

## QUO VADIS SUSTAINABLE FINANCE? DRIVERS AND BARRIERS TO GREEN FINANCE TRENDS IN THE WESTERN BALKANS

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### Abstract

This article is in convergence with the newest and most trending movements of the last decades related to the reduction of pollution, created by the business sector on a global scale, as well as to the minimization of climate change. The contribution of this paper will be in terms of the operation of green finance in the framework of the sustainable economy, as well as to the results it produces. The main purpose of this study is to evaluate the real possibilities of the institutional operations of what is proclaimed on the grounds of creating preconditions for green financing. For this purpose, the sample of the Western Balkans countries has been considered for examining the sustainability of green finances. The research first reviews the latest theoretical framework related to the applicability of green finances in transition economies. Through analysis, was gathered evidence of internal and external drivers that justify green financing as an efficient input of a sustainable economy. The influence of state institutions through establishing regulations and laws that stimulate private sector developments in the transition economy through green financing as the first impetus is reviewed. The issues related to climate challenges suggested by the Kyoto Protocol are summarized. Meanwhile, the last impetus is the considerable influence of the EU, stimulating alignment with European regulatory standards, as a prerequisite for membership. Meanwhile, the results suggest that although numerous projects and funding's were dedicated to the green finance development path, these countries are lagging mostly on the implementation of green finance infrastructure, thus we cannot look forward to more substantial development.

*Keywords:* green finance, sustainable economy, climate change, Western Balkans.

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### Introduction

The evolution of sustainable finance did not match the agenda of sustainable development, even though some developments were occurring within companies. In recent years companies and investors have taken actions mainly to integrate climate change concerns into their decisions and portfolio investments. Sustainable finance came in as part of the green economy which is mentioned as an important factor in the process of minimizing the negative impact that the business sector has on the environment and climate change. In recent years researchers, investors, and governments have taken various actions increasingly to integrate climate change and sustainability into their decisions. However, the need for greater certainty about the environmental sustainability of investments, portfolio allocation, and overall economic activity has been pointed out. Therefore, several jurisdictions have created official definitions and taxonomies of sustainable finance.

As the concepts of “green” and “sustainable” economy/finance are gaining all the attention among policymakers and researchers. Several jurisdictions have started to legislate to create official definitions of sustainable finance. Taxonomies are definitions of sustainable finance that aim to be comprehensive classification systems, while definitions of sustainable finance are less ambitious in scope. When appropriately designed, sustainable finance definitions and taxonomies can bring potential benefits. The “Regulation on the Establishment of a Framework to facilitate sustainable investment” was published in June 2020 in the Official Journal of the

European Union (EUOFFICIALJOURNAL, 2020[1]). This regulation sets a framework for the taxonomy design. (OECD, Developing Sustainable Finance Definitions and Taxonomies, Green Finance and Investment, 2020).

The EU taxonomy allows financial and non-financial companies to share a common definition of economic activities that can be considered environmentally sustainable. In this way, it plays an important role in helping the EU scale up sustainable investment, by creating security for investors, protecting private investors from greenwashing, helping companies become more climate-friendly and mitigating market fragmentation. (European Commission, n.d).

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. Based on the importance of green finance on a global scale, companies that focus on the world's environmental, social and governance (ESG) issues are more highly valued and can perform better because they have a lower cost of capital due to their superior risk profile (they are more profitable and will outperform should unexpected events occur), according to an MSCI report. (Cooper S, 2019)

Several studies are concerned with the green finance market's effect and influence on the environment. Through financial institutions handling monetary funds, currency funds movement promotes commodities trading according to the market demands, bonds various factors of production rapidly and forms new productivity. The green finance market is one of the most important levers regarding macroeconomic regulation and control. Capital supply can adjust social total demand. Through the financial leverage effect, the green finance market can adjust the size, speed, and structure of economic development. (Wang, 2016)

This research article analyses the first scan of the level of implementation of the Sustainable Development Goals (SDGs) specifically the path to the development of sustainable finance in different Western Balkan countries, regarding the strategies, policies, and actions undertaken in this context, to evaluate their impact. The article also examines the results of the aforementioned steps whereas the drivers of green finance and the barriers faced by them represent a pathway for future interventions regarding the issue. Also, the main part of the study is the evaluation of financial input in boosting green/climate finance in these countries and then the evaluation of their results. The negotiations with the EU and the preconditions for membership in the EU represent the main factor that keeps encouraging these countries to take measures and apply them to strengthen and develop the green economy in the Western Balkans. This assumption will be more deeply investigated in the article.

