

# CHALLENGES OF SUSTAINABLE DEVELOPMENT AND IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS OF SERBIA AND THE COUNTRIES IN THE REGION

JELISAVAC TROŠIĆ Sanja<sup>1</sup>, TOŠOVIĆ-STEVAŃOVIĆ Aleksandra<sup>2</sup>, BENHIDA Zakia<sup>3</sup>

<sup>1</sup>*Institute of International Politics and Economics, (SERBIA)*

<sup>2</sup>*Institute of International Politics and Economics, (SERBIA)*

<sup>3</sup>*Hassan II University of Casablanca, (MOROCCO)*

E-mails: sanjajelisavac@gmail.com, aleksandra.tosovic.stevanovic@gmail.com, zbenhida8@gmail.com

## ABSTRACT

*With the aim of constantly increasing economic development, and with the constant growth of the population, there was an excessive use of natural resources, which caused the search for a long-term solution and the creation of a concept of sustainable development. For this reason, the paper pointed out the basic aspects of sustainable development in current conditions, considering that modern society puts a heavy burden on the environment and all segments of the socio-economic system. The paper focuses on the challenges of sustainable development, according to the 2030 Agenda, more precisely on Sustainable Development Goals and challenges in implementing in Serbia and countries in the region. The biggest challenge that hit the world in 2020 and which the Serbia and the countries of the region also faced was the Covid-19 pandemic, so this challenge was singled out and dealt with separately as a challenge to the implementation of the Sustainable Development Goals.*

*With conclusion that today sustainable development cannot be spontaneous comes the realization that the process must be guided by international organizations, national states, local governments, all the way down to companies and individuals. That is why the paper outline the basic guidelines and principles of sustainable development of Serbia and the countries in the region, present the current situation in Serbia and future tendencies, and a comparative analysis of the countries in the region in terms of compliance with the guidelines, as well as the challenges in implementing the Sustainable Development Goals.*

**Keywords:** *sustainable development challenges, Sustainable Development Goals, UN 2030 Agenda, Serbia.*

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## INTRODUCTION

In previous centuries, as well as in the first half of the 20th century, environmental problems were mostly neglected and considered unimportant. Only in the second half of the 20th and the beginning of the 21st century, mainly due to climate changes and extreme droughts, floods, temperature disturbances, fires and the like, which were caused by human action, did awareness of climate change and global warming rise. The impact of human activities on climate change is starting to be observed at the global level, at the level of the state, companies and individuals. Regardless of the awareness growth and growth of the interest in the study of these phenomena, it is extremely difficult, even today, to assess the level of negative ecological effects, as well as to see the entire threat to natural resources caused by human action. However, regardless of environmental and humanitarian problems, with a greater understanding of the dynamics of natural and social processes, there is hope that man will be able to react in the right way [1].

Climate change is a challenge to contemporary social and economic development, both at the global and local levels. With the goal of constantly increasing economic development, and with the constant growth of the population, there has been an overuse of natural resources. The search for a long-term solution led to the concept of sustainable development. Sustainable development is defined by the United Nations (UN) as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development requires coordinated efforts towards building an inclusive, sustainable and resilient future for people and the planet. In order to achieve sustainable development, it is crucial to harmonize three key elements: economic growth, social inclusion and environmental protection. These elements are interconnected and all are crucial for the well-being of individuals and societies [2]. It is also important to point out that the eradication of poverty in all its forms and dimensions is a necessary condition for sustainable development.

It is becoming clear that, in the context of modern society, sustainable development cannot be a spontaneous process, but must be guided by international organizations, national states, local governments, all the way down to companies and individuals. For this reason, the paper will outline the basic guidelines and principles of sustainable development of Serbia and the countries in the region, through the presentation of the current situation in Serbia and future tendencies, as well as the presentation of a comparative analysis of the countries in the region in terms of compliance with the guidelines and challenges in implementing the Sustainable Development Goals (SDGs).

