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PROPERTY RESTITUTION:

WHAT WENT WRONG IN ROMANIA?

Suzana Dobre, Dragos Bogdan, Sorin Ioniță*

Abstract:

Real estate speculations are the source of fortune for many of the Top 300 richest people and this national sport continues; those paying the price are former owners deprived of their properties by the Communist regime. Leaving aside the judicial details of the restitution program, two traits distinguish Romania in Central and Eastern Europe: the indecision regarding the restitution process and , in nature or compensation, the successive adoption of several laws in more than a decade caused confusion and overlapping rights; and large scale abuse at both local and central levels, sustained by ambiguous laws and discrete judicial practices, can be seen in the questionable discrepancies of the restitution process from one county to the other.

Keywords:

property restitution, compensation, Romania, European Court of Human Rights (ECHR), Proprietatea Fund

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Property restitution laws have always been presented by their initiators - mainly the left wing post-Communist party, in power in 1991, 1995 and 2001 when these measures have been adopted - as instruments designed to clarify and accelerate the Communist abuse restoration process. Without such normative acts, the alternative for former previous owners would have been to address the court directly.

In order to simplify (in principle) the process for those claiming their houses and lands, and to cover the diversity of local situations, the legislative introduced local committees as mediators every time. In theory, the committee would deal with the claims in an acceptable way in order to avoid trials.

However, the big problem was that this procedure proved unrealistic in practice, as shown by subsequent developments in the early 90's. The national legislative managed to create strong institutional counter-stimuli to the effective return of properties: honestly, why would mayors and local counselors be interested in giving up profitable economic assets, solely for the moral argument that former owners were unjustly treated years ago? The laws were passed one after the other in Parliament, over the period of a decade, and not all at once as in other Central and Eastern European countries. This represented another source of confusion.

1. The restitution process in Central and Eastern Europe

Measures taken to restore property abuses in the Communist period in Central and Eastern Europe followed two distinct models¹: the restitution model and the compensation model. *The restitution model is based* on the actual return of confiscated property; in exceptional cases where restitution is not possible, the government offers compensation. This model was applied in its purest form in Czechoslovakia and in a modified version - both elements of restitution and compensation - in East Germany.

The compensation model includes the physical return of property only in a limited number of cases and for the other cases, former owners

receive a form of compensation for their property loss. This can take the form of cash, bonds, stocks or vouchers. The compensation model is well observed in the case of Hungary.

Both models recognize the property rights of former owners and their right for compensation for the injustice suffered in the Communist period; however the impacts are different for both former owners and the state's resources. The method chosen is just one variable, as there are other key aspects that differentiate the restitution process in former Communist states:

- The value of the compensation. While some countries preferred to correlate compensations with the initial value of the confiscated properties, others preferred to keep costs under control by adopting ceilings - either on the dimensions of the restituted plots or on the compensation.
- The eligibility of the solicitors: directly limited or not on basis of citizenship or residence; or indirectly by defining in a broader or limited way the historical period when the properties were nationalized, that are subject to restitution.
- The protection of tenants in houses that had to be returned, by limiting the rights of owners to use the property for a certain period after restitution. The extreme method of tenants' protection was applied in Russia where property rights were transferred to tenants, increasing the benefits offered to the nomenklatura in the former regime. In the Czech Republic, where the break from Communism was radical, this was not compatible with the general anti-Communist feeling after 1989².
- The restitution process was institutionally decentralized or not.

In the **Czech Republic and Slovakia**, that at the beginning of the transition period were still one state, the purest restitution model was applied. Property restitution was decided immediately after Communism collapsed and was not just a method to repair property abuses dating from the Communist period, but a form of transferring the state's property in private ownership. Thus, in 1990 and 1991, the restitution process was regulated, but the government also allocated another 750 million dollars as compensation. Any other compensa-

¹ Harpe G. D. (1999) - Restitution of Property in Cuba: Lessons Learned from East Europe, Cuba in Transition ASCE.

² Apple, H. (1995) "Justice and Reformulation of Property Rights in Czech Republic" East European Politics and Societies 9:1, p 22-40.

tion exceeding this ceiling was made in bonds. While the approach was radical, the process covered only those properties confiscated after 1938, thus excluding those confiscated by the Nazi from Jewish people, as well as properties of the Southern Germans confiscated by the Czechoslovakian government.

In **East Germany**, a whole chapter in the 1990 Unification Treaty was devoted to the restitution issue. The restitution program was probably the biggest in the region, covering some 5 million people (about 20% of the population) and 90% of urban buildings³. Former owners or their heirs could request the restitution of properties seized by either the Communist or Nazi governments. However, they could not claim those properties confiscated during the Soviet occupation (after Germany's Constitutional Court decision). Unlike other countries in the region, Germany did not condition the eligibility of requests on citizenship or residence. Even if the restitution process led to delays in planning, development or investment dynamics in some cases, the majority of requests were solved quickly in the early 1990's. The fact that Germany maintained clear evidence on the history of properties and had a solid judicial system, ensured the success of the process.

Bulgaria was among the first from the region to legislate on property restitution. The Parliament approved a law on agricultural property restitution in 1991 and in 1992, it approved the restitution of the properties nationalized during Communism. The eligibility of the solicitors was generous in that both private and judicial persons were allowed to make requests, be they Bulgarian citizens and foreigners. Also, people who received a symbolic compensation during nationalization, former owners of agricultural land and workers in agricultural cooperative societies, were allowed to apply.

Property rights for buildings were temporarily limited in certain situations. For example, tenants living in a nationalized house could use it for another three years. The same regulations

applied to buildings where schools, hospitals etc., functioned. When it comes to urban property, the number of requests was quite small while the surface of agricultural land requested exceeded available land by 40%. The implementation of the restitution process in Bulgaria was confronted with a series of administrative problems. For example: the lack of clear data on property delimitation, incomplete evidences and the reticence of local authorities to return property. These aspects had discretionary power in the implementation process⁴.

Hungary, just like most states in the region, regulated the property issue in the early 1990s, by returning nationalized houses to both non-residents and foreigners. On the other hand, however, Hungary imposed a short period of time to submit requests (6 months deadline after the approval of the law) and managed to process the requests in two years' time. The government offered compensation in vouchers instead of actual restitution. The compensation office, an institution created especially for the program, decided on the land restitution requests, offered coupons or compensation vouchers and managed all public tenders where these vouchers were used. Unlike other countries in the region where the compensation level was proportionate with the value of the property, Hungary introduced a ceiling of \$21.000. In Hungary, total restitution costs were estimated at around 2-4 billion dollars.⁵

Poland is currently the only country in the region (besides Romania) that did not find a solution to the property restitution problem, despite the fact that Poland's seized property was considerably less than in neighboring countries. In Poland, industry was nationalized rather than houses and agricultural nationalization was abandoned in 1956 and never exceeded 10% of the total agricultural surface. Some 89,000 properties were confiscated during the war and afterwards, with a total market value of 40 billion dollars. However, along the years, there were some legislative proposals but none of these managed to get the necessary political support. The only way former owners recovered their

³ Blacksell, M. and Born, K (2002) "Private Property Restitution: The Geographical Consequences of Official Government Policies in Central and Eastern Europe" *Geographical Journal* 168:2(2002).

⁴ Kozminski, A. (1997) "Restitution of Private Property. Re-privatization in Central and Eastern Europe" *Communist and Post-Communist Studies* vol 30 no1 pp 95-106.

⁵ Tucker-Mohl, J. (2005) *Property Rights and Transitional Justice: Restitution in Hungary and East Germany*.

properties was by normal court trials.⁶

2. Romania in a regional context

Romania was among the few former Communist countries to postpone a decision on the restitution issue. Thus, Law 18/1991 on agricultural land restitution was only followed after a decade by the law on confiscated property restitution. During the 1990s, the tendency to protect tenants prevailed over the principle of restoration of Communist abuses, in the same line as Russia.

After tenants living in state-owned buildings gained rapidly quite cheap property rights over the apartments, in 1990-1991, those living in nationalized houses also pressed for this right invoking non-discrimination, even if those houses were nationalized and not built by the popular power regime⁷. In 1995, Law 112 allowed tenants to buy their houses at an advantageous price - a bill that benefited even those who voted the law: many of the political leaders had protocol homes in such buildings at the time⁸.

In this period, the only restitution method was the judicial one. Even so, politicians attempted to block restitutions ruled by Courts, arguing that if a special law does not exist, judges cannot decide on the matter. It was the exclusive role of the Parliament to pass such laws and the role of the judges was to simply apply the law. In this case, the incumbent President at that time, Ion Iliescu, took a public stand on the issue and opposed Court restitutions. He urged for the non-application of the courts' decisions, adding that these breach the law in favor of former owners⁹.

The Supreme Court, under political pressures, ruled that in the absence of a special law, inferior courts cannot rule on property restitution cases. Plus, the General Prosecutor at the time, as his successors, frequently used the recourse in annulment practice to change mandatory and final decisions that already ruled in favor of former owners. These situations lead to an avalanche of complaints at the European Court of Human Rights (ECHR) ever since Romania signed the Treaty in

1994. The institutionalization of recourse in annulment was criticized both by the European Court and by the European Commission and was finally eliminated in 2004. Adopted in 1998, Law 213 on public property and its judicial regime refers to the possibility to retrieve property confiscated by the state even without a title or by breaching the owner's consent without the need of a special restitution law.

It was only in 2001, when the Parliament, at the pressure of the European Commission, adopted Law 10/2001 on the judicial regime of those estates confiscated abusively from March 6, 1945 to December 22, 1989. This was later the subject of considerable amendments and revisions that, in most cases, complicated the situation even more¹⁰.

The main parameters of the institutional framework that defines property restitution today in Romania are:

- The type of estates that are subject to the law: nationalized houses or those seized by confiscation; donations to the state or to other judicial persons; taken over without the payment of equitable compensation with or without a valid title; individual or industrial estates, banks, mines, transports, or equipments and materials within the building. Agricultural lands are excluded (subject of Law 18/1991) and so are the properties of ethnic or religious minorities regulated through attesting documents.
- Several measures to restore damages: restitution or restoration by equivalent measures: compensation in other goods or services or cash or titles to the Proprietatea Fund. The value of the compensation is updated to the market value, and these measures can be combined.
- Restitution requests can be submitted by individual owners or their heirs, judicial persons without a residence or citizenship test.
- Tenants in retrieved houses are protected by establishing, in accordance with the law, a 5 year mandatory renting contract and a ceiling to the rent value. Moreover, if there is no agree-

⁶ Krakow Post, Debate: Property Restitution: Should Poland Pay? Friday, September 12, 2008. The number is modest: in Romania, it could be at least ten times bigger (see Figure 1).

⁷ Stan, L (2006) "The Roof over Our Heads: Property Restitution in Romania", *Journal of Communist Studies and Transition Politics*, 22:2, p.180-205.

⁸ Idem 7.

⁹ Actually, the judicial way, even if unsystematic and slow, was one restitution measure - as in Poland

¹⁰ The amendment published in the Official Journal no. 914/2005, OUG 209/2005, Law 263/2006, Law 74/2007, Law 247/2005 etc.

ment in establishing the value of the rent, or the surface of the living space, the old contract prevails.

- From an administrative point of view, the restitution process implies several levels: the local and central administration (depending on the institution owning the estate demanded in the restitution requests) Prefecture, National Authority on Property Restitution, Proprietatea Fund.

Law 10/2001 however did not clarify the situation of the houses which were sold on the basis of law 112/1995. The problem of having more titles on the same property could only be dealt with in court, by comparing the titles. Currently, there is a bill in the Parliament that plans to deal with this problem that favors the initial owners of the property as in the early 1990s. Thus, a property bought based on law 112/1995 could not be returned to its initial owner. On the other hand, tenants who bought the houses they were living in at low prices, and lost them when confronting the initial owners in court, would receive compensation at the current market value of the houses. The exact number of seized property by the Romanian state is still uncertain. The official number is 241,068 units (Figure 1) but there are other estimations that go over 640,000 units.¹¹ However, currently, there are some 202,000 registered property restitution requests.

Figure 1. Confiscated residential properties, nationalized or confiscated by Romanian Communist authorities, 1945-89

Period	Law	Number
1940	Law 187/1945, Decree 83/1949	1,263
1950	Decree 92/1950, Decree 111/1951, Decree 224/1951, Decree 513/1953, Decree 409/1955	139,145
1960	Decree 218/1960, Decree 712/1966, Law 18/1968	4,662
1970	Law 4/1973, Decree 223/1974	62,116
	Not Specified	33,882
Total		241,068

Source: Stan (2006), based on Romania's Official Journal data, part II, June 11, 1994, p.9.

3. Current situation

After a decade of delays in regulating the restitution process, today, not even the implementation process moves faster. According to the official data available by the end of 2007, out of the 202,000 submitted requests, only 103,128 received a final decision at local or national level. The decision approved, rejected or redirected them to the responsible institution. (Figure 2)

A closer look indicates that a smaller number of cases were classified, by either restoring properties or paying compensation. Thus, of the 43,000 cases registered at the National Authority Regulating Property Restitution (ANRP), to take a decision and pay compensation, only 6,000 actually received compensation. For these 6,000 cases, authorities managed to establish the compensation method: in title or cash in 2,440 cases.

¹¹ Stan (2006).

Even more, only 855 cases received compensation in cash. Thus, the restitution process is far from reaching an end, even if it was 7 years ago when it was first regulated.

An analysis of the available data at the end of 2007, points out other interesting problems. First of all, even though the majority of notifications are submitted to local administrations, the rate of solving cases (taking a decision: approving, rejecting or re-directing the file) is the lowest at the central level: 54% of unsolved cases up to December 2007 as

compared to 37% in the territory. (see Figure 1). Three quarters of notifications submitted to the central administration pile up at three institutions that happen to have the highest unsolved rates:

- AVAS (with over 60% total) and 67% unsolved;
- Agriculture Ministry with 67% unsolved;
- Economy and Finance Ministry with 52% unsolved cases.

Figure. 2. Current situation of files under Law 10/2001

Total Number of registered requests			201,769
At the level of local authorities			190,685
○ Approved			63,189
▪ Restitution	15,067		
▪ Compensation (goods or services)	1,330		
▪ In cash or bonds*	42,051		
▪ Combined measures*	4,741		
○ Rejected			36,416
○ Re-directed			20,520
○ Pending			70,560
At the level of national authorities (Ministries and AVAS)			11,084
○ Approved			1,725
▪ Restitution	667		
▪ Compensation (goods or services)	957		
▪ In cash or bonds*	89		
▪ Combined measures*	12		
○ Rejected			1,698
○ Pending			7,661
ANRP level			43,000
- Evaluated			15,000
○ With remitted compensation titles	6,000		
▪ With established option	2,440		
▪ With received compensation			
• Bonds	500		
• Cash	855		
○ Pending titles			3,560
- In the process of evaluating the compensation level or not analyzed yet			28,000

**Prefects check the legality of the documents and direct them to ANRP where they're checked again and the compensation level is settled:*

Another interesting aspect is that the highest restitution percentage targeted buildings used in the social sectors (health, education, culture) despite the fact that the standard argument for rejected cases is that these public interest institutions need to function. It seems that it was exactly in these cases that the state failed to protect its properties against those claiming them. As such, the state was efficient to solve cases involving kindergartens, schools and nursing facilities. Additionally, city halls are looking for new buildings and investment funds to fill in the gaps.

In turn, it seems that economic assets or other buildings in the state's property have been well protected. It would have been normal and fair to resolve those cases involving the latter rather than the former. The general idea is that the state prefers to return primarily buildings that bare a social importance (cases that would have justified exceptions from the restitution) rather than return those that have important economic values (in which cases ministries happen to control the assets). Thus, Finance, Defense and Agriculture ministries lag behind in the restitution process.

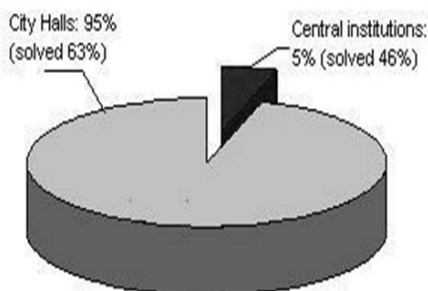
At the level of local authorities where most of notifications were submitted (almost 190,000) 63% of them received a final decision. However, the situation differs from one region to the other. In fact, there are counties where the restitution process is in an advanced phase, where 97% of the notifications received a decision from the local committee. However, there are others where it barely reached 20%. Small towns, where the number of notifications was low, like Slobozia (334 notifications) Alba Iulia (554), Slatina (577), Călărași (1,212), did not have any major problems when implementing the restitution process. In these cities, the number of cases which received a decision is over 95%. Measures taken varied from case to case but decisions ruling an equivalent compensation prevailed. In Alba Iulia, for example, almost a third of the accepted notifications were solved by restitution and for the rest, compensation in cash or bonds was offered. In Slatina, of the 491 notifications, 420 cases received compensation in cash or bonds. Talks with local authority representatives underlined major difficulties in restitution, especially in cities that were subject of modernizations and changes in the Communist period. In most of the cases, nationalized houses were

demolished and lands occupied by streets or residences.

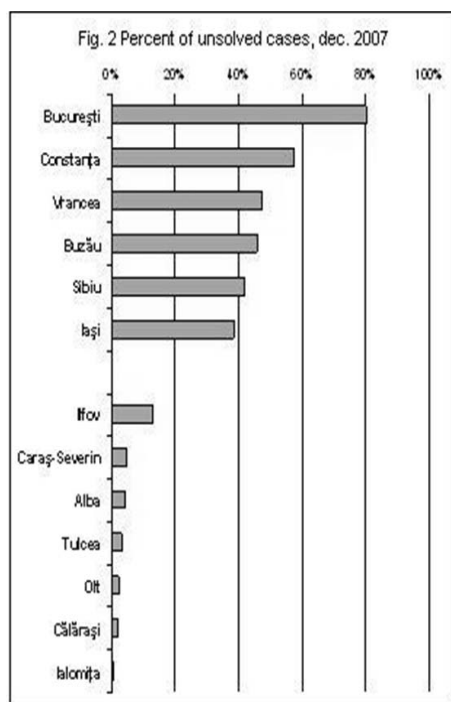
Compensation methods in other goods or services were barely used. Thus, out of the eight cities analyzed in depth, Slobozia was the only city where the 60 notifications solved by compensation in other goods or services outranked those in cash (57). In cities where the number of notifications was low, the city hall could negotiate with each solicitor in order to offer them compensation (especially in land).

In all other cities, this option was avoided: in Slatina only 3 cases received land or services as compensation, in Alba Iulia and Focșani there were 12 cases, in Bucharest 15, in Călărași 29. The main reason was the discretionary way of evaluating properties, both those confiscated and those that needed to be offered as compensation and local authority representatives considered this decision risky. Other frequent causes were the lack of available property or lack of a public goods inventory. Even though the inventory should have been ready a few years ago, few authorities had it completed by the time the restitution process started (Slobozia). Most of them either just finished it, or do not have it (Iași, Bucharest).

Fig 1 Total number of notifications on Law no. 10:
202,000 in Dec 2007



There are, however, situations in which the number of notifications was relatively small but the performance of local authorities to deal with the cases was very poor. For example, Focșani's city hall received 1,693 requests, of which only 444



received a decision. Călărași, with a similar population as Focșani, but with lower funding, received 1,212 notifications and solved 1,156 of them, which is almost three times more than Focșani.

Other small cities, like Alba Iulia or Slatina, managed to analyze and settle more cases than Focșani did, despite that at least in the first case the situation was not simple at all: Alba Iulia is a historical city and many properties were confiscated, among ethnic and religious communities as well. Thus, the implementation of the restitution process depended solely on the efficiency and interest of the local administration to deal with the problem.

Among other cities with poor performance are: Constanța, Buzău, Sibiu and Iași. Constanța is the only city among these, and one of the 8 cities analyzed in depth, where authorities refused to answer the requests submitted for this project, based on law 544/2001 on free access to public information. The same was true when attempting to talk to the public servants involved in the restitution process. Since the website of the institution is not generous enough in offering the information we need, the only data we have are those delivered by ANRP, which places Constanța

among the poorest performers. The single worse situation registered is in Bucharest, a special case, due to the high number of requests. Interviews with other actors, part of the restitution process pointed out many problems in communication, decisions, breaches of court decisions etc.

Buzău also has a poor performance. Of a total of 1,820 requests, only 538 received a decision. A major problem, as mentioned by interviewed public servants of the city hall, is the lack of personnel. The Committee has 5 people and the support personnel is made up of only 3 people. Plus, there is only one person in the institution who can take a legal decision regarding the case.

However, from a comparative perspective, Călărași managed to analyze double the amount of cases, using the same personnel structure.

Bucharest has a special situation because some 43,000 requests are concentrated there, which represent almost 21% of the total notifications at the national level.

Up to December 2007, some 9,000 notifications received a decision, representing less than 20% of registered total. One of the main causes was that Bucharest is not considered a special case by the law. Thus, despite the high number of files, the restitution process falls in the responsibility of the General City Hall, without the involvement of the district-level city halls. The concentration leads to the accumulation of many files and a more difficult correlation between the two restitution processes:

- one based on law 10/2001 coordinated in Bucharest, and
- one based on law 18/1991 at the level of the capital city districts.

Except for Bucharest, in the rest of the country, both processes involved the same institutions, and in most cases, the same people. In Bucharest, due to the sharing of responsibility, there were situations in which the Committee on law 10/2001 decided the restitution of a land on its old location but the owner found out that the land was taken over by another person, based on law 18/1991 and all these lead to other administrative complications.

If in time the communication between the two levels improved such as to be able to correlate both restitution processes, the overload issue of the

Bucharest city hall has not been solved yet.

Up until the fall of 2007, the personnel delegated to implement law 10/2001 was formed by a commission of 9 people who met on a weekly basis. 28 people formed the support personnel of the commission. Finally, the commission decreased to 5 people with daily meetings and the support personnel increased to 40 people which lead to more efficiency and speed in processing requests.

In an extremely optimistic scenario, even if they maintain the same efficiency level and political will, the restitution process will last another 5. The lack of results, the unpredictable character of the process, unsuccessful communication and lack of response from authorities, lead to a high level of dissatisfaction among solicitors and an avalanche of trials on the restitution theme. Thus, Bucharest city hall managed to get involved in some 30,000 court cases. A lot of owners request an answer on their notification, which has been pending for years while other challenge the refusal of authorities to consider similar acts but not those mentioned in methodological norms, while others challenge the decision of the local Committee.

The pressure coming from so many notifications is felt in various departments: from the registrar, where hundreds of documents are submitted each day on the restitution process (documents needed in the file, petitions, complaints etc), to the judicial department where most of the personnel deals with the court cases and with analyzing notifications.

The situation is very complicated: for example, a construction authorization cannot be issued, without a report that the building is not the object of a notification on Law 10. Thus, the City Hall remits, daily, 150 such reports. And problems might come up because it is sometimes hard to identify if, for a requested building there is a notification. There are notifications for buildings whose number changed various times after nationalization, just as the name of the street did and the correlation between the two can translate into a real archive research. In conclusion, the general situation of implementing law 10/2001 is deficient, with relatively few requests leading to the final offering of compensation or ownership rights, even if seven years have passed.

Differences between cities are important,

and their justification considers mainly the interest of the authorities in this issue and their institutional capacity to process the files.

4. Implementation uncertainties

Implementing law no. 10 confronted with a considerable number of dilemmas which were not dealt with at policy level.

• Restitution - a solution of principle or rule?

According to art.1 line (1) of law no. 10/2001 in its current form: "buildings confiscated by the state, by cooperative organizations or by any other judicial persons, will be returned respecting the conditions of this law". The text of the law continues, underlining the principle of restitution: "in cases where restitution is not possible, other equivalent compensatory measures will be established". The idea here is that restitution is the main solution and the equivalent compensation is an exception. However, the power of this principle is corrected as the text continues by art 7, line (1) "**as a rule**, buildings confiscated are returned in nature". The expression tends to continue the same trend of law 18/1991 where, in a similar way, the restitution principle was undermined by an ambiguous formulation, introducing the practice of rejection of restitution in nature without an objective motivation.

Through the amendments to the restitution principles, law 10/2001 limited the solution of restitution in nature for lands that, at the time, were not occupied by buildings, or for buildings that were neither destroyed nor sold to other buyers (like tenants who bought them based on law 112/1995) or judicial persons (the case of investors who gained assets by privatization procedures). Plus, if the former owner does not challenge the sale of the building through an annulment action in 18 months, the purchase is final even if the buyer knew that the state, at the time did not have a right to sell.

Thus, the lack of a normative framework to restore abuses in the past which should have been introduced in the early 1990s, just like in other post-Communist states, together with the continuous shift between protecting tenants or former owners lead to a fragmented and confusing situation.

The obvious tendencies to protect tenants in the

first ten years were only changed in principle with Law 10/2001, as the principle of restitution which was adopted late and without a commitment, faces huge difficulties on implementation.

- **Lack of deadlines**

The legislation does not contain any deadline for finishing the process, nor for solving the files. Moreover, there is no mention about the authority's responsibility to provide an answer to all requests.

- **Ambiguity of requested documents**

There is a permanent divergence between the administrative and judicial practices, especially when it comes to acceptable documents proving an inheritance right in the restitution process.

- **Interaction with archives and land registry**

There are serious problems due to lack of land registry data and historical archives. Land surfaces in ownership documents differ from fiscal data before nationalization took place, or from the nationalized/confiscated data or from the current properties. Naturally, this adds to the confusion as public servants have limited resources to deal with such issues.

- **Lack of personnel**

In general, the City Hall - particularly in Bucharest - deals with an acute personnel problem due to the level of workload and lack of proper remuneration. The obvious solution to accelerate the process would be to increase the number of data processors working. However, the Bucharest City Hall has difficulties in maintaining the current personnel due to the decision of the Government to cut off their 50% salary bonus starting January 2008. The salary of a processor amounts to 500 Romanian Ron and each needs to deal with 1,500 files and an assigned number of files per day. Given the situation, many of them choose to leave the public system and new people are hard to find. What the city hall lacks most is data workers and support personnel. To give just an example, a committee's decision took two months to be typewritten because there was nobody able to type and

print it.

When it comes to monitoring the performance of public servants or other employees hired to apply Law no. 10, those in charge have too much tolerance due to workloads assigned. Thus, there was never any sanction given to a data processor or a member of the commission through the internal discipline committees. • **Communication and transparency**

A major problem common to all analyzed institutions was the lack of communication with individuals. It was only in Alba Iulia where people could actually track the status of their requests online. In Bucharest, there was a similar system but it did not credibly protect the personal data of individuals and authorities had to shut it down, until a better program would be offered. However, no deadline was set.

When speaking to former owners and other people trying to retrieve their properties, the lack of communication both at the local (the Prefect or the Mayor) and central level (AVAS, ANRP, ministries) is very often reported. Even with a file submitted years ago, the individual's only option is to personally book an appointment at the City Hall to find out what other documents are missing.

According to Bucharest Mayor Sorin Oprescu, his schedule is booked for the next years. It is often the case that documents already submitted are missing which indicates a poor organizational ability of institutions. Moreover, it raises important doubts on the integrity of the public servants. Authorities regard meeting hours as an inefficient way to talk to people especially when decisions rest on the responsibility of the Commission members.

"We don't talk anymore. We talked when they submitted their documents, but now we don't talk anymore because people are desperate and we are just wasting time dealing with them."

Public servant, member in the L10/2001 Committee

In just one of the institutions analyzed, where the management of the process was separated from the Committee by the decision making process, meetings with people are regarded as a

means to take into account the deficiencies of the process and a chance to remedy individual errors or organizational problems.

In smaller cities, with fewer notifications on Law no. 10 (Slobozia) a well known practice was to allow individuals to take part in the Committee meeting dealing with their particular case. In Alba Iulia, in an initial phase, the owners were invited at the meetings but due to long talks, the efficiency was lost and thus this procedure was replaced by separate meetings.

In Iasi, owners are invited to attend the Committee's meeting but it is very often the case that the invitation is sent too late and sometimes even after the meeting took place. Thus, this attempt to increase transparency failed.

The Committee rarely set up activity reports; at best, the reports are destined for internal use only. The Bucharest city hall is the only one to offer information about the number of requests received or the number of requests solved etc. on their website. •

Corruption permeability

Due to the lack of transparency and administrative coordination, corruption suspicions naturally arise. Most often, people accuse the capacity of public institution to use the information and their power to accelerate or delay a file in order to favor a political interest. Blackmailing former owners, especially old ones, with an eternal delay in taking a decision in order to compel owners to sell their rights is often met in the restitution process.

Credible press documentaries showed how, for example, identified business networks managed to intervene between owners and institutions managing the building and group properties at successive postal addresses in an interesting area in Bucharest (Băneasa)¹².

The agency managing the buildings is RAPPs but it is possible that this system is widely used in other institutions as well.

5. Problems with the system

There was always a permanent difficulty in implementing Law no. 10, that we already men-

tioned: local committees were offered too much decisional power (like in the agricultural land restitution), and local authorities were not interested to give up important assets just to restore the rights of former owners who left a community long time ago or are part of a local minority and thus incapable of setting up an efficient pressure group. Therefore in many cases, there was an obvious lack of enthusiasm of authorities and local public servants to deal with a problem that was not perceived as being their problem.

Two supplementary "omissions", which make Romania's restitution process unique, finally convinced these local committees that there is no political will at the center to solve the situations fast:

- There were either no deadlines for solving a request (or at least to offer an answer); or, when these appeared (in 2001) there were no sanctions for not complying;
- Ambiguous law texts, particularly by introducing the famous rule that restitution is implemented, "as a rule", in nature (or in its initial land placement), which in practice was interpreted in a wider sense, as an opportunity to have discretionary power.

These two omissions transformed the exception into rule and even less cases were solved in the spirit of the law. Most often, local Committees took advantage of the ambiguity of the law to delay the restitution process or propose former owners unacceptable locations as compensation which lead to more court cases against the city hall. The solving rate without a judicial complaint is very low. Another clue that suggests the discontinuity of the law implementation is the discrepancy registered from one county to the other in terms of solving rates of notifications as discussed in previous sections (see Figure 2). The high prices of the buildings raised even more interests in areas as Bucharest or Constanta where delays and harassment of owners would make more sense (but considered just as illegitimate). In other regions, the arbitrary was the rule of the game, and this makes it harder to explain why in neighboring counties, with a comparable economic situation

¹² Newspaper article "Alianța PSD-PD pentru vile și terenuri", *Cotidianul*, Feb 15, 2006. http://www.cotidianul.ro/alianta_psd_pd_pentru_vile_si_terenuri-8234.html

and moderate real estate pressure, the performance differences are so visible: see Buzău vs. Ialomița.

If we are to summarize, the three biggest problems signaled locally, in Prefecture committees and the city hall alike and are linked to the legislative methods and the central administration's implementation of the restitution process.

a. Flexible and inaccurate legal framework.

- The attributions of each level ruled in Law no. 10/2001 changed by amendment in an improper moment (in 2005) immediately after the period of maximum effort 2003-2005 when the local administration took over the files and learned to apply procedures. Local committees which used to do the evaluation and propose compensation sums, lost their function in favor of the new National Agency (ANRP) which has its own network of real estate evaluators at the national level. Files are assigned arbitrarily in order to avoid maneuvers or local arrangements. In theory, the system might be a good one but in practice it only led to more delays and evaluations made by phone from Bucharest (or from other parts of the country) by people who do not know the local real estate market and finally use the help of the local commission. Still, there is no clear idea on what the best method would be in small cities in Ardeal - where there are many claims but the real estate market is not liquid enough to allow an easy property evaluation.
- The problem is very important as Law 10/2001 was amended in 2005 in another important provision: the value estimation of the property that cannot be returned is made at the current market value. Before that, authorities used an accounting methodology, with objective criteria that would decide the final compensation sum. In principle the new provision leans in the favor of the owner because in the implementation norms, their properties were underestimated in comparison to the current market. Thus, in 2005, local Committees used to set up the file and perform an evaluation based on the legal methodology with coefficients and finally send a compensation proposal to the center. As of 2005, local committees only set up the files in order to establish whether the petitioner is eligible or not. In this case, the evaluation is made by certified evaluators of ANRP through a separate procedure, depending on the market value. Despite the mentioned practical difficulties, there is a paradox: even though the introduction of independent evaluators across the country kept total costs under control, the new market value system caused the opposite effect, placing the Proprietatea Fund in a position of not knowing in what way or if the Fund is able to honor all costs. Thus, compensations decided by ANRP evaluators are higher than those previously proposed by local committees. Nonetheless, the system was created precisely to control local public servants from offering exaggerated compensation.
- This attribution and method change operated in 2005 introduced two new major inefficiencies: (i) all the work done in two years by local committees was declared void and all files re-evaluated, in a system that actually works slower; (ii) due to the passing of time, the market value of the building grew and thus the sums that would have been probably accepted by the people as compensation in 2005-2006, raised a lot more. And they continue to rise, as the process slows down, because the pace of the evaluators does not keep up with the fast evolution of prices. There are situations in which the second evaluation is exceeded if ANRP delays the approval of a file (with one year or even more). For example, of the 50 files solved in Alba Iulia until 2005 and sent to Bucharest with proposals of compensation sums, three files returned with a modified sum. Even so, it is not clear how many files were checked by 2007 or what is their status; the public servants of the local committee think that the files did not get to be re-evaluated.
- On the other hand, the costs of the state (in this case of the Proprietatea Fund) represent an increase in the sums of the petitioners. So, the fact that compensation sums increase to the real value of the market, does not make it a bad policy. The main problem is that the whole system should work more efficiently;

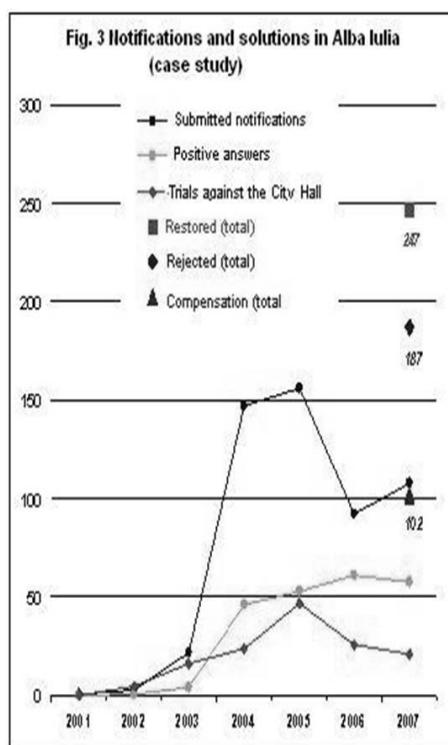
and a compromise be made between the compensation need of former owners and the interests of the tax payers that have to support them economically.

