INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT IN SERBIA∗

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Abstract
The rapid processes of globalization and economic integration have contributed to raising awareness of the need for a strategic commitment of all countries to achieve sustainable development. This new model of development of the global economy is based on the integration of economic, environmental and social considerations into decision making process at all levels of management. However, among these so-called three “pillars” of sustainable development, subsequently was introduced a fourth dimension - institutional component. To ensure the right of present and future generations on the environment, institutional support is needed. It is therefore necessary to build new institutional capacities and adapt existing ones. Thus, all four components should be considered in their mutual interaction and dependency.

The paper will specifically indicate the adaptation of the institutional framework of Serbia with international standards, primarily the European Union standards in the field of sustainable development. It also will point out the importance of integrating the concept of sustainable development, as a global concept, in the policy process at all levels. Such integration can be achieved when all levels of management collaborate with each other, taking into account the different institutional frameworks, cultures and specific circumstances in the EU member states and candidate countries, such as Serbia. When implementing this concept, should be use a full range of measures aimed at reconciliation goal of environmental protection with the goal of economic growth in a rational way to maximize winning possibilities.

Key Words: Sustainable Development, Institutions, Economic Growth, Serbia.

JEL Classification: P 20; P 37;

Received: April 08, 2012 / Accepted: June 22, 2012

1. Introduction

The developed world is facing environmental problems of contemporary development and it is therefore necessary to adopt and implement of stricter regulations on environmental protection, more efficient organization of institutions and upgrading existing and developing new instruments of environmental policy. This paper will expose the modern concept of environmental management, primarily in the example of the European Union, for practical reasons, because Serbia aims to enter the European Union and therefore has to adopt and implement this concept. Environmental policy has a growing impact on the business policies of the companies and, consequently, on their competitiveness. Analysis of the effects of some environmental policy measures would have shown their effectiveness in the economic and ecological grounds upon which to make decisions on the selection and combination of the instruments at the firm and the state levels, as seen at the aggregate effects on level of the national economy and the region. As in the developed countries, the basic principle for the definition and implementation of environ-

∗ The paper was prepared for the purpose of project No. 44007, which is financed by the Ministry of Education and Science of Republic of Serbia.
mental measures is economic competitiveness. In the case of flexibility, when it leaves the choice of individual measures of management companies which are selected based on an analysis of costs and revenues, the ultimate goal should be achieving maximum economic results while protecting the environment.

Also, for the Republic of Serbia is very important to meet economic, environmental and other conditions for joining the EU. Achieving this goal would lead to improved economic performances of countries and opened up opportunities for faster economic growth by removing market barriers for the participation of local companies in the single European market. For Serbia is important to make compliance with the European legislation, improve the efficiency of institutions and to define and implement environmental policy modeled on the EU policy. Although Serbia has started with these activities (four passing laws in this area from December 2004 and the Strategy of Sustainable Development of the Republic of Serbia from May 2007) pending its further improvement of environmental management.

To this end, beside of new laws on environmental protection, it is necessary to introduce the basic elements of the Sustainable Development Strategy of the Republic of Serbia in order to fully understand the environmental management system in our country and future prospects for development. Considering the position of our country from the standpoint of the interdependence of environmental protection and the current and future economic development will provide a critical overview of current environmental management system in our country and will suggest improvements in this area, primarily, to improve the quality of economic development of the country and to create conditions for active participation of economy of the Republic of Serbia into the European economy.

