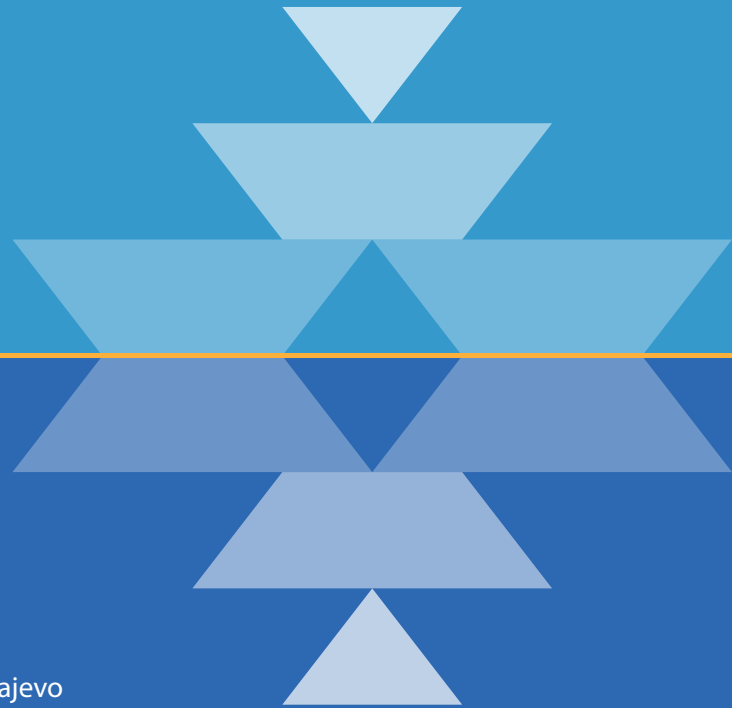


BALKAN BAROMETER

2024

BUSINESS
OPINION

good. better. regional.



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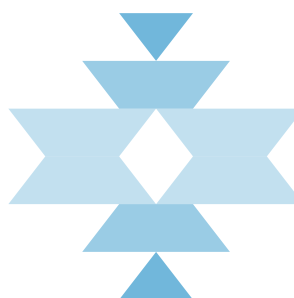
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ABBREVIATIONS

AI	Artificial Intelligence
BB	Balkan Barometer
BBSI	Balkan Business Sentiment Index
CBAM	Carbon Border Adjustment Mechanism
COVID	Coronavirus disease
DESI	Digital Economy and Society Index
DK/DA	Do not Know/ Did not Answer (as in survey responses)
ERP	Enterprise Resource System
ETS	Emissions Trading System
EU	European Union
GDP	Gross Domestic Product
GPP	Green Public Procurement
ICT	Information and Communication Technologies
LLC	Limited Liability Company
R&D	Research & Development
RCC	Regional Cooperation Council
SME	Small and Medium-sized Enterprises
U.S.	United States
WB6	Western Balkans Six



FOREWORD

The Balkan Barometer has established itself as a vital tool for understanding the economic and social dynamics of the Western Balkans Six (WB6). Now in its 10th edition, the 2024 Balkan Barometer Business Opinion Survey comes at a particularly challenging time for the region. Faced with inflationary pressures, energy crises, political instability, labour shortages, and ongoing brain drain issues, businesses in the Western Balkans Six are navigating a complex and uncertain environment.

The findings reflect a region grappling with both global and local challenges, underscoring the need for strategic interventions to promote economic stability and growth.

Despite these difficulties, the report also highlights promising developments. A significant majority of businesses (59%) view regional cooperation as beneficial, recognising its potential to drive economic growth through shared resources, knowledge exchange, and enhanced connectivity. Moreover, initiatives like the mobility agreements and roaming-free policies are already yielding positive results, improving business operations and fostering stronger ties within the region.

However, the survey reveals that optimism about the region's economic future is wavering. The Balkan Business Sentiment Index has declined by 4 points, indicating a more cautious outlook for the year ahead. While there is still considerable support for EU membership, EU-accession fatigue is beginning to affect both business leaders and citizens. Additionally, the persistent challenges of labour shortages and brain drain continue to pose significant obstacles to business development, while issues such as taxation, trade regulations, and informal economy practices remain high on the priority list for businesses.

This report serves as both a reflection of the current state of the Western Balkans Six (WB6) business environment and a roadmap for addressing the region's most pressing economic challenges. By fostering regional cooperation, tackling labour mobility issues, and advancing anti-corruption efforts, the region can create a more stable and prosperous future for businesses and citizens alike.

We hope that the findings and insights presented in this report will contribute to informed policy-making and strategic initiatives aimed at addressing the multifaceted challenges facing the Western Balkans Six. As we look ahead to the future, collaboration and innovation will be critical to ensuring the region's economic resilience and growth.

INTRODUCTION

The 2024 Balkan Barometer surveys were conducted in March and April 2024 in Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and Serbia. The Public Opinion survey posed 48 main questions to 6,000 citizens and the Business Opinion survey presented 40 main questions to 1,200 business owners, managers, or executives. As in the previous editions, the answers of survey respondents have been systemised, analysed, and presented in the two reports – the Public Opinion Survey and Business Opinion Survey.

The 10th edition of the Balkan Barometer arrives amidst years of turbulence caused by the COVID-19 pandemic, the energy crisis, and the war in Ukraine. In 2024, Western Balkans Six faced varied challenges with inflation, labour force shortages and brain drain being the most significant. In addition, regulatory and administrative issues, political and social instability, access to finance, weak demand, and informal economy practices also pose substantial challenges. These issues, compounded by the enduring effects of the pandemic and geopolitical tensions, have placed additional strain on both individuals and businesses. The Balkan Barometer 2024 aims to capture these emerging concerns and provide a comprehensive understanding of these multifaceted challenges.



*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

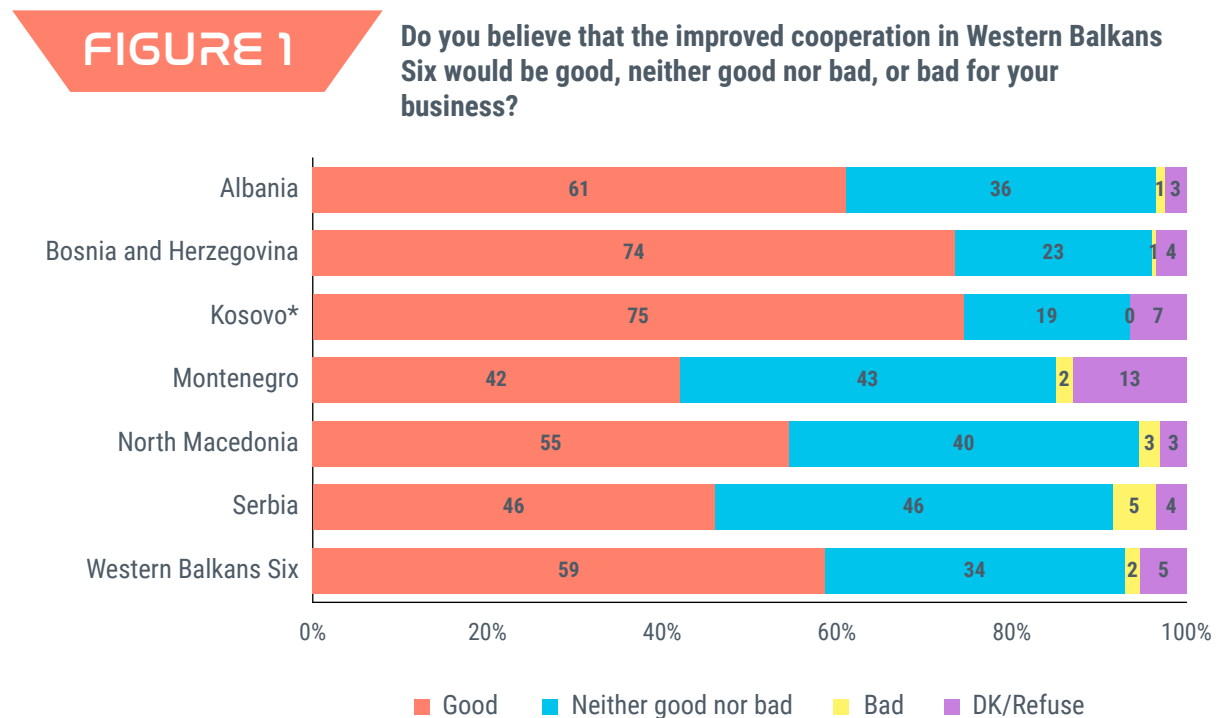


KEY FINDINGS

Improved Regional Cooperation Important to Business People

The majority of Western Balkans Six business people consider regional cooperation beneficial for their business, with 59% anticipating benefits. This reflects a broad recognition of mutual advantages, including enhanced collaboration, suggesting opportunities for fostering economic growth and stability across the Western Balkans Six. Such cooperation can lead to shared resources, knowledge exchange and economies of scale, attract investment, and enhance overall competitiveness and innovation. Only a very small minority of 2% foresee negative consequences.

In 2024, over half of businesses (57%) anticipate gains from being able to travel with ID cards only across the Western Balkans Six. While this marks just 1% increase from the previous year, it highlights steady and growing importance of the mobility agreements that the RCC, in collaboration with regional partners and WB6 economies, works to advance. Similarly, nearly half of businesses (47%) reported saving on operational costs thanks to the roaming-free policy introduced in 2021, as part of the same efforts on mobility agreements in the region. They also noted improved communication with regional partners, reflecting only a slight 3% decrease compared to 2023. These agreements are set to enhance regional connectivity and streamline business operations.

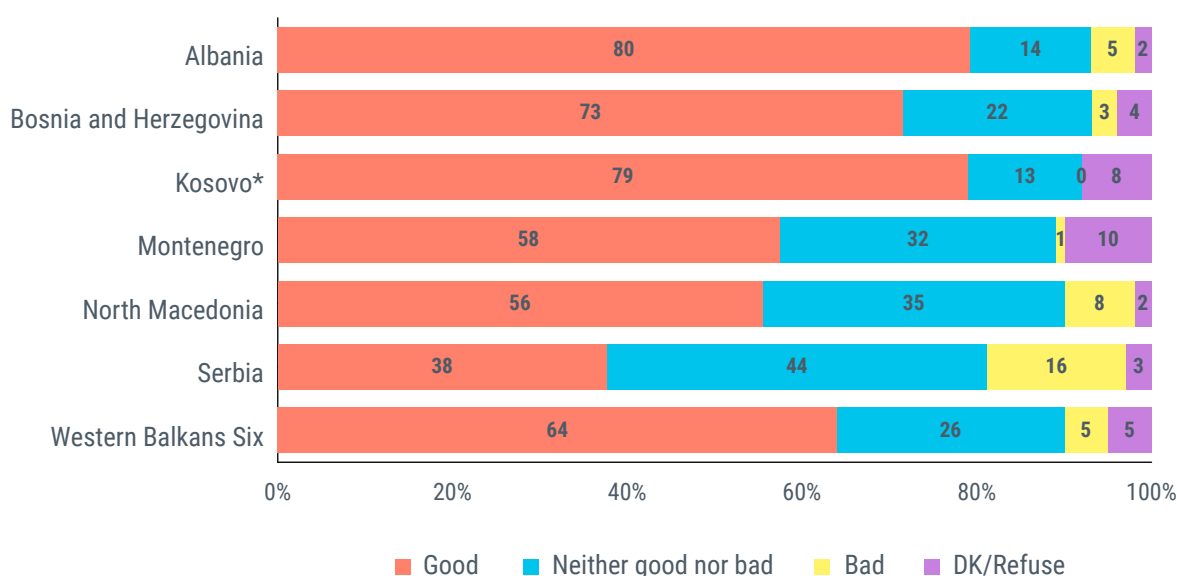


EU-Accession Fatigue Reflects on Western Balkans Six Businesses

The EU-accession fatigue affects both Western Balkans Six citizens and the region's businesses, though the impact on businesses is less pronounced. Even though the survey recorded a 7% drop of business people's support to EU membership since last year, with overwhelming majority of 64%, it is still higher than 59% of citizens at large.

FIGURE 2

Do you believe that the membership in the EU would be good, neither good nor bad, or bad for your business?

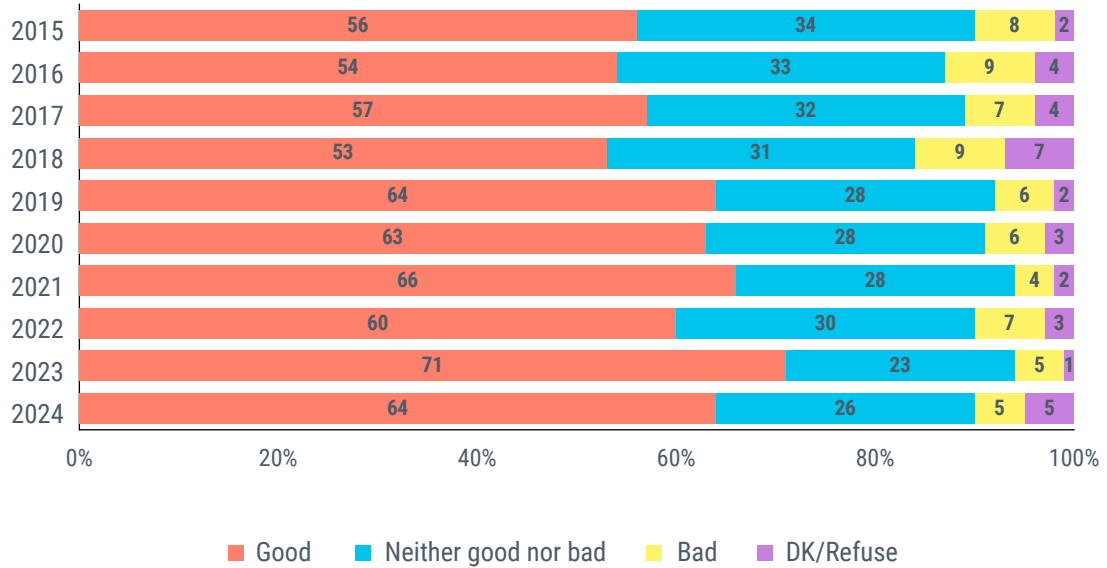


Over the past decade, more and more business people expressed conviction that joining the EU would be good for their business. In fact, this belief hit its highest point in 2023, with 71% of people feeling positive about it. Despite the drop of 7 percentage points since last year, it is still higher than before 2019, when it ranged from 53% to 57% between 2018 and 2015. At the same time, fewer people believe that EU membership does not really make a difference or is bad for their business.



FIGURE 3

Do you believe that the membership of [ECONOMY] in the EU would be good, neither good nor bad, or bad for your business?
(All respondents, scale from 1 to 3, share of total, %)

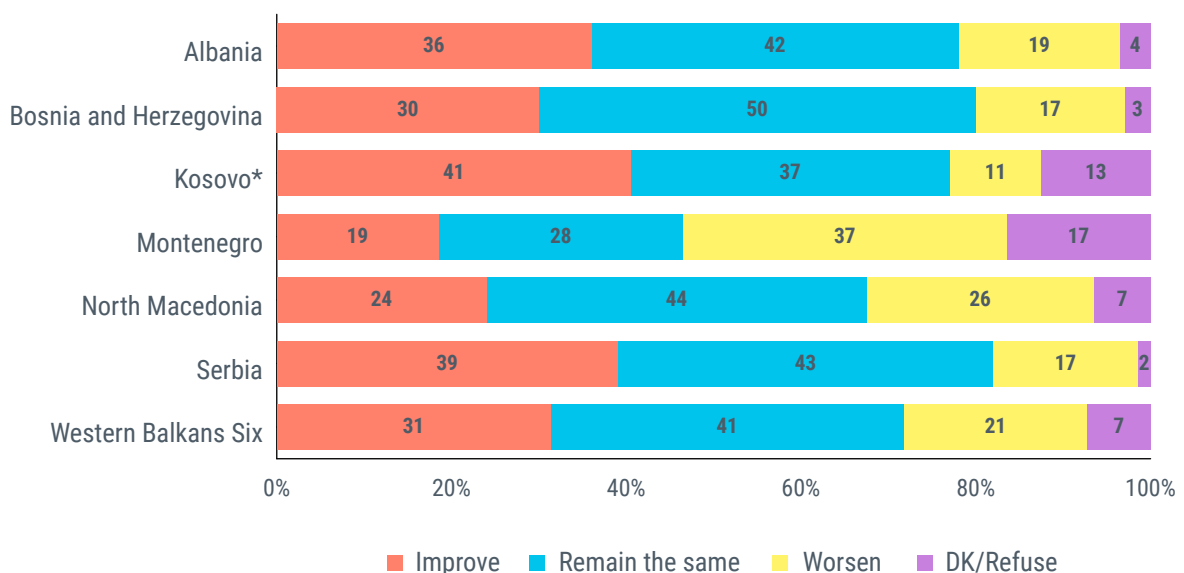


Optimism over Improvement of the General Economic Situation Wavering

With 31% of Western Balkans Six businesses believing the general economic situation in the region will be better, while 21% think it will worsen (compared to 2023, when it was 33% and 22% respectively), the optimism over improvement is wavering and is still below the pre-pandemic scores (43% and 12% respectively). These mixed expectations underscore the region’s complex and volatile economic environment, shaped by local and global influences.

FIGURE 4

Do you think that the general economic situation will improve, remain the same or worsen in the next 12 months?



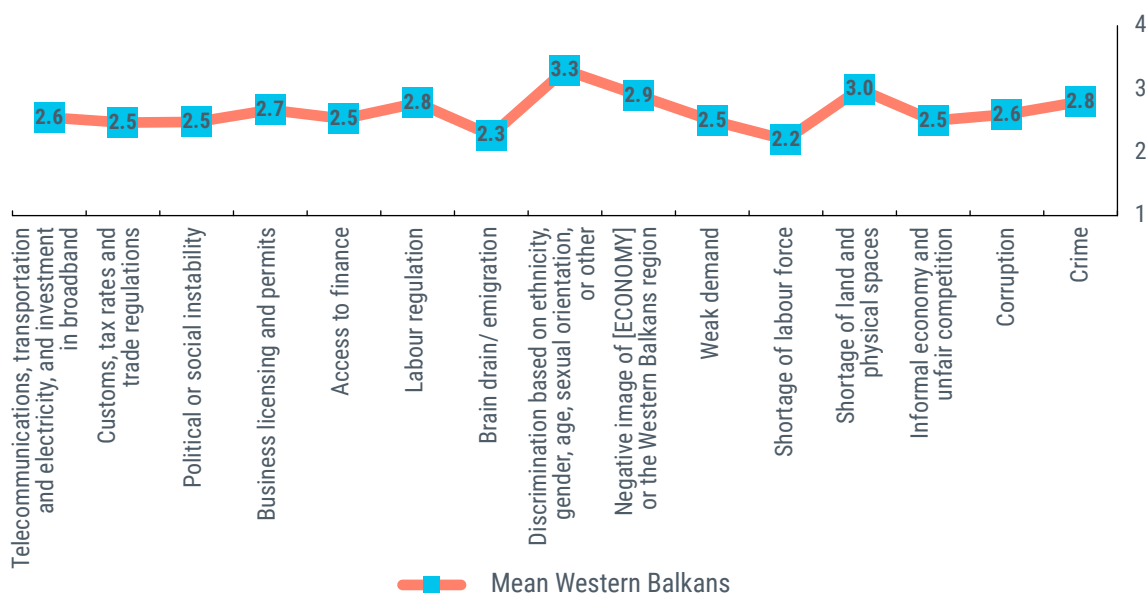


Labour Force Shortage and Brain Drain Remain the Biggest Obstacles for Doing Business

The 2024 Survey results reveal that for businesses operating in the Western Balkans Six, the most prevalent obstacles to doing business are those related to the availability of workers, namely labour force shortages (average score recorded at 2.2) and brain drain (average score of 2.3). The second group of dominant obstacles (average score 2.5) are customs, tax rates and trade regulations, political or social instability, access to finance, weak demand, and informal economy and unfair competition. Discrimination based on ethnicity, gender, age and the like are identified as the smallest obstacle in all Western Balkans Six economies, as was the case last year too.

FIGURE 5

How the following different factors affect the growth of your business? (Scores on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle)



Prices, Taxes and Labour Force on Top of Priority List for Developing Business throughout the Region

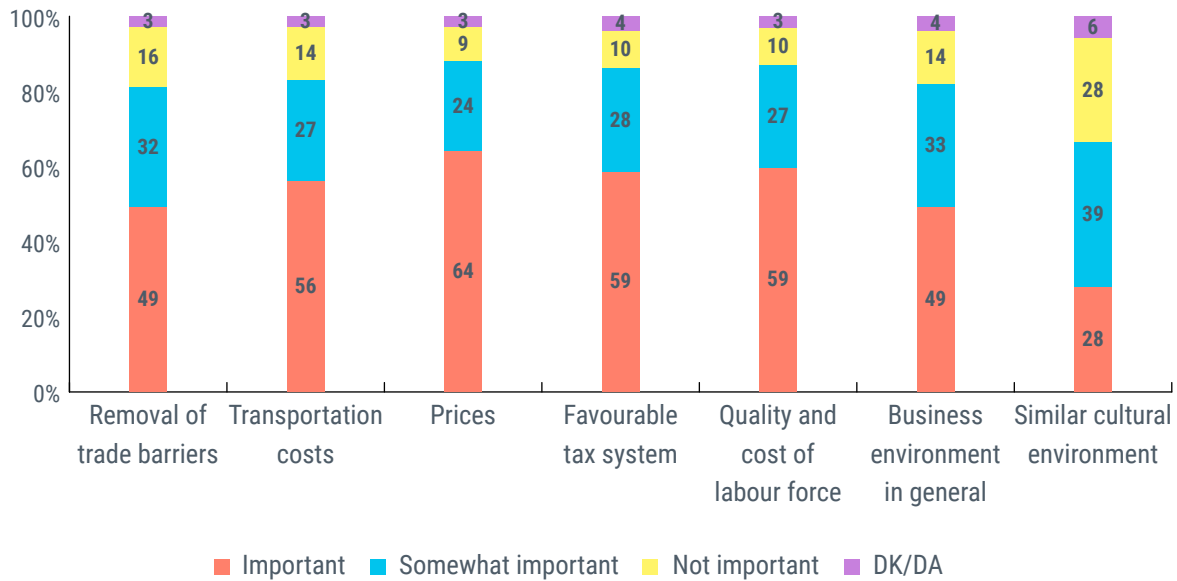
The most crucial factors for developing business relations with other WB6 economies are prices (88%), taxes (87%), and labour force (86%). This underscores the importance of containing inflationary pressures and having a favourable tax system; thereby reducing the financial burden on businesses, allowing them to invest more in growth and innovation. Furthermore, it highlights the critical need for skilled and affordable workforce to support business operations and growth across the region.



Transportation costs, with 83%, and removal of trade barriers, with 81%, also remain high on the priority list. This underscores the relevance of greater regional integration within the Western Balkans Six and with the EU, including through the reduction of trade barriers and related costs of doing business embedded into the Common Regional Market, a stepping stone for integration into the EU Single Market.

FIGURE 6

What is the importance of the following aspects for developing business relations with other Western Balkans Six economies?



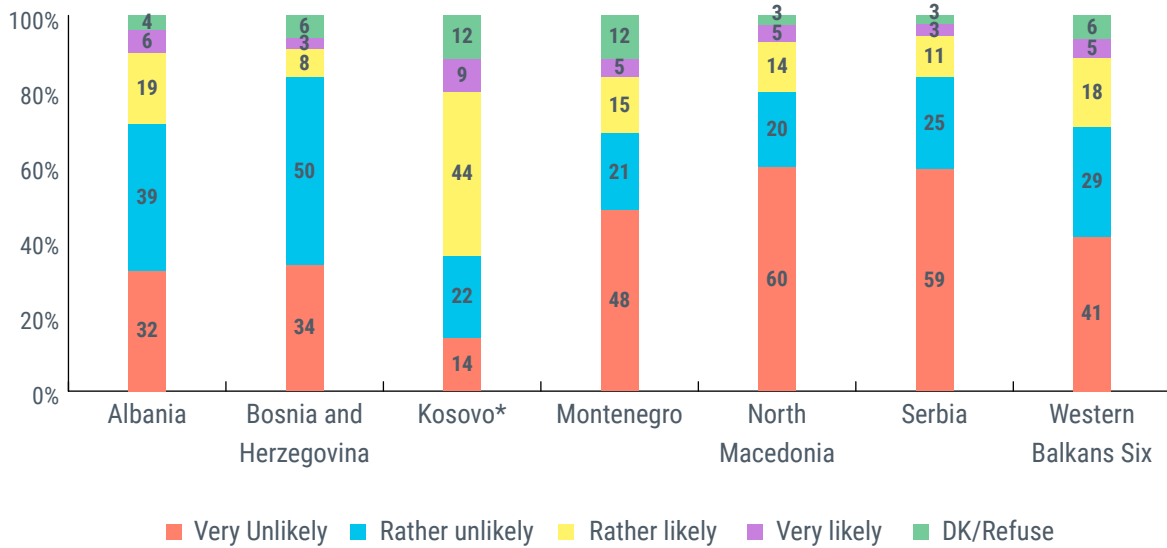
Western Balkans Six Businesses Still Reluctant to Recruit Within the Region?

Businesses were surveyed about their likelihood of hiring labour from other Western Balkans Six economies. The survey results reveal several underlying factors that influence these decisions.

Only 23% of businesses in the region expressed likelihood of seeking labour from the other Western Balkans Six economies. This indicates a general reluctance to hire regionally, which could be attributed to administrative hurdles such as working permits, diploma recognition, portability of social rights, taxing policies, etc. The survey also reveals that the top obstacle to doing business is a lack of skilled labour force, pointing out the necessity to work on policies that enhance labour mobility within the region. To this end, mobility agreements signed within the context of Berlin Process for several professions (doctors, dentists and architects and more) that yet need to become a usual practice in the forthcoming period provide a good opportunity for the mobility of professionals by facilitating the procedures for recognition of diplomas and professional qualifications.

FIGURE 7

How likely is your business to seek labour force from other Western Balkans Six economies?

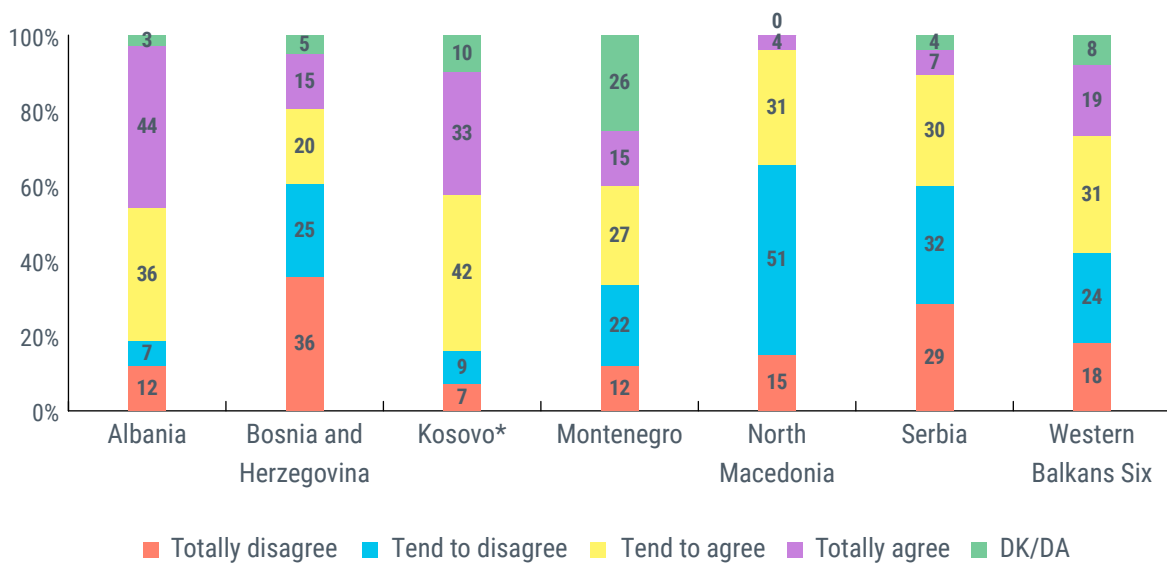


Businesses' Opinion on Anti-Corruption Efforts in Western Balkans Six is Shifting

In 2024, 50% of respondents believe the fight against corruption is effective, which is an 11-percentage point improvement relative to the last year. This shift suggests some progress, but with 42% still disagreeing, challenges remain. Overall, perceptions are improving, but disparities across economies indicate the need for tailored and robust anti-corruption strategies.

FIGURE 8

Fight against corruption is effective in my economy.



REGIONAL OVERVIEW

Economic growth in the Western Balkans Six slowed in 2023, the rate falling from 3.4 percent in 2022 to 2.6 percent in 2023, though this decline was much smaller than that experienced in the EU. By the end of 2023, real GDP in all the Western Balkans Six economies (WB6) surpassed their pre-pandemic levels. The initial post-pandemic recovery displayed strong duality with the more service-dependent economies in the WB6 (Albania, Kosovo* and Montenegro) benefitting from the recovery of demand for tourism and international travel, whilst the more manufacturing-orientated economies (Bosnia and Herzegovina, North Macedonia and Serbia) were constrained by the slowdown in the EU (Table 1).

Table 1. Real GDP Growth in the Western Balkans Six 2020 – 2024 (percent)

	2020	2021	2022	2023e	2024f
Albania	-3.3	8.9	4.9	3.3	3.3
Bosnia and Herzegovina	-3.0	7.4	4.2	1.9	2.6
Kosovo*	-5.3	10.7	4.3	3.1	3.7
North Macedonia	-4.7	4.5	2.2	1.0	2.5
Montenegro	-15.3	13.0	6.4	6.0	3.4
Serbia	-0.9	7.7	2.5	2.5	3.5
Western Balkans Six	-3.0	7.9	3.4	2.6	3.2

e = estimated, f = forecast

Source: World Bank Group Western Balkans Regular Economic Report No. 25, Spring 2024.

The inflationary spike associated with the continuing Russian invasion of Ukraine caused a rise in the inflation rate in the WB6 to 14.3 percent in January 2023 (Table 2). This rate fell gradually in the following twelve months to reach 5.1 percent in December 2023. However, there was some significant variation across economies in the inflation slowdown, with the rates in December 2023 varying from 2.2 percent in Bosnia and Herzegovina to 7.6 percent in Serbia. The region exhibited some additional degree of fiscal consolidation in 2023, with the estimated average fiscal deficit falling to 1.5 percent of GDP (Table 2). Notably, Montenegro achieved a fiscal surplus in 2023, whilst Bosnia and Herzegovina was the only economy in the region with a rising fiscal deficit as a percentage of GDP. Overall, capital expenditure as a percentage of GDP in the WB6 declined in 2023 (Table 2), though modest increases were realised in Bosnia and Herzegovina, Kosovo* and North Macedonia.

The WB6 economies achieved a significant improvement in their external position in 2023 (Table 2). The current account deficit fell to a historic low of 4.9 percent of GDP, largely driven by a fall in the volume and value of imports. Serbia and North Macedonia achieved the most significant improvements, though Bosnia and Herzegovina's deficit worsened. Remittances to the WB6 rose in 2023, though as a percent of GDP they fell to 6.5. At the regional level, the current account deficit was wholly financed

by net foreign direct investment (5.4 percent of GDP in 2023). Taken together, most economies in the region were able to increase their foreign exchange reserves in 2023.

Together, the above developments were associated with improvements in labour market performance in the region in 2023. In all economies except North Macedonia, employment levels were above their pre-pandemic levels. The participation rate in the WB6 rose to 54 percent. Notwithstanding the decline in the populations in Bosnia and Herzegovina, Kosovo*, North Macedonia and Serbia, reflecting continuing net emigration, the aggregate employment rate for the Western Balkans Six (age 15 and above) reached a new peak of 48.1 percent in 2023. The unemployment rate fell to 10.9 percent in 2003 in all WB6 economies. Youth unemployment also declined to 25.5 percent in 2023, though it remained at nearly twice the EU average rate. Whilst gender gaps in the labour market remained large in the WB6, rising women's participation in 2023 was a key contributor to the region's rising total hours worked. Real wages increased in 2023, though in all economies but Kosovo*, average wage growth exceeded productivity growth. The slow productivity growth reflects in part the low quality of education and training systems in the WB6 as evidenced by the region's poor performance in international assessments of youth's knowledge and skills. Overall, poverty declined in the region in 2023, though at a slower pace than in the pre-pandemic period, partly due to large increases in prices of food and energy.

Table 2. Selected Economic Indicators for Western Balkans Six 2020 – 2024 (per cent)

		2020	2021	2022	2023e	2024f
Real GDP growth components						
Consumption	Consumption	-1.1	4.8	3.1	1.7	2.8
Investment	Investment	-1.6	2.1	1.3	-0.8	1.3
Net Exports	Net Exports	-0.3	-0.4	-1.8	1.7	-1.0
Consumer Price Inflation		1.0	3.2	11.8	9.0	3.9
Current Account Balance		-8.6	-5.8	-7.8	-4.9	-5.5
Foreign Direct Investment		5.3	5.9	6.9	5.4	5.3
Fiscal Balance		-7.9	-3.0	-2.7	-1.5	-2.7

e = estimated, f = forecast

Source: World Bank Group Western Balkans Regular Economic Report No. 25, Spring 2024.

In summary, during 2023 the region's economies continued their recovery towards pre-pandemic trends. However, with persisting inflationary pressures and forecasted growth rates of between 2.5 and 3.7 percent in 2024, only slow convergence on EU income levels is likely. When measured in purchasing power parity, GDP per capita in the WB6 remains at only 40 percent of the EU average. Variations in growth rates amongst the WB6 in part reflect different performances in external trade and differing degrees of success in stimulating domestic and foreign direct investments. Hence the importance of successfully implementing the EU's Growth Plan for the Western Balkans Six. The Plan provides resources for critical infrastructure investments and structural reforms to assist improved integration with the single European market.



BUSINESS SENTIMENT INDEX: 2014-2024

The Balkan Business Sentiment Index (BBSI) explores the prevailing opinion in the Western Balkans Six concerning the current and future business climate. An increase in the BBSI represents a more positive view of the current situation and/or a more optimistic view of the future.

BBSI employs a streamlined approach to gain a longitudinal perspective on business perceptions and developments in the region. This approach includes five key questions:

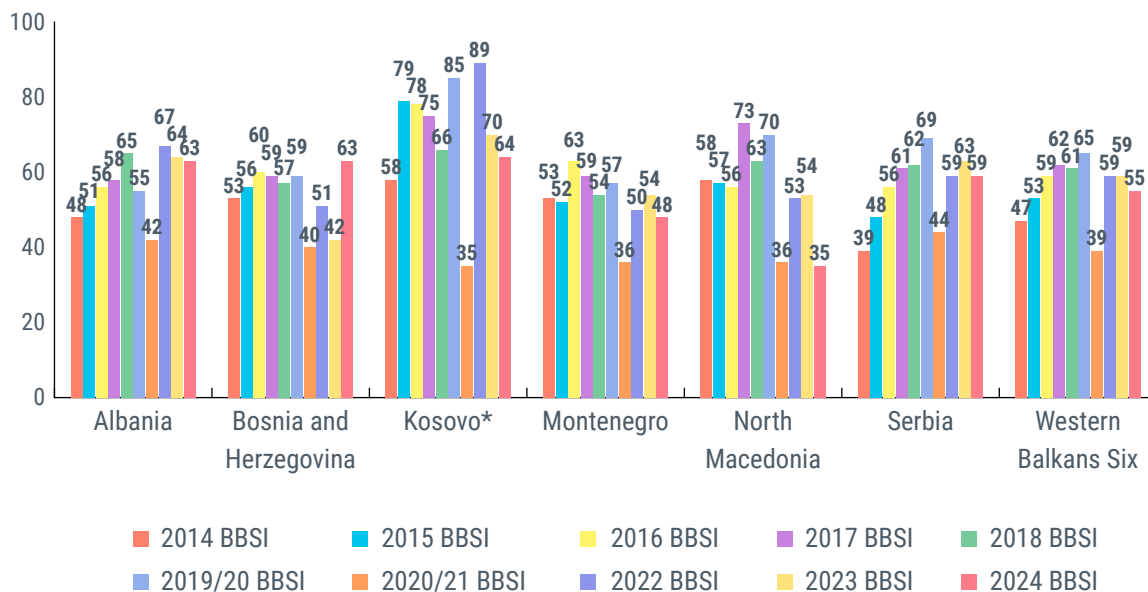
1. Over the past 12 months, how has your business situation evolved? Has it worsened, stayed the same, or improved?
2. Over the past 12 months, how has demand for your products or services changed? Has it decreased, remained stable, or increased?
3. How has the overall economic situation in your area changed over the past 12 months? Has it declined, stayed the same, or improved?
4. Looking ahead to the next 12 months, how do you anticipate demand for your products or services will change? Will it decrease, remain stable, or grow?
5. How do you expect the general economic situation in your area to develop over the next 12 months? Will it decline, stay the same, or improve?

The index is scored as follows: 100 points for improvement, 50 points for no change, and 0 points for deterioration.

Recent years had seen some convergence in the BBSI's across the WB6 region, though Kosovo* has consistently had the highest BBSI and North Macedonia the lowest until 2024. In 2024, Bosnia and Herzegovina made the most progress, with their BBSI increasing by a remarkable 50 percent since 2023. At the other extreme, Montenegro's BBSI fell significantly, to a level even below that recorded during the peak of the COVID pandemic.

FIGURE 9

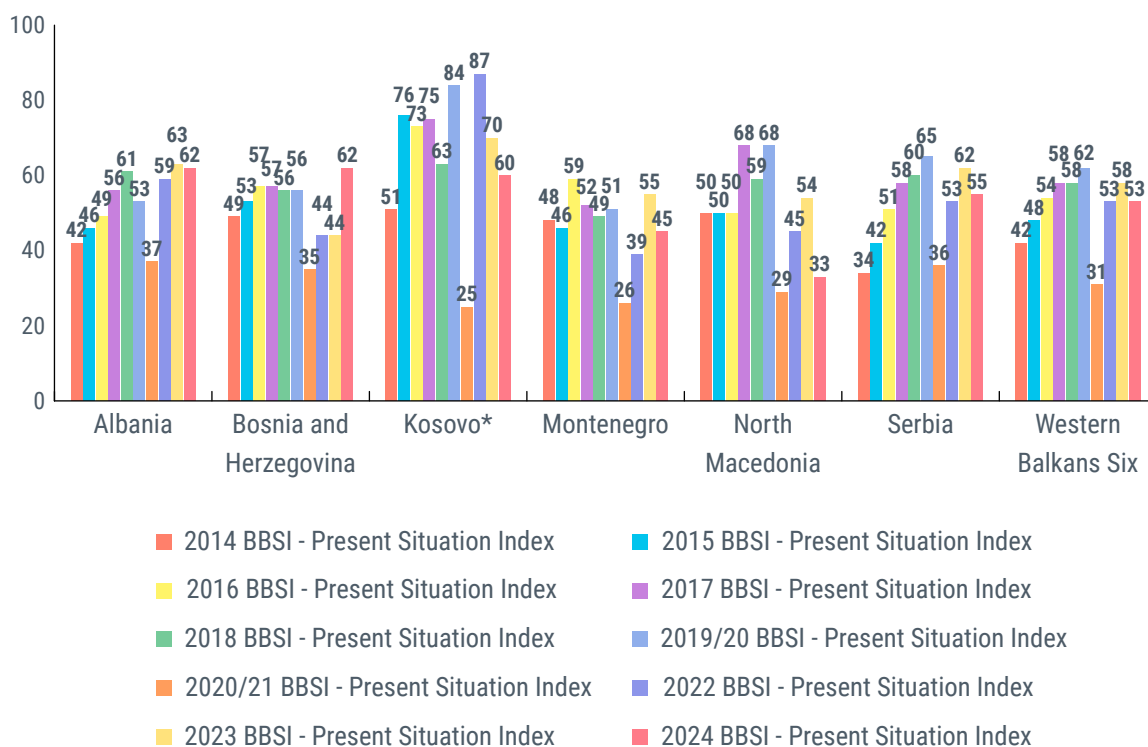
Business Sentiment Index: 2014-2024



The BBSI – Present Situation Index shows greater variability across time and economy. All economies in the region, apart from Bosnia and Herzegovina, saw a fall in the BBSI - Present Situation Index in 2024. However, in all economies in the region, the 2024 BBSI – Present Situation Index exceeded that of the low-point of the COVID pandemic. Of major concern was the more than twenty-point decline in the Montenegro index in 2024.

FIGURE 10

BBSI - Present Situation Index 2014-24

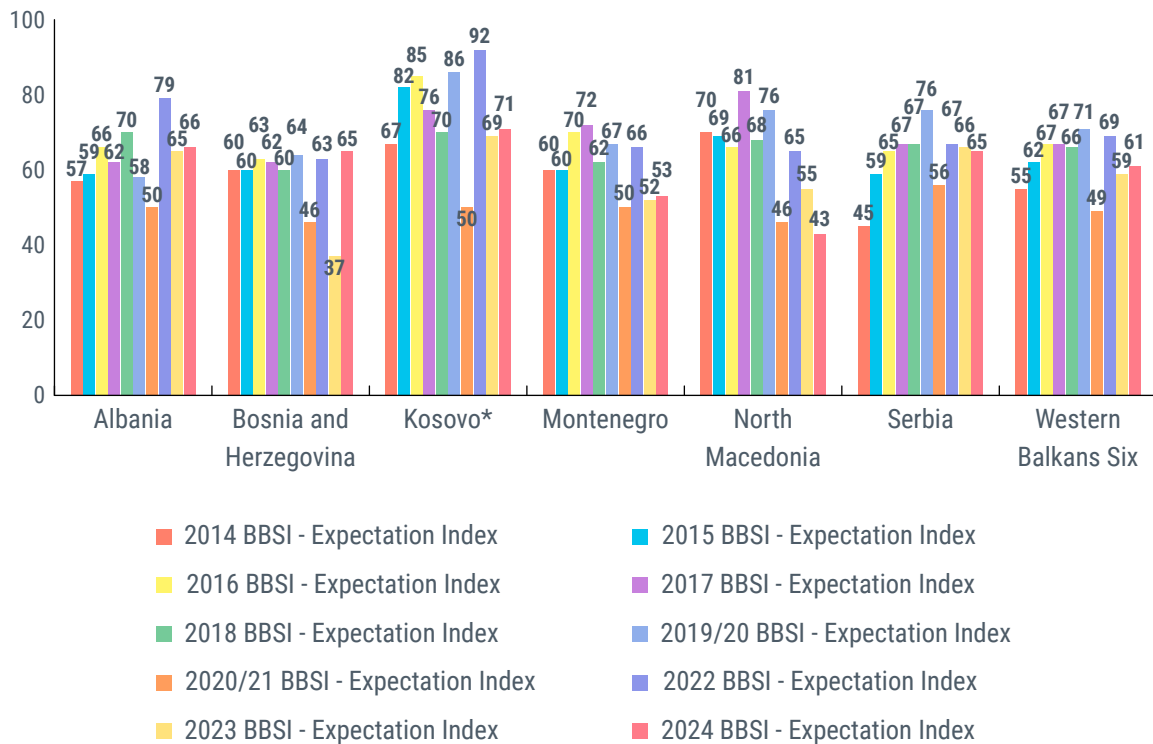




In the WB6 region as a whole, the BBSI – Expectation Index was less affected by the COVID Pandemic, though it has yet to return to the pre-pandemic level of optimism. Kosovo* has consistently had the most optimistic businesses, with Albania, Bosnia and Herzegovina and North Macedonia having the most pessimistic ones in the early years of the Survey. Overall, businesses reported a slight rise in business optimism in the region in 2024, with some convergence in expectations across the six economies. Bosnia and Herzegovina again had a strong rise in optimism with the index rising by an impressive 28 points. On the other hand, the index fell by 12 points in Montenegro.

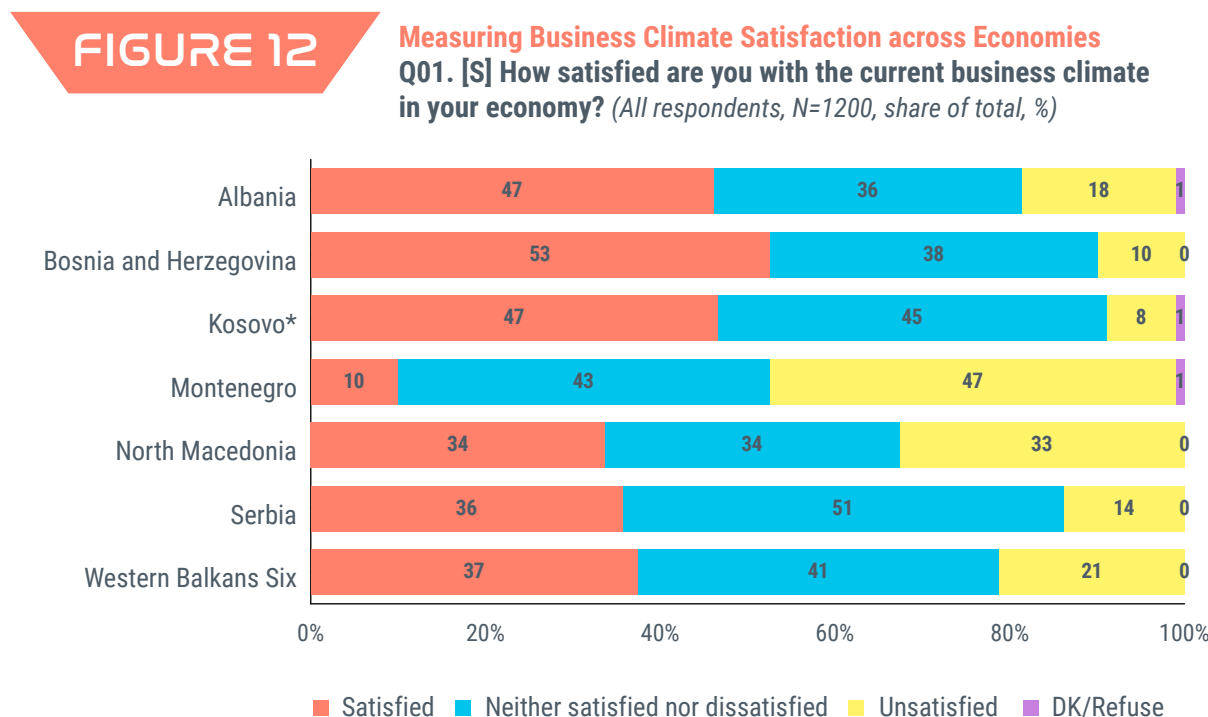
FIGURE 11

BBSI - Expectation Index 2014-24



PERCEPTIONS OF THE BUSINESS ENVIRONMENT AND ECONOMIC TRENDS

According to survey results, **37% of businesses in the Western Balkans Six are satisfied with current business climate in their economy, 41% stated that they are neither satisfied nor dissatisfied while 21% reported being unsatisfied with the business climate in 2024** (Figure 12). Data suggest that the highest share of satisfaction with the current business climate is among businesses located in Bosnia and Herzegovina (53% being satisfied), Kosovo* and Albania (both 47%), while the lowest prevalence of satisfaction is observed among businesses in Montenegro with only 10% of businesses being satisfied and 47% being unsatisfied.



