

# **“NEW” EUROPE AND CHALLENGES OF SUSTAINABLE DEVELOPMENT**

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## **INTRODUCTION**

### **Brigita Schmögnerová**

The 2<sup>nd</sup> Forum of the PhD Students in Social Sciences 5-8 June, 2008 in Bratislava has re-affirmed the importance of bringing together the PhD students doing research in different areas of social sciences from different universities, predominantly from the “new” EU Member States, to making presentation and discussing results of their research. The Forum’s focus on “new” Europe and challenges of Sustainable Development has given an excellent opportunity for the interdisciplinary interactions which continue to be rare in the academic world. Indeed, the three dimension of sustainable development - economic, environmental and social require not only in-depth discussions among economists and environmentalists but also experts in social, in political and cultural aspects of development.

The EU is the front runner in the promotion of sustainable development “at home” and as the important global player - it is committed to promote it at the global level. Nevertheless, efforts for sustainable development inevitably start at the local level and have impacts on livelihood strategies in today’s consumer society - calling for changes in consumption patterns and/or inclusion of the poor and other excluded segments of society (like ethnic minorities, etc.)

The current financial crisis likely to extend into the deepest economic crisis in the post-war history threatens to endanger achievements in the progress towards sustainable development. While policy-makers are occupied by the credit crunch it should not prevent them to take measures to fight “climate crunch”. Economic crisis will ruthlessly define new winners and losers but measures to mitigate further social differentiation should be put in place in line with the European commitment to solidarity, social justice and democracy.

The 2<sup>nd</sup> Forum of the PhD students explored different policies towards sustainable development at different levels: local (Matej Blazek, Konrad L. Czapievsky, Andrew Kytherotis, Juraj Majo, Marcela Mele, Peter Mihok), national (Przemyslaw Kniazuk, Katarzyna Krolikowska, Ladislav Suhanyi) and regional or global (Ivan Lesay) and policies in all three dimensions: economic (Nataliya Frolova, Lukasz Gruszczynski, Victorija Stasytyte), social (Vitali Bahdanau, Peter Bujnak, Roman Jurik, Zuzana Luckay,

Sona Lutherova, Zuzana Makovska, Ahto Oja, Liliya Sazonova, Lyudmyla Volynets,, Tomas Zelinsky, Irina Zujeva).

The 2<sup>nd</sup> Forum of the PhD Students in Social Sciences has also proved to provide a good opportunity to a healthy competition of ideas, opportunities to compare quality of research results of the PhD students and last - but not least - to networking of students from more than a dozen universities and almost a dozen of eastern and western countries. I hope that this publication will serve the objectives of the Forum and will encourage the participating PhD students to strengthen their scientific efforts.

# "PEACEFUL DEVELOPMENT: ECOLOGICAL CULTURE AND SUSTAINABILITY ASPECTS"

## Vitali Bahdanau

**Abstract** A working hypothesis of the project is the assumption on “the claiming of common spiritual culture factor in civic conflict management”, in particular, the statement that spiritual problems of ecological culture dissolution should promote the politics of sustainable development of a society and mitigation increasing of home and foreign conflicts.

**Keywords** peace, ecological culture, sustainability

## Introduction

Enabling people to live in an environment of peace and security is fundamental to human dignity and development. Too often fragile processes of sustainable development are undermined by insecurities and conflicts.

These result in significant human tragedies, overwhelming health systems, destroying homes, schools and often whole communities, and leading to increasing numbers of displaced people and refugees.

Permanent international tension heightening makes the problem of peace up to date and new mechanisms of its regulation pursuit urgent. In this respect addressing to the problems of sustainability and especially to ecological culture items as factors of peaceful development is seemed innovative. Meanwhile, underestimation of these factors to our mind, is the reason of conflict acceleration and threatening to the social world. Such research, in our opinion, appears to be of the methodological value and perhaps is more important today than the pure phenomenological one, because it can influence people’s consciousness through education and state’s politics. Anyhow the project implementation is intended to initiate good faith aspirations to avoid violence and conflict situations even in a small place on Earth. My main thesis sounds as “the claiming for common spiritual culture factor role in civic conflict management”.

## I. Problem to be addressed

Choice and urgency of the project theme is caused by complexity of knowledge and management of the social reality described by infringement concerning peace life-creation, permanent producing disputed situations and incapacity of strategy of sustainable development realization.

After Johannesburg meeting in 2002 the international public recognized lack, for the majority of states, of real mechanisms of sustainable development and has risen a

problem of its perfection and initiated search of the influential factors, capable to make strategy active peace policy. The peculiar features of social development and its determinative factors rethinking in relations with then external world is certainly connected with the problem of the West-European mentality and world outlook bases installation in a number of countries of the western hemisphere. The history of the given region since posthellenistic times went on the way of not only territorial, but also mental expansion, ignoring spiritual features of concrete societies and promoting, thus, to splitting of consciousness and formation of discrete conceptions about the world as a whole and about the social world in particular. The dissipation tendency became apparent in public and scientific consciousness and has gone so far, that any attempts of the modernity to develop complete ideology, for example, to implement the idea of sustainable development, seem unavailing, and east consciousness export or reunion with it is practically also futile owing to incompatibility of the ontological and mental beginnings and traditions. However, such situation does not mean, that effective mechanisms in perfection of relations in the world and maintenance of the peace search is impossible. But to our mind it is necessary to transfer the search of the ways conducting to the consent from external to internal sphere, from sphere of mechanical connection of the world to the sphere of substantial components of a human society and its consciousness.

Such, in our opinion is the sphere of culture. And here, again, we declare, that we're interested in not civilization but mostly in spiritual culture. Its research and its dependence on character of the political relations, traditional or open, is shown either in propensity to conflicts, or in their control and concerns peculiarities of not only civilization order, but also moral and ethics components of public outlooks and is thought to be a determinative factor of home and foreign relations settlement. Meanwhile, proceeding already from the specified features of the European sample thinking, world outlook culture, which we currently understand as the ecological culture, is also in the split or shattered condition. Therefore, research of the ecological culture and its condition in different forms and search of ways of its connection, could, if not to solve the problems of sustainable and nonconflict development of societies but, allow to come nearer to understanding of their resolution.

Revealing of conceptual approaches of complete social world perception, articulated in the world outlook models of the European sample, would allow to reveal symbolical and utilitarian, and also moral and ethics aspects of spiritual culture, its

consolidating and peace-making role – the essence of potential culture. Its recognition can affect the politics of sustainable development of societies formulation and maintain peace in the world. Meanwhile, frequently observed underestimation of this factor in the international and national legislation is a weak point in the concept of sustainable development and is the reason of conflict acceleration and threats to the social world growth. In such form the given research is seemed innovational and corresponds to requirements of the Institute of the World mandate.

**The purpose** of the given project is in revealing of dependence of nonconflict development of a society character from degree of its sustainability and ecological culture (its moral and ethics mechanisms) as factors of politics of nonconflict development improvement.

## **II. Research problems**

1. To show, that the philosophical rethinking of the concept of sustainable development corresponds to the thesis that maintenance of not disputed development is impossible without complete picture of the social world perception and character of social development account in which the spiritual culture factor plays the most important role.
2. To reveal the place of ecological culture in spiritual culture of a society: to prove the concept of ecological culture appropriateness on examples of philosophy of culture, philosophy of religion and philosophy of aesthetics ideas, to comprehend its semiotic properties (symbolical, utilitarian and moral-ethical standards) and to reveal its peculiar mechanisms and means (to find specific analytical methodology, methods and principles).
3. To show the general interrelation between ecological culture condition, on the one hand, and conflict initiation and forms of the public conflict on the other hand and, to verify the thesis that the politics of sustainable development is more successful in democratic societies under condition of application of moral-ethical standards.

Therefore, a working **hypothesis of the project** is the assumption on “the claiming of common spiritual culture factor in civic conflict management”, in particular, the statement that spiritual problems of ecological culture dessionion should promote the politics of sustainable development of a society and mitigation increasing of home and foreign conflicts.

**Scientific novelty of the project consists:** -- in development of social epistemology by means of the concepts of “sustainable society”, “politics of nonconflict development”, “ecological culture” development and revealing of its (ecological culture) world outlook essence and semiotic character (symbolical, utilitarian and moral and ethics

aspects), -- and also in social ontology by specifying of public culture typology through the factor of ecological culture.

**The practical importance of the project consists:** in moral and ethics principles development and construction of ethical model for the purpose of social and ecological making policy improvement in the politics of sustainable development.

### **III. The Historiography of a question**

The theme certainly, follows previous operating time of philosophical and scientific knowledge. However, problems of not disputed development were investigated mainly as separate problems of the peace and diplomacy, as problems of a not totalitarian society, problems of economic and ecological stability, a problem of crisis in culture.

Ideas about general harmony, virtue, world prosperity, the consent and peace are fixed in ancient manuscripts, treatises of thinkers of all centuries and peoples. Among the most outstanding are Confucius, Plato, Aristotle, Thomas Aquinas, Erasmus of Rotterdam and later A. Schweitzer, William Penn, Charles Irine de Saint-Pierre, I. Kant, I. Herder, Rerichs, M. Gandi and many other public people. The problem of peace maintenance is connected with the type of a society and character of home relations. The historical analysis of liberal and democratic axioms concerning unconditional pacifism of the western states shows, that in process of rationalistic development of societies the factor of culture was ignored.

In Kant social philosophy an idea that an individual is rather reasonable only in the civil autonomy is traced; any traditional integration of him, besides his conscious decision, into any collective formations means deviation of rational in front of irrational. That is why a transcendental subject is above that may cause wars and other relapses of a natural and instinctive condition. According to A.Comte and M.Weber, authors of the theory of " process of rationalization ", the basic theses of development of a society understanding was "thinking cleaning" from vestiges of teleologic and metaphysical approaches, disposal of the social world from culture sentiments.

And an Austrian philosopher-positivist K. Popper considered that the type of a society determines the character of social relations. In an open society a persons is thought as a certain free individual who does not depend on ethnos, religion, culture, collective unconscious, class association and other forms which would give him certain beyond individual, identification attribute, dispersion, dissipation of all forms of collective identification -- class, ethnic, relic or connected with the modernity is supposed. "Openness" the same as "freedom", underlying ideas about an open society,

has only negative character and does not promote its stabilization and peace development.

This radical delimitation with "underrational" types of practice is easier to "the new person" of America, as against "old European" one, not connected by a cargo of traditional culture and oututilitarian valuable "sentiments". The recognized authorities in the field of the theory of political culture of G.Almond and S.Verba recognize the "decisive advantages" of the American political culture before all others, including West-European, because it is homogeneous -- homogeneous both as a class vertical, and as a territorial horizontal, secular, that is "valuably not anxious", and centrist that is avoiding extreme measures of right and left radicalism.

The political theory of sustainable development, created by experts of the United Nations is the logic continuation of public theories. Pakistan economist Mahbub ul Haque has considered a problem of sustainable human development as one of key tasks of human security and actually transformed functional understanding of the United Nations activity from the area of control and supervision of development to the area of peace creation with its functions of *corp du paix* or the agency on super-development on the Earth.

The known representative of Rome club Aurelio Pechchei considers, that roots of ecological crisis lay in sphere of culture. At the same time, a number of outstanding thinkers of XX century write about crisis of culture. Well-known sociologist Georg Zimmel declares, that the primary contradiction of life and culture can't be eliminated, that the conflict of life and the conflict of culture are insoluble. And in process of historical development of a society the acuteness and insolvability of this conflict grow. Spanish thinker Hose Ortega-i-Gasset remarks heavy crisis of the West-European culture, expressed by a condition a vital disorientation, loss of a reference point of actions and movements in life, and complains about loss of attractiveness and imperativeness of old value system based on cultural progressism of last two centuries. But as a whole the problem of culture dehumanization is estimated by him optimistically enough as the result of attention concentration on fundamental that is vital values. Italian thinker Romano Gvardini believes, that there is no original and effective ethics of the order authority in a society, and the development of culture itself creates impression, that the authority is objectivised, i.e. develops in isolation from a person and consists of questions on science logic, technological problems, political conflicts. Ascertaining culture crisis is finished by its postmodernist treatment which preaches refusal from any

fixed installation on cultural senses -- refusal from the idea of an opportunity of overcultural sense.

Modern Russian philosophers comprehending the problem of social development came to approval of the cultural factor role. Kutyrev V.A. considers, that a sustainable society bases on external and internal human nature, on complete, sensual and rational person's nature, in borders of the measure which is set by culture. Another Russian philosopher, Gusev S.S., insists on necessity of considerably new vision of reality and thinks that the real factor of society rallying and the reason of conflicts it is not so much ideology but culture and cultural underlying reasons, having in mind the level of civilization culture development and missing, unfortunately, the point, that any level of culture and intercultural relations and politics has spiritual, i.e. ideological justification. At the same time, the culture is seen as the factor of modern politics, and nationalism development is understood as natural reaction to the loss of social life. The application that the valid human society integrity is provided with the help united space of culture creation, is also poorly consolatory as integrity of the social world is provided with integrity of consciousness, or unity of consciousness. American essayist David Abram considers, that ecological crisis grows out of the modern collective cogitative disorder in human persons and presence of political polymorphism.

Our approach appeals, first of all, to vital ethics in its antique understanding also is based on modern vision of a problem nonconflict, sustainable development of societies according to spiritual component of ecological culture. In our understanding not culture in general and nor civilization culture as in above specified cases, but spiritual culture and, in particular its ecological component are the dominant factor of sustainable development in those societies which support politics of traditions and democracies. Ignoring of the given factors is the potential lever of public and international conflicts.

#### **IV. Research methodology and conclusions**

To reach an ultimate goal of the project we've chosen the social philosophy approach of the social world investigation by modern Russian philosopher Krapivenskogo S.E., comprising of dialectic and methaphisics methods integrity, analytical methodology. Such approach allows to comprehend surrounding reality as a complex unity and social integrity and to reveal abstract essence of investigated relations and semiotic space of culture essence, to study historical transformations law of ecological culture and to reveal its phenomenological essence. Both methods are applied on principle complementary and answer needs of the post-Soviet space investigation.

The additional applied method of “ontological epistemology” by S.Frank, Russian philosopher of the beginning of XX century, based on positions of intuitivism, helps to realize that the rational knowledge is filled in religious knowledge of life as a certain form of a person’s integral existence revealing the original reality in spiritual unity of a person’s consciousness.

The humanistic methods -- nomosthetic, axiological and idiographic -- show the essence of the humanistic approach in social reality investigation. The nomosthetic method is based on information and scientific facts collecting, on bills concerning sustainable development of a society justification. The axiological method means a problem of research consideration from positions of such humanistic concepts as peace, good will, dignity. The idiographic method is called up to generalize and describe the investigating problem of ecological culture influence on stability and nonconflict social development and preservation peace in the world in concrete details to show the humanistic contents of such politics. The chosen complex of methods answers the basic principle of the given research which is the principle of spiritual synergy.

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# A CULTURAL LANDSCAPE OF PETRŽALKA: TOWARDS THE PLACE OF SIMULTANEOUS HISTORIES IN A PANEL-BLOCK HOUSING ESTATE

**Matej Blažek**

**Abstract** The discussion of a sustainable development of the largest housing estate in the Central Europe – Petržalka – will evolve around two central concepts – cultural landscape and post-socialism. A critical discussion of both, developed from the theoretical writings of Henri Bergson, Gilles Deleuze and Walter Benjamin leads to the reconsideration of epistemological approaches of the development of post-socialist urban areas if the context of sustainability is to be accomplished.

**Keywords** cultural landscape, post-socialism, simultaneous histories, epistemology

## Introduction

In the paper, the question of sustainability will cover a very particular area. Discussing Petržalka, a district of Slovak capital Bratislava and the largest Central-European housing estate, the question of its visual constitution intertwined with social processes standing behind as well as 'after' such visuality will permeate into the broader political context of how the decisions of preservation and development are being made at the background of the empirical research. The question of history becomes a serious issue thence, through the ideological circumstances of the origins, genesis, as well as of the preservation of Petržalka, and particularly of its visual inheritance. The passage through different political and economic systems brings Petržalka into a topical debate not only of the contemporary development of the place, but also of a more general problem of how to approach the tension with the past through the knowing of the present.

I propose the concept of an open, hybrid and radically empiricist epistemology of landscape at the background of researching the history, with the purpose to bring an accessible and non-elitist knowledge of the place through acquiring the heterogeneity and multiplicity of social life and histories in Petržalka. The text itself consists of four main parts. Firstly, a very short introduction to the context of the study will be given with a brief characterizing of the area of Petržalka. Secondly, two main concepts of the paper, cultural landscape and post-socialism will be introduced and delineated in a concordance with the main aims of the study. Thirdly, the formulation of the key questions of the approach will be given and these will be discussed through selective reading of Henri Bergson's, Gilles Deleuze's and Walter Benjamin's works. Finally, conclusions stating the proposal for a new epistemological approach of the development of Petržalka's cultural landscape in the context of sustainability as a political standpoint will be formulated.

## **I. The context of the study**

Petržalka is a district of Slovak capital, Bratislava and the largest housing estate in the Central Europe with about 130000 citizens. 40 years ago, it was a rural settlement situated in the diluvial area of Danube consisting of many channels and islands. In the early 70's, a large, panel-block housing estate had begun to be constructed.

For the present, Petržalka has some special significance. Slovakia is a country with the largest economic growth in the EU, while the region of Bratislava, being situated at the very edge of Slovakia, at the borders with Austria and Hungary, is distinctly faster developing than other regions. The factor of location was significant for Petržalka, which lies directly at the strictly guarded zone near Austrian borders, bringing certain ideological elements at the birth of Petržalka along with the idea of a conformist and egalitarian householding. In the terms of present, Petržalka brings some enormous opportunities for the development of Bratislava. The continual spatial development of Bratislava (nowadays happening mostly in the vertical direction) is limited due to the terrain or to the large technical areas such as the airport or big industrial plants. The most convenient direction of the development is thus area around Petržalka in direction to Austria (as both countries are part of the Schengen system). Finally, the development of the place had been almost ceased in 1989. In the end of 90's, some activities began, mostly consisting of the construction of motorways and commercial centers. In the near future, however, there are plans to build two large zones consisting of flat, commercial spaces, hotels, offices etc., one in the direct centre of Petržalka, another in the area in the south.

## **II. Cultural landscape and post-socialism – some preliminary notes on the conceptualization of the study**

I employ both key concepts of the paper – cultural landscape and post-socialism in rather specific and selective connotations, therefore I find useful to illustrate them in a relevant manner, as well as oppose them against possible inappropriate meanings.

My employment of the notion of (cultural) landscape stresses two ideas. Firstly, landscape can be defined as "a polysemic term referring to the appearance of an area, the assemblage of objects used to produce that appearance, and the area itself"<sup>1</sup>. Landscape is thus a visual entity, the "way of seeing"<sup>2</sup> of a broader spatial area. However, such a purely visual feature of landscape nevertheless remains intertwined with the "social production of built

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<sup>1</sup> James Duncan, 'Landscape'. In: Johnston R. J. et al. (Eds.) *The Dictionary of Human Geography* (Oxford: Blackwell, 2000), p.429.

<sup>2</sup> See Denis Cosgrove, *Social Formation and Symbolic Landscape* (London: Croom Helm, 1984).

form"<sup>3</sup>. In such approach, representations of landscapes through their visual forms can be explored in the context of the politics of place<sup>4</sup>. The visuality reifies some more complex forms of power, control, contestations and ideologies<sup>5</sup> and one cannot remain outside the landscape but is "inside its commodified relations"<sup>6</sup>.

In such a coupled approach, landscape is a tangible entity in a relation with certain forms of power, ideologies or resistances in a place. In other words, the landscape as a visual form of area is a product of broader political relations and processes in a particular place<sup>7</sup>. However, landscape not only mirrors the processes behind it, it also contributes to the construction of some of those. In several contexts (and the Central Europe is a good source for such examples), landscapes have their own political agency, the visuality is a part of the politics. Therefore, let us consider landscape in a *dialectical* relation with the politics of place.

Post-socialism is another key concept, as the aim of the paper is to find out what post-socialism is being constructed throughout the Petržalka's landscape and how. The most common theories of post-socialist transition share some points<sup>8</sup>. Post-socialism is a universal state in a prescribed process of transition, which flows in time, brings the changes of institutions and economics or political constitution from the socialist stage towards the democratic or/and capitalist one. The everyday life is regarded to be a consequence of institutional transitional reforms. In turn, I want to contest several of these ideas and find an approach where post-socialism would not be the state of the world, but the series of very specific, placed, and interrelated conditions of development. As follows, what kind of post-socialism then I am *not* trying to bring along and seeking to avoid? Firstly, I will try to bypass the idea of the post-socialism as *the* state of the world. Secondly, I will not accept the idea of post-socialism as a specific transitional process (or even constitution) with the "start", stages and "goals". Thirdly, attempts to situate the post-socialism as a historical epoch might have

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<sup>3</sup> See Dana Cuff, 'The social production of built form', *Environment and Planning D: Society and Space*, vol. 7 (1989), pp. 433-447.

<sup>4</sup> See for example Trevor Barnes and James Duncan (Eds.), *Writing Worlds: Discourse, Text and Metaphor in the Representation of Landscape* (London: Routledge, 1992). Other approaches of landscape in the context of the politics of place might include: Denis Cosgrove and Stephen Daniels (Eds.), *The Iconography of Landscape: Essays on the Symbolic Representation, Design and Use of Past Environments* (Cambridge: Cambridge University Press, 1989); Peter Jackson, *Maps of Meaning* (London: Routledge, 1989); or James Duncan, *The City as Text: The Politics of Landscape Interpretation in the Kandy Kingdom* (Cambridge, Cambridge University Press, 1990).

<sup>5</sup> Don Mitchell, *Cultural Geography: A Critical Introduction* (Oxford: Blackwell, 2000).

<sup>6</sup> Alastair Bonnett, 'Situationism, geography, and poststructuralism', *Environment and Planning D: Society and Space*, vol. 7 (1989), p. 138.

<sup>7</sup> In the original, Denis Cosgrove's (1984) definition of landscape as a 'way of seeing' the association of this way of seeing with the 'rise of capitalist property relations' is explicitly accented by him (p. 13). Landscape is to be read through the power relations and impacts of the political and economic system behind it.

<sup>8</sup> See Jan Musil, 'The transition to democracy', In: O'Loughlin, J. and Van Der Wusten, H. (Eds.) *The New Political Geography of Eastern Europe* (London: John Wiley and Sons, 1993), as a very good example of the transitional theories of post-socialism.

some usefulness, but I will try to avoid the idea of a linear and uniform time. Finally, every attempt will be made to think of post-socialism not as of a universal subject of any kind.

Still, an affirmative notion of post-socialism is needed. Alison Stenning and Kathrin Hörschelmann<sup>9</sup> give the idea to move the post-socialism from the realm of neo-liberalism where it is grounded without its own existence<sup>10</sup>. To cope with a non-complementary idea of post-socialism, they argue, we must incorporate the themes of homogeneity and particularity, thresholds and unity, wholeness and fragmentation, and several others into the idea of a single hegemonic social order. They also argue that there is a possibility to produce a unitary theoretical conception of post-socialism. It is just necessary to abandon the macro-scale features of social order and base the way of theory and practice from ethnographical practice and to accept that the result will be rather an agenda for practice than a model or a framework. The inspiration for such thinking can be found in Gilles Deleuze's (and Félix Guattari's) notions of becoming and/or of minor literature respectively. In the discussion of literature, Deleuze and Guattari argue that: "A major or established literature follows a vector which goes from content to expression: a content once given, in a given form, once must find, discover, or see the form of expression, suitable to it. What is clear in the mind is then spoken... But a minor or revolutionary literature begins by speaking and only sees and conceives afterwards..."

<sup>11</sup> This idea of the minor literature concerns more than a literary language; it is clearly political in its nature. It is based in the specific (and strategic) position to concern the questions of the power, desire, and language and it produces new shifting borderlines, new territories of being. For *minor post-socialism*, it requires to build on "everyday experiences... on the everyday, grounded 'emergent formations that the core is unable, or unwilling, to see'...<sup>12</sup>". This means to forsake the unifying framework of the ontology ("territory") of post-socialism and to find strategic building blocks in the realm of ethnography (i.e. in epistemology). *The post-socialism* becomes just what it gives in an everyday expression; no *post-socialism* can be revealed from the model prescribed by a preceding content.

As a summary, the questions I want to answer stand as following – Considering mentioned problems through the lens of the concept of cultural landscape, can be Petržalka concerned as a post-socialist place? In what kind? What development is there to be sustainable? What epistemology is needed for such a development?

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<sup>9</sup> Alison Stenning and Kathrin Hörschelmann, 'History, Geography and Difference in the Post-socialist World: Or, Do We Still Need Post-Socialism?', *Antipode*, vol. 40 (2008), pp. 312-335.

<sup>10</sup> See also Kathrin Hörschelmann, 'History after the end: Post-socialist difference in a (post)modern world', *Transactions of the Institute of British Geographers*, vol. 27 (2002), pp. 52-66.

<sup>11</sup> Gilles Deleuze and Félix Guattari, *Kafka: Toward a Minor Literature* (Minneapolis: University of Minnesota Press, 1986), p. 28

<sup>12</sup> 'History, Geography and Difference...', p. 317; for the cited extract within the quotation, see Michael Kennedy, *Cultural Formations of Postcommunism* (London: University of Minnesota Press, 2002), p. 11.

### III. The landscape of present – a node of actualization and the simultaneous histories

Clarifying the main concepts of the discussion, a theoretical background remains to be discussed. Three writers will be thus involved in this debate, at least two of them in the very close interconnection (or succession) of their works.

Henri Bergson, a French philosopher has contributed to the theorization of time as one of few. I find three propositions of his philosophy relevant for the response to the main questions, and their conjunction will be shown. The suggestions<sup>13</sup> are:

Firstly, time (for humans<sup>14</sup>) is not a homogeneous and evenly structured sequence of succeeding singular events. Instead, time is immanent, unitary, continual, heterogeneous and qualitative and Bergson conceptualizes it as *duration*. Secondly, human perceptions consist of a 'pure perception', which is a part of objects themselves<sup>15</sup> and it transcends subjects of perception, and of a memory, which is encompassed in a certain duration (and which is, for Bergson, a subjective element of the duration of consciousness). Thirdly, memory is a past permeating into the present and not vice versa.

Though these presuppositions come across to be intricate and incoherent, their implication is much more straightforward and we can analyze them in three steps towards the final suggestion, that the past must be developed from the present and not vice versa.

Firstly, Bergson rejects any analysis of the time of human life, which attempts to divide the time into singular events. Time, instead, must be comprehended as a whole, as a processing entity with a multiple content. He calls such time *duration*. Duration is not a successive state of different beings, it must be characterized as an 'enduring becoming'<sup>16</sup>, as a dynamic 'change that is substance itself'<sup>17</sup>. Only the duration as a whole, which is heterogeneous and continual, gives tools for approaching the actual 'lived experience', while such a duration is also 'a condition of experience'<sup>18</sup>. Bergson finds such a duration necessarily *multiple* in its nature. It consists of a multiplicity (of juxtapositions, events, interactions etc.), which, however makes the duration only as a whole. Thus, this does not stand for the multiplicity that can be divisible and segmented; the multiplicity of duration exists through its shared existence. As Bergson puts it,

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<sup>13</sup> All three are inferred from the following works of Bergson: *Time and Free Will* (New York: Harper and Row, 1960); *Matter and Memory* (New York: Zone Books, 1988); *Duration and Simultaneity* (Indianapolis: The Bobbs-Merrill Company, 1965).

<sup>14</sup> It is an issue to what extent is Bergson's idea of duration limited strictly on the individual human subjects and to what extent it touches also the ontological analysis of time of external, non-human objects. While Bergson himself changes his position slightly already between *Time and Free Will* and *Matter and Memory*, Deleuze's reading of Bergson leads clearly towards a transcendental epistemology of time that overcomes the idea of a *human* subject.

<sup>15</sup> See particularly Deleuze and Guattari, *What is Philosophy?* (New York: Columbia University Press, 1994) and Deleuze, *Negotiations* (New York: Columbia University Press, 1995) for a closer approach.

<sup>16</sup> Deleuze, *Bergsonism* (New York: Zone Books, 1988), p. 37.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

"we should therefore distinguish two forms of multiplicity, two very different ways of regarding duration, two aspects of conscious life. Below homogeneous duration, which is the extensive symbol of true<sup>19</sup> duration, a close psychological analysis distinguishes a duration whose heterogeneous moments permeate one another; below the self with well-defined states, a self in which *succeeding each other* means *melting into one another* and forming an organic whole."<sup>20</sup>

Secondly, this approach to the time makes a pivotal difference of how the approaching the past and present can be made. While we usually concern actual perceptions as a source of knowing the present and memories as a source of knowing the past, Bergson makes them both interwoven and ensuing<sup>21</sup>. Usually, a perception is supposed to precede the memory. Memories are just collected perceptions, which are in the future recollected (thus referring to the past). Instead, Bergson's argument is that the relation of memory and perception is one of coexistence, not succession<sup>22</sup>. This means two things. Firstly, a pure perception is not possible for conscious subject, as it is (being present in eternal objects) intertwined with memories of other objects located in the subject. The second issue links to the question of memory itself. Bergson thinks about two kinds of memory. He admits a memory, which is "fixed in the organism, [being] nothing else but the complete set of intelligently produced mechanisms which ensure the appropriate reply to the various possible demands."<sup>23</sup> However, there is another kind of memory than the first one (which should rather be called *habitus*, as it "adapts ourselves to the present situation..., it acts our past experience, but does not call up its image..."<sup>24</sup>). Bergson calls the other memory "the true memory". This memory is independent of consciousness; it is not a pure collection of perception. The process of recollection is being done "alongside of each other all our states in the order in which they occur"<sup>25</sup>. The recollection is not being brought forth into a neutral context of neurological body; the memory of the past emerges in a very particular present context into which we are situated. Thus, it is "moving in the past"<sup>26</sup> (though located in the present) and not "in an ever renewed present"<sup>27</sup>, in a singular event that we had previously rejected. Such recollections thus happen<sup>28</sup>, in very different states/context, into which the subject of memory (and perception) is particularly situated. Bergson calls these states the "planes of consciousness"<sup>29</sup> and they are a multiple

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<sup>19</sup> See the note 12.

<sup>20</sup> *Time and Free Will*, In: Henri Bergson, *Key Writings* (London: Continuum, 2002), p. 72.

<sup>21</sup> See *Matter and Memory*, the chapter 3.

<sup>22</sup> See Josef Fulka, 'Bergson a problem paměti', In: Jakub Čapek (Ed.) *Filosofie Henri Bergsona* (Praha: Oikoymenh, 2003), p. 31.

<sup>23</sup> *Matter and Memory*, p. 151.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> Bergson still lies at the level of individual. A broader discussion of ontological history will be given in a further text.

<sup>29</sup> *Matter and Memory*, p. 241.

output of different external objects and impacts into which one is situated and of internal assemblages of experience, affections, etc.

So far, I have argued for two ideas. First, that the time must be taken as a singular *flow* (becoming, change), which is multiple in the simultaneity of a persistence of several events, instead of time as a succession of singular events, which stands for a quantitative multiplicity based on demarcation. Second, an epistemological approach of such time (duration) cannot be based on pure perception as the memory is always co-present, and on the other hand the memory is also recollected in particular 'planes of consciousness' that constitute another qualitative multiplicity of the subject knowing the past. The third step, to point out the arbitrary character of the difference between past and present and its emerging from the present will be shown through the work of Gilles Deleuze.

In Deleuze's analysis of Bergson, he stresses the main point, which is the *co-existence* of past and present. First, this means that the past does not precede the present. The present is not developed from the past – it is not just an output of the past. On the contrary, we *develop* our past from our contemporariness and *in* our contemporariness. The past emerges in the present, through the processes of attributing, recollecting, emphasizing, suppressing etc. What counts as a past, is what is made as such. The reason for such a misapprehension lies, according to Bergson in the confusion of the memory-perception relation. As he states, "practically, we perceive only the past, the pure present being the invisible progress of the past into the future."<sup>30</sup> In this sense, the present is erroneously defined "in an arbitrary manner as that which is, whereas the present is simply what is being made"<sup>31</sup>. Past and present, as the part of the same multiplicity of duration are unfolded in an event of the present; however, this brings two crucial conclusions. Firstly, the present is not separable from the past and, secondly, the past emerges in its arbitrary existence (as the past per se) only through the relocation in such a seeming "present"<sup>32</sup>.

Deleuze gives two thorough<sup>33</sup> and some other shorter<sup>34</sup> discussions of Bergson's ideas. Let me summarize his conclusions regarding the relation of past and present. Firstly, both past and present have a *real* and *co-existing* ontological status. In the same moment, however, while the present is always *becoming*, the past simply *is*, although it does not *act*. As Deleuze puts it, "the past and the present do not denote two successive moments, but two elements which coexist:

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<sup>30</sup> *Matter and Memory*, p. 150.

<sup>31</sup> *Matter and Memory*, pp. 149-150.

<sup>32</sup> As Bergson states, "it is particularly essential to our industry that our thought should be able to lay beyond reality and remain attached... to what was or to what it might be, instead of being absorbed by what is." (Bergson, 'The Possible and the Real', In: *Key Writings*, p. 227.). The notion of the past is thus emphasised in his analysis, however, paying regard to his understanding of memory and perception, we need to understand the *creation* of history as a *process* happening in a dynamic events of the present.

<sup>33</sup> *Bergsonism*, and Deleuze, *Difference and Repetition* (London: Athlon Press, 1991), particularly the chapter 2.

<sup>34</sup> E.g. 'Bergson, 1859-1941' and 'Bergson's conception of difference' (both in *Desert Islands and Other Texts 1953-1974* (Los Angeles: Semiotext(e), 2004).

One is the present, which does not cease to pass, and the other is the past, which does not cease to be but through which all presents pass"<sup>35</sup>. The past lies 'hidden' in a mode of "virtual or continuous multiplicity"<sup>36</sup> of duration until the moment when it becomes *actualized* by subjective processes, and hereby, it becomes the part of present. These are particularly those moments when past begins to act; it becomes an actor of the processes unfolding the present from duration. In this way, history overcomes the realm of the individual psychological memory. History emerges through the practical actualization in the realm of complex relations of power, through the processes of articulation, suppression, repetition, distribution etc.

Let me summarize the theoretical outputs from Bergson and Deleuze and then apply it to the case of the landscape of Petržalka. Firstly, in order to know the presence of the landscape of Petržalka (as the main condition for planning and practicing its development) we must comprise both empirical perceptions of the landscape and histories in the memories of those who stay at the politics of the place behind this landscape. Such an approach to empirical perceptions requires an epistemology that will be discussed later. Yet, concerning the history, we need to incorporate the multiple and simultaneous individual histories, which form the whole ontological past (and thus also the present) of the Petržalka's landscape. We need to seek in the present for that – the past evolves in the present, through its actualization within the politics of the place.

For this, the socialist past of Petržalka is much more than what just happened, that is far from being as important as the collapse of the past in present moments, which give the unfolding of the immanent duration. The past stands for what is now, although not acting, and how do we actualize this past in our present. For Petržalka and for its landscape, the difference between socialist and post-socialist landscape disappears. There are only states of difference as results of different recollections, announcements, re-creations – as Deleuze uses the one term for all of this – results of actualizations. Getting back to the question of the development of Petržalka's landscape – there is a clearly political question emerging – where these actualizations happen and who does (performs) them.

#### **IV. Political claims and the radically-open epistemology**

The landscape of Petržalka has ever been the object of political contestations. Built as a symbol of the socialist mode of development, since 1989, it has been associated with the failures of socialism<sup>37</sup>. In the early 90's, when the changing management of the space in Petržalka brought

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<sup>35</sup> *Bergsonism*, p. 59

<sup>36</sup> *Bergsonism*, p. 81

<sup>37</sup> For the thorough discussions of the development of Petržalka in the social and political context, see for example: Henrieta Moravčíková, et al., 'Prefabricated housing estates in Bratislava and their general and specific context', *Architektúra & Urbanizmus*, vol. 40 (2006), pp. 73-96; Henrieta Moravčíková and Matúš Dulla, *Architektúra na Slovensku*, (Bratislava: Slovart, 1998); Dagmar Petříková, 'Sociálna participácia v sídelnom prostredí', *Životné prostredie*, vol. 33 (1999), pp. 79-82. Matúš Dulla, *Architekt Ferdinand Miluňský*, (Bratislava: SAS,

also several negative phenomenon, Petržalka has been treated not only as a cause of these (through its design), but also as a symbol, associated with a failure of egalitarian, but also uniform architecture. Petržalka has also resisted the liberalization of the land-market<sup>38</sup> and due to the lack of the commercial appropriating of the area, it remains somehow uncontrolled and heterogeneous social space.

I argue that as a part of the symbolical or discursive contestations of Petržalka, some material processes have happened as well. Not in terms of destruction, the panel-blocks of Petržalka are still a home for more than hundred thousand people, but in terms of a construction. The construction in the late 90's consisted almost exclusively of the project of huge motorway around the inner area of Petržalka leading to Austria, Hungary and Czech Republic and of commercial and shopping centers, mostly located also at the periphery of Petržalka. The symbol (and the reminiscence) of socialism is thus being situated face-to-face with symbols of capitalism (accumulation and mobility of capital)

Such a perplexed and challenging state of things requires a specific political approach, but as I have argued, the process begins with an appropriate epistemology respecting the contested plurality of the landscape and considering its possible development. My aim is here rather simple – I am just seeking to develop an egalitarian epistemology of the landscape that would challenge the power relations and give their rights to ordinary histories and memories. Here, Walter Benjamin's philosophical early writings will give a guide<sup>39</sup>. In two short essays written<sup>40</sup> in 1917<sup>41</sup> and 1918<sup>42</sup>, Benjamin develops his critique of the<sup>43</sup> Kantian concept of experience. A crucial topic for him is the difference between object and subject of experience (thus collapsing into an immanent connection) and consequently the "conflating the concepts of 'experience' and 'knowledge of experience'".<sup>44</sup> He argues that things are giving their perceptive appearances at their surfaces, however, unlike Kant's transcendental subject of experience, for Benjamin the perception itself is based speculatively on the 'passive reading' through assemblages of the 'subject' and 'object' of the experience. Such a passive reading of

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1998).

<sup>38</sup> There are, however, two huge construction projects that have been mentioned in the introduction.

<sup>39</sup> I am interested rather in Benjamin's less known philosophical writings from his earlier period than in more famous writings of his later age, concerning the modern urbanism, coming to a head in *The Arcades Project* (Walter Benjamin, *The Arcades Project*, (Cambridge: Harvard University Press, 1999)).

<sup>40</sup> None of them has been published in Benjamin's lifetime.

<sup>41</sup> Walter Benjamin, 'On perception', In: *Selected Writings, Vol. 1, 1913-1926*, (Cambridge: Harvard University Press, 1996).

<sup>42</sup> Benjamin, 'The coming philosophy', In: *Selected Writings, Vol. 1*.

<sup>43</sup> However, Benjamin remains with this topic for a longer time. See for example the essays 'On the mimetic faculty' and 'The doctrine of the similar', both in *Selected Writings, Vol. 2, 1927-1934* (Cambridge: Harvard University Press, 1999).

<sup>44</sup> 'On Perception', p. 95.

"fold[s] in the surface of speculative configuration[s]"<sup>45</sup> presupposes a) percepts belonging directly to the 'objects', b) 'subjects' of experience present in the direct encounter with external 'objects', and c)<sup>46</sup> infinite possible configurations of time (duration), space, memories and other perceptions assembled in the context of experiencing 'subject' and experienced 'object'. Following Benjamin, such an assemblage (configurations) of the memory and temporal/spatial objects in particular (speculative) surfaces gives a very specific moment of perception, where "the present is both the moment and site of actuality of the past".<sup>47</sup> We are approaching the surfaces of configured complexes of memories, spaces, affects, encounters, all in the moment and site of the actuality, but this actuality bears the past as its condition. What is important – there are infinite such possible configurations. Some of them are excluded, some of them are hidden, but they exist and are as 'real' as any other, including the prescribed configurations of a molded transition that had been criticized. Yet, Benjamin's (as well as Bergson and Deleuze's) approach is not relativist. It is pluralist, but still objectivist, the multiplicity contains only one mode of being.

The main conclusion for the politically claimed search for an appropriate epistemology stands - if the development is, to be sustainable, it should sustain these 'suppressed' configurations as well. We have seen that the past of Petržalka is epistemologically being made through the present and not vice versa. We have also seen that the past and the present of Petržalka are to be read together, in various (conflicting) readable surfaces of configurations (of time, space and what is social – both individually and ontologically). Now, there is a clear political claim to be opened for the wide range of the heterogeneous readings of the surfaces of Petržalka. Not only those of established political ideologies and practical macro-strategies should be enabled in practical plans and research as such epistemology would be excluding, ridden in a circle (through pre-molded categories of thinking about the development of the landscape) and consequently insufficient.

## **Conclusions – the call for the epistemology of a sustainable landscape**

Summarily, there are three conclusions to be taken from this discussion:

Firstly, Petržalka cannot be conceived as a post-socialist site in essence. The 'pre-socialist' and 'socialist' pasts are present in its landscape and development equally (in qualitative sense), although their expressions might be excluded or suppressed in the surfaces of configuration of

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<sup>45</sup> Howard Caygill, *Walter Benjamin, The Colour of Experience*, (London: Routledge, 1998), p. 4.

<sup>46</sup> Here I follow the philosophy of Bergson and Deleuze.

<sup>47</sup> Andrew Benjamin and Peter Osborne, 'Introduction', In: *Walter Benjamin's Philosophy: Destruction and Experience*, (London: Routledge, 1994), p. xii.

perceptions. However, Petržalka is post-socialist, socialist, pre-socialist altogether, being also something more and something completely else.

Secondly, a sustainable development of such a landscape requires an attentive approach. I have argued that a radically empiricist approach, which would be based on the ethnographical and non-essentialist framework should be employed instead of developing the knowledge of the place in fixed and pre-defined categories of the 'post-socialist transition', thereby the landscape of Petržalka would become a 'place of feasibilities', instead of the "striated space"<sup>48</sup> of hierarchical categorization of thinking. The sustainability requires the knowledge of the broad range of individual and collective histories as well as social constellations, attachments, affects or everyday strategies that are present at the place and are linked to the cultural landscape.

Finally, the claim for a radically-open, hybrid and complex epistemology instead of striated linear models is foremost a political claim. While striated models just mirror the power relations, the open epistemology would become a part of the politics of place, both affecting and being impacted by the cultural landscape. The landscape of Petržalka is a part of innumerable individual histories and all those histories build the pluralist *objective* ontology of the place and of the landscape with respective developments. To deconstruct such ontology requires us to set a determined political position in the conjunction with the research praxis.

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<sup>48</sup> Deleuze and Guattari, *A Thousand Plateaus, Capitalism and Schizophrenia Vol. 2* (Minneapolis, University of Minnesota Press, 1987).

## Peter Bujňák

**Abstract** Internet became common and useful instrument of everyday communication. But it also became a new type of interactive media with amazing possibility for human creativity. The freedom given in this cyberspace influences not only the look and behaving of on-line creations, but also impacts the understanding of identity and existence of their creators. The possibility of simulation of life in on-line programs and games makes attractive risk free world. The general optimistic point of view on internet as gigantic library providing boundless access to information is contrasted by hunger for entertainment. And internet is satisfying this hunger by providing comfortable unproblematic room for fun and new experiences. The side effect of it brings modification in understanding identity, responsibility and reality.

**Keywords** Internet, Cyberspace, Interactivity, Identity, Responsibility, Existence, Communication

## Introduction

Internet is invaluable instrument for anyone who is hungry for fast and worldwide information access. At the same time it represents a unique space for anybody from free-chat-lovers to sophisticated debaters. Particularity of Internet doesn't lie only in massive expansion and everyday use. My aim is to present the modification of the Internet from originally informative medium to the new form of cybernetic space, where public interactivity plays the most important role in its forming. For this purpose, I would like to focus on its uniqueness in the relation to human existence, especially the influence of the Net upon identity.

In the first part I would like to present why the Internet is worth our attention and that the reason for it lies in its modification to a new kind of device of connection. Second part focuses on identity on-line and its difference from real identity. Forming of identity relates to coping with risky situations and points to responsibility. This relation is applied on internet identity in third part. The last part concludes that the potential of the Internet can tend to avoid fear of failure by simulating real time situations and therefore makes the acting in this space more comfortable comparing to everyday experience.

I do not intend to present Internet as some kind of “devil's” instrument that gobbles up all it's users and forces them to abandon their real life. I want to present the Internet as an invaluable instrument in the hands of human, who decides how to use it, and which shows us the new view on our relation to identity, responsibility and reality.

## I. Internet as a subject

Why to take Internet as a subject that is worth our attention and time for research? We use it everyday and find it very useful and helpful, not essentially problematic, even though we may not know the essential technical specification of it. The easiest way to specify the Internet is that it is a net of nets and the main purpose of it can be described by the word *connection*. From the time the first electronic communication was approached through ARPANET<sup>49</sup> in the late sixties the connection of computers was used for easy and faster access to information. After a time, in the late eighties, the advantage of it was given to a public and a diffusion started in the last decade of the twentieth century. There were 1.5 million domains in 1993; five years later there were 30 million domains<sup>50</sup>. Nowadays, there is more than 540 million hosts and no country without connection to the Internet.

But the amazing growth of Internet domains, nor the concrete contents of it is not the most important issue that makes it interesting. The transformation of Internet's contents that occurred shortly before the new century presents a significant change of Internet. The heart of this transformation lies in the heart of Internet. As I mentioned before the purpose was to connect computers to transfer information. By this view we can imagine Internet as a gigantic library, that will deliver not only books of information right to your computer, but also newspapers, television or interactive media; every information up to date and continuously upgraded. Moreover there are search engines that help you find almost every information you are looking for in a very short time. And thanks to the Internet for mobile phones and pocket PC you can access almost any information almost anywhere.

The optimistic point of view was that the more information we share on-line the easier will be to approach them and to get to know them. A good example for this is a project of Wikipedia as a free encyclopaedia. As this idea continued it has become not that important to process much of the information and to memorize it, because you can find it simply and fast with Google. You do not need to learn the fact, you just need to know how to find it. It is a great advantage, but it only means that you have a tremendous access to information. To make some information valuable and to “gain” or learn it takes the same amount of energy than learning from any other place.

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<sup>49</sup>ARPANET = Advanced Research Projects Agency Network; the first packet switching network, precursor of Internet

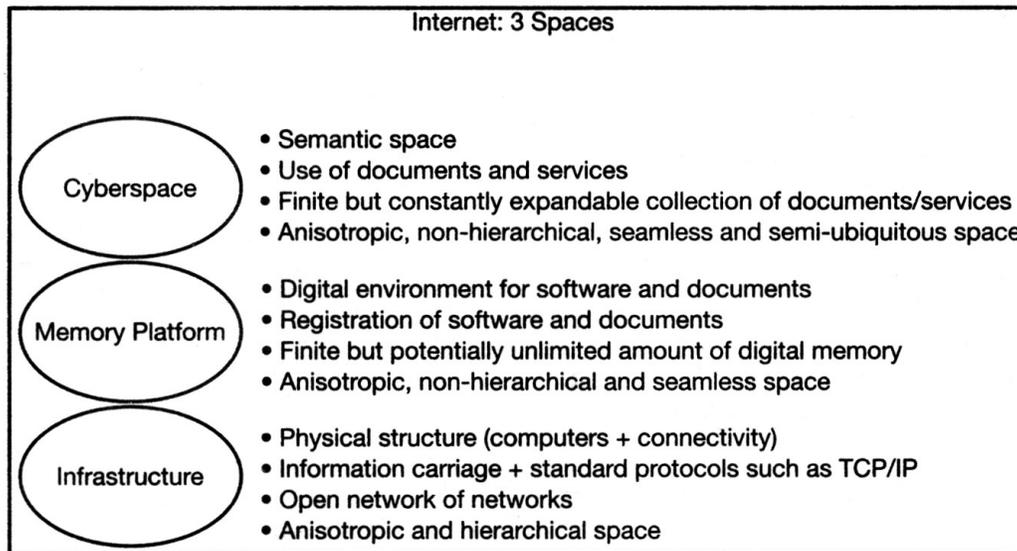
<sup>50</sup>See: ISC Domain Survey: Number of Internet Hosts; source: <http://www.isc.org/index.pl?ops/ds/host-count-history.php> (July 30, 2008)

But there is something more about Internet related to its ability to connect. The original meaning of connection of computers to easy information sharing slightly changed with the accent on connection. Internet is not the place we visit only to learn more about theoretical physics or medieval art. By its ability to use audiovisual form of communication it has become a place where you can find every type of medium. Most newspapers, magazines, TV and radio stations, has their web sites and more often they use internet to broadcast and present their activity. And by this it has become not only a place for public education but also a place for public entertainment. This doesn't only mean the entertainment provided by TV or magazines but entertainment that comes from interaction of people. Primarily information medium has changed to an interactive medium and original meaning of connection acquired new connotations and got closer to meaning of communication. To be connected on-line is becoming equal to communicate. Amazing modification of initially “narrow scale” information media (ARPANET was used just for army and government mailing) to huge information warehouse with possibilities of various interaction of people created a new form of medium. The first and most important innovation is that recipient doesn't need to be passive, like gaining information from radio or television. Thanks to technical improvement in data transferring internet provide active connection in a scale that was reached never before. Lately to be on-line stands for to be anywhere else, because you can reach the latest news from all over the world by the time waiting for a delivery of a web camera you ordered in on-line shop, to talk to your relatives on the other side of the world or to somebody, you never met and never intend to meet. You can meet him in “cybernetic space”<sup>51</sup> (*Picture 1*) and never leave your PC. That is why we will be focused on this part or “space” of internet. It represents new form of active connection that brings the Internet into the view of reflection. And this reflection can be helpful to reflect not only the Internet but also its users and creators.

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<sup>51</sup>see: FLORIDI, L.: *Philosophy and Computing. An Introduction*; (Routledge, London, 1999.) p. 63 - 65

**Picture 1** Structure of the Internet



Source: FLORIDI, L.: *Philosophy and Computing. An Introduction*; (Routledge, London, 1999) p.62

## II. Identity

Technical improvement of data transfer and the effort to user-friendly environment provide a great opportunity for internet users to become creators of it. The possibility of easy and almost unlimited self expression allows Net users not only to change the content of internet, but also to change themselves while visiting and acting in this cybernetic space. Apart from certain forms of Internet communication, like bank transfers or on-line shopping, it is possible to change or even create completely new on-line identity. It is possible to create "Avatar".

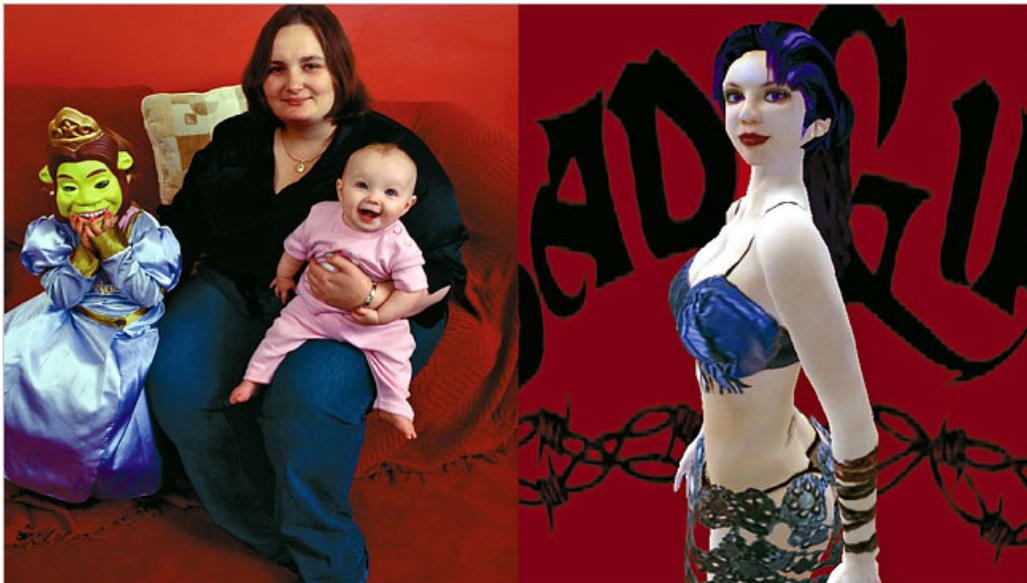
Avatar is digital form of existence in cybernetic space that should represent a human being in real world. Basic avatars are specified only by nickname and some characteristics, but advanced self expressions use graphical interfaces to create a visible, "moving" and acting characters. The freedom in creation of avatar is bounded only by on-line environment (chat room, on-line game, etc.) and specified attributes of avatar don't necessarily correspond with its real life creator. It is often that one user has more than one avatar, and all of them are different (in species, sex, or incomparable to real world objects). Attractiveness of this form of self representation is rising and according to on-line gaming experts there are 30 million people with their avatars.<sup>52</sup> Even though the avatars exist only in the imaginary world of on-line communication most of their owners take them as a picture of their own.

<sup>52</sup> HAUPTMEIER, A.: "My alter ego is completely different." *GEO magazine* 04/2008; ISSN 1336-08001 p. 66

This picture might be and usually is far from the real existence of their creators. Avatars are usually used in on-line games, but they do not refer only to lack of entertainment in players life. Some of on-line games are more likely on-line social environments as they simulate life of its players. One of it, the very famous Second Life created by Linden Lab in 2003, represents a simulation of world with its residents, entertainment, experiences, regulations and opportunities. Players can buy, sell and trade with other residents and can make money. Professor of public policy and law from Soul made 15 000 USD trough his character “Uroo Ahs”, a female trader, who buys and sells digital items in a game world.

On-line visitors can try to do things they would never do in real life thanks to their simulated identities. And activities that are impossible to perform or unbecoming by common morality are becoming more and more attractive. Charmaine Hance, a housewife from Great Britain in her thirties, has her avatar “Jova Song” (*Picture 2*) in Second life. “It is safe to try a lots of things in Second Life ... to parachute, sexual relationship, simply anything.” said Charmaine, after nude pictures of Jova Song were published in virtual magazine of Second Life.

**Picture 2 :** Charmaine Hance and her avatar “Jova Song”



Source : COOPER, R: Alter Ego: Avatars and their Creators

But it is not only the attractiveness of unknown or forbidden that makes people to create their second selves. Jason Rowe is 32 years old man form Texas, tied to a wheelchair with muscles atrophy and problems with speaking, operating his avatar in Star

Wars Galaxies on-line game through touch screen. “When I am on-line, it doesn't matter, how do I look like in real life. There you can meet my thoughts, my character, not my body. It is an unbelievable release for me.”<sup>53</sup>

**Picture 2** Jason Rowe and his avatar “Rurouni Kenshin ”



Source : COOPER, R: Alter Ego: Avatars and their Creators

There are far more amazing stories about people and their avatars, but last two represents different motivations to become someone else on-line. One is to try situations that we would never try in real life. The other is a attempt to show what could be hidden behind physical existence in real life interaction. Both of these can lead us to typical characteristics of on-line identity. This kind of self presentation is independent of physical attributes of a person hiding behind it and its acting is restricted only by rules of on-line social-place (chat room, communities, social games like Second Life) or game, not by real world situations and rules.

All of the creators may have different motivations to become somebody or something else (some avatars are robots, animals or space ships), but according to most of them, they enjoy this kind of “living” as well as their real life, sometimes even more. Even though the identity is reduced to imaginary object in unreal digital world, avatars are providing satisfaction for something missing in real life. This ability is partly provided also by off-line games, but only Internet can provide a space for such a satisfaction in interaction with other people. It is not a machine that is programmed to simulate on-line

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<sup>53</sup> HAUPTMEIER, A.: “My alter ego is completely different.” *GEO magazine* 04/2008; ISSN 1336-08001 p.67-70

reality, but there are people hidden behind avatars that create new reality. This is possible only on internet thanks to its interactivity, where users can be also creators of it.

The Internet provides completely new form of space, where identity - avatar refers to a human being, but only indirectly and reductively and thus created a new form of simulated identity. This reduction is done on two levels:

- 1 The first is predicted by virtualization or digitalization of the identity to an avatar. The creator is “forced” to reduce himself into virtual being according the rules of on-line game or social space he wants to participate in. The identical characteristic of all such avatars is *disembodiment* and brings the basic reduction to on-line communication.
- 2 The second is done by creator of avatar. By his choice of characteristics of his creation, he reduces himself into avatar, as a result of his ideas, visions, ambitions and dreams about himself. This choice is also applied in behaviour of his avatar and usually is influenced not by real life acting habits, but by freedom given to him in on-line world.

The identity created on-line is disembodied avatar, whose acting is independent of reality elementary rules. Moreover, creation of identity on-line is never definitive. In spite of a real life identity, you can change your avatar without any risk of harming it. When you can not change it, you can even terminate it and create new, better one and start all over again. And you are able to try more identities at the same time. It is almost absolute freedom of person by being whatever he wants, acting however he wants and leave whenever he wants. The freedom of choice is influenced by relatively unlimited possibility to decide with almost no risk.

### **III. Responsibility**

Interacting in real world and time people are forced to make decisions about their life that can't be taken back. Therefore there is a risk of wrong decision, but also a possibility of success. Acting in this kind of situations we fully realize the responsibility for every decision. The fear of failure, as well as willingness to success makes these situations difficult, but they are most important in forming our identity, because decisions we need to make are definite.

Prof. Hubert L. Dreyfus by referring to a Kierkegaard, describes a relation of identity and responsibility on-line and compares it to a real life situations. Decisions that

we make in situations on the Internet doesn't require such a responsibility as situations in real life. As a simulated identity the person acting in his avatar doesn't need to be afraid, that his decision will have definitive consequences. With more avatars one can make more decision and act according to them and wait, which one will turn out the best. It is like a game, where even though a player fails, it is possible to reload it. Even try to cope with the problem using new decisions doesn't bring any more risk into the situation and no serious impact. "Like a simulator the Net manages to capture everything but the risk."<sup>54</sup>

We can, of course, take this simulation as a good training for real life, but spending more and more time by practising how to decide, can lead us to abandon the real life decisions, because of the burden that is a essential part of it.. The danger lies in a spread of dilute responsibility to everyday life and turn the "life-time" decisions into simple game with any risk. It is much more simple and therefore can be tempting to "live" your second life on-line.

The popularity of risk-free acting on-line can lead us to rethink the traditional understanding of responsibility. Usually there is no problem to consider the responsibility of murdering in games. It is only game and even though the players are using guns and kill their opponents, they are not guilty of murder. But what should we think about married man, an on-line gamer, who has sexual relationship (not necessarily the heterosexual) with another player on-line, who can turn out as twelve year old girl? Or maybe twelve year old a boy?<sup>55</sup> It is maybe not common picture of internet visitor, but it is far from practicing real life situation as a pilot runs his fight simulator. The amazing growth of on-line gaming, commercial pressure to attract new players and technical improvements may cause new forms of on-line universe, that will create dilemmas, we had to cope with never before.

#### **IV. Existence**

The potential of the Internet in new forms of communication and simulation of existence is amazing and only limitation of technical progress is "holding it back". However, inventions like development of "wearable computing" is moving the limits close to new horizon. It is becoming common to have pocket PC, but "wearable

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<sup>54</sup>DREYFUS, H. L. : *Kierkegaard on the Internet: Anonymity vrs. Commitment in the Present Age*; IN:[http://socrates.berkeley.edu/~hdreyfus/html/paper\\_kierkegaard.html](http://socrates.berkeley.edu/~hdreyfus/html/paper_kierkegaard.html) (July 31, 2008)

<sup>55</sup> See: TURKLE, S.: *Life on the Screen: Identity in the Age of the Internet* (Touchstone paperback, 1997) p. 210 - 233

computing” allows it users to their computers in pockets (CPU and radio transmitter and a small keyboard) and use their eyeglasses as screen. These people can be on-line all the time and talking to you in the real time and constantly getting useful information right in front of their eyes. This project already showed its effect on people trying to be “cyborgs”: “they say that wearable computers change their sense of self. For one, “I become my computer. It’s not just that I remember people or know more about them. I feel invincible, sociable, better prepared. I am naked without it. With it, I’m a person.”<sup>56</sup> This case of internet influence is different from on-line gaming or living second virtual life. Ubiquity of internet communication in our lives can influence common understanding of identity and responsibility and even the understanding of ourselves.

What makes internet so “powerful” that a simple tool created to help human is now shaping it? In beginning it was surely the idea of easy connection and information sharing that made many of people to see internet as harmless instrument. But internet slowly changed from strictly informative medium to a gigantic interactive multimedia platform and started to provide entertainment. In my opinion, this was the moment when internet started to play significant role in shaping our reality and existence. There are of course people behind all activity on-line, but the world of simulation is getting easier and tempting to stay in. That is why it can be so attractive and powerful.

## Conclusions

The transformation of internet to interactive multimedia formed new form of cyberspace accessible for everybody with connection to the net. This space provides room to many kinds of human activity and creativity. It also provides a room for creating on-line identities. Identity created on-line is not only disembodied and independent of basic rules of reality, but it also lacks the inherent feeling of responsibility typical for the real life situations. Naturalizing the attempt to avoid fear of failure makes the acting in on-line world more comfortable comparing to everyday experience. The Internet provides a risk free environment and attractive space for exercising life roles. This comfortable and easy acting can cause antipathy to the complicated situation in reality and also to the real identity. Recent increase in popularity of Multi User Domains and on-line world-simulating games shows that more and more people enjoy this undemanding existence.

This doesn't necessarily caused interacting in cyberspace to be useless or devalue the meaning of the Internet in society. But we should be more sensitive to effects of

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<sup>56</sup> TURKLE, S.: *The Second Self: Computers and the Human Spirit*; (Twentieth Anniversary edition, including new introduction, epilogue, and notes. Cambridge, MA: MIT Press, 2005.) p.5

ubiquity of the Internet if look at it the same way Sherry Turkley examined computers in her book *Second self*. In 1984 she was “writing against the common view that the computer was “just a tool,” arguing for us to look beyond all the things the computer does *for us* (for example, help with word processing and spreadsheets) to what using it does *to us* as people.”<sup>57</sup> By applying this approach to research of internet and searching for answers not only on the Internet, but also about the Internet, we may come closer to understanding of our own identity and existence and than to a better quality of life.

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<sup>57</sup> TURKLE, S. : *The Second Self: Computers and the Human Spirit*; (Twentieth Anniversary edition, including new introduction, epilogue, and notes. Cambridge, MA: MIT Press, 2005.) p.3

## SUSTAINABILITY AND SUCCESS – A CASE STUDY OF MAZOVIA REGION<sup>58</sup>

**Konrad Ł. Czapiewski**

**Abstract** The report here presented concentrates mainly on the question of determining the sustainability of development on rural areas of the Mazovian province in Poland. Conform to the concepts concerning the success areas and the sustainable development, it was assumed that the three basic indicators of the spatial structure of rural areas – economic, social and environmental – ought to attain similar, and at the same time high, values. The report present spatial differentiations as well relations between three determined indicators.

**Keywords** Success areas, sustainability, economy, demography, environment, rural areas, Mazovia, Poland.

### Introduction

Rural areas are a complex phenomenon, so their development has to range simultaneously many aspects: economical, social, natural, cultural and infrastructure one. When this condition is met, we can consider such a unit as an area of success and areas of sustainability. A balance of all spheres of civilization development is assumed for units like this.

**Success areas**, should be considered as the areas where all indicators describing civilization development are relatively high and which are characterised by a constant progress in chosen measures in a given time. This definition assumes that a region where only one of the examined planes is highly developed while the other features reach values lower than the average cannot be recognized as the area of success. Dynamic perspective is the other important element of the definition. It assumes the constant increase of the examined measures. Very important feature of the area of success is their relativity, which in great extend depends on the reference point.

The above mentioned descriptions of areas of success is closely related with the term of **sustainable development**, which is widely described as balancing the fulfillment of human needs with the protection of the natural environment so that these needs can be met not only in the present, but in the indefinite future. Very often sustainable development is defining as a confluence of three preoccupations – social, economic and environment.

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<sup>58</sup> Paper published in EUROPA XXI journal. Czapiewski K., 2008, *Sustainability and success – a case study of Mazovia Region*, EUROPA XXI, 17, 45-54. ISSN 1429-7132.

A detailed survey of literature on the subject of success areas and the set of basic characteristics for the issue were provided in another report by the present author (Czapiewski 2006). The study here considered constitutes the very first attempt of an analytic approach to the issue of success areas and sustainable development. Fundamental definitions were made operational and first attempts of applying statistical methods were undertaken.

## **I. Aim of paper**

The report here presented concentrates mainly on the question of determining the sustainability of development on rural areas of the Mazovian province in Poland. Conform to the concepts concerning the success areas and the sustainable development, described above, it was assumed that the three basic indicators of the spatial structure of rural areas – economic, social and environmental – ought to attain similar, and at the same time high, values. The primary research question of the report is: “do areas featuring high values of economic indicators also feature high values of social and ecological indicators?” The study area is constituted here by the countryside of the province of Mazovia, the region, which is characterized by the biggest internal differentiation in Poland. The central city of the region, Warsaw, is surrounded by a vast territory of the agglomeration, having multi-functional character, while the peripheral borderland areas display a mono-functional (agricultural) character, and are much more sparsely populated. In terms of time, the analysis refers to the comparison between 1995 and 2005.

## **II. Methodology**

Individual kinds of indicators were determined with following features (S- positive influence, D- negative influence).

### **Economical indicator**

- (1) number of registered enterprises per 1000 inhabitants (S)
- (2) commune budget incomes per capita (S)
- (3) share of investment expenditures in total commune expenditures (S)

### **Demographical and social indicator**

- (4) difference between number of man and woman in age of 20-29 years old (D)
- (5) number of children (3-6 years old) per one place in kindergarten (D)
- (6) number of people in post-economically-productive age per 100 people in pre-economically-productive (D)

### Infrastructural and environmental indicator

- (7) share of inhabitants serviced by communal sewage treatment plants (S)
- (8) water-pipes length per 1 km of sewers (D)
- (9) number of permissions for house construction per 100 marriages taken in a given period (S)

All indicators in this paper were calculated on the basis of the following formulas:<sup>59</sup>

$$W_s = \frac{1}{n} \sum_{j=1}^n y_{ij}$$

where:  $W_s$ - synthetic index,  $y_{ij}$ - standardised value of feature  $j$  in unit  $i$ ,  $n$ - number of analysed features

Standardised value of feature  $j$  in unit  $i$  was determined as follows:

$$y_{ij} = \frac{x_{ij} - x_{j \min}}{S(x)} (S) \quad y_{ij} = \frac{-(x_{ij} - x_{j \min.})}{S(x)} (D)$$

where:  $x_{ij}$ -value of feature  $j$  in unit  $i$ ,  $x_{j \min}$ - minimum value of feature  $j$ ,  $S(x)$ - standard deviation

Classification of all three indicators was carried out on the basis of arithmetic mean and standard deviation. Following five classes were distinguished (Table 1).

**Table 1** Class determination way

Class	Way of class designation				Feature value	
I			W	$\geq$	$x + S(x)$	Very high
II	$x + S(x)$	$>$	W	$\geq$	$x + \frac{1}{3}S(x)$	High
III	$x + \frac{1}{3}S(x)$	$>$	W	$\geq$	$x - \frac{1}{3}S(x)$	Average
IV	$x - \frac{1}{3}S(x)$	$>$	W	$\geq$	$x - S(x)$	Low
V	$x - S(x)$	$>$	W			Very low
where: W- described feature, x- arithmetic mean, S(x)- standard deviation						

Thanks to procedure described above, three middle intervals in each classification have the range equal to  $\frac{2}{3}$  of standard deviation, and units with average values occur in the middle class.

<sup>59</sup> Parysek J., Wojtasiewicz L. *Methods of regional analysis and methods of regional planning* (in Polish). KPZK PAN, Warsaw, 1979.

The areas classified in the three highest classes (I, II and III) have been henceforth treated as the areas featuring advantageous development levels for each of the three indicators of spatial differentiation considered.

### **III. Findings**

#### **1. Spatial differentiation of indicators**

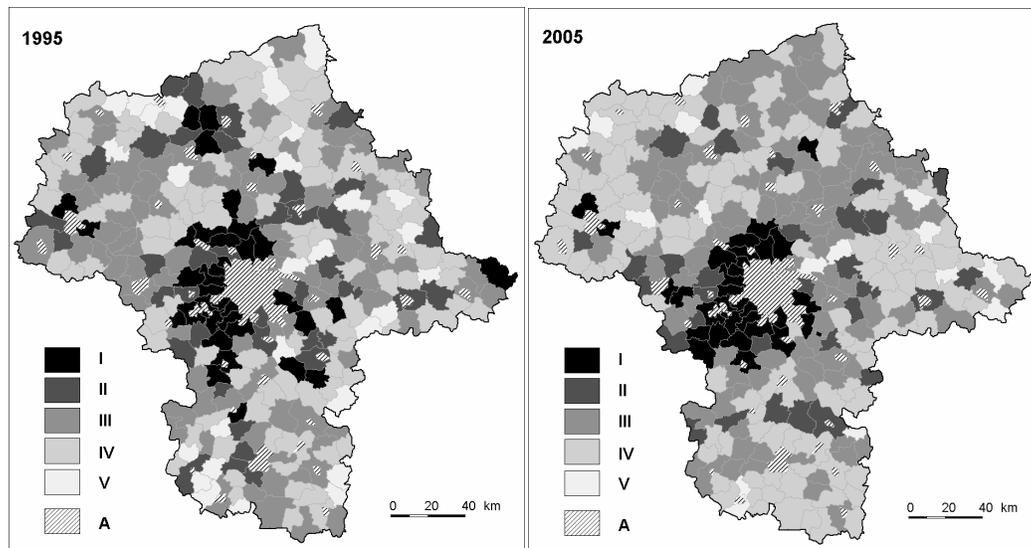
The analysis of values of the three indicators analysed shows both significant spatial differentiation and important changes over time. This is conditioned both by high dynamics of the transformation processes in the countries of Central-Eastern Europe, including Poland, the qualitative changes taking place on rural areas, and by the hard to assess individual involvement of the local authorities and the inhabitants. All these variables influence and shape the contemporary processes taking place on rural areas. In the case of some analyses, finding of explanation for the phenomena observed would require much deeper insight on a local level.

Three features describing enterprise of inhabitants and local authorities were used to describe the economical potential. The greatest density of enterprises occurs in towns, suburbia and tourist-attractive localities. Local authorities, apart from constant expenditures for education or public administration, have the possibility to invest. The most often they invest in public utilities- the share of funds allotted for that aim confirms the developmental character of these areas. The revenues of the local self-governmental authorities constitute also an evidence for the existing economic potential of the respective areas.

In the period 1995-2005 the number of businesses on rural areas of Mazovia increased almost twofold (from 27 per 1,000 inhabitants in 1995 to 52 in 2005), while the share of investment-oriented expenditures remained at a similar level (roughly 25%), and the evaluation of the budgetary revenues is difficult due to the absolute (nominal) character of the data available. Very interesting changes took place during the period analysed in terms of the spatial differentiation of the values of economic indicator (Fig. 1). A distinct concentration occurred of the municipalities featuring the highest values of the indicator around the centre of the region – the city of Warsaw. The “core-periphery” scheme causes the establishment of the metropolitan areas that focus well-educated and enterprising people, are well equipped with infrastructure and are economically attractive. On the other hand, there are marginal and not-fully-subsidized areas where depopulation processes are strong and many unfavourable phenomena occur. Formation of strong centres at the cost of the periphery areas is a serious problem for the policy of regional

development. It is important that the town development were accompanied by properly orientated progress in rural areas. On the remaining area of the region of Mazovia there were in 2005 only isolated municipalities characterised by high values of the economic development indicator, while in 1995 the pattern was much more diversified.

**Figure 1** Spatial differentiation of the values of economic indicator on rural areas of Mazovia region in 1995 and 2005. A – towns



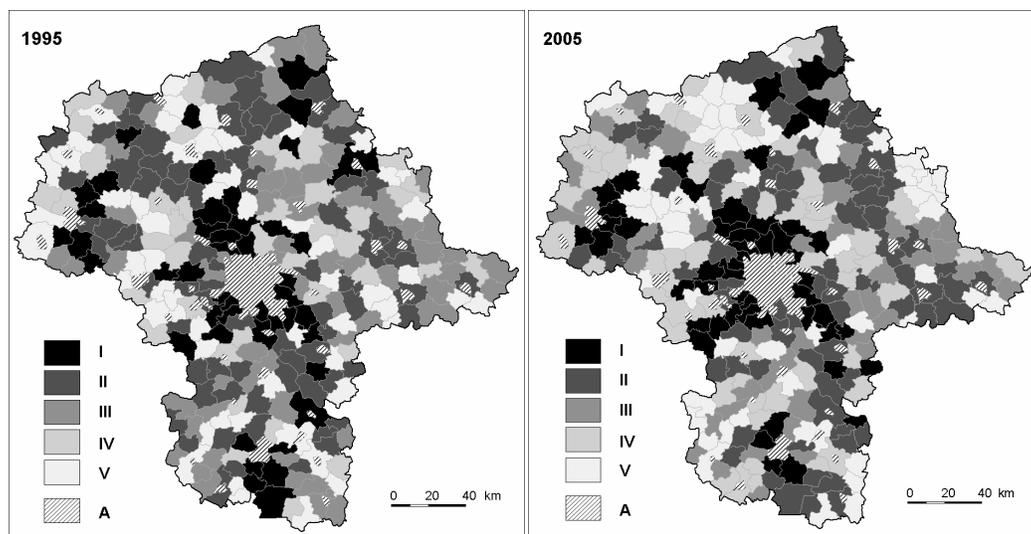
In the 1980s, the rural areas in Poland were still considered less attractive compared to towns. Rural areas were losing their young and educated population that left to seek jobs and residence in towns. However, this situation began to change in the 1990s when the former socialist countries entered the political transition followed by the socio-economic change. The rural area as the place of permanent residence is normally attractive above all for persons whose life had been connected with the life in countryside in the past while the cost of living is also taken into account. However, only settlements with favoured geographical position (position in hinterland of big towns or position in easily accessible and tourist attractive regions) are attractive for migrants.

The socio-demographic conditioning is to a certain degree associated with the economic setting. The migratory outflow of persons from the younger age groups out of the areas of a definite economic stagnation causes relative ageing of the societies on these areas. Yet, a significant migration-related population loss may lead to disadvantageous relations in terms of the number of females and males in marrying age (i.e. 20-29 years of age). The demographic processes influence and shape the development or decline of the

selected elements of social infrastructure (in particular, the number of places in the kindergartens).

During the period analysed disadvantageous changes took place in the demographic structure on the rural areas of Mazovia – the ratio of persons in the post-productive age increased from 58 per 100 persons in pre-productive age in 1995 to 69 in 2005. In addition, the number of places in the kindergartens dropped by more than 10%, and the gender ratio remained on an almost unchanged level. With respect to the socio-demographic indicator the least changes between the two years analysed were observed, reflected through the value of the correlation coefficient,  $r = 0.70$ . The highest values of the indicator were observed in the suburban zones of the biggest urban centres of the region – first of all of Warsaw, but also of Radom, Płock and Ostrołęka (Fig. 2).

