

**FRÂNCU LAURENȚIU GABRIEL**

Bucharest University of Economic Studies Romania, Romania

## **THE IMPACT OF BUREAUCRACY FROM THE ROMANIAN PUBLIC INSTITUTIONS OVER THE SUSTAINABLE ECONOMIC DEVELOPMENT**

### **Abstract:**

The evaluation of the impact over excessive bureaucracy from the romanian public institutions over the sustainable economic development is a key issue in nowadays Romania. This study aims to analyze the problems of the bureaucracy from the romanian public institutions and the impact over economic activities. Thus, the main problem is a inflated and inefficient public sector that could affect the performance of the romanian economy by driving away foreign investors and by having inefficient spending of public money. A inflated public sector that will lead to an increase in human resource inefficiency that is unable to produce added value for the economy. To analyze the negative effects that the excessive bureaucracy from the romanian public institutions is generating I realized a questionnaire which aimed to analyze the impact of the bureaucracy from the romanian public institutions over the society and hence over the economic development. Thus, it will be see if the bureaucracy from the romanian public institutions have an important role in increasing or decreasing the national economy. Regarding the elimination of negative effects of the bureaucracy (eg: corruption; lack of transparency; inappropriate behavior of the public servants; negative image among investors; reducing revenues to the state budget; boundaries in sustainable development; etc.) this study aims to come up with some pertinent solutions. To eliminate the negative effects of the bureaucracy from public institutions will be proposed organizational models that in the future will increase their effectiveness and efficiency and not least their orientation to the market demands and exigencies. In this sense it is important to create an optimal bureaucratic system (a system of rules and regulations that will lead to a more efficient bureaucracy) to facilitate the activities of public institutions with an immediate effect in the economy.

### **Keywords:**

bureaucracy; public institutions; economic development; civil servants; excessive bureaucratic system; optimal bureaucratic system.

**JEL Classification:** D73, H00

## **INTRODUCTION**

In the current economic context the bureaucracy from public institutions play an important role in sustainable economic development. Unfortunately the role of the bureaucracy from the romanian public institutions over economic and social activities is negative. This is possible in Romania due to the increase of the public sector and the ineffective measures that are taken in this sector.

In nowadays Romania the evaluation of the impact of excessive bureaucracy from the romanian public institutions over the sustainable economic development is a key issue. This study aims to analyze the impact of bureaucracy from the romanian public institutions over economic activities (in this sense it was realized a questionnaire which is aiming to analyze the impact of the bureaucracy from the romanian public institutions over the economic development). Unfortunately there is a negative impact characterized by a inefficient public sector that could affect the performance of the romanian economy by driving away foreign investors and a inefficient spending of public money.

Some of the negative effects of the bureaucracy are: corruption; lack of transparency; inappropriate behavior of the public servants; negative image among investors; reducing revenues to the state budget; boundaries in sustainable development. In this sense it is important to create an optimal bureaucratic system (a system of rules and regulations that will lead to a more efficient bureaucracy) to facilitate the activities of public institutions with an immediate effect in the economy. Therefore, we can have a more reliable economic development.

## **LITERATURE REVIEW**

This study brings something new in the study of the effects of bureaucracy on sustainable economic development. Studies regarding the effects of bureaucracy (most of them are negative and are known for devouring the added value from the Romanian business environment) and the optimal bureaucracy are still rare in the autochthon literature, and those pursuing sustainability bureaucracy for shaping a sustainable economic environment in Romania still require multiple explanations. However, in the international literature there are many studies that are analysing the bureaucratic phenomenon from public institutions and its effects.

M. Weber founded an explicit theory of bureaucracy in his works using the tools of sociology to analyze the general characteristics of the departments, and also the behaviour of the government bureaucrats. He considered that the expansion of the bureaucratic organizations was the result of their capacity to perform more complex tasks (Weber, 1978).

Ludwig von Mises demonstrates that government bureaucracies are unable to engage in economic calculation and thus will suffer from significant inefficiencies (Coyne,

2007, pp. 11-12). Nowadays public institutions have to adapt to the market requirements to become more efficient and to provide services of high quality.

