

MITIGATION OF THE CRISIS EFFECTS IN PUBLIC AUTHORITIES AND INSTITUTIONS FROM COUNTY GORJ

**CONSTANTIN CĂRUNTU,
MIHAELA LOREDANA LĂPĂDUȘI ***

ABSTRACT: *The economic crisis that is still present, both locally and nationally, has produced and will certainly cause further financial disruptions at both micro and macro level. Economic crisis, global phenomenon affecting structurally the Romanian economy, requires exceptional measures, which, through their efficiency and timeliness of application, lead to reducing its effects and to create premises for national economic revival. Any public institution may face a crisis, able to endanger its normal operation and reputation from in a particular community. Some crises are predictable and preventable or others can not be suspected or can not be anticipated correctly. This study is done in order to grasp how the economic crisis has reshaped the public sector in Gorj County and to synthesize the strategies of mitigating the effects proposed by the professionals working in the field. Also the article gives a holder so that the participants in the process of developing mitigation measures for public authorities and institutions crisis in the county can benefit from an objective source, containing information relevant to the identification of major effects and priorities.*

KEY WORDS: *economic and financial crisis; objective; strategies; crisis effects; economic development.*

JEL CLASIFICATION: *H83; G01.*

1. INTRODUCTION

Crises are complex phenomena that may affect either the whole social system or certain parts of it (the economic, political, international relations, banking sector, social structure, educational institutions and culture, etc.). Consequently, they have

** Prof., Ph.D., „Constantin Brâncuși” University of Tg.-Jiu, Romania,
caruntu_ctin@yahoo.com*

Lecturer, Ph.D., “Constantin Brâncuși” University of Tg.-Jiu, Romania, loredana@utgjiu.ro

attracted the interest of economists, sociologists, anthropologists, psychologists, historians and, implicitly, the theorists and practitioners of public relations.

Thus, public relations define the crisis or pre-crisis phenomena as disruption of normal functioning of public institutions and as moments of freezing or bad organization in exchanging information between the institution and its public institution, internal or external. Crises occur, therefore, as phenomena which may cause damages to public institutions, both in terms of material losses, and in that of social prestige, through the deterioration of the public image (reputation).

Crisis can be defined as a phase of acute or chronic difficulties (economic, political, social, ideological, military, human, moral, related to the conduct, behavior etc.) when the economic, political and social contradictions, gained by that society over time, manifest violently (Costea&Popescu&Tașnadi, 2010).

For public relations professionals, the crisis is a favorite ground for the conceptualization and implementation of communication strategies to limit or stop the damages.

The *crisis* appears to be a rupture, a situation undesirable, that interrupts the normal operation of a public institution or public authority and affecting its image in the public. Therefore, there should be a welcome global strategy for crisis management (crisis management), a group of well trained specialists (cell crisis) and an appropriate communication policy (crisis communication).

Regarding the causes that are attributed to changes in the size of funding, a decrease of it is associated, for most indicators, to the economic crisis phenomenon. Regarding the sources of organizations funding, the downward trend is put into relation with economic recession for self-financing and financing from the state budget. The forecast for sources of funding assumes that the economic crisis lead to the anticipated decline in bank lending, the self-financing, the sponsors and the state budget.

2. ASPECTS REGARDING THE CRISIS AT MACROECONOMIC LEVEL

The economic and financial crisis from the world level has affected dramatically also Romania, GDP recording a decline of over 7% in 2009, for 2010 is estimated a decrease of almost 2% of GDP, with serious effects on the labor market and on the social situation of the population.

The Romanian economy remains in recession also in 2011, estimations related to the economic loss relies between -0.5% and -2%. Public debt will explode until the end of 2012 when it is estimated to reach over 62% of GDP, exceeding the criteria for joining the euro zone(if appropriate measures of economic and financial adjustment are not taken now).

Since the beginning of the crisis so far, daily about 800 Romanian people have lost their jobs. We have a debtor every five customers who have taken bank loans. In the past year, every day, 250 Romanians could not pay the bank rate. Over 300,000 companies are seriously affected by the economic crisis (every day, more than 1,800 companies were affected by the crisis).

