

# BOSNIA AND HERZEGOVINA CIRCULAR ECONOMY WHITE PAPER

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## SUMMARY

### Why circular economy?

Use of natural materials has been growing continuously in the world. With the current growth rates and population increase rates, global demand will in 2050 require resources of three planets like ours. Current increase in demand, limited supply of certain resources and disrupted supply chain cause a significant increase in prices and threaten to give rise to a new economic crisis, demonstrating the fact that the current models of the use of resources are far from being sustainable, while they may potentially cause instability.

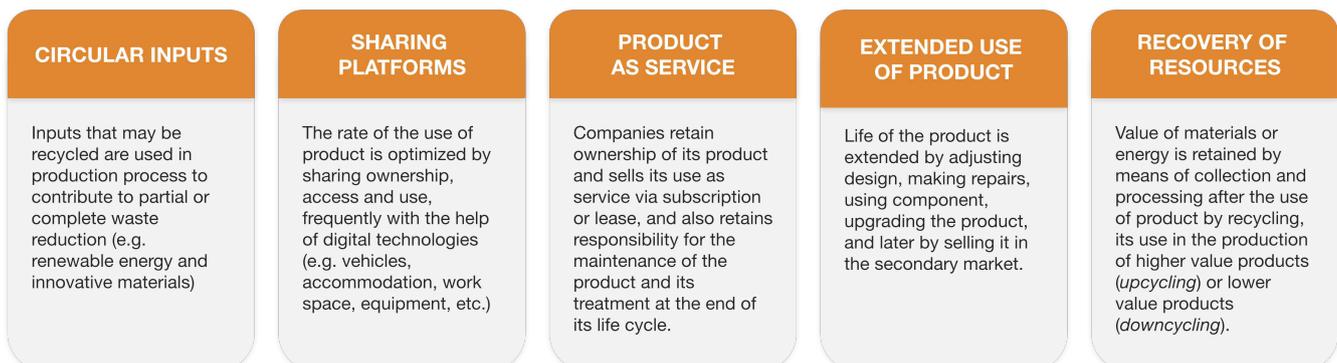
To prevent catastrophic consequences of accelerated resource consumption for the humanity, societies and economies across the world have been adopting structural changes in order to reduce their environmental impact (pursuant to obligations accepted under the Paris Agreement on Climate Change, and reaffirmed in the Glasgow Climate Pact of 2021). With its 2020 Green Deal, the EU puts climate change in the epicentre of their long-term development plans, thus making commitment to become the carbon neutral continent by 2050. Transition to circular economy is an important element of this plan.

### What is circular economy?

Circular economy is a concept that aims at decoupling economic growth from resource use, i.e. at achieving the “zero waste” economy. As opposed to the extraction industry model “take-use-discard”, circular economy is based on the “reduce-repair-reuse-recycle” model. Circular economy is often confused with waste management, i.e. recycling, which is only the last phase in life cycle of a product, while in fact this concept is about prevention of waste generation and pollution in all phases of life cycle.

In addition to environmental benefits, circular economy has a strong potential for creating economic and social values. The Accenture estimates that CE can create value of around 4 trillion Euro by 2030. Transformation towards CE in the EU has the potential to contribute to GDP growth in the EU with additional 11% by 2030, and 27% by 2050. Business models for creating circular values are shown in the following illustration.

### Business models for creating circular values



## Regional perspective

**With the adoption of the Western Balkans Green Agenda in 2020, the Western Balkan countries adopted the European Green Deal** (its key elements), making commitment to implement measures and achieve compliance in five areas, one of which is circular economy. For small, open economies such as the ones in Western Balkans, which are close neighbours to the EU that is a global leader in climate initiatives, access to the EU market and expected financial assistance from the EU will critically depend on the progress achieved in the transition towards green economy. EU is the largest trade partner to all Western Balkan countries, with the share of 70% in total trade in the region.<sup>1</sup>

**Transformation of resource-intensive industry in the Balkan countries towards green and circular economy is not a simple task.** Brown industries here have a long tradition, employ a significant share of labour force, and also have developed value chains and market infrastructure. Cheap primary resources, when excluding the externalities, combined with relatively cheap labour force, provide to this region a comparative advantage in many sectors and attract foreign investments.<sup>2</sup>

## Initial prerequisites for circular economy in BiH

**Being resource-intensive economy, BiH has potential to achieve significant economic benefits by implementing the circular economy model.** In 2019, the average 11.5 tons of natural resources were consumed per capita, compared to the EU average of 14.5 tons per capita. Resource productivity (ratio between gross domestic product and domestic consumption of resources) in BiH (0.9) is significantly below the EU average (2.2). In BiH, 2.2% of the generated waste is processed, while the exports of non-hazardous waste are close to 28 times its imports. Although there is no systemic approach to circular economy in BiH, in recent times there has been an evident increase in initiatives and support to CE in BiH, including the creation of strategic and regulatory framework.

**Numerous BiH companies include in their operations, to a larger or smaller degree, some elements of circularity,** suggesting that some of the prerequisites for progress in this area are there. In the Case study - Implementation of Circular Economy Business Models in BiH, which was developed within this project, several examples of companies that implement circular activities have been identified. Some of the companies have recognized CE as their primary business model (e.g. Lucius, Kudces.ba, the BioDizajn project), other companies use CE to complement their core business (e.g. Aida Commerce, NextBike), while other companies, due to their close links with international markets and owners, follow advanced models, including the CE model (e.g. Natron-Hayat, Lukavac Cement).

## Barriers and incentives to development of circular economy in BiH

**Transition towards CE is inhibited by the current “linear” legislation, markets, investment tools and practices.** These barriers prevent the economy to reflect the real cost of negative environmental impacts in the price of their goods and services. As part of this research, the authors analysed groups of barriers to development of circular economy in BiH (regulatory, financial, organizational, technological and consumer-related barriers).

**In consideration of EU good practices and specific characteristics of BiH economy, we have identified several incentives for circular economy that are feasible in BiH,** and that should aim to create value, reduce risk and enhance competitiveness of CE supply chains. Decision-makers should design and implement incentives commensurate to the desired impact, size, scope and time of implementation.

Priority sets of incentives that have been thoroughly analysed in the White Paper include:

1. Improving legislation regulating circular economy
2. Fiscal incentives for circular economy
3. Introduction of full price of waste management costs
4. Green public procurement
5. Education and awareness-raising programmes to motivate sustainable consumption

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<sup>1</sup>World Bank, Western Balkans regular economic report – Greening the recovery, 2021

<sup>2</sup>Ibid