

PROMOTING SUSTAINABLE DEVELOPMENT USING EU FUNDS*

Andreea Lorena RADU¹

Olga OLARU²

Maria DIMITRIU³

ABSTRACT

Our planet can not sustain indefinitely a growing population, having more and more complex and diversified needs, without taking into account the need to satisfy the conditions for environmental protection and sustainable development. Thus, each state must take all necessary measures to support and promote the sustainable development, both at macroeconomic and microeconomic level. At present, our country is in the first programming period 2007-2013, after the accession to European Union, having the opportunity to use EU funds for promoting a sustainable development. The investigation presented in this paper aims to identify the factors and their influence on including or not-including activities that support the sustainable development, in grant financed projects. One of the most important conclusions is that the funds management institutions have a great influence on the applicants decisions.

KEYWORDS: *eligibility, financing rate, grants, sustainable development, the „polluter pays” principle.*

JEL CLASSIFICATION: *F35, Q01*

1. INTRODUCTION

In the past 30 years, the global GDP has doubled, but this economic growth involved irrational use of resources, which were dramatically decimated. Thus, the current rate of growth can not be maintained, and a deadlock solution can be the sustainable development.

“Functioning of human society in the context of globalization involves complex interactions between economies, nations, people, accompanied by a free informational interpenetration and a deepening of general human relations. Conservation and sustainable use of natural resources becomes therefore a global problem.” (Cobzari et al., 2006)

In order to continue and complete the Lisbon Agenda, the European Council adopted the Europe 2020 Strategy, on 17 June 2010. The strategy proposes an overview of Europe's social market economy, aiming at overcoming the crisis and transforming it into a smart, sustainable and inclusive economy, while delivering high levels of employment, productivity and social cohesion. (EC, 2010) As a result of EU accession, Romania benefits from structural funds at a level reaching nearly 28 billion Euros for the period 2007-2013. These amounts are non-refundable and this is a great opportunity to obtain specific funding for different areas, being eligible both economic agents and public institutions.

This paper is presenting the results of a quantitative research, in order to identify the influence of the use of grants and supporting sustainable development in grants financed projects. The questionnaire was exclusively addressed to beneficiaries or applicants for grants.

¹ The Bucharest University of Economic Studies, Romania, andreea.radu10@gmail.com

² The Bucharest University of Economic Studies, Romania,olga.olaru@gmail.com

³ The Bucharest University of Economic Studies, Romania, dimitriumarial1@gmail.com

2. GRANTS AND THE SUSTAINABLE DEVELOPMENT

According to the authors Caracota and Caracota (2004), critics of integration into the global economy sustain that the globalization increases the volatility and vulnerability and is detrimental to the local cultures and the environment.

Environmental protection is one of the current concerns of the modern society. Changes caused to the environment during the human evolution, led to unwanted effects that are now felt more than ever, and are even threatening the future of the planet and the human race. Even if degradation hasn't reached a critical level of life threat, "it can cause a strong decline in the quality of our world." (Dachin et al., 2003)

Consequently, the Europe 2020 strategy proposes a vision for Europe's social market economy for the next decade. It is based on three priority areas, that are interrelated and mutually reinforcing: smart economic growth - developing an economy based on knowledge and innovation; sustainable economic growth - promoting a competitive, low-carbon economy and an efficient use of resources; inclusive growth - promoting a highly labor employment, generating social and territorial cohesion. The progress towards these objectives will be measured against five representative indicators at European level, that each member state was asked to translate into national targets reflecting starting points (EC, 2010):

- 75% of the population aged 20-64 should be employed;
- 3% of EU's GDP should be invested in research and development;
- Climate and energy objectives "20/20/20" must be met;
- The proportion of early school leavers should be under 10% and at least 40% of the younger generation should have an university degree;
- The number of persons with poverty risk should be reduced by 20 million.

The objectives set by the Europe 2020 Strategy require political responsibility and mobilization of all actors across Europe. Thus, each member state must adapt the strategy to its particular situation, from the economic, financial, social and environmental points of view.

