



POLICY BRIEF

“ASSESSMENT OF THE EFFECTIVENESS OF STATE ENVIRONMENT PROTECTION SUBVENTIONS”

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The aim of the project was to assess through participatory monitoring the state policy for allocation of funds in the form of environmental subventions to the administrative and fund budgets of the communities, the legal framework governing this process, the distribution mechanism and efficiency of funds allocation, the extent to which the measures implemented by these funds correspond to the needs and requirements of local population. The participation of local civil society organizations and population in the assessment was aimed to promote the transparency of national and local budgets, and their comments and suggestions on the quality and effectiveness of the subvention allocation mechanism have been the basis for recommendations aimed at its review, improvement and / or replacement with an alternative one.

The procedure for granting environmental subventions to affected communities was established by the Law of the Republic of Armenia “On the targeted use of environmental payments” enforced from January 1, 2002. The analysis of the legislative regulation of the process of providing environmental subventions in terms of its efficiency and purposefulness revealed the following problems that need to be properly addressed:

- **Article 1** lists the companies that pay the environmental tax due to which subventions are allocated to communities in which the activity of these companies have a detrimental effect. If such an approach is not due to a biased attitude of corruption character, then the list should be replaced with **“all payers of environmental tax”**.
- **According to Article 1**, subventions are allocated “... from the sum of environmental taxes paid for fixed sources of emissions to the atmosphere”. However, in Yerevan, for example, air pollution is mainly associated with emission from mobile sources (at least 80%). Therefore, the word **“fixed” should be replaced with “fixed and mobile”** and the funds received from mobile sources should be distributed among all communities according to number of population.
- **Article 2 states:** “Subventions are targeted funds and must be used exclusively for the implementation of environmental programs (hereinafter referred to as the Program) in the territory of respective communities”. Meanwhile, Article 3 point (a) includes **environmental protection** and point (b) health as well. While there are no objective comparative assessments of the damage caused, **it is advisable to provide for the distribution between the “environment” and “health care” in the 50/50 ratio.**
- **Article 3 states:** “Companies, as well as other legal entities and individuals, may submit written proposals to the Community’s Head about the Project”, but it do not regulate the process of proposal consideration or discussion. It is advisable to envisage procedure for Project public discussing. It is unacceptable to include in the Program activities that are aimed at eliminating the damage caused by company. **The company, but not the affected community, is obliged to eliminate the consequences of damage caused by its activities.**
- **In Article 3, clause (c)** “Program includes: ” the expression “Priorities for the implementation of program activities” is unclear, therefore **it is advisable to exclude it.**

Another issues are the rates of environmental tax and fees for nature resource management defined by the Tax Code of RA. They are not justified in any way from the point of view of solving environmental problems, they are mostly arbitrary. A vivid example of that is the tariff for harmful emissions into the atmosphere from mobile sources, which is not related to the emissions themselves, since it is determined by the engine power of a car, regardless of whether it is used.

Thus it is necessary:

1. To revise rates of environmental tax and fees for nature resource management so that they, as an economic lever, contribute to reducing the damage caused by the companies.

2. To brought the principles and rates for compensation of damage into conformity with the degree of harming effects on the environment and human health.

3. To establish payments for mobile sources emissions depending on the type of used fuel and include them in the cost for it.

4. To replace the "environmental tax" by the former "environmental payment". It is wrong to charge for injury of health and involve it into the budget as a tax.

5. To return to the former Law on Payments for Environmental and Nature Resource Management, improving it.

6. To direct the entire volume of environmental payments and payments for environmental management (currently taxes) transferred to the state budget to the affected communities, distributing the environmental component by areas of influence, and the health component by the number of population in them.

The participatory assessment of the effectiveness of measures implemented in 2004-2017 at the expense of state environmental subventions was based on the results of a survey conducted in 30 affected communities through a specially designed questionnaire. The questionnaire was designed to identify the local population's opinion on the area environmental issues, taken measures taken and results, the extent to which they were satisfied, and their involvement in the elaboration and / or implementation of the programs.

