

# Flagship Development in Transitory Cities – The Case of Bucharest

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## ***Table of Contents***

<b>1. Flagship Development in Transitory Cities – An Introduction .....</b>	<b>6</b>
<b>2. Theoretical Framework – Factors to be considered .....</b>	<b>9</b>
<b>2.1. The Current Trends in Urban Development .....</b>	<b>9</b>
<b>2.2. Flagship Projects .....</b>	<b>11</b>
<b>2.3. The Actors .....</b>	<b>12</b>
2.3.1. The Public Sector .....	13
2.3.2. The Private Sector .....	14
2.3.3. The Community .....	15
2.3.4. Public, Private and the Community – pirouetting together.....	16
<b>2.4. A Tri-Dimensional Approach .....</b>	<b>17</b>
2.4.1. Financial Means – Money, Money, Money .....	17
2.4.2. Market Quality .....	18
2.4.3. Spatial Quality .....	19
<b>2.5. Importance of the Theoretical Framework .....</b>	<b>21</b>
<b>3. Case Study: Bucharest .....</b>	<b>22</b>
<b>3.1. The Current Affairs and Projects.....</b>	<b>22</b>
3.1.1. Current Affairs .....	22
3.1.2. Current Projects.....	23
<b>3.2. Theory and Practice .....</b>	<b>24</b>
3.2.1. The Public, the Private, and the Rest .....	24
3.2.2. It’s All About the Angle.....	27
<b>4. Lia Manoliu Arena .....</b>	<b>30</b>
<b>4.1. Public Investment or Not?.....</b>	<b>30</b>
<b>4.2. Lia Manolia – A Decision for Bucharest.....</b>	<b>32</b>
4.2.1. The Decision and its Motives .....	32
4.2.2. The Effects of the Stadium .....	34
4.2.3. Integrated Approach .....	35
<b>5. Flagships Projects – Yes or No? .....</b>	<b>36</b>
<b>6. Conclusion .....</b>	<b>38</b>
<b>6.1. Concluding Remarks .....</b>	<b>38</b>
<b>6.2. Policy Recomendations .....</b>	<b>40</b>
<b>6.3. Limitations.....</b>	<b>41</b>
<b>7. Bibliography.....</b>	<b>42</b>
<b>7.1. Scientific Articles .....</b>	<b>42</b>
<b>7.2. Interviews .....</b>	<b>48</b>
<b>8. Appendix .....</b>	<b>49</b>

## Executive Summary

The following paper will analyze the main issues with investments in flagship projects in transitory cities, with special attention given to the new national Romanian Stadium “Lia Manoliu Arena” in Bucharest. The need for this research arises from the nature of transitory cities. The communist regime has given different development opportunities for Eastern-European cities and now, twenty years after the fall of the Iron Curtain, there still is the need for these cities to keep up with Western-European cities. Competitiveness is becoming more and more an issue in the globalized world and transitory cities need to reach the levels of Western-European cities, as well as remain competitive and develop further. It is therefore that flagship projects are implemented in these cities. Examples are not only to be found in Bucharest, but also in other cities such as Prague or Warsaw. This paper will analyze the main parties implicated in the process as well as the three main angles from which one has to operate in order for a project to be successful. These will be applied to the main empirical example, namely the “Lia Manoliu Arena”, as to understand the main issues with these projects and whether they are able to improve a city’s competitiveness.

The research conducted has been done in order to analyze the topic of flagship projects in transitory cities into detail. It is of great importance to focus not only on accepting cheap projects from financial perspectives, because otherwise it will be impossible for private actors to invest in the immediate vicinity of the project. Furthermore cheap large-scale projects can be detrimental towards the aesthetics of a city, which will afterwards affect the happiness and living standards of the citizens. A further aspect to be taken into account is that most of the investments are only coming from the public sector. This is in accordance with the nature of the flagship projects. Most of these projects imply very high costs in the first period, but low dispersed revenues. The implications are vast, as from an economical point of view; such projects would never be feasible. Therefore the public sector is the only one willing and able to invest in such large-scale projects, albeit some are not public goods, e.g. stadia.

Besides understanding the implications of the factors affecting a flagship project’s success, the parties involved can have an important say in the matter as well, as not only the public sector is affected by flagship projects but also the community and the private sector.

Between the community and the public sector can be contradictions, as in the city of Bucharest, the community sees other projects, such as road rehabilitation as a priority, while the public sector is more concerned with flagship development.

The reference to the city of Bucharest will underline the main ideas of the paper with respect to empirics. The case will be analyzed with respect to the theoretical framework established and the results will render the validity of the research question. It is important to state that the main flagship project, discussed with respect to the case, proves to be very beneficial to the city. From every point of view, besides some problems with the funds, the Arena has been a success and is expected to attract future investments in the area, especially in the retail and real estate sectors. The projects effects are of great importance to the city of Bucharest as it proves the ability to invest huge amounts in large-scale projects, and can thus improve the competitive advantages of the city. Interviews with referents from the Municipality of Bucharest have supported the ideas of flagship developments as well.

Turning to the more important point, whether flagship projects are a proper way to do so, the research will show that investments in flagship projects are the only way to tackle several issues at once, without spending funds in several directions. The fact that flagship development is a priority for the Municipality of Bucharest is very important since this policy is the only modern way to tackle multiple issues. Flagship development should thus be encouraged in transitory cities, as it is a great way to create competitive advantages over other nearby cities, and thus attracting more private investments. This is also the main scope of the Municipality of Bucharest, which is striving to gain even more investments, especially after the recent economic crisis of 2009.

The main focus on flagship development can be traced to the differences between transitory cities and Western-European cities. Transitory cities are faced with another issue, namely of catching up with Western-European cities. It is therefore that through the multi-focus of flagship projects, transitory cities can catch up, making flagship development a major contributor to development as opposed to flagship developments in Western-European cities.

The paper will give an important insight into the necessity of flagship projects in transitory cities, and how these can be the tool for economic development and increasing competitiveness. It is therefore that this paper is supporting flagship development in transitory cities, as to be able not only to catch up with the Western-European cities as well as improve the city's competitiveness.

## 1. Flagship Development in Transitory Cities – An Introduction

Legend has it that a shepherd, named Bucur, in the 13th century; founded the city of Bucharest was first attested on the 20<sup>th</sup> September 1459, under the ruler Vlad III Dracula (a.k.a. Vlad Tepes), and it became the capital of Wallachia (Giurescu, 1966). The city experienced a slow growth at the beginning; however in the 18<sup>th</sup> century, the city began to grow more and more and its commercial importance in the Balkans increased. Several trade routes emerged between Bucharest, the Ottoman Empire and the Austrian Empire. Years later, the city became the Capital of the Romanian Kingdom, under the rule of Alexandru Ioan Cuza<sup>1</sup>. Since then, the city has remained the capital of Romania. The aristocracy had begun to study in the most important European cities during the 19<sup>th</sup> century and early 20<sup>th</sup> century, bringing new ideas and innovations to the city. This time had become Bucharest's golden age. Shortly before the First World War, the city gained its nickname "Little Paris", due to its similarities with the French capital (Djuvara, 1995). The city had thus become an important cultural and economic center in South-East Europe.

The main change, however, came with the communist regime. The city grew at a very high rate and soon communist buildings began to shape the landscape of Bucharest. The city's population had increased dramatically<sup>2</sup> and Ceausescu had started several projects of the perfect communist city. The city prospered in the 1970's, however due to the increasing inefficiency of the communist regime, the city began to lose economic stability during the 1980's. People experienced hardship and oppression by the "Securitate", the state security agency. Basic commodities became difficult to obtain, as resources were scarce and confiscated by those in power, which in turn led to revolts and the fall of the Ceausescu regime in 1989.

However, the main communist buildings remained even afterwards, most notably the second largest building in the world, Casa Poporului, nowadays House of Parliament (Danta, 1993). Since the fall of communism, the city has changed a lot and it accommodates now almost two million inhabitants<sup>3</sup>. The city now faces a new era of development, which will be discussed further throughout this paper.

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<sup>1</sup> *Romanian Travel Guide, 2011: <http://www.rotravel.com/History/Nation-Building/>*

<sup>2</sup> *Primaria Municipiului Bucuresti, 2011: [www.pmb.ro](http://www.pmb.ro)*

<sup>3</sup> *Primaria Municipiului Bucuresti, 2011: [http://www.pmb.ro/orasul/date\\_geografice/populatia/populatia.php](http://www.pmb.ro/orasul/date_geografice/populatia/populatia.php)*

In the last century, with the rise of the service sector and later the information technology sector in the context of globalization of the economy, some cities, e.g. New York, London or Tokyo, managed to get an advantage over others by reacting promptly upon these changes. The question that rises is whether other cities can follow suit in becoming global competitive cities that attract not only economic investors, but also offer cultural, social and ecological amenities (Sassen, 2000).

Most cities, which show a great global importance, have established their economic growth under a capitalist rule. However, since the fall of the Iron Curtain, many cities in Eastern Europe have benefited from a rise in GDP. Due to the focus on heavy industry and the planned economy, many Eastern European Capitals have suffered major competitive losses, resulting in a poorer competitive position. Since the entry in the European Union, many of these ex-socialist countries have started, with the help of European Funds, to increase their economic efficiency, and most of all to improve the competitiveness of their cities. There are a lot of ongoing projects that are supposed to improve the economic efficiency by increasing domestic output, foreign direct investment, etc., as well as living standards in these urban centers. However, it has proven to be a difficult undertaking.

Municipalities and governments are playing a very important role in the entire process of improving city image, as both can employ projects and policies such as flagship projects to eliminate major downfalls of these cities. This paper will analyze how a city in transition can improve its competitiveness by developing flagship projects. In order to assess this, the existing body of literature on urban area development and the role of flagship projects will be analyzed. The results will then be applied in a single case study of the: the capital of Romania, Bucharest.

An analysis of city development and possibilities to improve the competitiveness of the city of Bucharest will be conducted.

The main research question that is being answered throughout this paper is: *How can flagship projects improve the competitiveness of cities in transition?*

In order to answer the research question, the paper will start of by presenting the theoretical framework. First of all the current trends in urban development will be discussed while emphasis will be put on large-scale projects.

Secondly the main benefits and issues with flagship projects will be analyzed. Furthermore the main parties involved in flagship development will be discussed. The public sector seems to have the most influence in flagship development, while the private sector and the community are not that involved. The three main angles with respect to flagship development will be then analyzed into detail and reference will be made, as to which angle is prioritized by what party. After the theory is discussed the paper will continue by presenting the main case, Bucharest. The case will be analyzed with respect to the different flagship projects in the city, while taking into account the three main actors as well as the effectiveness of the projects with respect to funds, market quality and spatial quality. Afterwards a specific case, namely the Lia Manoliu Arena, will be analyzed into detail in order to answer the research question.

This paper will build on existing research, in order to assess the merit of flagship projects in project development. It will consider among others papers by Djuvara (1995) and Danta (1993), Swyngedouw et al. (2002), Sassen (2000), Glaeser (2001, 2008), Kenworthy (2006), Heurkens (2009) and Luca (2009). Data used for the case of Bucharest has been extracted from several databases, such as from the OECD, the Romanian Institute for Statistics or the European Union. In addition, interviews have been made with key stakeholders involved in flagship projects in the city of Bucharest.



