MEASURING DEVELOPMENT FOR EVIDENCE-BASED POLICIES THE CASE OF ROMANIA

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Abstract - How we measure development deeply affects our lives. If we are only looking at the macro-indicators, such as the GPD or the GNI, then we risk to oversee the actual living conditions – those that are also most accessible for individuals. If we are also interested in people's quality of life, then we also need to be concerned with softer indicators, revealing how individuals really perceive their own lives and associated perspectives. This paper aims at presenting an integrated system for measuring development indicators in Romania, which is currently used by central public administration in the process of evidence-based policy-making.

Index Terms - Development, indicators, public administration, evidence-based decisions.

I. INTRODUCTION

Development is theorized by means of two paradigms: individualistic, and structuralist. According to the individualistic approach, rather than focusing on the interactions between various components of a system, the individualists are only paying attention to stand-alone causes. Structuralists suggest that inequality is the logical consequence of abundance, or, on a simpler note, that rich grow richer and the poor become poorer. This implies, of course, that the incredible wealth of the most developed nations or individuals has been obtained at the expense of the poorest countries or people. Another macro-implication of structuralism is that, if it is possible to establish a correlation between global wealth and global poverty, then inequality could not be possibly addressed by means of more economic growth [1]. While individualist solutions tend to focus on the material, cultural or psychological factors affecting the poor, the structuralists look at how wealth perpetuates inequalities [2].

II. MEASURING DEVELOPMENT

However, any paradigm needs a measuring system in order to be validated and to actually be used in the decision-making processes [3]. In the context of the 2008 crisis, going beyond the GDP has become an important turn point in development studies. In the words of three internationally acclaimed economists: "time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being. And measures of well-being should be put in a context of sustainability" [4]. The economic growth measured by the GDP is often done at the expenses of environment protection and ecology, since it triggers an increase in fuel consumption and the associated environmental harms. Development does not mean more that GDP/capita [5] and "sustainable regional development" implies that we need to cease equating development to economic growth [6]. In other words, in the current economic models "prices faced by producers and consumers (…) do not reflect environmental and social costs adequately" [7].

It appears like the concerns over identifying a more holistic and balanced approach to measuring development and inequalities have had some impact on the international stage. Noteworthy, some of the most popular systems for measuring development (i.e. Eurostat - Overall Life Quality; UNDP - Human Development Index, OECD Better Life Initiatives, the system drafted by the Fitoussi Commission) bear many similarities. Besides the economic and financial dimensions, these newer systems also benchmark countries and regions by looking at a full array of indicators from environment, governance and social relations (this includes civic engagement), safety and/or security, health and living conditions, education and skills, research and technology, housing conditions, energy and natural resources, and the quality of life. Softer public opinion indicators are included by the OECD Better Life Initiatives in the so-called "subjective well-being". Thus, measuring development is not only guiding policies, but also setting the right standard for identifying gaps and targeted long-term solutions.

III. EVIDENCE-BASED POLICY MAKING IN THE ROMANIAN CENTRAL PUBLIC ADMINISTRATION. A CASE STUDY

A. Project Background

Starting from April 2016, the Secretariat-General of the Romanian Government (SGG)/ the Chancellery of

the Prime Minister – the Department for Governmental Strategies, in partnership with the National University of Political Studies and Public Administration (Bucharest, Romania) are implementing the project entitled "The State of the Nation – the development of an innovative instrument for founding the development of public policies in Romania (SIPOCA 11)". The project is co-financed from the European Social Fund through the Operational Programme for Administrative Capacity Development. The project duration is 36 months, starting with April 2016.

The project advances the creation and institutionalization of a statistical data aggregator covering multidisciplinary areas, to be used in the process of grounding and developing strategic documents, such as public policies. This project comes from a sensitive need and it aims at filling the current gap identified at the level of Romanian central administration system. Specifically, the Romanian public administration faces a sort of paradox in the sense that, although there is a tremendous amount of available statistical data, it lacks the access to a database containing all the relevant public data needed for the foundation of the decisional processes. This is the context in which the project perfectly comes in the scene, seeking to offer an accurate and reality-based solution to one of the most striking issues at the level of Romanian public administration. Namely, the main objective of the project is to provide a just and long-term solution to the issue regarding the limited institutional capacity of Romanian public administration in the domain of decision making processes and public policies development. Once created, the online data aggregator could be used both by central and local administration and officials as a beneficial tool within the processes of decision-making and developing strategic documents.

