

THE IMPACT OF ECONOMIC SYSTEM ON ENVIRONMENTAL POLICY IN THE REPUBLIC OF SERBIA

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Abstract. *Political and economic changes in the former socialist countries in the early 90s of the 20th century have not only opened up possibilities for the future democratic development of these countries, but also an opportunity for solving economic, political, social and environmental situation in the context of building a new, market economic system. The unfavourable environmental situation in Serbia is caused by many factors, among which frequent changes in the economic system in the past and inadequate economic and system solutions occupy a significant place. A critical approach to the impact of economic system solutions to the political and institutional arrangements for environmental protection in the SFRY, FRY, Serbia and Montenegro and RS is therefore a suitable starting point for understanding the importance and the need to take a more active approach to solving environmental problems in Serbia. It is also a goal of this work. In addition, solving the problems in the field of environmental protection is crucial for achieving sustainable development and improving the competitiveness of the Serbian economy.*

Key Words: *economic system, reforms, environmental policy, Republic of Serbia.*

INTRODUCTION

The economic system of the socialist countries is realized by different models from the central planning model with a dominant share of state ownership to the self-management model present in the former Yugoslavia (SFRY), which affirmed public property and opened the door for greater action of market mechanism in the economy. However, the presence of market elements and institutions “in some periods was more pronounced, at least in orientation (e.g. the mid-sixties), and there is a large resistance and deviations from the introduction of integrated market elements (the market for goods, labor and capital), when the economic system from that point took a step backwards”

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(Arandelović, 2004, p. 339). Yet, despite these differences, all the socialist countries are characterized by the existence of common institutional commitments, which is clearly shown by numerous examples of attempts of economic reforms.

“The programs of reforms in socialist countries were generally initiated for pragmatic reasons. The reforms were a reaction, response to the crises that the socialist countries were going through with the intention to rectify their partial deficiencies. Empirically speaking, it can be noted that each new wave of economic reforms was associated with economic failure, i.e. they also appeared as a reaction to the worsening of development performances” (Mitrović, 2007, p. 33). The first symptoms of the general socio-economic crisis in the socialist countries began to manifest clearly after the 70s when a large number of macroeconomic indicators went out of the zone of positive trends. Drastic deterioration in macroeconomic performances during the 80s led to the collapse of the socialist economies and contributed to the revival of the vision of the impossibility of maintaining socialism as a system both in terms of economic, as well as environmental efficiency and achieving sustainable development. The basic economic irrationality embedded in socialism as an economic system contributed to economically irrational allocation of resources, which along with the arbitrary pricing resulted in underestimation of the value of natural resources and, inevitably, in degradation of the environment.

There are many environmental problems that are common to all the former socialist countries, despite their different geographical and climatic characteristics. Essentially, the basic environmental problems in the Central and Eastern Europe are caused by the character of the political and socio-economic systems of these countries. These systems were based on the dominance of state ownership, central planning and investments, unrealistic, controlled prices and outdated and inefficient industries. Such an environment for economic development of the socialist countries initiated the creation of an energy and resource-intensive economic structure, followed by a massive production of waste, inefficient management, lower productivity and surplus of unskilled, low-paid workforce. On the other hand, environmental problems are the result of non-compliance and poor enforcement of environmental laws and neglect of environmental problems by the state authorities. Institutional structures for the management of environmental issues were underdeveloped and the system of education was inefficient in terms of incorporating environmental issues in the teaching program. In addition, public participation in solving environmental problems was strictly forbidden, while the data on the state of the environment was kept secret in order to prevent any negative reaction of non-governmental environmental organizations.

Political and economic changes in the former socialist countries in the early 90s of the 20th century have not only opened up possibilities for the future democratic development of these countries, but also the opportunity to solve economic, political, social and environmental situations in the context of building a new, market economic system. The advantages of such orientations are reflected in increasing the efficiency of the economic system, respecting economic, i.e. market laws, introducing a multiparty system and eliminating the domination of politics over the economy, and introducing pluralism in property relations.

From the perspective of the objectives of environmental policy and sustainable development, the key elements of economic reforms are privatization and a clear definition of private property rights, the introduction of markets in order to ensure effective valorization and rational use of resources, restructuring and modernization of the industry in order to introduce modern and eco-efficient technological solutions, and eliminating

unproductive subsidies to inefficient state-owned industries. Since the unregulated market economy itself can contribute to protecting the environment, it is necessary to introduce administrative and economic instruments for environmental protection, but also a whole range of environmental regulations and ensure their effective implementation. An integrated environmental management system should contribute to the introduction of preventive measures against pollution, rather than pollution control measures. An efficient environmental management system means, above all, a clear definition of environmental laws and regulations, the introduction of monitoring of environmental performances, command and control state policy through economic instruments, developed information system for decision-making and public participation, and the development of environmental awareness through the education system. Nevertheless, the environmental policy in the new socio-economic environment should be based on the principle of “polluter pays” and “user pays”, and higher use of economic instruments to achieve full internalization of environmental costs and provide incentive for polluters to change their behavior towards the environment.

