

# Development of the Competitive Business in the Context of Environmental Legislation in Croatia

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## ABSTRACT

*Environmental protection has a key role in the context of crisis management. It is not just about development of the industry of environmental protection and implementation of new ways of management in innovative solutions in solving problems. Important area of improvement is also revision of environmental legislation aiming at simplification and reduction of costs of procedures for the business. This paper discusses problems of business sector in Croatia related to transposition of demanding environmental EU regulation, it suggests improvements such as simplification of special waste management systems, of environmental impact assessments processes, environmental permitting etc. The paper considers revision of environmental protection not by lowering environmental standards, but by introducing transparent and compromising models between business and environmental protection, based on sustainable development, with control mechanisms which don't impact functioning of business sector (and its competitiveness), therefore allowing successful protection of environment and its renewable and non-renewable resources.*

**Key words:** legislation, environmental protection, business, sustainable development, competitiveness

## Introduction

Environmental protection standards for business sector and specifically for industry in Croatia have increased after year 2005, »when transposition of legal requirements of environmental *acquis* of European Union into Croatian legislation has intensified. In the year 2008, activities have additionally increased with creation of National allocation plan of the green house gas emissions and with the initiation of creation of the legislative framework in line with Integrated Pollution Prevention and Control Directive for big stationary sources (so called IPPC plants)<sup>1</sup>. The Environmental Report also states that »regulatory framework and institutional strengthening which was realized in this period is one of the major positive characteristics in environmental protection. This period is also characterized with intensive negotiations of the Republic Croatia with the European Union. Almost completely transposed, this demanding environmental *acquis* of the EU has brought to Croatia significant improvement in creation of the modern legis-

lative framework. Important strategic documents have been created such as: Waste Management Strategy of the Republic of Croatia, Waste Management Action Plan for the Republic of Croatia (NN 130/05) for the period from 2007 to 2015, National Strategy and Action Plan for the Biological and Landscape Protection and Water Management Strategy. Also some development of specific, for environmental protection sector important strategies have been adopted such as Rural Development Strategy of the Republic of Croatia for period from 2008 to 2013, Strategy for the Nautical Tourism Development for the period 2009 to 2019 and National Chemical Safety Strategy<sup>1</sup>.

Although Environmental Report 2005–2008 concluded that EU legislation has been completely transposed into Croatian judiciary system, we would argue that it is very complicated process and it is not easy to bring conclusion about its full completion and finalization. Additionally, completion of this process should include not

just transposition of the regulations but also its implementation and consequently changes in the behaviour of business and also of citizens. Therefore, it is maybe too early to conclude that the process is completed because we need to complete its full implementation in practice prior to calling it done. This paper discusses several examples which give proof of only partially successful introduction of advanced environmental practice in the Croatian judicial system.

## Methods and Hypothesis

The paper considers some propositions of environmental legislation and their impact on industry sector which has to follow them. Special attention was given to those parts of legislation which received greater resistance from business over the years. Paper questions if the environmental legislation in Croatia is prepared systematically. It tries to find proof of methodical evaluation in the process of preparation which considers possible negative impacts on competitiveness of business sector, and other development indicators on which environmental legislation could have direct or indirect impact when it is put in practice. The first part of the research was desk research, when both EU and Croatian environmental legislation have been studied, specifically those segments which set rules of behaviour important for the environmental systems observed. Legislation impact analysis on business competitiveness and other social elements are not considered separately although it is estimated that they are indirectly present and connected with the level of development and successfulness of the business sector. Analysis aimed on proving that superficial and poorly structured process of legislation preparation can have negative impact on the competitiveness of business sector. Especially in the times of crises when maximal benefits are needed to give the business necessary support, the revision of the environmental legislation could open space for significant improvements and assistance for over passing the crises.

Second part of research method was based on the observation with participation by authors who are directly involved in the development of environmental public policies in Croatia. Available literature was studied on the business positions on specific legislative provisions as well as positions of business associations, which were the basis for the formulation of hypothesis, execution of analysis and conclusions.