B. Key Phases

The project consists in four key phases, as follows:

1. The development of a system of socio-economic indicators to be used for grounding political decisions;
2. The implementation of the "State of the Nation" data aggregator tool - an online user-friendly statistical data aggregator containing data from all the fields, which are relevant in measuring the current well-being, as well as the sustainability potential in Romania;
3. The gathering of data regarding the public perception (public opinion barometers, periodically updated), necessary to document subjective indicators, such as the self-perceived well-being of Romanians;
4. The development of a public policy project aimed at making decision-makers aware about the use of statistical and research data in policy-making.

Even though all phases are interlinked, a special attention has been given to phases no. 2 and 3, and more specifically to how to analyse hard indicators to public perception or subjective indicators.

The State of the Nation aggregator includes 12 key fields, out of which 3 are focusing on Economic development, Financial capital, and Energy. Based on the objective indicators included in these fields, a large-scale survey on Romanians' Economic Expectations was conducted in September 2017, on a nationally representative sample of 1107 respondents, with a confidence interval of 95%.

IV. GROWTH DOES NOT NECESSARILY EQUAL DEVELOPMENT

While in 1990 the value of the GINI coefficient placed Romania among the most equal countries in Europe, at the level of Sweden, by 2007 Romania had become the most unequal country in Europe. In 2011, Romania ranked fifth highest in EU in regard to income inequality with a GINI coefficient of 33.2, after Greece (33.5), Spain (34), Latvia (35.4) and Portugal (34.2). The poorest region in Romania (North-East) has poverty rates fivefold higher in comparison to the richest one (Bucharest – Ilfov). The ratio is even bigger (eightfold) according to absolute poverty rates.

Romania has a modest national wealth to distribute between capital and labor (Table 1), the capital-labour share ratio making the country stand out among its European counterparts.

Table 1. Labour share in the net national income. Source: Georgescu, F., First Deputy Governor, National Bank of Romania (2017).

Labour share in the national income					
	USA	Germany	France	UK	Romania
2000	66%	64%	58%	60%	50%
2007	64%	56%	59%	60%	46%
2008	65%	58%	60%	60%	48%
2009	64%	60%	62%	62%	47%
2010	63%	59%	62%	60%	44%
2011	62%	58%	61%	58%	41%
2012	61%	60%	62%	59%	41%
2013	61%	60%	63%	60%	40%
2014	61,8%	60,1%	62,5%	59,7%	39,7%
2016	63.8%	60,1%	62%	58.5%	41.6%

The primary source of inequality is: the dominance of capital over labour, when the national income is modest, to say the least. The labour-capital share ratio lays the conditions for the perfect storm. For example, in 2016, 38.8% of Romania's population is at risk of poverty [Eurostat, accessed 2018, t2020_50]. Bulgaria is the only EU member to have a larger share if its population at risk of social exclusion. The EU average is of 23.5%. We would also like to draw attention that

in 2016, the richest 20% of Romanian citizens had an income 7.2 times greater than the poorest 20%; a ratio higher than in other CEE countries, such as Poland (4.8) and Hungary (4.3) [Eurostat, accessed 2018, ilc_di11].

As regards the economic redistribution (e.g. government expenditure for education, health, public infrastructure etc.), given the economic context in Romania (low GDP, unequal distribution between capital and labour), public investments in the aforementioned areas can only be deficient. In what public spending is concerned, Romania is last in its region, as well as in the EU (Fig. 1).

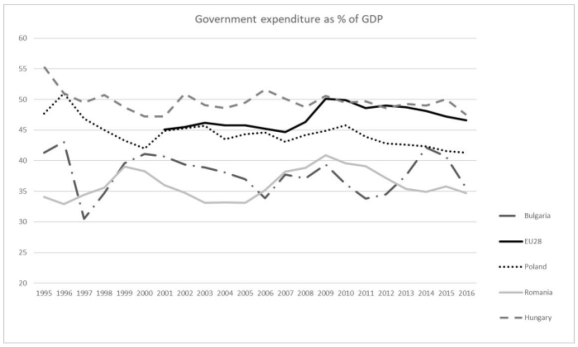


Figure 1. Government expenditure as % of the GDP. Source: Eurostat, Government revenue, expenditure and main aggregates [gov_10a_main], accessed 2017

Government expenditure includes the current spending and investment by central government and local authorities, directed towards providing social goods and services, and to serve the needs of the community. In 2016, total government expenditure in Romania rose to 34.7% of the GDP, whereas the EU average 46.6% (12 pp higher). Romania's peer group performs better, with Hungary leading the way (47.5%), followed by Poland (41.3%), and Bulgaria (35.5%). These principled considerations aside, data depict a completely different reality: instead of reducing inequality, and stimulating inclusive development, currently low levels of government expenditure aggravate gaps and threatens Romania's development.