Investment projects represent the material basis of social and economic development of our country. An investment is an expense that will most influence the future, having the purpose of obtaining future gains. These gains should reward the investor for postponing his consumption, for the expected rate of inflation, and for the risk that he assumed. (Dimitriu & Caracota, 2004)

The financing sources for an investment are diversified, but one of the most accessed lately is represented by the European funding.

Structural and Cohesion Funds are financial instruments used by EU to eliminate the disparities between regions and to achieve economic and social cohesion. As an EU member, our country can use these funds to make strategic investments for the development of human and natural capital, taking into account the principles of sustainable development.

Although these grants represent an attractive opportunity for many investors and also for society, the difficult access and the strict control of the funds use by financiers are the most important disadvantages which may encroach the investment momentum. (Kapital SRL Team, 2010)

For each European funding program, the sustainable development is a horizontal objective, translated through its ecological dimension. Also, the principle of equal opportunities is a second horizontal objective. Overall, although this approach is inaccurate, the programs are considered to be promoters of sustainable development. But the effect of this promotion type is unclear, revealing the possibility of various causes of failure in supporting sustainable development.

3. THE RESEARCH METHODOLOGY

The developing process of the questionnaire was based on the preliminary identification of factors that can influence the researched aspect, and including them in the questions or providing them as options for answering:

- the financing program;
- the total value of the project, the grant value and the financing rate;
- the financed activity and the project stage;
- legal status of organization, the existence of quality management system and measures to improve the quality of environment, sustainable development measures currently applied;
- the existence of a strategy including sustainable development aspects, the environmental effects involved by the developed activity;
- previous experience with grants and involvement of this type investments in previous projects;
- method of project preparation, age and gender distribution of the preparing team;
- level of knowledge, sources of information on sustainable development;
- reasons for including activities that promote sustainable development in the project;
- types of activities that promote sustainable development in the project;
- achievement of the sustainable development objective across the financing program and the project contribution to it;
- limit sources for this type activities inclusion, incentives that promote sustainable development and intention to include or not such activities in future projects.

The factors have been identified in a previous qualitative research based on focus groups among both beneficiaries and applicants for grants, as well as consultants and project developers.

The questionnaire can be categorized as a factual data questionnaire, containing questions targeting facts and objective situations that can sometimes be directly observed and verified by other means or by other persons. It also belongs to the opinion surveys category, collecting data that can not be directly observed and trying to capture not only people's opinions, but also motivations, attitudes, biases and expectations on the research topic.

The questionnaire contains 33 questions, including: 8 open questions, 14 single response questions (having several possible answers from which the respondent can choose only one), 11 multiple answer questions (having several possible answers from which the respondent can choose one, two or more options).

Also, the questionnaire includes 13 mixed questions, having several possible answers, but not covering the full range of possibilities, and leaving the freedom of the subject to answer the question.

The structuring technique is the funnel one: from general to particular. The questionnaire is divided into 4 main sections:

- The project: general information;
- The beneficiary/applicant: general information;
- Knowledge on sustainable development;
- The project: specific information.

On the other side, there are 26 „cause” questions, 6 „effect” questions and 1 question that fulfills both aspects: cause and effect ("The inclusion of supporting sustainable investment in the project is due to ...").

The needed level to fill the questionnaire can be considered a specialized one, from the questions content point of view, but we also offered several possible responses, in order to clarify the type of necessary response and to facilitate the filling out process by any representative of a beneficiary or grant applicant.

The procedure for addressing the questionnaire was:

- personally administrated or by telephone, by the inquiry operator;
- self administrated, the subjects filling directly the form and returning to the operator, using e-mail or fax.

Administration of the questionnaire was conducted primarily at conferences, seminars and events that we attended, dedicated to beneficiaries and potential beneficiaries of EU funds. Full questionnaire can be consulted in Appendix 1.

4. RESULTS OF THE INVESTIGATION

4.1 General results

Up to the moment of this paper development, there were completed a total of 125 questionnaires. In order to interpret the results of the survey, some corrections were necessary:

- completion of certain factual data fields, where respondents have not completed (eg the grant value, the financing rate or the activity of the applicant / beneficiary);
- calculating the grant value and the project value in Ron and in Euro, since the choice offered was to present the amounts in Ron or Euro.

