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# ***PUBLIC ADMINISTRATION***



## **PUBLIC ADMINISTRATION THEORY AND PRACTICE: ARE THERE CONGRUENT IN GHANA?**

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**Abstract:** *Based on a desk study this paper investigated the fit of public administration theories and paradigms with practice in Ghana. The evidence showed that there is a wide gap between prescription and reality in part because of the unquestionable application of foreign models in the characteristically different Ghanaian context. While these foreign approaches have their own limitations those are addendums to the contextual challenges that are encountered in their application in Ghana. Consequently, this has exacerbated the very ills that the models and reforms are meant to correct: poor service delivery; lack of accountability; irresponsiveness; red-tape; citizen alienation; and inefficiency and ineffectiveness. An unorthodox approach that taps selectively on a range of context relevant public management traditions will be more appropriate for Ghana than an approach to reform that is predicated on models that have evolved in the political and economic conditions of advanced industrialized countries. Such an approach would stress different elements from a repertoire of potential alternatives that offer “best fit” rather than “best practice” solutions. The Ghanaian case reinforces the debate about the applicability or otherwise of developed countries’ public administration models in the Third World.*

**Keywords:** *Ghana, Public administration, Theories, Practice, Match, Outcomes*

### **INTRODUCTION**

Public administration provides numerous services to the public and serves their interests in many diverse ways. It ensures the security and protection of life and property of the members of society by maintaining proper law and order. The day to day function of government and the economic, cultural and political development of society as well as national defense and the conduct of external affairs depend on the public administrative system. It is public administration that translates political intentions expressed in policies into public purposes. In other words, policies rely on public administration to be effective. Once choices are made, activity must be directed at achieving the intended objectives. This is the domain of administration, in which services are delivered, taxes collected, and laws enforced (Bridgman and Davis, 2004: 15). A government stands or falls on its policy choices. Characteristically this implies depending on bureaucrats or contractors who work for government. The work of public servants is driven by the policy priorities of the government of the day (Bridgman and Davis, 2004).

In the modern state the role and scope of public administration is ever expanding and all encompassing. The days of a minimalist government where the responsibility of the state was restricted to only the maintenance of law and order are long gone. The modern state which expects government to provide much more has seen the role of public administration change dramatically. The contemporary role and function of public administration can be traced to the changes that have occurred in human history in the last couple of centuries. The first important

change was the industrial revolution which led to the urbanization of the big cities of the world. The second was the shift in political philosophy from minimalist state intervention and individualism to social welfare (Bailey, 2004). The two World Wars together with the shifting international environment with new countries and organizations such as the UN coming on stream, and the increasingly complex, wicked and global nature of policy problems have prompted the need to reform the goals of public administration in society not just within a nation but also with respect to the world..

Accordingly, public administration has undergone several paradigm shifts since its birth. The most widely acknowledged paradigms are the traditional model of public administration; the new public management; and the new public governance. Each of these paradigms has been associated with one or more theoretical models about how the public sector should be organized and run to achieve efficiency and effectiveness. The most important theoretical principle of the traditional model of administration is Weber's theory of bureaucracy. This theoretical model of public administration is characterized by hierarchical organization of government agencies; permanency of staff; neutrality and anonymity of officials, motivated only by the public interest; a view of public administration as a special kind of activity that requires a professional bureaucracy; appointed officers serving any government party equally; and a dichotomy between politicians who are responsible for policy design, and bureaucrats whose work is merely to implement those policies decided by politicians (Hughes, 2003: 17).

In order to achieve efficiency and effectiveness in public service provision, public administration should be underpinned by theories of the world, models of cause and effect. Theories and models are necessary and useful in guiding the work of public administration. Models and theories help clarify and direct our inquiry on the tasks of public administration. They facilitate communication and suggest possible explanations for bureaucratic actions (Bridgman and Davis, 2004). To successfully carry out the mandate of public administration we need some guidelines, some criteria of relevance to focus our efforts and to prevent aimless search through seemingly infinite volume of data. Public administration theories give direction to our inquiry.

In many countries today the bureaucracy no longer commands the respect it once had due partly to a range of criticisms that have been directed against it, an attack that has led to radical public sector reforms commencing from the 1980s (Dunleavy et al 2006). A suspicion of bureaucracy is clearly not novel as it long predates Weber (Albow 1970) and continues in many forms. What may distinguish the current onslaught is that it comes from all sides: from the left for example, on the power of the civil service to frustrate the will of elected governments, and from the right on the entrenched ideology of the state machine, its inefficiency and above all its size (Dunleavy et al 2006; Gray and Jenkins 1985: 14).

The new public management (NPM) paradigm which was ushered in on the heels of the criticisms of the public sector is underpinned by profoundly different theoretical foundations of economics and private management. The tenets of NPM include: emphasis on results in terms of value for money, to be derived via management by objectives; the use of markets and market-like devices; competition and choice; and devolution to staff through improved alignment of authority; and responsibility and accountability (OECD, 1998: 13).

As a result of the conceptual and practical problems encountered with the old public administration and new public management approaches, the new public governance model was



developed. The New Public Governance (NPG) approach as proposed by Osborne (2006, 2010) adopts a very different starting point from the two earlier public management paradigms. Unlike the stress on bureaucratic hierarchy and administrative interest as the defining features of the old public administration and the managerial discretion and contractual mechanisms associated with NPM, the NPG approach places citizens rather than government at the center of its frame of reference (Robinson, 2015). It is much broader in that it is construed as the formulation and execution of collective action. Thus, among others, it encompasses the direct and indirect roles of formal institutions of government and government hierarchies, as well as the roles of informal norms, networks, community organizations, and neighborhood associations in pursuing collective action by defining the framework for citizen-citizen and citizen-state interactions, collective decision making, and delivery of public services (Robinson, 2015). The NPG approaches public management from the angle of democratic theory, premised on the notion of an active and involved citizenship.

It should be noted that a contemporary paradigm hardly completely supplants an earlier one. Undoubtedly, some elements of the erstwhile paradigm will normally persist alongside tenets of a current one. This is exactly the case with the public administration paradigms where some elements of the traditional model like hierarchy, neutrality and public interest motivation have transcended the NPM and NPG paradigms. Hughes (2003:3-4) agrees, arguing that paradigms change gradually – the decline of one school of thought occurs as a result of the rise of an alternative. These views tie in with Kuhn's statement that, 'the decision to reject one paradigm is always simultaneously the decision to accept another, and the judgment leading to that decision involves comparisons of both paradigms with nature and with one another' (Kuhn, 1970: 77). Paradigm shifts entail the comparison of theories, neither of which works perfectly (Hughes, 2003). So in investigating the congruence of public administration paradigms and theories on one hand, with practice on the other these dynamics need to be taken into consideration.

The public administration paradigms and theories that have been expounded upon above were a brain child of the developed countries. These industrialized countries developed them in response to the shifting circumstances pertaining to their contexts. Nevertheless, these paradigms and theories were imported into developing countries for application hook and sinker without modifications to suit their contexts. But the contexts of Third World countries are different and are expressed in such features as unstable social and political environments; poverty, malnutrition, ill health, illiteracy, low standards of living, low bureaucratic capacity unemployment and other common phenomena (Rashid 2014). This raises the question of: whether symmetric outcomes can attend the application of the developed world theories in developing countries' contexts. This question is asked because the unfavorable environmental conditions increase pessimism surrounding the appropriateness of using the developed world's theories to guide the conduct of public administration in developing countries. Specifically, the study asks the following questions: 1) Are paradigm shifts in public administration discernible in Ghana? 2) Are theoretical perspectives undergirding respective public administration paradigms discernible in Ghana? 3) Are the theories adequate or appropriate in guiding the conduct of public administration in Ghana? 4) What are the consequences of the junction or disjunction between the theories and the conduct of public administration in Ghana? 5) How can the theories be modified to more appropriately align with the conduct of public administration in Ghana?

This paper is organized such that after the introduction part two expounds on the paradigms of public administration and the associated theories. In part three the evidence of the application of the public administration approaches to the conduct of public administration in Ghana is presented. In the fourth part the implications of the junction or disjunction between the theories and conduct of public administration are distilled. The final part concludes with recommendations for creating a better alignment between the theories and the conduct of public administration in Ghana.

#### Paradigms of public administration and their theoretical underpinnings

There are numerous studies of public administration and public sector reforms in the first world. Models of public administration in the Third World have generally drawn on experience in advanced countries and public sector reforms have often mirrored reform initiatives originating in OECD countries. Several frameworks have been developed to classify and analyze different approaches to public administration and public sector reforms in developed nations. Most of these are concentrated on the transition from the Old Public Administration to the New Public Management that occurred in the 1980s and 1990s. From 2000 there was a discernible trend towards an emerging model variously termed the “new public service”, the “new public governance” or the “post-New Public Management” (Dunleavy and Hood, 1994; Denhardt and Denhardt, 2000; Osborne, 2006). As mentioned earlier, each of these approaches to public administration is associated with a distinct philosophy and conceptual framework (Denhardt and Denhardt, 2011).

Many developing countries have followed a similar path of approaches and reforms to those in more advanced countries through broader governance agendas supported by development partners. Other approaches to public sector reform have also featured in these countries, particularly decentralization, pay and employment reforms, integrity and anti-corruption reforms and “bottom-up” reforms, designed to improve the development effectiveness of government agencies (Robinson, 2015).

This article limits itself to the broader shift in approach set out by Osborne (2006) who outlines three modes of public administration and management and, by association, their principal characteristics as follows: Public Administration (PA-statist and bureaucratic), New Public Management (NPM- competitive and minimalist) and New Public Governance (NPG-plural and pluralist).

### **THE OLD PUBLIC ADMINISTRATION**

Informed by the thoughts of Max Weber, the dominant approach to public administration for much of the 20th century drew on a model of bureaucracy based on the twin principles of hierarchy and meritocracy. It was initially introduced as part of wide-ranging bureaucratic reforms in the United Kingdom and Prussia in the late 19th century to overcome patrimonial systems of administration where patronage and favoritism dominated government decisions and public appointments. This approach had a number of distinctive features. It relied on centralized control, set rules and guidelines, separated policymaking from implementation, and employed a hierarchical organizational structure (Hughes, 2003; Osborne, 2006). The maxims were efficiency and effectiveness in the management of budgetary and human resources.

This command and control model of public administration was the basis for bureaucratic systems spread across the globe under colonial rule and then after independence in most Commonwealth countries (Robinson, 2015). Other jurisdictions embraced variants of this model, chiefly basing on French and Japanese experience, where political factors influenced public appointments under a centralized bureaucratic model. This model was successful in a number of countries, particularly in Singapore where the post-independence political leadership established a high quality and efficient civil service along these lines. A similar approach was followed in China in the context of a one-party state. But many post-colonial states suffered deterioration in the quality of governance and the effectiveness of public administration in subsequent years as neo-patrimonial tendencies turned into reality and state resources and public appointments were subject to the personal influence of political leaders and their followers (Bayart, 2009; McCourt, 2013).

Governance and public service reform efforts in many developing countries from the 1980s continued to adopt the centralized, bureaucratic model of public administration as the point of departure for effective development. Re-establishing the conditions for a top-down and hierarchical model of development following years of predation and neo-patrimonial rule was the desired goal for many public management reforms (Nunberg, 1992). This was not without justification: the quality of bureaucracy was positively associated with economic growth in the statistical analysis conducted by the World Bank in its 1997 World Development Report, identifying merit-based appointments and career stability for public servants as key factors in the effectiveness of public administration (Evans and Rauch, 1999).

## **THE NEW PUBLIC MANAGEMENT**

The New Public Management (NPM) refers to a series of novel approaches to public administration and management that emerged in a number of OECD countries in the 1980s. The NPM model emerged in response to the limitations of the old public administration in adjusting to the demands of a competitive market economy. While cost containment was a key impetus in embracing NPM approaches, infusing principles of competition and private sector management was at the core of the NPM approach (Robinson, 2015).

The ideological prepositions that underpin the NPM are public choice, agency theory, and contestability. Public choice assumes that individuals, whether they are acting in the public domain or operating in the market, are driven by self-interest that is, they try to maximize returns to themselves in whatever undertakings they are engaged in. Thus, providers, wholesalers, and retailers strive to maximize profits; consumers endeavor to obtain value for money from the goods and services they purchase; politicians work hard to optimize votes; voters want to see the promises of an improvement in their quality of life fulfilled by politicians; and bureaucrats are interested in increasing their department budgets and power as well as personal gains from surplus budgets (Mohammed, 2010: 958).

The implication of the public choice model for the public sector is that operatives if left unchecked will pursue their individual self-interest to the detriment of the public interest. Inefficiencies in public production and distribution of goods and services will occur as a result. So, since public agents are driven by self-interests, they should not perform the dual roles of

advisors on government policy directions and implementers of agreed policy (De Laine, 1997: 5; Ryan et al, 2000).

Agency theory is concerned with the economic costs of contracting. These are the problems of getting managers and employees of organizations to pursue the interests of their principals (Arrow, 1985; Ormsby, 1998; Shapiro, 2005). Agency theory is concerned primarily with incentive problems, and the design and implementation of contracts. According to Levinthal (1988), agency theory is an extension of the neoclassical theory of the firm in that it largely focuses on "the problems posed by limited information and goal conflict within organizations" (page 154). Principal-agent relationships are established with the hope that agents will pursue the interests of their principals. However, this expectation is difficult to meet in practice due to information asymmetry between principals and agents, and shirking, cheating, and so on from any of the parties (Arrow, 1985; Shapiro, 2005).

Accordingly, "the problem of introducing an agent to behave as if he (or she) were maximizing the principals' welfare is quite general" (Jensen and Meckling, 1976: 309); and although the purchaser-provider split may tackle some of these fears, it cannot settle all principal-agent problems within the public sector (Dollery et al, 2006: 221). Notwithstanding this shortcoming, agency theory agrees with the idea that decoupling the provision of government services from their purchase is efficiency enhancing. In particular, the theory claims that contracts can be designed in such a fashion that it eliminates or decreases goal conflict at least between the bureaucratic purchaser and the provider and that this yields gains in productive efficiency.

Contestability proposes that public service delivery is more efficient where there is competition between public and private vendors (Boyne, 1998; Dunleavy et al, 2006; OECD, 1995). Vining and Weiner (1991, pages 1-2) offer a normative framework for "understanding the efficiency consequences of alternative patterns of government supply." Their model is informed by the theory of contestable markets, which are defined by the absence of significant barriers to entry or exit (Baumol et al, 1982). Vining and Weiner (1991: 5) describe two forms of contestability: contestability of supply (which acts as a substitute for direct provision) and contestability of ownership (which describes the threat of transfer of ownership of an organization). They contend that, where contestability in both its forms is high, production will be more allocatively efficient, and X inefficiency is less likely to crop up. The implications from their model of contestable government production is that separating the purchaser from the provider is conducive to contestability in both its forms: first, the purchaser-provider split can be used to enforce contestability of supply; and, second, it increases the likelihood that an element of municipal government might be divested to the private sector, or even another level of government (Dollery et al, 2006). Accordingly, the purchaser-provider split is expected to enhance efficiency. The NPM advocates the use of the principles of these theoretical propositions to undergird public sector reform in order to improve that sector's efficiency and effectiveness.

The NPM approach took root in the UK, New Zealand, the USA and Scandinavia from the mid-1980s. NPM approaches were also embraced by several non-OECD countries, often as part of public sector reform programs supported by international aid agencies, but their influence was uneven (Pollitt and Boukhaert, 2004). Despite claims of universality, few governments in developing countries implemented wholesale NPM reforms, but some experimented with creating executive agencies, citizens' charters and performance management

models (Hood, 1990). Prominent examples include the semi-autonomous tax agencies in Africa and Asia, several of which generated impressive results in terms of revenue targets and reducing corruption (McCourt, 2005). Contracting-out service delivery to private and not-for-profit providers in health, education and water and sanitation became fairly widespread but implementation was patchy and results were mixed because of problems of regulatory capacity, quality and access, resulting in a complex and fragmented medley of service provision (Batley and Mcloughlin, 2009).

In practice NPM reforms in developing countries were adopted very selectively, or is it dictated by donors, often alongside organizational structures embodying the old public administration (McCourt and Minogue, 2001; Hope, 2005; Pollitt and Bouckaert, 2004; Sarker, 2006; Cheung, 2011). Commentators questioned the appropriateness of NPM reforms in the context of weak capacity and political support, emphasizing the existence of supportive institutional and political conditions as a condition for success, and of building core public sector capacity as the priority for public management reforms (Nunberg, 1992). The consequences of NPM were extensive, providing a long-lasting and steady agenda for reform, but with a mixed record of success and failure (Hood, 2004; Pollitt and Bouckaert, 2004).

## **THE NEW PUBLIC GOVERNANCE**

Due to the challenges presented in the implementation of the principles of the traditional public administration and new public management approaches a number of theorists have generated novel perspectives of public management that diverge from previous models. These alternatives cannot yet be wrapped together neatly as a coherent paradigm and their premises vary, although some junction points are discernible which distinguish them from previous approaches and provide the basis for a coherent alternative (Robinson, 2015).

The New Public Governance (NPG) approach as proposed by Osborne (2006, 2010) adopts a very dissimilar starting point from the two earlier public management traditions. As opposed to the accent put on bureaucratic hierarchy and administrative interest as the cardinal principles of the traditional model of public administration, and the managerial discretion and contractual mechanisms associated with NPM, the NPG approach put premium on citizens instead of the government at the core of its analysis. Likewise, Bourgon (2007) advocates a New Public Administration theory that is predicated on the concepts of citizenship and the public interest, stated as the common interests of citizens instead of the sum total of individual interests developed by elected officials or market preferences. The importance of citizens as joint-makers of policies and the delivery of services basically distinguishes the New Public Governance approach from both the statist approach predicated on the traditional public administration and market-based NPM approaches, rather than simply offering a new paradigm of public administration (Robinson, 2015; Shah, 2006).

The NPG embraces several elements of this developing literature: the state is both plural because public service delivery is undertaken by multiple inter-dependent actors and pluralist in that multiple processes and inputs shape policy making. In this respect, Bourgon (2011) draws attention to the fragmentation of the policy space with the emergence of multiple actors and jurisdictions alongside growing interdependence between actors operating at local, national and global levels. The state is seen as just one of numerous players participating in policy

deliberation and service delivery and is no longer regarded as the only or principal actor determining public policy and implementation (Weber and Khademian, 2008). This new view of public management is put succinctly by Denhardt and Denhardt (2000:553), when they state that 'the policies that guide society are the outcome of a complex set of interactions involving multiple groups and multiple interests ultimately combining in fascinating and unpredictable ways'.

The NPG approach stresses inter-organizational relationships and the governance of processes, in which trust, relational capital and relational contracts serve as the core governance mechanisms, instead of organizational form and function (Osborne, 2006). From this vantage, NPG is at logger heads with orthodox approaches to public administration, which tend to emphasize intra-organizational processes within the realm of government as opposed to inter-organizational processes between government and private and non-profit actors (Osborne, et al, 2013). Adoption of this approach requires re-orientation in which public administrators learn to broker, negotiate and resolve complex problems in partnership with citizens rather than controlling or steering (Robinson, 2015: 10). Because there are many strands of NPG only the United States and a few OECD countries have become its point of reference.

## **CONGRUENCE OF THEORETICAL MODELS OF PUBLIC ADMINISTRATION WITH PRACTICE IN GHANA**

Evaluation of any policy cannot simply take account of the stated objectives for change (Chapman et al 1997: 208). In this connection, the criteria that are used to evaluate the congruence of public administration theories with practice in Ghana derived from arguments that had advocated changes in public administration philosophies and paradigms in the literature. In this connection, the elements of the traditional model of public administration represented by the bureau and public enterprise; the features of the NPM underpinned by the ideological prepositions of public choice, agency theory and contestability; and the tenets of the NPG reflected in democratic theory, that have transcended overtime are used as yardstick for assessing the junction or disjunction between public administration theories with practice in Ghana. These elements are: politics-administration dichotomy; permanency in office; political neutrality; meritocracy in appointment and career progression; impartiality; and motivation only by the public interest. The others are efficiency; service delivery; competitive tendering; contracting-out; contestability; representation; participation and accountability;

### **PERMANENCY IN OFFICE**

The civil service is expected to ensure the continuity of government and its services to the people. Regardless of changes in information and composition of the government, civil servants are expected to remain in office without any fear of being sacked or fired unless found guilty of any offence contrary to the ethic of the office (Hughes, 2003). The essence of this feature is that it promotes the societal welfare and stability and more importantly, it provides the government with officers with adequate experiences and administrative sophistication.

There is, however, a disjunction between this principle and the reality in Ghana. The usual job security in the public service is being substituted with short-term appointments predicated on short-term contracts, and the convention of assured promotion is being challenged by the hiring of skilled private sector managers for top positions (Glover-Quartey, 2007; Wereko, 2008). Some ministers, for instance, have engaged consultants for the same works which are the traditional mandates of bureaucrats. A change of government entails an overhaul of the top echelons of the public administrative hierarchy to bring in new faces (Peters, 2001). The Head of the Civil Service and Chief Directors (the administrative heads of government ministries) had either lost their jobs or redeployed with a change in government since the return to democratic rule in 1993. For example, in 2009 under the then newly elected NDC government of President Atta Mills there was a case of the transfer of the Northern Regional Police Commander to Accra for allegedly leaking sensitive information to the media. The police boss was subsequently ordered by the Regional Minister to leave a meeting of the Regional Security Committee (RegSec) (Aye, 2009). Similarly, when in the December 2016 elections the National Democratic Congress (NDC) government under ex-president Mahama lost power to the Nana Akuffo-led New Patriotic Party (NPP) administration, many top ranking bureaucrats either lost their jobs or were transferred to less glamorous positions or environments. The dismissals that have generated much heat and discourse in the media and other public forums are the firing of the Communication Director of Ghana Gas, Mr. Alfred Ogbamey, Controller and Accountant General, Mr. Seidu Kotomah and the Medical Director of the Ridge Regional Hospital, Dr. Thomas Anaba (The Al-hajj, 2017). The Medical Director of the Ridge Hospital filed a writ in court challenging his dismissal, but nothing has been heard about it.

In total 13,000 public sector workers most of whom were hired during the eight year rule of the NDC, have been dismissed in the first five months (January to June, 2017) after Nana Akuffo Addo assumed government (Al-hajj, 2017). Some of the organizations that have been affected by the dismissals included the National Service Scheme (205 employees); COCOBOD (110 middle level employees); Ghana Police Service (265 recruits); National Security (525 personnel); National Health Insurance Authority (200 staff); Youth Employment Agency (216 employees); and Driver and Vehicle Licensing Authority (100 employees) (Al-hajj, 2017). This is akin to the dismissal of some 568 selected public servants by the NPP administration's fore bear government of Prime Minister Busia (Asante, 2005). Mr. Sallah, then a manager of the Ghana National Trading Corporation and one of the 568 dismissed public servants challenged the legality of his sacking in the Supreme Court. The court ruled against the dismissal and ordered the government to re-instate the dismissed workers but the government refused (Asante, 2005).

These dismissals are undoubtedly not only an inconsistency with the Ghanaian socio-cultural arrangement, but also an administrative culture which has been developed since independence. Successive governments either while in office or when they came to office developed the predilection for firing bureaucrats for several reasons such as the public administrators not supporting their programs and being accused of being too bureaucratic and supporters of the previous government (Haruna, 2003; Wereko, 2008).

This is reminiscent of the experience of some jurisdictions where politicization of the civil service has transpired through the proliferation of short-term contract positions. In the UK, there has been a striking rise in the number of personal ministerial advisers since the early 1980s.

In Italy, political senior civil servants posts have been endowed with internal fixed-term contracts since 1993. In Australia, the creation of “ministerial advisers” in the late 1980s has provided a means to avoid politicizing senior jobs along the US model while reinforcing political control over career activities of civil servants. In most Latin American countries, government political advisors are recruited on a contractual basis (Rouban, 2007).

The implication of this is that there is a climate of insecurity of tenure in the public service which is not conducive to long-term policy formulation and implementation. The turnover of personnel in the public service has also created an experience and expertise vacuum, which has tended to affect the capacity and capability of the public service to deliver its core mandates (Antwi et.al, 2008; Ohemeng, 2010). It has often destroyed their esprit de corps and removed the glue in group cohesion. Each employee is increasingly distrustful of the other while some see the future as bleak. A permanent and impartial public service is predicated on politicians and public administrators regarding themselves as allies and motivated by a sense of public duty and genuine desire to act in the public interest (Ayee, 2013)

### **POLITICAL NEUTRALITY AS OPPOSED TO POLITICIZATION**

Another feature of the traditional model of public administration is that the civil service and its officials are expected to be politically neutral. They should remain neutral, loyal and dedicated to any government in power. In the discharge of their normal duties, they should be non-partisan. They must act without fear or favor of any particular individual or group of individuals (Ayee, 2013). This feature is important in that it guarantees public confidence in governmental administration.

According to Peters and Pierre (2004:2) politicization is ‘the substitution of political criteria for merit-based criteria in the selection, retention, promotion, awards, and disciplining of members of the public service’. It therefore denotes not only making of appointments and dismissals on party political grounds, but also personnel decisions which smack of the politicization of the public service where newly elected governments expect to replace the senior public administrators appointed by the previous regime with appointees of their own (Self, 1972). It also involves patronage, where appointment or promotion is based on party affiliations or sympathies; and political intimidation, where public administrators are in fear that their future is in jeopardy, unless they say what pleases their political bosses (Peters, 2001; Rouban, 2003).

Politicization is seen as the opposite of political neutrality and has two features which contradict two aspects of neutrality. These are:

- (1) the use of the public service for party purposes (in contrast to the principle of neutrality that public administrators should not be used for party purposes; and
- (2) the appointment, promotion and tenure of public administrators through party political influence (in contrast to the principle of neutrality that appointments, promotion, and tenure should be independent of party political influence) (Weller, 1989).

There are three dimensions of politicization:

- Politicization as participation in political decision making in the sense that all public administrators are “political” because they are called upon to carry out political decisions, adapt to them, and explain them. In other words, bureaucrats are required to carry out a task of a political nature that clearly is not limited to the mere application of legal or economic rules. The



fact that public administrators are thinking beings precludes considering them as robots having no freedom of judgment. In the actual management of public affairs, senior public administrators are professionally involved in political decision making. Reality in administration therefore repudiates neutrality (Self, 1972);

- Politicization as partisan control over the bureaucracy involves the subjection of the appointment and career of public administrators to political will. In this case, politicization means that not only a public administrator's activity, but also his or her career depends more on political than professional norms defined by the administration and ruled by law; and
- Politicization as political involvement which denotes the degree of public administrators' political involvement as citizens and voters. In other words, is the public service a political force? Public administrators as a group have their own aims and interests. Like any other interest group in society, public administrators are actively involved in the political process in pursuit of class interests (Aberdach, et al 1981; Haque, 2001; Peters, 2001).

There are advantages and disadvantages to the politicization of the bureaucracy. One inevitable consequence of public administrative work is that in delivering a public service to the citizens bureaucrats unavoidably participate in the political role of "deciding who gets what" from the public sector (Christensen and Laegreid (2004). Moreover, the merit principle is counter-productive as it implies the appointment of value-free bureaucrats who will administer public policies regardless of their impact on society, and thus may be apathetic and hostile to the programs of a political party in power (Cameron, 2010).

The downsides of politicization are that: it undermines the merit-based systems of employment, promotion and efficiency, professionalism; it weakens trust among actors in the external environment; it ensures loyalty to the government of the day only, it leads to loss of expertise; it erodes morale among existing public administrators; and it widens the gap between senior public servants and rank and file (Aberbach and Rockman, 1994; Cameron, 2010).

Despite the limitations of the politicization of the civil service Ghana's experience seem to favor it against the stipulations of the constitution. Several provisions of the 1993 Constitution and other enactments prevent public administrators from engaging in partisan politics. These are stated hereunder:

- Article 94 (3b) of the 1992 Constitution identifies three categories of persons who are not eligible to become Members of Parliament (MPs). Apart from members of the Electoral Commission and chiefs, the other category of those who are ineligible to be MPs are members of 13 services, namely, the Police Service, the Prisons Service, the Armed Forces, the Judicial Service, the Legal Service, the Civil Service, the Audit Service, the Parliamentary Service, the Statistical Service, the Fire Service, the Customs, Excise and Preventive Service, the Immigration Service, and the Internal Revenue Service. Conspicuously, missing in the list are the Education, and Health Service, and Value Added Tax (VAT) Services even though the VAT Service was not created before the coming into force of the Constitution. This notwithstanding, their exclusion does not mean that the members of those services should engage in partisan politics because the public services of Ghana as stipulated in Chapter 14, Article 190 (1a-d) identifies four categories of public services, namely, the 14 listed including the Health and Education Service, public corporations other than those set up as commercial ventures, public services established by the Constitution, and such other services as Parliament may by law prescribe.

- The non-engagement of public administrators in partisan politics is implied in Article 191 of the Constitution which protects them against “victimization, discrimination, dismissal, removal, reduction in rank and punishment without just cause.” If they engage in partisan politics, then they are undermining their own protection. In spite of this, the practice of intense partisan politics under the Fourth Republic has made it more difficult for some public servants to retain their reputation as being “above party.” They do not see themselves as servants of the state but rather those of politicians.

- Public administrators are guided by the Constitution, rules and regulations in the discharge of their responsibilities. Consequently, under Chapter 24 of the Constitution, public administrators as public officers should not put themselves in a position where their personal interest conflicts or is likely to conflict with the performance of their functions of their offices. This means that being a public administrator and, at the same time, engaging in partisan politics has the potential of creating a conflict of interest situation (Ayee, 2013). In this connection, the Civil Service Code of Conduct enjoins civil servants to exhibit a sense of fairness, and justice, and take decisions solely in the interest of the public.

Even though in Section 69 (1) of the Civil Service Law, PNDC Law 327, 1993 stipulates that “a civil servant may form or join any association,” at the same time Section 69 (2) debars a civil servant from forming or joining an “Association where such membership conflicts with the performance of his duties as a civil servant.” Therefore, joining a political party and campaigning on its platform create the avenue for conflicts (Ayee, 2013).

Despite these constitutional and legal provisions excluding public administrators from partisan politics, there has been a steady increase in the number of public administrators in partisan politics since the return to democratic governance in 1993. In 2009, for instance, there were 68 Members of Parliament as against 32 in 1993, whose last employment was in the public service. The figures may seem negligible, but the worry is that high-profile public administrators either actively campaigned for political parties or stood for primaries without resigning their positions thus compromising their positions as public administrators and giving the public service a negative image and reputation (Ayee, 2013). Occasionally, depending on who was in power, they were either asked or forced to resign before they contested the elections. Some of the high profile public administrators who engaged in partisan politics included the Chief Director of the Ministry of Finance; Director, Ministry of Mines and Energy; Director-General, National Development Planning Commission (NDPC); Chief Executive, Korle-Bu Teaching Hospital; Executive Secretary, Revenue Agencies Governing Board; Chief Executive, Driver and Vehicle Licensing Authority; Executive Secretary, Food and Drugs Board; Deputy Governor, Bank of Ghana; and Chief Director, Ministry of Health. There were also public administrators from the universities: Education, Health, Internal Revenue, VAT, and Judicial Services. In addition, on August 6, 2012, K.B. Amissah-Arthur, the immediate past Governor of the Bank of Ghana—the central bank, was sworn in as Vice President of the country following the elevation of the then Vice President, John Mahama as President after the unexpected death of President John Mills on July 24, 2012 (Ayee, 2013: 446).

The Ghanaian practice can be compared with the experiences in other jurisdictions across the world to determine whether they are in line with Ghana or in congruent with this important tenet of Weber’s bureaucratic model. Some countries, like France, permit partisanship whereby public administrators can contest elections and if they succeed they resign their positions. In

Spain and Italy, however, public administrators are permitted to take leave of absence to contest elections, but may be allowed to return if they are unsuccessful. In some cases, public officials are appointed because they are sympathetic to their government's policies. In some countries like India and South Africa even though it is stipulated that public administrators who want to engage in partisan politics must resign, the provision has not been enforced because of patronage and the poor enforcement of some policies and regulations in these countries. This is reminiscent of the Ghanaian experience (Ayee, 2012).

In the United Kingdom, industrial and junior public administrators are allowed to participate in politics, senior public servants may join a party; but no public administrator is permitted to stand for election to the legislature until he/she has resigned from the public service. The implication is that, as in Ghana, a career in the public service is an alternative to and not a preparation for entry to party politics (Ridley, 1986). The extreme experience of partisanship, however, is in the United States and China where being a public administrator is not considered incompatible with a political career. In other words, one must have some political sympathies and affiliations before being appointed to a public service office.

It is crucial to learn that access to senior positions in administration in the United States, Japan and France allows public administrators later to become chief executive officers of major private corporations. This is known as "parachuting" of the upper echelon public administrators into important and lucrative positions in the private economy (Peters, 2001; Peters and Pierre, 2007).

## **POLITICS-ADMINISTRATION DICHOTOMY**

The enunciation of the notion of separation between politics and administration has been attributed to Woodrow Wilson (1887). Wilson opined that while policies were to be debated and decided by politicians, they were to be carried out by a politically neutral, professional bureaucracy. In this way, the everyday conduct of government would be isolated from the potentially "corrupting influence" of politics (Denhardt, 1995). The decoupling has been advocated on the grounds that the 'dichotomous division of labor and authority between elected and administrative officials increases the democratic accountability and planning ability of public administrators' (Demir and Nyhan, 2008: 81).

The politics-administration dichotomy has been one of the most disputed theories of public administration since the days of Woodrow Wilson with some scholars describing it either as a "myth" or "aberration" (Maynard-Moody, 1998; Svava, 2001; Overeem, 2012). Most of the academic discourses have focused on the interactive relationships between politics and administration as well as on the impact of political interference into democratic government operations (Demir and Nyhan, 2008; Overeem, 2012).

In Ghana, from 1957 until the end of the first republic in 1966 and, even, since then, the relationship the politician and the bureaucrat was viewed as one of master and servant (Appiah, 2006; Ayee, 2013). The politician had a stranglehold on both policymaking and public management, however, and this has continued till today. For example, it is well documented that bureaucrats were, and continue to be, shut out of the policy making process (Kpessa, 2010; Ohemeng, 2005; Omaboe, 1966).

The quest for rapid national development and the reorientation of the bureaucracy toward political freedom fostered a hostile relationship between elected officials and the civil service (Amonoo, 1981; Omaboe, 1966). Politicians became policy developers (makers) as well as implementers, and were ahead of civil servants in all spheres of both (Omaboe, 1966). Distrust characterized the relationship between the Convention People Party (CPP) government and bureaucrats during this period, and this particularly explicates the quick pace with which politicians wanted to achieve development, not to mention the ideological underpinning of such projects (Amonoo, 1981; Gyimah-Boadi and Rothchild, 1990). Extreme politicization of the bureaucracy ensued, with the senior bureaucrats replaced as heads of institutions by party loyalists (Appiah, 2006). Commenting on the period, Gyimah-Boadi and Rothchild (1990: 233) note that President Nkrumah vowed that 'he would see to it that there were no 'civil masters' as under colonial rule but 'servants' carrying out the policy decided by the cabinet'. They asserted that 'senior officers were regarded with suspicion' and this led to questioning of their loyalty. The government thus did all it could during this period to assert political control over the bureaucracy (Amonoo, 1981, Ayee, 2001).

The period from the end of the Nkrumah's regime to the emergence of the Provisional National Defense Council (PNDC) (1966-1981) saw significant fluctuation in the relationship between the bureaucracy and elected officials. Government changed often, mainly through military coups, except from late 1969 to the early part of 1972 and from September 1979 to December 1981, when there were civilian administrations. The turbulent political environment of the period also saw a number of reforms of the civil bureaucracy that undermined its smooth functioning and alienated it from the policy making process because political leaders suspected their opposite numbers in the service (Asante, 2005).

Nevertheless, the bureaucracy enjoyed some relational dividends during this period. Of the relationship between politicians (military and civilian) and the bureaucracy prior to the PNDC days, Gyimah-Boadi and Rothchild (1990) observed that 'the various military and civilian regimes ruled in close collaboration with their civil service advisers, and not, surprisingly these senior cadres gained additional influence from this association, being viewed as experts' (Gyimah-Boadi and Rothchild, 1990:243). For example, the National Liberation Council (NLC), the military junta which overthrew Dr. Nkrumah tried to establish a cordial relationship with senior civil servants by replacing politically appointed regional and district commissioners with administrators who were career civil servants (Gyimah-Boadi and Rothchild, 1990). In regard to economic policy making, bureaucrats were involved alongside the business community in the regime's National Economic Council, which had control over economic policies. The NEC included five senior civil servants and two financial professionals. According to Kosack (2012), 'the NLC and the NEC ruled in a fashion similar to the British: bureaucrats were at the center and governed the local level through alliances with tribal chiefs and through central appointed administrators'

Similar to the NLC, in the short-lived Busia civilian regime (1969-1972) there was a collaborative enterprise between politicians and bureaucrats, Technocrats dominated the government's economic team, for example. Like its predecessor regime, however, these technocrats had come from outside the civil service, as they had worked for the World Bank or the IMF (Libby, 1976). What is obvious, however, is that the policy making process became the

bona fide arena for politicians and technocrats from International Governmental Organizations, resulting in the external co-optation of the policy making process in Ghana (Libby, 1976).

The profound change in the politics-administration relations occurred when the Provincial National Defense Council (PNDC) military government established revolutionary organs: the People's Defense Committees (PDCs) and Workers' Defense Committees (WDCs) in various cities, towns, villages, and workplaces, including the civil service. The WDCs were established with the goal of helping formulate government policy. They enforced price controls and curfews, supported rent controls, and investigated mismanagement in both government and business (Adarkwa and Ohemeng, 2015). On the other hand, the PDCs were formed under the directorate of a coordinating committee made up of representatives from all the progressive political organizations. This institution was part of the plan by the government to incorporate new groups into the planning and implementation of state programs, and thereby decentralize the government structures. The PDCs had the goal of organizing development programs in factories, banks, institutions, and universities, while acting as watchdogs for the government (Opoku-Dapaah, 1992). In other words, the establishment of the revolutionary organs created an unnecessary layer or countervailing authority to the bureaucracy. This pronounced the dichotomy between politicians and public administrators and made their relationship bitter.

In the new democratic dispensation that commenced since 1993 to date, the President is empowered to appoint directors for ministries and departments. The strangest thing about this power is that under the civil service structure, directorship is attained through career progression in the service. The overall effect of the reforms of the 1990s and the constitutional requirement for appointment is the over politicization of the top personnel of the civil service. This, according to Ayee (2009), has led to a situation where some civil servants either campaign on the platforms of political parties, or stand for parties in their primaries or parliamentary elections, or take up top posts without resigning their positions. The negative effect of this trend on the supposed neutrality of the civil service and its work cannot be overestimated. It has created possible avenues for conflict of interests especially when the Civil Service Code of Conduct enjoins civil servants to exhibit a sense of fairness, selflessness, and justice and take decisions solely in the interest of the public (Ayee, 2009).

## **EFFICIENCY**

Efficiency defies a single definition. In one sense it denotes allocative efficiency – meaning ‘maximizing the use of resources at least cost’-which represents the economies of scale argument or by utilizing the concept of ‘X efficiency’ or dynamic efficiency (Wolf 1989; Dollery et al, 2006). ‘X efficiency’ emphasizes the benefits made by ‘streamlining organizational improvements’ (Wolf 1989: 18), meaning ‘efficiency is not only gained from economies of scale’ (see Chapman 1995: 12). Efficiency gains from scale economies can be determined in two ways. The first computes it by administrative cost, while the second compares the quality and range of services (Haward and Zwart, 2000). The MPM approach emphasizes both values and the assessment here will pay attention to them.

Democratic governance conditioned the implementation of a market-driven mode of governance often referred to as the new public management (NPM), which is characterized by trust in market forces, and reorienting state policies towards deregulation, privatization, and

liberalization. The introduction of NPM features into public sector reforms in Ghana has diminished the “publicness” of public servants. The major impetuses and objectives of these public sector reforms have been to overcome public sector inefficiencies, reduce monopoly, minimize budget deficits, relax trade protection, streamline public expenditure, withdraw subsidy, generate revenue, expand competition, encourage foreign investment, improve service quality, and increase customer satisfaction (Antwi et al., 2008).

In addition, these reforms were meant to correct the inherent obstacles to the public nature of the public service, including its accumulation of excessive power, lack of accountability, and representation, indifference towards public needs and demands, official secrecy and inaccessibility, and role in depoliticizing the public sphere (Haque, 2001). In short, the new public management (NPM) reforms championed a vision of public managers as the entrepreneurs of a new, leaner, and increasingly privatized government, emulating not only the practices but also the values of business (Denhardt and Denhardt, 2000).

However, the NPM business-like reforms in governance have been seen to have diminished the publicness of the public service in terms of its institutional and normative identity, composition of recipients, pattern of socio-economic roles, degree of accountability, and level of public trust. In other words the reforms have “resulted in negative trends—the erosion of public-private distinction, the narrow composition of service recipients, the weakening role of the public sector, the worsening problems of accountability, and the declining level of public trust” (Haque, 2001: 67). In spite of the rationale of political leaders that public sector reform or reinvention can reduce people’s anti-government sentiment and revive their confidence in government, there is an increasing degree of public distrust or cynicism toward public governance, which implies its “diminishing publicness” (Haque, 2001; Wereko, 2008).

Following the introduction of the NPM in Ghana the performance of the public service particularly its service delivery capacity has largely been judged as unsatisfactory. For instance, late President Mills in his first State of the Nation Address, while acknowledging that the governance institutions have performed relatively well, was quick to concede that ‘they are under resourced, their leaders and staff poorly motivated and their institutions thinly spread, such that ordinary citizens in remote areas are unable to access many of their services’ (Republic of Ghana, 2009: 4). Similarly, the Advisory Group setup by the New Patriotic Party government in 2004 to guide the redesigned agenda of the Public Sector Reform program, identified the following weaknesses of the public service: ineffective leadership, weak management, lack of vision, low morale, excessive bureaucratic delays, low capacity for planning and implementation, pervasive image of corruption, fear, lack of discipline, poor working conditions and low remuneration, and excessive and erratic politicization (Republic of Ghana, 2006).

Key public services such as water, electricity, sanitation, and prevention of environmental degradation have been poorly performed. For instance, the basic function of sanitation which is the responsibility of metropolitan, municipal, and district assemblies (MMDCs) has become a big problem, especially in the cities—so much that Zoomlion Ghana Limited, a private company, has been contracted to tackle the problem (Owusu, 2006).

As a result of its unsatisfactory performance since the advent of democratic governance, the public service and public administrators have received a bashing from political leaders. They are seen as inefficient, incompetent, unresponsive, secret, and isolationist. This assault on the public service has become an effective means to justify radical pro-market reforms, including

downsizing the public sector and transforming the public service in the image of business enterprise, thus facilitating the expansion of political control over public administrators (Aye, 2013: 449).

