



# BALKAN BAROMETER

2023

BUSINESS OPINION



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# FOREWORD

It is with great pleasure that the Regional Cooperation Council (RCC) presents the Balkan Barometer 2023 - the ninth edition of the annual survey of regional perceptions and attitudes across a wide array of social, economic and environmental factors. It was in 2014, when the Regional Cooperation Council first commissioned the Balkan Barometer, and since then, it offers a great opportunity to monitor and understand the evolution of socio-economic factors and support development of substantiated policies. We take pride in the fact that Balkan Barometer, public and business perceptions surveys have proved to be a truthful source of sentiments across the region and that are widely used by policy makers, academics, the media and civil society actors. These surveys have not only offered a better understanding of the citizens' and businesses' attitudes towards present situation but offer also a clearer insights into their expectations and aspirations.

The Western Balkans region has been navigating an extended period of challenges and uncertainties but also of growth, albeit small, and resilience building, while contending with increased geopolitical instability. In the last year, the EU and Western Balkans alike were faced with sharp increase in food and energy prices strongly affecting the consumer sentiment as the cost of living accelerates. Yet, against this difficult and challenging background, the regional cooperation and accession process reached the hoped-for turning point, significantly advancing towards a closer and better-connected region. Consequently, citizens' faith in regional cooperation and high expectations that go with it were reaffirmed in this year's Balkan Barometer survey: More than three quarters of citizens (76%) have a positive attitude towards the impact that regional cooperation can have on their political, economic and security situation. Moreover, almost half of the citizens (49%) agree that relations in the region have improved in the last 12 months and 69% of citizens agree that what brings them together is more important than what divides them.

This year's Balkan Barometer report presents a series of mixed findings. To some, these findings may seem grim, to some others may seem surprising, yet they modestly depict the reality that the region and our citizens face.

EU membership remains a strategic priority for the region and overall support for the process is still high (59%), yet the declining trend is visible (3% less than in 2021). Economic situation and unemployment remain greater concerns in the region which have been identified as the top two problems by 47% and 32% of respondents respectively.

There is an overall positive perception on the role of education system, with a total of 72% of those who support its effectiveness in equipping with the necessary skills. However, this cannot overshadow the worrying trend of those who consider leaving abroad (44%), 5 points more than in 2022.

Climate change awareness is still to be built in the region. An important share of 49% of citizens consider climate change a serious problem, however this is a significant drop from the overall share of 67% in 2022. As for the ranking of environmental concerns, air pollution is considered the biggest by 57% of Western Balkans citizens, followed by water pollution (44%) and soil pollution (39%). Proper information of citizens about the green transition and green socio-economic recovery of our region should be prioritised along with effective mechanisms for effective public participation.

We see these findings as a plea to understand better the expectations of our citizens and reflect on how to better respond to the current and emerging regional challenges by taking advantage of the opportunities offered by enhanced regional cooperation and credible accession process.

# INTRODUCTION

The 2023 Balkan Barometer report comes at a difficult time for the region, Europe, and the world. After the pandemic and its considerable impact on economies and citizens' lives, since 2022 the war in Ukraine has had several consequences, which have been visible in the Western Balkans (WB) as well. This ninth edition of Balkan Barometer tries to explore perceptions of citizens and businesses on a large variety of components, which affect their daily operations and lives. Getting a grasp on their attitudes and approaches in this time of uncertainties is crucial for understanding real world developments, patterns and trends associated with the region. Becoming a longitudinal analysis due to its series of editions for many years, Balkan Barometer allows to track and discuss changes in the region from different perspectives.

The 2022 Balkan Barometer surveys were conducted between early February and early April 2023 in Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia and Serbia. The Public Opinion survey posed 79 questions to 6027 citizens and the Business Opinion survey presented 80 questions to 1211 business owners, managers, or executives. As in the previous editions, answers by survey respondents have been systemised, analysed, and presented in the two reports – Public Opinion Survey and Business Opinion Survey.

Each year Balkan Barometer is improved by adapting it to more recent challenges and important issues. For this purpose, in consultation with its experts and partners, Regional Cooperation Council (RCC) makes slight changes to questions in order to increase their potential for understanding and explaining more in-depth developments in the region. The Balkan Barometer is meant to provide very useful data and analysis in some of the key policy areas. The purpose is to equip stakeholders working in these sectors with additional instruments and insights regarding developments in specific economies and at the regional level. This includes policy makers, business associations, researchers and scholars, international organisations and donors, think-tanks, civil society, and any other stakeholder active in the region.

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\* 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

The 2023 report shows that overall perceptions on economic developments of the past 12 months have slightly deteriorated (44%). **Only 33% of businesses in the WB expect improvement** of their economic situation. **About 77% of companies claim that their operational costs have increased**, with the highest share of respondents (92%) being from North Macedonia. A quarter of respondents has registered a decline in their economic activity over the past year.

**Regional cooperation is gaining more support** by WB businesses, with almost three quarters having a positive attitude. It is considered particularly important in Albania (85%) and less in North Macedonia (64%). **More than half of respondents have experienced direct benefits from the Regional Roaming Agreement**. A majority of businesses (56%) expect great benefits from travelling with only an ID card in the region. **About 62% of businesses have knowledge regarding the Regional Cooperation Council**, while domestic media has been the main source of information in this regard (77%).

**Support for EU membership has increased by 11 points**, reaching 71% at regional level, ranging from 62% to 96%. Respondents from Albania showed the highest support (96%), with a further increase of 6 points, followed by North Macedonia (76%) with significant 17 points gained from 2022 (when both these economies started accession negotiations).

**Macroeconomic instability is the main obstacle** reported by WB companies, with more than a third thinking that it has deteriorated. Availability of labour forces and brain-drain, and emigration follow as most concerning factors. In view of the challenges faced, **69% of companies use their own funds** and retained earnings to finance their operations, showing a considerable contraction of access to finance. Access to finance and lack of technology remain major challenges for scaling up their businesses.

**Almost one third of businesses are not satisfied with the level of consultation** from governments when developing new regulations for doing business. Regulations related to taxes (28%) and minimum wages (20%) are perceived as the biggest obstacles.

**Only 5% of companies have used mediation** when trying to solve disputes. However, 67% of respondents have a positive attitude towards mediation, considering it very cost effective, although it is not used broadly yet.

**A low level of awareness of climate change** persists amongst the businesses in the region. More than 70% of respondents do not consider this a problem for their activity. More immediate challenges and priorities regarding inflation and shortages during 2022 have further deteriorated the perception on the importance of climate change. **Only 42% of business representatives believe that the green transition would have a positive impact** on their company. **Fiscal incentives are seen as the best instrument (48%)** for supporting the green transition in their sectors, which in fact aligns with prior findings of RCC survey with green and circular economy stakeholders, where 76% stated that “financing and finding opportunities” is a key challenge to green transition. Factors that can influence and improve implementation of good practices in their business activities are energy prices (52%) and energy resource efficiency (38%). The main barriers to shifting towards circular economy are added costs (49%), and lack of skills and experience (30%).

**Almost two thirds of respondents think that it is not common to pay bribes** in their line of business. **Labour inspections and obtaining government contracts** constitute the areas where irregular payments could be registered most. Political institutions and judiciary system are considered the least effective in fighting corruption, while police has a more positive perception. CSOs are not regarded positively by a third of respondents, followed by media. Overall, **56% of respondents believe that fight against corruption in their economy is ineffective**. Almost 81% think that **digitalisation of public services** can have an impact on reducing corruption.

**More than 77% of companies have no plans for investing** in the next 12 months. Their decision to invest abroad is mostly influenced by the need to access new markets. Investment incentives are also another important factor for their decision. When asked about reasons for not exporting, **30% of companies claim not to know how to export**. Another 23% do not have the capacities to export.

Regarding trade in the region, **43% think that cross-border/boundary transaction costs are too high**. Respondents are quite confident of their capacities for competing in the region (80%) and in the EU (73%). Around 39% of respondents believe that it is easier to export to the CEFTA region rather than to the EU, while another 39% think that it is the same.

Internet is mostly used for routine communication by 76% of businesses and for financial transactions (59%). **Half of the companies generate 5-20% of their sales through online channels**, while another 16% of them reaches between 20-50% of total sales. However, more than 62% of businesses have not innovated in the past 12 months. A relative majority in the region (39%) is neutral to policies and support provided for innovation. **Only 12% have received support from local government and 11% from central institutions** in the past three years.

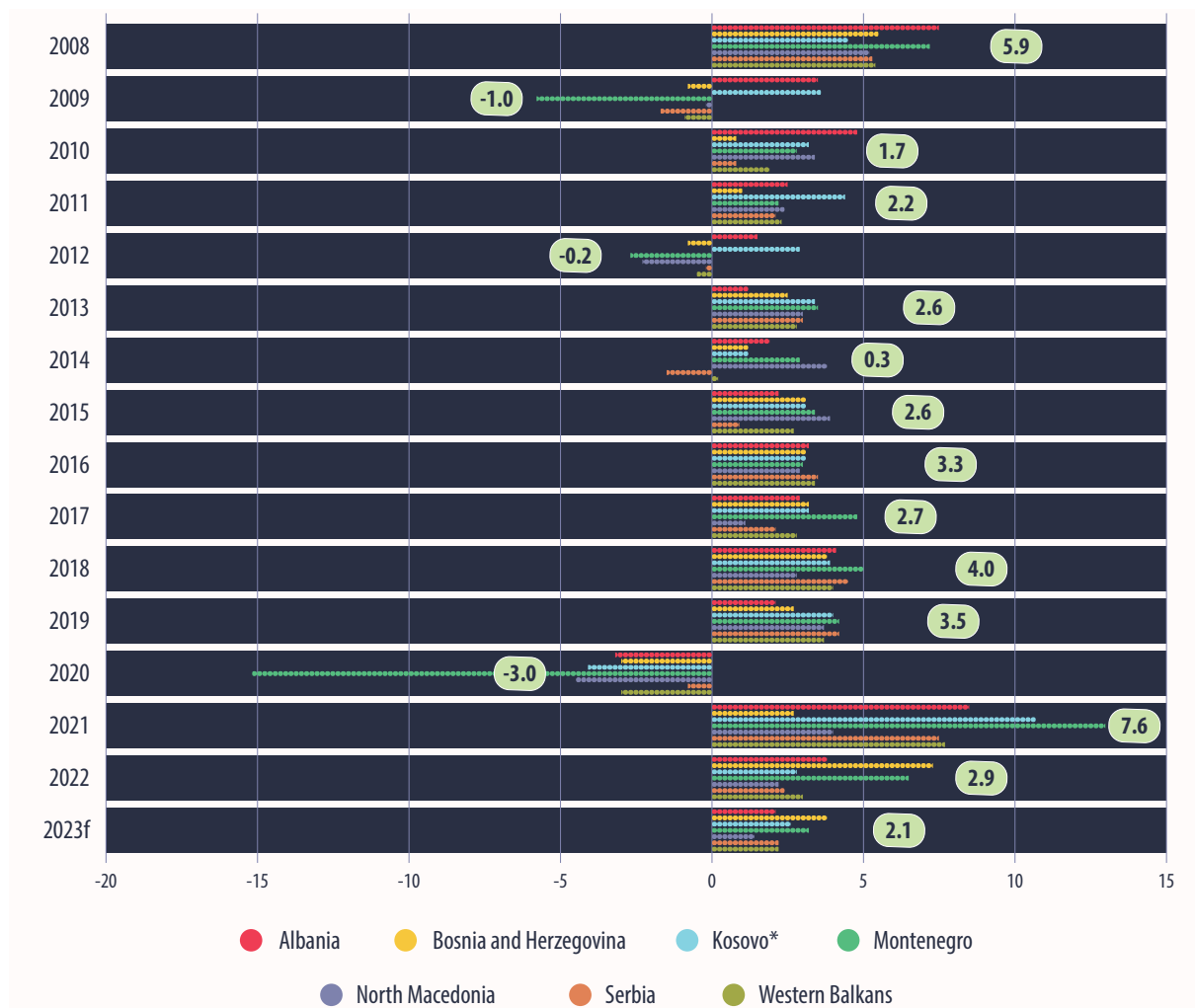
**Personal contacts are the most used channel** when hiring new employees (62%). Cooperation with education institutions is quite weak in this regard, with only 8% using them regularly. In terms of social inclusion, half of companies would hire a qualified Roma person, while single parents are the most employed people from vulnerable groups. If they had to hire from abroad, **WB workers would be the first choice for 40% of respondents**. To address the problem of labour shortage, 70% of respondents believe that the government should introduce policies to retain labour force, while 45% calls for incentives for diaspora to return back home.

# REGIONAL OVERVIEW

After starting a consistent recovery from the difficult post-pandemic period, the economies of WB experienced a drop in their economic growth rate. The war in Ukraine and its repercussions were a major factor for the economic trajectory of the region during 2022. Although the WB economies differ between them in terms of dependence on economic exchanges with Russia and Ukraine, the impact has been considerable across the region. Growth rate went from 7.6% in 2021 to less than 3% in 2022. Projections for 2023 seem to confirm the declining trend, with the region expected to grow only by 2.1%.

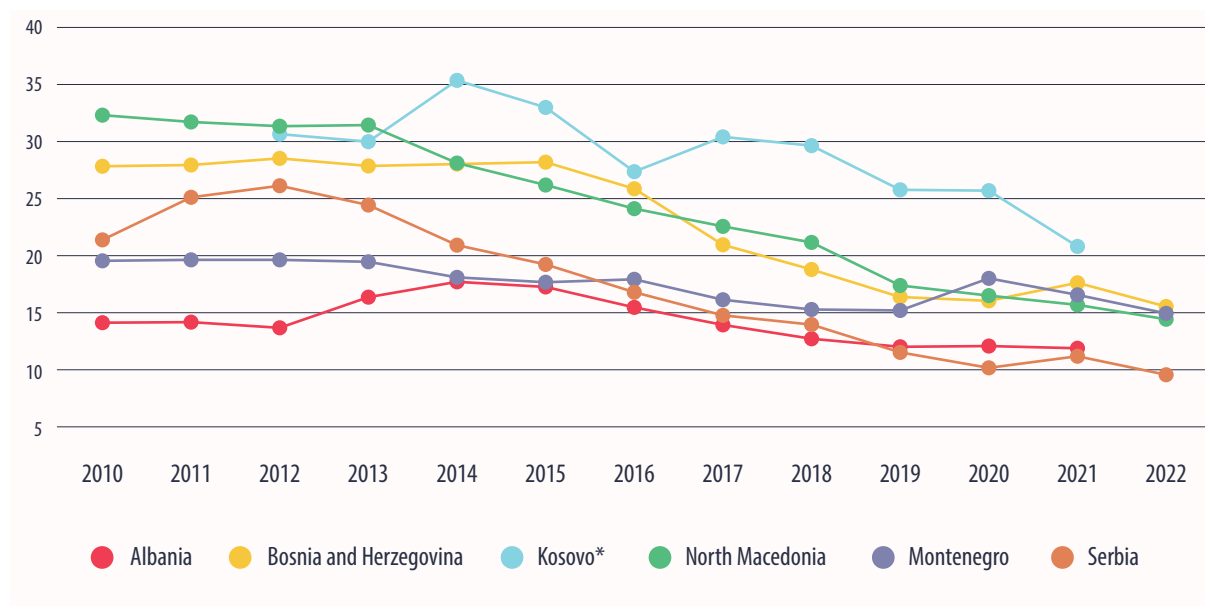
When exploring individual economies, Montenegro maintained a good growth pace in 2022 (6.4%), followed with a considerable distance by Bosnia and Herzegovina (3.8%) and Albania (3.7%). North Macedonia recorded the lowest level of economic growth rate at 2.2%, (expected to drop to 1.4% in 2023). This year is expected to be characterised by an annual growth with less variations amongst the economies when compared to 2022. Kosovo\* is expected to have the highest growth rate (3.5%), followed by Montenegro which will drop by 3.2 points compared to the last year (reaching 3.4%).

**Figure 1:** Real GDP Growth in the Western Balkans 2008-2023  
 (Source: IMF World Economic Outlook, WB GDP weighted average growth rate)



Despite the economic repercussions of the war in Ukraine and slowing of economic growth in 2022, unemployment rates in the region have experienced a slight improvement (though still remaining almost double of the EU average). After the lockdown from the pandemic in many sectors, the recovery during 2021 and early 2022 demanded rekindling of economic activities and, therefore, requiring new labour force. Last year, Serbia has recorded the lowest level of unemployment at 9.7%, which is 1.7 points less than the previous year. Data for Kosovo\* are not available for 2022 yet, but the year before it had the highest unemployment in the region (20.7%). This year, Bosnia and Herzegovina is in the first place with 15.5%, 2 points of improvement from 2021. Kosovo\* and Bosnia and Herzegovina lead the region in terms of women unemployment, respectively, with 25% (2021) and 19.9% in 2022.

**Figure 2:** Unemployment rates in the Western Balkans, 2010-2022  
 (RCC ESAP 2 Observatory on employment; % of the labour force; LFS, 15-64 age group)





# BALKAN BUSINESS SENTIMENT INDEX

As in previous editions of Balkan Barometer, the Balkan Business Sentiment Index (BBSI) was explored for this year, trying to capture business sentiment and optimism changes over time. Through a consolidated methodology, which allows longitudinal overview of business perceptions and developments in the region, BBSI uses the following five questions:

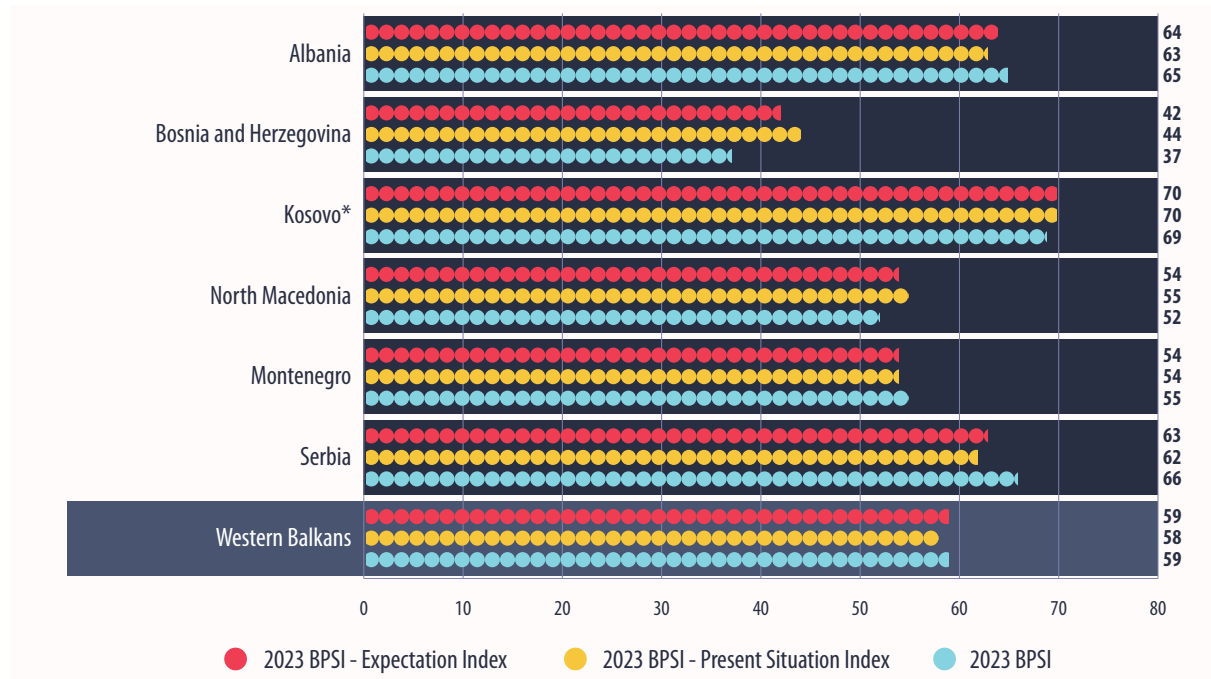
- 1) How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved?
- 2) How has demand for your company's products/services changed over the past 12 months? Has it deteriorated, remained unchanged or improved?
- 3) How has the general economic situation in your place of living changed over the past 12 months? Has it deteriorated, remained unchanged or improved?
- 4) How do you expect the demand for your company's products/services to change over the next 12 months? Will it decline, remain mostly unchanged or increase?
- 5) How do you expect the general economic situation in your place of living to develop over the next 12 months? Will it mostly deteriorate, remain unchanged or improve?

The index is scored as follows: better – 100 points, worse – 0 points, no change – 50 points.

After responses are recoded, the average value is calculated for the whole WB region as well as for each economy separately. The index values are expressed on a scale of 0 to 100.

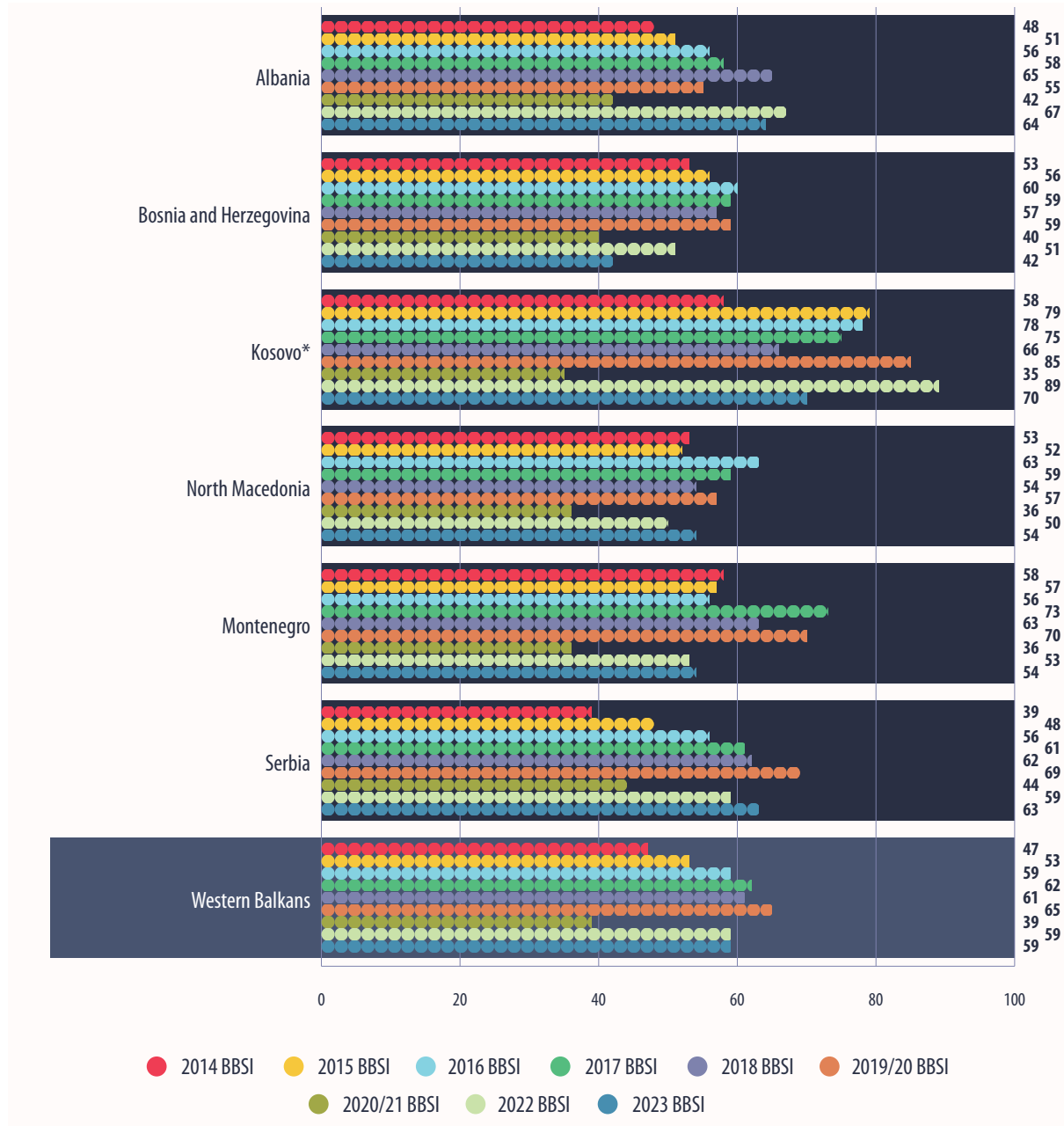
Figure 3 presents BBSI for 2023, remaining at 59, the same as for 2022. The index is relatively high in Kosovo\* (70, with a decrease of 19 points from last year), followed by Albania with 64 (decrease by 3 points) and Serbia with 63 (increase by 4 points). Bosnia and Herzegovina has scored the lowest level on BBSI, with 42 (decrease by 9 points). With reference to the index on the present situation, the region has improved by 5 points from the last year, reaching 58. Businesses from North Macedonia have improved their perceptions the most, going from 39 of 2022 to 55 this year. Serbia and Montenegro have also increased their present situation index by 9 points each. However, the highest score is registered again in Kosovo\*, though with a considerable decrease of 17 points.

**Figure 3:** Balkan Business Sentiment Index (BBSI) - 2023  
(Scores are on a scale from 0 to 100)



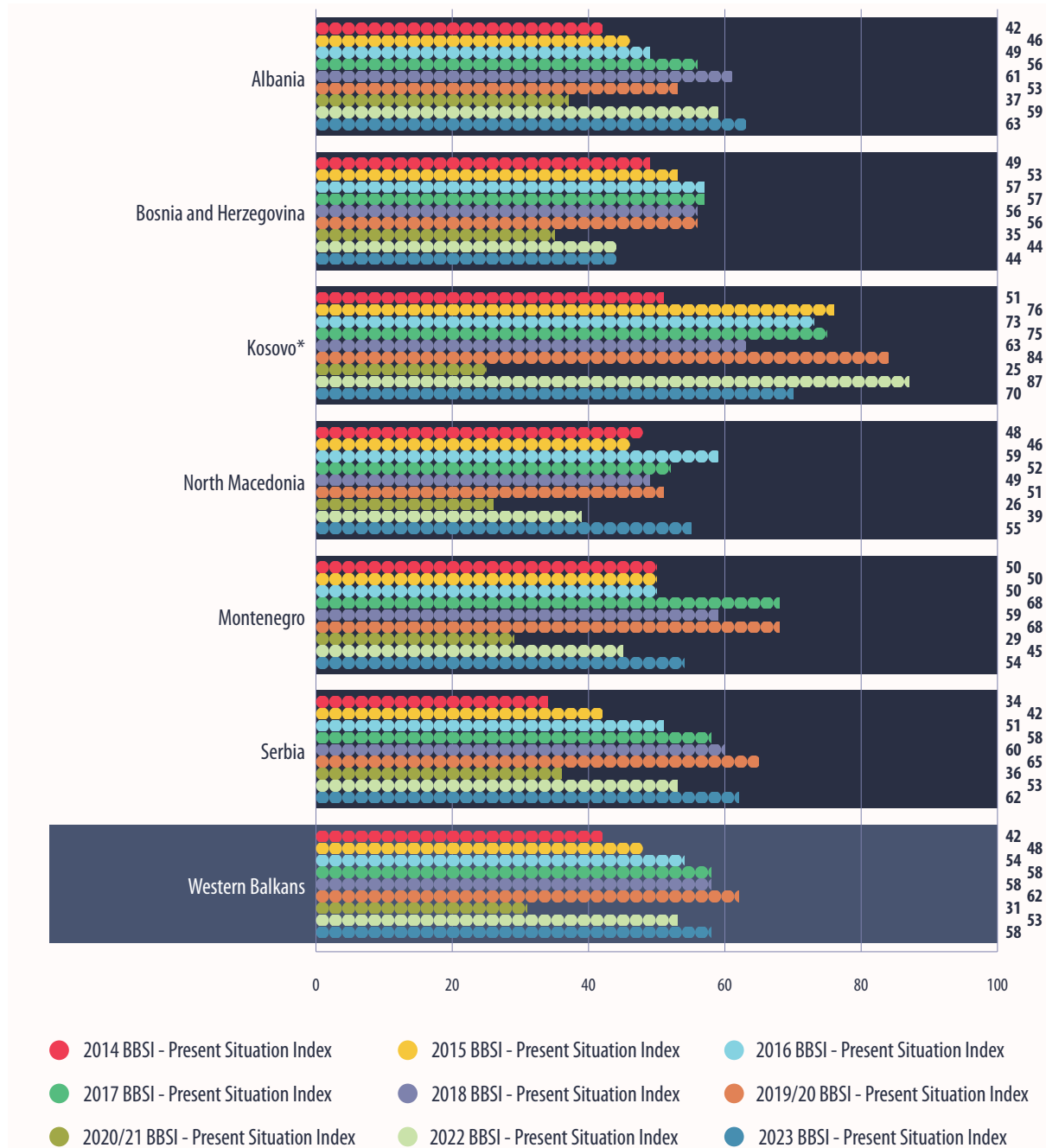
BBSI has been characterised by score fluctuations over the past years, reaching a relative stability after 2017, which was again changed by the drastic drop in 2020/2021 due to the pandemic impact. However, as Figure 4 shows, for the second year in a row, the index is maintaining the same level of score. This might suggest that the perceptions from the last years' developments have again stabilised, and that business community is recovering. These rapid and sharp changes have been more visible in the case of Kosovo\*.

