

## **ECONOMIC, LEGAL AND MEDIA CHALLENGES TOWARDS SUSTAINABLE BUSINESS MODELS WITH SPECIAL REFERENCE TO THE CIRCULAR ECONOMY IN BOSNIA AND HERZEGOVINA AND THE COUNTRIES OF THE WESTERN BALKANS**

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### **Abstract**

*The circular economy aims at decoupling economic growth from resource use by replacing a traditional industry model “take-use-throw” with the “reduce-repair-reuse-recycle” based model. The underlying assumptions of these model are characterized by a tendency towards efficient use, recycling and re-use of resources as it would limit the negative environmental impacts of the economy, while also reducing the cost in economic activities with the aim of economic growth. Circular economy is a concept that aims at decoupling economic growth from resource use, achieving the “zero waste” economy. Circular economy is often confused with waste management, which is the last phase in life cycle of a product. This concept is about prevention of waste generation and pollution in all phases of life cycle. Circular economy has a strong potential for creating economic and social values. To prevent catastrophic consequences of accelerated resource consumption for the humanity, societies and economies across the world have been adopting structural changes in order to reduce their environmental impact. Transition to circular economy that is focused on retaining the value of resources at the highest possible level significantly impacts the supply chain and value chain. With the adoption of the Western Balkans Green Agenda in 2020, the Western Balkan countries adopted the European Green Deal, making commitment to implement measures and achieve compliance in five areas, one of which is circular economy. BiH has a potential to achieve significant economic benefits implementing the circular economy model.*

**Keywords:** circular economy, Western Balkans, BiH, Green Agenda

**JEL classification:** H8

## INTRODUCTION

The core of Circular economy emerged in the 1960s. This concept has been considered in various economic, political and cultural environments, from local to global levels, resulting with various definitions and various approaches to CE. Circular economy model contributes to development of economic, natural and human capital, and is supported by transition towards renewable energy sources. It is based on the principles: design that eliminates waste and pollution, circulate products and materials and regeneration of nature. The waste that is irrevocably deposited on landfills may become a valuable resource, although, in an ideal model of circular economy, it should not exist at all. In the countries that are just embarking upon the transition towards green and circular economy, effective waste management and increasing the rate of recycling are important elements of these processes (Abaspahić, Suljić, Garić, Krupić, 2022.). **Fighting climate change is the main priority of long-term development plans of EU. Changes in the method of production and consumption are key elements of circular transformation in EU.** Economic and Investment Plan for the Western Balkans, which is to provide 30 billion euro with the aim of supporting sustainable connectivity, human potentials, energy, green transition and digital transformation. One of key pillars of this plan is support to the implementation of Green Agenda for the Western Balkans, and thus to the circular economy-related initiatives. According to the decision of the European Union, the transition to a circular economy is essential in order to ensure a sustainable development, a smart use of natural resources and to prevent dramatic changes of the climate on earth. CE is based on design of manufactured products with added value and maximum use in longer life cycles; creation of versatile products with different uses, in different periods of their useful life, thus guaranteeing the reuse of a single good; restitution of solid waste to the industrial sector in an orderly manner, where the cost of secondary raw materials from recycling is competitive in the market; as well as a systemic approach to supply chain management, evaluating the interconnections between the energy produced, the extracted material, and the natural environment (Arruda, 2021.). Public institutions in BiH have not been the main drivers of initiatives in this area. The most important developmental partner in this area most certainly is the EU as it allocates significant funds to support CE initiatives in BiH, ranging from those of strategic importance to company support programs, by supporting implementation of the Green Agenda for Western Balkans. Considering that BiH is in a very early stage of transition towards CE, significant efforts are required to develop capacities of all parties interested in CE, and to establish networks, promote good practices and international exchange, as well as to raise awareness among both the business community and the consumers.

