BALKAN ECONOMIC FORUM CONFERENCE
18.10.2024

KEY TAKEAWAYS

Introduction

Having a purpose of creating a more sustainable impact on the promotion of economic growth, regional collaboration, peace and security throughout the Balkan countries, the Balkan Economic Forum 2024 is a larger-scale conference that took place on the 18th of October at Hotel Esplanade in Zagreb, Croatia. The Conference was organized **under the Auspices and co-financed by the Central European Initiative (CEI)**, as **CEI Flagship event for 2024**.

BEF 2024 engaged leaders from the Balkans and around the globe, academics, students, media and other respectable figures from the public and private sector about the biggest economic challenges requiring to be addressed and overcome. Conference panelists and participants took part in meaningful conversations, where all opposing views were heard and respected as this is the only way for real change to come, through new, innovative strategies emerging from this dialogue.

The main goal of the conference was to utilise all information and ideas derived from the conference and share them with those in charge of making decisions to influence real changes needed to happen in the Balkan region.

With our Advisory Board members from all the Balkan countries and BEF Ambassadors in most of the Balkan countries and EU public affairs, the Association for regional development Balkan Economic Forum focus is on the development and implementation of innovative strategies and creative solutions to the current economic challenges facing the Balkan countries to stimulate economic growth which, in turn, strengthens regional cooperation, peace and security.

Our ultimate goal is the Balkan Economic Forum to become regional platform where leaders from the Balkans and around the globe, respectable figures from the public and private sector, academics, students, media and others share ideas and suggestions about the biggest economic challenges requiring to be addressed and overcome in the Balkan region.

Balkan Economic Forum members and supporters dream "*envisions a Balkan Peninsula with good governance, responsible economic growth, sustainable employment, environmentally sustainable development, regional cooperation and widening educational opportunities. To achieve these goals, the pathway to the future is sustainable development for our region. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen accountability*".

Panel 1 (Economic Chamber of North Macedonia):
Promoting Circular Economy

Moderator:
Ms. Sanja Arsova, Ph.D, EU Circular Economy Policies, South-East European Research Centre (SEERC), Greece

Key speaker:
Mr. George Kremlis, Ambassador of the EPLO to Bulgaria and Chair of the UNECE Espoo Convention & SEA Protocol, Athens, Greece

Panelists:
1. Ms. Ivana Maleš (INCIEN), Circular Economy expert and Co-Founder of the Slovakian Circular Economy Institute, European Environmental Bureau (EEB) council member and former Circular Economy Team Member, Slovakia
2. Ms. Marijana Novak, Director, Circle Economy Foundation, Croatia
3. Mr. Vedad Suljic, Managing Director, Center for Economic, Technological and Environmental Development (CETEOR), Sarajevo, Bosnia and Herzegovina
4. Ms. Marija Dukovska - Pavlovska, CEO, Makstil & President of the Center for circular economy, Economic Chamber of North Macedonia

The changes we are experiencing over the past century as a result of climate change and environmental degradation are unprecedented, putting on risk the existence of our ecosystem and signalling that we are reaching the tipping point of irreversibility. This discussion concerns all spheres of human activity and addressing these pressing climate emergencies is our generation's defining task.

In order to accomplish that, the entire socio-economic system must be transformed, hence the transition from the traditional linear economic model (take-make-dispose) to a more circular and regenerative economic model is an absolute necessity. In a nutshell, the circular economy is a model of production and consumption that allows us to design, make and use things within planetary boundaries. The circular economy paradigm shift aims to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use, while minimising the generation of waste.

This transition not only addresses pressing environmental challenges but also creates new economic opportunities, encourages innovation, and strengthens local communities. A low carbon and circular economy will differ in each city and region, depending on geographic, environmental, economic, political and social factors, as well as the industrial profile of a city or region. The diversity of territorial contexts translates into different needs and opportunities that circular economic approaches should address.

The transition towards the circular economy will be systemic and transformative; it will be disruptive at times so it has to be fair. Therefore, an alignment and cooperation of all stakeholders at all levels is essential, as well as integration between policy levels and policy domains, within and across value chains. Action is needed at all levels, in all sectors, from all stakeholders.

