

WOMEN GOING GREENER

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Mapping the current situation for enabling Greener and Resilient SMEs



Serbia



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Introduction

According to the European Commission, small and medium-sized enterprises (SMEs) comprise 99% of European businesses. They provide jobs to more than 85 million European citizens. Also, SMEs generate about 52% of the EU’s added value, counting on 64% of the total private employment of the non-financial business sector (Rzepecka et al., 2024). SMEs are at the heart of innovation and entrepreneurship in Europe. The ideas and solutions of 24,3 million entrepreneurs, women and men, contribute to a sustainable and digital economy, central to Europe’s competitiveness. The European Commission Communication defines SMEs as follows: "*An enterprise is any entity engaged in an economic activity, irrespective of its legal form*". "*Enterprises qualify as micro, small and medium-sized enterprises (SMEs) if they fulfil the criteria laid down in the Recommendation which are summarized in the table below* (table 1). In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

Table 1: Criteria for determining SMEs (European Commission and Erasmus for Young Entrepreneurs)

| Enterprise category | Head count | Turnover | Balance sheet total |
|---------------------|------------|----------------|---------------------|
| medium-sized | < 250 | ≤ € 50 million | ≤ € 43 million |
| small | < 50 | ≤ € 10 million | ≤ € 10 million |
| micro | < 10 | ≤ € 2 million | ≤ € 2 million |

Regarding Serbia, SMEs are defined in accordance with the *Law on Accounting* and EU standards. Definition of SMEs in Serbia will be presented more thoroughly in the next chapter. As in EU, SMEs also play a crucial role in the Serbian economy, contributing significantly to employment, innovation, and GDP growth.

Given that an important part of this research is the overview of the current state of women's entrepreneurship and the potential for improving its sustainability, it is necessary to clearly define what female entrepreneurship represents at the very beginning. There are several definitions of female entrepreneurship. According to Babović et al. (2023), in UN Woman publication "*Women's entrepreneurship in Serbia 10 years later*", women who are either registered as entrepreneurs or are simultaneously (co)owners and chief managers of companies are classified as entrepreneurs. Female entrepreneurs are identified as women who are at the same time (co)owners of (at least part of) the company and perform a key management role, regardless of the way in which they acquired ownership of the company. In 2017, UN Women has issued a "*Guide to Gender – Responsive Procurement*", where the definition of a women's entrepreneurship is given, which includes minimum requirements such as ownership, control and independence: (1) at least 51% ownership by one or more women; (2) realistic management business operations of the company on a daily basis and making long-term business decisions by women; (3) independence from non-women-owned firms.

The discussion on defining female entrepreneurship is also present in the international framework. The *International Organization for Standardization (ISO)* aims to clarify and distinguish different types of inclusion of women in the business sector present the definitions of related concepts. So, there are two main types:

- a) A business owned by women: is a business that is owned by one or more women in a proportion greater than 50% of the capital, in which women perform management roles and control, in which the woman is the legal representative and person authorized to sign documents and financial accounts and which operates independently of other businesses that are not owned by women.
- b) Business led by a woman: is a business in which at least 25% of the ownership is owned by one or more women, in which management and control are performed by one or more women, in which at least a third of the board members are women (if they have such boards) and in which there is a woman legal representative and person authorized to sign documents and financial accounts and who does business independent of other businesses that are not owned or run by women.

Current Legal Framework

EU Legislation

European Union (EU) legislation on sustainability in small and medium-sized enterprises (SMEs) aims to encourage environmentally, socially responsible, and economically sustainable business practices. It is rooted in broader EU policies such as the *European Green Deal* and supports SMEs in their transition towards sustainability. By aligning with EU sustainability legislation, SMEs can improve their competitiveness. The key regulatory provisions relevant to SMEs are as follows:

Corporate Sustainability Reporting Directive (CSRD) - Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU. This Directive came into force in EU countries in January 2023. It modernises and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability. As the European Commission claims, this will ensure that investors and other stakeholders have access to the information they need to assess companies' impact on people and the environment and to assess financial risks and opportunities arising from climate change and other sustainability issues. Finally, by harmonizing the information to be provided, companies will reduce their reporting costs over the medium to long term.

EU Taxonomy Regulation – Taxonomy Regulation (EU) 2020/852/EU. The EU taxonomy is a cornerstone of the EU's sustainable finance framework and an important market transparency tool. It helps direct investments to the economic activities most needed for the transition, in line with the European Green Deal objectives. The taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and broader environmental goals other than climate. The EU taxonomy allows financial and non-financial companies to share a common definition of economic activities that can be considered environmentally sustainable. In this way, it plays an important role in helping the EU scale up sustainable investment, by creating security for investors, protecting private investors from greenwashing, helping companies become more climate-friendly and mitigating market fragmentation. Relevance to SMEs: Though primarily aimed at large companies and investors, SMEs interacting with larger firms or financial institutions may indirectly need to align with the taxonomy to secure funding or partnerships.

Energy Efficiency Directive - Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast). The main objective of this Directive is to significantly raise the EU's ambition in terms of energy efficiency. It establishes the "*energy efficiency first principle*" as a fundamental principle of EU energy policy, giving it legal standing for the first time. In practical terms, this means that energy efficiency must be considered by EU countries in all relevant policy and major investment decisions taken in the energy and non-energy sectors. Full implementation of the Energy

Efficiency Directive will be key for the EU to comply with the commitment of the *Global Pledge* to double the global rate of energy efficiency improvements from about 2% to over 4% by 2030.

Renewable Energy Directive (RED) - Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652. It sets an overall renewable energy target of at least 42.5% binding at EU level by 2030 - but aiming for 45%. This Directive promotes the use of renewable energy sources across industries. Regarding SMEs, it includes provisions for small businesses to access funding and technical assistance to implement renewable energy projects.

Waste Framework Directive - Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives. This Directive sets the basic concepts and definitions related to waste management, including definitions of waste, recycling, and recovery. It explains when waste ceases to be waste and becomes a secondary raw material, and how to distinguish between waste and by-products. The Directive also introduces the "polluter pays principle" and the "extended producer responsibility". SMEs in manufacturing, retail, or other sectors must comply with rules on waste management and packaging, potentially adjusting production methods or materials.

Ecodesign for Sustainable Products Regulation (ESPR) - Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 establishing a framework for the setting of ecodesign requirements for sustainable products, amending Directive (EU) 2020/1828 and Regulation (EU) 2023/1542 and repealing Directive 2009/125/EC. The main objective of this Regulation is to create access to more environmentally sustainable and circular products. Impact on SMEs reflects on encouraging design changes to reduce environmental impact, particularly for SMEs involved in manufacturing or product development. The ESPR is part of a package of measures that are central to achieving the aims of the *2020 Circular Economy Action Plan* and fostering the transition to a circular, sustainable, and competitive economy.

Sustainable Finance Disclosures Regulation (SFDR) - Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial services sector (SFDR). While targeted at financial institutions, SMEs may benefit from increased access to sustainable investments as investors prioritize ESG-compliant businesses.

REACH Regulation - REACH Regulation (EC 1907/2006). The Regulation on the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) is the main EU law to protect human health and the environment from the risks that can be posed by chemicals. This is done by better and earlier identification of the intrinsic properties of chemical substances and by taking measures, such as phasing out or restricting substances of very high concern. REACH also aims to enhance innovation and the competitiveness of the EU chemicals industry. REACH places responsibility on the industry to manage the risks from chemicals and to provide safety information

on the substances. To that end, manufacturers and importers are required to gather information on the properties of their chemical substances and to register that information in a central database in the *European Chemicals Agency (ECHA)*. SMEs in EU countries must ensure compliance with safety standards and may receive specific guidance or exemptions to ease regulatory burdens.

It is important to emphasize that the entire EU legislation is not listed, given its comprehensiveness and complexity, but the authors have singled out the most important Directives and Regulations governing the sustainable business of SMEs. All EU member states are obliged to harmonize their national policies with European policies and legislation.

National Legislation in Serbia

The operations of small and medium-sized enterprises (SMEs) in the Republic of Serbia are governed by a comprehensive framework of laws, regulations, and rules addressing various aspects of business activity. The key regulatory provisions relevant to SMEs are as follows:

Company Law Serbia/Companies Act ("Official Gazette of the RS", 36/2011, 99/2011, 83/2014 - other law, 5/2015, 44/2018, 95/2018, 91/2019 and 109/2021): the main law that regulates the establishment, operation and management of companies in Serbia.

Law on Entrepreneurs ("Official Gazette of the RS", no. 19/91, 46/91, 39/93, 53/93, 67/93, 48/94, 53/95, 35/2002 and 101/2005): regulates the business of entrepreneurs that perform economic activity. It contains provisions on the method of registration, taxes, and obligations of entrepreneurs.

Labor Law ("Official Gazette of the RS", no. 24/2005, 61/2005, 54/2009, 32/2013, 75/2014, 13/2017, 113/2017 and 95/2018): regulates the rights and obligations of employers and employees. Key for SMEs with employees, especially in the areas of employment contracts, working hours, holidays, occupational health and safety, and termination of employment.

Law on Accounting ("Official Gazette of RS", no. 73/2019 and 44/2021 - other laws): **legal entities and entrepreneurs in Serbia, within the meaning of this Law, are classified into micro, small, medium and large legal entities**, depending on the average number of employees and business income in the business year and the value of total assets determined on the balance sheet date of the regular annual financial report.

Micro legal entities include legal persons and entrepreneurs who, as of the balance sheet date, do not exceed the threshold values for two of the following criteria:

- a) Average number of employees: 10;
- b) Operating income: EUR 700 000 in the RSD equivalent;
- c) Total assets as of the balance sheet date: EUR 350 000 in the RSD equivalent.

Small legal entities, according to this Law, are defined based on the following criteria:

- a) Average number of employees: 50;

- b) Operating income: EUR 8 000 000 in the RSD equivalent;
- c) Total assets as of the balance sheet date: EUR 4 000 000 in RSD equivalent.

Medium-sized legal entities, according to this Law, are defined based on the following criteria:

- a) Average number of employees: 250;
- b) Operating income: EUR 40 000 000 in the RSD equivalent;
- c) Total assets as of the balance sheet date: EUR 20 000 000 in the RSD equivalent.

Law on tax procedure and tax administration ("Official Gazette of RS", no. 80/2002, 84/2002 - amended, 23/2003 - amended, 70/2003, 55/2004, 61/2005, 85/2005 - other law, 62/ 2006 - other law, 63/2006 - other law, 61/2007, 20/2009, 72/2009 - other laws, 53/2010, 101/2011, 2/2012 - amended, 93/2012, 47/2013, 108/2013, 68/2014, 105/2014 , 91/2015 - authentic interpretation, 112/2015, 15/2016, 108/2016, 30/2018, 95/2018, 86/2019, 144/2020, 96/2021 and 138/2022): this law regulates the taxation of SMEs in Serbia.

Law on Electronic Invoicing ("Official Gazette of RS", no. 44/2021, 129/2021, 138/2022 and 92/2023) **and** ***Law on Fiscalization*** ("Official Gazette of RS", no. 153/2020, 96/2021 and 138/2022): these laws regulate SMEs' daily operations, i.e. the purchase and sale of products, goods, and services in the country and abroad.

Law on Foreign Currency Transactions ("Official Gazette of RS", no. 62/2006, 31/2011, 119/2012, 139/2014 and 30/2018): regulates business with foreign countries, which is important for SMEs that import, export or have foreign partners.

