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A SURVEY OF THE ROMANIAN ENVIRONMENTAL FUND

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Abstract: *The environment protection is considered to be a legitimate domain of the national policies in Romania since 1990, when the former Ministry of Environment appeared. Later on, the Environment Security National Strategy had been elaborated, being considered the first official document establishing the national objectives of that specific field. But the environment policies will be highly developed starting with 2000, when Romania’s preparation to join the European Union started; and this flourishing flow will take place according to European Union’s elaborated strategy regarding the candidate states within Agenda 2000. Due to the complexity of concerns on the EU acquis in the environment security field, Romania obtained a series of transition steps necessary for the high costs. Therefore, our country created the Environment Funds, namely an economic-financial tool designated to sustain and develop the environment protection projects. The present paper aims to present and analyze the way of creating, managing and using this fund from the perspective of the accomplished goals. So, there are brought into play the modalities and income sources of the Romanian Environmental Fund, the contributions paid to the fund and their payers. The environment protection projects financed by this fund, the norms required and the rewarded fields of this domain are also taken into consideration. In the end, there are exposed some measures that should be taken in order to determine a more active involvement of the potential beneficiaries in accessing grants financed by the Environmental Fund.*

JEL classification: G38; H23; K3; Q50; Q58.

Keywords: environmental fund, polluter pays principle, financing sources, environment protection projects.

1. Romanian environment policy regulation – brief history

Environment protection became officially a public action field in Romania in 1990 when the *Ministry of Environment* was set up.

In 1992 the *“Environment Protection National Strategy”* had been adopted and, later on, it was updated in 1996 and 2002. The main environmental objectives in Romania, according to this strategy were related to:

- *preserving and improving people’s health conditions;*
- *sustainable development;*
- *preventing pollution;*
- *preserving bio- diversity;*
- *preserving cultural and historical heritage;*
- *following “the polluter pays principle” ;*
- *stimulation of activities related to bringing environment to a normal state.*

Even so, it was already 1995 when Law no 137/1995 concerning environment protection has been promulgated. The above-mentioned Law established the principles and the strategic factors to be followed in order to ensure a sustainable development:

- *precautious decision making principle;*
- *ecological risks and damaging prevention principle;*
- *preserving bio-diversity and eco-systems specific to natural bio-geographical*

frame principle;

- polluter pays principle;
- eliminating foremost the polluters that are directly and severely endangering human health;
- setting up a national environmental integrated monitoring system;
- sustainable use, meaning exploiting renewable resources in a way and in a rhythm that won't lead to a long term decline of the resources, keeping their potential complying with the present and future generations needs and aspirations;
- preserving, improving the quality of environment and rehabilitation of the affected areas;
- drawing up a participatory decision making and decision enforcement framework for the NGO's and citizens;
- developing international cooperation in ensuring the air quality.

We should emphasize the congruence of the principles supporting Romanian environmental policies with European Union's policies, as a statement of Romania strategic orientation toward Europe.

The National Strategy for Environmental Protection has been completed in 1999 with a "Report concerning the environmental state in Romania" (report that later on referred also to 2000 – 2004 period) and, in 2000, with National EU Accession Program, enhanced, in 2002, by "National Strategy of Waste Management".

As a consequence of adopting these programming documents, certain progresses have been made in regulating the impact assessment, dangerous wastes, waste deposits, waste package and waste transport, rules on waste water, potable water, pollution caused by dangerous materials, identifying areas needing special protection, controlling industrial pollution, nuclear fields safety measures.

The year 2002 meant opening the "Environment protection" negotiation chapter between Romania and European Union, chapter that have been closed in 2004. As a result of negotiations, Romania has got several transition periods in order to comply with European Union's environment directives, as it follows¹:

- *3 transition periods of 1, 2 and 3 years* for complying with the provisions of the directive concerning the control of volatile organic compound emissions resulted out of storing gasoline and its distribution from deposits to gas stations;
- *3 transition periods of 3, 5 and 5 years* for achieving the objectives concerning recovering/recycling plastic, glass and wood in order to comply with the provisions of the European Union's directive concerning packages and waste packages;
- *2 transition periods of 1 and 2 years* for complying with the provisions of the European Union's directive concerning waste incineration;
- *3 transition periods of 3, 7 and 9 years* for 130 waste deposits to comply with the provisions of the European Union's directive concerning waste depositing;
- *2 transition periods of 2 years* for achieving the objectives concerning collecting, recycling and valorise waste of electric and electronic equipments;
- *2 transition periods of 5 and 9 years* for complete bringing into operation the provisions of the European Union's regulation on waste transport and *an exemption from enforcing the article 7(4) during the period of temporary exemption for destination equipment*;
- *2 transition periods of 9 and 12 years* for bringing into operation the provisions of the European Union's directive concerning cleaning urban waste waters;
- *2 transition periods of 4 and 9 years* for complying with 9 quality parameters

¹ http://www.mie.ro/_documente/negocieri/prezentare_capitole.pdf

provided by the European Union's directive concerning potable water quality;

- 1 *transition period of 3 years* for 51 industrial units for 8 dangerous materials;
- 1 *transition periods of 8.2 years* for 195 equipments ruled by the European Union's directive concerning pollution prevention and integrated control;
- 3 *transition periods of 6 years* for complying with SO₂ limit rate of 34 firing plants and also with NO_X limits of 69 equipments, with dust limits of 26 equipments and a transition period of 1 year for complying with NO_X limits of 6 equipments.

European Union agreed with these transition periods in those fields in which the compliance with its standards needed the most important financial efforts from Romania. Though, on a long term, the environment protection will continue to be a serious financial pressure for Romania. The European Commission estimates that for Romania the costs of complying with the environmental acquis will exceed 20 billion euro for the following 20 years.

Considering the Environmental Fund, the National EU Accession Program is the most important. According to the chapter "Quality of life and environment" of this document it is absolutely necessary and urgent to implement and use economical tools for environment protection. Given this framework, the Program states as a main objective setting up the Environment Fund as a main tool for achieving the priority objectives according to the programming documents. Also, another objective of setting up the Environment Fund is to move the environmental policies from reactive measures and actions to pro-active ones. In addition, the Environment Fund plays an important part in supporting and encouraging the co-financing opportunities for environment related activities.

The necessity to create an Environment Fund has been stressed out by the European Commission's 2000 Annual Report on Romania's accession efforts, insisting on the fact that, together with rational use of all available financial resources for implementing environmental aquis, Romania must promote those financial instruments that are necessary in order to efficiently use its natural resources complying with the principle saying that the polluter pays.

2. Romanian Environmental Fund legal framework

The Environmental Fund had been set up by Law no. 73 in 2000, as a special fund, outside the budget. The above mentioned law has been subsequently modified and completed by other regulations, namely: Government Emergency Ordinance no. 93/2001, endorsed by Law no. 293/2002, and, after being re-published into issue no. 889/2002 of the Official Bulletin of Romania, it was modified and completed by Government Emergency Ordinance no. 86/2003, endorsed by Law no. 333/2004, as well as by Government Emergency Ordinance no. 41/2005.

Law no 73/2000 stipulated that Environmental Fund is meant to support and achieve the priority objectives, of public interest listed in the National Action Plan for environmental protection, according to national and international environmental norms and standards, and, given its generality this approach could have lead to financing a large amount of expenditures, without the Fund achieving its goals.

Another negative aspect essentially as far as the Environment Fund is concerned, referred to establishing the sources of the Environment Fund, but the law didn't mention any quotas.

The law stipulated the income sources for the Environment Fund as it follows:

- a) the amounts cashed as taxes by the environmental protection central authority and by the environmental protection territorial authorities, in exchange for issuing the

environment agreements and authorizations;

b) the amounts cashed as taxes for exploiting the natural resources, other than those taxed for supporting the special funds;

c) the amounts cashed as taxes for polluting the atmosphere, the surface and subterranean waters, the soil and vegetation, according to the principle saying that “the polluter pays”, as it follows:

- taxes for burning fuels with high concentrations of noxious elements;
- taxes for trading on internal market dangerous substances as well as materials having a high toxicological potential on human health and environment, no matter their source;

- taxes paid by traders for wasting the packages that could be recovered;
- taxes for storing wastes on lands;
- taxes for wasting burnt mineral oils;
- taxes for trading fast moving goods;
- taxes paid by the suppliers for not providing replacement parts in order to allow some products to function according to their life span;
- taxes for activities generating noise pollution;

d) amounts cashed as taxes for trading on internal market or for exporting some natural resources, biological or mineral, including goods coming from wild flora or fauna, terrestrial and aquatic;

e) amounts cashed on the occasion of different events organized on Environmental Fund benefit;

f) state budget subsidies and local budget subsidies, payments, donations, financial support provided by public or private institutions and organizations, by individuals or international organizations and bodies, as well as governments and governmental agencies;

g) sponsorships, as any other sources established by the Govern, following the proposal of the environmental protection central authority, according to the law.