The paper puts some hypotheses regarding the development of green finance. According to our previous research, we can assume that the first impetus for the development of the green economy is the influence of the government. They play the main role through the establishment of regulations and laws to stimulate private sector developments in the transition economy through green financing.

### **The evolution of sustainable finance**

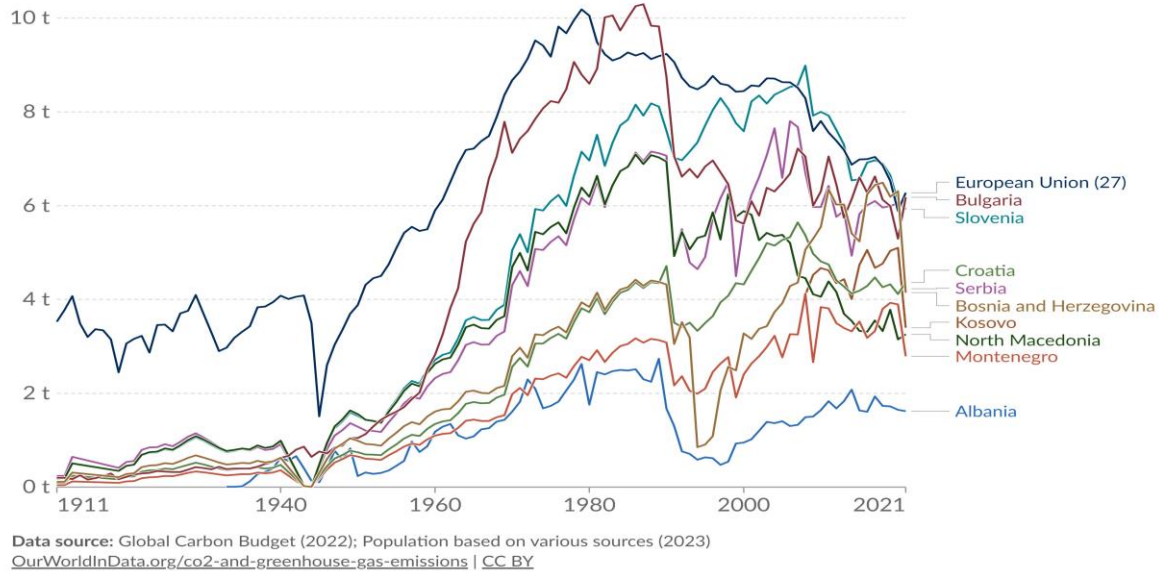
The concept of a green economy has its roots in the broader environmental and sustainability movements, with a focus on integrating economic development and environmental protection. The Western Balkans countries are considered as highly vulnerable to major natural disasters therefore the region needs to remain vigilant about the impact of climate change. Both the physical and transition-related risks of climate change can cause various losses and risks and lower funding sources from customers in affected sectors. With limited public sector resources for investment in climate adaptation and mitigation and shallow capital markets, domestic banking sectors are seen as key players in mobilizing private funds for green investments.

Governments need to consider sustainable strategies and green taxonomies and promote prudential management of climate-related and environmental effects and risk assessment. It is important to mention that for the majority of developing countries such as the Western Balkans, there have been noticed several issues regarding the implementation of green finance. Those constraints or 'bottle gaps' include: capacity gaps and disclosure of non-financial information; non-financial regulation and credit ratings; low financial market depth and sustainability constraints. (OECD, Bottlenecks to Access Sustainable Development Goals Finance for Developing Countries, 2023).

Nevertheless, we must mention the fact that even the EU countries are lagging in terms of the implementation of the Kyoto Protocols and the Paris Agreement. Our neighbor Bulgaria is one of the first in the European Union to adopt a legislation called The Bulgarian Climate Change Mitigation Act (CCMA), as a framework law for regulating public relations and climate policy in Bulgaria which was adopted in 2014. Yet this EU country is still facing difficulties in adapting to the sustainable finance regulations and making them functional. The report of (the Association of Justice and Environment, 2023) has listed a list of barriers and constraints that this country is facing, where the lack of regulations and institutional capacities are amongst the first. Moreover, the report on (Move. bg, 2022) among a lot of barriers also mentions the lack of a government strategy for the development of sustainable finance lack of the cooperation among financial institutions, and the need for financial analysis about green finance.