**Figure 2** Spatial differentiation of the values of socio-demographical indicator on rural areas of Mazovia region in 1995 and 2005. A - towns



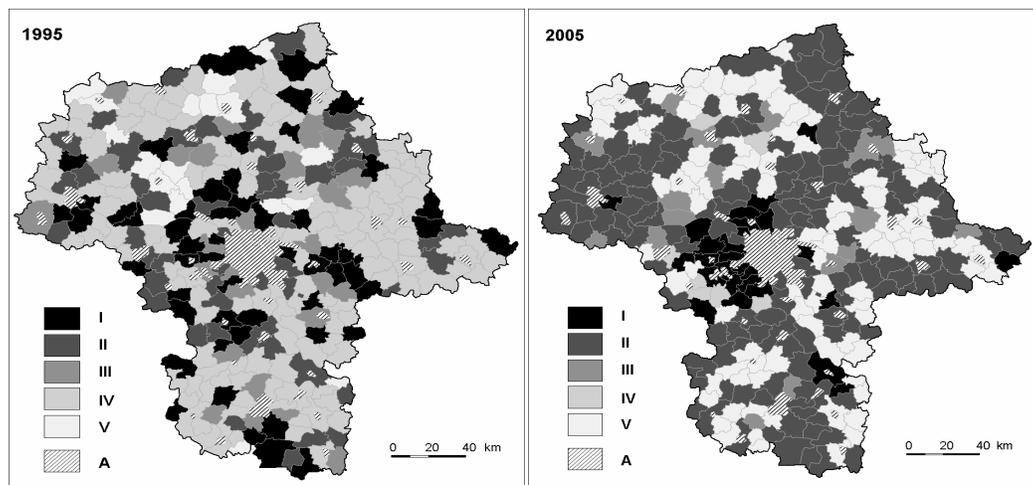
Infrastructural and environmental indicator was determined with three features that characterise technical infrastructure in a complex way. Water and sewerage system installations, gas facilities and telephone connection in the house obviously raise living conditions. Another advantage of area well equipped in infrastructure is greater ability of encouraging businessmen to invest in that region. As a result of investments, new jobs are created, local budgets has bigger income, people's wealth increases, and accompanying base and services develop - according to the principle of circular cumulative causality presented by Myrdal.<sup>60</sup> Good equipment with infrastructure

<sup>60</sup> Myrdal G. Economic theory and underdeveloped regions. Duckworth, 1957, London.

enhances the quality of the natural environment, but under the condition of functioning of all three elements: water supply, sewage and water treatment. The number of newly built apartments witnesses both to the infrastructural development and to the economic potential of the given region, as well as to the migration behaviour of the population.

The biggest positive changes on the rural areas of Mazovia in the period 1995-2005 took place in the domain of infrastructure-related conditions. The percentage share of persons serviced by the water treatment plants increased from 4% to 16%, the length of the water supply network per 1 kilometre of the sewage network decreased from 18 to 10 kilometre, while the number of newly constructed dwellings increased from 30 per 100 marriages to 61. The changes observed should be evaluated very positively, but they have been also characterised by a high spatial variability – the coefficient of correlation between 1995 and 2005 amounted to  $r = 0.49$ . The best values of the indicator of infrastructural-environmental conditioning in 2005 have been observed both in the suburban zones of large urban centres and in the groups of municipalities, which do not dispose of the thus advantageous location conditions (Fig. 3).

**Figure 3** Spatial differentiation of the values of infrastructural and environmental indicator on rural areas of Mazovia region in 1995 and 2005. A – towns

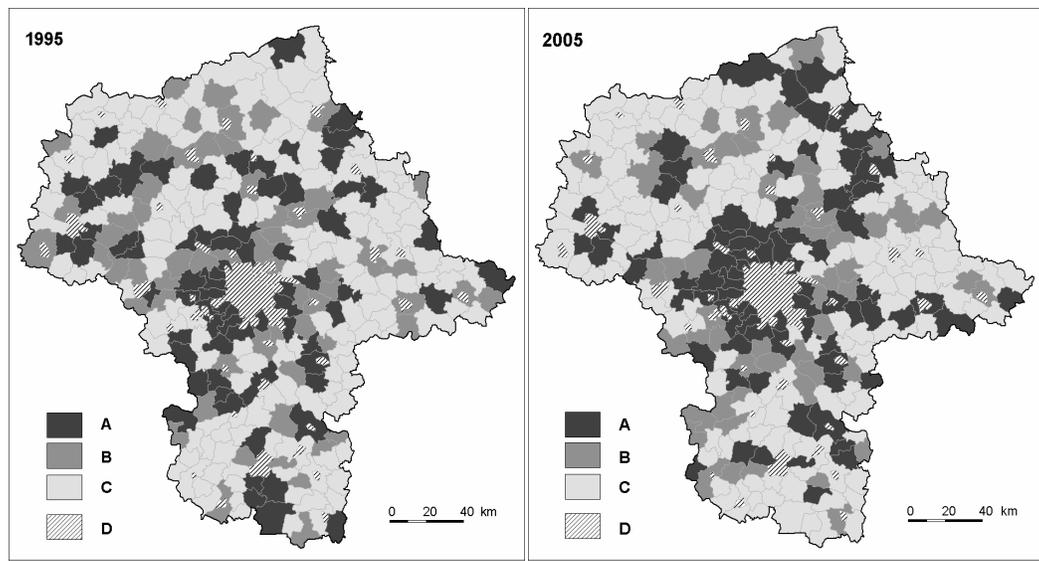


## 2. Relations between indicators

In 1995 there were 73 municipalities (26%) of the province of Mazovia, which featured high values of all the three indicators analysed (classes I, II and III), i.e. the economic, the socio-demographic and the infrastructural-environmental. Besides, in another 21% of municipalities high values of the economic indicator and of one of the remaining

indicators have been noted. These areas formed more or less compact territories around the biggest towns of the region – Warsaw, Płock, Ostrołęka and Radom (Fig. 4). The magnitude of the thus formed circle was largely conditioned by the magnitude of the respective centre – the bigger the city the broader the zone of the positive development tendencies. The remaining areas were characterised by a diversified combination of indicators, yet the most frequently encountered types were either low values of all the three indicators or high values of only the socio-demographic indicator (14% each of these). In 2005 a different situation in terms of spatial differentiation of the rural areas in Mazovia with respect to the sustainability of development has been observed. A compact area of the highest values of all the three indicators around Warsaw took clearly shape. In the western direction this belt encompasses the third ring of the municipalities surrounding Warsaw (within the distance from the centre of the city of some 50 km). On the other hand, the zones of the positive development around the subregional centres of Mazovia almost entirely disappeared. High values of all the indicators were still noted around a number of smaller towns, which feature high development-related values.

**Figure 4** Spatial differentiations of the rural areas of Mazovia with respect to sustainability of development in 1995 and in 2005

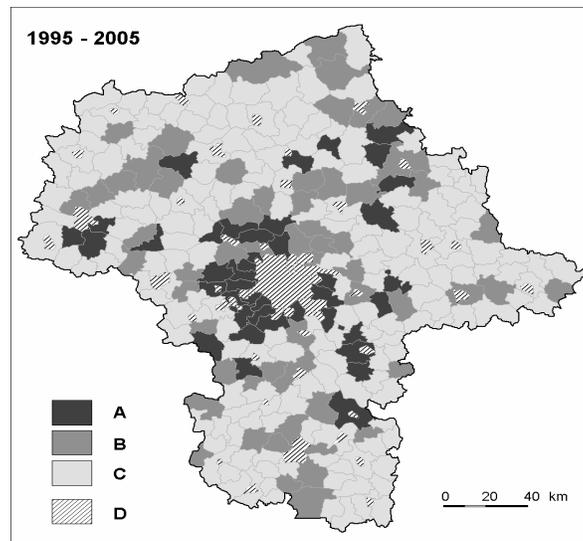


A – areas featuring high values of all the three indicators, B – areas featuring high values of the economic indicator and of one of the remaining indicators, C – other rural areas, D – towns.

Comparison of the results for 1995 and 2005 allowed for identification of the success areas in Mazovia. In accordance with the earlier assumptions the success areas were identified with the municipalities, which are characterised by the high values of all

the three analysed indicators and their evolution over time has been consistent. At the same time, these areas are characterised by a high level of sustainability of development. Like before, the strongest concentration of areas featuring the highest values of the development indicators characterised the suburban zone of Warsaw (Fig. 5). Besides, in the space of the region yet a number of groups of municipalities or single administrative units were identified, featuring equally high values of the indicators. The spatial differentiation identified is associated with the particular characteristics of the areas delimited (functioning of an essential manufacturing plant, high social activity of the authorities and inhabitants, etc.).

**Figure 5** Spatial differentiation of success areas on Mazovia region.



A – areas featuring high values of all the three indicators in 1995 and 2005, B – areas featuring high values of all the three indicators in 1995 or 2005 and high values of two indicators in 1995 or 2005, C – other rural areas, D – towns.

The delimited success areas in Mazovia encompass only slightly more than  $\frac{1}{3}$  of all the municipalities of the province and a similar share of the area (Table 1). Yet, this area is inhabited by almost half of the population living on the rural areas of Mazovia, which means that these areas are among the most densely populated in the region. The demographic changes between 1995 and 2005 are also quite characteristic. While during this period the total population number of the province increased by not quite 1%, on the success areas A (high values of all the three indicators in both of the limit years of the period) this increase amounted to more than 13%! In the same time the number of inhabitants of the municipalities situated outside of the success areas delimited dropped by 4%.

**Table 1** Basic characteristics of delimited rural areas of Mazovia region.

	Number of communes	Surface (sq. km)	Number of inhabitants 1995	Number of inhabitants 2005	Population density 2005	Percentage of total population 2005	Changes of number of population (1995=100)
Successful communes – type A	41	4,099	361,818	409,770	100.0	21.1%	113.3
Successful communes – type B	58	8,204	519,867	530,677	64.7	27.3%	102.1
Others communes	180	21,501	1,044,244	1,002,836	46.6	51.6%	96.0
Communes of Mazovia region	279	33,804	1,925,929	1,943,283	57.5	100.0%	100.9

Source: own calculation based on data from Central Statistic Office.

Resulting from the analyses conducted an increase was noted of the strength of dependence between the values of the three indicators analysed, characterising communes, between the year 1995 and 2005 (Table 2). Thus, while in 1995 the mean value of the correlation coefficient was at around  $r = 0.3$ , it rose by the year 2005 to the level of  $r = 0.4$ .

**Table 2** Linear correlation coefficient values between the three indicators analyzed for 1995 and 2005

Relation between indicators	1995	2005
Economical – socio-demographical	0,29	0,39
Economical – infrastructural and environmental	0,34	0,44
Socio-demographical – infrastructural and environmental	0,30	0,38

Source: own calculation.

## IV. Discussion

The changes observed can be evaluated in both positive and negative categories. The data acquired witness to the increase of sustainability of development – an increasing number of municipalities are characterised by similar values of all the indicators defining the primary planes of the civilisational development. Thus, for instance, in 1995 there were 10% of municipalities characterised uniquely by the high values of the economic indicator, with low values of the remaining indicators, while in 2005 such a setting characterised 7% of them. Additionally, it should be emphasised that just seven municipalities were characterised by a decisive domination of the economic development over the social and infrastructural development, in both 1995 and 2005. Yet, on the other hand, the values observed are the evidence of the appearance of the increasingly distinct differences between the success areas and the remaining ones. The municipalities with relatively high

values of the economic indicator tried to even out the level of the remaining elements. Then, the communes featuring lower endo- and exogenous development potential increased the distance from the best units in the region.

The regional differences observed result from a high number of variables, conditioning in a direct and indirect manner the contemporary processes taking place on rural areas. Their development depends definitely upon the influence exerted on them by a number of exogenous variables, but increasingly often high significance of the internal conditions is underlined, such as human and social capital, investment climate and living standards. High spatial differentiation makes the planners and decision makers face constantly the development dilemma – spatial effectiveness or spatial equity. The former model assumes the increase of regional differentiation, but with emergence of the cores and the centres of growth capable of more effective use of means and more effective competition on the European scale. On the other hand, in the latter model bigger emphasis is placed on the evening out of the development differences and the inflow of bigger means to the less developed regions. Both the results obtained and the course of the contemporary development processes as well as the policies implemented show the domination of effectiveness over equity. That is also why the endogenous conditions appear to be increasingly important development factors on rural areas situated far from large agglomerations and transport corridors.

## **Conclusions**

The primary research question of the study reported was the determination of the sustainability of development of the rural areas in Mazovia. When answering the question thus posed, we should state that the area analysed is characterised by a quite high degree of equilibration of the indicators considered. In 1995, among all the municipalities characterised by the high values of the economic indicator, 45% featured also high values of the other two indicators, while 18% had an opposite situation. On the other hand, in 2005, more than 51% of municipalities featuring high values of the economic indicator displayed also high values of the socio-demographic and environmental-infrastructure indicators, with the share of communes featuring solely high values of the economic indicator having dropped to not quite 14%. The values obtained and the tendencies observed may indicate that the principles of sustainable development are being applied over the area under study to an increasing degree.

The analyses conducted constituted an introduction to more detailed investigations of the author into the issue of success areas in the countryside, with special

attention devoted to the endogenous factors. The intention is to show the differentiation and the dynamics of transformations and to indicate a number of conditioning variables, influencing the results obtained (including spatial and communication-wise accessibility, levels of social and human capital, functional differentiation, activity of local leaders). Yet, in spite of some limitations, the report shows the spatial dimension of the fundamental processes taking place on rural areas of the region of Mazovia.<sup>61</sup>

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# ENERGY CONSUMPTION TAXES: EVIDENCE FROM UKRAINE

**Nataliya Frolova**

**Abstract** The paper provides comparative analysis of energy consumption taxes in Ukraine and in post-socialist EU member-states. We estimate effective tax rate on energy consumption in Ukraine and show that increasing of effective tax rate on energy consumption in 2003-2006 has contributed to reduction of energy demand in Ukraine. On the basis of hypothesis of “double dividend” we discuss the implication of green tax reform for lowering capital and income taxes in Ukraine.

**Keywords** energy consumption taxes, effective tax rate, energy import dependency

## Introduction

Taxes on natural resources and, specifically, on fuel and energy, are popular tools of not only fiscal but also of environmental policy nowadays. Developed European countries a long time ago acknowledged advantages of energy consumption taxation in comparison with direct taxes on environmental pollution.<sup>62</sup> Energy consumption taxes are considered to be neutral. That means that they do not increase tax burden on corporate capital and, therefore, practically avoid distortion of capital and other economic resources distribution. Furthermore, energy consumption taxes have no or little impact on investor’s choice of source of investment financing or on decision of investment medium.

This paper describes some scope of implementation of specific taxes on energy consumption for reduction of energy import dependence of economy of Ukraine, for updating of national manufacturing technologies and equipment. The special considerations are associated with realization in Ukraine of hypothesis of “double dividend” from increasing of energy consumption taxes. Combining theoretical analysis with empirical research of energy consumption taxation, we make some recommendations for green tax reform in Ukraine.

## I. Analysis of energy consumption taxes in European Union member-states and Ukraine

Specific taxes on energy consumption in Europe amounted to rough 2% GDP in the 2003-2006 period. Energy consumption taxes are more important in post-socialist

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<sup>62</sup> Albrecht J. (2006). The use of consumption taxes to re-launch green tax reforms / International Review of Law and economics, 26: 88-103 // [www.elsevier.com](http://www.elsevier.com)

countries than in developed EU-members, although the gap is not noticeable (0.3 percentage points in average in 2003-2006). The importance of energy consumption taxes varies significantly across separate countries. The highest green taxes were levied in Luxemburg and in Bulgaria (averaged at 2.8% GDP), while the lowest – in Norway (averaged at 0.7% GDP) and Ireland (averaged at 1.2% GDP). At the same time, in Ukraine, energy consumption taxes expressed as a share of GDP are far below majority European countries, except Norway. In 2003-2005, they did not exceed 1% GDP (Tab. 1).

**Table 1. Specific Taxes on Energy Consumption\*, % GDP**

	2003	2004	2005	2006
<b>Developed EU member-states</b>				
Austria	1.8	1.8	1.8	1.6
Belgium	1.5	1.5	1.5	1.4
Cyprus	1.9	2.1	1.9	1.8
Denmark	2.6	2.5	2.3	2.2
Finland	2.0	1.9	1.8	1.8
France	1.7	1.7	1.6	1.6
Germany	2.3	2.2	2.1	2.0
Great Britain	2.1	2.1	2.0	1.9
Greece	1.5	1.4	1.3	1.1
Ireland	1.2	1.3	1.2	1.2
Italy	2.4	2.2	2.2	2.2
Luxemburg	2.7	3.0	2.9	2.5
Malta	1.3	1.3	1.4	1.3
Netherlands	1.9	2.0	2.1	2.1
Norway	0.5	0.5	0.5	1.2
Portugal	2.2	2.2	2.1	2.0
Spain	1.6	1.6	1.5	1.4
Sweden	2.5	2.5	2.5	2.3
<i>Arithmetic average (developed member-states)</i>	<i>1.9</i>	<i>1.9</i>	<i>1.8</i>	<i>1.8</i>
<i>Post-socialist EU member-states</i>				
Bulgaria	2.6	3.0	2.8	2.7
Czech Republic	2.3	2.4	2.5	2.4
Estonia	1.6	1.8	1.9	1.8

Hungary	2.3	2.1	2.1	2.1
Latvia	2.0	2.1	2.3	2.0
Lithuania	1.9	1.8	1.7	1.7
Poland	2.1	2.1	2.3	2.3
Romania	2.4	2.4	2.0	1.7
Slovakia	2.1	2.2	2.2	2.0
<i>Arithmetic average (post-socialistic member-states)</i>	<i>2.1</i>	<i>2.2</i>	<i>2.2</i>	<i>2.1</i>
Ukraine	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>

\* Do not include VAT Source: “Taxation Trends in the European Union” European Commission, 2008, 448 p.; author’s calculations.

In addition, energy consumption taxes do not make up significant components of government revenues in Ukraine. In 2001-2006 they yielded in average only about 2.7% of total tax revenues.

The most popular kind of specific taxes on energy consumption in post-socialist European countries is excise duty (Table 2). It is imposed on domestic and imported fuels and energy, motor vehicles, tires and so on. In 2005, excise duty on energy varied from 0.4% (Poland) to almost 8% (Slovakia) of total tax revenues.

**Table 2.** Specific Taxes on Energy Consumption in selected Post-Socialist European Countries

Country	Tax name	Year of Introduction	Tax revenues, % GDP (2005)	Tax revenues, % total taxes (2005)
Bulgaria	Excise on Energy Products	1994	2.76	7.94
	Excise on automobiles	1994	0.05	0.15
Czech Republic	Excise duty on mineral oils	1993	2.50	6.89
Estonia	Excise duty on energy	2003	1.2	3.9
Hungary	Excise tax on fuel	1998	1.95	5.01
Latvia	Excise tax on oil products	1991	2.26	7.70
	Natural resources tax	1991 (was abolished in 2006)	0.11	0.39

Lithuania	Excise tax on energy products	1994	1.66	5.77
Poland	Excise duty on petrol and gas oils	1993	1.69	4.95
	Excise duty on electricity	2002	0.12	0.35
Romania	Excise duties for energetic products and electricity	1993	n/a	n/a
Slovakia	Excise duty on mineral oil	1993	2.34	7.99
Ukraine	Excise duty on motor fuels and other oil products	1993	0.67	1.77
	Import duty on oil products, motor vehicles and tires	1993	0.28	0.73
	Target rate charge for natural gas	2006	0.09*	0.25*

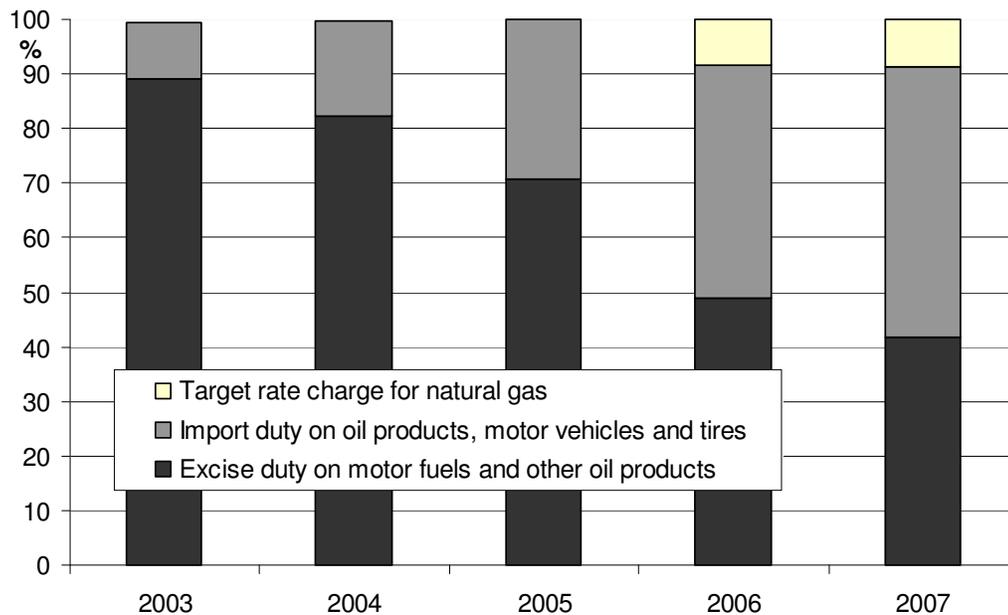
\* 2006 Source: European Commission, author's calculations

Excise duty in most countries is a single specific tax on energy consumption. While in Latvia, in addition to excises, natural resources tax was in force. It was introduced in 1991 and abolished in 2006. This tax was applied to natural resources, packaging of goods, goods and products harmful to the environment, for example, waste, radioactive substances, vehicles and so on. However, Latvian natural resources tax could not be compared with excise tax either in terms of GDP or in terms of its percentage in total tax revenues.

In Ukraine, excise tax covers motor vehicles, fuels and other oil products. Between 2003-2005 it was by far the most significant specific tax on energy consumption, representing more than two thirds of total energy consumption tax receipts (Graph 1). However, its share was not stable in the last 5 years. Starting from 2003, excise duty on motor fuels and other oil products gradually fell back from 89.1% to less than 42% of total energy consumption tax receipts in 2007. Another important specific tax on energy consumption in Ukraine is import duty. It is applied to motor vehicles, fuels and other oil products, which were brought into the country. Import duty on energy expressed as a

percentage of total energy consumption tax receipts has noticeably increased from 10.4% in 2003 to almost 50% in 2007. Also, in 2006 Ukraine introduced target rate charge for natural gas. The effect of this tax is differentiated according to groups of taxpayers. Thus, minimal nominal tax rate (0.01%) is applied to chemical industry; households, public utility companies and thermoelectric power stations are charged at the rate 2%; general government organizations and other industries – 4%. Target rate charge for natural gas was set to partly achieve revenue requirements needed for import of natural gas into Ukraine. However, this tax has not contributed much to the changes in decomposition of energy consumption tax revenues as its share did not exceed 9% in 2006-2007.

Graph 1 Decomposition of specific energy consumption tax revenues in Ukraine (% , 2003-2007)



Source: Ministry of Finance of Ukraine, author's calculations

## II. Energy consumption taxes as a cure of national economy

Nowadays Ukrainian economy is highly dependent on energy import. According to International Energy Agency (2006), in 2005 Ukraine was the fifth biggest importer of natural gas in the world, after the USA, Germany, Japan and Italy. At present, more than 75% internal demand on natural gas and almost 85% internal demand on crude oil and oil products in Ukraine are supplied with energy import. Energy import dependency rate, which is calculated as a percentage of net energy import in total primary energy supply,

was estimated in 2004-2005 in Ukraine at 42-46%. In comparison with a number of post-soviet countries, for example, Georgia and Armenia (energy import dependency rate exceeded 60%) or Belarus and Moldova (over 85%), energy import dependency rate in Ukraine can be considered as quite moderate. But our analysis shows that in comparison with post-socialist EU member-states (averaged 33.7% in 2005) Ukraine is highly energy import dependent country.

There are several ways to reduce energy import dependency. For example, “Energy Strategy of Ukraine till 2030” with the purpose to cut demand on natural gas provides support for increasing of coal extraction in Ukraine.<sup>63</sup>

We argue that reduction of energy demand in Ukraine can be well maintained by increasing energy consumption taxes. This proposition is motivated by widespread evidence from tax literature about disincentive effect of taxation on consumption.<sup>64</sup> This can be illustrated by following data. Growth of effective tax rate on energy consumption in Ukraine (from 1.57% to 1.82% in 2003-2006) was accompanied with reduction of internal demand on energy. According to International Energy Agency (2006), total final energy consumption in Ukraine in 2003-2004 reduced to 0.19% GDP that is 0.3 percentage points lower than in 2001 and almost 1 percentage point lower than in 1997.

Also, OECD experts argue that import duty is efficient fiscal tool for government support of domestic energy producers.<sup>65</sup> Furthermore, indirect energy taxes encourage entrepreneurs with the purpose to reduce energy needs to upgrade manufacturing facilities and apply the achievements of science to production. Finally, growth of green taxes leading to energy consumption slow down stipulates for improving of environmental quality.

Numerous studies suggest that increasing of green taxes should be followed by reducing marginal rates of distortional taxes.<sup>66</sup> Apart from environmental gains, green taxes will raise revenues that can be used to lower tax burden on capital and labor.

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<sup>63</sup> Україна: Огляд енергетичної політики / International Energy Agency, OECD, 2006, 377 p.

<sup>64</sup> See, for example, Losoncz M. (2006). Analysis: Energy dependence and supply in Central and Eastern Europe / the Analyst: 13-78 //www.euractiv.com

<sup>65</sup> Environmentally Related Taxes in OECD Countries: Issues and strategies / OECD, 2001, 142 p.

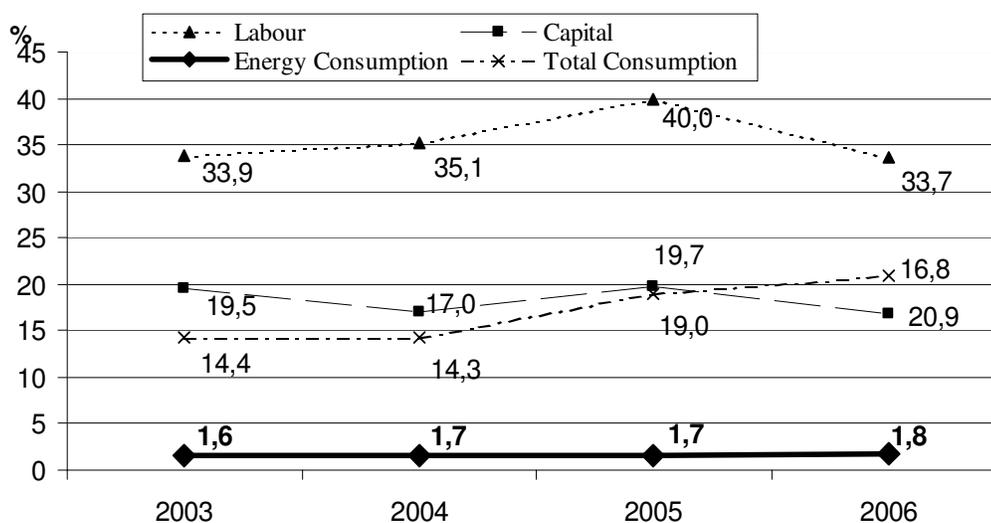
<sup>66</sup> See, for example, Lans Bovenberg, A., & de Mooij, R.A. (1994). Environmental levels and distortionary taxation. American Economic Review, 84, 1085-1089

Consequently, it will materialize in larger capital accumulation and increasing rate of employment<sup>67</sup>.

This issue is of prime interest of Ukraine. At present, capital in Ukraine carries rather heavy tax burden. Our estimations show that effective tax rate on capital amounted to 16.6% in 2006 which is high compared to most post-socialist countries – EU members, except Poland and Czech Republic (above 22%). In contrast to capital, tax burden on energy consumption in Ukraine is extremely low by international standards. According to European Commission, the lowest value of tax burden on energy consumption (effective tax rate) in 2006 was estimated at 1.85% and “it could be observed only in Greece and Malta (respectively 1.8 and 1.9 percentage points), while the highest are found in Luxembourg (6.5 points), followed by Sweden (4.9 points), the Czech Republic (4.7 points) as well as Denmark and the Netherlands (both 4.6 points).”<sup>68</sup>

Graph 2 illustrates, that effective rate of energy consumption taxes in Ukraine varied from 1.57% in 2003 to 1.82% in 2006. Note, that even effective tax rate on alcohol and tobacco consumption in Ukraine was higher and averaged 2% in 2003-2006.

**Graph 2** Effective tax rates in Ukraine (% , 2003-2006)



Source: Ministry of Finance, Statistical Committee of Ukraine, author’s calculations

<sup>67</sup> Theoretical assumptions about positive impact of green taxes on environment as well as on capital accumulation and rate of employment are called in the literature, respectively green dividend and efficiency dividend. As a whole it is known as the “double dividend” hypothesis.

<sup>68</sup> Taxation Trends in the European Union / European Commission, 2008, 448 p.

Despite its appealing nature, green tax reform conducted in the late 90-s in many OECD countries (for example, in Denmark, the Netherlands, the United Kingdom, Norway and Italy) failed to ease tax burden on labor.<sup>69</sup> On the basis of economy of the USA, Gerhard Glomm et al. also showed that green dividends are always smaller than efficiency dividends. The latter depends on the elasticity of substitution in production between capital and energy. When “fuel is an input in the production of capital, increasing the capital stock raises the demand for fuel which may offset any decline in fuel due to higher fuel taxes”.<sup>70</sup> Thus, realization of double dividend in Ukraine is impossible without reduction of energy intensity of national economy.

### III. Taxes on energy consumption in the context of Ukraine’s WTO accession

At the beginning of 2008 Ukraine has become the member of World Trade Organization (WTO). This entrance suggests integration of national tax rules and gears into European tax environment. First of all, it implies liberalization of import access to domestic markets. Not surprisingly, that customs tariffs for industrial goods are expected to be cut down in average to 5.9% in comparison with current 8.1%.<sup>71</sup> Customs tariffs for energy import are also going to be changed. However, instead of decline, import tariffs for many energy products will grow (Table 3). For example, for coal it will increase from 0% to 2%, for Petroleum Gases in gaseous state – from 0% to 10%, for petroleum coke - from 0.8% to 10% and for electric energy – from 2% to 10%. New average customs tariff for energy import is estimated at about 5%.

**Table 3.** Nominal customs tariff rates for main energy products imported to Ukraine, %

HS	Description	Before WTO accession	Created by Treaty of WTO Accession of Ukraine
2701	Coal	0	2
2709	Crude Oil	0	0
2710	Oil Products	6.8 euro per 1000 kg	3.3
2711	Petroleum Gases	0	2.7

<sup>69</sup> Environmentally Related Taxes in OECD Countries: Issues and strategies / OECD, 2001, 142 p.

<sup>70</sup> Glomm G., at al. (2007). Green taxes and double dividends in a dynamic economy / Journal of Policy Modeling, 14 p. // www.elsevier.com

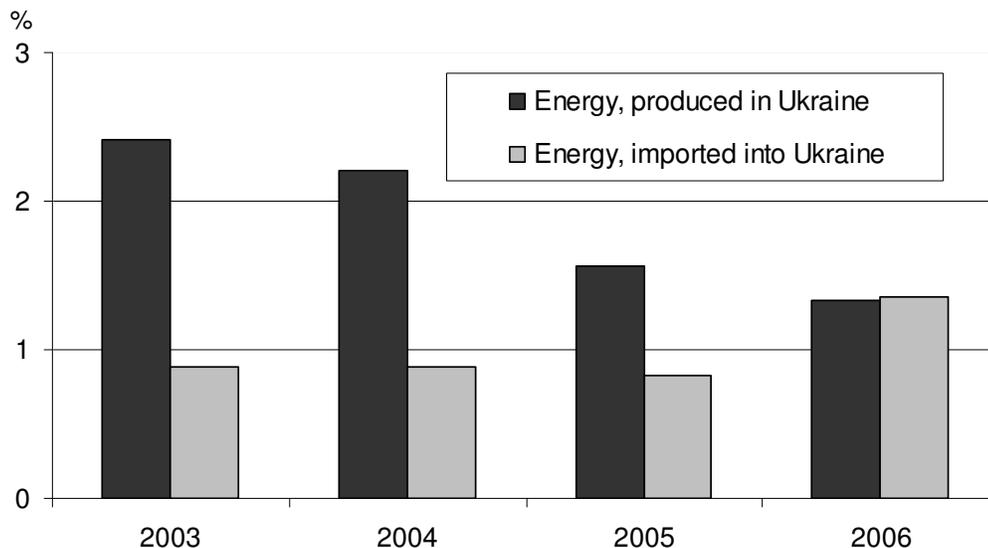
<sup>71</sup> Arithmetic average calculated on “Customs Tariff Act of Ukraine” (№ 1109–V) on May 31, 2007 and “Schedule of Concessions and Commitments on Goods” Report of the working party on the accession of Ukraine to WTO, January 25, 2008

2713	Petroleum Coke	0,8	10
2716	Electrical Energy	2	10

Source: “Customs Tariff Act of Ukraine” (№ 1109–V) on May 31, 2007; “Schedule of Concessions and Commitments on Goods” Report of the working party on the accession of Ukraine to WTO, January 25, 2008; author’s calculations

Given energy import dependency rate of Ukrainian economy, rise of customs tariffs on energy would definitely result in increasing prices on many goods and services produced in Ukraine. However, on the other side, it will allow to reduce tax burden on domestic energy producers. For a long time, imported fuels and other imported oil products have enjoyed more preferential tax regime than domestic energy. Tax burden on consumption of imported energy in Ukraine consists of three specific taxes: excise duty on motor fuels and other oil products brought into Ukraine, customs tariff and additional duty for customs registration of oil products (was abolished in 2006). In 2003-2005 specific taxes on imported energy accounted for less than 1% of total tax revenues in Ukraine. While specific indirect taxes raised on energy products, produced in Ukraine, accounted for over 2%. (Graph 3)

**Graph 3** Specific taxes on energy consumption in Ukraine (% total tax revenues, 2003-2006)



Source: Ministry of Finance of Ukraine, author’s calculations.

In recent years decomposition of tax burden on imported and domestically produced energy products has considerably changed. First of all, share of import duty on

oil products, motor vehicles and tires in total tax revenues increased from 0.5% in 2001 to 3.7% in 2006. It was due to increasing of world oil prices and currency fluctuation. On the whole, taxes on imported energy expressed as a share of GDP increased to 0.6% in 2006-2007, while taxes on domestic energy fell back to 0.4% GDP.

## Conclusions

Ukraine is characterized with low tax burden on energy consumption by international standards. In this context, WTO access of Ukraine, which follows by increasing customs tariffs on energy products, is welcomed as it contributes to achieve the desired reduction of energy consumption in Ukraine.

It is also absolutely obvious that green reform is needed in Ukraine, from both economical and ecological points of view. First of all, energy consumption taxes in Ukraine are under-differentiated as they are weakly correlated with environmental impact of energy products. Therefore, green tax reform should be aimed at increasing tax burden on products harmful to the environment.

Next, as soon as main industries in Ukraine are energy-intensive, the elasticity of substitution in production between capital and energy in Ukraine tends to be rather high. Thus, expectation that higher energy consumption taxes spur capital accumulation and reduce demand on environmentally-harmful products, in other words realization of double dividend, in Ukraine could only be partly realized. Hence, the success of green tax reform is well determined by modernization of manufacturing facilities.

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# THE EC GENERAL SYSTEM OF PREFERENCES AND INTERNATIONAL OBLIGATIONS IN THE AREA OF TRADE – THE NEVER-ENDING STORY

Lukasz Gruszczynski\*

**Abstract** This article analyses the current general system of preferences of the EC in order to assess its conformity with the international obligations imposed by law of the World Trade Organization. The analysis is carried out in light of the recent WTO ruling, which found the old system of preferences incompatible with WTO law. In this context, the article argues that some aspects of the new system relating to special incentive arrangements for sustainable development and good governance may potentially conflict with the requirements of international trade law.

**Keywords** World Trade Organization, WTO, General System of Preferences, GSP, trade and development, sustainable development

## Introduction

International trade appears to be one of the most effective tools for the promotion of development and the eradication of poverty. By limiting tariffs, nations gain access to foreign markets at considerably reduced costs. As proposed by the theory of comparative advantage, countries should specialize in the production of goods whereby limited domestic resources, when invested in specific activities, can provide the biggest gains and the total output, and hence economic welfare can be increased. In consequence, it is argued that development of international trade contributes to the increase of domestic and global welfare and reduction of poverty.<sup>72</sup> Tariffs and other barriers, the theory goes, cause disturbance to this model, and divert the gains from consumers around the world to powerful protected industries.<sup>73</sup> At the same time, it is also widely recognized that due to specific needs of developing countries some trade incentives are required to promote export from such countries. This special treatment is intended to help developing countries to compete more effectively on international markets and to promote their

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<sup>72</sup> For the extensive discussion on the relationship between trade liberalization, economic growth and poverty reduction, see Van den Bossche Peter, *The Law and Policy of the World Trade Organisation. Text, Cases and Materials* (New York: Cambridge University Press, 2005), pp. 11-19. The Declaration adopted by the 2002 WTO Ministerial Conference in Doha also recognizes that international trade can play an important role in the reduction of poverty.

<sup>73</sup> There are also some arguments against unlimited international free trade (e.g. the concept of optimal tariff and infant industries, revenue-raising considerations relating to custom duties and national security); for details see Trebilcock Michael J. & Robert Howse, *The Regulation of International Trade* (London and New York: Routledge, 2005), pp. 6-10.

industrialization, at the same time encouraging the diversification of their economies and acceleration of their economic growth.<sup>74</sup>

The subject of this article is precisely located in the above context. It attempts to analyze the general system of preferences (GSP) introduced by the EC in 2005 - a regulatory scheme that aims at assisting developing countries in their integration with the international trading system. The analysis is performed from the perspective of international obligations of the EU that are imposed by the World Trade Organization (WTO), particularly in light of the recent WTO ruling, which found the old EC scheme incompatible with WTO law. In this context, the article argues that there are certain aspects of the new system which may potentially conflict with the requirements of international trade law. According to the article, one particularly problematic area is the special incentive arrangement for sustainable development and good governance.

This article proceeds as follows. The first part briefly addresses the obligations of the WTO law which are relevant for the subsequent discussion. The second part describes the basic elements of the old GSP scheme, while the third concentrates on the new regime. Against this background the fourth part attempts to assess the conformity of the new system, in so far as it concerns the special incentive agreements for sustainable development and good governance, with WTO law. Finally the last part intends to draw some overall conclusions on the new GSP scheme.

## **I. The WTO and International Trade Obligations**

The WTO is an international organization responsible for the liberalization of international trade. This aim is primarily achieved through maintenance of the rule-based system, which regulates different aspects of the international trade of goods and services as well as related matters (e.g. intellectual property rights). In addition, the WTO constitutes a convenient venue for rounds of negotiations on liberalisation of international trade. Besides these functions, the WTO also plays an important role as a place for the settlement of trade disputes between its Members. In legal terms, such controversies are decided by *ad hoc* panels and can be appealed with respect to issues of law to the permanent body (the Appellate Body or the AB). The final report of the AB is subject to approval from the Dispute Settlement Body (DSB), being the congregation of all WTO Members. Contrary to the old system created by the General Agreement on Trade and Tariffs (GATT 1947), the adoption of the reports is now quasi automatic, since

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<sup>74</sup> European Commission, Directorate-General for Trade, *The European Union's Generalized System of Preferences* (2004), at 2, available at [http://trade.ec.europa.eu/doclib/docs/2004/march/tradoc\\_116448.pdf](http://trade.ec.europa.eu/doclib/docs/2004/march/tradoc_116448.pdf) (last visited 10 July 2008).

only the rejection by all Members results in the dismissal of a report. A losing WTO Member is obliged to bring its policy in line with the recommendations of the DSB. If it fails to do this, the DSB may authorize the winning Member to impose limited trade sanctions in the form of the suspension of tariff concessions.<sup>75</sup>

The EC<sup>76</sup> as well as its Member States are all members of the WTO. Nevertheless, it became common practice that it is only the EC which speaks for and represents both itself and the Member States. This unusual situation results from the fact that the external trade policy falls into the category of exclusive competences of the EC. The EC is also solely responsible for the adoption and maintenance of special tariff preferences granted to developing countries. This has created consequences for new Members since together with their accession to the European Union the competences in this area were transferred to Brussels.<sup>77</sup>

As already mentioned, the WTO is based on the legal system which sets forth the 'rules of the game' in international trade. One of the cornerstone obligations of WTO law (as well as the old GATT 1947 system) is the most-favoured nation principle (MFN). In short, it requires WTO Members to treat products of another Member no less favourably than like products of any other country.<sup>78</sup> At the same time, as early as in 1960s, it was recognized that developing countries might require special treatment in order to address more effectively their development needs.<sup>79</sup> Since such special treatment would have constituted a violation of the MFN principle (some countries would be treated more favourably than others), a special waiver from the obligations of the GATT 1947 was adopted (GSP Decision<sup>80</sup>). This decision was subsequently amended in 1979 (Enabling Clause<sup>81</sup>) and incorporated in 1995 into the WTO legal system. The aim of all these efforts was to provide additional benefits to developing countries by increasing their export earnings, promoting industrialization and accelerating their rates of economic growth.<sup>82</sup>

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<sup>75</sup> On the WTO dispute settlement system, see, Palmeter David & Petros C. Mavroidis, *Dispute Settlement in the World Trade Organization: Practice and Procedure* (New York: Cambridge University Press, 2004).

<sup>76</sup> The EU acts within the WTO as the European Communities; for details see generally Leal-Arcas Rafael, *Theory and Practice of EC External Trade Law and Policy* (London: Cameron May, 2008)

<sup>77</sup> E.g. Poland, before the accession to the EU maintained its own system of tariff preferences for developing countries.

<sup>78</sup> Article I of the GATT 1994 defines less favourable treatment very broadly and enumerates relevant instances (customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, the methods of levying such duties and charges, as well as all rules and formalities in connection with importation and exportation).

<sup>79</sup> See generally, Lorand Bartels 'The WTO Enabling Clause and Positive Conditionality in the European Community's GSP Program', 6 (2) *Journal of International Economic Law* vol. 6(2) (2003), p. 507; the early efforts were particularly undertaken within the United Nations Conference on Trade and Development (UNCTAD).

<sup>80</sup> GATT Document, Generalized System of Preferences, Decision of 25 June 1971, BISD 18S/24.

<sup>81</sup> GATT Document, Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, Decision of 28 November 1979 L/4903.

<sup>82</sup> Compare, Recital (1) of the GSP Decision.

Unfortunately, the Enabling Clause was formulated in very broad and ambiguous language leaving many aspects open for competing interpretation. In general terms, it specifies that WTO Members may accord differential and more favourable treatment to developing countries (the decision to do this is a voluntary obligation), without according such treatment to other Members. Developed countries that want to establish preferential treatment are, however, expected to observe certain requirements, since trade preferences need to be: (i) generalized, (ii) non-reciprocal and (iii) non-discriminatory. Since the Enabling Clause does not explain the above terms, it is for the WTO case law to clarify their legal meaning. As far as first condition is concerned, the literature on this subject states that the term “generalized” was initially intended to ensure the non-discrimination; currently however this appears to be redundant.<sup>83</sup> The meaning of the second condition is equally ambiguous. One may read this term broadly and exclude any type of conditionality (i.e. preferential treatment cannot be conditioned at all). On the other hand, a more limited interpretation would exclude only those types of conditionality which relate to market access (i.e. additional tariff preferences in exchange for trade concessions from developing countries).<sup>84</sup> Note that both the *travaux préparatoires* as well as the recent ruling of the AB points to the second interpretation.<sup>85</sup> In consequence, it seems that under this requirement, it is possible to offer special tariff preferences and subject them to some non-market access conditions (e.g. observance of certain labour and environmental standards). The third requirement is arguably the most important one. Both the panel and the AB elaborated its content in some detail in order to assess the compatibility of the EC GSP scheme. Moreover, its interpretation raises some particularly difficult legal questions, hence why the following part of this article concentrates on this condition.

## II. The Old General System of Preferences

The previous EC General System of Preferences (Old GSP)<sup>86</sup> provided for five different schemes: (i) general GSP, benefiting all developing countries (subject to escape clause),<sup>87</sup> (ii) special incentive arrangements for observance of environmental standards, (iii) special incentive arrangements for observance of labour standards, (iv) special incentive arrangements to combat drug production and trafficking (Drug Arrangements), and (v) special arrangements for least developed countries (LDCs) or so-called “everything but

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<sup>83</sup> Bartels, *supra* note 79, at p. 523.

<sup>84</sup> *Id.* at p. 526 -530.

<sup>85</sup> *Id.* at p. 526.

<sup>86</sup> Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalized tariff preferences for the period from 1 January 2001 to 31 January 2004 (IJ 2001, L 346/1). Note also that the Old GSP was not the first EC scheme and the initial efforts can be traced back to 1971.

<sup>87</sup> *E.g.* Article 12.1 of the Regulation No 2501/2001 provided a possibility of removing tariff preferences in respect of products originating in a beneficiary country if the EC imports from that country exceeded 25 % of EC imports of the same products from all beneficiary countries.

arms” arrangements. Depending on the scheme, developing countries enjoyed different trade preferences (i.e. different tariffs and products coverage).

The conformity of the Old GSP with WTO law was examined in 2004 by the panel and the AB upon India’s request. India specifically asked for an evaluation of the Drug Arrangements.<sup>88</sup> In its report, adopted by the DSB on 20 April 2004, the AB found it incompatible with WTO law, particularly with the provisions of the Enabling Clause.<sup>89</sup> It condemned the system as inflexible (no mechanism for adding new countries to the list of beneficiaries), non-transparent (no conditions for assessing the status of a beneficiary) and arbitrary (no explanations on how the Drug Arrangements responded to the needs of developing countries).<sup>90</sup> In addition, the AB also made a number of more general observations, relating to non-discrimination condition. It found among others, that:

- in granting differential tariff treatment, developed countries are required to ensure that identical treatment is available to all similarly situated GSP beneficiaries;<sup>91</sup>
- the preference granting-country needs to positively respond to a development, financial or trade needs of developing countries, meaning that the response of a preference-granting country must be made with the view to improving a development, financial or trade situation of a beneficiary country, based on the particular need in question;<sup>92</sup>
- the existence of development, financial or trade needs must be assessed according to objective standards, while recognition set out in multilateral instruments adopted by international organizations could serve as such a standard;<sup>93</sup>
- a sufficient nexus needs to exist between the preferential treatment and the likelihood of alleviating the relevant development, financial or trade needs;<sup>94</sup>
- the tariff preferences accorded to some developing countries under the scheme cannot raise barriers nor create undue difficulties for the trade of any other contracting parties.<sup>95</sup>

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<sup>88</sup> Initially, India challenged all three EC schemes (special incentives arrangements for observance of environmental and labour standards as well as the Drug Arrangements), and only afterwards it limited its claim to the Drug Arrangements); *for details see*, Gregory Shaffer & Yvonne Apea ‘Institutional Choice in the General System of preferences Case: Who Decides the Conditions from Trade Preferences? The Law and Politics of Rights’, University of Wisconsin Law School, Legal Studies Research Paper Series, Paper No. 1008, 2006, p. 7.

<sup>89</sup> Appellate Body Report, *European Communities – Conditions for Granting of Tariff Preferences to Developing Countries*, WT/DS246/AB/R, adopted on 20 April 2004, para. 182.

<sup>90</sup> *Id.* at paras. 182-184 and 187-188.

<sup>91</sup> *Id.* at para. 154.

<sup>92</sup> *Id.* at para. 164.

<sup>93</sup> *Id.* at para. 163.

<sup>94</sup> *Id.* at para. 164.

<sup>95</sup> *Id.* at para. 167.

The AB addressed the first condition of the Enabling Clause only briefly, finding that term “generalized” requires that the GSP schemes of preference-granting countries has to be generally applicable. At the same time it also confirmed that a degree of conditionality in relation to the special preference systems is acceptable under WTO law and does not violate this requirement.<sup>96</sup> The AB did not address the second condition at all.

### III. The New GSP scheme

On 7 July 2004 the European Commission adopted guidelines on the Community's generalised system of preferences (New GSP) for the ten-year period from 2006 to 2015.<sup>97</sup> Subsequently, on 27 June 2005, the Council adopted regulation which sets out the rules for the operation of the New GSP system for a period of the first three years (2006-2008).<sup>98</sup> The new regulation (for a period 2009-2012) is currently in the process of being adopted. It reflects the basic provisions of the guidelines (and corresponding Regulation 980/2005) and introduces only small changes.<sup>99</sup> The new regulation is expected to be finalized by the end of September 2008 while the list of beneficiaries of GSP Plus will be established by a separate decision of the Commission in December 2008 (the applications for GSP Plus can be submitted by 31 October 2008). This obligation also applies to the current GSP Plus beneficiaries as they too need to re-apply.<sup>100</sup>

The New GSP provides for three different schemes of tariff preferences: (i) the general arrangement, (ii) a special incentive arrangements for sustainable development and good governance (GSP Plus), and (iii) a special arrangement for LDCs. The General Arrangement and GSP Plus are both selective, in the sense that not all products are considered as eligible for preferential treatment (meaning that non-eligible products are treated under the MFN rule). The products which are excluded consist, for example, of some agricultural goods, pharmaceutical products, arms and ammunition. The eligible products are divided into sensitive and non-sensitive categories. Sensitive products consist of a mixture of agricultural, textile, clothing, apparel, carpets and footwear items. They receive lower tariff reduction as compared to non-sensitive products. Note that the

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<sup>96</sup> *Id.* at para. 156.

<sup>97</sup> The Communication from the Commission to the Council, the European parliament and the European Economic and Social Committee, COM(2004) 461, Official Journal C 242 of 29.9.2004 (Communication).

<sup>98</sup> Council Regulation (EC) No. 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences (Regulation 980/2005).

<sup>99</sup> Proposal for a Council Regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011 and amending Regulations (EC) No 552/97, No 1933/2006 and Commission Regulations (EC) No 964/2007 and No 1100/2006 COM/2007/857/FINAL.

<sup>100</sup> Press release from the EC Commission, On the Scheme of Generalised Tariff Preferences (the GSP) in the Years 2009 - 2011, 8 April 2008, available at [http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc\\_138680.pdf](http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138680.pdf) (last visited on 10 July 2008).

distinction between those two categories reflects internal political consideration of the EC. Products that are classified as sensitive belong to those sectors of the EC economy which receive high protection.<sup>101</sup>

General arrangement covers about 7.200 products. With respect to non-sensitive products it exempts from all duties; as far as the sensitive products are concerned, a general tariff reduction of 3.5 percentage points to *ad valorem* duties compared to the application of the standard MFN tariff (with some exceptions). The list of countries qualified for the General Arrangement scheme is predetermined in the sense that all beneficiaries are enumerated in Annex I to the Regulation 980/2005. In addition, Article 3 of the Regulation stipulates that a beneficiary country will be removed from the list when it has been classified by the World Bank as a high-income country over three consecutive years, and when the value of the imports for the five largest sections of its GSP-covered imports to the Community represents less than 75% of the total GSP-covered imports of the beneficiary country to the Community. The Regulation, however, does not contain the provision which would allow for the immediate supplementation of a list with new countries. That can be done only in the review process, which takes place once every three years.

GSP Plus covers the same products as the General Arrangement. In general terms, all sensitive and non-sensitive products under GSP Plus are duty-free. That relates to both *ad valorem* and specific duties. The scheme is designed for vulnerable countries with special development needs. Beneficiaries, however, must meet a number of additional criteria. Regulation 980/2005 in particular states that:

- a beneficiary country needs to be considered a “vulnerable country” meaning that:  
(i) it is not classified by the World Bank as a high income country during three consecutive years, (ii) the five largest sections of its GSP-covered imports to the EC represent more than 75 percent of its total GSP-covered imports and (iii) its GSP-covered imports to the EC represent less than 1 percent of total GSP covered imports to the EC;
- a beneficiary country needs to ratify and effectively implement 16 conventions on human and labour standards and 11 conventions related to good governance and the protection of the environment;<sup>102</sup>

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<sup>101</sup> Note also that the distinction between sensitive and non-sensitive products does not violate WTO rules since the Enabling Clause does not require consistency in tariff reduction.

<sup>102</sup> The list of the conventions is available at [http://ec.europa.eu/trade/issues/global/gsp/memo230605\\_en.htm](http://ec.europa.eu/trade/issues/global/gsp/memo230605_en.htm) (last visited on 25 July 2008).

- a beneficiary country must agree to undertake and to maintain the ratification of the conventions and their implementing legislation and accept regular monitoring and review of its implementation record.

The Regulation 980/2005 also enumerates situations in which the preferential arrangements may be temporarily withdrawn (e.g. serious and systemic violations of principles laid down in the conventions, export of goods made by prison labour).

As it will be discussed below in more detail, the initial qualification round for GSP Plus status was very short. The countries that wanted to apply had approximately 5 months to submit their applications and to ensure their compliance with the above requirements.<sup>103</sup> It also should be noted that although all developing countries are potentially eligible to receive GSP Plus treatment, new countries can be included on the list not earlier than 2009, since the Regulation 980/2005 does not provide any mechanism which would enable their earlier inclusion.

Finally, there is a special arrangement for LDCs. The countries included in the list of the LDCs receive exemption from duties on all products except from arms and ammunition. The list of countries which qualify for a special arrangement is predetermined and all beneficiary countries are enumerated in the Annex I to the Regulation 980/2005. This list corresponds to the list of LDCs published by the UN High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. The Regulation 980/2005 also provides that when a country is excluded by the UN from the list of the LDCs, it is withdrawn from the list of the beneficiaries. There is no analogous provision with respect to supplementation of the list with new countries. Arguably that can be done during the review process once every three years.

#### **IV. Compatibility of the New GSP Scheme with WTO Law**

At the DSB meeting on 20 July 2005, the EC announced in the special Communication that the Drug Arrangements had been repealed as of 1 July 2005 and a new regulation had been promulgated bringing the EC into compliance with the DSB recommendations. The Communication directly refers to the decision of the AB,<sup>104</sup> while Regulation 980/2005 stresses that the Community's common commercial policy needs to comply with the

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<sup>103</sup> The following countries have been included to the GSP Plus scheme: Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Panama, Peru, Sri Lanka, and Venezuela.

<sup>104</sup> *See*, the Communication where the Commission stated that “the GSP ... must ... comply with the Enabling Clause as interpreted by the WTO Appellate Body in the recent case taken by India against Community's existing GSP scheme.”

WTO requirements, and in particular with the Enabling Clause.<sup>105</sup> At the same time, a number of developing countries have expressed their concerns with respect to the New GSP and its compatibility with WTO law.<sup>106</sup> It is also worth noting in this context that a precise assessment of the New GSP scheme is very difficult, as the AB findings refer predominantly to the Drug Arrangements, which do not have an equivalent in the new system. As discussed above the GSP regime as such was addressed only in general terms and only with respect to one particular condition (the non-discriminatory requirement). Nevertheless, it seems that some parts of the New GSP scheme (particularly GSP Plus) may be incompatible with the obligations provided by WTO law. The subsequent section will analyze these potential problems in more detail.

### **Identical Treatment For All Similarly Situated GSP Beneficiaries**

The term “non-discriminatory”, as interpreted by the AB, requires that identical treatment is accorded to all similarly situated GSP beneficiaries. It is disputable whether beneficiaries can be defined as “similarly situated” on the basis of their commitments and adherence to the international treaties and conventions. Countries that have not adhered to particular conventions may have exactly the same development needs (and in consequence be similarly situated) as those which have already gone through the ratification process. The same problem arises with respect to those countries which, although they have not been ratified by particular legal instruments, nevertheless observe the relevant requirements (e.g. on the basis of their national law). It is not clear in what sense their situation differs from countries that are party to a particular convention. Moreover, even within the group of beneficiaries (those countries that in fact have ratified relevant conventions) there could exist great differences<sup>107</sup>.

Arguably there are other criteria which reflect better the situation of potential beneficiaries. Moreover, these criteria also seem to fit more properly into other conditions enumerated by the AB (e.g. objective assessment of the existence of development, financial and trade needs). As an example, one can give the Human Development Index (HDI) published annually by the United Nations Development Programme, which is a comparative index reflecting the level of poverty, literacy, education, life expectancy,

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<sup>105</sup> Recital (2) of the Regulation 980/2005.

<sup>106</sup> See e.g., India statement during the DSB meeting on 20 July 2005, and more recently the discussion on the renewal of GSP Plus status for Sri Lanka ([http://www.tamilstar.com/news/lanka/article\\_7693.shtml](http://www.tamilstar.com/news/lanka/article_7693.shtml), last visited on 26 July 2008).

<sup>107</sup> As noted by one of the commentators, a country whose starting point was very backward will “be facing an unjustifiable burden by being asked to effectively implement the conventions to the same extent as countries which start from much more advance position” (James Harrison ‘Incentives for Development: The EC’s Generalized System of Preferences, India’s WTO Challenge and Reform’, *Common Market Law Review*, vol. 42 (2005), p. 1682).

childbirth, and other factors for countries. Would it not be natural to apply such a comprehensive indicator as a criterion for qualifying that two countries are similarly situated? If one applies HDI to the countries enumerated in the Regulation 980/2005, it appears that the beneficiary countries belong to completely different categories (e.g. Costa Rica which is qualified as having high HDI, while Guatemala is specified as having medium HDI). Under the Regulation 980/2005 they are in the same category. Besides, there are a number of countries qualified as having medium HDI which are not included in the list of the Regulation 980/2005 (e.g. Brazil or India).

### **Positive Response to Development, Financial or Trade Needs of a Developing Country**

The AB made clear that GSP schemes must respond positively to the needs to developing countries, namely to their development, financial and trade needs. One may wonder what, under the GSP Plus scheme constitutes a positive response to the above needs. Is it a requirement for developing countries to adhere to international labour, human rights and good governance conventions? Or it is rather an additional tariff preference granted to those countries which comply with pre-requirements of GSP Plus? Neither the Regulation 980/2005 nor the Communication provides any clear answer in this respect. For the sake of the subsequent analysis we will assume that actually both requiring the adherence to and observance of international conventions and tariff preferences can be qualified as positive responses.

One of the basic issues requiring clarification is the meaning of the expression “development, financial or trade needs of a developing country.” Some authors argue for a broad interpretation, submitting that the term “development need” should be understood as covering both economic and non-economic considerations. Indeed such an approach finds some support in other international legal instruments. As pointed out by Bartels, the 1986 UN Declaration on the Right to Development defines development as a comprehensive economic, social cultural and political process. A similar stance is taken by the 2002 UN Johannesburg Declaration on Sustainable Development, which supplements the above list with environmental concerns.<sup>108</sup> This broad reading allows one to accept that the requirement for adherence to (and observance of) certain international conventions may indeed constitute a positive response to development needs.

On the other hand, the above argument seems to contradict the explicit language of the GSP Decision, which enumerates solely economic objectives. According to its third

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<sup>108</sup> Lorand Bartels ‘The WTO Legality of the EU’s GSP+ Arrangements’, *Journal of International Economic Law*, vol. 10 (4) (2007), p. 875.

recital, the generalized system intends to increase export earnings, to promote industrialization, and to accelerate rates of economic growth of developing countries. Note that all these objectives have a purely economical character. Exactly the same language was included in the 1968 UNCTAD resolution, the organization which acted as an initiator of GSP schemes.<sup>109</sup> This clearly shows that the negotiators wanted to limit the disciplines of the differential and special treatment within the GSP schemes to only economic issues. This interpretation is also supported by the language used by the AB in its report. The AB, when discussing this issue stressed that a development need must be by its very nature something that can be effectively addressed through tariff preferences.<sup>110</sup> This statement clearly indicated a strong economic dimension of a “legitimate” need.

This narrow reading (i.e. exclusion of non-economic needs from the coverage of the Enabling Clause) is, however, not fatal to the GSP Plus scheme. Arguably there is nothing in the language of the Enabling Clause which would require a direct connection between proposed action and the alleviation of a particular need (in the economic sense). In consequence, it seems that the relationship can be construed as being more indirect and remote (e.g. the requirement to adhere to a particular set of conventions will only contribute indirectly to the alleviation of certain economic needs). This understanding seems also to be reflected in the Communication which stressed that there is a link between development in the economic sense and a great respect for basic human, labour rights, for the environment and for basic principles of governance.<sup>111</sup> Although there are some economic studies<sup>112</sup> which suggest a positive correlation between compliance with the core labour standards and higher levels of economic growth, there is no decisive evidence in this respect. As far as the protection of the environment and compliance with human rights is concerned, there is even less evidence with some researches postulating a lack of any connection.<sup>113</sup> Nevertheless, it is yet to be seen how the panel and the AB will address this issue.

### **Does Not Create a Barrier or Undue Difficulty For the Trade of Any Other Contracting Party**

The AB also required that the special preferential treatment accorded to some developing countries under the scheme cannot raise barriers nor create undue difficulties for the trade

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<sup>109</sup> *Compare*, Resolution 21 (ii) taken at the UNCTAD II Conference in New Delhi in 1968.

<sup>110</sup> Appellate Body Report, EC – Tariff Preferences, *supra* note 89, para. 164.

<sup>111</sup> Communication, *supra* note 97, at 10.

<sup>112</sup> OECD, Trade, Employment and Labour Standards; A Study of Core Workers Rights and International Trade (1996).

<sup>113</sup> Compare with the literature cited in Martina Chabreckova, Michael Zeugin & Jinghui Wang ‘The EU GSP Program Challenged by India: An Evaluation of the Case, the Political Conditionality in GSP Schemes and the Future Consequences’, a paper available at <http://hei.unige.ch/sections/sp/agenda/wto/Geneva%20-%20Paper%20on%20GSP.pdf> (last visited on 25 July 2008).

of any other WTO Member. Some authors claim that the GSP Plus indeed creates such undue difficulties for non-beneficiary countries. Although the number of empirical studies assessing the influence of the GSP programs on the export from non-beneficiaries countries are few (if any), it seems that the impact may be very limited. Note that the countries which benefit from GSP Plus scheme are rather small economies in terms of their export to the EC. Due to their size they are not able to affect the prices of goods on the EC internal market because their export is insignificant relative to the size of the market. Moreover, the definition of a vulnerable country (which is a prerequisite for qualifying for GSP Plus) is such that a country may qualify for the GSP Plus scheme only if its GSP-covered imports to the EC represent less than 1 percent of the total GSP covered imports to the EC. This additionally limits the influence of the exporters from any beneficiary on the the internal price in the EC. Since the prices of particular goods are not affected, the conditions of the competitions for non-beneficiary countries remains as it would be without a GSP Plus scheme.<sup>114</sup> In consequence, it may be assumed that the GSP Plus system does not generally raise barriers nor create undue difficulties for the trade of any other WTO Member.

What can be troublesome for a country is its withdrawal from the list of the beneficiaries. Note that the cost of the production of a particular good in a beneficiary country may be at such a level that when combined with the applicable EC tariff, it could result in the price that will exceed a market price at which goods are sold on the EC internal market (either because of low efficiency of the production process in the exporting country, or because of high EC tariffs applicable to particular goods). In such a case, removal of the country from the list of beneficiaries will have catastrophic consequences for its export capacity since a country will not be able to compete with other countries. This situation, however, is not covered by the instruction provided by the AB.

### **Objective Criteria**

According to the AB selection of the beneficiaries of GSP should be based on objective criteria. At first sight it seems that GSP Plus complies fully with this condition. However, a closer inspection reveals some problematic issues. If one compares the list of the countries included within the Drug Arrangements and that of GSP Plus, it appears that essentially the same countries are covered by both lists (with the exception of three new countries under the GSP scheme which were, however, applicants under the Old GSP, i.e. Sri Lanka, Georgia and Mongolia). All countries included in Drug Arrangements, except from

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<sup>114</sup> *Compare also*, Gene M. Grossman & Alan O. Sykes 'A Preference for Development: The Law and Economics of GSP', International Law Workshop, University of California, Berkeley, Paper No. 6 (2004), p. 23.

Pakistan, became qualified the GSP Plus scheme. Moreover, as it was mentioned above, the deadline for initial submission for GSP Plus requests was quite short. The Regulation 980/2005 was adopted by the Council on 27 June 2005 while the deadline for submission of the requests was set for 31 October 2005. This short period may indicate that the selection of conventions was made in order to qualify predetermined countries. In consequence, it may be argued that the EC did not base the selection on the objective criteria but made a conscious choice to limit the benefits under the GSP Plus largely to those countries that previously benefited from the Drug Arrangements.

The above observation on the arbitrary character of the list is additionally supported by the selection of the conventions for the purpose of the GSP Plus program. As noted by Bartels, the list includes, for example, the Apartheid Convention which was not ratified by two-thirds of EU Member States. At the same time, the list does not contain the UN Migration Convention which is considered as central to the human rights convention.<sup>115</sup> Moreover, inclusion of some conventions on the list seems to be motivated by internal political considerations rather than development needs. For example, the EC requires ratification of the Cartagena Protocol on Biosafety, the convention which is sometimes perceived as a European initiative reflecting its aversion towards genetically modified organisms. Therefore, the GSP Plus may be seen as a way of promoting certain policies of the EC rather than addressing development needs of other countries.

It also needs to be noted that the above problem (at least with respect to the time necessary for the required adjustments to take place) is somehow mitigated in the current qualification round. Potential applicants have over three years to meet the criteria set out by the Communication. Of course, this fact alone does not change the general concern with respect to the selection of the conventions.

### **Flexibility of the GSP Scheme**

The AB, when assessing the Drug Arrangements noted that the system was not sufficiently flexible,<sup>116</sup> in the sense that there was no mechanism for adding new countries to the list of beneficiaries. The New GSP Plus scheme definitively constitutes an improvement. Potential beneficiaries may be added to the list during the review process which takes place once every three years. Nevertheless, one may still question whether that time is not too long. The Regulation 980/2005 does not provide any special

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<sup>115</sup> Bartels, *supra* note 108, at p. 878 (also giving an example of the Genocide Convention which was not ratified by Malta, and another case includes the UN Convention against corruption which was not ratified by Estonia).

<sup>116</sup> Appellate Body Report, EC – Tariff Preferences, *supra* note 89, para. 182; *compare also* with the findings of the AB in the *United States - Import Prohibition of Certain Shrimp and Shrimp Products* WT/DS58/AB/R, adopted on 6 November 1998, para.117.

procedure which would allow immediate incorporation of a country that fulfils the necessary conditions to the list of beneficiaries. In consequence, it may be the case that a country which complies with all the requirements of the regulation cannot take advantage of tariff preferences until the new review process has been completed. Moreover, the inflexibility of the system may be also criticized on more general grounds. Note that the GSP Plus system refers to formal requirements (adhesion to particular conventions) without providing an applicant with the possibility to prove the actual observance of certain labour, environmental or goods governance standards. Whether such an approach meets the threshold set by the AB is highly disputable.

Again there is a good chance that this specific drawback of the GSP Plus scheme will be remedied to some extent. The European Parliament, when reviewing the Commission proposal concerning the new regulation for a period of 2009-2012, proposed to introduce a provision which allows a country complying with all relevant criteria after 31 October 2008 to request the granting of special incentive arrangements. The list of countries eligible for the GSP Plus scheme will be reviewed and supplemented, if necessary, on an annual basis.<sup>117</sup>

## Conclusions

This article argues that a part of the new EC GSP scheme (i.e. GSP Plus) contains elements which appear to be inconsistent with the obligations of the EC under WTO law. In particular the article questions whether different countries may be considered as similarly suited on the basis of their adherence to international treaties. In this context, it proposes to apply other criteria such as HDI. The article also submits that development needs as provided in the Enabling Clause should be understood in an economic sense. At the same time, the article recognizes that the EC as a party bearing the burden of proof in potential WTO proceedings, may have difficulties in providing evidence on the existence of a relationship between development and adherence to labour or environmental standards. Another feature of GSP Plus, which seems to be disputable from the perspective of WTO law, is the objectivity of the criteria used by the EC. The short application period and the selection of the conventions cast serious doubts as to the good faith of EC actions. Finally, the article also criticizes the inflexibilities which are built into

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<sup>117</sup> European Parliament legislative resolution of 5 June 2008 on the proposal for a Council regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011 and amending Regulations (EC) No 552/97, No 1933/2006 and Commission Regulations (EC) No 964/2007 and No 1100/2006 (COM(2007)0857 – C6-0051/2008 – 2007/0289(CNS)).

the GSP Plus system (i.e. lack of procedure to allow for the immediate inclusion of new beneficiaries).

On the other hand, one also needs to realize that despite the above legal deficiencies of the GSP Plus scheme, it may be politically impossible for developing countries to bring a case to the WTO. As noted in the literature, such an action could endanger the existence of a different general system of preferences, since nothing in WTO law requires donor countries to maintain schemes that are no longer politically acceptable.<sup>118</sup> Moreover, it also seems that the current EC proposal addresses some flaws of the system in a manner which is compatible with the obligations of the Enabling Clause. This can also reduce a tension between the EC and potential beneficiaries.

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<sup>118</sup> Grossman & Sykes, *supra* note 114, at p. 19.

# FUNDAMENTAL RIGHTS PURSUANT THE TREATY ON LISBON

## Roman Jurík

**Abstract** Human rights are important modern value for European nations. They play role in integration proceeds as well. However, within the European Union is missing sufficient legal regulation of fundamental rights. The new Treaty on Lisbon improves this matter. Firstly, Lisbon Treaty refers to the Charter of Fundamental Rights of the European Union, witch should be legal binding according to the Treaty. Secondly, pursuant to the Lisbon Treaty European Union should accede to the European Convention on Protection of Human Rights and Fundamental Freedoms. The European Convention is the fundamental rights treaty witch was adopted within to the Council of Europe. When the European Union will access to the European Convention, the European Convention, citizens of European Union will be enabled to apply to the European Court for Human Rights, the institution of the Council of Europe, against the European Union and their institutions and bodies.

**Keywords** Fundamental rights, Human rights, European Union, Treaty on Lisbon

## Introduction

Human rights protection is important issue of European legal culture. It is one of the fundamental legal principles. This was valid many centuries ago and it is actual nowadays as well. This issue have been actually also in the process of the European integration. The Treaty on Lisbon brings any innovations in this area.

### I. Short historical review

European Union (EU) is the association of states with respect any important principles in particular principle of saving of fundamental rights as mentioned. This principle is expressed in preamble and in Art. 6 of the Treaty on European Union (hereafter TEU or Treaty on EU). Especially Art. 6(2) of the TEU refers to the European Convention for the Protection of Human Rights and Fundamental Freedoms (hereafter European Convention). Even, human rights protection isn't only a declaration in EC/EU treaties. Court of Justice of European Communities have many times decided, that violation of fundamental rights is violation of EC law as well. By this decisions European Court of Justice considers that fundamental rights are superior then EC law. Legal basis of such decisions is, apart from case law, the refers to the fundamental right protection in EC/EU treaties. Fundamental rights protection is considered for one of the principles of the European Union law.

However, EU hasn't got any binding document which saves fundamental human rights. First attempt for codification of fundamental rights was the idea of access of the European Community to the European Convention. Before the accession the a Council of EU requested the Court of Justice, if the Community can to access to the European Convention. The Court adopted in March 1996 Opinion 2/94 according to which the Community hasn't the competence to access to the European Convention.

Next step to codification of the fundamental rights was adopting of the Charter of Fundamental Rights of the European Union in 2000. The "History" of this Charter is quite interesting in that aspect, that it has been until today adopted three times yet. First time was the Charter adopted by the European Parliament, Council of EU and the European Commission in 2000. It was proclaimed on December 7<sup>th</sup> in Nice during the session of the European Council. On this session of European Council was adopted the Treaty of Nice and the Charter informally hanged together with Treaty of Nice and with prepared institutional reform which have resulted with the unsuccessful Constitution for Europe. Second time was the Charter adopted as II. Part of the Constitution for Europe with the name "Charter of Fundamental Rights of the Union" in 2004. In the text of the Charter was made small changes. The changes reflected on the another names of EU institutions and bodies, on the cancelling of European Community and on the results of work of the the Convention on future of Europe. And last time the Charter have been adopted on December 12<sup>th</sup> 2007. However, the Charter is only a declaration, legal unbinding document. If the Constitution for Europe would entry in force, than the Charter would be, as part of the Constitution, legal binding. Constitution for Europe is now only history and it won't every enter into force.

Constitution for Europe was interesting in human right protection aspect in the point as well, that according to Art. I-9(2) of the Constitution EU should access to the European Convention.

## **II. Treaty on Lisbon**

Today is the Treaty on Lisbon an actual document for the European Union. Treaty is undersigned and now whole EU is waiting, if it will be ratified with all EU member states. It is common known, that most dramatic ratification will be in Ireland due to the obligatory referendum.

It is good known, that the Treaty on Lisbon have receipted main parts from the Constitution for Europe. Formally is the Treaty on Lisbon different in this way, that it doesn't derogate most important EC/EU treaties, especially Treaty on European Union

and Treaty establishing European Community. Treaty on Lisbon provides deeply changes in this treaties only and renames the Treaty establishing European Community. Except of this Lisbon Treaty rennumbers the establishing treaties (Treaty on European Union and Treaty establishing the European Community, witch should be renamed to Treaty on the Functioning of the European Union). The Constitution for Europe had substitute this treaties and had create new legal basis of the Union. Lisbon Treaty should provide institutional reform witch was expected from the Constitution for Europe. The institutional reform through Lisbon Treaty is very similar than the reform included in the Constitution for Europe. There are only few changes. Most important change of the institutional reform in Lisbon Treaty vis a vis the Constitution for Europe is the timing of using of qualified majority in the Council and in the European Council (from 2014 with transitional period until 31 March 2017 in witch should be possible, on request of any member state, to use “old model” of qualified majority). But most significant differences between the constitution for Europe and the Treaty on Lisbon are another outward attributes. The Constitution had the provocative name “Constitution”, Lisbon Treaty is “only” “Treaty”. Lisbon Treaty doesn’t include provisions on symbols of the Union.

The Treaty on Lisbon brings interesting new provisions related to the human rights protection. This provisions were in the Constitution as well, however Lisbon Treaty brings any news. Firstly, the Charter of Fundamental Rights of EU should be legal binding, secondly EU should access to the European Convention. This are nearly the same provisions as the fundamental rights provisions in the Constitution for Europe

### **III. Charter of Fundamental Rights of EU**

The Charter of Fundamental Rights of EU is only declaration of the European Parliament, the Council and the Commission. The Charter hasn’t form of international treaty. It isn’t part of the Lisbon Treaty. Through them it should be legal binding. Lisbon Treaty refers to the Charter. In art. 8 (1) of the Treaty on EU, amended by the Lisbon Treaty, is written: “*The Union recognises the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union of 7 December 2000, as adapted at Strasbourg, on 12 December 2007, which shall have the same legal value as the Treaties.*” It could be said, that the Charter is indirectly incorporated to the funding treaties due this next provision of TEU. The Charter will be quasi international treaty and part of EU primary law.

According to the Protocol 30 annexed to the TEU and to the Treaty on the Functioning of the EU, the Charter won’t be de facto binding for Poland and for United

Kingdom. Pursuant to the Constitution for Europe no one member state have exception from the Charter.

#### **IV. Content of the Charter**

The Charter of Fundamental Rights of EU have got preamble and 7 titles. Title I of the Charter had the name Dignity. It contains the most basic human rights of the people which are typical for the European legal culture. There is for example the right to life and total prohibition of death penalty.

Name of title II is Freedoms. In this are rights also typical for the European area as right to liberty and security (Art. 6 of the Charter), right to protection of personal data (Art. 8), freedom of thought, conscience and religion (Art. 10), freedom of expression and information (Art. 11) etc. Specific right is guaranteed in Art. 15 of the Charter. According to this article everyone has right to engage in work and to choose an occupation. Citizens of EU have more rights relative to the right to engage in work and to choose the occupation. Interesting is the right of the citizens of EU to seek employment, to work, freedom of exercise of right to establishment and to provide services in any EU member state. This right have EU citizens now also, however, it is one of the basic freedom of the internal market and it haven't been conceived as fundamental human right.

The most controverts rights are in Titles III and IV. Non-discrimination is worldwide recognised right. However, pursuant to Art. 21 of the Charter in European Union should be prohibited discrimination based i. a. on sexual orientation. Then, in Chapter IV are any social rights which consider some experts as incompatible with the liberal economy. For example in Art. 27 expressed workers' right to information and consultation within the undertaking, right to protection in the event of unjustified dismissal based in Art. 29 or right to social security and social assistance according to Art. 34.

Chapter V of the Charter, named Citizens' Rights, should guarantee usual political rights. There are such rights as right to vote and to stand as a candidate at elections to the European Parliament and at municipal elections (on Union level is't guaranteed the right to vote in the state Parliament; this right belongs to the nationals of the state and not to the strangers even when they are EU citizens) given in Art. 39 and 40, right to petition (Art. 44), freedom of movement and of residence (Art. 45) and for Union specific right to diplomatic and consular protection (Art. 46), which include the right to protection by the diplomatic or consular authorities of any Member State, on the same conditions as the nationals of that Member State, when the EU citizen is in the territory of a third country

in which the member state of which he or she is a national is not represented. In Art. 41 is given the right to good administration. However, this right should protect the EU citizens only for the EU and its institutions and bodies. Unusual is the EU citizenship which makes from European Union more than conventional international organisation.

Title VI include right to an effective remedy and to a fair trial and related rights.