To correspond survey results with environmental programs implemented in the affected communities in 2004-2018 Annex 1 presents the programs implemented in each of affected community during the specified period and relevant contributions from the state budget. It's not difficult to notice that most of the projects have not bear environmental nature. The vivid examples of non-targeted use of environmental subventions are:

- Acquisition of garbage or dust collecting machine, acquisition and installation of garbage bins,
 - Waste management, repair of household waste dumps,
 - Construction of a public toilet,
 - Anti-corrosion painting of buildings' roofs,
 - Construction and fencing of playyards, parks and sportyards;
 - Street asphaltting,
 - Installation of windows and doors for kindergarten;
 - Repair of the roof of the outpatient clinic;
 - Acquisition of music school furniture,
 - Street renovation,
- and even
- Partial repayment of water use expenses.

Meanwhile, according to the Law on Local Self-Government community development, community-based work on reforestation and greening, community waste management and sanitation, as well as maintenance and operation of community road infrastructures are included in the community's mandatory tasks and local self-governing bodies are obliged to address them within the frame of their power. Undoubtedly, the constraint community budget strictly limits the possibilities of fulfilling the powers of local self-government bodies. However, it is inadmissible to waste the targeted environmental subventions allocated from the state budget for the solution of the mandatory duties of local self-government. Other sources of community budget replenishment, subsidies, other funding sources exist for their solution. The lack of strict state control over targeted financial allocations and non-principled approach to control expenditure routes rule out the transparency and accountability of the local self-governance bodies, the participatory governance and, most dangerous, incentives for uncontrolled management in arbitrary ways.

The goal of the project was to explore the experience of targeted contributions to the affected communities for 2004 to 2018, the nature and objectives of the implemented environmental programs at the expense of them, to identify deficiencies in the existing mechanism and the steps needed to overcome them.

To achieve the goal, we needed to get answers to the following questions:

- Are the activities fulfilled at the expense of targeted subventions to the affected communities satisfy the law requirements,
- What is the effectiveness of targeted contributions?

- How well do the residents know about the environmental programs in their community?
- How evident are the outcomes of the project implemented in the community?
- How many residents have been involved in the design and implementation of programs
- To what extent have projects been consistent with the needs and requirements of the local population?

To respond to the questions, a survey among the residents of each of the 30 affected communities has been conducted, as a result of which the effectiveness of environmental subventions for the affected community was determined. As a measure of efficiency, we considered the percentage of funds spent for the implementation of targeted environmental programs in the total expenditure for 2004-2017. The conclusion on the availability or absence of the results of the measures implemented at the expense of the environmental subventions is based on the participants' awareness about, or ignorance, or assessment of measures impact on the community.

During the survey, it was also attempted to identify environmental needs of the affected communities and to compare them with the measures taken at the expense of environmental subventions.

The generalized findings of the study bring to following conclusions:

- Only 30% of the programs implemented at the expense of targeted subventions meet the legal requirements. As a result, the scarcity of resources for environmental measures is being occur.
- Efficiency of targeted contributions is 29.7%. The overwhelming majority of the environmental subventions (70%) are directed to the solution of issues within the mandatory powers of the affected local self-governing bodies.
- Residents of affected communities are not aware of environmental programs. As a result, the arbitrary and uncontrollable governance of local authorities is boosted.
- The outcome of programs implemented for affected communities is often invisible for population. This is largely due to the lack of state control over the implementation of environmental programs
- Residents of affected communities are usually alienated from the development and implementation of environmental programs. As a result, when developing the programs, the local authorities do not take into account the real environmental needs and requirements of the residents and are not accountable to them.
- The programs implemented at the expense of environmental subventions are incompatible with the environmental problems, needs and demands of the local population. As a result, the basic democratic principle of participatory governance has been violated at the local level.

Below are our suggestions for the solution of the above mentioned issues.

1. To develop and publish a map of the environmental problems of Armenian affected communities in order to ensure targeted environmental benefits.
2. In order to prevent environmental pollution, to direct subventions to the implementation of targeted programs only.
3. For each year make available to the interested public the list of communities approved for subvention receiving, the environmental subvention allocated to the local budget, and the information on relevant programs.
4. Establish a funds cumulative mechanism for the implementation of ambitious and large-scale targeted environmental programs.
5. Establish a special structure in the form of the Green Fund to ensure state and public oversight of environmental subventions and mechanism of their provision. Means allocated from the environmental payments for each year will be transferred to the Fund's budget. Fund will evaluate community targeted programs as per their importance and priority and will be responsible for monitoring their implementation process and evaluating results.

Apart from the environmental tax, the Fund's budget may also be replenished from other sources.