In general, the literature agrees that green finance leads to green results such as emission reduction and energy saving. Current literature assures the value of green finance and sustainability disclosure; however, some controversies have been identified. Due to the lack of one generally accepted set of standards that guide the reporting of sustainability and the lagged development of third-party assurance, the main challenges for sustainability reporting are its reliability, consistency, and comparability. (Liu Ch and Wu S, 2023)

To arrive at the point of this study we must mention the problem which has brought the necessity of green, economy and green finance. We need to emphasize that the amount of gas emissions and the destruction of the environment created by these economies is huge. Therefore, several international organizations are highly motivated to assist these countries in lowering their impact on the environment and climate change. The graph presents the amount of CO<sub>2</sub> emissions for every country during the last decades. Surprisingly, the European member countries are shown to be more polluting than the non-EU members. The main reason must be the stage of industry development in these countries. Later on, the study will analyse their impact and determinations about them.



**Figure 1.** Per capita CO<sub>2</sub> emissions in Western Balkans, by countries

## Methodology

This study analyses the status of green finance in a sample of Western Balkans countries. The methodology consists of some comparative analyses between the countries in the sample regarding the elements that fulfill the implementation path of green finance. This is the main reason behind the title of this paper. The purpose of the work is to serve as a basic scan of the situation related to the laying of the infrastructure and the road of green financing in the western Balkans. Since during the preliminary research, it was observed that there is a lack of research in this direction, this study serves as significant research regarding the level of development of green financing as well as the path or direction it has.

Here we make a comparison between them about the stages of green finance development. Mainly this research article refers to the factual situation, first of all, the establishment of regulations and laws that improve the sustainability of green finance. Then we identify the possible barriers that the business sector is facing and which may be a strong repelling force to stop the future development of sustainable finance. This research as one of the few studies of this nature about the Western Balkans is focused on the state of the art of the topic, mostly to evaluate the status and to recommend the possible future engagements on further developments. The population of Western Balkans countries is widely known; however, we will discuss some of them. The sample includes three countries (North Macedonia, Albania, and Serbia) that are in the process of adhering to the EU. The Balkan's EU-member country, which is considered more likely comparable to the sample is Bulgaria. Even though it is an EU country, its development stage is upper middle income, which is similar to the other non-EU members such as Albania, North Macedonia, and Serbia.

## **Comparison of the level of development among the WB countries regarding the green economy/finance**

### **1. North Macedonia**

The first approach to climate change global concerns has been made since 2005 when the government provided the Law on Environment, which is considered the backbone of the measures taken by this country. Since the country began the process of accession to the European Union, it was expected to act in this direction to implement the green and digital transformation reforms required by the Economic and Investment Plan for Western Balkans. The adopted Law on Climate Action had a more specific target including climate change through the initiation of low-carbon development and climate change resilience. The CO<sub>2</sub> per capita in North Macedonia was 3.3 tons while annual emissions were 6.85 million tons. (Ritchie H., Rosado P. and Roser M, 2020). According to (MOEP, Climate Finance. Briefing Paper, 2021) North Macedonia is a non-Annex I party to the UNFCCC, with no quantified commitments for reducing the GHG emissions. As a candidate country for European Union (EU) membership, it must adhere to the EU Climate and Energy Policy, which includes the quantified commitments of Annex I parties. North Macedonia integrates its UNFCCC and EU requirements voluntarily in its national climate change reporting.

The country prepared a National Energy and Climate Plan (NECP), which covers the period from 2021-2030 following the 2019 National Energy Strategy. As part of the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement, the country has set both an initial nationally determined contribution (NDC) in 2015 and an enhanced one in 2020. (UNECE, n.d.)

The Enhanced Nationally Determined Contribution Report of North Macedonia (UNDP, 2023) mentions some ambitious measures initiated by the country to achieve the country's objectives in 2030. In response to the COP decision at Paris, reiterated by the 2018 decision at COP24 in Katowice, and in line with the Decision of the Government from its 65th session held on April 13th 2021, the Republic of North Macedonia is determined to reduce greenhouse gas emissions for 51% and the net emissions for about 82% in 2030. The target covers emissions from the following sectors: Energy; Industrial Processes and Product Use; Agriculture; and Waste. (MOEP, The Macedonian enhanced Nationally Determined Contribution, 2021).

