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## Sailing in Troubled Waters. Drinking Water Provision in Timisoara.

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### **Abstract**

After more than a decade of post-socialist transition, transition theories are increasingly criticised for their inability to grasp the new post-socialist reality. However, even in the light of political, economic, social and cultural restructuring processes taking place on a global scale, the structural legacies of socialist and pre-socialist development are not erased. On the contrary, they continue to play an important role by filtering the impact of global tendencies upon post-socialist societies. With reference to a case study from the Romanian city of Timisoara I will address in the following the ambivalencies connected to the efforts of local elites in the process of implementing global-level requirements in a post-socialist environment.

Keywords: Post-socialist transition, privatisation, local government, local identity, Romania

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# Sailing in Troubled Waters. The Case of Drinking Water Provision in Timisoara.

## 1. Introduction

Under the impact of globalisation and Europeanisation, the restructuring processes taking place between government, market, and civil society create a rising demand for new forms of political and social organisation. In the case of Eastern and Central Europe, these processes unfold simultaneously with the democratisation and privatisation processes characterising the post-socialist transition. Within this context I address the question in how far are the institutional arrangements emerging on the local level in a post-socialist city able to trigger and sustain local development processes. „Institutional arrangements“ refers hereby not only to formal institutions such as local government bodies and their modes of functioning, but also to informal institutions such as local elites and their patterns of thinking and action. „Development“ is regarded from a local perspective and understood in the sense of The Development Strategy of the Timisoara Area as „the sustainable safeguarding of prosperity and a high quality of life for the inhabitants of Timisoara“ (Primaria Timisoara 2000).

The following paper presents a case study which is part of a more extensive project focussing on issues of local and regional development in a post-socialist context. The case study is based on empirical research conducted in Timis county and the city of Timisoara in Romania<sup>1</sup> from 1999 until 2001. The empirical investigation consisted of the compilation of the social and economic profile of Timis county<sup>2</sup>, participant observation of the elaboration of the first local development strategy, about sixty interviews with representatives of institutions involved with local policy and development issues and occasional press monitoring.

The broad theoretical setting of the analysis is post-socialist transformation theories. I regard post-socialist change as resulting from the interplay between the socialist and pre-socialist structural legacy on the one hand and the dynamics of post-socialist integration into European and global political and economic networks on the other. The term „legacy“ refers hereby to both material and immaterial assets. The material part of the legacy consists of economic, institutional, and social resources of the local society at the beginning of the transformation process. The immaterial part of the legacy consists

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<sup>1</sup> The research was conducted within the framework of the project "Local and Regional Development Policy: Actors and Institutions in Hungary, Poland, Romania, and Ukraine". The project was coordinated by Prof. Dr. Melanie Tatur at the Institute for International Relations and Comparative Policy Research of the Johann Wolfgang Goethe University in Frankfurt am Main and funded by the Volkswagen Foundation.

<sup>2</sup> The statistical data were compiled by the Center for Social Science Research affiliated with the Economics Department of the West University in Timisoara.

of historical traditions, identity discourses, self-perceptions and other symbolic resources.

The transformation process is conceptualised as a process that induces both outward and inward openness in a formerly closed system. Inward openness creates spaces for the emergence of independent actors, not only on the individual, but also on the communal or regional levels<sup>3</sup>. Outward openness puts complex dynamics in motion. These are determined by the different and sometimes contradictory modalities of economic, political, social, and cultural integration into global and European networks.

Against this backdrop post-socialist transformation processes can be analysed on several levels. The key level of analysis is the level of the national transformation regime, which sets the framework for the political and economic developments on the subordinate levels. But the analysis can also focus on the interplay between the specific legacy of a particular region or locality and the impact of global tendencies upon it. In the following analysis I opted for the latter perspective.