**Figure 4:** Balkan Business Sentiment index (BBSI) over time  
(Scores on a scale from 0 to 100)



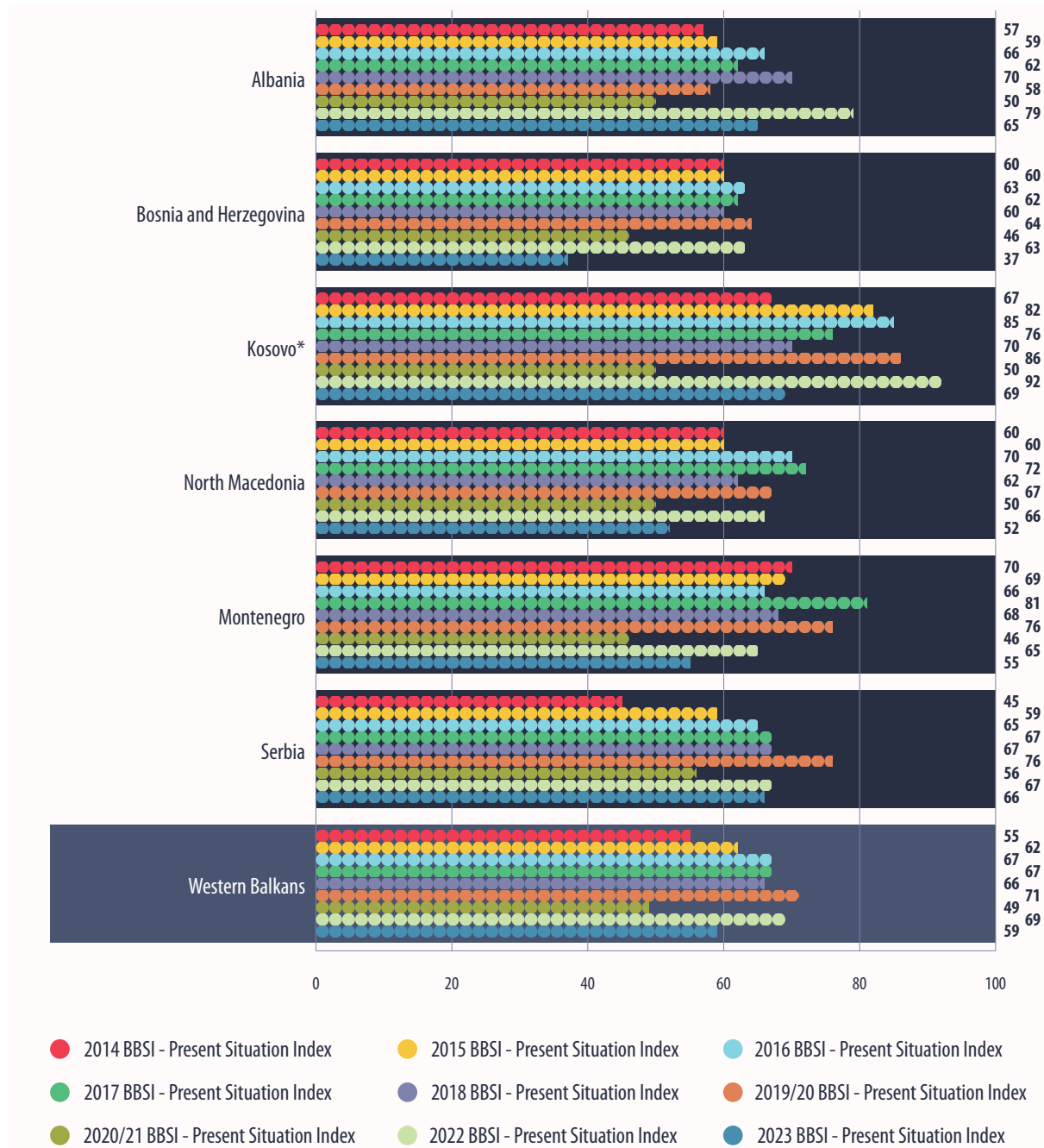
After the lowest point registered in the first year of the pandemic (31), the present situation index has been improving steadily, going from 53 of last year to 58 this year (which is the same level as in 2018 and 2019). Albania and Serbia are in the second and third position this year, with 63 and 62, respectively. The lowest score is in Bosnia and Herzegovina, which maintains the same level as last year (44). However, the survey presents an overall improvement for the other economies, except for Kosovo\* which experienced a major decrease by 17 points down to 70 (which is still the highest in the region).

**Figure 5:** Balkan Business Sentiment Index (BBSI) – Present Situation Index  
(Scores on a scale from 0 to 100)



The war in Ukraine and its economic repercussions seem to have taken a toll on the expectation index for this year. The difficult period left behind and uncertainties which still persevere have made businesses in the region more pessimistic than last year. After the boost of last year by 20-point increase (from 49 of the pandemic year to 69), this year registered a drop of 10 points, bringing the index to its second lowest level in the last 8 years. The decrease has been considerable in all economies, though Bosnia and Herzegovina and Kosovo\* recorded the largest magnitude by 26 points and 23 points, respectively. The drop was minor in Serbia with only 1 point, reaching 66, which is the second highest level of optimism in the region, after Kosovo\* (69).

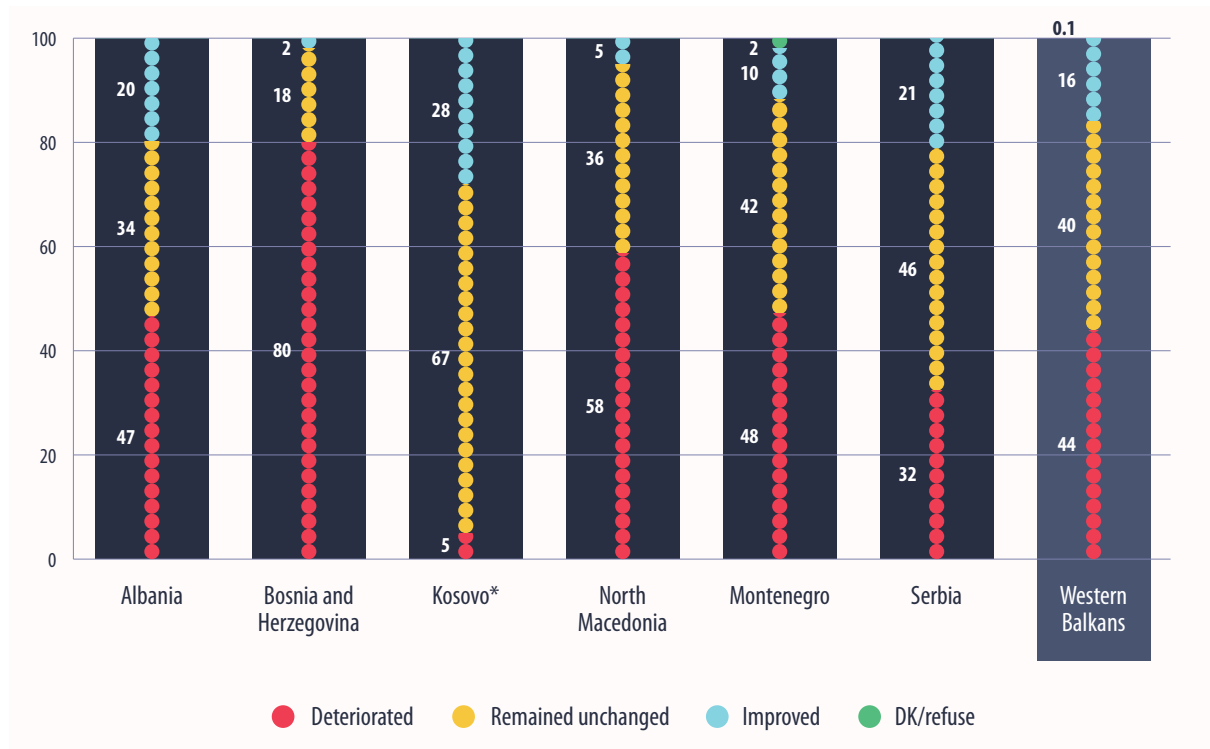
**Figure 6:** Balkan Business Sentiment Index (BBSI) – Expectation Index  
(Scores on a scale from 0 to 100)



# PERCEPTIONS OF THE BUSINESS ENVIRONMENT AND ECONOMIC TRENDS

During the last year, the overall WB economic position changed slightly. Figure 7 shows that 44% of respondents claimed that the general economic condition in their economy had progressively gotten more detrimental, up from 41% in the previous year of those that reported such a deterioration. With 80% and 58%, respectively, these attitudes are more pronounced in Bosnia and Herzegovina and North Macedonia. Out of the Western Balkan economies, the economic situation in Kosovo\* appears to have altered substantially; while 77% of respondents predicted an improvement in the economy in the previous report, 67% of the respondents claimed the situation had remained the same this year. Business community in Kosovo\* appears to have gradually lost its previous optimism. The impact of the war in Ukraine has been felt across all economies in the region, and respondents have perceived a deterioration. Lowering of demand in certain sectors, shortages of raw materials, increase in energy prices and of other production components are some of the immediate consequences reported in the region.

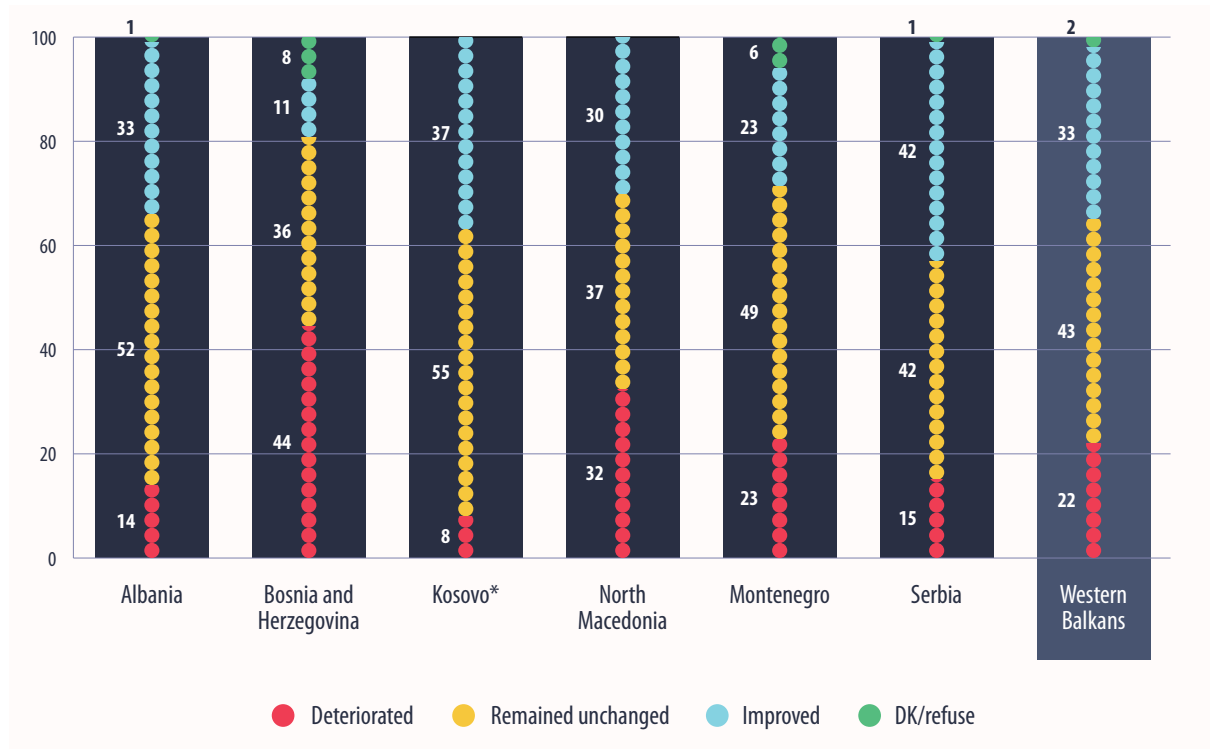
**Figure 7:** How has the general economic situation in your economy changed over the past 12 months? Has it deteriorated, remained unchanged or improved?<sup>1</sup>  
 (All respondents - N=1211, share of total, %)



<sup>1</sup> The figures might not add to 100% due to rounding.

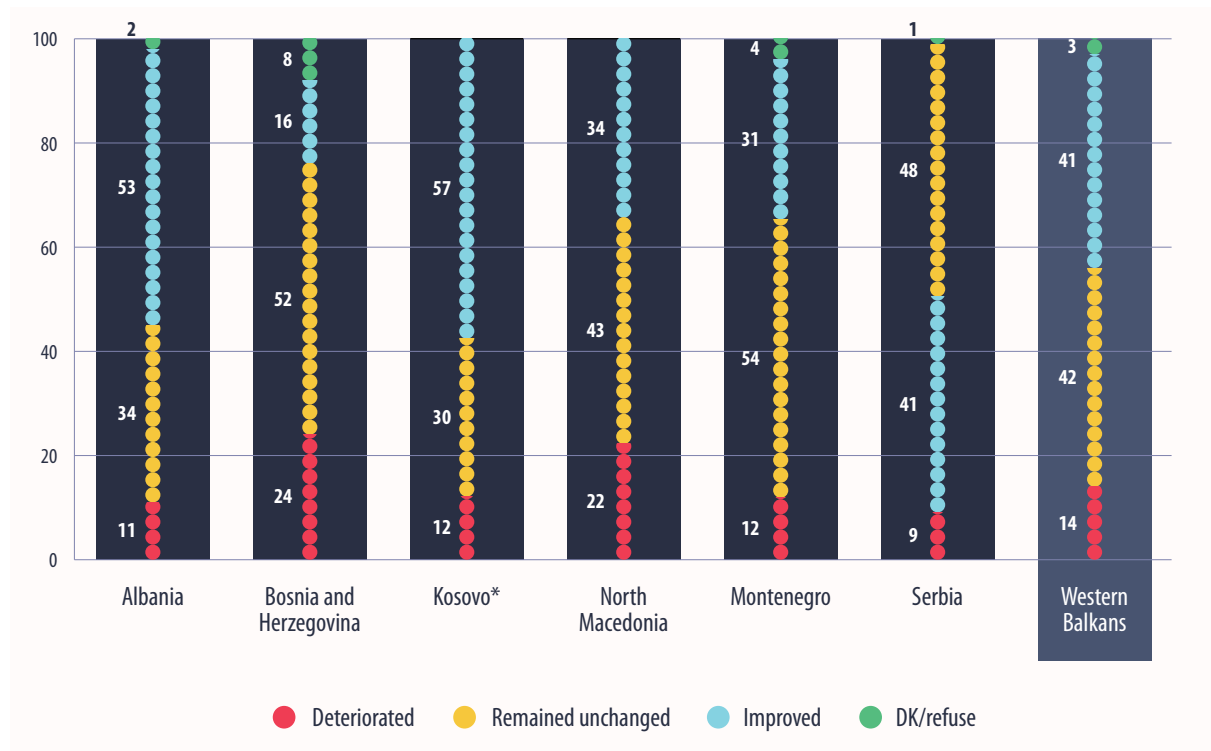
In terms of expectations, the prevalent belief is that the economic situation will remain stable in the upcoming year (Figure 8). Compared to 36% and 30%, respectively, from a year ago, 33% of respondents in the Western Balkan economies expect that the situation will improve, while 22% anticipate that it will deteriorate. In Bosnia and Herzegovina, the proportion of respondents who expect the economy to deteriorate has decreased from 53% in 2022 to 44% in 2023, suggesting that respondents are feeling somewhat more optimistic this year. Pessimistic perceptions continue to be the lowest in Kosovo\*. However, it appears that the general attitude has shifted even in Kosovo\*, where in 2022, 78% of respondents expressed optimism for the future, compared to only 37% in 2023. This drastic drop indicates a high level of uncertainty in Kosovo\* companies, which might be related to the war in Ukraine on one hand, and the bilateral disputes with Serbia in late 2022 regarding the border/boundary crossing and car plates. Considering that a large share of imports of Kosovo\* comes from Serbia, uncertainties might have increased in that period and prolonged even in the following months. With a share of 42%, respondents from Serbia appear to be most optimistic amongst the WB about the upcoming year's overall economic situation.

**Figure 8:** How do you expect the general economic situation in your economy to develop over the next 12 months? Will it mostly deteriorate, remain unchanged or improve?  
 (All respondents - N=1211, share of total, %)



Respondents from Kosovo\* and Albania tend to be the most optimistic when asked about the increased demand for their specific products/services in the upcoming year, with 57% and 53%, respectively. However, while this share in Albania has increased by 3 points from last year, in the case of Kosovo\* there is a drastic drop by 23 points. Again, perceptions on the future have worsened more in Kosovo\* than in any other economy. Also at the regional level, the relative majority of WB businesses expect the situation to remain unchanged (42% at regional level), with shares varying from 30% in Kosovo\* to 54% in Montenegro (figure 9).

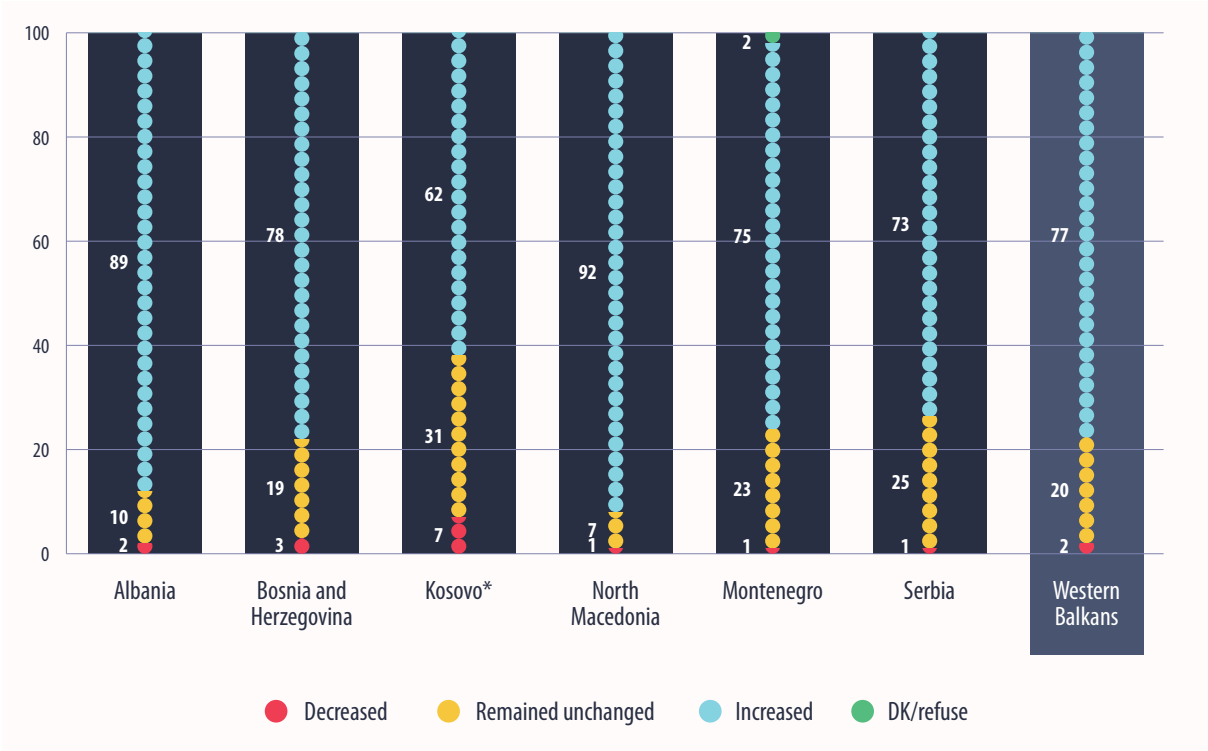
**Figure 9:** How do you expect the demand for your company's products/services to change over the next 12 months? Will it increase, remain mostly unchanged or decrease?  
 (All respondents - N=1211, share of total, %)



The economies of the WB faced skyrocketing inflation, with fears of food shortages and social unrest as the impact of the war in Ukraine became problematic. Annual inflation in all WB economies – all of whom are in a queue to join the European Union – has been spiking. In only 2% of the business sample, according to the respondents, the labour and other costs decreased, while only 20% observed no change (Figure 10). In comparison, only 18% of respondents in 2020 acknowledged that costs in their companies had increased, contrary to 77% of respondents in 2023 who report an increase. Companies from North Macedonia have perceived more increase in costs (92%), while Kosovo\* businesses have registered the lowest share of affected respondents in the past 12 months (62%).

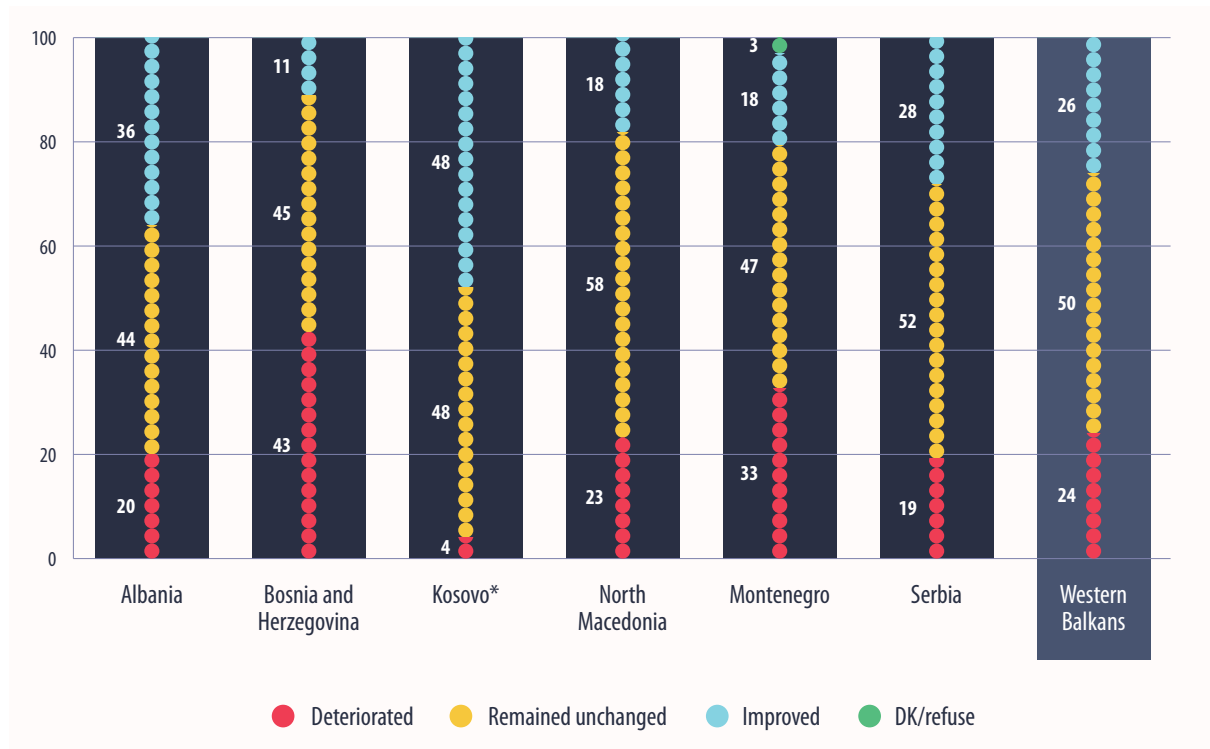


**Figure 10:** How have your labour and other costs (e.g. energy, etc.) changed over the past 12 months?  
 (All respondents - N=1211, share of total, %)



According to figure 11, the situation regarding business development seems to have remained the same as the last year. The Western Balkan businesses responded of an economic decline of 24% (25% in 2022). The share of respondents who considered the business situation to have improved over 2022 is most evident in Kosovo\* (48%) and Albania (36%). However, the share has decreased substantially in Kosovo\*, from 77% in 2022. Most of the economic sectors that were negatively impacted by pandemic were revived gradually, before experiencing the impact of the war last year.

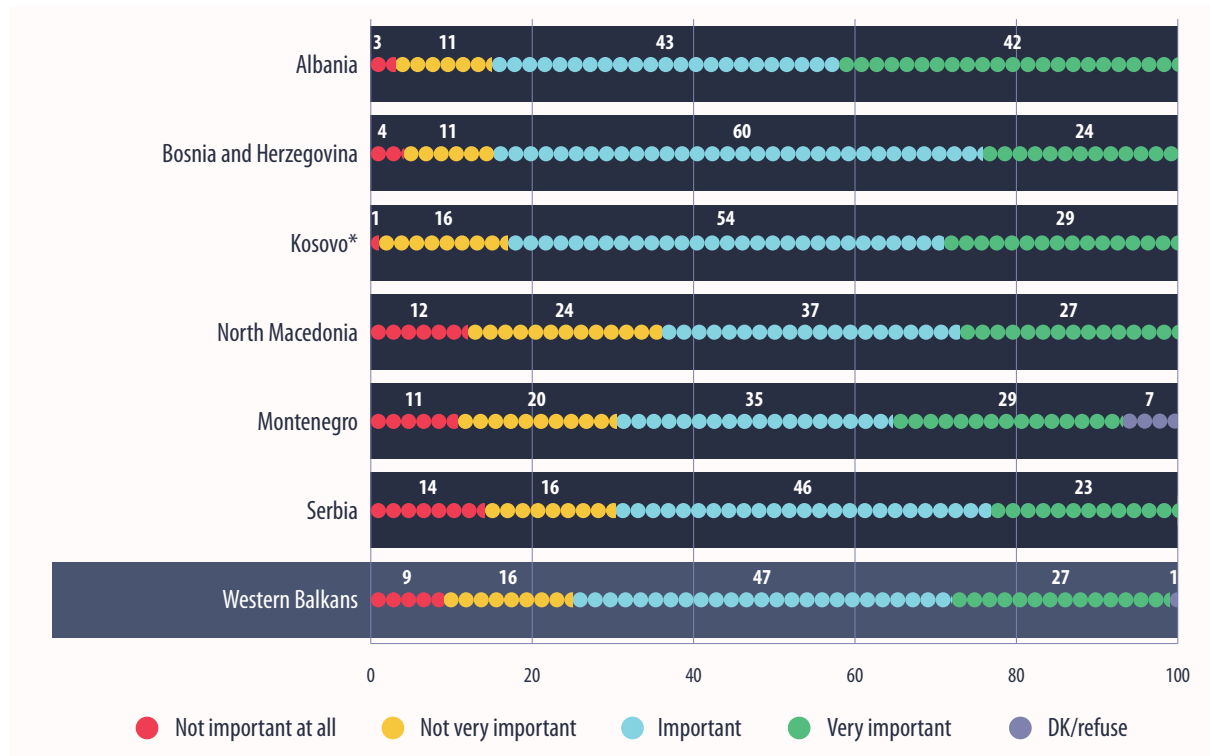
**Figure 11:** How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved? (All respondents - N=1211, share of total, %)



The percentage of respondents who support regional cooperation has remained stable (Figure 12). The quality of regional collaboration was rated as being very important by 27% of respondents, followed by those who consider it as important by 47% of respondents. The percentage of respondents who thought the quality of regional cooperation was not important at all saw a decrease from 13% in 2022 to only 9% in 2023 that can gradually show the importance of regional agendas and initiatives.

