

Chapter 11. SMEs in a green economy (Dimension 9) in the Western Balkans and Turkey

This chapter assesses the provision of policies that promote green behaviour among small and medium-sized enterprises (SMEs) in the Western Balkans and Turkey. It starts by providing an overview of the assessment framework and progress since the last assessment in 2016. It then focuses on the two sub-dimensions of Dimension 9: 1) framework for environmental policies targeting SMEs, which considers the greening aspects in national SME, sectoral and innovation policy frameworks; and 2) incentives and instruments for SME greening, which looks at the various tools and instruments in place – such as regulatory and information-based instruments, financial incentives and green public procurement – to support SMEs in their greening efforts. Each sub-dimension concludes with key recommendations to tackle the challenges identified and help to facilitate SME greening in the region.

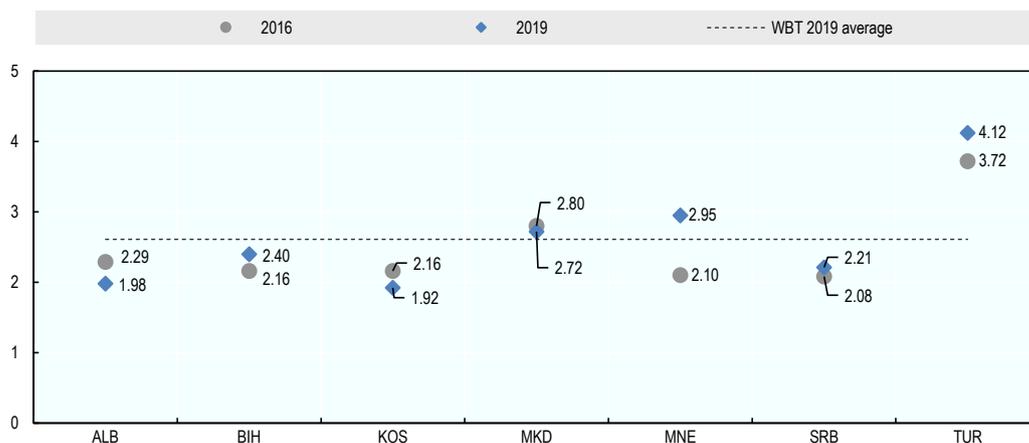
Key findings

- **SME greening measures and policies are now included in overall SME strategies in almost all the Western Balkans and Turkey (WBT) economies.** Resource efficiency and eco-innovation lie at the forefront of new SME greening measures, which mostly contain clear targets, planned budgets and timeframes.
- **The implementation of SME greening policies remains limited in the Western Balkans.** This is mainly due to the limited budgets allocated for the envisaged greening measures, creating a high dependence on external donor support. The unpredictability of funds results in frequent interruptions and delays in programme implementation, contributing to the overall underperformance in realising the measures.
- **Advice and guidance programmes on SME greening are slowly emerging in the region and greening practices are becoming recognised and awarded.** In particular, these programmes aim to share information and provide expertise to help SMEs take advantage of the opportunities from emerging green markets and improved resource efficiency – most notably, energy efficiency. Some WBT economies are also recognising SMEs for their achievements in the area of environmental protection.
- **Some WBT economies plan to introduce financial incentives for SME greening in their new SME strategies,** but what type of incentives, and how they will be implemented, remains unclear.
- **Incremental progress has been made in introducing non-financial tools for SME greening.** Regulatory instruments are almost non-existent in the entire region, except Turkey. Green public procurement is slowly gaining momentum in some WBT economies.
- **Business associations are increasingly involved in developing and implementing SME greening policies and their supporting instruments,** for example providing information and guidance to SMEs on adopting environmental practices.

Comparison with the 2016 assessment scores

Overall, the regional average score in this dimension stands at 2.61, similar to the 2016 assessment (Figure 11.1). However, this average masks the notable improvement by Montenegro, which has become the second-best performer of the seven assessed economies. The Republic of North Macedonia has also introduced a number of measures aimed at enhancing the environmental performance of its SMEs, but changes in the methodology for calculating the scores have somewhat masked its real improvement. Turkey continues to be the regional leader, reflecting its comprehensive and well-designed government approach to SME greening.

These three economies aside, progress in the Western Balkans has been rather limited, highlighting the need for governments to step up their efforts; particularly in implementing their policy frameworks.

Figure 11.1. Overall scores for Dimension 9 (2016 and 2019)

Note: The comparison of scores between the 2016 and 2019 assessments should be interpreted with caution because of the change in assessment methodology and the introduction of new questions. The reader should focus on the narrative parts of the report to compare performance over time. See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Implementation of the SME Policy Index 2016 recommendations

The relative stagnation of the economies' scores is reinforced by the mostly limited implementation across the region of the recommendations in the last SME Policy Index (Table 11.1). A number of the WBT governments have started to provide some kind of information and training for SMEs on environmental issues and they are introducing financial incentives, mainly as part of SME strategies developed since the last assessment. Nevertheless, with the exception of Turkey, all these initiatives are still at an early stage and further actions are needed.

Table 11.1. Implementation of the SME Policy Index 2016 recommendations for Dimension 9

Overall 2016 recommendations	SME Policy Index 2019	
	Main developments during the assessment period	Regional progress status
Make information about environmental practices easier for SMEs to obtain	<ul style="list-style-type: none"> - Bosnia and Herzegovina, Montenegro and North Macedonia have established some web-based systems and printed material to help SMEs obtain the environmental information they need, but without targeted efforts to disseminate these to a wider group of SMEs. - SME guidance on how to comply with environmental regulations and implement green practices is provided through websites and brochures. However, with the exception of Turkey, this practice is still at an early stage of development and further actions are needed. 	Limited
Help finance SMEs to make the transition to greener practices	<ul style="list-style-type: none"> - Financial incentives are now being introduced through the new SME strategies of Montenegro and North Macedonia, but the type of incentives and how these will be introduced remain unclear. - In Bosnia and Herzegovina, the introduction of financial incentives is envisaged, but has not yet been implemented. - Serbia has developed a donor-based financial instrument, Green Innovation Vouchers. 	Limited

Introduction

Long-term economic and social development depends on the ability of a country to grow while safeguarding the natural assets which provide it with vital resources and environmental services. The cross-cutting nature of the environment demands a co-ordinated approach across policy areas.

Environment policies that specifically address SMEs are important for two main reasons. First, although SMEs individually have a smaller environmental impact than large companies, their aggregated environmental footprint is quite significant and often surpasses that of large corporations. According to a recent study, SMEs were responsible for 64% of the total industrial pollution in Europe (Sáez-Martínez, Díaz-García and González-Moreno, 2016^[1]).

Second, SMEs' overall potential contribution to economic growth and employment is significant, while their particular characteristics can enable them to adapt to fast-changing market conditions and give them the flexibility to develop new products and practices, including green ones (Moore, 2009^[2]). Their less formal communication style and flatter hierarchical structures can offer a favourable environment for new and innovative approaches to green business practices. These features make SMEs good candidates for introducing eco-friendly products and more environmentally friendly practices and services, whilst also helping them develop new business opportunities and build a competitive advantage.

However, SMEs face a number of challenges in adopting sustainable practices and complying with environmental standards. Recent studies show that only large corporations tend to adopt proactive environmental strategies, while SMEs tend to be reactive, only striving to comply when under external pressure (Conway, 2015^[3]). This suggests that SMEs face different barriers to adopting environmentally friendly practices and standards than larger enterprises. Internal barriers include insufficient human and financial resources; limited time; and a lack of awareness of their negative environmental impacts or the benefits and business opportunities of "going green". In addition to these internal constraints, external factors such as inadequate institutional support, complex regulatory requirements and the lack of public infrastructure are further obstacles to the green transition (OECD, 2018^[4]).

Addressing these challenges requires strategic policies and government action to support SMEs in their pursuit of environmentally friendly practices and business models. Well-designed and tailored policies in this area should create an environment which allows SMEs to seize the opportunities offered by greening, such as improving their resource efficiency, exploring new markets, and building their brand recognition and customer relationship. To start with, SMEs need to know that improving their environmental performance brings tangible economic and financial benefits. As surveys undertaken in the European Union (EU) demonstrate, more than 80% of SMEs that have invested in resource efficiency are satisfied with their returns (EC, 2018^[5]).

