

# Historical and Economic Considerations of Sustainable Development,

Oana CHINDRIS-VASIOIU

---

Oana CHINDRIS-VASIOIU, Ph.D., associate professor, Ecological University of Bucharest - Faculty of Economics

---

## Abstract

*The concept of sustainable development starts from the premise that the human civilization is a subsystem of the Ecosphere, dependent on raw material and energy flows within it and the capacity for self-regulation, and maintaining the Ecosphere of stability. At the same time the concept believes that human civilization in turn has a significant impact on the ecosphere. In the early 1970s, the Club of Rome published a report entitled "limits of growth", in which it claimed that Terra has a limited capacity to meet the increasing demand for natural resources to socio-economic system and to alleviate the destructive effects of the use of these resources.*

*This paper tries to define sustainable development in economic terms taking into account the historical evolution of the concept and, at the same time, to highlight its importance in the context of economic growth.*

**Keywords:** sustainable development, economic indicators, economic growth, the European Union

**JEL Classification:** Q4, Q5

## Introduction

The concept of "sustainable development" means the totality of forms and methods of socio-economic development, whose foundation is primarily to ensure a balance between socio-economic systems and natural capital elements. Sustainable development aims and try to find a theoretical framework for decision-making in any situation in which is found a report of man-type environment, whether it's environmental, economic or social.

The most common definition of sustainable development is definitely the date of World Commission for Environment and development (WCED) report "our common Future", also known as Brundtland report: "sustainable development is development which aims to satisfy the needs of the present without compromising the ability of future generations to meet their own needs".

### 1. Brief history of sustainable development

The concept of "sustainable development" was born 30 years ago in response to environmental issues and natural resource crises, especially those related to energy. Conference on the environment in Stockholm in 1972 is when it recognizes that human activities contribute to the deterioration of the environment, which put in danger the future of mankind. A few years later, in 1983, he began the work of the World Commission for

Environment and development (WCED), led by Brundtland, a resolution adopted by the General Assembly of the United Nations. Two years later in 1985 it was discovered the hole in the ozone layer over the Antarctic, and the Vienna Convention pirm began looking for solutions for reducing the consumption of substances that harm the protective ozone layer that surrounds the Planet. (Stutz, 2011)

The term "sustainable development" began to become known only after the International Conference on the environment and development, organized by the United Nations in Rio de Janeiro in the summer of 1992, under the name cunsocuta "Earth Summit", which was attended by representatives from about 170 countries. In 2002 held at the Johannesburg Summit on sustainable development. Local Agenda 21 was developed and endorsed by the World Summit in Rio de Janeiro in 1992, as an instrument to promote the concept of sustainable development.

Sustainable development has become an objective of the European Union and, since 1997, when it was included in the Maastricht Treaty, and in 2001 the summit of the Goetheborg was adopted the strategy of sustainable development of the EU, which has been added an external dimension in Barcelona in 2002. (Rojanschi, 2006).

## **2. The fundamental principles of sustainable development**

A principle is a principle of sustainability in mind the justification integrated strategic management and sustainable development. A criterion of sustainability implies that, at a minimum, future generations may live worse than current generations. The sustainability criterion requires the fulfilment of the necessary conditions for an equal access to the resources of each of the future generations.

The fundamental criteria of sustainable development, established by the Commission of the European Community since 1993, are as follows:

- maintaining the quality of life in its entirety;
- maintaining a continuous access to natural resources;
- avoiding permanent prevention of environmental friendliness.

In the following year, 1994, the Working Group on the sustainable development of Salzburg, Austria, included in the Group of criteria of sustainable development: humanism and high quality of life, the preservation of cultural diversity and equitable regional distribution of wealth and resources, human survival, preservation of irreversible damage or exploatrii of natural resources, stabilization of inside bearing capacity of ecosystems, biodiversity preservation. (Stutz, 2011)

Strategic management of sustainable development involves, besides the establishment of long-term objectives (15-20 years), have those short and medium term, and apply a set of principles and criteria validated effective internationally. These principles are as follows ("Strategia Nationala pentru Dezvoltarea Durabila a Romaniei. Orizonturi 2013-2020-2030"):