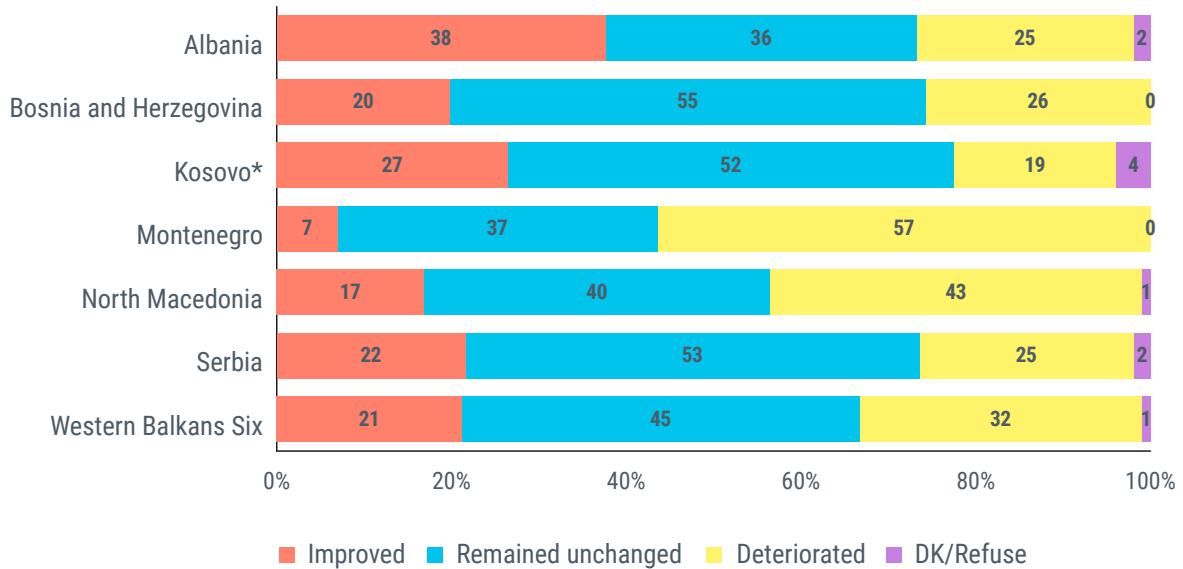
While, as noted above, 37% of businesses in the Western Balkans Six indicated being satisfied with the current business climate, only 21% assessed that the business climate had improved in the past 12 months (Figure 13). Among the 1,200 businesses surveyed, 45% noted that there had been no change in the business climate but 32% reported that the business climate had deteriorated over the past 12 months. A more positive assessment is observed among businesses operating in Albania with 38% stating that the business climate has improved over the last 12 months, though 25% suggested that the situation has deteriorated over that period.



FIGURE 13

Assessing Changes in Business Climate over the Past 12 Months Q02. [S] Would you say that in the past 12 months the business climate in [ECONOMY] has improved, remained unchanged or has deteriorated?

(All respondents, N=1200, scale from 1 to 3, share of total, %)

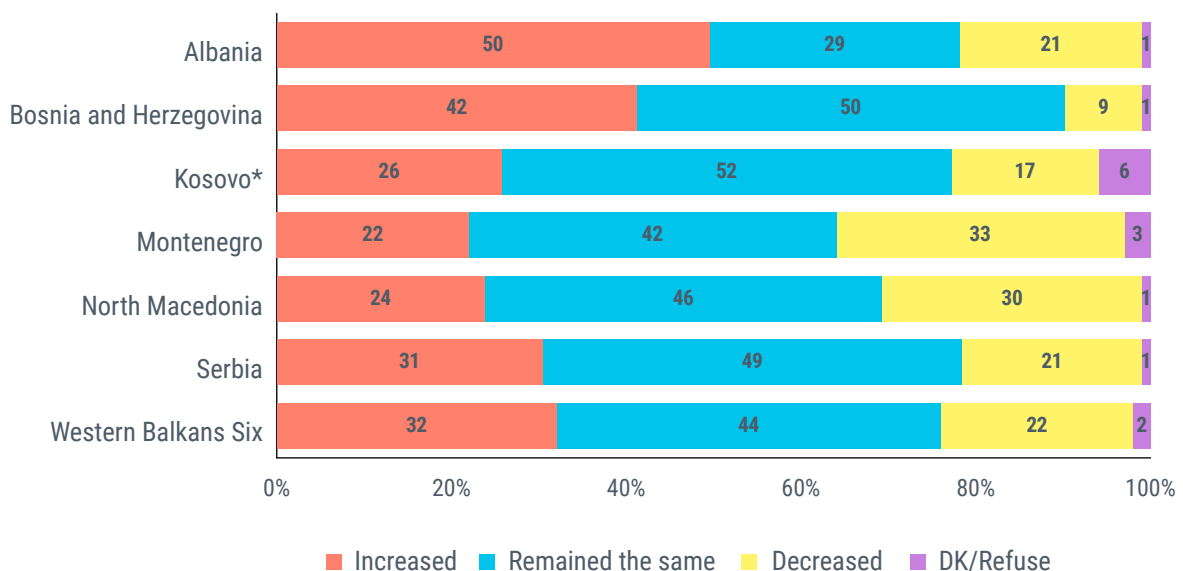


Business revenues/sales in the previous twelve months improved by 32% of businesses in the Western Balkans Six. For 44% of businesses, sales/revenues remained unchanged while it decreased for 22% of surveyed businesses (Figure 14). Revenue/sales improved for a large share of businesses in Albania (50%) and for those operating in Bosnia and Herzegovina (42%). The share of businesses with decreased revenues/sales was the highest in Montenegro (33%) and North Macedonia (30%). In Kosovo*, more than half of surveyed businesses (52%) reported that their revenues/sales remained unchanged, a somewhat similar share to businesses in Bosnia and Herzegovina (50%).

FIGURE 14

Evaluating Business Revenue/Sales Trends over the Past 12 Months Q03. [How did your business revenues/sales develop in the past 12 months?

(All respondents, N=1200, scale from 1 to 3, share of total, %)

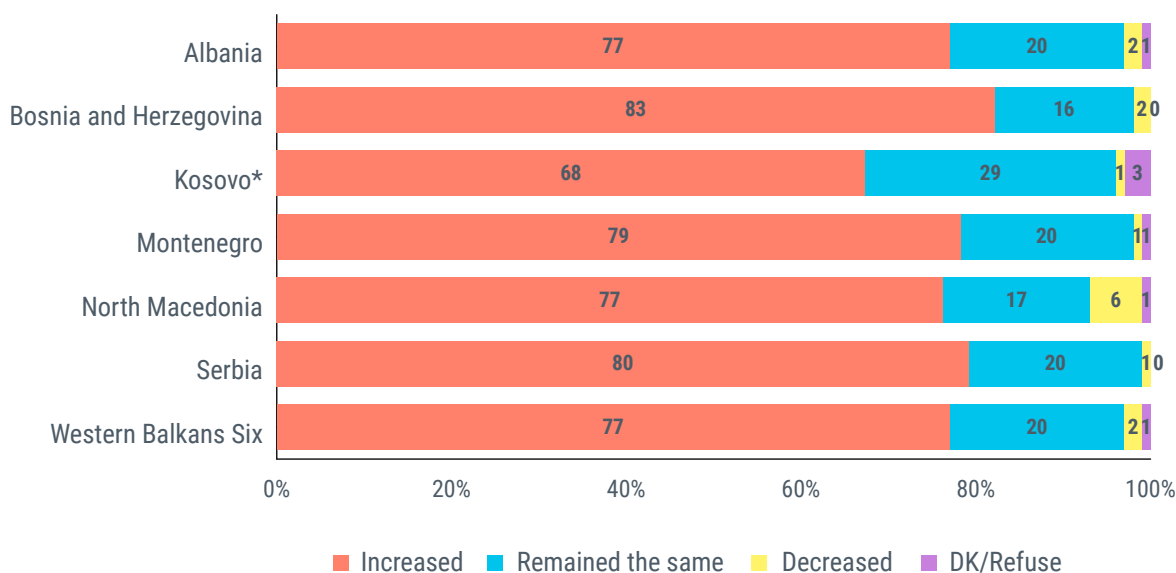


Unsurprisingly, given the rise in inflation following Russia's invasion of Ukraine, a large share of businesses in the Western Balkans Six (77%) reported that their labour and other costs (such as energy) had increased during the last 12 months. Though, as shown in Figure 15, 20% of businesses in the region reported that their costs had not changed and 22% even reported a decrease. These shares were identical to those in the 2023 Balkan Barometer Business Opinion Survey. Comparing responses to those provided in the 2023 survey, the share of companies reporting increased higher costs fell significantly in Albania (from 89% to 77% in 2024) and North Macedonia (92% to 77%). An increased share of businesses reporting increased costs from 2023 to 2024 survey data is evident in Bosnia and Herzegovina (78% in 2023 83% in 2024); Montenegro with an increase from 75% to 79%, and Serbia with increased share of businesses reporting higher costs from 73% to 80%.

FIGURE 15

Tracking Changes in Labour and Other Costs over the Past 12 Months Q04. [S] What about business costs (such as energy, labour cost, rent, etc.)? In the last 12 months, did total business costs increase, remain the same or decrease?

(All respondents, N=1200, scale from 1 to 3, share of total, %)



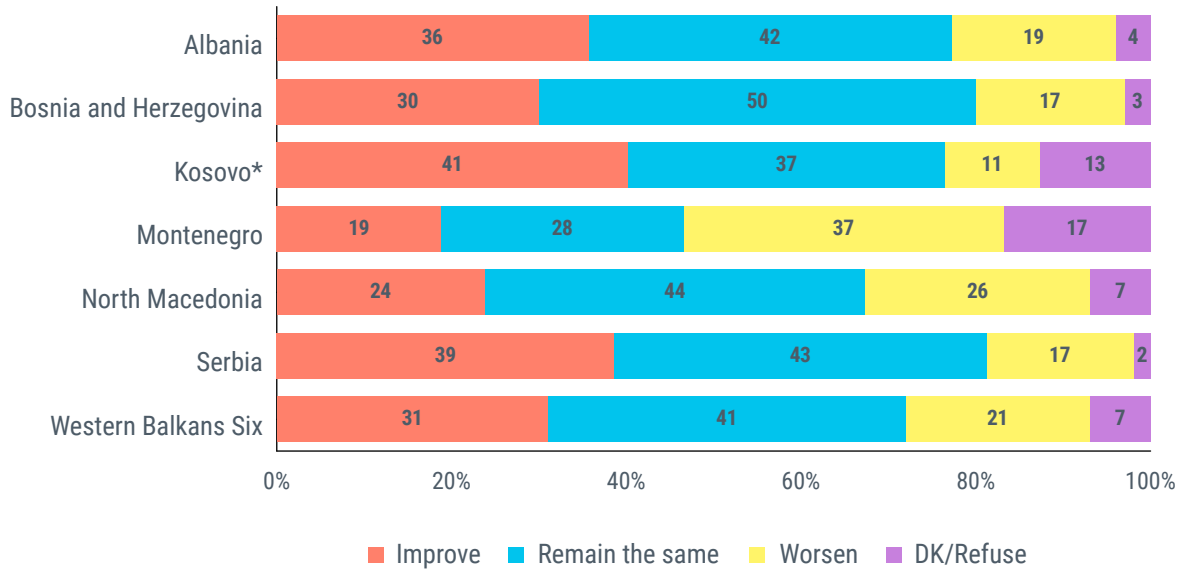
In terms of expectations for the next 12 months, among the 1,200 surveyed businesses in the Western Balkans Six, the prevalent assessment is that the general economic situation will remain the same (41%). Nearly one-third of businesses stated that they expect the general economic situation to improve, while 21% expect the situation to worsen in the coming 12 months. The most optimistic are businesses operating in Kosovo* with 41% expecting the overall economic situation to improve and only 11% expecting the situation to worsen. Businesses in Montenegro are not optimistic since only 19% expect economic conditions to improve and 37% expect that the situation will worsen in the coming 12 months. This represents a significant drop of business confidence since 2023 when 23% of businesses in Montenegro expected an improved situation and 23% expected a worse one.



FIGURE 16

Forecasting Economic Outlook: Expectations for the Next 12 Months Q05. [S] Do you think that the general economic situation in [ECONOMY] will improve, remain the same or worsen in the next 12 months?

(All respondents, N=1200, scale from 1 to 3, share of total, %)



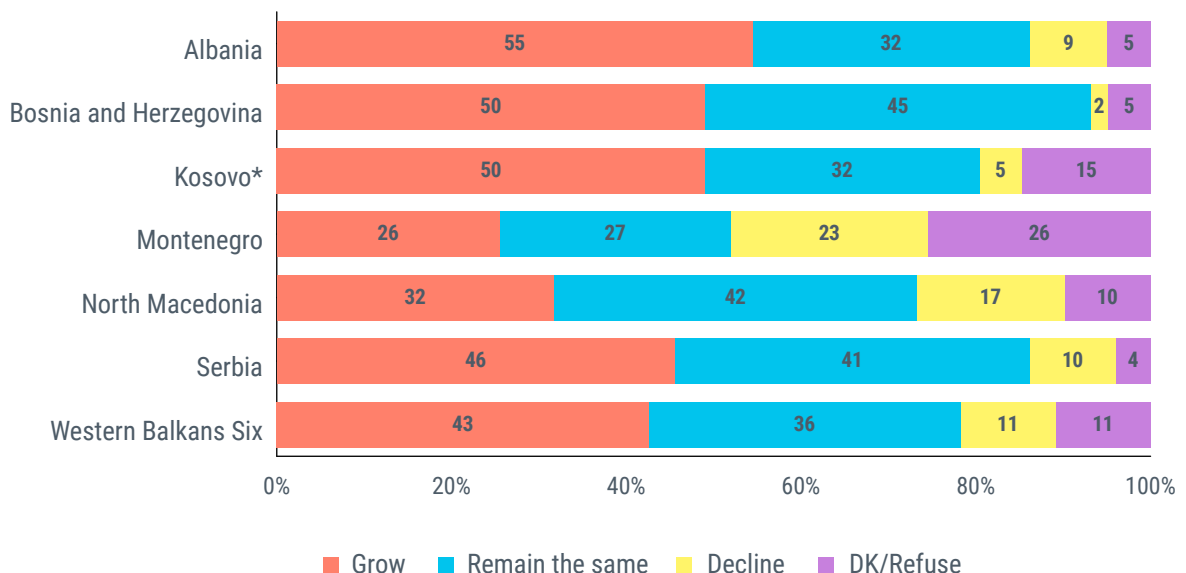
While only 31% of businesses in the Western Balkans Six expect that the overall economic situation will improve in their economy, 43% of surveyed businesses report that they expect their business to grow in the coming 12 months. The highest incidence of optimistic expectations is among businesses operating in Albania (55%) and those in Bosnia and Herzegovina and Kosovo* (50% each). Similar to other indicators, businesses in Montenegro are not so positive about their prospects for the next 12 months, with only 26% reporting that they expect their business to grow.

FIGURE 17

Perceptions on Anticipating Business Performance: Outlook for the Next 12 Months

Q06. [S] What about your business growth? Would you say that your business will grow, remain the same or decline in the next 12 months?

(All respondents, N=1200, scale from 1 to 3, share of total, %)

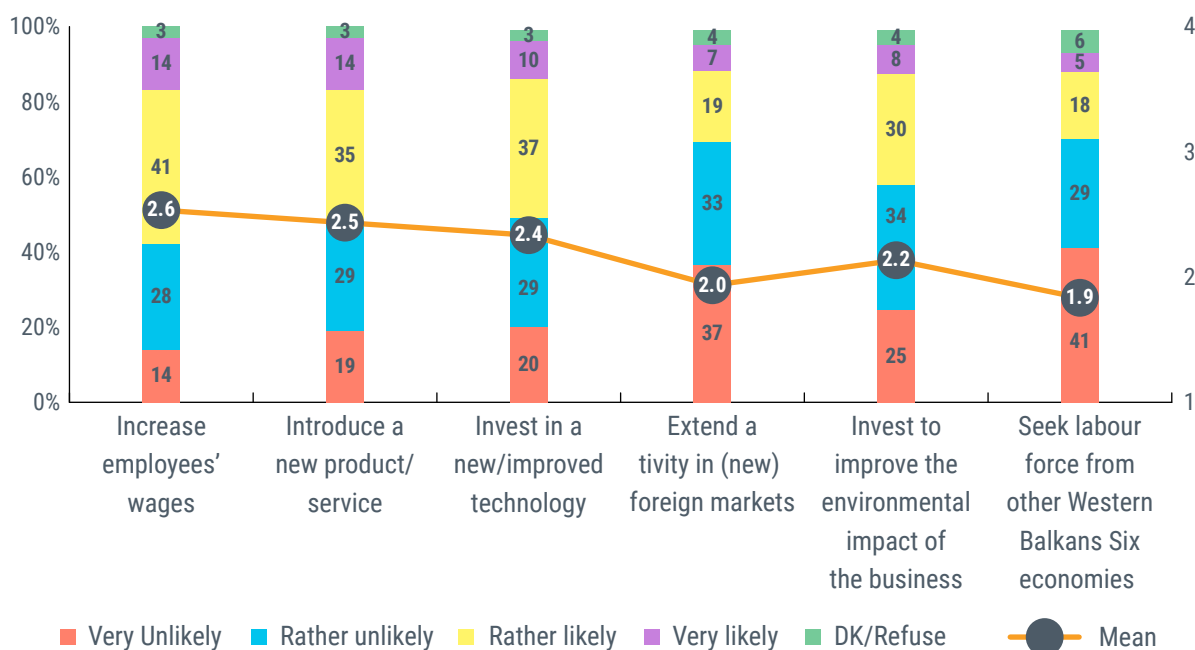


Businesses were asked about the likelihood of them taking several actions in the next 12 months. The results reveal that 55% of surveyed businesses in the Western Balkans Six are very likely or rather likely to increase wages, 49% may introduce new product or a service; 47% will invest in a new or improved technology, 26% may extend their activities in (new) foreign markets, 38% are likely or very likely to invest to improve the environmental impact of their business and 23% responded that they are likely or very likely to seek labour force from other Western Balkans Six economies. Next, an analysis of each of these likelihoods is undertaken for each of the Western Balkans Six.

FIGURE 18

Likelihood of Business Actions in the Next 12 Months
Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)



Businesses operating in Kosovo* and Albania are more likely to increase wages of workers, with 74% in Kosovo*(19% very likely and 56% likely) and 72% in Albania (15% very likely and 56% likely). Data show that increasing wages is less likely to occur among businesses in Montenegro, since 25% noted that the business is rather unlikely to increase wages, and 41% very unlikely to increase wages.

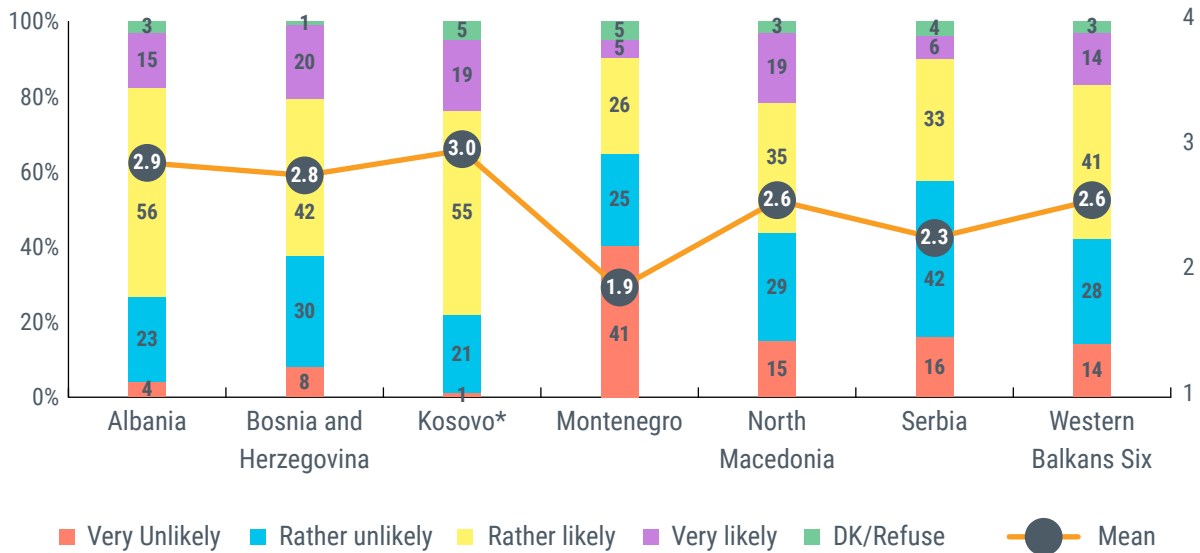


FIGURE 19

Business Actions/Intentions for the Next 12 Months (Increase employees' wages)

Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)



When asked about likelihood of businesses introducing a new product/service in the next 12 months, the highest positive response was found in businesses in Albania (68%), and 67% in Kosovo* (Figure 20). The lowest share of businesses who are very likely or likely to invest in new product or service is found in Montenegro (only 33%) compared to the region's average of 49%.

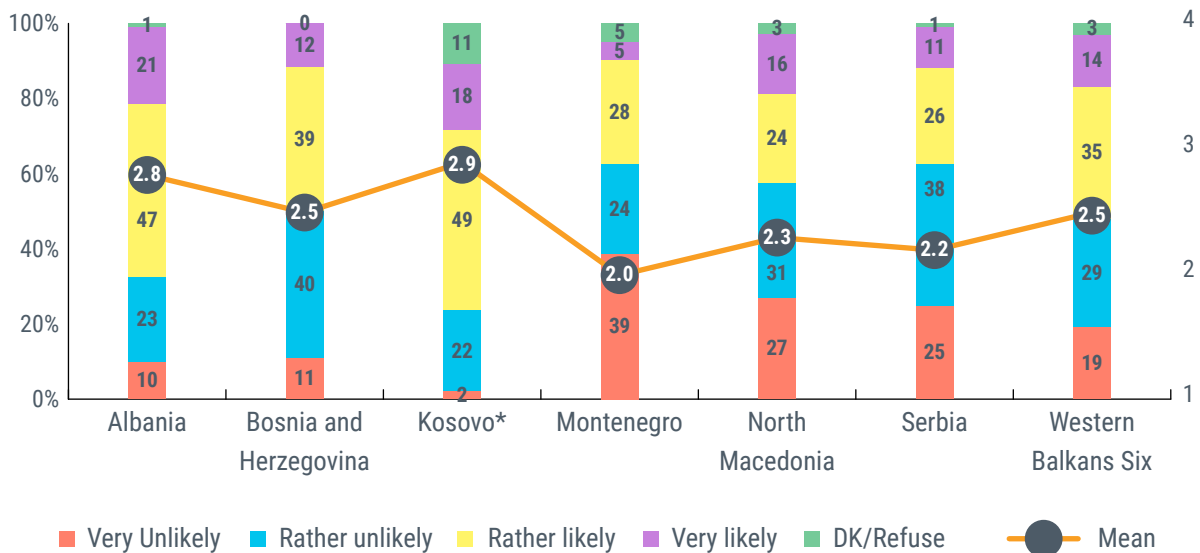
FIGURE 20

Business Actions/Intentions for the Next 12 Months (Introducing New Products/Services)

Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)

Introduce a new product/service



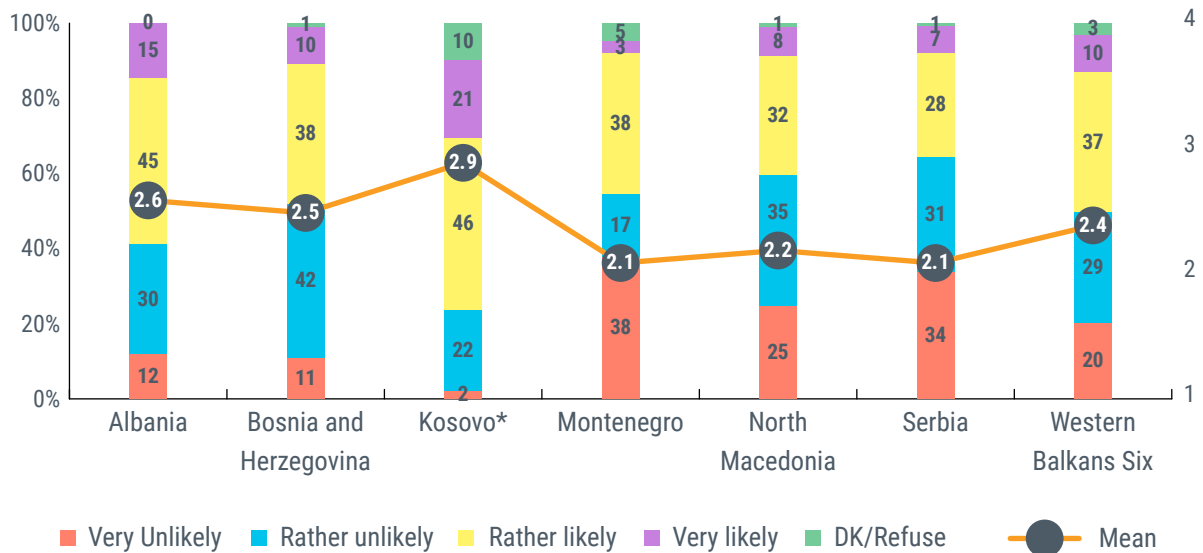
As outlined in Figure 21, nearly half of businesses in Western Balkans Six economies are very likely or rather likely to invest in new/improved technology in the coming 12 months. The highest rate of positive responses was recorded in Kosovo* with 67% of businesses being very likely or rather likely to invest, while the lowest investment likelihoods are observed in Serbia with 35%, North Macedonia with 40% and Montenegro with 41% of businesses indicating that they are very likely or likely to invest in new/improved technology.

FIGURE 21

Business Actions/Intentions for the Next 12 Months (*Invest in a new/ improved technology*)

Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)
Invest in a new/improved technology



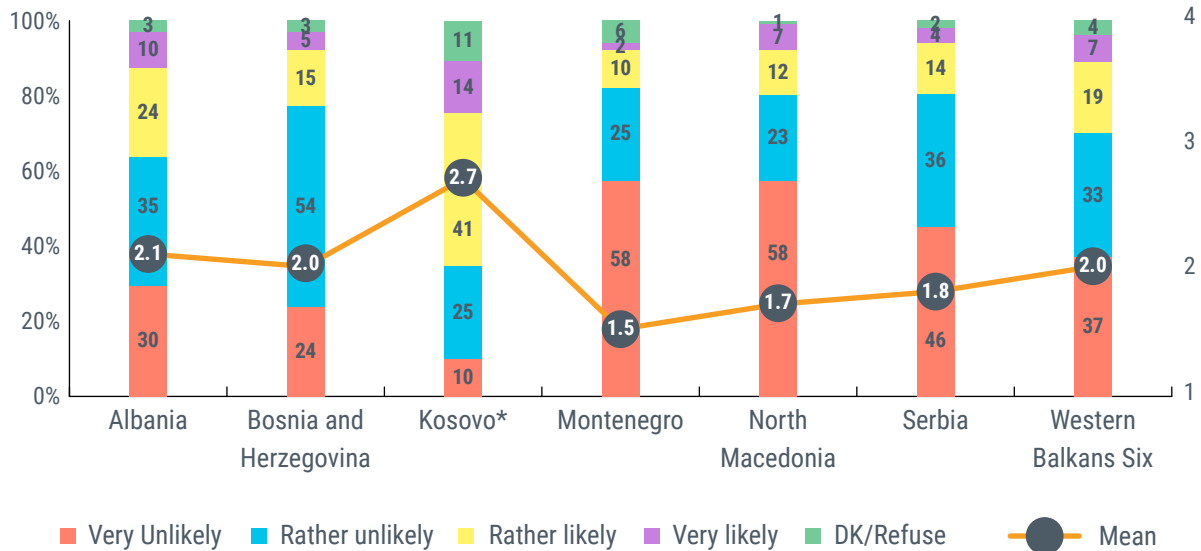
Among 1,200 surveyed businesses in the Western Balkans Six, only 26% noted that they are very likely or rather likely to extend activity in (new) foreign markets (Figure 22). The likelihood of businesses extending their export activities in (new) foreign markets is found to be the highest among businesses operating in Kosovo*(55% being very likely or rather likely) while businesses in Montenegro are less optimistic in this indicator as 58% stated that it is very unlikely that they will extend their activity internationally.

FIGURE 22

Business Actions/Intentions for the Next 12 Months (Extend activity)
Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

Extend activity in (new) foreign markets

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)



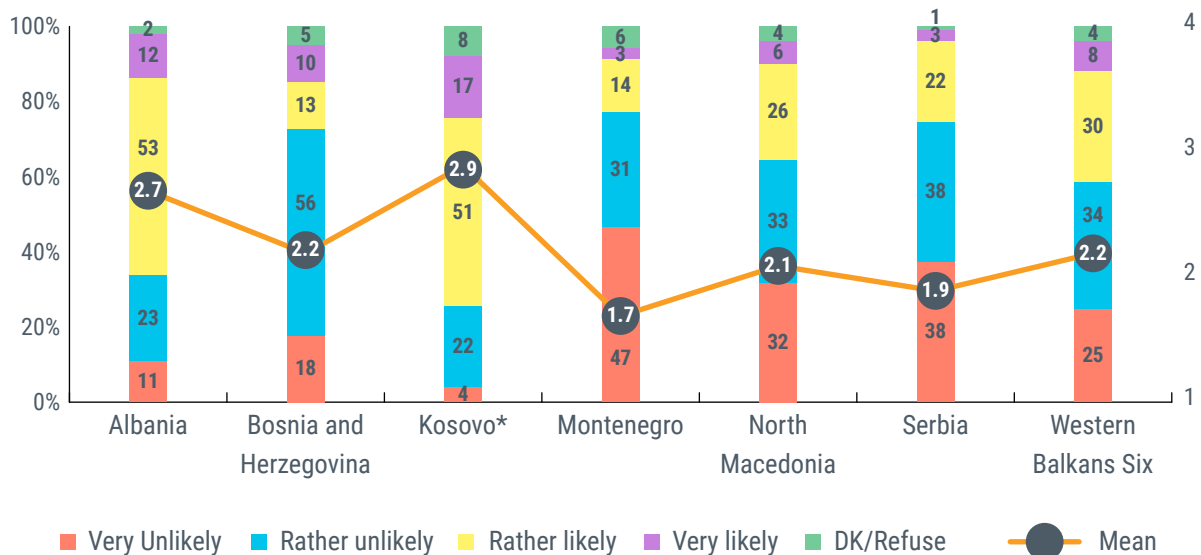
As shown in Figure 23, 38% of businesses in the region are very likely or likely to invest to improve the environmental impact of the business in the next 12 months. The highest incidence of such investment is likely to take place in Kosovo*(68%) and Albania (65%). The lowest prevalence of likelihood to invest in the improvement of environmental impact of the business is found among businesses in Montenegro, with 78% answering that it is very unlikely or rather unlikely to take such improvements in the next 12 months. These findings together indicate that there remains much to be done to successfully implement the Green Agenda for the Western Balkans Action Plan.

FIGURE 23

Business Actions/Intentions for the Next 12 Months (to invest to improve the environmental impact)
Q07. [S PER ROW] How likely is your business to do the following actions in the next 12 months?

Invest to improve the environmental impact of the business

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)



On average, only 23% of businesses in the region stated that they are very likely or rather likely to seek labour from the region. The highest prevalence of seeking labour from the region is observed among businesses located in Kosovo* (53%). This high share can be related to the increasing concerns among businesses in Kosovo* about future potential labour shortages due to expected increased emigration of Kosovars due to the visa free regime in place since January 2024. In Albania, 25% of surveyed businesses stated that they are very likely or rather likely to hire labour from the region, while the lowest share of businesses with such intentions are found in Bosnia and Herzegovina (11%).

FIGURE 24

Business Actions/Intentions for the Next 12 Months (to seek labour force from other WB6 economies)

Q07. How likely is your business to seek labour force from other Western Balkans Six economies?

Seek labour force from other Western Balkan Six Economies

(All respondents, N=1200, scale from 1 very unlikely to 4 very likely, share of total, %, mean)

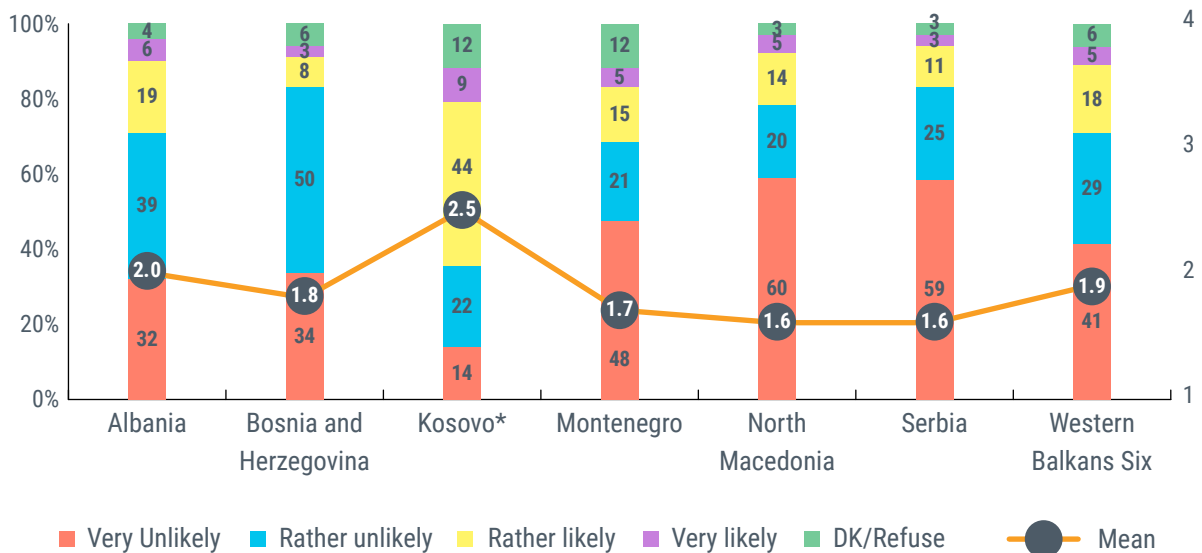


Figure 25 outlines responses of surveyed businesses about factors that impede the business growth. Survey results suggest that brain drain is the most prevalent obstacle in the region - 28% reported it as a major obstacle and 33% as a moderate. Customs, tax rates and trade regulations negatively impact 54% of surveyed businesses (20% assessed the factor as a major obstacle and 34% as a moderate one). Political and social instability is still a factor negatively influencing the business growth in the region (53% stated being a major or a moderate obstacle). Telecommunication, transportation, electricity and investment in broadband are major or moderate obstacles for 51% of surveyed businesses while access to finance is an obstacle for 40% of businesses in the region. The least prevalent obstacles reported in 2024 are labour regulations and business licencing and permits (40% and 43%, respectively). Taking into account the calculated average score of the factors shown in Figure 25, compared to the results of the 2023 survey, it turns out that in 2024, only customs, tax rates and trade regulations became the most widespread obstacle. While in 2024 there was no estimate of the change in valuation for telecommunications, transport, electricity and broadband investments, other factors became less represented as obstacles in 2024.

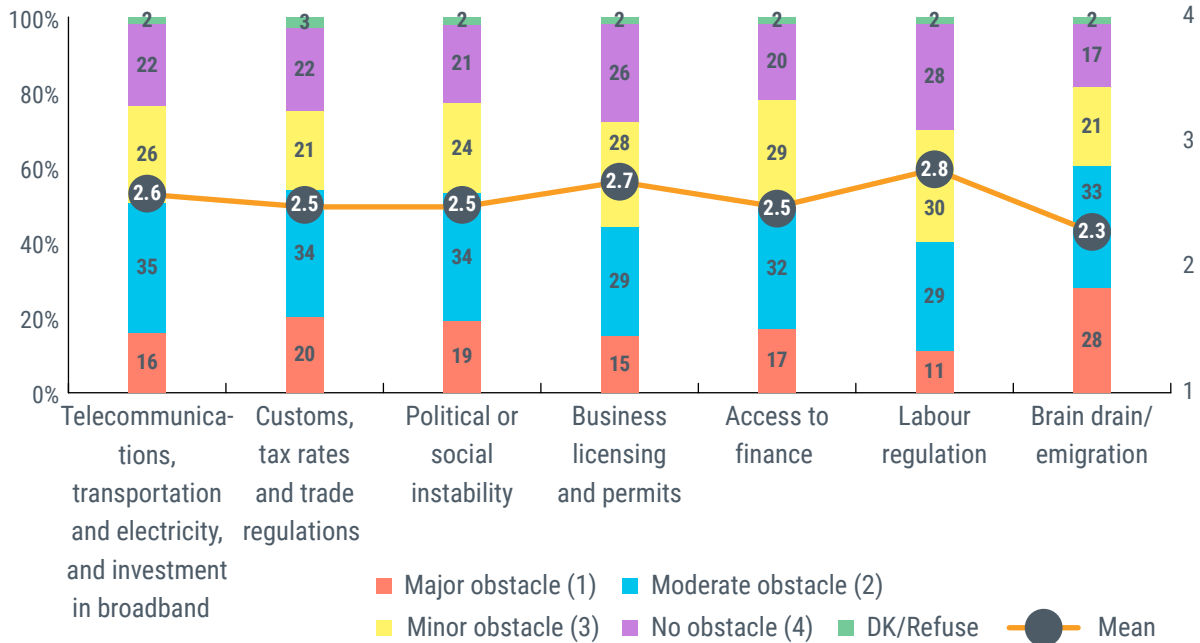


FIGURE 25

Analysing the Impact of Various Factors on Business Growth Q08. [S PER ROW] Can you tell me how do the following different factors affect the growth of your business?

Western Balkans Six (1/2)

(All respondents, N=1200, scale from 1 to 4, share of total, %, mean)



Discrimination is mentioned as a factor affecting business growth by 20% of businesses in the Western Balkans Six. Results show that 3% noted it to be a major obstacle, 17% stated that discrimination is a moderate obstacle, and 27% consider it a minor obstacle. A negative image of their economy or of the Western Balkans Six region is noted to negatively affect the business growth by 63% of businesses (7% as a major obstacle, 27% moderate and 29% stated that it is a minor obstacle). Weak demand seems to be a significant factor deterring business growth as noted by 77% of surveyed businesses. Labour shortage is one of the most commonly mentioned factors constraining business growth in the Western Balkans Six region, 63% noted it being a major or moderate obstacle. Among the 1,200 surveyed businesses, 32% indicated that shortage of land and physical space is a major or moderate barrier. The informal economy is either a major or a moderate factor influencing the business growth for 53% of businesses, corruption is a factor for 48%, and crime is a factor affecting growth for 38% of businesses.

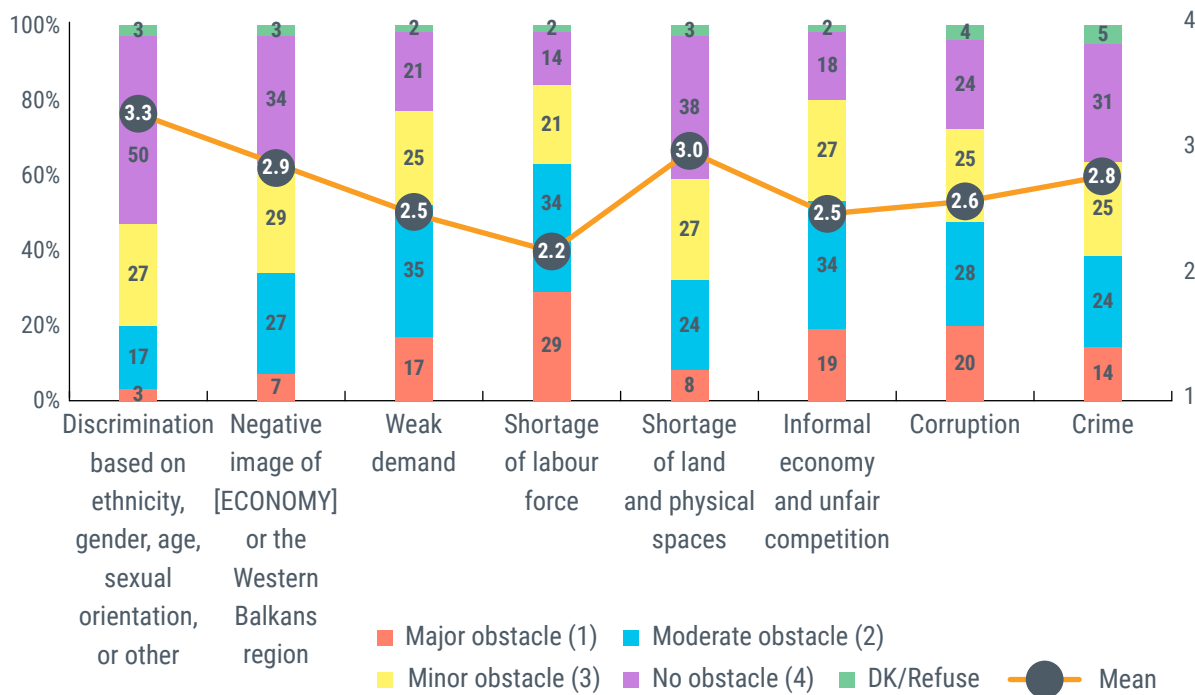
Comparisons to the 2023 survey results indicate that barriers affecting business growth have been less pronounced over the last twelve months. The average score of most of the above listed factors increased, meaning that the situation improved when it comes to discrimination (an increase from 3.1 to 3.3); negative image of the economy or the region (2.8 in 2023 and 2.9 in 2024); informal economy; corruption (2.5 in both years), and no changes were recorded with regards to shortage/availability of labour force. Questions about weak demand and crime were not asked in the 2023 survey.

FIGURE 26

Analysing the Impact of Various Factors on Business Growth
Q08. Can you tell me how the following different factors affect the growth of your business?

Western Balkans Six (2/2)

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



For the Western Balkans Six businesses, telecommunication, transport, electric energy, and investment in broadband internet affected growth of 51% of businesses in the region (for 16% it is a major obstacle and for 35% a moderate obstacle). These sectors pose the greatest constraint on business growth in Kosovo*, with 63% of businesses stating that these factors were a major or a moderate obstacle to their growth (Figure 26). The limitations of these sectors had the smallest impact in North Macedonia (40%). Compared to 2023, the average scoring increased for all economies, implying that the limitations of the telecommunication, transport, electric energy, and investment in broadband internet had become less of a constraint in all Western Balkans Six economies.



FIGURE 27

The Impact of Telecommunication, Transport, Electric Energy, and Broadband Investment on Business Growth

Q08. Can you tell me how the telecommunication, transport, electric energy, and investment in broadband internet affect the growth of your business?

Telecommunications, transportation and electricity, and investment in broadband

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)

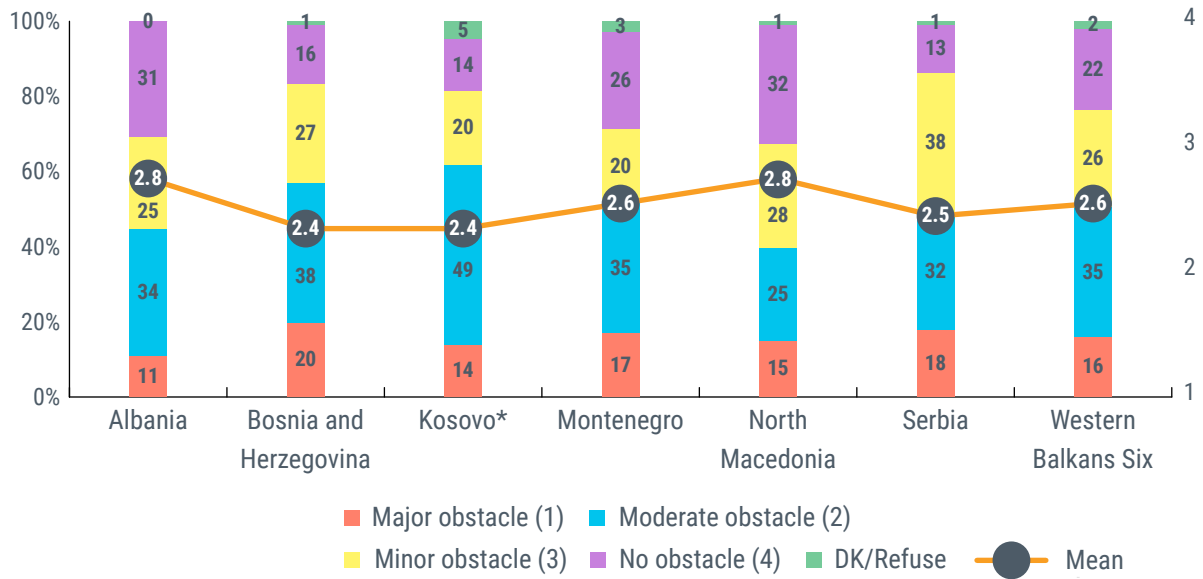


Figure 28 presents survey results for responses to the question on the extent to which customs, tax rates and trade regulations are an obstacle to business growth. **For 54% of businesses in the region, customs, tax rates and trade regulations are an obstacle to business growth (20% stated it is a major and 34% a moderate obstacle).** Significantly above this region’s average stands Bosnia and Herzegovina, with 71% of businesses stating that customs, tax rates and trade regulations are a major (38%) or a moderate obstacle (33%), while the lowest share is found in North Macedonia (41%). Compared to the 2023 survey results, the average score for North Macedonia and Serbia increased in 2024, while for the other economies the average was lower in 2024 suggesting that in the latter economies, customs, tax rates and trade regulations were less of a significant constraint on business growth.