The most significant results are:

- 17 respondents currently apply measures to improve the environmental quality, 73 don't apply and 35 don't apply but intend to;
- 2 respondents currently use renewable energy sources, 23 green procurement, 65 waste management, 65 energy efficient devices, 3 ecotechnologies, 34 don't apply such measures;
- 30 respondents had had previous experience with grants, but only for 8 of them the previous projects involved activities of sustainable development;
- 110 projects were developed under the supervision of a specialized consultant, 69 in collaboration with third parties, 15 exclusively by the beneficiary/applicant employees and 17 in partnership;
- the level of information and knowledge on sustainable development is high for 25 projects, average for 58 and reduced for 42 respondents;
- 80% of respondents use the Internet as primary information source, 35% media, 32% books and publications, 26 % communications and events;
- the environmental dimension of sustainable development is the main dimension for 51% of the respondents, the economic dimension - 3%, the social dimension - 10%, all dimensions - 45%;
- the "polluter pays" principle is known by 87% of respondents, equal opportunities - 37%, substitution - 37%, prevention - 31%, internalizing the positive externalities - 24%, good governance - 17%;
- the eligibility conditions are the reason for the inclusion of sustainable development activities in projects for 40 respondents, selection conditions - 69, the need for these investments for the institution/organization - 30, the need to meet the EU standards - 36, the need for environmental protection - 49, and 4 projects do not contain such activities;
- types of sustainable development activities included in the project: social investment - 29%, renewable energy - 1%, energy efficient equipment - 63%, waste management - 27%, green procurement - 3%, sustainable transport - 20%;
- the poor awareness of the sustainable development need is a source of limitation for 59 respondents, lack of immediate need and opportunity - 55, involving additional costs - 49, increasing complexity of the project - 17, poor illustration of objective - 71, lack of appropriate assessment - 42;

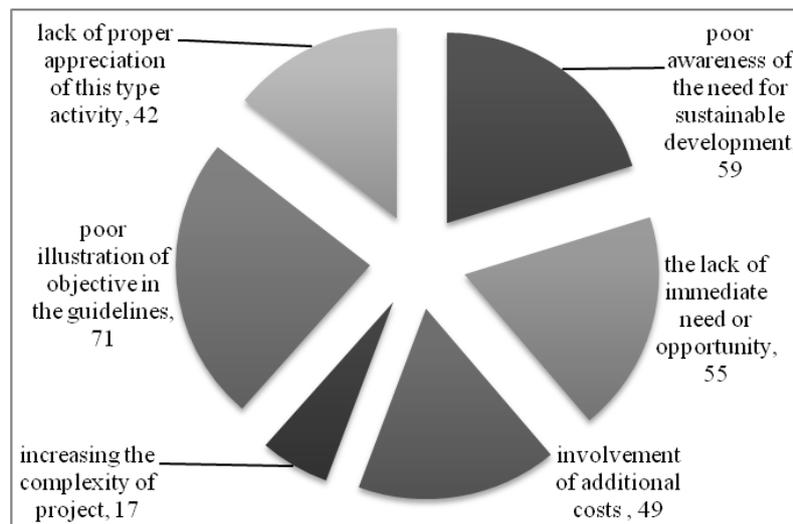


Figure 1: Limits for including activities that promote sustainable development in projects

Source: own work on the basis of the conducted research

- a higher rate of public funding for this type of activity can be an incentive for 32 respondents, including a selection criterion - 30, providing a higher score - 43, performing intensive information and awareness campaigns - 55, providing successful examples, ideas and suggestions - 100;
- 37% of respondents will include this type of activities in future projects and 62% depending on the constraints and opportunities.

4.2 Complex results

Although the general results presented above can provide a support for shaping a general opinion on the most important factors that determine the inclusion of activities promoting and supporting sustainable development in projects, more profound and interesting ideas can be detached after correlating the answers of „cause” questions and „effect” ones.