North Macedonia has made some serious advancements in terms of institutional readiness and law/regulatory preparation regarding climate finance. In recognizing the importance of country ownership, particularly with its engagement with the Green Climate Fund, the Government of the Republic of North Macedonia has identified the Fund for Innovation and Technology Development (FITD) as an appropriate candidate to initiate the GCF accreditation process as Direct Access Entity, as well as a highly suitable entity for engagement with the private sector. However, despite the efforts and measures made by the government regarding the mobilization towards its climate agenda, according to the (Food and Agriculture Organization of the United Nations (FAO), 2023) were a lot of barriers and challenges within the country in its readiness reports. In this context, this study has counted some of the barriers.

### **2. Serbia**

Similar to North Macedonia, Serbia is a candidate country for adhering to the EU and as such is making the same legislative preparations regarding the green agenda of EU Climate and Energy Policy by the requirements of the Kyoto Protocol and the Paris Agreement. Referring to the report of (the European Commission, 2023) some progress was achieved particularly on trans-European networks, where Serbia advanced on upgrading its infrastructure, with works

progressing on the Serbia-Bulgaria gas interconnector, and on climate change with the adoption of the Low Carbon Development Strategy 2023-2030. The Ministry of Environmental Protection, by the provisions of the Law on Climate Change, developed the Programme of Adaptation to Climate Change for the period 2023–2030 with the Action Plan, which will be the first document of its kind in the Republic of Serbia. The goal of this Programme is to identify the impact of climate change on the most vulnerable sectors, define measures that will reduce those impacts, and improve capacities for informing the public about climate hazards to increase preparedness. (UNDP , 2023)

Serbia has been a Party to the United Nations Framework Convention on Climate Change (UNFCCC) since 2001 as a non-Annex 1 Party to the Kyoto Protocol and is obliged to submit national communications and biennial update reports to the UNFCCC regularly. The Ministry of Environmental Protection (MoEP) is responsible for climate change on a national level and for reporting under the UN Framework Convention on Climate Change (UNFCCC).

In the process of negotiation with the European Union, Serbia is ahead of the countries that are following the same process such as North Macedonia and Albania. As a result, Serbia has benefitted much more from the EU and international organizations (UNDP, FAO, WB, etc.) in terms of assistance, grants, and investments for capacity building and readiness, building policy framework, strategies, and mechanisms. However, the field results have shown a lot of obstacles in the process of implementation of the requirements for green finance, thus the (Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia, 2020) has listed many barriers to green finance implementation in Serbia.

### **3. Albania**

In the framework of the Paris Agreement, in 2016 Albania drafted and submitted the Nationally Designated Contribution (NDC). The obligations under this agreement require the review of emission reduction targets every five years. The review and presentation of the second NDC report for Albania in 2021, defined a new objective for 20.9% emission reduction by 2030, compared to year 2016. Albania joined the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and being a signatory to the Kyoto Protocol (2004), Albania ratified the Paris Agreement in 2016.

The National Action Plan, in the frame of the National Strategy for Climate Change (NSCC), 2020-2030 was developed by the “Technical Guidelines for the NAPs” and drafted by a group of experts for less-developed countries in the context of the Nationally Designated Contributions for Climate Change. ‘Technical Guidelines for the NAP Processes’ were developed by the UNFCCC in December 2012. (REC Albania, 2022).

To achieve the NDC goals and address adaptation priorities, Albania requires strong national institutions and committed private sector to mobilize climate finance, including GCF resources, and implement transformational projects. This is impeded by several important barriers which are identified (GCF, 2022).

### **Results and Discussions**

Following up the preliminary findings that were elaborated on the preliminary scan, the following table adds up to the research mainly including the barriers as an important element. I here want to emphasize the theoretical assumption that we should confirm. Theoretically, the EU member countries and the countries that have benefitted more funding for green economic development by international bodies and the EU should have greater green development. Also, their business communities and society should have fewer barriers to face and deal with.

**Table 1.** Constraints and barriers of green finance implementation in WB countries compared to Bulgaria as EU country.