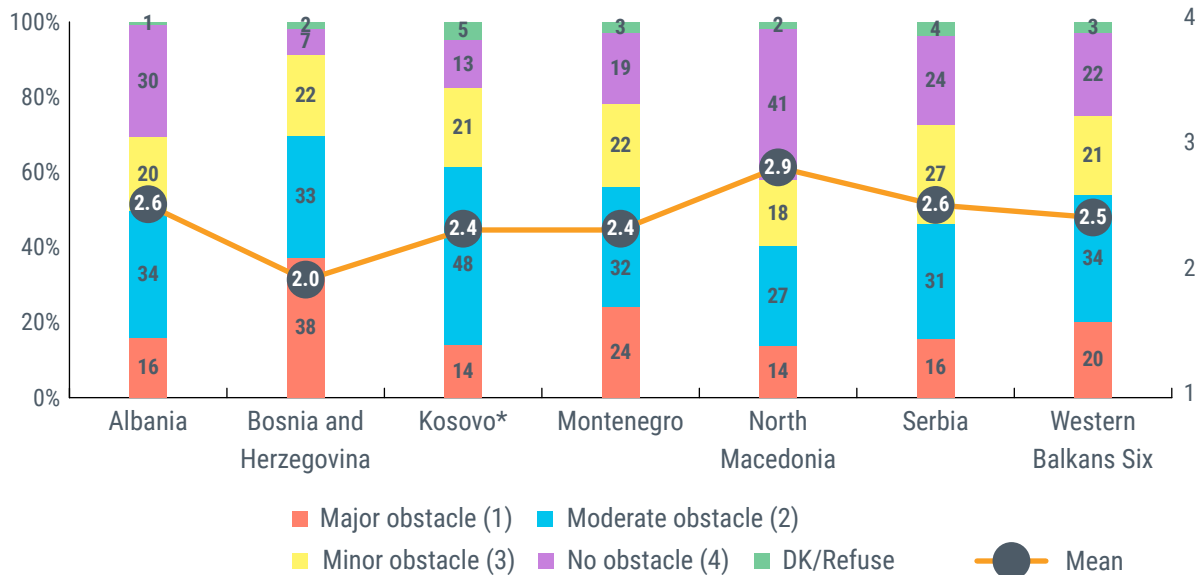


FIGURE 28

Impact of Customs, Tax Rates, and Trade Regulations on Business Growth

Q08. Can you tell me how the customs, tax rates and trade regulations affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



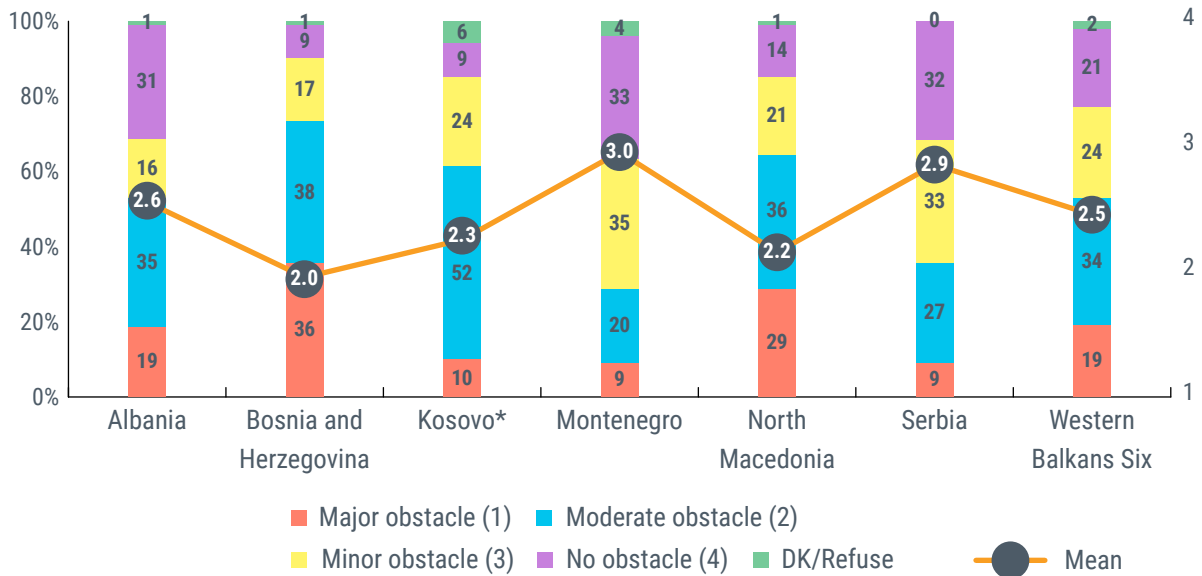
Political or social instability affect the growth of 53% of the Western Balkans Six businesses, with 19% in the region stating that these are major obstacles to business growth, and 34% rating them as moderate (Figure 29). By economies, the highest incidence of political or social instability as a major or moderate obstacle is recorded in Bosnia and Herzegovina (74%), followed by 65% in North Macedonia, 62% in Kosovo*, whilst this was the case for only 29% of businesses in Montenegro. Compared to the 2023 survey results, in Serbia and Montenegro, the average score of this factor increased, while it dropped for all other economies indicating that instability had become a less significant obstacle to business growth in those economies.



FIGURE 29

Effects of Political or Social Instability on Business Growth Q08. Can you tell me how does the political or social instability affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)

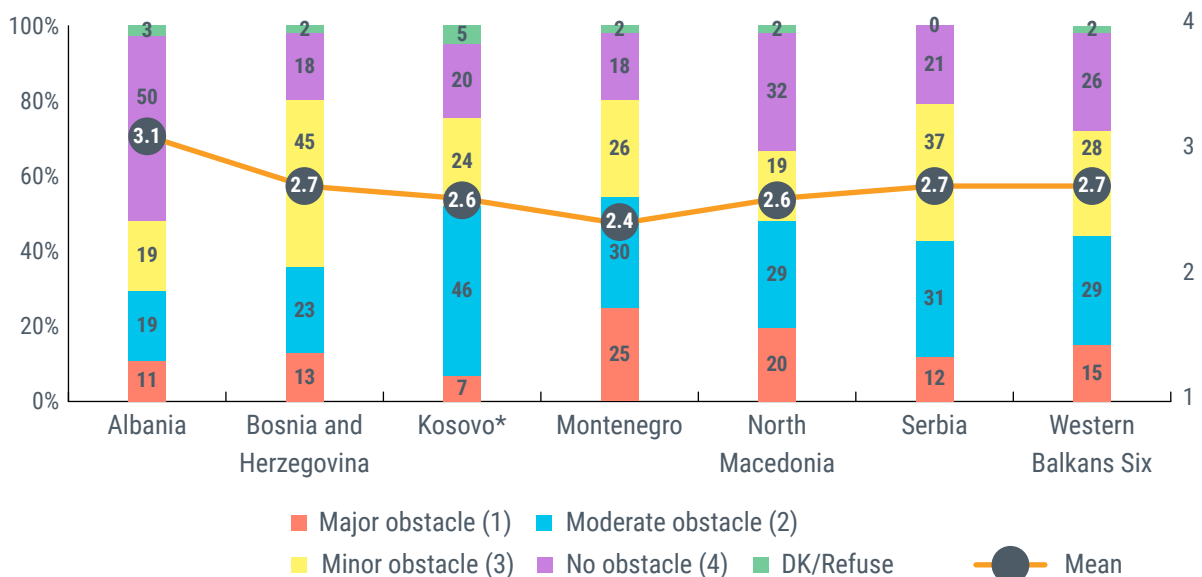


As shown in Figure 30, business licence and permits are a major obstacle for 15% of businesses and a moderate obstacle for 29% of surveyed businesses in the Western Balkans Six. Business licencing and permits seem to be a more prevalent obstacle in Montenegro and Kosovo* with 55% and 53% of businesses rating it as a major or a moderate obstacle, while the lowest average score is observed in Albania. The average score of this factor increased for all economies implying that business licence and permits were a significant obstacle for a lower share of businesses.

FIGURE 30

Impact of Business Licenses and Permits on Business Growth Q08. Can you tell me how do the business licence and permits affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Businesses were asked to assess the degree to which access to finance affects their business growth (Figure 31). On average in the region, 49% indicated that access to finance is a major or moderate obstacle (17% major and 32% moderate). This factor is found to be a significant obstacle among a large share of businesses operating in North Macedonia (58%) and Montenegro (57%). Access to finance is a major obstacle to business growth in Montenegro (29%) and North Macedonia (26%). Compared to the average score recorded in the 2023 survey (it referred only to access to financing and cost of financing, hence a direct comparison cannot be drawn), the score in 2024 increased by 0.01 points suggesting that this factor was becoming a slightly less important constraint on business growth.

FIGURE 31

Impact of Access to Finance on Business Growth

Q08. Can you tell me how does access to finance affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)

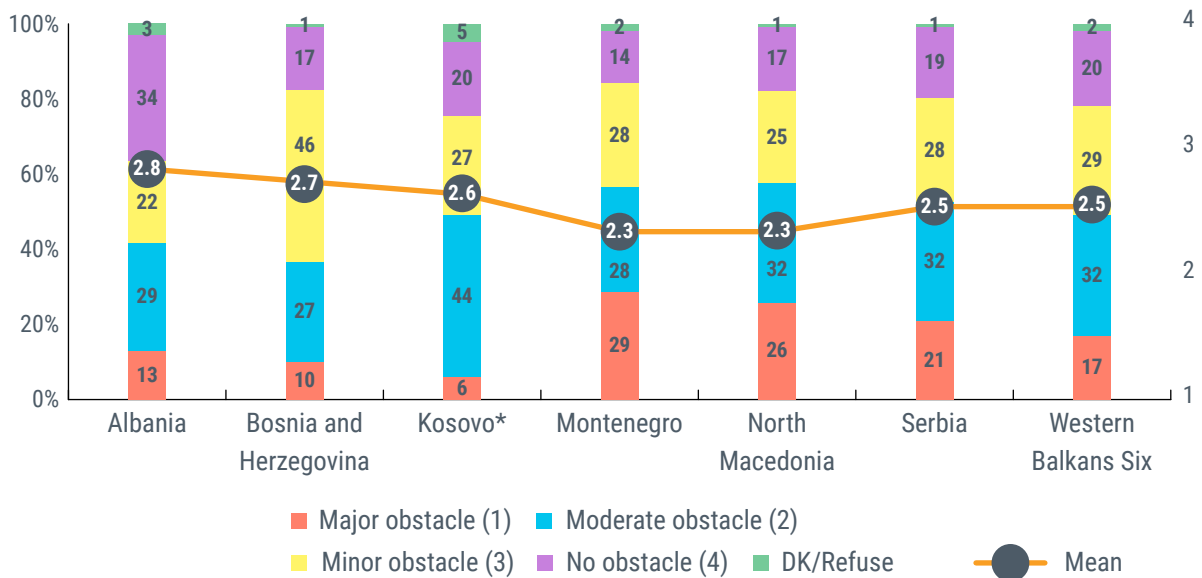


Figure 32 shows data on whether labour regulations affect business growth and, if yes, to what extent, i.e., whether it is a major, moderate or minor obstacle. **For 11% of surveyed businesses in the region, labour regulations are a major obstacle to their business growth, 29% identified it as moderate, 30% as a minor obstacle, and 28% responded that it is not an obstacle.** By economies, using the average score (1 a major obstacle and 4 not an obstacle), the highest score, i.e., labour regulations are the least of an obstacle, is found in Albania with an average score of 3.3, while the lowest score is recorded in Montenegro (2.4), implying that this is a more prevalent obstacle among businesses in Montenegro. In 2024, the average score of this factor is 2.8 compared to 2.7 in the 2023 survey, implying that labour legislation as an obstacle has slightly lessened over this period.

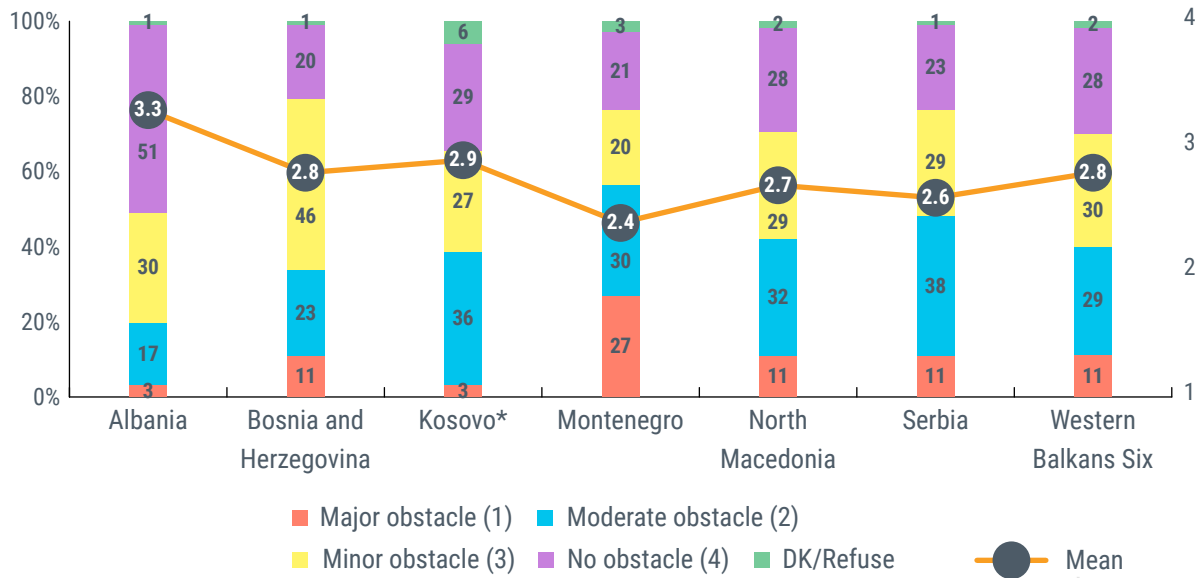


FIGURE 32

Impact of Labour Regulations on Business Growth

Q08. Can you tell me how labour regulations affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Brain drain/emigration is a major obstacle affecting growth for 28% of businesses in the Western Balkans Six region. For 33%, brain drain/emigration is a moderate obstacle (37%), for 21% a minor obstacle, and 17% of businesses reported that brain drain/emigration is not an obstacle to business growth. Compared to 2023 results, average score of this factor increased slightly from 2.3 to 2.4 in 2024.

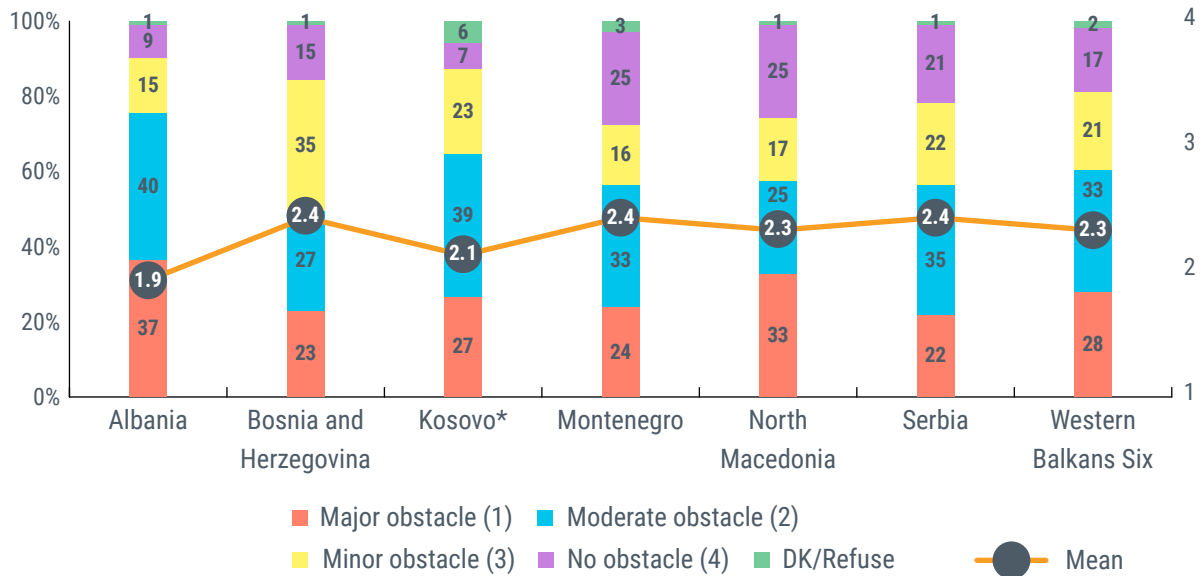
Survey results suggest that brain drain/emigration is a more prevalent obstacle in Albania and North Macedonia with 37% and 33% of businesses indicating that brain drain/emigration is a major obstacle to business growth, while the lowest share is reported by surveyed businesses in Serbia (22%). Compared to the 2023 survey results, the average score for brain drain/emigration became a slightly more prevalent obstacle only in Kosovo* (from 2.0 in 2023 to 1.9 in 2024).

FIGURE 33

Impact of Brain Drain/Emigration on Business Growth

Q08. Can you tell me how does the brain drain/emigration affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



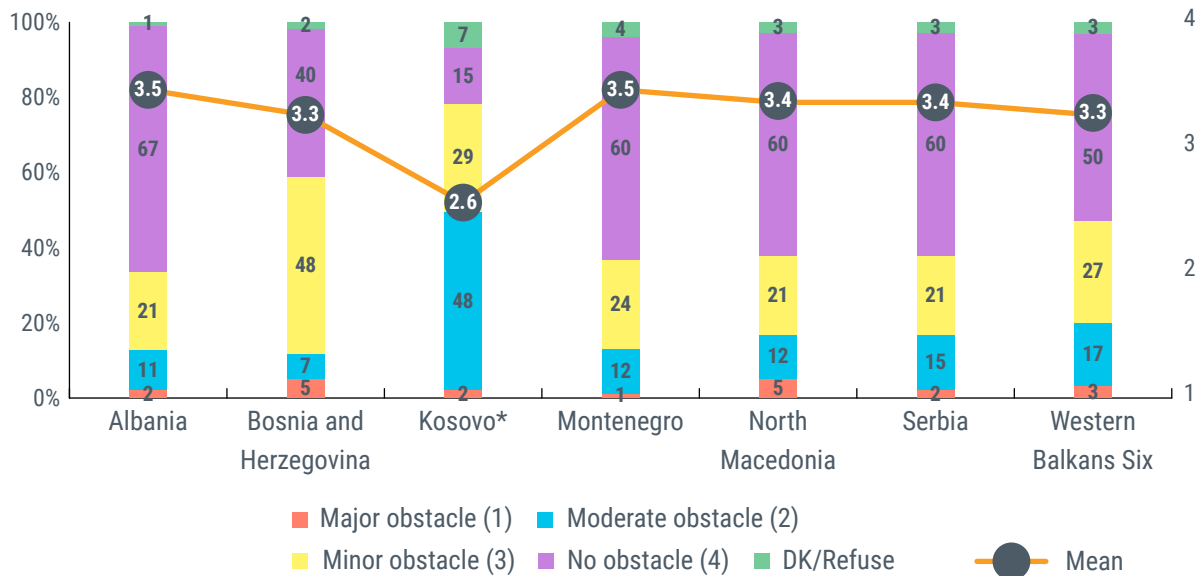
Discrimination based on ethnicity, gender, age and sexual orientation seems not to be a very prevalent obstacle to business growth in the Western Balkans Six. Survey data reveal that 3% of businesses reported discrimination on those bases as a major obstacle to their growth, 17% assessed it as a moderate obstacle and 27% as a minor obstacle, whilst 50% of surveyed businesses noted that it is not an obstacle to business growth. Ranging from 1 - an obstacle to 4 - not an obstacle, the average score increased from 3.1 to 3.3 from 2023 to 2024, respectively. This suggests that discrimination is becoming less of an obstacle.

FIGURE 34

Impact of Discrimination on Business Growth: Ethnicity, Gender, Age, and Sexual Orientation

Q08. Can you tell me how does discrimination based on ethnicity, gender, age and sexual orientation and other affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



For 34% of businesses, a negative image of their economy or of the region is a major or a moderate obstacle (7% and 27% respectively). The highest share of businesses considering negative image of their economy or of the region as a major or a moderate obstacle is recorded in Kosovo*(49%) and North Macedonia (47%). The lowest prevalence of negative image as a major or moderate obstacle is recorded in Serbia (for 24% of surveyed businesses). Compared to 2023 survey results, it is noted that the image became a less prevalent factor impeding business growth (the average score increased from 2.8 in 2023 to 2.9 in 2024).

These findings suggest that economies in the region should individually and jointly increase efforts to improve the region’s image as this will contribute to the competitiveness of businesses from all economies.

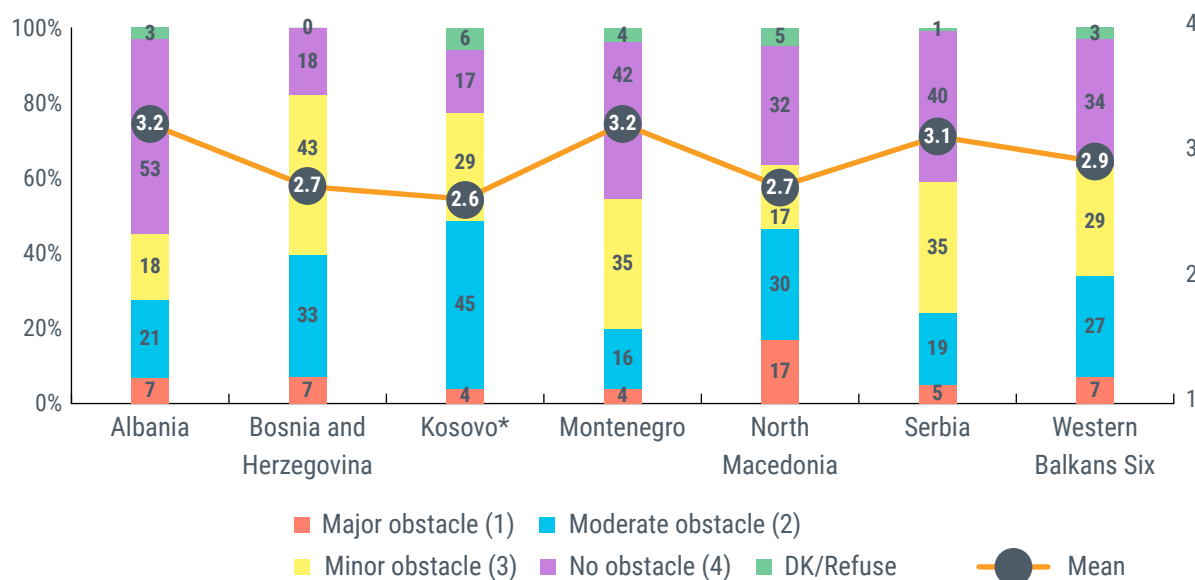


FIGURE 35

Impact of Negative Image on Business Growth: Economy and Western Balkans Six Perception

Q08. Can you tell me how does a negative image of your economy or of the Western Balkans Six affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Growth of businesses in the region is deterred by the weak demand, it is a major obstacle for 17% of surveyed businesses and a moderate one for 35%. One fourth stated that it was a minor obstacle and 21% that weak demand was not an obstacle to their business growth. The weak demand constraint is more common among businesses in Kosovo*, 6% rated it as a major obstacle and 44% as a moderate obstacle, followed by North Macedonia (57%) and Albania (55%), with the lowest share reported in Bosnia and Herzegovina (47%).

While individual economies are faced with weak demand, increased cooperation between the economies and improvement in business climate and cooperation can contribute to businesses expansion to their economies and bring benefit from bigger demand.

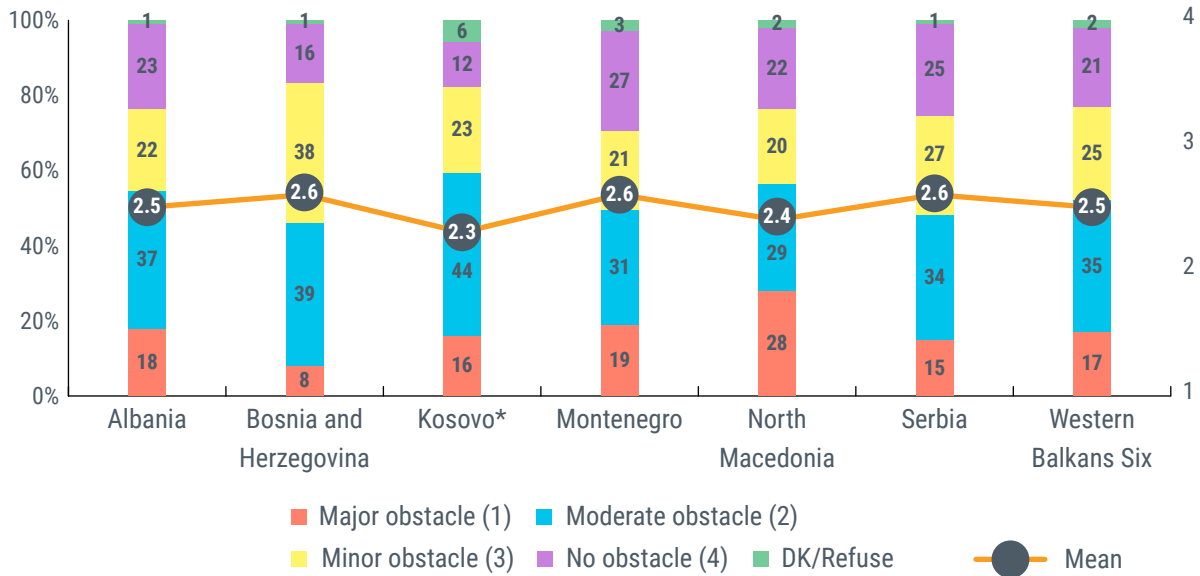


FIGURE 36

Impact of Weak Demand on Business Growth

Q08. Can you tell me how does weak demand affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Labour shortages are a major obstacle affecting the business growth for 29% of surveyed businesses in the Western Balkans Six. The highest prevalence was observed in Albania (38%) and Kosovo*(37%) followed by Montenegro (32%), North Macedonia (28%), Serbia (22%), and the lowest one was reported among surveyed businesses in Bosnia and Herzegovina (18%). Using the average score, comparison to the 2023 survey results indicates that labour shortage/availability became a more prevalent obstacle in 2024 for businesses in Kosovo*, Bosnia and Herzegovina (average score declined in 2024), less prevalent in Albania, North Macedonia, and Montenegro (average score increased in 2024), but remained unchanged in Serbia.

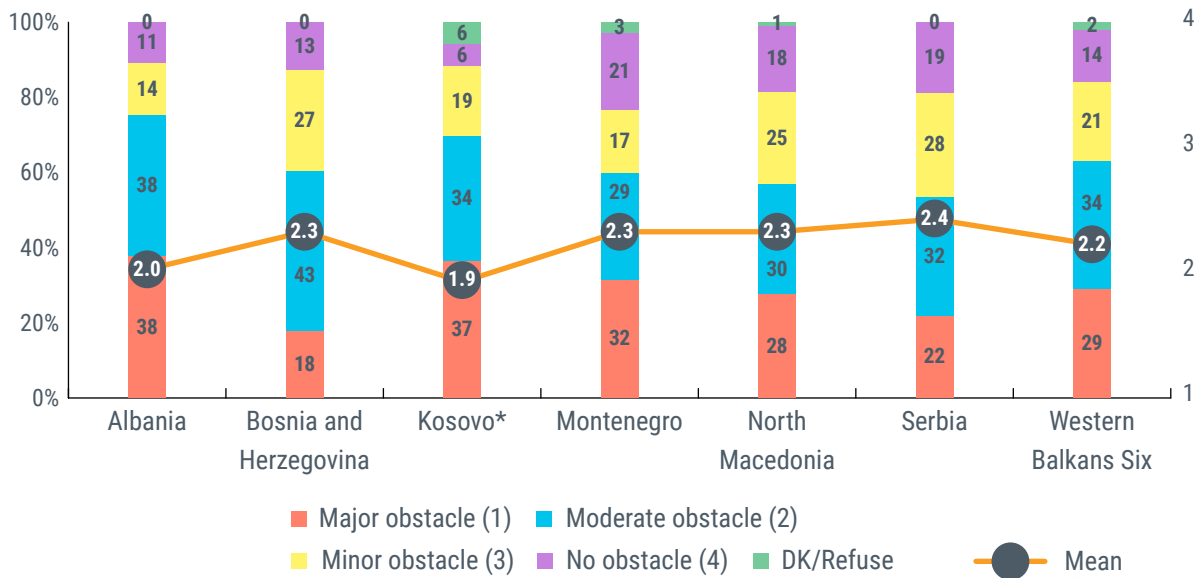
An interesting observation is that a nearly similar share of businesses noted both labour shortages and brain drain/emigration as a moderate obstacle to business growth (29% and 28%, respectively) - these may suggest that emigration can be one of the sources of labour shortages in the region. By economies, the highest share of surveyed businesses noting labour shortages and brain drain/emigration is in Albania.

FIGURE 37

How Labour Shortage Affects the Growth of Businesses

Q08. Can you tell me how does labour shortage affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



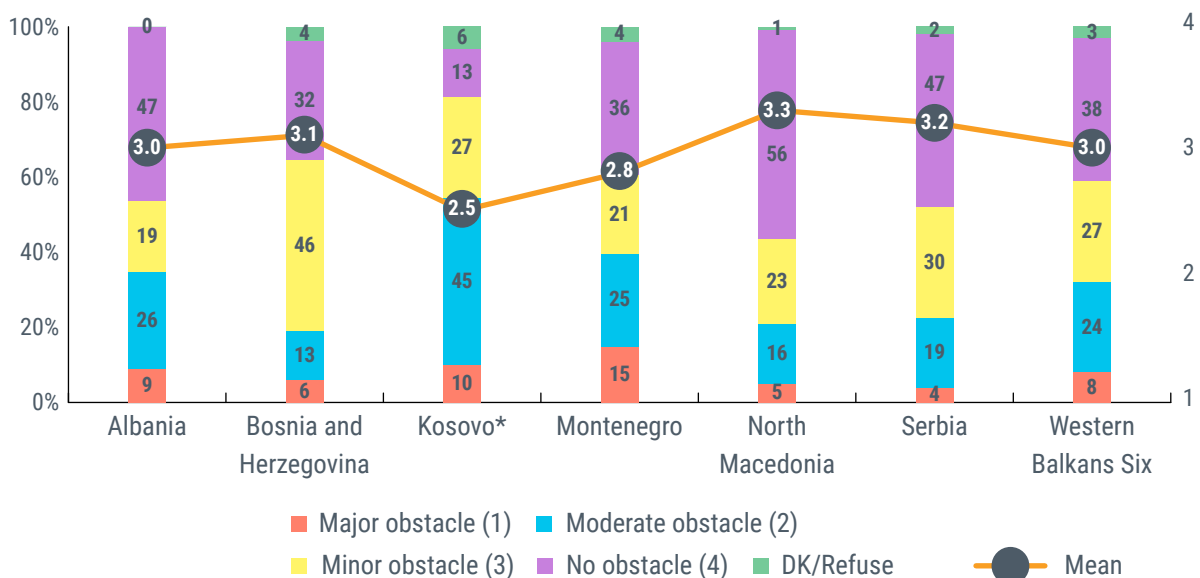
Data shown in Figure 38 indicate that for surveyed businesses in the Western Balkans Six, land and physical space are a major (8%) or moderate (24%) obstacle affecting the growth of their businesses. For 24%, these factors are a minor obstacle and for 38% not an obstacle at all. Land and physical space are a major or a moderate obstacle to a much greater extent in Kosovo* (for 55% of surveyed businesses), while the lowest share of businesses who think that land and physical space are a major or a moderate obstacle is in Bosnia and Herzegovina (19% of surveyed businesses).

FIGURE 38

Impact of Land and Physical Space Shortages on Business Growth

Q08. Can you tell me how does shortage of land and physical space affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)





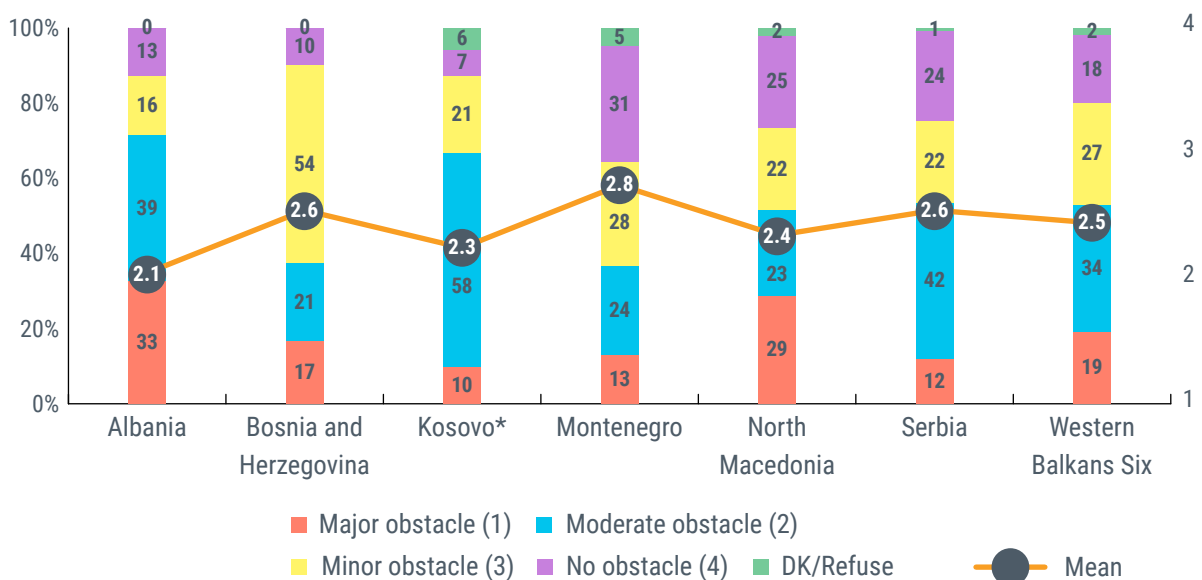
Businesses were asked to indicate whether and how big of an obstacle is the informal economy and unfair competition in general affecting their business growth. **In the region, 19% of surveyed businesses viewed informal economy/unfair competition as major obstacles, for 34% the two aspects are moderate obstacles, while for 18% the informal economy and unfair competition are not obstacles to their business growth.** Ranging from 1 - major obstacle to 4 - not an obstacle, the average score in the Western Balkans Six economies is recorded at 2.5 points, the lowest one is observed in Albania (meaning the informal economy and unfair competition are more prevalent as obstacles), while the highest average score is estimated in Montenegro (2.8 points), i.e., the two factors are less prevalent as obstacles to business growth. Assessment of this factor as a business growth obstacle became less present among businesses surveyed in Bosnia and Herzegovina, Kosovo*, Montenegro and North Macedonia. No change was observed in Serbia, while the average score declined for Albania only implying that informal economy and unfair competition became an obstacle for a larger share of businesses.

Informality has been and remains a concerning issue in the region. Economies have developed different policies and interventions to combat informal employment. Economies should collaborate with each other and share good practices and adapt them to their local context. Improving working conditions is of central importance, particularly considering the labour shortages and the prevalence of outmigration.

FIGURE 39

Impact of Informal Economy and Unfair Competition on Business Growth

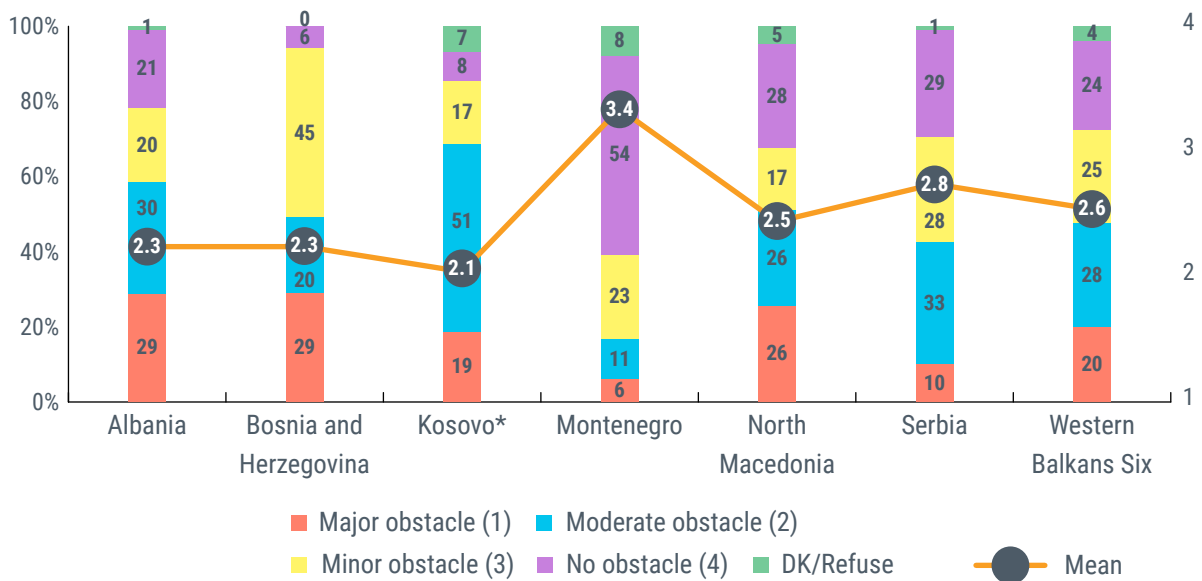
Q08. Can you tell me how do informal economy and unfair competition affect the growth of your business?
 (All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Businesses were asked whether corruption affects their growth. **For 20% of the businesses in the region, corruption is a major obstacle, for 28% a moderate obstacle, whilst 24% answered that corruption is not an obstacle to their business growth.** The regional average score is 2.6 (where 1 is a major obstacle and 4 not an obstacle), a significantly lower average score is recorded in Kosovo*(2.1), indicating that corruption is a larger constraint on business growth. The highest is estimated in Montenegro (3.4 points). **The regional average score for corruption as a factor affecting business growth lessened slightly in 2024 (the average score increased from 2.5 to 2.6 in 2024.** Referring to average scores, compared to 2023, corruption became more of an obstacle for businesses in Albania, Kosovo*, and Serbia in 2024.

Given the importance of corruption perception for business growth and attracting foreign investments, governments should continue their efforts to combat corruption but also increase transparency which would contribute to informed perception of corruption by businesses.

FIGURE 40 **Impact of Corruption on Business Growth**
Q08. Can you tell me how does corruption affect the growth of your business?
(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



Crime impacts growth of 36% of businesses, 14% of businesses in the region noted it as a major obstacle, 24% as a moderate obstacle, and 31% responded that crime is not an obstacle (Figure 41). Based on survey results, crime seems to be of a more concerning issue in Kosovo* since 67% of businesses reported it to be either a major (22%) or a moderate obstacle (45%), while the lowest share of businesses reporting crime as a barrier is recorded in Montenegro with just 14% of businesses considering it either as a major or a moderate obstacle to their business growth. Only 7% of businesses in Kosovo* and 12% of those located in Bosnia and Herzegovina stated that crime is not an obstacle to business growth. The highest average score (implying crime is less of a factor deterring business growth) is in Montenegro at 3.5 points, while the lowest one (implying crime is a relevant factor deterring business growth) is produced from responses in Kosovo*.

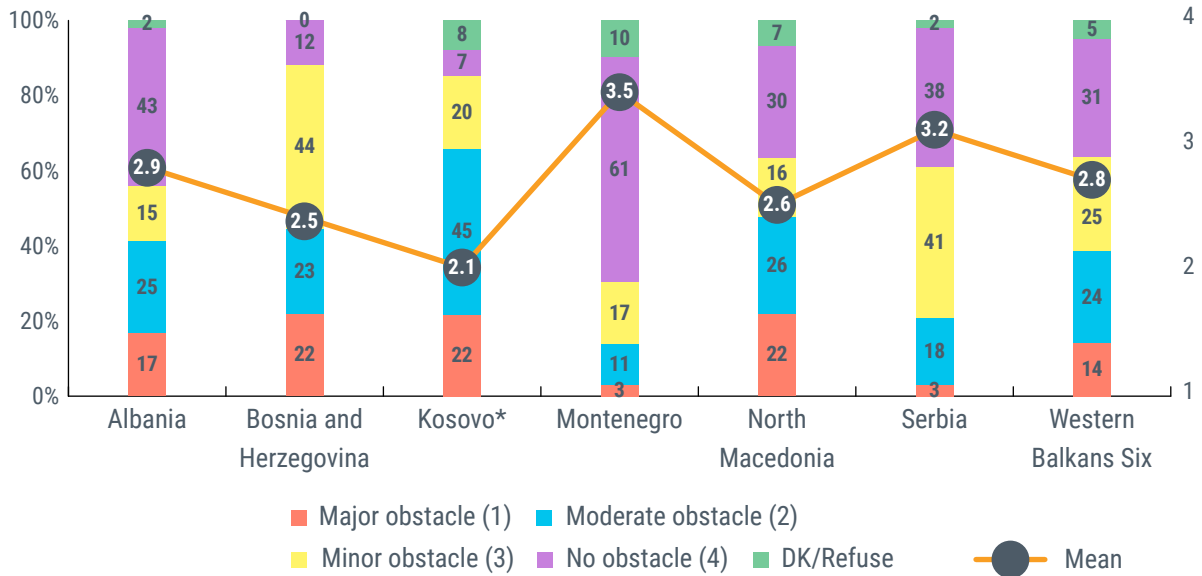


FIGURE 41

Impact of Crime on Business Growth

Q08. Can you tell me how does crime affect the growth of your business?

(All respondents, N=1200, scale from 1 Major obstacle to 4 No obstacle, share of total, %, mean)



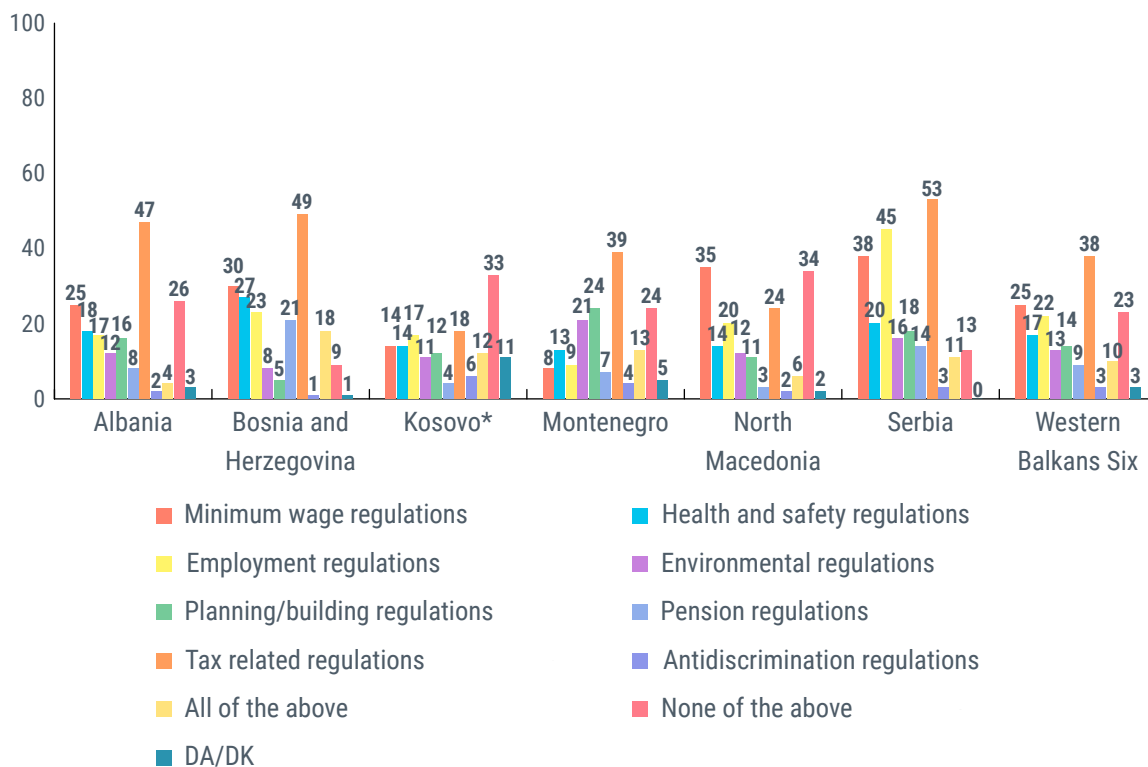
Businesses were asked whether business regulations are major obstacles to business growth and each business could indicate up to three regulations. **Tax related regulations are found to be the most commonly noted obstacle by businesses in the region, with 38% indicating it as a major obstacle to business growth, but it ranges from 18% in Kosovo* to 53% in Serbia. Minimum wage regulations are the second most stated major obstacle to business growth, with the highest prevalence in North Macedonia (for 35% of businesses), but for only 15% of businesses in Kosovo*.**

FIGURE 42

Key Business Regulations Hindering Business Growth: Top Three Obstacles

Q09. What business regulations are a major obstacle to the growth of your business (up to three major obstacles)?

(All respondents, N=1200, multiple answers, share of total, %)





PERCEPTIONS OF REGIONAL AND EU INTEGRATION/ COOPERATION

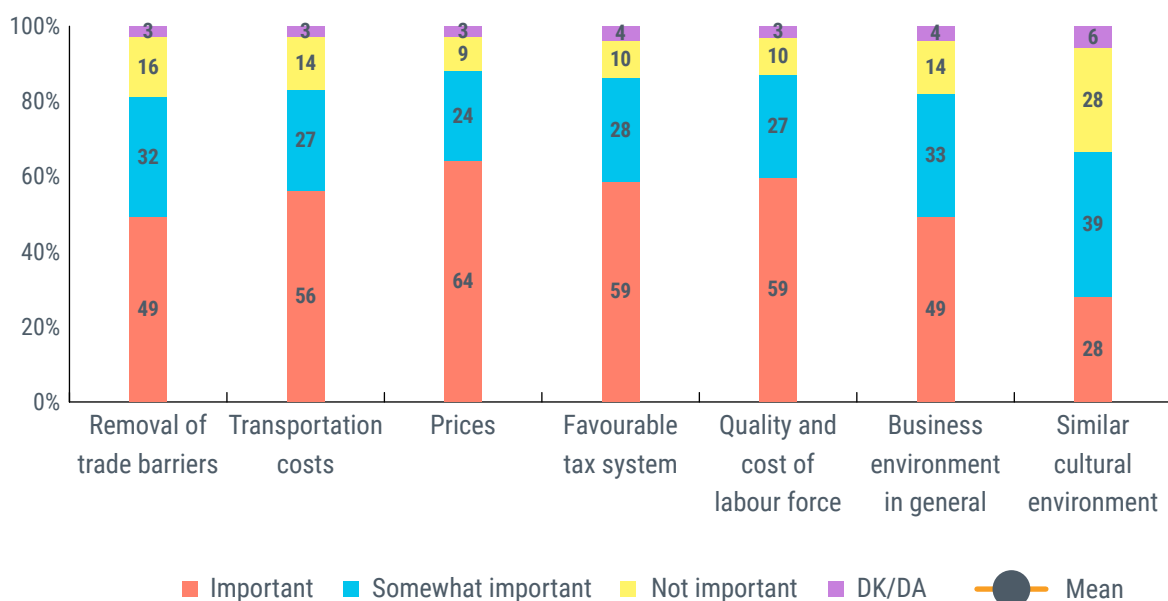
Businesses were asked to assess the importance of several factors to developing business relations with the other Western Balkans Six economies, namely removal of trade barriers, transportation costs, prices, favourable tax system, quality and cost of labour force, business environment in general and similar cultural environment. **The level of prices in economies in the Western Balkans Six is the most prevalent important factor for business relations in the region (for 64% of businesses), followed by a favourable tax system, and quality and cost of labour force (59% each).** Transportation costs are an important factor for 56% of businesses to develop relations in the region, and for 49% of businesses removal of trade barriers and the overall business environment are important to setting up business relations in the region.