- Often, judges accepted the restitution of parks in public areas, causing dissatisfaction with the system and protests from environmental institutions. These problems occurred also because of the deficient legislative framework and/or lack of local administrative capacity: in many cases, including Bucharest, the public domain inventory and public utility goods did not finish and the Environment ministry did not publish the regulations for green areas. So, City Hall representatives could not prove before the court that the claimed land should not be returned.
- Last, the lack of deadlines to fill up the files with the necessary documents, once the notification is submitted, puts on hold a great number of properties. Thus, city halls cannot have a clear estimation of the final volume of land returned nor can they invest public money: land cannot be expropriated until their status is cleared.

b. Divergence between Law no. 10 and its implementation regulations

- Implementation regulations of Law no. 10 delayed for two years (instead of 30 days) which explains the complete loss of years 2001 and 2002 when in Alba Iulia only 4 requests were received out of a total of 574; the same was true for 2003 when only 22 requests were received (see Figure 3); the trend in other cities was about the same - but regulations modified the text of the law illegally, creating serious problems. For example, regulations excluded from the restitution process, those cases that were under Decree 223/1974¹³, even though Law 10 did not exclude them explicitly. Local Committees were compelled to apply the regulations. In turn, petitioners would sue the city hall and win in court based on the law. City Halls pay damages and waste time due to the imprecision of the central legislator. This is how one can

explain, in Alba county, the great number of files initially rejected by local Committees (over 40%) and the great number of cases filed against the city hall. The situation of former Romanian citizens who emigrated under Communism is a complex issue and raises many ethical problems at local level (see the last section).



- Another provision of the regulations was that original documents remitted abroad and annexed to the file needed to have a mandatory apostil, according to treaties. However, in court cases against the Committees, the court ruled that foreign documents without an apostil are eligible and thus the public administration paid the costs once again. The estimation is that some 20-25% of the 150 cases against, let's say, Alba Iulia's city hall, are based on Law no.10 and have as object the conflict between the law itself and its implementation

¹³ As citizens emigrated their properties were confiscated in exchange for compensation.

regulations: in general, the regulations illegally added provisions to the law but even though the Committee discovered it and issued notifications, the Committee could not disobey the norms and thus ended up dealing with many more court cases. The problem of foreign citizens and the documents remitted abroad is very relevant in certain areas of the country, like Transylvania, due to the high emigration rate in the Communist period (German and Jew communities). In Alba, estimations show that 10-15% of notifications under Law no. 10 were submitted by foreign citizens, or those with double citizenship.

c. Lack of central coordination and unified implementation

There are many clues signaling a bad functioning of the system even when it comes to simple matters, not just the big dilemmas just mentioned. There is a common shared opinion at the local level that ANRP functions pretty slow. Files sent to Bucharest years ago return because meanwhile, the petitioner's ID expired (even though the copy exists in the file) and the local authority is compelled to contact the people for such trivial matters which lead to other delays. The situation is even worse if the petitioner dies in the meanwhile because the heir needs to submit another file. Most often, there are situations in which the Committee receives supplementary information requests (detailed plans, technical description of the building) that exceed the requests in regulations and thus it is not clear who is entitled to produce the information: owners, ANRP evaluators when visiting the territory or the Committee. In such cases, public servants themselves search in Archives and look for the documents because notifying owners would only lead to more delays, scandals and basically the same time lost in explaining what and where to look for the information.

- Finally, repeated deadline delays to submit requests and fill up files, through amendments to the law created administrative confusion and turned the working calendar upside down (overlapping rights, relatives who submitted requests in the second term etc). Some city

halls which wanted to treat the process in a rational and transparent way set up an inventory of property after the first wave of requests (2003-2004) in order to know what they can return in nature or what lands are left for compensations. However, those city halls were the ones to feel the consequences of the flexibility and indecision from the center because they made promises to people which they could not keep. Thus, those who hoped for opacity and delays of the process were the only winners as Bucharest legislators voted ambiguous and contradictory provisions.

- The most frequent complaint from the local level is that both the Agency (ANRP) and the National Committee assisting as a permanent secretariat are slow and passive. The National Committee was set up in 2001 and the main complaint is that central authorities do not pick up their phones (complaint coming both from the city hall committee and that of the Prefect), they delay the files and sometimes return the cases for insignificant changes. At the level of the local Committee in Alba Iulia, so far 20% of the files sent back (the number includes the files comprising IDs that expired while at ANRP) were set up before 2005. In comparison, the Prefect did not return any files because the two institutions communicated and the files are solved in collaboration. In most of the cases the center requests the necessary additional information due to the law amendments voted in 2005 or supplementary data that exceed the regulations of the law. However, without this information ANRP evaluators find it difficult to evaluate the properties.
- Just as important is the observation signaled by several public servants that a major failure of the National Committee (and after 2005, of ANRP) is that it could not coordinate the implementation stage even though this was an explicit attribution of the National Committee, ruled in Law no. 10. It seems that the responsibility of delaying regulations by two years is to be found at this level. Plus, after setting up the regulations, the Committee did not attempt to clarify and unify the regulations with Law no. 10 in the territory: instructions or terminologies regarding the sets of

documents; instructions on consulting and maintaining transparency within Local Committees; cooperation agreements with Archives and the Land Registry Office and Real Estate Publicity (central institutions) to facilitate systematic access of petitioners on Law no. 10; etc. In Ardeal, the main problem was to obtain data from the Archives; in other counties, the main problem was to get data from the land registry due to the known system differences: in Ardeal and Banat there is a well organized and inherited system of land ownership.

- A strange problem, also created by the national legislators is that, if a former owner finds the land occupied by a commercial company, two situations arise: (i) if the company is 100% private, its file is taken by AVAS; (ii) if the state owns a minor part in such a company (there are plenty, including formal central or local agencies where public authorities sold part of their shares) then the notification is guided to the administrative council of the company. According to the law, the company needs to compensate the former owner if the value of the state's participation in the company covers the value of the compensation. Here, things clearly reach a dead end because such accounting reports are hard to be completed if the company does not agree with them. State representatives in the council are in minority so they cannot impose compensation and the majority of shareholders have no interest or any reason to willingly give up some of their assets or offer compensations. They rightfully consider that it is the obligation of the state to compensate former owners. After an estimation of the Prefecture's committee, there are 20-30 such cases pending in each county but things are still confusing because these are not included in the local authorities' statistical data, which do not have attributions in the area.

d. Lack of ability at the local level to deal with complicated property problems

- A chronic problem in Bucharest and other big cities is the lack of an inventory of public domains. Because it is missing, local decision makers do not know what they actually own and what is the utility of the lands. This in turn translates into their reluctance to accelerate the restitution process. The chances of a final list of public property are slim, and a solution to be taken into account (nevertheless complicated) is to externalize the inventory, in a transparent way, by a public tender.
- In a similar way, most of the big cities do not hold land on reserve which makes restitution almost impossible. A possible solution to this would be to acquire brownfields with all utilities needed and then sold at a higher price. However, there is another problem here related to the property of lands that were privatized in the same time as the state's companies. A big part of this land is requested by former owners and thus few have a clear judicial status.

6. Romania at the European Court of Human Rights (ECHR)

The contentious on nationalized houses represents a big part of the court's decisions against Romania and the problems it stirred up are diverse: failure to apply a court order¹⁴; the interpretation and implementation of the judged authority¹⁵; dismissal of the restitution request introduced by one co-owner¹⁶, etc. Among these particular problems, resulted from the circumstances of a case, there are three big groups of causes that underline general system's problems in dealing with nationalized houses:

- Recourses in annulment (some 50 causes)¹⁷;
- Sale of the houses to the tenants (almost 85 causes);
- Extension of rent contracts (some 6 causes)¹⁸.

¹⁴ Matache vs. Romania, October 19, 2006.

¹⁵ Lungoci vs. Romania, January 26, 2006.

¹⁶ Lupas vs. Romania, December 14, 2006.

¹⁷ It is important to underline here that in many cases like Brumărescu, there is the claim that national courts are not competent to analyze restitution requests.

¹⁸ These are estimated numbers in order to have a general perspective of the seriousness of the problem; the number of cases ECHR is assaulted with is in reality much bigger but not all cases have been solved yet. For example, there are some 100 cases like Străin/Păduraru were reported to the Government in one day, in 2007.

Regarding the causes which dealt with the restitution of some nationalized goods, both against Romania and against other states, ECHR established and applied several principles¹⁹ :

- a) *There is no restitution obligation*: in the first place, as a general policy, the Court considered that article 1 of Protocol no. 1 does not compel states to return nationalized goods before the convention enters into force. Moreover, the same disposition does not constrain the liberty of the states in neither way to determine the extent of the application of laws that they can adopt regarding the restitution process and in choosing the conditions in which it does so.
- b) Property deprivation is an ad hoc act and does not create a continuous situation of "right deprivation". This principle basically means that ECHR does not have the authority to analyze original property deprivation, from the '50s. Thus, in the case *Costandache vs. Romania*, the plaintiff contacted the Court with a request proving that in 1950, the Communist state nationalized a building in Iasi and internal Courts refused to return the building arguing that it was no longer in the state's property, since it was sold as early as 1956. The petitioner argued that the refusal of the state is a breach of their property right since the house was confiscated.

The court understood that the nationalization took place in 1950, that is before June 20, 1994 when the Convention came into force for Romania. The Court had no authority to examine the circumstances of the confiscation or its effects. Therefore, the decision rules that in this case, it is not a continuous breach of the Convention and is susceptible to impact the temporal limits of the Court's competency.

- c) The creation of new "goods", considering latter proceedings: If, after the Convention comes into

force, the state adopts a legislation that raises a restitution right, this new law could create a new "good" in the complainant's patrimony, that can benefit from the protection of the Convention. In the Romanian cases so far, this new good resulted from final and mandatory court orders that compelled the state to return the good in nature²⁰ . Or, the new good could result from court orders recognizing the illegal character of the nationalization with an intrinsic consequence of maintaining the property right in the patrimony of the complainant even if, eventually, the restitution action was rejected²¹ and of the administrative decisions based on law 112/1995²² ruling the restitution of the building. By applying these principles, the Court rejected many requests made by complainants who only signalled the 1950 nationalization without enjoying a recognition of their ownership status through court orders or administrative decisions remitted before the Convention came into force. Next, we will focus on paradigmatic cases, emphasizing a general problem regarding the system as a whole.

1. Recourses in annulment and the competency of the courts to analyze the nationalization problem (*Brumărescu vs. Romania*)

The parents of the complainant built a house in Bucharest in 1930 which was nationalized based on Decree nr. 92/1950. In 1994, the request to restore the ownership rights submitted by the complainant against the state was admitted and the courts' decision, final and mandatory, was to restore the ownership rights of the complainant. After the execution of the order, the General Attorney promoted recourse in annulment against the restitution decision. In March 1, 1995, according to Decision no. 1/1995 of the United Sections of the Supreme Court of Justice, the Supreme Court voided the 1993 decision and rejected the action of the complainant, arguing that the court exceeded its judicial competency because the restitution process could only be done by the amendment of the annexed list to the Decree 92/1950. In other

¹⁹ For a systematic perspective, see the decision of the Great Chamber in the case *Kopecky vs. Slovakia*.

²⁰ For example, in the case *Păduraru vs. Romania*, the complainant won the case, after which the state sold some apartments in the building. For these apartments, sold after the owner won the case, the complainant had "a good" in the sense of the Convention. Moreover, in the case *Brumărescu vs. Romania* and the rest of similar cases, complainants would benefit of final and mandatory court orders in which their ownership rights were recognized.

²¹ For example, in the case *Străin vs. Romania*, the court's decision admitted explicitly that the building with several apartments was nationalized illegally and the complainant pertained his ownership rights; one of the apartments, however, was sold to former tenants and for this case, the action was rejected; but, for the court, the express acknowledgement of the ownership right was enough to recognize the complainant's right to a "good" in the sense of the Convention.

²² See *Manoilescu and Dobrescu vs. Romania*, a decision of non-eligibility of March 3, 2005.

words, the court could only rule in favor of the complainant if the nationalization decree would be modified²³.

Complainant Dan Brumărescu invoked at ECHR the breach of article 1, of Protocol no. 1 and of article 6 of the Convention. After the Court admitted that the complainant was the owner of a good based on a final and mandatory court decision, ECHR rule that the Romanian states should be held accountable for the extraordinary annulment, as Romania's Supreme Court breached the judicial security principle. As a consequence, both article 6 and 1 of the Convention were breached. After this case, the Court ruled another 50 decisions in almost identical cases. Once the principles were established, these were applied in other cases as well where the problem that generated the extraordinary measure of attack was not the court's lack of competency in dealing with such cases (as the one in the Brumărescu case or other identical ones) but other problems of law: breaching the law or the lack of a proper defense of the law in the trial²⁴.

2. Selling houses to tenants (cases like Străin/Păduraru)

The main characteristic of this type of cases is that, even though in the internal law the quality of the complainant as owner is recognized, explicitly or implicitly through court orders the owner cannot receive the house that was sold to the tenants based on law no. 112/1995. Thus, in the case Păduraru against Romania²⁵ the complainant won a restitution action against the state, in which he requested his building, including a land and buildings with apartments. The state sold a part of the apartments to the tenants in the houses, based on law 112/1995. However, a part was sold before the action in justice was introduced but a part was introduced only after the trial ended. The complainant attempted to receive a court order that would void the selling contracts but his requests were rejected on grounds that he did not prove the ill will of the tenants. The analysis of the Court dif-

fers depending on the time when each building was sold. Regarding the apartments sold after the case was won, the Court ruled that this was not included in law no. 112/1995 because the law only ruled the sale of apartments that were owned by the state. For the apartments sold before the trial, the Court retains the ownership right of the complainant acknowledged previously - with retroactive effect - and rules that the apartments were a "good" in the sense of the Convention.

After a detailed analysis of the chaotic situation in the internal law regarding nationalized houses in general, since 1995 up to the decision making process, the Court reached the conclusion that the Romanian state did not rule with sufficient coherence on the matter, creating, through its actions or administrative, legislative or judicial omissions a climate of uncertainty and confusion for the citizens. The Court's decision ruled that this climate affects the judicial security and trust in the rule of law. The same incoherence manifested in a case where the complainant was deprived of his rightful ownership. In the case Strain and others vs. Romania, one of the apartments of the nationalized building was sold by the state during the trial. Even though the internal court acknowledged that the nationalization of the building was illegal and declared that the complainant is the rightful owner, the court refused to dispose the restitution of the sold apartment. The Court ruled that internal courts admitted the owner status of the complainants, a right that did not seem revocable and thus was protected by the Convention as "a good". Assuming that the transaction was a provision of the internal law, the Court considered that it was not proportional, given the disparities within the law²⁶ and did not establish the compensation of the owner in such cases considering that at the moment, law no. 247/2005 did not come into force. After law no. 247/2005 came into force, the Court pronounced on the lack of efficiency of the compensation mechanism. Thus, in the case Porteanu vs. Romania, the Court rules the case arguing that the mechanism put forward by law 247/2005 even

²³ The cause underlines the dispute that existed in the internal law regulations regarding the competence of courts to rule on the legality of the state's confiscation of some goods during the Communist regime in Romania. There were three distinct periods: before 1995 courts considered that they were competent in this sense, between 1995-1998, after the practice of the Supreme Court changed courts decided that they are not competent and after 1998, due to a Supreme Court decision, the courts decided they have competency in the field.

²⁴ Androne vs. Romania, June 6, 2005, published in Romania's Official Journal, Part I, no. 875/September 29, 2005.

²⁵ Păduraru vs. Romania, December 1, 2005, published in Romania's Official Journal, Part I, no. 514, of June 14, 2006.

²⁶ See also, par. 54 where the Court rules that no internal law provision does not clarify, beyond doubt, the consequences in cases when the state sells the property rights of a private individual to a third party.

though it seemed to function, did not produce any effect in the case of the complainant who did not receive any compensation. In other cases the Court ruled that the Proprietatea Fund does not function good enough to offer effective compensation. Moreover, not even law no. 10/2001 nor law 247/2005 take into account the prejudice suffered by people that were deprived of their goods and did not receive compensation²⁷. These types of solutions continue to be ruled by the Court without being influenced by the legislative amendments on the compensation mechanism.²⁸

3. Extension of rental contracts for the state's tenants

In these types of cases, less numerous, there is no pattern for solutions, and thus judges appeal to the circumstances of the cases. In *Radovici and Stănescu, Popescu and Toader or Spanoche*, breaching the right to "a good" meant that, due to the unclear regulation and the implementation methods used to apply some provisions of the emergency ordinance 40/1999, the complainants, former owners, could not compel tenants to sign a rental contract with them. Other similar cases are *Arsenovici and Tarik* in which law no. 17/1994 allowed tenants to continue living in the same houses in the same conditions as before, even though the buildings were returned to their rightful owners. Thus, their contractual obligations remained the same and so did the rent, despite the inflation rates which skyrocketed in that period.²⁹ In the case *Burzo vs. Romania*, the complainant was compelled to close a rental contract, after he received the building, with the former tenants of the state but his evacuation actions were rejected without a reason and the rent (1,35 euro/month) was insufficient to maintain the building which deteriorated and needed to be demolished.³⁰

A different situation already existed in the case *Cleja and Mihalcea vs. Romania*: the complainants could not obtain the permission to evacuate the tenants in another apartment the owners were offering because national courts considered that the surface of the apartment did not comply to

the provisions of the law and the apartment was owned by a third party. The court observed that the third party submitted an authentic declaration expressing his will to offer the apartment for the tenants and the surface of the apartment complied with the law, with the exception of a hallway that was 0.25 sq. meters smaller than the surface stipulated by the law. After it showed that the requirements of the law regarding the quality of apartments to be offered at the disposal of the tenants were too high and the owners could not fulfill the conditions, the Court ruled in favor of the complainants. The variety of solutions makes us believe that, in the future, the Court will condemn the Romanian government for breaching the right to goods in such cases.

There are several important problems that will most surely be the object of several ECHR decisions in the future and thus Romanian authorities need to be ready to deal with them.

a) Admission of the restitution action introduced after law no. 10/2001 came into force

This problem is highly debated currently, after the High Court of Justice ruled the solution. As mentioned above, one of the problems in the *Brumarescu* case was that courts could not judge restitution processes. After law no. 10/2001 came into force, the same deadlock was reached because, as the High Court shows, this law should prevail over the general procedure of the restitution process.

However, we believe that in some cases this deadlock could lead to serious problems in the Convention. Without denying the general interest of the special law to prevail over the general law, we consider that this could only be implemented if the procedure of the special law is effective. Namely, in the case that it will lead to the same results as the procedures of the general law. In other words, within the restitution process, the former owner could obtain the good in nature after ownership titles are compared, where the oldest title prevails; thus, the former owner would have a real chance of winning the case. The new law (no. 10/2001) and its procedure does not allow the

²⁷ For example, *Radu vs. Romania*, July 20, 2006; *Rabinovici vs. Romania*, July 20 2006; *Negoitã vs Romania*, January 25, 2007.

²⁸ For last solutions proposed, see *Stan and Rosenberger vs. Romãniei*, July 17, 2008; *Albu vs Romania*, June 17, 2008; *Nistorescu vs. Romania*, June 17, 2008; *Stoicuța vs. Romania*, June 3, 2008.

²⁹ *Arsenovici vs. Romania*, February 7, 2008; *Tarik vs. Romania*, February 7, 2008.

³⁰ *Burzo vs. Romania*, March 4, 2008.

restitution of the goods sold to tenants and thus the special law does not lead to the same result. What is more, the compensation mechanism of law no. 10/2001 is considered inefficient by the Court. Thus, the methods stipulated under law 10/2001 cannot be conducive to an equivalent result with the restitution process (when the same building is returned to the former owner). Presuming that the "former owner" solicited the annulment of the rental contract, one can observe that the action is not the same as the restitution process because the comparison of ownership titles (a relatively simple operation) was replaced by a complex analysis of the situation that has an unpredictable result due to the discrepancies in the judicial practice. A rather simple operation, with predictable results is replaced by a complex and unpredictable mechanism.

In conclusion, we believe that the procedure ruled under law 10/2001 is not, in some cases, equal in effects and predictability as that used in restitution processes because it cannot lead to a per se restitution of goods. Moreover, the compensation mechanism is not efficient enough and the procedure can be complicated and unpredictable. These criteria cannot be generalized, as their results depend upon specific circumstances of the case.

b) Failure to pay effective compensation as provided by law no. 10/2001

The situation we consider is that of individuals who launched the procedures stipulated under law no. 10/2001 or those who did not receive an answer to their request or obtained administrative or judicial rulings that recognize their ownership rights and compensation level but did not receive compensation. In such cases, a parallel can be drawn from the *Broniowski vs. Poland* case.³¹ In this case, the complainant, heir of a person repatriated from the territories belonging to Poland before the second World War had every right, according to the law, to a compensation from the state for the abandoned goods beyond the border ("beyond Bug", in the Soviet Union). Polish law rules that the value of the abandoned goods needs to be deducted from the price at which the state would have sold the agricultural land to the owner. The compensation right was pretty vague, depending upon the existence of an

administrative decision that would allocate the land to the owner. However, this was present in the Polish system and the state was bound to respect it. The complainant requested compensation in 1992. Various administrative practices and legislative amendments blocked the "recognition" of the complainant's rights. However, in 2003 a new law dismissed the right of the complainant. The Court considered that the state has the obligation to guarantee the legal and practical conditions of the rule of law but Polish authorities imposed successive limitations of this particular right and actually ended up transforming it in an illusory and non-executable right. The confusion of the complainant due to the delays and obstructive manners of the responsible authorities was incompatible with the right to respect the goods of an individual. There is a parallel between this case and that of Romanian complainants: there are elements that lead to a state of confusion ever since they submitted the necessary documents until now, when their right transformed from an executable to an illusory one. This parallel cannot be applied in all cases or in any conditions, but a request submitted in 2001 and unsolved in 2008 could raise serious questions.

c) Tenants - buyers at ECHR

Until now, there is no decision against Romania in which the Court analyzed the case of a tenant that bought a nationalized building and was evacuated after the restitution process was won by the former owner. Even so, these types of problems have a direct connection with nationalized houses; sooner or later, they will be reflected in the jurisprudence of ECHR, as there are several cases on this matter in progress. Moreover, it is important to underline that such decisions exist against other states.³²

Considering the principles established in these decisions, one could argue that, in some cases, the problem of tenants who bought the nationalized buildings and got evicted could be a serious subject of reflection. Thus, there is a serious problem when the purchase contract was not declared void, because the tenant was considered of good faith. However, the court admitted the contract in the restitution process and the tenant was evicted without receiving any compensation. Other cases that have even slighter chances are

³¹ *Broniowski vs. Poland*, din 22 iunie 2004.

³² See for example *Pincova and Pinc vs. the Czech Republic*, November 5 2002; *Velikovi vs. Bulgaria*, March 15, 2007.

those where the contract was declared void, due to the ill will of the tenant (who was notified not to buy the apartment) but in this case, the tenant received a compensatory sum (in accordance with the market price).

As one can notice, the omissions present in the decision-making of the restitution process in Romania during the first decade of transition have every chance to produce important and long-term effects. Romanian political leaders live with the illusion that they can legislate disregarding any principles and general law related norms. Also, the lack of administrative capacity and the discrepancies in the implementation processes have every chance of generating ECHR decisions that would oblige Romania to pay important compensatory damages.

7. Conclusions: principles, redistribution and social costs

After two decades of disputes and several constantly amended laws, one can draw some knowledge-based conclusions on the restitution of properties in Romania. There are several dilemmas that have not been recognized from the very beginning which cause some fundamental errors that either delayed the procedures or created inefficiency and major supplementary inequities.

- The fact that there was no clear decision at the beginning of the process, like in other countries in the region, generated confusion, complications and overlapping property rights. Ideally, land restitutions should have been correlated in some way with the land registry office because there were several points where the processes overlapped. In general, the biggest error was that the process delayed as it was legislated step by step, at various points. The best solution would have been to have a clear cut decision at some point, even if on the legal edge or even a more restrictive one, in terms of restitution conditions.
- The second major error was law no. 112/1995 that allowed the sale of nationalized houses to the tenants. As a local committee public servant declared, "maybe former owners would not be so frustrated with law 10 if their houses would have not been confiscated before". All those

interviewed, representatives of local or central authorities proposed alternative measures to the best methods to solve the restitution problem. They ground their solutions on the last 10 years and all conclude that law 112/1995 should have not existed. Most often, public servants argue that houses should have been returned in full to former owners even if when rental contracts were signed for 10-15 years. Houses that would not have been requested (seems that there are enough) could form a special fund that would solve the temporary problems of evacuated tenants.

- There were many situations when Law 10, meant to address injustices in the past, generated new ones. The cases which involved foreign citizens (former Romanians) whose houses were confiscated by Decree 223/1974³³ are complex and diverse. By the way the decree was implemented at the time; most confiscations were actually forced evacuations. But, in other cases, reasonable compensation was paid. Moreover, those evacuated receive compensation from the state they moved to, due to existent international agreements. Today, through the provisions of law 10, those who received compensation from foreign countries, based on the international agreements, are not eligible to request their house in Romania but local authorities find themselves in the impossibility to check. Of the 2,275 requests in Alba, for example, there was only one case admitting (by mistake probably) that the petitioner received compensation from a foreign state: a German citizen, whose file was ruled not eligible. In reality, it is possible that there are more similar cases.
- Another problem, even more important, is that of buildings which are returned twice: once to the rightful owners confiscated after 1949; and the second time, to those living in the houses in the 80s, with a right to live there but without property rights, who were evacuated when the buildings were demolished due to public utility works. There is a long list of such cases in various counties. After evacuation, those living in the houses received apartments and compensation of 50,000-80,000 Romanian Ron, at the value of the market in the 80s. In the initial ver-

³³ Citizens leaving abroad, legally or not, would not come back.

sion of law 10, these "quasi-owners" in the 70's and 80's were not eligible for the restitution process but they soon became through several amendments introduced in 2005. Thus, due to faith, they keep the apartments offered by the state at small prices in 1990-1991 and have also the right to request compensation for the old houses based on law 10. Members of the Committees consider that from the value of the ruled compensation, authorities should deduct the sums already received by the Communist regime, updated to the current market value. This solution would be equitable and would reduce the pressures of the Proprietatea Fund for compensation in cash. They argue that these solutions would not be complete, because there are detailed cases on the expropriations in the 80's and compensations paid.

- Finally, there is a strong feeling shared by those working in law 10 committees that the law should limit somehow the area and volume of compensation: (i) to those affected and their direct heirs, children or nephews excluding relatives; (ii) by limiting the ceiling of the sum offered as compensation.
- It is the last point that raises serious concerns: according to a 2004 estimation, the total volume of compensation for those who could not receive their initially owned buildings, would amount to four times more of the Romania's GDP thus basically at some 240 billion euro. If the estimation is real, it is not entirely sure who and how will be able to pay this sum.

It is clear that the Proprietatea Fund, once it will become fully functional, will not be able to cover the whole sum. In general, such an open commitment based on the national budget, before having an estimation of the actual costs, represents a big public policy problem. The presented combination of factors: (i) law 112, that blocked the reduction of debts by returning valuable buildings and (ii) procedures introduced in 2005 ruling that compensation should be leveled to the market value create today a situation that will be hard to deal with, no matter what judicial decisions rule.

It is possible that, realizing the impact of the problem created, central authorities could man-

age to delay case decisions until after the government is changed. In the same time, however, the restitution process should truly become a priority for the state considering that the uncertain status of property rights infringes development. Important urban infrastructure projects that could be funded through European projects cannot be implemented because the terrains have uncertain judicial status. Thus, the need of consensus that would accelerate the process is imperative. Without a property resource allocation, the restitution process could continue for decades. Just as large administrative projects such as the pension recalculation were solved in a reasonable period, the restitution process, through political consensus, can end in several years.

THE HOTTEST COMODITY

HOW EMIGRANTS CAN BE A COUNTRY'S MOST VALUABLE RESOURCE

Andrei Postelnicu*

Abstract:

We eat more food, burn more energy and build more things than we ever have. This scarcity of resources unfolds against a backdrop of seemingly countless bouts of extreme weather on every continent placing unprecedented strain on affected communities, as well as ongoing threats to the security and stability of nations placing unprecedented strain on governments required to meet those threats.

Keywords:

emigrants, brain drain, European Union, Taiwan, India, OECD

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I. TWICE THE PRESENTS, HALF THE SANTA - INTRODUCTION

The picture of the world today is, broadly speaking, of limited resources meeting ever more numerous and more complex challenges. Moreover, these challenges and risks are almost always inter-related: there is increased scientific evidence that the incidence of extreme weather is related to man-made environmental damage, such as that created by the same rapid economic expansion which in turn fuels the rise in raw-materials and energy prices; food shortages and high food prices in developing regions of the world can, and often do, generate socio-political unrest, and so on. In other words, the vast majority of challenges faced by any country or company can best be tackled effectively without a multi-faceted, inter-disciplinary approach that takes into account secondary, alongside primary or "headline" effects.

In this context, another resource facing increasing demand is the human ingenuity to make the most out of every limited resource, to invent ever more creative ways to solve problems. It is this resource, and the efforts made by countries around the world to accumulate more of it, that is the focus of this paper.

Of the global pool of skilled labour, this paper focuses on return migrants, or those workers who opted to leave their country and later on returned, in a position to employ the skills, knowledge and capital acquired abroad back home again. For the sake of clarity and owing to the complexities of the global migration phenomenon and the varieties of motivations fuelling migrant flows across borders, this paper will dwell mainly on one of the four types of return migration identified by Cerase

as early as 1974⁵ - the return of innovation: "In this case, the immigrant sees in his return home the possibility of a greater satisfaction of his needs and aspirations. [...] In order to realise them, he is prepared to make use of all the means and new skills he has acquired during his migratory experience."⁶

This paper addresses the question of so-called "feedback loops"⁷ between return migration and a country's degree of development as evident in its socio-economic policies and soundness of democratic political institutions. The questions at the heart of this article are: Is the return of former emigrants and their transfer of skills acquired abroad a deliberate result of specific policies? If yes, can they be replicated? If no, can the result be attained through policy? Should countries adopt policies that pro-actively seek to encourage the return home of former emigrants and seek to use those flows as an instrument of development? Based on the experience of other countries, what policies will be most effective in attaining this goal?

Countries' need for skilled labour stems from well-documented economic considerations, but also from socio-political ones. As noted by David and Foray, the discrepancy in the productivity and growth of countries in recent times has less to do with the abundance or shortage of natural resources than with the capacity to..."create new knowledge and ideas and incorporate them in equipment and people"⁸. The same point was made by Kelo and Wächter in a study on migration in the European Union following its enlargement. They noted that in a framework of so-called knowledge economies, "the economic future of Europe, as that of any other region or country in the world, will critically hinge on its ability to produce sufficient numbers of highly skilled people, but also to retain them, and to attract further ones from other coun-

¹ US Climate Change Science Program, "Weather and Climate Extremes in a Changing Climate", US Climate Change Science Program <http://www.climatechange.gov/Library/sap/sap3-3/final-report/default.htm> [accessed June 23rd 2008].

² Streifeld & Mouawad.

³ Hoyos, Carola. "China Fuel Price Rise Is No Quick Fix." Financial Times 20th June (2008). http://www.ft.com/cms/s/0/d85c5bae-3e67-11dd-b16d-0000779fd2ac.dwp_uuid=f2b40164-cfea-11dc-9309-0000779fd2ac.html [accessed 21st June 2008].

⁴ Hoyos, Carola and Javier Blas. "Security Fears over Food and Fuel Crisis." Financial Times 20th June (2008). http://www.ft.com/cms/s/0/29cfff8c-3ef4-11dd-8fd9-0000779fd2ac.dwp_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html [accessed 21st June 2008].