G. Tullock provides a detailed analysis of the nature and limits of the bureaucratic structures, focusing on bureaucracies from public institutions that can be placed in the situation of the producers who maximize their production in constraints made out of limited resources (Coyne, 2007, p. 12). G. Tullock and J. Buchanan have formulated a new theory about bureaucracy and political market by criticizing the omnipresence of the state in the economy (the public choice theory) (Buchanan, Tullock, 1995, p. 31).

W. Niskanen came with a new concept in the theory of public choice - the model of maximizing budget to analyze the rational choice from the public institutions (Bierhanzl, Downing, 1998, p. 175). The civil servants will always try to increase their budgets and their bureaus because they want to increase their power.

D. Duvanova investigates the link between intervention of the state in the economy (for control) and bureaucratic corruption that occurred when implementing economic policies (Duvanova, 2014, p. 298).

A. Fredriksson analyzes the effect of the bureaucracy over corruption where intermediaries help natural persons and legal persons to solve bureaucratic problems in their relations with the state (Fredriksson, 2014, p. 2). In this case many people prefer to find a easy way to resolve their bureaucratic problems and unfortunately the corruption is one of that ways.

A. Diaby and K. Sylwester consider that bribes paid by firms to government officials are greater under a decentralized bureaucracy where a firm faces numerous public servants (Diaby, Sylwester, 2014, p. 75). For this reason a sustainable economic development can be affected and in some cases investors may not want to invest anymore. This is why is important to create a optimal bureaucratic model that can help the public institutions to evolve and to offer high quality public services.

G. Ujhelyi analyzes the way of motivating the civil servants to become more efficient and studied the merit-based model of motivation (Ujhelyi, 2014, p. 15). In this case the civil servants that are efficient are rewarded and the civil servants that are not efficient are punished (a lower salary or even dismissing them).

From the current literature review it can be seen that the study of the bureaucracy brings a new sphere in the research of the sustainable economic development. In conclusion it can be observed that the bureaucratic phenomenon is more present in all economic activities and it can have an important role in the future of economic development.

## RESEARCH

To analyze the negative effects that the excessive bureaucracy from the Romanian public institutions is generating it was realized a questionnaire which aimed to analyze the impact of the bureaucracy from the Romanian public institutions over the society and hence over the economic development. Therefore the questionnaire was made on a sample of 100 young people (with the age between 18 and 24, and a few with the age between 25 and 45), because they are the future of our society and is important to see their perspective about the bureaucracy from the public institutions.

In terms of defining the bureaucracy the respondents had to choose between five variants (see Table 1). We can observe that most of the respondents are defining bureaucracy as the manifestation of legal-rational authority in institutional form and has an essential role in the regulation and control of modern societies. It is superior to any other form of authority in precision, stability, rigorous discipline and safety. Bureaucracy is superior in its operational efficiency and able to solve all kinds of administrative tasks (48%). This means that the bureaucracy is not a negative term but it is used like that because of the negative effects that the excessive bureaucracy is having.

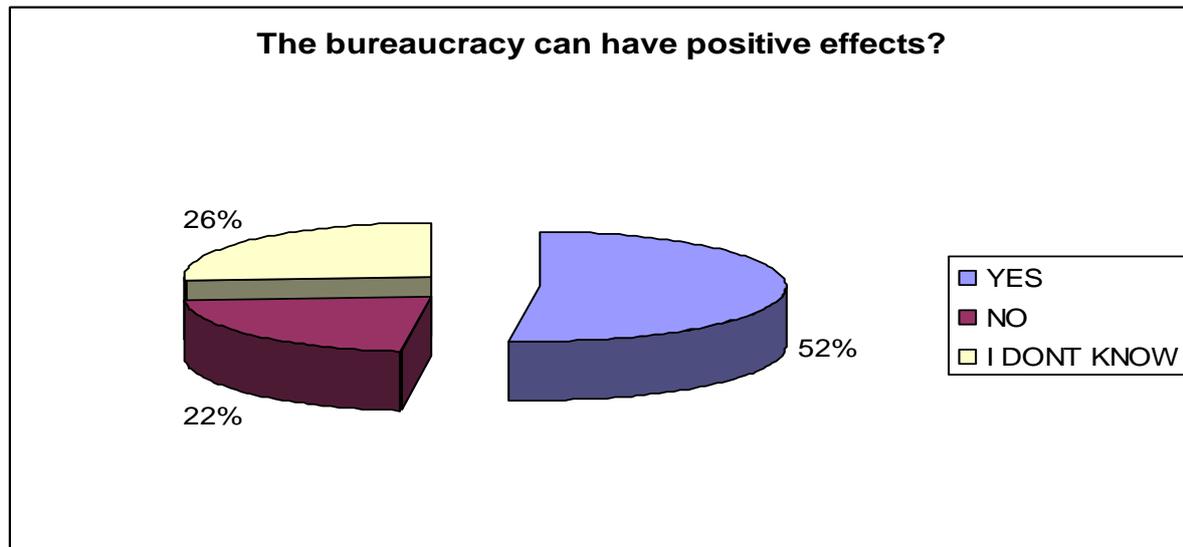
**Table 1: The perception of bureaucracy**

