



## GREEN ECONOMY AS A DRIVER OF SUSTAINABLE DEVELOPMENT

Amra Pobrklić<sup>a1</sup>, Azemina Šehić<sup>a2</sup>, Olga Tmušić<sup>a3</sup>

<sup>a</sup> City administration of the City of Bijeljina, Bosnia and Herzegovina

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### ABSTRACT

Changes in the environment, related to irrational use of natural resources and emission of carbon dioxide, accompanied by a large amount of waste that people leave behind, required a response by modern society, so a new economic paradigm was developed, called the green economy.

The green economy, as one of sustainable development goals, emits very little carbon dioxide, adequately exploits renewable energy sources and reduces the negative impact on the environment.

Sustainable development is a concept that is globally widespread today, and its main task is to provide a balance in the world through economic, social and environmental effects, with the ultimate goal to do good for humanity. Those three areas, economy, society and environment, are the concept of sustainable development, and the balance can only be achieved if all three areas are present. The sustainable development goals are universally applicable and interconnected, which means that achievement of one goal contributes to the achievement of all other goals to a greater or lesser extent.

The main goal of the paper is to point out the advantages of implementing the green economy in the environment as a function of sustainable development.

### Introduction

Green economy is the economy of the future, where green finance mainly refers to the process of accepting environmental and social aspects when making investment decisions. The economy we know today will be significantly reduced in the future. The economy has begun its process of transition from linear to circular. Time will tell where Bosnia and Herzegovina is on that path and how it will adapt and whether there are mechanisms for that process. Bosnia and Herzegovina is in the group of small and poor countries, but with huge potential for the application of green economy, sustainable development and environmental/green entrepreneurship. The authors of this paper will point out the potential directions for establishing a balance between social and economic development and environmental protection, and point to the importance of building a sustainable economy with a concept based on economic development aligned with the Sustainable Development Goals. In addition, the relationship between funding and environmental sustainability will be analysed. Sustainable Development Goals are set globally and are considered imperative for development today. The Addis Ababa Action Agenda was adopted at the Third International Conference on Financing for Development, and then adopted by the UN General Assembly in its resolution 69/313 dated 27 July 2015. It is the basis for supporting the implementation of the 2030 Agenda for Sustainable Development. It is a new global framework for financing sustainable development by harmonising all financial flows and policies with economic, social and environmental priorities.

<sup>1</sup>apobrklic231@gmail.com

<sup>2</sup>azeminasehic@gmail.com

<sup>3</sup>olga.tmusic@gradbijeljina.org

## 1. Green finance

Sustainable development is a complex process with a basic task of ensuring the balance in the world through economic and social positive results, but also implies a change of the current way of life, attitudes, values, habits, behaviour and actions at all levels of society, from local, regional, national to the global level.

During the economic crisis of 2008, after the epidemic caused by the corona virus and recently due to the situation in Ukraine, the green economy is gaining new affirmation and trying to provide answers to the increasing number of challenges of the global financial crisis and the entire concept of sustainable development. In recent years, modern society has recognised that the global financial system should actively contribute to sustainable development. Accordingly, stimulated by the volume and urgency of the need to finance sustainable development, the concept of green finance has spread all over the world during the last couple of years. Green finance is funding focused on the future. At the same time, this type of funding tends to the development of the financial industry, improvement of the environment and sustainable economic development. One of the first authors who dealt with the infrastructure of green finance is Hee Jin Noh. Therefore, in order to support the green economic development, green finance should include new technologies, financial products, industries and services that take environment, energy efficiency and reduction of emissions of pollutants into account (Rakić and Mitić, 2012).

## 2. Connection between trade, development and nature

Responsible consumption and production is one of the 17 global goals that make up the 2030 Sustainable Development Program. An integrated approach is crucial for progress in multiple goals simultaneously. The concept of sustainable development is the future of economic growth and development at the global level, with an emphasis on the international exchange of goods and services in countries grouped according to their development level. The transition to the green economy creates expenses, so it is necessary for the wealthier countries to bear a greater part of the financial burden and provide technical support to developing countries. At the same time, it is important to provide citizens of developing countries with access to new knowledge, skills and jobs. On the other hand, green entrepreneurship employs an increasing number of people, while improving their quality of life and contributing to the reduction of poverty, which directly contributes to the implementation of the Sustainable Development Goals.

An example of the liberalisation of trade in environmentally friendly technologies. Increasing trade in ESTs offers opportunities for a triple gain by promoting economic development, job creation and innovations while fostering economic and climate resilience. Such trade enables countries to improve their environmental performance, including mitigating climate change through access to low-carbon technologies. Similarly, trade can also support adaptation to climate change in developing countries by increasing their capacity to adapt through access to funds and technology relevant to different sectors.

