



ECONOMIC AND ENVIRONMENTAL SUSTAINABILITY OF PROJECT EFFECTS

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Abstract

Economic viability depends upon the sustainability of project effects. The economic analysis of projects should include an analysis of the financial sustainability of project agencies, and the environmental sustainability of outputs and inputs. Practical experience of project effects has drawn attention to the way in which financial and environmental effects impinge on benefit sustainability. Postevaluation experience also shows that, unless such factors are taken into account, economic benefits will not be sustained at the level necessary to generate an acceptable.

Projects are sustainable if their net benefits or positive effects endure as expected throughout the life of the project. Sustainability is enhanced if environmental effects are internalized, and if financial returns provide an adequate incentive for project-related producers and consumers. Sustainable development is concerned also with distributional issues. When looking at the distribution of project effects and judging project social acceptability, it is important to determine who benefits and who pays the costs.

An assessment of the capacity of the project to cope with an uncertain future is another measure. Sensitivity analysis is applied when testing projects for both productive and allocative efficiency.

Key words: economic sustainability, environmental sustainability
