VERTICAL DIMENSION OF GOOD GOVERNANCE

Principles and approaches for the cooperation between the state and local self-governments in the field of environmental protection

lessons learned and recommendations

Republic of Serbia

Programme Funded by EU

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

UNOPS

Implementing Partner

EUROPEAN PROGRES

Vertical Dimension of Good Governance

Principles and approaches for the cooperation between the state and local self-governments in the field of environmental protection – lessons learned and recommendations

Belgrade, March 2018

Contents

Abbreviations

Charter	European Charter of Local Self-governments
GDP	Gross domestic product
EU	European Union
LSG	Local self-government
LAP	Local Action Plan
NEAS	National Environmental Approximation Strategy
NEPP	National Environmental Protection Programme
RS	Republic of Serbia
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development and Cooperation
TFEU	Treaty on functioning of the EU
VD	Vertical dimension
UNOPS	United Nations Office for Project Services

Introduction

European PROGRES was the largest area based development Programme in Serbia whose objective was to support sustainable development of 34 municipalities in the South East and South West of the country. Two major donors - the European Union and the Government of Switzerland together with the Government of Serbia provided the funding necessary to reach the set Programme's goals.

The Programme contributed to sustainable development of the underdeveloped areas and creation of more favourable environment for infrastructure development and business growth by strengthening local governance, improving vertical coordination, planning and management capacities of the LSGs, improving business environment, as well as enhancing implementation of social inclusion and employment policies.

The European PROGRES Programme worked towards improvement of good governance and adoption of good governance principles as a cross cutting aspects of the entire Programmes' intervention.

This paper is prepared as logical continuation of the efforts within the preceding Programme, EU PROGRES, and the then published study "Vertical Dimension of Good Governance". [1] These collected findings were discussed with the Standing Conference of Towns and Municipalities (SCTM) and the Swiss Development Cooperation (SDC), which was providing backstopping to the programme on Good Governance. It was jointly agreed, to broaden conclusions in analysis of the vertical dimension in two important areas - social protection and environmental policy.

European PROGRES organised participatory consultations from December 2015 until August 2017. Three regional workshops were held, and attended by representatives of 25 local self-governments (LSGs) and 11 national and regional institutions[2]. Additionally, focus group and personal interviews were used to gain even deeper insight into attitudes of stakeholders and LSGs towards the said topics.

This paper presents the views of the representatives of the European PROGRES local self-governments (LSGs), which belong to the category of underdeveloped local self- governments (III and IV group of development). The identified challenges in applying the principles of good governance at the local level (with particular reference to the principles of subsidiarity, accountability and financial equality) should be the subject of particular attention of the creators of the national strategic and legislative framework, especially in light of the accession to the European Union and adoption of the European environmental acquis.

[1] http://www.euprogres.org/dokumenti/en/11_46_GG_Vertical_Dimension_FINAL.pdf

[2] Ministry of Agriculture and Environmental Protection, Standing Conference of Towns and Municipalities, Environmental Protection Agency, Chamber of Commerce and Industry of Serbia, PUC "Regional Landfill Pirot", PWC "Serbia Water", PUC "Srbijašume", Association of Recyclers of Serbia, PUC Zelen- Arilje, Greentech Novi Sad, Belgrade Open School

1. Background and Importance of the Issue

For the purpose of this analysis, the environmental governance refers to the set of regulatory processes, mechanisms and institutions through which political actors influence environmental actions and outcomes. Governance, which is not the same as government, includes the actions of the state and, in addition, encompasses actors such as communities, businesses, and civil society.[3]

Good governance is considered as a culture of governance, or behaviour of public administration, based on innovative and sustainable public policies and practices that foster democracy, rule of law and sustainable development.

Shortcomings in achievement of the environmental policy goals are recognised by the public authorities in Serbia. The National Environmental Approximation Strategy (NEAS)[4], as well the National Environmental Protection Programme [5] (NEPP) identify low capacities of local administrations to implement the environmental standards. However, concrete long-term and strategic measures which should reduce this administrative gap are not developed nor conducted, although some short term capacity building programmes and advisory assistance to the local governments by the line ministry have been conducted. It is worth noticing that the Action Plan for Implementation of the National Environmental Protection Programme has not been adopted, despite the fact that it was one of the requirements in the Law on Environmental Protection[6].

Protection and preservation of the environment, as well as high quality of the environmental public services, should be a priority for the Republic of Serbia and local self-government because of the impact the environment has on the public health, the quality of life of the citizens and on the sustainable development of local communities. However, a number of parameters show that the environment is a public policy without enough attention and for which the symbolic financial means are allocated. The level of public expenditure related to the environment is around 0,4% of the GDP. The instability of local finances is a constant, while revenues are continually changing in favour of the central Government. The current legal framework permits spending of the earmarked environmental funds for other purposes, or for addressing the budget deficit. Local authorities are not immune to this practice. The state of the environment in Serbia cannot be assessed as satisfactory, and the lack of financial resources and weak administrative capacity of the public administration are the biggest challenges. This condition is the result of a long-term neglect of environmental problems, economic underdevelopment and low level of public awareness about the importance of the environmental protection and preservation. Environmental protection is a public policy whose positive effects are not visible in the short term, but the consequences of the neglect of the environmental problems are felt in the long run and are difficult to eliminate.

The first package of the environmental laws was adopted in 2004, with the Law on Environmental Protection as an umbrella law in the environmental sector. The Law on Environmental Protection was amended in 2009, when a set of new legislative acts entered in force. It may be concluded that in 2009

3 Lemos Carmen Maria, Agrawal Arun, Environmental Governance, Annual Review of Environment and Resources, 2008
4 http://www.misp-serbia.rs/wp-content/uploads/2010/05/EAS-Strategija-SRP-FINAL
5 http://www.zzps.rs/novo/kontent/stranicy/propisi_strategije/Nacionalni_program_zastite_%20zs.pdf
6 Law on Environmental Protection (Official Gazette 14/2016)

the legal framework for the environmental policy was in place. The Law of Environmental Protection and the Law on Local Self-Government established division of competences between local governments and the central Government in regard to the environmental policy.

Such an approach, where effectiveness in achieving the policy objectives is subordinated, has produced uneven capacities for implementation of the line legal framework at the central and local level. The responsibilities of the local authorities for implementation of the relevant regulation have grown rapidly, while they were not followed by improvement of the administrative capacities, or with allocation of sufficient financial resources and mechanisms for ensuring their increased accountability. Inconsistencies between different legal norms further contributed to the unsatisfactory results in the environmental policy implementation. Such undesirable effects have been noted in the national strategic documents and the European Commission Staff Working Document for Serbia.

