

Arad and the 5 Stars Cities

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Abstract:

In 2000, Arad city was included in the *5 Stars Cities* project, initiated by the US Embassy in Bucharest through USAID and IRIS, in partnership with the Romanian Government, a project of good administrative practices addressed to SMEs aimed at reducing bureaucracy, reducing the authorization procedures and terms for SME operation, streamlining the endorsement process, and building a base for business-to-business assets. A five-step process that once went to the first local government to complete its 5 Stars City title.

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The management of urban conglomerates necessarily involves addressing a type of management that makes full use of the Pareto analysis, which means that the administration must obtain a maximum efficiency (80 %) at a low cost (20 %). Starting from this assumption, in May 2000, the US Embassy in Bucharest through two United States agencies, USAID (United States Agency for International Development) and IRIS (The Center for Institutional Reform and the Informal Sector), in partnership with the Romanian Government, elaborate a study (“Regulations and Bureaucracy in Romania”), which reveals that in Romania, SMEs have had to observe a multitude of bureaucratic procedures and carry out their work in a confusing and overwhelming legal environment¹.

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¹Here is one of the most important goal of USAID in action in Europe: „The overarching objective of USAID’s private enterprise developments strategy was to help rapidly grow a business sector that would reduce increasing unemployment resulting from privatization and disintegration of integrated state-owned enterprises. The population’s income dropped commensurate with the sharp drop in GDP. The strategy was also predicated on the belief that with greater economic freedom, the political trends that led to the collapse of the communist system could not be reversed. Helping to jump start growth in private sector activity would result in good jobs, promote economic prosperity and reduce growing poverty in the region, thus stifling any desire of the population and politicians to slip back into the past and return to the supposed “good old days of Communism.” Growing economic instability and high inflation throughout the region were viewed as serious threats to the nascent democracies. Consequently, the approach to reform was urgent, aggressive, and donor-directed. Later, when political risk

It should be said that, even though 10 years have passed since the December Revolution, correlative legislation on the activity of enterprises (small, medium or large) was still underdeveloped, not harmonized with international practice and not oriented towards supporting entrepreneurs. Let us not forget that Romania appeared at the beginning of the 2000s as a society emerging from a type of statist economy, in which the private initiative was almost completely absent, while the state controlled all the economic levers. In this context, it is not surprising that the procedures for transferring the means of production from the state into private property were cumbersome, insufficiently developed, and limited the managerial experience.

It is important not to forget that in our country the privatization process started with the appearance of Law no. 15/1990, a normative act that regulated the way in which the former state enterprises were to be transformed into autonomous administrations or trading companies. Indeed, the privatization process began with the entry into force of Law no. 58/1991 stating that the whole procedure was carried out by a newly created specialized body, the State Property Fund(FPS), and according to the legal provisions privatization had to be completed until 1998. Things did not take place at all and the deadlines were overcome.

In Romania, the privatization took several forms:

- Joint societies were set up, in which the capital was owned by the state and private investors. At 1993, meaning two years after the privatization procedures were launched, there were 209 companies with foreign investors and 512 with inland investors;
- Privatization through the MEBO method, consisting in the sale of state-owned assets to their employees. By this method, 837 companies were privatized at the level of 1996, which represents about 28, 8 % of the total privatized state-owned companies;
- Coupon privatization, now known as the “coupon”, a method applied from 1995 – 1996, whereby the state distributed to the population a number of privatized coupons with nominative value.

On this background, USAID entered in Romania through the US Embassy from Bucharest, a body created in the United States by

receded, programs became more “demand-driven” and emphasized local buy-in and local implementation. USAID sought two major intermediate outcomes. One focused on assisting governments to put in place the commercial law to legalize private sector activity and, once in place, improve the business environment primarily by streamlining the commercial regulatory environment. The other focused on supporting enterprises to deliver goods and services efficiently”, în 20 Years of USAID economic Growth Assistance in Europe and Eurasia, under direction of USAID, by SEGURA Partners LLC, July 2013, p. 59.

President John K. Kennedy in 1961, and which was intended to be a continuation of the *Marshall Plan* for the countries hit by the destruction of the Second World War. But while the *Marshall Plan* only touched Western countries in Europe, USAID was looking to expand its economic benefits to the other economies in the area, which were underdeveloped and were on the way to capitalism after the fall of the Iron Curtain.

