

ENVIRONMENTAL PERFORMANCE REVIEW OF THE SLOVAK REPUBLIC

EXECUTIVE SUMMARY

The Slovak Republic is undergoing two major transitions: a major economic transition and preparation for entry into the European Union. Slovakia's Gross Domestic Product fell by 23% before recovery began in 1994; overall, GDP has grown by 11% over the 1990s. Unemployment is higher than in most other European countries in transition. A number of industrial enterprises were privatised and land ownership changed significantly.

During the 1990s, the decline of economic activities such as industry and agriculture, changes in its energy supply, and environmental management have contributed to substantially reducing pressures on Slovakia's environment. The country is in the process of major legislative changes concerning the environment. Notwithstanding this progress, much of the accumulated contamination of the past is still in place and current emissions and discharges remain comparatively high. On several issues, the road towards environmental convergence with other European OECD countries will be a long one.

This OECD report establishes a baseline for assessing future environmental progress and examines Slovakia's environmental performance, i.e. the extent to which its domestic objectives and international commitments are being met. 44 recommendations are put forward that could contribute to strengthening the country's environmental performance.

Implementing efficient environmental policies and strengthening the environmental structure

Slovak citizens have a constitutional right to a healthy environment. Accordingly, environmental legislation was reinforced through the 1990s (e.g. new Acts on air protection, waste management, nature and landscape protection, environmental impact assessment, access to environmental information). A major effort is ongoing to transpose EU environmental legislation in Slovak law. For instance, a new Act on water protection and water management is being prepared, devolving responsibilities to municipalities and promoting river basin management. Environmental policies are founded on solid environmental information (e.g. State of the Environment reports), high quality environmental expertise, and important programming efforts (e.g. National Environmental Action Programmes I and II). To implement environmental law and environmental policies, Slovakia uses a wide range of policy instruments. Regulatory ones are associated to economic instruments and the extensive system of emission charges has generated sustained revenues and landfill charges have provided effective incentives to improve landfill standards. Physical planning instruments were placed under the supervision of the Ministry of the Environment, and land use planning has been developed at the national and regional level since 1998 and is being developed at the municipal level, including disincentives to forestland encroachment. Environmental impact assessments were carried out for 350 projects and led to project revisions or withdrawal (e.g. dams). In 1997 industry introduced environmental management systems; many companies are certified ISO 14000 and a national programme of eco-labelling is well in place. Very significant financial efforts were devoted to pollution abatement and environmental protection in the 1990s: after large efforts in the early 1990s to deal with the most urgent pollution problems, the country reduced its pollution abatement and control expenditure to 2% of GDP by the mid-1990s and to 1.5% of GDP in 1999. Its environmental expenditure (i.e. PAC expenditure together with water supply and nature protection expenditure) were 2% of GDP in 1999. This evolution was accompanied by a gradual decrease in state support for environmental investment, and an increasing role of enterprises and municipalities. The devolution of responsibilities of waste, water, and waste water services to municipal governments will create opportunities to apply the polluter-pays principle and the user-pays principle more fully.

¹ See Annex.