Law on the Registration Procedure at the Business Registers Agency ("Official Gazette of RS", no. 99/2011, 83/2014, 31/2019 and 105/2021): this law regulates the procedure for registration, recording and publication of data and documents kept in the Register of Business Entities, as well as the subject of registration, recording and publication in registers and records kept by the Business Registers Agency.

Law on Cooperatives ("Official Gazette of RS", no. 112/2015): this law regulates the legal position of cooperatives, their establishment, management, and bodies of the cooperative, acquisition and termination of cooperative status, register of cooperatives, property and operations of the cooperative, funds, distribution of profits, and coverage of losses in cooperatives, termination of cooperatives, cooperative alliances, complex cooperatives, registration cooperative, cooperative audit, as well as other issues important for the position and work of the cooperative.

Law on Social Entrepreneurship ("Official Gazette of RS", no. 14/2022): This law regulates the concept, goals, principles and area of activity of social entrepreneurship, legal position, rights and obligations of entities that perform activities with the status of social entrepreneurship, conditions for acquiring and terminating the status of social entrepreneurship, the concept of socially sensitive groups, encouraging the development of social entrepreneurship and support socially sensitive

groups, registration of the status of social entrepreneurship, reporting, supervision and other issues of importance for social entrepreneurship in the Republic of Serbia.

Law on the Development Fund of the Republic of Serbia ("Official Gazette of RS", no. 36/2009, 88/2010, 119/2012 and 5/2015): this law regulates positions, methods of financing, jobs, management, work control, supervision, etc. The Fund achieves the following goals with its activities: encouraging regional development, including developing underdeveloped areas; encouraging the business of legal entities and entrepreneurs; and encouraging competitiveness and employment. The Fund enables SMEs to access subsidies, loans, and grants through different state programs.

Law on Innovative Activity ("Official Gazette of RS", No. 129/2021): this law regulates the goals and organization of the application of scientific knowledge, technical, technological knowledge, and inventions in the function of improving products, processes and services as a driving force for the development of the Republic of Serbia. This Law provides a framework for encouraging innovation and access to financial resources for SMEs in Serbia.

Law on Inspection Supervision ("Official Gazette of RS", no. 36/2015, 44/2018 - other laws and 95/2018): this law regulates the content, types, forms, and procedures of inspection supervision, as well as the powers and obligations of participants in inspection supervision.

Law on Audit ("Official Gazette of RS", no. 73/2019): which is important for SMEs because it establishes the obligation to conduct an audit in relation to the size of the legal entity, i.e. the revenue generated, as well as in relation to other criteria.

Law on Public Procurement ("Official Gazette of RS", no. 91/2019 and 92/2023): this law regulates the rules of public procurement procedures carried out by contracting authorities or other entities in the cases determined by this law, for the purpose of concluding contracts on public procurement of goods, services or works, framework agreements, as well as conducting design contests. It is important for all those SMEs that participate in public procurement tenders.

Law on Incentives in Agriculture and Rural Development ("Official Gazette of RS", No. 10/2013, 142/2014, 103/2015, 101/2016, 35/2023 and 92/2023): this law regulates the types of incentives, the way incentives are used, the Register of incentives in agriculture and rural development, as well as the conditions for exercising the right to incentives in agriculture and rural development. This law is relevant for SMEs in the agricultural sector.

Law on Planning and Construction ('Official Gazette of RS', no. 72/2009, 81/2009 - corrected, 64/2010 - US decision, 24/2011, 121/2012, 42/2013 - US decision, 50/2013 - US decision, 98/2013 - US decision, 132/2014, 145/2014, 83/2018, 31/2019, 37/2019 - other laws, 9/2020, 52/2021 and 62/2023): this law regulates: the conditions and manner of spatial arrangement, the arrangement and use of construction land and the construction of buildings; supervising the implementation of the provisions of this law and inspection supervision; other issues of importance for spatial arrangement, arrangement and use of construction land and for the construction of buildings.

Law on Tourism ("Official Gazette of RS", no. 17/2019): important for SMEs in the tourism and hospitality sector, including regulations on the categorization of facilities and the provision of services.

In addition to the above laws, the legal framework for the operation of SMEs also includes other regulations that have an impact on the business environment and operating conditions of economic entities, i.e. indirectly affect the work of SMEs, such as, among other things, regulations in the field of consumer protection, regulations in the field of ecology that define the obligations of economic entities in relation to environmental protection, as well as sectoral legislation relevant to the activities performed by SMEs.

In Serbia, **sustainability in Small and Medium-sized Enterprises** (SMEs) is addressed through a combination of national laws, strategies, and regulations, many of which align with international sustainability standards and EU directives. These legislations focus on environmental protection, energy efficiency, waste management, social responsibility, etc. Below is an overview of the key laws and frameworks relevant to sustainability in SMEs in Serbia:

Law on Environmental Protection ("Official Gazette of the RS", no. 135/2004, 36/2009, 36/2009 - other laws, 72/2009 - other laws, 43/2011 - US decision, 14/2016, 76/2018, 95 /2018 - dr. law and 95/2018 - dr. law): this law regulates an integral system of environmental protection, which ensures the realization of the human right to life and development in a healthy environment and a balanced relationship between economic development and the environment in the Republic of Serbia. Also, it imposes obligations on businesses, including SMEs, to implement environmental management practices, prevent pollution, and ensure sustainable resource use.

Law on Environmental Impact Assessment ("Official Gazette of RS", no. 135/2004 and 36/2009): this law regulates the impact assessment procedure for projects that may have significant impacts on the environment, the content of the environmental impact assessment study, the participation of interested authorities and organizations and the public, cross-border notification for projects that may have significant impacts on the environment of another country, monitoring and other issues relevant to environmental impact assessment. This law requires SMEs involved in activities with potential environmental impacts to conduct Environmental Impact Assessments (EIAs) and ensures that environmental considerations are integrated into business decisions.

Law on Strategic Environmental Assessment ("Official Gazette of RS", no. 135/2004 and 88/2010): this law regulates the conditions, methods, and procedures for assessing the impact of certain plans and programs on the environment (hereinafter: strategic assessment), to ensure environmental protection and promote sustainable development by integrating the basic principles of environmental protection into the process of preparing and adopting plans and program. For SMEs, this law mandates an assessment of the environmental impact of policies, plans, or programs, particularly those related to industrial development.

Law on Waste Management ("Official Gazette of RS", no. 36/2009, 88/2010, 14/2016, 95/2018 - other laws and 35/2023): this law regulates: the types and classification of waste; waste management planning; entities of waste management; responsibilities and obligations in waste management; organizing waste management; management of special waste streams; conditions and procedures for issuing permits; transboundary movement of waste; waste reporting and database; financing of waste management; supervision, as well as other issues of importance for waste management. It is important for SMEs that this law regulates the management, treatment, and disposal of waste, emphasizing the principles of waste hierarchy (reduce, reuse, recycle). Also, it encourages SMEs to minimize waste generation and adopt recycling practices and obligates businesses to handle hazardous waste responsibly and maintain proper documentation.

Law on Packaging and Packaging Waste ("Official Gazette of RS", no. 36/2009 and 95/2018 - other laws): this law regulates the environmental protection conditions that packaging must meet before being placed on the market, the management of packaging and packaging waste, reporting on packaging and packaging waste, economic instruments, and other issues of importance for the management of packaging and packaging waste. The provisions of this law apply to imported packaging, packaging that is produced, i.e. put into circulation and all packaging waste generated by economic activities on the territory of the Republic of Serbia, regardless of its origin, use, and used packaging material. This especially applies to small and medium-sized enterprises that produce, import or use packaging to ensure proper waste management and recycling.

Law on Energy Efficiency and Rational Use of Energy ("Official Gazette of RS", no. 40/2021): this law regulates the conditions and manner of efficient use of energy and energy sources; policy of efficient use of energy; energy management system; energy efficiency policy measures: energy use in buildings, energy activities and end customers, for energy facilities and energy services; energy labelling and eco-design requirements; financing, incentives and other measures in this area. Regarding SMEs, this law promotes energy-saving measures and energy efficiency improvements in SMEs, provides incentives for businesses adopting energy-efficient technologies or practices and requires periodic energy audits for enterprises above certain thresholds. The goal of this law is to create conditions for the efficient use of energy and improvement of energy efficiency, which contributes to: energy savings; security of energy supply; reducing the impact of the energy sector on the environment and climate change; sustainable use of natural and other resources; increasing the competitiveness of the economy; improving conditions for economic development and reducing energy poverty.

Law on Renewable Energy Sources ("Official Gazette of RS", no. 40/2021 and 35/2023): according to this law, the use of Renewable Energy Sources (RES) is in the public interest of the Republic of Serbia and is of particular importance for this country. This law regulates the use of energy from RES, the method of determining the share of RES in the gross final energy consumption in Serbia, the integration of renewable energy into the market, incentive systems for the production of electricity from renewable sources, guarantees of origin electricity, production of electricity from renewable sources for own consumption, use of RES in the field of thermal

energy and transport, special procedures related to the construction and connection of energy facilities that use RES, etc. Through this law, the Serbian Government encourages SMEs to invest in renewable energy solutions, such as solar or wind power. Also, offers subsidies and incentives for adopting green energy technologies.

Law on Climate Change ("Official Gazette of RS", no. 26/2021): this law regulates the system for limiting greenhouse gas emissions (hereinafter referred to as GHG), adapting to altered climate conditions, monitoring and reporting on the low-carbon development strategy and its improvement, the program for adapting to altered climate conditions, the adoption of the low-carbon development strategy and the program for adapting to altered climate conditions, issuing GHG emission permits to installation operators, granting approvals for the monitoring plan of aircraft operators, monitoring, reporting, verification, and accreditation of verifiers, administrative fees, supervision, and other issues of importance for limiting GHG emissions and adapting to altered climate conditions. The law is aligned with Serbia's commitments under the Paris Agreement. For SMEs, it is important to highlight that this law introduces measures to reduce greenhouse gas (GHG) emissions in industries, including SMEs, and encourages the adoption of low-carbon technologies and practices.

In addition, there are diverse bylaws and incentives, and various government programs and incentives support energy efficiency and renewable energy projects, particularly in small businesses, as well as ***Regulations on Air Protection, Water and Soil Protection*** that impose limits on pollutants emitted by businesses and require SMEs to report their emissions if they operate in high-emission sectors.

Women's entrepreneurship in Serbia is not governed by a standalone law but is integrated into a broader legislative framework and entrepreneurship development strategies, with a strong emphasis on fostering the participation of women in business. Despite the absence of specific legislation, this sector benefits from substantial support through strategic programs and policies designed to advance gender equality and empower women within the business ecosystem. Women's entrepreneurship is also supported through projects funded by international organizations such as the European Union, UN Women, and USAID, which collaborate with local and national institutions. **The *Law on Gender Equality*** ("Official Gazette of RS", no. 52/2021) mandates public authorities to promote equal opportunities across all sectors, including entrepreneurship. Within the framework of national and local action plans, specific support programs are introduced to assist women in business.

It is also important to note that the Government of the Republic of Serbia in 2024 has adopted a ***Decree on the establishment of a Program to Encourage the Development of Entrepreneurship through Financial Support for Entrepreneurship of Women and Woman Single Parents*** ("Official Gazette of RS", no. 58/2024) to encourage the development of woman entrepreneurship and sustainable economic development.