In line with the established goal, this paper is structured as follows. The introductory review considers the political and institutional solutions in environmental protection in former Yugoslavia. After that, a critical review of the environmental regulations and practices in the FR Yugoslavia, and then in the State Union of Serbia and Montenegro, will be given. Further, the regulation problematic of environmental issues in the context of building a new, market-oriented economic system in Serbia will be discussed. Finally, the synthesis of the key considerations will be carried out.

1. POLITICAL AND INSTITUTIONAL ARRANGEMENTS FOR ENVIRONMENTAL PROTECTION IN YUGOSLAVIA (SFRY)

From the second half of the 20th century until the dissolution of the former Yugoslavia (SFRY), the accepted model of development with a focus on accelerating the socialist industrialization and the frequent changes in the economic system caused a gradual destruction of environmental assets and the deterioration of the environment. Whereas from the mid-20th century, the anthropogenic influence on the environment has risen in the wider global scale, it could be concluded that the impact of economic activities on the environment in the former Yugoslavia did not differ from the global trends in this area.

The economic system of the second Yugoslavia was declared as socialist and self-management, in accordance with the character of the whole society. In these conditions, the planned organization of the economy has been the backbone of the whole society (Arandelović, 2004, p. 93). In accordance with the defined priorities and the development goals and tasks in the period before the dissolution of SFRY, it can follow that the development of the environmental protection system in the former SFRY was divided into three main stages of development.

The first phase in the development of the environmental protection system, which covers the period from 1945 to 1970, was characterized by intensive use of natural resources in order to achieve the planned objectives of economic development. “After the war, Yugoslavia faced the complex task of overcoming the adverse conditions that were the cause of its backwardness and slow economic growth in the past. It was supposed to accelerate this development, create adequate material base for the new social system and mitigate

significant differences which moved Yugoslavia away from industrialized countries” (Čobeljić, 1980, p. 72). The question of choice of the methods of economic development appears most often in the mode of the dilemma whether to give time priority to agriculture or industry in the initial stage of economic development. However, what is important to note is that this dilemma was not of any particular importance for Yugoslavia. The simple reason for it being important was that in the changed social circumstances the process of its industrialization, which started earlier and continued at a slower pace in the period between the two world wars, should significantly accelerate. In addition, the general conditions for economic development, the available natural resources and production potential of the population, consisted a starting point for such a rapid development of the industry. Therefore, the initial stage in the economic development of SFRY was characterized by strategic orientation for rapid industrialization, in which the starting point represented the priority development of heavy industry and energetics.

The second phase in the development of the environmental protection system covers the period from the 70s and lasts until the 80s of the 20th century.

By analyzing the experience of the developed countries, it could be seen that the interest of these countries to solve the problems of environmental quality has arisen since the 70s of the 20th century. It is not surprising that efforts are focused not only on technical issues in choosing the right policy to solve the problems, but, in fact, the environmental policies in different countries are a reflection of their unique political culture and institutions.

According to these trends in the developed countries, in former SFRY, defining the policy to protect and improve the environment was first approached in a comprehensive and coherent manner after the first UN Conference on the Environment in Stockholm in 1972. In accordance with the decisions of the Tenth Congress of the Communist Party of Yugoslavia, the Constitution in 1974, the Law of associated labor and other system laws, with the support of relevant social and political measures and actions, a big but by nature not a radical change was carried out in the economic system that had certain repercussions on the changes in the socio-economic and productive relationships, as well as in the field of the political system of the socialist self-management.

The adoption of the new Constitution in 1974 was round one, and for all characteristics, an important stage of development of the Yugoslav society on the basis of the socialist self-management. It provided a strong institutional support in defining the policy of protection and improvement of the environment, particularly emphasizing the importance of protecting and promoting human environment in Article 87 of the Constitution, which says: “Working people and citizens, organizations of associated labor, socio-political organizations, local communities and other autonomous organizations and communities have the right and duty to provide conditions for the preservation and development of natural and man-made resources of human environment, and to prevent and eliminate the harmful effects of the pollution of air, soil, water, watercourses and the sea, the noise or other thing that threaten those values or endanger human life and health” (Ustav SFRJ, 1974). The increasing awareness of the need to address the resulting environmental problems and their close interaction with environmental problems in other countries acted in the direction of the declaration of the constitutional right to a healthy environment, and identification of the main subjects of protection and improvement of the environment.

The onset of the third phase in the development of the environmental protection system coincides with the last attempt to reform the economic and social system in the late 80s.

At the beginning of the ninth decade of the 20th century, a number of indicators pointed to a slowdown of economic growth and the signs of economic and social crisis that put pressure on the Yugoslav economy clearly began to manifest. "In these circumstances, one of the last attempts to change the economic system was made, the amendments changed the Constitution in 1988 which opened the door to radical changes" (Arandelović, 2008, p. 187). Radical changes in the economic system followed the adoption of a set of system laws, late in 1988 and early in 1989, among which Company law is certainly the most important. In such circumstances, restoring the role of the company as the holder of the economic activities and for the first time legally forecasting companies in all types of property rights, and decentralization of management is initiated by comprehensive reforms within the general legal framework, as well as the legal framework for decision-making in the field of environmental protection.

