ENVIRONMENTAL SUSTAINABILITY BETWEEN INVESTMENTS NEEDS AND FINANCING POSSIBILITIES IN ROMANIA

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1. Introduction

The problems posed by the environment become pressing at the global level for the developed countries as well as for the developing countries.

As a first issue, the main idea is that the environmental sustainability must be integrated into core development work, maximizing synergies.

Then, it should be underlined the link between the environment problems and the economic and social situation from every country. It should be noticed that there is a correlation between poverty and its destructive effects on the environment.

The environmental sustainability problem has already concerned the international organizations (United Nations, World Bank), in the same time at the regional level (European Union, and American, Asian, African organizations) and at the national governments.

Finally, the environmental sustainability depends on the correct identifying of the investment needs as well as on the creation of financing possibilities of these investment projects.

2. Millennium Development Goals and the financial institutions

At the UN Summit in September 2000, 191 member states – including Romania – pledged to halve severe poverty, hunger, disease, illiteracy, and reduce environmental degradation and discrimination against women by 2015. It was an unprecedented global agenda, which called for a global partnership for poverty reduction framed around the principle of respecting the lives of all people.

A series of measurable targets – the Millennium Development Goals (MDG) – were established for monitoring progress.

In present, there is a six-point agenda for inclusive and sustainable development, including the environmental sustainability:

1) Sustain and broaden the growth momentum.

2) *Achieve better results in human development.*

3) *Integrate development and environmental sustainability.*

4) *Scale up aid and increase its effectiveness.*

5) Harness trade for strong, inclusive, and sustainable growth.

6) Leverage IFI (International Financial Institutions) support for inclusive and sustainable development.

The financing activities are important, but how should IFIs - multilateral development banks (MDBs) and the international monetary fund (IMF) -strengthen and sharpen support for the foregoing agenda for inclusive and sustainable development?

The past year has seen a continuation of a trend of diminishing importance of the international financial institutions (IFIs) in terms of their net financial flows. The multilateral development banks (MDBs) now account for only 8 percent of net official development assistance.

The World Bank has made progress in including environmental concerns in its strategies, lending, and non-lending activities, but the operational significance and impact of these efforts have varied over time and across themes, countries, and issues.

The World Bank Group now participates in 125 partnerships (table 1), mostly in environment and human development areas.

The World Bank itself is the host institution for fewer than half of these partnerships.

The majority are hosted either by the partner or by an independent organization.

Table1. Portfolio of global funds by destinations and financing institutions

Thematic network	*World Bank*	*Parten. Org.*	*Indpd Org.*	*Total no.of funds*
Environment& Sustainability	27	4	5	36
Human development	8	8	14	30
Infrastructure	12	3	1	16
Finance& Economics	6	5	5	16
Others	4	5	10	19
Total no. of funds	*58*	*29*	*38*	*125*
Structure	*46%*	*23%*	*31%*	*100%*

Source: The International Bank for Reconstruction and Development, Global Monitoring Report, 2008, p.161.

Bank financial commitments for the environment and natural resource management have increased since the 2001 Strategy was adopted.

World Bank investment lending for environment and natural resources management between 2002 and 2007 amounted to $10.2 billion. This constituted about 10.4 percent of total Bank lending.

The active World Bank environment and natural resource portfolio, by thematic distribution, as of June 30, 2007 (Table 2) shows that 64% of total portfolio is about the pollution and water management.

Table 2. Active World Bank environment and natural resource portfolio, by thematic distribution, as of June 30, 2007

Thematic distribution	**%**
1. Pollution management and environmental health	35
2. Water resource management	29
3. Environment policy and institutions	12
4. Land management	10
5. Climate change	8
6. Biodiversity	3
7. Other environmental management	3
TOTAL	**100**

Source : The International Bank for Reconstruction and Development, Global Monitoring Report, 2008, p.176.

3. The Poverty-Environment correlation problems

One of the new vision regards the ***Environmental Mainstreaming into National Planning Processes.***

Environmental mainstreaming is defined as integrating poverty environment linkages into national development planning processes and their outputs, such as Poverty Reduction Strategy Papers (PRSPs) and Millennium Development Goals (MDG) strategies. It involves establishing the links between poverty and environment (including climate change) and identifying the policies and programs to bring about better pro-poor environmental management. It is targeted at influencing national plans, budget processes, sector strategies and local level implementation — reflecting the need to integrate the valuable contribution of environmental management to improved livelihoods, increased economic security and income opportunities for the poor. The overall aim is to establish enduring institutional processes within government, from national to local levels and within the wider stakeholder community, to bring about environmental mainstreaming that is focused on the government bodies responsible for poverty reduction and growth policies, and that strengthens the role of environmental agencies and non-governmental actors.