Aiming to further emphasise the importance of transformation of the environmental governance it is referred to the vision of the National Sustainable Development Strategy (2008):

"In 2017 the Republic of Serbia is institutional and economic developed country with appropriate infrastructure, compatible with the EU standards, with a knowledge-based economy, efficiently used natural and created resources, greater efficiency and productivity, rich in educated people, with preserved environment, historical and cultural heritage, a state that provides equal opportunities for all citizens and where a partnership between the public and private sector, and civil society exists."

It is needless to say that the Serbian society failed to achieve this vision. The lack of accountability towards the goals of public policies, both on central and local level of government, seriously undermined the efforts for establishing a sustainable democratic society which is capable to meet the EU standards and values.

This analysis is focussed on several aspects of local governance and its interference with the overall practices of public policy development in Serbia:

- Structural conditionality: environmental policy is not considered as a priority; high level of centralisation; executive branches prevails in policy making processes
- Institutional conditionality: public administration reform; inconsistencies in the legal framework
- Lack of financial resources and of financial control
- European integration process and focus on transposition rather than on implementation of rules and standards in environmental policy.

Within this analysis we examine intertwining of good governance practices with environmental governance aiming at identifying the gaps, and provide recommendations for improvement of the quality of the public services pertained to environment.

The main focus was on the three good governance principles - **subsidiarity, accountability and fiscal equivalence.**

The question to what extent division of responsibilities between the central and local governments influenced the development of feasible solutions to tackle environmental policies will be highlighted. Analyses of the legal framework were not sufficient due to the different and uncoordinated practices, failure in implementation, and insufficient quality of monitoring and reporting and non-transparent behaviour of local governments. Undeveloped strategic framework on the central level produced the same practice on the level of local governments, which resulted with situation that almost half of LSGs have not adopted strategic documents in the environmental sector. The adopted local sustainable development strategies, to a certain extent, fulfil the existing gaps.

The reasons for insufficiently functional vertical coordination should not be sought in an unfinished legal framework and poor law enforcement, but also in social and political circumstances that prevent such a transformation on policy level and survive for more than a decade.

2. Principles of Subsidiarity, Fiscal Equivalence and Accountability

In this section, the analysis focusses more closely on the principles of subsidiarity, fiscal equivalence and accountability in environmental policy, as the three main vertical dimension principles of good governance considered for this subject.

2.1 The Principle of Subsidiarity

The principle of subsidiarity holds that a larger and greater body should not exercise functions which can be carried out efficiently by one smaller and lesser, but rather the former should support the latter and help coordinate its activity with the activities of the whole community. This principle defines subsidiarity as the idea that a central authority should perform only those tasks which cannot be performed effectively at a more immediate or local level.

The principle of subsidiarity is embedded in the Council of Europe's European Charter of Local Self-Government[7]. In its Article 4-3, the Charter clearly states that the "public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen". Furthermore, the "allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy" (Art. 4-3 of the Charter). The principle of subsidiarity is one of the general principles of the EU law, and as such is considered in broader sense and applied in both, the EU member states and in candidate countries as well.

In Serbia, this principle entered the public fora after 2000, when the country embarked on the European integration path, and it was when the country made first steps in decentralisation, that is seen as one of the preconditions for the democratic development[8].

In essence, this principle stipulates that decisions are taken as closely as possible to the citizens, preferably by local authorities, meaning that the original jurisdiction rests at a lower level, while the role of the higher levels is subsidiary. In contrast with this principle, Article 177 of the Constitution of the Republic of Serbia prescribes that "local self-government units shall be competent in those matters *which may be realised*, in an effective way, within a local self-government unit, and…*which are not the competence* of the Republic of Serbia". What matters shall be of republic, provincial or local interest *shall be specified by the Law*." This turns the principle of subsidiarity upside down. The Constitution makes a distinction between the original, shared and conferred competencies. Except in the original competences, central jurisdiction is assumed in shared and conferred competencies, and the competence of local self-government is residual. As concluded in the UNOPS 2014 study "Good Governance Vertical Dimension", such "conception (declaring the state as competent for all matters that are not explicitly in the competence of municipalities) is in sharp contrast to the principle of subsidiarity."[9]

[7] http://coe.ivisa.com/REPOSITORY/128_evropska_povelja_o_lokalnoj_samoupravi.pdf
[8] http://nkd.rs/wp-content/uploads/2016/04/Vucetic-Janicijevic-Decentralizacija-kao-polaziste-daljeg-razvoja-Srbije.pdf
[9] Good Governance Vertical Dimension - Principles and approaches for the cooperation between the state and municipalities – lessons learned, UNOPS, 2014, p. 16.

While it would be reasonably expected for the subsidiarity principle to be introduced as a normative principle, which provides guidance on how legislation should be made in order to improve governance, the Law on Environmental Protection does not mention it as a key principle of the environmental policy. Such principle is not promoted by the Law on Local Self-Governments[10] either. However, subsidiarity principle is introduced in environmental policy as an implementing principle of the National Environmental Programme, which is the key instrument for planning and programming in environmental policy. According to this document: "The principle of subsidiarity represents decentralisation of decision making to the lowest possible level. Competences and responsibilities are transferred from the central level to the regional and local level in accordance with the adopted laws. The Government is responsible for establishing and implementing a strategic and legal framework that ensures a system of protection and improvement of the quality of the environment and which enables its clearly stated objectives to be achieved at all levels."

It is important that subsidiarity principle is recognised as a guiding principle of the environmental governance. It is also indicated that decision makers intended to use the principle of subsidiarity as a vehicle for overall process of decentralisation. However, the application of the subsidiarity principle is still heavily dependent on the will of the central authorities and the laws and regulations they pass and implement.

2.2 The Principle of Fiscal Equivalency

The principle of fiscal equivalence requires that transfer of responsibilities, whether they are original, shared or entrusted, has to be followed by financial stability and predictable financing. It also means that the authority that is responsible to perform the task should be able to pay for it. But in the case of Serbia, where transfer of responsibility to local level is not equally followed by fiscal decentralisation, this issue should be considered as an obligation for the central level of governance to create enabling legal and fiscal environment for local self-governments to attain sufficient financial resources in performing conferred competences. In such a case fiscal equivalence measures should aim to support implementation of certain policies of local self-governments which generate insufficient incomes from local revenues. Such is a case with municipalities where revenues from local environmental fees are quite low.