It should be noted that former SFRY had developed international cooperation in protecting and improving the environment with international organizations and institutions, as well as with regional groups, particularly with the European Union. The European Union (then the European Community) was the most important economic partner of SFRY in economic and many other fields. During the 80s of the 20th century, there was a trend towards the intensification of cooperation in the protection and improvement of the environment. The start of cooperation in the protection and improvement of the environment can be traced back to 1972, after the adoption of the General Resolution at the first Ministerial Conference on European Cooperation in the field of scientific and technological research. In order to provide the necessary support for the priorities of environmental protection, Yugoslavia, as one of the signatories of the Resolution, was committed to the ratification of most of the documents adopted by the European Union and to the gradual harmonization of national environmental legislation with the European Union legislation in the field of environmental protection. Effective international cooperation with the European Union is expected to provide the possibility to better meet environmental requirements and to create preconditions for efficient integration into the framework of the Community.

Based on the analysis of global environmental trends and the assessment of the environmental situation in the country, the environmental policy in the former SFRY was supposed to define the priority environmental objectives and instruments to be achieved in a way that contributes to balancing the relationship between the need for greater economic growth and the requirement for the realization of the ecological balance in environment. However, from today's perspective, it can be seen that, despite raising awareness of environmental issues, there was no comprehensive and consistent environmental policy in the former SFRY. This policy, with its measures and applied instruments, should have contributed to the mitigation of environmental problems. That is partly because, in the whole period of its existence, objectives related to the development of socio-economic relations had the advantage and held a high place in the ranking of priority development goals. In addition, frequent changes in the economic system and economic policy influenced the changes in the definition and implementation of the environmental policy, because of which it was left with no visible effects. Under the pressure of the general economic problems, especially after the 80s, such as the decline in the GDP rate, high inflation, the deficit in the balance of payments and threatened foreign trade liquidity and, and on the threshold of social and political crisis, in the late 80s, environmental problems lost their importance and were pushed into the background.

2. CRITICAL REVIEW OF ENVIRONMENTAL REGULATIONS AND PRACTICE IN THE FR YUGOSLAVIA

2.1. The economic context

The former SFRY was pursuing a strategy of industrialization and economic development, which was based on import substitution and protectionist attitude towards the domestic industry and agriculture, with the sole reliance on the exploitation of natural resources. Such strategic direction of development is basically characterized by inefficient use of raw materials and energy, which eventually led to the high import dependence on foreign sources of energy and the accumulation of external debt. Our prominent academician Nikola Čobeljić (1984, p. 78) lists the five main causes of environmental degradation in Yugoslavia: a rapid and specific process of industrialization, urbanization, the use of “profit-oriented technology”, “wasteful” consumption patterns and mechanism of market economy.

The disintegration of the Yugoslav federation in 1991 resulted in the destruction of the common market of Yugoslavia which had a negative impact on relations of related supplies between the republics. This was especially true if we bear in mind that between the former Yugoslav republics there was a high degree of interdependence of economic activities in view of the large amount of energy resources and production. Among the factors that determine such a high degree of interdependence are: the differences in climatic conditions, the differences in the availability of mineral resources, the conditions for the realization of agricultural production, and partly the differences in the level of achieved technological development and the level of wealth between them. With the disruption of trade relations and links among the republics, there was a sharp decline in production, where the industry lost suppliers and markets, and the economic difficulties of the republics were compounded by wartime destruction of fixed assets.

The imposition of sanctions against FR Yugoslavia by the international community led to serious economic stagnation and impoverishment of the population in the early 90s. The situation in the economy further deteriorated due to hyperinflation, which began in February 1992, and gradually blossomed and reached its peak in January 1994, when it was only during this month that it reached the amount of 313.563,558% (Savezni zavod za statistiku, 1994). By cutting the inflationary spiral with the introduction of the new dinar in June 1994, a relative price stability was recorded in the period from 1995 to 1997, but already in 1998 the signs of inflationary pressure started to appear again. However, even after the UN sanctions were lifted in December 1995, the expected effects of rapid economic recovery failed to happen. To illustrate, the GDP growth between 1995 and 1998 was of lower intensity, while the already high unemployment rate continued to grow. The unemployment which was at 21% in 1991 increased to 27.9% in 2001. “The period of apparent economic recovery and reform attempts in mid-decade was interrupted by the Kosovo crisis in 1999. A significant economic decline in the 90s can be summarized by key macroeconomic indicators. In 2002, in Serbia and Montenegro the gross national income per capita was only 50% of the level in 1989. The level of export in 2000 was the third of the same amount in 1991. The import was hit less drastic; in 1999 the import was about 60% of its level in 1991 (it is believed that the official indicators of economic activity decreased the actual level of economic activity, given the vast size of the gray economy and exchange of goods, which increased during the 90s).” (Svetska banka, 2002, p. 25).