## SUSTAINABLE DEVELOPMENT - THEN AND NOW

The paradigm of sustainable development became the leading developmental and ecological vision in the 1990s, and the term itself appeared in the 1970s in the collection of papers "Sustainable society: implications for limited growth". [3]. The use of the term sustainable development already took root in the 80s and 90s, and it gained general popularity with the Brundtland Report "Our Common Future" from 1987 [4]. Sustainable development has become a major topic, along with digitization and the green economy [5].

The concept of sustainable development began to function as a global and sectoral social development paradigm [6]. Numerous conferences that dealt with the development and implementation of the concept of sustainable development in all segments of society were organized. Thus, one of the most famous was held in Rio de Janeiro in 1992, the result of which is Agenda 21, which is considered the most important program for sustainable development in the world. Agenda 21 includes social and economic dimensions, protection and management of development resources, strengthening the role of major groups and means of implementation. The slogan "Think globally, act locally!", which was promoted then, is today considered the main principle and guideline for achieving sustainable development [7].

The Millennium Summit, held in September 2000 at the UN headquarters in New York, with 189 participating countries, adopted the Millennium Declaration as a result of the global need for sustainable development. In this way, at the global level, eight millennium development goals were defined, within which tasks were set as practical steps for reaching those goals, with a deadline of 2015. The eradication of poverty and hunger as well as the sustainability of the environment are just some of the set goals. The report from 2015 indicated the great progress that had been achieved, but the results were not at the previously defined level, so there was an immediate need to use this flywheel and to further introduce a new strategy for sustainable development at the global level [8].

At the summit held on September 25, 2015, the United Nations adopted the Agenda for Sustainable Development until 2030 (2030 Agenda), within which 17 sustainable development goals were adopted [9]. The 2030 Agenda is a universal strategy and signatory countries are expected to mobilize all resources to achieve these goals. These 17 goals include three dimensions of sustainable development: economic growth, social inclusion and environmental protection [10]. The 2030 Agenda, in addition to the mentioned goals, also defines 169 sub-goals, as well as more than 240 indicators that can be used to monitor progress in achieving them. This Agenda is far more ambitious than the previous Millennium Development Goals.

Since UN member states have committed themselves to fulfilling the goals of sustainable development, both implementation and success *de facto* depend on national states. Countries rely on their own sustainable development policies, plans and programs, while the Sustainable Development Goals themselves are guidelines for aligning countries' plans with their global commitments. A set of global indicators, agreed upon at the 48th session of the United Nations Statistical Commission in March 2017, as well as its own national indicators, is used to monitor progress in achieving the goals. Each goal requires 2 indicators, and about 300 indicators for all goals.

After defining the goals of sustainable development, as well as policies, strategies and programs, it is very important to create green financing strategies with the aim of achieving sustainable development. In order to achieve the goals of sustainable development at the global level, investment needs in all sectors are estimated at around USD 5-7 trillion per year. Current levels of investment fall far short of needs, even though global financing capacity is estimated at over USD 200 trillion, meaning that financing is available but most of these resources are not being channeled towards sustainable development at the scale and speed necessary to achieve the Sustainable Development Goals and Paris Agreement goals on climate change [11].

The growing trend of interest in green finance ("Go green") arose from the need to change the global economy with the aim of preserving the environment. Several funds from the EU and the region initiate credit lines from international financial institutions with the aim of financing energy efficiency projects and renewable energy sources [12]. Green financing represents the area of finance between the financial sector, sustainable economic development and environmental protection. The policy of green finance implies a reorientation from profit as the primary or only goal of the activities of financial institutions, towards goals that incorporate sustainable development, environmental protection and socially responsible business with the inevitable realization of profit. A positive growth trend can be observed in the world, e.g. of green bonds since their first issue in 2007. Today, the trend of global financing of sustainable development is pronounced, accompanied by the expansion of private capital flows [13].