## **V. European Convention**

Convention for the Protection of Human Rights and Fundamental Freedoms called European Convention also is the most important international legal document on human rights protection on the European Continent. The European Convention have been adopted on November 4<sup>th</sup> 1950 in Roma by the Council of Europe member states. It have entered into force on September 3<sup>rd</sup> 1953. The European Convention was amended with 14 protocols. The Convention was most impacted by the Protocol No. 11. The Protocol No. 11 reformed control mechanisms of the European Convention and made them more effective. It deleted the European Commission for Human Rights. This protocol have been adopted in 1994 and entered into force in 1998. Latest protocol amending the European Convention, Protocol No. 14, have been adopted in 2004 and haven't still entered into force.

The European Convention have two main sections. Section I – Rights and Freedoms – contains list of rights and freedoms of people. Section II – European Court of Human Rights – is about control mechanisms for the human rights protection guaranteed by the European Convention. The catalogue of rights in Section I of the European Convention is the typical schedule of fundamental rights. Most important right for the people, right for life, is given in Art. 2. The right on life according to Art. 2 of the European Convention doesn't include death penalty prohibition. Death penalty prohibition have been inducted later. First time it was death penalty prohibition enacted by the Protocol No. 6 undersigned in 1983. However, death penalty according to the Protocol No. 6 had any exemptions. Mainly, it was possible to execute the death penalty in war. But the Protocol No. 13 from 2002 have absolute prohibited death penalty without any exemptions.

Very important right – right to a fair trial – is expressed in Art. 6. This right is violated very often most cases settled by the European Court on Human Rights are causes of violations of the Art. 6 of the European Convention.

Section II of the European Convention provides control mechanism of the Convention. The most important institution watching over the rights following is the European Court on Human Rights with she seat in Strasbourg. Every person who means that the Council of Europe member state have violated his or her rights given by the European Convention or the protocols amending the European Convention (it haven't be only national of this member state or in certain cases it haven't be national of any Council of Europe member state) can apply to the Court. Decision of the Court is for the individual as well as for the state binding.

The number of signatories of the European Convention is the same as the number of the Council of Europe member states – 47 (state in 2008).

European Convention is binding for all member states of the Council of Europe. Therefore all EU member states are also member of the Council of Europe, the rights included in the European Convention protect people in whole European Union. However, the European Convention isn't binding for the European Union (European Communities) and for their institutions and bodies.

Pursuant to the Art. 6(2) Treaty on EU shall access to the European Convention for the Protection of Human Rights and Fundamental Freedoms. European Convention is open to signature according to the Art. 59(1) of the Convention for the member states of the Council of Europe and it should be ratified. However, European Union isn't a state and isn't member of the Council of Europe as well. Apart of them, EU acts in aspect of regime of international treaties as international organisation. And as international organisation EU cannot ratify any international treaty.

Access of the EU to the European Convention have to subsumed to another regime as states – Council of Europe member states. The access of EU to the European Convention shall have another regime as accession of a state. There will be necessary to conclude special agreement. Lisbon Treaty takes account of special agreement related to the access of EU to the European Convention. Protocol No. 8 annexed to the treaties. This agreement shall regulate issues like participation of the EU in control mechanisms of the European Convention – translated to common used language, if EU should have it's own judge on the European Court of Human Rights, or if Union will have only ad hoc judge, when the European Court will act on case where EU will be a party. Than, if the Union will have it's own judge, if he will take part in committees and chambers when the European Court will consider case where Union won't be a party ect. Actually, it was questions of the Council of EU in case 2/94.

Access of the EU to the European Convention will guarantee the citizens of EU possibility to give applications against the EU and its institutions and another bodies to the European Court of Human Rights. Interesting will be, that it will be possible to give application against the Court of Justice of EU and another EU courts.

## **VI. Charter of Fundamental Rights of EU vs. European Convention**

The Charter of Fundamental Rights of EU as well as the European Convention are documents regulating fundamental human rights. Both are international treaties (through the Charter should be only quasi international treaty but with the power of international treaty). On the EU level should be two documents regulating human rights. Both documents will be binding for the national authorities (European Convention is still binding for national authorities). There could arise problem, what to do in situation when this two documents will include another or contradictious provisions. This situation will consider courts. Today we can only speculate about such situation. However, we can see conflict in provisions on election. European Convention guarantees free election, the Charter guarantees only election for all EU citizens into European Parliament and into local selfgovernment bodies. Or, the Charter guarantees non-discrimination for purpose of sexual orientation, the European Convention guaranties non-discrimination also, however not expressly for sexual orientation.

## **Conclusions – not only human rights related**

European Union is today considered for transnational organisation or international organisation sui generis. Sometimes it could to heart on European Union as on confederation and many people in EU afraid that EU changes to federation or to “United States of Europe”. European Union have today any characters of statehood. EU is (or European Communities are) member of another international organisations, it has its own currency, it is actor in international relations, it has its legal system witch has in the 1<sup>st</sup> pillar of EU character of national law. Accession of EU to the European Convention for Human Rights and Fundamental Freedoms will strengthen statehoods nature of EU. However EU won't be a state. Strengthening of statehoods nature of EU could strengthen its power in international relations. If the way to strengthen of statehoods nature of EU leads over human right protection, it is perhaps a got way.

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# EUROPEAN UNION'S MEASURES TO GUARANTEE SUSTAINABLE DEVELOPMENT IN EU AND NON-EU COUNTRIES

## Przemysław Kniaziuk

**Abstract** The article discusses various measures that the European Union activated to guarantee the sustainable development both on the European continent and in the world. The author describes regional policy, as well as support for Accession Countries and neighbours of the EU countries. Finally, the author presents the programmes that support stability and sustainable development in the countries in other continents.

**Keywords** regional policy, Instrument for Pre-Accession Assistance (IPA), European Neighbourhood and Partnership Instrument (ENPI), European Development Fund (EDF), Development Co-operation Instrument (DCI)

## Introduction

Geopolitical changes, which took place in postwar Europe, have created large differences in the division of welfare, not only between countries of the united Europe, but also their regions. Similarly, the process of globalisation has left its stamp on the unequal distribution of welfare, strengthening the centres of development and depriving less developed regions of resources. The EU extension in 2004 and 2007 has shown how visible the differences between the regions of 27 Member States are. The GDP per capita in Luxembourg in 2006 amounted to 280% of the Union's average, while at the same time the GDP in Bulgaria amounted to as less as 37% of the Union's average, which depicts a seven-fold difference between these countries.<sup>119</sup> Such differences were even more visible in 2004 when the GDP per capita of the Inner London region amounted to 303%, while the same index per capita in the north eastern region of Romania amounted to 24% of the EU's average. Taking into account that the regional coherence is present when GDP per capita of one region does not exceed the doubled value of GDP of the other region<sup>120</sup>, it can be clearly observed how large the economic dispersion between regions of the EU is. Vanhove and Klassen defined the origin of these differences. According to these authors the differences stem from the following factors: low mobility of workforce, low mobility of the capital, difficult geographical conditions and institutional barriers.<sup>121</sup> To make things worse, the dispersion between EU countries and non-EU countries is even greater

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<sup>119</sup> [www.eurostat.eu](http://www.eurostat.eu) (Annual Report on Member States)

<sup>120</sup> L.J. Jasiński, Spójność ekonomiczna regionów w Polsce na tle krajów Unii Europejskiej i II Rzeczypospolitej, *Gospodarka Narodowa*, nr 4, 2002, p.32.

<sup>121</sup> A. Vanhove, L.H. Klaasen, *Regional Policy*, 1999, p. 2.

and difficult to assess as the statistical data of non-EU countries is not coherent with this collected by statistical offices in EU countries and Eurostat.

## **I. Regional policy inside and outside of the European Union**

The above-mentioned examples show, how great the expectations on regional policy are, especially now, after the accession of Central and Eastern European Countries. Such high differentiation has not yet taken place in the EU, thus it seems obvious that the importance of regional policy as well as financial measures were increased in the 2007 – 2013 Programming Period. To spark off positive changes and enhance preparatory measures in the Pre-Accession Countries a new Instrument for Pre-Accession Assistance was initiated in 2007. Also, for non-EU countries being neighbours of the EU counterparts the European Neighbourhood Policy with the European Neighbourhood and Partnership Instrument is being implemented. Last but not least, the Union's financing measures contribute to securing stability on different continents. The EU in 2007 was the largest donor for African, Caribbean and Pacific Countries (ACP) providing financial resources within the framework of the European Development Fund. Significant financial resources are also transferred to less developed countries in South Africa, Latin America, Asia and Central Asia as well as Middle East within the framework of the Development Co-operation Instrument (DCI). Apart from these, there are also resources provided for promoting democracy and human rights, stability and nuclear safety. All these measures contribute to general sustainability of the continent and the world.

The regional policy led by the European Union is of importance not only for European countries. It has also aroused the interest of large countries from the outside of the European continent, such as: China, Russia, Brazil, and India. A memorandum of understanding on the cooperation within the field of regional policy was signed in 2006 between EU and China, whereas a memorandum of understanding with the Russian Federation on the exchange of information and best practices within the field of creation and implementation of cohesion policy was signed in 2007.<sup>122</sup> Furthermore, Brazil is interested in exchanging experience on regional Policy with the European partners and is observing the undertaken activities<sup>123</sup> to implement them on its own territories, which are very differently developed in terms of economic structure. Regional policy is the most important area of intervention included in the Commission's communication "Strategic partnership EU – Brazil" concluded in 2007. The Brazilian regional policy, coordinated by

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<sup>122</sup> Source materials OPEN DAYS 2007

<sup>123</sup> Ibidem

the Brazilian Ministry of National Integration, is based on the European experience, especially where concerning the initiatives of the civil society and bottom-up initiatives. The European experience was implemented especially in the less developed and poorer northern states of Brazil. Within the national strategy of development of Brazil, a national fund of regional development was implemented. It is operating similarly to the European Regional Development Fund. The activities undertaken by international organizations like Mercosur and West African Economic and Currency Union in other parts of the world also take advantage of EU countries long term experience.

In the Central and Eastern European countries an increased interest has been observed in the field of regional policy since the 90-ies. Such increase was caused by factors such as: bringing under control the galloping inflation, introduction of the new administrative division, establishment of the self-governmental system, introduction of the subsidiarity principle in the national policy, visibility of the territorial disproportions between the regions of the country, and finally, the accession to the EU and the presence of new financing possibilities of such a development.

Nevertheless, the current theories of development, particularly the ones implemented by the International Monetary Fund and the World Bank, mainly in the countries of the Third World, are being subject to critic.<sup>124</sup> The criticism stems from the fact that the experts are trying to create one general model of development, taking into account a limited number of indicators, mainly GDP per capita, and making the comparison between the countries on this basis. The same subject to criticise is the regional policy led by the European Union, generally by the countries which pay into the EU's budget more than they are allowed to take out. The excess of bureaucracy, present while dividing and transferring funds, is often being criticized, even by the institution of the European Union itself, the European Parliament. Exemplary situation when trainings on how to use EU funds are financed from the EU funds constitutes a paradox.<sup>125</sup> In spite of these criticisms and proposals of changes, the EU's regional policy as well as the European Neighbourhood Policy, subjects to constant evolutions and a few revolutions, has continuously been existent, and their results are visible in the economic change, creation of new jobs and change of investment models.

In the Programming Period 2007-2013 a record number of financial measures amounting to 348 billion EUR (Structural Funds and Cohesion Fund) is devoted to the

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<sup>124</sup> Wiliam Easterly, *Dyktatura Rozwojowców*, Wprost, 22 July 2007 r. za Foreign Policy nr 161 (July/August 2007) [www.foreignpolicy.com](http://www.foreignpolicy.com), Carnegie Endowment for International Peace

<sup>125</sup> Piński A., Piński J., *Unia głupich inwestycji*, Wprost, 30 September 2007

development of regions. This is caused by the fact that there are new challenges lying before the extended Community. The financial measures to the large extent (about 81,5 %) are devoted to the support of the poorest regions, a part of the measures (about 16%) is devoted to the support of competitiveness and employment in better developed regions, and the rest (about 2,5%) will be addressed to support European Territorial Cooperation. The idea of backing up less developed regions is admirable, but the adversaries claim that the measures devoted to the support of competitiveness are scarce, and the part addressed to the support of least developed regions is too excessive. The present solution however guarantees the stability of 27 countries in Europe. Also the fact that the EU will have to cope with such issues as climatic changes, increasing energy prices and swiftly aging inhabitants appeals for allocating larger amounts to the less developed regions which otherwise would not be capable to tackle these problems with using their own funds. It is also worth mentioning that the amount of resources devoted to R&D, innovation, information society, as well as energetic efficiency has doubled.

This increase in the interest in EU financed policies results from the growth of resources for such purposes, and naturally, with the higher probability of receiving such resources. Many countries, regions and private bodies take advantage of the offered possibilities and start initiatives which in various ways have impact on the development of a specific region. However, at the same time the institutions managing such funds are drawing more and more attention to the analysis of the achieved results and impacts. The factors boosting the economic development are in the spotlight. It must be noted that mere giving accessibility to external financing does not guarantee achieving success, especially in the less developed areas, where administrative, manpower and absorption barriers are present. They often cause that the funds are not used or misused. Thus, the usage of funds is a subject to stricter evaluation, which is politically required by the countries contributing large amounts to the EU's budget.

## **II. The development of measures of assistance to non-EU countries neighbouring with the EU**

The Neighbourhood Policy as well as the policy of supporting Pre-Accession countries takes advantage of long term experience gained in the EU countries while implementing regional policies. The modern policy of supporting EU neighbouring countries dates back to 1989 when facing the new geopolitical situation in Central and Eastern Europe the European Commission implemented three new programmes to finance the necessary transitions in the Pre-Accession Countries: PHARE (Poland and Hungary: Assistance for

Restructuring the Economies), ISPA (Instrument for Structural Policies for Pre-Accession), and SAPARD (Special Accession Programme for Agriculture and Rural Development). PHARE and SAPARD programmes ran until 2006, while financial measures from ISPA programme were redirected to Croatia since 2005. As far as the countries of the Commonwealth of Independent States were concerned, the Commission in 1991 launched a special programme for them called TACIS (Technical Aid to the Commonwealth of Independent States). It is worth mentioning that after the Copenhagen Council's invitation to Central and Eastern European Countries to access the EU, the objectives of the PHARE programme were redirected to support this aim. Simultaneously, the integration process with Mediterranean Countries was deepened in 1995 when the Euro-Mediterranean Foreign Ministers launched the Barcelona Process which currently brings together 27 Members of the European Union and 12 Southern Mediterranean states.<sup>126</sup> To provide financial resources this for aim the European Commission started in the same year programme MEDA (Euro-Mediterranean Partnership) which ran until 2006. Also Balkans, where the Yugoslav Wars caused significant losses of inhabitants and infrastructure, received financial support. The affected countries received financial measures within the scope of the programme CARDS (Community Assistance for Reconstruction, Development and Stability in the Balkans) which started in 2001 and ran until 2006. After the accession of Central and Eastern European Countries and their joining the mainstream of Structural Funds and Cohesion Fund and consequent financial changes in the EU budget, the new instruments for non-EU countries have been introduced.

### **III. Assistance for candidate countries and the potential candidate countries as well as EU neighbours**

In order to prepare candidate countries and the potential candidate countries for future EU accession the European Commission introduced in 2007 the new financing source called IPA (Instrument for Pre-Accession Assistance) was initiated. This instrument replaced PHARE, ISPA, SAPARD, and CARDS programmes and the subjects are Croatia, the Former Yugoslav Republic of Macedonia, and Turkey as candidate countries and Albania, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia as potential candidate countries.

The aims of the IPA are the following:

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<sup>126</sup> [http://ec.europa.eu/external\\_relations/euromed/index\\_en.htm](http://ec.europa.eu/external_relations/euromed/index_en.htm) (26.07.2008)

- support institution-building and the rule of law, human rights, including the fundamental freedoms, minority rights, gender equality and non-discrimination;
- support administrative and economic reforms, economic and social development;
- reconciliation and reconstruction;
- regional and cross-border cooperation.

These aims are achieved through five components, two of the components are devoted to all IPA countries, whereas three other components are devoted only to the candidate countries. Two components for all involved countries cover:

- "support for transition and institution-building", aimed at financing capacity-building and institution-building;
- "cross-border cooperation", aimed at supporting the beneficiary countries in the area of cross-border cooperation between themselves, with the Member States or within the framework of cross-border or inter-regional actions.

Three components for candidate countries only are the following:

- "regional development", aimed at supporting the countries' preparations for the implementation of the Community's cohesion policy, and in particular for the European Regional Development Fund and the Cohesion Fund ;
- "human resources development", which concerns preparation for cohesion policy and the European Social Fund ;
- "rural development", which consists in preparation for the common agricultural and related policies and for the European Agricultural Fund for Rural Development (EAFRD).

The financial resources provided for the years 2007-2013 to meet the set goals of IPA amount to 5,7 billion EUR.

In 2006 together with the implementation of the European Neighbourhood Policy the ENPI (European Neighbourhood and Partnership Instrument) was launched. This instrument replaced TACIS and MEDA, as well as EIDHR (European Initiative for Democracy and Human Rights) and is devised for countries which do not, or currently do not have a perspective of eventual EU membership. The subjects to this instrument are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya,

Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, and Ukraine. Thus, the European Neighbourhood Policy involve the countries which share a land or sea border (apart from Kazakhstan and Russia) with one of the EU members or Candidate Countries. It is worth mentioning that Russia is not subject of the European Neighbourhood Policy, and the cooperation with this country is maintained within Strategic Partnership with four common spaces: 1. common economic space; 2. space of freedom, security and justice; 3. cooperation in external security; 4. research, education and cultural exchange. As the ENP is based on existing contractual relationships between the EU and the respective partner (Partnership and Cooperation Agreements or Association Agreements in the framework of the Euro-Mediterranean Partnership), the ENP is not yet 'activated' for Belarus, Libya or Syria as the agreements for these countries are not yet in force.<sup>127</sup> After signing such an agreement the Commission prepares a Country Report which describes political and economic situation in the country as well as institutional and sectoral aspects. Only then both sides agree on an Action Plan drafted by the Commission for the next 3 to 5 years which is the ENP key document. While implementing the Action Plan, its objectives and mutual commitments are being monitored, in case of positive results the financial and technical assistance proceeds.

The European Neighbourhood Policy was created to avoid new dividing lines and increase the prosperity and stability of EU's neighbours through achieving the following aims:

- stronger political and regional cooperation;
- economic integration and improving market access (free trade);
- migration – legitimate short-term travel (students, business people, NGOs, journalists, officials);
- tackling frozen conflicts in the neighbourhood;
- EU support for sectoral reforms (energy, climate change, environment, fisheries, transport, maritime policy, research, information society, education, employment and social policy);
- more people to people contacts, students and youth exchanges, exchanges for researchers, civil society and cultural groups, business, trade unions, regional and local authorities.

The financial resources provided for the years 2007-2013 for the purpose of European Neighbourhood Policy and Partnership Instrument amount to 12 billion EUR.

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<sup>127</sup> [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm) (26.07.2008)

Worth mentioning are the two most current initiatives aiming at enhanced cooperation with the EU neighbours: Union for the Mediterranean and Eastern Partnership. The former was established on 13 July 2008 and constitutes a community which is a development of the Euro-Mediterranean Partnership, not being an alternative for the EU accession. The latter constitutes a joint project of Poland and Sweden which is complement to the Northern Dimension and the Union for the Mediterranean and provides a forum where important matters will be discussed, however the topic of EU accession will be avoided.

#### **IV. Assistance for distant countries**

As it was mentioned above, the European Union supports also sustainable development countries which are not direct neighbours of the EU countries, but which have some historical, economic and social importance for the members of the EU. Large financial resources are transferred to provide assistance to the Union's partner ACP countries (78 countries) and the overseas countries and territories of Member States. This assistance started with the implementation of the first tranche of the European Development Fund (EDF) in 1956. Each EDF is concluded for a period of around five years. Since the conclusion of the first partnership convention in 1964, the EDF cycles have generally followed the partnership agreement or convention cycles. Currently, the tenth edition is being implemented covering the years 2008-2013 and the financial resources provided for these years amount to 22,7 billion EUR.<sup>128</sup>

The Development Co-operation Instrument (DCI) provides assistance within three components. The first component constitutes providing aid to South Africa and 47 developing countries in Latin America, Asia and Central Asia, and the Middle East (only those countries not covered by the European Neighbourhood and Partnership Instrument or the European Development Fund). The second component consists in supporting the restructuring of sugar production in 18 ACP countries. The third component consists in running five thematic programmes: investing in people; environment and sustainable management of natural resources including energy; non-state actors and local authorities in development; food security; as well as migration and asylum. These five thematic programmes of the last component run in all in all developing countries (including those covered by ENPI and the EDF). The financial allocation for this instrument for the years 2007 – 2013 amounts to 16,9 billion EUR.<sup>129</sup>

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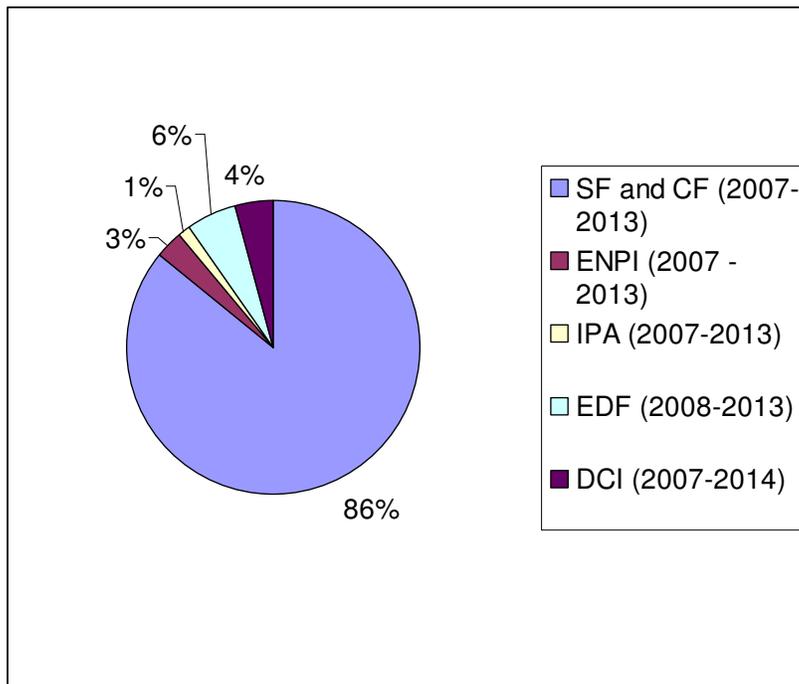
<sup>128</sup> <http://europa.eu/scadplus/leg/en/lvb/r12102.htm> (26.07.2008)

<sup>129</sup> [http://ec.europa.eu/europeaid/what/delivering-aid/funding-instruments/index\\_en.htm](http://ec.europa.eu/europeaid/what/delivering-aid/funding-instruments/index_en.htm) (26.07.2008)

## Conclusions

The European Union is a global player as far as the issues of sustainable development are concerned. Being a union of 27 countries with significant budget, the EU supports not only its members, but also candidate countries, neighbouring countries as well as countries in other continents. Naturally, the largest contribution is provided for the members itself, but also other partners receive large amounts of support what has been depicted in Chart 1. The total budget for the measures discussed in the present work for the years 2007-2013 amounts to 405, 3 billion EUR. The significant amount itself is a sign that the sustainable development is an important issue on the EU's agenda.

**Chart 1** Different measures of the EU to support sustainable development and their in percent value in the budget of the EU.



Source: Author's compilation

It has to be underlined that political aims as well as logic of the support is different not only for the particular groups of the countries, but for each single country, therefore there are measures instituted to customise the received support (eg. through ENP Action Plans prepared by each partner within Neighbourhood Policy) and provide only such aid that is needed by the beneficiary. The aid measures take a form of different programmes, which have different priorities and aims, but there is always a principle of good governance kept,

guaranteeing the high quality of attained results. The financial measures are distributed on the basis of programming documents, monitored and then evaluated. The institutional capacity and knowledge gained within this process constitutes added value itself, as the institutional development is one of the various determinants of sustainable development.

To sum up, the benefits of the territories which take advantage of EU's regional policy or any other aid programmes are multifaceted and it can be clearly stated that the different measures contribute to introduce and maintain sustainable development in the different parts of the world.

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# HOUSING POLICY AND ITS IMPACT ON SUSTAINABLE DEVELOPMENT IN NEW EU MEMBER STATES

Katarzyna Królikowska

**Abstract** This article discusses some economic indicators for the housing market that are used by public authorities to shape and develop new housing policy focusing on the role of housing in maintaining the goals of the idea of sustainable development. Sustainable construction, housing availability, affordability and quality as well as system of property rights have been discussed as the key characteristics of sustainable housing.

**Keywords** housing, housing policy, sustainable development, property rights, availability of housing, affordability of housing, housing production

## Introduction

Regardless the socio-economic order of a given country, there is always a dilemma: whether housing unit should be regarded as a social or rather as an economic good. Decision upon that problem is a political one. But even in a market economy housing unit has not only characteristics of one of the most expensive consumer goods but it represents, at the same time, characteristics of a social good, capital consuming thing produced in a long production and investment process<sup>130</sup>. While analyzing housing unit in economic terms it must be stressed that it has also some specific and unique features<sup>131</sup>. Therefore it is true that “housing is perhaps the most complex economic good to analyse and manage properly because of its durability, spatial fixity and sensitivity to the specific financial and regulatory environment in which it is provided”<sup>132</sup>.

This article discusses some economic indicators for the housing market that are used by public authorities to shape and develop new housing policy focusing on the role of housing in maintaining the goals of the idea of sustainable development. Housing policy can be divided into three fundamental fields: 1. new housing construction: ensuring access to new housing through marketplace, 2. resolving problems of exchange of existing stock, 3. social housing regarded as redistribution through the state. Shlomo Angel defines housing policy as “the set of government interventions that have a critical and measurable effect on the performance of the housing sector”<sup>133</sup>. To achieve the goals of housing

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<sup>130</sup> Marek Bryx, *Finansowanie inwestycji mieszkaniowych (Financing housing investments)* (Warszawa: Poltext 2001), p. 9.

<sup>131</sup> Maria Zralek, *Mieszkalnictwo i środowisko zamieszkania (Housing and housing environment)* [in:] *Polityka społeczna w okresie transformacji (Social policy during the time of transition)*, ed. A. Frackiewicz-Wronka and M. Zralek (Katowice: Wydawnictwo Akademii Ekonomicznej 2000), pp. 206-207.

<sup>132</sup> Bertrand M. Renaud, ‘Housing finance in transition economies’, *The World Bank Policy Research Working Paper*, vol. 1565 (1996).

<sup>133</sup> Shlomo Angel, *Housing policy matters: A global analysis* (Oxford and New York: Oxford University Press 2000), p. 5.

policy states can use, as tools, such indicators as property rights, housing finance mechanisms, housing subsidies schemes and legal framework.

## **I. Sustainable development and housing policy**

The idea of sustainable development included all measures and steps leading to integrated and balanced social order regarded as a mixture of five orders: ecological, social, economic, spatial and political-institutional<sup>134</sup>. The idea of sustainable development means, in particular, that economic growth should increase social cohesion, diminish social exclusion and inequity, and prevent from discrimination<sup>135</sup>.

Housing policy is one of the tools to ensure this goals. Housing, as an instrument for managing the dynamic processes of urbanization and migration, has a key role in improving life chances. Of course, different countries use different approaches defining that concept and they have adopted different types of sustainable development frameworks but most of them define it in terms of social, economic and environmental pillars<sup>136</sup>. Therefore it is essential to introduce acknowledged indicators of sustainable housing policy. Some of the key characteristics of sustainable housing are: sustainable construction, housing availability, affordability and quality, housing close to employment and public transport, sustainable land-use planning, high standards of energy efficiency, high quality residential environment and access to green space<sup>137</sup>. At the European level, the European System of Social Indicators (ESSI) has been established (1999) and it is regarded as the best indicator set as it captures all of the important dimensions of sustainable housing including as relevant indicators: satisfaction with housing availability, affordability and standards, intensity of use, new development and new construction, renovation and conversion of derelict buildings. This article focuses on some of them in analyzing problems of sustainable housing policy.

## **II. Availability of housing in Central-Eastern European countries**

The fall of socialism in 1989-1990 led to the end of the Central-Eastern European housing model, which was based on the limitation of property rights, extensive central planning and politically determined allocation of subsidies. The results of socialist housing

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<sup>134</sup> Wiesław Sztumski, 'Idea zrównoważonego rozwoju a możliwości jej urzeczywistnienia (The idea of sustainable development and possibilities of its implementation)', *Problemy Ekorozwoju (Problems of Sustainable Development)*, vol. 1 No 2 (2006), pp. 73-76.

<sup>135</sup> Gro Harlem Brundtland, *Nasza wspólna przyszłość (Our common future)*, (Warszawa: PWE 1991), p. 21.

<sup>136</sup> J. L. Hass, F. Brunvoll, H. Hoie, "Overview of Sustainable Development Indicators used by National and International Agencies", *OECD Statistics Working Papers*, vol. 2 (2002), OECD Publishing Doi:10.1787/83856274641.

<sup>137</sup> Nessa Winston, Montserrat Pareja-Eastaway, 'On Indicators of Sustainable Housing in the European Urban Contexts', paper presented at ENHR Conference "Housing in an expanding Europe: theory, policy, participation and implementation", Ljubjana, Slovenia, 2-5 July 2006, available at <http://www.uirs.si>

policies influence even now the situation on the housing markets: stock of units is inconsistent with household preferences and needs, units are severely neglected and undermaintained, there is a severe shortage of avoidable units. In 1990's states in transition had to reinvent the whole system of housing production, financing and allocation. They faced many problems that shaped housing policy during transition period: reduction and decentralization of public finance, creation of local governments that were given responsibility to act in the field of housing policy, shift in the governments role from direct provision of housing to policy directors and regulators of housing activity implemented by others, mass (and often cumbersome) privatization of state enterprises and of public housing stock, restitution problems.

The main consequences of more restrictive public housing financing, housing privatization and liberalization of construction and utility prices were that the scale of new housing construction as well as housing affordability decreased during the transition period. In general, it cannot be said that there is a housing shortage in most of the Central-Eastern European countries, but it is clear that availability as well as affordability of housing for newly established households and those in need worsened during the 1990s. New housing production in all Central-Eastern countries had not returned to pre-transition levels yet and it is concentrated mainly in the private sector. Housing needs in transition countries are generated not only from inadequate availability of new construction, but also from physical degradation of existing stock and worsening affordability of social housing.

**Table 1** Availability of housing in selected CEE countries (1990-2002)

	Dwellings per 1000 inhabitants			
	1990	1995	1998	2002
<b>Bulgaria</b>	377	408	418	471
<b>Croatia</b>	---	336,4	355 (1997)	417,3 (2001)
<b>Czech Republic</b>	---	---	365	427 (2001)
<b>Estonia</b>	411	418	430	457,3
<b>Hungary</b>	372	390	401	406,7 (2000)
<b>Latvia</b>	358	381	391	411
<b>Lithuania</b>	310	336	353	374
<b>Poland</b>	289	298	302	307,7
<b>Rep. of Moldova</b>	---	339	346	357,2
<b>Romania</b>	345	343	349	373
<b>Slovakia</b>	---	310	312	320,6
<b>Slovenia</b>	---	343,6	349,4 (1997)	393,2

Source: Eurostat 2003, Bulletin of Housing Statistics for Europe and North America 2000, United Nations Economic Commission for Europe, Bulletin of Housing Statistics for Europe and North America 2006, United Nations Economic Commission for Europe.

The housing stock in Poland in 2002, compared to its population, is one of the smallest in Europe: 307 dwellings per 1000 inhabitants, with an average of more than 3 persons per dwelling. The shortage of dwellings is in urban areas (estimated 1.5 million dwellings), excess of low quality dwellings and high vacancy rates in rural areas (14% in the North). Persistent and large housing shortage constrains labor mobility, contributes to the high unemployment problem, lowers labor efficiency and professional qualifications of employees. Even in countries like Czech Republic that do not register a shortage of housing on a national scale, the situation differs considerably in certain regions and municipalities. There is a disparity between the availability of employment opportunities on the labor market and supply of housing, in spite of dynamic development of private developers. The trend is expected to intensify in all Central-Eastern European countries.

Some authors claim that use of availability ratio is not a valid and reliable method of defining housing needs and problems because data available for Central and Eastern Europe cannot be compared with results for Western Europe with much higher indicators of income *per capita*. Therefore they should be compared with such countries like Turkey, Brazil or Mexico which have similar level of housing substance<sup>138</sup>. Nevertheless, insufficient availability of housing in many transition countries indicates structural crisis. There is insufficient and often inadequate number of new available construction. Other problems in Central and Eastern European countries are historically low rates of housing production, overcrowding and affordability constraints as well as inefficiency of the institutional systems and deferred maintenance of existing stock<sup>139</sup>. The poor condition of the existing stock means high costs for its renovation, maintenance and demolition which will exacerbate the existing shortage. 60% of the stock in Poland is in need of significant repair and 10% requires major renovation.

### **III. Affordability of housing**

In transition economies, the cost of housing represents the relative price of housing in the traditional microeconomic sense. Housing unit is the most expensive consumer good satisfying one of the fundamental needs. During the early years of economic transition period the cost of housing was multiplied. Average cost of the housing unit in Western Europe amounts for 3-6 annual average household incomes. In Central and Eastern

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<sup>138</sup> József Hegedüs, Iván Tosics, Stephen E. Mayo, 'Transition of the Housing Sector in the East-Central European Countries', *Review of Urban and Regional Development Studies*, Vol. 8 (1996), pp. 101-136.

<sup>139</sup> Lucyna Deniszczuk, 'Warunki mieszkaniowe gospodarstw domowych. Podstawowe zjawisk i problemy' ('Housing Conditions of Polish Households. Common Problems and Phenomena'), *Kontrola Państwowa (Public Audit)* vol. 6 (2005), pp. 120-134.

Europe the cost of housing unit should be tripled<sup>140</sup>. The real economic cost of housing is high, and nothing can change that fact no matter how the housing is paid for. Mass scale of unsatisfied housing needs, growing disparities between people's real incomes and costs of new housing construction make up essential problems in transition countries<sup>141</sup>. In 1995-2003 average monthly income allowed to buy 0,8 – 0,84 meters square of housing unit in Poland<sup>142</sup>.

Therefore it is important to distinguish the “need” for housing from “effective demand”. Housing “need” is defined by analysts as the gap between the number of households and the number of adequate housing units. “Effective demand”, in contrast, indicates what is affordable to households based on their income. Affordability of housing indicates how much a household must pay to sustain its housing status. If housing costs absorb a larger portion of household income, less money will be available for food, clothing, and other expenditure. A household is said to have an affordability problem when it pays more than a certain percentage of its income to obtain and sustain adequate housing<sup>143</sup>.

It had occurred that new housing is often unaffordable for most of the population due to high construction costs. This is the case in Poland where relatively low share of privately owned housing is a result of slow privatization of public housing and low incomes. According to Polish public reports on households budgets, in 2003 the expenditures on housing amounted (in average) for 21 per cent of all consumer expenditure<sup>144</sup>. For many households it is very hard to sustain their housing status even with that level of housing expenditure. Therefore it is understood that households are reluctant to upgrade their housing conditions and are unwilling to pay significantly more for new construction<sup>145</sup>.

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<sup>140</sup> Maciej Cesarski, *Sytuacja mieszkaniowa w Polsce w latach 1988-2005 – dziedzictwo i przemiany* (Housing problems in Poland 1988-2005 – heritage and changes), (Warszawa: Oficyna Wydawnicza SGH 2007), p. 206.

<sup>141</sup> Maria Zralek, *Mieszkalnictwo i środowisko zamieszkania* (Housing and housing environment) [in:] *Polityka społeczna w okresie transformacji* (Social policy during the time of transition), ed. A. Frackiewicz-Wronka and M. Zralek (Katowice: Wydawnictwa Akademii Ekonomicznej 2000), p. 216.

<sup>142</sup> *Informacja o mieszkalnictwie – wyniki monitoringu za 2003 r.* (Information on housing – monitoring results for 2003), (Kraków:IRM 2004).

<sup>143</sup> There are six distinct ways in which the housing expenditure-to-income ratio is being used as an assumed measure of affordability: 1). Description of household expenditures 2). Analysis of trends 3). Administration of public housing by defining eligibility criteria and subsidy levels 4). Definition of housing needs for public policy purposes 5). Prediction of the ability of a household to pay the rent or the mortgage 6). As part of the selection criteria in the decision to rent or to provide a mortgage. See David Hulczanski, ‘The concept of housing affordability: Six contemporary uses of the housing expenditure-to-income ratio’, *Housing Studies*, vol. 10, issue 4 (1995), p. 471.

<sup>144</sup> *Budżety gospodarstw domowych w 2003 r.* (Polish households budgets in 2003), (Warszawa: GUS 2004), p. 32-56.

<sup>145</sup> Elzbieta Kaltenberg-Kwiatkowska, *Warunki mieszkaniowe w świadomości społecznej* (Housing conditions in social perception) [in:] *Przeszłość i przyszłość polskiej polityki mieszkaniowej* (Past and future development of housing policy), ed. L. Frackiewicz (Warszawa: IPISS: 2005), p. 56.

**Table 2** Housing markets in selected CEE countries (2004)

	Czech Rep.	Hungary	Estonia	Poland
Total housing stock	4.336.000	4.134.000	624.000	12.683.000
Number of dwellings per 1000 habitants (availability)	438	423 *	463	314
Affordability of housing: housing consumption as share of total household consumption in 2004	22,6% *	19,4%	21,3%*	20,3%
Evolution of the share of housing expenditure of households on total expenditures in 1995-2004	+ 7,6%	+ 1,6%	+ 5,3%	+ 5,7%
Evolution of cost of construction in 2000-2006	+ 29,7%	+ 45%	+ 48,8%	+ 10%

\*2005 Sources: CECODHAS-USH-Dexia Survey (2007), Eurostat (2007).

What is interesting, housing affordability, used for defining housing needs for policy purposes, cannot be taken as an interpretative statement of housing need or lack of that need in transition countries. It is too simplistic generalization about household expenditures to define everyone spending more than a settled percentage of income on housing as having housing problem. It has occurred that affordability indicator is rather arbitrary, does not account for household size, fails to reflect changes in relative prices in all categories of household expenditures and, above all, does not indicate great diversity in household consumption patterns during the transition period. This indicator does not represent the behavior of real households in transition countries.

Although the housing outlays on housing of Polish households are two times lower (21%) than in Western Europe (30-45%), more than 60 per cent of Polish households do not accept the share of housing expenditure at the level of 25-30% of a household income to pay for mortgage credit interest<sup>146</sup>. Low real interest rates did not increase the demand for mortgage loans. Subsidizing the interest rates from public budget in Czech Republic and credits on preferential terms did not change the behaviour of households<sup>147</sup>. Also marketing surveys in Hungary have found a willingness to pay 30% of income in car payments, but only 10% towards a housing loan. Another interesting finding was that 70% say it is shameful to need a loan to buy a house.

#### IV. Tenure split

One of the crucial elements influencing sustainable housing policy is a system of property rights<sup>148</sup>. In centrally planned economies of the Central-Eastern Europe countries there were 3 basic types of housing:

<sup>146</sup> CBOS, *Raport z badania opinii publicznej na temat postrzegania aktualnych problemów mieszkaniowych* (Polish Public Opinion Research Center, *Raport on current housing problems*), November 2000, available at [www.cbos.pl](http://www.cbos.pl)

<sup>147</sup> Douglas Diamond, 'The transition in housing finance in Central Europe', *Housing Finance International*, vol. 13(2) (1998), pp. 15-26.

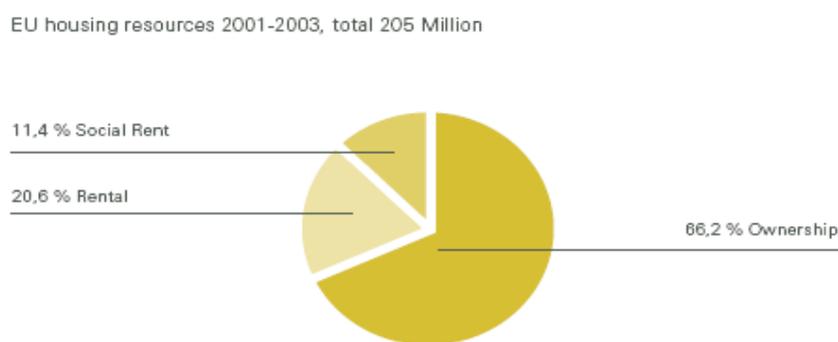
<sup>148</sup> Andrzej Barteczek, *Infrastruktura społeczna (Social infrastructure)* [in:] *Polityka społeczna w okresie transformacji (Social policy during the time of transition)*, ed. A. Frackiewicz-Wronka and M. Zralek (Katowice: Akademia Ekonomiczna 2000), p. 35.

- units owned directly by the state or by state-owned enterprises (SOEs)
- units owned by cooperatives
- private housing, primarily single-family dwellings in rural areas.

Under privatization, the public stock was first transferred to the ownership of municipalities, and, later on, the current tenants obtained the right to purchase their dwellings at a substantial discount or even for free. In most countries of the region privatization of stock has led to radical changes in tenure structure. However, in Poland and Czech Republic privatization has differed from other countries. Those countries have not passed the “right to buy” for tenants automatically (a limited version was introduced in Slovakia). Nevertheless, even there the ongoing privatization of the housing stock has enlarged the sector of owner-occupied housing as well as the sector of cooperative housing<sup>149</sup>. In Poland the ownership of the building frequently remained with the original institution rather than being passed over to the households living in the structure. Significant transfer was accelerated about the year 2000. From 1988 to 2002 the number of public stock goes down from 1,3 mln dwellings to 250 000 dwellings. As a consequence, the major challenges in the housing sector today are associated with the excessively high share of privately owned housing.

The housing resources of the European Union in 2001-03 (without new Member States) came to 205 million houses, distributed by tenure system into 66.2% owned and 35.8% rented (divided into 20.6% private rental and 11.4% social rental).

**Graph 1** EU housing resources 2001-2003, total 205 Million



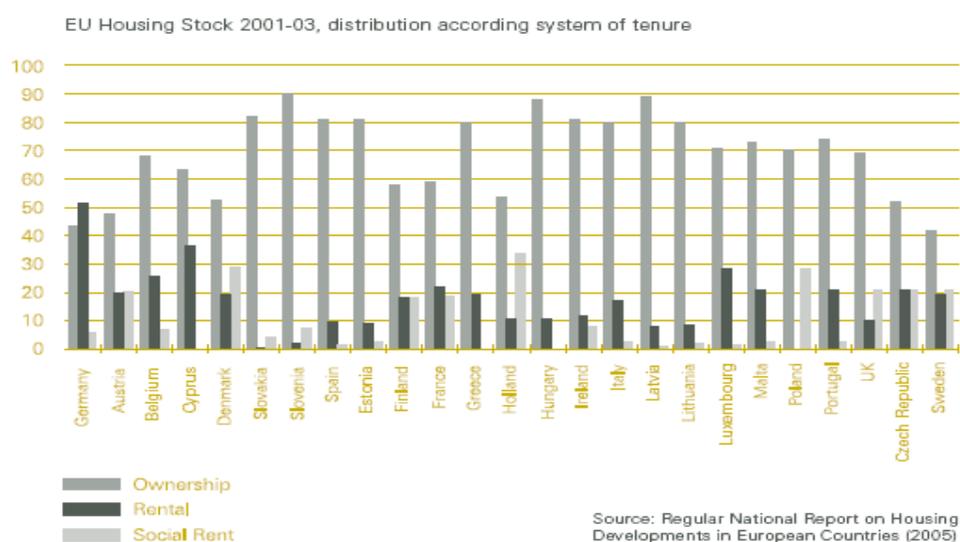
Source: Regular National Report on Housing Developments in European Countries (2005)

Source: Regular National Report on Housing Developments in European Countries (2005)

<sup>149</sup> In Czech Republic, approximately 7 000 associations of homeowners have been established and up to 15 000 new housing cooperatives have been formed.

Individual housing construction and private ownership have traditionally been more widespread in some transition countries where owner-occupied housing forms nowadays more than 90 per cent of the housing stock. In Albania, for example, it is 98 per cent, in Lithuania – 97 per cent, in Bulgaria – more than 90 per cent. Owned housing is in a majority, attaining 80%, also in the following countries: Lithuania 87%, Hungary 86%, Estonia 85%, Slovenia 82%, Spain 81% Ireland 80%, Greece and Italy with 80%. Rented housing is in a majority only in the case of Germany with 57% of the total stock and in Sweden (55%). In Denmark, France, Holland and Austria it represents over 40%.

**Graph 2** EU Housing Stock 2001-2003, distribution according system of tenure



Source: Regular National Report on Housing Developments in European Countries (2005)

**Table 3** Tenure split (1991-2005)

	Czech Republic	Hungary	Estonia	Poland
<b>Dwellings by the type of stock tenure in 2005</b>				
- home ownership (including right of co-operative occupancy in co-operatives of home owners)	66 %	94 %	84 %	75 %
- private rental	13%	2 %	9 %	13 %
- social rental	20 %	4 %	7 %	12 %
- other	1 %	-----	-----	-----

Sources: CECODHAS-USH-Dexia Survey (2007), Eurostat (2007), Statistical Yearbook of the Republic of Poland (2007)

Relatively large equity held in current housing wealth and high level of homeownership in transition countries constitute new problems. Existing owned stock cannot simply be exchanged for other housing equity. Therefore Eastern European countries reflect very high levels of so-called low cost home ownership. Large-scale privatization of public housing resulted also in the almost complete eradication of public housing. As public housing is often the only affordable housing available on the housing market, efforts by central or local Governments to sell almost all the public housing stock has had considerable consequences for needy households.

This late privatization leads to many political and constitutional problems. Polish Constitutional Tribunal has dealt with fundamental cases concerning late attempts of the legislator to transfer public housing stock, still owned and managed by not privatized huge state enterprises and public agencies like Polish Railway Company, the Army or Polish Forests. Constitutional Tribunal held unconstitutional legal provisions introduced after 2000 that forced municipalities to take over – without any consent and compensation – ownership and management of public housing unsold (or not transferred) to tenants because they lack money to purchase dwellings from the state enterprises even at great discount price (-95%) or because of degradation of property.

**Table 4** Evolution of tenure split (1991-2005)

	Czech Republic	Hungary	Estonia	Poland
<b>Evolution 1991-2005 of the share of</b>				
- Ownership (including right of co-operative occupancy in co-operatives of home owners)	+ 24%	+ 24 %	+ 146 %	---
- Private rental tenure	---	- 49 %	Not relevant	---
- Public/social rental tenure	- 50%	- 81 %	- 95 %	---

Sources: CECODHAS-USH-Dexia Survey (2007), Eurostat (2007), Statistical Yearbook of the Republic of Poland (2007)

## Conclusions

Sustainable housing policy plays a key role in ensuring the goals of sustainable development of transition countries. The analysis of the main housing indicators suggests that efforts made by local and public governments is inadequate to improve living conditions in Central-Eastern Europe. Governments and public institutions should concentrate on economic indicators for the housing market while shaping housing policy and ensuring the goals of the idea of sustainable development. Unfortunately, there is no consistent housing policy concentrated on social housing and housing for intermediate households. Governments reject to introduce indirect incentives such as municipal

housing resources management, non-profit housing companies and support for ownership even if housing indicators show the necessity of their implementation.

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# 'POLICY COHERENCE AND GOVERNANCE?' COMPLEXITIES AND ISSUES IN RESCALING THE E.U. SUSTAINABLE DEVELOPMENT STRATEGY INTO U.K. LOCAL GOVERNANCE ARENAS: THE VOLUNTARY AND COMMUNITY SECTOR EXPERIENCE.

## Andrew Kythreotis

**Abstract** This paper discusses the issues and complexities in rescaling the 2006 E.U. Sustainable Development Strategy down to the U.K. local governance level, focussing specifically on the participation and experiences of local/regional Voluntary and Community Sector (VCS) groups in Local Strategic Partnerships (LSPs) and service delivery. It finds that whilst such governance arrangements open up spaces for active participation and engagement with government, reinterpretation of sustainable development (SD) into 'quality of life' policy discourses has resulted in smaller VCS groups, which have highly specific sustainability objectives, being ostracised from such spaces. The effects of this are twofold. Firstly we see a fragmented VCS, with ostracised groups finding it increasingly difficult to survive in a competitive funding arena because they are not playing the rules of the governance game. Secondly, the involvement of the 'lucky few' within these governance processes promotes a lack of diverse ideas around combating sustainable development, which in turn only reifies the lack of coherence between scales, contra E.U. SD policy intentions.

**Keywords** E.U. Sustainable Development Strategy, Sustainable Development, Voluntary and Community Sector, sustainability governance, Local Strategic Partnerships, Service Delivery Mechanisms.

## Introduction

Attaining a “new” Europe through the promotion of sustainable development and quality of life discourses poses many challenges for all E.U. member states. To combat such challenges, E.U. sustainable development policy needs to transcend a heterogeneous minefield of economic, social, environmental, political and cultural issues, norms and values. In addition to this, governments in each member state have their own internal policy priorities to contend with at national, regional and local scales, without the added concern of problems experienced by neighbouring nation states. Furthermore, whilst E.U. policy frameworks can encourage each respective member state government to take sustainability issues seriously, the onus is on each member nation state to decide how appropriately to implement such E.U. policy directives. As such, the forms of territorial governance for sustainability that develop around the regional and local scale are likely to reflect how national policy makers 'position' sustainability in relation to national interests and priorities. Over the last decade or so, the U.K. central government, under New Labour have attempted to cope with such increasing internal multi-scalar pressures by

relinquishing or bestowing certain institutional responsibilities to non-state actors, especially insofar as these ‘actors’ are formed, in part, by VCS (Voluntary and Community Sector) or ‘third sector’ groups in civil society<sup>150</sup>. The adoption of such a policy approach, of including non-state actors, can be described as a broad shift from ‘government’ to ‘governance’. The overarching theme of this paper will concentrate on the complexities and issues in rescaling E.U. sustainable development policy discourses down to the local level via U.K. national policy, focussing particularly on whether the so called ‘governance turn’<sup>151</sup> has pre-empted greater participation of VCS stakeholders in the promotion of ‘quality of life’ or sustainability discourses at local authority level in the U.K. and how this translates into local VCS experience ‘on the ground’.

## I. Governance as concept

Governance as a concept has been the subject of much theorisation *a priori* by human geographers, sociologists and political scientists. Theoretical debates have attempted to analyse and interpret shifts from ‘government’ - described by Stoker (1998) as “the formal institutions of the state”<sup>152</sup> - to ‘governance’ which Painter (2003) describes as the “process of governing.”<sup>153</sup> Theoretically defining and pinning down the term ‘governance’ has increasingly been contested within academic literature. For example, Rhodes (1997) has described the term as “arbitrary.”<sup>154</sup> Therefore, given the ‘fuzzy’ nature of the concept<sup>155</sup>, it is important to contextualise governance in relation to this paper.

Much of the governance literature in human geography has concentrated on understanding new geographies of economic development, including identifying and explaining new territorial forms of competition associated with neo-liberalisation of the state. Related to this is growing interest in the relationship between economic governance and sustainability<sup>156</sup>. Yet the incorporation of the environment into otherwise primarily

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<sup>150</sup> See Rhodes, R., *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham, Open University Press, 1997); Painter, J., ‘State and Governance’, in Sheppard, E. & Barnes, T. J., *A Companion to Economic Geography* (London, Blackwell, 2003), pp. 359-376; Buček, J. & Smith, B., ‘New Approaches to local democracy: direct democracy, participation and the ‘third sector’’, *Environment and Planning C: Government and Policy*, vol. 18 (2000), p. 3-16.

<sup>151</sup> Kohler-Koch, B. & Rittberger, B., ‘The ‘Governance Turn’ in EU Studies’, *Journal of Common Market Studies*, vol. 44, Annual Review (2006), pp. 27-49.

<sup>152</sup> Stoker, G., ‘Governance as theory: five propositions’, *International Social Science Journal*, vol. 50 (1998), pp. 17-28.

<sup>153</sup> Painter, J., ‘State and Governance’, in Sheppard, E. & Barnes, T. J., *A Companion to Economic Geography* (London, Blackwell, 2000), p. 361.

<sup>154</sup> See Rhodes, R., *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham, Open University Press, 1997), p. 53.

<sup>155</sup> Markusen, A., ‘Fuzzy concepts, scanty evidence, policy distance: the case for rigour and policy relevance in critical regional studies’, *Regional Studies*, vol. 33 (1999) pp. 869-884.

<sup>156</sup> See Gibbs, D. & Jonas, A. E. G., ‘Governance and regulation in local environment policy: the utility of a regime approach’, *Geoforum*, vol. 31 (2000), pp. 299-313 and Gibbs, D. & Jonas, A. E. G., ‘Rescaling and regional governance: the English Regional Development Agencies and the environment’, *Environment and Planning C: Government and Policy*, vol. 19 (2001), pp. 269-280.

economic explanations of governance have tended to promulgate weaker interpretations of sustainability, rather than the more radical, stronger interpretations<sup>157</sup>. Other types of economic governance understanding have attempted to amalgamate conflicting societal issues like “competition and collaboration... partnership, a strengthened regional context; and the increasing importance of ‘sustainability’ and community economic development.”<sup>158</sup> Pike (2004) describes this amalgamation as a ‘new centrism’ that “seeks to move beyond state-centred interventionism and market-oriented liberalism as alternative forms of coordination and organisation”<sup>159</sup>. Therefore, successfully interrogating such an assertion would involve analysis of the formal governance processes by which sustainability is (re)scaled and whether/how notions of collective VCS action enervate state domination of such local governance spaces.

In terms of U.K. sustainable development policy, New Labour has actively sought ways in which they can utilise the VCS. Policy examples of this emphasise the need for citizen consultation, community empowerment and engagement, active civil partnership and ‘joined-up’ policy in promoting sustainable development<sup>160</sup>. This paper will focus on formal sustainability governance arrangements like Local Strategic Partnerships (LSPs) and Service Delivery Mechanisms (SDMs), scrutinising the role played by the VCS in such arrangements. Yet this is only one aspect to this research. Whilst there is growing attention to the different governance institutions and the spaces these occupy, there has been relatively little work on governance for sustainability and how such networks formed around sustainable development issues challenge, resist or reinforce state power and sustainability policy processes. Pierre & Peters’s (2000) category of ‘governance as communities’ suggests that new forms of governance might have coalesced around not just particular social projects but also the particular spaces in which these projects unfold<sup>161</sup>. However, precisely how sustainability projects are positioned in relation to these new spatial modalities of governance is perhaps less well understood. Moreover, there has been comparatively little work on the organic, social construction of governance for sustainability through collective action on the part of VCS organisations, which such

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<sup>157</sup> For example, see Chatterton, P., ‘Be realistic: Demand the impossible’. Moving towards ‘strong’ sustainable development in an old industrial region?, *Regional Studies*, vol. 36 (2002), pp. 552-562.

<sup>158</sup> Geddes, M. & Newman, I., ‘Evolution and conflict in local economic development’, *Local Economy*, vol. 13 (1999) p. 16.

<sup>159</sup> Pike, A., ‘Heterodoxy and the governance of economic development’, *Environment and Planning A*, vol. 36 (2004), p. 2142.

<sup>160</sup> See Office of the Deputy Prime Minister, *Sustainable Communities: Building for the Future* (London, HMSO, 2003), p. 5; Department for Environment, Food and Rural Affairs, *Securing the Future: UK Government Sustainable Development Strategy* (HMSO, London, 2004), pp. 26, 121-3, 126-9.

<sup>161</sup> Pierre, J. & Peters, B. G., *Governance, Politics and the State* (Basingstoke, Macmillan, 2000), p. 21.

governance arrangements may produce. This paper will also concentrate on this, following Pierre & Peters's (2000) notion of governance as 'process'. This approach emphasises "not so much about the structures but more about the interaction among structures."<sup>162</sup> Maybe this could offer some way of unpacking how sustainability is tackled at the local level by a range of VCS organisations, both internally (within governance structures like the LSP) and externally. Furthermore, scrutiny of how such experiences are enacted will reflect whether U.K. and E.U. policy on sustainable development is actually coherent and fit for purpose. How the notion of governance is embedded or represented within E.U. and U.K. policy will be discussed in the next section.

## **II. Reflections of Governance in EU and UK sustainability policy**

The concept of 'governance' is embedded within much of the rhetoric of the 2006 EU Sustainable Development Strategy. For example, there is reference to enhancing "the participation of citizens in decision making through the involvement of citizens through education and public awareness of sustainable development."<sup>163</sup> This implies that all citizens must have some democratic right in getting involved in sustainability governance discourses in some way. Further to this, the strategy also, "Promotes coherence between all European Union policies and coherence between local, regional, national and global actions in order to enhance their contribution to Sustainable Development."<sup>164</sup> This promotes the notion that participatory decision making in sustainability issues applies to different geographic scales and is not confined to particular territorial silos of power like the supra national (E.U.) or nation state (U.K.). So in light of these EU policy guidelines and the inferences made, one would assume that at the national level, joined up policies will facilitate the opening up of new spaces of sustainability governance at the regional and local level.

When I was thinking about how I should write this paper, I stumbled across an E.U. commissioned report, 'Progress on E.U. Sustainable Development Strategy: the final report' published at the end of February this year. One of the findings of the report focussed on how most member states lacked the ambition to enhance public perceptions of sustainable development on a more broad scale by implementing sustainability governance arrangements. It read, "Only few Member States seem to have a coherent strategy in place that would answer as to what role communication and public

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<sup>162</sup> Ibid. p. 22.

<sup>163</sup> Council of the European Union, *Renewed EU Sustainable Development Strategy* (Annex 10917/06, June, 2006), p. 5.

<sup>164</sup> Ibid. p. 5.

involvement is to play in SD. (...) a clear rationale (...) is almost entirely missing.”<sup>165</sup> The findings in this report reinforce this lack of coherence between scales in the governance of sustainable development with the report claiming that “the spatial or urban dimensions could provide powerful solutions”<sup>166</sup>. This paper therefore scrutinises the various local sustainability governance arrangements within which VCS can work in ‘partnership’ with government tiers.

Some academic work reflects that U.K. government’s current sustainability policy framework appears to position VCS organisations as key stakeholders in helping to deliver sustainability<sup>167</sup>. Furthermore, following the ECORYS Progress on E.U. SD Strategy Final Report (2008), this state-influenced ‘neo-communitarian’ agenda focuses on the revival of ‘the local’ or the ‘urban centre’ as the key site whereby sustainability issues like social cohesion and the environment can be effectively tackled<sup>168</sup>. In the U.K., the main sustainability governance arrangement which the VCS could get involved with is Local Strategic Partnerships, introduced by the government in 2000 through the Local Government Act. The purpose of LSPs were to bring together organisations from the public, private and the voluntary sector in a local authority area, to improve the quality of life in that area and to produce a community plan or strategy<sup>169</sup>. So one could argue that such a policy stance marks an attempt by the state to actively mainstream normative sustainability discourses into government policy<sup>170</sup>. It has also been argued that the introduction of LSPs marked the end of the more environmentally focussed Local Agenda 21, which was taken up half heartedly by many Local Authorities in England and Wales<sup>171</sup>. In terms of contextualising such a policy trajectory within this research, the introduction of LSPs reaffirmed U.K. central governments intention of involving non-state stakeholders like the VCS, within local policy processes.

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<sup>165</sup> ECORYS, *Progress on EU Sustainable Development Strategy: the Final Report* (Brussels/Rotterdam, February 2008), p. 13.

<sup>166</sup> *Ibid.* p. 14.

<sup>167</sup> See Fyfe, N.R., ‘Making space for “neo-communitarianism”? The third sector, state and civil society in the UK’, *Antipode*, vol. 37 (2005), pp. 536-557; Jessop, B., ‘Cities and State Restructuring: Pathways and Contradictions. Liberalism, Neoliberalism and Urban Governance: a state-theoretical perspective’, *Antipode*, vol. 34 (2002), pp. 452-472; and Whitehead, M., ‘Love thy neighbourhood - rethinking the politics of scale and Walsall’s struggle for neighbourhood democracy’, *Environment and Planning A*, vol. 35 (2003), pp. 277-300.

<sup>168</sup> See Bulkeley, H., ‘Reconfiguring environmental governance: Towards a politics of scale and networks’, *Political Geography*, vol. 24 (2005), pp. 875-902; Brenner, N. & Theodore, N., ‘Preface: From “New Localism” to the Spaces of Neoliberalism’, *Antipode*, vol. 34 (2002), pp. 341-347; and Evans, B., Joas, M., Sundback, S. & Theobald, K. ‘Governing Local Sustainability’, *Journal of Environmental Planning and Management*, vol. 49 (2006), pp. 849-868.

<sup>169</sup> Department of the Environment, Transport and the Regions. *Local Strategic Partnerships: government guidance* (London, HMSO, 2001), p. 4-5.

<sup>170</sup> Percy, S. & Hands, V. ‘Mainstreaming Sustainable Development into Local Politics’, in Rydin, Y. & Thornley, A., *Planning in the UK* (London, Ashgate, 2002), p. 279-296.

<sup>171</sup> Scott, A. ‘Whose Futures? A Comparative Study of Local Agenda 21 in Mid Wales’, *Planning Practice & Research*, vol. 14 (1999), pp. 401-421; Williams, P. ‘Community strategies: mainstreaming sustainable development and strategic planning?’, *Sustainable Development*, vol. 10 (2002), pp. 197-205.

Another way in which the U.K. government has actively tried to involve the VCS is through service delivery mechanisms (for a Slovakian example, see Buček, 2000<sup>172</sup>). Such a policy agenda warrants closer academic scrutiny, especially in the context of my research, as to how it affects VCS groups whose main remit focuses upon the promotion of sustainable development. So I found myself asking how problematic is this policy trajectory? Are the VCS autonomous, still positioned “between market and state forces?”<sup>173</sup> Alternatively, is increased VCS involvement in service delivery potentially making them “a prisoner of the state?”<sup>174</sup> These questions have led me to formulate two main research questions concerning the voluntary sector and ‘partnership’ working through sustainability governance arrangements: firstly, what is the actual VCS ‘partnership’ experience at the local level? This involves scrutinising how local spaces of sustainability governance are articulated and whether the ‘partnership’ experiences of the VCS within these reflect E.U. sustainable development policy intentions. Secondly, what are the implications for the U.K. local VCS in the way they participate in sustainability discourses, i.e. the extent to which the VCS responds to these new governance spaces - whether they have any control or influence within such spaces. Successfully answering the first question will shed some light on partly answering the second question, focussing on untangling the complexities between experience and implications for VCS groups working at the local level in the U.K. Before attempting to answer these questions, the next section will briefly discuss the methodological approaches to my research.

### **III. Methodology**

This paper stems from research conducted for a PhD thesis looking at the role of the VCS in promoting sustainable development in the Yorkshire and Humber region of the U.K. In total, 44 semi-structured interviews were conducted with a range of public and VCS groups working at local, regional and national level. In order to engage with such stakeholders, I firstly looked at ways in which the VCS could get involved in promoting sustainable development within formal governance arrangements administered by local government by analysing secondary data sources like websites for local government and local Council for Voluntary Services (CVS). As previously mentioned, LSPs, designed in some part to be a replacement for Local Agenda 21, provide a vehicle to see how local

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<sup>172</sup> Buček, J., ‘Sublocal decentralisation - the case of Big Slovak Cities’, *Environment and Planning C: Government and Policy*, vol. 18 (2000), p. 57-78.

<sup>173</sup> Jessop, B. ‘Liberalism, neoliberalism and urban governance: a state-theoretical perspective’, *Antipode*, vol. 34 (2002), p. 463.

<sup>174</sup> Taylor, M., Craig, G., & Wilkinson, M., ‘Co-option or empowerment? The changing relationship between the state and the voluntary and community sectors’, *Local Governance*, vol. 28 (2002), p. 2.

government has attempted to involve the local VCS in local sustainability governance processes. Therefore, one would expect sustainability issues to figure highly on their agenda. Getting invited to LSPs was an ideal way to develop my interviewee sample via snowballing, because this technique enabled me, as the researcher, to get inside a research network and allows the network itself to develop the sample rather than myself, the researcher. This was done by key interviewees identifying other potential interviewees who could be useful to the research<sup>175</sup>. However, I had to be vigilant against developing a sample that only concentrated on particular types of interviewee's e.g. public sector workers or VCS chief officers. Therefore, I approached a variety of key interviewees, who would in turn facilitate the opening up of different interviewee channels, making the sample more robust. Once I completed an interview I immediately transcribed it and put it into the computer package NVIVO version 7. This was then coded into nodes, which then underwent further analysis in order to elucidate key themes and trends. For the purposes of this paper, I selected nodes related to how groups were organised, how they communicated, the various networks and partnerships in place and VCS involvement within LSPs in order to answer the two aforementioned research questions. These will be discussed next.

#### **IV. Research Questions and Findings**

The first research question examines the 'partnership' experience within formal governance arrangements. Whilst one could assume that 'partnership' as concept construes the notion of equality within state-voluntary relations, academic work reveals that it is a highly problematic term<sup>176</sup>. Looking at the role of networks and partnerships in urban regeneration, the work of Lowndes *et al.* (1997) distinguished between networks and partnerships. The latter was characterised as more formal, clear and organisational. Networks on the other hand, "are not formally constituted entities and therefore their boundaries are indistinct or fuzzy. They are also dynamic because of the changing intensity and nature of individuals' relationships with other network members, or indeed whether they see themselves - or others perceive them - as part of the network. Finally,

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<sup>175</sup> See Jones, H., Caird, J.B., Berry, W. & Dewhurst, J., 'Peripheral counter-urbanisation; findings from an integration of census and survey data in northern Scotland', *Regional Studies*, vol. 20 (1986), pp. 15-26.

<sup>176</sup> For example see Craig, G. & Manthorpe, J. 'Unequal partners? Local Government Reorganisation and the Voluntary Sector', *Social Policy and Administration*, vol. 31 (1999), pp. 55-72; Lewis, J. 'New Labour's Approach to the Voluntary Sector: Independence and the Meaning of Partnership', *Social Policy & Society*, vol. 4 (2005), pp. 121-131; and Wolch, J.R., 'The shadow state: transformations in the voluntary sector', in Wolch, J. R. & Dear, M., *The power of geography: how territory shapes social life* (Boston, Unwin Hyman, 1989), pp. 197-219.

the level of formalisation within networks is low.”<sup>177</sup> Whilst the work of Lowndes *et al.* (1997) offers some interesting insights into the differences between partnerships and networks, this paper demonstrates how the evolution of ‘partnerships’ between local VCS groups and the state involve highly complex networks, arguing, contra Lowndes *et al.* (1997) that networks can be characterised less rigidly into *informal* or *formal* types. Superimposed upon such diverse spatial networks is a lucid line of argument that implies, with the use of formal governance arrangements (like LSPs) as a tool, the ability of the state to influence the VCS. However, upon closer scrutiny, this research also reveals that some local VCS groups have certain capacities to enervate such state dominance of local governance spaces, making the overall spatiality of the partnership-network site highly transient.

In order to simplify this line of argument and to reiterate, my initial analysis characterises local VCS groups into an ‘informal network’ or ‘formal networks’ rather than ‘partnerships’. Generally, I found one type of informal network and two types of formal network. Each of these networks had their own distinct workings. Firstly I want to talk about the informal network.

## V. Informal Network

Within the research areas it was found that some local VCS groups belonged to an informal network which allowed them to understand what was happening ‘on the ground’. Informal networkers were characterised by local VCS groups who relied on word of mouth to share ideas surrounding sustainable development. Such groups tended to concentrate on independent conservation work in particular areas of a given locality and were not averse to working with similar groups to their own. For example, one respondent claimed:

*“We’ve [East Riding conservation group x] been involved in the past with the [East Riding conservation groups y]. We’ve planted trees for them and they’ve planted trees for us. They’ve done hedgerow management for us, they’ve joined in our voluntary conservation tasks. [East Riding Conservation group y] don’t have many reserves or areas of their own in which to do conservation work, but if they did we would go and help them”* (East Riding conservation group x chair).

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<sup>177</sup> Lowndes, V., Nanton, P., McCabe, A. & Skelcher, C., ‘Networks, Partnerships and Urban Regeneration’, *Local Economy*, vol. 11 (1997), p. 336.

However, this is not to say such networks are always harmonious. There are tensions that exist within such networks. In referring to other East Riding conservation groups x and z in their area, the East Riding conservation group y respondent claimed:

*“I think for small societies like us, we don’t really have any great funding to go for really and then if you do say, okay why don’t you work with [group x] or the [group z] whatever they are, and you work together and you create your critical mass... And then you get the petty jealousies, well he’s the chair of that and he’s the chair of that, and if you start combining them, someone loses their position within the community”* (East Riding conservation group y secretary).

Yet one common feature within such groups was the cynicism in current formal governance arrangements like LSPs or SDMs. Referring to the LSP, the group x respondent claimed:

*“To be cynical I think they were only paying lip service to our requirements... Basically the objectives, I think we have got entirely different objectives... And I think councils are looking for public accountability of what they have spent on the project in terms of how many people they can get in there”* (East Riding conservation group x chair).

Similarly, in reference to belonging to formal governance arrangements, the respondent for group y claimed:

*“... I can’t say that as a society we are greatly bothered by it because of the general membership, I think it’s just not what they want to be involved in... I think the members are happy being a little tiny conservation group doing what they do with their winter talks, but we are not like Greenpeace or Friends of the Earth, we’re not like that”* (East Riding conservation group y secretary).

Therefore, the local VCS groups who belonged to the informal network were characterised by a sense of pride in their independence from working within formal governance arrangements because of a perception of different working objectives between local formal governance arrangements and themselves. This resonates with ideas by Goodwin (1998) who suggested that there are “systematic discrepancies between the motives, experiences and understandings of the various policy actors towards the theory

and practice of a participatory conservation”<sup>178</sup> which “undermines the effectiveness and credibility of existing participatory conservation initiatives”<sup>179</sup>. In terms of the experience *within* these informal groups, effectiveness may have been undermined through their petty jealousies. Yet overall, such groups were willing to work with other groups who had similar objectives to their own, showing an ability to transcend certain personal differences in favour of the greater good of local conservation.

## **VI. Formal Networks - type 1**

In addition to the informal network, there were local VCS groups who belonged to more formal networks, of which I characterise two types. The first type is characterised by local VCS groups who actively try to create alliances in order to work within formal governance arrangements like LSPs and explicitly show a willingness to work with governmental tiers. I call this ‘governance aligning’. Such groups realised that in order to fit into, or align themselves within such formal governance arrangements and promote their own agenda or objectives surrounding discourses of sustainable development, they needed to galvanise support from across the sector locally.

The following is a quote from a local officer of a national conservation charity, who expresses the benefits of working through alliances in order to create a more influential power base from which to promote specific discourses of sustainable development. Talking about HEYwoods, a local conservation initiative in Hull and the East Riding made up of public, private and voluntary groups, whose main aim is to manage and increase woodland cover in the area, he said:

*“so we now dragged HEYwoods in, who we were all involved with before, and we said to HEYwoods what we need is a focal point, what we need is a hub... HEYwoods agreed that they could be that hub, through which we work as part of a partnership”.* (Hull conservation group officer)

Similarly, a different environmental group representative facilitated the creation of an alliance with groups who had differing social and environmental objectives as a way of delivering specialist initiatives and services in the locality, said:

*“what we’ve developed is the Community Alliance which is the largest delivery organisations in the area acting together to offer a range of activities in each of our*

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<sup>178</sup> Goodwin, P. ‘Hired Hands’ or ‘Local Voice’: Understandings and Experience of Local Participation in Conservation’, *Transactions of the Institute of British Geographers*, vol. 23 (1998), p. 481.

<sup>179</sup> *Ibid.* p.495

*specialist areas and so we operate as a secretariat for the alliance, and we are developing that alliance and developing an employment project on the back of that” (Hull environmental group chief officer).*

Examples like this show that some local VCS groups tend to be more pragmatic about how best to deliver certain services and initiatives. This first type of formal networker understood that working with a variety of local public, private and voluntary stakeholders, which involved compromise, was necessary in order to attain certain objectives. This points to a more reflexive and dynamic understanding by such VCS groups in understanding how the state-voluntary relationship was evolving. There was an active realisation that for local VCS groups to be more successful, they needed to fit into this new policy agenda of closer working between public and even private sector groups. This shows that such groups understood that to achieve certain end aims, they had to relinquish some of their own independence and specific working objectives (as opposed to the informal networker) as a kind of trade-off. As a quote from the same local environmental group chief officer shows:

*“Well I have a lot of involvement around, for example there’s the North Carr Partnership Meeting, which is the local version of the LSP, so I sit on that and I also chair the Local Jobs and Prosperity, People and Skills group. We don’t have an environment group either because the local structures are supposed to mirror the city LSP structures... But, and through that, I can feed that through the Alliance and the Community Network” (Hull environmental group chief officer).*

Whilst this shows a willingness to work within formal governance arrangements like the LSP, what is of more significance here is the motivations behind doing this. This particular group representative exhibited quite a Machiavellian approach in aligning their group within formal governance arrangements like the LSP in order to promote certain sustainability objectives. This particular group’s objective was environmentally centric, yet they got involved in the economic sub board of the LSP so they could promote their environmental objectives within a sub group that traditionally had more influence within the LSP.

Such actions can be linked to a vast body of literature which utilises the Foucauldian concept of governmentality, showing how individuals and collective groups are indirectly controlled by the state to behave in certain self managing ways, but can also

become ‘active subjects’ who can influence certain agendas within formal governance arrangements. Such literature bases its argument around the notion of power and the subtle ways in which it can be internalised. For example, Atkinson (2003) shows how “both individuals and communities have the potential to develop ways of governing themselves that, whilst meeting the requirements of government, can better meet their own needs.”<sup>180</sup> Whilst the work of Lever (2005) looks at how LSP structures reflect this governmentalisation agenda, it offers an extra insightful perspective related to how certain individuals and communities are held back from attracting mainstreamed funds.<sup>181</sup> This resonates more with the informal networkers talked about earlier. However, as this paper has argued, whilst the informal networkers expressed ambivalence in joining formal governance arrangements, this tended to imply that they had a choice. Yet because the formal arrangements are bound up in state influenced criteria, this in itself facilitates limited choices to such groups, and may explain why they choose to remain independent. Yet this leaves the question concerning why some groups i.e. the formal networkers, are more successful in internalising certain discourses promoted by the LSP. Getting involved in such formal governance arrangements had the added benefit of publicising that particular groups’ *raison d’être* amongst a variety of influential local groups, this in turn increased their chances of securing further funding and therefore survival. Hence, formal governance arrangements can benefit VCS groups if they are willing to be pro-active and make certain trade-offs. Understanding the ‘rules of the governance game’ allows such local VCS groups to build alliances whilst simultaneously cementing their individual position within local governance spaces, which in turn leads to greater funding streams. Such ‘know how’ might explain why formal networkers deem it necessary to get involved in formal governance arrangements like the LSP. The following are quotes from a local environmental VCS group representative, epitomising how such a group envisages the changing nature of voluntary-state relations. He says:

*“We’ve tried to prove to LAs that we can offer them something... they need you, and you’ve got to identify what your use is and that’s what we’ve done. We never sit on the street corner and say, “Oh please help us, we deserve it, we’re a good cause”. That’s pathetic, no one will give you money for that like some groups try and advocate”.*

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<sup>180</sup>Atkinson, R., ‘Addressing urban social exclusion through community involvement in urban regeneration’, in Imrie, R. & Raco, M., *Urban Renaissance? New Labour, Community and Urban Policy* (Bristol, The Policy Press, 2003), p. 117.

<sup>181</sup> Lever, J., ‘Governmentalisation and Local Strategic Partnerships: whose priorities?’, *Environment and Planning C: Government and Policy*, vol. 23 (2005), p. 919.

The use of “some groups like that” also implies some sort of division between the interviewees group and other groups. He continues:

*“We also sit on the city council’s Environment and Transport Scrutiny Commission. They asked us to sit on that. We are the only external organisation that does. We actually scrutinise city council’s environment and transport policy. So I think we have a big impact on what they do. We also do in the East Riding, we seem to be very highly respected by both LAs”* (Hull environmental group representative).

Therefore, explicitly conveying the ‘added value’ that they bring to such formal governance arrangements gives them greater capacity to influence certain agendas. Yet such experiences have another effect; that is, wider central government policy on partnership with the VCS, which these local governance spaces are a product of, creates a more competitive arena when it comes to securing funding for local VCS groups.