## **2. Theoretical Framework – Factors to be considered**

The following sections will discuss the theory behind urban developments. This is needed in order to assess the not only the differences that occurred in Western Europe as opposed to Eastern Europe, but also to understand what the actors, the trends and the possibilities are, in order to first revitalize the city of Bucharest, and thus transform it into a competitive 21<sup>st</sup> century metropolis. The first section will show a panoramic of the current trends in urban development.

### ***2.1 Current Trends in Urban Development***

Urban centers all over the world are striving for competitive advantages, in order to become important geographic and economic entities, with increasing investments (Sassen, 2000). This is of major concern also for transitory cities; cities, which have been faced with a different evolutionary pattern as, opposed to the Western European Cities. It is therefore of major importance to gather thoughts on the most important trends in urban development nowadays, as to be able to draw conclusions on the necessity of flagship projects in the decision process.

Many urban centers nowadays are facing several problems, however municipalities are trying to improve these and create a sustainable city. Some have a spatial development problem, i.e. the city cannot grow too much anymore, due to geographical boundaries. Others face social problems and revitalization is needed. When looking however at the city of Bucharest, one can observe that the city is faced with multiple angles on how to tackle urban revitalization and development. This section will give an overview of what recent theories are put into practice in order to improve urban developments.

The first trend this paper is going to address is a neoliberal urbanization theory regarding the creation of global cities through large-scale urban development projects (Swyngedouw et al., 2002). The importance of global cities (Sassen, 2000) has grown substantially in the last decade. Swyngedouw et al. (2002) discuss, for such an outcome to be possible there needs to be a better cooperation between the government, the citizens and the private parties involved. Moreover, large-scale projects can improve the cities global competitiveness.

Such projects can thus become a New Urban Policy, which can lead to a shift in the power of governance of urban policies. It refers to the idea that the “old ways” of governance, which were mostly intended as local improvements are not enough anymore, for cities to expand into global urban centers. Thus there is a need to change the policies implemented by municipalities and governments. Friedman (2005) argues that the world has become flat, because of the globalization, thus any city can compete with another, however a very strong point against this is made by Rodriguez-Pose (2008), who comments that there are some very strong economic centers that are hard to compete with, thus creating harsher boundaries. Therefore it is important to adapt to newer policies, e.g. city marketing, selective deregulations or spatial decentralization, in order to be able to compete (Swyngedouw et al., 2002).

The necessity for large-scale projects is made clear by Swyngedouw et al. Flagship projects are, accordingly, one of the few important sources of competitive advantages of cities over others. If implemented correctly, flagship projects can alter a city’s perception and ultimately draw investments and other activities, making it a global competitive urban center. The implication is enormous and such projects have proven to be major benefactors for cities, with respect to investments and spatial improvements. The implications of Swyngedouw et al. are essential for this paper as the aim is to analyze, how such flagship projects can affect urban development in a transitory city.

A second important trend this paper is addressing is the issue of social equality. The United Nations (UN), for example stresses the importance of the most basic human requirements, e.g. social mix, human rights or the position of women and children<sup>4</sup>, however these problems do not apply to any of the cities or countries within the European Union. A more important social aspect that needs to be taken care of is the living standard and the implication of the society in the decision process (Van den Berg et al. 1999). Moreover, Glaeser et al. (2001) suggest, that cities have changed in a basic aspect, namely they are more centered on the consumer, rather than producers.

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<sup>4</sup> UNESCO, 2011: <http://www.unesco.org/new/en/social-and-human-sciences/themes/social-transformations/urban-development/social-transformations/>

These new “Consumer Cities” are first and foremost concerned with the quality of life for the population, rather than the traditional economic sectors. The implication of consumers in flagship project development is enormous. Heurkens (2009) is discussing this idea in area development theory.

The suggestion is that, in every project, be it a flagship project or a simple small-scale project, it is of uttermost importance to council with the needs and wants of the inhabitants of the city, all the more for flagship projects, which might be influencing living conditions and other consumer related topics.

As noted above, the current trends involve large scale projects, which are, according to Swyngedouw et al. (2002), the most important way for cities to reach their potential and become competitive. Flagship projects are thus a modern, feasible way for cities to become competitive. The main framework of this paper is based on theoretical ideas from area development. As with all projects, flagship projects have a specific underlying base of theory regarding the actors and the perspectives of the angles. In order to understand the main reasoning behind flagship projects it is of vital importance to understand also the principles of area development.

## ***2.2 Flagship Projects***

As noted earlier, flagship projects and other large-scale projects are one of the primary ways of making a city improve its competitiveness. It is thus that the main focus of this paper will be on how these projects can be beneficial for a city in transition. Swyngedouw et al. (2002) have acknowledged that urban development can occur by constructing large-scale projects in an area. These projects are meant not only at rejuvenating the area they are placed in, but also at fostering further development on different scales, e.g. economic, cultural or social. Grodach et al. (2007) see the importance of such projects. Most public actors in cities around the globe have opted for such projects in order to enhance city image; thus attracting further economic investments.

Grodach et al. (2007) dissect the strategies of making flagship projects into three distinct categories: entrepreneurial, creative class and progressive. Each of these has a different focus, target group and target geographic area.

Entrepreneurial strategies, for example, are targeted towards city centers, while the main focus is for the project to be a catalyst for further investments. The projects seek to make cities competitive on the new fields of economics, such as information technology (Judd et al., 2003). On the other hand creative class strategic projects are more focused towards fostering investments through improvement of quality of living, i.e. improving environmental amenities (Florida, 2002; Glaeser et al., 2003). The last option refers mostly to cultural improvements, i.e. arts (Grodach et al., 2007).

One big issue with flagship projects is that mostly the costs are too high for the benefits in the short-run (Bianchini, 1993). Flagship projects do not only translate into mere projects with a simple cost-benefit calculation (Bianchini et al., 1992). The costs and the benefits for flagship projects transcend into different levels, i.e. future economic improvements, cultural improvements, social effects, rehabilitation of the areas, etc. According to Bianchini et al. (1992) these need to be taken into consideration as well when calculating the feasibility of the project. A good example for this is the construction of a stadium. The costs outweigh the benefits by far; however municipalities still invest a lot in such projects (Coates, 2000). Reasons for such actions are quite numerous, depending on the strategy the municipality aims at. One important implication, however, is the fact that flagship projects are an important way to improve a city's competitiveness.

The following section will discuss the main parties that are implicated in the decision making for investments in flagship projects in the city.

### **2.3 The Actors**

The decision process of flagship developments involves several parties, who have their own views, beliefs, attitudes and priorities. Flagship development is thus characterized, as any other projects regarding area development, by the three main parties: the public sector, the private sector as well as the community. The allegation being made is that, in order to understand flagship development, it is of uttermost importance to understand the main issues that lie with and within the parties, as to be able to conduct a proper research.

As mentioned above, urban development involves three main actors, which all contribute to it. First of all is the public sector, probably the main sector for cities in transition. Secondly, there is the private sector and last is population or the citizens that live in the city and have a right to decision as well. The main problem of transitory cities is that, it is mostly the public sector that comes with decisions, funds and thus bears also most of the risk (Temelova, 2007). This problem is especially important for flagship projects, as these are large-scale projects that need high investments. This section will analyze the three main actors and give an insight into an integrated approach, where all the three actors are merging forces for a common cause.

### 2.3.1 The Public Sector

The public sector is the most important one in a city in transition. The implication of the public sector is quite high and most of the funds come from this participant. It is the municipality that owns the land and also decides what to do with it (Temelova, 2007). The way this is structured is much closer to the more famous Rhineland model of Western Europe (Heurkens, 2009). The public sector's implication in urban policies and restructuring is very high as opposed to the more market oriented Anglo-Saxon Model (Heurkens, 2009). It is therefore important to acknowledge the strong lean towards the public sector.

Luca (2009) argues that the urban regeneration process in transitory cities is mainly determined by the public sector, sometimes even to gain political support, however it is a very complicated process. The funds needed for this regeneration process are missing or very hard to get by. There might be European funds, but it is not enough to make the city a "better place". The implications of the ideology of global cities (Sassen, 2000) are not yet present in the city of Bucharest, however the city's striving character and its large-scale projects are able to fulfill the needs for the city to gain a global perspective. Since the implication of the private sector is very modest, urban planning has had to suffer, but the recent rise in investments after the crisis have improved the city's private involvement.

In accordance to flagship projects, the implication of the public sector is immense. The main issue concerns the funds needed for flagship development. Bianchini (1993) argues that flagship development is in need of very large investments that are not easily regained.

The benefits are coming much too late, thus making the public sector the only one able and willing to invest in flagship development. The reasons are not, as in private cases, only with respect to money, but there is an obligation towards the citizens, and towards long-term economic growth (Bianchini, 1993). Therefore the public sector's implication is needed in order for flagship developments to even take place.

There are other implications by the public sector with respect to the main topic of the paper, flagship projects as well; however these will be explained more into detail, when discussing the main projects of Bucharest. The importance of the public sector is clear, however it is important to discuss the private sector as well, a sector which could change the problematic of funding and chaotic planning (Luca, 2009).

### 2.3.2 The Private Sector

The private sector is crucial to sustainable economic development. It is the driver for a strong global city (Sassen, 2000), however in some cases, i.e. urban development, it is scarcely found, especially in Romania. Mostly the private sector, also in the Rhineland Model (Heurkens, 2009), comes with architects, workers etc. However in some cases, especially when discussing flagship projects, the private sector is needed. The need for the private sector lies especially when discussing funds and the economic quality of the projects. Having private parties involved makes it easier to establish the quality of a flagship project from an economic point of view, but it makes it also possible to split funds and risks allocated (Sassen, 2000; Heurkens, 2009). The vitality of the cooperation between the public and the private sector is thus of major benefit for flagship projects.

It is thus clear that the private sector could be more involved in some of the projects. Heurkens (2009) discusses the difference between the Anglo-Saxon models of urban development and the Rhineland Model. He notes that with an ever-increasing complexity of the projects and the problematic of funding more and more private investments are needed. An example here for are Public Private Partnerships, however, these are doomed to fail in a city as Bucharest, where the risk of investment is very high and the private parties have no incentives to invest in flagship projects. Swyngedouw et al. (2002) acknowledge the importance of private investments in flagship projects. They regard this as a very probable improvement of a city and thus an increase in competitiveness.

It is a new form of development. Private parties can also be involved in creating a better working environment, improving living standards, or see to it, that the projects are feasible also from ecologic respects (Kenworthy, 2006). A stronger involvement of the private parties, especially when discussing funding would be more than appreciated in cases of flagship projects in the city of Bucharest.