In contrast, disregarding SME greening opportunities may lead to widening productivity gaps between the companies that improve resource efficiency and those that do not, as well as an overall weakening of firms' competitiveness. At the national level, economies risk losing momentum in their efforts to increase their general productivity and competitiveness, thus diminishing their overall growth opportunities.

Policy makers can use a range of policy options and tools to support the development of environmentally conscious firms: regulatory frameworks, access to finance through support and incentives, green business support services and capacity-building programmes. They need to take concerted public action across these policy areas, including in SME development policies, but in order to avoid the danger of crowding out SMEs' incentives to invest their own resources in "going green", this support should be time-bound and limited in terms of size (OECD, 2018^[4]).

Assessment framework

Structure

This chapter assesses the quality of governments' SME-specific policies and actions to foster green growth and development through the following sub-dimensions:

- **Sub-dimension 9.1: Framework for environmental policies targeting SMEs** assesses to what extent the national SME, sectoral and innovation policy frameworks are environmentally friendly.
- **Sub-dimension 9.2: Incentives and instruments for SME greening** evaluates whether tools to complement environmental policies for SMEs are in place and how efficiently and effectively they are implemented.

Each sub-dimension assesses three aspects of policy performance, namely 1) planning and design; 2) implementation; and 3) monitoring and evaluation (Figure 11.2).

The assessment was carried out by collecting qualitative data with the help of questionnaires filled out by governments, as well as face-to-face interviews undertaken with SME owners and managers.¹ In addition to collecting qualitative inputs, an integral part of the assessment involved compiling quantitative data on certain indicators requested from the economies' statistical offices and environmental protection agencies.

Figure 11.2 shows how the sub-dimensions and their constituent indicators make up the assessment framework for this dimension. For more information on the methodology see the Policy Framework and Assessment Process chapter and Annex A.

Figure 11.2. Assessment framework for Dimension 9: SMEs in a green economy

SMEs in a green economy					
Outcome indicators					
Share of SMEs that adopted/use environmental management system (ISO 14 001; local ones)					
Share of SMEs with green certificates					
Share of SMEs that have taken resource-efficiency measures					
Share of SMEs with a turnover share of more than 50% generated by green products or services					
Share of SMEs that offer green products or services					
Sub-dimension 9.1:			Sub-dimension 9.2:		
Framework for environmental policies targeting SMEs			Incentives and instruments for SME greening		
Thematic block 1:	Thematic block 2:	Thematic block 3:	Thematic block 1:	Thematic block 2:	Thematic block 3:
Planning and design	Implementation	Monitoring and evaluation	Planning and design	Implementation	Monitoring and evaluation
Quantitative indicators					
Share of SMEs that have benefitted from public support measures for their green production methods					
Share of SMEs that have benefitted from public support measures for their resource-efficiency actions					

Note: ISO – International Organization for Standardization. The outcome indicators serve to demonstrate the extent to which the policies implemented by the government bring about the intended results, and they have not been taken into consideration in the scoring. By contrast, quantitative indicators, as a proxy for the implementation of the policies, affect the overall scores.

Finally, it is worth adding that the assessment framework has been prepared in full alignment with the Small Business Act Principle 9 (Enable SMEs to turn environmental challenges into opportunities), which calls for the provision of “information, expertise and financial incentives for full exploitation of the opportunities for new ‘green’ markets and increased energy efficiency” (EC, 2008_[6]).

Key methodological changes to the assessment framework

The assessment framework is largely unchanged from the 2016 one. However, in each sub-dimension, some policy aspects have been expanded in order to better gauge the actual state of play in those areas (Table 11.2).

In Sub-dimension 9.1 (framework for environmental policies targeting SMEs), the key changes were an enhanced focus on the promotion of eco-efficiency and eco-innovation in national strategic policy frameworks, as well as on whether economies had specific environmental policies for sectors likely to have greater environmental impact and/or green opportunities, such as construction, transportation and agriculture. Sub-dimension 9.2 (incentives and instruments for SME greening) was updated to encompass a broader range of regulatory and other market-based instruments, including performance standards, and environmental taxes and charges. This assessment also evaluated SME greening promotion and guidance more thoroughly.

In order to underline the importance of effective implementation, the scoring weight for implementing policy frameworks has been increased.

Table 11.2. Key changes in the composition of Dimension 9

Sub-dimensions	Key changes since the 2016 assessment
Sub-dimension 9.1: Framework for environmental policies targeting SMEs	Stronger emphasis put on the concepts of eco-efficiency and eco-innovation, as well as on sector-specific environmental policies
Sub-dimension 9.2: Incentives and instruments for SME greening	Expansion of the assessment framework in order to include a larger number of instruments relevant to SME greening policy making
All sub-dimensions	The weights of the thematic blocks in the overall scores have been altered. Greater focus has been placed on implementation (5% increase in the allocated weight).

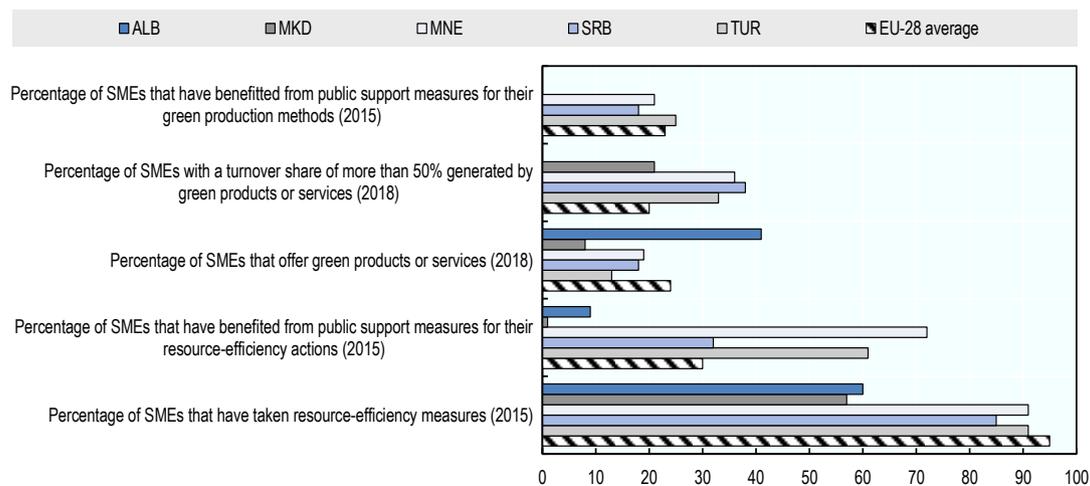
Analysis

Performance in SME greening

Outcome indicators play a key role in examining the effects of policies, and they provide crucial information for policy makers to judge the effectiveness of existing policies and the need for new ones. Put differently, they help policy makers track whether policies are achieving the desired outcome. The outcome indicators chosen for this dimension (see Figure 11.2) are designed to assess the performance of the Western Balkan economies and Turkey in creating the conditions that make SMEs' transition into a green economy easier. This analysis section starts by drawing on these indicators to describe the level of greening among SMEs in the WBT region.

In general, the seven WBT economies lag behind EU and OECD countries in achieving SME greening. This is particularly the case with the six Western Balkan economies. Policy frameworks supporting resource productivity² in the six Western Balkan economies are under development but still need to be adopted (OECD, 2018_[7]). In particular, efforts to promote a circular economy³ are almost non-existent. Although the six Western Balkan economies have “markedly lower levels of material productivity (economic output per unit of domestic material consumption) than the OECD average” (OECD, 2018_[7]), very little is being done to improve this. Recycling rates are very low, ranging from less than 5% of total solid waste in Montenegro and Serbia to around 20% in Albania, compared to the EU average of over 50% (OECD, 2018_[7]). All these suggest there is room to improve the development of SME greening practices and support them through an effective environmental policy mix.