2.2. The institutional framework for decision making regarding environmental protection

The adoption of the new Constitution on April 27, 1992 was created as a realistic assumption for the construction and operation of a new economic system, but also defining a new approach to environmental issues and problems. The starting point for the definition of environmental policy in Serbia and Montenegro was formulated in the Constitution of FR Yugoslavia and the member republics.

“In accordance with the constitution established competences, the right to a healthy environment is formulated as one of the fundamental rights of man. The basis for the functioning of an effective environmental management system is consisted by adjusted principles, delineated responsibilities and contemporary and efficient socio-administrative measures. These measures have their basis in the Constitution of the Federal Republic of Yugoslavia” (Ministarstvo zdravlja i zaštite životne okoline Republike Srbije, 2002, p. 7). Responsibilities in terms of basic environmental issues were divided between the federal level (Department of Environment within the Federal Secretariat for Labor, Health and Social Care) and national level (Ministry of Health and Environmental Protection of Serbia, until May 2002, while after June 2002, a new Ministry for Protection of Natural Resources and Environment was established, as well as the Ministry of Environmental Protection and Spatial Planning of Montenegro). Also, in larger municipalities in both Republics, there were institutions that were responsible for environmental protection. Specific competencies in the field of environment were awarded to some other ministries and institutions at the federal and republican level.

The federal state bore some responsibility for the environment by establishing the conditions and methods for carrying out economic and other activities. Its competence was the formulation of policy, adoption and implementation of legislation, other laws and general procedures for the adoption of the law, as well as providing judicial protection in terms of the basis of the environment. In accordance with the recommendations of the United Nations Conference on Environment and Development in Rio de Janeiro, held in 1992, the FR Yugoslavia adopted two key strategic documents in 1993 – the Resolution of environmental policy in the FRY and the Resolution on biodiversity conservation. By their adoption, the FRY was committed to the acceptance of the concept of sustainable development, which was used as a parameter in the formulation of environmental policy.

The resolution of environmental policy defined 12 programs that were related to certain areas of environment and 49 priority measures that should be reviewed and adopted every five years. The following objectives of the policy were proclaimed in the Resolution of environmental policy (Ministarstvo zdravlja i zaštite životne okoline Republike Srbije, 2002, p. 220-221):

- Creating a basis for building human-oriented society in the Federal Republic of Yugoslavia, which will be permanently developed in harmony with nature taking into account the rights of future generations to meet their own needs at the same or higher level.
- Providing conditions for the conservation, rational use and preventing the degradation of natural resources, preventing uncontrolled pollution and further degradation of the environment and repairing the consequences of past pollution and environmental degradation.

- Environmental management in a way that provides the conditions for the protection and promotion of human health.
- Developing an integrated system of protection and improvement of environment and quality of life, improving the existing system of environmental protection in man-made environment and providing an institutional framework for the effective functioning of that system.
- Ensuring the conditions where interests arising from the concept of sustainable development and the protection and enhancement of the environment are analyzed and taken into account when planning settlements and the use of land.
- Gradual introduction into practice of the principle of “polluter pays”, by unique system solutions for the entire territory of the country.
- Providing conditions for the development of pollution control technology that is appropriate to the specifics of our area and to the achieved level of development.
- Preservation of “satisfactory” natural balance in our country and participation in ensuring the protection of the biosphere.
- Preventing the import and transfer of “dirty technologies”.

The environmental policy was based on the following principles: integrity, hierarchy of interests and goals, quality, efficiency, market neutrality, awareness, program orientation, preventive action, the polluter pays and solidarity.

The adoption of the Law of basic principles of environmental protection in 1998 provided institutional support for the implementation of the Resolution on Environmental Policy in the Federal Republic of Yugoslavia. Another key strategic document, Resolution on biodiversity conservation policy, clearly defined objectives and principles of the protection of biodiversity policy, and established four programs for their implementation, including program control and program discovery of processes, as well as activities with a negative impact on biodiversity. The last document, the Program of medium-term recovery and transition, was prepared for the donors' conference organized by the World Bank and the European Commission in June 2001. Chapter 12, which explicitly refers to the field of environment, defined short-term and long-term goals, and proposed program of work for the environment based on the convergence to the legislation of the European Union.

The legal framework governing the protection of the environment was well developed, since in addition to the federal law, there were a wide range of laws and regulations on the level of republics. The most important among federal laws is definitely the Law on the foundations of environmental protection in 1998 (“Službeni list SRJ”, br. 24/98). Particularly, it established an institutional framework for the introduction of an “integrated system of environmental protection, planning and management of natural resources and the implementation of environmental protection measures” (Article 4 of the Law). In addition, the basic intention for adoption of this Law was to bring closer the national legislation on environmental issues to the European Union legislation, which is one of the conditions for the integration into the Union.