### 2.3.3 The Community

Heurkens (2009) identifies a third party that is to be involved in the urban decision making and planning; that is the community, i.e. its citizens. A first inquiry is why it would have any implication at all. The answer is simple and plain. The citizens are the ones who live in the city and it is them that benefit or pay, when a city undergoes developments. Moreover in urban theory practice, much like in Marketing, a holistic approach is needed, i.e. one needs to consider all factors and all parties that are involved. Moulaert et al. (2004) identifies the need for a socio-political restructuring, in context with urban developments. Citizens have a right to their own votes and opinions. It can be that some new projects might have a strong impact on the economic aspects of the city; however it can be detrimental towards the living standards or cultural aspects that are valued by citizens. In some cases it can even lead to relocation of citizens<sup>5</sup>.

Luca (2009) identifies that in the city of Bucharest it is most needed for the citizens to be involved, as the revitalization of cities is one of the most important aspects of the city. Implicitly one can argue the same about the involvement in flagship projects. These seem to receive a higher priority by the public sector, due to their economic advantages, but how important are they for the citizens of a city, which is in serious need for rehabilitation programs. The priority of flagship developments can be regarded as a wrong one from the perspective of the citizens. The community is striving rather towards the revitalization of the city, through projects that affect them directly, rather than flagship projects aimed at fostering long-term economic developments.

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<sup>5</sup> Baumann Rechtsanwaelte, 2006: <http://www.baumann-rechtsanwaelte.de/aktu/download/060710Presseartikel.pdf>

The main parties involved in flagship development have been analyzed and the main implications have thus been described. Flagship development is in need of increasing cooperation between the parties in order to assess the way it can improve the competitiveness of a city.

#### 2.3.4 Public, Private and the Community – pirouetting together

An old Romanian proverb says “*Unde-s doi puterea creste*” (a. transl.: *Where there are two, the strength rises*). This is the main focus of this section, to analyze whether an integrated approach, where all three parties are implicated would be a good solution for flagship projects in the city of Bucharest. Due to the multiple implications that a large-scale project has, it is only wise to assess all problems and benefits from every point of view possible. Luca (2009) addresses this issue in the case of Bucharest, where the citizens are not really involved in the issue of the development of their own city. This is one of the main points that are to be changed in the equation of the integrated approach.

Swyngedouw et al. (2002) acknowledge the need for a more integrated approach as well with respect to large-scale developments. Funds are needed from both private and public institutions; however citizens need to be consulted as well, in particular if the impact on them is a direct one. By sharing risks and benefits, a projects result can be influenced in a very important way. If the project is not what has been expected of it, then the fault cannot be put solely on the public institutions. Maybe there are different issues, concerning each of the three parties. If one is at fault, then it can be excluded from the project, however usually working together can give a broader view of issues in advance, which can be treated accordingly (Castells, 2008).

An integrated approach is a very good solution for flagship projects in Bucharest, because of its development so far. It has grown in a separate way from the rest of the modern cities and is now lacking behind. In order for it to grow to the potential of Western European cities it needs a drastic change that can only come through cooperative behavior (Luca, 2009; Castells, 2008). The city cannot develop according to Western European cities in a step-by-step manner. While it would try to reach the other cities, those would develop at their own rates further. All in all, a dramatic change is probably one of the few solutions it has, and flagship projects are the only way of solving this issue.



## **2.4 A Tri-Dimensional Approach**

When faced with the decision of a large-scale project, it is not just the actors that play a role, but also other location specific factors. Van't Verlaat (1997) discusses the three main factors that play a role in decision-making: financial means, market quality and spatial quality. These points occur firstly in the decision making process and might also be needed to be altered afterwards, in order to create feasible projects. The biggest issue with these three factors is that they comprise a tri-dimensional approach. One cannot focus on but one of them, because otherwise the project will fail in the other aspects. There is a tension between these factors and the right choice has to be made. In the following, a more detailed explanation on each factor will be given and how they affect each other.

### 2.4.1 Financial Means – Money, Money, Money

The first factor, which is always an issue with large-scale projects, is the funding, or the financial means, that are used. Large-scale projects necessitate a major amount of financial means to pay for it; however the benefits can also be high. The biggest issue with funding is the allocation of benefits and costs. Swyngedouw et al. (2002) acknowledge this in their research. In the beginning costs for flagship projects are very high; however the benefits are dispersed over very long periods of time. In the case of Stadiums, e.g. the material and construction costs are tremendous, but benefits come very hard. A problem with this is that one must consider all sorts of economic developments as well and the expected values are usually not in conformity with reality.

Returning to the interaction between the forces described earlier, financial means affect the other two forces quite strongly (van't Verlaat, 2011). If one opts for a cheap project, then it can have serious issues with the market and spatial qualities. When a project is cheap from a financial point of view, it is usually also not esthetic. This results in poor quality of the use of space. The project might not attract future investors in the area, sometimes might even be repulsive, due to extremely bad architectural plans. All this is due to financial stinginess and/or insufficient funds. This affects also the market quality. Usually cheaper projects are also built in areas where land isn't expensive either, thus resulting in less developed neighborhoods, e.g. bad infrastructural investments, almost uninhabited areas or very poor labor skills, which might make the project futile (van't Verlaat, 2011).

The importance of funds in the discussion is probably gaining the highest priority. Municipalities often try to develop flagship projects that are cheap, due to the gain in financial benefits; however municipalities must not be simply concerned with financial means, as this might hinder proper economic development in the city. The expenses for flagship developments are quite high and municipalities are trying to lower them as much as possible (Luca, 2009). It is thus important not to make a project, just because it is cheaper. One must consider the repercussions it can have on developments of the city from a market point of view, but also an optimal use of space.

#### 2.4.2 Market Quality

Market quality is an important aspect in this discussion as well. Flagship projects in the city of Bucharest are aimed at fostering private investments in the immediate vicinity (Sirbu, 2011). The main reasons here for are that the city of Bucharest can benefit from an increased participation in investments from the private parties. Moreover, under market quality the end satisfaction of the end-users is understood. However in this case, investments will be focused on.

Van't Verlaat (1997) analyzes the importance of the market, and its rather modern aspect. Until recently, most projects were supported by a bilateral agreement, between spatial quality and the financial means. However, this seems not to be enough anymore, in order for cities to develop. Occasionally a project might attract market forces as well, but one cannot rest for fate and luck. Modern projects must be a driver for market forces, because otherwise investments are futile.

Van't Verlaat (2011) discusses the market quality of projects more into detail. He analyzes three different components of a project: physical, functional and cultural. These components affect each other, however when discussing city development, the physical component is most important. Just like any other product, a flagship project has several scales that comprise the product, e.g. core, basic product, physical product and psychological product (Kottler et al, 2011). A product that is transcending into its psychological form, albeit the hardest to reach, can be considered from a marketing point of view a complete product, which is able through its complexity to attract other investments in its vicinity.

This model can be applied to flagship projects as well. The projects are products aimed at improving a city's competitiveness.

If the projects are complex, i.e. not only physical entities, but also cultural and functional, they can foster fast economic growth and thus market improvements in the vicinity. Municipalities are implementing these ideas, as to be able to attract the necessary investments. The ability of flagship projects to transcend product boundaries is the main focus of the market quality of the project.

Flagship projects aimed at improving market circumstances can be very useful for a city in transition as Bucharest (Sirbu, 2011). It is of uttermost importance to attract even more private investments, in order for the city to experience a healthy economic growth. However these projects need to be efficient in more aspects, not just from a market point of view.

#### 2.4.3 Spatial Quality

The last factor to be addressed in this section is spatial quality. The public sector is very much involved in this factor. First it is the municipality that owns most of the land, and it is in their best interest to invest into flagship projects that are aesthetic, function well with their environment and attract investments and tourists (van't Verlaat, 2011). Spatial quality is an important factor, since projects that lack in this aspect are detrimental especially towards the citizens and towards cultural aspects. However, in order to create exceptional projects, funds are needed. This is the most important issue with such projects.

If the project is exceptionally expensive, however extraordinary it may be, it can be very hard to build, due to the missing financial means.

Spatial quality does not only refer to aesthetics but also to functionality and sustainability (van den Berg et al, 1999). These three factors determine the quality of a project. As with market quality, the three factors are interrelated and affect each other. Sustainability is becoming more of an issue, since ecological sustainability is now also an important factor to be considered in the decision making process (Trip (2007) in van't Verlaat, 2011).

The query remaining is how spatial quality is perceived. The problem with answering this question is that quality is a subjective issue and mostly several social groups will have different opinions on the matter.

Unlike the market quality of a product; this being established by noting how many investments have occurred after the project, spatial quality is harder to define.

One might argue that a project is qualitative, if a high number of socio-cultural groups are agreeing on this matter, for a long period of time (van den Berg et al., 1999). This way, not only aesthetics is considered, but also functionality and sustainability. Albeit a good way to establish it, it is hard to measure and usually public and private actors need different ways of measurement, i.e. diverse quality judgments. These judgments might include the perspective of the actors, cultural functionality, contexts and even time issues. This is so as to have a rather holistic view of the problematic and regard the project from all angles (Verbart, 2004).

Flagship projects, due to their high need for large investments are in need of good judgments of spatial quality. Such projects are usually with the scope of a long lifetime, meaning that lasting judgments need to be favorable from the beginning. Flagship development projects, if not qualitative enough can not only become a major loss of profits, but they can be detrimental also towards future investments in the area. The major issue of spatial quality is thus linked to the other two main forces, regarding flagship projects.

Spatial quality is a big issue and the Municipality of Bucharest is aiming to improve the overall look of the city. The question that remains unanswered is whether flagship projects are the correct way to do so. This question will be addressed later throughout this paper, when the stadium, its benefits and costs, will be discussed.

## ***2.5 Importance of the Theoretical Framework***

Before continuing to analyze a specific case, namely that of Bucharest, it is of vital importance to summarize the theory discussed so far and thus explain how it is all transferable to the specific case.

The first topic discussed was on flagship projects. Being the main topic of the paper, such large-scale projects can have quite a lot of benefits in developing specific areas of an urban center. The city of Bucharest is in a great necessity of improving the economic activities, i.e. private investments, its visual aspects as well as the living standards (Luca, 2010).

Flagship projects are an important step towards this goal and the municipality has acknowledged this (Conceptual Strategic Bucuresti, 2011).

Projects all across the city are aimed at either one of the goals mentioned above, however a few projects exceed one sole focus and tend towards a more holistic improvement. It is thus that flagship projects are a major step of improvement for cities in Transition, such as Bucharest.

Furthermore, the paper has acknowledged the three main actors, as well as the most important angles that need to be considered in the creation of a flagship project. The main actors or participants are to be found everywhere; however there are differences for post communist cities. The public sector is much more involved in flagship development (Luca, 2010). This results in most of the funds being allocated from the public budget and very little from private investments. The repercussions are numerous, especially with respect to the three angles discussed above. If there are not many funds, especially in context with spatial quality, then the perception of different projects can be very negative; not to mention, the effects on the market, which could be detrimental for the city.

Therefore it is important to see the different angles and participants in the decision making of a large-scale project. For one there are the participants with their different perspectives and priorities, and on the other hand there are the effects that can occur through different prioritizations. The theoretical framework established above will help in determining the main reasons of investment in flagship projects in a transitory city, as well as help establish the different effects of a specific project on the area it is developed in.

In the following, focus will be centered on the city of Bucharest, its state, some of the main flagship projects and the importance of these for area developments in the Romanian Capital.