<b>How do you define bureaucracy?</b>	
a) Interpretation and applying the laws, the dispositions and the regulations word by word without understanding their spirit.	<b>17%</b>
b) Bureaucracy is the manifestation of legal-rational authority in institutional form and has an essential role in the regulation and control of modern societies. It is superior to any other form of authority in precision, stability, rigorous discipline and safety. Bureaucracy is superior in its operational efficiency and able to solve all kinds of administrative tasks (Max Weber)	<b>48%</b>
c) Bureaucracy (public bureaucracy) can be placed in the situation of a producer who maximizes the production in the constraints determined by its limited resources (Gordon Tullock)	<b>8%</b>
d) Bureaucracy is nothing more than hardening of the arteries of an organization (William P. Anthony)	<b>12%</b>
e) Bureaucracy is a giant organism driven by small people (Balzac)	<b>15%</b>

*Source: elaborated by author*

In Figure 1 we can observe that most of the respondents consider that the bureaucracy can have positive effects (52%). Therefore there is a correlation between the results from the first question and the results from the second question in which we can see that the respondents consider the bureaucracy to be useful for the management of the public institutions. This means that the excessive bureaucracy is the main problem in a sustainable economic development.

**Figure 1: The perception of positive or negative effects of bureaucracy**



Source: elaborated by author

We can observe in Table 2 that most of the respondents consider that the Romanian public institutions are having a high level of the bureaucracy (33% with a high level of the bureaucracy and 24% with a very high level of the bureaucracy).

**Table 2: The level of bureaucracy from romanian public institutions**

Do you think that public institutions in Romania have a high level of bureaucracy? (on a scale of 1 to 5 choose the level considered appropriate by you: 1 very low and 5 very high)				
1	2	3	4	5
2%	6%	35%	33%	24%

Source: elaborated by author

We can observe in Table 3 that most of the respondents consider that the bureaucracy affects the activities of the Romanian public institutions (33% with a high effect and 29% with a very high effect). This is why it is important to have an optimal bureaucratic system that can help public institutions to be more efficient.

**Table 3: Bureaucracy and its effects over the activities of Romanian public institutions**

<b>Do you consider that bureaucracy affects the activities of Romanian public institutions? (on a scale of 1 to 5 choose the level of influence considered suitable for you: 1 very low and 5 very high)</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>3%</b>	<b>8%</b>	<b>27%</b>	<b>33%</b>	<b>29%</b>

Source: elaborated by author

We can observe in Table 4 that most of the respondents consider that bureaucracy affects the activities of natural persons and legal persons (41% with a high effect and 21% with a very high effect). This can be one of the reasons why the investors don't want to come in Romania.

**Table 4: Effects of bureaucracy over the activities of natural persons and legal persons**

<b>Do you consider that bureaucracy affects the activities of natural persons and legal persons? (on a scale of 1 to 5 choose the level of influence considered suitable for you: 1 very low and 5 very high)</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>6%</b>	<b>9%</b>	<b>23%</b>	<b>41%</b>	<b>21%</b>

Source: elaborated by author

We can observe in Table 5 that most of the respondents don't have a good impression about Romanian public institution (35% with a bad impression and 14% with a very bad impression). In this case we can discuss about the negative image that all public institutions from Romania are having because of the excessive bureaucracy. Negative image that can affect the development of economic activities.