The ways of calculating these payments according to the law, as well as the manners of collecting them were to be established by Governmental Decision.

The subsequent amendments of the law concerned this aspect, thus, by Law 73/2000 republished in 2002, the following revenues sources have been indicated:

a) a 3% quota of the revenues cashed by entrepreneurs collecting or turning the ferrous and non-ferrous wastes into good accounts;

b) amounts cashed for pollutants emissions in atmosphere affecting the environment as listed in an annex to the decision;

c) the revenues originated in using new lands for storing recyclable waste, as listed in other annex of the decision;

d) a 3% quota of the packages traded by producers and importers, except for those used for drugs;

e) a 2% quota of the value of dangerous chemical materials traded by producers and importers, except for the materials used to produce drugs;

f) a 0.5% quota of the value of dangerous chemical materials traded by producers and importers in order to be used in agriculture;

g) a 3% quota of the adjudication price for timber brought from National Forest Administration and other wood owners, companies or individuals;

h) a 1,5 % quota of the amounts cashed out of trading tobacco goods;

i) state budget subsidies and local budget subsidies, payments, donations, sponsorships, financial support provided by individuals or companies, both domestic or foreign;

j) amounts cashed as reimbursements of granted loans, interests, other financial operations financed from Environment Fund financial resources;

k) financial aids from international bodies;

l) amounts cashed on the occasion of different events organized on Environment Fund benefits;

m) taxes cashed by one-stop-offices for issuing the environmental authorization for low impact activities.

The law was also stipulating that in case of industrial companies using recyclable waste and materials in a proportion of at least 50%, the amounts provided at point b) are not to be paid. In addition, if the producers or importers are collecting and recycling the waste listed at point d) the quota to be paid is referring only to the difference between the produced or imported quantities and the collected and recycled ones.

By the end of 2005, Romanian Government issues the Emergency Ordinance no. 196 concerning the Environment Fund that annuls the Law no. 73/2000 as well as its subsequent alterations and completions. Such a decision was based on the following reasons:

a) the necessity of settling the legal framework of the revenues gathered in order to create the Environment Fund as well as the legal framework regarding the tasks of the Environment Fund Administration on declaring, determining, controlling, collecting, solving complaints and the enforcement of the debts owned to the environmental Fund. The new law regulating the Environment Fund in Romania stipulates the applicability of the Fiscal Procedure Code provisions, settling the matter and provides the Environment Fund managing authority the necessary tools to pursue and recover debts from tax payers.

As the Environment Fund law in force at that moment was not specific about the manner of bringing into operation the provisions of article 9 line (1) regarding the sources of revenues, the changes proposed stipulate, beyond any doubts, the tax payers categories, as well as the ways of calculating these payments as revenues sources for the Environment Fund. The alterations and the amendments proposed are related to the provisions of Government Decision no. 621/2005 concerning packaging and waste package management and to the provisions of Government Decision no. 170/2004 concerning used tires. Both governmental decisions are based on EU acquis.

b) ascertaining the reduction of the revenues raised by the Environment Fund. Such an ascertained fact determined the need to identify other budgetary balancing solutions for the benefit of the Environment Fund Administration by introducing or coming back to certain payments allowing a proper financing of the environment protection projects;

c) the need to cover the financing of environment protection priority projects in order to fulfil the obligations assumed by Negotiation Chapter 22 – Environment, especially those concerning pollution prevention and integrated control and by EC Water and Heavy Firing Plants Framework Directive. For the same purpose, the Environment Fund project pipeline has been widened. As far as the project pipeline is concerned, it is connected to the rules and regulations referring to environment protection and water management.²

According to the present regulations³, the Environmental Fund is an economic-

² *Fundament Note* for Governmental Emergency Ordinance no. 196/2005 concerning the Environmental Fund, www.guv.ro.