## 1.GREEN AGENDA 1

The Western Balkans countries, striving to become EU members, signed the Green Agenda for the Western Balkans in December 2020, within the initiative for the future enlargement of the EU. The Green Agenda for the Western Balkans is the blueprint for a 2050 future of climate neutrality and environmental sustainability. There are five priority areas of the Green Agenda: decarbonization, the circular economy, pollution reduction, sustainable agriculture and biodiversity (Tatić, Rovčanin, Dzafic, 2020.). Decarbonization or reduction of GHG gases by 2050 is considered a priority, which implies a rapid transition from coal and oil to renewable energy sources while respecting the specificities of the region and the need to preserve the economic sector and the social position of citizens. The CE may be the one of the adequate ways to reduce CHC emissions in the Western Balkans. This is because it is based on sustainable production by encouraging the use of secondary raw materials and developing an efficient waste management system. Pollution reduction is one of the biggest issues, so in addition of strict control and sanctioning the Green Agenda proposes the development of the publicly available systems for monitoring the level of pollution and its origin. Initiatives for regional harmonization of agri-food and primary production sectors with the EU and food safety standards have been established health and well-being of plants and animals. Improving health care throughout the day food chain and labelling of food products in accordance with the food safety regulations. Support to improved consumer information and the movement of organic food through the promotion of organic and organic agriculture reduce the use of synthetic chemicals. Key between scientific and educational institutions and producers and processors in the agriculture-food sector and promotional actions to reduce waste in rural and coastal areas. Biodiversity includes the development of a regional strategy for air quality and the implementation of BAT according to the Industrial Emissions Directive. It is planned to modernize the water and wastewater monitoring infrastructure as well as regional implementation of water and wastewater regulations through a common cooperation cycle on the prevention of cross-border pollution. (Topliceanu, 2023.)

## **2. CHALLENGES TOWARDS CE IN BiH AND WESTERN BALKANS 2**

For successful implementation of the Green Agenda and the green transition in general, it is necessary to overcome certain problems that exist in the Western Balkans region. The challenges can be categorized in a variety of ways: regulatory, financial, organizational, technological and consumer-related challenges. Main challenges that are related to implementation of strategies in the field of environment, at all levels of government, are the lack of material and financial assets, human capacities and other necessary resources. The economic and energy development of the region, as well as the high investments required for the green transition, pose the greatest challenge for the economically disadvantaged countries of the observed region. The region finds the elimination of coal subsidies to be a significant blow to the existing power industry and mines, which can cause socio-economic problems, because these industries employ a large number of workers. Since the price of electricity has been primarily a social category subject to state regulation in the Western Balkans, the switch to ecological sources of energy may result in price increases and put a lot of pressure on all citizens (Filipović, Tanić, 2008.). High initial investments in new technologies of operations make the CE appear insufficiently cost effective in the short run. Financing business operations, including those related to CE, by borrowing is harder in BiH than in EU countries. BiH does not have general legislative act on environment protection that would provide basis for development of other legislation. Another major problem is the lack of capacity for long term planning and writing projects for international funding. By and large, all countries in the region do not have enough staff with specific knowledge to initiate the writing of internationally founded projects at the level of their governments. BiH need encouragement to adopt the measures of resource efficiency. Achieving that result would require activities of raising awareness on how the resource efficiency offers return on small investments. The biggest problem is the high proportion of old coal power plants and energy-intensive industries. In addition, it seems that there is a lack of political will and strategic planning. The big challenge for the region is also related to the creation of climate plans at the national level, which have been postponed for an indefinite period of time. The challenges relate to corruption in state energy companies through irregularities and the risk of corruption in public procurement, as well as a lack of rule of law and accountability (Vučinić, 2019.). Transition of BiH economy to CE principles is also met with challenges in the form of deeply rooted societal norms as consumers avoid sharing products and services, and prefer to have their own. BiH population prefers to buy new, and they avoid second-hand, repaired and refurbished products.

## CONCLUSION

Growing concerns surrounding environmental issues such as climate change, acidification, eutrophication and intensive land use have drawn global attention to the ever-rising levels of material extraction and consumption. This acknowledgement underscores the significance of the CE concept, which marks a fundamental departure from the traditional linear economic model of “take-make-dispose” and offers a promising approach to mitigating environmental pollution. In CE, goods and services are intentionally designed, produced and consumed to minimize the use of material resources. This approach champions key principles like waste reduction along the complete product life cycle, durability, and the exploration of potential within the sharing and services economy (McCarthy, Dellink, Bibas, 2018.). It advocates for the repair, reuse and recycling of materials and products, all in the pursuit of creating a regenerative closed-loop system. Very little widespread knowledge of the circular concept and opportunities in the broader society and within the business community pose a risk of missing out on a vital opportunity for essential and green development investments. The basic recommendation for the creators of economic policies is that key changes should be accompanied by strong support from the authorities through defined work priorities, taking into account the adoption of strategic documents related to the promotion of the CE. In the transition period, it will be necessary to redefine priorities, introduce legal norms in BiH and Western Balkans harmonized with EU norms.

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