

**The London School of Economics and Political Science**

*Actors, Practices and Networks of Corruption: The Case  
of Romania's Accession to European Union Funding*

Roxana Bratu

A thesis submitted to the Department of Sociology of  
the London School of Economics for the degree of  
Doctor of Philosophy, London, September 2012

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## **Abstract**

This thesis offers new insights into the challenges and opportunities brought by European Union (EU) integration policies by taking as a case study the process of accessing EU funding in Romania and its impact on the performance and reproduction of contemporary entrepreneurial identities. It is based on 16 months of ethnographic fieldwork conducted in Romania between June 2007 and September 2008.

The thesis argues that EU funding - as an economic process shaped by EU anti-corruption practices, policies and assumptions – configures new political and economic subjects through intertwined vocabularies of corruption and crime, a mix of formal and informal entrepreneurial practices and the commodification of finance. This dynamic process concomitantly enables Romania's top-down integration into the EU through the adoption of transnational regulations, institutions and anxieties *and* Romania's bottom-up integration into the EU through the assimilation of the EU funding regulations into the vernacular practices of doing business.

## Acknowledgments

Many people have given their support throughout the years. I would like to thank my supervisor Professor Dick Hobbs. At the LSE: Claire Alexander, Nigel Dodd and Paddy Rawlinson offered helpful comments on my upgrade pack. Frances Heidensohn and Paul Rock offered emotional support and constructive feedback during the Tuesday Criminology Seminar. Cecilia Dinardi, Richard Sennett, Fran Tonkiss and all the other members of the NYLON group had insightful observations to make on my chapters. Valentina Amorese, Marianne Colbranne, Philip Gounev, Tom McClean, Soydan Soylu, Pedja Sovili and Alisa Stevens really made a difference in my PhD journey. At UCL: Alena Ledeneva was the best possible mentor I could have asked for. In Romania: Dan Banciu, Aurora Liiceanu, Doina Saucan have always been warm and sharp-witted discussion partners. Ligia Birdici acted as my best friend when I was my own worst enemy. My parents always behaved according to their job description. They annoyed, cared, pushed and loved me beyond any decent limits. It seems that they have no intention to change and for that, I am most grateful. This PhD thesis is dedicated to my mom.

Finally, I am grateful to the funding bodies who considered this research worthwhile pursuing. I was fortunate to be fully funded as a student by the LSE Sociology Department which gave me first a four year scholarship and then two more research studentships. The Ratiu Family Foundation awarded me a grant in my first year and Goodenough College has given me three bursaries over the years.

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## Acronyms

ANI – Agentia Nationala de Integritate  
APIA - Agentia de Plati si Interventie pentru Agricultura  
APDRP – Agenția de Plăți pentru Dezvoltare Rurală și Pescuit  
CAP - Cooperativa Agricola de Productie  
CC – Curtea Constitutională  
CNI – Consiliul National de Integritate  
DCA – Directia Control si Antifrauda  
DGA – Directia Generala Anticoruptie  
DGPA - Directia Generala pentru Protectie si Anticoruptie  
DLAF – Departamental de Lupta Antifrauda  
DNA – Directia Nationala Anticoruptie  
EC – European Commission  
EU – European Union  
GRECO - Group of States against Corruption  
GNP – Gross National Product  
ISPA - Instrument for Structural Policies for Pre-Accession  
MCV - Mechanism of Cooperation and Verification  
MAI – Ministerul Administratiei si Internelor  
OECD – Organisation for Economic Co-operation and Development  
OLAF - Office Européen de Lutte Antifraud  
OPCP – The Office for PHARE Payments and Contracts  
PHARE - Poland and Hungary: Assistance for Restructuring their Economies  
PSD – Partidul Social Democrat  
RATB – Regia Autonoma de Transport Bucuresti  
SAPARD - Special Accession Programme for Agriculture and Rural Development  
SNA – National Anticorruption Strategy  
UEFA - Union of European Football Associations  
UN – United Nations  
UNCAC - United Nations Convention against Corruption

# Chapter 1

## Introduction: Band-aiding corruption

In the aftermath of the 2008 financial crisis that put the euro under strain and called into question the viability of the Union itself, the gaps between transnational-led policies and national interests, political priorities and cultural identities have become wider due to the declining trends of economic growth and unsustainable social promises. This thesis offers new insights into the challenges and opportunities brought by EU integration policies by taking as a case study the process of accessing European Union funding in Romania and its impact on the performance and reproduction of contemporary entrepreneurial identities.

After joining the EU in 2007, Romania could access up to €20 billion by 2013 (The Economist 2012), through EU funding structural and cohesion programmes. In December 2013, Romania, the poorest country in Europe, had managed to absorb roughly 33% of this amount and is now in danger of losing more amidst concerns of irregularities and corruption (Dimulescu et al. 2013). Official reports and journalists' reports uncovered dubious arrangements that involved high-level officials, stories of fraud or misuse of funds and entire projects fully funded by the EU that existed only on paper. Probably the most famous case involved the former Minister of European Integration – Mrs. Hildegard Puwak – who distributed EU funds to firms controlled by her husband and her son.<sup>1</sup> The on-going investigation had started in 2003 and she had to answer not only to accusations of fraud, but also to accusations of corruption.

However, beyond these scandalous accounts and quantitative assessments, there is little research about the people and practices of accessing EU funding. This thesis aims to fill this gap by providing an ethnographic account of EU funding in Romania. In doing so, it pushes forward the understanding of EU funding as a space

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<sup>1</sup> <http://www.9am.ro/stiri-revista-presei/Politica/17577/Procurorii-PNA-au-redeschis-dosarul-fostului-ministrului-integrarii-Hildegard-Puwak.html> last accessed on the 12<sup>th</sup> of April 2012.

of interaction between global, European and local forces, while unpacking the assumptions, policies and practices behind the regulations that govern it.

The thesis argues that EU funding - as an economic process shaped by EU anti-corruption practices, policies and assumptions – configures new political and economic subjects through intertwined vocabularies of corruption and crime, a mix of formal and informal entrepreneurial practices and commodification of finance. This dynamic process concomitantly enables Romania's top-down integration into the EU through the adoption of transnational regulations, institutions and anxieties *and* Romania's bottom-up integration into the EU through the assimilation of the EU funding regulations into the vernacular practices of doing business.

Even since the inception of the EU one of the most important issues faced by the European leaders envisaged sustaining the EU's expanding agenda and development policies encompassed in EU funding while protecting its financial interests. Historically, at the transnational level, anxieties associated with EU funding misuse have materialised in heightened regulations that employ the vocabularies of crime and corruption. In 2007 after the second Eastern Enlargement, when Romania and Bulgaria joined the EU, these anxieties reached paroxysm because in these countries corruption was perceived as a societal *condition*. Such a medicalised view called for vigorous treatment and the European Commission imposed a set of 'conditionalities' that entailed enhanced surveillance in order to curb corruption while designing even stricter regulations for EU funding eligibility and control. This thesis assesses for the first time the effects of such heightened regulations on the process of accessing EU funding and on corruption, showing that their main effect is to increase the costs associated with accessing EU funding and thus exclude a wide range of applicants. By discussing the association between corruption and EU funding regulations in Romania, this thesis shows that EU funding as a *development theme* was metamorphosed into corruption, a *crime theme*. The thesis investigates the *rebranding mechanisms* – that created new labels for vernacular ways of doing things, changing the meanings associated with contemporary entrepreneurial practices or reporting the present in a language compatible with global anxieties related to corruption.

Even though transnational entities and the state proved their potency by imposing regulatory control over the EU funding economy, they failed to make it accessible. Hence, a new market force took over this task: consultancy appeared at the intersection of bureaucracy and local entrepreneurship in order to mediate between the two spaces and decode the highly technical eligibility idioms of EU funding. As market-makers, consultants commodify EU funding, treating eligibility criteria as production factors. In this sense, the growing transnational articulation of European integration is not a form of cultural domination by the EU over the local, but finds its embodiment in the appropriation by the local elements of EU funding in order to formulate new and innovative economic and social forms. Consultants are unique elements in this equation, as they are deeply embedded in the local histories, thus familiar with the inclusive morality of informality, but also highly literate in the exclusive idioms of EU funding. By discussing this unanticipated process of market-making through EU funding, this thesis contributes to economic sociology debates about economic coordination mechanisms, money, markets and modes of exchange.

EU funding is an essentially interactive phenomenon governed transnationally, but I have been concerned to situate it within the drastic economic and social changes that have been inflicted on Romania. Despite the new legislation (starting 2000) that effectively rebranded as corruption typical economic practices in Romanian society, entrepreneurs use them in daily work routines. The entrepreneurial culture described in the thesis is an unremarkable characteristic of the local work routines. Fundamentally, this economic activity is a chaotic space in which the use of old solidarity networks, favour and gift exchange or informal arrangements co-exist with complex risk assessments, business plans and feasibility studies. By looking at mundane practices of accessing EU funding in Romania, this thesis gives an intimate view into an economy and its shifting values contributing to the academic debates about post-socialist and transition economies.

Situated within the general territory of economic sociology, this thesis employs a mid-level instrument of analysis that explores three modes of coordination of social and economic life: markets, hierarchies and networks (Thompson et al. 1991). It argues that EU funding is a hybrid space, based on a plurality of coordinating

mechanisms that aims to accommodate transnational regulations with vernacular practices. Broadly, the network provides the overarching model of analysis due to its flexible nature, thus embedding hierarchies and markets in the social. Particular attention is paid to transnational and national regulations and their role in framing the economic process bearing in mind Weber's remark that "legal order of legal theory has nothing directly to do with the world of real economic conduct, since both exist on different levels. One exists in the realm of the *ought*, while the other deals with the world of the *is*." (Weber [1922] 1968:312). The thesis explores this gap between '*ought*' and '*is*' through the concept of entrepreneurship, that is well grounded both in economic sociology and the sociology of deviance literatures. Building on these links, the thesis contributes to the sociological debates by analysing the blurred boundaries between legal, informal and illegal economic activities in the area of EU funding.

The thesis is based on ethnographic material collected during 16 months of fieldwork conducted in Romania between June 2007 and September 2008. The bulk of the data was acquired through participant observation in my own consultancy firm set up in January 2008 in partnership with two other friends. Participant observation was complemented by the use of other methods: statistical analysis, secondary data analysis, institutional analysis, media review and over thirty ethnographic interviews. Using mixed methods was the best option for this research as it allowed triangulation of data while increasing the reliability and validity of the findings. A detailed discussion of the consultancy company and the numerous ethical dilemmas entailed by this type of fieldwork can be found in the second chapter of the thesis.

## **1. 1. Research questions and aims of the study**

This research aims to uncover the ways in which EU anti-corruption policies, practices and assumptions frame the process of accessing EU funding in Romania by looking at the vernacular entrepreneurial practices, the nature and impact of the institutional establishment and the links between (in)formal and (il)legal economic arrangements.

In order to do so, the thesis asks one main research question:

### **How do EU anti-corruption policies, practices and assumptions frame/shape the process of accessing EU funding in Romania?**

By addressing this question my research focuses on the *process* of accessing EU funding and the logics of action and representation at each of the three levels of analysis: individual, network and institutional, with an emphasis on the first. The following three sub-questions focus on each element of the main question:

- How does the institutional setting frame the process of accessing EU funding?

This question starts from the observation that EU funding is a highly regulated arena of transnational and national intervention. The anxieties about possible embezzlement of EU citizens' money were incorporated in a strict framework that made strong reference to corruption. In this sense, it would be justified to study the ways in which anti-corruption policies shape the process of accessing EU funding.

- What actors and networks are involved in the process of accessing EU funding?

The previous question focused on the institutional framework, but the ambition of my research is to provide insights into the 'deep mechanisms' of accessing EU funding by looking at the intermingling networks in Romania that govern or provide access to EU funding. Hence, this second interrogation takes the endeavour a step further and focuses on two main entities - actors and networks – and the interplay between the individual and intermediate level of analysis. For the purposes of this research, the network is seen as a flexible entity which influences the logics of

action. Networks are acknowledged to provide means of both vertical and horizontal integration and facilitate the acquisition of social and financial capital due to the multiple links among local business people, judges, high-ranking law enforcers and politicians that mix socially and professionally.

- What practices are employed to secure EU funding?

This last question is the logical extension of the previous queries. The control apparatus that protects the EU's financial interests enforces changes that aim to destroy the routines of economic activities that are presumed to be marked by corrupt practices. I question this assumption and focus on the interplay between the individual and the institutional level and on the internalisation of the market mechanisms. A dialectical relation between practices and the discourse about them is assumed. The actors are presumed to act reasonably, according to the institutional shortcomings and local constraints.

Broadly, the thesis has four main **aims**:

The first aim is to *analyse an organisational transposition* from EU to Romania, by looking at the ways in which EU policies, practices and assumptions have shaped the Romanian organisational establishment. The thesis will pay particular attention to the relationship between controlling the use and distribution of EU funding and anti-corruption apparatus.

The second aim is to *construct an ‘archaeology’ of practices* employed to secure EU funding – whether they are legal or illegal. Complementary to the *discourses* about them, practices are interpreted as adaptive strategies of response to institutional demands. They provide key insights into vernacular entrepreneurial work routines that are part of the cultural understanding of business.

The third aim is to *analyse the impact of EU funding on the ‘old’ solidarity networks in the Romanian context*. Having delved into the practices employed to secure funding and having analysed the institutional framework of EU, this research will further shed light on the efficacy and efficiency of structural funds in Romania. This project will reveal whether or not these funds have improved the economic

conditions and facilitated upward mobility for new people or have allowed the strengthening of the ties between the former *nomenclaturiști*.

The fourth aim is to *explore the rebranding mechanisms* that attach new labels to entrepreneurial routines within the framework of EU funding in Romania. In this sense, my research will trace the contours of ‘corruption’, question its meaning and analyse its continuity and changes. It will also aim to compare and contrast the EU funding anti-corruption regulations with vernacular entrepreneurial practices.

## ***1. 2. Outline of the thesis***

### **BOTTOM-UP METHODOLOGICAL INSIGHTS INTO THE PROCESS OF ACCESSING EU FUNDING**

Chapter 2 discusses the ethical dilemma raised by conducting ethnographic fieldwork within the framework of my own consultancy firm set up specifically for this research. Despite the very entrepreneurial nature of this research endeavour, this thesis was never designed nor conducted as covert research. However, the participant observation conducted in my home environment did involve limited disclosure, as I had very little control on who was entering the field. By opening my personal archives for readers’ consumption, I discuss emotions as data while uncovering the moral dilemmas of participating in vernacular economic practices.

### **THEORETICAL AVENUES FOR EXPLORING THE PROCESS OF ACCESSING EU FUNDING**

Chapter 3 situates the thesis within a broad economic sociology framework by discussing three ways in which economic and social life are coordinated: markets, hierarchies and networks. It emphasises that markets and hierarchies are embedded in networks that sustain a vibrant entrepreneurial culture. Insights from the sociology of entrepreneurship are combined with those from the sociology of work in an attempt to trace the key theoretical elements that might shed light on the practices of accessing EU funding. The second part of the chapter analyses the impact of law on the economic process, touching upon issues of transnational governance and development aid. The last part links economic sociology with

sociology of deviance by analysing the blurred boundaries between legal, informal and illegal arenas through the concept of entrepreneurship.

### EUROPEAN UNION FUNDING AS TOP-DOWN INTEGRATION TOOL: TRANSNATIONAL AND NATIONAL CONSTRUCTIONS OF DEVELOPMENT AND CONTROL

Chapter 4 analyses the institutional establishment of EU funding by looking at the transposition of EU directives into the Romanian organisational framework. The first part of the chapter constructs an archaeology of the present by tracing systematically the historical preoccupations with the protection of the financial interests of the EU. The link between EU funding and corruption is established, as the chapter argues that at the EU level, historically, concern with corruption was rooted in the need to protect the financial interests of the EU. The second part of the chapter situates EU funding in the drastic economic and social changes that have been inflicted on Romania during transition from socialism to capitalism. Within this context, EU funding as an ideal type of entrepreneurship shaped by Brussels bureaucrats' assumptions, anxieties and policies entailed the creation of a new institutional setting designed to administer economic opportunities differently; this was based on transfer of 'good practices' from the EU to Romania that involved a 'one size fits all' approach, which put in place impersonal institutions that failed to take into account the elements of time, space, biography and context. The chapter argues that as opposed to the European historical trend, in Romania, anxieties regarding corruption have preceded preoccupations regarding safeguarding the financial interests of the EU.

### THE PROCESS OF ACCESSING EU FUNDING: EU IDEAL TYPES, ROMANIAN INVENTORS AND INNOVATORS

Chapter 5 shows that the process of accessing EU funding as imagined by the EU or Romanian bureaucracy has very little in common with the practice of accessing EU funding as employed by Romanian entrepreneurs. Following the logic of the process, the actors involved, the dynamics of the local markets and the interaction between various economic, social and political forces, I argue that actors who apply for EU funding are influenced by multiple frames of meaning (regulatory, political, economic), act at the intersection of different markets (market for consultancy,

market for tourism, market for construction), move between registers of *eligibility*, *compliance* and *profitability* and, in doing so, use a wide range of practices. The process of accessing EU funding is a complex economic endeavour, complicated on the one hand by eligibility rules' ambiguity and rigidity and on the other hand by fluctuating business conditions and political instability. In order to reduce the risks and enhance profitability, actors rely on formal and informal arrangements, old solidarity networks, transfer of capital, favour and gifts exchange which are adjusted and included in the new repertoire employed for EU funding thus making the distinction between legal, illegal, informal spheres superfluous. Contrary to the effects anticipated by the EU bureaucrats, this type of funding does not fundamentally change the practices of doing business in Romania, but leads instead to emerging syncretic cultures of entrepreneurship.

#### **COMMODIFICATION OF EU FUNDING: CONSULTANTS**

Chapter 6 argues that EU funding is commodified by consultants through the exploitation of its symbolic, technical and economic space as a terrain on which to (re)construct market relations. Entrepreneurs who want to access these funds are taken aback by highly elaborate technical idioms employed in the rules that grant access to EU funding. Historical low levels of trust in local bureaucracies and the need to make profit cause them to turn to consultants who teach them to become *beneficiaries* by decoding and performing eligibility requirements. In this way, consultants act as agents of change, being both by-products of this tectonic shift of EU integration and its exponents. As by-products of European integration, but also entangled in local historicities, consultants decode and transmit information regarding EU funding to the applicants. As exponents, consultants act as market-makers by treating criteria of eligibility as production factors.

This chapter shows that consultants are chameleonic actors who capitalise on their previous social capital to construct themselves as professionals. In the absence of formal training and faced with the impossibility of getting on-job-training, consultants make use of transfer of capital from their previous professional positions to claim expertise in this new line of work. Typically, established consultancy firms have on their boards retired high-level bureaucrats who act as brand names. The vernacular cultural interpretation of this fact can be anything

from assuming knowledge, putting in a ‘good word’, opening doors and getting insider information. Even though not illegal, rarely investigated and never convicted, such interpretations increase the perceived levels of corruption.

### GOVERNING EU FUNDING THROUGH CORRUPTION CONTROL: BUREAUCRATS

Chapter 7 argues that transnational anxieties regarding possible abuses of EU financial interests have put in place numerous new routines of control conducted by ‘elite squads’. The institutional design of EU funding control was sustained by the specialisation of the justice circuits based on the systematic association between corruption and protection of the financial interests of the EU. However, the transnational-led control framework clashes with vernacular work routines creating its own informality. The unanticipated consequences of the establishment of EU funding control are analysed through three paradoxes: the discursive power of EU funding, informality and the costs of compliance

### THE INFORMAL ECONOMY OF EU FUNDING: ENTREPRENEURS

Chapter 8 shows that the high levels of regulation that accompany financial participation cause EU funds to have perverse effects in Romania, allowing access mainly to actors who are already endowed with high levels of financial, political and social capital, thus reinforcing economic gaps in the society by making the rich richer and excluding the poor from this process. This chapter profiles the winners of this funding as *serial entrepreneurs*, involved in multiple businesses simultaneously, for whom EU funding is a side-line activity. It shows that EU funding is enacted through vernacular practices of entrepreneurship, decoded through work routines which are a direct result of the social and economic context, carrying both the characteristics of the communist regime and the traits of the newly born capitalism. Whereas the EU regulations will provide only one way of conducting transactions (which is usually as impersonal as possible), entrepreneurs will try to make them as personal as they can, for example, by entering informal arrangements, bribing, getting discounts and using their social capital to get favours. Such practices might lie outside the orthodoxy of the market exchange as understood by the EU Agencies, but they do not challenge the conventions of the

local markets. In itself the context favours the existence of nuanced ethical systems due to the blurring boundaries between legal and illegal.

### **CONCLUSION**

The conclusion brings together the most important theoretical lines of argument, suggests several areas of policy intervention and gives some directions for future research.

## Chapter 2

### Bottom-up methodological insights into the process of accessing EU funding

This chapter details the fieldwork experiences and justifies the methodological choices made during my ethnographic fieldwork conducted in Romania between July 2007 and September 2008. The bulk of the data was collected through participatory means within the framework of my own consultancy firm set up in January 2007 for the purposes of this research, complemented by secondary data analysis, media review, interviewing and institutional analysis. This ethnography was an *iterative* process mixing inductive with deductive strategies in an attempt to go beyond the official data and innovate the theoretical framework surrounding the world of EU funding. In discussing the choices made and dilemmas raised by fieldwork activities, I show that this endeavour was an interactive and transformative framework in which ethics, danger and risk were *processes* and not *codes of action*. The chapter is organised in four parts: the first part details how I entered the field, the second part is dedicated to participant observation, the third part reflects on ethics and the last part takes reflexivity one step further to discuss issues of measurement, validity and reliability.

#### 2.1. Researching EU funding in Romania

A striking feature of the booming literature on EU funding and deviance is how the comparatively small number of ethnographic studies is easily overshadowed by quantitative assessments, policy papers and secondary sources. For example, a recent World Bank review noticed that only 2% of the relevant scientific literature on corruption is covered by anthropological studies (in Torsello 2012). This thesis contributes to this line of ethnographic fieldwork based studies, following the contemporary, but not-yet-established, practice of hyper-comparative trans-local ethnographies that analyse a concept while retaining the sensitivity to the context

and that deconstruct the moral indignation associated with big concepts like organised crime (Hobbs 2013), (il)legal trades (Nordstrom 2007) or corruption (Ledeneva 2013). Such studies are based on flexible, distinctively qualitative methodologies, while retaining an “ethnographic attitude” (Haraway 1997) not confined to a set of methods. To a certain degree, they are similar to studies from the sociological tradition of the Chicago School (Cressey 1932, Polsky 1971/1967) and its followers (e.g. Cohen 1971, Downes 1966, Hobbs et al. 2003) that are based on sustained critical effort to understand the context-specific social interactions and interpretative schemas of people’s ‘worlds’ (van Maanen 1995). In the same fashion, this research was conducted from an appreciative position hoping to present EU funding as a complex, exciting, dull and messy space of interaction.

According to Hammersley and Atkinson, ethnography

[i]n its most characteristic form ... involves the ethnographer participating, overtly or covertly, in people’s daily lives for an extended period of time, watching what happens, listening to what is said, asking questions – in fact, collecting whatever data is available to throw light on the issues that are the focus of the research. (Hammersley and Atkinson, 1995:1)

Following this non-restrictive approach, this ethnography explores the area of EU funding using a mixture of methods featuring participant observation, statistical analysis, interviews and media review. Guided by the Chicago School “inquiring attitude” that refused to separate empirical from theoretical concerns (Fielding 2005), this research used an eclectic methodological repertoire in order to respond to epistemological concerns aroused by empirical investigations. Consequently, the ethnography became an *iterative* process that required moving back and forth between quantitative and qualitative methods of data collection. Such an endeavour, highly sensitive to the empirical commands of the fieldwork for theoretical purposes, could easily be misinterpreted as methodological incoherence because of what appears to be ‘the changing nature of fieldwork and data collection’.

However, this strait-laced interpretation would be inappropriate for two reasons. Firstly, EU funding is an emerging and elusive *object of study* whose contours, sites and shapes are subject to continuous negotiation and interpretation that take place at

local, national and transnational levels (see Chapter 5). These aspects cannot be known beforehand and even once known, they change rapidly thus determining the researcher to engage with multiple, complexly connected sites of investigation (Marcus 1998). Secondly, contemporary Romania, with its socialist past, present embeddedness in the global economy and the political integration in the European community, is not a clearly defined *context of research* due to the urgency and anxiety that dominate its transition from socialism to capitalism (as shown in Chapter 4). It became thus imperative to move beyond a multi-sited investigation as advocated by Marcus (1998) and engage with multiple “dimensions and scales” (Comaroff and Comaroff 2003). The intention was to create an ethnography attentive to the workings of the state, negotiations with European bureaucracy, national and international courts, the politics of networking and lobbying for the state’s wealth, ‘real-life’ practices of appropriating EU funding, narratives of justification and control, traditional social practices of support and rebranding mechanisms using crime and corruption narratives.

Thus, this research became a multi-sited ethnography, not only in a geographical sense, but in a deeply sociological one, in which a site is a space of interaction and meaning creation, constantly evolving and reshaping itself, but where rules of conduct can still be deduced. An essential aspect of the methodology is the position of “marginal native” (Freilich 1970) adopted while in the field, which involved both closeness to and distance from the object of study that facilitated data collection and the emergence of a critical voice. My nativity opened physical and interpretative doors, raised issues of commitment and compliance with the norms and rules accepted ‘back home’ (see also Barsegian 2000) and provoked intellectual and ethical dilemmas that a foreign researcher would have avoided.<sup>2</sup> The following sections describe how each method of data collection uncovered the rules and meanings attributed to EU funding by a particular site, their complementarity, cacophonies and dissonances, but first a note on time and place.

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<sup>2</sup> Foreign researchers who conducted fieldwork communist countries were sometimes regarded as spies (Hörschelmann 2002) and in some places, such perceptions have not completely vanished, as I discovered during my fieldwork.

### 2.1.1. Time and place

Conducting ethnographic fieldwork in post-socialist societies raises particular empirical and methodological challenges dictated primarily by the necessity of keeping up with the speedy societal transformation (West 2002). This research commenced one year before Romania formally joined the EU – an event that took place on the 1<sup>st</sup> of January 2007. Between 2006 and 2008, the EU funding lines were closed because Romania had to adjust the regulations to reflect its new EU Member State status. Within this interval, new routines, institutions and structures were established under the close supervision of Brussels-based officials. After 2008 the funding rules have been frequently redesigned, thus hampering any attempts to ensure the validity of findings over time; very often a six month span between data collection and analysis made research results obsolete, transforming them into archival records.

As institutions were created and abolished at a fast pace, competences transferred between various ministries, it was difficult to find the key actors and understand their roles in the process. Fractured social and professional networks restricted access to the field in the absence of reliable gatekeepers. Confusion governing the area of EU funding was a reflection of a generalised feeling which made narratives incoherent over time, thus obstructing analytical understanding. ‘Established cultural assumptions’ in relation to EU funding could not be traced, simply because they did not exist. In her research on the Hungarian transformation, Barbara West describes a similar situation: “the transition from socialism created an atmosphere in which no category, concept, symbol, or reference point could be taken for granted” (2002:3). Classical methodological tools were not adapted to capture situations where taken for granted concepts and ways of doing things were questioned radically. In an attempt to use my frustration creatively I started to map out the institutional apparatus related to the EU funding and its changes. Over time, this exercise proved useful as it became a dynamic ‘top-down reality’ that could be juxtaposed over my ‘bottom-up’ account built up during participant observation.

Fieldwork was conducted in the southern part of the country. Traditionally, this region was called *Regat* (The Kingdom), but in the contemporary EU based jargon it became *Region 3*. Following the EU requests and specifically for the purposes of

EU funding, Romania has undergone a process of regionalisation that entailed a new administrative division of the territory. The newly set up Region 3 was chosen because: it was my home area; Bucharest is part of this region, thus allowing access to the central decision apparatus that designed the EU funding rules and assessed EU projects; it displayed all the typical challenges associated with the process of regionalisation minus the geographical distances – for example, the decision-making process was conducted in Bucharest, but the files had to be handed in at Targoviste which was the newly established *regional centre*. These towns were separated by 80km of bad and busy roads, constantly under reconstruction. The region had high touristic influx due to the proximity with the Southern Carpathians (e.g. Valea Prahovei area), was better populated with high influx of work migrants and economically booming as compared to other regions.

Even though this research focused on three types of EU funding specifically designed for *rural* areas, the fieldwork moved beyond rural locality in an attempt to capture the *process* of EU funding. My research endeavours followed the participants' struggles to obtain funding and their frequent trips between home, county, regional and national capitals. The decision to cross the rural/urban imaginary border (Mihailescu 2013) led to some professional regrets of never being able to conduct a Malinowski (1922) type of ethnography (spending an excessive time one location), but protected me from the classical mistake of too quickly assuming that boundaries of rural communities were clearly defined. Unexpectedly, the methodological imperative of conducting a multi-dimensional and multi-sited ethnography led to paradoxical epistemological insights: even though EU funding rules were designed based on the classical urban-rural divide, the process of accessing EU funding worked towards ignoring or eliminating that divide as detailed in Chapter 5.

### **2.1.2. Secondary data and statistical analysis**

The paucity of academic accounts of EU funding and their overwhelming quantitative nature (e.g. Morovan 2010; Dimulescu et al. 2013) channelled me towards official statistics, using open access and internet based research. This type of data gave a general picture of EU funding in Romania, its dynamics, risks and

crime levels (mainly presented in Chapter 7). The official websites of the Ministry of Agriculture, Ministry of Finance, Ministry of European Integration, Ministry of Justice, National Anti-Corruption Directorate, the Romanian branch of OLAF (Office Européen de Lutte Antifraude) and the specially designated EU funded institutions (e.g. APDRP- Agenția de Plăți pentru Dezvoltare Rurală și Pescuit) offered scattered information about this topic –e.g. the number of applications, approvals, grant size and beneficiaries (APDRP), the level of criminalisation (National Anti-Corruption Directorate) and misdemeanours (the Romanian branch of OLAF).

Working with these figures gave me a sense of comfort – the quantitative sociology tradition was solid ground (from Durkheim (1892) onwards). However, EU funding statistics were not, as one might suppose, sure indicators of the impact of EU funding, or even meaningful ones. For example, similarly with other research (Morovan 2010; Dimulescu et al. 2013) my analysis showed that Romania accessed only a small portion of this funding because of structural and institutional challenges and because crime levels associated with EU funding tended to increase over time (Chapter 7). However, there was no information about the number of jobs created through the EU funding, their impact on the regional development or how sustainable these projects were. Expanding my search to other EU member states (e.g. Poland, Czech Republic), I discovered that such statistics were scarce. These methodological issues had theoretical implications. To my surprise, there was little evidence to support the generally held idea that EU funding enhanced development.

It is particularly challenging to explain the rising levels of crime associated with EU funding because

statistics – whether crime or opinion polls – have an ideological function: they appear to *ground* free floating and controversial impressions in the hard, incontrovertible soil of numbers. Both the media and the public have enormous respect for the ‘facts’ – *hard facts*. And there is no fact so ‘hard’ as a number – unless it is the percentage difference between two numbers. (Hall et al. [1978] 2013: 13).

EU funding crime statistics are not solid indicators of the volume of crime (Hall et al. [1978] 2013, Hobbs 2013) because: 1. The data show only the number of

reported crimes, and do not capture the ‘dark figure’; 2. Various criminal justice institutions have different recording routines; 3. EU funding crimes are investigated by the National Anti-Corruption Directorate (NDA), a special branch of the criminal justice apparatus which is directly monitored by the EU through the Mechanism of Cooperation and Verification. Thus NDA is under national *and* EU pressure to ‘over-perform’, so is highly sensitive to EU funding and corruption, which are ‘targeted crimes’; 4. Political pressures and public anxiety about EU funding lead to over-reporting; 5. Changes in the law make strict comparisons over time difficult; 6. The creation of new criminal labels for EU funding through special laws that double or counteract the effects of the Criminal Code thus leading to lack of consistent practice among magistrates, which in turn inflates certain crime categories; 7. In the official imagination, EU funding crimes and corruption are inextricably linked (see Chapter 7). Disentangling the two from official statistics was impossible for this researcher, and this determined the use of other methodological devices to complement the information.

### **2.1.3. Online research and media review**

A media review was carried out covering five years, in order to give a more detailed picture of the phenomenon. Two Romanian news portals (*hotnews.ro* and *ziare.ro*) were closely monitored. *Hotnews.ro* has a section dedicated to EU funding based on interviews with high profile politicians, analysis and civil society reports. In addition, one website entirely dedicated to EU funding [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro) and a discussion forum facilitated insight into the most problematic areas of EU funding from different perspectives (e.g., government, media oligarchs, and civil society). The media review portrayed ‘exemplary cases’, often involving high status politicians and large sums accessed through trade in influence. The discussion forum gave a more mundane perspective grounded in the view of different actors (e.g., small business people). In using these data, I was aware of the shortcoming – i.e. the media might communicate stereotypical or sensationalist images (Rawlinson 2008) and that the forums would not be an instrument for subtle analysis.

This second entry point proved exceptionally insightful because it alerted me to the rising political influence of EU funding and its potential as a political bargaining

chip. This point was followed up thoroughly during participant observation (Chapters 5, 6, 7). Even though I never intended to carry out a systematic media analysis, I used this device at various points and for various reasons. In the beginning, I used it to see the most challenging/controversial aspects of EU funding, later to explore some stories and triangulate the data (Bauer and Gaskell 2000).

#### **2.1.4. Interviews**

In order to complement the scattered information obtained from statistical analysis and media review, 25 ethnographic interviews (Heyl 2007) were conducted with applicants, beneficiaries, consultants, experts, police officers, lawyers, architects and bureaucrats. This methodological tool proved useful for gaining insight into actors' histories, their motivations for accessing in EU funding, the very process of accessing funds and its impact on their business practices. Numerous informal conversations supplemented formal interviewing (as recommended by Back 2007 and Hobbs 2013) acting as evidence of the localised practicalities of accessing EU funding.

Accessing respondents was not difficult. The EU Agency database listed detailed information about former beneficiaries (e.g. name, address, amount accessed, and name of the consultant). After conducting a few interviews, *snowballing* became the most efficient method of recruiting new respondents. The response rate was always very high despite some delays and rescheduled appointments, which were typical challenges associated with interviewing respondents of higher status (Dodge and Geis 2006). By contrast, interaction with consultants was governed by the law of *quid pro quo*, which constructed the relationships on a more egalitarian basis. As detailed in Chapter 6, consultants were generally young professionals, very mobile, dynamic, who had studied abroad.

Similar professional preoccupations and backgrounds facilitated communication despite random meetings in conferences, at school (I was also teaching at the University of Bucharest), and through common friends. After I had set up my own consultancy firm, the relationships with other consultants strengthened through repeated information exchange about new laws and regulations, participation in

public bids and providing each other with names of experts. Bureaucrats always remained at a healthy distance because penetrating this culture was beyond the intent of this research, despite regular encounters with front desk clerks, informal conversations with policemen and officials from the EU Agency. There was an offer to conduct a two-week internship in the EU Agency, but I declined it on ethical grounds because my own consultancy firm was already set up.

An important aspect of conducting ethnographic interviews was my ‘presentation of self’ (Goffman 1969). For example, my style of dress was always smart casual, modest, unisex, neat and clean. Any fashion extravagance would have exposed me to refusal and misinterpretation. Very early in the field, it became apparent that different actors required different interviewing techniques. Interviewing beneficiaries and bureaucrats was challenging because my interviewees were older, higher status and more knowledgeable than me. Following the textbooks, my initial presentation of self (Goffman 1969) gravitated around and “an informed innocent ‘babe in the woods’” (Dodge and Geis 2006:80). However, this strategy was unsuccessful with beneficiaries, who did not want to ‘teach’ me anything because of lack of time and vocation. Their attitude was polite and condescending, ironic even.

Finding ways to communicate with the research participants has always been a key aspect in conducting qualitative research (Pearson 2009). Feminist researchers argued that strong reflexivity is needed that “requires the researcher to subject herself to the same level of scrutiny as she directs to her respondents” (McCorkell and Myers, 2003: 205). In my case, such openness proved successful only with women, who seemed to be more competent narrators of their biography. In one case, when interviewing a woman entrepreneur who had built a hostel, I asked about her background. Her husband showed up in the kitchen door and interrupted with: “*Make her a soap opera!*” In the end, he was very helpful and referred me to several of his friends from the same business. With a warning though: “*These are very busy people. They don't have time for these things. Maybe their mothers or wives, as they are at home all the time!*” (M - entrepreneur). The status gap between me and the respondent could also hinder communication. Once, the manager of a company sent his secretary to replace him for the interview because he was too busy. My only polite recourse was to carry out a one hour interview with someone

who was selling a success story. In this case, the interview was fraught with power issues that could not be resolved without disturbing professional relationships; hence I left never to come back, learning that the secretary is not only a gatekeeper (Dodge and Geis 2006), but also a front for the manager.

One of the most challenging aspects of interviewing was how to use the data in a meaningful way. Some interviews, conducted before I became a consultant, were carefully constructed narratives of self in which respondents were presenting themselves through local stereotypes of success. Truth in fieldwork might ‘lie in the eyes of the beholder’ as Van Maanen (1995) noted, but circumstantial evidence collected through alternative methodological devices indicated otherwise. Without policing my interviewees, it became apparent that I was occasionally presented with completely manufactured selves which impacted on the credibility of my respondents. As a researcher, my responsibility was not only to the respondents, but also to the readers who took my claims seriously. Hence, romanticising sporadic accounts was not a viable option, but neither was disregarding such stories. The solution revolved around enhanced reflexivity because, as Kuenhast explains,

Conducting fieldwork in the post-socialist era is an ethnographic opportunity for negotiating identities between anthropologist and informant. Whether these identities are remnants of the Cold War or fragments of the global marketisation of popular culture, a reflexive approach is necessary to re-examine our assumptions about the other. (Kuenhast 2000:114).

Aware that the post-socialist context is a complex interpretative terrain (Humphrey 2000), where western concepts such as ‘market’, ‘civil society’, ‘Europeanisation’ take on distinctly different meanings from those applied by policy makers, my approach was to deconstruct and re-contextualise accounts that seemed at first glance exaggerated. My aim was not to impose a moral or theoretical template, but “to comprehend and to illuminate the subject’s view and to interpret the world as it appears to him” (Matza, 1969: 25).

So far, this chapter has focused on several methods of data collection (statistical analysis, media review, interviewing) showing that fieldwork was “like life itself an improvised gig” (Denzin 1989 in Hobbs 2013). As an *iterative process* this

ethnography might not present the most coherent account, but then again, coherence is not the best test of validity, as there is nothing more coherent than a paranoid story (Geertz 1973). The next section describes my endeavours as a consultant and completes the story of this fieldwork discussing participant observation.

## ***2.2. The biography of a business project***

The previous methods of data collection were valid entry routes which gave a voice to activists, politicians and the social control apparatus. EU funding, as a superimposed new reality needed, however, to be interpreted and understood in concrete local contexts that were probably removed from such political views, which created confusion.

More than a world moving forwards, or even a world turned upside down, we seem to have before us a world moving sideways and backwards, simultaneously and often skewed. The ways that people talk about the past and the present, and their ambivalence about “modernity” and “tradition”, reflect this confusion. (Pine 2002:98)

The climax of this methodological journey was the realisation that instead of looking at EU funding to find out about illegal, informal or illicit acts, it might be more useful to gain insight into the mundane, routine activities of the actors involved in the process. This empirical turn led me to set up a consultancy firm, reasoning that with doing comes learning and it was always easier to criticise a process that I had never been through (for similar insights see Whyte 1943/1955, Hobbs 1988, 2013). Even though not part of my initial research design, this unforeseen avenue was a conscious response to the emerging empirical ‘reality’ on the ground. Without dismissing the typical methodological endeavours employed for studying EU funding (e.g. quantitative analysis (Dimulescu et al. 2013)), my decision to conduct participant observation was a clear option for ethnographic investigation (e.g. Ditton (1977), Hobbs (1988, 2013)).

I set up my consultancy company in January 2008. The business aim was to support people who wanted to access EU funds for rural development. The research aim

was to immerse myself into a project in order to understand it better. Both goals were very much present in my mind at all times, even though I could not share my time equally between the two roles. Going into consultancy gave me the freedom to move vertically, between clients and bureaucrats and horizontally, between different kinds of experts and other consultancy firms. Entering the economic arena was not easy, as I lacked the most basic entrepreneurial skills, but found some comfort in Schutz's (1974) observation that researchers who study their own society can also be cultural outsiders as nobody is ever accustomed to all the social arenas. Thus I proceeded to engage in what has been dubiously dubbed as "anthropological estrangement" (Hammersley and Atkinson 1995).

### **2.2.1. A stranger in the business: gaining access to the field**

In setting up the business, I had two business partners: Ion and Andrei - both of them were men, old friends and migrants. Partnership required less input resources (money, time) while providing enhanced access to the social and economic networks involved in accessing EU funding. Ion was a former migrant who wanted to reintegrate as soon as possible into the Romanian environment. He received his university degree in computer science and worked in the UK for five years in a wide range of jobs, before deciding to come back to Romania for good. Andrei was trained as an engineer, worked as a hydrologist in a state company before making a life as an immigrant in the United States.

The negotiations were conducted over Christmas and New Year's and covered financial participation, human resources, business plan, distribution of work tasks and types of capital that each of us brought in. Ion suggested that each partner should make an upfront financial contribution of £300. He put himself forward as the potential administrator of the firm; this position gave him the decision power over the other associates. We decided to split the work and profit equally, but the division of labour (Durkheim 1892) followed specialised lines. Ion was in charge of financial negotiations, business calendar, online presence; I dealt with bureaucracy, information management, funding applications. Finding clients, getting approvals, creating friendly and easy access to any strategic field (e.g. police, bureaucracy) were essential everyday activities for both of us. Andrei functioned more in the

background, providing financial capital if needed as well as access to highly specialised hydroelectric expertise.

Even though our initial agreements were clear, subsequent work arrangements were in flux most of the time. Such clash between work routines and business design was routed in cooperative action based on a system of mutual obligations that determined the fluid nature of fieldwork and its quality of non-prescriptive technical exercise (Whyte 1943/1955). In many ways our consultancy company reflected the contemporary working system (Sennett 1998) (i.e. flexible, mobile, highly skilled, technology based) and so, it was not different from any other small company set in Silicon Valley. For example, we conducted business through regular Skype video calls in order to include Andrei in the decision-making process. Our practices and ways of doing business were very much grounded in the socialist traditions of reliance on old solidarity networks and exchange of favours, without solely relying on them (Ledeneva 2006). All these gave a rather ‘glocal’ (Hobbs 1998) flavour to the enterprise.

By December, various reliable sources informed us that the first open call for EU funding application would include public actors. A quick pilot survey conducted by the three of us on a cold winter day in the nearby villages revealed that roughly 80% of them had two major problems relevant for us: no current water and no access to gas (this meant that all cooking and heating used wood, which had to be acquired individually by each household from the nearby forests). Other potential sources of enrichment for our small consultancy company were: poor quality of roads (some of which were not paved), no internet connection, non-functional/existent village libraries or *camine culturale* [cultural houses].<sup>3</sup> Everywhere we looked, we saw opportunities. As other ethnographers of post-socialism explained (Burawoy and Verdery 1999), as local actors, we were reconfiguring our lives in the context of broader economic and political developments brought on by ‘transition’ and EU funding.

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<sup>3</sup> Specially designated spaces for cultural functions – e.g. dancing, poetry, weddings. During communism, *Caminul Cultural* was attached to the village hall and was a common element in the village life. After the Revolution, these spaces were left to decay or transformed in night clubs or *magazine* (shops that sold a wide variety of merchandise).

Thriving in harmony with the local order, our work practices were part of the negotiation of contemporary realities that “domesticate capitalism” with the use of socialism (Creed 1998, Pine and Bridger 1998, West 2002). By January 2008 our small consultancy company had become a judicial reality, as it was registered at the local court and listed on the Register of Commerce. Officially, the firm was located in Ion’s flat, but it would have been impossible to use it as an office because he was sharing a small two bedroom flat with his mother.<sup>4</sup> We considered renting office space, but in the light of the new expenses and lack of clients decided to leave such grandeur for later. The firm had consultancy as its only activity, and was the smallest economic unit that according to the Romanian legislation only required one employee, one administrator and an accountant. We hired Ion’s retired mother as a secretary, paying her the minimum wage (in order to avoid a high level of taxation). She never cashed any money from us, as she was family and we were not earning anything yet. The next step was to find a competent and reliable accountant – a friend stepped in to recommend someone she trusted. This mix of legal, illegal, formal and informal practices shows that deviance was pivotal to fieldwork, but deviant action, while functional, was largely unstructured (as Whyte 1943/1955 showed in relationship to youth).

Waiting for success, we created a logo, business cards and advertised ourselves through word of mouth which ensured that people would find out about our joint venture, but no unwanted disturbances would interfere with our activities. Effectively, our firm existed only on paper as there were no visible signs of any entrepreneurial activity. For anyone outside our close circle of friends and families it would have been virtually impossible to find us because we never used TV/radio commercials or flyers. Unsurprisingly, for a year, nobody did.

This turn of events threw my close friends and family members into an ocean of worries. Their best case scenario was that I would be taken advantage of, their worst that I would end up paying debts incurred by the other partners. In a nutshell, they thought this was risky, expensive and completely unnecessary. Furthermore none of my academic peers have ever heard about setting up a business to do research. I

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<sup>4</sup> It is very common in Romania to set up a small firm and put as the official location one’s residence which is usually a small flat. This does not mean that people actually do business at that address. We followed the rule of thumb here without thinking too much, as we were quite mobile ourselves.

agreed with all their arguments, but pointed out that academic excellence was in fact about “striking out and taking risks to expand the parameters of social knowledge” (Whyte 1943/1955). Despite inherent risks, this was a strategic choice research-wise. To show that I was not alone in this line of work, I told everyone about how sociological researchers had immersed themselves in roles defined by the field (Bourgois 2003, Calvey 2008, Ditton, 1977, Hobbs 1988, Whyte 1943). Hearing about Rosenhan’s study of psychiatric hospitals (1973) in which research assistants passed for clients put a new complexion on the matter and even my father, the most reluctant among all, turned supportive.

Such heightened levels of sociological and anthropological literacy did not leave dormant the pragmatic spirit of my inner circle. Their support materialised in two ways. The first strategy was to update themselves on the biographies of my future business partners and their families, using second order ‘reliable’ accounts. This social curriculum vitae was not only about knowledge, but also about protection. It prevented my mistreatment as it effectively embedded me in a network specifically for this purpose, and it offered potential reconciliation channels outside of the justice system. The second strategy was to give me a crash course in the basics of doing business in the vernacular fashion. For example, I was taught to reduce my financial contribution to the minimum and under no circumstances make an upfront payment.

Setting up this firm essentially enhanced my participation in the process of accessing EU funding, thus allowing me to become a participant-observer (Gold 1958). Methodologically, I make a distinction between gaining access to the research fields and gaining access to the market of EU funding, between my research and business identities. For a business, most of the strategies discussed below would appear under the ‘gaining access’ heading. For research purposes, I group them under ‘maintaining rapport’, as they describe how I learned by doing, and this was only possible once I was part of a rapport previously established. The next section describes the typical business strategies employed while acting as a consultant.

### **2.2.2. Within relational ontologies: Maintaining rapport**

This ‘Me Inc’ section continues the previous account about setting up the business to show that even though the economic process started as a rational calculation involving division of labour and profit, it ended up as a reasonable adjustment according to contextual constraints (Lampland 2002, West 2002). The typical vernacular entrepreneurial strategies described here show the fluidity of an environment that is under constant change and thus inevitably in permanent crisis. It also shows that this economic process is entangled in a messy world, highly in tune with the global vibe, but also detached from it, in which European directives and work routines are decoded and enacted through ad hoc interactions that lead to unpredictable results.

Writing about these practices of doing business and my personal involvement is a choice that resonates with the work of Weber (1949), Mills (1959) and Becker (1967). They emphasised that social scientists should be clear about their own values, ideas and reflect on how these affect their work. “The social scientist is not some autonomous being standing outside society. No one is outside society” (Mills 1959:204) and “...the question is not whether we should take sides, since we inevitably will, but rather whose side are we on” (Becker 1967:239). In recounting my involvement and appropriation of the vernacular fashion of doing business I not only position myself within the social world I studied, but I also move away from simplified ideas of taking a side to issues of mixed loyalties and shifting identities in fieldwork (Mauthner et al. 2002). Thus I open the discussion for the next section regarding ethical frameworks which portrays ethics as a dynamic, empirically informed process and professional codes of ethics as practical guidelines for the researcher in the field.

- **PR**

Word of mouth, as a PR strategy, works on the hidden power of networks that socially transmit and create reputation (Hobbs 2013 has a similar insight regarding gossip). In my case, it involved telling our friends and families that we were in the consultancy business and asking them to sponsor us. Their response was

encouraging. For example, a close family friend took it upon himself to introduce us to three mayors in the same day. His motivation was always the same: “*Let’s help the young generation make a living*”. The introduction was typically made using the language of help (Ledeneva 1998), which rephrased any cooperative social interaction as ‘help’, regardless of its deviant nature. Such “hierarchy of personal relations based on a system of reciprocal obligations” was also documented by Whyte (1955: 272). However, the subsequent relationship was a function of our own abilities to perform as capable consultants.

If PR typically means creating a story about the organisation, then our PR strategy was to tell a story about ourselves which involved constructing an *entrepreneurial professional self*. Friends and family members decided to sponsor us inferring from our social selves, previous work experience, school grades, drinking patterns, love affairs or family history. The analytical implication is that this context based on social sponsoring as the dominant frame of action for social and economic affairs is a complex political arena that does not sit comfortably with the neoliberal paradigm envisaged by the EU funding design. Methodologically, the empirical route used here leads to a particular type of knowledge construction, one based on complicated research relationships and intimate knowledge of the setting and people, in which emotions play a crucial role (Ryan-Flood and Gill 2010).

Working with my inner circle involved responsibility for relationships developed and maintained with a clear awareness of blurred boundaries between professional and personal arenas (Hobbs 1988). Within this space of interaction - where credibility came from was unpredictable. I was accepted as part of my first joint venture partially because Ion’s mother was a fellow secondary school teacher of my mother. Objective criteria for credibility were hard to establish, at least in the beginning of my entrepreneurial adventure. For example, as rumours about our new firm expanded, we were asked: “*Whom do you work with?*” In the beginning, naïvely, I indicated the name of my business partners. I realised later that this question inquired not about the names from the official transcripts, but about the unrecorded associated biography which pointed to the kind of embeddedness we could rely on. Inquirers wanted to know if they should count on us or count us out (as failed attempts to enter an emerging market). This question brought to the

forefront inevitable theoretical interrogations about power relations, patronage, ‘corruption’ and what it meant doing business in this context. The opposition state-society became meaningless, as the state was dissolved at the local level and replaced by networks and socio-cultural practices (Gupta 1995 made the same point about India). As I did not want to give any false hope to occasional business or research participants, once I understood the meaning of the question I refuted any brand association and simply replied: “*Nobody*”. It would be hard to assess the impact of this answer on the business, but it certainly did not immediately end any relationships.

- **Networking – The power of stories**

Throughout my entrepreneurial time, networking was the most used strategy for doing research and business. Only during the first month, I met over sixty people (and henceforth stopped counting) through family, friends, friends of friends, conferences, school, former university colleagues, local church, and town halls. The heterogeneity of gatekeepers was perfectly mirrored by the participants: consultants, former and present beneficiaries, unsuccessful applicants, potential clients, hotel managers, tourist agents, bureaucrats, mayors, constructors and supervisors of construction sites. Once I had an established consultant aura, data and people came to me without much effort, but also without any apparent logic or order. Messiness and uncertainty were part of fieldwork; in this carousel I had little control over who was entering the field (Hobbs 1988) and serious difficulties in distinguishing between research participants and non-participants.

Learning to network was an act of immersion in the field which brought to the forefront the interplay between distance and closeness in my research role (Ryan-Flood and Gill 2010). It entailed learning the etiquette of business relationships, acquiring historical and situated knowledge about people, strategic selection of gatekeepers, cautious boundary maintenance between individuals who did not belong to the same circle, protecting sensibilities, alertness to the potential of introducing social disturbance and instrumental use of relationships. In one case, Nutzi – my mother’s friend – introduced me to Tantza – the sister-in-law of a man who had obtained EU funding to build a small Bed and Breakfast (B&B). Nutzi explained that I was doing research on the process of accessing EU funding and

wanted to interview her brother-in-law. She asked Tantza to “*call him and put in a good word or, even better, ask her husband to talk to his brother*” for me. The response was surprising:

“*Tantza: But I can't do that! My husband would be very angry at me. You know, they don't really get along. It would put my marriage in danger. They barely speak to each other.*

*Nutzi: [taken aback] Oh God, I did not realise. So, how should we do it? Roxana needs to speak to him? What is the best way to approach him?*

*Tantza: Just go to his office and tell him what you need. He reacts badly to **interventii** [interventions]. Too many people have asked him for favours when he was the director of X [one of the former state- owned utilities companies]. If you go through someone, you are bound to fail. If you go by yourself, you have a chance to talk to him.”*

After we left, Nutzi commented:

“*I had not expected that! She did not even invite us in! After all the help that I have provided her with! How could she do this? But, did you see how scared she was when we started talking about her brother-in-law? She was afraid of her husband! She did not have an easy life with him. People say he still beats her up. And she is unhappy, as her in-laws are so rich, living in a newly built beautiful house and she is still living in her old flat like in the communist times...”*

(Field notes August 2008)

This story uncovers three important points about the rules, cacophonies and implications of networking in this context. Firstly, networking is a typical strategy of doing business, but in this context it acquires vague nuances that point to communist times. In the heat of the moment, I did not question the language used by Nutzi and Tantza (e.g. *abordare* [approach], *interventie* [intervention], *stii pe cineva la...* [the overly vague but incredibly precise ‘knowing someone who knows someone in a specific place’], *am intrat prin cineva* [going through someone]), but when instructed to ‘approach’ the man directly I realised the gap between the language and the indicated mode of action. Essentially, an embedded relational language of action framed a disembedded interaction routine. I followed the advice; contacted Mr Georgescu (Tantza’s brother on law) and we had an insightful discussion because he greatly appreciated my ‘direct’ approach. The irony of this

interaction was encapsulated in an ethical dilemma: how could have I told Mr Georgescu that it was one of his close relatives that taught me to approach him impersonally? Paradoxically, I had been taught how to do things, but as the depositary of social knowledge, I was then in the position to become a disruptive force. My sense of ethics instructed to limit my disclosure in front of Mr Georgescu and protect his sister-in-law.

Secondly, during my fieldwork, networking had to be conducted according to the etiquette, as any breaches led to emotional clashes. For me, Tantza's rejection was liberating, as it allowed the researcher to surface. For Nutzi, it was different. She was not upset at Tantza's denial to do her a favour, but was revolted at the way in which the favour had been denied. Not being invited in and treated with a coffee was a serious breach of etiquette. Nutzi chose to disregard this faux-pas because of a shared history of domestic abuse and the necessity to maintain higher values like family peace.

Thirdly, networking in this context meant that gatekeepers were not only generously sharing their social capital with me, but were claiming and appropriating me as much as I was using their names. Living on borrowed loyalties came with a responsibility code that required treading carefully as my research and economic endeavours were not only embedded in the social, but in the *personal*. For example, becoming friends with an enemy of my sponsor was considered highly unethical, experienced emotionally as betrayal and reproached in the pathetic tones of 'treason'. The wonderful side about being 'within' was that my embeddedness offered access to virtually anyone. The danger was becoming locked in a position.

- **Promising and delivering**

"Ethnographic appreciation and exposition of local interests in their historical contexts" (Creed 1998: 278) proved that networking was a good strategy to enter the field and create a pool of contacts ready to be activated when and if a project would materialise. However, what we needed was not only contacts, but clients. As the funding lines were not yet open in February 2008, we entered pre-working arrangements. I use the concept of 'pre-work arrangements' to denote a non-formalised understanding between future business partners. A handshake did not

have the value of a written contract, but it was on the one hand better than nothing and on the other hand a necessary part of the social seduction game in which we had become involved. The latter was due to the non-existing regulatory situation and to the specific nature of our clients. Mayors of rural areas were slow, reluctant clients, and shrewd business people. They showed their openness to cooperate with several consultants, thus increasing competition.

Entering agreements was exciting, delivering was impossible because the funding lines were closed. While I was part of the firm, there was no project concluded, no contract signed and no money cashed from consultancy as far as I know. This period was emotionally draining, as I felt that I was not getting anywhere and did not know what to do. In the face of the unknown, I turned to other consultants. Surprisingly, all the consultants interviewed at that time were not particularly inconvenienced by the lack of access to EU funding, because they were all doing this activity *on the side* (Chapter 6 provides more details on consultants and Chapter 8 shows that applicants and beneficiaries also regard EU funding as a collateral activity). The ethnographic material collected for this research shows that back in 2008, consultancy for EU funding, *as the main occupation*, was non-existent – everybody lived on promises of future rewards, which shows that such ‘pre-work arrangements’ were typical strategies in that context, comparable with developmental practices in postcolonial Africa (De Sardan 1999, Blundo et al. 2006) based on on-going relationships of dependence.

- **Splitting future profit**

An important element of entering pre-working arrangements was splitting future profit at the time of the handshake.<sup>5</sup> This was a challenging task because: the new regulations of EU funding were still a matter of negotiation between Bucharest and Brussels; nobody knew the costs of doing an EU project in the near future; such costs could not even be approximated, because they might have involved different kinds of approvals; it was not only the official costs that needed to be calculated, but also the unofficial. Hence, the market could not function properly and as consultants we could not set a price, but merely, with great reluctance, suggest a

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<sup>5</sup> This has nothing to do with economics; it is the pure art of bullshitting (as conceptualised by Frankfurt (1986)).

percentage. Discussing such matters was a way to build emotional ties, share common identity and exchange information. Ethnographic accounts of corruption show that discursive practices about this phenomenon have the same role (Zerilli 2005, Anders and Nujiten 2009).

The following scene from my field diary describes how pre-working arrangements were set, paying attention to the force of conviviality involved in splitting future profits.

*“Last night I met a priest. Young, with a decent belly,<sup>6</sup> two toddlers, house under construction. I was introduced by a close friend who had known him for twenty years. He wanted EU funds to continue the renovation his church which had started three months before. Visiting the construction site, I saw two teams of workers digging for a new fence and repairing the roof. Once back to his residence, my sponsor ironically noticed that the priest’s house was also under reconstruction and that there was a certain flow of materials and workforce between the church and his house. I resumed praising his initiative while sampling his latest wine production.*

*After some small chat, my friend suggested leaving the ‘small stuff’ and ‘talk business’. He wanted us to have a clear conversation about how the future profit would be split. I was taken aback as I did not even know if this project would materialise. On the spur of the moment, I suggested equal shares – 50%. The priest was happy with this principle of sharing which corresponded to his standards, but wanted clarification as to what that would mean in ‘real money’. I made it clear that it was hard to guess, as it would be misleading to expect too much and dangerous to hope (as I wanted to finish my PhD in London). Once we agreed on the basics, the sum of roughly 1000 Euros was mentioned. The priest was happy, I was happy, my sponsor was furious. If I was getting half and the priest was getting half, how much was his share? Once my sponsor articulated the question, I could clearly see his reasoning. The conflict was resolved later over drinks mixed with emphatic declarations of mutual respect and affection in the name of a shared upbringing.*

(Field notes April 2008)

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<sup>6</sup> In rural areas from Romania, a big belly is a sign of status, of a good life, as someone has food and is not stressed.

The episode was revealing as it showed the entanglements of economic, social and personal spheres (Zelizer 2004). I thought within my job description to provide good services, at competitive prices. However, I had never anticipated that the tricks of the trade resided in making the perfect *personal business arrangements* which involved dealing with the unofficial, un-recordable, never spoken out loud “*what's in it for me?*” In time, I became better at creating win-win situations and realised that ‘was furniture’, when my reactions started to be natural. As Schutz (1974:101) pointed out, one goes native when “shows all the marks of habituality, automatism and half consciousness” typical for the established members of the group.

- **Bureaucratic arrangements and conflicts of interest**

Developing pre-working relationships led to prolonged social interaction that encouraged us to expand our reach. Even though the funding lines were not yet open, we had become close to some mayors who were doing their best to ‘help’. Some decided to stick to their promise of not hiring another consultancy firm for their projects. Others were more eager - they gave us readymade feasibility studies asking us to start writing the project. As the Romanian administration was moving slowly and there were little chances of making mayors our clients, we were offered possible employment. A mayor offered to hire one of us in his town hall, as an EU project manager (see Chapter 8). By the summer of 2008, the government had ruled that each town hall should have an employee dealing with EU funding. One of us took the job (even though the mayor's argument that “*We all have to retire some day and it's good to have a safe pension!*” seemed a bit remote). This position opened up new doors, as it facilitated the interaction with officials from the county administration. By participating in the meetings every fortnight, our EU project manager would get first-hand information that would enhance our private quest for EU projects and increase our circle of potential clients.

The above example is a clear instance of when I decided to follow the local standards of morality and practices of doing business. Classical corruption literature (Mungiu-Pippidi 2013) would label the above example as ‘conflict of interest’. If

legally, such concepts had a meaning,<sup>7</sup> socially they were empty, because deviance and ‘corruption’ were part of regular working routines (Ditton 1977, Hobbs 1988, 2003, Ledeneva 2013, Whyte 1943/1955). As detailed in Chapter 4, it was common in Romania to complement the income from a public sector position with private economic activity. By getting the job, our team member was not socially excluded; he was either ignored (which meant this was a common way of doing things) or congratulated by other common friends who have not thought about such a shrewd way of doing business.

