (1-\mu)^\beta \quad (9)$$

Y_t will show the total production that will be obtained using the entire capital and labor force.

$$\text{The expression: } k = (1-\lambda)^\alpha (1-\mu)^\beta \quad (10)$$

will be defined as a *factor of influence for the administrative burden on production*.

In the case of a policy for reducing the administrative burden spread out on several years

(n) we obtain a succession of effects overlapped, due to annual factors of influence:

k_1, k_2, \dots, k_n and consequently:

$$Y_t = Y / \prod_{i=1}^n k_i \quad \text{where:} \quad (11)$$

$$k_i = (1-\lambda)^\alpha (1-\mu)^\beta \quad (12)$$

represents the factor of influence of the administrative burden on production in the year i .

Through a similar judgment we obtain factors of influence on average productivity depending on capital, k_K , or depending on labor, k_L , namely:

$$k_K = (1-\lambda)^{\alpha-1} (1-\mu)^\beta, \text{ respectively,} \quad (13)$$

$$k_L = (1-\lambda)^\alpha (1-\mu)^{\beta-1} \quad (14)$$

III.2.2. Influence of the administrative burden on the economic performance in a public utility service

In order to provide an example on the above mentioned issues, we bring into discussion the case of the autonomous public company R.A. „Apa” (R.A. “Water), Braila, Romania, whose general objective is to develop the water and the sewage system in Braila through modernization and the extension of the system to the peripheral areas of the city.

Analyzing the statistic data between 2000 and 2005² we obtained:

Year	Production (Y)	Capital (K)	Wage expenses (L)
2000	12,510,578	24,253,760	4,821,499
2001	11,430,219	18,552,430	5,675,151
2002	12,490,810	20,537,752	5,122,277
2003	13,821,040	25,003,426	6,069,335
2004	15,733,981	25,683,846	6,841,239
2005	18,844,835	31,368,067	7,813,556

Tab. 1. Empirical data on the variables of function Cobb – Douglas

In order to determine the constants for the function of production (3) we need to use the logarithmic process. We obtain (Matei A. et. all.,2007):

$$\ln Y = \ln A + \alpha \ln K + \beta \ln L \quad (15)$$

From Table 1, in the same manner, through approximation:

² Data have been collected from the Bulletins of the National Institute of Statistics between 2000 and 2005, as well as from the reports and financial statements released by R.A. „Water” to local authorities

Year	ln Y	ln K	ln L
2000	30.3	30.8	19.5
2001	29.7	30.5	20.2
2002	28.7	30.7	19.8
2003	30.2	30.8	20.2
2004	30.3	30.9	20.3
2005	30.8	31.3	20.6

Tab. 2. Empirical logarithmic data of the function of production Cobb-Douglas

For calculation reasons, in order to determine in a unique manner, the constants A , α , β , we will divide the analyzed period in two sub periods, 2000 – 2002, respectively, 2003 – 2005. We will obtain for the first period:

$$\alpha = \frac{3}{2}, \beta = -1/4. \quad (16)$$

In order to test that these constants are unique we repeat the procedure for the second period of time. The obtained results are compatible.

Formulating a hypothetic situation for reducing the administrative burden at the level

$\lambda = 5\%$ and $\mu = 10\%$ we obtain, using (10) that the value of the factor of influence on production is:

$$k = \sqrt{\left(\frac{19}{20}\right)^3} \cdot \sqrt[4]{\frac{10}{9}} = 0.951 \quad (17)$$

Consequently the limitation of the administrative burden at the level above described will involve an increase of production with $1/k = 1.051$ namely 5.1%.

Calculating the average productivity depending on capital or labor we find that the reduction of administrative burden does not lead necessarily, at least for the present example to the increase of productivity.

In fact, using (13), respectively (14) we get:

$$k_K = 1.0006, k_L = 1.056 \quad (18)$$

leading to the following finding: an insignificant reduction of the average productivity depending on capital and a reduction with 5.6% of productivity depending on labour force.

Therefore, the conclusion is as follows: while reducing the administrative burden there are necessary measures to change the structure of production so that the average productivity increases, in the same time with the increase of the total production.

Conclusions

The paper achieved a brief review of some topics, results and practices, relevant for increasing the economic performance through reduction of the administrative costs. The vision proposed by the present paper integrates the concerns and the efforts to determine the so-called administrative burden both for the public and the private

sector. In fact, in the development of local communities, the public and the private actors are often acting in joint economic structures, usually in partnerships. The private actors become interested in the development of the public services and the public good. For the public and the private sector, the reduction of the bureaucratic burden has however different conceptual, social and economic determinations. Therefore, we preferred to present a theoretical model for estimating the influence of reducing the administrative burden on production and the economic performance instead of a synthesis on the performance of the public expenditure management in the local administration in Romania. In our opinion, a new direction of research has opened, facilitating the theoretical and practical assessment of the effects of reducing the administrative burden.

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