The study conducted by the U.S. Agency in Bucharest was carried out by observing all the standards in terms of performance management in relation to public authorities, local administrations and the efficiency of private companies in the context of interaction with the state and legal regulations.

In this context, SMEs have suffered from harsh legislation, over-bureaucratization, and a scourge of corruption that only hindered community development.

The costs measured over time and in money to comply with these procedures were extremely burdensome for SMEs. For example, at the level of the year 1999, a “typical” company in Romania had to obtain between 23 and 29 approvals, authorizations, licenses and permits from various ministries and local agencies. To complete the forms required to obtain these approvals, it took between 49 and 102 working days. To obtain the approvals, another 49 to 102 business days would have to be expected².

Starting with this study, the US Embassy in Bucharest, through USAID and IRIS, launched the “5 Star City” program, which consists of five important steps towards a flexible, close to taxpayer administration:

The five steps were:

1. First Star: Elimination of operating authorization for SMEs;

2. Second Star: Reduce the length of time to obtain local permits;

3. Third Star: Increasing transparency in the process of obtaining local approvals;

4. Fourth Star: Reducing the length of the process for obtaining the construction permit;

5. Fifth star: Creating a set of available buildings and land owned and managed by cities for business opportunities; Creating an inventory of land and buildings on sale; At least one public hearing to publicize the content of the inventory.

Faithful to the political program brought to the leadership of the City Hall of the municipality of Arad, the then local government team, headed by the Mayor Mr. Dorel Popa, a close friend of the American

² See also [/www.primariatm.ro/index.php?menuId=2&viewCat=84&viewItem=62](http://www.primariatm.ro/index.php?menuId=2&viewCat=84&viewItem=62), accessed at 21.29 hours, on the date of 14.10.2018

ruling principles, decided to acquire the ideas of the US Embassy project, entering into partnership with Chamber of Trade and Industry of the County of Arad (C.C.I.A.), joining to the other major cities in the country that have accepted the challenge of flexible management made available to the citizen. Thus, Arad woke up in the competition with Iași, Craiova, Timișoara for the title of “5 Stars Cities”.

The challenge was even greater, as it implied the establishment of a partnership between local institutions (for example C.C.I.A., City Hall, various advisors), but also a correlation of legislation.

It has to be said that the approach was not easy, considering the political context, the non-integration of Romania into the Euro-Atlantic structures and the volatility of the legislative framework. But because, ultimately, the purpose of public authority remains to serve the interests of the community, the local government is on its way. The “5 Star City” project was a counter-clock, the local authority who managed to make the first five steps during the allotted time was given the title very coveted.

It should be noted that in the given legislative and political context, the approach was not an easy one, because, in addition to the political will, a change of mentality was required, which meant that you would look at the trader as an honest partner and contributor to urban development.

Each “star” obtained implied pursuit and realization of concrete steps to go through each stage:

- reducing the number of documents required to obtain the permits underlying the obtaining of the operating authorization;
- reduction of waiting times after the endorsements submitted to local wastewater, water, heat, sanitation;
- increasing the transparency of local council meetings;
- conducting hearings and public meetings;
- reducing the duration and stages in the process of obtaining the construction permit to a maximum of 30 days;
- depositing the documents for obtaining the construction authorization at one counter, etc.

The City Hall of the municipality of Arad has gone on this adventure with the conviction that all these “stars” are nothing more than a normal approach in a society that really wants to be modern.

The program ran for five months: from August 2000 to January 2001, and as local governments met the criteria of a “star”, reported their achievements to IRIS and, following monitoring, obtained the star/stars.

It was the first time in the local post-Revolutionary administration of the Arad administration that implemented the concept of the “Citizen Information Office”, which led to the crystallization of the idea of “Citizen Information Center”, a kind of counter where any kind of problem, request or petition could be clarified.

In this way was made the first step in achieving the concept of a Single Agreement, which is to include a single structure of all advisers in order to facilitate the way of submitting the documentation to obtain the permits necessary for the obtaining of the building permit and to shorten the time needed for the issue of these approvals

We believe that the implementation of this type of agreement was a step forward in the administrative management, one that was clearly in the face of the citizen’s problems and solving them. Following the implementation of this step in the program, the City Hall of the municipality of Arad reached that period to issue the building permits and within 10 days of the complete submission of the documentation.

However, it has to be said that this “miracle” did not last much, for only three months after implementation, when the legislative changes again blocked the procedures for the issuance of agreements, approvals and authorizations at the level of the local public authorities.