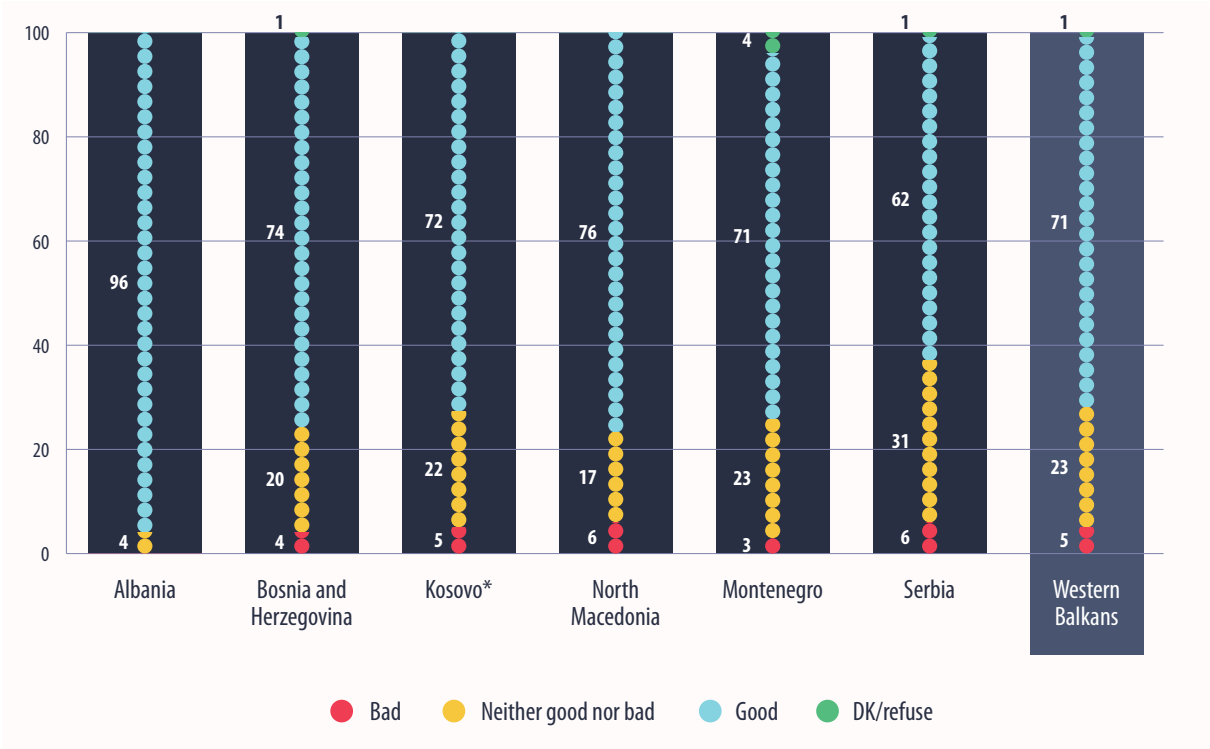
However, regional cooperation is viewed differently throughout the region. For instance, respondents in Kosovo\* and Albania are leading the way in seeing regional cooperation as crucial for the second year in a row, (29% and 42%) respectively. This is in contrast to previous year, when respondents in these two economies were more doubtful towards regional cooperation. An interesting case is Montenegro; the shares evidence that for 2023, 29% of respondents perceive regional cooperation as very important, presenting a considerable increase of 18 points, from 11% in 2022.

**Figure 12:** How do you consider regional cooperation in the Western Balkans for your business?  
 (All respondents - N=1211, share of total, %)



In July 2022, the EU started accession negotiations with Albania and North Macedonia following years of delays. On the other hand, Bosnia and Herzegovina achieved the candidate status, while Kosovo\* filed a EU membership application. Respondents from Albania rated EU accession favourably for the second year in succession (96%), with a further increase of 6 points, followed by North Macedonia (76%) with a significant 17 points gained from 2022. In both cases, the start of accession negotiations might have improved the overall support for the process. An interesting fact is registered about Kosovo\*, which in 2022 had none of the respondents who perceived the EU membership as a bad thing, while in 2023 there are 5% of companies doing so. Support for EU membership is lowest in Serbia, though a large majority of businesses consider it positively (62%). At the regional level, 71% of respondents consider EU membership as a good thing, with a considerable increase of 11 points compared to 2022.

**Figure 13:** How do you see EU membership of your economy?  
 (All respondents - N=1211, share of total, %)



# BUSINESS TRENDS IN THE WESTERN BALKANS

Because of global developments of the past 12 months, priorities and obstacles of the Western Balkan economies have changed (figure 14). Though macroeconomic instability remains the biggest concern (2.1) at the regional level, businesses have turned their focus towards the availability of labour and brain-drain/emigration (a score of 2.2 each). This is explained by the increased shortage of workers and the new flows of migration from the region (especially from Albania and North Macedonia). On the other side of concerns and obstacles, discrimination based on ethnicity, gender, age and the like is identified as the smallest obstacle in all Western Balkan economies. In addition, informal economy (2.4) remains a significant problem across the region.

**Figure 14:** Can you tell us how the following different factors affect the growth of your business? Can you please rate each? (All respondents - N=1211, scores on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)



Table 1 unpacks Figure 14 by exploring the same factors by economy. Macroeconomic instability is perceived as the biggest problem which affects growth mostly by businesses in Bosnia and Herzegovina (1.7), followed by Albania (1.8). In the latter economy, availability of labour has scored the lowest, together with Kosovo\*, at 1.8. In the past 12 months, this has become a major worry in Albania, with companies and policymakers considering quotas for workers from South and East Asia.

Bosnia and Herzegovina and Albania respondents identify brain-drain and emigration as a major concern, with 1.7 and 2.0, respectively.

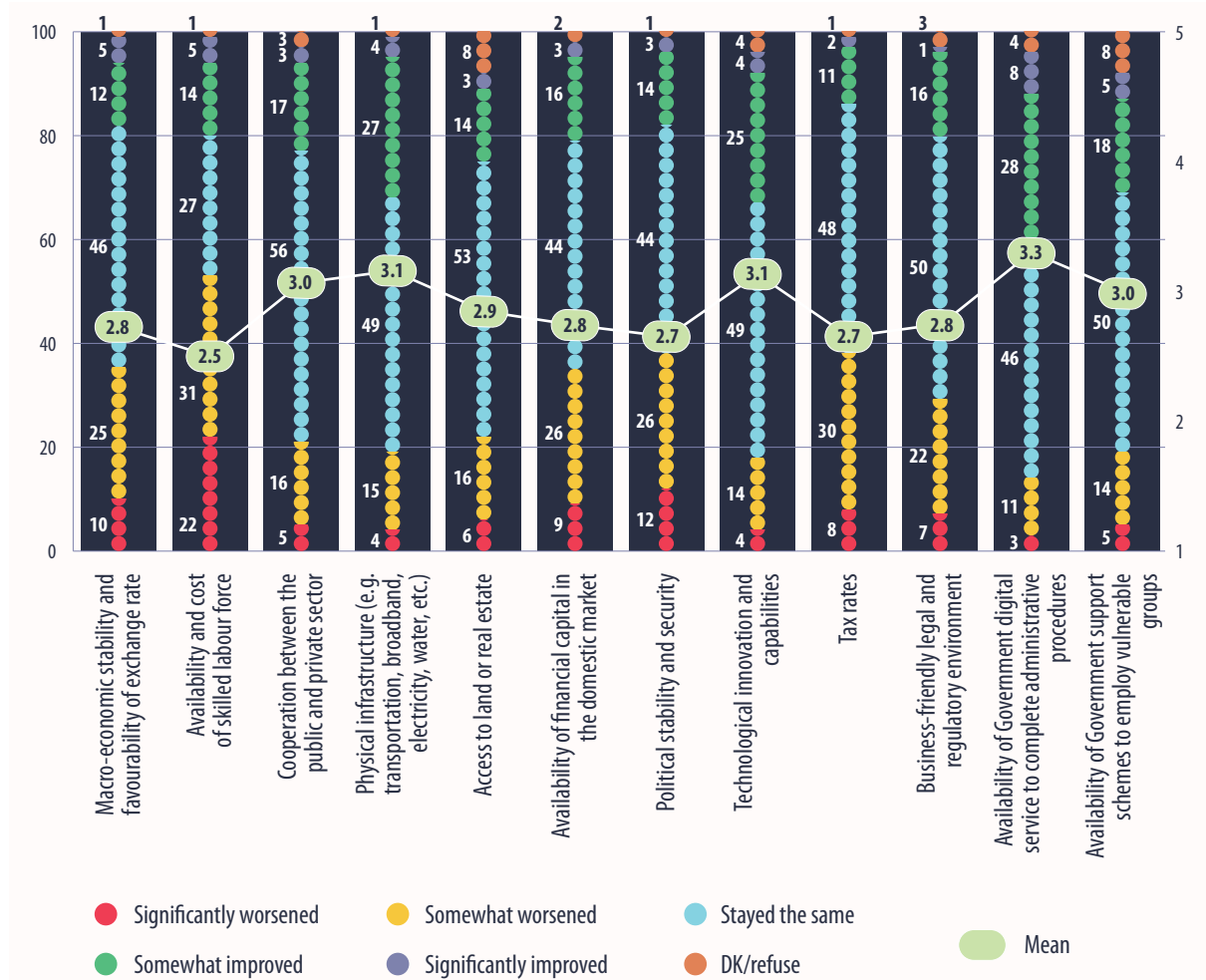
**Table 1:** Can you tell us how the following different factors affect the growth of your business? Can you please rate each?  
(All respondents - N=1211, single answer, scores on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)

	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
Macroeconomic instability	2.1	1.8	1.7	2.2	2.0	2.2	2.3
Access to land and title or leasing of land	2.9	2.8	3.0	2.1	3.0	2.8	2.9
Telecommunications, transportation and electricity and investment in broadband	2.6	2.7	2.3	2.2	3.0	2.7	2.7
Customs, tax rates and trade regulations	2.6	2.6	2.3	2.3	2.6	2.5	2.7
Informal economy and anti-competitive practices of other competitors	2.4	2.4	1.9	2.3	2.2	2.2	2.6
Availability of labour	2.2	1.8	1.8	2.3	2.2	2.3	2.4
Skills and education of available workers	2.5	2.6	2.1	2.3	2.4	2.4	2.6
Social infrastructure which should enable women to accept and develop leading business positions (maternity leave, kindergartens, etc.)	2.8	3.0	2.9	2.3	3.0	3.0	2.8
Political or social instability	2.4	2.5	2.2	2.4	2.3	2.4	2.6
Business licensing and permits	2.7	3.2	2.4	2.3	2.5	2.6	2.8
Access to financing and cost of financing	2.4	2.4	2.0	2.4	2.4	2.4	2.5
Labour regulations	2.7	2.7	2.6	2.4	2.6	2.6	2.8
Functioning of the judiciary	2.8	2.8	3.0	2.3	2.5	2.8	2.9
Corruption	2.5	2.1	2.3	2.3	2.1	2.7	2.8
Brain drain/emigration	2.2	2.0	1.7	2.3	2.1	2.4	2.4
Discrimination based on ethnicity, gender, age, sexual orientation, or other	3.1	3.2	3.5	2.3	3.3	3.1	3.0
Negative image of your economy or the Western Balkans region	2.8	3.1	2.5	2.5	2.6	2.6	2.9

Business environment is presented through several factors in Figure 15. Businesspeople were surveyed to determine how much these variables had changed during the previous 12 months. The first thing to notice is that the graph is dominated by those indicating that those traits have been concerning, ranging from unchanged to greatly worsening. According to 53% of respondents, the availability and cost of qualified workforce have become worse or remained the same as of 2022. It is not surprising that the post-pandemic period saw an increase in the demand on the labour market, resurfacing the pre-pandemic issue of a shortage of qualified employees.

For the most part responses suggested little or no change compared to the previous year. For example, 56% see no change regarding cooperation between the public and private sector, and 50% perceive the same about business-friendly legal and regulatory framework. Another 50% registered no change regarding the availability of government support schemes for vulnerable workers. On the other hand, 36% of respondents said that the accessibility of government digital administrative services had greatly or somewhat improved, while 31% said the physical infrastructure and 29% the technology innovations and capabilities had.

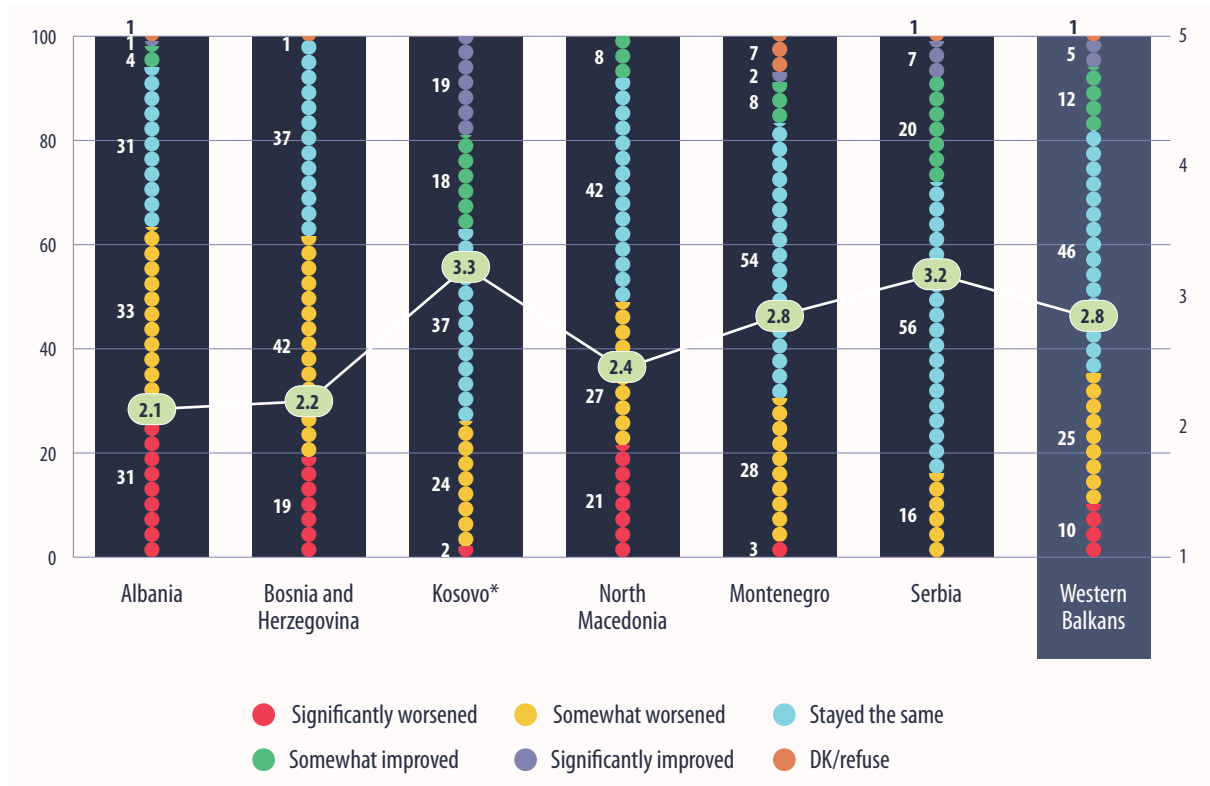
**Figure 15:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



Given the significant developments of the past 12 months, macroeconomic stability in Western Balkan economies has been a major focus and concern for companies. In Kosovo\*, 37% of companies see a certain improvement in this regard, reaching the highest share in the region. In Serbia, where 56% of respondents said macro-stability had not changed, and 27% said it had slightly or greatly improved, the picture appears encouraging when compared to other economies. The most severe declines in macroeconomic stability and currency rate favourability were seen in Albania, where 64% of respondents said there had been partial or complete deterioration; the declining relevance of Euro is one of the most concerning issues in 2023.<sup>2</sup>

<sup>2</sup> Euronews Albania (2023) "Euro returns to a decline, nearing threshold of 103 Albanian lek". 9 August. Available at: <https://euronews.al/en/euro-returns-to-a-decline-nearing-threshold-of-103-albanian-lek/>

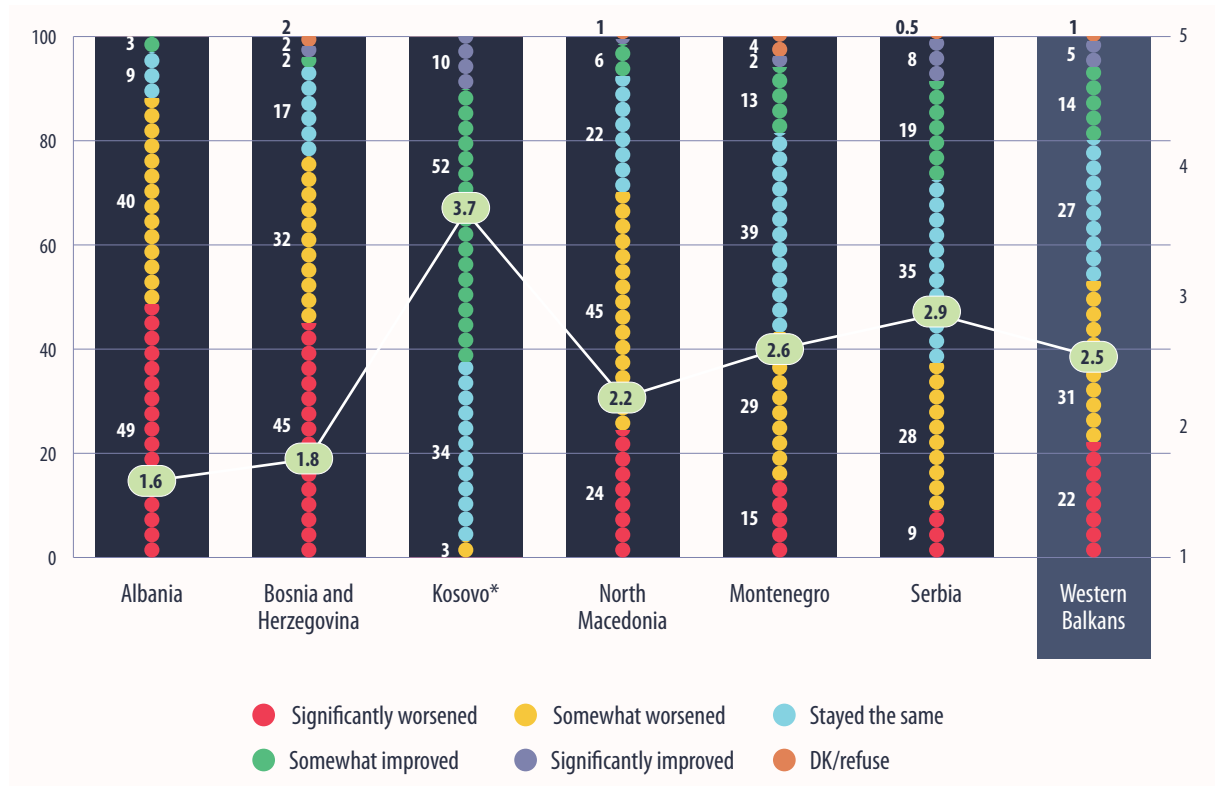
**Figure 16:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Macro-economic stability and favourability of exchange rates)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



The WB economies continue to face one of the most pressing problems in the world: the availability and cost of skilled labour. This picture is consistent across the Western Balkan economies (Figure 17), except for Kosovo\*, where 62% of respondents state that the cost and availability of trained labour force have improved significantly or somewhat in the past 12 months. According to respondents, Albania appears to be the economy most affected by labour cost and availability difficulties (89% said that overall, the situation has gotten worse), which reflects the continued and unpredictable push to raise the minimum wage. This is also a result of the previously mentioned increase in demand and decrease in labour supply as the younger population has continued to emigrate.

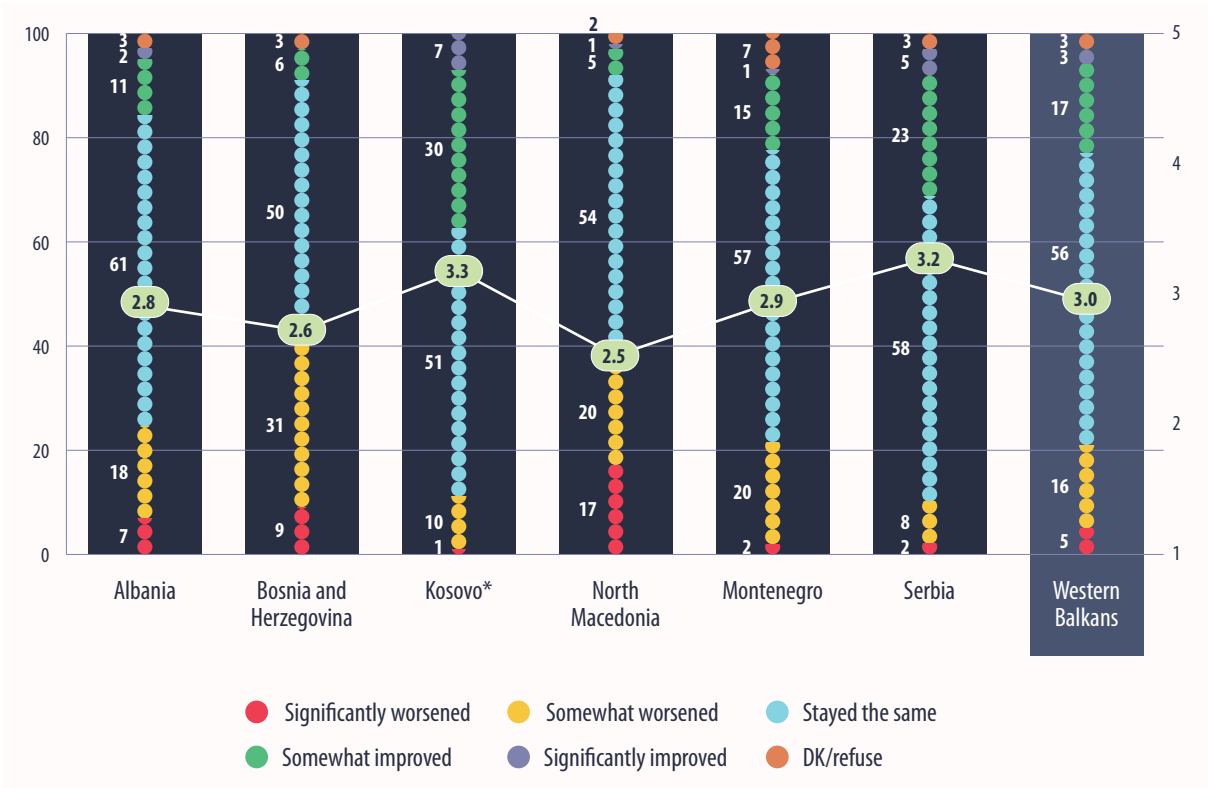


**Figure 17:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Availability and cost of skilled labour force)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



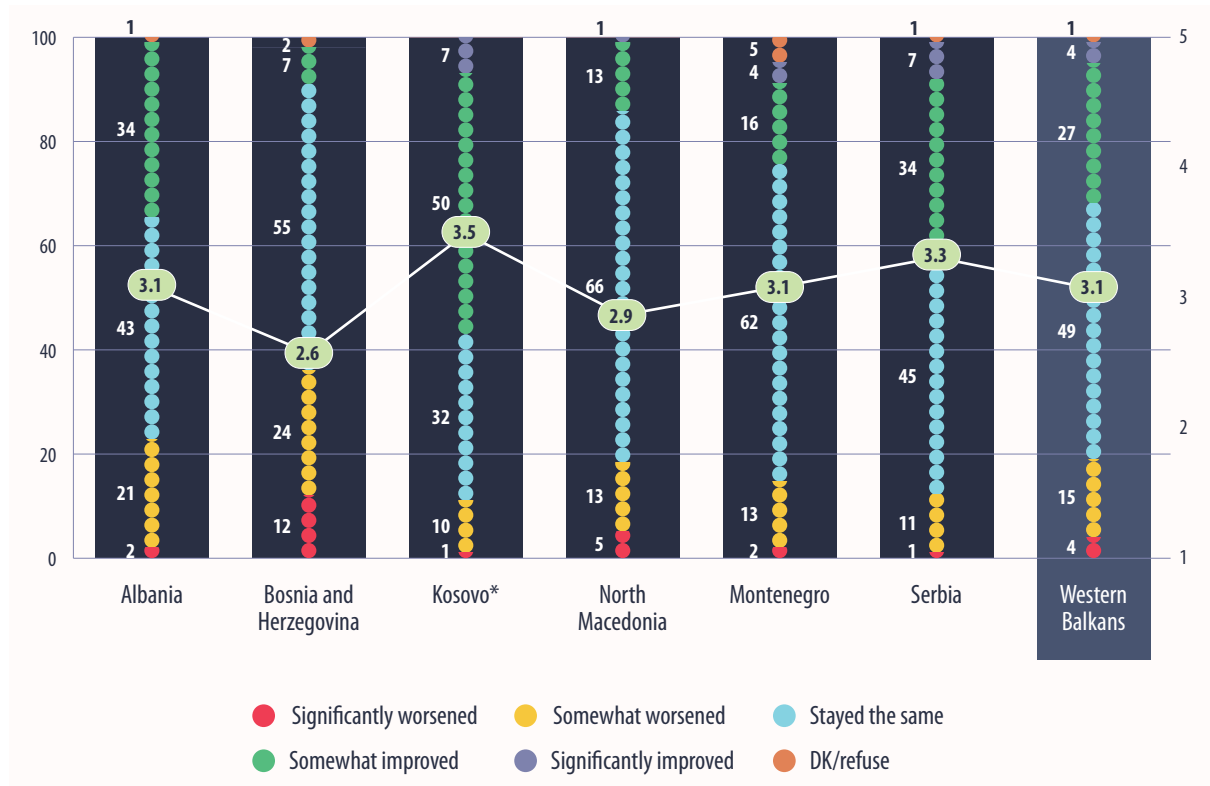
A similar tendency occurred when businesspeople were asked about the cooperation between the public and private sector. The general sentiment of the companies in the region is that the situation has not had significant changes and has remained constant (56%). The most pessimistic economies in this regard are North Macedonia (17%), Bosnia and Herzegovina (9%), and Albania (7%). On the other hand, Kosovo\* and Serbia consider this cooperation under a more positive perception, with a greater number of individuals indicating significant or slight improvements, with 37% and 28%, respectively.

**Figure 18:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Cooperation between the public and private sector)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



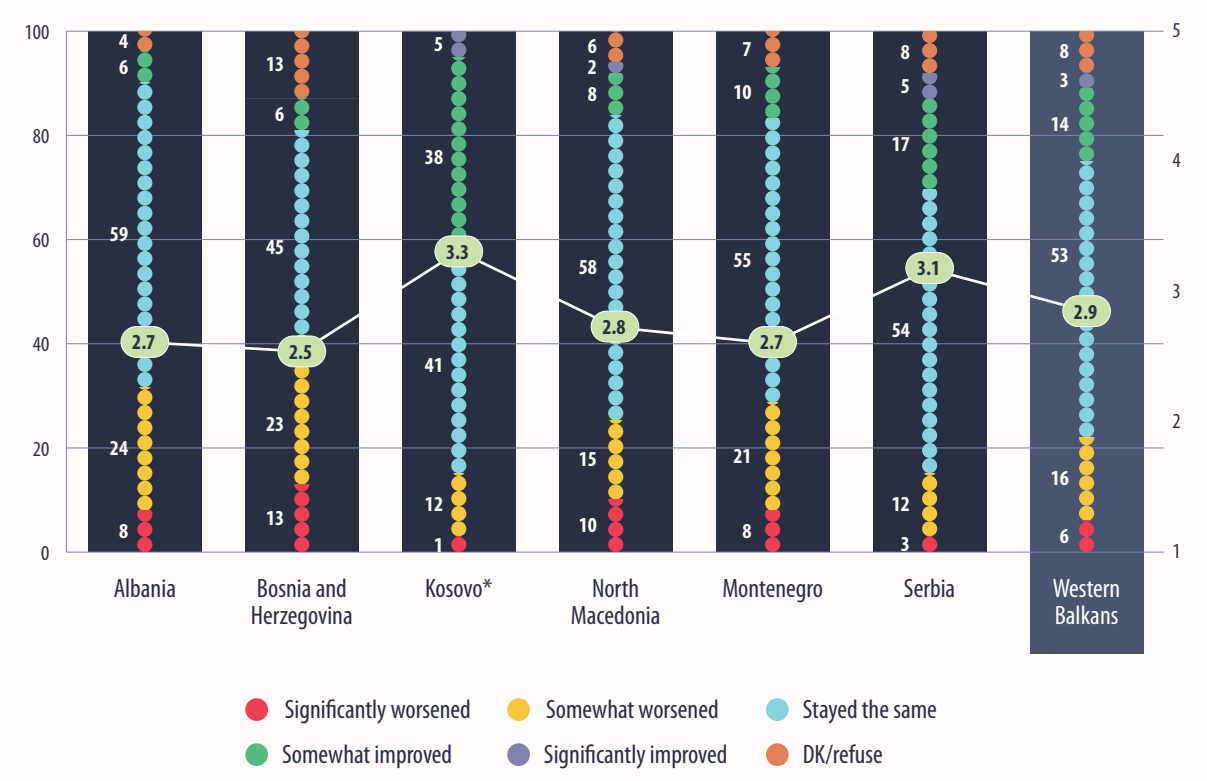
The Western Balkan economies have reached a common position on infrastructure, with a minor improvement from the more mixed opinions of the previous report. The physical infrastructure of Bosnia and Herzegovina presents the greatest challenge, with 36% of respondents indicating that the situation continues to deteriorate and 55% believing that it is steady. Businesses from Albania (23%) and North Macedonia (18%) follow in the ranking of less satisfied respondents with changes in physical infrastructure. While considerable percentages of respondents in both Macedonia and Montenegro had a neutral opinion on infrastructure, in Kosovo\* (57%) and Serbia (41%) companies appear to have the most positive perceptions in this regard.

