REFORMS FOR ECONOMIC GROWTH AND BUSINESS RESILIENCE 2025

ENVIRONMENTAL COMMITTEE

AMCHAM SERBIA
A LEADER IN CHANGE

ENVIRONMENTAL COMMITTEE

OBJECTIVE 1: INCREASE RECYCLING RATES FOR PACKAGING AND PACKAGING WASTE

…BY CAREFULLLY DESIGNING AND INTRODUCING A DEPOSIT RETURN SCHEME

CHALLENGE: Although the Republic of Serbia successfully met the general and specific targets for the reuse and recycling of packaging waste set by the Decree on the Packaging Waste Reduction Plan for the period 2020–2024, more detailed analyses reveal that these targets did not yield the desired results in the collection of municipal packaging waste, particularly waste generated by households. At the beginning of 2025, the Government of the Republic of Serbia adopted a new Decree on the Packaging Waste Reduction Plan for the period 2025–2029, which sets highly ambitious general and specific objectives, including goals for improving the management of municipal packaging waste in Serbia. Additionally, EU regulations on packaging and packaging waste (such as the Circular Economy Package and the Single-Use Plastics Directive) impose very high targets for the separate collection of specific packaging types on both EU Member States and candidate countries. This makes it essential for Serbia to consider efficient systems for packaging waste collection. A key contribution to addressing this issue could be the **introduction of a deposit return system** (DRS) for beverage packaging, as an upgrade to the existing system of primary waste separation.

Having recognised the Serbian Government's efforts to enhance waste management and ensure recycling objectives are met, AmCham believes it is necessary to carefully design and introduce a deposit return scheme, after consultations with businesses and other stakeholders, comprehensive analyses and global experiences that will help the scheme be functional and sustainable, and following a transitional period for its entry into effect.

It is especially important to properly regulate any future Serbian deposit scheme as similar initiatives in European countries have successfully increased packaging recovery rates, but have also proven to be highly complex to implement and require significant investment from both businesses and the general public. A successful scheme requires properly assessing its performance and sustainability, clearly defining the responsibilities of all stakeholders, and providing safeguards against abuse. To meet its expected goals, a future Serbian deposit scheme must be tailored to account for the distinctive characteristics of the local market.

RECOMMENDATION: Given the complexity of a future deposit return scheme (DRS), two prerequisites must be met to ensure its success:

- **Legislate highly predictable future requirements for the general public and businesses.** This requires enacting the bylaws necessary for implementing the scheme no later than six months after the law is adopted and envisaging a statutory transitional period for the introduction of the deposit scheme of at least three years). The law should also regulate the scope of the scheme (meaning the materials and products that will be recovered), key aspects of the DRS organisation, roles and responsibilities of retailers (packaging recovery and sale of beverages whilst collecting deposit fees), roles and responsibilities of manufacturers/importers/bottlers/distributors, minimum deposit fee, and a VAT exemption for the deposit fee.

- Duly acknowledge global experiences that suggest **the most efficient and sustainable deposit schemes are administered by non-profit DRS organisations, set up, governed, and owned by the obliged industry, which is the sole owner of the revenues and materials, and supervised by the government**. The DRS organisation would have to ensure materials are sold transparently and competitively and in accordance with circular economy principles. Both beverage manufacturers/importers and retailers ought to be represented on the DRS organisation and its

managing bodies. The role of the government in a deposit scheme is to set standards for the scheme's performance in the interest of the broader public (meeting recycling objectives for each type of material, with stakeholder involvement) and regularly supervise the efficiency of the system, whilst manufacturers should be responsible for designing and implementing recovery arrangements for the packaging they market. In addition, the government should also ensure the process is transparent and that all stakeholders in the recycling chain are accountable.

…BY IMPROVING THE SYSTEM OF PRIMARY COLLECTION

IZAZOV: The EU's waste and packaging regulations (Circular Economy Package and Single Use Plastic Directive, as well as the upcoming Packaging and Packaging Waste Directive) sets very demanding and ambitious objectives for packaging waste to 2030, which Serbia will have to meet as part of its EU accession process. To date, the country has been meeting its national packaging waste recycling and reuse objectives, primarily due to the recovery and recycling of commercial and industrial waste. However, as these objectives become increasingly ambitious, collective operators will begin shifting their focus onto household waste, as much of it ends up as mixed municipal waste.

Amendments to the Serbian Government Decree establishing the 2025 to 2029 Packaging Waste Reduction Plan have for the first time set out objectives for municipal packaging waste recycling, which should foster greater co-operation between collective operators and utility companies. There are several major challenges the Serbian Government ought to address systemically in the future to ensure the final objectives in this area are met.