Key points:

- BEF 24 as a **climate diplomacy** conference provided the opportunity to promote circular diplomacy, which as a concept does not only highlight the importance of the circular economy as the new narrative which will save our planet and will ensure sustainable development, but circular economy as a new economic model which will boost regional cooperation as well.
- Implementing circular economy at a large scale requires a balanced approach that is impelled both from **top-down and bottom-up initiatives.**
- The social dimension of the circular economy - **social circular economy** - is also very crucial for a successful transition, where the citizen is in the centre of all developments.
- Global circularity is in decline, so circular economy even though is a promising solution will probably take much longer to achieve the net zero goals set by 2050.
- Some of the practicalities which need to be considered are a) the **linear policy infrastructure** that is already in place (existing policies that need to be reversed and new policies being formulated that incentivize linear behaviour); b) **financing mechanisms** to be deployed to boost circular economy; c) **education and capacity building** (at the moment everyone who's in education or learning something in the workplace is in the context of the linear way of doing something); d) **physical infrastructure** that is being built or that exists supports traditional linear economy models and e) current focus of technology and innovation on **end-of-pipe solutions** instead of upstream solutions.
- Currently the Balkan region is at a stage where countries have developed strategies or road maps for circular economy, but what is missing is favourable **legislation and related economic tools** to promote implementation of circular economy.
- On the industry side, there is **resistance from companies** in the Balkan region to adopt circular economy practices, particularly if financial incentives are not

provided for that, and this is mostly due to the **high level of unawareness** of the concept.

- The main sectors in the Western Balkan region which present the greatest opportunity for adopting circular economy include waste management, textile industry, construction industry and durable goods.
- Makstil, a regional leader in the steel industry, operates at its core as a circular business model, where the input for production is scrap metal, as opposed to natural resources, and the output including by-products is input for other industries, with only 2% waste in total. Related challenges in the steel industry attempting to adopt circular practices include a) **legislation** (scrap metal in most EU countries is treated like raw material, so importing it requires many licences and approvals, including licences which the suppliers must obtain as well – an issue which needs to be addressed on a regional level); b) **scattered responsibilities** among different ministries and departments (Economic Chamber of North Macedonia established a Committee for circular economy for more direct communication and collaborative approach with the government) and c) **lack of financial incentives.**

How to proceed?

- There needs to be a **unified narrative for transitioning towards the circular economy**, and a **degree of alignment** between the Western Balkan countries with the broader EU and global sustainability efforts (EU Green Deal, EU Climate Law etc.), certainly taking into consideration the idiosyncrasies of each territory and region. In order that to happen, several interventions should transpire, such as: a) the governments need to create **enabling conditions and supportive legislation for the transition**, b) **regional cooperation** among Balkan countries needs to be boosted, c) financial institutions need to create **financial models** to promote circular activities and initiatives tailored to the Western Balkan circumstances and lastly, d) **raising awareness** which needs to happen at all levels.
- Western Balkan countries need to find inspiration in the EU directives and adjust those in their local scenarios and avoid the copy-paste tendency from neighbouring countries they have so far.
- Successful systemic change hinges on support from governments, financial actors, businesses, NGOs, research and academia and citizens. Connecting policies and laws, capital and business models and people will be crucial to the circular transition. This includes the precondition of working across governmental levels, territorial scales, policy areas, and sectoral boundaries. Equally important is the **broad and profound mobilisation, involvement, and alignment of stakeholders**, as the government alone cannot implement the transition.
- The holistic nature of the circular economy concept is actually at the core of the solution needed to accelerate the transition towards circular economy – **if every level works on something that is within their power to work on**.
- The high-level goals and targets ultimately needs to be achived locally, so the accent needs to be put on implementation, and **implementation is a local hypothesis**. In this context regions are having a very important role in the implementation of circular activities, because they are essentially catalysers

between national and municipal level. The national level should provide the overall framework where regions can innovate based on their local situation and trying to strike the balance between compliance and “room” for innovation.