Therefore, this increasingly competitive arena can potentially be more detrimental to some of the more highly independent, informal VCS groups. The main problem that a lot of these groups have with aligning themselves within governance spaces seem to centre on the irrelevance of formal governance arrangements in relation to their working objectives. For example, talking about the East Riding LSP, the interviewee here explained how it was too strategic to have any relevance to the work that they did:

*“[The LSP] didn’t seem to be focused on the requirements of the lesser members within it. Talking at a very high ethereal level of all sorts of things which really didn’t get down to the sharp end of nature conservation, or what we expected from it...”*

And talking about LSP meetings at County Hall...

*“I couldn’t help but feel that if we didn’t meet there, but met on one of our nature reserves with a spade and got on with work, we wouldn’t have needed funding to do that because it would have been done”* (East Riding conservation group chair).

So amongst such informal VCS groups there tended to be a bit more ambivalence and caution when it came to engaging in governance spaces, unless these ‘spaces’ only included other local VCS groups which they actively knew in a practical capacity. This stance could be interpreted as short sightedness and a lack of understanding as to how the governance game is played at the local level. On the other hand, the first type of formal networkers were pro-active in seeking ways to align themselves with governance

arrangements because this had the dual advantage of giving them a limited power base from which to focus upon promoting their own particular objectives, whilst simultaneously giving them greater potential to secure funding. Whilst there are many similarities between the first and second type of formal networks, the next section will discuss how the second type of formal networks involve VCS groups who explicitly seek a funding relationship with the state, and what this means in terms of their independence and how their experiences represent the problems of a state which encroaches upon the VCS.

## **VII. Formal Networks - type 2**

The second type of formal network is when individual VCS groups have Service Delivery Mechanisms (SDMs) with government. The U.K. state utilising the VCS for service delivery can be traced back to the Conservative government during the mid 1990s, who commissioned the Deakin Report, 'The Future of the Voluntary Sector', published in 1996. This suggested the idea of a voluntary sector compact. New Labour had also committed to this vision before and after their accession to political power.<sup>182</sup> The compact was finally launched in November 1998 and represented a modernisation shift in New Labour policy discourse towards an agenda that sought to utilise different sectors within society more widely through joined up policies. Since the advent of the compact in 1998, government policy has increasingly evolved to the creation of more formal ties with the VCS as for example, the 'Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review' (2002) shows. Its "overall objective was to explore how central and local government can work more effectively with the sector to deliver high quality services, so that where the sector wishes to engage in service delivery, it is able to do so effectively."<sup>183</sup> This shows that the government were actively placing more significance on the role to be played by VCS groups within local service delivery.

From the research it was found that larger VCS groups or umbrella organisations tended to have SDMs, rather than smaller VCS groups. This was largely because government felt that such groups possessed greater resource capacity. Incidentally, such groups were also more heavily involved in the LSP, implying that groups who tend to go for funding through SDMs are more likely to be actively involved within formal

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<sup>182</sup> For a full chronology see Osborne, S. & MacLaughlin, K., 'Trends and Issues in the Implementation of Local 'Voluntary Sector Compacts' in England', *Public Money and Management*, vol. 22 (2002), pp. 57; and Plowden, W., 'The Compact: Attempts to Regulate Relationships Between Government and the Voluntary Sector in England', *Nonprofit and Voluntary Sector Quarterly*, vol. 32 (2003), pp. 416ff.

<sup>183</sup> HM Treasury, *The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review* (London, HMSO, 2002), p. 5.

governance processes like the LSP. The general consensus amongst interviewed public officials was a preference for government to contract with single, larger VCS groups rather than many smaller more localised groups. As one Yorkshire Forward Manager claimed:

*“In terms of commission that I talked about earlier, it’s going to be very much more around people working together so if somebody in Hull is delivering something... They’ve now got to work with someone from the East Riding, somebody on the south bank to come together as a consortium and say to the likes of Yorkshire Forward and others we can do this together. We’ll deliver a programme because we’re not interested in contracting with 4 separate little organisations. We want to deliver a programme that hits a lot of different targets. So it’s about organisations recognising that and working more together which is different because what you’ve got now is that they’re working their own patches and quite often they’re not very good at working together. Some are but not all”*  
(Yorkshire Forward Manager).

This trend corresponds with the findings of Lewis (2005) who found that larger VCS groups tend to be better placed to contract and commission for services. She states, “since 2002, there has been more evidence of large and umbrella voluntary organisations (...) playing an active role in shaping the implementation of major government initiatives.”<sup>184</sup> She goes on to question whether such a policy stance promotes democratic renewal and equality in policy setting by the VCS as a whole. This issue is also explored by the following interviewee, who highlights how government’s policy of working with larger VCS groups has prompted some groups to look at developing alliances to deliver services through contracts. He says:

*“Well that’s part of our concern is that they will miss out if we go down that road of like commissioning and procurement and contracting because they won’t be big enough to actually bid for contracts and if there aren’t sufficiently large sources of grant funding they won’t be able to do the things that they do at the moment. I mean, there are a number of different approaches you can take for that. I know that [a city wide VCS group] are looking at a model which they’ve called Community Hubs which is based around the idea that as a large organisation they’ve got the capacity to contract with the Local Authority and their approach is they will try to bid for contracts and then subcontract to*

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<sup>184</sup> Lewis, J., ‘New Labour’s Approach to the Voluntary Sector: Independence and the Meaning of Partnership’, *Social Policy & Society*, vol. 4 (2005), p. 122.

*those smaller organisations*” (Chief Officer, Local Council for Voluntary Service).

This shows how a more formalised state-voluntary policy has filtered down to the local level resulting in potential problems for smaller VCS groups. Logically taking such a policy trajectory a stage further would result in an increasingly competitive funding arena whereby smaller groups need to seek ways to contract or sub contract to secure their survival. Whilst Lewis claimed that larger VCS groups were better placed to contract, this research shows that they too were not impervious to the dangers of such a policy trajectory. As this quote from a manager of a sub regional environmental VCS group claims:

*”We’re not like we were before, we had Service Level Agreements, we had government money and that’s how we ran this organisation. And once we’ve got that in place for three years, at least we knew that it was in place for three years, it’s not like that anymore. We’ve got to compete, we’ve got to commission for pieces of work, we’ve got to contract which is totally different arena from what we were doing before”* (Manager of sub regional environmental VCS group).

This increased contracting culture predicates a fundamental change in the way VCS groups try to secure their survival, having vast implications for some of the smaller locally based VCS groups. Therefore what we are seeing is a ‘partnership’ agenda, increasingly being defined by a more competitive service delivery market, characterised by new governance spaces like LSPs. Therefore, whilst the very largest VCS organisations may have the capacity to bid for contracts against private sector competitors, some of the smaller local VCS groups are in danger of becoming ostracised through diminishing grant streams as contracting practices increase. Yet some of these smaller groups explicitly convey their disapproval of LSPs as a governance site to actively promote sustainability discourses because it involves giving up a degree of their independence and *raison d’être* and singing the tune of central (via local) government. As this research has attempted to show, such a policy trajectory has resulted in a variety of more pragmatic, localised VCS organisations forming local ‘alliances’ in order to win a slice of the pie via ‘governance aligning’, which in turn gives them (limited) impetus in enervating state domination of governance spaces. Yet with even larger city wide and sub regional groups finding themselves in an increasingly market-based competitive environment, they too may have to secure their future through alliances and subcontracting to smaller organisations.

There is also the adage of how sustainability focused VCS groups deal with such a formalised state-voluntary policy, because the idea of service delivery doesn't feature much within their working aims and objectives, unlike VCS groups who work in the health and education sectors for instance. The manager of a sub regional environmental VCS group expresses how VCS organisations doing work related to sustainable development needed to professionalise and compete for contracts. She says:

*"We've got to learn now how to commission for work, we've got to get leaner, we've got to get smarter and we've got to pick up a gear in as much as, as we are we do things very professionally... but I think we've got to be seen to be doing it, because they've [government] always looked at us as being people that are 'pink and fluffy' that work with communities and we do a little bit here and a little bit there, they've now got to see us as a major player, and we are one of the major players"* (Manager of sub regional environmental VCS group).

The irony is that she has since left this post because funding had run out, highlighting the tremulous nature of a more formalised state-voluntary policy. Whilst the literature related to the dangers of a closer state-voluntary relationship have already been explored in this paper, this research offers empirical evidence as to how such a step change in central government policy has destabilised local VCS action in the search for and the promotion of sustainability 'fixes' at the local level. It reveals a paradox between the U.K. state attempting to actively encourage a specific sustainability governance agenda, one that emphasises specific 'quality of life' and sustainability discourses that are skewed towards the socio-economic side; and a diverse VCS, 'a loose and baggy monster'<sup>185</sup>, where a variety of local VCS groups react to this governance agenda through various ways discussed in this paper, depending on their own particular sustainability objectives. Added to this is an increasingly competitive funding culture, increasingly being defined through more formal contracts and commissioning processes as grant streams simultaneously decrease. This results in a fragmented local VCS, whereby some groups have no alternative but to actively seek out alliances with other local VCS groups in order to maintain their ongoing survival.

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<sup>185</sup> See Kendall, J. & Knapp, M., 'A loose and baggy monster: Boundaries, definitions and typologies', in Davis Smith, J., Rochester, C. & Hedley, R., *An Introduction to the Voluntary Sector* (London, Routledge, 1995), pp. 66-96.

## Conclusion

So to conclude, what does all this mean in terms of “enhancing citizen participation” in promoting sustainable development as is emphasised in the E.U. SD Strategy? Are governance spaces like LSPs or SDMs adequate enough for VCS groups to pursue their own agenda on sustainable development? To summarise, it seems as if current ‘governance’ conditions promotes a scenario of ostracised smaller groups, who are unable to, or just refuse to align themselves within a government defined, specific sustainability governance agenda, versus larger groups who are able to be more pragmatic, build local alliances and engage in current ‘governance’ arrangements giving them greater capacity to influence local spaces of sustainability. Therefore, one could argue that in the U.K., current ‘governance’ conditions pre-empt ‘unenhanced participation’, promoting a lack of diverse ideas around combating sustainable development. This in turn only reifies the lack of coherence between scales, contra E.U. SD policy intentions.

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# HOW SUSTAINABLE IS EUROPEAN DEVELOPMENT? THE WORLD-SYSTEMS PERSPECTIVE AND THE ROLE OF THE EUROPEAN INVESTMENT BANK

Ivan Lesay<sup>186</sup>

**Abstract** This paper seeks to analyse the broader context of the sustainable development discourse in Europe. First, optimistic arguments claiming that Europe is performing well in terms of sustainable development are presented. Second, counter-arguments are introduced – refuting the former by claiming they are geographically limited. Third, an alternative conceptualisation of sustainable development based on the world-systems perspective is proposed. And finally, the investment portfolio of the European Investment Bank is tested on the grounds of the hypotheses formulated drawing on the theoretical part of the paper.

**Keywords** sustainable development, ecological modernisation theory, world-systems analysis, bio-physical accounting, ecological unequal exchange, the European Investment Bank

*Historical capitalism has two elementary features: an imperative need to expand to sustain its prime objective – the endless accumulation of capital, and a tendency not to pay its bills.*

Immanuel Wallerstein

## Introduction

It is a commonplace to talk and think about Europe as the most advanced world region in terms of sustainable development. This impression is nourished by many particular indicators, such as nature protection legislation, adherence to international climate conventions, services sector proportion increase / industry sector proportion decrease, energy efficiency rates, environmental education and awareness etc. – all of them among the highest or most developed right in Europe.

I will claim that this intuition is fundamentally wrong. Despite its rising popularity and political prominence, much of the sustainable development discourse and effort in Europe is somewhat short-sighted and Eurocentric. The pursuit of cleaner environment and nature protection is too often followed within – and framed and restricted by – geographic frontiers. My argument in this paper is that to a great extent, Europe's environment protection successes can count at the expense of environmental degradation elsewhere, particularly in the poorer ('less developed') parts of the world. Building information / knowledge-based society and sophisticated services sector in Europe does not mean that the Europeans have stopped consuming. The reverse seems to be true. An explanatory factor of the seeming dilemma

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<sup>186</sup> I would like to thank to Pippa Gallop, Lucia Pániková and Daniel Škobla for their help in developing this paper. However, the remaining errors are solely mine.

‘increasing consumption – improving environment’ might be that the polluting production and waste disposal have been moved away from our eyes and backyards, and so has the resource exploitation.

When I refer to ‘Europe’ in this paper, I do it in several ways and for several reasons. First, many mechanisms that I am describing here on the case of ‘Europe’ (increasing mass consumption and externalising its environmental consequences to weaker peripheral countries) can very well hold even for the rest of the ‘developed’ world – the USA, Canada, Japan, Australia, etc. However, I have chosen to focus on Europe in this paper just because of the greatest discrepancy between the mentioned practices on the one hand, and the environmental rhetoric in and by Europe, and the position Europe is believed to have in an imaginary world-environmental-friendliness-ranking on the other hand. Technically, and that is second, referring to ‘Europe’ mainly equals to referring to the EU.<sup>187</sup> And third, when referring to the ‘European development’ in the title of the paper and in the text, basically two things are implied: 1. the development *in* Europe, i.e. consequences of economic development and life-style in Europe for the global environment, and 2. the model of development prescribed *by* Europe to the less developed countries of the world. And finally, Europe is represented by the European Investment Bank in the empirical section of the paper (the reasons for the choice are discussed in that particular section).

## **I. Sustainable Europe – an optimistic view**

Developed economies often receive attributes such as ‘post-industrial’, ‘information’, or ‘relatively dematerialised’.<sup>188</sup> It creates an impression that economic development, mass consumption, and high living-standards do not necessarily go hand in hand with intensive resource use, and therefore, environmental degradation. Such observations have been confirmed even by the so-called *environmental Kuznets curve* (EKC) (Figure 1). The inverted U-shaped curve describes the reality that the lowest levels of environmental degradation can be found in the least and the most developed economies. The least developed economies (left part of the figure) do not have the physical capacity to degrade the environment massively. The countries in the middle are better equipped and invest their efforts in catching up, which results in the highest degrees of environmental degradation. Somewhat paradoxical seems the observation that the most developed economies (right part of the figure) do not use their

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<sup>187</sup> The phenomena discussed hold predominantly for the more developed part of Europe, not as much for the ‘less developed’ parts of the continent, such as the Balkan or former Soviet Union republics (except for the Baltic states). Therefore referring to ‘Europe’ mainly equals to referring to the EU. However, I have chosen not to refer specifically to the EU because it doesn’t include several developed European countries, such as Switzerland, Norway, Liechtenstein, and Iceland.

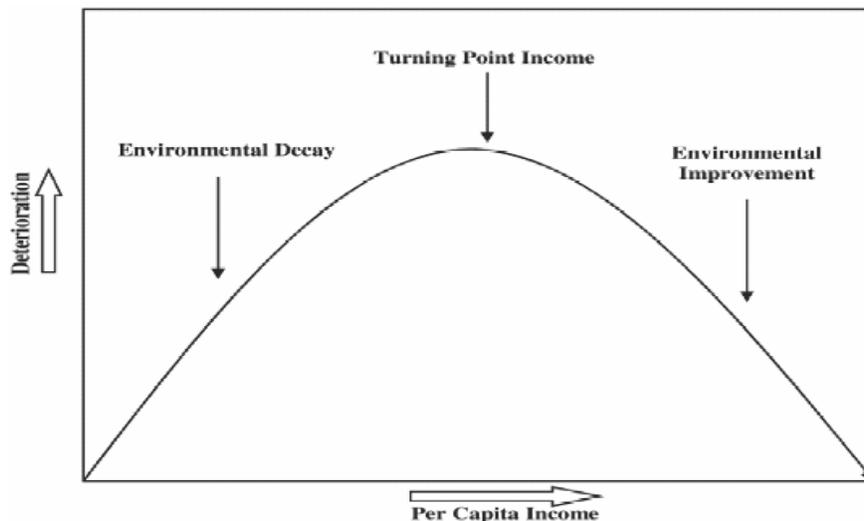
<sup>188</sup> Relative dematerialisation refers to situations when country’s economy grows faster than material input of the economy, i.e. although the use of resources increases, it does so at a slower pace than the GDP growth.

capacity to exploit the environment so much. This effect is explained in several ways: 1. psychology (people care for the environment after satisfying their pressing material needs), 2. economics (people care for the environment if they can afford it), 3. technology (the core countries dispose of more efficient and environmentally sensitive technologies), and 4. less industry – more services, i.e. decreasing material intensity (as discussed above).

Another optimistic view is proposed by Mol and Buttel<sup>189</sup> – it is the so-called *environmental state* thesis. Its basic idea is that affluent industrialized states have institutionalised many nature protection measures, and many environmental concerns turned into their advanced environmental legislation. I believe that the reasons why these states did so can be found in the previous discussion on EKC.

And finally, the *ecological modernisation theory*<sup>190</sup> provides arguments not only on the level of individual affluent states as presented above, but also argues that free international trade has positive effect on global level, too: 1. rising incomes in poor countries reduces the pressures that poverty places on environment, 2. South changes the economic structures away from activities in the resource-intensive primary sectors towards services (‘positive structural effect’), and 3. international trade fosters the transfer of clean technologies from North to South (‘positive technology effect’).<sup>191</sup>

**Figure 1** Environmental Kuznets curve



Source: Yandle, B., Vijayaraghavan, M., and Bhattarai M. 2002: *The Environmental Kuznets Curve: A Primer*. Available at: <http://www.maclester.edu/courses/econ231/yandleetal.pdf>.

<sup>189</sup> Mol, A. P. L. and Buttel, F. H. 2001: *The Environmental State Under Pressure*. Amsterdam and Boston: JAI Press.

<sup>190</sup> Ecological modernisation theory defends the *status-quo* of the present capitalist world-economy. It argues that it is possible to have both growing economy and improving environment, and that free trade and anti-regulationist policies both on national and global level foster both goals. It has been criticised for its conservationist, reformist, and overly optimistic approach.

<sup>191</sup> Giljum, S. and Eisenmenger N. 2003: *North-South Trade and the Distribution of Environmental Goods and Burdens: a Biophysical Perspective*. SERI Working Paper Nr. 2. Vienna: Sustainable Europe Research Institute, p. 7.

## II. Euro-centricism of 'sustainable development' discourse

The major flaw of the ecological modernisation concepts discussed in the previous section is that their understanding of sustainable development is narrowly focused within frontiers – activities of one geographic unit are identified with its geographic territory, whereas the international context and consequences of domestic activities are neglected. The so-called *rich-country-illusion effect* has been observed: as the consumption rates are not tightly linked to domestic environmental conditions, inhabitants (but also many scholars) in the core countries mistakenly (due to importing resources and exporting environmental costs) perceive their lifestyles as sustainable and blame LDCs for global environmental degradation.<sup>192</sup>

However – and no matter what the impressions are – it is only the *flow of energy and matter to productive societies* that permits an increase in 1. substitution of nonhuman for human energies, 2. scale, complexity, and coordination of human activities, and 3. division of labour, and specialized fields of information.<sup>193</sup> In other words, only the fact that the dirty extraction and production happens elsewhere, enables Europeans to employ their forces in clean and sophisticated service sector and thus be proud to call themselves 'post-industrial' or 'relatively dematerialised' (see Hypothesis 3 in the empirical section). It is important to stress that the latter would be hardly possible without the former.

## III. World-systemic conceptualisation of sustainable development

After trying to demonstrate the flawed logic of sustainable development discourse anchored in the ecological modernisation theory, I am proposing an alternative conceptualisation based on the world-systems perspective.<sup>194</sup> First, I refer to several general but still related theses to present a broader background and perspectives of the sustainable development dynamic in world-systems (power relations, structural positions and their historical development in the international political economy). To state the global situation in the area of sustainable development more concretely, I refer to the concept of bio-physical accounting (monetary versus footprint statistics) which is

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<sup>192</sup> Andersson and Lindroth in Rice, J. 2007: Ecological Unequal Exchange: Consumption, Equity, and Unsustainable Structural Relationships within the Global Economy. In: *International journal of comparative sociology* 48(1), p. 63.

<sup>193</sup> Bunker in Rice, J. 2007: Ecological Unequal Exchange: Consumption, Equity, and Unsustainable Structural Relationships within the Global Economy. In: *International journal of comparative sociology* 48(1), p. 51.

<sup>194</sup> The world-systems research has not been traditionally associated with studying environmental issues. However, some steps have been made (see the literature I refer to throughout this paper). The original world-systems analysis draws on the dependency theory and studies global inequalities and their historical development. It was influenced by Marxism, as well as by the French Annales School, and is associated with scholars such as Samir Amin, Immanuel Wallerstein, Andre Gunder Frank, or Giovanni Arrighi.

descriptive in measuring overconsumption in the North. And finally, to pronounce a normative element of the analysis, I draw on the concepts of environmental justice and ecological unequal exchange (international and intergenerational aspect of sustainable development, unfair distribution of environmental burden).

### **General world-systems theses**

The major observation within this tradition is – and it is the bottom-line of this paper – that ordinary and non-critical sustainable development discourse often tries to escape one clear connection: ecological and distributional issues are inseparable.<sup>195</sup> We can thus assume that environmental degradation functions differently across structural positions in the world-system. The first crucial assumption of the world-systems study approach is that the core wields power over the semi-periphery and periphery. Core’s historical monopoly of the highest technology goods and services means that countries outside of the core pay high prices for core products, particularly those designed to improve infrastructure and production facilities.<sup>196</sup> This control over technical innovations provides the industrial core multiple, mutually reinforcing, and historically accumulating advantages over the extractive periphery.<sup>197</sup> The gap in development between the core and the rest can be maintained also by imposing upon the South a postponement of ‘development’ by asking them to use costly ecological measures.<sup>198</sup> Second, as the core is a dominant player in the world-system, it can enforce mechanisms that enable moving dirty extraction and production activities elsewhere (see Hypothesis 1 in the empirical section). The core-periphery dynamic of the world-system represented for example by core-sponsored developmental strategies such as export-oriented manufacturing exacerbates ecological degradation in peripheral areas.<sup>199</sup> And third, the core can export their waste to peripheries. Capitalists externalise the environmental costs of their activities; governments in the core are reluctant to squeeze their profits – therefore they try to buy time by dumping the waste in the South.<sup>200</sup>

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<sup>195</sup> Hornborg, A. 1998: Ecosystems and World Systems: Accumulation as an Ecological Process. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> 4(2), p. 170.

<sup>196</sup> Roberts, J. T., Grimes, P., and Manale J. L. 2003: Social Roots of Global Environmental Change: A World-Systems Analysis Of Carbon Dioxide Emissions. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> 9(2), p. 286.

<sup>197</sup> Bunker, S. 2005: How Ecologically Uneven Developments Put the Spin on the Treadmill of Production. In: *Organization and Environment* 18(1): 38 – 54.

<sup>198</sup> Wallerstein, I. 1997: *Ecology and Capitalist Costs of Production: No Exit*. Keynote address at PEWS XXI, “The Global Environment and the World-System,” Univ. of California, Santa Cruz, Apr. 3 – 5 1997.

<sup>199</sup> Chew, S. C. 1997: For Nature: Deep Greening World-Systems Analysis for the 21st Century. In: *Journal of World-Systems Research* [http://jwsr.ucr.edu](http://jwsr.ucr.edu/) 3(3), p. 388.

<sup>200</sup> Wallerstein, I. 1997: *Ecology and Capitalist Costs of Production: No Exit*. Keynote address at PEWS XXI, “The Global Environment and the World-System,” Univ. of California, Santa Cruz, Apr. 3 – 5. 1997. For a

## Bio-physical accounting

An almost classical observation of the bio-physical accounting pioneer, Mathis Wackernagel, is that global equity along Western standards of living would require three additional Earths.<sup>201</sup> In other words, the only way how to keep the global consumption in the limits of the planet's ecosystem, is to prevent the peripheral countries from rising to Western levels of consumption. How this is made possible? One explanatory observation in this tradition of research is that international trade monetary balance masks the fact that the core countries are generally natural resources net-importers and consumers, whereas the rest of the world thus *must* only be net-exporters.<sup>202</sup> To reveal and see these relations clearly, some scholars propose to ground the notion of capital accumulation in the physical realities of ecology and thermodynamics, rather than in monetary statistics.<sup>203</sup> There are several ways how to carry this task out – measuring the *real* exchange, as opposed to the *monetary* one, is possible by 1. material flow analysis (tonnes), 2. energy metrics (goods measured in terms of how much energy is required to provide them), 3. human appropriation of net primary productivity (annual biomass appropriated by humans), and 4. ecological footprint – measures biologically productive land area (biocapacity needed to maintain the flow).<sup>204</sup> Bio-physical accounting statistics alone are a neutral tool. However, they are often used to support the thesis that ecological unequal exchange is happening.

## Environmental justice and ecological unequal exchange

The concept of environmental justice refers to an ideal situation when environmental burdens either do not exist or – in case they do – are born equally by all the present individuals and future generations, both on the global level. In reality, of course, this is often not the case and ecological unequal exchange is just one example here. Classical *Ricardian arguments* of 'benefits of trade' or 'trade specialisation' do not seem to work – according to some cross-national studies, a large proportion of the less developed

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case study of how this mechanism works, see Frey, R. S. 2003: The Transfer of Core-Based Hazardous Production Processes to the Export Processing Zones of the Periphery: the Maquiladora Centers of Northern Mexico. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> (9)2: 317 – 354.

<sup>201</sup> Wackernagel, M. *et al.* 1997: *Ecological Footprints of Nations*. Centre for Sustainability Studies, Universidad Anáhuac de Xalapa, Mexico.

<sup>202</sup> Giljum, S. and Eisenmenger N. 2003: *North-South Trade and the Distribution of Environmental Goods and Burdens: a Biophysical Perspective*. SERI Working Paper Nr. 2. Vienna: Sustainable Europe Research Institute.

<sup>203</sup> Hornborg, A. 1998: Ecosystems and World Systems: Accumulation as an Ecological Process. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> (4)2, p. 170.

<sup>204</sup> Moran, D. 2007: *Embodied Ecological Footprints in International Trade*. LUMES Master's Thesis. Available at: [http://www.lumes.lu.se/database/alumni/05.07/thesis/Dan\\_Moran.pdf](http://www.lumes.lu.se/database/alumni/05.07/thesis/Dan_Moran.pdf).

countries exhibit footprints *below* their bio-capacity per capita.<sup>205</sup> Alf Hornborg lists several characteristics of ecological unequal exchange:

- objectively asymmetric transfer of value embodied in the productive potential of energy and natural resources
- recognizable in biophysical terms but hidden through exclusive reference to monetary indicators
- made possible through the illusions of normatively neutral exchange through market mechanisms
- misconstrued as reciprocal exchange between economically unbalanced partners
- market prices are a crucial mechanism through which the core appropriates ecological value and exports waste to the periphery
- consequence of the neoclassical economics tendency to equate exchange value with utility – ecological unequal exchange conceptualised only by recognizing that exchange value and use value do not necessarily coincide.<sup>206</sup>

The monetary undervaluation of natural resource exports from the periphery as described above is shaped also by *exogenous factors*, such as external debt obligations, austerity requirements of structural adjustment programmes, import protectionism within industrialised countries, the inability to diversify into non-primary product exports, and low revenue capture. To meet these demands, peripheral economies engage in increased resource exploitation.<sup>207</sup> And while these extractive economies are pressed to overexploit nature, the landscape in industrial nations is instead liberated from the imperative to yield a profit and rather becomes the object of *conservation programmes* (see Hypothesis 2 in the empirical section).<sup>208</sup>

#### **IV. European Investment Bank**

I have chosen the European Investment Bank (EIB) as a case study in this paper. Right at the beginning, I would like to say a word of discretion. Although I use EIB as a test to the

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<sup>205</sup> Jorgenson, A. K. and Rice, J. 2005: Structural Dynamics of International Trade and Material Consumption: A Cross-National Study of the Ecological Footprints of Less-Developed Countries. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> (11)1, p. 71. This observation closely relates to the one stated above, namely that the core countries are generally net-importers of natural resources, whereas the rest of the world belong to net-exporters.

<sup>206</sup> Hornborg, A. 2001: *The Power of the Machine: Global Inequalities of Economy, Technology, and Environment*. New York: Altamira Press; and Hornborg, A. 2003: Cornucopia or Zero-Sum Game? The Epistemology of Sustainability. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> 9(2): 205 – 216.

<sup>207</sup> Arden-Clarke, C. 1992: South-North Terms of Trade, Environmental Protection, and Sustainable Development. In: *International Environmental Affairs* 4(2): 122 – 38.

<sup>208</sup> Hornborg, A. 2003: Cornucopia or Zero-Sum Game? The Epistemology of Sustainability. In: *Journal of World-Systems Research* <http://jwsr.ucr.edu/> (9)2, p. 211.

theory presented so far, in no way do I consider it being at historical roots of the situation or contributing to it in the most massive scale. In terms of time, the processes described have been lasting for centuries, whereas EIB functions only fifty years; in terms of impact scale, there are probably more powerful global actors in the core than EIB (transnational corporations, private banks, other financial institutions, national governments, sovereign funds, industrial lobbies, global criminal groups, etc.). Therefore, potential confirmation of the hypotheses related to the EIB activities could not serve as an ultimate confirmation of the theoretical model validity; on the other hand, should the results of the test stand against the theory, it does not necessarily mean the theory is wrong.

Nevertheless, I believe there are good enough reasons for choosing EIB as a case study in this paper and I also believe the results of the test will have some implications. EIB is the biggest globally operating public lender – it invested EUR 53 billion in 2006. It is true that most of its financing still ends up in the EU (app. 87 % in 2006), as it was originally set up in 1958 under the Treaty of Rome to finance regional integration and development in the less developed regions within the EU. However, according to some statistics, EIB is the biggest public financier also in the so-called developing countries.<sup>209</sup> It started being active outside of the EU already in 1960s and then continued financing in these regions under various European Council decisions. The first global mandate was given to the EIB by the Council in 1997; the mandate I focus on in this paper was issued in 2000 and covered EIB operations outside Europe until 2007; the present mandate covers the period 2007 – 2013. The volume of EIB financing outside the EU is increasing and is likely to increase in the future. What is more, the developmental role of EIB might significantly increase after the potential merger with the European Bank for Reconstruction and Development.<sup>210</sup>

The magnitude of the EIB financing outside Europe, as well as its increasing development mandate, make it a proper case study for this paper. And there is one more reason why I believe this is a good choice. Unlike organisations that are ‘developmental’ by definition, such as EU’s DG Development or UNDP, EIB combines economic (financial) aspects with political (developmental) ones and, therefore, it represents a truer

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<sup>209</sup> Wright, C. 2007: *European Investment Bank: Promoting Sustainable Development “Where Appropriate”*. Available at: [http://bankwatch.org/documents/EIB\\_where\\_appropriate.pdf](http://bankwatch.org/documents/EIB_where_appropriate.pdf), p. 55. This statistics does not take the World Bank Group as one institution. Instead, it is split into its individual financial institutions – IBRD, IFC, IDA.

<sup>210</sup> EBRD’s original mandate to finance market economy and democracy development in the post-communist Europe and Asia will be close to be over in 2010 when it will stop investing in all eight of the Eastern European countries that joined the EU in 2004. Media reported that a document discussing the merger of EIB and EBRD was circulated among the EU finance ministers in March 2008. See for example the Financial News coverage: <http://www.efinancialnews.com/assetmanagement/content/2449987106>.

and sincerer vision of development by Europe.<sup>211</sup> Therefore, the ultimate goal of this paper is to see whether EIB fits the model described above and illustrates it or not.

To see how EIB supports (or challenges) the theory, I have formulated the following three simple and testable hypotheses (such as would be formulated in the world-system research tradition for any core financing institution with impacts on sustainable development)<sup>212</sup>:

1. *EIB investments into extractive industries and promotion of fossil fuels will be disproportionately higher<sup>213</sup> outside the EU.* Extractive activities (mining, extraction of oil, gas, and coal) are too often associated with great negative environmental and social impacts. Furthermore, the use of fossil fuels in production creates pollution. The logic behind this hypothesis is that Europe wants to profit from these activities but at the same time prefers them to happen elsewhere, so that they do not damage the environment at home.

2. *EIB investments into renewable energy will be disproportionately higher in the EU.* A mirror reflection of the previous hypothesis: the Europeans want to protect *their* environment and do not care too much about the environment elsewhere.

3. *EIB investments into services will be disproportionately higher in the EU.* The presented theoretical model presumes that developed economies (represented by Europe in this paper) move materially intensive activities elsewhere to be able to engage in value-added, clean, and human-capital-intensive activities.

I will use the database of EIB projects compiled by the CEE Bankwatch Network to test these hypotheses.<sup>214</sup> I will analyse the project portfolio in the period 2000 – 2007.<sup>215</sup> To test the first hypothesis, I take the whole of investments to the energy and industry sectors both within and outside the EU and see what proportion is channelled to the subsectors of mining, oil, gas, and coal. To test the second hypothesis, I am taking the whole of investments to the energy generation sector and see the proportion assigned to

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<sup>211</sup> Organisations focused purely on development are staffed by experts in the issue – they are thus likely to be positively biased. In that sense, they are not representative of the whole European impact on the area of development (trade deals, investments, extraction activities etc.).

<sup>212</sup> Of course, these hypotheses do not fully exhaust the impact Europe (or even EIB alone) has on sustainable development. They are rather stated with respect to availability of data on the EIB investments.

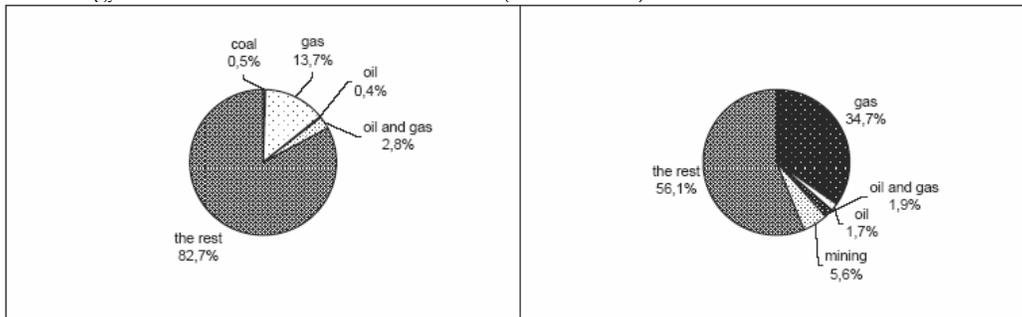
<sup>213</sup> Comparisons between the investments within and outside the EU are done in relative, not in absolute terms. The reason is, as already stated, that a majority of total EIB investments stays in the EU.

<sup>214</sup> The database draws data from the official EIB annual reports. The only change to this official statistic is reclassifying the sectors to which individual projects belong. The EIB categorisation is often too vague and general. The Bankwatch database specifies more sectors and subsectors which can tell us more about particular projects.

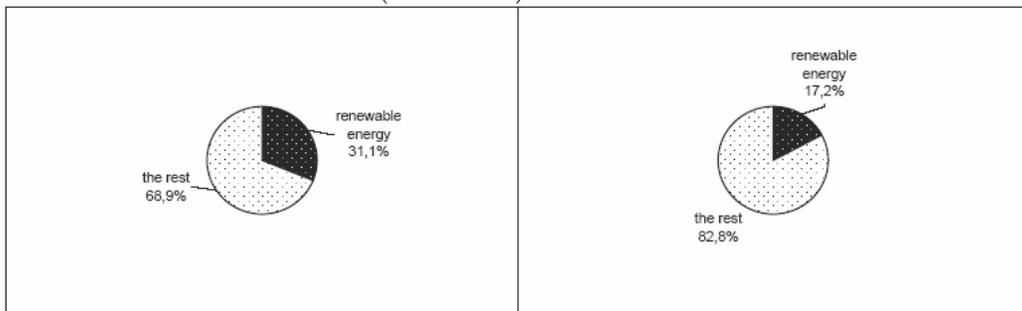
<sup>215</sup> This period was chosen for two reasons. First, these years represent the first big seven year global mandate given to EIB by the European Council. And second, the latest agreement between the EU and ACP countries (African, Caribbean and Pacific) – the Cotonou Agreement – was signed in 2000. EIB invests under this agreement and the region of Africa is crucial for studying developmental impacts of investments.

the renewable energy subsector. To test the third hypothesis, I am taking the whole of total EIB investments and see the proportion going to the subsectors of education, environment, health, postal services, and telecom.<sup>216</sup> The core-periphery dynamic is exemplified in this case study by division into investments within the EU versus the investments outside the EU.<sup>217</sup> The results are presented in the following figures.

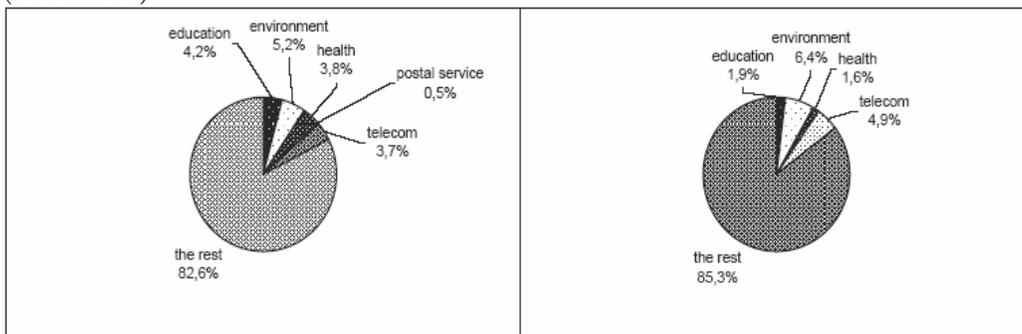
**Figure 2** EIB extractive industries and fossil fuels investments as a proportion of total industry and energy investments in and outside the EU (2000 – 2007)



**Figure 3** EIB renewable energy investments as a proportion of total energy generation investments in and outside the EU (2000 – 2007)



**Figure 4** EIB services investments as a proportion of total investments in and outside the EU (2000 – 2007)



<sup>216</sup> The final hypothesis on services is only very proximate, as many times, the projects under the five specified subsectors are not direct investments to services, but rather investments to infrastructure that will be only later used to provide services (building hospitals, schools, water supply facilities etc.). However, even through this indirect proxy indicator, one should be able to estimate the degree of support for services as such.

<sup>217</sup> A methodological point: several countries shift their classification in the EU and non-EU categories as during the studied period the EU enlarged twice, in 2004 and 2007. However, this fact does not seem to have significant consequences for the results of the test in this paper.

According to the presented figures, data support the first two hypotheses and do not support the third one. Figure 2 shows that promotion of fossil fuels and extraction is considerably bigger outside the EU (43.9 vs. 17.4 %). Figure 3 shows that support for renewable energy is almost twice as big in the EU (31.1 compared to 17.2 %). Only Figure 4 suggests that investing in services is very similar in proportion within and outside the EU (17.4 and 14.7 % respectively).<sup>218</sup>

## Conclusions

This paper has had an ambition to briefly present a world-systemic thinking on sustainable development, and to apply it very simply on the case of the European Investment Bank. The results of this test were successful from two thirds. EIB fits the model in its extractive industries and fossil fuel investments, as well as in renewable energy investments. However, EIB does not fit the model in its investments into services. It has to be stated that this paper was just an opening test, a minor step in the field of opportunities offered by areas of sustainable development and its global causalities. EIB, too, provides a case that deserves a closer scrutiny because of its increasing developmental impact combined with relative little public and academic awareness about the institution. A systemic, globally contextualised approach in environmental studies has not been elaborated enough so far. However, the current global food crises, climate change and other pressing phenomena which point to the connection between environment and distribution open a lot of normative questions calling for an attention. Although so far not enough applied to these areas, world-systems rooted research has a lot to offer.

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<sup>218</sup> Accounting for this surprising result goes beyond the scope of this paper. However, some discussion points are worth stating. Investments in education and health are low outside the EU. Investing in telecommunications is considerably higher. But what is most striking is the proportion of investment going to the sector of environment outside the EU (6.4 as compared to 5.2 % within the EU). When looking closer at the environment investments outside the EU, we can find out that a significant majority is channelled to the wastewater and water subsectors. One is tempted to hypothesise that in many cases the beneficiary of such a project is a European corporation, and it is often the case. However, this can be only a tip for a further research and for now, this suspicion does not undermine the fact that Hypothesis 3 was not confirmed by data.

## REGAINING DIGNITY: SOCIAL AND CULTURAL DIMENSION OF SUSTAINABLE DEVELOPMENT IN EUROPE<sup>219</sup>

Zuzana Luckay

**Abstract** In order for the transitions in Europe to be sustainable developments the ongoing social and cultural changes need to be taken into consideration. The most urgent challenges arguably involve two interconnected psycho-social processes, *identity crisis* on social and individual level and a *crisis in values*. In my research I am focusing on *dignity* and the cultural and social aspects of *regaining dignity*. Cognitive restructuring via dignity helps establish the paradigms of a human rights framework, the conundrum of which is the identification and interpretation of shared value systems.

**Keywords** dignity, sustainable development, human rights, identity crises, value crises, humiliation

### Introduction

In order to attain sustainable development in Europe aspects of currently ongoing social and cultural processes need to be studied on various trans-disciplinary levels. Europe is undergoing transitions due to its expansion, the concurrent effects of rapid global changes and extensive mobility amongst others. These transitions bring along complex cultural and social changes, which require adjustment to. However, many attempts of assimilation have not been successful, for various reasons. In order to encourage successful adjustment - to achieve integration – as opposed to the failing assimilation in a “new” Europe, the social and cultural exchanges need to be assessed in view of the need for *unity in diversity* in our increasingly interdependent world. The basis for a sustainable future is a stable economic, political and social order and peace in which dignity plays a significant part. The role of dignity in achieving sustainable development is not merely rhetorical but rather practical as I will try to prove in the following.

In my PhD I study the process of regaining dignity and I apply my findings to the scrutiny of the manifestations of this process in post-apartheid South African literature. The South African is a transitional society, which after many years of an oppressive system, which grossly violated human rights, is in the process of becoming a tolerant and democratic society. However it is a long and challenging transition. The problems in South Africa, where I have lived for years, are much greater than in Europe (poverty, HIV/AIDS epidemic, inequality, unemployment, crime... just to mention the most

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<sup>219</sup> The text here is part of a working project of my PhD, and is a summary/ part of my other research papers and presentation as well as comments, findings and notes from attended conferences and discussions with academics, professionals and friends, including Evelin Lindner, Elena Mustakova – Possardt, Berto Jongman, Thomas Pick and Reuven Paz.

pressing ones). In my PhD I intend to construct a working inter-disciplinary theory of the process of regaining and maintenance of dignity. I study the process in view of its growing global relevance in connection with human rights, identity issues, transitional justices (acknowledgment, reconciliation – as a form of restorative justice, apology and forgiveness) mainly I study dignity as a personal and social occurrence.<sup>220</sup> This paper, however, is about the theoretical concept of the *maintenance* of dignity and its importance in transitional societies.

## **I. The concept of dignity**

Whether a quality or state of being worthy of esteem or respect, dignity is a very complicated and sensitive issue for various reasons. Still, a sense of worth is of utmost importance to all of us<sup>221</sup>. The deliberate degradation of the worth of others has been a recurrent power-tool throughout history.

In the past few decades the role of dignity has changed significantly worldwide especially in countries, which underwent or are undergoing radical political changes. Despite its equivocal nature, dignity is not outdated but instead recognized as of vital significance. There are references to human dignity in various resolutions and declarations by international bodies<sup>222</sup> and it is a human right protected by the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union and the constitution of many countries including South Africa and Slovakia.

The concept of dignity is a matter of concern to various disciplines because of its philosophical, social, psychological, ethical, moral, political, historical, human rights, aesthetic and cultural aspects. The fact that various disciplines do concern themselves with the notion suggests that it is an underlying matter. Each field of study adds to the understanding of the term and they are simultaneously valid, illuminating different aspects of dignity, therefore an inter-disciplinary approach is the most helpful in scrutinising the concept since the various definitions are not mutually exclusive rather they are reciprocally complementing.

## **II. Dignity as a normative vs. qualitative concept**

Probably the most prevalent use of the ‘dignity’ in political, social and legal fields is in light of the Universal Declaration of Human Rights (based on the Kantian definition), which declares ‘the inherent and equal dignity of all human beings’. The obvious question

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<sup>220</sup> For abstract on longer papers on these please see

<http://www.humiliationstudies.org/research/teamlong.php#luckay>

<sup>221</sup> Even if some people deliberately downplay it – martyr, victim syndrome.

<sup>222</sup> For a longer list see Oscar Schachter. ‘Human Dignity as a Normative Concept’ in *The American Journal of International Law*, Vol. 77, No. 4, (Oct., 1983), pp. 848-854. p. 848.

risers however. If we all have dignity because we are human, why is it that some people behave in ways like if they did not have dignity or deliberately treat others as such. The declaration that we have dignity does not render the sense of having it neither does it necessarily motivate behaviour accordingly, suggesting that dignity is not necessarily static. 'Dignity' therefore, apart from being a normative concept, is also a quality. As opposed to human dignity, as an absolute underlying normative value, 'dignity' as a quality is flexible and varies with circumstances. Without knowing more about how dignity is part of our life, our behaviour, if at all, it will remain a mere declaration. Earlier understandings of 'dignity of man' have to be revisited in the light of new discoveries and knowledges while 'dignity' has to be studied also as a social not merely a philosophical phenomena.

The different perceptions of what constitutes dignity motivate various behaviours, therefore the pronouncement of norms, principles as rights of/to dignity will neither help understand dignity as part of human nature nor lead to creating and maintaining sustainable circumstances for a tolerant and peaceful life. Studying how dignity is perceived as opposed to how it should be perceived is therefore a key starting point. It is productive to differentiate between described and prescribed approaches to the concept.

It is profoundly different to talk about how dignity is perceived by people, what it means or what it entails for us, than to talk about what it should be and how we should hold and keep it. The ethical and moral comprehension of dignity is not separate from the social, quite the contrary. The prescribed mode of characterising dignity and the behaviour it ought to entail is a guiding principle. However, in order to enforce the normative we have to arrive at a better understanding of the qualitative notion, which involves studying how dignity works. It involves studying – to put it bluntly - the attribution of worth to others (culturally, socially specific as such dependent on history, economy etc.) and the expectation of appreciation of worth, that is the degree of self-worth and how it is affected by the environment and changes in social circumstances.

### **III. Keeping dignity**

Dignity cannot be granted or given – however much we treat someone with dignity, respect or consideration, it does not mean that they have or feel it. This is due to the 'self' aspects of dignity (self-esteem, self-respect etc.). If one does not consider one worthy than it is difficult, if possible at all, to make them value themselves, which motivates servitude-like behaviour, deliberate self-degradation, victimisation, martyrdom, depression etc. False self-evaluation can work the other way around too, when one considers oneself

superior etc. Hence dignity cannot as such been given, nor taken away for the same psychological reasons. A legal protection of it – even on an international level- will also not make it appear.

Dignity cannot be enforced by law. The obvious question is ‘How does one force people to value others.’ However, the circumstances, which allow it to be upheld can be created and maintained. In unjust political systems (like apartheid or communism) the circumstances for maintaining dignity are rather difficult or lacking altogether. Nonetheless, the end of an oppressive system does not entail the consequential appearance of dignity. These political transitions, albeit positive require new frames of references and the adjustments of value systems. Discarding old values is neither an easy nor a speedy process, it involves coming to terms with the past and present injustices and often overcoming real or perceived humiliations. Another pressing issue as far as circumstances of the maintenance of dignity are concerned is poverty and inequality, which are global problems. Only whence the basic necessities for survival are met (housing, sustenance, medical care and education) can we talk of possibilities for the maintenance of dignity.

#### **IV. European Union: Dignity and Human Rights**

Within the European Union the relevance of dignity – apart from the obvious human need - lies in the Union’s aspiration to a Human Rights framework. However, there is a precipice between the rights set forth in the UDHR and the practices of people – not just in the EU – but worldwide. The latest Amnesty International Report from 27 May 2008 paints a dire picture of the state of human rights around the world. Europe did not receive compliments in terms of human rights protection conduct either. Secretary General of Amnesty International Irene Khan in the report on ‘The State of the Human Rights’ in connection with Europe says: “It is also sadly true that this region, which regards itself as a beacon of human rights, still embraces a yawning gap between rhetoric and reality, standards and application, principles and performance.”<sup>223</sup>

Sustainable development is not only the aim of South Africa or Europe but a global aim, consequently it cannot be tackled in isolation but requires a global scale intervention, which however has to start on local levels. In the state of the world we are in with growing inequality, energy and food crises and security dilemmas the tasks ahead are so numerous that they seem overwhelming. Still most of us in the European Union

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<sup>223</sup> <http://thereport.amnesty.org/eng/regions/europe-and-central-asia>

live under circumstances, which are much better than most of the rest of the world. If we want to live up to and remain the ‘beacon of human rights’ we need to lead by example, we need to walk the talk. And we need to do so in a dignified and dignifying manner.

## **V. Dignity and humiliation**

Why and how is dignity such a pressing issue. Dignity is not only about inner well-being, being in peace with our situation. It is more, because our sense of worth and it being recognised or not by others motivates us, it affects our action or inaction. If our sense of worth is not recognised or we feel that it is not respected we can feel humiliated and then estranged, alienated, which can lead to feelings of resentment, anger and aggression and ultimately violence. Founding Director of the *Human Dignity and Humiliation Studies Global network*, social scientist Evelin Lindner, in her book titled *Making Enemies*<sup>224</sup> describes this rarely studied emotion. She maintains that “human beings yearn for connection, recognition and respect, and that its withdrawal or denial, experienced as humiliation, maybe the strongest force that creates rifts between people and breaks down relationships”<sup>225</sup>. In the introduction to her book she says: “the power of humiliation to destroy everyone and everything in its path makes it a ‘nuclear bomb of emotions’”. Seen from this perspective humiliation, as one of the experiences, that potentially undermine our sense of dignity gains more immediate and urgent relevance.

## **VI. Dignity and Integration**

The concept of dignity is socially and culturally embedded and as such it is useful to view it not only as a stable (the Kantian human dignity) but also a flexible construct, as a quality. As a quality it involves constant revisiting and renegotiation in relation to our place in the world and the changing circumstances around us. As a human right it is more wholesome when it is not decontextualised from the whole declaration (UDHR) but read together with the 29<sup>th</sup> article. It is not only our right to dignity, which needs to be upheld but our responsibilities also, as article 29 states: “Everyone has duties to the community in which alone the free and full development of his personality is possible.”

Dignity has psychological aspects but it is also a social phenomena, it is not maintained in isolation but within and via the community we live in. The recognition of our worth happens by the immediate surroundings hence it is not a matter of importance but a matter of essence. Worth can only exist in relation to the others. Recognition is

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<sup>224</sup> Evelin G. Lindner. *Making Enemies*. Westport, CT, London: Greenwood Press and Praeger Publishers, 2006.

<sup>225</sup> <http://www.humiliationstudies.org/howeare/evelin.php>

hence the first step toward the acceptance in the community. Therefore the role of dignity is crucial for 'integration' - or if integration is too ambitious - 'peaceful coexistence' between individuals and communities, which in turn is prerequisite to sustainable development.

Integration - or assimilation - is often resisted. The resistance manifests itself differently but the underlying core motivation is the same: the urge for one's worth to be recognised and respected. As diverse people, all carrying their cultures and their values ingrained in them, meet the values relativise each others'. This can be perceived as a potential loss, threat of the loss or betrayal of values, which is quite naturally resisted. Humans are willing to go into great lengths in order to preserve values and defend them against real or perceived assaults even at the expense of self and others. This can manifest itself in deliberate self-devaluing and victimization or in violent forms against others such as racism, xenophobia, nationalism, and ultimately radicalisation such as terrorism etc.. Whether the values being defended and preserved are based on religion or tradition is (as far as dignity is concerned) irrelevant because their aim is the same, recognition and respect. There is nothing wrong with yearning for recognition as long as it does not disrupt the social balance that is as long as the values are not forced on others and a peaceful coexistence is maintained, which is often not the case.

In order to achieve peaceful coexistence, which involves circumstance that allow one to maintain dignity there is a need for establishing an underlying value system, which all people accept and which also allows space for the respect of diverse values rooted in culture and tradition. In a sense morals and ethics have been striving for this since time in memoriam and that is what human rights have always been about. The Universal Declaration of Human Rights established them once again after the horrifying brutalities of the second world war. The underlying guiding principle of the human rights is indeed dignity. Dignity is not a value but a recognition of the importance of worth and values. Human dignity in the human rights framework is hence exactly that underlying value the need of which I was describing above.

However, despite the rhetoric of human rights, dignity and multiculturalism, in practice we see hatred of various kind, nationalism, xenophobia, racism etc. flare up very easily. (If we think of the recent xenophobic violence in South Africa or closer to home the racist violence in southern Italy). These sad events make us reconsider whether the underlying human dignity Cicero, Mirandola, Pufendorf, Kant and others have declared

exists at all and even if it does whether it is distributed equally to all humans. Maybe the inherent dignity also requires faith, maybe it requires our belief in it.

Radicalisation is also a growing problem (part of the security dilemma) in Europe. It is however superficial, short-sighted and indeed potentially dangerous to deem perpetrators of radical acts as mere deviants. Instead the root causes of these problems have to be tackled. In-depth investigation often seems to lead to lack of recognition or violations of perceived worth. Whether the bases for the perceived worth are real or imaginary is irrelevant because the actions, which result from them are very real. Therefore a dismissal of those who do not act in line with the Human rights and do not follow the set norms and principles will not help in creating circumstances, which would prevent acts like this in the future and aid sustainable development.

It is dignity as a quality, which has to be studied. It is important to know and how people, communities, societies *perceive* worth, what dignity is for *them* and not merely what it should be. In order for that sociological, psychological, philosophical, legal, historical, economic, moral, cultural, ethical etc. aspects all need to be considered. In-depth study of psychology is prerequisite because of the earlier mentioned strong ‘self’ aspects, like self-esteem, self-respect. The social and cultural relevance of dignity however resides in the reality that dignity exists through the contact with others. In the following I will briefly explore some of the psycho-social factors of dignity.

## **VII. Identity and Value Crises**

Two interconnected problems can be identified, which are clearly causing circumstances, which make the maintenance of dignity difficult. The one is identity crises, due to identities being perceived in binary oppositions and the other is that of value crises, which is connected to the hierarchical vertical evaluation of worth.

Without getting into much detail about the psychology of identities allow me to pose some basic concepts. We all have various social roles. The identities, some of which are arbitrary while some are inherent, they overarch the social roles and we negotiate them constantly. However the interchangeable use of ‘self’ and ‘identity’ is misleading. The person as a system of identities is the broadest concept, which encompasses various identities that are not necessarily equal.

Political -and religious- ideologies force us into identity traps, presenting identities in binary opposition – ‘you are either with us or against us’. Applied ethics and political psychology professor of the University of Cape Town, Peter Du Preez explains that “locutions such as ‘the role of a woman’ or ‘the role of the Basque’ are usually attempts to

pre-empt the implications of womanhood or 'Basqueness' for a particular purpose."<sup>226</sup> Du Preez explains that, "[T]hey are, when they are not specific, attempts to absorb categories of persons to particular roles; to make these roles of such importance that anyone of the designated category who fails to perform them can be made to feel guilty or ashamed"<sup>227</sup>. The guilt or shame springs from the proposed failure to conform. They can be enforced because they are based on our natural need to group and belong. The guilt is a psychological aspect, which occurs because the non-conformity is deemed wrong, manifesting itself through shame, which comes from the surroundings. In some circumstances one can be shamed and made to feel guilty *or* conform. But the choices are limited, and these are exactly the circumstances, which do not allow one to maintain dignity. (This certainly leads to debates on authority and connected issues.)

This artificially induced dilemma, which has an underlying, political religious or national etc. aim leads to the second problem, that of value crises. Since the social roles have values attached to them, which are 'made important', they pre-empt implications of what constitutes that particular category. What makes a woman, (or a Basque) are proclamations, which attribute values to these categories, within a frame of which behaviour has to be excused or justified. This means passing value judgement on the whole person –by assigning her an identity - based on one of the components of the self. Most importantly it is not an identity that has been *chosen* but one, which has been *assigned* to that person. This deliberate assignment of identities could spring from a fear of allowing individuals and groups to define their own identity. While another aspect of the crises is based on the mis/abuse of the emotional intolerance - or fear- of accepting the different identities within our selves.

The maintenance, insurance of spaces for negotiating our own identities within the self and via the other is of crucial importance. To be able to choose, or decide our identity is a circumstance necessary for upholding dignity. Therefore a constant deconstructive approach is needed in order to bear in mind –despite the traps – that identities and roles are neither mutually exclusive nor constant categories.

## Conclusion

As a conclusion, I urge for attention to studying the perceptions of dignity and to finding ways of creating circumstances, which allow it to be upheld. I firmly believe that it is of crucial importance. We have to move away from potentially humiliating practices – which

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<sup>226</sup> Du Preez, Peter. *The Politics of Identity: Ideology and the Human Image*. (Oxford: Blackwell, 1980) p 6.

<sup>227</sup> Ibid.

can undermine our sense of dignity. Instead in the spirit of unity and diversity, we should aim for building coexistence<sup>228</sup> based on mutual trust, recognition and acceptance of differences as the underlying framework. That is the only way to sustainable development in these periods of transition and global interdependence.

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<sup>228</sup> (<http://www.brandeis.edu/coexistence/>)

# THE NOTIONS OF YOUNG PEOPLE ABOUT THEIR HOUSING AND THE STRATEGIES OF ITS ACQUISITION

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**Abstract** The project focuses on the theme of the relation between the notions of young people about their housing and the strategies of acquiring their first dwelling as well as creating their homes. The price of real-estates in Bratislava is very high in long term, but the cultural tradition in Slovak society puts emphasis on the private form of dwelling ownership. Therefore institutional loans are for many young people the only option to acquire their own dwelling. The aim of my work is to analyze the notions of young people about housing in the context of their current choice of dwelling and their financial limitations, in the relation to the consequent furnishing and decorating of the dwelling – creating their own home.

**Keywords** material culture, housing, Bratislava, strategies, notions, home

## Introduction

When buying their dwellings – ensuring their housing – young people confront their notions with reality, they realize their aspirations and formulate their plans into the future. In the paper, I am dealing with the notions of young people considering housing in regard to their strategy subjected in the realization of buying the dwelling and in relation to the furnishing and decorating of the currently provisioned space. In theme and content I prop myself upon the project of my PhD thesis.

During the years 1948-1989 in the communist regime in Slovakia<sup>229</sup>, the cooperative ownership was ideologically apprehended as superior towards the individual. In this context, Hann emphasizes the disparity between ideology and practice. According to him, the absence of private ownership in particular branches of production in most of the economic fields did not signify the absence of ownership relations.<sup>230</sup>

Cultural tradition in the society puts emphasis on the private form of dwelling ownership in the present as well. This fact manifests in the related discourse in the media (e.g. advertisements) and in accordance with the results of my pre-research as well as in the stances and related strategies of young people.

The prices of estates in Bratislava are growing in long term and a mortgage is often the only possible form of economic realization of buying the dwelling for the majority of young people. The acquiring of an estate based on a bank mortgage represents a new phenomenon in the socio-political transformation of the Slovak Republic. The first

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<sup>229</sup> Resp. in the former Czechoslovakia

<sup>230</sup> Hann, Chris: Property. In Carrier, J. (Ed.) *A Handbook of Economic Anthropology*. (Cheltenham: Edvard Elgar Publishing Limited, 2006), p.115.

mortgages were provided in the year 1997, but a significant rise of interest has not begun until 2004. Long-term financial indebtedness requires from the individual a current evaluation of his / her situation as well as planning into the future. The problem of mortgages has shown itself also through the current mortgage crisis in the USA. I consider as interesting and in regard to the theme of my research also crucial fact, that this matter did not yet significantly influence the high interest of young people for mortgages in Slovakia.<sup>231</sup> I assume that this fact is influenced by the amount of information and experiences, with which the young people dispose in regard to this phenomenon. The reason might also be that young people in general don't have the possibility to confront their actions with individuals from older generations – for example with parents, who did not have a personal experience with mortgages. Besides the effort to rationally evaluate their situation, also the notions and taste preferences of young people affect the strategies in the context of acquiring their dwelling. This situation provokes tension and confrontation between the “subjective” and the “objective” decision-making, the “rational” and “irrational” action.

## **I. Material culture and housing**

The theme of housing was quite frequent within Slovak ethnology during the communist regime. This trend was influenced by the theories of Marxism and Leninism, which had given privilege to a view on social relations through the prism of material culture. The analysis of development phases as well as the current state of the dwellings was an important element of ethnologic monographs about cities and villages, as well as of individual scientific papers – mainly in the context of changes of traditional culture within the rural environment. The papers though have often focused on formal and functional aspects of material culture, without a sufficient depth of interest for the human being as the major object of ethnologic research.<sup>232</sup> Numerous phenomena related and resulting from the relationship of material culture and its subjects, as for example the problem of consumption demand, cannot be interpreted on the basis of solely focusing on the physical aspects of objects.<sup>233</sup> However, within the papers regarding material culture in Slovak ethnology we can also find those which reflect the meaning of exploring the

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<sup>231</sup>See for example Kremský, Peter, Mravcová, Jana: Slovenské reality zatiaľ kríza obchádza. In. *eTrend*, 26.9.2007. Available at: <http://reality.etrend.sk/reality-biznis/slovenske-reality-zatial-kriza-obchadza/111991.html> (Obtained July 28<sup>th</sup>,2008) This study was written in July 2008.

<sup>232</sup> Podoba, Juraj: *Vývoj stavebníctva a spôsobu bývania v dedinskom prostredí v 20.storočí*. Etnografické aspekty štúdiá kontinuitných a diskontinuitných procesov v podmienkach industrializácie krajiny a socialistickej kolektivizácie poľnohospodárstva. Kandidátska dizertačná práca. (NÚSAV: Bratislava, 1993).

<sup>233</sup> Douglas, Mary, Isherwood, Baron: *The World of Goods*. (London, New York: Routledge, 1996).

relations of objects with the human, as well as the relationship of the human towards objects and finally the relationships of humans with each other, which are conditioned by these objects.<sup>234</sup>

Material objects are bearers of social connotations and function as agents of social communication – i.a. they mark and divide the phases in the life of an individual. The acquiring of housing is a social process, in which young people create their home – according to Miller, home represents the most important scene for material culture research.<sup>235</sup> Young people do not manifest themselves only as economic agents, rationally judging the factors which enter their decision-making, but they also realize their taste preferences and notions – they build their own self-image.

Pierre Bourdieu was one of the first to point at the social aspects of preferences. Taking stances within the taste selection – for example when an individual is creating his/her personal space - relates to the position which the agents take within the social field.<sup>236</sup> The position of agents is defined by various attributes – from their education to their family background and social structures.<sup>237</sup> Every selection of the individual based on taste is in this sense socially significant on one hand and socially aspirant on the other. Bourdieu puts the activities of the agents into a broader social context, but deprives them of the individual aspect. Miller proposes the process of objectification as a tool for the analysis of the subject and object relation. Every expression, conscious or unconscious, social or individual gains – by means of objectification – a specific cultural form, which is equally constitutive towards the society.<sup>238</sup> The preferences of the individuals in regard to the acquiring of the dwelling can be classified to a certain level, but personal notions, aspirations and ambitions are reflected in the actions of concrete individuals – I regard this phenomenon as an individualized process.

I do not apprehend home in regard to the notions of young people as a static phenomenon.<sup>239</sup> According to Alison Clarke the private world of households is a

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<sup>234</sup> Botík, Ján: Rodina ako determinujúci činiteľ foriem obydlia. In. Frolec, V. (Ed.) *Lidová stavební kultura v československých Karpatech a prílehlých územích*. (Brno: Blok, 1981), pp.157-186.

<sup>235</sup> Miller, Daniel: Behind closed doors. In. Miller, D.(Ed.) *Home Possessions: Material Culture Behind Closed Doors*. Oxford; New York: Berg, 2001, p.3.

Miller, Daniel: Consumption. In. Buchli, V. (Ed.) *The Material Culture Reader*. London: Berg Publishers, 2002, p.239.

<sup>236</sup> Bourdieu, Pierre: *Distinction: A Social Critique of the Judgement of Taste*. London: Routledge, 1999.

<sup>237</sup> Bourdieu, Pierre: *Distinction: A Social Critique of the Judgement of Taste*. (London: Routledge), 1999.

<sup>238</sup> Miller, Daniel: *Material Culture and Mass consumption*. Oxford; Cambridge: Blackwell, 1993, p.81.

<sup>239</sup> Clarke, A.J.: The Aesthetic of social aspiration. In Miller, D.(Ed.) *Home Possessions: Material Culture Behind Closed Doors*. Oxford; New York: Berg, 2001, pp.23-46.

Garvey, P.: Organized disorder. In Miller, D. (Ed.) *Home Possessions: Material Culture Behind closed Doors*. Oxford; New York: Berg, 2001, pp.47-68.

projection of real relations with the external world.<sup>240</sup> In the processes of selecting, creating and furnishing the living space, the owner is influenced by various types of notions – starting with the desires in the context of personal plans for the future and ending with ideal notions and personal aspirations, or notions with a normative character, through which the owner is subject to social pressure<sup>241</sup> and external concepts such as e.g. the “proper mother”. The ideal notions of the owners are not mere trivial fantasies. They actively interfere into the process of creating home and are a measure of reality – the idealized notions about a way of life and relation to the society.<sup>242</sup> Probably not all types of the related notions influence the individuals in their process of dwelling acquisition in the same proportion. Within my research I explore the relation between the acquiring and creation of home and the individual types of notions of its subjects.

One of the key phenomena in regard to the study is the ownership of a property, which should be looked at not only in relation to its economic function, but in broader social connotations. Franz and Keebet von Benda-Beckmann have created a model which allows them to classify the organization of property relations in society through various layers. The first layer deals with the cultural tradition and norms in society, the second one is legal-institutional, the third contains social relations and the last one focuses on the practices of concrete agents.<sup>243</sup> The individual layers do not have to be in accord with each other – a good example is the already mentioned clash between the cultural-normative and the legal-institutional level within the ownership relations in Czechoslovakia during the communist regime.<sup>244</sup>

The analysis of ownership relations from the view of economic anthropology encompasses – beside the context “subject – material object” also other socially significant property relations of the subject. Managerial power and access to information are according to Hann in some respects more critical than ownership *per se* – this fact

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<sup>240</sup> Clarke, A.J.: The Aesthetic of social aspiration. In: Miller, D.(Ed.) *Home Possessions: Material Culture Behind Closed Doors*. Oxford; New York: Berg, 2001, p.29.

<sup>241</sup> According to Miller and Clarke, a relevant factor when acquiring housing is e.g. a notion about how the neighbours would react to the chosen furnishing and decorations – although they might never visit the dwelling (See Clarke 2001, Miller 2001)

<sup>242</sup> Clarke, Alison J.: The Aesthetic of social aspiration. In: Miller, D.(Ed.) *Home Possessions: Material Culture Behind Closed Doors*. (Oxford; New York: Berg, 2001), pp.23-46.

<sup>243</sup> von Benda-Beckmann, F.; von Benda-Beckmann, K.: A functional analysis of property rights, with special reference to Indonesia. In: T. van Meijl and F. von Brenda-Beckmann. (Eds.) *Property rights and economic development: land and natural resources in southeast Asia and Oceania*. London: Kegan Paul International.

<sup>244</sup> Hann, Chris: Property. In: Carrier, J. (Ed.) *A Handbook of Economic Anthropology*. (Cheltenham: Edward Elgar Publishing Limited, 2006), pp.110-123.

should be reflected in research focusing on property relations. Similarly, entitlements to welfare benefits and social security may be considered as a form of property.<sup>245</sup>

The specific situation of my respondents is determined by the factor of their financial limitation, affecting their realization strategy when buying their dwelling. One of the aspects influencing the concrete form of product acquisition is the amount of information and the orientation of the respondents in the problems related with the topic, as well as their ability to effectively use information. According to Susan Narotzky, the decision-making process of the subjects regarding consumption is also influenced by their stance towards the different ways of acquiring the product – a loan from a private institution, a state endowment, or help from individuals in their social surrounding.<sup>246</sup>

The use of a mortgage, the corresponding long-term financial indebtedness and a potential personal liability all require long-term planning. By the term strategy I understand a long-term plan in relation to ensuring ones housing. According to the pre-research data, beside the actual acquisition of the dwelling, the strategy of respondents also incorporates other steps planned in a longer time horizon – as e.g. a possible selling of the property in the future. Also, economic agents are often not only individuals – other people from their social environment, e.g. relatives, participate on their decision-making.<sup>247</sup>

Lipovetsky's thoughts on the epoch of hyper-consumerism in today's Western society are also relevant in the context of choosing the dwelling and accepting the long-term financial commitment. According to him, consumers are increasingly migratory and less predictable – the needs and desires depend on individual goals and criteria.<sup>248</sup>

The theme of consumption in the context of housing demands a complex approach and evaluation of numerous factors which influence the decision-making and acting of an age-specific group of respondents. However, the view on material culture often transmits a deeper insight into social relations, than their direct examination would do.<sup>249</sup>

## II. Housing, notions and strategy in the context of research

In my research approach, I put emphasis on a long-time fieldwork, using the method of in-depth qualitative interview and the method of participant observation. In the research I

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<sup>245</sup> Ibid.

<sup>246</sup> Narotzky, Susan: Provisioning. In Carrier, James, G. (Ed.) *A Handbook of Economic Anthropology*. (Cheltenham: Edward Elgar Publishing Limited, 2006), pp.78-94.

<sup>247</sup> Bourdieu, Pierre: *Teorie jednání*. (Praha: Karolinum, 1998) pp.99-100.

<sup>248</sup> Lipovetsky, Gilles: *Paradoxní štěstí*. Esej o hyperkonzumní společnosti. (Praha: Prostor, 2007), p.46.

<sup>249</sup> Clarke, Alison J.: The Aesthetic of social aspiration. In. Miller, D.(Ed.) *Home Possessions: Material Culture Behind Closed Doors*. (Oxford; New York: Berg, 2001), pp.23-46.

focus on the analysis of source literature as well as theme relevant contributions in the media.

I localize my research in the environment of Bratislava, which I have chosen for various reasons. The main reason is the mentioned constant growth of property prices and the related high frequency of mortgage use in Bratislava.<sup>250</sup>

When defining my research sample I use the term young people, which in the context of my research I define as individuals approximately between 25-35 years of age, who use the institutional loan as a means to acquire their first dwelling. This age-specific group is of interest for me in relation to the implicit need of formulating notions about their own heading and planning of their future life. The aspect of neolocality in the context of mortgage use to a certain point determines the social structure of the respondents as well.

In the interviews, I put emphasis on the strategies of young people regarding the acquiring of their dwellings, factors which affect their decision-making process and on the problems of notions of young people in relation to the theme of housing and home. By a repeated research of a chosen sample of respondents I record the process of acquiring and furnishing of the dwelling in various phases.

Based on the pre-research data I have defined the following areas of research problems and hypotheses:

1. The decision-making of young people when acquiring their dwelling is determined by various factors – “rational” (e.g. the forthcoming date of implementation of the new currency, the height of hire costs in Bratislava, the relatively accessible mortgages, the high inflation rate etc.), as well as “irrational” (e.g. the culturally determined desire to own a property) – from the limited height of financial means to personal preferences and aspirations. In my PhD thesis I analyze which factors enter the decision-making process of the respondents in the context of formulating a strategy.
2. Mortgage presents a long-time commitment, but in today’s hyper-consumerist society, a tendency of constant change of the consumers’ preferences prevails in relation to material goods. How does this trend reflect in the strategy of the respondents? I suppose that a confrontation between the form of acquisition (long-time indebtedness) and a need of further choice takes place within the process of planning of the young people. Despite

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<sup>250</sup> See e.g. Gunišová, Bibiana: Analýza HN: Stavíme, rekonštruujeme, kupujeme... In. *Hnonline.*, 18.1.2008. Available at: [http://analyzy.hnonline.sk/2-23333985-k01A00\\_d-ef](http://analyzy.hnonline.sk/2-23333985-k01A00_d-ef). Obtained July 29<sup>th</sup>, 2008.

of the long-time indebtedness, their strategy also involves the selling of the currently acquired dwelling and the acquisition of a different dwelling in the future.

3. The goods are characteristic by their ability to heighten the social prestige of their owner.<sup>251</sup> I suppose that the process of choosing the dwelling is – despite the financial limitation of the respondents – socially significant and aspirant. This aspect can manifest itself e.g. through the choice of a particular locality within the city.

4. I suppose that various types of notions of my respondents play a role within the process of furnishing and decorating of the dwelling – from normative to ideal. Which of the notions play the key role and in what relation they are towards the process of creating home and its acquisition?

5. The phenomenon of property ownership is connected to the cultural tradition in society, but also the prevailing norms and socio-cultural situation. I suppose that the ownership of a dwelling presents a form of assurance for the respondents, which is a compensation of the absence of the feeling of being socially secure in other areas of their existence.

6. Mortgages are a relatively new phenomenon in Slovakia. This fact probably influences the amount of experience and information which the young people have in regard to this economic realization of dwelling acquisition. In what extent does the fact that mortgages do not have a long tradition in our society influence the creation of the respondents' strategies? Where do the respondents draw their knowledge about the phenomenon of mortgages? Will the strategies which they have created change after gaining personal experience with the mortgage?

## Conclusions

The theme of consumption demands a holistic ethnographic approach, which will take into account the effects of this phenomenon on various aspects of social and cultural life of the individual.<sup>252</sup> The PhD thesis will contribute to the scientific discussion about the relationship of material culture and its subjects.

The acquisition of one's housing is a current and vital theme, through which the specifics of various contexts of the individual's existence in the post-socialist society are

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<sup>251</sup> Douglas, Mary, Isherwood, Baron: *The World of Goods*. (London, New York: Routledge, 1996).

<sup>252</sup> Miller, Daniel: Consumption. In Buchli, V. (Ed.) *The Material culture reader*. (London: Berg pub., 2002), p.238.

manifested. It is improbable, that the current ongoing changes of ownership relations will lead to identical effects in various post-socialist countries.<sup>253</sup> The research and the PhD thesis offers an insight into the situation of an age-specific group of respondents in the transforming post-socialist society in Slovakia in regard to the significant and dynamically evolving theme of housing.

According to Mary Douglas, unless we appreciate how material goods are used to constitute an intelligible universe, we will never know how to resolve the contradictions of our economic life.<sup>254</sup> The ownership of a property presents a significant economic, but mainly emotional problem for many individuals.<sup>255</sup> The thesis will bring new pieces of knowledge about the realization strategies of young people in connection with their notions about home as a key phenomenon in the context of identity of the individual.

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<sup>253</sup> Hann, Chris: Property. In Carrier, J. (Ed.) *A Handbook of Economic Anthropology*. (Cheltenham: Edward Elgar Publishing Limited, 2006), pp.110-123.

<sup>254</sup> Douglas, Mary; Isherwood, Baron: *The World of Goods: Towards an Anthropology of Consumption*. (London; New York: Routledge, 1996) p.ix.

<sup>255</sup> Hann, Chris: Property. In Carrier, J. (Ed.) *A Handbook of Economic Anthropology*. (Cheltenham: Edward Elgar Publishing Limited, 2006), p.552.

# SPACE AND ETHNIC IDENTITY TRANSMISSION: CASE STUDY FROM GALANTA DISTRICT IN SLOVAKIA

**Juraj Majo**

**Abstract** One of the most elementary issues of ethnicity is its reproduction. In exogamous families is such reproduction challenged and there are many other factors influencing intensity of transmission of ethnic identity. This paper analyzes how ethnic identity is transmitted in such families according to censal data. We constructed the space of geographical ethnic boundary, where there is higher potential of interethnic interaction between Slovaks and Hungarians in Galanta district in southwestern Slovakia.

**Keywords:** ethnic identity, transmission, ethnic boundary, exogamous marriages, Galanta district

## Introduction

Research of spatial patterns of ethnic identity is one of the aims of social geography. Yet, ethnic identity is essential issue for many other social sciences. New social geography has shifted its object of interest from the analysis of place to the analysis of representation and meaning of place. According to Ceri Peach from the University of Oxford it seems that new cultural geography is interested more in culture than in geography<sup>256</sup>.