<b>North Macedonia</b>	<b>Serbia</b>
<ol style="list-style-type: none"> <li>1. Lack of institutional capacities to mainstream climate change into sectoral policies, strategies and budgets;</li> <li>2. Capacity gaps of the identified potential national DAE, Fund for Innovation and Technology Development (FITD)</li> <li>3. Gaps connected to the lack of strategic documents facilitating the country engagement with the GCF.</li> <li>4. Gaps connected to private sector knowledge and awareness of the climate impacts and potential for accelerating climate investments.</li> <li>5. Lack of institutional memory and loss of information and knowledge on GCF and GCF procedures, including in the NDA office and other institutions part of the country coordination mechanism.</li> <li>6. Decreased human capacities of the NDA influencing the process of successful facilitation of the</li> <li>7. Implementation of the country work program and climate action.</li> <li>8. Lack of capacities and knowledge on GCF procedures of key public institutions.</li> <li>9. Lack of awareness, knowledge, information, including on risks, impacts, options, opportunities...</li> </ol>	<ol style="list-style-type: none"> <li>1. Revision of INDCs,</li> <li>2. Approval of Climate Law and Low Carbon Development Strategy,</li> <li>3. Development of National Adaptation Plan,</li> <li>4. Poor integration of environmental policies with economic and other sectorial policies</li> <li>5. Insufficient institutional capacity</li> <li>6. Ineffective monitoring and reporting systems</li> <li>7. Limited use of economic policy instruments</li> <li>8. Insufficient and ineffective environmental financing</li> <li>9. Low environmental awareness, insufficient environmental education and inadequate public participation in decision making.</li> <li>10. Most of the building blocks are influenced strongly by political agenda, which delays adoption of Climate Law and Draft Low Carbon Development Strategy with Action Plan and other supporting strategies and regulations.</li> </ol>
<b>Albania</b>	<b>Bulgaria</b>
<ol style="list-style-type: none"> <li>1. Limited outreach and visibility of the Ministry of Tourism and Environment as the country's lead climate change institution</li> <li>2. Lack of awareness and knowledge on the climate change effects and opportunities among the relevant stakeholders and general public</li> <li>3. Low institutional capacities for the direct access modality</li> <li>4. Low financial sector engagement in climate investment</li> <li>5. Lack of initiative, vision and a holistic approach to involve the financial sector in NDC implementation</li> <li>6. Staff turnover in key partner institutions;</li> <li>7. Inadequate coordination / participation among stakeholders or institutions;</li> <li>8. Low level of sustainability of activities such as trainings;</li> <li>9. Lack of political will to support the Readiness request to completion.</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of a government strategy for the development of sustainable finance in Bulgaria</li> <li>2. Lack of a common coordinated sustainable finance development policy shared between all ministries, including the two leading institutions in this sphere (the Ministry of Finance and the Ministry of the Environment and Water)</li> <li>3. Lack of a holistic and long-term approach to ESG disclosures.</li> <li>4. Lack of a strategy to prepare the companies for which the ESG disclosures will become binding.</li> <li>5. Lack of a strategy on how public-funded financial instruments could be actively involved in the development of sustainable finance, including the tools of the Fund of Funds and the Bulgarian Development Bank</li> <li>6. Lack of a standing cooperation mechanism among the financial institutions involved in the ESG implementation</li> <li>7. Lack of a cross-sectoral approach to the ESG disclosures, i.e. links of business and the financial sector with the other stakeholders.</li> <li>8. Lack of a national certification system for green business products and services.</li> </ol>

*Source: The author. The data are obtained from various country reports*

The table 1 shows a comparison between the sample of the countries of the Western Balkans as candidates for membership in the EU and one of the countries of the Balkans which is already a member state of the EU, such as Bulgaria. The purpose of this selection is to assess if being a member state of the EU, and at the same time geographically located in the Balkans will have an advantage in the development of the green economy over the group of selected sample states, which are not part of the EU.

The results show that the compared countries are approximately at the same level in terms of legal, regulatory, institutional and human capacity preparations. All countries are making efforts to properly implement the green economy, but they all face the same barriers, which include the practical application of laws and regulations, the lack of strategies for the development of the green economy, the lack of prepared and adequate staff, the lack of national institutions for further development of the green economy and the supervision of this development. We estimate that the EU member countries (in this case Bulgaria) are not at an advantage over non-member countries, since the list of barriers facing the sustainable Bulgarian economy is quite long and similar to the other WB countries.