Based on literature research and observations in practice, authors noticed that there are some parts of environmental legislation which receive significant resistance from the business sector in a longer period of time, mostly organized by various business associations (Croatian Chamber of Economy, Croatian Employers Association, Croatian Business Council for sustainable development, Eko Odra and others). Studies of these specific topics were basis for creation of the hypothesis. Our hypothesis is that the environmental legislation is prepared in superficial way, in large parts simply by copying EU directives

but without actual impact assessments of the legislation on the business competitiveness and their capability to apply the legislative provisions. We presume that the detailed revision of the environmental legislation and adjustment of the prescribed measures to the real situation and business sector capacities could, without lowering the prescribed environmental standards, have significant positive impacts on business in Croatia and therefore serve as a measure to combat crises.

## Results

Environmental acquis of the EU is very sophisticated and complex, but it has some general rules and similarities which cannot be noticed in the legislation of the Republic of Croatia. The mentioned similarities can be defined as a set of general rules present in all environmental directives and strategies such as EU Sustainable Development Strategy and others. One of these rules is a definition of environmental taxes and their role in changing behaviour of the polluters so that they would take over the responsibility for environmental damage as well as for cost which results from the social and environmental damage resulting from their products or services. For example, EU Sustainable Development Strategy<sup>2</sup> stresses that environmental taxes are different in its basic purpose than other taxes. Its primary role isn't increase of income of the public sector budget, but it is support to making changes into environmentally acceptable behaviour. Accordingly, these taxes are decided upon so that: their introduction is publicly declared on time so that polluters have time to adjust and therefore avoid paying; give back part of the collected income to the polluters to speed up the positive changes; negotiate on the lowering of the taxes in return getting polluters to invest in clean technologies and so on. Also it is noticed that sometimes the measures should be carefully chosen to increase environmental benefits rather than get highest economical benefits for the regulator<sup>3</sup>. In other words, polluters pay taxes but these taxes should not endanger their competitiveness in the market, and they should also be of reasonable size to have positive impact on changes towards decrease in environmental pollution and therefore decrease in the amount of taxes paid.

Environmental policy of the Republic of Croatia in some ways does not follow these guidelines, present in European environmental legislation. Tišma et al.<sup>4</sup> have conducted a research about readiness to accept the environmental acquis of European Union by business, results of which have been compared with complementary studies done in selected countries of Europe. Croatia is actively included in international activities in the area of environmental protection and it has started the transposition of environmental legislation into Croatian legal system. This process was negatively evaluated by the business representatives and received lower evaluation than any other country included in the research. Business thinks that justice in the environmental legislation is very low and it received 50<sup>th</sup> rank. With this rank,

Croatia significantly lags behind EU average and also lags behind most of the countries except Bulgaria, Romania and Turkey. »Business obviously thinks that legislation is not being implemented in the way which would create positive environment for entrepreneurship«<sup>4</sup>. Also, it was notice that Croatian entrepreneurs show high level of readiness, acceptance and respect for environmental standards, well above average of EU, but also higher than Germany and Austria. Also, entrepreneurs are ready for cooperation and they voluntarily accept environmental legislation, also above average of the EU countries<sup>4</sup>.

#### *Law on waste – introduction of cleaner production*

New Draft of the Law on waste, although in time of writing this paper, it hasn't yet passed the Parliamentary discussion, brings some regulations transposed from the EU Framework Directive on Waste<sup>5</sup>. Among others, the Annex IV of the mentioned Directive in Paragraph 2 suggests that the Member States should »promote the research and development in the area of achieving cleaner and less wasteful products and technologies and the dissemination and use of the results of such research and development«. If the same provision was searched for in the new Draft of the Law on Waste, the following can be found: The Article 37, Paragraph 1, say that it is an obligation of the »producer of the product to plan the production and the packaging of the product in a way that the production is being improved with cleaner technologies, and in a way which allows efficient use of materials and energy, supports reuse and recycling of the products (if the characteristics of the product allow to be reused or recycled) and takes into account the most appropriate process of recovery and/or disposal of the product which has expired or is being disposed of, so that the damage for the environment is lowered to the extent possible. This Article by itself may not be controversial if the penalty provisions of the same Law did not say in the Article 111 that: the fee between 300.000,00 and 700.000,00 kunas will be charged to the legal entity which does not fulfil the propositions of the Article 37, Paragraph 1. In other words, if the cleaner production is not implemented in the production of the product and packaging of the product (even though the producer is not producing the packaging and therefore is not always capable of choosing its characteristics in full extent, so he has only limited ability to influence its environmental characteristics), the industry will be punished with large penalty. It seems that authors of European Waste Directive did not have the intention to propose punishment for the operator which does not apply best available techniques (BAT) because at the same time, EU has passed the Directive on Integrated Pollution Prevention and Control (2010/75/EC)<sup>6</sup> which proposes very complicated procedure for determination of BAT for specific technological and technical processes as well as quite long compliance dates for these technological improvements because they all usually imply very large investments. The Waste Directive gave Annex IV as