In Serbia, there are only partially operational separate collection, sorting, and recycling arrangements for municipal waste, mainly organised sporadically by local authorities, with its efficiency varying by municipality. Although the Serbian Government has sought to enhance sorting by investing in 26 regional municipal waste management facilities, most local authority areas still lack both regional waste management firms and the sorting infrastructure necessary to separate clean and useable materials from ordinary waste (such as regional regulated landfills, transfer stations, recyclable waste separation facilities, and the like). A particular challenge is posed by the lack of local capacity for recycling and reusing waste such as glass, wood, and aluminium.

Serbia's 2022-2031 Waste Management Programme envisages the creation of a two-bin municipal waste recycling system, with households being required to use one bin for mixed waste and the other for recyclables (such as plastic, metal, paper, and the like), whereas glass will be collected separately. Whilst setting up this minimal waste sorting arrangement in all local authority areas would be a good initial step, only proper separation of waste into multiple fractions, based on its ultimate destination, will permit the recovery of reusable raw materials.

Lastly, both households and businesses are poorly incentivised to reduce and sort waste due to inadequate financial arrangements, as municipal waste disposal fees are charged presumptively, based on household size or home/office floor area.

RECOMMENDATIONS: A universal, accessible, practical, and well designed and communicated extended producer responsibility (EPR) scheme should increase the scope of household packaging waste recycling, especially if implemented in parallel with a deposit scheme. Here, EPR arrangements ought to be strengthened by amending the Waste Management Law and the Packaging and Packaging Waste Law so as to **clearly spell out the roles and responsibilities of all waste stakeholders and introduce effective enforcement** to ensure the objectives of recycling are met. This demanding operation can start with several concrete steps that can help make Serbian waste management more efficient in the short to medium term:

- All local authorities' collection services ought to be aligned with the national service standard (coverage by the scheme, minimum collection frequency, and the like), and collectors should be expected to deliver materials meeting minimum quality standards to sorting facilities.

Informal collectors damage infrastructure and reduce the collection system's efficiency and should therefore be included into formal collection arrangements. Incentives could include devolving responsibility for meeting recycling objectives from national to local authorities and providing full financial compensation to local authorities that prove the most effective in collecting waste or recover the highest quality materials.

- Investment is needed into regional municipal waste management infrastructure, to include sorting facilities that offer up-to-date, efficient, broad-spectrum sorting opportunities for a broad range of fractions and deliver effective results. The end products of these facilities must be expected to be materials suitable for further processing.
- A comprehensive packaging recycling system for at least three fractions should be accessible to all Serbian households, including those in rural areas, which will greatly enhance recycling performance and help attain objectives.
- Efforts should be invested to raise household awareness of the importance of waste sorting and promote actions to limit the use of residual recyclable waste containers. Practical examples include introducing lower tariffs for separate recovery of recyclables or landfill disposal fees to incentivise households and businesses to sort waste at its point of origin.

OBJECTIVE 2: CREATING AN INCENTIVIZING SYSTEM FOR MUNICIPAL WASTE MANAGEMENT

…THROUGH TRANSFORMATION OF THE MUNICIPAL WASTE COLLECTION FEE

The vast majority of local self-governments in Serbia use the **surface area of business premises as the primary criterion for determining the municipal waste collection fee**, while only a small number of municipalities apply other criteria such as measurement or volume of waste collected. Tariffing based on surface area is the least desirable option, as it has the weakest correlation with the actual amount of waste generated by the user. This often leads to cost shifting between different types of users of the same public service. In practice, this means that businesses generating less waste pay the same fee as others occupying spaces of the same size. This directly discourages companies from investing in waste reduction, as there is no financial incentive for responsible waste management. As a result, the "polluter pays" principle is undermined, and the introduction of circular economy and sustainability measures is de-incentivized.

A particular challenge is the **unpredictability of the fee calculation base**, which opens the door to discretionary interpretation by service providers, creating legal uncertainty for end-users. Although no formal amendments have been made to the City of Belgrade's waste fee regulations in the past two years, the interpretation of what constitutes closed vs. open business space has changed. Despite the lack of clear definitions, monthly invoices indicate that parking areas, internal roads, and green spaces—where no business activity is performed and no waste is generated—are now included in the chargeable area. This change in interpretation has led to significant increases in the billing base, in some cases tripling the costs for users—without prior notice or clear legal grounds.

Additionally, last year's increase in waste treatment and disposal fees, from 2.45 RSD/m² to 14.59 RSD/m², has further burdened businesses, resulting in overall fee increases of 5 to 8 times.

RECOMMENDATIONS: To achieve a fairer distribution of costs and encourage responsible behavior, local self-governments must transition from charging fees based on the surface area of a property to models based on the actual amount of waste generated—whether through weighing waste, counting the number of container emptyings, or measuring bin volume. Introducing such systems requires modernization of municipal infrastructure but brings multiple benefits: from economic fairness and environmental benefits, to encouraging the business sector to optimize internal waste management processes and improving the efficiency of public utility operations.