The crisis effects are dramatic in the Romanian economy. Investments in infrastructure have decreased, the number of unemployed reached 765,285 (according

to the latest bulletin of INSSE in March), the financial blockage tends to generalize and arrears grow. State companies have debts of over 1.5 billion RON. The budget deficit this year will exceed 6.8% of GDP (according to its commitments with the IMF), becoming increasingly difficult to finance. Cuts in wages, pensions, unemployment benefits and social benefits will make the poverty rate to increase by about 4 percentage points this year, reaching 27%. Supporting the small and medium enterprises takes place only on the paper.

Nationally, CNP estimates an economic growth of 1.5% in 2011 and an increase of 5.2% of the net average wage, up to 1.472 lei per month. A quick exit from the crisis is for the counties of Cluj, Sibiu, Brasov, Arges, Ilfov, which recorded strong economic growth, meaning an advance of more than 2% of GDP. In contrast, the most difficult situation is recorded in Giurgiu, Ialomita, Bihor, Salaj, Satu Mare and Covasna, the GDP advance is less than 1% this year. According to CNP, other counties will record medium or temperate rises, with an advance of 1.5% of GDP to 2% and 1% to 1.4%.

3. ASPECTS REGARDING THE CRISIS AT THE LEVEL OF GORJ COUNTY

Country's economic growth is different from one region to another. The data on the evolution of key economic indicators in territorial profile, centralized by the National Commission for Prognosis (CNP), shows that Gorj county recorded a curbed outflow of the economic crisis. After the period 2001-2008 when Romania and therefore Gorj County, has experienced some economic growth, start a period marked by the crisis, due to the effect of driving the economic and financial crisis that broke out in the U.S. in October 2008. The economic growth of our county is one tempered of only 1.3%, the average wage in 2011 being estimated at 1.597 lei at the level of Gorj.

The economic crisis implies further problems raising the risk of poverty due to lower employment, mainly because of the decline in the number of employees and increasing unemployment, and also due to reduced purchasing power, especially in the case of low-income population, under the impact of inflation and restrictive policies in the allocation of wages and social protection. The role of social protection has to be increased, but there is a risk of adoption, under pressure, of measures insufficiently prepared, which could affect the equilibrium system, the application of rules and the principles on which its components are built.

Also, overlapping of responsibilities between the local structures, inadequate financial resources to support development and diversification of social services, inefficient management of existing funds or inconsistency and lack of continuity in providing long-term resources are other drawbacks to the welfare system.

4. EFFECTS OF THE CRISIS IN THE LOCAL AUTHORITIES AND INSTITUTIONS FROM GORJ COUNTY

Year 2011 was the year of projects for Târgu-Jiu city. Whether we speak about projects on the educational system, or about construction projects, the city is

flourishing and it seems that it is due to foreign funds that public institutions from Gorj attract.

Based on the economic crisis, public institutions work on projects regarding the development strategy of the county. At a meeting of the County Council it was presented the project named "European Strategy, European Management, European Citizens", submitted to the Operational Programme: Administrative Capacity Development, Priority Axis 1 "Improvement of structure and process of the management of politic policy" , Area of intervention, Operation "Local Development Strategy. "

The financing agreement was signed on 2nd of November 2010 by the Ministry of Administration and Interior, as Managing Authority for the Operational Programme: Administrative Capacity Development. It should be mentioned that the project implementation period is 12 months from the date of signing the contract. According to the County Council representatives' the sustainable development strategy of the county refers to the period 2010-2020.

The project goal will be achieved by performing two specific objectives. The proposed project will update the "Social and economic development strategy for 2007-2013 of Gorj county", based on updated legislation, which will form the basis of four research studies.

Despite these positive aspects regarding the institutions and the local authorities from Gorj, there occurred a number of effects due to the financial and economic crisis in Romania, and implicitly in the world. Among the most important effects recorded in Gorj at these institutions we mention: reduction in income due to economic downturn both nationally and regionally, limitation of the ability to raise revenues, staff restructuring, rise of unemployment due to restructuring the economy and administration, usage of a legal and regulatory framework that is incomplete and unstable for the economy (investments, taxes, customs facilities, etc.), political instability, credit limit, stopping the economic development of companies from Gorj.

The main obstacles to economic development of companies are county taxes, limited financial resources and difficult access to financing, bureaucracy, lack of support from authorities / institutions, political influence and economic crisis.

As main ways to reduce these obstacles, we should take the following measures: a higher involvement of authorities in supporting the business environment, reduce / eliminate the influence of political factors and reducing the taxes. Other identified ways are the improvement of the legal system, ensuring the fairness and professionalism of civil servants and facilitating the access to financing.