## **SUSTAINABLE DEVELOPMENT, SERBIA AND COUNTRIES IN THE REGION**

Starting from the Brundtland report "Our Common Future", the National Strategy for Sustainable Development of the Republic of Serbia from 2008 highlighted the need to establish a balance between three key pillars of sustainability: sustainable development of the economy and technology, sustainable social development based on social equality and environmental protection with the rational use of natural resources [14]. However, apart from the declarative approach to the concept of sustainable development, most of the adopted strategic documents in Serbia were not essential, but only formally aligned with the aforementioned National Strategy for Sustainable Development.

Serbia, along with other UN member countries, adopted the Millennium Declaration and the 2030 Agenda. As for the Millennium Declaration and the implementation of its postulates in the country, on May 19, 2005, the Government adopted the Review of the Implementation of the Millennium Development Goals in the Republic of Serbia, where it was emphasized that the Millennium Development Goals must be adapted to the specific needs of citizens, at the national and local level, and future activities aimed at defining national goals that will be achieved by 2015. The strategic principles of sustainable development are incorporated into the most important national strategic policies of the Republic of Serbia [15]. On October 30, 2015, the Government of the Republic of Serbia adopted the Report on the Implementation of the Millennium Declaration and the Millennium Development Goals for the period 2000-2015, as a way to see the extent to which the country was successful in implementing the Millennium Declaration and development goals, especially poverty reduction, as well as in identifying the challenges ahead in implementing the Global Development Agenda for the period after 2015 [16]. Serbia has largely implemented most of the Millennium Development Goals, but unfortunately, not all goals have been achieved in full, which is a task that should be realized through the Sustainable Development Goals by 2030 [17].

At the beginning, the Republic of Serbia was very active in the process of defining the new strategy – 2030 Agenda, as a member of the Open Working Group on Sustainable Development Goals, Intergovernmental Committee of Experts on Sustainable Development Financing, and was also involved in global consultations and conducted two cycles of national consultations, where citizens' opinions on development priorities were collected. Serbia, for example, decided and committed to the process of green energy transition in 2017, by ratifying the Paris Agreement on climate change, and additionally confirmed it in 2020 by signing the Sofia Declaration on the Green Agenda for the countries of the Western Balkans. However, in the years of implementation of the 2030 Agenda, our country did not define precise targets in the area of various goals, nor did it take responsibility for reaching the set target values. There is an impression that in Serbia, despite the assumed obligations, sustainable development is not a generally accepted paradigm of development, and this primarily refers to social inclusion and poverty reduction, as well as to goals related to environmental protection.

Local sustainable development is declaratively valued as a development paradigm in our region. In addition to this declarative support, additional efforts should be made in the future to build internal capacities at the local level and provide support to local activities in the planning and implementation of sustainable development. National frameworks and sustainable development initiatives have yet to be further developed and structured towards a higher level of support for local self-government. At the same time, municipalities in the region can benefit from regional cooperation through mutual information exchange and joint programs and projects [18].

According to Ristić et al. [19], despite the fact that in many strategic documents of the Republic of Serbia, we can observe the direction of the state towards sustainable development, it is necessary to point out numerous inherited problems from previous periods, as well as new contemporary limitations. That is why the authors present a SWOT analysis, which allows one to see the key potentials and limitations for the sustainable development of the Republic of Serbia.