2.3. Critical review of the environmental management system in FR Yugoslavia

During the last decade of the 20th century, there was a multitude of political, economic and demographic changes caused by economic and political sanctions, longstanding conflicts in the region and the transition period. In such conditions, problems related to the

environment were treated as less important in relation to economic and social problems, and the expected effects of environmental policy, established by the Resolution of environmental policy, failed to happen. The Report on the state of the environment for 2000 and priority tasks for 2001+ for Serbia state that “the results show that, except for the selected fields, environmental protection systems slept for almost a decade, apropos that established system is not implemented (as they are in other countries intensively transformed in accordance with the requirements of the protection and development of environment), and according to the assessment, the cumulated time lag for the developed countries in this area (at least 30 years) we must compensate step-by-step, by profound, carefully and professionally planned activities” (Ministarstvo zdravlja i zaštite životne okoline Republike Srbije, 2002, p. 224). In addition to economic and political reasons, unsatisfactory environmental performance in the FR Yugoslavia until 2000 was caused by the institutional deficiencies and weak enforcement of legislation in the field of environment, which was reflected in the following:

- Environmental protection in the FR Yugoslavia in the period to 2001 was regulated by a large number of federal, republican and municipal regulations, making the overall legal framework that governs environmental protection non-harmonized, inconsistent and vague. Such an approach to the regulations relating to the protection of the environment resulted in partial solutions, and in particular, the lack of coordination in this area.
- Inadequate treatment of the environment, regardless of the existence of numerous laws and regulations, was partly caused by non-alignment of existing legislation, both horizontally (across sectors) and vertically (from the municipal to the federal level).
- There was a phenomenon over regulation, whereas the jurisdictions of republican and federal authorities were correlated and overlapped in this area.
- Lack of defined legislation, which prevented operation of the federal government in taking significant actions to eliminate or reduce the consequences of such circumstances.
- Existence of certain legal inconsistencies in terms of regulating the protection of certain parts of the environment that should have been otherwise uniformly regulated.
- Low level of legal provisions appliance, due to an insufficient number of employees engaged in inspection and due to the inability to collect taxes and penalties because of the inefficient legal system.
- Lack of a comprehensive approach to environmental protection at the national level.
- Low level of information about the state of the environment due to the lack of an integrated information system for the environment.
- A system of statistical data collection could only have basic indicators of environmental conditions on the elements that were being monitored, which turned out to be a very modest base. With regard to data collection, available data were summarized screened. In addition, as the data collection methodology was not adapted to collect data relevant to sustainable development, the information on the contribution of population and industry to environmental protection was not available.

The Resolution on environmental policy envisaged that the policy was implemented from the federal budget for these purposes in the amount of at least 0.1 to 0.3 % of the Federal Republic of Yugoslavia GDP in the period to 2000, and from the fees for the use of natural assets, taxes, contributions and other sources for environmental protection. However, limited economic opportunities in the period after the introduction of sanctions

against Yugoslavia resulted in, among other things, the impossibility of adequate implementation of the program of environmental financing. Of the anticipated 0.1-0.3% of the Federal Republic of Yugoslavia GDP, around 0.001% was allocated in the period from 1998 to 2000, which reflected negatively on the possibility of environmental management. The funds appropriated for this purpose in the same period in the Republic of Serbia amounted to only about 0.02% of the gross national income. In this way, most of the objectives of environmental policy were not realized and the pressure on the environment due to the intensive use of natural resources increased. In addition, the emissions of pollutants increased due to the inability to replace outdated technology and equipment. Another consequence of international sanctions on the environment and the overall environmental management system was reflected in some restriction of international cooperation in this area, given that international cooperation on environmental protection and sustainable development depends on the total international relations of the country. The isolation of the FR Yugoslavia led to the interruption of official cooperation in the field of environment and its exclusion from international forums such as the United Nations.

3. CRITICAL REVIEW OF THE ENVIRONMENTAL PROTECTION SYSTEM IN SERBIA AT THE BEGINNING OF THE 21ST CENTURY

After the democratic changes in 2000, Serbia has taken a more active approach in the implementation of environmental policy, which is becoming an integral part of the transition process in the country and support to economic development. The Government of Serbia in June 2001, and the National Assembly in September 2001, approved the first Report on the state of the environment and the adopted environmental priorities, which primarily related to: (a) the further development of domestic environmental legislation and its harmonization with the European Union legislation, (b) access to certain international treaties in the field of environmental protection, and (c) taking part in the work of international organizations and other international initiatives, such as the process "Environment for Europe" in the field of environmental protection.

The Report on the state of the environment for 2000 and priority tasks for 2001+ for Serbia clearly identified priority areas for the protection of the environment in which the state, in cooperation with other competent authorities in the field of environmental protection, should take an active part (Svetska banka, 2002, p. 49). The most important tasks were: building of institutional and legislative capacity, waste management, education regarding environmental protection, access to information, etc.