The core issues of ethnicity and ethnic identity are the aspects of its reproduction. Perhaps it seems that pondering over ethnic identity of coming generations is not that important for majority of people, but there are many cases proving, that such question becomes sometimes crucial. There are many circumstances expressing the importance of maintenance of own ethnic identity and how it is “tested” under many challenges. Such cases can be found in Central Europe area that is utterly diverse from the ethnical point of view. Therefore; this region becomes good field for studying intergroup interaction having its roots in rather stirred history of this area. Variety of types of intergroup interaction emerges under such circumstances. One of the outcomes of such interactions are ethnically exogamous marriages, which might be considered as an example of the most positive interethnic interaction.

In this paper we analyze intensity of ethnic identity transmission in ethnically exogamous families. Basis for this analysis was sample of full censal families where parents have different ethnic identity declared in census in 2001. Intensity of transmission was measured by intergenerational growth index between generation of parents and

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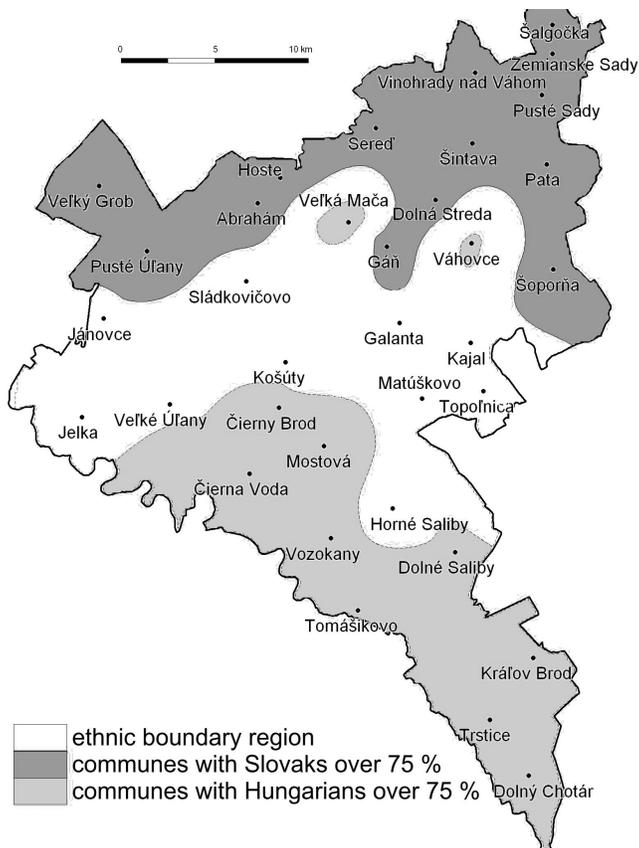
<sup>256</sup> Peach, C., ‘Social geography: new religions and ethnourbs – contrasts with cultural geography’, *Progress in human geography*, vol. 2 (2002), p. 257.

children. We aimed at communities at ethnic boundary in Galanta district in southwestern Slovakia. Areas of dominantly Slovak communities meet in this space with areas with communities consisting of Hungarian majority. This area had potentially the highest possibilities of interethnic marriages that would indicate intensity of positive intergroup interaction.

## I. Ethnic boundary concept

Generally, ethnic boundary is perceived as constructed social boundary, and the continuity of ethnic group depends on maintenance of such social boundary<sup>257</sup>.

**Map 1** Ethnic boundary in Galanta district in 2001



Source: Census 2001

However, there are authors stating that there is neither any ethnic boundary nor need to construct it as a scientific abstraction<sup>258</sup> or some see ethnic boundary as "social mediums through which association transpires rather than as territorial demarcations"<sup>259</sup>.

<sup>257</sup> Barth, F, 'Ethnic groups and boundaries', *Ethnicity* (Hutchinson, J., Smith, D.A eds.) (Oxford, New York, Oxford University Press, 1996), p.78.

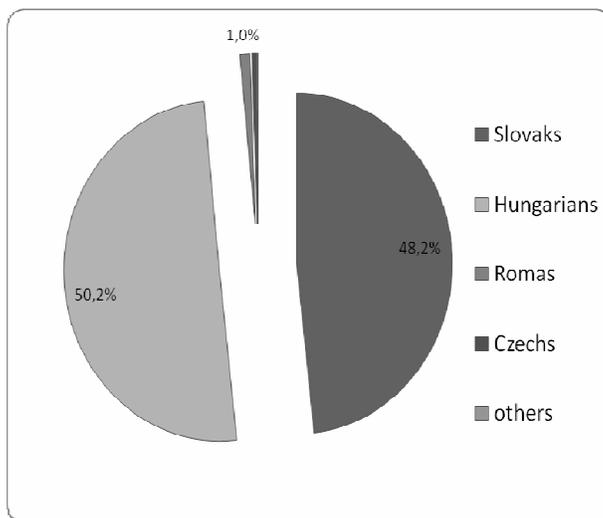
<sup>258</sup> Kaľavský, M., 'Etnicita alebo etnické vedomie?', *Slovenský národopis*, vol. 3-4 (1991), p. 357.

<sup>259</sup> Sanders, J.M., 'Ethnic boundaries and Identity in Plural Societies', *Annual Review of Sociology*, vol 28 (2002), p. 327.

There might be hint of ethnic boundary from the geographical and cultural point of view constructed in space. We see ethnic boundary as a spatial projection of social boundary that can be constructed in certain space where ethnic groups' areas meet. Ethnic boundary in such cases represents space of potentially higher intergroup interaction leading in specific cultural and social patterns and customs in this area<sup>260</sup>. In ethnic boundary region there would also be presupposed higher rate of exogamous marriages than in the areas of mostly homogeneous ethnicity. Although the concept of boundary connotes dividing line generally, and attempts to find "our" area and "their" area, in this case it might be perceived as uniting element between ethnic groups. Adopting constructivist comprehension of ethnicity, ethnic boundaries can be constructed and maintained by members of small community in cases where ethnic group lives concentrated in one part of settlement. That type of boundary can be evident in space when social boundary includes more evident signs of ethnicity that might have also spatial aspects and then spatial distribution.

The process of ethnic boundary region allocation was described earlier.<sup>261</sup> In this area we have included municipalities of not having share either of Slovaks or Hungarians over 75 %. Communities below such rate might be considered as ethnically rather heterogeneous.

**Chart 1** Ethnic groups in the ethnic boundary in Galanta district in 2001



Source: Census 2001

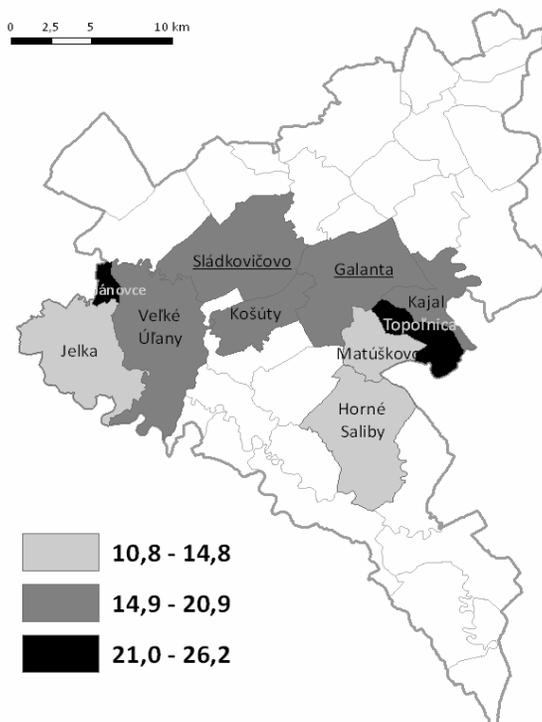
In this area there were allocated

<sup>260</sup> Majo, J., Kusendová, D, 'Vývoj etnickej hranice v okrese Galanta', *Geografický časopis* vol 3 (2007), p. 253

<sup>261</sup> detto

10 communities, while 8 of them were rural municipalities and two were statutory towns (Galanta and Sládkovičovo; they are underlined in maps). This region was historically known for its position where the areas of dominant Slovak and Hungarians areas meet in one place. Censal data since 1880 also proved relative stability of this boundary<sup>262</sup>. Due to rural character of this area with no urban settlement at that time, there were rather insignificant interethnic contacts and communities were composed mostly by one ethnic group. Remarkable exception was town Sládkovičovo consisting of two formerly separate settlements of Hungarians and Germans<sup>263</sup>. More evident broadening of ethnic boundary area started after 1950. New groups of Slovaks, who mostly repatriated from Hungary, were settled in this area and since then ethnic and religious (they were mostly Lutherans) composition of communities has become diversified. More immigrants came in the urbanization period. Social boundaries in this area then slowly started to weaken.

**Map 2** Share of ethnically exogamous marriages (full censal families) in ethnic boundary settlements in Galanta district in 2001



Source: Census 2001

Ethnic composition of this area proves that there is no dominant ethnic group – share of Slovaks and Hungarians is almost equal. Complementary ethnic groups are

<sup>262</sup> detto

<sup>263</sup> Liszka, J., *Národopis Maďarov na Slovensku* (Komárno, Dunajská Streda: Fórum inštitút pre výskum menšín, Lilium Aurum, 2003) p. 112.

Romas, Czechs and others. These communities are presumably sites of the most intense interethnic interaction. Do all children follow ethnicity of one parent belonging to ethnic majority, or not? Who is the main “transmitter” of ethnic identity, mother or father? Response to this and many other related questions are in data that come from Census 2001.

## II. Full censual endogamous family analysis

Intermarriage and exogamic spouses is the sign of interethnic interaction and its prevalence reveals the existence of interaction across group boundaries as well as it proves that members of different social group accept each others as social equals<sup>264</sup>. Crossing boundaries of own ethnic community was not very common in mostly rural area of Central Europe. The amount of acceptance such marriages reflected intergroup relationship between such groups usually within one community or neighboring communities. Lesser acceptance for such marriages was therefore in the areas of unified ethnic structure rather in the areas lying at the real ethnic boundary or at the contact zone of areas with prevailing ethnic group.

Ethnically exogamous marriages in Slovak society were not very common. One of the oldest data from the beginning of the 20<sup>th</sup> century states that in 1903 there were only 4.2 % of all marriages of spouses with different mother language in Hungarian empire. Such number was much lower than the number of religiously exogamous marriages (11.5%). Author states, that such different numbers between religious and ethnic intermarriage rates are due to more compact settlement of ethnic groups<sup>265</sup>. Growth of intermarriage share emerged more after the WWII. New immigration waves within Czechoslovakia appeared due to massive industrialization and urbanization, especially in Slovakia. According to data from seventies, the share of interethnic marriages in Czechoslovakia was 10.1%<sup>266</sup>

Selected area consists of 9.040 full censual families, which represents 56% of all censual families. Other censual families represent mostly divorced parents living with children. This number includes 1.558 ethnically exogamous families which is only 17.2% of all families. This number indicates rather conservative nuptial behavior of population living in the area where ethnic identity is challenged. Vast majority therefore prefers

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<sup>264</sup> Kalmijn, M., 'Intermarriage and Homogamy: Causes, Patterns and Trends', *Annual Review of Sociology*, vol 24 (1998), p. 396.

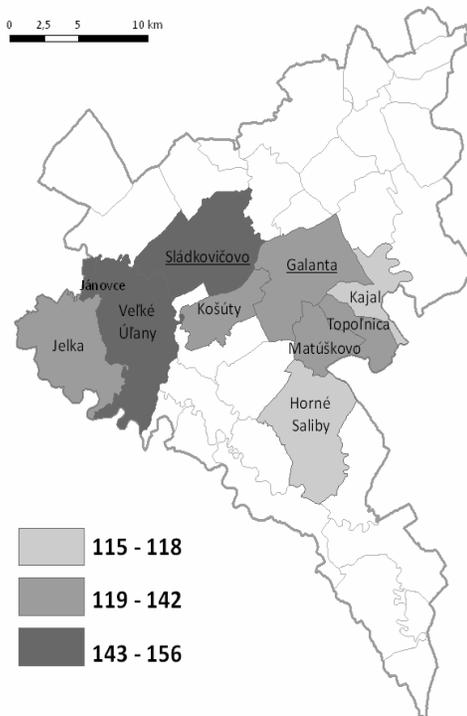
<sup>265</sup> Stodola E., *Štatistika Slovenska* (Martin: s.l, 1912), p. 62

<sup>266</sup> Konečná A., 'Národnostní homogamie a heterogamie v ČSSR', *Demografie* vol.1 (1977), p. 1.

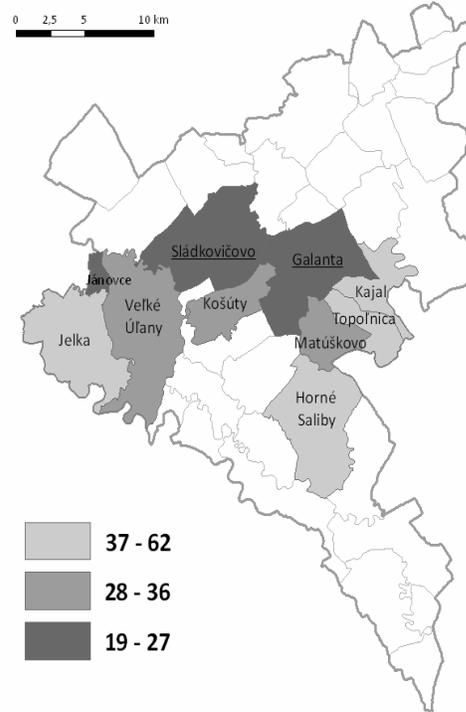
marriage with spouse of the same ethnicity. Comparing to the national share of ethnically exogamous marriages (16% in 2006)<sup>267</sup>, such numbers are therefore surprising denying hypothesis of higher number of intermarriage. This tendency also proves, that only 15% of population of this area lives in families where are more than one ethnic identities present. Only minor group of people is experiencing crossing ethnic boundary in such an intimate sphere of life that family represent.

**Map 3** Intergenerational growth index of Slovaks in ethnic boundary settlements in Galanta district in 2001

**Map 4** Intergenerational growth index of Hungarians in ethnic boundary settlements in Galanta district in 2001



Source: Census 2001



Source: Census 2001

Distribution of exogamous marriages in this area does not indicate expected discrepancy between urban and rural areas. Most of the municipalities have average share of interethnic marriages including both towns. Above average share of such families is

<sup>267</sup> According to data sheet: Sobáše podľa národnosti snúbencov. *Prehľad pobybu obyvateľstva v roku 2006*. (Bratislava: Štatistický úrad, 2007). (Marriages according to ethnicity of couple. *Population movement overview in 2006*. (Bratislava:Statistical bureau, 2007).

evident in rather small communities of this area. Urban areas, due to their heterogeneity of their population and different social space from rural areas, have conditions for higher acceptance of such marriages but such situation might indicate that population of cities is formed mostly of families that moved there from rural areas lately, or that the structure of town resembles more rural community with its social networks. It is not surprising; both towns were in the middle of 20<sup>th</sup> century still typical rural settlements.

### III. Intergenerational transmission of ethnicity

Intensity of intergenerational transmission of ethnic identity has been measured by simple growth rate between two generations of parents and children. Ethnic composition of generation of parents living in interethnic marriages and families was significant with almost equal share of Slovaks and Hungarians. (In later analysis we put stress on only those two ethnic groups, since they are totally dominant here). Totally different was the generation of their children. Important factor that goes hand in hand with demographic changes of Slovak society is that generation of parents did not “replaced” themselves, since the generation of parents is numerous than the generation of children, even though that most of the exogamous families have two children (51%) followed by one-child families (39 %). Only 10% families have three or more children.

**Tab.1** Intergenerational growth of ethnic groups in ethnic boundary in Galanta district in 2001

	<b>generation of parents</b>	<b>generation of children</b>	<b>growth index</b>
<b>Slovaks</b>	<b>1492</b>	<b>2133</b>	<b>143</b>
<b>Hungarians</b>	<b>1475</b>	<b>513</b>	<b>35</b>
<b>Romas</b>	<b>14</b>	<b>7</b>	<b>50</b>
<b>Bulgarians</b>	<b>3</b>	<b>2</b>	<b>67</b>
<b>Czechs</b>	<b>82</b>	<b>26</b>	<b>32</b>
<b>Greeks</b>	<b>1</b>	<b>1</b>	<b>100</b>
<b>Ruthenians</b>	<b>1</b>	<b>1</b>	<b>100</b>
<b>Russians</b>	<b>2</b>	<b>1</b>	<b>50</b>
<b>Ukrainians</b>	<b>5</b>	<b>3</b>	<b>60</b>
<b>Vietnamese</b>	<b>3</b>	<b>2</b>	<b>67</b>
<b>not declared</b>	<b>16</b>	<b>13</b>	<b>81</b>
<b>others</b>	<b>20</b>	<b>6</b>	<b>30</b>

Source: Census 2001

More evident changes are in the number of intergenerational “replacement” according to ethnic identity. In exogamous marriages in this region there is one pattern - most of the children have ethnic identity of Slovak parent, either mother or father.

Intergenerational growth of Slovaks is 43%, while number Hungarians decreased between two generations over 35%. Identity of parent belonging to non-Slovak ethnic group does not stand the test of being surrounded by Slovaks either in own family or community and is not then transmitted. There are several factors that intensity of intergenerational transmission can be analyzed against – family size, education of parents and urban vs. rural community where family lives.

### **Family size**

There were no significant differences between family size of families where children were either Slovaks or Hungarians. As stated above, the most common are two-children families, where grow 58 % of all Slovak children and 53 % of all Hungarian children. Families of three or more children are slightly more common among families where children are Hungarians (17.5 %) than in families of Slovak children (17.2%). Single model is more common in families with Slovak children (23%) than in families with Hungarian children (21%). Even there are some differences between families with Slovak or Hungarian children, they are not so evident, allowing us concluding that there is relationship between transmitted ethnic identity and number of children that Slovak or Hungarian ethnicity is passed on.

### **Education level of parents**

We tried to confirm hypothesis that parent who transmits ethnic identity in exogamic marriages has higher education. This presupposition was not so real and there were no significant differences between Slovaks or Hungarians too. In almost half of families (both in families where Slovak or Hungarian ethnicity was transmitted) parents with equal education level was most common (44% Slovak and 45% Hungarian). If Slovak ethnic identity was transmitted, then in 33% of families it was the identity of parent, who had higher education, and similarly if Hungarian ethnic identity was transmitted, then in 30% the Hungarian parent acquired higher education.

### **Urban vs. rural areas**

There are no considerable differences between urban and rural space, just like the share of exogamous marriages. In case of Slovaks, the intensity of transmitting Slovak ethnic identity does not show any extremes, although somehow higher is in western part of the district. Differences between urban and rural space are higher in case of transmitting Hungarian ethnic identity. In both towns (Galanta and Sládkovičovo) is the decrease of

Hungarians above average. This is probably the only indication of differences between urban and rural space in this area. Concluding the differences between those two fields, in both towns live 50% of all families, where children had different ethnic identity (e.g. first born child was Slovak, but second child was Hungarian).

## Conclusion

In this paper we have tried to analyze basic processes that happen in ethnically exogamous marriages and families. Family is one of the most important factors that form ethnic identity of personality, revealing the power of social networks where parents live and slowly portraying the importance of belonging somewhere. Maintaining own ethnic identity with its cultural contents is salient in the region where belonging somewhere means a lot. Ethnic identity is then challenged factor in such types of families. Two people marry each other accepting the possible problems that different ethnicity might bring, especially during raising their children. Our interest was to portray how is ethnicity transmitted in families living in the ethnically contested space.

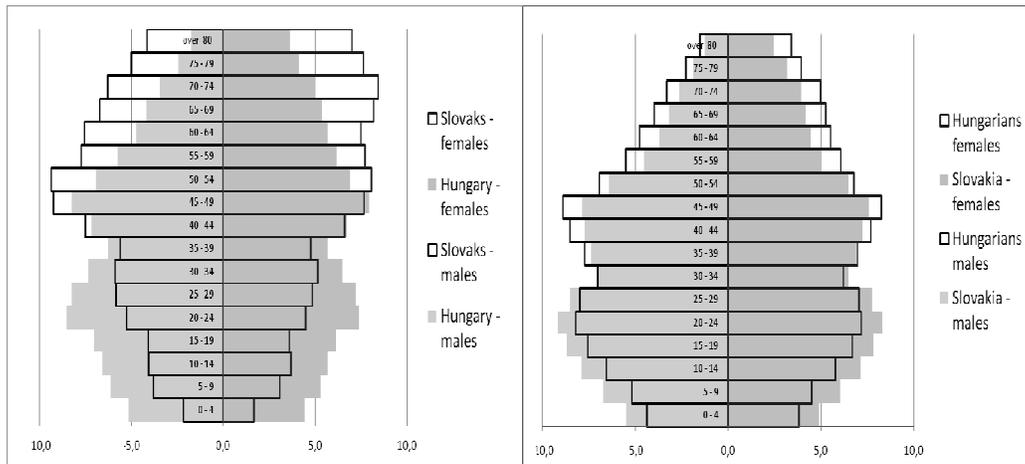
Censal data as a source for such research is quite unusual in social sciences in this region. Although the census is quite thorough in questions of cultural background including ethnicity, mother tongue, and religious affiliation, they mostly seem inaccessible. Since they are stored in database digital systems, there are vast possibilities of their combining and querying according to research needs. However; censal data cannot be alpha and omega of social research but the information they provide makes outstanding startpoint for subsequent research. Dealing with numbers and census categories and engagement in “real” world seems to be considered “old” social geography, while new cultural geography is dealing with hybridity, in-betweenness, and flexibility<sup>268</sup>. This paper stands somewhere in the middle. Engagement in censal data might seem obsolete, but even such objective data discover fluidness of ethnicity, possibility of choice in families with ethnically different parents and shows intersection between space, culture, and social networks. Censal data also help to allocate the space of possibly higher intergroup interaction with possibility of ethnic conflict, intersections of multiple social spaces and identities (ethnicities).

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<sup>268</sup> Peach, C., ‘Social geography: new religions and ethnourbs – contrasts with cultural geography’, *Progress in human geography*, vol. 2 (2002), p. 252.

**Chart 2** Age structure of Slovaks living in Hungary in 2001

**Chart 3** Age structure of Hungarians living in Slovakia



Source: [www.nepszamlalas.hu](http://www.nepszamlalas.hu)

Source: Census 2001

Issue of sustainability is the issue of culture and ethnicity as well. Sustainability from this point of view includes dominantly reproduction, not only physical but cultural too. If members of ethnic group do not pass on their values, traditions, language and other signs, it certainly starts to die off. Important factor for sustainable development of ethnicity is also social and cultural space. Further structuring of ethnic composition of communities across time might slow the intensity of ethnicity reproduction if social boundaries are weak, but on the other hand might create new culture and identity combining more traditions and ethnicities. Certainly assimilation happens in each ethnic group, but we think their intensity in this region, even if the minor ethnic groups are not reproducing in exogamous marriages, is not threat. Sustainability and stability in interethnic marriages proves also fact, that less than 20% of all families are ethnically mixed. If there is interethnic cooperation and interaction, it happens within community, in work, church, or through neighboring ties more often than in families.

From the more global point of view, not transferring ethnic identity could be perfectly portrayed in graph of age structure of population. The age structure of Hungarians at the national level does not show evident discrepancies between generations. On the other hand, excellent example represents Slovaks living in Hungary. Their age structure concentrating almost all Slovaks in older age is the sign of how is the ethnic identity not transmitted in the region of Central Europe. This is mostly status of

minor ethnic groups living scattered throughout countries and concentrated more in urban areas.<sup>269</sup>

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# QUALITY OF LIFE IN SUSTAINABLE DEVELOPMENT CONTEXT VERSUS ECONOMIC REDUCTIONISM

**Zuzana Makovská**

**Abstract** Focus of the paper is theoretical analysis of continuing efforts and discussions concerning the area of Sustainable Development and Quality of Life (in contestation with opposing economic neoliberal concepts and beliefs) as a part of preparation for their documentation in our political and academic discourse area. This type of analysis wants to be contribution to constructive discussion in this direction.

**Keywords:** Sustainable Development, Quality of Life, Economic Reductionism, critical discourse analysis

## Introduction

Sustainable Development is a commonly declared strategy for policy institutions at various governing levels. It represents complex and system-oriented strategies directed towards the broadly defined Quality of Life and has been developed as an alternative for narrow economic models of governing and decision making. Sustainable Development strategies as multidimensional models are means for including whole society life dimensions and human needs.

In spite of that it seems to be common that these targets are not sufficiently present in the actual political discourse and eventually hold a declarative function only (despite of their key positions in important policy documents). Central roles and thereby formative functions in decision making processes at various levels are still occupied by narrow quantitative macro-economic goals that may be followed (along with growing tendency of general marketization of society) by potentially destructive impact in numerous sectors of society.

Despite of existing serious critical discourse discussing inadequacy of named tendencies, their legitimacy of use is rarely questioned at relevant forums. Rather linear narratives, metaphors and schemas compatible with the classical neoliberal agenda are commonly used and predominate to more complex concepts congruent with the broadly defined meaning for Quality of Life.

Discourse is a resource as well as a mirror and a sample of existing intentions. Contemporary slogans, rhetorical practices and interpretative schemas – all are ways and means for achieving tangible political goals and value priorities. What are these goals and values prevailing? Also, what are the ways of thinking that make some values and needs easier articulated and implemented than others?

## I. Metatheory: Sustainability Science - A New Paradigm

The trans-disciplinary concept of sustainable development offers an integrative framework based on the *full ecology perspective* – systems perspective linking natural and social systems together pointing to the multidimensional character, multiple interdependencies and the dynamical interactions between and within all the subsystems.

This vision/framework is also helpful for linking together many initiatives in that direction. Sustainability focus interest of central areas of social sciences – from economy, political science and law to philosophy, sociology and psychology – here especially on the ground of social and environmental psychology<sup>270</sup>. Some of authors propose the term “psychology of sustainable development”<sup>271</sup> or “new ecological psychology”<sup>272</sup>.

For such type of critical social psychology a new research paradigm is needed that reflects the sustainable development’s complexity and its multidimensional character.

“Sustainability derives from the social consensus on what we consider to be unsustainable and what constitutes progress, -perspectives that will differ across nations and localities. The substantial content of sustainable development cannot be scientifically determined as “objective knowledge”, but will always incorporate normative valuations that only become ascertained in the process of social interaction. This situation calls for a *different type of science*, one able to deal with ambiguity, complexity, uncertainty and multiple viewpoints.”<sup>273</sup>

**Table 1** Properties of mode-1 and mode-2 science and principles of Sustainability Science

Mode-1 science	Mode-2 science
Academic	Academic and social
Mono-disciplinary	Trans- and disciplinary
Technocratic	Participative
Certain	Uncertain
Predictive	Exploratory

- **integrative science** - scientists interact with practitioners, policymakers, and citizens to produce knowledge for action: outputs in the area of decision making

- **Systems thinking** (systems perspective) with attention to the co-evolution of complex systems and their environments.

- Learning-by-doing (and learning-by-using) as an important basis of acquiring experience, besides learning-by-learning (learning through detached analysis)

- Attention to system innovation and transitions

- combine the capacity to adapt to change with a **capacity to shape change**

- adaptive and transition management

In reaching for system changes plays key importance:

- **reflexivity**

    role of **Visions** (and their diversity)

    -a metaphor for building actor-networks,

    -a narrative for focusing capital and other resources...

Source: Kemp and Martens, 2007

<sup>270</sup>Rosová Viera, Environmentálna výchova: Od ochrany prírody k trvalej udržateľnosti. In Zborník príspevkov z konferencie „Cesty demokracie vo výchove a vzdelávaní“. V. ročník, prostredie-človek-príroda. (Bratislava: IUVENTA, 2001) pp. 11-20.

<sup>271</sup> Schmuck, P. and Schultz, W. P. (Eds.), Psychology of sustainable development. (Boston: Kluwer Academic Publishers, 2002).

<sup>272</sup> Bonnes, M., Bonaiuto M.. Environmental Psychology: from spatial physical environment to sustainable development. In: Bechtel, R. B., & Churchman, A. (Eds.), Handbook of environmental psychology. (New York: Wiley, 2002).

<sup>273</sup> Kemp, R., Martens, P., Sustainable development: how to manage something that is subjective and never can be achieved? Sustainability: Science, Practice, & Policy 2 (3) – <http://ejournal.nbii.org/archives/vol3iss2/0703-007.kemp.html> Published online August 30, 2007

## II. Quality of Life and Sustainable Development

The social construct *Quality of Life* (QOL) is an “organizing term”, an “integrating motive” and also a “sensitizing notion that provides reference and guidance”. Or, in other words: “a systematic framework through which to view the work aimed toward improving the lives of individuals”<sup>274</sup>. As in usage by experts it focuses more neutrally in order to describe the basic character of certain issues, in public life is very loose and is based on the positive connotations of the term quality. Also, because of its rhetoric power it is often used in the political area. „Rhetoric of Progress’ presented up to now as main task for humankind is starting to be subsided by ‘peoples’ quality-of-life rhetoric’.”<sup>275</sup> “Virtually every realm of public policymaking and service delivery in advanced capitalist nations is now influenced by notions of Quality of Life and well-being.”<sup>276</sup>

QOL is a vague and difficult concept to define, widely used but with very little consistency. Depending on a particular disciplinary context and concern we can divide (with large simplification) its determining attributes in economical, social (the largest and most heterogeneous group) and environmental. Also the subject of the QOL research varies widely. For example, social indicators have been developed to assess the QOL for general populations of cities, regions or nations, while social and psychological indicators are used for assessing the QOL of individuals, or groups of individuals with common characteristics. Also cultural or normative dimensions - value perspectives - are an inseparable part of conceptions and they need to be included in research design and actions in the area for as much as “how QOL and well-being are defined has important policy implications”<sup>277</sup>. Rapley argues that there are "serious ethical, conceptual and philosophical difficulties" involved in studying QOL, which researchers must take very seriously.<sup>278</sup>

Different values or philosophical perspectives of actors and also the inter / transdisciplinary character of the area thus results in a large number of existing concepts and a lack of consensus in defining the quality of life. Moreover models do depend also on the level of analysis used and the number of perspectives included, from the most

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<sup>274</sup> Galloway Susan, Quality of Life and Well-being: Measuring the Benefits of Culture and Sport: Literature Review and Thinkpiece <http://www.scotland.gov.uk/Publications/2006/01/13110743/0> January 20, 2006, p.11.

<sup>275</sup> Bačová Viera, Kvalita života, hodnotové systémy v spoločnosti a sociálny kapitál. K vymedzeniu psychologických dimenzií kvality života. In: Džuka, J. (Ed.): Psychologické dimenzie kvality života. (Prešovská univerzita, Prešov, 2004), Pp.143-151.

Dostupné: <http://www.pulib.sk/elpub/FF/Dzuka3/index.htm>

<sup>276</sup> Galloway Susan (2006), p.9

<sup>277</sup> Ibid., p.9.

<sup>278</sup> Rapley, Mark, Quality of Life Research. A Critical Introduction., (London: Sage, 2003), p.81.

simple ones to the most sophisticated multidimensional models.<sup>279</sup> In this dimension the quality-of-life models based on a systems-theory approach (that connects public policy inputs to QOL outcomes) offer the most complex level.<sup>280</sup>

A very useful classification is into the categories *institutional* and *individual* (according to the holder) whereas both are interconnected and incorporate decisions from previous categories and both are partly political. By enhancing or a positive change of social structure we can create the setting which offers a „good society“ for a „good life“.<sup>281</sup>

Concept of Sustainable Development (SD) offers space for reflecting QOL in a wider full-systems ecology perspective including also awareness on limits of our natural ecosystems. In this way it brings a wider meaning for the quality of life: "Sustainable development means improving the quality of human life while living within the carrying capacity of supporting ecosystems".<sup>282</sup>

The best known definition and objective of SD has been provided by the Brundtland Commission: "is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." - Thus consideration for the interests of future generations (intergenerational solidarity) and consideration for the interests of all the peoples of the planet (intragenerational solidarity) is included.

Sustainable development has an increasingly broadening definition: from orientation on the environmental dimension only (natural capital) to including economical, social and environmental dimensions of sustainability. "The term is much larger than the conception of environmental protection only. It focuses more on the quality of life and equal opportunity issues than on economic growth."<sup>283</sup>

Economical aspects of sustainable development require "the creation of an economical system with it's abilities for supporting equal access to resources and opportunities and fair sharing of ecological productive space. A system allowing sustainable development, enterprising and industry based on valid ethical standards.

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<sup>279</sup> Babinčák, P.: Definície, teoretické modely a indikátory kvality života. In: Bačová, V. et al.: Kvalita života a sociálny kapitál – psychologické dimenzie I. Priebežný výstup z riešenia projektu VEGA 1/2523/05. Prešov: Filozofická fakulta Prešovskej univerzity v Prešove, 2006. 1.

<sup>280</sup> See Galloway (2006), p.16.

<sup>281</sup> See in Žúdel Braňo, KEÚCOVÉ ENVIRONMENTÁLNE A SOCIÁLNE ASPEKTY HOSPODÁRSKEHO RASTU-MERANIE KVALITY ŽIVOTA NA SLOVENSKU, (Dizertacná práca, EKONOMICKÁ UNIVERZITA V BRATISLAVE, 2008).

<sup>282</sup> IUCN, UNEP, and WWF. *Caring for the Earth: A strategy for sustainable living*. Gland, Switzerland, 1991. <http://iisd1.iisd.ca/sd/principle.asp?pid=57&display>

<sup>283</sup> See Huba, M.; Ira, V.; Mačáková, S.; Švihlová, D.; Záborská, Z.: *Indikátory trvalo udržateľného rozvoja miest*. (Košice: ETP Slovensko, 2002)

Concern on general public welfare development (in contrast to particular group benefits only) and its progress within the limits of ecologically possibilities without violating the basic human rights<sup>284</sup>

### III. Critical views on the dominant economic paradigm

#### Critical perspective on economic growth

Traditional economic believes and values (connected with neoliberal concepts of free trade, individual responsibility... and surrounded by that magic formula of economic growth) are nowadays present not only in economic/business areas but they also became common sense for the majority of our present society.

Besides that, there is a large amount of critical argumentation questioning the adequacy of its rationality. In main points, these arguments concern:

Uncontrolled growth has *potential negative effects on the quality of life*, as many of the important things that affect and contribute to the quality of peoples' lives are not part of the market a vice versa – many things reducing QOL can contribute to economic growth (as measured by GDP). *Encourages the creation of artificial needs*, as growth is built upon consumer's choices and industry needs sales for its production. Thus people are being conditioned in a large extend by sophisticated marketing methods stimulating the increase of consumption. A serious point is also the *growing gap between the richest and the poorest* because of the non-fair distribution of income.<sup>285</sup>

But maybe the most serious urgency is that this view on economic growth combined with globalisation *contributes to depletion of non-renewable natural resources* and also to the *destruction of functional social systems*.

#### Terminological mixing of quality of life and economic growth together

„Economic growth, robust, sound and sustainable economic growth is the key instrument for increasing the standard of living, employment growth, quality of life increase.“

Ivan Mikloš, minister of finance, NRSR session meeting, 2.8.2006

Since the end of the 90' there has been a growing concern emerging in focusing on limitations of increasing GDP p.c. as national welfare indicator. Still a widespread discussion continues on the question that if enduring growth (described by a rising GDP) is physically possible in the long term. And other question is, whether such a growth (in

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<sup>284</sup> Sedlačko Michal, SOCIÁLNE ASPEKTY TRVALO UDRŽATELNÉHO ROZVOJA V KONTEXTE POLITÍK EURÓPSKYCH SPOLOČENSTIEV, In: Medzinárodné vzťahy 1/2005, ročník III., dostupné: [http://fmv.euba.sk/files/casopis\\_2005-1\\_net.pdf](http://fmv.euba.sk/files/casopis_2005-1_net.pdf)

<sup>285</sup> See in Škobla Daniel & Lesay Ivan, Medzinárodní aktéri – Medzinárodné rozvojové organizácie a sociálna politika. In: GERBERY, D., LESAY, I., ŠKOBLA D. (Eds.) Kniha o chudobe. Spoločenské súvislosti a verejnú politiku. Friedrich Ebert Stiftung, Priatelia Zeme CEPA, (2007).

case of its possibility) is desirable as well. However a fundamental prerequisite for this answer is the normative definition of what should be considered a socially desirable development.<sup>286</sup>

By preferring the classical economic growth model the quality of life is reduced to only the material welfare dimension. Also permanent terminological interchange occurs between the quality of life concept, welfare and the material welfare as a result of ambiguous defined categories as well as their intersection.<sup>287</sup>

### **Economic Reductionism and Scientism**

As this growth idea has been created in a far past without awareness and knowledge of limited ecosystem capacity or other forms of more ecological/systems way of viewing reality (paradigms that in science emerged through last decades only), it still operates within a too narrow perspective of a closed one-disciplinary view.<sup>288</sup> Reductionism here is:

- in focusing on a linear economic growth without considering alternative models, or non-market values/processes in enhancing the QOL. In denying real risks (as them “comes out” of boundaries and knowledge system of the discipline) and the importance of other issues (i.e. ecosystems, social systems) and physical limits. What about precautionary principle?
- thinking in a short-term (time dimension) and spacially bordered (national economies) perspective whilst (just by exponential cumulative effect of these actions) producing risks on a more global perspective
- reductive in viewing all society issues as explicable in economical terms/theories instead of cooperating with and learning from other disciplines or work with different (“nonmarket”) value perspectives (political decisions based on real and longterm public interest rather than on short-term GDP statistics, ‘ethics of care’ rather then relying on the competitiveness of free-market actors)
- *methodological individualism* disable to view social systems (in all their complexity and diversity) as something “more than a sum of their parts” and therefore neglecting their importance. And similarly with other ideologies included (epistemic, etical,...), more or less conscious (materialism, positivism, objectivism, moral relativism,...)

Hereby this scientific and “objective”/ ”neutral” image of the economic approaches allows that certain issues of power and politics may be reframed as apolitical (not open to deliberation) and therefore not the rightful concern of public citizens.<sup>289</sup>

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<sup>286</sup> In Žúdel, (2008).

<sup>287</sup> Ibid.

<sup>288</sup> Capra Fritjof, **The Turning Point: Science, Society, and the Rising Culture**, (A Bantam Book, 1982)

<sup>289</sup> See Markovits, Elizabeth, "Economizing Debate: Rhetoric, Citizenship, and the World Bank" APSA, Boston Marriott Copley Place, Sheraton Boston & Hynes Convention Center, Boston, Massachusetts, Aug 28, 2002 Online <.PDF>. 2008-06-28 [http://www.allacademic.com/meta/p65048\\_index.html](http://www.allacademic.com/meta/p65048_index.html)

## Hegemonic position of the “NewLiberalSpeak”<sup>290</sup>

The discourse serves as linguistic template -over an elaborate complex framework - for various actors (such as international finance institutions) helping them to procure a series of current transformations :<sup>291</sup> “economic disinvestment by the state and reinforcement of its police and penal components, deregulation of financial flows and relaxation of administrative controls on the employment market, reduction of social protection and moralizing celebration of ‘individual responsibility’... according to the oppositions set out in the following ideological schema (table 2):

**Table 2:** Discursive schema of neoliberalism

state [globalization]	Market
Constraint	Freedom
Closed	Open
Rigid	Flexible
immobile, fossilized	dynamic, moving, self-transforming
past, outdated	future, novelty
Stasis	Growth
group, lobby, holism, collectivism	individual, individualism
uniformity, artificiality	diversity, authenticity
autocratic (‘totalitarian’)	Democratic

Source: Bourdieu and Waquant (2001)

Bourdieu states that “this economic order is implementation of an utopia - the utopia of neoliberalism - thus converted into a *political problem*”. As “with the aid of the economic theory that it proclaims, succeeds in conceiving of itself as the scientific description of reality”<sup>292</sup> he points that, in effect, neoliberal discourse “is not just one discourse among many. Rather, it is a ‘strong discourse’” ...that is “so strong and so hard to combat only because it has on its side all of the forces of a world of relations of forces, a world that it contributes to making what it is. It does this most notably by orienting the economic choices of those who dominate economic relationships.”<sup>293</sup>

This utopia evokes the powerful belief of ‘*free trade faith*’ and is connected to “maximisation of individual profit, which has been turned into a model of rationality”.

Two major trends are present: first is the destruction of all the collective institutions, primarily those of the state, “repository of all of the universal values

<sup>290</sup> Bourdieu and Waquant perspective (2001)

<sup>291</sup> Bourdieu, P., Wacquant, L., Commentary: NewLiberalSpeak: Notes on the new planetary vulgate. *Radical Philosophy*, 105. (2001), [http://www.radicalphilosophy.com/default.asp?channel\\_id=2187&editorial\\_id=9956](http://www.radicalphilosophy.com/default.asp?channel_id=2187&editorial_id=9956)

<sup>292</sup> Bourdieu Pierre, UTOPIA OF ENDLESS EXPLOITATION - The essence of neoliberalism <http://mondediplo.com/1998/12/08bourdieu>

<sup>293</sup> Ibid.

associated with the idea of the *public realm*". Second is the "imposition of that sort of moral Darwinism" that, "institutes the struggle of all against all and *cynicism* as the norm of all action and behaviour".<sup>294</sup>

#### **IV. Methodology and analytical framework**

Critical discourse analysis (CDA) is the best way to make a connection between the social theory and the textual analysis. With the ability to put analysed material into a wider perspective of the actual context (socio-political and historical background, ...) and to reflect it from a specific value-laden and epistemologic context of the broaden defined quality of life.

The study of discourse differs from the conventional policy analysis. It focuses primarily on the 'symbolic' implications of policy. According to Fischer, basic to the study of public policy is the interpretation of social meanings. In this respect, policymaking is "a constant discursive struggle over the definitions of problems, the boundaries of categories used to describe them, the criteria for their classification and assessment, and the meanings of ideals that guide particular actions."<sup>295</sup> The base for CDA<sup>296</sup> is defining of key actors and identification of discourse categories/structures used by them (such as rhetorical figures, hyperbolic enhancement).<sup>297</sup>

Because of the plurality and dynamics of discourses we can just try to approximate the ideal conceptualisation of explored phenomena. There can be more usable conceptualisations existing concurrently. As starting point I have chosen the approach used by Brodschöll (2005)<sup>298</sup> rising on works of Fairclough (2005) and Hajer (1995):

##### **'The knowledge-based economy as a nodal discourse'**

*Nodal discourses*<sup>299</sup> are "discourses that manage to subsume and articulate a great many other discourses" and that thereby organise the discursive field surrounding debates about (in our case) how to create a knowledge-based economy.

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<sup>294</sup> Ibid.

<sup>295</sup> Frank Fischer, *Reframing Public Policy: Discursive Politics and Deliberative Practices* Published by Oxford University Press, 2003

<sup>296</sup> See Kusá (2008) for more detailed orientation in using CDA on public policy area

<sup>297</sup> For examples of categories analyzed by CDA see in: van DIJK, T. A., 1993: *Principles of Critical Discourse Analysis*. *Discourse and Society* 4 (2): 249 – 283

<sup>298</sup> Brodschöll Per Christian, *Outline of a critical discourse analysis of debates about educational policies. "The Third Conference on Knowledge and Politics"*, University of Bergen, May 18-20th, 2005.

<sup>299</sup> Fairclough Norman, *Critical discourse analysis*, *Marges Linguistiques* 9 2005 76-94, <http://www.ling.lancs.ac.uk/staff/norman/critdiscanalysis.doc>,

Knowledge-based economy (KBE)<sup>300</sup> is a contemporary mode of economy where technology and knowledge are now the key factors of production.

Similar to Fairclough's Nodal discourse is Hajer's concept of storyline. He defines *storylines* as "a generative sort of narrative' that allows actors to draw upon various discourses in order to give meaning to specific physical or social phenomena."<sup>301</sup>

**Table 3** Finding shared storyline on the Knowledge-based economy:

The <b>first sequence</b> involves a realisation that the contemporary pattern of development, the current regime of governance, the existing institutional set-up and so on, is unsustainable, unproductive and so on. Because of this unsustainability and unproductivity the status quo is also social unjust and it would be ethically incorrect not to do something.
Thus, the <b>second sequence</b> involves a realisation that "something" needs to be done. This seems to be accepted by the majority of all significant political actors that prescribe different policies geared at restoring sustainability, productivity and so on, and hence secure the welfare of the population.
The <b>third and final sequence</b> contains the realisation of a sustainable development, stable regime of accumulation, just global social order and so on (whatever this in fact is).

Source: Brodschöll (2005)

Relative stabilisation of a hegemonic discourse involves the formation of "authoritative narratives" that govern what can/cannot be said. "It is in the contestation over the meaning of this shared storyline that discourses, containing particular interpretations of this shared storyline, compete with each other to obtain a hegemonic status."<sup>302</sup> *Social change* can occur as a result of "the emergence of new storylines that re-order understandings", and that therefore "finding the appropriate storyline becomes an important form of agency".<sup>303</sup>

As first identifying the discourses is needed that are being articulated in a text: *Ideal-type discourses* (= helping schemas, non-existing in reality). Following the work of Hajer<sup>304</sup>, Brodschöll uses these ideal type of discourses (Table 4):<sup>305</sup>

<sup>300</sup> "In past - neo-classical economics has recognised only two factors of production: labour and capital. Now information and knowledge are replacing capital and energy as the primary wealth-creating assets, just as the latter two replaced land and labor 200 years ago. In addition, technological developments in the 20th century have transformed the majority of wealth-creating work from physically-based to 'knowledge-based'." (<http://www.enterweb.org/know.htm>)

<sup>301</sup> Hajer Maarten A.: *The Politics of Environmental Discourse: Ecological Modernization and the Policy Process*

Published by Oxford University Press, 1995, p.56

<sup>302</sup> Ibid, p.46

<sup>303</sup> Ibid, p.56

<sup>304</sup> Hajer, M. A. (1996). *Ecological Modernization as Cultural Politics. Risk, Environment and Modernity: Towards a New Ecology*. S. Lash, B. Szczyński and B. Wynne. London, Sage.

<sup>305</sup> Brodschöll (2005)

**Table 4:** ideal types of ‘*Knowledge-based economy*’ discourses

<p><b><u>“the KBE-as-institutional-learning discourse”</u></b></p> <p>1. -most widespread discourse on the KBE.</p> <p>2. The political conflict over how to tackle problems caused by changes in the global economy is seen as a learning process. The term learning economy is therefore often used to label the new economic order. Thus, problems caused by changes in the global economy are seen as conceptual problems that will be resolved by integration of a neoliberal market-oriented rationality into the policy-making of all actors involved, while at the same time pursuing policies aimed at achieving or maintaining social justice by protecting people from the negative effects of markets.</p> <p>In all, this discourse can be characterised as “<b>optimistic</b>” as it assumes that the reconciliation of two traditionally antagonistic themes – welfarist policies and a market –oriented policies – will lead society to further “growth” and “progress”. It envisages a “win-win” solution.</p>
<p><b><u>“the KBE-as-a-technocratic-project-discourse “</u></b></p> <p>1. This discourse questions the meaning of growth and progress as defined in the KBE-as-institutional-learning-discourse.</p> <p>2. It rejects, or is at least skeptical of, the idea that it is possible to pursue a market-oriented neo-liberal economic policy while at the same time pursuing policies aimed at achieving or maintaining social justice by protecting people from the negative effects of markets.</p> <p>In this discourse there is an inherent incompatibility between neo-liberal “free market” policies and social justice, and it contends that the institutional learning discourses fails to address those inherent aspects of the market economy that makes it socially and environmentally unsustainable.</p>

Source: Brodschöll (2005)

## Conclusions

From most important *dimensions* and *areas of future research interest* within outlined perspectives these should be mentioned:

**Critical agency:** aiming at problems - making them (more) visible and better articulated by pointing to inadequacies and controversies by offering other (less known) perspectives, information and explanative frameworks

**Education:** current ideologies presented as value neutral objective and universal scientific knowledge (without informing about existing alternative or ways of thinking), value and ethical perspectives (those that are present/those that are hidden) and also epistemological paradigms (system thinking” , complex /vs. reduction, critical thinking)

**Setting and it’s change** (institutions, infrastructure, legislative) – a very important area of concern as it promotes system changes in whole society, finding key actors promoting changes or retaining status quo

**Role of the media** – as the main arena of the contemporary public sphere – in the construction and maintenance of various forms of power-knowledge.

From works that in our geopolitical region follow indicated perspectives:

B.Žúdel<sup>306</sup> summarises (in addition to economic analyses) critical views focusing on the concept of economic growth presented in technical literature and description of

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<sup>306</sup> Žúdel, (2008)

terminological confusion in this area (especially on the relations between economic growth and QOL).

“International actors”<sup>307</sup> - study focusing in general on global actors, their ideological frameworks and projects promoted by international development organisations. “Discourse and Changes of the Welfare State”<sup>308</sup> – author is using the CDA approach to focus on the area of social welfare, social rights reforms and the actors taking part on that process. She summarized that EU integrational process did not bring enforcement into human-rights framing of socio-political discourse. Instead of this the economical politics and economic framing hegemony was empowered / legitimized in the area of social-policy making. Also she concludes that the quality of life area is decreasing on importance and slowly turning into a personal issue of a nonpolitical character.

As another important task for research following these directions I consider **academic space**. The significance of this area is illuminated by the fact that the universities and schools constitute main discourse-bearing institutions. They also serve as a “gatekeeper” in regulating what kind of knowledge should be produced and disseminated throughout the society. Form (if not “produce”) future experts and decision makers with competences accepted by society in general for managing issues of public interest (and in many cases hold only resources and (expert) skills to act in particular areas of society). Academic spaces are also in reality existing communities ( in general meaning, and epistemic and discourse communities as well) that make existence of certain values, ideologies and ways of thinking possible. These spaces have potential for building alternative discourses and discourse communities.

The extent to which discourses acts as “self-fulfilling prophecies” also depends on how these discourses are negotiated by the consumers of the texts that actually “carry” them. Analysis of the reception and consumption of discourses calls for ethnographic methods, like

- Critical discourse analysis of existing artefacts (texts) and practices (such as structure of courses on selected Slovak universities, content and structure of curriculum, analysis of basic learning texts and thesis,...)
- Analysis of essays (in cooperation with faculty) – i.e. seminary works targeted on focused topics connected to the Sustainable Development concept and QOL (in context of particular courses and study departments).

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<sup>307</sup> Lesay and Škobla, (2007)

<sup>308</sup> Kusá Zuzana, Discourse and Changes of the Welfare State, Sociology - Slovak Sociological Review (1/2008), pp. 5-35

As an output, -critical analysis of the contemporary education content, what can be useful for the faculties (analyses of texts offering feedback/evaluation) but also for students (as a space for reflexivity, ideally followed by open discussion).

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# THE ROLE OF PROPERTY IN LIVELIHOOD STRATEGIES OF RECENT MIGRANTS TO SUBURBAN AREAS OF TIRANA CITY-REGION, ALBANIA

**Marcela Mele**

**Abstract** Urban migration is a world-wide trend, affecting the lives and livelihoods of increasing numbers of people. Proximity to urban opportunity can lift people out of poverty. People develop a range of livelihood activities to enable them to cope with the challenges of living in the City. This paper will investigate in particular how access to property in Tirana City region is affecting the strategies of migrants and residents to secure livelihoods in the city. The objective of this paper is to examine how recent migrants to Tirana, Albania, have used access to property as a means of securing livelihoods in the suburban areas. It examines the complex ways in which property rights in transitional urban economies of South Eastern Europe relate to the use, exchange and regulation of suburban space.

**Keywords** Property rights, Suburban Areas, Livelihood, South Eastern Europe, Albania Sustainable Development, Socialist system, Post-Communist system.

## Introduction

The objective of my paper is to examine how recent migrants to the city-region of Tirana, Albania, have used access to property as a means of securing livelihoods in fast-growing suburban areas. Chambers and Conway<sup>309</sup> defined a sustainable livelihood as follows:

*'A livelihood comprises people, their capabilities and their means of living, including food, income and assets. Tangible assets are resources and stores, and intangible assets are claims and access. A livelihood is environmentally sustainable when it maintains or enhances the local and global assets in which livelihoods depend, and has net beneficial effects on other livelihoods. A livelihood is socially sustainable which can cope with and recover from stress and shocks, and provide for future generations.'*

Proximity to urban opportunity can lift people out of poverty. People develop a range of livelihood activities to enable them to cope with the challenges of living in the city.<sup>310</sup> However in transitional economies, these challenges are made more difficult by contradictions around property rights. Although people in transitional economies have increasing access to private property, there are also pressures to regulate property which

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<sup>309</sup> Chamber, R. Conway, G. (1991) Sustainable rural livelihoods: Practical concepts for the century, Institute of Development Studies, Number 246, pp 4.

<sup>310</sup> Kim K, (2006) Housing redevelopment and neighborhood change as a gentrification process in Seoul, Korea. The Florida State University, College of Social Sciences.

creates tensions around those livelihood strategies that depend on ownership and access to property.

This paper considers the role of property rights and access in the livelihood strategies of recent migrants to Tirana city-region and its suburbs. Securing property rights is an important part of the new regulatory context in suburban areas of Tirana. For many it is an important precondition for their livelihood strategies. Hitherto, poor migrants and communities in Tirana have insufficient access to property and limited opportunities for a normal life and sustainable livelihoods. The answers to how to secure access to property for the urban poor include: pro-poor homeownership/property policy formulation and implementation; access to common property resources and multiple user arrangements so critical for the livelihoods of urban poor people; strengthening security of property and sustainable management.

I show how tensions are revealed around property rights as, on the one hand people seek to secure different livelihoods and, on the other hand, there are pressures to regulate suburban land uses. Rather than a smooth transition to universal private property occurring, property rights at the suburban fringe are constantly made, remade and unmade by actual livelihood practices.

## **I. Academic context**

One of the most important economic, political, and social episodes of the last century was the rise and fall of (most) communist economies. The end of these economies led to the emergence of so-called transition countries, where rapid economic and institutional changes took place. Most important of these changes was the transition to private property. This transition took place in the context of rapid urbanisation, with many different people and social groups migrating to major city-regions to (re)secure access to property.

The main political aim of the socialist system was to create a socially just society, socially just system of production and distribution of societal resources. For example, Sykora argues that *Socialism is a societal system characterized by the common ownership of the means of production and the administrative allocation of resources*<sup>311</sup>. On the individual and family level, the allocation of resources was governed by needs declared by the state. Support was provided for basic needs, not luxury goods. Public housing was heavily subsidized and

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<sup>311</sup> Sýkora, L. (2008) 'Revolutionary change, evolutionary adaptation and new path dependencies: socialism, capitalism and transformations in urban spatial organizations. In: Strubelt, W., Gorzelak, G., eds, City and Region. Papers in honour of Jiri Musi, pp. 283-295. Budrich Unipress & Farmington Hills, Leverkusen Opladen. pp.2.

real property transactions were governed by the state. Land rent during the socialism system did not exist.

Moreover, *'Socialist society was considered as a temporary phase in the transition to a classless communist society where everyone would contribute with her/his abilities and receive according to her/his needs'*<sup>312</sup>. Socialism created specific features in cities. The lower share of services and higher share of industry in terms of both employment and land use stem from the nature of the socialist political-economy including its strategy to keep manual workers as the revolutionary force in major cities. Thus, *'massive industrial areas spread from old inner city locations to newly established outer city zones'*<sup>313</sup>.

Sykora argues that *'post-socialist transition does not proceed in vacuum, involving the replacement of one reality with another. It is a highly complex process that reformulates existing and creates new structures'*<sup>314</sup>. In the first years of the transition, systemic changes in political and economic systems played the leading role. Their realization was a necessary precondition for spontaneous transformations to take place. The systemic government-controlled reforms aimed to establish a capitalist system based in a pluralist democracy and a market economy, and to integrate countries into international political and economic systems. In most post-socialist countries in South Eastern Europe, the basic reforms of the political system were achieved in the first months and years after the collapse of communism. *'The new democratic governments focused on transformations of economic system, the main pillars of which included the privatization of state assets, the liberalization of prices and free foreign trade relations'*<sup>315</sup>

One of the side effects of this transformation is the appearance of an informal sector of substantial size, a pattern not untypical of cities in developing economies that have undergone rapid development process (Santos, 1977). From an economic perspective, the informal sector is important for both the allocation of resources and the impact on individuals' welfare (Gerxhani, 2004). Swaminathan (1991) recognizes that the primary reason to start with research on the informal sector in developing countries was related to the problems of mass poverty and unemployment.

Research about the informal sector under central planning recognizes some other basic motives of informalization (Grossman, 1982), such as: the presence of common socialist property, which is broadly regarded as 'up for grabs'; the constant consumer

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<sup>312</sup> Ibid. pp.4

<sup>313</sup> Ibid. pp.5

<sup>314</sup> Sykora, L. (2007) Office development and post-socialist city formation. In: Stanilov, K., ed., The Post Socialist City: Urban form and Space transformations in Central and Eastern Europe after Socialism, pp.129

<sup>315</sup> Ibid. pp.131.

shortages; the universal price controls, physical allocation of goods, and other sorts of strict official regulations; the outright banning of a wide range of consumer articles and services; the bureaucratic inadequacies; the corrupted authorities; the political dissatisfaction; and the contrast between actual life and that predicted by the official ideology.<sup>316</sup>

Regarding transition countries, the distinctive reasons of informalization are mainly related to the political, economic and social institutional causes of their transformation from centrally planned into free market economies. They involve: *insufficient economic development* (Kaufmann and Kaliberda, 1996); *a high tax burden and a complicated tax system* (Thießen, 2003); *a weak and complex legal and institutional framework (which is mainly due to the gap between the destruction of old institutions and the construction of new ones); inefficient enforcement mechanisms; a high level of corruption and bureaucratic incompetence among the government agents* (Johnson, Kaufmann, and Zoido-Lobaton, 1998a); the general lack of confidence in state institutions; the laissez passer approach towards the informal sector (*i.e., the tolerance and insufficient control by the government*); *civil wars in some of these countries; and finally, the 'path dependency' (i.e., the conflict between the established economic and social norms in the past and the reaction to a new reality in the present)*.<sup>317</sup>

First decade of transition was characterized by investment inflow to city centres causing their commercialization and decline in residential function, albeit substantial physical upgrading. Decentralization occurred later with investments flowing to both out-of-centre and suburban locations. Central and inner city urban restructuring involved the replacement of existing activities with new and economically more efficient uses, taking the form of commercialization, gentrification, construction of new condominiums, the establishment of new secondary commercial centres and out-of-centre office clusters. In the course of time, *suburbanization has become the most dynamic process changing the landscapes of metropolitan regions of post-socialist cities. It is bringing a complete reformulation of metropolitan morphology, land use patterns and socio-spatial structures*.<sup>318</sup>

Suburbanisation itself can become a major problem. The compact character of the former socialist city is being changed through rapid commercial and residential suburbanisation that takes the form of unregulated sprawl. New construction of suburban

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<sup>316</sup> Carbonell, Ada Ferrer. Gërkhani, K. (2004) Subjective poverty and the (in)formal sector in a transition country. *Public Choice*, pages 1-18

<sup>317</sup> Carbonell, Gerxhani, 2004, pp. 6

<sup>318</sup> Sykora, L. (2006) Urban development, policy and planning in Czeck Republic and Prague. In Altrock, U., Gunter, S., Huning, S., Peters, P., eds, *Spatial Planning and Urban Development in the New EU Member States: From Adjustment to reinvention*, pp.124.

residential districts is fragmented into numerous locations in metropolitan areas around central cities.

## II. Albania in transition

It is useful to consider in this context urban and suburban development in Albania during the communist and post communist system. For about four decades, Albania was a completely isolated country, due to the highly repressive communist regime of Enver Hoxha. The political regime was a dictatorial one, while the economic system was completely socialized. Private property had more significance for people in Albania than in other socialist countries because of its near total abolition. The 1976 Constitution had imposed a complete ban on private property, including private plots in rural areas.<sup>319</sup>

Consequently, in the early 1990s, *'Albania was the last of the Central and Eastern European countries to allow political pluralism establish democratic institutions and introduce market mechanisms'*<sup>320</sup>

Kamza (informal settlement), my case-study shows how it is grew 10 fold from 1994 to 2007.



Source: John Driscoll - Approaches Institute for International Urban Development Cambridge, Massachusetts.<sup>321</sup>

In terms of economics, the new democratic government started the implementation of a profound market-oriented economic program, including macroeconomic stabilization and price liberalization. In light of the high expectations of the Albanian people and the very poor state the country's economy was in, this government applied a 'shock therapy'. However, a 'big-bang' or 'shock therapy' strategy may undermine popular support and may unnecessarily lead to reform reversal

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<sup>319</sup> Hashi, I. Xhillari, L. (1999) Privatization and transition in Albania. Post Communist Economies, volume 11. Issue 1.

<sup>320</sup> Gërxhani, K. Schram, A. (2000) Albanian Political-Economics: Consequences of a Clan Culture. LICOS-Centre for Transition Economics. pp.4.

<sup>321</sup> Driscoll, J and Chuvalaand L, C and Shutina, D. (2007) Delivery of Security of Tenure, Infrastructure Services and Access to Finance through Community-Based Approaches Institute for International Urban Development Cambridge, Massachusetts.

(Dewatripont & Roland, 1995). Furthermore, fast reforms often stress speed at the cost of institutional balance (Nutti, 1996). This is what happened in Albania. Former institutions vanished before fundamental new institutions had time to develop.

Aside from political pressure, the Albanian people also suffered from a deep economic crisis under the communist regime. The growth rate of the economy, in the period 1970 – 1990, was sharply decreasing and eventually became negative. There were no foreign investments after 1980s. Real income per capita declined, an increasing number of goods and commodities were lacking in the market and, as a consequence, the difference with the West grew. *‘At the end of the communist regime, in 1991, there was neither a plan nor a market, but just a state of chaos, which was further aggravated by the fierce political conflicts, strikes and absurd physical destruction such as burglaries, ruins, and the burning of social property’*<sup>322</sup>

Since 1990 a relatively free movement of people in Albania from rural areas toward urban ones has been occurred. The majority of the population still lives in rural areas, but the share of the urban population has increased dramatically from 35.8% in 1990 to 44.5% in 2004.<sup>323</sup> From 1990 to 2005, 1/3 of all Albanians -- many from the north east part of the country -- left their homes and land for a better life in the western part of Albania. At the beginning of 1997, the population in coastal areas was 2.4 times higher than in 1960. About 54% of Albania’s population (1997) live in the coastal districts, including Tirana City Region.

One of the reasons they left their own land was the implementation of neoliberal policies after 1990s, which contributed to the reduction of investment in job training and professional development, eventually resulting in severe shortages in north east part of Albania in many social and welfare occupations.

Albanian cities are now at the beginning of what might be called a “third phase” of urbanization during which laws and regulations have to be developed and enforced so that all real estate – whether existing stock or new construction – will eventually become entirely formal. To design new regulations adapted to Albania is a challenge.<sup>324</sup> Various conflicts have emerged around suburban development associated with the deregulation of housing and the land development process. These tensions include an explosion in the growth of informal private housing, problems around the provision of infrastructure, and the issue of the funding of local government especially in the burgeoning suburban areas of the capital city-region. In this context, *‘The interests of local government in land development*

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<sup>322</sup> Gerxhani & Schram, (2000), pp.6.

<sup>323</sup> INSTAT (2002) Albanian Institute of Statistics Population of Albania in 2001. Tirana: INSTAT

<sup>324</sup> Driscoll et al, (2007).

*processes needs examination*<sup>325</sup>. It is expected that new suburban spaces of re-regulation reflect the interaction of Albania's inherited legal and administrative structures with new pressures of land development under a free market system. Informal nature of suburban development was a way of securing property and access to livelihood.<sup>326</sup>

Since the 1990s the general situation regarding demography and social situation is characterized by an uncontrolled internal migration that has led to an explosive population growth in the capital region of Albania. A pilot study from An NGO Organization Co-plan about the land use in some selected suburban areas of Tirana (and the city of Durres) found 70% of all buildings were constructed between 1991 and 1999, and more than 80% of the users declare themselves owner of the property, but 30% dispose of ownership evidence.<sup>327</sup> For poor people, lack of access to property is more often a threat, becoming a serious obstacle to returns and sustainable livelihood. According to different groups of people I interviewed, they share their the same opinion and said:

*“for us lack of access to property means we don't have right to sell, to buy and have the rights to have our own business” (Interview with Kamza resident, Summer 2008)*

Samples like this show that poor migrants need guarantees of access and property rights.

### **III. Impacts of transition on people in Tirana**

Urban change is associated with the geographic redistribution of population. While major cities loose population through migration, small municipalities gain it. A large part of out-migration is towards suburban areas, especially around Tirana City-Region and Western Coast of Albania. There is regional differentiation in housing construction with booming suburban areas. In Tirana City-Region, including Kamza Municipality, the intensity of housing construction is nearly 3 times higher than the national average.<sup>328</sup>

The methods used in the background research for this paper included semi-structured interview with households and community in Tirana City-region. The purpose of these interviews was to gather information about particular characteristics of urban development, focusing in particular in the regulation of private property and how property ownership influence the securing of livelihood in the city. During my field trip in

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<sup>325</sup> Jonas A E G, (1991) “Urban growth coalitions and urban development policy: Post-war growth and the politics of annexation in metropolitan Columbus” *Urban Geography* 12: 197-226

<sup>326</sup> Bertaud, A. (2006) Urban development in Albania - The World Bank working paper

<sup>327</sup> INSTAT (2002).

<sup>328</sup> Ibid.

Tirana City Region, where Kamza Municipality was my Case Study, most of the community share the opinion that the reason they left their own home was *“there were no more job for them, no school, facilities and health care for their children and the government did not interfere for improving their conditions”* (Interview with Kamza resident, Summer 2008).

Communities in Tirana City-region have insufficient access to property and limited opportunities for a normal life and sustainable livelihoods. Access to property is essential to create stable and sustainable livelihoods in Tirana City-Region. Lack of access to property for poor people is more often a threat, becoming a serious obstacle to sustainable livelihood. Access to property rights is necessary to preserve natural resources, to control land use and to lubricate the free market.

During the transitional period (1990-2005), there are observed different types of migration flows, and participation in different sectors of the labour market. Overall men predominate in migratory flows, including labour migrations, from North Eastern Albania. In general the level of participation in the labour market varies geographically. Most of the migrants settled in Kamza were from Tropoja, Kukes, Mirdite, Mat composing the largest group of migrants.

From my primary data in Kamza Case -study, I concluded that in general, women have additional burdens of child care. For some women, there is opposition from men to their participation in the labour markets. The only opportunity for women with childcare responsibilities to secure a livelihood was hawking and selling on table tops on the road or using the rented shops. However, hawking and selling on table tops are the most common marketing strategies in Tirana City Region. A majority of people opt for trading because it generates quick returns on a daily basis. On the whole, traders reported positive impact on income, trading has potential monetary benefits for livelihoods. Most of my interviewees said:

*“This is the only choice for them, where they don’t pay high tax and their incomes are already neto”*

Another kinds of opportunity for members of the Kamza community to survive and have access for their livelihood are: domestic (cleaning and care) and retail, hotel, which has been risen after 1998s. One woman responded to my questions as follows::

*“ Recently, as the result of polarisation, and the increasing number of poverty families, some women, even unwilling, have to work in the hotels, high towers, business buildings, schools, in cleaning jobs”. (Interview Summer 2008).*

Most of the migrants remitted by far large amount of money to build their own houses or business. There is rapidly expanding private construction sector, to a large extent financed by remittances. Remittance made up to half of the household income for 79% of households interviewed and it is a major source of financing for the Albanian economy, estimated at about USD 1.2 billion in 2005, equivalent to 13.4 per cent of GDP<sup>329</sup>. Albania also benefits from official transfers, estimated at USD 130 million or 1.5 per cent of GDP in 2005.

As an example I can illustrate my interview with a man, when I asked him if he had a two storeys house, he said:

*“Only familiess with somebody [working] abroad can have 2 storey house. In my case, I have only on storey house, where our money are coming form working in construction, in Tirana Capital”.*

Other sources are employment, borrowing from relatives/friends, profits from business and securing bank loan.

### **Impact of the property rights in livelihood activities: some conclusions**

According to Sykora (2004), who has conducted work on socialist cities in transition,, a spatial mismatch exists between the location of jobs and residences, contributing to increased travel in metropolitan areas and consequent effects on the quality of environment and life. In the Albanian case, the only solution for poor people in suburban areas are alteration of condominiums (built during the Communist system) and informal building after 1992s spread mainly throughout the country. Because of the free movement of population and unregulated land development, the suburban zones of Tirana have taken on a totally new character. Agricultural land uses have given way to housing and building.

*“The great demographic increase of urban zones following the political change resulted in the enlargement of urbanized areas and the deterioration of the environment in Albania due to the construction of innumerable buildings”<sup>330</sup>*

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<sup>329</sup> UNDP United Nations Development Programme in ALBANIA (2006) Transition Success and Transition Challenges in: Strategy for Albania. Tirana.

<sup>330</sup> Aliaj, B. Lulo, K. and Myftiu, G. eds (2003) Tirana the Challenge of Urban Development, Cetus Press, Tirana. Albania pp.85.

Between 80 and 90 per cent of property and business assets in Albania are ‘extralegal’ - outside the formal economy - according to preliminary results from a UNDP -backed diagnosis of the country’s economic and legal systems by the Soto’s Institute for Liberty and democracy (ILD). The construction boom is now subject to greater regulation: illegally constructed buildings in central Tirana have been demolished over the last few years and planning requirements are being enforced to a greater extent than in the past.

Securing property rights is an important part of the new regulatory context in suburban areas of Tirana:

*“Secure property rights along with an efficient and transparent land management regime are fundamental for creating well functioning land and property markets in Albania. These in turn, provide incentives for local and international businesses, households and individuals to invest in land and properties” Zakout, (2007)*

Further research is required to reveal the growing tensions between the regulation of land development and the availability of livelihood opportunities to suburban residents in Tirana.

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# MEASURING REGIONAL DISPARITIES IN THE PRACTICE OF THE EU REGIONAL POLICY: ARE THE OBJECTIVES OF EU SUSTAINABLE DEVELOPMENT STRATEGY THREATENED?

**Peter Mihók**

**Abstract** Article analyses the present way and possible alternative ways of measuring regional disparities in the practice of the EU regional policy. It presents the results of questionnaire filled by the focus group composed of 30 Slovakian experts. The aim of the article is to present authors points of view on the present way of measuring regional disparities in the context of the EU Sustainable Development Strategy, whose goals may be threatened due to the fact that important social and environmental aspects of development are ignored by determinants of Structural Funds allocation.

**Keywords:** regional disparities, EU, regional policy, sustainable development, GDP.

## Introduction

All actions, financed by the EU Structural Funds, should, “in theory”, be in line with the objectives set out in two important strategic documents of the EU: the Lisbon strategy and the EU Sustainable Development strategy<sup>331</sup>. With the former strategy being significantly orientated at achieving the GDP growth, while the latter has an ambition to tackle growing environmental and social problems in the EU (out of which some are consequences of, respectively positively related to the GDP growth), some objectives set out in these two strategies may be in rivalry. Decisions on the EU Structural Funds spending may help us see whether economic or sustainable development is being prioritised in the EU budget spending.

## I. Three aspects of sustainable development and the EU Funds

The concept of sustainable development can be defined in many ways. For the purpose of this article, I think that the most suitable definition is the one available at the Welch Government website<sup>332</sup>: the “sustainable development is the internationally adopted principle that social, economic and environmental issues should be considered at the same time when plans are being drawn up and decisions being taken for the future”. One of the most important “plans drawn up by the EU” are the Regulations on the Structural Funds for 2007 – 13 period (almost €350 billion will be spent based on the “instructions” from this piece of legislation). Therefore it is legitimate to pose the question which social,

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<sup>331</sup> see “Whereas (2) in the Preamble to the Regulation 1083/2006, and Article 17.

<sup>332</sup> <http://new.wales.gov.uk/topics/sustainabledevelopment/?lang=en>

economic and environmental issues were taken into account when the distribution of Structural Funds (SF) was planned in these Regulations.

## **II. Determinants of the EU Structural Funds allocation**

From the recent EU legislation, documents and brochures, it seems to me that the common EU Structural policy was formally “put to an end”, and that what now exist is a merger of the common EU Regional policy and common EU Cohesion policy into one policy. Nevertheless, this “the second most expensive common EU policy” is still being regulated mainly by the so called Structural Funds (SF) regulations.

Older Structural Funds Regulations, officially called Regulations on the tasks of the Structural Funds for the 1989-99 period (Regulation EEC 2052/88 of 24 June 1988) and 2000-06 period (Regulation EC 1260/1999 from 21 June 1999) contained many criteria used to determine regions eligible for support from SF. These criteria were using, for example, also these indicators:

- an unemployment rate,
- a percentage share of industrial employment,
- high share of agricultural employment,
- low level of agricultural income,
- low population density and/or significant depopulation trend.

In the Regulations for the 2007 13 period, there is, however, only one indicator used as a determinant – the GDP per capita. This fact implicitly opens a question whether economic development (Lisbon strategy) is not being seriously prioritised over social and environmental goals from the revised EU Sustainable Development Strategy.

## **III. GDP per capita: is it a good universal determinant?**

Should the GDP per capita serve as an universal determinant of SF distribution correctly, (in the context of what was already written in this article) it should prove to be an indicator of both economic and sustainable development, without prioritising one over the other. However, many economists criticise usage of the GDP not only as an indicator of sustainable development, but also as an indicator of economic development. This fact makes the issues related to the usage of the GDP a very wide topic, which can hardly be covered in this article. Thus the aim of this article is not to analyse this issue on a general level, but to bring some specific evidence on the problem, in particular from the country where I live, which is Slovakia.

Article is based on the results of a survey of a focus group composed of following 30 people:

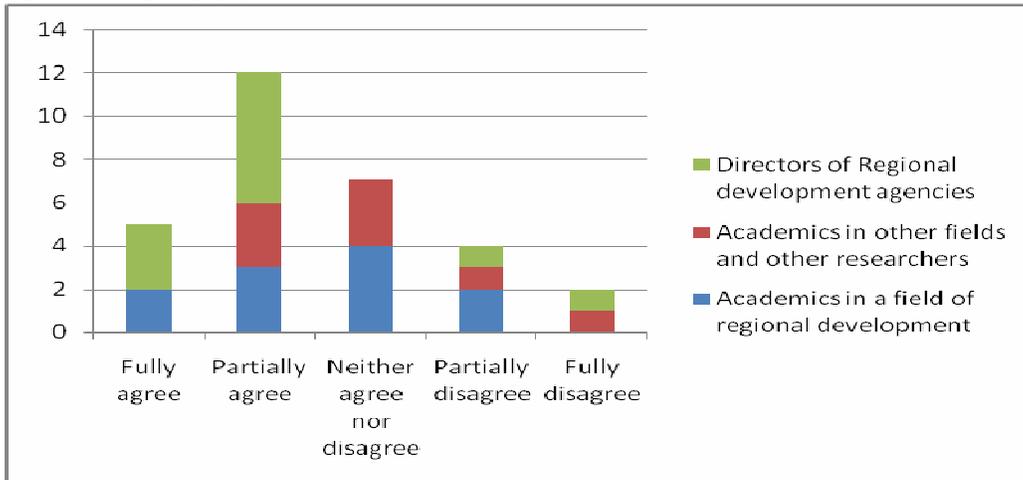
- 11 academics in a field of regional development (6 University teachers and 5 researchers),
- 8 academics from the other fields than regional development interested in the issue (participants of the Conference “Regional disparities in the Central and Eastern Europe), composed of University researchers in a field of geography, sustainable development etc. and independent researchers (NGO sector etc.),
- 11 directors of Regional Development Agencies (RDA), or in a few cases employers of Agencies selected by the Director.

The survey was focused on three particular themes related to measuring of regional disparities: a) the appropriateness of usage of the GDP, b) possibilities of usage of existing alternatives to the GDP, c) opinion of focus group members on what should be measured and how.

Even though almost all of the focus group members fully or partially agreed that the GDP per capita is a measure of economic development of a region, but not a complex measure of regional development that would cover all aspects of development (social, cultural, environmental, etc.) and a quality of life in a region (we do not present the Graph with results due to a limited length of this article), they are not of a same opinion on whether the GDP per capita is a suitable determinant for the allocation of the Structural Funds.

Results of our survey showed that there is no common agreement on the presumption that *the GDP per capita is a suitable basic determinant to specify regions that need public funds in order to eliminate the further growth of regional disparities in a quality of life*. As the Graph 1 shows, still a majority of experts at least partially agree that it is correct to use GDP per capita as a determinant of Funds allocation in the EU regional policy. However, number of those who disagree, or “neither agree nor disagree”, is quite important. Especially when we take into account the (already stated) fact that GDP per capita is now the only indicator which is being used as a determinant of regions which need (and therefore are eligible) for support from SF.