- **Circular economy should be mainstremed in all policy areas**, i.e. circular agriculture, circular transport, circular tourism etc., so that each sector gains ownerwhip on circular economy practices within their domain.
- **Promote waste as a resource** in order to decrease use of natural resources and deal with waste issues.
- Circular economy is just a **tool to achieve long-term competitiveness** so that companies are able to create and sustain value in the long run, and the environmental benefits are an extra advantage emerging from it. There is a need to **rebrand the circular economy as a tool for competitiveness** and introduce it with a **label for business opportunity** in order to attract more companies to embark into transitioning towards circular business models.

Panel 2 (Institute for good governance and policies in environment and climate change, Skopje, North Macedonia):

Climate Resilience: Navigating Challenges While Unlocking Opportunities

Moderator:
Ms. Jadranka Ivanova, MSc., President, Institute for good governance and policies in environment and climate change, Skopje, Republic of North Macedonia

Key speaker:
Prof. ing. Stefano Grimaz, Chairholder of UNESCO-Chair on Intersectoral Safety for Disaster Risk Reduction and Resilience SPRINT-Lab, University of Udine, Italy

Panelists:
1. Ms. Anastasia Bekish, Regional Coordinator on Environment and Climate Change, HELVETAS Eastern and Southeastern Europe, Warsaw, Poland
2. Ms. Sabina Lalaj, Attorney at Law/Partner at Lalaj & Partners, Tirana, Albania
3. Mr. Ivan Güttler, PhD, Director General, Croatian Meteorological and Hydrological Service, Zagreb, Croatia
4. Ms. Ivana Vojinovic, PhD, Center for Climate Change, Natural Resources and Energy of the University of Donja Gorica, Montenegro

The session highlighted the growing need for resilience in a world marked by uncertainty and frequent disruptions, to the point where they are almost seen as normal. The capacity to anticipate and address disruptions caused by climate change is essential in strategic planning by the public and private sector. This challenge can be met through adopting an intersectoral safety approach based on evaluation, anticipation, and adaptation capabilities. It is essential to considering different viewpoints and expertise so to be able to identify and take adequate measures and anticipate risks effectively.

Climate resilience requires efforts to ensure a workforce capable of swiftly adapting its skills due to development of climate emerging technologies. Education, training, and supporting a just transition are key measures to stabilize the job market and to effectively address the climate change risks.

Regulations provide a stable foundation for the private sector operational modus; thus, they need to be precise and steady and be stimulative at the same time for making climate mainstreamed decisions. In this sense, open climate related data can be valuable for understanding future risks, taking actions, and minimizing the negative impacts of climate change.

Public participation in decision-making is crucial for developing climate-resilient policies. Though cooperation between CSOs and the government exists, it still needs to be more strongly integrated and represented within the government's decision-making framework so to be fully effective.

Key points:

- Collaborative efforts are much needed to build territorial resilience against adverse climate events. Risk-informed and resilient sustainable development strategies must be utilised by the private sector, government and academia as to create pathways for mitigating future risks.
- Labor market transformation must be anticipated as it brings shifts in labour skill demand. Emerging of new climate-driven technologies are widening workforce skill gaps. Consequently, adaptable education and training systems are essential for bridging this gap. Governments should take just transition actions for the people who skills are no longer high in demand ensuring that no one is left aside.
- A steady legislative framework is needed to support companies to navigate well in the climate disturbance and associated risks. While some businesses are proactively adapting to climate changes, comprehensive and stable legislation could provide incentives to guide and inspire companies toward implementing climate-sound and resilient strategies.
- Climate and meteorological data play a crucial role in developing sustainable strategies. Businesses rely on precise, accessible climate and meteorological data to develop risk inform strategies. Although some climate-related data are available, they remain insufficient to account for all risks, limiting companies' ability to adapt effectively.
- Public engagement remains a challenge. While NGOs are active, more collaboration is needed to shift public perception toward the urgency of climate resilience and to align efforts across communities, governments, and businesses.

How to proceed?