### **3. Case Study: Bucharest**

In order to understand the different implications mentioned above, it is wise to turn to a specific case of cities in transition, namely Bucharest. An overview of the city and the current affairs will be given, in order to gain an insight, as to why the theoretical framework is applicable in reality. Afterwards a specific flagship project, namely the New Romanian National Stadium, Lia Manoliu Arena, will be discussed.

#### ***3.1 Current Affairs and Projects***

##### 3.1.1 Current Affairs

In the following a more detailed analysis of the city of Bucharest will be given, that is the current economic issues, urban plans etc. Afterwards the empirical evidence will be linked to the theoretical framework, in order to assess why a holistic approach is necessary for the developments of flagship projects in a transitory city.

The city of Bucharest needs to foster economic developments very fast in order to become a competitive city<sup>6</sup>. The municipality has opted, as many other cities have too, for flagship projects all over the city in order to improve the competitiveness, on several different scales<sup>7</sup>. Be it through aesthetics, functionality or sustainability, flagship projects are a good start for the municipality of Bucharest to start nurturing the fruits of private investments in the city.

The city of Bucharest is a growing city, according to Javaher et al. (2010), in the first quartile report of 2010. However the recent economic crisis has proven to be harsh for the city and many problems have risen. A decline of 7.1% in the total GDP of the country has affected development on every scale seriously (Javaher et al., 2010). Foreign Direct investments have declined until 2010 and the prognosis is an even further decline (Javaher et al., 2010).

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<sup>6</sup> *Proiect Bucuresti, 2011:* <http://www.pb.ro/ro/>

<sup>7</sup> *Proiect Bucuresti, 2011:* <http://www.pb.ro/ro/>

Albeit, there is political stability, the ruling party still has only a small share of the majority, and problems have occurred due to this. However, the investment climate seems to be on the rise, especially in prime development projects and flagship projects (Javaher et al., 2010).

Although the city seems to be facing difficulties on one end, there is a growing trend on the other. The Retail and the Residential Markets are rising and the demand is growing. Supply of these is thus in accordance rising as well. All in all, there are eight new shopping and retail centers planned across the city, while the number of rents and mortgages are growing (Javaher et al. 2010). The city seems thus to have started a slow, but important recovery from the recent economic crisis.

### 3.1.2 Current Projects

The municipality of Bucharest, and several other private companies have invested in numerous projects that are supposed to improve the city. Some are still just during the decision process; however the intentions are still there. “Proiect Bucuresti”<sup>8</sup> summarizes quite a lot of them, in several different perspectives. There have been a lot of residential projects so far, but the focus now is more on large-scale projects. Such flagship projects involve several developments in infrastructure, sports, culture and other types of urban developments. The main focus is to improve the city’s image from several points of view, e.g. improvement of quality of life, investment improvements and others. After a discussion with Filip Anastasiu, who works for the Transport Directory at the Municipality of Bucharest, it was clear that one of the most important projects, which actually involves multiple projects, is the creation of a sustainable infrastructure. An example for such a development is the “Zona Sud” development, which involves the creation of several motorways in and out of the city, in order to foster the development of this region, where a very large area is surfaced by agricultural land. An improvement of this area would also help develop other smaller towns around Bucharest, such as Jilava (Costache et al., 2011). Furthermore the municipality has been investing in several parking areas, which are priority projects for the municipality<sup>9</sup>.

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<sup>8</sup> Proiect Bucuresti, 2011:<http://www.pb.ro/ro/proiecte/rezidentiale/>

<sup>9</sup> Primaria Municipiului Bucuresti, 2011: [www.pmb.ro](http://www.pmb.ro)

Other projects, revolving improvements are more based on cultural aspects as well. Examples here for are the New National Library, or the Lia Manoliu Stadium. The stadium's position has allowed the Minister of Tourism to advocate another Sports Hall in the immediate vicinity. The new hall is established to cost 50 million Euros<sup>10</sup>.

Other flagship projects regard the rehabilitation of housing estates on a large scale (Constantin, 2006) in order to improve the city's aesthetics.

Thus flagship projects are of major importance for the municipality of Bucharest. The next section will link the theoretical framework to the case of Bucharest and discuss why it is applicable.

### **3.2 Theory and Practice**

The following section will discuss firstly the three main protagonists with respect to the city of Bucharest and what their regards are on flagship development. Afterwards the three different angles will be analyzed from the perspective of the actors in Bucharest.

#### 3.2.1 The Public, the Private and the Rest

The Public sector is the most important one in the city of Bucharest. It is thus wise to analyze it more into detail in order to see the implications it has on the development of the city. The city of Bucharest is divided into six sectors, each of which having its own municipality<sup>11</sup>. This implication leads to a very hierarchical decision making process, as the separate sector municipalities decide first on a project, which has then to be discussed in the main municipality as well.

Due to budgetary difficulties, after the recent economic crisis, the public sector also relies heavily on European funds. As a matter of fact, total urban development expenditure for Romania was foreseen to be 4.3 Billion Euros, while the state only came with 600 Million Euros, the rest being European Funds<sup>12</sup>. Most of this money is supposed to go into development of sustainable growth poles.

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<sup>10</sup> Mediafax, 2011: <http://www.mediafax.ro/sport/patinoarul-flamaropol-va-fi-daramat-in-locul-lui-va-fi-construita-o-sala-polivalenta-8307813/>

<sup>11</sup> Primaria Municipiului Bucuresti, 2011: [www.pmb.ro](http://www.pmb.ro)

<sup>12</sup> European Commission, 2011: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/305&format=HTML&aged=0&language=EN&guiLanguage=en>



Albeit, the public sector on its own has not the necessary strength to cope with the problems it is facing, it is the most involved one, and grace to European Funds, a sustainable development is possible. As a matter of fact, the subway company of Bucharest, Metrorex, received 60 Million Euros, for operational efficiency improvements and modernization<sup>13</sup>.

The flagship projects, in particular, large scale ones, such as the Lia Manoliu Arena, necessitate a big amount of investments, in order for such a project to be completed. Max Bogl, a private company, raises the Arena; however most of the investments come from public money. On March 1<sup>st</sup> 2011, the problem of costs rose, with respect to their doubling. At the beginning an estimation of 140 Million Euros was believed to be maintained, however the costs rose to 300 Million. A problem that was addressed by the mayor of Bucharest, Sorin Oprescu, due to the budget cuts, but later solved by governmental intervention<sup>14</sup>.

Private investments are scarcer than the public ones. Rotaru et al. (2009) argue that it is mostly found in cooperation with the public sector. They argue that there is a need for this to change, in order for the city to gain the most out of investments in flagship projects. Nonetheless, the private sector is very much implicated in respect to building, and contracting, however there are no direct projects established solely by the private sector. Gabriela Sirbu (Interview, 2011), secretary at the Investment Directory of the Municipality of Bucharest, is confident that the private investments will follow once there are more incentives. Thus the municipality is focusing on some of the flagship projects, since private investments are a strong priority. The municipality expects such investments to come, with the large-scale projects that are attempted.

Luca (2009) identifies that in the city of Bucharest it is most needed for the citizens to be involved, as the revitalization of cities is one of the most important aspects of the city. Implicitly one can argue the same about the involvement in flagship projects. These seem to receive a higher priority by the public sector, due to their economic advantages, but how important are they for the citizens of a city, which is in serious need for rehabilitation programs.

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<sup>13</sup> European Commission, 2011:

<http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/06/108&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>14</sup> Ziare.com, 2011: <http://www.ziare.com/social/administratia/udrea-asigur-bucurestenii-ca-stadionul-lia-manoliu-va-fi-finalizat-la-termen-1078722>

According to Eurostat<sup>15</sup>, a survey has proven that in the city of Bucharest are only few facilities seen as positive, e.g. cultural, green areas and public safety. Interestingly enough, compared to other cities in the EU, the citizens of Bucharest seem to be extremely disapproving of their cities health facilities, sports facilities, the public sector's deeds, noise pollution and even the aesthetics of the city. This shows the fact that the public sector's investments are not in coherence with what the citizens want. The flagship developments in the city are thus not the best way to make the community happier.

However, the municipality is a strong supporter of these projects, due to their ability to tackle several problems at once. A survey conducted by the Director of the Sociology Department of the SNSPA University of Bucharest, Vintila Mihailescu (2011), proves the points shown by the Eurostat. When asked whether the city is heading towards the correct direction, 65% of the respondents said no. Furthermore, according to the residents, it is the state of the roads (18%), the aesthetics of the city (14%) and the hospitals (11%) that seem to be the most problematic according to them. Thus one can already observe the fact that the citizens of Bucharest and the Public Sector are not on the same level. Interestingly enough most of the rehabilitation projects are to be found in well renowned areas<sup>16</sup> and almost none in the worst neighborhood of the city, Ferentari (79% of the respondents think it is the worst). It is therefore that the aesthetical qualities of the flagship projects in the city are not of such high importance, since the areas where the projects are built are already benefitting from investments and high standards of living.

The citizens of Bucharest are confronted with another issue. Due to the recent economic crisis over 63% of them have had a reduction in their salaries. Thus there are different criteria for the citizens as opposed to the municipality. Albeit, an interesting discovery, by Mihailescu (2011), is that the trust in the Municipality of Bucharest has raised from 26% in 2010 to 42% in 2011, mainly due to the stability of the current mayor, Sorin Oprescu, who seems also to be the most preferred politician by the residents at the moment.

It can therefore be observed that there are differences between the priorities of the municipality and the priorities of the citizens.

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<sup>15</sup> Eurostat, *Audit Urban, Survey on Perceptions of Quality of Life in 75 European Cities, 2010*

<sup>16</sup> *Proiect Bucuresti, 2011: <http://www.pb.ro/ro/proiecte>*

The municipality seems to have a more modern, economic approach, trying to foster GDP growth and private investments, through large-scale projects. On the other hand, the citizens are neglected in their priorities. They seem to have a concentrated approach on their own atmosphere, the aesthetics of the city and the traffic. The citizens prefer rather basic commodities and stabilities, while the municipality is more focused on long-term sustainable projects.

It is therefore that a more integrated approach is needed. However, the increase in the trust in the current mayor, Sorin Oprescu, is an important step towards this.

### 3.2.2 It's All About The Angle

Now that the protagonists of Bucharest have been discussed it is wise to discuss the three angles of flagship project development. First will be discussed the funds, second the market quality and third the spatial quality.

Funding can become a big issue in Bucharest, as the only big investor is the public sector. However with a higher private investment, the city could benefit from more projects, destined to make the city develop.

The interview with Gabriela Sirbu has offered the opportunity to have a better look at the budget of the city of Bucharest for the year 2010 and forecasts for 2011 and 2012. The data is useful in order to see the available funds of the city, which are to be used for urban development. The budget for 2010 is 4,539,734,000.00 RON (expressed in Euro it is around one billion), whereas the budget for 2011 is estimated at 4,631,046,000.00 RON and for 2012 it is estimated at 4,845,776,000.00 RON (Appendix, Budget Tables). Thus the municipality expects an increase in its annual budget. The main issue is that there seem to be a lot of current expenditures, 4,970,353,000.00 RON. Through capital additions the two numbers are equalized, however it is important to show an example of expenditures. The budget of the city is not showing an excess or a deficit for the three years, which means that the municipality is spending as much as possible for the city to develop. In order to understand the priorities of the municipality it is important to show an example.