There are the following three steps:

I. Understanding Poverty-Environment Linkages and their Importance for Pro-Poor Growth.

The initial steps are focused on identifying the key poverty environment linkages as well as the relevant governance and institutional factors that affect policy and planning decision-making.

II. Integrating Environment into National Development Processes.

These will include strategic and sector specific targets, options for environmental management programs in support of those targets and initial measures to integrate poverty-environment indicators in national poverty monitoring systems.

III. Building Implementation Capacity.

The implementation options include budget decision making, launching sector strategies and programs as well as local-level implementation initiatives. Also, capacity is needed for ensuring that environmental investments in support of poverty reduction can be financed through domestic resource mobilization. A sustained effort is needed to embed an understanding of the key poverty -environment linkages into future government decision making and implementation— with the involvement of planning and finance ministries as well as key sectoral agencies.

4. Environment policy integrated to the cohesions policy in the European Union

The integrated Europe underlines the fact that the investment project should be subscribed to the cohesion policy with a lot of objectives established by the Lisbon strategy, from March 2000, underlying the territorial dimension. The sustainable development also needs the finding of financing solutions, adequate to the market economy mechanisms.

In 2005 the European Council set out principles to guide Europe on a sustainable path of development. These principles include the ongoing need to foster economic prosperity based on an innovative, competitive and eco-efficient economy, protecting and improving the quality of the environment; promoting equity and social cohesion in solidarity with the rest of the world.

In 2006 the European Council adopted a renewed Sustainable Development Strategy (SDS) that sets out a single, coherent plan on how the European Union will more effectively live up to these principles and the overarching objective of sustainable development enshrined in the EU Treaty. The plan consists of seven key challenges which must be tackled if Europe is to move along a sustainable development path and maintain current levels of prosperity and welfare.

It recognized that SDS goals can only be met in close partnership with the Member

States and hence set in motion a new process of review and reporting involving the Commission and the Member States.

Regarding to the **Financing and Economic Instruments,** a wide variety of market based instruments (taxes and emission trading system) and policy specific market incentives (financial support to R&D (research-development), innovation and demonstration on specific issues) are used at EU and Member State level to support sustainable development. There is more potential for the use of market based instruments.

In March 2007, the Commission adopted a Green Paper on the use of market-based instruments for environment and energy related policy purposes and in the course of 2008 the Commission will review the Energy Taxation Directive and start to examine how to identify and phase-out environmentally harmful subsidies.

The Commission proposed legislation to re-structure passenger car taxation and to coordinate taxation of unleaded petrol and gas oil used as motor fuel.

The European Regional Development Fund and the Cohesion Fund are major EU financial instruments providing significant financial support for the 2007- 2013 period to key areas of the EU SDS such as climate change (€ 9 bn) and sustainable transport (€ 36 bn). Cohesion policy applies the sustainable development principles of both 'Involvement of citizens' and 'Policy coherence and governance', by including all stakeholders at all levels of government, as well as promoting coherent policy making across different sectors.

5. The first Romanian Millennium Development Goals Report

The first Romanian MDG Report established a set of eight development objectives and 21 related targets to monitor progress.

Goal 1: **Reduce severe poverty**

Target 1: Halve the severe poverty rate by 2009, as compared to 2002.

Target 2: Halve the consumption deficit of the severely poor population by 2009, as compared to 2002, and reduce social polarization.

Target 3: Increase the level of employment of people between 15 and 24 years of age.

Target 4: Support agricultural producers and processors.

Target 5: Significantly reduce the prevalence of low height for age in children between 2001 and 2015, especially in rural areas.

Goal 2: **Increase the completion rate in compulsory education**

Target 6: Ensure that at least 95% of children in rural areas complete a full course of primary and secondary education as of 2012.

Target 7: Increase the literacy rate of the Rroma population.

Goal 3: **Promote gender equality and empower women**

Target 8: Increase women's level of employment

Goal 4: **Reduce child mortality**

Target 9: Halve the mortality rate in children aged 1-4 years between 2002 and 2015.

Target 10: Reduce infant mortality by 40% between 2002 and 2015.

Target 11: Eliminate measles by 2007.

Goal 5: **Improve maternal health**

Target 12: Halve the maternal mortality rate, between 2001 and 2009.

