

The established institutional framework in which investment decisions take place, design, implement, monitor and evaluate investment projects has its informal part, which reflects both informal rules that are implemented outside official channels and the interpretation and interpretation of formal rules.

The Constitution of the Republic of Serbia defines the inviolability of the right to life, the right to a healthy environment and to timely and complete notification of its condition. According to the Constitution, the Republic of Serbia and the Autonomous Province are especially responsible for the protection of the environment. This obligation is elaborated in more detail through a number of laws and bylaws. The care for the public good in our society must first and foremost lie with the members of our society. Understanding this fact, we can more easily see what incentives and what restrictions can direct investment decisions whose implementation affects the state of the environment in the Republic of Serbia.

Although the informal institutional framework is not codified, it can also influence investment decisions because it is recognized by all actors. Many plants in the Republic of Serbia owned by the Republic of Serbia do not comply with the prescribed standards when it comes to environmental protection, full implementation of the law on Integrated Prevention and Control of Environmental Pollution for existing plants is delayed for years, no strategic and program documents are adopted. air protection or documents are adopted that do not meet the requirements in terms of content and quality, and the capacities of the inspection for environmental protection are insufficient. These are some of the facts that make up the informal institutional framework in which the Republic of Serbia, by its actions in the ownership role, or by its inaction in the role of the regulator, sets a framework that is important for the consequences of investments on environmental protection. This becomes especially important when we understand that the Republic of Serbia is involved in almost all large investments that can have consequences for the environment not only as a regulator, but also as an investor or partner of investors.

The impact of investments on the environment can be better understood when we understand the framework in which economic activities in the Republic of Serbia take place. The exchange rate of the dinar against the euro is an important instrument of anti-inflation policy in the Republic of Serbia. The Republic of Serbia records a significant deficit in foreign trade, which in the period from 2010 to 2019 amounted to an average of 4 billion euros. Foreign exchange inflow is necessary to cover this deficit. The inflow of foreign currency through foreign direct investment or through borrowing for infrastructure projects is very important for maintaining the exchange rate. In such an economic model, maintaining the existing level of the exchange rate is of great importance for several reasons. One of the reasons is the presentation of the gross domestic product in euros, since the cost of further borrowing partly depends on the nominal amount of GDP in euros.

Without going into the developmental consequences of such a policy, it is important to understand that in the circumstances of narrowed foreign exchange inflow opportunities and pronounced need for foreign exchange inflows, all mechanisms that can slow or stop borrowing or foreign direct investment in another form may weaken.

Taking into account the institutional framework and the financial and monetary framework, we can better understand a cycle in which investment decisions are born and projects are implemented by which they are implemented. We can also better understand the terrain on which the environmental protection mechanisms that are available should operate and better understand the consequences that may arise on the environment in such a framework.

The identification of needs and the selection of projects that can become the subject of investment takes place within a framework in which a large number of stakeholders can participate. The principles of the Aarhus Convention stipulate that the interested public should be involved in all projects that may have environmental consequences, with the involvement of the public, which must be implemented at a stage where all options are still open. Only in this way is it possible to ensure that participation will not be reduced to an attempt to manage the consequences of projects that, due to various shortcomings in the decision-making framework, are recognized as significant to the detriment of some other solutions.

At each stage, it is possible to protect the integrity of the investment and take steps that can prevent, reduce or eliminate negative environmental impacts using some of the available tools.

At the time of writing, the Republic of Serbia does not have an environmental protection program and no public policy documents in the areas of air protection and climate change, and it has a trade deficit and a balance of payments deficit. The Republic of Serbia does not have a Development Plan either, although the legal obligation of the Government of the Republic of Serbia was to propose that document to the National Assembly of the Republic of Serbia by January 1, 2020. As already mentioned, the informal institutional framework significantly affects the availability of legal tools for environmental protection and the manner of their application.

Right n and a healthy environment can be significantly endangered in such circumstances during the implementation of investment projects.

Foreign direct investments or projects financed by loans from international or bilateral financial institutions should not be distinguished in any way from other investments in terms of direct impact on the environment. Consideration of all their peculiarities in relation to possible domestic private investments exceeds the scope of this text, so we will list some peculiarities that may be relevant in certain circumstances:

- Financing that involves the conversion of foreign currency into domestic

- Presence of the state as a partner or as a guarantor for financing
- Influence of the regulation of the country of origin, international regulation or procedures of financiers or investors
- Other influences of the country of origin or other countries on the good will of the foreign investor or partner that may be related to the investment being observed

One example of the process through which a framework has been established for the design and implementation of investments that have an impact on the environment is the cooperation between Serbia and China in the field of infrastructure.

In 2009, the Government of the Republic of Serbia signed an Agreement on Economic and Technical Cooperation in the Field of Infrastructure with the Government of the People's Republic of China. This agreement established a framework for investments in the field of infrastructure and the parties agreed that the priority of mutual cooperation was the construction of road and railway network, bridges, electricity and telecommunications facilities, and that they will actively support companies and banks of the two countries to achieve cooperation. . The agreement also envisages cooperation between companies and institutions of the two countries in such a way that the activities envisaged by the agreement will be realized by concluding agreements, contracts, programs or projects prepared by the competent authorities and institutions of Serbia and China and companies of the two countries. , procedures for the use of funds and resolve other issues of mutual interest with the consent of the state authorities of both countries.

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