The New National Football Stadium, as noted above, was first supposed to cost 140 million Euros, which corresponds to a tenth of the budget. However, due to some uncertainties, the cost was raised to 300 million Euros<sup>17</sup>, corresponding to a third of the budget of the city. The implication is quite big and one can observe that the municipality and the government are targeting large-scale projects as their main priority.

Funding is thus a big issue for the city of Bucharest. It is an important angle to be considered, however the municipality are sometimes too reckless in some decisions, neglecting the actual needs of the citizens.

Although this might be the case, the fact that the increase in expenditure for the stadium was done without problem, shows the fact that the municipality has no problem in focusing also on the market quality and the spatial quality of flagship projects. As a matter of fact the Minister of Tourism has even started a new project for the Romanian Capital, a new Sports Hall, in the immediate vicinity of the Stadium, worth 50 million Euros. Funds are thought to be a big issue; however one can see that they are implemented with care. The paper will now turn towards the two other angles, one very important to the municipality, the other to the citizens. Flagship projects need however to have a strong base in each of the two factors, as to be sustainable long-term projects.

Most of the large-scale projects, which are being built in Bucharest, are trying to be directed towards attracting investments. However the query unanswered is the need for such high-end investments, just for more investments. In the case of Bucharest, foreign direct investments are very much needed in order for the city's potential to grow (Luca, 2009). The large-scale projects so far, as the Howard Johnson Dorobanti Hotel in the city centre, have been successful in doing so, albeit, some of their architectural designs do not fit into the areas where they were built.

The result is a tension between the market quality and the spatial quality of the city. For one, the project can be very attractive for future investments as well as improve the landscape of the city.

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<sup>17</sup> Ziare.com, 2011: <http://www.ziare.com/social/administratia/udrea-asigur-bucurestenii-ca-stadionul-lia-manoliu-va-fi-finalizat-la-termen-1078722>

An example here for is Bucuresti Mall, a mall built close to the city centre that fits with the design and architecture with the rest of the buildings. Moreover it is a major economic driver in its area, following its expansion<sup>18</sup> a few years back.

Market oriented projects can also have an impact on the funds that are needed in order to finance such projects. It is in the interest of public actors to invest in such projects, however a balance must be found between the three forces once more, in order to make a great project, as the case of Bucuresti Mall.

Spatial quality is most desired by the citizens of Bucharest, as Mihailescu's survey (2011) has shown. The municipality seems to care about it too, but in a different sense. Spatial quality is important in order for the city to be competitive also on other scales such as living standard or tourism; however the main focus lies on attracting investments.

The main argument for this, given by Elena Badoiu (2011), a referent in the Urban Development Directory of Bucharest, is that the municipality expects through large-scale projects to attract private investors, which will invest in qualitative improvements as well. The main focus is to improve the city's economic activities.

Although this seems fair, there might appear tensions between the three angles discussed in the theory for area development. Some projects might not be very useful and therefore not attract enough investors, making these projects completely futile. The result can be drastic, both for the market quality as well as for the spatial quality. History has even proven this in the case of Bucharest.

An example here for is the New National Library<sup>19</sup>. The building, where it is supposed to be established in had been forgotten for quite a while, until recently when it was decided to relocate the National Library. Thus the building's refurbishing started, after a decade of being empty, making the space around it unwelcoming for investments. Qualitatively speaking the new building's position and look fit together perfectly with the central modern area.

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<sup>18</sup> Bucuresti Mall, 2011: <http://www.bucurestimall.com.ro/despre.php>

<sup>19</sup> Proiect Bucuresti, 2011: <http://www.pb.ro/ro/proiecte/socio-culturale/>

In the next sections, the paper will focus on one specific case, namely the New National Stadium, Lia Manoliu Arena. The choice for this specific flagship project will be explained as well as its effects on the area where it is located, translating this into a step towards Bucharest's improvement.

#### **4. Lia Manoliu Arena**

The following will discuss one of the most important flagship projects that are currently constructed in the city of Bucharest. The reason behind the choice of this project will be discussed in the first part of this chapter, where a rather theoretical approach will be taken. Afterwards the Lia Manoliu Arena will be discussed with respect to the official document signed by the previous mayor of Bucharest, Adriean Videanu, and later by the actual mayor, Sorin Oprescu. The decision process will be discussed, the reasons behind it and whether it is a good option to have invested in this project. First of all, however, it is best to take a look at some theoretic models, which analyze the feasibility and profitability of football stadia.

##### ***4.1 Public Investments or not?***

In order to assess whether it is feasible for the public sector to invest in a stadium, it is first important to know whether a stadium can be considered a public good. Rosen et al. (2008) argue that a public good has two main traits; it is non-rivalrous and non-excludable. The query unanswered is whether stadia are public goods or not. The answer is quite simple: no. Stadia imply both rivalry and excludability. One cannot consume the good without making someone else worse off that is if a person already purchased a seat, someone else cannot use it. Although the implication is clear, one can observe that all over the world, stadia are financed mostly by the public sector. The answer to why this is so, lies in the most basic economic principle of benefits and costs.

When taking a stadium as a simple investment it is important to assess the costs and benefits of such a good. The costs of a stadium can be divided into more than one group (Long, 2005), however the implication is clear. There are costs of construction, operational costs, depreciation costs and probably the most important one for the public sector in a transitory city, opportunity costs.

This is because the money spent for the stadium, could have been used for other purposes, e.g. rehabilitation of areas, traffic and road improvements etc.

Stadia seem to be very expensive to build. Examples here for are the New Wembley, whose cost is a staggering 750 Billion Pounds (including land acquisition, demolition, infrastructure costs etc.)<sup>20</sup>; only the construction cost is this high, operational costs and depreciation costs left aside. Interestingly enough, Baim (1994) has made a research on US stadia, resulting in the fact that the estimated costs were by 73% lower than the actual costs. The same result was to be found also for the construction of the Lia Manoliu Arena.

Costs are thus very high, especially in the first period of the process of the project. There are costs that incur over time as well, however the important huge loss in the first period, i.e. construction costs, shows that an important amount of money is lost, and the question is whether the future discounted benefits can make up for such a loss in the first period (Rosen et al., 2008). The same idea can be applied to all flagship projects. As they are large-scale projects, the construction costs are very high and the benefits are doubtful, since these do not appear in the same period as the costs.

Continuing the strain of thought, as to assess whether it is wise to invest in such a flagship project, the direct benefits should be considered as well. Most of these are quite straightforward; rents, taxes, tickets, food and drinks, advertisements, parking revenues etc (Long, 2005). The direct benefits of a stadium seem to be very small as compared to the direct costs. An economist would say that it is not good to invest in such a project, due to the immense losses one incurs. Thus, there are almost no private investments in such flagship projects. Therefore, it is the public sector that is supposed to invest in such facilities and subsidize them as to be profitable (Rosen et al., 2008).

The public expenditures for such flagship projects do not only take into consideration the direct benefits, i.e. monetary benefits, but also other indirect ones; examples here for are non-monetary benefits, e.g. consumption benefits and area development benefits. For private investors, the interest lies mostly in the direct benefits, whereas for the public sector the benefits are much higher.

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<sup>20</sup> BBC.co.uk, 2011: [http://news.bbc.co.uk/sport2/hi/in\\_depth/2001/search\\_for\\_a\\_new\\_wembley/2280083.stm](http://news.bbc.co.uk/sport2/hi/in_depth/2001/search_for_a_new_wembley/2280083.stm)

First there are several political reasons, as to be reelected and to give confidence to the citizens. Furthermore, and more important for this paper is the effect such a flagship project has on the area development.

The area around the stadium can prove to be a strong factor for economic development (Coates et al., 2003). The effects a stadium (and other flagship projects for that matter) can have on the area around are very high. It can result in aesthetical improvements, better use of the area, e.g. through retail; increase of rents and property values and, the most important of all, increasing private investments (Davies, 2005). Moreover flagship projects, like stadia, can be a major contributor to the infrastructure, e.g. parking spots, better roads etc. This can also be in accordance with the wants of the citizens of Bucharest, as discussed above, who prefer a better infrastructure to a new sports stadium (Gramlich, 1994).

The implication of the public sector is thus quite clear. It is more viable for this sector to invest in flagship projects; however one must bear in mind the immense monetary costs of such large-scale projects. In order to apply the problematic, in the following, the Lia Manoliu Arena in Bucharest will be analyzed with respect to the decision made two years ago, and what probable future effects it might have for the area it is built in.

#### ***4.2 Lia Manoliu Arena – A Decision For Bucharest***

In the following the decision, motives, process and effects of the Lia Manoliu Arena will be discussed. In order to do so an interview with Gabriela Sirbu has been done, as well as the official document released in 2008, regarding the decision of building the new stadium in place of the old one.

##### 4.2.1 The Decision and its Motives

In 2008, the General Council of the Municipality of Bucharest has given thought to the possible construction of a new football stadium, at the insinuations of Mircea Sandu, President of the Romanian Football Federation. The decision was that, the old Lia Manoliu, the stadium of the Romanian National Team to be replaced with a new, modernized stadium, in accordance with UEFA (Union Européenne Football Association) regulations (Official Document, 2008).



The first step of the construction allowed the municipality to transfer the ownership of terrains and buildings of The Basarab Boulevard (nr. 37-39) and the “Lia Manoliu” Sports Complex from the state to the municipality of Bucharest, in accordance with articles 38(1), (2) and 46(1) of the Romanian Law nr. 215/2001.

The second step of the decision was to reflect on the motives of the rehabilitation of the old stadium. The official motive document (2008) states the importance of physical education as a public necessity, which is sustained by the public authorities, as well as the urban rehabilitation of the city of Bucharest as main focuses of this decision. Furthermore, the stadium is supposed to bring worldwide recognition of the city, by hosting the UEFA Europa League Final 2012<sup>21</sup>. Furthermore a feasibility study was undertaken, in order to regard the technical-economic possibilities. The funding for the flagship project was to be done fully by public investments of the Municipality and help from the Government of Romania.

After the decision had been made, a cost evaluation had to be made. The total area of construction depicted in the Appendix, is of 150,321 square meters, while the duration of the construction was estimated at 30 months. The total cost estimated in 2008 was 143,296,035 Euro, which was doubled in the year 2011. As in many other cases, the construction cost had been estimated too low and thus a few problems arose, which were however solved.

The approved process implied first a demolition, then the proper construction. Afterwards, the impending infrastructure had to be taken care of and ultimately the finishing touches, e.g. connection to water, gas and electricity and technical spaces. The motives and the process of the construction are pretty clear. It is thus wise to turn to what the effects of the stadium are on the area surrounding it, and therefore also for the municipality of Bucharest.

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<sup>21</sup> UEFA, 2011: <http://en.uefa.com/news/newsid=1627532.html>

#### 4.2.2 The Effects of the Stadium

The query unanswered is why the city of Bucharest needs such a flagship project, and if so, why a stadium?

