The Green Economy in the Western Balkans - Analysis, best practices, and recommendations

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Abstract

This study provides a comparative overview of the state of affairs in the Western Balkan (WB) countries and Croatia in terms of the green economy concept and application, assessment and elaboration of relevant cases/practices of the green economy in WB countries and Croatia.

The study commences by setting the background of what a green economy is, how it inextricably links growth and sustainable development, providing economic growth and environmental protection at the same time.

It analyses the concept of green entrepreneurship with some European best practices and how it can be implemented in the context of Western Balkans, with increasing number of entrepreneurs going green, and it also briefly identifies key EU policies and strategies, such as the Common Agricultural Policy of the EU (CAP), the European Green Deal or the Circular Economy Action Plan, which set the direction for the green economy and sustainable development for both EU member states and candidate countries.

Within the study, we have analysed 30 best practices of green businesses in all of the 7 WB countries, with Croatia being included as an EU country that can set the pace for other WB countries. By way of survey of green businesses, we have included in this study 3 green businesses per country, providing us with knowledge on what was the main reason for setting up their green business, obstacles faced and opportunities utilised, as well as the sources of financing and any possible Government support. It also provides recommendations from those businesses on how to start a green business, and what they would have done differently.

A brief overview of financing opportunities and main donors in the field of the green economy is provided, with the EU leading the way, but also other significant multilateral or bilateral donors.

The study provides recommendations on the introduction of the concept of the green economy as a unique cross-cutting entrepreneurial model for rural diversification and sustainability in the WB countries.

The Western Balkan (WB) countries involved in the study are Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, together with Croatia, as an EU member coming from the region (reflecting the partnership within the Project).

Executive Summary

The concept of the Green Economy has been gaining significant importance in the process of sustainable development of countries globally. Efforts are made by countries worldwide to make their development greener and more environment-friendly, with the EU clearly stating its own plans of becoming the world’s first climate-neutral continent by 2050. With climate neutrality as its guiding principle, the EU has revised some of its key strategies and policies, such as the Industrial Strategy and the Common Agricultural Policy (CAP) focusing on low-carbon industries or “enhanced conditionality” of the CAP funds. With this in mind, the European Commission created the European Green Deal, as its own growth strategy.

The comparative study on the introduction of the cross-cutting issue of the green economy as the entrepreneurial model for rural diversification and sustainability in the WB countries is part of the Project “Networking and Advocacy for Green Economy action”, whose overall objective is to provide support to enhance the policy and decision-making impact of the Balkan Rural Development Network (BRDN) and its constituents, through involvement in the agricultural and rural program and policy reform processes for introduction of the green economy concept.
In the introductory part, this study provides an insight into the green economy concept, the links to sustainability and development of rural areas and introduces European best practices and cases, including ones from Croatia. It approaches the green economy as a concept for creating commercial/economic opportunities for rural development and sustainability, with climate neutrality in mind.

The European Commission has adopted the principle of climate neutrality and is part of all key strategies and policies, such as the Common Agricultural Policy with “enhanced conditioning”, and more specifically the European Green Deal and the Circular Economy Action Plan.

Through consultation with the Croatian and WB partners, this study identifies relevant stakeholders in the area of profitable environmental activities in WB countries and Croatia, outlines the best practices of a green economy in WB countries and Croatia.

On the basis of the analysed best practices and green economy models, the study also makes specific recommendations on models which can be implemented in the WB countries, as well as best practices from the EU, including Croatia, which are easily replicable in the 6 WB countries, and which aim to use the green economy as a key entrepreneurial model for rural development and clean growth.

Purpose of the study

This study contributes to the organized stakeholder and public awareness raising and sensitization campaign in the Western Balkans Countries on the importance of the cross-cutting and green economy issue to the overall sustainability and rural development potential.

More specifically, the study provides identification, analysis and comparison of diverse profitable green economy activities and businesses in the WB counties and Croatia as an EU member country in order to increase the awareness of the end-beneficiaries and sensitise the general public on the importance of support of the process of green farming and entrepreneurship and sustainable rural diversification.

The study emphasises the importance of the cross-cutting issue of the green economy to the overall sustainability and rural development process. The study will be available as an open education source and will be utilised for the purpose of the awareness raising campaign, as well as for the process of advocacy and development of evidence-based policy solutions.

By collecting and analysing best practices from the EU and the region, the study also makes recommendations based on success stories of sustainable/green businesses which can also be replicated in the WB countries.

Methodology

The main methodology employed for this study includes collection and analysis of primary and secondary data, such as best practices directly from WB companies, studies, or green economy models from the EU, including Croatia.

The data collection includes online research and collection of relevant EU strategies and policies reflecting the need for green economy for rural development and sustainability. With the help of the BRDN, the partners identified and collected green economy activities and businesses, as well as best practices implementable in the remaining countries.

Synergies with relevant organisations have been utilised, with knowledge on local legislation or engaged with the relevant ministries.

The methodological approach also includes making recommendations on implementing or replicating best practices and green businesses from Croatia and other EU countries, identified in the data collection stage, in the 6 WB countries and Croatia.
Background

Green economy in the EU and on a global scale

The concept of the green economy started spreading widely following the 2008 crisis, as a new approach to growth, one that not only refers to growth of economies, but also providing sustainability and preservation of the environment. Green economy was one of two themes for the 2012 UN Conference on Sustainable Development (Rio+20) and it is often described as a tool or a way to achieving sustainable development.¹

UNEP has defined the green economy as an economy that results in improved human well-being and reduced inequalities over the long term, while not exposing future generations to significant environmental risks and ecological scarcities (UNEP 2010).

There are several concepts related to the green economy, some bigger and some smaller in scale, such as “circular economy” which is an integral and major part of the green economy, however smaller in scope. When referring to the green economy, we think about green and sustainable investments, green energy, green buildings, green agriculture, green transport, green entrepreneurship and managing sustainably the natural resources in our environment, while growing economically. When it comes to entrepreneurs and SMEs, green economy (green entrepreneurship) is about existing SMEs and how they can reduce their footprint on the environment and become “greener”, and it is also about new and innovative SMEs which will provide for their families by founding and managing a green and clean business.

With companies and in particular SMEs affected globally by the Covid-19 pandemic, now, more

than ever, Governments and multinational organisations speak of a green recovery, and how to recover in a sustainable way. SMEs and businesses should think both of growth and sustainability, and using the opportunities provided by clean and green growth.

At the end of 2019, the EU adopted the European Green Deal for the European Union (EU) and its citizens, which is described as the new growth strategy. The Green Deal serves as a roadmap indicating all the different strategies and plans of the EU to enable Europe to become the first net-zero emission continent in the world by 2050. The Common Agricultural Policy has a pivotal role in this process, with the “enhanced conditioning” and green elements now an integral part of the national strategic plans, as part of the Farm to Fork Strategy. The EU has also adopted a new Industrial Strategy, where it clearly states that “Europe needs industry to become greener, more circular and more digital”. At the beginning of 2020, the EU also adopted the Circular Economy Action Plan², enabling circularity as a basis for clean growth.

Leading to the Western Balkans (WB), the EU has made it clear that the European Green Deal will apply to the countries in the WB region as well, with targets to be agreed both by 2030 (Agenda 2030) as well as 2050. With this in mind, the so-called “Green Agenda for the Western Balkans”, with the green economy as one of its pillars, will represent an important framework for the WB countries. This task cannot be achieved alone by Governments, but also by the people and businesses of the countries, which need to work on “greener” and more sustainable ways of doing business and living.

Similarly to the crisis of 2008, after which the concept of the green economy and green recovery appeared, the COVID-19 crisis allows for the rethinking of businesses, ideas and policies, and seizing the opportunity to set up innovative, environmental friendly businesses and companies.

With 99% of companies in the EU being SMEs, and similarly most companies in the WB, the role of SMEs in this process will be crucial. Of course, individual entrepreneurs, farmers or small companies cannot be successful without a thriving environment and supporting governments and policies. However, with this global push for “greener” economies and the EU’s increased focus on the green economy and conditioning, the assumption is that candidate countries will need to speed up the enabling processes for a green economy, thus enabling people and businesses to start or switch to a circular or green business model sooner rather than later.

**Green entrepreneurship and green economy in Europe**

Following Kyoto and Rio, sustainable development came high on the agenda for most, if not all countries of the world, but the fact is that economic growth is still deeply connected to carbon-based and consumption-led economy³ and especially following the 2008 crisis, efforts are being made by major global actors such as the EU, and the UN, to inextricably link economic development to sustainability. Both the EU and the UNEP have clearly stated that environmental challenges should be seen as opportunities, rather than challenges (EU/UNEP, 2011).

With the COVID-19 crisis affecting all sectors, similarly to 2008, it will now be about recovery, a green recovery for the benefit of businesses, but also society in general. At the 2020 High-level Political Forum on Sustainable Development, it was agreed “that the only way countries will recover from COVID-19 in a way that ensures prosperity for all and builds resilience is if the international community remains committed to the Sustainable Development Goals (SDGs) and Paris climate change agreement”⁴.

The green economy and green entrepreneurship thus have a major role to play as part of the concept for future of sustainable development. According to the World Economic Forum, entre-
preneurs are considered key drivers of economic progress, contributors to technological innovation and new job growth\(^5\), wherein green entrepreneurs have an even more significant role to play, focusing not only on innovation and economic progress, but also thinking about the environment, clean growth and the welfare of our future generations\(^6\).

When referring to the development of green entrepreneurship as a key element of the green economy, we refer both to existing businesses and SMEs which should become “greener”, as well as SMEs and start-up companies setting up a profitable and sustainable business.

In 2014, the European Commission adopted the Green Action Plan for SMEs, “Enabling SMEs to turn environmental challenges into business opportunities”, and a number of donors and organisations in the different regions in the world, including the Mediterranean, Africa and South America are working on promoting green entrepreneurship and successful green business stories.

Apart from the comparative aspect of this study on best practices of green economy businesses, it will also include below a brief roadmap of potential donors and financing opportunities for businesses interested in going “green”.

David Gibbs describes green entrepreneurship “as the driving force for the establishment of a holistic and sustainable economic–environmental–social system”\(^7\) and goes on to demonstrate that “green entrepreneurial activity will be increasingly central to future market success”. However, individuals i.e. green entrepreneurs should not be looked on or analysed individually, but it is important to analyse and assess the “Role of Supporting Infrastructures and the Wider Environment”.

It is exactly in this context, as the authors of this study have suggested above, that this is not a task only to be delivered by Governments, or only by the entrepreneurs themselves, but that multiple actors need to contribute actively in order for the green economy or green entrepreneurship to work and to become the new concept for sustainable development and growth.

Greening SMEs/Entrepreneurs in the WB

Governments, including self-government units/regions/cities have a key role in providing the framework and enabling environment for green businesses to thrive in, primarily through legislation, but also financing mechanisms, as well as awareness-raising campaigns and support in general. As this study will demonstrate, the level of commitment of Governments in the WB differs from one country to another, from some businesses stating that they are satisfied with the level of support by the Government, while others claim no support or interest from their Government for green businesses.

Multinational or supranational organisations, such as the EU, can play a pivotal role by adopting relevant strategies, and using soft power, as in the case of the revised CAP, and the “green conditioning” on the one hand, and the available funding and support on the other.

Other globally significant players such as the UN, EBRD, and several other organisations as well as donor countries also play a key role in providing an enabling environment for green businesses to thrive, but also very often, for their Governments to be able to provide these funds - in most of the developing countries and net aid receivers, they are first counting on the international donor community to finance or start several projects for a certain sector or activity, before the Government itself realises that this is a priority, in this case green entrepreneurship, they need to support more actively.