5. MEASURES OF REDUCING THE CRISIS EFFECTS IN THE INSTITUTIONS FROM GORJ COUNTY

The general economic context of the county is marked deeply by the economic and financial crisis, plus the previous economic problems of Romania and of the county. Locally, the crisis has decimated businesses and reduced excessively the power of business environment to support the return on an increasing slope of the county economy.

One of the sources from which operators resorted frequently in previous years for investment and development - crediting - is currently very expensive and the risk involved based on uncertainty and generalized disbelief, contributes decisively to avoid loans. This has direct implications on accessing the EU grants, because the beneficiary's own contribution came, in general, also from credits.

The social and economic development of the county must take into account the national development priorities set by the National Development Plan, the strategic guidelines and the European Union's integrated guidelines for growth and job creation. It aims to develop basic infrastructure in order to reach European standards regarding the effective use of human capital, strengthening the administrative capacity, to promote a balanced territorial development by creating conditions for the development of backward areas.

In these circumstances, to which have been added stringent fiscal measures, a large part of local employers have restructured their work, emphasizing the scarcity of jobs at the county level. Staff and revenue reductions in the public sector have a clear contribution to the worsening of the situation, particularly in rural areas where employees of public institutions were among the best paid employees. In this way, the risk of reaching poverty by the population has increased and the negative effects of this has on the local economy (decrease in consumption, labor migration, etc.) resulted in a recurring process of involution.

In a basic theoretical framework the impact of the global financial crisis has also affected local government budgets in Romania in two ways: through lower allocations from the state budget and lower own income.

Under these effects was also found the Gorj county, of which public authorities should adopt mainly two basic measures:

- in the context of a declining economy and with reduced access to the domestic financial market, the local authorities from Gorj County, whose budgets have been affected, should reduce the costs incurred.
- some of the public authorities could use positive balances from previous years to mitigate the negative impact of the crisis.

In order to combat the effects of the crisis in the county the authorities and institutions should formulate a set of goals, objectives and strategies of economic development that would significantly reduce the effects and consequences of the crisis in the Gorj county.

The objectives represent an overall vision and the desired result of the local economic development process and define the general direction of action on the medium and long term. The general objectives set performance standards and identify those areas of the county which should receive assistance. Strategies (policies) are the ways through which each of the general objectives is reached.

The role of public policies to reduce the impact of economic crisis on the local community is to reduce the effects of the economic and financial crisis on the administrative capacity at local government level. Development of policies to mitigate these effects will be based on a diagnosis of the social and economic framework and budget execution operations. The social and economic development strategy must take into account the peculiarities of the new economic environment nationally, regionally

and locally. Also, short-term goals and the related action plan will make direct reference to mitigation solutions to this crisis.

The increased capacity to plan and partnership strengthens the capacity to absorb EU funds in the county, through an innovative approach to achieving the following results (www.cjgorj.ro. Plans- Projects- Strategies):

- identify and promote the real interest of communities;
- promoting social dialogue and improve communication between all actors in the development of the community and county;
- active involvement of local actors in the process of decision making related to future community and county development and the initiation of projects;
- linking local initiatives and strategies to those of county and regional level and foster partnership in townships (government, private and NGO sector) and at territory level (partnerships between municipalities and cities in the county);
- assuming responsibilities and strengthening the collaboration between local actors with the view of increasing chances of accessing funds.

The activities and actions that contribute to reducing the effects of the crisis in the county are conducted in a framework in which responsibilities are shared between authorities of the county and should be directed to:

➤ *supporting public investment by:*

- increasing the absorption of EU funds grants for investment – aims to increase the absorption of EU funds to finance municipal and local investment projects. Implementation of this measure by the County Council would require to supporting permanent access for local authorities to information on funding opportunities to support existing investments.

- issue securities to finance and/or co-finance investments – is a relatively quick and simple credit option for supporting investments, the advantage being that the funds can be released when they are required, payment being due only after the crisis period passed;

-promoting the possibility to guarantee government loans for co-financing investment projects financed from European funds – lending is a viable and fast alternative for obtaining funds for co-financing. The measure aims at promoting opportunities to guarantee such loans accessed by the county government according to GEO no. 9/2010.

Investments made by the public administration are a very effective way to intervene in crisis situations as investments support both the supply and demand simultaneously. The impact is even greater as companies and labor involved in investment projects are local, increasing demand in upstream and downstream sectors. In this way, the investment effects are multiplied and result in the development of local economic agents and employment growth.