There were two phases in the system of financing competencies of local self-governments: the phase of fiscal decentralisation 2001-2008, and the phase of fiscal centralisation and "pseudo-decentralisation" from 2009 onwards. During the former, a set of key regulations were adopted for the importance of local self-governments, the role of cities and municipalities has increased, as well as their fiscal autonomy, the Government had entrusted local authorities with a number of responsibilities, and the local budgets have increased significantly and even multiplied.

The phase of fiscal centralisation and pseudo-decentralisation from 2009 is characterised by reducing the financing of local self-governments, which led to significant reduction in local budgets and even their collapses, coupled with a decentralisation of competencies without adequate financial solutions. In their recent study, Kmezić and Đulic (2016) argue that "certain measures of the central government were in line with decentralisation processes, but they were soon annulled by new centralised solutions.

[10] Law on Local Self-governments (Official Gazette, 129/2007, 83/2014)

Poor, nonstrategic and disconnected governance of functional and financial decentralisation led to a vertical imbalance between local revenues and expenditures."[11] According to the same study "the *ad hoc* character of decentralisation and the system of financing cities and municipalities confirms that the state had no strategic plan and systematic approach to decentralisation."[12]

On the revenue side, changes of the legal framework in the period between 2009 and 2015 had been so frequent that they are rather difficult to track: there were at least 11 significant changes impacting the revenue side of the local governments, all resulting in reductions in local budgets. When it comes to local governments' powers and competences, some 50 sectoral laws, together with a number of bylaws, regulate functions of the local governments.

The 2006 Law on Financing Local Governments prescribed that the revenue side of the local budgets related to the environment consists of: (1) environmental protection and improvement fees as own revenue; (2) annual fees on motor vehicles, tractors and trailers, pollution fees s, fees for use of mineral production materials, charges for the material taken out of river beds, fees for use of forests, and fees for water use as shared revenue; and (3) transfers, including fiscal equalisation transfers for the municipalities that could not be sustainable if financed only from their own and shared revenues. In the period of 2009-2015, when substantial legislative improvements in environmental policy occurred, financial allocations for local governments were reduced, which is contrary to the principle of fiscal equivalence. Certain charges of importance for environment were abolished, which the national authorities shared entirely or partially with local governments. In other words, while the functions and tasks remained untouched, the revenues aimed for environment protection fell sharply.

2.3 The Principle of Accountability

The principle of accountability implies that all decision-makers, whether individually or collectively, bear responsibility for the decisions they make.

Within this analysis the principle of accountability will be considered as:

- Accountability as ethics and governance, answerability, blameworthiness, liability, and the expectation of account-giving. It considers the right of citizens to hold government to account.
- Accountability towards environmental policy goals and expected outcomes. Each level of government should be held accountable for proper implementation of environmental policy goals.
- Accountability towards legislative framework, which means existence and practice of legal based monitoring and oversight of implementing bodies, and existence for legally defined responsibility of public officials in cases of breaching the law.
- Responsibility means existence of legally defined and clear division of competences between the central and local government.

Participants in the accountability regime must be identified, and their roles and relationships are clearly defined and understandable. For example, in the representative democracies, each participant

[11] Sanja Kmezic, Katarina Djulic, "Fiscal Decentralisation and Local Government Financing in Serbia and Montenegro", Institute for Local Self-Government and Public Procurement Maribor, 2016, p. 120.
[12] Ibid, p. 121.

in the chain of responsibilities has a unique role. The primary responsibility lies with the community itself (the population, the citizens), represented by councillors in municipal and city assemblies. In a way, these local assemblies represent a community surrogate. Responsibility is then transferred to the executive power as the bearer of the public authority. Executive power in the municipality, i.e. the President of the Municipality and the Municipal Council, in accordance with the powers delegated by the Assembly, and in accordance with the law, further delegate responsibility to other stakeholders through regulations, policies, decisions, and directors of local public utility companies. Clarity and understanding of all participants about their roles and mutual relations is an important part of the principle of accountability. Roles and relationships must be clearly defined and practically adapted in each environment. Accountability holders can carry out their functions only if they know who they are responsible for. Likewise, they can invite other participants to account only if they know who is responsible to them. There is a presumption that those who enter public life and run for public office have an understanding of these relationships; however representatives from local self-governments conclude that this is not always the case in practice.

Goals must be defined for each participant in the chain of responsibility below those who have primary responsibility (citizens of a local self-government). The goals are the basis for what needs to be done. They condition and determine the key activities that are being implemented, organised, and the allocation of resources according to tasks. Goals are a statement of expectations of what counts should be done. Ideally, goals should be qualitative, quantitative and time-limited. Their specificity is growing with a decline in the level of accountability: the broadest and the most important accountability for the goals is the community, then a slightly more specific Municipal Assembly, then even more specific President and Municipal Council, finally the most specific directors and heads of organisational units or public utility companies.

Each actor in the accountability chain should have (1) powers and (2) resources to achieve goals effectively and efficiently. Under the "authority", the right to manage and the power to extort respect is assumed. It is essential that the powers delegated are proportionate to the responsibilities. At the same time, those who are considered accountable for achieving the goals must be able to do it in an effective and efficient manner when they have at their disposal financial (money), material (assets and property) and human resources (administrative capacity, knowledge, expertise).

Each actor in the accountability chain should determine the requirements for reporting on the responsibilities and resources it has assigned. Information is central to effective accountability. Delegating competences and autonomy must be accompanied by appropriate reporting and deposit of accounts. The actual impact will be assessed against targets set at the levels of policy, interpretation, and execution formulation. Reporting requirements should cover such things as (1) the type of report, (2) the format, (3) the content, and (4) the periodicity of the reporting.

Each actor has the right to verify the information that the report is received. Without that, there can be no security and reliability of information. In a good model of good governance, such an office has an independent auditor or similar body responsible to the representative body (e.g. the Municipal Assembly) to verify the correctness of financial and other information from the report. Participants in the chain of responsibility below the Municipal Assembly may also choose to establish some other verification mechanisms.

Each participant in the accountability chain should have the authority and responsibility to evaluate the performance of those to whom responsibility is delegated, authority and resources, as well as to enforce any sanctions - penalties or rewards - which are freed from this assessment. Liability does not exist in situations where there is no mechanism of sanctions. It is in the common interest that measures, actions and activities that benefit are encouraged, and otherwise discouraged.