## **COMPETITIVE TENDERING AND CONTRACTING-OUT**

Privatization, competitive tendering and contracting-out are instruments of the NPM that have been applied in Ghana to spur efficiency, economy and effectiveness in the conduct of public business. However, practice has curved away from the dictates of these instruments. For example, competitive tendering is to allow the vying of myriad contractors for government works in a way that will permit selection of the most competent candidate for the job. This procedure promises cost savings, professionalism, and good quality and enhanced results. In practice in Ghana, the bidding process is fraudulent to the extent that competent contractors are by-passed in favor of those who are government party contractors. A case in point is when a school building project in Kpandai Senior High School in the Northern Region was awarded to the NDC Regional Chairman of the NDC who although had received a chunk of the contract sum failed to progress the work with impunity (TV3, News, 2017).

Similarly, the Auditor General (2004, 2011) revealed serious contract management irregularities by local governments. Sections 59 to 63 of Part IX of the Financial Memoranda for MMDAs, 2004 states that no contract should be awarded without tendering. Section 68 of Part IX of the Financial Memoranda also prohibits alterations to existing contract without the recommendation of the District Tender Board and approval by the local government. While Section 69 Part IX of the Financial Memoranda stipulates that 'No advance payment shall be made to a contractor unless provided for in the terms of contract and shall in no case exceed 15 percent of the contract'. Furthermore, Section 70 (6) of Part IX of the Financial Memoranda also obligates the contractor to enter into a bond with securities for the payment of the initial advance. The aim in this section is to determine whether local governments have complied with these provisions in law.

Contrary to these contract management provisions, 2001-2004 recorded the highest number and types of contract management breaches by local governments. These breaches included: award of contracts without formal agreements; award of HIPC contracts without prior approval by the Ministry of Local Government and Rural Development; award of contracts without tendering; unauthorized contract variations; excessive contract advances and lack of bonds; abandoned contracts/unutilized projects; and overpayment of contractors. An average of 9 local governments were engaged in each type of breach which culminated in a total financial loss of GH¢480,290.00. In 2005-2007 five different types of infractions involving an average of 6 councils per breach were recorded. The breaches which were the second highest during the period under review included: award of contracts without approval; contract payments without certificates; unauthorized revision of contract sums; payment of mobilization advance without surety; and failure to sign awarded contract agreements. These irregularities resulted in a total loss of GH¢108,210.00. For 2012-2014 only one breach, which is namely failure to update contract register, was recorded. This infraction translated into a loss of GH¢479,719.70. The grand total loss due to contract management infractions stood at GH¢1,068,219.70 (Auditor General, 2004, 2010, 2011).

Some ministries and departments have over relied on sole sourcing and selective tendering instead of competitive tendering for public procurement and the award of government contracts. For example, in late 2011 and early 2012 a problem with a contracting-out arrangement cropped up which has become known as the Woyome Case or Scandal. It involved one Alfred Agbesi Woyome a known financier of the then ruling party, the NDC, who was paid by the state GHC51 million (about USD26,153, 846 [GHC1.95=USD1]) as judgment debt without any basis in contract or other legal right. This case led to the resignation of Betty MouldIdrissu, Minister of Education, who authorized the illegal payment as Attorney General and Minister of Justice in 2010 and the dismissal of Martin Amidu, the immediate past Attorney General and Minister of Justice for alleged insubordination and disrespect at a cabinet meeting held over the matter (Ayee, 2013). The Woyome Case, which is being heard at the High Court (Commercial Division), has become the most popular and durable discourse in Ghanaian society with all sides of the political divide adducing historical evidence to buttress claims that illegal judgment debts had been made by both the NDC and NPP while in power to some of their supporters or sympathizers without recourse to due process (Amidu, 2012).

## **DEMOCRACY**

Democratic theory which undergirds the NPG approach places premium on traditional democratic values that fully embrace “access, “accountability”, “representativeness” and “responsiveness” and better governance (Lyons and Lowery, 1989; Newton, 1982). This theoretical underpinning of NPG implies support for collaborative or pluralist processes of reform rather than top-down mechanistic policy intervention that takes precedence over citizens’ opinions (Aulich, 2005).

Political theories of democracy posit that people have the right to be informed and consulted and convey their views on matters which affect them to decision-makers (Tosun, 2000). In modern democratic government, elected representatives have, however, failed to represent grassroots and at least significant segments of communities have feelings of alienation towards governmental decision-making (Tosun, 2000). This is the reason why there is increased demand for public participation in national affairs in Ghana as elsewhere. Such demands have led to an increase in the number of participatory processes in solving public problems. In Ghana over the past two decades, a number of major national exercises were conducted, to promote public participation in policymaking. Between 1993 and 1994, the government held a series of regional and sub-regional forums to formulate a long-term plan for the social and economic development of the country. The result was a national document, Ghana: Vision 2020, which envisioned transforming the country to a middle-income economy by the year 2020 (International Monetary Fund, 2010; Thompson, 2005). In 1997, a National Economic Forum, based on nationwide public hearings, was held in Accra, the national capital, to review the general direction of the national economy and initiate policies to strengthen Vision 2020. In the same year, the Structural Adjustment Participatory Review Initiative was launched. And in 2001, a national economic dialogue was held within a similar participatory framework, culminating in the Ghana Poverty Reduction Strategy (GPRS) Paper (see Ayee 2002; Institute for Democratic Governance 2007; Thompson 2005). Participatory processes were also employed in the design and implementation of the Renewable Natural Resources Strategy as well as the Pension



Reforms (Kpessa 2011; Vordzorgbe and Caiquo 2001). More recently, in 2010 an elaborate consultative process to review the 1992 Constitution was launched at the behest of the late President Atta Mills (see Daily Graphic 2010).

Yet, proponents of the elite approach insist that involving the public can be disruptive, costly, time consuming, and inefficient, owing to the fact that they are not capable of participating effectively. The disadvantages of the participatory decision making approach, as enunciated above, most likely influenced rejection of it by the one-party and military regimes in Ghana. For example, the amendment of the 1957 Constitution and the promulgation of the 1960 Constitution, which converted Ghana from a multiparty system to a one-party rule, as well as conferred life tenure on President Nkrumah, were conducted in an exclusionary manner (Frempong 2007). Among other things, the changes were meant to stifle dissent and ensure an executive controlled legislature (Frempong 2007). Another example was the enactment of the Prevention Detention Act by the same government under which persons could be detained without trial (Frempong 2007). The Union Government concept (a combination of military and civilian-appointed government) that was proposed by General Acheampong's military government was implemented without public consultation (Frimpong 2007; Institute for Democratic Governance 2007). Mass opposition to the concept forced the military junta to allow a referendum to determine the proposal's fate. Unsurprisingly, the concept was defeated in the process. The Economic Recovery Program, formulated under the Rawlings military rule, was enacted with little, if any, public involvement (Gyimah-Boadi 2001; Vordzorgbe and Caiquo 2001).

The outcomes of these examples of exclusionary policy making in Ghana point to the fact that the elite decision-making model has considerable drawbacks. For instance, with respect to the Union Government concept, the initiating government was myopic in its outlook and failed to consider important communities and points of view. The Acheampong government was oblivious of the fact that Ghanaians were tired of many years of military reign that curtailed civil liberties and stifled civic activism (Gyimah-Boadi 2010; Institute for Democratic Governance 2007). In contrast, public participation in decision making is seen as a formidable pillar in modern democracy, and it is critical to active citizenship (Woodford and Preston 2011).

Such governance deficits have also been witnessed at the sub-national level in Ghana. Although local governments are required to demonstrate fiscal accountability and transparency in all revenue mobilization and expenditure decisions, this is not the case in reality. Citizens in order to hold local governments to account for the services they provide need information. The information should pertain to what decisions local governments are taking and how public money is being spent. Councilors as representatives of the people are required to share information from council with the electorates. However, studies show that local governments do not disclose quarterly receipts even with the citizens' representatives let alone to the citizens themselves (Development Partner/Ghana Government, 2007). Without knowledge of internally generated funds, citizens are incapable of monitoring the utilization of local governments' funds. This undercuts one cardinal principle of transparency which is that usable information should be made available in good time to permit analysis, evaluation and engagement by relevant stakeholders.

Sharing information about revenue receipts can help manage expectations of citizens. The residents of Dalan in the Kunbungu District, for instance, have refused to pay rates to the local government because they believe that although the local authority generates a significant percentage of its total revenue from sand wining in the community, the council does not account to them for revenue received (Development Partners/Ghana Government, 2007). These minutiae mean that GNP tenets are often being violated in the conduct of public business in Ghana.

## **CONCLUSION**

This study set out to investigate the congruence of public administration theories with practice in Ghana. The evidence has shown that a considerable gap exists between prescription and reality largely because the models were imported from the developed world without tailoring them to suit the Ghanaian context. The context in Ghana, as elsewhere in the developing world, has unfavorable factors that increase the chances of misalignment between the theories and practice of public administration. The lesson to be learnt here is that public sector management and reform efforts should be sensitive to context and draw on various approaches. This is because no single model of public management offers a magic bullet to resolve problems of public administration.

One of the gaps is that there is growing politicization of the public service and that this is not new because the trend has been there since independence in 1957. The politicization of the public service has become more or less a norm because of the country's constitutional and legal framework, the culture of patronage, and global influence such as the experiences of the United States and the OECD countries. This has made public administrators vulnerable because there is a sense of insecurity that has affected their capacity for long-term policy design and implementation.

Another disjunction is that there is blurring of the separation line between the political and administrative worlds with the line being skewed towards the former. This is because positions that hitherto would have been unthinkable as candidates for political game play are now glaringly open to political control and appointments.

The concurrent stress on decoupling and protection of bureaucrats from political interference, on one hand, and interaction and incorporation of administrative input in the design and implementation of public policy, on the other hand, is no longer tenable. Consequently, civil servants in Ghana must come to grips with the reality that a political public administration is a mirage since it is part of the move towards securing their greater responsiveness and accountability and effective service delivery.

The presence of accountability, transparency and efficiency and contract administration deficits point to the wide discrepancy between the theory of the new public management reforms and its practice in Ghana. This is especially true in relation to competitive tendering, contracting-out, and fiscal accountability and transparency and service provision. Some high-performing countries, like Singapore and Malaysia in East Asia, and Chile and Brazil in Latin America, possess the political direction and administrative capacity to enable them to design and manage complex multi-agency forms of public service delivery (Ayee, 2013; Robinson, 2015). This is not the case in Ghana. A whole-of-government perspective can mitigate the risks of incoherence,

fragmentation and opaqueness associated with Ghana's public administration approach and digital governance offers the potential to increase efficiency and transparency simultaneously.

An unorthodox approach that taps selectively on a range of public management traditions will be more appropriate for Ghana than an approach to reform that is predicated on models that have evolved in the political and economic conditions of advanced industrialized countries. Such an approach would stress different elements from a repertoire of potential alternatives that offer "best fit" rather than "best practice" solutions. This would make a case for a hybrid approach to public sector reform that embraces adaptive responses to complexity, wicked problems and the global dimension, and emphasize the significance of motivations and incentives, and privileges the interests and needs of citizens as the primary focus of public service reform. While recognizing the importance of maintaining an efficient and capable core public service. For such an approach to work, Ghana needs to eschew patrimonial politics in favor of galvanizing a buy-in from citizens to work collaboratively with state actors and reform-minded others to achieve a very different image of public administration.

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## **DECISION MAKING MODELS ON EDUCATIONAL SYSTEM CHANGES**

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**Abstract:** *Changes in national education system should start as an objective of diagnosis from which to establish a long-term goal. From a historical perspective, this goal has coincided with a country program. A country with a strong educational system can support a sustainable economy, a well-qualified labor market and a better life for every citizen. This goal is specified in all the government programs of the parties that are entering a political competition. A strong economy can provide more money for education, and the formula is valid both ways - more money in education leads to an economic gain. Today few will deny that education is a necessity for economic growth and, above all, that education is the guarantee for democratic and cultural development (Lundgren; 2002). In this article, I will demonstrate how such an objective can be partially missed because of the fact that the system changes were targeted and made only in crisis areas, not globally, across the system. Thus the legislative incoherence and confusion between centralism and autonomy made the system quickly adapt and the assumed goal to be more and more difficult realize. The political class has adopted a new model of making public policy, that I will call "to extinguish the fire". Most of the changes in this area have been made in this way: large fires were extinguished, it was patched where the holes were too big, but the fire continued to smolder. Hence, teachers and students have also adapted to the times and the results are visible to all national and international tests/ indicators.*

**Keywords:** *Decisions making, education changes, human capital*

Who are the policy makers in higher education? In general, all non-profit organizations or the professional organizations can and are encouraged by the national law to participate in the creation of new public policies in the field of education. Through the law of decisional transparency, all projects that are under public debate can receive comments from professional associations or even simple citizens. Moreover, when they are discussed in the specialized committees in the Parliament, they can come up with suggestions for improvements that can be taken over by parliamentarians in the form of amendments. These organizations can raise public awareness and thus change the vote of the parliamentary majority.

The Government, the Parliament and the Presidency have regular work meetings with these organizations. They can come up with requirements to change an article of the law or even suggestions for new laws or governmental decisions. It should be noted that the institution that has the biggest initiative to invite these organizations is the Presidency - due to the national project initiated by Presidency, called the "Educated Romania" (Matei, Antonovici, Săvulescu; 2016). At other institutions, rottenly, the organizations requested meetings, access to working sessions of specialized committees or organize workshops to invite parliamentarians and government members.

In general, the educational trade unions have often proposals related to the salaries of teachers and they are reproached after each negotiation that the main claim is not the quality of education - student interest. In such discussions and negotiations, associations of students and parents, traditionally come with suggestions on the educational process: finalizing the studies and the application of the knowledge acquired on the labor market, the number of hours per week, the rights of the students etc.

The numbers and premises from which the majority of the educational Romanian debates start are the same for every actor that is involved in the decisional act. But the identified solutions are different in the moment that they come to governance.

The identified solutions by the act of the governance are often different from the engagements that are made before coming to governance. The "National Pact for Education" has been signed ever since 2008 by all the political parties by the Romanian Academy President, a significant number of NGOs and the President of Romania.

The Pact provides a number of objectives as follows:

- The modernization of the educational system and of the institutions between 2008 and 2013 in order to increase the competitiveness;
- Ensuring a minimum 6% of the GDP for education and the minimum with 1% for research in the timeframe 2008-2013;
- Unrestricted access to free education at all levels;
- Decentralization of education;
- Implementing the principle "money follows the student";
- Adoption of a charter of human rights and freedoms in education;
- Overcoming the gap between the rural and urban.

All of these 7 targets have been partially or totally missed. Although the Law on National Education stipulated as of 2011 the mandatory allocation of 6% of GDP for education and a minimum of 1% for research, the two areas did not get more than 3.5% in one year. The children's rights to education have been further restricted by not paying the commuters, not providing the minimum comfort conditions in classes (we have hundreds of thousands of children in non-modern schools every year and institutions responsible for anti-fire control do not grant them operating authorization). The "money follows the student" principle has been introduced in the law, but it has been badly applied and has created more inequalities between schools. The gap between rural and urban schools has widened, for example at the 2017 National Assessment Examination - 50% of rural students have scored less than grade 5 in mathematics.

According to official numbers released by the National Statistics Institute over 60% of students that enter in the system are lost on the road: 15% do not finish 8th grade, another 30% drop out of high school and half of the remaining students do not take the Baccalaureate exam. Thus, half of the generation is set aside by the inability of the system to provide equal opportunities to quality, equal, free and fair education. One of the two young men who have reached the age of 18 possess no qualifications and no real chance to return to school. Youth unemployment is the highest in Europe. NSI says that the unemployment rate reaches its highest level (20.4%) among youth (15-24 years).

Romania is at the forefront of labor shortages in Europe (72% of Romanian companies do not find qualified personnel for the jobs they have been bidding for). Romania cannot retain (133 out of 138, according to the Global Competitiveness Report 2016-2017) and can no longer attract talent (127 out of 138). Graduates of any form of education have employment difficulties because of the lack of correlation between school and university curriculum with the requirements of the labor market.

The efficiency of a public policy can be predicted based on the economic model practiced by each state. Romania gave up the centralized economic model after the fall of communism in 1989. The transition was difficult and rather long. We can say that the transit ended with the

accession of Romania to the EU. During this period, the power from Bucharest tried to reform education. It was changed twice (1995 and 2001). But in the years after the new law, the government has carried out hundreds of amendments by emergency ordinances. There were several emergency ordinances and legislative initiatives voted by Parliament that changed the content of the Law almost entirely (e.g. GEO 49/2014 amended 97 articles of 365 according to the Law). As I will continue to show, changes in this area have not taken into account an objective target or a long-term goal, a vision for the country, but rather it was the political factor that operated modifications in the areas of "crisis".

Thus, through these repeated changes, the decentralization has turned into centralization and the autonomy of the school units has been replaced by a political centralism. More often than not, the only thing that was changed was a single article, others have remained in force, creating as such uncoherent and inapplicable laws. Local authorities, for example, while hiring in schools and signing management contracts with the director, cannot dismiss him. Or another bizarre example, schools organize the contest for a teaching position, but they could not dismiss the teachers who were not performing and a teacher who held a position in a school where there was no competition in the competition - could soon be transferred to another school on the same job because he is a teacher in the national education system and not a teacher at x school. The confusion between centralism and autonomy, legislative incoherence has made the system to quickly adapt. It is exactly the mode of the political class that I will call "extinguish the fire". That's how most of the changes have been made in this area: large fires have faded, where the holes were too big, but the fire continued to cower. As a result, teachers, and students have adapted to the times, and the results are seen in all national and international tests.

If in the socialist system the state knew that in the next years it would need 2000 engineers, 3000 tailors and 4500 turners - then schools would receive a number of tuition places to cover those predictable needs. After 1989, the free market had to decide which schools are sustainable and which must disappear. But cutting subsidies for existing schools would have been total chaos. So, all educational units received subsidies as before. The main criteria that was taken into consideration was "keeping jobs for teachers". This argument is being debated today when discussing the modification of the Framework Programs (of the subjects to be taught in the coming years). Each union trade and professor says his subject is the most important and the specialists who have prepared these Framework Programs are also criticized by teachers and the political class. Therefore, the decisions that are made are, in most cases, with a low degree of reform / innovation.

There is no national statistics about the quality of studies related to labor market needs. And when the National Education Ministry does them - they remain at the level of strategies. These are not the basis for regulatory changes. Little by little, the market began to self-regulate. Faculties that were searched for in the 1990s, for example, Law or Journalism, are no longer so attractive - there is not such a big competition. For example, a significant proportion of young people with higher education have engaged in unskilled jobs<sup>1</sup>. Although there have been a few years when vocational schools have not received the schooling number (they have practically been abolished - vocational schools have had to convert to technology or vocational high-schools)

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<sup>1</sup> The Romanian Agency for Quality Assurance in Higher Education shows that 80% of graduates from Romanian faculties work in other fields than those for which they have been trained - <http://www.aracis.ro/>.

there is now a program encouraging vocational education. However, the number of scholarships covered by the state was not occupied 100%. Therefore, human capital theories can not be verified in this case.

Education is now universally recognized as a form of investment in human capital that yields economic benefits and contributes to a country's future wealth by increasing the productive capacity of its people. Thus expenditure on education can be partially justified in terms of the potential contribution of education to economic growth. (Woodhall, M., 2004, p.23). An UNICEF-Romania study<sup>2</sup> launched in 2004 had the following conclusions: "Romania will lose between 12 and 17 billion euros in 2015-2025 if it maintains education investment at the current level, and an increase in the education budget by 6% of GDP would mean economic growth of up to 2.95%, compared to 2% ". In addition, constant investment in education would solve problems with labor shortages, citizens will be better paid and will reduce the risk of marginalization. "One more year of school increases in earnings by 8-9 percent, reduces the risk of becoming unemployed by eight percent and that of serious health problems, by 8.2 percent." The graduates of the secondary superior educational system earn with 25-31 % more than the ones who only graduated the primary and the secondary school. The earnings of the people who graduated university are bigger with 67% than the ones of the students that give up on school after the secondary superior school.

In view of the importance that planners in developing countries now attach to the goal of maximizing economic growth, it is extremely important to have some means of assessing the economic impact of education. It is now recognized, however, that this is only a part of the complete picture. The concept of human capital that underlies the application of cost-benefit to education has been further developed since the 1960s. In the 1980s and 1990s, critics argued that the concept was too narrow. The economic benefits of education are important; however, the social, political and cultural consequences of education must not be neglected. Sociologists such as Coleman (1988) have introduced the concept of social capital, which takes account of social relationships and networks as well as non-economic factors such as trust and co-operation. International agencies now emphasize that human capital and social capital may be equally important in contributing to development. (Woodhall, M., 2004, p.25).

Normally any reform in the educational system should also start from the needs of the labor market. The country report prepared by the European Commission for 2017 shows very clearly that the proportion of young people who are not professionally and do not have any education or training program (NEET) remains high (p.23). Two-thirds of NEET youth remain inactive. In addition, the European Commission also notes that the unequal supply of quality education affects the potential of human capital. Graduates of any type of study have poor results in basic skills. There is a high and rising rate of early school leaving (about 19%) and high school graduates will not meet the growing need for skilled labor. In Romania, the level of public spending on education is among the lowest in the EU. If this continues, these factors will continue to undermine the potential of human capital and economic growth. (pp. 26-27)

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<sup>2</sup> "Costurile Investiției Insuficiente în Educație în România", UNICEF România, 2014



## CONCLUSIONS

The traditional view of the role of the government in a market economy is that the government is attempting to maximize social welfare. Any decision on investment in education must be made taking into account the balance between costs and benefits. That is what all economic theories say. When it comes to politics, there is an inevitable variable: how many votes can one or another measure. Obviously, any rational person would balance the future of the children and the of the country, but when changes are made to the educational system, it must be taken into account that the employees of the system of the trade unions must represent the interests of parents and children. Radical changes can cause perplexity and some resistance to change, as was the case with the National Education Law no. 1/2011, which was a reformist one that scared the system. From this point of view, it has been modified to please everyone: the local, central, system employees, etc. For real reform there must be a system for evaluation and quality assurance. This must build on an agreed division of responsibility, which means that there must be both central and local evaluations and quality assurance. Reforms must embrace all levels and all instruments for governance (Lundgren; 2002).

Any other change in educational policy should be done through a national consensus, but also by the very clear engagements of local and central public authorities to provide money for true reform. Otherwise, any national law or pact will remain a simple paper forgotten through the offices of the political people.

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## **THE ROLE OF ACCOUNTABILITY WITHIN A ZERO WASTE STRATEGY: EVIDENCES FROM A SICILIAN SMALL MUNICIPALITY**

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**Abstract:** *Building a sustainable city model comprising an integrated waste management system has become an indispensable choice, also in the light of increasingly stringent regulatory constraints. The core point of the paper is the implementation of a zero waste strategy in a small municipality in Sicily. Given that only the unceasing participation of citizens may ensure the persistence over time of such a policy, accountability process works letting citizens approach directly the end-results of their ongoing good practices. By building up a SD model framed by a DPM chart, it is possible to figure out how disclosure of public saving resulting from the decreasing amount of waste piled up in the landfill, has boosted along the period 2011-2015, a virtuous cycle intended to cope with the citizens' claims about environmental care and lower tax burden level.*

**Keywords:** *integrated waste management, zero waste strategy, dynamic performance management, saving, Public Governance, accountability.*

### **1. INTRODUCTION TO ZERO WASTE STRATEGY AS AN INTEGRATED WASTE MANAGEMENT SYSTEM**

Sustainability might be seen as the most important challenge mankind is going to face in this millennium. Indeed, given the ongoing consumption rate, mankind ought to live at least in two planets assuming the European consumption model, whereas looking at the American one, mankind would need at least four planets (World Watch Institute, 2013). Zero waste strategy might be seen as a kind of Integrated Waste Management System (IWMS). More deeply, it requires to put together waste streams, waste collection, treatments and disposal methods, with the objective of achieving environmental benefits, economic optimization and social acceptability (McDougall et al., 2001; Thomas and McDougall, 2005; Marshall and Farahbakhsh, 2013).

Facing the need to slow down the ongoing consumption rates to deal with sustainability challenge, the main purpose of a zero waste strategy is not to find out more sophisticated methods to destroy waste. Vice versa, it aims to encourage production of products and packaging materials that will never be destroyed (Connett, 2007, 2013). The change in the paradigm this strategy is trying to foster, is essentially summed up in the 3-R scheme: reduction, at the source; recycling and reuse to extend the lifecycle of the products.

Generally speaking, the ambitious aim of Zero Waste requires to be grounded in two pillars:

- Engaging community, by undertaking public campaign just to make people receptive to this kind of matter and to invite them to adopt waste free practices;

- Industrial responsibility, as a guarantee of designing long-lasting, easily maintainable and repairable products, reducing packaging, reusing parts and material coming from discarded products and material in line with a circular economy (Simon, 2010; Connett, 2013).

## 2. APPLYING THE ZERO WASTE STRATEGY IN A SMALL MUNICIPALITY.

Nowadays, waste management is an integral part of a sustainable city model. In the last years, big cities like Stockholm and Adelaide have been experiencing significant improvements along “zero waste path”. In all these particular cases, policies and regulations have been recognized as the overriding stimulus to foster the development of such innovative waste management systems causing citizens to take up the preset sustainable path (Uz Zaman and Lehmann, 2011). Moreover, it has been recorded empirically that operational efficiency of solid waste management depends on socio-cultural aspects including active participation of citizens for contributing in solutions (Guerrero et al., 2013; Bryson et al., 2014).

This conception is aligned with the idea of public governance as «*self-organizing networks covering non-State actors*» (Rhodes, 1996.); so that overall performance of economic and social system is the result of interactions involving further actors as well as the Public Body (Meneguzzo, 2005). Generally speaking, rate of municipal waste landfilling for the 32 EEA member countries fell from 49 % in 2004 to 34 % in 2014. Specifically, while in Austria, Belgium, Denmark, Germany, Netherlands, Norway, Sweden and Switzerland, virtually no municipal waste is sent to landfill anymore; Cyprus, Croatia, Greece, Latvia, Malta and Turkey still landfill more than three quarters of their municipal waste (EEA, 2016).

Despite Italy reported between 2004 and 2014 one of the highest increase (24 percentage points) in recycling rate in Europe (EEA, 2016); municipalities have been recently involved in the grip of the fiscal compact, in line with European diktats and the tough economic and financial situation (Creel et al., 2012; Warner and Clifton, 2014; Barbera et al., 2016). As a consequence, they have been approaching the need of a spending review aimed at squeezing the management costs as much as possible (OECD, 2015). Fiscal compact, as fiscal chapter of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, signed on 2 march 2012 formalized the need for governments to keep as sustainable their public finances and to prevent a general government deficit, just to safeguard the stability of the Euro Area, as a whole. Accordingly, it also requires the introduction of specific rules, including a “balanced budget rule”<sup>3</sup> and an automatic mechanism to take corrective action. This rule has been cascaded on municipalities forcing them to hold down expenditures level just to stabilize their financial equilibrium.

*Sic stantibus rebus*, adopting a zero waste strategy for a small municipality like Palazzo Adriano<sup>4</sup>, made up of less than three thousands of inhabitants, might be seen as an unavoidable choice aimed at squeezing expenditure levels – given that transfer of waste in landfill implies an incurring cost, referred to the incineration system as last treatment stop – by encouraging a lower

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<sup>3</sup>Constitutional Law n.1, 20 april 2012, and new article n. 81 of Italian Constitution. To read more, go to [http://www.reuters.com/article/italy-budget-senate-idUSL5E8NKDKR20121220\[2017\]](http://www.reuters.com/article/italy-budget-senate-idUSL5E8NKDKR20121220[2017]).

<sup>4</sup>Palazzo Adriano is a small town belonging to the Metropolitan Area of Palermo.

waste production and by managing properly waste volumes still produced. Moreover, through this policy, municipality could also be able to cope with the intergenerational equity issue.

First of all, reducing the amount of waste in landfill by implementing a zero waste strategy, on the one hand turns into an economic benefit. Indeed, saving connected to the refusal of the incineration system will be converted into lower taxes, since, as it has been seen commonly, a so-called differentiated tariff system is used to distinguish the separated and non-separated waste by the tax which householders should pay (Bing et al., 2016).

Reduction of waste also turns into a driver simultaneously of direct and indirect benefits for society: on the one hand, it satisfies the collective interest in the environmental care; on the other hand, it creates the conditions to generate redundant positive externalities that are bound to strengthen the image and attractiveness of the reference area.

Recycling has always been a challenge for municipalities. In particular, reviewing the results attained throughout Italy, it is known that the main causes of the failure of such initiatives are:

- inability of municipality to raise awareness of the population, if the municipality either has not achieved satisfying fraction of waste recycled level or it has not been able to be accountable to the citizens for the results of such a policy (Heinrich, 2002; Behn, 2004; Bovens, 2007);
- lack of sufficiently strong control mechanisms (Frey et al., 2014), ready to ensure the continuation of a similar program, which of course, at least in the short term, encounters strong resistance, given that it threatens a more convenient but also more polluting model of life.

Obviously, small municipalities are more likely to get a target fraction of waste recycled sooner respect to the larger ones. In particular, according to Ispra<sup>5</sup>, recycling rate of over 60% is more likely in municipalities including both between 2,501 and 5,000 inhabitants and between 5001 and the 15,000 inhabitants (respectively 52,6% and 55,9% of the corresponding class of municipalities have reached the target fraction). Over 60% of recycling has been achieved also in the 33,3% of municipalities comprising between 100,001 and 200,000 inhabitants. Instead, there is no municipality with a population of more than 200,000 inhabitants that has been reaching such a threshold (Ispra, 2016).

In the last years, in accordance with the fiscal compact (Bel and Warner, 2015) and with a view of achieving scale economies – trying in the meanwhile to fix that historical local authorities budgetary and capacity shortfall, as mentioned before – it has been spread the idea of conferring waste management system to public consortia of services called ARO (Optimal Collection Area), whose costs will be split up among the different participating municipalities. In other words, waste management will be outsourced in favor of a public consortium that will take care of workforce management, devices and facilities, maintenance investments and processing waste in landfill. Generally speaking, such a choice has spread among small towns (Sorensen, 2007; Bel and Mur, 2009), since, by cooperating, they typically incur lower costs for their waste collection service. Inter-municipal cooperation in service delivery also may improve collection frequency and the quality of the service in small towns, lowering transactions costs (Bel and Mur, 2009; Bel and Fageda, 2010; Peters 2011; Gomez et al., 2013).

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<sup>5</sup>Public Agency supervised by Ministry of the Environment, responsible for technical scientific activities connected to environmental care, protection of water and soil conservation.

Looking more closely at the municipality of Palazzo Adriano, the latter will be merged with the municipalities of Bisacquino, Prizzi, Chiusa Sclafani and Giuliana, in “Valle del Sosio ARO”, assuming that they generally represent a rural and mountainous area with a low population density. This consortium has been introduced by Regional Law n. 3/2013 but it has not begun to operate yet because of some bureaucratic quibbles about absorbing the employers referred to ATO PA 2, the former public company owned by municipalities, which was in charge for waste collection up to 2014, when it failed. In the meanwhile, waste disposal service has been contracted out to a private company, which is equipped with a transference station located in Cammarata (a municipality around 40 km far from Palazzo Adriano).

Decision about which waste management system to adopt is a clear demonstration of the role of Public Sector either as an acceleration factor or a constraint for the growth of the local area (Moore, 1995; Borgonovi, 2001; Meneguzzo, 2005; Flynn, 2007; Bryson et al., 2014; Bianchi, 2010, 2016). After all, empirical studies have shown that there is no “one size paradigm fitting all the urban realities”, since there are different variables at stake impacting on the success of an ordinary waste reduction policy, like the necessity of good and reliable data or the importance of governance, as well as technology (Wilson et al., 2012).

That being said, the aim of this research is to explain how the benefits for the citizens have sprung up from the start of this program (with its ten steps) since 2012 in Palazzo Adriano. Going in depth, Palazzo Adriano has been cutting down its expenditure levels pertaining the waste management system of almost 25% in four years by increasing at the opposite – thanks to the zero waste strategy – fraction of waste recycled from 4% in 2011 up to 65% in 2015. To find out the source of such spending review process naturally impacting on relationship between local government and citizens; it has been needed to integrate the 3-R scheme with the S of saving money just to highlight what has been strengthening this strategy over time, bringing out, within a tough regional situation, a virtuous waste management system. Indeed, implementation of a zero waste strategy in a small municipality like Palazzo Adriano should be weighted up in the light of the tough regional situation witnessed by the overall fraction of waste recycled. More precisely, in Sicily, in 2014 (Sicily Region, 2016), one third of all the municipalities did not go beyond the 5% and the regional recycling rate has not been recording so many improvements (Ispra, 2016), remaining almost constant until now (12,5% in 2014 and 12,8% in 2015).

Time horizon taken into account coincides with the lag of time whose data have been provided by municipality, namely a period of five years, including the year before the implementation of this strategy. This choice is justified by the desire of understanding the strength of that change the policy implementation has been unleashing over time.

To summarize, this paper is intended to answer the following research questions:

- How can a small municipality introduce a successful zero waste strategy?
- What are the main factors fostering or tackling a zero waste strategy?
- Which are the most important drivers explaining the behavior of waste cumulated in landfill?

### **3. METHODOLOGY**

Assuming that unpredictability and dynamic complexity are the main enemies for the better understanding of a system and given that all is change, policy-maker ought to oversee

changes occurring within a certain system at many time scales (Sterman, 2000), and trying to keep track of interactions among these different scales. Therefore, a municipality should cater for performance, defined both as outputs – and mainly outcomes, as projections of the outputs in the outer local system (Ammons, 2001; Heinrich, 2002; Behn, 2003; Van Dooren et al., 2015, Bianchi, 2010, 2016)– it is supposed to get at the end of its policy, and the process that is in charge for those end-results. Besides, nowadays citizens are demanding better results from government at a time when resource constraints are increasing, and level of trust in government at all levels is at an historic low. Hence, rejecting black box concept and making all the process transparent as much as possible has become a priority (Sanger, 2013).

A Dynamic Performance Management Chart based on SD modelling techniques (Forrester, 1961; Sterman, 2000) might be seen as a useful planning and control panel based on an integrated and systemic view (Amigoni, 1978; Flamholtz, 1996; Otley, 1999, 2001; Bianchi, 2016). Aimed at keeping track of performance both as process and end-results, a DPM chart based on SD modelling might challenge mental models through simulation; so that modelling might be considered as a practical way to learn and test in a “protected” environment the consistency – in terms of robust trade-offs perception – of policy maker decisions (Morecroft, 1987, 2007).

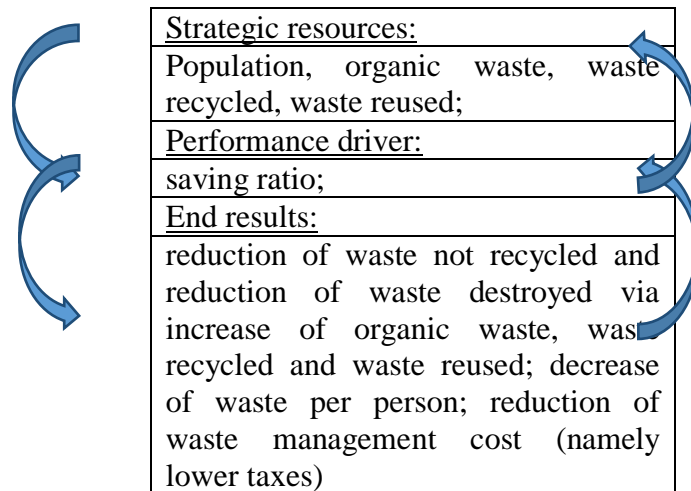
System Dynamics gives the possibility to build up an exploratory model looking into the dormant dynamics. To do this, it typically relies on reasoning in terms of stocks (states) and flows (changes) in accordance with the principle of accumulation (Forrester, 1961; Sterman, 2000; Buede and Miller, 2016). Assuming that stocks have four important characteristics (they have memory; they change the time shape of flows; they decouple flows; they create delays), stock and flows structure (Booth Sweeney and Sterman, 2000; Sterman, 2000) might be seen as a completion of another pillar of SD approach, the causal loops diagramming (Sterman, 2000), namely the possibility of mapping the system in terms of cause and effect relationships between individual system variables; the latter ones, when linked, form closed loops that feed back to the structure altering the relative importance of each of the variables listed in the system.

In order to provide decision-makers with proper lenses to interpret phenomena like unpredictability and dynamic complexity, SD modeling, within a DPM chart, has been used to support an understanding of:

- how end-results can be affected by performance drivers;
- how performance drivers can, in turn, be affected by the use of policy levers aimed to influence strategic resource accumulation and depletion processes;
- how the flows of strategic resources are affected by end-results (Bianchi, 2016).

DPM chart, as structured below (see figure 2), acknowledging first the strategic role of population as the main factor that affects waste collection, emphasizes the importance of saving process, shown as a ratio between the actual waste management cost level and a target. This ratio might be seen as a performance driver that leads operationally, as end-results, to a reduction of waste not recycled and finally to a reduction of waste destroyed; this happens thanks to the concurrent increase of organic waste, waste recycled and waste reused that flow into the corresponding stocks, feeding strategic resources ready to be exploited or marketed. But saving process is also intended to decrease the amount of waste made by each person, diminishing as a consequence the total amount of waste produced each year. From an economic point of view, these end-results determine lower taxes motivating citizens to fuel this pattern persistently.

**Figure 1 Dynamic Performance Management Chart applied to a zero waste strategy**



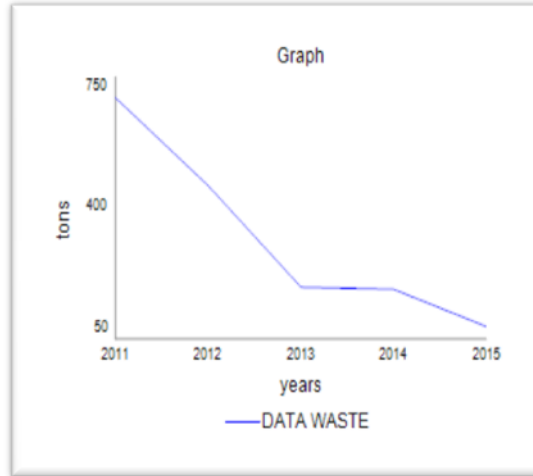
#### 4. APPLYING THE DPM TO THE CASE STUDY.

Reason that pushed the municipality of Palazzo Adriano to increase the fraction of recycled waste lies in the alarming datum of the amount of waste piled up in the landfill for the year 2011, namely 693,84 tons.

To reverse this dangerous trend, the mayor of Palazzo Adriano, once elected, decided to adopt in 2012 a zero waste strategy; specifically, he pledged to reach at the end of the mandate the ambitious threshold of 65% of recycled waste, which represents tons of waste diverted away from landfill and incineration system as last treatment stop. Truly, threshold of 65 % was not accidental since it had been already listed in the Italian judicial system in art. 205 Legislative Decree no.152/06, as an objective to be pursued by 2012. Regional Law no.9/2010 has put off its accomplishment by the end of 2015. In addition, European Directive n. 98/2008 has established that by 2020, preparing for re-use and recycling of waste such as at least paper, metal, plastic and glass from households and possibly from other origins as far as these waste streams are similar to household ones, shall be increased to at least 50% in terms of weight.

Once set the target, municipality has achieved the following decreasing pattern of behavior related to the amount of waste irreversibly conferred to landfill, getting to the level of 99 tons in 2015:

**Figure 2 Reference behavior of waste piled up in the landfill observed in the model**



At the same time it has been seen during the period 2011-2015 an increasing pattern of behavior of the fraction of waste recycled, up to the threshold of 65% that municipality set as target at the beginning.

**Figure 3 Fraction of waste recycled along 2011-2015**

<u>Fraction recycled</u>	
2011	4%
2012	24%
2013	62,77%
2014	63%
2015	65%

Source: municipality of Palazzo Adriano

Despite forecasting methods for solid waste generation frequently have been traditionally counting on a per-capita socio-economic and demographic analysis (Dyson and Chang, 2005);, by comparing the significance of data related to the decrease of waste in landfill with the decrease of population over time exposed below, it is easy to realize that surely there have been other aspects addressing significantly behavior observed during the period of simulation.

**Figure 4 Population of Palazzo Adriano along 2011-2015**

<u>year</u>	<u>population</u>
2011	2227
2012	2200
2013	2178

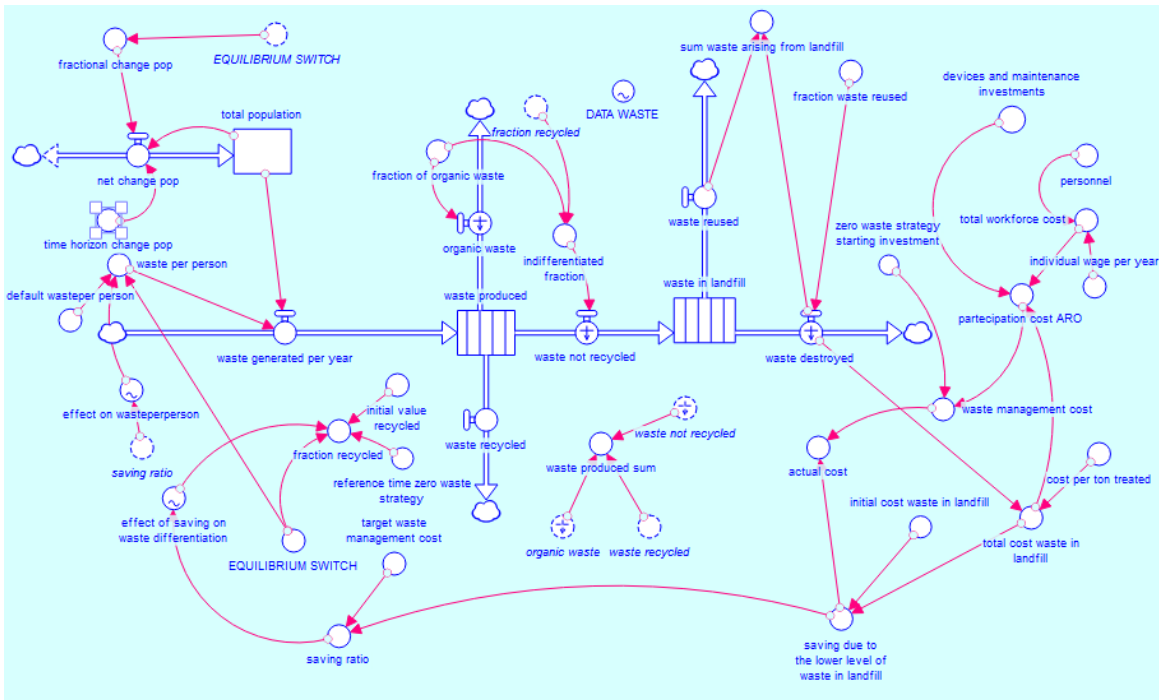


2014	2155
2015	2135

Source: Istat

To realize which causal loops are the most conducive to explain the dynamics underlying the implementation of such a policy, it is useful to take resort of the whole waste chain built up in the SD model<sup>6</sup>. Its development has been grounded in the idea of splitting up this chain in different steps just to figure out the destination of the waste produced each year.