Following Eisenstadt's argument (Eisenstadt 1998), I assume that the specific characteristics of the legacy have an influence on the terms of the integration as well as on the dynamics set in motion by the integration process. Against this backdrop openness provides the opportunity for the redefinition of the legacy within a different context. However, the effects of the recontextualisation are ambivalent. Thus, the post-socialist collapse of heavy industries can lead to either economic marginalisation or to reorientation to more labour intensive and/or technology intensive and less polluting industries. The rediscovery or recreation of a local identity which is distinct from the dominant national identity can support the establishment of more efficient political and economic institutional forms as well as the emergence of exclusionary tendencies. The opportunities for local development are therefore given by the institutionally sustained abilities of local elites to combine legacies and openness in a way that is to the benefit of the local community.

With consideration to this theoretical framework I will illustrate in what follows the risks of and opportunities for local development by using the privatisation of Timisoara's drinking water provision network as a case-in-point. I regard Timisoara's local society as a subnational actor that acts in the sense of local government through its elected representatives and investigate how it reacts to the challenge of transnationalisation. I use the term transnationalisation with reference to local action and define the challenge of transnationalisation for local actors as both the option and obligation to act simultaneously in different political, economic and legal arenas which transgress the borders and regulatory capacities of the national state.

In a first step I introduce the city of Timisoara and describe the development of its drinking water provision network. As drinking water provision is one of the services provided by local government I will subsequently present the local elites, who occupy the key positions in the local government bodies. I then describe the legal framework that regulates public service provision and the dominant discourses of local identity, to which local elites refer in order to legitimise their actions. In a next step I reconstruct

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<sup>3</sup> Representatives of local government bodies interviewed in summer 1998 by the author unanimously regarded the emergence of the local community as an independent actor through the introduction of elected local government bodies as the main success of the transformation process.

the privatisation process of the municipal water works. Finally I reflect upon the explanatory value of the initially mentioned factors for the processes I have described.

## **2. Timisoara: from „Little Vienna“ to „Miss Romania of the Economy“**

Timisoara is the traditional centre of the Banat region, located at Romania's southwestern border. This region emerged as a historical region during the Middle Ages, persisted during the Ottoman occupation and was administratively strengthened during Habsburg rule (Leber 1996). After the First World War, the historical Banat was divided between Romania, Yugoslavia, and Hungary. Its most important part, including the urban centre Timisoara, was incorporated into Romania.

Timisoara maintained its position as a regional centre after the incorporation into Greater Romania. At the same time, local elites perceived the centralistic tendencies of the new state negatively and regarded them as a downgrading. During communist rule this perception was reinforced by a change in the local social structure. This change was induced by a series of deportations (Vultur 1997) and the internal migration patterns triggered by industrialisation and the collectivisation of agriculture. Protest against the socialist state was articulated in terms of an identity discourse and finally led to the urban uprising against the Ceausescu regime.

With a population of over 300,000 inhabitants and accounting for a three per cent share of Romania's total industrial output, present-day Timisoara is one of Romania's leading industrial, social, scientific, and cultural centres. Although industrial production continues to decline here just as everywhere else in Romania, both its strategic location on the western borders and the open-mindedness of local elites make the city attractive for foreign investment, which reached the second highest level in the country. A relatively good infrastructure and human capital endowment attracted multinational corporations operating in the higher technologies sectors. Additionally, low wages and certain cultural affinities attracted substantial investment into the small and medium sized enterprise sector from Italy and Germany.

## **3. Construction and development of the drinking water provision system**

The most important chapters of Timisoara's history are mirrored in the construction and development of the city's drinking water provision network. Timisoara and the Banat were reconquered from the Ottoman Empire in 1716 and subsequently became a test-field for Vienna's mercantilistic development policies aimed at administrative incorporation and the stimulation of economic growth. Under these circumstances, infrastructure development, consisting mainly in the building of roads and hydrological systematisation, became a priority. Canalisation works on the river Bega, which had periodically flooded the city before, began in 1728. The city of Timisoara was rebuilt from the ground, becoming „Little Vienna“, an urbanistic copy of the imperial capital. From as early as 1732 on, it was equipped with a drinking water provision network consisting of eight pipes and a clearing station (Munteanu/Munteanu 1998: 62).