While my business partner was busy “domesticating capitalism” (Creed 1998), I was caught within the uncomfortable duality of being a researcher and an entrepreneur and refused to get the position for myself. My readings (Rose-Ackerman 1999) and previous methods of data collection had taught me that bureaucracy and business were separated by clear boundaries; any mix of the two was considered ‘corruption’. Conversely, participant observation was showing that low-level bureaucrats functioned on an inclusive logic. They simultaneously acted to produce the boundary between spaces, cross it and regulate it. Unlike the Indian (Gupta 1995) or Mexican (Lomnitz 1995) cases, the excessive “compartmentalisation of power” (Torsello 2012) at the local level, driven by EU accession reforms which have implemented wide decentralisation reforms created the paradoxical situation in which ‘corruption’ was more used by those who denounced it or were in charge of anti-corruption reforms – e.g., mayors. I could see that, to some degree, ‘corruption’ was an outcome of the EU funding process fusing together different traditions of civil service through the practical use of discursive Europeanisation practices. I was caught between the two paradigms, unprepared to admit the discrepancy between the previous data and reluctant to explore further as a participant. Ethnographic honesty prevailed, so I took part and become partial (Haraway 1991) by displaying solidarity with the local practices, resisting labelling and imposing correcting narratives.

This section has shown that in this particular context, entrepreneurial practices included a wide range of behaviours: networking, lying, cheating, showing off and

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<sup>7</sup> Conflict of interest *is* criminalized by Romanian legislation through the Criminal Code.

honest work. The choices entrepreneurs made encompassed unclear social values (to me! and at the moment!) and savvy economic ethics. If this was risky, then it was part and parcel of their everyday routines (Hobbs 2013), a defining feature of their work (Ditton 1977, Mars 1994). This was people doing business, and I was happy to move away from the anti-corruption jargon to learn from the participants, without imposing preconceived theoretical frameworks (Matza 1969) as long as my sense of self allowed.

### **2.2.3. Return to academia: Negotiating exit**

The short story of my exit from the field is that I gradually started to be less involved in the activities of the firm. No on-going project made my transition easier. The negotiations for my exit were as time consuming and as expensive as my entry. I started to prepare myself around June 2008, discussed the bureaucratic arrangements with Ion and Andrei in August, left Ion with my shares, covered my bills and left for London at the end of September 2008. In a move that has since become one of the leitmotifs of this research I paid the price but did not sign the papers. It took several more months to formalise my exit and during the Easter holiday in 2009 I gladly exited my first attempt to become an entrepreneur. After my departure, the other business partners also changed their entrepreneurial objectives.

A more complicated chronology of the exit included staying away from the field during the post fieldwork stage. Without realising, by the time I decided to sell my share of the company, I had become deeply immersed in the process of accessing EU funding. The nature of work, the general social and political context and familiarity with the location and the research participants had effectively transformed me into a consultant, overshadowing my research identity. After my exit from the consultancy, I was still considered part of the business, receiving calls and emails regarding various projects or informal invitations to participate in bids. Everybody knew that I moved to London to write my thesis, but the aura of expertise remained to a degree. In order to avoid feelings of loss and disappointment in relationship to my business partners and clients I continued to do pro bono work for some time. Continuing to maintain rapport in order to minimise

any research related distress proved to be effective for a short while, after which it became counter-productive.

This complex and dynamic exit was sustained by my regular visits to Romania during holidays which brought me into proximity with the business environment thus tempting me to conduct more fieldwork during each trip. As the data was mounting up, I took drastic measures and decided to refrain from visiting home for a year (2009-2010). This decision was also provoked by a dilemma typically encountered in qualitative research – whether to maintain research relationships while analysing the data (Ryan-Flood and Gill 2010). The previous over-involvement from my fieldwork was followed by over-dissociation with the research site in order to allow the researcher to surface and the entrepreneur to fade off socially. As much as possible, I consciously tried to minimise contact with previous research participants in the register of the business. It would have been impossible to cut these relationships as they were part of my history and the social context to which I was still connected to, but did my best not to minimise their voices in writing.

### ***2.3. Ethics as a process***

I discuss ethics as a part of the interaction established during fieldwork that involves at least three elements: the process of data collection, particularly participant observation; the British academic ethical guidelines; and my sense of self. Thus, this account strips ethics of its honorific status and decodes it as part of the ethnographic condition (Calvey 2008, Hobbs 2013, Winlow et al. 2001). In drawing attention to the multiple contexts which influenced this research and in which this research took place, I inevitably position myself at centre stage. This study began with a deontological approach to ethics that conditions the researcher to follow the academic ethical guidelines under *all* circumstances. While in the field, I learned that everything was negotiable, as far as my sense of self would allow it. I argue that these two positions cannot be unravelled in a simplistic way rendering one position ‘ethical’ to the detriment of the other (Calvey 2008). Thus, this research is informed by a wider concept of ethics, associated with ‘acting responsibly’ (Lee-Treweek and Linkogle 2000) as a researcher who is committed

firstly to research participants “but also to those who read, re-interpret and take seriously the claims” made (Doucet and Mauthner 2002:125).

The distance between my research design and fieldwork experiences shaped an unusual relationship with ethics which developed outside formal academic channels. After 2008, the LSE refined its ethical procedures for students in the field. At the time of my fieldwork, there was no formal request to fill in ethical forms or information sheets regarding the methodological changes operated while in the field, as there was no indication from any of the subsequent review panels that this would be necessary.<sup>8</sup> After setting up the consultancy company I perused more carefully (but not obsessively) the ethical landscape, trying to position my experiences within the British academic expectation system. It became apparent that the BSA (British Sociological Association) guidelines reflected “awkward tensions” (Edwards and Mauthner 2002:21). For example, they pointed “to a set of obligations to which members should normally adhere as principles for guiding their conduct” while recognising that “often it will be necessary to make...choices on the basis of principles and values, and the often conflicting interests of those involved”. Confused, I decided to self-regulate my standards of ethical behaviour taking the BSA guidelines as behavioural ground rules.

Participant observation conducted through the consultancy firm and familiarity with the context provided much broader access to situated knowledge than that typically encountered in research (Lee-Treweek and Linkogle 2000). My insider knowledge encompassed a wide range of information: where/ how people lived, personal and family histories, meeting their families, participating in weddings, funerals, birthday parties, countless discussions about almost anything, endless coffee drinking sessions, money making/spending, going to concerts, playing music etc. Being in the ‘field’ thus meant recalibrating ethical judgements to accommodate the sensitive areas of social life (Hobbs 2013). The embedded ethics of action sometimes pushed me towards *ethical involvement* and other times towards *ethical indifference*. For example, I was never tempted reporting to the police that a bid was fixed or a fellow entrepreneur committed irregularities in claiming VAT. Other researchers reported

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<sup>8</sup> Despite the fact that this fieldwork was considered out of the ordinary by successive PhD review panels, I was never recommended to sit through an Ethics Review Panel.

similar routes of action (Ditton, 1977, Hobbs 1988, Whyte 1943, Bourgois 2003). However, when I tried to incorporate vernacular practices into my personal repertoire, I became uncomfortable, my emotional reactions signalling ethical dilemmas long before I could rationally reflect on them (Doucet and Mauthner 2002). This shows that certain people, practices and things belong to certain landscapes and not to others, and are in turn associated with particular ethical orders.

In my case, the ethical process did not begin or finish with fieldwork. As this research also used information obtained before the project began, a particular challenge was how to use accounts obtained without adequate disclosure (Gold 1958). For example, I had detailed knowledge about recent and distant histories of contemporary local and national elites (who had been friends of my parents or parents of my friends) that comprised ad hoc love affairs, social drinking sessions, gambling, bribing, stealing and cheating. Sensitivity to the position of people who could be affected dictated to use them only when and if they had become part of the local folklore and could be sustained by public, external, freely observable signs of economic mobility. This led me to post-hoc ethical decisions that sometimes entailed heavy editing to anonymise the participants or even complete exclusion of data.

### **2.3.1. How appropriate was the use of the consultancy company?**

The consultancy company was suitable for providing unprecedented access to the field, deep insights into the process of accessing EU funding while facilitating methodological training for the novice researcher. It was instrumental in constructing rapport in a reciprocal, non-hierarchical and non-instrumental manner. This firm was never a laboratory to reproduce other people's experiences; on the contrary, it was an honest search for meaning in a market environment. The minimal social distance facilitated deeper understanding of the intimate relations between emotions, economic and social lives, thus enriching this ethnographic account. Being part of the consultancy business, even for a short while, gave me a mandate to talk more confidently about this social arena. By assuming a 'useful role' (Adler and Adler 1983), I became more of an insider in the process of accessing EU funding, while retaining my quality as an outsider throughout my

learning process, which was very much a rite of passage. This last aspect had important educational outcomes for my training as an ethnographer.

Setting up the firm was a turning point for my research prompted by the emerging nature of the fieldwork and my dissatisfaction with the previous data. After reaching the saturation point (Bauer and Gaskell 2000) through interviews, I felt there was still insufficient information to answer my research questions. My desire was to move beyond interviewees' projections and learn what they did *not* want to talk about. Topics like informal means, connections, money given as bribes or incentives, even personal background were taboo for various reasons. First, I was too shy to ask, because I might have offended my interlocutor; second, the interviews had been transformed into a sensationalistic reportage, which had more to do with blaming the 'other' and entering strong and aggressive narratives of justification. Third, it was dangerous to open up too much in front of a stranger who could turn to the police. Fourth, interviewees thought these aspects were obvious and failed to understand why would I want to know "*what was not important*". This last point made me question my eagerness to find out about 'the real way to do business'; it made me interrogate my reasons and wonder if I was not trying to find out what I had pictured to be there, ultimately if I was not just looking for data to support my theories. As one interviewee put it:

*"Oh, so this is what you really want to talk about [informal means, bribes etc]! Yes, there is that too – of course! But there is so much more than that! If you really want to know what it is like...why don't you do a project yourself? You will find all these things that you want to know about and so much more!"*

(R - Bureaucrat).

Changing my field role had implications for my field notes and my persona. Becoming a consultant was an act of immersion into the natural habitat of the EU funding. As a cultural alien to this environment (Schutz 1974), I was keen to understand and record its shapes and patterns as accurately as possible in order to provide a "thick description" (Geertz 1973). My initial field notes, taken as soon as possible after the observed action (Hammersley and Atkinson 1995), were long lists of taboos made audible through unanswered questions or embarrassing silences. At later stages, the field notes captured my change of persona, from the naïve 'babe in

the woods', unacceptable for the consultant presentation of self (Goffman 1959) to a red-haired, highly skilled, well-connected, polyglot Snow White.

This change of persona coincided with my decision to de-emphasise my research identity because:

1. I had ethical concerns regarding the use of LSE brand to advance my business endeavours. Even though this business was part of my research strategy, which was part of my doctoral studies, I did not claim to be an LSE expert, nor used at any time the School funding in order to make profit.
2. Research participants found confusing the use of this additional 'hat'. During the formal introduction, in front of my sponsor, I would always mention my academic interests in the matter of EU funding and my intention to write a book about that, along with my business intentions. From these two, the research participants seemed to discard the first with a polite: "*How nice!*" and retain the second. My identity space was already saturated by being 'consultant', 'related to', 'former employee of', 'friend of' and so on. Among all the mirrors and masks the 'researcher' was the least important for the business transaction. One example is relevant in this sense. After being introduced to a welcoming mayor, I realised I had no business cards on me with my company logo and gave out an LSE card instead. My sponsor immediately noticed: "*Why don't you use your own cards? How is he going to find you?*" It did not take me long to understand that even though I had my personal details on the LSE card (email and phone number), when the mayor would check his agenda for possible consultants, my status as a PhD student would not encourage him to call me.
3. Some research participants were intimidated or considered that I was showing off when putting forward my research identity.

De-emphasising my research identity came with additional ethical and methodological dilemmas. There was no doubt in my mind that everybody knew I was a researcher who was doing business to collect data. However, if it was difficult *for me* to keep up with the insider/outsider dynamic, for the other participants it must have been even more challenging. Frequent reminders of my research status put me in danger of being misinterpreted thus leading to ethnographic suicide (Westmarland 2002). Once I assumed the role of consultant, other research

participants started to treat me as an insider, assuming practical literacy. In a short time, I found myself adopting a whole new language (Mauthner et al. 2002)– I was nodding in complicity, exchanging knowing smiles, replacing the non-committal ‘umm’ from my interviews with approvals expressed as anything from shrugs to technical economic language. One consultant explained how to fill in the technical part of the funding application: “*You need to be on zero at the end, but the software is not great. So, basically, do the usual trick... You know...*”. I did **not** know and while revealing my lack of knowledge I learned an important methodological lesson (Glaser and Strauss 1967 had similar insights): claiming knowledge meant missing data. In conducting ethnography my purpose was not only to see how I understood and experienced the process of accessing EU funding, but to find out how other people decoded the same phenomenon, what meaning and interpretation did *they* attribute to the same social fact (Matza 1969).

### **2.3.2. Explaining the research to the participants**

While in the field, three aspects had a great impact on explaining my research to the participants. The following paragraphs discuss the methodological complexities behind ‘participants’ (Gold 1958), ‘participation’ (Junker 1960) and ‘local understandings of research’ (Wolf 1992, Motzafi-Haller 1997).

The new LSE (2012) Ethics Review Questionnaire for Researchers that is now incorporated into the standard application toolkit for all research staff at the LSE (this was not the case in 2006) poses the following questions: “Who do you identify as the participants in the project? Are other people who are not participants likely to be directly impacted by the project?” This question presents no easy answers in my case. Before conducting participant observation within the firm setting, I had a strong influence on the selection of research participants. Once I set up my own business, the process of data collection took a life of its own as I had little control over what was happening and who was entering the field. A comprehensive view of the ‘research participants’ would dictate attributing this label to all the people that I have interacted with while consulting. However, I contend that this would be inappropriate; such view would expand the methodological parameters of sociological research beyond the researcher’s control thus making ethnographic

methodologies less than adequate for ethical purposes. Thus, I consider ‘participants’ to this research all the people with whom I repeatedly interacted and had explicitly acknowledged my research status during their participation in the research and/or business. Even though other people were part of the field, the notion of ‘participant’ should be used to denote a shared understanding of the research, meaning and consequences of participation.

Throughout this research, the participants typically decoded their participation in this research as ‘helping’ me, as detailed in the section regarding informed consent. The familiar environment and the business facilitated a specific type of research relationship characterised by sharing personal, entrepreneurial and intimate experiences over a long time. The BSA ethical guidelines acknowledge the complexity of relationships established while conducting research in paragraph 10: “Sociologists, when they carry out research, enter into personal and moral relationships with those they study, be they individuals, households, social groups or corporate entities”. Doing the business involved acts of self-disclosure completed in an atmosphere of trust and closeness in which confidentiality was a must, since disclosure had more than reputational costs. Establishing and maintaining ‘good research relationships’ for me meant honest and reciprocal rapport between me and the other participants. I was probably not on ‘moral high ground’ (Birch and Miller 2002:92), as the ideal type promoted by the textbooks, but I tried and firmly believe that I maintained a reasonable balance between academic recommendations and field imperatives.

An essential element of conducting fieldwork in this context was the local understanding of social research as a practice and/or profession because individual’s expectations along with more complex evaluations of the researcher, her interests and intentions would inform the decision to participate (Edwards and Alldred 1999). For example, old respondents from rural areas thought I was attached to the police: “*Cercetezi? [You do research?] What are you cercetezi? [researching] Whom? What have they done? Why are you asking us?*” The Romanian verb ‘a cerceta’ is the literal translation of the English ‘to research’. It is also the equivalent of the English ‘to investigate’, used in relationship to criminal justice apparatus. Language in this case covers the meaning and the implications of the concept,

which was only uncovered emotionally though fear. Initially respondents were afraid that I might be attached to the police and they would be under investigation for some crime. The consent forms and the recording equipment only reinforced their initial assessment. The research position reflected power issues, as in the local imagination I was attached to the State. In an attempt to escape, people presented themselves as unworthy of such high honour encompassed in participating in research and directed me towards another one who ‘knew better’. Once reassured that I was not in any way related to the control apparatus, the immediate question was: “*What do you want to find out?*” This question gave me chills because I did not know what I wanted to find out and I was afraid to say it. Articulating lack of knowledge inappropriately would have meant killing an interview/an encounter before it started. In time, I found that framing the answer along policy lines (Wolf 1992) worked well, because research tended to be perceived as pointless if it did not impact on the local standards of living: “*I want to know how EU funding works in order to suggest ways of making it better*”.

### **2.3.3. Covert vs. Overt research**

The fluid nature of my ethnographic fieldwork challenges the contemporary clear-cut dichotomies of covert – overt research (as presented by the BSA<sup>9</sup> ethical guidelines). If covert research means research not disclosed to the participants and overt research full disclosure, then this research does not stand in either of the two categories. The term that best describes my approach is “*limited disclosure*” favoured by the Australian National Health and Medical Research Council (Spicker 2011). Without ever concealing my research aims and interests, I have not always taken active steps to make myself visible as a researcher. As an active member (Adler and Adler 1983) with a functional role in the EU funding community, I was sometimes less visible as a researcher. A ‘participant as observer’ position (Gold 1958) allowed for observation without impacting on the behaviour of the other participants. For ethnographers who work in flexible and inductive modes it is not always possible (or desirable) to be completely open about the research (Hobbs 2013). Even when I thought I was transparent about my research purposes, there were incidental social interactions and third parties unwittingly involved in this

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<sup>9</sup> Unfortunately, I was not able to find the definition of ‘covert research’ in the BSA ethical guidelines.

research. Disclosure to a party is not disclosure to everyone or not to the same degree, so it would be misleading to argue that this was overt research. However, in my case, it would have not been possible to conduct covert research – I acted as a consultant at home, with my friends and family. Anyone outside of my inner circle would have been unable to contact our firm; I have met all my business partners/clients through close ties that have sponsored both my business and my research.

#### **2.3.4. Informed consent**

Limiting disclosure raises issues regarding informed consent which is considered the benchmark of ethical practice (Spicker 2011). The sensitivity of this topic and the nature of my fieldwork made obtaining *signed* consent forms impossible. These would have been impractical in the daily business routines, acting as punctuated research pauses from the entrepreneurial affairs. Furthermore, within the culture of informal arrangements sealed with a handshake, the formality of this ‘research contract’ was perceived as an anomalous intrusion. At the beginning of my fieldwork, I asked my business partners to sign consent forms. They thought I was out of place, inquired intrigued about the reasons for ‘signing papers’, and expressed their misunderstanding: “*We just decided to do business together. Isn’t this consent enough? Yeah, yeah...you do research... what is the big deal? Why don’t we sign the firm’s papers first and then see about this thing...*”

(Fieldwork notes January 2008). They never did.

My friends and family who acted as gatekeepers were most reluctant to sign the consent forms, even though they were the most informed about my research activities, dismissing my requests with “*You’re insane. I’m not signing anything!*” Their reluctance was due to our joint biography, their interpretation of social sponsoring as ‘help’ and a unwillingness to come to the forefront. Probably if I would have insisted, they would have ‘helped’ me with the consent forms too, but it felt more ethical to be true to the data while respecting the boundaries imposed by the research participants. When my access to third parties was mediated by gatekeepers endowed with high levels of social, symbolic and financial capital, I was granted *wholesale access* (Miller and Bell 2002:62), thus making the issue of

consent fraught with power issues. I was offered immediate support when a high profile lawyer introduced me to a few mayors in a day, just one month before elections. It was difficult to establish if the mayors were keen participants in this research or just wanted the support of my gatekeeper for the upcoming elections. My consent forms were waved off immediately with a line: “*We do not need contracts. We do this to help Mr Ionescu!*” Keen to comply with the BSA ethical guidelines regarding the protection of research participants, I gave verbal assurances of anonymity and confidentiality. The more I conducted fieldwork, the less I relied on the formal process of consent (Miller and Bell 2002: 65), as this started to get dangerously close to “empty ethics” (Corrigan 2003).

An additional impediment to obtaining signed consent forms was my participation in the vernacular economic culture, which crossed the boundaries between legal, licit and moral states through partnerships based on trust secured previously with full disclosure of my research identity. This aspect raised issues about the nature of consent in this case. Blurred boundaries between research and business enhanced the ambiguity of this concept. However, if as Beauchamp (1982) argues, the issue of informed consent is meant to ensure self-determination of the research participants (because it gives them assurances that they can withdraw at any point from the research), I would argue that within this context they were in no way less autonomous just because they did not sign the forms.

### **2.3.5. Confidentiality and anonymity**

Even though signed consent forms were not possible to obtain, I have always given verbal assurances of confidentiality and anonymity. In most cases, participants rejected the use of any data-gathering devices, such as tape recorders or cameras. For them, the best insurance policy was participating in the process of doing business. Being a consultant, learning and practising the vernacular ways of doing business meant that I was going to be careful in revealing anything to third parties. I anonymised all the situations, altered details that would facilitate recognition of businesses, places or people and gave pseudonyms to all the participants including myself. For this reason, I did not make use of any photographs for this thesis. Despite all these precautions it is impossible to provide total assurances of

confidently (unless one is prepared to go to jail like Scarce in 1991). Following the BSA guidelines (paragraph 19), I tried not to give unrealistic guarantees of confidentiality aware of the minimal impact I would have once the work is published.

### **2.3.6. A note on deception**

The lack of informed consent is typically associated with covert research, which in turn is identified with deception (e.g. Bulmer 1982, Herrera 1999, Homan 1991). If deception can be equated with misrepresentation of research activities, I argue that this research, despite making use of limited disclosure, has not at any point made use of deception. It would have been difficult to misrepresent my activities when conducting fieldwork in my native environment with participants who had detailed biographical knowledge about me. However, the complexity of the field relationships raised several dilemmas which have never been solved. Firstly, doing business and research via the consultancy firm led to a confusion of spheres facilitating over-involvement. By adding the ‘consultant’ to the ‘researcher’, I started to hold unrealistic expectations about my business skills and perceived the lack of business success as a research failure. My perception of self and the participants’ reflected an inverse causal relationship – they thought I was a good businesswoman because of my research skills, I thought I was a bad researcher because of lack of business skills. Secondly, research participants tended to construe me into an ‘expert’ in the area of EU funding. Apart from the annoying feeling of ‘being a social construct’, I was very uncomfortable with such heightened levels of symbolic capital because I felt there was no correspondence in my knowledge for it. Thirdly, if I had difficulties dealing with myself as a ‘consultant’, an ‘expert’ and a ‘researcher’ I could only imagine that the other participants found this impossible to deal with. This became clear towards the end of my fieldwork when one of the business partners expressed his dissatisfaction by saying: “*All you want is to do your research, not make money!*” This was a reproach for prioritising research over business. When I replied that I never kept hidden my research identity or goals and that the business was part of a research strategy, Andrei admitted that I was right, but he was still disappointed. So, even though I have never misrepresented myself and my research, this research involved a more subtle sense

of deception which would have been hard to control or eliminate. During my fieldwork, openness about my intentions was not enough, because research participants wanted to forget as fast as they could that I was a researcher. The consultant identity with its potential financial gains overshadowed the modest research identity. This was not ideal for a researcher who wanted to conduct research in a caring, respectful and responsible fashion. Despite my honest intentions to protect the research participants, it was impossible to control the environment or people's perceptions.

## ***2.4. Reflexive ethnography***

This last section focuses on risk and danger, validity, reliability and data triangulation. Reflecting on the ways in which fears or experiences of danger opened up potentially disruptive ethical and emotional situations is a way to examine my assumptions and seek new interpretations of events, without overshadowing the voices of the other participants (Lee-Treweek and Linkogle 2000).

### **2.4.1. Danger and risk**

The LSE research ethics policy<sup>10</sup> (2012) would qualify this research as involving more than minimal risk due to the unconventional methodology and its topic sensitivity. While inevitable elements of the ethnographic enterprise (Hobbs 2006), risk and danger are not static assessments conducted at the beginning and end of the fieldwork. As I became more of an insider into the business, I learned to calibrate my definition of risk and danger according to the social arena. Informal, illicit or illegal practices were part and parcel of the daily occurrence of entrepreneurial affairs, so in this sense danger was an unavoidable element in the research. All participants, including myself, negotiated their involvement and exposure to danger using various insurance strategies: minimum involvement with official documents, keeping a low profile in the press, non-disclosure of private affairs, one-to-one persuasion sessions with bureaucrats/other private entrepreneurs, bribing, favour or

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<sup>10</sup> [http://www.lse.ac.uk/intranet/researchAndDevelopment/ethicsGuidanceAndForms/Research\\_Ethics\\_Review\\_Policy\\_FINAL.pdf](http://www.lse.ac.uk/intranet/researchAndDevelopment/ethicsGuidanceAndForms/Research_Ethics_Review_Policy_FINAL.pdf) last accessed on the 14<sup>th</sup> of February 2014.

gift exchange, forging family links (e.g. asking a high status bureaucrat to become the godfather of a child, pretending to be long-distance relatives) or arranging surprise parties. Negotiating danger was essentially a function of self-regulation taking into account the social interactional setting (Jipson and Litton 2000).

The following excerpt from my field diary uncovers some of the ethnographic complexities encountered while doing participant observation. It shows that risk and danger do not simply denote immediate physical threats; they are multi-dimensional concepts encompassing emotional, social and legal risks entangled in short (twenty minutes in this case) interaction spans (Lee-Treweek and Linkogle 2000). Threats to the researcher and to the other participants are shown to be connected as they were a defining feature of the work conducted (Ditton 1977, Calvey 2008).

*“Today was another glorious day. I went out to talk to the insurance guy in order to help me recover the money for my car. The process is very slow and T [close friend] advised me to be ‘nice to him’, which basically means to give him something. I have given him a bottle of whisky last month and he seemed happy. However, things still have not moved so, T suggested to give the guy money. Anyway, Easter is coming and he needs some pocket money. I put £100 in an envelope after consulting T with regards to both the amount and the currency. He said that the amount is ok, but the currency might be a problem. Euros would have been better, but I just don’t have the time to stop to the bank. I went to the insurance office and found the guy in his office [with glass walls]. After a small conversation, I skilfully [at least this is what I thought] bring the subject of Easter break and ask him about his plans. He said he wanted to take 3 days off and go abroad. With a big smile on my face, I take out the envelope and say:*

*“Well, this is a small gift from me to help you have a nice holiday.”*

*He looks strange and asks: “What’s in there?”*

*Me: “Maybe you should have a look.”*

*He takes the envelope with two fingers and looks inside. His answer is:*

*“Take the money back because I can’t accept it!”*

*The situation is completely embarrassing, but I insist thinking that this is the way it should be:*

*“Please, it’s just a small token of appreciation!”*

*And I stand up and leave his office. He comes out of his office with the envelope in his hand, speaking loud:*

*“Please take it back, I can’t accept it!”*

*By now, I am beyond the stage of decent blushing; even my ears are completely red. I keep not wanting to take the money and say that it is nothing. Eventually, seeing he is not being polite, I ask him why he doesn’t want it. His answer left me with no replay:*

***“Because there are cameras everywhere!!!”***

*I looked around, apologised, took the money, went home and cried. T was first annoyed saying that I embarrassed him, but then laughed and said that I was stupid to give him the money in the office, that I should have taken the guy outside. ”*

(Field notes, February 2008)

In this case, my poor performance was put down to my lack of training in business and a desire for quick success. “When the performer is known to be a beginner and more subject than otherwise to embarrassing mistakes, the audience frequently shows extra-consideration, refraining from causing the difficulties it might otherwise create” (Goffman 1959:225). The need for tutorials (which started post factum as one-to-one feedback sessions) shows that risk and danger are highly contextual and learned within routine interactions. However, socialisation into the practices of doing business started to give me trouble as I had never pictured myself in that position – plain bribing had never been part of my life or upbringing. As a researcher, I was excited – the snapshot had been very revealing as the “whole dramaturgical structure of social interaction was suddenly and poignantly laid bare” (Goffman 1959:227). As a person, I could not laugh it off as simply part of the fieldwork. Reflecting on this episode brought the dangers of practising ‘vernacular entrepreneurial culture’ at the forefront – I had jeopardised my entire study, risked getting arrested, embarrassed my friend as he ‘lost face’ in front of his contact and felt bad for doing what I considered ‘dirty work’. The gains came as a lesson – as a fieldworker I not only had to do research, but also had to live with myself and I was not prepared to regard imprisonment as an acceptable occupational hazard. Over the next months, I refused to engage in behaviour that I had considered immoral and was relieved to see that research participants accepted me even though I did not do everything the way they did (Whyte (1955)). Such refusals were accepted by others

as risk reduction strategies (for themselves) or interpreted as personal idiosyncrasies.

The ways in which the other research participants evaluated my risk potential was very important data. Their constant evaluations of me as a changing notion of risk and danger (Westmarland 2000) offered not only greater insights into the process, but acted also as veritable benchmarks in my “rite of passage” (van Gennep 1960). In the above example, I thought my act was unethical, immoral, illegal and anticipated immediate punishment from the justice system. For the local entrepreneurs these practices were normal courses of action in everyday affairs, “the world of daily life known in common with others and with others taken for granted” (Garfinkel 1984:35). My performance, however, had alerted them to my social incompetence which had potential impact on their reputation; suddenly I was ‘high threat’, but the label changed over time. For example, at the beginning of the fieldwork, my constant reminders of risk in everyday routines were dismissed with a laugh: “*You are naïve! Nobody cares! Everybody does it!*” At later stages, the same questions provoked intense brainstorming sessions with several specialists.

#### **2.4.2. Emotional risks**

The emotional risks were unanticipated, multiple and revealing. This ethnography, with its emerging research design, found me completely unprepared for the emotional carousel on which I found myself once in the field. In hindsight, it seems obvious that my ambiguous position, my nativity, the distance from the nature of work and my position as a junior researcher would generate tensions between involvement, comfort and identification.

I thought that conducting research at home, supported by friends and family would smooth my way into academia. Contrary to my expectations, mixing research, business and family introduced a monetary dimension into my personal life, contaminating otherwise clear relationships. When a close friend got upset because he did not get what he considered his legitimate share of a deal, I started to think more carefully about my expectations and taken for granted attitudes. Doing the business revealed a whole new dimension of my inner circle – one of savage

entrepreneurship that functioned with different emotional rules. If not all research relations lead to friendship as Letherby (2000) remarked, then “*not all friends remain friends when doing business together*” (P, entrepreneur).

Such discoveries might have been good data, but I felt uncomfortable because of the distance between what I truly felt, what I thought I ought to have felt and what I could convey to the others (Ryan-Flood and Gill 2009). Despite moments of excitement, I never liked the shady dealings, the practices or how people changed when ‘talking *biznis*’. These constituents of entrepreneurial subjectivity, as well as nonverbal codes and their complex relations with the practices involved careful boundary maintenance for me as serious ethical doubts were mounting up. Ironically, I ended up resembling a ‘stranger within’, as I have never gone native in the business area, despite being a firm owner for a year. This difficultly acquired, emotionally draining position of ‘stranger within’ was the most valuable for the research. It effectively went beyond the classical insider-outsider dichotomist position (Atkinson 2007) suggesting a fluid identity, shaped under very particular circumstances. Writing from this position meant putting forward a care-full account of the EU funding process that did not take the usual corrective stand of the legal/moral discourse, but placed EU funding along the local entrepreneurial lines of action.

#### **2.4.3. Reliability and validity**

Even reflexive accounts of highly personal ethnographies cannot avoid the ‘objective’ methodological benchmarks that assess the scientific nature of any research. The following paragraphs discuss issues of sampling, representativeness, validity, reliability, generalizability and the comparative potential of this study.

Unlike most ethnographies, this research is based on an atypical mix of methods that encompassed secondary data analysis, media reviews, interviews and participant observation, all of which were subsumed to the ethnographic enterprise. By triangulating the data, I increased the validity and reliability (Bauer and Gaskell 2000) of this research while making this account representative of the Romanian context. While using mixed methods I was careful to respect the methodological

recommendations related to each and every one of them (Bauer and Gaskell 2000). For example, when conducting secondary data analysis, I had a holistic approach using all the information provided by public institutions; in conducting media reviews, I used simple random sampling to select materials related to EU funding within a period of time; while interviewing, my main sampling strategy was snowballing.

Beyond quantitative assessments of representativeness I was concerned to uncover the *typical* routines of accessing EU funding in Romania. Unsurprisingly, some of the practices described in this thesis are also part of the police nomenclature. Others are about to be formalised as criminal offences. In this sense, the research offers a contextualised view of the fluidity of legal/illegal frames of action that would be difficult to capture with quantitative means. The three categories of actors described are recognisable in everyday encounters, but are not mutually exclusive. It would not be uncommon to encounter a consultant who is also a bureaucrat and whose close relative has just obtained EU funding.

In order to introduce a comparative dimension to this research (which is difficult given that there are few other ethnographies of EU funding) I used two approaches:

1. I have compared EU funding with development aid (de Sardan 1995, Blundo et al. 2006), taking into account all the limitations related to the specifics of the regulatory framework;
2. With great reluctance, I have used quantitative studies that assess the impact of EU funding in other European countries – e.g. Poland (Nowak forthcoming). My reluctance was not only methodologically based, but also epistemologically informed. EU funding has different accession rules in various EU member states, is highly dependent on the economic growth and social stability.

Simplistic quantitative assessments which define a country as successful on the basis of size of funds accessed are examples of ‘irresponsible knowledge’. A point related to comparativeness is generalizability. It is hard to say if the results of this research can be generalised to other contexts (e.g. post-socialist economies) because each country negotiates its own funding rules within the European framework of anxieties (see Chapter 4 for a detailed discussion). For example, Romania and

Bulgaria, who joined EU in 2007, worked on different accession criteria to EU funds than earlier EU members. In turn, countries that negotiate their EU accession presently (e.g. Serbia, Ukraine) will probably face harsher criteria.

## ***2.5. Conclusion***

This chapter has put forward a transparent documentation of procedures, details of sampling (corpus construction) and ethical dilemmas of this research. Carrying out this ethnography was not an easy task, as the fieldwork was on the one hand “camouflaged by over-familiarity” (Hobbs and Wright 2006: x) and on the other hand, fraught with strangeness. However, the language competences and the common cultural background helped me integrate in a short time and not exoticise the research participants (Burawoy 1998). I have also tried to overcome ‘going native’ by triangulation and reflexivity of perspectives (Bauer and Gaskell 2000).

## Chapter 3

### Theoretical avenues for exploring the process of accessing EU funding

This chapter situates the process of accessing EU funding within a broad economic sociology framework by employing a mid-level instrument of analysis that explores three modes of coordination of social and economic life: markets, hierarchies and networks. It argues that EU funding is a hybrid space based on a plurality of coordinative mechanisms that aims to accommodate transnational regulations with vernacular practices. The chapter is divided in four sections. The first section discusses markets and hierarchies and emphasises the importance of networks in understanding the coordination of any social and economic process. The second part looks at the impact of law and regulation on the economic process, touching upon issues of transnational governance and development aid. The third part focuses on entrepreneurship and vernacular entrepreneurial culture by connecting insights from economic sociology and the sociology of work. Building on these links, the forth part turns to analyse the blurred boundaries between legal, informal and illegal economic activities linking economic sociology with sociology of deviance and criminology.

#### 3.1. *Coordinating economic and social life: markets, hierarchies and networks*

This section looks at *markets, hierarchies* and *networks* – which act as mapping devices that explain the organisation of contemporary social, economic and political life. This mid-level instrument of analysis explains not only domestic arrangements, but also international relationships between states and the impact of transnational regulations on domestic affairs and practices of doing business. The ‘*coordination of social life*’ means relating otherwise disparate activities (Thompson et al. 1991),

making them compatible and efficient, ordering (Weber [1922] 1968) various agents and agencies. The market, some argue (Hayek 1989), is the best way to achieve coordination via its ‘invisible hand’ (Smith 1826) of exchange and price system supported by self-interested, individually motivated individuals. Against this view, others (Weber [1922] 1968) contend that such ‘unconscious mechanisms’ should be replaced by administrative means that exercise overt control through hierarchies. Promoters of the network approach (Granovetter 1974) criticise the previous positions because they neglect the informal mechanisms that govern the cross-cutting chains of relatively independent networks of social, political and economic relationships. Despite the fact that the economic sociology literature presents them as alternative ways to achieve coordination, the section argues that markets, hierarchies and networks complement each other in order to transgress their individual limits.

### **3.1.1. Markets**

In the neoclassical version, markets bring together strangers in the act of exchange (Marshall 1936 in Thompson et al. 1991). This is a purely economic model of exchange where social or political goals are less important than economic goals. Polanyi (1954) argued that in the market, goods are commodities exchanged for profit according to the law of supply and demand that determine the price tag. In order to maximise their profit, decision-makers who are in possession of required information adapt their behaviour to the price. The markets are characterised by ‘perfect competition’ (large number of buyers and sellers with no direct control of the prices) and a Pareto type of equilibrium (for every person that is better off, another participant to the market must be worse off). By contrast, the neo-Austrian school (Krizner 1973) puts forward a dynamic understanding of the market as a process characterised by disequilibrium, emphasising its competitive nature. In this view, the situation of monopoly is not necessarily wrong as it results from past successful entrepreneurial initiatives fostered by dynamic competition. The imbalances created by price disequilibrium are considered transitory, soon to be regulated through the free market process of ‘creative destruction’ (Schumpeter 1942).

This debate introduces essential concerns that influence a key issue for this thesis: *profitability*. Prices and costs determine the profit of any economic activity, ensuring that an enterprise can reproduce itself financially. The supreme advantage of the price system allows for ‘consumer sovereignty’ which lies at the foundation of the market. Prices act as a signalling device that suits a decentralised decision-making environment, potentially harmonising any conflicts so that *all* could benefit. If the market allows for competition, the price is determined by the interaction of buyers and sellers, thus “the price is set *by* or *in* the market” (Thompson et al. 1991:7). In a monopoly, the dominant agent sets the prices because “the monopoly *is* the market” (Thompson et al. 1991:7). Between the two extremes there are a number of monopolistic or oligopolistic situations of competition in which large enough agents have some influence over market prices.

Profitability, however, is not only defined by an enterprise’s pricing strategy, but also by its investment strategies and its relationship with government agencies through grants, subsidies or government procurement contracts. An interesting combination of markets and hierarchies are the ‘quasi-markets’ in which a market model is applied *within* an organisation. For example, in the UK, the NHS has been transformed in the past decades in order to coordinate better its internal activity, increase its productivity and service quality, maintaining a low price for a publicly provided service (Mullen 1990). The market model has been extremely appealing for designing *new markets*, like the European Union market. Remnants of the neoclassical paradigm can be traced in the design of EU funding.

Sociological and anthropological accounts have pleaded for a more nuanced approach to markets arguing that economic activity is embedded in social activity (Granovetter 1973, Hart 2000, Thrift 2001). Moreover, each market and marketplace has its specific cultural logics, processes and representations which are sustained and reinforced by social relations (Granovetter 1973). Baker (1981) advocated for a middle range theory of markets-as-networks, showing that markets were not homogeneous beings, but socially constructed. “Since ‘market’ is typically assumed, not studied, economic analysis implicitly characterises the ‘market’ as a ‘featureless plane’” (1981:211 in Swedberg 2005:247). White’s model (1970) contrasts markets with networks testing the concept of ‘vacancy chains’- when a

person gets a new job, a vacancy is created which has to be filled, thus creating a new vacancy and so on. The most successful application of network analysis so far is Granovetter's (1973) study of the social mechanisms through which people find employment. He wanted to know if the economists were right in assuming that the labour market allowed for free circulation of information that reached all participants. His results showed that 56% of the people got their job through contacts, 18.8% through direct application and 18% through formal means. Granovetter concluded that "perfect labour markets exist only in textbooks" (1974:25) and the economists' idea of a rational job search is not validated empirically. An interesting add to the literature is Brian Uzzi's contribution (1997) which draws on ethnographic material collected from twenty firms in the apparel industry in New York. He found that firms tended to distinguish between "market relationships" – the embodiment of standard economic analysis- and "close or special relationships" – which reflect Granovetter's embeddedness. He concluded that successful businesses strived to achieve a balance in their interactions between market and embedded ties reaching for an "integrated network". This strand of literature is a good starting point for discussing the way in which EU funding, as an economic activity, is shaped by context.

### **3.1.2. Hierarchies**

Markets usually stand in stark opposition to hierarchies. According to Weber ([1922] 1968) bureaucratic rationality is a modern way of introducing order into the world through systematic administrative control characterised by specialisation of functions, hierarchical authority and progressive breaking down of complex tasks in order to ensure coordination according to a fixed set of rules. Administrating an internal hierarchy involves particular practices made available through edicts, orders, statutes and specialised techniques designed to 'govern' which means exercise power and authority.

The literature regarding public administration and bureaucratic spirit (Selznick 1949, Du Gay 2000, Gouldner 1964) shows that bureaucracies are inefficient due to inflexible decision-taking mechanisms (Merton 1957), civil servants' lack of initiative and goal displacement (Gouldner 1964) or insensitivity to public opinion

(Du Gay 2000). Survival in this environment equates with internalising its norms, ethics and aspirations through self-adaptation (Benveniste 1977). The main advantage of the hierarchical modes of coordination (Jaques 1990) is consistency of decision-taking achieved through the implementation of a clear set of rules which reduces discretion, increases accountability and allows for large scale tasks to be coordinated. Douglas North (1981) added to this analysis by suggesting that institutions can be defined as rules on which organisations play. This strand of literature that analyses internal hierarchies is useful for uncovering the internal workings of EU funding bureaucratic system in Romania.

External hierarchical coordination refers to the relationships between different organisational units (Thompson et al.1991), which may involve nation states, the EU or transnational corporations. At a macro level, central planning common to Soviet Union and Eastern Europe from late 1940 until the early 1990s was a 'consciously' managed, rigidly organised coordination mechanism based on a predetermined assessment of population needs and demands which shaped production and excluded market competition. The post-war Western economic development took the form of 'indicative planning' (Sartori 1987) which enhanced a dialogue between the state and the private sector in order to ensure the growth of the economy as whole, without altering the ownership structure. Another form of macroeconomic coordination is 'semi-hierarchical planning' which essentially requires the government to be the major decision factor and influence the private sector through fiscal and monetary policies (Sartori 1987). All these forms of external hierarchical control are rather attempts to regulate the market systems and for this reason important additions to the conceptualisation of EU funding.

Governments also have a series of techniques for ensuring coordination at lower levels – e.g., nationalisation, regulation, and subsidisation. When previously nationalised industries that have been dismantled and privatised turned into private monopolies, governments put forward new sets of regulatory devices to control the pricing and protect the consumers from potentially undesirable effects of the market changes. Alternatively, previously unregulated arenas of economic activity have been regulated in order to protect consumers. Through subsidisation, governments direct economic resources into areas that are beneficial to society but lack

investments from the private sector, thus creating a form of ‘state capitalism’ (Bremmer 2010, Aligica and Tarko 2012). These two mechanisms are essential for understanding the process of accessing EU funding. As detailed in Chapter 5, the design of EU funding is highly regulated, while being presented as a subsidy – thus making this area a new, hybrid form of intervention designed by transnational regulatory bodies and implemented by national governments. When EU funded projects are used to enhance the political legitimacy of the local or national governments and increase their financial capital, one can talk about ‘*capitalism per banii UE*’ [‘transnational/EU funded capitalism’ – Chapter 8].

The dichotomous view of markets and hierarchies (Coase 1937, Williamson 1975) emphasises the sharp boundaries of firms seen as “islands of planned coordination in a sea of market relations” (Richardson 1972 in Powell 1990:266). In response to the empirical evidence that documents patterns of change rejecting the vertical integration thesis *and* the arm length’s market contracting, scholars introduced the idea of continuum market transactions (Thompson et al.1991). This view situates market transactions at one pole and highly centralised organisations at the other, with a range of hybrid forms in between, thus implying that the market would be the basic form of exchange from which all other methods would evolve. Anthropological and historical evidence contradicts this assumption. Finley (1973) shows that the market, in a modern sense did not exist in the classical world and that economic activities emerged out of a dense web of political, religious and social interactions and affiliations. Thompson (1971) described the ‘moral economy’ as a system of symbolic expectations surrounding eighteenth century British marketplaces, while Agnew (1986) documented the highly hierarchical, symbolic and personal nature of the medieval England marketplaces. The modern understanding of the market, as a timeless and boundless arena of buying and selling, thus separated from the marketplace, only penetrated the British educated class around the end of the eighteenth century (Agnew 1986). Similarly, hierarchies are not the endpoint of economic evolution, as proven by Braudel (1979) and Polanyi (1954). The history of modern commerce is recounted through family businesses, cartels, guilds, essentially all enterprises with highly permeable boundaries.

### 3.1.3. Networks

A third mode of coordination of social and economic activity is represented by the network, interpreted here as a flexible entity, a source and resource for information and capital (Callon 1998). Networks are highly positive social arrangements that lubricate the coordination of social life through social relations based on cooperation, loyalty and trust (Lorenz 1989). A new trend derived from the uncertainty associated with technological developments and economic conditions of modern markets has been the dis-integration of big corporations that tend to concentrate on core activities and outsource the rest. Divesting peripheral activities created new networks of small and medium sized enterprises that act as subcontractors for the main business (Lorenz 1989). These new developments enhance network-based coordination mechanisms of economic activity because the new small enterprises do not return to a market model based on price competition while the relationship with the big corporation is also not conducted on the basis of hierarchical administrative relations.

Networks are looked upon with suspicion because they are associated with informality and illegality, which impact negatively on formal accountability mechanisms. Corruption, for example, can be one of the most potent mechanisms of coordination in social and economic life (Humphrey 2002, Ledeneva 1998, Wedel 1986, Yang 1994). As fluid, highly adaptable entities, strengthened by kinship, ethnicity, social proximity and economic affairs, networks are most suitable for illegal partnerships (Hobbs 2013). Hierarchies are discarded in favour of fluid networked models which “make it harder for law enforcement to infiltrate, disrupt and dismantle. Many organised crime groups opportunistically form around specific short term schemes and may outsource portions of their operations rather than keeping it all in house” (Bjelopera and Finklea 2010:1 in Ruggiero 2013). This favours the establishment of “dirty economies and fuzzy business careers” (Ruggiero 2013) where licit and illicit operations are simultaneously carried out.

Despite its negative connotations, the network model has come to shape the modern understanding of coordination mechanisms. Social and political scientists (Alvesson and Thompson 2005, Reed 2005) talk about post-bureaucratic organisations which

are described as ‘networked’ (Castells 1996), ‘entrepreneurial’ or ‘market-led’, manipulated by corporate cultures featuring organic or indirect forms of control. The post-modern factory (Drucker 1992) has changed from a traditional battleship to a flotilla “a set of modules centred around stages in the production process or closely related operations”. The network enterprise (Castells 1996) uses flexible rather than mass production through horizontal integration with other corporations. Cascio (2000) describes virtual organisations as post-bureaucratic forms of coordination in which people are not physically located in the same place but cooperate with management and co-workers in a virtual workplace. However, these new forms of post-bureaucratic arrangements do not announce the premature death of bureaucratic organisation (Alvesson and Thompson 2005) – rather they emphasise that contemporary changes are hybrid forms of traditional hierarchical organisational principles, which rejuvenate rather than supersede bureaucracy (Courpasson and Clegg 2006). This argument applies to public management. For example (Farrell and Morris 2003) show that increased ‘marketisation’ of public services leads to the emergence of a ‘bureaucratised market form’ or ‘neo-bureaucracy’ which is a simultaneously centralised and decentralised hierarchical forms of coordination.

### 3.1.4. Hybrid orders of coordination

How can the three models explain complex patterns of coordination and interaction of social and economic life? Table 3.1 (Powell 1990) summarises some of the key differences between the three models by looking at seven categories.

Key features	Forms		
	Markets	Hierarchies	Networks
Normative basis	Contract-property rights	Employment relationship	Complementary strengths
Means of communication	Prices	Routines	Relational
Methods of conflict resolution	Haggling – resort to courts for enforcement	Administrative fiat – supervision	Norm of reciprocity – reputational concerns
Degree of flexibility	High	Low	Medium
Amount of commitment among parties	Low	Medium to high	Medium to high
Tone or climate	Precision and/or Suspicion	Formal, bureaucratic	Open-ended, mutual benefits
Actor preferences or choices	Independent	Dependent	Interdependent
Mixing of forms	Repeat transactions (Geertz 1978)	Informal organisation (Dalton 1957)	Status hierarchies
	Contracts as hierarchical documents (Stinchcombe 1985)	Market-like features: profit centres, transfer pricing (Eccles 1985)	Multiple partners Formal rules

Table 3.1: Stylised comparison of forms of economic organisation

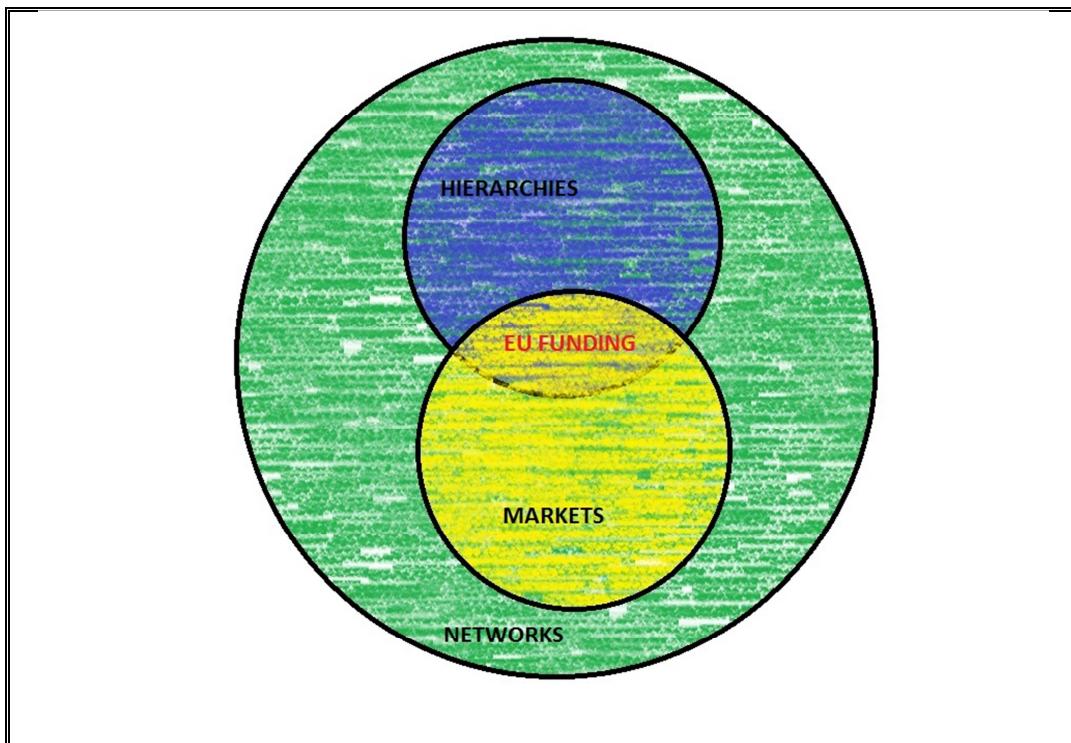
Source: Powell (1990) in Thompson et al.(1991)

By comparing and contrasting *markets*, *hierarchies* and *networks*, Powell (1990) shows that the process of exchange is shaped differently in each model: in market transactions the goods are clearly specified in agreements based not on mutual trust, but on legal contracts; in hierarchies, it is shaped by concerns for career mobility, a history of previous interactions and detailed information about the other party; network-based exchanges entail indefinite transactions within the general pattern of interactions, using normative rather than legal mechanisms of enforcement, creating indebtedness and reliance rather than immediate one-off interactions. In markets, communication is conducted through prices, in hierarchies through regulations and in networks through relations. Kaneko and Imai (1987 in Powell 1990) show that information obtained from network contacts is ‘thicker’ than obtained on the market

and ‘freer’ than obtained from bureaucracy, which makes networks in particular adapt for exchanges that are not easily measured and priced (e.g., know-how, technological abilities, spirit of experimentation).

Central to the issue of network-exchange is the concept of reciprocity, typically discussed by the sociological and anthropological literature in the form of indebtedness. Mauss (1925) showed that the obligations to give, return and receive did not only involve rational calculations - they carried cultural understandings of the implications involved in the act of exchange. Sahlins (1972) regarded indebtedness as a measure of imbalance that sustained social partnerships and interactions, by compelling further meetings, thus connecting the parties in the future. In the game theoretical literature, reciprocity was proven to enhance individual interests through cooperation (Axelrod 1984, Keohane 1986). In the neoclassical understanding, markets ensure a high degree of flexibility, through the anonymity of encounters (Callon 1998), while bureaucratic arrangements and network-based interactions are restricted by administrative or social norms. Networks essentially create interdependencies through embeddedness with social and cultural settings, while markets tend to disembed actors.

Powell’s typology is most useful for understanding the differences between *markets, hierarchies and networks*, as *ideal-types* (Weber [1992] 1968), but it hardly captures the complexity of contemporary social and economic arrangements. Admittedly, in the last row of his table, he acknowledges the existence of mixed forms of coordination, citing a range of anthropological and sociological studies that essentially document the messiness of social arrangements. This thesis starts exactly where Powell ends, building on the observation that modern life is not easily convertible into categories and typologies due to its chaotic and unpredictable nature (Hobbs 2013, Ruggiero 1996). Instead of assuming *stability* as Powell did, I employ *change* as the dependent variable, thus discussing EU funding as space that allows for a plurality of coordinative mechanisms rather than their mutual exclusivity. Broadly, the network provides the overarching model of analysis due to its flexible nature, as shown in Figure 3.1.



**Figure 3.1: The coordination of economic and social life.**

### **3.2. Governing through economics: The role of transnational governance in coordinating social and economic life**

The role of the state for the economy has been conceptualised within economic sociology by Neil Fligstein (1996, 2001) through “Markets as Politics” and “Architecture of Markets”. “I view the formation of markets as part of state-formation” (1996:657) he argued, showing that the state constructs markets through property rights, governance structures and rules of exchange. In relationship to the role of conflict in the market, Fligstein argued that modern states would regulate competition in order to secure the *stability* of markets. Once in place, these structures would influence the future economic development of the country, ensuring that governance rules stabilise the market for the largest firms. The state can not only create the market in structural terms as Fligstein (1996, 2001) remarked, but also in very direct ways. Hidden exchanges between entrepreneurs and politicians presented as *lobbying* are the rule of thumb in many advanced

democracies. Caldwell (2005) showed entrepreneurs ‘invest’ in political campaigns and are later rewarded by contracts, purchasing commitments or seats in the House of Lords. Syal and Ball (2011) discovered that nearly one in five staff pass-holders in the House of Lords is involved in lobbying. These arguments found support in the work of Bourdieu (1997) – “Principles of Economic Anthropology” – who conceptualised market as part of a field which in turn influenced its dynamics. His starting point was that economic life resulted from the encounter between actors with special dispositions (*habitus*) in the economic field. The structure of the field consisted of power relations maintained through various forms of capital (e.g., financial, technological, social, and symbolic). The economic field was dominated by struggles, but also influenced by what happened outside the field, especially at the state level.

States influence the workings of human activity in the economic and social arenas through laws and regulations. Sociological inquiries in this area have tried to establish to what extent legality constitutes “actual determinants of human behaviour” (Weber [1922] 1968:312). From this perspective, law is connected to the notion of *order*, which in turn is essential for a society and the well-functioning of any economic activity. “An order will be called...*law* if it is externally guaranteed by the probability that physical or psychological coercion will be applied by a *staff* of people in order to bring about compliance or avenge violation” (Weber [1922] 1968:34). Weber takes his argument further in the theory of legitimisation showing that duration in time is crucial for the concept of order and that political order is more likely to last if people find it legitimate. However, the “legal order of legal theory has nothing directly to do with the world of real economic conduct, since both exist on different levels. One exists in the realm of the *ought*, while the other deals with the world of the *is*.” (Weber [1922] 1968:312).

In this way, *the analysis of economic initiative in relationship to law intersects with the sociology of deviance* (Merton 1938, Hobbs 2013). The strain theory (Merton 1938) argues that anomie and deviance are the result of a disjunction between cultural goals and institutionalised means to achieve them. In order to adapt, people face five options: innovation, conformity, ritualism, retreatism and rebellion.

Innovation, in the economic initiative as well as in deviance, starts with accepting the cultural goals irrespective of the drastic or illegitimate means that it might require. In the face of difficulties and uncertainties prompted by the economic environment, actors experiment by developing alternative, sometimes illicit strategies that through habituation and custom come to be morally approved by their close environment (Roth 1978). Gouldner (1964) talked about a form of institutionalised deviance through the concept of ‘mock bureaucracies’ in which the governing rules are generally known and ignored. In these settings deviation from the rules is status enhancing. The tensions between ‘normative order’ and ‘factual order’ (Parsons 1982) can lead to operative crime (Ruggiero 2007), but this is not necessarily bad, as it can promote the change of official rules that have been proven unsatisfactory. Dalton’s study of organisations (1959) describes a very fluid environment based on shifting alliances, pursuit of narrow interests, a climate of struggle and antagonism for the regular organisational activities. The cliques and conflicts that surround the organisational life are hidden from outsiders, “scrupulously and skilfully camouflaged so that the resulting policies appear to be in harmony with the official ideology of the organisation” (Mouzelis 1967:59). Instrumental use of policies is used to legitimise the organisation in the eyes of the surroundings through “legalisation of the workplace” (Edelman 1992) while accommodating managerial interests.

As interesting development of this line of argument is the case of whistle-blowing, or what happens when an employee decides to expose the employer for unlawful/unethical behaviour (Alford 2001, Rothschild and Miethe 1999). Loyalty to the organisation and camouflaging conflicts could be turned around against the whistle-blower. For example, most former communist countries have institutionalised whistle-blowing as part of their international commitments to ‘fight corruption’ and incentivised it through financial rewards. In practice, money is rarely cashed, because the prize is conditioned by a definite conviction for corruption (Bratu 2013). By creating the whistle-blowing institution, states promote the anti-corruption legislation and “mediate the impact of law on society by helping to construct the meaning of compliance” (Edelman 1992:1557).

### **3.2.1. Transnational regulations: development aid and crime narratives**

So far, the discussion has focused on the role of law and state and their impact on the economic process. However, EU funding as an economic process is not only a product of the national and micro-level interactions, but also the result of transnational governance. Designed in Brussels through direct negotiations with individual states, taking into account international interests and corporate assessments, EU funding fuses together different traditions of civil service under the notion of ‘supranationalism’ (Tsebelis and Garrett 2001). This section looks at new technologies of governing promoted in relationship to development, Europeanisation and international aid. It shows that in governing aid flows, the theme of development through foreign funding has metamorphosed into the theme of crime through corruption and violence narratives.

The current debates about foreign aid essentially boil down to one question: has the developed world provided enough financial support to help others out of poverty? The answer is crucially linked to the role that corruption and violence play in the impoverishment of nations. Sachs (2005), as a tireless campaigner for more international development assistance, argues that corruption and violence are symptoms of poverty that could be cured through financial aid thus ensuring the countries in need jump-start economic growth. “The wealth of the rich world...makes the end of poverty a realistic probability by the year 2025” (Sachs 2005 in Fishman and Miguel 2010:11). Easterly (2006) holds the opposing view: he contends that advanced states are spending too much on foreign aid already. The trillions of US dollars spent so far have not helped the poor, but have been spent on grandiose, centrally planned projects (e.g., hydroelectric dams, four-lane highways) in countries that lacked the capacity to oversee them. The countries receiving aid should be well governed (e.g., strong institutions, powerful civil society, free media) *and* supervised by other agencies in order to ensure that the money reaches the poor. Meanwhile, Easterly argued, aid initiatives should focus on small-scale entrepreneurs, who are the capable “Searchers”, to find solutions for local problems (Easterly 2006).

Recently, international development has widened its scope to incorporate not only quantified development (poverty reduction) but also donors’ ideas about social and

cultural intervention (Easterly 2006). The modern concept of good governance includes political pluralism and prudent fiscal policies as *sine qua non* pre-requirements of poverty reduction. Thus, foreign aid is conditioned by institutional redesign at central and local levels, driving the implementation of new technologies of government as part of a ‘modernisation’ process. In this context, the anti-corruption agenda plays a major role, aiming at restraining bureaucratic discretion and strengthening external oversight, through a credible, apolitical monitoring system (Rose-Ackerman 1999; Klitgaard 1988). The new agencies created (e.g., auditing agencies and integrity organisations) as part of an anti-corruption movement are embedded in a broader system of checks and balances where effectiveness depends on the separation of political powers. Thus the *dynamics of corruption rhetoric and anti-corruption practices are part of a wider political economic context whose relevance is critical for the understanding of EU funding*.

Anthropology and sociology of social change see development aid as a vehicle of change (Hart 2000, Blundo 2006) despite the lack of congruence between development policies and their effects (de Sardan 2005). These accounts offer grass roots knowledge about the impact and internalisation of development agents and institutions and point to their (in)effectiveness. In discussing the (un)anticipated consequences of the ‘development and growth’ process, anthropologists analyse multicultural encounters between developers and developees, deployed in the language of socio-cultural logics, brokerage, ‘popular technical knowledge’ (Hart 2000, de Sardan 2005, Blundo 2006). Even though the bulk of the research relies on African studies, the implications go beyond this continent.

A critical stand suggests that development models are doomed to fail given the gap between the nature of the intervention (which is usually disconnected from the history and inadequate to local social needs) and everyday realities (Escobar 1991, Scott 1997). In this sense, development models are a form of colonialism with institutional and ideological effects, that impose social hierarchies (developer over the ‘to be developed’) and rankings of knowledge (scientific over indigenous). Ethnographic literature (Harrison 2010) shows that corruption is potentially the outcome of development in postcolonial Africa leading to the spread of an ‘assistantialist’ culture (de Sardan 1999, Blundo et al. 2006). High levels of

perception are not associated with real practices of corruption (Parry 2000), but excessive concern for this topic becomes a pessimistic reflection of development policies. Eastern Europe displays similar trends (Torsello 2012), but here anti-corruption organisations have flourished through foreign aid and funding leading to an anti-corruption industry (Bryane 2009). Ethnographic work focusing on India shows how excessive anti-corruption rhetoric can mask real needs for local and national interventions, including Non-governmental Organisation (NGO) activities to counter ‘corruption flagella’ (Tanzi 1998). It is no accident that several political careers were made and broken by the use of (anti)corruption narratives (Bratu 2013, Torsello 2012).