Figure 5 SD model



In figure 5 it is possible to detect two key conveyor stocks that have been put in the foreground: on the one hand, waste produced that represents the amount of waste produced that is going to be subdivided, in accordance with its destination in three different outflows (organic waste, waste recycled, waste not recycled); on the other hand, waste in landfill expands upon one of the three possible destinations, and, in turn, is going to be depleted by two outflows, namely waste destroyed and waste reused which represent respectively the ultimate passage or a soft brake against the default scheme.

The conveyor stock waste in landfill accumulates the inflow waste not recycled, which comprises the amount of waste collected that has not been undergone by zero waste strategy. For this reason, leakage fraction referred to waste not recycled flowing out of the previous conveyor stock (waste produced) has been determined as completion of the sum of

<sup>6</sup>The variable “Equilibrium Switch” warns that the model has been initialized in equilibrium.

fraction recycled and fraction of organic waste, namely the leakage fractions respectively referred to the outflow waste recycled and organic waste (compost).

Waste not recycled passes through – in accordance with a First in First out scheme as a typical feature of the conveyor scheme (BenDor and Metcalf, 2005)– the stock to fuel the outflow waste destroyed. Leakage fraction referred to waste destroyed has been set as exponential just to sketch a nonlinear discharge. Transit time related to the conveyor stock waste in landfill embodies somehow the capacity constrain, since it takes time to treat waste not recycled and to destroy definitely what it has been not possible to recycle before.

Waste in landfill is depleted also by another outflow that takes into account one of the three pillars of the zero waste strategy, namely reuse. Reused waste comprises all that stuff like aluminum or steel that was not possible to recycle in the steps before. In this case the outflow waste reused is defined by selecting as leakage fraction of waste destroyed the completion of fraction waste reused. Therefore, waste reused has been represented by everything else is not going to flow out of the stock as waste destroyed. Positive correlation between the amount of waste in landfill and the amount of waste reused might be seen as a proof of the schedule, since what it has been impossible to recover in the steps before, it is going to be transferred to a provisional landfill just to undergo some interventions in order to refresh its usefulness.

On the other side of the waste chain, waste produced is boosted by an inflow that witnesses the role of population as the main responsible for waste production. Broadening the scope, waste produced is a conveyor stock depleted by three outflows. One is referred to the compost production loop; another one is referred to the recycling loop, while the last one is related to the transportation to the landfill.

Regarding compost, renowned as natural fertilizer locally used by farmers, it is useful to know that the corresponding outflow organic waste turns out to be related to fraction of organic waste, as leakage fraction. The latter has been kept constant (2,3% of total waste produced) during the period as well as the fraction of waste reused (3,6% of the amount of waste in landfill), because, by looking at the data gleaned from municipality, it has been seen a quasi-constant pattern of behavior. About reuse and recycled waste (which in turn comprises fractions of glass, paper and carton diverted from the transportation to the landfill), producers and users, joining CONAI system<sup>7</sup>, are obliged to pay a contribution depending on the type of packaging waste brought out in the market (paper, plastic, carton, aluminium, steel or glass). CONAI withdraws a minimum fraction of this contribution for the fulfillment of its bureaucratic tasks, while the greater part of it is bound to be sent to the Consortia responsible for processing each type of packaging waste, in order to refresh their usefulness. These consortia, in turn, according to the ANCI<sup>8</sup>- CONAI framework agreement (Accordo quadro ANCI-CONAI), assign to municipalities a compensation to cover higher costs connected to the differentiated collection of waste. As said before, currently, municipality is contracting out waste management to a private company, but sooner, Palazzo Adriano together with the other municipalities, will manage this service by empowering a consortium of public services; so that, model has been completed by internalizing the ARO system.

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<sup>7</sup>No-profit management system for packaging waste in Italy introduced by Legislative Decree no.22/97.

<sup>8</sup>Category association including all the municipalities in Italy.

Getting back to the end of the waste chain, amount of waste destroyed is bound to determine a total cost due to the treatment of waste in landfill required. This cost is equal to the tons of waste destroyed per year multiplied by the cost per ton treated. Precisely, it has been set equal to 102 euro per ton conferred, using an average value since cost per ton treated has been kept quasi stable over time. Consequently, the more waste municipality is carried to the landfill awaiting to be destroyed, the more cost it needs to bear. This cost determines participation cost ARO, together with devices and maintenance investments and workforce cost pertaining the employers appointed for waste collection within Consortium "Valle del Sosio ARO"<sup>9</sup>. Also, zero waste strategy starting investment represents a sort of sunk cost that municipality bore at the beginning just to let zero waste strategy program start out. Therefore, it is a sort of umbrella term including all the investments referred to public disclosure, building or purchase of treatment facilities and devices referred to this program (like the baskets related to each type of waste, to allow people to differentiate the waste). So, the whole waste management cost for municipality is equal to the cost of investments bore at the beginning just to make the program start out plus the participation cost ARO.

Every year municipality has gathered a saving due to the lower level of waste piled up in the landfill thanks to the implementation of this program, which is intended to hold the waste management cost down more and more. This value has been compared with the initial waste in landfill cost referred to 2011, namely the year before the start of the program. The underlying idea is that the less waste municipality is used to confer to the landfill the more saving respect to the year 2011 it is bound to get year by year and the lower taxes citizens are supposed to pay as a reflection of expenditures downsizing.

By comparing the saving achieved thanks to the implementation of a zero waste strategy with a target waste management system cost to be pursued during the mandate and defined as 25% less than the waste management cost referred to 2011 (almost 400,000 euro), it is possible to build up a ratio that symbolizes the attempt to get to the target as much as possible. *Sic stantibus rebus*, according to financial statements referred to 2015, waste management cost has diminished to 322,100 euro<sup>10</sup>. Obviously once this virtuous cycle has started out, the more it lasts, the more difficult it will be to get a further improvement, both in terms of saving and increase of the fraction of waste recycled<sup>11</sup>.

Saving ratio, in terms of policy, internalizes efforts of municipality to make citizens more and more aware of benefits emerging from such ongoing virtuous cycle, by periodically exposing – personally encountering citizens or resorting to social network – an in-depth analysis of the state of art. By way of example, two meetings have been mentioned: the meeting "zero"<sup>12</sup>, where municipality for the first time explained the program with its ten steps to citizens on 10 July 2012;

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<sup>9</sup> As said before, theoretically, they will be the same ones referred to the ATO PA2.

<sup>10</sup> Municipality of Palazzo Adriano, "Financial statements of accounting period 2015". Available on: <http://www.comune.palazzo Adriano.pa.it/it/DelibereConsiglio/2016/Luglio/CONTO%20DEL%20BILANCIO%202015%20-%20PARTE%20II%20SPESA.pdf> [2017].

<sup>11</sup> This reasoning has been embodied in the decreasing decreasingly pattern of behavior of waste in landfill.

<sup>12</sup> Herewith the Decree through which zero waste strategy and the annexed door to door collection officially became compulsory. Municipality of Palazzo Adriano, "Executive Decree n.3", 28 June of 2012. Available on: <http://www.comune.palazzo Adriano.pa.it> [2017].

the other one relating to the visit of Paul Connett, the guru of zero waste strategy in Palazzo Adriano on 26 September of 2012<sup>13</sup>.

The above-mentioned ratio becomes the input of the graph function “effect of saving on waste differentiation” that embodies the idea that the more saving municipality gets the more citizens are inclined to recycle, looking at the benefits they might get thanks to recycling. This graph function, that is bound to spring up from 2012 in accordance with the beginning of the program, is going to influence the fraction recycled, since it is bound to be added to the initial value of fraction of waste recycled (referred to 2011), enhancing or diminishing it. Introducing the above mentioned graph function gives the possibility to show the first major causal loop (recycling loop) that may explain why there has been a decreasing pattern of behavior for the amount of waste discharged in the landfill.

Recycling loop is a reinforcing loop<sup>14</sup> which refers to the recovery of usefulness of the amount of waste that it has been already circulated.

Implementing such a program activates a key factor of a typical zero waste strategy, namely recycling, causing waste in landfill and waste destroyed to decrease; this means lower cost for municipality and conversely a higher level of saving respect to 2011. The more municipality is close to its target (25% less than the waste management cost referred to 2011), the more people feel themselves as encouraged to differentiate waste already brought out in the system as much as possible, causing waste piled up in the landfill to decrease further. Influence of saving process about boosting the differentiation of waste already circulated, might be seen as a remarkable impulse to make the three minor balancing loop<sup>15</sup> (composting, recycling, reuse<sup>16</sup>) persist over time (see figure 7).

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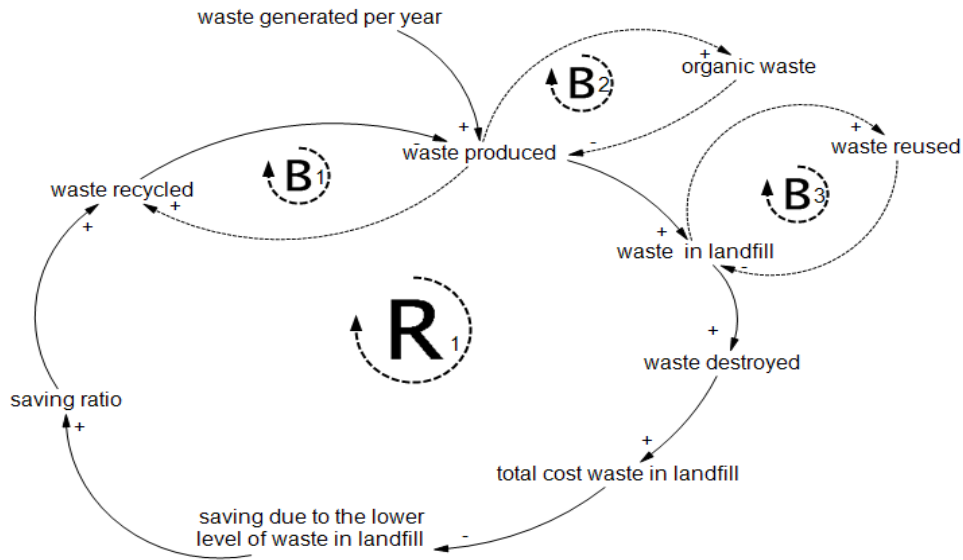
<sup>13</sup> Municipality of Palazzo Adriano, “*Press Review*”, 2012. Available on: [www.comune.palazzo Adriano.pa.it/RassegnaStampa](http://www.comune.palazzo Adriano.pa.it/RassegnaStampa) [2017].

<sup>14</sup> Positive loop – as a result of the multiplication of all the polarity signs assigned to each causal relationship – is self-reinforcing (hence loop polarity identifier R). More deeply, the + signs at the arrowheads indicate that each effect is positively related to each cause, so that an increase in the cause allows the effect to rise above what it would have been (and vice-versa, a decrease in the first one causes the second one to fall below what it would have been).

<sup>15</sup> Negative loop, defined by an overall minus sign as a result of the multiplication of all the signs at the arrowheads, is balancing (hence loop polarity identifier B), so that it counteracts change. This means, for example, that the more waste produced the more organic waste it is possible to earn; but the more organic waste means the less waste produced ready to be sent to the landfill.

<sup>16</sup> Therefore, the more compost and the more recycling people are used to make, the less waste municipality is going to carry in the landfill, since citizens somehow succeed in retrieving the intrinsic value those products still embodied. The same is for waste reused, since the more waste they succeed in reusing the less waste piled up in the landfill is going to be destroyed.

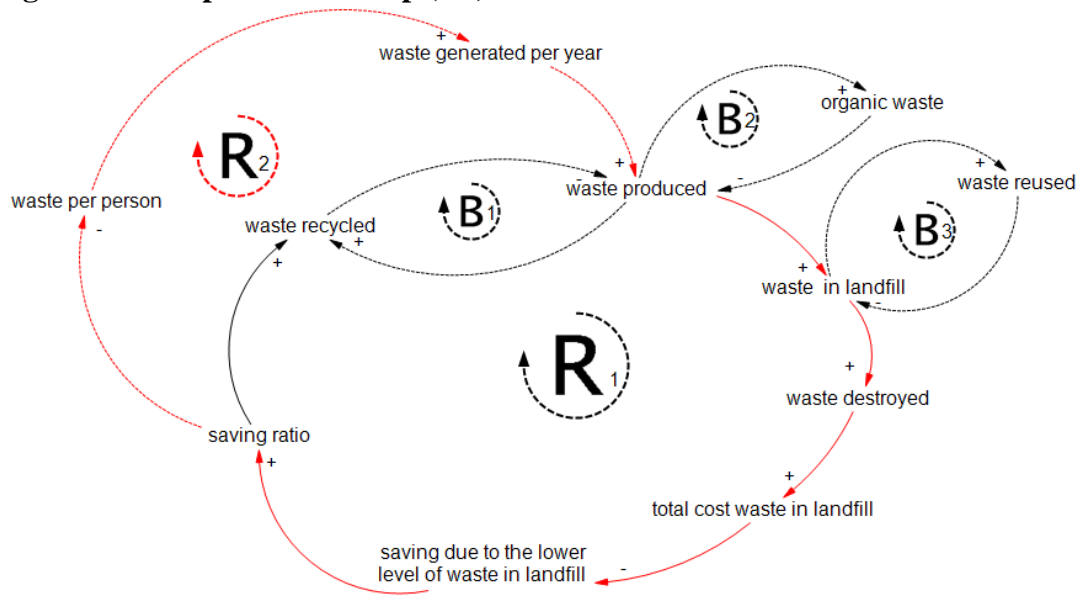
**Figure 6 Recycling loop (R1)**



Eventually, attitude of saving thanks to the development of such a policy over time is going to address also the habit of people to make waste at source, as witnessed by the graph function “effect on waste per person”. More precisely, saving ratio acts also at the start of the waste management chain encouraging people to make waste as little as possible, whenever they see that their efforts are rewarded by a lower level of actual cost, namely taxes. Otherwise, if the level of saving were lower and lower, they would be less encouraged to produce less waste.

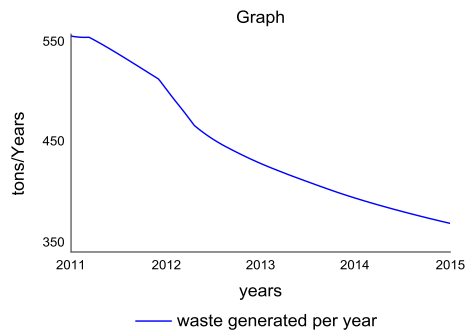
So, waste per person has been modelled as a default value – a sort of estimation of how much waste a person is used to make on average by looking at the official data gleaned thanks to the municipality – multiplied by the effect that saving ratio can exert on the habit of recycling of each person. This explanation brings forward the introduction of the second major causal loop (waste production loop) that, as well as the recycling loop, make the three balancing loops– designated to squeeze the amount of waste irreversibly conferred to landfill – strengthen over time (see fig.8).

**Figure7 Waste production loop (R2)**

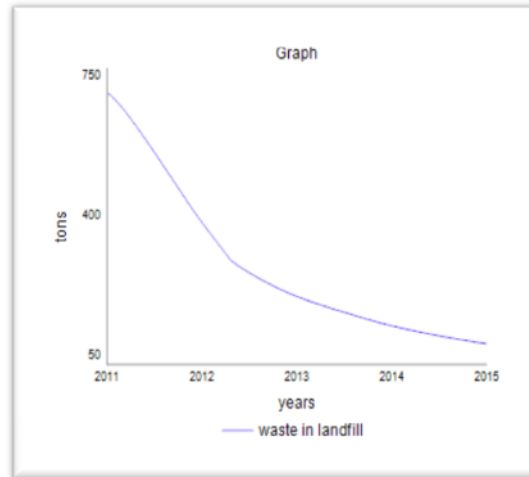


Therefore, by diminishing the amount of waste per person, saving process is intended to decrease consequently the whole amount of waste produced each year.

**Figure 8 Waste generated per year during the period 2011-2015**



**Figure 9 Behaviour of waste piled up in landfill resulting from SD model.**



#### 4. CONCLUSIONS

Zero Waste Strategy has been a shift of paradigm that has required time to be understood and accepted by citizens. It might be seen as a double loop learning (Argyris and Schon, 1978) answer to the sustainability challenge, given that by implementing this strategy, municipality seems to be more willing to reveal an explicit mental model, to assess its consistency over time and to improve it (Forrester, 2009) by collecting all the weak signals of change arising from the outer systems. Recalling the democratic accountability paradigm (Behn, 2004), accountability process requires people to form expectations about performance; specifically, accountability process works letting citizens approach directly the end-results of their ongoing good practices. Actually, lower tax burden level has been crystalized as the reward of their effort to cause waste to decrease both at source and at the end of the waste chain depicted in the SD model.

That being said, given that the threshold of 65% of fraction of waste recycled might be considered as a national-regional diktat (art.205 Legislative Decree no.152/06 and art.9 Regional Law no.9/2010) framed within the boundaries of a preeminent European objective (Directive no. 98/2008), saving process might be seen as a facilitator, since its advertising allows to achieve this goal as soon as possible, encouraging people to still follow zero waste program.

The latter one has been becoming the input of a virtuous cycle fostered by saving process, witnessing that only higher levels of trust and good relationships with stakeholders and community may lead to a strategic approach to austerity management (Cepiku et al., 2015). Anyway, there is still room for fine tuning maneuvers, like reverse logistics initiatives (Govindan et al., 2015). These initiatives might engage community more and also they might fuel industrial responsibility, since on the one hand firms would be forced to think further about a sustainable production; on the other hand consumers will be more and more sensitive to the environmental care. In this perspective, consortium like “Valle del Sosio ARO” might be seen as a crucial bridge between community and industrial responsibility thanks to a door to door collection inspired by recycling criteria. It is important not to frustrate citizens commitment at source (by making waste as little as possible) and at the end (by differentiating waste as much as possible) avoiding to compact again waste and to send it indistinctly to landfill.

ARO together with consortia delegated for processing each type of packaging waste, might constitute the idealistic bond to let the two zero waste strategy feeders (engaging community and industrial responsibility) match. Specifically, ARO, as a form of inter-institutional cooperation, might increase further the yield of waste reduction policies implemented in each participating municipality, by exploiting scale economies and minimizing transactions costs; at that point citizens might become more aware of benefits arising from their ongoing good practices, stabilizing further a self-organizing network (Rhodes,1996; Meneguzzo, 2005). Within this frame, treatments carried out by consortia will enable industries to exploit the materials again capitalizing the citizen commitment.

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## **STREET-LEVEL BUREAUCRATS AS INNOVATIVE STRATEGISTS: AN ANALYTICAL APPROACH**

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**Abstract:** *In recent years, the study of street-level bureaucracy has been developed as a major interest in diverse types of research on public policy, management, public administration, and politics. The scholars are particularly concerned with understanding discretion of street-level bureaucrats and finding useful means of measuring the impact of government on people. In this sense, on the one hand the paper describes and analysis strategies and mechanisms that street-level bureaucrats develop in order to deal with the strains imposed by internal and external context, and on the other hand presents the evaluation of the social workers from the street-level bureaucracy perspective and the impact of the mechanisms developed by street-level bureaucrats on clients. From a methodological standpoint, and taking into consideration the theoretical and normative framework from Romania, the research relies on comprehensive and systematic search of the vast literature on street-level bureaucracy and document analysis. Further, in order to complete the missing data the authors use the Law no. 544/2001 on free access to information of public interest for gathering information.*

### **INTRODUCTION**

This paper is mainly informed by the street-level bureaucracy literature, which seeks to understand how and why policy implementation practices take their particular shapes at the street-level (Lipsky, 1980), and street-level bureaucrats act as an innovative strategists. Working within large rule-driven organizations but interact with the citizens daily, the street-level bureaucrats act as innovative strategists, determining how a policy is implemented in practice. In fact, although the decision is handed down by the decision-makers, the street-level bureaucrats interpret, amend or even ignore the decision when the situation demands.

There once was a period of very intense academic debate about the understanding of the phenomenon of implementation, and like most other stages within policy process, implementation stages is undergoing fundamental changes in many countries.

Policy arises from a process over time, which may involve both intra- and inter-organizational relationships. Public policy involves a key, but not exclusive, role of public agencies, where civil servants play a very important role due to discretion and expertise. In this context, some scholars (Lipsky, 1980; Weatherly, Lipsky, 1977; Prottas, 1979) suggest that policy implementation is the systematic street-level work that manifests the practical meaning of public policy, which often is rather different from the official meaning of the policy. Such findings show that public policy has both “practical” implications through the street-level

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implementation responses in addition to its “official” meaning described in formal policy documents.

## **THE CONCEPTUAL FRAMEWORK: OLD BUT STILL NEW**

### ***Street-level bureaucrats - definition***

Thirty six years ago, Lipsky coined the terms “street-level bureaucracy” and “street-level bureaucrats”. The author called the street-level bureaucrats as front-line workers and gave the following definition “front-line workers are public service workers who interact directly with citizens in the course of their jobs, and who have substantial discretion in the execution of their work” ([1980] 2010: p. 3). The street-level workers constitute the link between the state and the citizens in the implementation process, and citizenship is therefore structured through the street-level bureaucratic encounters between the street-workers and the citizens (Lipsky, 1980).

In other words the street-level bureaucrats are public field-workers who are interacting directly with citizens in implementing and delivering public policies (Winter, 2003: p.2). Thus, in Lipsky’s view street-level bureaucrats are idealists who are attracted to working in public services because they want to do a job that they see as socially useful and worthwhile. Street-level bureaucrats are the public workers who have the face-to-face encounters with citizens when they deliver different sorts of public policy. Policemen, teachers, nurses, and social workers are regularly the professions referred to as typical street-level bureaucrats. In Downs’ terms (1969 in Sapru 2009: p.83) these can be represented by statesmen – motivated by a sense of the public interest which may be seen as a tool for increasing their power in achieving the objectives. From here, it can be drawn the following main features of street-level bureaucrats (Lipsky, 1969: p.2):

- are constantly called upon to interact with citizens in the regular course of their jobs;
- have significant independence in job decision-making;
- potentially have extensive impact on the lives of their clients.

### ***A brief on policy implementation***

The content of policy, and its impact on those affected, may be substantially modified, or even negated during the implementation stage, as Anderson points out “[P]olicy is made as it is being administered and administered as it is being made” (1975: p.79 in Hill, Hupe, 2002: p.7). According to Adamolekun (1983: pp.118-119) implementing public policy refers to the activities undertaken in the light of the public policy developed. In other words, the process of implementation consists on the process of conversion of the material, financial, ethnic, economic and human inputs into outcomes (goods and services). In this context, it is worth to note that in the early years of implementation studies, implementation has been described as one between the “top-down” and the “bottom-up” perspectives (Hill, Hupe, 2002: pp.220-227). However, nowadays there is a movement to bring near these two perspectives.

For Lipsky, policy implementation occurs in a context of conflict between front line workers and managers, in terms of the desire for top-down control and local opposition to this. But it also occurs in a context where policy has to be applied and understood alongside other policies, and has to be tailored to available resources, and adapted to changing, and individual circumstances. That is: “...complex tasks for which elaboration of rules, guidelines, or instructions cannot circumscribe the alternative” ([1980] 2010: p.15). Lipsky argues that policy

making can take place as much at street-level as it does through the traditionally accepted top down approach. This means that the traditional policy approach underlies the assumption that legislators are policy makers and bureaucrats are implementers who put policy goals into practice. Taking into account that policy are not self-executing, and public administration through civil servants or street-level bureaucrats put into practice the policies intended we remark that the role of front-line workers is fundamental on development and implementation of public policy. Thus, the street-level bureaucracy perspective asserts that it is the street-level workers within public organizations that ultimately decide what kind of services and benefits policy targets receive instead of formal policy.

In other perspective (Popescu, 2011: p.121) public administration is directly involved in carrying out the entire public policies process, and in certain cases, this can originate in new public policy proposals as regards its relationships with the agencies or ministry departments in charge with implementing the respective policies. Therefore, although at a first glance, the role of public employees (street-level bureaucrats) is simple: executing the rules, programs and policies established by policy-makers in accordance with law, they are needed to process claims, answer calls and deliver whatever services the law has authorized (Vinzant, Crothers, 1998: p.10). Front-line workers are individuals who feel how difficult it is to implement the intended program or public policy. As implementers of policies, street-level bureaucrats have immense understated capacity to change policy to either conform to the original design of said policies or follow a completely different agenda. The roles of street-level bureaucrats on policy-making are built upon two interrelated facets of their positions: (1) relatively high degrees of discretion and (2) relative autonomy from organizational authority (Lipsky, [1980] 2010: p.13) especially because of lack of resources, the legal and environmental constraints and also because of their beliefs, values, and desires. In this sense, based on front-line features and homo economicus salient the work performed by street-level bureaucrats is affected by three conditions:

- relative unavailability of resources, both personal and organizational;
- existence of clear physical and/or psychological threat;
- ambiguous, contradictory and in some ways unattainable role expectations.

The influence of street-level workers also introduces considerable uncertainty into the achievement of public policies. The final achievement of policy goals depends on the cooperation of policy makers, workers and citizens.

### ***Role of discretion***

Although the major dimensions of public policy levels of benefits, categories of eligibility, nature of rules, regulations and services are shaped by policy elites and political and administrative officials, the street-level bureaucrats exercise considerable discretion in their implementation. Discretion is the freedom that organizations and street-level bureaucrats are granted when they choose among a number of possible actions to take or not take when interacting with policy targets. Lipsky (1980) suggests that policy is actually made by street-level bureaucrats exercising discretion when performing their regular work duties.

The literature (Handler, 1986; Lipsky, 1980 apud Thorén, 2008) noted that discretion is necessary in many policy implementation processes. The reason is that most public policies, and welfare policies in particular, target situations that regularly are both so heterogeneous and so case specific that it would be almost impossible to create policies with the ability to embrace all

possible policy situations. Without some degree of discretion, policy would need to be so rigid and rule-bound that it would result in practices that would be inflexible and insensitive to individual differences and specific circumstances (Thorén, 2008). Thus, public policy is, in part, formulated and materialized through the street-level bureaucrats' discretionary practices (Thorén, 2008).

## **STUDYING THE STREET-LEVEL BUREAUCRATS IN CONTEXT**

This section concerns itself with a case study from a specific policy area – social assistance (care). In general, the social assistance as a non-contributory basic component of the social protection system is achieved through financial incentives (doles, compensations and facilities) and social assistance services.

### ***Structural and organizational aspects***

In the context of decentralisation and European integration, in Romania, a number of institutions have been created to serve the best principles of social protection, including social assistance. Their organisation follows the principles of public administration' organisation. The public administration at central level is organised and function on the grounds of Law no.90/2001 regarding the organisation and functioning of Romanian Government and ministries, and in the territorial-administrative units is organised and function on the grounds of the principles of decentralisation, local autonomy, deconcentration of public services, eligibility of the local government authorities, legality and consultation of citizens in solving local matters of particular interest, mentioned by art.2 align. (1), Law no.215/2001. Based on this legal framework the territorial – administrative units are: (1) communes, (2) towns and municipalities (3) and counties.

In accordance with the last census in 2011, in Romania are (NIS, 2013):

- 42 counties of Romania, including also Bucharest Municipality;
- 103 municipalities and 216 towns;
- 2861 communes and 12957 villages.

On this structure has been built the institutional system for social protection and assistance. It can be noted that, at central level, all structures (agencies, departments, directorates and inspections are under the coordination of Ministry of Labour, Family and Social Protection, although their organisation is different, especially taking into account their scope and actions. In this context, the cooperation between these institutions can easily be influenced by the goodwill of actors and less by the mechanisms for collating social policies. Another issue, regarding the structure of social policy consists on fact that after reviewed the legal provision, General Directorate of Social Assistance and Child Protection is implementer of both policy and services and benefits, at county level. This role overlaps partially that of County Agency for Payments and Social Inspection (Magheru, 2010: 12).

At local level, the only institution with competences on social assistance is public social assistance services. The problem arises when the city hall does not create public service for social assistance. In this case the city hall remain in charge for social assistance. The law allows to replace the public social assistance services with a person in charge of social assistance (with a civil servant who become a street-level bureaucrat) generally responsible for managing the social

benefits at local level. In this case, the street-level bureaucrat interacts direct with the citizens in implementing social policy and uses his discretion power. The figure below represents a scheme of Romanian social assistance system (fig.1).

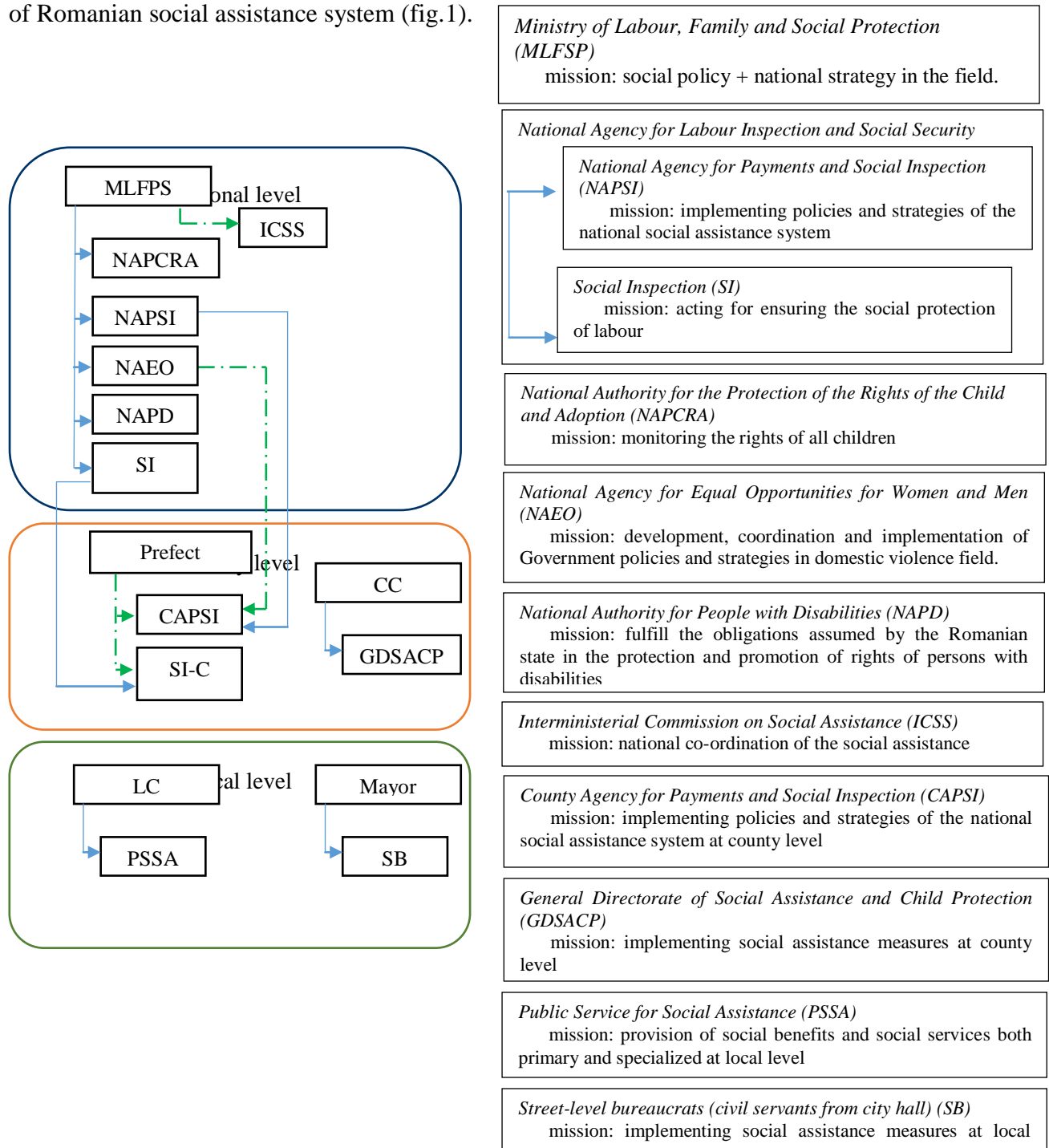


Figure 1: Representation of the social assistance hierarchical levels in Romania

Therefore, based on decentralisation principle, the public social assistance services with the city hall have the competence to develop social policies adapted to the local context and to implement them, at local level. Thus, there where are not public social assistance services, the street-level bureaucrats act as decision-makers policy, not only as an implementers. Moreover, although Law no.292/2011 on social assistance required every local government to establish public social assistance services (SPAS), its implementation has been delayed, especially in smaller rural municipalities.

The analysis carried out in 2014 by the World Bank, covered 279 cities with fewer than 50,000 inhabitants and 2,861 communes, a total of 3,140 local authorities, and showed that over 34 percent of local governments in rural areas and 8 percent in very small cities (those with fewer than 10,000 inhabitants) had not set up the relevant services but has instead added to the responsibilities of existing staff. The development of primary social services has been hindered by a lack of financial resources at the local level, by the hiring freeze and wages limits in the public sector (as part of the austerity policies implemented in the 2008 to 2010 period), by a failure to use flexible forms of employment (part-time staff), and by a lack of effective training of staff.

Public social assistance services are severely understaffed in rural and small urban areas. In most rural communities there are just one or two staff members with social assistance duties (and very few professional social workers) to meet the needs of a population usually spread over between 2 and 40 villages. In small urban areas (those with fewer than 20,000 inhabitants), SPAS usually consist of one professional social worker and an additional two to three people with social assistance duties (NSSIPR, 2015-2020: p. 45).

Thus, in the light of the new legal provision (law 292/2011) the street-level bureaucracy on social assistance consist on the follow administrative organisation (table 1):

**Table 1: Administrative organisation of SPAS**

Type of administrative-territorial unit	Direction	Service	Compartment	Office	No specialized structure	Total	Number of localities
<b>Rural</b>							
0 - 1,999 inh		4	46	3	47	100	751
2,000 - 2,999		6	54	3	38	100	782
3,000 - 3,999		10	57	4	29	100	603
4,000 - 4,999		13	60	3	24	100	326
5,000+ inh		1	66	5	18	100	399
Total		8	55	3	34	100	2,861
<b>Urban</b>							
<10,000 inh	2	33	48	9	8	100	134
10,000 &<20,000	7	46	41	7	0	100	91
20,000 &<50,000 inh	29	63	6	2	0	100	54
Total	8	43	38	7	4	100	279

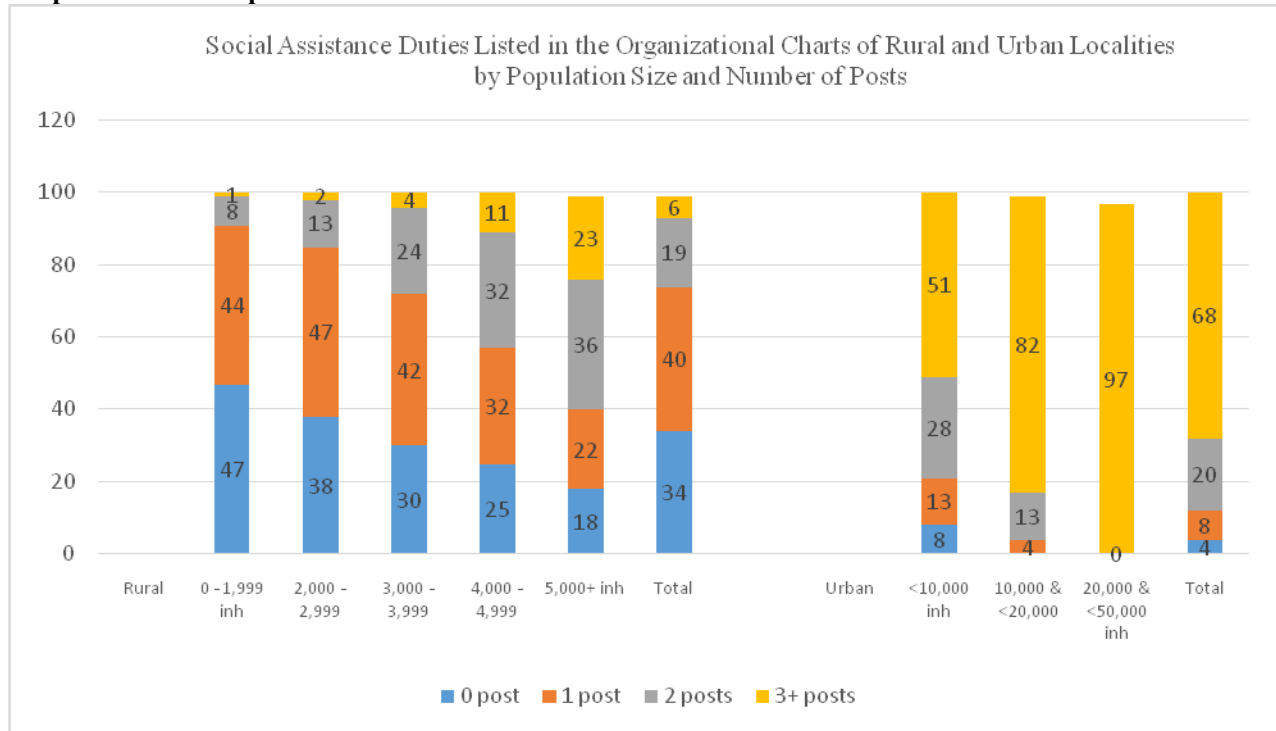
*Source: author based on World Bank "Social Assistance Services at the Community Level" Survey, May 2014 apud Tesliuc et. al. 2015*

Into the above administrative organisation of Public Social Assistance Services (SPAS) it can be found a number of street-level bureaucrats who have the competences to implement the



social policy and to deliver the social services. However they have a lot of duties in this filed at local level their number is low. A view on that can be found below:

**Graph 1: Number of posts**



Source: author based on World Bank “Social Assistance Services at the Community Level” Survey, May 2014 apud Tesliuc et. al. 2015

**Procedural aspects**

According to Law no.292/2011 of social assistance, the system of benefits is achieved through transfers in cash or kind as: (a) gratuitousness; (b) subsidies; (c) doles and preferential loans. There are several criteria according to which the benefits can be classified, but in this paper we are looking to their goal. Based on their goal, the benefits can be classified as follow:

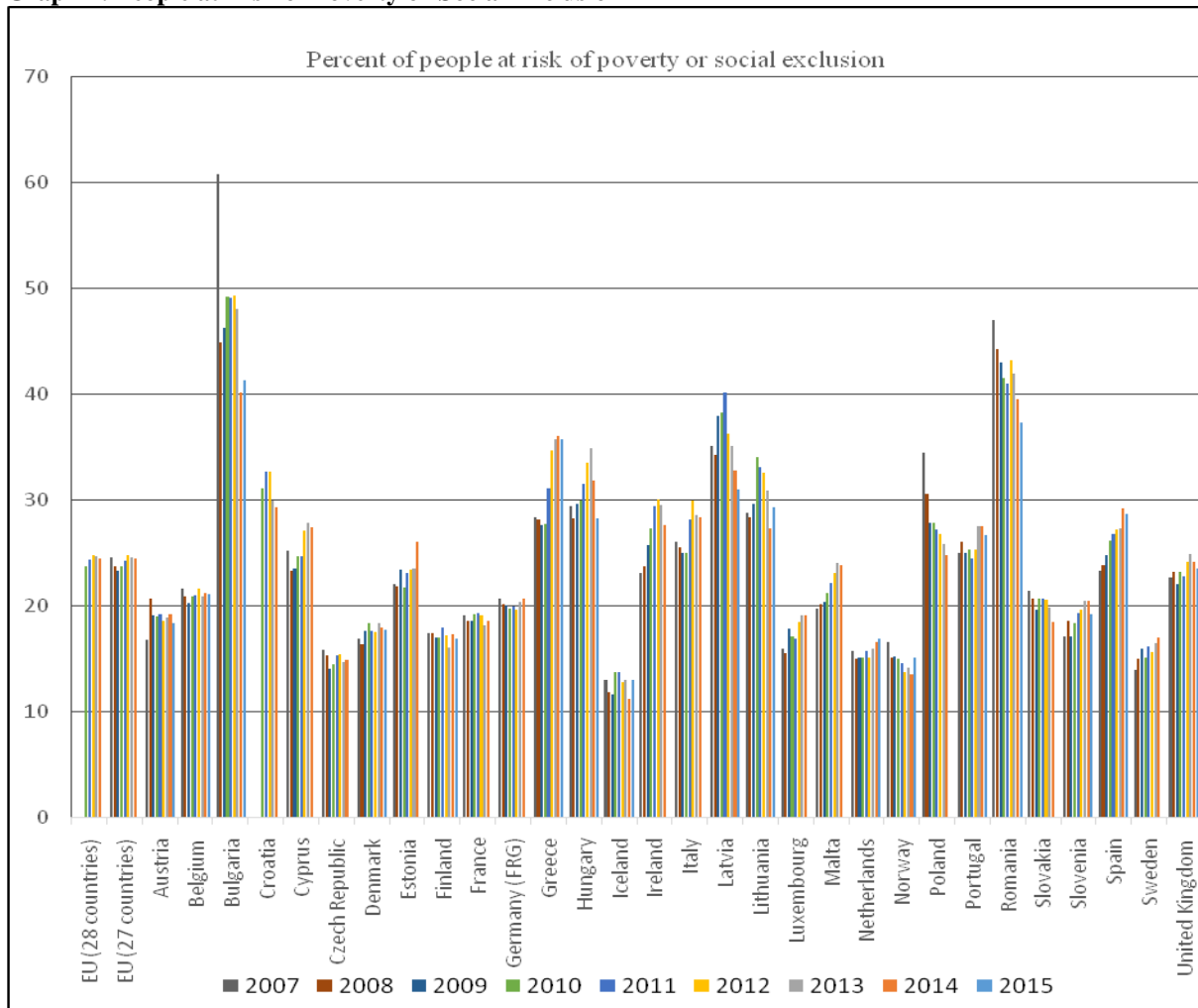
- social assistance benefits for preventing and combating the poverty and social exclusion risk;
- social assistance benefits for supporting the family and children;
- social assistance benefits for supporting people with special needs;
- social assistance benefits for special situations.

The measures to prevent and combat poverty and social exclusion risk are part of the general multidimensional actions of the social inclusion process. Thus, the social assistance benefits for preventing and combating the poverty and social exclusion risk have the goal to ensure the minimum financial measures necessary for daily living and to supplement the incomes or means of the single persons and families who do not have sufficient resources to meet a minimum standard of living, and are based on testing the livelihoods conditions. According to legal provisions (art.54, align.2, Law no.292/2011) the minimal standard of living represents the limit expressed in money that ensure the basic needs, such as: food, clothing, personal hygiene,

maintenance and cleaning of the house, and is established in relation to poverty limit using the methodology from European Union level (NSSIPR, 2015-2020).