guidelines to national governments talking about minimal preconditions which need to be included into national legislations on specific topics. The Directive promotes and gives guidelines to national governments of Member States in how the subsidies should be directed in order to support the wanted changes in behaviour and in developmental activities. But it seems that bureaucracy in Croatia used proposal and turned it into punishment because it did not recognize and accept its own responsibility for taking on activities suggested in the Directive. Draft Law on Waste, therefore, is punishing those who do not comply with best available techniques. It probably wasn't the attention of the lawmakers to go through with these punishments, more likely it is an oversight. But, it is exactly an example of superficial thinking and poor interpretation and then very general transposition of European *acquis* into Croatian legislation. There is probably very little chance that a business would be punished base on this proposal, still this type of poor interpretation of regulations hurts business and forces it to work permanently unadjusted with legislation what also opens possibilities for inspection to open prosecution and propose penalties, therefore making doing business in Croatia unsecure and also uncompetitive in comparison with other countries which have legislation in order.

#### *Green house gas emissions – possibilities for business*

As part of the process of complying with the goals of the Kyoto Protocol, European Union, in January of 2005, started a pilot project of initiating European Trading Scheme for emission units of GHG (EU ETS). The beginning for the scheme was planned for 2008. The Scheme allows combinations of various mechanisms which are at disposal to companies for reaching the targets. European Union efforts put into development of the project made the European GHG Trading Scheme world known and recognized model and basic mechanism for limitation of green house gasses. It is now obligatory for all Member States of the EU. As expected, there is a big interest for trading with emission units which are based on National allocation plans for emission amounts. Even though at the beginning it was assumed that Croatia will not be able to meet its targets of 5% reduction by 2012 based on the year 1990, due to the recession with consequences in the production reduction, Croatia has met the targets of the Kyoto I, the first phase of the Kyoto Protocol. In the second phase, started on January 1<sup>st</sup>, 2013 Croatian industry became part of the unique trading scheme of the EU. Within trading scheme industry will have the ability to buy or sell emission units to comply with the emission limits allocated to them, and continuously reduce them as the time pass.

In the process of supporting investments into improvements of technological parameters with ultimate aim to reduce the emissions, special accent is given to public policy instruments such as economic instruments which should serve as incentives to private sector investments into emission reductions, based on the polluter pays

principle<sup>7</sup>. It is expected from business sector to invest into changes in production decisions, cleaner technologies, production locations and other solution which include eco-innovations. Introduction of environmental fiscal reform should include a series of monetary fees and instruments which create income to the state budget, at the same time supporting environmental targets to be met. This approach is good for mobilizing income for public sector; improves environmental management practices and contributes to preservation of resources.

Beside measures for compliance with international obligations, domestic public policy instruments are being developed since 2003 when the Environmental Protection and Energy Efficiency Fund was founded, with the aim to collect funding for compliance with climate change policy. With the collection of taxes on emissions and pollution (CO<sub>2</sub> emissions included), Fund gives contribution to the application of the polluter pays principle<sup>8</sup>. There are series of environmental taxes in Croatia, which are part of fiscal taxes, such as taxes of agricultural land, on fisheries, on tobacco products, taxes on fossil fuel products, personal vehicles and so on. Beside fiscal taxes, since 2003, there are series of para-fiscal taxes in Croatia, which are being paid to the Environmental Protection and Energy Efficiency Fund (FZOEU). One of these taxes is based on the Rulebook on single unit taxes, corrective coefficients, criteria and measures for determination of the CO<sub>2</sub> emission taxes (NN 73/07, NN 48/09)<sup>9</sup>.