Comparative Analysis

Comparing EU and Serbian legislation related to the sustainability of SMEs reveals similarities driven by Serbia's EU accession aspirations, as well as differences reflecting Serbia's unique regulatory and economic environment. Similarities can be observed through:

- **EU Alignment:** As an EU candidate country, Serbia is harmonizing its laws with EU directives, including those related to sustainability (e.g., environmental protection, energy efficiency, waste management, etc.). Serbia has adopted policies inspired by the *EU Green Deal*, such as promoting renewable energy and waste reduction.
- **Support for SMEs:** Both the EU and Serbia provide financial incentives, technical assistance, and training programs to help SMEs adopt sustainable practices.
- **Sustainability Focus Areas:** Legislation in both jurisdictions targets similar sustainability areas, including energy efficiency, renewable energy adoption, waste reduction (recycling, waste-to-energy), pollution prevention, etc.

However, despite the similarities, there are also differences conditioned by the local context (political, economic, social, etc.). Perhaps the most significant differences are reflected in:

- **Regulatory Scope and Obligations:** In the EU, SMEs may face stricter and more comprehensive regulations due to directives like the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation, but also the Waste Framework Directive, the REACH Regulation, etc. EU legislation is more detailed, with enforcement mechanisms that apply directly in all member states. On the other hand, regulations related to sustainability in Serbia are less stringent and primarily target large companies. While SMEs are encouraged to adopt sustainable practices, mandatory obligations are often limited. EU member states are legally bound by the sustainability directives, while Serbia only implements parts of them as it aligns its legal framework with EU standards.
- **Implementation of Environmental Directives:** Regulations like the Waste Framework Directive and REACH Regulation require specific compliance from SMEs across EU Member States. The EU has advanced monitoring and reporting systems, not only on the quantities and types of waste, but also on the quality of water, air and soil, and all SMEs are required to submit detailed reports on the impact of their business on the natural environment. At the same time, although Serbia generally tries to follow EU standards, the situation in practice is somewhat different. When, for example, we are talking about waste management, the regulation exists, but its application is somewhat questionable. According to reports from the *Serbian Environmental Protection Agency (SEPA)*, around 30% of businesses do not report to the SEPA at all or do not report accurately about waste production. As a result, there is no reliable and accurate data on the amount and types of waste generated in production processes, there is no reliable information on how waste is treated (recycling, energy recovery, disposal), etc. The limitations are also underdeveloped capacities for waste separation, recycling, energy

utilization, etc. It is similar when we talk about water management, wastewater treatment, monitoring, etc.

- **Access to Green Financing:** In the EU, SMEs benefit from a well-developed sustainable finance ecosystem in line with regulations such as the Sustainable Finance Disclosure Regulation (SFDR). Also, different EU programs provide significant funding for sustainability initiatives, especially for innovation and green technology. On the other hand, while green financing is present in Serbia, it is still limited, with fewer local financial instruments specifically targeting sustainability. Serbia relies more on international donors and development banks (e.g., EBRD, World Bank) to fund green projects. In addition, Serbian SMEs operate in an economy with lower GDP per capita and limited financial resources compared to EU countries, leading to fewer investments in sustainability.
- **Energy Transition:** the EU has strict targets that are defined under the *Renewable Energy Directive* (RED) to drive SMEs toward renewable energy adoption. EU countries often have advanced frameworks for subsidies and grid integration. On the other hand, energy production in Serbia relies around 65-70% on low-quality lignite coal, causing serious environmental pollution, while most of the remainder is generated in hydropower plants. Subsidies for renewables exist but are less comprehensive compared to EU programs. In recent years, there has been a noticeable increase in the number of *prosumers* (producers-consumers) among citizens/households, but also SMEs. By April 2024, 799 companies in Serbia had acquired prosumer status.
- **Awareness and Capacity Building:** in the EU there are diverse broad awareness campaigns and well-structured programs that provide SMEs with knowledge, tools, skills, and mechanisms for sustainability compliance. In Serbia, the situation is significantly different: awareness among SMEs about the economic (but also social and environmental) benefits of sustainability and available support mechanisms is limited. Capacity-building initiatives are often driven by international NGOs or donor-funded projects rather than state-led programs. Entrepreneurs, especially in underdeveloped and rural areas of Serbia, are often not sufficiently informed, environmental awareness is low, and institutional support is insufficient or not adapted to the local context in small communities, which can be very specific. Technological literacy is another limiting factor, which particularly affects the elderly population.

Conclusion: while Serbia is making progress in aligning its legislation with EU standards, significant gaps remain, particularly in implementation, financial support, and SME obligations. Over time, as Serbia moves closer to EU accession, these gaps are expected to narrow, creating a more harmonized sustainability framework for SMEs.

Policy Measures

EU Policies and Initiatives

The European Union (EU) actively supports sustainability in small and medium-sized enterprises (SMEs) and encourages women's participation in business and entrepreneurship. These efforts are aligned with broader goals such as the European Green Deal. In the following text, we will present the most important EU policies, initiatives, and funds that support the development of SMEs in Europe.

Small Business Act (SBA) for Europe (Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - “Think Small First” - A “Small Business Act” for Europe): the “Small Business Act” for Europe (SBA) is a wide-ranging set of pro-enterprise measures designed to make life easier for Small and Medium-sized Enterprises (SMEs). The SBA seeks to promote entrepreneurship and anchor the “*Think Small First*” principle in law and policy-making, thereby strengthening the competitiveness of European SMEs. Today's SBA review presents an overview of the progress achieved in implementing the SBA and sets out new actions to respond to challenges resulting from the economic crisis.

SME Strategy for a Sustainable and Digital Europe (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions an SME strategy for a sustainable and digital Europe Com/2020/103 final): according to this Strategy, SMEs in Europe are very diverse in terms of business models, size, age, and entrepreneurs' profiles, and draw on a diverse talent pool of women and men. They range from liberal professions and microenterprises in the services sector to middle-range industrial companies, from traditional crafts to high-tech start-ups. This Strategy recognises their different needs, helping companies not just to grow and scale up, but also to be competitive, resilient, and sustainable. It therefore sets out an ambitious, comprehensive and cross-cutting approach, based on horizontal measures helping all kinds of SMEs as well as actions targeting specific needs. The strategy puts forward actions based on the following three pillars:

- a) Capacity-building and support for the transition to sustainability and digitalization;
Reducing the regulatory burden and improving market access;
- b) Improving access to financing;
- c) Supportive Measures for SMEs.

The objective is to unleash the power of Europe's SMEs of all kinds to lead the twin transitions. It aims to considerably increase the number of SMEs engaging in sustainable business practices as well as the number of SMEs employing digital technologies. Ultimately, the goal is that Europe becomes the most attractive place to start a small business, make it grow and scale up in the single market. To bring results, the strategy must be driven jointly by EU-level actions and a strong commitment by Member States. The active involvement of the SME community and companies

themselves will be key. The Strategy will therefore be underpinned by a robust partnership for delivery between the EU and Member States, including regional and local authorities. Entrepreneurs should also seize the opportunity of EU investment programmes to make their businesses more digital and sustainable.

The strategy is part of the industry package that includes the Communication and its accompanying Report on Identifying and addressing barriers to the Single Market (the *Single Market Barriers Communication*), the Long term action plan for better implementation and enforcement of single market rules (the *Enforcement Action Plan*) and the New industrial strategy for Europe (the *Industrial strategy*). It builds on many findings from the Single Market Barriers Communication as regards obstacles faced by SMEs willing to operate cross-border. Proper transposition, application, and enforcement of EU legislation are key to facilitating SME growth within the single market. The Enforcement Action Plan sets out various initiatives to address these issues. The Industrial strategy stresses the role of SMEs in a competitive and innovative European industry.

Circular Economy Action Plan: in March 2020, the European Commission adopted an important document titled *Circular Economy Action Plan* (CEAP), as one of the main building blocks of the *European Green Deal*. As CEAP states, the circular economy can strengthen the EU's industrial base and foster business creation and entrepreneurship among SMEs. The main objectives of this document are: to make sustainable products the norm in the EU; empower consumers and public buyers; focus on the sectors that use the most resources and where the potential for circularity is high such as electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings, food, water and nutrients, ensure less waste, make circularity work for people, regions and cities; lead global efforts on circular economy. The new action plan announces initiatives along the entire life cycle of products. It targets how products are designed, promotes circular economy processes, encourages sustainable consumption, and aims to ensure that waste is prevented and the resources used are kept in the EU economy for as long as possible. It introduces legislative and non-legislative measures targeting areas where action at the EU level brings real added value.

SME Relief Package: in September 2023, the European Commission published an *SME relief package* aimed at providing short-term relief, boosting long-term SME competitiveness and resilience, and fostering a fair and SME-friendly business environment. It includes:

- a proposal for a late payment Regulation;
- a proposal for a Directive on tax simplification for SMEs;
- a set of measures to make things easier for SMEs, improve access to finance and skilled workforce and support SMEs throughout their business lifecycle.

The last few years have been extremely challenging for SMEs. The first big challenge was the Covid-19 pandemic, SMEs have faced unprecedented economic uncertainty. Moreover, through 2021 and 2022, they have had difficulties in recruiting staff to meet a strong rebound in demand. The inflation rates increased dramatically, especially in 2022, provoking rises in interest rates, and

reducing access to finance. The increased energy costs and raw material prices put extra pressure on companies. In addition, the end of the financial aid from governments after the pandemic reduced their resilience capacity. Moreover, SMEs have to prepare for the *twin transition* (green and digital transition). The Relief Package should contribute to the easier resolution of problems and challenges in the business of SMEs.

European Structural Investment Funds: In 2014-2020, the European Structural and Investment Funds (ESI Funds) unleashed a total investment of €731 billion, of which €535 billion was funded by the EU, fostering lasting socio-economic convergence, territorial cohesion, social Europe and a smooth green and digital transition. As one of the largest investment instruments under the EU budget, the ESI Funds support the territorial, economic and social cohesion of Europe's regions, as well as their resilience and recovery from the crisis faced in the past years. They comprise of:

- the *European Regional Development Fund*;
- the *European Social Fund*;
- the *Cohesion Fund*;
- the *European Agricultural Fund for Rural Development*;
- the *European Maritime and Fisheries Fund*.

European Investment Bank (EIB): In 2023, the EIB Group provided around 20 billion euros for SMEs. To support small businesses, the EIB Group partners with a wide network of commercial banks, National Promotional Banks and Institutions, leasing companies, venture capital and private equity funds, angel investors and other providers. They especially target regions where access to finance is an obstacle to economic growth. Through intermediaries, the EIB provides financing to: micro-enterprises (0-9 employees); small enterprises (10-49 employees); medium-sized enterprises (50-249 employees), but also mid-caps (250-3 000 employees). The improvement of sustainable business is an important topic, which receives significant support through these instruments (so for example *energy efficiency loans* are more common). Also, EIB is one of the largest multilateral providers of *climate finance* worldwide.

In addition to this, there are other initiatives that provide tools, skills, and funding mechanisms for achieving sustainability, including:

SME support actions funded under the Horizon 2020 programme: for instance, the Horizon 2020 “*Innovation in SMEs*” (INNOSUP) program aims to test new approaches for better innovation support through funding opportunities for innovation actors across Europe. It consists of innovation-support measures designed to provide opportunities to Member States and regions to enhance their services to SMEs through collaboration, peer-learning, and testing new approaches that facilitate SMEs’ access to customers, capital and competencies; the latter especially in the domains of business, innovation and intellectual asset management. Its ultimate goal is hence to help strengthen the dynamism and the resilience of the SME innovation ecosystem in Europe, though INNOSUP Actions generally operate as pilots to test out particular approaches. Calls are, generally, directed to intermediaries that nurture and support innovative SMEs, such as innovation agencies, industrial clusters, and innovation associations of different kinds and from different

sectors. Some of the calls are also directly targeted at SMEs (final beneficiaries), while others are intended to support existing European innovation-support schemes (e.g. the Enterprise Europe Network).