From all interviews (2011), one thing was very clear. The stadium is supposed to foster investments in physical education as well as the urban aesthetics and urban investments in Bucharest. The main idea is that the municipality is targeting these flagship projects as to show that it is to be trusted in creating large-scale projects, from which private investors can benefit.

This issue is very important for the city of Bucharest, which is in search for a new identity, a rather modern identity, which is supposed to “combat” the different sequential patterns of construction styles (Esenghul, 2005). The municipality is thus targeting a modernization of the city, through large projects, which in turn attract further modernized improvements.

An uncertainty, however, accrues when the different flagship projects are discussed. Instead of building a new stadium, which according to theory (Long, 2005) is not a profitable investment, the municipality could have invested in other projects, such as the refurbishing of the central area of Bucharest, and other more important matters for the citizens of the city. Moreover a stadium does not seem to be the most of pressing flagship projects for such a city; there are eight stadia in Bucharest, without the Lia Manoliu Arena<sup>22</sup>. The size differs from 10000 seats to 35000 seats, however the implication is clear. When asked about this, all the interview respondents (2011) answered again in unity. The stadium is not just supposed to bring more investments. The target is to make the city of Bucharest more competitive to other cities in the area, by attracting also tourists, by creating a new landmark and showing the fact that the city is able to cope with mostly everything that is thrown at it. The stadium offers the opportunity to host major sporting events, which in turn bring tourists, investments and thus more funds, for the city to use for further development.

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<sup>22</sup> Bucuresteni.ro, 2011: [http://www.bucuresteni.ro/servicii/stadioane\\_sali\\_sport/2.htm](http://www.bucuresteni.ro/servicii/stadioane_sali_sport/2.htm)

What the stadium's effects on the area surrounding it are are not yet clear. The municipality however seems to be confident that this project is going to bring new investments in the area, making it an important retail sector, due to already existing markets and shopping centers in the area.

It is therefore that the stadium is expected to have a strong effect on the city of Bucharest, making it more competitive compared to the other cities in its geographic area.

#### 4.2.3 Integrated Approach

As observed above, the municipality's investment in the stadium seems to be regarded as a high value investment that is supposed to improve the city's overall image and competitiveness. However one does not observe clearly the integrated approach of the three main actors, with respect to the three angles in the theoretical framework.

One can observe in the example of the new Arena and Mihailescu's survey (2011) that there is not much concordance between the three actors. The private parties are almost not to be seen in the context, except contracting firms for the building. More importantly there seems to be a tension between the citizens and the public sector. However this tension is very small, since the Lia Manoliu Arena is supposed to improve the aesthetics of the area, making it more viable for the citizens. The market quality of the stadium has been discussed above, as the flagship project is supposed to improve the already established retail sector in the surrounding area. Moreover the funds of the stadium, albeit quite high, have been always there, in order to guarantee, that the stadium's market quality and spatial quality are as high as possible, without being detrimental to each other.

All in all, one can say that the Lia Manoliu Arena is a project, which has needed a lot of attention, funds and specialty reports, so as to improve the city's competitiveness.

## 5. Flagship projects – Yes or No?

Flagship projects are an important way of fostering urban development in a city. The queries remain, whether this is the right way for cities in transition to act and how these flagship projects can increase the competitiveness of the transitory cities.

As noted above, there are many problems, which cities in transition, such as Bucharest, have, and they are not easily solved. Mihailescu's survey (2011) proves these problems and the fact that citizens of such cities are more inclined towards their basic needs in a city, rather than fancy large scale projects. However it seems that, not only the municipality in Bucharest, but also the one in Prague favor flagship developments (Temelova, 2007). The reasoning from their perspective seems completely viable, as to make their cities competitive.

Luca (2009) argues on the contrary. The belief is that the basic needs should be focused on as a start, and then municipalities are to focus on large-scale developments. This thinking implies a rather forward thinking, namely firstly creating a basic need and then expanding. On the contrary is the idea of flagship development, which implies a more backward thinking. First an important large-scale project is created, which afterwards attracts private investments in order to fill the more basic requirements.

Judging the two options it is clear that a more forward possibility would be preferable as to take one step at a time, however this might not be the case for a city in transition. The evolution of the transitory cities is the main cause for this. The evolution of the cities has taken place, however not to the same rate as other major cities in Western Europe. Thus, the transitory cities are just lagging behind in private investments and public budget. It is therefore that a forward strategy cannot work out perfectly, and could even be the wrong one for transitory cities.

Municipalities of transitory cities need to invest the funds carefully in order to make their city competitive. Thus a forward strategy would make them lag behind even more, since the transitory cities would just try to keep up with other cities, which in their turn can develop further.

Thus, flagship project development can help the public sector in staying in touch with the current developments; while at the same time the private sector is investing in the more basic wants of the citizens. Moreover the employment of the population is targeted, as to improve private investments even further.

As noted earlier in the paper it is clear that there cannot be much private investment in a flagship project, due to the high costs in the first period and the low benefits after that. Moreover public funds need to be divided perfectly in order to cover both market quality and spatial quality. The result of a wrong allocation can become a great problem for the municipality and the city as a whole.

By investing in flagship projects, the municipality of a transitory city can act upon several issues at once. The fact that it can invest in such a large-scale project it can offer transparency and visibility that the city is able to invest large amounts of money into flagship projects. This is creating the possibilities for the public sector to attract private investments, as the private parties are aware of the possibilities in the near vicinity of the flagship project. Not only that the municipality is able to ensure the market potential of an area, it is also possible to ensure the spatial potential. An aesthetical project is capable of improving the quality of life in the surrounding area. Therefore flagship projects are a strong way of fostering development in a city. Most importantly, flagship projects offer the opportunity for the public sector to tackle the development issue more aggressively.

Through these projects, the municipality can invest in market qualitative issues and spatial qualitative issues, while the immediate vicinity will be economically fostered through future private investments. Moreover, this way the main issues of the community sector will have been solved as well.

Returning to the main question of this paper, flagship projects are definitely a strong way make a city more competitive. Flagship projects, through their multiple focuses are the most important way to foster competitiveness for transitory cities. An integrated approach is however necessary, in order for these projects to be used at their full potential. How are flagship projects doing this? The answer lies in the multitude of these projects. The fact that more issues are tackled at the same time improves competitiveness of cities by far, since the main problems are all tackled, and at the same time an important image is created.

It is therefore that the municipality of Bucharest can benefit from these projects and create a truly competitive city in South-East Europe. As opposed to Western-European cities, transitory cities need develop, keep up and increase competitiveness. Integrated flagship projects, aimed at multiple targets, e.g. Lia Manoliu Arena, can make this possible. It is therefore that flagship projects are the main way to make a transitory city more competitive.

Flagship projects are the most viable option for municipalities of transitory cities to make their cities more competitive, as well as give better recognition for the city worldwide.

## **6. Conclusion**

### ***6.1 Concluding remarks***

The paper has considered flagship project development in transitory cities. It has first given an overview of the problematic. There is a need for urgent urban development in transitory cities, due to their different development opposed to Western European cities, as to remain competitive. There are several ways to do so; however the paper has focused on one specific option, namely flagship project development. These have been discussed in detail, their costs and benefits as well as how it can alter area development in a city. Furthermore the paper has gazed upon two sets of frameworks.

Firstly a look was taken upon the three protagonists in area development, the public sector, the private sector and the community. It has been established that the public sector has the highest input in flagship projects, while the private sector and the community are not as much involved. Albeit, each has a specific interest in flagship developments in a city and thus it can be of high importance for everybody. Secondly the paper gazed upon three different angles, which are to be taken into account when discussing flagship project development. The allocated funds are altering the market quality and spatial quality of the project and thus it is important to find a solution and a balanced method.

After the discussion on the theoretical models, the paper switched to a case, namely that of Bucharest. The theory has been analyzed with respect to the specific city and, it was concluded that there are different priorities for the municipality and the citizens.

Therefore the importance of flagship projects was put under doubt. However the example of the Lia Manoliu Arena and the reasoning of the municipality of Bucharest have proven that flagship projects are a viable way to combat several problems at once.

The implications of flagship projects are quite high and there will always be the problematic of private funds in order to create such projects, especially in transitory cities. Municipalities are using this strategy in order to tackle more problems at a time, while using a limited amount of funds in order to do so. It seems to be a viable strategy, due to a lower investment (compared to the case when there is public investment for both basic needs and a large scale project), but the risks are substantial. One cannot assert for sure how successful a flagship project can be to attract private investments. Therefore it is very important to look at every possible detail so, as to be sure of the success of a project. Moreover, if the project is deemed to fail, the opportunity cost is tremendous, since the money could have been allocated for other purposes involving less risk.

The point is that public investment in flagship projects has a lot of benefits for the city, from many points of view. However with every good thing comes a risk as well. These benefits are mostly uncertain and hoped for. In the end only time will tell if a flagship project really brings the benefits estimated, however one must be positive of such projects in transitory cities.

There might be many opposing such projects, since there are other pressing matters at hand, but one must take into account that every project is meant towards improving the urban development of the city.

As noted earlier flagship projects are the most viable way for a municipality to foster developments, both aesthetical and market oriented, competitiveness and a worldwide recognition. As Swyngedouw (2002) acknowledged, it is the large scale projects that make up the future of urban developments. Municipalities in transitory cities need to act upon several issues and thus flagship projects are the best way to do so. The multi-focus of these projects makes it possible for municipalities to tackle the problematic from every angle, therefore making it the most viable options. The fact that transitory cities are lagging behind Western-European cities can also be countered through flagship projects, which can foster private investments as well.

Even if flagship development does not have many followers in Western-European cities (Long, 2005), they seem to be of vital importance for Eastern-European cities, due to their facilitation of helping to catch up, as well as foster future development and a higher implication of the community.

To conclude, one can observe that flagship projects are the proper way for municipalities in transitory cities to combat the issues they are faced with.

## ***6.2 Policy Recommendations***

Before concluding this paper it is of uttermost importance to offer some policy recommendations for the municipalities of transitory cities, especially with regard to the city of Bucharest.

As observed throughout the paper it has been made clear, that flagship projects are the most viable way to foster development and competitiveness in a transitory city. The fact that these projects can be aimed at multiple issues makes them an important tool, not only for urban developments, but also increase in competitiveness. This is in accordance with the fact that transitory cities need to catch up with Western-European cities. In order to attract private investments in the city, municipalities should invest in such large-scale projects, as these bring several benefits with them that ultimately can solve spatial and economical issues. If implemented, flagship projects can offer worldwide renown and therefore improved competitive advantages over other cities.

The research conducted fully supports the fact that public investments in flagship projects can improve a city's competitiveness, due to their unique abilities of tackling multiple issues at once, an action most desired in a transitory city as Bucharest.



### **6.3 Limitations**

In order to give a complete overview of the topic discussed in this paper, it is of importance to point out the limitations of the research.

Most importantly this paper has only given regard to the effects and problematic of flagship projects. It has not analyzed how other ways, such as housing policies, can alter the competitiveness of cities. Moreover the paper has not given a complete overview of all the projects that are implemented at the moment in the city of Bucharest. The issues with all projects are vast and need be discussed separately. All the more, reference to more transitory cities can be made and analyzed how flagship projects, especially stadia, can affect the development in the respective cities.