2. Harmonization of Legislation on Environmental Protection of the Republic of Serbia with the European Union

In the Republic of Serbia, the process of harmonization of legislation in the field of environmental protection with the EU legislation started passing four laws from 2004: the Law on the Assessment of Environmental Impact, the Law on Strategic Environmental Impact, the Law on Integrated Prevention and Control of Environmental Pollution, and the Law on Environmental Protection. This means that these laws were the first to incorporate protection in different areas of the environment in the direction of convergence of our legal system to the EU legislation. Given the importance of this legislation to convergence to the EU legislation and policy on the environment, it should be noted that in their provisions contained the basic elements of a large number of directives, recommendations and rules Council of the EU. “Institutional novelties of the Law on Environmental Protection are establishment of Agency for Environmental Protection that manages the information system and the Fund for Environmental Protection, which deals with financing the protection and improvement of the environment” (Jovanović, S., Radukić, S., Petrović-Randelović, M., 2011, p. 192).

The National Assembly of the Republic of Serbia in 2009 adopted a set of 16 laws in this area (Laws on air protection, nature protection, protection against noise in the environment, waste management, packaging and packaging waste, amending the Law on Environmental Protection, etc.). By adopting the latest set of laws there is a comprehensive regulation of environmental protection across sectors and introduced significant novelties.

Basic novelties in the Law Amending the Law on Environmental Protection (2009) regarding the incentive measures at local government level and the establishment of special funds, in the form of budget funds, with dedicated resources and control of expenditure of these funds. The purpose of these funds is to enhance the environment and other that are prescribed for government funds. Also, another important novelty in this Law has dramatically increased penalties for economic crimes and violations in this area.

In any case, pending further improvement of legislation of the Republic of Serbia, and by adopting of these laws can be concluded that the legal regulation of environmental greatly improved and harmonized with the EU law. “Serbia has continued harmonization of the legal
system with EU law. Given the importance of environmental protection, the most rational and economical is a unique solution for regulation of protection and improvement of the environment at the state level, which is consistent with the development policy related to the unique territory of Serbia. The market economy requires a uniform conditions for the entire market area, as a permanent commitment of the future development of Serbia” (Vasić, S., 2004, pp. 172-173).

### 3. Sustainable Development Strategy of the Republic of Serbia

The Government of the Republic of Serbia in May 2008 is adopted the National Sustainable Development Strategy. “The goal of the National Sustainable Development Strategy is that lead to balance three key factors, namely the three pillars of sustainable development: sustainable economic growth and economic and technological development, sustainable development of society based on social balance, environmental protection along with the rational management of natural resources, linking them to a whole supported by appropriate institutional framework” (Vasić, S., 2004, p. 6). Therefore, one of the main goals of sustainable development is job creation and reducing unemployment.

Structure of the Strategy is fully adapted to the contemporary representation of the concept of sustainable development with four components (economic, environmental, social and institutional component). Functional links between elements of the Strategy are shown in Fig. 1.

**Figure 1: Functional links of elements of the National Sustainable Development Strategy**

Source: Nacionalna strategija održivog razvoja, 2008, p. 8
By adopting the Strategy, the Republic of Serbia has fulfilled another of the important conditions for joining the European Union. The National Strategy is in line with similar international documents such as: the EU Sustainable Development Strategy which was adopted in 2001 and revised in 2006, the Lisbon Strategy, and UN Millennium Development Goals and National Millennium Development Goals of the Republic of Serbia, adopted in 2006. Also, the National Sustainable Development Strategy was started from the reform objectives and principles set in the strategic documents adopted by the Government and they are: The National Strategy of Serbia for accession of Serbia and Montenegro to the European Union, the Poverty Reduction Strategy, the National Strategy of Economic Development of the Republic of Serbia from 2006 to 2012 and the National Program of Environmental Protection. The National Strategy is in line with existing sectoral strategies.

The vision and national priorities of sustainable development of the Republic of Serbia are defined by strategic commitment to sustainable development. “The Republic of Serbia in 2017 is institutionally and economically developed country with adequate infrastructure, compatible with the EU standards, with a knowledge-based economy, with efficient use of natural and man-made resources, with greater efficiency and productivity, rich with educated people, with a preserved environment, historical and cultural heritage, a country where there is a partnership of public, private and civil sectors, and providing equal opportunities for all citizens” (Ibid., pp. 13-14).