However, the environmental institutional capacities of Slovakia have gone, in the 1990s, through significant restructuring (e.g. end of the specific regional environmental administrations in 1996, devolution of environmental responsibilities, planned elimination of state funds for 2002). It is important that this restructuring both preserves Slovakia's own environmental "acquis" and strengthens Slovakia's capacities to face the environmental challenges of EU accession. Environmental policy implementation can be significantly strengthened. The implementation of NEAP I has not been assessed. Enforcement of and compliance with environmental regulations appears relatively weak; the State Environmental Inspection (SEI) should be strengthened, compliance fines updated and increased, and environmental charges and fines collection rates improved; inspection fees should contribute to cover inspection costs and self-monitoring should be improved. Enforcement responsibilities between the SEI, regional, and district offices should be clarified. Enforcement of administrative procedures are not buttressed by judicial ones; there are no prosecutors specialised in environmental matters, no standing access to courts for recognised NGOs to represent the common interest in environmental cases, and no records of environmental cases. The introduction of legislation on integrated pollution prevention and control in line with the IPPC Directive is intended. Economic instruments (e.g. charges) should be given higher incentive effect; increases in cost-recovery levels concerning water supply, waste water services, and waste management is needed. Slovakia has started its approximation process with the EU environmental "Acquis". A major legislative effort is underway. Beyond it, a major task will be to implement this new legislation, particularly in the areas of water supply and waste water related infrastructure and for the control of major risks involving dangerous substances. The National Programme for the Adoption of the "Acquis Communautaire" envisages more than a doubling of environmental investment for the period 2000-08 compared to the late 1990s level. Funding will have to come mostly i) from increased environmental charges for municipal waste water and waste infrastructure and ii) from enterprises for their own environmental investments; there will also be some additional funding: foreign funding (e.g. EU funds) and state support mostly to small and medium enterprises. The completion of a municipal waste water infrastructure responding to the EU Urban Waste Water Directive may require efforts spread over much more than one decade.

Towards Sustainable Development

Following a period of GDP contraction, Slovakia's GDP was by 2000, 11% higher than its 1990 level. During the 1990s, Slovakia succeeded in decoupling a number of environmental pressures from economic growth. Pollutant emissions into air, discharges into water, and water abstractions were cut by as much as 30% to 70%; however, municipal waste generation increased at a rate close to the one of GDP. This was not only due to the contraction of industrial production (-16%) and energy use (-22%), but also to changes in production and consumption patterns and sectoral structural reforms; for instance, fertiliser and pesticide use were reduced massively, mostly as a result of changes in agriculture production methods and agricultural land ownership; the energy sector went through major policy reforms and experienced increased energy efficiency, changes in energy supply mix, significant shifts in energy prices, overall translating in important environmental benefits. This was also due to environmental policies based on the 1993 strategy, which defined short, medium, and long-term objectives and key policy principles in environmental management. Integration of environmental concerns in sectoral policies was uneven, but institutional and market-based integration occurred in a number of instances, in the energy, transport and agricultural sectors. Excise taxes on fuels were introduced in 1994; leaded gasoline was phased out in 1997. Reduced vehicle tax for commercial cars equipped with catalytic converters encouraged changes in the composition of the car fleet. Reduced VAT applies to environmentally friendly fuels and equipment, income tax concessions to environmental services, and exemption from real estate tax to protected areas. Strategic Environmental Assessment of policies and programmes was usefully applied for the review and revision of energy policy in 1998. Overall, agricultural support has declined and agri-environmental payments are provided for converting arable land into permanent grassland and to support organic farming, although most direct payments to farmers are related to input use; a code of good agricultural practices has been completed. Most of these economic and sectoral changes have contributed to the strong decoupling achievements of Slovakia. A Sustainable Development Council was established in 1999, as an advisory body. A sustainable development strategy was approved by the government in October 2001.

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Looking ahead, further progresses in the integration of environmental concerns in economic development are feasible and necessary. First, through enhanced interministerial co-operation concerning strategic planning, investment programming, annual budgeting, and project assessment; the latter applies also to foreign direct investments which should, inter alia, follow environmental charters and guidelines applying to multinational companies. Secondly, further promote the integration of environmental concerns in agriculture, energy, and transport sectors through market based integration and appropriate economic signals (e.g. reducing environmentally damaging subsidies, enhancing the incentive effects of current economic instruments and taxation). Given its high growth, the transport sector is of particular concern; road taxes only apply to commercial vehicles and not to private motor vehicles; modernisation of public passenger transport should be further pursued. Given the far ranging structural changes in these sectors during the ongoing economic transition of Slovakia, it is of the utmost importance to include environmental concerns and win-win strategies in their design. Thirdly, the possibility of introducing a green tax reform should be further investigated, including an energy tax and a tax on the sulphur content of diesel oils. Fourthly, as households have already faced important price changes concerning their energy needs (heating, lighting, transport fuels) and will have to face further price changes concerning, inter alia water supply, waste water services, and waste services, attention should be given to the progressivity of these changes over time and to the poorest segments of the population. This will in turn bear on the capacity of investments in environmental infrastructure of Slovakia, in the context of both its economic transition and its accession process to the EU. This will require strategic decisions balancing economic, environmental, and social progress of the country and will imply a very high profile for environmental criteria in the EU accession negotiations.