These results are informative for governments of economies in the region to take concrete actions to expand and address operation of businesses in the region and in their economy. Improving business climate, removing trade barriers, and creating a favourable tax system are aspects that governments can influence. Improving the quality of education systems and investments in trainings in demand will also contribute to attracting businesses from the region.

FIGURE 43

Fostering Business Relations in the Western Balkans Six: Key Aspects of Importance

Q10. What is the importance of the following aspects for developing business relations with the other Western Balkans Six economies? (All respondents, N=1200, share of total, %)



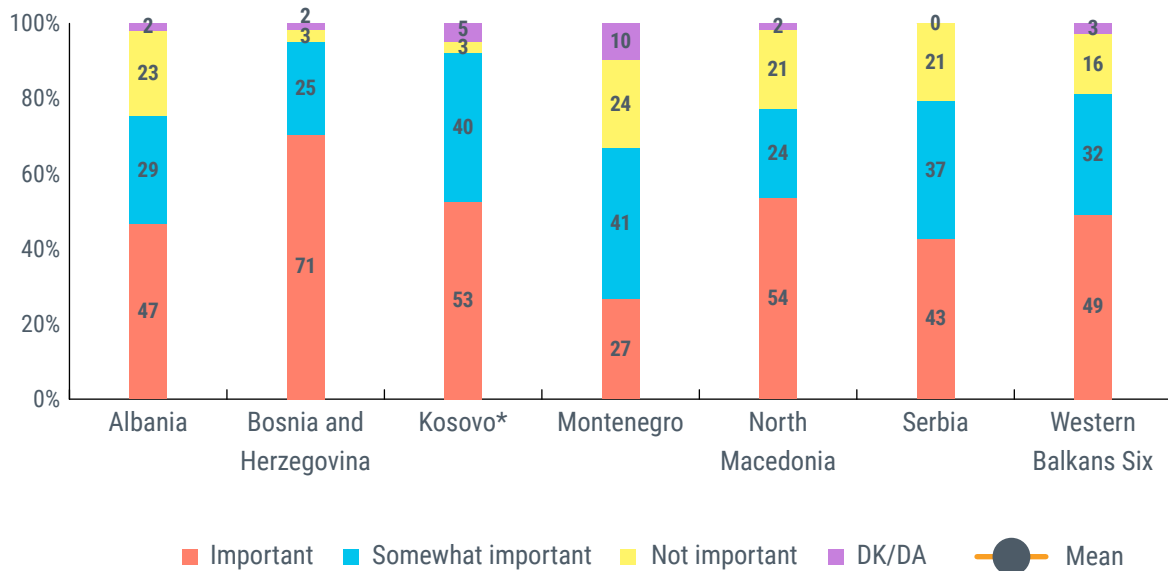
For nearly half of businesses (49%), removal of trade barriers is important for development of such relations, 32% stated that such removal is somewhat important and for 16% removal of trade barriers is not important to developing business relations with the other Western Balkans Six economies. Removal of trade barriers is considered important particularly for businesses operating in Bosnia and Herzegovina and Kosovo*, since only 3% of businesses in each of these economies reported that removal of trade barriers is not important to developing business relations with the other economies in the region.

FIGURE 44

The Significance of Removing Trade Barriers for Business Relations in the Western Balkans Six

Q10. What is the importance of removal of trade barriers for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



Transportation costs are considered as an important factor to developing business relations with the other Western Balkans Six economies: out of 1,200 surveyed businesses in the Western Balkans Six, 56% declared that transportations costs are important to developing business relations with the other Western Balkans Six economies. Results suggest that transportation costs are considered as important particularly for 68% of large businesses (250 and more employees), but only for 52% of micro-ones with 4-9 employees.



FIGURE 45

The Importance of Transportation Costs in Developing Business Relations with Other Western Balkans Six Economies

Q10. What is the importance of transportation costs for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)

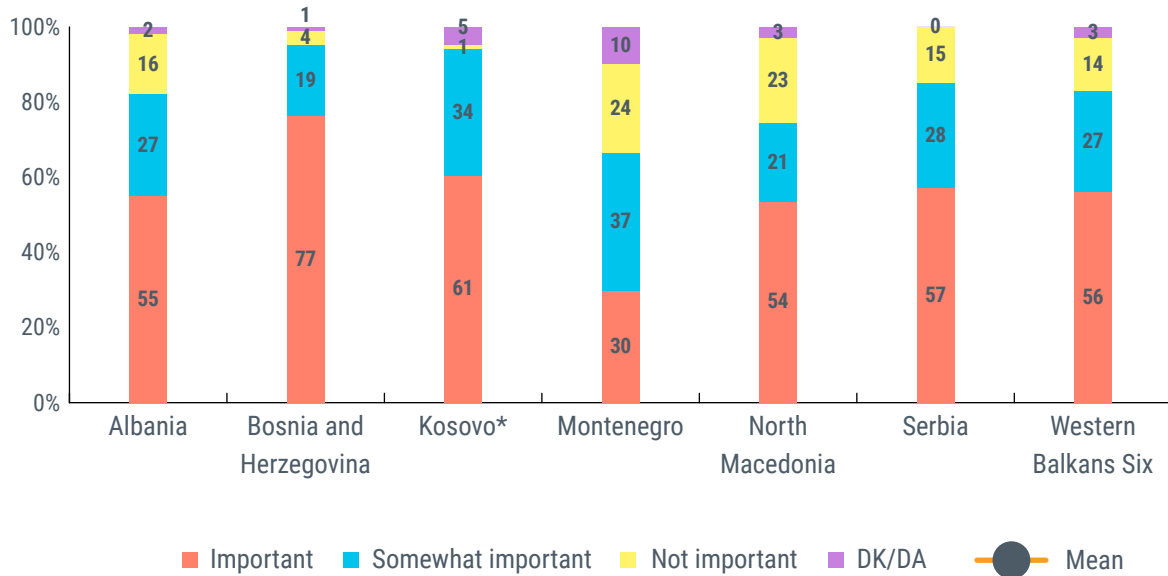


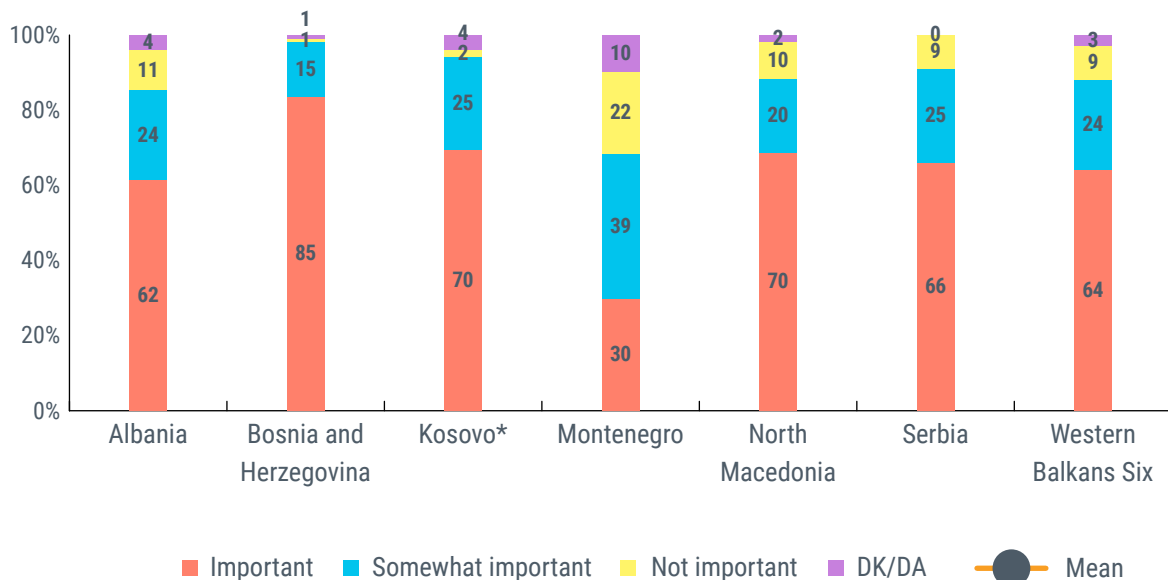
Figure 46 outlines responses of businesses in relation to the importance of prices for developing business relations with the other Western Balkans Six economies. It can be noted that 88% of businesses in the region assess prices as a contributing factor to developing business relations with the other Western Balkans Six economies (64% noted prices as important and 24% as somewhat important), while for only 9% of businesses prices are not an important factor. Prices are considered as an important factor for 99% of businesses surveyed in Bosnia and Herzegovina and for 95% of those located in Kosovo*.

FIGURE 46

The Significance of Prices in Developing Business Relations with Other Western Balkans Six Economies

Q10. [S PER ROW] What is the importance of prices for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



When asked about the importance of a favourable tax system for developing business relations with the other Western Balkans Six economies, 59% of businesses in Western Balkans Six economies stated that the favourable tax system is an important factor, 28% responded that the factor is somewhat important, and 10% stated that favourable tax system is not an important factor for developing business relations in the region (Figure 47). Favourable tax system is found to be a particularly important factor for businesses in Bosnia and Herzegovina (for 97% of businesses) and Kosovo* (for 94% of surveyed businesses).

FIGURE 47

The Role of a Favourable Tax System in Developing Business Relations with Other Western Balkans Six Economies

Q10. [S PER ROW] What is the importance of a favourable tax system for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)

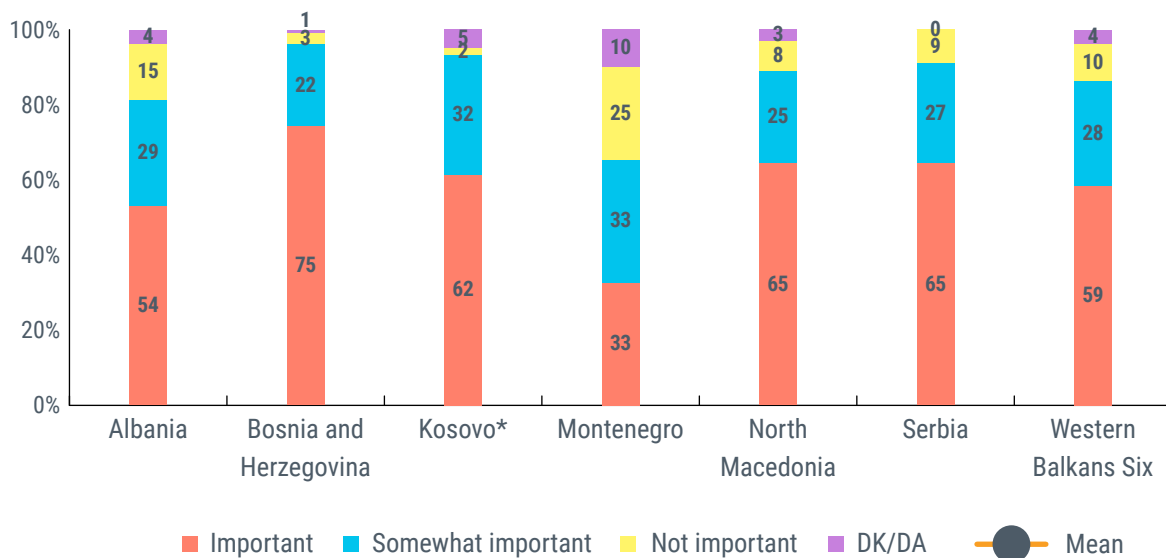


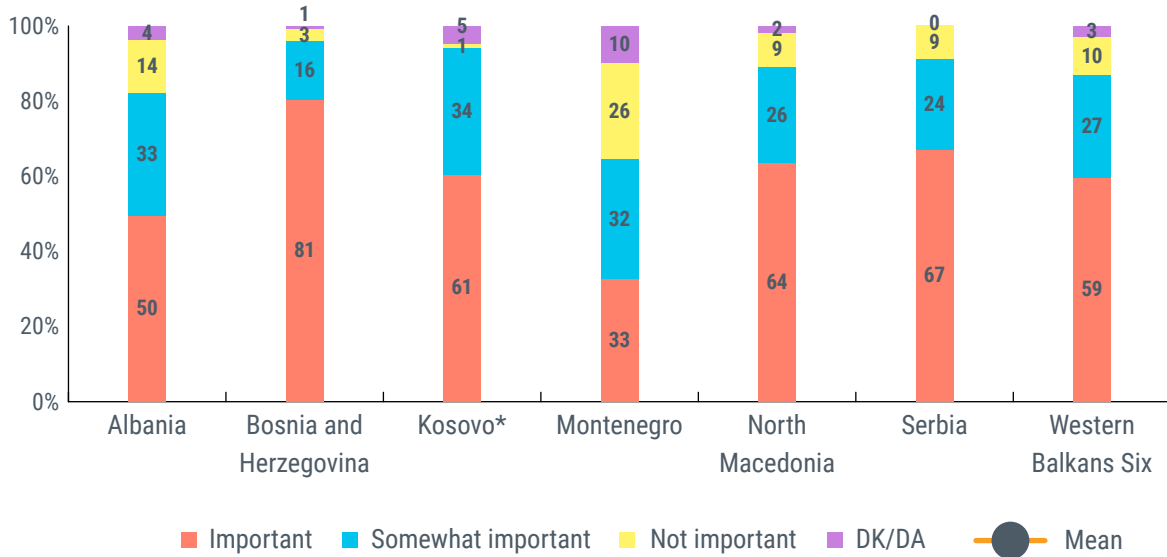
Figure 48 outlines survey findings in relation to the importance of availability and cost of labour for developing business relations with the other Western Balkans Six economies. Results suggest that the vast share of businesses in the Western Balkans Six agree that availability and cost of labour is an important or a somewhat important factor for developing business relations in the region, and only 10% do not consider it important for enhancing business relations in the region. Considering the six regional economies, the availability and cost of labour is mostly mentioned as important or somewhat important by businesses in Bosnia and Herzegovina (97%) and Kosovo*(95%). For 26% of businesses located in Montenegro, availability and cost of labour is not important for developing business relations in the region.



FIGURE 48

The Importance of Labour Availability and Cost in Developing Business Relations with Other Western Balkans Six Economies
Q10. What is the importance of availability and cost of labour for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)

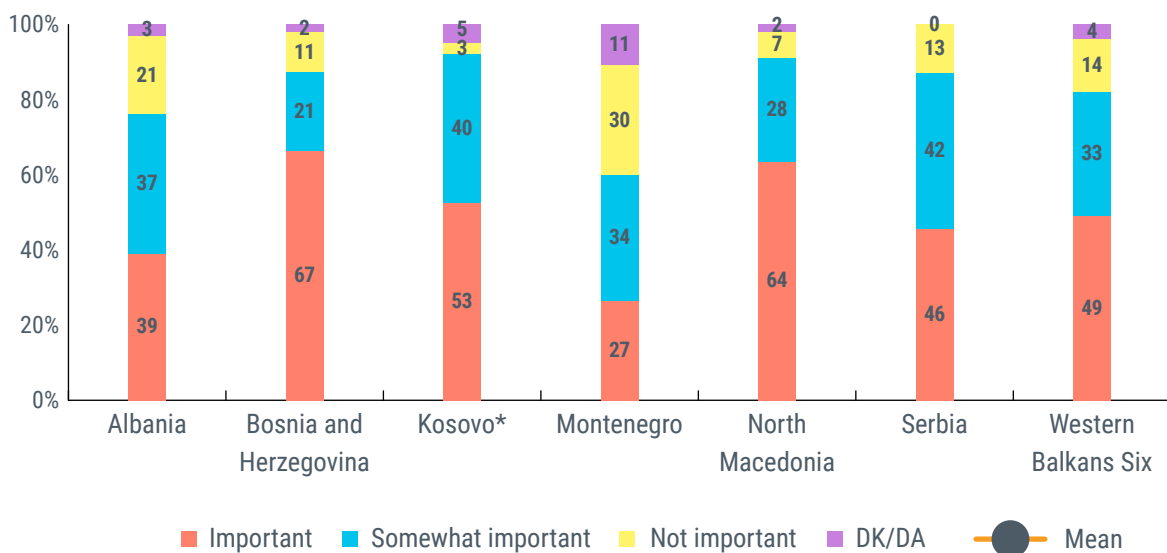


Survey results suggest that for 82% of businesses in the Western Balkans Six, the overall business environment is important or somewhat important to developing business relations with the other Western Balkans Six economies. For 14%, the overall business environment is not important. By economies, the highest share of businesses assessing the business environment as important or somewhat important is found in North Macedonia (92% of businesses) and in Kosovo* (93%), while the lowest share is found in Montenegro with 30% of businesses assessing the business environment as not important to fostering business relations in the region.

FIGURE 49

The Significance of the Overall Business Environment in Developing Business Relations with Other Western Balkans Six Economies
Q10. What is the importance of the overall business environment for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



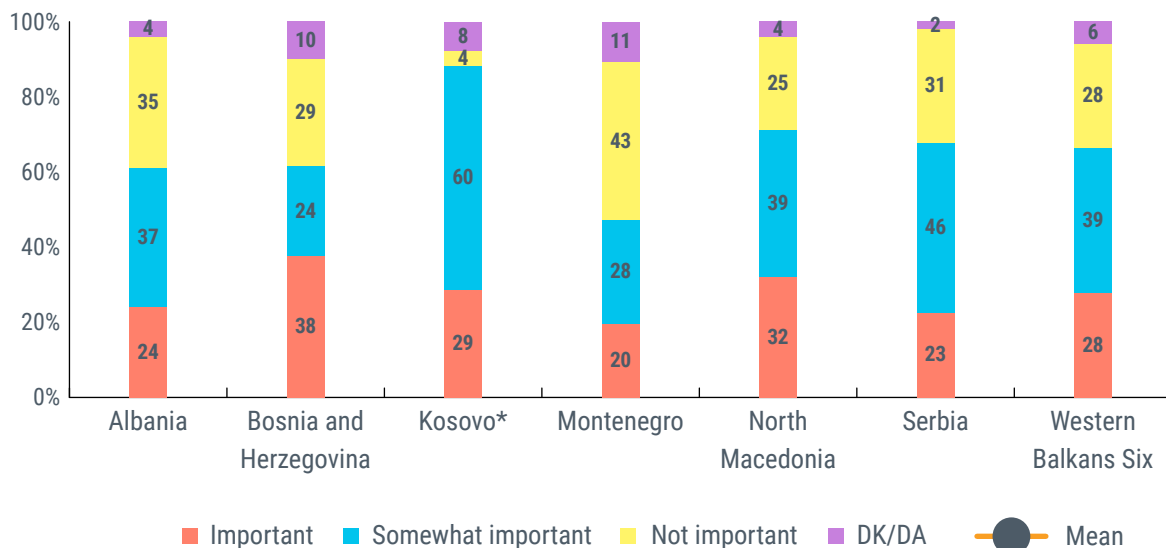
Among 1,200 surveyed businesses in the Western Balkans Six, 28% reported that a similar cultural environment is very important to developing business relations with the other Western Balkans Six economies, while the similar cultural environment was indicated as somewhat important for 39% of businesses, and 28% stated that similar cultural environment is not an important factor. Similar cultural environment was indicated as important to developing business relations with the other Western Balkans Six economies for a large share of businesses operating in Bosnia and Herzegovina (38%), while the lowest share of businesses considering the culture as important is found among businesses in Montenegro.

FIGURE 50

The Role of a Similar Cultural Environment in Developing Business Relations with Other Western Balkans Six Economies

Q10. What is the importance of similar cultural environment for developing business relations with the other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



Businesses were asked whether future improvements would generate/increase their company's interest to expand activity to other Western Balkans Six economies. The findings are as follows: 24% of businesses in the Western Balkans Six indicated that removal of border/boundary controls would increase their interest. In addition, 21% of respondents indicated harmonised standards, recognition of certifications and qualifications and improved infrastructure connections.

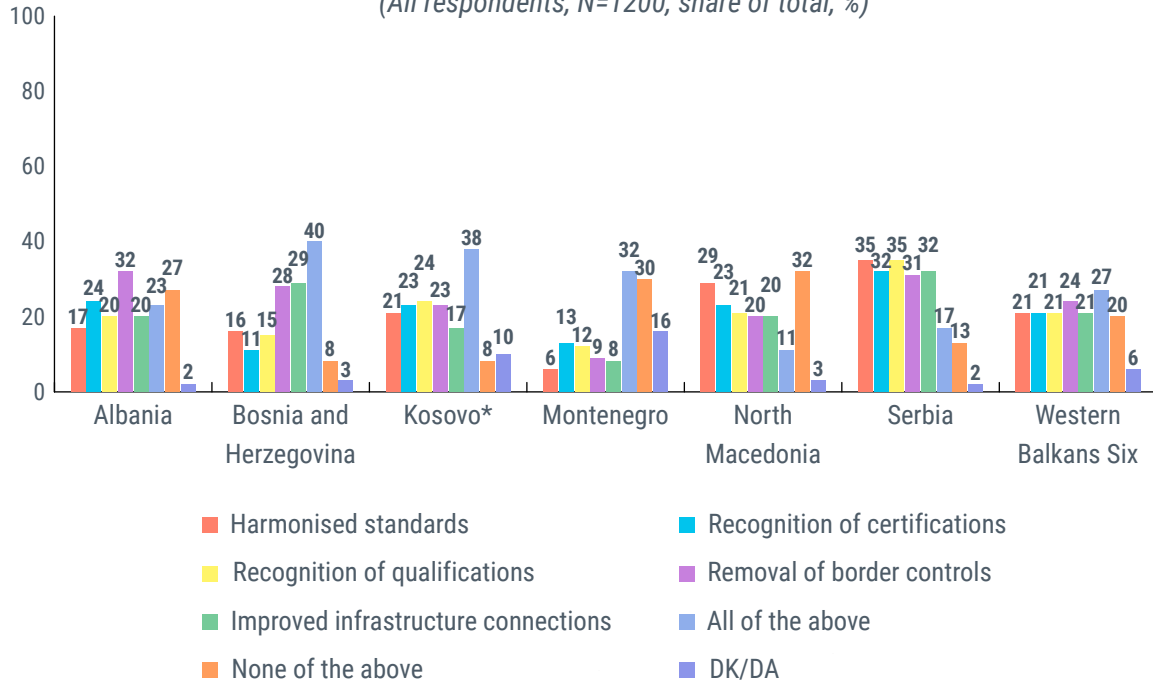


FIGURE 51

Factors Influencing Expansion into Other Western Balkans Six Economies

Q11. [M] Which future improvements do you think would generate/increase your company's interest to expand activity to other Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



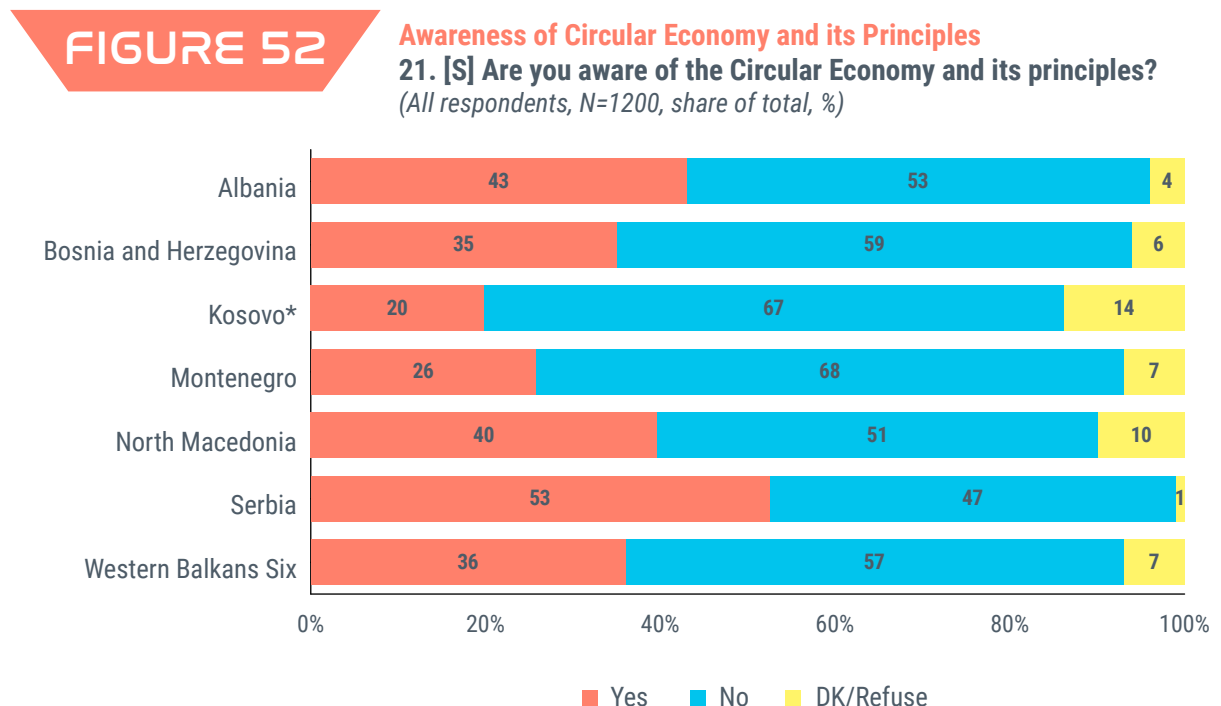
PERCEPTIONS OF THE GREEN AGENDA

Survey data reveals varying levels of awareness of the circular economy across Western Balkans Six economies. On average, 35.9% of respondents are familiar with the concept, 57.3% are unaware, and 6.8% did not answer.

By economy, Albania stands out with 43% of respondents aware of the circular economy, although 53% remain unaware. Bosnia and Herzegovina follows a similar pattern, with 35% awareness and 59% unaware of the circular economy. Kosovo* shows the lowest awareness at 19.5%, with 67% unaware and 13.5% not responding. Montenegro has 25.5% awareness and 67.5% are unaware, with 7% not answering.

North Macedonia shows a more balanced picture, with 39.5% of respondents aware, and 50.5% unaware, while 10% did not respond. Serbia leads with the highest awareness level at 53%, with only 46.5% unaware and 0.5% not answering.

Overall, Serbia demonstrates the highest level of awareness, while Kosovo* and Montenegro exhibit significant gaps in knowledge. These findings highlight the need for targeted educational initiatives and policy measures to enhance understanding of the circular economy across the region.





Analysis of barriers to transitioning to a circular economy highlights several key challenges for businesses. The most frequently cited obstacle is increased costs, noted by 49.2% of respondents, suggesting that significant financial investment is perceived as a major hurdle. Other notable barriers include a lack of skills and experience, identified by 33.6% of respondents, and an inadequate legal and regulatory framework, reported by 26%. Additionally, 36% of respondents point to the lack of government subsidies as a significant barrier, emphasising the need for financial support. A smaller percentage, 17.2%, mention insufficient consumer demand as a challenge.

Economy-specific insights reveal further details on these barriers. In Albania, the main issues are increased costs at 46.5% and lack of government subsidies at 38.4%, with 7% of respondents unsure or unaware of the barriers. Bosnia and Herzegovina reports increased costs at 55.7% and inadequate legal frameworks at 30% as major obstacles. Kosovo* highlights a lack of skills and experience at 43.6% and increased costs at 35.9% as primary barriers. In Montenegro, increased costs at 54.9% and lack of subsidies at 45.1% are prominent concerns. North Macedonia also faces increased costs at 41.8% and a lack of subsidies at 40.5%, with a notable percentage citing a lack of skills and experience at 40.5%. Serbia reports increased costs at 54.7% and a lack of skills and experience at 36.8% as the main challenges, with only 1.9% unsure or unaware of the barriers.

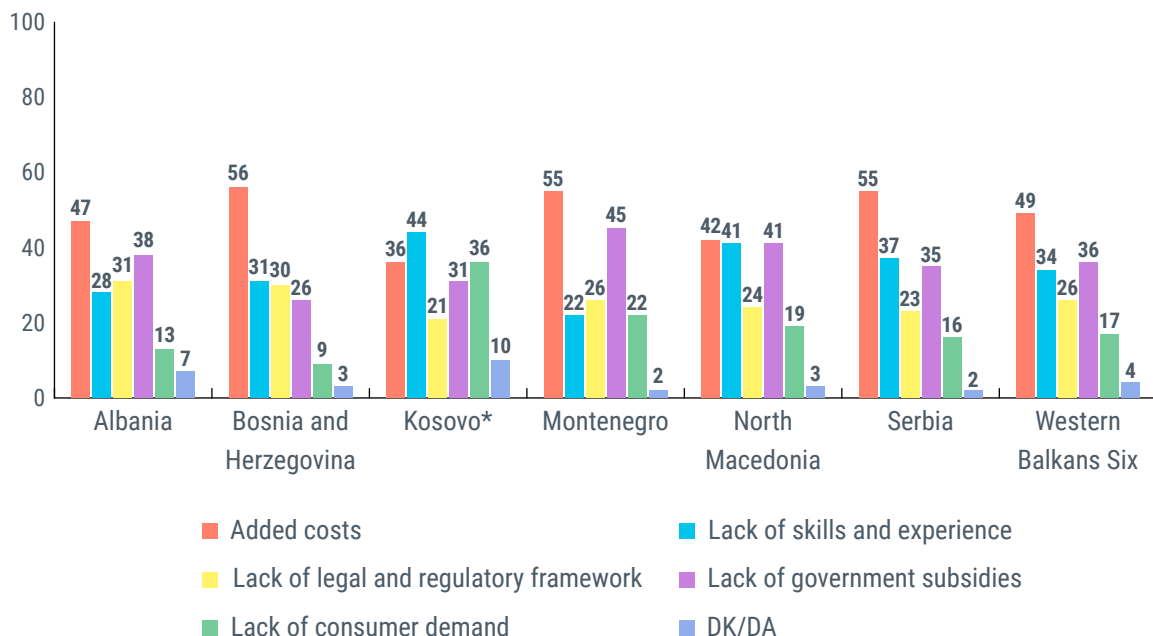
These findings underscore the need for a multifaceted approach to overcoming barriers to circular economy. Financial incentives and subsidies from governments can alleviate the burden of increased costs. Additionally, clear and supportive legal and regulatory frameworks are essential for guiding businesses. Finally, boosting consumer demand through awareness campaigns and market development initiatives can help create a more favourable environment for this economic transition.

FIGURE 53

Barriers to Shifting towards Circular (Waste Free) Economy

Q22. [M=2] Which are the main barriers to shifting towards a circular (waste free) economy in your line of business?

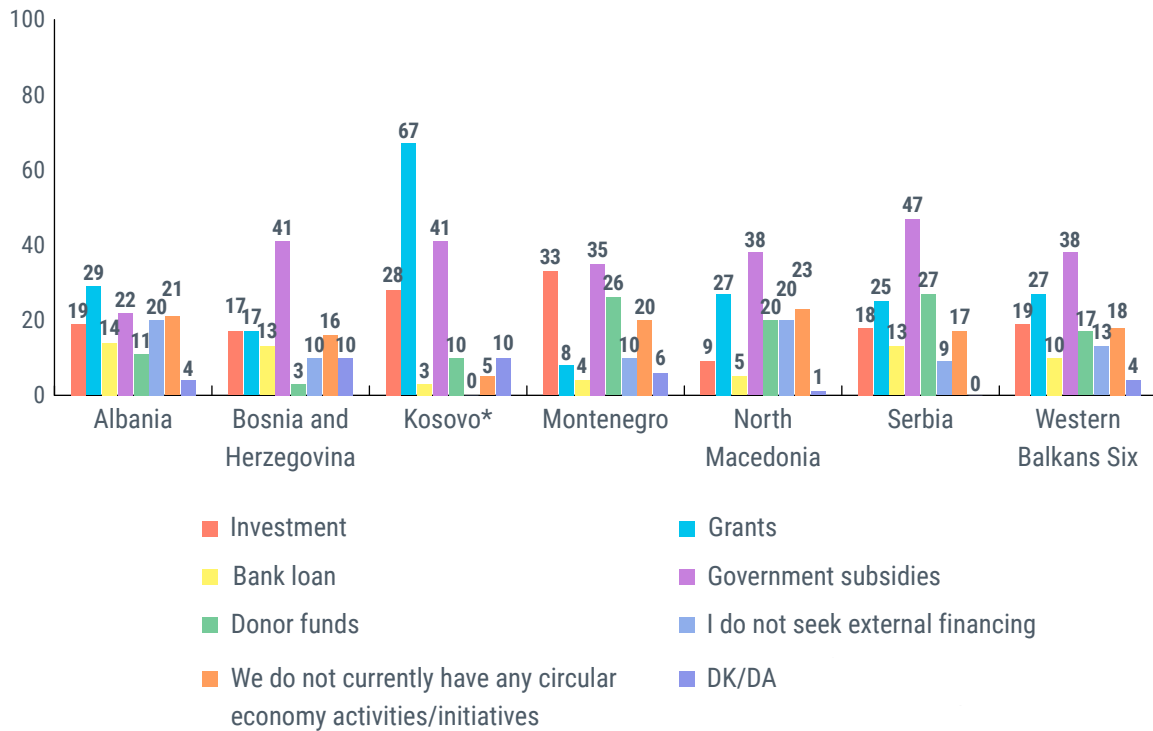
(Those aware of the Circular Economy, N=431, multiple answers, share of total, %)



Analysis of external financing for circular economy activities reveals diverse preferences as per Figure 54. Government subsidies are the most sought after, with 37.6% of respondents relying on them, followed by grants (26.5%). Investments (19%), bank loans (9.7%), and donor funds (16.9%) are less common, with 12.5% seeking no external financing and 17.9% not engaging in circular economy activities. Economy-specific insights show that Albania prefers grants (29.1%) and subsidies (22.1%), Bosnia and Herzegovina relies on subsidies (41.4%) and investments (17.1%), Kosovo* favours grants (66.7%) and subsidies (41%), Montenegro looks to subsidies (35.3%), investments (33.3%), and donor funds (25.5%), North Macedonia seeks subsidies (38%) and grants (27%), and Serbia relies on subsidies (47.2%) and donor funds (27.4%). These findings underscore the importance of government subsidies and grants, while also indicating a need for increased awareness and support in some areas.

FIGURE 54

Types of External Financing for Circular Economy Initiatives
Q23. [M=2] What kind of external financing do you seek for your circular (waste free) economy activities/initiatives?
(Those aware of the Circular Economy, N=431, multiple answers, share of total, %)



In Albania, the most significant environmental measure is selling residues and waste to another company, adopted by 44% of businesses, indicating a strong focus on recycling and waste management. Additionally, 25% focus on saving materials and minimising waste, and 18% use renewable energy. In Bosnia and Herzegovina, 34% of businesses save materials and minimise waste, while 18% supply greener materials, and only 7% use renewable energy. In Kosovo*, 40% of businesses save materials and minimise waste, 20% sell residues and waste, and 19% supply greener materials. Montenegro businesses have a balanced approach, with 20% saving materials and minimising waste, 16% supplying greener materials, and 6% using renewable energy. In North Macedonia, 35% of businesses save materials and minimise waste, 14% sell residues and waste, and 10% use renewable energy. In Serbia,



27% of businesses save materials and minimise waste, 22% sell residues and waste, and 20% supply greener materials.

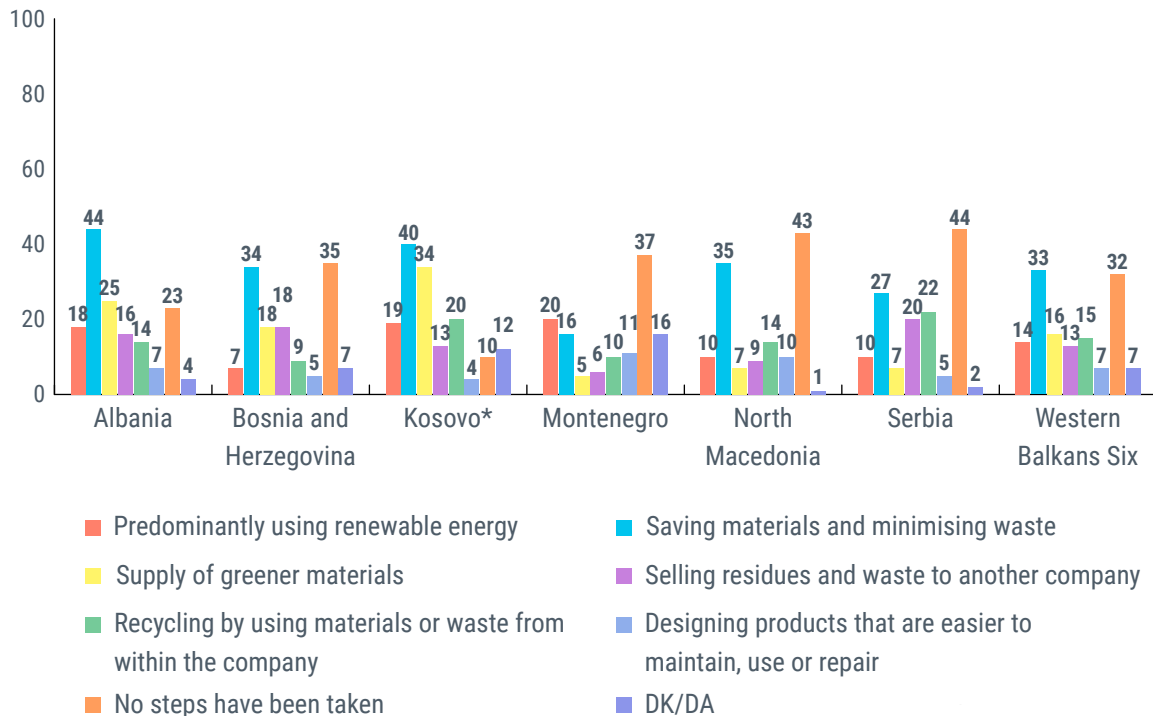
Across the Western Balkans Six, 33% of businesses save materials and minimise waste, 31% sell residues and waste, 16% supply greener materials, and 14% use renewable energy. This reflects a regional commitment to resource efficiency and waste reduction, with moderate efforts towards renewable energy and sustainable sourcing.

FIGURE 55

Steps Taken by the Businesses to Reduce Environmental Impact (last 12 months)

Q24. [M=2] What steps has your business taken over the last 12 months to reduce its environmental impact?

(All respondents, N=1200, share of total, %)



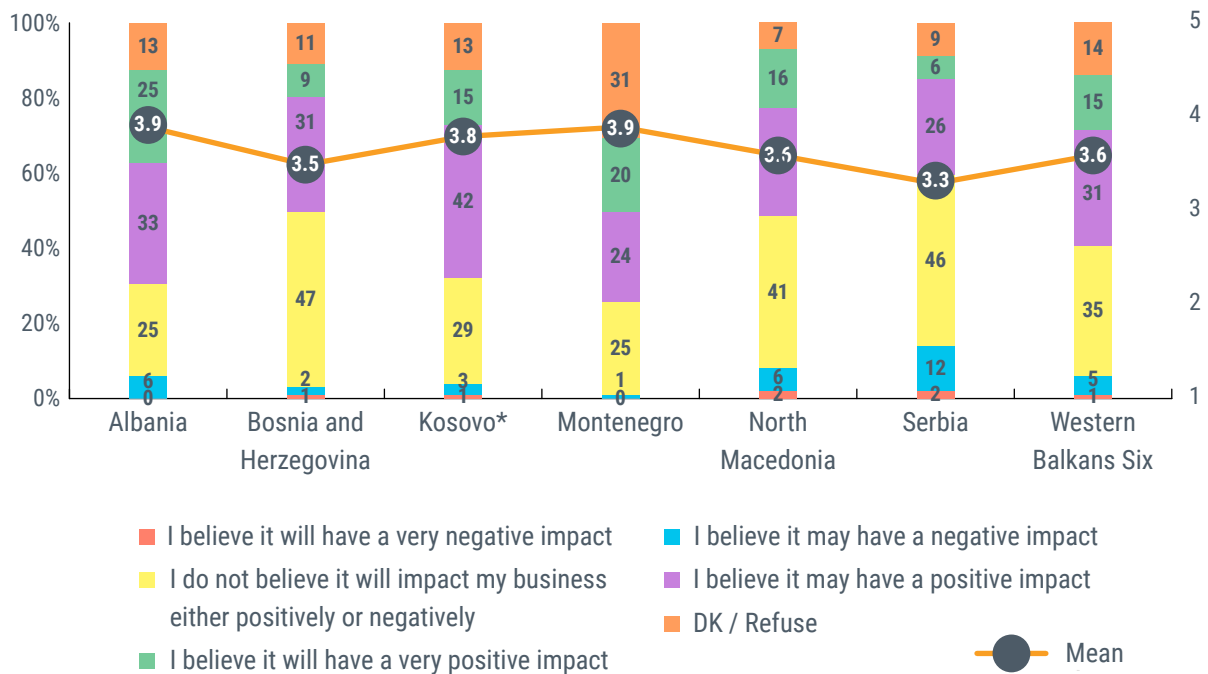
Belief in the impact of the green transition varies, but overall, businesses recognise its moderate to significant influence. Many businesses rate the impact as moderate to high, reflecting a general acknowledgment of environmental changes. In Albania, 33% rate the impact as strong, while 50% believe it will be moderate or very significant, with a mean value of 3.9. In Bosnia and Herzegovina, 47% see it as moderate, and 31% as significant, with a mean of 3.5. Kosovo* shows high expectations, with 42% rating it as significant and 29% as very significant, averaging 3.8.

Montenegro also shows strong belief, with 31% rating the impact as significant and 24% as very significant, with a mean of 3.9. North Macedonia has varied beliefs, with 29% rating it as significant and 26% as moderate, averaging 3.6. Serbia is more cautious, with 46% rating the impact as moderate and only 6% as very significant, averaging 3.3. Across the Western Balkans Six, 31% rate the impact as significant and 15% as very significant, with a mean of 3.6, indicating a generally optimistic outlook despite some scepticism.

FIGURE 56

Perceptions on Green Transitions Impact on Businesses
Q25. [S] Do you believe that the green transition will have an impact on your business?

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



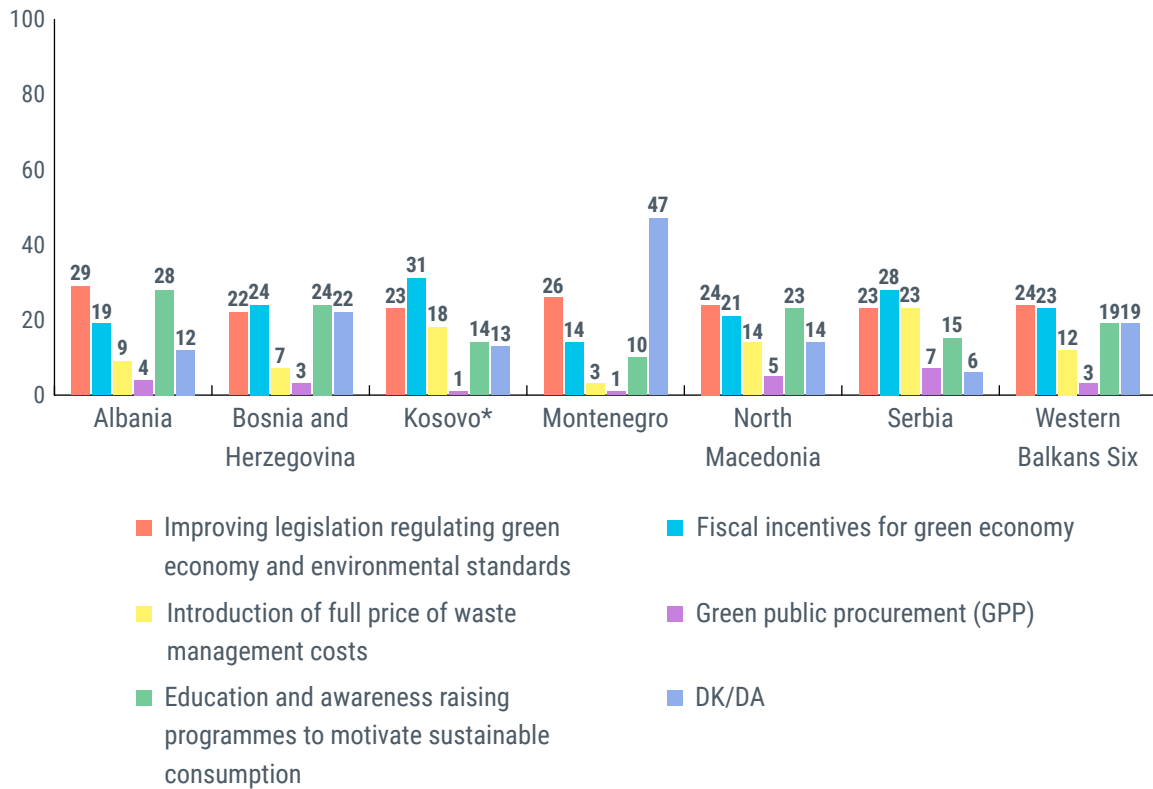
The survey reveals that across the Western Balkans Six, improving legislation and providing fiscal incentives are the most favoured approaches to encourage greener business practices. In Albania, 29% support better green economy legislation, while 28% prioritise education and awareness. Bosnia and Herzegovina show a balanced preference between improved legislation (21.5%) and fiscal incentives (23.5%), with a significant portion (22%) being unsure about green policies. Kosovo* prefers fiscal incentives (31%) and improved legislation (23%), while Montenegro also favours legislation (25.5%) but has high uncertainty (47%). North Macedonia prefers improved legislation (24%) and education (22.5%), while Serbia values fiscal incentives (28%) and improved legislation (22.5%). Overall, there is a consensus on the importance of legislation and fiscal incentives, with varying needs for better communication and education about green policies.



FIGURE 57

Government Incentives for Greening the Business Sector
Q26. [S] How can the Government incentivise greening of the business sector?