**Table 1.** Key potentials and limitations for the sustainable development of the Republic of Serbia - SWOT analysis.

<b>Strengths</b>	<b>Weaknesses</b>
Geographical position Natural Resources Biodiversity Preserved environment in many areas Tradition and cultural-historical values Workforce Institutional improvements Reform processes in progress, in the field of economy Regional cooperation, EU accession process Raising the reputation of the state Growing awareness of the need for sustainable development Striving to reduce imbalances in the field of financing	Citizen's distrust High level of differences between regions, Slow process of reforming economy and society Insufficient investment for socio-economic development Insufficient or inadequate sources of financing Insufficient infrastructure development, "Brain drain", "Population aging" Insufficient allocations for science, education, health, social protection Insufficient incentives for young people Exploitation of natural resources Water, air and soil pollution Inadequate waste management
<b>Opportunities</b>	<b>Threats</b>
Establishing a sustainable development model Introduction of norms and standards that ensure environmental protection Rational use of resources Introduction of "cleaner" technologies Improving energy efficiency Transparency, strengthening and improving the quality of work of institutions relevant to sustainable development Political will to implement reforms for the purpose of sustainable development Public-private partnership Cooperation with foreign countries Entry into the EU Use of international funds intended for sustainable development	Unfavorable demographic trends Unemployment and poverty Slow economic development Regional inequalities Political problems Insufficiently encouraging institutional framework for sustainable development Insufficient efforts, at all levels, for sustainable development Insufficient financial resources Insufficient investment activity, "Grey economy" Environmental pollution Climate changes Economic and political mode and intentions of the leading actors in the development process

Source: Ristić et al. 2017.

Based on the results of the Statistical Office of the Republic of Serbia from 2020, obtained as part of the *Report on progress in achieving the Sustainable Development Goals until 2030 in the Republic of Serbia* [20], through the tabular presentation, we can see where and with which indicators satisfactory or unsatisfactory results were achieved.

**Table 2.** Presentation of progress towards Sustainable Development Goals (SDG).

SDGs	Indicators												
SDG 1	1.2.2	1.2.2	1.3.1	1.4.1a, b	1.a.2								
	↑	↑	↑	X	↘								
SDG 2	2.1.2a	2.1.2b	2.1.2c	2.1.2d	2.2.1	2.2.2a	2.2.2b	2.a.1					
	↓	↓	↓	↓	↑	↑	↑	↑					
SDG 3	3.1.1	3.1.2	3.2.1	3.2.2	3.3.2	3.4.1	3.4.2	3.7.1	3.7.2	3.8.1	3.9.3	3.b.1	3.c.1
	√	↗	√	√	↑	↗	↑	↑	↑	X	↑	X	↔
SDG 4	4.1.2a	4.1.2b	4.1.2c	4.2.1	4.2.2	4.3.1	4.5.1	4.6.1					
	X	X	X	↗	↗	↗	X	↑					
SDG 5	5.1.1	5.2.1	5.2.2	5.3.1a	5.3.1b	5.4.1	5.5.1	5.5.2	5.6.1	5.a.2	5.b.1		
	X	X	X	↓	↑	↑	↑	↑	X	X	↑		
SDG 6	6.2.1	6.3.1	6.4.1	6.4.2	6.a.1	6.b.1a	6.b.1b	6.b.1c	6.b.1d				
	X	↑	↘	↓	↑	√	√	√	√				
SDG 7	7.1.1	7.1.2	7.3.1										
	↗	↓	↓										
SDG 8	8.1.1	8.3.1	8.4.2a	8.4.2b	8.5.1a	8.5.1b	8.5.2a	8.5.2b	8.6.1	8.7.1	8.10.1a	8.10.1b	
	↑	↑	↓	↗	X	X	↑	↑	↑	↘	↓	↑	
SDG 9	9.2.1	9.2.2	9.5.1	9.5.2	9.c.1								
	↗	↑	↑	↗	↑								
SDG 10	10.1.1	10.3.1	10.4.1										
	X	X	↑										
SDG 11	11.6.1a	11.6.1b											
	↓	↓											
SDG 12	12.2.2a	12.2.2b											
	↓	↗											
SDG 15	15.1.1	15.a.1	15.b.1										
	↗	↑	↑										
SDG 16	16.1.3	16.1.4	16.2.1	16.2.2	16.3.1	16.3.2	16.5.1	16.6.1	16.9.1	16.b.1			
	X	X	↘	↑	X	↘	X	↑	√	X			
SDG 17	17.1.1	17.3.2	17.4.1	17.6.2	17.8.1								
	↑	↘	↓	↑	↑								

Legend:

The report is organized into 15 chapters dedicated to individual SDGs. Two SDGs are not included due to the fact that no data are currently available for their monitoring in Serbia (SDG 13 and SDG 14).