**Table 5: The impression of citizens regarding their interaction with a public institution**

<b>What is your last impression in your latest interaction with a Romanian public institution? (on a scale of 1 to 5 choose the suitable option: 1 for a very bad impression and 5 for a very good impression)</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>14%</b>	<b>35%</b>	<b>38%</b>	<b>11%</b>	<b>2%</b>

Source: elaborated by author

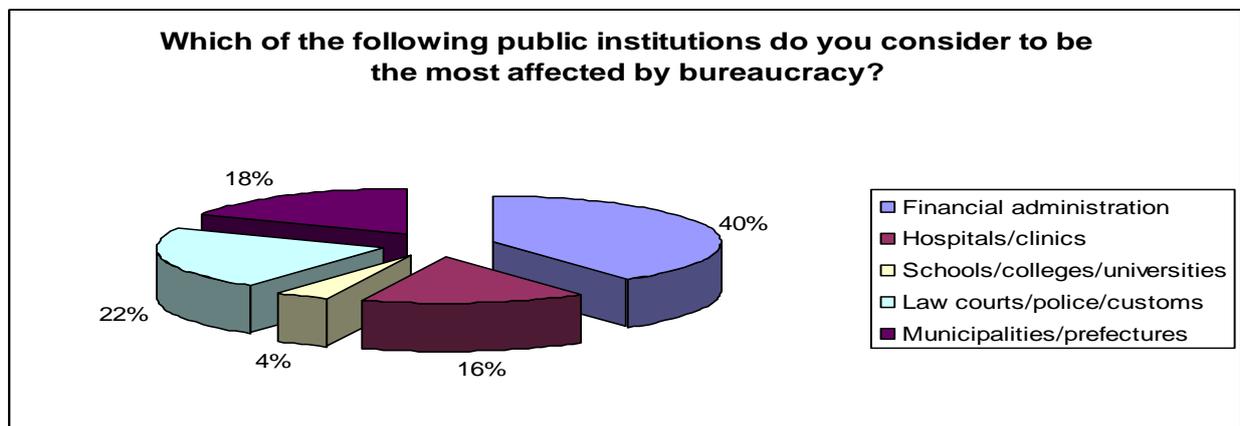
We can observe in Table 6 that most of the respondents consider that the main negative effects of bureaucracy from the Romanian public institutions are *corruption* (64%) and *inappropriate behaviour of the public servants* (51%) followed by *lost time* (41%), *loss of confidence in the public system* (39%) and *Keeping away foreign investors* (37%). Therefore, the corruption and the inappropriate behavior of the public servants are the main negative effects of the bureaucracy from the Romanian public institutions which can affect the sustainable economic development.

**Table 6: The main negative effects of bureaucracy from the public institutions**

<b>Which are the main negative effects of bureaucracy from the Romanian public institutions? (Choose at least one answer)</b>	
a) Corruption	<b>64%</b>
b) Inappropriate behaviour of the public servants	<b>51%</b>
c) Lack of transparency	<b>36%</b>
d) Lost time	<b>41%</b>
e) Reduced revenue on the state budget	<b>14%</b>
f) Loss of confidence in the public system	<b>39%</b>
g) An impediment in sustainable development	<b>23%</b>
h) Negative external image	<b>18%</b>
i) Keeping away foreign investors	<b>37%</b>
j) The braindrain phenomenon	<b>21%</b>

Source: elaborated by author

In Figure 2 we can observe that most of the respondents consider that the the most affected by bureaucracy are financial administration (40%). In this case there is a very big inconvenient because all the possible investors are interacting with the financial administrations and because of the excessive bureaucracy from this institutions may find another country to invest (countries with a lower level of bureaucracy). That is why a lower level of bureaucracy can help Romania to be more competitive in the competition with other countries in attracting foreign direct investments.

