

FINANCING IN THE FIELD OF ENVIRONMENT AND CLIMATE CHANGE

Chapter 27 is financially the most demanding chapter, so the question of financing this area and alignment with the EU acquis by 2030 is one of the most important issues our country faces. According to the National Environmental Approximation Strategy (2010), the full harmonisation costs were calculated and estimated at EUR 10.6 billion by 2030. However, the latest estimates, according to Minister Goran Trivan, put that figure at EUR 15 billion².

According to the Law on Environmental Protection, the financing of environmental protection is met by applying the “user pays” principle, the “polluter pays” principle, and the “liability” principle, while funds for financing environmental protection are provided from the budget of the Republic of Serbia, the budget of the autonomous province, local government funds, funds from other states, international organizations, financial institutions and bodies, as well as domestic and foreign business entities and individuals, EU funds and other international funds, donations, gifts, contributions, assistance, etc.

Environmental policy is not a priority of the Government of the Republic of Serbia; a fact which is made clear through the lack of state financing in this area.

The Republic of Serbia has made no progress in relation to one of the three key environmental and climate change recommendations from the last annual report of the European Commission for the Republic of Serbia from 2016³; the provision of adequate funds for the new instrument for financing environmental activities (**Green Fund**). Despite announcements by the Ministry on several occasions, the fund remains a budget line with a limited scope. The Government of the Republic of Serbia adopted the Decision on the Establishment of the Green Fund in 2016⁴, however, bylaws that should regulate its work have not yet been adopted. The adoption of these bylaws is a prerequisite for making public calls for the selection of projects and for drafting a budget plan. However the Government has not yet determined the conditions which have to be met by potential beneficiaries of the funds, which include: the conditions and method of allocation of funds, criteria and merits for assessing the requirements for allocation of funds, the means of monitoring how the the funds are being spent and contractual rights and obligations. Nevertheless, the Law on the Budget of the Republic of Serbia for 2017⁵ allocated 2.29 billion dinars for the Green Fund; almost all of which (2.19 billion dinars) was allocated to the recycling industry (because there is a clear legal framework, plans and practices already in place). The Law on the Budget

² The text of the statement available at: <https://www.blic.rs/vesti/ekonomija/trivan-u-ekologiju-treba-da-ulozimo-15-milijardi-evra/bb8eemv>

³ The complete report available at: http://www.mei.gov.rs/upload/documents/eu_dokumenta/godisnji_izvestaji_ek_o_napretku/izvestaj_ek_srbija_2016.pdf

⁴ The text of the Decision available at: http://www.paragraf.rs/izmene_i_dopune/101116-odluka_o_osnivanju_zele-nog_fonda_republike_srbije.html

⁵ The Law on the Budget of the Republic of Serbia for 2017 available at: <http://www.parlament.gov.rs/upload/documents/3081-16.pdf>

for 2018⁶ allocated somewhat higher funds to the Green Fund; 2.99 billion dinars but again, incentives to the recycling industry total 2.19 billion dinars, a figure which makes up 73% of the total assets of the Green Fund. The total funds envisaged for the Ministry of Environmental Protection in 2018 amount to 5.85 billion dinars.

Establishing an efficient system of financing environmental protection, especially at the local level, is still far from being realised. Amendments to the Law on the Budget System⁷ created the possibility of allocating funds from environmental fees to other users and other unrelated activities at the national and local levels. The resulting serious lack of public financial funds cannot be replaced by additional sources coming mainly from EU funds.

In 2016, the Republic of Serbia allocated less than 0.5% of GDP to environmental policy, compared to European Union countries which spent an average of 2%.⁸ In 2014, environmental taxes averaged about 1.56% of GDP among the member states of the Organization for Economic Cooperation and Development (OECD).⁹

According to the Statistical Office of the Republic of Serbia,¹⁰ the average **annual growth** of environmental tax revenues in the period 2008-2015 was 12.5%. The average **annual share** of environmental tax revenue in the gross domestic product (GDP) in the period 2008-2015 was 3.4%. According to the Statistical Office of the Republic of Serbia, environmental taxes included energy taxes, taxes in the field of transport, pollution taxes and taxes on the use of resources.