In terms of the Western Balkans, and the introduction of the concept of the green economy through relevant legislation, in OECD’s SME Poli-
cy Index, it has been identified that, SME greening measures and policies are now included in overall SME strategies in almost all of the Western Balkans economies, but with limited implementation. The existing SME strategies of Albania, Serbia and Turkey, as well as newly adopted ones in Montenegro and North Macedonia, include measures related to providing advice and guidance to SMEs on improving resource efficiency (in particular energy efficiency), promoting eco-innovation and introducing financial incentives for SME greening. Furthermore, in most of the WB economies, in development of these policies, the private sector was consulted.

SMEs in the Western Balkans make up 99% of all firms, generate around 65% of total business sector value added and account for 73% of total business sector employment (OECD, 2019[3]). Given their substantial contributions to the economy, providing support to the private sector will be very important to tackle the severe impact of the COVID-19 pandemic.

The OECD study further enumerates key issues for SMEs in the post-COVID world:

- cash-flow problems
- supply-chain disruptions
- shortages in labour

For many companies and SMEs, including those in the Western Balkans, the priority will now be surviving and recovering, but will also be about a green recovery, an important task for Governments and multinational organisations to support them in recovering in a sustainable and green way, and enable them to utilise the opportunities provided by the green economy.

**Rural areas in the Western Balkans**

Economic migration is an enormous problem for WB countries with continuous numbers of economic migrants moving from the WB countries to Western Europe. However, in the Western Balkans region, the rural to urban migration is an increasing phenomenon especially increasing in the 21st Century. The majority of WB countries still have a large proportion of their population living in rural areas, and agriculture still plays a major role in most of them. In spite of the increasing inflow of people from rural areas to cities and capitals in the Western Balkans, this has no impact on the level of unemployment and does not result in higher living standards (unemployment numbers are above 20% in several WB countries).

In terms of numbers and the population in rural areas in the WB countries, although Albania’s labour market has seen a dramatic shift away from agriculture and towards industry, tourism and other services, still half of its population now lives in rural areas. Agriculture is still a major sector in Albania, providing almost half of total employment and about 20% of national GDP.

About 60% of the population of Bosnia and Herzegovina lives in rural areas: agriculture accounts for 10% of national GDP: most of the farm holdings are small family farms, many operating at subsistence level. Similarly to BiH, over 60% of Kosovo’s population, live in rural areas.

In the case of Montenegro close to 40% of its population lives in rural areas: agriculture produces about 10% of its national GDP: its farming structure is dominated by over 50,000 small family farms of average size of 5ha.

Half of the population of North Macedonia lives in rural areas: agriculture produces about 10% of its national GDP: of its 190,000 farms, about 80% are small family farms of average size of 1.7ha.

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8 OECD, SME Policy Index, Western Balkans and Turkey 2019, Chapter 11. SMEs in a green economy (Dimension 9) in the Western Balkans and Turkey, [https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en](https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en)

9 OECD, SME Policy Index, Western Balkans and Turkey 2019, Chapter 11. SMEs in a green economy (Dimension 9) in the Western Balkans and Turkey


More than half of Serbia’s population lives in rural areas, with one fifth of its workforce in agriculture. There are 450,000 farm holdings of less than 5ha in Serbia, with 65% of its national territory in farmland, and a further 30% in forestry. Of its 7.2 million population, 58% live in rural areas, and about two thirds of these rely wholly or partly on agriculture or forestry for their livelihood. These industries produce about 10% of the nation’s GDP, 23% of total Serbian exports and employ 21% of the national labour force (as compared with the average of 5% in the EU).\textsuperscript{13}

With favourable climate and geographic location of the region, agriculture is still a predominant sector in most of the WB countries. With a significant share of employed people in the sector and contributing significantly to GDP on the one hand, and on the other hand supported by Governments in the form of direct payments to farmers, widely seen as a populist form of gaining votes for the Government in power.

According to the World Bank (Table 1), agricultural employment in Albania accounted for 41.3 percent of total employment in the country in 2015 and the main employer in rural areas, while the share is smaller in the other WB countries despite their reasonably large shares of rural population—Serbia (19.4 percent), BiH and North Macedonia (17.9 percent), Montenegro (7.7 percent) and Kosovo (2.2 percent).\textsuperscript{14}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
\textbf{Country} & \textbf{Agricultural GDP \%} & \textbf{Agriculture employment \%} & \textbf{Rural population \%} \\
\hline
Albania & 22.05 & 41.27 & 42.59 \\
BiH & 7.10 & 17.88 & 60.23 \\
Kosovo & 13.73 & 2.24 & 60.00 \\
North Macedonia & 11.16 & 17.86 & 42.90 \\
Montenegro & 10.20 & 7.71 & 35.97 \\
Serbia & 9.46 & 19.41 & 44.45 \\
EU-28 & 1.56 & 4.19 & 25.20 \\
\hline
\end{tabular}
\caption{Agriculture and Rural Population in the WB, 2015}
\end{table}

Although there is extensive Government support in most of the countries for farmers, this support still lags far behind the support provided by the CAP to farmers in the EU, and with a lack of proper strategic approach for spending these funds, the reality in the agricultural sectors in the WB is that the agricultural machinery used is obsolete and new technology is rarely utilised. Another significant issue is the age of the farming population, with the young increasingly less interested in classical agricultural practices and moving either to the cities or abroad. Related to this as well, is the issue of abandoned or underutilised agricultural land, which is also an issue in most of the WB countries.

The grouping of smaller rural businesses has proven to be advantageous in the different Western Balkan countries over the past decades, with a bigger association or so-called Cooperative able to offer larger quantities as well as a wider portfolio of agricultural products. This kind of cooperation between

\textsuperscript{13} EU, Empowering Rural Stakeholders in the Western Balkans, 2014, \url{http://www.forum-synergies.eu/docs/western-balkans-report-2014_en.pdf}


smaller farms or rural businesses also enables them to better influence the policies of municipalities or the government relating to their products or sub-sector.

However, with the advancement of technology, animal husbandry and plant science, the old-fashioned agricultural methods (even when grouped into cooperatives) are not enough for rural areas to thrive. Furthermore, setting up and maintaining an agricultural business is demanding both in time, land, and resources. Rural areas, which are still the majority in the WB countries, need to diversify and utilise also other rural business opportunities so as to provide alternative economic opportunities.

**Organic farming**

One of the ways of achieving these alternative or additional economic opportunities in the WB are related to Sustainable Agriculture and Organic Farming. The underutilised agricultural land in the WB countries is also an opportunity for the development of sustainable and organic farming.

The concept of sustainable agriculture can be defined as an integrated system of plant and animal production practices that in the long run satisfy the population needs for food, preserve the quality of the environment and natural resources, have high economic value and improve the quality of life of farmers, the local community and the society as a whole (FAO).16

With untapped nature and fertile agricultural land, the Western Balkans have an enormous potential in using organic farming for advancement of their agricultural sectors, as well as rural and sustainable development. Farmers in the Western Balkans are becoming increasingly more aware about the opportunities offered by organic farming, and there is an increasing number of investors in the sector. Organic farming is found to be profitable, especially in terms of some niche products, such as growing almond trees, hazelnuts or other niche organic products, which are currently in demand, especially in the high-value export markets, especially those of Western Europe. The organic market in the EU continues to grow exponentially with a growth of almost 8 percent in 2018, thereby reaching 40.7 billion euros.17

In the EU itself, the agricultural land earmarked for organic production is also growing with 15.6 million hectares in 2018 (Spain has the biggest area of 2.2 million hectares), with some 330,000 producers, however there is still big demand for import from third countries, with 5,000 importers of organic produce in the EU.18 The biggest market for organic produce in the EU is Germany, followed by France, Italy, Sweden, UK and Denmark.19

With its fertile agricultural land, the WB region is known for the production of a wide range of fresh vegetables and fruits, however currently, most of the organic produce in the Western Balkans is related to smaller fruits (blackberry, blueberry or cherries), medicinal or tea herbs and cereals.20

With regards to the organic produce export to the EU, one of the basic preconditions is the certification of organic agriculture. Over 80% of organic products imported into the EU are certified by certification bodies recognized as equivalent in Third Countries.21 This is also where Governments have a role to play with supporting farmers and small businesses in the certification of their organic produce, enabling easier access to EU markets. With the new EU law on organic production and labelling, all the imports will have to comply with EU standards. The current “equivalence” rules, requiring non-EU countries to comply with similar but not identical standards, will be phased out within five years, which is a way

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20 Grozdanic, R. (2013). Agribusiness and Agro-Industrial Strategies, Policies and Priorities for Achieving Higher Competitiveness, Employability and Sustainability in the Western Balkans Region, Friedrich Ebert Stiftung and European Federation of Food, Agriculture and Tourism Trade Union (EFFAT), Belgrade, p65
for the EU to make sure that from January 2021 onwards only high-quality organic food is sold in the EU.\(^2\)

Croatia with its support for organic production can provide useful guidelines for the WB countries, where there are already successful examples of individual companies and farmers, but also associations and organisations supporting organic production and grouping together the smaller organic business, such as Serbia Organica: [https://serbiaorganica.info/en/about-us/](https://serbiaorganica.info/en/about-us/).

### Rural tourism

Closely related to organic farming and organic produce is the sub-sector of rural tourism. In general, tourism is a significant contributor to GDP of the Western Balkans, for example in Montenegro and Albania 32% and 21% respectively, with around 550,000 jobs in the sector in 2019.\(^2\)

Similarly, to agriculture, the potential for “greening” and increasing sustainable growth in the region lies with rural and sustainable tourism. Apart from the classical seaside tourism in Croatia, Montenegro and Albania, all countries of the WB region have an enormous potential in the development of rural tourism with untapped nature, religious buildings and fascinating remnants of history, some more than 1,000 years old, as well as the exquisite food, offered more and more by family farms and ethno/national villages.

This turn towards rural tourism has intensified over the past 10 years, with most of the countries having either a separate strategy on developing rural tourism, or including it as a core part of the country’s main tourism development strategy.

With the diverse offer of rural tourism entrepreneurs, there is the opportunity for the Western Balkan region to be “sold” to tourists as a single package, something that tourists themselves are demanding or already doing when organising tours themselves around the WB region, many times starting or finishing from Croatia, Montenegro, through Albania, North Macedonia, Kosovo, Serbia and Bosnia and Herzegovina. In many of the potential target countries, such as Poland or Hungary, there are separate Facebook or other groups aimed at the Western Balkans, where people advise each other on how to make an organised tour of the region. This can significantly increase the share of rural tourism - a unified approach and “regional branding”.

According to a 2017 study - Research on Tourism in the Western Balkans\(^2\), apart from several infrastructure issues connecting the countries, it seems that the problem is much more about the **lack of cooperation**, starting from the lack of exchange of information, to a lack of a joint promotional platform, to even viewing the other neighbours as competitors. If the WB wants to be put on the map of rural and sustainable tourism, it has to deliver a joint package or a product in cooperation with all the WB countries.

### Mountain climbing and hiking

Can be an excellent and already proven formula for cooperation of the WB countries in offering a single brand. With numerous mountain-lovers from the Netherlands, Poland or Hungary always visiting at least 3-4 countries, starting in Montenegro, going down through Albania, North Macedonia, Kosovo and Serbia, as well as Bosnia and Herzegovina, it is already an offer, or a “product” that works. Some of the successful examples of a regional approach and cooperation include the Berlin process, the project “Dinaric Arc Parks” implementing European regulations for protection of the environment and nature in eight countries, the projects of international mountain trails “Peaks of the Balkans”, “Balkan Hiking Adventure” or Via Dinara ([https://www.via-dinarica.org/](https://www.via-dinarica.org/)). They offer a mix of tourist and sporting activities such as world-class hiking, cycling, skiing, fly-fishing, kayaking, rafting, caving, mixed with tasting of the cuisine of the region.\(^2\)

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\(^{24}\) Research on Tourism in the Western Balkans, 2017, [https://thebalkanforum.org/file/repository/Tourism_FINAL.pdf](https://thebalkanforum.org/file/repository/Tourism_FINAL.pdf)

\(^{25}\) Research on Tourism in the Western Balkans, 2017,
Specifically on **agro-tourism** as one potential tourism growth branch, in his paper on the Veneto Region in Italy, Clemens argued that agro-tourism should be the way to keep people in the field, not agriculture. “Unlike the traditional system of transporting agricultural products to off-farm markets, agro-tourism brings customers to the farm. Veneto farmers who include agro-tourism in their farming operations have discovered that tourists are prepared to spend large amounts of money on vacations in rural areas.”\(^26\)

With the LANDS Project, co-funded by the EU, several suggestions are made for advancing rural tourism with particular accent on Serbia and Bosnia and Herzegovina.\(^27\) One of the major recommendations is learning from best practices in the region, and organising study tours or conferences for exchanging best practices among the WB countries.

