

THE STRATEGY OF FINANCING THE ENVIRONMENTAL PROJECTS THROUGH THE NATIONAL ACTION PLAN FOR ENVIRONMENT IN ROMANIA

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Abstract

Environmental policy establishes long-term goals on environmental protection and the support of environmental policy must strike a balance between environmental investment demand and the financial offer, whose allocation mechanisms are complex and varied. In practice, the compliance with environmental objectives requires substantial financial resources that can exceed the financial capacity of operators, setting environmental objectives and selecting the optimal mix of instruments for implementation and financing mechanisms can be effective only if they are supported by clear regulations and strong enforcement measures. In this paper we have tried to highlight the main sources of financing the investment projects of environmental protection.

Key words: *financial support, financial resources, environmental policy, environmental investment, environmental areas*

Jel clasificatiin: *G2, Q5*

1. Introduction

An important aspect in financing the environmental protection in our country is to develop the National Action Plan for Environmental Protection. In the strategic environmental planning process are involved, on the one hand, institutions and public authorities and economic operators who propose is to include in the National Environmental Action environmental projects, and on the other hand, those who finance these projects. The main sources of financing the investment projects for environmental protection are: state budget, local budgets, Environmental Fund, European funds, other domestic and international funding sources. Also, at the economic agents level are prepared strategic plans for financing environmental investments in priority projects included environmental investment and sources of funding.

2. Developing National Action Plan for Environment in Romania

When setting up the financial support to finance environmental investments it should be consider the following elements:

- specifying the nature of investments to protect the natural environment (customizing investment in investment on treating pollution and investment on pollution control);
- customize environmental expenditures (current internal and external environmental expenditure);
- the uncertainties in estimating the elements that characterize the support of environmental policy (higher interest rates on loans, changes on exchange rate, environmental taxation, changing environmental standards, changing the conditions for accessing external grants).

The establishment of financial support for financing environmental expenditures implies aggregating information in order to assess the costs and risks of natural and especially estimate the cost of externalities that should be charged by the beneficiary of the investment. Environmental Action Plans are tools to support communities in prioritizing environmental issues and allow their resolution at county, regional and national levels. Planning National Environmental Action raises the development of a collective vision regarding environmental quality assessment, identifying environmental issues, setting the indicative allocation strategies for their resolution and implementation actions that lead to a real improvement in environmental quality.

The National Action Plan for Environmental Protection identifies the most important environmental issues, representing a long-term plan for investments and environmental programs.

In Romania, the National Environmental Action (NEAP) aims to:

- defining environmental problems and their ranking according to their priorities;
- establishing specific environmental measures to be met within a specified time period;
- setting priorities for environmental investment.

In the context of the characteristics mentioned above, can be state the following objectives of the National Action Plan for Environmental Protection:

- establish the priority environmental actions, respectively our country's obligations towards environmental issues at national and global levels;
- drawing up action plans for environmental protection to be included in national and local budgets and in the economic agents financial planning;
- devising lists of actions aimed at protecting the environment and their ranking based on environmental identified priorities.

The purpose of developing an Environmental Action Plan consists in:

- presentation of a set of measures to underpin the implementation of environmental improvement projects;
- stimulating initiatives to achieve environmental projects to improve the environment;
- ensure harmonization of environmental projects with environmental sector strategies;
- complementing financing sources (each action proposed to be funded through national and international action must be based on the identification of funding sources).

Elaboration of National Action Plans for Environmental Protection is a dynamic, continuously evolving process, due to the development in time of economic and social factors, which is why it requires constant updating and monitoring.

According to the methodology of preparation of the National Action Plan for Environmental Protection, the list of targets to be financed are only included proposals for projects of national importance whose minimum value is greater than 210.000 lei.

3. Specific environmental domains included in the National Action Plan for Environmental Protection in Romania

In our country, the first National Action Plan for Environmental Protection was developed in 1995 and subsequently updated in 2003 and 2007.

In 2007, through the National Environmental Action were included an portfolio of 357 environmental projects investment proposals in following environmental domains:

- Pollution control, air protection and climate change - 39 projects selected;
- Water - 163 projects selected;
- Waste and hazardous chemicals - 25 projects selected;
- Nature conservation, biodiversity and forests - 51 projects selected;
- Urban and Rural Development and noise protection - 38 projects selected;
- Soil quality and degraded areas - 13 projects selected;
- Environmental Education - 28 projects selected.

As can be seen, most projects have been approved on the "Water" environment domain, which is one of the areas where our country called the signing of the Treaty of Accession to the European Union, transitional period for transposition and implementation environmental acquis by the year 2022 (ie the transposition and implementation of Directive no. 91/271/EEC concerning urban wastewater treatment Directive no. 98/83/EC on the quality of water intended for human consumption).