International commitments

Slovakia is now a party to most worldwide and relevant regional environmental agreements. The country is financially contributing to the UNEP, Montreal Protocol, Biodiversity Convention and CITES. Slovakia has promoted bi- and multilateral co-operation with its neighbouring countries and participates in the Danube basin management multilateral process. Slovakia is now a member of the OECD and the Council of Europe: this had important effects in policy areas such as chemicals control, waste management, industrial accidents, public participation, and protection of endangered species. Slovakia easily fulfilled its commitments on transboundary air pollution (LRTAP), with considerable decreases in the emissions of classical air pollutants (e.g. SO_x, NO_x, suspended particulates, and VOCs). Concerning climate change, Slovakia has prepared two national reports to the meetings of the Contracting Parties. CO₂ emissions have been reduced and are well below their 1990 level in 2000; they may also be 8% below the 1990 level in 2010.

However, Slovakia has not yet adopted a co-ordinated national strategy to combat climate change. Postponing the removal of all direct subsidies and cross-subsidies relating to electricity prices, partly for social reasons, has delayed further improvements in energy intensity and consequent reduction of greenhouse gas emissions. With a substantial increase in car and truck traffic between Slovakia and other European countries, sustainable transport is a concern. In the context of the EU accession process, EU legislation has already started being transposed into the national law. However, the remaining legislative task is still considerable, and concerns a number of topics dealt with by different ministries. Increased emphasis on implementation and enforcement of environmental law is much desirable in this respect. Implementation of some EU legislation will need time, because of the cost of creating a new environmental infrastructure and of the social constraints: Slovakia has requested transition periods for a number of EU environmental directives.

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THE OECD ENVIRONMENT PROGRAMME