Furthermore, the authors of the Research on Tourism in the Western Balkans suggests that the whole region needs to function as one integrated travel destination, and “establish effective cooperation to develop joint tourism products (cross-border routes, common themes, joint attractions, etc.), deliver authentic regional experiences and market themselves as one destination”\(^28\).

**Other opportunities for rural areas: biomass, recycling, and waste management**

**Biomass utilisation**

In terms of rural development and agriculture in the WB countries and their potential for unlocking the circular/green businesses potential, the Heinrich Böll Study\(^29\) from 2018 analysed that although the WB region is rich with diverse climate and vegetation with a multitude of crops suitable for biomass production, “energy production from biomass in the region is almost entirely based on forest products”. With biogas as one of the exceptions, the study also stresses that “the potential for agricultural biomass production is especially good in the Pannonian region”, because of the multitude of cereals and oil crops. The region utilises 8 million hectares of agricultural land, with another 1 million of abandoned land providing a huge potential for biomass production\(^30\).

It is this huge amount of abandoned or under-utilised land that provides for a significant opportunity for raising crops aimed for biomass production, avoiding the food vs. fuel dilemma. Wood chips are more and more used for heating purposes in the WB, but other energy crops are either not used at all, or only used to some degree. There is a huge potential for the growing of crops such as wheat, corn, soya, or sunflower, and as the authors of Balkan Green Energy News have stressed, Governments are not encouraging sufficiently the use of agricultural biomass\(^31\).

**Recycling and waste management**

**Recycling waste**

In the Western Balkans there is a high potential for development of the recycling industry. With a population of around 17 million people, over 400 SMEs, 20 mills, and 20,000 individuals involved in the recycling industry, from 6 million tons waste annually only 1.8 million tons is recycled. That results in over 0.4 billion EUR annual turnover, which can grow much more if the potential is used.\(^32\)

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\(^26\) Clemens, 2004, “Keeping Farmers on the Land: Adding Value in Agriculture in the Veneto Region of Italy”


\(^28\) Research on Tourism in the Western Balkans, 2017, [https://thebalkanforum.org/file/repository/Tourism FIN.pdf](https://thebalkanforum.org/file/repository/Tourism FIN.pdf)


The authors of the survey: “Formalising the Informal Waste Collectors – Factor for Growth of the Recycling Industry of the Western Balkans”, worked with a sample of 19 informal waste collectors from North Macedonia, all of which received a contract with a Public Utility Company to collect recyclable waste. The results were beneficial both for the waste collectors - increased standards of living, as well as for the environment and the Public utility company in terms of less waste in the environment, and more recyclable waste collected. According to the authors of this study, because of the similarity of the informal waste collection in the WB, these results could be expected in the other WB countries as well.

**Recycling clothes**

A very successful example from Croatia, is the Social Cooperative Humana Nova Čakovec, which encourages the employment of the disabled and other socially-excluded persons through the production and selling of quality and innovative textile products made from ecological and recycled fabrics for the needs of the domestic and the foreign markets.

Another Croatian example is the brand Ekoteka, which is an innovative brand of designer products resulting from the merger of textile waste, recycled paper, and organic materials.

**Recycling oil**

Sunilens from North Macedonia is a perfect example for investing into the business of recycling cooking oil. Its business consists of collection, storage, treatment, and recycling of used cooking oils, from urban and rural areas. It is thus the first and the largest waste management company for collection, storage, and processing of used cooking oils in North Macedonia.

Another similar successful example comes from Croatia, where the biggest oil and gas company INA has been collecting tonnes of waste cooking oil from buyers and other individuals at its filling stations in Croatia with its new “green” service. Under the project, the collected waste cooking oil is recycled instead of being thrown in the sewage by the households.33

**Green recovery after COVID-19**

Similarly, to the 2008 crisis, the urgent need for recovery, for renewed growth and job creation is an opportunity for green recovery. The COVID-19 crisis has had devastating effects on the world economy, and even more so it seems than the 2008 financial crisis, and the fact is we are not aware how long it will last. Economists around the world agree that it will take years for a recovery (some go as much as 10 years- Economist Nouriel Rubin)34, and of course this will depend on the country, on the sector and the given circumstances. In its June 2020 Economic Outlook, the OECD projected a 6% drop in global GDP, and a 7.6% fall in case of a second pandemic wave by end 2020, with a double digit decline in some of the most hit countries, followed by a modest recovery of 2.8% in 202135.

According to the OECD36, the expectations are that the drop of GDP growth will somewhat differ from one country to another, however 2021 is seen as the year of growth for all the WB economies. In Albania, real GDP growth is expected to decline by 5% in 2020 from the estimated 2.2% growth in 2019; in Bosnia and Herzegovina, GDP is expected to fall between 3.2% and 5%; similarly in Kosovo, a drop between 1.6% and 5.2% is expected; although there is no clear estimate on what the drop of GDP might be in Montenegro, because of the significant contribution of tourism to GDP, it is expected for the 2020 GDP to decrease significantly; in North Macedonia, the drop of GDP is projected to be about 4%, while in Serbia it is expected to drop around 3%.

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36 http://www.oecd.org/south-east-europe/
Exports across the region are affected by depressed demand, as well as disruptions in value chains. The Western Balkan governments responded with immediate monetary policy tools and fiscal stimulus packages to counteract the economic downturn. Supporting SMEs in response to COVID-19 requires fast and well co-ordinated support that combines financial measures to address their short-term cash-flow problems.37

Tourism and the hospitality sectors are one of the most, if not the most, stricken sectors by the COVID-19 crisis. Due to travel restrictions and the activity of the virus, life stopped for a period of 2 months with close to no global travel, and although it was expected that during the summer the virus will not be as virulent, it proved that a kind of a second wave or simply resurgence of the virus has affected a number of countries in the world again. The ILO estimates the impact of COVID-19 to result in a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario), especially affecting SMEs38.

The Western Balkans (WB) region is heavily dependent on tourism, especially countries like Croatia, Montenegro and Albania (referring only to countries part of this study). The authors of Tourism in Transition: The post COVID-19 Aftermath in the Western Balkans39, are demonstrating the disastrous effect on tourism in the WB countries, and are stressing three main uncertainties for the sector in the WB in the time to come: duration of the crisis, Government support policies and their effectiveness as well as the potential changes of tourism behaviour.

Tourism directly contributes with 15% to the overall GDP of the Western Balkans (Montenegro as high as 32%, and Albania 21%), and it supports a multitude of jobs and industries, accounting for around 550,000 jobs in 2019. This economic shock will adversely affect jobs in the tourism industry and have knock-on effects on other downstream sectors such as agro-food industry.40

Other sectors are also significantly affected, and it is difficult to estimate the scope to which damage will be done in the different sectors, because the COVID-19 pandemic is still at its peak.


EU and Western Balkans policies and strategies related to the green economy and SMEs

The European Green Deal

Adopted in December 2019, the European Green Deal is the roadmap for green recovery of the European Union, with the aim to transform Europe into the first climate-neutral continent by 2050. It foresees clear overarching targets such as the goal of net-zero carbon emissions by 2050 and a 50%-55% emissions cut by 2030, compared with 1990 levels.

In the Green Deal, some of the key components are the agro-food or the Farm-to-Fork Agenda as well as the “mobilisation of industry” for a clean and circular economy. The Farm to Fork Strategy will strengthen their efforts to tackle climate change, protect the environment and preserve biodiversity. The Commission’s proposals for the common agricultural policy for 2021 to 2027 stipulate that at least 40% of the common agricultural policy’s overall budget would contribute to climate action. The Farm to Fork Strategy will also contribute to achieving a circular economy. It will aim to reduce the environmental impact of the food processing and retail sectors by taking action on transport, storage, packaging and food waste. Imported food that does not comply with the relevant EU environmental standards is not allowed on EU markets.

Furthermore, in terms of sustainable finance, the EU is also planning to provide increased opportunities for investors and companies by making it easier for them to identify sustainable investments and ensuring that they are credible. This could be done via clear labels for retail investment products and by developing an EU green bond standard that facilitates sustainable investment in the most convenient way.

Common Agricultural Policy of the EU (CAP)

Sustainable agriculture sits in the heart of the renewed Common Agricultural Policy (CAP). It also reflects the new direction made by the EU to revamp the green transition and see that farmers contribute to clean and sustainable growth. At least 40% of the funds allocated by the CAP will have to be related or contribute to climate action. The enhanced conditionality principle will set significant preconditions for countries and farmers to utilise CAP funding, only if the business activities are climate-friendly. CAP will require all member states to submit for approval CAP Strategic Plans where specific and detailed targets will have to be foreseen, as well as the plan for achieving these targets with targeted and tangible results in an agreed timeframe. Although there have already been reactions by farmers in the different EU countries, the EU is strongly supporting the renewed CAP.

In its Farm-to-Fork Strategy, apart from reducing the use of pesticides, one of the main intentions of the Strategy is related to Organic farming, which the EU intends to further develop. The Commission will boost the development of EU organic farming area with the aim to achieve 25% of total farmland under organic farming by 2030.


Circular Economy Action Plan

The new circular economy action plan of the EU (2020) aims to modernise the economies and draw benefit from the opportunities of the circular economy both domestically and globally. A key aim of the new policy framework will be to stimulate the development of lead markets for climate neutral and circular products, in the EU and beyond. The circular economy action plan will include a ‘sustainable products’ policy to support the circular design of all products based on a common methodology and principles. It will prioritise reducing and reusing materials before recycling them.

The circular economy action plan will also include measures to encourage businesses to offer, and to allow consumers to choose reusable, durable and repairable products.

Some of the key actions planned include a target on food waste reduction, increasing waste recycling and integrating circularity in food chains.

Green Action Plan (GAP) for SMEs

The Green Action Plan (GAP) - 2014, aims to help small and medium-sized enterprises (SMEs) take advantage of the opportunities offered by the transition to a green economy. It presents ways for SMEs to turn environmental challenges into business opportunities. One of the main activities is aimed at supporting green entrepreneurship. As stated in the document: “‘green entrepreneurship’ should also be encouraged by helping potential entrepreneurs in identifying business opportunities resulting from the move towards a resource efficient, low carbon economy.”

The opportunities for SMEs in the green economy will be ample, with the GAP identifying some of the key sectors which can create jobs and economic growth, while preserving the environment and will include: re-manufacturing, repair, maintenance, recycling and eco-design.

Further relevant EU legislation, funds, and strategies

Next Generation EU

After the EU’s longest summit in 20 years, on the 21st July 2020, the €750 billion Coronavirus Recovery Fund (officially Next Generation EU) was agreed, with €390 billion of which will be delivered to EU countries in the form of grants and €360 billion in loans. As part of it, the Just Transition Fund, as part of the Just Transition Mechanism, was set at €17.5 billion. The Fund will support the diversification and modernisation of local economies to mitigate economic impacts of phasing out carbon intensive industries and also promote the circular economy.

EU’s Industrial Strategy

Greener, more circular, and more digital, are the three pillars of the EU’s Industrial Strategy adopted in 2020. These will be achieved through the accomplishment of several key principles such as building a more circular economy and supporting industries towards climate neutrality.