In this sense, the persons and families who do not have sufficient resources get, in general from local level, different kinds of social benefits. Romania has three means-tested programs that support the income of the poorest people - the Guaranteed Minimum Income (GMI), the Family Support Allowance (FSA), and the Heating Benefit (HB), but the main benefits is the guaranteed minimum income called, at the time being the minimum social insertion income. The guaranteed minimum income as social benefits was regulated by Law no.416/2001, in accordance with European Union's regulations and Member States practice. According to the People at Risk of Poverty or Social Exclusion (ARPE), an aggregated indicator used by Eurostat, the poverty level is represented into the below graph:

**Graph 2: People at Risk of Poverty or Social Exclusion**



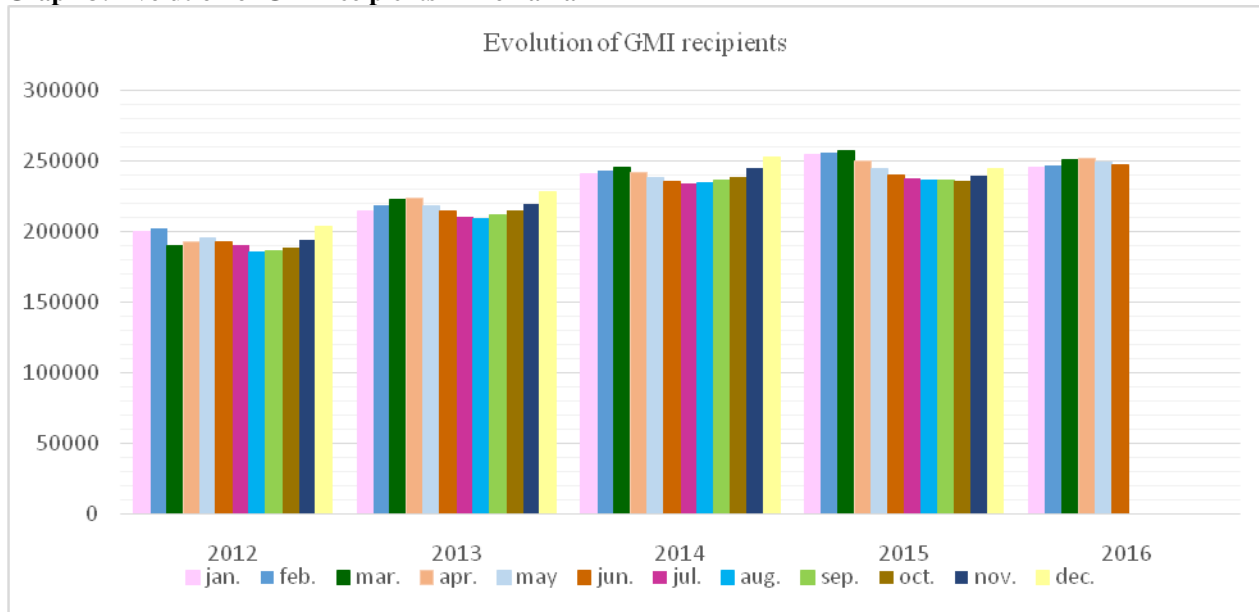
Source: Eurostat

The GMI is targeted to the poorest 5 percent of the population, the FSA to families with children in the poorest three deciles, and the HB to families in the poorest 60 percent of the

income distribution. Although these programs are targeted to the population with low incomes and means, the eligibility criteria vary from program to program (NSSIPR, 2015-2020).

Concerning the procedure, before November 2013, each of the three programs used a different means-test procedure. However, since November 2013, all three programs use a single methodology to test the means of the households (formal income, imputed informal agricultural income, and asset filters). However, other differences in eligibility criteria remain in terms of the assistance unit (household or family); whether or not an equivalence scale is used; the recertification period (three months for the GMI and the FSA and the cold season for the HB); and the payment method (directly to the beneficiary or transferred to the service provider in the case of district heating users). A glance on the evolution of GMI recipients can be found in the below graph:

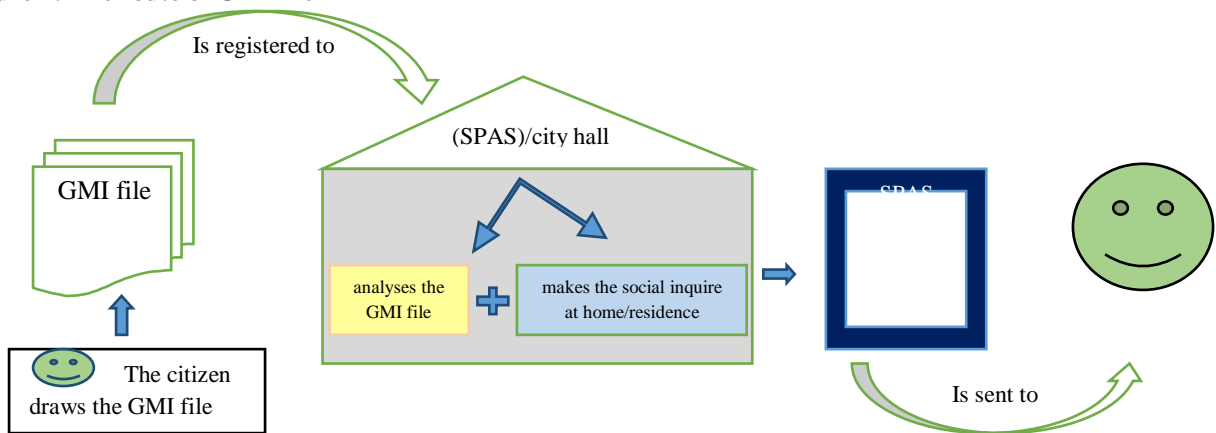
**Graph 3: Evolution of GMI recipients in Romania**



Source: author based on NAPSI data

In response to a low coverage, the government has simplified access to these programs and increased their benefit levels. The new measures have included unifying means-testing criteria. To increase the poverty reduction impact of the means-tested programs, the Government of Romania prepared a legislative and regulatory framework to consolidate the three current means-tested programs (the GMI, the FSA, and the HB) into a single program – the Minimum Social Insertion Income (MSII) program (NSSIPR, 2015-2020). This new program will be implemented no later than 2018. For getting the GMI the persons who meeting the eligibility criteria have to follow the below legal procedure.

**Figure 2: The route of GMI file**



Source: author based on legal provisions

Therefore, the GMI is given on application and affidavit, accompanied by documents regarding the family composition and income achieved in the previous month by its members. The application and the affidavit with documents regarding the family composition and income achieved by its members are recorded into a specialised register at city hall (SPAS) where the citizen has the home or residence. The application for GMI are solved in 30 days from registration by street-level bureaucrats (persons from Public Social Assistance Services or other persons designated through order of the mayor). In order to address the application for GMI, the mayor, mandatory orders the social inquiry at home or residence of the citizen to verify the situation resulting from the information contained in the documents.

The social inquiry is carried out by street-level bureaucrats from SPAS or persons responsible with social assistance from mayor specialized apparatus within 15 working days from the date of registration. Information from at least two persons who know the financial, social, civil and material situation of the petitioner for finishing the social inquiry. The street-level bureaucrats (the persons who made the social inquiry) have the responsibility for the social inquiry content.

Although the Government Decision no. 50/2011 gives a template (a documents in which the street-level bureaucrats have to fill) for social inquiry, the quantitative aspects of this give the opportunity to street-level to use their discretion power and to apply in various way (from case to case) the social policy.

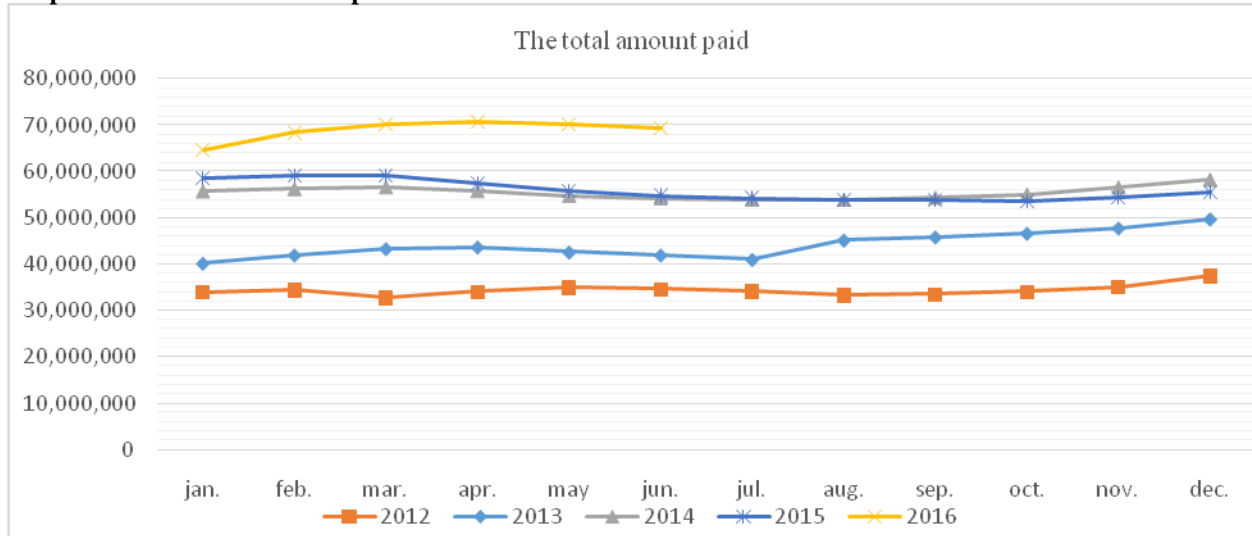
Based on GMI file and social inquiry the mayor carried out the final decision which is sent to applicant. All documents are stored at the city hall.

## CONCLUSIONS

The street-level bureaucracy perspective asserts that it is the street-level workers within public organizations that ultimately decide what kind of services and benefits policy targets receive instead of formal policy. The current study showed that due to their discretion power and expertise the street-level bureaucrats have the possibility to adapt the policy to the context during implementation. For example, the social inquiry that street-level bureaucrats carry out for approving the guaranteed minimum income represents a proof in this sense.

Regarding the role of street-level bureaucrats on implementation of social policy, especially on the guaranteed minimum income program, the analysis emphasises that these act as innovative strategists in co-production and distribution of social benefits and services. In the framework of social policy, in 2012-2016 period, Romanian authorities spent (approved social aid – GMI) as follow:

**Graph 4: GMI – total amount paid**



Source: author based on NAPSI data

In Romania, economic recovery, improved labour market conditions and increased support to vulnerable categories have resulted in a steady decline in poverty rates. Increased allocations to the minimum guaranteed income, family benefit and heating benefit programs, as well as increases in the minimum wage, have contributed to the decline in poverty. Limited progress was made in introducing the minimum insertion income, which would simplify social assistance, while a law designed to strengthen the link between social transfers and employment activation measures is still under debate in the Parliament.

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## **SMARTER COMPETENCES IN A DIGITAL WORLD**

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**Abstract:** *According to the Digital Agenda 2020, the European Union is achieving various activities and projects such as DIGCOMP, New Skills Agenda for Europe. At the European level, in all sectors of the economic and social life, there are vacant jobs due to the lack of persons holding digital competences. As estimated by the European Commission, in 2020, almost 756,000 jobs in the ICT sector will not be occupied due to the lack of persons with digital competences. Thus, the digital transformation represents a great opportunity for job creation. The paper presents an analysis concerning the digital skills in information, communication, problem-solving, content-creation of the EU population. The paper concludes with the need to develop the digital competences in all the EU Member States, and especially in Romania by smart education.*

**Keywords:** *digital competence, e-skills, smart education*

### **BACKGROUND**

For the time being, we are witnessing continuous changes at economic, social, technological, cultural, political-legislative level as well as increasing global interactions and interdependencies. Whenever debating about the main sources of change, we have to take into consideration the following issues:

- The evolution in the field of technologies: expansion of the internet network; use of increasingly sophisticated technologies in a customized manner; complex production equipment; occurrence of high-performance methods for information gathering, storage, transmission and use, which allows a significant reduction of costs, increasing the quality of the products and services; use of robots and artificial intelligence in the production process;
- Economic factors: market globalization, economic crises, significant differentiation of the market segments, free movement of (human, financial) capital at the global level;
- Socio-cultural factors: demographic situation, polarization of society, changes in the system of values and aspirations, the corruption level inside the country;
- Political-legislative factors: state attitude towards entrepreneurship, attempts to nationalize the organizations, political instability, inefficient legislative basis;
- Ecological factors: climate change, negative influence on the ecosystem.

The European Union, as a global actor is facing several challenges in times of dynamic development of the strategic and geopolitical context: competitiveness of countries outside the borders of the EU, demographic changes, constraints of public finances, economic and social stability, uncertainty about the future stability of the banking sector climate changes, rapid and exponential pace of information technology, high level of migration, threats of terrorism, security, including cyber security.

One modality to address the economic recovery and to achieve inclusive and sustainable long-term growth should concentrate on co-creation together with citizens, businesses, on active citizen participation in decision making, on involving the final users of public services, of academia, public organizations and social entrepreneurs in co-designing and co-implementing social innovations.

Concerning the young generation we should be more pro-active in job creation, providing customized education and social engagement of young people. According to Horizon 2020 (EC, 2017):

- “By 2020, public administrations and public institutions in the European Union should be open, efficient and inclusive, providing borderless, personalised, user-friendly, end-to-end digital public services to all citizens and businesses in the EU.
- Innovative approaches are used to design and deliver better services in line with the needs and demands of citizens and businesses.
- Public administrations use the opportunities offered by the new digital environment to facilitate their interactions with stakeholders”.
- Consequently, the public administration should foster to be creative, innovative in providing the best solutions in light to overcome the above challenges, should address the current needs of various stakeholders.
- At the same time, the public administration has to adapt and to turn into account the opportunities provided by new technologies, as well as to develop new services, it should focus on openness, transparency and citizen participation.

The public administration has an important role in boosting innovation in the economy and at the same time, it should trigger innovation itself in the public organisations in order to increase productivity, to improve efficiency, to enhance the creation of public value and thus to meet the society challenges.

Worldwide, the public sector innovation has become an important issue for governments, as they are trying to solve community problems. “Innovation although not new can be seen as one of the many ‘magic’ concepts that policy makers continuously use to demonstrate that governments are in an almost permanent struggle to show that they are willing and capable – through reforms – to be responsive to the changing needs of society” (Pollitt, Hupe, 2011).

Innovation represents a concept inspiring academics, managers and staff as it provides the challenge of radical change. Progress means constant innovation, so innovation represents a continuous process, and the public organisations should be open to new ideas and processes and thus should involve in networks, share knowledge and cooperate with various social partners. “In view to collaborate with various networks of partners, beneficiaries, customers, the public organizations can turn into account various instruments such as crowdsourcing, field officers, open-source databases, online community platforms, citizen centric services, digital platforms, new health care systems, intelligent transport systems etc.



Learning from best practices is worldwide acknowledged as triggering a positive impact. The examples of good practices could represent a source of inspiration for the public sector organisations in view to draw up their strategies for innovation” (Săvulescu, 2015). New forms of innovation in the public sector could include open government, business model innovation, social innovation community, ICT for training. According to Bekkers et al. (2013) four developments emerge:

- “How to meet new societal challenges, like global warming, (youth) employment, growing elderly population? Responsiveness of governments.
- How to deal with needs that really matter to citizens and companies? Efficacy and legitimacy of governments.
- How to deal with the budgetary crisis of government? Austerity and efficiency.
- How to make use of the self-organizing power in society? How to use this power of individuals and communities?”

When approaching innovation as a process we should focus on “learning, trial and error, experimenting, on qualitative discontinuity with the past (radical, transformative change), on co-evolution between different environments, interaction between various stakeholders” (Bekkers et al., 2013). Innovation, under its various forms – technological, social, etc. represents the result of the organizational culture, being directly determined by the intellectual or social capital of an organization. Innovation acquires features of complexity, sometimes being considered as ‘an adaptive complex system’.

## **DRIVERS AND BARRIERS FOR PUBLIC SECTOR INNOVATION**

According to the field literature (Bekkers et al., 2013), innovation in the public sector takes place in a specific environment, distinguishing several actors who are collaborating in the area of disseminating relevant resources aimed at developing and applying new ideas, new modalities of organisation or new modalities of operation.

In this context, the characteristics of environment could be considered successful factors or barriers for innovation. “The pressure to innovate and search for new combinations aimed at making efficient the public organisations is also provided by the rationality of public administration, which generates competition between the public values” (Moore, 1995).

It is moreover asserted that the inter-organisational networks could represent successful factors for innovation. In the field literature, the discussion is about ‘collaborating innovation networks’ (Gloor, 2005; Sørensen, Torfing, 2011). Collaboration within these networks could facilitate the exchange and dissemination of resources, thus stimulating innovation.

At the same time, leadership is important as it ensures an organisational culture of trust, respect and good communication. Relevant studies and analyses highlight the importance of leaders for innovation in the public sector and also for change management (Hartley, 2005; Bason, 2010; Osborne, 2011; Kuipers et al., 2013).

Also information and communication technology and social media represent important sources for innovation, through infrastructure and potential of innovation, thus triggering the accomplishment of several types of innovation.

It may be asserted that information and communication technology and social media represent successful factors for innovation, recognising the vital importance of information and the modality of communication in public service provision.

According to the field literature, key barriers to innovation relate to the lack of methods and tools used. In this context it is important to mention the lack of tools, methods, experience and competences for developing innovation processes from problem identification to implementation; scarce knowledge about the type, nature and effectiveness of public policies; inefficient use of evidence and benchmarking as successful factors of innovation; unavailability or inaccessibility of information systems for the identification of potential local, national or international partners in innovation projects; difficulties in the establishment of criteria for the launch, implementation and evaluation of new solutions, governance structures or systems.

Also other relevant barriers refer to the lack of collaboration. In this respect it is worth to mention: significant lack of citizen participation during the innovation stages (design, implementation, evaluation); lack of systematic approach for citizen participation in the co-creation of public value; lack of policies and criteria for the establishment, management, evaluation of partnerships aimed at the implementation of innovative projects; powerful technical, administrative and political boundaries between different sectors and administration levels; cultural differences and difficulties in combining different objectives in public-private innovation partnerships.

## **INNOVATION PERFORMANCE IN THE EU MEMBER STATES**

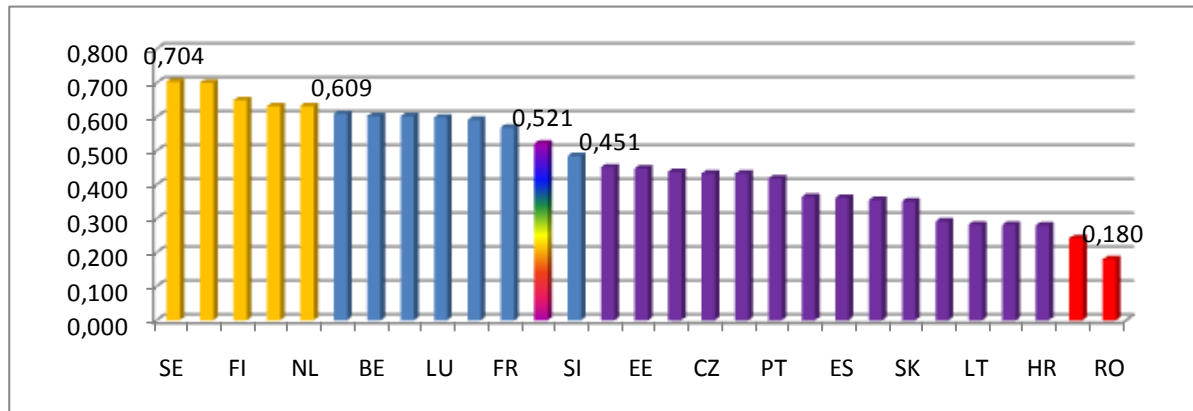
The European Innovation Scoreboard 2016 provides the evaluation of the innovation performance in the EU Member States, based on 25 indicators. It reveals the strengths and weaknesses of each country taking into consideration important innovation drivers, such as research systems, public and private investment, the economic effects of innovation. Based on the statistic data of the Innovation Union Scoreboard 2016, Figure 1 reveals the innovation performance in the European Union Member States.

**Table 1 Innovation performance in the EU in 2015**

<b>Country</b>	<b>IP</b>	<b>Country</b>	<b>IP</b>	<b>Country</b>	<b>IP</b>
Romania	0.180	Portugal	0.419	Belgium	0.602
Bulgaria	0.242	Italy	0.432	United Kingdom	0.602
Croatia	0.280	Czech Republic	0.434	Ireland	0.609
Latvia	0.281	Malta	0.437	Netherlands	0.631
Lithuania	0.282	Estonia	0.448	Germany	0.632
Poland	0.292	Cyprus	0.451	Finland	0.649
Slovakia	0.350	Slovenia	0.485	Denmark	0.700
Hungary	0.355	France	0.568	Sweden	0.704
Spain	0.361	Austria	0.591		
Greece	0.364	Luxembourg	0.598	EU28	0.521

*Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission*

**Figure 1 Innovation performance in the EU in 2015**



Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

Four categories of states have been identified:

- “Innovation leaders – innovation performance is above that the average of the EU by 20%. Sweden, Denmark, Finland, Germany, Netherlands.
- Strong innovators – innovation performance is between 90% and 120% of the EU average. Austria, Belgium, France, Ireland, Luxembourg, Slovenia, and the UK.
- Moderate Innovators – innovation performance is between 50% and 90% of the EU average. Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, and Spain.
- Modest innovators – innovation performance is below the average of the EU by 50%. Bulgaria, Romania” (European Commission, Innovation Union Scoreboard 2016).

We are going to analyse the innovation performance in the EU Member States from the viewpoint of the following dimensions: human resources, research systems, funding resources. Considering the dimension related to Human Resources, Figure 2 presents a relevant situation. Sweden (0.831) is the leader of this ranking, being closely followed by Slovenia (0.829), Ireland (0.816), UK (0.786) and Finland (0.783), thus acknowledging that a high share of the labour force has the skills for developing a knowledge-based society.

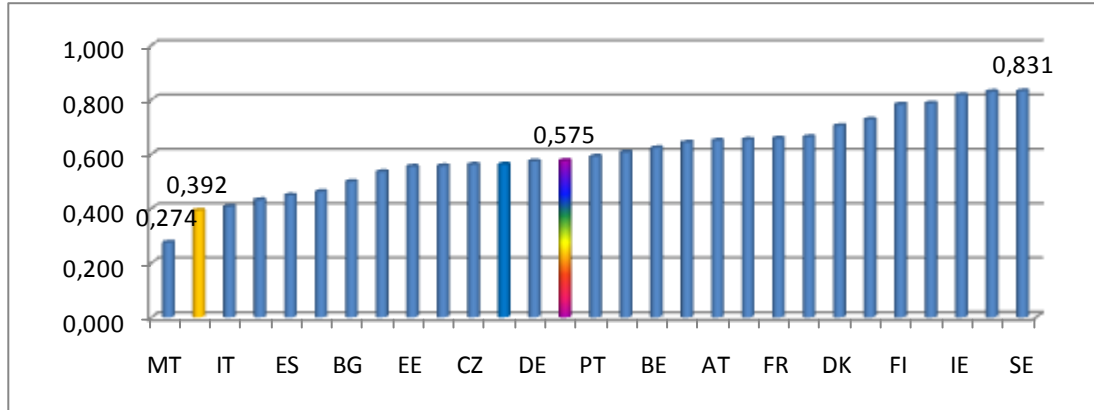
**Table 2 Innovation performance in the EU – Human Resources**

Country	Human resources	Country	Human resources	Country	Human resources
Malta	0.274	Czech Republic	0.561	Cyprus	0.662
Romania	0.392	Greece	0.562	Denmark	0.703
Italy	0.407	Germany	0.573	Lithuania	0.726
Luxembourg	0.431	Portugal	0.591	Finland	0.783
Spain	0.448	Croatia	0.606	United Kingdom	0.786
Hungary	0.462	Belgium	0.622	Ireland	0.816
Bulgaria	0.498	Slovakia	0.642	Slovenia	0.829
Latvia	0.534	Austria	0.650	Sweden	0.831

Estonia	0.554	Netherlands	0.653		
Poland	0.556	France	0.657	EU28	0.575

Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

Figure 2 Innovation performance in the EU – Human Resources



Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

At the other extreme we find Malta (0.274), Romania (0.392) and Italy (0.407), countries that should do efforts in view to improve the human resource skills, vital for a competitive economy. The differences in human resource performance have become smaller over time, thus we witness the convergence in innovation performance for this dimension. From the viewpoint of the dimension related to Research Systems, Sweden(0.814), UK (0.795), Netherlands (0.774), Luxembourg (0.771), Belgium (0.768) and Denmark (0.765) are top performers. It is acknowledged that the research systems in the above countries are open to cooperation with partners at international and European level, the researchers and specialists are disseminating information and knowledge by networking and the quality of research is very high.

At the same time, we remark that the differences between countries are quite large for this indicator (Figure 3).

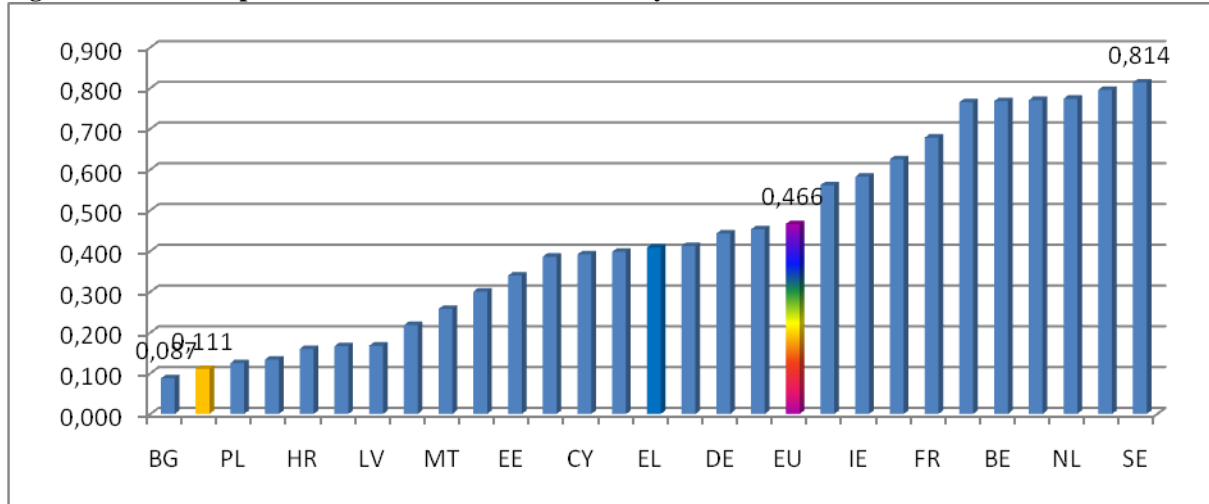
Table 3 Innovation performance in the EU – Research Systems

Country	Research systems	Country	Research systems	Country	Research systems
Bulgaria	0.087	Estonia	0.340	Finland	0.625
Romania	0.111	Slovenia	0.386	France	0.678
Poland	0.125	Cyprus	0.392	Denmark	0.765
Lithuania	0.134	Italy	0.398	Belgium	0.768
Croatia	0.160	Greece	0.408	Luxembourg	0.771
Slovakia	0.166	Spain	0.413	Netherlands	0.774
Latvia	0.168	Germany	0.443	United Kingdom	0.795
Hungary	0.218	Portugal	0.453	Sweden	0.814

Malta	0.258	Austria	0.561		
Czech Republic	0.300	Ireland	0.582	EU28	0.466

Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

**Figure 3 Innovation performance in the EU – Research Systems**



Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

Concerning the dimension related to Funding, Finland (0.765) is the incontestable leader, being followed by Estonia (0.727), Sweden (0.710), Netherlands(0.663) and Denmark (0.654). In these countries, the public sector is developing powerful activities of research, development and innovation. This indicator is based on a large extent on the expenditures in the field of research, development and innovation in the public sector.

The differences concerning innovation performance from the viewpoint of this dimension are relative high, thus demonstrating the fact that the EU Member States are not developed in a similar way, and for some countries, the global innovation performance could be improved by developing this dimension (Figure 4).

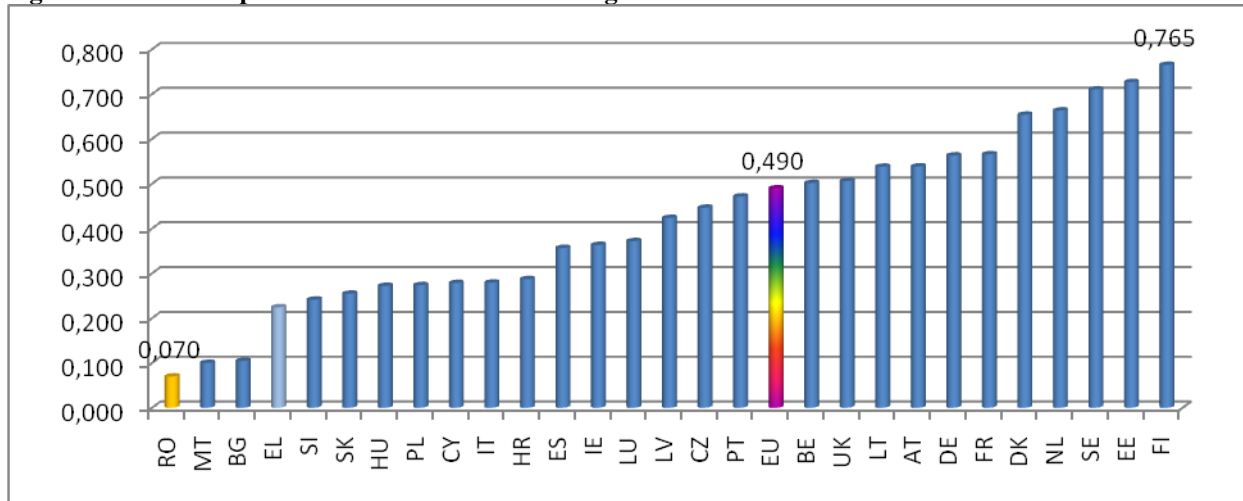
**Table 4 Innovation performance in the EU–Funding**

Country	Funding	Country	Funding	Country	Funding
Romania	0.070	Croatia	0.287	Austria	0.538
Malta	0.100	Spain	0.357	Germany	0.563
Bulgaria	0.104	Ireland	0.363	France	0.566
Greece	0.224	Luxembourg	0.372	Denmark	0.654
Slovenia	0.241	Latvia	0.424	Netherlands	0.663
Slovakia	0.255	Czech Republic	0.446	Sweden	0.710
Hungary	0.272	Portugal	0.471	Estonia	0.727
Poland	0.274	Belgium	0.502	Finland	0.765

Cyprus	0.278	United Kingdom	0.506		
Italy	0.279	Lithuania	0.538	EU28	0.490

Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

**Figure 4 Innovation performance in the EU –Funding**



Source: Authors - based on the data of Innovation Union Scoreboard 2016, European Commission

According to the Innovation Union Scoreboard 2016, Romania is a modest innovator. Innovation performance increased until 2010, after which it has been declining. Innovation performance in 2015 was at a significantly lower level than in 2008. The development of Romania's relative performance to the EU has closely followed the development of the innovation index. Over time, the relative performance has worsened from almost 50% in 2008 to 34.4% in 2015.

Concluding, the Nordic countries have remarkable innovation performance. Concerning the dimension related to human resources, Sweden, Slovenia, Ireland and UK are recording the best performance. Sweden, UK, Netherlands are incontestable leaders taking into consideration their efficient research systems, while Finland, Estonia, Sweden, Netherlands and Denmark are recording best performance in funding their activities of research, development and innovation.

## CONCLUSION

This paper attempts to reveal that there is a powerful trend among the EU Member States which shows the correlation between high quality public services and innovation performance. Really, on the one hand, innovation represents an important enabler for public sector modernisation and on the other hand, smart public administrations represent a key asset to trigger Europe's innovation potential.

The EU innovation performance has been increasing at an average annual rate of 0.7% between 2008 and 2015, but growth has not been equally strong across all dimensions and indicators.

Growth has been strong in Open, excellent and attractive research systems (2.9%), triggered by high growth in International scientific co-publications (6.5%). The EU innovation system is becoming more networked both between Member States and at the global scale.

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# **STATE-LOCAL GOVERNMENT FISCAL RELATIONS AND GRASSROOTS DEVELOPMENT: AN EMPIRICAL REVIEW OF SELECTED LOCAL GOVERNMENTS IN LAGOS STATE**

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**ABSTRACT:** *The fiscal relations among the three levels of government in Nigeria is enmeshed with the severe problem most especially state-local government relationship. A number of factors has been attributed to this which include over-dependence of local government on statutory allocations from the state and federal governments, deliberate tax evasion by the local citizenry, creation of nonviable local government areas, differences in the status of local governments in terms of the rural-urban dimension, inadequate revenue and restricted fiscal jurisdiction to constitutional gaps. This study examines the effect of State-Local Government fiscal relations on grassroots development in selected local governments in Lagos state, Nigeria. It adopts a survey research design technique. The main instrument of data collection is questionnaire. Primary data collected were analysed using descriptive statistics, while the relevant hypotheses were tested using Pearson Product Moment Correlational analysis of hypotheses testing with the aid of Statistical Package for Social Science (SPSS 20.0). The findings of the survey revealed that revenue allocation modules between and among the three levels of government have an attendant effect on grassroots development in Nigeria and also that with proper fiscal responsibility exercised by those entrusted with public fund there will be a positive effect on service delivery. The study, therefore, recommends that Local governments should be proactive and more aggressive in their internally generated revenue drives and find new ways of enhancing revenues. The 1999 constitution of the Federal Republic of Nigeria needs to be amended so as to grant financial autonomy to states. The study concludes that in Lagos State, there are good mechanisms in place for local governments to drive revenue generation because of the industrial and cosmopolitan nature of the state which has made fiscal relations between the two tiers to be more harmonious when compared to what is applicable in other states of the federation.*

**Keywords:** *Intergovernmental Fiscal Relations, State-Local Joint Account, Grassroots Development, Statutory Allocation, Local Government*

## **1.1 BACKGROUND TO THE STUDY**

In the contemporary period, the issue of inter-governmental relations has become more important in a federal system. This is based on the fact that federalism as observes by Fatile &



Adejuwon (2008) is pragmatic, dynamic, utilitarian and evolving. It can only strive on bargaining, consultation, negotiation, compromise and agreement between the constituent governments. It grows under a system of mutuality and interdependence. The stability of the federal system depends on the level of collaboration between all the levels of government (Ahmad, Abubakar & Ahmad, 2013).

One of the essential ingredients of federalism is the existence of a financial arrangement, which details tax jurisdiction and the functional responsibilities among the various levels of government (Teidi, 2003). The financial relationship among the different tiers of government in a federal structure is often referred to as intergovernmental fiscal relations (Nchuchuwe & Adejuwon, 2015). A key issue in intergovernmental fiscal relations is the assignment of functions and finances to different levels of government. Nigeria operates a third-tier federal system, which presupposes that the three tiers must relate vertically and horizontally for the good government of the country. In a federal system like Nigeria, local governments are close to the people and hence could efficiently alter grassroots development within their jurisdictions (Ekpo & Ndebbio, 1998).

The state-local government relations are among the most contested issues in Nigeria's fourth republic. The contention is made more complicated by the provisions of the 1999 Constitution which make the institution of local government, especially its establishments, structure, composition, finance and functions, a residual matter for state government. The constitutional and legal framework guiding state-local government relations is not only skewed in favour of the state, it completely subjugates the institution of local government to the state government (Chukwuemeka & Uche, 2005). In Nigeria, the issue of sharing resources among the three levels of government has remained controversial due to lack of an acceptable formula. It generates tension and bad blood among the three tiers of government. The study therefore focuses on state –local governments' fiscal relations and grassroots development. This is borne of the fact that the states and local governments constitute the hub of economic development and centres for the provision of social amenities and infrastructure for the people at the grassroots.

## **1.2 STATEMENT OF THE PROBLEM**

The way intergovernmental fiscal systems are organized varies from country to country. These differences partly reflect historical and geographical characteristic of each country, the degree of heterogeneity of the population and the extent of government intervention in the economy. In Nigeria, there are three tiers of government Federal, State and Local government. The structure and management of state-local fiscal relations have become a dominant issue in Nigeria's federal arrangement. Of all the levels of intergovernmental relations that are in operation in Nigeria's federal practice, the state-local relation is the most contentious (Ola & Tonwe, 2005). The relationship between state and local government is more of domination and hijacking of local government functions by state governments rather than serving as moderator/mediator, despite the fact that local governments were created in order to bring governance closer to the people, yet state-local government joint account does not enable this (Ahmad, Abubakar & Ahmad, 2013).

Over the years, the local government administration has been faced with series of developmental and economic challenges where different policies have rendered the councils

incapacitated to discharge their constitutional mandates. Fiscal relationship between state and local governments has become a problematic issue in intergovernmental relations in Nigeria. In this respect, the higher tiers of government have excessive control on the finance of local governments. Although the constitution enjoined states to pay 10 percent of the statutory revenues to local government councils (LGCs), in Nigeria very few states honoured the provision. The failure of the constitution to articulate a clear line of authorities to both the state and local authorities and the continuing debate over the involvement of state governments in distributing local government allocation from the Federation Account has affected the capacity of local governments to provide essential services at the grassroots. Majority of the state governments made some unnecessary deductions and more often diverted the funds to other areas of personal interest while the money is meant for development of local government areas, and this has contributed significantly to the abysmal performance of local governments in providing good governance for the community. In some states, the state government used to award contracts on behalf of local governments via State Joint Local Government Account whether the project has a direct impact on the local populace or not.

The introduction and the subsequent implementation of the state joint Local Government account system in Nigeria following the restoration of civil rule in 1999 had largely constituted and generated a lot of controversies in the polity such as the allegation of indiscriminate deductions from the statutory allocation of the Local Government by the State Government and its concomitant effect on Local Councils productivity (Ojugbeli & James, 2014). Thus, the provision for 'Joint Account' between the state and local government councils is a huge impediment on financial autonomy of local government councils.

The above discussion indicates to a very reasonable extent to which the joint account remains a conduit pipe for the draining of Local Government allocation by the State Government. This study, therefore, examine the relationship between State – local governments' fiscal relations and grassroots development in Lagos State, Nigeria.

### **1.3 OBJECTIVES OF THE STUDY**

The main objective of the study is to assess the extent to which state – local government fiscal relations has impacted grassroots development with specific reference to Lagos state, Nigeria. Other specific objectives include:

- To ascertain the implications of State Joint Local Government Account on the financial autonomy of local governments in Lagos state.
- To examine the influence of state's utilisation of financial resources on infrastructural development at the grassroots in Lagos state

#### **Research Questions**

The study attempts to beam searchlight on the following research questions:

- What is the relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state?
- Could state's utilisation of local government financial resources influence infrastructural development at the grassroots in Lagos state?

### **Research Hypotheses**

The study is geared towards testing the following hypotheses:

- There is no significant relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state.
- State's utilisation of local government financial resources does not influence infrastructural development at the grassroots in Lagos state

## **2. LITERATURE REVIEW**

### **2.1 Concepts of Local Government and Intergovernmental Fiscal Relations**

Local government is a problematic concept. It has been conceived and constituted in different ways, depending on the orientation of the scholar (Fatile & Adejuwon, 2009). Local government is conceived as a system of local administration instituted to maintain law and order, provide a limited range of social amenities and encourage co-operation and participation of inhabitants towards the improvement of their conditions of living (Emezi, 1984). To Wraith (1984) local government is "the act of decentralising power, which may take the form of deconcentration or devolution. Local government is that tier of government closest to the people, "which is vested with certain powers to exercise control over the affairs of people in its domain" (Lawal, 2000:60). Local government can also be viewed as a legal personality with sufficient but limited powers of control over its staff, finances, and funds (Michael, 2013).

From the above, it shows that local government operates at the local or grassroots level; operates within a defined geographical area; has a relative autonomy or independence; has a range of constitutionally delineated function to perform; and has its council composed of elected representatives.

On the other hand, intergovernmental fiscal relation refers to way the various levels of government in a state constitutionally relates both vertically and horizontally in the sharing of the financial resources of the country and in the distribution of resources. It refers to the allocation of responsibility for expenditure and powers to raise revenue by different spheres of government (Nchuchuwe & Adejuwon, 2015). Musgrave (2000) also defines intergovernmental fiscal relations as that which concerns the division of public sector functions and finances among different tiers of government in a state.

### **2.2 An Overview State – Local Governments Fiscal Relations in Nigeria**

The issue of intergovernmental fiscal relations has been a 'constant and important fiscal policy consideration in Nigeria since the country's independence in 1960' (Alm & Boex 2002). Since independence to date, there a lot of inter-governmental conflicts between the state government and the local government involving the Office of the Governor and some State Ministries, Commissions and Agencies in Nigeria. The Governor tends to act as the Head of the Local Government Chairman. He summons them to meetings at will and gives necessary directives from time to time. The monthly allocations that are expected to be given to local government are diverted and sometimes mismanaged by the State Governors (Togun, 2010 cited in Nwogwugwu & Olusesi, 2015). Under the 1999 constitution of Nigeria, allocations from

federation account are channeled to the local government through the state government. This scenario created a dependency situation than independent one between the local and state governments. In view of this, intergovernmental relations at state – local and local-state are functions of the diversity of the state (Tella, Doho & Bapeto, 2014).

It is important to note the fiscal relationship between State and local governments in Nigeria can be described as “master-servant relationship” rather than partner in governance. Ogbuisi (2007) observe that the funds which the state governments were supposed to share among the local governments were in reality directed to state projects. Ogbuisi state further that the unrepentant attitude of the state governments towards exploiting the funds of local government became obvious when the federal government decided to allocate directly to the various local governments for the purpose of paying teachers in the states’ employment.

As observed by Ogbuisi (2007) the problem of constant state intervention in the local government funding had a constitutional basis. For instance, section 162 (5) and 7(1) of the 1999 constitution of the federal republic of Nigeria state that:

- Any amount standing to the credit of the local government councils in the federation account shall be allocated to the states for the benefit of their local government councils in such terms and in such manners as may be prescribed by the State House of Assembly... ..the finance, composition, functions, and structure of the local government in the federation is to be determined by the prescriptions of the State House of Assembly.
- The above provisions of the constitution shows that local governments in Nigeria have no power on their own to determine how their affairs are run. The fiscal arrangement has been used to gauge the stake a particular segment of the population has in the federal structure and what powers, real and statutory, a tier wields (Onah, 2007).

### **2.3 State Joint Local Government Account and Financial Autonomy of Local Government**

Local governments in Nigeria are established to bring governance closer to the grassroots and enhance development. However inadequate finance has undermined the ability of local governments to achieve these goals. The financial autonomy of the local governments is severely interfered in by the state governments principally through the instrumentality of the State Joint Local Government Account (Ikechukwu, 2014).

One of the nagging problems of Nigeria’s federalism is the persistent failure to grant fiscal autonomy to local government as the third tier of government. Under a true federal structure, the autonomy of local government is adequately guaranteed. Although decentralization policies have been introduced in some West African States, including Nigeria, much success has not been attained towards granting autonomy to local government. This is due to the inadequacy of legal framework and constitutional provisions to guarantee the autonomy of local governments (Akinboye, 2007).

The State Joint Local Government Account (SJLGA) was initially introduced in the Nigerian federation as far back as 1981 during the Second Republic administration of President Shehu Shagari. The Federation Account has been the focal pool from which the three tiers of government in Nigeria derive their monthly allocation which is expected to be judiciously utilized in addressing socio-economic development of their localities (Ahmad, Abubakar & Ahmad, 2013).

Under the 1999 Constitution of federal republic of Nigeria, the State Joint Local Government Account (SJLGA) is a special account maintained by each state government “into which shall be paid allocations to the local government councils of the state from the Federation Account and from the Government of the State” (Section 162(6), 1999 Constitution of Nigeria). The State Joint Local Government Account is meant to be a mechanism that can implement the notion of ‘fiscal federalism’ at the local government level in Nigeria.