³ *Governmental Emergency Ordinance no. 196* issued in December 22nd 2005 concerning the Environment Fund, publicized in the Official Bulletin of Romania 1193 in December 30 2005, approved with alteration by the Law no. 105 issued in April 25th 2006, publicized in Romanian Official Bulletin 393 in 8th of May 2006, article (1)

financial tool meant to sustain and implement environment protection projects complying with the in force regulations referring to environment protection. Based on the European principles saying that “the polluter pays” and “the producer is responsible”, an Environmental Fund has been created by setting up a system of taxes and shares related to polluting activities performed by individuals and companies. The resulted amounts are meant to finance environment protection projects as grants (subsidies) or loans. By creating this fund in order to settle environmental protection issues, Romania joins other countries in economical transition owning such a resource assignment tool.

The managing unit for the Environment Fund is the Environment Fund Administration (EFA), legal public entity, coordinated by the national environmental protection authority: Ministry for Environment and Sustainable Development. Completely self-financing its activity EFA has as main tasks: supervising the Environment Fund setting up and management; drawing-up the annual working plan and the revenues and expenditures budget; evaluating, selecting and financing environment protection projects approved to be financed according to legal provisions and procedures listed by the Environmental Fund Operation Manual; monitors and controls the Environment Fund financed projects implementing process; finances works meant to prevent, recover and / or reduce the effects produced by dangerous meteorological phenomena on hydrological harnessing.

The Environment Fund Administration fulfils its tasks by means of its decision making structures, as it follows:

a) The Endorsing Committee which analyses and endorses by vote: the operation manual including the methodology for project selection, approval and financing; the annual working plan, including eligible categories of projects to be financed; the projects to be financed by the Fund, selected from those proposed by the Managing Board; categories of financial support for the projects and, if needed, the interest rate of the loans;

b) The Managing Board, which, according to article (6) line (3) of Government Emergency Ordinance No. 196/2005 is responsible for:

- approving the EFA revenues and expenditures budget, as endorsed by central environment protection authority;
- endorses the operation manual drafted by the specialized units and submits it for approval to the Endorsing Committee;
- endorses the annual working plan drafted by the specialized units and submits it for approval to the Endorsing Committee;
- endorses and submits for approval to the Endorsing Committee the projects selected to be financed by the Fund;
- submits for approval categories of financial support for the projects and, if needed, the interest rate of the loans;
- approves the financial papers and annual and quarterly budgetary balance sheets and submits this documents to the environment protection central authority;
- supervises Environment Fund setting up and management;
- monitors the Environment Fund financed projects implementing process;
- approves the Funds Annual Management Report and publicize it according to the law.

Setting up a separate unit in order to manage Kyoto Protocol responsibility, namely the green certificates, brought a novelty element to the Fund Administration structure.

In addition, the Environmental Fund spread national wide by setting up regional offices in every Romanian Development Region.

For covering the operational and capital expenditures, EFA uses up to 3% of the

Fund revenues.

The financing sources for the Environmental Fund revenues are⁴:

- a 3 % quota out of the revenues realized by selling ferrous and non ferrous waste by the waste private or organizational owners. The amounts are collected by legally authorized waste collector or valorising companies by source seizing, and they are compelled to pay the amount to the Fund. For those companies, the authorization is issued according to the rules and regulations concerning the recyclable industrial waste management;

- taxes for polluter's emission into the atmosphere⁵, coming from static and mobile sources, paid by companies;

- taxes paid by companies using new fields for storing valuable waste, within some limits established by the law;

- a 1 leu (one currency unit) tax for every kilogram of package brought on the national market by producers or importers of packaged goods and retail package and a 1 leu tax for every kilogram of tire paid by the producers and importers introducing on the market new tires or used tires meant for reusing⁶;

- a 2% quota of the value of environmental dangerous substances, classified as such by laws, brought on the national market by producers or importers, except for those used for producing drugs and listed by Annex 2;

- if the owner or the administrator of a forest is selling standing woods or raw timbers, he has to pay a quota to the Fund. The quota is 1% out of selling value and it is paid by the buyer company which is processing the wood⁷;

- a 3% quota of the annual fee for managing the hunting stock, paid by the managers of the hunting stocks;

- donations, sponsorships and financial support provided by private or legal national or foreign persons and international organization and bodies;

- amounts cashed as reimbursements of granted loans, interests, penalties, other financial operations financed from Environmental Fund financial resources;

- amounts cashed on the occasion of different events organized on Environment Fund benefit;

- the amounts cashed as taxes in exchange for issuing the environment endorsements, agreements and authorizations;

- interests and penalties⁸ due to be paid by Fund debtors.