**Figure 19:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Physical infrastructure)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



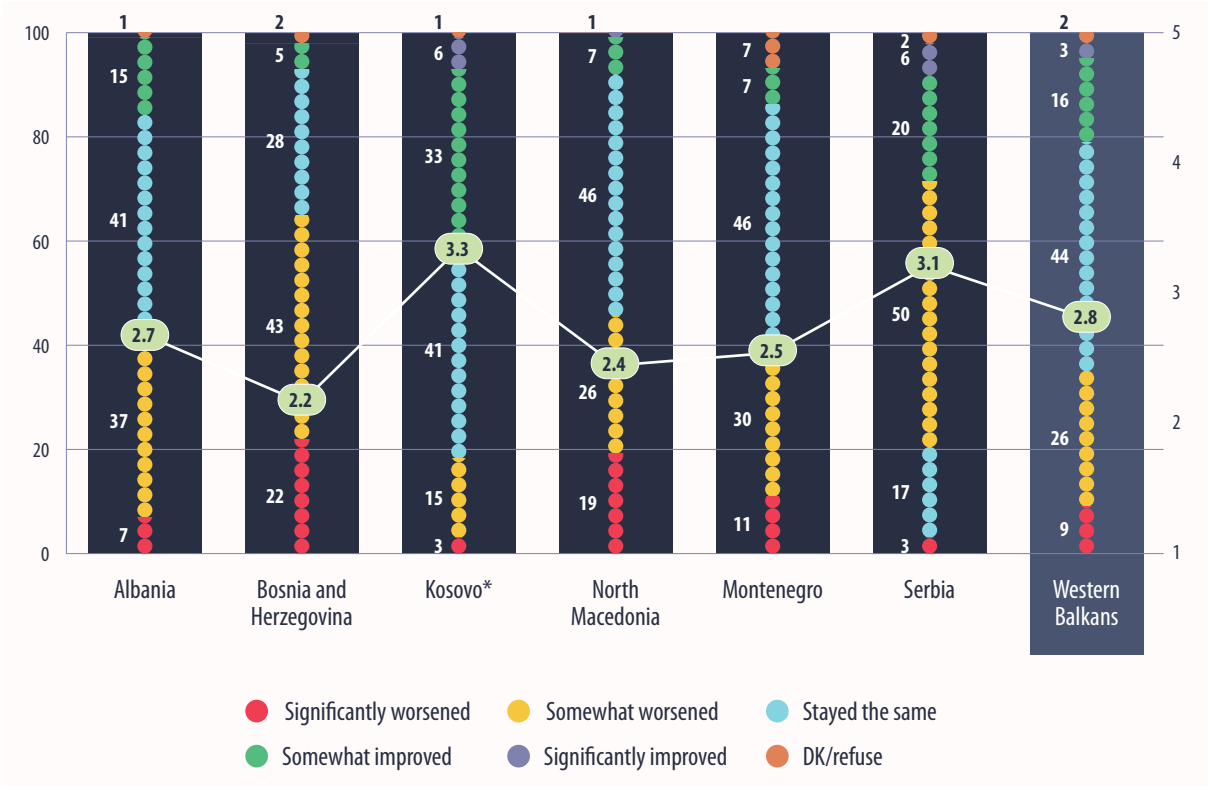
Responses of WB businesses have remained constant regarding the access to land and real estate. The majority of respondents (ranging from 41% to 59%, by economy) exhibited no change in this area. Kosovo\* respondents are the least concerned, with 43% perceiving improvement. On the other hand, 36% of companies in Bosnia and Herzegovina seem to consider this factor as deteriorating, which is the highest share in the region, and increased by 9 points compared to the previous year.

**Figure 20:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Access to land or real estate)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



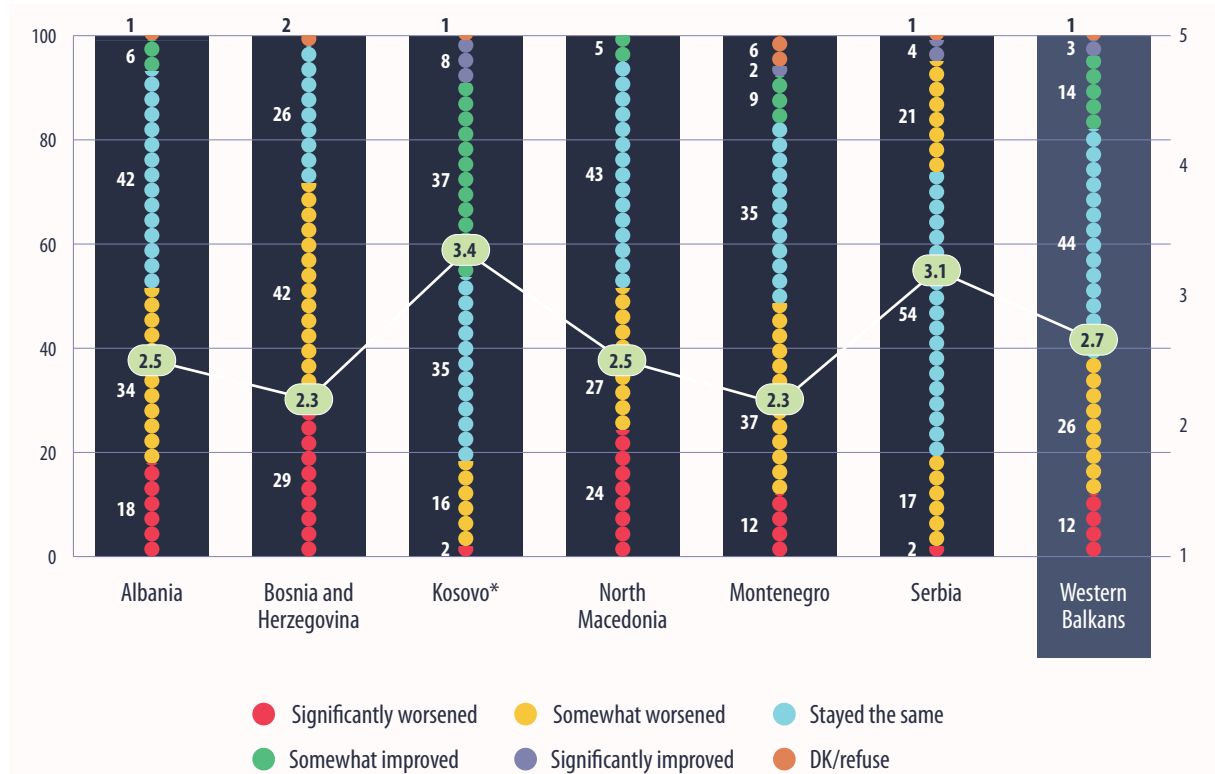
The pandemic-induced financial crisis and also the war in Ukraine reduced the amount of financial capital available in the majority of Western Balkan economies. This could indicate increased uneasiness, hesitancy, and a “wait and see” approach in terms of investment, which is frequent during crises, rather than a lack of availability. Bosnia and Herzegovina has the most severe financial market deterioration as 65% of respondents indicated some or considerable deterioration (7 points higher than in 2022), followed by North Macedonia (45%) and Albania (44%). Surprisingly, in Serbia (26%) and Kosovo\* (39%), the situation is perceived slightly better. However, the aggravating perceptions across all Western Balkan economies are slightly worse than what respondents perceived in the previous report. Those who reported significant deterioration in the 2022 report ranged from a low 1% to 7%, but the range this year is from 3% (in Kosovo\* and Serbia) to 22% (in Bosnia and Herzegovina).

**Figure 21:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Availability of financial capital in the domestic market)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



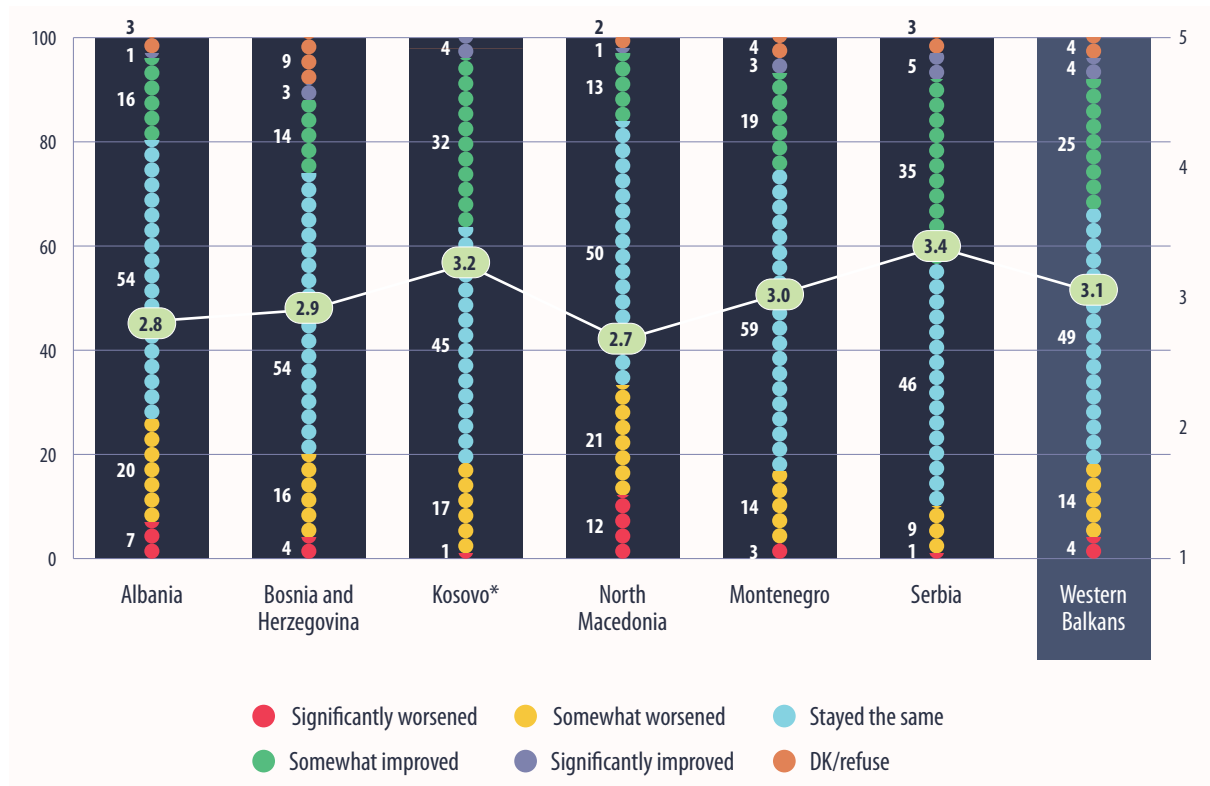
Perceptions on political stability and security have experienced some changes relative to the previous year, as shown in Figure 22. At the regional level, a relative majority claims no change (44%), reflecting 15 points increase from 2022. Those that see an improvement in this area have dropped by a considerable 20 points, reaching 17%. Only Serbia and Kosovo\* had non-negligible proportions of respondents who thought things were improving somewhat or significantly (25% and 45% respectively), while those who thought things were getting significantly worse ranged from 24% in North Macedonia to 29% in Bosnia and Herzegovina (a position retained from the last two years as well). More than half businesses (54%) in Serbia perceive no change, which is 25 points higher than last year.

**Figure 22:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Political stability and security)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



Technological innovation and capacities have remained the same for almost half of companies in the region (49%), increasing by 8 points from last year. Perceptions in Kosovo\* and Serbia are the most positive, where 36% and 40%, respectively, perceives improvement. While in Serbia this means an increase by 3 points, for Kosovo\* the share of respondents perceiving improvement has dropped by 22 points. One third of companies from North Macedonia consider the situation worse, experiencing a large increase of 15 points compared to last year. Respondents from Albania follow, with 27% claiming deterioration, with an increase by 7 points.

**Figure 23:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Technological innovation and capabilities)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



Tax rates have a more detrimental than positive effect on the business environment, and situation appears to have marginally deteriorated this year. The most intriguing responses to be examined this year come from Kosovo\* businesses, whose attitudes towards taxes have undergone an improvement for 41% of respondents. Though this portrays a different picture from the other economies of the region, this share has however decreased compared to last year by 14 points. Some explanatory factors could be connected to the government’s introduction of further financial assistance for businesses. The dominating responses in Figure 24 imply that most of the businesses are still unsatisfied with the tax rates. In Bosnia and Herzegovina, the situation has deteriorated (64% compared to 53% of last year), while in Albania there is a large majority (63%) stating that they have perceived no change (from the 38% of 2022).

**Figure 24:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Tax rates)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)

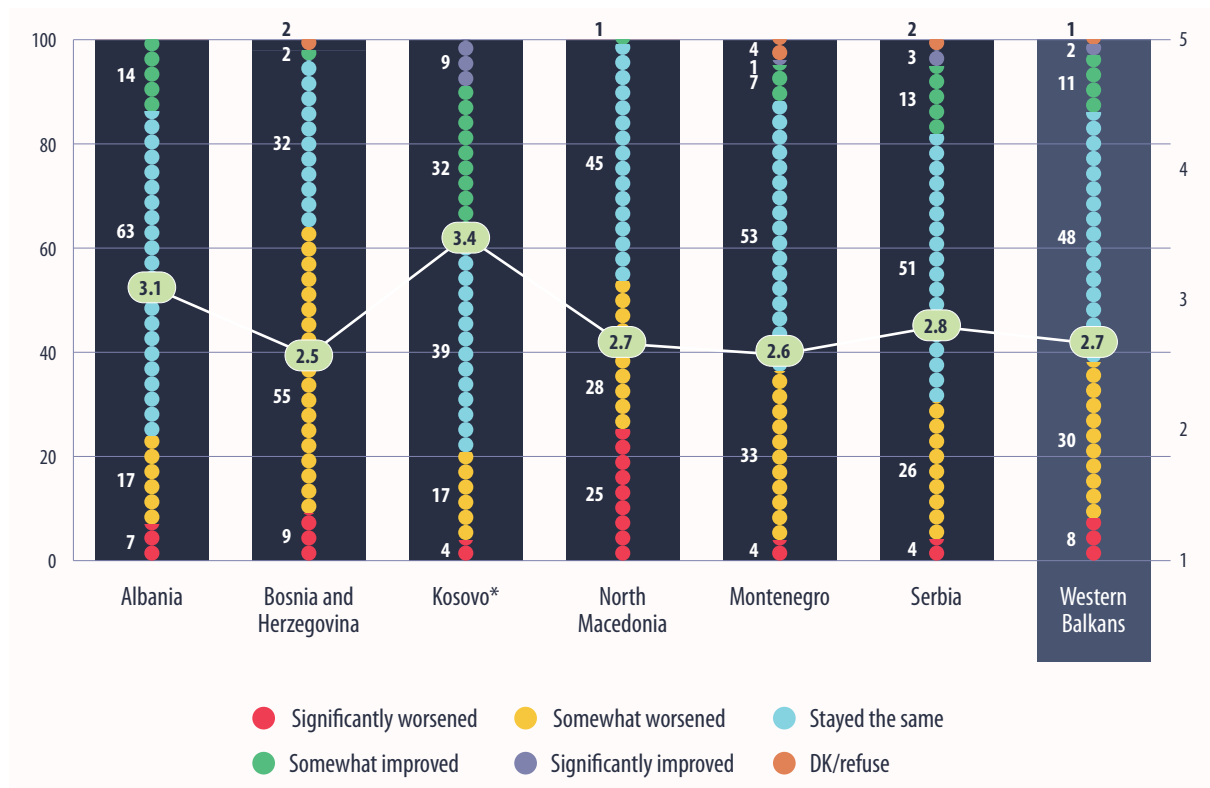
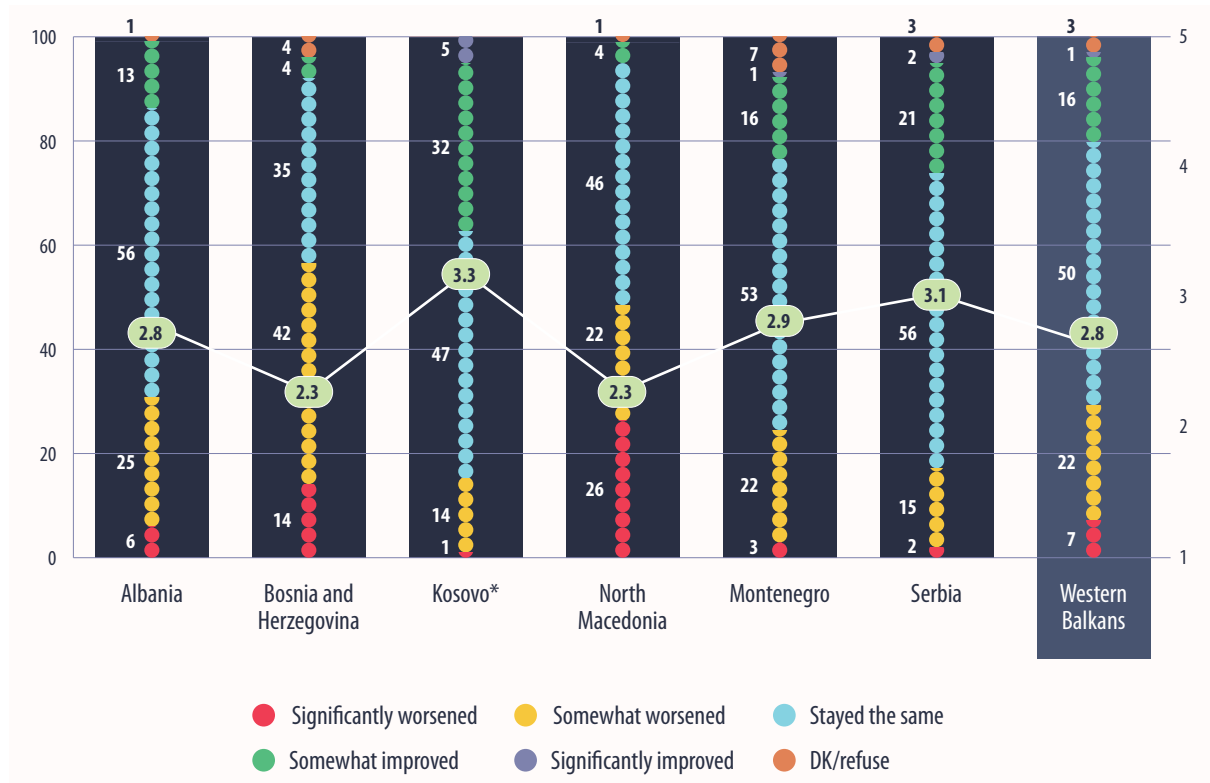


Figure 25 shows perceptions on changes regarding legal and regulatory environment. Half of respondents have experienced no change in the past 12 months (3 points more than last year). Almost 30% of companies consider the business environment worsened, with 6 points increase from 2022. With 56% of respondents expressing some or considerable decline, Bosnia and Herzegovina’s regulatory climate is perceived as the most deteriorating in the region (as in 2022, when it was 42%). North Macedonia companies follow this pessimistic attitude with 48%, increasing by 17 points. On the other side, Kosovo\* stands out since a considerable share of respondents (37%) indicated that the legal environment has improved. However, this share of companies has dropped by 15 points compared to last year.

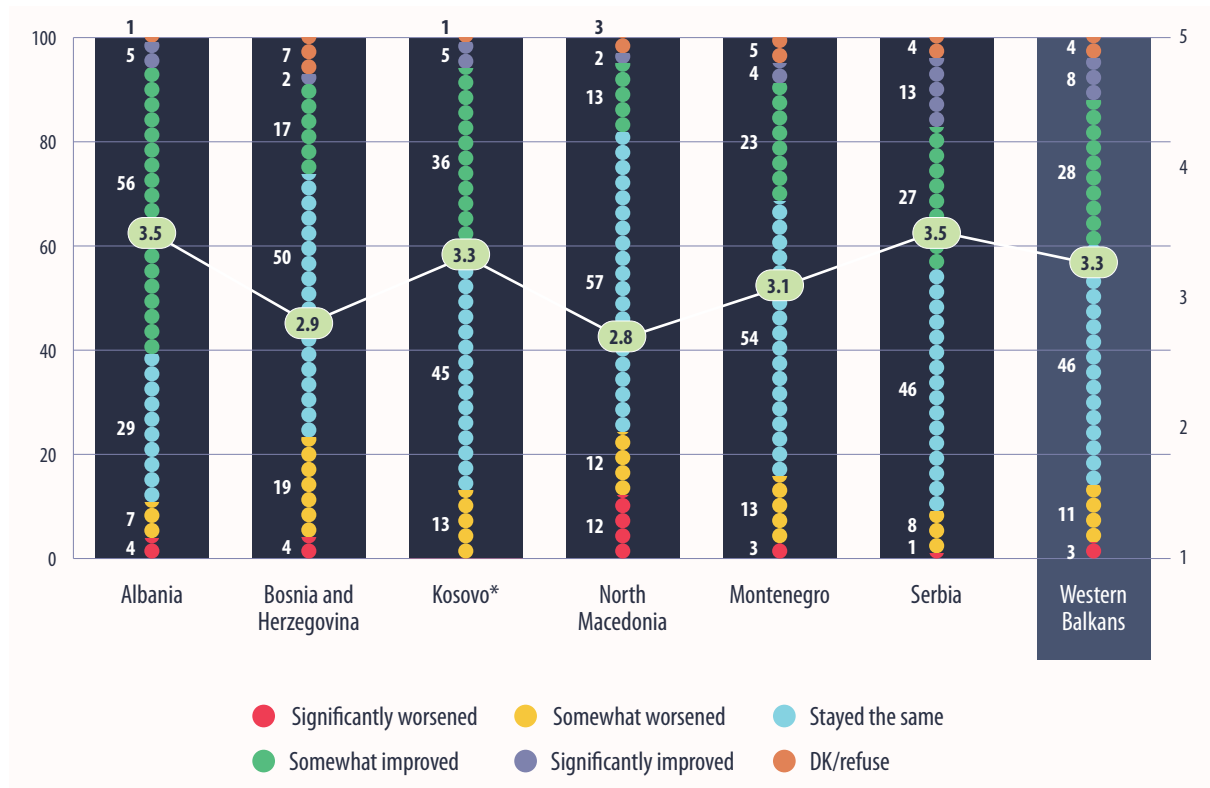


**Figure 25:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Business-friendly legal and regulatory environment)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



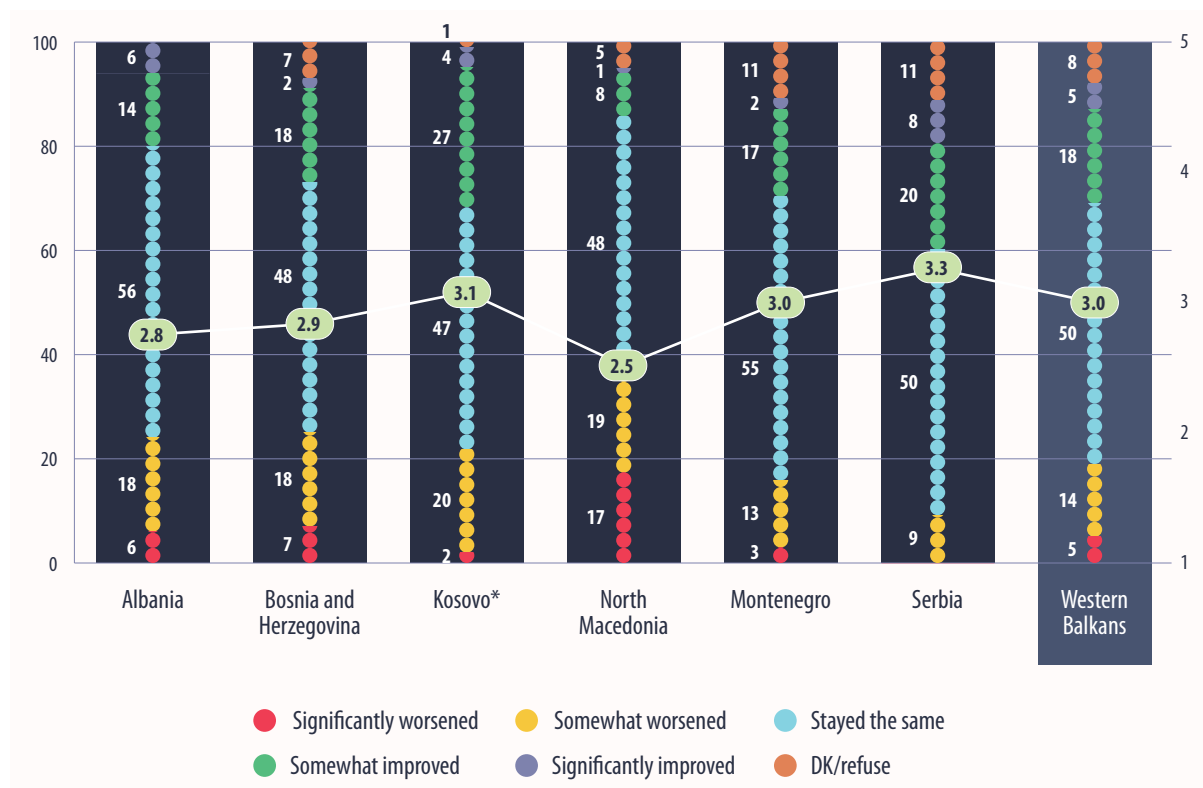
In regard to the digitisation of public administrative services in the WB economies, the situation is marginally better than in other segments of business environment. Albania is in the first place, with 61% of respondents believing that digitalisation has improved in the previous year. However, this percentage has dropped by 25 points from last year. The massive cyberattacks on the e-government services could have impacted perception of companies in this regard. Kosovo\* follows the positive attitudes in this area with 41% and Serbia with 40%. North Macedonia is the economy with the highest percentage of respondents who believe this metric is deteriorating: 24% believe the digitisation agenda for public services is deteriorating and 57% believe the situation to have stayed the same.

**Figure 26:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Availability of Government digital service to complete administrative procedures)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



Only 5% of respondents from the WB economies reported that their governments have significantly improved services for vulnerable groups, which is half of respondents from last year. Half of companies claim that the situation is the same, a share which increased by 9 points compared to last year. Companies from Kosovo\* have the most positive perception in this regard, but with a drop of 22 points from last year, reaching 31%. North Macedonia companies see a deterioration in this regard with 36% of businesses (16 points more than last year) claiming so.

**Figure 27:** How have the following characteristics of the business environment in your economy changed over the last 12 months? (Availability of Government support schemes to employ vulnerable groups)  
 (All respondents - N=1211 single answer, scores on a scale of 1 to 5 where 1 means significantly improved and 5 significantly worsened, share of total, %)



Western Balkan businesses continue to finance their operations from internal funds and retained earnings, jumping from 61% of previous year to 69% (Table 2). Albania is dominant in using retained earnings (97%), while Serbia and Kosovo\* follow (with 80% and 61%, respectively). In 2020, only 50% of respondents from Albania claimed to have used this source, which shows a massive contraction from other sources that has continued for the past 2 years. Standing still at very low levels (5% for WB), equity financing has experienced a slight decrease from the previous year, which shows no expansion of alternative financing forms in the region.