A development project always claims to be coherent and makes use of specific rhetoric devices to portray it. Coherence can be found at four different levels: compliance with the technical model, compatibility with the national policy, conformity with the donors’ norms and internal coherence of the project (de Sardan 2005). The ‘language of the project’ is a constant work of translation which is within the job description of skilled consultants (who have to transpose policy goals into practical interventions and vice versa).

In relation to the practices of mediation and inter-mediation, development literature brings forward the concept of corruption. In Africa, corruption was discussed in terms of the patron-client model and network analysis (Boissevain 1974, Medard 1986, Bayart 1993, Medard 1997) and was traditionally entangled in the neo-patrimonialism and ‘the politics of the belly’ (Medard 1997). Given the blurred boundaries between public and private spheres and the positive value attached to this practice, scholars emphasised public office as a source of constant legal and illegal income (Hart 2000). Postcolonial and post-communist societies present ‘striking similarities’ (Sajo 1998) in the sense that in both systems corruption is portrayed as a structural problem deriving from clientelist practices which are not incidental and isolated happenings, but a social phenomenon (Mungiu-Pippidi 2013). Given the importance attached to corruption by transnational organisations and locals, the next section gives a wide theoretical framework for understanding corruption.

### **3.2.2. Through the lens of corruption**

The definition of corruption reflects its ambiguity, the lack of consensus among academics, policy makers, civil society, control and enforcement actors. Heidenheimer (1970) argued that three key concepts organise the debates: public opinion, public interest or public office. Public opinion centred definitions focus on the public's understanding of corruption (Scott 1972), thus turning public opinion into both the source and the judge of corruption. Public interest definitions suggest that through corruption, the public's interest is violated in favour of a small group (Friedrich 1972). Criticised for their vagueness (Rose-Ackerman 1999), the concepts of public interest and public opinion were found unsuitable for policy purposes, rendering corruption 'un-measurable'. Definitions centred on public office (Myrdal 1968, Nye 1967) focus on the distinction between public and private and the misuse of public power. This view was quickly adopted by international organisations – i.e. World Bank (WB), International Monetary Fund (IMF), Transparency International (TI), who define corruption as the abuse of public power for private gain. This view was widely legitimised by Transparency International through its Corruption Perception Index (Galtung 1998). The idea that corruption could be measured - countries could be ranked according to an index - was so appealing to the international community that this index became a powerful advocacy tool, despite its methodological shortcomings (TI 2010). In this way, the conventional paradigm of corruption started to dominate international debates at the end of the 1990s on the basis of three main assumptions: corruption could be defined, measured and changed (Ledeneva 2013). Recent scholarship (Brayane 2009, Krastev 2004, Ledeneva 2013) describes a massive failure of the conventional paradigm showing that:

1. The present definition of corruption assumes a clear distinction between public and private spheres which is difficult to document empirically (Ledeneva 1998, Torsello 2011);
2. Contemporary measurement tools account only for the perception of corruption, providing little evidence about experiences;
3. Anti-corruption policies implemented on the basis of current research methodologies have either failed, or the present research instruments are incapable of capturing the nature and scope of reforms.

Sociological and anthropological studies (Blundon 2006, Haller 2005, Ledeneva 1998, de Sardan 1999, 2005, Wedel 1986, 1998, Yang 1994) have traditionally focused on the deep structure of corruption, emphasising that it is a mechanism that conceptualises the state in everyday encounters by humanising bureaucracy (Gupta 1995). They show that cultural specificity is essential for understanding the socio-cultural logics of action, especially gift giving and the workings of solidarity networks (Yang 1994, Ledeneva 1998, de Sardan 1999). Research on gift exchange (Malinowski 1922, Mauss 1925, Bourdieu 1977, Yang 1994, Ledeneva 1998) has shown that the practice of gift giving is a compulsory pattern of response in certain contexts, both an art and a necessity of everyday activities, encompassing both gift and favour exchanges (Wedel 1986, Yang 1994, Ledeneva 1998). The logic of solidarity networks reflects a web of mutual assistance entangled in social relations and obligations. The role of the networks is to provide support, act as a safety nets or buffers between the individual and the state, offering information and translation of bureaucratic practices (Wedel 1986, 1998). An expanded network is also a sign of increased social capital (Wedel 1986). The existence of networks and favours exchange is acknowledged in language – *guanxi* – China (Yang 1994), *blat* – Russia (Ledeneva 1998), but any exchange is disguised in the ‘language of help’, thus making these transactions morally superior to corruption. However it is a too fine line between *blat* and corruption, impossible to detect empirically and embedded in the narratives of justification. In the context of transition to the market economy it is argued that these traditional practices have been transformed in corruption and this transformation is read as a moral decay of the society (Ledeneva 1998).

Recent contributions from the anthropology of corruption document a departure from the Weberian model of bureaucracy (Anders and Nuijten 2009, Pardo 2004, Sharma and Gupta 2006). In “The secret of law” Anders and Nuijten (2009) stress that in order to understand corruption researchers should move away from the Western dichotomist view of public-private/state-society that leaves no room for positive ethnographic contributions. Similarly, Pardo (2004) argues that the legal conceptualisation of corruption is marked by inherent ambiguities due to cultural particularism. He recommends analysing morality as a space in which ideas of legality and illegality collide with universal values. Alternatively, he suggests focusing on the role of state who “through institutional blindness can allow the

interests of the elites” (Pardo 2004:6). In this case, the state is an active agent rendering more opaque the borders of legality, exploited by power elites who, through law, give significance to and legitimise corruption. A key anthropological finding is the discursive power of corruption. Haller and Shore (2006) focused on practices that make corruption a semantic of governance, thus suggesting that it is a common way to make sense of politics. Torsello (2012) described how environmental movements used corruption talk (allegations or facts) to frame their protests and communicate with the wider public. This strategy builds on the generalised public talk sustained by media reports and locals’ high levels of perceived corruption.

Such an approach turns the gaze to a classical sociological concept – the *definition of the situation*, which in this case is conducted through discursive means. W.I. Thomas (1923) stated that a social situation *is* what the participants define it to be. In other words, reality is a matter of definition. Social situations are not only defined in the present, but also shaped by past experiences (Schutz 1974). The past can be made malleable through biographical reinterpretation and dialogue, as in the communist countries that continually rewrote their history books to create a heroic past (Light 2010, Zajda and Zajda 2003). Through language, new meanings are assigned to old facts, which in turn become ‘institutions’ (Berger and Luckman 1966), thus gaining the social recognition of ‘permanent’ solutions to ‘permanent’ problems.

This constructionist view further developed into a full theory by Berger and Luckman (1966) has been instrumentally employed to shed light on contemporary anxieties typically portrayed using vocabularies of crime (e.g., mugging (Hall et al.1978)). In discussing organised crime, Hobbs (2013) argues that this is a socially constructed phenomenon, “exported [from North America] like a criminal justice version of Starbucks” (2013:12), while its perception is highly influenced by a particular understanding of globalisation linked with “the expansion of illegal economic activities and its cosmopolitan associations” (2013:12). Hobbs goes further to show that contemporary understandings of organised crime are based on stereotypes, recollections and reinterpretations of the past. In the same fashion, this thesis employs a constructionist view of corruption defining it as a rebranding

mechanism – it creates new labels for vernacular ways of doing things, changing the meanings associated with contemporary entrepreneurial practices or reporting the present in a language compatible with global anxieties.

### ***3.3. Entrepreneurship as work***

Entrepreneurship is a key concept in understanding what drives *change* in the modern economy (Krizner 1997, Schumpeter 1942). Coined by Schumpeter (1912, 1942), the concept of entrepreneur was subsequently invested with different meanings according to disciplinary needs. Political scientists (Schneider and Teske 1992) use it to denote an individual who changes the direction of politics; anthropologists (Wong 1998) working on migration describe entrepreneurship as a response to blocked opportunities; criminologists (Ruggiero 1996) employ it to explain the particular dispositions that take people into criminality; sociologists (Hobbs 2013) uncovers it as a key characteristic of the modern urban environment linked to consumerism and hedonism. From a network analysis perspective (Burt 1992), entrepreneurship involves linking together various points from different networks that are in need of each other. The conventional sociological view refers to entrepreneurs as individuals who take the risk to found new organisations “which occurs as a context-dependent, social and economic process” (Thornton 1999:20).

For Schumpeter (1912, 1942) entrepreneurship was the engine of economic growth as it was based on a new combination of existing materials and forces resulting in introducing new goods and production methods, opening new markets, finding new sources of raw materials. Investing entrepreneurs with almost superpowers of charisma and leadership, he argued that entrepreneurship must be placed in its social and historical context, showing that “no one is an entrepreneur forever, only when he or she is actually doing the innovative activity” (Schumpeter 1942 in Swedberg 2000a:18). The innovative capacity is the key element that distinguishes between entrepreneurs and other actors more inclined to follow tradition, because it “incessantly revolutionizes the economic structure from *within*, incessantly destroying the old one, incessantly creating a new one. This process of ‘creative

destruction' is the essential fact about capitalism" (Schumpeter 1942:83). Disruptions generated by creative destruction are exploited by individuals well equipped to notice the emerging opportunities (Krizner 1997; Shane and Venkataraman 2000).

As opposed to Schumpeter, the neo-Austrian School describes entrepreneurs as constant searchers for low buys and high sells who establish equilibrium in the society through arbitrage (Krizner 1997). Baumol (1993) argued that depending on the social structure and context, entrepreneurship can be destructive as well as constructive. If Weber's ([1930] 1976) entrepreneurs were innovative but also self-restrained, in Schumpeter's view innovation and deviance go hand in hand in the economic process. As Ruggiero (1996) noticed, this view of entrepreneurship need not be applied only to law-abiding individuals linking Merton's theory of deviance (1957) to Schumpeterian concepts underpinning innovation. Deviants *ab initio* because of the very innovative practices employed through deviations from the norm, entrepreneurs force or bend the societal rules pushing the boundaries of acceptable behaviour. In doing so, they take risks – another key concept in the entrepreneurship theory – of loss due to the unpredictability of the environment. Risk and uncertainty define their social role of promoting work and the circulation of goods, which becomes functional for the entire society (Ruggiero 1996). The risks of the enterprise justify the unorthodox practices and redeem actors in the eyes of the community. If in Schumpeter's view, risk and uncertainty formed the basic conditions of individual entrepreneurial affairs, contemporary scholarship redefines risk as a potential social loss (Ruggiero 1996).

Sociological concern with entrepreneurship can be linked with three broad themes (Aldrich 2005): first, entrepreneurs both reproduce and challenge the existing social order by constructing organisations that are embedded in the social and cultural environments reflecting societal conditions under particular historical circumstances (Stinchcombe 1965); second, entrepreneurship ensures the reproduction of the existing population through incremental additions to the organisational landscape (Carroll and Hannan 2000) and generates new populations by carving out niches for new organisations (Aldrich and Fiol 1994); third, entrepreneurship impacts on the levels of stratifications and inequality by generating high levels of employment

volatility through job creation and destruction. For example, between 1992 and 1996, in the US 11.2 million net new jobs were created of which 70% were by new organisations (Birch 1997).

The literature distinguishes between several types of entrepreneurs, but of particular sociological interest in the past decade and also for this thesis have been start-ups (Alldrich 1994, 2005). The start-ups capture the chaotic and disordered flavour of the business-founding process or what Stinchcombe (1965) referred to as *the liability of newness*. *Nascent entrepreneurs* are individuals who initiate serious activities likely to culminate in a start-up or are giving ‘serious thought to a new business’ (Reynolds and White 1997) while engaged in at least one possible entrepreneurial activity (e.g., writing a business plan, looking for facilities, and acquiring know-how). Research on life course and entrepreneurship (Boeker 1988, Freeman 1983, Romanelli 1989) shows that first founding attempts are made in their late 30s or early 40s, as by then individuals would have accumulated enough work experience, financial resources (even though this variable does not seem to deter people) and the capacity to capitalise on knowledge and contacts gained in previous jobs (Becker 1993). Existing social networks provide the new entrepreneur with ideas about opportunities and sources of funding (Burton et al. 2002). In some cases, new owners can establish themselves in the same line of business, serving the same customers that they previously had while employed (Cooper 1986, Johanisson 1988). In other cases, the practices, identities and vocabularies promoted by an occupational subculture can be transferred to other settings (Van Maanen and Barley 1984) as in the case of former police officers who find employment in security agencies. Nascent entrepreneurs can capitalise on their ethnic belongings and social position as migrants, thus becoming *transnational entrepreneurs* (Portes et al. 2002). The traditional niche of ethnic migrants has been small shop-keeping, but recent research (Saxenian 2001) pointed out that highly skilled Chinese and Indian engineers from Silicon Valley have built transnational social and economic networks in their original countries. Actors with an interest in “particular institutional arrangements and ... leverage resources to create new institutions or to transform existing ones” (Maguire et al. 2004:657) are denoted by the concept of *institutional entrepreneurs*. DiMaggio (1988:14) argued that “new institutions arise when organised actors with sufficient resources see in them an opportunity to

realise interests that they value highly”, thus creating a “whole new system of meaning that ties the functioning of disparate sets of institutions together” (Garud et al. 2002:196).

In order to build up new business ventures, entrepreneurs rely on various forms of capital (Bourdieu 1997). Contrary to any expectations, *financial capital* is not a *sine qua non* requirement for entrepreneurs. According to the US Bureau of the Census (1997) the majority of owners required less than \$5000 to start their business and less than 1% required a million US\$. In Germany, higher capitalisation was required presumably due to tighter regulations (Albach 1983 in Aldrich 2005). Formal sources of financial capital encompass private funding and bank loans. Generally, banks are reluctant to lend money to start-ups due to their loss history. By categorising new businesses as ‘high risk’ bankers demand higher interests while conducting extensive background checks on the founders and thorough assessments of financial viability. Most entrepreneurs find such practices oppressive (De Meza and Southey 1996) and thus tend to rely on informal sources of capital. Unsure of how the market would react, they choose to start small, avoid borrowing and rely on their own savings and personal assets (Aldrich 2005). For nascent entrepreneurs who are not already in advantageous positions, high status brokers, with more social or financial resources, power or prestige can facilitate access to opportunities (Aldrich 2005).

*Cultural capital* (Bourdieu 1997) is directly linked to entrepreneurs’ capacity to secure cooperation, which in turn seems to be an essential feature for framing issues and communicating goals. Ruef et al. (2003) showed that half of new enterprises were set in partnerships, most likely in an attempt to share the risk and pool financial and social resources. Drawing outsiders into a project is based on entrepreneurial capacity to frame issues in a psychologically powerful manner (Gartner et al. 1992) which encourages other people to believe in their competence and trustworthiness. The rhetoric of ‘charisma’ from the classical literature (Schumpeter 1942) returns in the theoretical discussions of leadership – for example, Czarniawska-Joerges (1989:7) talks about how leaders have a “capacity to confer a convincing interpretation of reality, an attractive vision of possible future,

and a prescription of how to reach that vision”. Cultural capital can be connected with *social capital* for skilful individuals, enhancing their reputation, which then becomes a form of *symbolic capital*.

Cultural capital is a key variable in explaining which entrepreneurs mobilise the resources needed, directing the argument into issues related to gender. Research has shown that women own disproportionately small shares of business and are less likely to become nascent entrepreneurs (Reynolds and White 1997). Women’s enterprises tend to be small, concentrated in retail and service sectors (Baker et al. 1997). Historical explanations for this state of affairs invoke women’s underrepresentation in ownership, their exclusion from the business discussion networks (Carter et al 1996) and restricted access to government contacts and information (Lerner 1997). If women are not likely to occupy key positions in the financial business sectors, they are unlikely to have equal opportunities with men in becoming entrepreneurs (Rytina and Morgan 1982). However, recent research has shown that women are on the verge of breaking the ‘glass ceiling’ in employment relations, despite their overrepresentation in junior jobs.

### **3.3.1. New industries**

While Schumpeter raises the possibility that entrepreneurs could use their resources to create entirely new industries, it was Stinchcombe (1965) who offered a detailed sociological study of entrepreneurship in this area. He observes that “organisational forms and types have a history” (Stinchcombe 1965:153) being influenced by the social and historical context. The emergence of new organisational forms depends on three factors, he argues: technological innovation and social structural support for new developments, entrepreneurs’ access to power and wealth and the changing structure of labour markets. Thus, in establishing new industries workforce characteristics (e.g., level of skill and literacy), market forces (e.g., barriers to entry, density in a particular sector) and legal constraints (whether public or private/corporate) shape entrepreneurial outcomes (Suchman et al. 2001).

Neo-institutionalists (Aldrich and Fiol 1994, Fligstein 2001) develop this argument by showing that institutional factors also affect new industries. Organisational population growth depends on acquiring cognitive and socio-political legitimacy. In

the first instance, entrepreneurs need to create effective routines and competencies under conditions of ignorance, risk and uncertainty. Knowledge can be acquired through experimentation or creative recombination of existing models thus leading to *cognitive legitimacy* (Aldrich and Fiol 1994). The concept refers to the situation in which an activity/product becomes so familiar that people take it for granted and other participants on the market tend to reproduce it. In the second stage, entrepreneurs need to establish links with external environment which might not acknowledge their existence or utility. Gaining *socio-political legitimacy* involves *moral acceptance* by conforming to cultural norms and values and *regulatory acceptance* indicated by new laws passed to oversee an industry. Even though these processes start at organisational level, eventually they involve the wider community, the state and in some cases international agencies. If heterogeneous interests are involved, diverse social groups can be affected and mobilised and entrepreneurial efforts to gain legitimacy made more difficult (Lounsbury 2001). Institutional theory reintroduces agency, interests and power into the study of entrepreneurship showing that the emergence of novelty is not an easy and predictable process, but the result of struggles, conflict and political negotiations.

In an analysis of contemporary entrepreneurship in Romania, the importance of socialist heritage is undeniable (Humphrey 2002, Kaneff 2002, Verdery 2004). However, it is also important to acknowledge the impact of globalisation and contemporary capitalist processes as a counterbalance to path dependent theories (Burawoy 1999). The absence of business infrastructure, little private enterprise tradition and the hostile economic environment imposed the reorganisation of work (Johnson and Loveman 1995).

### **3.4. Work as entrepreneurship**

Sociology of work owes a great deal of its insights to Chicago School contributions. According to Everett C. Hughes (1971) modern people's identity is shaped by work, so what happens in the workplace has a strong impact on their lives, and is a reflection of wider societal influences. The richness of ethnographic material

produced by the American sociologists influenced three main areas: work and professions (Whyte 1943), informal relations at the workplace (Roy 1958) and work-related conflicts (Dalton 1959, Crozier 1964). Many of the findings and insights are still relevant. For example, White et al. (1970) showed that incentives played an ambiguous role on the production process: some individual workers were not affected, others responded but stopped at the level instituted by the group norm (“restricters”) and the third category (“rate busters”) went beyond the group norm. Nearly thirty years later Godard (2004) analysed the relationship between workplace practices and performance, concluding that there were no general ‘best practices’, only elements contingent upon the environment of the workplace (e.g., process of production, product, and labour markets). Donald Roy’s *‘Banana Time’* (1958) uncovered many of the everyday dramas at work. Thirty years later, following on Roy’s steps, Burawoy (1977) conducted his ethnography in the same Chicagoan factory showing that workers devised various ways to make the time pass. “Making out” had two aspects: being paid and finding something interesting to do.

Subsequent research in the Marxist tradition spanned the area of industrial sociology focusing on conflict at work (Beynon 1985), the political economy of industrial relations and the “labour process” (employees’ behaviour, employment relations and issues related to work design and organisation). The pursuit of capitalist interests was considered to shape deep conflicts between employees and employers, but the relationship has not proven straightforward. For example, accumulation of profit requires a certain degree of alignment between employer and worker interests in the workplace (Burawoy 1985), without directly determining patterns of control and resistance. One of the most famous contributions in this tradition is Braverman’s deskilling argument (1974); he stated that capitalism was associated with a trend towards deskilling, through routinising and mechanising of work tasks. The increasing specialisation of tasks on which the division of labour was based (Durkheim 1892) thus became disintegrative under the influence of technical and social factors.

Technology is a key dependent variable for explaining the process of accessing EU funding. A wide understanding of technology involves the tools, machines, control

devices as well as the principles, techniques and reasoning involved in carrying out the work tasks. It is no surprise that a range of social theorists have endowed technology with causal power (McLoughlin 1999), talking about the “iron hand of technology” (Kerr et al. 1973) or the “remorseless working of things” (Hill 1988). The tragedy of technology completely absorbs individuals into the technical properties of the system, leaving no alternative to the apparently intrinsic evolution of the industrial society. Conversely, technology was seen just as a necessary, but not sufficient condition for social change. Hobsbawm (1985) pointed out that in its early days, the Industrial Revolution was rather primitive; hence the motor of change was individual motivation rather than new knowledge. Following this line of argument, McKenzie and Wajcman (1999) speak about the “social shaping of technology” showing that a wide range of social factors and interests influence the emergence of any given technology.

Badham (2005) treats workplaces as “socio-technical configurations” defining them as “complex webs of human and non-human elements that are locally configured in context in the pursuit of formal and informal, explicit and implicit purposes and goals” (123). The proponents of actor-network theory (Latour 1987, 2005) abolish completely the division between human and non-human actors, arguing that the distinction between the natural and social world is a myth of modernisation; hence, machines, principles and people can be analysed as equivalent actors in a network of activities. Castells (1996) coined the term “information society” to describe the globalised dimension of change driven by the “networking logic” of information and communication technologies (ICTs), which makes global flows of capital more significant than local production of goods. The informational capitalism is a networked social order, challenged not by the working classes as traditional capitalism, but by a variety of social movements concerned to protect their identities instead of their material interests. This position was criticised for the lack of empirical evidence and inadequate theoretical grounding to show causal mechanisms (Watson 2008).

Technological advancements shaped the work process and organisations through *flexible specialisation* (Piore and Sabel 1984, Sabel and Zeitlin 1997).

Microelectronics increased the speed of communication, leading to a breakdown of the mass markets associated with Fordism by providing customised products to specialised market niches, building trusting and cooperative relations with employees. These trends changed workers' competences as they had to be able to use advanced technologies, be proficient across a range of tasks, be ready to switch among them as demand required, thus leading to up-skilling. However, when looking at *marginal workers* from the informal, underground economic sectors, it is difficult to support this argument. Individuals populating these marginal productive areas are low-paid, flexible workers, involved in precarious regular or irregular employment (Portes 1994). It is debatable whether the inhabitants of these worlds are increasing their skill levels enough to allow for upward mobility or remain trapped in poverty. The flexible specialisation theory was criticised because it underestimated the costs of computer-led production and oversimplified the mass production process (Williams et al.1992).

Contemporary work practices are not only affected by skill level, technology and flexible specialisation but also by the blurring of the manufacturing-service distinction. Hybrid forms of work practices have been brought together in the fast food business. In these restaurants, labour is "highly rationalised and the goal is the discovery of the best, most efficient way of grilling a hamburger, frying chicken or serving a meal" (Ritzer 1998:178). 'McDonaldisation' is based on a mix of principles of mechanisation, rationalisation and routinisation (Ritzer 1998) leading to a new form of work organisation through *standardisation*, recognisable in other service sectors like banking or retailing. Bryman (2004) argues that the contemporary economic world moves towards Disney-isation of culture and society with the use of brands and themes of shops, hotels and restaurants. This adds a new dimension to work demands, as workers are increasingly expected to give theatre-like performances. Du Gay (1996) shows that new work settings involve a 'hybrid' type of activity that combines economic with cultural functions. The service sector, he argued, develops its own technologies of work relating to interpersonal and emotion management thus enhancing particular skills aimed at 'wining over the hearts and minds of the customers'.

### 3.4.1. The firm

The arguments discussed so far shape the organisational form in which entrepreneurship takes place – *the firm*. Jensen and Meckling see the firm as a collection of contracts among employees, customers, creditors and so on, concluding that the firm is a “legal fiction”, consisting of “a nexus of contracting relationships” (1976:311). Burns (1963) proposed a two-type schema of firms: *mechanistic* – adapted to relatively stable conditions – and *organismic* – suitable for conditions of change and uncertainty, with a fluid structure and no clear division of labour. The latter inherits from Schumpeter’s conception of entrepreneurship in which innovation played a crucial role.

In post-socialist countries, entrepreneurship takes place in small and medium sized enterprises (SME), as these are more flexible entities that offer learning opportunities (Aidis and Sauka 2005). Despite their short life span due to the lack of finance (EBRD 2002, Pissarides 2004), SMEs provide alternative employment opportunities. Many people who were left unemployed as a result of the mass privatisation programme chose to start a small business. For some, this was the beginning of a new career, stimulated by the fact that even rudimentary business methods obtained profit. This would explain the lack of match between previous formal training and the type of business – for example a teacher who sells apples. The transfer of previous illegal entrepreneurship experience proved successful for the new business sector. However, the SME sector in transition faced enormous challenges which ran from low purchasing power (Aidis 2006), lack of qualified workers, the complex issue of taxation (e.g., high level of taxes, the frequent changes to tax policies, the ambiguity of tax policies) (Aidis 2006, EBRD 2002, World Bank 1995), bureaucracy, corruption, and unfair competition from a large informal economy. Small businesses were more likely to be vulnerable in highly risky environments than their larger counterparts, as they lacked the finance and the lobbying power to exercise influence in more complex situations. Furthermore, EU market changes favoured large enterprises as opposed to SMEs and put extra burdens on SMEs’ budgets, as they had to comply with new technical standards and invest in skill development.

### **3.5. From ‘disorganised capitalism’ (Lash and Urry 1987) to ‘unlicensed capitalism’ (Hobbs 2013)**

After discussing the modes of coordination of economic and social life emphasising the role of state and transnational regulations, the concept of entrepreneurship and work-related elements, the last section turns to analysing the blurred boundaries of economic activities. This section frames theoretically the fluidity of the economic and social process drawing on sociological, anthropological and criminological insights into informality, crime and post-socialism. The purpose is to explore the intersections between social structures, policies and enforcement practices in order to uncover the opportunities provided or created by entrepreneurs acting in the informal, illegal, illicit arenas.

#### **3.5.1. Disorganised capitalism (Lash and Urry 1987)**

The fragmentation of modern life is associated with “heterogeneity, plurality, constant innovation and pragmatic construction of local rules and prescriptives agreed upon by participants” (Best and Kellner 1991 in Watson 2008) and increasing movements of capital across the world that limits the nation state’s capacity of reaction. Such trends lead to “disorganised capitalism” (Lash and Urry 1987) which entails a cultural addition to its economic dimension by fetishising cultural images that fragment traditional cultural and class identities. Globalisation is “a process of increased density and frequency of international or global social interactions relative to local or national ones” (Walby 2003:32) and ‘an empirical condition of the modern world’ characterised by complex connectivity.

The effects of this pool of interdependence created by money flows, cultural transmissions or socio-technological connectivity are discussed by two opposing arguments: convergence and divergence. Convergence proponents argue that societies which are industrialised tend to become more alike in their societal characteristics and work arrangements (Bryman 2004). Divergence proponents oppose, arguing that despite globalisation, societies and work places retain their local flavour, even though they respond to certain globalising pressures. A third explanation recently emerged argues that increasing connections and similarities

around the world tend to co-exist with local and national differences, showing that *societalisation* (Walby 2006) is a matter of degree. The implications of these debates for economic sociology and the work process in particular are enormous as they uncover important assumptions about work relationships, work patterns, linkages between work, economy, and society, identity construction by and through work.

### **3.5.2. Post-socialist capitalism**

The global trends of capitalism are shaped by the context of this research. Post-socialism literature is convergent in stating that the former communist countries from Southern Eastern Europe have undergone profound changes in the last 20 years (Humphrey 1994, Ledeneva 1998, Wedel 1998). Such changes were driven by the more or less sudden switch in the political system (from communism to democracy), in the economy (from planned economy to the ‘free market’), and in the general social arrangements. Recent trends in post-socialism scholarship have moved away from the over-generalised view of a coherent post-communist space, thus introducing the concept of ‘varieties of socialism’ (Frieden 2006), which draws on Soskice’s ‘varieties of capitalism’ (2001).

Studies of socialist regimes show that these ‘varieties’ have been characterised by scarcity of consumer goods, the emphasis put on production rather than consumption, the marginal role of the markets, the centrally planned economy and the ambiguous character of property rights (Alexander 2004, Eyal 1998, Humphrey 2002, Kornai 1992, Ledeneva 1998, Szlelenyi 1994, Verdery 2004, Yang 1994). In Romania, where the communist regime completely abolished private property, the issue regarding property rights was especially difficult. The introduction of private property, which followed the process of ‘de-collectivisation’ (1991), modified Romanian property rights and created ‘mutant’ forms of property – fuzzy property (Verdery 1996) or recombinant property (Stark 1994). According to Verdery this process took two main forms: *property restitution*, which meant giving back the houses and land that have been nationalised or collectivised during communism; and *property creation*, which involved “dissolving state ownership over goods and objects that have been created during the socialist period, by socialist means”

(Verdery 2003:5). The latter had dramatic effects, as privatisation meant the dissolution of the state-owned factories by giving shares of the company to the employees. With little training in the market transactions, people failed to seize this economic opportunity, the context favouring the ones who already occupied management positions. This situation was coupled with the breakdown of the communist party as the unique ruling body, which, according to Szelany (1988), encouraged a change in the elites. In this context, it is interesting to note that the path-dependence theory suggest that no change in elites accompanied this new political environment (Kornai 1992). According to others, this new political situation created ‘greedy elites’ or robber barons (Josephson in Whyte 2009) that use different forms of capital to make profit by unorthodox means.

Rather than focusing on elites’ behaviours, this thesis puts the emphasis on the experiences and practices of people in everyday encounters. At the ground level, research shows that the development of informal networks of support to acquire goods in short supply (Wedel 1986, 1998, Yang 1994) led to the privatisation of public life through the practice of *blat/guanxi* which enhanced horizontal solidarity (Ledeneva 1998), which ultimately eroded the system from inside (Kotkin 1995). Moreover, the informal exchange supported the development of the second informal (but not necessarily illegal) economy, where trust played an important role in the etiquette of private arrangements (Wedel 1986). The vertical solidarity was developed through patronage ( Ledeneva 1998, Wedel 1986, Yang 1994). These practices perpetuated a low degree of confidence in bureaucracy and high trust in acquaintances. The socialist systems introduced the ‘ideology of equality and practice of difference’ (Ledeneva 1998) through the creative practices of bureaucratic avoidances. In the socialist regimes the social capital, enhanced by the belonging to multiple networks was the most important form of capital, followed by the cultural capital. Economic capital played only a marginal role due to the paucity of consumer goods (Eyal 1998).

### **3.5.3. Unlicensed capitalism (Hobbs 2013)**

The modern trends that organise the social and economic life around the work environment determined the “formation of a community of practice structured

around various levels of entrepreneurial performance that are played out within the context of an unlicensed form of capitalism whose fluid parameters are defined by the chaos and fragmentation of deindustrialisation” (Hobbs 2013:232). This community of practice is based on fluid networks of ad hoc coalitions that perform their entrepreneurial work routines competently in illegal as well as legal markets.

Sociological research has long documented that formal organisations not only provide opportunities for engaging in illegal/informal activities but sometimes incentivise it. In *Men who Manage*, Dalton (1959) argued that running a business involved more than the officially recognised resources. Most employees responded affirmatively when asked secretly if willing to help out the organisation if paid thus overriding issues of morality or illegality. Ditton’s (1977) ethnography of fiddling showed that the organisational setting and culture of the bread factory effectively encouraged and socialised employees into fiddling. More recent work on tax heavens (Shaxson 2011) emphasised that banks and other financial services are the main users of these jurisdictions, despite the common stereotype which placed professional criminals at the top. Ruggiero (2013) argued that offshore networks enable global financial crime by creating the appropriate secretive and stable environment, which has barely been reformed in the recent years.

The ‘disorganised capitalism’ that characterises modern societies provided further opportunities for the engagement in ‘unlicensed capitalism’, especially for people or corporations in positions of power. For example, in 2012 the “London interbank offered rate” (Libor) was at the core of criminal activity conducted by several banks which had gained illicit profits by moving the exchange benchmarks. Barclays Bank agreed to pay £290 million to redress (Ruggiero 2013) outraged customers. One of the paradoxes of modernity is that an economic activity and its opposite are typically adopted and ‘marketised’ at the same time. Commenting on several cases of illegal waste dumping in Germany, Ruggiero noticed that “the development of illegal dumping services runs in parallel with the very increase in environmental awareness, the latter forcing governments to raise costs for industrial dumping, which indirectly encourages industrialists to opt for cheaper, if illicit solutions” (2013:43). The “dirty collar crime” against the environment was the result of successful cooperation between industry (to avoid taxation), officials (who provided

false certifications) and criminals who innovatively adapted their conduct to change the rules and become market leaders. For example, HSBC agreed to pay a record of £1.2 billion to settle allegations that it allowed terrorist organisations to move their financial resources through the system. Such unruly coalitions (Verdery 1996) produce financial gains that may eventually re-enter the mainstream economy, due to the instability of illegal markets.

In this way, actors move competently between various registers of legality, sometimes within the frame of a working day, paying little attention to theoretical and legal boundaries. The same act can make one to be both a crook and a benefactor. As Carolyn Nordstrom (2007:99) put it “some profit by acting outside the law. And while they clearly profit personally, their actions often bring development to their communities”. In a twisted way, they “act as agents for development because they rebuild regional industry, donate to health and education, and bring in critical resources for the citizenry” (Nordstrom 2007:100).

The work environment can be exploited for criminal purposes just as much as the business environment, giving rise to crime at work. White collar crime (Sutherland 1983) is particularly apt to reflect the fluidity of profit driven activities due to its invisibility (both of the perpetrator and of the victim), highly skilled practitioners that mimic the legality of legitimate transactions, and the far reaching social damage (Ruggiero 2013). White collar crime refers to “a person of respectability and high social status” who commits crime “in the course of his occupation” (Sutherland 1983:7). Sutherland’s aim was to draw attention to the fact that crime is not committed only by the poor, uneducated, working class members of the society. Regardless of the definitional ambiguities (what does it mean ‘high social status’? and how is one to measure ‘respectability’), this account opened up an entire strand of sociological and criminological inquiry. Later on, Cressey (1953:12) showed that “some people in the position of financial trust violate that trust”; Clinard and Yeager (1980) showed that 582 corporations were responsible for 1,554 crimes; however, corporate violations were more difficult to uncover, due to their complexity (cf. Punch 1996:52). Maurice Punch used the concept of *organisational deviance* to denote “influential people who utilize their resources for ends which some other people define as illicit, and then, not infrequently, employ that power or

those resources to protect themselves from the consequences of social control" (Punch, 1996:57). As my research is not focused on the study of organisations, I prefer Ditton's (1977, Henry 1978) concept of 'occupational deviance', which is more connected to entrepreneurial innovative capacity, informal rewards, the manipulation of work situations and employee deviance for and against organisations.

Deviant careers within the business area are possible because "the norms of commerce are really qualified guidelines for a zone of acceptable activity, rather than categorical imperatives demanding particular courses of action" (Ditton 1977:174). The structure and values of the society thus make the necessary references for analysing this matter. Romania's recent history and socio-cultural logics of action in an unpredictable economy normalises deviant behaviours and promotes favourable definitions to bypassing the law. Armed with "large portions of justifying rhetoric from cultural interpretation of business" (Ditton 1977: 176), the new entrepreneurs do not consider themselves to be criminals, even though they admit their conduct "might have been related to an unusual business trend" (Cressey 1953: 112). Irrespective of the definitional issue, success is a direct consequence of entrepreneurs' social capacity for creating win-win situations. In order to be successful, one must be able to exploit the environment by both creating and using opportunities. "Knowing one's business environment is crucial for the development of the business. In this sense, it is necessary not only to have a detailed knowledge of the market, but also of the criminal law in one's operating area" (Klockars 1974:186). Consequently, the criminal law becomes business law, as it can open or close business opportunities.

The use of creative skills in handling both the formal and informal norms makes the job of control difficult for various reasons. The first difficulty is related to the complex nature of the business and the intricate arrangements concealed by the work of professionals who know well the weaknesses of business regulations. Professional lawyers, accountants, computer specialists have the job to hide any dubious transactions. Secondly, as Hobbs (1989) has shown in the case of East London, the police and the entrepreneurs are intertwined in the same culture, have the same cultural codes about what is admissible and not, thus making it difficult

not to sympathise/empathise with the businessmen. Thirdly, the state institutions responsible for control face legal deficiencies and administrative complexities, which make it hard to detect and punish dubious business arrangements.

Throughout this section, I tried to provide some theoretical avenues suitable for analysing the way in which Romanian entrepreneurs access EU funding. My main objective was to put forward a dynamic understanding of reality and show that concepts like legal and illegal, formal and informal were imagined arenas of coherent behaviours. In practice, however, there were no shifting borders between formal/informal/illegal, as deviant behaviours relied on the same norms and values as the non-deviant. The process of accessing EU funding brings in contact different types of entrepreneurs who interact according to the guiding principles of profitability. In a highly unpredictable environment, they reduce the risks by relying on solidarity networks and old patterns of behaviour. In this environment, the face value changes for the value of one's face, due to the netiquette of social arrangements. However, the social protocols of honouring are complemented by economic shrewdness, as the entrepreneurs "juggle numerous currencies, multiple businesses and complex commodity flows" (Nordstrom 2007:98).

### ***3.6. Conclusion***

This chapter provided a theoretical framework for analysing the process of accessing EU funding in Romania. It argued that as an economic process, EU funding is a hybrid arena, situated at the intersection of three modes of coordination: hierarchies, markets and networks. The design of EU funding is regulated and monitored by transnational institutions and the national government. The second section looked at the impact of state on the economy and the role of development aid for economic development, showing that development funding is embedded in crime and corruption narratives. In this context, corruption becomes a rebranding mechanism that labels vernacular practices using transnational vocabularies of crime. The third section turned to analyse entrepreneurship and work-related literature, showing that entrepreneurs are the major vehicle of change,

leading to the set-up of new industries, which in turn change the work routines. Finally, section four connected economic sociology with criminology and sociology of deviance by looking at the blurring boundaries between legal and illegal arenas.

## Chapter 4

### **European Union funding as a top-down integration tool: Transnational and national constructions of development and control**

This chapter contextualises the research by looking at the history of EU funding and the incorporation of the EU provisions into Romania's domestic legal framework. It argues that EU funding, as an ideal type of economic activity, was shaped by EU anti-corruption policies, practices and assumptions that were incorporated into a new institutional establishment which systematically associated EU funding with corruption. High levels of control generated by suspicion coupled with a particular cultural entrepreneurial ethos that essentially shunned state interventionism led to a 33.4% absorption rate in December 2013.<sup>11</sup> The first part of this chapter provides a historical overview of EU funding at the transnational level showing that concern with corruption was rooted in the need to protect the financial interests of the EU. Conversely, as the second part of the chapter shows, in Romania anxieties about corruption have taken precedence over preoccupation with safeguarding the financial interests of the EU.

#### ***4.1. European Union cohesion tools***

Designed with the aim of reducing the income disparities between EU member states, the common budget has always been an arena dominated by political fights and anxieties. In 1979, Margaret Thatcher, the British Prime Minister, expressed her concerns about the fair distribution of EU budget in rather harsh terms. Her famous injunction 'I want my money back!' pointed to the fact that the common European budget was based on a redistributive mechanism that designated some EU members

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<sup>11</sup> [www.fonduri-ue.ro](http://www.fonduri-ue.ro) last accessed on the 14<sup>th</sup> of December 2013.

as net contributors and others in net receivers. Such concerns have survived and grown despite the fact that (or maybe, *precisely because*) the context has changed. Historically, EU regional policy was reflected in the European Regional Development Fund established in 1975.<sup>12</sup> This was a modestly funded institution, heavily controlled by the member states that were in the EC at the time, which offered assistance for investments, industrial and service sector schemes. In the following three decades, the EU has undergone a process of enlargement (27 member states presently), fashioned a unique financial unit – the euro - created transnational institutions of governance to regulate the social behaviour within member states and encouraged the free movement of labour within the Schengen area by abolishing internal borders. A few major geopolitical events have altered the European social order dramatically: the fall of the Iron Curtain, 9/11 and the 2008 financial crisis had effective symbolic implications for European social identity and regulations. After bailing out Greece for the second time, the EU set up a permanent crisis mechanism to shore up the euro.

Regional policy has also undergone major changes after 1979, through the addition of new structural funds (for example the Cohesion Fund established in 1993), and budgetary expansion (in 2011 the voted budget was €141.9bn). After the landmark reform in 1988 which introduced the idea of multi-annual financial framework, structural funds have increased their profile in the region. Based on the experience of the states that were in the EU 15, it was hoped that the countries from Central and Eastern Europe would become efficient multilevel governance structures impacting on the regional governance structures and policy practices thus reducing regional economic disparities. The ratification of the Lisbon Treaty (which came into force on 1<sup>st</sup> December 2009) had a major impact on the EU budget in three ways: it gave equal powers to the European Parliament and the Council of the European Union in approving the EU budget, it simplified the budget control procedure and it introduced the multi-annual financial framework as part of the EU law (Milio 2010). The budgetary expansion and EU enlargement were accompanied by increased anxiety about the possibility of fraud in the new EU member states.

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<sup>12</sup> Unless stated differently, this section is based on the information provided by the EU official website: [http://europa.eu/policies-activities/funding-grants/index\\_en.htm](http://europa.eu/policies-activities/funding-grants/index_en.htm) last accessed on the 22<sup>nd</sup> of August 2012

Such fears were expressed institutionally through the enforcement of strict regulations governing European funds.

The preoccupation with safeguarding the financial interests of the EU started in the 1970s at the European Union level. Up until that moment, regulating fraud against the EU was not considered a priority despite the great impact on the credibility of the European project that might have been anticipated. Nikodem (2002) argues that this was due to the fact that the Community budget was entirely dependent on member contributions and thus each state bore the responsibility for controlling fraud. However, after 1976, the Community developed its own resources (Szarek-Mason 2011) and nearly twenty years later the EU managed to develop an anti-fraud policy. As Simone White remarked (1999), before the 1990s, the EU approach to fraud control was rather ‘fragmentary’, as there was no common definition of what constituted fraud and it was left to the member states to define and sanction crime in relationship to the financial interests of the EU.

Thus, at the European level, safeguarding the financial interests of the EU preceded the preoccupation with corruption (Szarek-Mason 2011). Corruption itself became an issue precisely because it was prone to facilitate fraud against the EU. The conventions and protocols adopted later strengthened this logic reflected institutionally in the activity of OLAF (Office Européen de Lutte Antifraud), which has gained more powers and has become more active in the area of corruption since 2007. The Commission started to tackle the matter systematically after 2000, which coincided with the first Eastern Enlargement (2004) and reached new peaks around 2007, when Romania and Bulgaria joined the EU. For example, immediately after the second Eastern Enlargement in 2008, the European Commission decided to withhold EU funding payments for Bulgaria. Reuters<sup>13</sup> reported that: “The two reports on Bulgaria – one on [EU] funds and the other on judicial reform – were the harshest criticism ever levelled by Brussels at a member state. A report on fellow newcomer Romania, which also joined in January 2007, pointed to political and judicial obstruction of corruption trials but avoided sanctions.”

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<sup>13</sup> <http://www.reuters.com/article/2008/07/23/eu-bulgaria-idUSL23102522720080723> last accessed on the 30<sup>th</sup> of January 2014

#### 4.1.1. The EU budget and rules of funding

The main sources of income for the European Union budget are custom duties, a proportion of the VAT (value added tax) and a percentage of each country's GNI (gross national income). As such, I contend that an analysis of the EU's budget mirrors the political influence and monetary participation of member countries. In 2010, the EU budget showed €141bn in commitments and €122.9bn in revenues,<sup>14</sup> The EU has five main areas of expenditure: sustainable growth, agriculture, environment and rural development, EU as a global player and citizenship, freedom and justice. However, agriculture absorbs the biggest proportion of funds being allotted 43% of the EU budget.

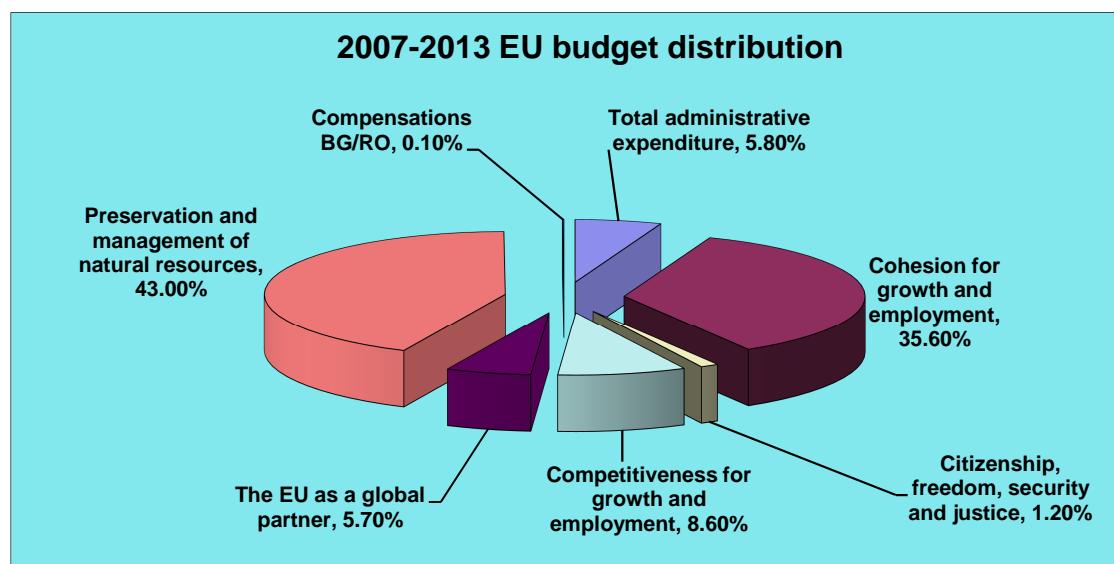


Figure 4.1: The EU budget distribution for 2007-2013.

Source: [www.2007-2013.eu](http://www.2007-2013.eu)

The EU budget allocation for a specific member state does not mean that funds are transferred directly to the member state in a particular year. The budget for a member state is included in multi-annual funds which aim to fulfil EU's policies or objectives, such as the European Fund for Regional Development, Cohesion Fund, Social European Fund and the European Agricultural Guarantee Fund. These funds contain several operational programmes, measures and projects separately contracted. There are three types of payment made by the European Commission to the national authorities: pre-funding (advance funds which are paid automatically in the first 3 years of the financial timeline 2007-2013), intermediate payments (the

<sup>14</sup> According to the EU official website: [http://ec.europa.eu/budget/budget\\_detail/next\\_year\\_en.htm](http://ec.europa.eu/budget/budget_detail/next_year_en.htm) last accessed on the 11<sup>th</sup> of April 2012.

Commission refunds payments made by the state to the beneficiaries) and final payments. Accordingly, the financial allocation follows the n+3 communitarian rule, which means that the funding has to be spent in 3 years from allocation. Presently, Romania has already received the advance payments and is now at the stage of implementing the programmes in order to receive the intermediate payments.

#### **4.1.2. Romania: Two EU funded agricultures**

In 2009, Romania's contribution to the EU budget was approximately €1bn, which represents an average of €45 per person. After redistribution, Romania received €2.6bn from the EU, which was mostly spent on agricultural development. At a first glance, it would appear that being part of the EU is a profitable state of affairs for Romania. However, things are more complicated than this and hide deeper inequalities. For example the financial support given to Romanian farmers is 30% less than what their Western counterparts receive (but this unequal financial contribution should be changed by 2016). The main reason is that Romania has a bigger but less developed agricultural sector than the older members of the EU and bigger financial commitments would have put too much strain on the EU budget.<sup>15</sup>

In Romania roughly 30% of the population has agriculture as its main occupation - this is five times more than the EU average (INS 2013)<sup>16</sup>. Even though the trend is declining, this is still the biggest concentration in the EU member states. At the same time, the size of Romanian family farms is very small, with an average of three hectares per family unit and 2.6 million households with less than 1 hectare. Consequently, the biggest rural population in Europe is working in small uneconomical farms, producing only for their own consumption, thus maintaining subsistence agriculture.

This subsistence agriculture encapsulates the social structure and problems of the Romanian rural environment such as hidden unemployment and poverty. In 2007 the average income from agricultural activities contributed only 20% of the total income of the average household whose members had agriculture as their main

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<sup>15</sup> [http://ec.europa.eu/budget/budget\\_detail/next\\_year\\_en.htm](http://ec.europa.eu/budget/budget_detail/next_year_en.htm) last accessed on the 11<sup>th</sup> of April 2012.

<sup>16</sup> [http://www.insse.ro/cms/files/statistici/comunicate/com\\_anuale/ocup-somaj/somaj\\_2012r.pdf](http://www.insse.ro/cms/files/statistici/comunicate/com_anuale/ocup-somaj/somaj_2012r.pdf) last accessed on the 14<sup>th</sup> of December 2013.

occupation. These statistics point to the fact that one in two people lives below the poverty line (Luca and Ghinea 2009).

Agriculture absorbed the economic shocks of the 1990s. An enforced de-industrialisation was followed by high levels of unemployment for the urban population. At the same time, the property restitution which started in 1991 [after the communist period] re-established the old property rights. These two factors explain patterns of urban-rural migration which translated into an increase of the proportion of population working in agriculture from 28.5% in 1989, to 43.5% in 2001, and 30% in 2005 (cf. Luca and Ghinea 2009). The former urban population that migrated to the rural areas had survived by cultivating small lots of land and producing for their own consumption.

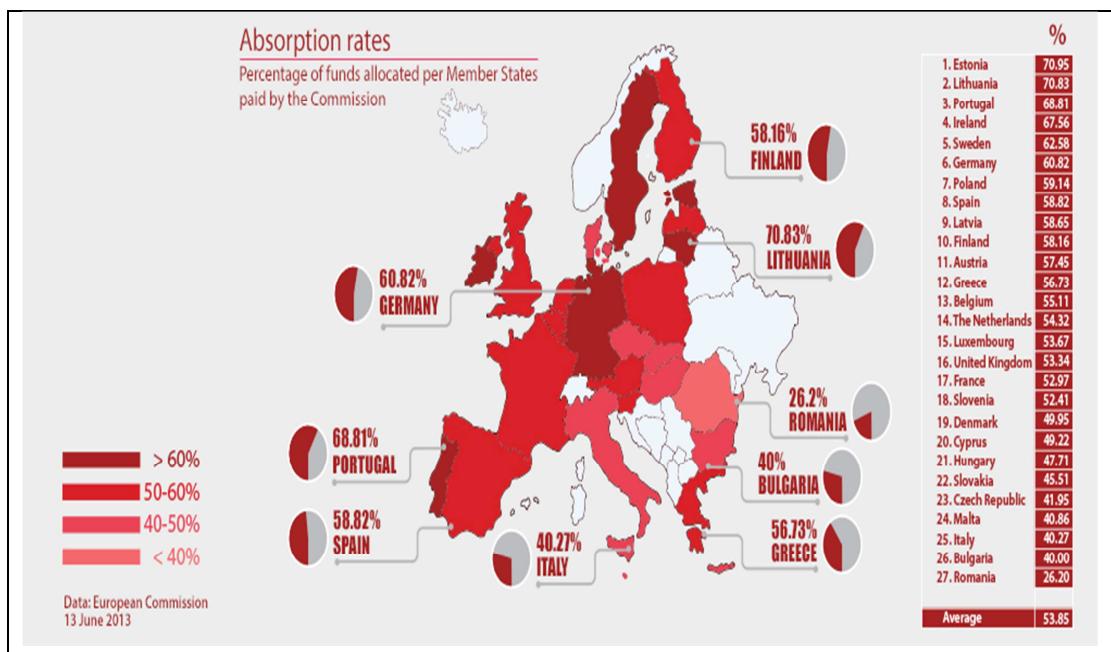
EU support for agriculture is manifested in subventions proportional to the size of the property. The Romanian policy regulating agricultural subsidies is directed only to farmers who own over one hectare. This policy left out the 2.6 million households with lots smaller than 1 hectare. Furthermore, small farms (between 1 and 5 hectares) have received approximately 25% of the EU subventions. At the same time, less than 1% of farms with over 100 hectares have received over 50% of the subventions. The middle sector is under-developed using about 12% of the land. Consequently, the Romanian space shows two different agricultures: once characterised by subsistence (fragmentation of land and small lots, produce for own consumption, receive little or no support from the EU funding) and another one, highly competitive, based on big farms – hundreds of hectares and technologically developed (Luca and Ghinea 2009).

Despite the need for investment, by December 2013, Romania managed to use only a small share – roughly 33%<sup>17</sup> of its available funding. Figure 4.2 displays the absorption rates (June 2013) comparatively within the 27 EU member states, showing that Romania is at the very bottom of the list. Poland, for example, which has an agricultural sector comparable to Romania managed to access nearly 60% of the funding. Bulgaria, which also joined the EU in 2007, has a 40% rate, which is

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<sup>17</sup> <http://www.fonduri-ue.ro/> last accessed on the 30<sup>th</sup> of January 2014.

quite extraordinary considering that the European Commission had suspended payments in 2008 amidst allegations of corruption and fraud.<sup>18</sup> The situation was worse in 2011, when Romania managed to access only 9% of the EU allocation (SAR 2011). Such low absorption rates are perceived as a public loss because the EU will automatically withdraw any funds unspent by the end of the financial period. The availability of these funds (which are perceived as ‘God’s gift’), the time pressure and the Romanians’ incapacity to make use of this opportunity have acquired an inevitably pathetic tone, expressed in the rhetoric of ‘now or never’. Political analysts talk about “an absurd drama” (SAR 2011), government officials complain about the scarcity of good projects, while potential beneficiaries criticise the harsh economic conditions and the difficulty of the EU rules for structural funding. Instead of being a tool to achieve European cohesion, structural funding has become a symptom of disjunction through systematic associations with corruption.



**Figure 4.2: Absorption rates of EU funding**  
Source: <http://insideeurope.eu/taxonomy/term/35>

<sup>18</sup> <http://www.reuters.com/article/2008/07/23/eu-bulgaria-idUSL23102522720080723> last accessed on the 30<sup>th</sup> of January 2014.

This first section has focused on the process of EU funding and showed how is this process designed and managed at European level. After establishing the link between corruption and EU funding, the following section turns to providing a short social history of Romania through the lens of corruption and entrepreneurship. The socialist shortage economy and the lack of private property had placed money and consumerism very low on the scale of social values. Social status and prestige were thus constructed on different criteria, like education, political affiliation or professional competency. The 1989 Revolution upset this stability and promoted new values. Money became a measure of success and introduced inequality into a world that had been traditionally constructed on the principles of egalitarianism. In a short time, everybody wanted to be a *patron* (boss/manager), have their own business, make money, and never again work for the State. The new culture favoured independence, entrepreneurship, material wealth, innovation and consumerism.

## **4.2. ‘The same people’: Socialism and post-socialism**

### **4.2.1. Socialist entrepreneurs**

Before the end of the 1980s, Romania had established itself as a socialist country with a centrally planned economy emphasising production rather than consumption. In December 1989, Romania had a Gross Domestic Product of approximately US\$53,691bn<sup>19</sup> (an exchange rate of US\$14,440 per leu<sup>20</sup>). The main sources of income for the state budget were industry and agriculture. Politically, the country was ruled by a Communist Party which was proportionally the largest in Central and Eastern Europe with over 3.7 million members (Stoica 2006).

The socialist economy was inextricably linked with *nationalisation*, *collectivisation* and *industrialisation*. The first two phenomena transferred property rights from the individual to the state, so by the end of the regime the state was the main resource holder. Industrialisation was the chosen long term solution for increasing standards of living and reducing disparities between Romania and other European countries.

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<sup>19</sup> <http://countryeconomy.com/gdp/romania> last accessed on the 14<sup>th</sup> of December 2013.

<sup>20</sup> [http://intl.econ.cuhk.edu.hk/exchange\\_rate\\_regime/index.php?cid=27](http://intl.econ.cuhk.edu.hk/exchange_rate_regime/index.php?cid=27) last accessed on the 14<sup>th</sup> of December 2013.

Economic development was based on five year plans – an imitation of the Soviet *gosplans* – which encompassed a series of centralised planned actions that were designed to bring quick development (Verdery 2004).

After the Second World War, Romania was in a very difficult economic situation: it had US\$300M in war debt<sup>21</sup> and it was almost entirely subordinated economically to the Soviet Union. The Romanian Communist Party (established first as a branch of the Soviet Communist Party and then an independent entity) started an accelerated process of industrialisation, which had ecological implications for the population as it changed the composition of the workforce from mainly agricultural to industrial workers. As the main industrial plants were situated in cities, the process of industrialisation led to rural-urban migration. In turn, this created a housing problem, which was solved by a rapid development of the construction sector. The industrialisation process was anything but smooth and this fact coupled with a severe energy crisis and the communist leaders' ambition to pay the foreign debt in full worsened the standards of living (Verdery 2004) and prepared the ground for the 'economy of shortages' (Wedel 2003, Ledeneva 1999).

The first decade after the Second World War was dominated by the installation of communism. Led directly from Moscow, this process entailed the systematic destruction of former political, social and economic elites through imprisonment and torture (Steinhardt 2005). By a twist of Fate the later move to convict the regime symbolically was led by Vladimir Tismaneanu, presently Professor at the University of Maryland as head of the *Presidential Commission for the Study of Dictatorship in Romania*. He is the son of Leonte Tismaneanu, a high profile *nomenklatura* member who was sent from Moscow in 1948 to build up communism in Romania. His nomination for the Commission stirred numerous polemics, with Paul Goma – a former political prisoner – openly expressing his mistrust of the "Bolshevik offspring"<sup>22</sup> in his private journal, publicly available on the internet.

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<sup>21</sup> <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=article&did=FRUS.FRUS1946v04.i0006&id=FRUS.FRUS1946v04&isize=M> last accessed on the 14<sup>th</sup> of December 2013.

<sup>22</sup> [http://paulgoma.free.fr/includes/Despre\\_Tismaneanu\\_11\\_puncte\\_HTML.php](http://paulgoma.free.fr/includes/Despre_Tismaneanu_11_puncte_HTML.php) last accessed on the 14<sup>th</sup> of December 2013.

The final report does mention Leonte Tismaneanu as a prominent party member responsible for indoctrination.<sup>23</sup>

The area where I conducted my research hosted the *Pitești Experiment* which is considered the most intensive brainwashing torture programme in Eastern Europe (Ierunca 1990). Pitești was the prison facility that aimed to ‘re-educate’ political prisoners in order to alter their personalities, discard their political or religious convictions to become fully obedient to the newly established regime. Nicolae Purcarea, who at the age of 17 was sentenced to 15 years imprisonment on political grounds, recounted some memories from Pitești:

*“The main protagonist of re-education was Eugen Turcanu, himself a political prisoner. “He was Satan himself. He had a phenomenal, visceral hatred that you could read in his eyes [...] He was athletic with a big jaw [...]. There were two awful things: sole beating and testicle beating ... and after they beat you up, if you faint they pour some water over you to recover and keep beating you up. Eventually they sent you by the shit bucket, throw down a wet rag and tell you to run on it. It’s like walking bare feet on broken glass... What a horrible invention! [...] The main problem was they wanted you to turn from victim into executioner. This is what drove me crazy. I could not hit anyone, just couldn’t. ” There were two categories of prisoners: ‘bandits’ and ‘re-educated’ or ‘human and non-human’... Our comforts were pearl barley soup, poetry and praying. ‘Whoever shared the cell with a priest was lucky because that one understood God.’”*

*Nicolae Purcarea, political prisoner<sup>24</sup>*

Political imprisonment was offset by anti-communist resistance groups that hid in the nearby mountains. Led by Toma Arnautou, the Nucsoara group formed in 1949 and the last members were arrested roughly 10 years later.<sup>25</sup> In this case the entire village was a collateral collective victim of the communist regime because it

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<sup>23</sup> [http://www.presidency.ro/static/ordine/RAPORT\\_FINAL\\_CPADCR.pdf](http://www.presidency.ro/static/ordine/RAPORT_FINAL_CPADCR.pdf) last accessed on the 14<sup>th</sup> of December 2013.

<sup>24</sup> [http://adevarul.ro/cultura/istorie/video-nicolae-purcareasupravietuitor-fenomenului-pitesti-victima-refuzat-devina-calau-marturii-despre-reeducarea-printortura-1\\_5145820900f5182b851a2806/index.html](http://adevarul.ro/cultura/istorie/video-nicolae-purcareasupravietuitor-fenomenului-pitesti-victima-refuzat-devina-calau-marturii-despre-reeducarea-printortura-1_5145820900f5182b851a2806/index.html) last accessed on the 14<sup>th</sup> of December 2013.

<sup>25</sup> <http://www.rfi.ro/articol/stiri/cultura/rezistenta-anticomunista-munti-povestea-familiei-arnautou> last accessed on the 14<sup>th</sup> of December 2013.

suffered the numerous raids and repeated tortures carried out to discover the location of the resisters. During the early 1990s there was not much sympathy for the surviving members of the anti-communist group who were blamed for bringing the attentions of the *Securitatea* down on the village (Althabe and Mungiu-Pippidi 1994).

The socialist state had slowly turned into a totalitarian state by the end of the 1980s, and was trying to regulate as many areas of people's lives as possible: from establishing one's residence (either through job, or forced residence), regulating migration (both within the borders of the state and outside) to imposing pro-natalist policies (through the 1966 Decree that prohibited abortion). Private property was virtually non-existent and the second economy was also strongly discouraged, especially after the 1970s. The 'family background' expressed by father's occupation had a strong impact on children's future and so, being part of the second economy had far reaching effects. For example, the children of self-employed individuals had lower chances of joining the Romanian Communist Party than peasants' offspring who had 'healthy origins'. They also had lower chances of entering universities and/or entering employment in urban areas. Without a university degree they had fewer chances for upward mobility in the Party hierarchy, as towards the end of the 1980s the leaders had come to favour educational credentials (Stoica 2006).