It is not doubtful that the intention of those who formulated the joint account system as a financial policy for the local government was good. The joint account system was established to avoid any possible manipulation of the account by the state government. The system would have assisted in no small measure to extenuating the incessant corruption inherent in the local government system aptly perpetuated by the council’s executives. Bringing the supervision of the account under the state government was a plan well made to check and instil fear in mind and mentality of the council executives (Ojugbeli & James, 2014).

It is important to note that the state government is not intended to be a beneficiary of the SJLGA, rather, it is a trustee of the Account. It is required to maintain the Account for the benefit of the local governments by ensuring that the amount allocated for this third tier of government is equitably and fairly shared among the councils, adhering strictly to constitutionally stipulated criteria. However, reports across the country indicate that most state governments are using SJLGA laws contrary to this intention (Okafor, 2010). Most state Governors through state joint local government account have converted local governments to a gold mine and their interference became abysmal and detrimental to local government productivity most especially in the area of grassroots development.

Onah, (2004); Azelama, (2008); and Ezeani, (2012) observes that the interference in the local government statutory allocations by the state governments reasonably accounts for the inability of the local governments to initiate and execute development programs or projects. Oguntuase (2012), Okolie and Eze (2001), also agree that the state governments have turned the State Joint Local Government Account into an instrument to manipulate and control the local governments.

However, it is necessary to observe that the pervasive practice by state governments to interfere in the statutory allocations to the local government is antithetical to the spirit of the constitution in the creation of the State Joint Local Government Account. Indeed, the state governments are only expected to act as trustee of the account and to ensure reasonable oversight of the statutory allocations of the local governments.

#### **2.4 Utilization of Financial Resources and Infrastructural Development at the Grassroots.**

Nigeria is a federal state where there are three tiers of government namely federal, state, and local governments according to the magnitude of constitutional power, authority and control. The recognition and importance of local government in the development process is prompted by the imperative to tackle local socio-economic problems and to manage grassroots development through provision of basic rural infrastructure (Lawal, 2014).

The basic rationale behind the creation of local government is to meet the peculiar needs of the people at the grassroots (Nwankwo, 2001). However, it is pathetic to note that the local governments have demonstrated incompetence in regards to its revenue utilisation. As a result,

some local governments end up in financial crises and are unable to tackle the challenges of services delivery and mobilisation of both human and material resources required for the functioning and meaningful development of the local government areas. Thus, underdevelopment continue to rear its ugly head and as people are either ignorant of or indifferent to the reasons for which local government are created.

Fiscal management and grassroots development therefore implies judicious combination and utilization of financial resources to local government to attain set goals by designated authorities with the managerial tools of planning, organizing, directing and controlling, for the benefit and development of the people.

Local government administration in Nigeria however, have been characterized by bazaar mentality, poor accounting systems, unavailability of reliable data required for planning, over-politicization, inadequate finance and poor revenue collection, greed, unnecessary government interference, lack of direction and corruption. The statutory allocations from the Federation Account because of poor management are said to be inadequate to cover the financial obligations of local government councils in terms staff salaries, social services and serving of debts (Agba, Stephen & Nnamani, 2014). The resultant effect of this is the inadequate financial base of most local governments in Nigeria, which makes it practically difficult to carry out their constitutional functions effectively (Okoli, 1999).

Efficiency in financial utilization in local government can be achieved through organizational determination to pursue excellent performance. It entails self-discipline on the part of those are charged with the responsibility of managing the resource of local government. However, the efforts of local governments' executives to attain some financial autonomy in running their councils are being discountenance by the intervention of state governments in local affairs. It is a common practice for state governments to appropriate a substantial portion of finance meant for local government.

## **2.5 Empirical Review**

The study of Oyelakin (1994) on state and local government relations in Nigeria under the military shows that concerted efforts had made to revive reform, revitalise and restructure the local government system in Nigeria. He observes that enhancing the freedom of the local government will remould it into an effective springboard for national development. He believes that local government autonomy can only be realized if they enjoy full financial autonomy. Similarly Omoruyi (1992), advocate for the need for autonomy to local government in Nigeria and identified the issues that would enhance such autonomy under a Presidential System of Government like Nigeria.

The study conducted by Angwe (2000) described the relationship between states and local governments in Nigeria as a fragile relationship. He identified salient issues like financial autonomy, elections, taxation and population as the yardstick to measure a viable and sound local government that would meet the yearnings and aspirations of its members. He, therefore, advocated for the full financial autonomy of local government to strengthen its functions and bring governance closer to the people.

Nwogwugwu & Olusesi (2015) in their study notes that the usurpation of local government functions and revenue sources by State Government is another serious area of

eroding the autonomy of the local government. Also, Aliyu, Afolabi & Akinwande (2013) in their study cite several cases of abuse of the Joint Account by different state governments across Nigeria, to substantiate their argument that the Account has been subjected to severe abuses by the state governments to the detriment of the local governments thereby undermining the financial autonomy of the local government as well as their ability to deliver on their statutory responsibilities.

Aghayere, (1997) observes that in addition to the diversion of local government funds, most state governments in Nigeria have also failed to contribute their share to the local governments as required by section 149(6) of the Nigerian constitution. He states further that State governments have compounded the financial problem of local governments by failing to release the federal allocation to local governments to deliver the much-needed services at the grassroots level. Adeyemo (2005) writes that autonomy presumes that local government must possess the power to make decisions independent of external control within limits laid down by the law. It must mobilise efficient resources, particularly of finance to meet their responsibilities. Andrews (2012) also argues that the diversion and syphoning of council fund by the state governments affect local government leadership to the extent that the desire to initiate and implement development projects programs are hampered by the inadequacy of fund. From a constitutional point of view, Fashakin (2006) discussed the true status of the local government system under the 1999 constitution. He emphasised the role of the various organs in coordination so as to enhance a viable working system in matters concerning the local government.

## **THEORETICAL FRAMEWORK**

This study is anchored on the Structural functionalist theory as postulated by Gabriel Almond, James Coleman and Bingham Powell. Structural functionalist theory is a form of systemic analysis which looks at political systems as coherent whole which influence and are in turn influenced by their environments. The interactions which characterize political systems (as particular kinds of social systems) take place between, not individuals, but the roles individuals adopt: these are the basic unit of structural functionalist theory. The structural functionalist theory revolves around certain concepts, more important of them being the concept of functions and structures.

Almond (1960) state that all systems perform two basic set of functions. The input and output functions. For him, the political systems is made up of a set of roles, structures and subsystems whose interaction are affected to a great extent by the psychological attribute and properties of the actors involved. Structural functionalists like Gabriel Almond and Bingham Powell posited that for proper understanding of the structures (institutions) in the society, there is need to place them in a meaningful and dynamic historical context. Situated within the present study, the above postulations have relevant applicability in understanding and analyzing state-local relationship. The benefit of the structural functionalist theory to the study is that it can measure changes in power relations between level of government and the distribution of power among the level of government necessary makes for good governance at the grassroots.

Structural functionalist theory has been criticized on the ground that it is culture bound, since the functions attributed to the political system are very closely related or modeled on

western political systems. It has also been criticized partly because its emphasis on system maintenance which it is said to be status quo-oriented and therefore conservative. Despite the criticisms, the theory has been found useful in analyzing the relationship between tiers/levels of government in a political system. This is based on the fact that the theory sets out to interpret political system as a structure with inter-related parts with each structure performing role function. The failure of one structure leads to dysfunctionality or disorderliness in the system.

### 3. METHODOLOGY

The study relied on both primary and secondary data. The study utilises survey research design. The choice of the design was considered most appropriate because the study surveyed the opinion of a given population or its representative sample on existing phenomena. It also gives room for population sample opinion to be taken and objectively analysed.

The primary data was gotten from the primary source of data through a structured questionnaire. The questionnaire was a five like scale questionnaire. Secondary data as gotten from published textbooks, journals, newspapers, magazines, government publications etc.

The population of the study comprises of employees of one local government each from the IBILE the acronyms of the five division into which the state is divided i.e Ikeja, Badagry, Ikorodu, Lagos Island and Epe. For the purpose of this work, sample size was drawn from the staff of the five local governments consisting of top management staff, middle management and junior officers. The selected Local governments are Alimosho, Ikorodu, Ibeju Lekki, Ojo and Epe local government areas of Lagos state. A multi-stage sampling technique was used in this study (i.e. Cluster/Area, stratified and simple random sampling techniques).

To determine the sample size, Yaro Yamane formula was used with a sampling error of 5 percent. Using Yaro Yamani theory of sample size,

$$n = \frac{N}{1 + N(e)^2}$$

Where

N = the population

e = sampling error

n = sampling size

Therefore,

$$\begin{aligned} n &= \frac{1250}{1 + 1250(0.05)^2} \\ &= \frac{1250}{1 + 1250 \times 0.0025} \\ &= \frac{1250}{1 + 3.125} \\ &= \frac{1250}{4.125} \\ &= 303 \end{aligned}$$



Therefore, a sample of three hundred of three (303) employees were selected from an estimated population of one thousand, two hundred and fifty (1250) staff of the selected local governments. Sampling technique on the other hand, is a method used in selecting samples from a study population. It would be probability sampling and non-probability sampling techniques. With the complexity of this study, the combination of area /cluster, stratified, and simple random sampling techniques were used. Cluster sampling was used to divide the entire state into areas/divisions, and each local government was stratified into layers, viz top management, middle and junior staff categories and simple random sampling was employed to select the sample from each group.

To ensure the validation of the instrument, content validity method was used. The draft questionnaire was given to research specialist and experts who made amendment and corrections where necessary to research work. The essence of validity of research work was to ascertain the degree to which State local Government fiscal relations affect grassroots development in Lagos state. To ensure the reliability of instrument, a pilot study was conducted by the researcher vis-à-vis the expected outcome based on the hypotheses. The Cronbach Alpha reliability for construct is 0.79. Data collected were analysed using descriptive statistics such as simple percentage, frequency distribution, and the hypotheses were tested through Pearson Product Moment Correlation Co-efficient ( r ) with the aid of Statistical Package for Social Sciences (SPSS ) 20.0. A total of one hundred two hundred and sixty five questionnaire (265) were returned which gave a response rate of 87.5% out of which two hundred and fifty (250) were found useable.

#### 4. DATA PRESENTATION AND ANALYSIS

##### 4.1 Testing of hypotheses

The earlier stated hypotheses were tested using the Pearson-moment product correlation statistical technique which is considered appropriate because of the relationship involved in the hypotheses.

##### Hypothesis One

**H<sub>0</sub>:** There is no significant relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state.

**H<sub>1</sub>:** There is a significant relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state.

**Table 1 Correlations**

	State Joint local government account	Financial autonomy of local government
State joint local government account	1	.823(**)
		.000
	250	250
Financial autonomy	.823(**)	1

Sig. (2-tailed)	.000	
N	250	250

\*\* Correlation was significant at the 0.01 level (2-tailed).

The table above illustrates that the Pearson’s Correlation  $r = 0.823$  computed for State Joint local government account and financial autonomy of local government significance with  $p\text{-value} = 0.000$  which is less than  $\text{Alpha} = 0.01$ . This hypothesis is therefore rejected. Thus, confirming the alternative hypothesis that there is a significant relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state.

**Hypothesis Two**

**Ho:** State’s utilisation of local government financial resources does not influence infrastructural development at the grassroots in Lagos state.

**H1:** State’s utilisation of local government financial resources has significant influence infrastructural development at the grassroots in Lagos state

**Table 2: Correlations Calculation for Hypothesis Two**

		Infrastructural development at the grassroots in Lagos state.
State utilisation of local government financial resources.	Pearson Correlation	.830**
	Sig. (2-tailed)	.000
	N	250
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: Field Survey, 2017.

With a correlation value of 0.830, the above analysis reveals that there is a very strong, positive relationship between State utilization of financial resources and infrastructural development in Lagos state. Therefore, the null hypothesis is rejected, and the alternative hypothesis accepted. Thus, State’s utilisation of local government financial resources has significant influence infrastructural development at the grassroots in Lagos state.

**4.2 Discussion of Findings**

The first hypothesis revealed that there is significant relationship between State Joint Local Government Account and financial autonomy of local governments in Lagos state. Most of the respondents believed that the issue of joint account has eroded the financial autonomy of local government as the third tier of government in Nigeria. As argued by Adeyemo (2005) local government must possess the power to make decisions independent of external control within limits laid down by the law. The outcome of the study is also supported by the views of Aliyu, Afolabi & Akinwande (2013) in their study that several cases of abuse of the Joint Account by different state governments across Nigeria is an abuse of the powers of local governments thereby undermining the financial autonomy of the local government as well as their ability to deliver on their statutory responsibilities. This is in line with the suggestion of Omoruyi (1992)

that there is dire need for autonomy to local government as the third tier of government in Nigeria.

Findings from the second hypothesis tested revealed that State's utilisation of local government financial resources has significant influence infrastructural development at the grassroots in Lagos state. The position of the survey participants is based on the physical projects executed by Lagos state on behalf of local government in the state via state joint local government account. This is not in agreement with the view of Andrews (2012) that diversion and syphoning of council fund by the state governments, prevents local government in initiating and implementing development projects at the grassroots..

## **5. CONCLUSION**

Local government plays pivotal role in grassroots development. It is necessary to enhance the fiscal capacity of the local government to stimulate grassroots development. Local government administration is designed to bring development to the people at the grass root. The local government as the third tier of government in Nigeria and as enshrined in the constitution is ostensibly meant to serve as are an institutional framework for effective service delivery to the grassroots and the overall national development. However, local governments in Nigeria has been performing poorly in provision of essential services to the people due to absence of autonomy. Rather than function as a tier of government, local government has been operating as an appendage of the state government in Nigeria. The State Joint Local Government Account (SJLGA) has placed the local government councils in a political bondage.

The local governments in Nigeria need to be saved from the clutches of the state authorities. The running of joint accounts between state governments and local councils has messed up the much-needed pace of development which it was expected to hasten at the rural level.

For effective operation of local government in Nigeria, there is need for peaceful co-existence and harmonious relationship between the State and local government in Nigeria and this is only possible when there is cooperative administration, accountability and transparency in local governance within the principle of separation of powers and the rule of law.

## **6. RECOMMENDATIONS**

From the above discussion, the study suggests that there is a need for local government financial autonomy in Nigeria. The enabling instrument that gave birth to the third tier of government is fundamentally faulty. To achieve sustainable development at the grassroots level, there is an urgent need to free the local government council from the hook of the state government through autonomy. There is need for constitutional amendment so that he statutory allocations from the federation account should go directly to local governments so as to prevent unnecessary state interference.

The study advocates the abolition of the State Joint Local Government Account in order put an end to the political slavery associated with it. The regular auditing of local government account, as well as the strict enforcement of the rules and regulations governing fiscal policy at the local government by independent auditors, is recommended to promote fiscal discipline.

Not only that adequate provision should be made in the constitution to give local government more tax powers which will allow them generate more resources within their spheres of authority.

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## **LOCAL DEVELOPMENT IN SOME ROMANIAN RURAL COMMUNITIES WITH STRONG SOCIAL CAPITAL. THE ADVANTAGES AND DISADVANTAGES OF SOCIAL CAPITAL IN COMMUNITY DEVELOPMENT**

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**Abstract:** *The presence of social capital in rural communities is very beneficial, which is why we have to put accent on analyzing the relevant concepts and see the relationship between them, but also to understand their importance and the role they play. This article analyzes two rural areas in which we can observe different types of social capital which lead to a community development. It also shows the importance of these two concepts nowadays.*

**Keywords:** *Community development, Social capital, Cooperation, Volunteering*

### **INTRODUCTION**

The aim of this article consists of providing the necessary literature review in regards to the concept of community development seen as a model of local development, explaining its role and objectives and also the processes that directs it. We provide a definition of the social capital concept, we explain the existing types of social capital, and also the advantages and disadvantages of its usage in the context of community development. In the last section of the literature review we have described the links between the concepts of community development and social capital. Through this research we try to highlight two cases of good practice by analyzing two rural communities and offering these good practice models to other communities. We can say that a community undergoes a high community development process when it develops on economic, social and culture terms, with the condition that all its members are aware of the problems they encounter and are solving them through voluntary work by using internal resources and values and both external where this is possible. Community development has multiple purposes, such as learning to cooperate, motivating community, promoting its members and creating bonds between them, finding the persons who are willing to assume a leader role, improving local democracy which will help the community to develop. As a definition,

community development is implemented with a purpose to create thriving communities based on interpersonal relations.

In order to assist local administration in the implementation of its local development policies, several types of specialist agents who aid community development were proposed. According to Dumitru Sandu (Sandu, 2005) at Romanian level the *community agent* has the role to get involved in society actions and aid communities to go through to the community development process. Another type of agent is the *local promoter* which is defined by Dumitru Sandu. Most of the times this agent is specialized in different areas and their role at community level is to initiate community development activities by establishing local community associations which collaborate with the local public administrations. In the year 2002 Civitas Foundation introduced the *community facilitators* (Balogh, Bosovcki, Dragoș, Hințea, Hosu, 2003). This type of agent has several characteristics: his involvement is characterized by external actions which means he is not a permanent employee of the local administration, this means he is independent of local institutions. Another type of agent is the *local development agent*, which has higher education in the social science area, and contributes with ideas in the social economic development of the community. This type of agent is included in the local public administration and work with the community from the interior.

Social capital represents the totality of community member bonds and links, the links between various organizations and community members, bonds which are based on mutual trust and respect. Michael Woolcock has proposed a clear distinction between three types of social capital: bonding, bridging and linking. *Bonding* capital can be explained in terms of strong or tight links between family members, friends, church members, which can be characterized by a strong cohesion of the group. *Bridging* capital is characterized by weaker links which are set between different groups which have a common goal. *Linking* capital is characterized by relationships between individuals with different social statuses, for example between poor and the rich.

Referring to the disadvantages of social capital Levi and Putzel have written about the concept of “path dependence” which Robert Putnam has used it only in a metaphoric way and he has not proved the applicability of the concept (Bădescu, 2013). Alejandro Portes and Patricia Landolt have concluded that the most important problem is related to the generality of the social capital concept, which leads not only to circular statements, but also to some recommendation for policies. The concept may be difficult to understand, especially that the first problems arise when we try to operationalize it. Another critique is that the theory emphasizes only the positive effects of high levels of social capital, most literature only observes the fact that high level of social capital is better than a low level of social capital. In regard to the functionality of its definitions, many critics were formulated, as the social capital was defined by many authors thought its functions. These definitions make the delimitation between what is and what it does impossible.

In his book, “Social capital and public participation”, Gabriel Bădescu has presented three negative aspects which most analyses miss out. The first aspect is that although social capital can aid local development, most of the time the development is done with outside help and resources. The second aspect is that in certain situations social capital can also bring disadvantages to communities. The last negative aspect is related to conceptualization. Although horizontal and dense links/ networks help the conceptualization of social capital, there are

situations in which groups characterized by high level of social capital do not manage to transform it into economic advantage and do not increase the democratization of the community bringing wellbeing to all community members.

The main benefit of social capital is the sharing of information as it allows individuals access to information about opportunities in the community. This is very important because it enhances community mobilization in order to achieve certain goals, but also increases socialization, cooperation and other aspects of community life. According to Adler and Kwon, influence, control and power are also products of existing social capital. The power, of a community which can be political, can benefit local actors and confer them certain rights. It can be translated into the influence it puts on political actors and the accountability it exerts over political figures, institutions and organizations (Adler and Kwon, 2002). The same authors point out that solidarity between community members is another effect of social capital because it is based on the existence of strong links and beliefs between community members which encourage the adherence to local traditions and norm, which can lead to a lower need for formal control (Adler and Kwon, 2002).

Tristan Clardidge's book points out that studies agree that social capital is omnipresent and offers examples in regards to its political, social and economic influence. The author suggests that the concept of social capital brings together sociological concepts such as social support, integration and social cohesion, which is seen by some authors as a "rare characteristic in social sciences". The author presents a series of beneficial effects of social capital as it were proposed by several authors: contributes to the efficient function of economy, stabilizes liberal democracy (Fukuyama 2001; Kenwothy 1997), and shapes some models of regional development (Lyon 2000).

As we can observe, social capital is present in all communities, in one form or another, and it contributes to the development of these communities. Although it can be difficult to measure or operationalize, it is not impossible as we can understand it in terms of effects and results, as it can be observed by the multiple theories regarding the positive and negative effects of it.

Between the social capital and local development and community development we can find numerous links. For example, in the United Kingdom, the consolidation of social capital is considered advantage in regards to the development of social enterprises as it is based on the volunteer trust and engagement and on the strong community member links, which aim to develop their community (Neğuț, 2013). Local development requires a high level of community social capital as it allows members to cooperate in order to attain the common objective, which in the most cases is the improvement of the community. It should be noted that the presence of social capital is not a solution to solving community problems, but rather an advantage which can be used with other forms of capital (financial, material), which leads to the development of the community. Members of the community have the best image of their interest and problems and it is important that they have a role in the decision making process. The opportunity to participate encourages individuals to take part in collective actions, leading to increased interactions and intensity of relationships (Tu Chi Nguyen and Matthias Rieger, 2017). The authors believe that the local development process influences the social capital; as community members observe that their community is thriving, they will want to get involved in order to aid the development process. So, local development can stimulate individual willingness to be part



of a group, to create links with others, with the desire to facilitate the provision of public goods and services. On the long term, a high social capital will facilitate the local development process. The conclusions we can draw based on the literature review we can state that local development influences social capital and vice versa. In order to attain common objectives through voluntary participation, individuals need to form collective groups which are characterized by mutual trust and help, cooperation and collaboration. In this way, community members become aware that in order to reach common objective they need the help of others, and most important, that collective work makes possible the productions of effects which cannot be achieved individually.

## **METHODOLOGY**

In order to identify empirical evidence and analyze rural communities and to determine the link between the concept of local development and social capital, we opted for two methods of research: quantitative and qualitative. We used the citizen survey in order to analyze the collective perception of villagers towards the local development process. Also, interviews were taken throw using the focus-group method with the objective to collect information from the citizen`s perspective about the community that they live in.

In the quantitative research we used an acknowledged survey which was developed by CAMPP foundation. In Jebucu village the survey was applied using the face to face method. 35 valid answers were collected, which represents 13.47% of the total inhabitants of Jebucu village. In Camar village the total number of respondents was 137, representing 7.75% from total number of Camar`s population.

In regards to the qualitative research, the interview was used through the focus-group method. We selected relevant members of the communities which have a role in local development as participants. We did one focus-group for each community, the interview guide consists on nine questions, and for both focus-groups we used the intended sampling technique.

## **ANALYZED COMMUNITY DESCRIPTION**

### **JEBUCU VILLAGE, ALMASU COMMUNE, SALAJ COUNTY**

Jebucu village is a part of Almasu commune, which is made up of nine villages: Almasu, which is the commune seat, situated 51 km from Zalau city. The first reference to the village dates back to 1490, when the Catholic Church, built in the village in the XII century is reoffered to the church disappeared in XVII century. In 1681, the population was converted to reformed belief, and the construction of a new church began which received its bells in 1792 and respectively 1803 and the tower was added in 1840. The pipe organ was added to the church in the 1819, but because of a fire which took place in 1876, only the walls remained, while all the interior objects were destroyed. In 1879, the community organized to repair the church and since than it is restored by the villagers whenever this is needed (<http://enciclopediaromaniei.ro/wiki/Jebucu>).

The village uniqueness is ensured by its inhabitants, their mutual cooperation and trust. The community organized itself and has worked together to build a road to the rail station because they had to cross a difficult and long path to get there. By joining forces villagers had

managed to satisfy their common interest through teamwork and cooperation. The village was at the brink of depopulation, when in 1991 a church priest together with her family moved in the village to ensure the continuation of church service. Because nobody wanted to hold service in a small village with few inhabitants, Irma Molnar decided to be the priest for the villagers. At first, the villagers were reluctant, especially older people, to the fact that she was a woman priest. With patience she managed to be accepted in the community even more, now she is seen as an important peer of the community. Molnar family has managed to attract people from other countries which have visited and became donors for the village development process. The donors which were attracted were profoundly impressed by the beauty of the places, the village story and the united community, which made them want to be a part of the development process. A priest from Germany, which visited the village has proposed a mechanism in order to raise funds for the development initiative. He asked the women in the village to sew traditional table cloths, which he would sell in Germany and the money obtained will be used to refurbish the church which was affected by the fire. In this way, through voluntary work, the women in the village have managed to make their church welcoming again. The same mechanism was used in order to construct a children`s center in the village and also to improve the road to the train station, that they build some decades ago. The result is that the community has managed to save their village and to improve their living conditions by voluntary work and cooperation. The village hosts a placement center for orphan children. It was founded and built by the community with the purpose of bringing children in the village and offering an opportunity for them to remain there. The placement center was opened in 1994 and it hosted an initial number of 36 children and in present it hosts 52 children. The placement center has developed, adding a small animal farm (pigs and sheep), greenhouses and a lab which prepares milk based products which provides a source of nutrients for the children. The center also has a house which is used as a home for over eighteen year old children, who leave the center and are encouraged to remain in the village. Also, the youth in the center is encouraged to integrate and to enroll in professional schools in order to learn skills and abilities needed in order to prepare for life. There are also surroundings workshops which have an oven for baking the ceramics. There are two ladies, one from Switzerland and one from the neighboring city from Huedin which alternatively teach the children how to paint and to make ceramics. Annually, the center organizes a creation camp for artists from all over the world. The participants are hosted in the placement center and they donated over 250 paintings as a gratitude symbol. The village has formed partnerships with other European communities under the sister city concept with communities from Germany (Murr), Switzerland and Hungary (Paty). These partnerships ensure the transfer of good practices and models of development. This kind of transversal links most of the times ensure even financial and material support for local development projects. For example, the village has took a loan which helped it to build a new 2.4 km road through which the village is now connected to the Cluj-Oradea, DN1/E60 European Road, which proves the intelligence of the community. Besides the sister city partnerships the village has created links with various NGO-s, cultural groups which hold painting camps and other activities and also with the faculty of Reform Theology, from Babes-Bolyai University, from Cluj-Napoca.

At the moment, Jebucu village has 260 inhabitants, all of them being Hungarian ethnics. In 2016, there were over a 100 persons permanently employed of which 47 work in the village in the placement center and the connected social enterprises (agricultural association, flour mill,

bakery and the milk lab). The main occupation of the village inhabitants are in the field of agriculture, crafting and animal herding. In the village there are approximately 14-15 cows which belong to the village and 41 which belong to the placement center, around 150 sheep of which 40 belong to the villagers. Also, the villagers have around 150 pigs, and the placement center has 50. The local agricultural association has various crops mainly consisting of: oat, corn, potatoes.

The local villagers are warm, peaceful and simple, which can be translated in a low level of crime rate, due to strong social control. The villagers help each other in agricultural activities, building new household appendix and even in organizing events like weddings, christening, funerals or birthdays. There is also a village monthly tradition for which the persons who had their birthday in the last month to organize birthday parties at the local community center. The celebrating event starts in the morning with some village beautification community activities (cleaning the water ditches, cleaning the street, grooming trees). Meanwhile the ladies clean up the community center, prepare food for the party, and plant flowers in the village. The day finishes with a party were the local youth music club holds a concert.

### **CAMAR VILLAGE, SALAJ COUNTY**

Camar village is situated 56 km away from Zalau municipality, which is the county seat of Salaj County. Camar is actually a commune which in the past was formed of two villages, meanwhile one of them has disappeared through depopulation. The first documented reference of the village dates back on June 19<sup>th</sup>, 1349, under the name of Kemer. Mid-15<sup>th</sup> century it was a commercial center of the area, the village used to hold weekly fairs. The status of fair lasted for long time, the village reaching its largest population in the 18<sup>th</sup> century, also being one of the most populated settlement in the area. At the beginning the village was inhabited only by Hungarian ethnics and slowly Romanian ethnics settled there, the first reference of Romanians being dated in 1720 (Strategic Development Plan for Camar commune). According to the National Institute of Statistics Data, the village population at 1<sup>st</sup> of January 2016, was 1702 inhabitants, most of them being Hungarian ethnics. In 2016, 320 villagers were employed, in different fields such as agriculture, commerce, construction, education, public administration. The economy of the village is based on agriculture (mainly grains) and horticulture (orchards and vineyard). Out of the plum harvest 400.000 liters of spirits (traditional Transylvanian drink, called *Palinca*) are produced every year. The element which sets Camar apart from other communities is the confessional structure of its population, Reformists, Baptist, Evangelist, Adventists, Greek-Catholics, Orthodox and Pentecostals live in the village. In total, seven confessions are present in the village and each of them has a different church. The analysis and observations we made in the village, show that the presence of so many confessions rather than producing cleavages in the community, has raised the interethnic and interconfessional tolerance levels, and the level of civic engagement places the community among active communities. This title of active community is due to a high number of community structures, the inherent relationships between them, and the levels of empowerment in these groups.

Camar Village Days, also known as Ramson Festival (*Ramson* which is a plant known popularly as wild garlic) is a festival which villagers organize together with other communities from Romania and Hungary, represent occasions where local culture, cuisine, drinks, fruits are

displayed, sampled and are appreciated by experts and tourists. A small concert held by the ecumenical choir and organized by the Baptists, brings together villagers from all confessions. The local music band and football or Ping-Pong teams compete with the visiting teams. The transversal relationships which the village has managed to build in time with communities from Hungary (Mesztegnyo, Soponya and others) and also with neighboring communities, have determined cultural exchanges which are most visible in the annually events organized in Camar. The inhabitants are more and more aware of the possibility to capitalize the local products and local culture through tourism activities. Also, a few years ago, a guesthouse was established in a local vinery. It has a wine cellar in which wine samplings are organized, and is becoming more and more well-known. The local tourist information center is involved in charting all the local culture and values (traditional costumes, traditions and customs, local cuisine). High levels of social capital have permitted cooperation between villagers which has led to merger of agricultural plots on which local investors has started a Christmas tree plantation of over 500 hectares and also construction teams of Camar are well-known and demanded in the area.

## RESULTS OF QUANTITATIVE ANALYSIS

The perception of *present quality of life* in the context of local cultural values their standards and aspirations were tested through a 1-10 scale, where 1 means totally unhappy and 10 means totally happy, in both communities their appreciation towards present quality of life tend to be similar, the largest percentages of grades being 7 and 8, which means that the inhabitants are happy about their quality of life. We can observe that in Jebucu village there is a percentage of 8.82%, which ranked the lowest on the quality of life, while in Camar the percentage is very low (0.78%).

In regards to the *evolution of life quality in the last 4 years*, in both communities the perceptions are rather positive and the majority of the community members considered that their quality of life increased in the last 4 years.

Concerning the *intention to leave the community* in which they live, the respondents are firm about not changing their place of living. In Camar village there is a slightly higher percentage which shows the intention of leaving the community, especially in the case of young people which are orienting themselves toward opportunities, to continue their studies or to move urban areas with different development perspectives.

When asked to identify the *three main problems* of their communities, the inhabitants of Jebucu have pointed out the lack of drinking water and sewage, road infrastructure and methane gas. Also, the villagers have identified the lack of public transport, the lack of mobile signal and tourist. Although the lack of tourists was identified by some respondents as a problem, most of the villagers are quite reluctant to receiving strangers in the community. This is observable with the tourist that visit the placement center and parochial house, their activities being very well programmed and structured as not to interfere with the community way of living. This way of receiving strangers offers the villagers some sort of security in regards to theirs lives and villages. Regarding the problems identified by the inhabitants of Camar village the main problems are the lack of jobs, poor infrastructure and public transport services, problems which directly affect the quality of life.

When asked to identify the *main three strengths* or advantages of the village the inhabitants of Jebucu have identified the following: the civilized attitude and the unity of the villagers, the perseverance that characterize them and the opportunity to have a job in the village. Other identified strengths are the presence of the placement center, the cleanliness of the village and the involvement of the foreign individuals and groups in the development of the community. In the Camar village the main three strengths are the existence of water resources and the presence of drinking water network in a large number of households, the presence of sewage services and the solidarity of the inhabitants. In both villages the inhabitants show an enhanced awareness about their community, the present community relationships which they appreciate as one of the main strengths.

We also asked both communities about the *obstacles in the development process*. In Jebucu these obstacles identified by the villagers are: the lack of investors, the poor quality of infrastructure and the difficulty of accessing European funds. The perceived solution for the low economic activity is the attraction of investors which could accelerate the development even more. In Camar village the main perceived obstacles are also the lack of investors, the weak accessing of European Funds, the emigration of youth and the difficulty to access different markets for different products. We can observe that both communities perceived that the low capacity of accessing the European funds represent an important obstacle in the local development community process.

The areas in which Jebucu village has the *largest development potential* as identified by the respondents are: agricultural activities, animal herding, and crafting activities. Unfortunately, the agricultural fields around the village aren't very fertile, but the inhabitants work them together through an agricultural association, which was donated to the church. Through this association the villagers are more efficient and they cultivate crops of potatoes, corn and grains. The main idea of the association is to help people get the most out of their fields as they do not possess the necessary machineries for optimal use of land. Animal herding and agricultural are two fields which have a close link as animal herding, brings a superior capitalization of the agricultural production. Crafting activities represent another field for development. The villagers recollected the times in which every household had a customized fence build by local carpenters, which had a design with multiple significations. This tradition has been lost in time, but the villagers think that with the help of local crafters this tradition could be revived. Also, the rebuilding work for the church, the community center, the placement center or even local households and other places outside the community have been done by local crafters. This kind of work can bring a good name to the village and also financial resources which could be used in the local development process. In Camar community, the largest development potential as identified by the respondents are: in the field on animal herding, agriculture, producing local goods and local crafts. There are also an animal herding association and foresting association in the village. In both communities we identified the same development perspectives through development of the agriculture and animal herding sectors.

## **QUALITATIVE ANALYSIS RESULTS**

We held focus-groups in both communities. As the *main characteristic of the community*, the inhabitants of Camar have pointed out the dynamic of development – the raising number of

local businesses is perceived as positive and sustained at local level, and the religious diversity. The main characteristic of Jebucu village is the inhabitant community conscious and the homogenous mental religious and ethnic perspective.

We asked *what works well in the community*, the participants from Camar village have referred to the good communication between the people, the high level of volunteering and the water and sewage services. In Jebucu village, the participants have identified the high level of volunteering, the involvement of inhabitants in community activities, and the cooperation in cultural, economic and social fields.

We can observe a total differentiation when it comes to *local problems*. In Jebucu the main problems are the lack of communication infrastructure, the lack of water and sewage services, the lack of some services (e.g. hairdresser), the low level of new administrative projects, lack of jobs for young persons, the lack of new people in the village who could fulfill some needed jobs in the placement center (e.g. speech therapist, supervisors). In Camar the main problems are need to beautify the village, the lack of sufficient jobs, deficiencies in the health department, the depopulation and the aging population, depopulation of schools, the migration of youth leaving for other countries or urban areas in Romania, lack of investors, the low number of children in primary school, especially in the Romanian section, the relocation of young couples after they get married, the incapacity of the community to solve its own problems, the reducing level of light industry, the fact that there are inhabitants who do not participate in community activities and the lack of local product promoting.

The present *development directions* perceived in Camar are in the field of agricultural activities due to high quality fields present in the area: grains, fruit-growing (apples, plumb, and grapes), animal herding and beekeeping. In Jebucu, the participant have pointed out to agriculture, animal herding, their small crafting industry and the social-economics association and the placement center.

## CONCLUSIONS

Based on our observations and field research and on the literature review that we undergone we managed to identify and describe local community development process based on community cooperation, intra and extra group social capital. The inhabitants of both communities have managed to substantially improve the indicators of life quality through voluntary cooperation and involvement and also through external community connections which have provided aid, empowerment and models of cooperation and development. These processes have been facilitated by the local level leadership capacity which some community members have assumed.

*The competitive advantages* that both communities hold, are strong social capital relationships which although have different explanations and characteristics, have led to levels of social-economic cooperation and local culture with enhanced potential to generate development. In Jebucu the social capital is built on similitudes between community members, homogeneity and shared values of all the members. In Camar, social-capital is built on cultural and ethnical similitudes, but also on multiconfessional differentiation, strong cooperation between the different religious groups which contribute a lot in the development of social capital. Local traditions, customs and cuisine could represent sources of competitive advantage only if the communities

understand to capitalize on them, through local events and tourism. Also, the innovation in traditional areas (the real estate heritage makes Jebucu into a living museum or the success exploration of new agriculture fields – Christmas trees plantation and wine production in Camar) represent clear competitive advantages.

*Community involvement* is a cumulative learning process. Local participation is favored by the existence of some structures such as church, school, various associations, formal or informal cultural or sport groups, local institutions. It is also important that local leadership is assumed, which means that certain persons are aware of their qualities and assume their community role.

*Communication and information sharing between citizens are facilitated by the high levels of social capital.* The intra or extra group social capital relationships represent an important vector for free, open and honest communication. The informing of inhabitants is favored by the existing functional structures, the meeting up, socialization and cooperation opportunities.

*Local economy innovation* is influenced by both types of social capital. Agricultural production or local tourism cooperation implies trust on one side and collective decisions and action on the other side (association, merger of agricultural fields, and cooperation in development of new local tourism products). Intra group social capital may facilitate cooperation which means that we need to stimulate its development when its level is low. When the intra group social capital is very high it is possible that the adoption of innovative local development models to encounter group opposition due to changes that this models bring in the community. In this case the development based on social capital can show some limits, for example the development of tourism in Jebucu is not a solution which could be favored by the villagers because they are reluctant as these kind of activities could change their way of life.

Extra group social capital is very important and it has a determinant role in the adoption of innovation in local development. This kind of social capital favors the sharing of good practices, new development models and sometimes the cooperation and resources needed for development from other communities or countries, from the academia or nongovernmental sector. Both communities have unique stories based on particular characteristics and development processes. They can offer a model of good practices for other communities from the perspective of utilization of social capital in local development and particularly in those communities which hold latent resources which aid community development.

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**REVIEW**  
**THE BOOK ENTITLED „MODERNITY TENDING” OF PROFESSOR**  
**CONSTANTIN SCHIFIRNEȚ AND PUBLISHED BY ‘TRITONIC’**  
**PUBLISHER, IN BUCHAREST, 2016**

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**Abstract:** *This is about modernity, a concept approached with the (intellectual) courage that is likely to be missing by number of authors, be they sociologists, as there is this case of book and author, or others. Moreover, this author does keep such a theme in a context of several (a real ‘chain’ of) writings around and certainly written along a pretty representative period that is finally his career and profession of fate. The last is equally for here daring an expression like ‘masterpiece’ that would rather be for fiction and arts.*

**Keywords:** *Modernity & modernizing, west & westernization, (modernity-) tending & tendency, asymptote, national, elites, bourgeoisie*

Modernity appears defined in this book at page 19 as: „progress and linear unlimited evolving on a predetermined direction induced by a given social actor’. The author finds it arising in Spain and Italy, in the early ‘modern era’, then spreading into the whole Western Europe, then to the other European regions. And this is enough for any of my and the author’s ages living once in the communist Romania to quickly understand why even the earlier Ph.D. paper of Constantin Schifirneț had been stopped from publishing at its time. Things would be different whether the author had complied instead with the communist party’s thesis of, Western Europe being the ‘rotten contemporary capitalism’.

Nevertheless, problems remain even after 1989, be it for different circumstances and aspects. Let me mention that I am not a sociologist myself, but I know in person a few sociologists ever refusing debate on such a theme. I mean the sociologist that this book’s author is would equally be required with the philosopher. Or this debate might reclaim a kind of proximal gene as large as equally including terms like patriotism or even love. And let me ask who’s the one researching love, be it as a philosopher, a sociologist or a scientist? Is this really funny? Or, let us figure out debating about patriotism at the everyday tea and not quickly becoming pathetic, roast and/or ridiculous. As the result, the others’ reaction, the ones you share such a theme with, quite unwished as petty as it might be imagined, could be avoided rather only when avoiding just this theme as well from the very beginning.

Debating on modernity is proven here, in this book, in need of at least two preliminary qualities for the one who develops it. First, it is about that intact conscience, untouched by the poetic, dark mud’ of everyday routines, unmoved by the scales and thorns of the, concrete meanders’ as in an early 90s fashion be expression – and the author is aware of all these. That intact conscience belongs rather to the childhood; this is when the one’s look to the sky is still able to embrace huge clouds and to give them outlines and so a kind of ‘macro’-shapes certainly

according to the one's own psychological profile. It is the one's childhood as well that gets responsible for disconsidering human resource limits vis-à-vis great life goals approaching endeavour – e.g. modernity analysing and debating – and so risking at least a presumable stop halfway. Shortly, debating about modernity – as well as about patriotism or love, as above mentioned – isn't roast, ridiculous or wrong in any way, but the truth is that these 'great' things that belong to our collective conscience actually are as great as able to forbid or reject all inadequate facing.

And let me have a new example to strengthen the same idea: some say they could deny even God by pointing to misery of the world and pretending Him 'responsible for'; finally they ignore their own argument of 'God invented /i.e. 'made' by other ones'. In reality, even such a precarious circumstance might prove, instead of any 'argument against God's existence', Its staying off and untouched by any evil thoughts.

The other quality here required by modernity approaching doesn't belong to childhood, but, on the contrary, to the one ever able to guide all lost and perplexed reader (like me) on a slippery road like this above approaching. The example of love approaching example might be even better suggesting the 'slippery road' metaphor, plus this is for here figuring out then the ones that here organically slip, fall and wound. Professor is here much needed – and this is, of course, the same person with the above mentioned sociologist and philosopher – but once more, needed for keeping on the right way.

But then, on this road the author first encounters all ideas of 'inaccessibility' of this given theme by making known a whole list of authors and their papers previously on this theme and then scrupulously following them. Then, just finding out modernity-modernizing duality of notions, their unfinished shapping as 'de facto' and keeping instead what is here called tendence (tendential) – and let me here confess something I like enough, i.e. the *asymptote*. It is for the first time that I meet this spilling over from its mathematical and graphical basic definition – this is related in detail to the analytical geometry of the convex hyperbola and I wrote about the last myself, in my book-manual of economics. Tendence replaces achievement in the facts dimension, whilst achievement is, of course, more tempting for ordinary people, here the ones opposed to the author. On the contrary, for the last that is the phillosopher, sociologist and professor Schifirnet modernity is less accomplished and more and increasingly tendential. Back in facts, this is either never done, or previously never included in written projects – it is rather getting interesting how the phillosopher better deals with tendential as with ineffable (ineffable is the attribute that is likely to be enough agreed by phillosophers), than with things really done, and certainly much better than we do it, on our other side.

As for another example, we (the reader), on our side, we rather like to see European integration (i.e. European Union, pp.90, 97, 100, 138) done on a predictable time horizon, despite the unclear literature's viewpoints on this issue. Besides, the European integration-Union actually is a project, unlike modernity, plus a more palpable and obvious reality, previously than academic debate. Moreover, the completion of European integration is expected for ever ending the integration's chronical contradictory dynamics.

