

# MANAGEMENT METHODS OF DECENTRALIZED PUBLIC SERVICES

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## **Abstract:**

*The purpose of the article, having as theme the typology of public services management and the implications on decentralization, is the foundation of theoretical concepts, but also the analysis from a practical point of view of both types of management applied in the management of public services in Romania and of the effects they cause on the Romanian public administration capacity to provide efficient public services. Although the users of decentralized public services don't have the possibility of choosing the service provider, the analysis of the management methods is important, because depending on the type of management chosen there are advantages and disadvantages for the local community. It has to be analyzed for each particularly case which type of management leads to a greater satisfaction of a social need appeared.*

**Key words:** *direct management, delegated management, public services decentralization*

**JEL Classification:** *M12,H83*

## **1. INTRODUCTION**

In the context determined by applying decentralization in the local public administration, we have proposed to present in this paper an overview of the research concerning the application of the two forms of public services management.

The local public administration, as a provider of public services should make arrangements in order to ensure the permanent quality of these services, having to choose the management method that enables efficient services offered to the population.

In this scientific approach we started from the analysis of the legal framework governing this area, namely Law no. 51/2006 (published in the Official Gazette no. 254/2006) on the community services of public utilities, subsequently amended and supplemented, the Emergency Ordinance 13/2008, the Emergency Ordinance 109/2011, Law 204 of 09.11.2012 and the Government Decision no. 717/2008 for the approval of the Procedure-framework regarding the organization, the implementation and the delegation contracts award of the management of public utility community services, of the selection criteria-framework regarding the offers for public utilities community services and the delegation Contract-framework of the management of public utility community services, published in the Official Gazette of 18.07.2008.

Specifically, we want to analyze the two forms of management, direct and delegated, applied in the management of public services and the effects they cause on the capacity of the Romanian public administration to provide efficient public services.

## **2. TYPES OF EXISTING MANAGEMENT**

The authority of the public administration which created a public service shouldn't handle it directly, it may entrust the management to a third party, public or private. However, this transfer can't be total, the authorities keeping the control over this service.

In Romania the management of public utilities services is organized and carried out in the following forms:

- a) Direct management;
- b) Indirect management or delegated administration.

a) In the case of direct management, the public authority that created a service should provide it itself. **The direct management or self-management** is the way of management in which deliberative and executive authorities on behalf of the administrative-territorial units they represent, assume and exercise directly all the powers and responsibilities that are in accordance to the law and related to the supply / provision of public services with their own material, human or financial resources. The state or the territorial communities provide the financial autonomy of the service through the budget, personnel and their equipments<sup>9</sup>. The direct management is the traditional way of conducting the most administrative public services such as police, defense, planning, marital status, etc..

The public service in direct management is the activity of general interest, which is either performed directly by a functional department of the local public authority, or by a public service, with or without legal personality, subordinated to the local public administration, and established by an authority act of the deliberative authorities<sup>10</sup>.

The resources of the service provided in direct management are public resources, we add to them the fees paid by beneficiaries in exchange for a provided service.

The direct management is performed by means of some operators of public law established at the level of administrative-territorial units, on the basis of the commissioning decisions taken by the deliberative authorities of these ones.

Thus, within this form of management, the public authority responsible for creating a public service chooses to manage it itself, using its own staff and own property. We can say that the self-managing of a public service consists in taking over the management of its operation by the public person that created it, with their material, human and financial resources.

b) In many cases, the public authority responsible for creating a public service may decide not to provide execution itself, but to entrust a third party, public or private. This is what we call **indirect management and delegated administration**.

The delegated management is the type of management by which the local public authority is transferring to one or more operators all, or only a part of the own powers and responsibilities regarding the public service delivery, the management and operation of the public services being accomplished on the basis of a management delegation contract.

Thus, the State discharges financially of certain public services which before were financed by taxes and assigns them to a third party.

The delegation of the public service is defined as an agreement according to which a public person who is delegated, entrusts the management of a public service, for which she is responsible, to a private or public Delegator whose remuneration is substantially related to the result of the service operation.