The owed amounts listed above are to be monthly declared and paid by those legal and private persons who are active in those fields, until the 25th day of the following

⁴ *Governmental Emergency Ordinance no. 196/2005, articles (9-10) corroborated with the Law no. 105/2006*

⁵ Such amounts are not to be paid by companies using recyclable industrial waste as secondary raw materials in a proportion of at list 50 percent.

⁶ These taxes have to be paid only in case of failure of the waste package valorization objective and used tires management objective, as they are provided by the laws. The payment is due for the difference between the value of the annual objective and the value of reached objective by the responsible company. The producers and importers of packaged goods and retail package, together with the companies managing used tires must calculate and declare monthly, until the 25th day of the following month for the activities of the last month the difference between the calculated objective by using the legal percentage set as annual valorization objective and the reached objective.

⁷ Such a quota is not to be calculated and paid if the standing woods or timbers are coming form certified woods.

⁸ If the debtors are not paying in due time to the Environmental Fund, then they are due to pay interests and penalties in the same amount as those owed for not paying in due time the fiscal taxes. If the taxes and quotas owed to the Environmental Fund are not paid in due time then the EFA is bound to recover the amounts by using enforcement procedures.

month for the activities of the last month, except for taxes for polluter's emission into the atmosphere, coming from mobile sources which are to be declared and paid twice a year, until the 25th day of the first month in the next semester for the last semester. The amounts coming from taxes paid by companies using new fields for storing valuable wastes, coming from the tax of 1 leu (one currency unit) for every kilogram of package brought on the national market by producers or importers of packaged goods and retail package and a the tax 1 leu (one currency unit) for every kilogram of tire paid by the producers and importers introducing new or used tires (for reusing) on the market, as well as the 3% quota of the annual fee for managing the hunting stock, paid by the managers of the hunting stocks, are to be declared and paid annually, until the 25th of January of the next year. The debtors are submitting or sending the fiscal statement to the EFA and the debts are collected into a separate account opened by EFA at the State Treasury.

The revenues supporting the Environmental Fund are, thus, public and consisting in quotas and taxes following the same rules as fiscal taxes, quotas and other amounts owed to the general consolidated public budget, based on the Fiscal Proceedings Code approved by the Government Ordinance no. 92/2003, with all its subsequent alteration and amendments.

The Environmental Fund is a financial instrument for supporting and bringing into operation environmental protection priority project. The annual working plan is providing the categories of eligible projects and is aiming to improve environmental performance on: polluting prevention; reducing the impact on atmosphere, water and soil; reducing the noise levels; using green technologies; waste management, including dangerous waste management; protecting water resources, waste water treatment plant, water purifying plants for local communities, seaside area integrated management; preserving biodiversity; protected natural areas management; environmental protection public education and awareness; increasing reusable energy sources production; reducing green house effect gases emissions; ecological reconstruction and durable management of the forests; forestation of depreciated lands in forest scarce area identified as such according to the law; closing mining mud setting pond; works meant to prevent, recover and / or reduce the effects produced by dangerous meteorological phenomena on hydrological harnessing on state public property.

As far as the projects eligible to be financed from the Environment Fund are concerned, one or another financing manner proposed by the Managing Board and approved by the Endorsement Committee in line with the regulations may be:

- financial support for the projects by entirely financing or co-financing as a grant;
- financial support for the projects by entirely financing or co-financing as a loan;
- totally or partially supporting the interest involved by bank loans contracted for implemented the projects;
- co-financing the projects supported by EU and / or other international funds.

The loans are granted to companies it consists in financially supporting o quota of maximum 75 % out of eligible expenditures of the project. The company has to reimburse the loan under the conditions and within the terms stipulated by the financing contract.

There are no loans for the projects implemented by companies for which the financial support is considered to be regional state aid for investments.