At the widest and most general level, the local community gives a court of councillors on periodic elections. There should be mechanisms at the Municipal Assembly level to review the work of the president, municipal council, officials and leaders of public utility companies. Committee issues, public hearings, public debates, open meetings with citizens can all be useful mechanisms. Special committees of the Assembly may be formed for overseeing the spending of public finances. The oversight role of the municipal assembly is thus insufficient in most policy areas, including in regard to environmental policy.

3. Strategic and Legal Framework of Environmental Policy

Strategic framework for environmental policy is shaped and determined by the EU accession process. The ultimate and overall strategic goal of Serbian Government is to achieve satisfied level of harmonisation with the EU environmental *acquis* and to enable its implementation, i.e. to ensure that all membership obligations are assumed from today to the date of accession to the EU (NEAS, 2011)[13].

National environmental policy goals could be classified in three main pillars:

- Improvement of administrative and financial capacities to cope with the requirements of the EU accession process and improvement of legal and strategic framework
- Improvement of environmental protection and prevention of further environmental degradation
- Promotion of sustainable development and efficient management of natural resources; including the establishment of robust climate change policy and gradual harmonisation with the long-term EU environmental and climate goals.

Such classification is built upon proclaimed environmental policy goals of the Republic of Serbia and its obligation to align domestic policy goals with objectives of the EU environmental policy are defined by the Article 191 of the Treaty.

Orientation towards fulfilment of the EU accession criteria is the main vehicle for improvement of the environmental governance. This approach contains certain advantages, but, as well, many shortages. Transposition of the EU environmental *acquis* certainly contributes to the improvement of legislative framework and introduces higher quality standards for the protection of the environment. According to the Screening report for Serbia, for Chapter 27, it is concluded that "Serbia's legislation has a satisfactory level of alignment with the acquis covered by this chapter, but implementation and enforcement are at an early stage"[14]. This process also influences more democratic and inclusive decision-making process and creates preconditions for more transparent and accountable governance. Improvement of inter-institutional coordination at both central and local level is highlighted as a priority by the European Commission in the Commission Staff Working Report for Serbia from 2016 [15]. However, backsliding in implementation of the adopted standards indicate significant lack of administrative capacities at all levels of governance. Moreover, highly centralised model of governance creates obstacles for gradual improvement of capacities for local administration which are underdeveloped and incapable to cope with the new legislative framework. At the same time the line Ministry lacks the capacities[16] to support local governments and create preconditions for the Law enforcement on local level. In such conditions responsibilities for public authorities are growing, but this does not result in improvements of the environmental protection system and effectiveness of the responsible authorities. It seems like both levels of governments act in separate administrative realms, regarding the implementation of the environmental standards and legal requirements, which will be demonstrated in the following paragraphs.

[13] http://www.misp-serbia.rs/wp-content/uploads/2010/05/EAS-Strategija-ENG-FINAL.pdf
[14] http://www.eu-pregovori.rs/files/File/documents/skrining/ENG_Izvestaji_sa_skrininga/PG_27/Screening_report_Ch_27_pdf_izmena.pdf
[15] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf
[16] Workshop conclusion

Due to the importance of the environmental policy, that is multi-sectorial and labelled as the most expensive EU negotiation Chapter, the Government focused on the process of development of strategic documents, which still has significant shortcomings. Adopted National Environmental Protection Programme, that expires 2020, has no action plan developed. The Water Management Strategy adopted with five year delay is still not accompanied by the action plan. Adoption of Air Protection Strategy was required by the Air Protection Law[17], however, this strategic document is still missing. The Waste Management Strategy will expire in 2019, but many problems are unsolved in this area as well. The National climate change strategy is under development, even though its adoption is also highlighted as a priority by the European Commission. The Climate change became a reality after the devastating floods in 2014 and series of fires and droughts that affected Serbia in the last five years. Local authorities realised that the climate change is a reality and a threat to local communities, but without any efforts to incorporate and deal with these concerns in their local strategic documents. Most of the local Sustainable Development Strategies do not even mention the climate change as an issue that influences environment and affects the life of local communities.

Principle of subsidiarity in the environmental policy is transposed by the National Programme on the Environmental Protection but it is partly recognised by the Law on Environmental Protection and the Law on Local Self-Government. While the Law on Environmental Protection defines the roles and competences of local authorities, the Law on Local Self-Government promotes the subsidiarity principle as "the right and ability of the local self-government authorities to regulate and manage public affairs under their jurisdiction and interests of local community according to law." In that sense subsidiarity principle is defined in a restrictive manner, as a competence of the central government to legally define the scope of intervention of local governments. As applied in Serbia this principle allows the uniform application of the environmental laws across the entire territory of the country, but overlooks the fact that local self-governments do not have necessary capacities for the application of the laws. Moreover, the lack of meaningful regional governance also constrains the application of subsidiarity principle. In addition, it is not clear which are the environmental competences of local self-governments as they are not fully defined by the law. This provides serious consequences and limits the implementation of subsidiarity principle. To put it bluntly, it is not clear how the principle of subsidiarity would be in place and how the decision-making would be undertaken, if it is unknown what competences fall under the authority of local and regional governments. Thus, we can conclude that the principle of subsidiarity is partially transposed and implemented.

Further analysis of legislative development process enables deeper insight to the application of principles of subsidiarity, accountability and fiscal equivalence in environmental policy in Serbia, particularly with regard to the strengths and weakness of vertical coordination. Here it is referred to the lack of vertical coordination in the legislative process regarding the environmental policy financing. As it is already mentioned, the responsibility of local authorities in the environmental policy area is constantly growing. But, at the same time, the revenues of local self-governments have been reduced. For example, in 2012 environmental fee on vehicles has been abolished leaving significant consequences to the local funds dedicated to environment. In some cases, the environmental fee on vehicles was the only source of income for local environmental budgetary funds[18]. On the one side this

[17] Law on Air Protection (Official Gazette, 36/2009 and 10/2013)

[18] In accordance with the Law on Environmental Protection, local self-government units are obliged to establish a local budget fund for environmental protection.

measure had positive impact to household budget and businesses, but, on the other hand, it left local authorities without important source for financing the environmental protection. The other example is recent amendments to the Law on Budgetary System[19] and the Law on Financing of Local Self-Governments[20]. According to the amendments, the revenues collected through environmental fees on local level lost their earmarked character and were categorized as the general revenues of local self-governments. In this case, revenues were not reduced, but local authorities gained freehand to utilise environmental fees for purposes other than environmental protection. Moreover, this step derogates the application of the polluter-pays principle, as assurances that collected revenues will be used for the environment protection no longer exist. In addition, this measure has not only threatened the application of the polluter-pays principle but resulted in a collision of the Law on Environmental Protection with the Law on Budgetary System.