The delegation can be done in two ways: contractual or unilateral, the management empowerment may be the result of a unilateral act or a contract.

The unilateral empowerment can take many forms (laws, regulations, individual acts, decisions of the communities), and the beneficiaries are diverse: professional associations, associations, trading companies, etc.

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<sup>9</sup> Chirleşan, D., Prodan, A., Brăileanu, T., Manolescu, I., Grigoruță, VM (2001), Administrative Management, Sedcom Libris Publishing House, Iași, p.202

<sup>10</sup> Nicoleta Miulescu, Local public services, Legal Universe Publishing House, Bucharest, 2010, p.110

The classical way of empowerment, especially for local services is the contract. The contracts are of different types, the main type being the *concession contract*.

The public authority entrusts the providing of a service but doesn't remunerate it directly, this thing being achieved by exploitation, by charging fees from the users<sup>11</sup>. This contract is called a concession.

The Concessionaire must take care of all the equipment necessary to operate the public service (for example: the water distribution network, service sanitation).

For these works, the public authority is not involved financially, following that the operator should recover the investment from operating the service. The concessionaire recovers the money by applying a charge to the beneficiaries, but he assumes the losses related to the activity. At the end of the concession agreement, everything falls in the responsibility of the public person (eg, highways, tunnels).

### 3. THE MANAGEMENT OF THE PUBLIC UTILITIES SERVICES FROM THE NORTH EASTERN REGION

The region which covers the north - eastern part of Romania, is comprised of six counties (Bacău, Botoșani, Iași, Neamț, Suceava and Vaslui), being from this point of view, the first among the eight regions of the country (17.27% of the total population of Romania).

But, although it is the first of the eight regions in terms of size, the North – Eastern region is on the last place in Romania in relation to the human development index and the gross domestic product per capita, due to a structure inadequately adjusted to the market economy, with low productivity and economic efficiency compared to other regions. Thus, the public administration of the North Eastern Region still faces some failures regarding the management of the services and resources (human, financial), procurement, communication and proximity to citizens, etc.

For this reason, we should always analyze what is the most advantageous method of management for both citizens and public authorities, who don't always have the required material, human or financial resources. On the basis of some data provided by the Institute for Public Policy (IPP) there are presented a series of public utility services administered by the county City Halls of the North Eastern region of Romania.

Table No. 1 Public utility services administered by the county City Halls of the North Eastern region of Romania

	<b>Water supply and sewage services</b>	<b>The public lighting service</b>	<b>The sanitation service</b>	<b>The management of parks and green areas service</b>	<b>The heating service</b>	<b>The local public transport service</b>
<b>Botoșani</b>	Service concession contract	Service concession contract	Direct management	Service concession contract	Direct management	Direct management
<b>Bacău</b>	Service concession contract	Service concession contract	Direct management	Service concession contract	Direct management	Direct management
<b>Iași</b>	Service concession contract	Service concession contract	Direct management	Service concession contract	Service concession contract	Service concession contract
<b>P. Neamț</b>	Direct management	Direct management	No information was provided	No information was provided	No information was provided	Service concession contract

<sup>11</sup> Dincă, D., (2008), *Pubic services and local development*, Lumina Lex Publishing House, Bucharest, p.58

<b>Suceava</b>	Service concession contract	Service concession contract	Service concession contract	Direct management	Service concession contract	Service concession contract
<b>Vaslui</b>	Service concession contract	No information was provided	Service concession contract	Service concession contract	Service concession contract	Direct management

Source: www.ipp.ro, public services concessions contracts, Bucharest, December 5<sup>th</sup>, 2011, accessed on March 20<sup>th</sup>, 2013 and the resources of the local authorities in the North Eastern Region

The way of public services management is not always uniform across the region, for several reasons related to the legal framework, the specific situations from the respective local communities (human, material, financial resources), the management adopted by each local authority separately.