Data are particularly worrying since the state as the main provider of basic services and investments in vital sectors such as: health, education, infrastructure. Via redistribution, the state has the ability to tackle inequality and to foster development. The public health and education systems, which should guarantee high-quality services for all, are equally suffering from insufficient funding. In Romania, the health sector receives the least financial resources compared to EU average and the peer group. In 2015, the Romanian government allocated 4.2% for the health, compared to 7.2% - EU average, 5.5% in Bulgaria, 5.3% in Hungary, and 4.7% in Poland (Fig. 2). In what education is concerned, the Romanian government spending is significantly lower (3.1%) than EU average (4.9%) (Fig. 3). It is worth mentioning that inside the peer group, Poland and Hungary make education a top national priority, by investing more than EU average in this area (5.2% in

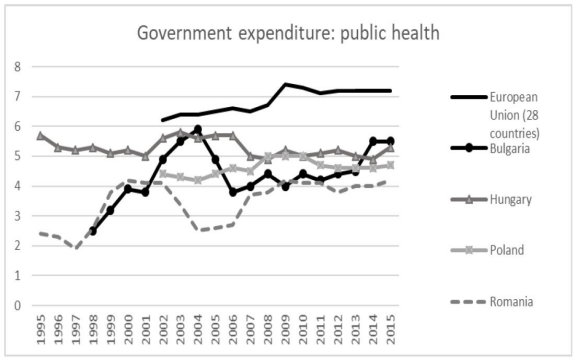


Fig. 2. Government expenditure (as % of GDP): Health. Source: Eurostat, General government expenditure by function (COFOG) [gov_10a_exp], accessed 2017

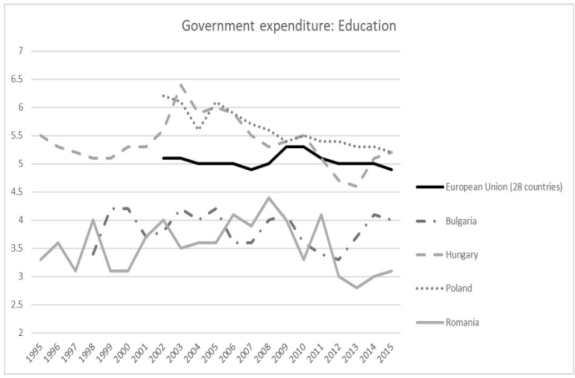


Fig. 3. Government expenditure (as % of GDP): education. Source: Eurostat, General government expenditure by function (COFOG) [gov_10a_exp], accessed 2017.

To have a broader perspective on the financing mechanisms, we must add that governmental revenues do not result directly from the size of the GDP; they are dependent on taxation (redistribution of the national income). Romania's tax revenues are 15 pp lower than EU average [Eurostat, accessed 2017, gov_10a_main]. On average, tax revenues in the EU add up to 44.9% of the GDP in 2016, while in Romania, they equal 31.7% of the GDP. Our country collects the smallest tax revenues in its peer group (Hungary- 46.2%, Poland- 39.1%, Bulgaria – 34.1%). While the GDP is the result of the collective efforts of the whole nation, tax collection mainly depends on the organization of the fiscal branch of the government, its capacity to ensure proper collection of taxes and prevent corruption and money laundering.

In Romania, high inequality negatively affects cohesion and solidarity, especially when regional differences are considered. Since the 1990s, when Romania transitioned to a market economy, the difference between its wealthiest and poorest region increased constantly. In 1995, Bucuresti-Ilfov (the

richest region) gad a GDP 1.6 times higher than the poorest region (South-West Oltenia). In 2007, when Romania became an EU member, the difference was 3. In 2014, Bucuresti-Ilfov had a GDP 3.7 higher than South-West Oltenia, suggesting the failure of the cohesion policies.

Romania's regions contribute to the national GDP in unbalanced manner. In 2000, Bucuresti-Ilfov accounted for 23% of the GDP, whereas the other regions accounted from 9 to 12 % (Fig. 4). Following the economic crisis, the contribution of each region to the GDP stalled, decreased or rose very slightly. The notable exception is the region Bucureşti-Ilfov, who's contribution to the GDP rose with 4 pp, now accounting from 23% to 27% of the national GDP.