The grants are awarded to:

- companies receiving financially support for maximum 50% of the total eligible costs of the project. If the company is implementing the project in Bucuresti-Ilfov Development Region, the financing quota is of maximum 40 % of of the total eligible costs of the project. The beneficiary must contribute with at least 50 % of the total eligible costs of the project.

- local authorities. They are entitled to a financing support percentage of maximum 60% of the total eligible costs of the project.

- for NGOs and schools, the financing support percentage can not exceed 90% of the total eligible costs of the project.

Mixed financing support (grant + loan) is granted only for companies and consists in:

- a maximum 30 % grant of the total eligible costs of the project, with a bonus of 10% for small and medium enterprises(SME) if the project implies energy recovering;

- a maximum 40 % loan of the total eligible costs of the project.

We must emphasize that there is no mix financing for those companies financed as beneficiaries for investment regional state aid.

The approved projects are financed based on financing contracts⁹, which may be annual or multi-annual, bound to the state aid rules and regulations. The analyze, selection, financing, monitoring and control of project implementation are made according to the Environment Fund operation manual and to the rules and regulations meant to put the Emergency Ordinance no 196/2005 into operation, except for projects related to closing mining mud setting pond, to works meant to prevent, recover and / or reduce the effects produced by dangerous meteorological phenomena on hydrological harnessing on state public property. The Environment Fund doesn't financially support the projects initiated by applicant debtors to the state budget and to the Environment Fund as well as projects supporting activities with negative impact on the environment.

Government Emergency Ordinance no 196/2005 has been approved by Law no. 105/2006, by which the number of eligible projects categories increases from 5 to 16, admitting the capacity of the Environment Fund to diversify its coverage.

3. The results of the Environmental Fund activity in Romania

The Environmental Fund became operational in June 2002.

Between 2002 and 2003 its activity has been limited to registering declaration and cashing the amounts owed to the Fund, without granting any financial support.

Due to the lack of specialized personnel in the field of taxpayers monitoring and control, to lack of specific legislation and lack of a proper IT&C system, the collecting percentage for the Environmental Fund revenues has been rather low.

This situation determined the EFA to start making a list of the taxpayers by the fourth trimester of 2004. For this purpose:

- around 3900 notes have been send to tax payers who did pay but did not submit any monthly declaration in order to account their payment duties.

- a data base has been got from Romanian Chamber of Commerce and Industry, and it has been used for excerpting a number of 250,000 potential tax payers, companies performing activities in fields considered for paying taxes to the Environmental Fund. These companies were listed into an analytical directory of EFA tax payers in order to be monitored.

The situation of sums raised at the Environmental Fund is an effect of above mentioned actions as well as the effect of updating of the structure of the revenues sources, as listed in Table no. 1.

⁹ Financing contracts together with financing reimbursement guarantying documents are mandatory titles, with no need to be endorsed with other mandatory title.

Table no. 1

The situation of the sums raised at the Environmental Fund

Year	Sums raised at the Environmental Fund				Index of sums raised at the Environmental Fund ¹	
	current prices (lei)	equivalent euro ²	comparable prices 2002	% of GDP	Previous year	Year 2003
2002	19025744	6087215	19025744,00	0,013	-	-
2003	68935332	18355408	57734783,92	0,035	362,33%	-
2004	90603540	22353522	65528809,85	0,037	131,43%	131,43%
2005	149241412	41187792	96201890,41	0,052	164,72%	216,49%
2006	193375706	54866139	113525606,1	0,056	129,57%	280,52%
Total	521181732					

¹calculated on the base of the sums evaluated in lei(national currency); ²based on annual average values of the exchange rates

Source: EFA, Reports on Environmental Fund management for 2004-2006

The revenues of the Environmental Fund for June 2002 to 31 of December 2006 have been valued to 521.181.732 lei. A permanent increase of the revenues of the Environmental Fund must be noticed, both in current prices and in comparable ones. We have to underline the noticeable augment of revenues in 2005, and the explanation of this is the enforcement of debts recovery measures. Even so, the importance of the Environmental Fund it is not so big, because the sums raised account only about 0,05 - 0,06% of GDP.

The sums raised at the Environmental Fund are not the same to the levels considered by the EFA incomes and expenditures budget.