The introduction of additional expenses, as well as constant changes in the environmental protection policy, created insecurity among investors, which is withholding them from the major development decisions. In fact, the introduction of CO<sub>2</sub> emission taxes did not stimulate investments into advance, lower emission technologies. The CO<sub>2</sub> emission tax is a typical tax which does not induces investments into CO<sub>2</sub>-free technologies, it in facts in some cases even creates the opposite effects<sup>10</sup>. At the company level, as part of the risk management measures, measures to reduce risks from non compliance with environmental and climate change goals are being introduced. These measures are preconditions for informed decision making process related to emission reduction. The investments would give most results if they were done at company level which would allow companies to plan and invest into energy efficient technologies. But, instead, the introduction of the CO<sub>2</sub> tax has taken away the company's investment potential which should have been used for improvement of Croatian industry and its preparation for emission trading and to prepare better starting position for the Kyoto II and EU membership. The collection of the taxes worth several million kunas based on CO<sub>2</sub> emissions which have been spent on different strategic goals, have positioned Croatian business to a worse starting point comparing to their competitors at the new European market.

National governments have key role in creating legal, institutional and economic conditions for investment inducement in environmental protection. In Croatia the needs for investments in environmental projects are

mostly based on EU demands<sup>7</sup>. Optimal amounts of green taxes directly relates to the emission levels and it is very important to calculate the proper size of the green tax which would be supportive in emission reduction, but at the same time not inducing unnecessary expenses for a company. Optimal level is the level at which the marginal cost of the abatement and the marginal damage are equal. In other words, optimal level would be the level which will induce the emission reduction in a way that there is optimal reduction with minimum expense<sup>11</sup>. There would also be a continuing incentive to reduce emissions as savings in tax would reward this. The same solution could also be achieved by giving a subsidy to each polluter which succeeds additional reduction above marginal damage and therefore is able to sell or trade in a competitive market which would ensure that each polluter gains profit based on his emission reduction level. The ratio of the usage of green taxes versus subsidies in the world is on the side of taxes even though the GHG trading scheme is the latest example of the successful subsidizing for emission reductions. Even though in theory there is a known way to calculate marginal expense, in practice it is relatively hard to define. If the tax is estimated wrongly, the level of pollution reduction will not satisfy – it will be too high or too low.

Economic instruments used in Croatia can be called fiscal, not environmental measures because their main objective is to generate revenues<sup>11</sup>. When the green taxes are established, their future efficiency should be measured and evaluated with a set of performance indicators based on their effects on revenue raising, pollution reduction, rational use of natural resources, change of polluters' technology, change of people's behaviour, improvement of environmental quality and support to integrated planning. Pollution reduction is expected to be the most important effect of economic instrument in environmental protection practice<sup>11</sup>.

Especially interesting situation for business is the investment into environmental technology which at the same time brings lower operational costs therefore creating double benefits by introducing competitive technology and reducing environmental pressure. An example of such investment is introduction of waste fuel and its usage in cement industry. In large combustion plants which are large energy users, (such as thermo plants, cement industry kilns etc.), one of the possibilities is partial reduction of fossil fuels with alternative fuels. There is a variety of different fuel types which are considered as alternative fuels and which are produced from waste. The most common alternative fuel is the one produced from solid municipal waste and similar industrial waste. In communication it is often called with acronyms RDF (Refused derived fuel) or SRF (Solid recovered fuel), even though RDF has no official status in legislation or standards, while SRF is being mentioned in standards. According to the waste management hierarchy, proposed in the European Framework Waste Directive (2008/98/EC)<sup>5</sup> alternative fuels should be used for energy recovery. Solid waste fuel is being produced in special factories



from solid municipal waste after all other recycling options were considered. Its production is organized within waste management centres. Such fuel is not being produced in Croatia yet.