The Green Agenda for the Western Balkans

At the May EU-Western Balkans Summit in Zagreb, Croatia, it was agreed that “the European Commission is invited to come forward with a robust economic and investment plan for the region aiming to boost the economies while improving their competitiveness”, and as a result, WB countries will be able to promote the Green Agenda for the Western Balkans.

Sources:

44 https://ec.europa.eu/environment/circular-economy/
45 https://ec.europa.eu/growth/smes_en
The Green Agenda itself will be in a way an extended version of the European Green Deal, aimed at the WB countries and their catching up in terms of climate neutrality with the EU members. The expectations are that the Green Agenda for the WB will be adopted by Autumn 2020. It is important for the whole WB region, because the expectations are that the WB countries will be required to set clear climate and energy goals by 2030 and 2050, similar to those of EU members. Although details of the Green Agenda and its requirements are still being negotiated, several CSOs, including Bankwatch have presented their position regarding the Agenda and have suggested that “the circular economy must be used as a tool for delivering part of the 2050 decarbonisation agenda, and...budgets should be allocated only for measures which contribute to the circular economy, especially waste prevention, recycling, and composting.”

Although still to be adopted, we are to expect a Green Agenda for WB with requirements for the WB countries, and for funding available primarily for green/circular businesses.

Green Economy in the legislation of the Western Balkan countries

The study as part of the NAGE Project, “State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia” has made an overarching and in-depth analysis of the relevant legislation on the green economy and measures taken by WB countries in terms of integrating the green economy as a concept for sustainable development. The section below summarises some key findings of the study in terms of green economy in the legislation of the WB countries, as well as other relevant strategies in terms of green entrepreneurship in the WB.

Regarding Small and Medium Enterprises (SMEs), the existing SME strategies of Albania, Serbia, Montenegro and North Macedonia, include measures related to providing advice and guidance to SMEs on improving resource/energy efficiency, promoting eco-innovation and introducing financial incentives for SME greening.

Croatia

In Croatia, the term green economy is mostly associated with the tourism, energy, and manufacturing sectors. The Government has set up a National Council for Sustainable Development, in line with the Agenda 2030.

In 2015, Croatia adopted a National Action Plan for Green Public Procurement. The Government’s promotion of eco-labelling and eco-certificates is a success story, and by making a use of green-labelling, and green public procurement instrument, the Croatian public sector is demonstrating the way towards green economy.

The Rural Development Programme (2014–2020) is the main mechanism for development of rural areas, with organic farming as one of the key proposed measures of the Programme.

According to the author of the Croatian study, Darko Znaor, only with the CAP 2014-2020 did really Croatia start thinking and investing in green and organic farming practices, simply because it was a CAP requirement.

Once Croatia became a member of the EU, Croatia has decided to only use a single fund (EAFRD), from the Rural Development funding from the EU, for the period 2014-2020. These are the main areas for which Croatia has utilised EU Funds for Rural Development in decreasing order:

- Competitiveness of SMEs; Social Inclusion; Addressing Climate Change; Environmental Protection and Low-carbon economy.

51 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en
52 Darko Znaor, July 2020, NAGE Network Study- Croatia, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia.
Albania54

Albania has no national green economy or Sustainable Development Strategy but has one National Strategy for Development and Integration (NSDI II) (2015-2020) and some other sector strategies pertaining to a green economy. In the NSDI II, economic growth is correlated to the sustainable use of resources, and although sustainable rural development is in the essence of the Inter-sectoral Strategy for Agriculture and Rural Development (ISARD) 2014-2020, there are no allocated specific budgets/programs to that aim.

The new Environmental Cross-cutting Strategy (2018-2022) focuses on raising awareness about SME greening and increasing resource efficiency, while the Business Investment Development Strategy (2014-2020) emphasises the need to increase the range of ecological products based on the effective use of resources for cleaner production. It also includes a variety of measures and instruments intended to develop the recycling industry.55

The Rural Development Programme (2018), foresees the establishment or reconstruction of spaces for rural tourism and investments in agritourism.

The Business Investment Development Strategy (2014-2020) emphasises the need for increasing the number of ecological products as well as measures for developing the recycling industry.56

The EU Accession process has enabled Albania to aim for sustainable growth and meet requirements such as the ones required by the CAP (Common Agricultural Policy of the EU), through IPARD (The EU pre-accession programme/funding for rural development). There are some donors supporting green economy projects, such as GIZ, the Swedish Government and UNDP - details in the Financing Opportunities part below.

Bosnia and Herzegovina57

There is no strategic document in Bosnia and Herzegovina (FBiH) on sustainable development and green economy. As part of other strategies, including agricultural, there are only some measures for supporting organic production (certification) in FBiH, while in the Republika Srpska (RS) more such measures are in power (organic production, protection of indigenous genetic resources, support for the development of mountain areas).

Some of the key strategic documents include: Strategic Plan for Rural Development of Bosnia and Herzegovina - Framework Document, which mentions the support for organic farming practices, Program of Rural Development of the Federation of Bosnia and Herzegovina, with measures for support for organic production, Strategy of Development of Agriculture and Rural Areas of the Republika Srpska including measures for support for organic producers, as well as the Strategy of Agriculture and Rural Areas Development of Brcko District, also with measures for support of organic production.

Due to lack of political will, the FBiH is the only country in the WB without an IPARD structure, and thus is not utilising these funds, which could be used for rural development and green economy.

In the Federation of Bosnia and Herzegovina (FBiH), there are no clearly defined environmental policies targeting SMEs, although its environmental protection strategy indirectly promotes eco-efficiency and eco-innovation among SMEs. There are no institutions responsible for a green economy in Bosnia and Herzegovina, and SME greening policies are devised and implemented at the entity level, and only the Republika Srpska (RS) has policies tailored to SMEs - these are included in its SME development strategy.58

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54 Edvin Zhllima, July 2020, NAGE Network Study- Albania, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia.

55 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en

56 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en

57 Sabahudin Bajramović, July 2020, NAGE Network Study-Bosnia and Herzegovina, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia.

58 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en
Kosovo

The green economy concept as such is not sufficiently represented in Kosovo’s key documents and strategies. Some of the most relevant strategic documents include: the National Development Strategy (2016-2021), under which future opportunities for renewable energy and sustainable waste management are mentioned; the Agriculture and Rural Development Programme (2014-2020), covering partly sustainable development of rural areas; the Energy Strategy (2017-2026), the Strategy for Climate Change (2019-2028), as well as the Strategy for Local Economic Development (2019-2023), which emphasises the value of a local green economy. The Strategy for Environmental Protection (2013-2022) places a strong emphasis on measures to improve energy efficiency.

In 2018, EBRD provided a loan of €1.5 million to the Agency for Finance in Kosovo (AFK) under the Green Economy Financing Facility (GEFF) for the Western Balkans, supporting residential energy efficiency investments in the Western Balkans. Some of the key donors in the field, especially supporting organic farming projects include: EU, USAID, Danish International Development Agency (DANIDA); Suisse Interco-operation and Austrian Development Agency (ADA), World Bank (WB) as well as EBRD loans.


Montenegro

Montenegro was the first country in the region to set up the National Council for Sustainable Development, in 2002, as an advisory body to the Government. Because of its geographical location and nature, agriculture, tourism, and energy are primary sectors for the (sustainable) development of Montenegro.

Sustainable development is the core of the National Strategy for Sustainable Development (2016-2030). In the Strategy for Agriculture and Rural Development (2015-2020), organic farming is one of the main foundations. Furthermore, the green economy in general is mentioned as one of the six priority themes. Under the IPARD II Program of the EU, the restructuring and modernisation of the agricultural sector is the primary tool for the development of rural areas.

The Law on Organic Production regulates organic production, labelling of organic, ecological, and biological products, control over organic production, as well as other issues of importance for organic production.

In its new SME Strategy from July 2018, financial incentives for greening of SMEs are mentioned, but with no specific details. Also, there are measures included for providing advice and guidance to SMEs on improving resource efficiency (in particular energy efficiency) and promoting eco-innovation (measures for promoting the application of eco-standards through educational and promotional workshops and seminars for SMEs on eco-labelling).

59 Mihone Keroli Mustafa, July 2020, NAGE Network Study-Kosovo, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia
61 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en
62 Aleksandra Martinović, July 2020, NAGE Network Study-Montenegro, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia
North Macedonia

The main strategic document, National Agriculture and Rural Development Strategy for the period 2014-2020 (NARDS) specifically states that in the forthcoming period “agricultural holdings should implement the concept of ‘green’ agriculture as a logical and natural way of performing their agricultural activities”.

In several of the measures of the National Program for Agricultural Development and Rural Development, 2018-2022, green economy objectives are indirectly mentioned. Similarly to Montenegro, the IPARD II sets agricultural modernisation and restructuring as a prerequisite for sustainable rural development. In the National Plan for Organic Production, 2013-2020, with the focus on increasing the % of land under organic production, organic certification as well as the links to eco or rural tourism.

The National Strategy for Sustainable Development for the period 2009-2030 (NSSD) was adopted in 2010 and the National Council for Sustainable Development, an inter-ministerial body chaired by the Deputy Prime Minister for Economic Affairs, was established in 2010 and constituted in 2012. The major role of the Council is the implementation and monitoring of the NSSD and implementation of the Goals for Sustainable Development of the United Nations in North Macedonia.

In the National Industrial Strategy for the period 2018-2027, one of the key goals is to catalyse the green industry and green production support (agri-food processing industry).

In its National Strategy for SMEs from April 2018, similarly to Montenegro, the strategy expresses the support for the development of SMEs within the green economy and also stipulates financial incentives for greening of SMEs but with no specific details, as well as for measures on advice to SMEs on energy efficiency and promoting eco-innovation.

Serbia

The concept of the green economy is not mainstreamed in the key strategic documents of Serbia, and these also do not include specific measures to address green economy issues. The main support for agricultural and rural development comes from EU Funds - IPARD, but also through some Governmental or other funds, including donors.

In the Strategy of Agriculture and Rural Development of the Republic of Serbia (2014-2024), one of the five pillars is sustainable resource management. A special mention of the green economy is made in the National Program for Agriculture, 2018-2020, where it states that “the planned measures and activities are designed to contribute to the adaptation of green technologies”. Similarly to other candidate countries, IPARD II sets agricultural modernisation and restructuring as a prerequisite for sustainable rural development.

There is a strong support and framework for organic farming, both supported by the IPARD, as well as the Government through certain measures in the key strategies and plans.

The main emphasis of Serbia’s SME greening policies is promoting eco-innovation and awareness-raising activities. The Government co-operates with business associations for developing eco-certification projects, and Serbia’s SME development strategy puts a greater focus on promoting eco-innovation, envisaging organising awareness-raising workshops and providing expert support to those companies preparing eco-innovation project proposals under the Horizon 2020 programme.

63 Aleksandra Martinovska Stojcheska and Ana Kotevska, July 2020, NAGE Network Study-N. Macedonia, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia.

64 Natalija Bogdanov, July 2020, NAGE Network Study-N. Macedonia, State of affairs for fostering green economy in agriculture and rural development: Comparative analysis of programs and measures in the Western Balkan countries and Croatia.

65 https://www.oecd-ilibrary.org/sites/948f4170-en/index.html?itemId=/content/component/948f4170-en
Best practices of the green economy in the WB countries and Croatia
Albania

I. Beekeeping and honey production from Albania

Mjalti Morava is the largest company in Albania in the field of beekeeping and honey production. They provide different types of honey such as: Chestnut, Clover, Acacia etc. They have 17 employees and exports cover almost 40% of the total amount of sales.

They have decided to invest in the business because of its profitability, because it is a niche sector and due to environmental concerns.

In terms of business financing, they have used only their own capital. Mjalti Morava is a green business, based on working with bees, manufacturing a healthy product, and protecting the environment.