Concomitantly, not to be ommitted that projects are claimed apparently for long(extended) terms, as well – e.g. it is by the the EU project that member States agree to expose their own sovereignty. Vis-à-vis, modernity is appropriate for long terms, but more pecisely for very *long terms* – *that make it, on the contrary, rather inappropriate to projects*

*and/or corresponding programmes.* But equally not to be omitted the historical example that has been as real as the today EU, plus really achieved, but missing all kind of projects: this was the famous 'Silk Road' and belongs to some thousands of years before the today globalizing as well as to times before Jesus Christ. I here introduce this example in order to avoid presumably wrong association of human action achieved with project existing and/or with lowering working terms – neither the author argues as such, except for emphasising the modernity example that proved rather incompatible with any project idea.

Back to the paper and especially to its author, his asymptote-tending concept tandem reminds me of the Romanian example of Ion Barbu, the poet and mathematician (his mathematician's name was Dan Barbilian) of my grand-parents' generation and publishing his writings in the inter-war period. Everybody learned about this writer in the Romanian Secondary School and the mathematics-metaphor – the last for its belonging to poetry – relationship was so left to each one. Besides, two more things are equally true: that the human maturity wisdom is so different from that hurry of learning for school written tests in our youth and that metaphor belongs not only to poetry.

Moreover learning from this book (and not exactly here following its text relating order) that modernity's implementing compulsorily deals with national (pp.15, 123) level, whereas this last looks decisive for all that occurs in corresponding epoch. Let me here have the counter-example that succeeds to make the same aspect even clearer: the ancient world had been different than the modern one by staying far from national environment. George Modelski (2000 & 2004), another sociologist that also cites author names like Karl Jaspers (1953) and Jaques Glassner (2000), finds the ancient corresponding development centered on urbanization not only out of national landmark, but even so interesting as world-wide and pretty homogenous. This is an interesting urbanizing example without modernity and modernizing and it even cannot be any challenge to the Schifirnet's theses since the Modelski's approaches are earlier in time. The Modelski's facts related's interest reminds of that process of millions years ago, when the human species, contrary to all the other living creatures, were spreading across all climatic areas.

Back to our book relating about modernity and following the above tinting on, it then unexpectedly stops customizations, concepts detailing and conceptual 'dissection' to a minimal concretization on geographic regions and some individual countries. Naturally, the region here claimed as the Western world area (pp.1, but also 39, 42, 47, 65 and 128 for Westernization) is here special issue – as already shown above. Plus, the author prefers to openly declare his deliberate staying off all international comparisons on modernity criterium. Or, let me here keep a contrary opinion, that interestingly comes in favour of the author and of his text's quality (never against them). I so believe that the author is rather convincing on concretizations, as equally on his bibliography scrupulous reading for concepts shaping.

Plus, I can then continue to be faithful in the author's capacity of concretization and of making himself enough credible for a larger public – all these even against the author's previously here declared paradigm. In such circumstances, for the moment Mr. Schifirnet prefers an integrative discourse and this is the philosopher, once more.

And now let me have two more remarks that I have on the same admirable side of my contribution developed so far. The one is that I see Mr. Schifirnet not developing just one of his 'n' subjects of diverse preoccupations; this is, on the contrary, something related to a profession of faith, to most of his writings, to a presumptive continuity of preoccupations, no less to the

scholar's 'masterpiece' -- as much as every scholar and author might claim his/her own masterpiece, much previously to having universal masterpieces. Profession of faith and masterpiece belong to the individual's whole life or at least to the maturity part of this whole life. I here try to believe these aren't any big talk, but bibliography around sounds certainly common with or at least continuing the one of the author's previous writings, e.g. his 'Forms without Foundation'. Another personal reflection of mine might become here appropriate (nobody suggested it to me): it is pretty certain to have got such ease of expression helping others to understand (only) when one knows so profoundly the subject related. In other words, deeply knowing the related subject equals capability of best relating it in one phrase and/or on some hundreds of pages. And this is for our author and his writing that we here focus on.

The other remark in this order is for categorizing this paper as an essay. This last does enter debate on a topic, get active within with its standpoints, but finally leaves it whereas I, the reader, could access its contribution to assess its exact contribution as such. The last would be the difference within the same full debate between now and previously, without this essay.

Overall, after all of the above, facing what this paper is, lets us see the contrary, what the same paper isn't and could not be. I think that a philosophical and sociological approach couldn't be expected to be a perfect work. Only pragmatic approach, and this one when circumscribed to a purpose and this latter well circumscribed itself could be that. To be an approach circumscribed to some hypotheses-restrictions that are both exact and self-imposed, e.g. mathematical modeling. An aphorism identifies the masterpiece's perfection to the one of literary sketch. *Vis-à-vis*, philosophical approach misses by definition all self-imposed limitations – limits of the philosophical approach will come up instead by themselves, together with the others' criticism. Philosophical work seems vulnerable by definition. But this book seems to make itself particular by just its topic's imperfection found.

And this above could already be the appropriate introduction for a piece of criticism that we could have. Let me have just three points to explain. The one might also be pretty unexpected, as related to... Marxian theory. It won't be here about this theory directly, about literature either, but I here prefer an episode made by a Romanian journalist, former Romanian National Television's employee. His name is Theodor Brates and he was actively present at the episode of 22 December 1989 in that memorable Revolutionary studio. Let me be very precized that I never met him in person; something else made him known to me. Nearly all the people present in that studio at that time then enjoyed almost fulminant ascents; not him. I was going to see him after long years in a modest position, in a modest newspaper editorial that was 'The Economist', in Bucharest. At that time, in 1989, Theodor Brates responded to Nicu Ceausescu, the dictator's son, caught by revolutionaries, when this one was asking for his presumptive right to reply, by: 'No! Dictators have spoken enough.'

Or, my critical remark will express similarly to this episode. This is for somebody (i.e. Karl Marx and his followers) who has 'spoken enough' making me sick whenever I still read here and there about 'capitalism', 'bourgeoisie', history made by 'social classes' and 'social arrangements', or even 'dialectical denial'. And let me explain myself by that K. Marx isn't missing from my own writings, the update ones, not the ones of before 1989. I believe this is too much for our present doing more for Marx than classifying him and rendering his writings to their appropriate historical context and contest. And let me explain once more – *vis-à-vis* the time when we were forbidden to learn or listen to anything else than Marxism – by not bringing

into scientific writing any resentment, like in the above Theodor Brates' case. All I am feeling is a kind of 'scientific anxiety' (weather I could say that). I feel anxious facing the 'miracle' that only Marx seems to have for his performance of shaping a 'philosophical system' of himself. In other words, when not throwing overboard this system's stuff renewing its same appropriate conclusions seems inevitable.

But let me here have the example of my first ever article published – that was in 1991, at 'The Economic Tribune', but, of course, it passed fully unnoticed ever since. Actually, I was then starting my writing career in our new post-communist era with debating on the notion of 'capitalism' as properly as intended. My current argument is the same one that I had in 1991. The term 'capitalism' has two valences. Firstly, it is an 'ism' that means an ideology all over (e.g. liberalism, islamism, structuralism, socialism,...) up to people grouping and ghetto making – i.e. communism was even proud of openly recognising itself as an ideology.

Then the same term turns into a real conceptual and 'linguistic diversion'. It is obvious that Marx did not invent or issue the 'capitalism' term, but did take it over (from press and literature of his time) due to that it was wonderfully serving his target. This 'capitalism' was a newly fabricated word – no one yet sees how inappropriate 'capital' to 'ism' is. The purpose that excused the means is that all audience was aimed to perceive automatically or as quite a reflex that 'capitalism ever was a social arrangement made by a social class' (i.e. the one that was exploiting the the other classes) in its own interest as such. It was in this order that 'capital-ism' was naturally and logically going to be overturned by another 'social arrangement' created and supported by another 'social class' – and that 'social arrangement' was going to be called 'social-ism' and to belong to another 'social class' that would ever be 'pure' and especially 'not-exploiting' other social classes.

Marxism had the ability to hide the simple historical truth that the society of his time, here nicknamed as 'capitalism', de facto results from the free development. I just fear wherever 'capitalism' written up that authors might think that it really followed the ancient slavery and the medieval feudalism to be then overturned by socialism and... 'communism, the mankind's future forever' (?). I still do not believe that our author thinks like this, but what I fear at least is any syllogism here involving 'social classes' as presumable modernity actors – the way K. Marx was seeing things. Let me have bourgeoisie (pp. 30, 144-5, 151-2) that could here be the one of Marx or ... the one of Molière earlier. More exactly, how does professor Schifirnet see the today 'bourgeoisie' ? And besides such a reservation there comes up the other one that there could be 'social classes' – i.e. just some of them – actively playing on society and its politics and modernity; the society and its politics would correspondingly let themselves played by social classes at their large scale in a continuously adversative and certainly dynamic context.

And this could also include the elites phenomenology (pp. 16, 71, 82, 92, 110, 113-126) – and here the second critical remark. It isn't the elite's position or role that require some clarifying, but their genesis, functioning and modus operandi – I personally keep so found of sociologists ever explaining how today and/or previous elites were ever shaped in Romania (?) and not only.

And this is for then including the third and our last critical remark that I have for this paper of phillosophical and sociological debate. This will be through debate on elites to widen scale of observing, but here also recall modernising and modernity moving through the national benchmark and then through West and first through the Western Europe. Right! Let us also recall

that the pre-modern world had stayed appropriate to a different kind of development that other authors have previously focused on. Neither Mesopotamia, nor the ancient Egypt, nor the ancient China, nor the ancient Rome, all the less the medieval Otoman Empire have ever imposed or supported phenomena-processes similar to modernity each at its historical time.

But on this point I will quickly leave all above analytical viewpoint for the one rather growing ,defensive'. Actually, what I am stepping into here is an old question mark that I keep since my ,intellectual puberty' opposable to all I have learned ever-since. Let me be precise equally for refusing all prejudice of the kind of rasism, protochronism or of others that presume ,natural inequalities' and/or promote discrimination within the human kind. This is why I say I couldn't undestant for the modern era how Europeans (never others) were always the (first) ones: the ancient Romans with their echo in the later modernity, the ones making geographic breakthroughs – never nations or peoples of other continents have landed in Europe, except for the ,Great Landing' at the last World War end --; by consequence Europeans were the colonists of the modern age; the top economic development nations up to the America's colonisation also by Europeans and then to the new continent's development throughout the current economic superpower and world hegemony; the first ever industrial revolution was earlier in Europe (England); unfortunately, Europe was equally the unique source of World Wars of the 20th century – and their world-wide consequences proved at least comparable impact with the ones of other non-violent European influences world-wide; the freedom idea and spirit came up and spreaded into world from Europe as well (Netherlands); later on, democracy looks equally European origin, despite that the same continent didn't also miss ferocious dictatorships, as equally as the other continents. The modern America, as a kind of ,first Europe's child moving out' wasn't (unfortunately, this time) the lonely experience as such,i.e. South Africa was pretty similar to, up to its ,apartheid' against local people, together with independence regained from the European metropolis. The most widely spoken language worl-wide (English) comes from Europe, as similarly; Chinese and Russian are also top spoken languages, but rather due to their native countries' high populations than to international spreading.

Only religions (all of them, it's true) meet world specific impacts without coming from the ,old continent', whilst the ancient non-European great empires stayed just cultural vestiges for present. No any ,balance' between non-European cultural vestiges and all that this ,world elite' that Europe might qualify for sees having done so far. Is anyone afraid of recognizing all these against... who knows... ? Or aren't these aspects observed really against common sense or good faith ?!

Such a profound and complex question that I ask is equally seen since here appreciating a contemporary phillosopher and sociologist that I personally have the chance to live nearby. On the other hand, the same question makes a good pair with another one of the same age and challenging the whole instruction that I ever received: has life appeared (when it really has) just uphazardly, or in a very evolving way of nature ?

But since this is the question, let us not omit answers (the so few ones and partial) here and there attempted.For instance, (so-called) historians claim the West Europe as the ,happy spoiled child' of the Middle Ages since defended by Romanian countries (principalities) at that time against possible huge Otoman invasions from south-east. These Eastern countries were so sacrificed destiny; the West had all he needed for developing and thoroughly founding his future modernity. See the example of strange contemporaneity of Christopher Columbus – the great

adventurer, navigator, explorer, road opener for a whole world and for a long historical future; the one who's Italian origin ever remained a petty detail -- with the Great Stephen of Moldova -- a swordsman, commander of hosts, winner in more battles against the Ottomans in their full glory, defender of the countries of Moldova and Wallachia. About a century later, Michael the Brave took the lead in the southern neighbouring Wallachia, continued fight with Ottomans and searched for impossible coalitions around in such a way -- and these when England had a Parliament already, William Shakespeare was performing his 'Richard III' and other plays, Francis Bacon issued his first Essays and 'Gresham College' was founded in the City of London. 'This is the West-East difference in Europe, the specific historic circumstances making the West the winner', historians argue.

As for later on times the communist ideology pretended that 'capitalism had finally entered its imperialist phase' -- 'what else to be expected from this barbarian society?' they said --, in which new territories were invaded and then 'capitalist order' was here brutally imposed. Actually, the colonies were accordingly supposed to have had 'their own previous specific development', probably or certainly different than in Europe (...?!). In other words, who knows what marvelous societies and future might have met and shared territories like South Asia, Africa, Australia, Near East, Oceania and all Americas whether Europeans had leaved them in peace from the very beginning? What miracles this world might have met instead?

Last, but not least, it will be great enough when a full and genuine explanation will come to face such a question asked on the modern world and on modernity, once more.

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# ***FINANCE***



## THE OPERATIONAL RISK IN TERMS OF CASH FLOWS

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**Abstract:** *The participants to the company's economic life have diverse motivations and interests, but from the financial point of view they follow the same thing. More exactly, they want to be paid for the efforts they took, no matter the environment they come from, no matter the kind of effort they make, no matter the remuneration form. Also, we must understand that most of the people, by their psychological construction dislike the risk. This thing means, psychologically speaking, that one finds less pleasure when one gains a sum of money compared to the intensity of the pain when losing the same sum. If these perceptions also depend on the proportion of the wealth brought into play, however, for most of the people the perception remains generally valid. These perceptions are also manifested at the level of the organizations, which will be inclined to protect the interests than to take the risk. Again, the management has the task to let cooler heads prevail.*

**Keywords:** *operational risk, cash flow, turnover*

### 1. INTRODUCTION

The risk, in a general meaning, signifies the variability of the result obtained under the pressure of the factors which come from the internal and external environment of the company. It represents the possible damage to which the patrimony and the activity of the economic agent are exposed. Taking the risk is closely correlated to the profitability of the activity, which means that the companies take a risk only depending on the profitability they expect, so the profitability must compensate the risk they take. The higher the risk, the more the companies must take into consideration the possibility to register loss. The risk can take diverse forms, the risks being more or less intensive at the company's level. Because it is subject to many risks, the more flexible the company, the less risky the company's activity. The profitability of a company can be evaluated only depending on the taken risk.

If we classify the risks, depending on their origin, we talk about internal risks, respectively external risks. If we take into consideration the management influence on the risks, we have:

- controllable risks, accepted by the management's will;
- uncontrollable risks, independent of the management's will.

It is very difficult to detect the risk on theory. This fact results from several aspects we have mentioned before. The risk is better understood by the person in case, only when he risks sums which influence in a significant way his wealth. If the wealth is influenced in an insignificant way, then the risk, although the person is aware of it, is not detected at its all intensity.

Practically, it is impossible to define the risk in a general, exact manner. It depends a lot on the sector, on the proportion in which it influences the situation of the aimed person. The operational risk reflects the company's incapacity to adapt itself in time and at the lowest cost to the variations of the environment. It shows the instability of the economic result to the operational conditions (Lala-Popa & Miculeac, 2012).

The operational risk depends on the general external and internal factors (the increase of the price of raw materials, the increase of the wages, the decrease of the sales as a consequence of demand decrease); the specific factors which are manifested through the costs structure, respectively their behaviour to the volume of activity (which at their turn depend on the technological process and the efficiency of the current activity's management).

The operational risk is evaluated with the help of the profitability threshold which measures the company's flexibility relating to the operational conditions. The profitability threshold is the point where the turnover covers the operational expenses, and the result is null. In terms of risk, we say that starting from this point the company starts to become profitable (Monea, 2012).

The more distant the company's activity from this point, the more reduced the risk, and the more profitable the company's activity. In general, the company cannot influence too much neither the prices at which it buys the factors of production, nor the prices of the goods it manufactures and sells. In this hypothesis, the only variable on which it can act, so that its revenues equal and exceed the expenses, is the activity's level.

The profitability threshold can be defined in physical or value units, for one product or for the entire activity. The calculation of the profitability threshold in value units can be done in the case of monoproduktive companies as well as in the case of those that manufacture and sell a large range of products.

## **2. THE OPERATIONAL RISK IN TERMS OF CASH FLOWS**

In order to determine the critical threshold of receipts from operational activities, the hypothesis that the turnover is collected and the expenses are paid in the same period as the analysed one, the difference between the invoicing and the associated cash flow being minimum. In this case, we must take into consideration the fact that the depreciation ( $A_m$ ) is an unpayable expense, which in terms of cash is a collection. For this reason, from the fixed expenses ( $CF$ ) are deducted those with the depreciation, remaining only the payable ones.

The aimed indicator is no longer the result of the operation but the gross operating surplus ( $E_{be}$ ). The critical threshold ( $CA_0$ ) is the one where the collections cover the payments. Above this point it results a gross surplus from exploitation. Below this level we have a gross operating deficit. (Van Horne & Wachowicz, 2005)

$$CA_0 = \frac{CF - A_m}{1 - \frac{CV}{CA}}$$

From the formula it can be noticed that the critical point of the gross operating surplus (Ebe) is made easier and earlier than the critical point of the operating result, because of the fact that the depreciation is taken into consideration.

The evaluation of the operating risk on the basis of gross operating accumulations is made with the help of the same indicators (built depending on the specific case) which show us to what extent the volume of the activity can vary, so that this variation does not imply the risk of registering some gross operating deficits. Their interpretation is similar to those in the previous models.

The operating treasury surplus (Ete) expresses the real treasury flow which results after covering the variation of the need in working capital ( $\Delta N_{fre}$ ) from the gross operating surplus (Ebe). (Palepu, et al., 2010)

$$Ete = Ebe - \Delta N_{fre}$$

There is a threshold for the increase of the turnover above which the gross operating surplus no longer can cover the variation of the need in working capital, threshold above which the operating treasury surplus becomes negative (net deficit).

This situation is named scissors effect of the increase in the need in working capital related to the increase of the gross surplus. The need in working capital depends directly proportionally on the turnover, increasing in the same extent as it. (Emery, et al., 2004)

If we admit that:

$$Ebe = CA - CV - (CF - Am) = Re + Am$$

– it represents the operating gross surplus;

$$v = \frac{CV}{CA} = \frac{CF - Am + Ebe}{C}$$

– it is the margin of variable costs;

$$dz_{N_{fr}} = \frac{N_{fre}}{CA} \cdot T$$

– it represents the number of days necessary for the turnover to cover Nfr;

$$k = \frac{N_{fr}}{CA} = \frac{dz_{N_{fr}}}{T}$$

– it is the Nfr rate (constant);

$$Rre_B = \frac{Ebe}{CA}$$

– it is the gross commercial profitability rate;

$$\xi = -\frac{Rre_B}{(v-k)} = -\frac{Ebe}{CV + Nfre}$$

$$I_{\Delta CA} = \frac{\Delta CA}{CA0}$$

– it represents the variation of the turnover;

then:

$$Ete1 = Ebe1 - \Delta Nfr = Ebe0 + (v-k) \times Cao \times I_{\Delta CA}$$

The interpretation of the results is made depending on the variable margin rate, Nfr rate, the variation of the turnover and the commercial profitability.

If  $v > k$ , then, depending on the turnover evolution, we have:

a.1.)  $I_{\Delta CA} > 0$ , then  $Ete > Ebe$ ;

a.2.)  $I_{\Delta CA} < 0$ , then:

a.2.1.) Ete decreases when  $I_{\Delta CA} > \xi$ ;

a.2.2.)  $Ete < 0$  when  $I_{\Delta CA} < \xi$ ;

b) If  $v < k$ , and  $I_{\Delta CA} > 0$ , then depending on the evolution of  $\xi$ , we have:

b.1.)  $Ete > 0$  and it decreases when  $I_{\Delta CA} < \xi$ ;

b.2.)  $Ete < 0$  when  $I_{\Delta CA} > \xi$ .

Depending on the positioning of the turnover compared to the scissors threshold, we have the following situations:

If  $CA < CA0$ , then  $Ebe > \Delta Nfre$ , thus  $Ete > 0$ , it means that a net treasury surplus results from the operating activity, surplus which can be used further on to cover the due debts.

If  $CA > CA0$ , then  $Ebe < \Delta Nfre$ , thus  $Ete < 0$ , it means that a net treasury deficit results from the operating activity, deficit which must be covered with treasury credits.

Regarding the relation between Ete and the financial expenses with the interests Dob, it can be stated that:

When  $Ete > Dob$ , then the company is in equilibrium, coping with the debts;

When  $Ete < Dob$ , then the company has to borrow additionally.

If Ete covers all due debts (Ds) which have a financial character (financial debts, reimbursements of loans, tax on profit and dividends), then it means that there are resources to self-finance internal (operating) and external (financial) investments.

Thus, in order to have the company in equilibrium, the degree of covering the due debts on the basis of the operating treasury surplus must be supraunitary:

$$Ga_{TE} = \frac{Ete}{(Dob + Ramb + Imp + Div)} \geq 1$$

Note: If  $Ga_{TE} > 1.25$ , it can mean an ineffective use of the treasury.

### 3. INDIVIDUALIZED MODEL FOR THE COMPANIES WITH COMMERCIAL PROFILE

When determining the critical threshold of the companies in the distribution sector, the profitability threshold is calculated by taking into consideration the specific mechanism of ensuring the profit, from the commercial margin included in the retail sale price.

$$CA_0 = \frac{CF}{R_{mc} - R_v}, \text{ and } \overline{R_{mc}} = \frac{MC}{CA}, \text{ and } MC = V_{vm} - C_{mv}$$

where:

$R_v$  - average rate of expenses with variable circulation

$R_{mc}$  – average rate of the commercial margin

$MC$  – commercial margin

$V_{vm}$  – revenues form the sale of goods.

### 4. DISTINCTIVE CHARACTERISTICS IN THE CASE OF SEASONAL ACTIVITIES

When determining the critical threshold, it must be taken into consideration the fact that the company's activity is seasonal. In this case, the critical threshold, respectively the moment it is realised can be moved compared to those calculated with the hypothesis of linearity.

The steps used to determine the critical threshold in conditions of seasonality.

To determine the apparent (annual) profitability threshold and the threshold moment, using the indicators for one year:

$$CA_0^A = \frac{CF^A}{R_{mv}^A}, \text{ where } R_{mv}^A = \frac{M_V^A}{CA^A}$$

To determine the quarterly rate of the variable expense margin, using the indicators relative to each quarter:

$$R_{mv}^{Ti} = \frac{M_V^{Ti}}{CA^{Ti}}$$

To determine the margin of variable expenses (on quarters), using the indicators relative to each quarter:

$$MV_{cum}^{Ti} = \sum_{j=1}^i M_V^{Tj}$$

To determine the real profitability threshold, using the fixed costs relative to the whole year and the quarter rate of the margin of variable expenses for the quarter in which the cumulated margin of the variable expenses becomes positive:

$$MV_{cum}^{Te} > 0, \text{ thus } CA_0 = \frac{CF^A}{R_{mv}^{Tc}}$$

The evaluation of the operating risk in the case of the seasonal activity is made especially with the help of the moment of realisation of the critical threshold. The profitability threshold as well as the moment it is realised will be moved compared to the apparent indicators. The more intense the seasonal phenomenon at the company level, the more significant its movement (Brealey, et al., 2006).

## **5. CONCLUSIONS**

The economic risk represents the variability of the economic or financial profitability in the case in which the company finances its activity exclusively from its own equity. This risk differs from one sector of activity to the other, from one company to the other within the same industry, respectively it can fluctuate in time. The statistical method of evaluating the risk implies to determine the average, the standard deviation and the variation coefficient of the economic profitability. It can be done either on the historical data, either on simulation, supposing a normal distribution of the probability.

The hoped (expected) value is determined as a weight average of the products between the potential events (levels of Rre) and the probability of appearance associated to this value. From two companies, it is more advantaged the one which has a higher expected value. The standard deviation (the absolute measure of the risk) measures the dispersion of the possible events around the average. The more the variation of the events around the average value increases, the more the value of the indicator increases, respectively the economic risk also increases. From two companies, with the same level of the expected value, the more advantaged is the one that has a lower standard deviation.

The coefficient of variation (the relative measure of the risk), ties the two statistical indicators, measuring the variation of the events on the unit of expected value. The more the value of the indicator increases, the more the economic risk increases. From two companies, with different levels of the expected value and standard deviation, the more advantaged is the one with a lower coefficient of variation. The main factors on which depends the economic risk are: the demand instability; the evolution of the sale prices; the evolution of the purchasing prices; the management ability to adapt the input prices to the output prices; the structure of the assets, which has implications on the fixed costs. These factors are influenced mainly by the characteristics of the sector in which the company develops its activity; the organisation capacity of the management.

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## **ANALYSIS OF THE EXCHANGE RATE VOLATILITY INFLUENCE ON THE SHARE PRICE: MOROCCO, AS CASE STUDY**

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**Abstract:** *The main objective of this article is to check and measure the exchange rate volatility impact on the share price of Moroccan companies listed on the Casablanca stock exchange by using the Vector Error Correction Model. We have got poor results in accordance with the exchange rate Puzzle. However, these results were significant, which confirms the relation between exchange rate volatility and share price. Also, we found out that factor such as the firm size, the business sector and the foreign involvement degree stimulate the exchange rate volatility effect. We have also observed a greater sensitivity toward international currencies compared to exotic currencies.*

**Keywords:** *Currency Risk Management, Economic Exposure, Exchange Rate Puzzle, Exotic Currency, Exchange Rate Volatility.*

### **INTRODUCTION**

Nowadays, the dirham spreads panic among finance professional creating an endless controversy within mainstream media. The hesitant monetary authorities wanted to liberalize the Moroccan currency in the second quarter of 2017 before postponing this measure until 2018; meanwhile, researchers are wary about the relevance and the consequence of such initiative. Shareholders, which their main goal is to maximize the value of their firms, can use this paper to get more reliable information susceptible to prevent companies from foreign exchange risk. Financial literature has not delivered a clear and definitive opinion on the impact of exchange rate volatility on the productive fabric, that's why which compelled researchers use words like "exchange rate puzzle" to define the contradictory results of previous studies.

The originality of this work arises from the absence of profound studies in this field in morocco due to lack of specialists and publications in currency risk management. Besides, the status of the dirham as an exotic currency on a worldwide scale separates our paper from the similar scientific productions of foreign countries. In addition, we also include in our sample domestic companies, which will give us a wide view on the effect of exchange volatility on this poorly studies category. Unfortunately, the phenomenon of exchange volatility is polysemous. As a matter of fact, we opted for the definition of Marston (1988) "there are two types of

exchange rate variability, volatility and misalignment volatility of exchange rates. Misalignment, in contrast, is the persistent departure of an exchange rate from its long run competitive level"<sup>18</sup>.

Indeed, this article aims to prove that the volatility of foreign exchange is an exogenous variable that explains the stock market value of company. In other words, we will measure the way in which shareholders estimates the management style of exchange risk by the managers of the company. In addition, this research could be served as a basis for other studies that will deal with the impact of a possible exchange liberalization in morocco or the possible entry into a economic zone “ such as CEDEAO” especially with the recent convertibility easing of the dirham by the exchange office.

## **REVIEW**

The financial literature on stock price exposure to currency volatility is abundant. However, empirical works, which dated back mainly to 1980 s, don't offer a final answer to this problematic in spite of modern statistical tools accumulated throughout time. Moreover, results varied depending on the country and the period of the study. Alder and Dumas (1984) were among the first researchers who focused on this subject by analyzing the sensitivity of American companies to the fluctuations of the dollar. They have distinguished the founding concepts of this discipline “exposure, risk ...” they have also proposed the first measurement model based on linear regression.

Then, Jorion (1990) found that only 15 out of 287 multinational corporations (American) have significant yield correlated with the exchange rate variability. Bodnar and Gentry (1993) worked on industrial firms in Canada, Japan and United States. They found that 30% of their sample is threatened by exchange volatility by relying on iterative variables. In addition, they have distinguished between an importing firms corresponding to positive correlation with the exchange rate fluctuation. In contrast, the share of an exporting company is negatively related to the exchange rate movement.

Unfortunately, the determination of exposure sign has become more complicated for companies that perform both export and import transactions because according to Lin (2011) it depends on the competitive position of the firm on the input/output and assets. It should be noted that the most of the empirical works mentioned anomalies concerning the theoretical exposure sign. In addition, He and Ng (1998) remarks that 25% of the Japanese companies in the study were subject to instantaneous exchange rate fluctuations. The same goes for Martinez- Solano (2000) who noted that 11, 06% of Spanish companies are concerned with exchange rate volatility.

Moreover Aggarwal and Harper (2010) were interested by domestic companies. They have studied 1047 American companies in this category. They noted that a significant proportion is sensitive to currency fluctuations (10%-15%) for monthly data, sometimes to the same extent as firms with international transactions. This result matches the findings of Choi and Jiang

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<sup>18</sup> Razafindramanana, O.M.,2015. Variabilité du taux de change, flux commerciaux, croissance économique : le cas de Madagascar. Universite de Pau et des Pays de l'Adour., pp.112

(2009). Besides, Aggarwal, Chen and Yur-Austin (2011) observed that less than (10%) of the Chinese companies in 19 business sectors were sensitive. They also reported a change of exposure sign after the revaluation of the Chinese Yuan in 2005.

Francois Varga (2012) has studied Taiwanese firms with a more elaborate model. He found that 88.57% of companies have a daily return sensitive to exchange rate with a sensitivity of 12.38% at a 10% level of significance. In contrast, only 63.73% of the sample with monthly return is exposed with a coefficient of 5.88%. He concluded that small exchange rate variations can affect the monthly return of 94% of companies against 88% for those with daily return. He also outlined that small economies are more threatened by currency risk.

Furthermore, Demirhan and Atış (2013) detected a foreign exchange exposure of the entire textile sample for at least one of the sub-periods "22 companies", of which 40% is sensitive to the Dollar and the Euro at the same time reflecting the complexity of the sector's competitive environment. A more instructive study came out thanks to Du, Ng and Zhao (2012). Based on the Jorion model, they realized that 20% of businesses are exposed to exchange rate fluctuations. However, this percentage reached 87% when using the quantile regression techniques. Furthermore, the food processing industry, where the big part of turnover is made through export was not affected according to the conventional method. However, the impact is negative when using the quantile regression. The main business sectors that have a positive sensitivity are transport, distribution, book publishing and textile, which imports raw materials. Though, agriculture, electronics, tobacco and mining are exposed with negative signs since they carry out massive exports.

Very few studies have included Morocco in their samples. We cite Ye, Huston and Muckley (2014) that processed data from 1999 to 2010 for 1523 companies including 28 Moroccan among them 29% with negative exposure trends. On the other hand, several works like Amihud (1994) and Häberle (1999) didn't succeed in giving significant results that confirm the relation between currency volatility and stock price.

The explanation of the relation between volatility of exchange rate and share price is mainly based on informational efficiency concept that was developed by Fama (1969). Indeed, the perfect stock market price reflects information (public or non-public) about any giving share. This facilitates the orientation of public savings towards the most profitable assets, taking into account the associated risks. The currency volatility can be useful information at this level.

In accordance with the market efficiency theory, some stock markets do not immediately include financial information in share's price. This also applies to the exchange problem. Moreover, Bodnar and Bartov (1994) are pioneers in this filed because they decreed the absence of correlation between the volatility of the dollar with the performance of contemporary shares yield. During this period, the relationship is significantly established between these variables decaled manner. Wu and Zhou (2011) noted that the number of electronic firms exposed with a delay effect for exceeds those exhibited with a contemporary effect.

Roll and Ross (1976) has also developed the Arbitrage Pricing Theory model stating that the stock market price is the linear combination of several factors affecting the performance of the company, most likely, the currency risk. Unfortunately, these authors didn't specify the factors nor the nature of the relationship, leaving it to market operators. Likewise, Du and Hu (2014) studied the valuation of cash-flow sensitive to exchange rate volatility in the stock market. To understand this phenomenon, they used the factor mimicking portfolio method

inspired by the Fama and French (1993) model. They noted that 30% of assets are related to the exchange rate because of constituting various portfolios where some are fragile to the exchange movements and others are not concerned by this.

In contrast, Krapl and O'Brien (2015) analyzed the sensitivity of the earning by share (EPS). Using the spearman Technique, they found a low significant correlation between the exposure coefficients and those of the EPS. Furthermore risk-free bonds as a controlling variable provide better results in comparison to other models. This kind of discrepancy could be explained by information asymmetry. Häberle (1999) suggests that managers are more aware of the consequences of exchange rate volatility. Another reason, that is relevant in the literature, is the share exposure captures the expected future cash flow that is lower than that which is realized Martin and Mauer (2003). This is the case where cash flows are affected in the short term while being insensitive in the long term.

Another concept appears "Moral Hazard Hypothesis" Burnside et al (2001) Chang and Velasco (2000) Eichengreen and Hausmann (1999) Schneider and Tornell (2004) to qualify the behavior of companies that who consider the pegged exchange rate as an implicit guarantee of the state and therefore they take more risk by getting overmuch foreign currency debts or by having bad deals with creditors. The companies do not care about the currency hedging in the pegged exchange regime Kamil (2006). For example, Parsley and Popper (2006) have confirmed a high exposure to the movement of the dollar in the Asian stock market, Indonesia, Korea, Philippines, Malaysia, Taiwan and Thailand, where the exchange rate regime was fixed but also in terms of number of companies for the last three countries. Also, Patnaik and Shah (2010) reported the same remark on shares of the 100 most liquid Indian Companies during the period when the exchange rate was less flexible.

The explanation of the relationship between exchange volatility and price of the share also comes from the link between interest rates and the basics of the economy "inflation rate and exchange rate which gives this risk a systemic dimension". On one hand this is formalized by Uncovered Interest Parity (UIP) which considers that the instability of the interest rate is the cause of the currency exchange rate fluctuations. Which react at maturity to neutralize the risk-free returns via capital inflows and outflows Hissler Sebastien (2007).

Contrary to what preceded, the exchange rate may become the cause of movements in interest rates. For example, an anticipated depreciation of the currency weakens the demand for domestic bonds, which forces the government to raise the national interest rate to compensate the losses which suffer investors such as the Mexican Peso Crisis Tovar-Silos (2015). It should be noted that several works deny this relationship Calvo and Reinhart (2012), Meredith and Chinn (2005) that's why some researchers qualify the contradiction between the theoretical and practical part by "exchange rate disconnect Puzzle".

On the other hand, the exchange rate is linked to inflation by the Purchasing Power Parity discovered by Cassell (1925) which is also a systemic part of this risk. At this level, the movement of exchange rate is no longer the cause of price variations, it is the mere reflection or response to inflationary mechanism as well, as the unexpected increase in inflation causes depreciation of the currency. Of course, the sensitivity degree of shares differs from one company to another. This is why researchers have shed light on several factors guilty of this disparity:

Firstly, the degree of foreign involvement favors the sensitivity to currency volatility. Jorion (1990) and Nydahl (1999), Allayannis and Ofek (2001) have supported the link between the export rate and the intensity of exchange variation effects, unlike Chow, Lee and Solt (1997) who rejected it.

Secondly, the use of financial instrument reduce currency exposure according to Nydahl (1999), the hedging level of firm contribute to the exacerbation of share volatility. Moreover, Mahar and Huffman (2001) discovered a more visible delay effect in companies that rarely utilize currency hedging instruments.

Thirdly, Chow, Lee and Solt (1997), Bodnar and Wong (2003), Dominguez and Tezar (2006), Huston and Stevenson (2010) point out the size of the company as an explanatory factor. Indeed, big companies have technical skills and specialized staff capable of managing the currency risk. Moreover, this category has the capacity to realize economies of scale.

## **METHODOLOGY**

This study has respected the essential steps of the methodology. We start by specifying concepts then variables of the model. After that we use previous academic work to identify the direction of the relation. Subsequently, we discussed the definition of the population. It covers all companies with Dirham-denominated capital whether they are exporters, importers or domestic. As for the constitution of the sample we've selected all the companies introduced in the stock market of Casablanca before 31/12/2008 and active in this market until 31/12/2015. We mention that 7 firms were excluded from the study due to the lack of data or they had economic crises. In total, we select a sample of 58 Moroccan companies providing monthly data of up to ten years (01/01/2006 to 31/12/2015). That is to say between 72 to 120 observations per company.

As for data collection, we have selected the end-month share prices and Moroccan all shares Index "MASI" from the Casablanca stock market administration. Furthermore, we have determined the foreign currency exposure with the help of specialized newspapers and professional websites. In fact, we used the month-end exchange rates of 10 currencies from the official web site of the central Bank of Morocco. <http://www.bkam.ma/Marches/Principaux-indicateurs/Marche-des-changes/Cours-de-change/Cours-virement-moyen-de-fin-de-mois> And a single currency from trading Canadian Forex: <http://www.canadianforex.ca/forex-tools/historical-rate-tools/historical-exchange-rates>.

We note that we have transformed the Dirham quotation to the uncertain quotation. Even we have collected the weighted average rates of treasury bonds at maturity of 13 weeks which we assimilated to the risk free rate <http://www.bkam.ma/Marches/Principaux-indicateurs/Marche-obligataire/Marche-des-bons-de-tresor/Marche-primaire/Taux-moyens-ponderes-mensuels-des-emissions-du-tresor?startMonth=1andstartYear=2006andendMonth=12andendYear=2016andblock=f93d86e8efc6f73bf329cf984d12deb5>

It should be noted that we have encountered rare missing values in Treasury bonds and the exchange rate. As a result, we preferred removing observations method because it doesn't create artificial correlation. In order to eliminate spurious regression we opted for the Vector Error Correction Model "VECM", which was developed by Johansen (1988, 1991). In fact, we propose the following equation:

$$\Delta Y_t = C_0 + \pi Y_{t-1} + \sum_{k=1}^P (\sum_{i=1}^{P'} B_i^k X_{t-i}^k) + \varepsilon \text{ Eq. (1)}$$

With

$$\pi = \sum_{i=1}^{P'} A_i - 1$$

$Y_t$ : price share at the end of the month.

$C_0$ : constant.

$X$ : exchange rate at the end of the month.

$B$ : coefficient of sensitivity.

$M$ : cointegration relation.

$k$ : number of currencies

$i$ : time difference.

$\varepsilon$ : residue.

First of all, we applied the augmented Dickey Fuller test for time series. We have chosen the Akaike information criterion AIC in order to determine the number of delays. Moreover, we used the trace test  $\lambda_{\text{trace}}$  based on the log-likelihood ratio. So we suppose that we have an intercept and no trend in cointegration.

Of the second equation we introduce two control variables to better measure the extent of the phenomenon.

$$\begin{aligned} \Delta Y_t = & \\ & C_0 + \pi Y_{t-1} + \sum_{i=1}^{P'} Q_i Z_{t-i} + \sum_{i=1}^{P'} G_i M_{t-i} + \\ & \sum_{k=1}^P (\sum_{i=1}^{P'} B_i^k X_{t-i}^k) + \varepsilon \end{aligned} \quad : \text{Eq. (2)}$$

$z_{t-i}$ : free risk rate

$M_{t-i}$ : MASI at the end of the month.

$Q_i$  et  $G_i$ : coefficient of sensitivity.

## RESULTS

The following two tables summarize the most important results:

**Table 1: Direct exposure to exchange volatility Eq (1)**

	Company	Currency	R Adjusted	Coefficient	Signe	Category
1	SNEP	Euro 2	0.297455	23627.98	Positif	Exporter
		Dollar 1		12666.36		
		Dollar 2		15452.90		
2	BCP	Cfa -3	0.121134	187.2977	Positif	Exporter

3	DARI	Euro2	0.103164	85750.47	Positif	Exporter
4	CTM	Cfa -1	0.057006	26.61866	Positif	Exporter
Average			0,14468975	22951,937		

*we use the ordinary least squares method. Coefficients are significant at T Student.*

Referring to the first model with a margin error of 5%, we observed that four companies had significant correlation between exchange rate volatility and price share on a sample of 58 companies so the percentage is 6.89%. This model measures the total exposure of the firm including the systemic part and the idiosyncratic part which evaluates the way that the company manages the currency risk. So the exchange rate volatility explains 14,46% of the price share variation of these companies with a standard deviation of 0,0763. As for the coefficient of the exposure, we have found an average of 22951,93 where all firms have export activities and a positive coefficient that contradicts financial theory. We also mention a high standard deviation of 21158,19.

On the other side, we found that only three out 11 currencies have a visible effect on the share prices. Two of them have an international character “Euro, Dollar” and one exotic currency “CFA” which reflects the nature of Moroccan commercial relationships with the outside. In addition, we noticed that the delay effect is more important in comparison with the contemporary effect. In other words, Casablanca stock market has a long memory.

We note that we have adopted Chow Test for Structural Stability for these companies by taking breaking point December 2009. This corresponds to the recovery period after the shock of the financial crisis. This test shows the similarity of the results of the two sub-periods. Therefore, the hypothesis of non-linearity of the currency volatility relation with price share should be discarded. So, the operator behavior in the market is the same at this level.

**Table 2: Exposure to exchange volatility by using control variables Eq (2)**

	Company	Currency	R Adjusted	Coefficient	Signe	Category
1	SNEP	Cfa 2	0.4015	47.22492	Positif	Exporter
		Cfa 3		43.28872	Positif	
		Euro 2		-42670.53	(Negatif)	
2	SAADA	Euro 1	0.3889	-21198.00	(Negatif)	Exporter
		Aed 1		-12877.81	(Negatif)	
3	CIH	Euro 1	0.2128	-53946.14	Negatif	Domestic
		Dollar 1		-9169.741		
		Dollar 2		-5816.422		
4	AUTONEJMA	Dollar 1	0.1668	34613.01	(Positif)	Importer
		Dollar 2		29315.29		
5	CREDIT DU MAROC	Dollar 2	0.1344	-3399.987	Negatif	Domestic
6	MAGHREB OXYGENE	Euro 1	0.1329	23367.62	(Positif)	Importer
Standard deviation			0,0779	19138,75		

*we use the ordinary least squares methods. Coefficients are significant at T student, the quotation marks () mean that the sign conforms to the literature.*



With regard to the second model, we found 6 companies had a correlation with the exchange rate volatility, 10% of our sample with a margin error of 5% moreover the exposure coefficients are clearly superior to the first model also the R adjusted increases while it still weak. As a result, we deduce that the second model is better adapted to our problematic. The main cause of the results improvement is the introduction of controlling variables.

On the other hand, we can say that four companies were exposed to the exchange rate volatility with coefficients sign in accordance with the literature which represents 6,89% of our sample. In this case, we have important coefficients exposure coefficient ranging from negative 53946,14 to positive 34613,01. Furthermore, 4 currencies among 11 are concerned with our problematic to know the Euro, CFA, Dollar and the Arab Emirates Dirham. Here again, we recall the international currencies are more present. However, the delay effect is less acute compared to the contemporary effect in this model.