↑ - Significant progress in achieving the SDGs

↗ - Moderate progress in achieving the SDGs

↘ - A moderate shift away from the SDGs

↓ - A significant shift away from the SDGs

↔ - Inconsistent trends — progress is recorded on one (sub)indicator and moving away from the goal on another

X - Calculating a trend is not possible (for example due to a short data series)

√ - Goal achieved

Source: Statistical Office of the Republic of Serbia, 2020.

Based on the data in the table, we can see that SDG calculation was possible for 15 sustainable development goals (SDGs 13 and 14 are not included due to lack of data). According to the Report of Statistical Office of the Republic of Serbia, a calculation was made for 76 sub-goals, of which eight were found to have been achieved, while there is significant progress for 36 sub-goals, moderate progress was recorded for 10 sub-goals, a moderate shift away from the SDGs for six, and a significant shift away from the SDGs for 14 sub-goals. An inconsistent trend was recorded for two sub-indicators, i.e. progress recorded on one (sub)indicator and shift away from the goal on the other.

According to the report entitled *SERBIA 2030: does Serbia manage its (sustainable) development?* the findings from the report of the Network for Sustainable Development and the Bertelsmann Stiftung Foundation [21] are presented, according to which Serbia is globally ranked 34th out of a total of 165 United Nations member countries [22]. Also, in the same report, it is stated that according to the results of the assessment of the Network for Sustainable Development and the Institute for European Environmental Policy, Serbia is in 31st place out of 34 European countries in terms of progress in achieving the SDGs. Of the 17 SDGs, this report estimated that for three there is not enough data to draw conclusions about the trend (2, 10 and 14), and for three (1, 8 and 17) that Serbia is on the way to achieving them, but that significant challenges remain. For SDGs 3, 4, 5 and 16 it was concluded that there is moderate progress, although not enough to achieve them, and there are still challenges (in the case of goals 4 and 16 it is stated that there are major challenges). For other goals, it was assessed that there is no progress (6, 7, 9, 11, 12, 13, 15). [21].

According to the research by Radukić et al., which used the Sustainable Development Goals Index for 2018 in the Western Balkan countries, the main results show that not all countries lag behind the average of the Eastern Europe and Central Asia region (69.5) in achieving SDGs. Serbia (72.1) is the only country in the Western Balkans that achieved better results than the regional average. Albania has the best results in achieving the goals of eradicating poverty and ensuring the availability and sustainable management of water and sanitation. Bosnia and Herzegovina achieve significant results in reducing inequality and fighting climate change. In North Macedonia, attention is paid to ensuring a healthy life, improving well-being, ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all. Montenegro's priority goals are those related to ending poverty, availability and sustainable management of water and sewage, as well as inclusive and fair quality education, as well as promoting lifelong learning opportunities for all. As mentioned, Serbia has the best overall score among the countries of the Western Balkans. Serbia has made significant progress in the following areas: poverty eradication, inclusive and equitable quality education, sustainable water and sanitation management for all, sustainable cities and communities, and the fight against climate change and its impacts [23].

The countries of our region would benefit from more innovative approaches to financing sustainable development. In close cooperation with the EU and taking into account the European Green Deal, the countries of the Western Balkans could design financing mechanisms that will bring greater transparency to various policies and greater responsibility for their implementation. Application of the recommended modality can help with the public debt problem, while additional funds can support the implementation of structural reforms. Green, social and sustainable bonds or climate debt swaps are innovative financial instruments in using additional financial resources to support SDGs. Green bonds were issued in Serbia in September 2021 in the value of 1 billion euros, while the debt swap was used in Montenegro in negotiations with the Paris Club. One of the unusual consequences of Covid-19, and related to this new bond market, was the slowdown of green bonds in relation to the growth of social and sustainable bonds [24].