European Innovation Council (EIC): has been established under the EU Horizon Europe program. It supports innovations throughout the lifecycle from early-stage research, to proof of concept, technology transfer, and the financing and scale-up of start-ups and SMEs. A unique feature of the EIC is that it provides funding for individual companies (mainly startups and SMEs) through both grants and investments. The investments currently take the form of direct equity or quasi-equity investments and are managed by the *EIC Fund*.

Enterprise Europe Network (EEN): is the world's largest support network for small and medium-sized enterprises (SMEs) with international ambitions. The network helps businesses innovate and grow on an international scale. It brings together experts from member organisations that are renowned for their excellence in business support. Member organisations include: chambers of commerce and industry; regional development organisations; universities and research institutes and innovation agencies. The network offers assistance to SMEs in the areas of: access to EU funding programmes; innovation, resilience; EU single market, sustainability, digitalization, internationalization, etc. EEN is present in 40 countries around the world and in all EU regions with more than 450 member organisations.

When we talk about supporting female entrepreneurship, the **WEgate platform** should be highlighted. WEgate offers women entrepreneurs growth and networking opportunities sharing vertical know-how and insights and promoting the exchange of new ideas based on their real everyday needs. This platform was developed under the *COSME programme*, as an association to support women's entrepreneurship in Europe. Launched in September 2016, it provides information and links on access to training, mentoring, advice and business networking opportunities. Also, there is the **Gender Equality Strategy 2020–2025**, which includes measures to increase women's representation in business. The Strategy presents policy objectives and actions to make significant progress by 2025 towards a gender-equal Europe. In addition, the **European Social Fund+** (ESF+) provides funding for projects aimed at empowering women, reducing gender gaps, and promoting equal opportunities in the labour market. The ESF+ is the European Union's main instrument for investing in people. With a budget of €142.7 billion for the period 2021-2027, the ESF+ will continue to provide an important contribution to the EU's employment, social, education, and skills policies, including structural reforms in these areas.

National Policies and Initiatives Supporting SMEs in Serbia

Regarding the national level, the **Ministry of Economy**, the **Development Fund of the Republic of Serbia**, and the **Chamber of Commerce and Industry of Serbia**, play central roles in shaping policies and providing support mechanisms for SMEs. Apart from these, the **Ministry of Finance** (competent for the system and policy of taxes, fees, fees and other public revenues, the basics of the social insurance contribution system and the customs system); **Serbian Business Registers**

Agency (it was founded in 2004 to maintain registers as unique centralized electronic databases); the *Ministry of Agriculture, Forestry and Water Management* (responsible for the policy of development of agriculture and food industry as well as for incentives in the area of the food industry, for the improvement of agricultural production); the *Ministry of Internal and Foreign Trade* (responsible for market functioning, trade development strategy and policy, internal trade, quality control of industrial non-food products in production and trade, and control of services); *Ministry of Labour, Employment, Veterans and Social Affairs* (performs tasks in the field of labor relations and labor rights), and the *Ministry of Environmental Protection* (performs related state administration tasks on the system of protection and improvement of the environment, and its action is of particular importance for the development of entrepreneurship in the field of circular and green economy). In the field of gender equality, the role of the *Coordination Body for Gender Equality* of the Government of the Republic of Serbia is significant, which represents the national coordination mechanism for gender equality issues with the mandate to coordinate the work of state administration bodies and other institutions to promote gender equality.

In addition to national institutions and legal regulations, there are also strategic documents that regulate the field of SMEs in Serbia. The most significant is the *Strategy to support the development of small and medium enterprises, entrepreneurship, and competitiveness for the period from 2015 to 2020* adopted by the government of the Republic of Serbia, in March 2015. This Strategy was adopted to support the sustainable socio-economic development of the Republic of Serbia, to support competitiveness and entrepreneurial initiative, knowledge, application of new technologies and innovation. The strategy defines goals, priorities, and measures for improving the development of micro, small, and medium-sized enterprises and entrepreneurship in the medium-term period. One of the strategic goals of this document specifically referred to support for women's entrepreneurship (*Goal No. 6 Development and promotion of the entrepreneurial spirit and encouragement of women's, youth, and social entrepreneurship*). In addition, there were defined two specific objectives, following the previously mentioned strategic ones: *6.1. Improving statistical monitoring and research on women's, youth, and social entrepreneurship* and *6.2. Policy and instruments to support women's entrepreneurship, youth entrepreneurship and social entrepreneurship*. This document pointed out a limitation: **in the Republic of Serbia, there is no Strategy that directly and exclusively relates to the development of women's entrepreneurship**. Moreover, this Strategy emphasized that women represent a minority in the economic sector in Serbia, and face specific limitations, and it is important to provide the necessary support to women in all phases of business.

In 2023, a new *Strategy for the development of Small and Medium Enterprises for the period from 2023 to 2027 with an Action Plan* was adopted, to achieve continuity and implementation of public policies in this area. The development of the Strategy text was preceded by an *ex-post* analysis of the effects of the implementation of the previous public policy document to support the development of SMEs, an *ex-ante* analysis of the new Strategy, as well as the preparation of other analytical documents relevant to the creation of SMEs policy, including statistical analyses of the

development of the sector in the previous medium-term period. **The new Strategy emphasizes** that it is important to ensure that the development of the **SME sector is inclusive**, i.e. to pay attention to the needs of specific target groups, such as young and **female entrepreneurs** or SMEs operating in less developed areas and still not having resolved the problem of access to basic physical infrastructure. The regulatory environment for women entrepreneurs and those performing managerial functions remains discouraging in terms of exercising certain rights (sick leave, pregnancy and maternity leave), and in the coming period, it is necessary to work on creating an enabling environment for the development of female entrepreneurship. The Republic of Serbia has still not adopted a Strategy for supporting the development of female entrepreneurship (even after the adoption of this new Strategy in 2023).

However, when talking about national policies to support women's entrepreneurship in Serbia, it is important to mention *the National Strategy for Gender Equality for the period 2021-2030* ("Official Gazette of RS", No. 103/2021). This Strategy establishes comprehensive measures to advance gender equality as a factor that encourages the development of society in Serbia (including women's entrepreneurship).

In March 2020, the Serbian government adopted the *Industrial Policy Strategy from 2021 to 2030*, which stipulates comprehensive reform steps in the field of industrial development aimed at enhancing the competitiveness of the domestic industry, which will give a significant contribution to a highly sustainable economic development. The implementation of the Strategy will allow for raising the technological level of the industry and its transformation towards digitalisation and automatisisation, raising the contribution of scientific-technical and innovative solutions, as well as the total volume of investments in the industry while securing balance in the structure and quality of the investments. The vision of the Strategy is open, regionally and globally competitive, investment active, educated, innovative and digitally transformed Serbian industry, strongly supporting economic growth and improving the quality of life of its citizens. The overall goal of industrial policy is to raise the competitiveness of the Serbian industry. This goal directly supports the achievement of the previously defined vision. Specifically, the competitive Serbian industry significantly contributes to high sustainable economic growth, measured by the national GDP growth rate and better living standards of Serbian citizens, measured by the GDP level per capita. The Industrial Policy Strategy recognizes SMEs as carriers of the economic development of Serbia.

The Startup Ecosystem Development Strategy of the Republic of Serbia for the period 2021-2025 ("Official Gazette of the Republic of Serbia", No. 125/21) contains several relevant measures for SMEs, such as: encouraging the development of the venture capital market; creating mechanisms and foundations for crowdfunding; establishing mechanisms for recognizing various startup ecosystem actors; improving the tax framework for startup operations. Particularly significant measures are the: popularization of startup culture, development of entrepreneurial spirit and improving the international recognition of the Serbian startup ecosystem.

Another significant document that should be singled out is *the Circular Economy Development Program for the period 2022-2024*, adopted by the Government of the Republic of Serbia. The program establishes priorities and lays the foundation for further advancements in this field, fostering the creation of an enabling environment for the development of the green transition in Serbia. One of the specific goals includes supporting companies to remove waste from supply chains, recycle materials and components, switch to renewable energy sources and extend the life of products. Other special goals, of which there are five in the document, refer to encouraging the application of green public procurement and voluntary instruments for environmental protection, supporting local governments in creating roadmaps for the circular economy, educating the media, schools, universities and consumers, as well as strengthening cooperation between the business and academic sectors for innovations that contribute to the circular economy. In July 2024, the Ministry of Environmental Protection (Serbia) announced that it had started drafting the new Circular Economy Development Program for the period 2025-2030, with the accompanying Action Plan. During the process of developing the Program, as a public policy document for the area of circular economy, consultations will be conducted with interested parties and target groups. When we talk about the sustainable business of SMEs, this is one of the most important national documents that define measures and instruments for all key areas: waste management, recycling and energy utilization of waste, wastewater treatment and water resources management, use of RES and energy efficiency, use of hazardous chemicals in production processes, green public procurements, etc.

Regarding other support measures and initiatives, to encourage small and medium-sized enterprises (SMEs) in Serbia, the *Entrepreneurship Portal* was created in 2018 by the Ministry of Economy, where all interested parties can find the most important information about available support programs (support for starting a business, support for growth and development, support for digitalization, innovation, green economy, etc.). This platform (*Entrepreneurship Portal*) has been enhanced and enriched by integrating two sub-sites developed in collaboration with the business community and international partners – the *Small Business Informer* and the *Startup Portal*.

The Small Business Informer is primarily educational and it aims to provide answers to the most important questions in the area of the legal business framework, such as: how and when to pay taxes, whether there are any additional fees and charges that must be paid, how to conduct business electronically, and how to hire employees. Users have access to various educational materials, as well as the opportunity to launch different initiatives to improve access to information and to facilitate more efficient and easier business operations for micro and small enterprises and entrepreneurs.

The Startup Portal is a central hub for connecting, informing, and educating startups at all stages of development. It provides information on support programs, financing, and investment for this target group, as well as an overview of support organizations for startup entrepreneurs, their

programs, and events. On this platform, users can find a rich knowledge base that offers answers to many administrative questions important for establishing, managing, and investing in startups.

A **Support Organizations Map** has also been created, which enables all SMEs in Serbia to more easily access training, mentoring, and advisory services. Through this map, accredited regional development agencies, business incubators, science and technology parks, startup centres, etc., are made available and easy to find. This map currently consists of 76 different entities and partners, which cover a large part of the Serbia's territory.