We also used for the 6 companies the Chow coefficients stability test by taking for breakpoint December 2009. In fact, the results indicate the linearity of the link exchange rate volatility – price share overtime. The profile of companies concerned by the exchange rate variation is completely different from the first equation because we notice importing, exporting domestic companies, which makes this model more credible. On the other hand, all the firms are of medium size. This raises several questions about the quality of currency risk management for SMES.

Moreover, all the companies in the chemical sector “Maghreb Oxygene and SNEP” are exposed to exchange rate volatility, especially the last company involved in both models. We believe that the structure of the chemical industry sectors favors sensitivity to the exchange rate variation since this market is open to international trade. Moreover the competition in this industry is based on the price.

In addition, we note that the banking sector is also affected by the exchange rate phenomenon whether they are domestic banks “Credit du Maroc and CIH” or international “BCP in the first equation” which is normal based on the fact that they play the role of risk Taker while other banks are not subject to the exchange rate volatility “BMCI ATTIJARI and BMCE”. Besides, some sectors must be sensitive “Distribution, Tourism and Mining” but they are not influenced in reality by Dirham variations. In total, we have 9 companies with a price share sensitive to foreign exchange it represents 15.50% our sample of Moroccan companies benefited from pegged exchange regime indeed, we believe that a future liberalization of the Dirham can increase the perimeter and correlation coefficients.

It should be noted that the results reported in this study are significantly inferior to those of “Ye, Huston and Muckley (2014)” we think that this is due to the differences in margins of error adopted in the two articles. However, these results go along with previous studies that showed a weakness of the relation exchange rate volatility / price share.

The weakness of the empirical results can be explained on one side by the agency theory of Jensen and Meckling (1976) which states that managers are more aware of the consequences of the exchange rate volatility on the company compared to shareholders. On the other side, the informational inefficiency of the Casablanca stock market has been approved in various studies like Khattab and Moudine (2014) which adversely affects this risk valuation. And finally, the pegged exchange regime in Morocco softens the shocks of exchange rate volatility or changes the market participant behavior.

## **CONCLUSION**

In light of what has been said above, we deduce that the exchange rate volatility has a significant effect on the price share. The results obtained are low according to the exchange rate puzzle dichotomy. We went through the main academic works in this field. Unfortunately, most of them are held in developed countries with weak or contradictory results.

Our analysis covered 58 Moroccan companies listed on the Casablanca stock market for the period from 01/01/2006 to 31/12/2015. Thanks to VECM model, we have found, that 9 firms were significantly correlated with exchange rates. The profile of these firms is consistent with the idea that the degree of foreign involvement, size and industry structure stimulates the relationship between price share and exchange rate volatility. Besides, we have noticed a greater sensitivity to international currencies in comparison with the exotic ones. We suppose that the weak results of this research are due to lack of informational efficiency in the Casablanca stock market, the pegged exchange regime or the information asymmetry between shareholder and manager.

Accordingly, we suggest a deep study on the contribution of the Moroccan forward exchange market to limit the effect of exchange volatility. We also recommend a thorough simulation of the effects of liberalization of the Dirham.

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## APPENDICES

**Table 1**

	Company	Coefficients on the error correction term
1	SNEP	-0.081345
		-38.39545
2	BCP	-0.002115
3	DARI	-0.010617
4	CTM	0.005113

**Table 2**

	Company	Coefficients on the error correction term
1	SNEP	-0.02191
2	SAADA	-0.026502
		-1124.606
		-0.001852
		24671.21
3	CIH	-1221.712
		-0.038954
4	AUTONEJMA	-3050.247
		-0.16684
5	CREDIT DU MAROC	-190.2332
6	MAGHREB OXYGENE	-0.019971

Dickey-Fuller test of some currencies  
 Null Hypothesis: D(EURO) has a unit root  
 Exogenous: Constant, Linear Trend  
 Lag Length: 1 (Automatic - based on AIC, maxlag=11)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.175174	0.0000
Test critical values: 1% level	-4.069631	
5% level	-3.463547	
10% level	-3.158207	

\*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(EURO,2)  
 Method: Least Squares  
 Date: 03/04/18 Time: 20:48  
 Sample (adjusted): 2006M04 2013M04  
 Included observations: 85 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EURO(-1))	-1.103573	0.178711	-6.175174	0.0000
D(EURO(-1),2)	-0.192494	0.111355	-1.728650	0.0877
C	-0.000114	0.000148	-0.775040	0.4406
@TREND("2006M01")	3.44E-06	2.92E-06	1.179675	0.2416
R-squared	0.679885	Mean dependent var		-7.87E-06
Adjusted R-squared	0.668029	S.D. dependent var		0.001112
S.E. of regression	0.000640	Akaike info criterion		-11.82279
Sum squared resid	3.32E-05	Schwarz criterion		-11.70784
Log likelihood	506.4684	Hannan-Quinn criter.		-11.77655
F-statistic	57.34463	Durbin-Watson stat		1.973837
Prob(F-statistic)	0.000000			

Date: 03/04/18 Time: 20:51  
 Sample: 2006M01 2015M01  
 Included observations: 87

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob
** .	** .	1	-0.302	-0.302	8.2167 0.004
. **	. *	2	0.269	0.196	14.805 0.001
* .	. .	3	-0.095	0.034	15.629 0.001
. .	. .	4	0.021	-0.054	15.669 0.003
* .	* .	5	-0.081	-0.089	16.292 0.006
. .	. .	6	0.014	-0.015	16.311 0.012
** .	* .	7	-0.207	-0.200	20.451 0.005
. *	. .	8	0.154	0.065	22.777 0.004

.*.	. .	9	-0.139	-0.004	24.708	0.003
. .	. .	10	0.054	-0.051	25.004	0.005
. .	. *	11	0.065	0.102	25.437	0.008
.*.	. .	12	-0.148	-0.153	27.706	0.006

Null Hypothesis: D(DOLLAR) has a unit root

Exogenous: None

Lag Length: 1 (Automatic - based on AIC, maxlag=11)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.058071	0.0000
Test critical values: 1% level	-2.592452	
5% level	-1.944666	
10% level	-1.614261	

\*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(DOLLAR,2)

Method: Least Squares

Date: 03/04/18 Time: 20:53

Sample (adjusted): 2006M04 2013M04

Included observations: 85 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(DOLLAR(-1))	-1.047092	0.172842	-6.058071	0.0000
D(DOLLAR(-1),2)	-0.219299	0.109083	-2.010378	0.0476
R-squared	0.673132	Mean dependent var		-7.87E-06
Adjusted R-squared	0.669193	S.D. dependent var		0.001112
S.E. of regression	0.000639	Akaike info criterion		-11.84897
Sum squared resid	3.39E-05	Schwarz criterion		-11.79149
Log likelihood	505.5811	Hannan-Quinn criter.		-11.82585
Durbin-Watson stat	1.991415			

Date: 03/04/18 Time: 20:55

Sample: 2006M01 2015M01

Included observations: 87

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
** .	** .	1	-0.302	-0.302	8.2167	0.004
. **	. *	2	0.269	0.196	14.805	0.001
.*.	. .	3	-0.095	0.034	15.629	0.001
. .	. .	4	0.021	-0.054	15.669	0.003

. *   .	. *   .	5	-0.081	-0.089	16.292	0.006
.   .	.   .	6	0.014	-0.015	16.311	0.012
**   .	. *   .	7	-0.207	-0.200	20.451	0.005
.   *	.   .	8	0.154	0.065	22.777	0.004

Null Hypothesis: D(FREE\_RISK) has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on AIC, maxlag=11)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.438113	0.0000
Test critical values: 1% level	-3.508326	
5% level	-2.895512	
10% level	-2.584952	

\*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(FREE\_RISK,2)  
 Method: Least Squares  
 Date: 03/04/18 Time: 21:00  
 Sample (adjusted): 2006M03 2013M04  
 Included observations: 86 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FREE_RISK(-1))	-0.794212	0.106776	-7.438113	0.0000
C	-1.15E-05	0.000144	-0.080255	0.9362
R-squared	0.397095	Mean dependent var		2.33E-06
Adjusted R-squared	0.389918	S.D. dependent var		0.001705
S.E. of regression	0.001332	Akaike info criterion		-10.38151
Sum squared resid	0.000149	Schwarz criterion		-10.32443
Log likelihood	448.4050	Hannan-Quinn criter.		-10.35854
F-statistic	55.32553	Durbin-Watson stat		1.989305
Prob(F-statistic)	0.000000			

Date: 03/04/18 Time: 21:01  
 Sample: 2006M01 2015M01  
 Included observations: 87

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
.   *	.   *	1	0.206	0.206	3.8122	0.051
.   .	.   .	2	0.020	-0.024	3.8480	0.146
.   *	.   *	3	0.195	0.205	7.3611	0.061

. .	.* .	4	-0.055	-0.151	7.6476	0.105
* .	. .	5	-0.107	-0.058	8.7325	0.120
** .	** .	6	-0.235	-0.273	14.013	0.029
* .	. .	7	-0.142	0.003	15.956	0.026
. .	. .	8	0.006	0.049	15.960	0.043
. * .	. * .	9	0.075	0.191	16.514	0.057
. * .	. * .	10	0.139	0.103	18.459	0.048
. .	. .	11	0.047	-0.062	18.687	0.067



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## **THE INFLUENCE OF LIFE COACHING SESSIONS ON THE ENTREPRENEURS' BEHAVIOR**

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**Abstract:** *The purpose of this study was to investigate the influence of life coaching sessions on the entrepreneurs' behavior. The exploratory research used a qualitative method and we used the in-depth interview. For interpreting the results, we used content analysis for the transcripts of the recorded interviews. Data obtained from the in-depth interview were coded and we used conceptual content analysis to obtain frequencies of occurrence. After life coaching sessions the entrepreneurs began to organize their time and priorities differently. Following these sessions, subjects responded that they came to define their objectives more clearly, they came to provide feedback whenever needed and the performance. Various audiences could use these exploratory results - professionals and human resource managers who might be interested in the coaching status of various organizations as well as in the management practices for the implementation of coaching programs.*

**Keywords:** *life coaching, it, entrepreneur, qualitative research, interview.*

### **INTRODUCTION**

Life coaching provides solutions that range from slight personal improvements to a complete life overhaul (Bolchover, 2006). So, depending on what an individual seeks, life coaching can effect changes in areas ranging from work performance to changing the workplace altogether and moving to a different field or taking up an entrepreneurial path in a field that the individual has been fond of since childhood. It is very easy for us, human beings, to become confused about life, because we wish for a multitude of things and, thus, we lose sight of what matters, in our race to attain various objectives. Yet, in the absence of such concrete objectives, people will never achieve anything in life, as Gordon (2012) points out, too. There are people who wish to develop their abilities in several fields simultaneously. So, they keep running after several hares, hoping they will catch at least one, but most of them end up catching none, because they fail to focus on a single hare i.e. on a single aspect of life. People would be better off focusing on one single objective and seeking to grow and develop themselves progressively towards that objective. Failure to do so invites panic and chaos in their lives, as well as a sense of disappointment as to their achievements.

So, as Bolchover (2006) claims himself, life coaching sessions teach people to focus their attention. They start seeing things from a just perspective and with greater clarity, learning to discover what really matters to them. Therefore, a life coach plays an important part in an entrepreneur's life, supporting them and developing the skills, resources and creativity that they already possess (Nixon-Witt, 2008). It would be fair to say that, more often than not, entrepreneurs need support in their lives and a life coach is the right person to do it, using specific tools: asking questions, listening and empathising. This way, entrepreneurs may feel that



there is someone who really cares about them and their ideas. This is all the more true given that, according to Drucker (1985), among others, entrepreneurs are the ones who seek change and see it as the healthy norm, but they need encouragement and concrete, solid business objectives that will allow them to put their own ideas and opportunities into practice.

This is why, the moment entrepreneurs start realising that they need to focus on one objective and pursue it, as Prochaska et al. (1992) claim, their efforts to alter their behaviour are clear action indicators for an individual – especially seeing that action is essential in putting objectives into practice (Kalinauckas and King, 1994). In Romania, the number of registered coaches is over 1,000 in more than ten professional coaching associations. In Romania there are no concrete studies to analyze how they contribute with the global community of practitioners. To this effect, our intention is to analyse the way in which life coaching sessions influence the behaviour of entrepreneurs towards better planning and attainment of their business objectives.

## **PURPOSE AND METHODOLOGY**

The purpose of this study was to investigate the influence of life coaching sessions on the entrepreneurs' behavior because according to a study conducted by Flash Eurobarometer in 2012, the main fear of 56% of Romanian entrepreneurs is the failure because it is perceived in a negative way by the Romanian society. In this case, we have started from the premise that the fear of failure arises due to the lack of setting goals that will lead to clear expectations. The profile of the Romanian entrepreneur is as follows: a mature individual, male, married with children, having an economical background, with an average of 12.81 years when he is an entrepreneur and having higher education (Jianu și Bâra, 2013).

In this context the exploratory research sample consisted of 12 Romanian CEO Programmer IT entrepreneurs from their own company, private sector, aged between 21-60 years, with a business experience of more than three years. The research method used is qualitative, and we used the in-depth interview. In-depth interviews were applied between January 5, 2015 and July 7, 2017 at the premises of the participants within the timeframe they preferred. The interview guide contained a number of nine questions aimed at describing the following issues: carrying out life coaching sessions, a working day in the life of the entrepreneur, changes produced by life coaching sessions, difficulties faced before the life coaching sessions, perceived advantages and disadvantages of life coaching, the relationship with the life coach, measurement of targets before and after the coaching session.

Before applying the in-depth interview, we conducted a selection questionnaire to filter participants. The questionnaire had two questions, by means of which we verified whether entrepreneurs had benefited from life-coaching sessions, and how many life coaching sessions they have had until the time of the analysis. The selection criteria for entrepreneurs referred to the entrepreneur experience and the turnover of the company. The data related to the experience of entrepreneurs within their companies (company foundation year and the CEO) and turnover are public, and using the websites [mfinante.ro](http://mfinante.ro) and <http://www.listafirme.ro/> we had access to this information. We used the experience of entrepreneurs as filter because after three years from the foundation of the company, the individual is familiar and accustomed to his/her new position, should have learned from their own mistakes and those of others, and had time to measure the set goals. Also, the turnover tells us if the company is on the right track. As a limit, it is necessary to

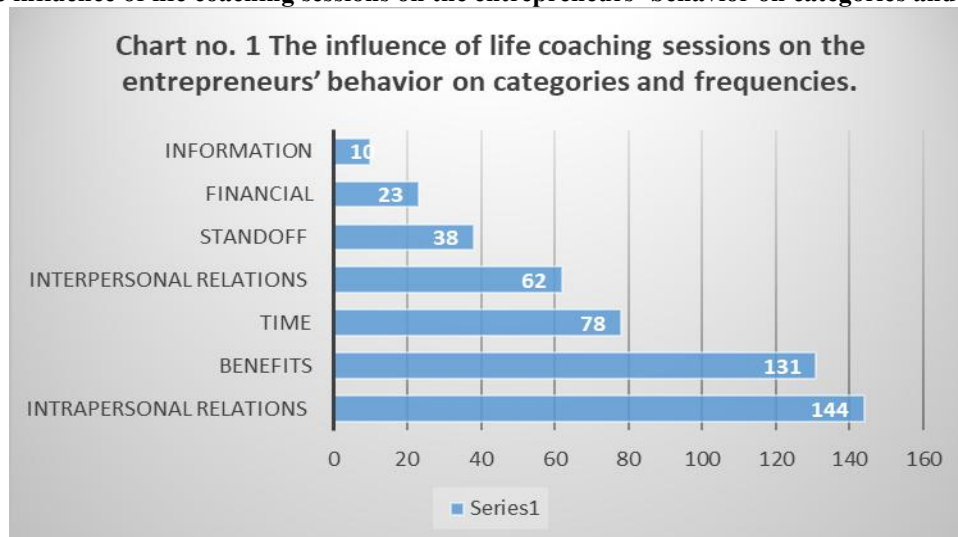
keep in mind that entrepreneurs may not have clearly established and measured their objectives, they might have used their intuition (we worked with statements, without being able to register their real behaviour).

When we asked participants to take part in the interview, they were also informed that their personal data are confidential, that the information received will be used for educational purposes, and that they will be able to receive the results of this study. After the interviews, the subjects were labelled, using capital letters - A, B, C, D, E, F, G, H, I, J, K and L - to be able to achieve more easily the analysis of interviews and not to violate the principle of confidentiality. Participants were informed about the purpose of the research and the length of the interview. Each interview lasted one hour and thirty minutes, during which we addressed open questions referring to the issues already mentioned in the guide; everything was recorded. For interpreting the results, we used content analysis for the transcripts of the recorded interviews. Data obtained from the in-depth interview were coded and we used conceptual content analysis to obtain frequencies of occurrence.

## RESULTS

A good analysis depends on the understanding of data, so in order to achieve the qualitative analysis, we have read and reread the text and highlighted the text in colours. We have also noted comments on the data. To streamline the time and perform a better analysis and comparison between the results we inserted into an Excel document the categories and subcategories related to the influence of life coaching on the behavior of entrepreneurs to plan and achieve business goals. The program gave us the necessary support for obtaining tables and graphs in order to have a better picture of the results (see Chart no. 1). The terms for each bar are defined in Table no.1 Categories and sub-categories on the influence of life coaching sessions on the entrepreneurs' behaviour on categories and frequencies.

**Chart 1 The influence of life coaching sessions on the entrepreneurs' behavior on categories and frequencies.**



Source: The author.

From the Chart 1 The influence of life coaching sessions on the entrepreneurial' behavior on categories and frequencies and from the Table no.1 Categories and sub-categories on the influence of life coaching sessions on the entrepreneurs' behavior, we can see the identified seven categories together with their subcategories. The category called Information will not be considered for further analysis because the frequency is very low and it is not significant. For each category, we have identified a number of subcategories. They were distributed according to main connotations and categorizing principles (mutual exclusiveness). For the codification of both categories and subcategories we have assigned either the initial or initials corresponding to the term required (eg. for example for Time category - coding is T, for subcategory time management- coding is T-TM) or we have chosen the identification prefix (for example for Interpersonal relations category the code is R INTER).

For the final encoding of subcategories, we used the following procedure: any subcategory reflects the initial chosen for the category to which it belongs followed by the initials specific to each subcategory. The texts were coded on categories and subcategories, using an emerging coding procedure (see Table 1).

**Table 1 Categories and sub-categories on the influence of life coaching sessions on the entrepreneurs' behavior**

Name	Frequencies
Time (T)	
time management T-TM	16
deadline T-De	12
time investing T-TI	4
time availability T-TA	16
time quality T-TQ	14
timing T-Ti	16
Information (I)	
lack of information I-LI	3
documentation I-Do	2
information I-In	5
Financial (F)	
lack of money F-LM	4
the financial availabilities F-AF	19
Benefits (B)	
applicability B-Ap	12
setting goals B-SG	36
measurement of objectives B-MO	12
achieving results B-AR	8

writing objectives B-WO	12
feedback B-Fe	11
performance B-Pe	11
focus B-Fo	8
free session B-FS	8
planning B-PL	9
investment B-In	4
<b>Intrapersonal relations R INTRA</b>	
awareness R INTRA – Aw	26
agitation R INTRA –Ag	14
new ideas R INTRA –NI	24
offering details R INTRA –OD	20
accommodation R INTRA –Ac	20
individualism R INTRA –Indi	5
indecision R INTRA –Inde	2
multi-tasking R INTRA –MT	13
responsibility R INTRA –Re	20
<b>Interpersonal Relations R INTER</b>	
momentum R INTER –Mo	8
partnership R INTER-Pa	14
team R INTER-Te	11
motivation employees R INTER-ME	14
relationships with others R INTER-RO	15
<b>Standoff St</b>	
private life neglect –St – PLN	3
bankruptcy St-Ba	3
discouragement St-Di	6
neglect of relations with others St-NRO	7
problems St-Pr	19
<b>Respondents total</b>	<b>12</b>
<b>Items total</b>	<b>486</b>

Source: The author.

From the total number of 486 items, 41 subcategories emerged for life coaching perceived influence on the behavior of entrepreneurs to plan and achieve business goals. We find that in the case of the category “Intrapersonal relations”, the subcategory awareness occurs with

a frequency of 26 times, followed by the subcategory new ideas (with a frequency of 24 times), and last we have individualism and indecision (with a frequency of 5 and 2 times). After the life-coaching sessions, subjects answered that they had realized that before they did not have clear objectives that could be measurable and achievable, and these sessions helped them organize themselves better, also following some blockages subjects no longer made certain connections to further develop new projects, and after the session they realized what they had to do and now they have new ideas to bring projects forward.

The “Benefits” category contains the most common subcategories: setting goals (with a frequency of 36 times), applicability, measurement of objectives and writing objectives (with a frequency of 12 times) feedback and performance (with a frequency of 11 times), and last investments (with a frequency of 4 times). In a study conducted in 2002, it was found that feedback with coaching sessions contributes to an increase in leadership efficiency by up to 60% (Thach, 2002). Coaching focuses on goal setting (Garvey, Stokes and Megginson, 2009) which helps people establish clear expectations (Yukl, 2010).

Following these sessions, subjects responded that they came to define their goals more clearly, they came to provide feedback whenever needed and the performance of both the coached personnel and of employees improved. We note that after the life coaching sessions entrepreneurs seem to have recovered and started to establish SMART goals and organize their time and priorities differently. "I started to set SMART goals, which did not happen before and I found that I can organize my time and priorities differently according to these objectives, which is extraordinary for me. I realized that the specificity and measurability of goals are vital, because without them, the goals are much less useful. A clear, quantifiable objective, offers opportunities to create values that measure not only progress but also motivate and inspire employees."

It is very important for entrepreneurs to establish clear benchmarks for what they have performed, to give and receive feedback, written and verbally, about the activities and goals that they set because as one of the respondents said “it boosts the company’s morale and team members are able to accomplish the company's objectives. I establish criteria, now I have a set of rules and procedures on how to measure performance.” For the “Time” category we notice that the subcategories appearing most frequently are: time management, time availability and timing (with a frequency of 16 times), followed by time quality (with a frequency of 14 times). Subjects referred to the fact that after life-coaching sessions they have more time for the others, compared to before, when their life was more chaotic. After life coaching sessions they began to organize their time and priorities differently. The vast majority of subjects responded that they worked overtime: "I worked overtime, I was thinking about all sorts of ideas to implement, about developing new applications, etc., I wanted to start as many activities as possible to have an active life." This means that entrepreneurs did not set SMART goals (specific, measurable, easily attainable, achievable and timely) which made their life chaotic both personally and professionally. When one gets involved in too many activities aimlessly, without setting goals, there is a risk not to carry out any activity or to have mediocre results in such activities.

The category “Interpersonal relationships” has as sub-categories the relationship with others (with a frequency of 15 times), partnership and motivation employees (with a frequency of 14 times). Subjects thought that the relation with others improved after the sessions and that both they and their employees felt more motivated. Subjects believed that the relations with

others improved, that they focused better on what they had to do, that there was life after work: "Now I am more careful with myself, my relationship with the others improved, I have more time for them and in terms of my own business now I have faith I can rely on my staff when I need a break."

From the "Standoff" category we find big subcategories as problems, with a frequency of 19 times, and then last positions are held by private life neglect and bankruptcy (with a frequency of 3 times). Before starting the life coaching sessions, subjects said they faced many problems, such as for example the neglecting of their private life, of their relationship with others or some blockages occurring on the spot, but after these sessions they realized how important the relationship with others was.

In the "Financial" category, we find the financial availabilities with a frequency of 19 times. They referred to the fact that they did not regret the money they had paid, because they had gained many things from the sessions. The coaching sessions were contracted for one year, and the life coaching sessions cost varied between € 2250 and € 2500 per the one-year package.

## **CONCLUSIONS**

We noticed that life coaching supports entrepreneurs in improving their relations with others, helps entrepreneurs establish their SMART goals (specific, measurable, easily attainable, achievable and timely), and helps entrepreneurs increase performance. Following the life-coaching sessions, entrepreneurs have come to better focus on what they have to do, because they learned to establish clear benchmarks. Thus entrepreneurs learned to give and receive feedback, written and verbal, on the activities and goals that they established.

According to a study conducted in 2001 it was found that the factors in the coaching process are of great help in reaching their own goals. These factors referred to: performance / outcomes, a different perspective, self-awareness / development, feedback / support, objective person, as well as coaching and coaching relationships (Kampa-Kokesch, 2001, p.179). We observed that, according to the interviewees, during life-coaching sessions coaches are concerned with helping entrepreneurs find their own way, take responsibility for their learning to get on the right track. As the theory says, life coaching has proved to be a tool that assists entrepreneurs in achieving their objectives. We noticed that life coaching supports discovery and relies primarily on awareness, asking the right questions in the right way and listening actively to the subjects' answers.

## **ORIGINALITY/VALUE**

The study is relevant from a managerial point of view, because it provides valuable insight into how life coaching can change the behaviour of entrepreneurs for planning and achieving objectives.

## **PRACTICAL IMPLICATIONS**

Various audiences could use these exploratory results - professionals and human resource managers who might be interested in the coaching status of various organizations as well as in the management practices for the implementation of coaching programs.

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# THE MANAGEMENT OF SOFTWARE PRODUCTS THROUGH ECONOMIC INFORMATION SYSTEMS

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**Abstract:** *The paper presents the activity of managing the software products through economic information systems that ensure the storage of data, manipulation of different facts and also the interrogation of large quantities of data that is used in various reports for the decisions of managers. The internal characteristics of the product, process or resource are those that are measured by examining the product, process or resource, separate from their behavior. Internal features include: maintainability, flexibility, portability, reusability, program readability, testability, understanding, ease of building. The external characteristics of the product, process or resource are those that are measured only with reference to how the product, process or resource reacts with the environment. External features of software quality directly affect the value of the product to the user. Achieving a product quality model involves identifying the tangible internal tangible properties of the product, measurable and / or evaluable, which have the greatest effect on external quality attributes. The benefits of choosing a good software product is reflected in a better productivity and a good management of business flows that ensure a stabile growth in relations between producers, suppliers and customers that may collaborate with companies.*

**Keywords:** *Software products, business environment, methods of evaluations, quality attributes, information systems.*

**JEL codes:** *C23, C26, C38, C55, C81, C87*

## 1. INTRODUCTION

The quality of a product is sometimes defined as "the totality of its characteristics by which it meets a number of defined or imposed needs". The quality of a software product is due to its ability to be effectively and comfortably used by a set of users for a set of purposes under specified conditions. The quality characteristics of a software product are properties of the product to which users are sensitive. For example: ease of use, reliability, response time, etc. There are different models to classify the quality attributes (attributes) of a software product. Models often include measures to determine the degree to which the product meets each quality attribute. Each model may have a different attribute set at the highest level of the classification, too, the selection and attribute definitions may differ at all levels.

The quality required for a software product must be defined in the software requirements definition document (SRD). Also, the definitions of quality attributes, measurement methods, and attribute acceptance criteria must be specified [1], [4].



The quality of program products can be appreciated both by the quality characteristics specific to the current execution of the programs, as well as by those that ensure the maintenance of the execution programs as the initial conditions of the problems change. The quality of a software product is at the end of the development process only if the internal properties that determine the level of the quality characteristics are built during development. It is considered as the fundamental axiom of software quality that: the tangible internal or internal properties or characteristics of the product determine the quality of its external characteristics.

## **2. THE CHARACTERISTICS OF SOFTWARE PRODUCTS AND THE ECONOMIC VALUE OF THOSE**

Standardization of software product terminology has led to ISO 9126 (Information Technology - Software Product Quality, Part 1: Quality Model, 1998). The standard contains definitions in particular for the final product. Six quality features are defined, divided into 21 sub-features.

a) **Functionality:** Achieving the basic purpose for which the product was made

**Opportunity:** the presence of a set of appropriate functions for specified tasks

**Accuracy:** Delivering correct or agreed results or effects

**Interoperability:** the ability of the product to interact with specified systems

**Security:** the ability to prevent unauthorized, accidental or deliberate access to programs or data

**Compliance:** adherence to standards, conventions, laws and protocols

b) **Reliability:** the product's ability to maintain its performance level under defined conditions for a defined period of time.

**Maturity:** attribute based on the frequency of failures due to software mistakes

**Fault tolerance:** the ability to maintain a specified level of performance in cases of software failures or unexpected inputs

**Fallback recovery:** the capacity and effort required to restore the performance level, recover affected data after possible falls

**Compliance**

c) **Usability:** the effort required to use it by a defined set of users

**The ease of understanding:** the effort required by a user to recognize the logical concept and its applicability

**Learning ease:** the effort required by a user to learn the application, operation, inputs and outputs

**Operability:** ease of operation and control by users

**Power of attraction:** the ability of the product to be attractive to users

**Compliance**

d) **Efficiency:** the relationship between the product's performance level and the amount of resources used under defined conditions

**Execution time:** response speed, processing times, output rate at function execution

**Use of resources:** the amount of resources used and the duration of use for performing its functions

**Compliance**

e) Maintenance ease: the effort required to make the changes, including corrections, improvements or adaptations of the product to changes in the operating environment, requirements and functional changes

The ease of analysis: the effort required to diagnose defects, causes of falls, to identify parts that need to be modified

Change ease: the effort required to remove defects or change

Stability: the risk of unexpected effects from changes

Test ease: the effort required to validate the modified product

Compliance

f) Portability: The ability of the product to be transferred from one organization or software platform to another

Adaptability: ability to adapt to different specified environments

Installation ease: the effort required to install the product in a specified environment

Co-existence: the ability to coexist with other independent products in the same environment

Opportunity and effort to use the product instead of another product in a particular environment

Compliance

## **SPECIAL TYPES OF SYSTEMS AND QUALITY REQUIREMENTS**

There are many particular quality requirements that fall or fall within ISO 9126. Certain special classes of applications may have other quality attributes to consider.

Examples:

- Systems whose fall can have extremely severe consequences:

The degree of trust of the system as a whole (hardware, software people) is the main purpose, in addition to the achievement of basic functions.

A high degree of trust includes attributes such as: fault tolerance, operational safety, security, usability.

- Smart and knowledge-based systems:

Property "at any time" (guarantees the best answer that can be obtained in a given time if a response is requested within that time frame)

Explaining ability (explains the thought process of providing an answer).

- Human Interface and Interaction Systems

Easy to adapt to user features and interests, Smart help, etc.

- Information systems

Easy to query

Accuracy in providing answers (relevant information only)

Software quality features that affect the software engineering process

Code style

Reusability of the code

Code modularity and module independence

Relationships between external and internal characteristics of quality

Because there is no precise relationship between the two groups of features, the quality models decompose into external, user-perceived quality and internal quality characteristics that depend on the developer.

The quality model of a software product is structured into three parts:

- definition and decomposition of external attributes of quality - consumer orientation;
- defining and classifying the internal quality characteristics - targeting the developer;
- making detailed links between external sub-attributes and internal sub-characteristics.

The internal characteristics of the product, process or resource are those that are measured by examining the product, process or resource, separate from their behavior. Internal features include: maintainability, flexibility, portability, reusability, program readability, testability, understanding, ease of building.

The external characteristics of the product, process or resource are those that are measured only with reference to how the product, process or resource reacts with the environment. External features of software quality directly affect the value of the product to the user. Achieving a product quality model involves identifying the tangible internal tangible properties of the product, measurable and / or evaluable, which have the greatest effect on external quality attributes [2], [6].

Correctness includes those properties on which the proper functioning of the product depends software. These properties are so important that they are classified separately. Correctness properties are internal, associated with individual components, or contextual, associated with how components are used in the context. Internal properties measure the extent to which a component has been developed in accordance with its intended use or how well it has been composed. Contextual properties are determined by how components are composed.

## **QUALITY MODELS FOR SOFTWARE PRODUCTS**

The complex character with multiple meanings of the quality concept necessarily implies a clear and operational definition of quality. This is done by defining a quality model, built by decomposing the concept of quality to the primary characteristics. As a result of the research in the field of software quality, several software quality models were proposed.

The Mc Call model groups the quality factors into three categories:

- exploitation / use with quality factors, fairness, integrity, usability, reliability;
- product revision with quality factors maintainability, flexibility, testability;
- transition produced with quality factors reusability, portability, interoperability.

The model has been developed to improve product quality and separates quality characteristics for the developer, user and reuser.

The Boehm model is one of the first software quality models where quality characteristics are determined by internal attributes, and metrics for quantification that are described.

The quality model according to ISO / IEC 9126 proposes the use of a set of six quality features: functionality, reliability, usability, performance, maintainability, portability. For each feature, a set of sub-features is detailed, and the last level represented by metrics is not standardized. In this standard, the task of defining appropriate metrics for each quality feature lies with the software developer.

The emergence of new concepts, techniques and methods of software development also determines the design of new quality models. The Dromey / Griffith quality concept involves separating software quality characteristics into behavioral features and usage features. The concept distinguishes between product components, quality attributes and quality carrier characteristics [3], [5].

From the comparative analysis of the a forementioned models we find that there are static models that do not describe how the metrics are projected from the current values to the next values of the important points of the development process. It is important for the model to link the software metrics to the expected quality at the time of delivery of the software. The models also give no guidance on how to use metrics and attributes to identify and classify risks. Although there are more visions of quality according to the participants' position in the software development and use process, the practice has demonstrated that the project manager has a very strong influence on the quality aspect in the development process.

The vision of quality project managers is pragmatic and relatively simple:

- High quality software is the one that works pretty well to fulfill the function for which it was designed and is available when it is needed to perform this function. Thus, the project manager is interested in a pragmatic model of quality and in collecting a set of metrics to ensure the successful development of a specific operational system.
- Based on these considerations, the Software Assurance Technology Center, SATC, has developed a project-oriented software model for the project manager.
- The set of objectives selected for the SATC quality model includes both process-oriented and traditional product-oriented indicators. The SATC model also has objectives whose metrics are based on data collected from process and product rather than expert assessments.

A customer-oriented quality model focused on the degree the customer appreciates a product is the Kano Model. Using the definitions in ISO 9000, the Kano Model splits the quality factors into three categories:

- evidence - necessarily present to any product for sale, but without giving any credit to the product;
- asked - is what the consumer asks for. I am in favor of the manufacturer and the more there is, the better;
- surprise - the term is used in a positive sense;

These factors are not demanded and not expected by buyers, but their presence increases the competitiveness of the product. For the three types of quality factors there are specific discovery mechanisms and techniques:

Surprise factors that depend on market research;

Factors demanded by customers or the company's marketing department;

The underlying factors, referred to in the ISO 9000 standard. Traditional software enhancement methods do not ensure the presence of surprise factors. For this purpose, an appropriate method is needed for the software.

### **3. THE ADVANCED SOFTWARE EVALUATION METHODS**

The software can be evaluated either directly or indirectly. By direct assessment of the software engineering process, it is understood that costs and associated efforts are determined. It

involves calculating the number of written lines of code (LOCs), determining the execution speed, the size of the memory, and the number of defects reported over a certain time interval. Indirect product evaluation is in fact an analysis of functionality, quality, complexity, efficiency, reliability, maintenance and many other features.

The cost and effort required to develop software, calculating the number of lines of code (LOC) and other direct estimates are relatively easy to estimate initially. However, quality and functionality or efficiency and maintenance are much more difficult to assess and can only be measured indirectly. Product evaluation methods can be described as follows:

- Productive evaluation focuses on the final results of the software engineering process;
- Qualitative assessment provides an indication of how close the software is to the customer's implicit and explicit requirements;
- The technical evaluation highlights the characteristics of the software (eg logical complexity, degree of modularisation) rather than the process by which it has been developed;
- Dimensional evaluation is used to "collect" direct assessments of the results and quality of the software engineering process;
- Functional evaluation provides an indirect evaluation;
- Human resource assessment provides information on how developers develop a software product as well as perceiving the effectiveness of development tools and models.

The evaluation methods most commonly used by software makers are:

## **METHOD OF DIMENSIONAL EVALUATION**

The dimensional evaluation of the software is a direct estimation of the software as well as the process by which it is developed. If a project manager maintains simple records, a table with data ordered by the size criterion can be created. For each project, the usual dimensional data is:

- the effort estimates the need for human resources and is measured in programmers-per-month or programmers-per-year;
- Kilo Lines of Code (KLOC) - thousands of lines of code;
- value is the monetary expression of the effort;
- documentation pages;
- the number of errors reported by users over a period of time.
- the number of programmers who worked on software development.

From the primary data contained in such a table, a productivity and dimensional assessment for each project can be made:

$$\textit{Productivity} = \textit{KLOC} / \textit{Programmers per month}$$

$$\textit{Quality} = \textit{Number of Errors} / \textit{KLOC}$$

In addition, other interesting parameters can be calculated:

$$\textit{Cost} = \textit{Value} / \textit{KLOC}$$

*Documentation = Documentation pages / KLOC*

The use of dimensional parameters (KLOC, effort, etc.) is controversial and they are not universally accepted as the best method of evaluating the software development process. The controversy revolves around the use of the LOC code lines as the main size. Supporters of the LOC variables state that this is an artifact of all software development projects and can be easily calculated that many estimation models use LOC or KLOC as the main input and that there is already a huge literature (plus associated data) dedicated to LOC. On the other hand, opponents claim that the LOC variable is program-dependent, that LOC can penalize well-designed but short programs, that it can not be easily associated with non-procedural languages, and that its use in estimation requires a level of detail that can be difficult (Eg the project manager has to estimate the number of code lines that need to be produced long before the analysis and the project plan have been completed) [3], [6].

### **FUNCTIONAL ASSESSMENT / EVALUATION OF FOR SOFTWARE PRODUCTS**

The parameters that functionally characterize the software represent an indirect evaluation of the software and of the process by which it is developed. By avoiding LOC calculation, functional parameters focus on the "functionality" or "utility" of the program. This type of assessment was proposed for a productivity measurement approach, called the functional score method. Functional Score (SF) is obtained using an empirical relationship based on calculable estimates of the product information domain as well as evaluations of the complexity of the application.

The values of the information domain are defined in the following way:

- Number of user entries: Each user input that provides the application with distinct data oriented to it is taken into account. Inputs will have to be distinguished by queries, which are calculated separately.
- Number of user outputs: Each output to the user, which provides application-oriented information, is taken into account. In this context, the term "output" refers to reports, screens, error messages, etc. Individual report data is not calculated separately.
- Number of user queries: A query is defined as an on-line entry that results in an immediate response of the application as an on-line output. Each distinct query is taken into account.
- Number of files: Each "master" logical file, such as a logical collection of data that can be part of a large database or individual file, is taken into account.

Number of external interfaces: All machine readable interfaces (data files on tape or hard disk) that are used to transmit information to another system are taken into account.

Once the above data has been collected, a complexity index is associated with each calculation. Organizations using the functional score method develop criteria to determine whether a particular entry is simple, medium or complex. Of course, determining complexity is a relatively subjective process. To calculate the functional score, the following relationship is used:

$$SF = Total\ of\ calculation * 0.65 + 0.01 * SUM (Fi);$$

Where the total-of-calculation is the sum of the partial results obtained by weighing the values of the information domain. The constant values in the above equation as well as the influence factors that are applied to the calculation of the information domain are determined empirically.

Complexity adjustment values -  $F_i$ ,  $i = 1 \dots 14$  are determined by evaluating the influence of 14 factors:

- Does it require back-up and recovery?
- Are data communications facilities required?
- Are distributed processing functions required?
- Is the criterion of critical performance?
- Will the system run in an intensely operating environment?
- Does the data entry system require online?
- Does the data entry system need to be on-line, that the data input process takes place on screens or through multiple operations?
- Are the files updated online?
- Are the inputs, outputs and complex queries?
- Is the internal process complex?
- Is the code designed to be reused?
- Is the conversion and installation of the program included in the design?
- Is the system designed for multiple installations in different organizations?
- Is the application designed to facilitate the user's change and ease of use?
- Each factor is rated with a score of 0 to 5, meaning:

0 - Does not Influence;

1 - Incidentally;

2 - Moderate;

3 - Environment;

4 - Significant;

5 - Essential;

Once the functional score has been calculated, it is used in a LOC-like manner as a measure of productivity, quality, and other attributes that define the program:

$$\textit{Productivity} = \textit{SF} / \textit{Programmers per month}$$

$$\textit{Quality} = \textit{Defective Number} / \textit{SF}$$

$$\textit{Cost} = \textit{Value} / \textit{SF}$$

$$\textit{Documentation} = \textit{Documentation Pages} / \textit{SF}$$

Rating based on the functional score was originally designed to be used in business information systems. However, the later proposed extension, called the characteristic score - SC, may allow this method to be applied to programs in the field of engineering systems. The characteristic score is appropriate for describing applications where the complexity of algorithms is high. Real-time, process-control and object-oriented applications tend to have a large algorithmic complexity and are therefore suited to evaluation by the characteristic score method [2], [5]. To calculate this score, the values of the information domain are again counted and weighted. Unlike the functional score calculation, the characteristic score takes into account yet

another information area (algorithms), and the weighting values are fixed. The final characteristic score is obtained from the equation:

$$SC = Total\ of\ calculation * 0.65 + 0.01 * SUM(Fi);$$

The characteristic score considers a new dimension of the software, namely algorithms. Reversing a matrix, decoding a bit string, or treating an interrupt are all examples of algorithms. The characteristic and functional scores mean the same thing, namely the functionality or utility provided by the software. The evaluations result in the same value of the SF in the case of conventional engineering calculation or information management applications. For more real-time real-time systems, the score is 20-35% higher than the one calculated using the functional score exclusively. Using the functional score - or characteristic - is controversial.

The fact that SF - SC is independent of programming languages, making it ideal for applications written in conventional and non - procedural languages. They also claim that it is based on data that is supposed to be known much earlier in the project evolution, making SF - SC much more attractive as an estimate. Opponents of the idea say that the method requires little prestidigitation and that the calculation is made in part on rather subjective rather than objective data; So that information can be difficult to tighten after the events have occurred and that SF - SC does not have direct physical significance - it is just a simple number.

## **TECHNIQUES OF DECOMPOSITION**

There is a natural approach to solving problems: if the problem to be solved is too complicated, we tend to divide it into a series of sub-problems until we reach a level where sub-problems can be resolved. We then solve each of the sub-problems in the hope that solutions can be combined to form a global solution. Estimating the software project is a form of problem solving and in most cases the problem to be solved (eg developing an effort and cost estimate for a software project) is too complex to be considered as a whole. Thus, we decompose the problem, redefine it as a collection of sub-problems with less complexity and therefore more resolvable.

The code lines and the functional score are initial data starting from which productivity can be calculated. LOC and SF data are used in two ways during the software project estimate:

- as an estimation variable that is used to dimension each element of the software;
- Basic measurements collected from old projects and used in conjunction with estimation variables to develop effort and cost estimates.

LOC and FP estimates are distinct estimation techniques. However, both have a number of common features.

The project manager begins by presenting a synthetic description of the final function of the software and, starting from this statement, tries to break down the project of the future IT product into small sub-functions that can be estimated individually. The estimation variable LOC or SC is then calculated for each sub-function. Basic productivity measures (e.g. LOC / programmers-per-month or SC / programmers-per-month) are then applied to the most appropriate estimation variable and the effort or cost of the sub-function is derived. Estimates of



the sub-function are combined to provide a global estimate for the whole project. The estimation techniques LOC and SC differ to the level of detail required for decomposition.