It is necessary to **revise the current system of municipal waste collection fees**, which uses surface area as the primary criterion. This requires:

1) **Adopting a Methodology for Determining Public Utility Prices**, as envisaged by the Law on Communal Services, including a methodology for calculating the prices of waste collection, transport, and permanent disposal. This methodology should be based on the total actual costs incurred by the public utility company—costs which must be financed to ensure continuous and high-quality service—and should define an appropriate level of unit prices according to various units of measure (kg, m^3, m^2, per household member, per family, etc.). One of the fairest approaches for collection, transport, and disposal activities would be to base pricing not on company-wide expenditures, but on the costs incurred by an average collection truck, which is the primary cost driver in this sector. These costs would include fuel, wages of service personnel, servicing, maintenance, spare parts, registration, insurance, administration, oversight and management, depreciation, financing, and development. A standardized methodological approach would make prices more predictable and transparent for end-users, while enabling local governments and public utility managers to more easily analyze efficiency and, through reforms and process optimization, reduce costs.

The final price for users could consist of a **fixed component**, covering the part of the utility's cost that is not directly tied to the amount of waste (i.e. the price of minimal public service), and a **variable component** (price for the amount of waste collected), which would depend on the quantity generated and be defined based on the number of container emptyings during the billing period.

2) **Amending accompanying decisions of local self-governments, to stipulate that the value of the waste management service is determined based on the amount of waste a user generates in a given month**, using volume (liters) or weight (kilograms) as the standard units of measure for billing.

Given that the provision of services to different users incurs different costs, service users should be categorized into different groups, with specific pricing features determined for each (e.g., for retail facilities, facilities with shared usage by multiple users, etc.).

Additionally, municipal decisions should include clear contractual penalties for legal entities that fail to sort municipal waste for recycling, do not dispose of waste properly, mix recyclables with general municipal waste, prevent access to containers, mishandle containers, causing damage, dispose of their waste in containers located outside of their business premises, etc.

On the other hand, it is advisable that municipal regulations specify cases in which service providers may approve reductions to the minimum public service fee—for instance, for users who can provide documented proof of participation in primary waste separation or other forms of disposal for specific types of municipal waste, such as packaging waste, biowaste, construction waste, etc.

A potential solution could be the gradual and phased introduction of the "polluter pays" principle, allowing for the effectiveness of the system to be tested with selected categories of users—based on criteria such as type of business activity, size of the occupied commercial space, or whether companies have technical solutions in place for measuring the amount of waste generated, etc.

OBJECTIVE 3: IMPROVE MANAGEMENT OF SPECIAL WASTE STREAMS

…BY INTRODUCING EXTENDED PRODUCER RESPONSIBILITY, AS WELL AS PREDICTABLE AND CONSISTENT COLLECTION OF FEES FOR SPECIAL WASTE STREAMS

The Serbian regulatory framework is yet to be updated to reflect Directive 2012/19/EU on waste electrical and electronic equipment (WEEE), which includes requirements to establish collective and individual producer responsibility schemes, a national register of manufacturers/importers of electrical and electronic

equipment, and new categories of electrical and electronic equipment effective 15 August 2018. The substantive provisions of the WEEE Directive governing separate collection and financing for the collection, treatment, reuse, and sustainable disposal of this waste, required for the creation of a functional WEEE management system, are yet to be transposed into Serbian law.

Currently, waste electrical and electronic equipment is collected mainly by WEEE treatment facility operators or collection companies. There are no data as to how this waste is handled, and few operators recycle it. There is no separate collection system for household WEEE, and dedicated WEEE collection points ('civic amenity sites') are only now being introduced. Lastly, there is no battery recycling or organised battery collection in Serbia.

In terms of fees for handling this type of waste, Serbia charges fees for products that become special waste streams after use, that are higher than in either neighbouring countries or EU member states and disproportionately large given the state of the Serbian market. On the other hand, there is a large number of obligated entities who do not fulfill the legal obligation to pay these fees. The fee can range up to 15% of product price (as opposed to some 2% in the EU), making products that attract the fee more expensive than goods sold by non-compliant producers, which promotes unfair competition. No less importantly, the government loses out on much public revenue that could be used to enhance waste recovery and recycling arrangements.

The current system for information sharing between institutions managing the system is under-developed. Key obstacles hindering more effective oversight include the absence of a uniform nomenclature for products subject to information sharing and the limited powers of inspections bodies (which lack jurisdiction to verify reported information).

Lastly, both producers and importers are often unclear as to whether a particular product is subject to obligation to pay the environmental fee for special waste streams or which category it belongs to, or even if a product is even deemed to become special waste after use. This confusion is due in part to the inadequate and vague descriptions of product categories when compared to the variety of products imported and manufactured.