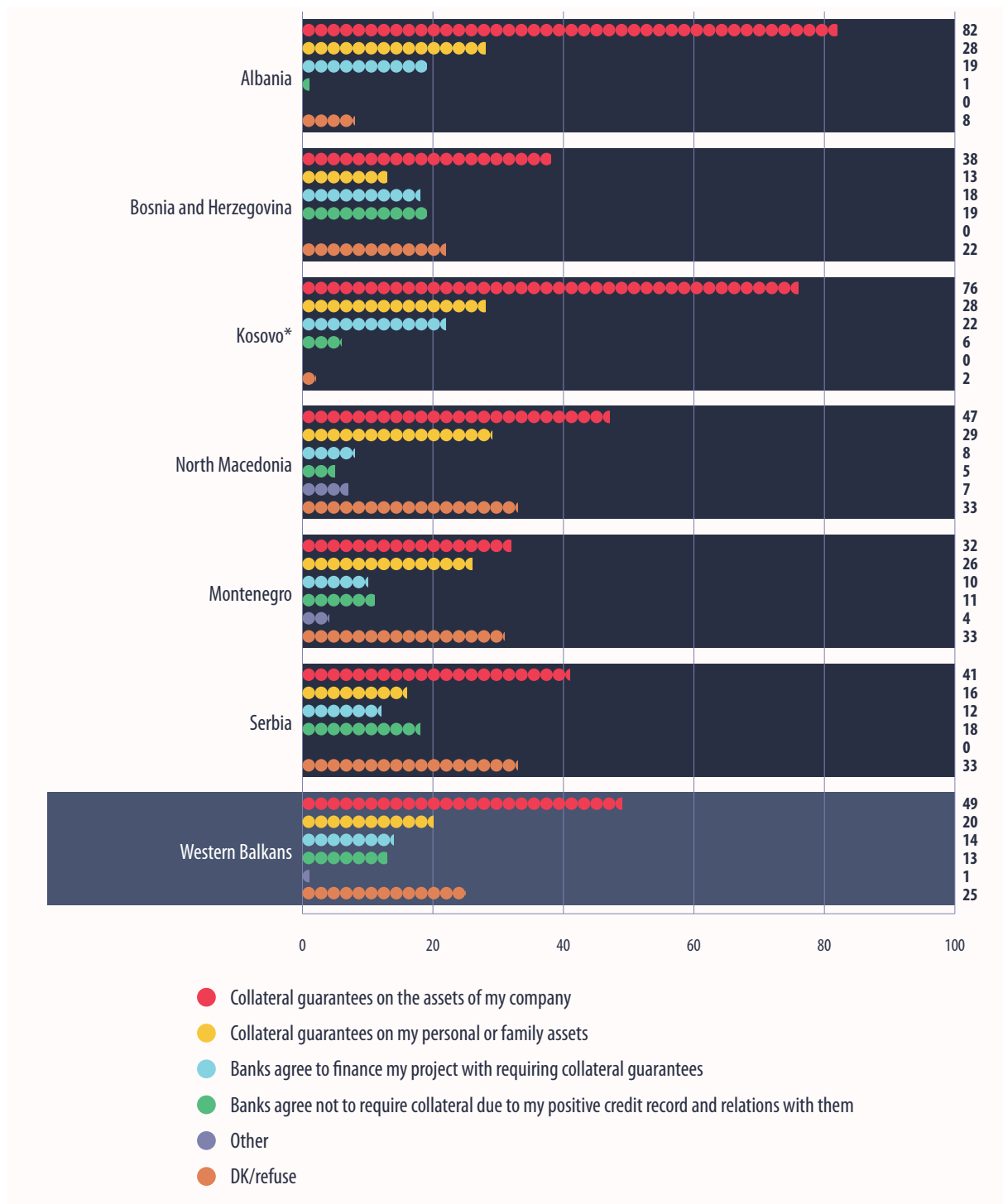
**Table 2:** Have you used any of the following sources of capital over the past 12 months?  
 (All respondents - N=1211, multiple answers, %)

	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
Internal funds/retained earnings	69	97	48	61	47	30	80
Borrowing from domestic sources (i.e. development banks, local private commercial banks and state-owned banks)	38	36	47	65	29	27	35
Borrowing from the banks abroad	5	5	8	5	4	4	4

	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
Equity investment (through share issues in the capital market, equity investment by institutional investors, or private	5	1	3	5	2	5	7
Venture capital	11	0	16	13	3	6	14
Money lenders or other informal sources (other than family/friends)	5	7	4	13	3	7	4
Business angel funding	2	0	5	4	1	0	2
Factoring arrangements or selling accounts receivable	5	0	4	2	4	1	9
Credit cards	12	3	32	2	9	15	9
Leasing arrangements	8	3	12	0	2	10	11
Other	1	0	0	0	11	4	0
DK/refuse	8	1	13	1	16	24	4

Figure 28 shows that almost half of the respondent businesses have used collateral guarantees on the assets of their companies, and the least (only 1%) from other sources. This form of financing is particularly high in Albania (82%) and Kosovo\* (76%). Montenegro companies are the ones using this form least (32%). Personal assets are used as a guarantee mostly in North Macedonia (29%). A considerable share of companies, mostly in North Macedonia and Serbia (33% each), refused to share these details.

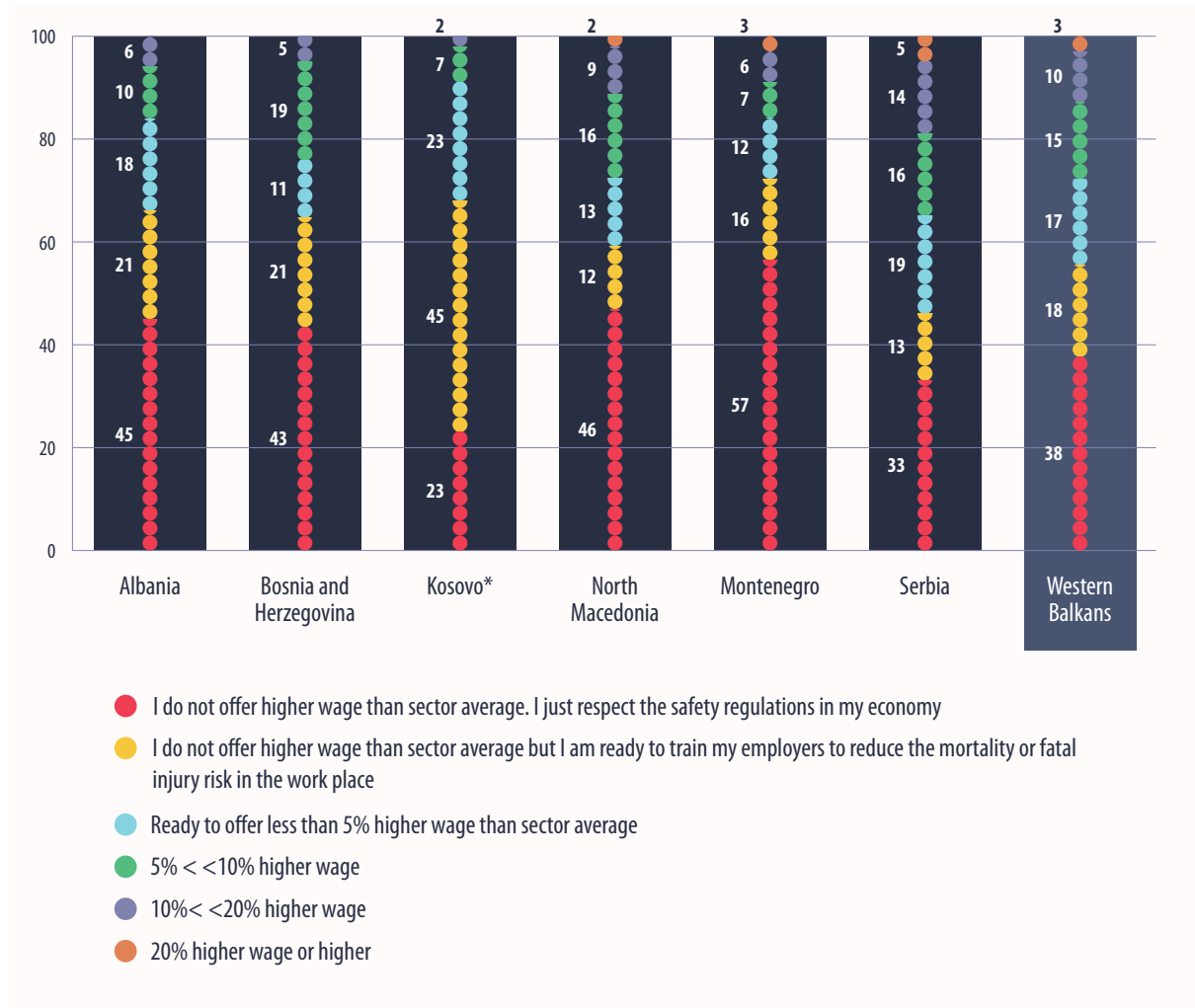
**Figure 28:** What types of guarantees do the commercial banks in your economy, whose above selected financial instruments you used, ask as collaterals from your company or you as owner?  
 (All respondents - N=1211, multiple answers, %)



When asked about offering an increase in the employees' wages to have them accept a risky working environment, 15% of respondents admitted being willing to offering between 5% and 10% of wage increase. Another 10% of businesses would offer from 10 to 20% increase. However, more than half of respondents (56%) are not willing to increase wages but could rather offer training and make sure

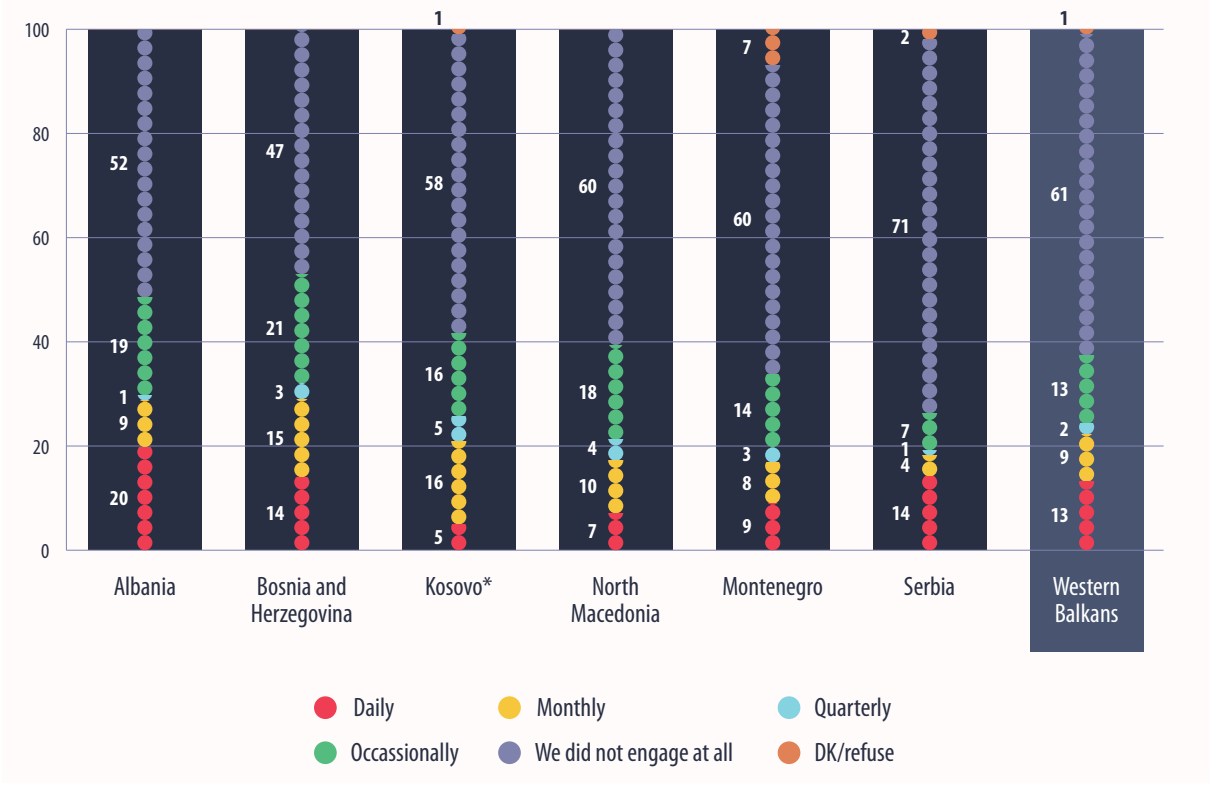
that safety regulations are applied. This statement is more prominent in Montenegro with 73% of share and in Kosovo\* with 68%. Even though the WB economies are facing issues regarding skilled labour and labour costs, they are not yet ready to invest in wage increase, especially for the hardships in the working environment.

**Figure 29:** How much do you consider offering as an increase in the wages of your employees to have them accept hardships in the working environment (like higher mortality or fatal injury risks)?  
 (All respondents - N=1211, single answer, share of total, %)



The involvement of companies in digital commerce during the last year is illustrated in Figure 30. Even though a greater share of buying and selling is happening online after the pandemic, it is still not reflected in the habits of a typical consumer that lives in the WB. In comparison to the previous report, there has been a 6% increase in the number of businesses that did not participate in online buying and selling activities. Businesses in Serbia continue to hold the largest number of responders that refrain from engaging in online trading while Bosnia and Herzegovina, Albania and North Macedonia have a greater engagement in online trading trends.

**Figure 30:** How often did you engage in selling and buying online during the last year?  
 (All respondents - N=1211, single answer, share of total, %)



As expected, the WB region has again reiterated their support for the Regional Roaming Agreement (Figure 31). Amongst the respondents, 50% stated that the Agreement had a positive or somehow positive impact on their businesses by reducing costs and easing communication with partners (7 points increase). Businesses have become aware of the agreement and the biggest impact is shown to have happened in Kosovo\*, where almost 95% of businesses have benefited from it, a quite high share compared to the rest of the economies. The benefits are still not reflected largely for businesses from North Macedonia where 52% of respondents feel that the Agreement has had no impact at all. Still there is a small percentage of the population in each economy that was unfamiliar with the agreement, ranging from 1% in Kosovo\* to 11% in Bosnia and Herzegovina.

**Figure 31:** How did the roaming free regime impact your business operations within the Western Balkans? It ...  
 (All respondents - N=1211, single answer, share of total, %)



Around 78% of company owners and senior managers in the WB were predominantly residents of their own economy (Figure 32). Montenegro and Serbia, followed by North Macedonia, continue to be the economies with the smallest share of people working abroad, varying from 14% to 15%. Even though Kosovo\* has a high number of individuals living abroad, the indicator shows that a decrease of 21% has happened during this year implying that business owners or managers prefer working and living in the same place.



**Figure 32:** Have any of your company's owners or senior managers spent time living and working abroad as members of the diaspora? (All respondents - N=1211, single answer, share of total, %)

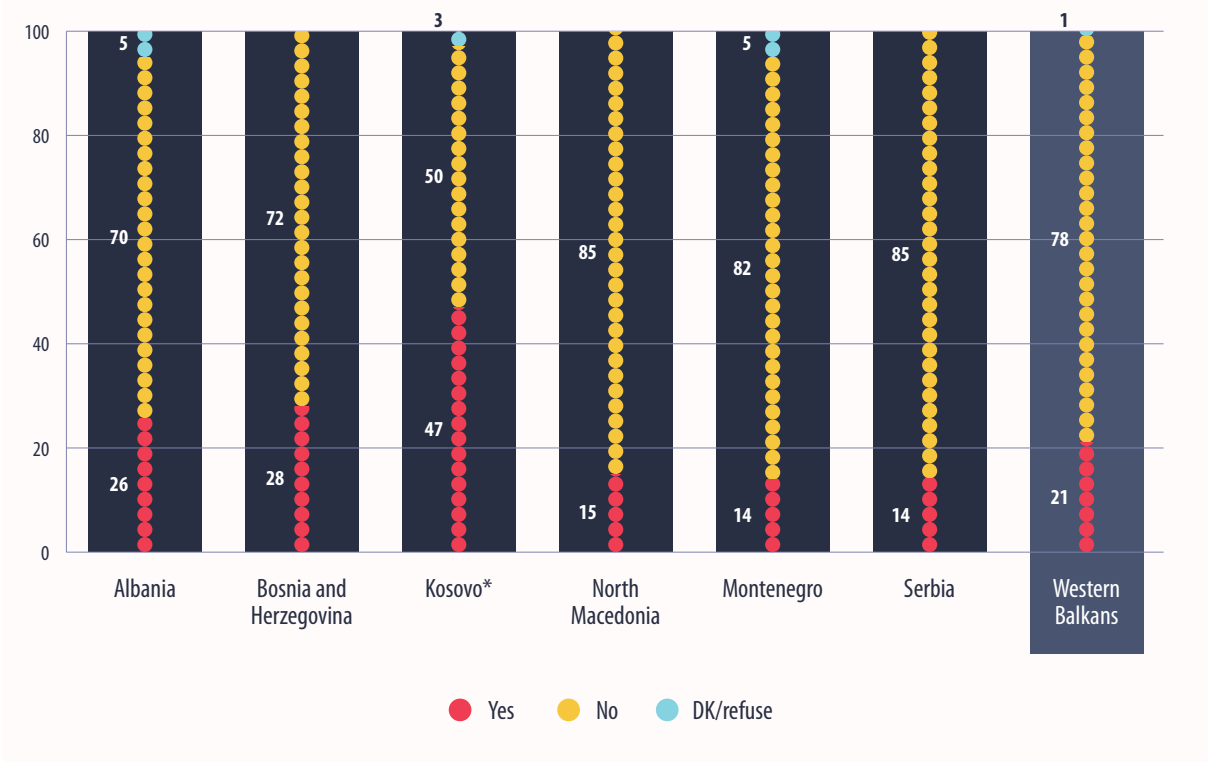
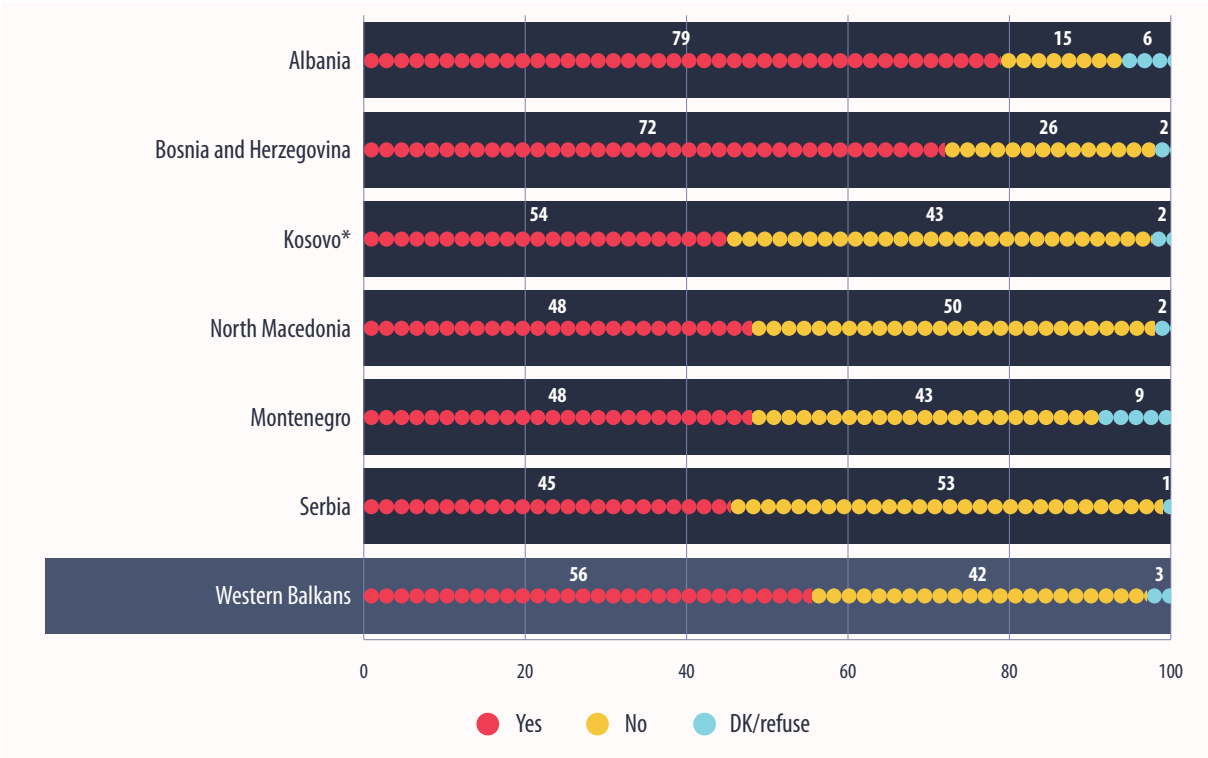


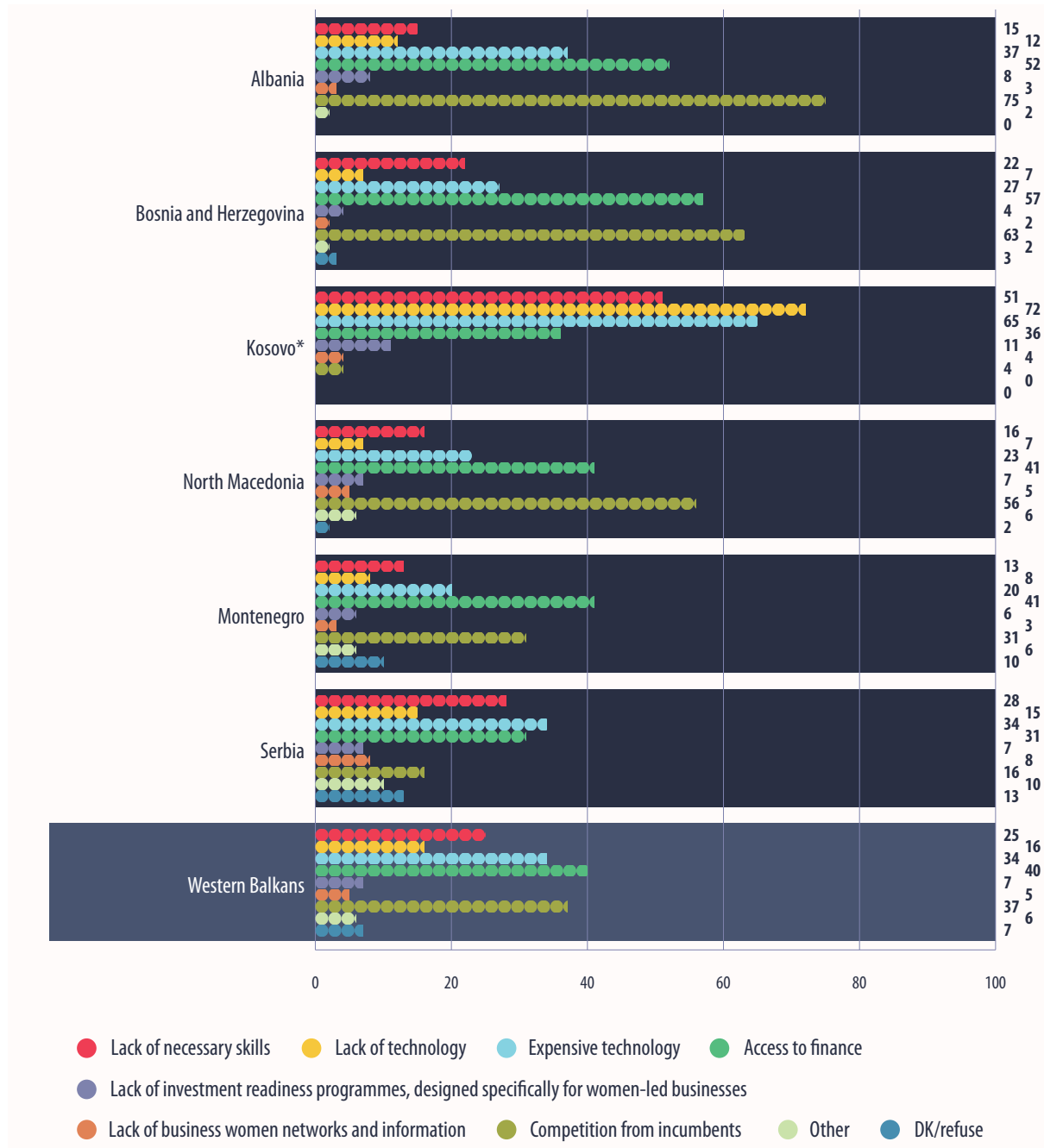
Figure 33 interprets the opinion of business owners regarding the benefits from traveling across the WB region with an ID only. Following the high expectations from last year where the majority of WB respondents expected to greatly benefit from the use of ID cards for travelling through the region, this year businesses seem to be slightly more sceptical. 42% of them responded negatively when asked if they expect benefits from this policy. Amongst the respondents, those from Albania and Bosnia and Herzegovina show the highest level of enthusiasm (79% and 72% respectively), while respondents from Serbia are still the more sceptic (45%).

**Figure 33:** Will it benefit your business to travel across the Western Balkans region with a valid ID card only?  
 (All respondents - N=1211, single answer, share of total, %)



Access to finance remains a persistent issue for businesses in the WB when attempting to expand their operations (40%), followed by competition from incumbents (37%) and expensive technology needed (34%) (Figure 34). Kosovo\* businesses are more worried about the lack of technology and lack of resources to provide it, whereas Albania, Bosnia and Herzegovina and North Macedonia highlighted the competition from incumbents as their primary obstacle to scaling up their businesses.

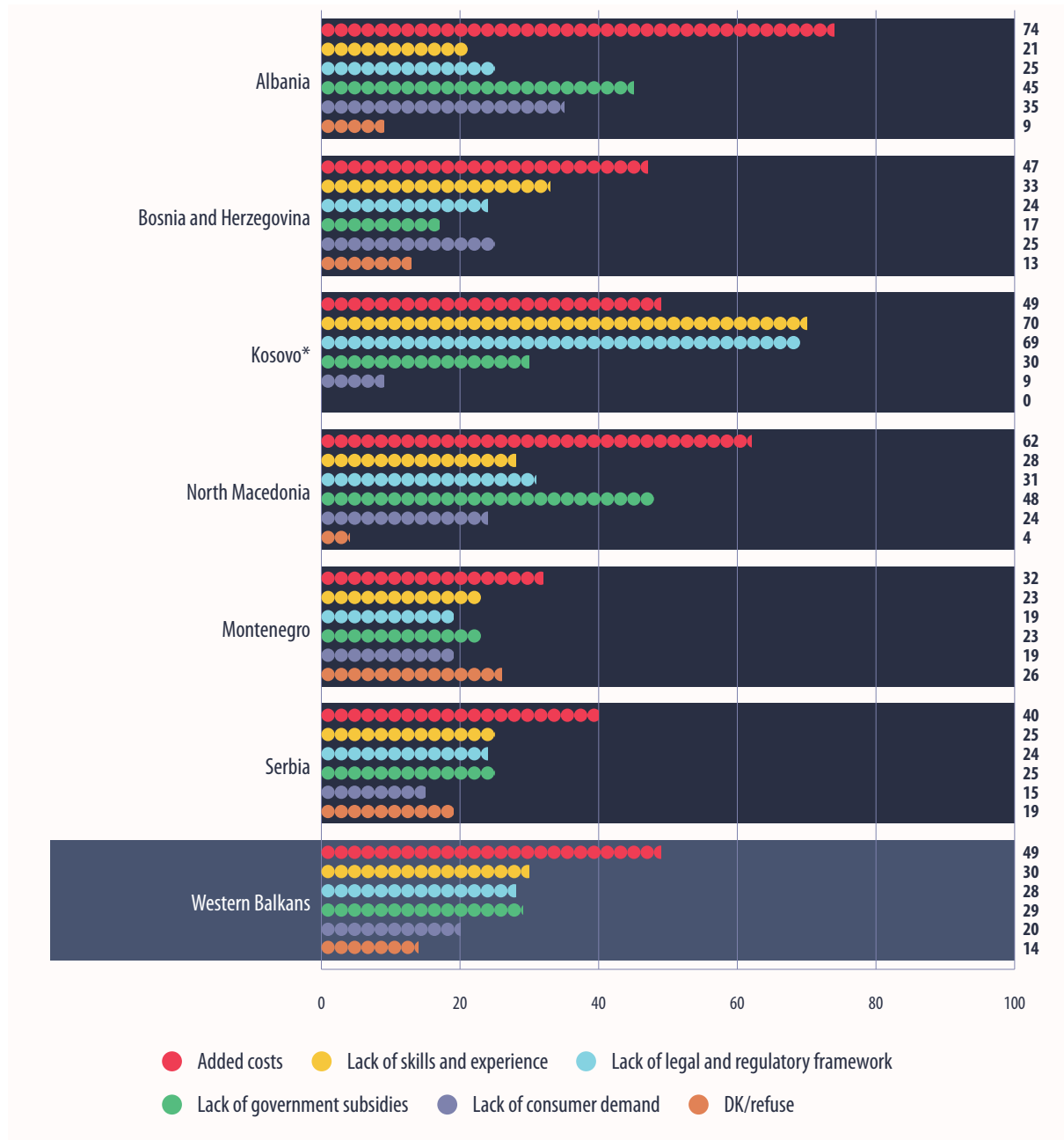
**Figure 34:** What are the major challenges faced when trying to scale up your business?  
 (All respondents, N=1211, multiple answers, %)



As per Figure 35 results, 49% of respondents identified additional costs as the main obstacle to transitioning to a circular economy model; a decrease of 15% from the previous year's results. Similarly, green and circular economy stakeholders in the region (involved in an RCC survey from the end of 2022) showed that a majority of stakeholders plan to seek external financing in order fund their circular economy initiatives and green their business models. In Albania, the highest concern is the financial burden, for 74% of respondents. On the other hand, in Kosovo\* the lack of skills, experience, and a regulatory framework is seen as a major challenge. North Macedonia and Albania

are affected by the absence of government subsidies more than the other economies, 48% and 45% respectively.

