

The Hungarian government published a call for Hungarian companies, academic bodies and associations with a climate focus to apply for the first round of funding from Budapest's recently launched instrument for green finance.

The head of Budapest's new Western Balkans Green Centre says there is more to its investments than building business for Hungarian companies in Southeast Europe. Some call it a ruse to drum up more business for Hungarian companies in Southeast Europe. But for the head of the Western Balkans Green Centre, it is about harnessing Hungarian know-how to kickstart sustainability in a region that sorely needs it.

The Western Balkans Green Centre will initially make available around 1.2 million euros to drive green investments in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Laszlo Orlos, the centre's managing director, sees it as the first step to building a regional green fund with donors from across the Visegrad Group of Central European nations (Czech Republic, Hungary, Poland and Slovakia).

In the meantime, he said it would help put Hungarian green expertise to good use in the region while underlining Budapest's commitment to championing the cause of EU enlargement in the Western Balkans.

"The competition is strong," Orlos told BIRN in an interview. "Western European and US companies have a long track record of investing in the region. Our Green Centre would like to increase the international competitiveness of Hungarian companies targeting green economy investments.

"We also believe that we can share our experiences regarding EU accession and this could be an added value. We not only could support the region's green transition but also create jobs, thus boosting the economy as well."

Few would question the need for more green investment in Southeast Europe. Air pollution in the Bosnian capital of Sarajevo is at a record high, while eight of Europe's 10 most polluting coal-fired power plants operate in the Western Balkans.

Around 60 per cent of energy production in the region relies on fossil fuel and 16 Western Balkan coal-fired power plants emit as much carbon dioxide as 250 coal power plants across the European Union.

Experts say heatwaves, extreme weather and irregular precipitation show that climate change already affects everyday life in Southeast Europe.

Meanwhile, Balkan states worry they will be left behind by the EU's European Green Deal, a Brussels plan to make Europe the first climate-neutral continent in the world by 2050.

The Western Balkans Green Centre was established in 2019 to help put the region on a path

to sustainability, Orlos said, adding that the core concept was mapped out with the Seoul-based Global Green Growth Institute (GGGI), led by former UN Secretary-General Ban Ki-moon.

Orlos is an economist with a background in international finance. He was formerly a senior adviser to the executive director of the World Bank Group and he chaired the supervisory board of Hungarian export financing institution Eximbank. He was also an adviser to the UK director of the Beijing-based Asian Infrastructure Investment Bank.

The money for the Western Balkans Green Centre comes from revenues from the EU's emission-trading system. The instrument supports the implementation of the Paris Climate Agreement and promises to pave the way for small and medium-sized Hungarian enterprises to work in the six Western Balkan countries.

Hungary has long seen itself as an advocate for EU integration of the Western Balkans and makes no bones about the market opportunities it sees there.

Some critics say the Hungarian government was late to the green game, only taking up the climate crisis cause in early 2020.

But Orlos stressed that Hungary is one of 21 countries worldwide where economic growth since the start of the new millennium has gone hand-in-hand with a reduction in greenhouse gas emissions and energy consumption.

He added that Hungary has a solid track record of shaping government policy on climate action in close cooperation with global institutions such as the GGGI.

"The first round of our call for applications is going to be a serious test," he said. "We would like to get as many project suggestions as possible. In the second round, we will have another 400 million forints (1.2 million euros) available, and by the end of the year, we can probably sharpen our priorities.

"So far, we see a lot of project ideas from Serbia and Albania, where Hungarian companies seem to have more experience on the ground, but it is still too early to make assumptions."

In the first round, applicants can get up to 15-50 million forints (45,000 to 150,000 euros) of grants for projects in five sectors: renewable energy and energy efficiency, water management and waste-water treatment, waste management, urban development and agriculture, including forestry.

While Hungarian expertise in water management and water purification is widely acknowledged, Orlos sees opportunities in renewable energy in the region as well, given that some Western Balkan countries lag far behind their international commitments.

Critics say Hungary has a relatively low level of renewables in its own energy mix, but Orlos said the country was ahead of some Western European countries such as Germany and

France in reaching renewable energy targets based on 2018 figures.

He said that under Budapest's recently approved National Climate Strategy, Hungary will strive to achieve 90 per cent carbon-neutral electricity production by 2030 and full carbon neutrality by 2050.

In Orlos's view, the technologies needed to achieve this green economic transition at home can be of significant value in the Western Balkans too.

While many analysts say the government's primary motivation is to boost Hungarian business in the region, Orlos said that well-chosen investments could be a win-win, contributing to a greener and more sustainable environment.

The initial financing is just "seed money", used mainly for project preparation and feasibility studies. But Orlos said that as soon as bankable projects are on the table, major investors could be called in: Eximbank, Hungary's flagship OTP Bank or other commercial banks and financial institutions, for example.

International money could be pulled in as well, he said. The region received 4.2 billion euros in EU pre-accession funds between 2014 and 2020, and some countries are struggling to absorb the cash. The European Investment Bank, the European Bank for Reconstruction and Development and other multilaterals are also present in the region.

Orlos said applications to the Western Balkans Green Centre will be assessed in a fair and balanced way.

"Renowned experts will evaluate the applications according to a very robust system," he said. "The final decision is made by the Ministry for Innovation and Technology. I am sure the best will win."

The Western Balkans Green Centre has plans for expansion.

The Polish government once suggested the establishment of a Visegrad Development Bank, which has not materialised yet. But Orlos sees a chance to create a V4 fund or multi-donor green fund for the Balkans, from 2022, to bolster green projects in the region while benefiting V4 companies.

Source: balkaninsight.com