(All respondents, N=1200, share of total, %)

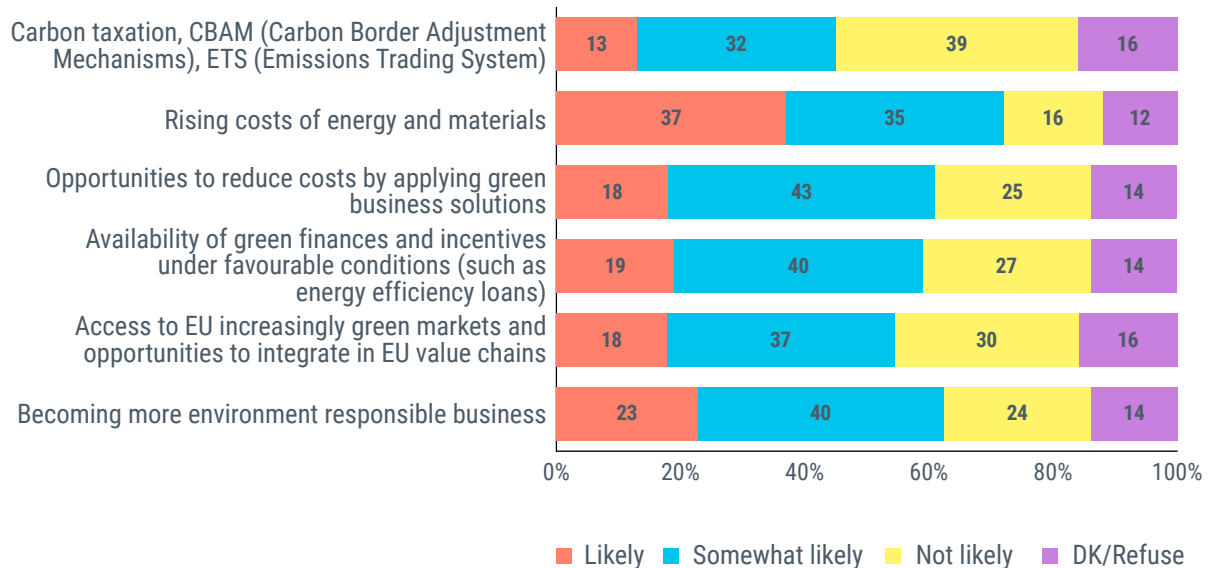


The survey reveals varying perceptions of carbon taxation, the Carbon Border Adjustment Mechanism (CBAM), and the Emissions Trading System (ETS) across Western Balkans Six. In Albania, 22.5% see these factors as likely to influence their decisions, while Kosovo* shows higher acceptance with 57.5% considering the impact somewhat likely. Conversely, Bosnia and Herzegovina (52%) and Serbia (55.5%) are more sceptical, and Montenegro shows significant uncertainty, with 48.5% being unsure. North Macedonia has a mixed view, with 16.5% finding it likely and 37.5% somewhat likely. To promote green practices, governments should enhance communication, provide clear information, and offer tailored regulatory and economic incentives.

FIGURE 58**Impact of Carbon Policies on Business Decisions****Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?**

Carbon taxation, CBAM (Carbon Border Adjustment Mechanisms), ETS (Emissions Trading System)

(All respondents, N=1200, scale from 1 to 3, share of total, %, mean)



According to Figure 59, varied responses are presented pertaining to the potential impact of rising energy and material costs across Western Balkans Six. Overall, the data indicates a general concern about rising costs, with varying levels of awareness and anticipation across the region. Tailored communication and strategic planning are essential to address these concerns effectively.

In Albania and Bosnia and Herzegovina, a majority anticipate significant influence, with 47% and 45% respectively viewing the impact as likely, and around 25% and 43.5% seeing it as somewhat likely. This reflects a strong expectation of considerable impact from rising costs in these economies.

In Kosovo*, while 62% consider the impact somewhat likely, only 11% view it as likely, suggesting a more cautious outlook but still a significant concern. Montenegro shows high uncertainty, with 47% unsure or not responding, and low confidence in the impact, indicating a need for improved communication.

North Macedonia and Serbia both display a higher level of awareness, with 61% and 48% respectively considering the impact likely, and 25.5% and 32% seeing it as somewhat likely. The lower uncertainty in these economies suggests businesses are more informed and prepared.

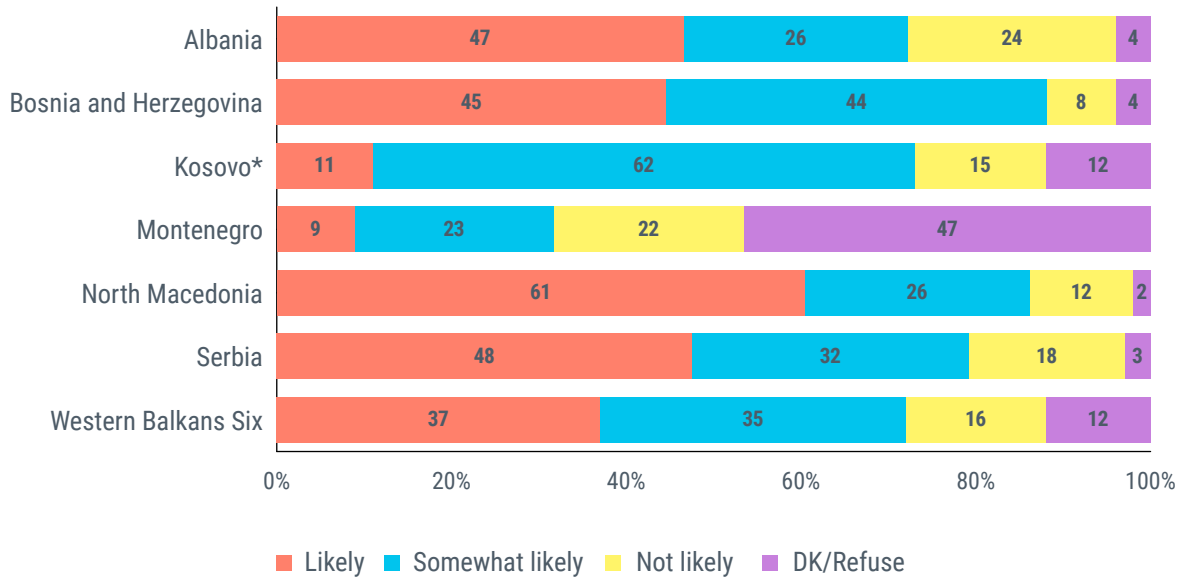


FIGURE 59

Impact of Rising Energy and Material Costs on Business Decisions Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?

Rising costs of energy and materials

(All respondents, N=1200, scale from 1 to 3, share of total, %, mean)



The survey of 1,200 respondents from Western Balkans Six economies shows varied perceptions of energy efficiency measures. In Albania and North Macedonia, about 31.5% and 30.5% respectively, believe these measures will likely impact their decisions, reflecting strong optimism. Kosovo* shows cautious optimism, with 72% considering the impact somewhat likely. In contrast, Bosnia and Herzegovina (43.5%) and Serbia (29.5%) are more sceptical about the effectiveness of these measures. Montenegro has significant uncertainty, with 48.5% unsure or not answering, and only 5% believing the measures are likely to influence decisions. Overall, while there is general recognition of the cost-saving potential, better communication and evidence are needed to boost confidence and adoption.

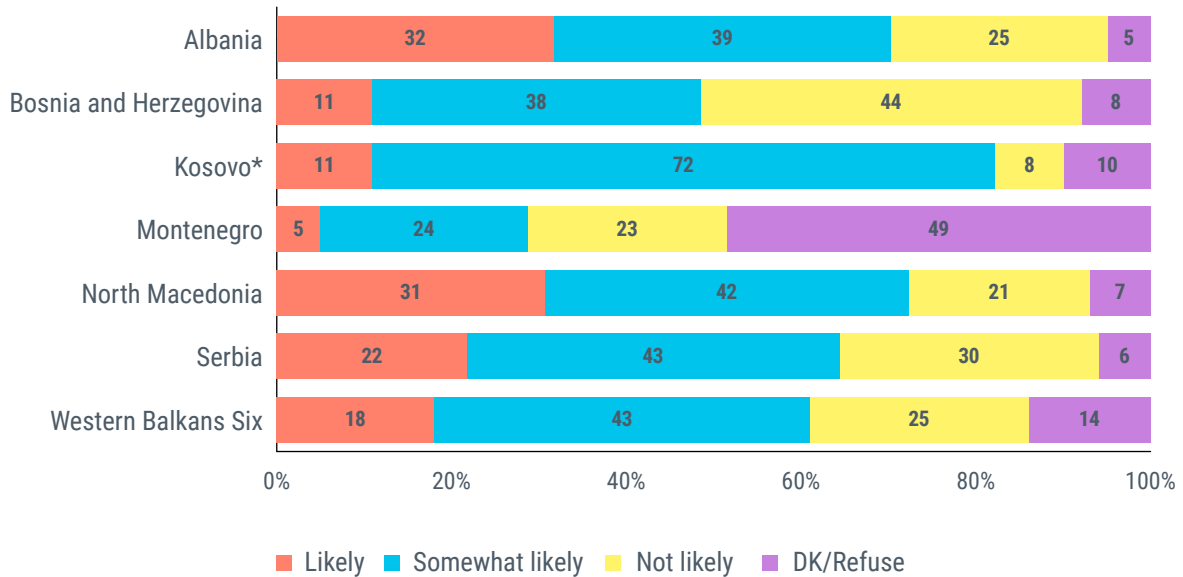
FIGURE 60

Cost Reduction Opportunities and Business Decisions

Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?

Opportunities to reduce costs by applying

(All respondents, N=1200, scale from 1 to 3, share of total, %, mean)



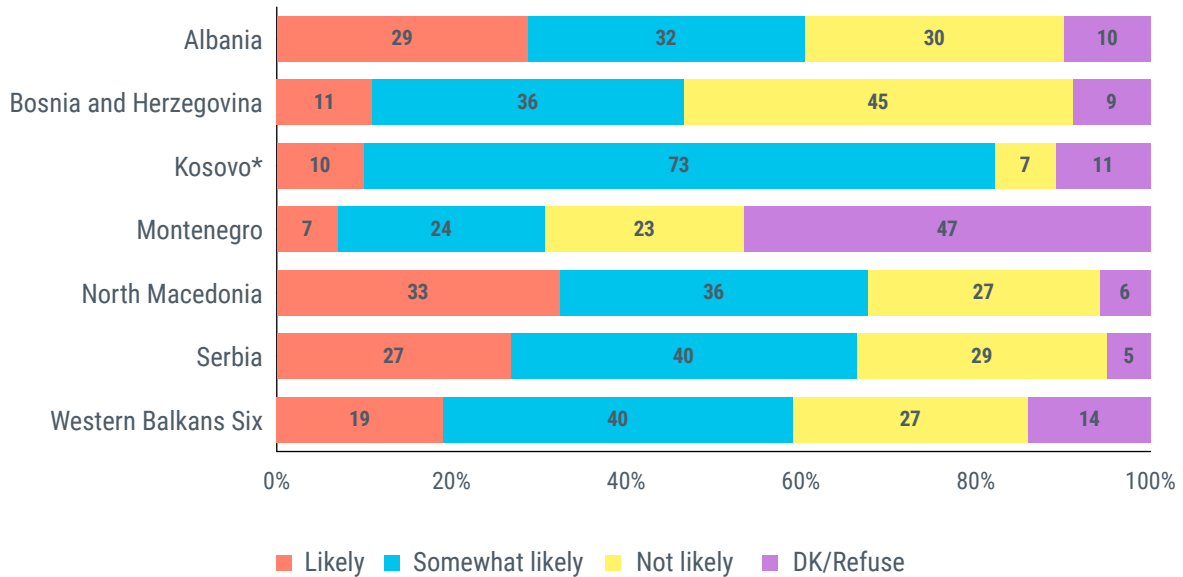
The survey on perceptions of green financial incentives reveals varied responses. In Albania and North Macedonia, 29% and 32.5% of respondents, respectively, believe these incentives will likely influence their decisions, indicating strong optimism. Kosovo* shows cautious anticipation, with 73% finding the incentives somewhat likely to influence decisions, but only 10% view it as likely. Bosnia and Herzegovina and Serbia are sceptical, with 45% and 29% respectively, believing the incentives are unlikely to impact their decisions. Montenegro exhibits significant uncertainty, with 47% unsure or not answering, and only 6.5% believing in a likely impact. On average, 19.3% of respondents think green financial incentives are likely to influence decisions, while 39.8% consider them somewhat likely, reflecting a general recognition of their potential benefits but with varying levels of optimism across regions.



FIGURE 61

Influence of Green Finances and Incentives on Business Decisions Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?

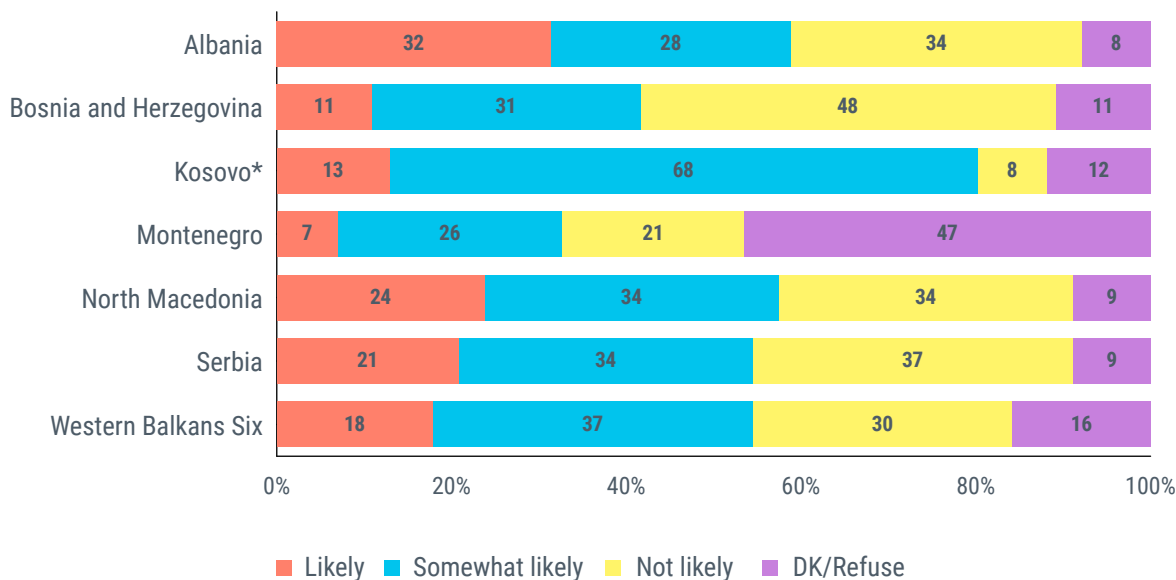
Availability of green finances and incentives under favourable conditions
(All respondents, N=1200, scale from 1 to 3, share of total, %, mean)



The survey of 1,200 respondents from six Western Balkan economies reveals varying perceptions of how access to EU green markets will influence their business decisions. In Albania, 31.5% and in North Macedonia, 24% view this access as likely to impact their decisions, reflecting strong optimism. Kosovo* shows cautious anticipation, with 67.5% considering it somewhat likely but only 13% seeing it as likely. Bosnia and Herzegovina (47.5%) and Serbia (37%) are sceptical, suggesting a need for more convincing evidence. Montenegro has high uncertainty, with 47% unsure, and only 6.5% seeing a likely impact. On average, 17.7% of respondents think access to EU green markets is likely to influence their decisions, while 36.5% consider it somewhat likely, indicating general recognition of its potential benefits despite regional variations in optimism and scepticism.

FIGURE 62

Access to Green EU Markets and Business Decisions
Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?
Business Perceptions of Environmental Responsibility
 (All respondents, N=1200, scale from 1 to 3, share of total, %, mean)

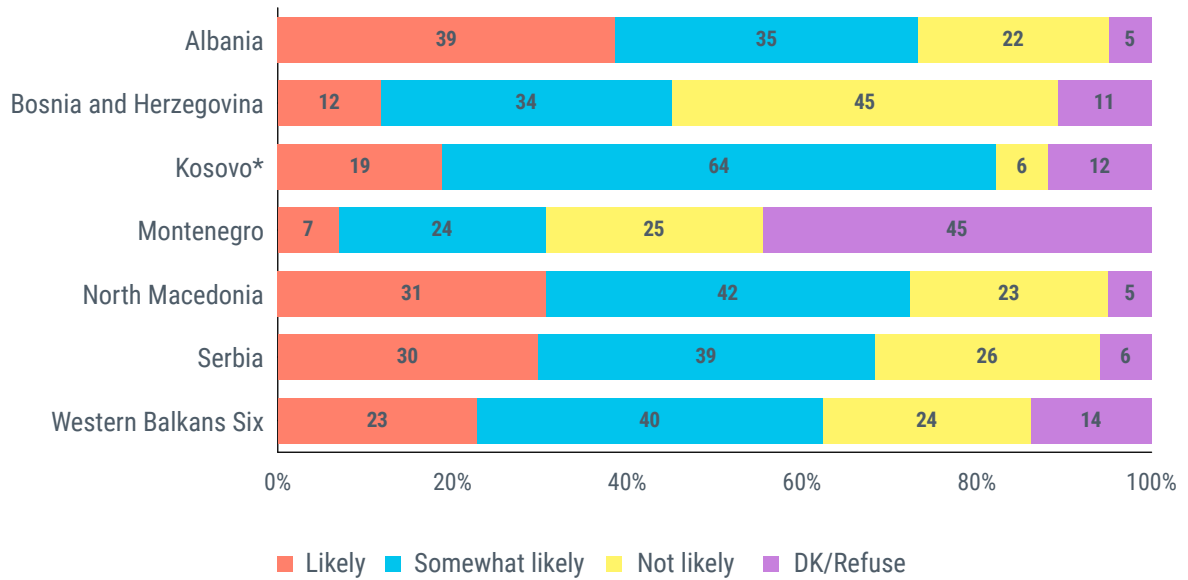


The survey of 1,200 respondents from Western Balkans Six reveals varied perceptions of the impact of environmental responsibility on business decisions. In Albania, 38.5% and in North Macedonia, 31% believe it will likely influence their decisions, reflecting optimism. Kosovo* shows cautious anticipation with 63.5% considering it somewhat likely and 18.5% believing it is likely. Bosnia and Herzegovina (44.5%) and Serbia (26%) are sceptical, indicating a need for more evidence or incentives. Montenegro has high uncertainty, with 45% being unsure and only 6.5% viewing it as likely. On average, 22.6% think environmental responsibility will likely influence decisions, and 39.5% consider it somewhat likely, suggesting general recognition of its benefits despite regional variations in optimism and scepticism.



FIGURE 63

Factors Influencing Business Decisions in the Next 12 Months
Q27. [S PER ROW] How do you perceive the following factors will influence your business decisions in the next 12 months?
(All respondents, N=1200, scale from 1 to 3, share of total, %, mean)



PERCEPTIONS OF CORRUPTION

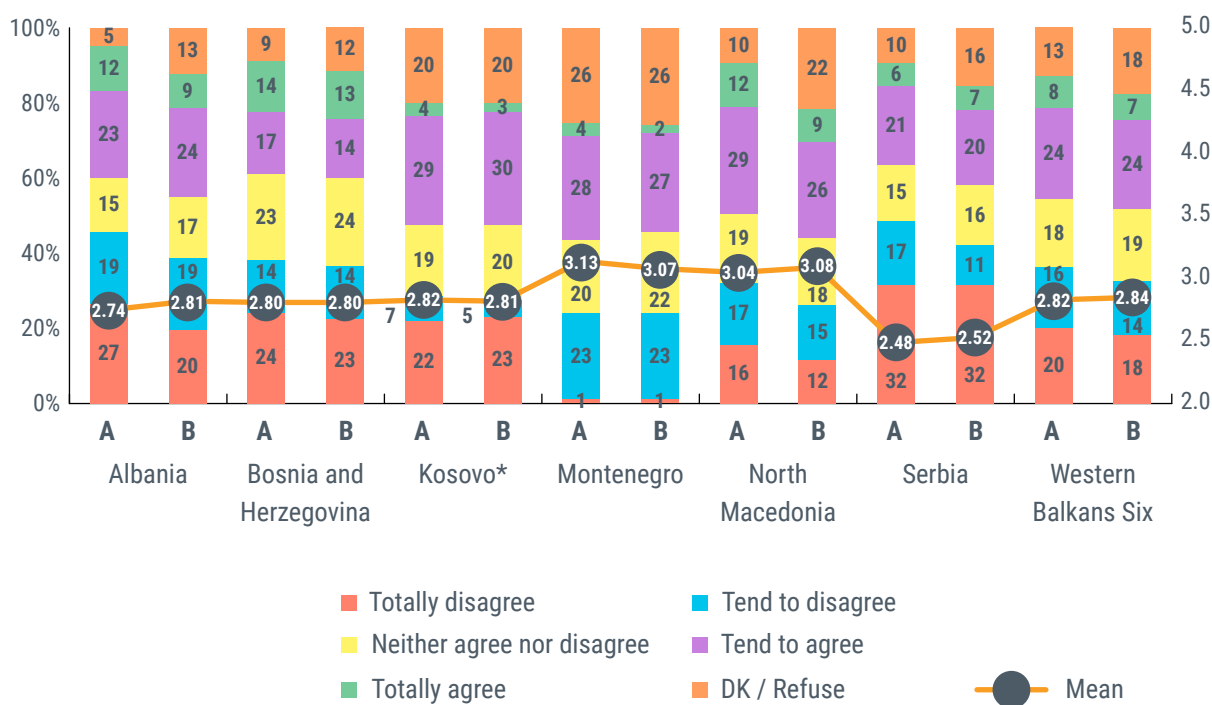
Figure 64 shows that 36% of the respondents at regional level disagree with the statement that it is common practice for companies to pay some irregular additional payments/gifts to get things done. This represents a significant fall from the 45% of businesses who disagreed and another 19% who tend to disagree in the 2023 Balkan Barometer Business Opinion Survey.¹ In 2024, 32% of respondents agreed with the statement compared to the 24% in 2023. About 32% of respondents at regional level disagree that companies usually know in advance how much this additional payment/gifts will cost, while 31% of respondents agree with the statement. The corresponding percentages in 2023 were 43% in disagreement, 17% showing a tendency to disagree, and 21% of businesses in agreement with the statement. These findings suggest that a significant level of corruption persists at the regional level. Nevertheless, there has been modest progress according to the Corruption Perception Index of 2023, particularly notable is North Macedonia, which advanced by 2 places in the ranking. Similarly, Albania and Bosnia and Herzegovina improved by 1 place in the ranking each, while there was no change in the rankings of the other economies.²

FIGURE 64

Perception of Corruption 1

Q28. [S PER ROW] Would you say that you totally agree, tend to agree, neither agree nor disagree, tend to disagree or totally disagree with the following statements: A) It is a common practice for companies in my line of business to have to pay some irregular “additional payments/gifts” to “get things done”. B) Companies in my line of business usually know in advance how much this “additional payment/gifts” will cost.

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



1 The scale in BB 2024 is different from 2023. In 2023, the question did not have the “Neither agree, nor disagree” option.

2 Transparency International (2024). Corruption Perception Index 2023. Available at: <https://www.transparency.org/en/cpi/2023>



Considering the first statement, Serbia has lowest share of agreement, as just 27% of respondents agree that it is a common practice for companies in their line of business to have to pay some irregular additional payments/gifts to get things done. On the other hand, North Macedonia has the highest share with 41% of respondents agreeing with the statement. The levels of agreement for Bosnia and Herzegovina (31%), Montenegro (32%), Kosovo*(33%) and Albania (35%) show few differences between these economies, with about one in every three respondents agreeing with the statement. The 2024 responses at the economy level are remarkably different from those found by the previous Business Opinion Survey. For example, in 2023, 75% of respondents in Albania totally disagreed with the statement that it was common to have to make additional payments.

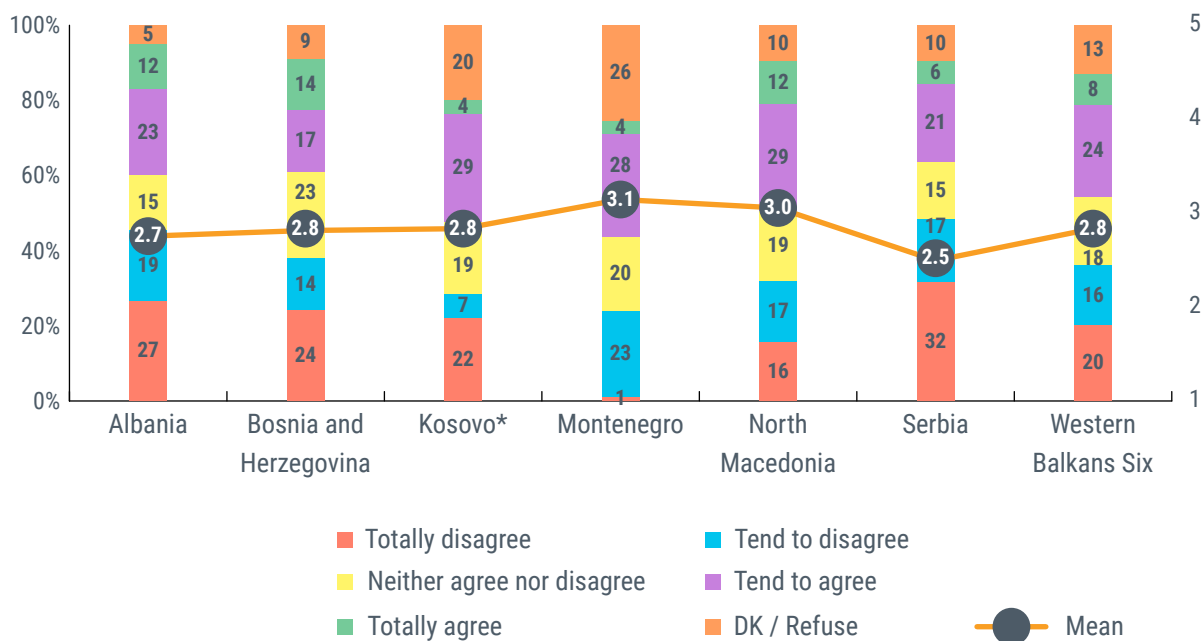
FIGURE 65

Perception of Corruption – A

Q28. [S PER ROW] Would you say that you totally agree, tend to agree, neither agree nor disagree, tend to disagree or totally disagree with the following statements:

It is a common practice for companies in my line of business to have to pay some irregular “additional payments/gifts” to “get things done”.

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



Considering the second statement, Serbia also has the lowest share of agreement, as 27% of respondents agree that companies in their line of business usually know in advance how much this additional payment/gifts will cost. Also, North Macedonia has the highest level of agreement with 35%. Further, Bosnia and Herzegovina (29%) has the same share of agreement as Montenegro (29%), while a higher share of agreement is shown for Albania (33%) and Kosovo* (33%).

FIGURE 66

Perception of Corruption – B

Q28. [S PER ROW] Would you say that you totally agree, tend to agree, neither agree nor disagree, tend to disagree or totally disagree with the following statements:

B. Companies in my line of business usually know in advance how much this “additional payment/gifts” will cost.

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)

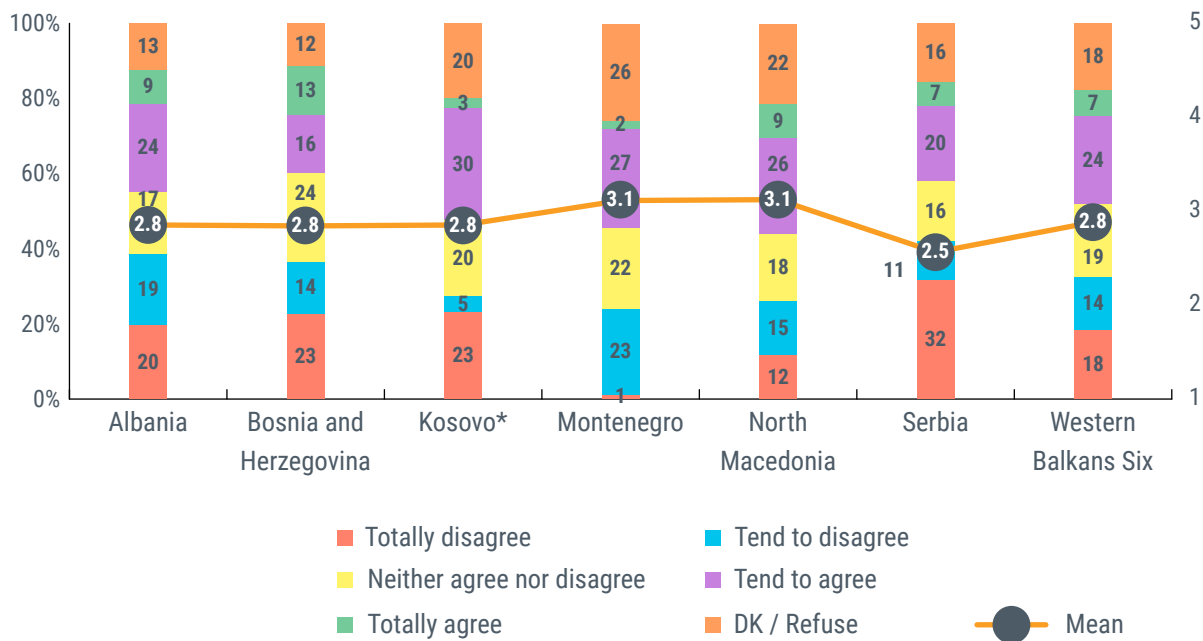


Figure 67 assesses perceptions of anti-corruption efficacy in Western Balkans Six. In 2024, 38% of respondents agree that the fight against corruption is effective, while 31% disagree. This contrasts with 2023, when 56% disagreed, but respondents could not choose a neutral option in that survey. The increased agreement compared to 2023 suggests that some progress has been made in anti-corruption efforts, and these efforts are being recognised by the business community. Despite more agreement in 2024, the high level of disagreement indicates room for improvement. Albania shows the highest confidence level, with 66% in agreement, followed by Kosovo* at 53%. Bosnia and Herzegovina has the lowest agreement level at 20%, with high uncertainty (42%). North Macedonia’s respondents are significantly more positive compared to 2023.



FIGURE 67

Efficacy of Anti-Corruption Efforts in Western Balkans Six
Q29. [S] To what extent do you agree or disagree with the following statement: Fight against corruption is effective in my economy.
(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)

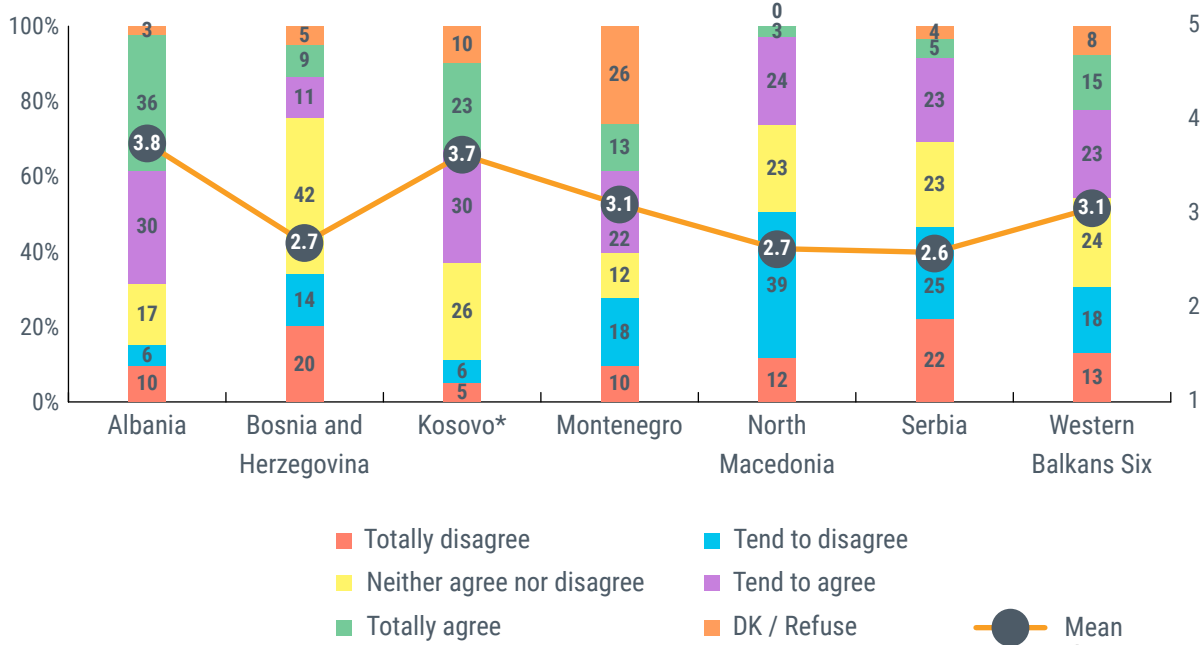
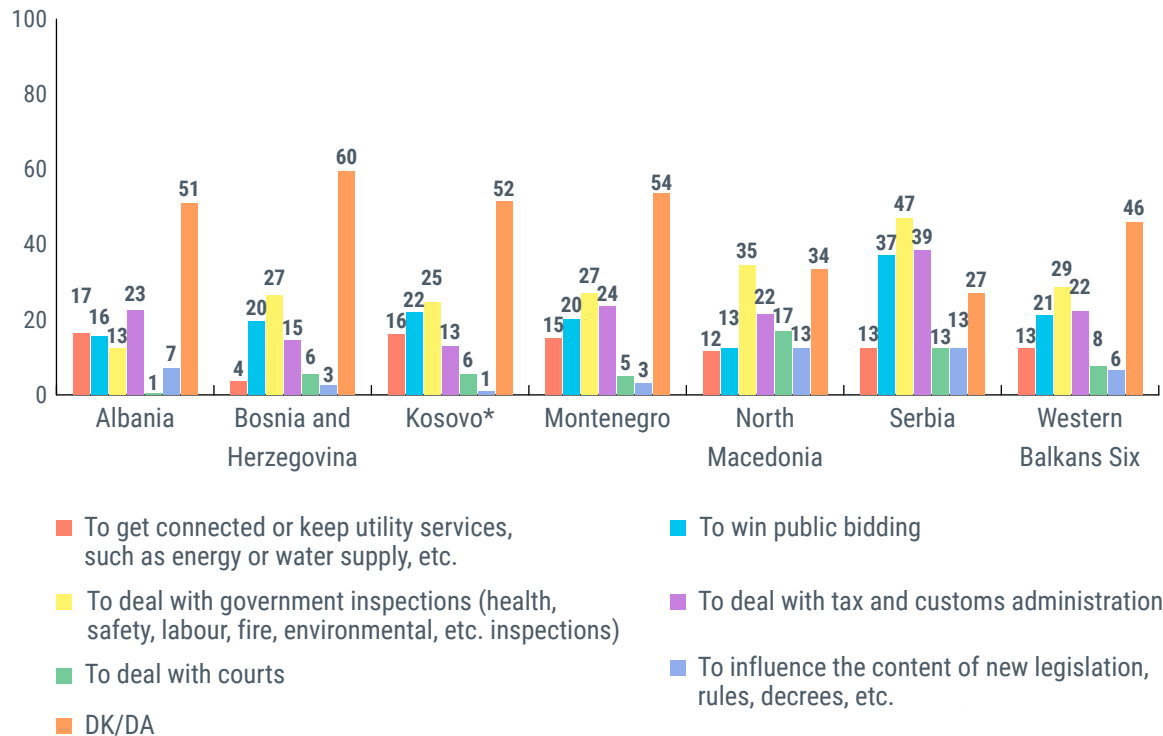


Figure 68 illustrates the incidence of unofficial payments/gifts for public services, bidding, administrative and judicial services. About 29% of respondents in the region believe that a business like theirs would usually make an unofficial payment/gift at least once a year to deal with the government inspections such as health, safety, labour, fire, environmental inspections etc. In addition, 22% of respondents believe that an unofficial payment/gift would be usually made for dealing with the tax and customs administration, while 21% of respondents believe such payments should be made to win public bidding. Further, judiciary and legislative unofficial payments/gifts appear less likely. About 6% of respondents believe an unofficial payment/gift is usually made to influence the content of new legislation, rules, and decrees or similar, while 8% of respondents believe such payments should be made to deal with courts. At the economy level, businesses in North Macedonia and Serbia were more likely to believe that unofficial payments would usually be made at least once a year, especially in relation to government inspections.


FIGURE 68

Common Unofficial Business Payments: Annual Occurrences
Q30. [M] Thinking of unofficial payments/gifts, which of the following payments you believe a business like yours would usually make at least once a year?

(All respondents, N=1200, share of total, %)

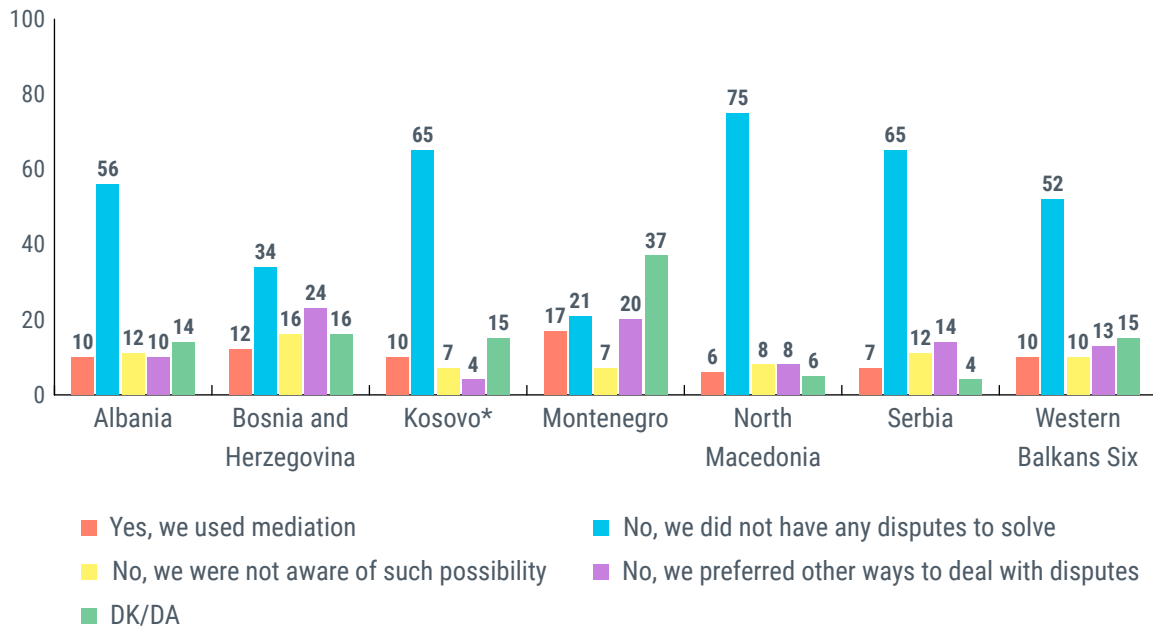


Asked about the usage of mediation to solve business disputes, at the regional level, only 10% of the respondents confirmed its usage. About 52% of businesses did not have any disputes to solve, while 10% were unaware of this possibility, and 13% chose alternative dispute resolution methods instead of mediation. When comparing the economies, Montenegro has the highest share of mediation usage, 17%, whilst North Macedonia and Serbia have the lowest shares, with 6 and 7% respectively. However, it is important to note that at the regional level, slightly more than half of the companies did not have any problems to deal with during the reference period. In these regards, while Serbia and North Macedonia show the lowest use of mediation to solve problems, they also show a high share of businesses that did not have any problems to solve, 75% in North Macedonia, and 65% in Serbia.



FIGURE 69

Use of Mediation for Business Disputes in the Past 12 Months
Q31. [S] One of the ways to solve business disputes is through mediation. Did you use mediation in the past 12 months?
(All respondents, N=1200, share of total, %)





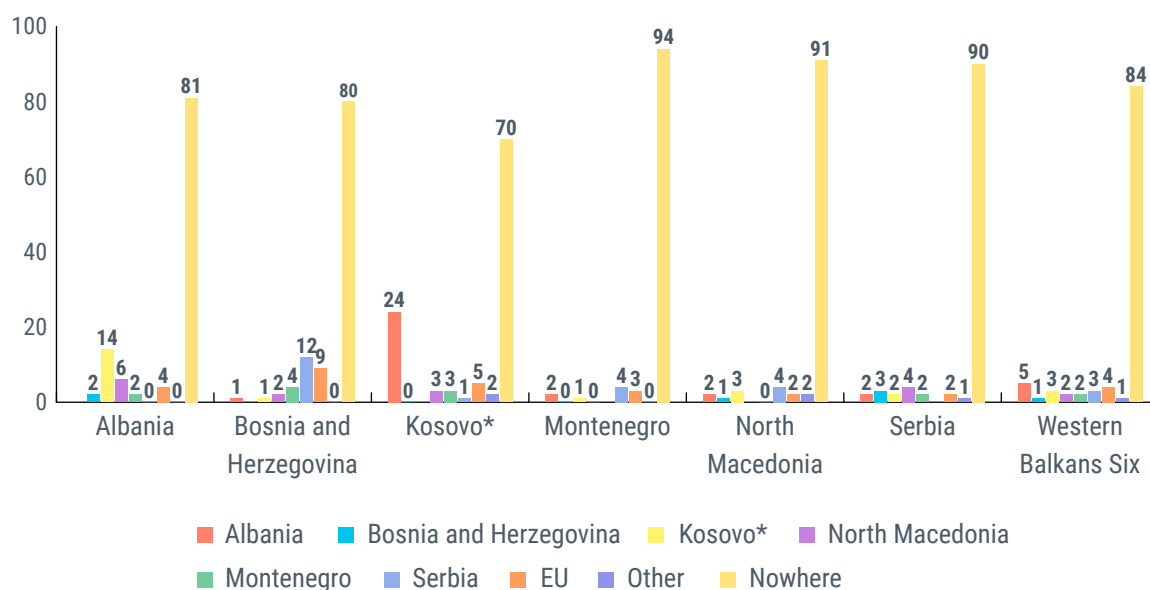
TRADE AND INVESTMENT

Businesses were asked if they had invested abroad in the last 12 months or they plan to do so in the next 12 months. **Only 16% of businesses in the Western Balkans Six invested or plan to invest abroad.** Among those that invested, 31% invested in Albania, 25% in the EU, 19% in Kosovo* and Serbia, 13% invested in North Macedonia and Montenegro, and 6% invested in Bosnia and Herzegovina. The only significant flow of investment between economies is between Albania and Kosovo*. **The share of surveyed businesses that have not invested and are not planning to invest is higher in 2024 (84%) compared to the 77% of surveyed businesses recorded in the 2023 survey.**

FIGURE 70

Company Investment Trends: Past 12 Months and Future Plans
 Q12. [M MAX=3] Where has your company invested in the past 12 months or plans to do so in the next 12 months?

(All respondents, N=1200, multiple answers, share of total, %)



Among 189 businesses that reported to have invested abroad in 2024 survey, 75% invested to access new markets, 27% to lower production costs (including labour costs), 31% for better integration of company's value chain and 26% to get access to skilled labour market. In addition, 23% invested in technological innovation and capabilities, 15% did so to access natural resources and raw materials, 10% due to the business-friendly legal and regulatory environment, while only 4% for accessing land or real estate, and 3% invested to benefit from lower tax rates. Access to new markets was also the most ranked motivation for business investment decisions. Access to new markets is the dominant reason for all economies - the highest share of businesses reporting this motive is found in Kosovo**, Montenegro and Bosnia and Herzegovina (reported by 80-83% of businesses that invested abroad).

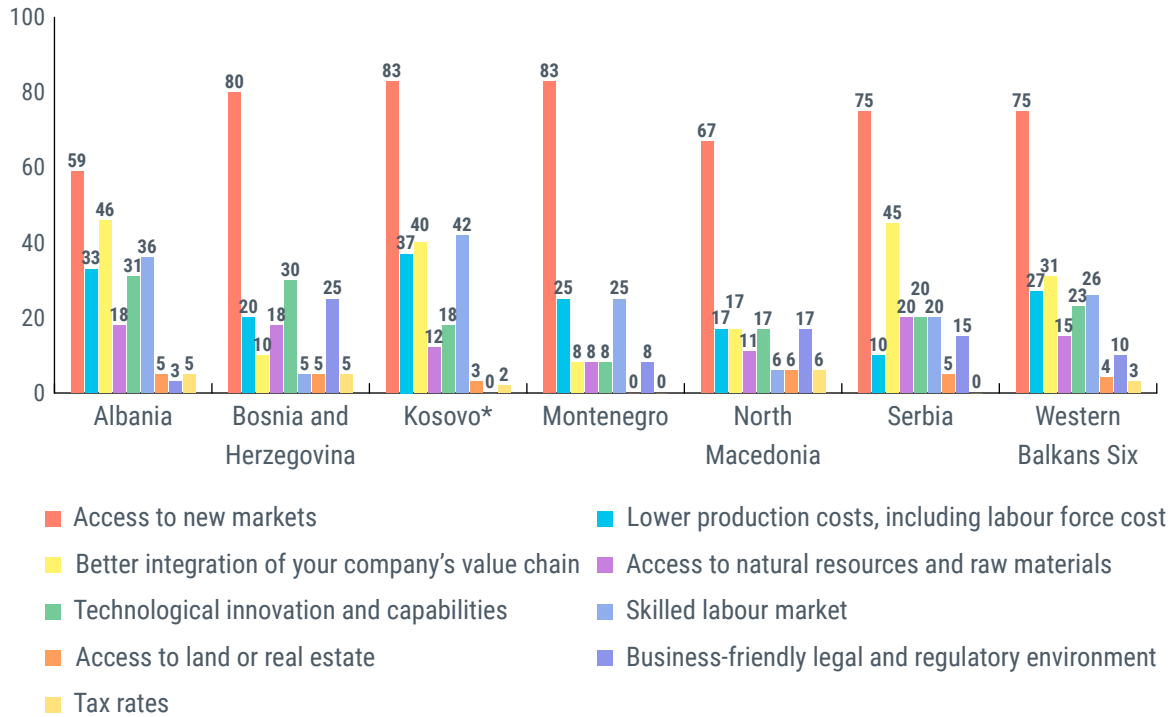


FIGURE 71

Motivations for Foreign Investment: Key Factors Driving Company Decisions

Q13. [M MAX=3] What are the main reasons that describe your company's motivation to invest abroad?

(Those that have invested abroad, N=189, multiple answers, share of total, %)



When asked if the cross-border/boundary transaction costs are too high among Western Balkans Six economies, 53% of businesses in the Western Balkans Six responded that transaction costs are too high, whilst 12% do not consider such costs as too high, and 35% noted that those costs are not relevant for their businesses. Compared to the 2023 survey results, a higher share of businesses in 2024 (53% compared to 43%) reported that transaction costs are too high among Western Balkans Six. In 2024, the highest share of businesses reporting that such costs are too high are those in Bosnia and Herzegovina (70%), followed by businesses operating in Kosovo*(67%), while the lowest share of businesses considering that cross-border/boundary transaction costs are too high among Western Balkans Six economies is found in North Macedonia (40%). In Albania, 40% of businesses view such costs as not relevant for their businesses, while the opposite extreme is found in Bosnia and Herzegovina with only 19% noting that such costs are not relevant for their business. The highest increase of companies reporting that transaction costs are too high is observed among surveyed businesses in Kosovo* (an increase from 49% in 2023 to 67% in 2024).

Economies should take concrete steps to reduce transaction costs as this will directly contribute to enhancing business cooperation in the region. Governments in Bosnia and Herzegovina and Kosovo* should carefully analyse the businesses' concerns and work with other economies to reduce such costs.