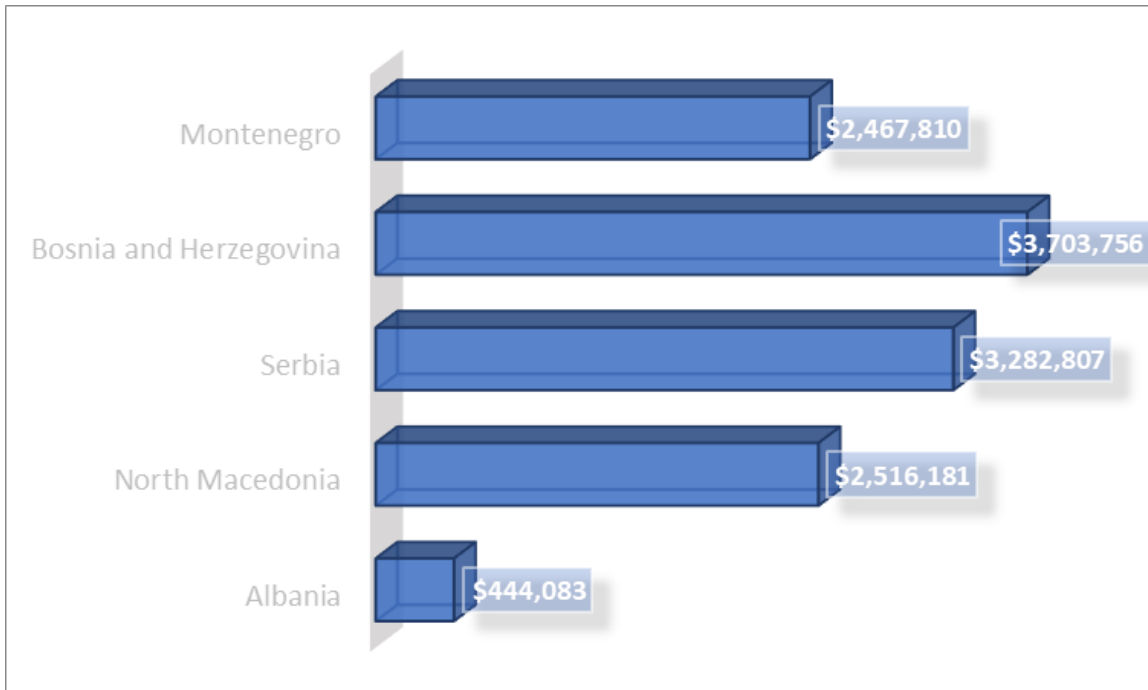
### **Analysis of the funding of the green finance implementation process in the Western Balkans**

Considering the analysis and comparisons that were made in this study, it must be emphasized that the implementation of green finance is still in its initial phase. With all the requirements and conditions imposed by the EU, as well as the Paris Agreement, and other climate agreements, signed by these countries, the realization of the prerequisites for implementation of this initiative requires investments and an increase in financial funds for the development of the relevant key institutions that are eligible to develop the sustainable finance and the overall green economy.

This part of the article discusses the funding which is derived by various international organizations and institutions towards these countries in their preparation process and readiness for a green economy.

According to this, figure 2 shows the data representing the grants that these countries have received from different funds in the readiness process. What is important to emphasize is the fact that not all countries have been treated the same in terms of the amounts of granted funds. Of all the countries of the Western Balkans, Bosnia and Herzegovina has received the largest part of the grants. Considering the sample of this study, it turns out that Serbia has the largest amounts of grants awarded, i.e. over 3,282,807 US dollars. North Macedonia has received 2,516,181 dollars in grants, while Albania has benefited significantly less, about 444,083 dollars.