⁵ Cerase, Francesco. "Expectations and Reality: A Case Study of Return Migration from the United States to Southern Italy." International Migration Review 8, no. 2 (1974), p. 251

⁶ Ibid

⁷ Feedback - When one variable in a system (e.g., increasing temperature) triggers changes in a second variable (e.g., cloud cover), which in turn ultimately affects the original variable (i.e., augmenting or diminishing the warming). A positive feedback intensifies the effect. A negative feedback reduces the effect." in Encyclopedia of Energy June 5, 2008; available from http://www.sciencedirect.com.ezproxy.library.tufts.edu/science?_ob=ArticleURL&_udi=B7GGD4CM9GC0-25&_user=201547&_fmt=full&_orig=&_cdi=20148&_docanchor=g0060&view=c&_acct=C000014058&_version=1&_urlVersion=0&_userid=201547&md5=d81c5d51ad0d7aa507a9d4645309fde2&refID=222#g0060

⁸ David, Paul A. and Dominique Foray. "Economic Fundamentals of the Knowledge Society." Policy Futures In Education. An e-Journal 1, no. 1 (2003)

tries" ⁹. Furthermore, Kapur and McHale point out that "vast differences in the soundness of ... institutional foundations" are increasingly recognised as a key factor behind "massive gaps" in the living standards of developed and developing countries ¹⁰. They add that people build institutions and that the most talented individuals in a position to help with this process are those in the highest demand from other countries before concluding that "the places that potential institutional builders are most likely to leave are those where institutional quality is worst" ¹¹. A country's ability to develop, retain and attract skilled workers or talent is therefore critical to its future development prospects.

This paper hypothesises that there are feedback loops between the return migration of skilled workers to their home countries and the policies undertaken in these countries to stimulate investment, economic and political development and generally improvements in the standard of living. This would suggest that migration policies aimed at persuading former emigrants to return, or at least at engaging them with the home country, could have a significant contribution to a country's advancement. Viewed in this context, migration policies directed towards engaging a developing country's former emigrants should become an integral part of its development strategies from both an economic and socio-political perspective.

II. THE MOTHER OF ALL SHORT-AGES - BACKGROUND

A mix of demographic and economic factors paints the picture of the magnitude of the global "war for talent" being waged both overtly and covertly by companies and countries.

Demographics are the driving force behind a worsening shortage of labour in all guises, be it skilled or unskilled. The Growth Report calculates that about 70 percent of the world's gross domestic product comes from societies that are ageing and

facing a deteriorating ratio between active and retired workers.

On a regional level, the Economist Intelligence Unit noted that the US alone was expected to face a shortfall of about 5.6 million workers by 2010 ¹², while Kelo and Wächter hone in on the shortage of workers in the "critical" science, engineering and information and communications technology fields, citing estimates that the EU will also be confronted with "a very serious shortfall in the order of magnitude of some 700,000 scientists in the not-too-distant future." ¹³ Meanwhile, India's National Association of Software and Service Companies, cited in The Economist, estimated the shortfall faced by Indian IT companies to reach 500,000 by 2010 ¹⁴, while Japan was estimating in 2001 that it would have to import a minimum of 30,000 high-technology personnel in the following five years ¹⁵. Overall, figures point to a widespread problem that has made itself felt irrespective of an economy's position on the map, degree of economic development or political orientation.

Like many, Kelo and Wächter point out that the "obvious remedy" to the scarcity of talent in the EU is by policies that stimulate the immigration of the highly skilled into developed economies. There is evidence of widespread efforts by developed countries to intensify their quest for skilled workers. Having ranked countries according to the potential of their current immigration policies to result in brain drain, or the flight of skilled workers from the developing to the developed world, Lowell also ranked them according to the potential of prospective policies to worsen this trend and transform it into what he calls brain strain - emigration of skilled personnel that causes hardship upon the sending countries. Lowell found that all of the 22 countries surveyed planned policies with brain strain potential ¹⁶. Furthermore, he found that countries whose current immigration policies had a relatively low risk of causing brain drain were adopting aggressive policies with a much higher risk of resulting in brain strain ¹⁷.

⁹ Kelo, Maria and Bernd Wächter. "Brain Drain and Brain Gain - Migration in the European Union after Enlargement." In *Braingain - the instruments*. The Hague: Nuffic, 2004, p.7.

¹⁰ Kapur, Devesh and John McHale. *Give Us Your Best and Brightest - the Global Hunt for Talent and Its Impact on the Developing World*. Washington DC: Center for Global Development, 2005, p 5

¹¹ Ibid

¹² Murray, Sarah. *Talent Wars - the Struggle for Tomorrow's Workforce*. London: Economist Intelligence Unit, 2008, p.4

¹³ Kelo and Wächter, p. 8

¹⁴ Economist, The. "The Battle for Brainpower - a Survey of Talent." *The Economist*, October 7th 2006, p.9

¹⁵ Devan, Janamitra and Parth S. Tewari. "Brains Abroad." *McKinsey Quarterly* 4, no. Emerging Markets (2001): 51-60, p.52.

¹⁶ Lowell, B. Lindsay. "High Skilled Mobility: Changes and Challenges." In *United Nations International Symposium on International Migration and Development*. Turin, 2006, p. 19

¹⁷ Ibid

When it comes to the incidence of skilled migration, empirical research has shown that skilled migration from developing countries tends to be higher the closer they are to the developed countries in the OECD, and also increases in small countries, those with a low average level of education and with a high degree of political instability¹⁸. The conclusion supports the idea that talented individuals tend to leave the countries that can least afford to lose them and that could gain the most by their presence at home.

Classical economic theory posits the migration of educated workers is not cause for concern because these workers take away from the home country only the marginal value that they earn anyway and because they earn a better return on their education than they would have done by staying home, thereby leading to a more efficient allocation of resources. The first of many challenges to this thesis came from a landmark study by Bhagwati and Hamada, who concluded that "the emigration of educated labour can easily lead to unfavourable effects on national income, per-capita income and the employment ... of educated and uneducated labour."¹⁹ These negative effects come primarily from distortions in the way wages are set for both educated and uneducated workers as a result of the emigration of skilled labour. Furthermore, they noted that the country these skilled workers are leaving fails to recoup its investment in their education and said compensation payments from the country benefitting from the skills of these workers will not erase the adverse effects of the emigration²⁰ which, in the view of other researchers, amounts to a subsidy of the growth of industrialised countries awarded by developing countries²¹.

It is noteworthy that Bhagwati and Hamada found some positive effects of skilled-labour migration, but they concluded these effects do not compensate for the negative ones and these findings were echoed by other studies from the same period²².

More recent research has shown that the

emigration of skilled workers can help the developing country they are leaving through a range so-called "incentive effect" that the perspective of emigration has on the native workforce. Thus Mountford finds that even the uncertain perspective of emigration can lead to increased productivity in an economy²³, and Beine et al conclude that emigration can cause workers to invest more in their own education²⁴. Stark et al find that workers staying home may accumulate more skills than they would have without the prospect of emigrating. However, Stark et al also note that the prospect of emigration increases the skills that are "taken along" by those workers for whom emigration becomes a certainty²⁵. In addition, Beine et al complement the conclusion that countries with already-low levels of human capital lose out from brain drain with the finding that economies with a high skills level experience gains from a higher level of brain drain²⁶. These two findings are qualified by the fact that the losses are outweighed by the gains in each respective category of country. Overall, they conclude that, while on an aggregate level, there is no empirical proof for the view that rich countries plunder poor ones of the most valuable human resources, some countries suffer more than others from the effects of skilled-labour migration. A common feature of all these studies is that the positive effects of the brain drain depend on the magnitude of the emigration flows.

The views on positive effects of the brain drain are not universally shared. Calling the school of thought outlined above "revisionist", Faini found scarce empirical support for sanguine views on the incentive effects of the brain drain, saying the results of his study "add to the concern that ... the process of globalisation may unduly penalise relatively poor countries [and] deprive them from one of the most powerful engines of growth."²⁷

Empirical literature on return migration, or the reversal of the brain drain back to the developing countries and transformation into "brain circulation", attempts to ascertain under what circum-

¹⁸ Docquier, Frédéric, Olivier Lohest and Abdeslam Marfouk. "Brain Drain in Developing Countries." University College London Discussion Papers 2007, no. 4 (2007).

¹⁹ Bhagwati, Jagdish and Koichi Hamada. "The Brain Drain, International Integration of Markets for Professionals and Unemployment: A Theoretical Analysis." *Journal of Development Economics* 1, no. June (1974), p. 34

²⁰ Ibid

²¹ Velikonja, Joseph. "Geography of Return Migration." In *The Politics of Return - International Return Migration in Europe*, edited by Kubat, Daniel. Rome: Centro di Studi Emigrazione, 1984, p.256

²² Stark, Oded, Christian Helmenstein and Alexia Prskawetz. "A Brain Gain with a Brain Drain." *Economic Letters* 55 (1997):227-234.

²³ Beine, Michel, Frédéric Docquier and Hilel Rapoport. "Brain Drain and Human Capital Formation in Developing Countries: Winners and Losers." *University College London Discussion Papers*, no. 26 (2006) p. 28

²⁴ Faini, Ricardo "Is the Brain Drain an Unmitigated Blessing?" *UNU-WIDER Discussion Paper*, no. 2003/64 (2003), p.12

stances do former emigrants return to their home country, which former emigrants choose to return and how many of them do so. Last, but not least, a key question is what activities return migrants engage upon returning.

Regarding the circumstances that influence return, Dunstman revealed that former emigrants' decision to return is influenced at the same time by the quality of life they can enjoy in either native or adoptive country, the difference in prices between the two economies and the opportunity to use at home, for a greater gain, skills acquired abroad ²⁸.

The proportion of migrants that choose to return after a stay abroad of a decade or two can be as high as 30 percent according to both Dustmann and Weiss ²⁹ and Borjas and Bratsberg ³⁰, who also delve into the "quality", or skill level of the returnees from the United States and note that the least successful of the skilled migrants tend to return, alongside the most successful of the unskilled ones.

Several studies contradict Borjas and Bratsberg, finding that returning migrants are among the most qualified. Batista et al focus on a survey take in the Cape Verde - the African country that has the highest proportion of its skilled workers living abroad - and find that returning migrants are among the most skilled ³¹, alongside real-life evidence of the "incentive effect" causing higher investment in skills motivated by the prospect of migration. Zucker and Darby find returnees being among the most successful and best educated ³², as do Gundel and Peters in research on Germany ³³, Dustmann and Weiss in the UK, as well as Luo and Wang in a study of Taiwan ³⁵.

The potential for migrant workers to provide a stimulus for development was identified in a policy memorandum elaborated by the OECD in 1977 observes that "return migration can be very advan-

tageous for the social and economic advancement of emigration countries ... [and] may endow the workers with qualifications tailored to the requirements of the national development process. Sometimes this may relate to tangible qualifications, sometimes this relates to intangible qualifications like the enrichment of some kind of development consciousness" ³⁶. The next section will examine in more detail the extent to which the reforming potential of returning migrant workers has been fulfilled.

III. YOU'RE BACK, NOW WHAT?

This section focuses exclusively on return migration and on the activities that returning migrants engage in, with the ultimate goal being to determine the potential for return migration to become a force of development. Before turning to skilled migration, the paper will review examples of return migration of relatively unskilled workers.

Starting with Cerase's 1974 study ³⁷ that coined the term of "return of innovation" only to find such scant evidence of it among former emigrants coming back to the south of Italy from the US, academic literature seems replete with examples of returning migrants whose promise of becoming a force of progress at home was never fulfilled. At almost the same time, the rich countries that were part of the OECD were cautioned that "only a small percentage of migrants return with better skills and training than they had previously... Even when an upgrading of skills and training is acquired abroad, it may not be what is needed" ³⁸.

A decade after Cerase, King et al find that "the majority of the empirical work carried out in Southern Italy, and indeed in southern European and Mediterranean countries as a whole, suggests

²⁸ Dustmann, Christian. "An Economic Analysis of Return Migration." University College London Discussion Paper no. 96-02 (1996).

²⁹ Dustmann, Christian and Yoram Weiss. "Return Migration: Theory and Empirical Evidence from the U.K." *British Journal of Industrial Relations* 45, no. 2 (2007): 236-256.

³⁰ Borjas, George and Bernt Bratsberg. "Who Leaves? The Outmigration of the Foreign-Born." *Review of Economics and Statistics* 78, no. 1 (1996): 165-176.

³¹ Batista, Cátia, Aitor Lacuesta and Pedro Vicente. "Brain Drain or Brain Gain: Evidence from an African Success Story." IZA Discussion Paper, no. 3035 (2007)

³² Zucker, Lynne G. and Michael R. Darby. "Star Scientists, Innovation and Regional and National Migration." NBER Working Paper, no. 13547 (2007).

³³ Gundel, Sebastian and Heiko Peters. "What Determines the Duration of Stay of Immigrants in Germany? Evidence from a Longitudinal Duration Analysis." SOEPpapers, no. 79 (2008).

³⁴ Dustmann, Christian and Yoram Weiss. "Return Migration: Theory and Empirical Evidence from the U.K." *British Journal of Industrial Relations* 45, no. 2 (2007): 236-256.

³⁵ Luo, Yu-Ling and Wei-Jen Wang. "High Skilled Migration and Chinese Taipei's Industrial Development." In *International Mobility of the Highly Skilled*. Paris: Organisation for Economic Co-Operation and Development, 2002.

³⁶ van Gendt, Rien and G. Carcia Passigli. *Return Migration and Reintegration Services*. Paris: Organisation for Economic Co-Operation and Development, 1977, p.16

³⁷ Cerase, Francesco. "Expectations and Reality: A Case Study of Return Migration from the United States to Southern Italy." *International Migration Review* 8, no. 2 (1974): 245-262.

³⁸ van Gendt p.15

that this development stimulus from return migration simply does not happen."³⁹ Similar conclusions were reached by researchers studying the phenomenon in Greece, Yugoslavia and Turkey.

It is tempting to succumb to pessimism and conclude that in practice, "the economic benefits of return migration are chimeric"⁴⁰, despite numerous reasons to hope for the contrary. According to Rogers, there are, however, at least three attacks⁴¹ mounted against the surveys and studies of return migration performed throughout the 60s, 70s and early 80s: inadequate analysis, inadequate sampling and inadequate evaluation. Rogers notes that an overwhelming number of studies focus on narrow areas, such as Italy's Mezzogiorno or a few villages in Spain's Andalucia, for example. In some cases the survey respondents aren't followed after they relocate elsewhere, so their eventual occupations or more general influence on their environment could not be recorded⁴². Last, but not least, Rogers questions the validity of normative judgments pertaining to the supposed role as stimuli for progress that return migrants should have had and did not have, proposing instead more "neutral questions" that would aim to gauge how the sending communities and migrants themselves would have fared in the absence of migration⁴³.

In this spirit, other researchers find evidence of significant, albeit isolated examples of development stemming from return migration. Ghosh noted that initial conflict between natives who stayed and returning migrants gave way to "modernisation and social change, especially in small towns and villages" in countries as diverse as Colombia, Mexico, Bangladesh, India, Pakistan, Sri Lanka, Greece and Turkey, as well as several unnamed East African countries and in Nigeria, where "migrants returning from Ghana introduced new crops and techniques that contributed to breaking social rigidities that inhibited social progress"⁴⁴. Ghosh also cites the example of a small town in Turkey that had experi-

enced sustained migration, where a company established by migrants and natives in the mid 80s grew steadily and registered sales of \$10 million and employ a staff of 300 by 1991. The case prompted Ghosh to note the multiplier effect on the community of such a venture, the fact that development is possible when returning migrants and locals join forces and also that such a success can lead to increased return migration and reduced, if not eliminated emigration⁴⁵.

Examples of successful return migration are nonetheless outnumbered by those of failure - if success is defined by the stimulus for development provided by returning migrants. Moreover, while critiques might dent the bite of such a wide-ranging chronicle of the failure of returning migrants to be engines of development, they do not dispense with the need to explain the cause of these failures from the perspective of public policy. Have these returning migrants received any support from policymakers? Were those policies adequate, nonexistent, or wrong?

Papademetriou⁴⁶ offers a review of policies in both sending countries whence the migrants came and to which they returned, as well as those of the receiving countries that "imported" them to start with. He thus notes that many European countries that benefitted from migrant labour had, by the early 80s, programmes aimed at assisting returning migrants with starting new businesses back home, often through training for such ventures. More often than not, these programmes yielded few noticeable results, suffered from insufficient funding, and few of the planned business ventures materialised. In addition, the sending countries provided little assistance to the migrants and when they did, "it was the exception, rather than the rule". According to Papademetriou, the failure of these programmes stemmed from the migrants' reticence to use their remittances for entrepreneurial goals, as well as the inability of their countries to

³⁹ King, Russell, Alan Strachan and Jill Mortimer. "Gästarbeiter Go Home: Return Migration and Economic Change in the Italian Mezzogiorno." In *Return Migration and Regional Economic Problems*, edited by King, Russell. London: Croom Helm, 1986, p. 40.

⁴⁰ King, Russell. "Generalisations from the History of Return Migration." In *Return Migration: Journey of Hope or Despair?*, edited by Ghosh, Bimal. Geneva: International Organisation for Migration, 2000, p. 27.

⁴¹ Rogers, Rosemarie. "Return Migration in Comparative Perspective." In *The Politics of Return - International Return Migration in Europe*, edited by Kubat, Daniel. Rome & New York: Centro di Studi Emigrazione & Center for Migration Studies, 1984, p.292-294.

⁴² Ibid p.293

⁴³ Ibid p.294

⁴⁴ Ghosh, Bimal. "Return Migration: Reshaping Policy Approaches." In *Return Migration: Journey of Hope or Despair?*, edited by Ghosh, Bimal. Geneva: International Organisation for Migration, 2000, p. 190

⁴⁵ Ibid p.191

⁴⁶ Papademetriou, Demetrios G. "Return in the Mediterranean Littoral: Policy Agendas." In *The Politics of Return - International Return Migration in Europe*, edited by Kubat, Daniel. Rome & New York: Centro di Studi Emigrazione & Center for Migration Studies, 1984, p. 258

adequately "guide and integrate" the policies into an effective plan. In addition, the developing countries appeared to view migration as "almost exclusively" a mechanism for generating hard currency reserves through remittances. On a deeper level, the failure of returning migrants to spur development can be linked to their countries apparent assumption that migration in itself would result in development without an elaborated development strategy built around, but not limited to, migration and its effects⁴⁷.

With few exceptions, the examples reviewed in this section show a limited potential for feedback loops between a country's development and the return migration of its unskilled workers in the absence of adequate policies. While the potential of return migration to be a force of change has been recognised, its power appears to have also been overestimated - it can only be attained by complementing other policies, not replacing them altogether.

In giving his own critique to examples of "failed" return migration outlined above, Cassarino notes the emergence in the last two decades of three factors that can make return migrants a more effective force of development: the emergence and consolidation of regional trading blocks and development of the private sector that has reduced the level of state interference in developing economies, led to increased business activity; the decreasing cost of transport reducing international travel to a convenience, rather than a chore; better and cheaper means of communications leading to better information flows between sending and receiving countries that allow returnees to prepare better for their return and have an accurate picture of what to expect⁴⁸.

V. THE RETURN OF THE BRAINS

This section will examine the experience of Taiwan with the return of skilled former emigrants, looking not only at the influence of the returning workers but also at what role, if any, government policy has had in the process of attracting former emigrants to return home, whether permanently or temporarily.

A mere two decades before being the only one of the so-called Asian Tigers to be left largely unscathed by the financial crisis of 1997-98⁴⁹, Taiwan was experiencing large-scale emigration of its most skilled citizens, with Chang estimating that almost 90 percent of the students that left the country for graduate-level studies between 1960 and 1979 failing to return⁵⁰. In another study by Su⁵¹, quoted by Luo and Wang⁵², the peak of Taiwanese student emigration is seen in 1979, when the US severed diplomatic ties with Taipei and a mere 8.2 per cent of students abroad returned to the island. At an aggregate level, Chang estimates that the three decades to 1992 saw about 60,000 Taiwanese students leaving the island and not coming back. The exodus of talent was particularly striking given the priority placed upon university education by the Taiwanese government which shows that degrees awarded grew from less than 10,000 in 1961 to more than 70,000 by 1981⁵³.

The destination of choice for emigrating Taiwanese students was the US, and in 1999 Saxenian estimated that foreign-born scientists and engineers in Silicon Valley accounted for almost two thirds of all employees, while among the two-thirds that were Asian, 51 percent were from Taiwan⁵⁴.

According to Chang, the factors causing the mass emigration of Taiwan's skilled workers included the superior teaching & research facilities, alongside brighter career prospects and an intellectual climate that rewarded expertise over seniority, along-

⁴⁷ Papademetriou, Demetrios G. and Philip L. Martin, ed. *The Unsettled Relationship - Labor Migration and Economic Development*. Vol. 33, Contributions in Labor Studies. New York: Greenwood Press, 1991, p.xi

⁴⁸ Cassarino, Jean-Pierre. "Theorising Return Migration: The Conceptual Approach to Return Migrants Revisited." *International Journal on Multicultural Societies* 6, no. 2 (2004): 253-279, p. 270

⁴⁹ Economist, The. "In Praise of Paranoia - a Survey of Taiwan." *The Economist* November 5th (1998). http://www.economist.com/displaystory.cfm?story_id=174726 [accessed June 21st, 2008].

⁵⁰ Chang, Shirley L. "Causes of Brain Drain and Solutions: The Taiwan Experience." *Studies in Comparative International Development* 27, no. 1 (1992): 27-43, p. 28.

⁵¹ Su, J.C. "The Return of Overseas Professionals and Its Impact on the Technology Acquisition of Hi-Tech Industries in the Hsinchu Science Industrial Park." Taipei: National Central University, 1995.

⁵² Luo, Yu-Ling and Wei-Jen Wang. "High Skilled Migration and Chinese Taipei's Industrial Development." In *International Mobility of the Highly Skilled*. Paris: Organisation for Economic Cooperation and Development, 2002

⁵³ Ministry of Education, Taiwan, cited in Saxenian, AnnaLee. "Taiwan's Hsinchu Region: Imitator and Partner for Silicon Valley." Stanford Institute for Economic Policy Research Discussion Paper no. 00-44 (2001), p. 48.

⁵⁴ Saxenian, AnnaLee. "Taiwan's Hsinchu Region: Imitator and Partner for Silicon Valley." Stanford Institute for Economic Policy Research Discussion Paper no. 00-44 (2001), p. 12

side better salaries available there⁵⁵. In addition to the flipside of all these factors - poor facilities, career prospects, work climate and salaries - it is noteworthy that Chang mentions a restrictive political climate, inhibiting academic freedom, as an important "push" factor leading Taiwanese professionals to migrate⁵⁶.

There is seeming unanimity among researchers that Taiwan's policymakers recognised the gravity of the brain drain phenomenon to the island-nation's future prospects. Having been exposed to above-average economic growth during their own education, Taiwan's political leaders were keen to broaden the island-state's technical infrastructure, according to Wade, who noted that in 1962, Taiwan's GDP per capita was roughly the same as Congo's⁵⁷. It is striking that emigrants of Chinese descent played a key role in the development of policies putting technological and scientific advancement at the core of the country's development strategy, thanks to the Science and Technology Advisory Group created by Premier Y.S. Sun and constituted by senior engineers from US technology companies that came to be known as "foreign monks" and which developed a "very ambitious and competitive approach to Taiwan's technological development" in the face of significant opposition⁵⁸. This focus on science and technology was reflected in an emphasis on high education and its most concrete result was a bold plan to build a replica of Silicon Valley in the Hsinchu Science Park in 1980, sponsored by Taiwan's National Science Council. Located near the campuses of Taiwan's two leading universities, the park benefitted from its administrators offering "generous" tax incentives to research-intensive companies while government-owned banks pledged support of joint-ventures based there⁵⁹. At the same time, the Taipei government laid the foundations of a venture-capital

industry akin to the one present in Silicon Valley, thereby creating the financial infrastructure necessary for the genesis of high-technology companies in large numbers.

As Hsinchu Park-based companies started to compete on the basis of innovation, as opposed to low costs in the early 1990s, the trend of the "reversed brain-drain" was gathering pace, with increasing numbers of former Taiwanese emigrants returning home, more often than not to work in Hsinchu Park⁶⁰. According to a survey undertaken by Taiwan's National Youth Commission and cited by Saxenian, this trend peaked in 1994, when more than 6,500 students returned⁶¹. Other estimates support the thesis that the trend picked up pace the more developed Hsinchu Park became. Thus, according to a survey done by the park administration and cited Luo and Wang, the number of returning migrants working in Hsinchu Park was 27 in 1983 and reached 4,108 by 2000⁶². Furthermore, they estimate that 39 percent of Hsinchu's 289 companies were started by people who had been educated in the US and worked in Silicon Valley⁶³, while 70 Hsinchu-based companies set up offices in Silicon Valley to facilitate the transfer of workers, knowledge, opportunities or capital⁶⁴.

While it might have gathered momentum thanks to the development of an electronics and information-technology industry with global clout⁶⁵, the reversal of Taiwan's brain-drain was a stated public policy objective⁶⁶ of the authorities in Taipei, an objective pursued on multiple fronts beyond the various fiscal incentives listed earlier and extending to regular conferences aimed at putting emigrant and native researchers and engineers in contact; travel subsidies; and overt recruitment drives⁶⁷. There is also evidence that at least at the onset of this policy, the return migration of the highly skilled was motivated to a large extent by non-economic

⁵⁵ Chang, Shirley L. "Causes of Brain Drain and Solutions: The Taiwan Experience." *Studies in Comparative International Development* 27, no. 1 (1992), p.32

⁵⁶ *Ibid* p.33

⁵⁷ Wade, Robert. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton: Princeton University Press, 1990

⁵⁸ Saxenian, AnnaLee and Jinn-yuh Hsu. "The Silicon Valley-Hsinchu Connection: Technical Communities and Industrial Upgrading." *Industrial and Corporate Change* 10, no. 4 (2001), p.14

⁵⁹ Saxenian, AnnaLee and Jinn-yuh Hsu. "The Silicon Valley-Hsinchu Connection: Technical Communities and Industrial Upgrading." *Industrial and Corporate Change* 10, no. 4 (2001), p. 8

⁶⁰ Chang, Saxenian, Luo & Wang.

⁶¹ Saxenian, AnnaLee and Jinn-yuh Hsu. "The Silicon Valley-Hsinchu Connection: Technical Communities and Industrial Upgrading." *Industrial and Corporate Change* 10, no. 4 (2001), p.47

⁶² Luo, Yu-Ling and Wei-Jen Wang. "High Skilled Migration and Chinese Taipei's Industrial Development." In *International Mobility of the Highly Skilled*. Paris: Organisation for Economic Cooperation and Development, 2002, p. 256

⁶³ *Ibid*, p. 258

⁶⁴ *Ibid*, p. 261

⁶⁵ Economist, The. "In Praise of Paranoia - a Survey of Taiwan." *The Economist* November 5th (1998). http://www.economist.com/displaystory.cfm?story_id=174726 [accessed June 21st, 2008]

⁶⁶ Chang, Shirley L. "Causes of Brain Drain and Solutions: The Taiwan Experience." *Studies in Comparative International Development* 27, no. 1 (1992), p. 28

⁶⁷ *Ibid*. p.40-42

factors such as "high national pride and identification with Taiwan's developmental goal and desire to be a part of it", in addition to family pressures to return⁶⁸.

Having concluded early on that its emigrants were a potential asset to the country⁶⁹, Taiwan's policymakers went about capitalising on it in a systematic manner that yielded impressive results. By 1998, Taiwan's electronics industry dominated the global market for computer components⁷⁰ and Hsinchu Park became so overcrowded that ground was broken for a second, similar facility in the southern part of the island^{71, 72}. While there are no clear breakdowns of the impact to this growth by returning migrants, the evidence points to the conclusion that this ascent would have been less impressive without their contribution. In a reflection of the eventual result of Taiwan's investment in high-technology industries, its economic performance was among that of only 12 other countries singled out as examples by the Commission on Growth and Development and that achieved GDP growth of at least 7 percent per year for a minimum of 25 years - with investment in education being singled out among the reasons behind this performance worthy of admiration and imitation⁷³.

It is worth noting that other countries have attempted to tap into the resources represented by their diaspora of qualified workers by launching targeted efforts to get them to return⁷⁴, with examples including Colombia, Guyana, Ghana, Iran, Iraq, Pakistan, Peru, the Philippines, South Korea, Sri Lanka and Turkey. While admitting that "the impact of most of these programmes was relatively limited" and that such initiatives tend not to be replicable,

Ghosh points out that "fast return of qualified nationals can take place with little or limited incentives" when developing countries experience sustained "upward trends and the future outlook seems more positive", while countries facing a markedly worsening outlook face a high rate of brain drain even if they are relatively developed⁷⁵. For his part, Papademetriou sets the bar even lower when asserting that return migration can have an impact upon developing countries only when they take "at least the first tentative steps toward making the structural social and economic adjustments which are the sine qua non of sustained development"⁷⁶.

V. IF YOU WON'T COME, AT LEAST DON'T FORGET TO WRITE

As noted by Koser and Salt⁷⁷ in 1997, the results of cheaper transport and communication - already seen by Cassarino as a factor influencing the development potential of return migration - have allowed migrants to "maintain ...home-based relationships and interests"⁷⁸ across borders and resulted in numerous cases of "intermittent and short-term" movement across borders, thereby causing Vertovec to say that the connotations of permanent movement associated with migration to be obsolete and "mobility" or "movement" to be more relevant in discussing the issue.⁷⁹

This section reviews both concrete and proposed policies aimed at engaging the developing countries' highly-skilled diasporas with a view towards capitalising on the resource they represent and getting them to become a stimulus for development. By and large, these efforts take the form of so-called 'transnational networks' of like-minded

⁶⁸ Ibid. p. 35

⁶⁹ Saxenian, AnnaLee and Jinn-yuh Hsu. "The Silicon Valley-Hsinchu Connection: Technical Communities and Industrial Upgrading." *Industrial and Corporate Change* 10, no. 4 (2001), p. 898.

⁷⁰ Economist, The, Silicon Valley (East), in "In Praise of Paranoia - a Survey of Taiwan." *The Economist* November 5th (1998). http://www.economist.com/displaystory.cfm?story_id=174726 [accessed June 21st, 2008]

⁷¹ Ibid.

⁷² Saxenian, AnnaLee. "Taiwan's Hsinchu Region: Imitator and Partner for Silicon Valley." Stanford Institute for Economic Policy Research Discussion Paper no. 00-44 (2001), p. 10

⁷³ Spence, et al. "The Growth Report: Strategies for Sustained Growth and Inclusive Development." (2008).

http://www.growthcommission.org/index.php?option=com_content&task=view&id=96&Itemid=169 [accessed 25 May 2008], p. 12

⁷⁴ Ghosh, Bimal. "Return Migration: Reshaping Policy Approaches." In *Return Migration: Journey of Hope or Despair?*, edited by Ghosh, Bimal. Geneva: International Organisation for Migration, 2000, p. 196

⁷⁵ Ibid. p. 197

⁷⁶ Papademetriou, Demetrios G. "Migration and Development: The Unsettled Relationship." In *The Unsettled Relationship - Labour Migration and Economic Development*, edited by Papademetriou, Demetrios G and Philip L. Martin. New York: Greenwood Press, 1991, p. 215

⁷⁷ Koser, Khalid and John Salt. "The Geography of Highly Skilled International Migration." *International Journal of Population Geography* 3, no. 4 (1997): 285-303

⁷⁸ Vertovec, Steven. "Transnational Networks and Skilled Labour Migration." Oxford University, Economic & Social Research Council Working Paper, no. WPTC-02-02 (2002) p.2

⁷⁹ Ibid.

individuals exchanging ideas and resources. Their goal is to generate what Docquier and Lodigiani⁸⁰ have called 'diaspora externalities' or 'network effects' and what this paper refers to as feedback loops. Through empirical analysis of data across 114 countries, they found 'strong evidence of network effects, mainly linked to the skilled diaspora'⁸¹. Specifically, they revealed that migration of skilled workers is likely to increase foreign-direct investment. While they found that these effects are stronger in larger countries with large diasporas, a more interesting finding is the correlation between these effects and corruption, with the maximum network effects being seen amid what might be called "Goldilocks corruption" - not too much and not too little⁸². This relates to one of the two channels through which diasporas could promote trade and investment, according to Rauch: by creating or substituting trust in weak legal environments, providing community enforcement of contracts and deterring violations⁸³. In addition, diasporas reduce the so-called 'transaction costs' of obtaining and verifying information needed for international business associations, "because they are familiar with the market needs in their country of origin ... they can provide important information to foreign investors, which may otherwise be difficult or costly to obtain [and] they reduce communication barriers: migrants know the language, the culture, the values, the law and the practices of their home country, [t]hey know the way of thinking of their compatriots and they better understand who is well to trust or not to trust"⁸⁴. In a similar vein, Kapur notes the role of an Indian professionals' group in promoting India's potential despite its "innumerable problems", thus becoming de facto lobbyists for their home country by offering a living proof of competence and integrity which can alter previous (and negative) perceptions of it⁸⁵.

In analysing skilled-worker migration in Asia,

Lucas deems the role of emigrants as "critical [in] surmounting information and cultural barriers" while emphasising that their stay outside their home countries exposes them to technologies they would not otherwise come in contact with. Return thus becomes less relevant because these migrants contribute to "accelerating the diffusion of ... progress"⁸⁶.

In the context of skilled-worker migration, Vertovec finds that transnational networks have three broad functions: recruitment, movement & job placement, and circulation⁸⁷. This section of the paper will dwell at greater length only on the last one.

When it comes to the third circulation function of transnational networks Vertovec notes they emerge so they "can be tapped to enable [the] effective and productive role [of skilled emigrants] in a home country's development - even without any physical temporary or permanent return"⁸⁸. Within this typology, which results in "distant cooperative work" within a diaspora, Meyer & Brown found five distinct types of circulation networks in a wide-ranging survey from 1999: student/scholarly networks, local associations of skilled expatriates, intellectual scientific diaspora networks and expert pool assistance through the TOTKEN scheme of the United Nations Development Programme⁸⁹, which deserves a brief explanation due to its avant-garde features. Started in 1976, TOTKEN stands for "Transfer of Knowledge Through Expatriate Nationals" and aims to get a developing country's experts involved in a specific project for a pre-determined period of time, unfolding projects in three stages: identifying priority needs, locating candidates among expatriates, and managing the project. Countries that have benefitted from the programme include China, Egypt, Greece, India, Poland, Turkey, Sri Lanka, the Philippines⁹⁰.