Achieving sustainable development involves introducing, adapting and applying the principles of the European Union, and increased competitiveness based on knowledge, innovations and entrepreneurship, as defined by the EU Lisbon Strategy. Also, the National Sustainable Development Strategy of the Republic of Serbia is based on the globally accepted principles defined in the Declaration on Sustainable Development in Johannesburg, the UN Millennium Development Goals and the EU Sustainable Development Strategy.

Contemporary tendencies in development of the world economy impose new trends of development of national economy (globalization of the total goods and financial flows; liberalization of commodity and capital flows; harmonization, coordination, and regionalization of economic policies, etc.). Today’s Serbia is a necessary sustainable economic development based on the growing group of key economic indicators (growth of GNP, employment, foreign trade, competitiveness and export, investments, standards of the population) along with reduce the economic burden arising from foreign debt and realization lasting macroeconomic stability, improve the quality of life, environmental conditions and general welfare of society. “Instead of the old concept of national comparative advantages, in the contemporary understanding of development dominated realized comparative advantages, rather than natural resources, so that speed of creation of innovations and the ability of an economy that theoretical knowledge converts into inventions and new technologies, are key determinants of the speed of growth and development of national economy. The former notion of wealth is measured by physical and financial capital (tons of manufactured goods and millions of cash acquired), and today is a key determinant of national wealth the ability to generate new knowledge, ideas, innovations, and technologies, this means the creation and management of human capital” (Ibid., p. 20).

3.1 Institutional support and financing system of sustainable development goals in Serbia

Institutional mechanisms for implementing the Sustainable Development Strategy are specific to each country and depend on the specifics of each country’s constitutional order. “When it comes to responsibility for the implementation of national sustainable development strategies in the European Union countries, there are two approaches: the “high” level and the level of “transferred responsibility”. At a high level, Office of the President or Prime Minister takes the institutional responsibility for implementation of this Strategy. The level of transferred responsibility entails the transfer of responsibility on the planning sectors (or any other sector that has an integrative function) or on the Ministry for the Environment” (Radojević, D., 2010).

Making the Strategy is guided by the experiences of other countries in developing and implementing this type of strategy. The most common challenges, identified in the experiences of
other countries, are: excessive institutional and administrative bodies and procedures affecting the effectiveness of the strategy; the efficiency of the newly formed institutions and bodies; lack of strong political support and support from the level of key ministries.

The institutional framework for achieving sustainable development includes: the Office for Sustainable Development and the Council for Sustainable Development. It is expected the establishment of the Office for Sustainable Development within the Office of the Deputy Prime Minister. Its task is to coordinate the implementation of the Sustainable Development Strategy, the preparation of decisions and coordination of the Council for Sustainable Development. The Council for Sustainable Development is the inter-ministerial body that consists of ministers responsible for particular issues related to sustainable development (the ministers responsible for environmental protection, economy and regional development, finance, labor and social policy, telecommunications and information society, science, etc.). The Deputy Prime Minister manages the Council in which jurisdiction is implementing the Sustainable Development Strategy.

Also, the Office for Sustainable Development is engaged in monitoring and coordinating the implementation of the Action Plan, which includes the monitoring of sustainable development indicators. Therefore, the Office for Sustainable Development is to perform professional, administrative and operational tasks related to coordination of ministries, organizations and government services related to the implementation of the Strategy. The functioning of the Office assist existing institutions, as well as new institutions, that, in addition to basic functions, were responsible for the monitoring of certain group of sustainable development indicators. From other institutions it is necessary to establish the Agency for Sustainable Development. The main task of the Agency would implement the Strategy through realization of activities under the Action Plan and monitoring of achieved results. In addition to the Agency, for the implementation of the Strategy it is necessary creation and interconnection of new institutions, as shown in Figure 2. Since the adoption of the Strategy there was a worsening of economic situation which led to the temporary withdrawal of the establishment of new institutions. However, in the context of reform of the General Secretariat of the Government it is consider the possibilities that coordinating the implementation of the Strategy in the near future becomes the task of this government body under the jurisdiction of the Prime Minister.

