

ENVIRONMENT in Slovenia 2002

[editor Inga Turk ; translated by Amidas]

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5. Financing environmental protection

Fulfilling the targets and measures set out in the National Environmental Action Programme has in recent years been pursued mainly through the provision of public sources of funding. Increasingly, and particularly over the past year, private capital interests in investing in the area of environmental protection have become more developed, and this is reflected in the rise in the current and capital costs of commercial companies and in the gradual expansion of the number of partnership agreements concluded for the cooperation of the public and private sectors in constructing municipal infrastructure and providing public services for environmental protection.

In 2000 the Environment Ministry's budget amounted to 17.3 billion SIT, in 2001 it was 21.7 billion SIT, and in 2002 it was 31.7 billion SIT, which is a consequence of taking over the sector of energy from the Ministry of Economy. In recent years the greatest growth has been in the share of capital transfer funds for construction of municipal infrastructure, owing largely to an increase in funds from foreign donations and a corresponding increase in the share of proprietary participation in cofinancing of the foreign donation, and owing to increased subsidies to private operators and private companies for interventions in renewable energy sources.

The share of funds earmarked for environmental protection in the total expenditure of municipalities rose from 4.19 % in 2000 to 5.76 % in 2001. The value of disbursed loans from the national Environmental Development Fund, the public fund for financing the construction of local infrastructure, grew from 1.6 billion SIT in 1999 to 2.6 billion SIT in 2001. There was also a growth in the value of disbursed loans from the Environmental Development Fund in financing environmental investments by commercial companies; from 1.9 billion SIT in 1999 it rose to 2.3 billion SIT in 2002.

In recent years, implementation of the "polluter pays" principle has become a major source of financing environmental protection policy measures, and both a positive trend and a continuously increasing scope has been recorded. The share of contributions attributable to environmental loading has been rising year-on-year in all tax revenues of the Slovenian budget. In 2002 it was expected to account for 3.4 % (figure 16 idem di Fig 29.1).

29. Environmental expenditure

Environmental taxes and other contributions for environmental loading are economic instruments of environmental protection representing a reimbursement of costs for harm caused by the producers of environmental loading. The economic instruments for environmental protection in Slovenia that have been implemented to date are:

- the CO₂ tax,
- waste water tax,
- waste disposal tax,
- the tax on use of lubricating oils and fluids,
- the water charges.

Figure 29-1

Financial effects of contributions from environmental loading

Source: Ministry of Finance (Balance sheet of expenditure and income of the Slovenian national budget), the General Customs Office, internal data of the Ministry of the Environment, Spatial Planning and Energy and EARS (the databases Water payments, taxes and concessions, Sources of pollution, and Waste management), 2002.

Figure 29-2

Share of contributions for environmental taxes revenue of the Slovenian budget

Source: Public finances newsletter (Ministry of Finance)

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Targets

Increasing the share of funds for environmental protection and the increasingly universal implementation of the "polluter pays" principle.

All economic instruments of environmental protection are implemented on the basis of Article 80 of the Environmental Protection Act (OJ RS 32/92,1/96):

- Regulation on waste water tax (OJ RS 41/95,44/95,8/96,124/00 and 49/01)
- Regulation on water charges (OJ RS 41/95,84/97,124/00,110/01)
- Regulation on CO₂ emissions tax (OJ RS 68/96,2/97,5/97,24/99,65/98,51/99, and 42/00)
- Regulation on waste disposal tax (OJ RS 70/01)
- Regulation on tax on use of lubricating oils and fluids ((OJ RS 2/02)

The relevant EU documents and the targets set out in them.

In accordance with the basic principle of the environmental protection policy, those causing pollution to environment must cover all the costs of the damage done to the environment. In accordance with the aforementioned principle, those causing environmental pollution are bound to incorporate (internalise) the costs of damage, or rather the costs associated with rehabilitation of the damage, into their production costs and in this way incorporate them into the price of their own products. In as much as the costs of the damage cannot be covered directly by the polluter, the costs must be externalised, meaning that they must be paid by other members of society.

This is required by the provisions of Article 174 of the EC Treaty, and in Slovenian law by the provisions of Article 80 of the Environmental Protection Act (OJ RS 32/93 and 1/96).

Assessment of trend

Implementation of the "polluter pays" principle reveals a positive trend in recent years: it is becoming implemented in all fields (waste water, waste management, efficient energy use), and at the same time is revealing an increasingly large spread. Most importantly in the area of collection and treatment of waste water, the waste water tax represents a primary earmarked source of financing the construction of infrastructure facilities and equipment; the legislator anticipates equally good experiences to be gained in the area of infrastructure building for waste management and in the area of effecting measures for reducing greenhouse gas emissions.

Taking into account the policy of state assistance, those liable to pay waste water tax, as well as waste disposal tax and CO₂ tax are exempted from paying these contributions, if they can demonstrate that they have invested funds in measures of rehabilitation or reducing the environmental pollution in the relevant area.

Year on year there is an increasing share of contributions deriving from environmental pollution in all the tax revenues of the Slovenian budget.

Estimates put the percentage for 2002 up to 3.4 %, which represents a significant advance towards the start of effecting green budget reform, the aim of which is to reduce the fiscal burden of labour costs by means of increasing the fiscal burden of environmental pollution.

Data and sources:

Ministry of Finance, Section for analysis, methodology and the balance sheet of public finances issues monthly reports on the realisation of the national budget for individual budget years within the framework of the balance sheet of national budget expenditure and income.

The EARS, on the basis of reports from those liable according to these regulations:

- Regulation on waste water tax (OJ RS 41/95,44/95,8/96,124/00 and 49/01)
- Regulation on water charges (OJ RS 41/95,84/97,124/00,110/01)
- Regulation on CO₂ emissions tax (OJ RS 68/96,2/97,5/97,24/99,65/98,51/99, and 42/00)
- Regulation on waste disposal tax (OJ RS 70/01)
- Regulation on tax for use of lubricating oils and fluids (OJ RS 2/02)

keeps databases (Water payments, taxes and concessions, Sources of pollution, Waste management) which contain information on environmental taxes and other contributions for environmental protection.

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