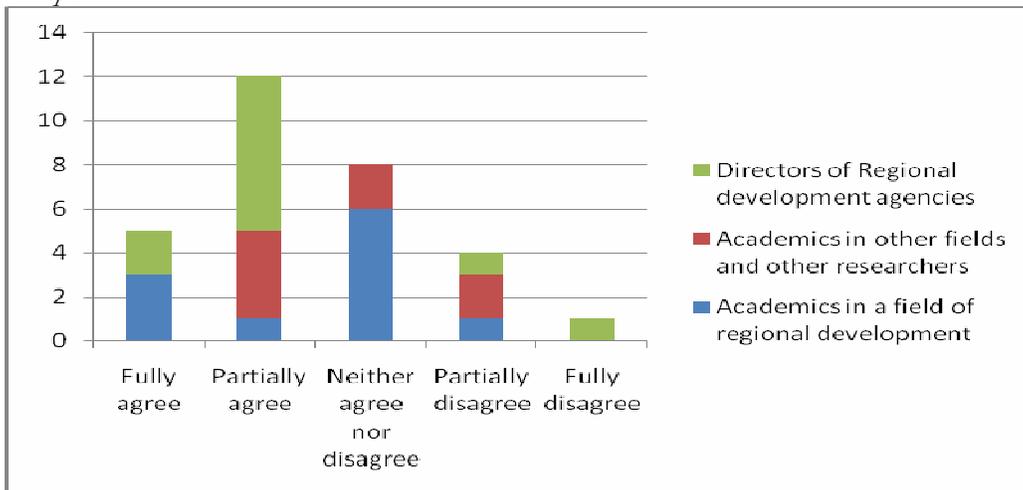
**Graph 1** Opinion of the focus group on the postulate *GDP per capita is a suitable basic determinant to specify regions that need public funds (for ex. EU funds) in order to eliminate the further growth of regional disparities in a quality of life.*



Source: Results of own questionnaire

One of the reasons why the GDP per capita could be justified as a determinant of the EU Structural funds allocation is, in our view, a presumption that the GDP per capita is a suitable measure of a level of existence of financial resources in a region. As Graph 2 shows (in comparison with Graph 1), such an idea is positively perceived more by the academics than by the RDA Directors. However, it is the RDA directors who are more positive about using GDP as an determinant of EU Funds allocation than the academics (Graph 1). Thus the results of our survey, when it comes to differences of opinion between the academics and the directors of RDA, are a bit unclear.

**Graph 2** Opinion of the focus group on the postulate *Though it is correct that GDP per capita does not measure the quality of life in a region, the GDP per capita is a suitable measure of a level of existence of financial resources in a region, and therefore the GDP per capita is a suitable measure to be used as a determinant to specify regions which inevitably need additional public finances (for example from the EU funds) for their further development.*



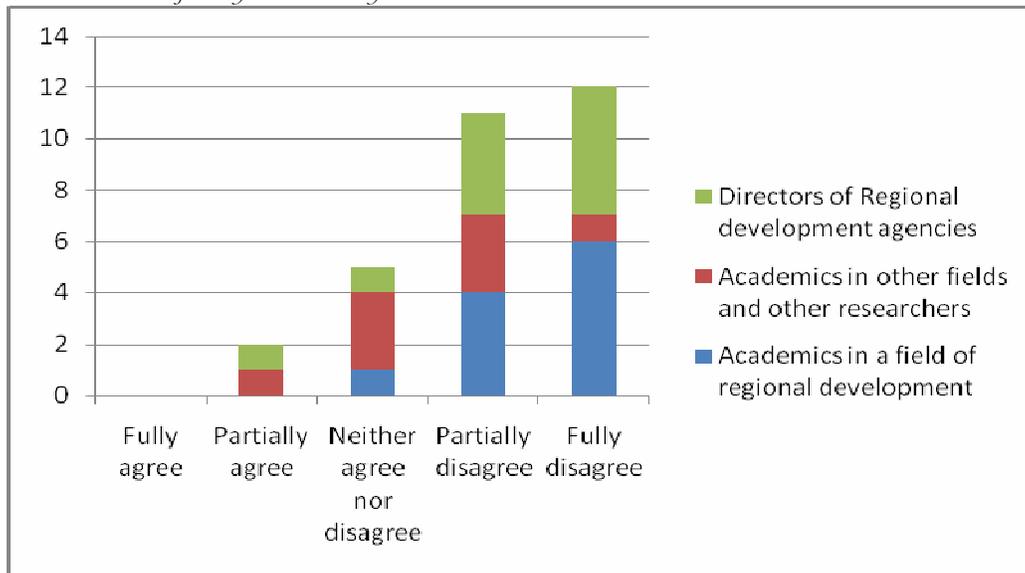
Source: Results of own questionnaire

#### IV. ISEW or GPI: can they replace the GDP?

Using of the GDP as an indicator of development is being criticised for many reasons. One of the reasons is related to the fact that expenditures for products and services which threaten sustainable development are positively calculated into a value of the GDP. Some alternative indexes, sometimes known as “green GDP”, have therefore been proposed. At the present, the Index of Sustainable Economic Welfare (ISEW) and Genuine Progress Indicator (GPI) are considered to be the most comprehensive alternatives to the GDP.

Members of the focus group were very sceptical about an important part of the ISEW and GPI methodology – adjustment for the domestic and shadow economy. As Graph 3 below shows, only 2 respondents were at least partially positive about possibility to measure domestic work and shadow economy objectively and accurately. Therefore, we are very sceptical that the ISEW and GPI, in their present methodologies, could replace usage of the GDP in the EU regional policy.

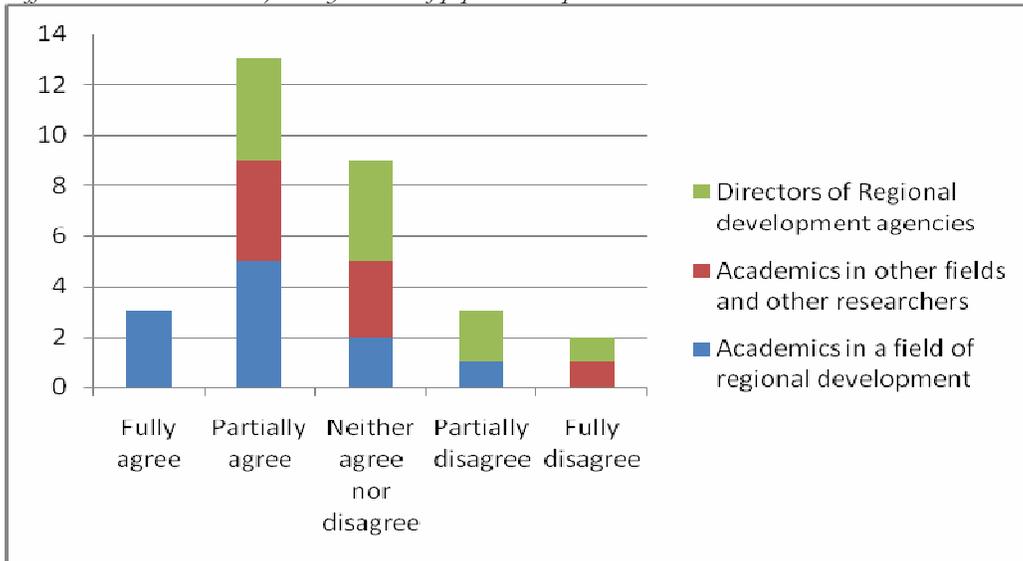
**Graph 3** Opinion of the focus group on the postulate *The value of domestic work and shadow economy can be measured objectively and accurately.*



Source: Results of own questionnaire

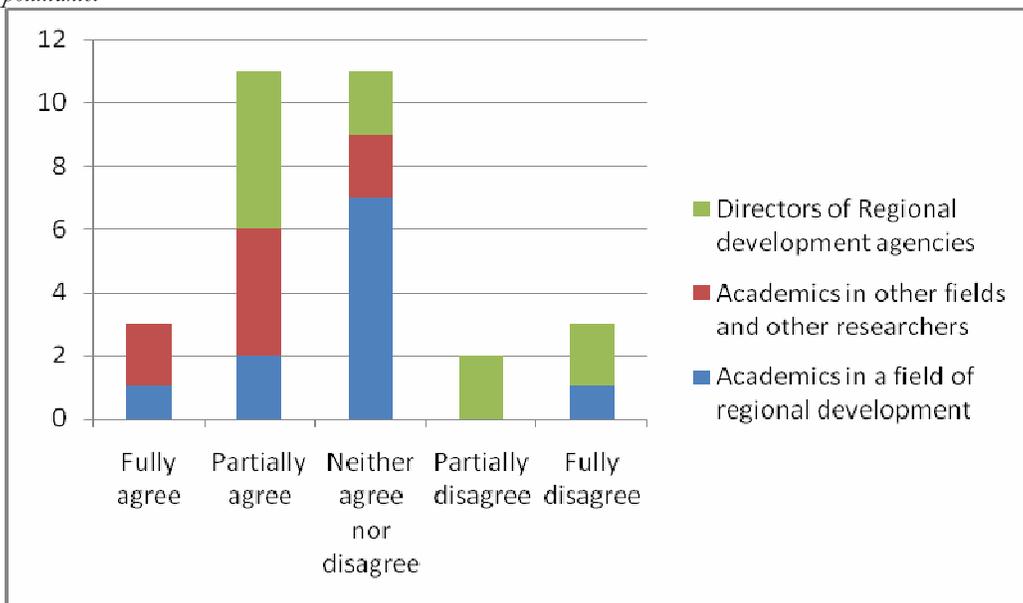
However, members of the focus groups were quite positive about other important parts of the ISEW and GPI methodology – adjustment for the social and environmental issues. Some results are presented in the Graphs 4 – 7 below.

**Graph 4** Opinion of the focus group on the postulate *Social situation in a region can be objectively measured and expressed by the level of income inequality of a population living in a region (as measured by the Gini coefficient or Atkinson index) and by a share of population dependent on a social care institutions.*



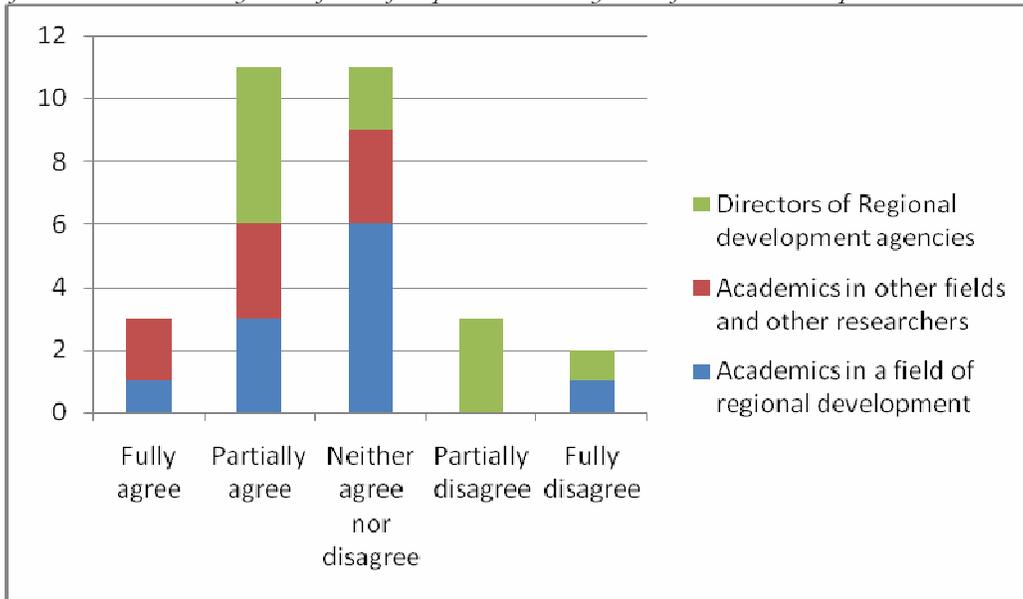
Source: Results of own questionnaire

**Graph 5** Opinion of the focus group on the postulate *It is possible to measure the level of water pollution and to express it in a monetary value, on condition that there would be a political agreement on a monetary value of clean water and agreement on a monetary value of costs of pollution of unit of water by the main known water pollutants.*



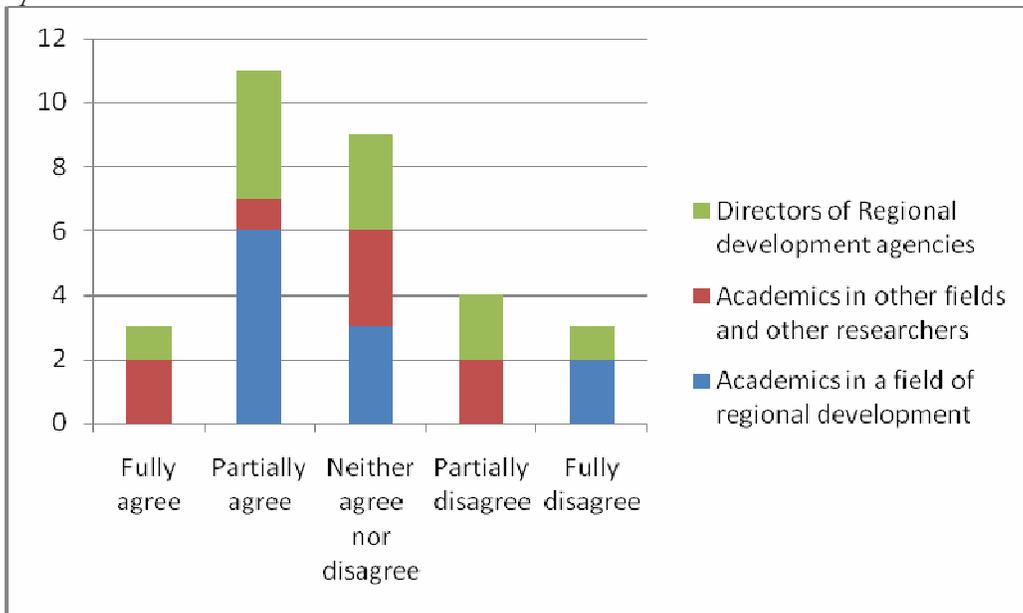
Source: Results of own questionnaire

**Graph 6** Opinion of the focus group on the postulate *It is possible to measure the level of air pollution and to express it in a monetary value, on condition that there would be a political agreement on the monetary value of clean air and a monetary value of costs of air pollution caused by units of main known air pollutants..*



Source: Results of own questionnaire

**Graph 7** Opinion of the focus group on the postulate *The amount of depletion of natural resources can be objectively measured and expressed in monetary values, on condition that there would be a political agreement on the monetary value of units of different types of natural resources and annual measurements of natural resources depletion.*



Source: Results of own questionnaire

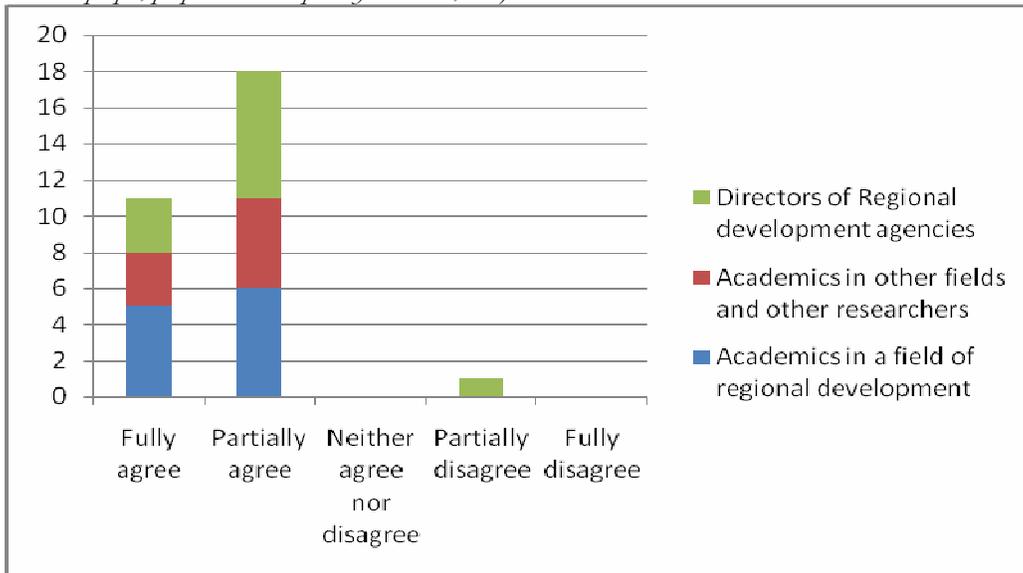
The ISEW and GPI methodologies may represent a result of modern social and economic sciences when it comes to issues such as quality of life or sustainable development. However, members of the focus group were sceptical that these methodologies could in a

real life be applied to such an accuracy, that would ensure just and objective calculation of values for the EU countries and regions, which is a necessary precondition for usage of these “alternatives to the GDP” in the EU regional policy.

### V. If neither the GDP, nor ISEW / GPI: what should be measured then, and why?

Using one indicator that would “fit all aspects” of development, including those that are important from a point of view of sustainability of development, is most probably an unrealistic vision. Thus, the alternative of using more “partial” measures may be more appropriate. There was a strong agreement in the focus group (see Graph 8 below) that in order to better allocate EU Structural Funds for the social issues (such as the European Social Fund), income disparities should be measured (using Gini coefficient or the Atkinson index) and used as a determinant of SF allocation, just as well as another indicator - a number of a people in regions that are dependent on support from public institutions (for ex. number of children in orphanages, estimated number of homeless people, people below the poverty threshold, etc.). Almost such a strong agreement (less favoured by the academics) was found out on the postulate that *distribution of EU Funds for environmental projects should not be determined by the GDP per capita, but should be determined by environmental indicators* (see Graph 9 below).

**Graph 8** Opinion of the focus group on the postulate *Distribution of public subsidies (for ex. the EU funds) for social projects should be determined ALSO by the level of disparities in income of a population in regions (measured by the Gini coefficient or the Atkinson index) and by the number of a population in regions that are dependent on support from public institutions (for ex. number of children in orphanages, estimated number of homeless people, people below the poverty threshold, etc.).*

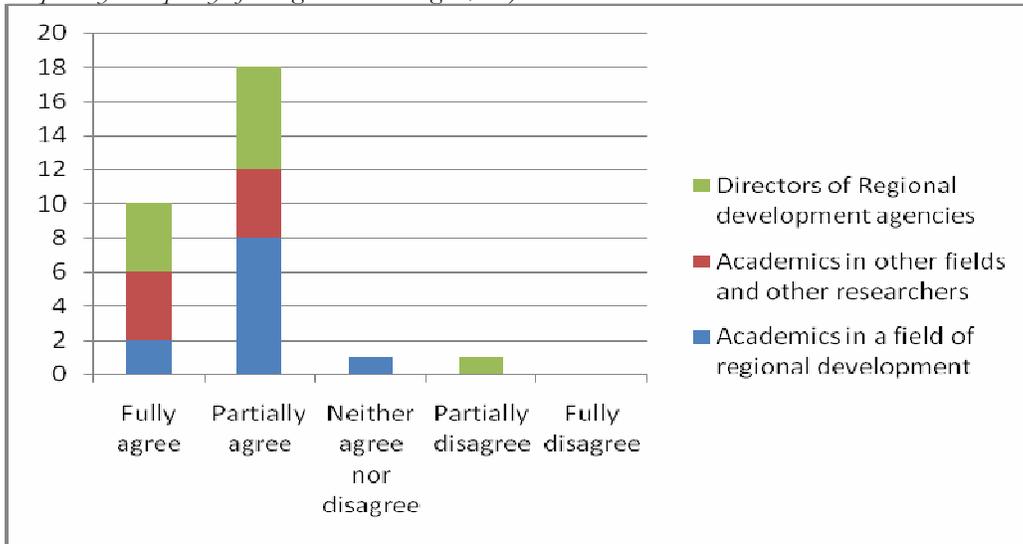


Source: Results of own questionnaire

While the opinion of the members of the focus group on the issue of allocation of public funds for social and environmental projects was undoubtedly favouring using sector

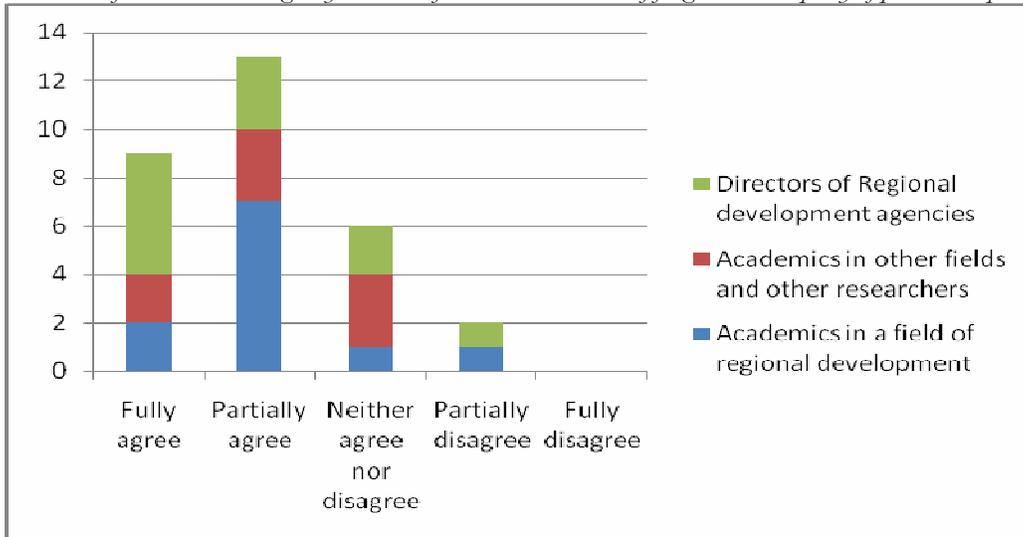
indicators, it was less strong and unitary in case of transport infrastructure projects (see Graph 10 below). Nevertheless, it can be concluded that the members of the focus group would like to see more intensive use of the sector indicators as determinants of EU Structural Funds allocation than the dominant use of the GDP per capita indicator.

**Graph 9** Opinion of the focus group on the postulate *Distribution of public subsidies (for ex. the EU funds) for environmental projects should NOT be determined by the GDP per capita, but should be determined by environmental indicators (for ex. Funds to co finance construction of tank sewage cleaners should be determined by the quantity and quality of sewage water in a region, etc.).*



Source: Results of own questionnaire

**Graph 10** Opinion of the focus group on the postulate *Distribution of public subsidies (for ex. the EU funds) for transport infrastructure projects should be determined mainly by the indicators of regional transport (for ex. distance from the nearest highway, number of cars on roads, share of freight cars, occupancy of public transport).*



Source: Results of own questionnaire

## Conclusions

The rationale of “what we measure is what we want to achieve” premise may help us to find an answer on the question how the current Structural Funds Regulations have taken into account the objectives of the Lisbon and EU Sustainable Development strategies. With the GDP per capita being the only indicator used as a determinant of eligible regions, it is legitimate to pose the question whether the Lisbon strategy is not prioritised over the EU Sustainable Development strategy when it comes to promotion of economic development using the assistance from the EU Structural Funds. This issues can be further elaborated in many ways. One of them was outlined by the content of our research, based on a survey of 30 member focus group of Slovak experts.

Results of survey of the focus group suggested that there is no strong agreement on whether it is correct to use GDP per capita as a determinant of Funds allocation in the EU regional policy. The alternative indexes ISEW and GPI, sometimes known as “the green GDP”, can hardly replace the GDP, mainly due to problems with application of the important part of their methodologies when it comes to measuring of “domestic and shadow economy”. However, members of the focus groups were quite positive about other important parts the ISEW and GPI methodology – adjustment for the social and environmental issues. They were very much convinced that adjustment for the income disparities (as measured by the Gini coefficient or Atkinson index) should be an important determinant of distribution of SF for social projects. Using of similar sector indicators in the field of distribution of SF for environmental projects was also strongly favoured.

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# MOTIVATION FOR BECOMING AND BEING AN ORGANIC FARMER IN ESTONIA – GREENING THE EU AGRICULTURAL POLICY

## Ahto Oja

**Abstract** Switching from conventional agricultural practices to organic farming and the diversification of economic activities in rural areas are key concerns in greening the EU agricultural policy. This study focuses on the uptake of organic farming in Estonia. Main motives for the adoption of organic farming in Estonia are: (1) level of organic farming subsidy schemes; (2) improvement of producers' and family members' health; (3) increase in flora and fauna diversity; and (4) environmental principles. A pattern emerged that the farmers who had ideological reasons remain in organic farming for a longer period, while predominant economic interests in adopting organic practices may result in dropping back to conventional agriculture.

**Keywords** organic farming, adoption, Estonia, EU agricultural policy, agriculture

## Introduction

Farmers adopting organic farming can be used in studies of environmental policy integration and social innovation. Different governance modes with a large number of instruments can be neutral, may support environmental policy integration or be restrictive of social innovation. Hierarchical modes of governance follow top-down command and control mechanisms and have sector-specific approaches, while the new modes of governance are oriented mostly to horizontal cooperation between the sectors and institutions, learning practices, information exchange, knowledge-based and bottom-up approaches. A common understanding is that these governance modes are not exclusive but complementary. Estonian agricultural sector passed radical liberal market economy reforms without any internal market protection at the beginning of 1990s. Land and property restitution added to the tensions in rural areas. Greening the EU CAP policy did occur in the same period. The second and third pillar of the CAP focused on the diversification of the production modes and promoting rural lifestyle. Adoption of organic farming is one of the indicators for environmental policy integration into the EU agricultural policy. Organic farming acts, subsidies, and related bureaucracy are some of the hierarchical governance instruments. The informal institutions, such as cooperation, learning, advice and motives for adoption are understood as new modes of governance. According to some authors (Padel 1994) motivation is the key for adoption of organic farming and, at the same time, motivation is also the key for successful environmental

policy integration (EPI) and for good governance. As a minimum, three factors are equally important in implementing any kind of social innovation, good governance and EPI: (1) **motivation** (why change is needed); (2) **knowledge** (how to implement the changes); and (3) **conditions** for making changes possible (e.g. legal environment, technical possibilities, cultural traditions, etc). Current study investigates the motives of Estonian farmers in adopting the organic farming scheme and in remaining organic. Adoption of organic farming is an example of environmental policy integration and has to be supported by different policy and governance instruments. How different policy instruments support or restrict the adoption of organic farming is the key objective of the current study.

## **I. Organic agriculture and external effects**

Organic farming was given more attention in 1997 with the passage of the first Organic Farming Act and with the introduction of the term “organic farming” and of the state organic label. Considering the results of the expert analysis on organic farming made by the EU experts and the needs discovered in the implementation of the Act, the Organic Farming Act has been amended several times. The present Organic Farming Act is in force since 1 January 2007. Estonia follows the minimum requirements for organic farming proceeding from Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs, which is directly applicable. The Organic Farming Act only provides the requirements, which according to the EU legislation may or must be established by Member States themselves.<sup>333</sup> In recent years the growth in the organic agriculture sector has undergone considerable expansion in Europe and in Estonia. The number of organic farmers has risen during last 8 years (1999-2007) from 89 to 1211 respectively in Estonia, the total area farmed organically has risen from 4100 ha in 1999 to 73 770 ha of agricultural land in 2006, which constitutes 6,7 % of total arable land in Estonia.<sup>334</sup> This compares well with the share of organically farmed arable land in UK a few years ago. The European average is a bit lower – 3.5 %. In 2006, cereals were grown on 8520 ha, potatoes on 241 ha and industrial crops on 312 ha in Estonia. Fruit and berry plantation covered 1145 ha. Other reasons for the expansion of the organic sector in

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<sup>333</sup> Rural Development Plan of Estonia 2007. *Estonian Rural Development Plan 2007-2013*. European Commission, Government of Republic of Estonia, Ministry of Agriculture, Tallinn.

<sup>334</sup> Plant Production Inspectorate of Estonia 2007. *Organic farming public documents and databases*. [<http://www.plant.agri.ee>] 22.06.2007.

Estonia are related to public good values. Demand for organic products is also thought to be related to increased consumer awareness of environmental issues and the perceived environmental benefits associated with organic agriculture.<sup>335</sup> Agri-environmental programmes, introduced by the EU regulations in 1992 (Reg. 2078/92) and 1999 (Reg. 1257/99) on rural development, include compensation payments to farmers for all costs incurred in carrying out environmental improvements on their land. These improvements can include reducing air, soil, and water pollution, improving biodiversity, adopting organic agriculture, and managing non-farmed land. By 1998, one farmer in seven had an agri-environmental contract, with more than a fifth of EU farmland covered. The relevant motives related to organic farming and its adoption are (1) ideological reasons for adoption;<sup>336</sup> (2) beliefs and values;<sup>337</sup> (3) attitudes of farmers towards organic farming and environment in general;<sup>338</sup> (4) knowledge and skills of farmers on organic farming; (5) access to markets;<sup>339</sup> (6) access to information, its networks and communication.

## II. Study aims and methodology

Objectives of the study are: 1) what are the key *motives* of *transition from conventional to organic agriculture*; 2) what are the key *factors which affect adoption and remaining in the* organic farming in Estonia; 3) what *modes of governance and environmental policy integration instruments supported the adoption of the organic farming in Estonia*. Specifically, it is proposed to use farm level models with programming and/or modelling techniques based on individual farm type data. Binominal and multinominal logit and probit models were used for analyses in current study. The total number of all farmers was 18954 in Estonia in 2004, who received area based subsidy from the Estonian Agricultural Registers and Information Board (ARIB)<sup>340</sup>. This includes also 810 organic farmers. The criteria to all farmers to

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<sup>335</sup> Lampkin, N. H. 2000. Organic farming in the European Union: overview, policies and perspectives. In: Allard, G., David, C. and Henning, J. *L'agriculture biologique face à son développement - les enjeux futures*. Paris, INRA editions.

<sup>336</sup> Rigby, D., Young, T. and Burton, M. 2001. The development of and prospects for organic farming in the UK. *Food Policy* 26: 599-613.

<sup>337</sup> Burton, M., Rigby, D. and Young, T. 2003. Modelling the adoption of organic horticultural technology in the UK using Duration Analysis. *Australian Journal of Agricultural and Resource Economics* 47: 29-54.

<sup>338</sup> Jacobson, S.K., Sieving, K.E., Jones, G.A. and Van Doorn, A. 2003. Assessment of farmer attitudes and behavioural intentions toward bird conservation on organic and conventional Florida farms. *Conservation Biology* 17: 595-606.

<sup>339</sup> Lampkin, N.H. and Padel, S. (eds.) 1994. *The Economics of Organic Farming. An International Perspective*. CAB International, Oxford.

<sup>340</sup> The Estonian Agricultural Registers and Information Board (ARIB, [www.pria.ee](http://www.pria.ee)) is a government institution subordinated to the [Ministry of Agriculture](#). The Board was founded on 20 July 2000. ARIB's functions are to maintain the register of farm animals as well as the register of agricultural supports and agricultural parcels and to allocate different agricultural, fishery and rural development supports. ARIB also

receive area based subsidies was to have/cultivate at least 1 ha agricultural land. The register with names and counties of all farmers receiving subsidies was publicly available in internet. This register was used as the basis to form the sample of conventional farmers. Firstly, every 100<sup>th</sup> member of the database was extracted, thus the list of 190 farmers was formed. The internet and other public information sources were used to find addresses and phone numbers for 190 farmers and target was to get 60 farmers interviewed. The sample of 100 ex-organic farmers, who were dropped out from organic farming scheme and continued farming conventionally, was compiled by comparing the databases of the State Organic Farmers Register of different years. This Register is managed by Estonian Plant Production Inspectorate. The target was to collect 60 filled questionnaires. The total number of organic farmers was 810 in Estonia in 2004. The organic farmers' sample was drawn from the State Organic Farmers Register, which was freely accessible in Internet. Forty organic farmers out of 810 were long term organic farmers, being in scheme for six or more years. One hundred organic farmers were 'newcomers', being in scheme 5 years or less. The organic farming survey in Estonia was implemented in a period April to September 2005. The survey was implemented with help of 4-5 interviewers. All farmers in sample were firstly contacted via phone and after the acceptance of participating in the survey the face-to-face interview took place, usually at the home of farmer. Altogether 59 conventional, 45 ex-organic and 76 organic farmers were finally interviewed in face to face using questionnaire.

### III. Results and Discussion

The organic and ex-organic farmers were asked to assess the importance of 13 motives for adoption on 5-step Likert scale. The list of motives concluded with an open option and thus respondents were able to add their own motive. Difference was insignificant between the organic farmers (n=74) and the ex-organic farmers (n=44) on the following motives: (1) improving consumers' health; (2) marketing organic scheme by authorities; (3) hope for additional training and advice; (4) improving farmer's and staff's work environment and conservation knowledge; (5) positive influence from neighbours already in the scheme; (6) business diversification; (7) higher prices for organic produce (or at least a hope to receive a price premium). Indifference in the abovementioned motives indicates that these were not important in adoption. **The following four motives were**

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implements the EU agricultural market regulation measures and milk quota system. The central office of ARIB is located in Tartu, with regional offices, altogether 15, in all counties. As of the beginning of 2005, ARIB employed 324 people, 106 of them working in regional offices and the rest in the central office.

**significantly different** between the organic and ex-organic group: (1) level of subsidy payment offered under organic farming scheme; (2) improving producers' and family members' health (and their work conditions); (3) increase in variety of flora and fauna around the farm; (4) environmental concerns (to reduce pollution and to protect natural environment). The second and the fourth motive are similar to the findings in the UK by.<sup>341</sup> The motive 'expectation for higher output price' was important in the UK case, while in the Estonian case the primary motive was 'perceived availability of governmental subsidy to the organic farming'. Regression analysis indicated that higher governmental subsidy increased the probability to adopt. Increasing the level of offered subsidy payment as an EPI instrument was shown as a significant factor influencing adoption ( $p=0.000$ ). The average total subsidy for agricultural production and marketing was 56,886 EEK for conventional farmers, 88,202 EEK for organic farmers and 63,145 EEK for ex-organic farmers. The average level of subsidies per hectare differed significantly between organic and conventional ( $p= 0.002$ ) and between organic and ex-organic farmers ( $p=0.002$ ). Binary logistic analyses were implemented for the whole sample ( $n=180$ ) with 98 selected variables as independent covariats, the adoption of organic farming was the dependent variable. Increasing factors in descending order of importance are: (1) The agreement with the statement 'Organic farming practices fit better with natural cycles of ecosystems than conventional farming' **increases** the probability to adopt **2.6** times. This is not surprising that agreement with the abovementioned statement increases the probability to adopt. Since organic farming principles follow the laws of nature and thus fit logically into natural cycles. While conventional practices with substantial chemical inputs such as fertilizers, pesticides and antibiotics, do not. This agreement is also based on the farmers' values and worldview, which cannot be easily changed with EPI instruments. In longer term, education and training can make changes happen. Persons' faith in the abovementioned statement will be based on the knowledge of the harmful impacts of conventional farming on the environment; (2) Access to information on (organic) farming training possibilities **increases** the probability to adopt **2.4** times. Training and education are classified as EPI and new governance instruments. Hence providing more information on organic farming training opportunities will definitely increase the adoption rate of organic farming, which was demonstrated in the current study; (3) Having higher education **increases** the probability to become organic almost **2** times. This finding is

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<sup>341</sup> Rigby, D. & Young, T. 2000. Why do some agricultural producers abandon organic production systems? An exploration of UK data, *School of Economic Studies, University of Manchester, Discussion Paper 0015*. Manchester.

similar to the results from other countries where organic farmers tend to have higher education than conventional farmers. As this is personal characteristic, EPI and new governance instruments cannot influence this directly; (4) Belief in having a successor **increases** the probability to adopt organic farming **1.8** times. This is again the belief-type answer, which is very personal and actually indicates, whether the person believes in the future, whether the farmer makes long- or short-term plans. However, this factor indicates that organic farmers tend to believe in better future more and make their plans on a longer term basis; (5) Having smaller total farming costs also **increases** the probability to adopt organic farming ( $p=0.000$ ). This is an economic market based factor, which is not easily changed with EPI and governance instruments. Lower input costs also appear to be important in encouraging adoption. Farmers indicated that an attractive feature of becoming an organic farmer was the low level of expenditure on production costs, particularly agrochemical costs; (6) The agreement with the statement ‘Organic farming alone can satisfy society’s (Estonian) needs for food and fibre’ **increases** the probability to adopt **0.9** times. This is again a value-based factor and part of person’s worldview. Interviewing organic and conventional farmers in the field, it becomes quickly evident that this motive is again a matter of belief. This is often based on myths such as ‘you always need (chemical) inputs in order to get a higher yield’. More knowledgeable farmers understand that sustainable society’s long term objective is not only to maximize the economic profit (higher yield), but to maximize the balance between economic, social and ecological capitals/profits. Decreasing factors in the descending order of importance are: (1) The agreement with the statement ‘Balance between humans and nature is the most important – human beings are part of nature and should always try to fit in the ecosystem cycles’ decreases the probability to adopt 3.3 times. The result that an agreement with this statement decreases the probability to adopt is somewhat confusing. The statement is one of the basic principles of sustainable society and of environmental ethics. Organic farming should follow the same basic principles and thus this ethical consideration could be expected to have crucial importance in adoption of organic farming; (2) Having access to information (including the costs) about (organic) farming inputs decreases the probability of adoption 2 times. Organic farmers have lower costs on inputs, on the other hand, the organic components need to be certified. This might increase the cost compared to uncertified products and having info about this factor influences the adoption negatively. Some EPI and governance instruments may change the situation within certain time. Namely the EPI instrument ‘support mechanism to

certified inputs' can be developed. Cross sectoral cooperation between the authorities, inspection and subsidy paying agencies can also be a new governance instrument. Final example may be the cooperation of organic farmers in buying inputs.

## Conclusions

This paper investigates the factors that affect the decision to adopt organic farming using empirical data. This was collected interviewing conventional as well as organic farmers in Estonia. The study focussed on the key *motives* of the farmers, key *factors which affect adoption and remaining in the* organic farming and key *modes of governance and EPI instruments supporting the adoption*. Personal motives and factors which have no effect on the adoption of organic farming were the following: 'to improve consumers' health'; 'hope to get more training and advice, when being organic'; 'helps my / staff's environment / conservation knowledge'; 'neighbours were organic farmers and found it OK/suggested to join'. The agri-environment subsidies were important incentives in adopting for those farmers, who had adopted recently and for those, who had dropped out. Long-term organic farmers seem to have opted to organic farming for reasons such as having a holistic worldview, lifestyle and strong environmental principles. The formal and informal factors had significant impact on the adoption. The respondents were mainly satisfied with the quality of advisory service and training. Hope to get more advice was not important factor in adopting. Lack or inadequacy of training and advice was not a factor for reversion. The results confirm that access to information about (organic) farming training possibilities increases the probability to adopt. At first glance, the fact that having access to information (including about the costs and (organic) farming inputs) decreases the probability of adoption. Having access to information on the EU support schemes to organic farming decreases the probability to adopt. This can be explained with the conditions for conversion having become more strict and binding for organic farmers. For example, a 5-year contract, organic farmers not allowed to have non-organic land or cattle, several conditions put on having organic livestock. Small farmers considered it impossible to fulfil these new criteria that make the farming less cost-effective and put on them demands for additional investments. Several respondents from ex-organic group indicated that organic requirements are too expensive and complicated to fulfil. The complicated bureaucracy (double reporting, too much paperwork, etc) was the main factor of dropping out from the organic farming scheme. The majority joint the environment-friendly scheme, where the subsidy is somewhat smaller than in organic

farming, but the requirements are much easier to follow. Another conflict within the governmental support schemes is in the area based subsidy requiring bigger plots and hay being cut by a certain date, while the agri-environmental scheme supports establishing hedges and more fragmented land use. It can be argued that former extensive agricultural system has influenced the minds of the farmers in a way that many still rely on governmental subsidies and are passive. There seem to be similarities in the patterns of innovation in Western and Estonian cases. The first adopters opted for organic farming because of their holistic values, worldview and lifestyle. More recent adopters were more market or subsidy oriented. Reasons for dropping out seem to be similar in case of late adopters too, until the market and institutions for selling organic produce are not properly established, farmers cannot earn enough. Most of the socio-economic variables follow the Western pattern (organic farmers have higher education and the percentage of female farmers is higher). The age pattern is different, in Western countries organic farmers are younger than conventional farmers. In Estonia no age difference in studied three groups could be observed. The average age in all three groups was 51 years, which is quite high and indicative of another difference between Estonia and other western countries. The role of education and training can be a crucial factor for adoption of organic farming. Farmers who are better educated, have more specialist training and female farmers were more likely to adopt organic farming. A high level of dependence on statutory bodies and authorities supporting organic farming as opposed to the market forces was noted. Price premiums for the majority of domestic organic products are poor and farmers tend to rely on organic farming subsidies. Organic farming is supported as part of the EU agri-environment measures. The increase in the number of farmers and organically farmed area was significant in recent years. The state has primarily focused on developing a marketing infrastructure for conventional produce and in this the conventional farmers are not as vulnerable as the organic ones. Developing a marketing and processing infrastructure, initiatives which enable farmers to enhance market sales are vital in supporting the organic sector. Lower production costs (agrochemical inputs), access to training and extension services and information and communication networks, which facilitate cooperation and learning, appear to be important in supporting adoption. Cooperation and farmer networks are an especially critical field, although availability of training and advice is not a constraining factor. Respondents were generally satisfied with the quality of advisory service and training provided by governmental (certification) agency (the Plant Production Inspectorate). Non-governmental and non-profit

organisations, such as Estonian Foundation of Organic Farming, provide additional services. Policy makers in order to increase the adoption rate and to achieve policy targets set down in ERDP for years 2007-2013 need to pay special attention to the abovementioned motives, factors and instruments. The existence of new modes of governance was recognized. Although organic farming started with a bottom-up approach of interested innovative Estonian farmers in cooperation with international organizations, at a later stage, the state took initiative in the process. Legal policy instruments and top-down approach were used. The increase of organic farming adoption rate after the governmental interface indicates the usefulness of old and new governance modes. Usage of EPI instruments, such as subsidies to organic farming, participation of social partners in the development of strategies and in the implementation of SEA, show the positive impact on the organic farming adoption rate in Estonia. This case study proves that strategic goal for organic farming area for 2006 in amount of 70 000 ha was achieved. However, a new target for organically farmed land is 120 000 ha in Estonia by 2013. This is quite an ambitious target, as the adoption rate has slowed in recent years. This target is hopefully achievable by improving EPI instruments and using more advanced new modes of governance described in this study. Abovementioned study was implemented in close cooperation with the Department of Economics of National University of Ireland Galway (NUIG) and the Institute of Environmental Protection of Estonian University of Life Sciences (EMU) within the IDARI project of the EU V Framework Programme. I hereby want to express my greatest thanks to my supervisor dr. Thomas van Rensburg from NUIG and to my co-supervisor professor Kalev Sepp from EAU. I would also like to thank my colleagues from the EU VI Framework Programme EPIGOV project Kaja Peterson from SEI Tallinn and Ingmar Homeyer from Ecologic. Research for this paper was supported by the project Environmental Policy Integration and Multi-level Governance(EPIGOV) which was funded under the European Community's 6th Research Framework Programme (Contract no. 028661).

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# URBANIZATION SCENARIOS FOR BRATISLAVA

**Slavomír Ondoš**

**Abstract** Settlement system integrates many aspects of the human society surrounded by and transforming the environment, with its internal dependencies, spatiotemporal variability, the past and the unknown future. This paper documents the early experiment with a new strategy examining urbanization development in Bratislava. A potentially valuable method merges the assumptions from the existing urbanization concepts with the approach borrowed from the spectral analysis in basic time series statistics.

**Keywords** differential urbanization, migration, prognosis, spectral analysis, Bratislava

## Introduction

The settlement system is a dynamic real-world object generalized for the purpose of study. Its structure, organization and differentiation reflect how people currently live, how their lives change and how it varies between different countries and different regions within these countries. The social environment leaves its footprints on the material environment and vice versa. Their contact is close, intensive and multifaceted especially in cities. Spatiotemporal variation of the settlement process has attracted a large amount of interest throughout the history. As a never really explained phenomenon it remains attractive until present. There is no clear divide between urban and rural elements of the settlement. Complexity is a typical aspect of settlement systems that allows only a very small part of it to be explained on basis of observation. The individual signs outweigh the signs common in space and time significantly. The residual 'noise' makes any attempt to predict the future development patterns critically unreliable even there often is a notion of regularity within longitudinal observations.

Despite these less than comfortable conditions, an effort has been and still is invested in the knowledge of settlement structures. Besides the theoretical implications, several serious practical reasons exist for that. These are all those related to rational planning objecting to minimize the risks connected with decisions about the future undertaken in the present. This applies to the public as well as the private sphere, the spatial and temporal focus of planning, integrated urban or regional planning including.

The stages of urban development and the differential urbanization are the two fundamental theoretical attempts to explain the dynamic phenomenon in general and whole width during the second half of the 20<sup>th</sup> century. To a certain extent they use the basis created previously with the traditional concepts of von Thünen, Christaller, Zipf and others. Of key importance are the hierarchical and competitive aspects in the modeling of the settlement

organization. Both approaches rely on similarities in extensive empirical observations, but differ in their interpretation. The earlier concept introduces a series of subsequent urbanization phases (urbanization, suburbanization, de-urbanization and re-urbanization) based on growth and decline relationship between the urban core (the city) and the urban ring (the suburbs encircling the city)<sup>342</sup>. The later extends this idea and follows a more general path. Its central argument is that a settlement system, for which hierarchy is a crucial aspect, evolves with time through the early, intermediate and advanced stages of primate, intermediate and small cities. The process is initiated with a growth impulse at the top end of the hierarchy and in following periods spreads through the lower levels with oscillations having amplitudes approaching neutral stable level. “Highlighting only the migration component of the urban development process, population accumulates in the primate city at first. This is followed, first, by decentralization within the core resulting in a multi-nodal structure, then by interregional de-concentration towards a limited number of nodes within the periphery, and later on, by decentralization within these peripheral regions. The advanced stages of this final phase are accompanied by an absolute decrease in the population of the core”<sup>343</sup>. Urbanization in both cases proceeds with a continuous periodical form consisting of the constituent elementary forms. In case of the first model, the trend integrates the wave-forms of the city and the suburban ring shifted from each other by a specific period. In the second model, the periodic forms of the primate, intermediate and small-sized cities overlay with a specific shift and decreasing height of the amplitudes.

Similar thinking appears in demographic research. “Since migration is commonly the major process underpinning change in the pattern of human settlement, it follows that any differences in migration outcomes arising from such choices represent a significant issue in making population projections. It is therefore surprising that so little attention has been given to exploring the effects of alternative ways of modeling internal migration ... major source of variation in projection results derives from conceptual differences in the migration models. Most significant in this context is the substantial effect of allowing the size of destination populations to influence the dynamics of interregional migration ... this difference is intensified in models which incorporate feedback effects from destination population size.”<sup>344</sup>

Necessary precondition in the study of settlement structures is a generalization, which would avoid the infinite space of internal dependencies, and inclusions. “Everything is related to everything else. Superficially considered this would suggest a model of infinite complexity; a

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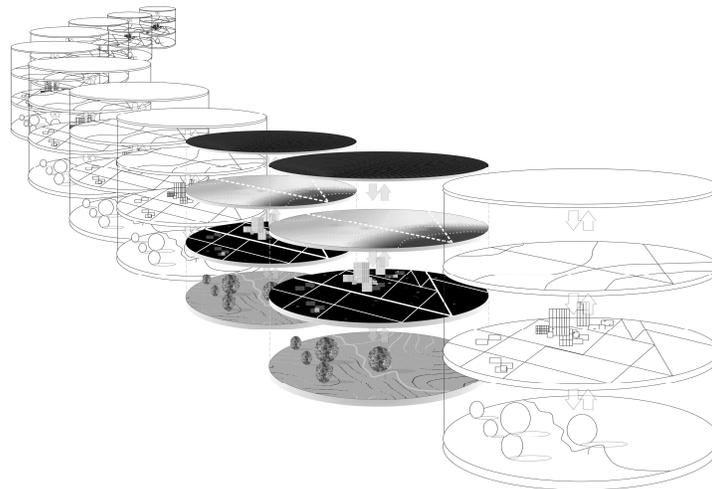
<sup>342</sup> L. van den Berg et al., 'Urban Europe: a study of growth and decline', *Urban Europe*, vol. 1 (1998), 162 p.

<sup>343</sup> H. Geyer, 'Expanding the theoretical foundation of differential urbanization'. *Tijdschrift voor economische en sociale geografie*, vol. 87 (1996), pp. 44-59.

<sup>344</sup> T. Wilson, M. Bell, 'Comparative Empirical Evaluations of Internal Migration Models in Subnational Population Projections', *Journal of Population Research*, vol. 21 (2004), pp. 127-160.

corollary inference often made is that social systems are difficult because they contain many variables; numerous people confuse the number of variables with the degree of complexity.<sup>345</sup> A useful approach to these structures originates in urban geography and its internal urban spatial structure concept. The urban environment consists of material and social partial structures according to this idea. Figure 1 provides a graphic interpretation. The environment and the urban morphology (built environment) are connected with the human society (socio-demographic structure) through their activities (functional structure) including the urban economies. Internal urban spatial structure is a dynamic object as well. The sequence of its states in time provides also an insight in the nature of relationships existing between the partial urban structures' dynamics. These differ in terms of their degree of stability.

**Figure 1** The internal urban spatial structure as known in urban geography: a superstructure of cross-connected partial structures of physiography, morphology, functions and human society



Source: according to Matlovič (1998)<sup>346</sup>

Any change within one of the partial structures initiates a response within other structures. This is the reason why it is very difficult to trace the link connecting observed dynamics to the crucial factors of change, to explain it or even to predict the development of the whole system. Further attention will be focused on a single city population change, specifically on crude net migration rates of the city population. Selected social-demographic structures should have the lowest degree of stability. The study of social-demographic structures is therefore expected to reveal most of the current urban

<sup>345</sup> W. Tobler, 'A Computer Movie Simulating Urban Growth in the Detroit Region', *Economic Geography*, vol. 46 (1970), pp. 234-240.

<sup>346</sup> R. Matlovič, 'Geografia priestorovej štruktúry mesta Prešov', *Geografické práce*, vol. 8 (1998), p.260.

dynamics. Two questions appear worth considering. Is it possible and sufficient to fit the observed net migration trends with elementary model trends? In case it is, does this technique bring any advantage in the forecasting problem? The following section of the paper will define the formal framework for the subsequent empirical experiment that will analyze the past four decades of development in Bratislava. Finally, the results will be interpreted and some outcomes for following research will be suggested.

## I. Conceptual framework

This formal framework will be based on the dynamics incorporated in the urban development stages and the differential urbanization theories. Technically, it relies on some basic ideas from the statistical time series analysis. The specific design is a result of preliminary exploration of data by standard tools including autocorrelation, moving average smoothing and spectral plots and decomposition. The following framework is intended to deal with the shortcomings of short length of the series and prepare the ground for understandable interpretation.

Consider the net annual migration rate  $m_T$  for a city to be measured as a proportion of the net migration  $M_T$  on the mid-year population size  $P_T$ . The term  $c$  allows scaling of the  $m_T$  as the net migration per  $c$  inhabitants. In our case  $c=1,000$ . Let  $\mathbf{M}$  be the vector of annual observations of the net migration rate  $\mathbf{m}_T$  during the continuous period of  $n$  years with observations available, a historical period.

$$m_T = ( M_T / P_T ) c$$

$$\mathbf{M} = [ m_T ]; T = 1, 2, \dots, n$$

Omitting the possibility of major historical discontinuities, as are the wars or the natural disasters, the time series of  $m_T$  usually has an irregularly appearing form with periodic elements. According to the differential urbanization concept, in general it should be understood as the sum of lower hierarchical trends of similar nature, initiated and trickled down through the settlement hierarchy. Focusing further strictly on the interpretation of this dimension we will abstract of any other potentially related dimensions of development. According to the spectral analysis in mathematics, referencing to Fourier's tradition, any periodic function can be decomposed in a finite or infinite series of sine and cosine elements.<sup>347</sup> "The procedure involves the use of Fourier or trigonometric series of varying amplitude, wave length or frequency, and phase. Unfortunately this is historically

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<sup>347</sup> G. M. Robinson, *Methods & Techniques in Human Geography*, John Wiley & Sons (1998), p. 318.

also closely connected with the analysis of strictly periodic phenomena, and therefore often regarded as not being appropriate for social data.”<sup>348</sup> Spectral analysis methods are developed also in economy, where they have been employed for study of business cycles<sup>349</sup>.

In our case, let's write for  $m_T$  a functional relationship consisting of a constant term  $a_0$ , sine and cosine elements with the amplitudes  $a_{is}$ ,  $a_{ic}$ , the periods  $p_i$  and shifts  $s_j$ . The estimate  $m_T^*$  can be approximated in a linear form with the simplifying assumptions (1) of discrete annual time steps responding to the existing data limitations, which are usually measured annually, and also (2) limits set over the range for the discrete parameters  $i, j$ .

$$m_T = a_0 + \sum_{i=1}^{\infty} [ a_{is}\sin(2\pi T/p_i + s_j) + a_{ic}\cos(2\pi T/p_i + s_j) ] + \varepsilon$$

$$m_T^* = a_0 + \sum_{i=1}^{\infty} [ a_{is}\sin(2\pi T/p_i + s_j) + a_{ic}\cos(2\pi T/p_i + s_j) ]$$

$$\mathbf{M}^* = [ m_T^* ]; T = 1, 2, \dots, n$$

The solution in search for the vector  $\mathbf{M}^*$  of annual estimations is then becoming a problem of multiple linear regression estimating the parameters  $a_0$ ,  $a_{is}$  and  $a_{ic}$ .

Once a sufficient level of correspondence between the observed and estimated net migration rates is obtained, the parameter  $n$  can be further increased providing the extrapolation  $m_T^*$ ;  $T=n+1; n+2; \dots$  beyond the limits of the empirical trend. The problem of finding the compromise between the model quality and its effectiveness in the number of variables incorporated can be solved by the application of stepwise regression. It is controlled by setting the probability  $P(F)$  to values of entry and exclusion against which variables are tested. The method then allows an objective decision on which independent variable of  $\sin(2\pi T/p_i + s_j)$  and  $\cos(2\pi T/p_i + s_j)$  should be used in the model according to the significance of additional explanation of the  $m_T$  maximizing the resulting fit.

The first problem, however, remains with the fact that estimate  $m_T^*$  based on the sequence of  $T=1, 2, \dots, n$  will never equal the estimate  $m_T^*$  based on the different sequence of  $T=1, 2, \dots, n+m$ . We will discuss this problem later but generally a statistically-based solution is suggested as a possible strategy in this problematic point of analysis. Such an approach is acceptable from the aspect of our objective to define

<sup>348</sup> W. Tobler, 'Spectral Analysis of Spatial Series', *Proceedings, Fourth Annual Conference on Urban Planning Information Systems and Programs, University of California, Berkeley*, (1966).

<sup>349</sup> M. Baxter, R. G. King, 'Measuring Business Cycles: Approximate Band-Pass Filters for Economic Time Series', *The Review of Economics and Statistics*, vol. 81 (1999), pp. 575-593.

scenarios rather than a deterministic trend. Besides annual observations, census data are available for much longer historical period, offering a space for further developments in terms of experiments incorporating varying temporal scale.

## II. Data and results

The data suitable for empirical test of the modeling approach suggested in the previous section are a common output from the continuous residential population registry. These are published annually by the statistical service<sup>350</sup>. Unfortunately, the series for Bratislava in the current extent of the city can be traced back only to the year 1970. Latest date of change concerning its administrative territory was in the year 1972 when several suburban communities were annexed. The full historical period available for experimental calibration of this model is therefore between the years 1970-2007 ( $n=38$ ). Census data are available since the year 1869 but are not compatible with the former.

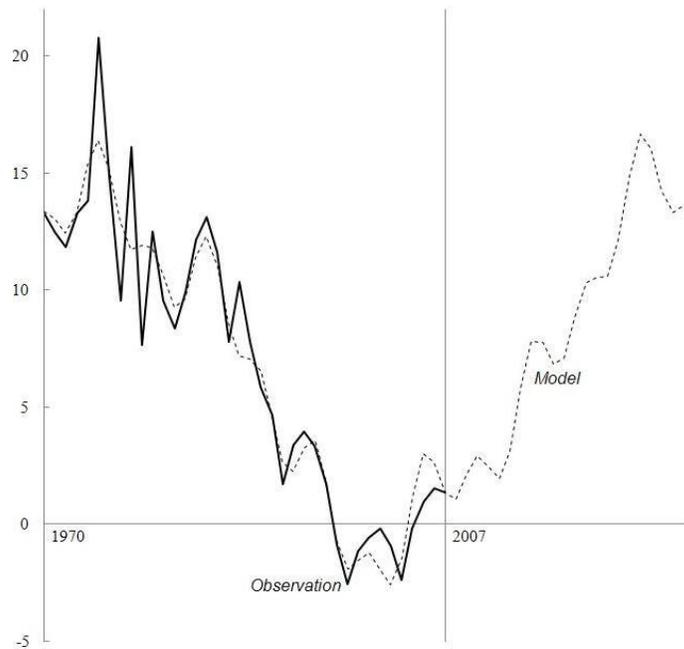
Further assumptions were taken concerning the parameters of elementary functions intended to explain variation of the series  $m_T$ . The periods  $p_i$  and the shifts  $s_j$  used were the integer values  $p_i \geq 2$  and  $p_i \leq 100$ ,  $s_j \geq 1$  and  $s_j \leq 99$ ,  $s_j < p_i$ . Upper limit of a century is only arbitrary according to preliminary exploratory tests. Probability  $P(F)$  in stepwise multiple linear regression was after testing decided at the level  $P(F)=0.05$  for entry. Under these circumstances, the 2007 model fits the trend with four sine and cosine elements

$$M_{2007}^* = a_0 + a_1 \cos(2\pi T/53 + 12) + a_2 \sin(2\pi T/10 + 7) + \\ a_3 \cos(2\pi T/5 + 0) + a_4 \cos(2\pi T/18 + 0)$$

with  $a_0=6.58$ ;  $a_1=-7.24$ ;  $a_2=1.25$ ;  $a_3=1.23$  and  $a_4=-1.03$ . The levels of correspondence obtained with stepwise inclusion of variables was  $R^2_1=0.863$ ;  $R^2_2=0.888$ ;  $R^2_3=0.910$  and final  $R^2_4=0.925$ . As Figure 2 clearly shows, the observed trend can be sufficiently replicated by these trigonometric elements; however, the extrapolation in the right side of the plot remains rather speculative, based on generalizations intentionally avoiding more complex dynamics. The current formalization of the model doesn't allow for the evolution of elementary trend parameters. It rather attempts to explain the observed time series as a single entity with parameters held constant over the whole period, which is not acceptable even theoretically. Further development is necessary in direction leading to a more advanced framework allowing their change.

<sup>350</sup> Statistical Office of the Slovak Republic, 'Statistical Yearbook of the capital of the Slovak Republic Bratislava', (1973-2006); 'Population Change in the Slovak Republic 1996-2006', (1997-2007).

**Figure 2** Net migration rates in Bratislava: observed 1970-2007 and projected 1970-2030



Source: Statistical Office of the Slovak Republic<sup>6</sup> and author's calculations

## Conclusions

Net migration rate serves as a good quantitative reference standing in for a dynamic pattern of far more complex urbanization. The differential urbanization is based on its central argument integrating the hierarchical aspect in organization of the urbanization phenomenon and the succession of urbanization stages from the theory of urban development. Differential urbanization has a trend resulting from many periodic oscillations with decreasing amplitudes, by which the settlement system responds to an urbanization impulse at the top end of settlement system hierarchy. Dynamics of any settlement unit, a city of any size connected with the settlement network depends therefore on every other unit of the system. However, many notions could be repeated from the literature concerning the roles of various parameters describing spatial, hierarchical or other distances among these. The objective of this experiment is different. Our focus was limited for the dynamics of a single city. Also, the role of contrasting conditions in the societal contexts of the 1970-1989 socialism and the 1990-2007 post-socialism were not considered here. “Rather than continuing to focus on universal versus specific factors of urbanization under central planning, it would be more worthwhile to

direct attention and research toward a more many-sided and locally sensitive understanding of the processes at work.”<sup>351</sup>

The method in development presented suggests to replace the observed series of net migration rate during the four decades with a series of elementary functions, in general based on the simplified least squares spectral analysis. Decision for this strategy resulted from practical limits, mostly related with the length of observation series. The applied form of ‘learning trend estimation’ is corrected on annual basis, according to update of observed series. The material obtained allows extrapolation of the expectations towards the future and to approach the possible future development statistically.

The answer to our first question is that the observed trend with several basic assumptions easily and sufficiently fits the elementary periodic trends. The validity of extrapolation into the future, however, remains unknown, at least until the more developed method is applied to several different cases with longer observation series.

The trend of net migration rate in Bratislava between 1970 and 2007 documents, that migration rate at the level of 20.8 (1975) decreased through oscillations towards the negative level of -2.56 (1998). In spectral domain of the regression equation, the trend component corresponds to the five decade (53 years) period. In addition to the trend, the applied method has identified other three periodic elements (10, 5 and 18 years) as significant during the observation. “The demographic trends and the changes in the structure of the urban region are causally linked. There is, therefore, a need to go beyond merely noting the degree of conformity between some of the demographic trends and the evolving structure of the urban region.”<sup>352</sup> Unknown interpretations of the empirically revealed cycles with varying length remain a major challenge for the future research.

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<sup>351</sup> T. Tammaru, ‘Universal and Specific Features of Urbanization in Estonia under Socialism: The Empirical Evidence of the Sources of Urban and Rural Population Growth’, *The Professional Geographer*, vol. 54 (2002), pp. 544–556.

<sup>352</sup> A. G. Champion, ‘A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations’, *Urban Studies*, vol. 38, pp. 657–677.

# EU NEIGHBOURHOOD POLICY TOWARDS SUSTAINABLE DEVELOPMENT

**Zuzana Peterková**

**Abstract** European Neighbourhood Policy (ENP) is relatively a new foreign policy in the context of sustainable development. In 2003-2004, European Commission (EC) proposed ENP, as a framework policy to cover eastern and southern neighbours. Motivation of European Union (EU) in this sustainable development policy is its interest in being surrounded by stable, prosperous neighbours. For the EU, supporting political and economic development of its neighbours is the best guarantee for peace and security, and long-term prosperity.

**Keywords** European Neighbourhood Policy, European Union, European Commission.

## Introduction

Sustainable development is a deep-seated value of the European Union (EU) and encompasses issues of great importance to citizens, whether it will be maintaining and increasing long-term prosperity, addressing climate change or working towards a safe, healthy and socially inclusive society. As we face increasingly rapid global changes, from the melting of the icecaps to growing energy demand and higher prices, the need to address unsustainable trends and change our behaviour and attitudes is more pressing than ever.

The European Neighbourhood Policy is all about working together with those states who share a land or sea border with the EU, to increase their prosperity and stability, too. Neighbours who want to carry out reforms to improve their standards of democracy and human rights, to increase their access to the Union's single market, to improve the environment or to step up their co-operation with the EU on issues like energy, transport or migration, have the chance to work on a joint Action Plan with the EU, and can look forward to substantial assistance: technical help, political support, and more aid money. Through the European Neighbourhood Policy (ENP), the EU is simply willing to make a decisive contribution to helping those governments achieve their political and economic reform objectives, by offering to share the benefits of a deeper relationship. On the other side, neighbouring countries have strong interest in benefits which the EU can offer. The most important are economic stability and larger markets, reform experience and know-how, cultural and other contacts between populations.

The EU offers its neighbours a privileged relationship, building upon a mutual commitment to common areas from cooperation on political and security issues, to economic and trade matters, common environmental concerns, integration of transport and energy networks, scientific and cultural cooperation. The level of ambition of the relationship will depend on the extent to which these areas are shared. The ENP remains distinct from the process of enlargement although it does not prejudge, for European neighbours, how their relationship with the EU may develop in future. The ENP aims at bringing about social equity, cohesion, economic prosperity and other active promotion of sustainable development. There are multiple inter linkages between the key challenges: for example between the use of renewable energy and climate change or climate change and poverty. First chapter of this publication will mainly focus on the history of the ENP and objectives of the policy. Second chapter will describe the instruments and methods used in the ENP to support transition processes. Last part of the publication will conclude with chapter about funding.

## **I. History and objectives of the ENP**

The very first beginnings of the policy start with the Euro-Mediterranean Partnership or Barcelona Process. This wide framework concerns political, economic and social relations between member states of the EU and countries of the Southern Mediterranean. It was initiated on 27-28 November 1995 through a conference of Ministers of Foreign Affairs, held in Barcelona. Besides the 27 member states of the European Union, the remaining "Mediterranean Partners" are all other Mediterranean countries without Libya (still in the process of activation).<sup>353</sup>

The European Neighbourhood Policy (ENP) was developed in 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and instead strengthening the prosperity, stability and security of all concerned. In this way, it also addresses the strategic objectives set out in the December 2003 European Security Strategy<sup>354</sup>. Even though, the ENP was first outlined before in a Commission communication on Wider Europe in March 2003<sup>355</sup>, followed by a more developed Strategy Paper on the European Neighbourhood Policy published in May 2004<sup>356</sup>. This document sets out in concrete terms how the EU proposes to work more closely with these countries. As

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<sup>353</sup> 'European Neighbourhood Policy', [http://en.wikipedia.org/wiki/European\\_Neighbourhood\\_Policy](http://en.wikipedia.org/wiki/European_Neighbourhood_Policy), 22/05/08;

<sup>354</sup> Solana Javier, '*A Secure Europe in a Better World - The European Security Strategy*', Approved by the European Council held in Brussels on 12 December 2003;

<sup>355</sup> European Commission, '*Wider Europe— Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*', Communication from the Commission to the Council and the European Parliament, Brussels, 11.3.2003;

<sup>356</sup> European Commission, '*European Neighbourhood Policy Strategy Paper*', Communication from the Commission, Brussels, 12.5.2004; 'Map of Europe and its neighbours'

part of its report on implementation, in December 2006 and again in December 2007, the Commission also made proposals as to how the policy could be further strengthened. The EU offers its neighbours a privileged relationship, building upon a mutual commitment to common values (democracy and human rights, rule of law, good governance, market economy principles and sustainable development). The ENP goes beyond existing relationships to offer a deeper political relationship and economic integration. The level of ambition of the relationship will depend on the extent to which these values are shared. The ENP remains distinct from the process of enlargement although it does not prejudice, for European neighbours, how their relationship with the EU may develop in future, in accordance with Treaty provisions. The ENP applies to the EU's immediate neighbours by land or sea.

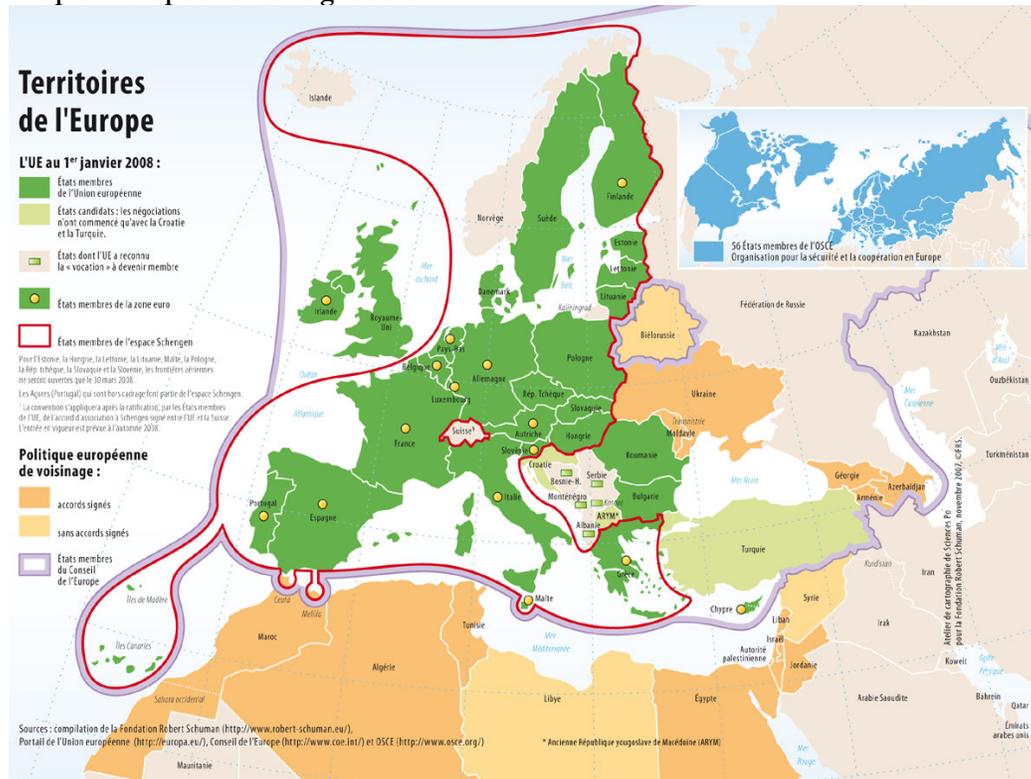
**Table 1** List of ENP partners:

ENP partner	EU contract	Country Report	Action Plan	Adoption by the EU	Adoption by the ENP partner
<b>Morocco</b>	AA, March 2000	May 2004	End 2004	21.2.2005	27.7.2005
<b>Algeria</b>	AA, September 2005	Under development (2007)	(2007)	(2007)	(2007)
<b>Tunisia</b>	AA, March 1998	May 2004	End 2004	21.2.2005	4.7.2005
<b>Libya</b>	Libya has not yet started to negotiate an Association Agreement as envisioned by the Barcelona Process..				
<b>Egypt</b>	AA, June 2004	March 2005	End 2006	5.3.2007	6.3.2007
<b>Jordan</b>	AA, May 2002	May 2004	End 2004	21.2.2005	11.1.2005
<b>Lebanon</b>	AA, April 2006	March 2005	Autumn 2006	17.10.2006	19.1.2007
<b>Syria</b>	AA signature by the EU Council pending Syrian co-operation with the UN Investigation Commission.				
<b>Israel</b>	AA, June 2000	May 2004	End 2004	21.2.2005	11.4.2005
<b>Palestinian Authority</b>	Interim AA, July 1997	May 2004	End 2004	21.2.2005	4.5.2005
<b>Moldova</b>	PCA, July 1998	May 2004	End 2004	21.2.2005	22.2.2005
<b>Ukraine</b>	PCA, March 1998	May 2004	End 2004	21.2.2005	21.2.2005
<b>Belarus</b>	EU considers the Belarus authorities too undemocratic; PCA ratification procedure suspended since 1997.				
<b>Georgia</b>	PCA, July 1999	March 2005	Autumn 2006	13.11.2006	14.11.2006
<b>Armenia</b>	PCA, July 1999	March 2005	Autumn 2006	13.11.2006	14.11.2006
<b>Azerbaijan</b>	PCA, July 1999	March 2005	Autumn 2006	13.11.2006	14.11.2006

Source: [http://en.wikipedia.org/wiki/European\\_Neighbourhood\\_Policy](http://en.wikipedia.org/wiki/European_Neighbourhood_Policy) (14/07/2008)

Although Russia is also a neighbour of the EU, the relations are instead developed through a Strategic Partnership covering four “common spaces”.

### 'Map of Europe and its neighbours'



The countries included in the ENP are coloured in range of light brown.

Source:[http://ec.europa.eu/information\\_society/activities/internationalrel/dialogue\\_coop/euro\\_med/pics\\_euromed/plan/territoires\\_europe2008\\_fondationrobertschuman.jpg](http://ec.europa.eu/information_society/activities/internationalrel/dialogue_coop/euro_med/pics_euromed/plan/territoires_europe2008_fondationrobertschuman.jpg), (14/07/2008)

The central element of the ENP is the bilateral ENP Action Plans agreed between the EU and each partner. These set out an agenda of political and economic reforms with short and medium-term priorities. Implementation of the ENP Action Plans (agreed in 2005 with Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine, in 2006 with Armenia, Azerbaijan and Georgia, and in 2007 with Egypt and Lebanon) is underway. Algeria, having only recently ratified its Association Agreement with the EU, has chosen not to negotiate an Action Plan yet. Implementation is jointly promoted and monitored through sub-Committees. Since the ENP builds upon existing agreements between the EU and the partner in question (Partnership and Cooperation Agreements, or Association Agreements in the framework of the Euro Mediterranean Partnership), the

ENP is not yet 'activated' for Belarus, Libya or Syria since no such Agreements are yet in force.<sup>357</sup>

The ENP is now four years old and is now concentrating on its effective implementation. Progress reports that the Commission presented in December 2006 showed the very concrete advances being made thanks to the ENP. A second wave of 12 Country Progress Reports was issued in April 2008, assessing the implementation of the ENP Action Plans in partner countries. The ENP is a jointly owned initiative and its implementation requires action on both sides, by the neighbours and by the EU.

In the December 2007 Communication the Commission sets out the following objectives and identifies areas where additional efforts are required on the part of the EU to bring the ENP further in 2008 and beyond:

- Greater commitment to foster economic integration and improve market access. In ongoing trade negotiations the number of products excluded from full liberalisation should be limited;
- More ambitious developments in managed migration: the facilitation of legitimate short-term travel, making it easier for some categories of visitors to get visas e.g. students, business people, NGOs, journalists, officials by using of the opportunities under existing rules;
- Further engagement in tackling frozen conflicts in the neighbourhood, using the full range of instruments at the EU's disposal;
- Intensified EU support for partner countries' sectoral reforms in areas such as energy, climate change, environment, fisheries, transport, maritime policy, research, information society, education, employment and social policy;
- More people to people contacts, more exchanges in education (including enhanced academic and student mobility) and between youth, researchers, civil society and cultural groups, business, trade unions, regional and local authorities;
- Stronger political and regional cooperation.<sup>358</sup>

## **II. The instruments and methods of the ENP**

In order to realise the vision of building an increasingly closer relationship with the EU neighbours, and a zone of stability, security and prosperity for all, the EU and each ENP partner reach agreement on reform objectives across a wide range of fields within certain

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<sup>357</sup> *The Policy: What is the European Neighbourhood Policy?*, [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm), 22/05/08;

<sup>358</sup> *The Policy: Welcome!*, [http://ec.europa.eu/world/enp/welcome\\_en.htm](http://ec.europa.eu/world/enp/welcome_en.htm), 21/05/2008;

“common” areas such as cooperation on political and security issues, to economic and trade matters, mobility, environment, integration of transport and energy networks or scientific and cultural cooperation. The EU provides financial and technical assistance to support the implementation of these objectives, in support of partners’ own efforts.

The instruments and methods used in the ENP to support transition processes are following:

- The Commission prepared Country Reports assessing the political and economic situation as well as institutional and sectoral aspects, to assess when and how it is possible to deepen relations with that country. Country Reports were published in May 2004 on the first seven of the ENP countries to have Agreements in force with the EU. A further five Country Reports were published in March 2005 on the next countries to be included in the policy (Southern Caucasus) or whose Agreements had come into force (Egypt and Lebanon). Country Reports are submitted to the Council which decides whether to proceed to the next stage of relations.
- Development of the ENP Action Plans with each country. These documents are negotiated with and tailor-made for each country, based on the country’s needs and capacities, as well as their and the EU’s interests. They jointly define an agenda of political and economic reforms by means of short and medium-term (3-5 years) priorities. They cover political dialogue and reform, economic and social cooperation and development, trade-related issues and market and regulatory reform, cooperation in justice and home affairs, sectors (such as transport, energy, information society, environment, research and development) and a human dimension (people-to-people contacts, civil society, education, public health, etc.). The incentives on offer, in return for progress on relevant reforms, are greater integration into European programmes and networks, increased assistance and enhanced market access. Twelve such ENP Action Plans are being implemented with Israel, Jordan, Moldova, Morocco, Occupied Palestinian Territory, Tunisia and Ukraine since 2005 and with Armenia, Azerbaijan, Georgia, Lebanon and Egypt since end 2006/beginning 2007.<sup>359</sup>
- The implementation of the mutual commitments and objectives contained in the Action Plans is regularly monitored through sub-committees with each country, dealing with those sectors or issues. On 4 December 2006, the Commission issued its first periodic report on progress and on areas requiring further progress. A second set of progress reports on implementation of the ENP in 2007<sup>360</sup>, a communication

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<sup>359</sup> *'The Policy: How does the European Neighbourhood Policy work'*,

[http://ec.europa.eu/world/enp/howitworks\\_en.htm](http://ec.europa.eu/world/enp/howitworks_en.htm), 22/05/08;

<sup>360</sup> Progress Reports, [http://ec.europa.eu/world/enp/documents\\_en.htm#3](http://ec.europa.eu/world/enp/documents_en.htm#3), 22/05/08;

drawing conclusions from the reports<sup>361</sup> and a sectoral report, were adopted on 3 April 2008<sup>362</sup>.