In fact, I think it was every time in Romania after 1989 that complicated relationship here between decentralization and centralization. The native political class failed to go through the entire code of good practice in the administration to understand that, ultimately, the role and purpose of a local or central government is even to be a trusted partner and one that helps, sustains and develops the local community, and implicitly the business community.

It is true that the modifications of the administrative landscape in Romania have made the stages of the “5 STARS CITIES” project obsolete in the 2016 grace year. Today, the procedure of the single agreement is no longer in place, the companies do not go through the authorization procedure for operation at the Trade Register, but through the new legislation, they go to the City Hall, often being bushy and cumbersome and even burdensome for economic agents.

For example, it should be pointed out that an economic agent, meaning a newly established company, must undertake the following steps in order to be able to effectively take up the business for which it was registered:

1. Registration with the Trade Registry Office in the county where the company has established its headquarters through its constitutive act. The procedure involves the submission of a multi-part file and from the date of filing, if there are no inconsistencies or other issues that prevent

the taking of a decision until the date of issue of the registration certificate passes 3 days.

2. After obtaining the Registration Certificate, the company has at the disposal of the Municipality of Arad, by the decision of the Local Council, a period of 90 days until it has to obtain the operating permit and the notice for the working hours, and depending on the activity code and the public food authorization.

Often, the procedure for drawing up the file for operating authorization is complicated by demands that are abusive, at least at the level of the City Hall of the municipality of Arad. Thus, with regard to PSI issues, all economic agents are required to submit a dossier to the “Vasile Goldiș” Emergency Situations Inspectorate in Arad to obtain a document stating that the space for the company’s activity is not necessarily obtaining the Fire Safety Authorization, in the context in which the primary legislation in Romania indicates which are the buildings and the areas for which such authorization is to be obtained.

In order to cover up the papers, the local government decided to bureaucrat even more bureaucracy process of obtaining opinions, making entrepreneurs spend time, energy and resources, including materials, when it would be much simpler and easier to apply the provisions law enforcement in the field, as other public authorities have understood. As an example of good practice, it should be remembered that this procedure is not necessary at the City Hall of the municipality of Timisoara. In the file submitted in order to obtain the operating authorization, a fire safety permit is issued only if the law clearly stipulates that it is obtained for the production area or for the activity of the enterprise.

Moreover, in some cases, the legal situation of the company’s business is not clarified, so that for almost all activities the City Hall of the Municipality of Arad requires the submission of a Land Book Extract attesting that the space in which the commercial activity is taking place is with a different destination than the home. As long as the activity of the commercial agent is not such as to bring disturbance to neighborhoods, perhaps a regulation to allow neighboring agreement or self-declaration would be more useful to companies. There have been and there are cases where the City Hall of the Municipality of Arad requests the consent of all owners to carry out an activity although space is located on the ground floor of condominium units (blocks), and their destination in the construction itself was commercially available. Such excesses do nothing but stop the development of a business community, knowing that it is indeed for a businessman “time is money”.

So, the US Government's program aimed at improving the business environment, especially for small and medium-sized enterprises, so that these companies can register and be able to function quickly in the Romanian urban landscape.

Unfortunately, as we have seen, the changes that have taken place in the *5 Stars City* project have not resisted the test of time. Yet they have shown that they can. They have shown that the determination to do things for the benefit of the community can lead to spectacular results and to the benefit of all. Because, as shown at the beginning of the article, the Pareto analysis of administrative management requires an 80 % efficiency with 20 % effort³.

After Juran, these 80-20 components remain constant regardless of the development of society. Therefore, efficient management of human conglomerates must constantly pursue the assurance of process quality at those major points, as shown, few in number, but which have a major effect on administrative management that affects the local business community.

We appreciate that the involvement of bodies such as USAID and IRIS in the development of local communities in Romania has been an important step in targeting local public authorities towards management that is truly targeted towards beneficiaries.

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³ This analysis was named after the Italian economist Vilfredo Pareto, who at the beginning of the 20th century made a study on wealth and poverty in Europe, found that the rich are very few and the poor are the majority, hence the formula “20 % of the problems have 80 % of impact”. The quality chart was introduced by Joseph M. Juran in Juran's Quality Handbook, Joseph M. Juran, A. Blanton Godfrey, (eds.), fifth edition, New York, McGraw-Hill, 1999, section 2.6, which shows that essential problems are reduced in number, but they have a major impact, while many secondary problems have a minor impact.

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