Further research can be conducted on the effects of specific flagship projects that are implemented in the city of Bucharest, and thus a clear conclusion can be drawn on what the exact effects of flagship projects are on the competitiveness of transitory cities.

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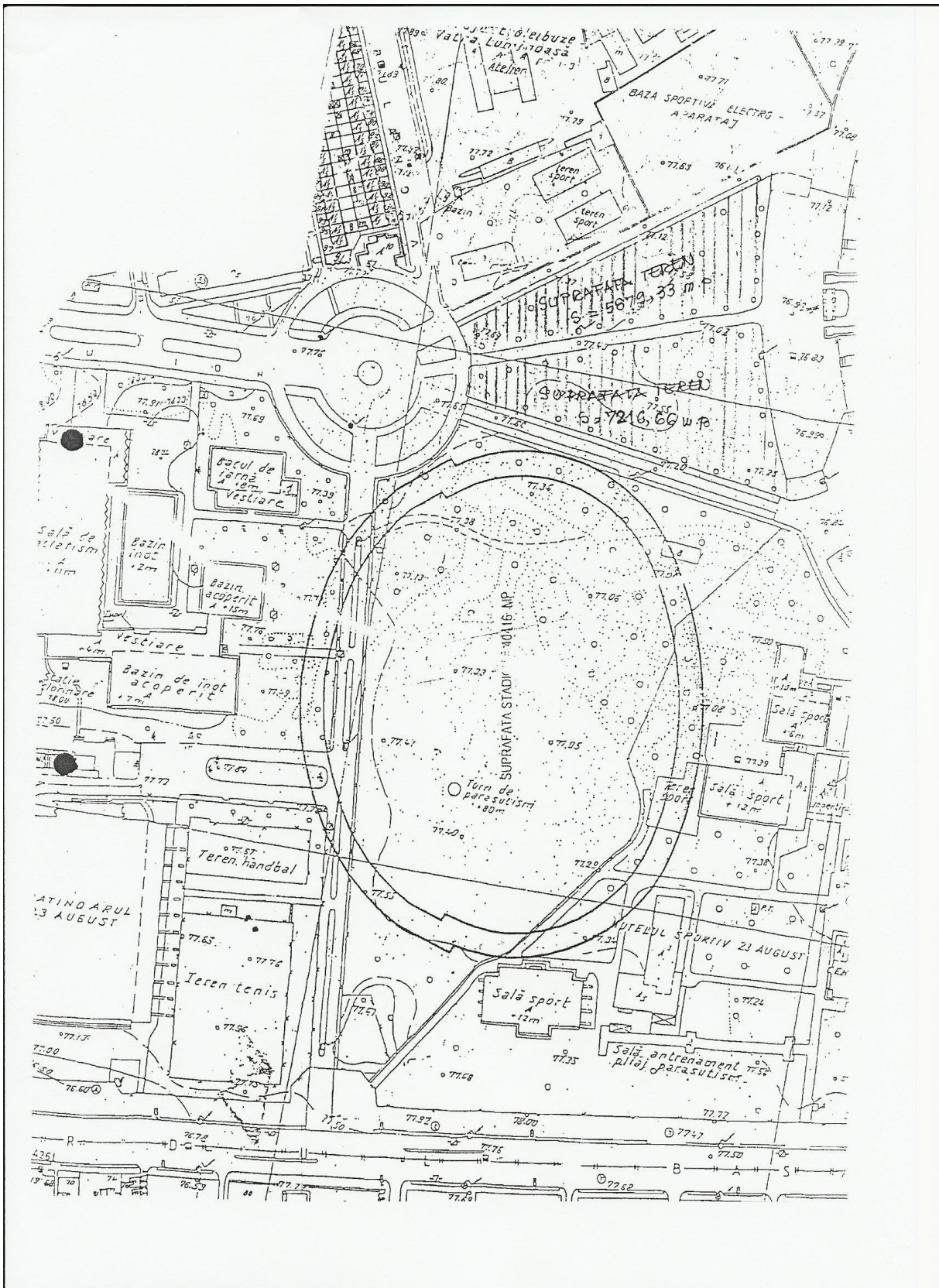
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### 8. Appendix

Picture 1: Area covered by Lia Manoliu Arena



## Table of Budgets

**BUGETUL INSTITUȚIILOR PUBLICE ȘI ACTIVITĂȚILOR FINANȚATE INTEGRAL  
DIN VENITURI PROPRII, ESTIMARI PE ANII 2010-2012**

mii lei

DENUMIREA INDICATORILOR	COD INDICATOR	ESTIMAT		
		2010	2011	2012
<b>TOTAL VENITURI</b>	<b>00.15</b>	<b>2,431.00</b>	<b>2,645.00</b>	<b>2,975.00</b>
<b>I. VENITURI CURENTE</b>	<b>00.15</b>	<b>2,431.00</b>	<b>2,645.00</b>	<b>2,975.00</b>
C. VENITURI NEFISCALE	290015	2,431.00	2,645.00	2,975.00
C1. VENITURI DIN PROPRIETATE	300015			
VENITURI DIN DOBANZI	3115			
Venituri din dobanzi	311503			
C2. VANZARI DE BUNURI SI SERVICII	330015	2,431.00	2,645.00	2,975.00
<b>Venituri din prestari de servicii si alte activitati</b>	<b>33.15</b>	<b>2,431.00</b>	<b>2,645.00</b>	<b>2,975.00</b>
Alte venituri din prestari de servicii si alte activitati	33.15.50	2,431.00	2,645.00	2,975.00
<b>IV. SUBVENTII</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Subventii de la alte administratii</b>	<b>43.15</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Subvenții pentru instituții publice	43.15.09	0.00	0.00	0.00
<b>DIVERSE VENITURI</b>	<b>3615</b>			
Alte venituri	361550			
Transferuri voluntare, altele decat subventiile	37.15	0.00	0.00	0.00
Donatii si sponsorizari	37.15.01	0.00	0.00	0.00
<b>TOTAL CHELTUIELI</b>	<b>50.15</b>	<b>2,431.00</b>	<b>2,645.00</b>	<b>2,975.00</b>
<b>CHELTUIELI CURENTE</b>		<b>2,391.00</b>	<b>2,595.00</b>	<b>2,915.00</b>
<b>TITLUL I CHELTUIELI DE PERSONAL</b>	<b>10</b>	<b>1,264.00</b>	<b>1,360.00</b>	<b>1,470.00</b>
<b>TITLUL II BUNURI SI SERVICII</b>	<b>20</b>	<b>1,127.00</b>	<b>1,235.00</b>	<b>1,445.00</b>
<b>TITLUL VIII ASISTENTA SOCIALA</b>	<b>57</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CHELTUIELI DE CAPITAL</b>	<b>70</b>	<b>40.00</b>	<b>50.00</b>	<b>60.00</b>
<b>TITLUL X ACTIVE NEFINANCIARE</b>	<b>71</b>	<b>40.00</b>	<b>50.00</b>	<b>60.00</b>
Active fixe	71.01	40.00	50.00	60.00
Construcții	71.01.01	0.00	0.00	0.00
Mașini, echipamente si mijloace de transport	71.01.02	30.00	40.00	30.00
Mobilier, aparatură birotică și alte active corporale	71.01.03	10.00	10.00	30.00
Alte active fixe	71.01.30	0.00	0.00	0.00
Reparații capitale aferente activelor fixe	71.03	0.00	0.00	0.00
Cultura, recreere si religie	67.15	2,431.00	2,645.00	2,975.00
<b>CHELTUIELI CURENTE</b>		<b>2,391.00</b>	<b>2,595.00</b>	<b>2,915.00</b>
<b>TITLUL I CHELTUIELI DE PERSONAL</b>	<b>10</b>	<b>1,264.00</b>	<b>1,360.00</b>	<b>1,470.00</b>
<b>TITLUL II BUNURI SI SERVICII</b>	<b>20</b>	<b>1,127.00</b>	<b>1,235.00</b>	<b>1,445.00</b>
<b>CHELTUIELI DE CAPITAL</b>	<b>70</b>	<b>40.00</b>	<b>50.00</b>	<b>60.00</b>
<b>TITLUL X ACTIVE NEFINANCIARE</b>	<b>71</b>	<b>40.00</b>	<b>50.00</b>	<b>60.00</b>
Active fixe	71.01	40.00	50.00	60.00
Construcții	71.01.01			
Mașini, echipamente si mijloace de transport	71.01.02	30.00	40.00	30.00
Mobilier, aparatură birotică și alte active corporale	71.01.03	10.00	10.00	30.00
Alte active fixe	71.01.30			
Reparații capitale aferente activelor fixe	71.03			
Din total capital:				
Servicii culturale	67.15.03	2,431.00	2,645.00	2,975.00
Case de cultura	67.15.03.06	1,050.00	1,100.00	1,140.00
Universitati populare	67.15.03.09	1,381.00	1,545.00	1,835.00
<b>EXCEDENT</b>	<b>9815</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**BUGETUL PROPRIU AL MUNICIPIULUI BUCURESTI PE ANUL 2010**  
**BUGETUL GENERAL**

mii lei

A	Cod rând	Bugetul local	Bugetii institutiilor publice finanțate din venituri proprii și subvenții din bugetul local	Bugetii institutiilor publice finanțate integral din venituri proprii	Bugetul împrumuturilor externe și interne	Bugetul fondurilor externe nerambursabile	Veniturile și cheltuielile evidanțiate în alara bugetului local	Total	Transferuri între bugete) (se scad)	Total buget general
	<b>01</b>	<b>4,213,145.00</b>	<b>485,877.00</b>	<b>2,431.00</b>	<b>188,400.00</b>	<b>0.00</b>	<b>80,500.00</b>	<b>4,970,353.00</b>	<b>430,619.00</b>	<b>4,539,734.00</b>
	02	3,839,270.00	55,018.00	2,431.00	0.00	0.00	0.00	3,896,719.00		3,896,719.00
	03	3,695,040.00	0.00	0.00	0.00	0.00	0.00	3,695,040.00		3,695,040.00
	04							0.00		0.00
	05							0.00		0.00
	06							0.00		0.00
	07							0.00		0.00
	08	3,610,000.00						3,610,000.00		3,610,000.00
	09							0.00		0.00
	10	0.00						0.00		0.00
	11	75,895.00						75,895.00		75,895.00
	12	18,500.00						18,500.00		18,500.00
	13	0.00						0.00		0.00
	14							0.00		0.00
	15	57,395.00						57,395.00		57,395.00