The FRY, due to the normalization of international relations and cooperation with international organizations (OSCE, EU, REC, etc.) and international financial institutions, began to receive financial, technical and other assistance from abroad. Foreign assistance played a significant role in the implementation of some of the priority projects in the above mentioned areas, among which is the SCEPP, a project funded by the European Agency for Reconstruction, COWI, a project supported by the Danish government or Yugolex, a project for the development of legislation in the field of environment, which is implemented with the help of the Finnish government (the total budget was 2 million euros) in order to support the harmonization of environmental regulation in Serbia with the European Union legislation.

4. THE DEVELOPMENT OF THE ENVIRONMENTAL PROTECTION SYSTEM IN SERBIA AND MONTENEGRO

The intensification of the transition process of the Yugoslavian economy after 2000 resulted in constitutional and state reforms that resulted in the conclusion of the “Agreement on Principles of Relations between Serbia and Montenegro” by the Yugoslav government and relevant state Assembly of Serbia and Montenegro on March 14, 2002. This Agreement did not identify environment protection as a common function at the federal level for Serbia and Montenegro, but the environmental issues were regulated at the level of Member States. The reorganization of the federal state that followed the adoption of the Constitutional Charter by the Federal Assembly on February 4, 2003 resulted in the transformation of the Federal Republic of Yugoslavia into the State Union of Serbia and Montenegro.

These constitutional and state changes did not remain without impact on the environment. In fact, they laid a new foundation for solving problems, inherited and very unfavorable state of the environment, and initiated extensive reforms within the legislation in the field of the environment, and the need for its harmonization with the EU legislation. While the Constitutional Charter did not concretize the environmental issues at the union level, this disadvantage was partly remedied by adopting the Charter of Human and Minority Rights and Civil Liberties. This is especially emphasized in Article 46 of the Charter relating to human and minority rights and freedoms, which explicitly emphasizes: a) the liability of any person, and especially the State Union and the Member States, for the protection of the environment, b) the right of each person to a healthy environment and timely information about its state, and c) the obligation to preserve and improve the environment.

Improving the condition of the environment and rational approach to environmental problems in the State Union involved the application of appropriate policy that found its foothold in the constitutional and legal commitments and unique national legislation. However, by analyzing the experience of the State Union, it could be seen that not only was there a single legislation at the State Union, but also one of the main causes of the weaknesses and inconsistencies in solving environmental problems was the lack of uniform regulations and procedures to regulate this issue at the Member State level. The foundations of environmental protection were only laid at the State Union level, while the republics in accordance with their constitutional and legal commitments and adopted laws regulated this area on their own. This, coupled with the lack of harmonization between the economic systems of the Member States, partly prevented the creation and functioning of a single market as one of the main goals of the Constitutional Charter.

The differences in the approach to the issue of regulating the environment were reflected in the different starting points in designing environmental policies. These differences were partly consequence of an inherited condition of the institutional and legal framework in the former FR Yugoslavia.

The foundations of environmental policy in the Republic of Serbia found their stronghold in the Constitution of the Republic of Serbia (“Službeni glasnik RS”, br. 1/90), which establishes the right of a man to a healthy environment, as well as the duty of everyone in accordance with the law, to protect and improve the environment (Article 31 of the Constitution of RS). The Constitution prescribes the responsibility of the government to ensure the functioning of the system of environmental protection. At the level of the

Republic of Serbia, environmental issues are regulated in accordance with the Federal Law on the Foundations of Environmental Protection (“Službeni list SRJ”, no. 24/98, 24/99 and 44/99) and the Republic Law on Environmental Protection (“Službeni glasnik RS”, no. 66/91, 83/92, 53/93, 67/93, 48/94 and 53/95). The Law on Environmental Protection from 1991 was the most important element of the legislative framework in the field of environmental protection in Serbia. This Law regulates the system of protection and development of the environment, including urban planning, assessment of environmental impacts and building. In particular, it regulates issues related to the protection of air pollution, water, land, flora and fauna, natural resources, noise, ionizing radiation, waste and hazardous materials, issues related to the financing of protection, inspection and penalties for pollution. “In addition to this Law, specific laws on individual factors (water, forests, land, hunting, fishing) were enacted, and there are other laws that govern specific areas that are directly or indirectly related to the environment” (Ministarstvo zdravlja i zaštite životne okoline Republike Srbije, 2002, p. 7).

By the adoption of the Declaration on the Ecological State of Montenegro, on September 20, 1991, the state was committed to the establishment of a special relationship with nature by calling on all citizens to prevent a potential environmental disaster. This Declaration established environmental protection as one of the top priorities in the implementation of development policy. In the Republic of Montenegro, environmental issues were regulated by the Constitution of Montenegro (“Službeni list RCG”, br. 48/92), where it was proclaimed that Montenegro was a democratic, social, and, especially, ecological state. In accordance with the constitutional commitment, the state emerged as the main subject of environment protection by restricting the freedoms of business and entrepreneurship. Environmental issues were specifically regulated by the Law on Environmental Protection from 1996, and by more sub-acts that were supposed to contribute to the effective implementation of this Law. Other laws that were under the jurisdiction of the Ministry of Environmental Protection and Spatial Planning, i.e. Air Protection Law and Nature Protection Law, were established in 1980 and 1989.