By creating a lasting institutional solution in the form of stable government institution, coordination of implementation of the Strategy successfully carry on by Group for sustainable development within the Office of the Deputy Prime Minister for the European Integration with the support of Swedish Agency for Development Cooperation, through the project “Support to implementation of National Sustainable Development Strategy of the Republic of Serbia”. A network of coordinator is established, which consists of representatives of relevant ministries, other relevant state institutions and local governments, which currently has 230 members. “In May 2009 was established the Forum for partners in using the Action Plan for implementing the Strategy in order to set up communication and cooperation between competent and partner institutions and organizations and thus enable more effective implementation, monitoring and reporting. The Deputy Prime Minister for European Integration chaired by the Council for Sustainable Development that is a advisory body of the government competent for the issues of sustainable development of country. Members of the Council are Ministers of relevant ministries, representatives of the Office of the Deputy Prime Minister for European Integration, and representatives of NGOs” (Radojević, D., 2010). Institutional framework for implementing the National sustainable development strategy can be represented schematically in Figure 2.

Thus, the institutional framework for the implementation of the Strategy and the Action Plan includes:

- Office of the Deputy Prime Minister for the European Integration - responsible for coordinating of implementation of the Strategy;
- Council for Sustainable Development – has an advisory role and make recommendations on activities that ensure sustainable development of the country;
Forum of partners - provide incentives for further concretizing the activities and measures, contributes to providing funds and resources for their implementation, make recommendations to improve the content of the Strategy and the Action Plan. It brings together representatives of competent institutions and representatives of partner groups: the civil sector, the economy, the media;

Coordinators and teams in competent and partner institutions - that allow the implementation of measures and activities from the Action Plan and cooperation among institutions;

Interdepartmental Group - which will be formed as needed and at the initiative of the competent institutions or the Office of the Deputy Prime Minister.

Figure 2: The scheme of the institutional framework for implementing The National Sustainable Development Strategy in Serbia

Implementation mechanisms vary, but the government's commitment and political support is always needed. Responsibility for coordinating and implementing the Strategy should take the Office for Sustainable Development, but it needs support from the Government and all stakeholders. The task of the Office for Sustainable Development is that the costs and benefits to society from the implementation of sustainable development are clearly expressed that the decision makers and the public be informed and to make the right decisions for the well-being of society as a whole.

To achieve these objectives it is necessary to build a modern and efficient public administration. Enhancing cooperation, coordination and consultation between sectors, as well as
between the government and the private and civil sectors is a prerequisite for implementation of sustainable development. Building of effective institutional framework at all levels is a key foundation for the implementation of the sustainable development objectives. From an institutional standpoint, it is necessary to strengthen the capacity of the ministry responsible for environmental protection, the Agency for Environmental Protection and the Fund for Environmental Protection, as well as other relevant institutions. Institutions that are relevant for achieving of sustainable development are shown in Figure 3.

Figure 3: Relevant institutions for the sustainable development of the Republic of Serbia

In addition to building of institutional priorities, the successful implementation of the Strategy requires the establishment of an efficient financial system. Sources of financing of the Strategy are: the budget of the Republic and the budgets of local governments; the various earmarked funds of the Republic of Serbia; the funds of economic subjects; donor programs, assistance and loans from international financial institutions.

The Government needs to plan a budget that will support strategic development priorities and to provide an effective mechanism for monitoring the realization of rationality in the use of budgetary funds for these purposes. The Government also needs to plan increasing the budget for sustainable development, in order to provide additional resources for the implementation of the Action Plan, through the mechanism of public-private partnership, cooperation with the donor community and in other ways.