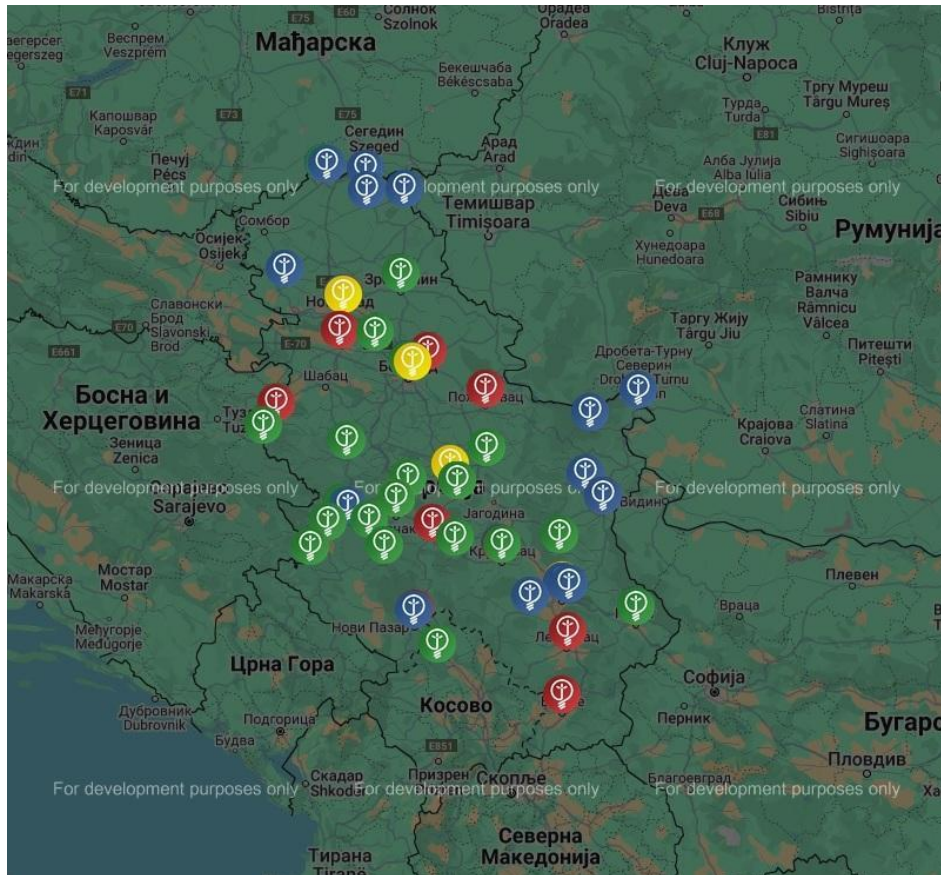


Photo: Support Organizations Map for SMEs in the Republic of Serbia (accredited regional development agencies are red, science and technology parks are yellow, business incubators are blue and green refers to innovative startups and smart city centres). Source: <https://preduzetnistvo.gov.rs/mapa/>

Regional development agencies provide all necessary information regarding starting a business, available sources of financing, and national support programs for micro, small, and medium-sized enterprises and entrepreneurs - with assistance in submitting applications, innovations, quality standards, legal regulations and obligations, taxes, and fees. The agencies also offer the opportunity to participate in free training, consulting, and mentoring. All services can be used by potential and existing micro, small, and medium-sized enterprises and entrepreneurs in 17 accredited regional development agencies in Serbia. All services are free of charge.

Technology parks bring together small and medium-sized enterprises in the field of high technologies and represent a place where institutions, science, and industry connect. Thanks to technology parks, small and medium-sized enterprises and entrepreneurs have access to highly sophisticated equipment in one place, and at the same time, they have easier access to the market for products and services of a specific type. The advantages are also the proximity of other participants in research and development activities and the availability of current scientific and technological information.

Business incubators are centres whose goal is to support the opening and development of new businesses. There are many forms of incubators, and what they all have in common are the services and professional support provided to the founder of the business to start the business as efficiently as possible. This type of support involves providing infrastructural, financial, organizational, technical, professional and any other assistance in the development of new business ventures. The greatest advantage of business incubators is precisely that they provide services that are tailored to the needs of beginners.

Regional innovation startups and smart city centres provide young entrepreneurs with state-of-the-art co-working space, provide access to professional, mentoring, legal, advisory and logistical support for starting and running a business, and thus create conditions for the development of the startup community.

The process of **gender-responsive budgeting**, which the Republic of Serbia has been implementing since 2015, per the **Law on the Budget System** and the **Law on Gender Equality**, has improved support for female entrepreneurship because the principles of gender equality have been introduced into the planning of measures and programs by key institutions, such as the Ministry of Economy, Ministries without a portfolio for innovative entrepreneurship, the Office for Public Procurement, the Fund for Innovative Activities, the Ministries for Environmental Protection and others.

Programs supporting women's entrepreneurship in the Republic of Serbia have been implemented by the Ministry of Economy and the Development Fund since 2021. The Ministry of Economy has assisted women entrepreneurs in applying for funding. They can contact accredited Regional Development Agencies for free advisory and technical support regarding the public call. Additionally, beginners have access to free training for starting a business.

Regarding financial support, through the **Program for Encouraging Entrepreneurship Development** in 2023, 600 million RSD (approximately 5 100 000 EUR) in non-repayable funds (which is six times more than in previous years) were allocated for the development and strengthening of women's entrepreneurship in Serbia. To support the establishment and further development of women's entrepreneurship, the Ministry of Economy in July 2024, has announced a new public call as part of the **Program for Encouraging Entrepreneurship Development through Financial Support for Women Entrepreneurs and Single Mothers in 2024**. The support consists of financial assistance in the form of non-repayable grants covering up to 50% of the

investment value, or up to 55% for business entities founded by single mothers, per the program criteria. The remaining investment amount will be financed through the beneficiaries' funds or loans from the Development Fund of the Republic of Serbia. The Ministry of Economy has allocated 100 million RSD (approximately 850 000 EUR) for non-repayable grants under this program. The funds are intended for the procurement of equipment, and transport vehicles necessary for business operations, ongoing maintenance, and adaptation of business and/or production premises. Additionally, up to 25% of the funds may be used for operational expenses.

It is important to emphasize that the above-mentioned Program was adopted by the Government of the Republic of Serbia through a Regulation establishing the Program for Promoting Entrepreneurship Development. The general objective of the Regulation (i.e., the Program) is the development of entrepreneurship, with an emphasis on sustainable economic development. The specific objectives are: support for women's entrepreneurship, an increase in the number of business entities, and the encouragement of employment. The funds are intended (as previously stated) for all SMEs registered with the Serbian Business Registers Agency, whose founder, legal representative, and manager are women. In a company with multiple founders, the minimum share that must be owned by one or more women is 50%. In a company with multiple legal representatives and managers, all of them must be women.

As part of the *Green economy development in Serbia*, two programs are active in the current year (2024), which covers female entrepreneurship, but also all other forms of SMEs:

- Program *„Be Innovative and Participate in the Green Transformation of the Serbian Economy“*: as part of the "EU for the Green Agenda in Serbia" project, a public call has been announced for innovative project ideas and business models that would contribute to the effective and sustainable implementation of the Green Agenda for the Western Balkans and its Action Plan in the Republic of Serbia. The focus of the public call is on projects that would contribute to the green transformation in one of the following five areas of the Green Agenda:
 - 1) Decarbonization, energy efficiency, and reduction of industrial emissions,
 - 2) Circular economy for efficient resource use and industrial symbiosis,
 - 3) Reduction of environmental pollution with a focus on air quality,
 - 4) Protection and investment in biodiversity and ecosystems,
 - 5) Sustainable food systems and rural development.

- Program *“Support for Small and Medium-Sized Enterprises for Investments in Sustainable Development”*: the European Bank for Reconstruction and Development (EBRD) has launched the "Sustainable Reboot Programme for SMEs in the Western Balkans" aimed at small and medium-sized enterprises by providing financial resources for investments that align with EU directives and internationally recognized standards. The funds are intended for investments in high-performance standards, technologies, and services in the areas of environmental protection, health and safety at work, and product quality and safety. The program supports the expansion of the green economy by promoting investments in improving

energy efficiency. At least 70% of the program's funding will be allocated for investments in energy-saving technologies and green technologies. Small and medium-sized enterprises also benefit from incentives worth up to 15% of the loan amount and free technical assistance.

In addition to these, there are special support programs/measures intended for entrepreneurs at the very beginning of their business and represent a significant incentive for the development of SMEs in Serbia, such as:

- Start-up programs represent the type of financial support (combination of loans and grants) through which startups and beginners in the business can get the equipment necessary for starting a business, finance current maintenance costs business or production space, as well as cover basic operating costs. This program is implemented by the Ministry of Economy and the Development Fund Republic of Serbia.
- Guarantees under the Development Fund program are intended to secure loans, that is, to secure other businesses of the applicants' demands. They are intended for micro, small, medium and large legal entities.
- Investment loans for entrepreneurs are intended primarily for entrepreneurs who need funds for the purchase of equipment, machines, and plants, for the construction or purchase of production facilities or business premises.
- Entrepreneurship training and self-employment subsidy, which represent a financial support measure intended for unemployed persons registered with the National Service for employment, and have completed training to start their own business. These programs are implemented by the National Employment Service.

Another of the initiatives and mechanisms for strengthening SMEs in Serbia is the establishment of an innovative platform for the sector of small and medium enterprises *SME Compass* developed by the Center for Advanced Economic Studies (CEVES). The development of *SME Compass* has been supported by the *Big Small Businesses Project*, implemented by ACDI/VOCA and financed by USAID. The first version of *SME Compass* was launched in 2023 during the *SME100 Expo Conference*. The main goal of *SME Compass* is to be used by policymakers, financial institutions, the donor community, entrepreneurs, academics, and the general public as an important resource for understanding the importance and development of the SME sector. As a part of this platform, a unique index was designed to assess the overall competitiveness of Serbia's SME sector (*The SME Compass Index 2024*). The Index serves as a holistic, representative lens on SME competitiveness, delving into distinctions based on business size, geographical setting, and industry domain. SME Compass Index offers valuable insights into the areas where Serbian SMEs are excelling or lagging global trends. Such insights can guide policymakers, development projects, initiatives, and the monitoring of national strategic documents. Harnessing 75 indicators, the Index spans 11 sectors, 25 districts, and multiple business scales. These metrics are informed by the financial data from over 20 000 businesses, insights from a dedicated SME compass survey of 1 500 entities, and supplementary survey intel from the Statistical Office. Structured around

nine key pillars, each a weighted average of theme-connected indicators, the SME Compass Index includes: (1) business sentiment and performance, (2) business environment, (3) human resources, (4) business model, (5) digitalization and industry 4.0, (6) innovation, (7) green transformation, (8) access to finance, and (9) gender equality. The SME Compass Index in 2024 stands at 42.0 out of 100, signaling a lower-mid level of competitiveness and development in Serbia's SME sector.

Collaboration between Institutions and SMEs in Serbia

Although there is still significant room for improvement and stronger connections in the collaboration between relevant institutions and SMEs in Serbia, notable changes have been made in recent years. Regarding national-level collaboration, key institutions are the Ministry of Economy, the Development Fund of the Republic of Serbia, and the Chamber of Commerce and Industry of Serbia. The Ministry of Economy, as the most significant national body in this field, recognizes the enormous potential of SMEs, emphasizing that their importance lies not only in generating economic growth but also in their ability to network and create a reliable network of subcontractors and suppliers for large investors. Additionally, the development of SMEs drives greater demand for employment and the growth of other value chains. Further, regional and local support is based on cooperation between SMEs, Regional Development Agencies, and Local Government Initiatives (municipalities often organize local business incubators, fairs, and networking events to connect SMEs with investors and supply chains).