So far, they have not received any support from the Government, although they hope this will change in the future. One of the biggest issues their business has faced is unfair competition.

To similar green businesses wanting to start their business, they recommend working hard and with passion, taking into consideration the environment and providing a quality product on the market.
II. Natural nut butters from Albania

As an Albanian eco-social enterprise, Pemla supports the green economy by promoting organic agriculture practices. Pemla produces artisanal nut butters and other products using regionally cultivated ingredients and slow food processing techniques. The company composes or upcycles waste streams from food processing and uses exclusively reusable/recyclable or biodegradable packaging.

Pemla has decided to invest in the business because of its profitability, being a niche sector and due to environmental concerns.

For financing their business, they have used a combination of their own funds, Governmental support (1 Municipality Grant, 1 local NGO Grant), and family support.

As a green business, for their plant-based products they use ingredients grown in sustainable and ecological conditions with reusable and biodegradable packaging, composting all their organic waste.

In terms of support from the Government, the first grant they received was from the Municipality of Tirana, part of a program to encourage young entrepreneurs, and the second grant was under a Green Ideas competition organised each year by Partners Albania for Change and Development.

The main obstacle was that their product was new on the market, and the local health and food security institutions did not know in which category to place them, which delayed the process of registering and obtaining production licenses. Furthermore, they found it difficult to obtain information or clear guidelines about setting up a small business in Albania. Lastly, they are still struggling to find sustainable and biodegradable packaging in Albania.

In terms of recommendations for small green businesses, they refer to having a clear vision and a company mission from the very beginning, making sure that the endeavour that is started has the environment as a main concern, as well as setting up a business which can cover a niche market and bring something new in the market.
Bosnia and Herzegovina

I. Rural tourism in Bosnia and Herzegovina

Greenways Association provides services to various groups of visitors for youth camps and workshops, guided tours, food and accommodation, outdoor sports events and trainings, and rent-a-bike services.

In terms of reasons for investing, they have decided to invest in the business because of its profitability and environmental concerns.

For financing the business, they have used a variety of sources: own money (20%), support through international development programmes (40%), and investors (40%).

Greenways Association, as a green business, has invested in renewable energy sources (solar energy), manage the waste accordingly, regularly planting trees and organising volunteers to clean the garbage in the village, as well as educating children and youth to behave responsibly.

The Association has cooperated with the local government, on the initiative of the association, but do not see such support increasing.

One of the key obstacles they have faced in establishing the business is the lack of human resources in rural areas.

Some recommendations for similar start-up green businesses include establishing friendly relations with the local population and strategic partners and clearly defining goals.

III. Import and Export of paper items

Leter Plast Imeraj deals in wholesale and retail, import and export of plastic and paper items. They process plastic which is then used for recycling.

They have decided to invest in the business because of its profitability, being a niche sector and due to environmental concerns.

For the financing of their business, they have used a loan and their own capital.

The green element of the business is the recycling and reusing of plastics, the company contributes to preserving the environment.

Leter Plast Imeraj has had various support from the Government but still can see room for better cooperation and support for green businesses.

One of the main obstacles they have faced was finding the right place for the processing of the plastics avoiding harm to the environment.

A recommendation to similar green businesses just starting is that the environmental concerns should be among the priorities, and that the business owners should have good management skills.
II. Landscaping on permaculture principles from BiH

EkoDizajn ltd. is a social entrepreneurship established by the Citizens’ Association “Nešto Više” from Bosnia and Herzegovina. Its main activities are: landscaping based on permaculture principles, ecological production and maintenance of orchards for individuals and companies/institutions.

The business was set up because of their interest in investing in social entrepreneurship and potential profitable business activities related to the Association activities.

For financing their business, they have used both their own funds and a Grant from an international institution.

The green element in the business is the provision of landscaping services based on permaculture principles and the education offer is based on ecological agricultural production (organic, but without certification).

EkoDizajn has not been provided any support from local structures, either as green business or social entrepreneurship.

A key obstacle they have faced is that because of the low standard of living, people still choose cheaper products, rather than healthier and more expensive products, that have contributed to protecting the environment.

For similar start up social businesses, EkoDizajn recommends increased support for green businesses, although they may not be immediately profitable.

III. Third Best Practice from BiH

Eco-Line was founded in order to commercialise agri-food production and enable profit to its 120 members. The members are engaged in growing fruit, vegetables and grapes on the plots of its 120 members, with the emphasis on organic agriculture and eco-tourism.

They have decided to invest in the business because of its profitability, being a niche sector and due to environmental concerns.

For financing their business, they have used both a credit line, and their own money.

Eco-Line is one of the first organic products companies in BiH, and as such one of the first green businesses in the country.

In terms of support from local or the central Government, they have not been provided any support as a “green” business.

One key barrier Eco-Line has faced is the standard of living in the country. Organic products are more expensive, so the Company must promote the benefits people get from consuming organic produce.

For similar businesses, they recommend that the companies be persistent, believe in higher vision of your business and communicate that with your consumers.
Croatia

I. Recycled clothes from Croatia

Social Cooperative Humana Nova Čakovec encourages employment of disabled and other socially excluded persons through production and selling of quality and innovative textile products made from ecological and recycled fabrics. 8% of their production is exported.

The main reasons for starting their business were both the interest to invest in a niche sector and care about the environment and the future.

For the beginning of the business, they have started with an EU project financing, followed by a loan and using market income.

It is a green business in its essence, as by sorting, reusing, and recycling of clothing and footwear, donors of goods have a direct impact on the reduction of CO2 emissions, and reduced use of drinking water.

Apart from not obtaining any Government support, some of the other obstacles they have faced in establishing the business, include the lack of strategies for social entrepreneurship, as well as the lack of Cooperatives alliances in the country.

To similar green businesses they recommend setting up a proper business plan before starting the proper business.
II. Recycled textile waste from Croatia

ACT PRINTLAB is a social enterprise with its own brand- EKOTEKA, which is an innovative brand of designer products resulting from the merger of textile waste, recycled paper, and organic materials.

They have decided to invest in the business because of its profitability, being a niche sector and environmental concerns.

In terms of financing of the business, they have used a loan, their own money and have been only provided minimal Governmental support (3% of the total financing in the beginning).

ACT PRINTLAB is a green business, as it uses recycled paper in most printed materials, with printing paper-saving formats and produces innovative recycled products.

In terms of Governmental support, they have only been provided a minimal support amounting to 3% of the total financing of the business and they think the problem is that green businesses in Croatia are not well recognised.

Key obstacles they have faced include a lack of financial resources for investment and a lack of understanding for the business elements of social enterprises.

A recommendation for similar businesses is for them to be persistent, care for employees and customers and rely on own financing and financing additional investments.

III. A Cooperative of Organic Farming from Croatia

ZMAG is running an eco-social and permacultural educational centre in many areas of sustainable living. It also set up a solidarity short supply chain with organic food that is organised through Cooperative for Good Economy as a connected, but separate entity. Cooperatives gather and provide food from 10 small eco food producers for around 50 users in Zagreb.

They have started the business because they are thinking about the environment and the future.

For financing their business, they have used a combination of their own money and Governmental support.
Some of the green elements in their business are the houses which are built from natural materials, as well as the renewable energy systems and water bio-cleaners. The food supporting system for small producers is unique because it provides revenue that is significantly more than defined according to fair trade protocols and rules.

In their opinion, there is an increasing support from the Government, but not enough in scale and scope.

In terms of obstacles faced, ZMAG feels there is not enough support on legislative and tax levels in Croatia. This is even more important than financial support.

Just as any other business, they recommend having a service or a product that can be economically sustainable on the market.

Kosovo

I. Organic and bio juices from Kosovo

AgroVinifera is processing organic and bio juices using organic fruits from farmers in Kosovo.

They have started the business because of its potential profitability and have used only their own money.

Being a green business, they produce the organic juices according to the highest eco-standards using organic fruits.

Until now there has not been any specific support from the Government or Municipality, as a green business.

Some of the challenges they have faced include financial and red-tape issues. Furthermore, access to the market was another challenge they faced.

A recommendation for those starting a similar business is to both think green first, and then work green as well.
II. Organic micro vegetables from Kosovo

Natural Green Sh.p.k. is an agri-business that deals with the cultivation of micro vegetables with modern technology, and its growth is based on water and organic fish waste. Currently 9 types of vegetables are grown (red beets, peas, sunflower, red cabbage, etc.).

They have decided to invest in the business because of its profitability, being a niche sector and due to environmental concerns.

For financing their business, they have used a combination of a loan and their own money.

The production process does not require land usage, so no need to pollute the land with chemicals. Instead, the company uses fish waste and water to grow their products - aquaponic system. They produce the organic products according to the highest eco-standards.

They have not received any Government/City support and the key obstacles they have faced include financial challenges and the access to production technology.

To those starting a similar business, they recommend that they start thinking green from the very beginning.

III. Organic medicinal and aromatic plants from Kosovo

99 LULE produces 4 types of medicinal and aromatic plants/teas: Mountain Tea, Blin Tea, Shtog Flowers and Hith Tea. Most plants are wild and collected by different people, trained by experts, and then dried in a special place with natural air. The products are certified and 100% natural.

They have decided to invest in the business because of its profitability, being a niche sector and due to environmental concerns.

For financing their business, they have used a combination of a loan and their own money.

Their products are certified and 100% natural, and these types of plants are grown in the mountains and plains of Kosovo.

No Government support has been obtained and the company has faced both financial and bureaucratic challenges. Market access was an additional issue.

When starting a business, we should also think about the wellbeing of the nature.
Montenegro

I. Organic honey and honey products from Montenegro

The Ćirović Family, six of them, have been doing beekeeping business for over 30 years. Their main products are honey, propolis, perga, pollen, royal jelly and natural cosmetics based on honey and beeswax.

It is a family business; organic honey production in untouched nature and their own land, which enabled them to have low production costs and comparative advantages from the very beginning. The company has also stressed they feel an obligation to preserve nature for the future generations.

For financing their business, they have used a combination of a loan, their own money as well as Governmental support. Ćirović Family is registered as an organic honey producer and are obliged to apply all green standards as prescribed by law.

They have been provided some support by the Government and the main obstacle they have faced is the lack of law regulations concerning the registration of their cosmetics line.

As a recommendation for those interested in starting a similar business is for them to engage in organic production in untouched nature. Similar businesses should also ask for experts’ help from the very beginning.

II. Organic olive oil from Montenegro

Moric Farm is a small family company, specialised for production of organic olive oil. They possess an olive grove of approximately 1000 olive trees on 6ha and a new mill for processing olives and other necessary equipment. They have also invested in an agro tourism product called “Olive Tour”.

Their main drive for starting the business was thinking about the environment and the future.
III. Organic cheese, meat, and honey from Montenegro

Vucko Pesic works with animal husbandry and the main products are leafy cheese, meat, and honey. They started the business primarily because of concerns about the environment and the future.

**Finances** have been raised using a combination of a loan and their own money.

As a **green** business, the production of organic food is without the use of fertilizers, herbicides and pesticides reducing damage to the environment.

Vucko Pesic has not obtained any **support** from the Government/Municipality and does not feel any increasing support for green businesses.

Key **obstacles** they have faced in establishing the business included a lack of knowledge and a lack of investment in basic capital. Furthermore, another barrier is local infrastructure and administrative barriers.

Main **recommendations** for those starting a similar business is to have persistence, family support and be ready to try different investments in green business.
North Macedonia

I. From waste to energy: used cooking oil collection and recycling in North Macedonia

Sunilens has 27 years of experience in wholesale, trading and distribution of refined vegetable oils, bakery and confectionery margarines, specialty food ingredients and semi-finished food products in North Macedonia.