RECOMMENDATIONS:

- Align existing regulations, primarily on waste management, with the recast Directive 2012/19/EU as quickly as possible and introduce extended producer responsibility for special waste streams, with a clear delineation of responsibilities for all stakeholders. The Waste Management Law should regulate the establishment of collective schemes for WEEE, spent consumer and car batteries. This would create a sustainable system of financing by producers working together as a collective operator, leading to investment in the collection network, addressing issues with the financing of the recycling industry, and making more funds available to the government for funding other environmental protection initiatives.

- Introduce a separate collection network for WEEE, spent consumer and car batteries by extending collection infrastructure and introducing regional waste collection sites ('civic amenity sites') where local residents could dispose of their WEEE. Collection schemes in retail stores should also be set up, as Directive 2012/19/EU requires distributors to accept WEEE from consumers at no extra charge.

- In compliance with Directive 2012/19/EU, set up and appropriately manage a national register of manufacturers/importers of electrical and electronic equipment, including company information, types of eligible products marketed, how producer responsibility is ensured, and the like. Impose clear sanctions for failure to register or report to the Serbian Environmental Protection Agency.

- Link the relevant institutions (Ministry of Environmental Protection, Environmental Protection Agency, Customs Administration, Business Registers Agency, and inspections bodies) into a shared

information system to monitor the collection of special waste stream fees. Consider the creation of an online resource that all fee payers could use to identify active fees, outstanding amounts, and other information.

- As the fee payer base broadens, reduce the fee amount to foster voluntary compliance. A recommended two-tier fee collection model would see producers paying one part of the sum directly to the national government and choosing whether to pay the remaining amount to a collective waste management operator or to the government.

- Align electrical and electronic equipment categories with Annex III to Directive 2012/19/EU and introduce a uniform product nomenclature to overcome reporting and fee collection issues.

- Strengthen inspection bodies to enhance the reporting and fee collection framework.

OBJECTIVE 3: ENSURE SUSTAINABLE FINANCING FOR NATURE CONSERVATION AND PROTECTED AREAS

…BY INVESTING MORE, PLANNING BETTER, AND SPENDING FUNDS MORE TRANSPARENTLY

CHALLENGE: The European Commission's annual progress reports have consistently been highlighting the need for more investment into environmental protection and climate. This issue is also recognised in the EU's recent New Growth Plan for the Western Balkans, which requires at least 37% of any funds approved to countries in the region to be channelled into climate reforms.

Nevertheless, government investment into environmental protection has been decreasing year after year, and Serbia's arrangements for funding this area are far from functional or sustainable.

One factor behind this progressive reduction in funds earmarked for environmental management has been the absence of budget planning and programming, as envisaged projects have failed to materialise, leaving excess funds in the national budget that are then redirected elsewhere. Financial expenditure has also been poorly monitored, with projects often inadequately transparent, especially when it comes to local revenues and expenditures.

RECOMMENDATIONS:

- Significantly increase government spending on environmental protection, as recommended by the EU.

- Build capacity at the Ministry of Environmental Protection to assess environmental needs and objectives, engage in short- and long-term planning, absorb EU pre-accession assistance funds, and deliver projects appropriately.

- Devise a measurable and comprehensive monitoring and reporting system for environmental and climate investments.

…BY REFORMING ENVIRONMENTAL FEES TO REFLECT ACTUAL POLLUTION OR WASTE CAUSED

CHALLENGE: As it currently stands, the **environmental protection and improvement fee**, regulated by the Law on Fees for Use of Public Resources, does not consistently reflect the widely accepted 'polluter pays' principle, according to which environmental fees constitute a primarily corrective mechanism. The fee is

assessed presumptively against company size and industry, without distinguishing between firms that invest into environmental enhancements and those that do not.

Average employee counts, revenues, and assets need not directly correlate with environmental impact: some major companies invest vast sums into clean technologies, environmental protection, and impact mitigation, and can therefore have a smaller environmental footprint. The current environmental fee neither deters businesses nor incentivises them to invest in better equipment or emissions filters, and as such does not help improve the quality of the environment in Serbia.

Similarly, **water pollution fees** have been substantially reduced under the latest amendments to the Law on Fees for Use of Public Resources for some businesses, including public utilities, public companies, and other state- or locally-owned companies, with no regard for the quantity of pollution emitted. This has compromised the basic purpose of these fees, namely to prevent water pollution and help fund water treatment facilities.

With the EU closely focused on measuring and strategically reducing adverse environmental impacts of not only individual companies but also their entire supply chains, recent amendments to the Law on Fees for Use of Public Resources and its accompanying statutory instruments were a missed opportunity for alignment with EU rules, which may have negative repercussions on the long-term competitiveness of Serbian exports to Europe, the country's largest foreign market.