Collaboration between national institutions and small and medium-sized enterprises (SMEs) in Serbia is carried out through various programs, initiatives, and activities. In addition to the mentioned subsidies and grants, the Ministry of Economy announces annual calls for favourable loans aimed at improving business operations, acquiring equipment, and investing in technology. ***Development Fund of the Republic of Serbia*** provides the opportunity for SMEs to access more favourable financial resources than are available on the market. ***The Serbian Chamber of Commerce*** organizes seminars and workshops for entrepreneurs, covering topics such as digitization, business management, innovation, and green and sustainable business. ***The Development Agency of Serbia*** supports the fair performance of SMEs, the creation of marketing materials and market research. It also encourages the formation of clusters to strengthen cooperation between SMEs and other participants in the value chain. ***The National Employment Service of Serbia*** provides financial support to individuals who want to start their own business, along with training for creating a business plan. Additionally, SMEs can take advantage of free or subsidized training for their employees to improve their knowledge and skills. National institutions often include SMEs in *public procurement*, giving them the opportunity to participate in projects related to infrastructure works, IT solutions, or the provision of various services.

Examples of promotion and strengthening of Women entrepreneurship in Serbia

In August 2023, the ***Serbian Chamber of Commerce*** organized an *Open Day for Women Entrepreneurs* as a way to support women's entrepreneurship and connect women entrepreneurs with companies in the region and worldwide. It is also important to note that ***in 2018***, the Chamber

established the *Women's Entrepreneurship Section*, to support the development of women-owned businesses through various activities and modern tools available to entrepreneurs.

Donors also recognize the importance of strengthening cooperation between institutions and SMEs. These subjects are increasingly prevalent as focal points for gatherings involving a wide array of stakeholders, including business entities, scientists, donors, representatives of international funds and foundations, as well as relevant institutions across all levels of governance. This is evidenced by the numerous conferences that have been organized in recent years. For example, in October 2024, UN Women (The United Nations Entity for Gender Equality and the Empowerment of Women), in collaboration with the Serbian Chamber of Commerce and Industry and the Association of Business Women, organized a conference in Belgrade (Serbian capital) dedicated to supporting women's entrepreneurship and integrating women-owned businesses into mainstream economic flows. A similar event was organized two years earlier, in October 2022, bringing together over 160 women entrepreneurs from across Serbia and neighbouring countries at a gathering titled "*Women's Entrepreneurship – Connect to Launch and Enhance Your Business.*" This event, held as part of the Regional Women's Entrepreneurship Fair EXPO 2022, featured specialized panels on business transformation, innovation, funding sources for women entrepreneurs, Business-to-Business (B2B) meetings between entrepreneurs and companies, as well as a workshop for women entrepreneurs focused on motivating employees and collaborators.

In addition, it has been noticed that the connection and association of women is becoming more frequent to promote green business, sustainability and female entrepreneurship in Serbia. One such example is the establishment of the *Center for the Promotion and Affirmation of Women in Green Business* (Serbian: Centar za unapređenje i afirmaciju žena u zelenom biznisu). The Center represents a platform that advocates for strengthening the role of women as leaders in the sustainability sector. Through educational programs, mentorships, and networking opportunities, the Center offers key resources and support to women at all stages of their career path in environmental business. Its goal is to build a community that promotes environmental innovation in the sustainability sector. Through various initiatives and activities, the Center strives to connect women with the necessary resources for their professional development in sustainable industries. The Center's focus is to provide sufficient knowledge and skills to female entrepreneurs from all areas of the circular economy so that their businesses become more sustainable and competitive in the market: green education, waste management, recycling, waste management and water protection, nature protection, solar energy and RES, energy efficiency...

It is also worth mentioning the *WISE Serbia Network (Women of Serbia in Sustainable Energy)* that promotes the active participation, representation, and strengthening of the role of women in sustainable energy, climate action, and green economy with a focus on the role of women in the energy transition, democratization, and decentralization of energy. The WISE Serbia support women who are professionally engaged in sustainable energy, climate action, and green economy, representing, and connecting them within the WISE Serbia women's network. The goal of the initiative is to empower women, network them, and make them more visible and ready to

contribute through their professional activities and engagement to the adoption of policies that create a framework for the transition to a sustainable, green, and low-carbon future of Serbia. Furthermore, there is also the *Association of Business Women in Serbia* founded in 2001, as the largest national organization for female entrepreneurs in this country. This Association provides first-class support and promotion of female entrepreneurs, advocating improvement of the business climate and actively fostering networking on a local, regional and international level. The main objectives of the association are: to increase the number of women start-ups, raise awareness, reinforce the visibility of women business owners, encourage existing woman-owned companies to expand their businesses, influence the development of public policies that are favourable for SMEs, strengthen local, regional, and international ties among women entrepreneurs through the exchange of experiences and ideas, promote social responsibility and a high standard of ethics in business, etc.

An example of good practice of women's association and cooperation at the regional level in Serbia is the *Association of Women Entrepreneurs of Šumadija and Western Serbia* - founded to combine the strengths, knowledge and experience of female entrepreneurs. The Association's mission is a commitment to raising and improving the position of women entrepreneurs through comprehensive programs of education, mentoring, and networking. The focus is on the affirmation of female entrepreneurship, strengthening the initiative for the business independence of women and representing the interests of the female population in the economy. In addition to empowering women, this association is dedicated to promoting innovation, supporting an inclusive society and sustainability.

Current Situation Analysis

SMEs make up a significant part of the economy of the Republic of Serbia. According to the Ministry of Economy, small and medium-sized enterprises (SMEs) account for 99% of Serbia's economy, contribute 57.7% to the GDP, and employ over 65% of the workforce. According to the *Strategy for the Development of Small and Medium Enterprises*, in the period 2015-2019, the SME sector in Serbia has recorded a significant increase in the total number of enterprises, as well as the number of exporters and importers, an increase in the number of employees, an increase in the value of turnover, gross value added (GVA), exports and imports. The correlation between the indicators of the increase in the number of economic entities, employment and the achieved GVA indicates that the entrepreneurial sector had a clear growth trend in the observed period, which is also confirmed by the strong growth trend in investments in fixed assets. Since the beginning of the second quarter of 2020, an unstable period in the development of SMEs has begun due to the impact of the COVID-19 pandemic, which has significantly changed the way the entire global economy functions, especially the services sector (tourism, catering and passenger transport), in which a large number of SMEs operate. During 2021, the SME sector in Serbia showed clear signs of recovery and made significant progress in all key indicators, but already at the beginning of 2022, a new crisis occurred due to the war in Ukraine, which is expected to have even more pronounced negative impacts on the SME sector, primarily due to rising energy prices and inflation, a significant increase in the cost of financing and demand in the domestic and other markets to which the Republic of Serbia is most closely linked.

Sectoral analysis by activity indicates that SMEs in Serbia continue to operate mostly in four sectors - trade, manufacturing, transport and storage, and professional, scientific, technical and innovative activities, followed by construction and accommodation and food services. The participation of sectors with high and medium-high technological complexity in the structure of SMEs remained low and below the EU average. The average number of employees per business entity in the SME sector has not changed much and is around 2.4 compared to 3.66 in the EU. **Between 2011 and 2021, the share of women in the total number of entrepreneurs in Serbia increased from 28.9% to 31.2%.** Unlike ten years ago, women are now much more likely to start their businesses not out of necessity, to secure employment, but to take advantage of business opportunities. Women-owned businesses are still mostly in the service sector. The Belgrade region has the highest concentration of female entrepreneurs, while the regions of Southern and Eastern Serbia have the lowest levels of participation.

Overview of SME Environmental Footprint in Serbia

Small and medium-sized enterprises (SMEs) in Serbia are a vital component of the country's economy, accounting for a significant share of employment and economic output. However, their work also contributes significantly to environmental challenges, including energy consumption, waste generation and greenhouse gas emissions. These issues are particularly prominent in resource-intensive sectors such as manufacturing, agriculture and construction.

A significant proportion of SMEs in Serbia still rely on outdated technologies and production processes, leading to inefficiencies in energy and resource use. For example, many businesses consume large amounts of energy, often derived from fossil fuels, which contributes to air pollution and climate change. Switching to renewable energy sources and improving energy efficiency remain key challenges. Waste management is another pressing issue. SMEs often lack access to adequate recycling infrastructure and face limited incentives to adopt circular economy practices, such as reusing materials or minimizing waste. As a result, waste generated by SMEs often ends up in landfills, exacerbating environmental degradation. In the Republic of Serbia, almost 90% of the total waste generated in the country ends up in landfills. There are just 12 sanitary landfills (10 regional and 2 local), covering 42% of the population of Serbia. 58% of the population still dispose of their waste in unsanitary landfills. In 2023, 129 unsanitary municipal landfills were registered on the territory of Serbia and over 2500 illegal landfills (SEPA, 2024).

Despite growing awareness of environmental sustainability, most SMEs face significant barriers to reducing their environmental footprint. Financial constraints are among the most critical challenges, as many small businesses struggle to invest in environmentally friendly technologies or processes. Technical expertise is another constraint; many SMEs lack the knowledge needed to effectively implement and manage sustainable practices. In addition, complex and unclear regulations, coupled with a lack of government support, often discourage SMEs from seeking environmental certifications or complying with green standards.

Addressing these challenges requires a multi-pronged approach. Financial support in the form of green loans, grants or subsidies can help SMEs invest in sustainable solutions. Educational programs and technical training can equip business owners and employees with the skills needed to adopt greener practices. Moreover, improved regulatory frameworks and infrastructure, such as recycling facilities and access to renewable energy, can create an enabling environment for SMEs to reduce their environmental impact. By removing these barriers, Serbian SMEs can become key players in the transition to a more sustainable economy.

Barriers to Reducing Environmental Footprint

SMEs in Serbia face *several barriers* to reducing their environmental footprint. A primary challenge is the *lack of financial resources*, as many SMEs cannot afford investments in energy-efficient technologies or waste reduction systems. Obstacles to reducing ecological impact are also reflected in *higher costs*: for example, if you want to pack your products in biodegradable and recyclable packaging, it will be significantly more expensive than single-use plastic packaging. Also, the offer of recyclable packaging is very limited on the market. The financial aspect greatly depresses especially small businesses that are not "strong" enough and are struggling to survive on the market. According to the research conducted by Babović et al. (2023) *lack of knowledge* about the importance and ways in which it is possible to change practices in business so that they respect ecological principles and contribute to the reduction of harmful effects on the environment and climate change is one of the most important obstacles due to which female entrepreneurs have not implemented "green business" practices in a greater percentage. The same applies to almost the

entire sector of SMEs in Serbia. Of course, there are examples of good practice (some of them will be presented later), but for now, they are still a minority. Another key issue is the ***lack of awareness and expertise***: many SMEs are unaware of the benefits of sustainability or lack the technical knowledge to implement eco-friendly measures. ***Insufficient infrastructure*** (especially in rural areas), further hinders progress. Insufficient infrastructure, especially in rural areas (municipal infrastructure, energy network, waste collection and treatment, wastewater treatment, transport connectivity) hinders development and environmentally friendly business. ***Insufficient familiarity with environmental regulations, violation of the laws, and weak inspection supervision***: according to SEPA (Serbian Environmental Protection Agency) about 30% of businesses in Serbia do not report to the Agency about the waste quantities and types they create (during their operations and production processes), although they are legally obliged to submit such reports (this practically means that there is no data on what kind of waste was generated, nor where it ended up). The situation is even worse if we look at the area of water management: according to NALED (National Alliance for Local Economic Development), only 14.7% of wastewater is treated in Serbia (the average of European Union members is much higher and amounts to 80.87%). Many production plants discharge their wastewater directly into river courses, without any treatment. The inspection supervision is neither sufficient nor efficient, therefore the penal policy is not implemented to the required extent. Further, ***regulatory obstacles and bureaucracy*** create a complex environment, discouraging SMEs from pursuing environmental certification or adhering to green standards. Finally, ***cultural attitudes and low public demand for sustainable products*** and services limit incentives for SMEs to prioritize environmental responsibility.