## **ALIGNMENT WITH THE GUIDELINES AND CHALLENGES IN IMPLEMENTING THE SUSTAINABLE DEVELOPMENT GOALS**

In the European Commission's report on the Millennium Development Goals, attention was focused on development policy instruments that will enable poverty reduction. Based on that, six key areas were determined towards which the activities of the EU member states are directed: trade and development; regional integration and cooperation; support for macroeconomic policies and promotion of equal access to social services; transport; healthy food and sustainable rural development; capacity building of institutions [25].

The new EU growth strategy, the European Green Deal, with the aim of Europe being the first climate-neutral continent by 2050, provided a roadmap with activities to boost resource efficiency by moving to a clean, circular economy and halting climate change. The European Green Deal covers all sectors of the economy, especially agriculture, energy, transport, construction and industries such as steel, cement, ICT, textiles and chemicals. By signing the Sofia Declaration on the Green Agenda for the Western Balkans, the countries of the region committed themselves to a series of concrete actions with the aim of creating a climate-neutral Europe.

Bearing in mind that Serbia is in accession negotiation on membership in the EU, long-term alignment with the directions of "green" and "digital" transition, which represent two elements of all economic policies in the EU, is extremely important. On December 14, 2021, in negotiations with the EU, the Republic of Serbia opened cluster 4, Green agenda and sustainable connectivity, which also contains chapter 27 - Environment and climate change. The Government of the Republic of Serbia adopted the Economic reform programme for the period 2022-2024, the most important strategic document in the economic dialogue with the European Commission and the member states of the European Union, on January 20, 2022. The topics of digitalization and green development several years back permeate many strategic reforms of the Government, and structural reforms which are provided by this Program, are designed to act in the direction of increasing the competitiveness of the economy, growth and employment, with a special emphasis on sustainable development. Encouraging innovation, creating new (green) jobs and sustainable economic growth are necessary for a green transition [26]. The steady public finances are the prerequisite for not only achieving the sustainable growth, but for providing an adequate response of the state under the exceptional circumstances such as the one caused by the Covid-19 pandemic [27]. Taking into account all of the above, the program itself states that the Economic Policy gave an adequate response to the pandemic crisis, thanks to the previously achieved macroeconomic stability in Serbia, and based on that, the space was created for the response of the economic policy to be adequate in scope and structure. According to the Fiscal Policy Program, a comprehensive package of measures aimed at the population and the economy is provided - in 2020, the value is estimated at 12.8% of GDP, and due to the unfavorable epidemiological situation in 2021, an aid package is provided, which is estimated at 4, 2% GDP.

Based on NBS analyzes [28], in Serbia during the pandemic crisis, as a result of higher expenditures due to the package of support measures, a higher deficit was recorded in 2020 (-8.0% of GDP), while a deficit was recorded in 2021 of 259.4 billion RSD (4.1% of GDP), as a result of fiscal measures to support the economy in the amount of 2.2 billion euros (4.2% of GDP). In 2022, the dynamics of reducing the fiscal deficit continued, and a fiscal deficit was recorded in the amount of RSD 221.2 billion (3.1% of GDP). The growth of salaries in health care affected the growth of the average salary, while the introduced measures of economic assistance made it impossible to lay off workers, which delayed the reaction of the labor market for 2021 [29]. According to the Macroeconomic Developments in Serbia report [28], despite the multi-dimensional crisis that has lasted for almost 3 years, Serbia has managed to preserve the stability of its economy and the trust of consumers and investors, as evidenced by the cumulative real GDP growth in the period 2020- in 2022 of about 9%, record inflows of FDI, continued growth of employment and wages in the private sector, as well as the highest level of foreign exchange reserves.

As for the situation in the region, all countries achieved negative economic growth as a direct impact of the pandemic crisis, of which the largest negative economic growth was in Montenegro (-12%), followed by Croatia (-9%), Slovenia (-6.7%), Bosnia and Herzegovina (-6.5%) and Macedonia (-5.4%), Serbia (-2.5%) [30]. According to the analysis of the International Labor Organization [31], 114 million people lost their jobs in 2020, and the forecasts for 2021 are also negative.