Goal 6: **Combat HIV/AIDS and tuberculosis**

Target 13: Maintain, by 2007, the incidence of HIV/ AIDS at the level of 2002.

Target 14: Have halted by 2005 and begun to reverse the incidence of tuberculosis.

Target 15: Provide access to affordable essential drugs.

Goal 7: **Ensure environmental sustainability**

Target 16: Ensure a growth of the afforestation rate, from 27% to 35% by 2040.

Target 17: Increase the proportion of protected land area from 2.56% in 1990 to 10% by 2015.

Target 18: Reduce greenhouse gas emissions.

Target 19: Double by 2015 the proportion of people with sustainable access to drinking water.

Goal 8: **Develop communications and the information society**

Target 20: Double the number of subscribers to fixed telephony networks between 2001 and 2015.

Target 21: Increase by at least 20% yearly the number of personal computers.

Romania will participate at the High-level Event on the Millennium Development Goals at UN Headquarters in New York on 25 September 2008. The High-level Event will be a forum for world leaders, for representatives of the private sector and for civil society partners to review progress, identify gaps, and commit to concrete efforts, resources and mechanisms to bridge the gaps.

6. Structural funds allocated for environment to Romania

The European Union Financial Structural consists of:

- Structural Funds;
- Cohesion Fund;
- European Agricultural Fund for Rural Development (EAFRD);
- Financial Instrument for Fisheries (now part of EAFRD, after 1st January 2007).

Briefly, the financial allocations for Romania in 2007 – 2013 period are:

- Structural Funds and Cohesion- about 16 billions Euro;
- Funds for Rural Development- about 14 billions Euro, witch of 8 billions for non-agricultural rural development and about 200 millions Euro for fishery.

National Strategic Plan has a series for Operational Programs (PO) and Operational Sectorial Programs (POS) and the level of allocated resources is presented in the table 3.

Table 3. Financial allocation of the structural instruments for the period 2007-2013 (mil.Euro)

Objective Convergence :		**16870**
1.Regional Operational Program	FEDR	3275
2.POS Increase of Economic Competitiveness	FEDR	2240
3.POS Transport Infrastructure	FEDR Cohesion Fund	1132 2878
4. POS Environment	FEDR	1083
	Cohesion Fund	2877
5.POS Human Resource Development	FSE	3050
6. PO Administrative Capacity	FSE	185
7.PO Asistență tehnică	FEDR	150
Objective Cross Border Cooperation:		
PO Romania-Ukraina	FEDR European Instrument of Neighborhood and Partnership	**394**
PO Romania+Moldova		
PO South-East European Space		
Interregional Cooperation Program		

Source: National Strategic Reference Framework 2007-2013, Romania.

POS Environment beneficiates of 3960 mil. Euro, financed through two funds: European Regional Development Fund (FEDR) and Cohesion Fund.

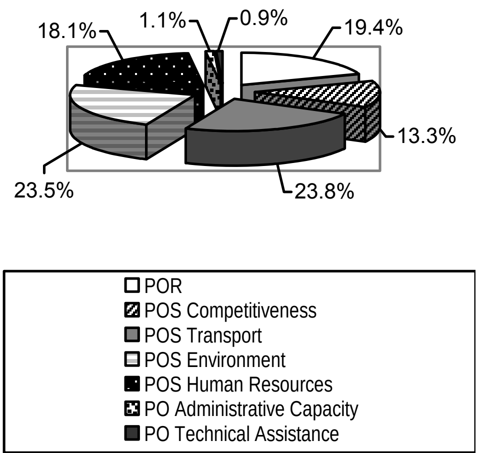

Figure 1. Convergence objective. Financial allocation of the structural instruments 2007-2013.

As can be notice in the figure 1, POS Environment represents 23.5% from the total of the structural funds for the convergence objective, proving directly the importance granted to the environment problems in Romania and indirectly, the fact that Romania is confronted with many environment problems.

7. Conclusions

Romania benefits by the structural funds in the same conditions as the ones applicable to the other Member States since the data of adhering to the European Union - the year 2007 - being eligible in the frame of the objectives of Convergence and European Territorial Cooperation.

The recent financial market turbulence and the resulting global economic slowdown pose difficult challenges for policy makers.

The Romanian leaders must integrate environmental sustainability into core development work, including new sources and modalities of international and European aid. Also, they need to catalyze and leverage more private capital in support of development. A series of post-adhering to EU situations indicate that the most difficult problem for Romania is the problem of financing management. Even there are available funds, there is not the possibility to access the external and internal financing resources and to monitorize and administrate the project implementation.

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