RECOMMENDATIONS: Reform the current environmental protection and improvement fee by:

- Merging the environmental protection and improvement fee with the pollution fee, so that the pollution fee is made up of two components: a fixed part, based on the number of substances subject to emissions monitoring, and a variable part, based on the quantity of SO2, NO2, PM, NH2, and non-methane volatile organic compound (NMVOC) emissions and the quantity of waste produced or disposed of.
- Broadening the list of substances subject to the ammonia and NMVOC fee and extending reporting requirements to comprise all stakeholders (rather than only those subject to mandatory IPPC permitting).
- Gradually increasing emission fees (by 10% over the three subsequent years).
- Retaining the hazardous substances transport fee (currently a component of the environmental protection and improvement fee).
- Increasing the share of revenues accruing to local authorities to 50% from the current 40%.
- Setting up a single register of polluters (at both the national and the local level) to keep track of all entities subject to emissions monitoring for regulated substances and the locations of facilities that generate emissions.

…BY REFORMING THE MUNICIPAL WASTE DISPOSAL FEE

CHALLENGE: Financing of protected areas comes from various sources, including budgetary funds, donations, and fees for the use of resources within those areas. Data shows that, on average, about 25% of total funding for these areas comes from state sources, while in the case of national parks, the share of this type of funding is even lower. The remaining funding comes from other sources, primarily based on the exploitation of natural resources, particularly fees for the use of natural assets and revenues from economic activities, such as logging. As a result, the current system of management and financing of protected areas in Serbia does not support the long-term achievement of the objectives for which these areas are established. It does not enable performance evaluation, either in terms of goal achievement or efficiency in doing so. Furthermore, it does not encourage users of protected areas to participate in their protection and improvement, nor does it create conditions for the development of management practices that would lead to sustainable financing of protected areas.

RECOMMENDATIONS: The current size of premises/land-based system of charges for municipal waste disposal should be changed. This requires amending local bylaws to stipulate waste management is charged on the basis of the actual quantity of generated waste. One potential solution could be the gradual and staged introduction of the 'polluter pays' principle. Option 1: introduce a volume criterion (in cubic metres) multiplied by the number of waste containers removed, for some categories of users (depending on industry and facility size). Option 2: introduce a weight criterion (in kg) for some eligible categories of users where the quantity of waste can be properly ascertained (such as large industrial plants, waste sorters, and the like). Option 3: reduce fees for users able to document participation in sorting or other municipal waste management efforts and those who have contributed to reducing waste generation, recycling, and the like.

…BY IMPROVING THE SYSTEM FOR FINANCING PROTECTED AREAS

CHALLENGE: Protected areas receive financing from a variety of sources, including public funds, grants, and fees for use of resources located in those areas. The data show that on average some 25% of all financing for these areas is secured from government sources, with the proportion even lower for national parks. The remaining funds are secured mainly from the collection of resource extraction fees and activities such as lumber farming. As such, the current arrangements for managing and financing Serbia's protected areas do not promote the achievement of nature conservation objectives or performance evaluation, either in terms of whether these objectives are attained or how efficiently they are attained. Moreover, they do not incentivise users of protected areas to become involved in safeguarding and improving them and do not help develop management practices conducive to the sustainable financing of protected areas.

RECOMMENDATIONS:

- Introduce a legal obligation that all funds generated by the protected area (PA) manager through PA management or received as support for PA management—including fees for the use of the PA—must be used exclusively for the implementation of the ten-year management plan or the annual management program, in accordance with the corresponding PA financial plan.

- In addition to the existing sources of funding (e.g., transfers from public budgets, collection of fees for PA use), it is necessary to establish new financing mechanisms that can ensure greater efficiency in the management and conservation of natural assets in protected areas. These mechanisms could include payments for ecosystem services, financed either by public budgets or through the private and non-governmental sectors. It is essential that the Government develop a framework methodology for assessing the value of ecosystem services, in order to standardize valuation across the board.

- Improve financial management within PAs, which includes building the capacity of PA managers to apply financial analysis and use performance indicators in planning and reporting on activities that contribute to conservation objectives.

- Enhance the financing system through better needs assessment related to conservation goals. Among other things, this entails increasing and targeting budgetary funds toward the achievement of priority conservation objectives.

- Introduce and improve tax incentives for investments in protected areas made by the NGO or business sectors, such as:

    - Corporate income tax exemption for profits generated from PA management that are reinvested in achieving PA objectives;

    - Recognizing donations to PAs or voluntary payments for ecosystem services as deductible tax expenses;

- Introducing tax credits for PA investments, allowing tax obligations to be reduced by the full amount of the investment, provided that the funds are used for purposes aligned with PA objectives.

- Strengthen the capacities of the Ministry of Environmental Protection and the Environmental Inspectorate for effective oversight of PA activities and implementation of management plans, as well as for financial planning and monitoring the achievement of conservation goals as defined in the management plans and programs.