Nonetheless, there is also some encouraging evidence of SMEs' increased efforts towards greening across the region. The *SBA Fact Sheets* prepared by the European Commission illustrate how the economies of Western Balkans and Turkey performed compared to the EU in 2015 and 2018 in the area of SME greening and assisting SMEs to improve their environmental performance (EC, 2017_[8]). As shown in Figure 11.3⁴, Turkey, Montenegro and Serbia stand close to the EU average in terms of the share of SMEs that have taken resource-efficiency measures. In addition, the share of SMEs offering green products or services in Montenegro and Serbia is similar to the EU average, while the share in Albania is even higher than in the EU. This demonstrates that SME greening has been recognised as a valuable business opportunity – in terms of developing new products and services, achieving significant cost savings and increasing overall productivity. However, these findings should be interpreted with caution. First, for some economies the sample size was relatively small, meaning a greater margin of error⁵ (EC, 2015_[9]; EC, 2018_[5]). Second, some of the findings are based on the responses gathered from SME surveys conducted back in 2015, and the results might be subjective since responders may have different interpretations of the questions.

Figure 11.3. SME greening business activities and support in Western Balkans and Turkey

Note: Data for Bosnia and Herzegovina and Kosovo* are unavailable. Updated data are available for two SME greening indicators (percentage of SMEs with a turnover share of more than 50% generated by green products or services; and percentage of SMEs that offer green products or services). The rest of the indicators are from 2015. In Bosnia and Herzegovina, the Republika Srpska systematically collects data on the percentage of SMEs that have benefitted from public support measures for their resource-efficiency action, and in 2017 (the latest available data) this share stood at 0.02%. The percentage of SMEs with a turnover share of more than 50% generated by green products or services and the percentage of SMEs that have benefitted from public support measures for their green production methods are zero for Albania and North Macedonia.

Source: Adapted from EC (2017^[8]), *SBA Fact Sheets: Albania, Montenegro, North Macedonia, Serbia and Turkey*; EC (2018^[5]), *Flash Eurobarometer 456: SMEs, Resource Efficiency and Green Markets*, http://data.europa.eu/euodp/en/data/dataset/S2151_456_ENG.

StatLink  <https://doi.org/10.1787/888933937679>

The private sector interviews that complemented our assessment pointed to the overall lack of government action in the area of SME greening and its underperformance compared to EU and OECD countries. SMEs and business associations from the region pointed to the overall lack of support mechanisms for enhanced environmental performance, except in Turkey. According to the interviews, SMEs in the region were willing to engage in greening activities, and they would welcome stronger government action and support in this regard.

Framework for environmental policies targeting SMEs (Sub-dimension 9.1)

Supporting SMEs in their greening efforts calls for a holistic and cross-cutting approach that addresses multiple factors. The first step in adopting such an approach is to develop a coherent policy framework targeting SMEs, which encompasses the public policy tools and initiatives needed for maximum effectiveness.

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

This section gauges the extent to which the existing national and strategic policy frameworks target SME greening. It examines whether current environmental policies include SME-specific targets – and whether national SME strategic documents focus on environmental issues. It also looks at the content of the policies: how well they promote eco-efficiency and eco-innovation, and whether there are sector-specific policies, particularly for those sectors such as construction, transport and agriculture with a direct impact on the environment. The assessment also covers the implementation, monitoring and evaluation of the policies, and whether there is a body responsible for implementing them (Table 11.3). Finally, it considers private sector involvement in both the design and implementation of activities targeting SME greening.

Table 11.3. Scores for Sub-dimension 9.1: Framework for environmental policies targeting SMEs

	ALB	BIH	KOS	MKD	MNE	SRB	TUR	WBT average
Planning and design	3.40	3.47	3.67	3.67	3.80	3.80	4.87	3.81
Implementation	1.80	2.50	2.20	2.91	2.70	2.00	3.80	2.56
Monitoring and evaluation	1.50	2.00	1.50	1.85	2.50	1.50	4.00	2.12
Weighted average	2.22	2.69	2.50	2.93	2.99	2.44	4.16	2.85

Note: See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

The average score in this sub-dimension stands at 2.85 (Table 11.3). Since the previous assessment, almost all the WBT economies have introduced environmental policies for SMEs in their national strategic frameworks, resulting in high scores for the planning and design thematic block. However, implementation of these policies remains limited.

Environmental policies are increasingly mainstreamed into SME strategies in the region

The existing SME strategies of Albania, Serbia and Turkey, as well as newly adopted ones in Montenegro and North Macedonia, include measures related to providing advice and guidance to SMEs on improving resource efficiency (in particular energy efficiency), promoting eco-innovation and introducing financial incentives for SME greening.

In Turkey, improving energy efficiency has been emphasised as one of the main goals, and SMEs are provided with a variety of types of support to achieve this. This includes guidance documents and online advice, as well as direct assistance provided as part of SME Development and Support Organisation (KOSGEB) support programmes.

Serbia's SME development strategy puts a greater focus on promoting eco-innovation, envisaging organising awareness-raising workshops and providing expert support to those companies preparing eco-innovation project proposals under the Horizon 2020 programme.⁶

Montenegro's new micro, small and medium-sized enterprise (MSME) strategy incorporates measures for promoting the application of eco-standards through educational and promotional workshops and seminars for SMEs on eco-labelling. The MSME strategy complements the well-designed and comprehensive National Strategy for

Sustainable Development until 2030 (NSSD). The NSSD was adopted in 2016 and it lists the introduction of the green economy as one of its six priority themes.

In North Macedonia, disseminating information and providing expertise to help SMEs take advantage of the opportunities from emerging green markets and improved resource efficiency lie at the forefront of the new SME strategy, as well as other national policies. Resource efficiency and eco-innovation are promoted through the Draft Waste Prevention Plan 2018-2024, whose main objectives are strengthening the waste management capacities at both the national and local level, transposing the EU's environmental regulations, and working towards a zero-waste target. The focus is equally on preventing waste generation and benefitting from green market opportunities, such as exporting waste.

In Bosnia and Herzegovina,⁷ SME greening policies are devised and implemented at the entity level, and only the Republika Srpska (RS) has policies tailored to SMEs. Information provision on SME greening is one of the key measures introduced in the Republika Srpska's SME development strategy. In the Federation of Bosnia and Herzegovina (FBiH), environmental policies are separate from SME policies, and there are no clearly defined environmental policies targeting SMEs. The FBiH's comprehensive environmental protection strategy does not contain any SME-specific actions or targets, but it indirectly promotes eco-efficiency and eco-innovation among the business population, and hence indirectly among SMEs.

In Albania, the Business Investment Development Strategy (2014-2020) emphasises the need to increase the range of ecological products based on the effective use of resources for cleaner production. It also includes a variety of measures and instruments intended to develop the recycling industry.

In Kosovo, no government strategic document explicitly focuses on SME-specific environmental policies. However, elements of environmental policies that are relevant to SMEs are included in different strategies and action plans, namely the Strategy for Environmental Protection (2013-2022), the Strategy for Development of Energy Sector by 2030 and the Waste Management Strategy (2013-2022). Of these, the main strategy is the Strategy for Environmental Protection (2013-2022), which places a strong emphasis on measures to improve energy efficiency.

Sector-specific policies targeting SMEs are non-existent in the region. However, regional strategic documents and policies that regulate industrial development, energy management, environmental protection, agriculture and rural development, as well as climate change, contain some measures that could equally apply to SMEs.

Policy implementation remains largely limited with almost no systematic monitoring and evaluation

Even though the region's green policies are mostly well designed, and even target SMEs, their implementation remains restricted. Limited budget allocation for planned SME greening measures, combined with delays in mobilising funds for implementation, present major impediments in this area. Several economies are highly reliant on donor funding, throwing the long-term sustainability of these initiatives into question. In most of the region, the government funding earmarked for the promotion of SME greening is so restricted that international agencies and donor agencies are regularly approached to explore co-financing for planned public initiatives in these areas. The resulting volatility

in funds allocated to SME greening causes frequent interruptions and delays in programme implementation, and arguably hampers overall performance.