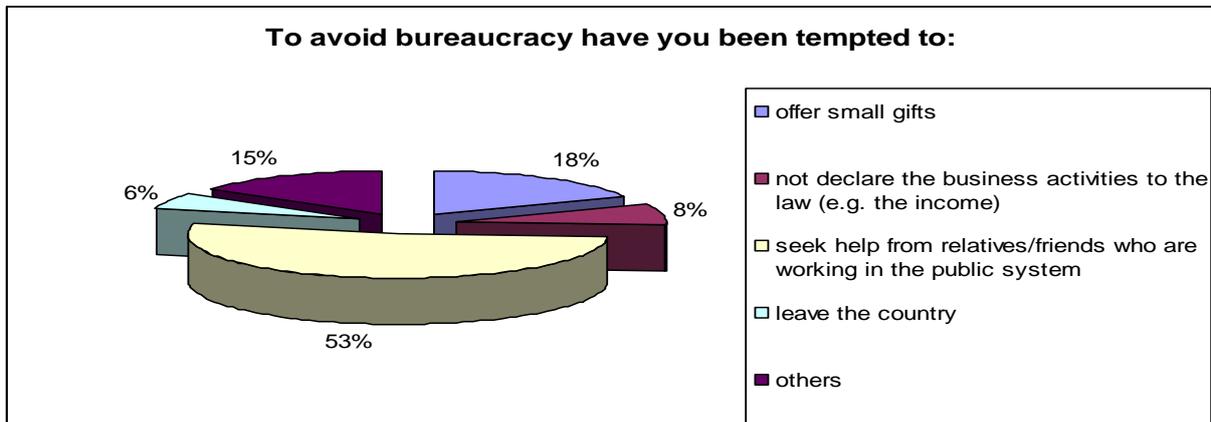
**Figure 2: Public institutions that are the most affected by bureaucracy**

Source: elaborated by author

In Figure 3 we can see that most of the respondents consider that they need to seek help from relatives/friends who are working in the public system to avoid bureaucratic problems (53%). Unfortunately this leads to the development of the nepotism. In many cases because of this negative effect most of the civil servants are not doing their job or are helping their relatives or friends with what they need instead of doing their tasks. This is another factor with a great impact over the image of the romanian public institutions.

Another way to avoid excessive bureaucracy from the Romanian public administration is to offer small gifts to the public servants (a pack of coffee, flowers, packs of cigarettes). This behavior is a legacy from the communist regime. In many cases even the excessive bureaucracy from Romania may have a very close link with the management of the public institutions from that period.

**Figure 3: Ways of avoiding bureaucracy**



Source: elaborated by author

We can observe in Table 7 that most of the respondents consider that the bureaucracy have an important role in economic activity (31% with a big role and 17% with a very big role). Therefore, is important to eliminate the excessive bureaucracy with all the negative effects and to develop a optimal bureaucracy that could lead to an increase of the efficiency in the activity of public institutions.

**Table 7: The role of bureaucracy regarding the economic activity in Romania**

In terms of economic activity in Romania, do you consider that the bureaucracy plays a important role? (on a scale of 1 to 5 choose the suitable option: 1 for a very small role and 5 for a very big role)				
1	2	3	4	5
3%	6%	43%	31%	17%

Source: elaborated by author

We can observe in Table 8 that most of the respondents consider that the bureaucracy have an important role in attracting foreign investments in Romania (31% with a big role and 28% with a very big role). A country with a high level of bureaucracy will lose many foreign investors that could help to develop an sustainable economy.

**Table 8: The role of bureaucracy in attracting foreign investments in Romania**

In terms of attracting foreign investments in Romania, do you consider that the bureaucracy plays a important role? (on a scale of 1 to 5 choose the suitable option: 1 for a very small role and 5 for a very big role)				
1	2	3	4	5
2%	12%	27%	31%	28%

Source: elaborated by author

We can observe in Table 9 that most of the respondents consider that the bureaucracy have an important effect on sustainable development (42% with a high effect and 14% with a very high effect). Romania can't have any chance in having a sustainable development if the excessive bureaucracy from the public institutions is not eliminated.