If we talk about ecological practices, principles of circular economy and sustainable, green business, applied by SMEs in Serbia, some examples are as follows: in April 2024, 799 prosumers among companies were registered in Serbia. This is one of the effective measures, and the number of producers among Serbian companies is growing month by month, and the interest in using solar energy is increasing. In this way, they not only reduce their ecological footprint but also make their business more sustainable and resilient, reduce business costs, and strengthen their financial stability. Also, energy-saving measures and improving energy efficiency are other ways to improve the sustainability of your business. Furthermore, as stated by Babović et al. (2023), some entrepreneurs apply practices of production or service provision that reduce waste generation, use recyclable packaging, etc. Other practices, such as "green marketing" or relations with public, "green distribution" that uses channels with reduced carbon dioxide emissions are less represented, and the share of companies that produce "green products" (such as organic food, ecological products such as organic cotton clothing, organic cosmetics, or ecological equipment such as solar panels, biofuels, etc.) or provide "green services" (such as ecological tourism, environmental education, training on environmental regulations) - it is very small.

Opportunities for Improvement

Although there are numerous difficulties and limitations, at the same time we can identify a significant potential for improvement. Promoting environmentally friendly and sustainable

entrepreneurship in Serbia involves encouraging green business practices, integrating sustainability into education and policies, and leveraging SMEs' potential to address environmental challenges. In this way, we can help SMEs to become more resilient, more sustainable, more efficient, better positioned (even on the international market), more competitive, etc. Harmonization with EU practices is necessary both for the Serbian economy generally and for small entrepreneurs. It is necessary to ***insist on the application of existing laws and the implementation of planning and strategic documents***. Serbia has already harmonized a significant part of the legislation with European policies, but it is very important to put it into practice. Implementation and compliance with the legislation that prevents water, air and soil pollution in Serbia is insufficient, and it must become a priority. To improve sustainable business, it is necessary to take the following measures, ***improvement of environmental education and environmental awareness***: many SMEs are not aware of how their business affects the environment and climate change (nor are they aware that climate change also affects their business). Therefore, it is necessary to offer different so-called "Green Skills" training, workshops and courses focused on sustainable business practices, including eco-design, waste reduction, energy efficiency, and renewable energy. Civil society organizations, as well as local and national governments, can contribute here. That is why cooperation between the governmental and non-governmental sectors is very important. Those kinds of training courses are currently more available in urban areas, however, more support should be given to rural areas. ***Facilitate access to green financing*** - perhaps the most significant measure in the Serbian context. The transition to more sustainable and green business practices requires additional investments, so financial support is necessary for SMEs. Green grants and loans must be made more accessible to a larger number of SMEs, and all interested parties must receive the necessary support when applying. Information about the available options of green grants and subsidies is not known to all SMEs, many do not even know about such opportunities (regardless of whether such funds come from EU funds or national funds). Some of the additional possibilities are certainly ***networking and association*** (e.g. establishing a Green Entrepreneur Network - some forms of such association already exist, but need to be strengthened and expanded); ***further promotion and support of green business models; cooperation with universities and scientific research organizations, improving policy and regulatory support, greater access to sustainable technologies, etc.***

As for the opportunities for improving women's entrepreneurship in Serbia, the following measures should be taken:

- ***Create and adopt a Strategy to support the development of women's entrepreneurship in Serbia (including the Action Plan)***: currently in the Republic of Serbia, the *Strategy for the development of Small and Medium Enterprises for the period from 2023 to 2027* represents the most significant strategic document for the field of SMEs, and it partially addresses the issue of female entrepreneurship. However, considering the special challenges in the field of female entrepreneurship, it is necessary to adopt a separate Strategy, which would be entirely

dedicated to this complex topic. Accompanying the Action Plan, the Action would define measures for its further improvement through the allocation of adequate funds.

- Apart from adopting the previously mentioned strategy, it is important to ***work on full implementation of the Strategy for the development of Small and Medium Enterprises and the National Strategy for Gender Equality for the period 2021-2030***. If these two strategies were to be fully implemented (or at least their major part), the position of women entrepreneurs and the situation in the field of women SMEs in Serbia would be significantly improved.
- ***Facilitate and simplify access to financing***: women entrepreneurs often face difficulties accessing capital due to limited collateral, gender biases, and a lack of tailored financial products. Also, complex bureaucratic procedures represent another obstacle.
- It is necessary to ***establish continuous monitoring of women's entrepreneurship***: monitoring and availability of information is a frequent problem in Serbia (not only in this area). To establish a sustainable system, we need adequate data, based on the real situation, and verified sources.
- ***Provide more support through education, training, connection, and networking***: especially important for women in border and rural regions of the Republic of Serbia. Such regions are generally economically less developed and depopulated, the population is determined by a less favourable age and educational structure compared to urban environments. Poor transport connections and lack of communal infrastructure are also aggravating factors. Because of all this - it is much more difficult for women in rural areas to get the necessary information, research and knowledge they need to start their own business. Those who already have their businesses are burdened by the distance from big cities (markets), unfavourable economic situations, etc.
- It is necessary to ***facilitate the reconciliation of family and professional life of women entrepreneurs***: female entrepreneurs in Serbia unfortunately still face discrimination in terms of exercising the right to sick leave for child care, pregnancy and maternity leave. Attitudes about gender roles, gender relations in the sphere of private life, family situation, and the burden of family care are important aspects of life that affect the ability of female entrepreneurs to devote themselves to work, as well as to achieve a balance between business and private obligations.

Good Practices examples in Serbia

Regardless of certain aggravating circumstances, female entrepreneurship in Serbia has begun its more intensive development over the last decade. In the text that follows, we will present five examples of successful female entrepreneurs in Serbia, pioneers in their fields of activity, who with their work not only contribute to sustainability, circular economy, and environmental protection but also promote and contribute to the empowerment of women, female entrepreneurship, education, inclusion and gender equality in society. The selected examples faithfully depict the challenges faced by women entrepreneurs and small businesses led by women, and it is also important to emphasize that the examples presented are from different regions of Serbia.

During the research, it was observed that there are significant differences between women entrepreneurs in urban areas and women entrepreneurs in rural areas. Women in urban areas have a higher level of education and they are more independent and economically independent. Also, the age structure of women in cities is somewhat more favourable. A higher level of education leads to higher technological and functional literacy, therefore it is easier for women in urban areas, especially in big cities, to start their businesses, and get the necessary information related to opening a company, available grants, loans, etc. Also, it is easier to reach consumers. Women in rural areas are in a less favourable position - villages in Serbia are poorly equipped with utilities, many rural settlements are located far from larger cities, and it is more difficult to reach markets and consumers. Also, rural women have a lower level of education. They are economically dependent on male family members and they are on average older than women in urban areas. That is why it is more difficult for them to decide on such an important and demanding step as starting their own business.

Pletisanka: Weaving Tradition, Sustainability, and Women's Empowerment

Founded in 2020, *Pletisanka* is a small business specializing in handmade woollen clothing and accessories, including traditional carpets (*ćilimi*), scarves, pendants, socks, and hats. With a small yet dedicated team of five employees, the company operates in Tutin (Southwestern Serbia). Despite its modest facilities, *Pletisanka* has managed to integrate sustainability and cultural preservation into the heart of its business model, while empowering women in rural communities. *Pletisanka's* journey began as an offshoot of the NGO Impuls, focusing on weaving and traditional crafts. The company's first steps toward sustainability included securing funding for essential weaving equipment and organizing educational workshops for women interested in handicrafts. This initiative laid the groundwork for a business model that promotes sustainable community development while preserving cultural heritage. The company's operations have a minimal environmental footprint. By using 100% natural wool sourced directly from local shepherds on the Pešter Plateau, *Pletisanka* supports regional communities, reduces waste, and promotes sustainable resource use. Natural wool undergoes traditional processing methods, ensuring long-lasting, eco-friendly products that align with the principles of the circular economy. *Pletisanka* fully embraces

circular economy principles. The company minimizes waste by using every part of the wool, ensuring that no raw material is discarded unnecessarily. The focus on producing durable, natural products not only preserves the environment but also contributes to the cultural heritage of the region. By sourcing materials locally, the company reduces transportation emissions and supports a localized circular flow of resources.

A core pillar of *Pletisanka's* mission is the economic empowerment of women. The company organizes workshops to teach traditional weaving techniques, providing women with valuable skills that can generate additional income or lead to entrepreneurial ventures. These efforts directly enhance the financial independence of women in rural areas while bolstering their roles within their communities. Through these activities, *Pletisanka* contributes to preserving cultural heritage, passing down traditional skills, and fostering a sense of pride and identity in the region. The company's commitment to gender equality aligns with its broader goals of sustainability and social responsibility.

Despite its accomplishments, *Pletisanka* faces significant challenges in maintaining sustainability. Overproduction in the clothing industry often sidelines traditional, handmade, and sustainable products. This makes it difficult for the company to reach its target audience and highlight the value of its offerings. Additionally, raising awareness about the importance of traditional crafts and eco-friendly materials remains an ongoing struggle. Another hurdle involves the lack of resources for broader implementation of sustainable practices, such as acquiring environmentally friendly packaging and offering advanced training to its workforce. Engaging women interested in learning traditional crafts and reaching a wider market for sustainable products are also persistent challenges. Regardless of challenges, *Pletisanka* remains steadfast in its mission to create a more sustainable and inclusive future for both the environment and the community.



Photo No. 1: Tradition, fashion and sustainability - Pletisanka (Source: https://www.instagram.com/pletisankaa_/)

COZY2WEAR: Redefining Fashion Through Sustainability and Local Production

Established in 2019, *COZY2WEAR* is a Belgrade-based fashion brand dedicated to creating sustainable clothing while promoting eco-conscious practices. Operating from a studio in New Belgrade and selling primarily through its online shop, the company’s mission is to counteract fast fashion by offering timeless, high-quality garments crafted with care for both people and the planet. From its inception, sustainability has been a guiding principle for *COZY2WEAR*. The brand’s ethos is built on three pillars: using natural fabrics, producing locally, and utilizing plastic-free packaging. As the business evolved, *COZY2WEAR* implemented additional eco-friendly practices, including a zero-waste policy that repurposes fabric scraps from production into new items. “We strive to redirect buyers from fast fashion to locally made, sustainable brands,” explains the founder. The company also uses its platform to educate customers about the climate crisis, textile waste, and other pressing environmental issues, fostering a community of informed and responsible consumers.

Like many small and sustainable businesses, *COZY2WEAR* faces challenges related to pricing, sourcing materials, and operating on a small scale. Explaining the higher cost of eco-friendly clothing compared to fast fashion remains a persistent hurdle. Additionally, the lack of government support for sustainability initiatives in Serbia makes financing green practices, such as

biodegradable packaging, more difficult. Operating a sustainable business in Serbia presents financial challenges, as eco-friendly materials and practices often come at a higher cost. However, the positive feedback from customers and the growing sense of a like-minded, environmentally conscious community motivate *COZY2WEAR* to persevere. This brand exemplifies how small businesses can advocate sustainability in challenging environments, proving that eco-conscious choices and ethical practices can transform the fashion industry - one timeless garment at a time. Despite these obstacles, *COZY2WEAR* is committed to advancing circular economy practices. The company plans to introduce a clothing return policy, partnering with textile recycling firms to repurpose old garments. Negotiations with recycling companies are underway to ensure a seamless implementation of this initiative.