In Montenegro and North Macedonia, greening efforts are still to be fully implemented – given that their new SME strategies were only adopted in April 2018 (North Macedonia) and July 2018 (Montenegro). Montenegro’s NSSD strategy has no separate budget allocated for implementing its action plan. However, it is expected that each ministry will provide funds from their own budget for those NSSD measures for which they are responsible. The report on implementing the NSSD should be prepared biannually, with the first one expected to be published during 2019.

Since the last assessment, none of the Western Balkans economies have created government bodies to co-ordinate work in the area of SME greening. Nonetheless, following the introduction of new SME strategies (in Montenegro and North Macedonia), the SME agencies are poised to take over co-ordination responsibility as well. KOSGEB is the main implementation body in Turkey, but there are some concerns over the co-ordination of SME greening-related activities. In particular, there are a number of different bodies in charge of realising the projects on energy efficiency, raising concerns in this area. It will be vital to ensure appropriate inter-organisational co-ordination to avoid potential overlaps in some areas and the lack of action in others.

There are almost no systematic monitoring and evaluation processes in the Western Balkan economies. Despite including a set of performance indicators in the SME strategies of Albania, Bosnia and Herzegovina and Serbia, they lack proper monitoring of SME greening policies and measures. At the time of writing, monitoring mechanisms were in the process of being introduced in Montenegro and North Macedonia, in parallel to the development of their new SME strategies. In contrast, Turkey regularly monitors the environmental policies targeted towards SMEs, but it has not yet carried out an impact analysis of its SME greening policies and programmes.

The private sector is increasingly involved in developing and implementing effective SME greening policies and supporting instruments

In most economies, the private sector was consulted when developing environmental policies and SME greening strategies and action plans. The governments in the region also co-operate with business associations and local councils over the delivery of environmental guidance to SMEs. According to the SMEs interviewed, this co-operation is quite successful in Montenegro, North Macedonia, Serbia and Turkey.

North Macedonia’s new Waste Prevention Plan is a good example of public-private co-operation, where private sector representatives are part of the working group aimed at providing concrete advice and guidance to the interested SMEs (see the section on advice and guidance programmes for SMEs below).

Montenegro, Serbia and Turkey have very active chambers of commerce that advocate for SME greening and participate in the strategy development process. In Turkey, the Turkish Union of Chambers and Commodity Exchanges provides inputs into the development of environmental policies for SMEs. Given the local character of the environmental projects KOSGEB implements, it also systematically co-operates with local chambers of commerce and industry. Non-government organisations (NGOs) and business associations are present at the workshops, training courses and meetings organised under the SME greening projects, often providing direct technical support along with the KOSGEB experts.

The Montenegrin Chamber of Commerce has a committee on energy efficiency that organises quarterly meetings aimed at raising awareness on the opportunities that good environmental practices bring to both businesses and society. One of the latest initiatives of this kind, conducted in co-operation with the government, was to promote greater energy efficiency in the construction industry through improvements in waste management, i.e. achieving savings by using construction materials that generate less waste.

The Chamber of Commerce and Industry of Serbia (CCIS) has been supporting a variety of SME greening initiatives in co-operation with the Serbian government. Since August 2016, the CCIS has been implementing a project to promote eco-innovation by providing training and grants to start-up companies and entrepreneurs to develop their new green business ideas. In addition, in September 2018 the CCIS implemented a pilot programme, the Academy for Circular Economy, which provided advice to SMEs on how to make the transition towards a more circular business model. The CCIS also established an Eco-portal, which offers important information on environmental standards, eco labelling, and green public procurement. Another CCIS portal intended to provide information on energy-related greening issues – the Green Energy Portal – is in the final stage of preparation.

The way forward for environmental policy frameworks targeting SMEs

SME greening policies are gaining momentum in the WBT region. Environmental policies have become an integral part of almost all the economies' SME strategies, but these objectives have not been translated into concrete actions, and regular implementation needs to be ensured. Overall, all the Western Balkan economies need a more robust approach towards SME greening and a greater focus on implementation.

Specifically, policy makers in the WBT region should:

- **Ensure effective cross-sectoral co-ordination.** Given the cross-cutting nature of SME greening policies, effective co-ordination among the relevant stakeholders is essential for successful policy design and implementation. While economies ideally should have a co-ordination body for SME greening, this does not need to be created from scratch – it could easily be a body that is already in charge of SME policy implementation. Co-ordination should not stop at policy design and implementation, but should continue for regular monitoring and evaluation, as well as for collecting data on SME greening.
- **Facilitate partnerships among businesses to support SME greening activities, such as increasing resource efficiency.** The government should encourage the creation of business networks to enhance peer-to-peer learning and collaboration – including, but not limited to, networking among large firms and their smaller suppliers. To facilitate such exchanges, the government could also encourage and engage with business associations to play a greening support role, given their direct contact with SMEs. This could help foster a circular economy while improving individual environmental performance. As the example of the Turkey Material Marketplace (Box 11.1) shows, these networks increase the overall transaction value for both the buyer and the seller, while at the same time increasing their total environmental performance. Another example is Scotland's circular economy initiative, Zero Waste Scotland, which established the Scottish Circular Economy Business Network (SCEBN) in co-operation with the Scottish Environment Protection Agency.⁸ The SCEBN is a platform that provides

opportunities for businesses based in Scotland to come together in a productive forum to focus on collaborative action and work together to develop the circular economy in Scotland. The platform also provides the space and opportunity to help build responsive supply chains, by facilitating co-operation along the value chain. SCEBN is overseen by an active and responsive steering group that provides expert support to its members.

- **Align energy-efficiency measures that are part of the SME greening policy mix with other energy-related policies and strategies.** Given its multidisciplinary nature, achieving improved energy efficiency – one of the key objectives of SME greening policies – should be combined with actions in the area of energy management. In particular, while setting prices for electricity and other major energy inputs in the WBT region, policy makers should consider whether they might discourage enterprises from taking cost-efficiency measures. National regulatory authorities should ensure that transmission and distribution tariffs are non-discriminatory and cost-reflective (EC, 2009^[10]).

Box 11.1. Increasing resource efficiency: Turkey Materials Marketplace

The circular economy concept is about decoupling natural resource extraction and use from economic output, resulting in the more efficient use of resources. The concept is gaining momentum in OECD and EU countries. Turkey has recognised the potential of changing the linear economic model of “take, make, dispose” to a circular one in order to improve its country-wide resource efficiency and increase its material productivity.

The Turkey Materials Marketplace (TMM) project was established by the Turkish Ministry of Environment and Spatial Planning and the Ministry of Science, Industry and Technology, with financial support from the European Bank for Reconstruction and Development (EBRD) and the EU.

The TMM is a secure online marketplace platform through which project members are invited to share data on materials used or left over from their operations. With support from the TMM project team, companies work together to identify, evaluate and carry out material reuse opportunities. There are significant economic benefits for buyers in the platform in purchasing industrial by-products, waste or alternative raw materials at moderate prices. Similarly, those selling by-products and production outputs can charge a higher fee than for traditional recycling and disposal, since the materials will be used by another member of the platform and therefore become an upcycled product. Another benefit is the reduced costs of storage. The total social benefits are better waste management and environmental performance.

TMM membership is free of charge while the EBRD funds the project. The TMM team provides technical assistance to members; reviews innovative best practices in materials management from around the world and Turkey; explores the potential use of the members’ materials across different sectors; and identifies potential synergy opportunities among platform members. In June 2018, the EBRD also launched the Circular Vouchers Scheme, which members can apply for. These vouchers are grants to help companies purchase consultancy services to assess the feasibility of material exchanges, and are worth up to EUR 25 000.

This good practice could serve as a model for the rest of the WBT region in improving their waste management and enhancing material flows. The model is also important in the context of the region's planned EU accession. The EU's Circular Economy Initiative and the related waste management directives point to a growing emphasis on this topic in the EU and potential projects and funds that could foster the adoption of circular economy practices in the WBT region.