➤ *sustaining local economic agents through:*

-promoting public-private partnership – this measure offers a series of real advantages as: various financing sources, short execution time, superior know-how, modern management techniques, superior quality level of the works and services etc.

-temporary reduction of local taxes for SMEs - at least temporary reduction of local taxes or by applying the maximum reduction in the cases provided for by applicable law aimed at supporting local economic crisis. A specific activity in this sense is the temporary reduction or granting a grace period for paying rent on premises owned by local government and that are leased to local SMEs.

- promoting the consumption of local products - public authorities can support the consumption of local products by promoting them in local fairs organized with this purpose and / or in trade fairs organized in the country. Public authorities may organize or support events that highlight local products (traditional or not) such as festivals, local holidays, gastronomic competitions, international conferences, economic forums, etc.. Also important are the activities of consumer education and awareness about the importance of the use of local products for the county's economic support.

The economic and financial crisis primarily affects the private sector which, in a healthy economy, should be the main driver of local development. The reduction of the activity of economic agents means high unemployment, low earnings taxes, etc.. Therefore, the main concern to reduce the impact of the crisis is to support and protect the local economic environment, particularly SMEs, giving them a higher vulnerability to crisis.

6. CONCLUSIONS

For the Gorj county, the year 2011 should be a continuous action on the crisis that has affected our county through the continuing the modernization actions at the administrative-territorial level, supporting the increase of the general competitiveness of the economy of the county by keeping up the pace of development of the county, the institutional modernization, de-bureaucratization of public institutions and taking best practices in all areas, while promoting local traditional values and actively protecting the interests of our national unity and identity.

The harmonization of objectives and local legitimate interests with policies and national programs has required a series of studies and analysis followed by consultation with experts in specialized structures of the Institution of the Prefect, the County Council, the decentralized Public Services, Local Authorities and representatives of trade unions, employer's associations and civil society.

The Gorj County is, and must remain, a major player in the South-West of Oltenia development region, because of its industrial force, especially in the energy sector and the importance and diversity of the natural, tourist and human resources.

Briefly, the public authorities and institutions need to have in view three categories of measures: training and prevention measures, early intervention of supervising authorities and solving tools and kits.

In this sense, a program based on this kind of measures should take into consideration three major priorities:

- major public investment in the public infrastructure;
- increasing the absorption of European funds;
- sustaining the disadvantaged categories.

It is an unanimous opinion of the researchers in the field of local economic development that the main sources of attraction and, also, of competitiveness in the area of local communities are:

- quality of life resulting from a number of factors such as income level, consumption structure, the level of local prices, especially of land, construction and tariffs for public services and environmental conditions; economy structure, respectively the share of services and the level of intellectual capital;
- infrastructure for all categories and public local services of quality;
- local institutions capable and efficient in the decizional process and a civil society, both available for creating an attractiv economic environment for locan, national and foreign investors;
- the cost of business and related legislation, regulations and national standards.

A county multi-annual budget planning document for a future period can not be an exact one, because of several factors: economic instability, lack of a clear forecast of the development of national economic indicators, the lack of linearity in the training budget from previous years etc.; consequently, an amount that County Council may allocate annually for financing investment projects supported by EU funds can not be assessed clearly.

REFERENCES:

- [1]. Costea, C.; Popescu, C.; Tașnadi, A. (2010) *Criza e în noi*, Editura ASE, București
- [2]. Dăianu, D. (2009) *Capitalismul încotro? Criza economică, mersul ideilor, instituții*, Editura Polirom, București
- [3]. Dăianu, D. (2009) *Lupta cu criza financiară*, Editura Rosetti Educational, București
- [4]. Matei, L.; Anghelescu, S. (2009) *Dezvoltarea locală. Concepte și mecanisme*, Editura Economică, București
- [5]. Porojan, D.; Iftimoaic, C. (2008) *Dezvoltarea locală durabilă în contextul globalizării*, Editura Irecson, București
- [6]. Roubini, N.; Mihm, S. (2010) *Economia crizelor*, Editura Publica, București
- [7]. www.cjgorj.ro, Planuri-Proiecte-Strategii: „Strategia de dezvoltare socio-economică a județului Gorj 2007-2013” [Accessed 10 aprilie 2010]