For a long period, Timisoara was to remain one of the very few settlements of the region with drinking water provision. The Banat's incorporation into Romania and the advent of communist rule hardly made an impact on drinking water provision in the region. In 1965 Timisoara was among the three settlements of Timis county which disposed of a drinking water supply system, the largest part of it still dating back to Habsburg times. During communist rule, this system was extended to 91 settlements. In the same time extensive industrialisation led to a severe degradation of the quality of the ground water. The ambivalence of socialist modernisation also became evident in the fact that newer parts of the pipe network were constructed with materials, which did not correspond to the technical and hygienical requirements of pipe-building as a consequence of the economy of shortage.

In 1995, 108 settlements in Timis county benefited from drinking water provision. The length of the network reached almost 1,500 km as compared to only 200 km in 1965 (Munteanu/Munteanu 1998: 96). In the year 2000, the drinking water provision system in Timisoara consisted of a 552 km long network which supplied 20,780 households in the city (Primaria Timisoara 2000: 51). Although it covered almost the whole population, it was common knowledge throughout the city that the water running from the taps was no drinking water. A short analysis published by the city administration admitted that one third of the network needed urgent rehabilitation. An additional problem was represented by the clearing station, which was unable to handle severely polluted industrial residual waters (Primaria Timisoara 2000).

#### **4. Local action between legal competencies and identity discourses**

From the situation rendered above resulted an urgent need for intervention from the part of the city's local government, that is, the authority which is responsible for drinking water provision on the local level. In the following I analyse local government action as determined by both „hard factors“, like legal regulations or financial constraints, and „soft factors“, like local identity and self-perception.

Already after the administrative reform of 1991, when local government bodies were created, public service provision at the local level was included among the competencies of local self-government. The law on local public administration, Law No. 69/1991, stated that „the public services of the commune or town shall be organised by the local council, in the principal domains of activity, according to the local character and needs, with observance of the legal provisions, and within the limits of the financial means available to the council“ (art. 54, sect. 2). Starting from this point the competencies of local government bodies with regards to public service provision were gradually extended. The law on local public finance, Law No. 189/1998, stated that the local councils were responsible for the financing, the establishment, and the monitoring of public service provision on the local level. In the most recent step so far, the law on public service provision, Law 326/2001, gives local authorities „the exclusive competence to establish, organise, coordinate, monitor and control local public service provision“ (art 12, line 1).

Unfortunately, the devolution of competences to the local level was not matched by the adequate transfer of financial resources. As the local government bodies did not

have any independent sources of revenues until 1998, the building, maintenance and repair of roads, the water supply and sewage systems, the heating systems and public transport facilities continued to be financed by earmarked transfers from the central budget until that point (<http://www.sinta.ro/RNE/cartax2.htm>). The situation changed with the adoption of the law on local public finances in 1998. However, most local government bodies were still unable to finance local public service provision from their own revenues. Therefore the law gave them the right to concession local public service provision to specialised commercial operators, if the concession contributed to an increased efficiency and benefited the citizens in the end. This right was further extended. The law on local public service provision adopted in 2001 states that local public services should be provided either by a specialised branch of the local public administration or by a commercial operator selected by the local council. The operating costs of local public service provision have to be jointly covered by the bills payed by the end-users, and by the levying of special taxes, which, however, are not further specified. The law also states that all public service operators, be they private or public, have to be attested by a national authority, which can withdraw their operating licenses, if their activity does not correspond to the standards or respectively, if they do not fulfil the terms of their agreements with the local councils (art 23, line 4, point h).