- Considering the vulnerability of the Western Balkan region, developing a sector-based resilience framework will improve business preparedness and support the implementation of resilience measures based on climate risk assessments, thereby protecting future investments from climate-related risks. RESILIENHANCE programs, which aim to enhance resilience at local and national levels, are recommended as they explore strategic actions to support disaster resilience and sustainable development.
- Legislation in the Western Balkans should ensure alignment with EU climate-related legislation, enabling the region to contribute to the EU's objectives of becoming a climate-neutral continent. However, legislation must be thoroughly considered, addressing the economic challenges specific to the Western Balkans. It should be stable and incorporate long-term objectives, allowing the economy to navigate climate disruptions more effectively. Government should strive for making stronger legislation to support the private sector in adopting climate resilience practices, particularly in vulnerable industries.
- Developing a framework and implementing measures for labour market adaptability is an urgent matter for the region. Sufficient resources have to be allocated for investments in skills and education in order to prepare workers for the demands of emerging climate technologies, at the same time ensuring just transition.
- Governments should provide more open data on climate and environmental factors to help the private sector navigate climate changes more effectively. Establishing partnerships with public institutions, academia and private to ensure open access to climate and meteorological data is necessary step in order to enable businesses to better anticipate and respond to climate risks.
- Supporting more close collaboration between governments, businesses, and NGOs to promote public awareness and participation in climate resilience efforts needs to be strengthened. Shifting public behaviour is crucial to ensuring sustainable progress in climate resilience. Governments need to establish stronger collaborations with NGOs and effectively incorporate their contributions in dialogues on climate changes. Support for initiatives that actively involve local communities in resilience-building actions has to be provided, aiming in enhancing the visibility and impact of stakeholder’s viewpoints within decision making.

Panel 3 (Faculty of Organizational Sciences, University of Belgrade, Serbia): Challenges In Boosting Innovation And Entrepreneurship

Knowledge-based societies with sound economic potential require investing in strong research and innovation (eco-) systems within a broad multi-stakeholder (i.e. quadruple/ quintuple-helix) framework, aiming to foster job creation and creativity.

Innovation and entrepreneurship are two powerful engines of progress. They drive new industries, improve lives, and solve complex challenges. Today, we face a unique set of challenges that can either hinder or accelerate the progress of these vital activities.

The importance of innovation and entrepreneurship for sustainable development cannot be overstated. One of the main challenges facing governments today is fostering an environment that encourages creative thinking and business growth. By implementing supportive policies and providing resources for startups, governments can stimulate economic growth and job creation. Furthermore, innovation drives the development of new technologies and solutions that can help society address pressing issues such as climate change and resource scarcity.

In addition, the educational system plays a crucial role in promoting entrepreneurship and innovation. By equipping students with the skills and knowledge necessary to think critically and embrace challenges, we can cultivate a generation of forward-thinking leaders. This will not only contribute to a robust economy but also enhance societal well-being. Ultimately, a collaborative approach between governments, the educational system, and society is essential for fostering a culture of innovation that supports sustainable development.

Moderator:
Prof. Milos Jevtic, PhD, Faculty of Organizational Sciences, University of Belgrade, Serbia

Key speaker:
Mr. László Bódis, Deputy State Secretary of Innovation in the Ministry of Culture and Innovation, CEO of the Hungarian Innovation Agency, Budapest, Hungary

Panelists:
1. Mr. Tiberiu Andrioaiei, Secretary General, Romanian Association of Employers in Construction, member of the Confederation of Entrepreneurs and Investors of Romania, Bucharest, Romania
2. Mr. Dinko Eror, Vice President - EMEA Central Europe, Red Hat, Zagreb, Croatia
3. Prof. Sanja Jeremic, PhD, Deputy Director, Institute of molecular genetics and genetic engineering, University of Belgrade, Serbia

4. Ms. Sandra Hodzic - Falk, MPA/MBA, Public Sector Professional, Sandra Hodzic Business Consulting, Winnipeg, Canada

Corporate governance involves regulatory and market mechanisms, and the roles and relationships between a company's management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed. Lately, corporate governance has been comprehensively defined as "a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers".