In Law on Waste<sup>12</sup>, Article 3, recovery of waste is explained as »any procedure of additional recovery of resources for its additional usage in material or energy recovery«. The same Law in Article 5 states that one of the waste management goals is »recovery of waste with recycling, re-usage, recovery or any other procedure which allows recovery of secondary resources or usage of waste for energy recovery«.

Interested industry has initiated procedures for Environmental Impact Assessments to collect necessary documentation and permits for usage of alternative waste fuels produced from non-hazardous municipal waste, hoping that Croatian legal system will adapt to the fact that in entire world, lead by European Union, alternative fuels are being used in cement production which in some case has reached over 60% of total fuels used.

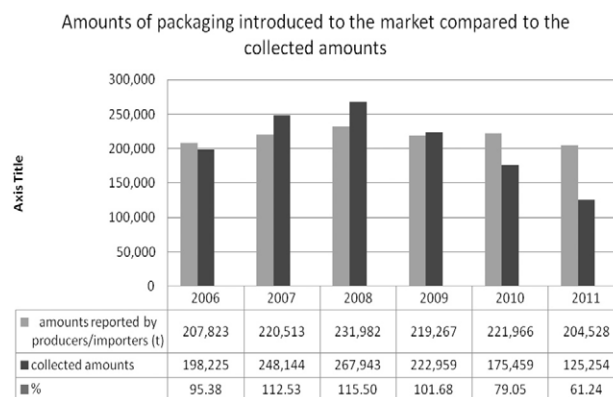
The problem for Croatian cement industry is created by the Article 47 (2) in Law on waste which prohibits import of waste for disposal of energy recovery purposes. Article 88 prescribes penalty at the amount of 300.000,00 to 700.000,00 kunas for legal person who is found to import waste for disposal or energy recovery purposes. RDF/SRF usage permits can only be obtained for the domestic waste fuels. Since there is no operating waste management centres in Croatia yet, at this moment there are not available sources of alternative fuels for local industry which could be used as fossil fuel replacement to reduce GHG emissions and fuel costs. Even though, one of the waste management targets is also energy recovery, such possibilities are not given to Croatian industry at the moment. This means that those cement plants which planned to use alternative fuels to lower expenses and CO<sub>2</sub> emissions cannot be competitive comparing to their competition in European Union.

#### Taxation in special waste collection systems

Special waste collection systems are some of the rare parts of integral waste management systems in Croatia which exist and function. They are based on propositions of Law on Waste which management of these systems places under supervision of Environmental Protection and Energy Efficiency Fund (FZOEU) to organize, collect means from polluters and finance system operations. From the beginning of the introduction of this model in 2005 when a series of rulebooks have been adopted, there was a strong opposition from business to such solution. To the first Rulebook on packaging and packaging waste management, there has been large number of comments from various business associations which warned regulator that such system will be un-transparent, expensive and will not give to the polluters the right to control money spending or the possibility to self organize in other to fulfil obligations for packaging waste collection and recovery. The business associations have asked for the system based on green dot system well known in ma-

**TABLE 1**  
AMOUNTS OF THE PACKAGING WASTE COLLECTED (SOURCE: ENVIRONMENTAL REPORT FOR THE REPUBLIC OF CROATIA: 2005–2008, BASED ON THE ENVIRONMENTAL FUND DATA)

| Packaging type                       | Amounts collected (t) |                |                |
|--------------------------------------|-----------------------|----------------|----------------|
|                                      | 2006.                 | 2007.          | 2008.          |
| PET and other polymers               | 19 034                | 25 395         | 25 096         |
| Glass                                | 59 354                | 63 429         | 59 116         |
| AL/Fe                                | 1 164                 | 1 757          | 1 189          |
| Paper, cardboards, multilayered pack | 118 642               | 155 742        | 181 189        |
| Wood                                 | 31                    | 1 821          | 1 353          |
| <b>TOTAL</b>                         | <b>198 225</b>        | <b>248 144</b> | <b>267 944</b> |



*Fig. 1. Amounts of packaging introduced to the market compared to the collected amounts (Source: EKO OZRA based on the FZOEU data).*

majority of the European countries. This request was not met and the Fund was given ultimate power to organize, finance and supervise the systems. Today we can find some evidence that the functioning of those collection systems have problems which were predicted by the business at the very beginning of the system preparation.