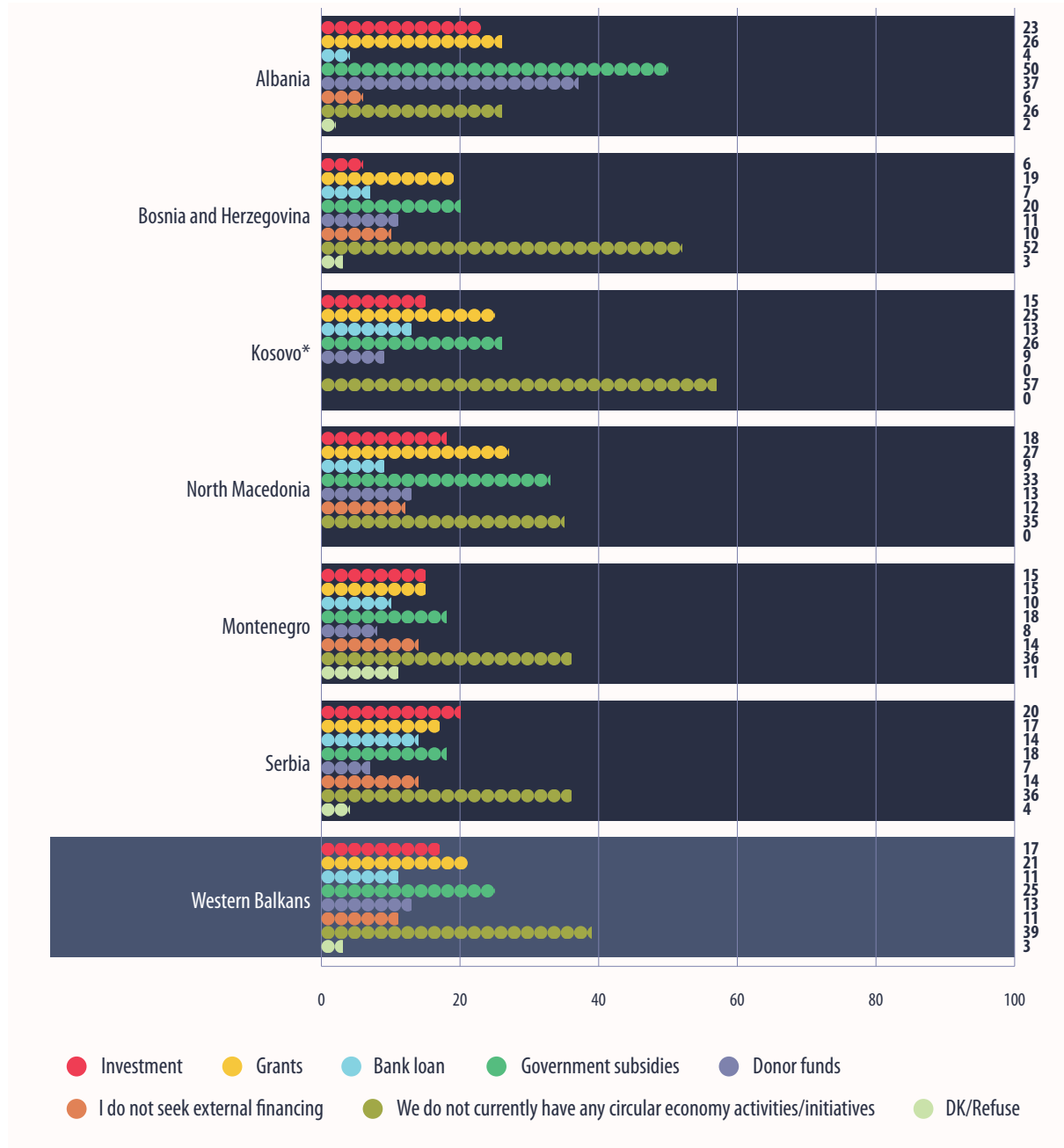
**Figure 35:** What are the main barriers to shifting towards circular economy in your line of business?  
 (All respondents, N=1211, multiple answers, %)



Businesses in the WB region seek various types of external financing to support their circular economy activities and initiatives, like investments, grants, bank loans or donor funds; however, the majority seeks funds from the governments in the form of subsidies as shown in the graph below (25%). Albania leads the chart with 50% of the cases that rely on government subsidies to shift their businesses towards circular economy. Oddly enough, 39% of the respondents all over the region claimed that they do not have any ongoing circular economy initiatives; with Kosovo\* and Bosnia and Herzegovina being the most stagnant when it comes to this approach. It is important to note

that the availability and accessibility of specific types of financing may vary based on the size, stage of development, and sector of the business.

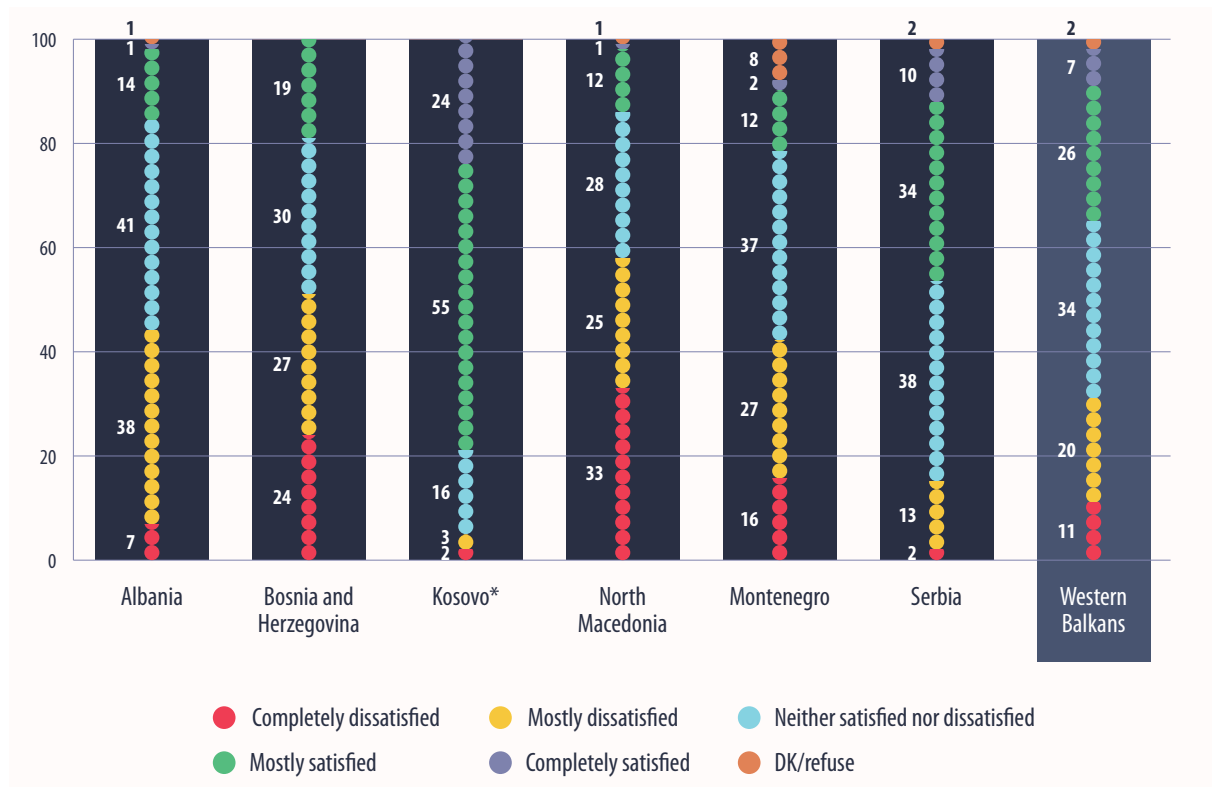
**Figure 36:** What kind of external financing do you seek for your circular economy activities/initiatives?  
 (All respondents, N=1211, multiple answers, %)



# LEGAL AND REGULATORY FRAMEWORK

Businesses in the region appear to be dissatisfied with the level of consultation and involvement of private sector by the government when creating new rules and regulations that impact their operations (Figure 37). A total of 31% of respondents from all over WB expressed either complete or some dissatisfaction, a slight decrease of 4% from the previous year. Kosovo\* exhibited the highest level of content with these government practices and North Macedonia is the least satisfied, a statistic that remains constant with the last year. Majority of respondents (34%) continue to be neutral on this topic.

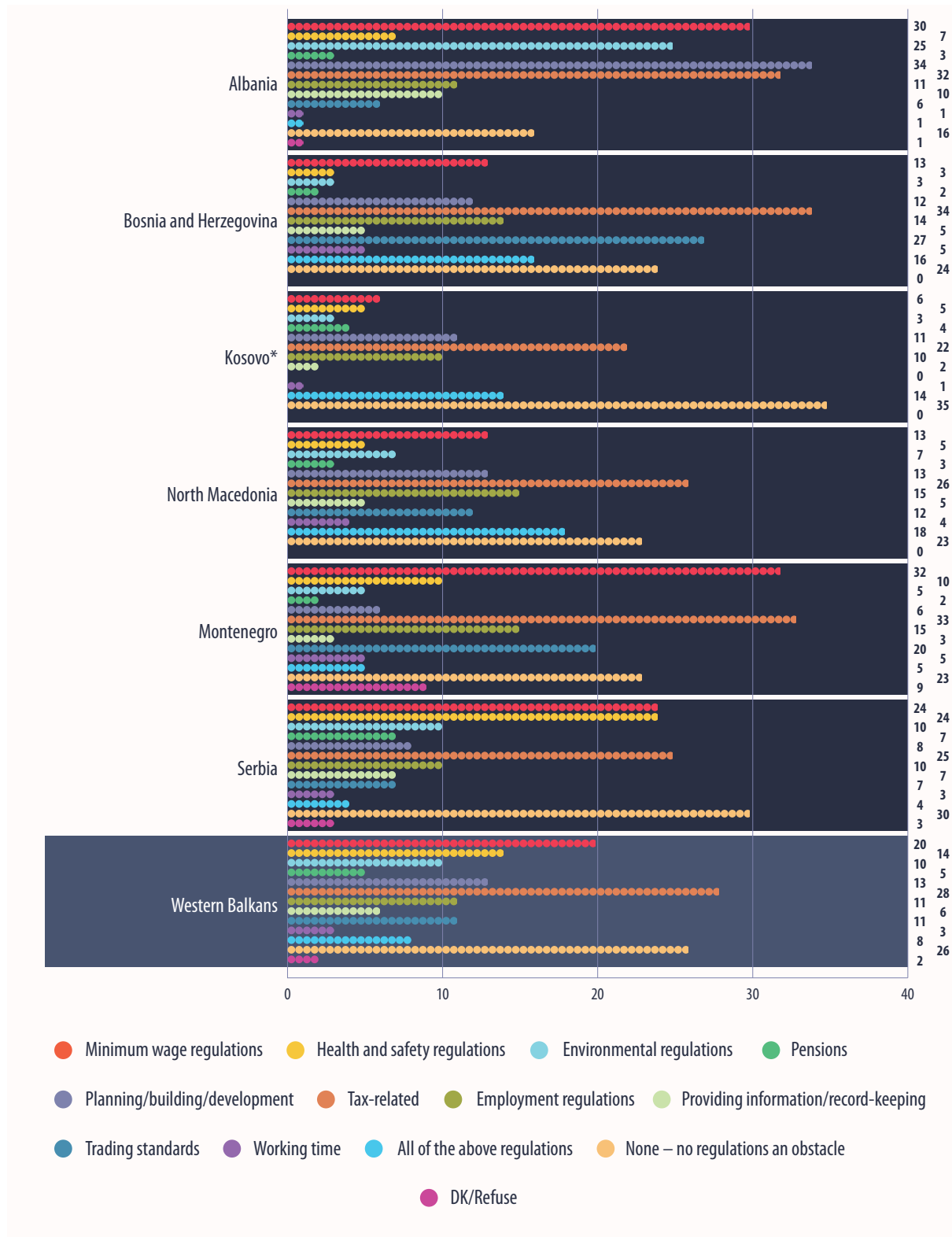
**Figure 37:** To what extent are you satisfied with how the Government consults private sector when developing new laws and regulations relevant for doing business?  
 (All respondents - N=1211, single answer, scores on a scale of 1 to 5 where 1 means completely satisfied and 5 completely dissatisfied, share of total, %)



According to Figure 38, businesses primarily identified tax-related challenges as significant obstacles, accounting for 28% of the responses, being ranked first as last year (31%). However, 26% of businesses indicated that no regulation is an obstacle for the growth of their businesses, which is 12 points higher compared to the previous year. The next important concern was minimum wage regulations, mentioned by 20% of respondents.

At the economy level, companies from Kosovo\* and Serbia are the least worried about such obstacles with 35% and 30%, respectively (from 23% and 15% last year). Minimum wage is mostly a concern in Montenegro (32%) and Albania (30%), showing an increase of 10 and 7 points respectively.

**Figure 38:** Which regulations do you consider to be an obstacle for the growth of your business?  
 (All respondents - N=1211, max 2 answers, share of total, %)



In the Western Balkan economies, a large majority of businesses (92%) has never had their cases brought to mediation courts (figure 39). The number of cases in each economy ranged from 2 to 16

during a 12-month period, with most of the cases happening in Bosnia and Herzegovina (16%). This practice remains weak and unpopular in the region, showing no significant change from the last year.

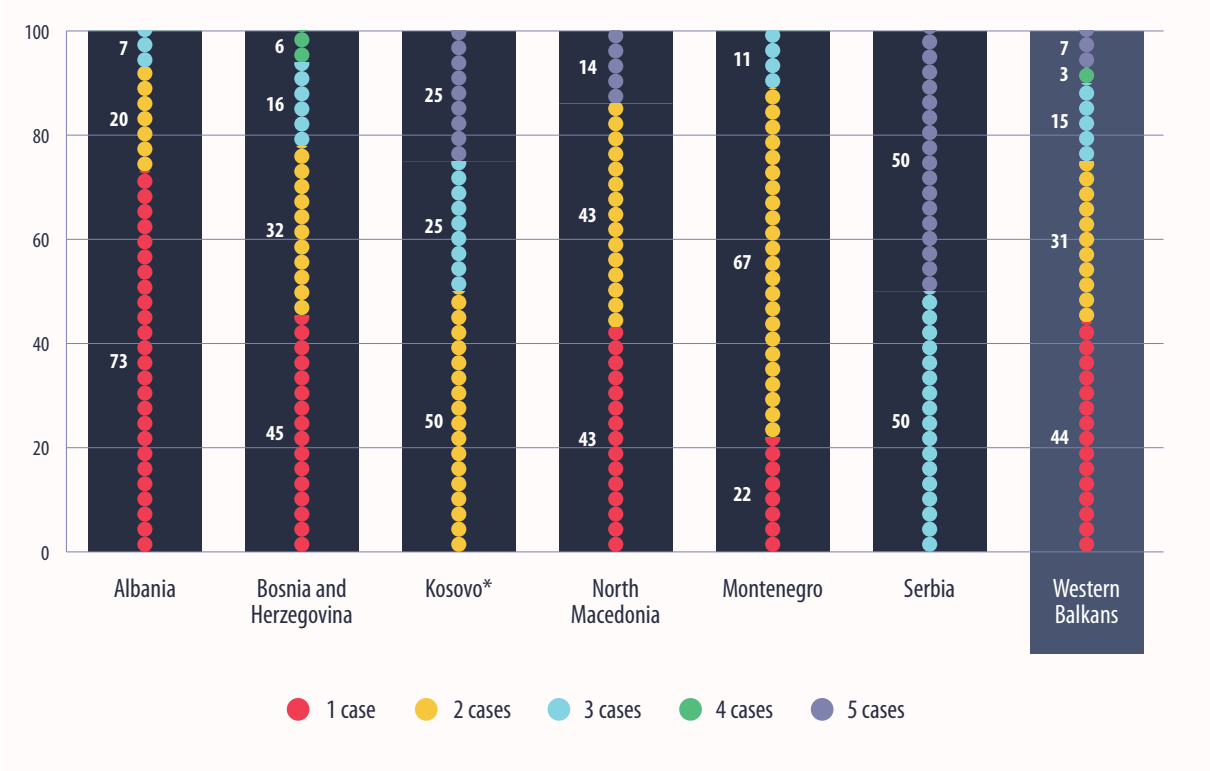
**Figure 39:** Has your company had any cases solved through mediation in the last 12 months?  
 (All respondents - N=1211, single answer, share of total, %)



Across the region, on average, 44% of respondents have solved only one case in civil or commercial matters through mediation courts (Figure 40). Albania holds the least number of cases solved, with 93% of respondents only reporting 1-2 cases, and businesses from Serbia prevailing the chart with 3-5 cases solved.



**Figure 40:** How many cases in civil or commercial matters were solved by your company through mediation in the last 12 months? (Respondents who had cases in civil or commercial matters solved through mediation - N=75, %)



When asked about the effectiveness of mediation as a mechanism for resolving issues, 67% of businesses all over the region responded positively. Serbia, Montenegro and Kosovo\* had no doubt that mediation could solve conflicts or civil/commercial matters, whereas Albania is the most sceptic using this method.

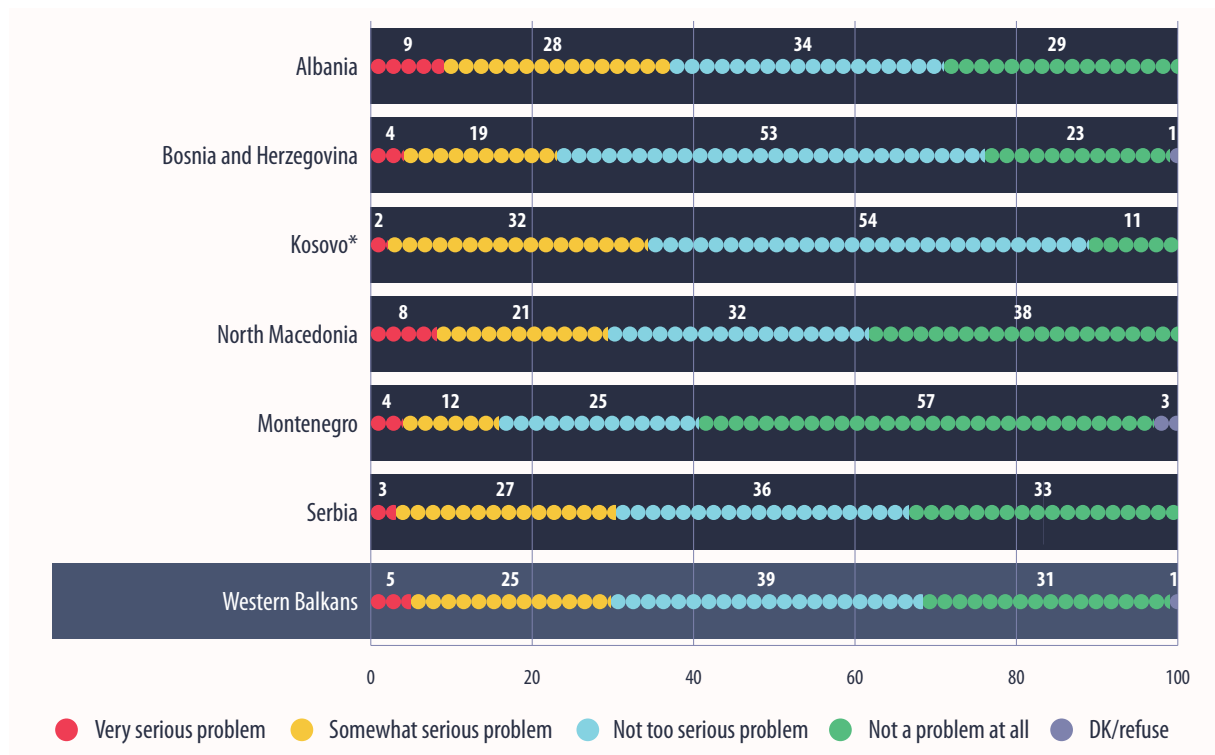
**Figure 41:** Do you consider mediation as a quick and cost-effective extra-judicial alternative to resolve disputes in civil and commercial matters, including for cross-border/boundary dispute resolution?  
 (Respondents who had cases in civil or commercial matters solved through mediation - N=75, single answer, share of total, %)



# BUSINESS PERCEPTIONS OF THE GREEN AGENDA

Despite climate change being a serious and growing concern for businesses worldwide, including those in the WB economies, the survey shows that nearly 70% of businesses in the region do not see the climate change as a problem for their business. This may be a consequence of limited awareness and understanding, more immediate economic concerns, lack of clear incentives, reliance on traditional industries as well as limited access to resources and technology. These concerns can take precedence over longer-term environmental risks, including climate change. Businesses from Montenegro are little to none concerned with this issue, while Kosovo\*, Albania and Serbia seem to be paying more attention to recognise climate change as a problem. However, addressing these barriers and promoting awareness and education about the risks and opportunities associated with climate change will be essential.

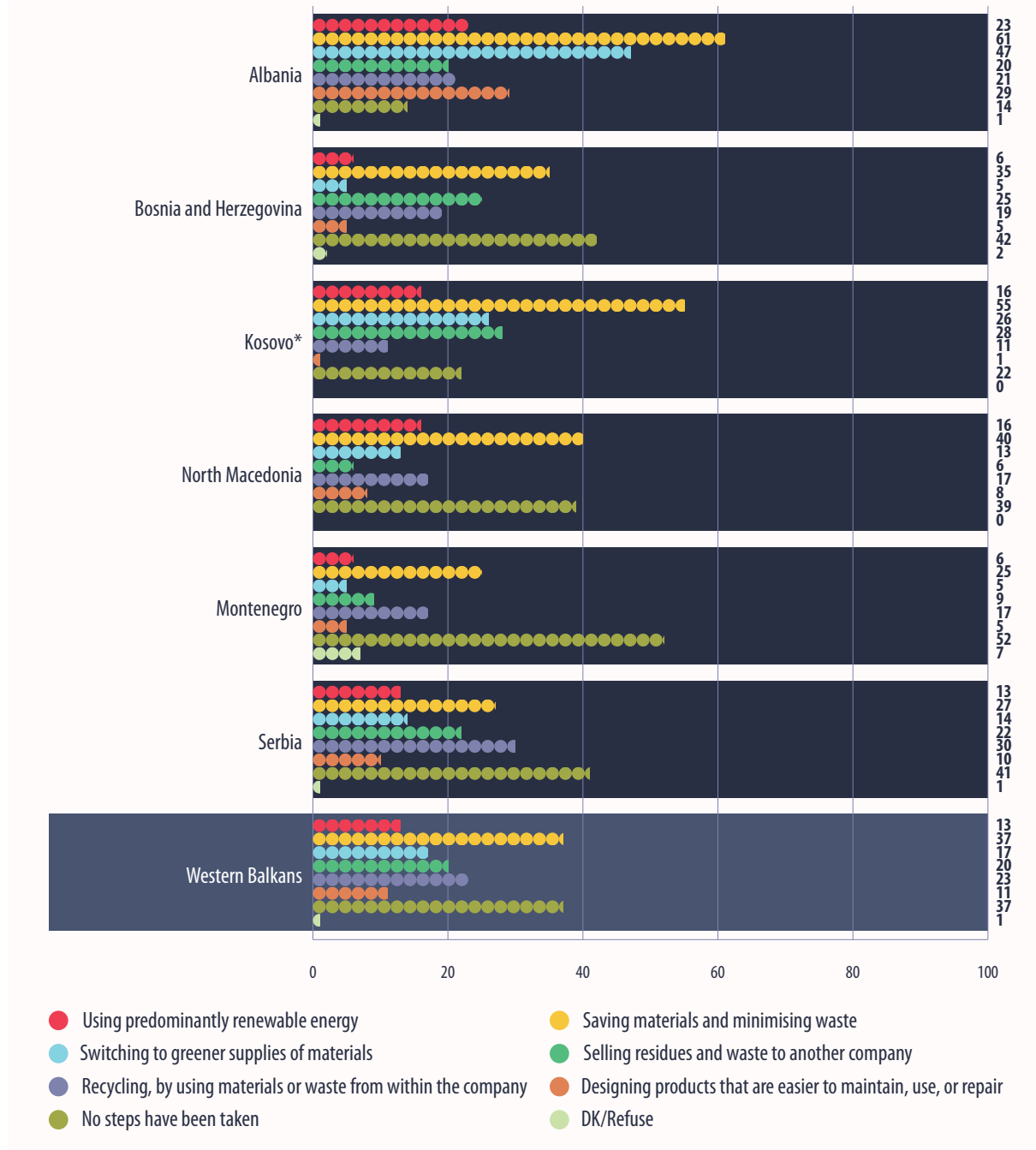
**Figure 42:** How serious problem is climate change for your business?  
 (All respondents - N=1211, single answer, share of total, %)



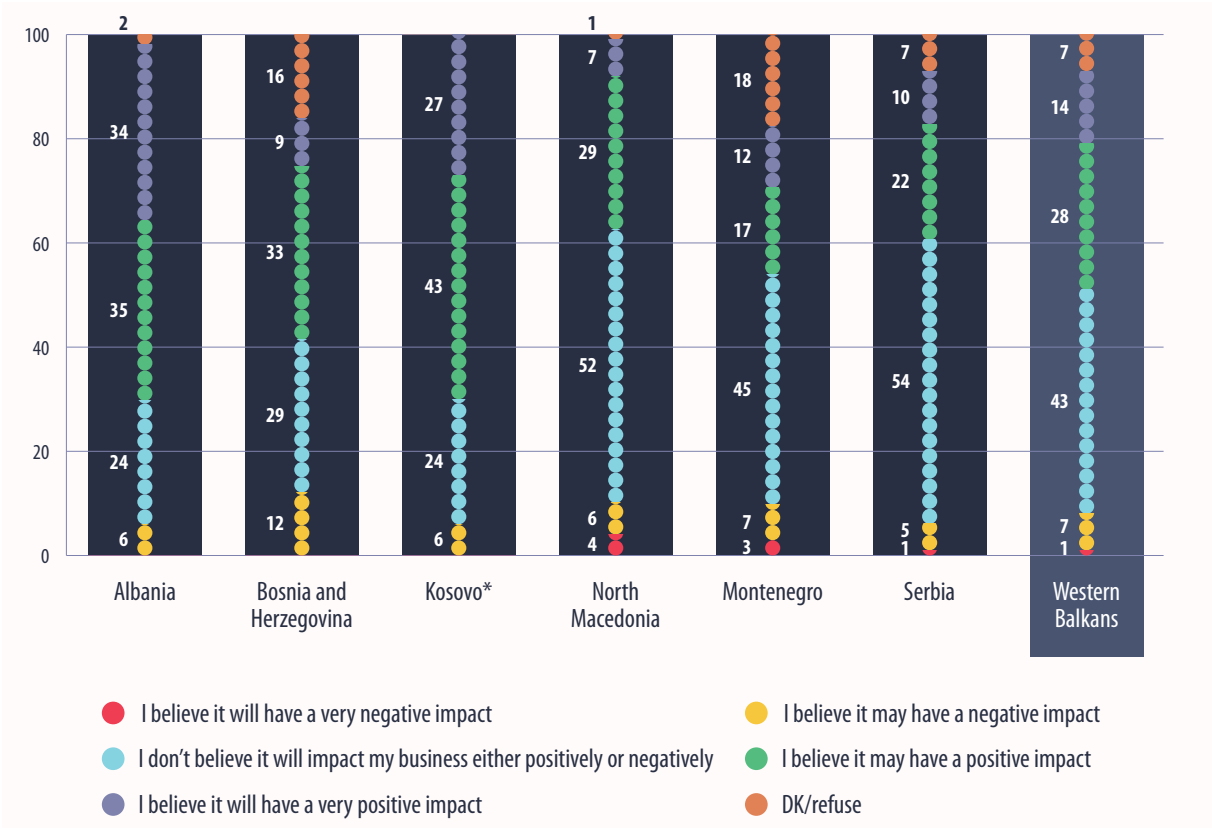
Businesses' environmental impacts have not yet gotten the necessary attention (Figure 43). Compared to 43% of the previous report, 37% of respondents indicated their organisation has not taken any action to reduce this environmental impact. The main reason behind this deterioration is closely related to the crisis effect where the environmental issues are usually perceived of a lesser importance, and economic survival is at the forefront for companies. The impact of the green transition (Figure 44) in particular has been considered the highest in Kosovo\* (70%) and the lowest

in Montenegro (29%). The main step taken over the last year has been mostly focused on saving materials and minimising waste.