Despite the well-placed framework for the decision-making, most projects in the field of environmental protection in the Republic of Montenegro were not realized due to ten years of economic stagnation caused by the economic and political crisis. However, after 2000, real conditions were created and opportunities increased for achieving environmental objectives and intensive cooperation with the region in this regard.

The differences in the approach to environmental issues caused the differences in the way of achieving environmental objectives. This prevented the development of a unified system of environmental management and coordinated approach to decision making. Such a situation in the field of legislation governing the protection of the environment required a transformation and improvement of organizational and institutional solutions in the field of environmental protection.

In accordance with the recommendations of the First review of the state of the environment, the institutional framework in the field of environmental protection has changed in Serbia since 2002. The state has been engaged in the field of establishing the effective institutions to create conditions for the execution of a number of national as well as international obligations arising from international treaties and obligations of the European Union in the field of environmental protection. In 2004, for the purpose of division of competence in environmental matters, the key responsibilities were shared between the Ministry of Science and Environmental Protection (Bureau for Environment) and the Ministry of

Agriculture, Water and Forestry, while some environmental issues were the responsibility of other ministries. "In addition to the Bureau for Environmental Protection, the state authorities who deal with the environmental protection are Environmental Protection Agency, which was established in 2004 as a body within the Ministry, the Fund for Environmental Protection, which became operational in 2005, the Institute for Nature Protection, the Republic Hydro meteorological Institute and the Agency for recycling" (Vlada Republike Srbije, 2006, p. 195). Significant organizational innovation within the new institutional arrangements makes the establishment of the Agency for Environmental Protection, whose jurisdiction includes the collection and detailed processing of data on the individual components of the environment in the Republic of Serbia. The main task of the Agency is to overcome the information gap and the establishment and development of an integrated national information system on environmental protection as a basis for the adoption of economically rational and environmentally effective decisions.

In 2004, in order to achieve sustainable management of natural resources and provide a healthy environment, in the Republic of Serbia a new legal framework was laid with the aim of protecting the environment by adopting the Law on Environmental Protection, Law on Strategic Environmental Impact Assessment ("Službeni glasnik RS", no. 135/04), Law on Environmental Impact Assessment ("Službeni glasnik RS", no. 135/04) and Law on Integrated Prevention and Control of Pollution ("Službeni glasnik RS", no. 135/04), followed by a series of by-laws for effective implementation of the Law. The primary purpose of this legislation was the convergence to relevant directives of the European Union and the introduction of their principles into national legislation.

However, the established institutional framework for the protection of the environment was characterized by a high degree of dispersion and overlapping of responsibilities and competences of environmental protection, which acted in the direction of weakening the environmental protection system and ineffective enforcement of laws. For example, a lack of coordination between the law in the area of environmental protection and other laws defining the jurisdiction of other institutions at the national level led to unequal approach to environmental matters and some overlap. This was partly a consequence of the legal commitments of the new Law on Environmental Protection, which gave the highest competence to the ministry responsible for environmental protection, while not specifying a closer relationship of this ministry with other sectors.

A particular problem in the implementation of specific and practical solutions in the field of environmental protection in the period of the State Union of Serbia and Montenegro was related to the undeveloped economic system, which was a real switch in the implementation of solutions in this area. Besides the emphasized institutional weaknesses, the problems in the field of environment were initiated by other reasons, mainly by the poor integration of environmental policy with other sectoral policies and non-rounded environmental legislation, inefficient system of financing of environmental protection and the lack of economic incentives for environmentally conscious behavior, unsustainable use of resources, air pollution from industrial, energy and transport sectors, and the pollution of soil, surface water and groundwater by hazardous substances and waste.

5. ENVIRONMENTAL PROTECTION SYSTEM IN THE REPUBLIC OF SERBIA

With the dissolution of the State Union in June 2006, the Republic of Serbia faced new tasks and challenges in the field of environmental protection. On the one hand, there appeared a need for the elimination of all obstacles to the full response to environmental challenges, initiating institutional transformation (and effective division of competences) and upgrading of legislation through its harmonization with the *acquis* of EU in the field of environmental protection. On the other hand, there appeared a need for setting the strategic basis for more intense realization of activities in the field of environmental protection. The most important support to environmental issues is provided by the adoption of the National Strategy for Economic Development of Serbia for the period 2006-2012, in which the increase in the standard of living and a dynamic and sustainable development are set as the key strategic objectives. The second supporting document is the National Strategy on Sustainable Development, in which the environmental issues receive their full verification. In fact, "one of the national priorities for achieving sustainable development in the Republic of Serbia is connected to the protection and improvement of the environment and rational use of natural resources. It involves the integration and harmonization of objectives and measures of all sectoral policies, harmonization of national legislation with the EU legislation and its full implementation. Priority importance is given to the adoption and implementation of national program of environmental protection and the accompanying action plans, as well as the adoption and implementation of strategy for sustainable use of resources and goods, which were passed by the Government" (Vlada Republike Srbije, 2007, p. 72-73). It is expected that the implementation of the Strategy for sustainable use of resources and goods will reduce unsustainable pressure on natural resources and, thus, indirectly contribute to reducing the level of pollution and environmental damage. The main emphasis is placed on the development of clean technologies, which will, along with the decrease of the environmental impact of economic sectors, particularly energy and industrial, help to increase energy efficiency, and with the use of incentives to use renewable energy sources contribute to the improvement of environmental quality. An urgent task in the coming period is the implementation of the National Environmental Protection Programme, in accordance with the basic principles of the EU Sixth action plan for the environment, in order to make the basic principles of environmental protection and sustainable development. It is essential to adopt an action plan, as an integral element of the strategy, which will support its effective implementation through the precise definition of priority actions, stakeholders, resources and timelines for full implementation of the strategy.