However, legal regulations alone do not provide an overall explanation for policy choices. Ultimately, policy choices are made by persons in decision-making positions in local government bodies. Their self-perceptions, their visions of the city, and their identity discourses also have an influence on the choices they make. In Timisoara, the key positions in local government and other important local organisations are occupied by members of the local urban elites. In political terms, these can be regarded as a counter-elite, which came to power in the aftermath of the revolution in December 1989. In terms of a social hierarchy, they belong to the city's „high society“, and distinguish themselves from outsiders in terms of culture and an academic background. Local elites display social homogeneity and a high degree of integration, being interconnected by both personal and professional relationships. The stability of the milieu is further enforced by the common discourse on local identity.

The dominant identity discourse in Timisoara is based on a local mythology, which highlights three particular periods: Habsburg times, the interwar period and the revolution. The Habsburg reconquest, when Timisoara was rebuilt after the model of Vienna, represents the founding myth of the city. Representations of local elites as pioneers of civilisation are anchored in this myth. According to local identity discourses, the western-oriented spirit is inherent in Timisoara ever since, and it ultimately led to the uprising against the communist system. Many current efforts directed towards modernisation and European integration could be regarded as motivated by the desire to live up to this reputation of a pioneering elite.

The „Golden Age“ is described as a chronology of uninterrupted technical progress leading to social and economic well-being. This view of history is applied to the period reaching from the Habsburg reconquest to the beginning of communist rule. By focussing on technical and economic progress, it also has the function to obscure conflicts and tensions related to Timisoara's incorporation into the Hungarian part of the Empire and later into Greater Romania.

The period of communist rule is considered the „Dark Ages“. It is described in terms of destruction and serves as a projection screen for a long history of conflicts between the levelling centre and a region struggling for autonomy, between „the Balkans“ and „Mitteleuropa“. According to this line of argument, the urban uprising against the Ceausescu regime represented an effort to recreate the original order, which was destroyed by communism.

Consequently, the most important goal of present-day local development concepts is the return to the „Golden Ages“. For them, „being part of the civilised world again“ is synonymous with economic growth and European integration.

## **5. Privatisation of the drinking water provision network**

After the description of the constraints structuring local government action in Timisoara I will proceed with the reconstruction of the privatisation process of the municipal water works, Aquatim.

As already mentioned, the rehabilitation of the clearing station and of one third of the drinking water provision network are needed in order to improve the quality of the drinking water in Timisoara. Obviously, the local budget cannot provide the funding necessary for these works. Although central government supported drinking water provision for the population through subsidies, it did not share out funds for local infrastructural investments. However, it contracted a 28 million US Dollar loan from the Municipal Utilities Development Programme of the European Bank for Reconstruction and Development (EBRD) in 1995. This loan was passed on to five Romanian municipalities (EBRD 1997). Among others, Timisoara's municipal water-related service provider, Aquatim, received funding from this programme.

With the help of this loan the rehabilitation works could start, but additional funding was required in order to complete them. Thus, Timisoara had to consider the attraction of foreign direct investment into its drinking water provision network<sup>4</sup>. As EBRD officials were satisfied with Aquatim's performance, the EBRD subsequently provided the municipality with a 24.7 million Euro loan in December 1999, under the condition that a controlling stake in Aquatim was sold to a „water operator of international standing“. The bank introduced this condition as this was a case without precedent in Romania, „the first non-sovereign loan to a utility that has previously received only a sovereign-guaranteed loan“ (EBRD 1999). Additionally, the Romanian legislation with regards to the ability of local government bodies to contract credits on the international financial markets was not completed at that time.

The loan was issued under the Multi-Project Facility programme set up by the company Suez-Lyonnaise des Eaux and the EBRD in 1995 (Lobina 2001: 34). Therefore it was not surprising that the investor selected by the local council was nobody else but Suez-Lyonnaise des Eaux, who received a 25-year concession contract in November

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<sup>4</sup> Timisoara was no singular case in this respect. The municipalities of Bucuresti and Ploiesti had also concessioned their water and sewerage systems. In both cases, the world-wide market leader, Vivendi, obtained full control over the municipal waterworks after a public tender organised with World Bank support. At present Vivendi is holding 100 resp. 80 per cent of the local operating companies in Bucuresti and Ploiesti (Lobina 2001: 34-35).