In 2009, Sunilens introduced an innovative waste management system for collection, storage, treatment, and recycling of used cooking oils, the first of its kind in the country. The company collects used cooking oil (UCO) from industry and households in urban and rural areas. After collecting the UCO, the material is transported, de-packed, heated, filtered, and then stored in special tanks for final sedimentation. The purified UCO is exported as eco-feedstock to biodiesel factories in the EU. Today, Sunilens is the biggest used cooking oil waste management company in the country having collected, processed, and exported more than 4,500 tons of this type of waste. Their waste management system is certified by ISCC EU and the Renewable Energy Directive 2009/28/EC.

Over the last decade, Sunilens has been continuously implementing several educational projects for increase in environmental awareness and promoting eco-friendly values to every used cooking oil producer.

The company decided to invest in the business because of its expected market potential and long-term profitability, the benefits from entering a specific market niche complementary to the company’s primary activity and environmental concerns related to improper disposal of used cooking oil in the country - environmental pollution.

In terms of financing, the company used its own funds and retained earnings through a long-term reinvestment strategy that has facilitated their growth and expansion into new sectors, services, and market niches.

Sunilens Green Business Model has achieved the following socio-economic results:

- 2009-2020 (including August): Collected, treated, and exported over 4,565 tons of UCO (only 1 litre of UCO can pollute up to 1 million litres of clean drinking water)
- Eco-humanitarian project “Recycle & Donate” for UCO household collection (including August):
  - Collected & Recycled app. 10 tons of UCO from 2,000 households
  - Donations of sunflower oil from household UCO collectors to socially vulnerable families through NGO “Real Acts of Kindness”: 1,118 litres
- Eco-educational program “Learning about Used Cooking Oil Collection and Recycling” implemented together with NGO “OXO” in 13 kindergartens (over 5,500 children taking part) in 5 Municipalities in Skopje
• 10 new employees are now working in the company’s waste management department since they launched their Green Business in 2009.

• In 2020, following the concept of circular economy Sunilens made a significant investment in improving, modernising and expanding the capacity of their waste management system. They installed a completely new circular solar-based heating system that generates energy for all their UCO heating requirements. This technology greatly reduces their carbon footprint, traditional electricity usage and CO2 emissions while processing UCO, by at least 50%. For instance, in spring and summer their waste management system is running completely on green energy with 0% energy usage from traditional fossil fuel sources.

Sunilens has indirectly benefited from the implementation of some of the standard legal requirements and regulations for proper waste management practices/obligations of food producers.

Some of the key obstacles Sunilens has faced include: red tape, establishing the initial collection network, educating UCO generators, unlicensed and unfair competition, as well as difficulty in establishing efficient waste management technology and processing procedures.

According to Sunilens, the key to having a successful Green Business Model is to find the right balance between sustainability, profitability, and the socio-economic benefits of your commercial activities to the public.

II. Social entrepreneurship and organic food from North Macedonia

IN VIVO is a promotor of applied social entrepreneurship. It is a social business whose main business activity in Skopje suburbs is the production of biohumus, which has the role of microbial fertilizer, biostimulator and soil improver made by red California worms. In their efforts and activities for adequate promotion and recognition of social entrepreneurship, “In Vivo” includes all vulnerable groups, with the focus on homeless and former prisoners in need for ‘post prison’ support.

There were several reasons for starting the social economic activity in the rural area. One was to spread the culture of growing and consuming organic food. This would assure financial sustainability of “In Vivo” in order to achieve its mid and long-term objectives. However, their main reason was to include the marginalised (homeless) fellow citizens, securing their financial autonomy and offering them an option for sustainable (re) integration and a dignified future. In addition, the local community is involved in IN VIVO activities, which is an add-on to their attempts for promotion and development of rural areas.

For financing their business, they have practiced a hybrid approach - both their own funds and international donors (Civica Mobilitas, program financed by the Swiss Agency for Development and Cooperation, and implemented by the Macedonian Centre for International Cooperation).

Being a green business, In Vivo seeks to eliminate/recycle waste and to avoid any usage of non-renewable resources, using sustainable agricultural practices.

They have not obtained any Government support so far, only support from a foreign donor.

Key obstacles when setting up their business included limited resources, limited knowledge, and support to grassroots organisations.

In Vivo recommends following this matrix for similar businesses being set up: LEARN (product, market, customers, competition); PLAN (strategy, resources, activities, expenses); EXECUTE (promote, promote, promote, sell, sell, sell). And as they say - NEVER GIVE UP!
III. Third best practice from North Macedonia

WISE Group is a start-up company that specialises in the development of innovative technological processes in the food and beverage industry, which will bring added value to customers and have a positive environmental impact. Although the company was founded in January 2020, its research and development activities started in 2018. The main product of the company developed up to date represents multifunctional grape pomace additive, which was inspired because of a problem identified in the country that had a negative effect towards the environment and the local community, known as grape marc waste.

In the world, more than 13 million tons of grape marc waste are produced and unused annually. Only in North Macedonia more than 22,000 tons of grape pomace are left unused annually. Although this grape pomace is rich in dietary fibre, polyphenols, and cellulose and is very beneficial for people’s health, it remains unused and wasted. This is detrimental to the environment due to the surface and ground water pollution, foul odours, and leachates of tannins with possibility of oxygen depletion in the soil and ground waters, affecting surrounding flora and fauna. Moreover, in recent years multiple media sources published that large amount of grape pomace in North Macedonia is disposed illegally, ending up thrown into the sewage system or in nearby rivers, especially by small wineries and individual producers. This leads to even greater damage not only towards the environment, but also the local community in the targeted cities.

In order to tackle this issue, the WISE Group developed an innovative food technological process, by combining multiple benefits of the grape pomace in a single additive. The end result represents a new product innovation, which disrupts the traditional food additives market, as well as having a positive environmental impact by valorisation of grape marc waste. The way in which the product is created is through the development of a technological process for grape marc waste processing, and extraction of multiple healthy ingredients from it, which will lead to the production of grape pomace additive. The additive will represent a single product with multifunctional characteristics, namely having the role of antioxidant, dietary fibre, and natural food colouring ingredient. Currently, food manufacturers buy three different additives to obtain these characteristics, while the WISE additive will represent one product with three functions, thus being both eco-friendly and a cost-effective solution.

WISE Group decided to invest in the business because of market opportunity, profitability, and most importantly environmental concerns. Their business idea both advances environmental protection and mitigates negative environmental impact. Namely, the multifunctional grape pomace additive is created by reducing waste formed during the wine production process, through recycling it and creating a new natural product in the food and beverage industry. By doing this, WISE transforms the conventional supply chain model of wineries into a circular model.

In terms of business financing, the company used governmental support, their own money, and awards. They were provided with Government support for having not only green elements in the business but representing a balanced model of scalability and giving back towards the environment.

They did not face major obstacles when setting up the business.

A recommendation to other businesses is for them to understand that green businesses will become the new normal, so that they think about the environment and protecting our planet when investing.
Serbia

I. Rural tourism from Serbia

The Goran Movement from Sremska Mitrovica is the managing authority of the Zasavica Special Nature Reserve, where they breed old autochthonous animal varieties from the area (mangulas, Podolsk cattle, Balkan donkeys, Bosnian mountain horses). They offer traditional food products by the local population: meat products, donkey milk and cheese, and have a rich rural/eco-tourism offer.

They have identified the concern about the environment and the future as the main drive for starting this business.

In terms of financing, it has been a combination of: 1. earnings from the provision of tourist services (boat rides, electric bus rides on the reserve, walking tours, renting apartments and bungalows as well as places for camping, providing catering services, restaurants, selling products - donkey milk and cheese, and cosmetic donkey milk products - face creams and soaps, as well as traditional meat products from mangulas, Podolsk cattle and Bosnian mountain horses 2. participation in European projects 3. Assistance of local self-government, provincial and republican governments.
The combination of economics and environmental protection has enabled this sustainable business to preserve the environment, work on education and production of organic products and healthy food. The dairy donkey farm in Zasavica is the second largest in Europe, and it produces the most expensive cheese in the world – Pula donkey cheese.

Goran Movement has had the support of the local self-government, the provincial and republic administration.

Still, lack of funding has been one of their main barriers in developing the business.

Perseverance is the key recommendation for those starting a similar business.

II. Rural tourism and Organic Farming from Serbia

The company Bojčin eko turs d.o.o. provides a rich rural tourism offer based on organic farming practices and products. Bojčin eko turs is a family company with 25 employees that has been operating since 2009. Its vision is to contribute to the development of rural tourism and the promotion of nature protection through catering and ecological food production.

They have started their business primarily because of thinking about the environment and the future.

In terms of financing for the business, it has been a combination of a loan, their own money and Governmental support.

Their business is based on the valorisation of natural resources and ecosystem services - they have solar panels and have built a biological wastewater treatment plant, allowing pollutants to be retained in the root system of Miscanthus reed and marsh iris, and then to treat the treated water into existing retentions in the forest.

From the start of their business, they have had excellent cooperation with the local self-government. They believe that the importance of green companies is being increasingly recognised in Serbia.

The key obstacles they faced when setting up was lack of understanding of the local community, and the red tape of the administration.

Bojčin eko turs recommends to similar businesses to persevere and learn from best practices in the region.

III. Environment-friendly milk from Serbia

Dairy “Petrov” is engaged in the milk processing and production of dairy products from cows that have free access to pastures. Petrov Dairy gathers small cattle breeders from its area.

They have started their business primarily because of thinking about the environment and the future.

In terms of financing for the business, it has been a combination of a loan and their own money.

As a green business, Petrov uses plant residues to heat water, their distribution vehicles use methane, and they use returnable glass packaging for their products.

They have not been given any Governmental support for being a green business.

Misunderstanding and lack of support have been the two key obstacles for their business.

To similar businesses, they recommend having faith in themselves and their vision.
### TABLE NR.2 Summary of best practices of green economy in the Western Balkan Countries, September 2020.