When it comes to environmental policy one of the most important general principle of the EU law is **the integration principle**, defined by the Treaty on the Functioning of the European Union (TFEU). It is stated in Article 11 of TFEU that "environmental protection requirements must be integrated into the definition and implementation of the Union's policies and activities, in particular with a view to promoting sustainable development". The integration principle is embedded in Serbian strategic and legislative framework by the National Environmental Protection Programme (NEPP) and the Law on Environmental protection. According to the law "state bodies, autonomous provinces and local self-government units provide integration of environmental protection and improvement in all sectoral policies by implementing mutually agreed plans and programs and applying regulations through a system of permits, technical and other standards and norms, financing, incentives and other environmental protection measures." Moreover, NEPP established direct relation between environmental protection and socio-economic development, stated that "environmental protection should be integrated constituent of social and economic development".

Here we notice that instead of promotion of sustainable development NEPP promotes environmental protection as integral part of socio-economic development, which is not the same issue. However, the sustainable development principle has been established as the guiding principle of environmental protection through the National Environmental Program. Bearing in mind the principle of subsidiarity, the central authorities in Serbia are obliged to ensure the implementation of the integration principle in the work of all public administration bodies. Vertical coordination in this case implies the obligation to align implementation of the environmental policy at the central and local levels with the principle of integration through the process of passing regulations, plans and other acts adopted by public authorities. The principle of accountability obliges public authorities to apply the principle of integrity while, simultaneously, obliges the central authorities to monitor and ensure its implementation at lower levels of government.

It is important for this analysis to refer to the program of the current Government[21], constituted in June 2017. This is important due to the fact that this government formation introduced for the first time the Ministry for Environmental Protection.

[19] Official Gazette 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013 - 108/2013, 142/2014, 68/2015 – other laws 103/2015, 99/2016 and 113/2017)
[20] Official Gazette 62/2006, 47/2011, 93/2012, 99/2013, 125/2014, 95/2015 , 83/2016, 91/2016 , 104/2016 – other laws and 96/2017)
[21] The Government of Serbia develops an annual working plan, whereas the prime minister's expose is the cornerstone of the government work, since it defines priority areas and key courses of action.

Programme of the new Government, tackles the environmental issues in a broader sense. Sustainable resource management and environmental protection found their place as strategic goals of the previous government formed in August 2016, when the former prime minister mentioned them while delivering his expose.

Subsection “Our Right to a Healthy Environment” and environmental protection and climate change are identified as issues of priority for the new Government, while identification of key concerns (air pollution, waste and wastewater management), establishment of effective environmental policy are foreseen as an instrument of economic growth and recovery. Local infrastructural projects in the waste and water sector on local level are recognised as particularly important. However, further vertical coordination in environmental sector is not recognised as a priority. But, the fact that “Our Right to a Healthy Environment” is explained under section *3. Improving Efficiency of Public Service Delivery* is encouraging.

In addition, the new government’s priority is to turn public administration into citizen-centred governance, which would transform it from pure regulator to a service provider that is accessible and suitable to all citizens. Inter-municipal cooperation and development of joint performance models for exercising genuine and entrusted competencies will be supported, as it is estimated that such an approach would lead to better-quality services, accessible to all citizens. Improved legal framework should provide sufficient foundations for local self-governments to jointly carry out those tasks. Particular support is envisaged for joint municipal projects for waste and water management.

However, it is evident that principles of sustainable development, which guarantee balance between economic development and preservation of environment, are not guiding principles for new Serbian government, while economic stability and demand for growth overwhelmingly prevails.

4. Vertical Coordination in Implementation of the Environmental Policy

Challenges of vertical coordination will be summarised and presented within a brief analysis of legislative framework for implementation of water management and water protection policy, waste management and environmental impact assessment. Those policy areas are selected for two reasons. Firstly, local administration marked those policy areas as challenging during participatory process, and identified lack of coordination with the central government[22]. The second reason was that success in implementing these policies largely depends on vertical coordination and accountable governmental performance.

4.1 Water Protection and Water Management

Waters are natural good and a property of the Republic of Serbia. This solution is not a common practice in comparative perspective, as water is usually considered to be public good, meaning that property rights cannot be claimed over water. Water management is under the jurisdiction of the Republic of Serbia and the policy making-process is taking place at the central level of government. However, water management policy is a policy of shared competences and central government can entrust water management to regional and local levels of government. Local self-governments would be then responsible for: 1) adoption of acts for those facilities whose impact does not exceed its administrative borders, 2) planning and implementation of measures against harmful effects of second-order waters, as well as 3) protection against erosion and torrents in their own territory. According to its significance, ground waters are divided in two categories: first and second order Local authorities are responsible for management and protection of the second-order water, i.e. ground waters which are situated on the territory of local self-government, from its source to the mouth. Water of first order is defined by the Government and their management is in the responsibility of the central level of government.

In practice local self-governments face difficulties in providing services related to water protection since they are not responsible to conduct monitoring and inspection over the water of the first order, which are under responsibility of central government, but the problems occur at the local level. Here the subsidiarity principle is challenged by the division of responsibilities and duties between local environmental inspection and central water inspections.

Water protection and preservation is ensured by the **integrated water management** which is the key water management principle. Integrated water management is a set of measures and activities aimed at maintaining and improving the water regime, ensuring the required quantities of water of the required quality for different purposes, protection of water against pollution and protection against harmful effects of water. The Republic of Serbia conducts water management through the line ministries, bodies of the autonomous province, local self-governments and public water management companies. Since the Republic of Serbia is defined as a single water management area, vertical coordination should be acknowledged as the most important for successful implementation of the

[22] Within the consultations with 34 Programme municipalities.

water management policy. With the transposition of the Framework Water Management Directive, **the basin** is introduced as a key water management unit. Thus, such an approach demands quality of coordination between water management subjects on the central and local level of governance and represents a policy area where several actors share responsibility on the ground. However, the water management policy is substantially taking place on the territory of local self-governments, where vertical coordination meets greatest challenges and deficiencies.

Water management policy is suffering from strategic planning shortages. With five years of delay, the National Water Management Strategy has been adopted in 2015. The Action plan for implementation of this strategy is still missing as well as plans for management of water areas. Besides the Draft plan for the Danube river basin, which is still not adopted, the plans for other water areas do not exist yet. The Water management public company – "Srbijavode", is responsible for adoption of abovementioned plans. Similarly, the Water Pollution Protection Plan is not adopted.