Annex: 44 Recommendations*

<p>Environmental Management</p>	<ul style="list-style-type: none"> ▪ strengthen <u>enforcement capacities</u>, raise the level of non-compliance fines and introduce inspection fees, increase the educational and incentive functions of the State Environmental Inspection; ▪ introduce <u>specialised prosecutors</u> for environmental cases and standing access to courts for recognised environmental NGOs; ▪ review and revise the <u>pricing of environmental services</u>, in light of the polluter pays and user pays principles, and of economic and social constraints; ▪ as part of the process of <u>devolution of power to regions and municipalities</u>, ensure that both obligations and revenues are adequately phased in; ▪ increase the use of environmental auditing to assess <u>environmental liabilities</u> arising from past operation of state enterprises, particularly within the context of privatisation; ▪ complete <u>land use planning</u> at municipal level (e.g. in the eastern part of Slovakia).
<p>Air</p>	<ul style="list-style-type: none"> ▪ make the enforcement of <u>emissions charges and fines</u> more effective (e.g. through monitoring and reporting on enforcement and related revenues); ▪ review exemptions from <u>environmentally related taxes and environmental standards</u> to industry and energy producers, and ensure they are fully transparent and consistent with fair competition; ▪ clarify the sharing of <u>funding</u> and other responsibilities between the private and public sectors concerning air management projects under the National Environmental Action Programmes; ▪ include more <u>quantified targets and timelines</u> into strategies and programmes dealing with air management, energy, transport, and climate policy; ▪ continue adjusting <u>electricity and gas prices</u> to reflect costs and promote efficiency in the energy sector, taking into account social considerations; ▪ continue <u>fuel switching</u> from domestic brown coal to natural gas and renewable energy sources (e.g. biomass), taking into account employment and environmental implications; ▪ further <u>decouple energy use from economic output</u> in the Slovak economy by improving energy efficiency in different sectors through appropriate incentives and programmes.
<p>Water</p>	<ul style="list-style-type: none"> ▪ adopt the proposed <u>new Act on water protection and water management</u> transposing EU legislation, and implement the new <u>institutional framework</u> for water management; ▪ prepare water <u>management plans by river basin</u>, taking into account flood prevention concerns; ▪ mobilise financial resources to upgrade and extend the <u>urban sewerage and waste water treatment infrastructure</u>; ▪ apply more fully the <u>user pays and polluter pays principles</u>, taking into account social considerations, aiming at full cost recovery for household water services pricing, and eliminating charge concessions and increasing pollution charges; ▪ identify areas vulnerable to <u>nitrate pollution</u> by agriculture.
<p>Waste</p>	<ul style="list-style-type: none"> ▪ promote <u>waste minimisation</u> initiatives; ▪ pursue efforts to develop <u>separate collection of municipal waste</u> and promote the processing of separated materials as secondary raw material or energy source, including use of the Recycling Fund; ▪ complete a national <u>survey of hazardous waste</u> incineration needs, proceed with the upgrading of technical standards for existing medical waste and other hazardous waste incinerators, and build the required additional <u>incineration capacity</u>; ▪ elaborate a comprehensive programme to map <u>contaminated sites</u> of industrial origin, assess the potential risks for the environment and propose remedial measures; ▪ fully adopt the OECD Green List for the <u>import of waste</u> destined for recovery operations.
<p>Nature and biodiversity</p>	<ul style="list-style-type: none"> ▪ increase <u>co-ordination and communication</u> between the ministries and state agencies involved in land management and nature protection; ▪ harmonise <u>hunting legislation</u> and nature conservation legislation to enhance biodiversity protection; ▪ develop incentives and voluntary initiatives with <u>private forest land owners</u> to integrate biodiversity conservation in forest management plans and forestry practices; ▪ enhance <u>protection of wetlands</u> and other key biotopes in grassland and forests; ▪ pursue efforts to develop <u>agro-tourism and eco-tourism</u> enterprises, including in under-used areas of the country.

* These Recommendations were formally approved by the OECD Working Party on Environmental Performance.

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Environmental/economic interface

- enhance inter-ministerial co-operation, to foster the institutional integration of environmental concerns in economic and sectoral policies;
- extend further strategic environmental assessment in sectors, such as energy, transport, tourism, and agriculture; continue environmental planning and programming efforts;
- enhance market-based integration of environmental concerns in sectors such as transport, energy, and agriculture;
- further investigate possibilities to introduce eco-taxation, e.g. by shifting the tax burden from labour to the environment;
- develop and implement pricing of environmental services (e.g. water supply, waste water treatment, solid waste management), progressively moving towards full-cost pricing, with appropriate attention to social concerns and the balance between economic, social, and environmental progress.

Environmental/social interface

- continue to implement the action plan on environment and health;
- further review the effectiveness of environmental monitoring systems, regardless of institutional boundaries without compromising on the quality and timeliness of environmental information;
- continue to improve access to environmental information, public participation in decision-making, and access to justice in environmental matters;
- continue to foster public environmental awareness with a mix of instruments;
- explore possibilities of creating environmentally related jobs (e.g. biomass, eco-tourism, nature conservation).

International commitments

- ratify and implement relevant international agreements;
- continue the transposition of EU environmental legislation, with appropriate resources, and strengthen the implementation and enforcement of related new legislation and commitments;
- set national commitments for reducing greenhouse gas emissions, and develop and implement policies and measures accordingly, and improve energy efficiency;
- contribute to the effective implementation of international agreements concerning the Danube and its river basin, as well as the Black Sea;
- continue co-operation in the field of the environment with its neighbouring countries;
- make full use of opportunities for foreign assistance and foreign direct investment, with the aim of strengthening environmental infrastructure and contributing to the solution of international environmental problems.