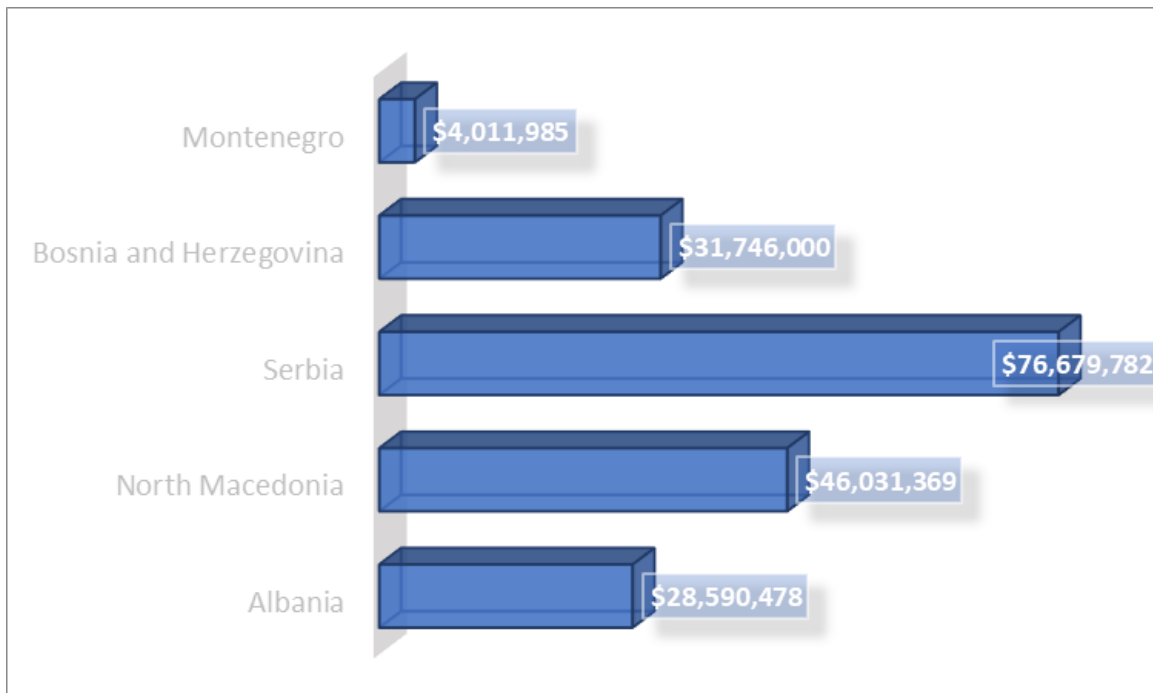




**Figure 2.** RP Readiness grants, financing (\$)

Source: The author. Based on the data from the Green Climate Fund

Further deepening the analysis of the financing of the countries' preparation for green financing, figure 3 again shows discrepancies between countries in the context of the amounts of financed activities. Here, Serbia appears with the largest funded activities, i.e. 76,679,782 dollars, followed by North Macedonia with 4,031,369 dollars and Albania with 28,590,478 dollars.



**Figure 3.** Funded activities, financing (\$)

Source: The author. Based on the data from the Green Climate Fund

At this point of the research, we have to compare the preliminary findings related to the existing barriers that we managed to discover in all similar countries with the amounts of grants and internationally funded activities, which showed us many differences among the countries.

A point that is worth mentioning is how to find the reason for the underdevelopment of those countries that have benefited from significantly more grants and significantly more has been financed in them for the development of the green economy. If this comparison is valid, and if the funds have been used for capacity building, as a result, the green economy in these countries should have fewer barriers and obstacles to cope with.

Reaching the end of the analysis, it was proven that the majority of green financing by the countries that were examined in this sample was dedicated to the preparation, building, and strengthening of their capacities to apply the prerequisites for the green economy or sustainable finance. As a result, in Table 2 we managed to divide and compare the types of projects that were financed, as well as the source from which these funds were provided for each county in the sample.

**Table 2.** Comparison of funds and projects for green finance readiness received by countries from international bodies.

North Macedonia			Serbia			Albania		
Project	Delivery Partner	Financing (\$)	Project	Delivery Partner	Financing (\$)	Project	Delivery Partner	Financing (\$)
Support for the management of an effective national coordinative mechanism regarding the Green Climate Fund	FAO	300,000	Developing the capacities of the Republic of Serbia for an effective engagement with the Green Climate Fund	UNEP	300,000	NDA Strengthening + Country Programming	UNEP	300,000
Strengthening country capacities for climate change adaptation and mitigation in the AFOLU sector and finalization of country work programme for the Republic of Macedonia	FAO	663,245	Adaptation Planning	UNDP	2,100,000	Advancing Albania's planning for medium and long-term adaptation through the development of a National Adaptation Planning (NAP) process	UNDP	2,997,907
Building capacity towards sustainable and climate-resilient human capital development in North Macedonia	GIZ	919,715	Strengthening Serbia's capacities for strategic engagement of private sector into climate financing	FAO	560,357	Enhancement of the existing NDC	URI	257,162
Strengthening capacities and developing strategic frameworks for building low carbon and climate resilient society in the Republic of North Macedonia	FAO	633,221	Increasing national capacity to adapt to climate change through enhanced finance institutions, access to localized climate information and improved climate smart investment frameworks	Development Fund of Vojvodina	322,450	NDA strengthening and entity support for Albania	GIZ	536,285
						Climate Change Measurement, Reporting and Verification System of Albania: Emissions and Mitigation	URI	349,476