A further type of circulation network has

⁸⁰ Docquier, Frédéric and Elisabetta Lodigiani. "Skilled Migration and Business Networks." University College London Discussion Paper, no. 2006-36 (2006), p. 2

⁸¹ Ibid p. 34

⁸² Docquier & Lodigiani, p. 4

⁸³ Rauch, James E. "Diasporas and Development: Theory, Evidence, and Programmatic Implications." San Diego: Department of Economics, University of California at San Diego, 2003

⁸⁴ Docquier & Lodigiani p. 5-6

⁸⁵ Kapur, Devesh. "Diasporas and Technology Transfers." *Journal of Human Development* 2, no. 2 (2001): 265-286

⁸⁶ Lucas, Robert. "Diasporas and Development: Highly-Skilled Migrants from East Asia." *World Bank* November (2001), p.45

⁸⁷ Vertovec, Steven. "Transnational Networks and Skilled Labour Migration." Oxford University, Economic & Social Research Council Working Paper, no. WPTC-02-02 (2002), p. 5-13

⁸⁸ Vertovec p. 7

⁸⁹ Meyer, Jean-Baptiste and Mercy Brown. "Scientific Diasporas: A New Approach to the Brain Drain." UNESCO-MOST Discussion Paper No. 41 2008 (1999). <http://www.unesco.org/most/meyer.htm> [accessed June 12th 2008]

⁹⁰ Ghosh, Bimal. "Return Migration: Reshaping Policy Approaches." In *Return Migration: Journey of Hope or Despair?*, edited by Ghosh, Bimal. Geneva: International Organisation for Migration, 2000, p.195

been mentioned by several researchers⁹¹ is represented by online communities formed by professionals in a particular industry - unsurprisingly, IT-related fields form the bulk of this category - with the mission to circulate news, job opportunities and build up directories of professionals. Examples include SiliconIndia.com and the Monte Jade Science and Technology Association.

In addition to their role as a resource of skills for development, these 'circulation' networks can also fulfil one or both of Vertovec's previous functions - recruitment and placement. Furthermore, they offer the opportunity for exchange on a local-to-local level, between Silicon Valley and Taiwan's Hsinchu park or India's Bangalore technology campuses⁹².

Whatever their type and manifestation, these circulation networks offer developing countries access to their emigrants' own communities and networks, alongside their expertise, with the end result being extensive mechanisms for the flow of skills, capital, general information and knowledge⁹³. Thanks to the advancements in the communications technology upon which they depend, these networks could lead to decreased emigration of skilled workers from developing countries because they can offer their services, exchanging knowledge electronically⁹⁴ and because cross-border assignments could become shorter thanks to high-speed networks⁹⁵.

Whichever of the forms outlined above they might take, policies aimed at engaging migrant workers cannot yield results in a vacuum and depend not only on how prepared migrants are to return but also on the sort of resources they allocate to their return, Cassarino says⁹⁶. In his framework, preparedness includes both the migrants' readiness and willingness to return or get engaged with their home country in some fashion or another. In so doing, Cassarino seeks to recognise that the decision to return is a function of both will and the time-consuming process of mobilising resources with which to follow through on the decision. In

addition, his notion of migrant preparedness takes into account his or her perception of conditions both in the country of migration and back home - "the perception that significant institutional, economic and political changes have occurred at home"⁹⁷ - thereby arguing that the migrant's potential to influence development is a function of preparedness.

In their exploration of how migrants can become a force for development⁹⁸, Johnson and Sedaca review efforts aimed at engaging diasporas and focus their warnings about the associated pitfalls of such initiatives on governments - both in developed and developing countries. They note that in some cases where diaspora networks already exist "outside involvement may not be necessary, desired or even appropriate" and add that in some cases they should not be co-opted in broader development strategies without a clear idea of how they can add value. In particular, they warn against approaching diaspora networks with pre-conceived notions of their role or agenda, recommending instead to "meet them where they are, not where you want them to be". Furthermore, they note that the effectiveness of some efforts of engaging the diaspora could be limited if there is no obvious return on those activities - in other words, there is only so much that emigrants might be willing to do for free. In this context, they point out the need for blending good intentions with adequate institutional capacity so that the intentions can yield results⁹⁹. Finally, while repeating a call for more research that is all-too-frequent and familiar in return- and skilled-migration studies, they say that the diasporas' "enormous" potential and resources should not serve as a pretext for burdening them to an unreasonable extent with development-related tasks that should be handled by governments¹⁰⁰.

When it comes to the role of governments in designing policies that facilitate the involvement of diasporas in the home economy, as well as return migration and "brain exchange", both Kapur & McHale¹⁰¹ and others note that political short-sight-

⁹¹ Saxenian 1999 & 2001, Vertovec 2002, Luo & Wang 2001.

⁹² Saxenian 1999

⁹³ Meyer 1999

⁹⁴ Koser & Salt 1999, p. 299

⁹⁵ Aneesh 2001.

⁹⁶ Cassarino p. 271

⁹⁷ *Ibid.* p. 272

⁹⁸ Johnson, Brett and Santiago Sedaca. *Diasporas, Émigrés and Development - Economic Linkages and Programmatic Responses*. Washington DC: US Agency for International Development, 2004, p. 51

⁹⁹ Johnson & Sedaca, p.64-66

¹⁰⁰ *Ibid.* p. vii

¹⁰¹ Kapur & McHale, p. 165

edness, or mere ignorance, can get in the way of smart policies facilitating the full and fruitful exchange of knowledge in similar ways as they hinder it for goods or capital. To counter this, the things governments can do need to address matters as prosaic as visas, dual-citizenship regulations, taxation, monopolistic practices in skill-deprived sectors. It is noteworthy that both countries that send and those that receive migrant labour have a series of options and measures they should consider in order to facilitate the free movement and exchange of ideas and resources in between the expatriate community and the home country.

In general, there is a considerable degree of agreement among researchers that the main achievement of governments in this area should be to a) get out of the way of the migrants circulating and b) ensure whatever policies are adopted stimulate this movement first and foremost.

VI. THE PLUMBER RETURNS

In May 2004, Europe was awash with celebrations marking the return into the continent's European Union fold of most countries that had found themselves on the wrong side of the Iron Curtain at the end of World War II. However, spoiling the mood was widespread anxiety about the imminent invasion of East-European workers - personified by the "Polish plumber" - coming West to rob their French, Dutch and German brethren of already-precarious jobs. Against the backdrop of this anxiety, only three countries - Sweden, Ireland and the United Kingdom - allowed workers from the newly-minted EU members unrestricted access to their markets.

In the UK, the magnitude of the subsequent migrant flow exceeded the forecasts of the British government by a wide margin, with some 450,000 Poles¹⁰², alongside many other Lithuanians, Czechs, Latvians and others entering the country following the EU enlargement round of 2004.

This section looks at recent evidence that members of this migrant cohort are either beginning to return or contemplating return as they are facing the sort of economic conditions that would

make such a move more likely.

Data supporting the hypothesis of a return migration flow from Western to Eastern Europe is at best scarce for two main reasons. First, the phenomenon is very recent, with anecdotal evidence of it accruing only in late 2007 and through 2008. Second, the institutional infrastructure of the Eastern European countries that would take evidence of returning migrants remains inadequate for even basic data collection, let alone the task of chronicling a phenomenon that seemed improbable only a few years ago; as for the data collection ability of the Western European countries, the forecasting apparatus that underestimated the number of Polish immigrants to the UK by a factor of at least five¹⁰³ inspires limited confidence. For the same reasons outlined above, the beginnings of return migration within the European Union following the latest enlargement rounds have yet to be addressed in detail by academic research. As a consequence, the observations in this section of the paper rely almost exclusively on news media coverage. The interest and relevance of the phenomenon to the paper's topic - in addition to its apparent magnitude - were deemed as outweighing the risk of attracting scorn for usage of non-academic sources.

In Poland's case, the factors in favour of return migration are falling into place to make a compelling case against staying in the UK. Economic trends going in opposite directions - for the worse in the UK and for the better in Poland - have the following results: an increasingly unfavourable exchange rate that means every pound sterling earned in 2008 is worth more than 40 percent less zlotys¹⁰⁴ than it fetched when Poland joined the EU; a deteriorating job outlook in the UK as opposed to an improving one in Poland, where wages grew by an annualised 12.8 percent in February 2008 and the economy was expected to grow by about 5 percent in the same year¹⁰⁵; more specifically, the same construction market that is suffering from the effects of the credit crunch in the UK will benefit from a massive drive to improve infrastructure in Poland in the next few years - meaning that Polish plumbers, electricians and bricklayers are likely to face fewer and worse paid jobs in the

¹⁰² BBC. "Nearly 600,000' New EU Migrants." BBC News website, 22 August 2006 (2006). http://news.bbc.co.uk/1/hi/uk_politics/5273356.stm [accessed 8th July 2008].

¹⁰³ BBC. "Migrant Workers: What We Know." BBC News website 21 August 2007 (2007). <http://news.bbc.co.uk/1/hi/uk/6957171.stm> [accessed 8th July 2008].

¹⁰⁴ Easton, Adam. "Poland Entices Its Workers Home." BBC News website 29 April 2008 (2008). <http://news.bbc.co.uk/1/hi/uk/7372281.stm> [accessed 8th July 2008].

¹⁰⁵ Ibid.

UK at the same time as there might be more and better paid ones in Poland. Moreover, a large part of Polish migration was in fact 'brain waste' whereby migrants took jobs below their skill level. According to one researcher cited by the BBC¹⁰⁶, almost a third of Polish migrants have higher education, but many worked as waiters, cleaners or nannies. Thus the attraction of working in the UK is likely to further deteriorate if the alternative of returning home to practice one's profession is an increasingly viable option, and even on average the difference in earnings is seen to be narrowing:

"The average take-home earnings of a Pole working in Britain is £1,800 (£1,200) a month. Take away at least £500 in rent, bills, travel costs, food and phone calls home and the savings are rather modest. In contrast, a young graduate engineer starting out with Siemens in Wrocław can expect to earn £900 a month - with only about half of that going on accommodation and food."¹⁰⁷

In addition to absolute-value differentials in earnings getting narrower between the UK and Poland, the allowance for benefits such as family and friends further tilt the balance in Poland's favour, a fact not lost on Polish officials who have travelled to the UK to persuade emigrants to return. Says the mayor of Wrocław, cited by *The Times*: "I'm selling them a future."¹⁰⁸

The figures, while imprecise, suggest many Poles are taking the way back home. Britain's Institute for Public Policy Research, cited by the BBC¹⁰⁹, says that half of the million Eastern Europeans that came to the UK since 2004 have returned. With Poles being the largest constituency among those immigrants, even the conservative conclusion is that several tens of thousands are among those returning.

As Eastern Europe as a whole closes the gap with the western part of the EU, the prospect for return migration becomes a real possibility, in similar ways as was the case when Italians, Spaniards or Greeks returned from Northern Europe decades ago. Indications that Eastern European cohorts have a higher skill level than was the case with southern Europeans, as well as increased awareness of labour-shortage issues, all point out to the prospect

of a different and more positive experience with return migration this time around.

VII. ANALYSIS & POLICY RECOMMENDATIONS

While literature spanning several decades recognises the existence of the "positive feedback loops" between return migration and the development of the native economy, there is less consensus over the success of previous efforts aimed at putting these feedback loops to work in real life. A considerable amount of research supports the notion that the potential of returning migrants to be a force for change at home is, at best, elusive or at worst, a pipe dream. These findings are not without their own criticism.

It is noteworthy that the bulk of research questioning the validity of viewing returning migrants or diasporas as a resource comes from an age before transport and communications were cheap and accessible, thereby hindering the flow of people and ideas. Thus more recent studies note more optimistic experiences with developing countries tapping the resource that is the community of skilled migrants residing outside their borders. With the Taiwanese example reviewed being the most striking and oft-cited success story of return migrants being a remarkable force for development, other studies support the view that emerging economies should, at a minimum, seek to get their diasporas engaged in development - if not to stimulate permanent return.

A further contrast with previous waves of migration is the existence of the European Union creating a wider space for migrants to circulate than was the case between the 1960s and the 1980s, as well as a shift in economic activity towards knowledge-intensive, high value-added and growth-boosting sectors that highlights the need for countries to acquire and develop their skill base; last but not least, these two factors contribute to a generally more acute competition among economies and companies for the world's talent. In all, these issues put significantly more pressure on policymakers to design measures aimed at retaining and developing their skilled workforces - thereby offering greater hope for adequate policy support for return migra-

¹⁰⁶ Ibid.

¹⁰⁷ Boyes, Roger and Kamil Tchorek. "Home or Away? The Plumber's Choice That Will Shape a Nation." *The Times* July 7th 2007 (2008). <http://www.timesonline.co.uk/tol/news/world/europe/article2039738.ece> [accessed June 30th 2008].

¹⁰⁸ Ibid.

¹⁰⁹ Easton

tion, the kind that was positively lacking during the time when most of the disappointing studies on return migration and development were conducted.

Taiwan's experience offers a potent example that a return-migration policy can yield results, provided this policy is implemented in the context of complementary measures and that it benefits from support spanning the decades required before tangible results can be observed. A key feature of Taiwan's efforts to encourage return migration was the investment in education that replenished the native skill base at the same time as the migrant one was being pursued.

In addition, it must be observed that in Taiwan and beyond, the undisputed consensus is that nothing attracts migrants back like evidence of the home country progressing on a path of democratisation and liberalisation that promises returning migrants a shot at opportunities comparable to those they were seeking when they first left. Developing countries can and should count on an appeal to patriotism and the importance of giving back in their efforts to stimulate return migration, but they must be aware of the cold reality that, on its own, patriotism does not pay the bills and cannot replace real opportunities other countries can offer.

Similarly, governments in both developing and industrialised countries - i.e. those that both send and receive migrants - are repeatedly cautioned against mistaking the potential of skilled emigrants to play a role in development for an opportunity to shirk the responsibility of proper development strategies. While policies aimed at fostering return migration or diaspora engagement are widely seen as having an integral role to play within a broader development strategy, they cannot become that strategy - they are more effective when their limitations are recognised and when they are not unduly burdened with an inappropriately ambitious remit, but instead adopted with realistic goals in mind.

Thus, in looking at recent migration waves from eastern to western Europe, at India or other developing countries looking to boost their stocks of skilled labour by luring back former emigrants,

the lesson for policymakers is nuanced and complex. While there are notable differences that point to more positive experiences than in the past - recent migrants are more skilled than cohorts in the 60s, 70s or 80s, movement is less restricted and thus migration is likely to be seen as more temporary - other factors point to difficulties in elaborating policies targeted at stimulating either return migration or diaspora engagement. For one thing, competition for talent among countries is more acute and transcends continents, with an increasing number of countries adopting aggressive recruitment policies aimed at encouraging skilled workers to come and make a home away from their native country. For another, the same ease of movement and communication - thanks to not only cheaper travel and communications but also the EU's eventually "borderless" labour market and the emergence of other regional blocks - can not only encourage skilled workers to return home but also to move further away, thereby making return a more distant prospect. Topping it all off is the lack of an immediate payoff for any Taiwan-like development strategy involving return migration, diaspora engagement and education investment - this can be a challenge in developing countries whose political systems have yet to generate the kind of visionary political will needed to support strategies that transcend election cycles and short-term populist initiatives.

Like most other aspects of migration, the issues of returning migrants, skilled-labour circulation and diaspora engagement do not lend themselves easily to generalisation and boilerplate policy recommendations. However, few complex matters ever do. Nonetheless, the payoff for tackling these issues - be it with only partial effectiveness - cannot be ignored in a global economy in which human talent is fast becoming the hottest commodity.

ROADS TO NOWHERE

Ana Otilia Nuțu*

Abstract:

The dirty little secret of Romania's transport infrastructure sector is that money is no longer the main problem. It still gets less than it would ideally need, but more than it can currently manage. The real crisis is one of leadership and administrative capacity. Major infrastructure projects are like megafauna: visible from afar, they attract a lot of attention and arouse strong emotions among the wider public. As a result, politicians fall over themselves to get closer for photo-ops, looking concerned and responsible. However, this visibility effect does not necessarily lead to greater public awareness of the real needs and problems of the sector, or to better spending prioritization. Here is what is going on in Romania right now.

Keywords:

CNADNR, CFR, Romania, European Union, infrastructure

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While they have come a long way in the past seventeen years, Romania's road and rail sectors still face a serious capacity crisis, which has practically blocked the majority of investments and rehabilitation of infrastructure for more than two years. Roads and railways ensure together over 90% of the transport in Romania, with roads being increasingly the most important mode¹, reflecting the fact that transport networks in our country are based almost entirely on roads and railways.

But recent trends in this sector are particularly alarming, especially when we speak about government's capacity to develop and manage the sector's public infrastructure:

- a severe loss of previously existing human and institutional capacity, at a time when projects are expected to increase significantly;
- little (and diminishing) planning and programming ability in the public sector;
- a lack of strategic vision, massive political interference in what should be technical decisions;
- basic financial insolvency of the sector.

Reforms need to be consistently enforced in order to create an institutional framework for the transport infrastructure which would ensure sustainability.

WHERE WE ARE

1. Romania's roads to join the EU?

Overly simplistic and misleading comparisons are usually published which are based on network density indicators. According to this figures, Romania's road density is one third of EU-25 average, whereas the rail density is comparable with that of the EU.

It is unrealistic to say that Romania's infrastructure should reach EU levels in 15-20 years. The need for transport in Romania is currently still much lower than in the EU. It grows faster than the economy as a whole, but will certainly still remain under EU levels for the following two or three decades. Therefore, the investment needs in the infrastructure should be driven mainly by the economic development perspectives of the country. It is also impractical to judge the road network simply in terms of motorway density compared to Western countries: it may very well be the case that Romania

is simply not "mobile" enough to justify such a fast motorway development.

What should really be judged here is how transport infrastructure can provide safe transportation at speeds that do not become bottlenecks for economic development. In this respect, what is really worrying is that Romania's national roads are by far the most dangerous in the EU. The number of fatalities per passenger*car is three times as high as the EU-25 average. While in Europe only one in 40 accidents ends with fatalities, in Romania the proportion is one in three (Fig. 1).

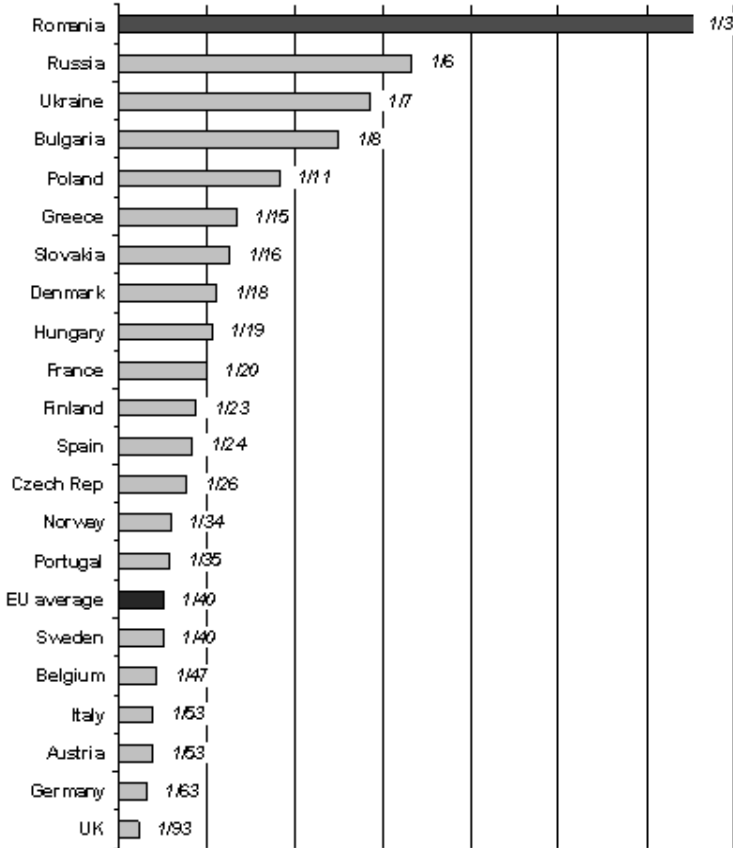
Culprits are not just the irresponsible driving habits of Romanians, as hasty commentators put it much too easily, but also the black spots, the crossing of linear villages / towns / cities without proper mitigation measures against accident risks, and the small local traffic using national roads for lack of a better alternative.

Black spots appear mainly because of the lack of maintenance. An evaluation in 2005 done by CESTRIN, the research arm of CNADNR, showed that around 30% of the national roads are in poor condition. This is caused by a serious backlog in maintenance, around 60% of the network needing urgent fixing or rehabilitation.

In the rush to "absorb free EU money" - not very successful so far anyway - maintenance of existing infrastructure is often overlooked by the transport sector management, as well as by the public. On average, maintenance costs for roads are much higher in Romania than in neighboring countries, which reflects a lack of attention and public awareness to the importance of these operations. A recent World Bank report (2006) shows that potential savings on timely maintenance could be as high as 40%. In 2003-2004, CNADNR spent 0.5% of GDP on maintenance (cost per km is about EUR 20,500, significantly higher than EU-25 or US average). These overruns are caused by delayed works and inefficient spending. In practical terms, the maintenance backlog causes 60% of the road network to need rehabilitation (which is more expensive than regular operations), increases the cost of car repairs, raises safety issues to drivers, and reduces traffic speed. In addition to under-funding, maintenance is not properly prioritized, leading to further inefficiencies in spending. In the budget breakdown, an astonishing 64% of maintenance costs are adminis-

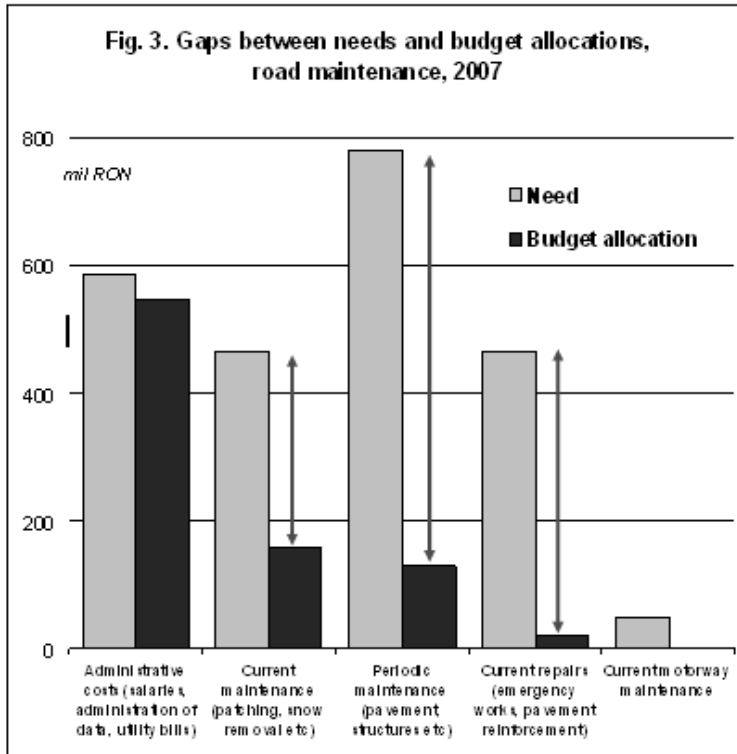
¹ Which in itself may be a problem, since it runs against the current European policies.

Fig. 1. Fatalities in traffic accidents



source : CNA DNR

trative costs, such as salaries, and these is the only category which more or less keeps up with the sector's needs. For the other categories, budgetary allocations are just a fraction of the request, running from about a third (current operations) down to a mere 5% (repairs, see Fig. 3). In case prioritization is not done effectively, the non-financed part is very likely to add to the maintenance backlog.



Typical problems in the motorway program

Another indicator that the public and the politicians are very sensitive about is the low density of motorways in Romania. Until now, the total motorway length built is 264 km. Comparatively, Portugal has around 1,500 km at half the population and 40% of land area.

However, SAR believes this indicator - indeed very visible and easy to understand by experts and non-experts alike - should be employed only with great care as a measure of performance of the transport sector. A thorough analysis should balance both the advantages and the costs of building motorways. Each extra 100km of highway creates additional financial and institutional commitments for proper maintenance and operation, and we are currently seeing what difficulties the authorities face in keeping up with their obligations even on the existing 264 km. What is more, an excessive investment program would divert the attention and capacity of CNADNR, distracting it from projects with higher priority but less sex-appeal, such as the rehabilitation program in stages and the maintenance plans.

nance plans.

A common argument for building motorways is indeed the high traffic on specific sections of roads. However, national roads are packed with traffic that shouldn't be there in the first place: carts, bicycles, inter-village small vehicle traffic. Much of this traffic would rather use local or county roads, with no high-speed traffic and less risks of accidents. They enter the national network simply because the lower class roads are in a really bad condition, or do not exist at all.

So, instead of focusing excessively on the building motorways, the Romanian Government should pay more attention to lower class roads rehabilitation and maintenance, to reduce traffic on national roads with a negligible cost compared to that of building a motorway. Technically, this could be done very easily: County Councils should sign contracts with the DRDPs (regional branches of CNADNR), in the same way the Ministry of Transportation has a concession contract with CNADNR.

Fig. 2. Length and Condition of the National Road Network (2005)

Condition	Motorways		E-Roads		Main National Roads		Secondary National Roads		Total	
	km	%	km	%	km	%	Km	%	km	%
Very Good	228	100	1,811	31	1,274	28	1,245	24	4,558	29
Good	0	0	1,108	19	741	16	695	13	2,543	16
Fair	0	0	1,863	32	1,087	24	844	16	3,794	24
Poor	0	0	1,086	19	1,436	32	2,393	46	4,915	31
Total	228	100	5,868	100	4,538	100	5,176	100	15,810	100

Source: CNADNR – CESTRIN inventory count 2005, from World Bank's Romania Public Expenditure and Institutional Review

The DRDP would only manage the local/county roads, the physical infrastructure remaining the property of the local authority, just like the national roads are property of MT. DRDPs would gain certain economies of scale and could coordinate nation-wide the access from local/county roads to the national roads network. In terms of staff, DRDPs could immediately hire the roads experts who work currently in the relevant departments of local authorities. Taking this type of local traffic off the national roads would reduce substantially the number of serious accidents.

Another argument for carefully pondering the built of new motorways is their prohibitive cost. This cost per km in Romania is extremely high, in part for good reasons: extreme seasonal variations of temperature, difficult terrain and expensive land, particularly in Transylvania and near large cities. The average cost of the Bucharest-Braşov motorway is as high as 15 mil €/km (the highest will be on Comarnic-Predeal section, where aqueducts have to be built at a cost reaching 26 mil €/km). Comparatively, a motorway in Poland or Hungary does not exceed in general 7-8 mil €/km.



Fig. 4. A1 before one of the frequent rehabilitation interventions: materials used were not appropriate for the Romanian climate

The Sibiu-Piteşti motorway - a section created by extending the European corridor IV after tough negotiations with the EU - will cost more than 13-14 mil €/km, because of potentially high environment costs and difficult conditions. While EU and EIB would have financed the construction, the Romanian Government decided to use a design-build-operate type of contract for this motorway. EU is reluctant to finance such a contract ², but the Government stuck to its idea, even if that meant the

² Simply because EU finances investments and not maintenance. A low quality investment causes higher maintenance, and it is difficult to allocate costs correctly when the two are done by the same company.

additional inclusion of Pitești-Sibiu on the list of future public-private partnerships (PPP), and the shift of the EU grant from Pitești-Sibiu to the section Timișoara-Lugoj instead. The argument for a design-build-operate contract is that the building company is interested in a high quality investment to have fewer headaches with its maintenance and operation later on.

Even existing motorways, although very short, have had their share of scandals in the media. The A1 motorway (Bucharest-Pitești) was rehabilitated by EBRD in the late '90s, but the materials used for construction proved later not to be the best technical solution (Fig. 4). Romania's harsh climate, with high variations of temperature summer-winter and difficult operation conditions during blizzards, were not entirely factored in by the designers. As a result the motorway was repaired many times and was closed partially for various intervals over the last years.

However, the private sector cannot be interested in the costly Sibiu-Pitești motorway without Government support. Since the traffic on this particular section will probably consist mainly of traffic between Pitești and Sibiu (no significant traffic could be attracted from other routes), the only way to sustain the construction would be state support in form of shadow tolling / "availability fees". This is a sort of subsidy per road user per km paid by the state to the motorway operator to ensure affordability of access (very much like a Public Service Contract in the passenger railway sector). A simple financial simulation shows that Pitești-Sibiu is viable without Government support only at a volume of around 50,000 vehicles per day (comparatively, the over-crowded Băneasa-Otopeni road has a traffic of not more than 65,000-70,000 vehicles per day). If the state decides to subsidize through shadow tolls, a subsidy of 75% would make a traffic figure of 13,000-14,000 vehicles per day viable.

But such a high Government support would certainly cancel all potential benefits of a PPP. Overall, financially, the state will be worse off than if it uses EU grants for this section and the standard procurement method, separated for design and construction. In addition, the internal logic of the Romanian legislation is pretty much opposed to the design build operate type of contracts; for example, land acquisition can only be done when final designs are ready; flexibility to adjust details of design within an approved technical solution is low.

A number of other problems in the Romanian road physical infrastructure make it difficult to reach the cherished "EU standards" anytime soon. There has been precious little discussion on such topics lately, because the attention was fully diverted towards other areas (like highways).

- **Speed limits.** Before 1990 Romanian construction standards required the roads to be able to carry weights of 10 t/axle. The European standard is 11.5 t/axle and a massive rehabilitation program started in 2000 to ensure that at least the transit roads (European corridors) comply with the higher standards of weight. For those roads which were not yet rehabilitated there are speed limits for heavier trucks, this causing delays in freight delivery.
- **Congestion around (and within) big cities.** There is practically no city in Romania right now with a functional and safe by-pass. Bucharest has only one ring road, massively overcrowded and, on extended sections, in appalling technical condition. Traffic on this two-lane road exceeds 130,000 vehicles per day, which is way beyond the capacity of such type of road. It was never meant to be a proper by-pass, but a means for locals to avoid the city centre. This ringroad should be urgently enlarged and rehabilitated; nevertheless, an outer Bucharest by-pass should be built as soon as possible for the heavy transit traffic.
- Similarly, anybody who wants to by-pass Brașov has to drive into the city for 5 or 7 km, through a residential area, adding to the gas and noise pollution. Constanța also needs a by-pass to enhance its potential as an intermodal point, linking freight transit with the motorway. Smaller towns with historical buildings in Transylvania are very affected by heavy traffic (Reghin, Sebeș, Sighișoara). Bacău is actually transited over its full length (12-13 km) by the European road. All these increase pollution, the risk of accidents, and diminish the speed. In general, the issue of by-passes around localities has been neglected for a long time in Romania, in spite of the fact that, given the circumstances, they represent one of the most efficient infrastructure investments in terms of costs-benefits right now.

- **Insufficient road capacity on certain sections,** now or in the foreseeable future; a good traffic forecast is needed to show the right places where road infrastructure should be developed. Road traffic grows in normal conditions 1.5-2 times faster than economic growth, and if rail passenger traffic does not reverse its downward trend, it would be fully replaced by road traffic before 2020. A good traffic forecast would show where, for example, existing roads should be enlarged (e.g. from 2x2 lanes to 2x3, as it was done on DN1 between Băneasa and Otopeni). However, enlarging roads for solving traffic problems is no silver bullet either. DN2 between Bucharest and Urziceni is rightfully considered a hazard because it was partially enlarged and gives the driver a false sense of confidence that the road is large enough for risky maneuvers. Enlarging roads that cross linear villages also make them more difficult to cross by local pedestrians, increase the average speed and the risks of accidents.

2. Railways: a thing of the past, or the Euro-future?

On rail, Romania, like other Central European countries, had a head start compared with Western countries. Before 1989, all freight traffic exceeding 50 km had to be transported by rail. There were restrictions on passenger road traffic, while cars could be purchased with notorious difficulty. It is therefore understandable that immediately after 1990 the repressed citizens of Eastern Europe, especially in countries with harsh Communist regimes like Romania, have embraced with jubilation the personal freedom associated with using individual cars. Studies show that even companies, when they have a choice, value highly the flexibility and independence of owning their own fleet, rather than having to rely on bureaucratic railway transport.

Nevertheless, it happens that these trends are at odds with the official EU transportation policy. Considering this, and other long-term economic and environment issues, the Romanian authorities are struggling hard to maintain the existing share of rail to roads transport. The share of freight transport on rail is still much higher in Romania than in EU-25, as tone-km/GDP, but the trend is clearly downwards, as the rail loses towards road transport. The

shift is caused, among other things, by the inappropriate user charge on rail compared to road.

Again, **infrastructure maintenance** issues are very important for rail transport. Because of underinvestment in maintenance, 630 km (6% of the network) have speed restrictions, compared to only 386 km in 1995; there are about 1,100 hazard locations caused by maintenance backlog. The number and total length of weakened track segments generating hazard points have increased from 930 and 480 km in 1992 to 1,060 and 550 km in 2005. Bridges, footbridges and tunnels with expired lifetime are increasingly imposing speed restrictions and require lowering the ranking of lines in terms of average speed. Only 36% of the track is electrified, the same figure as in 2004, even though there are big plans to reach 51% electrification by 2010.