- Implementation of the reforms is supported through various forms of EC-funded financial technical assistance, including instruments which have proven successful in supporting reforms in Central, Eastern Europe and South-Eastern Europe but also new instruments, such as the Neighbourhood Investment Facility – '*The Commission intends to put €700 million, over the period 2007-2013, into a fund which would be used to support IFI lending in ENP partner countries. EU Member States would be invited to match this amount, so the fund could then leverage as much as four to five times this amount of grant funding, in concessional lending for investment products in 3 ENP partner countries, in priority sectors as identified in their ENP Action Plans.*'<sup>363</sup>, (NIF) and Governance Facility – '*The Governance Facility will provide additional EC support, on top of the EC funding amounts already allocated for those countries. This support will acknowledge and support the work of those partners who have made most progress in implementing the agreed reform agenda set out in their Action Plan. The assessment included in the Annual ENP Country Progress Report will provide the basis for the annual allocation decisions. It will support key elements of the reform agenda, helping reformist governments to strengthen their domestic constituencies for reform.*'<sup>364</sup>

### III. Funding

Until 31 December 2006, EC assistance to the countries of the European Neighbourhood Policy was provided under various geographical programmes including TACIS (Technical Aid to the Commonwealth of Independent States, for the eastern neighbours and Russia) and MEDA (European Mediterranean Partnership, for the southern Mediterranean neighbours), as well as thematic programmes such as EIDHR (European Initiative for Democracy and Human Rights). For the budgetary period (2000-2006), the funds available were approximately €5.3 billion for MEDA and €3.1 billion for TACIS, as well as approximately €2 billion in European Investment Bank lending for MEDA beneficiary countries and €500 million for TACIS beneficiary countries.

From 1 January 2007 onwards, as part of the reform of EC assistance instruments, the MEDA and TACIS and various other programmes have been replaced by a single

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<sup>361</sup> Communication from the Commission to the Parliament and the Council, Brussels, 3 April 2008;

<sup>362</sup> European Commission, 'Implementation of the European Neighbourhood Policy in 2007'- Sectoral progress report, Communication from the Commission to the Council and the European Parliament, 3 April 2008;

<sup>363</sup> 'What is the Neighbourhood Investment Facility?', [http://ec.europa.eu/world/enp/faq\\_en.htm#4.6](http://ec.europa.eu/world/enp/faq_en.htm#4.6), 22/05/08;

<sup>364</sup> 'What is the Governance Facility?', [http://ec.europa.eu/world/enp/faq\\_en.htm#4.5](http://ec.europa.eu/world/enp/faq_en.htm#4.5), 22/05/08;

instrument – the European Neighbourhood and Partnership Instrument (Regulation (EC) No 1638/2006). This is a much more flexible, policy-driven instrument. It is designed to target sustainable development and approximation to EU policies and standards - supporting the agreed priorities in the ENP Action Plans (as well as the Strategic Partnership with Russia, which was previously also covered by the TACIS programme). For the next budgetary period (2007-2013), approximately €12 billion in EC funding are available to support these partners' reforms, an increase of 32% in real terms. Funds allocated to individual country programmes depend on their needs and absorption capacity as well as their implementation of agreed reforms. An important aspect of the ENP, and the strategic partnership with Russia, is to markedly improve cross-border cooperation with countries along the EU's external land and maritime borders, thus giving substance to the aim of avoiding new dividing lines. The ENPI therefore supports cross-border contacts and co-operation between local and regional actors and civil society. The 15 ENPI cross-border cooperation (CBC) programmes, identified on the external borders of the EU, are receiving financial support of €1.18 billion for the period 2007-2013. The programmes are getting underway at the end of 2007/beginning of 2008. The Commission approach to CBC can be found in the ENPI Cross-Border Cooperation Strategy Paper.<sup>365</sup>

New forms of technical assistance have been extended to ENP partners. Legislative approximation, regulatory convergence and institution-building are being supported through mechanisms which proved successful in transition countries that are now EU Member States i.e. targeted expert assistance (Technical Assistance and Information Exchange - TAIEX), long-term twinning arrangements with EU Member States' administrations – national, regional or local – and participation in relevant Community programmes and agencies.<sup>366</sup>

Another new instrument is the Governance Facility, endowed indicatively with 50 M€ annually, which provides additional support to the partner country or countries that have made most progress in implementing the governance priorities agreed in their Action Plans. In 2007, the first Governance Facility allocations were made to Morocco and Ukraine. Finally, the Neighbourhood Investment Facility was established at the end of 2007 and will start to support lending to ENP partners in 2008. The Commission will allocate to the Facility an amount of €700m (2007-2013)<sup>367</sup> and asked Member States to

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<sup>365</sup> *Financing the European Neighbourhood Policy*, [http://ec.europa.eu/world/enp/documents\\_en.htm#5](http://ec.europa.eu/world/enp/documents_en.htm#5), 26/05/08;

<sup>366</sup> European Commission assistance programming documents, [http://ec.europa.eu/world/enp/documents\\_en.htm#6](http://ec.europa.eu/world/enp/documents_en.htm#6), 26/05/08;

<sup>367</sup> Nugent Neill, *The Government and Politics of the European Union*, published by Palgrave Macmillan, 6. edition, 2007, p. 501-505;

gradually match the Community contribution, to maximise the leverage of loans. The Facility will fund projects of common interest focussing primarily on energy, environment and transport. Under all these instruments, EU assistance priorities are identified, together with the countries concerned and other relevant actors, in general Country Strategy Papers (CSPs) covering 7 year periods, National Indicative Programmes (NIPs) covering 3 years and detailed annual programmes. The priorities identified in the Action Plans, agreed with the authorities of the country, are also useful in guiding the programming of assistance programmes – including for other donors and IFIs. Tenders<sup>368</sup> under EC assistance programmes are open to companies from the 27 EU Member States, from the candidate (Croatia, Turkey and the former Yugoslav Republic of Macedonia) and potential candidate (Albania, Bosnia and Herzegovina, Montenegro and Serbia including Kosovo) countries and from ENP partners themselves and are awarded in line with standard EC procurement rules.

## **Conclusion**

The European Union is enjoying an unprecedented high standard of living, and the longest peace in its history. However, it is not always the case the states just outside its borders. Therefore it is very important not forget that as soon as we have ended the division of the European continent, the outer perimeter of the EU should not become a new dividing line. The ENP is all about working together with those states who share a land or sea border with the EU, to keep sustainable development.

Neighbours who want to carry out reforms to improve their standards of democracy and human rights, to increase their access to the Union's single market, to improve the environment or to step up their co-operation with the EU on issues like energy, transport or migration, have the chance to work on a joint Action Plan with the EU, and can look forward to substantial assistance: technical help, political support, and more aid money.

As is shown in the Progress Reports, the partner countries have already confirmed their own commitment, through the adoption and initial implementation of the ambitious ENP Action Plans. For the Union to be able to support them adequately in their reform processes, to encourage and reward progress, it will be imperative to ensure that the potential of the ENP is matched by its reality. The proposals set out above will represent

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<sup>368</sup> 'European Neighbourhood Policy: Funding', [http://ec.europa.eu/europeaid/work/funding-opportunities/index\\_en.htm](http://ec.europa.eu/europeaid/work/funding-opportunities/index_en.htm), 22/05/08.

a robust offer to the ENP partners, which is clearly in favour of the sustainable development.

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# CULTURAL DIVERSITY AS AN ATTRIBUTE OF SUSTAINABLE DEVELOPMENT (NATIONAL AND EUROPEAN IDENTITY RELATIONS)

**Liliya Sazonova**

**Abstract** The main objective of the paper is to focus on the less popular cultural aspects of sustainable development. That is why the relation between the National and the European identities in the process of the European integration is analysed as an implication of the cultural sustainability. In order to illustrate the theoretical speculations on the issue a recent example of the Bulgarian – European debate on the Cyrillic alphabet is provided. Given that the Cyrillic alphabet is considered to represent a substantial factor in the construction of the National identity process in Bulgaria, the latter discussion illustrates how cultural diversity is maintained within the EU.

**Keywords** European identity, National identity, sustainable development, European values

## Introduction

Two challenges face the elaboration of the cultural diversity as an attribute to sustainable development. The first one encompasses the fact that the term “sustainable development” in general implies different interpretations and there is an ongoing debate on its meaning among scientists and practitioners. For example, according to O’Riordan sustainable development is a “contradiction in terms”<sup>369</sup>. The second one is connected with the social and cultural aspects of the sustainable development as its more specific implications. While environmental and economic aspects of sustainability are perceived as its typical dimensions, cultural and social sustainability are often unclear for the general public.

At the same time, the concept of sustainable development implies harmonization of all four aspects of development – cultural, political, economic and environmental. That is why an attempt will be made to focus on its less articulated cultural aspects and more specifically on the interaction between the European and National identity in the paper.

It has to be mentioned that the preliminary examination of the perspectives through which the European identity has been studied showed that the sustainable development reflections on the subject undertaken so far are limited. In this regard, the paper is an attempt for an untraditional interpretation of the issue. As such it could enrich the intellectual discourse on the problem.

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<sup>369</sup> O’Riordan, T. “Future directions in environmental policy”, *Journal of environment and planning*, vol. 17, 1985, pp.1431-1446

The working presumption of the study is that the cultural sustainability of communities is indicated by their ability to express a common sense of identity and belonging through heritage, art and culture. Therefore, the main aim of the paper is to discuss the European - National identity relation with a focus on its sustainable development aspects. At the same time, it does not intend to exhaust the issue neither to propose receipts or definite answers how to shape effective European cultural identity without compromising the National affiliations. The paper rather tries to highlight certain problems connected with the creation of the European identity and to provide a framework for an open discussion on the subject.

Methodologically, among the issues discussed in the paper are: European identity, National identity, sustainable development, the European values, etc. The complexity of the research of the so-defined problem fields requires an interdisciplinary approach when reflecting on the topic of the paper. In this regard, among the used methods are: analytical, comparative analysis, multicultural approach, etc. There are two kind of authors referred to in the paper. The first line covers the more theoretical approach of the National and European identity research and includes historians and philosophers like Smith, Gelner, Hobsbaum, Charles Taylor, etc. The second one encompasses authors working in the field of sustainable development.

## **I. Definitions of the cultural aspects of sustainable development**

In order to respond to the above-mentioned two obstacles definitions of the concept of sustainable development and its cultural dimensions are provided. UNESCO's definition of the cultural dimension of community development describes it as a "whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or social group. It includes not only the arts and letters, but also modes of life, the fundamental rights of the human being, value systems, traditions and beliefs."<sup>370</sup>

It was the World Commission on Environment and Development (WCED) who proposed one of the most well-known definitions of sustainable development in 1987. It says that sustainable development "is development that meets the needs of the present without compromising the ability of future generations to meet their needs". The cultural implications that could be deduced from this more general definition require stating what should remain "sustainable" in terms of culture, not in the sphere of environmental practices or economic growth. Therefore, it can be summarized that it is the cultural

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<sup>370</sup> UNESCO, World Conference on Cultural Policies, 1982, [http://portal.unesco.org/culture/en/files/35197/11919410061mexico\\_en.pdf/mexico\\_en.pdf](http://portal.unesco.org/culture/en/files/35197/11919410061mexico_en.pdf/mexico_en.pdf)

capital - traditions, values, history inherited from past generations that has to be preserved and transmitted to the future generations.

It has to be indicated that although other interpretations are also possible, cultural aspects will be considered as closely interconnected with the social dimensions of sustainability. The latter could be understood either in a broader manner - as the “social aspects of ecological sustainability” or in a more restricted way as relatively independent from environmental issues. This second interpretation of the social sustainability is applicable in the paper and as Barbier points out it refers to “the ability to maintain desired social values, traditions, institutions, cultures, or other social characteristics”<sup>371</sup>

## **II. National – Supranational relations when constructing a common cultural identity**

As it was stated above, the main endeavour of the research is to analyze the relation between the National and European identities in the process of the European integration – do they contradict, complement or are irrelevant to each other. The latter relations are problematized with the view of the values set by the sustainable development concept. It presupposes the creation of a more just community through encouraging social and cultural diversity.

In this regard, it has to be pointed out that cultural diversity as a key element of the sustainable development is well-presented in the EU policies. Still, the question exists how National identities meet European identity.

From the existential point of view the European identity has become possible as a result of centuries-long coexistence, commonly undergone events and unified experiences that have prepared the transformation of the collective awareness of the current European generations. In this regard, it could be mentioned that there were numerous unsuccessful early attempts for integration on the continent. However, it was after the devastating results of the Second World War when the political decision for the creation of the European Union and consequently the European identity became possible. The political aim that stands behind the Union is an emanation from the collective conviction among Europeans that a way must be found to guarantee peaceful coexistence of the representatives of the various nations on the continent. Thus one can maintain that the political goal of the Community - to establish an antiwar alliance reflects the social dynamics in Europe and the development of the collective pacifist consciousness of the

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<sup>371</sup> Barbier , E.B. “The concept of sustainable economic development”, Environmental conservation, vol. 14, N.2, 1987, pp. 101-110

Europeans. That is why this antiviolenace transformation of the collective awareness is interpreted as a step towards acceptance of the supranational identity.

Moreover, the process of the construction of the European identity does not refer only to transformation from national to supranational consciousness. It presupposes unprecedented attitude towards difference and new awareness of the relation “ours – aliens” as well. The opposition “we-they” can be traced back to the medieval projects of European unification which aimed at protection of the Christian world from the “Muslim enemy”. Following this early antagonistic sample, the European identity was constructed around certain contradictions - between Europe and Asia, Christianity and Islam, East and West, etc for many centuries. In this context the official politics towards difference in the EU manifested in its slogan “United in Diversity” presents the European identity as a supranational project implying but also creating new type of perception and openness for coexistence with and recognition for the difference of the others.

This new awareness corresponds to certain values like democracy, human rights, solidarity and social justice, etc. Compared to the pre-reflective inheriting and acceptance of the National identity, European identity can be rationalized as a reflective choice of certain European values, models and standard of life.

The challenge is that while these values are recognized as non-negotiable European standards, the representatives of the various member states have often different economic, political and cultural background and consequently readiness to apply them. The cultural aspect of the asymmetry between the normative approach and its concrete implications in the reality of the everyday lives of the Europeans might become even more visible given the Muslim population of some of the new candidate member-states. In this respect, the possibility for unification of the European citizens around the shared values as a foundation of the cultural and political collective identity is still an issue.

Along with the existential dimension of the European awareness transformation, which has a long historic trajectory in the cultural area, there have been more recent interests in creating a common identity. It can be stated that a strong European identity assists the economic goal and integration within the EU. That is why such a collective identification of the Europeans has been perceived as an important factor for development at the economic level as well.

As Koselleck argues, the different spheres of social life – cultural, economic and political have their dissimilar timing and models of transformation.<sup>372</sup> Therefore, it can be summarized that there are two levels of creating European identity running with different speed and dynamics and assigning dissimilar status to this identity. On the one hand, at the existential level the “everyday” inter-cultural interaction between the Europeans is an authentic basis for the realization of the common identity. That is why this informal down-up communications can be perceived as naturally creating European identity as a *goal* (in itself). On the other hand, collective identity could be elaborated as connected with the power intentions. The ideological and political construction of such an identity can be seen as driven by economic considerations carried out from the centre to the periphery. From this standpoint given that the collective sense of Europeaness is instrumentalized and promoted to foster economic (and consequently institutional) interests, European identity is interpreted as a means not as an objective.

### **III. Cultural diversity within the EU as a multicultural praxis**

A possible interpretation of the National – European identity communication in the context of the cultural diversity implied by the sustainable development theory corresponds with the multicultural policies. Although the EU member-states do not respond equally to the multicultural challenge, when it comes to the official EU policy some resemblance with the multicultural notion can be found. The implementation of the governmental multicultural policies around the world can include dual citizenship, programs to encourage minority representation in politics, education and the work force, support for arts from cultures around the world, etc<sup>373</sup>. Similarly, the EU’s approach of managing cultural diversity within the Union duplicates this multicultural public policy. An example is the multicultural fragmentation of society into self-contained communities that corresponds to the EU official intent to promote the policy of regionalism having the ambition to decentralize political decisions (especially in the cultural and educational sphere) and place them closer to the citizens. Correspondingly, sustainable development program create sensitivity to local communities encouraging them to participate in the decision-making.

Importantly, the definition of the term “multiculturalism” in the EU situation has new aspects and requires redefining its traditional meaning as a governmental policy

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<sup>372</sup> Козелек, Райнхарт. Пластовете на времето. Изследвания по теория на историята, С: Дом на науките за човека и обществото, 2002

<sup>373</sup> See Wikipedia, Multiculturalism, <http://en.wikipedia.org/wiki/Multiculturalism>

dealing with immigrant subcultures. In the European case we cannot speak about a *governmental policy* towards *immigrant* groups and their cultures only but about the EU policy that would concern both immigrants *and European citizens* ideally reconciling their possible cultural clashes and introducing a culture of mutual respect and recognition of each other's ethnic, religious, sexual, etc. identity.

The latter specificity of the *European* construction of identity shows the Others not only as a “prerequisite” for creating my identity but they are practically part of my identity – I construct a *shared* identity together with them. The emblematic Taylor's statement about the dialogical identity says that:

We define our identity always in dialogue with, sometimes in struggle against, the things our significant others want to see in us (...) The making and sustaining of our identity (...) remains dialogical throughout our lives. Thus my discovering my own identity does not mean that I work it out in isolation, but that I negotiate it through dialogue, partly overt, partly internal, with others<sup>374</sup>

However, in the European situation the Others are not only my mirror, my “significant other” as George Mead<sup>375</sup> puts it, but they are *co-authors* of *our* identity. Or in other words, if multiculturalism emphasizes the unique characteristics of different cultures, as they relate to one another in receiving *nations* the European paradox is that there is no receiving nation in the EU when constructing the common identity. So following Taylor it is the dialogue within the Community that is to shape the national identities. However, the EU needs a significant “other” to become the Other of the representatives of the European identity. Who can be this “negotiator” when creating the European identity – America, the Muslim other or Turkey – the inner other as a test for the EU. Or the Others this time are maybe the national identities that confront, complement and accept the new European identity thus forming it and being formed, reconstructed and respected by it on their turn.

#### **IV. Empirical illustration from the Bulgarian settings**

These theoretical speculations on the way cultural diversity within the EU is maintained at the level of the National and European identification codes could be illustrated by concrete cases. Following the above-mentioned Koselleck's thesis about the

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<sup>374</sup> Taylor, Ch. (1994) “Politics of recognition”, Gutmann, A., *Multiculturalism: Examining the politics of recognition*, Princeton : Princeton University Press, pp. 33-34.

<sup>375</sup> Mead, G. *Mind, Self, and Society*, Chicago: University of Chicago Press, 1934.

diachronically run levels of identity construction an illustration how a clash between the two levels - the cultural traditions and the economic interests was tackled could be pointed out. In this regard, in order to demonstrate how Bulgarian thousands-year-old "cultural heritage" - the Cyrillic alphabet was challenged by the European unity, a recent example from the Bulgarian cultural settings could be mentioned.

Initially, along with the Bulgarian accession in the EU, the Cyrillic alphabet has been recognized as one of the official scripts of the Community. Nevertheless, when it came to the way the common European currency – the euro should be spelled and pronounced in Bulgaria, a debate between Bulgaria and the EU was initiated. Importantly, the Cyrillic alphabet is considered to represent a substantial factor in the construction of the National identity process in Bulgaria. That is why the discussion in question is relevant for the paper and for the National – European interrelation.

On the one side, the prefix "eu" in foreign words as written in the Latin alphabet is always pronounced – and transcribed– as "ev" in Bulgarian. Hence, according to the Bulgarian proponents, in compliance with the Cyrillic alphabeth the common European currency should be spelt "evro" not euro. On the other hand, the European Central Bank and the European Commission claim that Bulgaria should adopt the Euro since the currency should have a standard spelling and pronunciation across the Union.

This cultural and political dilemma created some refusal to accept the name *Euro* in Bulgaria. Both Bulgarian civil society and the officials resisted to change the centuries long linguistic tradition. As a result there were pro-Cyrillic bottom-up initiatives – petitions supported by thousands Bulgarian citizens, public debates, etc. These public movements were also supported by the Bulgarian government who threatened to veto a forthcoming EU treaty if the *Euro* is ignored. They stressed on the particularities of the Cyrillic alphabet and its important role for the Bulgarian history, culture and language. This cultural specificity motivated them to claim that similarly to other euro-words like “Europe” and “European Union” where the “eu” is transcribed as “ev” in Bulgarian, the "euro" should be spelled "evro" in the local currency in order to be consistent with the Cyrillic script.

From the perspective of the National – European identity relations, it is significant to mention the response to the debate given by linguists and other public figures in Bulgaria. They stated that Bulgarians have some genetic peculiarities of the vocal organs that prevent them from spontaneously pronouncing the combination of vocals – “eu” and this specificity requires transforming it into “ev”. This strong “genetic”

argument supporting the Cyrillic version and consequently - the Bulgarian cultural identity is interesting as it is emblematic for the Nationalist rhetoric. Researchers of the Nations and Nationalism like Anthony Smith<sup>376</sup>, Hobsbawm<sup>377</sup> and Gellner<sup>378</sup> pointed out that the nationalist idea as a rule is grounded on the essentialist perception. According to it nations have an objective and immanent nature and exist from the primordial time preserving the authentic distinctiveness of their people.

The above-mentioned biological line of reasoning can be seen as an illustration of this objective pathos of the Nationalistic rhetoric. As such it presents an attempt to find an argument in favour of the Bulgarian cultural identity that overcomes the vulnerability of the more subjective psychological self-identification with a certain collective identity. Thus even if the latter can be questioned as socially constructed artefact, the first seems to have an indisputable status.

Nevertheless, the above-mentioned case could be interpreted from the point of view of sustainable development as well. Given that cultural sustainability implies change occurs in a way that respects cultural values, the result of the “euro-evro” debate can be considered a positive example of cultural sustainable development. Moreover, as the president of Bulgaria stated during the international scientific conference “Globalization and sustainable development” in 2002 the cultural identity of the small nation-states requires purposive efforts in order to be preserved in the context of the European integration and globalization.<sup>379</sup>

The above-mentioned good practice succeeds to respect the specificity of the local community (in this case Bulgaria) and to integrate it in the more global EU puzzle. This recognition was officially celebrated at the opening of the “Cyrillic alphabet” exhibition called “Multilingualism and the intercultural dialogue – the message of the Cyrillic alphabet to Europe” in the European Parliament in April 2008. During the event the MEP Mr. Martin Schultz emphasized that “the contribution of the Cyrillic alphabet to the cultural diversity and the intercultural dialogue in Europe as well as to the European linguistic heritage is of essential importance”<sup>380</sup>.

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<sup>376</sup> Smith, Anthony. *National Identity*. London: Penguin, 1991

<sup>377</sup> Hobsbawm, E. *Nations and Nationalism since 1780: programme, myth, reality*, Cambridge Univ. Press, 1990

<sup>378</sup> Gellner, Ernest. *Nations and Nationalism*, Ithaca: Cornell University Press, 1983

<sup>379</sup> Purvanov, Georgi. Official speech at the opening of the International Scientific Conference *Globalization and Sustainable Development*, <http://www.president.bg/slovo-23.php>, 2002

<sup>380</sup> The Opening Of The “Cyrillic Alphabet” Exhibition In The European Parliament Caused Great Interest <http://www.europe.bg/htmls/page.php?id=13862&category=359&translation=en>, 17-04-2008

## Conclusion

There were two main theoretical standpoints that were used to background the main objective to discuss the Nation – European identity interrelation in the context of the concept of sustainable development in the paper.

The first one was based on the Koselleck's view on philosophy of history. According to it the integration dynamics in the Union demonstrates distinctive and diachronically run levels of identity construction. Therefore an attempt was made to rationalize the dynamics and communication between the two levels of European identity formation – existential (cultural sphere) and power (political and economic sphere) and to analyze how these different levels and their sub-realities and structures interact with each other and form the existential and power dimensions of the European identity construction.

The second theoretical concept that was presented was the multicultural theory and its implementation in the European Union context. Given the focus of the research this policy was reviewed from the point of view of its ability to encourage cultural diversity in the EU.

Based on these theoretical backgrounds an empirical example how Bulgarian National identity is to be harmonized with the common values set by the EU was demonstrated. The case was indicative as it showed in practice how two different layers – cultural and economic can be coordinated with the view of the sustainable development idea.

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# POSSIBILITIES OF SUSTAINABLE DEVELOPMENT DISCLOSURE IN FINANCIAL MARKETS

**Viktorija Stasytyte**

**Abstract** Development and diffusion of sustainable investment strategies among business units can contribute to the sustainability of financial system, and, in turn, to the sustainability of the whole economy. Sustainable investment strategy in capital markets allows securing not less than market generated return. However, some problems of such strategies' development and application could arise. The paper attempts to propose the means for these problems solving.

**Keywords** sustainable investment strategy, adequate portfolio, inefficiency shoals

## **Introduction**

The complex goal of the paper is development of the conception of investment decisions strategy for sustainable return in capital markets, as well as practical implementation of this strategy in selected capital markets.

Nowadays strategy's category more often goes together with the adjective "sustainable". Naturally, with the beginning of the broad exploitation of the category "sustainable development", its contents vary a lot. Similarly, the concept of sustainable development is increasingly used in different areas of science and business. However, almost unambiguous trend is noticed – sustainable strategy, as well as sustainable development more often is described quantitatively. There is no doubt that the framework of sustainability is the reliability of the analysed strategy or process, i.e. guarantee that the core elements of the system under consideration, or their certain combinations could preserve the system identity or enable the system to survive.

Sustainable return investment decisions, or simply sustainable capital markets strategy, can be called such a strategy, which allows securing not less than market generated profitability (return), as well as bank deposited capital value increase. An attempt to develop such a strategy is quite a complicated task. So the real solution of this complex problem is possible only with the adequate means for this problem solving, which are described in this paper.

## **I. The influence of sustainable strategies on the economy**

We often hear about active and passive strategies in finance and investment. Active strategy means you actively trade or speculate in the market; passive – you buy and hold

certain stocks.<sup>381</sup> And what does the term “sustainable strategy” mean? Generally speaking, this is a step by step, consistent and adequate changing in proportions of the selected investment means.

However, the distinction of sustainable strategies in between simple strategies is in that they allow to attain higher returns than passive strategies during various time periods and are less risky than active strategies. When properly used, they ensure stable investment return above the market level.

What is the meaning and influence of sustainable strategies? Indirectly, development and diffusion of such strategies among business units can contribute to the sustainability of financial system, and, in turn, to the sustainability of the whole economy. The more companies of various size apply sustainable investment strategies in their investment activity, the more stable is the position of these companies in the market. The greater number of strong companies in the market we have, the more stable is the economy of the country. Also, if money invested produce sustainable growth, which results in the increase of resources, and not their losing, this is a big positive breath for the financial system. Thus, there is no doubt that sustainable investment strategies bring advantages for the economy as a whole and foster sustainable development of the countries. Also, sustainable investment strategies, and sustainable growth of the economy could contribute to competitiveness of the European Union – a problem which is identified and raised even by the authorities of the Union.

However, some problems of such strategies’ implementation, development and application could arise (Table 1).

**Table 1** Problems of sustainable strategies application and ways of solving

<u>Problems</u>	<u>Ways of solving</u>
<ul style="list-style-type: none"> <li>• Relatively high costs;</li> <li>• Complex computer technologies and information systems;</li> <li>• Human resources needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative sources of finance;</li> <li>• Improvement of strategies’ generation process;</li> <li>• Facilitation of strategies’ application.</li> </ul>

Generally, higher technologies, information systems and human capital, which is used for generation of those sustainable strategies, is quite expensive, and small and medium enterprises can hardly buy and employ these resources. Means for strategies’ development, and, in turn, the strategies themselves, can be afforded only by the large

<sup>381</sup> Edwin J. Elton, Martin J. Gruber, Stephen J. Brown, Williams N. Goetzmann, *Modern Portfolio Theory and Investment Analysis. 6<sup>th</sup> edition.* (USA: John Wiley & Sons, Inc., 2003), p. 705.

companies, who anyway are more competitive. This problem can be solved by searching for alternative sources of finance.

## **II. Inefficiency shoals in the market**

Various studies performed by the scientists have proved that application of various techniques can give promising results concerning stock markets forecasting. As a result, a great deal of examples of different methods' applications in stock markets has appeared in literature. Two main trends of stock analysis have developed over years: fundamental analysis and technical analysis.<sup>382</sup> Both of them have their advantages, and both are criticized. Fundamental analysis is not suitable for short-term price change prediction, and technical analysis does not incorporate direct information about internal issuers' processes.

Broad employment of technical analysis, as well as natural cycles and schemes of market development (new financial markets constantly emerge in the world, which further grow and develop, and as they do this, their indicators usually go up) provoke that more investors think the market will grow. That is why when market declines and or crashes happen, it is a big surprise for everyone. In such a case all market players have thought the market would grow (except traders of bullish type), though, may be, with the help of some fundamental analysis elements such market behaviour could be predicted.

In such situation market unhomogeneity could be tested by proving that there are always inefficiency shoals in the market. Inefficiency shoals can be perceived as certain sections of the market in a certain period of time, where it is generally possible with the help of adequate strategies to get higher than average investment returns.<sup>383</sup> Inefficiency shoal is the market segment where validity of Efficient Market Hypothesis (EMH) is suspended. After determining such a shoal, one can design a strategy, which allows to have an advantage over such market dictated decision effect in rather long time period, i.e. the strategy, which is more efficient than present investment means of the analysed market. Moreover, the hypothesis about market inefficiency shoals can perfectly co-exist with market efficiency hypothesis and retain market incognizability.

Such shoals, where the proper prediction will occur, will be rare, but finding them would mean higher profitability for the subject. In other words, sustainable decision making strategies would allow the market to retain its certain sustainability and

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<sup>382</sup> Frank J. Fabozzi, Harry M. Markowitz, *The theory and practice of investment management*. (USA: John Wiley & Sons, Inc., 2002), p. 894.

<sup>383</sup> Aleksandras Vytautas Rutkauskas, Laura Kaleininkaitė, 'Currency and stock exchanges: on the efficiency shoals', *Economics*, vol. 69 (2005), pp. 104-128.

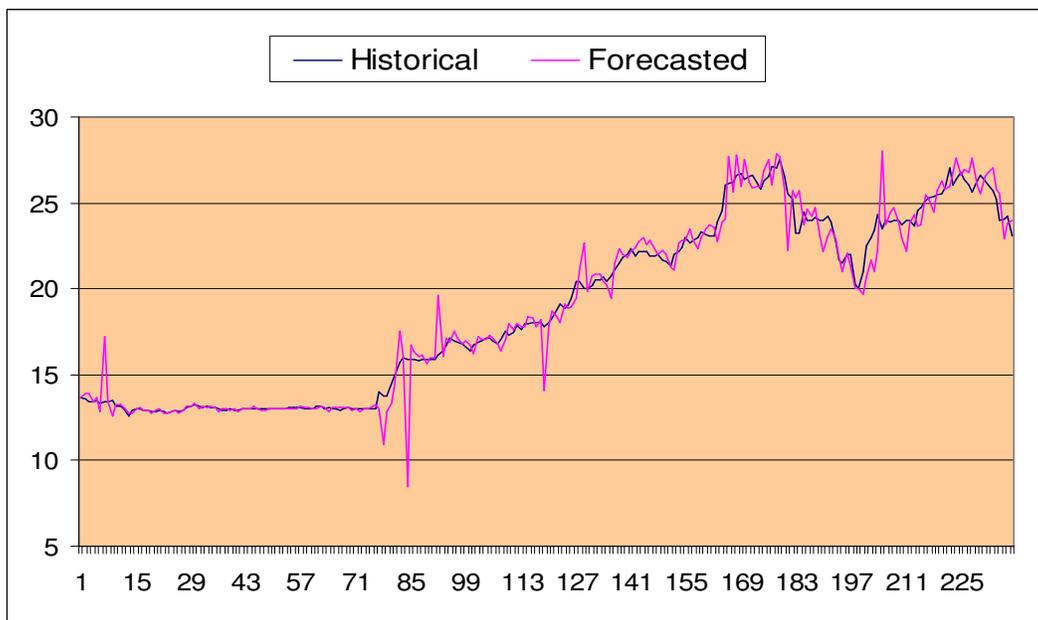
unpredictability, and would allow the subject interested in investment to stay on a certain “efficiency guaranteeing territory”.

If we compare the actual and predicted price of a certain asset, the graphical view would be divided into ‘shoals’ and ‘depths. Shoals ensure sustainable development of the subjects, or investing entities. This is done through efficient utilization of resources and funds, and their multiplying. In turn, depths – the places where the market hasn’t been predicted correctly (such statement needs some quantitative expression) - help the market to act properly – value assets, distribute resources. However, such assumption generally could be true only analysing several markets at a time.

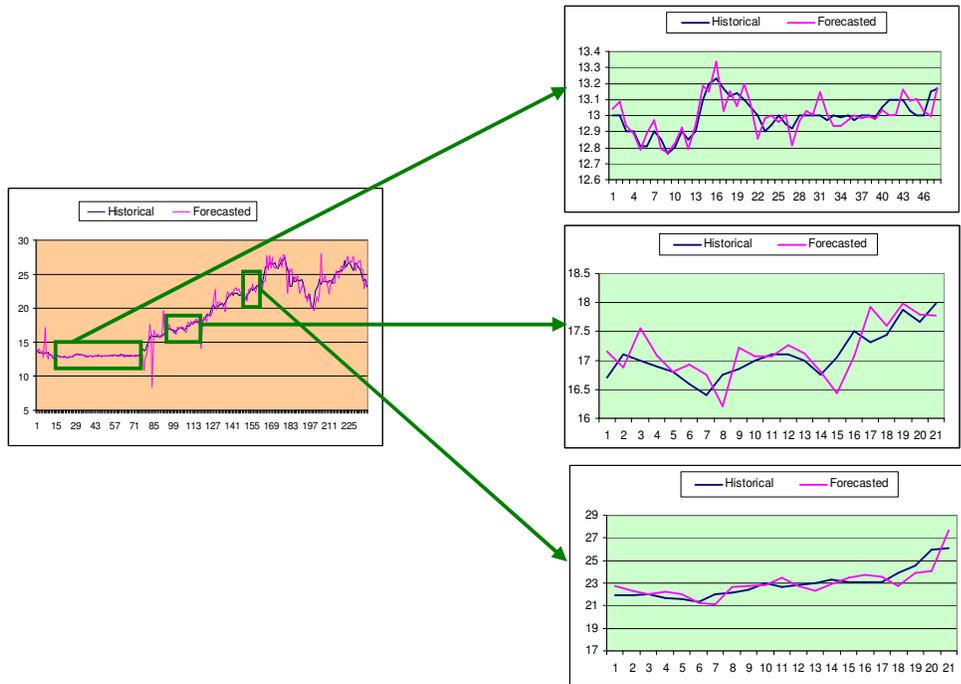
As an example Baltic stock market can be used. Fig. 1 section *a* presents the view of the historical and forecasted price of a stock from the Baltic stock market.

**Figure 1** Analysis of stock prices in Baltic stock market

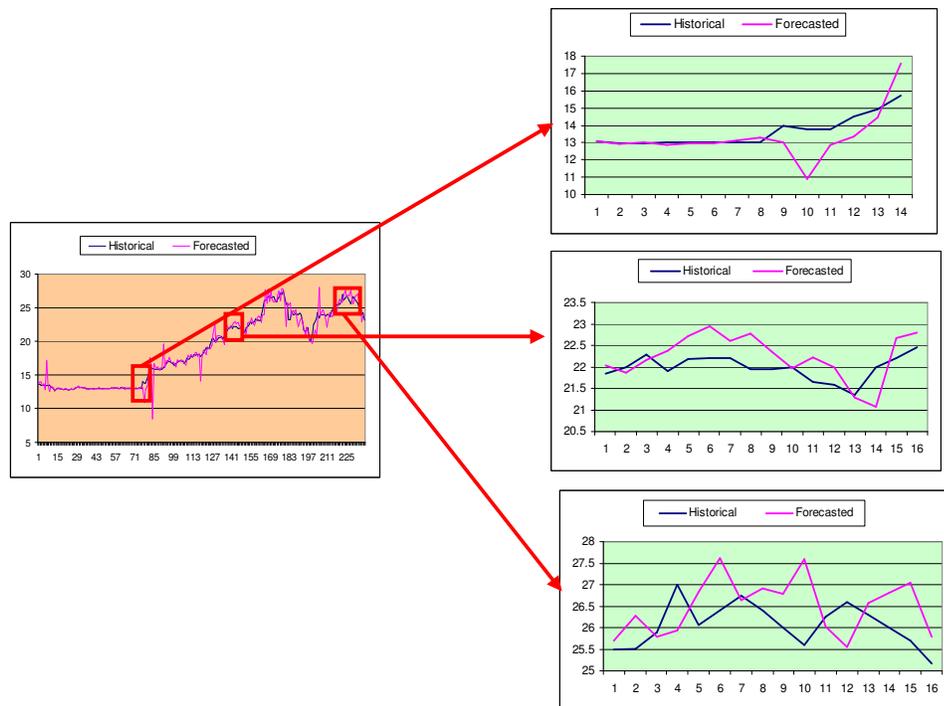
a) Comparison of historical and forecasted prices



b) Historical and forecasted prices - shoals



c) Historical and forecasted prices – depths



Sections *b* and *c* of Fig. 1, respectively, present the detailed views of the shoals and depths in price forecasts of the analysed market.

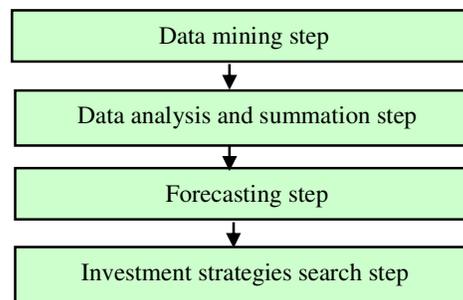
Generally, more depths occur at the period where the market is falling, because if we use only technical methods for stock prices prediction, if during certain period of time there were no big falls, such methods usually forecast future increases. And decreases often are unpredictable. Sometimes market decreases could be anticipated with the help of fundamental analysis, which can predict a fall in a value of stock by analyzing the situation in the country in general, in particular industry or in the company, which issues the share under analysis.

### III. Means for achieving sustainability in the market

#### 1 Decision management system for capital and exchange markets

Here the means intended for sustainable strategies development – the decisions management system in exchange and capital markets<sup>384</sup> – is briefly described. Generally speaking, the system operates at four main stages (steps) (Fig. 2).

**Figure 2** Steps of decision management system



The main statements and organizing principles of strategy formation are as follows:

- forecasting the probability distribution of price change for the  $t+1$  step using the historical stock prices data for the  $[t_0, t]$  period
- choosing a new stock portfolio for the  $t+1$  step on the basis of the current portfolio and the forecasts;
- as soon as the historical data for the  $t+1$  period appear, evaluating the effect of the decision made;
- combining the  $t+1$  period data with the historical database, we perform forecasts and make a portfolio for the  $t+2$  period;
- continuing the process.<sup>385</sup>

<sup>384</sup> Aleksandras Vytautas Rutkauskas, ‘The double-trump decision management model in global Exchange’, *Economics*, vol. 72 (2005), pp. 84 – 104.

<sup>385</sup> Aleksandras Vytautas Rutkauskas, Viktorija Stasytytė, Jelena Borisova, ‘Double Trump Model as a Formation Mean of Sustainable Investment Strategy in Currency Market’, *International Conference on Operational Research: Simulation and Optimization in Business and Industry*, (2006), pp. 39-44.

The system described is based on the combination of certain elements of fundamental and technical analysis, as well as on adequate portfolio analysis, which is further presented.

## 2 The adequate portfolio – an instrument for achieving sustainability

Strategy in investment is understood as a plan of actions in order to obtain the highest utility. Thus investment strategies development becomes increasingly important financial problem nowadays. Investment strategy is the investment decisions set, by implementation of which investor attempts to get the best profitability and reliability combination. Here the possibility reliability is a very important factor, towards evaluation of which the idea of adequate investment decisions reliability assessment portfolio was directed.

In fact, investor is not only interested in one important portfolio profitability probability characteristic, like mean value or other, but in all range of portfolio possibilities. Together with portfolio probability possibilities not less important for investor is to know reliability of possible portfolio outcomes. Modern investment portfolio usually seems not to be oriented towards identification of all portfolio possibilities and its reliability level. Also, an assumption, which does not proves to be true, is usually made stating that investments forming the portfolio are symmetrical or even normal probability distribution. Such assumption simplifies portfolio analysis, but when analyzing various investment possibilities the conclusion could be made, that assuming on possibilities probability distribution symmetry leads to inadmissible simplification of reality.

Further the analytical expressions of investment features of adequate portfolio are presented. The two characteristics of investment, useful for the investor, are the profitability possibilities and guarantee, or reliability of each possibility, which is measured in probability  $p$  that profitability under occurrence  $\xi$  will not be smaller than our selected profitability  $x$ .

$$\bar{F}(x) = P\{\xi \geq x\} = p. \quad (1)$$

Thus we can see that investor in principal should fully know the probability distribution of profitability possibilities

$$F(x) = P\{\xi < x\} \quad (2)$$

In some cases if mean value of possibilities and possibilities' variance is given, the probability distribution of these possibilities is also known. However, it is not always the

case. Usually knowing mean value and variance does not allow to describe fully the probability distribution and, in turn, the reliability and survival function:

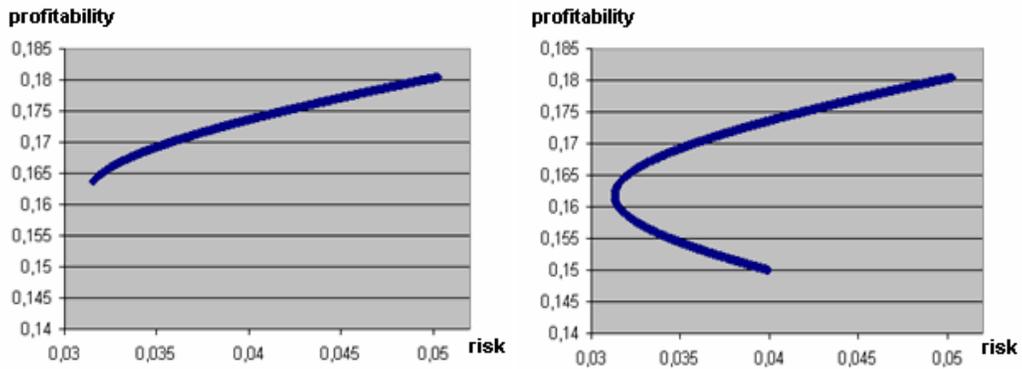
$$\bar{F}(x) = 1 - F(x) \quad (3)$$

Also, and what is especially important, investor's risk usually goes beyond assets and portfolio riskiness, and this riskiness is only one of the factors influencing the extent of investor's risk. At that time reliability of outcome entirely rests on profitability possibilities distribution function.

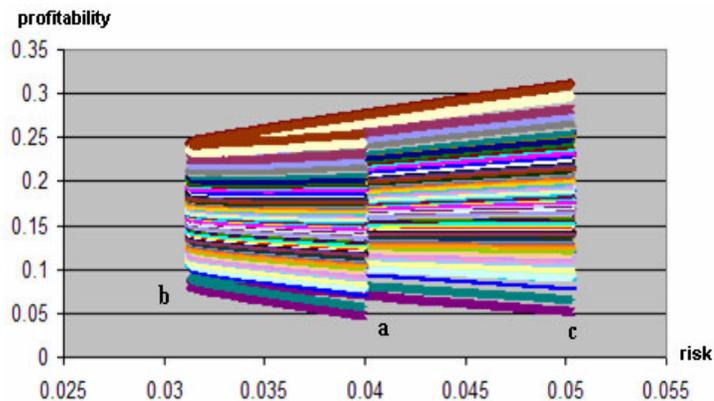
Here the main moments of adequate investment portfolio formation are presented.

**Figure 3** Adequate portfolio anatomy

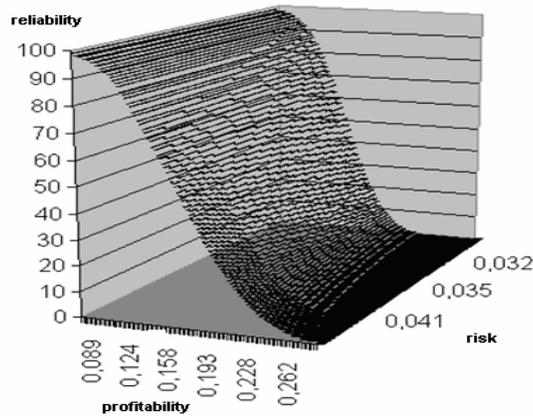
- a<sub>1</sub>) Parametrical set of Markowitz portfolios for two assets  $I_1(0,04;0,15)$  and  $I_2(0,05;0,18)$
- a<sub>2</sub>) Efficient and maximum frontier for two assets  $I_1(0,04;0,15)$  and  $I_2(0,05;0,18)$



- c) Efficient zones – *bc* and projection of all parametrical sets – *abc* in the 'risk – profitability' plane.



d) Three-dimensional view of effective zone



On Fig. 3 section *c* all portfolio possibilities are presented, and section *d* illustrates these possibilities according three indicators: profitability, reliability and risk. Thus the possibility to choose the portfolio of desired reliability appears and could be graphically illustrated. Presentation of portfolio possibilities, as well as optimal portfolio selection is performed with the help of imitative technologies.<sup>386</sup>

## Conclusions

Investment strategies are the base of proper functioning of the financial system and are important elements of the economy as a whole. Crucial objectives set on global as well as in local scale represent the guarantee for development sustainability. These are the increasingly up-to-date problems in many cases. Often the success of these problems solving directly depends on investment strategies implementation success. Investment decisions are the most innovative decisions concerning future, when future actions are projected broadly and deeply considering the uncertainty of the reality and future, and various possible risk.

In investment science and practice the theories and principles of reliability theory are increasingly applied and even developed, understanding that the reliability of decision is important as greatly as the accuracy of decision, and that these are two features characterizing the quality of decision.

<sup>386</sup> Aleksandras Vytautas Rutkauskas, 'Adequate investment portfolio anatomy and decisions, applying imitative technologies', *Economics*, vol. 75 (2006), pp. 52-76.

Investment theory and practice, possibly, is the only one which to the great extent uses various resources and spheres of activity, where quantitative methods are used for complex multi-aspect system development or existence sustainability description.

Inefficiency shoals can be perceived as certain sections of the market in a certain period of time, where it is generally possible with the help of adequate strategies to get higher than average investment returns. Moreover, the hypothesis about market inefficiency shoals can perfectly co-exist with market efficiency hypothesis and retain market incognizability, and, in turn, sustainability.

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# EUROPEAN INDICATORS OF SUSTAINABLE DEVELOPMENT (EUROPEAN COMMON INDICATORS) WITH APPLICATION TO THE SLOVAK REPUBLIC

**Ladislav Suhányi**

**Abstract** The set of European Common Indicators on the local level was created by the initiative of European Commission. The creation of this set consisted of two phases – theoretical preparation and pilot testing. The aim is to support local authorities in their work to maintain sustainability and it provides comparative data of the progress of sustainable development in whole Europe.

**Keywords** European Common Indicators, Sustainable Development, Indicators of Sustainable Development

## Introduction

The Sustainable Development is fixed in the law system of the Slovak Republic as a development, which will secure to the present and future generations the possibility to meet their basic life requirements, along with avoiding the decrease of the nature variety and keeping up natural functions of the ecosystems.<sup>387</sup>

The basis for working out the sustainable development strategies is represented by the Agenda 21 – proceeding from the United Nations Conference on Environment and Development held in Rio de Janeiro, Brazil, 3 to 14 June 1992.

The basic document of sustainable development in the Slovak Republic is the National Strategy of Sustainable Development. The Action Plan of the Sustainable development for the years 2005 – 2010 meets the requirements of the European Commission to clearly defined goals, their effective evaluation and exploring the cooperation between complementary activities and policies.<sup>388</sup>

## I. The Sustainable Development

Sustainable Development is often used in a loose way, to suggest or to rationalise particular policy interventions. This occurs in part because of the large number of definitions, which have been suggested. The following mutually consistent definitions are proposed that should help to encapsulate the meaning of the phrase.

The original definition most often quoted is that provided by the Brundtland Report, which defined Sustainable Development as “development that meets the needs of

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<sup>387</sup> Environmental Law of the Slovak Republic: Zákon č. 17/1992 Zb. o životnom prostredí v znení zákona NR SR č. 127/1994 Z. z., zákona NR SR č. 287/1994 Z.z., zákona č. 171/1998 Z.z., zákona č. 211/2000 Z.z. a zákona č. 332/2007 Z.z.

<sup>388</sup> Document: Akčný plán trvalo udržateľného rozvoja v SR na roky 2005 – 2010. Available at: <http://www.rokovania.sk/appl/material.nsf/0/171BAC19741F61DBC125703B003A01AE?OpenDocument>

the present without compromising the ability of future generations to meet their own needs.” The critical features of this definition are the importance of time and longer-term perspectives, and the recognition of potential trade-offs between meeting current needs and ensuring that resources are available to meet future needs.

Understanding these features enables a shorter and pithier definition of Sustainable Development, as simply “development that lasts” (Pearce and Barbier, 2000). This implies a form of socio-economic development, which maximises human well-being for today’s generations and which does not lead to or contribute to a decline in future well-being. Meeting human needs and increasing the quality of life may be regarded as the ‘development’ part of sustainable development. Being able to maintain this into the future may be regarded as the ‘sustainability’ part.

Sustainable development is therefore explicitly concerned with defining social welfare goals and the means by which they are pursued. Defining the nature of these goals is central to political and social deliberation and decision-making.<sup>389</sup>

Sustainable development focuses on improving the quality of life for all of the Earth's citizens without increasing the use of natural resources beyond the capacity of the environment to supply them indefinitely. It requires an understanding that inaction has consequences and that we must find innovative ways to change institutional structures and influence individual behaviour. It is about taking action, changing policy and practice at all levels, from the individual to the international.

Sustainable development is not a new idea. Many cultures over the course of human history have recognized the need for harmony between the environment, society and economy. What is new is an articulation of these ideas in the context of a global industrial and information society.<sup>390</sup>

## **II. Indicators of Sustainable Development**

In the years 1999-2003 was realized a wide initiative in the level of European cities. Within the initiative there was realized a "European Common Indicators Project" (ECIP) concerned on evaluating a scale of indicators of sustainable development. The creation of the set of European Common Indicators consisted of two phases – theoretical preparation and pilot testing.

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<sup>389</sup> Evaluating Socio Economic Development, SOURCEBOOK 1: Themes and Policy Areas: Sustainable Development. Available at: [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/evalsed](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/evalsed)

<sup>390</sup> Available at: <http://sdgateway.net/introsd/definitions.htm>

After the analysis of more than 100 indicators, were in the first phase proposed ten European Common Indicators (five of them compulsory and five voluntary). The second phase was realized from 2001 till 2003. In the second phase (testing phase or pilot testing) were taking a part cities from all over the Europe – from Slovakia it was Púchov (18 800 citizens) and later also Rimavská Sobota (24 700 citizens) and Šaľa (24 800 citizens).

The aim is to support local authorities in their work to maintain sustainability and it provides comparative data of the progress of sustainable development in whole Europe. The indicators allow us to see the problematic spheres and to show the right way to improve. The application of the common set of criteria allows us to appreciate the municipality's management in comparison with others and facilitates us to find their strengths and weaknesses.

The innovation strategies of the city have to be done on the basis of knowing the present situation, for this serves the set of indicators. So the evaluation of indicators can not be only for self purposes, it shall represent the part of the process of working out the strategy and development activities, or can be implemented on the present municipal regulations and statutes.

The implementation and monitoring of indicators depends not only on personal responsibility of city representatives, but it requires also certain time and human capacities, especially people from some selected city division (environment, development, education, and culture). It requires also covering costs associated with monitoring and evaluating data and with presenting the reached information. One of the main conditions of the effectiveness of using common indicators is the willingness of present the reached information to the public. This is necessary also when the indicators are showing bad results.

### **III. The series of European Common Indicators consists of ten indicators (or thematic areas)**

#### **Citizens' Satisfaction with the Local Community**

Headline indicator: Average satisfaction with the local community

Indicator analyses the general well-being of citizens. It reports different levels of satisfaction (very satisfied; fairly satisfied; fairly dissatisfied; very dissatisfied; no answer).

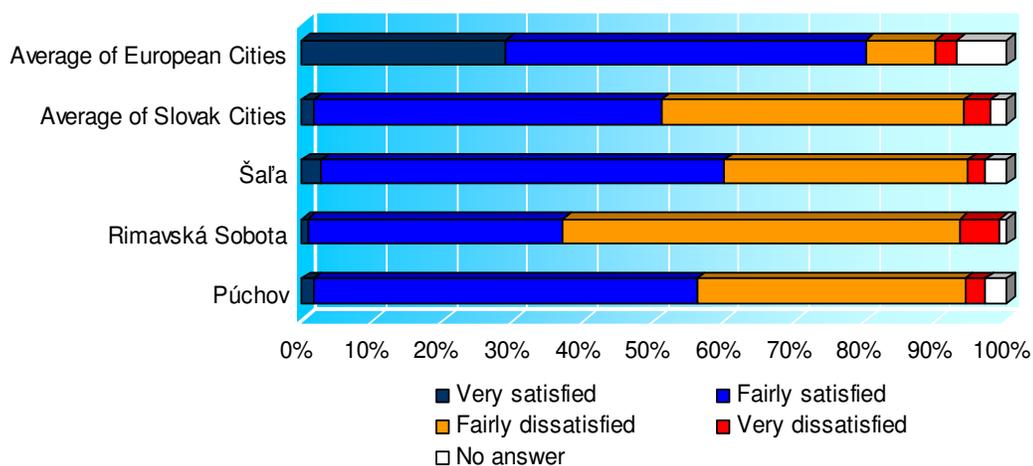
The indicator investigates in general terms: overall citizens' satisfaction with the municipality as a place to live and work.<sup>391</sup>

The quality of citizens' life is an important part of sustainable society. It represents the possibility to live in conditions that include safe housing at acceptable price, accessibility to the basic services (schools, health services, culture, etc.), interesting and satisfying job, good quality environment and real possibility to take a part in the local planning and decision-making. The citizens' opinion on these questions represents an important measure of overall satisfaction with the given place, so it's an important indicator of local sustainability.

Getting data to this indicator is done by the questionnaire survey of representative citizens' sample in the given community.<sup>392</sup>

The pilot testing results of Slovak Cities are represented in the following chart:

**Chart 1** Average satisfaction with the local community



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

## Local Contribution to Global Climate Change

Headline indicator: CO<sub>2</sub> emission per capita

Indicator requires the following information: annual tons of CO<sub>2</sub> equivalent emissions: refers to anthropogenic emissions of carbon dioxide differentiated by sector – residential,

<sup>391</sup> AMBIENTE ITALIA: European Common Indicators - Towards a Local Sustainability Profile, Milano, Italy: Ancora Arti Grafiche, 2003.

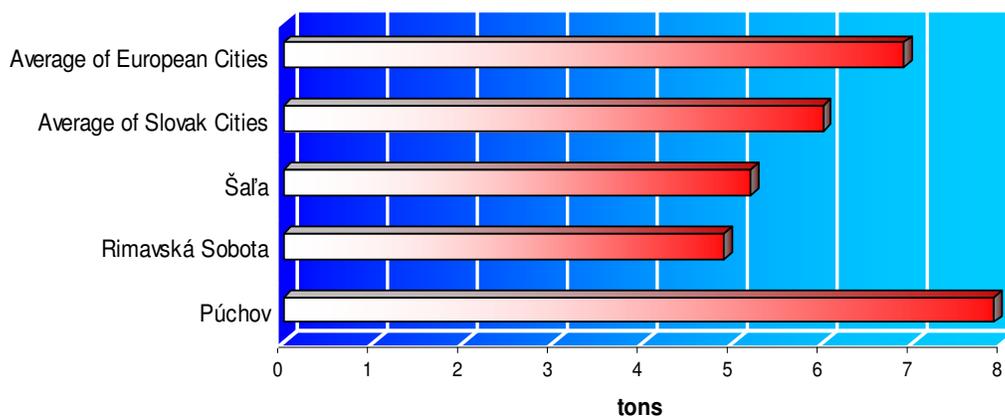
<sup>392</sup> PŮČEK, M. et al.: Přístup radnice k životnímu prostředí – soubor příkladů ze Vsetína, Mesto Vsetín, 2005, ISBN 80-239-6431-3

industry, tertiary and transport - and energy vector; and to methane emissions from waste reported in terms of CO<sub>2</sub> equivalent emissions.<sup>393</sup>

The European Union considers the sphere of climatic changes as one of its four environmental priorities. Within the context of the membership of Slovak Republic in the European Union, there appeared new requirements of legislative implementations in the area of air protection. In the case of Slovak Republic the European Union ratified for the years 2008-2012 less emission quotes of CO<sub>2</sub> than it was desired from the Slovak part. During the years 2008-2012 will be allowed to the Slovak enterprises an emission of 30,9 million tons of Greenhouse Gases per year. The requested amount was 41,3 million tons per year.<sup>394</sup>

The pilot testing results of Slovak Cities are represented in the following chart:

**Chart 2** CO<sub>2</sub> emission per capita



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

## Local Mobility and Passenger Transportation

### Headline indicator: Percentage of trips by motorized private transport

Indicator investigates and represents the mobility of citizens living within urban areas. The aim of the indicator is to investigate the time spent by transporting, number of citizens' everyday trips, type of trip, mode of transport, average of total daily distance made by one person differed by type of trip and mode of transport.

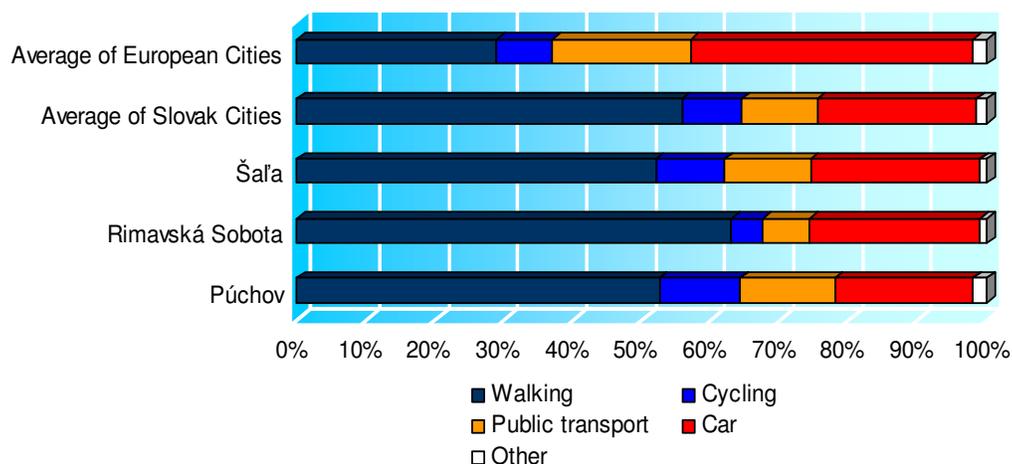
<sup>393</sup> AMBIENTE ITALIA: European Common Indicators - Towards a Local Sustainability Profile, Milano, Italy: Ancora Arti Grafiche, 2003.

<sup>394</sup> SUHÁNYIOVÁ, A.: Ekonomické aspekty emisných kvót u podnikateľských subjektov. In: Zborník z vedeckej konferencie. TU EkF, Košice, 2007, ISBN 978-80-8073-821-1

Getting data to this indicator is done by the same method as in the first indicator – questionnaire survey of representative citizens’ sample in the given community.<sup>395</sup>

The pilot testing results of Slovak Cities are represented in the following chart:

**Chart 3** The structure of daily trips (%)



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

### Availability of Local Public Open Areas and Services

Headline indicator: Percentage of citizens living within 300m from public open areas

Availability means, that people are living within 300 meters from public open areas and services. Public open areas are defined as *public parks, gardens or open spaces; open-air sports facilities; private areas* (agricultural areas, private parks), accessible to the public free of charge.

To allow a more complete data analysis, the indicator must be calculated twice: firstly, relating to areas greater than 5,000 m<sup>2</sup>, and secondly for all areas used by the public for leisure and open air activities, regardless of their size.

Basic services are defined as *primary public health services; collective transport routes; public schools; bakeries and greengroceries; recycling facilities* or services for solid waste (including recycling bins).

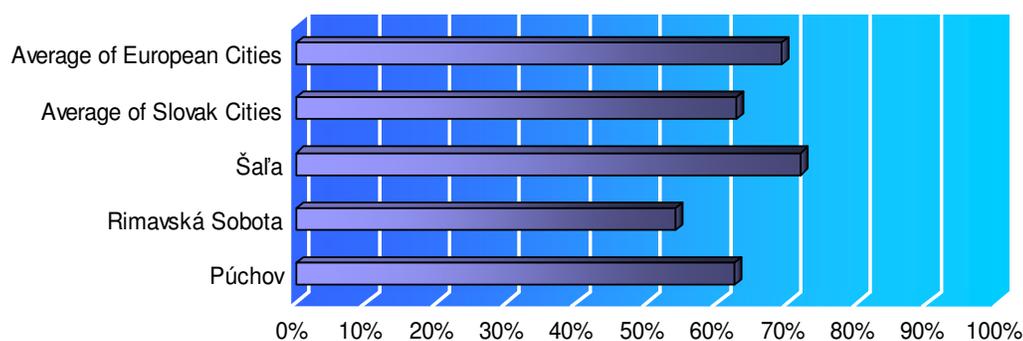
The availability, of public areas and basic services for the people, is necessary for the quality of life and viability of local economy of sustainable community. The short distance between domicile and basic services significantly decreases the necessity of

<sup>395</sup> PŮČEK, M. et al.: Přístup radnice k životnímu prostředí – soubor příkladů ze Vsetína, Mesto Vsetín, 2005, ISBN 80-239-6431-3

transport. If the basic necessities of food-supply and basic health care are not fulfilled it leads to dissatisfaction of social necessities.<sup>396</sup>

The pilot testing results of Slovak Cities are represented in the following chart:

**Chart 4** Availability of Local Public Open Areas (>0,5ha)



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

### Quality of Local Air

#### Headline indicator: Number of PM<sub>10</sub> net overcomings

Bad quality of the local air is damaging the health of the people, but also the quality of life. Contaminated air respiration can be the origin of a series of health troubles (like asthma or cancer). Harmful pollutants in the air can be the indirect origin of losing the local workforce, of increased medical expenses and of losing productive and protective ecosystems. So, the clean air is the basic factor of sustainable development.<sup>9</sup>

Indicator analyses the “quality of the ambient air”, in order to avoid, prevent or reduce the negative repercussions on people’s health and the environment taken as a whole.<sup>397</sup>

### Children’s Journeys to and from School

#### Headline indicator: Percentage of children going to school by car

Basic idea of this indicator is to detect, which mode of transport dominates in the children’s journeys to and from school. The target groups are the students of the elementary school and it’s possible to extend it by the infant school. It’s possible to divide the monitoring of this indicator into summer and winter period, and besides the mode of

<sup>396</sup> PŮČEK, M. et al.: Přístup radnice k životnímu prostředí – soubor příkladů ze Vsetína, Mesto Vsetín, 2005, ISBN 80-239-6431-3

<sup>397</sup> AMBIENTE ITALIA: European Common Indicators - Towards a Local Sustainability Profile, Milano, Italy: Ancora Arti Grafiche, 2003.

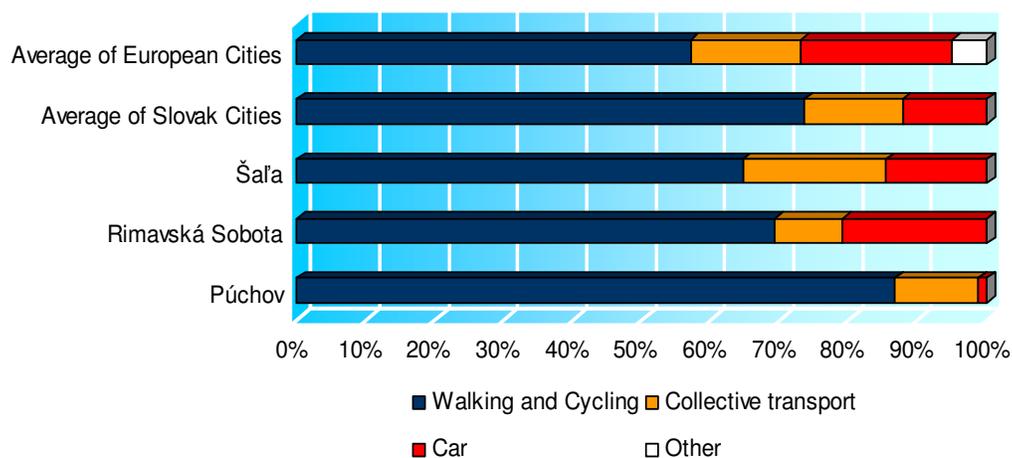
transport it's possible to monitor also other parameters like the distance to the school, the reason for going by car, safety, etc.

Results of this indicator can be used in optimalization of the red of elementary schools, planning the school public transport, planning the municipal police patrols. It can be used also in infrastructure planning.

Getting data to this indicator is done by the questionnaire survey directly in schools.

The pilot testing results of Slovak Cities are represented in the following chart:

**Chart 5** Children's Journeys to School (% of children) - parents' responses



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

### Sustainable Management of the Local Authority and Local Businesses

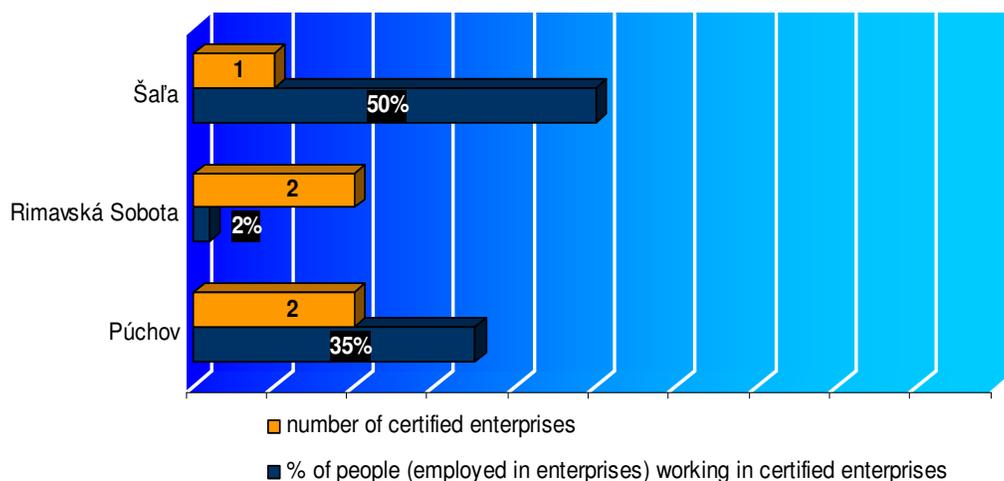
#### Headline indicator: Percentage of environmental certifications on total enterprises

Indicator investigates the extent to which “local enterprises, organisations and authorities are managing resource consumption, environmental protection and social issues by adopting recognised procedures” and therefore attempts to determine the “share of public and private organisations (large, small and medium enterprises) adopting and using environmental and social management procedures”.<sup>398</sup>

The pilot testing results of Slovak Cities are represented in the following chart:

<sup>398</sup> AMBIENTE ITALIA: European Common Indicators - Towards a Local Sustainability Profile, Milano, Italy: Ancora Arti Grafiche, 2003.

**Chart 6** Environmentally certified enterprises



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

### Noise Pollution

Headline indicator: share of the population exposed to night noise levels higher than 55 dB(A).

The noise from the external environment can impact to the human health and wellbeing. The sustainable society should provide to the citizens the main urban functions (like housing, work and mobility) without putting them into an increased noise environment.<sup>399</sup>

### Sustainable Land Use

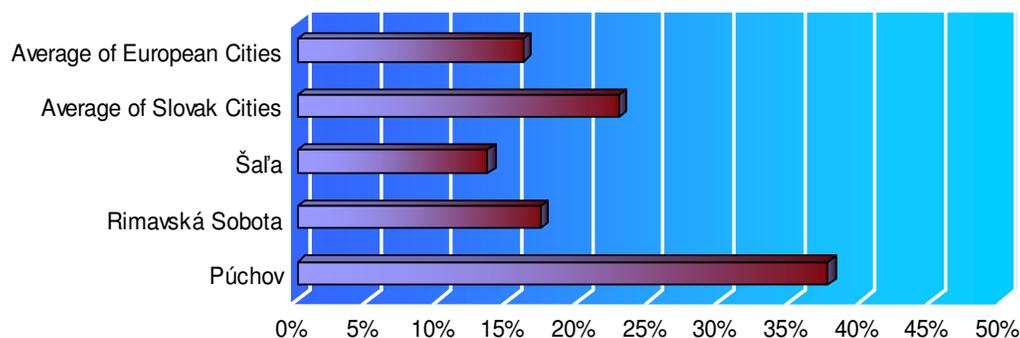
Headline indicator: Percentage of protected area

This indicator is related to the sustainable development, regeneration and protection of the land and urban localities. The urban expansion leads to an occupation of untouched lands and green areas. In a number of European cities appeared the trend of leaving the used and contaminated land. Sustainable Land Use means an effective usage of urban lands through a goal-directed urban development, with the minimum of occupied agricultural and untouched land, and an increase of recultivation and regeneration.

The pilot testing results of Slovak Cities are represented in the following chart:

<sup>399</sup> PŮČEK, M. et al.: Přístup radnice k životnímu prostředí – soubor příkladů ze Vsetína, Mesto Vsetín, 2005, ISBN 80-239-6431-3

**Chart 7** Percentage of protected area



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

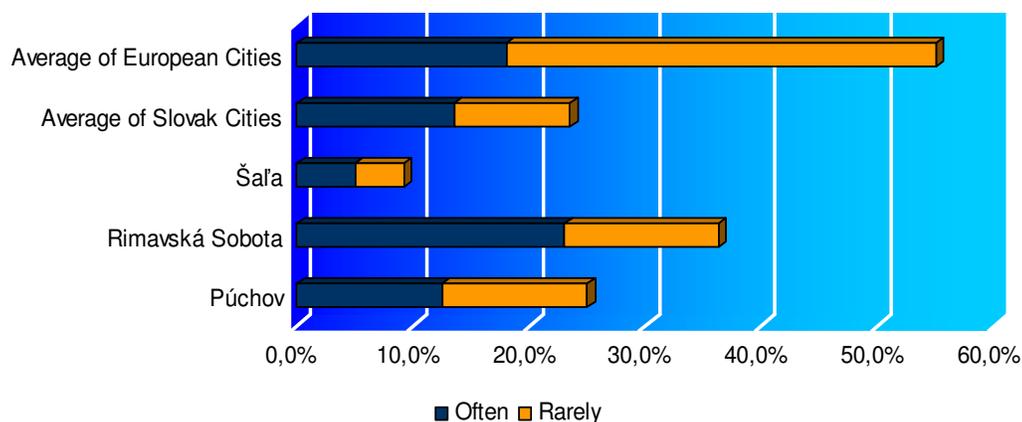
### Products Promoting Sustainability

Headline indicator: Percentage of people buying sustainable products

Sustainable products are the products with the symbol of ecological, organic, energy-efficient, fair trade products. They represent the adoption of environmentally and socially sound solutions in farming, forestry, food industries and in other production processes. Families, companies and municipal offices can promote the sustainability by buying these products.

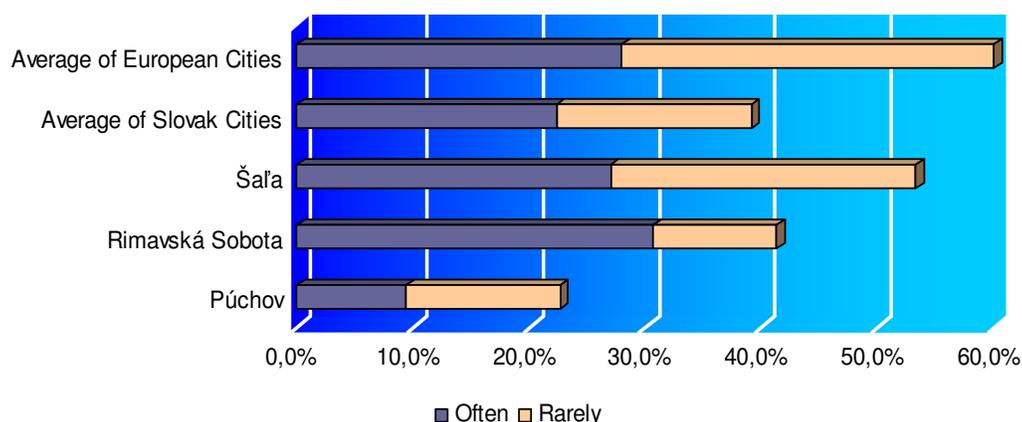
The pilot testing results of Slovak Cities are represented in the following charts:

**Chart 8** Percentage of people buying organic foods



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

**Chart 9** Percentage of people buying energy efficient products



Source: Data obtained from the document: Hudeková, Z. – Mederly, P.: Spoločné európske indikátory udržateľného rozvoja miest–pilotný projekt v Slovenskej republike, Bratislava: REC, 2003, ISBN 80-968850-6-5

## Conclusions

It seems that the series of European indicators is giving results and information, which sooner or later should be investigated by every city (like: noise studies, mobility studies, etc.), or the city is already monitoring this data. Throughout the utilization of European Common Indicators the citizens of cities and municipalities are able to reach continuous information about the progress of economical, social and environmental development. They can follow the consequences of local political decision making, and after that they can argue for their rightful interests and take part on the decision making. They recognize some strengths and weaknesses of the place they are living. In the case they are looking for a right place they want to live in, they can choose the suitable healthy place on the basis of results of common indicators.

In the field of comparing it's necessary to be careful. Different towns have different geopolitical conditions and characteristics. The comparison is possible mainly within the frame of group of towns with similar dimensions. More important than the comparison between different towns or municipalities, is the periodic monitoring of the same indicators in every involved city. It enables to detect new positive or negative trends.

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# OBSTACLES TO WORKERS' MOBILIZATION IN THE POST-SOVIET TRANSFORMATION COUNTRIES<sup>400</sup>

## Lyudmyla Volynets

**Abstract** The functioning system of interest representation is a pre-condition for a consolidated democracy. The collective regulation of IR is to be driven by the “conflict-laden” cooperation, the premises for which are lacking in the CIS. Trade unions are blamed of inability to mobilize, and workers – of reluctance to strike. By means of the mobilization model by John Kelly and considering the implications of the frame of social partnership and legacies I define obstacles to workers' mobilization.

### Introduction: the emerging model of IR in the post-Soviet countries

The collapse of the Soviet Union brought about numerous reforms at different levels. The reforms on the transformation of traditional patterns of Industrial Relations (IR) (incl. de-politicize them), establishment of employers' class and a functioning system of workers' collective representation were partly guided by an international advise and assistance. So, they included the imitation of the Western IR institutions within the frame of social partnership, and so, in broader terms, the European Social Model (ESM). Inconsistency and little progress of IR reforms over time were accompanied by criticism of labour's weaknesses, for unions blamed for the lack of input to policy-making and the inability to mobilize grassroots membership. This led to claims on the lack of consolidation of the IR model. “Even after 14 years after the collapse of the system it is no way that one can speak of consolidated and coherent systems of labour relations”<sup>401</sup>. Characterized by such shortcomings like the deficit of labour representation, the partial reproduction of the traditional relations of production and of employers' paternalism<sup>402</sup>, the former Soviet countries IR constitute the specific transition society model of IR<sup>403</sup> or hybridised forms of market-style and statist-socialist labour relations<sup>404</sup>.