Key points:

- Innovation is a key component of competitiveness, alongside development and productivity. Entrepreneurship plays a fundamental role in making innovation applicable, and these concepts are interconnected.
- Markets in our region are fragmented due to ethnic differences, mindsets, and both formal and informal barriers.
- According to the OECD report, average productivity in this part of Europe is 40-60%, compared to around 80% in Western Europe, with the best-performing companies reaching 85-90%. This indicates an area for improvement, and the resources for this improvement are internal.
- Another challenge to competitiveness is the very slow pace of adopting new technologies. In the market, the percentage of companies we call Innovators is 2.5%, early adopters make up 30%, and the early majority approximately 35% of the total number of companies. The percentage of innovators is small compared to the US and China.
- Inside companies something can be done and change, not at the level of equipment, but on the level of relations between people, we must improve the agility of our people in organizations.
- We are not adequately prepared to attract financial support, and our activities are not sufficiently transparent.
- We face challenges in international economic relations, which are crucial in today's dynamic world. The starting point is mindset. In Slovenia, 85% of companies are engaged internationally, primarily through exports. We have significant potential for growth. While we are strong innovators, we must improve at promoting innovation to make it applicable, allowing us to become successful entrepreneurs.
- Big gaps between different regions, gaps in new technologies, not to be conservative but agile. Small dimensions of use AI.
- Democratization of technology - We face danger on two levels. First, we are dependent on major technology companies. The software is proprietary, and data centers are closed. We must put an end to this. Second, if malicious actors gain control over such large tech companies, we will be in serious trouble.

- Technology nationalism—some countries in Europe are heading in the wrong direction by rejecting large tech companies and establishing their own national data centers, which they refer to as sovereign clouds.
- Single digital solutions are essential. By 2025, 80% of all transactions worldwide will occur digitally. There is a significant demand for digitalization across the globe, highlighting the need for effective digital solutions.
- There are many challenges we need to overcome if we want to create a different society. The main challenge is the lack of communication and partnership between the public and private sectors. We have funds for innovation, but they are limited. The Serbian market lacks a robust network of venture capitalists and angel investors.
- While we have funds for initial innovation and idea development, the private sector tends to hesitate when it comes to investing in and supporting these ideas afterward. This issue becomes even more pronounced when establishing spinout companies. If public institutions retain even a small ownership stake, the private sector views it as a significant investment risk.
- 7 senses or challenges to create culture of innovation:
    1. There is a lack of willingness to take risks, leading to risk aversion. This creates an inability to adapt and an apprehension about the possibility of failure when trying something new. Leaders must empower their teams to take risks and learn from failures while also assessing the risks associated with new initiatives.
    2. The behavior style that is often present in organizations and has a detrimental effect on innovation is the mindset of 'We've always done it this way, so why change?
    3. There is a lack of innovation accounting. To gain support for your idea, you must clearly demonstrate its value, which is fundamentally about data. It is essential to present a clear return on investment (or social return on investment) to justify why your idea, program, or product deserves support.
    4. Insufficient leadership support for inventions or ideas can be a barrier. Support from the top is crucial, but it's equally important to cultivate grassroots support. A combined top-down and bottom-up approach is essential, as great ideas can emerge from anyone within the organization.
    5. A strict hierarchy can stifle innovation by creating barriers to open communication and critical discussions. To foster a more innovative environment, it is essential to establish a horizontal organizational structure that encourages collaboration and the free exchange of ideas across different levels. This approach empowers employees to share their insights and suggestions, ultimately leading to more creative solutions and a stronger culture of innovation.
    6. Currently, the absence of a set budget poses a significant challenge to our innovation efforts. It is crucial to establish a dedicated budget line that allows us to allocate funds specifically for experimentation and market outreach. By securing financial resources for innovation and related activities, we can effectively explore new ideas, test different approaches, and ultimately position ourselves to better meet market demands.

7. The lack of strategic alignment with innovation can severely limit an organization's potential for growth and development. It is essential for innovation to be integrated into the strategic planning documents of both organizations and government entities. This alignment fosters a culture of innovation that drives progress and adaptation in a rapidly changing environment.