- Establish a unified reporting system for local governments/PA managers regarding their planned and realized revenues from environmental fees, broken down by revenue source, as well as their environmental protection expenditures, total and by specific programs, during the same period.

- Introduce an obligation for PA managers to publish their fee schedule for the upcoming calendar year no later than November 30 of the preceding year, and to publish the total amount of fees collected for the previous calendar year no later than March 31 of the following year on their website, as part of the financial plan implementation report.Set up a system for local authorities/bodies managing protected areas to uniformly report annual revenues from environmental fees, in total and for each fee, and annual environmental protection expenditures, both cumulatively and by programme.

- Require protected area managers to publish fees for a given calendar year at the latest by 30 November of the preceding calendar year, and to publish the total fees collected in a given calendar year at the latest by 31 March of the following year as part of its financial plan execution report for the previous year.

…BY ENSURING TRANSPARENT FINANCING AND SPENDING

CHALLENGE: The amounts of environmental fees collected by local authorities and managers of protected areas often exceed the value of local environmental or nature conservancy projects, suggesting these levies are quasi-fiscal in nature and inefficient as sources of finance.

RECOMMENDATIONS:

- Improve the transparency of and alignment between regulations governing protected natural areas and fees for using public resources located in those areas. A detailed revision is required of the currently more than 80 various grounds for paying fees for use of protected areas. One result of this revision ought to be a clear categorisation of payment grounds based on the desired effect of the fee (either corrective or revenue-generating), whereby fees for services provided by entities managing the protected areas will be clearly distinguished from those for use of a resource or protected area.

…BY DEVELOPING MODELS AND PROMOTING SUSTAINABLE CO-OPERATION BETWEEN THE PRIVATE SECTOR AND PROTECTED AREA MANAGERS

CHALLENGE: Collaboration between managers of protected areas and private businesses operating in or around these natural reserves is neither sufficiently close nor consistently aimed at improving the state of the areas. This leads to the proliferation of activities harmful to the protected areas whilst not providing enough incentives for sustainable operations to promote nature conservation and causing frequent policy changes that make doing business in and around protected areas unpredictable.

RECOMMENDATION:

- Explore best practices of regulating co-operation between managers of protected areas and businesses operating in these reserves to identify models best suited to Serbian circumstances. Use the findings to train managers and promote models of co-operation with the private sector and consistently foster this collaboration on a sustainable footing.

OBJECTIVE 4: DISPOSE OF FOOD SURPLUSES AND TREAT BIODEGRADABLE WASTE

…BY RECOGNISING BIODEGRADABLE WASTE AS A RESOURCE

CHALLENGE: Current regulations do not govern the separation, disposal, transport, or treatment of biodegradable waste (primarily consisting of garden and food waste), even though it accounts for some 40% of all municipal waste. As such, biodegradable waste is a drain on current landfill capacity, apart from contributing to soil and air pollution and contamination. This waste offers major potential for alternative energy generation opportunities (such as biogas and biomass incineration).

RECOMMENDATION: Amend current rules to clarify how biodegradable waste is managed, whilst in parallel strengthening infrastructure for separate collection and treatment of municipal biodegradable waste. Small-scale biological treatment facilities should be envisaged that will allow composting of municipal biodegradable waste, as should waste-to-energy plants.

…BY DONATING FOOD SURPLUSES

CHALLENGE: There is no statutory framework, support, or infrastructure for responsible management of food surpluses, which may include donating unsold food to charities, soup kitchens, zoos, and the like.

The latest amendments to the Food Safety Law differentiate between 'use by' and 'best before' dates for food products. The period between these two dates is when the products can be donated. Tax incentives are lacking that could induce entities with suitable food stocks to donate the products to those most in need without such transactions being subject to VAT.

According to the United Nations Environment Programme (UNEP), 726,000 tonnes of food are thrown away in Serbia every year, the equivalent of nearly **two million kilogrammes every day**. Yet, in 2022, the at-risk-of-poverty rate in Serbia stood at 20%, according to the country's Statistical Office, whilst in 2020 the government's Social Inclusion and Poverty Reduction Unit (SIPRU) found 446,000 Serbians (6.9% of the population) were unable to meet their basic needs.

Apart from the direct social and financial losses (food cost and VAT, as well waste disposal costs), unused food that ends up as municipal waste poses a huge environmental burden.

RECOMMENDATIONS:

- Amend the Value Added Tax Law to allow food products near their expiry date to be donated without being subject to VAT and entitling the donor to claim input VAT. Adopt a Government Order on donation of food near its expiry date to regulate that such transactions are not considered trade in goods.
- The Government Order on donation of food near its expiry date should be modelled after the Government Order on shrinkage, waste, and breakage losses not subject to value added tax (*Official Gazette of the Republic of Serbia* No. 124/2004) to ensure that the new order is simple enough to be deployed effectively by the Tax Administration and understandable to taxpayers. The regulation should also contain well-designed checks and balances, including limiting the value of annual food donations to 1 percent of the taxpayer's total goods and services turnover in the preceding fiscal year and mandating comprehensive records accessible at all times to both the donor and the grantee.