Sources: McCarthy, Dellink and Bibas (2018^[11]), "The macroeconomics of the circular economy transition: A critical review of modelling approaches", <https://doi.org/10.1787/af983f9a-en>; EBRD (2016^[12]), *NØW – Near zero waste*, www.now-turkey.org/; TMM (2018^[13]), *Turkey Materials Marketplace website*, <http://turkey.materialsmarketplace.org/>, OECD (2018^[7]), *Competitiveness in South East Europe: A Policy Outlook*, www.oecd.org/about/sge/competitiveness-in-south-east-europe-9789264298576-en.htm.

Incentives and instruments for SME greening (Sub-dimension 9.2)

Incentives and instruments are very important to help SMEs apply cutting-edge and environmentally sustainable practices. As mentioned above, this is primarily due to SMEs' lack of awareness of greening opportunities, combined with the inherent complexity of implementing green practices caused by a variety of internal and external factors. Studies show that environmental regulation imposes heavier burdens on SMEs than on larger businesses.

This section looks at the provision of regulatory instruments and financial incentives for SMEs to adopt environmentally friendly practices. It examines whether information-based instruments are in place, and if there are guidance programmes to support SMEs making the transition to greener practices. The section also assesses the existence of government programmes and actions aimed at promoting environmental management systems and standards, and compliance with environmental regulations. It looks at the entire policy cycle – planning, implementation, and monitoring and evaluation (Table 11.4).

With an average score of 2.42, the WBT economies have made some progress since the previous assessment (Figure 11.1), although they still perform rather poorly. As in the previous assessment, Turkey remains the regional leader, with well-developed regulatory and financial instruments for SME greening in place. Since the previous assessment, North Macedonia has introduced some initiatives for non-financial instruments and Montenegro and Serbia have launched some financial support projects for SME greening and green public procurement, but these are yet to be fully implemented.

Table 11.4. Scores for Sub-dimension 9.2: Incentives and instruments for SME greening

	ALB	BIH	KOS	MKD	MNE	SRB	TUR	WBT average
Planning and design	1.67	1.67	1.67	2.38	2.98	2.19	3.67	2.32
Implementation	2.17	2.42	1.50	2.91	3.41	2.17	4.75	2.76
Monitoring and evaluation	1.00	2.25	1.00	1.85	1.53	1.40	3.00	1.72
Weighted average	1.78	2.16	1.45	2.54	2.91	2.02	4.08	2.42

Note: See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Advice and guidance programmes on SME greening are emerging and greening practices are being recognised and rewarded

As underlined before, SMEs usually lack awareness of the negative environmental impacts of their activities or the benefits of “going green” and green business opportunities. This is why it is important that the government provides advice and guidance programmes that offer SMEs the information they need on green practices. Advice means active, direct engagement with a business face-to-face during inspection visits or audits; answering telephone, e-mail or website help requests; or addressing business representatives at seminars and similar events (OECD, 2018_[4]). Guidance is the provision of information to regulated entities, typically in written form, whether printed or electronic (OECD, 2018_[4]).

In the WBT region, advice and guidance programmes are slowly being introduced. As part of its new SME strategy, the Government of Montenegro plans to introduce programmes to raise enterprises’ awareness and strengthen their capacity to deal with energy management issues and energy system optimisation. The strategy also envisages information dissemination and the provision of expertise to help SMEs take advantage of opportunities in emerging green markets and improved resource efficiency. Some activities in this regard are also being carried out by the Chamber of Commerce (see the section above on private sector involvement).

In Albania, the new Environmental Cross-cutting Strategy (2018-2022) focuses on raising awareness about SME greening and increasing resource efficiency, while the main emphasis of Serbia’s SME greening policies is promoting eco-innovation and awareness-raising activities. To this end, the Government of Serbia also co-operates with business associations for developing eco-certification projects (see the section above on private sector involvement).

A notable example of advice and guidance programmes comes from North Macedonia, whose Ministry of Environment and Physical Planning offers support to SMEs to obtain the environmental licences they need. It also organises presentations and meetings with interested companies to help them implement regulations. Programmes are developed in consultation with businesses and NGOs, especially ecological organisations. The ministry is the focal point for SMEs and other stakeholders regarding advice and guidance on these matters. In addition, the Waste Prevention Working Group consisting of government members, private sector representatives and experts has been created to represent and encourage all stakeholders in the industry to implement waste prevention actions. In this area, the EU-funded Twinning Project plans to hold training courses for waste producers and SMEs about waste prevention and the circular economy in partnership with the ministry.

In Turkey, KOSGEB endeavours to provide advice and guidance on SME greening under its General Support Programme. KOSGEB also audits firms to determine whether they comply with the environmental procedures and rules specified for each sector according to the risk level. It also promotes the use of environmental management systems (EMSs) by SMEs through environmental audits. In addition to this, the Global Cleantech Innovation Programme (GCIP) offers training and mentoring to young entrepreneurs and SMEs working in the field of clean technologies (environment and energy). GCIP is conducted by the United Nations Industrial Development Organization, the Global Environment Facility fund and the Scientific and Technological Research Council of Turkey, with the aim of developing entrepreneurship ecosystems in the field of clean technologies. Since its establishment in 2014, GCIP has awarded around 80 projects;

mainly in the areas of waste management, water efficiency and renewable energy. Moreover, the Turkish government has established Energy Management Units in its Organised Industrial Zones (OIZs) to provide direct mentoring support to interested companies operating in the zones (see Box 11.2). Information dissemination and promotional activities are planned to become core activities of these units.

Information campaigns and training that aim to raise SME awareness on environmental issues and help them obtain all the necessary information on “going green” are the focus of governmental actions in BiH, particularly in the RS. SME greening-information is available both in print and on line. In addition to this, the RS government envisages introduction of eco-labels so as to increase recognition of good environmental practices in the market.

Good environmental practices in Turkey are recognised through awards offered by chambers and sectoral associations (e.g. the Istanbul Chamber of Industry). Notably, each year KOSGEB names an enterprise the “Environmentally-friendly SME of the Year” in its annual entrepreneurship awards. Moreover, in North Macedonia, the Ministry of Environment and Physical Planning awards SMEs for their achievements in the area of environmental protection and improvement. These awards also exist in Serbia and Bosnia and Herzegovina (but only in the Federation of BiH).

Box 11.2. Enhancing SME energy efficiency in Turkey: creating energy management units in Organised Industrial Zones

As part of the Energy Efficient Industry Project, the Turkish government has formed energy management units in special economic zones (known as Organised Industrial Zones or OIZs). The units aim to reach out to particular production-oriented SMEs and encourage them to adopt energy-efficiency measures. OIZs are designed to allow companies to operate within an investor-friendly environment with ready-to-use infrastructure and social facilities. The infrastructure provided in OIZs includes roads, water, natural gas, electricity, communications, waste treatment and other services.

The project is implemented by the Energy Efficiency Association in partnership with the Ministry of Energy and Natural Resources of Turkey and an Organised Industrial Zones Higher Institution. The project aims to enhance energy efficiency in SMEs in the OIZs by raising awareness, promoting a culture of efficiency among their staff, and introducing small-scale changes in the industry (reducing electricity/water consumption and achieving savings through simple modifications of certain parts of the manufacturing processes). To develop the expertise to establish energy management units, the government co-operated with the local office of the Japan International Cooperation Agency and other partners.

For the last couple of years, energy efficiency has become more pronounced in Turkey – a growing number of SMEs are benefitting from the programmes and savings are being achieved by the beneficiaries.

The measures implemented by Turkey could also be emulated by the Western Balkan economies – especially those such as Bosnia and Herzegovina, North Macedonia and Serbia, that have well-established industrial zones. Co-operation with international organisations on capacity building and to organise programmes and projects for increasing businesses’ energy efficiency is already happening in the region, and efforts could now be directed towards SMEs inside the zones.

Sources: Bütüner, H. (2014^[14]), Organised Industrial Zones in Turkey - SWOT analysis,

<https://www.linkedin.com/pulse/20141020214614-114102137-organized-industrial-zones-in-turkey-swot>; Energy Efficient Industry (2014^[15]), *Our Project*, Energy Efficient Industry website, <http://enerjiverimlisanavi.com/en/icerik/projemiz/41>; Government of Turkey (n.d.^[16]), Invest in Turkey, http://www.invest.gov.tr/en_US/investmentguide/investorsguide/Pages/SpecialInvestmentZones.aspx.