Alte impozite si taxe fiscale	16	9,145.00					9,145.00		9,145.00	
Venituri nefiscale	17	144,230.00					144,230.00		144,230.00	
Venituri din capital	18	18,995.00					18,995.00		18,995.00	
Operatiuni financiare	19						0.00			
Subvenții (rd.21+22)	20	354,880.00					354,880.00		354,880.00	
Subvenții de la bugetul de stat	21	354,880.00					354,880.00		354,880.00	
Subvenții de la alte administratii	22		430,619.00				430,619.00	430,619.00	0.00	
Donatii si sponsorizari	23		240.00							
<b>CHELTUIELI - TOTAL</b>	<b>23</b>	<b>4,213,145.00</b>	<b>485,877.00</b>	<b>2,431.00</b>	<b>188,400.00</b>	<b>0.00</b>	<b>80,500.00</b>	<b>4,970,353.00</b>	<b>430,619.00</b>	<b>4,539,734.00</b>
Cheltuieli curente din care :	24	2,731,891.00	417,537.00	2,391.00			70,000.00	3,221,819.00		3,221,819.00
Cheltuieli de personal	25	104,395.00	128,675.00	1,264.00				234,334.00		234,334.00
Bunuri si servicii	26	396,779.00	284,872.00	1,127.00				682,778.00		682,778.00
Dobanzi	27	112,850.00						112,850.00		112,850.00
Subventii	28	1,264,980.00						1,264,980.00		1,264,980.00
Fonduri de rezerva	29	10,000.00						10,000.00		10,000.00
Transferuri intre unitati ale administratiei publice	30	430,619.00				0.00	70,000.00	500,619.00	430,619.00	70,000.00
Alte transferuri	31	378,033.00						378,033.00		378,033.00
Asistenta sociala	32	4,535.00	3,990.00	0.00				8,525.00		8,525.00
Alte cheltuieli	33	29,700.00						29,700.00		29,700.00
Cheltuieli de capital	34	1,399,864.00	68,340.00	40.00	188,400.00		10,500.00	1,667,144.00		1,667,144.00
Operatiuni financiare (rd.36+37)	35	81,390.00						81,390.00		
Imprumuturi acordate	36							0.00		0.00
Rambursari de credite externe si interne	37	81,390.00						81,390.00		81,390.00
Rezerve	38							0.00		
EXCEDENT(+)/DEFICIT(-)	39	0.00						0.00		0.00

**BUGETUL PROPRIU AL MUNICIPIULUI BUCURESTI PE ANUL 2011**  
BUGETUL GENERAL

mii lei

A	Cod rând	Bugetul local	Bugetul institutiilor publice finanțate din venituri proprii și subvenții din bugetul local	Bugetul institutiilor publice finanțate integral din venituri proprii	Bugetul împrumuturilor externe și interne	Bugetul fondurilor externe nerambursabile	Veniturile și cheltuielile evidențiate în afara bugetului local	Total 7=1+2+3+4+5+6	Transferuri între bugete (se scad)	Total buget general 9=7-8
			2	3	4	5	6			
<b>VENITURI TOTAL (rd.02+18+19+20)</b>	<b>01</b>	<b>4,490,570.00</b>	<b>499,988.00</b>	<b>2,645.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,000.00</b>	<b>5,073,203.00</b>	<b>442,157.00</b>	<b>4,631,046.00</b>
Venituri curente (rd.03+17)	02	4,102,855.00	57,591.00	2,645.00	0.00	0.00	0.00	4,163,091.00		4,163,091.00
Venituri fiscale (rd.04+06+09+10+11+16)	03	3,695,040.00	0.00	0.00	0.00	0.00	0.00	3,695,040.00		3,695,040.00
Impozit pe venit, profit și castiguri din capital de la persoane juridice, din care:	04							0.00		0.00
Impozit pe profit	05							0.00		0.00
Impozit pe venit, profit și castiguri din capital de la persoane fizice, din care:	06							0.00		0.00
Impozitul pe veniturile din transferul proprietatilor imobiliare din patrimoniul personal	07							0.00		0.00
Cote și sume defalcate din impozitul pe venit	08	3,860,000.00						3,860,000.00		3,860,000.00
Alte impozite pe venit, profit și castiguri din capital	09							0.00		0.00
Impozite și taxe pe proprietate	10	0.00						0.00		0.00
Impozite și taxe pe bunuri și servicii (rd.12 la rd.15)	11	79,120.00						79,120.00		79,120.00
Surse defalcate din TVA	12	19,000.00						19,000.00		19,000.00
Alte impozite și taxe generale pe bunuri și servicii	13	0.00						0.00		0.00
Taxe pe servicii specifice	14							0.00		0.00
Taxe pe utilizarea bunurilor, autorizarea utilizării bunurilor sau pe desfasurarea de activitati	15	60,120.00						60,120.00		60,120.00

Alte impozite si taxe fiscale	16	9,435.00					9,435.00		9,435.00	
Venituri nefiscale	17	154,300.00					154,300.00		154,300.00	
Venituri din capital	18	12,055.00					12,055.00		12,055.00	
Operatiuni financiare	19						0.00			
Subvenții (rd.21+22)	20	375,660.00					375,660.00		375,660.00	
Subvenții de la bugetul de stat	21	375,660.00					375,660.00		375,660.00	
Subvenții de la alte administratii	22		442,157.00				442,157.00	442,157.00	0.00	
Donatii si sponsorizari	23		240.00							
<b>CHELTUIELI - TOTAL</b>	<b>23</b>	<b>4,490,570.00</b>	<b>499,988.00</b>	<b>2,645.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,000.00</b>	<b>5,073,203.00</b>	<b>442,157.00</b>	<b>4,631,046.00</b>
Cheltuieli curente din care :	24	2,854,740.00	442,739.00	2,595.00			70,000.00	3,370,074.00		3,370,074.00
Cheltuieli de personal	25	108,555.00	134,888.00	1,360.00				244,803.00		244,803.00
Bunuri si servicii	26	398,409.00	303,633.00	1,235.00				703,277.00		703,277.00
Dobanzi	27	107,435.00						107,435.00		107,435.00
Subventii	28	1,330,360.00						1,330,360.00		1,330,360.00
Fonduri de rezerva	29	10,000.00						10,000.00		10,000.00
Transferuri intre unitati ale administratiei publice	30	442,157.00			0.00		70,000.00	512,157.00	442,157.00	70,000.00
Alte transferuri	31	378,033.00						378,033.00		378,033.00
Asistenta sociala	32	5,050.00	4,218.00	0.00				9,268.00		9,268.00
Alte cheltuieli	33	29,700.00						29,700.00		29,700.00
Cheltuieli de capital	34	1,555,505.00	57,249.00	50.00	0.00		10,000.00	1,622,804.00		1,622,804.00
Operatiuni financiare (rd.36+37)	35	80,325.00						80,325.00		
Imprumuturi acordate	36							0.00		0.00
Rambursari de credite externe si interne	37	80,325.00						80,325.00		80,325.00
Rezerve	38							0.00		
EXCEDENT(+)/DEFICIT(-)	39		0.00					0.00		0.00

**BUGETUL PROPRIU AL MUNICIPIULUI BUCURESTI PE ANUL 2012**  
BUGETUL GENERAL

- mii lei -

Cod rând	A	Bugetul local	Bugetul instituțiilor publice finanțate din venituri proprii și subvenții din bugetul local	Bugetul instituțiilor publice finanțate integral din venituri proprii	Bugetul împrumuturilor externe și interne	Bugetul fondurilor externe nerambursabile	Veniturile și cheltuielile evidanțiate în afara bugetului local	Total	Transferuri între bugete (se scad)	Total buget general
<b>VENITURI TOTAL (rd.02+18+19+20)</b>	<b>01</b>	<b>4,710,100.00</b>	<b>512,584.00</b>	<b>2,975.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,000.00</b>	<b>5,305,659.00</b>	<b>459,883.00</b>	<b>4,845,776.00</b>
Venituri curente (rd.03+17)	02	4,315,995.00	52,461.00	2,975.00	0.00	0.00	0.00	4,371,431.00		4,371,431.00
Venituri fiscale (rd.04+06+09+10+11+16)	03	4,149,355.00	0.00	0.00	0.00	0.00	0.00	4,149,355.00		4,149,355.00
Impozit pe venit, profit și castiguri din capital de la persoane juridice, din care:	04							0.00		0.00
Impozit pe profit	05							0.00		0.00
Impozit pe venit, profit și castiguri din capital de la persoane fizice, din care:	06							0.00		0.00
Impozitul pe veniturile din transferul proprietăților imobiliare din patrimoniul personal	07							0.00		0.00
Cote și sume defalcate din impozitul pe venit	08	4,060,000.00						4,060,000.00		4,060,000.00
Alte impozite pe venit, profit și castiguri din capital	09							0.00		0.00
Impozite și taxe pe proprietate	10	0.00						0.00		0.00
Impozite și taxe pe bunuri și servicii (rd.12 la rd.15)	11	79,680.00						79,680.00		79,680.00
Sume defalcate din TVA	12	19,000.00						19,000.00		19,000.00
Alte impozite și taxe generale pe bunuri și servicii	13	0.00						0.00		0.00
Taxe pe servicii specifice	14							0.00		0.00
Taxe pe utilizarea bunurilor, autorizarea utilizării bunurilor sau pe desfasurarea de activități	15	60,680.00						60,680.00		60,680.00

Alte impozite si taxe fiscale	16	9,675.00				9,675.00		9,675.00		
Venituri nefiscale	17	166,640.00				166,640.00		166,640.00		
Venituri din capital	18	8,665.00				8,665.00		8,665.00		
Operatiuni financiare	19					0.00				
Subvenții (rd.21+22)	20	385,440.00				385,440.00		385,440.00		
Subvenții de la bugetul de stat	21	385,440.00				385,440.00		385,440.00		
Subvenții de la alte administratii	22		459,883.00			459,883.00	459,883.00	0.00		
Donatii si sponsorizari	23		240.00							
<b>CHELTUIELI - TOTAL</b>	<b>23</b>	<b>4,710,100.00</b>	<b>512,584.00</b>	<b>2,975.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,000.00</b>	<b>5,305,659.00</b>	<b>459,883.00</b>	<b>4,845,776.00</b>
Cheltuieli curente din care :	24	3,057,464.00	456,295.00	2,915.00			70,000.00	3,586,674.00		3,586,674.00
Cheltuieli de personal	25	111,872.00	142,669.00	1,470.00				256,011.00		256,011.00
Bunuri si servicii	26	405,059.00	309,284.00	1,445.00				715,788.00		715,788.00
Dobanzi	27	102,590.00						102,590.00		102,590.00
Subventii	28	102,590.00						102,590.00		102,590.00
Fonduri de rezerva	29	10,000.00						10,000.00		10,000.00
Transferuri intre unitati ale administratiei publice	30	459,883.00			0.00		70,000.00	529,883.00	459,883.00	70,000.00
Alte transferuri	31	542,555.00						542,555.00		542,555.00
Asistenta sociala	32	5,265.00	4,342.00	0.00				9,607.00		9,607.00
Alte cheltuieli	33	30,500.00						30,500.00		30,500.00
Cheltuieli de capital	34	1,569,171.00	56,289.00	60.00	0.00		10,000.00	1,635,520.00		1,635,520.00
Operatiuni financiare (rd.36+37)	35	83,465.00						83,465.00		
Imprumuturi acordate	36							0.00		0.00
Rambursari de credite externe si interne	37	81,390.00						81,390.00		81,390.00
Rezerve	38							0.00		
EXCEDENT(+)/DEFICIT(-)	39	0.00						0.00		0.00