A good example is Zara, one of the biggest international fashion companies from the Inditex Group, which began to develop ways to make the trade sustainable more than 20 years ago. They have made progress since then, but there is still room for innovation. Social and environmental goals have become more demanding, while encouraging society as a whole to be more transparent about business. They are moving towards the model of a circular economy that allows for a longer life cycle of products. Re-use and recycling programmes allow customers to donate their used clothes when they no longer need them, helping to reduce the waste and consumption of new raw materials. Representatives of this company cooperate in the development of communities, mainly in the areas where they operate, with the aim of improving community in accordance with the Sustainable Development Goals. Management has established two strategic lines with long-term action, developed with the support of social organisations that are focused on decent work and economic growth (Goal 8) and quality education (Goal 4). We combine these stable programmes with a third line aimed at humanitarian aid that responds to specific situations, such as natural disasters or armed conflicts such as the current one in Ukraine (Green Economy Coalition, 2021).

### 3. Principles, priorities and paths for inclusive green economies

Since the Industrial Revolution, the economy has made progress in terms of materials, but the progress is threatened by economic models that have enabled it, where economies measure and manage ways that encourage excessive consumption, damage to nature and social relationships and climate change. Since 2015, the global community has decided to commit to solving these related problems through the Sustainable Development Goals and the Paris Climate Change Agreement (Green Economy Coalition, 2020).

In 2019, the UN team in BiH launched the process of preparing the next five-year programme document for BiH: the UN Sustainable Development Cooperation Framework (Cooperation Framework) for the period 2021-2025. The road map of this process was created and officially delivered to the BiH government institutions in February 2019. The final evaluation of the current UN Development Assistance Framework for BiH was finalised in the first half of 2019, followed by the Joint assessment of the state of development in the country as an analytical starting point for discussion and preparation of the Cooperation Framework by March 2020 (United Nations Bosnia and Herzegovina, 2022).

The transition from the brown economy based on coal, which is full of CO<sub>2</sub> emissions, to the green economy with very low CO<sub>2</sub> emissions, is attracting the attention of policy creators in advanced capitalist and developing economies in the last two decades. It is necessary that each country has a long-term plan for the development of the green economy with clearly defined and prominent priority areas. In insufficiently developed countries (such as Bosnia and Herzegovina), the challenges are incomparably higher precisely due to the deficit of adequate resources (knowledge, technologies, funds and public support), so it is not possible to launch all areas of development simultaneously.

Inclusive Green Economy is an economy that seeks to connect the economic, social and environmental effects through implementation of Sustainable Development Goals and the Paris Agreement. A systemic and deep transformation of the economy as we know today is needed for it to become green and inclusive, and to achieve the Sustainable Development Goals. In doing so, it relies on five basic principles of action that should lead to the creation of new international policies and serious economic reforms (Green Economy Coalition, 2019).

#### Image 1. Five principles of green economy



Source: Green Economy Coalition, 2020

Green economy is a concept with principles embedded in economic, social and environmental domain. Overall, the green economy is based on the following five principles (Đorđić, 2021):

- well-being – green economy must lead to true, sustainable and common well-being, which exceeds the mere financial wealth, giving priority to human development, happiness, health, education and community,
- justice – green economy puts the emphasis on fairness, equality, cohesion of the community, social justice and support to human rights – especially the rights of marginalised and vulnerable groups,
- planetary borders – green economy recognises that the progress of mankind depends on the healthy natural world. It defends the functions and limits of nature, protects biodiversity, soil, water, air and other components of ecosystem,

- efficiency and sufficiency – green economy is low-carbon, diversified and circular. It recognises that our only economic challenge is the need to create prosperity within planetary borders and alignment of economic incentives with true costs for society,
- good management – green economy builds institutions that combine dynamic democratic responsibility, relevant metrics, healthy science and local knowledge. Civic society gives advantage to the public participation, social dialogue, informed consent, transparency and responsibility.

Space to see and spread the view of the concept and the movement of the green economy and green entrepreneurship opens through the principles of the green economy. This topic is current and will be even more attractive in the future, because in Bosnia and Herzegovina, only the foundations have been laid on this important and demanding topic towards creating a new, greener and sustainable world economy.

#### 4. Green consumers

Green economy has become a generally accepted concept and way of doing business. In order to fully understand it, the views of experts and activists of non-governmental organisations should also be considered, because they can see possible contradictions, however, whether and how this process of transition to green economy will be implemented depends on the end consumer.