Financial incentives are rarely used to support SME greening in the region

Once SMEs decide to adopt environmentally friendly practices, they then face some difficult financial options. First, there are very few options generally in the region and, second, the costs of capital for environmental loans are high – reflecting the high risk of borrowing for green investments (OECD, 2018^[4]).

Financial incentives for SME greening are still non-existent in the WBT region, with the exception of Turkey and, to a limited extent, Serbia. The new SME strategies of the Republika Srpska in Bosnia and Herzegovina, Montenegro and North Macedonia foresee the introduction of financial incentives, but what type of incentives, and how they will be implemented, remain unclear.

Turkey has developed a range of financial incentives to support SME greening. One of its key goals is to improve SMEs' energy efficiency. To this end, KOSGEB provides financial support to companies through various programmes. One of them – the Efficiency Increasing Programme – is run in co-operation with the Ministry of Energy and Natural Resources' Directorate, General Renewable Energy. Companies with energy consumption over a certain threshold can apply to the programme, which will support their energy efficiency projects by up to 30%, to an upper limit of TRY 1 million (Turkish lira; around EUR 170 000). Voluntary Agreements is another programme, under which the government covers 20% of companies' energy costs, up to TRY 200 000 annually (around EUR 33 100), on the condition that they reduce their energy costs by 10% of their five-year consumption average. KOSGEB also provides financing for SME energy efficiency audits and for consultancy and training costs under the General Support Programme. This support covers 50%, 60% or 70% of the costs, depending on the region, up to TRY 75 000 (around EUR 12 400). KOSGEB also provides financing for energy efficiency projects under the SME Development Support Programme, which covers between 60% and 80% of project costs. In addition to this, the government subsidises energy efficiency consultancy services for SMEs. Monitoring of these programmes is conducted regularly, while the impact of financial incentives on SME greening has not yet been carried out.

In Serbia, a new donor-based and one-off instrument, Green Innovation Vouchers, was launched in December 2017. The project was implemented by the EBRD and funded by the Austrian Delivering Resource Efficiency Investments programme. Green Innovation Vouchers are grants of up to EUR 20 000 (excluding value-added tax) and cover 90% of eligible research and development (R&D) service costs. This allows SMEs to develop new products, services and processes, or innovate existing ones, in order to increase resource efficiency; thus supporting the transition to the green economy. Four years after the previous Fund for Environmental Protection was shut down, the Serbian Green Fund, a government fund to support environmental projects, was set up at the beginning of 2017. However, it focuses on large infrastructure projects, and offers no incentives for SMEs. The situation is quite similar in the rest of the region – environmental funds provide financial support to local municipalities and large companies, while SMEs are usually beyond their scope.

Regulatory instruments are almost non-existent in the region

Regulatory instruments can be useful for reducing the administrative burden on SMEs of complying with environmental standards and rules. Smaller businesses, which often have limited in-house regulatory capacity, can benefit from a standardised, rules-based approach to setting environmental requirements (OECD, 2018^[4]). Regulatory instruments also help to sustain balance among competing resources and to protect the environment.

Appropriate instruments include simplified permit procedures and rules, reduced inspection frequency for low-risk facilities, technology standards (e.g. best-available technology) and performance standards (limits on air emissions, water effluents or noise levels; requirements for material recycling and solid waste management regulations; and energy efficiency or fuel economy standards).

As the previous assessment found, the WBT economies do not provide regulatory instruments to simplify permit procedures or reduce the inspection frequency of low-risk facilities. Turkey alone offers performance standards – requirements for recycling the material used for packaging. The Regulation on Packaging Waste Control identifies how much of each material used by manufacturers should be recycled: 54% of glass, plastic, metal and paper packages. Under this regulation, authorised organisations and municipalities collect and recycle the packaging waste. Companies need to be a member of these authorised organisations and have to pay membership fees to reuse these recycled materials.

In the Western Balkans, only the Montenegrin National Strategy for Sustainable Development includes some elements of a circular economy and related regulatory instruments, but the strategy sets no timeframe for these actions, and information on their implementation remains limited.

Public procurement is starting to be used to stimulate green products and services by SMEs

Where there is limited demand for green products and services, SMEs may also need additional support. Green public procurement can be used to boost demand for green products in markets where private consumer demand is insufficient, and can also increase their market acceptance by demonstrating their commercial feasibility. Despite its effectiveness as a policy instrument, it should be noted that the demand-pull effect of green public procurement is likely to be limited in the small WBT economies, with the exception of Turkey.

The region has started to make attempts to capitalise on green public procurement. Montenegro's MSME strategy envisions introducing environmental impact criteria in public procurement. Turkey is introducing green public procurement policies through the promotion of the purchase of goods and services with minimum energy efficiency criteria. However, these are still at an initial stage. In Serbia, environmental policies are recognised in the law on public procurement, but in practice this aspect of public procurement is not being implemented.

The way forward for incentives and instruments for SME greening

Even though SME greening policies seem to have gained some momentum in the WBT region since the last assessment, they are still not fully backed up by regulatory instruments and financial incentives for SMEs to adopt environmentally friendly practices. Going forward, governments are invited to:

- Step up efforts to provide advice and guidance to SMEs on green practices.** These activities should include disseminating guidance on good practices and conducting outreach programmes to promote eco-friendly practices. Workshops, training, industry fairs, distributing successful case studies and fostering co-operation over environmental issues could be particularly successful in disseminating information and generic advice on how to apply green practices. Targeted, concise, user-friendly guides focusing on the business benefits of adopting environmentally friendly practices can be another very effective information-based tool (OECD, 2018^[4]). In practice, one of the most important aspects of these information-based assistance programmes is to concentrate all the information (advice, informational and methodological materials) in one place. These activities are not very budget-intensive, but they can have a strong impact. Ireland's experience could offer a blueprint for how to effectively go about such activities and enhance SMEs' resource efficiency (see Box 11.3).

Box 11.3. Green Business Ireland: raising awareness of greening advantages to SMEs and enhancing resource efficiency

In 2008 the Environmental Protection Agency of Ireland formed the Green Business Programme under its National Waste Prevention Programme. Its aim was to deliver substantive resource efficiency improvements and cost savings through waste prevention and reductions in water and energy consumption. The programme is managed by the Clean Technology Centre (CTC) at the Cork Institute of Technology. The CTC, established in 1994, has a team of experts in resource efficiency and waste prevention.

The Green Business Programme has provided a range of services to help SMEs increase their resource efficiency: site visits, guidance documents, online tools, seminars and community networking. By registering at www.greenbusiness.ie and using the online audit tools, users can identify opportunities for implementing resource efficiency in their business and identify where cost savings could be made. Businesses can request a site visit, during which a Green Business Advisor will visit their premises and identify free and low-cost measures that will lead to cost savings. The service is free of charge, and operated by the CTC on behalf of the Environmental Protection Agency.

Between 2008 and 2018, with an annual budget of EUR 350 000, the Green Business Programme has visited 400 enterprises from a range of sectors (food processing, banking, public sector, small retailers) and identified an estimated around EUR 15 million of savings for its member enterprises (EUR 8.8 million in energy, EUR 3.8 million in waste and EUR 2.8 million in water). The individual savings identified ranged from EUR 2 000 to EUR 200 000.

Some of the lessons learned from the experience of Green Business is that SMEs are not monitoring their utility costs and are unaware of the extent of waste. In addition, they are unaware of the opportunities to reduce waste at no cost or low cost as well as the opportunities to improve their bottom line and enhance their image. They often also have no awareness of the assistance available to improve their environmental performance.

The example of Green Business demonstrates how a cost-efficient and effective support mechanism can be designed, involving co-operation between the government and academia, which brings various benefits just by identifying potential savings that businesses are usually unaware of. The model underlines the importance of providing

advice and guidance to SMEs to “go green”.