- Integrated management is the principle that implies unitary approach in the manner of production, processing, transportation, distribution, handling and storage, taking into account the life cycle of products and tahnologiilor, the involvement of stakeholders and coordination of interinstitutionala;
- Integrated equity is a requirement according to which the present generation has the right to use and benefit from the resources of the Earth, with the obligation to keep account of the long-term impact of its activity and to sustain the resource base and the global environment and for the benefit of future generations;
- Precaucion represents the decision-making tool through which it operated on liability actions (countermeasures) from threats related to serious and irreversible damage caused to

human health and/or the environment, when we didn't have the necessary scientific information;

- Address the life cycle of the goods, services and technologies to evaluate the environmental consequences stemming from economic effects related to the different stages of processing and the promotion of market products;

- Prevention involves stabilizing the damage human health and the natural capital of the phenomena and economic processes which could be prevented through investment and modernisation, repair costs, treatment or compensation; It is known as prevention of injury is much more effective than removing the consequences after they occurred;

- Substitution involves the replacement of inefficient products and services, resource-intensive environment with each other more efficiently and with less environmental impact and less harmful;

- The principle of "polluter pays" or the external marginal costs of internalizarii (externalitatilor) establishes the use of market mechanisms to ensure that polluters to bear full social and environmental costs of their activity and as such costs to be reflected in prices and tariffs of goods and services;

- Internalization of positive externalitatilor (marginal external benefits) concerns the use of a system of corrective subsidies, incentives for activities which marginal benefits from those third parties without these pay (research and development, environmental protection, education, regional development, small and medium enterprises);

- Public participation unrestricted access to information implies on the environment and its resources, the public's right to make decisions in relation to the environment and its resources and taking into account their consequences, right acunoaste of the time possible environmental risks and resources;

- The principle of good governance requires that the authorities and institutions of the State to carry out the activity of transparent, effective and honest, in terms of the provision and promotion of penalizarii pollution and environmental protection;

- Public-private partnerships and private-public cooperation is based on direct, inter and intrainstitutionala, between interested parties (stakeholders) represented by the authorities and public institutions, NGOs, industrial companies and groups, networks and business people, who together can get an added value for the sustainability of economic growth at the macro and microeconomic levels;

- Cooperation between States include common but differentiated responsibilities, depending on the level of development of countries; You can apply a range of differentiated approaches in terms of economic-financial liabilities for environmental protection at the local, regional and international levels, developed countries recognizing the fact that it is a greater responsibility, including in terms of the provision of assistance to developing countries with a market economy or emegenta.

Criteriae of principles and approaches of strategic management of sustainable economic development of Romania are fully in line with the spirit and recommendations of the Rio Declaration, Agenda 21, the Millennium Declaration and other documents approved by consensus at the World Summit of sustainable development.

Worldwide there are sectoral approaches in terms of the criteria and principles of sustainable development from the point of view of its resources.

### **3. Romania's National Strategy for Sustainable Development**

The adoption of the National Strategy for Sustainable Development of Romania marks the beginning of a long process that will result in successive stages, to a new model

strives for development, in accordance with the strategic guidelines agreed at the global level, in the framework of the United Nations, and with the European Union directives.

Under these circumstances, it is important to bring to the attention of decision makers at all levels and the general public the principles of sustainable development, the need to shift to a new model of development, the major problems faced by Romania and how they are reflected in the objectives of this strategy. This process is not limited to a specific campaign of dissemination but should be a constant concern, with the active involvement of all stakeholders: central and local authorities, political parties, employers and professional associations, social partners, educational and research system, civil society and media. (Bazdoaca, 2012)

After the adoption of the National Strategy is elaborated a programme of concrete measures, with responsibilities, resources and precise execution deadlines, relating to actions of information, communication and dissemination of best practices and experience of other European Union Member States related to the implementation of the objectives of sustainable development.

The orientation and coordination of the programme communication and administration of Government line of public funds earmarked for this purpose is the responsibility of the Committee, in close cooperation with the inter-agency with the Advisory Council for sustainable development. In the period immediately subsequent to the adoption of the Strategy will be undertaken in a series of actions that have secured financing.