4. Funding environmental projects included in the National Action Plan for Environmental Protection in Romania

According to data provided by the Environmental Action Plan in 2008, in terms of funding sources identified for project proposals accepted, the situation for specified environmental domains is the following: (table no. 1)

Table no. 1

Sources of financing investment projects for environmental action in the National Action Plan for Environmental Protection

Sources of financing investment projects for environmental action	

Environmental domain	own sources (% of total sources)	External funds (% of total sources)	Environmental Fund (% of total sources)	National and local budgets (% of total sources)	Other sources (% of total sources)
Pollution control, air protection and climate change	0	30	11	17	42
Water	4,3	68,7	18,4	4,9	3,7
Waste and hazardous chemicals	20	56	12	12	-
Nature conservation, biodiversity and forests	4	44	22	26	4
Urban and Rural Development and noise protection	0	31	48	13	8
Soil quality and degraded areas	-	57,1	35,8	7,1	0
Environmental Education	14	28	29	25	4

Source: National Action Plan for Environmental Protection, 2008

As can be seen, from the point of view of funding sources identified for the portfolio of projects admitted into the National Action Plan for Environmental Protection, most projects aimed at attracting external funds to finance investment (45% for the seven areas of environmental) and financial resources from the Environment Fund (25.17%). Most of the accepted project proposals fall into the category of new investments (56.9%), the rest being in the category of development projects / expansion (28.8%) or upgrading (14.3%).

In our country, the Environment Fund was established through the promulgation of the Law of Environmental Fund in 2000 as a result of awareness of the need for a financial instrument able to provide funding for environmental protection and to solve environmental problems which our country was facing, but also as a result of the guidance presented in the Country Report by the European Commission which stated the establishment of an operational environment fund. The Environment Fund was established to ensure the implementation of the following activities:

- support the improvement of environmental policy;
- speeding the measures for the implementation of environmental laws;
- provisioning of the co-financing of environmental investments;
- funding priority environmental programs and objectives.

Environmental Fund is financed mainly from environmental taxes and penalties, which are considered an extended version of the "polluter pays" principle. More specifically, being responsible for some changes that occur in the environment, polluters are subject to the penalties and fees that subsequently concentrated Environment Fund and used to eliminate those consequences by implementing environmental projects. In this respect, the operability of Environment Fund translates into practice by the existence of a causal link, they are directed to reducing or even eliminating those environmental damage they are responsible businesses that are paying environmental taxes fines.

Synthetic, the information regarding "the project category" in which fall the investment proposals of the protection of the environment investments and the quality of each area of environmental beneficiaries are (table no. 2).

Table no. 2

Project categories and recipients of environmental investment projects action in the National Action Plan for Environmental Protection

Environmental domain	Project categories			Categorii de beneficiari			
	New investment (% of project categories)	Modernisation (% of project categories)	Development / expansion (% of project categories)	Local public authorities (% of categories of beneficiaries)	Economic operators (% of categories of beneficiaries)	Other public institutions (% of categories of beneficiaries)	NGOs (% of categories of beneficiaries)
Pollution control, air protection and climate change	51	42	7	15	85	0	0
Water	38	25	37	68,1	24,5	7,4	0
Waste and hazardous chemicals	68	20	12	68	32	0	0
Nature conservation, biodiversity and forests	57	17	26	86	0	6	8
Urban and	63,5	31,5	5	100	0	0	0

Rural Development and noise protection							
Soil quality and degraded areas	66,7	8,3	25	71	19	0	0
Environmental Education	57,1	28,6	14,3	14,3	3,6	67,8	14,3

Source: National Action Plan for Environmental Protection, 2008

Out of the 357 proposals selected, the local authorities have sent the largest number of projects at a rate of 62%, followed by the operators (21.5%), other public institutions (14%) and NGO-s (2.5%). Regarding the type of projects, 57.32% of the 357 approved projects fall into the category of "New investment" category, 24.62% in the "Modernization" projects and 18.06% are projects for Extension/development. The "Report on the state of implementation of projects in the National Action Plan for Environment Protection" published in 2011 shows that of the 357 projects approved in 2007 were made only 40 projects, 97 projects are being achievement, 199 projects remained at the stage of proposal, beneficiaries not starting the implementation procedures, 6 projects were rejected and 15 canceled.

It is observed that the share of the remaining projects in the proposal stage of the project (55.7%) of the portfolio of projects approved in 2007 significantly exceeds the cumulative percentage of projects completed (11.2%) and those under development (27.2 %).

We believe that the large share of unrealized projects was influenced by factors such as:

- the absence or scarcity of public and private financial resources necessary on co-financing or supporting them to the reimbursement from the European funds;
- lack of involvement of local authorities in supporting applicants for investments in environmental action;
- the existence of complicated procedures for accessing funds;
- poor information regarding the attraction of European funds grant.

Reported on environmental areas that are part, most projects were carried out in the "Water" domain (14 projects), followed by the "Pollution control, air protection and climate change" domain (10 projects) and the "Urban and Rural development and protection against noise " domain (9 projects). In "Waste and hazardous chemicals" domain, "Protection of nature, biodiversity and forests" domain and "Environmental Education" domain were carried out 2 projects and in the "Soil quality and degraded areas" domain was made a single project. The analysis identified funding sources for each project investment in environmental activities, 11 projects were funded solely from its own sources, 7 of Environmental Fund, two of the local budget, 1 project of the Global Environment Facility, other projects being financed on the basis of combinations of financial resources (own sources, budgetary allocations and grants).

5. Conclusion

Construction and the commissioning of environmental investment objectives are determined by the existence of financial sources. In practice, investment financing policy for environmental protection is achieved in the long term and covers all the objectives set in the strategic plan for financing environmental activities. We believe that in the substantiating of decision making for financing environmental protection must be given to providing certain necessary financial resources for environmental investment objectives, respecting the financial balance between short-term funding resources and medium and long term financing. Consequently, the financial support for environmental policy depends on coordinated actions in three areas: environmental policy reform, institutional strengthening and financing, the last can not act as a substitute for the other two areas.

6. Bibliography

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