The Vertical coordination is derogated even more because the central authorities and the public water management companies have no obligation to consult the local self-governments during the planning process. However, it is important to mention that such situation is not an obstacle for local self-governments to implement water protection measures, but it seriously complicates the coordination between the central and local governments and application of accountability principle in the water management policy.

The National Water Management Strategy identifies insufficient capacities at all levels of governments. Lack of administrative and professional capacities are identified both on the central and local level. Particular problem is the centralised role of the public water management companies. Local authorities are without any competences to control the work of those companies and to act in cases where public companies are not acting in compliance with the law.

Water inspection is centralised and operates with insufficient administrative capacities. Water inspection is under jurisdiction of the Republic Directorate for Waters. Within the Water inspection department, only 16 inspectors are responsible to control implementation of the water management and water protection legislative acts for the whole territory of the country. There is no water inspection authority at the local level. Moreover, there is a conflict in jurisdiction between various inspection authorities at the local level (environmental and construction inspection) and central water inspection, as well as among local communal inspectors.

4.2 Waste Management

Proper implementation of waste management policy largely depends on vertical coordination and policy achievements at the local level. Local-self-governments are responsible for:

- Adoption of local waste management plans and their implementation;
- Management of household waste, inert waste and non-hazardous waste, i.e. collection and disposal of waste and maintenance of landfills;
- Regulation of charging waste management services to the citizens;
- Issuing of permits and other administrative acts related to management of household, inert and non-hazardous waste, collection of information and reporting;

- Oversight and inspection control of the implementation of waste management legislation; and
- Providing opinions on permits issuing process based on the request of the Ministry, or provincial government.

Similar to water management solutions local authorities are not recognised as partners in waste management policy development since the line Ministry is in charge for adoption of legislative and strategic framework. To be clear, local self-governments are not excluded from the process of adoption of legislative documents. They are allowed to participate in public consultations and, during the recent legislative amendment in 2015 and 2016, the Standing Conference of Towns and Municipalities has represented the interests of local self-governments. However, it seems that such level of local self-governments involvement was not sufficient since the new Law on Waste Management suffers of serious shortcomings in its implementation. This conclusion will be supported by arguments below.

The unsatisfactory level of implementation of the law is not directly related to the manner of its adoption, although it is obvious that the responsible authority did not pay enough attention to the public consultations process. The key reasons for this problem lie in the lack of capacity at both the central and local levels of government, the absence of accountability towards policy objectives, and the lack of responsibility in the implementation process.

According to the Law on Waste Management[23] the national waste management strategy should be adopted for a period of six years and revised once every three years. Current strategy was adopted in 2010 and has not been revised at all. The Government was required to adopt the new strategy in a year after the new law took effect and the Government failed in the application of this legal requirement. Although it is clear that the Government failed in achieving the goals of the current strategy, the new one is drafted without public consultation. It is important to mention that it is expected that the new strategy will introduce the goals for separation and recycling of waste for the local level, but still Serbia lacks broader public consultations over abovementioned goals. The lack of vertical coordination in policy making process in this case is self-evident. The report on the implementation of the strategy should be prepared by the Ministry and submitted to the Government at least once a year. There is no evidence that such reports were submitted.

Local waste management plans should be aligned with the Waste management strategy and plans on national and regional level. According to the Serbian Environmental Protection Agency there are 28 waste management regions in Serbia and for 13 of them the regional waste management plan is not adopted. Development of regional waste management plans are the responsibility of local self-governments , hence it depend on inter-municipal cooperation, it indicate that certain level of regional government , which will enable such cooperation is missing. Five local self-governments, out of 148, have not adopted local waste management plans. Out of 29 planned regional landfill, which were foreseen to be constructed (the Waste Management Strategy 2003) only eight are constructed and put to use. The specific goal of the Waste management strategy 2010-2019 was to build and put in operation 12 regional landfills. Such failure is the result of the lack of vertical coordination and insufficient inter-municipal cooperation.

[23] Law on Waste Management, Official Gazette, no. 36/2009, 88/2010 and 14/2016)

Local authorities also show serious omissions in fulfilment of their legal obligations. Local self-governments are required to report to the Environmental Protection Agency about the dump sites on their territory. In 2016 there were 123 illegal dump sites used by local public utility companies. The number is not final because 44 LSGs did not submit reports.

The joint responsibility for the failure in achievement of the strategic goals in the waste management policy could be identified in establishment of primary waste selection at the local level. It was the specific strategic goal for the period until 2014. Only a few local self-governments were successful in achievement of this strategic goal. The responsibility of the central government lies in the fact that no specific goals for waste separation and recycling were established for local level. On the other hand local self-governments ignored the fact that disposal of recyclable materials on the landfills are banned. At the same time insufficient support has been provided to local authorities in order to help them in establishing waste separation and recycling.

4.3 Environmental Impact Assessment

An impact assessment for projects that can have significant environmental impacts is an environmental policy instrument that is being used in order to implement the principle of prevention and precaution in the environmental protection.[24]

According to the Law on Environmental Impact Assessment[25]: "Environmental impact assessment is a preventive measure of environmental protection based on the development of studies and public participation in consultation processes and the analysis of alternative measures, in order to collect data and predict the harmful effects of certain projects on human life and health, flora and fauna, land, water, air, climate and landscape, material and cultural goods and the interaction between these factors, as well as to determine and suggest measures that can prevent, reduce or eliminate adverse impacts given the feasibility of these projects."

The rules which regulate the process of environmental impact assessment and determine the competencies of the public authorities in this field are adopted at the central level in the form of laws and by-laws (regulations and ordinances). Regarding the vertical coordination of the impact assessment, an instrument is applied through shared competences between central level and local authorities in its implementation.

This procedure consists of administrative actions (conducting proceedings before the competent authority, ensuring public participation in the procedure and issuing administrative act – decisions), expert work (assessment of possible environmental impacts, determining the state of the environmental factors, determining the environmental protection measures and monitoring measures) and oversight of the implementation of the measures specified in a decision on granting consent for the impact assessment study.