*"CB: I worked in this area for 30 years. Before joining the militia forces, I was county head of the Party. I grew up here. When I was your age or younger, I worked in a factory on a lathe...you know what that is?...it's metal work. Eight hours a day, I mean eight hours per night. I used to do night shifts because I played football and did boxing day-time. After sports I would go to evening classes because I wanted to finish high school. My parents did not have the money to keep me in high school, so they sent me to do vocational training. When I got my job, I decided to do it on my own. After nearly fifty years in this area, I know pretty much everyone that matters...criminals, politicians, doctors, professors...you name it. And they know me. You know, people have not changed. It's the same people that I played football with, or worked night shifts or met while a policeman. It's the same*

*people, I am telling you! Some are richer, some are in prison, some are dead, but their children are here [...]*

*Maybe the sources of income are legitimate and I don't mean legal, but legitimate. For example, it once happened around 1986 or 1987, don't really remember...there was this guy, nice, smiley, good football player, he just liked drinking a bit too much. His wife shows up with a fur coat – now that's expensive stuff. I sniffed around...nothing. I went and talked to him. The man was honest, I could see it. His in-laws sold three pigs and gave their daughter/his wife the money to buy a fur coat. It was not legal to raise pigs and sell them without paying taxes, but people from the country...what could I have done? My own parents were doing the same! I let him go but told him to keep the wife and the fur at home because people talk!"*

(CB, retired police officer)

As the above quote shows, by 1989, Romania was an egalitarian society which did not allow for significant differences of material wealth between its members. However, the economy of shortages had polished the entrepreneurial skills of the locals. Goods in short supply were acquired through networks of friends and family and informal economy thrived – cognac, coffee and Kent cigarettes were typical products exchanged on the favour market that was essentially a non-monetised economy. A three digit car number was a sign of status reserved for members of the middle or high political echelons. The principle of common property ownership created a particular work ethic guided by the relationship with the product of work. On the one hand employees might have been less interested in producing good quality work, on the other hand they were more inclined to fiddle, steal, or appropriate components of the “common good”. In this context, the boundaries between the legal, licit and moral (and their antonyms) were blurred. People had a pragmatic approach to the concept of legality, considering first the morality and the necessity of an action and only later its legality. The entrepreneurial skills developed in this period related more to survival instinct, dissimulation, negotiating acceptable boundaries with authorities and developing strong networks of support.

An essential point is that even though socialism has officially died on Christmas Day 1989 when Ceausescu and his wife were executed, people and practices have

continued in the same ways, ensuring stability over the transition period. “*The same people*” – the expression used by CB in the above quote - points to the reproduction of elites (Szelenyi and Szelenyi 1995) *and* cultural practices that form the contemporary habitus (Bourdieu 1986). The next section turns to the transition period showing the ways in which such cultural practices and forms of capital have been altered by the social and political context which eventually linked entrepreneurship with corruption.

#### **4.2.2. Entrepreneurs of transition**

The Revolution created an ‘open historical situation’ (Wittfogel 1981 in Wedel 2003) because the breakdown of the former communist structure was replaced by a fluid state of affairs that created almost infinite possibilities. In this moment of massive transformation, when the political, economic, administrative spheres were undergoing irreversible changes, the most reliable entities proved to be the ‘old solidarity networks’. The networks of support that had acted as a safety net during communism now helped to ensure stability and provided access to various opportunities. And the most entrepreneurial individuals took advantage to make money, win influence and become successful. The savvy Romanian entrepreneur was reinvented in December 1989.

#### **Gigi Becali’s story<sup>26</sup>**

*“...With the jeans it’s true...I brought a truck load of jeans [from Turkey]. Back then, for every \$1 invested in Turkey, you got \$15 return in Romania. I brought \$40,000-\$50,000 merchandise simply because I could not bring \$150,000 merchandise. I brought a load of pens and ten truck-loads of soap. And those walkmans... just because they were in a warehouse and nobody was doing anything with them. Did I steal? Did I force anyone to buy? Back then there were no taxes. The money that I got from trading, I invested in real estate. I bought a CAP [former state-owned farm] with \$1,500 and sold it in a few months with \$25,000 ...I took it for animals, wanted to do agriculture...I was investing in agriculture, not real*

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<sup>26</sup> This story is partially based on media review, partially on informal interviews.

*estates. But then when some Greeks told me to sell for \$25,000 and they gave me the money...I kept this a secret and invested all my money in real estate.”<sup>27</sup>*

(Gigi Becali)

The story of Gigi Becali - entrepreneur, philanthropist, owner of Steaua Football Club, former member of the European Parliament, former deputy in the Romanian Parliament, party leader for The New Generation Party, currently imprisoned for corruption and fraud serving a three and a half year sentence– is an extraordinary recount of upward mobility that resembles Schumpeter’s ideal entrepreneur (1940). A Macedo-Romanian, like Gica Hagi, the great football player, and his godfather, he was a shepherd before the Revolution, inheriting the family business from his father who had established a flourishing trade with cheese, meat and wool under the protection of the communist elites. His family had moved from Albania to Pipera, near Bucharest in the 1950s. The communist regime required everybody to have a job, so Gigi Becali was employed in state factories as stoker and locksmith, despite having more than sufficient means to survive. One of his cousins, Victor Becali, worked in car repair, while the other one – Giovani Becali – was scalping cinema tickets during high school. After several attempts to leave the country, Giovani eventually managed to reach Germany in the 1980s. Without a stable income, he confessed to having tricked tourists into buying counterfeit Rolex watches.<sup>28</sup> Through his family connection with Gica Hagi, by 1989 Gigi Becali was already close to the national football team, providing players with milk, cheese and yogurt during their intensive training sessions. After the Revolution, he started importing jeans, soap and pens from Turkey, selling them in Romania. During the early 1990s he worked on fulfilling his father’s dream of having a big animal farm, with pigs, sheep, cows, thus investing extensively in parcels of land. Subsequently, these investments have proved a gold mine promoting him to the Forbes Romania Rich

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<sup>27</sup> [http://adevarul.ro/news/societate/becali-recunoscut-facut-avere-vandut-blugi-adusi-turcia-1\\_50acb4bd7c42d5a6638898e8/index.html](http://adevarul.ro/news/societate/becali-recunoscut-facut-avere-vandut-blugi-adusi-turcia-1_50acb4bd7c42d5a6638898e8/index.html) last accessed on the 14<sup>th</sup> of December 2013.

<sup>28</sup> <http://m.romanalibera.ro/exclusiv-rl/documentar/doua-decenii-de-rafuieli-cu-justitia-ale-clanului-becali-bisnita-evaziune-fiscala-spalare-de-bani-violenta-254728.html> last accessed on the 14<sup>th</sup> of December 2013.

List (in 2012 he held the 22<sup>nd</sup> position, but after his 2013 conviction he dropped to the 85<sup>th</sup> position).<sup>29</sup>

Around the late 1990s, Gigi Becali exchanged some of his land parcels with the Ministry of Defence, resulting in \$892,758 damage to the state for which he was convicted in May 2013. In parallel he continued to fund Steaua Football Club and took it over in 2003, after an alleged discussion with another high profile Romanian Premier League figure – Mitica Dragomir – who told him that “being the president of Steaua is cooler than being the president of Romania”.<sup>30</sup> Around the same period, Gigi Becali obtained control of several key former communist companies – e.g., munitions, farming, and metal factories. An outspoken figure with Orthodox beliefs, he donated large sums for church renovation, for Romanian monks at Mount Athos and also built over 300 houses for flood victims. He ran for president of the Romanian Republic in 2004 with his own party – The New Generation – but obtained only 1.77% of the votes. In 2006, after reaching the semi-finals in UEFA (Union of European Football Associations) with Steaua, he celebrated the success along President Traian Basescu, in Golden Blitz – a restaurant where only the presidential inner circle was allowed. The location was owned by Dorin Cocos, a major donor to presidential campaigns, whose wife Elena Udrea subsequently held various ministerial portfolios – ranging from Minister of Tourism to Minister of European Integration.

In 2009 Gigi Becali was elected Member of the European Union Parliament but in 2012 he resigned in order to stand as a candidate for deputy in the Romanian Parliament, and was elected with about 70% of the votes. In 2013 Gigi Becali was convicted and imprisoned for fraud and corruption. In the “Suitcase affair” he was accused of trying to bribe the players from U Cluj football team to ‘correctly defend their chances to the title’ against CFR Cluj, offering to reward them with 100,000 euro per player if they won. This was the last match from Romanian Premier League – if CFR Cluj lost, Becali’s team, Steaua Bucureşti, would have won the

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<sup>29</sup> <http://www.gsp.ro/gsp-special/diverse/averea-i-a-scazut-dramatic-gigi-becali-a-picat-pe-locul-85-in-topul-forbes-pe-primele-doua-pozitii-doi-patroni-din-fotbal-411773.html> last accessed on the 14<sup>th</sup> of December 2013.

<sup>30</sup> [http://adevarul.ro/news/eveniment/ascensiunea-decaderea-gigi-becali-bisnita-blugi-laparlamentul-european-apoi-celula-1\\_519b9d95c7b855ff56131d97/index.html](http://adevarul.ro/news/eveniment/ascensiunea-decaderea-gigi-becali-bisnita-blugi-laparlamentul-european-apoi-celula-1_519b9d95c7b855ff56131d97/index.html) last accessed on the 14<sup>th</sup> of December 2013.

title and gone on to play in the European League. The suitcase containing 1.7M euro was confiscated by the Anti-Corruption Directorate prosecutors in a restaurant in Cluj while the Steaua officials were watching the game and waiting to see if the reward was necessary or not. CFR won 1-0 so there was no reason to pay the rewards. Nevertheless, the prosecutors opened the file against Gigi Becali in 2008 and five years later he has convicted to 3 years imprisonment by the High Court of Cassation and Justice after having previously acquitted him in 2012.

Gigi Becali's story shows how he used to his advantage the 'openness' of Romania's post-communist situation which was partly an outcome of the breakdown of the legal system. Typically for this period, even though involved in illegal activities, he did not define himself as a criminal. On the one hand this relates to the practice acquired during communism of divorcing morality from legality. In those days actions such as coming late to work, performing an abortion, acquiring goods in short supply through informal means were not considered crimes. On the other hand, immediately after the Revolution, there was a general feeling that everything was permitted – expressed by Becali as "*back then, there were no taxes*". This sense of legal pluralism was preserved long after the formal reestablishment of a regular legal system, and represented a fertile terrain to build the new entrepreneurial spirit. Another example from my fieldwork exemplifies the sense of legal pluralism and typical money making routines. After the Revolution, the new leadership in Bucharest decided to reward the people who made "a remarkable contribution" to overthrowing Ceaușescu by awarding them 'Revolutionary Certificates'. The criteria for awarding such certificates were not clear, but there were clear benefits to possessing one. The person who was awarded such a certificate was for example exempted from paying taxes. In no time, the certificates could be bought or received as a reward, to the point that some who fought against the demonstrators to preserve the communist regime and the Ceaușescu family obtained one.

The story of Gigi Becali, as extraordinary as it may seem, is the story of entrepreneurship shaped by the context of social and economic transition, luck, intuition and egomania. Despite his phenomenal upward mobility, Becali's ways of doing business are typical for the context. Entrepreneurship was also striving at the

lower levels. Some people chose technical unemployment<sup>31</sup> before migrating to Western countries for work or setting up small firms. In other cases, people engaged in barter using the products of the enterprise they worked in. They stole or bought cheap products from their workplace (e.g., porcelain, screws, tyres, textiles), transported them abroad in their cars and exchanged them for whatever the local market demanded. The preferred destinations were Turkey (for jeans<sup>32</sup> and gold), Hungary (for coffee and food) and former Yugoslavia (for cognac). Everything was for sale and everything could be bought. The demand side of the market was hungry for products, no matter what the products were: music cassettes, stereos, colour TVs, blankets, jewels, houses, cars, parcels of land to build houses, and so on. For example, at the beginning of the 1990s it was common to import merchandise from Turkey and sell it in Romania; later, it became unprofitable because, following the global trends (Ernst and Centre 2004), cheaper consumer goods had started to be imported from the Asian markets. For example, Geta, one of my respondents, recounts her experience with Turkish imports:

*“I was very brave...you know...I went to Turkey and imported stuff from there. Andrei [her husband] was busy at work; he did not want to join. But I went there by myself...sometimes with Dana [her sister]. We did not speak Turkish or anything but there were so many Romanians that you did not need to. We had this old Dacia Break...we would fill it with China porcelain or whatever worked on the market...sold it there and bought jeans and gold to re-sell in Romania. It depended what we were asked for [...] I never left my job, no! I could not know what would happen...you know some transports were good, some were bad...I was left with merchandise...you could not count on that. Besides, I used to sell most of the stuff at work. Why would I have left my job?”*

(Geta, entrepreneur)

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<sup>31</sup> Technical unemployment was an intermediate step between employment and unemployment at the beginning of the 1990s when there was no demand for the products of a particular state enterprise. Basically, people were sent home and paid 70% of wages in order to be available on call. A subsequent move was to encourage people to choose unemployment by offering them to give up their jobs in exchange for a sum of money. Thus in the case of big socialist factories, the layoffs were done gradually.

<sup>32</sup> Before the Revolution it was semi-forbidden to wear jeans as this iconic item of American apparel was a symbol of capitalism and decadence

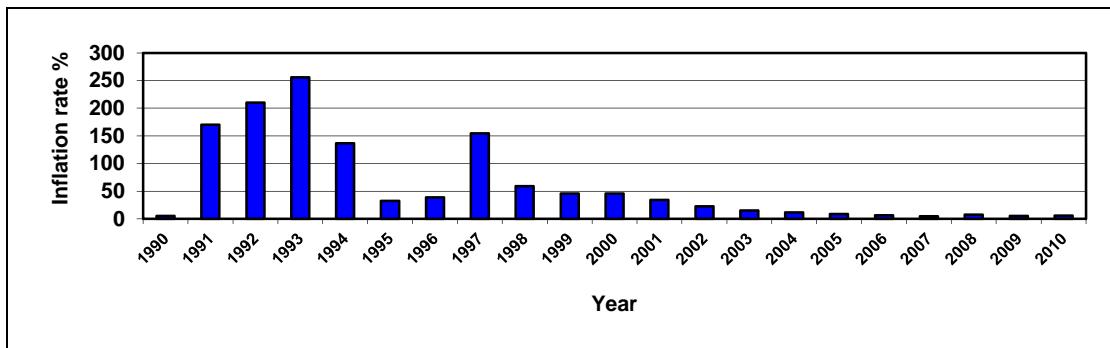
Geta further explained that, as a low-level entrepreneur she was more vulnerable to market forces than Gigi Becali. She did small-scale trades using her private car, as opposed to the large enterprise described in the previous example. Furthermore, while Becali chose to diversify his business endeavours in order to counteract contextual uncertainty (by investing in real estate or football), Geta maintained her job in a state enterprise. The logic of practice (Bourdieu 1990) is similar referring to diversification of income sources, but the actual practices are very different, one emphasising complete change and attention to the market, the other one pointing to mixed strategies that combine the stability of a state job with the entrepreneurial endeavours required on the market.

International affairs opened up further economic opportunities. During the Yugoslav war, illegal trade over the Danube flourished. Oil products such as petrol and diesel fuel were in high demand, but other products like detergents could be smuggled as well. Between 1992 -1995 and in 1999, while Romania maintained an embargo with Yugoslavia, illegal commerce flourished in the areas around the border between the two countries. During that period there was a common expression: *a face embargoul* (doing the embargo) which referred to breaking the embargo. Fortunes were made quickly (some were also spent quickly) with the help of the border guards who were willing to turn a blind eye for a small fee. The embargo had negative economic effects of the national economy (Romania lost over US\$2bn), but it created a market for smuggling and helped the local economy and daring entrepreneurs, who were not afraid to risk their freedom for money.

### **The macroeconomic reading of Gigi Becali story**

The macroeconomic version of Gigi Becali's story is rather bleak. The recession that started in 1991 was undoubtedly prolonged by high rates of inflation. As shown in Figure 4.3, in the first few years after the Revolution, the inflation rate increased over 30 times from 5.1 in 1990 to 170.2 in 1991. The trend continued until 1994, when the economy registered the first significant decrease from 256.1% in 1993 to 136.7% in 1994. The economy was not stable enough to sustain such a decrease, though, and in 1994 the inflation increased five times compared with the previous year. After that peak it constantly decreased, which shows that the economy slowly became more stable and displayed signs of sustainable growth. The UN Economic

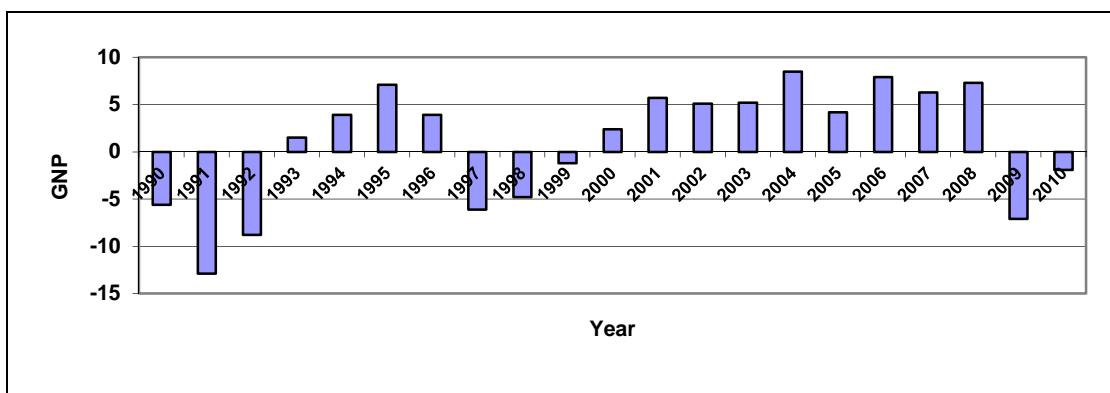
Commission for Europe argued that the main source of inflation in the first years after the Revolution was the financial loss caused by the state-owned enterprises that had not been privatised (*Tinerama*, no. 146, September, 1993).



**Figure 4.3: Inflation rate in Romania 1990-2010.**

Source of data: Institutul Național de Statistică (National Institute of Statistics)<sup>33</sup>

This economic evolution is also reflected in the changes in the National Gross Product (Figure 4.4). Similar with inflation rate, the Gross National Product (GNP) had negative changes until 1993, switched to positive values until 1996 then only to revert to negative until 2000. The 2008 crisis impacted Romania in 2009, when the GNP had a negative value of 7.1 as compared to the previous year.



**Figure 4.4: The evolution of the National Gross Product in Romania 1990-2010.**

Source of data: UNECE<sup>34</sup> and businessday.ro<sup>35</sup>

As shown in Figure 4.5 the GNP and the inflation rate displayed similar patterns throughout the twenty year period from 1990 to 2010. The high and low values

<sup>33</sup> <http://www.insse.ro/cms/rw/pages/ipc.ro.do> last visited on the 11<sup>th</sup> of April 2012.

<sup>34</sup> [http://www.unece.org/fileadmin/DAM/stats/publications/Countries\\_InFigures2011.pdf](http://www.unece.org/fileadmin/DAM/stats/publications/Countries_InFigures2011.pdf) last visited on the 11<sup>th</sup> of April 2012.

<sup>35</sup> [www.businessday.ro](http://www.businessday.ro) last visited on the 11<sup>th</sup> of April 2012.

occur at about the same times and most likely connected to the process of privatisation.

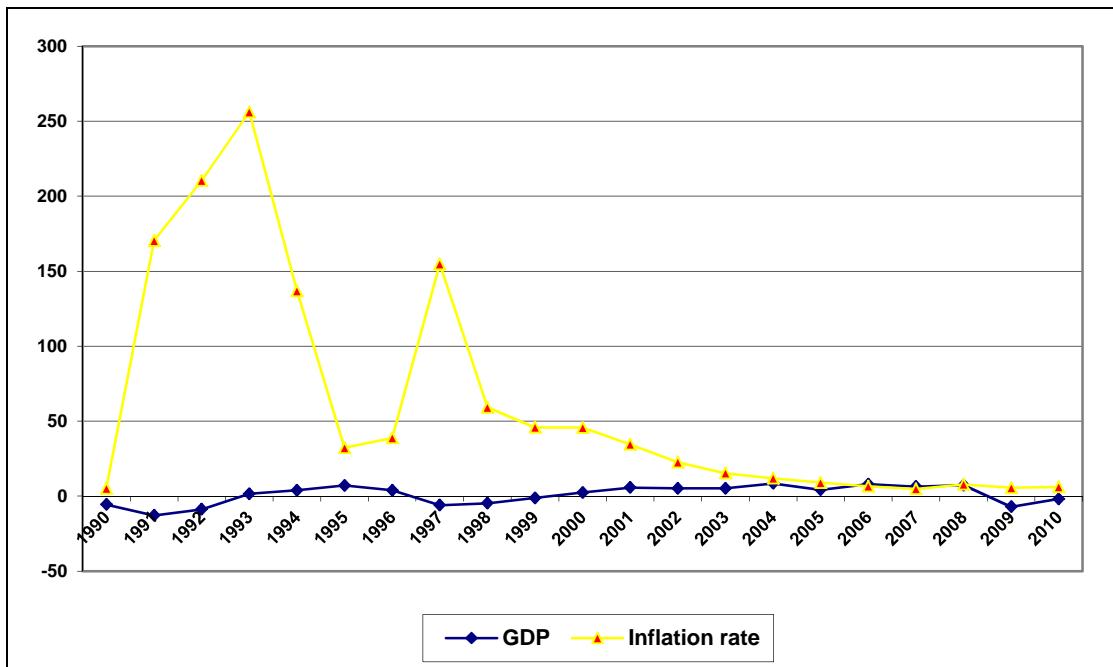
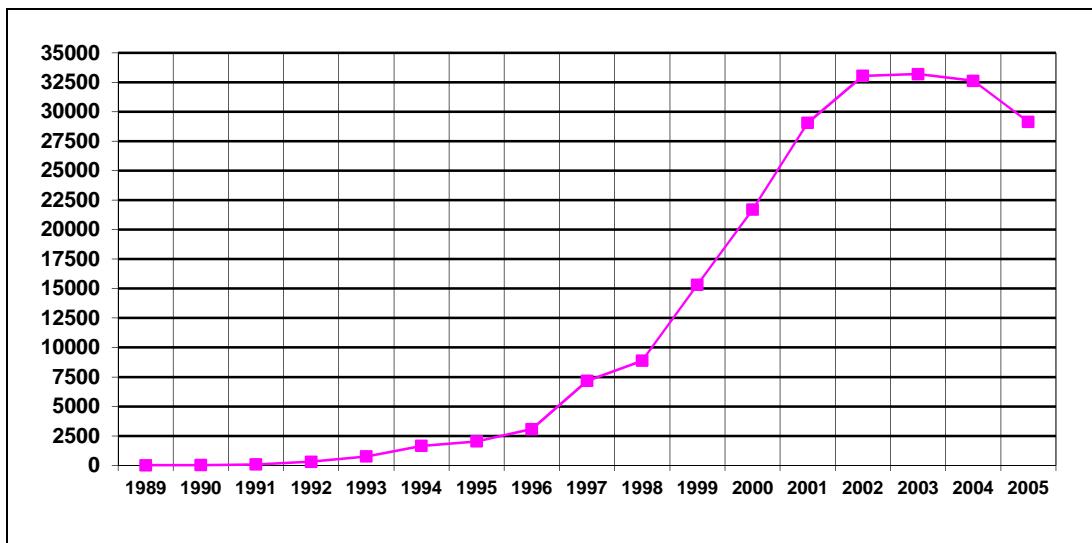


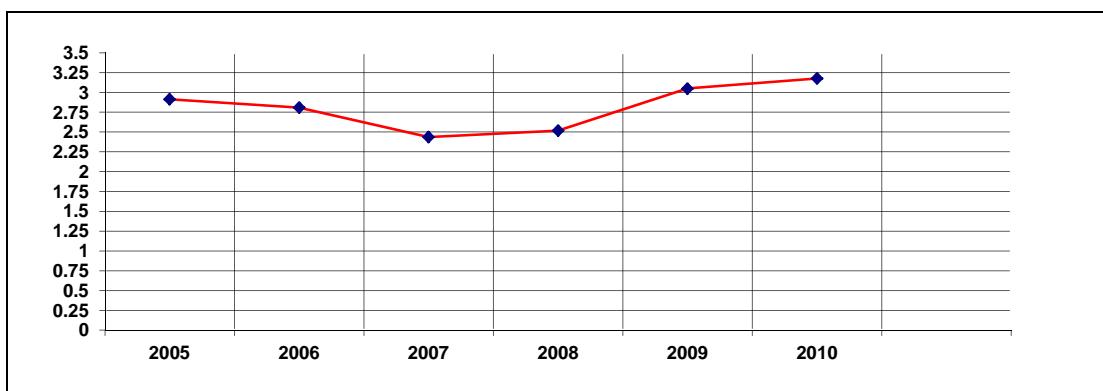
Figure 4.5: The evolution of GDP and inflation rate between 1990 and 2010

Another important indication of the economic state of the country is the exchange rate between Romanian Leu and US Dollar. Historical trends show constant depreciation of the Romanian currency from 1990 till 2003. Immediately after the Revolution, the value of US dollars increased dramatically as compared to the Romanian currency – from 21.56 in 1991 it reached a value of 33, 200 in 2003. This represents an increase of over 15,000 times in the value of the dollar (Figure 4.6). During this period the Romanian currency was depreciating so fast that most people preferred to keep their savings in US dollars and conduct market transactions in foreign currency. A side effect of the depreciation was the proliferation of exchange and mortgage houses (Chelcea 2002) during the early 1990s. Exchange houses offered better prices for foreign currency than the banks and had the advantage of never being short of cash. The figures below show the evolution of the Romanian Leu – US Dollar exchange rate from 1989 till 2010. In 2005, the government decided to denominate the Romanian currency, by four digits. The Romanian Leu (ROL) became RON. Figure 4.7 shows the evolution of the RON – US Dollar exchange rate between 2005 and 2010.



**Figure 4.6:** Yearly average official exchange rates: Romanian Leu per US Dollar 1989 – 2005 before denomination.

Source: Banca Națională a României (National Bank of Romania)<sup>36</sup>



**Figure 4.7:** Yearly average exchange rates: Romanian Leu per US Dollar 2005 - 2010 after denomination.

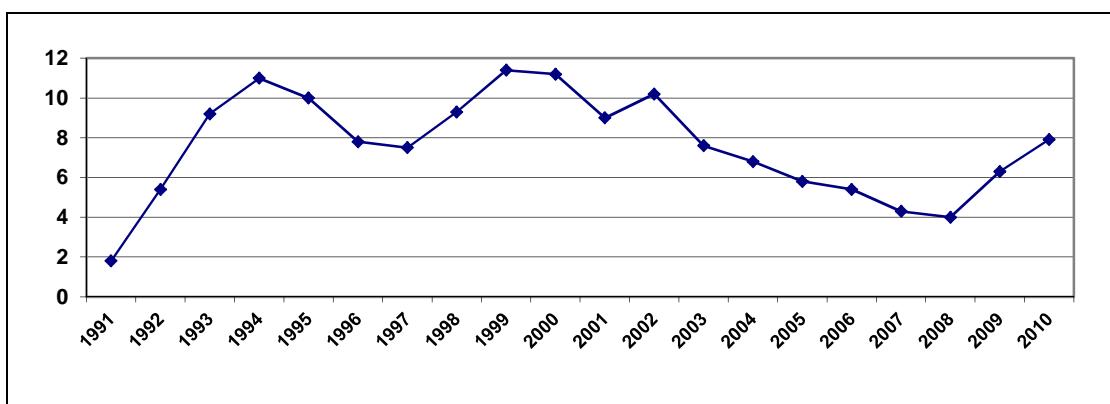
Source of data: Banca Națională a României (National Bank of Romania)<sup>37</sup>

The economic recession had serious social effects, especially because privatisation raised the rate of unemployment. As shown in the Figure 4.8 below, tipping points occurred in the years 1994 and 1999 (around 11%). In only three years, the unemployment rate increased from 1.8 in 1991 to 11 in 1994. These periods coincide with the successful privatisation of various state enterprises and with the closing down of the former socialist industrial plants. In a more stable economy, former workers in these organisations would have been absorbed by other sectors, but in the Romanian context this was not the case. The state offered little protection

<sup>36</sup> <http://www.bnr.ro/Raport-statistic-606.aspx> last visited on the 11<sup>th</sup> of April 2012

<sup>37</sup> <http://www.bnr.ro/Raport-statistic-606.aspx> last visited on the 11<sup>th</sup> of April 2012

for this category of people who were particularly vulnerable as they were not psychologically ready to become jobless (since the communist regime required everyone to have a job) and had few skills to face the market economy, especially in such volatile conditions. Some have argued (Popescu-Birlan 1994) that it was the slow pace of privatisation that led to the gradual increase in poverty. However, this seems unlikely, as other countries (e.g., Poland) who have adopted a faster pace, sometimes known as ‘the shock therapy’ displayed similar patterns (Tisenkopfs 1999). Even though Romania’s progress has been slow, it has improved somewhat in the last years (until 2008 when the financial crisis hit Romania too) as shown in the figures above. The unemployment rate started to decrease from 10.2 in 2002 reaching a minimum of 4.3 in 2007, the GNP had small but positive values for eight years between 2000 and 2008, while the inflation rate decreased constantly.



**Figure 4.8: The evolution of the unemployment rate in Romania between 1991-2010.**

Source of data: Agenția pentru Ocuparea Forței de Muncă (National Agency for Employment).<sup>38</sup>

### Trading the state’s wealth: Privatisation

The unique environment of Romania in transition was marked by the creation of property rights. As Katherine Verdery remarks (2004), this occurred through two distinct processes: property creation and property restitution. The first involved the transfer of goods from state property to private property, the second giving back property to its former owners (or their offspring).

The right to private property was established by the 1991 Constitution (Article 44 from the fundamental law guarantees the right to private property). In an attempt to avoid the abuses of the previous regime, the new Constitution introduced a unique

<sup>38</sup> <http://www.anofm.ro/evolutia-ratei-somajului-in-perioada-1991-2010> last visited on the 11<sup>th</sup> April 2012.

feature unique among European states, by stating that in Romania, the licit character of wealth was presumed (Art. 44 (8)). This constitutional article creates great confusion presently and makes the prosecutors' job more difficult in the cases of inexplicable wealth. It basically makes the confiscation of wealth impossible unless there is proof of a crime beyond reasonable doubt. The recent discussions about revising Art. 44 (8) were not able to amend or replace it, which shows that the memories of the communist regime are still fresh and the anxiety of repeating the abuses is too strong. Ironically, my fieldwork shows that a direct consequence for EU funding accession is that applicants could launder money under the protection of this article. In order to obtain EU funding, an applicant is required only to prove the co-funding capacity for a project, but not to prove that the sources of income are legitimate. This aspect allowed, for example, several former migrants who have worked abroad illegally to successfully access EU funding.

One of the most important laws regarding privatisation, Law 58, was passed in August 1991. It stipulated that the newly created Fund of State Property was the main body in charge of the complete privatisation of the state-owned commercial companies. The Fund of State Property was granted 70% of the companies' capital and was required to privatise them within seven years. The rate of inflation made this task impossible and the privatisation process was inevitably prolonged. By the end of 1993 an OECD report indicated that only 2% of the industrial sector was privatised (Romania Libera 28 August 1993 in Popescu-Birlan 1994).

Privatisation offered opportunities for quick enrichment for those entrepreneurial enough, who had some financial means or were in key hierarchical positions, like Gigi Becali. A typical mechanism was to set up a private company and then transfer funds from the state company to the private firm. Another common route to enrichment was to consistently manage a state company so badly that it went bankrupt (some examples are further discussed in Chapter 8). Eventually the company would be sold (usually to the former manager) at a very low price. Both cases rely on bribing the departmental directors and the officials in order to turn a blind eye. By the end of 1993, the investigators had uncovered 1, 200 serious illegal acts committed by the managers of several state-owned companies (Adevarul, 1<sup>st</sup>

December 1993). Various Romanian officials and managers took advantage of the lucrative opportunities offered by privatisation (Mungiu-Pippidi 2006).

#### **4.2.3. The agricultural sector: Rural entrepreneurs**

*“RB: What do you say about getting your land back?*

*NB: It's horrible! I resent it! What am I going to do with it now? I am old, don't have the strength to work hard anymore. My children have left for the city...they don't care about land, they have good jobs there. Here, in the country, the living conditions are not good [...] It's very expensive to have my land back. Since I can't work, I need to hire people, but now everybody is busy with their own land, and those who don't have are ripping me off. I pay 50 Romanian Lei per day for hoeing plus food and **tuica** [Romanian brandy]. I need three people for five days. My pension is a little over 200 Lei. You do the calculations. Oh, and it's not only hoeing...it's also planting, picking, putting fertiliser...These people in government know nothing about our work, otherwise they would not have given the land back [...]. Besides, I don't need so much corn or flour or plums for **tuica**... This old one [points to her husband] is already drinking too much!*

*RB: But then, why do you keep working the land? I mean...if you don't need all these products...*

*NB: [rather shocked by the idea] Oh, but that is impossible! What would people say? We would be the laugh of the village! No way!*

*RB: But aren't you a bit glad to get your land back...you are **proprietar** [an owner] now!*

*SB: Yeah, yeah...**proprietar** with no means to work what I own...”*

(NB and SB, peasants)

Re-establishing property rights through reinstating former owners was received with mixed feelings in rural areas. As the above quote shows, the direct beneficiaries of this political move found themselves in the rather awkward position of ‘owners with no means of production’. This results in hybrid economic relations that are based on both monetary and non-monetary arrangements – in this case money and food are part of the payment. The land encompasses various forms of

capital – much less financial (as it is not a profitable business) and much more symbolic (because any work is done with reference to the entire community). If the purpose of household economy was producing for its own consumption (Polanyi 1957), the above quote shows that in an attempt to maintain their symbolic capital people produce more than they need. The plus-value (Dobrogeanu-Gherea 1910) is not sold on the ‘free’ market because people have no access and no skills to trade on such a market. Instead, it is sold to intermediaries who travel the villages in old 4x4 cars shouting that they buy corn, plums or wheat. Intermediaries prefer to buy the raw products because they are cheaper, can be sold fast and the buyer can control the quality of the final products.

Law 18/1991 re-established the property rights of the former owners or their offspring. Rural areas were greatly impacted as the law dismantled the former state-owned farms (The Agricultural Cooperative of Production or CAP). The new owners wanted to work their parcels but lacked the technological resources that were the property of the former CAPs and the workforce (as everyone had their own lot, it was very difficult to find people to work the land, especially in the absence of technology). A side effect of restitution was the fragmentation of rural space, which is even now characterised by a small farm structure where work is performed with traditional tools due to the lack of access to machinery, buildings, financial capital and low income levels. This phenomenon has had long term impacts, especially for accessing EU funding, as described in the previous section.

Recent surveys (INS 2005) show that in rural areas the level of unemployment and poverty has been consistently higher than in the cities. The dismantling of the industry has left the residents of rural areas with agriculture as their main income. However, agriculture is a highly volatile business in Romania, as it is highly dependent on weather, is performed with rudimentary tools and thus the productivity is very low (Braverman et al. 1993). People produce for their own consumption and are involved in ‘subsistence agriculture’ as it is called. According

to the UN Economic Commission for Europe in 2009 agriculture contributed 7% to the GNP and employed almost one third of the Romanian population (29%)<sup>39</sup>.

Creating an agricultural sector based on individual farming was more a political move than an economically wise decision. The goal of the new leadership at the beginning of the 1990s was not to make the production system more efficient, but to change the social paradigm and introduce variations in the ownership structure. In this process of paradigmatic change (from socialism to neo-liberalism) little attention was paid to the social costs of such policies.

Closely linked to the privatisation process, the agricultural changes were interpreted by theorists as an attempt to revitalise entrepreneurship in rural areas (Repassy and Symes 1993), a strategy to transform agriculture (Gomez y Paloma and Segre 1993, World Bank 1992, 1993, 1995), a post-communist way to divide common property (Oberschall 1991), the manifestation of an intention to make this sector more efficient (Nelson 1993) or even a new religion (Luckmann 1993). Irrespective of the theoretical explanation provided, most scholars agree on the fact that generally the privatisation and the transformation of agriculture in Southern Eastern Europe led to a gradual economic recession.

### **4.3. Political changes**

*“How could a kid born in the Soviet Union know that he would die in the EU? Not even the Kremlinologists knew this. Only my grandma knew it. She used to say: my family lived in three (meanwhile four) countries without ever having left the village”.*

(Vasile Ernu, writer<sup>40</sup>)

The Romanian transition entailed first and foremost a shift from Eastern – Russian political influence to Western – EU political affiliation. The political spectrum did not offer a wide array of options, as most parties had similar agendas which were developed top-down, from the parliamentary debates, and not from grassroots

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<sup>39</sup> [http://www.unece.org/fileadmin/DAM/stats/publications/Countries\\_InFigures2011.pdf](http://www.unece.org/fileadmin/DAM/stats/publications/Countries_InFigures2011.pdf) last visited on the 11<sup>th</sup> of April 2012.

<sup>40</sup> [http://adevarul.ro/news/politica/amintirile-unui-kominternist-intelesul-politrucilor-1\\_52ebb486c7b855ff56f66a07/index.html](http://adevarul.ro/news/politica/amintirile-unui-kominternist-intelesul-politrucilor-1_52ebb486c7b855ff56f66a07/index.html) last accessed on the 14<sup>th</sup> of December 2013.

constituencies. These agendas have been heavily shaped by the international constraints regarding the supremacy of the neoliberal market and EU accession. Consequently, political parties had few policy options but to keep the substantive policy commitments related to the EU entry, without destroying their own popularity (Miroiu 2013).

The successful competitive strategies have been those of technocracy, populism, and nationalism—the last two tending to be combined. These political discourses dominate because they offer politicians maximum flexibility to look as though they are competing, even if all governments face remarkably similar state policy pressures.

(Grzymala-Busse and Abby Innes 2002: 68)

In most cases, competing politicians chose populism as the preferred tactic for winning elections. This resulted in a highly personalised debate about “corruption, personal competence, property restitution, relatively trivial disputes within political parties or with neighbouring states, and disputes over who was on which side of the barricades in the communist period” (Grzymala-Busse and Abby Innes 2002: 67).

These harsh economic conditions created a sense of dissatisfaction among the population who blamed the political class for the lack of improvement in the standard of living. This was augmented by the fact that second-echelon communist leaders had become the democratically elected representatives of Romanians. Some argued that nothing had changed, that it was like a Romanian saying went: “*Aceeași Marie cu altă pălărie*” (“The same Marie [personal name] with a different hat”). A well known journalist, Ilie Serbanescu, wrote at the time: “The restoration is total. All the [leading] positions are occupied by people of the past who cannot help thinking like they used to think in the past...The reform process is completely blocked...” (22, no. 35 (137)). Furthermore, certain elites, largely from the former *nomenklatura* had gained access to resources by combining financial capital with political influence. These “unruly coalitions” are “loose clustering of elites, neither institutionalised nor otherwise formally recognised” (Verdery 1996:193), “less institutionalised, less visible, less legitimate” than political parties (1996:194). A good example is the energy sector which is dominated by a small group of individuals who buy cheap energy from the state and sell it at increased prices to the public (Ionita et al. 2003).

However, the effect of the collapse of the former communist regime and the transition to the market economy was doubled by the pressure to conform to the EU accession criteria. Romania initiated the formalities to join EU in the early 1990s and put forward its candidacy in 1995<sup>41</sup> when it was still under the social democrat governance (Social Democrat Party - PSD). The European Commission had monitored Romania since 1997 and published an annual Regular Report since 1998. In 2002, the EU had announced that Romania and Bulgaria had not managed to advance rapidly enough in fulfilling the Copenhagen criteria and would not join EU in 2004. However, it was decided to support both countries in joining EU in 2007 if they fulfilled all the criteria for accession.

The European Commission set up special mechanisms for Romania and Bulgaria to ensure that they both internalised the *acquis communautaire*. For Romanian governments faced with shrinking budgets this was an enormous task and the costs for setting up the state administration and its capacity to implement these laws were huge. Before even contemplating joining the EU, Romania had to harmonise its national legislation with EU standards on every possible front from banking regulations to victims' protection. All these had to be integrated into the legislative framework and implemented with the highest possible priority. The European Commission has acknowledged since 1999 that Romania had fulfilled all the political criteria for accession. However, the Regular Reports pointed to problems on Chapter 24 – Justice and Home Affairs, especially in regards to corruption. The Commission described corruption as 'widespread and systemic', stating in strong terms that it impeded on the country's capacity to develop and fulfil the *acquis communautaire* (EC 2005, 2006).

#### **4.4. Corruption**

The past decade was characterised by the globalisation of anti-corruption policies in the form of international conventions. These conventions provided the international community with a standardised set of anti-corruption instruments. Romania has also

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<sup>41</sup> Romania submitted its application for EU membership on the 22<sup>nd</sup> of June 1995 and started negotiations for accession on 15<sup>th</sup> of February 2000, following the Helsinki European Council in December 1999.

become part of the global anti-corruption movement by signing the United Nations Convention against Corruption (UNCAC), the Stability Pact Anti-corruption Initiative (2000), the OECD's cooperation framework on the fight against corruption<sup>42</sup> and adopting the Council of Europe Civil and Criminal Law Conventions on Corruption. The expansion of the anti-corruption domain was accompanied by the multiplication of international/regional partnerships that monitored and incentivised the implementation of anti-corruption reforms. For example, in 1999 Romania became part of GRECO (Group of States against Corruption), took an active role in the Council of Europe's Programme of Action against Corruption and is under European Commission's close supervision through the Mechanism of Cooperation and Verification.

The anti-corruption reforms followed a generic pattern based on a set of tools and ideas provided by the international community (Rothstein 2010). The 'one size fits all' approach (Kpundeh 2004: 127) prescribed a "holistic anti-corruption strategy" (Galtung 1998, Langseth et al. 1999) which involved among others, institutional redesign to increase accountability, legal reforms, an independent media, public awareness, an active civil society, economic liberalisation and deregulation (World Bank 2000, Transparency International 2000, UN 2004, UNDP 2004). The semantic expansion of corruption was doubled by the development of the anti-corruption market. By 2003, a rough estimation of the global market size for anti-corruption was around \$100M, "making anti-corruption an industry in itself – an industry in which Central and Eastern Europe was a valuable market niche" (Brayane 2004:17). By 2009, the fight against corruption, particularly in Eastern Europe and Former Soviet Union, had become a multi-billion dollar industry (Brayane 2009). But while governments and donors spent more and more to fight corruption, only a tiny fraction of the police cases dealt with this crime. For example, the EU has spent millions of euro on cross border anti-corruption programmes, but Europol was involved in only a few cases of corruption (Brayane 2009).

However, the Brussels driven Europeanisation did not always have the expected results. Despite the complete institutional redesign and the substantive changes of

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<sup>42</sup> <http://www.unodc.org/documents/treaties/UNCAC/WorkingGroups/workinggroup4/2011-August-22-> last accessed on the 14<sup>th</sup> of December 2013.

legislation, analysts duly noticed that the laws were not implemented and the newly set up institutions were not used (EC 2002, 2003, 2004, 2005, 2006, Freedom House 2005, SAR 2011, TI 2009). In other words, Europeanisation lacked substance. The resistance to change, doubled by the pressure put on the government to over perform reform perverted the democratic mechanisms of governance. For example, the 2003 EC country report for Romania noticed an abuse of emergency ordinances, while the 2006 EC country report mentioned 105 emergency ordinances approved between February and July 2006. More recently the government has employed the vote of confidence and had assumed responsibility for passing particular items of legislation; in 2009 the government wanted to assume responsibility for the adoption of the new Criminal and Civil Codes, invoking the urgency of the matter (eventually, the codes were adopted through ordinary procedure in September 2010) (TI 2011). Even though these are extraordinary measures, they have been normalised by overuse. This situation creates not only a perpetual sense of urgency, but at a more subtle level, subverts the democratic process because these are all mechanisms to *bypass* parliamentary debates.

Over the past few years (2005-2012), the anti-corruption ethos that aimed to reform the entire society was translated in awareness campaigns, emergency lines, opinion polls, workshops, meetings and training sessions. Using PHARE (Poland and Hungary: Assistance for Restructuring their Economies) funding, the Ministry of Justice conducted an €1.8M anti-corruption campaign between 16<sup>th</sup> October 2007 and 27<sup>th</sup> February 2008. The Ministry of European Integration ran an anti-corruption campaign with the slogan ‘I do not give bribes – I do not take bribes’ (*E.U. nu dau spaga – E.U. nu iau spaga*) – based on word-play – the message was that EU members have nothing in common with corruption. The General Anti-Corruption Directorate (DGA) and The National Integrity Agency (ANI) popularised the telephone “green line” (TelVerde) that citizens can use free of charge to report corruption crimes committed by ministry employees, while The Fight against Fraud Department (DLAF) focused on preventing fraud to the EU budget. Partnerships and strategic alliances between civil society and state institutions were established. For example, DGA conducted several such exercises: “Let’s get it over with the envelopes!” (“Gata cu plicurile!”) in cooperation with Romanian Postal Service (on the basis of a protocol between the two institutions all

envelopes and receipts issued for the public use will be stamped with anti-corruption messages and information about the green line), “Travel the anti-corruption route” (in cooperation with RATB, the Bucharest Public Transport Network), “I am financing slavery” (in cooperation with a local branch of Pro Democratia Association) (RAI Steering Committee Report 2010).

These campaigns, the international pressures expressing the necessity of adopting the *acquis communautaire* and the demands of the international financial institutions and business community had transformed corruption into a catastrophe. Thus, the ‘fight against corruption’ had become a complex endeavour, with moral entrepreneurs (Becker 1963) making use of various strategic approaches. So far, Romania has had four anti-corruption strategies, all of them reflecting a change in the ‘fight against corruption’. The first anti-corruption (SNA I: 2001-2004) strategy aimed to align the political and penal semiotics by making the legislative framework in relationship to corruption as comprehensive as possible. The second strategy (SNA II 2005-2007) aimed to establish the institutional architecture dedicated to corruption control and prevention. The third anti-corruption strategy (SNA III 2008-2011) was mainly focused on the vulnerable sectors and local administration.

#### **4.4.1. Did we have corruption before [the Revolution]?**

*“What corruption before 1989? Don’t even think about it! There was the [Communist] Party! Securitatea was following your every move! Forget it! Maybe some low-level train ‘godfathers’, nothing more...”*

(CB, police officer, retired)

*“Of course we had corruption! It was the Communist Party that was most corrupt! You really don’t know anything about this area? About our history? In these mountains, we had the resistance movement. Fifty kilometres down the road was the Pitești experiment...”*

(AB, former political prisoner, retired)

*“Yeah, there was corruption, but it wasn’t a priority for law enforcement. As prosecutors, we did not care about it...it was a work-related thing...nothing fancy...”*

(IA, prosecutor, judicial inspector, retired)

*“What does corruption mean? I do not understand it. We did not use this word when I was younger”*

(NB, peasant, agricultural worker)

The above quotes display a wide range of opinions regarding corruption that effectively contextualise its meaning through association with the state apparatus and its priorities. A more detailed law enforcement perspective is offered by CB below.

*“Well, it was a bit different...I mean...we did not have as it is today...The thing is we had it in the Criminal Code, but it was not our main thing, as it is now. You know, we work on performance indicators, always have... always will... So for me, as an economic police inspector there are some targets I needed to achieve. For example... a certain number of frauds, embezzlements things like that. I did heavy stuff, not corruption...back then that was for pussies...you know beginners. They would usually realise towards the end of the month that they did not do much work and would go on train raids...everyone travelled **cu nasul** ['with the godfather' - the common denomination for train ticket inspectors]. Get some of those, make a criminal file and move on...easy, no? As for me...no! I had long complicated files, with high profile individuals. Trick was that everything was state property back then and everyone was in the [Communist] Party, so you had to be careful. Nobody got to be an accountant or a director of a major factory if they were not quite high up not only in the Party hierarchy, but also in the Securitate.”*

(CB police officer, retired)

Formal attempts to define corruption in Romanian legislation are rather recent. Before the Revolution, the 1969 Criminal Code mentioned corruption only in two distinct cases: corruption of a minor for sexual purposes and corrupting a witness to commit perjury (Banciu et al. 2005). None of these cases had much in common with

the present understanding of the concept, which generally referred to ‘the abuse of public power for private gain’ (TI 2002). The crimes that incorporated the modern meaning of corruption were instead grouped under chapter ‘Crimes in relation to work’ and were decoded as bribe giving, bribe taking, trade in influence and receiving of undue goods (Articles 254 – 257, Criminal Code 1969). However, the concept of corruption was never used in relation to these crimes (Banciu et al. 2005).

CB explained that, as a work-related offence, corruption was not a priority for law enforcement. He elaborated this point by saying that in order to achieve the performance indicators law enforcement would ‘raid the trains’. This point relates to a typical practice of cultural travelling routines – when I was a student, my friends and I rarely bought train tickets as we considered it an unnecessary expense. When travelling in large groups, we would all contribute with small amounts leaving a male friend to stay on the train corridor smoking and wait for ‘the godfather’ [train ticket inspector]. The corridor was full of contributors. When the ‘godfather’ arrived, the person would give the money and point to the group. With an expert eye, the conductor would count the money and quickly assess if the amount correlated to the size of the group. This cultural practice was transformed by law enforcement into a crime category the effects of which could still be traced in the early 2000s. Research conducted by the Romanian Institute of Criminology (Banciu et al. 2005) analysed the sentencing patterns for corruption cases and the socio-demographic characteristics of the offenders (covering all the definitive sentences for this crime between 1998 and 2002). The results profiled train conductors as a high risk category for corruption offences, further noticing that 77% of convictions were directed at offenders with no previous record, approximately one quarter of the offenders convicted for corruption were unemployed (23.8%), about 10% were low-level security staff and 5% were retired.

These patterns of crime did not match the perception of levels of corruption (which portrayed corruption in Romania as ‘systemic’ according to TI (2002, 2003)) and, in 2000 the Parliament adopted “Law 78/2000 on preventing, discovering and sanctioning of corruption acts”. Apart from establishing in penal language the modern understanding of corruption, this law effectively linked it to EU funding.

Four major types of crime were included under the umbrella of corruption: offences mentioned by the 1969 Criminal Code (bribe giving, bribe taking, trade in influence and receiving of undue goods); crimes associated with corruption (a rather heterogeneous category including crimes as diverse as fraudulent privatisations, bending the rules of crediting, commercial operations incompatible with professional status, the abuse of confidential information, blackmail if committed by certain categories of civil servants); other categories of crimes regulated by the Criminal Code or special laws that were in direct relation or assimilated to corruption (such as the abuse of power against the public interest); crimes against the financial interests of the EU (this last category was included to respect the 1995 PIF Convention).<sup>43</sup>

By 2003, anti-corruption was delivered in packages. For example, Law 161/2003 (along with Law 52/2003, branded as the Anti-corruption Pack) criminalises conflict of interest; institutes prohibitions for high public servants (members of government, state secretaries and sub-secretaries, prefects and sub-prefects) to issue administrative or judicial acts that would produce a benefit for themselves, their partners or any relative to the first degree; defines new categories of incompatibilities for public servants; modifies and brings clarifications to other laws regarding corruption (e.g., Law 78/2000, Law 188/1999).

Despite the multiplication of legal provisions, the justice system was not achieving the desired effects, because it continued to target ‘petty corruption’ as proven by conviction patterns (Banciu et al. 2005). Corruption’s insidious nature demanded an even more comprehensive approach to eradicate not only low-level offences, but also high-level corruption committed by high status officials that heavily affected the public budget. This need for expressive justice (Garland 2001) was encapsulated in the setting up of the National Anti-Corruption Prosecutor’s Office (NAPO) in 2000. Since then, anti-corruption institutions have proliferated – e.g., General Anti-Corruption Directorate (2005), National Integrity Agency (ANI) and in connection to it, the National Council of Integrity (CNI) set up in 2007, individual anti-

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<sup>43</sup> This law was revised and completed several times (by Law 161/2003, Law 521/2004, emergency ordinance 124/2005 issued by the government etc.), only to include more offences under the heading of corruption.

corruption units within various ministries – showing that this crime had become too important and its control demanded a *specialisation of the justice circuits*.

The National Anti-Corruption Prosecutor's Office (NAPO) was set up in 2002 at the request of EU and with €2M funding through a PHARE programme. As the aim of NAPO was to target high-level corruption, it focused on cases involving sums higher than €100, 000 or high-ranking officials. As a distinguishing feature, NAPO's institutional complement included not only prosecutors, but also experts and its own judiciary police. To reflect the importance attached to this institution, NAPO prosecutors were paid 40% more than their counterparts in the General Prosecutor's Office on the grounds that they were dealing with high-level corruption (Freedom House 2005). This, coupled with the lack of transparency in the selection procedure, created a lot of resentment in the prosecutorial body (Freedom House, 2005:82). Ironically, the main anti-corruption institution was suspected of corruption.

The new codification of corruption was accompanied by the reform of the justice system in order to ensure a rigorous application of the legislation. The disturbance in the traditional economy of illegalities required a system that would administer force differently in order to maintain the new adjustments. In the line with the orthodoxy of transparency, the justice establishment had to be made independent, predictable and impartial, which was a rather surprising turn to Jeremy Bentham's classical criminology (Maguire et al. 2002). In a 2010 report, the Superior Council of Magistracy (CSM 2010) admitted that its programmes were designed to take into account the funding opportunities and the international reports about the Romanian justice system. This short term political calculation was bound to affect the long-term development of the Romanian justice system by over-specialising a significant body of magistrates in particular areas.

#### **4.4.2. ‘Moral entrepreneurs’ (Becker 1964): Anti-corruption as an electoral tool**

The 2004 elections were won by a liberal-democratic coalition and the new government decided that fighting corruption was its main priority (EC, 2005). Monica Macovei, a former prosecutor during communism and a former member of civil society during the transition, was appointed the new Minister of Justice. She emerged as the leader of anti-corruption movement. Her efforts were highly appreciated by the European officials and on the 1<sup>st</sup> of January 2007, Romania joined the EU. Romanian officials were less appreciative of Mrs Macovei’s efforts and the Senate voted a motion against her which led to her dismissal. Her successor, Mr Tudor Chiuariu, spent less than a year in office and was dismissed by President Basescu when charged in a corruption case (Mungiu-Pippidi 2009).

Due to the EC’s close monitoring, the institutional architecture continued to change according less to the needs of the system and more to the international recommendations. However, as opposed to the previous stage, the new government was more focused on developing preventive partnerships between public institutions and the civil society. For the first time after the Revolution, NGOs were regularly invited to participate in public decisions. Furthermore, there was a marked change in the style of management of the public institutions. Ministers started to behave like managers of private companies and a new economic ethos was brought to the justice system. Public institutions were governed according to strategies and action plans, which designed clear lines of action and strict deadlines. Independent audits were conducted and matters of cost-effectiveness were considered of utmost importance. And all these changes were somehow determined, reported, explained or justified through corruption, or to be more precise, through anti-corruption.

#### *A criminological story<sup>44</sup>*

The Romanian Institute of Criminology was set up in 2002 by Rodica Stanoiu – who was the Minister of Justice and was dismantled in 2007 by Monica Macovei – Minister of Justice. Rodica Stanoiu was a criminologist who had conducted part of her PhD under the supervision of Denis Szabo in Canada. When she took over the

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<sup>44</sup> This story is based on informal interviews conducted with various employees of the Ministry of Justice. It also builds on my experience as a researcher in the Institute of Criminology (2003– 2007). However, at the time, I was already studying abroad.

Justice portfolio, she decided to set up this institute within the Ministry of Justice, following a Central European institutional tradition. A research institute under the umbrella of the Ministry of Justice was considered highly unusual, but it was generally accepted that criminology was a branch of Law, hence appropriate institutionally. Perceived as ‘Stăniu’s nest’ the Institute produced a number of research projects and organised some conferences. After the 2004 elections, when Monica Macovei was installed as Minister of Justice, she changed all the directors at the Ministry and brought in former collaborators from civil society. This was a typical practice in the Romanian bureaucracy, which essentially signalled lack of trust in the previous government. Personal animosities between Macovei and Stăniu determined the former to dismantle the Institute of Criminology. The official argument was that due to the lack of financial resources, the Ministry of Justice structure had to be reduced and most inefficient units dismantled. In order to assess the efficiency of the Institute, the evaluators assigned the symbolic value of 1 Romanian Leu to each page of published research and further conducted a cost-benefit analysis by comparing the value of the research with the total of maintenance costs (e.g., wages, rent, consumables). This analysis proved beyond any doubt that the Institute was not an efficient unit and on these grounds it was dismantled in 2007. This example shows how anti-corruption narratives can be instrumentally used to frame personal relations.

#### **4.4.3. Monitoring corruption in an EU member state**

When admitted into the EU in 2007, Romania was not considered fully prepared, with corruption being flagged as the main problem. Consequently, the European Commission set up the Cooperation and Verification Mechanism (MCV) to ensure further close monitoring in this area. This Mechanism does not have a particular deadline and is designed to stay in place until all the benchmarks are considered achieved. The third anti-corruption strategy (SNA III 2008 – 2010) focused on the fourth benchmark established by MCV (which advised the government to adopt further measures to prevent and control corruption in the local administration), but it also took into account other national and international evaluations (e.g., GRECO, TI). Aiming at building the institutional capacity of the anti-corruption establishment, the strategy used the language of risk to define the vulnerabilities of

specific sectors, while emphasising the need to conduct further research to identify additional dangers and organise anti-corruption awareness campaigns.

Subsequent country reports started to praise the law enforcement agencies. For example, the 2010 EC country report noticed the effectiveness of institutional cooperation between General Anti-Corruption Directorate (DGA) and prosecutors in tackling complex cases of corruption, which was partially attributed to the high level of expertise displayed by the DGA police officers and a positive reflection of DGA's specialisation and its exclusive focus on corruption. In 2011, DGA played a major role in a spectacular investigation conducted by the DNA which targeted border police and customs officers. This success pointed to a "new level of institutional capability" (EC country report 2011), which justified the hopes that this institution could become involved in more complex cases involving public procurement or organised crime.

After Romania had joined the EU without having solved its problems regarding corruption, the European community expressed anxiety that the new member state would use corrupt means to affect the financial interests of the EU. The sense of discomfort was related to the fact that the pre-accession funds were interpreted as training for the local elites, who would later use corrupt means to commit fraud on the common budget. For this reason Brussels officials expressed their dissatisfaction with the volatility of the institutions dealing with the investigation of EU funds, even considering the activation of the safeguard clause. The main problem derived from the fact that the local counterpart of European Anti-Fraud Office (OLAF), the Department for the Fight against Fraud (DLAF), has been shaken by a decision of the Romanian Constitutional Court (CC) in November 2009, which declared the legal basis of DLAF unconstitutional. The legislation was later amended, but in 2011, the EC noticed that DLAF's administrative capacity and the quality of administrative action remained weak (EC 2011).

The international anxieties related to the enhanced possibility of fraud to the common budget are mirrored by the national anxieties regarding the possibility of losing the funds. In order to attract more funding, a new institution was set up in September 2011 – the Ministry of European Affairs. Apart from that, there were

also shifts in other bodies that dealt with structural funds. The Authority coordinating the structural instruments was moved under the direct supervision of the Prime Minister in February 2011 (to give an impulse to EU funding), while the PHARE Office (OPCP – The Office for PHARE Payments and Contracts) was transformed in a directorate within the Ministry of Public Finances, losing some of its responsibilities in favour of the Schengen and the Post Accession Programme Directorate.

#### **4.5. Conclusion**

The transition from socialism to capitalism represented a massive change for Romanian society with short term high social costs and long term negative consequences for the economic development. Romania entered late modernity under the close supervision of international organisations (EU, IMF, World Bank) which designed and monitored this change in an attempt to align Romanian society with the international standards ('integration from above'). This capitalism-by-design impacted the society through price liberalisation, opening up of the market, and massive privatisation. These aspects shaped people's economic behaviour and determined the adoption of various strategies of coping with uncertainty. As active and creative actors of European integration, Romanian entrepreneurs learned to adapt their old patterns of behaviour to the new economic opportunities in order to improve their life trajectories. This process of behavioural adjustment, or 'integration from below' was shaped by the necessity to adopt the EU *acquis communautaire*. In the case of Romania, the EU conditionality was fashioned using narratives of corruption.

The process of accessing EU funding has been shaped by anxieties regarding corruption. The official fears regarding the possibility of fraud to the European budget translated in high levels of control and numerous bureaucratic delays. In short, the negotiations regarding structural funds were encapsulated by over-regulation which contained a set of rules that were to guide the access of funds while shaping a new entrepreneurial spirit. However, few Romanian entrepreneurs

had the financial capacity to co-fund the EU projects (Chapter 8) and the patience to understand all the rules involved in this process as detailed in the next chapter. Predictably, this led to a small absorption rate, which was interpreted as a failure of the authorities and debated in inevitably pathetic tones. Unpredictably, it reinforced the segregation of agriculture by creating a small, profitable and productive sector that attracted high levels of funding and a large subsistence sector that could not attract funding. Thus, over-regulating structural funding has made accessing EU funding more a political than an economic process.

## Chapter 5

### The process of accessing EU funding: EU ideal types, Romanian inventors and innovators

Building on the previous chapter that describes the context of this research as characterised by striving entrepreneurship and shaped by transnational anxieties regarding the possibility of defrauding EU citizens' money, this chapter aims to analyse the process of accessing EU funds in Romania. It follows both the logic of the process and the actors involved, showing the dynamics and interactions between them. Throughout the chapter I argue that the actors are influenced by multiple frames of meaning (regulatory, political, economic), act at the intersection of different markets (e.g. market for consultancy, market for tourism, market for construction), move between registers of eligibility, compliance and profitability and, in doing so, they use a wide range of practices (formal, informal, legal, extra-legal and sometimes illegal). The chapter has three main parts. I begin with the 'official story' and show how the process of EU funding is presented by the official guides. The second section is a case study focusing on a public actor who had accessed EU funding. The main reason for putting this case forward is to show the entire process through an applicant's eyes. The last part of the chapter, builds on the theoretical framework and puts forward the model that will guide the analysis of EU funding throughout the thesis.