A priority for the railway sector has been to improve the standard of infrastructure on the TEN-T network, because about 50% of all rail traffic moves over lines designated as part of the TEN-T network: this represents about 20% of the 11,364 route-km national network. The main objective is to permit passenger trains to run at 160 km/h and freight at 120 km/h, at the same time implementing European interoperability regulations.

The TEN-T infrastructure rehabilitation program began in 1999 with an EIB loan which paid for rehabilitation of the 90 km Bucharest-Câmpina section of the Bucharest-Braşov main line. ISPA-financed works between Câmpina-Predeal (40 km) are tendered in 2007. The Bucharest-Constanţa line (225 km) is currently being rehabilitated with ISPA and JBIC money; Fundulea-Feteşti has just started in April. The total cost of work on this line is put at 357 mil €. Curtici-Arad-Simeria is also under tender, being financed partly by EIB (300 mil€ loan). Rehabilitation on 16 stations is currently under way, as well as modernization on another five.

This significant investment program is already delayed by two-three years and a substantial volume works has already accumulated in 2007. These infrastructure works affects seriously the schedule of CFR Passenger trains as well as the CFR Freight's deliveries. For example, the line Bucharest-Constanţa is open on one track only on certain sections; passenger trains leaving Bucharest need six hours to reach Constanţa in the middle of the summer, which is off-putting even for the most resilient

and passionate train-lovers. As the motorway to Constanța is almost ready, and even a detour on national roads allow people to get to the seaside in no more than four hours by car, the risk is high that passengers lost this summer would not return to railway in the following years.

One of the results of the EU accession is that Romania has to ensure access for foreign railway operators on Romanian track, in which interoperability plays a major role. Because of lower technical standards, only 90 km were interoperable in 2004; the railway strategy targets 4,300 km in 2015. There are speed restrictions over a significant part of the network: 27% of the network has a maximum speed of 50 km/h, and another 39% of the network has a speed limit of 80 km/h. Comparatively, the "European standard" is 160 km/h for passenger trains and 120 km/h for freight. These standards have to be complied with in the following years at least for the rail network on European corridors.

While poor infrastructure is part of the problem, and this is expensive to fix, slow traffic is also due to inappropriate signaling, traffic control and other bureaucratic hassles, which only require better expertise and management to improve. More attention and leadership at the top are an inexpensive way to improve things. For example, border crossing points still represent serious obstacles: a lot of time is lost with the change of engines and the paperwork, which could be further rationalized. As someone put it, reducing by one hour the travel time between Bulgaria and Romania can be done either by a 1 bn€ investment in infrastructure or by a handshake between the two Governments to facilitate border crossing procedures.

While there is a broad consensus that the transport infrastructure must be urgently improved during this EU budgetary cycle, in the past two years all transport infrastructure projects - new investments, rehabilitation, modernizations, repairs, maintenance - have experienced significant delays. One explanation for these setbacks are the floods of 2005, which posed an additional strain on the already overstretched institutions. However, even before that, there were institutional weaknesses and inherent failures that only became more apparent on that occasion.

The increasing gap between on-going and completed projects show a deterioration in terms of

implementation ability, caused mainly by lack of capacity (high staff turnover, particularly qualified people; poor planning and lack of steady supervision of operations, such as land acquisition and utilities relocation; frequent changes in priorities). The situation is similar in interventions, where only 30% of the money has been disbursed, even though some projects were approved as early as 2000-2001.

There are serious delays in all projects supported by international financing institutions (IFI), these representing around 80% of the projects currently implemented by CNADNR. Out of a total annual budget of 1.2 bn€, the investments and rehabilitation represent just under 1 bn€, financed almost exclusively by IFIs and the EU. A similar situation is encountered in CFR, where large projects currently under way have incurred delays of at least two-three years³. Fig. 8 overleaf summarizes the sorry state of

these large projects, some of which should have been completed by now, and where progress is extremely slow.

Significantly, even the urgent works needed for repairs after the floods of the last two years are behind schedule. Funding has been readily available since 2005 from a multitude of sources, as Fig. 8-9 show, so this cannot be an explanation for these delays. The damages estimated at that time amounted to 182 mil€ for railways and 325 mil€ for roads. Landslides in 2005 affected almost 900 km of road, 102 large road bridges, 5,512 smaller bridges, 60 km of railway, and 30 rail bridges. Comparatively, CNADNR can only absorb around 500 mil€ per year for road investment works in total - so here we should probably look for the bottleneck in the funds absorption.

Several emergency works (notably road bridges) were delayed by a lack in the procurement capacity of CNADNR, as well as by hurried evaluation of damages. The extent of the damage was estimated based on visual inspection and works were valued at initial cost of the damaged infrastructure restated with inflation - which is probably less than what would normally result from a detailed engineer evaluation. The price of works has therefore gone up after the intervention started, and again by 30-50% in the meanwhile because of accelerated wear and tear of the damaged infrastructure.

³ Most notably the Bucharest Constanța line financed under ISPA

INFRASTRUCTURE PROJECTS TAKE TOO LONG TO IMPLEMENT

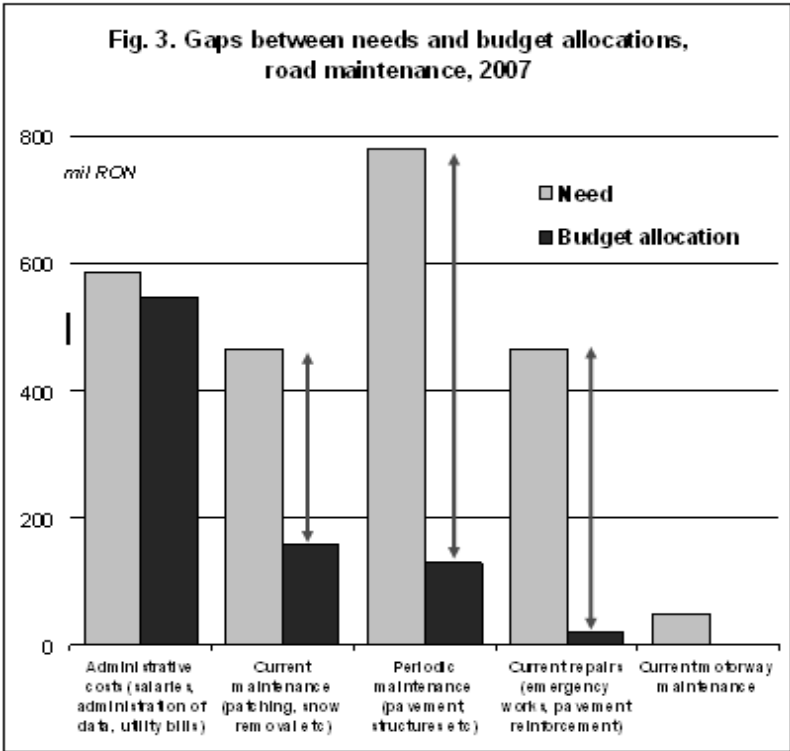


Fig. 6. Sibiu by-pass, financed from ISPA

This abandoned structure is rapidly depreciating. Signed in 2003 with the Italian company TODINI, the contract was cancelled in 2007 because of poor performance of the contractor. The design was changed during the construction to upgrade the road to motorway specifications. Works were around 60% completed at the time of canceling.



Fig. 7. Railway bridge in Grădiștea

The bridge over river Argeș in September 2005; it will be returned to use in 2008. Floods in 2005 affected seriously a large part of the country's railway and road infrastructure, not only the famous Mărăcineni bridge in Buzău. Given the magnitude of the damage, repairs overstrained the implementing capacity for other projects.

Fig. 8. Delays in big transport infrastructure projects

Institution	Description	Year started	Stage	Amount from IFI
EBRD	Institutional development, Pitești by-pass	2002	By-pass works only 34% completed	60 mil€
EBRD	Constanța by-pass	2005	Consultancy for design & supervision signed end-April 2007	145 mil€
EIB	Rehabilitation stage IV	2000	Should have been finalized in 2004, but at end 2006 only 20% was implemented	245 mil€
EIB	Rehabilitation stage V	2002	Should have been finalized in 2006, but first contracts were signed in May 2006	240 mil€
EIB	Rehabilitation stage VI	2007	The appraisal phase was more of a project identification; memorandum signed only in 2007 with 2-3 years delay	450 mil€
IBRD	Institutional development, by-passes (Brașov, Reghin, Mediaș, Targu Mureș, Bacău), emergency bridges	2005	Expected completion 2010. No by-pass under construction, only 1% of the loan disbursed	225 mil\$, of which roads 149 mil\$
JBIC	Rehabilitation stage III	2000	Timișoara Lugoj rehabilitation, Timișoara by-pass, delayed because of poor performance of contractor and low capacity of CNADNR to enforce contract	82 mil€
EC - ISPA	10 financing memoranda for roads, rehabilitation, motorways, by-passes	2000-2006	100% committed, but only 30% actually implemented	687 mil€

WHY THE DELAYS IN PROJECTS - AND WHAT CAN BE DONE

The delays in implementing large infrastructure projects in Romania have causes that can be grouped into two categories:

- More immediate, having to do with the implementation mechanisms, and
- Long-term, related to the strategic direction and political leadership.

For the existing projects, serious problems appear in the short run due to management and organizational instability, loss of competent key staff (engineers, lawyers, economists) and the disastrously inadequate financial flows in the whole sector. For future projects that must be prepared now, the roots of the problem lay in the lack of strategic vision and unclear prioritization criteria. As a result, the Ministry of Transportation, CNADNR and CFR go periodically through frantic bursts of activity, when they announce big plans - usually, claiming to change completely what has been done until that

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Fig. 9. Money available for IFIs and EU after the 2005 floods

<i>Mil €</i>	Roads	Railways
State budget	105	64
CEDB	30	22
EIB	51	63
EBRD	45	-
IBRD	20	-
ISPA	18	17
Co-financing	56	16
Total	325	182

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SHORT TERM ISSUES

1. Management instability

In the last two years and a half the sector has witnessed a high turnover at the top: four Transportation Ministers, five general managers at CNADNR and seven at CFR. Every new general manager comes with new ideas, which usually do not dovetail well with those of the predecessors.

Recommended: While ministers are politicians, the management of the companies should be appointed preferably by competition, on a fixed term, performance based contract, with transparent indicators and a monitoring system. The performance indicators should be connected to a certain level of resources - that is, care must be taken that these people do not get the blame for underperformance determined by under-financing or under-staffing.

A good management contract can be prepared ideally when there is a clear strategy for the

transport sector, in which CNADNR, for example, should have the mission to meet the overarching objectives of MT using its capacity and resources. In this case, there is a higher likelihood that the budget would be clearly prepared and more stable, and so will be the general parameters of the future programs (km of roads to be rehabilitated or built each year, ensuring very quick access on infrastructure affected by landslides etc).

The management contract should specify what happens if for various reasons a lower level of resources is available (CFR or CNADNR would have enough leverage to state that with 80% of resources they would finalize 80% of the initial program). The management contract should establish minimum targets to be achieved by the manager per year to stay in position.

Even without such clear strategy in place (as it is the case in both CNADNR and CFR), performance criteria could be linked to "scenarios" (for a total budget of 2 bn€, x-many km of road or rail should be maintained at current standard, etc). This approach would avoid the situation in which the companies do not get adequate funding because the minister wants to replace the Companies' management. The management should be changed only on proven, directly attributable performance failures. The contracts must be well negotiated and the critical elements (the technical performance criteria) should be made public. This would seriously hinder the micromanagement by the Minister and political interventions in technical matters.

2. Lack of autonomy in companies

CFR and CNADNR should act as independent public companies; in reality the Ministry is micro-managing the current operations of both entities. This is seen from the fact that they have practically no business plans - meaning, operational documents with key performance indicators, with clear five-year goals, an annual asset management plan, as well as a financial plan. CNADNR and CFR are not supposed to be financially self-sustainable without budget allocations from MT, but this does not mean the allocation principles should be clearly defined. So far, they have not been (see the discussion below on Road User Charges and Track Access Charges / Public Service Obligations).

Project delays are caused also by lengthy evaluation procedures. For every single contract

there are three representatives from the Ministry in the evaluation committee. This is absurd, particularly as the people from MT do not have the specific technical skills to evaluate sophisticated equipment; in addition the same three people have to be present in evaluation committees for hundreds of contracts. Companies should have more autonomy on how they contract works and consultants and how they supervise works.

Recommended: The Ministry should prepare a sound Road User Charges / Track Access Charges system, and the Companies must also insist on this point. Such a system to pay for infrastructure use is not merely a "favourite toy of the economists", but an EU requirement: see the Road User Charges system described by the Directive 2006/38/EC and the previous one in 1999. Track Access Charge for railways must also be urgently implemented together with liberalization of rail passenger and freight market. Since the evaluation committee membership is set by ministerial order, it can also be changed in the same manner. MT is represented in the Board of the Companies, so it already has an instrument of control. In addition, the ministry could perform random checks on evaluations or hire a consultant to do so, if they so wish. Overloading its staff with routine operations they are not able to carry out in practice is a recipe for delays and sub-standard work.

3. Loss of staff

Estimates show that more than 50 key staff are needed by CNADNR to continue its activity at a normal level. These are people hard to attract and retain: engineers, lawyers, procurement specialists, financial experts. A similar situation can be found in CFR, where for example only four people manage all IFI projects (including procurement, disbursement, evaluation, reporting). The sense of drifting in these companies in the past years, coupled with an indifferent human resource policy, has led to numerous desertions, especially among the staff with high professional motivation. This has happened precisely at a moment when the salary differential between the private and the public sector increases, in particular for qualifications such as civil engineers and procurement experts.

Recommended: All entities (MT, CNADNR, CFR) could hire part-timers (consultants) to fill in skills gap and train the remaining, younger staff. The companies and ministry should provide decent

salaries to competent people to prevent them from leaving the sector, as the pressure from private firms is on the increase. This process started in CNADNR a few months ago, but salaries are still attractive only to beginners. A qualified engineer finds employment in the private sector at roughly four times his salary in the public sector.

This loss of human resource is particularly worrying, considering that CNADNR will have to implement projects worth 2 bn€ per year from now on; until now it has barely managed to implement 500 mil€ per year.

4. Lack of accountability on projects and tasks

Under the current procedure, nobody is assigned to look after a project from beginning to the end and to take responsibility for its proper delivery. The whole planning and programming capacity - including standardized procedures - is practically missing. Once the project cycle management will kick in, it would be extremely important to make sure somebody is monitoring the critical path. Right now it is difficult to see how many of the delays were caused by lack of directly responsible persons or by lack of strategic approach. The need for responsible project cycle managers will become obvious under the new rules applicable after January 2007, when the results are going to be checked only at the end (structural funds) and not by constant supervision (current IFI approach).

Recommended: Project managers should be assigned for each major project (no more than 2 or 3 projects per manager). A group of international internal consultants could then work within CNADNR/CFR as project managers. This could be better than using external project implementation companies, because it brings know-how in CNADNR and CFR. Alternatively, the external project implementation company could provide professionals on specific tasks upon demand, based on a framework contract.

5. Lack of interest and capacity for strategic decisions

Decisions in strategic matters are taken now ad hoc, based on political visibility only. To avoid delays in implementation, essential but "unpleasant" parts of the project cycle are skipped or postponed indefinitely, which may derail the whole

schedule - e.g. the environment impact assessment⁴. To avoid financial constraints and budget ceilings PPPs are sought as an easy way out. This is a mistake, because PPPs should be regarded as commitments made off the balance sheet (i.e. off responsibility of CNADNR and CFR) only when the private sector also shares a fair amount of project risk. Otherwise, such contracts are not PPPs, but simple service procurements.

Recommended: Strategic studies should be properly prepared, such as the General Transport Master Plan and Road User Charges, and their results must be actually implemented, not forgotten in a shelf, as it has been the case until now.

5.1. The General Transport Master Plan.

This particular study should be given all the attention necessary, since it is a critical document for the whole sector. It must be properly coordinated with the PHARE and WB studies on market survey for CFR passengers and with a reliable road user charges study. The Master Plan should cover substitution between modes (roads and railways) and intermodal aspects (transport through various modes and the links).

Currently, a General Transport Master Plan study was contracted under ISPA and is being prepared; it is likely to be ready in May 2008. This document should represent the basis for any long-term strategy in the transport sector. Ideally, it would fill in the missing information on the harmonization of different sectors and transport; correlate budgets and strategies; create a coherent transport database and transport model.

Staff should be designated in the entities involved (Ministry, Companies etc) to facilitate the consultant's access to quality information and a permanent dialogue with decision makers.

However, it appears that the Master Plan does not get the proper attention from the Ministry of Transport and the Companies. There is a risk that it will be regarded as a "free study on free EU money", as there is no political commitment to it as a framework for future strategies. We have already had a similar experience with a Road User Charges study financed by EU, which was largely ignored by MT and CNADNR⁵. The General Transport Master Plan also relies on the results of another EU-

financed study done by Prointec, called "Preliminary analysis and diagnostic of the transport system". This study should have been finished in July 2006, but the consultants have presented four draft final reports which were consecutively rejected by MT for poor quality, and the results are not ready yet for use by the GTMP consultants.

Another similar transport master plan was prepared in 1998 by Prognos Co, paid through a PHARE contract. The consultant created a transport model which should have been used by MT staff as a strategy preparation tool. This, however, has never happened, either for lack of interest of capacity in the ministry.

In order to ensure a better public support for financing from the Ministry of Finance and greater stability of strategic decisions, all these reports, studies, and the Master Plan Strategy itself should be made public, and pro-actively pushed to the press and the public opinion. True, like in any other country, certain aspects of the transport policy (locations of new projects or different priority axes) are matters of political decision rather than technical criteria. It would be unreasonable to expect a fixed strategy for 20 years in a rapidly changing economy.

However, this study should be centered in a very fundamental point, and finally the message should be something like: "These are the perspectives for transport development based on expected growth in the next 20 years. MT and the companies can allocate and absorb this amount of budget on these priorities; while some of priorities might be dropped, giving up of one priority would have this (financial, economic) impact".

5.2. User Charges studies.

Such studies will show how much road users should pay, based on a similar principle to the track access charge for railways. These estimates are needed to determine and plan the proper financing for the road and rail sector respectively. A Road User Charges study was already done under Phare by Prointec, but its results proved unsatisfactory. The study basically concluded that the current mechanism for road user charging is appropriate, even though results on the ground show that CNADNR can barely cover around 20% of its current expenditures with its revenues.

⁴For example, the Caransebeș road by-pass was delayed five years because CNADNR postponed the EIA planning for later in the process. The feasibility study in 2002 suggested the alignment of the by-pass to cross a town park. Locals protested openly. The feasibility study had to be adjusted to a new route, and it is being finalized only now, in 2007.

⁵Notably, the Master Plan terms of reference do not even mention the existence of a previously done Road User Charges. This study is crucial for the prospects of the whole road sector - not to mention it was also financed by EU.

The principle behind a good road user charges system is a transparent computation of the cost with road use per unit (passenger car, tone freight etc.), and how it is covered. Road users pay through vignettes, taxes, tolls and so on. The idea is that users should pay an amount commensurate to their actual "utilization" (wear and tear; availability of road; pollution etc.). Practically, a road user charges study would prepare a sort of "virtual invoice"⁶: an average estimate of how much each category of road users should pay for their consumption.

There are many options for a good Road User Charge system. For example, a Road Fund can be created, having an independent Board (composed by transporters associations, NGOs etc.), which could manage a Fund getting allocations from fuel tax, tolls, vignettes and allocate the money to the Roads Companies based on projects. This functions in some developed countries (USA, Japan, where the system works smoothly and the planning/programming process is very good), as well as, paradoxically, in underdeveloped countries (sub-Saharan Africa, where it is one of the few ways to make sure money for roads is allocated to the right purpose).

Another option, used in multiple forms in some European countries, is to create a transparent system where road users know exactly how much they pay and for what, without an earmarking of budget revenues. The advantage of the second system is that the Roads Companies compete for money with other users of state funds and must present a program that is more compelling than other sectors¹.

In any forms, the fuel taxes, excises or vignettes should be matched with the marginal costs to using the infrastructure (additional "damage" caused by a car); tolls are mostly a tax for availability of roads. Shadow tolls are availability fees paid by state, but in a transparent manner, where users are subsidized but the extent is clearly known.

In Romania, a proposal was put forward in 2002 to create a road fund with an independent board. At that time, a solution was sought to manage appropriately the revenues from the Special Road Fund, financed from fuel taxes; in the meanwhile, in 2004 the Fund disappeared. It was however perceived as not suitable, because it created little incentive for efficiency improvement (competition

with other budget spenders on a limited amount). Earmarking of budget revenues is not best practice and can lead to suboptimal use of money, or overspending. The whole point of road user charges is to make sure road users pay an amount commensurate with "what they consume"; that is, a proper allocation of the costs with investments, rehabilitation, and maintenance.

These can be made clear and transparent through a medium term budget exercise, or in program budgeting. It would be very fortunate if CNADNR came up with a good road user charges study, prepared together with an experienced consultant, publish the results on its website and push the findings as much as possible to the press and the public opinion. This would create leverage to get additional money from the budget. It would be also good to this EU-wise, as implementing a Road User Charge system to cover operational costs becomes mandatory for all EU member states from 2012.

What is true for roads is also true for railways: the track access charge is the equivalent of Road User Charge in railways. Given the specificities of the sector, it is clearer and can be charged directly and transparently to those who use the track, being also more acceptable from a political point of view. In Romania there is a formula, based on distance, but not on weight, so track access charges should be equal per unit for passenger and freight.

Historically, the problems encountered in the sector were: cross-subsidization (with CFR Freight supporting Passengers) and a vicious cycle of compensation and debt accruals. Since the current track access charge formula is based on train km, regardless of weight, the higher track charge for CFR Freight (albeit justified given the higher weight of fully loaded freight trains, causing higher wear and tear of the track) might be an indication of cross-subsidy from Freight to Passengers.

The track access charge system will be modified in 2008, when a new methodology will be finalized. This will take into account the type of train, type of track (high speed, congested etc), and weight. While fairer, there is always a trade-off between fairness and ease of computation. The operators are already worried about their total amount to pay.

In CFR Passenger operations, the budget pays for the public service obligations through a

⁶ A concept better known in health care.

transparent subsidy or the equivalent of "availability fee"/"shadow toll" in motorways. The amount actually paid in Romania by the budget is less (and paid with delays) than the amount needed to cover the difference between track access charge and actual cost. CFR Passengers does not have enough money to pay CFR for the use of infrastructure and accumulates debt; the latter does not have enough money to pay social taxes to the budget and debts to its suppliers, such as Electrica. CFR centralizes the railway payment obligations to Electrica, so it has to pay the full bill for electricity consumed by the two state-owned operators, Passengers and Freight.

Without proper payment from Passengers, CFR does not have enough money to pay the electricity. The now private Electrica threatens to cut off the power to the system, which would also affect Freight and other private operators. There is a high risk that, instead of MT allocating the full amount of the Public Service Contract to Passengers as it should, it would prefer to leave CFR SA reduce staff salaries or further cut maintenance expenditures to pay the debts.

This situation is perpetuated by the absence of performance agreements between CFR Passengers and MT (to specify what redress CFR Passengers would have in case MT does not pay its obligations, as it always does until the end of the year). There should also be an agreement between CFR SA and CFR Passengers to specify what happens if CFR Passengers does not pay its Track Access Charge in full. Right now, while there are legal contracts between these entities, they are practically not legally enforceable without the above-mentioned necessary clauses.

6. Hasty decisions on company reorganization

Roads:

There are signals and public statements that the Company will be completely reshuffled in the next months. The intent is to split the Company in two:

- one company for new, big projects (investments, rehabilitation, PPPs), which would be "economically viable", bankable, and politically visible;
- one entity (probably organized as a Government agency or Ministry department) which would deal with the administration of the network and maintenance.

The idea is not necessarily a bad one. There might be some advantages, such as a certain degree of transparency on the use of funds and visibility of revenue streams. But such a dramatic change requires a careful analysis beforehand.

This split is possible when all mechanisms to plan and finance maintenance are clear. However, this is not the case. Investments and maintenance are even now too far apart - investments are done without careful consideration of future increased maintenance needs - and there is a good chance that the split would be even greater. There is a risk that the first entity will become a shiny jewel and maintenance would be fully neglected, a practice already deeply rooted in CNADNR.

For example, let us see what happens when a plan is approved to build a new road. As a project, this needs to take into account its full life span, as the costs and benefits can be considered over the entire period. One must set a clear mechanism to ensure from the beginning of a new project that additional funds will be available to maintain that road at adequate standards during operation.

Also, there must be a clear mechanism in place to transfer the road from the first company to the other. In its absence, it might happen that the second entity complains of the poor quality of the road execution as a means to justify increased spending on maintenance. In addition, the existing staff is suspicious of new changes and defensive. Such transformation threatens to be a complete failure if the whole body of staff is resisting it.

CFR: In an attempt to improve project preparation, CFR management decided to create a specialized department with good experts (lawyers, economists, engineers) who would work from design to tender on all new projects, regardless of the financing source (budget, loans, IFIs) or type of intervention (new route, rehabilitation, maintenance). The department is planned for 24 staff, relocated from other parts of the company, thus reducing the capacity of the offices from where they come; right now only six such positions are filled. Practically the rest of the company will implement the projects prepared by this "taskforce". While the idea is not so bad in principle, as it ensures a better coordination of railway infrastructure investments, it should be implemented with great care. Given the complexity of the projects that CFR is supposed to prepare and manage in the next years, this entity may become a bottleneck itself if it is not appropri-

ately staffed.

Regarding the operators, the latest idea is to split CFR Passengers into a long-distance traffic company, which would be commercially viable, and suited for privatization; and 8 regional short distance travel companies. This was actually done before in 2000-2001 for a few months and seemed to work better than initially expected. The short distance routes were a social service for poor and non-paying commuters, and were a financial problem to CFR Passengers.



Fig. 12. Luncoiu Viaduct, July 2005

On this low traffic railway not far from Deva bolts and smaller pieces were stolen for sale by local thieves

For a short while, when these local trains were managed by regional companies, an interesting development has occurred: local authorities, for fear the lines should close leaving commuters with no transport alternatives, united and decided to co-finance jointly the local trains. They also started to provide assistance in catching non-payers, through joint actions of local police and train inspectors, and to use police to catch people who dismantled rail track components for sale as used iron (Fig. 12). The impact of this split on rail infrastructure would probably be that a part of the 3,000 km of track which should now be spun off would become financially sustainable, with co-financing from local authorities.

Recommended: While the arguments for reorganization might be valid, a careful analysis and consultations have to be done before the final decision is taken.

LONG TERM ISSUES

7. Poor planning & budgeting in CNADNR, CFR and MT

The ministry, CNADNR, and CFR simply cannot prepare a longer term, internally consistent program. Priorities, from overarching goals to day-to-day project management, have changed lately depending on who was at the top. Budgets are prepared in the same historical way as they have always been: budget ceilings are indexed by the growth of GDP and inflation. The problem is, the transport sector develops more rapidly than the overall GDP, and programs approved must be followed consistently. What is needed is a clear vision, a level of professionalism that would allow for planning over longer periods of time (exceeding political cycles), and a capacity to realize what are the key priorities and give up on other projects. This is why the General Transport Master Plan study results have to be realistic and ready for implementation. This would help create an internally consistent vision and a medium term expenditure framework / budgeting flowing from it.

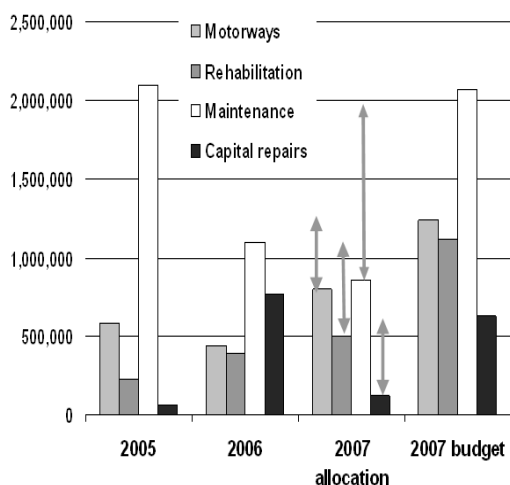
Budget requirements for one particular year are clearly overstated compared to actual figures allocated in previous years (Fig. 13). CNADNR should reasonably expect that the budget allocation should not be much higher than in the past. The chart shows that there is no clear trend for any particular expenditure category, for example capital repairs increase in 2006 but are reduced in the budget for 2007 or the unusual allocation for maintenance in 2005, when the short term commercial loans for maintenance were used. Given this seemingly arbitrary allocation, CNADNR could not prepare an adequate program for the following year; a five-year business plan is totally out of question. On the other hand, the practice is known of CNADNR to overstate its needs, because it knows it will get "one half of whatever it asks for"⁷. The figures are from CNADNR allocated budgets.

The budgeting capacity in all entities (MT, CFR, CNADNR) is extremely weak. The budget for the transport sector is based on the routine method of a ceiling being communicated from the Ministry of Finance, which grows every year with the economic growth and inflation. However, traffic grows more than GDP (the SOPT figure is 1.5-2 times

⁷ This is valid particularly for maintenance. For new investments typically the budget exceeds CNADNR's implementation capacity (that is, since 2000 CNADNR receives more money for investments than it can spend). This is why we have reservations to MT and CNADNR's optimism that they would be able to meet their ambitious investment plan.

more). The programs are not correlated with plans in other sectors (such as local economic development), at least until the Master Plan is finalized. Romania's multi-annual budgeting system is still in its infancy and planning on programs has only been implemented one or two years ago, in a largely formal way.

Fig. 13. Actual vs. budget: main road expenditure



8. The volatility of investment strategies

Since road investments are highly visible to the wider public and fit for ribbon-cutting, every minister brings its own views and proposes a new strategy. A few examples below.

- The Roads Strategy for 2005-2015, a very ambitious plan prepared in late 2004. Currently there is no reference to it in any current official document, such as the Sector Operational Plan for Transport negotiated with Brussels. It is only mentioned in the accomplishments of the governing program in the first quarter of 2005. This means that either the strategy was taken over from the previous government, or that it is an initiative of the government after 2004, abandoned and partly recuperated in subsequent strategies. The strategy was an overly ambitious plan to build 1,600 km of motorway between 2005-2015, with a spending plan of 10.5 bn€; rehabilitation and upgrading of

6,800 km of national roads (6 bn€); construction of by-passes (800 mil€); bridge rehabilitation (100 mil€). To this, additional 4 bn€ were needed for maintenance. The strategy was unrealistic from the very beginning, since its implementation would have required a surge in public expenditure from 1.3% of GDP in 2003 to 4.6% of GDP in 2009.

- Motorway strategy of previous minister Berceanu, described initially by his successor as "lines drawn on a map". There is little evidence that the proposed strategy factored in the length and complexity of the project cycle of building a motorway, which could take up to 50 months. It was not visibly correlated with other strategies - not even in transport, such as that for railways. However, although in theory discarded, this strategy was the only new document published on the website after Minister Berceanu's replacement.
- The Strategy of rehabilitation / modernization of national roads, in 15 stages. This is probably the oldest and most consistent strategy in road transport, perhaps because it was largely co-financed by the European Commission and International Financing Institutions (EIB, EBRD, JBIC). Since 2000, over 3,000 km were rehabilitated under this program. In the last years, unfortunately, the volume of works delayed has increased.
- Sectoral Operational Plan for Transport (2007) and its Complementary Program (latest version July 2006). These were prepared for the absorption of ERDF and Cohesion funds. The Sector Operational Plan was returned once from Brussels for clarifications, and the Complement Program was not updated since 2006, although the latter should detail the SOP-T project by project. Both are supposed to be updated when the General Transport Master Plan is finished (expected date, May 2008).
- The plan submitted by former minister Berceanu at the beginning of 2007, to allocate 1.4 bn€ from the National Development Fund to roads development. Under the current minister, the sum was reduced to 350 mil€. The NDF was created in late 2006 from proceeds of privatizations of large SOEs, with the purpose to finance large scale infrastructure projects, but as of today it is not yet operational because the government has not finalized the method-

ology. In terms of works to be financed, Minister Orban's plan is a subsection of the more ambitious plan of his predecessor (Ploiești Vest by-pass rehabilitation, construction of by-passes for Iași, Suceava and Oradea, as well as Bucharest-Brașov motorway are found in both proposals).