The National Action Plan for Sustainable Development is a key mechanism for implementing the Strategy. Objectives set out in the Strategy are concretized in activities in the Action Plan. Monitoring the implementation of the Strategy is based on a set of internationally recognized indicators of sustainable development. The Office for Sustainable Development and interministerial working groups have institutional responsibility for reporting on progress in implemen-
ting the Strategy. Progress reports are prepared annually and are based on sustainable development indicators.

By The National Sustainable Development Strategy of Republic of Serbia is defined the institutional framework for its implementation, based on which is defined jurisdiction for the implementation of measures and activities by the Action Plan. Since the multidimensional concept of sustainable development a number of institutions are responsible for taking concrete measures and actions to achieve goals. For each provided measure and activity are defined deadlines for implementation. Also, for most measures and activities (if possible to express) the total costs of implementation are anticipated in the monetary terms, as well as the sources from which will be funded.

In the Action Plan for implementation of the National Sustainable Development Strategy for the period from 2009 to 2017, in the first part Economy of the Republic of Serbia - the knowledge-based sustainability (1.1. What the economy needs the Republic of Serbia) stated five objectives: a sustainable economy, the knowledge-based economy, the expansion of the third sector, establishment of sustainable production and consumption systems and the internalization of externalities. For example, for achieving the goal of a sustainable economy, anticipated concrete activities by the Action Plan (2009, pp. 6-7):

- Continuous adjustment of consumption to production yields and labor productivity, or to the capabilities of alimentation of the budget of the Republic of Serbia.
- Continued reform of public finances: reduce tax burdens on the economy and citizens so that public expenditures do not exceed 40% of GDP, as well as broadening the tax base for all activities.
- Fiscal balance: the balance of fiscal revenues and expenditures and a shift to long-term financing of budget surpluses.
- Sustainable management of external and internal debt: the reduction ratio of total public debt to 30% of GDP; total external debt to 60% of GDP; public external debt at 15% of GDP; controlling debt burden per employee (up to five average monthly salaries) and per capita (the 10% of annual income per capita).
- Reducing the current account deficit to below 10% of GDP.
- Achieving price stability: permanently reduced inflation to a lower level (below 4% per year).

4. Conclusion

The European Union has a long tradition in the field of environmental protection and the specific legislation and institutional arrangements in this area. The EU expects the environmental and political challenges in a completely new dimension in terms of its enlargement to the East. The candidate countries are tasked to take the entire EU environmental legislation, to implement it and build the appropriate structure of governance. The harmonization of environmental legislation in the European Union provides a high level of environmental quality and enables a better functioning of the internal European market. The candidate countries are obliged to adopt the EU legislation in the field of environment before accession and implement it within about 10 years after accession.

There are several reasons that contribute to the importance and actuality of membership in the EU: from place and role of the EU in the world economy and international relations to positive implications of the spread of this organization. All candidate countries for the EU membership must meet certain requirements, but a part of these conditions concerns the issues of environmental protection.

Regarding the conditions for admission to the EU, a part of these conditions is of general character and concerns the overall position and general assessment of the transition state in these countries, while the second part concerns the conditions of certain specific areas. Criteria
from the environmental area require adjustment of regulations in this area with the EU standards. This process has several phases: transposition of the relevant regulations, rules and procedures of the EU into national legislation, providing the institutions and funds for the implementation of regulations, establishment the control and penalties for non-implementation of relevant regulations and so on.

The growing institutional, economic, and social interdependence requires joint efforts in meeting the challenges of sustainable development. In many sectors, the movement towards sustainable development can only be achieved at the EU level action. This is especially refers to those areas where the Community has exclusive competence because of the internal market rules or on the integrated European market where the uncoordinated action of Member States is ineffective. Expanding the EU will give the importance of all this. Our common future requires a common European approach.