A number of aspects pertaining to implementation of the precepts of sustainable development are not listed in the strategy for sustainable development of the European Union, whereas the issues in question have been overcome by the countries that form the central core of the EU's many decades ago and, therefore, no longer subject to priority concerns. However, in case there are indicators (e.g. the structure of agricultural properties, access to drinking water and sanitation, transport infrastructure, energy efficiency and resource consumption relative to GDP, labour productivity, the General State of health, the quality of vocational training, etc.) which places, yet at a lower level compared to most EU member countries. This section is dedicated to just such elucidation problems that require parallel and solved simultaneously with the efforts to achieve full compliance with the norms and standards of the European Union.

Achievement of the objectives of the Strategy for sustainable development of Romania can be influenced by the emergence of disturbances arising from internal or external factors. Some of these eventualities may be laid down, but their impact is difficult to assess quantitatively and as expected, or sliding scale over time. The model proposed in the long term is one potential, dynamic development of being dependent, to some extent, availability of resources and conjecture. Major deviations from the objectives of national policies and commitments entered into by Romania as a EU Member State are unlikely, but there are some possible delays or necorelări in their implementation. (Bazdoaca, 2012)

The main endogenous factors of risk are the following (“Strategia Nationala pentru Dezvoltarea Durabila a Romaniei. Orizonturi 2013-2020-2030”): economic policies adjustment as a result of political instability and/or non-compliance with the principles of sustainable development, according to the configuration of the parliamentary majority or of doctrines governing political parties; delaying the implementation of an improved system of decision-making and increasing the accountability of public institutions in relation to the results of the policies promoted by impact analyses and the use of monitoring techniques and systematic; continuation of the current adverse demographic trends, demographic decline and the rise in the production of structural imbalances with profound implications for social and economic in nature; emphasising the mistrust towards impartiality, transparency and efficiency of Justice; formal cooperation and inefficient public institutions with the private

sector (employers), professional associations and the social partners in the elaboration and implementation of public policies and measures for competitiveness based on increasing productivity of resources consumed and labour, as well as on promoting exports and ensuring priority macroeconomic balances; selecting principles of client priorities in allocating financial public funds at the expense of projects with major social and economic impact and positive effects on the environment, based on an assessment of the financial effect/effort ratio, medium and long term; delay measures for decentralization and substantially increasing the administrative capacity, the potentiality of generating projects eligible for funding from the point of view of economic efficiency, social and environmental damage, and to execute such projects within the time limits laid down by the feasibility studies; delaying these measures can reduce the degree of access of EU funds, as well as possibilities to cover the current account deficit; limited effectiveness of policies geared towards continuing disinflation process, which may have a serious negative influence upon macro-economic balance and sustainable growth; limited ability to predict the emergence of extreme weather phenomena as a result of climate change (or prolonged periods of drought, flood, epidemics), and to take measures to restrict the possible effects thereof on the health and well-being of the population, agriculture and prices of agro-food products; continuation of the trends of growth in consumer credit, exaggerated and imports for consumption; Income growth in breach of labour productivity developments, as a result of the adoption of populist decisions in pre-election periods and tensions on the labour market under conditions of scarcity of experienced employees in certain sectors; delaying the implementation of appropriate policies for reducing energy intensity and measures for energy demand, sustainable operation and consumption economy; inefficient use of public funds intended for initial and continuous training of human resources and enhancing research-development-innovation that represents areas of major importance for sustainable development.

There are also exogenous risk factors to be considered in the light of (“Strategia Nationala pentru Dezvoltarea Durabila a Romaniei. Orizonturi 2013-2020-2030”): emphasizing sustainable beyond the limits of external migration as a result of the adoption of the more developed countries of immigration policies having not only an economic size imposed by the shortage of labour in certain sectors, but also a demographic dimension for the correction of the effects of a low natalităţi and the process of aging of the population; amplify trends of increasing prices of oil, natural gas, uranium ore, which can give rise to serious effects on inflation and energy security; uncertainties about the attitudes of foreign investors toward emerging markets, which could be caused, mainly, by the external deficit and the lack of predictability of tax policy, with a negative impact on the volume and quality of investments in the productive sector of the economy and the degree of coverage from this source to the current account deficit; the rising cost of external financing as a result of the financial turmoil and the possible decrease in the rating of the country, which may induce undesired influences on the course of national currency and the inflation rate.