- As this is an issue of huge social, economic, and environmental importance, and since the likely loss of VAT revenue would amount to no more than 18.4 million dinars annually, the societal benefits from such assistance to those most in need will far exceed any cost to the government. Estimates suggest this initiative would increase annual food donations by 157.7 million dinars.
- Moreover, this recommendation is aligned with the EU *acquis*: 20 of the 27 EU Member States do not charge VAT on food donated close to its expiry date, and the EU VAT Committee also endorses this view. Hence, implementing this recommendation would have a positive impact on Chapter 16 in Serbia's EU accession negotiations.

OBJECTIVE 5: FOLLOW EU ENVIRONMENTAL STANDARDS AND IMPROVE AND IMPLEMENT REGULATIONS IN INDIVIDUAL INDUSTRIES

…BY ENSURING UNIFORM INTERPRETATION OF ENVIRONMENTAL RULES WHEN SITING TELECOMMUNICATIONS INFRASTRUCTURE

CHALLENGE: The inconsistency and arbitrary interpretation of environmental regulations, as well as insufficient clarity over the status of the country's critical telecommunications infrastructure, have long posed significant problems for the telecommunications industry. These issues adversely affect the siting and construction of cell towers that use existing technologies (2G/3G/4G), which, in turn, jeopardises the stability and operation of mobile telephony networks, which have proven to be a key resource in today's day and age. This issue is particularly pressing in urban areas, and failure to address it will deny Serbia all the opportunities and benefits of 5G technologies.

The main causes for these difficulties have been: 1) arbitrary interpretation of the Law on Protection from Non-Ionising Radiation and ability of local environmental protection secretariats to define sources of non-ionising radiation of particular importance; 2) use of minimum distances in meters between cell towers and adjacent buildings in local authorities' planning documents; 3) environmental impact assessment procedures different from those used in EU countries; and 4) thresholds set by the Regulation on limits for exposure to non-ionising radiation that are 2.5 times more restrictive than those applicable in the EU.

RECOMMENDATION: Cell tower construction issues require a response first and foremost from the Ministry of Environmental Protection, with support from the Ministry of Trade, Tourism and Telecommunications, the telecommunications regulator RATEL, and other institutions. Here, Serbian environmental regulations should be aligned with EU rules and those of EU Member States. Local officials should also be given training in how to interpret the regulations to ensure the rules are applied consistently.

Instead of the current lengthy permitting procedures, which entail complicated procedures and rely on simulations, theoretical models, and computer-aided projections of expected electromagnetic radiation, emphasis should be placed on measurements taken in the field by licensed laboratories, with cell towers inspected periodically after commissioning and measurement findings made available to the public.

Specific actions could include:

- Amending the relevant statutory instrument to remove telecommunications facilities from List 2 of the Environmental Impact Assessment Law, following the EU's example;
- Remove distance restrictions in metres for siting cell towers from spatial regulation plans and other local authority instruments;
- Provide a new definition of the term 'source of non-ionising radiation of particular importance' in the Law on Protection from Non-Ionising Radiation and its associated statutory instruments; and

- Re-assess reference electromagnetic radiation levels provided in the 2009 Regulation on Non-Ionising Radiation Exposure Limits, currently 2,5 times as high as those in most EU countries.

…BY ALLOWING THE IMPORT OF NON-RECYCLABLE NON-HAZARDOUS WASTE FOR USE IN ENERGY GENERATION

CHALLENGE: Companies have long faced efforts to limit their carbon footprint, even where doing so directly affects their competitiveness and profitability. These attempts reached a peak in December 2022, when the European Council and the European Parliament agreed on the introduction of the Cross-Border Adjustment Mechanism (CBAM). The CBAM seeks to promote decarbonisation in non-EU countries, so overcoming the issue of carbon shifting and helping the European economy remain competitive by ensuring the cost of carbon dioxide (CO2) emissions is the same for products made in the EU and imported ones.

In practice, the CBAM will constitute an additional tariff on imports into the EU of products whose manufacture in third countries generates significant carbon emissions. Currently, the list of goods subject to the CBAM includes electricity, cement, aluminium, steel, and fertiliser, and is only expected to grow further. Given their high export dependence on the EU and low decarbonisation levels, countries of the Western Balkans will be among the hardest hit by the CBAM. Full-fledged CBAM implementation can lead to large-scale job losses if companies in the affected sectors become price uncompetitive in the EU due to the high cost of their exports.