In the Republic of Serbia, the process of harmonization of legislation in the field of environmental protection with the EU legislation started adopting four law in December 2004 and those are: the Law on the Assessment of Environmental Impact, the Law on Strategic Environmental Impact, the Law on Integrated Prevention and Control of Environmental Pollution, and the Law on Environmental Protection. These laws are harmonized with the EU Directives on the Assessment of Environmental Impact, the Strategic Environmental Impact, the Integrated Prevention and Control of Pollution, and the Public Participation. Institutional novelties of the Law on Environmental Protection are establishment of the Agency for Environmental Protection which manages information system and the Fund for Environmental Protection, which deals with financing the protection and improvement of the environment. Supervision of the implementation of these laws and regulations based on them carry out by the Ministry of Environment and Spatial Planning since 2008. In any case, pending further improvement of legislation of the Republic of Serbia and with adoption of new laws can be concluded that the legal regulation in the area of environmental protection greatly improved and harmonized with the EU law.

The National Sustainable Development Strategy is a comprehensive, multisectoral and long-term strategy which defined the vision of development the country by 2017 and laying down the priorities and goals that affect all aspects of life: economic, social, environmental and institutional. In terms of its institutional framework Serbia is on the right track to follow the successful examples of the EU countries. It is very important because the implementation of the National Sustainable Development Strategy is a relevant precondition for successful the European integration process.

In accordance with the law, the Government of the Republic of Serbia has defined environmental policy. In designing and implementing policy apply principles established by law. The general policy objectives arising from general causes of environmental problems, so it is not defined the priority of objectives. The overall policy objectives are grouped in the following areas:

- Integration of environmental policy with economic policy and other sectors;
- Expanding and strengthening institutional capacities for creation and implementation of sectoral policies and environmental policy as a whole;
- Improving the environmental quality control system;
- Building a comprehensive legal system in the field of environmental protection;
- Developing an effective environmental financing system and economic incentives;
- Improving formal and informal education about environmental protection.

The implementation of these objectives requires significant reform of environmental policy and institutions. Measures for implementing the policy include: regulatory instruments, monitoring and information system, economic instruments, the financial system, institutions, education, and infrastructure needs in the field of environmental protection. Instruments should be combined to achieve each goal in an effective manner.
In the short term (2005-2009) were carried out prioritized and financially reasonable reforms. They include regulatory reforms, aimed at harmonization with the EU environmental law. The medium term (2010-2014), depending on the successful realization of the previous phase, focuses on the wider use of incentive instruments, accelerated harmonization with the EU regulation, improving environmental quality, increased participation of public and stakeholders in making decisions, as well as solving other problems of pollution.

The main characteristics of the institutional framework of environmental protection are the existence of overlapping responsibilities and competences of state authorities, the absence of a strong central authority to coordinate all activities in this area, and the insufficient institutional capacities. Much of the institutional reforms in the field of environmental protection should be implemented immediately because they are a prerequisite for the implementation of other policy reforms. However, some of these reforms will be implemented in the medium term.

The system of environmental financing in Serbia relies mainly on the state budget, and less on other funding sources including: municipal budgets, the funds of industry, the funds of public utility companies, and foreign financial assistance. General characteristics are the insufficiency of earmarked funds, insufficient decentralized sources of financing, and lack of application of financial instruments such as long-term loans, securities, etc. Restricted revenues from pollution charges are not generally spent on pollution abatement.

Among other things, the Republic of Serbia, following the European Union, should aim to apply a wide range of instruments to implement its policies. It should be using it most appropriate economic instruments due to enhance market transparency and due to prices reflect real economic, social, and environmental costs of products and services (real prices). We should recognize their potential for reconciliation of environmental protection and rational use of economic growth to grab winning opportunities. In addition, you should evaluate their usefulness over a set of criteria, including their impact on competitiveness and productivity.

Thus, the best results would be achieved if the contemporary solutions to the problem of environmental pollution in developed countries, primarily in the European Union, effectively practically applied in our country. The adoption of effective legislations, better organization of institutions, and the application of modern instruments of environmental policy will provide greater competitiveness of our economy and high-quality of economic development.

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