Table no. 2 presents the Environmental Fund revenues collecting percentage between 2004 and 2006.

Table no. 2

The Environmental Fund revenues collecting percentage between 2004 and 2006

	Budgeted revenues (lei)	Collected revenues (lei)	Collecting percentage (%)
2004	125.560.000	90.603.540	72,16%
2005	119.990.000	149.241.412	124,38%
2006	150.000.000	193.375.706	128,92%

Source: EFA, Reports on Environmental Fund management for 2004-2006

As we noted, the collecting percentage for the Environmental Fund revenues has been low in the year 2004 (only 72,16% of the budgeted revenues were raised), but, as effect of the measures taken, in 2005 and 2006 the revenues raised at the Fund were bigger than budgeted ones.

As far as the use of Environmental Fund is concerned, the first financial aids have been granted in 2004, when a total amount of 206.477.200 lei has been foreseen for supporting priority environment projects. The total contracted amounts for financing these projects was 10.656.361,3 lei, for 2004, the expenses supported was 3.605.556 lei

and the difference of 7.050.805,3 lei was to be paid during the year 2005.

In 2005, up to December 31st, an amount of 66.864.140 lei, out of 283.796.760 lei has been paid, meaning 24% of the annual budgetary plans. In 2006, this percentage grew up to 25,68%, an amount of 100.323.135 lei, out of 390.694.800 lei has been paid.

We can notice the reduced absorption rate of the funds, especially because of the beneficiaries' incognizance of possible financing from this source.

The annual budgetary plans and the payments made by the Environmental Fund between 2004 and 2006 are presented in table no. 3.

Table no. 3

The annual budgeted expenditure and the payments made by the Environmental Fund between 2004 and 2006

- lei -

Year	Budgeted expenditures for projects support	Payments	Payments/Budgeted expenditures
2004	206477200	3605556	1,75%
2005	283796760	66864140	24%
2006	390694800	100323135	25,68%

Source: EFA, Reports on Environmental Fund management for 2004-2006

A more eloquently way of underlining the minor present impact of the Environmental Fund in solving environment problems (especially in 2004) is the graphic. In the graphic no. 1 we both budgeted expenditures and sums allotted for projects support.

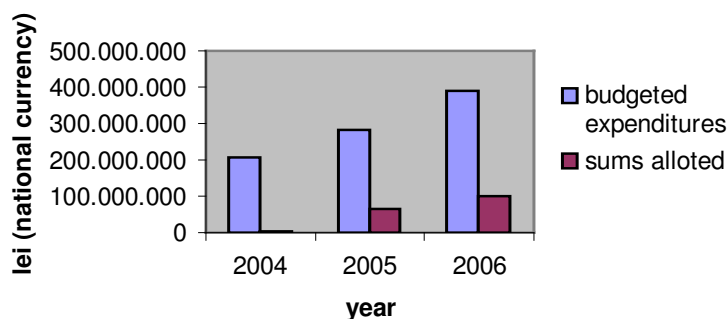


Fig. no. 1 – Budgeted expenditures and sums allotted by the Environmental Fund

The financing situation by project categories is listed in Table no. 4.

Table no. 4

- lei -

Project / Category of project	Year	2004	2005	2006
Neutralizing and removing the existing dangerous waste of acetyl cyanohydrins in the storage area of the former SC METADET SA Fălticeni		898.226,90	313.814,50	-
Developing used PET package waste collecting system for recycling		2.707.329,12	6.701.765,84	138.204

Promoting national car park renewal	-	43.821.000	45.330.000
Works for eliminating the natural calamity effects produced by floods in July 2005	-	15.891.087,07	11.893.824,27
Works for preventing and eliminating the natural calamity effects produced by floods in September 2005 in Costinesti area (Governmental Decision no. 1631/2005 and Governmental Decision no. 790/2006)	-	-	16.879.162,78
Educating and raising people awareness of the importance of the environment protection	-	136.472,60	971.012,28
Works for eliminating the natural calamity effects produced by floods in 2006	-	-	18.250.250,98
Managing wood waste and sawdust coming from wood and orchard exploitation and wood processing industry	-	-	273.492
Urban waste water treatment plant	-	-	66.449,70
Dangerous waste incineration plant	-	-	1.711.414
Alternative method of sterilizing medical waste	-	-	4720,88
Regional storage area for dangerous waste	-	-	804.360
Reducing the impact on atmosphere, water and soil	-	-	179.316
Protecting water resources, waste water treatment plant, water purifying plants for local communities	-	-	3.810.319,83
Preserving bio-diversity	-	-	10.460
Total		3.605.556,02	66.864.140
			100.322.986,7