Green consumers are identified as consumers who, in satisfying their needs and desires, look for products that have minimal negative impact on the environment. They are mainly educated consumers and as a target market they are very interesting, although other consumers who are passive towards conservation of human environment make up much larger market. Green or environmental consumers think intensively about issues related to the environment when buying and using products. They are often very active in their environment, tend to volunteer, accept and support environmental actions and goals, and are ready to allocate larger financial resources for environmental friendly products.

Green consumers expect to be fully informed about the product or the packaging of the product, because they are motivated by desire to protect themselves, their family members and loved ones, and to secure their future. The research of green consumers resulted in grouping, or the creation of groups of green and other consumers according to their interest in the environment and the activities they undertake (Tolušić, Dumančić and Bogdan, 2014).

According to research by Roper Starch Worldwide, consumers can be classified into five groups, segments, as follows (Tolušić, Dumančić and Bogdan, 2014):

- truly green – they strongly care about the environment and want to achieve a positive change, they are four times more likely to boycott products or organisations that are not responsible in caring for the environment; within this group, three subgroups can be identified – passionate guardians of the planet, health fanatics, animal lovers
- greenish – not politically active, but more likely to buy an environmentally friendly product than average consumers,
- saplings – consumers who believe in caring for the environment in theory, but not in practice, they rarely buy green products, but it is easy to persuade them to go in any direction,
- grumblers – sceptical and uneducated when it comes to the environment and cynical about the positive changes that they can bring, they think that green products are overpriced and inferior,
- browns – they are burdened with everyday problems and do not care about social issues and the environment.

Recently, green economy has become a way of thinking and a model of thinking, and is increasingly changing attitudes, especially among the generation of young entrepreneurs, thus positively influencing business models.

#### 5. The relationship between the green economy and the Sustainable Development Goals

Sustainable Development Goals create an emphasis on climate change, sustainable consumption and innovative approaches in achieving the goals. They have become a kind of guide for national governments in establishing policies, strategies, when correcting the legislative framework, directing national economies,

involving all elements of society in designing and creating a shift towards the sustainable development goals, in improving and supporting good practices, developing new business models, finding innovative ways of action. The goals are comprehensive and can only be achieved through partnership at all levels and constant exchange and upgrade of knowledge, experience and transfer of effective models (Vuković and Šimleša, 2021).

To achieve global sustainability and the implementation of the Sustainable Development Goals, it is necessary to develop global joint action and seek multilateral solutions, which involves the creation of partnerships between governments, business sector, academic community and civic society. The main goal of the partnership is to create an environment that inspires, i.e. a positive force for creating change.

The green transition in Bosnia and Herzegovina will be achieved through switching to clean energy, through incentives for green and blue investments, decarbonisation of buildings, development through circular economy, by strengthening of entrepreneurship in food production, restoration of ecosystems and through other measures.

Bosnia and Herzegovina has a good starting position and achieves positive results in sustainable development, and sees the 17 sustainable development goals as guidelines for its own development and a framework for a better and more sustainable future on a global level. Sustainable development goals have clear time limits and universal goals that result in greater mobilisation of the global community, strengthened cooperation and networking of stakeholders in sectors, countries and regions, as well as promotion of innovations, exchange of experiences and best practices. Sustainable development goals promote a long-term approach to solving global challenges that are not typical for some countries. Most government programmes have a rather short lifespan of 4-5 years, and the sustainability of these programmes often causes changes (sometimes too frequent) in the government and political agenda. Sustainable development goals set goals for the next eight years, which means that most governments in power now will not be around in 2030. Bearing in mind the long-term agenda and goals agreed by 193 countries, the sustainability of activities is promoted and the commitment of countries is strengthened regardless of changes in the political or any other context.

## Conclusion

Green economy is a broader concept that refers to the transition of replacing coal with renewable energy sources in order to reduce pollution, increase energy efficiency of production processes in order to achieve savings, reusing waste materials in the economy and creating energy, changes that should stop harmful climate change and create new opportunities for economic development. Economic recovery efforts after the COVID-19 pandemic can also serve as an opportunity for changes in the approach to resource management and the creation of green jobs on which a green recovery strategy can be based.

In April 2019, the first Voluntary review of the implementation of the Agenda 2030 sustainable development goals in Bosnia and Herzegovina was completed, which presents activities and results in the implementation of the goals. As for the relationship between trade, development and nature, it is multifaceted, because trade is and can be harmful to the environment. On the other hand, trade can be an efficient tool for the implementation of the Sustainable Development Goals.

Green economy is the future. The European Union has given very clear guidelines for the green transition, the goals are very clear, namely that Europe wants to be a green continent by 2050. This gives clear guidelines to everyone in BiH, first of all the real sector, in order to be competitive on the European market, and also to everyone in BiH in order to live in harmony with nature and leave natural resources for future generations.

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