#### *5.1. Structural funding for rural development*

The National Programme for Rural Development for 2007–2013 designed by the Romanian Ministry of Agriculture is the main document detailing the destination of the EU funding<sup>45</sup>. This 'master document', designed on the basis of European regulations regarding rural environment, has three main aims: increasing the

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<sup>45</sup> [www.apdrp.ro](http://www.apdrp.ro) last accessed on the 14<sup>th</sup> of December 2013.

competitiveness of the agricultural sector; improving the environment in the rural spaces; improving the quality of life in rural areas and supporting the diversification of rural economy. For this third aim, Measure 313 aims to support the development of agricultural tourism, increase the number of jobs and diversify the sources of income. The Agency for Rural Development and Fishing, (APDRP, henceforth ‘the Agency’) is the main bureaucratic organisation.

The eligibility criteria and the ground rules for accessing funding are elaborated and presented to the public in the form of a Guide published on the main website. According to the Guide, Measure 313 is addressed to both public and private actors. The main difference lies in the principles of funding: a public actor can receive up to 100% financial support and no more than €1.000,000 and a private actor can only receive up to 50% financial support and no more than €200, 000. Until January 2014, a total of 307 projects were submitted amounting to nearly €600M, roughly 70% were selected and 44% of the applicants managed to sign a contract with the Agency.<sup>46</sup> Typically, Measure 313 works on the *principle of reimbursement* – which means that the beneficiary is expected to use private sources and be reimbursed at a later date, on the basis of justificatory documents. In 2009, as a direct effect of the financial crisis the Government of Romania introduced the possibility of receiving funds in advance, thus reducing the applicants’ financial burden.<sup>47</sup>

### **5.1.1. How to access structural funding for rural development?**

*“Ah, but it’s very easy! Prepare your funding application, submit it and if it is good you get the money. If not...you make it better!”*

(D, bureaucrat)

*“I heard that the EU gives money...free money...for young farmers. I submitted two funding applications because the first one was not good. The second was awarded the maximum grade in June. The Agency sent me a letter sayin’ that I was eligible for 40, 000 euros. Now...what to do? I set up a firm to be able to get the money.*

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<sup>46</sup> <http://www.apdrp.ro/> last accessed on the 14<sup>th</sup> of December 2013.

<sup>47</sup> <http://www.apdrp.ro/> last accessed on the 14<sup>th</sup> of December 2013.

*When I got back to the Agency they told me it was a mistake. The file was still perfect, they said, but I was not a 'young' farmer anymore. That knocked me out! I was 35, ready to start my business and ...now that. After everything that happened to me I think that if you don't have o pila [connections] you can kiss EU funding goodbye. My file stayed in a drawer for months until I was not a young farmer anymore.*

*R.B: How did the Agency explain this?*

*M: They blamed it on the system [software] saying that it makes the selections at the national level, not really checking the age thing. That could only be done when I got there to sign the contract. As for the delay ...lack of workforce."*

(M, applicant)

There is a wide gap between the two stories and this gap will be explored in the rest of the chapter. According to the official guide, there are seven main steps involved in receiving this type of funding, as shown in the Figure 5.1 below. The first stage involves filling in the funding application and bringing in the required documents to prove the necessity and the viability of the project. Once the funding is approved, the applicant signs the contract with the Agency and may start the procedures for public procurement (if a public actor) or acquisition of materials/provider of services (if a private actor). Assuming a private actor does not need funds, he/she may proceed with the work and prepare a file to be reimbursed.



**Figure 5.1: The application process as described by the EU Agency in Romania**

Source: APDRP (Agenția de Plăți pentru Dezvoltare Rurală și Pescuit), Application Guide for Measure 313, 2010

Official narratives are usually not adequate for portraying the complexity of human endeavours. In the case of EU funding though, they are particularly apt to hide complexity, justifying the bureaucratic behaviour in a language based on EU idioms. The ‘iron hand of technology’ (Kerr et al. 1973) encapsulated in the software, the lack of human resources and the irreversibility of the rules effectively construct the machinery of bureaucracy along the lines described by Weber ([1922] 1968). Even the ‘mistake’ is interpreted as being produced by ‘the system’ whose rules nobody can really understand (Latour 2005, Ledeneva 2013). M decoded this situation through narratives of corruption, pointing to *pile* [connections]. He further explained that he would have needed someone to ‘take care’ of his file, informing

him earlier about the situation. In his interpretation corruption meant breaking down the bureaucratic machinery into warm social relationships (Gupta 1995, de Sardan 2006).

The next section takes this points further through a case study of a public actor who had sought and secured funds to build a road in a small village. This example uncovers the dynamics of the application process and shows that each step entails numerous actions which will be further discussed in the third section.

### ***Cornelia's road: The public actor***

Mrs. Cornelia is the mayor of a Romanian village with approximately 15, 000 inhabitants. She is a cheerful, large woman in her late 50s. Cornelia's husband died about 10 years ago, leaving her with a big household to run and two children to raise. Nowadays, she splits her time between the activities typical of her two roles (landowner and mayor).

Cornelia represents the archetypal progressive woman. Her job trajectory is characterised by upward mobility, moving from contract teaching to accountant and then mayor. Within the universe of the village, Cornelia has reached the highest position and has maintained it for 20 years. Her attachment to the place is remarkable, as she has not even been subjected to the typical rural-urban migration which characterised the 1970s and 1980s. This is materialised occupationally through the physical work of the land and socially through everyday practices, behaviours and symbols.

Madame Mayor has 'healthy origins'<sup>48</sup> and displays both signs of stability and flexibility. Cornelia was offered to run for a position 'closer to the centre', which she refused:

*"I need to be near my home. If I leave who is going to take care of the potatoes and grapes? [...]*

*R.B: Maybe if you have more money, you could hire someone to do that.*

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<sup>48</sup> The expression "healthy origins" was widely used during the Communist period to denote people with non – bourgeois origins (whose parents were peasants). In this case, the Bourgeois were all citizens that could be in any way associated with elites (be it financial, social, intellectual or big land owners).

*C: No, I have to be here myself. There are no people to hire. Everybody is abroad, working to make money. They went to Spain to pick strawberries, while their crops back home are not taken care of. The village is mostly left with old people, because all the young ones have left.”*

Her enduring logic and principles were contextualised behaviourally. For example, in order to maintain her position, she has changed her party affiliation frequently. “*I did not want to go to Vadim [extreme right] as I don’t like him. Let’s hope it won’t be necessary! [...] It’s a bit ridiculous as I am the same person, but I had to be careful. If the party in power changes, the mayors have to change too, otherwise we don’t get any support from the **judet** [county]. **Centrul** [the centre] does not like people who don’t have the same political colour. And we all know that the light comes from the centre, don’t we?”*

Cornelia’s frequent allusions to ‘the Centre’ indicate her recognition of a specific kind of authority and decision-making mechanism. ‘The Centre’ is a symbolic representation of hierarchy and power with monopoly over the decision process.

In 2001 Cornelia decided to apply for EU funding for the first time. This decision followed her participation to a *judet* meeting. On this occasion, Cornelia and other mayors asked for public funds to invest in their old roads, flowing water and gas supply. The management replied that the State had no money, but there was the alternative to SAPARD (Special Accession Programme for Agriculture and Rural Development) funding, which “*was a pain, but it could be done!*”

Since Cornelia had little background to understand the rules and expectations of the EU funding, she turned to her network for support both in terms of information and practices. Other mayors had successfully accessed SAPARD funds to improve the quality of the country roads, and they offered advice on the steps involved and the criteria of eligibility.

Consequently, it became apparent that the first thing to do was the *feasibility study* [FS], detailing the technical and financial parameters of the investment. In order to minimise the risk of being taken advantage of, Cornelia used the same firm that was

employed by her predecessors. The contact was mediated by another mayor with a “*Let’s help the lady to do a good job!*” to the expert and finished with “*Now that you know each other, I will let you talk*”, which smoothed the interaction. By borrowing from the mediator’s social capital, Cornelia had transformed from mayor into client. This introduction was important because even though Cornelia did not have the financial capital to pay for the FS, the experts agreed to start working on it and receive the payment some time later. The degree of trust implied in this (initially) informal arrangement was provided by the recent history of a successful business relation and the expert’s ability to distinguish between friends and foes.

However, in order to secure the payment for the FS from the local budget, Cornelia needed a bit more than trust. She had to be able to prove the council members that the investment of 78 million Romanian Lei<sup>49</sup> was *safe*, which meant that the money would not be lost, even if the funding was not obtained. This entailed another application to the Ministry of Agriculture to advance the funds for the FS. The approval from the Ministry of Agriculture came quite soon, because the designated road had been quickly added to the county’s strategic investments list – an element which increased the importance of the investment and a fiction invented to please authorities.

*“Once they approved it, I had a council meeting, here at the county hall to approve the investment. As with all the public money, the centre gives you the approval, you spend your own money and, once you finish and bring the paper, they refund you. The problem is that the refund comes God only knows when. It took me a year to get the money back. When I asked for the money, my FS was on the waiting list with other 49 from the same county.”*

With all the approvals, Cornelia could safely outsource the FS:

*“I started to do the feasibility study in 2002, when the maximum investment for a project granted by SAPARD was €1, 000, 000. Of course, we went and bid for the maximum, as we thought they [the Agency evaluators] might cut anyway when evaluate the project.”*

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<sup>49</sup> Approximately €2, 000.

Despite the fact that Cornelia had her paperwork ready in 2002, the project was only approved four years later. This unexpected opportunity was created by a disaster: “*In 2006 my funding was approved. Why, you ask me? Well...because 2005 was a very rainy year with lots of floods. We had floodwaters here in S. The Government changed its priorities, even declared an ‘emergency state’ and my project fulfilled the criteria for the natural calamity*”. Consequently, Cornelia signed the funding contract on the 10<sup>th</sup> of August in Bucharest at the Ministry of Agriculture.

Political and economic environments in Romania have always been in flux after 1989, but 2006 was a particularly bad year for accessing European funding, since Romania was to join the EU in January 2007. On one hand, this translated into new laws that changed or adjusted the rules and regulations of EU funding; on the other hand it created a lot of confusion, as not even the officials from the ‘centre’ knew how to apply them.

“*Ordinance 34/2006 created only difficulties and nobody from the centre knew what to do or tell us. We were asked to go to the Ministry of Agriculture for a meeting on the 15 of May for training. No materials were given at the training session and no valuable information was communicated. The room was full not only of mayors like me, but also consultancy companies. They did not know anything more than us, the mayors. Plus, they were asking for €5, 000 to ‘help’. Honestly, there is no money to pay for consultancy.*”

Political entropy was doubled by inflation and devaluation:

“*Just to understand what the problem was: when I did the first project in 2002, I applied for €1, 000, 000 to build 6 km of road. The euro was 35, 000 lei. In 2006, the euro was 42, 000 lei and the roads were in a worse condition. The value of the project was the same: €1, 000 000. Furthermore, the prices had doubled and the work volume was the same*”.

The fluctuating business conditions have led to a re-evaluation of the initial project “*A decision had to be made. The width of the road could not be changed – it was 5.5 m – as one cannot put pavement unless one covers the entire road. So, we*

*settled for putting a thinner pavement than the original one (instead of 30 cm, I went for a 10 cm) and build two small bridges.”*

Formally, the re-evaluation had to be done by an expert, but these actors were hard to find. Even though they could be found in the public service (i.e. the Prefect House, the specialised directions within the Ministry of Agriculture), they could not be employed because of their quality of public servants.<sup>50</sup> Once again, Cornelia relied on her network to find an expert. “*A mayor from a neighbouring village has a brother who is a chief in the financial control team from SAPARD. He talked to his brother and that's how I got the name of the expert*”.

Regardless of her social and entrepreneurial competence, Cornelia could not work alone due to time and physical constraints. Consequently, she had to set up a group of people with whom she had more frequent interactions and who “cooperated in staging the same routine” (Goffman 1959:85). The team was meant to share the workload and ensure the task completion. Its necessity was not only determined practically, but it was also required by the EU regulations at a later stage in the process. Cornelia’s team was quite small: herself, the deputy mayor, an assistant and the secretary. All the members were working in the same place – i.e. at the town hall and it was part of their job description to participate in the EU project. Within the team, the participants had maintained their social roles and status, so the power distribution was unequal as was the degree of responsibility. As opposed to the network, the team had different mechanisms to ensure cooperation and resolve conflicts.

For example, when filling in the funding application, Cornelia kept both her secretary and the assistant at the office until 1 am to finish before the deadline. The second day in the morning, she drove about 100km to hand in the application. Despite her efforts, the Agency clerks informed her that the EU regulations do not allow them to accept handwritten applications. Cornelia got back home and asked the other participants to come to the office in order to type the documents. They

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<sup>50</sup> According to Law 188/1999, the public servants in Romania are not allowed to perform other activities that generate profit outside the public office.

ended up leaving home at 2 am and the next day, another member of the team took over – the deputy mayor took the files to the Agency.

Cornelia asked the deputy mayor to do the re-evaluation of the indicators, but this time he did not perform well. In this case, the actions of one member reflected on the entire group and she had to step in to solve the conflict.

*“He [the deputy mayor] talked rubbish. He told the expert what he should not have and of course the man got upset. He flared out his feathers a bit, since HE was the expert. And that was it! You know... this is the deputy mayor: nice, clean and brainless!”*

Once again Cornelia relied on her old solidarity networks to solve the conflict.

*“Now, I was left with no other choice than finding a new expert. I asked around who could do the job and there were only three people: one was a drunk, another was lazy and the third was the devil’s man! My choice was the latter – he was from C [a city close to the village]. I called him, talked to him and told him what to do. He agreed to do the job: “Sure ma’am! I’ll send it to you in two weeks”, he said. When I heard it, I thought I would have a heart attack. “Two weeks? What am I going to do with it in two weeks? I need it in a week!” He said he could not do it, there was no chance...nothing! When my attempts to persuade him failed, I thought about talking to someone who knew him. I started to ask around for people who have worked with him, maybe in the same board/commission. Finally, poor Mr. M, God bless him, called him and the lunatic [the expert] agreed. However, he settled to do everything by Thursday and I needed the project by Wednesday. Besides, he wanted to come to the village to see everything himself, not to put his signature randomly. I called Mr. M again to complain. Poor man, he was in the hospital but said to me: “What are you talking about ma’am? Coming to the village? Is he insane? **I have been there and that should be enough!**” In the end, he [the expert] gave me the documents on Wednesday and not Thursday as he wanted.”*

The relationship between informal economy, formal economy and the state is not antagonistic anymore, since Cornelia is using it competently to achieve eligibility. The applicants live concomitantly within multiple spaces, each with its own frame of reference. Not only this does not create new incongruence, but it actually solves

pressing situations due to the highly personal quality of the relations. In this environment, business is personal, through social control manifested as peer pressure, favour exchange and transfer of capital. The typical behaviours frequent in the first economy (i.e. visiting the place in order to make sure everything is in order before signing the document) become unacceptable in the informal sector due to the etiquette of the arrangements. Furthermore, the degree of trust is high enough to make the expert assess the risk as acceptable<sup>51</sup>.

With all the documentation in place and the funding approved, the only thing left to do was the construction of the road. The EU funding regulations state that any public institution using public funds should organise public bids for subcontracting parts of production or marketing. Cornelia organised three public bids for her road. The first bid was cancelled because of her; the second because of a sudden change in legislation. In the first case Cornelia committed two fundamental mistakes: a) she made all the calculations up to the last cent not taking into account the inflation (which made the business not profitable for the constructor) and b) overpriced the technical documentation (for the public bids, the legal representative prepares a technical detailed documentation and sells it in order to recover some money for the local budget) – she tried to sell it for 40 million lei (approximately €1,000). In the second case, the Government had changed the regulations for organising public bids, introducing among other requirements, the obligation for the public institution to advertise the bid on the internet. This measure was intended to increase transparency and reduce the possibility of fraud. However, Cornelia managed on the third try to hire exactly the company she wanted. The procedure was quite straightforward – she reached an agreement with a constructor to build her road and it was the constructor's job to bring in two other friends who had construction companies and who had bid higher than he. This informal arrangement is a typical example of a favour exchange and a win-win result.

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<sup>51</sup> As a further note, Cornelia had to re-negotiate with another company to stamp her documents, as the expert put only the quantities and 'forgot' to put the prices.

## 5.2. A dynamic model of EU funding process: Actors and registers of behaviour

In the process of accessing EU funding, there are several types of actors that come into play at different moments, generically denoted as *applicants*, *consultants* and *bureaucrats*. The following section focuses on the characteristics of each category. Figure 5.2 is a visual representation of the model employed to explain the process of accessing EU funding in Romania. It builds up on the theoretical model of coordination mechanisms described in the theoretical framework.

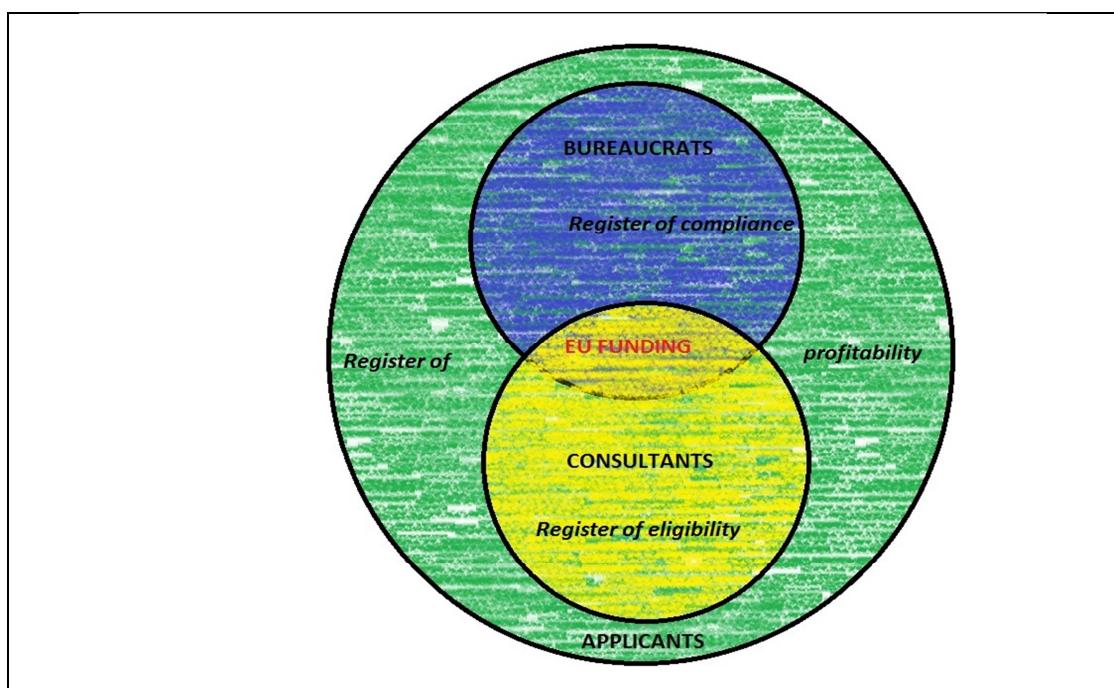


Figure 5.2: Accessing EU funding in Romania: Actors and registers of behaviour.

*Applicants* are actors who (aim to) access EU funding in rural areas in Romania. They move between the *register of eligibility* (abiding by the formal rules and regulations imposed by the EU and Romania when applying for funding), *register of compliance* (abiding by the formal rules and regulations during the implementation stage) and the *register of profitability* (making their investment worthwhile), which transforms them from *applicants* (which is the denomination used by the EU agency) into *beneficiaries*. Despite the mirage of ‘free money’, a highly unstable political environment and rigid rules that shape access, EU funds seem to grant permission to a specific type of investor that has very little in common with the EU’s imagined actor. This high status actor relies on old patterns

of behaviour and reciprocity rules in order to reduce uncertainty and move between state regulations, formal and informal economy. Within this category, there is a distinction between *public* and *private* applicants according to their status and role (Chapter 8).

*Consultant* is a generic name denoting the category of actors that mediates and intermediates between applicants and bureaucrats. In this category, I have included actors who provide information and support to prepare the EU file and *experts* – highly specialised actors that usually provide one-off services. The category of experts includes architects, road experts, accountants and supervisors of the construction sites. Consultants commodify EU funding by treating the eligibility criteria as production factors. In this way, they construct a market that mediates the relationship between *applicants* and *bureaucrats*. Consultants have different roles, more or less formal and formalised. Firstly, they translate the EU requirements in a language accessible to the applicants by decoding the eligibility criteria into small actions and steps. Secondly, they recode the applicants' decisions into a language that is required and accepted by the EU regulations. This sort of technical knowledge is for example visible in filling in the funding application or making the budget. The best consultants are “*the ones who can make the papers credible*” (M, consultant). Thirdly, they put applicants in contact with *experts* who have specific skills and whose input is necessary for the feasibility study or any other sort of technical evaluation (as shown in Chapter 6).

*Bureaucrats* are public servants employed by the EU agency and its territorial offices, as well as the police and prosecution forces specialising in investigating EU funding crime (Chapter 7). They have a double role: to support the potential beneficiary by offering information and to check if the funding application and the construction fulfil the EU standards and requirements. Bureaucrats act within the framework of control and their actions are shaped by anti-corruption policies.

The model described in Figure 5.2 should not be understood as a static description of EU funding, but as a stylised representation of a very dynamic process mediated by social embeddedness. Markets and hierarchies are decoded and enacted through a dense web network of political, religious and social interactions and affiliations.

In the case described above, Cornelia accessed the market of experts through her social connections managing to submit the file before the deadline due to the power of social arrangements and transfer of capital (Bourdieu 1997). The symbolic expectations surrounding the personal nature of relationships made possible obtaining the expert's signature without him ever having visited the place. This gives rise to a relational economy which entails indefinite exchanges and transactions that encompass far more than bureaucratic norms and market prices. Gupta (1995) described the same mechanism in the case of bureaucracies in India showing that these social arenas are approached and decoded through social networks. Some researchers label this mechanism as *clientelism* (Fox 1994), but this research indicates that the inability to access markets or bureaucracies is interpreted as social incompetency and attributed to lack of social and cultural capital. Research from Africa (De Sardan 2005), China (Yang 1994) and Russia (Ledeneva 1998) document the same type of informal mechanisms – e.g. *blat*, *guanxi* – that spring out of different cultural backgrounds at different strategic moments.

Networks are particularly adapted to counteracting contextual uncertainty by ensuring communication about prices, norms or know-how is maintained (Kanoko and Imai 1987 in Powell 1990). However, the EU funding process is not a 'regular' economic activity. Three aspects distinguish it from the pool of typical profit enhancing activities: it is a new, excessively bureaucratised arena experiencing transnational anxiety of defrauding EU citizens' money; its regulatory framework is subject to constant revisions by Romanian bureaucracy which tries to accommodate European directives with the domestic legal framework; it effectively changes the work process through three main variables: specialisation, technology and skills (Sabel and Zeitlin 1997). These aspects create a wide gap between vernacular practices and the EU funding expectations which can barely be fulfilled by the diffuse networks. Thus, in order to accommodate the changes of this new economic arena, a new force embodied in the *consultants* assumed the role of communicator within a market framework. Essentially, excessive bureaucratisation of EU funding led to its marketisation. The next section explains in more detail each stage of the process.

### **5.2.1. Act One: Achieving eligibility**

This stage is meant to legitimise the applicant as a competent user of the European funds and in doing so the actors are required to present documents as proof of their competence. This is an active process of trust construction between the applicant and the bureaucrats (Lapavitsas 2007). However, the logic is sometimes reversed, the actors changing their status in order to fulfil the criteria. This is a stage characterised by intensive networking and creative use of skills in order to deliver the best possible documents to please the ‘fanatic’ bureaucracy. The use of old solidarity networks (Yang 1994, Ledeneva 1998, de Sardan 1999) and gift giving (Malinowski 1922, Mauss 1925, Bourdieu 1977, Yang 1994, Ledeneva 1998) are part of the socio-cultural logics of action and the economy of favours (Wedel 1986, Yang 1994, Ledeneva 1998). The networks provide support and act as buffers between the state and the individuals, offering information and providing help (Wedel 1986, Wedel 1998) in translating bureaucratic practices.

#### ***The eligibility of the person***

The eligibility requirements for the applicant are straightforward for public actors, who are automatically involved in activities for the benefit of the community and usually get full funding. The place of residence usually represents the only caveat, as to fulfil the requirements, public actors need to be situated in rural areas.

On the contrary, the same requirements prove to be more challenging for private actors who find ways to bypass it. The necessity of rural residence applies both to the future hotel/building and the existing firm. In one case, RM, as the wife an engineer who was also involved in several private companies (construction, cable television, consulting) bought a lot in her husband’s home village. She further set up a start-up company in her name and successfully applied for EU funding. She had never lived in the country and had no intention of doing so in the near future. This strategy not only solved the problem of residing in rural areas, but also had the benefit of putting a new company on the market with no history of state debts. Another case was somewhat more dramatic – Mr. G had accessed EU funds to build

a four star hostel in the middle of the town and a historical area;<sup>52</sup> he fulfilled the criteria of eligibility by obtaining a letter from the town hall which stated that the lot of approximately 1, 000 square metres was...outside the city. This particular case was quite ironic because it was so visible: the building had a huge banner in front which stated that the project was funded by the EU in order to support **rural** development. Mr. G's social capital was increased by such an advertisement of symbolic power (Wedel 1986, Bourdieu 1997).

*“The capacity to co-fund the investment is hard to achieve and quite easy to prove”* (MG – consultant). Despite the fact that the personal contribution can be between €5, 000 and €200, 000, most investors aim for the maximum. This is due to several reasons that arise from negative anticipatory thinking: *“We applied for the max because we thought they [the Agency] would cut anyway!”* (Mrs. C, applicant) to cost-benefit analysis: *“My costs are the same irrespective of the fact that I apply for €5, 000 or €200, 000. I still have to do the project, pay the consultants, make all the trips and get the approvals”* (D, entrepreneur).

In any case, the beneficiary either has the money to do the investment or has to borrow it. The second option is quite tedious and costly; most banks do not have protocols to support EU beneficiaries, the application process is difficult and the interest rates are high. In general, the banks are stricter than the EU agency. During my fieldwork I encountered cases of daring entrepreneurs who started their projects with little amounts of personal money. In one case, S decided to take out a mortgage on his house and deposited the money into a bank account for a few days. He wanted to show the bank statement to the Agency as proof of his capacity to co-fund the investment. After showing the document to the Agency, he withdrew the money and repaid his mortgage.

In the EU logic of funding, personal and entrepreneurial histories are equally important. The potential beneficiary has to be a good citizen both financially and

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<sup>52</sup> The only thing that Mr M could not achieve was to demolish a 600-year-old wall. The proximity to other monuments from the same period led the authorities to suggest Mr M to build “around” the monument. Mr M perceived it as an injustice: *“C'mon, during the communism that [the ruin in question] was a public toilet!!!”* Mr. M's memory seemed to be attached to the recent history, as a few hundred years ago the wall in question was in fact a royal residence.

judicially and should present clear records to prove it. One way to overcome any problems is to set up a company under the name of a family member (close family members with a different surname are usually preferred). In this case, the use of family for economic purposes implies a higher level of trust and a closer degree of control from both sides; the ‘front’ applicant aims to make a small profit by lending the legal profile and the ‘real’ applicant aims to minimise the degree of control on the business while pursuing profitable activities.

### ***The eligibility of the project***

The eligibility of the project consists in controlling both the feasibility study (FS) and the budget. These elements apply for both public and private applicants. For the public and the private applicants, the FS and the budget require the input of specialised actors – *consultants* and *experts*. Within the logic of the process, this is the first stage at which the second generic actor is involved –*the consultant*. The consultant’s role is to legitimise the investment and prove its feasibility and profitability.

The FS is a highly technical document, quite expensive,<sup>53</sup> and exclusively prepared by specialists recognised by the Romanian authorities. It consists of three main parts which show the necessity of the investment, its technical and financial details and the impact of the investment. The expert’s role is to “*open the beneficiary’s mind*” (M, broker) regarding extra possibilities which would minimise future costs. For example, R wanted to build a small six room hostel; in this case, the consultant suggested investing more in making the roof stronger, which would allow R to add another floor to the hostel later on, thus halving future costs.

The FS uses the experts’ anticipatory thinking to the maximum: if the technical aspects are straightforward, the financial ones are more complex due to the unstable and risky environment (Verdery 2004, Wedel 1998, Nordstrom 2007). The FS’s financial part contains details regarding the costs of goods or services and the main suppliers of each of these. This document draws heavily on consultant’s creativity

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<sup>53</sup> For example, in the case of Cornelia’s road, the FS cost was approximately €2, 000.

as in a few years' time the market can be very different (suppliers might disappear; the prices are going to change etc.). In an attempt to incorporate future negative situations in the budget, the experts tend to slightly over-estimate the prices for materials and services. However, there is a limit (Busse 2000), as the EU agency has a list with 'acceptable prices' – which aims to orientate both the expert when designing the FS and the bureaucrat when evaluating it.

The FS and the architectural project are the main documents incorporating the EU standards, which often annoyed beneficiaries:

D: "*Seven sinks! I had to put seven sinks in my kitchen! One for meat, one for fish, one for fruits, one for vegetables, one for eggs, one for dishes, one for the personnel to wash their hands*" (D, applicant).

M: "*Do you see this window? [He points to a closed 50 cm window in the wall between the kitchen and the dining room]. I never use it, but the Agency guy said I had to have it because I can't bring the food using the same door as when I carry the dirty dishes. Apparently it is not hygienic.*" (M, applicant). The EU strict regulations regarding the technical aspects of the project influence the applicant's perspective regarding the profitability of the investment. This aspect is also reflected in the budget design.

The budget is again a function of the consultant's creativity and anticipatory thinking. As a general rule, all the interviewees (irrespective of the category) pointed out that the applicant's contribution is never only 50% of the entire investment. The 50% contribution is theoretically possible, but practically improbable. First, the EU has clear regulations regarding the eligibility of expenses that can be reimbursed. For example, the beneficiary cannot deduct such items as taxes, rent, bank commissions, VAT, warranty costs, and costs of buying second hand equipment. Second, the beneficiary cannot anticipate *all* the costs, simply because the reality of the field can prove to be quite different from what was anticipated through the architectural project (type of soil or rainy season). Even if the technical indicators are adjusted later, the cost of changing the documentation is high enough to either deter the applicant from doing it, or at least increase the costs. Third, between handing in the funding application and starting the building there is

a time span of approximately one year in which the financial conditions are likely to change (to be more precise, the time span that I have encountered during my fieldwork is between 6 months and 4 years). Fourth, the EU reimburses only bank payments; however, Romania is still mainly a cash society for historical, technological (there are not enough banks in rural areas and no possibility to pay by card) and practical reasons (high bank fees). The unstable environment (Verdery 2004) and the different cultural practices in relation to money (Zelizer 1997) and business ultimately increase the financial contribution of the applicant (Chapter 8).

### ***The eligibility of the funding application***

Assessing the eligibility of the funding application entails evaluating the correctness of the funding application and the annexes and is the ultimate expression of bureaucratic ritualism (Merton 1938).

Getting the approvals is within the job description of the actor applying for funding and it represents a difficult exercise in networking. For a typical funding application on Measure 313, a beneficiary has to get approximately 15 approvals (such as environment, construction, garbage, health and safety, water, gas and electricity). The difficulty is that each of them has an expiry date of between two weeks and three months. Furthermore, the institutional response time is generally 30 days. One viable method is to get the approvals in a certain order and hand in the funding file *before* the first approval expires. The mode of regulation is to rely on solidarity networks (Ledeneva 1998, Wedel 1998) and gift giving; the first being the more important. The barrier entailed in getting the approval was acknowledged by several respondents:

*“D: A common person could not have done that! I mean...nothing illegal, but very hard to get!*

*R: Did you give anything to get the approvals?*

*D: You mean like money or so...No, of course not! Just a bunch of flowers here and there! [...] Some chocolate too. [...] Gave them something for a coffee...”*

*(D, applicant)*

The ‘non-common person’ in this case means a person well-connected, and well-practised in the etiquette of arrangements, sometimes with high social and financial

status. The use of gift giving is normalised and rationalised within the language of help and narratives of justifications (de Sardan 2005, Gupta 1995, Haller 2005), as also detailed in the methodology chapter.

Filling in the funding application requires a medium level of IT skills (Microsoft Office and internet). Technically inexperienced, the future beneficiaries are assisted by the brokers who double check all the documents. This is a particularly tedious stage, as the legal representative of the project has to sign and stamp each page. The bureaucratic rules accept only blue pens and a specific type of stamp. At the moment of handing in, the beneficiary has to print four copies of the file; as one consultant put it *“It’s too much paperwork! When I hand in, I have to take a jeep to carry all the papers!”* (M, consultant). The close supervision relates to the payment – the consultant is usually paid a 1.5–2% commission on the amount accessed. However, in an attempt to share the risk, the consultant only receives the entire fee if the application is approved. In the case of rejection, the consultant receives only half of the fee.

### **5.2.2. Act Two: down to business – the team**

The second stage in the process is less intense than the first one, but equally strategic. Once the funding is approved, the beneficiary has the first unmediated contact with the bureaucrats at the moment of signing the contract with the Agency. The contract is always signed in Bucharest (the Centre), despite the fact that the files are handed in at the regional agencies. The ceremonial aspect of the contract signing marks the end of a rite of passage thus increasing the symbolic capital of the beneficiary. However, this moment has different meanings for the different actors involved in the process. In the bureaucratic understanding, signing the contract *is the beginning* of the process and it is marked as such in all the guides provided for the public (see Figure 5.1 in this chapter). For the consultants, this moment signals *the end* of the cooperation with the beneficiary. Their role was to secure EU funding and from this point on their services are considered too expensive and unnecessary. If the beneficiary wants to maintain the cooperation, another contract is put in place and different arrangements are worked out. For the beneficiary, this is an exciting

moment which marks the end of a tedious application process, full of unfamiliar endeavours, and the beginning of a new one.

The period between signing the contract with the Agency and starting to build is extremely important for one reason only: it is the period in which strategies and partnerships can be worked out in order to make the most profitable business arrangements. The beneficiary has to choose a construction company to do the building in a process that has to be as transparent as possible. The EU regulations require the beneficiary to make a decision between at least three<sup>54</sup> offers and to advertise the requirements on the electronic system of public acquisitions, in the official monitor and sometimes even in the Official Journal of the EU. The official regulations aim to reduce the socially embedded arrangements (Polanyi 1954) and push towards a neoclassical representation of markets which brings together strangers in the act of exchange (Marshall 1936 in Thompson et al. 1991).

The public beneficiary has to organise a tender for each action (e.g., construction, supplier of materials) and in order to do so, should prepare the appropriate documents containing the technical and financial details. In Cornelia's case, this stage proved to be challenging due to the instable economic and political environment. However, she succeeded in hiring her preferred construction company.

The main reason for working with a known partner is a higher level of trust which is favourable to doing the job and taking the necessary measures to hide unorthodox arrangements. Sometimes, there is a monetary benefit for the public actor (according to my informants the optimum price is around €1,000 for small contracts with a value below €50,000 and increases with the value of the contract). There are several strategies more or less formally employed by actors to win a public tender (Chapter 6). They usually involve a two-step procedure: first, a supplier of services has to reach an agreement with a public actor. The agreement (even though quite detailed, entailing both the technical aspects of the business and the material rewards for the contractor) is not formalised in a written contract, but symbolically

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<sup>54</sup> I am sure the authorities must have a good reason for choosing this number, but I have not found it yet.

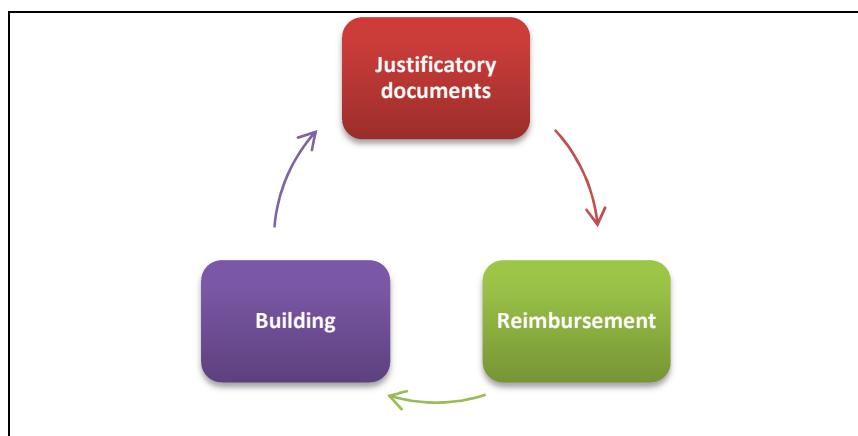
closed with a handshake (as described also in the methodology chapter). Second, it is the consultants' job to bring in two more friends who will bid higher in the public tender. This has been a very popular procedure for 'selecting the chosen one' until 2007 due to its inherently friendly nature. However, in 2007, the Government changed the public tender rules and introduced the necessity of advertising the bids on the electronic integrated system. This measure reduces the use of the mentioned informal strategy as the market is opened to other actors and the bid lacks secrecy, but opens up new possibilities described in Chapter 7.

Public procurement gave rise to informal practices in order to bypass the regulations. Sometimes, behaviours are on the border of legal practice but impossible to condemn legally. One of the beneficiaries I met secured a contract with a public institution (town hall) to assist with the construction of a road. In order to be able to participate in the bid, s/he had to set up a company. The latter was registered at the tribunal within a few days, just in time for the tender. Later on, during the EU routine checks, it was discovered that this firm was not registered at the Register of Commerce at the moment of the public procurement (in order to be registered at the above mentioned institution, a firm has to wait up to 45 days). Consequently, even though legally the firm existed, from a fiscal point of view, it did not. This is an interesting aspect because later on the beneficiary was under investigation for corruption in this particular case.

Ultimately the role of the public tenders is to put together a partnership in order to fulfil the next step which involves the building. This process creates a multi-levelled operational team which aims to control the setting, stage the same routine and share responsibilities (Goffman 1969). After the contract signing, the EU requires that the project be managed by a team of at least three persons (the legal representative, the technical representative and the accountant). Apart from these three actors, other laws require the beneficiary to hire a supervisor for the construction site. The latter is one of the experts and *the beneficiary's watchdog* (M, broker).

### 5.2.3. Act Three: the building – doing the job and hiding the job

The third step is the operational stage of the process involving two aspects: the construction and multiple evaluations from the EU agency in order to reimburse the expenses. It involves doing the job and hiding the informal, illegal or extra-legal practices in order to receive the EU funds. At this stage the beneficiary operates more and more within the register of profitability being always aware of the necessary narratives of justification. Furthermore, the beneficiary is under the close control and supervision of the EU agency. Despite the inherent antagonistic positions, the relationship between applicants and bureaucrats was not described as tense. On the contrary, the beneficiaries were surprised and pleased by the ease and flow of the institutional communication which was unusual in comparison with other public institutions. They reported receiving reminders and support from the EU agency in order to prepare the reimbursement file (as shown in Chapter 8).



**Figure 5.3:** The reimbursement process as described by the EU Agency in Romania  
Source: APDRP

For the private applicant the building process is divided into smaller time units determined by the necessity to have one's expenses reimbursed (see Figure 5.3). The number of instalments and the deadlines is established in agreement with the bureaucrats when signing the contract and involve a commitment from the beneficiary to reach certain stages in the construction. For example R decided to receive the money in three instalments, the first one after finishing the building, the second after building the tennis court and the third at the end of the process. If, for whatever reason, the beneficiary cannot fulfil the contractual requirements, official extensions have to be asked for and granted. In another case, D could not finish the

first stage in his building because the weather was too rainy which led to postponing the payments.

Reimbursement involves two types of auditing by the EU agency (more details in Chapter 8): checking the books and checking the reality in the field. For the first aspect, the beneficiary has to prepare a file including all the expenses and the corresponding invoices. Once the file is approved by the Agency, a field agent comes to check whether the building is exactly as designed. There are cases in which the controller detects differences from the designed project and makes inquiries. For example, C had to build a door 10 cm closer to the left wall than it was initially envisioned. The inspector noticed it and asked for clarification and justificatory documents. Even though the process in itself does leave room for negotiations between beneficiaries and inspectors, the latter usually ask for post factum papers. This is because the Agency has a clear mechanism in place to check the auditors both by randomly checking the documents for the approved funding projects and by doing field checks. Sometimes the field checks are conducted by high EU officials who are there to ensure that the European standards have been achieved. This mechanism limits how much can one ‘negotiate’ the regulations (Bass 2000, Mars 1994, Punch 1996) with the local officials.

It is also possible to change or amend the initial proposal. However, as in Cornelia’s case shows, the request for change has to be documented by experts who prove the necessity and/or the viability of the new situation. D, for example, forgot to put a second set of stairs in her pension and the project had to be changed:

*“Everyone forgot about the stairs: the architect, the Agency, even me! And the EU requirements are quite clear: you have to have a second set of stairs for the hotel! This is because after cleaning the first floor rooms the maid is not going to come down with the dirty sheets using the main stairs as the customers, right?”*

(D, applicant)

*The construction business is a ‘money making machine’* (G, construction site supervisor) and EU funding is no exception. One of the main reasons for exercising a greater degree of control in choosing the construction company is precisely the applicant’s desire to minimise costs and maximise profits. The builder has several

ways of making profits from paying cash in hand in order to avoid taxation to stealing materials or purchasing them from a cheaper supplier (Mars 1994, Punch 1996, Birdsall 2000). The beneficiary's double interest is to be part of the deals and cover it well enough in order to receive the reimbursements from the EU. The first task is within the job description of the supervisor of the construction site. The second task is shared between the accountant and the applicant.

During my fieldwork it became apparent that the supervisor of the construction site was a key actor. Within an entire county with more than 50 building sites, there were only three people who had both the accreditation and the competence to play this role. They would supervise several sites at the same time acting both as technical advisers and financial brokers on behalf of the beneficiary. This job was entirely masculinised, not only because construction industry is a highly masculine occupation in itself, but also because it involved doing it in different places, some more traditional than others where there was a clear division of gender roles. Other skills required were good knowledge of the construction market – including prices, main suppliers of the materials – and access to available workforce. The latter tends to be quite important since the labour market is poorly structured, with unreliable and fluctuating workforce. Last but not least, the supervisor of the construction site had to show the capacity to do the business and conceal any informal arrangements it in order to avoid difficult encounters with law enforcement.

If the beneficiary has been part of the above mentioned transactions and wants to receive the next instalment from the EU agency, he/she then has to find ways to conceal the less orthodox arrangements. The typical way is to get invoices that prove an increased level of expenses. The easiest way to get invoices is to buy them from the bazaar<sup>55</sup>/ market. For a low price one can get as many invoices as necessary to prove the expenses. The downside of this strategy is that the invoices bought from the bazaar belong to phantom firms. If the EU experts discover too many invoices of this kind, that would affect the reputation and credibility of the beneficiary leading to higher levels of control or even refusals to pay further instalments. Consequently, in order to avoid closer monitoring, the beneficiaries

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<sup>55</sup> I use the concept of 'bazaar' in its original sense (Geertz 1973) to denote a space in which different sorts of merchandise are sold.

settle for getting invoices from friends (who own companies themselves) or other trustworthy members of their networks. It is part of the etiquette of arrangements to pay the VAT for the provider of the invoice.

#### **5.2.4. Act Four: The five- year plan**

After finishing the construction and receiving the last instalment, the beneficiary is still bound by the EU contract. In the case of the public applicant, the requirements focus on the maintenance of the investment. For example, if the project has introduced flowing/piped water in a village, the requirements involve taxing the population for the service and using the difference to maintain the water pipes. The private applicant however has a few more obligations to fulfil. The most important is to keep the building running as a hotel for the next 5 years even if the property is sold. The final obligation relates to introducing the hotel onto the national market for tourism. This entails publicity on different official and popular websites, participating at tourism fairs and making the business profitable by any means that involve attracting customers.

### **5.3. Conclusion**

An important role of EU funding is to Europeanise developing countries like Romania that are assumed to have little training in the ‘correct’ market economy as shown in the previous chapter. In other words, it aims to offer support for medium and small sized enterprises and development of the business sector in rural areas as a prerequisite for a market economy and democracy. It is also intended to reduce the economic and social differences between various regions, create more jobs and support alternative activities for economic growth. Ultimately, the EU funding is supposed to be a political exercise in transparency and ethical business practices that pushes entrepreneurs away from the informal economy and scandalous corrupt exchanges.

This chapter shows that EU funding has impacted positively on the bureaucratic sector making front offices user friendly. Furthermore, it has increased the number of jobs, but not necessarily within the unit of analysis (i.e. the firm). Applicants’

limited background in understanding the rules and expectations of donors meant that a new type of actor was introduced. Consultants operate within a niche market and are specialised in decoding/translate the unfamiliar requirements of the EU demands into the more familiar language of business. This type of actor mediates and intermediates between applicants and bureaucrats and is characterised by flexible thinking and technological competence as described in the next chapter.

Despite these improvements, the process of accessing EU funding is more complicated than shown by the authorities in the official guides. The ambiguity of rules, coupled with their rigidity makes the process difficult for the applicants. The highly unstable environment, characterised by fluctuating business conditions and political instability, further impacts on the process. Consequently, actors rely on old patterns of behaviour, which are adjusted and included in the new repertoire employed for the EU funding application. Despite the State's attempts to create formal labour markets, hiring is not necessarily done on the basis of merit. The use of old solidarity networks, transfer of capital, favour and gifts exchange co-exist with informal economic arrangements thus making the distinction between legal, illegal, informal spheres superfluous.

Ultimately, EU funding ended up resembling the socialist system. The requirements for anticipatory thinking in a profoundly non-stable environment (to anticipate the budget and stick to it even though the price increases and the exchange rate changes) and the necessary fictions (paperwork required by the Agency) reinforce the 'us' – 'them' gap (see Chapter 8 for more unanticipated consequences of EU funding). The papers are made to be credible and the practices are used to make the business profitable. The actors move within multiple spaces and use different practices to attract money, to be efficient and to justify their practices. They move between narratives of eligibility, profitability and justification, which will be explored in the next three substantive chapters.

## Chapter 6

### Commodification of EU funding: Consultants

After exploring the process of accessing EU funding in the previous chapter, I now turn to the first generic actor – consultants. This chapter discusses the role and impact of consultants over the economic area of EU funding. It argues that consultants are actors who mediate and inter-mediate between entrepreneurs and bureaucrats by translating the bureaucratic requirements into business endeavours and vice versa. In doing so, consultants commodify EU funding, through the exploitation of its symbolic, technical and economic space as a terrain on which to (re)construct market relations. Consultants act as agents of change, being both a by-product of this tectonic shift of EU integration and its exponent. As by-products of European integration, but also entangled in local historicities, consultants decode and transmit information regarding EU funding to the applicants. As exponents of European integration, consultants act as market-makers by treating criteria of eligibility as production factors

I start by describing the legal, economic and social organisation of consultancy in Romania and show that this is a quasi-professionalised area of expertise. The second section makes the concept of consultant operational, by discussing the requirements entailed by the job. In the third section I focus on careers, trainings and motivations in becoming a consultant. The fourth section examines the social aspects of consultancy and the fifth section establishes a connection between the function of brokerage and former patron-client relationships.

## **6.1. The profession of consultancy**

### **6.1.1. The legal and economic context of consultancy**

The Romanian legislative framework acknowledged consultancy as a profession in its own right by including it in the nomenclature of economic activities<sup>56</sup> (henceforth CAEN).<sup>57</sup> The Romanian Institute of Statistics classified all economic activities by assigning a unique numerical code (e.g., 7021 is the code for Consultancy in the area of public relations and communication) and each economic entity had to define its object of activity according to this taxonomy. Consultancy firms providing services in the area of EU funding were covered by the 7022 CAEN code, which referred to ‘Consultancy for business and management’. The nomenclature of economics activities has to be updated periodically in order to be in line with the international organisations. In Romania, the latest update was in 2008,<sup>58</sup> when all the economic activities were recoded and assigned new CAEN codes. The consequence was that *all* economic agents had to operate the changes in firm’s status; these changes were both costly and time consuming provoking an entire chain of undesirable events.<sup>59</sup> In the area of EU funding, consultancy is also recognised as a valid area of expertise, since it is included on the list of eligible expenses. Consultancy for business and management can add up to 8% of the entire value of the project. However, when various types of expertise are added to consultancy, the amount can even reach 20% (e.g., architectural project or feasibility study).<sup>60</sup>

Despite the fact that consultants are acknowledged by the legal and political environments/frameworks, they lack a professionalised system of knowledge over which they can make legitimate claims of authority. Furthermore, there is no form

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<sup>56</sup> The codification of economic activities follows international standards set up by the European Union, United Nations Organisation, International Monetary Fund etc. thus ensuring transnational coherence on the job market.

<sup>57</sup> CAEN is the acronym for the Classification of the Activities in the National Economy.

<sup>58</sup> By Order 337/2007 emitted by the president of the National Institute of Statistics.

<sup>59</sup> Changing the CAEN code was not expensive in itself – 30RON (around £6), but it required an entire sequence of new changes: the constitutive act of the firm had to be altered (and that was about £70), a re-registration had to be done etc. All the costs had to be covered by the owner, who also had to operate the changes quite fast or the activity of the firm would be blocked (a wide range of procedures running from obtaining a simple certificate for the firm to getting a bank loan could not be initiated without a change in the CAEN codes).

<sup>60</sup> According to the official guide for measure 313:

<http://www.apdrp.ro/content.aspx?item=1973&lang=RO> last accessed on the 12<sup>th</sup> of April 2012.

of accreditation for this type of job and the only distinction is made between consultants who have successfully written projects and the rest. On the official website<sup>61</sup> of the Agency there are separate lists for successful consultants and registered consultants with the following specification: *'There is no accreditation given by the Agency or any other public institution for consultancy firms offering services in the area of EU funding'*. This is a clear indication that at this point, the community of practice for consultancy is under construction, because the tools for thinking and the scripts for acting are not yet defined and standardised. Since there is no objective criteria to assess their level of expertise, consultants construct themselves by borrowing from the technical capital acquired in other professional areas and the certification of expertise is established through performative devices, gut feelings and persuasion.

### **6.1.2. The economic, social and professional organisation of consultancy**

However, during the past two years (since 2009), the consultants working in the area of EU funding have started to show the early signs of becoming a professional body. The route towards a new epistemic status has been driven on the one hand by the EU itself, by changing the eligibility criteria for consultants. Recently, a new prerequisite was introduced<sup>62</sup> requiring consultants who participate in the implementation of any public project to be certified by the National Council for Professional Upskilling of Adults. On the other hand, the tendency to become professionalised is also based on the fact that the EU funds are heavily advertised, thus creating a highly attractive emerging market. However, the technical competences required by the job are not transmitted in a systematic way that involves structured knowledge.

Consequently, consultants have started to claim legitimacy in various forms: organise schooling, publish guides, obtain accreditation from national and international bodies, organise meetings and seminars, associate themselves with public institutions, academic establishments and prestigious NGOs etc. At this point, the educational offer for consultancy related to EU funding is rather diverse –

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<sup>61</sup> [www.apdrp.ro](http://www.apdrp.ro) last accessed on the 12<sup>th</sup> of April 2012.

<sup>62</sup> [www.apdrp.ro](http://www.apdrp.ro) last accessed on the 12<sup>th</sup> of April 2012.

the types of training on offer vary from very short term (one weekend intense training) to medium and long term (the latter involves an MSc degree in the management of structural funding offered by two universities). For example, the National School for Political and Administrative Studies (SNSPA) offers an MSc in Project Management. The curricula includes courses regarding strategies and techniques for attracting EU funding, EU project management, financial analysis for EU projects, the management of the project team, evaluation and audits for the EU projects, and IT technologies used for project management. The courses combine online and face to face interactions, emphasise the practical component, offer a quick route to certification and emphasise the international quality of the diploma. Another example is Euro-link – House of Europe which is one of the NGOs that offers a mid-term postgraduate online course dedicated to experts and consultants on EU funded projects.<sup>63</sup>

Some trainers are certified by international organisations (i.e. InWEnt<sup>64</sup>) and it enhances the reputation of the training if the educators are foreigners. For example InWEnt – Capacity Building International Germany is a non-profit organisation (strongly connected to the German Federal Government, German business sector and the German Länder) who offered trainings and internships for new members of the EU. Since 2004, InWEnt has been shifting its focus from countries in Central Europe to Romania, Bulgaria and western Balkan states. In 2004, InWEnt developed a three-year project aimed at helping the Romanian administration become more familiar with the EU structures. One component of the programme entailed training higher-ranking officials in the supranational intricacies of the EU projects. The project had a top-down approach, which was based on the idea that by furthering the education of the elites (called ‘training the trainers’), the entire country could benefit, as the elites would go back and pass this knowledge on to others in subordinate positions. This indeed happened as former trainees participants in this programme are now in visible training positions. For example,

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<sup>63</sup> <http://www.houseofeurope.ro/> last visited on the 12<sup>th</sup> of April 2012.

<sup>64</sup> [http://www.inwent.org/E+Z/content/archive-eng/02-2005/inw\\_art2.html](http://www.inwent.org/E+Z/content/archive-eng/02-2005/inw_art2.html) last accessed on the 12<sup>th</sup> of April 2012.

the Romanian Institute for Training offers short term training sessions for accessing EU funding making use of trainers previously certified by InWEnt.<sup>65</sup>

The technical analysis intrinsic to consultancies for EU funding is also transmitted through written materials that target both other consultants and potential clients. The public institutions dealing with EU funding have published detailed guides regarding each area of funding. However, the information is scattered on numerous websites, which are not user friendly, reflecting the overloaded bureaucratic mode of addressing the public. To counteract this problem, consultants (or consultancy firms) have created several portals dedicated to EU funding. They not only put together the information from the official sources in a comprehensible manner, but act as news agencies, discussion forums and a subtle way of advertisement.<sup>66</sup> By publishing newsletters (for example the newsletter AgroTerra is published by one of the largest consultancy companies in Romania - RGIC<sup>67</sup>), organising seminars, meetings and advertising their credentials from national and international bodies, consultants increase their social capital while establishing consultancy as necessary and non-illusory expert knowledge.

In order to increase their symbolic capital (Bourdieu 1984), consultants have allied themselves with powerful social authorities like academia, public institutions, the business community and NGOs. These alliances are usually constructed by strategic actors who have interacted with various areas in their professional life. In one case a consultancy firm,<sup>68</sup> which offers support and training for accessing EU funding has a former minister of European Integration as a team member. According to the firm's official website, Alexandru Farcas led the negotiations for European integration between 2003 and 2004. He is now the president of this consulting company, acting as a senior consultant and coordinating the relationship with foreign companies who want to enter the local markets. Another example is a high profile member of civil society, who has been part of Transparency International Romania and acts as a consultant for the Romanian Institute of Training (which acquires most of its clients from public administration). These types of chameleonic

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<sup>65</sup> The information is available at: <http://www.irt.ro/ro/organizatie/echipa-irt/#trainers>.

<sup>66</sup> Just to give an example: [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro).

<sup>67</sup> [www.rgic.ro](http://www.rgic.ro) last accessed on the 12<sup>th</sup> of April 2012.

<sup>68</sup> <http://www.eurobestteam.ro/prezentare> last accessed on the 12<sup>th</sup> of April 2012.

actors (Rawlinson 2008) are not important because they transferred their capital from one area to another (public institutions to business), but because they used their capital to *create* the market for consultancy.

They have problematized new aspects of existence and, in the very same moment, suggested that they can help overcome the problems that they ‘discovered’ [*my inverted commas*]. And they have acted as powerful translation devices between [*the new*] ‘authorities’ and ‘individuals’, shaping conduct not through compulsion but through the power of truth, the potency of rationality and the alluring promises of effectivity. (Miller and Rose 1990:5)

These powerful actors are monopolizing the empty space between bureaucrats and entrepreneurs by claiming epistemic jurisdiction as ‘professional’ consultants and creating a *market for consultancy*. However, they do not only ground themselves in purely technical knowledge, but make use of mystique and ambiguity in order to sustain their practice (Power 1991). One way to sustain magic is through language and the consultants’ vocabulary has become flooded with foreign expressions (English is the preferred language) and technical concepts. By using EU funding slang, consultants enter a *process of estrangement*, separating themselves from other categories of participants in the project.

### **6.1.3. The concept of expertise**

In order to cope with the uncertainties of the risk society (Beck 1992), the business environment has become professionalised by making use of external experts (Tordoir 1995), who not only possessed advanced knowledge, but were also a cheaper and flexible alternative to the internal support departments. The concept of expertise refers to the “social authority ascribed to particular agents and forms of judgement on the basis of their claim to possess specialised truths and rare powers” (Miller and Rose 1990:12). For EU funded projects, the expert is a *sine qua non* element who constructs the ‘reality’ of the project through interpretative work, “discerning meaning from events by connecting them to policy ideas and text-log frames, project documents etc.” (Mosse 2005:157). Because of their representational and instrumental attributes, experts have become key resources for the modern European form of governance. The representational side is reflected by

the content of expert knowledge and the ability to reference a state of the world (Preda 2005). The instrumental side, in contrast, is enacted by the fact that in the EU project expertise is mobilised to serve a particular agenda; the complex amalgam of set prices,<sup>69</sup> truth claims, and technical procedures shape and ‘normalise’ both the entrepreneurial act and the nature of the expert knowledge. Through the above features, the EU is both legitimising and regulating the forms of expertise accepted and acceptable, fashioning a highly regulated market for expertise whose main role is to ensure compliance with the dominant model (an ideology).

The quality of the expert is explicitly recognised in the EU logic if, at a minimum, the applicant has a university degree relevant for the particular area in which s/he wishes to qualify, at least five years of experience,<sup>70</sup> English language skills, the ability to evaluate/review projects, and has not been found guilty of professional misconduct. Consequently, the legitimisation of experts is achieved through two main mechanisms: examination (hence the university degree in a relevant area) and on the job training (hence the five year experience requirement). This reasoning is valid in the case of established professions that have achieved closure over a particular domain of knowledge and have well established mechanisms of transmitting and regulating expertise (i.e. accountancy, architecture, engineering etc.). In the case of consultancy (which is also expert knowledge), however, this reasoning is less sound especially in this particular context.

For the purposes of this project, I make a distinction between *experts* and *consultants*. The distinction has an empirical rationale grounded in my observations and the respondents’ opinions. In this sense, I use the concept of *expert* to denote a professional who belongs to this category by means of examination and on the job training and who only participates in the EU project in that capacity (e.g., architect, hydrologist). The concept of *consultant* is used to denote the person who puts together the documentation and prepares the funding application without having

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<sup>69</sup> The EU and the member countries have acceptable prices for categories of experts. In Romania’s case, the prices are listed on the Agency’s website. <http://www.apdrp.ro/> last accessed on the 12<sup>th</sup> of April 2012.

<sup>70</sup> [http://ec.europa.eu/information\\_society/activities/ict\\_psp/cf/expert/login/index.cfm](http://ec.europa.eu/information_society/activities/ict_psp/cf/expert/login/index.cfm) last accessed on the 12<sup>th</sup> of April 2012.

passed an examination to attest to his/her capacity; nor do they have more than five years of on the job training. Even though *consultants* make use of expert knowledge in order to put together the funding application, they are, epistemologically, a different category of participants.

This section has discussed the ways in which consultancy knowledge is generated, defined and maintained as such in the area of EU funding, touching upon the concept of expertise. However, despite strong social relations, this area of work has not achieved the necessary epistemic status to become a professional organisation. In the next sections, I will explain how consultants work and make sense of their roles and status in this environment.

## ***6.2. What is a consultant: definition and job description***

*“C: Let’s think about it this way: one has a Car Repairs and Servicing business, right? He might have a lot of good mechanics working for him. Every one of them knows how to fix a car – with everything that entails. The question is why isn’t every one of them the owner of a Car Repairs and Servicing business?*

*R: Because they don’t have the money to invest?*

*C: No, that’s not true! It’s because they don’t know the procedures; because a car repairs business entails more than some mechanical procedures. These skilled mechanics have no knowledge of finance or legislation, they don’t know what it takes to set up a business, nor where they could get the money to start a business...there are lots of things they don’t know. If they would know these things, every one of them would have a business! [...]. It’s the same for me, as a consultant. In order to have a good business, I don’t need to know how to fix the car, but I need to know how to lead the team, where to send the car, which pieces do I need for it, what price would I sell the car afterwards at...”*

(C-consultant)

*“You know what Seneca<sup>71</sup> said... ‘The philosopher knows nothing about everything while the engineer knows everything about nothing.’ It’s the same with a consultant who wants to be the project manager – he has to have ideas!”*

(M- consultant)

Consultants define themselves as strategic thinkers who put work routines and policy models in relationship to one another. In order to do so, they create their own blueprint providing order and coherent interpretations of events for bureaucrats, by representing the practice (of entrepreneurs) with the use of normative schema. In this sense, consultants are the promoters of this vast project of standardisation and normalisation that is entailed by the EU funding, which sets standards for performance and creates templates for thinking and talking about events (Mosse 2005). So, consultants use their anticipatory thinking and translation capacities to put in relation various systems of meaning. They guide the behaviour of the staff according to prescribed standards of performance, bearing in mind that any variation from these standards can be labelled as anything on a continuum from inefficiency to crime.

Consultants have a fragmented experience of the project, their importance decreasing over time in relationship to the entrepreneur. *“For a mayor, it is very difficult to do attribution bidding for the first time. He has to use consultants because he could never manage otherwise. The second time, consultancy is not so necessary... ”*(C, consultant). However, in the beginning their role is fundamental in designing the project in such a way as to maximise its chances of approval without undermining the entrepreneur’s hope for profitability. Consequently, the consultant takes responsibility over an area in which moral and legal grounds are constantly shifting.