- Public statements made by top officials about expressways (four sections, mostly for better connections with the two motorways towards the West; 380 km, 1.2 bn€). This is a new initiative of the current team managing the roads sector, but no clear financing sources were identified. These expressways are a complete novelty: greenfield investments, not rehabilitations of existing roads, as they run parallel to existing national roads in order to avoid the linear towns. As such, they would require a long time to develop, involving the whole process of land expropriation, utilities relocation, etc.
- In May 2007 the media reported a controversial construction program in Cluj county: a motorway financed with public money to accommodate a private investor (Nokia) by providing it with access to a new industrial park. Such controversies, justified or not, further affect the confidence of private investors in the Romanian Government's plans.
- The Bucharest by-pass (different from the existing ring road). This would be an important and without doubt useful project, and it appeared to the public attention in one of the Minister's press conferences in June 2007. The feasibility study will be done, and the expected price would be around 700-900 mil€, or even more, given the exponential increase in land prices around Bucharest.
- Public statements about minor rehabilitation of roads towards tourist areas, all with imprecise financing sources; there are rumors of possible allocations from maintenance funds. The Minister stated publicly that he would prepare an application for up to 100 mil€ from the state budget on 2008.
- PPPs. Romania has already had several unsatisfactory experiences with PPPs in transport, but the management of the sector does not seem to have learned not seem to have learned "any lessons. The first failed attempts to involve the private sector took place in the late 90s. An international tender to finance, build and operate the Pitești-Bucharest-Constanța motorway was launched in 1997, and two international consortia submitted bids the following spring. The process stalled and the bids were resubmitted a several times, because the private investors required public contribution to make the project marginally viable. A later attempt to operate Bucharest-Pitești as a private concession was not very attractive to investors either.
- One more example is the recent idea to build motorway sections on Bucharest-Brașov with private participation. In the first phase three companies responded (Ashtrom Roichmann, Vinci, Strabag) each submitting a bid for one section. About two years were spent unfruitfully with negotiations on details, and then the process was restarted, this time with a consortium made of four local companies who won a section. Only time will tell if they will manage to be more than just a contractor for a service fully paid by the state.
- Even if not exactly a PPP, the well-known Bechtel contract further creates difficulties for future PPP contracts as it undermines the credibility of Romania's public authorities vis-à-vis the private sector. Payments were delayed for two years without obvious reason, and there were attempts to renegotiate the contract. Right now there are speculations that in the end the contract value will be more than twice the original amount (from 2.5 bn€ to almost 6). The situation could have been different if the motorway construction had been put out for tender instead of a non-transparent direct negotiation. Even after these experiences, there are still grand plans for the near future. MT's public statements are that it envisages possible PPPs in the railway sector, where the international experience is even more limited.
- Unlike roads, railways have benefited from a more stable strategy after 2005, which focuses on interoperability with EU and raising the market share, track access charges, public sector contracts and reorganization of CFR Freight and CFR Passengers. Recent statements by the Minister (CFR Passengers restructuring by a split into 8 regional companies for commuters and one long distance traffic company to be privatized) seem consistent with the current strategy. However there are signs that the new leadership is considering PPPs in railways; it is not

clear how these would fit into the existing strategy. What is more, the 2005 strategy is also extremely ambitious and very likely unsustainable: capital investments for CFR were planned at 0.3% of GDP in 2005, to increase steeply to 1.3% of GDP in 2009, and this does not include past liabilities of 1.5% of GDP.

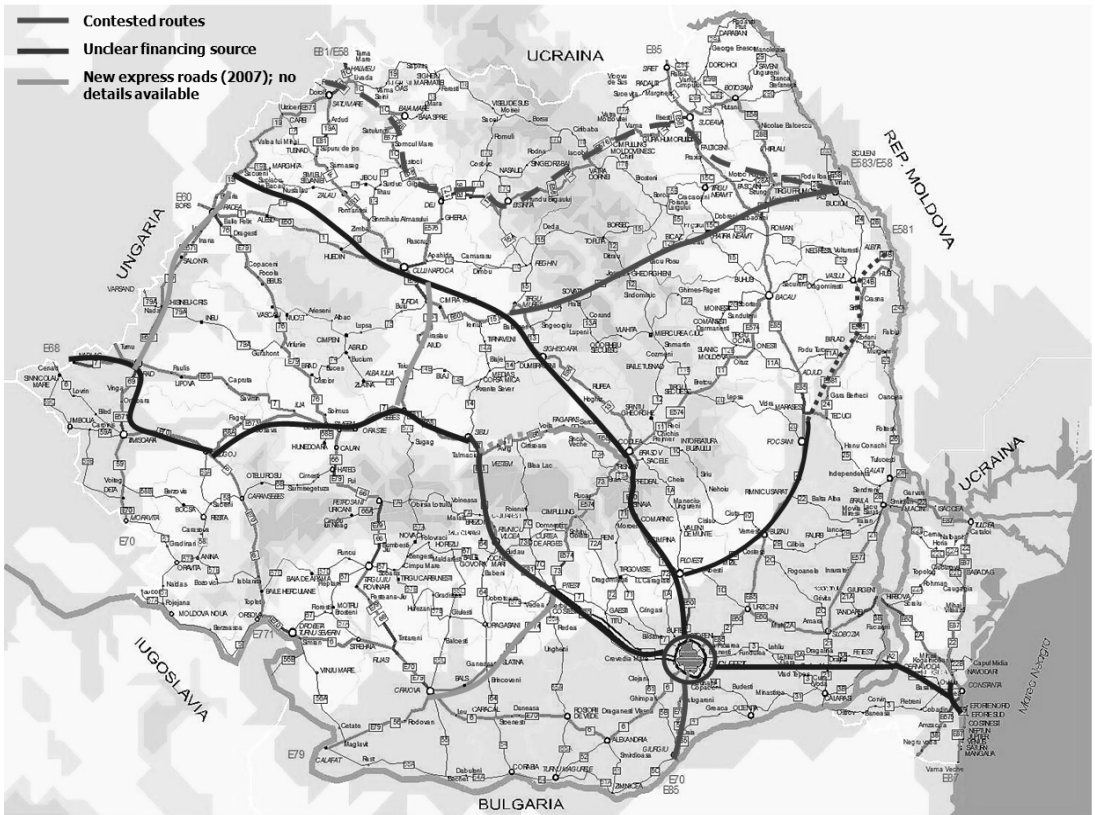
In addition to having a lot of different strategies, these are not prepared in the same departments, following a standard procedure. For example, the motorway strategy on MT's website was an initiative of Minister Berceanu, with inputs from CNADNR. The General Transport Master Plan is prepared by a consultant who has as direct client the General Directorate for Foreign Financial Affairs of the ministry. It is uncertain to what extent these strategies are discussed with the budget department, not only as a total volume, but also in terms of prioritization.

Lower down the level of strategic decision-

making, a further reason why CNADNR and CFR have a poor strategic vision is that until now, they have acted mainly as project implementers for IFI funded projects. The prioritization was done by these IFIs and there was no pressure on the companies to develop strategic thinking. Even their own corporate plans, to the extent that they exist (such documents appeared for the first time only a few of years ago), were meant to respond to IFI conditionality. It is not clear to what extent they are more than box-ticking exercises, or adequate for other projects than those funded by IFIs.

With a well designed Master Plan, there will be more flexibility in the long-term strategies to allow for changes in government and different visions of democratically competing parties. Still, roads and railways are built to last. They require significant public resources, long-term thinking, and must ensure efficient transportation in the long run for the economy and citizens. Completing a road or

Fig. 14. Volatile strategy for the motorway projects



bypass started under a predecessor should also be regarded as a political priority. Project with long cycles (such as motorways) require at least two years and a half until initial procedures are finalized, land purchased, design details agreed, and a proper environment assessment done. Afterwards at least two more years pass before the project construction is over.

Recommended: The ministry decision makers should follow the recommendations of the General Transport Master Plan and Road User Charges. A consistent set of prioritization criteria must be put in place for major projects; these criteria would be developed in the GTMP consultancy.

At company level, a robust management information system must be introduced CNADNR, similar to IRIS in CFR⁸. This management system would ensure that there are formalized procedures for every major process in the company, from strategic planning to sensitive tasks, such as consistent data collection and tendering. In the prioritization of projects, clear technical criteria must be used for all projects, from investments and rehabilitation to maintenance (IRR based). A consistent strategy for land acquisition / expropriation must be put in place, in order to minimize durations and costs. In many projects, such as extension/enlargement of existing roads, utilities management is very important, including the land acquisition for utilities relocation.

Finally, a Steering Committee must be set up for the state-owned railway companies. In fact, such a committee was created in 2005 to coordinate actions across the sector, but it has never become functional. After all, the infrastructure should provide a service to the operators. The steering committee should coordinate major programs, like as finding a common solution for operators while major track rehabilitations take place (temporary bus service for rail passengers, etc). There is a clear lack of communication between the railway companies in major decisions, and uncertainties about each other's decisions impede on the strategy and program formulation. The Committee should create the coordination framework for infrastructure maintenance programs with the traffic of operators.

The Steering Committee must also ensure proper communication between CFR, the two state

operators (passenger and freight) and the Ministry, to create a clear and enforceable framework for the subsidies requested and received by CFR Passengers. It could be under the firm hand of the Ministry of Transport and take responsibility in allocating in due time enough funds to cover the Public Service Contract obligations (that is, the subsidy per passenger, to which CFR Passengers is entitled). The Steering Committee should thus ensure that contracts between MT and CFR Passengers for Public Service Contributions are enforced, as well as the contracts between CFR Passengers (Freight) and CFR Infrastructure for the payments of track access charges in time.

9. Poor risk management, causing delays in projects

There are things affecting the normal course of business and implementation of current operations which happen only in exceptional cases (floods). However, most of the causes invoked for delays in implementation of current projects are things that occur with astonishing regularity and are far from being unpredictable. Two critical points in the project management cycle where delays usually appear are the relocation of utilities and the land acquisition, both the responsibility of the public beneficiary of an investment contract.

In addition, there are external constraints such as those posed by the labor force market (increasingly tight); the constructions market; the market for supervision consultants on smaller projects. While these risks cannot be directly managed by the two Companies, they should be nevertheless considered in the planning process, which was very rarely the case until now.

This is even more urgent since, for example, the investments proposed by CFR in the following years will go up five-fold, and those by CNADNR three-fold. This unusual increase in the demand for services from the public infrastructure sector, on top of the existing one in the private sector, is likely to increase the stress in the construction market, create bottlenecks and drive up prices. Such factors should be considered and mitigation measures included in strategies; otherwise unmanageable delays will appear. For instance:

- Broad framework contracts should be concluded

⁸ With some caveats, this is a success story that waits to be generalized within CFR, CFR Freight and CFR Passengers

ed with the utility providers by CNADNR, in order to minimize friction in each individual project or work location. Such a memorandum of understanding was successfully agreed in 2004 with Electrica for the B?neasa-Otopeni road enlargement; this experience should be generalized.

- A plan for land acquisition should be prepared ahead of time, before the work contract with the construction company begins. Ideally that would mean working with a time perspective of four or five years. Otherwise, prices for land go up, and additional legal complications appear for CNADNR.

Planning is crucial in dealing with external constraints too. A good strategy followed consistently may be an incentive for the construction companies to invest in development. Supervision for smaller projects can be ensured if projects are clustered



Fig. 15. CNADNR seems to discover in every large project, with great surprise, how difficult the expropriation of land and relocation of utilities are

geographically in lots to reach a critical mass and attract consultants for supervision, benefiting from economies of scale

10. Unlikely "corporatization" of the two companies

CFR and CNADNR are currently insolvent, meaning that they are not financially self-sustainable. They depend on the ministry for their resources, without having a clear budgetary allocation process in a pre-determined framework. As a result, they are at the whim of the political leadership in charge, not only for the long-term strate-

gies, but also for the annual work plans. The situation is worse for CNADNR than for CFR: while the latter covers about 80% of its current expenditures with the track access charge, CNADNR can barely cover 20% with its own revenues. Own revenues of CNADNR - tolls, vignette etc - add up to about 120 mil€ per year, while only the roads maintenance swallows currently 250 mil€; this figure will rise as new investments are finalized. A true "corporatization" of the two companies under the current structure is therefore not possible.

Recommended:

- Implement Road User Charges and Track Access Charges fully to ensure proper financing, at least for the current operation and maintenance of the network. While the direction towards corporatization is correct and strongly recommended, "leapfrogging" should be avoided. Right now, CNADNR/CFR should start decentralizing supervision and works to their regional branches. Branches work directly on sites, out-source services (e.g. maintenance) and report on service delivery. The Ministry should simply define the broad mission of the organizations and set the annual budget, delegating responsibilities fully to CNADNR and CFR. The road and rail programs should be monitored by the respective Boards of the companies, where the Ministry appoints representatives.
- The budgeting process and the sources of funds should become more predictable over time. For example, this could be realized either through the (re)creation of a Road Fund or - even better, in our view - through a medium term expenditure framework assumed explicitly by the government. Only then can the companies have enough perspective to start planning several years ahead. The performance of the companies should be clearly related to funding through a performance-based contract: basically, for a certain amount of money they must be able to deliver a certain output; with half the money, half the output, etc.

11. Opacity

The ministry, CNADNR and CFR should make serious efforts to become more transparent than they are today. Unfortunately, there is little sign that the economic value of public accountability is understood. Like all sectoral bureaucracies, the

transport infrastructure is dominated by technocrats and engineers trained in the belief that they know better, and who do not see much benefit in communicating more with the public. Donors like the IFIs and the EU typically pay a bit of lip service to the value of transparency at the beginning of programs, but simply do not have enough clout to push for more transparency at the Government level.

As it happens in such situations, the lack of public scrutiny, no matter how amateurish and inconsistent, saves technocrats from headaches in the short run, but at a huge social cost in the long run, in the form of massive delays in projects, sub-standard work, lack of clear leadership in programs and volatile strategies

Recommended:

- All entities should make their strategies available for public debate, instead of presenting them as plans firmly nailed down (which they aren't, anyway). The most annoying implicit answer from MT concerning its priorities and plans is usually that "such was the political decision". It is good that ministers want to appear in control and resolute - if only they were - but in a democracy the voters also expect to be provided reasonable grounds for each decision. Not to mention that the Romanian legislation requires strategies to be put out for public debate before a final decision is taken.
- In a praiseworthy attempt to demonstrate increased transparency, CNADNR has recently started to publish bidding documents for comments. In principle this should be praised as a sign of increased openness. Unfortunately, the attempt is a bit misguided and incomplete. What the public would like to see first and foremost is the full list of projects awarded with and without tendering, and the reasons for which they were selected in the first place. The public would also be happy to see on the CNADNR's and CFR's websites their respective corporate plans, strategies, consultant reports (road user charges, general transport master plan, track access charge study etc). In addition, very importantly, the annual reports with actual results vs initial plans should be published, plus narrative explanations for the deviations from the plan. The practice so far has been to publish only vague manifestoes and corporate missions, with precious little details, and from time to time announcements that

something big is about to begin. There is no consistent format of detailing and operationalizing such intentions, no follow up on plans announced in the previous years or any quantitative achievement indicator reported.

- On a more positive note, we are convinced that all transport infrastructure entities (MT and the Companies) have less to hide than the public believes. When coherent plans and relevant data do not come out, this is often because they don't exist in the first place. Being more frank about strategies and, why not, shortcomings would make the public less suspicious that it currently is.

CONCLUSION: OPEN UP THE SECTOR

The current situation of roads and railways is worrying, particularly because Romanian transport infrastructure is unsafe and it has become a bottleneck for the economic development. The public agencies should do whatever they can to keep the valuable resources they still have - especially qualified staff, who is aggressively headhunted by private firms. What the whole sector needs is a "turnaround" management, to stop the downward spiral started two years ago, under the hesitant minister Dobre.

While organizations are important, they also need good leadership and human resource to function. Even in the current hectic domestic politics, a natural drive towards performance should exist, at least in the form of using as much as possible the "free EU money". These funds are not going to flow as smoothly as some people at the top believe if the current institutional framework is not reformed.

Absorbing the vast amounts of money available in SOP-T requires a coherent strategy, good staff, longer-term view, a pipeline of projects prepared in advance. Under the EU rules and directives, disbursements will not be made if CNADNR and CFR remain technically bankrupt, as they are today. Non-transparent financial flows already raise eyebrows in DG Competition in Brussels

'EUROPE' AND THE POST-COMMUNIST PUBLIC DISCOURSE IN BULGARIA

Cvete Koneska¹ and Cosmina Tănăsioiu²

Abstract:

By applying the mechanism of rhetorical action, this article argues that the pro-European stance of the Bulgarian electorate prior to the 2005 elections was due to the positive discursive narratives promoted by intellectuals and political elites. Constructed primarily upon ideas of cultural belonging and the correction of a historical wrong rather than in terms of rights, obligations, transposition and implementation of laws, this discourse grants European membership the ability to deliver Bulgaria of its current predicaments (be they economic through investments, social through jobs, political through guarantees of security or cultural by acknowledging its European identity). Though securing policy continuity and consensus, such discourse was vulnerable precisely because of its monolithic political accord and therefore susceptible to lead to a radicalization of an alternative discourse. It also contributed to unpreparedness of both the electorate and the political elite for the post-accession policies.

Keywords:

Bulgaria, European integration, public discourse.

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Among past and future candidate countries, Bulgaria rates among the most pro-European countries.³ Studies on the public discourse relating to Europe have been conducted for some Central European states.⁴ While there are studies concerning Bulgaria's political and economic efforts in joining the EU⁵, as well as general analysis of Bulgarian political discourses in post-communism⁶, no study focuses specifically on the public, intellectual or political discourse about Europe. This article argues that the pro-European stance of the Bulgarian electorate, prior to EU accession, was due to a public consensus constructed around a positive discourse towards Europe. The Bulgarian public was bombarded with a glorifying message about belonging and identity guarantees rather than with specific knowledge about the EU (i.e. EU policies, EU institutions) or the impact of accession (in terms of both costs and benefits). Thus, the public was presented with a picture of the EU as a lost paradise capable to deliver Bulgaria of its current predicaments (be they economic through investments, social through jobs, political through guarantees of security or cultural by acknowledging its European identity). Such unbalanced discourse carried a promise of a better life without any contractual obligations hence the electorate sees no inconvenience in supporting it. Though securing policy continuity despite change of government, such discourse however was vulnerable precisely because of its monolithic political consensus and therefore its susceptibility to lead to a radicalization of an alternative discourse.

We focused upon two sources of public discourse, namely the Bulgarian political elite and the Bulgarian intellectuals. The construction of discourses, their impact, their single or multiple meanings are dependent upon contextual factors and influences, such as the social and political settings,

historical circumstances, and the ideological environment. Avoiding exclusive focus on the "message," we also analyze the "author" (i.e. intellectuals, political elites, and media) and its imprint on the communication process. The method applied is both context- and text- sensitive, as well as reflective of the author-reader relation. The identification of the main ideas (i.e. belonging, Europe as a goal, as a policeman) present in the public discourse as well as the similarities and differences between them was followed by a linguistic analysis.

Data was archive based and draws upon magazine and newspaper articles collected from on-line records of *Kultura* magazine, from the on-line archive of internet newspaper *Mediapool* and archives of *Trud*, *Dnevnik* and *Kapital* newspapers. The selection was made on the basis of circulation and significance in terms of discursive sources. The timeframe spans from the beginning of 2002 until spring 2005, encompassing the process and conclusion of negotiations with the EU, which also coincides with the mandate of the NDSV (National Movement for Simeon II) government.

The Importance of Discourse

Politically, post-communist transition happened at both institutional and discursive level⁷ The political mythology of communism included myths such as the classless society and the new man (or what Alesandr Zinoviev called *Homo Sovieticus*), the fight against nature, the reinvention of history.⁸ The ability of the regime to control discourse was essential for its survival. Not only had its role to be beyond question, so had to be its words.⁹ The fall of communism led to a discursive vacuum and post-communism needed its own language both to replace a defunct vocabulary and to address the col-

³ Support for EU membership rates constantly above 60 per cent. See for example 'Attitudes towards Bulgaria's membership in the EU January 2000 - May 2002', Research Agency, BBSS Gallup International.

⁴ See for example: A. Szczesniak, 'Polish Public Opinion: Explaining Declining Support for EU Membership', *Journal of Common Market Studies*, 39: 1, 2001, pp. 105-122. K. M. Slomczynski, G. Shabad 'Dynamics of support for European integration in post-communist Poland', *European Journal of Political Research*, 42: 4, 2003, pp. 503-539.

⁵ See for example: V. D. Bojkov, 'Neither here, not there: Bulgaria and Romania in current European politics', *Communist & Post-Communist Studies*, 37: 4, 2004, pp. 509-523. E. Giatzidis, 'Bulgaria on the road to European Union', *Journal of Southeast European & Black Sea Studies*, 4: 3, 2004, pp. 434-459. A. Dimitrova, R. Dragneva, 'Bulgaria's Road to the European Union: Progress, Problems and Perspectives', *Perspectives on European Politics & Society*, 2: 1, 2001, pp. 79-105.

⁶ A. Dimitrova, 'Bulgaria', in J. S. Dryzek, L. T. Holmes (eds.), *Post-Communist Democratization. Political Discourses across Thirteen Countries*, Cambridge University Press, Cambridge/New York, 2002, pp. 206-221.

⁷ See for example K. Verdery, *The Political Lives of Dead Bodies*, Columbia University Press, New York, 1999, p. 35. E. Comisso, 'Is the Glass Half Full or Half Empty? Reflections on Five Years of Competitive Politics in Eastern Europe', *Communist and Post-Communist Studies*, 30, 1997, pp. 1-21. A. Arato, 'Interpreting 1989', *Social Research*, 60, 1993, pp. 609-646. G. Schopflin, *Nations, Identity, Power: The New Politics of Europe*, Hurst, London, 2002. V. Tismăneanu, *Reinventing Politics: Eastern Europe from Stalin to Havel*, Free Press, New York, 1992.

⁸ L. Boia, *Mitologia stintifică a comunismului*, Humanitas, Bucharest, 1999.

⁹ See particularly V. Havel, *The Power of the Powerless*, M.E. Shape, New York, 1985. See also C. Milosz, *The Captive Mind*, Penguin Books, London, 1985. A. Zinoviev, *The Yawning Heights*, Random House, New York, 1979.

lective fears, passions, illusions, and disappointments the post-89 era faced. "Socialism," "classless society," "vanguard party," "plan," and "fearless leader" were replaced by concepts such as "democracy," "market," "nation," "Europe," and "civil society."

¹⁰

While the other discourses that emerged post-1989 suffered through their own transition (i.e. social democracy to libertarianism, authoritarian to open society, civil society to a strong state, pluralism to republicanism, elitism to participation, nationalism to cosmopolitanism),¹¹ the European discourse built upon previously existing discursive formations developed into an articulate discourse in its own right.

Since "the return to Europe" was central to the anti-Party discourse¹², it is not surprising that it is precisely this discourse that gained predominance. The call for a "return to Europe" rallied masses while European integration became the priority of the new governments' foreign policies. As a political symbol, Europe implied both successful democratization and market economy. Built around ideas of European unity, peace, security, and prosperity, such discourse strongly resonates with the East European electorate seeking economic development and security guarantees. Moreover, "being European" is perceived as confirmation and official recognition of national identity¹³, an important element, both morally and emotionally, for societies that for forty years lived under the domination of a foreign power.

Post-socialist societies have long anti-liberal and authoritarian traditions¹⁴ and are prone to Salvationist and Messianic thinking, expecting salvation from unjustly inflicted sufferings from one source (be it a person or an idea) credited with magical powers. Some called the emerging post-1989 discursive narratives "fantasies of salvation."¹⁵ The discourse related to Europe is built upon such logic:

"Europe" is often personified and referred to as a savior. Moreover, "the return to Europe" resides upon the same dynamic the communist discourse used: the promise of a better future, the promise of a better standard of living. Scholars have warned however that investing such unsubstantiated hopes in "Europe" poses dangers to societies whose accession to the EU is not waged in terms of cultural proximity but rather in terms of economic performance.¹⁶ Scholars have warned that if Europe will fail to deliver "peace, democracy, prosperity or any of the other utopias current in the post-communist world," it may lead to the rise of a discourse, constructed upon precisely the opposite dynamic, of "betrayal of Europe," which may damage the democratization processes.¹⁷ The responsibility however should not be placed on 'Europe' but rather on those entrusting 'Europe' with such powers.

This article looks at public discourse as a determinant of the public's attitudes towards a certain topic (in this case, Europe) as we see discourse as capable to convince and determine behaviour among the receivers. We choose to operate with an inclusive definition of discourse. As such we combine Foucault's definition of discourse as "a group of statements" providing "a way of representing knowledge about a particular topic at a historical moment," producing and framing "knowledge through language"¹⁸ with the definition of discourse as the "site where social forms of organization engage with systems of signs in the production of texts, thus reproducing or changing the sets of meanings and values which make up a culture."¹⁹

Ever since the Greek philosophers it has been considered that the rhetorical nature of discourse carries a persuasion component arising from the contest among the diverse discourses of different social groups.²⁰ European integration and in particular the Eastern enlargement have been

¹⁰ For a case study analysis (Romania) see K. Verdery, *What Was Socialism, and What Comes Next?*, Princeton University Press, New Jersey, 1996, pp. 104-131.

¹¹ see Dryzek, Holmes, op. cit.

¹² For a general account of the 1989 revolutions see for example V. Tismaneanu (ed.), *The Revolutions of 1989*, Routledge, London/New York, 1999.

¹³ Verdery, *What Was*, op. cit., p. 129.

¹⁴ See for example A. Janos, *East Central Europe in the Modern World: The Politics of the Borderland from Pre- to Postcommunism*, Stanford University Press, Palo Alto CA, 2002. R. Rose, W. Mishler, C. Haerpfer, *Democracy and Its Alternatives: Understanding Post-Communist Societies*, Polity Press, Cambridge, 1998. C. Bryant, E. Mokrycki (eds.), *The New Great Transformation? Change and Continuity in East-Central Europe*, Routledge, London, 1994.

¹⁵ V. Tismaneanu *Fantasies of Salvation. Democracy, Nationalism and Myth in Post Communist Europe*, Princeton University Press, New Jersey, 1998, pp. 15-17.

¹⁶ S. Puntischer Riekman, 'The Myth of European Unity', in G. Hosking, G. Schopflin (eds.), *Myths and Nationhood*, Routledge, New York, 1997, p. 71.

¹⁷ Schopflin, op. cit., p. 113

¹⁸ M. Foucault, *The Archaeology of Knowledge*, Pantheon Books, New York, 1972, p. 117.

¹⁹ R. Hodge, G. Kress, *Social Semiotics*, Polity Press, Cambridge, 1988, p. 6.

²⁰ For an account of different features of discourse through history see: J. E. Kinneavy, 'The Basic Aims of Discourse', *College Composition and Communication*, 20: 5, December 1969, pp. 297-304.

explained through the mechanism of rhetorical action. As such, arguments based on collective identity, values, norms and practice of the Western community were successfully used to justify the opening of the accession negotiations, overcoming the material bargaining power of the opposing camp.²¹ This article applies this theory to domestic politics, arguing that the discursive narrative of internal actors also based upon collective identity, sharing values and norms with the Western community determine support amongst the average electorate.

The possibility to use discourse in persuasive pursuits has allowed for linking discourse to ideology and ideological thinking. Language does not only reflect but, to a certain degree, also moulds reality. Therefore, ideology is often referred to as a semiotic and discursive phenomenon. While Marxists connect ideology with idea of illusion, distortion, and mystification, a more sociological approach sees ideology as concerned with the functions of ideas within social life, "self-promoting social powers conflict and colliding over questions central to the reproduction of social power as a whole."²² Hence, ideology is either a way of relating to the world offering human beings the illusion of identity, dignity and morality,²³ or it is a way of drawing diverse maps to plot the same terrain or to identify and highlight what the terrain actually is.²⁴ While presenting it as a mystification or as areflection of reality, definitions converge in considering ideology as a discursive narrative carrying an explanatory view of the world. A study of post-socialist societies should consider a conceptual link between ideology and discourse. Societies in transition are particularly vulnerable to ideological thinking able to provide a simplistic answer to the threatening surrounding chaos by calling for order, stability and predictability.²⁵ Combined with the propensity towards belief in Messianic change, ideological

thinking offers fertile ground for transforming the idea of EU accession into an ideology promising a brighter future. This potential transformation of the discourse about Europe into "Europeanism" adds to the importance of this discourse in the public arena.

While political developments can change the terms of discourse we follow the argument that discourses can be relatively stable over time unless dramatic changes such as the revolutions of 1989 occur. As such, discourses carry permanent features over time thus providing constraints over the actions of political actors.²⁶ This article follows the terms of the European discourse for almost a full parliamentary mandate (the time frame being 2002 - 2005) therefore examining its terms in time through events relevant for the framework of this particular discourse (i.e. the membership negotiations, the Commission final recommendation).

As such, the findings of this article uncover the elements of a discourse that has dominated the Bulgarian political arena offering better understanding for policies pursued by political actors throughout the post-communist period.

The Intellectuals' "Europe": Identity and Cultural Validation

Intellectuals are often assigned (or rather assign themselves)²⁷ a crucial role in the creation and dissemination of discourses in society. They "confront orthodoxy and dogma,"²⁸ act as "preservers" or "tradition-makers" legitimizing authority²⁹ being therefore important for political elites seeking legitimacy for their claims on power. The public involvement of intellectuals is controversial, and opinions vary between complete disengagement from political affairs,³⁰ active involvement in the public arena³¹, or a combination of both - the "engaged spectator."³² Hence, the intellectuals' impact upon the public at large is arguable.

²¹ See F. Schimmelfennig, 'The Community Trap: Liberal Norms, Rhetorical Action and the Eastern Enlargement of the European Union', *International Organisation*, 55: 1, 2001, pp. 47- 80. F. Schimmelfennig, *The EU, NATO and the Integration of Europe*, Cambridge University Press, Cambridge, 2003.

²² T. Eagleton, *Ideology*, Verso, London, 1994, p. 3 and 29.

²³ Havel, *op. cit.*

²⁴ M. Freeden, 'Ideologies as communal resources', *Journal of Political Ideologies*, 4: 3, October 1999, pp. 411-430.

²⁵ H. Arendt, *The Origins of Totalitarianism*, George Allen and Unwin, London, 1958.

²⁶ Dryzek, Holmes, *op. cit.*, p. 6.

²⁷ This article operates with a functional definition of intellectuals as consolidated following the Dreyfus Affair.

²⁸ E. W. Said, *Representations of the Intellectual*, Pantheon Books, New York, 1994, p. 11.

²⁹ S. Lipset, A. Basu, 'The roles of the intellectual and political roles', in A. Gella (ed.), *The Intelligentsia and The Intellectuals*, SAGE Publications, London, 1976, p. 135

³⁰ See for example J. Benda, *The Betrayal of Intellectuals*, The Beacon Press, Boston, 1955.

³¹ See for example J.-P. Sartre, *Qu'est-ce que la littérature?*, Gallimard, Paris, 1948. J.-P. Sartre, *Plaidoyer pour les intellectuels*, Gallimard, Paris, 1972. P. Nizan, *Les chiens de garde*, Maspero, Paris, 1976. For a more recent argument for public engagement see Said, *op. cit.*

³² For an extensive discussion on "engaged spectator" see R. Aron, *The Opium of Intellectuals*, trans. Terence Kilmartin, Secker&Warburg, London, 1957.

Admittedly, after 1989 Bulgarian intellectuals, as their Central and Eastern European peers, appear to have lost their moral authority and public credibility, have been afflicted by the market transition, and became increasingly marginalized.³³

Nevertheless, their views are expressed in public and disseminated through oral/written media. Intellectuals have a "vocation for representing" the people, address issues routinely forgotten and underrepresented³⁴, and create an articulate, coherent and publicly expressed discourse. Throughout the transition, Eastern European intellectuals have argued for a "return to Europe," civil society, and democracy and instituted these concepts in the public arena.³⁵ While their importance is increasingly disputable (particularly in consolidated democracies)³⁶, intellectuals continue to publicly express their views. We identified two dimensions within the Bulgarian intellectuals' discourse on Europe: expert talk, addressing the technicalities of the accession process, and a heavily symbolic discourse, referring to Europe as a space of cultural unity and justifying Bulgarian belonging in terms of a shared cultural identity.

While acknowledging the technical and institutional aspects of EU accession, Bulgarian intellectuals shaped the discussion about Europe in more symbolic terms, exploring Bulgaria's cultural proximity and belonging to the larger European cultural tradition. While criticizing certain phenomena in Bulgarian society, Bulgarian intellectuals rarely engaged themselves in proposing policies or solutions to actual political problems. Hence, articles addressing EU technicalities published in *Kultura* were pieces written by Bulgarian politicians, interviews with European politicians and officials, or translations from articles published in foreign (European) publications.³⁷

These articles mainly examined issues relevant to the EU and Bulgaria's negotiations to join the EU, such as the Constitutional Convention and the prospects for creating a European Constitution, institutional and political reforms necessary for enlargement and similar narrow political issues. The

language abounded with technical terms related to EU institutions, to the particularities in the negotiations process, or the EU policy-making process in general. The discourse was not esoteric or in any way intentionally not understandable for the audience, rather it aimed at educating the audience with insights into specific EU-related issues. Although these articles were imported into the intellectuals' led media their publication in magazines targeting a limited and distinctly intellectual audience testifies to the importance intellectuals assign to these "technical" issues, even though their own contribution was minimal.

Generally, Bulgarian intellectuals loaded the otherwise solely geographical (or legal-institutional) term Europe (EU) with emotionally appealing meanings to the national and cultural matrix. They used emotionally loaded language both when referring to Europe and when writing about Bulgaria in relation to Europe. The notion of belonging dominated the writings of intellectuals, and "Bulgaria is part of Europe" was a recurrent theme in their discourse. It appeared in various contexts: in general discussions about the definitions and the boundaries of Europe, in more specific discussions about the contribution of Bulgarians to separate fields and disciplines (such as journalism, literary and critical theory etc.), when criticizing features and developments in Bulgarian society, when praising Bulgarian achievements etc.³⁸

This was a much wider claim than a purely geographically belonging. It comprised claims of belonging to European historical, philosophical, and cultural traditions, allowing therefore for rightful claims for membership in the European structures, namely the EU and partly NATO.

European unity was a concept extensively explored and it is often taken as a given. Bulgarian intellectuals appeared convinced that Europe is devoted to unifying itself. They used this idea as an assumption on the basis of which proof that Bulgaria is a part of Europe automatically implied that Bulgaria had to be integrated with the rest of Europe. Aware of the complexity of such an endeavor

³³ R. Daskalov, 'Transformation of East European Intelligentsia: Reflections on the Bulgarian Case', *East European Politics and Societies*, 10: 1, 1996, pp. 46-85.