According to data from the latest Report on Economic Instruments for Environmental Protection in Serbia referring to 2016, the “total revenues of budget environmental protection funds at all levels coming from environmental fees amounted to RSD 10,883.84 million in 2016, or 0.26% GDP”¹¹. This was an improvement of 8.6% compared to the previous year. The revenues of the republic budget from fees in 2016 amounted to 5.91 billion dinars, while the funds collected by local governments’ budget funds for the environment amounted to 4.95 billion dinars¹². It is important to note that not all tax revenues from the area of environmental protection end up in the Ministry of Environmental Protection budget. Revenues from energy taxes, transport taxes, pollution taxes and taxes on the use of natural assets are in fact revenues of relevant state institutions and only part of these revenues end up in the budget funds for the environment¹³.

⁶ The Law on the Budget of the Republic of Serbia for 2018, page 128. The Law available at: <http://www.mfin.gov.rs/UserFiles/File/zakoni/2017/Zakon%20o%20budzetu%202018.pdf>

⁷ The text of the law available at: <https://www.trezor.gov.rs/uploads/file/Zakoni/Zakon%20o%20budzetskom%20sistemu%2016.12.2016.pdf>

⁸ The data available at: [http://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://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)

⁹ The data available at: <http://www.oecd.org/env/tools-evaluation/environmentaltaxation.htm>

¹⁰ Available at: <http://www.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=4378>

¹¹ Serbian Environmental Protection Agency (2018). *The Report on Economic Instruments for Environmental Protection in Serbia for 2016*. Available at: http://www.sepa.gov.rs/download/posebni/EkonInstr_2016.pdf

¹² Ibid.

¹³ Ibid.

According to research by the “Stanište” Ecological Association and the European Policy Centre,¹⁴ **most local governments spend less on environmental policy than they collect through environmental fee revenue.** The total amount of unspent funds in the last six years reached RSD 6.5 billion. Contrary to what is stated in the Rulebook on the Standard Classification Framework and the Chart of Accounts for the Budget System revenues in local budget funds from environmental protection are not only exclusively spent on environmental projects. Research has shown that in a large number of local governments environmental protection funds are spent and classified under the domain of environmental protection without actually belonging to that sector, for the activities such as: 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, water supply network maintenance, subsidies for water, gas debt, heating, boilers, and flood recovery measures.

The Draft Law on Fees for the Use of Public Goods was finally made public in December 2017, and the public consultation was concluded on the 5th of March, 2018. Coalition 27 submitted its comments and proposals on the Draft of this law to the relevant ministry during public consultations. Legal solution proposed by the Government should unify all fees in one, instead of them being determined by 13 different laws, as has been the case to date. **The aforementioned Draft Law confirms the abolition of the dedicated character of the funds collected from environmental protection fees; enabling the funds collected for environment protection to be used for other purposes.**

According to the Post-Screening Document, Serbia should have prepared a planning document entitled “Multiannual Investment and Financing Plan”¹⁵ by 2016, but still, there has been no information on whether this document has been completed.

Bearing in mind the significant funds that Serbia will need in the coming years to reach the EU standards in this area, it is clear that the proposed system of financing environmental protection will not be able to secure them.

14 The report available at: <http://cep.org.rs/wp-content/uploads/2017/10/Lokalne-finansije-i-%C5%BEivotna-sredina.pdf>

15 The complete document available at: <http://eukonvent.org/wp-content/uploads/2015/07/Status-i-planovi-preno%C5%A1enja-i-sprovo%C4%91enja-pravnih-tekovina-EU-za-poglavlje-27-%C5%BDivotna-sredina-i-klimatske-promene.pdf>