The consultant’s job description is rather complex, entailing both formal and informal requirements, manifested as imperatives of the job. I have assembled three main roles, detailed below as the imperative of translation, imperative of instruction

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<sup>71</sup> Mr. M was actually referring to George Bernard Shaw’s famous comparison between a scientist and a philosopher.

and imperative of brokerage/mediation, that essentially describe how consultants commodify EU funding.

### **6.2.1. The imperative of translation**

The logic of action in accessing EU funding suggests that the first important step in a chain of events is to achieve eligibility (for the project and the applicant/beneficiary) and put forward a project that is coherent, standard and accurate. Consultants construct eligibility through discursive mechanisms which involve a *process of translation*. “Language, in this sense, is more than merely ‘contemplative’: describing a world such that it is amenable to having certain things done to it involves inscribing reality into the calculations of government through a range of material and rather mundane techniques” (Latour 1987a:32). Callon and Latour (1981:279) have also used the concept of translation to describe the dynamics of the actor-network relations: “By translation we understand all the negotiations, intrigues, calculations, acts of persuasion and violence thanks to which an actor or force takes or causes to be conferred on itself authority to speak or act on behalf of another actor or force”. The definition is appealing because it emphasises that translation is a political process. At the same time, it opens up a vast space of discussion, by mixing human and non-human actors, and various processes and rationalities, which make it hard to use from an operational point of view.

My view of *translation* is related more to social anthropology (Olivier de Sardan 2005) and entails two main dimensions: one related to linguistics, the other one to semiotics. The first dimension is related to the fact that the concepts, principles, rules and regulations of EU funding were initially constructed and presented in a different language than Romanian (usually English or French). When translated into Romanian, these devices followed a foreign syntax, sometimes leaving technical concepts, which had no correspondence in Romanian, in the original language. The consultants then would try to communicate the message to the entrepreneurs “in a language vastly revised and corrected by urban intellectuals, whose terms are deplorably formal and schoolish” (de Sardan 2005:171). The second dimension is related to the fact that consultants need to translate lay business language into EU

language, thus bringing into relation two different semantic fields. “*I do project management, which means coordinating the technical part for the feasibility study. This means calculus, predictions etc. based on the information provided by the engineers and technologists. They give me the project done 95% and I do the rest of [the] 5%. After that, I do the business plan. But I can't do everything by myself because I need to be very careful. For example I need to make sure that the money related to one aspect is the same everywhere, because they [the bureaucrats] have specialised software to check everything.*”

(M, consultant).

So, at one level, the semiotic dimension of translation facilitates communication between the actors involved in the process. Their work means that consultants make intelligible the EU language to entrepreneurs, formalise the business endeavour for bureaucrats and impose standards of performance upon the project and the beneficiary. At another level though, consultants need to protect the client's interests and make the business profitable, which sometimes means disguising these intentions in the project, by offering justificatory devices. In this sense consultants merely simulate communication because the technical vocabulary is used masterfully to hide the standards of conduct instead of enforcing them.

The process of translation aims to put forward to the bureaucrats a *standardised, accurate* and *coherent* project. Standardisation refers to the use of discursive mechanisms that present the information in a comparable, stable, typical, combinable form. “This form enables the pertinent features of the domain to literally be re-presented in the place where decisions are to be made about them (the manager's office, the war room, the case conference and so forth)” (Miller and Rose 1990:7). Even though the process of standardisation is necessary for the purposes of evaluation, there are cases in which it is pushed too far and takes the form of empty ritualism. For example, applicants have to hand in two printed copies of the project, with each page stamped twice (with a round and a squared stamp) and signed by the project manager in black pen. If these requirements are not fulfilled, the project is not accepted by the Agency.

*Accuracy* is related to the necessity of providing truthful information about the project and the beneficiary. In coping with this aspect, consultants use second order rationalisations by making constant references to the system of control and policing (further detailed in Chapter 7). With an eye for loopholes, consultants try to tie the facts to legal heurism by adapting their techniques to the methods of control (in this sense their behaviour is similar to what Levi (1981) described in his study about fraud). Accuracy is closely connected to *credibility* and in this sense they can both be technically constructed.

*“You see, a breed milk cow, if well fed, can produce up to 60 litres of milk per day. In Romania it never produces that much because of the climate, the avarice of the owner, medical issues, the type of food available or whatever other reason. The cow produces 35 litres, but the owner is very happy because his mother’s cow only produced 5 litres when he was a kid. I can’t make the business plan for 35 litres, because it is not efficient, so I make it for 50 litres. So, the papers are done to be credible and the fact that the Agency asks for so many papers is bloody useless. There is the business plan signed by a consultant who took the responsibility for it. The business plan is signed again by a local council. Now this should be enough. The consultant knows well how he got those figures...”*

(M, consultant).

Coherence is also part of the consultant’s ability to tell a good story. It basically entails aligning the language of the project (which is a linear progression made of inputs and outcomes) with the interests of the beneficiary, with as little discord as possible. In providing coherent interpretations of events for bureaucrats, consultants simplify the reality of the projects by ignoring resistance and conflicts, and replacing them with order and unity. The papers and the ‘reality’ are two very different spaces, each with its own canon, requirements and narrative of justifications. In writing the project, consultants would no longer limit themselves to the calculation of actual costs, but they need to put forward a “disembedded conception of money and management relatively free of the burden of social obligations” (Mosse 2005:146). In this sense, they need to avoid potential conflicts of interests that might arise from the papers – for example a consultant writing a project cannot participate in the same project as a constructor. Furthermore, when

implementing the project, the consultant works with various temporal cycles with few chances to coincide (the project cycle, the construction cycle, the profit cycle, the accountant cycle and so on). The multiple temporalities make the consultant's job more difficult because of the close association with money cycles. So, money and time are two important disciplining metrics of the EU funding labour market.

### **6.2.2. The imperative of instruction**

Consultants fulfil a pedagogical need of the entrepreneurial community by appropriating a communication gap between bureaucracy and the applicants. They instruct potential beneficiaries how to integrate the EU funding eligibility criteria with the practice of doing business. An essential point of the pedagogical imperative is that teaching is conducted within a market environment. By assuming the role of instructors, consultants commodify EU funding. In this sense, they make use of *two different conceptions of teaching*, one relating to giving *professional instruction*, the other one to *mentoring* and transmitting traditions (Khaldun 1967). In giving professional instruction, consultants act as agents of development, assuming some of the bureaucratic burden by transmitting the EU accepted scripts, patterns and modes of behaviour (de Sardan 2005, Mosse 2006). Thus consultants teach the applicants how to translate their desires and plans into EU objectives and values to the extent that the two become consonant. Indirectly, consultants also train the entrepreneurs in the 'correct' market economy by making them acquainted with the disentangled and quantified state of the world entailed by the funding procedures (Miller 2002), and by making them aware of the auditing procedures and the boundaries of acceptable behaviour. When acting as *mentors*, consultants envisage more than the register of profitability in relationship to the funding process. So, they move beyond the technicalities of EU funding into the practice of business, teaching the beneficiary a mode of self-regulation that is in accordance with the EU. In this sense, the consultant's knowledge about the area of EU funding is *predatory* (Klockars 1974, courtesy of Sutherland) because it entails exploiting their familiarity with the domain in order to help the entrepreneur hide the unorthodox arrangements. But while predatory, the consultant is also an agent of change, by redefining opportunism and the grey areas of behaviour.

### **6.2.3. The imperative of mediation**

The role of brokerage is closely connected to the previous imperatives because “knowledge provides resources for action, but [...] these are not only of a technical nature and do not simply entail an application of popular technical knowledge. Practice and modes of behaviour also involve social evaluations, various logics, tactics and strategies.” (de Sardan 2005:172). So, consultants mediate and intermediate between bureaucrats and entrepreneurs, mobilise other experts and guide the behaviour of the project staff. As by-products of local histories, consultants are familiar with the social and symbolic stakes and make use of various logics and strategies to position themselves on the market. In this sense, there is room for the concept of *politics of consultancy/expertise*, which refers to all informal negotiations, transactions, acts of persuasion and calculations used by consultants to manage socially the participants in the project. This concept is very close to Callon and Latour’s (1987) definition of *translation*, but it moves away from it by denying the pure calculative nature of mediation. The function of brokerage (de Sardan 2005), in its political version, includes also calculation, but is based more on “the half-formed, taken for granted, indifferently systematized notions that guide the normal activities of ordinary men in everyday life” (Geertz 1973:362).

### **6.3. Biographies, training, motivations and career in consultancy**

Consultants’ biographies and itineraries displayed a cacophonic reality, in which expert knowledge took either implicit or explicit forms. Most participants acknowledged that accessing EU funding was a developing area of business of which they had not yet had a systematic view, and had little claims of epistemic authority over the field. However, competence was constructed symbolically by transferring or borrowing from the professional capital gained in other business ventures.

There are several categories of consultants, if their biographies are taken into account. The first category is represented by academics, whose entry route into consultancy is facilitated by their high level of expertise in a particular area, along

with a flexible schedule and easiness in communication. D was a senior lecturer in Management at a private university in Bucharest who had successfully concluded a few EU projects. He worked mostly on his own and decided to try out this line of work because he was entrusted to teach a course about the management of EU funding at the university. Since he had no experience whatsoever, he decided to get a bit of training first and selected his first customer while on vacation. After concluding the first project successfully (he obtained funding through the PHARE programme), D decided to be bolder by approaching various clients, including mayors, and write projects on SAPARD too.

Academics usually combine both careers successfully, but sometimes opt out of academia in order to work as full time consultants. For example, C, a full time consultant, confessed that he had stumbled across consultancy by accident. He had been an academic all his life, had a full time position as a reader in the Physics Department in the Construction University in Bucharest, married, and had three children, when he met his present boss. They decided to cooperate on part-time basis for a year or so, and after that C resigned from his position at the university in order to be a full time consultant. His entry to the labour market as a consultant was based on meritocracy, but not in the area of consultancy. On the contrary, his employer inferred from C's past experience as a successful academic, that he would be a good consultant too.

*“C: You see, I had a chance. A second chance. At 38 years old, nobody would have hired me, even if my level of education was way above average.*

*R: Why?*

*C: Because I'm just a Reader. Who would hire me? Would you hire me?*

*R: Of course.*

*C: That is only because we sat down and we talked! However, if you would see my CV, you would not hire me. You see, before an employer evaluates me, s/he evaluates my CV. My present boss hired me only on the basis of the interview. He is a very intelligent guy and decided to give me a chance. So...just to come back...I have a lot of courage, because I know I can do things and I believe God can help me to do a good job!”*

(C, consultant)

A second category of consultants comprises people who already have other businesses and perceive consultancy as a new area worth of investment. These are usually highly qualified actors in the business area, whose skills and social capital make their lack of expertise in a new area irrelevant. They make use of the same entrepreneurial skills as in any of their other businesses. For example, L was trained as an engineer and an economist and worked in import-export. Before the Revolution, the factory where he worked ('23<sup>rd</sup> August') sent him abroad to Mozambique. Then he travelled to Argentina, Brazil, Cuba and Poland until 1993.

*"When I got back in 1993, the games were done: the factory where I worked had been privatised by the director without taking me into account. What was I supposed to do? I started from scratch. I set up a firm (well, in time they multiplied) and since my last commercial relationship was with Poland, I thought I'd start from there."*

He started to import coffee and products containing coffee (cappuccino) and distributed them in Romania.

*"You see, I created the market for these products. In 1996, we had been importing for two years. I was the main sponsor of the back-then famous TV show 'The 5 o'clock tea' on the national channel. The problem was that in 1996, the Romanian government decided to put taxes on the coffee. Unfortunately, instead of taxing only the coffee, they were taxing the final product – and in my case, my product only had 20% coffee. So, it became too expensive to import the merchandise [he was also competing with illegal importing of the same products]. Consequently, I decided to produce it here. I found some partners and we set up a factory. The total investment was 1 million euro. Eventually I had to give up this business, even though I was sorry, but there was no other way.*

*R: But how did you end up doing consultancy for EU funding?*

*L: Oh, that... I told you that my last job abroad was in Poland. When I got back to Romania, I helped a lot of Polish companies to enter the Romanian market. I spoke Polish, everybody knew me... I had some pedigree. So, people kept calling me and asking what to do, how to do and so on. At some point I thought... well, this calls,*

*the other one calls...but my time is limited. So I told everyone that I would act as a consultant and I put a price on my time.*

*R: So that is how you got in touch with the area of consultancy. How about EU funding?*

*L: I supplied materials for a construction company working for someone who had a PHARE grant.*

*R: You have a construction company too?*

*L: Not really. I have a company that supplies materials for construction. And I know enough people who want to access the EU money.”*

(L, consultant)

L explained well that his entry route into EU consultancy was accidental. His entanglement with the local business environment and his network of foreign partners gradually led him to EU funding. From L's point of view the emergence of consultancy market is captured by two sentences: “*At some point I thought...well, this calls, the other one calls...but my time is limited. So I told everyone that I would act as a consultant and I put a price on my time*”. However, he did not consider this his main activity. Similarly, a female consultant (A) was educated at the LSE and returned to Romania to work first in a bank and then to set up her own consultancy company helping small businesses to prepare their documents in order to obtain financial support from the banks. She came across EU funding, through some customers and then started to gather more information about the matter.

A third category of consultants is represented by the actors who dedicate their full working day only to this activity, either pursuing it on their own, or in an institutionalised environment. For example, M was one of the first five people who have worked on EU funding from the very beginning. He majored in Economics at the Academy of Economic Studies in 1971, worked for about two years in the Ministry of Finance, then for 15 years in one of the biggest factories ('23<sup>rd</sup> August'). After the Revolution he moved to a research institute until 1994, when he started to work for the Ministry of Agriculture (PHARE programme).

*“Those were wonderful years, because the nucleus was under the direct supervision of Brussels. We did a lot of trainings. And when they started the PHARE*

*programme to set up the SAPARD Agency, I kept in touch with the people and I ended up working for SAPARD before it was set up. I was one of the five people who set up the Agency. It was extremely hard. We started from zero to do all the procedures. We never worked less than 16 hours a day including weekends. In 2002 we got the accreditation and started to work only 40 hours a week.*

*R: Why did you leave the Agency?*

*M: Political reasons. The Social Democrats were in power and they sent in one of their men as a director. He did not like the old people in the Agency. I was the last one to leave out of the five people who have started the Agency. It was unfortunate because the director only lasted three more months! But I discovered consultancy!"*

(M, consultant)

Thus the range of motivations to enter the market for consultancy covers a large spectrum and is interlinked with people's biographies. Some had a desire for quick success; others were well-connected and decided to explore a new dimension in their social encounters. Some have retired and consultancy was a highly valued source of extra income (along with pensions and other benefits). Others have become professionalised and decided to invest all their time and resources in this area. Along with the financial motivation (consultancy pays well, as opposed to other economic areas in Romania), consultants talked about other things that motivate them: the desire to help their country, the professional pride to achieve something new. C was talking about his desire to help the community. "*There are lots of people who live in the country and need water or electricity or roads. I want to help! I want to do something for this country!*". M, on the other hand, talked proudly about 'a job well done' and his involvement in setting up a salami factory that was so technologically advanced that "*not even a fly could go in*". D (whose sister became a nun and was living in a monastery) offered to help the institution to get EU funding in order to introduce tap water. He offered to work pro bono, but was refused by the mother superior who considered charity a far easier and more reliable way of getting the necessary funds for the works (not to mention that the money would have been outside the vigilant eye of the EU control agencies. More information regarding entrepreneurs' decisions to access EU funding can be found in Chapters 8).

The EU has put forward a neoliberal model of economic exchange and enterprise, which forced upon the consultants the reorganisation of work methodologies. The career path of a consultant can be pursued as a freelancer or as an employee. The decision between individual or organisational participation lies ultimately with the consultant and depends on a multitude of reasons. In most of the cases that I came in contact with consultants already had a full time job or found the market for consultancy too unsettled for building up a career. One person suggested that consultancy was not for beginners: “*Consultancy is the type of thing you do after you have established yourself in your professional area. Otherwise people do not trust you!*” (A, consultant). In order to avoid the unpleasant situation of being self-employed in a relatively unregulated business, some consultants choose to become part of a company dealing with EU funding. They may either set up their own company or join a well established firm. In this way, the consultant benefits from the reputation of the company, while getting trained and exposed to the trade.

“*If I want to work with a public institution, I need to prove my expertise. But I have no experience in working either with EU funding or public institutions. However, in our company there are people who have done that. They prove it by showing their CVs and how they work in the project. Obviously if you have no experience you need to find people willing to work with you...and if you are a nobody, people won't want to do it. We are a company who has done work for Orange and Rompetrol. This proves that the people working here are not just anybody. You see, there are some possibilities here, some potentialities... People start working with you if you have a business card. And this is quite a business card. Wherever you go, you need to show your business card from the company you work for...”*

(C, consultant).

The skills are obtained both by formal training and on the job training. The formal training is rather expensive, risky and difficult to obtain. The obsession with obtaining formal training is based on the idea that the beneficiary might not be able to recover the money spent on consultancy (if the project is approved), given that the consultant was seen to be *specialised*, but not *authorised* by the state authorities to do the particular activity. In this sense, consultants speak about ‘hologram degrees’, for courses run by the Work Ministry. A course in project management is

typically around €700–1,000 per person for two weeks/one month. However, given that for the past four years, the regulations have been in flux and the market so unsettled, attending one course was never the end of story. Consequently, keeping up to date became a business in itself which required heavy investment. The investment was rather risky, because for a few years, the Romanian administration did not release the EU guides for funding, which basically meant that the market was closed and the consultants could not get their investment back. This stagnation made several consultants re-evaluate their options and re-orient their economic endeavours. The survivors were the more experienced ones or the ones who had already been known (as consultants working on the pre-accession funds!).

*“R: So, for how long have you been doing consultancy for EU funding?*

*L: Just for the EU? One year.*

*R: How about pre-accession funding like PHARE, ISPA, SAPARD?*

*L: No, I have not done this, but I have some employees who have worked on that before.*

*R: How many people like this do you have in the company?*

*L: Three. I sent them to school. They took the courses...there is this Italian-Romanian company that organises courses for writing a project. The company is recognised [accredited] by the Ministry of Labour. The course lasts for three months and it's pretty serious, with teachers from Romania and Italy...In the end, they give diplomas, you know the diplomas with hologram...it basically shows that the people who have finished the course are authorised to write projects.*

*R: And how much did you pay for the course?*

*L: €700 per person*

*R: It was not cheap*

*L: Well, in the beginning you have to invest because...now is the time to access EU funding. They are just beginning! [...] I was one of the students myself, just to know what to tell them to do [...] no matter how experienced you are, you still need to know what exactly is going on.”*

(L, consultant)

Despite the obvious need to be *authorised*, hence to take expensive courses, consultants acknowledge the value of *specialisation*. Consequently, on the job training constitutes a valuable preparation (both paid and tuition free) for the future.

*“My first big project was a salami factory in C [a big city in Romania]. Four million euro. Ultramodern. Everything was controlled by the computers. The recipes were standardised. If the technologist logged on any computer from the factory and changed the production plan by introducing one more salami, the entire factory would adjust. In the same place I did an abattoir; it was a window-less building with artificial illumination system. There was no question to find a fly in that place...not even theoretically. The only place where one could see a fly was in the first room where they sacrificed the animals [...] So, you see, a little bit here, a little bit there...you learn. You need the minimum knowledge in order to manage the entire project. “*

(M, consultant)

In general, consultancy takes place in small and medium enterprises (SME). The organisational setting suits this type of job as SMEs are flexible entities, easy to manoeuvre, open and closed at will, with low investments required for set up and management (Aidis and Sauka 2005). Beyond the transfer of symbolic capital and learning opportunities, the firm setting offers access to information, job security and the possibility of career development; in other words, it offers structured access to the market by rendering the actors better equipped to tackle economic uncertainty.

*“For me the most important thing was to find people to work with...and I found them through my colleagues who have introduced me to their former co-workers or friends. In this way, I found out a lot of valuable information. For example, I heard that consultancy services decreased from 10% to 8% [in terms of EU eligible payments for a project]”*

(A, consultant)

As a social mechanism of coordination, networks seem to function extraordinary well for small and medium sized enterprises, as the information provided through networks is ‘thicker’ and more reliable (Kaneko and Imai 1987). Furthermore, some

of the environmental risks are absorbed by the organisation while providing support and resources for action. *“I have three consultants working full time for me. Up to now they have not done much [the interview was conducted before the funding lines of interest in this case were open]...I’ve only sent them to school to get trained [...]Yes, of course I paid for the courses. It was €700 per person [...]. It does not matter that they have not anything so far, they will. They have a portfolio of clients, they know what to do and when the funding lines will open, we’ll just hand in the projects.”*

(M, consultant)

Due to shortage of staff, small and medium consultancy firms have a fluid organisation, sometimes lacking a clear compartmentalisation of tasks. Instead, employees tend to fulfil a series of attributes related to marketing, operations, customer service, human resources and so on. The only exception to this rule tend to be the legal and accounting departments, as they require special training and authorisation. For example, M was the owner of a firm who acted as marketing director when advertising the company and finding customers, as a human resources director when employing people and deciding to send them to trainings, and as customer service director when ensuring that the quality of the service provided was consistent with the contract. He mostly needed people on the operational side, which entailed writing the projects, liaising with the public institutions for routine checks and getting the approvals for the project. M retained for himself what he considered to be the most prestigious tasks (which were incidentally related to networking) and delegated the ones that were either highly skilled (like accountancy) or involved a low level of skills (getting the approval from public institutions). The situation is similar in the case of consultants who get a foreign expert to work on the project:

*“In Romania the language barrier is visible, even if we manage to communicate in English. They [the foreign consultants] have experience and having a PhD was a plus [the Romanian consultant was an academic], but it was not enough. Their name is very prestigious. We can consult them when we have problems...they can give us valuable information, they can help us evaluate various work offers. These are all important because we live in a society that requires you to have some international*

*experience. On the other hand these people cannot be too involved in a project. They are very expensive and I can't pay too much. Also, it would not be good for me to let them do the fieldwork and search for information. Their role is to create the structure of the project: the main activities, the calendar of the project, the manpower, the team....They can do all these from abroad. However, you need to have a few Romanian consultants in order to be operational. They need to have experience and know exactly what to do. In a typical project you need at least two competent consultants to take responsibility for the project. At this point we have several people who can work with us. We have their resumes and they are ready to work. It is good for them too, because consultancy pays well. In general they will do the trips, the papers, the documents...you see we need people who can do that...*

*R: and how will you hire them?*

*C: Full time contracts...I need them full time!"*

(C, consultant)

In terms of work ethic and work load – there are no illusions. Consultants know that there is an enormous amount of work involved in putting together a project. “*A consultant cannot do more than 4-5 projects at the same time. It is impossible. There is too much bureaucracy, too many trips, too many phone calls to make...*”(C, consultant). Their work ethic is affected by the job demands: they need to display coherence in the project, translate the beneficiary’s requirements into EU language, while keeping in mind that this is a business and they need to make sure to get the maximum results with the minimum investment from the beneficiary.

The transfer of capital between company and employee works both ways affecting the credibility of the company on the market. In general, a consultancy company is assessed by a number of criteria: size and reputation, seniority, price (system of pricing) and share of the market. Reputation is constructed by retroactively showing a list of former clients: “*I have done work for BRD, Connex and Rompetrol. These are big companies, everybody knows about them*”(A, consultant), by making reference to present cooperation (“*I'm actually busy now because I have two contracts with some town halls*” (K, consultant) or by dropping names of well-known people who are somehow affiliated to the consultancy company (as in the case of a former minister who is part of the board of directors). When one’s

reputation is not clearly established, clients ask explicit questions about the affiliation of the consultancy company: “*You are a consultancy firm from Bucharest? Who are you working with* [making reference to the big players in the market]?””. The concept of seniority denotes a solid reputation built upon both social and technical capital, in which the latter is proved by repeated and successful interactions with clients and bureaucracy. In the case of consultancy for EU funding, seniority is hard to prove, as the funding lines were only opened in 2009. Consequently, companies advertise themselves by using transfer of capital. Some firms have offered consultancy for pre-accessing funds (PHARE, ISPA and SAPARD) and use this to advertise themselves even though the process of accessing structural funds is rather different. Other companies have offered consultancy in other areas like accountancy, marketing and decided to expand their area of activity. In the case of newly established firms, a typical way to claim seniority is by inviting a senior consultant to be part of the board of directors. Reputation and seniority established by the above mentioned mechanisms play a very important role in granting access to clients and establishing a firm’s presence in the market.

Another very important element that contributes to a firm’s competitiveness is pricing. In an attempt to share the risks with the applicants, some consultants are paid in three instalments: “*We take some money when we sign the contract with the entrepreneur, we take the second instalment when we hand in the project to the Agency and the third one when the project is approved*” (B, consultant). In this case the price is higher (approximately €3,000), because it entails not only preparing the file, but also coaching the beneficiary in the process of accessing funding. In the case the file is not approved, the applicant and the consultancy firm would rework the project and hand it in at a later date. Other consultancy firms offer readymade files for a lower price (around €2,000) the client being charged fully when the file is handed in to the Agency. In this case, however, the consultancy company has no further obligation towards the applicant. There are also rare cases, of very prestigious consultancy firms that also offer other forms of specialised work, and who would charge the client upfront (a rare case of client too – usually the State!).

Despite their flexibility, consultancy firms, like any other SMEs in transition countries face great challenges among which is the complex issue of taxation (– either high level of taxes, the frequent changes to tax policies, the ambiguity of tax policies) (World Bank 1995, EBRD 2002, Aidis 2006), bureaucracy, corruption, or unfair competition from a large informal economy (Glas et al. 2000). As small businesses, they are more likely to be more vulnerable in the face of environmental challenges, as they do not have the economic power to sustain activity in periods of economic crisis (EBRD 2002, Pissarides 2004). In order to counteract these challenges, some actors have started to associate themselves thus creating strong alliances which act as a safety net. For example, A had a consultancy company specialised in helping the client to prepare the file for bank loans. As she had no experience in accessing EU funding, she associated with four other consultancy firms with various competences (one was specialised in preparing the funding application, another firm was specialised in providing feasibility studies and architectural projects and the last was specialised in communication and marketing). The agreement was that each firm would rely on the others for specialised services and would recommend the partners for potential clients. At the opposite site on the spectrum, there is another example of three consultancy firms with similar competences (in writing EU funding projects), who have associated themselves in order to split the market. If one of the firms obtains a contract with a public institution that was required to organise a public tender with at least two more competitors, the other two were called in to put in courtesy bids (which were usually higher), so that the one who had negotiated the contract could legally win it. These two cases exemplify the bright and dark side of social capital, as well as the actors' ability to switch from formal to informal arrangements easily and competently.

After discussing the organisation of consultancy as a business, the work methodologies and trainings, the next section turns to analysing the social interactions between consultants, applicants and bureaucrats. It looks at the ways in which consultants construct their presentation of self, evaluate their clients, relate to bureaucracy and work together with other consultants and experts.

#### ***6.4. Social aspects of consultancy***

In evaluating their (potential) clients, consultants assess three main aspects: *credibility, capability and commitment*. These aspects are also the basis on which consultants present themselves to the world, by employing *persuasion* in actively searching for clients. Furthermore, the same aspects form the basis of consultants' *reputation*, which is a complex mix of social, symbolic and professional capital. These aspects are by no means the only elements involved in selecting clients, nor are they used consciously and explicitly in most interactions. In fact, more experienced consultants invoke a sixth sense, an extraordinary capability that helps them detect instantly if a new economic association would be successful or not. "*I smell potential clients!*" said one consultant making reference to exactly this capacity (M, consultant). However, novices are less inclined to build their expertise on the basis of a gut feeling.

*Credibility* is the sum of verbal avowals and nonverbal signs regarding the intention to follow a particular course of action (Goffman 1970). In the first instance, the consultant makes a *prima facie* assessment of the client and enterprise, analysing the eligibility of the proposed project and the seriousness of the client's purpose. There is no point in starting to work on a project if the beneficiary is not convinced that the project is worth pursuing. This is usually the case with public actors who are inexperienced and find accessing EU funding too risky and time consuming, despite the fact that, in case of failure, there are few financial losses for the public actors (as the EU funding and the government cover most of the investment). The opposite is also true: sometimes the clients are so certain that they want to do the project that they avoid the services of the consultants.

*"Out of the six mayors [that replied to his proposal], one is so certain/convinced that he said to me: "Why should I spend money on consultancy? I better do it myself. I will work and finish it in six months, 'cos I know how it works." He had done other projects on the pre-accession funds and he knew what it was about. The other mayors have never done a project and have no idea how to put together a procurement file. They are mayors and that is enough for them!"* (C, consultant)

After assessing the willingness and seriousness of the client, consultants consider their *capability* to do the project. “Since words can be faked, self-respected” consultant need to have some grounds in order to put their faith in the client (Goffman 1970:105) and that means evaluating whether the client has the resources to execute the project:

*“I can’t lie to people! You don’t need 50% funding. You need about 65%! Have you got the money? No. Well, let’s go to a bank and talk. This is completely free of charge [M actually said *free of charge* in English despite the fact that the interview was in Romanian]. I do not start working with people until I’m certain that the client responds to at least 75% of the bureaucratic issues.”*

(M, consultant)

Most consultants are mainly concerned with the financial resources of their clients. In the case of private clients, the beneficiary needs to co-fund the investment by 50%. If they do not have the money, or they have less money – the project might not be approved, might be delayed and, *in extremis*, the funding could be withdrawn. For the public actors, consultants need to make sure that the mayor will obtain all the necessary approvals from the local council on time, or the risks are those described above.

The third aspect is *commitment*, which is the client’s willingness to sign the contract of the consultancy. Despite the fact that the very soul of the economic transactions is the contract, it is not atypical for consultants to start working before signing the contract (see Chapters 2 and 5). Furthermore, the taken for granted assumption that the contract would represent the encounter of free wills is an overstatement to say the least. There are cases, especially involving the public actors, in which clients are forced or lured into commitment. In one case, a president of the county council set up a consultancy firm and advertised it throughout the entire county. All the mayors ‘preferred’ this company because it was rumoured that whomever works with other consultancy firms might not get the necessary approvals and would have the project delayed. I was never able to verify this rumour, so there is no way to comment on the reliability of this type of data. However, the importance of this data does not lie in its truth value, but in its widespread acceptance – most of the consultants and the

clients that I spoke to, believed this to be true – and their belief shaped the market for consultancy in a dramatic way. It discouraged new consultants from entering the market, allowing room only for those who were in more powerful company than the president of the county council. Consequently, the ‘free market’ became a ‘hierarchical market’ that reproduced the bureaucratic ladder in a different setting (see Chapter 3 for a theoretical discussion).

*Commitment* relates to the likelihood that the clients would fulfil their contractual obligations and pay the consultant without any physical or psychological risks for the latter. One consultant recounted how she refused to work with some customers even though they obviously fulfilled all the technical requirements (i.e. they had more than enough money, were keen to do the project, and so on). However, the potential beneficiaries were obviously involved in illegal activities of a violent nature and did not have the conventional understanding of the law (from the first meeting they laid out their plan to get only some of the approvals necessary for the construction and forge the rest so as “*not to waste so much time*”). A, the consultant, declined the job as she was afraid that the clients’ critical spirit was more prone to produce bruises than reflection.

In order to recruit potential customers, consultants employ a number of different strategies. I used two main criteria to make sense of the data. The first one was related to the type of contact that was first established between consultants and their clients. The second one takes into account how active or passive the consultants were in pursuing clients; (it should be mentioned that all consultants are active one way or the other, but here the concept of ‘active’ refers more to an above average level of aggressiveness in discovering new clients).<sup>72</sup> The preferred strategy or the preferred mix of strategies is a function of how developed the consultancy firm is and how well established on the market.

The first type is DA (direct and active). It is well depicted by the case of C, described in the previous section. Even though he was a newcomer to consultancy,

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<sup>72</sup> As opposed to the economists’ idea that entrepreneurs prefer to have access to a wide range of suppliers, the economic research shows that this is not the case (see Maklan et al. 2004).

the company that employed him has done projects involving pre-accession funds. In order to recruit clients, C focused on public actors, actively pursuing them. However, his strategy would have been more at home in an urban environment, than in a highly traditional rural area, which “has room only on the margins for achieved relations of friendship” (Bearman 2005:234).

*“You know, I did a very interesting market activity. I wrote a beautiful letter, printed it in colours on excellent shiny paper. Three pages. I sent it to 300 mayors from six counties. I received six answers. So I basically got a 2% response rate in an interval between a week and a month. From these six mayors who got back to me, some already had the approval of the local council to start the project and told me to start preparing the funding file”*. [Initially C sent out emails because it was cheaper and he wanted to save the resources of the company. When most of the emails were returned to him with ‘fail delivery reports’, he realised that the country town halls are not so well established technologically. The next time, C tried to use the fax, but it was the same problem. Eventually he settled for sending the letters by post]. C chose to contact the mayors directly, despite using an atypical approach mediated by technology. The reason for preferring this strategy over face to face interactions, even with such a low response rate lies in the fact that it is less time consuming, as shown below:

*“I can get a meeting with a mayor from my first attempt. But I don’t want to meet the mayors from the beginning because there are lots of mayors in this country. I talked to ten mayors and got ten meetings. It’s not hard to get meetings. It’s very easy. It’s a lot harder to get a meeting with a businessman. With mayors it’s not hard. What do you think they do all day in the town hall? I can go and hand in a flyer with my prices. But this is not useful for me; for me, my time is more precious. My time is **too precious** to waste it on the road. What I need to do is to find the people who really want to do something [...]. For example, now I work alone and when I’m away with things to solve, there is nobody to cover for me. Besides I need to find people that I can collaborate with, I need to set up a working team, I need to make a notebook detailing all the steps involved in the process...”*

Since C did not benefit from a well established reputation on the market, he had to pay particular attention to establishing his credibility in the eyes of the clients. This process involved a highly performative component enacted initially in face to face interactions and subsequently mediated by technology. However, he realised that this activity was too time consuming and he was neglecting other important areas like establishing a network of peers and developing his capability thus jeopardising the future commitments.

The second type of consultant, IA (indirect and active), prefers to recruit clients through mediated contact. Despite the fact that her company had a functional website, A got most of her clients through mediated contact. She advertised her new business orientation heavily both in her professional and personal circles. Her marketing activity was more traditional than in the case of C, involving heavy use of word of mouth. As a versatile businesswoman, A operated a transfer of capital from her previous professional arrangements to the consultancy firm (the transfer of capital involved not only the financial dimension, but also the social and symbolic elements), joining a partnership with several prestigious firms. This was highly advantageous because it did not put any burdens on her yet gave A access to new clients. In this joint venture, each partner had a different specialisation, so there was no internal competition and no replication of competences. The informal agreement was that whenever one of the partners would get a client, they would recommend the other partners for different parts of the project. In this case A did not have to go to extreme lengths to establish her credibility or capability in front of clients and she could afford to be more selective, thinking twice before entering into commitments.

The third type is represented by the DP (direct and passive). This is the case of L – a businessman who had several firms with very different types of activities. He had decided to set up a consultancy firm for EU funding in 2008. Despite the fact that his company was advertised on the internet, he was not interested in selecting clients, because he already had a portfolio of clients from his other businesses. Moreover, his employees brought with them clients from their previous jobs. L made it clear that he would not work with the public actors: *“I only work with private entrepreneurs [...] because the public sphere involves costs that I cannot afford!”*. At the time of the interview, things were in standby mode because the

official guides had not been published, which would explain his relaxed attitude and his lack of interest in pursuing new clients. L's reputation is very solid and so are his relationships with his clients (because they have done business before). Consequently, L's credibility and capability are well established and reflected in the terms of the commitment (although the price is sometimes higher). L does not need to enter into a partnership because his constellation of firms already includes most of the possible specialisations of potential partners (he had a company to produce construction materials, a legal firm and a consultancy firm).

The last type of entrepreneur comprised by the proposed typology is IP (indirect and passive). This is the case of highly specialised firms/consultants who recruit their customers with the help of former customers (a former client introduces a potential client). In this case, the person who makes the introduction is the guarantor of the consultant, vouching for their credibility and capability. This type of social arrangements is propitious for illegal/out of the ordinary requirements. It might be the case that the client is looking for someone reliable and competent to undertake the necessary proceedings in order to make an EU project profitable, but does not have the time to develop a personal relationship and test it over a reasonable period. Consequently, the social network absorbs this demand and acts, in this particular case, as a human resources department (see also Chapter 3 and Chapter 5).

Persuading clients to enter into commitments is a complex endeavour. Consultants socially seduce their clients by invoking substantive rewards despite the restrictive situational environment and by making use of well-established ceremonial devices (as detailed in Chapter 2 and in Chapter 5). These require social care in handling the clients, who are seen as "ritually delicate objects" (Goffman 1970:31).

*"So, until I learned how to approach the mayors, it was really hard. I had to learn what the mayors want to hear...but this is a whole story! Firstly, the mayor is a person who wants to know how things will be from the very first meeting. But without any details. To me, it seemed very important to communicate the details. The more I knew, the more I felt it was important to tell the mayor everything I*

*knew. Wrong! They want to know that things are simple and they won't have any headaches.”*

(C, consultant).

C's explanation shows that

The ritual code itself requires a delicate balance, and can be easily upset by anyone who upholds it too eagerly or not eagerly enough, in terms of standards and expectations of this group. Too little perceptiveness, too little savoir-faire, too little pride and considerateness, and the person ceases to be someone who can be trusted. (Goffman 1970:40)

During the first exploratory meetings between the consultant and the beneficiary, the interaction is loaded with uncertainties, potentialities and fuelled by an unusual diffusion of power between the actors. Consultants are generally better educated, younger, better informed, in a nutshell better equipped to deal with this type of funding, as compared to their clients. However, clients are in a powerful position (especially the public actors who are gatekeepers for their communities). The interaction can be thwarted by the obvious social distance, but as long as the participants understand the ceremonial significance of the way they are treated and are capable of responding without abusing the symbol system, there is hope for cooperation (Goffman 1970). “Tact in regard to face-work relies for its operation on tacit agreement to do business through the language of hint – the language of innuendo, ambiguities, well-placed pauses, carefully worded jokes and so on” (Burns in Goffman 1970:30). Expressions like “*let's understand each other*”, “*let's reach an agreement like proper human beings*”, “*we also know how to take care of things*” signal the availability to negotiate, the willingness to do business and to achieve a win-win state of affairs. The beginning of cooperation is celebrated with a drink, usually a sample from the local production of alcohol in the case of rural areas produced by the participants in their backyard (as detailed in Chapter 2).<sup>73</sup>

The situational environment is highly restrictive (see Chapter 7 and Chapter 8) on the one hand because of the elevated degree of control from the bureaucrats (control

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<sup>73</sup> There are several expressions in the language that make reference to the social ritual of sealing a deal with a drink – e.g. *A bea adalmasul*.

of the papers, field checks with both national and international teams). On the other hand, the situation is highly structured (because EU funding applications are over-standardised leaving little room for innovation), but highly uncertain (there is very little general agreement as to what, how and when should be done).<sup>74</sup> The unavoidable mistakes that accompany any economic activity, which would normally be absorbed by the social field, become too expensive. Furthermore, the familiar ways of doing business are challenged, as the EU projects impose standardised ways of conduct (for example starting to build without all the approvals or not having insurance for the workers lead to withdrawal of funding). In their efforts to secure commitments and without affecting the client's productive capacity, consultants use their creative spirit to bypass the situational constraints. Ultimately, the written projects are an expression of the profound mystery of creativity (Chapman et al. 2009) - they are inventions, not inventories:

*“The final project has little to do with reality! You need to make the papers to be credible!! Let's say a beneficiary wants to build a greenhouse to produce vegetables. Of course, I make the project in such a way that he looks good. In order to look good and be eligible, I put ten kilos of tomatoes extra, because tomatoes are more expensive than kohlrabi and more profitable. And that's it! Or how I did with a timber factory...when I saw that there was no way to reach the profitability indicators with hornbeam, because of the rains, I put everything on oak...and everything worked like magic!”*

(M, consultant)

Obviously, consultants need to pay attention to the 'magic of the project' because, as Goffman put it (1970:166), "there is a difference between holding a job down and pulling a job off; here an act becomes a deed".

The interaction between brokers and clients is successful only if there is an agreement regarding the substantive rewards for the client. For private actors, things are more straightforward, as the client already knows the desired outcome, which is

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<sup>74</sup> The EU project management is the first area in which a highly structured situation is also highly uncertain (despite the apparent contradiction in terms, this seemed the best way to describe the situation).

a reward in itself. However, for the public actor things are not as clear. If successful, the project might bring substantial benefit to the community; however, it is the mayor, not the community that signs the contract and takes the responsibility. For assuming these risks, the mayors need to be highly motivated. The strategies of persuasion employed by consultants include moral, social and financial arguments.

The moral argument invokes higher loyalties and the demand to do one's duty.<sup>75</sup> The ultimate judge of fulfilled obligations is the divinity, which is accepted and relied upon even in its institutional form (according to the 2007 Barometer of Opinion, in Romania the most trusted institutions are the church and the army; on average 80% of the people said they trusted them, as opposed to 5% of people who expressed their trust in government and parliament). Once the mayor has decided to start the cooperation, the priest is called in to give the blessing and hold a short service. This tradition has several functions among which to signal the beginning of an event, to mobilise the community in case help is needed and last, but not least, to publicise the event to the entire community.

The social arguments relate to the status of the mayor and the desire to increase social prestige. By accessing EU funding, the mayor has the opportunity to make fundamental interventions in the life of the community. Introducing gas, electricity, current water, building roads are major, historical events that affect the everyday life of the community and change the nature of work. The alterations are dramatic, as the rhythms of life and work are inherited from the previous generations. Despite the aura granted by supporting a project with such important effects, in particular moments, mayors need extra support to enhance their social status. Such a key moment is the electoral campaign and in this case, consultants can be instrumental.<sup>76</sup> They can make financial contributions to the campaign, offer their services for specific tasks or even run the campaign themselves. This type of association between consulting for EU funding and getting involved in the mayor's

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<sup>75</sup> In this case, the concept of *duty* is related to the role that the mayor *should* fulfil in the community. In traditional rural areas the mayor is one of the three most important people in the community (the other two being the priest and the teacher). Living in the community and being directly related to the entire village, the mayor's role has little in common with the modern understanding of the term as transcribed in the typical job description for the position.

<sup>76</sup> Given that accessing EU funds takes a long time (in some cases more than two years), the mayor might finish the mandate before the project is approved.

campaign is not seen as problematic by the consultants. As C told me: “*What is the big deal about getting involved in the electoral campaign? I don’t get it! It is legal to fight for what you want! It is actually moral!*”. Favour exchange is based on *noblesse oblige*. “Since social relationships are defined partly in terms of voluntary mutual aid, refusal of a request for assistance becomes a delicate matter, potentially destructive for the asker’s face” (Goffman 1970: 29).

The efficiency of moral and social arguments is sometimes enhanced by bringing in the financial arrangements. If money is involved, the negotiations regarding the *undisclosed commission paid to the mayor* take place at the beginning of the process, before the consultancy contract has been signed. This commission (some researchers refer to it as *bribe* (Wedel 1986, Yang 1994, Gupta 1995, Ledeneva 1998, Wedel 1998, de Sardan 1999, de Sardan 2005, Haller 2005, Blundon 2006) can take various forms.<sup>77</sup>

First, there is the option of an upfront bribe offered to the mayor in return for committing to work with the consultant who offered the bribe. Despite the fact that this is the most debated option in the literature about corruption (Rose-Ackerman 1999, Van Klaveren 1999) it was almost non-existent in my fieldwork. Offering money to unknown people in the hope that they would become business partners, without anyone to vouch for the transaction is unthinkable (not only for obvious economic reasons, but also for social ones: it is considered rude to offer money in the first encounter. Besides, people are suspicious that this might be a set-up from some TV channel or the police). The only case of this type that I have come across was while I was doing the media review. Some journalists travelled to the eastern area of the country getting in touch with numerous mayors and pretending they were consultants for EU funds. There was only one case in which the mayor accepted the bribe and he was filmed while making plans to talk to some of his friends who were mayors in the neighbouring villages to introduce the consultants.

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<sup>77</sup> This information was obtained while I was doing my ethnography, in un-recorded interviews or while doing participant observation. In order to protect the identity of those involved, there are no references in the text.

A second strategy, more economically viable than the first one, would be that the consultant offers to give the mayor a commission if the project is approved. This acts as an incentive for the mayor who has something to gain at a personal level after carrying all the responsibility for the public institution. This arrangement is decoded as a bribe by the consultant and as a commission by the mayor.

A third option relates to the 1% of the money that can be spent on organising public procurements. Legally the consultant can claim the money, but it is considered rude to deprive the town hall of this small sum. However, the mayor can only use the money for the public interest, in the same project, for the same purpose. Consequently, there is little benefit to the mayor's pocket (as the money goes to the local budget) and even though this is part of the shadowy financial arrangements between the consultant and the client, neither would define this as corruption.

Fourth, it is the 2 for 1 campaign. The consultant might agree to do extra work for the town hall without being paid. For example, in one case a consultant was told by the mayor that he would only sign the contract if the consultant would write a second funding project for the same money. There are situations in which consultants are not forced into such commitments, but choose to pursue this course of action themselves. So, when they approach mayors, the consultants advertise themselves in this way. However, it would be highly inappropriate for the mayor to suggest such a course of action, as consultants would consider it abusive. The opposite situation became frequent after the financial crisis which heavily affected private entrepreneurs (who could not afford to co-fund the investment anymore), but it had little impact on public actors (except for the fact that the state had less money to co-fund the investment and the mayors had to rely more heavily on local budgets hoping that they would be reimbursed).

Fifth, the sign of a truly successful partnership between the consultant and the client is when they agree on the constructor because that involves "*real money*". Sometimes the consultant introduces the construction company and then new arrangements can be made. If construction is involved, then the mayor can be paid more cash; he can receive materials and even the workforce to build some parts of his/her private residence. Alternatively he can have the construction company do

extra work for the same money (one mayor had funding to build a number of kilometres of road in his area. He asked the construction company to build the main roads and as a bonus, the constructor built a road up to his house). Last but not least, if a partnership is considered profitable for the parties involved, everyone will want to repeat the experience, so they may find ways to cooperate again (in the case of private entrepreneurs there are no problems in this regard. For public actors some questions might be raised by central authorities if there is little or no variation in the companies that are chosen to conduct various works. The process of selection is supposed to be transparent through the public procurement system, but this can also be bypassed as explained in Chapter 5).

Up to this point, the section has only focused on the social aspects of brokerage involved in attracting or dealing with clients. The main reason for dedicating so much space to this aspect lies in the pivotal importance of the client for the economic arrangements. There is little use in developing a strong network of peers and experts and investing in a good relationship with the bureaucracy if the consultant has no contracts. Once the client is secured, the consultant turns his/her attention to other categories of professionals that might prove useful. Consequently the next few paragraphs focus on the social interactions with the bureaucrats, peers and experts.

Ideally, the relationship between bureaucrats<sup>78</sup> and consultants should be open and honest; the bureaucrats should provide the necessary information, keeping consultants up to date with the latest policy changes, and consultants should feed back to the bureaucrats some information about the dysfunctionalities encountered in the field. There are very few consultants that enjoy this type of equal relationship with the bureaucrats. Most of the time, consultants perceive the bureaucrats as being in a position of power. This provokes all sorts of negative feelings: fear, humility, revolt or anxiety. The feelings of impotence are related to the unpredictable nature of the bureaucratic response and the impossibility to change anything (neither the person, nor the behaviour). *“For example, there is an agronomist at the County Direction for Agriculture. If he does not like you, he kicks your ass”* (M,

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<sup>78</sup> For the purposes of this section I make no distinction between different categories of bureaucrats (working for the EU or not).

consultant). This also contributes to a widespread perception of corruption in the system:

*“You see, a bureaucrat who has the necessary negative moral structure and is in a key position can make a lot of money. An example of a key position: anywhere they give approvals. Any kind of approvals...in a ministry, like the Construction Ministry...given the fast pace of construction industry right now. Wherever there are approvals to give, there are some blotting papers who drain the money...that’s what they do! Another ministry that had problems at the time was the Ministry of Agriculture. Of course it’s the same thing...I’m sure nothing has changed to this day. Why do you think they are changed nowadays? [The interviewee was referring to a corruption scandal at the time that involved changing/firing/sending in early retirement a number of public servants]. Because there comes a moment when someone goes over the top...and the person who was holding him can’t protect him anymore...”*

(L, consultant).

In order to overcome the administrative shortcomings, consultants prefer to have mediated contact with the bureaucrats. The status of the mediator is very important for the future relationship, because the social and symbolic capital of the mediator is bestowed on both the protégée and the bureaucrat doing the favour (who can expect gratitude from the asker). *“It really depends on the person who makes the introduction”* (M, consultant), or *“Well, I witnessed an extreme case which required the direct intervention of a minister!”* (C, consultant). Bureaucracy is thus fragmented and approached with the use of social networks (Gupta 1995).

When a mediator is not found or the consultant is not intimidated by the bureaucratic power, braver strategies are employed:

*“If you know how to approach the people who can solve your problems...things are ok. Because you see, human beings are very strange animals. In order to solve your problem, you can enter the public servant’s office with a big smile on your face and a confident manner ... decided and slamming the door. Then, the public servant will think: ‘Who is this one? Maybe he is someone important! Why is he so relaxed? In*

*this office everyone enters bending and bowing and here he comes saying: "How are you madam? You look very good today!" How does he know me?' The other option is that the public servant takes pity on you and solves your problem. Other times you need to act a little bit crazy to solve it...depends...But when you do this every day, you are not afraid anymore".*

(C, consultant).

The ceremonial aspects involved in approaching the public servants display care for staging deference that is required for the success of the action. In order to maximise his chances of success C caricaturised the spirit of power by using the same external signs without having the substance. As Goffman explained:

By easily showing a regard that he does not have, the actor can feel that he is preserving a kind of inner autonomy, holding off ceremonial order by the very act of upholding it. And of course in scrupulously observing the proper forms he may find that he is free to insinuate all kinds of disregards by carefully modifying intonation, pronunciation, pacing and so forth. (Goffman 1970: 58)

The interaction with other consultants is governed by the law of *quid pro quo*, which makes the relationships less loaded. A consultants' most important need is information and when the bureaucracy supplies little or unreliable information, peers are a reliable (re)source. The paradox of information lies in the fact that there is too little information in an ocean of information. Basically the media, public institutions, internet have an abundance of information regarding EU funding; at the same time, nobody knows if the information is reliable. One consultant expressed this frustration: "*It's hard to find out information. For example I have heard that consultancy will only be paid up to 8% from the project, instead of 10%, as it was before. But this is just what I've heard. I need to double check. There are too many sources of information, some of them are contradictory. I prefer to ask people who are on the market*" (C, consultant). So, other consultants act as a source for double-checking what the public institutions withhold.

The labour market for consultancy is not well structured, thus the hiring system is not based on impersonal criteria. Consultants prefer to work with people they know

from previous jobs, conferences, childhood. “*While at my post in Poland, I met a lot of people, with some I worked. The human relation is important...and that remained. I kept in touch with those who worked in the system at that time*” (L, consultant). By following each other’s career paths over a number of years, consultants end up building a strong network with acquaintances in surprising social/professional positions: “*I’m telling you...go and talk to Mr. V from the Ministry of Interior. Tell him I sent you. His son in law or his son will soon get a managing position in the area of EU funding*” (M, consultant). Under such circumstances, it would be difficult for the person in the public office to refuse a favour to an old friend. Besides, the bureaucrats know that positions as managers are not kept for long, because “*there are other people waiting in line*”. However, there are situations in which favours are denied and the effects are drastic. The unfulfilled expectations have the value of a social delict, “*throwing the persons out of gear with the social system*” (Goffman 1970: 119). L had this experience:

“*R: Do you have friends working for the public institutions?*

*L: I do, of course, but I’d rather not use them when I have a problem.*

*R: Why not?*

*L: Because of the inevitable debts that appear for both me and them and these put us both in uncomfortable positions.*

*R: So what do you do if you really need their help? Or what did you do in the past?*

*L: In the past I did call on them when I needed to and they refused to help so I broke up a lifetime friendship. They did not help because they were afraid they might lose their chair! [their position]*”

(L, consultant).

Another option is to choose co-workers on the basis of referencing: “*Always and for anything I choose people who have been recommended to me. If it works...fine; if not...fine again. I don’t have time to waste.*” (D, consultant). However, referencing is just the beginning of a working relationship. Consultants also need to enter into commitment and sign contracts to reduce uncertainty by establishing a course of action and coerce the parts into fulfilling their obligations. The assumption that “all the parties would be bound by incorporated social norms regarding the absolute necessity of keeping one’s word” (Goffman 1970: 132) is out

of the question. However, the strong personal relationship acts as a buffer by securing a safe space in which consultants' innovative (even delinquent) productive capacities remain unaltered.

There are cases in which excellent working relationships between consultants come to an end, not necessarily because the business venture was not successful. Quite the opposite – consultants reported that they ended their partnerships after the business had become successful: “*You see, not all friends remain friends until the end. [This is] because of the money. When you have to split the money, things are different.*” In this case, L was recounting a challenging episode from his past: he set up a business with foreign partners contributing with 4% in financial terms and 100% in work terms. His partners had the funds to invest and the know-how (sending specialised engineers to train the Romanian workers). However, the business was much more successful than anyone anticipated and eventually the foreign partners decided to exclude L from the business. They built a new factory which was making exactly the same products in a new area and withdrew their investment from the old factory. L could not afford to buy out their shares, so he had to sell his shares; he felt that his efforts to build up a business had been undervalued.

Working with foreign counterparts seems to raise various problems for Romanian consultants. Despite the fact that the foreign counterparts are far more experienced with EU funding and have more financial capital, the working relationships are not always successful. The social context in Romania is very different from the countries where the foreign consultants gained experience. This is an important point, because EU funding is highly dependent on the bureaucratic component and bureaucracies work at different paces in different countries. Furthermore the business culture is also remote, making it hard for Romanian consultants to explain why a bribe might be illegal, but it is not a social crime. One of my respondents put it nicely: “*How can I explain to my German partner that I need to pay some bribes??? He does not get it. So, what I need to do is either pay from my own pocket (and I'm desperate, but not an idiot!), steal from my partner (I'm not that good) or drop the partnership (because if I don't pay, setting up the contracts will take me so long that my German partner would want out!)*”(K, consultant). On some

occasions, brokerage firms from Romania hire foreign consultancy firms to teach them the necessary skills for managing EU funding. However, the language barriers and the spicy prices raise new problems.

In the economy of a project, the work of a consultant is credited with less than 10% of the funding. By their own admission, the job entails putting together the project in a coherent manner: '*I do project management which means coordinating the technical part for the FS (feasibility study). They [the experts] give me the project 95% ready and I do the rest of 5%.*' (M, consultant). Ultimately, the consultant builds up his/her work on the preceding expert knowledge. There is a fundamental difference between consultant knowledge and expert knowledge, not only because the two categories have dominance over different epistemic domains, but also because of the legal requirements for authorisation. In doing an EU project, consultants need experts who are *authorised* and *specialised* to do the work. These two requirements are not always met by one person, so the brokers need to be able to deal with the politics and protocols of expertise. Specialised experts are not only cheaper, but have a wider set of skills: "*I had this engineer, a 'golden hand'! He could fix the equipment on the spot, so that there were no losses in the system*" (L, consultant). However, the project has to be approved and signed by an authorised expert, which involves new financial arrangements. The world of experts is unusually small and it would be common for people to know each other either personally or by reputation. If the authorised expert trusts the one who did the job, then there is no need to double check the details (see also Chapter 5); otherwise the work is done twice, as the authorised person is not willing to risk his/her job for a contract. When consultants become more established, they build a portfolio of professionals with various types of expertise, and try to personalise the relationships to smooth the interaction in future contracts.

### ***6.5. Brokerage and former patron-client relationships***

In the Romanian environment consultants, entrepreneurs and bureaucrats share the same culture (like Hobbs (1988) showed for East London) and are familiar with the cultural codes of favour exchange and the

atmosphere of generalized obligation, which can be redeemed by no accomplishments whatsoever. This atmosphere of obligation belongs among those ‘microscopic’, but infinitely tough threads which tie one element of society to another and thus eventually all of them together in a stable collection of life. (Klockars 1974:395)

In this sense a link can be established between consultancy for EU funding and patron-client relationships. The success of consultancy depends not only on the technical capacity of writing a good project, but also on the social capacity of negotiations and partnership (de Sardan 2005). The set of relations established between participants on the market are greatly facilitated by a fluid institutional framework which lacks predictability and transparency. In order to counteract these shortcomings, successful consultants rely on social mediation sometimes making use of bribery and influence. It is precisely this embeddedness in the social and cultural frames that makes them particularly well equipped to deal with the market arrangements. Consultants have no need to change their ways of calculating (Callon 1998) to a neoliberal version of the market; they just need to adjust their performance to the prescribed standards.

Thus, by using familiar social mechanisms in a new economic area, consultants construct the market of EU funding (which, contrary to any expectation, is not the province of elites), while reinforcing their role in the social arena (de Sardan 2005). However, this process of market-making has nothing to do with learning the ‘correct’ way to do businesses. This is a historically contingent process based on hybrid forms of behaviour and alternative conceptions of legitimacy. Consultants give stellar performances working on the conventions of the business and making use of the subtleties of EU funding law, while remaining unconstrained by conventional faiths which would impede him/her seeing “what ought not to be done in what others believe one is supposed to do” (Klockars 1974).

Consultants resist the EU funding ideology by making a clear distinction between work routines and policy models. Instead of framing (Callon 1998) their actions according to the European regulations, consultants create as-if scenarios that perform eligibility for the bureaucrats (Miller 2002). In this sense consultants are

the exponents of the culture of representation in the area of EU funding, which shows that even though the ideology has changed, the practice of economic life remains the same (Miller 2002, Mosse 2006, de Sardan 2005). However, the EU funding new meta-narrative brought about variations regarding the boundaries of acceptable behaviours, criminalising formerly accepted strategies of action (see Chapter 4 and Chapter 7 for details regarding crimes in relation to corruption and EU funding). This forced the actors to use covering strategies at the documentary level, to disguise their practices. Despite the lack of congruence between social and accountancy practices, consultants are not seen and do not regard themselves as criminals. In their work, formal and informal economic transactions or social and criminal work routines are inseparable (Ditton 1977, Nordstrom 2007). And even though their activities might be known to their counterparts, consultants do not have a collective identity as criminals.

In this particular case, the actors do not resist ‘the market’. What the consultants resist, contest and mock is the ideology of the ‘free market’ put forward by the EU regulatory framework and the fashionable discourse regarding corruption sustained fervently by the transnational organisations. This “neoliberal conception of individual conceals or denies the importance of social protection and relations patronage, obligation or even employment” (de Sardan 2005:322). Consultancy practice in the area of EU funding in Romania shows that the modern concept of organisation and money brought about by the modern institution of project funding is an unfamiliar territory for all the actors involved in the process (entrepreneurs, consultants and bureaucrats).

The socially disembedded conception of money and management that excludes or minimises social obligations is the object of frustration, contestation and mockery. However, it is also the object of moral and social aspiration. The ideology of ‘free market’ and the EU have become the symbols of cleanliness and purity as opposed to the corrupted communist practices (see Chapter 7 which shows how locals capitalise on this aspect). Thus references to consultancy are sometimes met with suspicion or resistance due to the possible use of patron-client relationships. “*I hate to give bribes...I have a small business and don't see why would I have to give 5,000,000 lei here or there [approximately £100]. I'd rather live out of charity than*

*give the bribes!”* (B, consultant). “*There is so much corruption in this country that it is better to live abroad. If I would have wanted to give bribes, I would have been really far now*” (C, consultant).

## **6.6. Conclusion**

This chapter has argued that the market of consultancy related to EU funding is in fact a by-product of the EU funding process and over-regulation. It was triggered by the necessity to decode the rules associated with the process of EU funding. In this sense, consultants mediate and inter-mediate the relationship between entrepreneurs and bureaucrats. However, consultancy is also a niche market, in which supply and demand intersect with the purpose of constructing eligibility, while increasing profitability. Consultancy is a newly established area of expertise that shows the early signs of professional organisation. Due to the lack of adequate training and for the purposes of establishing themselves on the market, consultants make use of transfer of capital from other areas of work. Thus, the world of consultancy is very heterogeneous in terms of professional backgrounds, trainings and motivations.

An essential feature of consultants is their quality of being social brokers. They not only teach entrepreneurs to actively exploit the EU funding rules to achieve profitability, but also broker among various types of experts, entrepreneurs and bureaucrats. Thus, the success of consultancy depends not only on the technical capacity of writing a good project, but also on the social capacity of negotiations and partnership. Sometimes, partnerships might be based on bribing officials or making use of solidarity networks. Such techniques might be illegal, but they are not socially condemned. This particular aspect shows that the morality of consultants (similar to applicants and beneficiaries) is divorced from the morality of the state; they do not decode their acts as crimes and do not have a collective identity as criminals. On the contrary, circumventing the laws to achieve eligibility is a pragmatic decision made possible by their high levels of social, financial and symbolic capital. Thus, when consultants complain about corruption, they also complain about the lack of symbolic capital to successfully complete their tasks.

## Chapter 7

### Governing EU funding through corruption control: Bureaucrats

After discussing the *register of eligibility* and *consultants*, this chapter turns to the second generic actor – *bureaucrats* – and the *register of compliance*, by analysing the EU institutional establishment and its impact on the process of accessing EU funding. It argues that transnational anxieties regarding possible abuses of EU financial interests have put in place numerous new routines of control conducted by ‘elite squads’. The institutional design of EU funding control was sustained by the specialisation of the justice circuits based on the systematic association between corruption and protection of the financial interests of the EU, as described in the first part of the chapter. However, the transnational-led control framework clashes with vernacular work routines creating its own informality. The second part of the chapter discusses the unanticipated consequences of the establishment of EU funding control through three paradoxes that relate to the discursive power of EU funding, informality and the costs of compliance.