³⁴ Said, op. cit., p. 10.

³⁵ See V. Havel, Speech in The Polish Sejm and Senate, Warsaw, 25 January 1990. Available at: http://old.hrad.cz/president/Havel/speeches/index_uk.html and Havel, op. cit. V. Benda, 'The Parallel Polis', in G. Skilling, P. Wilson (eds.), *Civic Freedom in Central Europe*, Macmillan, London, 1991, pp. 35-41.

³⁶ A. Korosenyi, 'Intellectuals and Democracy: The Political Thinking of Intellectuals', in A. Bozoki, *Intellectuals and Politics in Central Europe*, CEU Press, Budapest, 1999, pp. 227-244. T. Garton Ash, 'Prague: Intellectuals & Politicians', *New York Review of Books*, 12 January 1995, pp. 34-41.

³⁷ See for example the following translations in *Kultura*: interviews with R. Badinger 'Konstitutsionaliat moment na Evropa', B. Spinelli 'Vetoto smertnata prisada na Evrosoyuz', S. Hrib and P. Shtuz, 'Vnimanie, opasni subsidii'.

³⁸ For all these and additional topics see N. P. Alexandrova 'Evropa, polat i subektnosta', *Kultura*, 14/15, 2 April 2004. V. Bozhikova, 'Pobedeni od slozhnostta na zhivota', *Kultura* 40/41, 29 October 2004. A. Ivanov, 'Obshtoto, chastnoto i evropeiskiat izbor', *Kultura* 38, 15 October 2004.

or, Bulgarian intellectuals regarded the notion of European unity less as a set of homogenous units and more as a compilation of diverse cultures and societies with common values and tradition.³⁹ This belief was not peculiar to Bulgarian intellectuals. Central and Eastern European intellectuals have voiced similar views.⁴⁰ The notion of (a diverse) European unity is connected to Bulgaria's specificities of its belonging to Europe. As such, Bulgaria is not just a part of Europe, but a special, different part of Europe, with distinct traces and features.⁴¹ Bulgarians are not only Europeans, but special, Bulgarian Europeans. Such claims pertain to the long-established duality Europe-Balkans, which though acknowledged, is used to reassert the Europeaness of Bulgarians by attaching a wider meaning to Europe. Accordingly, Europe is not only Western Europe, but it also includes the Balkans and Bulgaria in particular. While the Balkans may differ from Western Europe, that does not make them less European, only different Europeans from the Westerners.

Another notable theme in the discourse of Bulgarian intellectuals was portraying Europe, i.e. Western Europe (members of EU), as a role model for Bulgaria. In their writings intellectuals often resorted to comparisons between Bulgaria and Western (or even Central) Europe, and used them to point to the direction for development of Bulgarian society.⁴²

European societies were given as models and guides to the direction and intensity of future reforms in Bulgarian society. The role model position justified Europe acting as a "policeman," overseeing the implementation of reforms in the Balkans and having the authority to prescribe the road ahead for the country. Scholars have warned that the process of "model exporting" can have frustrating effects upon developing societies seeking to adapt the imported model to a different background of history, mentality, and tradition.⁴³ Trying to unconditionally fulfill Europe's prescriptions could lead to blindly accepting, rather than negotiating,

the terms of accession.

Such discourse reinforced the oppositional nature of the relationship between Europe and the Balkans (Bulgaria). The relation between Europe and Bulgaria was seen in terms of dualities such as good-bad, developed-undeveloped, civilized-uncivilized, center-periphery. Ironically, the main goal of Bulgarian intellectuals was to discredit precisely these dualities, which they believed plague Western European writings. They attempted to dismantle such and similar notions by challenging the negative/pejorative notion that Bulgarians held about themselves and by challenging the pejorative/paternalistic notion that Western Europeans have about Bulgarians.⁴⁴

However, by acclaiming Europe as high authority in both political and cultural affairs hardly helps fighting negative preconceptions about the Balkans. By offering counter-examples to present stereotypes (both about Bulgarians and about Europe), intellectuals confronted the stereotypes about Bulgarians as well as participate in the ongoing remodeling of national identity, a process relevant for all post-socialist societies. Belonging to a common European tradition and achieving European political and economic standards act not only as a political incentive but also as an intensely emotional incentive to redefine Bulgarian identity among the larger public.⁴⁵

At times Bulgarian intellectuals harshly criticized Bulgarian political elites or the society in general. Looking west, they tended to compare Bulgarian to West European societies and arrived at disturbing conclusions about the development gap between Bulgaria and Western Europe. Thus, intellectuals turned into vocal critics of political actions, calling for change and thus assuming the role of engaged spectators.⁴⁶ An entrenched feeling of Euro-enthusiasm and a deep conviction that Bulgaria should join the EU underlined the entire intellectual discourse. Not a single author questioned the idea of joining the EU as soon as possible. There is general consensus over the desirability

³⁹ I. Ilieva, 'Razshiravayeto na Evropa', *Kultura*, 19/20, 17 May 2002.

⁴⁰ Vaclav Havel, Adam Michnik, G. M. Tamas, Andrei Plesu have repeatedly talked about Europeaness and a united Europe. See also G. Kolankiewicz, 'Consensus and Competition in the Eastern Enlargement of the European Union', *International Affairs*, 70: 3, July 1994, pp. 477-495.

⁴¹ See for example Julia Kristeva's account on differences: Julia Kristeva 'Ezivot, natsiata, zhenite', *Kultura*, 24, 14 June 2002.

⁴² A. Ivanov, 'Obshoto, chastnoto i evropeiskiat izbor', *Kultura*.

⁴³ For account on the tyranny of the model see for example T. Parks, 'Berlusconi's Way', *The New York Review of Books*, 48: 16, 18 October, 2001 and S. Sampson, 'The Social Life of Projects: Importing Civil Society to Albania', in C. Hann, E. Dunn (eds.), *Civil Society. Challenging Western Models*, Routledge, New York, 1996.

⁴⁴ See for example E. Baruh, 'Udobnite klishe na spomena', *Kultura*, 13, 28 March 2003.

⁴⁵ For a more extensive account see Verdery, *What Was*, op. cit., pp. 104-131.

⁴⁶ About the role of intellectuals as "engaged spectators" see R. Aron, *The Dawn of Universal History: Selected Essays from a Witness to the Twentieth Century*,

of joining the EU while the discussions focus on the level of preparedness and the necessary adjustments in Bulgarian society and mentality. While intellectuals provided additional motivation for the politicians to continue the reforms needed for acceding to the EU and for the public to absorb them, their unquestionable devotion to the cause equated Europe with the notion of ultimate good, inducing a dogmatic dimension to this discourse.

The Electoral Ticket: Belonging, Strategic Priority and the "Nationalization" of Europe

While in government or in opposition, politicians are the most visible deliverers of discourse in the public arena. While intellectuals claim access to knowledge, politicians claim access to power. While for intellectuals "Europe" represents a cultural connection capable to upgrade and validate their own work by association, for politicians it carries electoral relevance. Post-1989, "Europe" became a substitute either for political and economic reforms, aid and salvation or for a neo-imperialist menace for independence, depending on which side of the political arena parties positioned themselves.⁴⁷ European integration appears at the core of any political manifesto of a winning party or coalition regardless of its political colour and we are yet to see a party making significant political capital from an anti-European platform.⁴⁸ The politicians and the intellectuals' discourses converge in their unanimous support for EU membership. Both present Europe as a model to be followed, replicated if possible, in the Bulgarian pursuits of economic and political development. However, political elites present EU membership in more competitive terms and emphasize the achievements (or mistakes) of the government, as well as the demands and restrictions put by the EU. As such, the discourse of political elites is less informative but more purpose-oriented (i.e. gaining votes), which strips it of explanatory and informative value.

Though this article treats the political elites as one actor creator of discourse, it does not imply that the Bulgarian political arena lacks political cleavages or that parties across the political arena do not differ in terms of the political discourse they uphold. However, since there is political consensus over the EU accession⁴⁹ this article has not set to examine the qualitative differences between different parties across the political agenda but rather how the political elite refers to Europe in general. While parties differed over the ways of implementing EU required policies, they did not however quarrel over the necessity of the country accession to the EU. Therefore since disagreements were limited to the details of implementation not to questioning the policy as a whole, they did not create a clear political cleavage over this issue.

In the vocabulary of most Bulgarian politicians EU membership was a "strategic priority," an issue of highest national interest. While, political consensus contributed to uniting society behind the idea of EU membership and channels all efforts towards one aim, it prevented debate as well as increased public participation in politics.⁵⁰ Supported unconditionally and placed beyond questioning, the discourse about Europe followed the Leninist logic of monopolistic truth. The emergence of potential dogmas in a society with a memory of prohibition of challenging official ideas poses particular dangers for resorting back to pre-1989 mental stereotypes and damaging the fledgling democratic processes.⁵¹

Bulgarian political elites used the terms "Europe/an" and "European Union" interchangeably. While on occasions requiring formal address politicians used "European Union" rather than "Europe," they did not refrain from using symbolic rhetoric aimed at stirring an emotional reaction from the audience. As such, politicians appeared adept at metamorphosing "Europe" into something more than a geographical or a political/institutional term. They referred frequently to the "European family" or

Basic Books, Philadelphia PA, 2003.

⁴⁷ For the reformed left, the aims of the EU corresponded to the goals of socialism such as social protectionism. For the liberal right, the entry into "Europe" was a guarantee for protection against potential Russian threats. See Schopflin, op. cit., p. 70 and p. 198.

⁴⁸ Kolankiewicz, op. cit., pp. 477-495.

⁴⁹ Comparative studies on Euroscepticism in Central and Eastern Europe show that while in the other countries in the region we can identify dissenting actors, the Bulgarian political arena does not have a Eurosceptic party. See A. Szczesbiak, P. Taggart, 'Europeanisation, Euroscepticism and party Systems: Party-Based Euroscepticism in the Candidate States of Central and Eastern Europe', *Perspectives on European Politics and Society*, 3: 1, 2002, pp. 23-41. Further confirmation is given by the Bulgarian Parliament endorsement of the Treaty of Accession on May 11 2005 (231 votes for, only one against).

⁵⁰ A. Nicolai, Minister of European Affairs of the Kingdom of the Netherlands, 'Communicating Europe'. Lecture in Red House Center for Culture and Debate, Sofia, 6 April 2005.

⁵¹ For dominance of single idea and dangers of new authoritarianism see B. Lomax, 'From death to resurrection: The metamorphosis of power in Eastern Europe', *Critique: Journal of Socialist Theory*, 25, 1993, pp. 47-85. C. Tănăsioiu, 'A Cultural Aristocracy: Romanian Intellectuals and their Critics', *Romanian*

the "common European space/area" to which Bulgaria/ns belongs.⁵² As for other post-socialist societies, the idea of belonging to Europe contained the necessary cohesive power to unite various groups in society⁵³ and rally them behind a single goal. It is peculiar to Bulgaria that until 2005 the European discourse has not been vulnerable to internal cleavages and that the Bulgarian political elite displayed consensus over EU accession. Debates were limited solely to the means, or roads, used to achieve this goal. Both government and opposition parties have set EU integration as their priority and mutual critiques concern only the way that goal is pursued.⁵⁴ President Parvanov often emphasized the cooperation and understanding between him and the government on European Union affairs.⁵⁵

Until accession, for most politicians, "Europe" offered the most powerful promise of them all: the promise of a better future and the arrival of a Golden Era is a significant component of any modern political mythology.⁵⁶ Although there was limited knowledge both among the elites and among the population at large of what the EU actually entails, "the prospect of membership is sufficient to sustain a future, a belief that there is an aspiration."⁵⁷ Throughout Central and Eastern Europe, "entering Europe" and the EU membership have been and were equated with the arrival of foreign investment, the opening of Western markets, the rise of the standard of living as well as incorporation into the Western security system. Thus, the dominant paradigm in the discourse of the Bulgarian political elites portrayed Europe as a goal, an inherently (indisputably) positive value that needed to be achieved as soon as possible. Consequently, the entire accession and negotiation process was treated as a struggle, a contest to better achieve this goal. Every development in the negotiations with the EU was presented as another success, as further

progress, on the rocky road to EU. Opening and closing chapters or positive comments in the Commission reports were pointed out as great achievements taking Bulgaria closer to its desired destination.⁵⁸ The pace of the integration process was particularly important. Politicians depicted EU accession as a race thus inducing a sense of urgency. Questions such as how fast are negotiation chapters opened and closed, how fast are the required reforms introduced, how quickly is Bulgaria approaching European standards in various areas, were carefully addressed. Such attitudes implied that the quicker the negotiations were conducted the more successful the government was, ignoring therefore a possible trade off between the speed and quality of the negotiation and accession processes. One possible explanation for the emphasis on speed was the public dissatisfaction with the delay of Bulgaria's accession to EU for 2007, while ten other members joined the EU in 2004. Therefore, politicians appeared keen to stress that Bulgaria was quickly approaching the EU.

Presenting Europe as a goal carried expectations that once achieved (i.e. once Bulgaria becomes a member of the EU) all problems will disappear. No politician addressed the challenges awaiting Bulgaria after acceding in the EU. They only stressed the benefits of EU membership, such as the financial incentives, freedom of movement, political/international status.⁵⁹ Even applying EU rules and procedures becomes more lenient once becoming a full member.⁶⁰ Such discourse induced false expectations and subsequent frustration and disappointment and can partly be seen as an explanation for the subsequent raise of a skeptic European discourse and challenges of EU related policies which is increasingly visible since 2005 and especially since January 2007.

Post-communism was and continues to be a period of painful economic reforms. Facing a dis-

Journal of Political Science, 4: 1, Spring 2004, pp. 89-105.

⁵² Simeon Saxe Coburg Gota, Speech of the Bulgarian prime minister on the European Council in Seville, 'Principat "poveche Evropa" e pechelivshiat', 13 December 2002. Available at: <http://www.government.bg/PrimeMinister/Statements/2002-12-14/4157.html>; Georgi Parvanov, 'Evropeiskata Integracia na Bulgaria - uroci i predizvikelstva' 10 November 2004, Available at: <http://www.president.bg/news.php?id=1707> (accessed 6 April 2005).

⁵³ On national unity and Europe in post-socialist societies see for example: Verdery, *What Was op.cit.*

⁵⁴ 'Kostov: Bulgaria i Romania da imat dumata za novi chlenki na ES ot regiona' 4 October 2004. 'Novata levitsa obarka ES sas SSSR', Mediapool, 12 May 2003.

⁵⁵ Georgi Parvanov, Speech in the National Assembly on the occasion of three years as a president of Bulgaria, January 21, 2005. Available at: <http://www.president.bg/news.php?type=1> (6 April 2005).

⁵⁶ R. Giraud, *Mythes et Mythologies Politiques*, Editions du Seuil, Paris, 1986.

⁵⁷ Schopflin, *op.cit.*, p. 69.

⁵⁸ 'Bulgaria otlichnichka po otvaraneto na pregovorni glavi' Mediapool, 30 May 2002. 'Bulgaria - shampion v pregovorit s ES' Mediapool, 22 April 2002.

⁵⁹ 'Ferhoigen: Oshte ne ste gotovi za ES', Mediapool, 30 May 2002. 'Bulgaria triabva da izgradi strukturite za usvoivane na parite od ES' Mediapool, 14 February 2003.

⁶⁰ 'Novite chlenki na ES zaplasheni s nakazania', Mediapool, 5 November 2003.

illusioned and hungry electorate with an austere economic programme was perceived as political suicide by most political actors. "Europe" became valuable political currency, used to justify policies such as privatization, the restructuring of the public sector and state enterprises, all carrying the scary prospect of unemployment⁶¹. Thus, treating Europe as a prize awarded for sufficient efforts helped Bulgarian politicians sell unpopular reforms to the electorate. EU accession was addressed in a goal- or task- oriented manner which created expectations of great success. While appropriating the success in the negotiations process politicians blamed the EU for all unpopular decisions. Hence, just as the intellectuals had done, politicians granted Europe the role of a policeman overseeing the implementation of unpopular reforms, policies, and decisions that the government undertakes (i.e. the judicial reforms, implementing measures against corruption)⁶². The controversial measure of closing the 3rd and 4th blocks of the "Kozloduy" nuclear power plant caused great turmoil among the population and was accepted only because the politicians presented it as a choice between Europe and "Kozloduy." Huge amounts of financial support were also mentioned to calm the worries of the population⁶³.

Applying a "stick and carrot" tactic and using Europe as a scapegoat for a government's unpopular decisions is by no means peculiar to Bulgaria. Treating Europe as an umbrella to deflect blame or criticism is a by-product of the integration process all across new and old member states.⁶⁴ Emphasizing the material benefits from EU membership rather than the ideas of European unity, peace, and cooperation, establishes a "utilitarian," rather than "affective" support for Europe, arguably creating a less stable bond between the population and the idea of Europe. Unlike the "affective" sup-

port (more difficult to quantify but therefore more susceptible to last), the "utilitarian" support (less abstract but quantifiable) is dependent upon the fulfillment of its promises.⁶⁵ While domestically Bulgarian politicians rarely hesitated to threaten EU fines or delay of accession if EU requirements were not fulfilled, internationally they tended to present Bulgaria as aware and prepared to undertake the obligations springing from EU membership.⁶⁶ Treating Europe as external authority resembled intellectuals' references to Europe as "a role model." This discourse granted Europe the power to decide what was good for its candidates, award or punish them according to their performance against certain criteria, and ultimately, judge them according to its own model of development.

Like the intellectuals, Bulgarian politicians referred to Bulgaria's peculiarities and stressed that the country joining the EU is the Bulgaria "of Botev's dreams - free, modern, and successful."⁶⁷ Politicians called for a "new type of nationalism," capable to get Bulgaria into the European family and make Bulgarians true Europeans. By contrast to intellectuals, mainstream Bulgarian politicians (i.e. the Bulgarian Socialist Party, the Movement for Simeon II, the Union of the Democratic Forces) referred to traditional features and advantages that Bulgarians have compared to other nations in the region and Europe. As such, Bulgaria was championed as a source of peace and stability in the region with a smoothly functioning "ethno-political" model exportable to ethnically troubled areas.⁶⁸ Such discourse related mostly to the issue of identity, an anxiety shared by all former Eastern bloc members and cured by "belonging" to Europe. Hence, references to "Europe" carried invariably references to national identity.⁶⁹ Such "nationalization" of Europe is not surprising since in Bulgaria, as in other post-

⁶¹ See for example A. Janos, 'From Eastern Empire to Western Hegemony: East Central Europe under Two International Regimes', *East European Politics and Society*, 15, 2001, pp. 221-250. A. Grzymała-Busse, A. Innes, 'Great Expectations: The EU and Domestic Political Competition in East Central Europe', *East European Politics and Society*, 17, 2003, pp. 64-73.

⁶² 'Prezidentot othvrii specmerkite na Filchev i Borisov sreshtu mafijata', 'Spored minister Kuneva: Prestapnosta mozhe da ni zabavi s edna godina za ES', 'Bulgaria triabva sama da se prebori s korupciata', *Mediapool*, 11 October 2003.

⁶³ 'Kovachev: Spiraneto na 3 i 4 blok prez 2006-ta niama da srine energinata sistema', *Mediapool*, 29 February 2004. 'Referendum za AEC mozhe da ni ishvri ot Europa', *Mediapool*, 4 December 2002. 'Veselin Bliznakov: Predi vsichko tiraba da ima politicheska volia', *Mediapool*, 8 April 2002. 'Premierot postavi pod vapros zatvaraneto na 3 i 4 blok prez 2006 godina', *Mediapool*, 21 March 2002.

⁶⁴ For more about such impact of Europe see A. Stevens, 'Ever Closer Union: European Co-operation and the European Dimension', in R. Sakwa, A. Stevens, *Contemporary Europe*, Palgrave, New York, 2000, pp. 143-145.

⁶⁵ For the difference between utilitarian and affective support see D. Easton, *A Framework for Political Analysis*, University of Chicago Press, Chicago, 1979.

⁶⁶ For domestic speech of politicians see: 'Spored minister Kuneva: Prestapnosta mozhe da ni zabavi s edna godina za ES' *Mediapool*. Simeon Saxe Coburg Gota, Speech for the experts from AEC Kozloduy and the local population, 28 January 2002; Available at: <http://www.government.bg/PrimeMinister/Statements/2002-01-28/1058.html> For how Bulgarian politicians speak abroad see: Simeon Saxe Coburg Gota, Speech on the European Council in Seville. 21 June 2002. Available at: <http://www.government.bg/PrimeMinister/Statements/2002-06-22/2212.html>

⁶⁷ President Parvanov used this phrase in a speech on 1 June 2004.

⁶⁸ All these ideas are summarized from the speeches of President Georgi Parvanov and Prime Minister Simeon Saxe Coburg Gota available at: <http://www.government.bg/PrimeMinister/Statements/> and http://www.president.bg/news_archive.php?from=news&type=1 On the Bulgarian ethnic model see A. Zhelyazkova, 'The Bulgarian Ethnic Model', *East European Constitutional Review*, 10: 4, Fall 2001.

⁶⁹ This feature is shared by other Central and Eastern European countries.

socialist states, post-1989 European orientation is seen as a confirmation of national identity.⁷⁰ European accession was seen as able to bring closure to these doubts.

The political elite consensus over European integration was broken in June 2005 following the meteoric raise of the extreme right party ATACA who scored the fourth best result in the national elections. Although their nationalist and xenophobic rhetoric particularly towards the Turkish minority provided for most of their electoral success, it has been pointed out however that part of ATACA's appeal also related to their position towards European integration⁷¹. Although not against Bulgaria's accession per se, ATACA's leaders (in particular Volen Siderov) questioned previous governments' policies in accepting EU's demands in particular in relation to the closure of the Kozlodui nuclear plant. Though such views could be heard prior to 2005 in private conversations with political elite and average Bulgarian voters, ATACA brought them into the political arena and provided a pole of attraction for those privately questioning accession at all costs and fearful of the impact of accession upon their own lives. The 2005 elections showed that monolithic political consensus around a subject may lead to alienation and ultimately radicalization of both the political discourse and the electorate.

The Choice of Words

The rhetoric of both Bulgarian intellectuals and politicians was constructed upon a vocabulary carrying both symbolic and emotional weight. The choice of words was therefore as important as the ideas they sought to transmit.

Intellectuals discuss language, critical theory, or semiotics. They are familiar with structuralism, post-structuralism, post-modernism and associated concepts, such as "otherness," "deconstruction," "being," "values," and "discourse." Bulgarian intellectuals were critical of politicians and other public figures for resorting to nationalist rhetoric

through phrases such as "national values," "national tradition," or "traditional Bulgarian features." The discourse around Europe suited their efforts to create a more open and cosmopolitan discourse suitable for a tolerant society. They spoke of the cultural diversity of Europe as "wonderfully diverse/different," and even more wonderful because all these "differences şareţ devoted to one common idea,"⁷² that of reaching one "common horizon - Europe."⁷³ They often expressed their support for integrating Bulgaria in Europe in grandiloquent terms referring to the "historical uniting of Europe,"⁷⁴ and gaining "common European light." In this context Western Europe was seen as a "western nucleus that serves as a dynamo of integration."⁷⁵ Words such as "light" and "horizon" stressed the emotional bonds with the idea of Europe, thus elevating the goal of joining the EU not only to the level of highest national and political but also cultural, personal, and spiritual priority.

When criticizing Bulgarian society and pointing at Europe as a model, Bulgarian intellectuals used negative designations about Bulgaria, such as "periphery" and "province."⁷⁶ Both of these terms embody a spatial relationship and imply distance, be it geographical distance between Bulgaria and Western Europe, or cultural distance and underdevelopment. Such designations though not precluding Bulgaria's belonging to Europe, they created a hierarchical relationship. This hierarchical spirit is also expressed by other words, such as: "small" and "local vs. universal." When Bulgaria was criticized without an explicit comparison to Europe (although one may claim implicit presence of European standards for comparison), it was referred to as "egoistic," "exotic," or "self-denying."⁷⁷

By contrast to the intellectuals' hierarchical dynamics of discourse, the narrative of Bulgarian politicians is based upon the idea of partnership. They frequently call Europe and the European Union "our European partners," a phrase that President Parvanov used five times to refer to Europe in a single speech⁷⁸. The term "partners" carried connota-

⁷⁰ Verdeny, *Dead Bodies*, p. 129.

⁷¹ M. Viktorova, 'Ataca's support base', *Dnevnik*, 9 June 2005, p. 4. See also the editorial 'It's not funny', *Kapital*, 25, 25 June - 1 July, p. 7.

⁷² H. Bucev, 'Chudesnoto razlichno ili evropeiskata televizionna pravoslavna Pasha', *Kultura*, 19, 9 May 2003.

⁷³ M. Novkov, 'Da pipnesh, da chuesh, da vidish Derida', *Kultura*, 3, 25 January 2001.

⁷⁴ I. Krastev, 'Kopenhagen kato Carigradska konferentsiya', *Kultura*, 1/2, 10 January 2003.

⁷⁵ H. Bucev, 'Parcheta Evropa', *Kultura*, 26, 27 June 2003.

⁷⁶ Baruh, *op.cit.*

⁷⁷ Among others see I. Znepolski, 'Zavarshane na monarhicheskia diskurs', *Kultura*, 6, 6 February 2002. I. Krastev, 'Kopenhagen kato Carigradska konferentsiya', *Kultura*, 3, 17 January 2003.

⁷⁸ G. Parvanov, 'Reformata v sadebnata sistema triabva da prodolzhi, a ne da zapochva vsei pat ot nachalo', 23 March 2004. Available at: <http://www.president.bg/news.php?id=1273>

tions of equality and cooperation, a message that Bulgarian politicians were more than willing to spread. It portrayed both Bulgaria and the EU in positive light and as working on the accession project together. EU integration, together with NATO membership, has been the most important foreign policy objective in the last few years. Hence, when referring to the status that EU membership had on the foreign policy agenda, politicians frequently called it a "strategic priority."⁷⁹ Consistent with the core dynamic of their discourse, when describing Europe as a goal to achieve, politicians used words such as: "strategic goal," "priority," "primary importance," and "main task." When referring to EU requirements for accession and Europe's role of a policeman, politicians use "standards," "to attain/ to reach" or "gain Europe's trust."

Occasionally they adopted a more sentimental tone and resorted to emotionally appealing terms such as: "certificate of quality," "common home," "belonging place" or "new enlarged Europe." Similar sentimental language was used in references to Bulgaria and "the proverbial Bulgarian rebelliousness against evil," "Bulgarian contribution to European values" and "grandiose achievement in Bulgarian history."⁸⁰

Ironically, when referring to Europe in negative light, Bulgarian intellectuals resembled their Western European peers by referring to Europe's superiority. Thus, when Europe was described as "civilized," "clean," "wished/longed for," these descriptions were usually coupled with arguments refuting the validity of such perceptions of Europe. In other instances intellectuals used purely negative words such as: "unstable," "stigmatizing," "superior attitude," "existing only as rhetoric," "problematic," "nations in depression," while the European Union was described as: "nontransparent," a "conspiracy," a "gap between the elites and the public."⁸¹ Occasionally, Europe was accused of using an "overly exposed geo-political discourse" when referring to the Balkans, and identifying the Balkans with "bad nationalism."⁸²

Bulgarian intellectuals disputed the idea of

Europe as more civilized and superior to other regions, especially the Balkans.⁸³ Bulgarians, like most other post-socialist societies, are insecure about their national identity and find themselves particularly offended by such claims. Therefore, they devotedly work toward proving their status as an independent nation and defending their national pride. Most articles did not concern solely Europe, but placed Bulgaria in relation to Europe. More precisely, Bulgaria was (positively) described as a part of Europe.

The most frequently used word for such designations are: "part" and "equal" in various meanings referring to equal rights and equal value. Words such as "other," "regional," or "local" were used with positive connotations in the context of speaking about diverse and multicultural Europe. In the same line "culture," "identity," "values," "rich/richer" and similar words were used in texts describing Bulgarian contribution to the larger European, cultural and spiritual, whole.⁸⁴ On the rare instances when Europe was referred to in negative terms (though only separate persons never the whole Union), politicians used words such as: "superior attitude," "incompetent/ce," "intellectual inability," and "using false data."⁸⁵ These terms were not as harsh or emotional when compared to the enthusiasm of the remarks presenting Europe in a positive light. Bulgaria and its efforts in the negotiations process were depicted with words such as: "success," "development," "progress," "to improve," "valuable experience," "growth," "stability," "maximum cooperation" clearly pointing to the successes of the government in the pursuit of its goal. By using such vocabulary successive governments tried to visualize their achievements to the public in their efforts to gain electoral support. However, whenever negotiation or reforms end unsuccessfully a milder vocabulary was applied, mostly referring to "critiques," or "need for additional efforts" but never a failure.

References to Europe were often made by comparing Bulgaria to EU member states, to newly acceded states, to other candidate states (mainly

⁷⁹ Among other instances see Georgi Parvanov, Speech in the National Assembly on the occasion of three years as a president of Bulgaria, 21 January 2005. Parvanov Inauguration Speech, (19 January 2002). Both available at: <http://www.president.bg/> (accessed 6 April 2005).

⁸⁰ Simeon Saxe Coburg Gota, speech on 16 April 2004. Available at: <http://www.government.bg/PrimeMinister/Statements/2004-04-16/10020.html> and Georgi Parvanov, speech on 1 June 2004. Available at: <http://www.president.bg/news.php?id=1400>

⁸¹ Krastev, op. cit.

⁸² C. Marinov, 'Da si gord, che si...', *Kultura*, 3, 17 January 2003.

⁸³ See for example: M. Todorova, *Imagining the Balkans*, Oxford University Press, New York, 1997. S. Žizek, *The Sublime Object of Ideology*, Verso, London, 1989.

⁸⁴ See for example R. Daskalov, 'Fragmenti', *Kultura*, 35, 24 September 2004 and E. Supur, 'Pobedeni ot slozhnosta na zhivota', *Kultura*, 40/41, 29 October 2004.

⁸⁵ Georgi Petkanov, Interior Minister of Bulgaria, and Boiko Borisov, State Secretary of Interior, statements for the media on 20 August 2004 and 23 August 2004, *Mediapool*.

Romania, but also Turkey and Croatia), and to other states in the region. As such, EU accession resembled a football match rather than preparations to join a political and economic union. The terms of comparison included the progress of negotiations for EU accession, attaining EU standards in various fields, progress and effects of reforms, standards of living, as well as other variables not necessarily connected to EU accession. Thus, Bulgaria was compared to the EU concerning: economic variables such as unemployment, levels of taxation, salaries and incomes, political categories like government coalitions, investment reforms, corruption control; and social categories such as the number of children in orphanages, the level of education and knowledge of Bulgarian youth etc.⁸⁶ Such practices set Europe as a standard, a paragon for Bulgaria and the rest of the region. This standard of excellence exerted a positive influence by providing motivation for undertaking difficult reforms.

While most comparisons with the EU portrayed Bulgaria at a disadvantage, comparisons with other candidate states and the Balkan states depicted Bulgaria as the leader in the region. Particularly interesting was the comparison between Bulgaria and Romania, the two candidates scheduled to enter the EU in 2007. The Bulgarian media was keen to exploit Bulgaria's progress in the negotiations with the EU. Whenever Bulgaria received praise or criticism from the EU, the respective comments about Romania were also quoted.⁸⁷ For example, the media reported the comparatively better comments Bulgaria received in the last annual report of the Commission.⁸⁸ If Bulgaria received worse comments, the media said that "even countries like Romania are better" ⁸⁹ than Bulgaria, which provides ground for criticizing the government. Such media reports were in line with the Bulgarian government's efforts for decoupling Bulgaria and Romania for EU accession. The dominant perception being that Bulgaria was more prepared for joining the EU, Romania was seen as an obstacle to the achieve-

ment of the government's goal.⁹⁰ By 2006 this perception was to change drastically.

These comparisons, both with the EU and with the rest of the region, sent contradictory messages to the audience. On the one hand, when compared with the EU, Bulgaria fared worse and the government was criticized for insufficient efforts to attain EU standards. On the other hand, when compared with the rest of the Balkans, Bulgaria fared better and had advanced more on the road to the EU. Such conflicting messages polarized public opinion about the performance of the government as well as about the whole EU project. It created confusion among the population concerning the criteria for evaluating the performance of politicians and for measuring the quality of life. Disparate messages also resulted in frustration with politics, apathy and lack of confidence in both the media and politicians, all of which frequent phenomena across Eastern Europe. Such phenomena was seen as harmful for the entire democratization process as well as the aspirations for EU membership.⁹¹

Despite "Europe's" presence in the public arena, the public's knowledge about the EU remained limited.⁹² While the intellectuals discourse dealt with the philosophical dimension of the "return to Europe," the politicians constructed it around electoral goals and limited it to the ideological construction of their party's discourse. Hence the Bulgarian public was faced either with a discourse irrelevant for their day to day lives or with a discourse aimed at attracting votes rather than inform. Both of these discourses however carried persuasive positive connotations repeatedly referring to sharing a collective identity, and acquiring the values and norms of the Western community.

⁸⁶ See: Trud, 7 January 2002, 20 January 2002, 9 February 2002. Also: Mediapool, 14 December 2004, 4 October 2004, 8 September 2004, 17 December 2003, 6 November 2003, 22 October 2003, 5 December 2002, 23 August 2002.