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<sup>400</sup> This paper was prepared for the second MyPhd Conference which took place in Bratislava, the Slovak Republic, on 5-8 June, 2008. Not for citation! This piece of research should be seen as a small part of my overall dissertation project, which has been possible due to a kind support by the Friedrich-Ebert-Foundation.

<sup>401</sup> Schroeder Wolfgang, 'Arbeitsbeziehungen in Mittel- und Osteuropa: Weder wilder Osten noch europäisches Sozialmodell', *Europäische Politik / Politikinformationen Osteuropa*, vol. 6, (2004), pp. 1-16: 12.

<sup>402</sup> E.g. Clarke Simon, and Peter Fairbrother, Postcommunism and the Emergence of Industrial Relations in the Workplace, in: *New Frontiers in European Industrial Relations*, (ed.) R. Hyman, and Ferner, A. (Oxford: Blackwell, 1994), pp. 368-398.

<sup>403</sup> Kohl Heribert, and Hans-Wolfgang Platzer, *Industrial relations in Central and Eastern Europe. Transformation and integration: a comparison of the eight new EU member states* (Brussels: ETUI, 2004), 422.

<sup>404</sup> Kabalina Veronika., Komarovskiy Viktor, 'Transformation of industrial relations and trade-union reform in Russia, in: *Industrial relations between command and market: a comparative analysis of eastern Europe and China* (1997), 195-238.

## I. Some analytical considerations and hypothesis

I see it as rather problematic to analyse the post-socialist developments by solely means of the concepts and typologies developed for the Western IR systems. It bears a certain degree of danger to omit local specifics and differences. Unlike the Western, the post-socialist IR suffer from the dilemma of simultaneity<sup>405</sup>, and are by no means the result of a long historical – also in no way peaceful – process of emergence<sup>406</sup>. Additionally, the same IR concepts and notions may bear different meanings for local IR actors<sup>407</sup>. This, together with the peculiarities of the emerging post-Soviet IR systems rather leads to the extrication of the IR models from the models/typologies as they are developed for the Western systems of IR, or the complementation of the typologies through additional types<sup>408</sup>.

Typologies and models of IR incorporate the dimension of contestation, adversarial capital-labour relationships, as versus cooperation, and bargaining. All of them assume the existence of actors able and capable to engage into e.g. adversarial relationships, and so, to properly articulate conflictual issues. In the process of consensus-making conflict of interest does not necessarily have to be spurred over, but can, indeed, be solved by means of a peaceful bargaining. The pre-condition is, however, the recognition of labour as a partner and its abilities to mobilize. Gaining recognition requires labour originally to go on strikes until the point is reached that employers prefer rather to avoid it. Thus, cultivation of members' willingness to act is the first issue for unions to focus on. Once trade union reached a degree of strength and strikes are not any longer necessary, both consensus and cooperation is possible, with both counterparts maintaining their autonomy<sup>409</sup>. In this way the cooperation between opposite parties (labour and capital) is understood as a joint decision making process which includes the mechanisms for expressing and resolving conflict or “conflict-laden” cooperation<sup>410</sup>.

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<sup>405</sup> Offe Claus, *Der Tunnel am Ende des Lichts* (Frankfurt am Main: Campus-Verlag, 1994), 301..

<sup>406</sup> Müller-Jentsch Walther, *Strukturwandel der industriellen Beziehungen* (Wiesbaden: VS Verlag für Sozialwissenschaften, 2007), 156.

<sup>407</sup> For example, social partnership has been differently understood by the Russian unions in terms of consensus at all costs, and has not disconnected from the “collaborationist habits of the Soviet past”. Wittkowsky even points to the simulation of institutions, and commonly, the introduction of the works councils was rejected or criticized by unions regarding these institutions as rivals. See Ashwin Sara, 'Social Partnership or a "Complete Sell-Out"? Russian Trade Unions' Responses to Conflict', *British Journal of Industrial Relations*, vol. 42, 1 (2004), pp. 23-46, Thirkell John E., and Krastyu Petkov, *The transformation of labour relations* (Oxford: Oxford Univ. Press, 1998), 206.

<sup>408</sup> For example, Trif operationalizes the exchange model by Crouch and develops an additional – subsidization - type of company-based IR. See Trif Aurora, *Explaining Diversity in Industrial Relations at Company Level in Eastern Europe: Evidence from Romania*, Max-Planck Institute für Gesellschaftsforschung (2005), 26.

<sup>409</sup> Offe Claus, and Helmut Wiesenthal, 'Two logics of collective action', *Political power and social class*, vol. 1, (1980), pp. 67-115.

<sup>410</sup> Ruysseveldt Joris van, and Jelle Visser, *Industrial relations in Europe* (London: Sage, 1996), 424.

Indeed, the post-Soviet IR patterns reveal the opposite. Acting within the same discourse of consensus-making the relationship of cooperation attains subordination and loyalty. In this way the discourse of social partnership is re-interpreted and internalized as “consensus at all cost”, and serves as the excuse for inaction for unions<sup>411</sup>. Initially this interpretation eliminates from IR “non-peaceful” (through industrial actions and protests) articulation of contention. In the view of the social past of the union movement the union engages in cooperation without developing the foundations necessary for a sustainable cooperation, and since it is not supported by its membership, neither does it change, the gap between leadership and membership increases. Additionally, the legacies of socialist society (e.g. forced collectivism and automatic (as vs. input-based) membership) and of reforms (worsening of the mental climate, passiveness of workers) result in the continuation of the consumerist attitudes and expectations by workers towards unions, and their reluctance to act. An outcome in terms of labour’s subordination to the management or government is easily identifiable in the former Soviet countries, but lacks comprehensive explanations of a central issue – why is mobilization so difficult to happen.

Clowley tries to explain the difficulties and the lack of mobilization among steelworkers in late 80s-early 90-s in Ukraine and Russia in terms of the selectivity of incentives distributed by the state to different sectors<sup>412</sup>. Whereas his approach helps us to explain the (non)probability of strikes before and in early transformation, it is difficult to use it long-term as the state has, according to the reform strategy, to withdraw from economy. Neither does this approach allows us to look at the micro-processes. I argue the micro-level of mobilization to be the first and most important level to look at, which importance grows once seen at the background of workers’ learned helplessness, passivity, and people’s scepticism of any organizational participation. Top-down reforms may undeniably succeed, but the top-down institutionalization of IR is in question as national associations of both workers and employers are not supported by active rank-and-file membership.

Similarly, the institutionalization of the IR models in the consolidated capitalist states has evolved bottom up. Whereas in the post-socialist transformation countries many macro level structures broke down with the collapse of the Soviet Union, the IR remain fragile and unconsolidated, and its actors - weak. At the same time, the collapse on

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<sup>411</sup> Ashwin Sara, Social Partnership or a "Complete Sell-Out"? Russian Trade Unions' Responses to Conflict, *British Journal of Industrial Relations*, vol. 42, 1 (2004), pp. 23-46.

<sup>412</sup> Crowley Stephen, *Hot coal, cold steel* (Ann Arbor: University of Michigan Press, 2000), 277.

the micro level created space for micro worlds “to produce autonomous effects” and influence the emerging structures<sup>413</sup>. The focus on the micro-level is more wanted in the view of enterprise being a key unit of developments in both socialist and post-socialist societies. This is at this level that the IR actors not only establish themselves and direct the further consolidation of IR to the top, but also the level where actors can make choices<sup>414</sup>, not least between subordination, conflict or cooperation. From this perspective, I assume changes to be more observable and at this level.

In my approach I see micro-level mobilization as linked with the processes of labour formation. Literature on labour’s weaknesses concentrates more on the functions and activities of unions, but it cannot offer complete explanations of weaknesses<sup>415</sup>, unless they are not considered in several dimensions, e.g. identity and actual mission, resources unions draw upon, relationships (with employers and with employees and other unions), and the ways of conflict generation / suppression and articulation. Partially incorporated in the Huzzard’s model of labour’s strategic choices<sup>416</sup> these dimensions, or rather levels signal a range of choices for labour through which it can shape IR patterns. IR enterprise-based patterns are outcomes of actors’ formation process and interactions, for the latter to reciprocally influence their formation. In this paper I focus in more detail on the level of resources (mobilization and members’ activeness as opposed to the political resources) and look for obstacles to it.

## **II. Mobilization and collective action by Kelly**

Kelly<sup>417</sup> in his mobilization model points that the conflict behaviour arises not automatically, but only if workers acquire a sense of injustice (originating from the break of norms and rules) and are “cognitively liberated” (feel dissatisfaction, acquire a sense of injustice, pursue the assertion of their rights, and foresee their personal efficacy). Such an “injustice frame” helps detach people from loyalty to ruling groups, and once detached, workers’ collective identity is “switched on”. At this point workers identify themselves in

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<sup>413</sup> Burawoy Michael, and Katherine Verdery, *Uncertain transition* (Lanham: Rowman und Littlefield, 1999), 322.

<sup>414</sup> Huzzard Tony, Gregory Denis, and Regan Scott, *Strategic unionism and partnership* (Basingstoke, Hampshire [u.a.]: Palgrave Macmillan, 2005a), 362, Trif Aurora, and Karl Koch, *Strategic Unionism in Eastern Europe: The Case of Romania* (2005) in Huzzard Tony, Gregory Denis, and Regan Scott, *Strategic unionism and partnership* (Basingstoke, Hampshire [u.a.]: Palgrave Macmillan, 2005a), 362.

<sup>415</sup> Crowley, for example, explains labour’s weaknesses in terms of legacies of the past, but he does not offer a clear conceptualization of what legacies are, and how do they influence labour’s ability to mobilize membership. See Crowley Stephen, 'Explaining Labour Weakness in Post-Communist Europe: Historical Legacies and Comparative Perspective', *East European Politics and Society*, vol. 18, 3 (2004), pp. 394-429.

<sup>416</sup> Huzzard Tony, Gregory Denis, and Regan Scott, *Strategic unionism and partnership* (Basingstoke, Hampshire: Palgrave Macmillan, 2005b), XXIII, 362.

<sup>417</sup> Kelly John E., *Rethinking industrial relations* (London [u.a.]: Routledge, 1998), 177.

opposition to their employers, correctly attribute injustices, and in this way mobilization happens. “It is vital that aggrieved individuals blame an agency for their problem, rather than attributing them to uncontrollable forces or events”<sup>418</sup>. Leadership and activists are in Kelly’s term necessary for framing and organizing the collective action, promoting group cohesion and identity, negatively stereotyping the management, persuading workers to act, and finally, defending the collective action against employers’ contra-mobilization.

Such a model reveals certain shortcomings, e.g. the process of acquiring collective identity and solidarity are not really explained, and treated for granted, and the very actions seems to be taken out of the context<sup>419</sup>. In my approach I consider mobilization within the context of transformation, and in terms of legacies and advocated frames. I see the sources for injustices as linked to workers’ interest, contention and possibilities of its articulation as embedded in the overall state of transformation and responses that workers develop in order to reply to numerous challenges.

### **III. Workers’ interest and grievances versus means of articulation**

Understanding of grassroots issues and workers’ readiness to articulate them is not possible if disconnected from the traditions of the socialist society. I firstly look at socialist traditions of interest representation, and move through towards the current institutional possibilities of the interest articulation if workers’ willingness to act is assumed. Here my point is to highlight the gap between workers’ interest and unions’ readiness (including their self-interest) and capacities to take them on the agenda, as the first obstacle to mobilization.

#### **1. Workers’ interest in the socialist society and contentious issues**

The theoretical underpinning of socialism was a fellowship of common sentiments, interests, intentions, ideas and values<sup>420</sup>. The social ownership of the means of production aimed at the elimination of conflicts between the enterprise administration and labour collective and created mutual interest in the development of the productive forces. Beyond the issues of impossibility of open conflict it is also important to consider the implications of the state taking care of workers (and thus, responsibilities) for workers’ readiness to make input, and to attribute problems arising to the state’s responsibilities. I am going to show this later.

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<sup>418</sup> Ibid.

<sup>419</sup> Kelly speaks about the micro-mobilization context created by social interactions which if dense would increase the probability of the mobilization.

<sup>420</sup> Selucky 1979 in Kort Jozef F., *Interactions between the planner, managers and workers in centrally planned economies* (Amsterdam: Thesis Publ., 1994), 201.

Even if the socialist fundamentals pre-conditioned the elimination of an open workplace conflict, they could not eliminate potential contention out of the employment relationships. Explanations for the lack of overt conflicts by workers vary: from repressions arguments, through people's mentality<sup>421</sup> to the lack of clear lines of class division<sup>422</sup>. Important is that workers' grievances were articulated not openly by themselves, but, indeed, on the individual and discretionary basis by management. But even if workers would be willing to represent their interest collectively, there were no mechanisms for real pursuit of workers' interest in the socialist decision-making structure, for those in existence being rather symbolic. Thus, workers kept attributing their relative well-being to the personal qualities of their managers<sup>423</sup>, and expressed very low levels of confidence in their trade unions. By means of a more informal way of articulation (e.g. through absenteeism, non-efficient work, and drinking) there emerges the bargaining system and workers' "de facto rights" go beyond the original guarantees tendered by the dominant groups<sup>424</sup>. Through the informality of the relationships, and cooperation-subordination which are necessary for unions' organizational survival any potential mobilization is eliminated.

## **2. Freeing up of interest and contention in the post-socialist society**

Privatization was expected to eliminate these traditional relationships and behaviours and transform IRs into the system suitable for the capitalist society<sup>425</sup>. However, privatization impact did not go beyond superficial IR changes - not least through the nomenklatura privatization, re-establishment of red directors, and management's effort to re-constitute paternalism and legitimate their power<sup>426</sup>. In the conditions of the re-production of traditional elements and further retreat from voluntary collectivism (as opposed to a sort of forced collectivism in the socialist society) grassroots collective action is even more discouraged. If weak labour market and implications of economic crisis are added it became clear that workers' loyalty to the enterprise and employers is further strengthened.

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<sup>421</sup> Mandel David, *Labour after communism: Autoworkers and their Trade Unions in Russia, Ukraine and Belarus* Black Rose Books, 2004), 256.

<sup>422</sup> Clarke Simon, Peter Fairbrother, *Postcommunism and the Emergence of Industrial Relations in the Workplace*, in: *New Frontiers in European Industrial Relations*, (ed.) R. Hyman, and Ferner, A. (Oxford: Blackwell, 1994), pp. 368-398.

<sup>423</sup> Ibid.

<sup>424</sup> Kort Jozef F., *Interactions between the planner, managers and workers in centrally planned economies*, (Amsterdam: Thesis Publ., 1994), 201.

<sup>425</sup> Thirkell John E., Krastyu Petkov, *The transformation of labour relations*, (Oxford [u.a.]: Ibid.

<sup>426</sup> Clarke Simon, Peter Fairbrother, *Postcommunism and the Emergence of Industrial Relations in the Workplace*, in: *New Frontiers in European Industrial Relations*, (ed.) R. Hyman, and Ferner, A. (Oxford: Blackwell, 1994), pp. 368-398.

Simultaneously with the still persisting loyalty to enterprise, the lack of trust to new political and economic institutions pushed people to keep relying on informal social networks<sup>427</sup>. In this way workers' individual and informal bargaining within the enterprise or unions re-constitute (but management and unions are also constrained), and leads to further retreat from the collective articulation of workers' interests, and from mobilization, in particular. Resulting in this evident "unwillingness to act" the overall "mental characteristics" or climate of a post-socialist society gets to be characterized by, among others, the reluctance to develop civilization competencies (e.g. business culture, civic culture, discursive and every day culture, and learned helplessness in "collective mentality"<sup>428</sup>). Accordingly, people allocate their expectations of common benefits, including work and social protection to the state (defined as "post-communist syndrome"), but attribute the "bads" to the state as well, even if it is not necessarily correct.

Against this background one would think about strikes and collective protests, e.g. in the mining, transportation sectors in Ukraine, Belarus and Russia. First of all, actors - in this case, newly established and unions which succeeded in their internal reforms establish themselves by means of protests and strike locally. From these initially known as striking committees emerge militant unions, which later grow to higher levels (regional and sectoral). Interestingly, initial directors' perception of them is they were anarchist and militants and so, they are to be suppressed. The co-existence of these and traditional unions in the former Soviet states further reveals that the weaknesses of labour cannot be explained by structural factors only, as both unions are exposed to the implications of transformation and economic hardships.

Indeed, I link them with the differences in the operational cost of both (incl. staff, availability of (initial) assets, cost for maintaining working facilities), as well as in the nature of their inter-contenders relationships<sup>429</sup> are accompanied by the positioning of different aims and benefits and means of its achievements, not all of which are supportive of mobilization. Whereas old style or traditional unions face re-constitution dilemma (further subordinate or change into grassroots organization<sup>430</sup> they are financially self-

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<sup>427</sup> Nikula Jouko (ed.), *Restoration of class society in Russia?* (Aldershot: Ashgate, 2002), 150.

<sup>428</sup> Ibid.

<sup>429</sup> I borrow this term by Charles Tilly, according to whom actors appear as contenders (members of polity as versus challengers, who try to enter polity). In this context the interactions between, e.g. state and new unions range from rejection, through repression to even harassment and persecution, whereas state's recognition is given to the traditional unions. See Tilly Charles, *From mobilization to revolution* (Reading, Mass.: Addison-Wesley Publ., 1978), 349.

<sup>430</sup> Clarke Simon, 'Post-socialist trade unions: China and Russia', *Industrial Relations Journal*, vol. 36, 1 (2005), pp. 2-18.

sufficient as they possess bulk of properties and commercial activities, and thus, are dependent on employers' and government's loyalty, but more independent from their membership. Constraints to mobilization emerge out of unions' self-interest, whereas workers' interest is not fully absorbed by the union. New trade unions do not possess any resources beyond membership dues, and have to be and are more receptive to workers' interest and aspirations, but also challenged by the needs to quickly grow own capacities, and sustain suppression. Re-gaining the legitimacy of the collective interest representation is more important for them. Eventually, as they originate out of the dissatisfaction with the passive or employers-controlled existing unions, they are already ideologically pre-supposing mobilization.

At this point I showed the gap in the absorption of workers' interest by unions and claimed the differentiation of this argument in terms of workers' interest versus self-interest of traditional, and workers' interest versus little capacities/difficulties of its articulation by independent unions. As a next step I look at these issues in the broader terms of the transformation implications.

#### **IV. Mobilization context: Structural factors in the post-communist transformation society**

The overall situation of workers in the post-Soviet countries is framed by the instable and very dynamic process of transformation from socialism to capitalism. Its implications for workers (e.g. rapidly falling living standard, declining real wages and devaluation of social payments, growing insecurity and wages arrears) have significantly increased their vulnerability. But in spite of a growing number of injustices workers paradoxically remain salient as they attach stronger to their enterprise. "It is the extremely high level of uncertainty that prevents workers faced with unpaid leaves from raising their voice rather than accepting the exit"<sup>431</sup>. It is rightly in question, however, whether such informal strategies are really an "exit" or are indeed "adopted out of desperation because collective options are so difficult to bring about"<sup>432</sup>. With my earlier argument on the interest vs. collective options I agree with such arguments, and complement mine with observation that workers strike if faced by extreme situations. Those injustices which bear in itself a break with certain traditions of the past, e.g. employment guaranties, and endangered

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<sup>431</sup> Arandarenko Mihail, Waiting for the workers: Explaining labour quiescence in Serbia, in: *Workers after workers' states - labor and politics in postcommunist Eastern Europe*, (ed.) Stephen Crowley, and Ost, David (Lanham, Md. [u.a.]: Rowman und Littlefield, 2001), pp. 177.

<sup>432</sup> Crowley Stephen, David Ost, *Workers after workers' states* (Lanham: Rowman und Littlefield, 2001), 241: 202.

existence (longer wages non-payments) result in workers' unrest. Many protesters explain that they strike because it was not possible to exist like this anymore.

Transformation also opened to some extent the opportunity for workers to search for adequate forms and channels of own interest articulation. The intensive internal work within labour, production of the own position and political line, and attempts of unions to express the interests of the working class show a certain process of crystallization, which, if achieving its critical point, result in the collective actions (Komarovskiy (1990). Empirically, the case of miners' strikes would support this argument, but would not explain other salient unions, whose internal work would not necessarily correlate with the crystallization of workers' interest.

At this point it is important to think in terms of external context workers operate in, so enterprises, which also face changes. The further overlapping of politics and economics that grew much during privatization supposedly re-enforces the overlapping or blurring of formal institutions and informal practices, so that the latter become institutionalized within the formal system<sup>433</sup>. If translated in terms of IR informal practices that are common in the socialist society are transferred into newly established formal institutions. From this point of view the impact of transformation is for me in the reinforcement of legacies of the past (enabling workers to respond to the uncertainties they face), which are then institutionalized within the official frame of social partnership advocated at all levels. In the next sections I look at legacies once I highlighted the overall ideology framing IR.

## **V. Ideological frame versus obstacles and opportunities to mobilization**

Frames or ideologies within unions are important for the coordination of the collective action. “[F]raming not only relates to the generalization of a grievance, but defines the “us” and “them” in a movement’s conflict structure”<sup>434</sup>. Defining “us” and “them” is generally difficult in the post-socialist society. The affects of reforms require certain degree of patience among the population, so that the frame of IR changes (social partnership and dialogue) is based on the consensus-making process by negotiations. With labour unions understanding it as “consensus at all cost” the definition of “us” and “them” is consequently based not on the antagonistic, but rather consensual position of

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<sup>433</sup> Zimmer Kerstin, Formal Institutions and Informal Politics in Ukraine, in: *Formal Institutions and Informal Politics in Central and Eastern Europe*, (ed.) Gerd Meyer (Leverkusen: Budrich, 2006), pp. 274 – 321.

<sup>434</sup> Tarrow Sidney, *Power in movement* (Cambridge: Cambridge Univ. Press, 2003), 271.

both workers and employers, and drawn by rather formal lines of differentiation. In this light the dominant interpretation and implementation of the idea within the Russian union movement, for example, “transforms the principle of partnership into one of conciliation at all costs”<sup>435</sup>, whereas in the 1994-2000 conflicts the continuity with the Soviet practise prevails. Within this frame collective protest is rather difficult, and also supported by the (also old) traditions of channelling into or articulating conflict necessarily by arbitrary means. However, in the conditions of a non-functioning judiciary and the lack of rule of law the effectiveness of such a means is in question.

If workers wish to articulate their aspirations collectively they would face old style unions often taking managements' side (the most common), engaging into “the delegation of the representation”, shifting the focus into the hierarchical dialogue and connections, undertaking attempts to milder conflict under the roof of social partnership, and only if these means did not work traditional unions overtake the leadership of the protest effort<sup>436</sup>. Such bureaucratic and legalistic forms of defence of workers' interests (not least linked to social partnership) further reinforce the inactivism of primary trade union organizations<sup>437</sup>. Paradoxically, however, workers do not withdraw from the traditional unions if their interest is not met. This is called as dilemma “authorities – institutions”<sup>438</sup>. In spite of the lack of trust by members to their unions over 50% of workers remain unionized, for almost four fifth of membership being retained from the Soviet time<sup>439</sup>. Together with 20,2% explaining their membership as “customary” and 12% - those who were not asked to join the union<sup>440</sup> members are characterized by the consumerists attitudes, but lack of own input.

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<sup>435</sup> Ashwin Sara, 'Social Partnership or a "Complete Sell-Out"? Russian Trade Unions' Responses to Conflict', *British Journal of Industrial Relations*, vol. 42, 1 (2004), pp. 23-46.

<sup>436</sup> Kozina I., Management novykh chastnykh predpriyatiy: praktiki upravleniya v malom i srednem biznese (The management of the new private enterprises: management practices in small and medium enterprises), in: *Praktiki upravleniya personalom na sovremennykh russiiskih predpriyatiyakh* (Personal management practices in new Russian enterprises), (ed.) V. Kabalina (Moskau: ISITO, 2005), pp. 6-35.

<sup>437</sup> Clarke Simon, *The transformation of Russian trade unions: from transition belts to social partners* (Beijing: Paper presented at the Forum on Industrial Relations and Labour Policies in a Globalising World, 2002).

<sup>438</sup> This stands for the rank and file members giving the first priority to old style unions (because workers still allocate more trust and certainty into their resource of personal connections) and it is only the second priority that workers would give to new unions out of these resources-based considerations, or in other words, cost-benefit calculations. See Kozina I., Management novykh chastnykh predpriyatiy: praktiki upravleniya v malom i srednem biznese (The management of the new private enterprises: management practices in small and medium enterprises), in: *Praktiki upravleniya personalom na sovremennykh russiiskih predpriyatiyakh* (Personal management practices in new Russian enterprises), (ed.) V. Kabalina (Moskau: ISITO, 2005), pp. 6-35.

<sup>439</sup> According to surveys conducted in 2001 the rate of trust to trade unions amounted to 7% only. Over 47% of those surveyed cited their Soviet time union membership as the reason of them remaining unionized nowadays. See Razumkov Centre, 'The State of the Trade Union Movement in Ukraine', *National Security and Defence*, vol. 8 (20), (2001), pp. 3-62.

<sup>440</sup> Bychenko Andriy, 'Ukraine's Trade Unions in Public Eyes', *National Security and Defence*, vol. 8 (2001), pp. 62-69.

## VI. Legacies of the past

Certain weaknesses, including lack of legitimacy of unions link my argument to legacies of the past<sup>441</sup>, however, they do not necessarily have to be captured in terms of “burden of the past”<sup>442</sup>. Indeed, legacies are foundations for flexibility of transformation in the view of high degree of uncertainty present in the post-socialist societies<sup>443</sup>. According to Hausner et al.

“post-socialist trajectories are heavily dependent on a dense and complex institutional legacy such that the (often invisible) remnants of previous economic and political orders still shape expectations and patterns of conduct. This is particularly significant in relation to all those social patterns and networks which generated the flexibility necessary to compensate for the rigidities of centralized planning and nomenklatura government, which, in a context of uncertainty, if not chaos, provide important reference points and resources to enable life to go on”<sup>444</sup>.

Legacies find their expression in the persistent cognitive and normative correlates of the socialist state and society constitution<sup>445</sup>, in the certain alienation from and critical attitudes towards the new institutions. Wiesenthal<sup>446</sup> establishes the link between the impact of legacies and the degree of actors’ formation. He defines “socialist legacies” in terms of “inherited mentality”, and sees their impact in terms of the prolonged formation of the autonomous economic actors, and consequently, the delay in the formation of the functional interest representation. Certainly, “mentality” is one of the biggest obstacles to the collective action, if one takes into account levels of trust and legitimacy issues. It is also noticeable, that the impact of such disbeliefs is identifiable not only on the level of membership, but also at the level of unions themselves. Labour’s greatest weakness since 1989 has been, that “unions did not mobilize on behalf of workers because they didn’t believe in unionism”<sup>447</sup>. While complementing the account of (ideological) legacies by

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<sup>441</sup> See, for example, Crowley Stephen, 'Explaining Labour Weakness in Post-Communist Europe: Historical Legacies and Comparative Perspective', *East European Politics and Society*, vol. 18, 3 (2004), pp. 394-429, Ost David, After Postcommunism, in: *The future of organised labour - global perspectives*, (ed.) Craig Phelan (Oxford [u.a.]: Lang, 2006), pp. 305-332, Thirkell John E., and Krastyu Petkov, *The transformation of labour relations* (Oxford: Oxford Univ. Press, 1998), pp. 206.

<sup>442</sup> E.g. Ekiert Grzegorz, and Stephen (eds.) Hanson, *Capitalism and democracy in Central and Eastern Europe* (Cambridge: Cambridge Univ. Press, 2006), 375.

<sup>443</sup> E.g. Stark D. and Bruszt, L., 'Postsocialist pathways', *Politische Vierteljahresschrift. PVS ; Zeitschr. d. Deutschen Vereinigung für Politische Wissenschaft*, vol. 41, 2 (1998), Grabher Gernot, and David Stark, *Restructuring networks in post-socialism* (Oxford: Oxford Univ. Press, 1997), 349.

<sup>444</sup> Hausner Jerzy, Jessop Robert Douglas, and Klaus Nielsen, *Strategic choice and path-dependency in post-socialism* (Aldershot, Hants [u.a.]: Elgar, 1995), 330.

<sup>445</sup> Genov 1991 and Sztompka 1993 in Gehrt Katja et al., *Die Rolle von Verbänden im Transformationsprozeß* (Opladen: Leske + Budrich, 1999), 355.

<sup>446</sup> Ibid.

<sup>447</sup> Ost David, After Postcommunism, in: *The future of organised labour - global perspectives*, (ed.) Craig Phelan (Oxford: Lang, 2006), pp. 305-332.: 315.

institutional (e.g. differing unions' functions they used to have) Crowley<sup>448</sup> stresses that some of them reveal stronger impacts than the others. For example, even if ideological stance of membership and leadership changes the post-communist unions are organizationally weakened so much that they will not be able to stem unions' decline.

The most comprehensive understanding of legacies, which also accentuates both constraining and facilitating impact is offered by Thirkel et al.<sup>449</sup>. Legacies as being

“composed of patterns of authority and interests (power relations), institutions and behaviour and beliefs from the previous regimes which, depending upon the specific conjuncture of events, may or may not continue to influence and shape the present. Thus, legacies may constrain or facilitate certain developments and may result in the modification or corruption of policies and approaches imported from outside or they may be irrelevant in changed circumstances”.

In terms of mobilization I also find both constraining and facilitating impact of legacies upon the (im)probability of the collective action. Its impact depending on actors' formation and constellation at a certain enterprise may constraint the collective action in terms of postponing workers' detachment from loyalty to employers and enterprises, lowering workers' perception of personal efficacy, misdirecting the attribution of grievances to the state and uncontrollable processes of transformation. It facilitates the collective action when necessitating the establishment of new or modernization of existing institutions of genuine workers' interest representation, for the latter to learn to mobilize workers.

## **VII. Mobilization model by Kelly amended**

Transformation affects, ideological frame, and legacies reveal increase in the sources of injustices, but the on-going practices of dealing with them individually and informally. Similarly, the most probable sources leading to mobilization are partially connected to the values of the past. Threats to workers' subsistence (e.g. wages arrears, low benefits from social safety nets, wages below the subsistence level) prevail over those threatening workers' rights and freedoms. Unions leaders stress that as soon as workers get paid it is difficult to maintain or again mobilize people for the enforcement of their rights<sup>450</sup>. However, extremes of the violations of workers' rights (e.g. keeping workers in fear and inhuman psychological conditions) may also cause a drastic sense of injustice resulting in an action. Indeed, some protesters indicate in my previous interviews that they are treated

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<sup>448</sup> Crowley Stephen, *Explaining Labour Weakness in Post-Communist Europe: Historical Legacies and Comparative Perspective*, Ibid.

<sup>449</sup> Thirkell John, Krastyu Petkov, *The transformation of labour relations* (Oxford: Oxford Univ. Press, 1998), 206.

<sup>450</sup> See for example Kyiv metro workers' union (interview with its President Viktor Ditkovsky in late January 2008).

not like human but like swine and this is what pushes people to riots. Breaks in employment (longer administrative leaves, or lay offs) as correlated to security constitute the second source most likely resulting in a mobilization act. However, in the view of the spread wage arrears and hidden unemployment in the course of the neo-liberal transformation, solely this would not so far, explain scarcity of mobilization.

Therefore, secondly, I look at the process of self-identification. Beyond the difficulties of “us”-“them” identification by workers, and in the view of non-functioning, delegitimized unions the process of workers’ self-identification is getting more complex. Here they are to additionally choose with which exactly union they could identify. Self-identification is contingent on the access to information on unions (whereas independent are disadvantaged in this regard and many workers do not know about such unions) and on the intensive leadership’s effort to frame and convince. The difficulties of framing arise not only out of breaking workers’ loyalty if the union aims at, but also in terms of legitimizing the very institution of collective interest representation. Basically, this is about identifying themselves as “us” as opposed to the passive and inert trade unions. To some part, the inaction of the existing union which do not absorb workers’ concerns becomes an incentive for own collective organization, pushed even more to mobilize if persecuted by management. However, dilemma between authorities and institutions is still a heavy burden to get away from.

Thirdly, the difficulties connected to still strong loyalty are closely connected to the ways of injustices attribution. While listening to management’s excuses and blames given to the state, workers also blame the weak state and the uncontrollable events or situations imposed by transformation for their grievances. The probability of the successful collective action increases tremendously once workers are taught by unions on the responsibility of employers for the current state of affairs<sup>451</sup>. Fourthly, keeping in mind the experiences of free unionism in the Soviet Unions and harassment of such leaders<sup>452</sup>, but also symbolic, and so unsuccessful, protests organized by the unions during the years of transformation workers loose believe in their personal efficacy. Once they have nothing to loose any more and are comparatively doing worthier they are ready to organize. Finally, to organize the collective action pre-supposes also to sustain it and the counter-mobilization by management, intra-union pressures, and promises of state

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<sup>451</sup> See for example case studies in Mandel David, *Labour after communism: Autoworkers and their Trade Unions in Russia, Ukraine and Belarus* Black Rose Books, 2004), pp. 256.

<sup>452</sup> Grancelli Bruno, *Soviet management and labor relations* (Boston: Allen und Unwin, 1988), 248.

officials. Workers revel difficulties in sustaining the action as soon as their demands are met on the smallest scale, or are only promised.

## Conclusions

So why are workers reluctant to strike in such deteriorating conditions where they are the first to carry out the burden of the transformation? My answer lies in the link between workers' interest and its absorption by trade unions. The growth of the independent unionism and the process of rather slow reforms of the existing unions allow hopes on the decline of the gap, whereas many factors speak for the gap to sustain over some time. Whereas the potential for contention and activism is immense there is a need for intensive framing, organizational work and raising awareness of workers. This concerns, first of all, advocacy on the benefits of collective participation, attribution of responsibilities and problems, and ways of dealing with it. Ironically, there can be drawn a parallel between the Lenin concept of unionism and the current situation. Lenin used to say that people have no idea what their real interest are and are to be taught about what trade unions are, and to develop a "trade union consciousness", which presumes the collective organizations<sup>453</sup>. Whereas workers are well aware of their interest (even if yet much expressed in material terms), workers have to be convinced of the benefits of the collective organization and opposition. This time this is not because they "do not know" but because they do not trust. The role of the leadership and unions (framing issues, directing attribution, facilitating identification with unions at all, and with active unions in particular, facilitating detachment from loyalty, sustaining contra-mobilization) has also to be learnt on a broader scale, with the prevention of workers from further disappointments and disbelief being central to their work. Disappointment as defined in terms of "tunnel at the end of the light"<sup>454</sup> and its consequences might be damaging not only for the progress of IRs, but also more generally, for the progress of the democracy consolidation.

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<sup>453</sup> I borrowed this from Kelly John E., *Rethinking industrial relations* (London: Routledge, 1998), 177.

<sup>454</sup> Offe Claus, *Der Tunnel am Ende des Lichts* (Frankfurt am Main: Campus-Verlag, 1994), 301.

# UNDERSTANDING THE NATURE OF GENDER AND ETHNIC EFFECTS ON HEALTH OUTCOMES: EVIDENCE FROM LATVIA<sup>455</sup>

**Irina Zujeva**

**Abstract** We estimate and analyze impact of gender and ethnicity on health in Latvia. The two-dimensional stereotype logit model is applied for this purpose. We reveal gender health inequalities with negative effect for females, which to some extent can be explained by unfavourable psychosocial environment. The results also propose that ethnic non-Latvians have greater chances to maintain good health in comparison to ethnic Latvians (other parameters equal), however this holds only for the group of non-Latvians who are citizens of Latvia.

**Keywords** self-assessed health, gender, ethnicity, citizenship, stereotype logit

## Introduction

While good health is one of the basic elements of personal well-being, public health can be seen as one of the basic elements ensuring sustainable development of society. Low population health level does not imply only ethical incompatibility with overall society well-being principles, but puts enormous economic burden on society through low labour productivity, great health care expenditures etc; moreover poor population health provides unfavourable (genetic, societal, economic) ground for further generations. Poor population health indicators today can substantially detain development of economy tomorrow.

Historically, one of the origins of the public health movement lies in the awareness that the prosperity of nations is partly dependent on the health of their populations. In 2001 the report of WHO Commission on Macroeconomics and Health has demonstrated that health improvement can be seen as a key strategy for income growth and poverty reduction in low- and middle-income countries<sup>456</sup>. Strong economic arguments for investing in health in high-income countries were stated by Suhrcke et. al. in overview of evidence concerning the impact of health on the economy of the European Union – if Europe were to become more competitive globally, greater investments in human capital are necessary<sup>457</sup>. The reports suggest that investing in health should not be seen only as a cost to society, but also as a potential driver of economic growth.

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<sup>455</sup> Acknowledgement: Author expresses gratitude to Prof. Mihails Hazans for help in choosing the type of model used in the research and for help in model development.

<sup>456</sup> Commission on Macroeconomics and Health, Working Group 5, 'Improving Health Outcomes of the Poor' (2001) (documents available at: [www.cmhealth.org/docs](http://www.cmhealth.org/docs))

<sup>457</sup> Suhrcke Marc, McKee Martin, Sauto Arce Regina, Tsoolova Svetla, Mortensen Jorgen, "The contribution of health to the economy in the European Union", EC (2005).

Most analyses of the relationship between health and the economy focus on average health; however health is actually very unevenly distributed across society. Significant differences in health exist between socioeconomic groups, in the sense that people with lower levels of education, occupation, income etc. tend to have systematically higher morbidity and mortality rates. Health inequalities are one of the main challenges for public health, and there is a great potential for improving average population health by eliminating or reducing the health disadvantage of lower socioeconomic groups. Health inequalities as such are seen as source of large economic costs associated with burden of ill health and premature mortality<sup>458</sup>.

Since existing health inequalities are explained by various socio-economic factors, impact of each such factor has to be estimated to understand the nature and sources of health disparities between social groups. For example, one can see significant difference in health level between lower and upper income groups and make an assumption that income is the main source of health inequalities observed. At the same time the disparities might actually be explained, for example, by education level and/or occupational status of representatives of the groups. Thus individual impact of each socio-economic factor on health has to be estimated to make a conclusion on sources of health inequalities in the society.

Despite common concept that one factor might have positive or negative impact on health, we find that concept of health might be more complicated and effects of some 'classic' socio-economic factors on health outcomes might not be so obvious and easily explained.

In this paper we focus on only two social factors that explain existing health disparities in Latvia to ground the previous statement. The nature of impact of gender and ethnicity on (self-assessed) health is analyzed.

Two-dimensional stereotype logistic regression model is applied to estimate impact of gender and ethnicity on health outcomes in Latvia (after accounting for other socio-economic factors). The multidimensionality of the model chosen allows us to uncover some peculiarities of gender and ethnicity effects that cannot be revealed if usually used models are applied (for example, ordered logit or probit models).

## **I. Data and Methodology**

This study uses data of Life Quality in Latvia Survey. The survey was conducted in 2005 and covered adults living in all regions of Latvia; data were collected by face-to-face interviews. While information is available only for one household member, the dataset has

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<sup>458</sup> Mackenbach Johan, Meerding Willem Jan, Kunst Anton, 'Economic implications of socio-economic inequalities in health in the European Union', EC (2007).

enough valid observations for our purposes. After omitting all observations with missing values for health we obtain a sample of 1009 observations.

Self-assessed health is used as dependent variable. Respondents were asked to answer the question “Which statement describes state of your health most precisely?” using six possible answers: “I never ail”, “I have had only minor sicknesses”, “I have had serious sicknesses that are cured”, “I have had serious sicknesses, injuries and I still suffer from them”, “I have chronic diseases”, “I am disabled”. We use a five point scale for our model, combining last two categories (the last category is quite small; furthermore according to our preliminary findings the last two groups are not statistically different). Two-dimensional stereotype logistic model is used to estimate impact of socioeconomic determinants and psychosocial factors on health outcomes in Latvia. The stereotype logistic regression<sup>459</sup> allows specifying multiple equations to capture the effects of latent variables. This helps to reveal multidimensional nature of impact of factors on health outcomes.

List of socioeconomic determinants includes gender, age, labour status, marital status, household income (per capita), education, place of residence and ethnicity combined with citizenship. However as it was already mentioned previously in this paper we will focus on analysis of two factors – gender and ethnicity (combined with citizenship).

Among psychosocial factors we find stress and level of life satisfaction. In this paper we do not analyze impact of these two factors<sup>460</sup>, however they are controlled in additional model.

Latvia is known for a substantial proportion of non-citizens<sup>461</sup> and we find it interesting to analyze not only possible ethnic health inequalities but also to find out whether there persist disparities in health between citizens and non-citizens.

Since all residents of Latvia who are ethnic Latvians have been given right to obtain citizenship of country automatically, we find all Latvians in a separate group<sup>462</sup>. To make deeper analysis we have divided non-Latvians into two groups – non-Latvians with local citizenship and non-Latvians who are not citizens of Latvia. Thus we have three

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<sup>459</sup> Anderson John A., ‘Regression and ordered categorical variables’, *Journal of the Royal Statistical Society*, Vol. 46 (1984), pp. 1-30

<sup>460</sup> For information on impact of stress and level of life satisfaction on population health in Latvia see Zujeva Irina, ‘Impact of Socioeconomic Factors and Psychosocial Burden on Population Health in Latvia’, *Acta Universitatis Latvensis*, series of Economics, University of Latvia (2008).

<sup>461</sup> Mainly Russian speaking population

<sup>462</sup> In our sample we do not find ethnic Latvians who responded to be non-citizens of Latvia; theoretically there could be found few ethnic Latvians who are not citizens of Latvia, however this would be their own decision – according to legislation ethnic Latvians can obtain citizenship without any bureaucratic procedures.

categories in the combined variable for ethnicity and citizenship – (1) ethnic Latvians, (2) ethnic non-Latvians with citizenship of Latvia and (3) ethnic non-Latvians without citizenship of Latvia<sup>463</sup>.

## II. Results

The model designed analyzes two different dimensions the factors act through. This allows us to reveal nonmonotonicity in effects of some variables and to capture significant effects of some factors that would be seen as statistically insignificant if we used a one-dimensional model.

The first dimension of the model describes effects of factors when the second health outcome (Might have only minor sicknesses) is compared to the first health outcome (Never ails). The effects of the second dimension are measured when the third to fifth health outcomes (Has had serious sicknesses that are cured; Has had serious sicknesses, injuries and still suffers from them; Has chronic diseases/ is disabled) are compared to the first health outcome (Never ails).

Table 1. presents a part of results for stereotype logistic model designed to estimate impact of socioeconomic factors on health outcomes. As it was already mentioned above, in this paper we will analyze two factors – gender and ethnicity (combined with citizenship).

Marginal effects show increase or decrease of probability of according health outcome for each factor after accounting for all other factors. The categories of each variable are compared to reference category given in brackets (for example, females are compared to males). Percent above each health category shows average probability of according health outcome. To be simple and to avoid too long expressions we will use term “very good health” to describe the group of respondents who never ail, “good health” for those who have had only minor sicknesses etc.

As mostly is found in other countries and is shown in the literature<sup>464,465</sup>, we reveal gender inequalities with negative effect for females – in comparison to males they have 5.9 percent point lower probability of very good health (holding all other parameters equal

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<sup>463</sup> In 2005 56% of all population in Latvia were ethnic Latvians, 24% were ethnic non-Latvians with citizenship of Latvia and 20% were ethnic non-Latvians without citizenship of Latvia.

<sup>464</sup> Jusot Florence, Grignon Michel, Dourgnon Paul, ‘Psychosocial Resources and Social Health Inequalities in France: Exploratory Findings from a General Population Survey’, Working Paper, IRDES (2007).

<sup>465</sup> Walters Sarah, Suhrcke Marc, ‘Socioeconomic Inequalities in Health and Health Care Access in Central and Eastern Europe and the CIS: a Review of the Recent Literature’, WHO European Office for Investment for Health and Development (2005).

– i.e. assuming that age, income, education, place of residence etc. are equal); at the same time disparities for good, fair, poor and very poor health were not detected.

**Table 1** Impact of gender and ethnicity on health outcomes in Latvia after accounting for other socio-economic factors (2005)<sup>466</sup>

Factors	Impact of each factor on health outcomes (comparison with the reference category, impact of other factors is excluded)				
	Mean probabilities	17%	38%	17%	13%
	Very good	Good	Fair	Poor	Very poor
	Never ails	Has had only minor sicknesses	Has had serious sicknesses that are cured	Has had serious sicknesses, injuries and still suffers from them	Has chronic diseases/ is disabled
<b>Female</b> (ref. cat.: male)	<b>-5.9%**</b>	5.3%	-1.8%	1.1%	1.3%
<b>Ethnic non-Latvian, citizen of Latvia</b> (ref. cat.: Ethnic Latvian)	<b>7.5%**</b>	3.8%	-1.5%	<b>-4.5%***</b>	<b>-5.1%***</b>
<b>Ethnic non-Latvian without Latvian citizenship</b>	6.9%	-7.7%	2.5%	-0.8%	-0.9%

Notes: Asterisks \*, \*\*, \*\*\* indicate a statistically significant difference from the base group at 10%, 5%, 1% level respectively.  
Other factors controlled: income, labour category, place of residence, education, marital status

Further analysis was applied to define some possible reasons of negative effect we observe for females. The model was supplemented with psychosocial factors (as it was already mentioned above, the psychosocial factors include stress and life satisfaction). Obtained results propose that the negative effect for females finds it rise in poor psychosocial state<sup>467</sup> – when psychosocial factors are controlled (assumed to be equal for males and females) we find positive effect for females instead of previously detected negative effect (see Table A2 in the Appendix). This allows assuming that females find themselves in disadvantaged group mostly due to their greater predisposition to stress and lower life satisfaction<sup>468</sup>; if the level of exposure to these negative factors was equal for males and females in Latvia, we would find females in advantaged group (with greater probability of good health and lower probability of fair health in comparison to males).

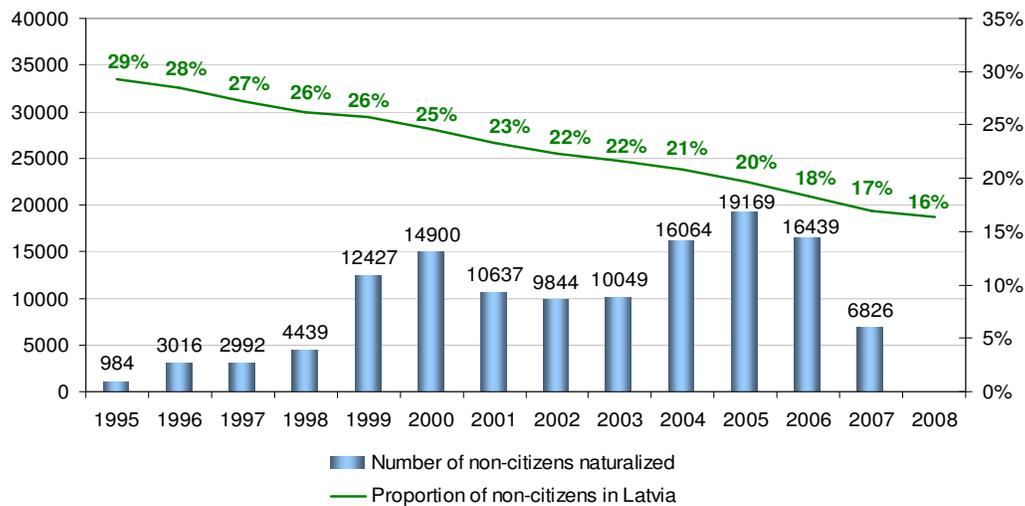
The model provides interesting results for combined ethnicity and citizenship. First, we find noticeably greater chances for ethnic non-Latvians with citizenship of Latvia to be healthier than ethnic Latvians – non-Latvians have considerably greater probability of very good health and lower probability of poor and very poor health (see Table 1). The difference for “middle” health outcomes is not significant though. At the same time we find no statistically significant difference between ethnic Latvians and non-Latvians without citizenship of Latvia.

<sup>466</sup> Author’s calculations using “Life quality in Latvia 2005” survey data

<sup>467</sup> In 2005 females in Latvia reported lower life satisfaction level and considerably higher stress level than males.

<sup>468</sup> Reciprocal causality is possible here. Exogeneity of factors has to be tested.

**Figure 1** Intensity of the process of naturalization in Latvia (1995-2008)



Source: The Naturalization Board data, <http://www.np.gov.lv>

The strong positive effect we observe for non-Latvians who are citizens of Latvia might rise from the process of naturalization (see Figure 1). In 1995 29% of all population were non-citizens. The process of naturalization was rather intensive and already in 2005 the proportion of non-citizens has reached mark of 20%.

The process of naturalization included examination on Latvian language, history of Latvia etc. Quite obviously, those more active and healthier have had greater chance to get through the examination process, so the proportion of healthier people in the group of non-Latvians who obtained citizenship of Latvia has increased. This at least partly can explain advantage of non-Latvians with citizenship of Latvia.

If the assumption stated is true, one would expect to see negative effect for ethnic non-Latvians without citizenship of Latvia (due to the outflow of more healthy people from this group to the group of ethnic non-Latvians with citizenship). However as the model proposes the difference between ethnic Latvians and ethnic non-Latvians without citizenship is not significant. This means that some differences between ethnic Latvians and ethnic non-Latvians that are not controlled in the model compensate for the outflow of a part of healthier people from the group of non-citizens (non-Latvians without citizenship) to the group of new citizens (non-Latvians, citizens of Latvia). Among such ethnic differences one might find, for example, healthier lifestyle of non-Latvians, more favourable genetic predispositions, more positive psychosocial environment etc. To regret the data base we use in this research doesn't allow us to check the first two hypotheses, however the later one can be and is tested.

We test whether equal chances for Latvians and ethnic non-Latvians without citizenship to maintain good health are explained by more favourable psychosocial environment for the later group by including psychosocial factors into the model (if there were no compensating factors, according to our assumptions the group of non-Latvians without citizenship should have been found as a less advantaged group). The picture slightly changes in comparison to the one we have seen previously, when psychosocial factors were not controlled for: while the difference between ethnic Latvians and non-Latvians with citizenship remains the same, we reveal some disparities between Latvians and non-Latvians without citizenship of Latvia (see Table A2 in the Appendix).

When psychosocial factors are controlled, we find that non-Latvians without citizenship have greater probability of very good health in comparison to Latvians; however we find negative effect for ethnic non-Latvians without citizenship already for good health. At the same time the model doesn't show statistically significant difference between the two groups for fair health and further. The results propose that if ethnic Latvians and non-Latvians without citizenship were exposed to equal psychosocial factors (and had equal other socio-economic characteristics), non-Latvians without citizenship would have greater chance to have very good health but less chance to have good health (in comparison to Latvians). Thus we find no pronounced negative (or positive) effect for non-citizens in Latvia.

This allows us to conclude that advantage of ethnic non-Latvians who are citizens of Latvia and absence of negative effect for ethnic non-Latvians who are not citizens of Latvia cannot be explained with psychosocial factors only; probably the phenomenon has its rise from characteristics that are not included into our model, i.e. lifestyle, genetic predispositions etc.

## **Summary and conclusions**

The stereotype logistic model presented in the paper suggests that the concept of health is too complicated to measure the effects of health determinants in a single dimension – some of them remain unrevealed, underestimated or misinterpreted if one uses 'classic' one-dimensional model, such as ordered logit or probit model.

We have estimated impact of gender and ethnicity combined with citizenship on health outcomes in Latvia (after accounting for other socio-economic factors and psychosocial factors). As mostly is found in other countries and is shown in the literature, we observe gender inequalities with negative effect for females – they have lower probability of very good health in comparison to males (assuming that all other

parameters are equal); however disparities for good, fair and poor health were not revealed. The results obtained allow us assuming that negative effect for females might be explained with their greater exposure to negative psychosocial factors: when psychosocial factors are controlled in the model the effect for females becomes positive. In other words, if males and females were exposed to equal stress level and had the same life satisfaction level, females might have greater chance to be healthy (holding all other socio-economic parameters equal).

The paper shows that tackling gender inequalities in Latvia should involve tackling not only income, occupational or other “classic” inequalities, but also inequalities in access to psychosocial resources. At the same time the results propose that the difference between male and female health is not significant when poor or very poor health outcomes are considered.

The model developed suggests that ethnic non-Latvians in comparison to ethnic Latvians have greater probability of very good health and lower probability of poor and very poor health. The strong positive effect we observe for non-Latvians who are citizens of Latvia might rise from the process of naturalization which has resulted in shift of more healthy representatives from the group of ethnic non-Latvians without citizenship to the group of ethnic non-Latvians who obtained citizenship. One might expect to see the group of non-Latvians without citizenship of Latvia in less favourable situation (in terms of health) in comparison to Latvians due to the shift mentioned; however the negative effect for non-citizens was not revealed. Obviously there exist some differences between ethnic Latvians and ethnic non-Latvians that are not controlled in the model and compensate for the shift. The hypothesis on more favourable psychosocial environment for non-Latvians (in comparison to ethnic Latvians) was tested but wasn't approved. Thus among the ethnic differences one might find some other factors that affect health of ethnic non-Latvians positively, for example, healthier lifestyle, better genetics etc.

The paper provides evidence about importance of multidimensional estimation of impact of socio-economic factors on health for more precise evaluation and interpretation of effects of health determinants and thus for design of more effective health policy.

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## Appendix

**Table A1** Descriptive statistics: self-assessed health, gender and combined variable for ethnicity and citizenship<sup>469</sup>

Characteristics	Items	N	%
<b>Self assessed health</b>	I never ail	176	17.4
	There might be only minor sicknesses	383	38.0
	I have had more serious illnesses that have been cured	172	17.0
	I have had serious illnesses or injuries, and I still suffer from them	131	12.9
	I have chronic illnesses	120	11.9
	I am disabled	28	2.8
<b>Gender</b>	Male	467	46.3
	Female	542	53.7
<b>Ethnicity / citizenship</b>	Ethnic Latvian	569	56.4
	Ethnic non-Latvian, citizen of Latvia	242	24.0
	Ethnic non-Latvian without Latvian citizenship	198	19.7

**Table A2** Impact of gender and ethnicity on health outcomes in Latvia after accounting for other socio-economic factors and psychosocial factors (2005)<sup>470</sup>

Factors	Impact of each factor on health outcomes (comparison with the reference category, impact of other factors is excluded)				
	Mean probabilities	17%	38%	17%	13%
	Very good	Good	Fair	Poor	Very poor
	Never ails	Has had only minor sicknesses	Has had serious sicknesses that are cured	Has had serious sicknesses, injuries and still suffers from them	Has chronic diseases/ is disabled
<b>Female</b> (ref. cat.: male)	-3.6%	<b>6.8%*</b>	<b>-2.4%*</b>	-0.4%	-0.4%
<b>Ethnic non-Latvian, citizen of Latvia</b> (ref. cat.: Ethnic Latvian)	<b>7.5%**</b>	4.9%	-2.4%	<b>-4.5%***</b>	<b>-5.4%***</b>
<b>Ethnic non-Latvian without Latvian citizenship</b>	<b>8.4%**</b>	<b>-7.9%*</b>	2.4%	-1.4%	-1.6%

Notes: Asterisks \*, \*\*, \*\*\* indicate a statistically significant difference from the base group at 10%, 5%, 1% level respectively.  
Other factors controlled: income, labour category, place of residence, education, marital status, psychosocial factors

<sup>469</sup> Author's calculations using "Life quality in Latvia 2005" survey data

<sup>470</sup> Author's calculations using "Life quality in Latvia 2005" survey data

# ASSESSMENT OF MICROFINANCE IMPACT ON POVERTY

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**Abstract** The paper presents a literature review of poverty and microfinance definitions and then focuses on a selected approach to assessment of microfinance impact on poverty. Microfinance as known today has been evolving since the 19<sup>th</sup> century. The term microfinance has been discussed widely since the 1970's – associated with the foundation of Grameen bank by 2006 Nobel Peace Prize Laureate Prof. Muhammad Yunus.

**Keywords** Poverty, individual welfare, microfinance, impacts assessment.

## Introduction

The overall goal of my PhD. thesis is to develop an econometric model for evaluation of microfinance programs impact on households' welfare.

Six sub-goals have been defined in order to fulfill the overall goal:

- to develop a model for measuring individual welfare,
- to develop models for “fast estimation” of the level of individual welfare,
- to develop tools for poverty measurement with respect to specific conditions of a selected community and to compare results of various tools,
- to analyze level of welfare in a selected community,
- to assess impact of microfinance programs on individual households,
- to assess impact of microfinance programs on the whole community.

The following hypotheses have been stated:

- Level of poverty in the selected community is higher than the national/regional average.
- Microfinance programs have positive impact on individual welfare.
- Microfinance programs have positive impact on the whole community.

## I. Literature Review

### I.1 Definition of poverty

There is no one single definition of poverty. Most of the broadly used poverty definitions have two common elements. Usually the first step is to determine a welfare indicator. Then it's necessary to draw a cut-off point (poverty line) below which a person is classified as poor.

### ***1.1.1 Indicators of welfare***

The commonly most used indicators of welfare are income and consumption. But also various second-best, partial indicators of welfare may be used in conjunction with data on income and/or consumption to examine the extent to which growth has improved the economic condition of the poor.<sup>471</sup>

The alternative indicators of welfare may be e. g. food-share, nutritional indicators, anthropological and health indicators, data on housing, education and other.<sup>472</sup>

Each concept has its advantages and disadvantages, which are beyond the scope of this paper. Because of data limitations, calculations performed in this paper are based entirely on income data.

### ***1.1.2 Poverty lines***

A poverty line is a tool for measuring poverty. It is a value of income or consumption necessary for the minimum standard of nutrition and other necessities. In drawing a poverty line, the goal is to define an income (consumption) level that is sufficient to purchase the minimum standard of nutrition and other necessities. People are counted as poor when their measured standard of living (usually income or consumption) is below the poverty line – a minimum acceptable level.<sup>473</sup>

Poverty lines can be set in subjective or objective terms. The subjective approach explicitly recognizes that poverty lines are inherently subjective judgments people make about what constitutes a socially acceptable minimum standard of living in a particular society.<sup>474</sup>

Absolute and relative poverty lines are the most used objectively determined poverty lines. The most common approach in defining absolute poverty line is to estimate the cost of

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<sup>471</sup> MORAWETZ, D.: *Twenty-five Years of Economic Development 1950 to 1975*. Report No. 10098. Washington, DC, USA: The World Bank, 1977.

<sup>472</sup> e. g. MORAWETZ, D.: *Twenty-five Years of Economic Development 1950 to 1975*. Report No. 10098. Washington, DC, USA: The World Bank, 1977. – RAVALLION, M.: *Poverty Comparisons: A Guide to Concepts and Methods*. LSMS Working Paper No. 88. Washington, DC, USA: The World Bank, 1992. ISSN 0253-4517. – LIPTON, M.: *The Poor and the Poorest: Some Interim Findings*. Washington, DC, USA: The World Bank, 1988. ISBN 0-8213-1034-8. – AHLUWALIA, M. S.: Inequality, Poverty, and Development. In: *World Bank Reprint Series No. 36 reprinted from Journal of Development Economics* 3 (1976). North-Holland Publishing Company, 1976. p 307 – 342. – AHLUWALIA, M. S., CARTER, N. G., CHENERY, H. B.: *Growth and Poverty in Developing Countries*. World Bank Staff Working Papers No. 309 (Revised). Washington, DC, USA: The World Bank, 1979. ISBN 0-8213-0511-5. – LIPTON, M., RAVALLION, M.: *Poverty and Policy*. Washington, DC, USA: The World Bank, 1993.

<sup>473</sup> WORLD BANK: *Poverty Reduction Handbook*. Washington, DC, USA: The World Bank, 1993. ISBN 0-8213-2356-3.

<sup>474</sup> RAVALLION, M.: *Poverty Comparisons: A Guide to Concepts and Methods*. LSMS Working Paper No. 88. Washington, DC, USA: The World Bank, 1992. ISSN 0253-4517.

a bundle of goods deemed to assure that basic consumption needs are met.<sup>475</sup> The difficulty is in identifying what constitutes “basic needs”. E. g. for developing countries the most important component of a basic needs poverty line is generally the food expenditure necessary to attain some recommended food energy intake. This is then augmented by a modest allowance for non-food goods.<sup>476</sup>

Relative poverty line is usually set as a constant proportion of the mean value of welfare indicator.<sup>474</sup> Relative approach is used also by Eurostat and at-risk-of-poverty rate as one of primary indicators of poverty is defined as “the share of persons with an equivalised total net income below 60% national median income”.<sup>477</sup>

Relative poverty refers to the position of an individual or household compared with the average income in the country, while absolute poverty refers to the position of an individual or household in relation to a poverty line whose real value is fixed over time.<sup>478</sup> Another difference is that absolute poverty considerations have dominated in developing countries, while relative poverty has been more important in developed countries analyses.<sup>479</sup>

## I.2 Definition of microfinance

The term “microfinance” began to emerge in economic literature mainly in the 1970’s in connection with creation of Grameen bank and the name of prof. Muhammad Yunus.

Microfinance as known today has been evolving since the 19th century. The first microfinance institutions in Europe were established in Slovakia and Austria about 1845 – 1846. The capital of the so called money institutes was made up of deposits of poor and their aim was to alleviate poverty and famine in society.<sup>480</sup> Tkáč (1997) further considers them to be first of such institutions in Europe. The microcredit movement in Austria in 1846 is known as the “Bread Association” and was created by priest Raiffeisen after a hard winter which left local farmers indebted.<sup>481</sup>

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<sup>475</sup> LPTON, M., RAVALLION, M.: *Poverty and Policy*. Washington, DC, USA: The World Bank, 1993.

<sup>476</sup> RAVALLION, M.: *Poverty Comparisons: A Guide to Concepts and Methods*. LSMS Working Paper No. 88. Washington, DC, USA: The World Bank, 1992. ISSN 0253-4517.

<sup>477</sup> EUROPEAN COMMISSION.. “*Laeken Indicators*” – *Detailed calculation methodology*. Luxembourg: European Commission – Eurostat, 2003.

<sup>478</sup> WORLD BANK.: *Poverty Reduction Handbook*. Washington, DC, USA: The World Bank, 1993. ISBN 0-8213-2356-3.

<sup>479</sup> RAVALLION, M.: *Poverty Comparisons: A Guide to Concepts and Methods*. LSMS Working Paper No. 88. Washington, DC, USA: The World Bank, 1992. ISSN 0253-4517.

<sup>480</sup> TKÁČ, M.: *Slovenské banky v Uhorsku: Tak vznikala hornouhorská banka Tatra*. Bratislava: Kubko Goral, 1997. ISBN 80-88858-20-8.

<sup>481</sup> PSICO, J. A. T., DIAS, J. F.: *Social Performance Evaluation of the Microfinance Institutions in Mozambique*. In: 2nd African Economic Conference 2007: Opportunities and Challenges of Development for Africa in the Global

Microfinance can be broadly defined as the provision – on a sustainable basis – of financial services to those that have difficulties in accessing the financial market.<sup>482</sup> Financial services include credits, savings products, insurance and transfers.<sup>483</sup> Microfinance is an income producing tool rather than a consumption aid.<sup>484</sup>

Microfinance is often related to investments and setting up micro and small enterprises<sup>485</sup>, but microfinance is widely discussed as a tool for investment to housing, health and education, as well as a tool for overcoming unexpected situations of households.<sup>486</sup>

Microfinance is usually connected with developing countries and e. g. Robinson defines them as “small-scale financial services – primarily credit and savings – provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban.”<sup>487</sup> But microfinance can make a powerful contribution to employment generation and wealth creation in developing, transition and developed economies as well.<sup>488</sup>

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Arena. Abbis Abada, Ethiopia, 15. – 17. November 2007. Addis Ababa: United Nations Economic Commission for Africa, 2007.

<sup>482</sup> IOE: *Microfinance: An Employers' Guide*. Geneva: International Organisation of Employers, 2006.

<sup>483</sup> e. g. PARKER, J: *Microfinance, Grants, and Non-Financial Responses to Poverty Reduction: Where does Microcredit fit?* Washington, D. C.: The Consultative Group to Assist the Poorest (CGAP), 2001. – WORLD BANK: *Bulletin on the Eradication of Poverty: Time to End Poverty*. No 11. Annual Edition. Washington, D. C.: The World Bank, 2004. – MPDF: *Making Microfinance Work for the Poor: Key Principles*. In: *Business Issues Bulletin*. No. 8 (2005). Hanoi: IFC Mekong Private Sector Development Facility, 2005. – CGAP: *Building Inclusive Financial Systems: Donor Guidelines on Good Practice in Microfinance*. Washington, D. C.: The Consultative Group to Assist the Poorest (CGAP), 2004. – ROBINSON, M. S.: *The Microfinance Revolution. Volume 1: Sustainable Finance for the Poor*. Washington, DC: The World Bank, 2001. ISBN 0-8213-4524-9. – IOE: *Microfinance: An Employers' Guide*. Geneva: International Organisation of Employers, 2006.

<sup>484</sup> MAGNER, M. *Microfinance: A Platform for Social Change*. Washington, D. C.: Grameen Foundation, 2007.

<sup>485</sup> e. g. IOE: *Microfinance: An Employers' Guide*. Geneva: International Organisation of Employers, 2006. – MAGNER, M. *Microfinance: A Platform for Social Change*. Washington, D. C.: Grameen Foundation, 2007.

<sup>486</sup> e. g. KHAWARI: *Microfinance: Does it Hold its Promises? A Survey of Recent Literature*. In: *HWWA Discussion Paper*. No 276. Hamburg: Hamburgisches Welt-Wirtschafts-Archiv, 2004. ISSN 1616-4814. – CGAP: *Building Inclusive Financial Systems: Donor Guidelines on Good Practice in Microfinance*. Washington, D. C.: The Consultative Group to Assist the Poorest (CGAP), 2004. – CGAP: *Housing Microfinance*. In: *Donor Brief*. No 20 (2004). Washington, D. C.: The Consultative Group to Assist the Poorest (CGAP), 2004. – MPDF: *Making Microfinance Work for the Poor: Key Principles*. In: *Business Issues Bulletin*. No. 8 (2005). Hanoi: IFC Mekong Private Sector Development Facility, 2005. – PARKER, J.: *Microfinance, Grants, and Non-Financial Responses to Poverty Reduction: Where does Microcredit fit?* Washington, D. C.: The Consultative Group to Assist the Poorest (CGAP), 2001.

<sup>487</sup> ROBINSON, M. S.: *The Microfinance Revolution. Volume 1: Sustainable Finance for the Poor*. Washington, DC: The World Bank, 2001. ISBN 0-8213-4524-9. p. 9.

<sup>488</sup> MAGNER, M.: *Microfinance: A Platform for Social Change*. Washington, D. C.: Grameen Foundation, 2007.

The main goal of microfinance is to alleviate poverty in terms of its several dimensions, such as improved income, employment and household expenditure, and reduced vulnerability to economic and social crises.<sup>489</sup> According to several studies there exist a positive relation among microfinance and poverty reduction, employment growth, welfare and income increase.<sup>490</sup> According to prof. Muhammad Yunus of Grameen Bank a successful circle can be set up: "low income – credit – investment – more income – more credit – more investment – more income".<sup>491</sup>

### ***1.2.1 Microfinance models***

Microfinance services can be offered through on a basis of individual-based lending or joint liability group lending.<sup>492</sup> Individual model can be compared to the traditional banking, which is a bilateral relationship between a bank and a client. Within joint liability group lending the group of borrowers is responsible (jointly liable) for the repayment of the loan. There are three most known models based on joint liability group lending:<sup>493</sup>

- The Grameen Bank Model is based on principles of mutual solidarity, trust, accountability and participation. The credits are offered usually granted to a group of five women where an initial level of social capital can be considered (already existing or potential). The women are usually extremely poor and their aim is to ensure survival and development of their family.
- Village Banking Model is similar to the Grammen Bank model (joint liability and group self-selection). The difference is that within this model lower credits are granted to the groups and the credits are charged with the market interest rate (which is usually higher than in Grameen Bank model). The second difference is obligation to create savings which lessens the institution's dependency on external donors. The significant

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<sup>489</sup> WORLD BANK: *Bulletin on the Eradication of Poverty: Time to End Poverty*. No 11. Annual Edition. Washington, D. C.: The World Bank, 2004.

<sup>490</sup> e. g. ARD: *Microfinance and the Poor in Central Asia: Challenges and Opportunities*. Washington, D. C.: IBRD Agriculture and Rural Development Department, 2004. – WORLD BANK: *Bulletin on the Eradication of Poverty: Time to End Poverty*. No 11. Annual Edition. Washington, D. C.: The World Bank, 2004. – MPDF: *Making Microfinance Work for the Poor: Key Principles*. In: *Business Issues Bulletin*. No. 8 (2005). Hanoi: IFC Mekong Private Sector Development Facility, 2005. – IOE: *Microfinance: An Employers' Guide*. Geneva: International Organisation of Employers, 2006.

<sup>491</sup> KHAWARI: *Microfinance: Does it Hold its Promises? A Survey of Recent Literature*. In: *HWWA Discussion Paper*. No 276. Hamburg: Hamburgisches Welt-Wirtschafts-Archiv, 2004. ISSN 1616-4814., p. 5.

<sup>492</sup> CULL, R., DEMIRGUC-KUNT, A., MORDUCH, J.: *Financial Performance and Outreach: A Global Analysis of Leading Microbanks*. In: *The Economic Journal*. Vol. 117. No. 517 (2007), s. F107 – F133. ISSN 0013-0133.

<sup>493</sup> ANTISTA, J.: *Social Capital in Group Lending: Empowerment Benefits for Sub-Saharan Women*. In: *Clocks and Clouds*. Vol. 2. No. 1 (2007).

difference between these two models is the relative role of borrowers in administration and management of microfinance programs. They have the right to determine the purpose and objective of the programs.

- Rotating Savings and Credit Associations (ROCAs) are traditional informal financial networks which are voluntarily and local organized and operated (mainly in sub-Saharan Africa). Each member contributes to the common fund on a regular basis. The cash is then received by members according to the order of payment determined (by fixed order), by lottery or the needs of members.

## II. Methods

Two main sources of data will be used. The model for measurement of individual welfare will be tested on the EU-SILC microdata obtained from the Slovak Statistical Office. The model will be then used to assess the welfare of households involved in the microfinance programmes realized by ETP Slovakia. The data for assessment of impact of microfinance programs will be received from ETP Slovakia.

### II.1 Measurement of individual welfare

Individual welfare can be basically measured using two methods: indirect and direct. The indirect approach supposes that individual thinks rationally and is able to evaluate the way of their live and activities which maximize their utility and happiness. The direct method compares standard of living of an individual with the standard of society and is based on measurement of deprivation. Using models based on Strengmann-Kuhn<sup>494</sup> and Layte et al.<sup>495</sup> models we will measure welfare of an individual (household).

#### II.1.1 Direct Approach

Direct approach is based on deprivation index proposed by Townsend<sup>494</sup>, which is defined as the sum of items possessed:  $DI_i = \sum_{j=1}^K d_{ij}$ , where  $d_{ij}$  indicates that individual  $i$  lacks item  $j$ .

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<sup>494</sup> STRENGMANN-KUHN, W.: *Theoretical Definition and Empirical Measurement of Welfare and Poverty: A Microeconomic Approach*. In: 26th General Conference of The International Association for Research in Income and Wealth. Krakow, 27. 8. – 2. 9. 2000. Frankfurt am Mein: Goethe University in Frankfurt, 2000.

<sup>495</sup> LAYTE, R. et al.: *Income, Deprivation and Economic Strain: An Analysis of the European Community Household Panel*. Dublin: Economic and Social Research Institute, 1999.

The deprivation index is based on Cobb-Douglas utility function which can be generalized as

$$W_i = A \cdot \prod_{k=1}^M c_{ik}^{\alpha_k} \quad \text{or} \quad \ln W_i = \alpha_0 + \sum_{k=1}^M \alpha_k \cdot \ln c_{ik} ,$$

where  $c_{ik}$  is the quantity of good  $k$  available to person  $i$ .

Deprivation indexes can be then simply transformed into welfare indices:  $WI_j = 1 + K_j - DI_j$ , where  $j$  is the deprivation dimension,  $K_j$  is the number of goods in this dimension and  $DI_j$  is the corresponding deprivation index.<sup>494</sup>

Individual welfare function is defined as

$$W_i = A \cdot W_{1i}^{\alpha_1} \cdot W_{2i}^{\alpha_2} \cdot W_{3i}^{\alpha_3} \cdot W_{4i}^{\alpha_4} \cdot \prod_{j=5}^M X_{ij}^{\alpha_j}$$

which is

$$\ln W_i = \alpha_0 + \sum_{j=1}^4 \alpha_j \cdot \ln W_{ij} + \sum_{j=5}^M \alpha_j \cdot \ln X_{ij} , \text{ where}$$

$M$  is the number of used variables (the first four variables are already defined partial welfare indexes. Other variables include age, family income, size of family etc.<sup>494</sup>

### ***II.1.2 Indirect Approach***

Individual welfare  $W_i$  of  $i$ -th person depends on the bundle of goods and services represented by the vector  $c_i$ ;  $W_i = W(c_i)$ . Welfare is further dependent on factors such as age, health, employment and other factors (vector  $x_i$ ). Consumption of the bundle of goods of services represented by the vector  $c_i$  depends on individual's resources. The situation can be then rewritten as:  $W_i = W\{c_i(r_i); x_i\} = W(r_i, x_i)$ .<sup>494</sup>

For our purposes the following model will be considered:  $W(X) = \mathbf{X}\boldsymbol{\beta} + u$ , where

- $W$  is welfare of an individual,
- $X$  is a vector of variables influencing the level of welfare which include:
  - *family income,*
  - *level of education of head of the household,*
  - *size of family,*
  - *age structure of family and dependency ration,*
  - *physical assets, financial savings etc.*
- $u$  is a vector of errors (other factors).

### ***II.1.3 Adjustment of the Model***

For our purposes as a proxy for welfare of  $i$ -th individual we will use the following equation:

$$W_i = \prod_{j=1}^M WI_j^\alpha,$$

where  $M$  is the number of deprivation dimensions. We will use three deprivation dimensions:

- housing,
- social exclusion and
- financial situation of a household (and health).

We will consider the following variables influencing the level of welfare:

- education level of parents and their age,
- average age of children and
- income of household.

## **II.2 Assessment of microfinance impact**

### ***II.2.1 Effects on individual welfare of households***

There have been several studies assessing impacts of microfinance.<sup>496</sup> For our purposes model proposed by Nghiem et al (2007) is considered to be optimal. The model supposes that effects of microfinance should be measured by changes in welfare of clients. The model is specified as:

$$\ln Y = X\beta + u,$$

where  $Y$  is the welfare indicator;  $X$  is a vector of variables of household (such as eligibility of household to participate in microfinance program, duration of participation in the program, volume of money gained within microfinance programs, household characteristics such as age, sex, education etc.; and  $u$  is an error term and  $\beta$  is a vector of coefficients to be estimated.

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<sup>496</sup> e. g. KHANDKER, S. R.: *Micro-Finance and Poverty: Evidence Using Panel Data from Bangladesh*. Policy Research Working Paper 2945. Washington, DC: The World Bank, 2003. – NGHIEM, H. S., COELLI, T., RAO, P. *The Welfare Effects of Microfinance in Vietnam: Empirical Results from a Quasi-Experiment Survey*. In: 51st Annual Conference of the Australian Agriculture and Resources Economics Society, 13. – 16. February 2007, Queenstown, New Zealand. – SWAIN, R. B., FLORO, M.: *Effect of Microfinance on Vulnerability, Poverty and Risk in Low Income Households*. Working paper 2007:31. Uppsala: Uppsala University, 2007. ISSN 1653-6975.

### ***II.2.2 Effects on the whole community***

Beside assessing effects of microfinance on households' welfare we will assess impacts of microfinance on the whole community. Mainly qualitative research will be used. Structured interview with open questions will be conducted with four groups of people from the community:

1. participants who experience significant subjective improvement of their situation,
2. participants who don't experience significant subjective improvement of their situation,
3. citizens not involved in the programs,
4. stakeholders such as representatives of city, leaders in community centres, entrepreneurs etc.

## **Conclusions**

Microfinance tools have been widely used in developing as well as developed world over three decades. There is much evidence showing that microfinance is effective as a tool for alleviating poverty under certain circumstances. Yet there has been little evidence of effects of microfinance in Slovakia. There are few institutions dealing with microfinance in Slovakia. In our further research we will concentrate on the microfinance programs of ETP Slovakia, analyze them in detail and assess their impact on poverty and individual welfare of households in selected localities.

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