**Figure 43:** What steps has your business taken over the last 12 months to reduce the environmental impact it makes?  
 (All respondents - N=1211, multiple answers, %)

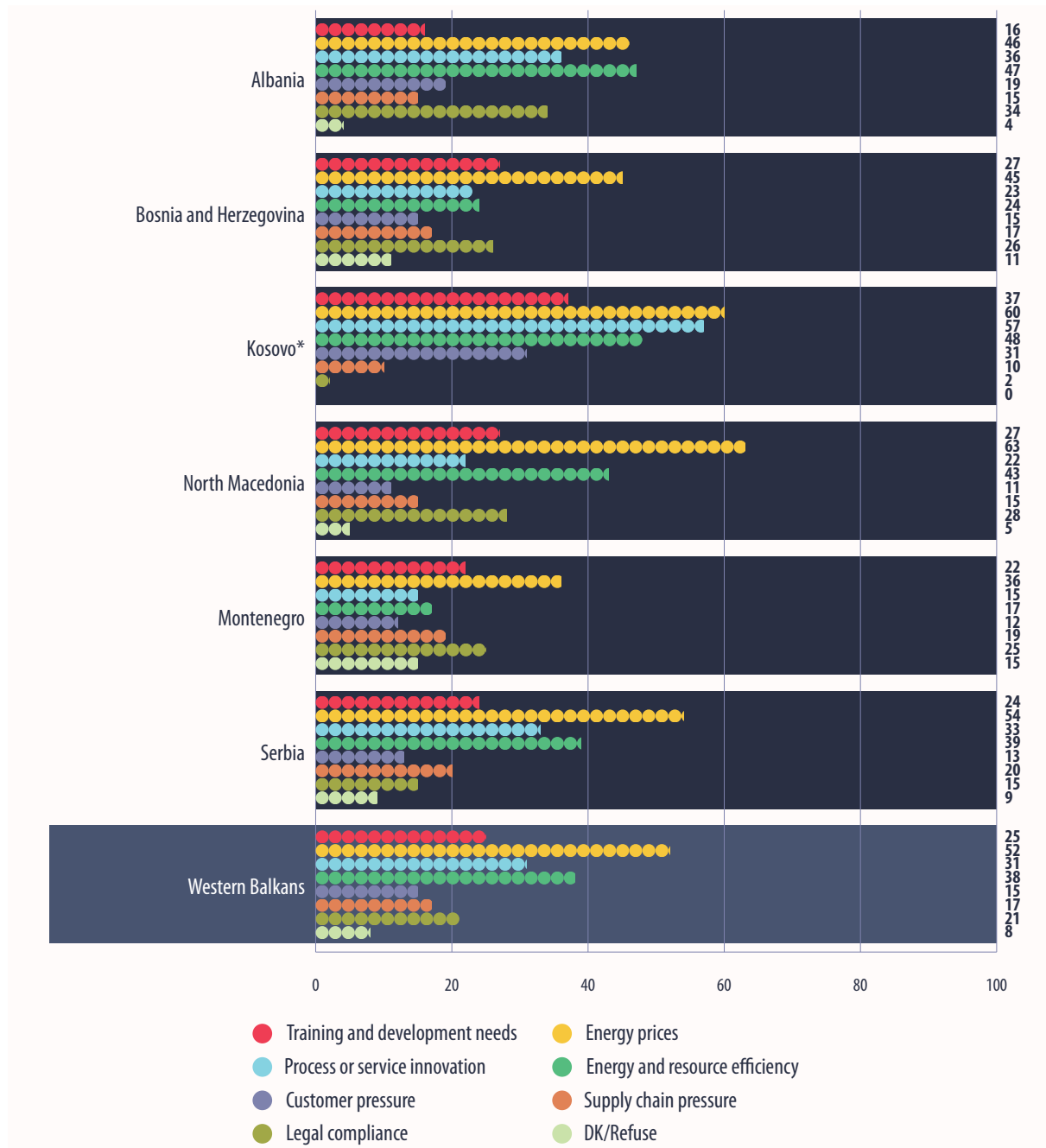


**Figure 44:** Do you believe that the green transition will have an impact on your business?  
 (All respondents - N=1211, single answer, scores on a scale of 1 to 5 where 1 means a very positive impact and 5 a very negative impact, share of total, %)



Even though the Western Balkan economies refrain from embracing and raising awareness of issues related to the environment, they express that energy prices (52%) and energy resource efficiency (38%) can improve this aspect, considering that these have been cases of concern during the last year, especially triggered by the Russia’s war against Ukraine.

**Figure 45:** What factors listed below can improve implementation of environmentally sustainable business practices in your company?  
 (All respondents - N=1211, multiple answers, %)



By implementing strategies and incentives, the government can create a favourable environment for greening the business sector in the WB region, promoting sustainable development and mitigating environmental impact. The majority of respondents tend to believe that fiscal incentives for the green economy (48%) and improving legislation regulating green economy and environmental standards (44%) can act as a driver for businesses to adopt greener practices. The government can collaborate with financial institutions to offer favourable loan terms or financing options to businesses undertaking green projects. This can include low-interest loans, flexible repayment schedules, or loan guarantees for investments in renewable energy, energy efficiency, or eco-friendly infrastructure.

**Figure 46:** How can the Government incentivise greening the business sector?  
 (All respondents - N=1211, multiple answers, %)

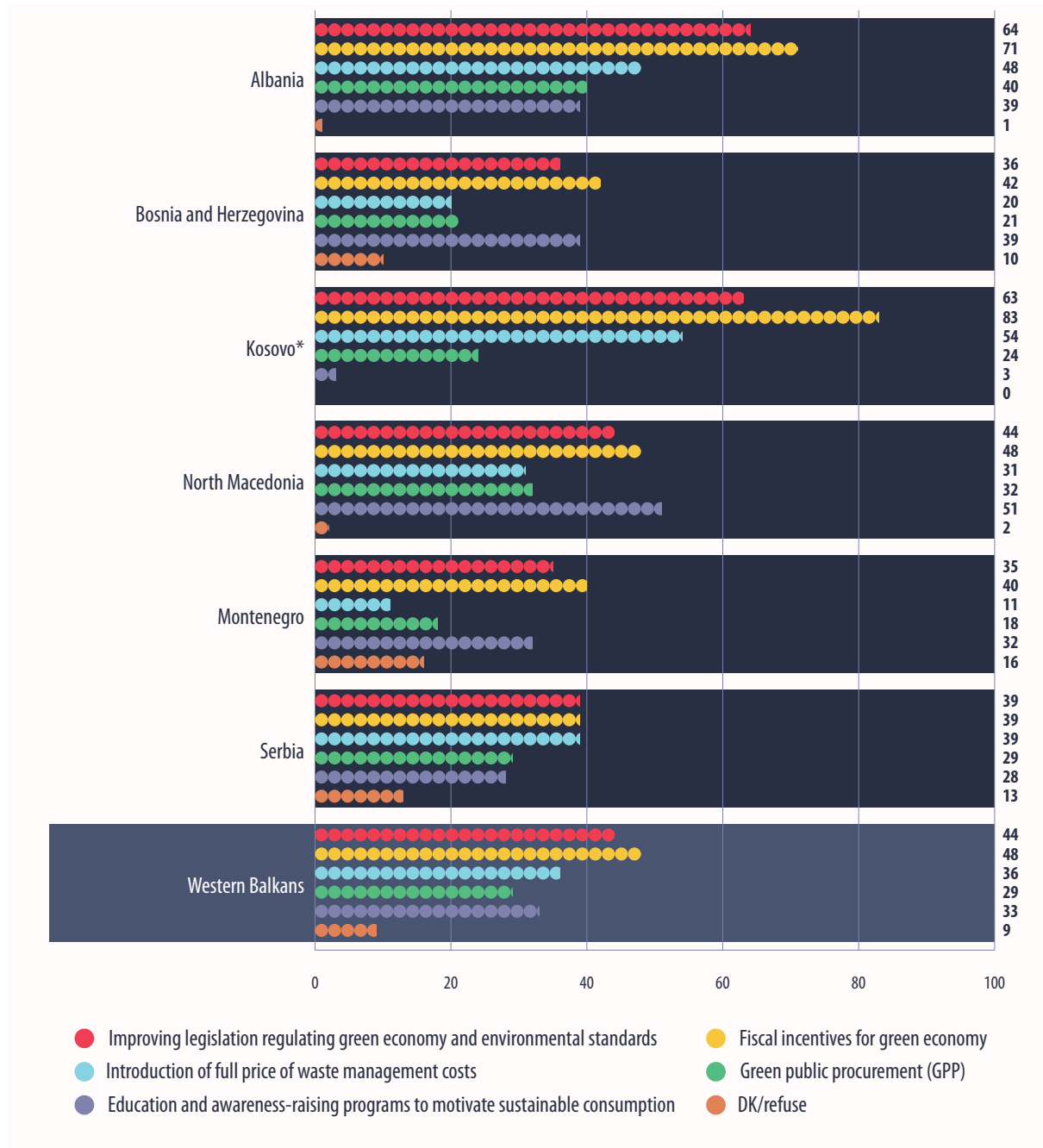
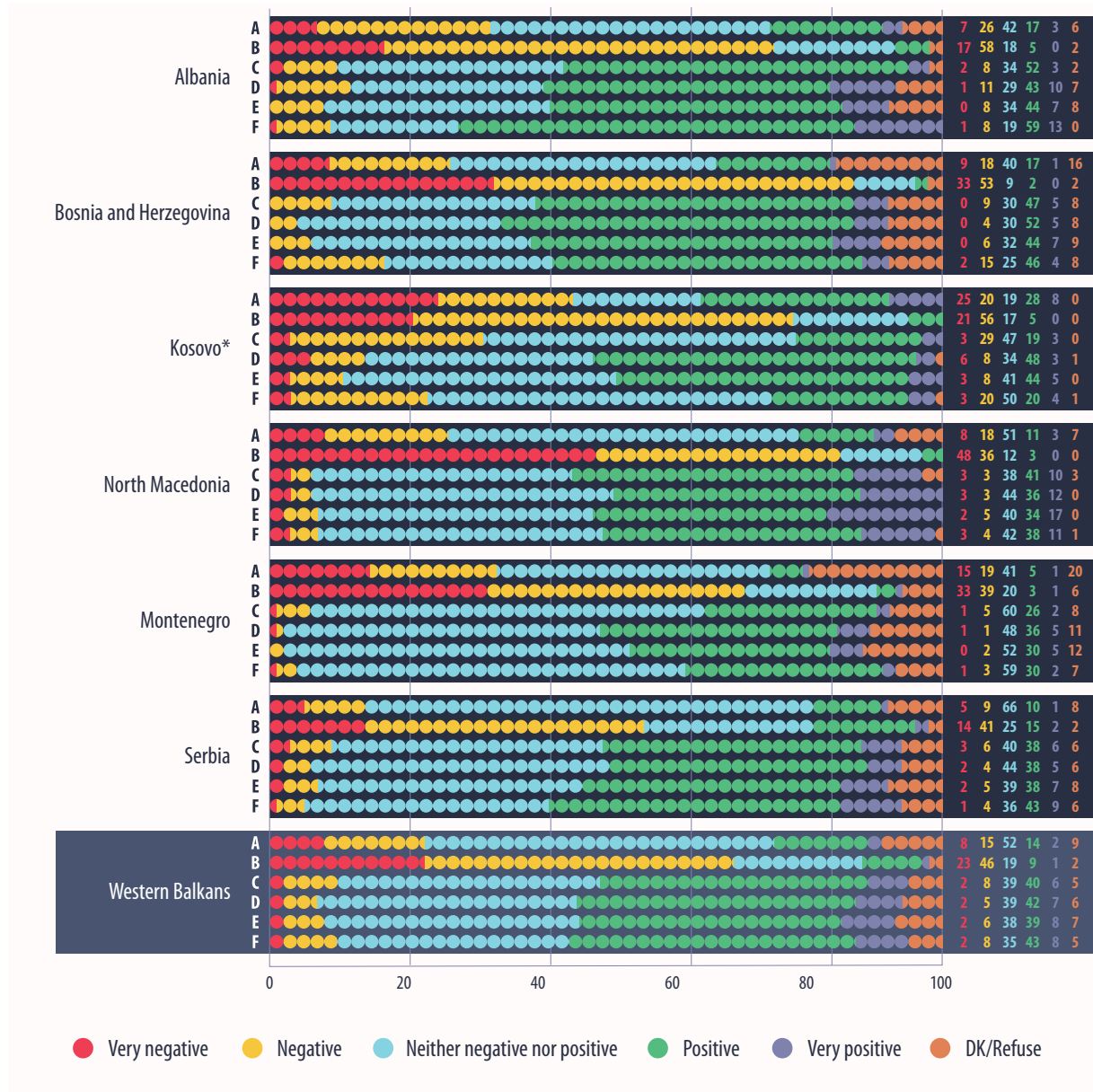


Figure 47 shows that there is a general sentiment through all the economies of the Western Balkans towards the environmental factors that can influence their businesses decisions over the upcoming year. At 51%, becoming a more environmentally responsible business seems to be the most positive factor perceived, while the growing costs of energy and materials, as expected, are perceived to be the most negative at 69%.

**Figure 47:** How do you perceive the following factors will influence your businesses decisions in the next 12 months?  
 A) Carbon taxation CBAM (Carbon Border Adjustment Mechanism), ETS (Emissions Trading System); B) Growing costs of energy and materials; C) Opportunities to reduce costs by applying green business solutions; D) Availability of green finances and incentives under favourable conditions (such as energy efficiency loans); E) Access to EU increasingly green markets and opportunities to integrate in EU value chains; F) Becoming more environmentally responsible business  
 (All respondents - N=1211, single answer, scale from 1 to 5, where 1 means very negative and 5 means very positive, share of total, %)

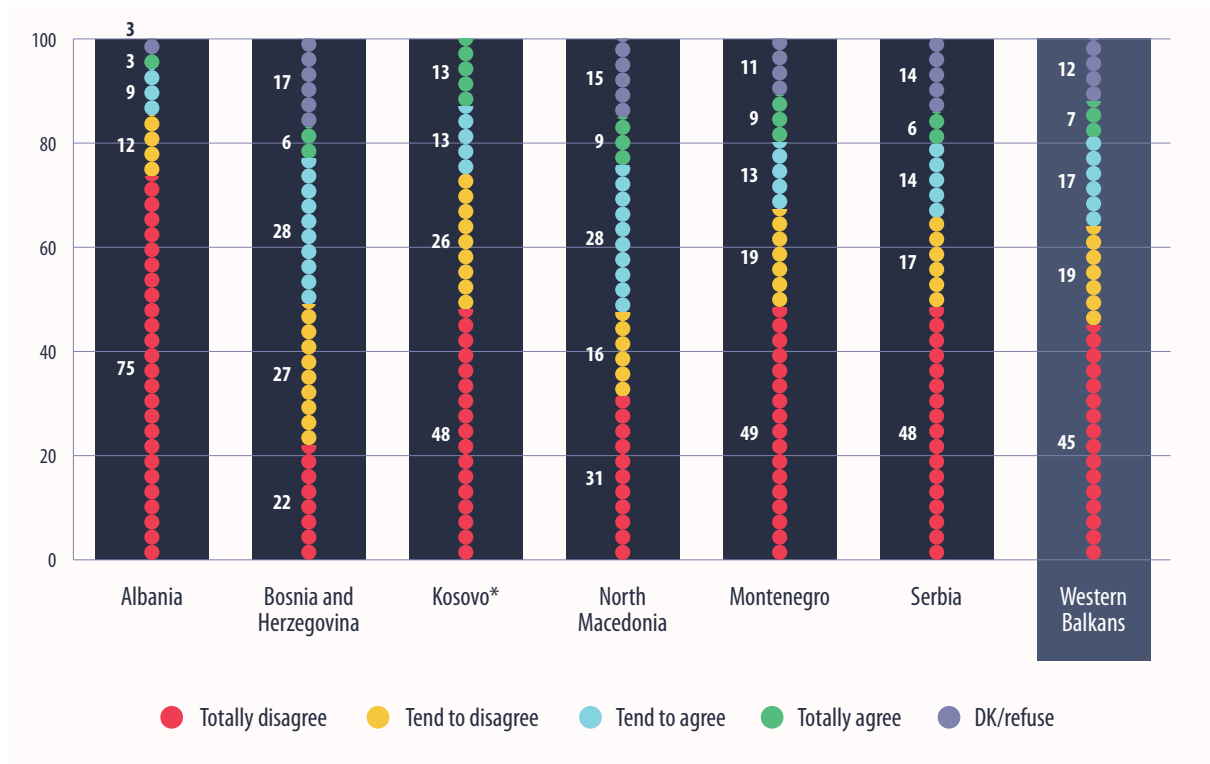




# CORRUPTION

Figure 48 shows that 45% of respondents at a regional level totally disagree that it is common for companies to offer payments/gifts to solve different issues. This percentage varies from 22% in Bosnia and Herzegovina to 75% in Albania. Meanwhile, Kosovo\* has the largest share of the respondents who totally agree with this statement at 13%.

**Figure 48:** Thinking about officials, to what extent would you agree with the following statements?  
*It is common for companies in my line of business to have to pay some irregular “additional payments/gift” to “get things done”.*  
 (All respondents - N=1211, single answer, scores on a scale of 1 to 4 where 1 means totally agree and 4 totally disagree, %)



About 43% of respondents in the region totally disagree of knowing the cost of these payments/gifts beforehand (Figure 49). Around 21% of companies claim that in their line of business knowing the cost for gifts is common. Companies from Kosovo\* reflect the highest share (36%) in this regard, while those from Albania show the lowest share (15%).

**Figure 49:** Thinking about officials, to what extent would you agree with the following statements?  
*Companies in my line of business usually know in advance how much this 'additional payment/gifts' will cost.*  
 (All respondents - N=1211, single answer, scores on a scale of 1 to 4 where 1 means totally agree and 4 totally disagree, %)

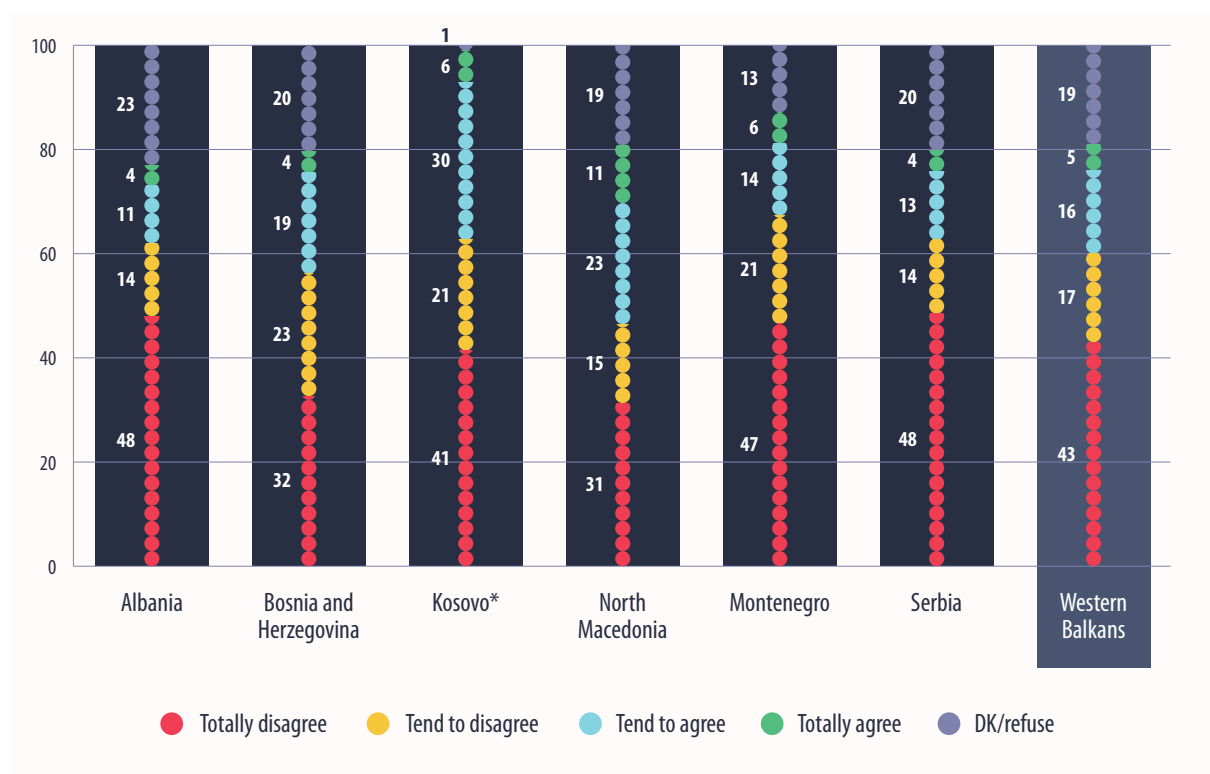
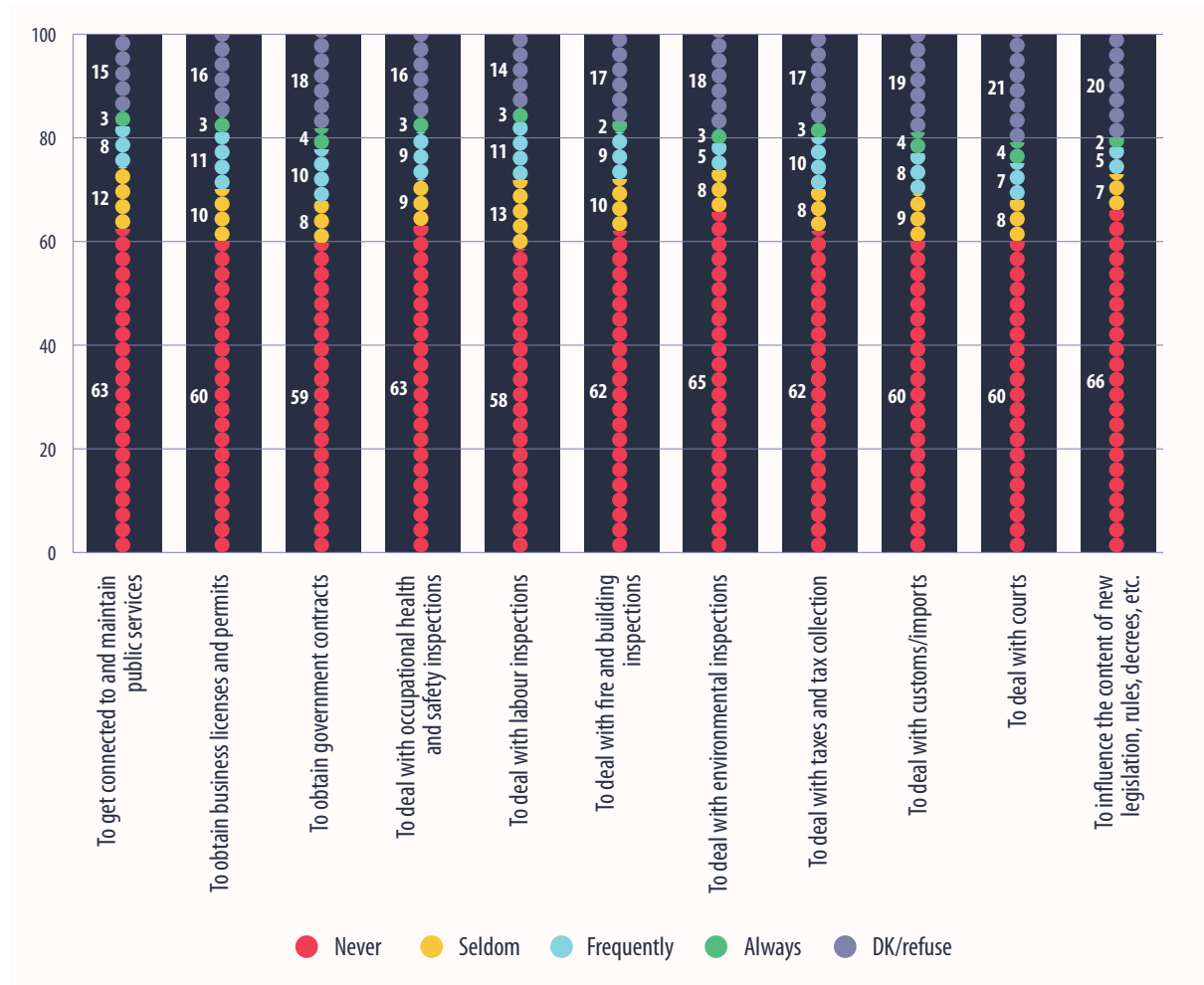


Figure 50 illustrates how frequently businesses have been in a position to provide various unofficial payments or gifts for a variety of intentions, from accessing public services to influencing the creation of new rules and/or legislation. For each function that is susceptible to unofficial payments, 58% to 66% of respondents stated that they had never given or received an unofficial gift, which is an encouraging outcome especially when compared to the previous year where these shares varied from 41% to 53%. The findings are along the same lines with the latest Transparency International Corruption Perception Index, according to which most of WB economies rated better than the previous year<sup>3</sup>. However, there is a considerable share of respondents who refuse to answer this question, ranging from 14% to 21%.

<sup>3</sup> <https://www.transparency.org/en/cpi/2022>

**Figure 50:** Thinking now of unofficial payments/gifts that companies like yours would make in a given year, could you please tell me how often would they make payments/gifts for the following purposes? (Western Balkans)  
 (All respondents - N=1211, single answer, scores on a scale of 1 to 4 where 1 means never and 4 always, %)



Obtaining business licenses and permits (1,321 EUR) is the most expensive unofficial payment/gift (Table 3). The second-highest expenditure is obtaining government contracts, at 1,259 EUR, which remains constant from the previous year. Five out of eleven costed briberies showed a decrease this year, while influencing the content of new legislation, rules, decrees, etc. and getting connected to and maintaining public services seem to have doubled.

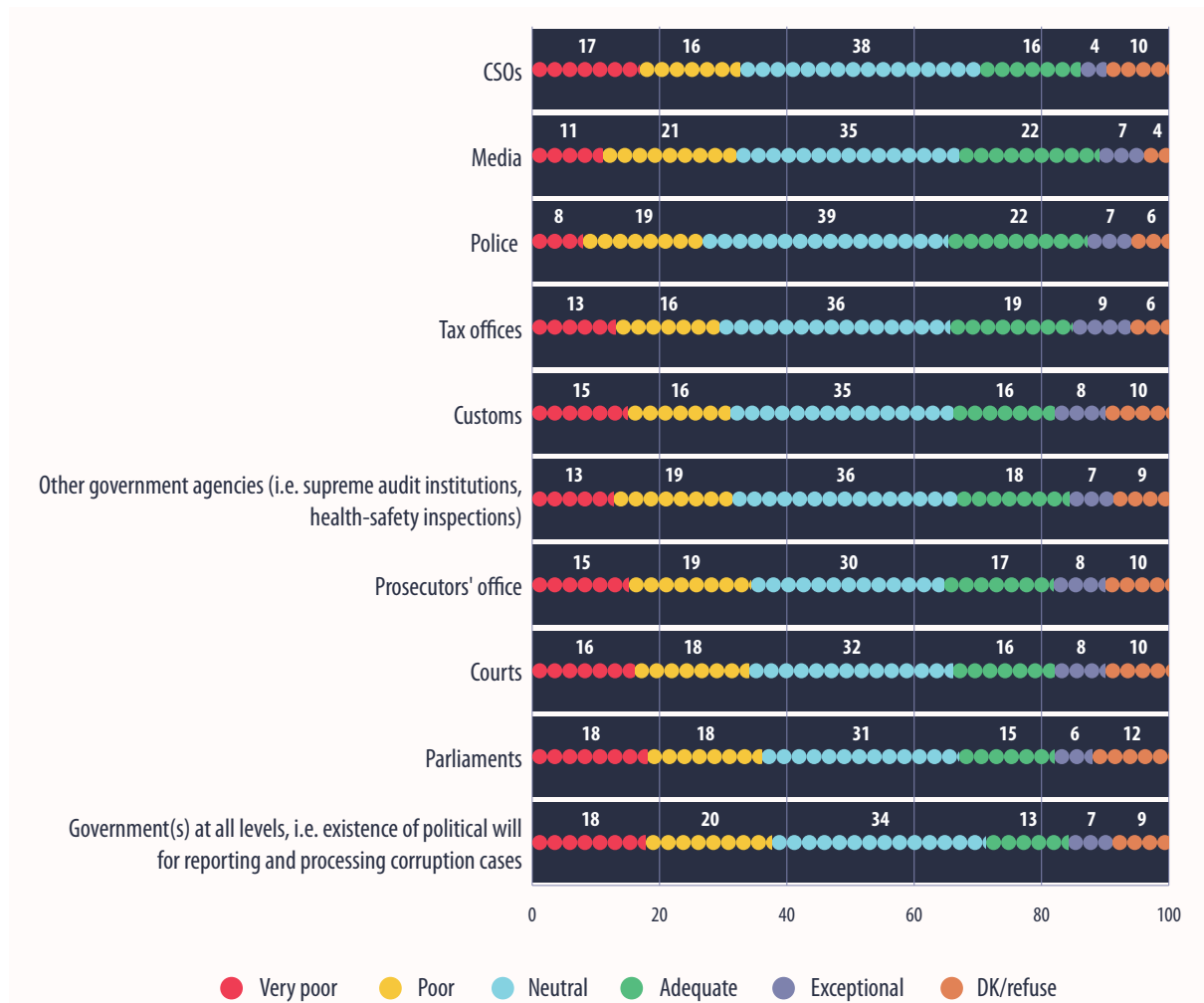
**Table 3:** Please estimate what is the approximate amount (in EUR) of unofficial payments/gifts that companies like yours would make in a given year for the following purposes.  
 (Respondents who consider that companies like theirs would make unofficial payments/gifts in a given year seldom, frequently or always and did not reply with DK/refuse, average amount)

Western Balkans 2023	Average amount of unofficial payments/gifts	* Different base (No. of respondents) for each purpose
To get connected to and maintain public services	<b>877 EUR</b>	<b>225</b>
To obtain business licenses and permits	<b>1321 EUR</b>	<b>269</b>
To obtain government contracts	<b>1259 EUR</b>	<b>240</b>

Western Balkans 2023	Average amount of unofficial payments/gifts	* Different base (No. of respondents) for each purpose
To deal with occupational health and safety inspections	<b>736 EUR</b>	<b>224</b>
To deal with labour inspections	<b>689 EUR</b>	<b>296</b>
To deal with fire and building inspections	<b>767 EUR</b>	<b>209</b>
To deal with environmental inspections	<b>708 EUR</b>	<b>179</b>
To deal with taxes and tax collection	<b>1009 EUR</b>	<b>246</b>
To deal with customs/imports	<b>951 EUR</b>	<b>239</b>
To deal with courts	<b>826 EUR</b>	<b>188</b>
To influence the content of new legislation, rules, decrees, etc.	<b>1015 EUR</b>	<b>151</b>

Respondents from the region typically rate institutions in charge of reporting, processing, and combating corruption as neutral. Evaluations were conducted on CSOs, media, police and other law enforcement organisations, other government organisations, the prosecutor’s office, courts, and the government as a whole. These institutional actors have a neutral rating, ranging from 30% to 39%. The Police and Media had the highest percentage of respondents who said they were adequate (22% each), while the tax office received 9% of responders who said they were exceptional. However, a considerable percentage of responders describe these actor’s roles as poor or very poor, ranging from 27% to 38%. This is a call to action as regards mainstreaming of anti-corruption measures especially in key sectors in order to tackle corruption in a more credible and effective way.