Table 1 and Figure 1 show that the amounts of the packaging waste collected were much larger than those put on the market.

This trend was present in most of the years since introduction of the system. The reason to this condition was a large deposit of 50 lipas put on bottles of beverages and dairy products what generated illegal import of waste packaging, even production of packaging which was sold to the collection systems. This created large deficit for the Fund in the packaging waste collection system as seen in Figure 2.

Problematic is also the fact that this deficit was covered by the money collected for operation and financing of other special waste collection systems such as electric and electronic waste. State revision mentioned same problems in its Revision Report in 2012. This Revision

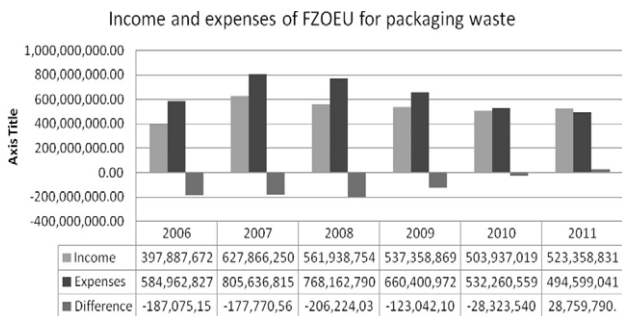


Fig.2. Income and expenses of FZOEU for packaging waste (Source: EKO OZRA based on the FZOEU data).

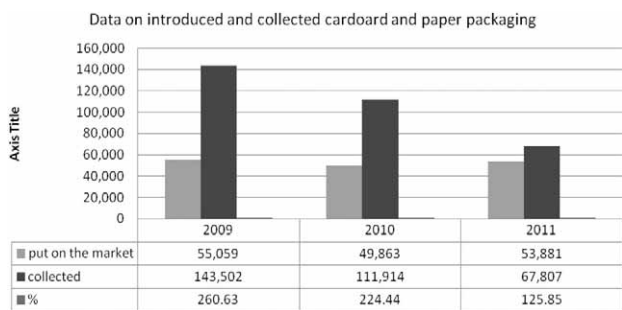


Fig.3. Data on introduced and collected cardboard and paper packaging (Source: EKO OZRA based on the FZOEU data).

Report also states that the system did not include all packaging waste categories (such as distilled water packaging, consumable oil, vinegar etc.) even though these producers have been paying for their packaging to be collected and disposed in a special manner. The Rulebook on packaging and packaging waste, does not propose organization of the entire packaging waste collections systems, but it rather organizes only packaging for beverages and dairy products which represent 25–30% of the entire packaging waste put on the market. In Croatia therefore, there are currently two collection systems, one for packaging of the beverages and dairy products, and other of remaining packaging.

State Revision Office stated that from the documentation can be concluded that the criteria used by the Ministry of Environmental Protection and the Fund for the creation of the taxation levels are not transparent also supporting the argument that there is no market system in place, rather the prices paid by the polluters are not entailing real costs what allows for un-transparent operation of systems. The special waste collection systems in Croatia are also specific in the fact that the State is both, the regulator and the body in charge for execution of the collection what happened to be unfortunate solution. State Revision Office has opinion that the Fund should take actions in creating legal preconditions to allow private organizations which own waste transportation and recycling permits, to take over the provision of the services of collecting and recycling of special wastes, based on public procurement and not by concession rights. This

would create preconditions to lower the expenses of collection and recycling of waste and would open the possibility to lower the taxes paid by the producers and importers of products which use packaging that becomes waste.