Source: EFA, Reports on Environmental Fund management for 2004-2006

Based on the data reflected in table no. 3 it can be seen that beneficiaries, mainly public administration, have shown a lack of concern particularly in the domain of managing wastage, although there is an estimated annual quantity of 63000 ton of dangerous waste. The most accessed projects was that of “protecting water resources, waste water treatment plant, water purifying plants for local communities” and of “national car park renewal”, but the major part of the resources was used to eliminate natural calamities produced in 2005 and 2006.

Considering the Romania’s accession to European Union starting with January first 2007 and adopting European Union’s rules on state aid and in order to use the Environmental Fund, the EFA draw up ten state aid schemes. Based on these schemes, the Competition Council authorized ten decisions to grant state aids. Also, after January 1st 2007, EFA draw up other 19 state aids schemes, according to Government Emergency Ordinance no. 117/2006 concerning national proceedings for state aid.

In 2007 EFA is continuing to finance environment investments, but, considering the small amount of granting of the last years (the most important amount was registered in 2006, when 25.68% of the resources meant to finance projects have been effectively allocated), the Emergency Governmental Decision no 59/2007 allowed the Environmental Fund to also finance the projects submitted for the national program concerning the improvement of the environment quality by developing urban green areas. The aim of this program is to improve the environmental factors and also the quality of life by developing urban green areas. The general objectives of the program are focusing on developing and modernizing urban areas in a manner that includes a proper settlement of the green areas by creating new parks, squares and green lines and also by rehabilitation of the existing ones. The specific objectives of the project are referring to increasing the urban green areas and to bringing the amount of green areas per capita as close as possible to the European standards.

According to the above-mentioned Emergency Governmental Decision, the program beneficiaries are the local administration authorities interested in applying to the program and in extending the urban green areas. The beneficiaries have to submit their projects to the Ministry of Environment and Sustainable Development. Their projects are analysed and selected in order to be financed by an analysing committee whose structure, working procedure and projects receiving and analysing deadlines are regulated by the Environment and Sustainable Development Ministry's order.

The program is operational since 2007 for a three years period with a possibility of prolongation.

Initially, an amount of 25000000 lei (about 7500000 euro) has been assigned out of the Environmental Fund for the national program of improving the environment quality for 2007. Following the initiative of the Ministry of Environment and Sustainable Development, the Government decided to increase the amount allotted from Environmental Fund in order to support the National Program of improving the environment quality and developing the urban green areas with another 35000000 lei (about 10500000 euro). These sums were allotted almost entirely, and the beneficiaries are 102 local public administrations.

We consider that some measures should be taken in order to determine a more active involvement of the potential beneficiaries in accessing grants financed by the Environmental Fund allowing them to support actions and activities related to the environment quality improvement. Some of the above-mentioned measures refer to:

- a more active involvement of the Local Environmental Protection Agencies in sharing information related to available funds and projects call for proposals;
- creating direct communication ways between the Environmental Fund Administration and local public authorities (especially electronic communication – e-mail);
- the permanent update of the Environment Fund Administration site allowing those interested to find information of public interest answering the needs of the applicants;
- communicating by mass media campaigns in order to advertise the programs financed by the Environmental Fund;
- increasing the number of calls for proposals.

The Environmental Fund is an important financing resource for some projects with significant impact on improving the quality of life, but so far this financing source was not properly used by the firms, non-governmental organizations or local authorities mainly due to their lack of knowledge concerning the financing opportunities and to their lack of administrative capacity in drawing up projects. By filling these gaps, the resources

provided by the Environmental Fund would be more efficiently used and the purpose this instrument has been created for – solving environmental protection issues – will be fulfilled.

Although, we consider that in a long-term perspective, the most part of the expenditures for pollution reduction should come from private sources and the public participation to the financing of environmental protection issues should be reflected in the national budget, in order to maintain fiscal discipline and to integrate environment priorities with the other competing claims of different social objectives.

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