Analyzing the situation in all six countries of the Western Balkans, a decline in economic activity was noted, because the measures to curb the spread of the pandemic had a direct impact on the decrease in demand for products and services, which led to a decrease in exports in the entire Western Balkans region. Also, the reduction in the volume of public and private investments, as well as the inflow of remittances from abroad, which on average make up about 10% of the GDP of these countries, had a negative impact on economic growth [32,33].

More about the impact and consequences of the pandemic crisis on Serbia and the region, with a special emphasis on sustainable development, is shown in the rest of the paper.

## COVID-19 AS A CHALLENGE TO THE IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS

In September 2019, the UN Secretary-General called on all sectors of society to mobilize for a decade of action at three levels: global action to provide greater leadership, more resources and smarter solutions for the SDGs; local actions that incorporate the necessary transitions into the policies, budgets, institutions and regulatory frameworks of governments, cities and local authorities; and people's action, including youth, civil society, the media, the private sector, trade unions, academia and other stakeholders, to create an unstoppable movement that pushes for the necessary transformations.

However, the Covid-19 pandemic and its impact on all 17 SDGs has shown that what was initially a health crisis quickly became a socio-economic crisis. The crisis threatens progress towards the goals of sustainable development, but also makes their achievement more urgent and necessary. With the emergence of the crisis caused by the pandemic, it was first of all necessary to protect the previous progress in achieving the goals of sustainable development, and in the future to strive for a transformative recovery from Covid-19, reduce the risks of future potential crises and restart efforts to achieve the 2030 Agenda and the goals of sustainable development during the Decade of Action to deliver SDGs [34]. The Covid-19 pandemic has shown in practice the necessity of mutual cooperation and solidarity, as well as the need to exchange experiences and provide assistance in the process of achieving set goals.

The Covid-19 health crisis spread around the world very quickly, becoming an economic crisis which affected the slowdown in economic development. In our region, the crisis had different effects on countries, making it difficult to assess public efforts to achieve the goals of sustainable development. As a result of the crisis in most countries, there was a fall in the gross national product, an increase in fiscal imbalance, changes in aggregate demand and supply, an increase in unemployment and other disturbances. Most countries were unprepared for this new crisis, regardless of the lessons they could learn from the previous 2008 financial crisis. Research was conducted on the negative effects of the Covid-19 pandemic on the world economy and possible changes in trends and methods of business management and economic development strategies. Therefore, many countries are trying to revise history and try to build a strategy for the development of the country that will prevent similar disasters. [35].

Currently, the most relevant in the field of sustainable development at the regional level is the Green Agenda for the Western Balkans, which emphasizes regional cooperation and harmonization with EU policies and obligations in the process of European integration, so that green transformation, sustainable development, resource efficiency, nature protection and the fight against climate change should be the center of economic activities, in order to turn challenges in these areas into development opportunities.

The first goal of sustainable development, the eradication of poverty, is perhaps the most important of all, because its fulfillment would have far-reaching results. Income inequality, for example, affects the further progress of poverty both in the EU and in the countries of the region. Analyzing the impact of income inequality and economic growth on the level of poverty in the European Union and the Western Balkans, Mansi et al. found that income inequality is indeed greater in the countries of the region than in the European Union. In particular, GDP per capita is a variable that shows a huge gap between the two zones. However, based on the economic growth that the countries of the region have shown in the last few years, the poverty rate and income inequality are experiencing a decline, which indicates that these factors are closely related to each other. In addition, governance and unemployment are also key players in reducing the poverty rate. Also, innovation capacities in the country reduce the level of poverty, reduce income inequality and thereby contribute to sustainable development [36].