Additionally, lack of transparency of this system can be argued based on the Figures 3 and 4. Figure 3 shows relations between the quantities of the amounts of the paper packaging put on the market and collected. In the case of paper packaging, same business organizations are concession holders for collecting and disposal of paper packaging and these relations are creating lack of transparency in the amounts of collected and reported packaging as seen in the Figure. These inconsistencies are charged to the FZOEU what is creating deficit for the Fund. The Fund covers this losses from other sources such as from funds paid by the polluters for management of the multi-layered packaging (Figure 4) for which the collection system is not organized and the fees collected were being used to cover expenses for other types of packaging materials. Businesses who are obligated to pay fees for some of the special waste management systems, have requested that the legislator abort collection of the fees for the waste for which the collection systems are not organized, as well as for those types of waste that have market price high enough to cover for the collection costs. Also it was requested to change the decision on pricing of collection prices and to align these prices with the market prices. Selling the packaging materials below market price hurts interests of the polluters who pay taxes for waste management<sup>13</sup>. The above mentioned makes it clear that the revision of the environmental legislation in charge for the special waste collection systems in Croatia could bring many millions in savings for business and therefore increases in competitiveness. The suggestions does not imply the termination of the collection system but rather their revision, compliance with market mechanisms and increase in transparency what could allow collection and recycling of valuable materials but at market prices and acceptable expenses for business who pays it.

### Development of environmental protection policy

#### Promotion of the green public procurement and corporate social responsibility

Annex IV of The Framework Waste Directive in the Paragraph 11 states that it is necessary to adopt green public procurement. EU Sustainable Development Strategy says: »European Commission and the Member States will develop and structure processes to exchange good practice in the area of the green public procurement with possibility for promotion of the green public procurement at local and regional level«<sup>2</sup>. There are various documents which support introduction of green public procurement, prepared and published by European Union. Our legal system did not transpose these recommendations into Law on waste nor Sustainable Development Strategy of the Republic of Croatia<sup>14</sup>. Generally we can notice tendency of the legislator to transpose regulations

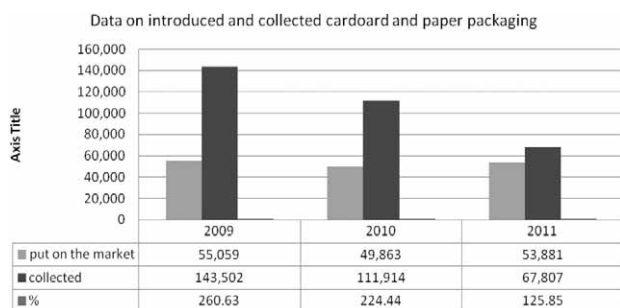


Fig.4. Data on collected multi-layered packaging (Source: EKO OZRA based on the FZOEU data).

which propose limits and obligations to the private sector but when it comes to the obligations for the public sector, very often they are left out or incomplete.

EU Sustainable Development Strategy also supports activities to »enhance the social dialogue, corporate social responsibility and private-public partnerships to foster cooperation and common responsibilities to achieve sustainable consumption and production«<sup>2</sup>. Still only in 2013 first activities of public sector can be recorded on document preparation and beginning of the creation of the Corporate Social Responsibility Strategy which will support and promote CSR. For preparation of this document responsibility lies at a group of partner organizations, primarily from private sector, which have been promoting CSR in Croatian business for longer period of time and are also advocating with the Ministry of economy to accept its responsibility of a public promoter for the introduction of these voluntary activities which give benefit to not just business organisations that use it, but to the whole society.

#### *Responsibility for public policy and economic instruments*

For all processes of creation of public policies as well as for documents such as Law on Waste, there is a unique process prescribed, which includes public participation and discussion which should result in higher quality of the policy in time of its preparation. Public and various stakeholders has point some specific problems which may be problematic in the implementation phase. By taking into account these comments, policy once in place can be more suitable for implementation, avoiding provisions which are difficult or impossible to implement, ending with a policy which is easier, quicker and cheaper to implement and to reach its goals. Regulation which is not harmonized with possibilities in real sector is therefore not possible to implement, and it often generates gray economy. By putting too much pressure on the business that applies them or by giving them too short period to adopt, or if the provisions are not applicable for any other reason, it forces users to do business outside the provisions of the regulation and not even try to adopt. EU Sustainable Development Strategy »sets out an approach to better policy-making based on better regulation and on the principle that sustainable development is to be inte-

grated into policy-making at all levels. This requires all levels of government to support, and to cooperate with, each other, taking into account the different institutional settings, cultures and specific circumstances in Member States«<sup>2</sup>.