Thus, we present the most conclusive aspects after the process of correlation and analysis of obtained responses:

In terms of reasons for including activities that support sustainable development in project for individuals, freelancers and SMEs, the main reason is the selection conditions, for NGOs - the eligibility conditions, while in the case of public institutions, the necessity of these investments for the institution or society is more important. Those who currently practice green procurement and choose energy efficient equipment or renewable energy sources, are motivated primarily by the environmental protection necessity; institutions and organizations applying waste management and those that do not support sustainable development are most interested in selection conditions. Respondents who benefit from previous experience with grants, including investments for sustainable development, have chosen as primary reason the need of these investments for the institution / organization, while the lack of this experience reveals interest in terms of selection conditions. Preparing the project under the supervision of a specialized consultant results in paying more attention to the selection conditions; the technologists influence towards the environment protection. The age of preparing team members can influence the project: people under 35 years old are interested in environmental protection, those between 36 and 50 are considering the selection conditions and those over 50 address the needs of the institution/organization. A high level of information and knowledge on the concept and principles of sustainable development leads to the environment protection interest, and for a medium or low level the selection conditions outweigh.

Projects submitted or in evaluation, selected or in implementation mainly propose energy efficient equipment as part of promoting sustainable development, and the completed ones approach also the waste management. Previous experience with funds and sustainable development influences for including social investments in projects and its absence limits to energy efficient devices. Predominantly male gender in the preparing team but also a low information level, have an important influence on including sustainable transport investments in projects. Projects with a total value up to 1 million Euros propose energy efficient devices and those having a higher value - sustainable transport and social investments. Social activities are correlated with the need for these investments for the institution/organization.

Respondents with projects submitted or in evaluation, selected or in implementation think that the main limit for including sustainable development investments in these projects is the poor illustration of objective in guidelines, and those having completed projects: additional costs. Poor illustration is also the motivation of SMEs and public institutions, and of those who apply green purchasing or own energy efficient equipment. NGOs consider that poor awareness of the need for sustainable development is an obstacle for the researched aspect. The same applies for those with high levels of knowledge and information and for projects prepared exclusively by beneficiary/applicant's employees. Preparing teams having members aged between 36 and 50 years and those containing a member who participated in formal training/specialization on sustainable development until the submission, consider that training additional costs hinder sustainable development.

Providing successful and practical examples, ideas and suggestions for this type of activity is the most important incentive, regardless of the respondent's legal status, the project stage, the type of activity to support sustainable development currently applied, the level of knowledge, the existence of specialization. Developing project in partnership with other institutions/organizations leads to the view that performing intensive information and awareness campaigns on the need to support sustainable development, can have the greatest influence on the decision to invest in such projects. Also, the interpretation of sustainable development only through economic dimension is related to the need to perform intensive information and awareness campaigns on the need to support sustainable development.

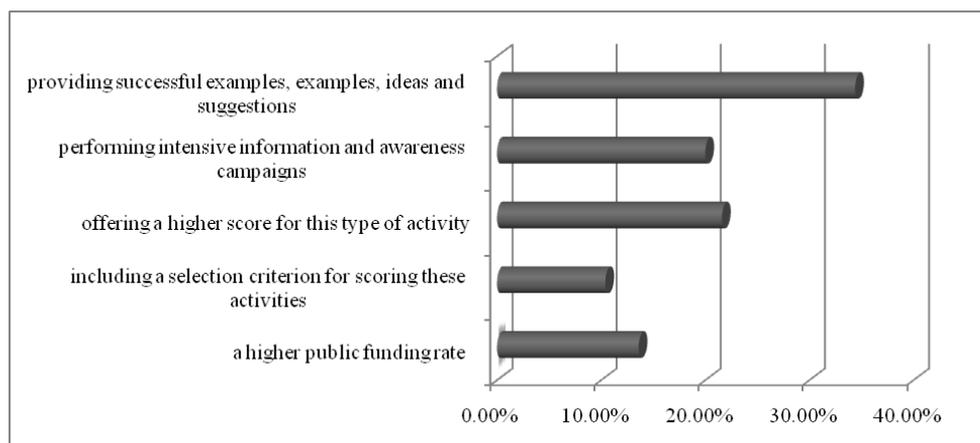


Figure 2: Incentives for promoting sustainable development in projects (for an average level of information and knowledge)

Source: own work on the basis of the conducted research

Respondents with completed projects will include with greater certainty this type of activity in future projects, while other respondents will include it depending on the opportunities and constraints at the time. NGOs also will include investments for sustainable development in the

future, and so those currently using renewable energy and applying green procurement and ecotechnologies.