A major challenge for Serbian firms in CBAM-affected industries is that at least two-thirds of all electricity generated in the country comes from fossil fuels, whereas alternative generation options remain limited. **One potential option for ensuring stability of supply whilst relying on the circular economy is to reuse unrecyclable non-hazardous waste to generate energy in a waste-to-energy arrangement, which would help reduce carbon footprints across industries, cut production costs, and boost competitiveness in goods markets.**

This idea is hampered by the blanked ban on importing non-hazardous waste for energy generation, introduced in the 2009 Waste Management Law to incentivise domestic companies to use waste originating in Serbia and so help manage it. Although great strides have been made in setting up a functional waste management system and selecting and separating waste to allow its dry non-recyclable fractions for reuse as waste-to-energy, the process has been progressing more slowly than expected and much less quickly when compared with developments in the EU. **With under two years remaining until the CBAM is scheduled to fully take effect, the key limitation is the insufficient quantity of locally generated non-hazardous waste of sufficient quality that allows it to be used as an alternative fuel in industrial applications.**

Its unique feature of being simultaneously useful both economically and environmentally means waste-to-energy is widely embraced throughout the EU and the region by both industry and regulators. The take-up rate of waste-to-energy in Serbia is currently much lower than in EU member states. At the same time, all countries of the region allow unrestricted import of non-hazardous waste for use in energy generation.

> **RECOMMENDATIONS: The government should act quickly to adopt and implement policies to promote the use of non-recyclable, non-hazardous waste in waste-to-energy applications** to limit the potentially adverse impact of the CBAM on Serbia's economy.
>
> To that end, revisit the import ban imposed by Article 71 of the Waste Management Law **to exempt non-recyclable non-hazardous waste intended for reuse by importers in their own waste co-incineration plants**.
>
> This amendment would exceptionally permit the import of non-hazardous waste by operators of co-incineration facilities subject to IPPC permits, which could then use this waste as their sole or additional fuel in the production of physical goods.

The solution would allow the use of waste as a more cost-effective resource, an option significant for both economic development and environmental protection.

…BY PREFERRING THE REUSE AND RECYCLING OF CONSTRUCTION AND DEMOLITION WASTE TO ITS DISPOSAL IN LANDFILLS

CHALLENGE: Research has shown that carbon emissions could be reduced by between 12.5 and 30 percent if a family home was built from recycled rather than new materials. Serbia generates about one million tonnes of waste annually from construction or demolition of buildings, with the materials currently ending up in local landfills together with all other municipal waste. **Reuse, recycling, and utilisation of construction waste are the sole sustainable solutions for reducing the quantity of this waste generated in Serbia.** Since natural mineral carbonates used in many industries can successfully be replaced by construction and demolition waste, this measure could greatly reduce CO2 emissions from production processes.

Opportunities for using construction and demolition waste as replacements for natural raw materials have been identified in the construction materials industry, where the waste could be used to produce clinker, cement, masonry cement, interior and exterior mortar, masonry elements made of clay, calcium silicate, and concrete, ceramic tiles, and clay roof tiles. Given the available capacity of the Serbian construction material industry, estimates suggest the country's cement plants alone could reuse between 500,000 and 800,000 tonnes of construction and demolition waste every year to make clinker. An additional 114,000 to 700,000 tonnes of waste could be used annually as additives for cement production (depending on the quality of waste available).

Last year's amendments to the Planning and Construction Law require builders to comply with waste management rules when managing, using, and/or storing construction waste generated by their building sites. Nevertheless, there remains much room for improving adherence to these regulations in practice, including by means of clear guidance for documenting waste movements.

Detailed regulation of this issue would help reduce the use of non-renewable natural resources, cut CO2 emissions stemming from the calcination of natural raw materials, and, lastly, increase the recycling rate for construction and demolition waste, as mandated in the 2022-2024 Action Plan to implement the 2022-2031 Serbia Waste Management Programme.

RECOMMENDATIONS: Align the procedure for managing construction and demolition waste with the waste management hierarchy set out in the current Waste Management Law to prefer the reuse and recycling of construction and demolition waste to its disposal in landfills.

Moreover, better regulate procedures for documenting the movements of general and hazardous waste to confirm any construction waste is indeed the product of demolition and construction and has been delivered to a waste treatment or storage facility, as well as to register any and all other necessary evidence, pursuant to rules governing consolidated procedure.

Lastly, fees for disposing of some types of waste, including construction and demolition waste, should be increased.

OBJECTIVE 5: REDUCE PAPERWORK AND EXCESSIVE ADMINISTRATION

…BY ESTABLISHING A SINGLE ELECTRONIC RECORD-KEEPING SYSTEM AND DIGITALISING ADMINISTRATIVE PROCEDURES

CHALLENGE: The waste management system is unduly burdened by red tape, in particular complicated permitting procedures for cross-border movements of waste and waste management.

RECOMMENDATION: Develop new solutions and improve new ones by digitalising administrative procedures and processes as part of efforts to enhance e-Government services.