Figure 4. The contribution if the NUTS2 regions to the national GDP (%)- Year 2000. Source: National Insitutite of Statistics (Regional gross domestic product (RGDP) - current prices, calculated according CANE Rev.2 - ESA 2010, authors's calculations

V. PERCEPTIONS ON DEVELOPMENT

The data collected through the national survey show a rather pessimistic view of the Romanian citizens over the economic growth following EU integration. Overall, 66.8% of the participants at the survey stated that Romania is heading in a wrong direction. In the same time, evaluation of life quality is rather low, with approximately 60% of respondents saying they are rather unsatisfied with the quality of their life. Moreover, 43.2% of Romanians say their economic situation in 2017 has stayed the same as in the previous year, while 35.8% say their economic situation worsened. When asked about their predictions for the standard of living in 2018, the respondents had reserved attitudes, with 26% expecting a better quality of life, 31.3% saying that their current situation will remain unchanged and 30.5% expecting a worse year that 2017.

The national survey reveals a weak level of trust in the Presidency, Parliament, Government, justice or political parties can imply that Romanians are disappointed with the way internal institutions respond to the needs of the citizens. In this sense, the results of the study show a correlation between the disappointment with the internal justice system and a higher level of trust in the EU ($X2(30)=388.984$, $p<0.1$). The same correlation is available in the case of a lower level of trust in the Presidency ($X2(25)= 232.181$, $p<0,1$), Parliament ($X2(25)=423.045$, $p<0.1$), Government ($X2(25)=158.490$, $p<0.1$) and the political parties ($X2(25)=381.916$, $p<0.1$).

In line with Romanians' disappointment with internal authorities, the results of the survey show a lower level of satisfaction with Romania's economic growth level, with approximately 77% of the respondents being rather unsatisfied. When asked to evaluate Romania's economic growth to other EU countries or other CEE countries, the respondents are rather pessimistic. For example, 90% of the respondents assess Romania's economic growth to other EU countries as low or very low, while 80% say that Romania performs poorly from an economical point of view as opposed with other CEE countries such as Poland, The Czech Republic or Hungary. Overall, approximately 33% of Romanians consider that the country is performing better economically than it did before the EU integration in 2007, and nearly 40% consider that the country is underperforming in the same sector.

CONCLUSION

In Romania, high inequality negatively affects cohesion and solidarity, especially when regional differences are considered. Since the 1990s, when Romania transitioned to a market economy, the difference between its wealthiest and poorest region increased constantly. In 1995, Bucuresti-Ilfov (the richest region) gad a GDP 1.6 times higher than the poorest region (South-West Oltenia). In 2007, when Romania became an EU member, the difference was 3. In 2014, Bucuresti-Ilfov had a GDP 3.7 higher than South-West Oltenia, suggesting the failure of the cohesion policies. The hallmark of development should be closing the gaps in terms of economic performances between Romania's regions. Cohesion and even development form the backbone of any given national community. The gaps in economic development lead to troubling accumulation of distrust and discontent. Results show a correlation between the level of life satisfaction and the evaluation of Romania's economic performance after 2007 ($X2(25)=128.442$, $p<0.1$) – those who evaluate their life satisfaction as higher are more likely to believe that Romania has improved economically since 2007, and those who are less satisfied with their overall quality of life are less inclined to see any progress after the EU integration. Still, there is no correlation between EU trust and the residence area (urban or rural), or the region of residence (Bucharest-Ilfov, or other Romanian regions). These results partly confirm the internal cleavages between citizens and NUTS 2 regions, as also revealed by the analysis of hard data regarding the economic effects of EU integration.

Furthermore, when asked if the Romanian government is doing a good job in managing the public money, 78.7% of the respondents assessed the government's performance as rather poor. A solution to Romania's poor economic situation can be the EU funds (59% of the respondents consider them highly useful for economic development). However, respondents evaluate the use of these funds as mostly

ineffective. This confirms citizen's disenchantment with the local government and a latent utilitarian approach to EU membership. While the EU is seen as a positive model as opposed to the unsatisfactory performance of internal institutions, the Union is as well perceived as a source of economic growth, through EU funds. The local authorities' management of such funds, however, is seen as a culprit against economic progress. Still, regardless of Romanians' pessimistic economic self-evaluation, they still maintain trust in the positive economic outcome of EU membership.

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