⁸⁷ See for example Mediapool, 24 September 2003, 5 November 2003, 15 July 2003;

⁸⁸ See for example 'Briksel ni kritikuva za zabavenata sadebna reforma', Mediapool, 4 October 2004.

⁸⁹ 'Mladite bulgari nai-apatichni sred varstnicite si ot kandidatkite za ES', Mediapool, 22 October 2002. A. Shkodrova, M. Chiriac, 'Evropa lekuva stari vrazhdi mezhdu Bulgaria i Romania', Mediapool, 22 October 2002.

⁹⁰ See statements of Bulgarian Foreign Minister Pasi and EU Commissioner Verheugen on 23 February 2004. Available at: <http://www.government.bg/Europe/News/2004-02-23/9248.html> (accessed 14 April 2005).

⁹¹ For an extensive account on this topic see I. Krastev, 'The Inflexibility Trap', *Journal of Democracy*, 13: 3, July 2002, pp. 39-53.

⁹² The 2002 Eurobarometer for Candidate Countries shows that the population of the candidate countries in general and the Bulgaria population in particular are rather poorly informed (for Bulgaria: 46 per cent of the population has a low degree of knowledge about EU, 45% rates as medium and only 7% as highly informed).

Conclusion

The findings of this study indicate that the European discourse in Bulgaria was primarily limited to ideas of cultural belonging and the correction of a historical wrong rather than being conducted in terms of rights, obligations, transposition and implementation of laws. Bulgarian intellectuals have developed a predominantly symbolic and culture-centered discourse about Europe, emphasizing Bulgarian belonging to European cultural tradition at the same time criticizing aspects of Bulgarian society that impede the recognition of the cultural/civilizational proximity between Bulgaria and the rest of Europe (especially Western). While also stressing the desirability of EU membership, Bulgarian politicians presented Europe as a major goal to be achieved, while debate was limited to the quickest and most efficient roads to reach the desired destination. Europe was used as political currency so that to account for the painful reforms undertaken by the government. The Bulgarian electorate was therefore presented with a discourse carrying a promise of a better life without the contractual obligations, and hence, the electorate saw no inconvenience in supporting it. Thus, the pro-European stance of the Bulgarians prior to 2005 was not the result of a solid campaign of information but it was due to a sustained and convergent rhetoric carrying a sense of urgency and positive drive. Such generalized consensus was always vulnerable since private discontent existed but was not publicly expressed since such views were perceived as being politically incorrect. Therefore, when a political actor such as ATACA, offered an alternative discourse, however mildly different in relation to EU accession, it capitalized on the support of those who did not feel represented by the mainstream political elite. Also, in the post-accession period faced with the prospect of meeting the contractual obligations carried by membership Bulgarian politicians as well as average Bulgarians seem unprepared to fulfill or accept them (i.e. the closing of the Kozlodui power station, the tax on rakia).

THE LONG WAY TO EUROPE

Sorin Ioniță*

Abstract:

Even though Dâmbovița is a county benefiting from fewer resources when compared to its neighbors, not the lack of money is the reason for its underdevelopment as sometimes a lot can be done with little money. Especially county's first city, Targoviște, benefits from more local finances than one might think. However Targoviște has not managed to transform itself in a propeller for the neighboring local economy.

Key words:

European funds, European Union, rural development, local economy, Dâmbovița county, local tax, industrial park, SME (small and medium-sized enterprises)

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Visiting Târgoviște in a quiet autumn afternoon, it is a fairly pleasant surprise especially when coming from the noise and frenzy of Bucharest. The city suggests a patriarchal and comfortable climate, it is reasonably clean and it can still be driven across during rush hours. If the visitor is willing to ignore the new, cheap and weird buildings, appeared overnight like elsewhere in Romania, then the visitor will discover plenty of streets with houses from between the wars period, some refurbished, some in a poor state, but offering altogether a worthy architectural display.

The people on the streets are not necessarily in hurry, thus offering a feeling of comfort to the passing traveler. The old town center, tiny, beautiful and currently being restored, stresses the long term identity of the city. The new center, horrible and impersonal as any other built during the socialist period, at least seems to be functional. If the PHARE funded project of restoring the Old Court comes to an end, another sightseeing area will be acquired by the city.

Nevertheless the first impressions might be superficial since the traveler staying more than a day in the city, realizes that the tranquility and comfort comes with a price: the lack of economic dynamism. This is a fact even when the city is compared to the other two neighboring capital cities, Ploiești and Pitești, that Târgoviște competes with when it comes to funds and investments.

The relative calm and fluid movement is firstly owed to the fact that the city lacks the urban frenzy given by a high density of SMEs, a fact verified by statistics. At 7 PM the city goes to bed as there is not much to be done in the public space. This might seem insignificant, but it is actually an important indicator: to attract young labor force, especially a highly qualified one, not only the high wages count in.

It is also very important the type of social life, the feeling that new events occur in the community, that there is an emulation and even a proposal of alternative culture offering the educated citizens the feeling that they live in a cool, interesting place. Without it, there is the drive of skilled labor force to migrate to the neighboring centers like Bucharest, the skilled people that the local officials count on in developing the boasting "European economy of knowledge".

This is a phenomenon occurring not only in Romania, but also in other EU states, a state of

facts which should worry the local authorities especially in regions like south Romania where the density of cultural or historical sites is rather low and it will remain like this regardless the efforts in restoring the existing ones. After all, even if the article focuses on Târgoviște, the issues are to be found all around Romania, and it is therefore useful to extract theories appropriate for other communities sharing the same status.

A well thought local strategy should answer an edgy question: how could be increased the appeal of certain localities or regions by accelerating the local cultural density, where "culture" means not only a list of museum and statues, but a broader term covering events and unconventional networks where people meet to perform symbolic quality exchanges. The cities or the areas that will not be able to become "interesting" from this perspective, will slowly lose the challenge of development, especially through the medium and long term human drainage. There is a need for new, unconventional ideas to compensate these shortcomings inherited.

The richest city in southern Romania?

At this moment, the local officials point the difficulties they are facing, such as local economy, the level of historical development inherited or the lack of budgetary resources. However the issue of local autonomy should be revealed in order to understand which are the local resources raised by the city and to make sure that the local authorities are not facing impossible tasks.

From this point of view the conclusion is that Târgoviște is not at all a poor city if considered the local budget resources. On a national survey of funds per capita covering 21 major cities in Romania plus the first district of Bucharest, Târgoviște is the seventh with 973 RON/citizen and in front of other cities with better economic dynamics (fig. 1).

This is no mistake as the same tendency is to be found in previous years like in 2006 when a rate of 1300 RON/citizen was reached. Therefore considering the budgetary resources, Târgoviște is the richest city in southern Romania after Bucharest. This evidence is to be stressed on every public occasion as it is ignored by most of its inhabitants and it should also change the approach of local authorities which should trade the defensive mentality of a small town with an aggressive, pro-business one.

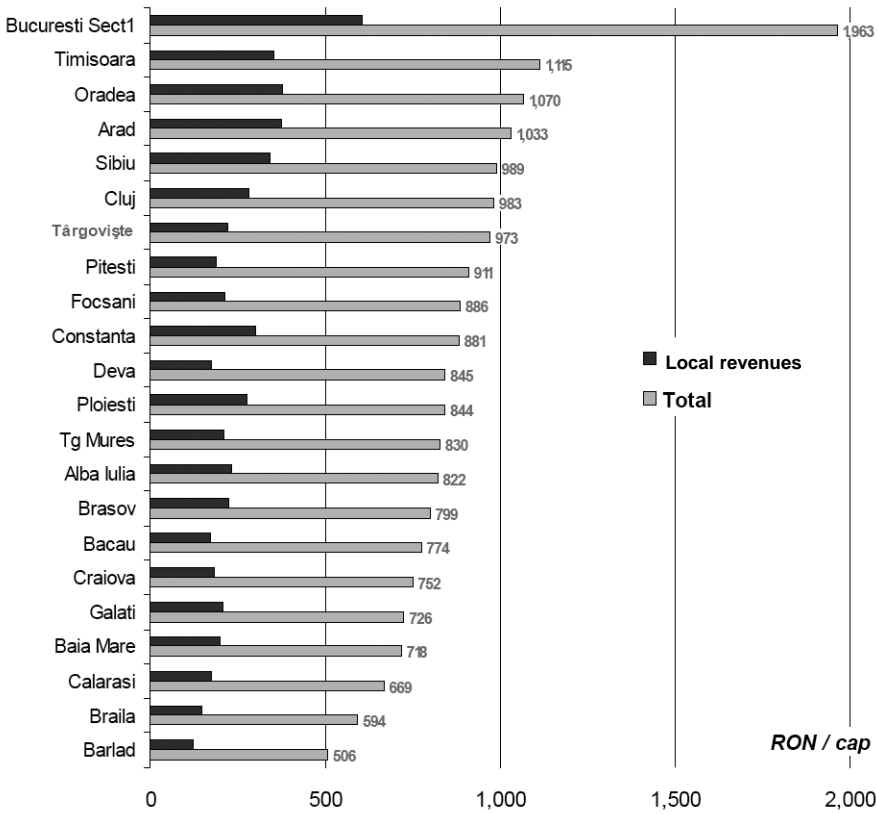


Fig.1 Local budget per capita, 2005

When it comes of local revenues per capita, the city is placed in the middle of the chart discussed above, with 222 RON/citizen (2005) and 260 RON/citizen (2006). Local revenues are the part of the local budget controlled almost independently by the local council. This is the most important part of the budget that the city can count on while establishing local development policies, preferably by multi-annual programs. Apart from this, the local budget includes an important compound of central transfers that local authorities can dispose of in any way.

Concluding, Targoviste possesses substantial local resources which can be used autonomously, resources representing 43% of the local budget in 2006 (fig. 3) which is above 39% representing the average of other Romanian main cities. This is a fact verified also by local expenditure for invest-

ments, where the differences from neighboring Ploiesti of Pitesti are not as important as one might think (fig. 4).

Where is the money going?

The obvious question to be asked is: if these are the facts, then why is such a positive difference in the development of the other neighboring county capitals, while in fact Targoviste has higher per capita incomes? There are few possible answers to this. Firstly, even though the structure of expenditures is generally the same, there are however few budget lines where differences occur: these are the "passive" and "active" expenditures. The first category comprises general administration costs, personnel costs etc, while the latter aims at promoting economic activities in the locality.

In chart no. 5 it is obvious that while in Târgoviște passive expenses are predominant, in Ploiești and Pitești more money is allotted to promote economic activity rather than paying wages. The contrast between the two is obvious and it represents the most important difference in the budgetary expenditure of the cities compared.

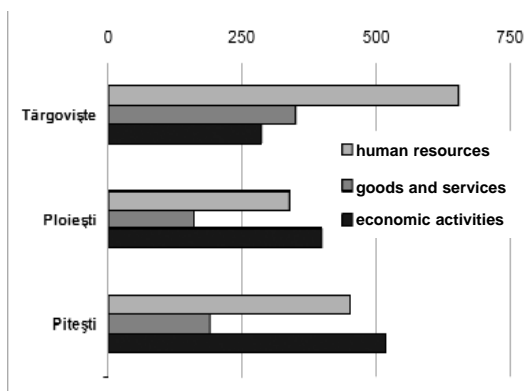


Fig. 5 "Active" and "passive" local expenditure

It is true that the wages section covers next to the local administration, the salaries of the under-graduate teaching personnel which is rather numerous. It is also true that Târgoviște is smaller than the other two neighboring cities and that certain fixed costs apply to it regardless of the number of inhabitants. Nevertheless the differences are too obvious to be explained solely by the fixed costs, especially in wages and education where the costs are generally proportional to the population assisted.

Next to Pitești and Ploiești, Târgoviște has a budget burdened by passive expenditures therefore proportionally less money is left for promoting economic activities. Eventually there is another explanation: maybe the funds are not spent with an equal efficiency in all localities. This could be applied not only to the types of expenditures discussed, but also to those representing investments as presented in chart no. 4. It might occur that two localities spend the same amount for investments and in one of them the outcomes of the investment projects are minor for certain reasons (wrong evaluations, belated completion, technical malfunctions etc). Only an institutional audit of the investment-devel-

opment activity could establish whether this is the case in Târgoviște. That would exceed the frame of the case study, but it would also be an example of good practice. Therefore it is advisable for local councils to develop a multi-annual and a participative budget which should stress the major projects forthcoming, together with their financial and implementation planning and to make sure that these documents are available to the citizens. That is because international expertise shows that the most transparent local budgets are also the most efficient ones.

An uneven base for local resources

Another comparative survey undertaken on the same lot of 22 major cities in Romania, reveals that Târgoviște seems to be the city with the most unbalanced financial burden distributed between the two types of contributors: citizens and companies. If we consider the incomes from property tax (both land and buildings) in 2005, it is obvious that the municipality in Târgoviște is the first on the chart in aiming to collect the money from citizens, while being the last in collecting the money from companies (fig. 6 and 7).

There are three possible explanations here: firstly Târgoviște is one of the cities where the cadastral recording of properties is well developed. So it might be that a more rigorous property recording is normal, while the other cities lack the strict property recordings of individuals. However the differences are too important for this type of explanation. Secondly it is plausible that the taxation procedure is applied more permissive to the companies in Târgoviște, which is a practice in wealthier cities (fig. 7). That is exactly because the authorities there have enough resources and are not willing to risk conflicts with company contributors. However there is no rule that wealthy cities should be lazy in collecting the taxes (such as Cluj or Constanța), as there are also rich cities collecting equitably the taxes both from citizens and companies (Timișoara and Sibiu).

Finally, the third explanation might be the most plausible one for Târgoviște: the lack of solvable company contributors, either because there are privatized old factories suffering of cash flow problems, or because the number of newly emerged enterprises is too small. This assumption is verified by statistics showing that indeed the density of SMEs in Târgoviște area is smaller compared to the

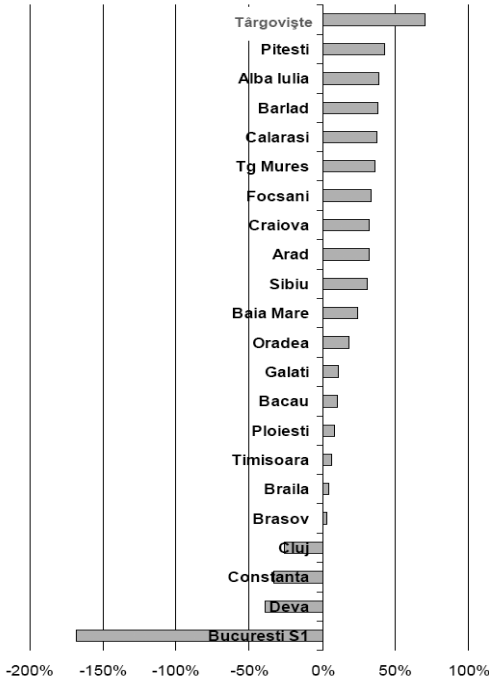


Fig. 6 Local tax on real estate: natural persons, 2005

neighboring Pitești and Ploiești. Statistics available on national level show only data grouped on counties and regions, but as the tendency is to have a higher density of SMEs around large cities, consequently the discrepancies between the three counties are expected to be found also in the case of their capital cities (fig. 8).

The link between the local density of SMEs and the rhythm of employing the existing labor force is strongly connected. This linkage is even stronger in the case of productive SMEs, which starting with 2002 became the most important employer at national level.

In Târgoviște area, a low number of productive SMEs might illustrate a weak entrepreneurial milieu, or the tendency of many commercial investments (especially in real estate) not to be run as legally established companies in order to avoid complications in evaluating and imposing taxes or higher costs for domestic utilities. Both cases deal with the same kind of problem: a business environ-

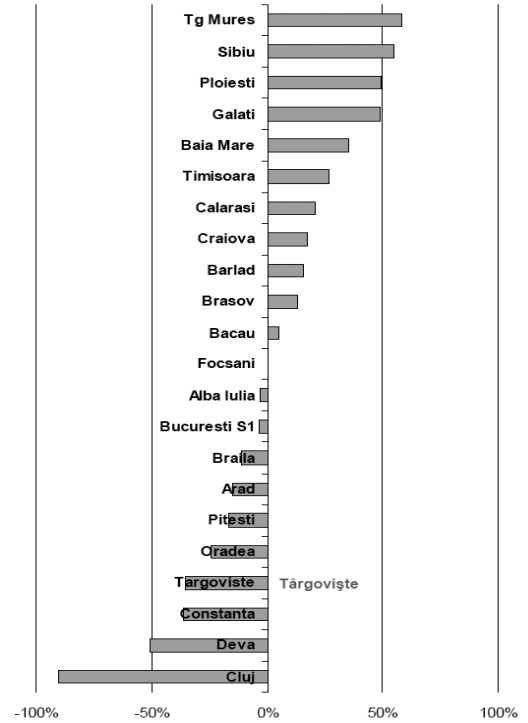


Fig. 7 Local tax on real estate: firms

ment at its beginning which should be strongly encouraged by pro-active measures. It might also be the lack of major strategic investments which bring a network of secondary production and services in the area.

Even though most of the programs aimed at developing the SMEs are financed by the state budget or European funds, there is still room for local authorities to step in and accelerate the process. If not by budgetary means, at least by actions that are not costing the municipality such as a better zoning and regulation, establishment of functional industrial parks in attractive locations for business, facilitating the access and encouraging the development of local logistics networks etc. Without such a business cluster it is difficult to invigorate the economic development. And it is obvious that Târgoviște did not succeed in achieving these goals lately.

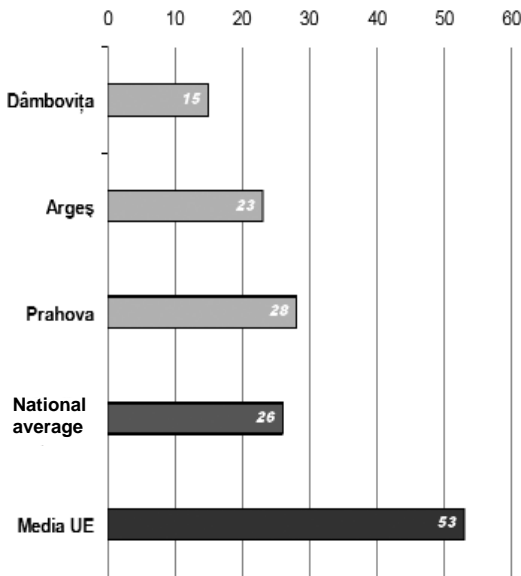


Fig. 8 No of production SME per 1000 inhabitants

The development of Târgoviște within Dâmbovița County

Such development strategies should be perceived within a broader context, including city's hinterland, as it might contribute to or be influenced by the emergence of an industrial cluster. From this point of view, the county becomes the survey unit.

As already mentioned, Dâmbovița is a rather rural area (fig. 9) and the concerns of local authorities are reflecting this profile. Lately, the authorities were constantly interested in implementing projects in the rural area, especially in infrastructure. Even so, the success rate in Dâmbovița is less than in the neighboring counties of Argeș and Prahova: less money per capita of rural inhabitant was raised than in the other two counties. Also the other infrastructure projects promoted so far by PHARE projects are located far away from Targoviste.

The city itself has not managed to implement a genuine project of generating development investments so far. Rehabilitating streets and water-sewage pipes are necessary, but they represent rather a push to reach minimal urban life standards, not a launching platform for the future. The next

important project to be completed is the restoration of the Old Court which will be difficult to accomplish and with a limited potential of offering a growing momentum to the city. One major "success" of local authority is placing in stand by a truly important project for local development, the reconstruction of the by pass around the city. It is debatable whether it was not better to complete firstly the by pass and to include the Old Court in the national rehabilitation program of the Ministry of Culture. By doing so, the local community might have benefited both from a renewed by pass and a restored historical monument.

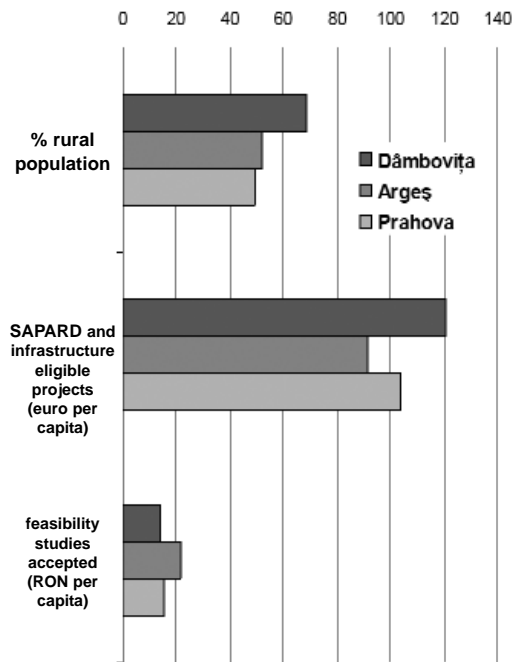


Fig. 9 Attracting funds to rural areas

In Romania, like in other countries, it is obvious that location and transportation facilities are decisive in attracting investments and forming industrial clusters. The most important problem in Romanian cities is represented by the difficult access to areas where new industrial and logistic parks can be developed. Therefore the first municipalities able to overrun this problem, will benefit from investments.

The by passes around cities develop themselves into industrial areas, without major invest-

ments from the public budget, if the city council comes forward with a plan and regulates the private investments. This is happening not only in large cities such as Ploiești, but also in medium sized cities like Focșani. Conceived as such and promoted earlier, the joint project by-pass - industrial area would have generated additional revenues for the municipality. And this is a task for the local council and less for the county council which should take care of the county roads, not of the city by pass.

The problem of industrial parks

At the time there are in Dâmbovița County two operational industrial parks, both belonging to the county council: Mija and Moreni. Both were realized by taking over and reconverting an existing industrial area (brownfield), where heavy industry factories decreased their activity. Another similar park will be built with PHARE funds in Priboiu area, north of Târgoviște. The problem is that out of these kind of parks established so far in Romania, none managed to create a great local impact. Even when the occupation rate is high, with small production or storage enterprises, they only manage to conserve existing jobs in areas where there are only recessing old industries. They attract little new investments, mostly being labor intensive companies relocated from neighboring areas (fig. 10).

On the contrary, the industrial parks able to generate an impact, are the new, greenfield investments, closer to the city, offering easy and flexible access to diverse services and to a deeper and more varied labor market than in recessing areas like Moreni or Mija. Such examples are to be found in Ploiești, Iași and Baia Mare, where the parks are built on transport routes instead of a corner of the county. Such parks form areas of natural enlargement of productive and logistic activities of the city, sometimes being included in the local transport network (like Ploiești, fig. 11).

The theory of the two types of industrial parks - "defensive" and "offensive" ones - is not new or relevant only for Romania. It was noticed earlier in Europe that some local authorities have the tendency of pushing the projects in areas affected by economic reorganization in order to solve the social problem of the jobs affected by personnel cuts, thus adopting a defensive strategy. These parks are small and numerous, being scattered in different locations, usually on former industrial platforms. South



Fig. 10
Dâmbovița: "defensive" industrial parks

Italy is filled with such initiatives, especially in Calabria and Sicily where in the '60-'70 the state attempted like in former socialist countries to establish large industrial units. The profile of the parks is various, but rigid: once occupied, it is harder to change its profile. The offensive parks are larger and not too numerous, being situated at the crossroads of major roads, and adapting better at long term economic changes. They attract easily research activities next to production activities and companies can come and go without affecting the stability of the park, due to labor force high flexibility. Based on this nucleus, other entrepreneurial activities may appear as well as commercial centers able to profit from the agglomeration and logistics available.

The comparison between the two parks in Dâmbovița County and the one in Ploiești West is relevant as they are only 30-40 km away, therefore being in direct competition. The park in Ploiești will still be the most attractive one, even after the third



**Fig. 11 Ploiești and Iași:
"offensive" industrial parks**

investment in Dâmbovița County (Priboiu-Brănești) is finalized. The park in Ploiești benefits from a better positioning, a larger area, it is better blended in urban functions and it supplies the big commercial centers nearby. Practically, there is no need for local authorities to spend funds or effort to make it work, as the park is profitable enough to finance itself.

On the other side, in Dâmbovița County, none of the existing locations are developed enough in order to reach Târgoviște. Even the new park at Priboiu, only 15 km north from the city, is probably too far to meet the optimistic expectations of its promoter, the county council, to function in tandem with the city. The difficulties will be even higher as it is supposed to include research components and new industries, in partnership with the local university. Târgoviște is simply too little to absorb development nuclei placed farther than 6-7 km. A similar distance is in the case of Nokia investment at Jucu, next to Cluj, a far more developed city, but still having problems in absorbing Nokia investment as long as there is no motorway connecting the two localities. Even so, it is still to be seen whether Nokia investment will trigger around an industrial agglomeration, or the latter will naturally rise elsewhere, closer to Cluj.

Briefly, the defensive strategy oriented towards social and embraced by the county council of Dâmbovița, is understandable given the county problems only that it does not serve well Târgoviște's interests. Investments areas promoted so far are too little and too scattered, none having enough momentum to influence area's economic development.

How should it have been done? It would have been better if Târgoviște had defined earlier a development strategy of its own, that should have been negotiated with the county council instead of waiting for the projects with international funding accessed by the county council. The latter has its own focus on rural area and small cities experiencing economic depression.

It is normal to run certain projects in partnership between the local and county councils, such as for the water and sewage operator, because the scale of such a project imposes a certain dimension and technical outcome. Besides, the municipality should bear in mind the county transportation master plan, in case such a document exists. But the municipality should have come with its own micro-strategy, escaping from the county council tutelage and focusing on its own needs. For example, the national survey of CNADR (Romanian roads administration) shows that the highest traffic intensity in Dâmbovița County is north-south, close to the city of Târgoviște and oriented more to south than to north. Regardless of the city authorities' efforts, even if they have more resources than they actually have, it would be difficult to change the natural tendency of the traffic. However this valuable finding could be easily exploited by placing a development nucleus on Titu-Găești road where the influence of the existing motorway, as well as the soon to be Renault technological center from Titu are felt. This nucleus should be close enough to the city so Târgoviște could use it, big enough to grow by itself from a certain moment and established fast enough before another one will naturally develop in the motorway area, as the local market could not sustain more than development nucleus in the next two decades. Therefore the areas with economic potential were placed rather south or south-west from Târgoviște, on the main road along the steel factories where there are spontaneous developments towards an industrial park; or on a new location, not farther than 5-6 km, preferably in the area of a major crossroads on the city by-pass. This new

nucleus should have consisted of at least 100 hectares large, with good road connections to benefit from the city proximity in order to have any chance in the inter-regional competition occurring now. The project would not have implied for the municipality to buy the entire land, but to coagulate around it the private investment interests already existing by regulating policies, infrastructure investments and access.

Even so it would have been difficult, as the competition is coming from east (Ploiești), west (Pitești) and soon from south if the Renault project in Titu will be implemented. Thus the high qualified labor force on a large area will be absorbed, together with adjacent services, transforming Târgoviște in a dormitory city with 1-2 malls and few traditional industries originating back in the '70s and fighting not to lose these ones too, together with the global income taxes they provide to the city council.

Using the transit and regional tourism

With all these observations, we already came across one of the most interesting debating issues in the European development today, which is the small cities caught between neighboring major cities, trying to define their own future. Presently, the European Union has clear policies of sustaining the rural areas as areas of economic, social and cultural importance. Meanwhile it has policies meant to encourage and increase the efficiency that will eventually bring resources to the major European cities which are part of the global economy. What is not yet clear, is what will happen to the small and medium sized cities, which are not powerful enough to access the global market, which are not regional centers, but which are also not qualified for the rural and development funds awarded by the EU. If the European budgetary reform occurs, it will mean that a large part of the funds sent to agriculture, will be diverted to competitiveness (Lisbon agenda). Thus a transfer of resources from rural areas to large cities will occur, once more ignoring the medium and small sized cities.

Therefore the communities as well as local authorities pay more attention to such issues as road networks, persons and goods transit, tourism and any other natural ways of moving services and persons, spontaneously appeared and that might be useful to local communities.

In Romania, the development following 1990 experienced two factors (fig. 12): the first

acted as a wave coming from west to east with a speed of 30-40 km/year. Once we accept this simplified, but visual description and we consider the Austrian border and the '80s as starting point, we notice that the development in western Romania lately is part of this representation. It will take few more years until the wave will cover the whole Romania, while the change in land and labor force costs will affect this advance.

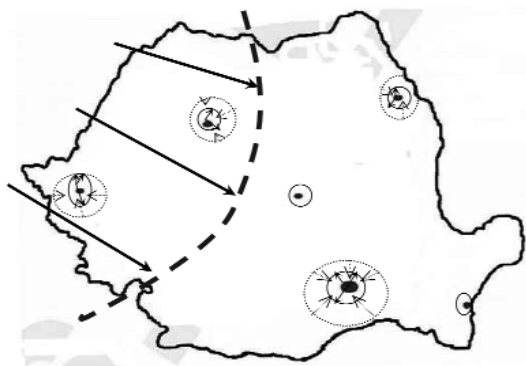


Fig. 12 Development trends: a) west-east trend, b) attraction of major cities

The second factor is the polycentric diffusion where the administrative modernization, economic diversification, increased opportunities, high land value emerges circularly around a small number of nuclei: cities linked to well-established transport networks, big enough to sustain an interesting social life and therefore able to attract investors and mid-class professionals. From many points of view, these cities are better linked to the global cities network than the rural areas around, especially if they have an international airport. From this perspective, Timișoara or Bucharest are closer to Bruxelles than to Oravița or Caracal.

These two factors of development might act together, but they might also annul reciprocally the effects. For example, a better access by new ways of transportation brought by the progressive wave from west shortened the radius of development around certain cities. Sometimes there is also absorption of resources to the cities, draining the neighboring rural areas. For instance, in Warsaw the impact of development is felt on a 30 km radius around the city, while on a 50-100 km radius the area suffers because of the human resources

drainage to the metropolis. The companies leave the small cities for the capital to benefit from the network effect, while the commuting options permit the workers to travel on longer distances. This influence might be temporary, but it is strong and it will take long before its effects will be minimized. Bucharest is similar to Warsaw as it is placed in a disadvantaged region and it creates the same effect in the neighboring and poorer counties.

The city of Târgoviște and Dâmbovița County cannot avoid these macro-forces, but they can also use them to their advantage:

1. The city should be preoccupied firstly in establishing its own growth nuclei on existing development factors in order to attract more easily major foreign investments in its neighborhood. However these investments will never come to industrial parks like Mija or Moreni.
2. The city, together with the county council should try to develop new transit routes, important on a regional or national scale, which should attract transit and interest in areas yet to be discovered.

For example, Prahova County has two well-known corridors in the mountainous area, and now it has introduced on POR and PHARE agenda another two valleys (Slănic and Doftana area). On the other side, Dâmbovița has only a general objective to promote tourism in the mountain area, while the main access road is in a bad shape. Generally speaking, Dâmbovița is, along with few other counties in Transylvania, one of the country's areas with the least quantity of rehabilitation works on national roads completed, which shows a weak lobby capacity at central level.

Poor access in the mountain region, lack of a by pass road around Târgoviște and lack of interest in developing the Ialomița valley, one of the most spectacular alpine areas with a high potential, affects indirectly the transit volume in the south of the county. All these are eventually found in low investment rate and lack of dynamics on the local market.

Not only has the tourist industry suffered from this isolation, but also the local communities around. A good example is Bezdead, a rather big village, but a poor one, even though it is located in a hilly area, on a beautiful valley with pleasant climate. In fact Bezdead is only 15-20 km away from Breaza-Cornu area, on the first national road (DN1). However the

road linking Bezdead with DN1 is well kept in Prahova county, but impracticable on a distance of 7 km in Dâmbovița County. As a result, the difference in real estate value is 1:10 between Bezdead and Breaza. This is one of the examples confirming that a lot can be done with little money, if it is well spent.

Conclusions and elements for a pro-active strategy of Târgoviște

1. Târgoviște is not a poor city as it benefits from income sources higher than in the neighboring county capitals. It has also no major social problems (emigration, poorness, aging) compared to the other cities.
2. Its resources are consumed by a passive budget (salaries, goods and services acquisitions), compared to Ploiești and Pitești which provide more aggressive budgets (pro-business activities and projects).
3. The budget and future projects are not very transparent and participative, when compared to Ploiești. An institutional evaluation on development-investment component might show how and where is possible to improve the efficiency in spending public money.
4. Local administration is too dependent on the programs and projects initiated by the county council, which is interested in rural areas and in small towns. It is not clear who is promoting the interests of Târgoviște in a broader regional context.
5. The current base for local and county revenues is rather unbalanced focusing more on citizen-contributors than on company-contributors. Without attracting major investments, the revenue base will wear down in time.
6. The attempts of creating new development clusters, especially as industrial parks initiated by the county council are not useful for the city as they are too little and too far, focusing mainly on preserving the jobs. Târgoviște needs an offensive business area, big enough to attract strong brands, placed on a natural transportation corridor, south of the city. This should be an effort of the municipality, developed fast and in conjunction with the city by

pass, before another development cluster will appear in the south area of the county

7. The city council of Targovi?te should be interested in pushing the county council towards projects generating traffic of goods and services on a 10 km radius around it, even if this traffic is only a transit one. For this aim the bypass around the city and the openness of the north part of the county towards tourism are crucial.
8. It might be expected a win-win situation if the public authorities prove to be more opened and entrepreneurial in order to stimulate the community. A new image is also required as in the tough competition for qualified personnel in Romania, not only the high salaries are important, but also the social and cultural opportunities in the community. The youth together with graduated individuals settle in areas with a certain life-style, movement of industrial brands and try to escape from where nothing happens.

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