Previous experience with funding and investments for sustainable development, a high level of information and knowledge of the team members and developing projects in partnership ensure the inclusion of such investments in future projects.

5. CONCLUSIONS

The results of the investigation characterize the current status of the use of EU funds in Romania in terms of sustainable development. According to these partial results, we are dealing with a medium to low level of competence in this area, with training based on information from the internet, and a generalized unawareness of the sustainable development need. Most of the respondents erroneously interpret sustainable development through the environmental dimension. Grants applicants/beneficiaries who participated to the survey, consider sustainability a condition, either an eligibility one or a selection one, rather than an objective or a necessity. The purchase of energy efficient equipment has become a leitmotif of projects, this mainly due to the insufficient illustrating the concept and principles of sustainable development by the institutions that manage the funds, and the low level of information and knowledge of the population.

The survey limits are primarily based on an insufficient number of questionnaires that do not cover the entire portfolio of financing programs and focuses on similar projects.

Following completion of the investigation, we may be able to analyze the degree of dependence between the identified factors and the inclusion of activities that promote and support sustainable development in projects financed by non-refundable funds and the influence of these factors on the volume and type of activities.

“Despite progress in recent years, is a fact that Romania still has an economy based on intensive use of resources, a society and a government still in search of a vision and a natural capital affected by the risk of damage that may become irreversible.” (MMDD, 2008)

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Appendix 1

QUESTIONNAIRE

As a PhD at the Bucharest University of Economic Studies, Department of Management, with and under the guidance of the PhD advisor and the scientific monitor, we intend to perform an investigation in order to identify the relation between the use of grants and supporting sustainable development in grants funded projects.

This questionnaire is addressed exclusively to beneficiaries or applicants for grants. The information on the project and the institution/organization is confidential.

I. THE PROJECT: GENERAL INFORMATION

1. **Title and location of the project:**
.....
.....
2. **The financing programme:**
.....
.....
3. **Total value of the project (Ron/Euro):**
4. **Grant value (Ron/Euro):**
5. **The financing rate (%):**
6. **The financed activity:**
.....
7. **Indicate the currently stage of the project:**
 - project submitted or under evaluation
 - project selected/accepted for grant
 - project in implementation
 - project completed

II. THE BENEFICIARY/APPLICANT: GENERAL INFORMATION

8. **Indicate the legal status of your institution/organization:**
 - natural person, authorized natural person, individual enterprise
 - SME (including microenterprise)

- large enterprise
- NGO, association, foundation
- authority of local government
- other (please specify):

9. Name and location of institution/organization:

.....

10. Activity area of the institution / organization:

.....

11. The institution/organization is currently applying measures to improve the quality of environment (ISO 14001, EMAS or equivalent)?

- yes
- no
- no, but is in implementation/certification
- no, but intends

12. The institution/organization is currently implementing a quality management system (ISO 9001 or equivalent)?

- yes
- no
- no, but is in implementation/certification
- no, but intends

13. Indicate the measures types of sustainable development applied in your institution/organization (multiple answer):

- renewable energy
- green procurement
- waste management
- energy efficient equipment
- ecotechnologies
- none
- others (please specify):

14. The institution/organization has a medium/long term strategy, containing clear objectives, which are taken into consideration by all stakeholders?