#### **7.1. Transnational control in the area of EU funding**

Designed in Brussels through direct negotiation with individual states, taking into account international interests and corporate assessments, EU funding is governed through administrative and criminal means that exercise overt control through new bureaucratic arrangements. This section looks at the new technologies of governing promoted in relationship to development, Europeanisation and international aid. It shows that the design of the EU funding institutional establishment is based on systematic associations between development aid and corruption expressed through legal narratives, institutional expansion and law enforcement priorities. I start with

an example of case prosecuted by Directia Nationala Anticoruptie (DNA) in 2009 (DNA 2009), and then I provide a picture of the EU anti-fraud establishment in Romania.

**A case:**

“S.I., in his capacity as the legal representative of a firm, unjustly obtained €68,288.48 and 91,824.45 RON from the EU budget through a PHARE programme. In order to secure the funding, he had faked a number of tenders in 2004, presenting false and inexact documents (in the form of three signed contracts with other firms and all the documentation relating to the tenders) and changed the destination of the funds. Instead of using the funding according to the aims of the project, he transferred the above mentioned sums in three business accounts that belonged to firms administrated by D.S.F., P.A.M., B.L. and P.E. The transfers were officially registered as payments. However, such payments were related to fictitious commercial operations and hence not due to be paid. Later on, the money was transferred to another firm where S.I. was administrator and associate. During the investigation, P.E. put moral and material pressure on two witnesses in order to make them provide false testimony. The other defendants helped S.I. to access PHARE funding by facilitating the use and circulation of fictitious documents.

The territorial branch of DNA from Craiova charged the five defendants: S.I., D.S.F., P.A.M., B.L. and P.E. under Act no. 84/P/2008 and sent them to court. S.I. was indicted for committing crimes against the financial interests of the EU (Law 78/2000 Art.18,<sup>1</sup> paragraphs 1 and 3, Art.18,<sup>2</sup> paragraphs 1 and 2) and forgery (Criminal Code, Art.290 paragraph 1). The other defendants were indicted for criminal complicity in the above mentioned crimes and the last one was also charged with attempt to determine false testimony as defined by Art.261 paragraph 1 of the Criminal Code.”

*Source: Translation from the DNA 2009 report – section regarding crime against the financial interests of the EU*

This case, typical of the DNA's activities, uncovers a few important aspects about the control of EU funding in Romania:

1. The indictments issued by the prosecutors were based on special legislation designed to protect EU financial interests *and* the Romanian Criminal Code.
2. The case entered the justice system through DNA – which is a special branch of prosecution that deals only with grand corruption and EU funding crimes (as detailed in Chapter 4). This entry route established the case as a priority, ensured a high level of prosecutorial expertise and enhanced supervision by the European institutions.
3. The investigation lasted four years (the offences were committed in 2004 and the indictment was finalised in 2008) showing the complexity of the case and the inevitable challenges in gathering evidence. It is to be expected that a number of years would pass before a final conviction would be obtained in court.
4. The value of the financial loss to the European budget is high (€68,288.48 and 91,824.45 RON).
5. Even though we do not know much about the social and economic status of the offenders, the *modus operandi* shows proficiency in conducting financial arrangements through both legal and illegal means.

These elements are excellent indicators of EU funding control apparatus in Romania, and lead us to wider implications that will be discussed in the following subsections.

#### **7.1.1. A new legal order: Implementing EU funding**

When Weber ([1922] 1968) discussed the ways in which states influence economic and social arenas, he contended that laws and regulations were linked to the concept of *order*, which was essential for the well-functioning of any economic activity: “An order will be called...*law* if it is externally guaranteed by the probability that physical or psychological coercion will be applied by a *staff* of people in order to bring about compliance or avenge violation” (Weber [1922] 1968:34). He further argued that duration in time and political legitimacy are crucial for the concept of *order*. Weber’s insights are a good place to start for an understanding of the EU

funding governance structure because the criminalisation of EU funding misconduct is part and parcel of the political order that shapes the control efforts that aim to protect the financial interests of the EU. I contend that the process of criminalisation is driven by the European agenda, which prioritises European regulations over the national legislation and makes systematic associations between corruption and EU funding misconduct. In practice, this new legal order is confusing because it lacks what Weber described as essential: temporal continuity and legitimacy.

In Romania, crime in relationship to EU funding has a short history. All the legislation for the protection of the EU's financial interests was adopted between 2003 and 2011. This type of misconduct was first criminalised through Law 78/2000 (Articles (18)<sup>1</sup>, (18)<sup>2</sup>, (18)<sup>3</sup>, (18)<sup>4</sup>, (18)<sup>5</sup>). Interestingly, Law 78/2000 is also the first and foremost legal instrument of criminalising corruption in Romanian legislation (Law 78/2000 on the prevention, discovery and sanctioning of corrupt acts). Consequently, by default, crime in relation to EU financial interests is also associated with corruption. However, the section regarding crime in relationship to the financial interests of the EU was introduced only in Law 161/2003, which means that the anxieties about corruption preceded concerns regarding the possibility of defrauding the EU budget.

In Article (18)<sup>1</sup>, Law 78/2000 incriminates the use or presentation of false, inexact or incomplete documents or statements if such use led to the illegitimate access of EU funding. In the following paragraph, it also incriminates the act of omitting to communicate legally-required information, which leads to the unjust acquisition of EU funding. The punishment for these crimes is 3 to 15 years imprisonment and withdrawal of certain rights. If the consequences of these acts are very serious (this aspect is to be decided by a judge), the punishment is imprisonment from 10 to 20 years and the withdrawal of certain rights. Essentially this offence relates to forgery.

The second article (18)<sup>2</sup> criminalises any changes in the destination of EU funds that have been conducted without the careful consideration of the legal requirements. It is also punished the illegal change in the use of any due goods if this leads to an illegal diminution of the EU budget. The punishment for this crime

is 6 months to 5 years imprisonment or, if there are serious consequences, 5 to 15 years imprisonment and withdrawal of certain rights.

The first two articles correspond directly to *Corpus Juris*<sup>79</sup> article 1, which incriminates fraud to the EU budget. Fraud here generally refers to the use or presentation of false (or incomplete/inexact) documents or declarations that cause harm the EU budget. Alternatively, this offence can take the form of omitting to present the required documents/declarations to the competent authorities in breach of a requirement to provide such documentation.

The third article (18)<sup>3</sup> prohibits the use or presentation of fake, inexact or incomplete documents or declarations which result in the illegal reduction of resources from the EU budget. It is also incriminates the omission of supplying the required information if this act has the same effects as described above. Such acts are punishable by 3 to 15 years imprisonment and the withdrawal of certain rights or, if the consequences are very serious, by 10 to 20 years imprisonment and withdrawal of certain rights. This article draws on the PIF Convention Art.1, lit b. Attempting to carry out the acts are covered by Articles (18)<sup>2</sup>, (18)<sup>3</sup> and (18)<sup>4</sup>.

Finally, Article (18)<sup>5</sup> incriminates the misconduct of the director, administrator or any person in a position of responsibility in a company if it leads to any of the above mentioned offences. The law specifies that the misconduct should be related to the guilty failure to carry out a duty of office or to carrying it out deficiently. Furthermore, the article also incriminates acts committed by a subordinate who acts on behalf of a specific economic agent if in connection with corruption or money laundering offences in relation to EU funding. Such acts are punishable with 6 months to 5 years imprisonment and restraining certain rights.<sup>80</sup>

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<sup>79</sup> *Corpus Juris* is a set of European common rules regarding unification on criminal matters that are to be followed by every member state (see Appendix II: Guiding principles of *Corpus Juris* 2000. Draft agreed in Florence).

<sup>80</sup> The restraining of certain rights refers to the rights mentioned in the Romanian Criminal Code, article 64 which reads: “The complementary punishment of restraining certain rights means the restraint of one or more of the following: a) the right to elect and be elected to public authorities or to a public position; b) the right to occupy a position presuming the exercise of state authority; c) the right to occupy a position or practice a profession or activity similar to the one that the offender used to commit the offence; d) parental rights; e) the right to be a guardian or a curator.”

Romanian legislation follows *Corpus Juris* closely as regards to sanctions too. *Corpus Juris* establishes the following main types of punishment: imprisonment up to five years and/or fine; confiscation of the instruments, products or profits obtained through criminal actions; and publishing the conviction. The complementary punishments are: exclusion from future subventions for 5 years; exclusion from future transactions for 5 years; and prohibition for 5 years (at the most!) from holding public national or community office. In the Romanian legal system, the main punishment is imprisonment and the complementary punishment is exclusion from certain rights (as established by Art. 64 Criminal Code). The sentencing judge has latitude in deciding if the decision should be published in local or central newspapers. One missing aspect that might be useful would be introducing restrictions on participation in public bids for a certain period or limiting access to financial resources for a period (Rosita 2009). The punishment is individualised according to the gravity of the act, the degree of participation or guilt, as in *Corpus Juris*.

As already discussed, fraud is a general term that covers a range of behaviours. However, such behaviours are codified separately in the Romanian Criminal Code as the Code does not include the term *per se*. The panoply of behaviours associated with fraud may include: fraudulent management<sup>81</sup> (Art.214), deceit<sup>82</sup> (Art.215),

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<sup>81</sup> **Art. 214.** (1) The act of causing loss to a person, in bad faith, on the occasion of administering or preserving his/her assets committed by the person charged with the administration or preservation of those assets, shall be punished by imprisonment from 6 months to 5 years.

(2) Fraudulent management committed in order to acquire a material benefit shall be punished by imprisonment from 3 to 10 years, if the act is not a more serious offence.

(3) If the asset is in private property, except for the case when it is wholly or partly State property<sup>81</sup>, criminal action for the act in para.(1) is initiated upon prior complaint from the injured person.

<sup>82</sup> **Art. 215.** (1) The act of deceiving a person, by presenting a false fact as being true or a true fact as being false, in order to obtain unjust material benefit for oneself or for another and, if damage was caused, shall be punished by imprisonment from 6 months to 12 years.

(2) Deceit committed by using untruthful names or capacities or other fraudulent means shall be punished by imprisonment from 3 to 15 years. If the fraudulent means is in itself an offence, the rules for concurrence of offences shall apply.

(3) The act of deceiving or maintaining the deceit of a person, when concluding or executing a contract, if without this deceit the person would not have concluded or executed the contract in the conditions stipulated, shall be sanctioned by the penalty provided in the previous paragraphs, according to the distinctions shown there.

(4) The act of issuing a cheque with regard to a credit institution or a person, while being aware that the supply or cover necessary for its realisation does not exist, as well as the act of withdrawing the supply, wholly or in part, after the issuing, or of prohibiting the acceptor from paying before expiry of the presentation term, for the purpose in para.(1), if damage was caused against the owner of the cheque, shall be sanctioned by the penalty provided in para.(2).

embezzlement<sup>83</sup> (Art.215), material forgery in official documents<sup>84</sup> (Art.288), intellectual forgery<sup>85</sup> (Art.289), forgery of documents under private signature<sup>86</sup> (Art.290) use of forgery<sup>87</sup> (Art.291) and forged statements<sup>88</sup> (Art.292). Just to confuse things further, the new Criminal Code adopted through Law 301/2004 devoted an entire chapter to offences regarding the financial interests of the EU. However, this Criminal Code never been implemented, as successive governments have postponed its adoption.

So far, I have shown that Romania designed a special set of offences to protect the financial interest of the EU instead of assimilating them into corresponding offences already in the national criminal law, even though the crimes have the same logical content (Neagu 2010). This route of action was grounded on the one hand in the Romanian political desire to show commitment to protecting EU citizens' money. On the other hand, Romanian legal experts have long noticed an informal European trend to convergence in criminal matters (Antoniu 2009), despite the fact that

(5) Deceit that resulted in particularly serious consequences shall be punished by imprisonment from 10 to 20 years and the prohibition of certain rights.

<sup>83</sup> **Art. 215<sup>1</sup>** (1) The act, committed by a clerk, either for him/herself or for another, of appropriating, using or trafficking money, values or other assets in his/her management, shall be punished by imprisonment from one to 15 years.

(2) In case the embezzlement had particularly serious consequences, the penalty shall be imprisonment from 10 to 20 years and the prohibition of certain rights.

<sup>84</sup> **Art. 288.** (1) The act of forging an official document by counterfeiting the writing or the signatures or by altering it in any manner, likely to produce a legal consequences, shall be punished by imprisonment from 3 months to 3 years.

(2) The forgery in the previous paragraph, if committed by a clerk during the exercise of service prerogatives, shall be punished by imprisonment from 6 months to 5 years.

(3) Tickets or any other printed documents producing legal consequences are equated with official documents.

(4) An attempt is punishable

<sup>85</sup> **Art. 289.** (1) The act of forging an official document when it is drawn up, committed by a clerk during the exercise of service prerogatives, by certifying untrue acts or circumstances or by omitting, in awareness, to insert certain data or circumstances, shall be punished by imprisonment from 6 months to 5 years.

(2) An attempt is punishable.

<sup>86</sup> **Art. 290.** (1) The forgery of a document under private signature by any of the means in Art. 288, if the perpetrator uses the forged document or gives it to another person for use, in order to produce legal consequences, shall be punished by imprisonment from 3 months to 2 years or by a fine.

(2) An attempt is punishable.

<sup>87</sup> **Art. 291.** The use of an official document or of a document under private signature, while knowing that it is forged, in order to produce legal consequences, shall be punished by imprisonment from 3 months to 3 years when the document is official and by imprisonment from 3 months to 2 years or by a fine when the document is under private signature.

<sup>88</sup> **Art. 292.** The act of making an untruthful statement before a body or institution of the State or another unit in Art. 145, in order to produce legal consequences either for oneself or for another, when, according to the law or to the circumstances, the statement made is used to produce that consequence, shall be punished by imprisonment from 3 months to 2 years or by a fine.

European conventions specifically recommended the opposite, leaving criminal matters in the regulatory realm of the member states. However, choosing to establish new legal categories for EU funding misconduct was not followed by an “‘objective’ allocation of guilt” (Bauman 1997:70). Instead, it created confusions for law enforcement that had difficulties categorising offences in which both national and European financial interests were prejudiced through the same act. As most EU grants work on the principle of co-funding, it was unclear if the offenders were to be investigated according to the special legislation regulating EU funding or to the Criminal Code.

### **7.1.2 Expansion and specialisation of EU funding control apparatus**

EU funding is conditioned by institutional redesign at central and local levels, driving the implementation of new technologies of government as part of a ‘modernisation’ process. Following the EU recommendations (EC 2004), Romania devised a national anti-fraud strategy that aimed to coordinate anti-fraud efforts at the national level. Updated in 2006, this strategy had six main areas of intervention: prevention, financial public control, fiscal control, criminal investigation, financial recovery and coordination of anti-fraud efforts. Symbolically, the Anti-Fraud Strategy shows Romania’s commitment to stepping up its efforts in protecting EU and the national financial interests. In this context, the anti-corruption agenda plays a major role, aiming to restrain bureaucratic discretion and strengthen external supervision through a credible, apolitical monitoring system (Rose-Ackerman 1999; Klitgaard 1988). The new agencies created (e.g., auditing agencies and integrity organisations) as part of the anti-fraud movement are embedded in a broader system of checks and balances where effectiveness depends on the separation of political powers. Thus the dynamics of anti-fraud rhetoric and practice are part of a wider political economic context that emphasises corruption as an underlying theme moulding EU funding.

#### **Coordinating anti-fraud efforts**

Departamental pentru Lupta Antifrauda (Fight against Fraud Department – henceforth DLAF) is the institution designated to implement the Anti-Fraud Strategy by coordinating the adoption of laws and regulations that are in accordance

with the EU conventions while ensuring their harmonisation with the domestic legal framework. This organisation was set up in 2005 as a response to the European Commission's Monitoring Report (EC 2004), which urged Romania to pay special attention to the protection of EU financial interests by setting up adequate mechanisms for investigation and the implementation of appropriate legislation. Despite a rough beginning marked by political instability, DLAf consolidated its strategic position in the anti-fraud institutional puzzle in 2011. Law 61/2011 and HG 738/2011 extended DLAf's powers to conducting administrative investigations of possible irregularities, frauds or other illicit activities that impact on the financial interests of the EU. The new legal framework also introduced new sanctions for offences in relation to EU funding (Art.8c Law 61/2011).

An important part of the control process is in the realm of auditing agencies. Auditing is a form of symbolic action that contributes to the production of order legitimising the process of accessing EU funds. According to the Anti-Fraud Strategy, financial public control is within the job description of the agencies that implement EU funding. In Romania, the main institution that ensures the technical and financial implementation of the European Fund for Rural and Agricultural Development is Agenția de Plăți pentru Dezvoltare Rurală și Pescuit (APDRP). This hierarchical structure was set up in 2006 (OUG 13/27/02/2006), just before Romania joined the EU, but it was accredited by the Ministry of Agriculture one year later (on the 15<sup>th</sup> of December 2007). APDRP was built on the skeleton of SAPARD Agency (Special Accession Programme for Agriculture and Rural Development), which lost its reason for existing after Romania's accession in January 2007. APDRP inherited SAPARD's former employees and subsequently expanded its area of activity and its structure by establishing local branches at the regional (8) and county level (42)<sup>89</sup>. APDRP coordinates audits through the Control and Anti-Fraud Division (DCA). DCA is entitled to conduct control checks not only during the implementation phase, but also for a period of five years after the project has finished (ex-post control). The control activities relate to: conformity, eligibility and selection of the project, and the acquisition of goods and payments.

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<sup>89</sup> According to the organisational scheme approved by Order 123/2009.

Directia Nationala Anticoruptie (DNA) is the only investigatory body that can prosecute offences against the financial interests of the EU. The investigations are conducted by the ‘Service for fighting crimes against the financial interests of the EU’, which is a subdivision of the ‘Corruption Section’ set up by the order of the DNA chief prosecutor in 2005. According to the DNA, in 2006, tackling EU funding misconduct was conducted by a team of four prosecutors, five police officers, three registrars and three experts (DNA 2006). Essentially, in 2006 only 3% of DNA’s human resources were dedicated to EU funding related crime – and the proportion has not changed dramatically over time. Such an allocation of human resources might indicate that, politically, this type of crime was not considered a priority as opposed to ‘grand corruption’ that absorbed nearly 97% of the resources.

### **Vertical and horizontal integration**

The academic debates regarding foreign aid discussed in the theoretical framework of the thesis showed that financial support is crucially linked to the role of corruption (Sachs 2005, Easterly 2006). Easterly (2006) argues that foreign aid has been lost due to mismanagement, lack of supervisory capacity, fraud and corruption. He thus contends that the countries receiving aid should be well governed (e.g., strong institutions, powerful civil society, free media) *and* supervised by other agencies in order to ensure that the money reaches the poor. In Romania, both trends are visible, but the most important is the latter. The EU assumed the supervision role through a series of instruments that regulate law enforcement working routines and institutions.

OLAF has an important supervisory role for investigative matters at the European level. In the case of EU funding the ‘supervision’ of OLAF is politically displayed in the narratives of ‘cooperation’, even though, according to European regulations, OLAF can conduct spot checks in every EU member state. Secondary data analysis and the media review conducted for this research indicate that liaising with OLAF is a top priority for DLAf and DNA. Successive DLAf annual reports and European officials’ statements indicate close cooperation between OLAF and DLAf (DLAf 2012). On the one hand, this involves transfer of knowledge from OLAF to DLAf through training and technical assistance. On the other hand this

relationship was shaped through joint investigations. For example, in 2007, Romania participated in investigating two EU funded projects: one of them was financed through the PHARE programme and the other through a European Investment Bank loan. DLAF offered support and technical assistance to OLAF in 104 cases in 2011 (DLAF 2012) in an average timeframe of 19 days per case. Furthermore, an important part of DLAF's mission is to centralise and report to OLAF the irregularities that appear in relationship to EU funding. APDRP and DNA also respond to OLAF's requests by investigating possible cases of fraud according to their legal competences and transmitting the results to the European body.

Vertical integration is doubled by a horizontal integration that ensures communication between the main control institutions dealing with EU funding in Romania. For example, in 2009 APDRP conducted eight controls requested by DLAF, DNA and the Ministry of Public Finance; 10 file checks in response to OLAF requests; 137 document responses to DNA and DLAF; as well as 4 responses to the General Police Inspectorate. Also the Romanian Court of Accounts and Direction for Internal Audit had five audit mission and seven information requests. APDRP received 40 control notes from DLAF and started the procedure to recover debits (APDRP 2009).

The examples above show that the EU funding control apparatus is a hybrid form of hierarchy that reflects the contemporary changes impacting on the workplace that rejuvenate bureaucracy (Courpasson and Clegg 2006). It combines traditional hierarchical organisational principles (as described by Weber ([1922] 1968) with post-bureaucratic forms of coordination (Cascio 2000), in which people are not physically located in the same place but cooperate with supervisors and co-workers through technological means, mixing various traditions of civil service under the notion of 'supranationalism' (Tsebelis and Garrett 2001). The unique features of this bureaucratic arrangement impact on the definition of crime as a 'transnational' process, despite the fact that a crime can only be committed in a particular location at a particular time (Woodiwis and Hobbs 2009). In fact, control has become transnational, because it is driven by international conventions and institutional supervisory arrangements, while crime has remained local. This gap between *crime*

and *crime control* has been widened by European anxieties, stereotypes and perceptions of the situation that essentially define Romania as a ‘systemically corrupted country’ (EC 2002, 2004, 2006; TI 2005, 2006, 2009).

### **Emergent bureaucratic identities**

The institutional arrangements described so far have created a particular work environment that inevitably impacted on the employees’ professional identities. I argue that institutional prestige derived from political interpretations of Romania’s state of pervasive corruption coupled with repeated positive evaluations from the European Commission (expressed through country reports) have transformed these institutions into ‘elite squads’. For example, DLAf or DNA symbolic capital is constructed through repeated interactions with OLAF and other European institutions and their position as the unique administrator of the Romanian Anti-Fraud Strategy and the unique investigative body for EU funding misconduct. This symbolic capital is further reflected in the composition of its staff – very young people, with postgraduate degrees preferably obtained abroad. For example, in the 2006 DLAf Report Activity, the former chief of DLAf, Mr Tudor Chiuariu stated that the average age of the staff was 30 years. Quirke (2010) reported that all the staff was “well under the age of 40!” and that the Romanian authorities did not perceive the lack of professional experience as a problem. In his research Quirke (2010) also tried to advance the hypothesis that the lack of seniority of DLAf employees might have been “a conscious attempt to avoid employing older investigators who may have been compromised by a culture of corruption”, but reported that “Romanian officials were a little evasive when asked to confirm if there was any substance to this observation” (Quirke 2010:18). My research shows the investigators’ lack of seniority is closely related to the job description as put forward by the authorities. As DLAf was designed from the beginning to be the main point of interaction with OLAF, there was a need for people who could speak at least two foreign languages, who were adaptable and willing to travel abroad (for training and investigations). It was simply more difficult to find such qualities in more experienced investigators. Finally, the last important aspect that contributes to the quality of elite squad of DLAf/DNA is the payment scheme. DLAf investigators have always been paid more than their counterparts (Quirke (2010)

reports that they were paid 75% more). The justification for such high payment is related to incentivising highly specialised practitioners who might be conducting their activity under political pressure. This quality of ‘elite squads’ tends to impact on employees’ career mobility opportunities. Such relatively stable occupational and organisational structures tend to favour on the one hand ‘bounded careers’ (Arthur and Rousseau 1996) that attach people to the organisation; on the other hand they favour the development of a ‘career capital’ in the form of professional networks without geographical boundaries and a capacity to learn and develop new skills through repeated training (Weick 1995).

### **Patterns of control**

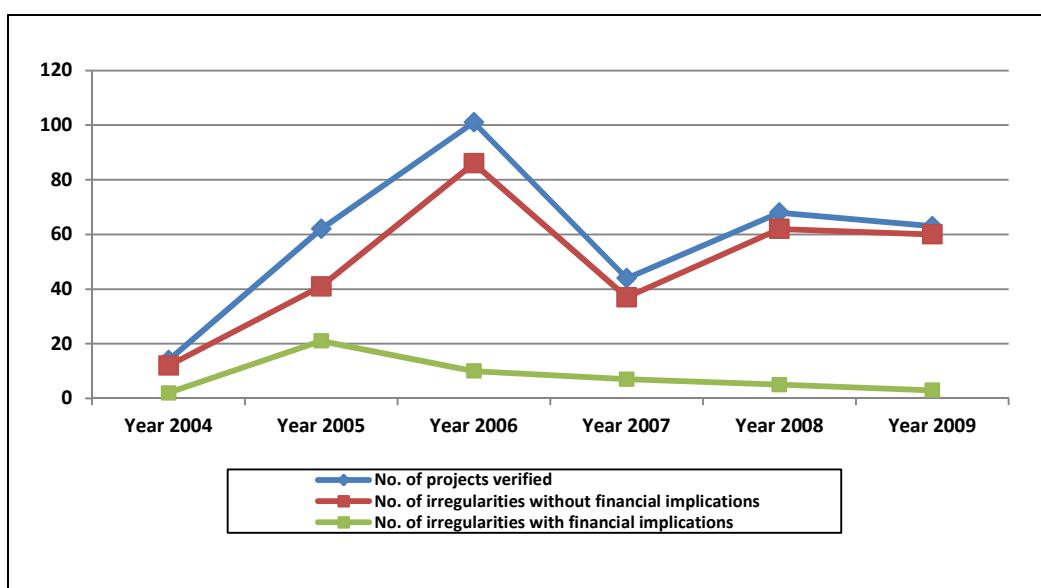
Within the general EU anti-fraud framework, policies related to regulation generally aim to increase the level of control and criminalisation through *higher control rates*, *higher crime rates*, *harsher sentences* and *high profile offenders*.

### **Higher control rates**

Within DLAF, two main units are important for EU funding control routines: Information Management Direction and Control Direction. The first is generally focused on preliminary verifications and cooperation with other institutions, while the second can initiate operational control activities to identify EU funding misconducts. According to the 2012 DLAF activity report, in 2011 the first unit received 645 notifications and requests from national or European authorities and solved 602 (in 225 cases controls and verifications were conducted, 151 were redirected to other institutions and in 226 cases other measures were taken). The second unit conducted 178 investigations of which 97 were finalised (53 began in the previous years and 125 began in 2011). The average time for an investigation was 110 working days (DLAF 2012). Such a time span is not unusual for economic crime - for example Levi (1988) reports comparable time frames in his study of fraud in the UK. In the 53 cases begun before 2011 there were serious indications of fraud; in 7 cases the inspectors found irregularities and in 37 cases there were no indications of misconduct. Thus in total, a number of 823 irregularities were investigated in 2011 by DLAF. The trend is increasing as compared to the previous years’ trends, but it is not significantly different (DLAF 2007, 2008, 2009). Interpreting these trends, Ovidiu Dobleaga, the former DLAF chief remarked:

*“A high number of irregularities does not necessarily show that a state is more or less vulnerable to fraud. In fact, it shows that the control system has done its job. One can interpret irregularities in various ways. If the number increases yearly it shows that we control more and more. If the number decreases it might show that the beneficiaries become more competent and not necessarily that the authorities do not pay attention to fraud. One should not infer from a high number of irregularities that Romanians are ‘champions of fraud’ as it was interpreted last year, even though the European Commission brought clarifications on this matter. This is a bit of a sensitive aspect.” (Gandul, July 2008<sup>90</sup>)*

Dobloga was certainly right in pointing out that “we control more and more”. Figure 7.1 shows the results of the control activities conducted by APDRP between 2004 and 2009. There is a wide gap between the number of project verified and the number of project that have been found to display irregularities with financial implications. An interesting result visible from Figure 7.1 is that whereas control seems to increase (see the blue and red line), the number of irregularities with financial implications seems to decrease (the green line).



**Figure 7.1: The control activities conducted by APDRP during the implementation and execution phase before the last payment during 2004-2009.**

Source: Compilation from APDRP Manual/Activity Report 2010

<sup>90</sup> [http://www.antifrauda.gov.ro/ro/presa/interviuri/interviu\\_ovidiu\\_dobleaga\\_22\\_07\\_2008/](http://www.antifrauda.gov.ro/ro/presa/interviuri/interviu_ovidiu_dobleaga_22_07_2008/) last accessed on the 17<sup>th</sup> of December 2013.

Year	No. of projects verified	Sample size	Measure	No. of irregularities without financial implications	No. of irregularities with financial implications	No. of cancelled contracts as a result of control	No. of requests submitted to the police/ DNA for further investigations
2004	14	10%	1.1	12 (86%)	2 (14%)	0	0
2005	62	10%	2.1	41 (66%)	21 (34%)	0	0
2006	54	10%	3.1	50 (93%)	4 (7%)	0	0
	47		3.4	36 (77%)	6 (13%)	2 (0.04%)	3 (0.06%)
2007	17	5%	1.1	16 (94%)	1 (6%)	0	0
	27		3.1	21 (78%)	6 (22%)	0	0
2008	29	5%	3.1	26 (90%)	2 (7%)	0	1 (3%) sent to the Financial Guard
	26		2.1	23 (88.5%)	3 (11.5%)	0	0
	13		3.5	13 (100%)	0	0	0
2009	63	15%	All measures	60 (95%)	3 (5%)	0	0
Total	352	N/A	N/A	N/A	N/A	N/A	N/A

**Table 7.1:** Summary of control activities conducted by APDRP during the implementation and execution phase before the last payment during 2004-2009.

Source: Compilation from APDRP Manual/Activity Report 2010

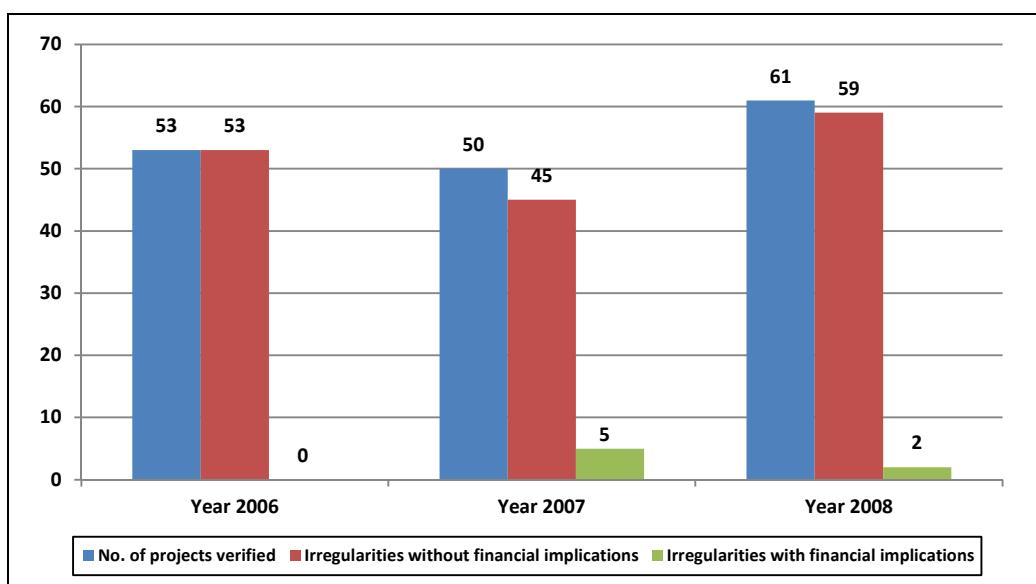
As detailed in Table 7.1, during this period APDRP controlled 352 projects ex-ante and in most cases there were found either irregularities *without* financial implications or no irregularities at all. In more than 75% of the cases, the projects were conducted correctly, which shows that EU funding anxiety about misconduct is not justified. The number of instances of misconduct peaked in 2005, when 66% of the projects were found eligible to continue their activity. In this case, the high number of irregularities with financial implications (34%) might be related to the sample size (which was unusually large including 62 projects) and to the nature of the measure investigated (Measure 2.1 envisages projects related to aquaculture). There were only two contracts cancelled as a result of the auditing activity in 2006 and only four projects were sent to the police for further investigation. This means that out of the 352 projects in only four cases there were serious suspicions of fraud, which represents 1.13% over the five years under discussion. It should be taken into account that of the four cases, possibly fewer cases would enter the judiciary process and in even fewer cases would there be convictions. As compared to the number of cases where fraud is suspected, the size of the auditing efforts seems rather disproportionate. It would have been very interesting to conduct a cost-benefit analysis of the auditing system, because it seems to be based on important financial and time resources, but it was impossible to have access to such data, despite my efforts. The size of the control machine might save EU citizens' money

in the long run, but “that proposition has not been examined, much less proved”, as Anechirico and Jacobs (1996:75) remarked in the case of corruption vulnerability assessments in New York.

The ex-post control (auditing after the beneficiary has received the last payment) only became possible in 2006 through OG 13/2006. The aim of ex-post control is to monitor:

- the location of the productive activity co-funded by EU
- the distribution of property rights over the means of production
- the implementation conditions as shown in the contract
- the specific activity as specified in the contract and the funding application

The results of ex-post control between 2006 and 2008 conducted by the APDRP (Figure 7.2) are consistent with the previous table and show that there are in fact very few irregularities (only 7 out of 164) with financial implications discovered during the ex-post control, even though arguably more than in the previous table. This might be related to the fact that the ex-post control was in fact conducted on the first projects approved in Romania, probably around 2004. At the time, neither the beneficiaries nor the employees of the SAPARD Agency were familiar with EU funding procedures. It would not be surprising if future ex-post controls would reveal *fewer* irregularities with financial implications.



**Figure 7.2: Control activities conducted by APDRP after the last payment during 2006-2008.**  
Source: Compilation from APDRP Manual/Activity Report 2010

### Higher crime rates

As the only prosecutorial institution able to investigate and issue indictments related to EU funding crimes, the DNA reported 97 cases solved in 2011 (DNA 2012). Compared to the number of corruption cases solved in 2011, the EU funding crimes represent 4% of the indictments that DNA issued. In its 2012 activity report, DNA indicated that the prosecutors have issued 648 indictments for corruption crimes (25%), 364 indictments for crimes associated with corruption (14%) and 590 indictments for crimes directly related to corruption (23%). Table 7.2 shows the evolution of DNA activity in relation to the protection of the financial interests of the EU between 2005 and 2011.

Year	Total number of cases	Number of solved cases	Number of indictments	Number of defendants sent to court	Value of the loss	Measures to recover the loss	Number of cases solved as a result to DLAf notification
2005	43	19	5	7	Not known	Yes in all cases	0
2006	Not known	Not known	11	8	598873339 lei	Yes in all cases	0
2007	Not known	Not known	26	51	1,573,585 euro	Yes in all cases	0
2008	95	49	32	77	2.669, 285.64 Euro + 1,874,599.47 lei	Yes in all cases	16
2009	266 (132 new cases)	109	23	46	7, 127, 000.71 Euro + 1, 510, 933.64 lei	Yes in all cases	9
2010	545 (281 new cases)	222	29	62	446, 920.97 Euro + 6, 859, 077.7 lei	Yes in all cases	8
2011	714 (363 new cases)	276	45	95	1, 539, 955.91 euro + 16, 133, 976.46 lei	Yes in all cases	9

**Table 7.2: The DNA's activity in relationship to the protection of the financial interests of the EU between 2005 and 2011.**

Source: Compilation from the DNA annual reports 2005-2012

Compilation of data from the DNA reports shows a dramatic increase in the *number of cases investigated* by this organisation - from 43 cases in 2006 to 714 cases in 2011 (in 2011 the prosecutors' volume of work was 16 times higher than in 2006). Since 2008, the number of cases investigated has almost doubled every year, which means that the institutional cooperation between the organisations that are part of the anti-fraud network is functioning well. It could also indicate extreme

institutional caution on the principle ‘better safe than sorry’. Such supposition might be sustained by the very small number of indictments compared to the number of cases investigated. For example, in 2011 only 0.06% of the total number of cases was completed with indictments and 0.16% of the number of cases was actually solved by the DNA prosecutors. This is not an unusual situation considering the complexity of these investigations and the difficulty of obtaining evidence.

The *number of indictments* issued has also increased over the six years, but not as dramatically as the previous indicator. In total, roughly 200 cases qualified as crimes in relationship to EU funding between 2006 and 2011, which is very similar to the Polish patterns as reported by Nowak (2013) and Makowski (forthcoming). However, DNA prosecutors progressed from five indictments in 2005 to 45 in 2011 (9 times more in 2011). This increase could be the result of accumulated experience and access to various training, professional meetings and informal support offered by both national and European institutions. As a validation of institutional cooperation with DLAF, the DNA included in their annual reports the number of cases that were finalised with indictments based on the evidence supplied by DLAF. The statistical analysis indicates stable patterns of horizontal cooperation between the two institutions probably sustained by the bureaucratic practice of ‘lending prosecutors’ from DNA to DLAF<sup>91</sup>. The number of defendants sent to court has also increased from 7 in 2005 to 95 in 2011, which shows that in 6 years DNA prosecutors have found thirteen times more offenders for EU funding related crimes.

### **Sentencing patterns**

The sentencing patterns displayed in Table 7.3 show a rising trend - from only 9 convictions in 2009, to 20 in 2010 and 54 in 2011, which might indicate that earlier investigatory activity has just started to produce visible results. It is expected that the number of definite sentences would increase in the next few years. A proxy indicator for the quality of the prosecution can be the number of cases sent back to the prosecutor (only one in five years). An important observation related to

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<sup>91</sup> According to the 2010 and 2011 DNA annual reports, the Unit for Combating the Corruption Crimes committed against the Financial Interests of the European Community from DNA had to perform its activity with only two prosecutors as one was detached to DLAF.

sentencing is the tendency of courts to impose suspended custodial sentences. This seems to be the case especially if the embezzled funds are partially or fully recovered (Neagu 2010). In total, over the five years 20 offenders were sent to prison for EU funding fraud and received sentences of between 6 months and 4 years. Given the offenders' high levels of financial, social and symbolic capital (Bourdieu 1986), some important consequences might arise from the investigations or even the adverse publicity alone, irrespective of the sentence: for this sub-set of fraudsters, the “process is punishment” (Levi 2006:18).

Year	Number of definite court decisions	Number of convicted offenders	Number of indefinite court decisions	Acquittals and reason	Number of cases sent back to the prosecutor	Punishment	Custodial sentence (prison)
2006	Not known	4	Not known	Not known	0	Not known	Not known
2007	4	Not known	Not known	Not known	0	In 3 cases the punishment was suspended.	2 years and 6 months (1 case)
2008	1	Not known	10	Not known	0	3 years suspended.	0
2009	7	9	11	2 offenders Art.10 Code of Criminal Procedure	1	From 1 year and 6 months to 3 years.	1 offender was sent to prison
2010	14	20	17	2 offenders Art.10 Code of Criminal Procedure and Art.18 <sup>1</sup>	0	18 offenders suspended sentence.	2 offenders for 4 years in prison
2011	31	54	20	6 offenders on at 18 <sup>1</sup>	0	38 suspended sentences. The punishment ranged from less than a year (10 offenders) to six years (3 offenders). 9 offenders were convicted to less than 2 years imprisonment and 33 to less than 3 years.	16

*Table 7.3: The courts' activity in relationship to the protection of the financial interests of the EU between 2006 and 2011.*

*Source: Compilation from the DNA annual reports 2005-2012*

### High status offenders

Secondary analysis of the DLAF, DNA and APDRP annual reports reveals that EU funding misconduct can be assimilated to Sutherland's concept of 'white collar crime' (1983), which refers to "a person of respectability and high social status" who commits crime "in the course of his occupation" (Sutherland 1983:7). For example, according to the DLAF data, most offenders were public servants that would qualify as members of the local elites: seven mayors from rural areas, three

local councillors, two deputy mayors from rural areas, one deputy president of the county council, and one council secretary from an urban area. Other persons involved in defrauding EU funds were a director of a penitentiary facility, a university director, an educational general inspector at a county level, employees of the Medical School, an inspector in the County Construction Inspectorate and a local director of APIA (Agency for Payments and Intervention in Agriculture).

Unsurprisingly, the profile of the offender displays high levels of financial, social and symbolic capital. This is due to the specifics of this economic arena, which is mostly accessible to *high status individuals* (as already discussed in Chapter 5), that combine *professional competences* with strong social *reputations*. For example, in 2005, the DNA sent to court two defendants: BDE was the executive director of a firm and CM was the supervisor of a construction site. In order to win a construction contract BDE participated in a public bid and presented inaccurate and incomplete documents about his firms' debts to the state budget, social security, and commercial litigation. BDE won the bid and obtained €5,709,791.67 from PHARE funds. With the help of CM, BDE prepared fictional records on the work in progress and submitted them to the Contracting Authority for payment. In reality the PHARE funds were used to cover other debts of the firm. In order to recover the loss, the prosecutors seized some immobile goods.

In another case, the value of the loss was much lower, but the case proved to be more complex. RZ was the administrator and legal representative of a firm that was implementing an EU funded project that involved building a small hotel. He was indicted by the DNA prosecutors for making repeated use during 2005-2006 of forged, incomplete and inaccurate documents annexed to the funding application, acquisition and payment files. First, in order to obtain EU funding, RZ signed a document that attested that the construction work had started on the 17<sup>th</sup> June 2006. In fact the work had started nearly a month earlier. Second, he persuaded three chief engineers from the construction company to draw up and sign various documents that did not correspond to the truth. In November 2006 he persuaded MH who had the position of inspector in the County Construction Inspectorate to forge an official document registered at the Inspectorate by changing the date (to put "20.06.2006", instead of "25.05.2006"). Third, he had not informed the SAPARD Agency about

the changes in property rights over the terrain/land. Fourth, he did not inform the Contracting Authority about the conflict of interests created because a part of the wood used for construction had been bought from another company of which he was the administrator. The DNA prosecutors argued that the defendant had received €85,931.78 to which he was not entitled from the EU budget and in order to recover the debt seized the hotel.

As the previous examples show, the high profile of the offender is usually coupled with *significant financial losses*. DLAf (2012) for example estimated the value of financial losses to EU funding from irregularities and crimes at €28,883,658.88. After conducting its own investigations on the basis of DLAf data, the DNA estimated the value of the financial loss at €4,615,302. The discrepancy of the estimates is normal, because the number of reported crimes is always higher than the number of investigated, prosecuted, sent to court and convicted crimes due to the level of evidence required and the technical procedures related to the justice system. Without downplaying the importance of the control activities, it should be noticed that *value of financial loss* is **not** a reliable indicator of EU funding misconduct. Until a case reaches the final stage of the judiciary procedures – a final court decision – there is little point in estimating possible financial impacts on the EU budget.

So far, I have described the newly set up institutional establishment designed for protecting the financial interests of the EU, showing that through its organisation and work arrangements, this bureaucratic apparatus was based on systematic associations between EU funding and corruption. The next section shows the effects of this control apparatus on the ground arguing that the gap between control routines and vernacular entrepreneurial practices creates relationships of complicity rather than competition between applicants, consultants and bureaucrats.

## 7.2. National and local practices of control

With its new regulatory framework, EU funding brings into being a space of interdependence created by money flows, cultural transmissions and socio-technological routines, characterised by plurality, constant innovation and pragmatic use of rules and prescriptions (Chapter 5 and Chapter 6). Such trends put forward an “EU funded capitalism” the economic dimension of which is interpreted and enacted through cultural practices and symbolic images that fragment traditional entrepreneurial identity because of constant association with the anti-corruption institutional establishment. EU funding is a unique form of enhancing political legitimacy (for local governments) and transforming it into financial capital by fetishising anti-corruption.

**The first paradox** of the EU funding control apparatus is that it makes EU funding a semantic of governance by constant association with corruption. “Politics often demands the manufacturing of useful clichés” (Krastev 2010:11). So when political elites refer to EU funded projects accessed they are increasing their symbolic capital (Bourdieu 1997) through positive associations with the EU. Similarly, when political elites employ corruption narratives in their political campaigns to blame their opponents, they are in fact practising good politics. The discursive power of corruption is a very recent key anthropological theme (Shore and Haller 2006, Torsello 2012), which refers to practices that frame political action through corruption talk (allegations or facts). Building on high levels of perceived corruption and media reports, this typical practice becomes a common way to make sense of politics. As a result, political competition is “reduced to a confrontation between a government accused of corruption and an opposition that claims to be slightly less corrupt” (Krastev 2010:10). The discursive power of EU funding refers to practices that frame political action through development *and* anti-corruption, with the effect of enhancing user’s symbolic capital. For example, in one village, a candidate for the position of mayor accused his opponent of corruption by claiming that he had illegally distributed some parcels of land to his distant relatives. His opponent defended himself by arguing that if he had been corrupt, he could not have accessed EU funding twice because everybody knows that “*DNA is watching*

*you as if you were a gas tank*”. The reference to the gas tank indirectly pointed to one of the EU funded projects that aimed to introduce for the first time a gas line to the village, which made the demand for gas tanks unnecessary. For the locals, this was a massive change that impacted on daily work routines because refilling the gas tanks could only be done in the nearest city ten kilometres away. For elderly members of the community who had no cars, refilling the gas tank was a major and expensive endeavour. They tried to postpone it as much as possible by using wood from the nearby forest for cooking and heating. The gas line along with the EU funding publicity banner became two major symbols testifying that the mayor was *un bun gospodar* [a thrifty husbandman]. If the discursive power of corruption leads to ‘dirty politics’ through negative discourses based on accusations, in the case of EU funding, it builds on positive associations with development, anti-corruption and modernity.

For unsuccessful EU funded projects, narratives of corruption can become partial explanations of failure. In one case, the locals were unhappy with the mayor because he “*did not even manage to pave a three kilometre road, much less introduce a water supply. Why not? How come all the other villages around us have water on tap and we don’t? It is because he is corrupt! The other mayors also steal, but ours steals too much!*”

(E, teacher)

If at local levels, direct contact with the ‘reality’ on the ground provides enough evidence to distinguish between practices and narratives, at regional or national levels corruption discourse becomes a way of attaching labels to entire communities. For example, allegations of corruption related to EU funded projects can lead to municipalities/villages losing their legitimacy and trustworthiness. At the national level, the same practice can destabilise entire regions, which once they have been labelled with corruption and misuse of EU funds, can be allocated less funding in the subsequent year. In some cases, high profile actors can use the same strategy to denounce less ‘virtuous’ regions at the European level.

**The second paradox of the EU funding control apparatus** is that it simultaneously deters breaking the law and accessing the funds. Polanyi (1954:140) argued that

“the road to free market was opened and kept open by an enormous increase in continuous, centrally organised and controlled interventionism”. Conversely, my research shows that ‘the centrally organised and controlled interventionism’ as expressed by the EU funding regulatory framework is intimidating because it comes with imperatives that impose absolute obligations irrespective of the social and economic realities. Under such circumstances highly successful local entrepreneurs simply refuse to get involved with the complicated EU bureaucratic procedures. Essentially, EU funding regulations encourage thrift and control, while the engine of enterprise is profit and freedom (Schumpeter 1942). Such discrepancy makes this type of funding unattractive for most locals explaining to some degree the low absorption rate of Romania (33% in December 2013).

The strictness of EU funding rules is, in time, internalised by applicants who display extraordinary levels of knowledge, sometimes higher than that of consultants or bureaucrats. During my fieldwork I encountered shepherds and cowherds who mocked the public servants in the village halls who did not know how to supply them with the necessary documentation to apply for EU funding. However, unpredictable factors typically postpone the completion of projects. In the case of EU funding, delays are translated into financial penalties borne by the beneficiary. As one respondent put it: “*This waiting...burns my pockets*” (S, applicant). In one project that aimed to build an after-school centre unexpected new work required by the local terrain, and some irregularities discovered by the EU inspectors, not only delayed the project, but also imposed financial penalties. In order to complete the work, the village hall applied for a bank loan. In another case – of a 10 million euro project to repair a road - the technical documentation had to be changed three times. Initially, the costs were estimated at 15 million euro but then they were reduced as the EU Agency considered the amount too high. After the construction had begun, it became obvious that the approved funding would not cover the costs of the project. The village hall could not co-fund the investment and had to drop the project until a bank loan or the state budget could cover the costs. For a long time, the local council voted against a bank loan arguing that the low income of the village hall would make repayment impossible. One of the locals recounted that “*the project was badly designed from the beginning because they did not have enough money. So, they took out some works which were absolutely*

*necessary. For this road, they had no money for traffic signals, sidewalks and road consolidation. It was only after they started the works that they realised that..."*

(F, engineer).

A typical example of EU funding rules ‘irrationality’ is the requirement to indicate at the time of application the names of the suppliers of materials and services. Local markets are not fixed and trades go out of business unexpectedly sometimes because they have to. For example, in two cases, the projects were delayed for over one year because the builder became insolvent. Excessive red tape, the length of time needed to obtain approval for refunds, the difficult procedures for organising public bids that involve long deadlines and the possibility of appeal are further reasons that many applicants are discouraged: “*The circuit of the documents makes it easier to win a project than to implement it. We met with the other mayors on the halls of the county institutions for six months for our European projects....and then...if you are not in time, you have to pay penalties. We paid these, but it was no small money...Nobody knows much...In one place you are told one thing, in another place ...another thing. Eventually you find out, but it takes a while until the waters become clear. In any case, we keep going! In the end, when you look back you like the result!"*”

(D, mayor).

The EU funding institutional framework clashes with the fluidity of the local contexts. Understaffed EU local and regional offices, the never-ending fluctuation of the regulatory framework, consultants’ lack of know-how, mayors who do not know how to manage projects, consultants ‘who are not serious’ and deficiency of available technical expertise are typical reasons for avoiding EU funding, despite the regional pressures exerted on the local mayors to “*be proactive*”. In one of the counties where I conducted my research, the local mayors had submitted to the prefect’s demands/gentle threats and all accessed EU funding. In a very short time every second village in the county had a tourist centre. The villages barely had any tourist potential, but one mayor had obtained EU funding for that project and all the others felt encouraged to apply following closely his example and his project (they literally copied and pasted the project details, just changing the name and location of the centre).

**The third paradox** of the EU funding institutional framework is that it creates its own informality through the proliferation of rules and controls that often expand or create the very conditions for carrying out simultaneously licit and illicit activities. At one extreme hidden exchanges between bureaucrats and entrepreneurs appear in the brute form of cash on the principle “*Cash is the best type of lobbying*”. At the other extreme market exchanges are so embedded in a mutual web of assistance that the distinction between public and private spheres becomes superfluous. Social networks favour a scant separation of formal business and personal roles, because as Powell noticed (1990:317) “one’s standing in one arena often determines one’s place in the other”. Thus the markets and hierarchies are decoded, interpreted and approached through personal relations. In between there are a lot of forms of negotiation (see Chapter 6) – e.g., ‘investment in electoral campaigns’ hoping to be rewarded at a later stage with public contracts. When officials insist on the separation of spheres, refusing food or drink gifts are described as “more catholic than the Pope”. This type of behaviour stands in contradiction to the local culture where conviviality and participation in social gatherings is natural. If lack of participation in local exchanges is punished, so is over-participation, which is perceived as greed. Public servants who use their offices as rent-seeking units are strongly disliked and avoided.

As EU and national regulations forbid public servants to conduct entrepreneurial activities on the side, regional and public officials have established small businesses under the names of their family members. Most attractive are consultancy companies set up under partners’ or children’s names. The route of getting EU funding, as described in Chapter 5, involves writing a project and a funding application, getting approvals and then, if the funding is granted, executing the project according to the EU regulations. In one area where I conducted my research the wife of a high profile county official was the consultant for five different village halls. She was charging around €5,000 per project. In another area, the market of consultancy was shared by the wives of two officials, who sometimes consulted in partnership and other times separately. For the village mayors, getting a well-connected consultant meant less time spent on approvals, but not necessarily a better or timely conducted project. An alternative route for the relatives of public servants is to set up NGOs that then obtain public funds for various educational,

publicity or community projects. For example, a young couple who had a county official as godfather received as a ‘wedding gift’ a €50,000 public contract with the town hall that involved creating and distributing publicity materials to promote the city.

An EU funded project brings in contact different actors who have various types of access to the political decision-making process and different interests. The examples given so far relate to a form of vertical integration between locals who want to access funding and high level county officials who have the power to grant approvals and check the compliance of the project. An essential point is that vertical integration is typically achieved through interpersonal networks that give access to information, pave the way for personal interaction and reconcile different priorities. The bureaucracy is essentially approached and dissembled with the use of social networks such as those that give access to a prefect through his wife’s consultancy company, to a mayor through his godson’s publishing house or to a judge through his wife’s NGO.

However, different layers of bureaucracy are approached through different practices. At the local level, links are established through personal ties and continued through informal networks. Husbands, wives, godfathers and sons represent strongly emotional links that smooth an EU funding applicant’s way in a very direct, trustworthy and non-complicated manner. Money and goods exchange hands under the state’s radar. At the county/regional level interaction is framed by an organisational form that can be a consultancy company, NGO or a firm. In this way, the interaction becomes more structured entering the realm of the market. The relationship of the ‘front’ or official owner with the powerful public servants is an ‘open secret’ (Ledeneva 2011). When an applicant signs a contract with such a consultancy company, there is an expectation of ‘no headaches’ – e.g., getting the approvals very fast, being provided the right kind of information, having the file analysed in time. Establishing personal contact and close links at the national level (e.g., the EU Agency, DNA, and DLAF) is more difficult, because the control agencies are too professionalised. The risks of being exposed for professional misconduct at this level are very high due to the EU’s close supervision. During my fieldwork, I noticed that when audited or inspected by national authorities, the

beneficiaries behaved according to the bureaucratic rules: there were few or no attempts to bribe or influence the EU bureaucrats on the one hand because of fear of refusal, on the other hand because they had a good reputation and people felt there was no need for that. There were two exceptions throughout my entire fieldwork: in one case a beneficiary made the EU inspectors an offer they could not refuse. Living by the Danube, he had cooked freshly caught fish according to a local recipe and *mamaliga* (polenta). In another case a beneficiary had an unexpected biographical link with an EU inspector – they had illegally traded petrol together during the Yugoslavian war.

A typical way to formally fulfil the EU criteria is to ‘*manaresti*’ (fix) the public bid by designing the technical proposal in such a way that only one company fulfils all the criteria. This document details the special competences of the supplier of services. When one mayor wanted to hire a particular company to remove the snow in a town, he requested in the technical proposal a specific number of employees, a particular entrepreneurial background and a certain business maturity. The bid was publicly advertised through the electronic system. Several companies participated in the bidding, but did not fully fulfil the technical requirements and the “right” company won the bid. Some mayors refuse to organise public bids altogether, preferring to divide the work into small subsections that do not reach the official financial limit. This allows them to contract the service providers through the direct award of the contract, instead of through the public bidding process.

A side effect of EU funding regulatory framework is its influence on the public bid market due to the necessity of organising public bids for almost every activity conducted through an EU project. For example, in Poland the public procurement market was estimated at 33 billion euro in December 2012, which accounted for around 8% of the GDP (Makowski forthcoming). Ad hoc audits of tenders involving EU funding detected irregularities in 36% of the cases. Most of irregularities related exactly to artificial divisions of work, unjustified rejections of best offers due to minor documentation errors and setting special conditions for tenders that violated the principles of fair competition. Despite the fact that Poland is considered the Eastern European ‘champion’ of EU funding, in stark opposition

with Romania (see Chapter 4), the typical routines of doing business in the area of EU funding seem to be very similar.

### ***7.3. Conclusion***

This chapter focused on the construction and the effects of the EU funding institutional establishment in Romania, showing that the register of compliance, as well as the register of eligibility (Chapter 6) is framed by transnational anxieties that put in place extraordinary levels of supervision with ambiguous effects. The empirical analysis of the hierarchical machine indicates that in Romania, EU funding is controlled and investigated by high profile anti-corruption and anti-fraud institutions constructed as elite squads. However, on the ground, compliance takes the form of “interpersonal bargaining within the context of a licence, a consent or permit, and often takes place in morally uncertain territory in which values, technology and business intersect” (Manning 1987:298).

## Chapter 8

### The informal economy of EU funding: Entrepreneurs

Chapter 5 described the process of accessing EU funding, while touching upon the distinction between the EU imagined actors and the Romanian actors who access this type of funding. This chapter will take that dichotomy a step further showing that while the EU regulations try to make the process of accessing funding a rational calculation based on standardised routines that produce predictable outcomes, the actors engaged in the process invent, innovate and combine their patterns of behaviour in order to adapt to unpredictable markets. The chapter starts with a short description of entrepreneurship in Romania based on quantitative assessments, moves on to describe the characteristics of the local actors and some unintended consequences of EU funding on the local contexts. In the second part of the chapter, practices of compliance are contrasted with typical profit making routines. The conclusion shows that the perceptions of profitability of this economic process change as EU funding moves from ‘free money’ to ‘expensive money’.

#### ***8.1. Entrepreneurship in Romania***

According to the official statistics, in Romania, entrepreneurship is not well developed. The Global Entrepreneurship Monitor (Matis et al. 2010) ranks Romania among the lowest countries in the efficiency driven economies. The early stage entrepreneurial rate is only 4.29% which represents the lowest value recorded in Central-Eastern European countries. The rate of owner-managers of a business in 2009 was 2.3% and it decreased in 2010 to 1.09%. At the same time, the established business ownership rate was around 2.08%. With respect to gender, the female early stage entrepreneurship was 3.19% (the same value as in the previous year), but the male early stage entrepreneurial rate dropped to 5.13%. Between 2007 and 2010, the business discontinuation rate (measured as the percentage of the population

between 18–64 who had sold, shut down or discontinued the owner/manager relationship with the business (Kelley et al 2011:64 in Matis et al 2010) was around 2% almost reaching 3% in 2009. In terms of motivations to start a business, more than one third of the respondents indicated increasing income as their main reason while 10.82% were more attracted by independence.

The bleak picture of entrepreneurship in Romania offered by surveys like the one described above is based on assessment of the activity in the official and formal sphere. In other words, the informal economy is not taken into account. Thus, the results of such surveys need to be interpreted with great care and conclusions should be drawn with reluctance. It would be a mistake to infer from the above study that entrepreneurship in Romania is reduced to a mere 4% (in the above context the figure encapsulates the early stage entrepreneurship) or that the discontinuation rate was only 2% between 2007 and 2010 (the number of firms that are closed down during a year). On the contrary, this research shows that, in Romania, entrepreneurship is thriving in the informal area, taking a variety of forms that range from practical competence in dealing with the state to the use of the informal workforce for tax avoidance purposes. Such practices become more visible when contrasted with the official narratives that regulate access to EU funding.

## **8.2. *Bani garla: ‘Free money’***

*‘They said on TV that after 2007 there will be **bani garla** [a river of money] from the EU for rural development. Apparently, Brussels people love rural tourism. All we need to do is prepare some projects. Now I am panicking because I did the project for a small bed and breakfast, but there is no money...’*

(G, applicant)

*‘There is a lot of work, but in the end it’s worth it. After all, someone gives you money for free. Think about it: if you would take a loan, you would have to pay back the interest and the loan. With EU finding, you don’t pay any interest **and get to keep the money**. Yes, it’s a hassle, but who would give you money just like that?’*

(RM, beneficiary).

At the beginning of the process of accessing EU funding, Romanian actors perceive this type of funding as a gift. The quotes above describe EU funding through an unusual concept – *free money* – which responds to every entrepreneur’s dream of making profit. This concept brings together the financial and symbolic dimensions of money through the association with the EU and Brussels officials. Such an approach resonates with Viviana Zelizer’s conceptualisation of money that describes “remarkably various ways in which people identify, classify, organise, use, segregate, manufacture, design, store and even decorate monies as they cope with their multiple social relations” (1994:1). Thus money and by extension EU funding is not a universal measure of value as Simmel ([1907] 1978) argued. Starting from this point, the rest of the chapter will show that accessing EU funding is not only an economic activity, but it becomes a dazzling, elusive process when seen in its interactions with the social. It profiles entrepreneurial characteristics and defines particular profit making routines.

### ***8.3. Serial entrepreneurs***

The fieldwork conducted for this research shows that private actors who are successful in accessing EU funding are not only small entrepreneurs, but *serial entrepreneurs*. In some cases they run multiple businesses concomitantly while sometimes retaining their position in a state corporation. In other cases they have a history of changing various firms and/or professions. Instead of increasing the scale of their businesses vertically, by developing the magnitude of the enterprise, many actors prefer to start entirely new businesses. This is a risk reducing strategy used for preventing bankruptcy. Jobs in public companies provide a more regular and calculable income while the diversification of portfolios by opening up new companies offers insurance against the disruption of activity if one business fails. Serial entrepreneurs show flexibility by moving between jobs and the willingness to put up new companies on the market. For example, a pilot survey comparing Russian entrepreneurs with non-entrepreneurs (Djankov et al. 2004) suggested that entrepreneurs are more inclined to change professions, explore new avenues, and have greater confidence and a broader set of skills than other people. They also appear to be driven by wishful thinking (Bernardo and Welch 1998, Arabsheibani,

de Meza, Maloney, and Pearson 2000), behaving as if they understand the present fairly well, but have a special outlook of the future. Thus opening up a company and closing it down is no more a failure than finding a job and then leaving it. In many cases the firms are the legal embodiment of the owner, are organised around the skills of the owner–manager, and consist mostly of relations rather than assets. Since the owner-operator and the business are the same entity, it is of little importance if one firm is closed and another one is put on the market, because in this case the capital is linked to the individual, not the company. Hence, the impact on the business is only tangential as the other players on the market would be indifferent to the existence of the corporation when initiating a new business venture. Successful business relationships tend to be reproduced in different legal and commercial settings. The next two examples reflect all these trends while contextualising entrepreneurial careers in the Romanian environment.