In order to identify risk factors and to manage possible crisis situations it is recommended that: the formation of a contingent of risk assessors and experts in crisis management, which should be inserted in decision support structures; development, through foresight exercises, tools for preventing, managing and mitigating the effects of crises; integration, based on professional competencies, Romanian specialists in EU networks of experts in crisis management; the preparation of contingency plans for anticipating system vulnerabilities and possible effects of crisis situations, and portfolios of solutions.

#### **4. Sustainable growth - macroeconomic balances and structural changes**

Romania's economic developments during the period from 2001 to 2007, with an average annual growth rate of the gross domestic product of over 6 percent, compared with a rate of less than 2% in the European Union demonstrates that the achievement of economic cohesion was possible. The entrance to the European Union's single market, improving the business environment and competitive framework, strengthening the private sector, increasing the rate and quality of investments are likely factors that favor the continuation of this process.

Continuing economic growth with average annual rates of GDP from 5.6-5.8% in the period 2008-2013, as well as a possible economic growth with average annual rates of 3-5% in the period 2014-2020 and 3,8-4,2% in 2021-2030 range constitutes a realistic objective, these rhythms being close to the assessments in respect of potential GDP for the periods concerned and consistent with the requirements of achieving the convergence criteria necessary for adoption of the single European currency. (www.insse.ro)

Under the terms of the extension of the free movement of goods and services and the effects of globalization, competitiveness and eco-efficiency represents the determinant factors for the sustainability of economic growth. Performance assurance on the medium and long term of the Romanian economy therefore requires the adoption of effective instruments of economic policy, allowing substantially improved management and use of existing potential in some key areas, which leads to sustainable growth in a competitive framework.

An essential condition for the achievement of sustainable development is the implementation of an appropriate combination of consistent macroeconomic policies in order to ensure the sustainability of resources, materials and energy used for growth, the financing of investments necessary to modernize and increase the competitiveness of productive sectors and services and infrastructures, qualification and continuous improvement of labour in accordance with the requirements of technical and technological progress.

From the analysis of the evolution of the Romanian economics over the past 25 years shows that for this purpose it is necessary to also settle some issues of fundamental importance: the optimal combination of private initiative with a rational intervention based on flexible policies to correct the dysfunctions in the market mechanisms - state intervention in the economy must cover areas in which only proves that the market would settle the existing problems with the waste of resources or in a long time, based on the investigations and preliminary evaluations conducted impartially, independently and transparently; significant improvement of the structure and competences of the central public institutions, regional and local, to define more precisely responsibilities and cooperate in order to enable a correct assessment of performance achieved and identifying the appropriate measures to increase the effectiveness of the administrative act at all levels; in accordance with the principle of subsidiarity accelerating decentralization, together with measures for increasing administrative capacity and decision-making skills; the systematic pursuit of the objective of social cohesion as a prerequisite for sustainable development and re-examination at regular intervals, from this perspective, wage policies, fiscal and social.

Without substituting the existing programmes is the development of Romania, the National Strategy for Sustainable Development proposes a vision focused on achieving long-term objectives, which transcends the current horizons and electoral cycles, through the prism of sustainability criteria set out in the directives of the European Union and the main trends emerging in the world.

The increase in the share of services in GDP at 48.8% in 2006 from approximately 55% in 2013 and perhaps 60-65% in 2020 and will determine their quality and increase

economic efficiency and competitiveness in other economic sectors, with beneficial social effects of vertical mobility of the workforce and skill levels and pay. (www.insse.ro)

Development of research, consultancy, expertise, computer, financial and managerial refresher will contribute directly to increasing the productivity of the total resources consumed throughout the economy, considering that in the service sector the ratio between gross value added and intermediate consumption is vastly superior to that of agriculture, industry and construction.

The adjustment will take place within the structures, in particular by stimulating the development of priority substructurilor which achieved high added value with a lower consumption of resources, with an emphasis on the use of renewable or recyclable. In the industry, will focus on equipping with technologies of medium complexity and high development and introduction in production of such technologies with significant effect of training and which may have a substantial contribution to increasing the volume and effectiveness of exports. Eco-efficiency and the use of best available technology will become, in a growing measure, essential criteria for investment decisions, not only in the field of public procurement, but also in other spheres of economic activity.