Source: The author. Data from (Green Climate Fund, 2023)

Based on the results (table 2) again we see that Serbia is the biggest beneficiary based on the funding for green development. These funds were dedicated to strategy and capacity building. Again, green finance development lags comparing the money spent for the development of the green economy.

## Conclusion

The primary and general objective of this study is to scan, as well as to look at the actual state of green economy in the Western Balkan countries, and to evaluate their efforts on the development of sustainable economy and green finance. Thus, the purpose of this study is the evaluate the achievements of these countries in the process of green development, since they have followed the requirements and preconditions that come from international institutions,

aiming to minimize and mitigate climate problems and the consequences that have brought the economies of the countries of the world to the deterioration of the global climate issue.

The article concludes that all of these WB countries are following the Kyoto Protocols and the Paris Agreement, as well as several other agreements, through which the governments of the WB countries are required to contribute and promote the green economy, laying the legal path and of course supporting the economy through financing of activities, as well as other non-financial services. These agreements are considered great incentives for the institutions and governments of the countries, as they tend to fulfil the conditions and criteria to open their economies towards internationalization.

In the process of providing support for these countries for fulfilling the conditions and demands set forth by the above-mentioned agreements, the countries of the WB have been allocated numerous funds to cope with this process and to prepare the respective economies through the process.

The latest EU strategy for the accession of the Western Balkan countries constitutes a strong impetus, about the objective of minimizing the polluting potential of the WB countries in the environment and climate change. Therefore, we can conclude that these countries have taken serious steps in the process of preparing and building the legal and economic capacities to support the transfer of the existing economies to green economies.

This study has reached the conclusion that all countries have set their strategies for green financing, have created legal bases, and are continuously making efforts to implement them. However, the study shows that these countries are in the initial phase of adapting to the prerequisites of the green economy. First of all, this comes as a result of, the lack of preparation of the key institutions, including the ministries and national agencies that are tasked with dealing with this issue. Secondly, it is observed that in these countries there is a lack of personnel with the appropriate preparation and professional knowledge to manage the processes of transformation of traditional economies into a green economy. Another aspect that is worth emphasizing is the lack of proper compliance with the laws that governments have introduced in recent years, which should form the basis for the proper functioning of green finance in these countries. Therefore, the existence of these issues and the lack of proper preparation creates a series of barriers and obstacles for business and the economies of the countries. During this research, many barriers were observed, but they were rounded up and grouped based on their nature, aiming to create conciseness.

This paper has pointed out the fact that despite the many funds and initiatives of governments and international organizations for the development of green financing and a sustainable economy, we still cannot expect genuine progress.

The study has proved that international bodies and the EU have allocated grants to these countries mostly for increasing and building their capacities and strategies to develop sustainable economies and green finance. Most of the financial funds in the WB have been allocated to Serbia and Bulgaria, but in these countries, there has been no significant improvement or progress compared to other countries in terms of the green economy.

This study has concluded that all the countries of the Western Balkans that were included in the sample, including Bulgaria as a member of the EU, have not yet managed to prepare the prerequisites required to apply a sustainable economy, while all businesses face limitations and barriers of bureaucratic, legal, administrative and financial nature in the process of green transformation. Being an EU member country did not provide any substantial difference regarding the green economic development, since the constraints and barriers their economy is facing are on the same level as the non-EU member countries on this sample.

In this topic, there are still many gaps that should be covered, which I did not manage to include in this study. In the next study, this topic will be analysed in depth, to broadly identify reasons

for the stagnation of the process of green finance development, as well as to offer the necessary recommendations on a scientific and empirical ground.

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