Sources: Green Business Ireland (2019^[17]), *Green Business Tree*, <http://greenbusiness.ie/>; (Clean Technology Centre, 2019^[18]); EPA (2014^[19]), Green Business Initiative, http://www.epa.ie/waste/nwpp/gbi/#.W1opW_ZuI2w; EPA (2019^[20]), *National Waste Prevention Programme*, <http://www.epa.ie/waste/nwpp/>.

- **Introduce regulatory instruments into the SME greening policy mix.** Awareness-raising activities and programmes offering advice and guidance on “going green” should be underpinned by regulatory instruments tailored to the specific context of each economy. First, regulatory requirements for environmental investments by SMEs need to be simplified and streamlined. Governments could introduce standardised permits to reduce the regulatory burden of such investments (OECD, 2018^[4]). The frequency and scope of inspections, monitoring and reporting could also be reduced for those SMEs with a more successful environmental record, or which have adopted environmental management systems. For instance, in Norway companies with a certified EMS have less frequent inspections, whereas in France such companies are totally exempt from compliance inspections. Similarly, in Korea, companies with better environmental performance face less frequent routine inspections (OECD, 2018^[4]).
- **Address financial barriers to SMEs’ greening efforts.** The WBT governments could introduce dedicated loan guarantee schemes to support the approval of green project loans and encourage lenders to make their loan terms more attractive to borrowers. If a client defaults on a loan for green investments, these guarantees would partly compensate lenders. There are already loan guarantee schemes in the region (see Chapter 7 on access to finance for SMEs), but none of them give priority to green projects. Therefore, legally the funds can be mandated to dedicate a percentage of total financing available only for “green projects”. In light of the recent legacy of bad loans and conservative bank lending in the region, loan guarantee schemes could significantly increase the current supply of loans for SME greening.

In addition to loan guarantee schemes, policy makers could also develop programmes that would allow loans to be converted into grants when the expected environmental performance is demonstrated (OECD, 2018^[4]). Similarly, governments could facilitate access to finance through loans with reduced interest rates for environmental investments. These loans could be conditional on commitments to go beyond regulatory requirements and on demonstrating satisfactory environmental performance by SMEs. For instance, in Georgia’s state programme “Produce in Georgia”, Enterprise Georgia⁹ provides 10% co-financing for bank loan interest rates and a partial collateral guarantee of up to 50% for the first 48 months, among other services (UNIDO and OECD, 2018^[21]). Supporting soft loans or interest rate subsidies should be explored with a critical eye, since there is a risk of lending institutions keeping interest rates high if expectations of subsidies leave no incentive to lower them (OECD, 2018^[4]). Governments can also offer direct subsidies to SMEs to introduce environmentally friendly technologies, or fiscal measures such as favourable tax policies and exemptions on import charges for investments in green equipment.

- **Fill the funding gap through the support of state investment banks to SME greening.** Given the relatively limited market presence of commercial banks in the Western Balkans in the area of green investment, measures facilitating SME access to finance could also be introduced through state investment banks. Such banks have recently risen to become lead funders of mission-oriented innovation in various OECD countries' agendas (Mazzucato and Penna, 2016^[22]), and they can also be influential drivers of “green growth”, bridging the funding gap left by commercial banks. Germany's public bank Kreditanstalt für Wiederaufbau and France's Banque publique d'investissement (Bpifrance) are two good examples (Box 11.4).

Box 11.4. Financial support for green investments: France's Banque publique d'investissement

Banque publique d'investissement (Bpifrance) is a French investment bank formed as a joint venture of two public entities: Caisse des dépôts et consignations and EPIC BPI-Groupe.

Bpifrance's green loan (*Prêt Vert*) provides up to EUR 3 million over seven years to SMEs at a subsidised interest rate, with no guarantees made against company assets. The loans are used to finance investments in more resource-efficient production or the development of eco-efficient products, including investments in intangible assets (R&D, certifications, etc.) and optimisation. The loan is co-financed by the SME's existing financial institution, at one “green euro” for every euro from another lender or equity investment in the company.

SMEs can also get smaller low-rate loans (*Prêt Eco-Energie*) of up to EUR 100 000 to improve energy efficiency, including lighting, heat and other electricity systems, on similar terms to green loans. Moreover, Bpifrance provides a range of other debt and equity green financing products for SMEs, such as equity financing (growth) for SME renewable energy developers; venture capital financing for green start-ups; and grants and reimbursable advances for R&D for innovative projects at early stages.

In addition to its financial services, Bpifrance also helps SMEs to better understand and implement sustainability strategies for their businesses, including dedicated advisory services to help them to self-diagnose their sustainability profiles (integrating environmental issues in business processes, product design, etc.) and define corresponding action plans. Bpifrance also engages in permanent shareholder dialogue with invested companies, in order to help them anticipate the opportunities that could result from a better assessment of environmental issues relevant for their business.

Source: UN Environment (2017^[23]), *Mobilising Sustainable Finance for Small and Medium-Sized Enterprises: Reviewing Experience and Identifying Options in the G7.*

Conclusions

Overall, this assessment has demonstrated that the WBT region is moving forward with SME greening policy and developments have picked up pace. Nevertheless, progress remains uneven across economies and across different aspects of policy.

The biggest development is the introduction of SME greening measures and policies into SME strategies in almost the entire WBT region. The main emphases of the SME greening policies are on promoting resource efficiency and eco-innovation, as well as providing information and direct support to SMEs on how to undertake environmentally friendly actions. However, although environmental policies are generally well developed and increasingly address SMEs' specific needs, their implementation remains restricted – especially in the Western Balkans. This is mainly due to the unpredictability of funds, which results in frequent interruptions and delays in programme implementation; but it is also caused by the absence of designated institutions and administrative bodies to co-ordinate SME greening work. Another obstacle is the lack of instruments and incentives for SMEs to adopt environmentally friendly practices. Some financial incentives are starting to be introduced in the new SME strategies, but their full implementation is still lacking.

Addressing the recommendations presented in this chapter will help the WBT governments to support SMEs in their pursuit of environmentally friendly practices and business models, while at the same time increasing prospects for overall economic growth and sustainable development.

Notes

¹ In this SBA assessment cycle, in order to better understand how effective the SME policy implementation is and what its outcomes are, the assessment was complemented by private sector insights gathered through a set of interviews with the owners and managers of SMEs and representatives from chambers of commerce in the Western Balkans and Turkey (see Annex C for more details). In the context of Dimension 9, the aim was to understand the level of SMEs' awareness about current government programmes designed to encourage SMEs to improve their environmental performance, and ascertain the private sector's view of their quality. It was also important to discover if the various instruments and incentives did encourage SMEs to “go green” as envisaged, and which of the current services the SMEs find most efficient, as well as what other services SMEs would consider effective and supportive.

² Resource productivity is measured through three qualitative indicators that assess the existence and degree of implementation of frameworks which support resource productivity: 1) climate change adaptation and mitigation; 2) circular economy initiatives; and 3) municipal solid waste management.

³ Even though there is no single, commonly used definition of the concept, the circular economy is generally regarded as one in which resources are used more efficiently throughout their life cycle by closing, extending and narrowing material loops to ultimately decouple the consumption of primary raw materials from economic growth. For further discussion on concepts including the circular economy, resource efficiency, secondary materials and decoupling see McCarthy, Dellink and Bibas (2018_[11]), pp. 11-12, Box 1.

⁴ In addition to the outcome indicators, the quantitative indicators selected under this policy dimension are also presented in Figure 11.3.

⁵ The sample size was relatively small for some of the small Member States (Cyprus** Malta and Luxembourg) and most of the non-EU countries surveyed (Albania, Iceland, Montenegro, Moldova, North Macedonia and Serbia), particularly Albania, Moldova and Montenegro where, due to the nature of the economic sector, fewer than 100 businesses were interviewed. The survey was carried out by the TNS Political & Social Network in the 28 EU Member States, Albania, Iceland, Moldova, Montenegro, North Macedonia, Norway, Serbia, Turkey and the United States during 1-18 September 2015. Some 15 020 enterprises were interviewed via telephone (landline

and mobile phone) on behalf of the European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs.