- yes
- no
- I don't know

15. (if applicable) Indicate the specific aspects of sustainable development included in this Strategy (multiple answer):

- use of renewable energy sources
- limitation/reduction of present pollution
- selective waste collection
- use of recycled products
- none
- others (please specify):

16. What kind of environmental effects involves the activity performed by your institution/organization? (multiple answer)

- positive effects (please detail):
- high pollution
- other negative effects (please detail):.....
- I don't know

17. Your institution/organization has prior experience with grants?

- yes (please specify the financing programme):
- no
- I don't know

18. (if applicable) The previous experience with grants involves specific investments for sustainable development?

- yes (please exemplify):
- no
- I don't know

19. Indicate how the project was developed and prepared (multiple answer):

- under the supervision of a specialized consultant
- in cooperation with third parties (project planners, technologists, other collaborators, etc)
- exclusively by the institution/organization's employees
- in partnership with other institutions/organizations
- other (please specify):

20. Indicate the age group characteristic to the majority of the project preparing team:

- under 35 years
- between 36 and 50 years
- over 51 years

21. Indicate the gender distribution of the majority of the project preparing team:

- male
- female
- same proportion

III. KNOWLEDGE ON SUSTAINABLE DEVELOPMENT

22. Specify the level of information and knowledge on the concept and principles of sustainable development that applies to the preparation team:

- high level of information and knowledge
- medium level of information and knowledge
- low level of information and knowledge

23. Indicate the primary source/s of information on the concept and principles of sustainable development (multiple answer):

- Internet
- mass media
- books and specialized publications

- institutional communications and events (seminars, courses, conferences, funding programs, research etc.)
- other (please specify):

24. Did any member of the preparing team participated to trainings on specific themes of sustainable development up to the project submitting moment?

- yes
- no
- no, but there is interest in participating in the future

25. What dimension do you think is the most representative for sustainable development?

- economic dimension
- social dimension
- environmental dimension (environmental protection and conservation)
- all mentioned dimensions
- none of the mentioned dimensions

26. Which of the following principles of sustainable development are known to you? (multiple answer)

- the intergenerational equity
- the prevention (stabilizing the damage to human health and the natural capital that could be prevented through investments, modernization, repair, treatment or compensation)
- the substitution (replacement of inefficient products and services with more efficient ones, having less negative environmental impact)
- the "polluter pays" principle
- internalizing the positive externalities
- the good governance principle
- other (please specify):

IV. THE PROJECT: SPECIFIC INFORMATION

27. Including activities that support sustainable development in the project is due to (multiple answer):

- eligibility conditions
- selection conditions (evaluation criteria for obtaining an additional score)
- higher rate of public funding for these activities
- the institution/organization need for these investments
- the need to meet the EU standards
- the need for environmental protection
- other (please specify):
- there are no such activities in the project

28. (if applicable) What type of activities that support sustainable development are included in the project? (multiple answer)

- organic agriculture
- social investment
- renewable energy
- energy efficient equipment

- waste management
- green procurement
- sustainable transport
- others (please specify):

29. How do you assess the fulfillment degree of the sustainable development objective across the funding programme?

- very high
- high
- medium
- low
- very low

30. How do you evaluate your project's contribution to this objective?

- significant contribution
- average contribution
- reduced contribution
- no contribution

31. Indicate potential sources of limiting the amount or the volume of activities promoting sustainable development in your project (multiple answer):

- poor awareness of the need for sustainable development
- the lack of immediate need or opportunity for making these investments for your institution/organization
- involvement of additional costs for your institution/organization
- increasing the complexity of project
- poor illustration of objective in the guidelines and documentation/information materials
- lack of proper appreciation of sustainable development activities in the programme/financing line
- other (please specify):

32. What type of incentive do you consider it could increase the amount or the volume of activities promoting sustainable development in a grant project? (multiple answer)

- a higher public funding rate for this type of activity
- including a selection criterion for scoring these activities (if applicable)
- offering a higher score for this type of activity
- performing intensive information and awareness campaigns on the need to support sustainable development
- providing successful examples, ideas and suggestions for this type of activity
- other (please specify):

33. In a possible future project, will you include activities to support sustainable development?

- yes
- no
- depending on the opportunities and constraints at the time

Thank you for your time!