How to proceed?

- We need to be more agile. With many technologies available around us, we should be able to access them. It's a matter of mindset. Three elements are suggested:
  1. Encourage an ecosystem of incubation and acceleration. This can be achieved at every level by improving synergies between academic (educational) and entrepreneurial environments.
  2. Additionally, enhance the ability to connect with financial resources, including private equity and government subsidies, while effectively managing risk.
  3. Finally, increase international engagement to gain access to supply chains, resources, and cutting-edge technologies.
- We are increasingly living in a platform economy. One benefit of this economy is that you can contribute from anywhere in the world, bypassing traditional stages of industrial development. Notably, many innovations in AI are emerging from Africa. Forget everything you are doing today and focus on advancing to the AI level. This is a business imperative, as the potential of AI is enormous.
- Decarbonization of technology: all data centers in the world are responsible for CO_2 emissions equivalent to that of all airplanes, yet the focus remains on airplanes. We need to reduce the demand for data centers, services, storage, networks, and all devices. We can save the Earth by improving technology. Unfortunately, few in the Western world consider this issue.
- By 2025, 80% of all transactions in the world will occur digitally. There is a significant demand for digitalization globally, and the need for digital solutions is immense.
- Focus on the platform economy, invest time in AI, and prioritize software development. The Balkans have the potential to surpass Western Europe and Atlantic countries.
- To foster innovation and entrepreneurship, it is essential to consider different levels and stakeholders involved in the process. We need to change the regulatory environment and the legal framework to promote innovative thinking. Education plays a crucial role in this transformation; we must train individuals to recognize viable ideas, protect their intellectual property, write patent applications, and negotiate effectively with the industrial sector. It is vital to initiate this type of education at the undergraduate level. Additionally, there is a disconnect between the industrial and public sectors, as researchers often struggle to sell their ideas and attract collaboration and funding. Bridging this gap is necessary for fostering a culture of innovation.

- A multi-modal approach for delivering products or services is suggested. It's not a question of whether products and services should be delivered digitally or face-to-face; both approaches should be included, as customers may prefer one form of delivery over the other. When discussing service delivery, we shouldn't focus all our thinking solely on digitalization. That is only part of the overall market. It's essential to research the market and gather data on how customers—or citizens, when it comes to public services, prefer services to be delivered.

Panel 4: Association for regional development Balkan Economic Forum, Skopje Promoting Clean Energy

Moderator:
Ms. Joan Hoey, Director, The Economist's Democracy Index and Europe consultant, Economist Intelligence Unit, London, UK

Key speaker:
Ms. Monika Figaj, PhD, Climate and just transition expert, Energy Community Secretariat, Vienna, Austria

Panelists:
1. Ms. Magdalena Soljakova, Senior country officer for Croatia, Slovenia and North Macedonia. International Finance Corporation
2. Mr. Pavle Milekic, Associate Director, Energy EMEA team, EBRD, Belgrade, Serbia
3. Mr. Konstantinos Mastrogiannopoulos, Senior loan officer and country manager for Serbia, European Investment Bank
4. Ms. Mejra Juzbašić Bajgorić, Regional Director Southeast Europe, Finance in Motion, Green for Growth Fund
5. Mr. Mislav Kovacec, Expert for Tank Terminals, Energy Storage, LNG and Refinery, Siemens Energy, Croatia
6. Mr. Damir Miljevic, Member of Managing Board, Sustainable Energy Transition Center, Bosnia and Herzegovina

The six countries of the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia) are highly vulnerable to negative climate-related events such as heatwaves, droughts, wildfires and floods and suffer from high levels of air pollution. These hazards are having a hugely detrimental effect on people's health, livelihoods, property, agriculture and economic growth. In most of the countries lignite and coal-based electricity generation still dominates. The result is low generation efficiency and high CO_2 and other pollutant emission intensities. The age of coal plants in the WB6 ranges between 34 and 67 years, with an average age of 46 years in 2023.