When LOC is used as an estimation variable, functional decomposition is absolutely essential and is often driven to considerable levels of detail. Because of the data required to estimate the functional score or more macroscopic, the decomposition level when SC is used as an estimation variable is considerably less detailed. It should also be taken into account that LOC is estimated directly while SC is determined indirectly by estimating the number of inputs, outputs, data files, interrogations and external interfaces as well as the 14 complexity adjustment values described above [1], [3].

Independently of the estimation variable that is being used, the project manager typically provides a range of values for each function decomposed into the subfunctions. Using historical data, the project manager estimates a LOC or SC value for each function, in the most optimistic, most likely, and most pessimistic case. An implicit indication of the degree of uncertainty is provided when a range of values is specified.

An expected value for LOC and SC is then calculated. The expected value for the estimation variable  $E$  can be calculated by averaging the LOC or SF estimates in optimistic (a), possibly (m), and pessimistic (b) cases.

The estimate  $E = (a + 4m + b) / 6$  gives the most credibility the most probable estimate (m) and follows a probability beta distribution. Suppose there is a very low probability that current LOC or SF results are outside the range defined by the estimated values in the optimistic or pessimistic case.

Using standard statistical techniques, we can calculate estimates. It should be noted that a deviation based on uncertain (estimated) data has to be used judiciously. Once the expected  $E$  value for the estimation variable has been determined, LOC and SC are used.

#### **4. CONCLUSIONS**

The evaluation of software products remains an important activity for a company that wants to ensure a rapid growth and profit, because the benefits of good system information ensure a better record of data, the updates of different values and the interrogation through queries that are reflected in different reports. The software can be evaluated either directly or indirectly. By direct assessment of the software engineering process, it is understood that costs and associated efforts are determined. It involves calculating the number of written lines of code, determining the execution speed, the size of the memory, and the number of defects reported over a certain time interval. Indirect product evaluation is in fact an analysis of functionality, quality, complexity, efficiency, reliability, maintenance and many other features. The cost and effort required to develop software, calculating the number of lines of code and other direct estimates are relatively easy to estimate initially [2], [4]. However, quality and functionality or efficiency and maintenance are much more difficult to assess and can only be measured indirectly. A good evaluation refers to a wide range of aspects such as costs, benefits, complexity, reliability, portability and other economic aspects that may improved the quality of information systems that give a competitive advantage in the area of businesses.

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***LAW***



## CONSIDERATIONS ON THE HOLOGRAPHIC TESTAMENT IN COURT PRACTICE

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**Abstract:** *Although it represents the testator's exclusive and personal creation, the holographic testament is a solemn act which, under the sanction of absolute nullity, must cumulatively fulfill the condition of being written in its entirety, dated and signed by him/her, being his/her free and conscious expression. We will not make a theoretical analysis of the three conditions that holographic testament must fulfill cumulatively ad validitatem, since we can find this analysis in all the succession law books, so we will make a couple of theoretical commentaries regarding the case we are presenting. In the action brought before the court, the appellant applied for the partial absolute nullity of the certificate of inheritance issued by the notary public, for fraud. She also claimed the opening of the succession debate after the deceased A.L, who had died on May, 13th, 2014, as well as the composition of the succession mass. She also claimed to be declared sole heir at law after A.L.'s death, legatee with particular title, on the basis of the holographic testament drawn up by him (in the "Letter of Farewell" he had left) and to have the title of the property acquired as a testamentary inheritance included in the land book. The defendant requested the action to be dismissed and argued that this was a simple letter of convenience, not a holographic testament, and even if there was a testament, the person who had signed it had not been identified, an aspect which may bring into doubt the person signing the document. She also requested a graphological expertise and an expertise regarding the deceased's discernment at the date when the letter was written, considering the circumstances of A.L.'s death. On the basis of the scientific evidence in conjunction with the other evidence, the court upheld the applicant's action by finding that the certificate of inheritance was partially hit by absolute nullity.*

**Keywords:** *deceased, holographic testament, farewell letter, graphological expertise, discernment, certificate of inheritance, absolute nullity, fraud.*

The human being is the entity which represents the main and ultimate purpose of the law. The civil law is regulating almost the whole life of a person in its most important issues concerning the individual as the subject of civil rights, even before birth until death, and even about the consequences of this event. The transmission of the succession is one of the most important legal consequences of this last legal event. People try to make a patrimony (estate) throughout their entire life. This patrimony will be sent to those entitled to receive it through the legal inheritance or testamentary. It is somehow natural that we humans perceive the testament as a gloomy legal act that we have to make, unfortunately, during our lifetime, fully informed. We should be conscious that, when making a testament, all aspects of property issues must be well adjusted in order to prevent polemics and disputes between legal heirs.

To protect the independence of the testator and to assign undoubted character to the final declaration, legislature does not allow testamentary dispositions to generate effects unless they were made in the forms provided by law. The holographic testament is one of the ordinary testaments and it is expressly regulated in a text that we find almost unchanged in the civil code in force from the content contained in Civil Code of 1864: “The holographic testament is invalid unless it is written entirely, dated and signed by the testator”, “Under the sanction of absolute

nullity, the holographic testament should be written entirely, dated and signed by the testator in his own handwriting”( Art.1041 Civil Code in force). The same civil code regulates in the article 1042, in accordance with current requirements, the testament forms, thus speaking in the matter of the holographic testament of provisions designed in a unitary and not disparate manner, as they were in the civil code of 1864, the provisions relating to the holographic testament were contained in the content of several articles not consecutively. More, this code regulates the sanction for non compliance with the formal conditions of the holographic testament, namely express absolute nullity, by an imperative norm.

This ordinary testamentary form did not originate from the Roman law, as private testaments were prohibited by Justinian, with the sole exception of the provisions made for descendants. The holographic testament represents a creation of the French customary law, which was accepted in the lands of written law only when the Civil Code came into effect. Even though it represents the exclusive and personal creation of the testator, the holographic testament is a solemn act, which, under the sanction of absolute nullity, has to be written entirely, dated and signed by the testator, being his/her free and conscious expression.

Although it presents some important advantages (namely: it is very easy to make a testament, it does not involve any cost, it ensures full secrecy provisions of last will, it may be revoked at any time), at the moment, in our country, this testamentary form is unfortunately the most rarely used in practice.

Our opinion is that besides its inconveniences, namely: it can be easily lost or stolen, the lack of protection of the testator against the suggestion or captation of those who are interested in his wealth, another reason why the option to prepare a holographic testament occurs so rarely is the fact that, in inheritance proceedings, the notary public calls necessarily an expert handwriting to ensure that the writing and signature on the document presented before him emanates from the testator. Obviously this expertise involves additional costs for the legatee availing themselves of the testament.

Thus, for now, the authentic testament remains the testamentary form which provides the highest safety to the testator regarding his/her last will, limiting the possibilities of a possible challenge of its provisions. Considering that holographic testament is very rare in notarial and judicial practice, the idea of our study comes from a civil case tried in Lugoj Court with the civil sentence no.2673/27.11.2015, definitive, unpublished. The case involved the existence of a holographic testament whose particularities aroused our interest. We will not make a theoretical analysis of the three conditions that holographic testament must fulfill cumulatively ad validitatem, as we can find this analysis in all the succession law books, so we will make a couple of theoretical commentaries regarding the case we are presenting.

## **1. ASPECTS BEFORE THE INTRODUCTION OF THE ACTION**

On 05/13/2014 A.L. committed suicide by leaving a letter titled "Letter of Farewell", written signed and dated by him, in which he also formulates a handwritten provision of ultimate will, by which it establishes a private legatee on A.E. (aunt by marriage), stating in very clear and firm terms the goods to which he refers in the testament: „...I say goodbye to my aunt A.E., who, after my mother’s death, was with me with much love and dedication. If it weren’t for her, I would have ended my life a long time ago, shortly after my mother's death. That is why I want

A.E. to inherit 1/2 of the house I live at the address xxx where the owner is my father A.P., currently deceased, and my xxx registered car that I ask you to sell and with the money you get to do your cataract surgery on the other eye and to take care of your health.”

The document was found near the place of suicide. The deceased was single, unmarried, had no reserved heirs, but only one legal heir of the fourth grade of ordinary collateral M.R. The legatee A.E. asked the Prosecutor's Office attached to the Lugoj Court a copy of the farewell letter and presented it to a notary public who confirmed her it was about a holographic testament, and informed her that, after the criminal investigation of the deceased's suspect death, she would have to make a graphological expertise of the script titled "Farewell Letter", to ensure that the holographic testament by which the deceased A.L. had established her a private legatee was written, signed and dated by him, and if it was confirmed, she would be able to open a succession debate. Four months after the death of A.L., M.R., the legal heir, although she knew the contents of the farewell letter left by the deceased as she was present at the place of the suicide in order to recognize him, asked the Prosecutor's Office attached to the Lugoj Court where the suspected death of A.L. was investigated, a copy of the letter, after she had secretly presented herself to the public notary in order to open the succession debate, without informing the notary about the existence of the farewell letter and the provisions regarding the legatee A.E., declaring that she was the sole heir of A.L. The notary public, although he had questioned two witnesses in this inheritance case, did not ask the solicitor of the succession debate nor the witnesses if they knew that there was a testament, proceeding directly to the succession debate. The notary issued the certificate of inheritance to M.R. who immediately registered her property rights acquired as succession in the Land Book. According to the public notary law, after the notary public finds that he is legally notified, he registers the cause and orders the quote of those who have the vocation to inheritance, and if there is a testament, he cites the legatees and the appointed executor. He determines the quality of the heirs and legatees, the extent of their rights as well as the composition of the succession mass.

In this case, the applicant rightly appealed to the court for the annulment of the heirloom certificate in which the defendant was found, in order to remedy the harm caused to her by its issuance.

## **2. INTRODUCTION OF THE ACTION. THE SUBJECT MATTER OF DISPUTE. THE LEGAL BASIS.**

We mention that at the date of introduction of the action, A.E. was in possession of the goods of the succession mass. Under these circumstances, on 10/21/.2014 A.E. filed a legal action against the defendant M.R. in order that the certificate of inheritance could be partially declared absolutely null, for fraud. Only partially and not totally, since in the contents of the certificate of inheritance which is contested, the successions of the deceased's parents are also debated and they do not affect the successoral rights claimed by the applicant. She claimed the opening of the succession debate after the deceased A.L, who had died on May, 13<sup>th</sup>, 2014, as well as the composition of the succession mass. She also claimed to be declared sole heir at law after A.L' death., the legatee with particular title, on the basis of the holographic testament drawn up by him (in the "Letter of Farewell") and to have the title of the property acquired as a testamentary inheritance included in the land book.

A legal act is considered an act of fraud when certain legal norms are used not for the purpose for which they were enacted but for circumventing other imperative legal norms. Being an attempt to deviate the law from its purpose, fraud in the law is an abuse of law, sanctioned (explicitly or implicitly) by a series of legal provisions.

Fraud can also be defined in the law as an intentional violation by the parties, often by using certain cunning means, of the mandatory provisions of the legislation, once a legal act is concluded or executed. The fraud is sanctioned by the nullity of the legal act concluded or executed this way. Fraud can also be regarded in the law as a particular case of unlawful cause (in the sense of purpose mediated contrary to imperative legal norms).

We consider the reasons put forward by the applicant in the application are circumscribed on this ground of absolute nullity, being obvious that the defendant, of bad faith, had voluntarily obtained the issue of the heir certificate, namely a legal situation which resulted in more favorable inheritance rights than it would have obtained if she had informed the notary about the existence of the holographic testament, which conferred quality of legatee to the applicant, aspects that the defendant knew, and thus could have provided the premises for the provisions governing the notarial succession procedure to be enforced in accordance with the law.

Applying the law in its letter and spirit, is a necessity of public interest, that is why the fraudulent acts are sanctioned with absolute nullity. In defense, the defendant M.R. argued that this was a simple letter of convenience, not a holographic testament, and even if there was a testament, the person who had signed it had not been identified, an aspect which may bring into doubt the person signing the document. It is also shown that the judicial practice has constantly and unanimously stated that, without any identification beyond the doubt, of the testator's person, a validation of the holographic testament can not be accepted, thus a graphological expertise was requested.

It was also claimed that the suicide in such a tough way that the deceased had chosen, after long sufferance, as shown in the letter, could be the evidence of a serious depression which may affect discernment. As there were doubts about the deceased's discernment at the date of writing of the document, the defendant asked the opinion of psychologists or psychiatrists in this regard. More, the share of the property that the deceased ordered by the final act was contested, even the expression used: „...*I want her to inherit...*” It is shown that this mode of expression indicates an action, an incident, or a hypothetical state whose accomplishment in the present or future depends on the realization of another action, occurrence or state, or an hypothesis unaccomplished in the past. In practice, „I want X to inherit” is the most commonly used mode of clear and unambiguous expression in the case of a testament.

In order to be valid, the will does not necessarily have to be called "testament". A testament can be written on several separate sheets provided that there is an intellectual link between them, or contained in a separate act, but also in an act with a wider content in which the provisions of last will represent only a part, such as a letter. In order to remove any doubt about the identity of the deceased person and the fact that the document named "Farewell letter" was written, dated and signed by him, the court ordered a specialist opinion to be given, with the value of a graphological expertise, from the Inter-county Forensic Expertise Laboratory of Timisoara, by comparing several original writings of the deceased.

The result of the expertise was that the "farewell letter" written on May, 13<sup>th</sup>, 2014, had been written, dated and signed by the deceased, as the applicant had always claimed, a



conclusion which the defendant did not contest. Concerning the contestation of the deceased's discernment at the time of the farewell letter, the court ordered a psychiatric forensic examination report by a commission of the Institute of Forensic Medicine of Timisoara, which the applicant did not object to.

It is without doubt that the question of the existence of discernment in the matter of the testament is of great importance. The person who makes a legatee must have the capacity to dispose by will, thus it is necessary to establish whether the testator had discernment when he drew up the ultimate legal act. Without the existence of medical records stating that the deceased was in medical records with mental illness, based on the entire evidence in the file, interrogation of parties, witness testimony, documents, the commission had to establish if the deceased had discernment when he drew up the testament, in other words if he had psychic competence on May, 13<sup>th</sup> 2014.

In the conclusions it was also pointed out that, despite the fact that the suicide is more often the result of psychic illness or depression, in the case of A.L. the risk of suicide was not generated by a depression, it was about a social risk. The deceased A.L had a depressive disorder after his mother's death, but he had a normal behaviour until the end of his life, aspect revealed by the farewell letter. He thought at the last moment to people who stayed close to him, namely his aunt by marriage who had lived with him in the same house and took care of him after his mother had died. The moment of his discernment when he committed suicide and the moment of the decision to make his aunt his legatee, are two different moments. The moment of the suicide is about his decision to end his life as he had "no family, no job, no money, no future". The moment when he decides about the provisions of his goods, refers to the person who deserves to get the goods he owned.

We can not appreciate that a person who chose to end his life had no discernment at the time. The specialists who established that the deceased had discernment when he drew up his testament and committed suicide, found the opposite of the defendant's claims.

With an elegant motivation and at the same time accompanied by specialized arguments, the commission of the Institute of Forensic Medicine of Timisoara convinced the court that the deceased had written the holographic testament with discernment. As a consequence, the court upheld the applicant's action by finding that the certificate of inheritance was partially hit by absolute nullity. When the court gave the sentence, they held essentially that the testament fulfilled the formal and substantive conditions required by law, considering that the deceased drew it up with discernment, and because he did not have reserved heirs, the transmission of the succession heritage could not take place through legal devolution, which intervenes only if he had not disposed by his will of his patrimony for the cause of death or the manifestation of his will could not have effect.

We appreciate the court's decision is correct because in this case we are in the presence of a perfectly valid holographic testament prepared under the conditions of art.1041 Civil Code and drawn up by a person who had discernment when he wrote it. We consider that the solution was also accepted as correct by the defendant who did not file appeal.

## CONCLUSIONS

Although this type of testament raises a number of issues in court as testators most often have no legal knowledge on the way it is written and poses problems of interpretation, our opinion is that the holographic testament is the simplest way for everybody to transmit his/her assets. People should use more often this testamentary form. Concerning the risk of destruction, evasion, loss of the holographic testament, we think that nothing stops the testator to draw up several copies and to ask a trusted person to keep one of them or even request that it be stored in a notary office, so that it may be released to the person indicated by him/her at his/her death. In conclusion to this case, it is easy to notice that the death of a close relative may often cause the successor not to have compassion for the loss of a loved, to ignore the human side and to manifest only the material side.

This was unfortunately also the defendant's conduct, which only hurt the memory of her nephew (son of her sister), and taking advantage of his depression, she desperately tried to urge the court to think he was insane. In reality, she knew that the farewell letter had been written with discernment, signed and dated by the deceased, and especially that he had wanted to leave all his possessions to the applicant. Unfortunately, in practice, in many cases, the desire for enrichment prevails among people who unashamedly violate any ethical and moral principle.

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## **LEGISLATIVE INTERVENTION IN NORTH-EAST NIGERIA'S INTERNAL DISPLACEMENT: A DISCOURSE**

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**Abstract:** *The main objective of this paper is to examine the legislative intervention efforts in Nigeria, with the North-East zone internal displacement as focus of study. The activities of Boko Haram have made this zone a flashpoint, and this comes with socio-economic and human costs, such as unsettled and decimated population. With a reliance on secondary data, the paper interrogates the instruments deployed by the National Assembly to mitigate the plight of internally displaced persons resulting from the carnage in that part of the country. It observes that the initial slumbering attitude of the Nigerian state, as led by its governing elite to appropriately classify Boko Haram activities as terrorism invigorated this Sect, thus culminating in avoidable losses. This explains the near absence of strong central regulatory and coordinating agencies that can attenuate the issue of internal displacement. The suggestions proffered are capable of redressing the malaise.*

**KeyWords:** *Displacement; Internal; Intervention; Legislature; Nigeria*

### **1. INTRODUCTION**

The issue of internal displacement of persons has assumed a phenomenon of international interest as a result of its regular occurrence in recent times and its direct impact on the socio-cultural, political and financial life of internally displaced persons (Internal Displacement Monitoring Centre (IDMC), 2014). Before now, it was common place to hear of refugees arising from conflicts within and between nation states. Such was the concern of the international community over the plight of victims of conflict that the United Nations established the United Nations High Commission on Refugee which was formed in 1950 with the mandate to protect

and support refugees (United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), 2004).

However, in recent times, the issue of internally displaced persons has taken the centre stage in the affairs of nation states. Internally displaced persons (or IDPs) are subjects of either artificial or natural emergencies who have not left the boundaries of their country. Unlike refugees, IDPs are caught up by conflicts or natural disasters, but have not crossed beyond the boundaries of their own country to another country. Again, and quite remarkably, IDPs remain the problem or concern of their home country, unlike in the case of refugees (United Nations High Commission for Refugees (UNHCR), 2005).

Post-independence Nigeria had its share of IDPs. During Nigeria's civil war between 1967 and 1970, a good number of eastern Nigerians crossed Nigeria's border to become refugees in Cameroon, Chad, Niger, but the majority of south easterners were internally displaced within Nigeria. More recently, constant ethnic and religious clashes, communal clashes due to boundary disputes, grazing land disputes between farmers and pastoralists and widespread flooding across states in Nigeria which became unprecedented in 2012 (Adeejat-Kubra, 2013; 142), have all converged to bring the issue of internal displacement to the front burner of political discourse and federal government policy and consequent appropriation of funds.

However, the conflict in the North-East of Nigeria arising from the Boko Haram insurgency appears to have triggered the highest displacement of hundreds of thousands of affected victims who have been compelled by the intensity of the conflict (both terrorist attacks and military operations) against the terrorists to flee their homes, businesses and farms, to safer parts of the country (Imasuen, 2015: 288).

The National Assembly has tried to develop a framework to "take legislative action that supports the delivery of special economic development measures that addresses the root causes of problems specific to the North-East geo-political zone of the country..." (The National Assembly, 2016:16). In 2015, and for the very first time, the House of Representatives created a standing committee-(Committee on Internally Displaced Persons, Refugees and North-East Initiatives) - having the singular aim of addressing the overwhelming challenges of internal displacement in the North-Eastern part of Nigeria caused by the Boko Haram insurgency (Odufowokan, 2016). The 8th National Assembly has also proposed a bill titled "North East Development Commission Bill". This bill has since received the concurrence of a joint sitting of the House of Representatives and Senate (Zorro, 2017: 4). The bill, therefore, sets out the entire framework proposed by the National Assembly towards solving the IDP crisis in the North-Eastern region of Nigeria. The initiative by the parliamentarians appears to have provoked corresponding step by the presidency in the form of "Presidential Initiative on the North East", the "Presidential Committee on the North East" and the "Buhari plan" (Buhari plan, 2016).

Although the issue of internal displacement in Nigeria became a major concern during Nigeria's civil war, yet the Nigerian government appears to be totally overwhelmed and unprepared in the face of the mass displacement of persons in the North-East. The national agency saddled with emergency situations, the National Emergency Management Agency (NEMA) simply proved structurally, financially and administratively incapable of rising to the situation (Adefisoye, 2015).

Additionally, efforts to combat the challenges arising from the IDPs situation in the North-East has oscillated between a national embarrassment in the eyes of the international

community, to an unprecedented humanitarian crisis in the world's largest black nation. The Nigerian national emergency agencies are used to small scale catastrophes in a place and at a time, and not all at once. The capability of Nigerian emergency agencies like NEMA, the Red Cross and Red Crescent are clearly overstretched due to their multiple involvements in numerous emergency situations all over Nigeria (IDMC, 2014), and meagre budgetary allocation.

The absence of laws and policy framework has created ambiguity of roles and duties of the emergency agencies, ministries, departments and agencies of government involved in any response beyond the initial phase of displacement (IDMC, 2014). By law, no specific agency is exclusively responsible for the protection of IDPs, so we find national emergency agencies standing aloof, or competing with each other for limited funds budgeted for the protection and assistance of IDPs (Integrated Regional Information Network (IRIN, 2010).

This research attempts to investigate the legislative intervention efforts in national emergencies as it relates to internal displacement in the North-East. It examines how legislative instruments such as; bills, motions and resolutions has effectively been used to grapple with issues of internal displacement in North-East Nigeria, and to identify the challenges faced by the National Assembly in tackling the problems of internally displaced persons and proffering solutions to those challenges.

## **2. METHOD AND MAIN ARGUMENT**

This paper adopts the qualitative approach, with the use of secondary data. A major attraction of this study is the application of textual analysis to the themes and issues, which informed the discussions that followed, and the recommendations.

The paper contends that where the Executive arm is flat-footed in dealing with emergencies as characterized by agencies of government being lethargic and operationally ill-equipped, the Legislature must deploy appropriate instruments via bills, motions and resolutions to compel performance of functions, and make provision for resources, thereby creating/ensuring an atmosphere of peace and security in the country. The Legislature therefore, rises to the challenge of conflicts and crises that predicates and predisposes internal displacement.

## **3. CONCEPTUAL DISCOURSE**

The concepts of Legislature and Internally Displaced Persons are discussed in this section.

### **3.1 The Concept of Legislature**

Even though the term 'legislature' bears different names like 'Parliament', 'National Assembly', 'Congress' and the likes, there is no major dispute about its definition(Lafenwa, 2009 cited in Oni, 2013: 21). As the human blood is important to the human system, the legislature is vital to a democratic government. This results from the fact that the legislature plays a critical function as a bridge between the people and the government, bringing the demands and desires of the people into the political domain by initiating laws to protect the people's aspiration. Eme (2014) conceptualizes legislature from a functional perspective. He

posits that the law-making body is a delegate of the general population chosen from the people to make laws for the well-being of the citizenry (Eme 2014: 53).

As an organ of government, the legislature is the main medium for citizen representation and communication (National Democratic Institute (NDI, 2006) cited in Oni and Joshua, 2014:117). Carey (2006) avers that the legislature is a body with expansive participation that offers the chance both to speak to all the differing qualities in the country and to encourage nearer associations among delegates and voters. Awotokun (1998) characterizes the legislature as the lawmaking body and arm of government made up of those agents or a naturally constituted assemblage of individuals whose obligations in addition to other things are to make laws, control official exercises and defend the goodwill of the general population.

Taking after this practical definition, Loewenberg (1995:736) captures the legislature as a “congregation of delegates from defined constituencies, with lawmaking roles in the political domain. The legislature has been portrayed as “the representative body that provides for legitimacy, enacts legislation and oversees and scrutinizes the actions and activities of the executive in a State” (Baldwin, 2006:5).

Okoosi-Simbine (2010) sees the assembly as the law-making, deliberative and strategy affecting body working for the promotion of fair political framework. He depicts the governing body as the domain of representation and the location of sovereignty, the main expression of the desires and needs of the general population. The power of the lawmaking body derives from the general population and ought to be practiced as indicated by the desires of the citizenry who they represent.

Will (1992) however, identifies the institutional perspectives stating that the legislature is “a deliberative institution in which members reason together about problems confronting the community and strive to promote policies in the general interest of the community” (cited in Oke, 2014: 43). Typically, the legislature resolves issues through debate, dialogue, compromise and full explication of all issues. Essentially, therefore, compromise, conciliation, and consensus-building drive the legislative process. Legislators reach decision by persuasions and discussions suffused with reason.

The conceptual approach of this study resonates from the fact that the Nigerian assembly has the restrictive function of initiating laws, and given that the executive branch and its agencies are aware of proposing laws, the obligation of revising and making such laws is the special responsibility of the law-making body. The legislature in Nigeria has the mandate, and is under obligation to initiate debates and show concern on matters affecting the generality of people in the country. Expectedly, such activities should be directed toward reversing declining economy, stabilizing the polity and integrating society with overall aim of ensuring national security.

### **3.2 The Concept of Internally Displaced Persons**

The concept of internally displaced persons has become highly disputed (Cohen and Deng, 1998a; Bennett, 1998). An attempt at a working definition in 1992 by the United Nations Secretary-General goes thus:

Persons or groups who have been forced to flee their homes suddenly or unexpectedly in large numbers, as a result of armed conflict, internal strife, systematic violations of human rights or natural or man-made disaster, and who are within the territory of their own country (United Nations Commission on Human Rights, 1992: paragraph 17).

This definition typifies the circumstances faced by displaced persons as an unintentional move by persons within state borders. The explanation also covers persons absconding from armed conflict, internal strife and organized violations of human rights. IDPs were characterized as including persons displaced by natural disasters and sundry man-made calamities. There are many causes of displacement which includes: droughts, tsunamis and tornadoes as well as occurrences such as oil spills, aircraft mishaps, military equipment explosion, the definition is broad enough to take these other causes into cognizance.

In an attempt to fill the gaps and omissions in the above explication, the Guiding Principles on Internal Displacement was unveiled to the UN in 1998 and has huge acknowledgment for treating internal displacements in the world by various state and non-state actors, regional and sub-regional bodies. The definition presents this group as:

- Persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized State border (Office for the Coordination of Humanitarian Affairs (OCHA), 2004: 6.

- It is imperative to note that this conceptualization of “internally displaced person” is rather expressive or descriptive, rather than being an authorized or legal definition (Mooney, 2003). This simply states in clear realistic terms the condition that displaced persons face within their habitual residence. The concept confers no special legal standing or status on internally displaced persons as the one given to “refugees” does. Kälin et al (2004) explain that IDPs do not need such legal attention. He added that refugees have lost the protection of their own homeland and have crossed the international borders to another state, and by so doing, have lost their human rights to the basic things of life and therefore need special legal status. Internally displaced persons on the other hand, still enjoy the privileges and protection of the habitual residence of a particular state.

#### **4. DISCUSSION OF MAIN ISSUES AND CHALLENGES TO TACKLING INTERNAL DISPLACEMENT IN NIGERIA**

This section is segmented thus: Background to Internal Displacement in North-East, Nigeria; The Nigerian National Assembly Intervention on North-East Internal Displacement; and Challenges Encountered in Tackling Internal Displacement in Nigeria.

##### **4.1 Background to Internal Displacement in North-East, Nigeria**

The history of North-East internally displaced persons is directly related to the insurgency in the North East. The North-East was said to be relatively peaceful until the Boko Haram sect violated the zone. The group came into existence in the 1960s, but began tactical operations in 2002. That same year, Mohammed Yusuf became its leader. With a new leader, the first order of command was to move its headquarters to Kanamma, Yobe state where they strategically attacked nearby police stations, killing police officers (Ekwueme & Akpan 2011:41). The Islamic group famously known by its Hausa name “Boko Haram” was a domestic deep-seated Salafist group which later transcended into a Salafist-Jihadist terrorist organization

in 2009. The phrase Boko Haram is a combination of both a Hausa word “Boko” (book) and Arabic word, Haram (forbidden) meaning “Western education is forbidden”.

The Boko Haram is also called Jama’tu Ahlis Sunna Lidda’awatiwal-Jihad which means in English “People Committed to the Spread of the Prophet’s Teachings and Jihad” (Cook, 2013). The Boko Haram sect in Northern Nigeria has presented security challenges in the area, uprooted families and communities from their ancestral homes, and also led to loss of property and means of livelihood (Aluaigba, 2011: 1). While some apologists romanticize the Boko Haram as radicals who oppose the social contradictions inherent in the Nigerian system, some argue that they are a group that arose due to governance failure (Salihu, 2012; Walker 2012; Aly & Johnson, 2015). Others view the group as a band of brutal terrorists bent on foisting an Islamic model on secular Nigeria (Salihu, 2012:212).

For tactical motives best known to Yusuf, the operations of the group were extended to Maiduguri, Borno state, in 2009. Yusuf’s first official operation as group leader was to kill political and religious leaders or their families, especially, those who publicly rejected or criticized Boko Haram’s activities. Although, the sect had not adequately engaged in attacking and bombing public places and religious buildings like now, evidence show that this sect carried out a number attacks on police stations in Bauchi which also spread to Maiduguri on 26 July 2009 (The Punch, 2011). Following the untimely death of President Yar’Adua in May, 2010, and with the emergence of his Vice, Dr. Goodluck Jonathan, first as the Acting President and later President, the activities of the dreaded Islamic sect became noticeable, and upgraded in its target areas from attacking drinking joints to bombing security buildings, public buildings and Christian institutions (churches) which happened to be the most affected (Abimbola & Adesote, 2012).

As a result of the violent activities, internally displaced persons in the North-East are living in makeshift and temporary sites. Details of the IDPs living in North-East camps as given by the National Commission for Refugees, Migrants and Internally Displaced Persons (2017:17) are: Borno – 1, 002, 688; Yobe -125, 484; Adamawa – 113, 437; Bauchi – 76, 504; Gombe – 16, 984; Taraba – 20, 501; giving a total of 1, 253, 498. It is pertinent to note that the displacement of persons has generated so much chaos, devastation, economic ruin and tremendous loss of lives that the Nigerian state has come to see the problem as an emergency deserving the urgent attention of both the executive and legislative arms of government.

#### **4.2 The Nigerian National Assembly Intervention on North East Internal Displacement**

The essence of the legislature as captured in section 4 (2) of the constitution is to make laws for the peace, order and good governance of the federation or any of its component parts. These objectives can only be achieved using the procedures established by the same constitution, other statutes and rules. In the National Assembly, legislative functions are executed through: Debates; Bills; Motions; Public Hearing and Oversight (Sekibo, 2014: 159).

In 2003, the National Assembly set out to draft a national policy on internal displacement that would assist in the reintegration, resettlement, protection of internally displaced persons and also the allocation of responsibilities to agencies, organs of government, non-governmental and civil society organisations. The committee’s work culminated in a National Policy on Internally Displaced Persons also known as Kampala Convention which was prepared and presented to the



government in May 2012, the draft policy was re-written and re-presented in December 2014, but was never adopted.

The former President Jonathan in 2013, against the background of rampant Boko Haram activities ravaging portions of Nigerian territory under the guise of creating an Islamic caliphate, declared emergency rule in selected local government areas of Borno, Yobe, and Adamawa states, the three hardest hit by the insurgency. The 1999 Constitution in Section 305 (1&2) empowers the President to deal with emergency situations as duly prescribed in that part of the law. Thus, the presidency in collaboration with the National Assembly, have tried to tackle displacement and insurgency in the North-East or attempt to stabilise the situation through the declaration of emergency rule.

The brutality of the the Boko Haram sect in the North-East has been on the increase. With the inauguration of the Buhari administration, the 8<sup>th</sup> assembly has set on its legislative agenda to “take legislative action that supports the delivery of special economic development measures that addresses the root causes of problems specific to the North-East geo-political zone of the country...” (The National Assembly, 2016:16). In 2015, and for the very first time, the House of Representatives created a standing committee (Committee on Internally displaced persons, Refugees and North East Initiative) with the singular aim of addressing the challenges of internal displacement in the North-East caused by the Boko Haram insurgency. The 8<sup>th</sup> National Assembly has also proposed the “North East Development Commission Bill”. This commission is to be responsible for evaluating the costs incurred, making plans and policies, and principally heading the rehabilitation and resettlement of victims in affected areas of the North-East region.

That same year, the Assembly also passed “The National Commission for Internally Displaced Persons, Refugees and Migrants Bill”, 2016, sponsored by some members of the House of Representatives, which aims to repeal the National Commission for Refugees Act, to enact a new law that establishes a new Commission for internally displaced persons, refugees and migrants, to address the challenges of IDPs and other victims of violence or conflict across the country for which no extant legal framework exists (Zorro, 2017: 4).

The Bill seeks to provide “a Central Coordinating and Monitoring Agency that champions the cause of IDPs, Refugees and Migrants in Nigeria”. Others include:

- Ensure transparency, accountability, Judicious and effective management of IDPs and other subjects of this Bill.
- Empower the Commission to administer any law, policy or regulation on IDPs, Refugees and Migrants in Nigeria.
- Provide a Synergy between other Security Agencies and the Military through an organised unity of efforts in the execution of various operations to secure the IDPs camps across the country.
- Generate better safety, welfare and re-integration of the IDPs through a well coordinated treatment, based on experience, expertise and professionalism (Zorro, 2017: 5).

In 2016, the National Assembly also proposed the Rights of Internally Displaced Persons Bill. The bill is set to protect the rights of internally displaced persons and prescribe punishments to the violators of the rights of internally displaced persons (Guardian, 2016). The House of Representatives has also held a public hearing on the North-East Development Commission Bill on May 9<sup>th</sup> 2016, in order to lay a concrete legal framework to remedy the social dislocation and progressive socio-economic devastation of the North-Eastern states occasioned by the destructive

escapades of the Boko Haram insurgency. Also, to ensure that affected citizens participate in the law making process and by implication, in governance (National Assembly Bill office Department, 2017).

The National Assembly also engaged in constituency/ zonal intervention projects in the North-Eastern areas such as: Gomboro, Ingala and Maiduguri of Borno State; Yola, Michika, Madagali, Hong, Maiha and Mubi North and south of Adamawa State; Gamawa and Jalingo of Taraba State; Damaturu in Yobe State, in order to provide care for IDPs and empower IDPs by providing livelihood support training programmes where vocations like; carpentry, soap making, bead making, hair dressing are taught to IDPs in various camps across the North-East. The legislature provided equipments such as: grinding machines, sewing machines, motorcycle, babrbing tools, hair dryers to enable IDPs adequately self-maintain themselves (National commission for Refugees, Migrant and Internally Displaced Persons, 2017).

A plethora of motions have been sponsored by members of both chambers in response to the plight of internally displaced persons arising from the conflict in the North-East. Some of the motions include:

- The Senate in March 2016, considered and passed a motion titled: “The need to urgently flush out Boko Haram insurgents re-assembling in Taraba and halt the on-going silent genocide in the state”. The motion, sponsored by Senator Emmanuel Bwacha (Taraba South), sailed through with five resolutions thus:
- Call for condemnation of killings, kidnapping, destruction of property, farms and farmlands going on in the state by Boko Haram insurgents;
- Call on the Security Chiefs to deploy security into Taraba State to stop the killings, and flush out the insurgents out of the state;
- Urge the Senate to compel the Federal Government to undertake a holistic study of the crisis in Taraba State and rehabilitate the internally displaced persons (IDPs) and supervise their reintegration into their communities;
- Call on the relevant Committees of the Senate to visit the affected states and the IDPs’ camps, so as to ascertain the gravity of activities of insurgents and interface with the state government and Security Agencies in the State towards finding a lasting solution to the activities of the insurgents;
- Commend the Federal Government and the Nigeria military for the successes recorded so far in the fight against insurgency (Committee on Rules and Business, 2016).

Additionally, the Senate on October 4, 2016 passed a motion titled “Mounting Humanitarian Crisis in the North-East”, sponsored by Senator Baba Kaka Bashir Garbai (Borno Central) and 17 others. According to the motion, the Senate noted with grave concern, the unfolding humanitarian crisis in the North-Eastern part of Nigeria. The motion having enjoyed the overwhelming support of law-makers was passed with five resolutions, as follows:

- Constitute an Ad-hoc Committee of the Senate to conduct a Public Hearing and ascertain how much has been released to the Presidential Initiative on the North-East and how these funds have been utilized from inception to date;
- Investigate the diversion of grains and other food items from the strategic grains reserves, NEMA and other sources for the IDPs;
- Senators to donate Three Hundred Thousand naira each, thus totalling N32.7m to the IDPs in the country;

- The Committee to also investigate the officials of the IDP camps in the region;

Senate also commended the International Community and staff working in the IDP camps for their support (Committee on Rules and Business, 2016). The Senate also debated and passed a motion titled “Interim Financial and Material Support/Assistance to Internally Displaced Persons (IDPs) Returnees in Adamawa, Borno and Yobe States”, sponsored by the former Senate Majority Leader, Muhammed Ali Ndume and eight others. The motion was passed with the following resolutions:

- Urge the Federal Government to release grains from the strategic grains reserve to the affected states of Adamawa, Borno and Yobe;

- Direct the Senate Committee on Appropriations to allocate the sum of N10 billion under the service wide vote for relocation and resettlement of the IDP returnees in Adamawa, Borno and Yobe states;

- Urge NEMA and National Refugees Commission to make special arrangements for the repatriation and resettlement of Nigerian refugees in Cameroon, Niger and Chad;

- Direct the appropriate Committee to write a letter of appreciation to the Embassies of host countries where the refugees are accommodated;

- Urge the Victim Support Fund to allocate reasonable amount from the fund for immediate relocation and resettlement of the IDPs pending the short and medium term plans, they may have;

- Include IDP centres in Nasarawa, Taraba, Benue and other states in the federation (Committee on Rules and Business, 2016).

However, inspite of the many motions and the corresponding resolutions from the two Houses of the National Assembly, the Federal Government of Nigeria is yet to effectively tackle the IDP situation in Adamawa, Taraba, Borno and Yobe states due to the devastating activities of the Boko Haram insurgents in the North-East region of the country. The above scenario has led stakeholders and commentators to echo the views of the Federal Commissioners of Emergency Agencies, that the lack of a coherent framework had drastically impeded efforts to assist displaced persons, and remained largely insufficient in the face of the massive humanitarian challenges (Tsokar, 2017).

#### **4.3 Challenges Encountered in Tackling Internal Displacement in Nigeria**

The National Assembly has made efforts to ensure that the internally displaced persons are well protected and assisted, however, there are numerous drawbacks in tackling internal displacement. Redressing internal displacement points to lack of sincerity on the part of the managers (Odufowokan, 2017:7). Billions of naria are appropriated to cater for the IDPs, but government official use the process of procurement to enrich themselves. It is not only from state actors, contracts are being awarded to cronies and friends but they do not translate to realities (Ojiabor, 2017: 40). A recent instance is the alleged fraud of public knowledge involving the former Secretary to Government of the Federation, Babachir Lawal (of funds meant to cater for internally displaced persons in the North-Eastern, Nigeria).

The humanitarian crisis has now been turned into a humanitarian industry where people make profit. The situation of the North-East internal displacement has been turned to “cash cow” with people profiting from the agony of IDPs. According Zorro (2017), the absence of strong

central regulatory or coordinating agencies on internal displacement is occasioned by the following challenges to tackling internal displacement in North-East:

- Too many actors with varied and often conflicting roles in the field.
- Lack of coordination and monitoring mechanisms by stakeholders.
- Absence of road map or approved policy regulatory framework for IDPs.
- Delays in the passage of bills
- Refusal to implement bills and resolutions from the National Assembly on matters relating to internal displacement by the Executive.
- Absence of top government functionaries as advisers or managers of IDPs
- Mismangement of resources meant for IDPs/Misappropriation of funds to national emergency agencies, and sundry corruption.
- Ineffective legislative oversight
- Lack of synergy between the National Assembly and emergency agencies.
- Lack of transparency and accountability from the emergency agencies.

The foregoing challenges have resulted in the failure of the National Assembly to enact a law and adopt a policy on internal displacement (Zorro, 2017: 3).

## **5. CONCLUSION AND RECOMMENDATIONS**

The paper discussed the efforts of National Assembly (referred to as the Legislature) in national emergencies in Nigeria, using the North-East internal displacement orchestrated by Boko Haram activities as focus of study. It observes that successive Nigerian central governments, especially from 2009 when the activities of this notorious sect reached a crescendo, appear overwhelmed and emasculated in dealing with rising profile of internal displacement of persons in that zone of the country. This is partly explicable by the fact that NEMA as the national agency saddled with handling emergency situations proved structurally, financially and administratively unequipped to deal with large scale crises and serious magnitude of internal displacement resulting therefrom. The capacity of NEMA and Relief Agencies such as Red Cross and Red Crescent societies became stretched beyond their elastic limits due to multiple involvements in emergency situations across the country.

It is also observable that the internal displacement of persons has oscillated between national embarrassment and unprecedented humanitarian crisis, which has generated chaos, devastation, economic downturn and decimated population in the North-East, that the Nigerian state now construe it as an emergency requiring decisive attention/action of the Executive and Legislative arms of government. The 8<sup>th</sup> National Assembly of this Fourth Republic have been deploying legislative instruments as discussed in Section 4.2 of this paper to attempt dealing with the pathetic situation. The paper therefore recommends as follows:

- There is an urgent need for the establishment of permanent and adequately funded central regulatory and coordinating agencies/machineries to handle national emergencies (both natural and man-made), and replace the ad-hoc arrangements which are usually unprepared, lethargic and flat-footed to handle emergencies.
- Plural and sharply divided societies require strong integration mechanisms that are supplemented with transparent, robust dialogue and consensus building which nips crises and centrifugal tendencies in the bud. The activities of Boko Haram typify this, and federalism offers

the necessary recipe for harmony. However, the Nigerian federal practice has not been able to achieve this. Time has come to rethink and tinker with the current unitary practice in guise of federalism, in order to redress these maladies.

- The agencies saddled with handling emergencies should have clearly delineated roles, equipped for performance, and leverage on the essential inter-agency/unit coordinating and monitoring mechanisms.

- There should be a National Guide and regulatory framework for policy implementation on issues relating to internal displacement and other forms of emergencies.

The paper canvasses the need for regular and effective legislative oversight, plus appropriate accountability mechanisms that would engender judicious utilization of resources by Emergency Agencies and institutions of allied mandates and responsibilities. The legislature should live up to its billings through timely and pro-active law making based on bills, motions and resolutions on citizens' security, peace and well-being in the country.

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