[24] The principle of prevention and precaution implies that each activity must be planned and implemented in a way that causes the least possible change in the environment, presents the lowest risk for the environment and human health, reduces the burden on space and the consumption of raw materials and energy and prevents or limits the environmental impact at the very source of pollution.
[25] Law on Environmental Impact Assessment, Official Gazette, 135/2004 and 36/2009

Regarding the division of competencies, we can observe the first open issue of vertical coordination in regard to the division of competencies in the implementation of the impact assessment process between the central and local levels of government, that is, the issue in which cases the procedure is carried out by the local authorities and when by the central authority, or the line Ministry. Since the environmental protection represents an original jurisdiction of the local self-governments, the impact assessment activities fall within their competences. However, in the Law on Environmental Impact Assessment, this division of competencies has not been consistently implemented, which lead to overlapping competencies and collision of legal norms, in particular the Law on Impact Assessment and the Law on Planning and Construction[26]. The Law on Impact Assessment, as a separate law that regulates this area does not clearly establish in which cases the local self-government is competent to conduct an impact assessment procedure. As a separate article of the law does not determine the division of competences between the central and local levels of government, we find the explanation in Art. 2 of the law, where it is explained the meaning of certain terms used in the law. "The competent authority" is designated as a body responsible for the implementation of the impact assessment procedure within the framework of the powers determined by this law. This means that for the projects for which the approval for construction is issued by the central authority, this body is in charge of conducting the procedure. In the same manner, the local self-government body responsible for the environmental protection is in charge of conducting the procedure for projects for which the approval for execution is issued by a local self-government body. By using literal interpretation of these provisions of the law, the conclusion is that the approval for construction and the approval for execution are not the same legal acts, that is, that these acts are not obtained at the same stage of realization of the project that is the subject of an impact assessment. It is also unclear exactly what act to apply, because the terminology used in the Law on Impact Assessment is not in line with the terminology used in the Law on Planning and Construction. In the case of a "building permit" for instance, we conclude that it is a construction permit, while the "approval for implementation" could be an approval for the construction of an object.

Insufficient precision in determining the competence of bodies for implementing the impact assessment in the Law on Impact Assessment has influenced the establishment of a practice that relies on the provisions of the Law on Planning and Construction. Namely, Art. 133 of this Law establish the list of objects for which the building permit is issued by the ministry in charge of construction. The units of local self-government are entrusted with issuing the building permits for the construction of objects that are not listed in Article 133 of the said Law. In line with the division of competencies for issuing building permits, it is established that local authorities are conducting an impact assessment procedure for those projects for which a building permit is issued by a self-governing body.

The research has shown that there are also different interpretations of the division of competencies. Some local government units apply the criterion according to which the impact assessment procedure is carried out in cases where the project is being the subject of the assessment is on List II of the Decree on the Establishment of a List of Projects for which an Impact Assessment in Mandatory and a List of Projects for which an Environmental Impact Assessment may be Required. List II of this regulation contains the projects for which an impact assessment *may be required*, while for List I contain projects for which the impact assessment is *mandatory*. This approach is the result of an insufficiently clear

[26] Law on Planning and Construction, Official Gazette, 72/2009, 81/2009 - 64/2010 - 24/2011, 121/2012, 42/2013 - 50/2013 - 98/2013 - 132/2014 and 145/2014)

division of competences in the Law on the Impact Assessment between central and local levels of government.

Environmental impact assessment is a challenge for the environmental governance both on local and central levels. It is argued that unclear division of the competences is among the sources for this challenge. Another one is related to insufficient administrative capacities. Environmental impact assessment is a demanding procedure and, currently, number of employees is bearing the responsibility for conduction of environmental impact assessment procedure. Further centralisation would increase the pressure on responsible department within the Ministry[27] thus creating additional administrative burdens. At local level administrative capacities are limited as well, but here another challenge has occurred. Environmental departments at local level are positioned within departments for construction and urban/spatial planning, with insufficient number of employees responsible for the environmental protection. It impacts the quality of decision making and, consequently, the quality of the environmental impact reports. From the point of view of investors and civil servants responsible for issuing construction permits, the environmental impact assessment study is just another document required for construction permit. From the environmental perspective impact assessment procedure is a strong instrument for protection of environment, preservation of natural resources and safeguarding the public health. It means that project which generates harmful environmental effects should be avoided. And here the demand for economic development is challenging sustainable development principles. In order to improve quality of environmental impact assessment at local level, two steps are necessary. The Department for the environmental protection should be established at local level, and separated from the construction and urban planning departments. A number of employees in the environmental protection departments should be increased, particularly in terms of those with the required expertise. Inter-municipal cooperation and establishment of inter-municipal commissions for the environmental impact assessment should be considered. Such an approach would increase professional capacities of local administrations and pressure from investors' side will be reduced.

[27] According to the opinion of environmental experts and public officials being interviewed.

5. Conclusions and Recommendations

5.1 Strategic Planning

Conclusions

The NEPP and strategic framework for the environment protection and the climate change is insufficiently developed. The National Sustainable Development Strategy expired and the National Environmental Protection Programme should be revised since its expiration year is 2020. Several sectoral strategies expired or were not adopted in the first place (climate change, air protection, waste management). Majority of local governments (more than 50%) do not have strategic documents related to environment and climate change. Programme for using the local environmental budgetary fund, which is annually adopted, should not be considered as strategic document, but as a narrative explanation of incomes and expenditures.

Monitoring the implementation of the environmental strategic objectives at the national level is missing, due to the fact that the Action plan for the National Environmental Protection Programme has not been adopted, although it is required by the Law on Environmental Protection.

In such circumstances, vertical coordination is also endangered since the national strategic framework provides background for development of local programmes and plans. Such negligence practice at the central level spills towards the local governments and creates an atmosphere where accountability towards the policy objectives is not recognised as important.

Recommendations

The National Government

1. Revision of the National Environmental Protection Programme should be launched as an inclusive and transparent process. The Programme and accompanied action plan should be adopted before 2020. Action plan should contain concrete actions, division of responsibility between central and local level of government, clearly defined implementing bodies, time frame and budget allocated.
2. Activities aimed at capacity building of local governments should be envisaged by the Action plan.
3. The National Environmental Protection Programme and its Action plan should contain the obligation on the part of local governments to adopt or align their environmental strategic documents with those from the national level, within a year after the adoption of the national programme.

Local government

1. The Local environmental programme should be adopted for a period of three years, with the annual action plans accompanied. Ideally, this process should be synchronised with local programme budgetary cycles.
2. Local governments with less administrative and financial capacities, as well as those which share common natural and geographical features (same river flows, natural resources,

common environmental concerns) should consider opportunities for inter-municipal cooperation in development of an environmental programme.

