

08. FINANCING IN THE FIELD OF ENVIRONMENT AND CLIMATE CHANGE

It is evident from the manner in which the principles of financing environmental policy are implemented in Serbia that this policy area is not a priority for the Government of the Republic of Serbia.

The Republic of Serbia has not made progress toward implementing the three key recommendations made in the European Commission's 2016 report on Chapter 27²⁹ regarding the Green Fund, which was established in 2016 to finance environmental protection activities. Despite announcements by the Ministry of Environmental Protection on several occasions, the Green Fund remains a budget line with limited effect. The Government has adopted a Decision on the Establishment of the Green Fund³⁰; however, the envisaged by-laws that should regulate the fund have not been adopted. Despite this, the Law on the Budget of the Republic of Serbia for 2017 foresees the allocation of a total of 2.29 billion RSD (about 19.3 million euros) for the protection of the environment through the Green Fund. 2.19 billion RSD (approximately 18.4 million euros) have been allocated as incentives to the recycling industry and 100 million RSD (about 842,000 euros) for financing intervention measures related to environmental emergencies, re-cultivation and the rehabilitation of polluted land.

The establishment of a system for financing environmental protection, particularly at a local level, remains far from being properly realized. Amendments to the Law on the Budget System³¹ made it possible to allocate revenue from environmental taxes to other sectors and unrelated activities at national and local levels. The lack of allocated public funds for environmental protection cannot be replaced by other, mainly EU, sources.

In 2016, the Republic of Serbia allocated less than 0.5% of GDP for environmental policy, while European Union countries spent 2% of GDP on average on environmental policy³². In 2014, environmental taxes averaged about 1.56% of GDP among member states of the Organization for Economic Cooperation and Development (OECD)³³.

According to the Statistical Office of the Republic of Serbia³⁴, the average annual growth of environmental tax revenues in the period 2008-2015 was 12.5%. The average annual share of environmental tax revenue of gross domestic product (GDP) in the period 2008-2015 was 3.4%. The Statistical Office of the Republic of Serbia includes energy taxes, taxes in the field of transport, pollution taxes and taxes on the use of resources as environmental taxes. According to the research by the *Staniste* Ecological Association

29 http://seio.gov.rs/upload/documents/eu_dokumenta/godisnji_izvestaji_ek_o_napretku/godisnji_izvestaj_16_eng.pdf

30 www.paragraf.rs/izmene_i_dopune/101116-odluka_o_osnivanju_zelenog_fonda_republike_srbije.html

31 www.trezor.gov.rs/uploads/file/Zakoni/Zakon%20o%20budzetskom%20sistemu%2016.12.2016.pdf

32 [www.ec.europa.eu/eurostat/statistics-explained/index.php/File:National_expenditure_on_environmental_protection,_EU-28,_2006%E2%80%9315_\(million_EUR_and_%25_of_GDP\)_V2.png](http://www.ec.europa.eu/eurostat/statistics-explained/index.php/File:National_expenditure_on_environmental_protection,_EU-28,_2006%E2%80%9315_(million_EUR_and_%25_of_GDP)_V2.png)

33 www.oecd.org/env/tools-evaluation/environmentaltaxation.htm

34 www.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=4378

and the European Policy Centre³⁵, most local governments spend less on environmental policy than they collect through environmental tax revenue: 6.5 billion RSD of collected environmental taxes were not spent on environment related activities in the past six years. It is commonplace that expenditure by local government that should be allocated to environmental policy is not used in accordance with the Rulebook on the Standard Classification Framework and the Chart of Accounts for the Budget System. Research has shown that, in a large number of local self-governments, the following activities are financed from the environmental protection budget: maintenance of rural roads, maintenance of the manmade waterways network, hail protection systems, construction of sports facilities, asphaltting streets, pest control, zoos, animal control services, court fines for dog bites, winter maintenance, replacement of asbestos pipes and water supply network maintenance, subsidies for water, gas debt, heating, boilers, and flood recovery measures, among others.

The Ministry of Finance has stated that a Working Group for drafting of the Law on Fees for the Use of Public Goods³⁶ has been established and that a draft version of the law should be developed in 2017. It is envisaged that fees paid for use of certain types of public goods will be determined by a single law rather than several special laws and numerous by-laws, as has been the case to date. Taxes are currently prescribed by 13 different laws, including laws on water, agricultural land, mineral deposits, spas, and packaging waste. The legislation has been in development for four years. According to the National Strategy for the Suppression of the Shadow Economy, it is expected that the number of para-fiscal levies and taxes will be cut in half, from the current number of 371, and that tariffs will be the same throughout Serbia.

The abolition of the Environmental Protection Fund in 2012 (which was replaced by the Green Fund only in 2016) dramatically disrupted the automatic system for monitoring air quality, due to the lack of funds for regular maintenance. Financing in this area is problematic due to the inadequate allocation of funds collected from fees paid by polluters, which are currently being fed directly into the state budget.

The total national budget allocation for **water management** in 2017 is ca. 3.4 billion RSD, approximately 0.3% of the total national budget³⁷. The budget of the Republic Water Directorate is ca. 1.1 billion RSD, while the remaining 2.3 billion RSD is allocated to the Budgetary Fund for Waters of the Republic of Serbia. The largest portion of the water management budget continues to be allocated to river management and flood prevention related construction and infrastructure (ca. 50% of the total budget). The budget allocation for inspection accounts for less than 1% of the budget allocated for water management.

According to the Law on the Budget of the Republic of Serbia for 2017, 19.5 RSD has been allocated to the establishment of the **Ecological Network** and 11.3 million RSD to **Natura 2000**. A further 214.5 million RSD has been allocated for subventions for the management of protected areas of national interest, which is an alarmingly small amount for

35 www.cep.org.rs/wp-content/uploads/2017/10/Lokalne-finansije-i-%C5%BEivotna-sredina.pdf

36 www.naled.rs/images/preuzmite/lzvestaj-za-i-i-ii-kvartal-o-statusu-regulatorne-reforme-2017.pdf

37 www.paragraf.rs/propisi/zakon_o_budzetu_republike_srbije_za_2017_godinu-5.html

nature protection in Serbia. No information has been made public as to whether the funds allocated for the Ecological Network and NATURA 2000, as well as the Green fund, have been spent for those purposes.

Financing of **chemicals and biocidal products management** was analysed in detail in the previous report³⁸. There have been no changes to financing of chemicals management since the previous report was published. In summary, the financing system for chemicals and biocidal products management has not been in compliance with the basic principles set out in REACH and the EU Regulation of biocidal products, or the accompanying EU implementing regulations on fees (Regulation (EC) No.340/2008 and Regulation (EU) No.564/2013) since 2012, according to which the costs for regulatory procedures related to chemicals and biocidal products should be borne by economic entities that generate revenue from placing regulated products on the market.

Funds have not been allocated from the Green Fund for 2017 to begin the process of implementing measures to adapt to **climate change** in all sectors. No progress has been made with regard to the reform of subsidies on fossil fuels.

38 www.rs.boell.org/sites/default/files/koalicija_27_-_izvestaj_iz_senke_2016.pdf