### **Raluca's story**

*"It all started from my inability to stay at home and do nothing [...]. I trained as an engineer at the Bucharest Polytechnic and worked for almost 20 years in the local factory for electrical equipment. In the spring of 1999, the management conducted the first mass layoff. I was among the first to go, because my husband had a small company and they [the management] thought we had enough means of survival. It was a matter of social protection in the end, as they had to take care of all the people. Anyway, I was made redundant and received the unemployment allowance. I was 49 and looking for a job in this very small town. You can't find many opportunities here. Besides, I was driven mad all day in my house doing cooking, cleaning and laundry; even my two children were gone – they were already in College. Something had to be done! During that period, some of our friends wanted to do a mountain trip. I love travelling and since I had no job, I organised the trip. Everybody loved it and I realised that this was a nice activity, something that would suit me. Consequently, I enrolled in a six months course as a mountain guide. It was excellent, but this was no substitute for a real job. After six months, I was back to point zero: no job and staying at home. In the meantime, my husband's company (I mean him and his associates) installed cable television throughout this town. The board of directors decided to set up a radio channel also and I was appointed manager for the new born local radio channel. I did the job for*

*a year and loved every second – my team was young, the work was fun, new and challenging...it was great! The problem was that after a year, my husband, who had retained his position at a state company [apart from setting up a few private companies], was relocated to Bucharest. We had to move there for a year and I could not work anymore. When we came back, I was again jobless. However, this time I decided to do things differently. I wanted to have a business that I could control and do something that I liked. We [Raluca and her husband] thought a lot about what to do. I had two passions: tourism and interior design. The question was how to combine them. We considered opening a small boutique or setting up a small hotel. There were pros and cons for both, but I decided to go for the hotel because I found out about the EU funding in the end. We started to think about this in 2004 and accessed the funds in 2005.”*

(Raluca, beneficiary)

Like most actors who I encountered during my fieldwork, Raluca's entrepreneurial career started out of need. When recounting her story, she starts from the privatisation of the factory, which she considers the beginning of her new career, as it gave her the freedom to shape her course of action. Her trajectory seems to involve moving between different business attempts until she found a match. This fluidity, which resembles some sort of 'firm shopping', is based on the fact that the transferable skills are more important than firm specific skills. Despite the fact that she was forced into self-employment, Raluca easily acquired the taste for running her own business. Her husband's private companies along with his regular job in a state corporation must have represented a strong incentive for Raluca. She might have made more money elsewhere, without tying up a big part of the family wealth in this endeavour. However, she seemed to be driven by non-pecuniary motivations. In this sense, Raluca resembles Schumpeter's idea of an entrepreneur:

First of all there is the dream and the will to find a private kingdom, usually, though not necessarily, also a dynasty. [...] Then, there is the will to conquer: the impulse to fight, to prove one-self [sic] superior to others, to succeed for the sake, not of the fruits of success, but of success itself. From this aspect, economic action becomes akin to sport [...] The financial result is a secondary consideration, or, at all events, mainly valued as an index of success and as a

symptom of victory, the displaying of which very often is more important as a motive of large expenditure than the wish for the consumers' goods themselves. [...] Finally, there is the joy of creating, of getting things done, or simply of exercising one's energy and ingenuity. [...] Our type seeks out difficulties, changes in order to change, delights in ventures. (Schumpeter, 1934: 93-93)

However, Schumpeter's romantic description of entrepreneurs should be carefully considered and re-interpreted in the context of the following example, in which the 'joy of creating', 'exercising one's ingenuity' or the 'delight in ventures' acquire slightly different meanings. Mr G is a man in his 50s, married with two children. His wife is the director of the local branch of a well known French bank. Mr. G is involved in tourism, as the manager of a few hotels, all of which are strategically positioned in the mountains. Before the 1989 Revolution he was an engineer in a local factory. Immediately after 1989, he changed jobs and started working in the biggest city hotel, first as an accountant, then rising to the board of directors, and later becoming one of the owners buying shares of the company. Like every company in the communist period (or immediately after the Revolution), the tourism company as well as all the hotels were owned by the state. The company possessed a chain of hotels and B&Bs in the mountains, which made them the only available resorts for tourists who had no alternative private accommodation.

Supported by the local bishop, who is a major shareholder in the tourism company, Mr. G became a board member and then executive director. He managed to remain in that position for more than ten years. During his time as executive director, Mr G led the company close to bankruptcy by letting the buildings deteriorate, destroyed the local market for tourism by closing down the hotels in the mountains for years, or kept them open but without electricity or heating, transferred or bought formerly state-owned property disregarding the true owners (hence the numerous subsequent court cases in which he was involved).

He was forced to resign from the position of executive director in 2006. In the meantime he had managed to build his own hotel in the proximity of the hotel he used to manage, thus attracting a share of the market. His exit from the state company was very profitable, as he managed to become the sole owner of a big

hotel located in the nearby mountains at over 2,000 m altitude. This hotel used to be the meeting point of the local and national male elite working in the area of electricity.

Mr G's humble origins were captured by one of his employee's remark that "*he was the first generation wearing shoes in his family*" and his astonishing upward mobility would have been difficult to conceive during communist times. His accession to a higher status was based on constant increase in his financial capital through careful exploitation of opportunities offered by transition. A very wealthy man, a millionaire in euros, as he likes to say to his employees, Mr. G has turned an eye towards EU funding. He has bought a piece of land in the very centre of the town and has applied for SAPARD funding to build a small hotel. Even though this type of funding was directed to rural areas, he managed to get a document from the town hall attesting to the fact that the piece of land he had built on was outside of the town. With his wife as the director of a local bank he easily accessed preferential credits and comfort letters documenting his financial status.

Mr G's story shows that informal economy is a consequence of the social and economic context, carrying both the characteristics of the communist regime and the traits of the newly born capitalism. In this sense, the changing geometry of informality is based on embeddedness in social and economic networks, and the reorganisation of the economy on different principles. Existing social networks provided Mr G. with ideas about opportunities and sources of funding (Burton et al. 2002). In itself the context favours the existence of nuanced ethical systems due to the blurred boundaries between legal and illegal. Privatisation for example, proved to be a lucrative business for Mr G, who brought his contribution to the dismantling of the tourism state company in his area. Using insider information he privatised a company over which he was responsible, in order to create profits for himself and a close circle of business partners. Abuses were noticed by the judiciary who opened up various investigations but pardon was obtained at a price from sympathetic judges. Mr G's personal history can be read as the story of a *guilt free predator* (Sutherland in Klockars 1974) who allied himself with powerful actors in order to acquire wealth. However, according to Schumpeter's definition (1939) he is a successful entrepreneur involved in 'creative destruction', having contributed to the

destruction of the previous socialist economic order and the creation of the capitalist alternative. Mr G's own opinion about his activities is that: "*I give jobs to people! I help the local economy!*". In a twisted way, Mr. G is both a crook and a benefactor because while he clearly benefited personally by acting outside the law, his actions contributed to local development (Nordstrom 2007).

## **8.4. EU funding's perverse local effects**

### **8.4.1. Cultural capital: EU funding as an 'electoral steam engine'**

For serial entrepreneurs, building up new business ventures means relying on various forms of capital (Bourdieu 1997). Social and cultural capitals discussed so far for private actors are directly linked to their capacity to secure cooperation (Johanesson 2002), which is essential for framing issues and communicating goals. Cultural capital is a key variable in explaining which entrepreneurs mobilise the resources needed for accessing EU funding, and how they use EU funding to enhance their cultural capital. This aspect is visible in the case of public actors who are involved in major EU funded projects (Chapter 7). Setting up partnerships for the purposes of obtaining EU funding is a desirable, but not *sine qua non* condition for accessing such funds. As a general rule, projects that involve partnerships are more difficult to set up and implement because they alter the boundaries of local economies and involve heavy networking.

For example, in 2011 a major project was set up in the southern part of Romania. The project involved setting up current water and a sewer system in a few communities; it had an estimated value of €180M. The financial distribution was roughly the following: 77% EU funding, 12% funding from the state budget, 2% contributed by the county office and the rest was the input of the regional water company. This project was not set up at the initiative of the locals, but it was designed in Bucharest and it was part of the national strategic design to improve the water system in Romania. The negotiations about which towns/communes should be added/left out of the project were not only related to the technical aspects of the project, but also to the political affiliations and activism of the community leaders. The area did not suffer from deprivation by comparison with other regions but such

an investment was indeed necessary to improve the standard of living. However, participating in this project proved to be an image coup; given the high value of the project and the visibility of the investment, the endeavour was heavily publicised. The local leaders were photographed over time by the side of the responsible minister and constant associations were made with the party in power. This project was described by the local press as an “electoral steam engine”, which points to the high levels of cultural and symbolic capital associated with narratives of development, that make EU funding a semantic of governance (as shown in Chapter 7). For public actors, securing EU funding is very much a political process that makes use of resources developed over time<sup>92</sup> and not a simple matter of technical implementation.

#### **8.4.2. Reproducing and challenging the existing order**

Stinchcombe (1965) had argued that entrepreneurs both reproduce and challenge the existing social order by constructing organisations that are embedded in social and cultural environments. The organisational settings reflected the distinctive societal situation under particular historical circumstances. In the case of EU funding this argument is valid for both public and private entrepreneurs. The next example shows how EU funded entrepreneurial work routines are assimilated and integrated into the vernacular practices of doing business through the story of a village mayor.

##### ***Mr Money Chopper's story***

Mr. F has been the mayor of a village in a mountain area for the last ten years. The area is well known for its tourist potential, wood quality and quantity, and mining potential. Mr. F's history is full of dubious arrangements, successful networking with high profile political leaders (or their immediate families), police investigations and court decisions that have never been enforced. His capacity to spend public money according to his personal taste without being convicted earned him the nickname of ‘Mr. Money Chopper’. His entrepreneurial endeavours

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<sup>92</sup> For example, on the 6<sup>th</sup> of April 2012, the Government issued a decision (GD 255/3<sup>rd</sup> April 2012) regarding the allocation of the Prime Minister's reserve fund to the local budget. Most funds were directed to the communities with Liberal-Democrat leaders, despite the fact that there were other areas that were involved in EU projects. For example in Suceava county, out of 49 commune that received funding, only 3 were from the opposition. (<http://www.contributors.ro/politica-doctrine/%C8%99i-tu-fiul-meu-mru/> last visited on 8<sup>th</sup> April 2012).

involved hiring a few fictive employees for whom he cashed the wages, paying his phone bills out of the town hall's money and reimbursing some construction companies for works that were never done. He released property titles to his son over a terrain (about 10 hectares) that belonged to the community, while validating himself as the rightful owner of 2.5 extra hectares (as the grandson of the initial owner with whom he had no blood relationship).

His management style has always been rather directive as he has little patience for democratic debates. Several deputy mayors chose to resign after escalating conflicts with F; the local police chief was threatened with losing his job and the members of the local council were subject to intimidation. In a council meeting he attacked the secretary with his desk, because there was no unanimity to vote on a decision that he supported. Some local newspapers covered the story and F even gave an interview: *“So what if I turned over the desk? The secretary had not written the minutes of the meeting. Anyway, he is crazy, old fashioned, from Ceausescu’s time. Let me tell you what happens...I want to do a good job at the town hall, but there are a lot of dogs who want to drive me crazy. They have no chance with me! They are all complainers, all dreamers who want to take my place. I did everything right, I had money before coming to the town hall and I will leave this place with money too – because my wife has a company that goes really well. If I were not honest, I would have never received a diploma from the National Democratic Association of Fighting Corruption!”* (interview, mayor F<sup>93</sup>). In his interview, Mr F contrasts two major ideologies through their local stereotypes: communism is associated with a ‘crazy’, ‘old fashioned’ time/ individual, while he positions himself as a capitalist who ‘wants to do a good job’, ‘has money’ and is ‘honest’.

Despite his violence and love of alcohol, F is well practiced in networking with other official figures, sometimes even using them as tools in his personal vendettas. For example, after the meeting mentioned above, two of the councillors who voted against him received a team from the Financial Guard who came for a ‘routine check’. The only problem was that the Financial Guard inspectors were driven to

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<sup>93</sup> [http://www.coruptiainarges.ro/intamplari.php?id=328&id\\_i=595&data=2008-05-10](http://www.coruptiainarges.ro/intamplari.php?id=328&id_i=595&data=2008-05-10) last accessed on the 11<sup>th</sup> of April 2012.

the councillors' shops by the mayor himself. F's entrepreneurial skills, his pragmatic approach to the concept of legality and his social dexterity helped him find powerful allies in high public positions, who offered their protection and a hand in need. Their services were not repaid in money, but in wood (which is rare, expensive and easily disguised in a construction site). As F was a public servant, he could not have other businesses on the side. However, his wife did not have the same restrictions. She is the front of a company dealing with wood exploitation, but her husband is the one that does the business. A cerebral stroke in the autumn of 2008 left F incapable of working for some time and he never recovered his full capacity. This gave others access to the management of the town hall and impacted on his business arrangements by limiting his power to sell wood or the right to extract coal as he pleased. In 2011, his collection of criminal files was enriched by a new investigation of abuse in service, for allowing a company to extract coal in an area which was not in his jurisdiction. Despite his intentions he had not managed to access EU funding (so far), but he did hire someone to write projects for him. He decided to 'go European' by having his own employee at the town hall dealing with such issues. He could deal with 'implementation', as he was practiced in the netiquette of local arrangements, but writing the project was beyond his understanding. However, he considered the high degree of control involved in EU funding "*distasteful*" and thus refrained from any further action in this area. F did not resent the financial dimension provided through EU funding, but the regulatory routines associated with it. The following paragraphs from my field diary describe the process of hiring the right person.

*"It is a bright March morning and we are travelling again to B. By the end of the day, one of us will have a job as an EU expert in the village hall. Mr F, the mayor, was really forward last month when we approached him about the possibility of writing a bid to get EU funding for the renovation of the local social club building. He agreed to work with us and even more. In the name of his friendship with one of our fathers he suggested to hire one of us in the village hall. Two weeks later everything was made official – following the letter of the law, Mr F had obtained the approval of the local council, put an announcement in the relevant newspapers and official websites, and even arranged a date for the exam. To make things even more official and give them an appearance of legality, he suggested that his*

*employee to be should have some competition in the exam and the other one of us generously offered to step in.*

*By the time we reach the village hall it is already 9.30am. There is little movement in the building – only the porter and the cleaning lady seem to be around. The other employees will come later, around 10am and the mayor maybe around 11, we are told. In a short while two ladies who work in the hall appear and we are invited to share their office. The office is a large, cold room with old furniture made of massive wood on which lie a few prehistoric PCs. After the first few moments of curiosity and a polite invitation to have some coffee we are left on our own. The ladies are busy discussing the latest episode from a Latin American soap opera, while connecting to yahoo messenger to chat with their friends.*

*Hours pass and around 1pm the mayor shows up. He has a preoccupied air as he enters the room and without much ceremony asks if we are well prepared and have learned the material for the exam. Rather intimidated, we stare at him and mumble something which he chooses to interpret as a yes. On his way out, he calls my friend to fix the computer in his office, while we waited for the examiners to arrive. According to the new regulations issued by the Government earlier that year, the hiring policy for the public institutions had changed; in order to reduce corruption and nepotism, the Government had ruled out that hiring was to be supervised by officials from the County Office, who were to come to the hall with a sealed envelope that contained the topics for the exam. Thus, we were waiting for the officials to show up. Meanwhile, as my friend returned from the mayor's office he asked for my help in preparing three different topics for the exam. The mayor had suggested to him he should make the examiners' job easier and prepare some questions we could actually answer. As we were rather inexperienced, it took about one hour to come up with something.*

*Around 3pm a car stopped in front of the village hall and the officials from the County stepped out. They were quickly shown to the mayor's office, as by that time everybody was in a hurry to go home (Mr F was rather impatient as he had more important business to attend, the employees were annoyed that the mayor was still there and so they could not leave, the officials from the County wanted to be at*

*home already and we...wanted a job). After about twenty minutes the examiners came to our office. They were two: a middle aged man and a younger woman. They were accompanied by the mayor who made the introductions and wished us good luck. The young woman checked our IDs, waved a sealed envelope in front of us, opened it and read the exam questions. She asked us if we understood the questions, asked us to choose one to answer, wrote it down and remarked that 'the conditions of the exam have been fulfilled and I wish good luck to the candidates. You have one hour to write your answers'. Then the board left the room and I could finally smile as the questions were exactly the ones formulated by us a few hours earlier. Some thirty minutes later, the mayor lost his patience and sent the secretary to ask us to hurry and write the answers. We handed in our papers and in less than half an hour one of us had the job, the examiners were happily going home and the mayor was on his way to lunch."*

(field notes, March 2008)

The above excerpt from my field diary shows that even though accessing EU funds imposed the development of new organisational initiatives to secure the resources needed for accessing this type of resource, the strategies used are, in fact, adaptations of typical entrepreneurial routines. Indeed, the complexity of the process pushed councils to employ professionals or create specialised teams to work with EU funding. However, the employment of such teams was not done according to meritocracy and the process of employment mocked the anti-corruption regulations, thus 'contaminating the purity' of the EU funding process. The art of locality here lies in the assimilation of this new economic space and its integration with the dominant cultural norms. Creating EU offices in public administration might not necessarily lead to a behavioural change, but could be just a vivid representation of the saying 'the more things change, the more they remain the same'.

An important point uncovered by Mr G's story and the excerpt from my diary is that informal profit making activities are not solitary enterprises. They are conducted in plain daylight with the willing co-participation of other civil servants. The bureaucratic formalism expressed by the examiner's assertion: "*the conditions of exam have been fulfilled and I wish good luck to the candidates*" is a

counterpoint to the previously described arrangements, which points to the nature of risks that local entrepreneurs take in order to make a profit. In Schumpeter's view (1939) risk and uncertainty formed the basic conditions of individual entrepreneurial affairs. Ruggiero (1996) remarked that contemporary scholarship redefined risk as a potential social loss. In this case, risks are related to *compliance* – the civil servants enacted a compliance performance while getting ready to provide one at the documentary level. The use of creative skills in handling both the formal and informal norms makes the job of control difficult for various reasons as explained in the following section.

### ***8.5. The price of compliance: Control in the area of EU funding***

When applying for EU funding reimbursement, entrepreneurs need to *justify* their expenses using a multitude of documents. These documents have to present a coherent story about the project; in fact all the papers are independent signs that contribute to the general narrative that aims to create trust. As part of a ritual of purification, audit reports become social constructs useful for the production of anti-corruption/anti-fraud narrative. After all, as Braithwaite remarked (1984:139) “government inspectors ensure the quality of your records, not the quality of your deeds”:

*“When you ask for reimbursement, you need to justify all your expenses with a thousand papers [my emphasis]. The main part of justification is to respect the initial project and most importantly the financial part. Of course you also had to respect the architectural project and so on. When we changed the door from the left to the right wall, we had to bring in justifications for that”.*

(G, applicant)

EU funding is schizoid by default, as the authorities are mainly interested in the share of funds obtained from the EU. This dichotomy is expressed in the necessity to keep separate ledger accounts to record separately the circuit of money from the EU and the private investment (both for public and private entrepreneurs):

*“You have your accountant who keeps separate files. There is this account for investments where you put everything that relates to this business and then this account is divided in two: the total investment and the EU investment. In the end you need to make sure that the value from your account is the same as the one granted initially through EU funding. Just make sure it is exactly the same! Not more, not less!”*

(R, entrepreneur)

Good accountants are a necessity in order to provide good descriptions and justifications of decisions or to disguise any unorthodox arrangements.

Accounts are a way to display the rationality of decisions and thus enhance their legitimacy. They help to demonstrate that alternatives were considered, trade-offs were made, and potential outcomes compared. Business accounts, as a ‘rhetoric of numbers’, engender legitimacy because they document the rationality of decisions in an age when that form of rationality is legitimate..(Carruthers and Espeland 1991: 61)

*All entrepreneurs that I encountered during my fieldwork did their own accounting while using a trusted professional on the side who could sign the balances at the end of the month and provide advice on how best to present financial transactions.*

*“R: How about accountancy? Did you do keep the books by yourself?*

*D: Well, together with someone else. I mean in the first instance I did the work and he just came along to sign it, as I was not authorised back then.”*

(D, entrepreneur)

This need to control the financial records might indicate that budgeting is also a performative process (or simply a fiction) carefully constructed with the use of specialised idioms. The complex nature of the business and the intricate arrangements are concealed by the work of professionals who know well the weaknesses of business regulations. In this sense, accountancy and everyday practices might have little in common despite the fact that they are supposed to be congruent. “As a symbol of rationality, double-entry bookkeeping legitimized business activities even when the actual accounts did not conform, or conformed

only loosely to the strict method" (Carruthers and Espeland 1991: 61). Due to the high levels of control involved in EU funding, some actors choose carefully the direction of the public funds. They rely on big investments (e.g., the heating system) for which the costs are difficult to manipulate leaving the more volatile aspects to be dealt with in their private accounts. For example, the payment for the workforce is easier to manipulate and it is usually paid from the private contribution.

EU funding is based on two types of control and both of them are normally related to the reimbursement process. First, bureaucrats carry out careful document verifications and second, they conduct thorough field verifications to ensure that the building is identical to the architectural plans. Field checks are usually within the job description of county bureaucrats, while the papers are verified in the regional office.

*"First, the people from T [regional centre] had a list with all the documents that you needed to submit for reimbursement and they checked your file in front of you: 'Let's see, do you have this...do you have that'. You see, they just checked first to see if you have all the documents. At the second stage, they checked thoroughly with the initial project to see if there are the same quantities, the same prices, if we added anything extra [...]. Then they also checked the documents regarding the materials – I mean the certificates of quality, provenance, conformity with the EU standards [...] We had a close relationship with the regional office, but it wasn't hard as the people working there were nice and understanding. You could talk to them. They weren't the kind to send you back home if you have done something wrong or so. They really helped us, they taught us: you need to do this, you need to bring that...they cared about what they did."*

(D, beneficiary)

Field checks are also very strict:

*"R: When did the county bureaucrats conduct the verifications?*

*D: At each instalment of money. They could also have come in between payments, but most of the times they came whenever we asked for reimbursement.*

*R: How about the regional office? Did anyone come to visit the place?*

*D: No, for field checks it was only the county people. When we did the refund file, we sent copies of some documents by fax, so they came here to check the originals and stamp the copies. Then they did the field checks looking at the design [...]. ‘Right...according to the architectural plan, here you have a wall. Is there a wall in reality? OK, we can move on.’ For example, we had to build a wall that was not in the initial design. We had to put it in the basement, some sort of additional support for the ceiling or so. When they checked the plan... ‘You have no wall in the plan. What have you done? You spent more money for cement and stuff. You spent EU money!’...as if we hadn’t spent enough money on that building! Or we had something else with a door – I don’t remember exactly, but I think we moved it a few centimetres to the left or to the right... We weren’t allowed to do that, so we had to change the project. They approved the changes and we could move on. Otherwise you can’t change anything. They really do check – I mean with the architectural plan in their hand they check the rooms, the surfaces, the positions etc – everything has to be conformed to the initial plan. If everything was OK, you received a letter saying that the construction was conforming to the plan and the next payment was approved. You know you have a successful project if you receive the reimbursement!”*

(S, beneficiary)

The above quotes point to a dramatic change in the bureaucratic culture in stark contrast with the local practices. The change is decoded and explained through enhanced communication, professionalisation, predictability, lack of traditional gift giving routines, but it also acquires an emotional note when bureaucracy is humanised through ‘care’ and warmth (e.g. “*they were nice and understanding*”). For entrepreneurs used to exploiting their superior status in order to deal with bureaucracy, this was a surprising approach which enhanced the symbolic capital of EU funding. All these aspects make entrepreneurs sympathise with bureaucrats: “*They sent some reminders every once in a while [...] I told you, they had their own monitoring, they needed to show that the money was spent [...] Otherwise they had problems with the EU because they don’t spend the money. So that’s why they sent those reminders – just to see if we had started, if we were on track etc.*” (D entrepreneur). In another case, the reimbursements were received earlier than the

deadline: “*They paid me...I got all the money that was approved...they cut nothing. Also, I got the money quite fast in about a month and a half after submitting the request*” (R entrepreneur). Towards the end of the project, the relationship between entrepreneurs and bureaucrats almost enters a regime of affection: “*Everything went well in the end – the representatives from the Ministry of Tourism came over to give me the classification and were very satisfied.*” (R entrepreneur)

The relationship between entrepreneurs and EU bureaucrats becomes closer as the project progresses. In the beginning, the rapport is characterised by distance and it is an almost faithful depiction of the Weberian model of impersonal contact. Towards the end of the project though, entrepreneurs and bureaucrats become closer due to repeated interactions. Despite the fact that field checks are very strict, surprisingly the bureaucrats are not blamed for that. On the contrary, they are pitied for the work they need to do as it is considered stressful. The blame is directed towards higher institutions expressed in an undefined *they*. It was never clear for me if *they* were the central office of the Agency or the EU itself, but it was obvious that the local bureaucrats and the entrepreneurs had formed an alliance against *them*. Such an alliance was based on geographical proximity, shared cultural codes, social ties and the need to avoid any problems in the face of hierarchical control. Sometimes, the narratives of justifications employed at the papers level were carefully constructed with the assistance of the bureaucrats. The natural tendency was to employ negotiations and avoid conflict, as the latter was bad for business. It affected not only the applicant, but also the bureaucrats since any unspent money was interpreted by central bureaucracy as a personal failure. Thus, entrepreneurs and bureaucrats created coalitions to put a gloss on their performance. Everybody wanted to ‘look good’ (entrepreneurs for bureaucrats, local bureaucrats for central bureaucrats, central bureaucrats for European bureaucrats, European bureaucrats for the European MPs, European MPs for their governments and the voters). This process of plastic surgery that portrays a perfect way to do business at the documentary level has little in common with the realities of daily transactions or the work entanglements.

## **8.6. Profit making routines**

An essential part of the EU funding profit making process relates to keeping the 'normative' and 'factual' orders (Parsons 1982) separate at the documentary level. Whereas the EU regulations will provide only one way of conducting transactions, (which is usually as impersonal as possible), entrepreneurs will try to make them as personal as they can by entering informal arrangements, bribing, getting discounts, making use of their social capital to get favours and so on. Such practices lie outside the orthodoxy of the market exchange as understood by the EU Agencies. However, they do not challenge the orthodoxy of the local market in any way. As Ditton (1977), Mars (1982) and Henry (Mars and Henry 1978) have shown in relationship to fiddling, such practices are bastards of capitalist economy who subvert the system of distributive justice implicit in the pricing of goods by confusing the spheres of exchange. However, such confusion is not out of the ordinary in this particular context marked by communism and transition to the market economy.

From the beginning of the process, entrepreneurs think about how to get *more* than what they are paying for from the EU.

*"P: I want to do an asylum for elderly people. It is needed, as there are lots of old people in Romania! They are usually very lonely after their children have left home. They went to work abroad and come back twice a year – for Christmas and Easter. In my asylum their parents would be well taken care of and would never get bored or lonely, since they would have other people of the same age to keep them company.*

*R: So, you would offer free accommodation for elderly people. This sounds great!*

*P: Free accommodation? Who said anything about 'free'??? Nooo, they would have to pay! I mean their children of course. If they work abroad, they should have money! Besides, we are talking about their parents, the people who raised and took care of them! What I have in mind is a luxury resort, where people would live in their own flats, but we would cater for them, take charge of cleaning and entertainment. If they want company, they should be able to enjoy it, but if they don't, they should also be able to retreat in their own flat and not be disturbed.*

*R: Who would be in charge of such place?*

*P: Me, of course.*

*R: It sounds like a lot of work. How would you manage?*

*P: Oh, I thought about that too! I will make myself a big flat in the asylum, so I can move my family there. In this way, I am close to the church and if anybody dies, or they need anything, I'm already there, right? Besides, we would live there free of charge and spend less on food and cleaning. I can rent my flat downtown and save the money for later."*

(P, priest, entrepreneur)

The priest explained in detail how charities can become very good businesses (Sundar 2000) by mixing spheres that relate to different registers. When explaining the purposes of the asylum or asking for funding, he positioned himself in a register of affection, but concomitantly assigned a value and a price to affection in an economic register. This is a typical practice among some priests who can exploit their role to enhance their financial status because of the traditional lack of financial regulation from the state apparatus and the nature of their work. The services performed by priests relate to a spiritual arena that is beyond the regulatory means of the state machine.

A parish is seen as a business unit and the major rites of passage (e.g. baptism, marriage or death) as profitable work opportunities. The senior priests that I encountered during my fieldwork could easily approximate the real income from any parish in the county displaying extraordinary levels of social knowledge. It is not uncommon that good parishes are sold to the highest bidder by the local bishop who has the absolute regulatory power over his jurisdiction. Bishops can also become politically involved in the state affairs and associate themselves to one party, but as a general rule, they tend to formally maintain only their association with the church. In one case, the local bishop had been a former *Securitate* colonel during communism and later became a member of parliament. He eventually withdrew because his local businesses were keeping him far busier than any other political position. He had established a candle factory issuing an order that requested all the priests from his jurisdiction to buy only candles produced in the local factory. Another large scale business was a bread factory, but this was less successful because it would have been impossible to have the bread delivered every

Sunday to *all* parishes. On the side, he had also set up an import-export company that sold aluminium window frames which have become very popular in Romania over the past ten years. All these entrepreneurial affairs were public knowledge and the mix of economic and spiritual spheres was very much part of the local way of doing things that were acknowledged but not questioned. In fact, there were only two very young priests throughout my entire fieldwork who had considered applying for EU funding. Their more senior counterparts had politely declined the ‘free money’ arguing that they already had ‘free-er money’ from the believers and needed no state intervention.

For the rest of the actors, the road from the idea of the project to the final result is guided from the beginning by the EU requirements that force them into thinking through their endeavours for at least seven years (considering the usual time of implementation plus the five years monitoring afterwards). This anticipatory thinking coupled with the unstable conditions of the market forces caution and reflexivity upon entrepreneurs:

*“Yeah, we had an idea about what and how to do, but in order to fulfil the requirements you had to respect certain norms. For example, we had to be careful with the requests put forward by the Ministry of Tourism because they give you the classification for the B&Bs and hotels. Because we wanted to have a four stars hotel, we had to make sure that the rooms had a particular surface [e.g. for four daisies B&Bs/hotels<sup>94</sup> the room has to be at least 15 square metres], which meant bigger rooms with more facilities, a restaurant...you know...everything [...]. Also, we thought we might extend the hotel later on, so we had to be careful about the ceiling. It had to be more solid than usual to sustain another floor. The feasibility study was done for a period of about five years because for five years you are under...not necessarily control, but...the Agency monitors you for this period. They want to make sure you don’t change...I mean if you have done a B&B, then, for five years, you have to keep it as a B&B [...]. After five years you can do what you want...sell it, make it your private home, whatever. But before that, you have to keep it as you said it would be, be active and have profit.”*

(D, entrepreneur)

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<sup>94</sup> The standardisation of hotels and B&Bs is measured differently in rural and urban areas. In rural areas the Ministry of Tourism awards *daisies* and in urban areas *stars*.

Careful investments are a necessity and as one of my respondents remarked “*it is better to check our pockets before we start something, since we have the possibility to expand in time...*” (V, applicant). The entrepreneurs are cautious because the context described below is characterised by high uncertainty.

### **8.6.1. Volatile markets**

However, anticipatory thinking is not enough to ensure profit. No matter how optimistic or overpriced the budget approved by the Agency might be, the Romanian markets are so volatile that the applicant will always be forced to raise his/her contribution to the project. For example, the implementation phase starts with signing the contract of funding and making the first notebook of acquisitions (Chapter 5). Then the work can begin, using the private funds. This is the first moment when the plan handed in to the Agency is confronted with the reality of the market because the notebook of acquisitions is a document that details all the expenses incurred for completing the first part of the project. Such expenses might include materials necessary for building, costs of hiring a construction company to do the works, and personnel wages:

*“That’s when you find out if the prices have increased...which is usually the case...You see, it’s one thing to anticipate the costs on paper and another thing to start doing the project. When you do the project you realise that the costs are very different. So, you will never be able to finish the project and keep within the approved budget. It will always be more expensive for you, as an individual.”*

(R, entrepreneur)

The instability of the Romanian economic situation makes the budget almost a useless tool due to inflation and the dynamics of the market (some companies might disappear by the time the project is approved, or others might appear and provide services at more competitive prices). Officially there is the possibility to amend the initial budget<sup>95</sup> to reflect more realistically the economic situation and the field

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<sup>95</sup> An essential part of the initial budget is the exchange rate at which the prices are calculated. For example, an applicant can send the file to the Agency when the exchange rate is 3.6725 RON per euro. However, this rate can change in a few months and rise to 4.4 RON per euro. If the applicant is awarded the grant, the funding contract is signed at the initial value of 3.6725 RON per euro.

conditions, but it is very difficult to do so. Following this path means re-doing the funding file, including getting the approvals, elaborating the feasibility study, designing the marketing strategy, the technical plan and the budget. As already shown this documentation is very expensive and time consuming. These aspects coupled with the uncertainty of obtaining a positive answer deter the applicant from pursuing this path. At this point

The success of everything depends on intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done. Thorough preparatory work, and special knowledge, breadth of intellectual understanding, talent for logical analysis, may under certain circumstances be sources of failure. (Schumpeter 1934:85)

*“One more thing: they [the Agency] ask you to prove that you have half of the money to do this project right? But you will never be able to finish with only 50%. Apart from the fact that the prices will increase there are other things. Let’s say you start the project and spend your half of the money. You do the construction and then send the reimbursement file to the Agency. There will be a time span between applying for a refund and actually getting it. This time span can be a month, two or God knows when. What are you going to do in the meantime? Stop the works? This is going to delay your entire project. So, you see, one always needs more than 50% in order to keep working to respect the final deadline.”*

(R, entrepreneur).

Thus the costs of completing a project are higher even in very stable and predictable markets, and not only in a risky and unstable environment.

### 8.6.2. Cash society

Other hidden costs add to the project, thus making it less profitable. A particular aspect that creates problems is the fact that the Agency only takes into account bank payments. However, Romania is very much a **cash society**. Bank transfers are not commonly used by private individuals and are sometimes avoided also by SMEs because they are very expensive. In one of the villages where I conducted my research, most villagers received their pension through a bank transfer. However,

the village had no cash machine and in any case, they would not have known how to use it. Once a month, Veta's son who shared the house with his parents and his wife, would collect the bank cards from his elderly relatives and go to the nearest town to withdraw the money. He carried the cards in a small brown leather bag around his waist like the old shepherds from the mountains. Each card had a post-it attached to it that carried the pin number. Most of the villagers had never used their cards – they would keep them safely in the wardrobe, under their best clothes. They chose to withdraw all the money at once for two reasons: they could not have accessed the money otherwise, and it was cheaper. For every card interrogation, the bank charged a fee which was more than most villagers spent in a typical day. Sometimes the pension was delayed for a day or two. In order to avoid paying bank fees, the locals would prefer to wait a week until Veta's son next visited town. This form of superimposed technological modernisation dissatisfied everyone because it was diminishing their income through bank fees, paying for Veta's son's trip to town or informal borrowing to cover delays, which created further social obligations. At the firm level, for small and medium enterprises, the situation is similar and even some administrative units support the cash society indirectly. For example, some taxes can only be paid on the spot, which makes it impossible to use a bank transfer. These contextual traits are in stark contradiction to the EU funding regulations, which assume *ab initio* certain conditions that characterise modernity in the EU vision.

The register of profitability is also related to aspects that do not have much in common with EU funding, but with the general commercial regulations of Romania. For example, it is far more profitable to obtain EU funding through a **firm**, than through a natural person. In both cases entrepreneurs have good chances of success, but there are other economic rationales behind this type of decision. For a natural person, it is easier to keep the accountancy for the EU project. However, a natural person cannot claim back the VAT:

*“It would have been better to be a firm to claim back the VAT. You see, for their share [the financial contribution to the project through EU funding] I was exempted from paying the VAT because of the EU contribution. For my share...I could not claim back the VAT. As a natural person you do not pay VAT in general. However, I*

*bought everything with VAT and paid all the works with VAT, but could not claim it back. Altogether it was about 700 million lei [approximately €17.000] If only I knew from the beginning...I would have set up a firm in no time... ”*

(R entrepreneur)

The organisational setting of the firm is preferable from a financial point of view, but not from a practical point of view because it is typically accompanied by higher levels of control.

### **8.6.3. Bank loans**

In order to prove the capacity to co-fund, the applicant needs to show a letter from the bank stating the amount of funds available. If needed, one can also obtain a bank loan to reach the required percentage. However, banks are more reluctant to fund start-up firms than the Agency and require far more documentation than the EU.

*“Most of the projects funded by the EU would never be endorsed by a bank. They are just not profitable enough or they might be profitable if you do not take in account repaying the loan and covering the bank fees. You need to be a serious investor, with a good entrepreneurial history or have a lot of valuable assets for a bank to give you comfort letters.”*

(A, bank employee)

Entrepreneurs find such practices oppressive (De Meza and Southey 1996) and thus tend to rely on informal sources of capital or mortgage their properties. This is a risky strategy because the construction rarely works according to the plan and the rules of funding change very often (requiring new documentation or more time to assess compliance with the new regulations). Unsure of how the market would react, they choose to start small, avoid borrowing and rely on their own savings and personal assets (Aldrich 2005).

A loan complicates the budget, as various fees and bank commissions need to be taken into account and incorporated in the documents submitted to the Agency. This is one of the instances where expert knowledge is required:

*“About your financial contribution to the project...you either have the money or you make a loan; but when you make a loan it is more difficult to make the economic plan because you need to return the loan, take into account the bank fees for God knows how many years [...] or, if you return the loan before the deadline, you need to pay something else [...]. You need to calculate some indices [...] and these were more specialised. It was a bit too complicated for me also because it was a big project and you could not play with numbers. That’s why I used a consultancy firm – they do these things on regular basis.”*

(D, entrepreneur)

The logic behind asking for these specific documents is not entirely an epistemological nonsense. Most entrepreneurs were familiar with such procedures, which would have had to be fulfilled at some point during the process of construction, even without accessing EU funding. However, the amount of details requested through the application file was considered exaggerated due to the unstable conditions on the market. *“How should I put it? It was a bit too much – I mean the prices will change anyway by the time you start building. Besides, some of the suppliers might not even be on the market at the time”* (R, entrepreneur). This aspect shows a fundamental difference in patterns of thinking between entrepreneurial and bureaucratic logic. The former is more fluid, adaptive and context-dependent in accordance with the fluctuating conditions of the market (maybe even more realistic from an economic point of view). The latter is more strict, based on assumptions of stability and continuity and thus, not necessarily suitable for this type of assessment.

#### **8.6.4. Regulations**

One last aspect that impacts negatively on the process of accessing EU funding is the fluidity of the regulatory framework. One year before joining the EU (2006) and a few years afterwards (2007–2009), all the regulations had been adjusted to reflect

the change from pre-accession to structural funding. New ministerial edicts and various drafts of the ‘Beneficiary’s Guide’ were passed on regular basis. The difficulty was not only the fact that the new information was simply hard to absorb due to its quantity, but also that the new regulations were more complicated and subjected to various interpretations. Thus respecting the letter of the law was more problematic for both beneficiaries and bureaucrats. The irregularities found by the authorities in some projects had less to do with *mens rea* and more to do with an honest lack of understanding sustained by the confusion created by the multitude of official interpretations. In one case DD, the mayor of a medium size commune, who has held this position for over two mandates (eight years) was investigated by DNA in 2010 and convicted to 12 years imprisonment by a local court. However, this has not deterred him and in 2011 he obtained 4.5 million euro in EU funding for works related to the development of the commune. The case in which DD was investigated had to do with leasing a terrain to one of the town council members, who later tried to access EU funding. In reality the terrain was common property of the residents who used it for graze. The councillor was convicted for giving false declarations to the EU Agency and the mayor was convicted for releasing false documentation. However, DD defended himself by saying that he had released such documents at the express recommendation of the Agency’s representatives and following the example of other mayors from neighbouring villages. Furthermore, the money received by the councillor from the Agency had immediately been transferred to the town hall account and used for the public’s benefit.

### ***8.7. Expensive money***

A close analysis of EU funding processes reveals that in the end the ‘free money’ is transformed into ‘expensive money’ due to the gaps between EU assumptions and local contexts. Most private entrepreneurs considered the process unprofitable arguing that the price of doing the project is divorced from the value of the product for small investments:

*“It’s not worth doing a project with EU funding if you have a small company or a small project. Let’s say, instead of a €200,000 project you have a €50,000 project*

[...]. You have to do a lot of running around for the same papers. Expensive papers. For every approval you had to pay taxes and then, once you finished the construction you had to get the final authorisations and pay other taxes. So, for a small project, it's not worth it because you have to get papers and papers...In the end, almost all the money you got from the EU office would be spent on taxes."

(D, entrepreneur)

The length of the project, the amount of energy, attention or time as input variables are negatively correlated to the output. Consequently, to keep the business profitable, EU funded projects have to be a *collateral activity*:

"This [the EU project] was never our main activity. It would have been impossible. Our business was very different. If this would have been our main activity, we would have all starved to death by now. This project only swallowed money for two and a half years. Seven hundred thousand euros [...]. If you are a natural person or have a small company with no activity – I mean you set up a company just to do the EU project – then, you either have another job or you have enough money to afford spending over the next two years."

(D, entrepreneur)

The overinflated regulatory framework of EU funding is decoded by the above entrepreneurs in money, prices and profitability. In this context Schumpeter's definition of entrepreneurship (1939) needs to be amended, because EU funding represents a particular form of economic activity. In the official (i.e. bureaucratic) understanding, this is a form of assistance offered by the state, based on a specific order of meaning that gives precedence to the *beneficiary* over the *entrepreneur*. A beneficiary is subject to the EU regulations and bound to reflect the changes in the patterns of governance. In this sense, this process is an exercise in disciplinary technologies conducted with the help of trained specialists who provide the requested output and make it work in predictable ways. The entire EU funding process is based on the fundamental idea that *things can be strictly calculated*, and in this way, the economic process and its results are *predictable*. Such vision leaves little room for Schumpeter's romantic understanding of commercial adventures, in which entrepreneurs visualised their endeavours in a flash of inspiration. It also

makes the process far less profitable than expected, which explains the Romanian low absorption rates.

### **8.8. Conclusion**

This chapter has shown that EU funding is an example of an intrusive European culture in the economic area in Romania, which has led to emerging syncretic cultures of entrepreneurship. In these newly created spaces, economic action that is embedded in a multiplex of social, economic, political and personal relations has to be presented as de-contextualised in order to fulfil the EU regulations. The “legitimate orders of power” (Weber 1968) that deny the opportunity-rich social environment also de-emphasise the informality of economic arrangements that turn local economies into moral economies. EU funding is essentially a process of learning to comply with European regulations. Actors learn to be *beneficiaries*, while always retaining their entrepreneurial ego. They perform “specific architectures of institutional compromise” (Jobert 1996:318) when in registers of eligibility and profitability (as shown in Chapter 5 and Chapter 6).

Through its regulations, EU funding reinforces the heavy players in the local arenas and thus fails to achieve its objectives (regarding the support offered to economic debutants). Furthermore, it is assimilated and integrated into the local panoply of business opportunities and benefits from the transfer of practices that ‘contaminate’ the purity (or Puritanism) of the European regulations. In practice, actors transgress the invisible boundaries between legal and illegal by making use of alternative concepts in their daily work routines. However, at the documentary level, such distinctions are preserved with great care in order to provide bureaucrats with great stories of success.

# Chapter 9

## Conclusion

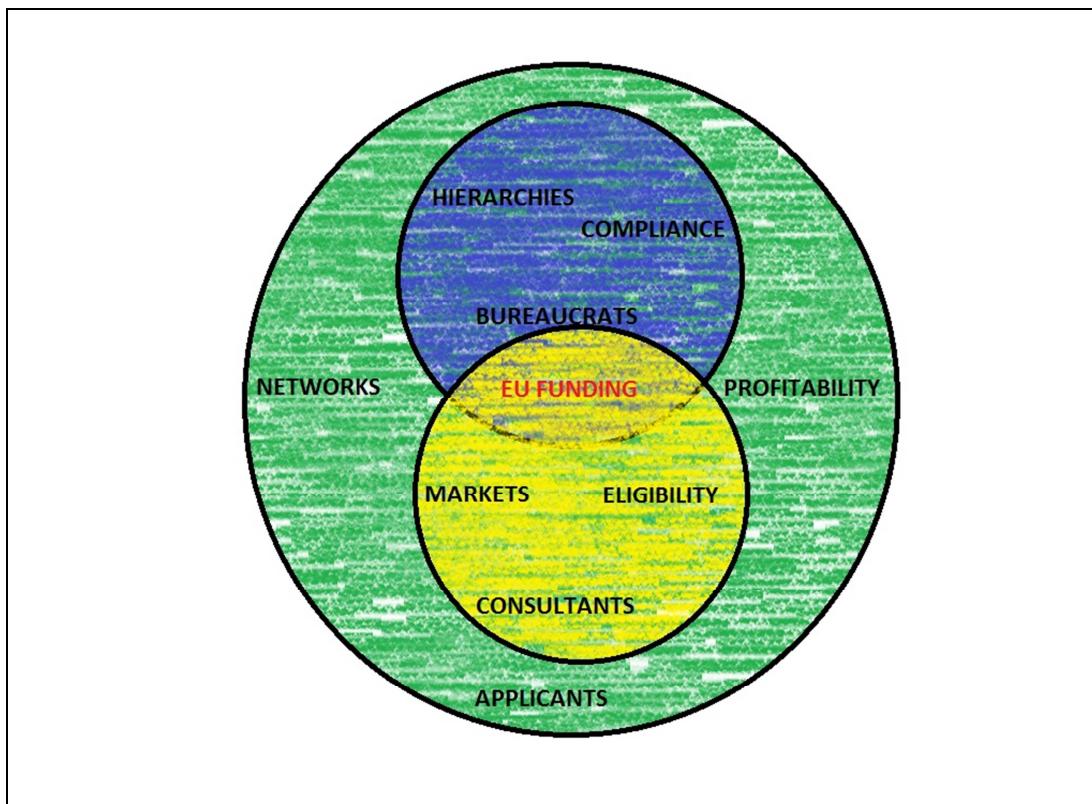
In the conclusion of his PhD thesis, Stan Cohen remarked that “research of an exploratory nature cannot, in a sense, reach any conclusion” (1969:600). With his words in mind, in this final chapter I aim to summarise the arguments and reflect on the implications of this study. The first section revisits the aims of the thesis, the second section discusses the theoretical and policy implications and the last section looks at the limitations of this research while suggesting possible avenues of future endeavours.

### **9.1 Revisiting the aims**

This thesis aimed to study the process of accessing EU funding in Romania. The results were based on 16 months of ethnographic fieldwork that made use of various methods of data collection: secondary data analysis, media review, interviews and participant observation. As detailed in Chapter 2, the bulk of the data was gathered through participatory means within the framework of my own consultancy firm set up for the purposes of this research. This unusual research route was fraught with difficulties, raised numerous ethical dilemmas and confronted me with unanticipated risks, as discussed in the methodology chapter. Despite the fact that I was not always on ‘moral high ground’ (Birch and Miller 2003:92), as the ideal type promoted by the textbooks, I tried and firmly believe that I maintained a reasonable balance between academic recommendations and field imperatives. While I do not claim full immersion in the consultancy culture, my ethnographic endeavours provided the opportunity to experience directly the process of accessing EU funding, thus allowing me to speak more confidently about it.

My research showed that the process of EU funding puts in relationship three generic actors as detailed in Figure 9.1: *applicants/beneficiaries* (people who want

and/or access the funding), *consultants* (people who assist the applicant in accessing the funding) and *bureaucrats*.



*Figure 9.1: The process of accessing EU funding in Romania: A stylised representation.*

During the project cycle, the interaction between these three generic actors spans three registers of behaviour: *register of eligibility*, *register of profitability* and *register of compliance*. The project begins with the preparation of the funding application. Due to the fact that EU funding is based on highly formalised idioms, applicants make use of consultants to construct eligibility. Consultants assist the applicants to prepare the necessary documentation by decoding the EU requirements. Once the funding application is approved the project enters the implementation stage, and the ‘applicant’ becomes the ‘beneficiary’. At this point, consultants usually exit the project, leaving the beneficiaries to interact directly with the bureaucrats. During implementation stage, beneficiaries and bureaucrats interact in the register of compliance, which is based on regular controls conducted by the bureaucrats in order to check work progress and authorise payments. Once the implementation is finalised, the project enters the ex-post monitoring phase in which bureaucrats can still conduct verifications, but the control is less intense than

in the previous stages. Regardless of the phase of the project, people who access EU funding are always in the register of profitability, as for them EU funding is first and foremost a business.

***So, how do the EU anti-corruption policies, practices and assumptions frame/shape the process of accessing EU funding in Romania?***

European anxieties about the possibility of defrauding EU citizens' money have shaped the EU funding institutional establishment through systematic associations between corruption and EU funding fraud. The institutional transposition envisaged by the first aim of the thesis is discussed in Chapters 4, 5, 6 and 7. I have argued that the creation of anti-corruption and anti-fraud establishments was based on transfer of 'good practices' that involved a 'one size fits all' approach, which put in place impersonal institutions that failed to take into account the elements of time, space, biography and context. In order to underlie the symbolic commitment to tackle corruption and protect the financial interests of the EU, the newly designed organisations of policing and prosecution have become 'elite squads'. Their superior status is sustained by high level of financial and symbolic capital: higher wages (between 40% and 75%) than other prosecutors/police officers, a particular profile of employees (very young, highly educated, preferably abroad, knowledge of foreign languages), access to international trainings and unmediated contact with EU officials.

In order to counteract possible misuse of EU funds, the process was over-regulated as detailed in Chapters 5, 6, and 7. At the micro level, these massive transformations impacted visibly on the process of accessing EU funding especially in shaping the registers of compliance and eligibility. The register of compliance is based on an overwhelming number of verifications, controls, inspections and monitoring. Chapter 7 shows that this type of surveillance has unanticipated consequences for the practices and discourses related to accessing EU funding (which corresponds with the second aim of the thesis). First, the systematic associations between corruption and EU funding have transformed this economic process into a semantic of governance. The discursive power of EU funding refers to practices that frame political action through development *and* anti-corruption,

with the effect of enhancing the user's symbolic capital. Second, the overinflated regulatory framework on the one hand deters people from defrauding the EU budget as reflected in the statistical trends in conviction rates. On the other hand, it also discourages people from accessing EU funds altogether, thus reducing Romania's absorption rates. Highly successful local entrepreneurs simply refuse to apply for EU funding arguing that the EU regulatory system is not adapted to the fluidity of the Romanian economic context. Third, the EU funding institutional framework creates its own informality through the proliferation of rules and controls that often expand or create the very conditions for carrying out simultaneously licit and illicit activities.

The register of eligibility is in fact a collection of rules that aim to prevent corruption and fraud to EU budget. Chapters 5 and 6 have argued that this is a performative process in which the quality of the fit with the EU criteria is constructed with the help of consultants who decode and translate EU funding regulations. Potential applicants are taken aback by highly elaborate technical idioms employed by the rules that grant access to EU funding, and so they turn to consultants to understand how to become *beneficiaries*. Consultants exploit the technical, symbolic and economic space of EU funding as a terrain on which to construct market relations. In doing so, they essentially commodify EU funding by treating eligibility criteria as production factors. Consultants become market-makers by appropriating and 'marketising' a communication gap between bureaucrats and applicants.

The regulatory framework of this economic process is based on a neoliberal conception of disembedded money, markets and management. In the process of accessing EU funding applicants and consultants 'correct' this view by making use of social relations that emphasise the importance of social protection and obligation. The success of a project depends not only on the ability to write a good funding application, but also on the ability to conduct negotiations and establish partnerships. Such skills, acquired through business interactions, become risk reduction strategies that counteract the highly uncertain, volatile markets through social embeddedness. '*Papers are made to be credible*' one consultant remarked (M) and criminal law is used as business law in an attempt to obtain and preserve

EU funding. Actors live in multiple spaces (legal, economic, social) and act at the intersection of several markets, guiding their actions according to the principle of profitability. In their daily work routines involved in the process of EU funding, they employ a wide range of practices that make the theoretical distinction between legal and illegal superfluous. The interactions between applicants and bureaucrats are shaped by culturally embedded profit making routines. Gift giving, favour exchange, bribing, nepotism are part and parcel of an ‘archaeology’ of entrepreneurial work practices that might break criminal laws, but are based on generally accepted social values.

The findings described above actually point to the fact that political and social orders are disjointed. This aspect becomes visible in discussing the third and last major aim of this thesis, which focused on the efficacy and efficiency of EU funding in Romania. The literature regarding EU funding generally asserts the positive impact of this European tool on local economies (Larsen, Munk and Thomas 1994). However, this research uncovered a few paradoxes relating to EU funding in Romania, which represent some challenges to the above mentioned view.

- Firstly, the Romanian bureaucratic apparatus is fully functional and highly praised by the EU officials (Chapter 7). A high number of irregularities have been regularly reported to OLAF, the number of cases investigated for crimes in relationship to EU funding has increased and so has the number of convictions. However, Romania’s absorption rate is still very low (33% in December 2013)<sup>96</sup>, barely matching the national contribution to the EU budget. Under the circumstances, the low absorption rate coupled with large investments in the crime control apparatus make EU funding efficiency questionable. One might argue that the efforts will pay off in the long run, but such an assertion would also need to be proven.
- Secondly, EU funding reinforces the heavy players and excludes the medium and small entrepreneurs, thus *increasing* (instead of decreasing) the economic differences. The strict regulations, the documentation price and the requirement to co-fund restrict the access to funding (Chapter 3 and 5). For example, in the agriculture sector less than 1% of the farms with over

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<sup>96</sup> [www.fonduri-ue.ro](http://www.fonduri-ue.ro) last accessed on the 14<sup>th</sup> of December 2013.

100 hectares have received 50% of the EU subventions, while small farms (between 1 and 5 hectares) have received less than 25% (Ghinea 2009). In a sense, there are two agricultures in Romania (one small that produces of own consumption and one large, that produces on a massive scale) and EU funding programmes seem to support the large one.

- Thirdly, EU funding has undoubtedly created a number of jobs through the individual projects. But an unintended consequence of the regulatory framework is the creation of a market and a profession. Consultancy appeared and developed out of the necessity to translate the bureaucratic requirements for entrepreneurs (Chapter 6). The number of regulations and technical idioms used for communication deter people from accessing funds, while making the epistemic status of EU funding the kingdom of consultants.

After summarising the main findings, in the next section I discuss the literature and policy contributions of this thesis.

## **9.2 Literature and policy implications**

### **9.2.1 Contribution to the literature**

This thesis contributes to the academic debates on EU funding (Larsen, Munk and Thomas 1994, Milio 2010, Torsello 2012), by offering grass roots knowledge about the process of accessing EU funding in Romania based on ethnographic material analysed from a distinctively sociological perspective. It explains EU funding using a mid-level instrument of analysis that sees *markets*, *hierarchies* and *networks* as mapping devices that explain the coordination of contemporary social, economic and political life (Powell 1990, Thompson et al. 1991). Despite the fact that the economic sociology literature typically presents them as alternative ways to achieve coordination, I argue that in my assessment, EU funding is a hybrid space that allows for a plurality of coordinative mechanisms rather than their mutual exclusivity. The thesis associates the three modes of coordination with the three registers of behaviour and the three actors, as shown in Figure 9.1. Each of them brings a distinctive contribution to the literature: the register of eligibility draws on sociology of markets scholarship that shows that consultants are market-makers

who commodify EU funding; the register of compliance is decoded through the literature on hierarchies and the role of regulatory framework for economic life; the register of profitability draws on literature about embeddedness of economic life through social networks.

The thesis contributes to the economic sociology debates on markets and new industries (Stinchcombe 1965, Aldrich and Fiol 1994, Fligstein 2001) by showing that the EU funding regulatory framework promotes new entrepreneurial work routines based on flexible specialisation, technological competence and professionalisation through up-skilling (Sabel and Zeitlin 1997). These variables effectively change the work process while creating a wide gap between vernacular practices and the EU funding expectations. Consultants act as merchants of EU funding, assuming a role that could not have been fulfilled by diffuse networks through a market-making process. The new market for EU funding consultancy is an example of market creation as a result of excessive bureaucratisation.

In discussing the role of hierarchies, the thesis argues that EU funding is not a ‘normal’ economic process because it is highly regulated by transnational and national edicts, laws and orders. The classical debates about the role of law in regulating economic life (Weber [1922] 1968) are taken forward through the scholarly debates regarding the new technologies of governing promoted in relationship to development (de Sardan 2005, Escobar 1995, Scott 1998), Europeanisation and international aid (Sachs 2005, Easterley 2006). Building on these arguments, the thesis shows that in governing EU funding flows for Romania, the theme of development through foreign funding has metamorphosed into the theme of crime through corruption narratives (Chapter 4 and Chapter 7). Thus the dynamics of corruption rhetoric and anti-corruption practices are part of a wider political economic context the relevance of which is critical for understanding of EU funding.

Indirectly, the thesis contributes to the debates about transparency and anti-corruption (Anechiarico and Jacobs 1996) drawing on recent scholarship (Rothstein 2010, Ledeneva 2013) that criticises the conventional paradigm of corruption. I show that the inevitable association between corruption and EU funding led to a

transfer of anxieties and practices of control from corruption to the protection of the financial interests of the EU. Investigation and prosecutions are conducted by newly set up elite squads monitored directly from Brussels. This raises an interesting point about the concept of ‘transnational’ that is presently applied to crime. Some argue that due to globalisation, crime has become transnational (Van Duyne 2011), while others (Hobbs 1998) consider that inevitably crime happens in a particular place, so it is local in its nature. In the case of EU funding in Romania, the focus turns from crime to control: the nature of the crime becomes unimportant, as the control is by default transnational (as shown in Chapters 4 and 7). In this sense, this thesis should be read as a story of transnational enforcement and local subversions.

The research adds to the economic sociology debates about the embeddedness of economic process in the social (Polanyi 1954, Granovetter 1973, Hart 2000, Thrift 2001, Zelizer 2004). Markets and hierarchies are decoded and enacted through a dense web of political, religious and social interactions and affiliations. This gives rise to a relational economy which entails indefinite exchanges and transactions that encompass far more than bureaucratic norms and market prices. Networks are particularly adapted to counteracting contextual uncertainty by ensuring that communication about prices, norms or know-how is maintained through its informal mechanisms that spring from a particular cultural and social background at strategic moments.

The concept of entrepreneurship runs like a thread throughout the entire thesis and establishes the link between economic sociology and sociology deviance (Hobbs 1988, 2013; Rugierro 1996, 2012, 2013). In discussing entrepreneurship, Schumpeter (1939) argued that the key characteristic of entrepreneurs is their innovative capacity as this allows them to change the existing social order. In his strain theory, Merton (1938) showed that deviance is the result of a disjunction between cultural goals and institutionalised means of achieving it. Innovation, in the economic initiative as well as in deviance, starts with accepting the cultural goals irrespective of the drastic or illegitimate means that it might require, as shown by research on the informal economy (Hart 1982, Sassen 1997), occupational deviance (Ditton 1977, Henry 1978, Klockars 1976) and white collar crime (Sutherland 1983, Cressey 1953, Levi 1981). Building on these links, the thesis contributes to the

sociological debates by analysing the blurred boundaries between legal, informal and illegal economic activities in the area of EU funding. It argues that legality is a fluid concept and that in everyday activities people make use of alternative conceptions of legitimacy. In the process of accessing EU funding, the State is important only to some degree because entrepreneurs know that “economics is a dance of the il/legal: *a pas à deux*” (Nordstrom 2007:206).

### **9.2.2 Policy implications and looking at the future**

In the near future, the institutional establishment of EU funding is unlikely to shrink. Quite the contrary: control will probably increase and sanctions will become more severe. This prediction is based on the observation that the anti-fraud project tends to become more elaborate due to its association with corruption. For example, in September 2011 the European Commission set up a group of experts on corruption (2011/C 286/03) to advise the Commission on anti-corruption policies, and to evaluate and advance the present anti-corruption instruments at the EU level. The first Anti-Corruption report released on the 3<sup>rd</sup> of February 2014<sup>97</sup> analyses corruption in the 27 EU member states and signals major threats to EU funding, by showing for example that “weaknesses in the prevention and repression of corruption in public procurement adversely affect the management of national and EU funds” (EC 2014:21). This “can lead to interruption and/or suspension of payments until appropriate corrective measures have been taken by the Member State, including the strengthening of the management and control systems” (EC 2014:26). Such an approach signals that EU supervision in the area of EU funding is likely to increase and policing/prosecuting EU funding might become even more powerful and more professionalised.

These changes will also impact on the Romanian framework of EU funding distribution and implicitly on the potential beneficiaries. The integrity standards for beneficiaries are likely to be stronger and more explicit, the rules of public procurement will probably become more detailed and auditing will proliferate. Anechiarico and Jacobs’ observation about the future of anti-corruption in New

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<sup>97</sup> [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index_en.htm) last accessed on the 8<sup>th</sup> of February 2014.

York can be applied to EU funding in Romania: it is likely to have “a corruption control problem as well as a corruption problem” (1996:193). The obvious solution to such a bleak future would be to assess the effectiveness of the present control tools before setting up new ones. This would generate some empirical analysis that might in turn lead to a more nuanced discourse about EU funding fraud and corruption. Furthermore, the control apparatus would benefit immensely from setting up a dialogue with Romanian business circles. Instead of preparing anti-fraud policies based on the input of experts that have never accessed EU funding nor conducted business in Romania, the government could cooperate more with former and present beneficiaries. Such partnership would be a win-win situation, empowering local business circles while designing more effective regulations.

### ***8.3 Limitations and further research***

One of the limitations of this research that I intend to pursue in my postdoctoral work involves conducting ethnographic fieldwork in the EU funding bureaucratic apparatus. As detailed in the methodological chapter, guided by ethical concerns, I consciously saved this element for a time when I would have exited my other field roles. To my knowledge, there is no ethnographic research so far that investigates the process of policy making, policing and prosecutorial activity at the level of European transnational institutions in relationship to EU funding.

This research offered a detailed account of the institutions and practices of accessing EU funding in Romania and its findings are context-specific. In order to introduce a comparative dimension to this research, I relied on the few other ethnographic accounts (e.g., Torsello 2012) and quantitative studies from other European countries (Gounev and Ruggiero 2012, Nowak forthcoming). The latter have been used with great reluctance because EU funding works on different accession rules in various EU member states and it is highly dependent on the economic growth and social stability. Simplistic quantitative assessments which define a country as successful on the basis of size of funds accessed are examples of ‘irresponsible knowledge’. Based on this point, it would also be challenging to generalise the results of this research to other contexts (e.g., post-socialist

economies) because each country negotiates its own funding rules within the European framework of anxieties. For example, it is highly probable that countries that negotiate their EU accession at this point, such as Serbia, would face harsher criteria.

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