The Covid-19 crisis affected the economies of the countries of the Western Balkans and hit Montenegro the hardest, where the drop in GDP in 2020 amounted to 15.2%, while the other observed countries fared relatively well, primarily Serbia, which recorded a GDP decline of 1% in 2020. Due to the simultaneous shock of Covid-19 on both sides, aggregate supply and demand, there was a drop in GDP and an increase in unemployment in all countries of the region. The states reacted with strong fiscal and monetary stimuli to mitigate the negative effects, but thereby burdened the public debt and the budget. These measures are expensive and unsustainable in the long term. It is unlikely that the future recovery will be equally quick and easy for all countries, and the main challenges to economic recovery are the slowdown in the inflow of foreign capital, especially FDI, and remittances from abroad. Also, the speed



of recovery of the EU as our largest foreign trade partner will significantly affect the speed of recovery of the countries in the region [37].

The shock caused by the pandemic exposed the seriousness of the problem of mass emigration of health workers from the countries of the Western Balkans and the systemic weakness of the health system (decades of insufficient investment in people, facilities and equipment). Public spending on health in the countries of the Western Balkans is 15% of the level of spending in Germany (and only about 1/3 of the level of spending in rich countries of Central and Eastern Europe such as Slovenia). In addition, the crisis exposed a weakness in the form of decades of deprivation in education, science and research and development, as countries spend on average less than 0.4% of GDP on research and development [38].

In the new circumstances of life and work caused by the pandemic, digital technologies intended for communication, data exchange and remote work have gained importance. The Covid crisis contributed to the acceleration of the digital transformation process. This especially applies to ways of working, learning, communicating, competing and cooperating. Digital transformation, for its part, can contribute to the achievement of the United Nations SDGs. Compared to other countries in the world, Serbia has worse results in the area of achieving sustainable development goals (rank 73 *Network Readiness Index* - NRI index in this subcategory) [39].

The countries of the Western Balkans experienced the previous financial crisis with an average public debt of 30%, which increased to 37% in 2009, and to 44% of GDP at the end of 2011. They met the global pandemic even more in debt, with an average public debt of 52.74% of GDP, which shows us that they did not learn from the previous crisis, nor did they prepare well enough for a new shock [37]. The resilience of the entire country must be strengthened, in order to return to normal functioning as soon as possible, in case of shocks of any kind. If necessary, it would be best to selectively direct new anti-crisis measures to those economic activities that are most affected by the crisis. As far as the achievement of sustainable development goals is concerned, it is clear that these are long-term trends, and that there is a need for broad and more active engagement of the countries of the world, state institutions, international organizations and others in their realization.

## CONCLUSION

According to the UN Agenda, the concept of sustainable development is defined as a global issue that is of priority importance for all countries in the world until 2030, and its development can only be ensured by mutual respect and action of the economy, society and the environment. Therefore, the role of international organizations and national states is considered very important, but in order to reach the required level of sustainable development, the active involvement of the economy as a whole (entrepreneurs, employees, corporations, etc.) is also necessary. However, the concept of sustainable development, unfortunately, is still not attractive enough, motivating enough, that is, it still does not have enough power to change the behavior of companies and consumers on a practical level, and short-term profit and/or quick satisfaction of personal needs are still the main motive and behavioral matrix, so socio-economic unsustainability is still dominant in the world.

Analyzing the challenges regarding the sustainable development of Serbia and the countries in the region, the conclusion is that one of the basic prerequisites is a complete understanding of the goals of sustainable development and effective ways to achieve them using the experiences of EU countries that are making significant progress in sustainable development indicators. There is moderate progress in achieving SDGs but significant challenges remain. For the achievement of SDGs there is a need for broad and more active engagement of the state institutions, international organizations and others in their realization. The Covid-19 crisis affected the economies of the Western Balkans, there was the drop in GDP and an increase in unemployment, and a strong fiscal and monetary stimulus burdened the public debt and the budget. The resilience of the entire region must be strengthened in case of future shocks. Also, one of the tasks that is imposed, is precisely the assessment of the consequences of the pandemic crisis, which additionally imposes the importance of the interconnectedness of the SDGs, and it can be expected that the pandemic crisis will accelerate the search for solutions and more effective alignment with the guidelines and challenges in implementing the goals of sustainable development of Serbia and countries in the region, in relation to developed countries from the EU.

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