5.2 Oversight Role of the Local Assembly

Conclusions

Oversight role of the local assembly in regard to the environmental policy is insufficiently developed. The powers of local assemblies in regard to the environmental policy are too general. There is a missing link between the assemblies and the executive power (local councils, local administration (e.g. inspections services) and local public companies): even in the case of defined procedures of periodic reporting of these bodies to the local assembly, this is rarely implemented in practise. The assembly lacks or does not implement oversight mechanisms (e.g. public hearings, town hall meetings). Local Assembly's committee for the environmental protection exists in most of the local assemblies, but their activities are barely visible to the public. Participation of the local assembly in the creation and oversight of the environmental policy, regardless of enumerated powers and competences, is obviously insufficient. Therefore, this necessary element is missing in the chain of accountability. In such circumstances, public participation in environmental policy making process is considerably reduced, which in turn damages transparency and accountability.

Recommendations

Local government

1. Considering the importance and expected financial burden of the environmental policy implementation, all local governments should establish committees for the environment protection and the climate change as a standing body of a local assembly, in order to improve the accountability of the environmental governance by strengthening the role of the legislative branch in local governance structure;
2. Introduce statutory obligation of the assembly committee on the environmental protection and the climate change to participate in the development of annual local environmental budget and programme, through mandatory reviews of the draft proposals submitted by the local councils, before it reaches the assembly plenary[28];
3. Organise public hearings/town hall meetings or other forms of parliamentary oversight, on the issues of importance and public interest, in order to increase public participation, transparency and accountability of the local decision-making process;
4. Considering that the local government unit is required to submit reports on the state of environment, it is important to establish assembly's scrutiny over the matter;
5. A Programme for improvement of capacities of the members of the assembly committee should be organized and supported by appropriate stakeholders (e.g. the line ministry, SCTM, international partners and donors, civil society, etc.)

[28] The implementation of this recommendation should be preceded by the harmonization of the Law on Environmental Protection and the Law on the Budget System, in accordance with the "polluter pays" principle.

5.3 Vertical Division of Competences

Conclusions

Division of competences is based on the assumption that they by default belong to the central level of government, while the local governments have only residual competences. The principle of subsidiarity is undermined in the environmental sector, since the division of competences is not based on actual administrative capacities, needs and specifics of local communities. Overall approach to decentralisation is unclear and inconsistent, with the processes of decentralisation and re-centralisation are largely affecting the division of competences between local and central level of government. Collision of legal documents from the environmental area and adjacent policy areas (urban planning and construction, energy, inspections, communal services) produces legal uncertainty and the lack of accountability at local level. It additionally weakens the capacities of local administration to implement a wide range of environmental rules and procedures. The number of environmental inspectors is insufficient, especially those at the central level of government. Administrative districts, as a level of government between the central and local level, play no meaningful role in implementation of the environmental policy. On the other hand, in certain areas such mid-level of government is desirable, if not necessary. Regional approach in establishment of waste management system is enforced by the central government but the results are far behind the expectations.

Recommendations

The Central government

1. Fundamental principles of the division of competences should be in line with the principle of subsidiarity, meaning, that the competences that can be implemented at the local level should be implemented at that level. Specificities and capacities of the local communities must be taken into account: smaller and poorer local communities clearly cannot bear the same level of responsibilities as the bigger and richer ones.
2. Clear division of the responsibilities for conducting the procedures on the environmental impact assessment, by amending the related Law; division of powers and competences between the central and local level should be based on who issues the construction permits;
3. Harmonise the Law on Construction and Planning with the Law on Environmental Impact Assessment: clarify the provisions of the former which define the exact timing for conducting the environmental impact assessment procedure;
4. Increase the number of the environmental inspectors both at the central and local levels; establish territorial competence of the local inspections, which would allow them to intervene in cases of grave dangers to the environment and lives;
5. In implementing the measures of environmental protection where the scope and scale of tasks, or the environmental impacts, heavily overcome the capacities of local governments, the idea to strengthen the role (powers, competences and democratic accountability) of the administrative districts or to create another level of government between the central and local, based on principles of subsidiarity and accountability, should be considered;

5.4 Fiscal Equivalence

Conclusions

The transfer of competences which followed the process of decentralisation, including the fiscal decentralization, was done in such a way that jeopardized financial stability and predictable financing of the local governments. Such a division does not guarantee sufficient financial resources for an optimal quality of the services related to the environment. Decentralization in the area of the environment and further degradation of the environment was accompanied with the fiscal centralization. Financial allocations for the environment are not determined by the needs but by the available resources. Lack of financial resources, both at national and local levels, was not followed by prioritising urgent areas of intervention, such as waste, waste water treatment and air protection.

Amendments to the Law on Budgetary System are in the collision with the fundamental principle of the environmental policy, the "polluter pays principle". According to this principle, polluters (energy and transport sectors, businesses, citizens, etc.) pay charges for the pollution of the environment, which should be used by public authorities for the purpose of the environmental protection. It means that money collected through taxes is earmarked and reserved for these purposes. It is the fundamental principle of the EU environmental policy and its full respect is an obligation within the EU accession process. The Law on Budgetary System has annulled the provisions of the Law on Environmental Protection, which guaranteed application of "polluter pays" principle. Local authorities also disregarded the principle of polluter pays principle, mainly because the environmental policy is not among the key priorities, neither at the central nor at the local level.

Recommendations

The Central government

1. Implement in full the "polluter pays principle" and determine fines for not enforcing the principle by the central and local authorities. It is necessary to harmonize provisions of the Law on Budgetary System and the Law on Environmental Protection.
2. Identify areas of importance for financing, such as air protection, waste management, sanitation of local waste dumps, and improvement of wastewater management system. These are the areas that are financially most demanding, and they represent the biggest cause of the environmental degradation. Specific conditions for financing such priority areas, in poor and undeveloped municipalities, should be introduced by the central government, in accordance with the principle of fiscal equivalence.
3. Successive increase in local environmental budget revenues, but also expenditures, and not their reduction. Increases must be the result of a real cost estimate, but also of a dialogue between different social actors, especially those who will be directly affected by this increase;
4. The environmental finance system must serve the basic goal of this public policy - to prevent further environmental degradation.

Vertical Dimension of Good Governance

Principles and approaches for the cooperation between the state and local self-governments in the field of environmental protection – lessons learned and recommendations

Associates on the development of analysis:

Marko Vujačić

Mirko Popović

Aleksandra Saša Solujić

Ana Nedeljković Belja

Editing:

Dragan Mladenović

Aleksandra Radetić

Belgrade, March 2018

Republic of Serbia

Programme Funded by EU

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

UNOPS

Implementing Partner

EUROPEAN PROGRES