<table>
<thead>
<tr>
<th>GREEN BUSINESSES SURVEY</th>
<th>Sector</th>
<th>Reasons for starting business</th>
<th>Financing</th>
<th>Government support for green businesses</th>
<th>Key obstacles in setting up</th>
<th>Hints for other businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALBANIA</td>
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<tr>
<td>Company 1-</td>
<td>Organic farming</td>
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<td>Own money</td>
<td>None</td>
<td>Unfair competition</td>
<td>Work with passion</td>
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<td>Albania</td>
<td></td>
<td>Niches</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Company 2-</td>
<td>Organic farming</td>
<td>Profitability</td>
<td>Govt. support</td>
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<td>New product</td>
<td>Clear vision</td>
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<tr>
<td>Albania</td>
<td></td>
<td>Niches</td>
<td>Own money</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Company 3-</td>
<td>Recycling</td>
<td>Profitability</td>
<td>Loan</td>
<td>Some</td>
<td>Finding the right place for the processing of the plastics</td>
<td>Think of the environment</td>
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<tr>
<td>Albania</td>
<td></td>
<td>Niches</td>
<td>Own funds</td>
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<tr>
<td>BOSNIA AND HERZEGOVINA</td>
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<tr>
<td>Company 1-</td>
<td>Rural Tourism</td>
<td>Profitability</td>
<td>Own money</td>
<td>Some cooperation with local Government</td>
<td>Lack of human capital in rural areas</td>
<td>Friendly relations with the local population and strategic partners</td>
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<tr>
<td>BiH</td>
<td></td>
<td>Environmental concerns</td>
<td>Donors</td>
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<td></td>
<td>Clearly defining goals</td>
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<tr>
<td>Company 2-</td>
<td>Land-scaping</td>
<td>Interest in social entrepreneurship</td>
<td>Own funds</td>
<td>None</td>
<td>Low standard of living in the country</td>
<td>Recommends Government increase support for green/social entrepreneurs</td>
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<tr>
<td>BiH</td>
<td></td>
<td>Profitability</td>
<td>International Grant</td>
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<tr>
<td>Company 3-</td>
<td>Organic farming</td>
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<td>Loan</td>
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<td>Low standard of living in the country</td>
<td>Persistence</td>
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<tr>
<td>BiH</td>
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<td>Own funds</td>
<td></td>
<td></td>
<td>Believe in your vision for the business</td>
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<td>Country</td>
<td>Sector</td>
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<td>Financing</td>
<td>Government support for green businesses</td>
<td>Key obstacles in setting up</td>
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<tr>
<td>Croatia</td>
<td>Recycling</td>
<td>Niche sector</td>
<td>EU project financing</td>
<td>None</td>
<td>Lack of strategies for social entrepreneurship, Lack of Cooperatives/alliances in the country</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Think of the environment</td>
<td>Loan</td>
<td></td>
<td>Setting up a proper business plan</td>
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<td></td>
<td></td>
<td></td>
<td>Using profit from the business</td>
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<tr>
<td>Company 1-</td>
<td>Recycling</td>
<td>Profitability</td>
<td>Loan</td>
<td>Minimal Governmental support</td>
<td>Green businesses not recognized in Croatia, Lack of financial resources for investment, Lack of understanding for the profit part of social entrepreneurship</td>
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</tr>
<tr>
<td>Croatia</td>
<td></td>
<td>Profitability</td>
<td>Loan</td>
<td>Minimal Governmental support</td>
<td>Be persistent, Care for employees and customers</td>
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<tr>
<td></td>
<td></td>
<td>Profitability</td>
<td>Loan</td>
<td>Minimal Governmental support</td>
<td>Rely on own financing and financing additional investments in the business.</td>
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</tr>
<tr>
<td>Company 3-</td>
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<td>Environment</td>
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<td>Some, but not enough</td>
<td>Not enough support on legislative and tax level in Croatia</td>
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<td>Environment</td>
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<td>Thinking about the future</td>
<td>Governmental support</td>
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<td>Kosovo</td>
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<td>Own money</td>
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<td>Financial and red-tape issues, Access to the market.</td>
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<td></td>
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<td>Loan</td>
<td>No</td>
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<td></td>
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<td>Loan</td>
<td>Financial challenges and the access to producing technology.</td>
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<tr>
<td></td>
<td></td>
<td>Profitability</td>
<td>Own funds</td>
<td>Start thinking green from the very beginning.</td>
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<tr>
<td>Company 2-</td>
<td>Organic</td>
<td>Profitability</td>
<td>Loan</td>
<td>None</td>
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<tr>
<td>Kosovo</td>
<td>Farming</td>
<td>Profitability</td>
<td>Loan</td>
<td>None</td>
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<td></td>
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<td>Loan</td>
<td>Financial and bureaucratic challenges.</td>
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<td>Profitability</td>
<td>Loan</td>
<td>Market access issues.</td>
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<td></td>
<td></td>
<td>Profitability</td>
<td>Loan</td>
<td>When starting a business, we should also think about the wellbeing of the nature.</td>
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<tr>
<td>Company 3-</td>
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<td>Profitability</td>
<td>Loan</td>
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<td>Kosovo</td>
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<td>Loan</td>
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<td>Profitability</td>
<td>Loan</td>
<td>Market access issues.</td>
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</table>


<table>
<thead>
<tr>
<th>MONTENEGRO</th>
<th>Sector</th>
<th>Reasons for starting business</th>
<th>Financing</th>
<th>Government support for green businesses</th>
<th>Key obstacles in setting up</th>
<th>Hints for other businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1- Montenegro</td>
<td>Organic farming</td>
<td>Family Business Obligation to preserve nature for the future generations</td>
<td>Loan Own money Governmental support</td>
<td>Some</td>
<td>Lack of law regulations concerning the registration of the cosmetics line.</td>
<td>Businesses should engage in organic production in untouched nature. Similar businesses should also ask for experts’ help from the very beginning.</td>
</tr>
<tr>
<td>Company 2- Montenegro</td>
<td>Organic farming</td>
<td>Thinking about the environment and the future</td>
<td>Own money Governmental support</td>
<td>Yes</td>
<td>Lack of financing for initial “big” investment Lack of understanding for our choice</td>
<td>The key to success is a good team. It is important to diversify in the business and have better/greener alternatives.</td>
</tr>
<tr>
<td>Company 3- Montenegro</td>
<td>Organic farming</td>
<td>Environment Thinking about the future</td>
<td>Loan Own money</td>
<td>None</td>
<td>Lack of knowledge and lack of investment in basic capital Local infrastructure and administrative barriers.</td>
<td>Persistence Family support Ready to try different investments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NORTH MACEDONIA</th>
<th>Sector</th>
<th>Reasons for starting business</th>
<th>Financing</th>
<th>Government support for green businesses</th>
<th>Key obstacles in setting up</th>
<th>Hints for other businesses</th>
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</thead>
<tbody>
<tr>
<td>Company 1- North Macedonia</td>
<td>Recycling</td>
<td>Profitability Niche Environment</td>
<td>Own money</td>
<td>Some</td>
<td>Red tape Establishing the initial collection network Educating partners Unlicensed and unfair competition Difficulty in establishing efficient waste management technology</td>
<td>The key is to find the right balance between sustainability, profitability and the socio-economic benefits of your commercial activities to the public.</td>
</tr>
</tbody>
</table>
## Company 2 - North Macedonia

**Organic farming**

To spread the culture of growing and consuming organic food. Include the marginalized (homeless) fellow citizens

- **Own funds**
- **International donors**

**Limited resources**

Limited knowledge

In Vivo recommends following this matrix for similar businesses being set up: LEARN (product, market, customers, competition); PLAN (strategy, resources, activities, expenses); EXECUTE (promote, promote, promote, sell, sell, sell).

## Company 3 - North Macedonia

**Reusing waste**

- **Profitability**
- **Governmental support**

**Environment**

- **Market opportunity**
- **Own money**

**Award**

Some- but not because the green business

Thinking about the environment.

Green businesses will be the new normal.

---

## SERBIA

### Sector

- Company 1 - Serbia
  - **Environment**
  - **Rural Tourism/ Organic Farming**

- Company 2 - Serbia
  - **Environment**
  - **Rural Tourism/ Organic Farming**

- Company 3 - Serbia
  - **Environment**
  - **Organic Farming**

### Reasons for starting business

- Company 1 - Serbia
  - Thinking about the future

- Company 2 - Serbia
  - Thinking about the future

- Company 3 - Serbia
  - Thinking about the future

### Financing

- Company 1 - Serbia
  - Loan
  - Own money

- Company 2 - Serbia
  - Loan
  - Own money

- Company 3 - Serbia
  - Loan
  - Own money

### Governmental support for green businesses

- Company 1 - Serbia
  - Yes

### Key obstacles in setting up

- Company 1 - Serbia
  - Lack of funding

- Company 2 - Serbia
  - Lack of understanding of the local community
  - Red tape of the administration.

- Company 3 - Serbia
  - Misunderstanding of what green businesses are
  - Lack of support

### Hints for other businesses

- Company 1 - Serbia
  - Perseverance

- Company 2 - Serbia
  - Perseverance
  - Learning from other best practices from the region and neighboring countries

- Company 3 - Serbia
  - Having faith in the vision for their business.

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*Source: Survey for the purpose of the Study, feedback from 30 green businesses in the WB, 3 per country selected for the Study results*
Summary and main points from the best practices from the WB countries and Croatia

During the Survey, we relied on local knowledge, through the NAGE project partners who have the best knowledge in what kind of green economy businesses function in their countries and which are the most prominent examples of it.

Sectors

When identifying the successful green businesses, the NAGE project partners considered a number of sectors, and still, the majority of successful green businesses identified in all the Western Balkans fall under the following categories:

- Organic farming
- Rural tourism
- Recycling or related businesses.

Furthermore, significant efforts are made by NGOs, organisations and companies in the Western Balkans on working on social entrepreneurship. One such example is In Vivo from North Macedonia, working to spread the culture of growing and consuming organic food and include the marginalised (homeless) fellow citizens.

Reasons for starting the business

Most of the businesses have identified their concern for the environment and the future, as one of the key drivers for starting the business. Furthermore, profitability and being a niche sector is another reason for them investing in their green business.

Financing the business

All surveyed companies have used their own funds, either as the sole capital for starting the business or combined with Governmental support or a loan. An interesting example is Humana from Croatia, which started their business with EU funding support and has subsequently used the money from the business income to finance their operations.

Many of the companies have indicated the taking out of loans/credit lines to start or maintain their business.

Government/City support for the business

Most of the surveyed companies have indicated the lack of Government support, with only some of them having been able to obtain Governmental support. The general feeling among companies is that Governments in the Western Balkans still do not recognise green businesses, and provide no specific support either for green or for social entrepreneurs, and this goes for Croatia as well.

Key obstacles faced by green businesses in the WB

- Living standards
- Administrative/red-tape issues
- Funding/Financing issues

Expectedly, for the organic produces, their producers have faced issues in terms of low standards of living, having to work on marketing and promoting the values of healthy food and organic products.

Additionally, red tape and administrative/bureaucratic issues have been reported by several companies, especially in terms of local and central Governments not recognising green businesses, and not enabling any advantageous tax or other processes for green businesses.

Several companies have had issues with the funding opportunities or getting financing for their business easily, while a number of them have had issues related to finding the proper human resources - in big part due to the rural-urban migration or the economic migration out of their countries.
• Lack of Government support

Most of the surveyed companies indicate a lack of support from the Government in terms of funding or financing mechanisms available. In terms of reasons for why they think there is lack of support, most of the businesses indicated that there is almost no recognition or distinction for green and sustainable businesses and business practices.

Recommendations for other green businesses/start-ups

• The main recommendations from the green businesses refer to increased and bespoke support for green businesses in the Western Balkans.

• Another recommendation for similar businesses is for them to have persistence and faith in the vision for their business. Several of them stressed the importance of having a solid business plan.

• Companies should think about the environment and think about finding a niche market for their sustainable product or service.
Financing opportunities for green businesses in the Western Balkans

In terms of financing opportunities for SMEs and small businesses going “green”, some of the main donors include the:

- EU with its diversity of programs and support for SMEs and increasingly for green businesses
- European Bank for Reconstruction and Development (EBRD)
- UN Organizations, such as UNDP or UNEP
- German Organization for International Development (GIZ)
- USAID
- World Bank

Furthermore, several bilateral donors, such as Denmark (Danish International Development Agency (DANIDA)), Switzerland (Suisse Inter-co-operation), Austria (Austrian Development Agency (ADA)) or Sweden are actively engaged in providing grants or finances for green businesses in the WB.

Multilateral donors

EU

EU funds aim at supporting Candidate and Partner countries in achieving the EU’s objective in the accession process. One of the key funding mechanisms is the Common Agricultural Policy (CAP) applicable for Member States, as well as the IPARD - supporting rural communities from acceding countries, as part of the Instrument for Pre-Accession (IPA).

In addition, several projects supporting the green economy in the Western Balkans have been supported over the years, such as:

- NAGE- “Networking and Advocacy for Green Economy-NAGE”, whose overall objective is
to provide support to enhance the policy and decision-making impact of the Balkan Rural Development Network (BRDN) and its constituents, through involvement in the agricultural and rural program and policy reform processes for introduction of the green economy concept.

- “GEAR - Green Economy for Advanced Region”. The project aims to increase the activities and impact of civil society organizations from Albania, Montenegro, Serbia, Bosnia and Herzegovina North Macedonia in the environmental protection through networking strengthening their capacities and promoting green economy.

- In light of Covid-19, EBRD opened a new line of Credit for SMEs in the WB, which the EU is complementing EUR 15 million to identify and verify the best available equipment and technologies to ensure that SMEs increase their competitiveness and support the shift towards a green economy.  

EBRD (loans)

The EBRD is one of the largest institutional investors in the Western Balkans. To date, it has invested over €13 billion in more than 700 projects, including in key infrastructure, SME segments and the green economy. During the summer of 2020, it opened a new line of credit for SMEs worth EUR 70 million, complemented with EUR 15 million by the EU. In 2019 the EBRD helped raise €172 million for the European Western Balkans Joint Fund and the Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund.

