

**Environmental financing trends in South Eastern Europe: 2001-2005**  
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Thanks REC for the presentation.

As we can see from the Report, the progress was made in all analyzed countries in institutional, legal and economic reforms. South eastern European (SEE) countries showed constant progress in transition towards market economy and an improving investment climate, which is attracting increasing numbers of investors into the region.

Concerning the financial mechanisms used for channelling assistance to environmental projects, I would like to discuss the key drivers which are influencing environmental finance as well as innovative financial mechanisms which could be applied in the upcoming years.

Due to sustained robust growth since 2000 in Serbia, the overall economic context for the conduct of environmental policy has improved over the past years. It was recognized the need to pay special attention to the ear-marked use of revenues, the likely impacts on the wider economy, and to reducing environmental pollution. The Law on environmental protection of 2004 gives legal force to the polluter-pays principle as well as the user-pays principle. The Law also explicitly recognizes the role of incentive-based measures, such as economic instruments, for achieving environmental policy objectives,

The new established Ministry of Environmental Protection goes further in the process of decentralization of the system of environmental financing.

The future legal framework increases the level of environmental financing, introducing the new financial recourses for environmental protection including involvement of private sector actors in financing environmental improvements such as legal possibilities for private companies/industries to invest in environmental improvements, public-private partnership and loans from commercial banks for environmentally related projects, as well as strengthening of funds capacity, on national and local-self governance level.

What I would like to point out is the progress, made in integrating environmental concerns in the privatization process. Recognizing that strategic investors will be reluctant to invest or will heavily discount their offer prices if there are significant unassigned environmental liabilities, in 2003, the Government amended the Law on Privatization to state that liability for environmental damage caused by a socially or state-owned enterprise up to the date of privatization rests with the state. In the process of privatizing the Copper Mining and Smelting Complex Bor, one of Serbia's foremost environmental hotspots, this legal clarification is playing an important role in the determination of the funding responsibilities for cleaning-up "historical pollution" and mitigating "current pollution" associated with the enterprise's ongoing operations. The Government is using World Bank support for cleaning up historical pollution.

At the end I would like to underline harmonization with International Environmental Law, because the similarity of environmental problems throughout the world has led, through trial and error, to similar legal approaches to addressing these problems.

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