CONCLUSION

Frequent changes in the economic system and economic policy, which insisted on the accelerated industrialization of the country after World War II, are considered to be the key trigger of the ecological crisis, i.e. raising the level of pollution and intensive environmental degradation. The factors that indirectly contributed to increasing pressure on the environment are uncontrolled exploitation of natural resources and inadequate treatment of industrial wastewater.

The state of the environment deteriorated significantly in the early 90s of the 20th century, after the introduction of the new economic system, whose key components, due

to the effects of material, social and institutional constraints, were not defined until its dissolution. In addition, due to the war conflict, the problems in the environment were of secondary importance. Later, the imposition of the international embargo further worsened the condition of the natural resources of the country, and increased pollution due to poor monitoring and the application of obsolete technology. The decline in general economic activity in the period from 1990 to 1999 resulted in some reduction in the level of pollution and environmental pressures. "The economic slowdown in the 90s also contributed to improving the state of the environment in some way. Financial problems of farmers and unavailability of chemicals for agriculture significantly limited their use. The average consumption of fertilizers dropped from about 300 kg/ha to 100 kg/ha of arable land during the 90s, and as a consequence, the large-scale pollution became slightly smaller. This trend could be changed to some extent as a result of economic recovery" (Vlada Republike Srbije, 2007, p. 27). It would be wrong to conclude that the decline in general economic activity directly contributed to improving the state of the environment. Such distorted images are obtained due to inadequate application of indicators of environmental conditions that are really suggestive of a positive trend in the field of environment (for example, reduction of environmentally harmful emissions from industry, or reducing pollution by certain environmental factors) in terms of the decline of GDP. However, the analysis of the dynamics of emissions per unit of production could reveal the true picture, which could show a negative trend in the field of environmental protection, apropos on the inevitable deterioration of the environment with the revival of economic activity.

In order to solve the existing problems, minimizing risks and improving the quality of the environment, in the coming period, along with the intensification of the reform process towards a market economy and a democratic society, it is necessary to establish an environmental management system, which could be achieved through:

- Establishing and providing an integrated system of environmental protection that would allow equal access to the protection of the environment and ensure the harmonization of national legislation with international law.
- Establishing unique economic instruments, improvement of laws and regulations, particularly those in the field of market economy.
- Preparing the guidelines for institutionalized development that is safe for the environment (harmonization of existing development, economic and regional policy).
- Improving technical and technological measures as a basis for decision-making.
- Establishing institutional framework for the effective functioning of the administrative and technical systems for the protection and enhancement of the environment.
- Establishing a unified information system on environment for the entire country, which would include monitoring, cadastres, etc.
- Further democratization in the field of environmental management through direct involvement of academic institutions, industry, non-governmental organizations, interest groups, etc.
- Adjusting the laws to the Constitution through the adoption of the missing laws, and through harmonization of laws at different levels.

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UTICAJ PRIVREDNOG SISTEMA NA POLITIKU ZAŠTITE ŽIVOTNE SREDINE U REPUBLICI SRBIJI

Političkim i ekonomskim promenama u bivšim socijalističkim zemljama početkom devedesetih godina XX veka ne samo da je otvorena mogućnost za budući demokratski razvoj ovih zemalja, već i mogućnost za rešavanje ekonomske, političke, socijalne i ekološke situacije u kontekstu izgradnje novog, tržišnog privrednog sistema. Nepovoljna ekološka situacija u Srbiji uzrokovana je brojnim faktorima među kojima česte promene u privrednom sistemu u prošlosti i neadekvatna privredno-sistemska rešenja zauzimaju posebno značajno mesto. Kritički prilog uticaju privredno-sistemske rešenja na politička i institucionalna rešenja zaštite životne sredine u SFRJ, SRJ, SCG i RS, usled toga, predstavlja pogodnu polaznu osnovu za razumevanje značaja i potrebe preduzimanja aktivnijeg pristupa u rešavanju ekoloških problema u Srbiji. To ujedno predstavlja i cilj ovog rada. Osim toga, rešavanje problema iz domena zaštite životne sredine od ključnog je značaja za ostvarivanje održivog razvoja i unapređenja konkurentnosti srpske privrede.

Ključne reči: *privredni sistem, reforme, politika zaštite životne sredine, Republika Srbija.*