**Table 9: The effect of bureaucracy over the sustainable development**

<b>Do you consider that the bureaucracy can have an important effect on sustainable development? (on a scale of 1 to 5 choose the suitable option: 1 for very low and 5 for very high)</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>3%</b>	<b>13%</b>	<b>28%</b>	<b>42%</b>	<b>14%</b>

*Source: elaborated by author*

We can observe in Table 10 that most of the respondents consider that is appropriate the existence/maintenance of the optimal bureaucracy and the elimination of the excessive bureaucracy (29% for high and 37% for very high). This means that the main problems from the romanian public institutions are created by the excessive bureaucracy and it is very important to find solutions to eliminate this problems by creating an optimal bureaucratic system which can be more feasible.

**Table 10: Optimal bureaucracy versus excessive bureaucracy**

<b>Do you consider that is appropriate the existence/maintenance of the optimal bureaucracy and the elimination of the excessive bureaucracy? (on a scale of 1 to 5 choose the suitable option: 1 for very low and 5 for very high)</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>2%</b>	<b>6%</b>	<b>26%</b>	<b>29%</b>	<b>37%</b>

*Source: elaborated by author*

In the last question the respondents were asked to come with some useful measures to eliminate the excessive bureaucracy and its negative effects. Some of the measures are: adequate training of the staff from public institutions; eliminating unnecessary requirements imposed by poorly made laws; a better cooperation and communication between public institutions; decreasing the number of civil servants; the modernization of the IT infrastructure and implementation of advanced logistics systems; submission of documents online; more controls of the departments from public institutions; a integrated "cloud" system in public institutions; staff remuneration based on performance.

We can say that the questionnaire results are leading to the conclusion that the bureaucracy from the romanian public institutions is having a negative effect in all economic and social activities and it requires the transformation of the excessive bureaucratic system into an optimal bureaucratic system.

To eliminate the excessive bureaucracy from public institutions is important to have an efficient institutional leadership and a new public management that can be closer to the market demands. With new strategies and technologies and a better institutional

organization (the existence of a IT infrastructure for a document management) the public institutions from Romania can be more efficient.

## CONCLUSIONS

In conclusion we can say that the excessive bureaucracy from public institutions have an important role in the sustainable economic development. This it can be seen in the foreign direct investments (investors are choosing countries with a reduced bureaucracy and fiscality, and with a very good infrastructure) and in the decisions of people to open a new business in Romania. Net inflow of foreign direct investments in 2013 reached the level of 2712 million euro. Another problem of the excessive bureaucracy is attracting the european funds. Romania attracted only 14.1% of the total allocation of 19.6 billion euros at the end of 2013 (funds for infrastructure or energy).

Therefore is important to have a optimal bureaucratic system which can be characterized by: transparency; a good training of the civil servants; a optimal number of civil servants; a better IT and logistic infrastructure; a better cooperation and communication between public institutions; applying the law properly; using efficient rules and requirements in the activity of the civil servants from public institutions.

## ACKNOWLEDGEMENTS

This paper was co-financed from the European Social Fund, through the Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/138907 "Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields -EXCELIS", coordinator The Bucharest University of Economic Studies.

## Reference

- BIERHANZL, E.J., DOWNING, P.B. (1998). User Charges and Bureaucratic Inefficiency, *Springer Science+Business Media*, Vol. 26, No. 2.
- BUCHANAN, J.M., TULLOCK, G. (1995). Calculul consensului. Fundamente logice ale democrației constituționale, *Editura Expert*, București.
- COYNE, C.J. (2007). The Politics of Bureaucracy and the failure of post-war reconstruction, *Springer Science+Business Media*, LLC.
- DIABY, A., SYLWESTER, K. (2014). Bureaucratic competition and public corruption: Evidence from transition countries, *European Journal of Political Economy* 35, pp. 75–87.
- DUVANOVA, D. (2014). Economic Regulations, red tape and bureaucratic Corruption in post-Communist Economies, *World Development* Vol. 59, pp. 298–312.
- FREDRIKSSON, A. (2014). Intermediaries Bureaucracy, Corruption and red tape, *Journal of Development Economics*.
- UJHELYI, G. (2014). Civil service reform, *Journal of Public Economics* 118, pp. 15–25.
- WEBER, M. (1978). Economy and Society: An Outline of Interpretive Sociology, *University of California Press*, New Ed edition, 1978.