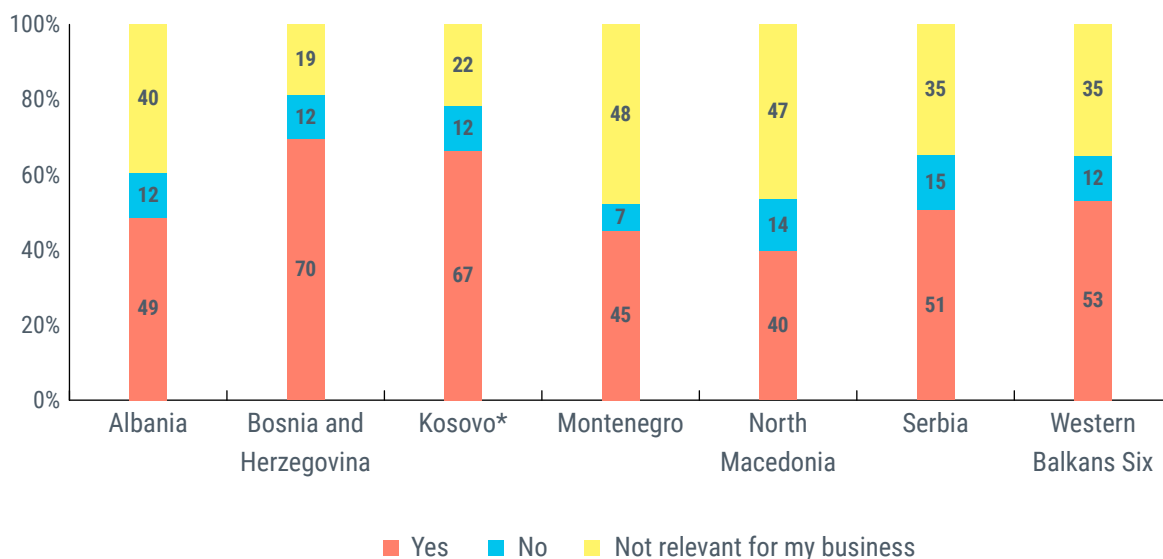


FIGURE 72

Perceptions of Cross-Border/Boundary Transaction Costs among Western Balkans Six

Q14. Do you think cross-border/boundary transaction costs are too high among Western Balkans Six economies?

(All respondents, N=1200, share of total, %)



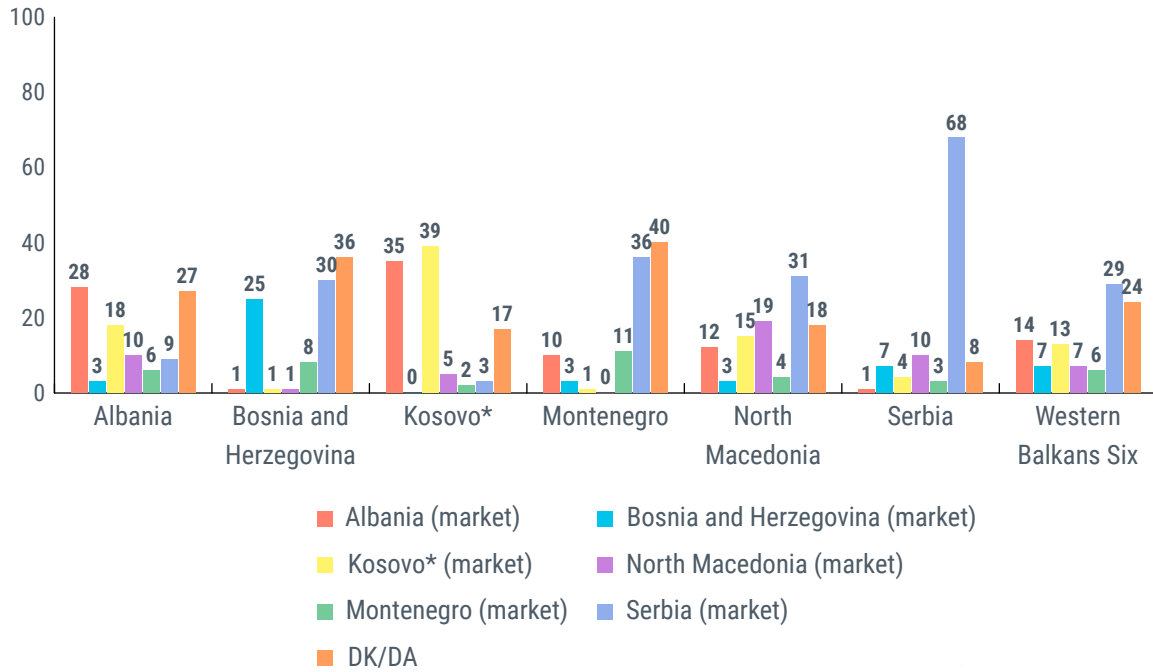
Regardless if they had direct experience with markets in the Western Balkans Six, businesses were asked to state the economy with the most open market. **Among all economies, 29% of businesses consider that Serbia is the most open economy.** Among surveyed businesses, 24% do not know which of the economies is the most opened, the least mentioned economies are Montenegro (indicated by 6% of surveyed businesses), North Macedonia and Albania for 7% of economies, whilst 13% of businesses consider Kosovo* as the most open economy. Serbia is rated as the most open economy by businesses in Bosnia and Herzegovina and Montenegro.



FIGURE 73

Assessment of Market Openness in the Western Balkans Six Q15. [S] Which market in the Western Balkans Six region is the most open one (no matter whether the company had direct experience with it).

(All respondents, N=1200, multiple answers share of total, %)



Improved cooperation in the Western Balkans Six is considered to benefit 59% of businesses, and it is considered not to have a net impact by 34% of the region’s businesses. For only 2%, the impact on their businesses will be negative. The highest share of businesses that assess cooperation in the Western Balkans Six as beneficial are those operating in Kosovo*(75%) and Bosnia and Herzegovina (74%), followed by Albania (61%), North Macedonia (55%), 46% in Serbia, and only 42% of businesses in Montenegro assess that such cooperation will be beneficial to their businesses. It is important to note that the share of businesses that expect a negative impact from cooperation in the Western Balkans Six ranges from 0 to 5%.

Economies should join their efforts to inform and disseminate data on the benefits from cooperation in the region. Support to setting up linkages and networks should be considered as well.

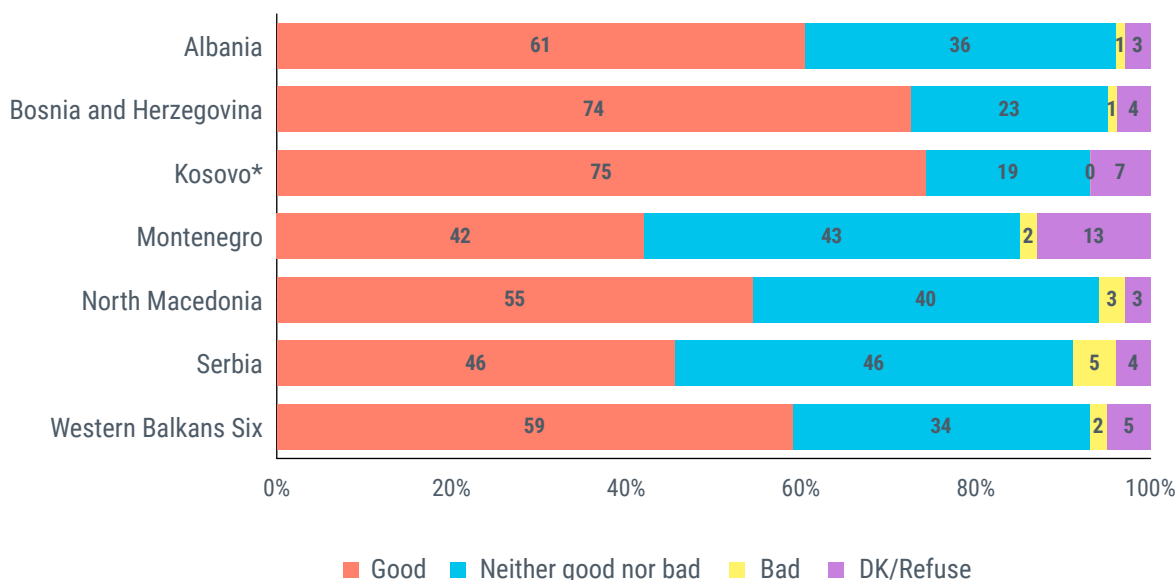


FIGURE 74

Business Perspectives on Improved Cooperation in the Western Balkans Six

Q16. Do you believe that the improved cooperation in Western Balkans Six would be good, neither good nor bad, or bad for your business?

(All respondents, N=1200, share of total, %)



A large share of businesses (64%) in the region have positive expectations from their economy's membership in the EU. 26% believe that it will be neither good nor bad, just 5% assessed that the impact will be bad, and 5% did not respond or did not know. The most optimistic expectations from integration are found among businesses in Albania (80%) followed by Kosovo* (79%), while the lowest share of businesses expecting benefits from EU integration is found in Serbia with only 38%, whilst 16% expect a negative impact on their business from EU accession.

FIGURE 75

Business Perspectives on Potential EU Membership for Your Economy

Q17. [S] Do you believe that the membership of your economy in the EU would be good, neither good nor bad, or bad for your business?

(All respondents, N=1200, share of total, %)

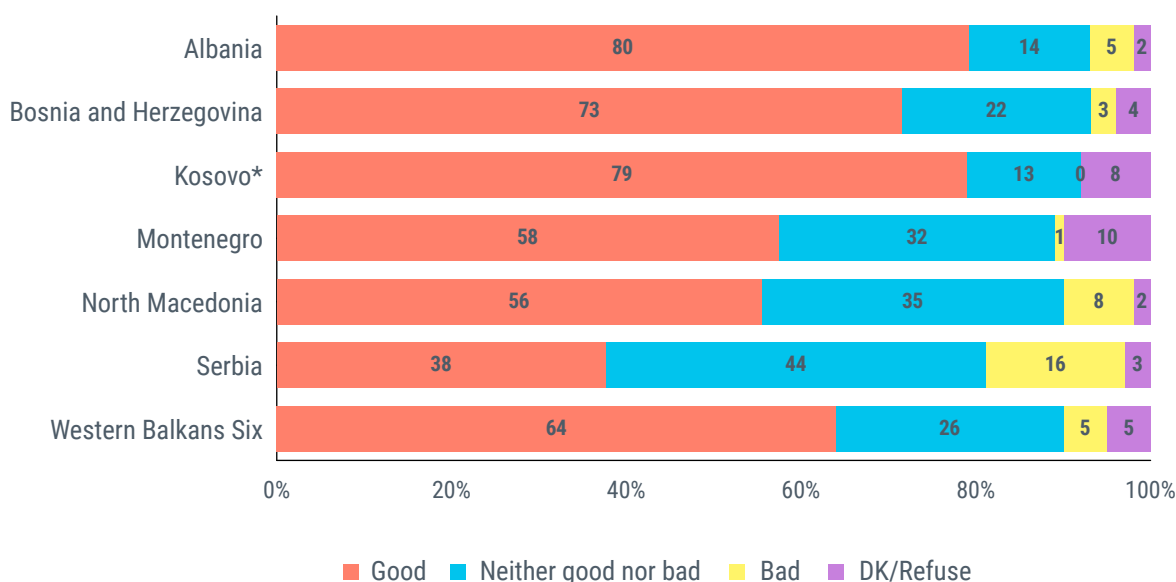




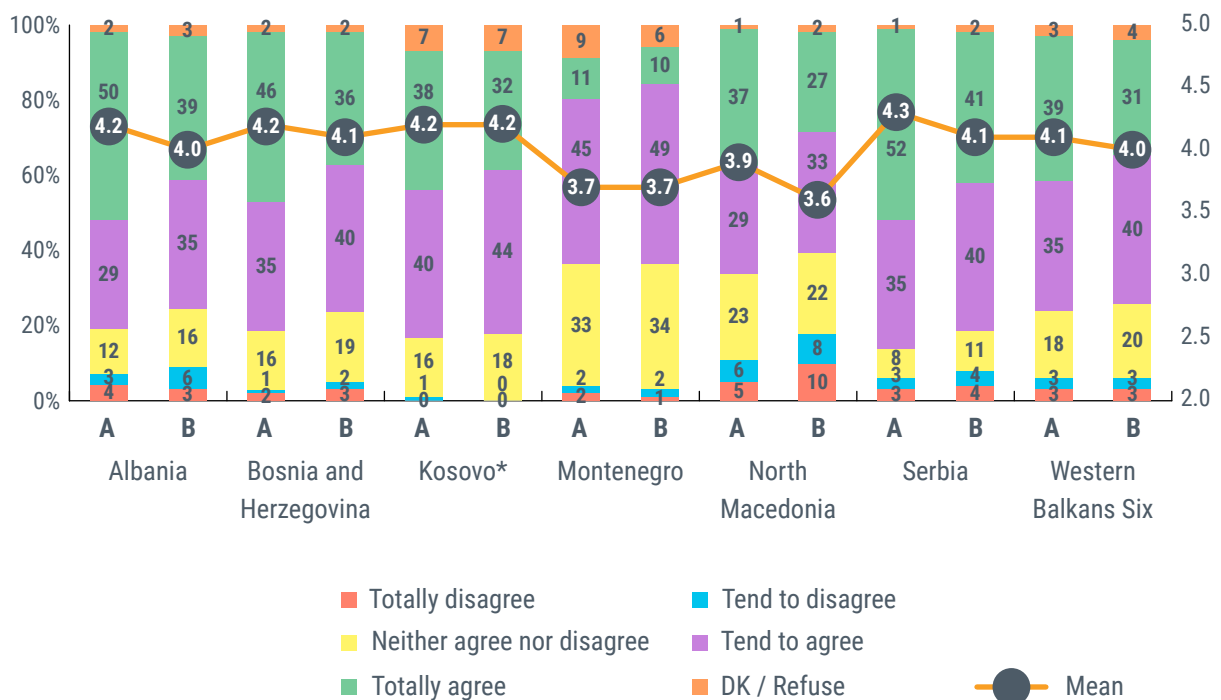
Figure 76 comprises businesses' assessment of their competitiveness in relation to businesses from Western Balkans Six and those operating in EU member states. **A large share of businesses in the region perceive that their company's products, goods and services can compete well with products, goods and services from other Western Balkans Six economies, and average score is slightly lower (4.0) when compared to companies from EU member states.** Survey results indicate that on a range from 1 totally disagree to 5 totally agree, the average score is 4.1. With the exception of businesses in Kosovo* and Montenegro (with the same average score regarding competitiveness in relation to the region and EU), businesses in other economies consider themselves to be more competitive in relation to companies in the region than in relation to those operating in EU member states.

FIGURE 76

Perception of Corruption 1

Q28. [S PER ROW] Would you say that you totally agree, tend to agree, neither agree nor disagree, tend to disagree or totally disagree with the following statements: A It is a common practice for companies in my line of business to have to pay some irregular "additional payments/gifts" to "get things done". B Companies in my line of business usually know in advance how much this "additional payment/gifts" will cost.

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



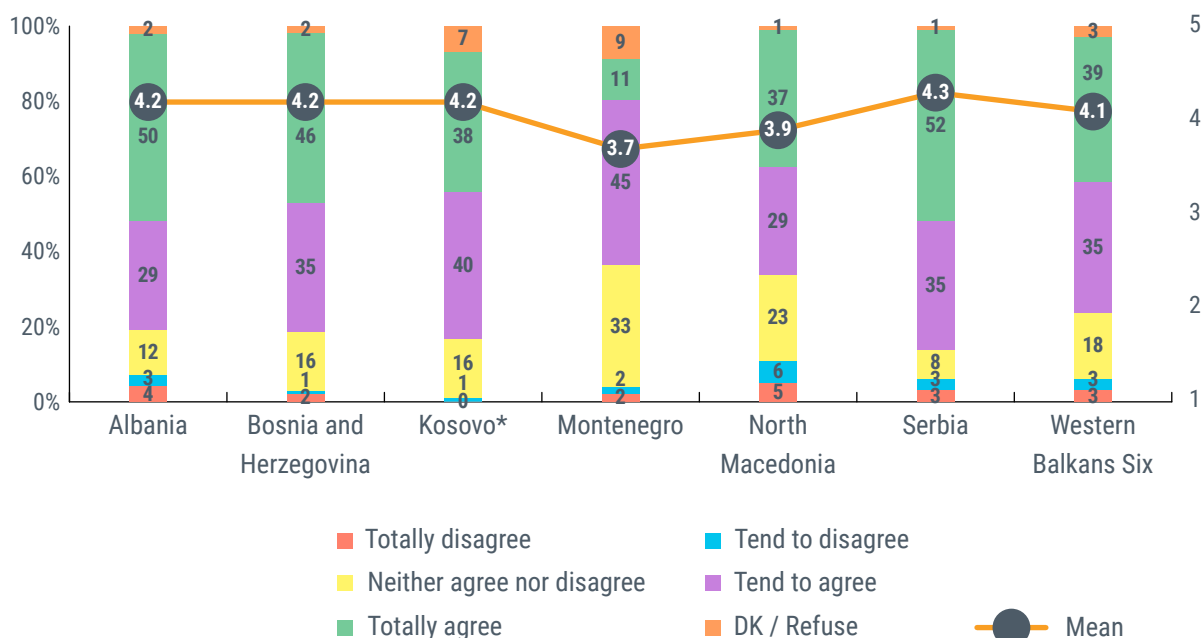
To understand the competitiveness assessment of businesses in each economy, businesses were asked if they agree that their company's products and services compete well with products, goods and services from the other Western Balkans Six. **Overall, in the region, 74% of respondents believed they could compete successfully throughout the region, with only 3% totally disagreeing.** The Survey results reveal that half of businesses in Albania and 45% of those in Bosnia and Herze-

govina totally agree that their products or services compete well in the Western Balkans Six (Figure 77). One third of businesses in Montenegro and 23% in North Macedonia reported that they neither agree nor disagree that their products, goods and services are competitive with products, goods and services from the Western Balkans Six. Referring to the average score (from 1 totally agree to 5 totally disagree), the lowest average is found in Montenegro (3.7 points) while the highest (highest disagreement) is in Serbia with average score of 4.3 (Figure 77). While in the 2023 survey, 45% of surveyed businesses totally agreed that their products, goods and services compete with those from the other Western Balkans Six, the share dropped to 31% in 2024.

FIGURE 77

Competitive Assessment: Comparing Your Company's Products and Services with Other Western Balkans Six

Q18. Would you say that your company products and services compete well with products, goods and services from other Western Balkans Six economies? (1 totally agree to 5 totally disagree)
(All respondents, N=1200, share of total, %)



Businesses were also asked to assess if products and services compete well with products, goods and services from European Union member states. As expected, across all economies, the share of companies declaring that their products, goods and services are competitive compared to European Union member states is lower than when assessed against Western Balkans Six (Figure 78). **On average, 31% of surveyed businesses in the Western Balkans Six totally agree that their products, goods and services compete well with those from European Union member states, 40% tend to agree to the statement, 20% neither agree nor disagree, and only 3% tend to disagree and 3% totally disagree.** These results suggest a relatively high degree of optimism from businesses. Combining those who answer totally agree and tend to agree, the highest share of businesses with such assessments is found in Serbia (81%), while the lowest share of those totally agreeing or tending to agree is observed in Montenegro and North Macedonia (59%). Businesses surveyed in 2024 were less positive when as-



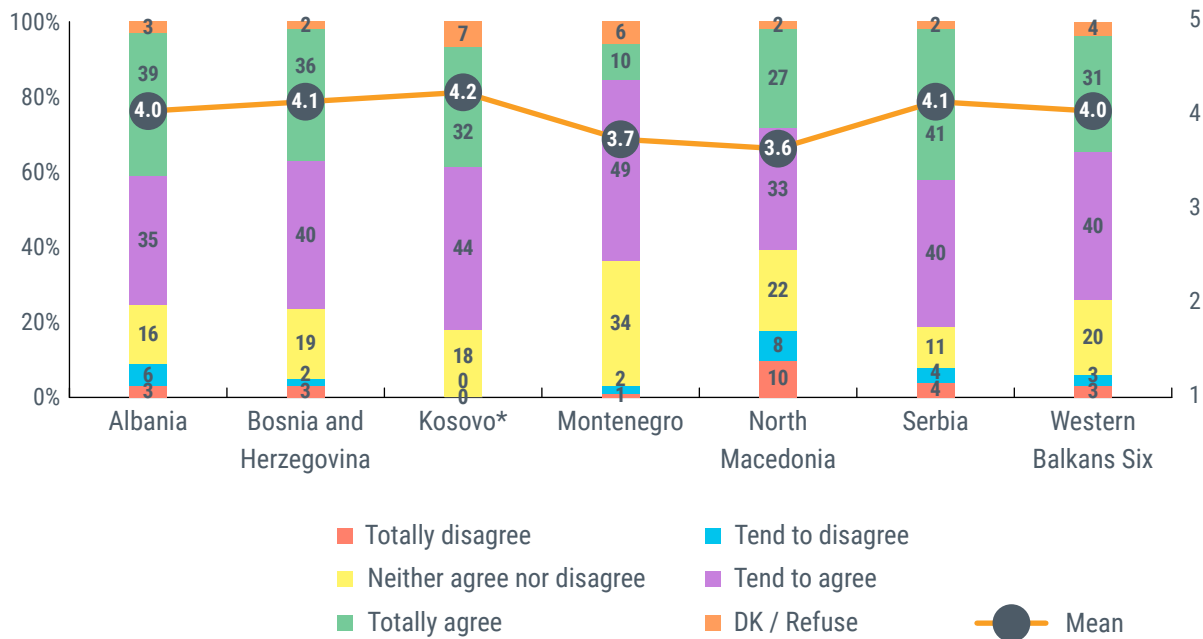
sessing their competitiveness in relation to businesses from EU member states: whilst in 2023, 51% of businesses assessed that their products and services compete well with products, goods and services from European Union member states, this percentage dropped to 31% in 2024.

FIGURE 78

Evaluating Competitive Position: Comparing Your Company's Products and Services with EU Member States

Q18. Would you say that your company products and services compete well with products, goods and services from European Union member states?

(All respondents, N=1200, share of total, %, mean)



As of the 1st July 2021, there are no additional roaming charges (calls, messages, and data) for Western Balkans Six citizens in the region. **Nearly half of surveyed businesses in 2024 (47%) benefited from the roaming free regime.** For 31%, the roaming free regime eased communication with partners in the region, and 16% emphasised that it led to reduced costs of business operations. For 43% of businesses, roaming did not have an impact, and remaining 10% were not aware of the roaming free regime. The highest share of businesses that have experienced a positive impact from the roaming free regime are in Bosnia and Herzegovina (63%), Kosovo* (57%), while the lowest share with a positive impact is found in Albania (37%). Results indicate that there is a need to inform businesses of the roaming free regime, particularly in Kosovo* where 27% of businesses were not aware of it. The share of businesses reporting that roaming free regime reduced business operation costs was the same in both years (16%), and a slightly lower share indicated in 2024 that communication was eased with partners from the region (31% compared to 34% in 2023). The share of businesses stating that the free roaming regime had no impact was nearly the same (43% in 2024 compared to 44% in 2023). An interesting finding is that the share of surveyed businesses reporting that they were not aware of any roaming free regime doubled in 2024 (from 5% to 10%).

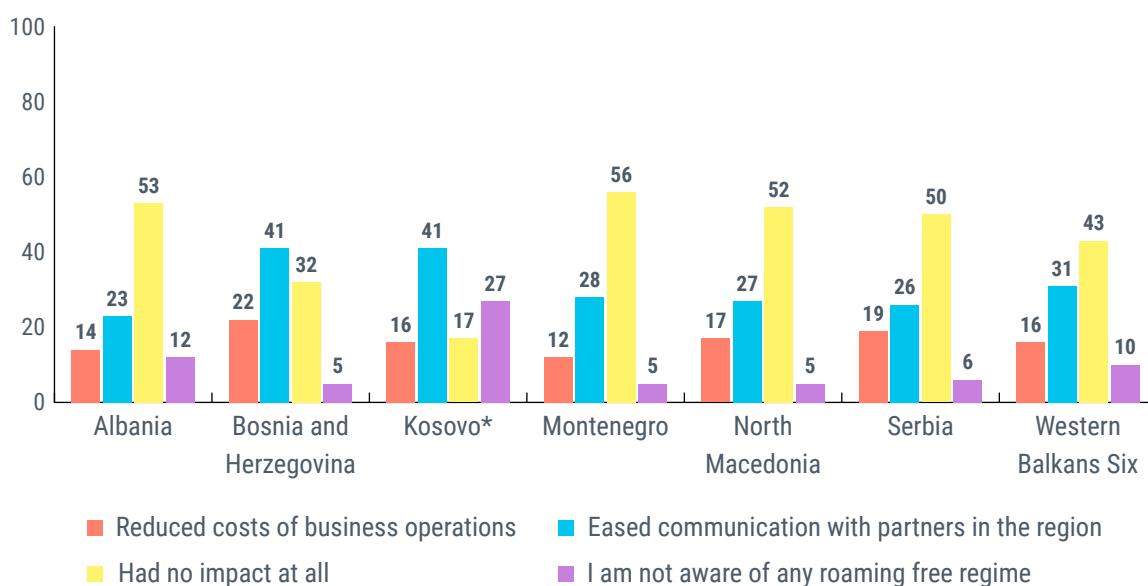
These findings call for government actions towards informing businesses and general public of the applicable roaming free regime which, in addition to reducing communication costs, will greatly advance communication and collaboration between businesses in the region.

FIGURE 79

Impact of Roaming Free Regime on Business Operations in the Western Balkans Six

Q19. How did the roaming free regime impact your business operations within the Western Balkans Six?

(All respondents, N=1200, share of total, %)



Travel across the Western Balkans Six region with a valid ID card only, would be beneficial to more than half (57% of businesses in the region reported that their business would benefit from it). For one-third of businesses, traveling with valid ID card only will be of no benefit, and 10% did not know or refused to answer. A higher than the regional average number of businesses benefiting from travel with valid ID only are found in Bosnia and Herzegovina (75%), Kosovo* (66%) and Albania (62%). The findings for Bosnia and Herzegovina and Kosovo* can be related also to the applicable visa regime only between these two economies, hence travelling with valid ID card only would benefit these two economies the most. The lowest share of businesses considering travel with valid ID card only is found in Serbia (43%). It is important to note that a relatively large share of businesses in Kosovo* did not respond to this question (21%), and neither did 18% in Montenegro.

Compared to 2023 survey results, the share of businesses expecting to benefit from travelling with ID card only increased by one percentage point only, while the share of those not expecting to benefit dropped from 42% to 33%. However, in this particular question, the share of no response was three times higher in 2024, namely 10% compared to 3%.

Economies should work towards introducing the passport free regime and this would benefit businesses and individuals. In addition, visa free regime between Kosovo* and Bosnia and Herzegovina would benefit both economies.

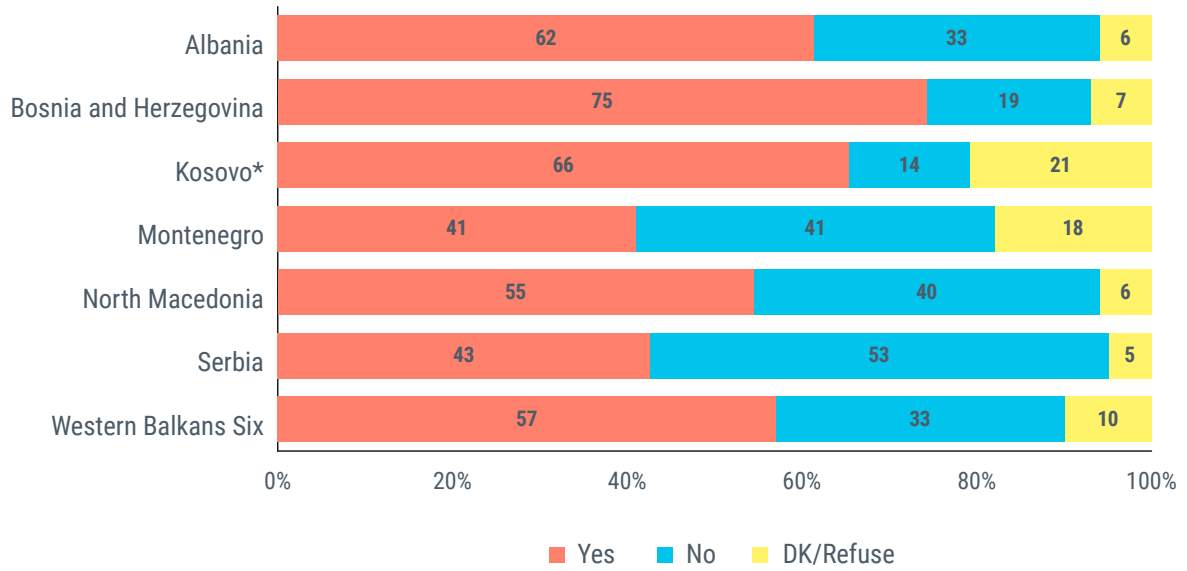


FIGURE 80

Benefit of Traveling with Valid ID Only Across Western Balkans Six for Business

Q20. [S] Will it benefit your business to travel across the Western Balkans Six region with a valid ID card only?

(All respondents, N=1200, share of total, %)



INNOVATION AND TECHNOLOGY

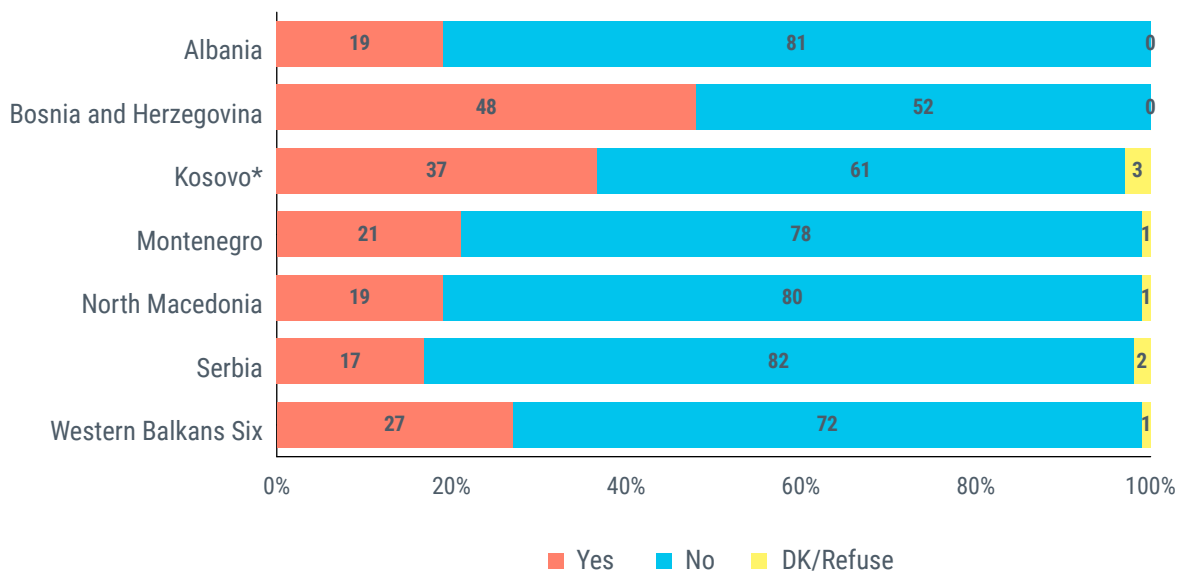
About 27% of companies in the region sell their goods and services online (Figure 81), similar to the finding of the 2023 survey. Overall, the results show some progress from the latest WB DESI Index, in which 21% of SMEs in the WB6 region made online sales in 2021.³ Bosnia and Herzegovina has the highest percentage of online sales with about 48% of its companies selling their goods and services online, followed by Kosovo* with 37%. Further, 21% of the companies from Montenegro sell online, while North Macedonia and Albania have the same share of online sales (19%). The latter is surprising since the 2023 survey found that Albania had the second highest percentage of businesses selling online (43%), with Kosovo* ranking the first in the region. Serbia has the lowest share, with only 17% of the companies selling their goods or services online.

FIGURE 81

Does Your Company Sell Online?

Q32. [S] Does your company sell its goods or services online?

(All respondents, N=1200, share of total, %)



While there has been some progress in online sales, the generated revenues remain relatively modest with an average of about 11.5% in the region. In more detail, 7% of companies in the region derive between 1-20% of their total revenues from online sales, while 11% generate between 21 and 50% of their total revenues from this source (Figure 82). Furthermore, 6% of companies generate over 51% of their total revenues from online sales. These results are broadly similar to those of the 2023 survey.



³ Regional Cooperation Council (2022). Western Balkans Digital Economy Society Index - WB DESI 2022 Report. Available at: <https://www.rcc.int/download/docs/WB%20Desi%20Report%202022%2025%2005%202023%20final%20HR.pdf/43a521a624cf08523a2268a67a7be2ff.pdf>



FIGURE 82

Online Sales Percentage of Total Revenue

Q33. [Q] What percentage of your total revenue comes from online sales?

(All respondents, N=1200, share of total, %)

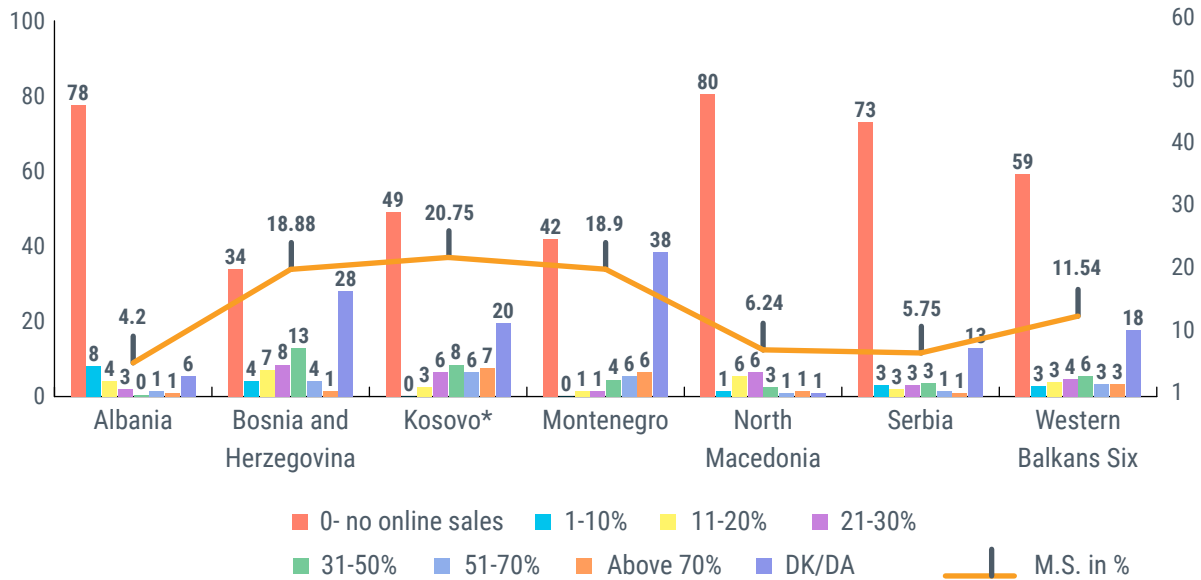


Figure 83 shows the level of usage for various digital systems and services. About 45% of the companies in the WB6 have a website, 44% have an email system, 33% have a computer network system and 35% have a financial/accounting software/system. Further, 18% use client management software/system, 20% use sales management system, and 12% use other Enterprise Resource System (ERP) software. Also, 13% of companies use cloud storage systems and only 2% use AI tools.

Figure 84 shows the usage of e-government services. About 27% of companies in the region use e-government services to do their business registration, 26% to apply for permits/licences, 48% to do their tax filing and payments, and 40% to do their financial statement filings. Further, 19% of the companies in the region use e-government services to conduct their procurement procedures and 8% to do their environmental filings, while 28% use electronic signature.

FIGURE 83

Company Resources: Usage and Availability

Q34. [M] Which of the following does your company use/have?

(All respondents, N=1200, share of total, %)

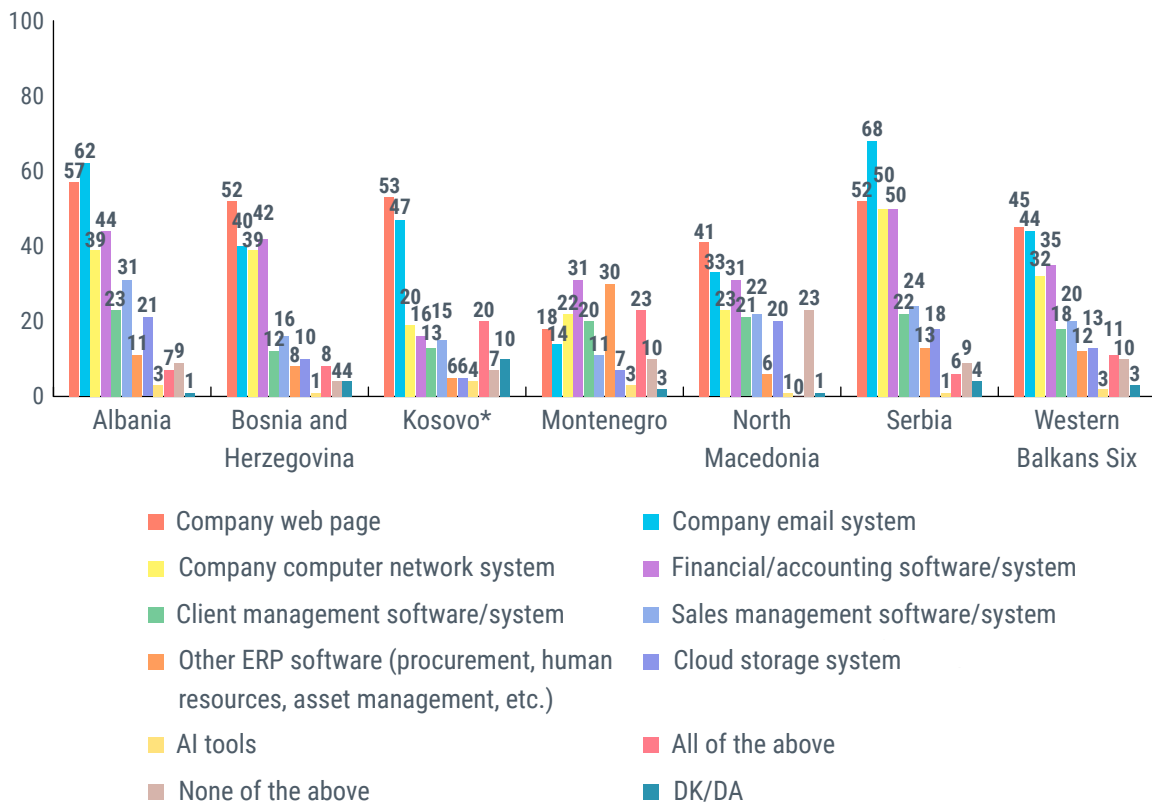


FIGURE 84

E-Government Service Usage in Your Company

Q35. Does your company use any of the following e-government services?

(All respondents, N=1200, share of total, %)

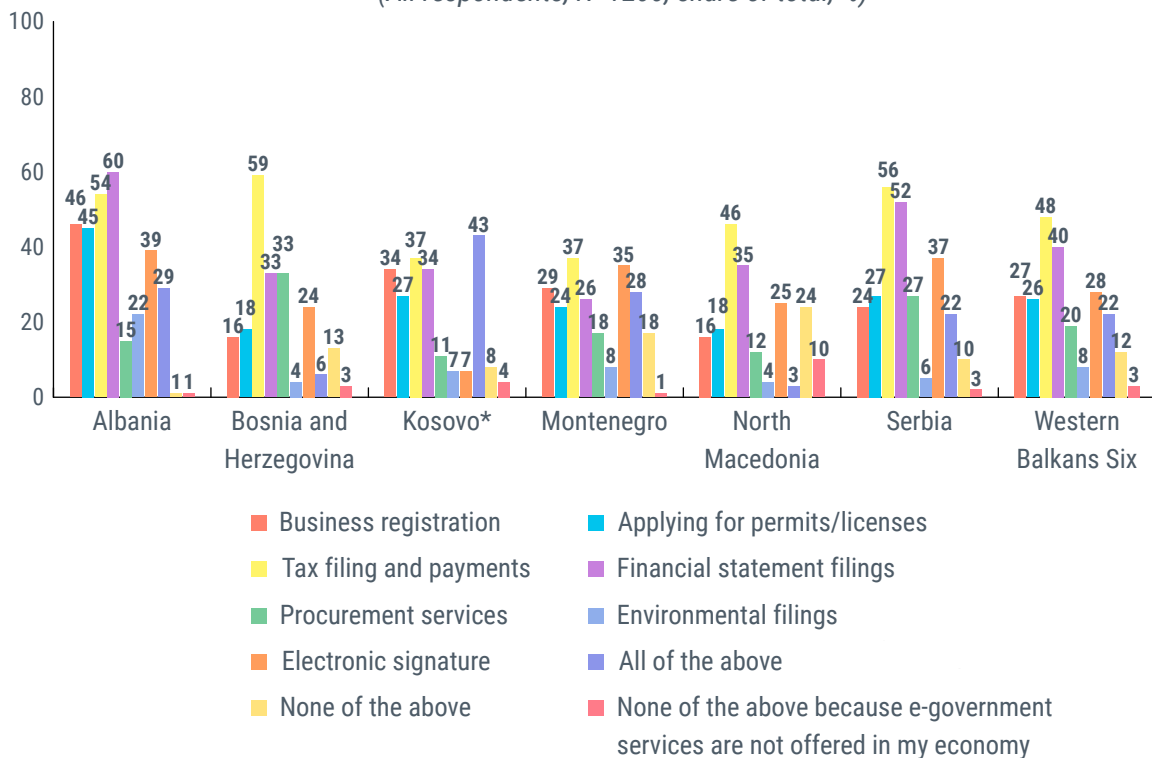




Figure 85 presents the results of the innovation activity of companies in the region. Approximately 16% of companies introduced new or significantly improved products/services that were new to their business in the previous twelve months. This was notably lower than the 24% reported in the 2023 survey. Additionally, 18% of companies introduced new or significantly improved products/services that were new to the (economy) market, up from 12% in 2023. Furthermore, only 2% automated or replaced an existing job position with AI, while 2% engaged in all the activities mentioned above. Differences between economies are small, with Albania having a higher percentage of companies introducing innovation within the business, while Kosovo* has a higher percentage of companies introducing innovation within the market.

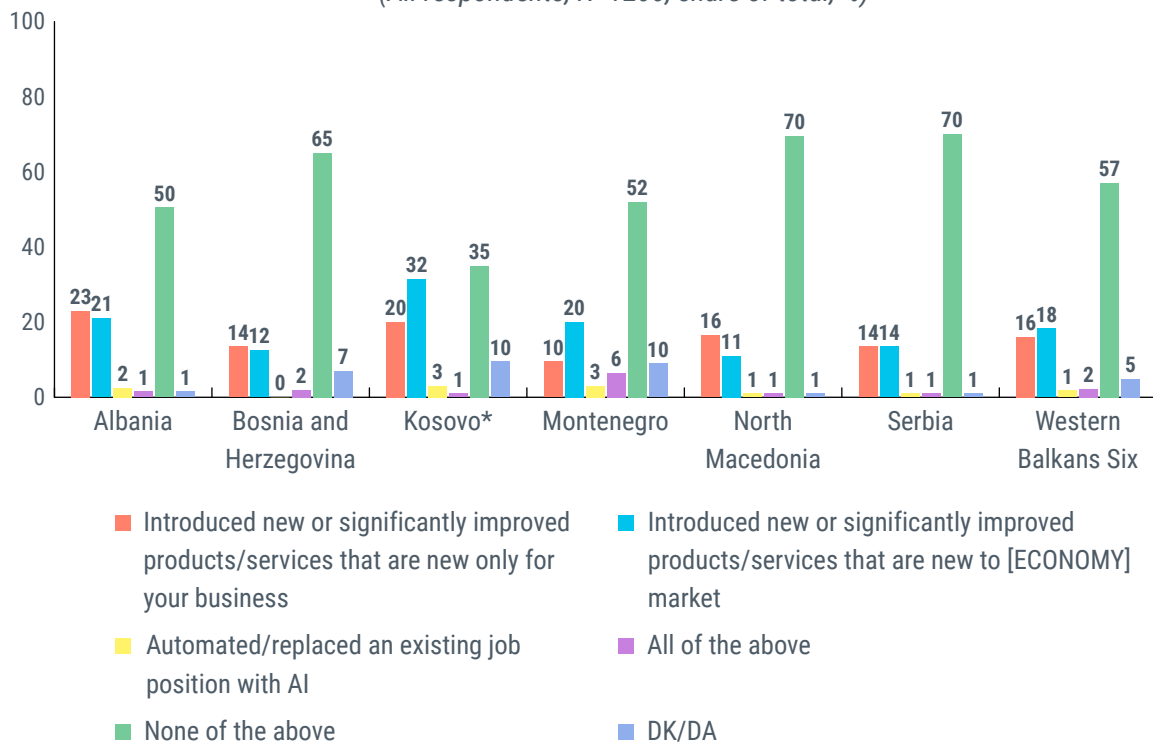
These findings align with the European Innovation Scoreboard 2024⁴, which classifies Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia as Emerging Innovators. According to the report, three of the region’s economies show highest performance across all European economies on at least one indicator: Albania, Bosnia and Herzegovina and North Macedonia on Environment-related technologies, while Serbia leads on two indicators of the Firm Investments dimension within the group performing at the EU level and higher: Non-R&D innovation expenditure and Innovation expenditure per person employed.

FIGURE 85

Company Activities in the Past 12 Months

Q36a. [S] Did your company do any of the following activities in the past 12 months?

(All respondents, N=1200, share of total, %)



4 European Commission, Directorate-General for Research and Innovation, *European Innovation Scoreboard 2024*, Publications Office of the European Union, 2024, <https://op.europa.eu/en/publication-detail/-/publication/8a4a4a1f-3e68-11ef-ab8f-01aa75ed71a1/language-en>

Out of the innovators in the region, 79% have developed these product/service innovations internally, while 22% have done so in cooperation with other companies/organisations, whilst 2% have engaged in both (Figure 86). These findings are very similar to those from the 2023 survey. While most companies innovate using internal resources, the notable exception in the region, showing a stronger inclination to outsource innovation is Montenegro, where 44% of companies have developed innovative products/services through cooperation with other enterprises and organisations. The outsourcing of innovation is also significant in North Macedonia, at 29%.