Some of the examples of Projects EBRD has so far supported in the Western Balkans include:

- Supporting the Green Economy Transition in Montenegro: In its Country strategy for Montenegro, EBRD sets sustainable tourism as a lever for SME development and investment in related industries, supporting projects contributing to this aim.

- Western Balkans Green Economy Financing Facility (GEFF), through which it supports green economy projects.

- EBRD provided Kreditimi Rural i Kosoves (KrK), the third-largest microfinance institution in Kosovo with a loan of EUR 2 million, to deepen its financing of the green economy.

- The Green Voucher Scheme in Serbia - with vouchers for green businesses of up to €50,000 to promote green technologies and resource efficiency. The EBRD-led initiative is funded by Austria’s DRIVE (Delivering Resource Efficiency Investments) Programme and supported by Italy through the Central European Initiative (CEI).

World Bank (WB)

Trust funds are an important part of the World Bank’s Program in the Western Balkans. Currently, the Western Balkan trust fund portfolio comprises about 100 individual tasks for which US$143 million of donor funding had been mobilised to date. European Union is by far the most prominent donor to the Western Balkans Program, and has provided over 60 percent of total TF financing. The Austrian Government, the Danish International Development Agency (DANIDA), the Global Environment Facility (GEF), and the Swedish International Development Agency (SIDA) continue to be important partners to the WB in the SEE.

Between these, also several Investment Frameworks or Joint Investment Programs have been set by several of these Donors/Investors, such as the UNDP, USAID or UNEP combining their funds and supporting certain kinds of Projects.

WBIF

Western Balkans Investment Framework (WBIF) - regional blending facility supporting EU enlargement and socio-economic development in the Western Balkans. The WBIF was established in 2009 as a joint initiative of the European Commission, the Council of Europe Development
Bank, the European Bank for Reconstruction and Development, the European Investment Bank, and several bilateral donors. The WBIF provides financing and technical assistance to strategic investments in the energy, environment, social, and transport sectors. It also supports private sector development initiatives. As of December 2016, the WBIF has allocated €600 million in grants to the Western Balkans, out of which €492 million represents the EU contribution.

New GEFF was established for supporting investments in the residential sector to improve energy efficiency. GEFF function based on a coordinated support of European Union (EU), Austrian Development and the Western Balkans Investment Framework.

**WB EDIF (Western Balkans Enterprise Development and Innovation Facility)** was launched in 2013 with the sole purpose of providing financing and business support to SMEs in the Western Balkans. By supporting SMEs and the infrastructure surrounding them, WB EDIF contributes to the overall growth and development of the Western Balkans economies themselves.

### Bilateral Donors

Some of the key bilateral donors include **Sweden** and **Switzerland** through the Swedish International Development Agency (SIDA) and Helvetas Suisse Interco-operation as contributors to the programme of multinational institutions for the Western Balkans, such as the World Bank (WB).

Some of the other significant bilateral donors include: **Denmark, Germany** and **Austria**:
- Danish International Development Agency (DANIDA)
- German Organisation for International Development (GIZ)
- Austrian Development Agency (ADA)

### Governments- SME greening support schemes in WB

As analysed by the OSCE, SME greening measures and policies are now included in overall SME strategies in almost all the Western Balkans economies, but with limited implementation. Although the measures for greening businesses are now set in strategies, what is missing are exact numbers and budgets earmarked for supporting SME’s and small businesses going “green”.

In Serbia, a new donor-based and one-off instrument, **Green Innovation Vouchers**, was launched in December 2017. The project was implemented by the EBRD and funded by the Austrian Delivering Resource Efficiency Investments programme. These are green Innovation Vouchers of up to EUR 20,000 and cover 90% of eligible research and development (R&D) service costs. This allows SMEs to develop new products, services, and processes, or innovate existing ones, to increase resource efficiency; thus, supporting the transition to the green economy.

Despite the different available financing mechanisms by multilateral or bilateral donors, several studies indicate that smaller companies and SMEs have more difficult access to EU funds and government grants, because of a lack of capacity and knowledge.

Furthermore, in terms of bank financing, small businesses face difficulties in obtaining the collateral or guarantees required by the banks, who often consider SME financing a risky business.

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Recommendations on introducing the green economy as a cross-cutting entrepreneurial model for WB Countries

As David Gibbs argues\textsuperscript{75}, “it is not only up to the green entrepreneurs”, and especially in the Western Balkans, the role of the “Wider Environment” is of the essence. In the context of the WB, this wider environment includes the entrepreneurs themselves, local and Central Governments, international donors, and multinational organisations. The proper interaction of these stakeholders will open new market opportunities and secure new and green market opportunities for the countries, and it will also promote green economy or green entrepreneurship as the new concept for sustainable development and growth in the WB region.


Key sectors for green entrepreneurs to focus on in the Western Balkans

Organic Farming

Organic farming can be the future for agriculture in the Western Balkans, not just due to the fertile land, but also because of the increasing demand for organic products in the world. As Dr. Darko Znaor and his co-authors argue\textsuperscript{76}: “Organic farming can address the need to value the ecosystem services provided by agriculture and shift the balance of economic damages vs. benefits”. In terms of the benefits for the society, the authors argue about several key advantages created by organic farming, primarily on the positive environmental impact, but also the increased (interest for) employment in rural areas, as well as the profit which can be made, because of the much higher prices of organic produce.

This study has exemplified a number of successful examples of green and successful organic farming businesses already, which if supported properly by Governments and the international community can make a difference for the green entrepreneurs themselves, but also for the community and the environment.

In terms of demand for organic produce in the EU, which WB green businesses could also tap, these include primarily Germany, followed by

France, Italy, Sweden, UK, and Denmark.\textsuperscript{77}

Another important element in the process and one where Governments can help green businesses is the certification of organic produce. With the current “equivalence” rules being phased out within five years, the EU wants to make sure that with effect from January 2021 only high-quality organic food is sold in the EU.\textsuperscript{78}

**Rural Tourism**

The Western Balkans region has excellent preconditions to develop rural tourism as its main form of tourism, especially in the landlocked countries. However, the individual countries on their own cannot provide a significant offer for tourists to spend a number of days or a week in any one of them for rural tourism purposes, which brings about the importance of offering an integrated regional approach with one single offer/package for tourists.

As the study “Research on Tourism in the Western Balkans” suggests, the WB needs to “function as one integrated travel destination” and that “countries in the region must establish effective cooperation to develop joint tourism products (cross-border routes, common themes, joint attractions, etc.), deliver authentic regional experiences and market themselves as one destination.\textsuperscript{79}

The LANDS Project, co-funded by the EU,\textsuperscript{80} also recommends establishing increased cooperation between the WB countries, learning from best practices in the region, and organising study tours or conferences for exchanging best practic-
es among the WB countries. This study aims to provide one source for such best practices and countries learning from each other.

Again, within this sector as well, Governments can play a significant role in their Central Tourism Agencies, as part of the Government, joining up and enabling rural tourism providers to become a part of a wider network, and thus increase their business and profit.

Mapping and digitalising offered in one tool which can be promoted by all countries could be one of the useful mechanisms in this regard.

**Recycling- Circular Economy businesses**

Several entrepreneurs or organisations in the region have focused their efforts on circular economy and recycling used products. An excellent example worth replicating in other countries is Sunilens from North Macedonia which has invested in a network for collecting, and recycling cooking oil. INA, the oil, and gas producer from Croatia has used its network of gas stations to do the same thing.

Two more successful examples of recycling refer to the recycling of used clothes, and even creating an own fashion brand with recycled clothing. Another unique example is the recycling of grape waste and creating a natural additive from it. Again, these businesses could profit both from their mapping and learning from their regional peers, as well as increased Governmental support.

**The importance of regional cooperation**

As it has been the case with various regional groupings or economic cooperation areas, the strength of the economy of scale or a larger market by countries cooperating with each other, has always proved beneficial for the businesses from the given countries.

Perhaps most visibly in terms of rural tourism, the offering of a single package for tourists rich with diverse tourism products from Albania, BiH,
Kosovo, Montenegro, North Macedonia and Serbia will open a number of doors for tourism agencies to offer these products to the tourists from the EU or other regions of the world. Over the past 10 years or so, we have seen a number of tourists organizing their own mountain climbing/hiking tours, starting from Montenegro, through Albania, North Macedonia, Kosovo, Serbia, BiH and finishing potentially in Croatia. The strength of organizing the (regional) tourist product is that the countries can decide themselves how the tourist product should look.

In the case of organic farming, a mapping of organic farmers and businesses might enable them to work with each other, but it will also enable them to promote their organic and green produce to clients and companies from around the region and more widely.

In terms of a circular economy, and recycling businesses, such as the recycling of clothes, these successful examples could be replicated easily in some of the other WB countries.

In summary, regional cooperation could only boost and increase the sales and business of green businesses in the WB region. One more suggestion made by this study is for the creation of a digital database of Green Businesses, which will map all the green businesses in the region, enabling them to connect, learn from each other and best practices from the WB, as well as assist them in finding new clients and markets.

The role of Governments

The surveyed green businesses have all indicated the importance of the role of Government in supporting green businesses. Only few of them have indicated that they obtain some form of Governmental support specifically for being a green business, but even those consider this to be insufficient.

Governments in the Western Balkan region have to understand the dynamics of the green recovery in global terms, and with the adoption of the Green Deal of the EU, and with the future of the WB in the EU, it is now clear that Western Balkan countries will be asked to abide by the same rules for becoming green and contributing to lower emissions, as will EU member states. There are already clear indications that the Green Agenda for the Western Balkans will require WB countries to increase their ambitions to reduce emissions by 2030, and increasing their 2050 net-zero ambitions, in line with their EU peers. It will be thus crucial for them to also increase support for the green economy.

There are several mechanisms for doing so, primarily through legislation, also combined with financing mechanisms, which need to be clear and bespoke in terms of support for green businesses. Awareness-raising campaign for businesses going green, and also for clients/customers buying green products or rural tourism services is also a tool at disposal for local and central Governments.

In most of the WB countries, there is low public interest towards the green economy and efforts should be made on awareness-raising where Governments can play a key role. As things stand in the Western Balkans, Governments and public institutions do not sufficiently recognise the green economy and enterprises and accordingly offer limited funding opportunities for green and circular entrepreneurship.

In terms of tourism, a further example where Governments can play a significant role is the cooperation with the other neighbouring countries in providing a single tourist product and offering
this product to tour operators from around the world.

Finally, in terms of certification of organic products, Governments have also a role to play and adopt suitable legislation and support green businesses to obtain suitable green certificates, so that they can enter the biggest markets for organic produce, such as Germany or France.

The role of the EU

Multinational organisations, such as the EU, have an important role to play by setting the example, adopting relevant strategies, and using soft power (such as the CAP’s “green conditioning”).

With the adoption of the Green Deal for the EU, it is now becoming clearer that the Green Agenda for the Western Balkans will contain similar green requirements for the WB Governments to meet, and the EU will match this with appropriate funding.

The role of the pre-accession Funds will also play a significant role, especially if “green conditioning” also becomes part of the access to the funds. Furthermore, as in the case of the newly-made available funding in cooperation with the EBRD (During the summer of 2020, it opened a new line of credit for SMEs worth EUR 70 million, complemented with EUR 15 million by the EU.), cooperation with international donors is of the essence.

The role of international donors

International donors, whether multilateral or bilateral, have always opened doors to initially supporting certain businesses, but then in partnering with Governments, making Governments “take ownership” and continue the financing of the given sector or businesses.

The same applies to investing in the green economy and businesses - international donors should keep investing and supporting smaller green businesses and continue asking for support from the Government, to recognise the need for this support and set up suitable funding mechanisms.

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