2000. This decision raised many objections. On the one hand, local councillors objected that a public utility company, which was not only generating local income through its successful operations, but also received government subsidies, should be given away (Timisoara 16.9.2000). On the other hand, it was pointed out that Suez-Lyonnaise des Eaux was „forced upon“ the municipality by the EBRD, being selected without the concession being put out to tender. The mayor of Timisoara countered these objections by arguing that the privatisation was necessary, as the municipality would not have been able to finance the urgently needed restoration works without the private-public partnership thus created. The holding of consultations with interested investors instead of a public tender was described as a way to save time and money.

According to the contract, Aquatim was transformed into a public-private joint venture, 51 per cent owned by the water multinational and 49 per cent owned by the municipality. In exchange for the controlling stake, Suez-Lyonnaise des Eaux was to contribute 6 million Euro to the company's capital increase. The investment programme over the duration of the concession was to be financed by an EBRD loan (Suez-Lyonnaise des Eaux 2000). These investments were further eligible for additional funding under the European Union's ISPA5 programme. In August 2002, media reports announced that Aquatim had obtained a 34.1 million Euro grant from the European Union, and that a public tender for the execution of the construction and restoration works was to be organised in the following months. The works were scheduled to start in January 2003 and to last until 2008 (România Libera, 6.8.2002). In the same time, there are ongoing discussions between the local authorities and the representatives of the water multinational, who would like to fully take over Aquatim under the new circumstances.

## **6. Concluding remarks: The ambivalencies of openness and legacy**

The positive effects of the process of opening-up prevail over the negative. As a consequence of the transformation process local societies could become political actors and articulate their interests through elected local government bodies. However, this process took place under the conditions of a global redefinition the role of cities (Bennett 1997; Bagnasco/ Le Galès 2000). Cities were redefined as economic actors, growth and economic success becoming the main goals of local government (Mayer 2000). This new perception of the role of local government brought about the tendency to outsource municipal service provision to commercial operators (Lorrain 2000) - a tendency that made its impact in Timisoara, too.

The specific - centrally mediated - quality of the opening-up process had additional negative consequences for the case under study. The unilateral retreat of the state from the public service provision sector and its reluctance to provide local government bodies with own sources of revenues so that they are able to finance their new tasks, created conditions that limited considerably local actors' choices. The lack of a legislation that would have enabled them to act freely in the international arena put further restrictions on their options. Thus, even if the privatisation of the drinking water provi-

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<sup>5</sup> Instruments for Structural Policies for Pre-Accession.

sion network can be regarded as a consequence of global pressures, the unfavourable terms of the agreement are also a result of homegrown problems.

Dominant identity discourses in Timisoara are very favourable for international cooperation, even on unequal terms. European integration is regarded as a reparation of a historical mistake and the terms of integration are not an issue for public debates. The reference to the imperial past of „Little Vienna“ enables local elites to create links to western Europe and to mobilise for economic development. However, the exclusive use of this identity discourse as a symbolic resource for the city's redefinition raises some problems. First, it tends to ignore the present-day social and economic reality, thus running the risk to lose its legitimacy in the eyes of the local public, which is more concerned with present survival than past glory. Second, it obscures the fact that, unlike the former Habsburg rulers, who were promoting local development as a means to increase their tax revenues, global players today may have other objectives in mind.

Europeanisation processes support institution building on the local level. Requirements of the *acquis communautaire* put decentralisation issues on the agendas of national governments and set standards for local autonomy (Hughes, Sasse, Gordon 2001). In the same time it becomes clear from the case study presented that processes of Europeanisation also have an economic dimension, which supports the expansion of European corporations (Amin 1992) and hereby contribute to the restriction of the arena for local action.

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