FIGURE 86**Developers of Product/Service Innovations****Q36b.[M] Who developed these product/service innovations?**

(Those who introduced new/improved products/services or AI, N=458, share of total, %)

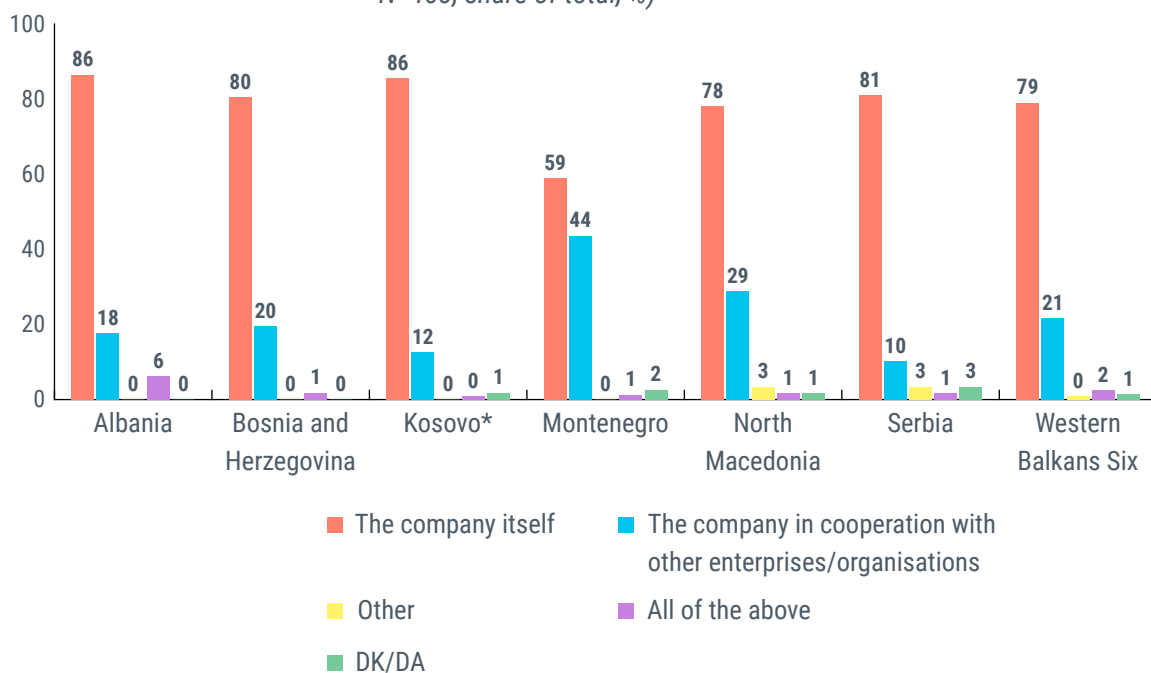


Figure 87 shows a series of statements assessing the innovation environment in the region. Almost 20% of respondents are satisfied with the general environment for generating and implementing new ideas. However, neutrality is high at 41%, and dissatisfaction is also significant at 31%, indicating ambiguity in the perception of the innovation environment.

When looking at different aspects of innovative environment, 24% of the respondents are satisfied with government policies promoting innovative activities (compared to 32% in the 2023 survey), 19% are satisfied with the innovation infrastructure (down from 28% in the 2023 survey) and university–business collaboration in solving practical problems (also down from 28% in the 2023 survey), while 21% are satisfied with the support for innovative ideas from the private sector (compared to 26% in 2023 survey).

Across all these dimensions, neutrality is the prevailing sentiment, similar to the 2023 survey results. However, there is a noticeable decline in satisfaction levels across all innovation dimensions compared to 2023. These findings highlight the need for collaborative efforts from all stakeholders—public sector, universities, and private enterprises—to actively drive innovation forward.



FIGURE 87

Levels of Satisfaction: Assessing Various Aspects

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)

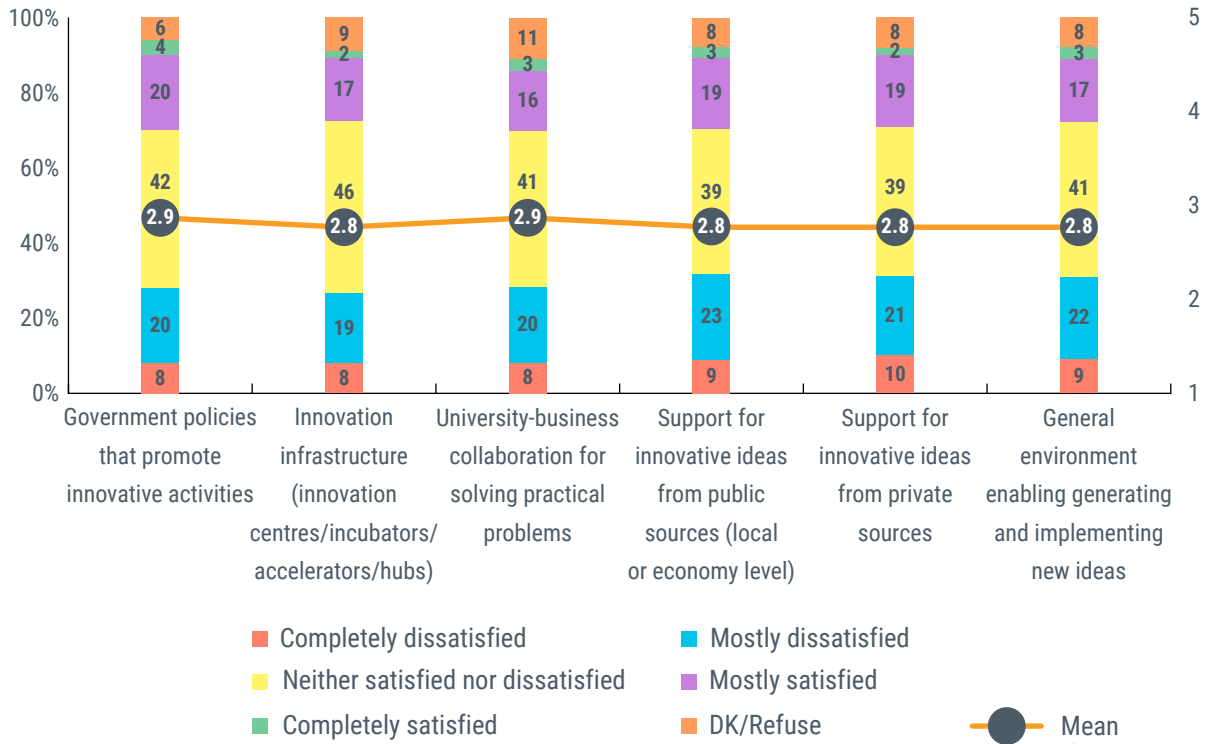


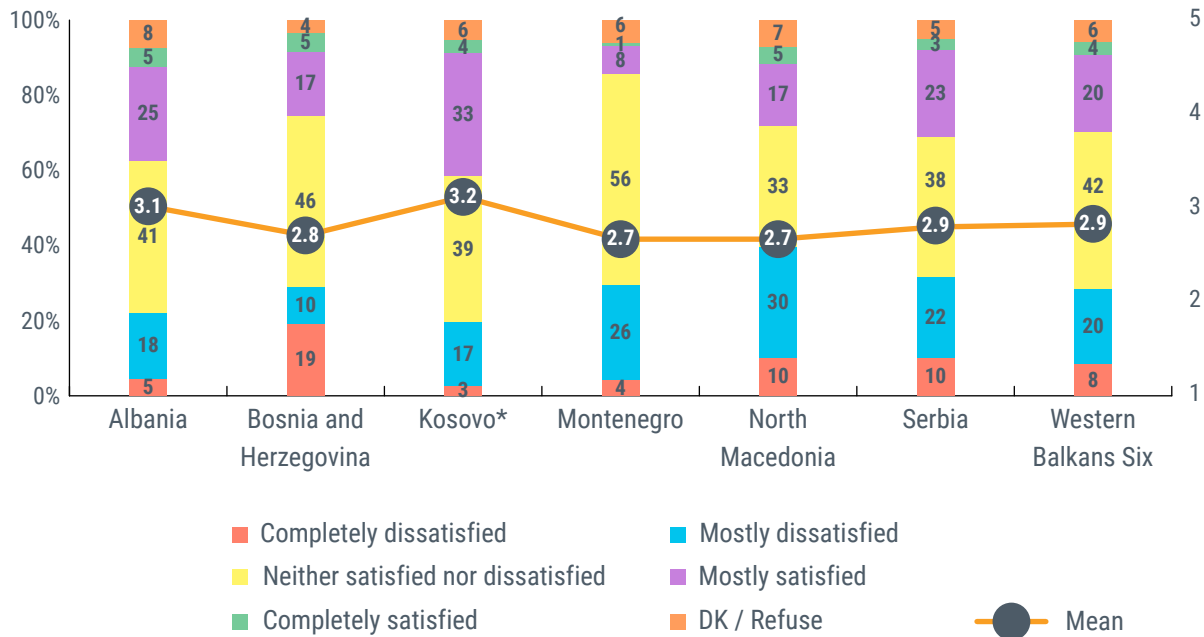
Figure 88 examines satisfaction within the region with government policies that promote innovative activities. Overall, 24% of respondents are satisfied with these policies, though differences across economies can be identified. Kosovo* has the highest level of satisfaction with these policies (37% of respondents), followed by Albania with 30%. Montenegro has the lowest level of satisfaction (9%) but a high rate of neutrality (56%), while North Macedonia shows a low level of satisfaction (22%) and the highest share of dissatisfied businesses (40%). These rankings are similar to those found in the 2023 survey.

FIGURE 88**Satisfaction Levels: Assessing Various Aspects**

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

Government policies that promote innovative activities

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



In regional terms, the innovation infrastructure has the lowest satisfaction level (19%) across all innovation dimensions as shown in Figure 89. Within the region, Kosovo* has the highest rate of satisfaction (28% of respondents), followed by Serbia with 25%. Montenegro has the lowest rate of satisfaction (9%) but a high rate of neutrality (57%). The share of dissatisfied businesses is highest in North Macedonia, and lowest in Kosovo* (20%).



FIGURE 89

Level of Satisfaction with the Innovation Infrastructure Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

Innovation infrastructure (innovation centres/ incubators /accelerators/ hubs

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)

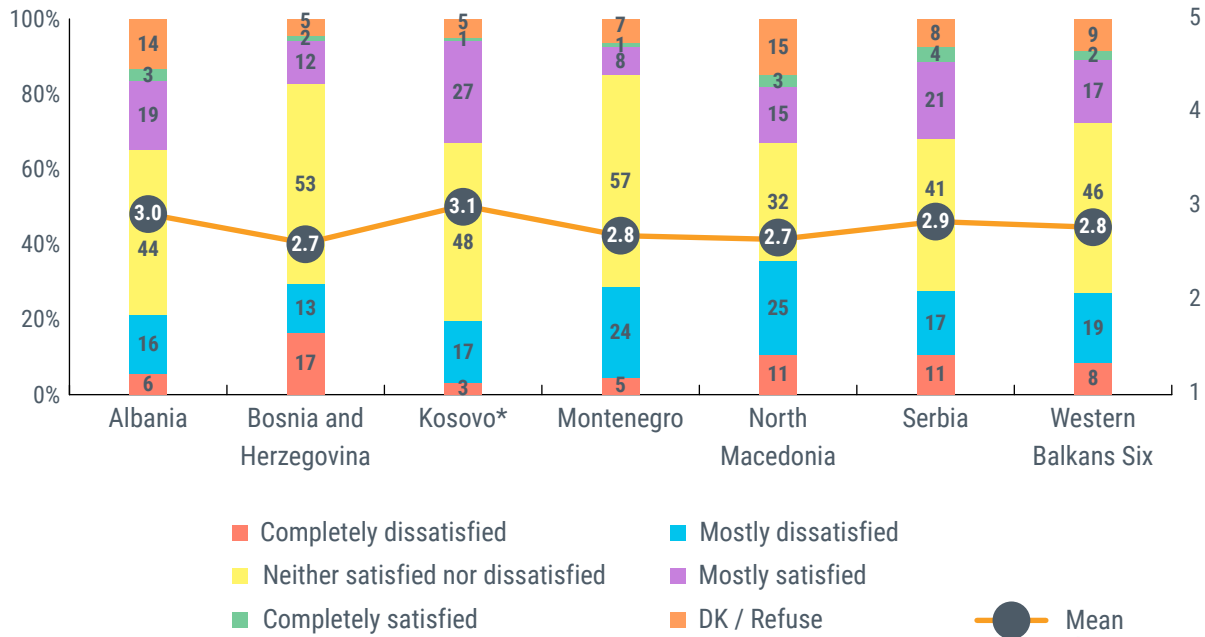


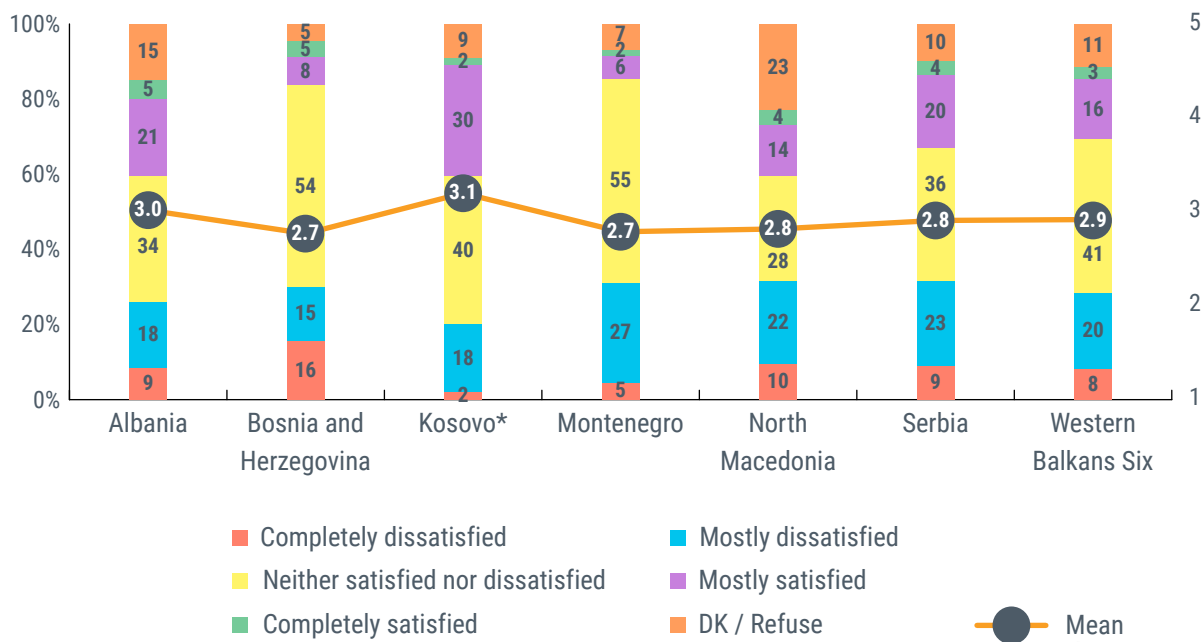
Figure 90 evaluates the university-business collaboration on solving of practical problems. It is a powerful strategy that leverages the expertise of academia and real-world experience of businesses to address tangible challenges. In the region, there is a high level of neutrality (41%) regarding this collaboration. 28% of businesses show dissatisfaction compared to only 19% expressing some satisfaction with the collaboration level. Kosovo* scores the highest, with 32% of businesses being satisfied with this collaboration, while in Albania and Serbia, about one-fourth of businesses are also satisfied. Montenegro stands out on the low side, with only 8% of businesses being satisfied with the university-business collaboration.

FIGURE 90

Level of Satisfaction with the University-Business Collaboration for Solving Practical Problems

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

University-business collaboration for solving practical problems
 (All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



Similarly, considering the satisfaction results of government incentives, there is a low level of satisfaction with the support for innovative ideas from all public sources (Figure 91). About 22% of the respondents in the region are satisfied with the support for innovative ideas from public sources (local or economy level), while 32% are dissatisfied. Again, Kosovo* has the highest level of satisfaction with this support at 32%, while Montenegro continues to score the lowest at 11%.



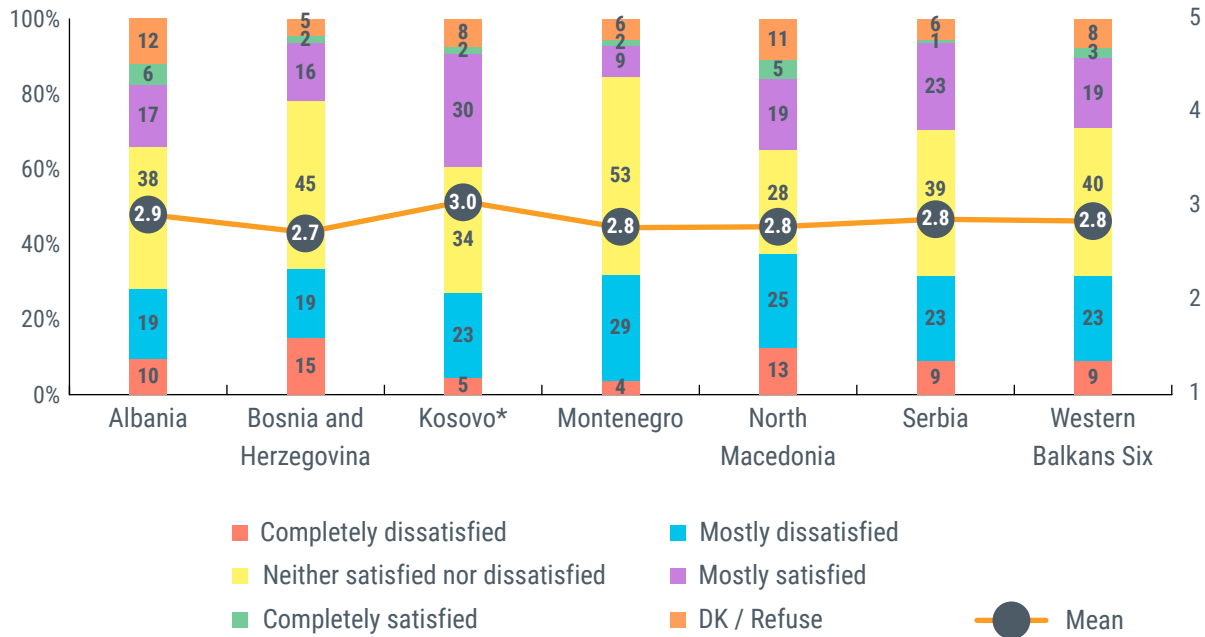
FIGURE 91

Level of Satisfaction with the Support for Innovative Ideas from Public Sources (Local or Economy Level)

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

Support for innovative ideas from public sources (local or economy level)

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



Even regarding the support of innovative ideas from private sources, there is generally low satisfaction level within the region (Figure 92), with only 21% of respondents reporting being mostly or completely satisfied, while the dissatisfaction level is higher by about 10 percentage points. There are regional differences across economies; satisfaction rates among respondents from Albania (31%) and Kosovo*(30%) are the highest, while those from Bosnia and Hercegovina and Montenegro reach 15% and 17%, respectively. Compared to other innovation dimensions, and despite the low level of satisfaction, Montenegro has a higher level of satisfaction with private sector support at 17%, compared to an average of 8% for public sector support.

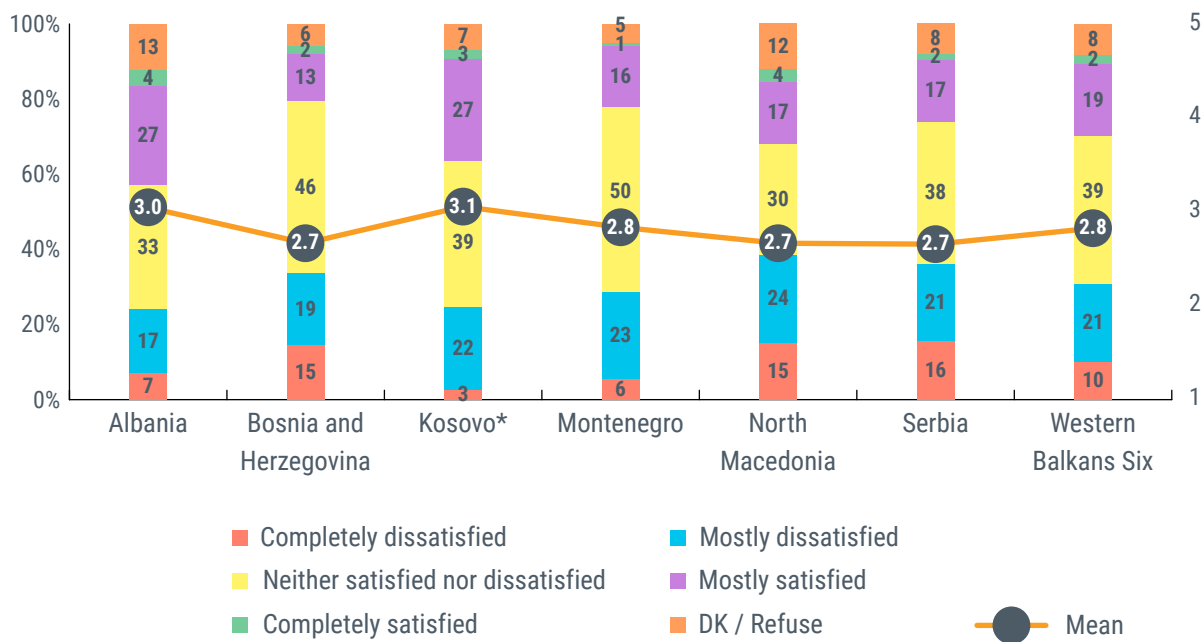
FIGURE 92

Level of Satisfaction with the Support for Innovative Ideas from Private Sources

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

Support for innovative ideas from private sources

(All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



In line with other aspects of innovation support, the level of satisfaction with the environment enabling generating and implementing new ideas is low, as shown in Figure 93. The highest share of businesses is neither satisfied nor dissatisfied at 41%, while only 20% of respondents in the region express some satisfaction with this environment. Kosovo* (32%) and Albania (29%) stand out with relatively high satisfaction shares. Montenegro (11%) and Bosnia and Herzegovina (13%) have the lowest levels of satisfaction.

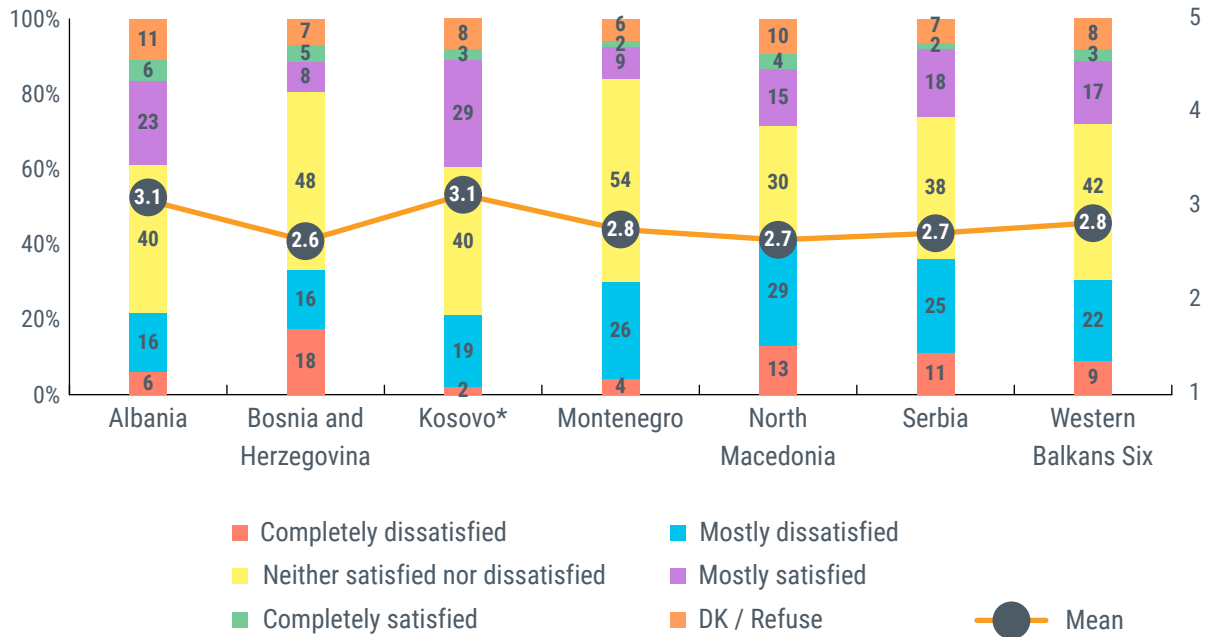


FIGURE 93

Level of Satisfaction with the General Environment Enabling Generating and Implementing New Ideas

Q37. [S PER ROW] Would you say that you are completely satisfied, rather satisfied, neither satisfied nor dissatisfied, rather dissatisfied or completely dissatisfied with the following...

General environment enabling generating and implementing new ideas (All respondents, N=1200, scale from 1 to 5, share of total, %, mean)



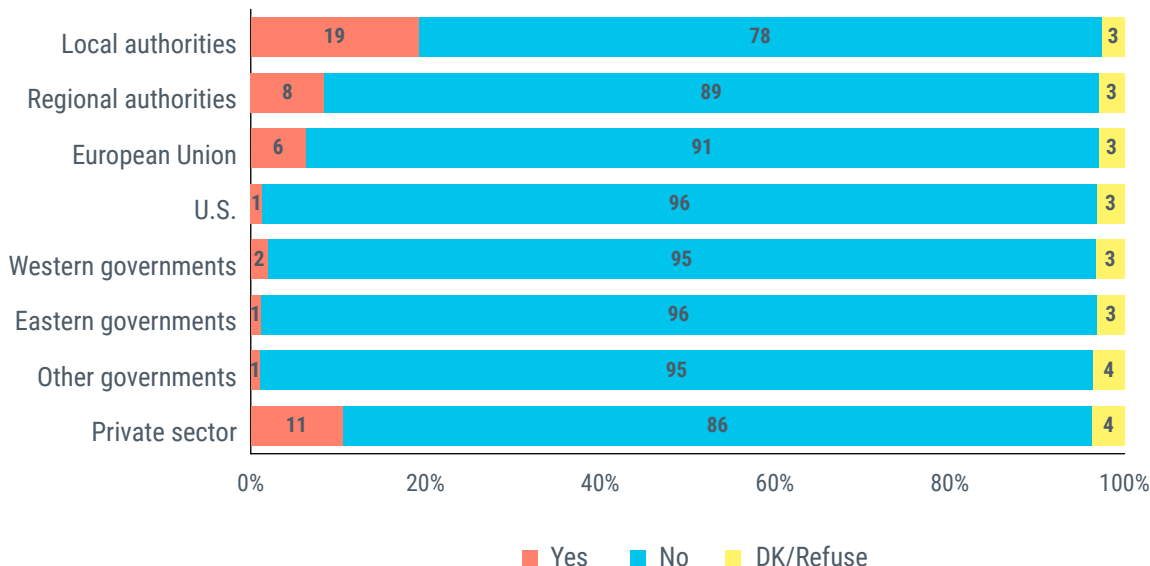
When asked about receiving financial support for innovation, data shows that over 80% of businesses in the region have not received any financial support (Figure 94). Local authorities constitute the main source of funds for those businesses that have received support, followed by the private sector. Only 19% of respondents in the region confirmed that they have received financial support from local authorities for innovation activities in the past three years, while 11% have received it from the private sector. Another 8% have received financial support from regional authorities and 6% from the EU.

FIGURE 94

Financial Support for Innovation: Last 3 Years

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

(All respondents, N=1200, share of total, %)



Considering the financial support for innovation from local authorities, as shown in Figure 95, Bosnia and Herzegovina stands out with the highest support level. Specifically, 46% of respondents confirm that their business has received financial support for innovation activities in the past three years. The figure is also high for Kosovo*, with 27% having received financial support for innovation. On the other hand, Albania (7%) and North Macedonia (5%) report the lowest rate of support.

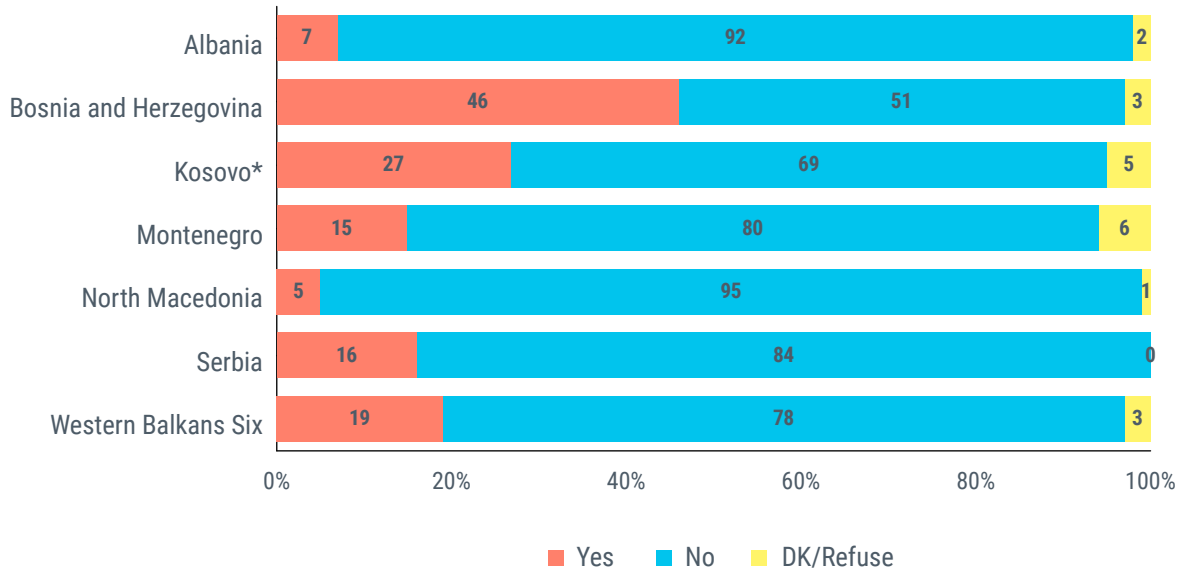


FIGURE 95

Recent Financial Support for Innovation Activities, by Local Authorities Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

Local authorities

(All respondents, N=1200, share of total, %)



Regarding financial support from regional authorities, only 8% of respondent businesses have received any assistance (Figure 96). Serbia leads the way with the highest share of support. About 22% of respondents from Serbia indicate that their businesses have received financial backing from regional authorities for innovation activities over the past three years. The disparity among economies is significant, with the second-highest share recorded in North Macedonia at 10%. Conversely, Albania and Montenegro report negligible shares of businesses receiving any financial support from regional authorities, 4 and 3%, respectively.

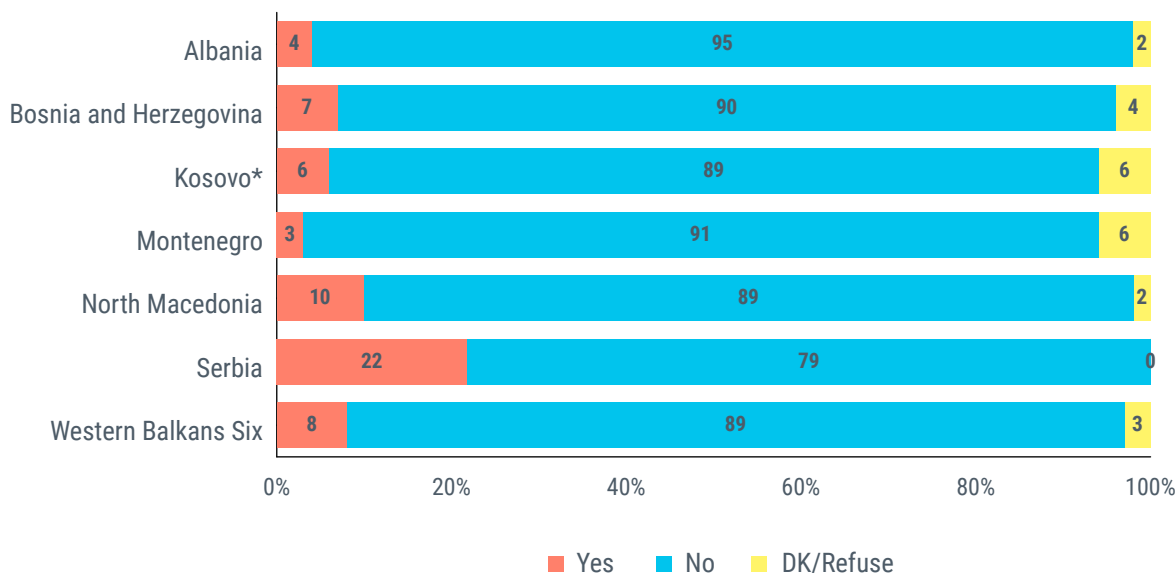
FIGURE 96

Recent Financial Support for Innovation Activities by Regional Authorities

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

Regional authorities

(All respondents, N=1200, share of total, %)



When compared to financial support from local and regional authorities, data in Figure 97 shows a significantly lower rate of financial assistance from the European Union for business innovation activities, with only 6% of surveyed businesses receiving such support. Bosnia and Herzegovina (12%) and North Macedonia (11%) have the highest proportions, while Albania and Serbia have the lowest share, at only 3%. Overall, these findings are very similar to those reported in the 2023 survey.



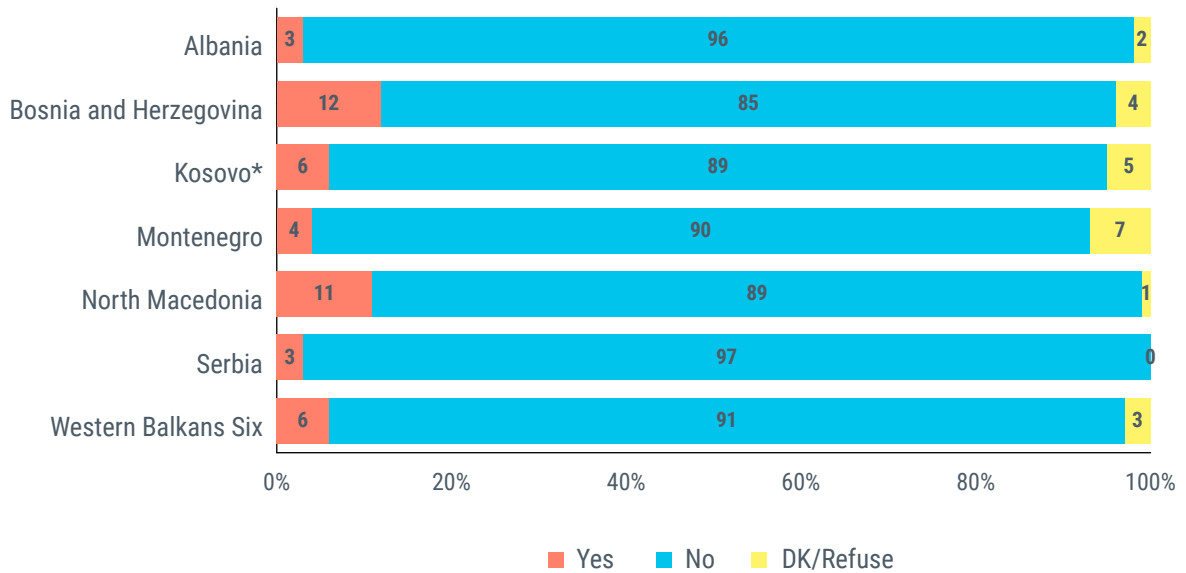
FIGURE 97

Recent Financial Support for Innovation Activities by the European Union

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

European Union

(All respondents, N=1200, share of total, %)



Financial support for innovation from the United States is almost negligible, with North Macedonia showing a slight difference at 4%, compared to just 1% or 2% in other economies (Figure 98).

FIGURE 98

Recent Financial Support for Innovation Activities by the United States of America

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

United States of America

(All respondents, N=1200, share of total, %)

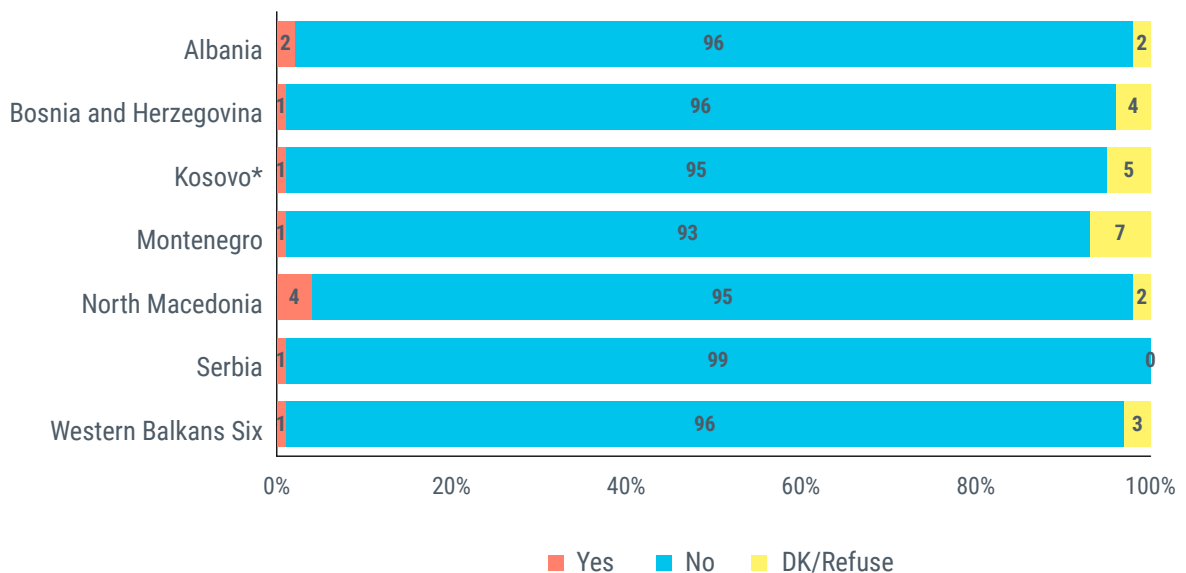


Figure 99 illustrates the shares of businesses in the region that have received financial support from Western Governments for innovation activities. In the region, only 2% of businesses have received such support. The shares are slightly higher in North Macedonia (4%) and Montenegro (3%).

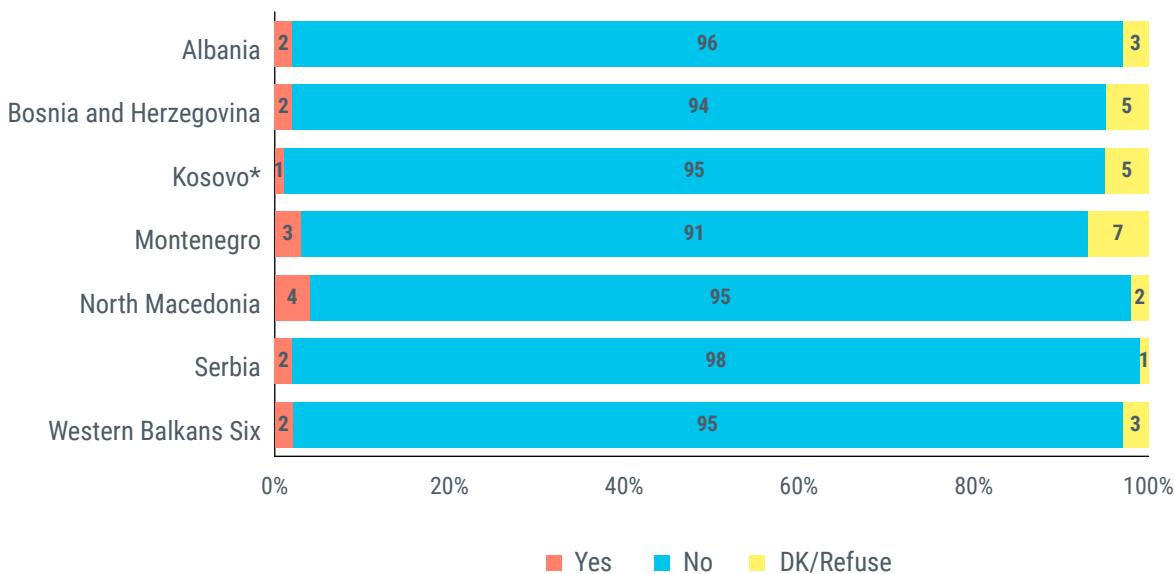
FIGURE 99

Recent Financial Support for Innovation Activities by Western Economies

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

Western Economies

(All respondents, N=1200, share of total, %)



Financial support is almost negligible from Eastern Governments as shown in Figure 100. Only 1% of the respondents in the region report that their businesses have received financial backing from Eastern governments for innovation activities over the past three years, with little difference between the economies.



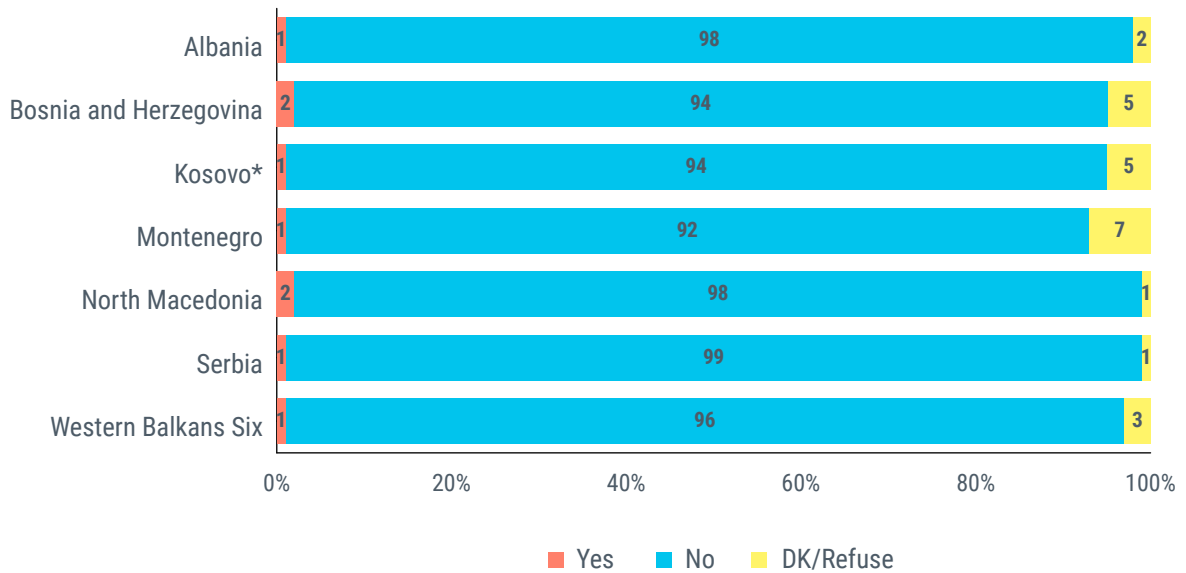
FIGURE 100

Recent Financial Support for Innovation Activities by Eastern Economies

Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

Eastern Economies

(All respondents, N=1200, share of total, %)



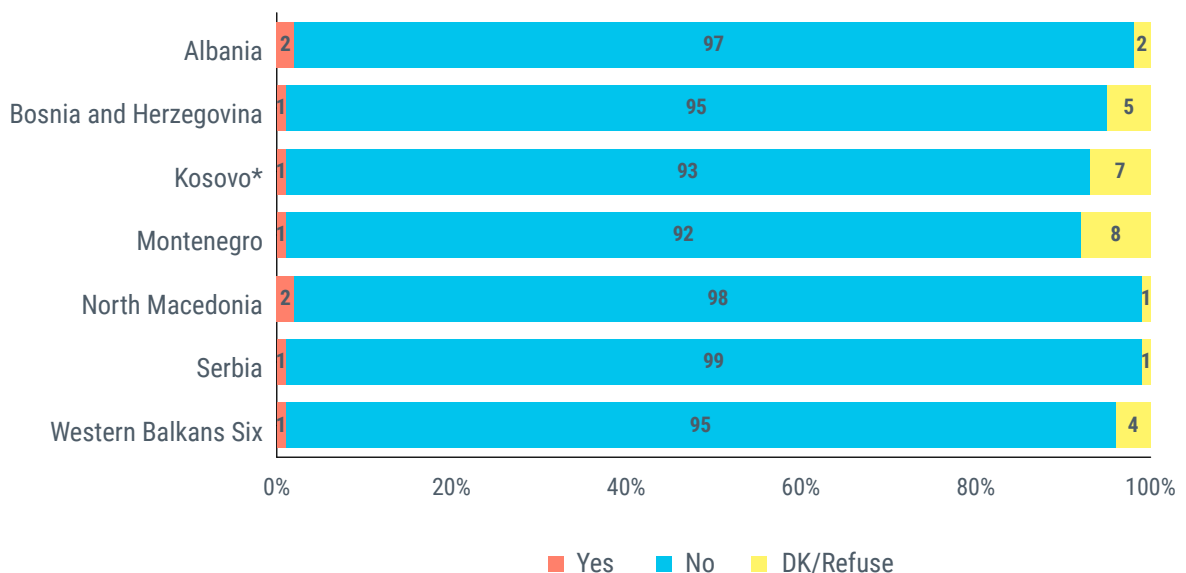
Similarly, about 1% of the respondents in the region indicate that their businesses have received financial backing from other governments for innovation activities over the past three years, with little difference between the economies (Figure 101).

FIGURE 101

Recent Financial Support for Innovation Activities by Other Governments

Figure 27: Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years? - Other governments

(All respondents, Single answer per row, N=1200, share of total, %)



The financial support from the private sector in the region is notably encouraging, ranking as the second most prominent source among those mentioned and having increased significantly since the 2023 survey. Although only 11% of businesses in the region report receiving financial support from private businesses (Figure 102), the results show a significant increase compared to 4% in the 2023 survey results. Within the region, Montenegro boasts with the highest percentage of businesses confirming receipt of financial support from the private sector for innovation activities at 24%, followed closely by Albania at 19%. These figures significantly surpass those of the other economies, as the remaining economies report percentages below 10%.

FIGURE 102

Recent Financial Support for Innovation Activities by the Private Sector
Q38. [S PER ROW] Did your business receive financial support (tax facilities, grants, subsidised loans, loan guarantees, etc.) for innovation activities from the following sources in the past three years?

Private sector

(All respondents, N=1200, share of total, %)

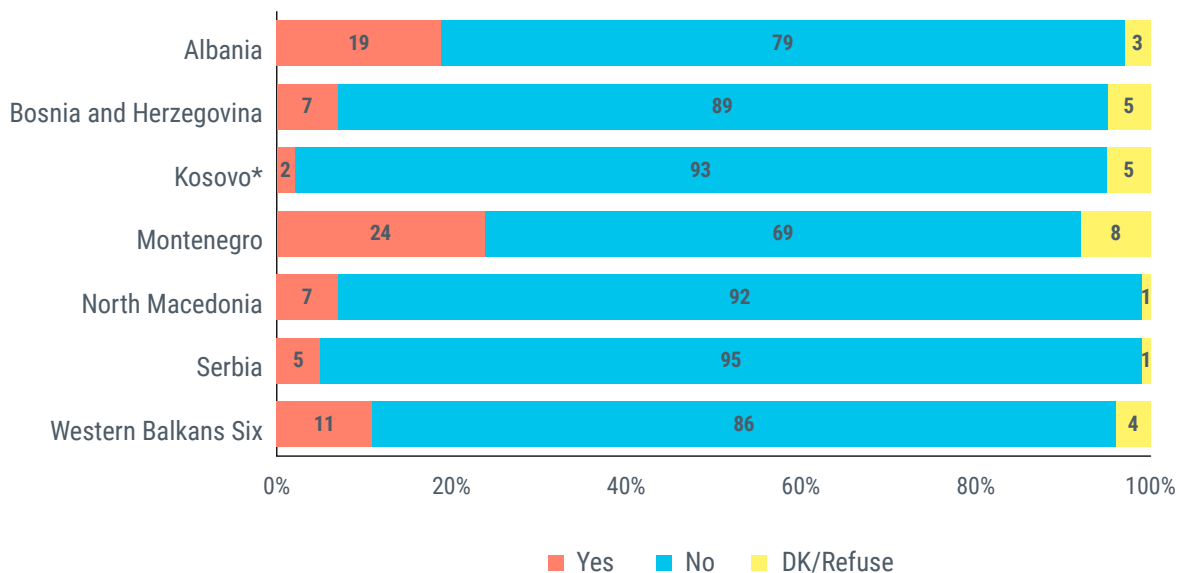


Figure 103 shows the likelihood of businesses investing their own funds in research and development to innovate and enhance products or services over the next three years, aiming to assess the strategic foresight and innovation readiness of enterprises in the region. On average, around 52% of the respondents confirm it is likely their business will invest its own funds in research and development to develop new or significantly improved products/services in the next three years. Within the region, Kosovo* stands out with 73% of businesses confirming their intention to invest, followed by Bosnia and Herzegovina (65%), and Albania (63%). North Macedonia (36%), Montenegro (35%) and Serbia (33%) show a lower inclination towards such investments.