#### 4. THE ADVANTAGES AND DISADVANTAGES REGARDING THE APPLICATION FORMS OF THE DECENTRALIZED PUBLIC SERVICES MANAGEMENT

In the tables below we have analyzed the advantages and disadvantages of the management forms of the decentralized public services in order to highlight which of these two methods responds better to the needs expressed by citizens.

Sure that whatever form of management we choose, the goal is always the same: the meeting of the social needs arising in the community. But there are advantages and risks of each form of management, directly or indirectly.

Table No. 2 The advantages of the management forms of the decentralized public services

<b>The advantages of the direct management</b>	<b>The advantages of the delegated management</b>
All the decisions are in the hands of the local public administration authorities	Offers the possibility of creating, implementing and maintaining a service
There is the guarantee to implement the policies that the public administration wants	Allows the realization of some expensive investments making use of private investments, without however providing a "privatization" (because the infrastructure remains the property of the community)
Ensuring the cohesion and the universal access: the access of all citizens and enterprises to quality services of general interest which are affordable all over the territory	Gives the elected officials the possibility to assume the responsibility of increasing the prices of the service and the service management in general.
Maintaining a high level of quality and safety: in addition, the security of services supply, especially the security of the supply	Aims to combine the advantages of the monopoly and competition, as it is made on each contract renewal
	The management can be delegated to regional operators that will operate on the territory of several administrative-territorial units <sup>12</sup>

Table No. 3 The disadvantages of the management forms on the decentralized public services

<b>The disadvantages of the direct management</b>	<b>The disadvantages of the delegated management</b>
Higher costs because some services should be available at all times, although they are used only exceptionally (eg: firefighters, military)	The community control over the way of service operation is reduced
It doesn't allow large investments due to the lack of material, human or financial resources	The large groups can take advantage of the diversity of the intervention fields (local, national and international) in order to get rid of

<sup>12</sup> Oliviu Puie, Public utility services, Legal Universe Publishing House, Bucharest, 2012, p.230

	transparency and to use the profits made in the field of that service for financing other activities
Prices are lower than those practiced by private operators	The prices charged by private operators are higher than those of public administrations
	The customs-beneficiaries are the captive customer type: they don't have the possibility to choose the service provider, having only a very limited ability to negotiate the price of the service and they are often in the position of being imposed unfair terms to them
	It can be a means to finance political activities and election campaigns, which can lead to the development of corrupt practices
	The competition between operators is often a pseudo-competition, since the vast majority of contracts are renewed to the same dealer, and the operators are invincible local monopolies

According to the analysis of the data presented in the tables above we can say that in the providing of the decentralized/deconcentrated services, both forms of management have advantages and disadvantages. If there are sufficient human, material or financial resources, the supplying and providing of public services can be made much better by the authorities of the local public administration, with the guarantee of applying the policies that the public administration wants and avoiding the arising of the prices practiced by the private operators as well as some unfair terms which may be imposed. There are some public services, such as justice, police, defense, that can't be managed only through direct management.

But even the transfer to one or more operators of the tasks and responsibilities regarding the providing of a public service leads to getting benefits, primarily the fact that the public authority has financially discharged of some public services and then the fact that it doesn't have to take anymore the operational risks of that activity, decentralization being more effective. However in this case the local authority should maintain its functions of control and supervising of the public services supply to citizens.

## 5. CONCLUSIONS

The purpose of the Administration is to provide public services to the citizens, through a series of actions that contribute to meet the general interest. The State, by means of the central and local public administration, provides services to the communities in a decentralized or deconcentrated manner, without having a direct consideration of the consumers' part, by allocating some budgetary resources.

The management of public utilities services represents the manner of organizing, functioning and managing the public utilities services in order to supply / provide them in terms established by the authorities of the local public administration.

Even though there is no guarantee regarding the implementation of the desired policies by public authorities, these ones, through the management delegation, have financially discharged of some public services, assigning them to another entity, which in the current economic climate is a good thing.

We consider that it's important to identify the form of management chosen for the public services supply, the prior analysis of the advantages or disadvantages involved in applying the two forms of management, in order to better meet the needs of local communities.

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