The WB6 have committed to EU clean energy targets and to decarbonising their economies by 2050. In 2020 the WB6 signed the Green Agenda ("Strive to decrease and gradually phase-out of coal subsidies, strictly respecting state aid rules"). In 2021 they adopted the Energy Community Decarbonisation Road Map. In 2022 the WB6 countries adopted the 2030 climate and energy targets. One policy measure included in the Action Plan document accompanying the Green Agenda is for countries to align with the EU Emissions Trading System and/or introduce other carbon pricing instruments by the end of 2024.

Key points:

- The regional electricity mix is dominated by fossil fuels, with an overall ratio of 45-55%. Albania is the only country with no fossil fuels in its electricity mix. Meanwhile, Kosovo is almost 95% reliant on coal for electricity generation, while in Montenegro renewable energy sources (RES) make up 62.4% of the electricity mix.
- In terms of RES, hydropower dominates across the region. Wind energy is the second largest contributor. Solar Power is a very small part of the renewable energy portfolio. Other types of renewable energy sources, such as Biomass and Biogas, are negligible.
- The main barriers that were identified by the panel as standing in the way of the adoption of clean energy sources are four-fold: (i) political; (ii) regulatory and legislative; (iii) financial; and (iv) infrastructural/technical. Together they are delaying a faster take-up of RES.
  a) Political barriers: Despite the positive rhetoric coming from the governments of the WB6, the political will to act decisively is missing. Governments are concerned about rising unemployment resulting from the closure of coal mines and coal-fired plants; and about the reduction in market share of national champions (energy utilities).
     This lack of political will translates into slow adoption of emissions reduction targets and limits the ambition of national goals such as national energy and climate plans (NECPs). These in turn constrain national energy strategies, national utilities' long-term investment plans, and TSO planning for grid infrastructure investments and connection capacity.
  b) Regulatory & legislative barriers: the WB6 have been slow to align their legislative frameworks and to standardise the regulatory environment. This creates policy uncertainly and is not conducive to attracting external financing for clean energy projects. There is a pan-regional problem of very lengthy permitting and approvals processes.
  c) Financial barriers: there are a range of finance-related problems affecting the WB6 and hindering progress in the green transition. First, governments are providing large subsidies to sustain fossil fuels industries, which is a drain on state resources that could be channelled into RES. Second, all the countries in the region have limited access to capital to invest in clean energy, though financing from the EU, EBRD and EIB is increasingly important in helping to fill the gap and attract private investment too. Third, the upfront costs for renewable technologies is very high and this requires the involvement of the

private sector and long-term contracts. Finally, on the financing side, the lack of creditworthy off-takers (buyers of resources produced by completed and operating projects) willing to enter into long-dated power purchase agreements is perhaps the main bottleneck holding up the development of (private) renewables.

d) Infrastructure & technical challenges: Compounding the challenges for the region, is an outdated grid infrastructure in most countries, that requires considerable investment and upgrading to make it fit for purpose in anticipation of a large increase in RES-generated energy. Furthermore, the region suffers from a lack of workers who are educated and skilled in the infrastructure and technology needed for the clean energy transition.

- Panellists agreed that one of the biggest challenges for the WB6 is the small size of most markets in the region and the relative scarce administrative resources available to each country. This makes it vital that countries work together to overcome some of the challenges discussed above.

How to proceed?