»In this respect all EU institutions should ensure that major policy decisions are based on the proposals that have undergone high quality Impact Assessment (IA), assessing in a balanced way the social, environmental and economic dimensions of sustainable development and taking into account the external dimension of sustainable development and the costs of inaction. Other tools for better policy-making include ex-post-assessment of policy impacts and public and stakeholders participation. Member States should make wider use of these tools, in particular IA, when allocating public funds and developing strategies, programmes and projects«<sup>2</sup>. Support to these tools is given, especially in development processes for strategies, programs, projects and in the distribution of budgetary funding. In the case of the FZOEU, where State Revision has spotted some inconsistencies, it is obvious that a revision is needed.

Europe suggests usage the full range of »policy instruments in the implementation of its policies. The most appropriate economic instruments should be used to promote market transparency and prices that reflect the real economic, social and environmental costs of products and services (getting prices right). Their potential to reconcile environmental protection and smart economic growth and exploit win-win opportunities should be recognised. Additionally, their suitability should be judged against a set of criteria, including their impact on competitiveness and productivity«<sup>2</sup>. Regarding Croatia's country's specifics (variety and sensitivity of landscapes etc.) the special and continues evaluation of consequences should be applied, with accent put on the implementation level<sup>4</sup>.

Member States should, according to the EU SDS, »consider further steps to shift taxation from labour to resource and energy consumption and/or pollution, to contribute to the EU goals of increasing employment and reducing negative environmental impacts in a cost-effective way«<sup>2</sup>.

## Discussion and Conclusion

In this overview of the conditions in the environmental protection policy preparation process in the Republic of Croatia, we argue that there is a model in place which does not take into account the practical implementation and there is no verification and evaluation of the results that proposed measures will have on the achievement of its objectives but also of possible negative impacts these measures could have on the competitiveness of the Croatian economy. Significant amount of poorly set targets and systems in the area of environmental protection, beside having some impacts in terms of the environment, generally show large financial pressure on Croatian economy which is barred by the business, resulting in de-

crease of business competitiveness in Croatia, replacement of the production into the countries of the region and lack of investor's interest for industry development in Croatia. It is therefore necessary to revise how specific segments of environmental legislation impact competitiveness of the business, and beside positive impacts on target achievement in the environmental protection area, also revisit their impact or possible impact on the development of competitive economy in Croatia. By al-

lowing market approach in the environmental protection policy, when it is possible, some significant savings can be made through continuous improvements in productivity of the management systems and cuts in operational costs. This could lower the cost of the environmental protection for polluters what can positively affect their competitiveness. In the times of depression, every saved work place is worth these efforts.

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## RAZVOJ KONKURENTNOG GOSPODARSTVA U KONTEKSTU OKOLIŠNOG ZAKONODAVSTVA U HRVATSKOJ

### SAŽETAK

Zaštita okoliša može imati ključnu ulogu za izlazak iz krize. Nije samo riječ o razvoju industrije tehnologija zaštite okoliša i primjene novih načina upravljanja i inovativnih pristupa rješavanju problema. Važno područje unapređenja je područje zakonodavstva zaštite okoliša s ciljem pronalaženja i primjene jednostavnijih i jeftinijih postupaka koji manje opterećuju poslovanje. Rad obrađuje probleme poslovnog sektora pri usklađivanju sa zahtjevnim zakonodavstvom zaštite okoliša, govori o promjenama koje mogu dovesti do pojednostavljenja poslovanja unapređenjem procesa upravljanja okolišem kao što su sustavi gospodarenja posebnim kategorijama otpada, procesima pribavljanja rješenja za studije utjecaja na okoliš, okolišnih dozvola i slično. Rad razmatra reviziju sustava zaštite okoliša ne snižavajući pri tome standarde zaštite, definira na održivom razvoju temeljene modele kompromisnog i transparentnog odnosa između poslovnog sektora i zaštite okoliša koji će sadržavati mehanizme kontrole koji ne utječu na funkcioniranje poslovnog sektora (i njegovu konkurentnost) omogućujući ipak učinkovitu zaštitu okoliša i njegovih obnovljivih i neobnovljivih resursa.