The most profound changes occur in rural areas by replacing the lifetime of one generation, archaic structures, practices in agricultural production and the presentation of the Romanian village of pastrării, according to the local cultural identity and specific. Development of organic food production, training of local communities in greening and conservation of the natural environment, attract their direct protection of monuments and sites of historical or cultural heritage, ensuring access to public services and basic social, reducing and eliminating poverty, improving communications and market relations will contribute to the gradual fading of the discrepancies in terms of quality of life between the village and the city.

Taking into account the requirements of the development of regional profile, the need for optimal absorption of the funds with the community co-financing and the need to attract further investment, especially for urban infrastructure, modernisation of transport and support agriculture, it is necessary to create a heightened effort and keeping a portfolio of viable projects, accompanied by professionally made pre-feasibility analyses, which satisfies all active support decision makers and local communities. (Rojanschi, 2006)

The level of labour productivity throughout the economy (GDP per person employed) and at the sectoral or Enterprise (gross value added per employee) is still much lower in Romania compared to the average level of the EU. The relatively low level of salaries of Romania, especially small ones, can be explained in part by this productivity gap that is reflected in the same report, about the jobs and revenue volume.

Slow technological renewal database Diepholz, lower quality, infrastructure, chronic subfinanțarea, the contribution of own activities of research-dezvoltareinovare, low-performance of the products and services offered on the market, there is insufficient capacity to adapt to the demands of the globalised market were the main reasons that have negatively impacted both labour productivity and efficiency use of resources. Although in recent years the growth of productivity of work in Romania, especially in processing industries and in construction, was higher than the EU average, the gap remains very high.

Whereas resource productivity (yield use) and labour productivity are the main determinants of efficiency and competitiveness and thereby give you what impact economic and social development, considerable efforts are necessary, and investment management, to remedy the situation and alignment to EU standards. The emergency nature of these measures is highlighted and unfavourable demographic developments, with worsening trends in the case.

Through policies of increasing investment in human capital, it is estimated that the employment rate of the population between 15 and 64 years of age over 64-65% in 2020.

In later periods, a significant increase in the quality of economic management at all levels, from national or regional up to enterprise level or farm, for efficient use of the available capital resources and attracting additional sources of financing for investment in both equipment with modern technology and training and improvement workforce in scientific research, technological development and innovation. Whereas the sustainable growth of the gross domestic product is determined by the evolution of added value carried out by economic operators to extend high-performance management is crucial in all main links of each unit producing goods or services: technical and administrative, technological, financial, logistics, commercial, as well as in managing human resources.

For this purpose, it is appropriate to establish specific performance criteria for managers in the public sector and encouraging the application of similar standards in the private sector by engaging the responsibility of the shareholders and Board of Directors in monitoring management performance, minimal standards established for increasing value added, competitiveness and profit.

There is also reviewing policies for depreciation of fixed assets amounted to in correlation with the evolution of technological progress in each domain to prevent obsolescence of machinery that generates increased consumption of energy, materials and labor and has direct negative effects on competitiveness.

The implementation of the current activity of the company, the development of multi-annual budgets, at least in the medium term, it is necessary both to ensure a long-term development perspective and justification of effective policies in the area of investments and for adjusting the volume and structure of production of goods and services from the early market trends.

## **Conclusions**

Development of specific needs and ensuring compatibility of policies of economic, social and environmental progress with the main vein within the EU requires the active and responsible involvement of central and local public institutions, private sector, professional associations, social partners and civil society in maintaining a favourable business environment for domestic investments and foreign capital destined for modernization and sustainable development of the country.

## **References**

- Bazdoaca, A.C. (2012), "Local si regional in dezvoltarea durabila", Editura ASE, Bucuresti
- Rojanschi, V., Bran, F., Grigore, F., Ioan, I. (2006), "Cuantificarea dezvoltarii durabile", Editura Economica, Bucuresti
- Stutz, F., Warf, B. (2011), "The world economy: geography, business, development", 6th ed, Prentice Hall, New Jersey
- \* \* \* [www.insse.ro](http://www.insse.ro), "Strategia Nationala pentru Dezvoltarea Durabila a Romaniei. Orizonturi 2013-2020-2030"