Photo No. 2: Sustainable fashion products by *COZY2WEAR* (Source: <https://www.instagram.com/cozy2wear/>)

Empowering Women and Championing Sustainability: The Journey of Darovi Lužnice Cooperative

Agricultural cooperative *Darovi Lužnice* is the first women's agricultural cooperative established in 2017 in Babušnica, a small municipality, in Southeastern Serbia. Formed by 15 women from rural, socially disadvantaged backgrounds, the cooperative focuses on producing and processing organic, traditional foods such as apple juice made from local apple varieties, ajvar, rosehip jam, tomato juice, and other traditional condiments. Their work not only preserves the region's culinary heritage but also provides much-needed economic opportunities in an area with high unemployment, where over 40% of the population lacks stable work.

Sustainability became an integral part of their operations almost by default, as they are committed to using traditional, chemical-free farming methods and processing healthy, untreated raw

materials. The cooperative emphasizes waste reduction and environmental responsibility by using 100% recyclable glass packaging and maximizing the use of fruits and vegetables in production. This approach not only aligns with global sustainability goals but also strengthens their local identity as producers of high-quality organic foods.

Despite their efforts, the cooperative faces significant challenges. These include limited financial resources, complex bureaucracy, difficulties entering competitive markets, and a lack of recognition for small producers. Their remote location adds logistical hurdles, increasing transportation costs and CO₂ emissions when reaching larger urban markets. Furthermore, with only 15 active members, the cooperative struggles to balance production, marketing, and administrative tasks, limiting its ability to scale operations or innovate.

While they have yet to implement targeted initiatives to address sustainability challenges, the cooperative remains focused on expanding production while maintaining its organic and traditional quality standards. They aim to enhance their visibility and reputation in both domestic and international markets. Their vision includes encouraging other cooperatives in the region to adopt organic practices, further solidifying Babušnica as a recognized hub for sustainable, organic food production. Although sustainability has not yet brought significant financial benefits, the cooperative's status as the first women-led agricultural cooperative in southern Serbia has earned them recognition and respect. However, systemic challenges in rural Serbia - such as poor economic development, lack of specialized workforce, and limited market support - continue to hinder their progress. Despite these obstacles, *Darovi Lužnice* remains committed to promoting sustainability and empowering women in their community.



Photo No. 3: Food products by Darovi Lužnice (Source: https://www.facebook.com/daroviluznice/photos_by/)

Nurturing Nature: The Sustainable Story of SAMO VIŠNJE

SAMO VIŠNJE, a small but ambitious agricultural company based in Feketić (in the Autonomous Province of Vojvodina – North Serbia), has been quietly revolutionizing organic farming since its inception in 2022. With a focus on producing 100% organic cherry juice, fruit puree, and seed oil, the company embodies a commitment to sustainability in every aspect of its operations. From the beginning, *SAMO VIŠNJE* made a bold decision to focus exclusively on organic farming, selecting an indigenous cherry variety perfectly suited for organic cultivation. This choice was not only strategic but deeply aligned with their vision of protecting the environment and promoting biodiversity. Key sustainability initiatives include avoiding chemical treatments entirely, utilizing organic manure, and making full use of the cherry fruit - nothing goes to waste. Even the seeds are repurposed into oil, emphasizing a zero-waste philosophy. Moreover, solitary bees are raised to enhance pollination, reflecting a deep respect for natural ecosystems. The company's vision is clear: to expand plantations, streamline production processes, and employ more workers during peak seasons. Beyond growth, *SAMO VIŠNJE* aspires to become a market leader, recognized for its unique and entirely organic cherry products.

Despite their strong commitment, *SAMO VIŠNJE* faces significant challenges. Serbia's agricultural sector presents hurdles such as a lack of skilled labour, unpredictable climatic conditions like severe droughts and storms, and difficulties in sourcing sustainable packaging. High costs of labour and sustainable production further complicate the journey. Additionally, adopting circular economy principles requires careful planning. Yet, the company excels here as well, relying solely on locally grown cherries and recyclable packaging to minimize its environmental footprint.

While the journey has been far from easy, sustainability has brought *SAMO VIŠNJE* both pride and purpose. Their efforts not only contribute to environmental protection but also enhance the quality and uniqueness of their products. Consumers increasingly recognize and value their dedication to creating healthy, natural offerings without additives or preservatives.



Photo No. 4: Jelena Topalović in her orchard - the owner of "Samo Višnje" (Source: private archive/)

ECOSEREIN: Crafting a Greener World, One Product at a Time

Since its inception in 2019 in New York and subsequent expansion to Serbia in 2023, *ECOSEREIN* has stood out as a beacon of environmental responsibility in the wholesale trade industry. Specializing in eco-friendly products, this small but dedicated company of three employees has built a brand rooted in sustainability and a vision for a healthier planet. *ECOSEREIN*'s foundation is sustainability itself. From day one, the company carefully curated suppliers and materials that reflect its eco-conscious ethos. Products made from sustainable, recyclable, or biodegradable materials define their portfolio, complemented by minimal, eco-friendly packaging solutions. *ECOSEREIN* has embraced the principles of a circular economy to minimize waste and maximize resource efficiency. Their products, such as bamboo toothbrushes and hairbrushes, are designed with sustainability at every stage of their lifecycle. Customers are encouraged to participate in recycling programs and environmental initiatives, fostering a collective effort toward a greener future. The company's efforts extend beyond product development, actively participating in environmental stewardship through initiatives like local clean-up drives and tree-planting campaigns. Additionally, *ECOSEREIN* contributes 100 RSD from every purchase to environmental causes, creating a direct link between their business success and environmental impact.

While sustainability lies at the heart of *ECOSEREIN*, challenges persist. Balancing profitability with environmentally conscious practices, navigating shifting regulations, and educating consumers on the importance of sustainable choices require constant attention. A reliable supply

chain for sustainable materials is another area that demands thoughtful planning to scale their operations effectively without compromising their values.

Looking ahead, *ECOSEREIN* is determined to broaden its product range, deepen its use of sustainable materials, and further reduce its environmental footprint. Strengthening their recycling initiatives and product lifecycle management is key to their plans. Community engagement will also grow, with more tree-planting drives and clean-up events, as they continue raising awareness about sustainability and its role in creating a healthier world. Ultimately, the company envisions establishing itself as a leader in eco-friendly consumer products, setting a benchmark for environmental responsibility.

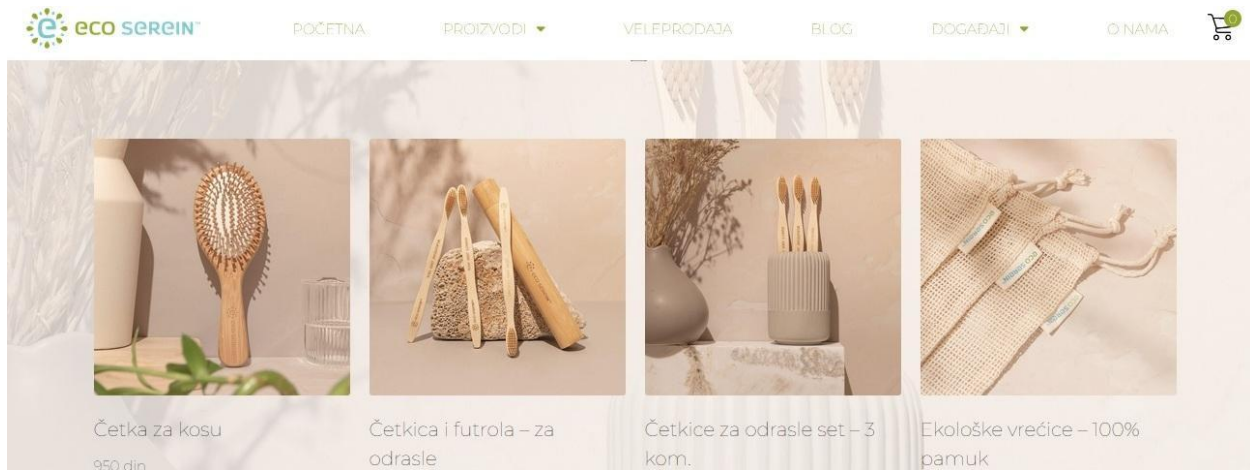


Photo No. 5: ECOSEREIN products (Source: <https://ecoserein.com/product-category/cetkice-za-zube/za-odrasle/>)

Conclusion

Small and medium-sized enterprises (SMEs) are a vital pillar of Serbia's economy, representing 99% of all enterprises, contributing over half of the GDP, and employing a significant portion of the workforce. Over the years, the SME sector has demonstrated resilience and growth, with increases in the number of businesses, employees, and contributions to gross value added (GVA). However, this progress has not been without its challenges. External crises, such as the COVID-19 pandemic and the ongoing war in Ukraine, have highlighted the vulnerability of SMEs to economic shocks, particularly in sectors like trade, manufacturing, and transport, where many SMEs operate. Furthermore, the reliance on outdated technologies and unsustainable practices has limited their ability to adapt to modern demands, particularly in the area of environmental sustainability.

The environmental footprint of SMEs in Serbia remains a pressing concern. High levels of energy consumption, predominantly from fossil fuels, inefficient waste management practices, and limited adoption of renewable energy sources contribute to significant environmental degradation. For example, most waste generated by SMEs ends up in unsanitary landfills due to inadequate infrastructure and recycling systems. Insufficient awareness of sustainability principles, limited technical expertise, and financial constraints further exacerbate these issues. Additionally, the complex regulatory environment and lack of enforcement have created barriers to the adoption of green business practices and environmental certifications.

Despite these challenges, there is substantial potential for Serbian SMEs to evolve into key drivers of sustainability. Investments in renewable energy solutions, energy-efficient technologies, and circular economy practices can reduce their environmental footprint while enhancing their competitiveness. Financial support mechanisms, such as green grants and loans, are essential to enable these transitions. Moreover, educational initiatives focused on green skills, eco-design, and waste reduction can empower SMEs with the knowledge to implement sustainable practices effectively. Collaboration between the government, civil society organizations, and research institutions can also play a pivotal role in fostering innovation and providing the necessary support for SMEs to adopt environmentally friendly practices.

Another critical area for improvement is the promotion of women's entrepreneurship. Although there has been progress, with an increase in the share of women entrepreneurs from 28.9% to 31.2% over the past decade, challenges remain, particularly for women in rural areas. Women entrepreneurs face barriers such as limited access to financing, inadequate infrastructure, and the burden of balancing family and professional responsibilities. Developing a comprehensive strategy for women's entrepreneurship, improving access to financial resources, and providing targeted training and support in rural areas are crucial steps to unlock the untapped potential of female-led businesses.

By addressing these barriers and seizing the opportunities for sustainable growth, Serbian SMEs can reduce their environmental impact, enhance their resilience, and position themselves as competitive players in both local and international markets. A coordinated effort among stakeholders—government, private sector, and civil society—is essential to create an enabling

environment for sustainable and inclusive growth. Through these efforts, SMEs in Serbia can contribute not only to economic development but also to a greener, more sustainable future.

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