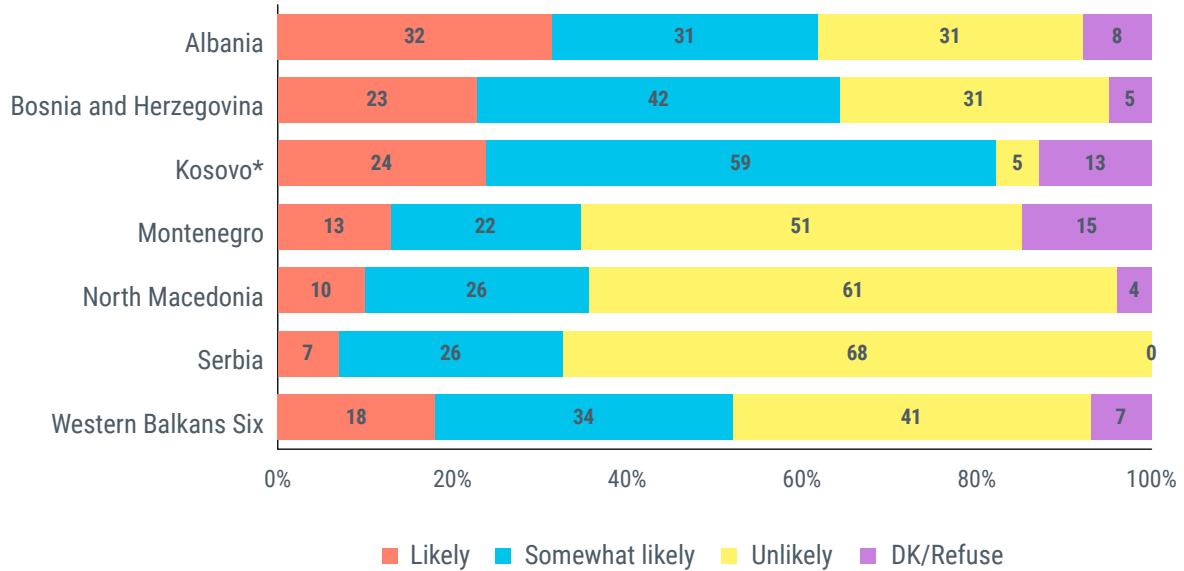
FIGURE 103

Future R&D Investment Likelihood

Q39. [S] How likely is it that your business will invest its own funds in research and development in order to come up with new or significantly improved products/services in the next three years?

Sources of Information about RCC by Economy

(All respondents, N=1200, share of total, %)



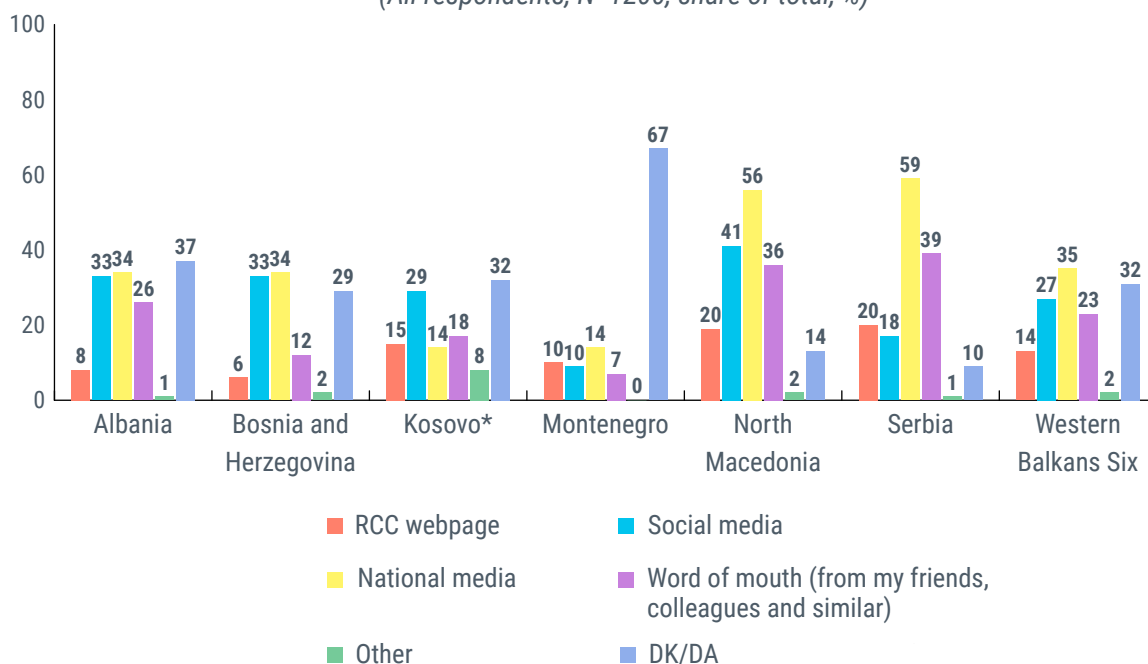
Sources of Information about RCC by Economy

Domestic media constitute the most prominent source of information about RCC, with an overall reach of 34.8%. In Albania and Bosnia and Herzegovina, 33.5% of respondents get their information from domestic media. In Kosovo* and Montenegro, the influence is smaller, at 14% in each. However, domestic media’s impact is particularly strong in North Macedonia and Serbia, where they are the main source for 55.5% and 58.5% of respondents, respectively. This highlights the crucial role of domestic media, especially in North Macedonia and Serbia. Social media are an important source of information about RCC, with an overall reach of 26.7%. It has a strong presence in Albania and Bosnia and Herzegovina, where 32.5% of respondents in each economy cited it as their source. In Kosovo*, 28.5% of respondents rely on social media. The influence is even more pronounced in North Macedonia, with 41% of respondents using it for RCC information. In contrast, social media play a smaller role in Montenegro (9%) and Serbia (16.5%). These figures highlight the significance of social media, particularly in Albania, Bosnia and Herzegovina, and North Macedonia. Word of mouth has a significant influence, with an overall reach of 22.8%. In Albania, 25.5% of respondents hear about RCC this way, compared to 12% in Bosnia and Herzegovina and 17% in Kosovo*. Its influence is lower in Montenegro at 7%. However, it is particularly strong in North Macedonia and Serbia, where 36% and 39% of respondents rely on it, respectively. This underscores the important role of personal networks, especially in North Macedonia and Serbia. The RCC website is a less dominant source overall, with an overall reach of 13%, but it has higher influence in specific economies. In Albania and Bosnia and Herzegovina, it accounts for 8% and 6% of respondents, respectively. In Montenegro, it reaches 10% of respondents. The website’s influence is more substantial in North Macedonia (19%) and Serbia (20%), with Kosovo* at 15%. This indicates the important role

of the RCC website, especially in Kosovo* and Serbia. Other sources of information about RCC are minimal across all economies, with a total coverage of only 2%.

FIGURE 104

Sources of Information about RCC by Economy
Q40. [M] How did you hear about the Regional Cooperation Council (RCC)?
(All respondents, N=1200, share of total, %)





METHODOLOGY NOTE

Quantitative research methodology was used for Business Opinion Survey, as well as CAPI (Computer-Assisted Personal Interviewing) as the data collection method.

The survey was conducted via personal household interviews carried out by trained interviewers from Data Centrum Research institute in March-April 2024 in Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and in Serbia. Fieldwork and data collection was implemented between 5 March and 4 April.

Questionnaire

The survey questionnaire was provided by the RCC.

The Business Opinion Survey questionnaire was composed of 40 main study questions and 11 questions on screening and business demographics section.

The questionnaire was originally written in English and subsequently translated into related local languages.

In Kosovo*, both Albanian and Serbian language versions of the questionnaire were used, and in North Macedonia, the questionnaire was translated and used in Macedonian and Albanian languages.

RCC reviewed and approved all the translations of the questionnaires.

Since CAPI methodology was used in this research, all questionnaires were scripted to a digital form and installed on interviewers' tablets.

The programmed questionnaires were reviewed by a responsible person in each economy.

Interviewers

The survey was conducted by experienced interviewers in all economies. All interviewers were trained for the specific project and were given written and verbal instructions containing general description of the questionnaire, of the method of selecting the companies and of the respondent selection method. In addition to the instructions, all interviewers were trained to understand research goals, interviewing method and eligible respondent selection (a member of a company's management board/team). In addition, project coordinators reviewed the entire digital questionnaire jointly with the interviewers and emphasised some important elements

Pilot Testing

A pre-test of up to 30 interviews (5 per economy) with businesses was conducted, which is not included in the final sample. Respondents come from different business sectors and types.

Sample

Business Opinion Survey was conducted among N=200 respondents in each economy, with a total of 1,200 respondents for the entire WB6 region. For the Business Opinion Survey, the target respondents were the following:

- Any of the management positions: Chief Executive, President, Vice president, Owner/proprietor, Partner, Director, General Manager, Manager, or Finance Officer.
- With different sectors and business types.

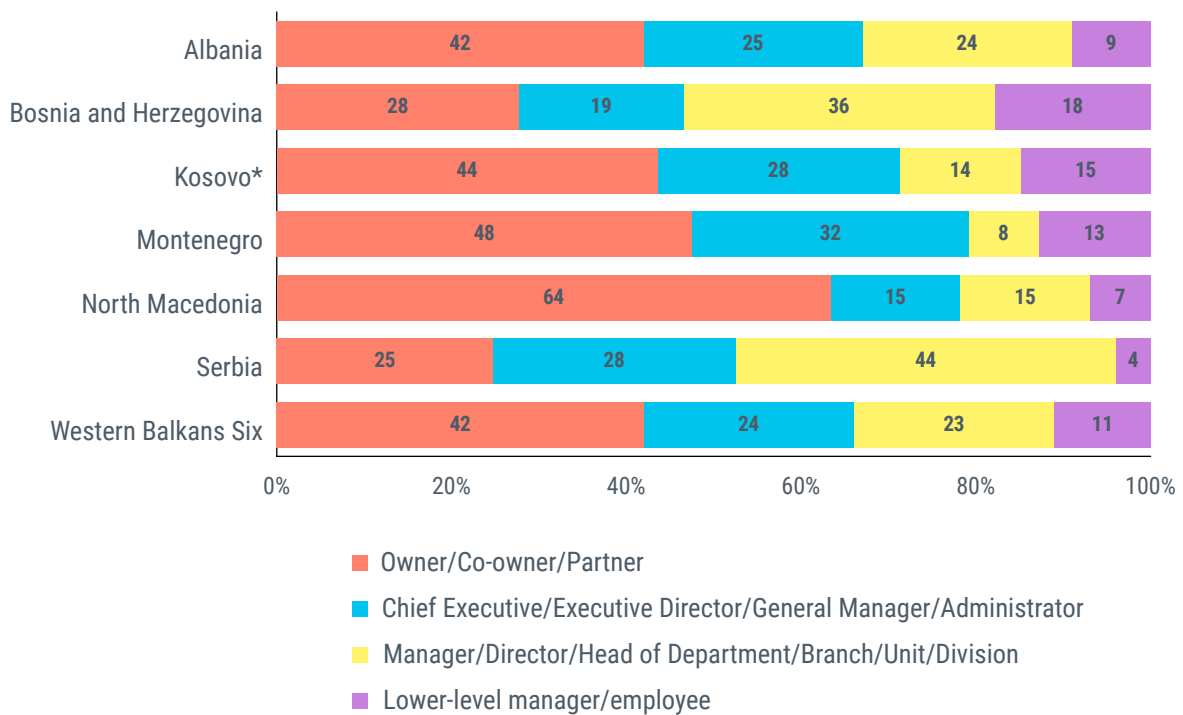
The sample was prepared by using the latest official data of the National Business Centre, in each of the economies.

LOI - The length of interview was 30-35 minutes. Response Rate is considered average at 20% in all economies.



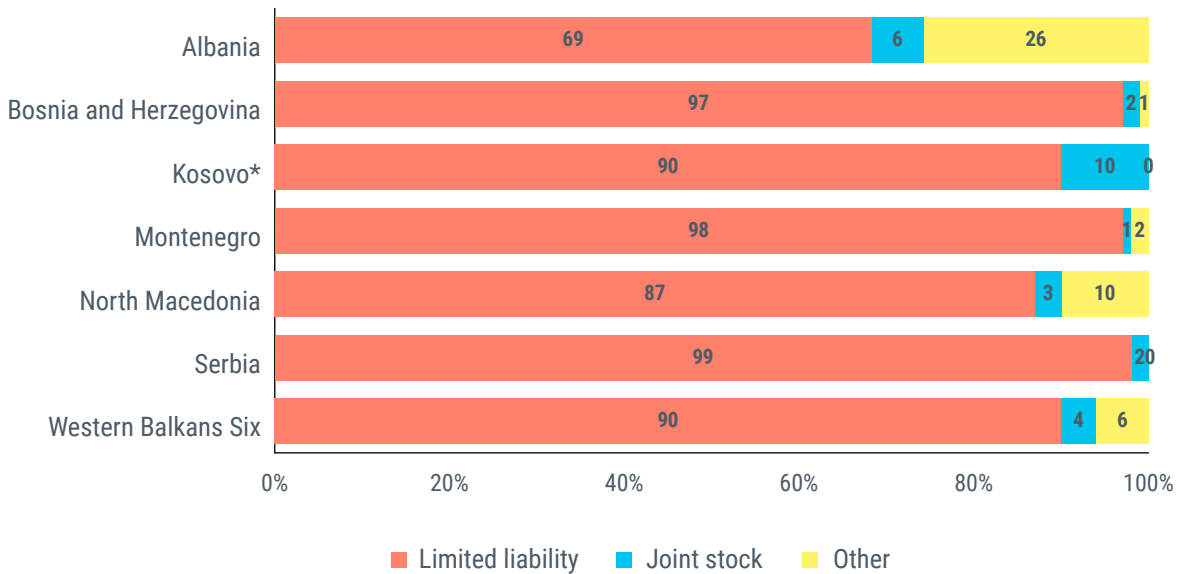
DESCRIPTIVE INTERPRETATIONS OF SAMPLE STRUCTURES

Sample structure by respondent's position



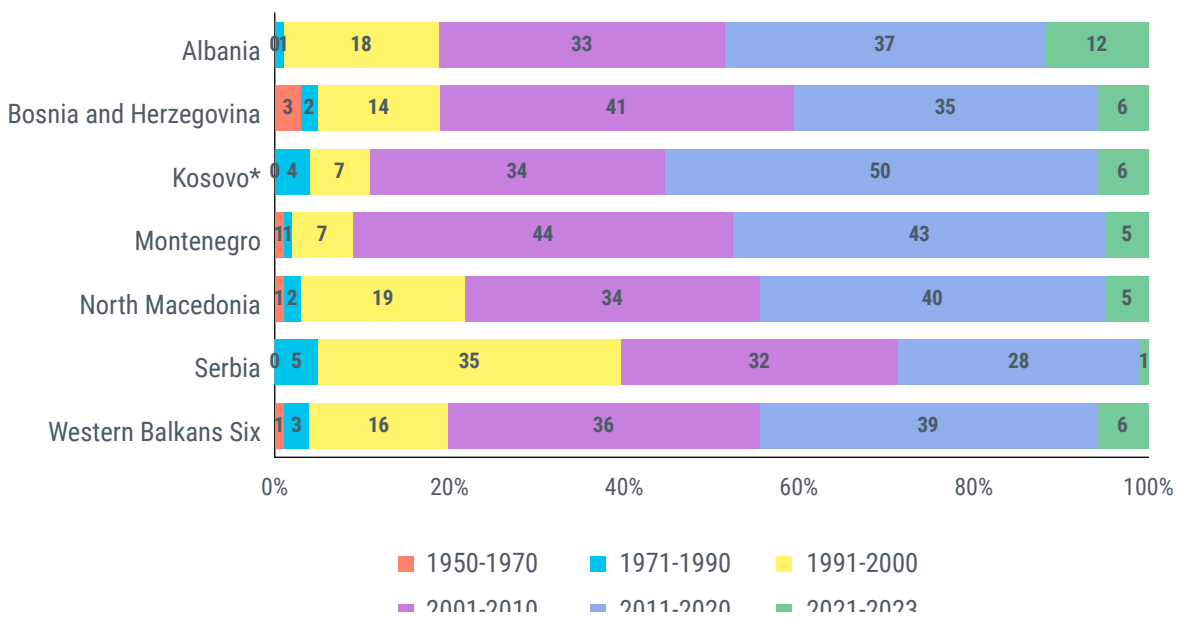
Regarding respondent's position, North Macedonia has the highest percentage of respondents identifying as owners/co-owners/partners (64%), while Serbia has the highest percentage of respondents who are managers/directors (44%). Bosnia and Herzegovina has a notably higher percentage of managers/directors compared to owners/co-owners/partners and executives (36% and 28% respectively). In general, the proportion of lower-level managers/employees participating in the survey is relatively lower compared to other positions across all regions with an average of 41.86% of owners/co-owners/partners, 24.43% of C-Level executives/general managers/administrators, and 23.43% of managers/heads of dept./branch/unit/division.

Sample structure by legal form of businesses



Regarding legal forms of businesses, there is an overwhelmingly large percentage of Limited Liability compared to joint stock and others, with an average of 90% of LLCs compared to an average of 4% of joint stock companies, followed by 6.42% of other types of business. The latter figure has Albania’s percentage as an outlier, standing at 26% of other types of business as a legal form of enterprise. Excluding Albania, the average respondents of this type of businesses would stand at 3.17%.

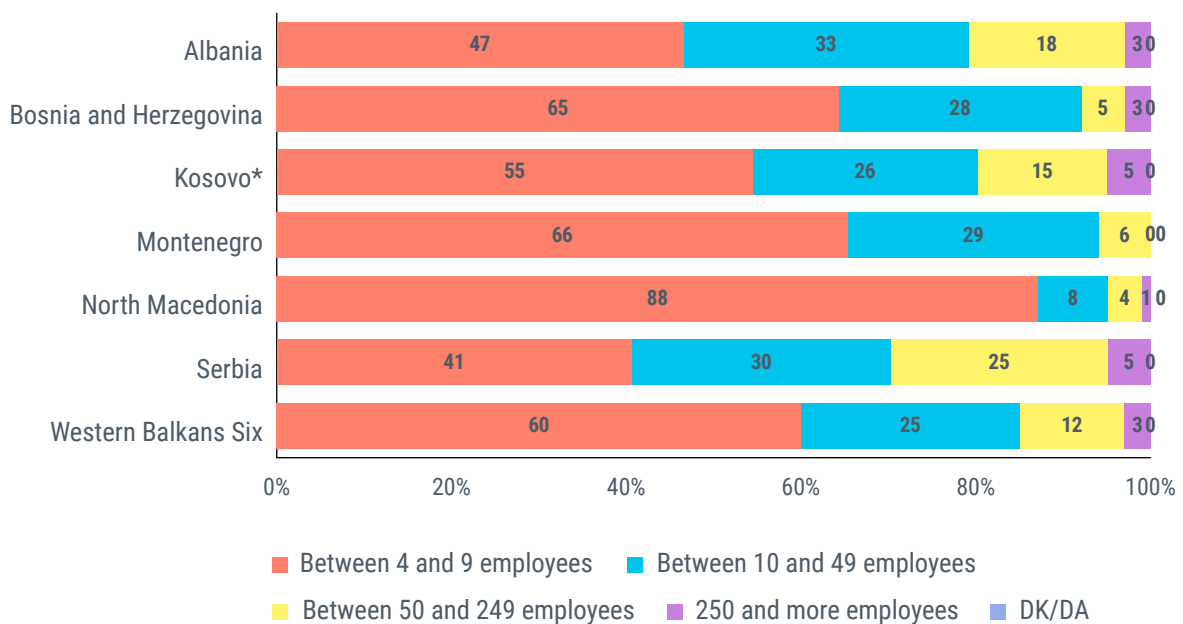
Sample structure by year of enterprise establishment





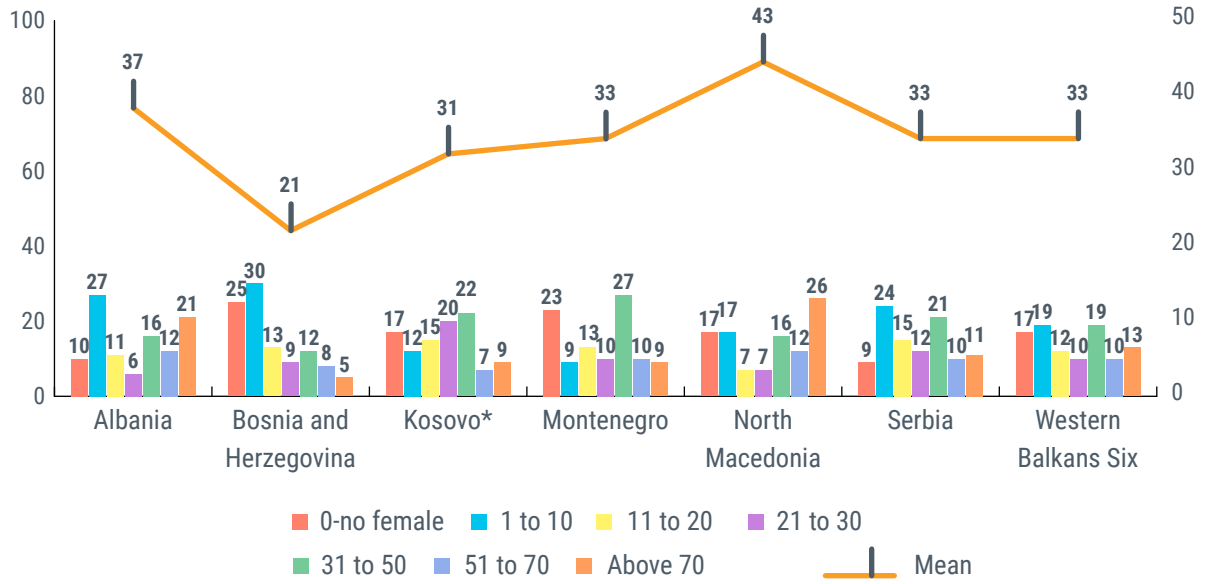
In the third question concerning the period between 1950 and 1970, an almost insignificant number of companies can be observed with Albania, Kosovo*, and Serbia having 0 companies, followed by Montenegro and North Macedonia with only 1 company, and Bosnia and Herzegovina with 3 companies. One can also observe a small number of established businesses between 1971 and 1990 with an average of 3 for the entire Western Balkans Six region. The aforementioned results can be explained with the fact that the Western Balkans Six was under the communist rule for most of these time periods. During the 1990s, the numbers begin to increase, with an average of 16 companies for the Western Balkans Six region, with Serbia as the frontrunner with 35 founded companies, followed by North Macedonia with 19 businesses as the top two economies. Between 2001 and 2020, a significant change can be observed with an average of 36 companies from 2001 to 2010, and 39 companies from 2010 to 2020. There is an interesting note to take on the rate of businesses establishment per year, for each time range. Taking the last two periods, 2011-2020 and 2021-2023, one can note that, albeit having an average of 3.9 businesses established per year for the period between 2011 and 2020, there is an average of 2 enterprises established per year from 2021 to 2023. Following the latter argument, Serbia is the economy with the lowest rate in the Western Balkans Six in 2021-2023 with an average of 0.3 enterprises / year, compared to 2.8 enterprises / year.

Sample structure by number of employees



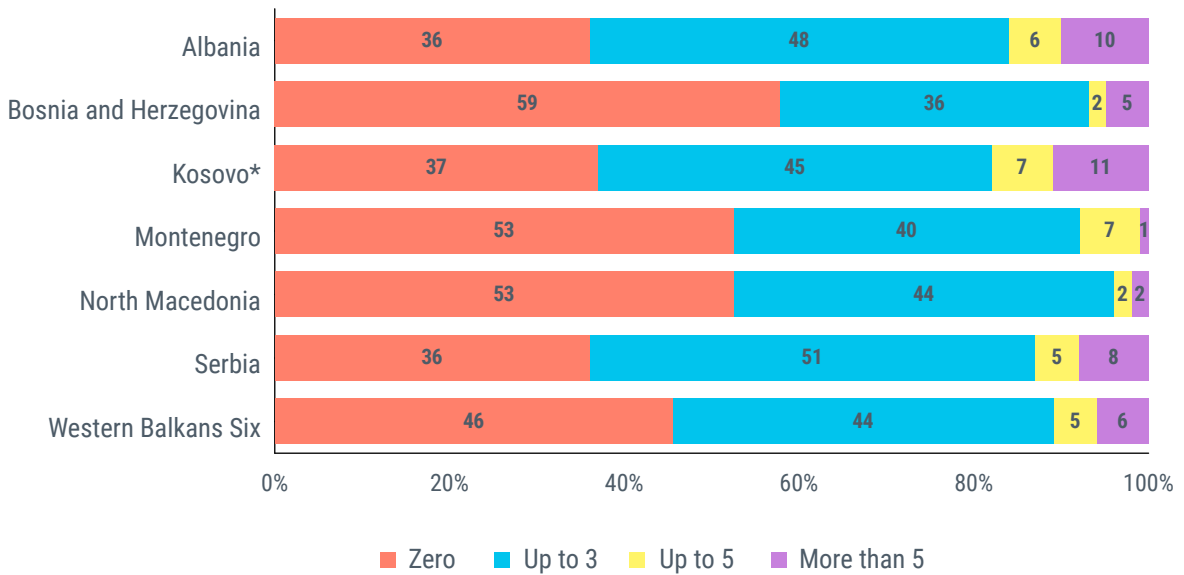
In the graph above, it can be noted that the majority of economies, with the exception of Serbia and Albania, have more than 50% of businesses with a number of employees between 4 and 9. The three economies with the highest number of businesses under this category are North Macedonia with 88% businesses, followed by Montenegro with 66%, and Bosnia and Herzegovina with 65%. On average, there is a total of 25% of businesses per economy with a number of employees between 10 and 49, 12% of businesses per economy with a number of employees between 50 and 249, and 30% with an employee range of 250 and more.

Sample structure by number of female full-time employees



In the graph above, it can be shown that North Macedonia leads the way with the highest percentage.

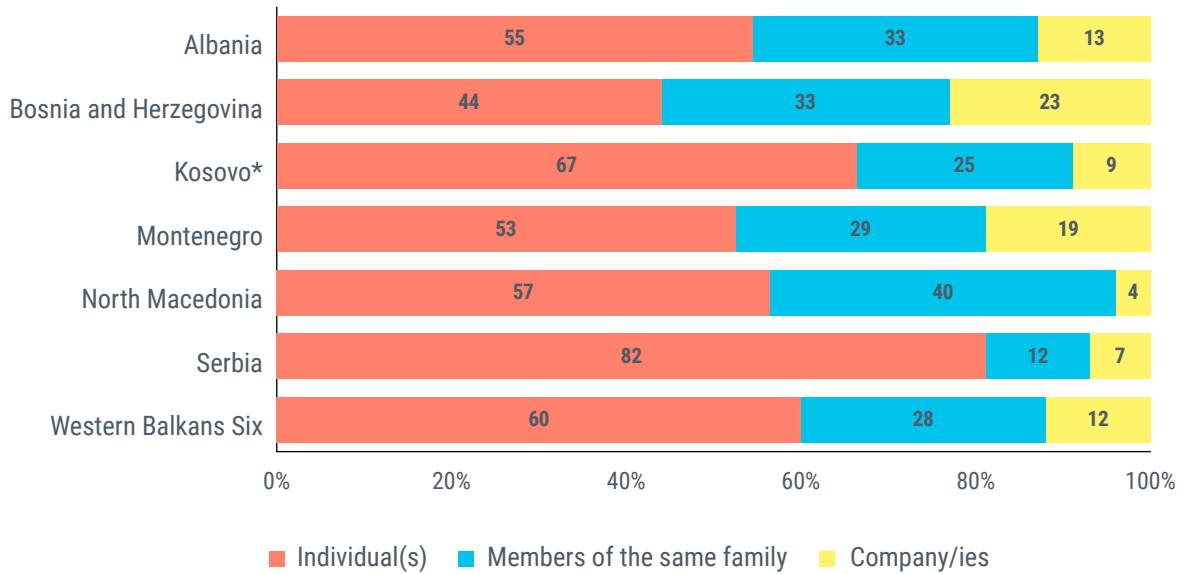
Sample structure by number of women in leading/managerial positions



When it comes to women in leadership positions, one can observe an almost equivalent share between averages, from economies having enterprises with 0 female leaders/managers at 46%, and economies having businesses with up to 3 female leaders/managers at 44%, followed by a sharp drop for enterprises with up to 5 female leaders/managers at 5%, and lastly those with more than 5 female leaders/managers at 6%. All of these are the average figures for the Western Balkans Six region.

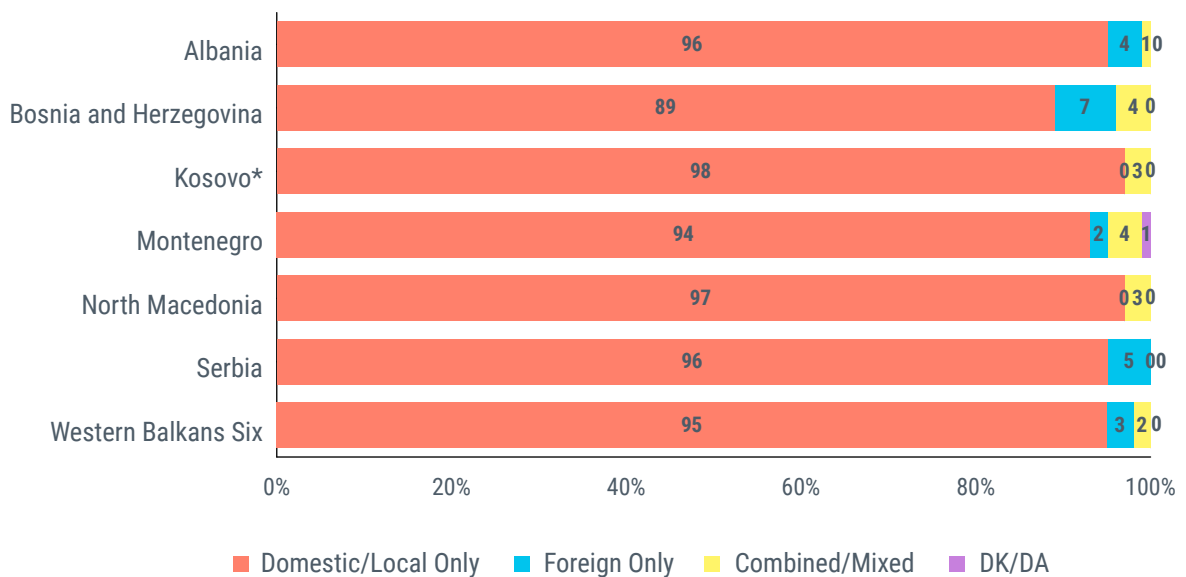


Sample structure by the largest shareholder(s) in the company



In this metric, Serbia leads the way when it comes to businesses with mostly individuals at 82% of businesses, followed by 12% of Serbia’s operating businesses with largest shareholders being family members, and 7% with the largest shareholders being other companies/ businesses. Kosovo* is the second economy with the highest percentage of companies with a majority of individual shareholders, standing at 60% of such businesses, followed by 28% of businesses with the majority of shareholders being members of the same family, and 12% of businesses having other companies as major stakeholders.

Sample structure by company ownership



When it comes to this metric, it can be noted that Serbia is the economy with 0 businesses with a domestic and foreign combination of ownership. Bosnia and Herzegovina, and Montenegro are the economies with the highest mixed ownership percentage, both standing at 4% of total businesses. Of all the Western Balkans Six, only Bosnia and Herzegovina has less than 90%, standing at 89% of businesses with domestic/local ownership only. Kosovo* and North Macedonia are the two economies with 0 businesses made up of only foreign ownership. Bosnia and Herzegovina and Serbia lead the way on the latter, with 7% and 5% respectively, of businesses with a foreign-only ownership.

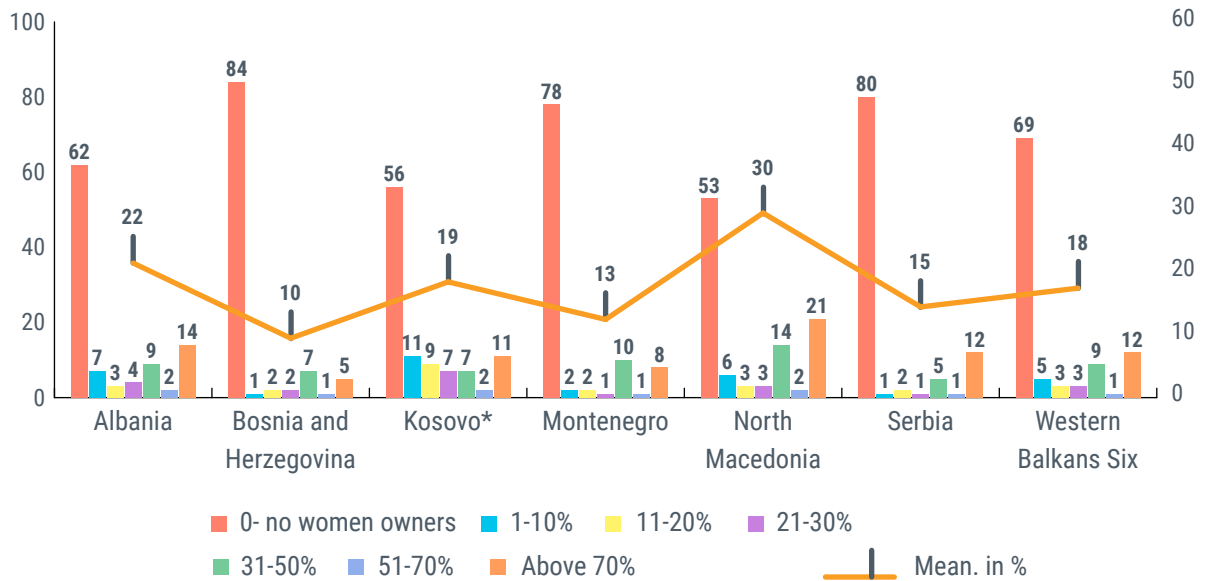
Sample structure by the economy of origin of foreign stakeholders

Economy of origin	Albania	Bosnia and Herzegovina	Kosovo*	Montenegro	North Macedonia	Serbia	Western Balkans Six
Italy	33	0	20	9	0	22	11
China	0	18	0	0	0	11	8
Slovenia	0	18	0	9	0	0	8
Turkiye	11	9	20	9	0	0	8
Serbia	0	14	0	9	17	0	8
Germany	0	0	40	0	17	11	7
Greece	11	0	0	27	0	0	7
Austria	0	9	0	0	0	11	5
Sweden	0	5	0	0	33	0	5
Bosnia and Herzegovina	0	0	0	9	0	11	3
Netherlands	11	0	0	0	0	11	3
Russia	0	0	0	18	0	0	3
United Kingdom	0	9	0	0	0	0	3
Other	33	18	20	27	33	22	24

The table above shows that Italy, Germany, and Greece are the economies ranking the highest as economies of origin of foreign stakeholders per economy, where Germany has 40% of the total stakeholders pool in Kosovo*, followed by Italy that has 33% of the total pool of foreign stakeholders in Albania, and Greece in the third place with 27% of total stakeholders being of Greek origin in the Montenegrin market.

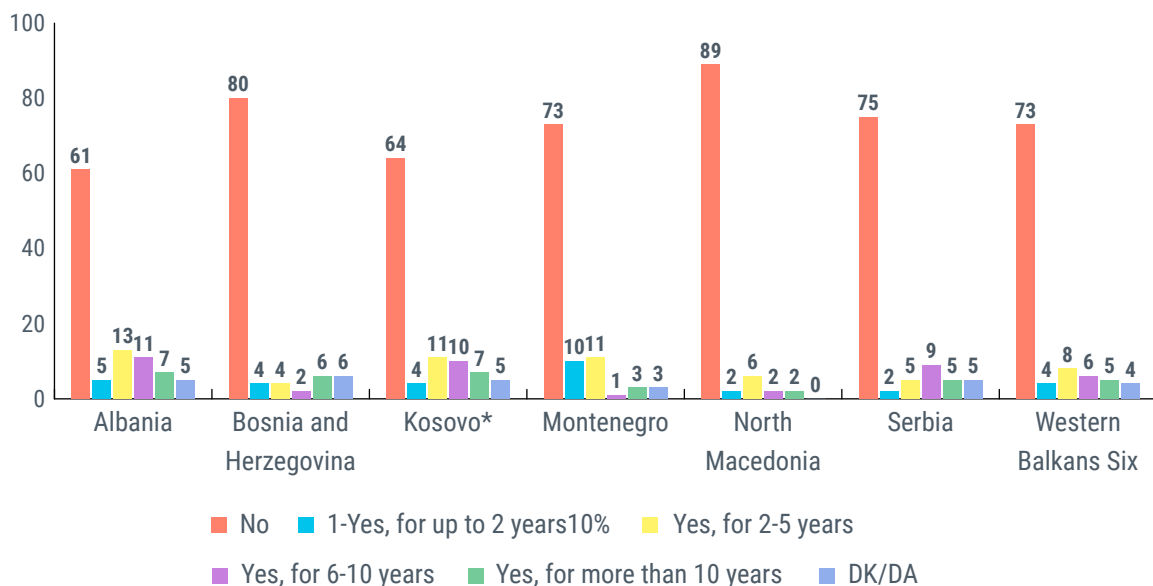


Sample structure by the percentage of the company owned by women



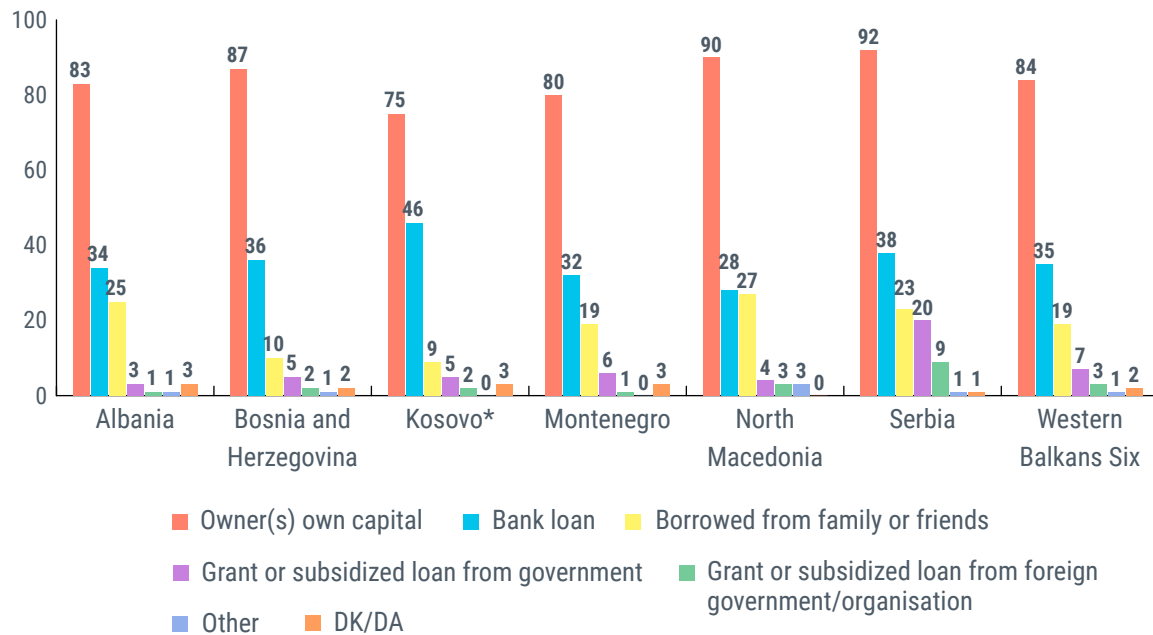
The majority of companies in each of Western Balkans Six are not owned by women (69%). On the other spectrum, North Macedonia is the economy leading the way with the largest percentage of businesses with above 70% of ownership held by women, accounting for a total of 21% of all businesses, followed by Albania with 14% of businesses having above 70% of company owned by women, followed by Serbia at 12% of businesses satisfying the latter statement.

Sample structure by the founding owners – working abroad



The graph shows that the majority or an average of above 70% of businesses have owners that have not worked abroad. The other ranges have a seemingly uniform distribution in each economy.

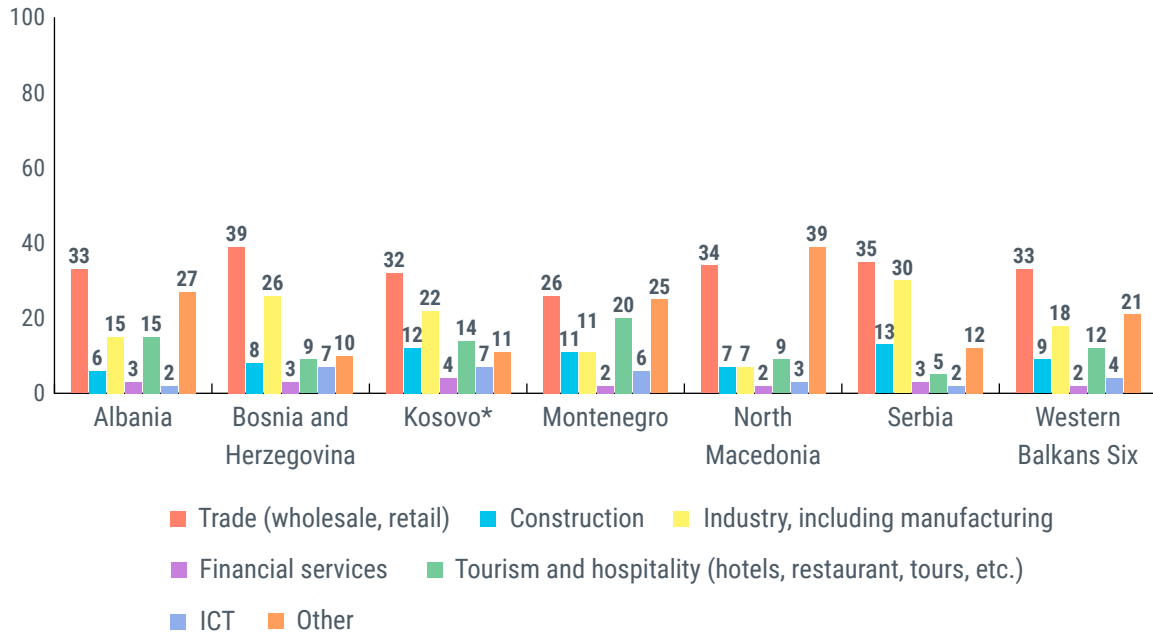
Sample structure by the source of initial capital of the company



It can be stated that in all economies, the major part of companies had the owner's own capital as initial funding, with an average of 84% of such companies, followed by 35% of businesses using bank loans as initial capital, followed by an average of 19% of businesses borrowing money from relatives and friends in order to start a business. Interestingly, Serbia is the economy with the most significant majority of companies having subsidised loans from foreign investments as initial capital, accounting for 9% of all companies, which is 6% above the region's 3% average for foreign initial capital.



Sample structure by the main activity of the company



In the graph above, trade holds the majority for each economy, with an average of 33% of businesses per economy mainly operating in the trade industry. This is followed by an average of 21% of businesses operating in a number of industries. It can be noted that Albania and Montenegro lead the way when it comes to the largest percentages of tourism related industries, with 15% and 20% respectively.

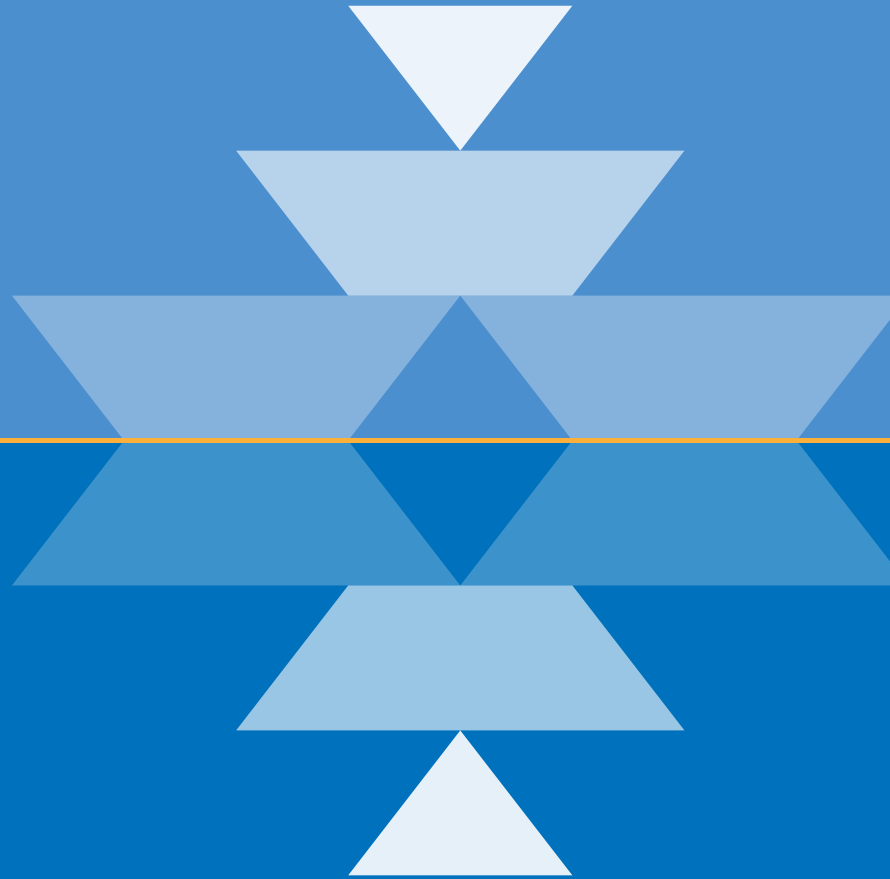






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