** Footnote by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus. Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus” issue.

Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

⁶ Horizon 2020 is the biggest EU-funded research and innovation programme covering the period from 2014 to 2020. The overall objective of the programme is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. With nearly EUR 80 billion of funding, it promotes research and innovation by facilitating the commercialisation of innovative ideas from the lab to the market. In particular, Horizon 2020 provides grants to research and innovation projects through open and competitive calls for proposals. Legal entities from any country are eligible to submit project proposals to these calls. Participation from outside the European Union is explicitly encouraged.

⁷ In Bosnia and Herzegovina, there are no institutions at the state level that are responsible for promoting a green economy. Strategies and action plans that include goals for a green economy are adopted at the entity level. The relevant entity institutions in this field are the Environmental Protection and Energy Efficiency Fund of the Republic of Srpska and the Environmental Fund of the Federation of Bosnia and Herzegovina. Environmental policies that target SMEs exist only in the Republika Srpska – these are included in its SME development strategy. For a description of the complex administrative set-up in Bosnia and Herzegovina and how this was handled in the scoring process, please refer to Annex B.

⁸ For more information on the Scottish Circular Economy Business Network, see <https://www.zerowastescotland.org.uk/circular-economy/scottish-network>.

⁹ For more information on the “Produce in Georgia” programme, see <http://www.enterprisegeorgia.gov.ge/en/home>.

References

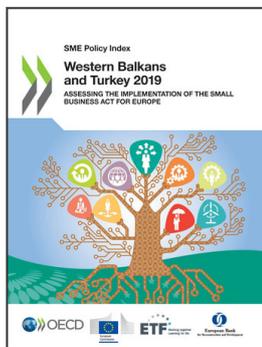
- Bütüner, H. (2014), *Organised Industrial Zones in Turkey: SWOT analysis*, LinkedIn, [14]
<http://www.linkedin.com/pulse/20141020214614-114102137-organized-industrial-zones-in-turkey-swot>.
- Clean Technology Centre (2019), *Clean Technology Centre*, <https://ctc-cork.ie/resources/guides>. [18]
- Conway, E. (2015), “Engaging small and medium-sized enterprises (SMEs) in the low carbon agenda”, *Energy, Sustainability and Society*, Vol. 5/32, <https://doi.org/10.1186/s13705-015-0060-x>. [3]

- EBRD (2016), *NØW - Near zero waste*, <http://www.now-turkey.org/> (accessed on 6 March 2019). [12]
- EC (2018), *Flash Eurobarometer 456: SMEs, Resource Efficiency and Green Markets*, Directorate-General for Communication, European Commission, Brussels, http://data.europa.eu/euodp/en/data/dataset/S2151_456_ENG. [5]
- EC (2017), *SBA Fact Sheets: Albania, Montenegro, North Macedonia, Serbia and Turkey*, European Commission, Brussels. [8]
- EC (2015), *Flash Eurobarometer 426: SMEs, Resource Efficiency and Green Markets*, Directorate-General for Communication, European Commission, Brussels. [9]
- EC (2009), *Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity*, European Commission, Brussels, <https://eur-lex.europa.eu/eli/dir/2009/72/oj>. [10]
- EC (2008), *Think Small First: A Small Business Act for Europe*, European Commission, Luxembourg. [6]
- Energy Efficient Industry (2014), *Our Project*, Energy Efficient Industry website, <http://enerjiverimlisanayi.com/en/icerik/projemiz/41>. [15]
- EPA (2019), *National Waste Prevention Programme*, <http://www.epa.ie/waste/nwpp/>. [20]
- EPA (2014), *Green Business Initiative*, http://www.epa.ie/waste/nwpp/gbi/#.W1opW_ZuI2w. [19]
- Government of Turkey (n.d.), *Invest in Turkey*, <http://www.invest.gov.tr/en/US/investmentguide/investorguide/Pages/SpecialInvestmentZones.aspx>. [16]
- Green Business Ireland (2019), *Green Business Tree*, <http://greenbusiness.ie/>. [17]
- Mazzucato, M. and C. Penna (2016), “The rise of mission-oriented state investment banks: The cases of Germany’s KfW and Brazil’s BNDES”, *SPRU Working Paper Series*, Science Policy Research Unit, Brighton, <http://dx.doi.org/10.2139/ssrn.2744613>. [22]
- McCarthy, A., R. Dellink and R. Bibas (2018), “The Macroeconomics of the Circular Economy Transition: A Critical Review of Modelling Approaches”, *OECD Environment Working Papers*, No. 130, OECD Publishing, Paris, <https://dx.doi.org/10.1787/af983f9a-en>. [11]
- Moore, S. (2009), “Strategy development in small and medium sized enterprises for sustainability and increased value creation”, *Journal of Cleaner Production*, Vol. 17/2, pp. 276-282. [2]
- Near Zero Waste (2018), *Turkey Materials Marketplace*, Circular Change website, <http://www.circularchange.com/wp-content/uploads/2017/05/Astrid-Motta-2.pdf>. [24]
- OECD (2018), *Competitiveness in South East Europe: A Policy Outlook 2018*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264298576-en>. [7]

- OECD (2018), *Environmental Policy Toolkit for SME Greening in EU Eastern Partnership Countries*, OECD Green Growth Studies, OECD Publishing, Paris, <https://doi.org/10.1787/9789264293199-en>. [4]
- Sáez-Martínez, F., C. Díaz-García and Á. González-Moreno (2016), “Factors promoting environmental responsibility in European SMEs: The effect on performance”, *Sustainability*, Vol. 8/9, p. 898, <https://www.mdpi.com/2071-1050/8/9/898>. [1]
- TMM (2018), *Turkey Materials Marketplace website*, <http://turkey.materialsmarketplace.org/>. [13]
- UN Environment (2017), *Mobilising Sustainable Finance for Small and Medium-Sized Enterprises: Reviewing Experience and Identifying Options in the G7*, UN Environment, Nairobi. [23]
- UNIDO and OECD (2018), *Financial Resource Efficient and Cleaner Production by SMEs in the EU Eastern Partnership Countries: a Stakeholders’ Guide*, EaP GREEN Publication, <http://www.green-economies-eap.org>. [21]

Further reading

- Calogirou C., et al. (2010), *SMEs and the Environment in the European Union*, PLANET SA and Danish Technological Institute, DG Enterprise and Industry, European Commission, Brussels.
- Ellen MacArthur Foundation (2013), *Towards a Circular Economy: Business Rationale for an Accelerated Transition*, <https://www.ellenmacarthurfoundation.org>.
- EC (2015), *Closing the Loop: An EU Action Plan for the Circular Economy*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, European Commission, Brussels.
- Nulkar, G. (2014), “SMEs and environmental performance: A framework for green business strategies”, *Procedia-Social and Behavioural Sciences*, Vol. 133, pp. 130-140, <https://doi.org/10.1016/j.sbspro.2014.04.177>.
- OECD (2017), *The Macroeconomics of the Circular Economy Transition: A Critical Review of Modelling Approaches*, Working Party on Resource Productivity and Waste, Working Party on Integrating Environmental and Economic Policies, OECD, Paris.
- Rizos V. et al. (2015), *The Circular Economy: Barriers and Opportunities for SMEs*, CEPS Working Document, No. 412, Centre for European Policy Studies, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2664489.
- Thomä J. et al. (2015) *Green SMEs and Access to Finance: The Role of Banking Diversity*, 2 Degrees Investing Initiative, UNEP Inquiry, UNEP.
- Winans, K., Kendall, A. and Deng, H. (2017), “The history and current applications of the circular economy concept”, *Renewable and Sustainable Energy Reviews*, Vol. 68, pp. 825-833.



From:

SME Policy Index: Western Balkans and Turkey 2019

Assessing the Implementation of the Small Business Act for
Europe

Access the complete publication at:

<https://doi.org/10.1787/g2g9fa9a-en>

Please cite this chapter as:

OECD, *et al.* (2019), “SMEs in a green economy (Dimension 9) in the Western Balkans and Turkey”, in *SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/948f4170-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.