- Regional cooperation may to some extent compensate for the lack of political will at state level and help to push forward the green agenda. There is a need for more intra-regional co-operation to tackle climate-related issues through developing early warning systems, preparing coordinated disaster relief bodies, and harmonising regional energy systems. Regional governments also need to adopt concrete plans (with realistic hard deadlines) for the gradual phasing out of fossil fuel industry, the decarbonisation of the housing and transport sectors; digitalisation of industry; etc. Citizens can play an important role in bottom-up initiatives to decarbonise and to put pressure on their governments to take action.
- On the legal and regulatory front, governments need to simplify and accelerate the process permit-granting. Panellists favoured a “one-stop-shop” for renewable energy project approval and licensing to enable the streamlined deployment of projects. The adoption of the electronic issuance of permits (e-permitting) would also expedite the permitting process. The period for granting permissions needs to be shortened drastically.
- On the financing front, panellists suggested a number of solutions. A first step would be to reduce and/or eliminating misplaced state subsidies for fossil-fuel industries, especially coal. Governments should adopt comprehensive plans to eliminate subsidies to electricity from coal and lignite. Across the region, governments need to agree on specific plans for a gradual and fair process of closing down and phasing out coal. This should go hand in hand with state- and RES industry-led schemes to upskill and reskill the labour force and with the provision by the state of proper compensation to workers who lose their livelihoods as a result of the phase-out of coal (see also below). Governments also need to publicise and increase awareness of the availability of financing schemes and of the expertise of local financial institutions for RES opportunities. Given the predominance of SMEs in regional markets, it is also important to establish microfinancing schemes and increase access to capital for small- and medium-sized enterprises. Regional initiatives to enhance market coupling, increase inter-

connection capacity and achieve greater correlation with European exchanges would also help to increase interest in the region. As discussed above, there is a need to align regulatory and legal frameworks to attract investors and make the region more attractive for financial markets.

- Regarding infrastructure development and technological capacity, countries in the region such as Croatia need to continue to develop LNG storage and distribution capacity as gas will continue to be an important transition fuel for some time to come. It is also important to lay the groundwork for infrastructure to diversify away from gas to other energy sources in future. Governments need to prioritise the upgrading of electricity grids. Stabilising the grid is essential to prepare for the increase in RES sources in future. At the same time, increasing storage capacity is essential. Beyond the core energy industries, governments can do a lot by overseeing the digitalisation of the public sector administration and enterprises; the decarbonisation of the building sector through energy efficiency investments; and the modernisation of the transport sector by providing more buses and electrifying the public transport system.
- Regarding the "just transition", the shift to clean energy will have an adverse impact on the livelihoods of many people and governments need to prepare. There is an onus on governments to engage in long-term planning. They need a national strategy to decide what to close and when. Governments also need to reform the education system to equip a new generation with the skills needed for the clean energy transition; and create training and re-skilling opportunities for existing workers to address skills shortages and enhance labour mobility.
- Finally, the WB6 urgently need to prepare for the official introduction of the EU's Carbon Border Adjustment Mechanism (CBAM) from 2026. The EU CBAM pilot phase began in 2024 and will enter into force with financial obligations in 2026. The aim of the EU's is to support EU companies that are having to deal with rising carbon prices under the European Emissions Trading System (EU ETS). The EU CBAM is essentially an import duty, so countries with lower emission standards that export large quantities of CBAM-covered goods--including electricity, aluminium, iron and steel, hydrogen, cement, fertilisers—to the EU will be adversely affected as their exports will become more expensive. Given that the EU is the main trading partner for the WB6, the region is therefore highly exposed to the introduction of the CBAM. With one year to go before its official introduction with financial penalties, the CBAM could be the spur to accelerate the clean energy transition in the region. On the other hand, the cost of failure to adjust would be extremely high for the WB6, whose export-dependent industries could be laid waste by the CBAM.

INSTEAD OF CONCLUSION

Balkan Economic Forum 2024 brought us a lot of knowledge and transferred lessons from some of the most important economic leaders in Europe. The impulse that will last the longest is of course the new friendships and the great atmosphere filled with very, very positive energy!

An old African proverb says “if you want to go fast, go alone ... but if you want to go far, go together.”

Our organization offers the opportunity to build bridges of cooperation as together we uncover the riches of our region and are strengthened by our differences as well as what binds us together as a people in one of the most diverse regions of Europe. Our strength lies in our diversity and in our determination to be part of the European family of democratic nations.

Association for regional development Balkan Economic Forum do believe that **TOGETHER we can build a brighter future for the Balkan region**!

BEF 2024 conference links:

1. https://www.balkaneconomicforum.org/initiatives/events/balkan-economic-forum-2024/ (conference website)
2. https://www.youtube.com/live/vKA9oXiWz6I (complete recording)
3. https://www.youtube.com/watch?v=dThgal7BNkg (aftermovie)


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