**Figure 51:** How would you rate the following entities in reporting and processing corruption cases, or providing support to the fight against corruption in your economy? (Western Balkans)  
 (All respondents, N=1211, single answer, scores on a scale from 1 to 5, where 1 means very poor and 5 means exceptional, share of total, %)

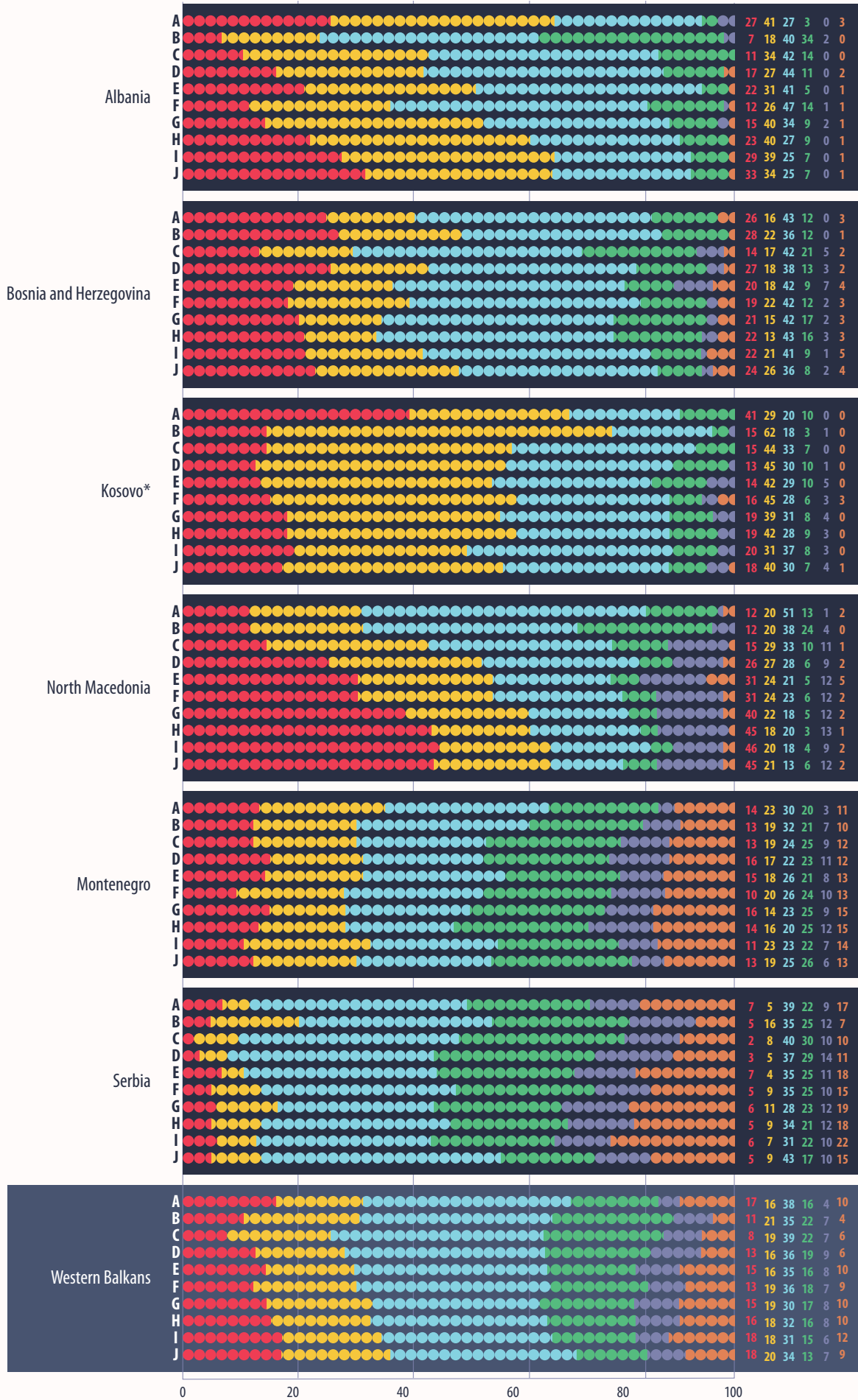


Regional variances are described in Figure 63, which also rates institutional stakeholders. The institutional players under examination exhibit the same trends for the WB economies. Respondents from North Macedonia have the poorest opinions of stakeholders involved in fighting corruption. Regarding the government as a whole, 12% to 46% of respondents gave it an extremely poor performance grade. Bosnia and Herzegovina, Serbia and Montenegro, for the third year in a row, continue to exhibit a more neutral view towards these entities while 81% of respondents from Kosovo\* show a wide disbelief towards the media.

**Figure 52:** How would you rate the following entities in reporting and processing corruption cases, or providing support to the fight against corruption in your economy?

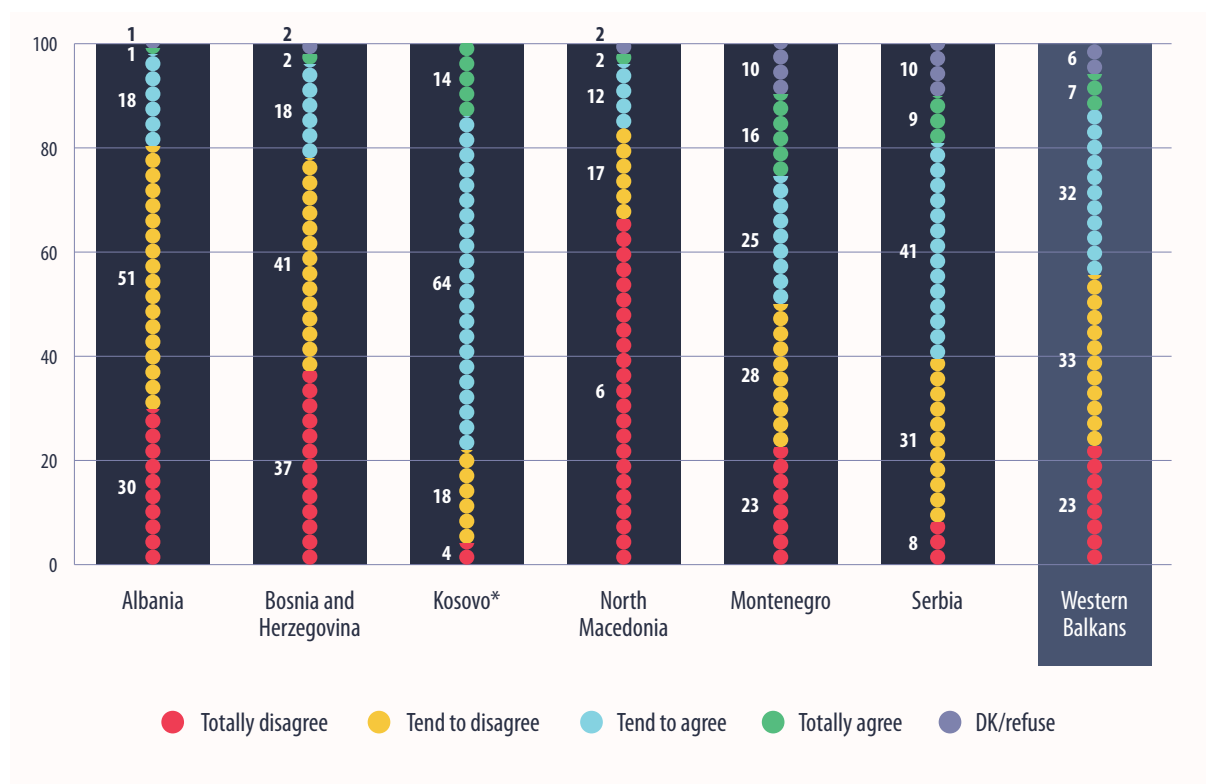
A) CSOs; B) Media; C) Police; D) Tax offices; E) Customs; F) Other government agencies (i.e. supreme audit institutions, health-safety inspections); G) Prosecutors' office; H) Courts; I) Parliaments; J) Government(s) at all levels, i.e. existence of political will for reporting and processing corruption cases

(All respondents, N=1211, single answer, scores on a scale from 1 to 5, where 1 means very poor and 5 means exceptional, share of total, %)



39% of businesspeople in the WB stated that they believed that the fight against corruption is effective in some way, while 56% disagreed (Figure 64). Respondents from North Macedonia continue to be the most pessimistic on this issue for the second year in a row, with the majority of them believing that the fight against corruption has failed (82%, up 24% from the previous year). The level of mistrust registered amongst the respondents from North Macedonia is followed by Albania (81%) and Bosnia and Herzegovina (78%). An exception in the region regarding this question is Kosovo\*, where a majority (78%) believes that fight against corruption is effective in their economy. Respondents in Serbia and Montenegro maintained a milder position, in-between the two groups above.

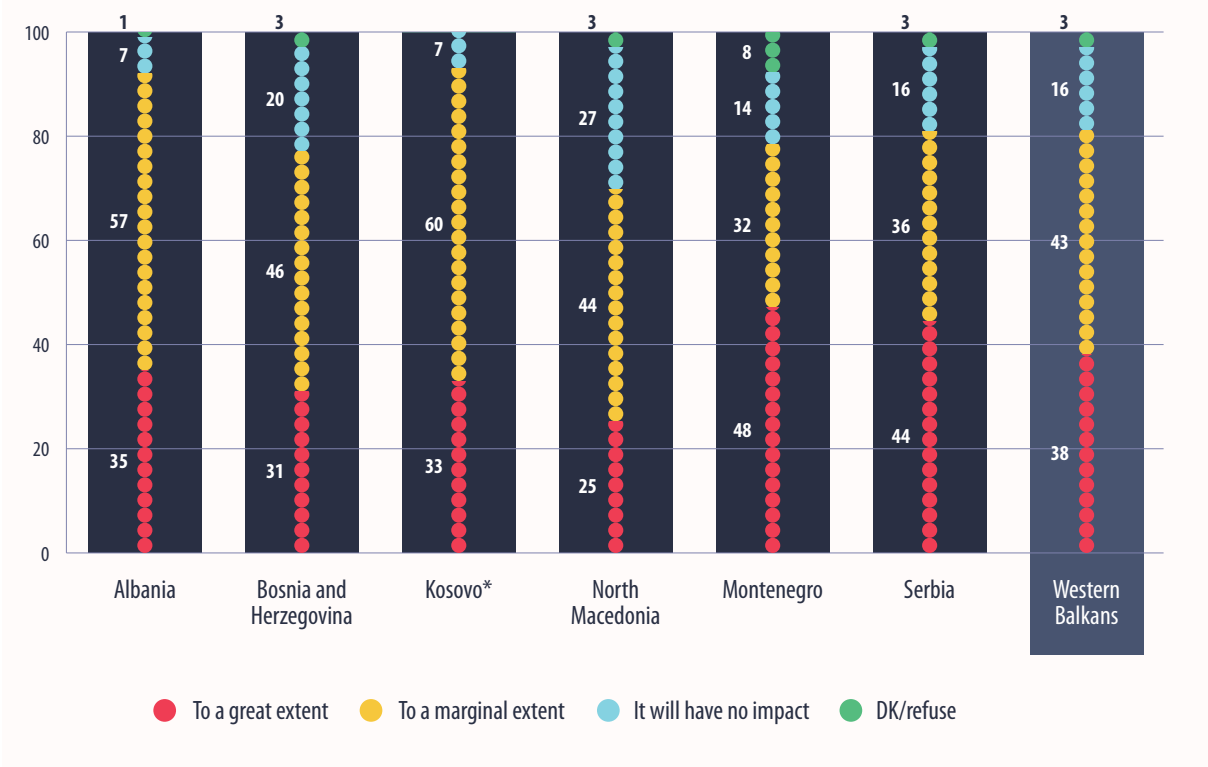
**Figure 53:** To what extent do you agree or disagree with the following statement: Fight against corruption in my economy is effective?  
 (All respondents - N=1211, single answer, share of total, %)



In order to lessen corruption, respondents supported digitising governmental services (Figure 65). Overall, 81% of respondents in the WB economies agreed that the process of digitalisation would have a fully or partially positive impact on all of the economies in the region, with Kosovo\* having the highest percentage (93%) followed by Albania (92%) and North Macedonia having the highest percentage of people who anticipate it will have no impact at all (27%).

**Figure 54:** To what extent do you believe that digitalisation of public services would have a positive impact on preventing corruptive practices?

(All respondents - N=1211, single answer, share of total, %)

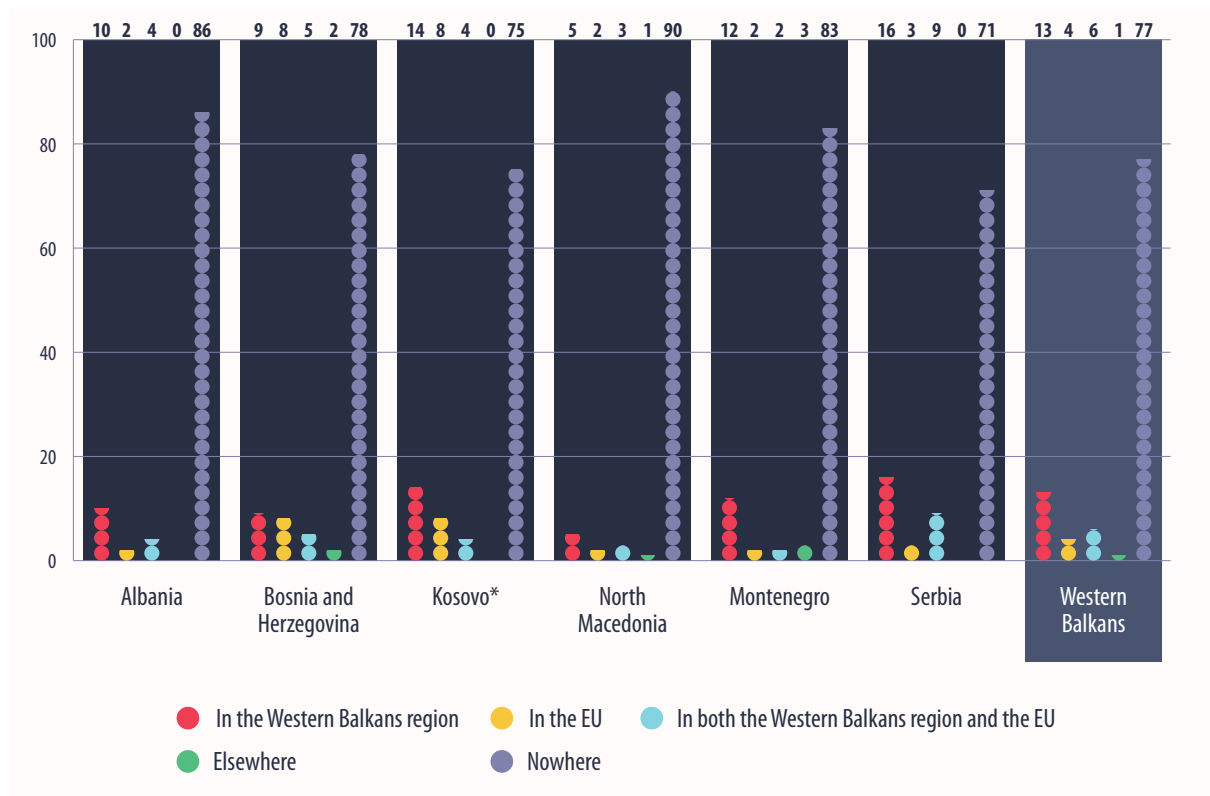




# TRADE AND INVESTMENT

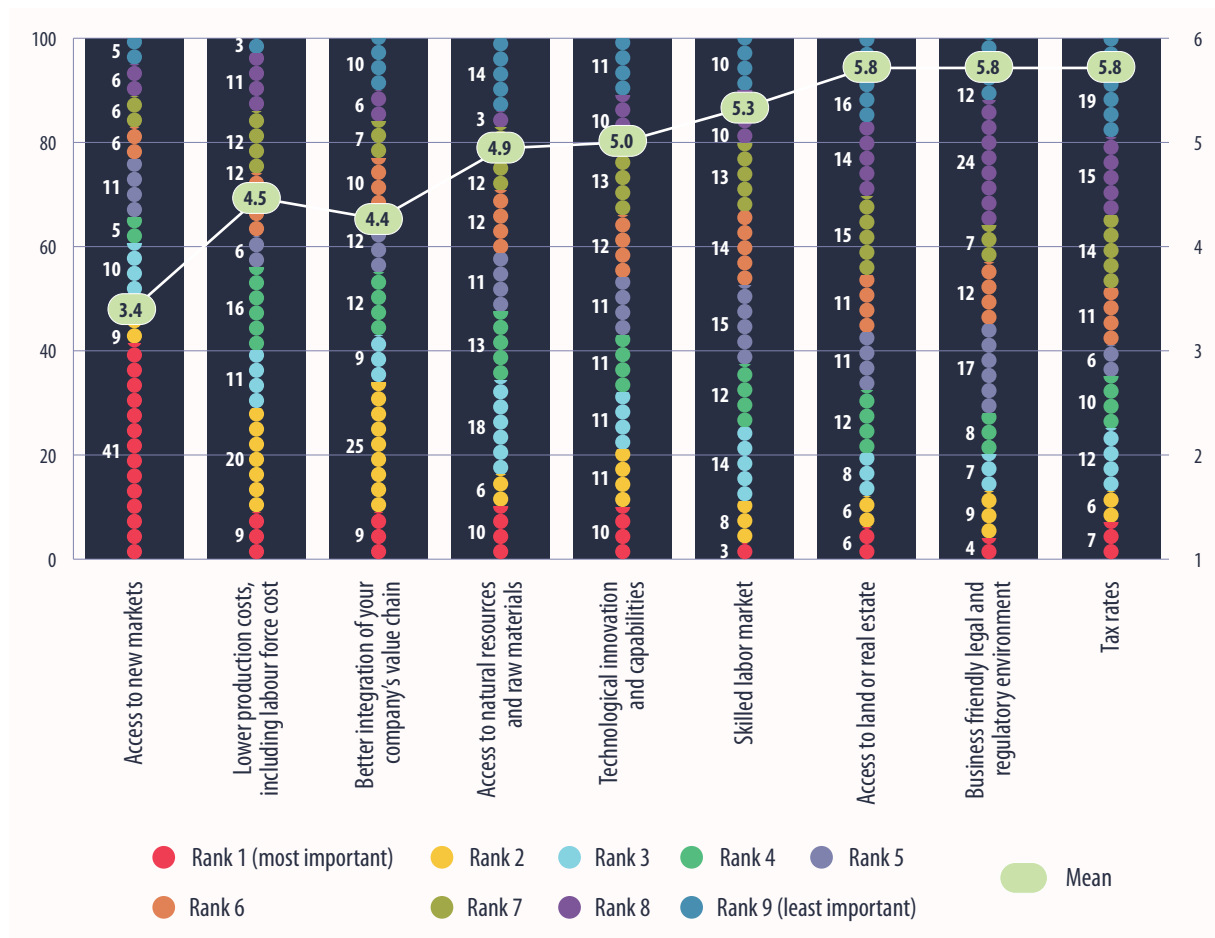
In this survey, the majority of businesses did not explore or plan any foreign investments (77% of the respondents answered 'no' when asked if their company invested abroad or plans to do so in the next 12 months) (Figure 66). Companies in Serbia were the most likely to have made or make a foreign investment in the WB while those in North Macedonia were the most hesitant (only 5%)..

**Figure 55:** Where has your company invested or plans to do so in the next 12 months?  
 (All respondents - N=1211, multiple answers, %)



Companies that responded positively on planning to invest abroad were asked to rank the reasons driving their incentive to expand their investment from most to least significant as presented in Figure 67. The ambition to access new markets again came out on the top, with 41% of businesses saying it was the most essential incentive (51% in 2022). Better integrating the companies' value chain and access to natural resources are ranked as the second most important motivator, leaving behind skilled labour market and tax rates. On the other hand, business-friendly legal and regulatory environment is the least driving factor to investing abroad.

**Figure 56:** Which of the following reasons best describes your company's motivation to invest abroad?  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240 ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



When asked about their motivators when investing abroad, the respondents remain constant with the past year. The importance of motivators varies in each of the WB economies, as seen in Figures 68 throughout 76. Accessing new markets is very important in the WB economies especially for Kosovo\* (79%) considering the economy's small size and North Macedonia (62%), and less important in Serbia (31%). Lowering production costs is most significant in Kosovo\* with 81% of respondents giving it a rating from 1 to 2; while businesses in North Macedonia seem unconcerned with decreasing expenses (72% gave this motivation a ranking from 4 to 9). In Albania, better integration into the global value chain is particularly significant, with 46% ranking it highly important in terms of the priority (ascribed to the expansion of FDIs and their grounding in the domestic economy). The same can be said for the need to acquire or complement new technologies or innovation where 11% of respondents from Albania and 10% of respondents from North Macedonia ranked it as the most important. Around 32% of respondents from Albania ranked the skilled labour market as significantly important (1 and 2).

Access to land or real estate is another factor influencing companies from the WB to invest abroad, with 6% of respondents ranking it as the most important. Bosnia Herzegovina and Montenegro have registered the highest support for this reason, with 11% each. Respondents from Montenegro appreciate most than others the business friendly-legal and regulatory environment other markets can offer, with 11% stating it as the most important reason. On the other hand, tax rates abroad are

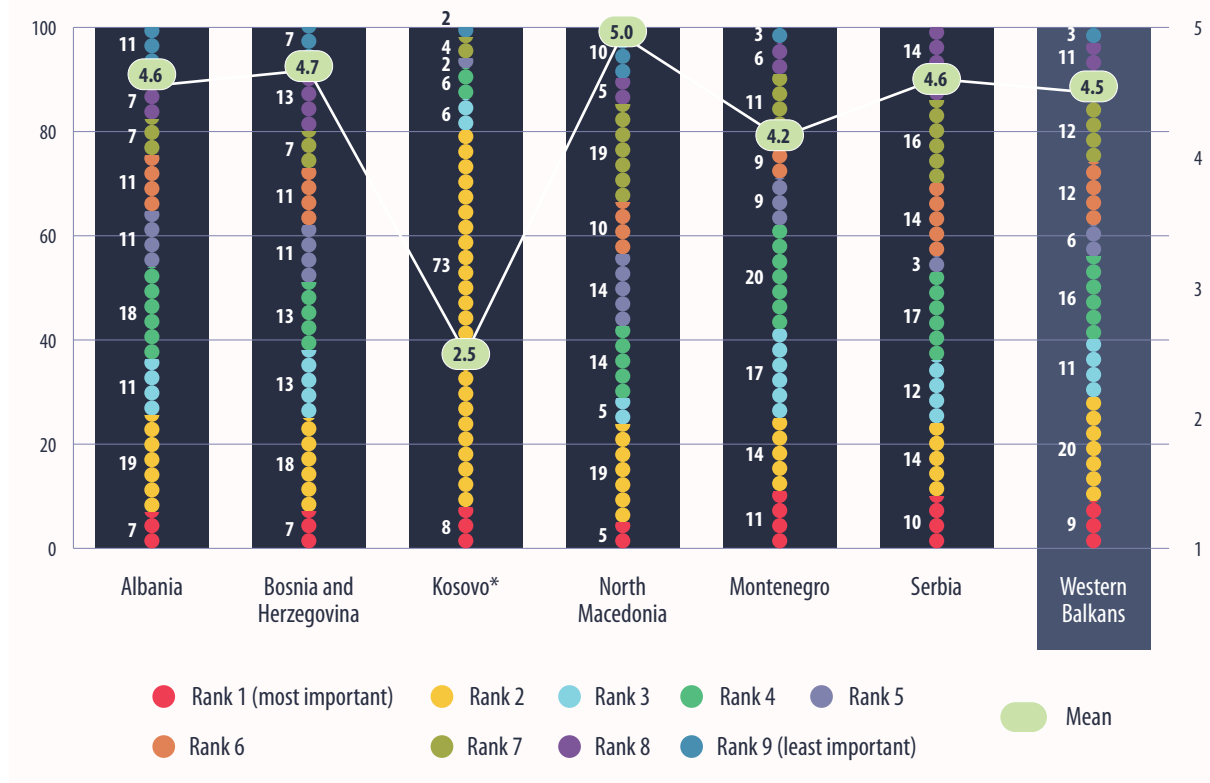
considered more favourable by 10% of respondents from Serbia, which rank this factor as the most important.

**Figure 57:** Which of the following reasons best describes your company's motivation to invest abroad? (Access to new markets)  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



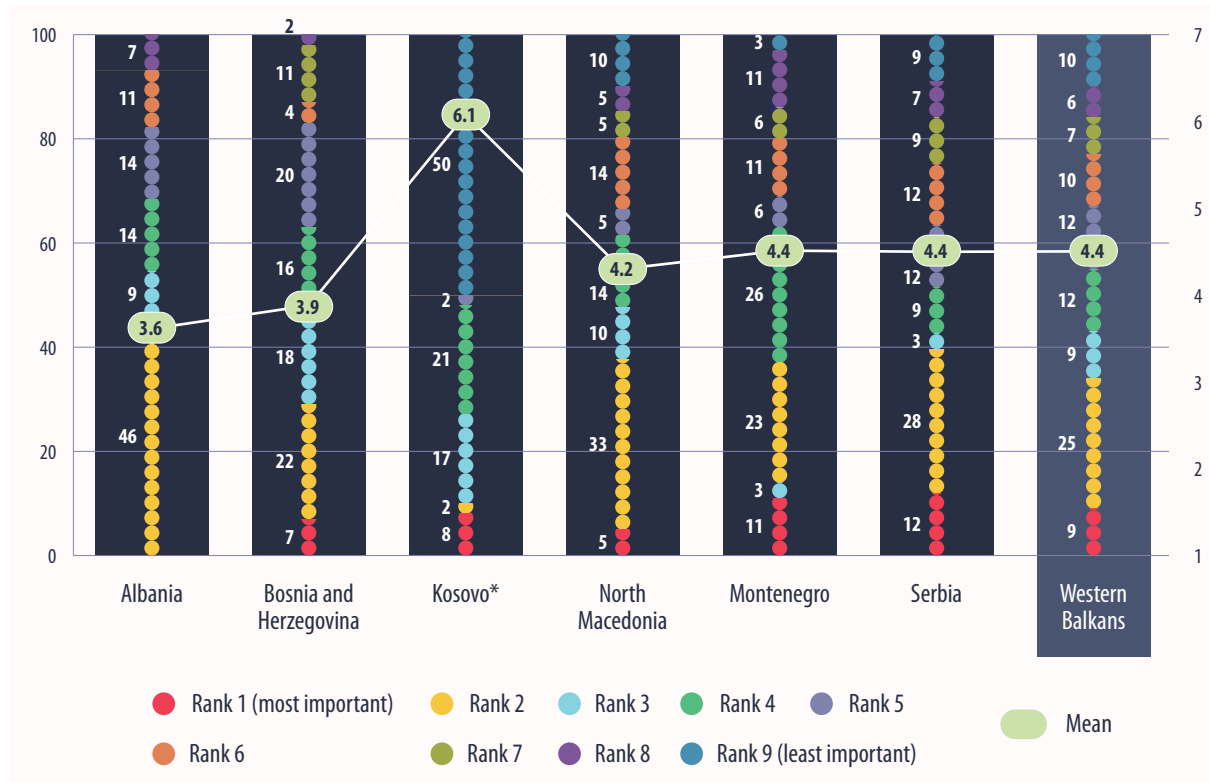
**Figure 58:** Which of the following reasons best describes your company's motivation to invest abroad? (Lower production costs, including labour force cost)

(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)



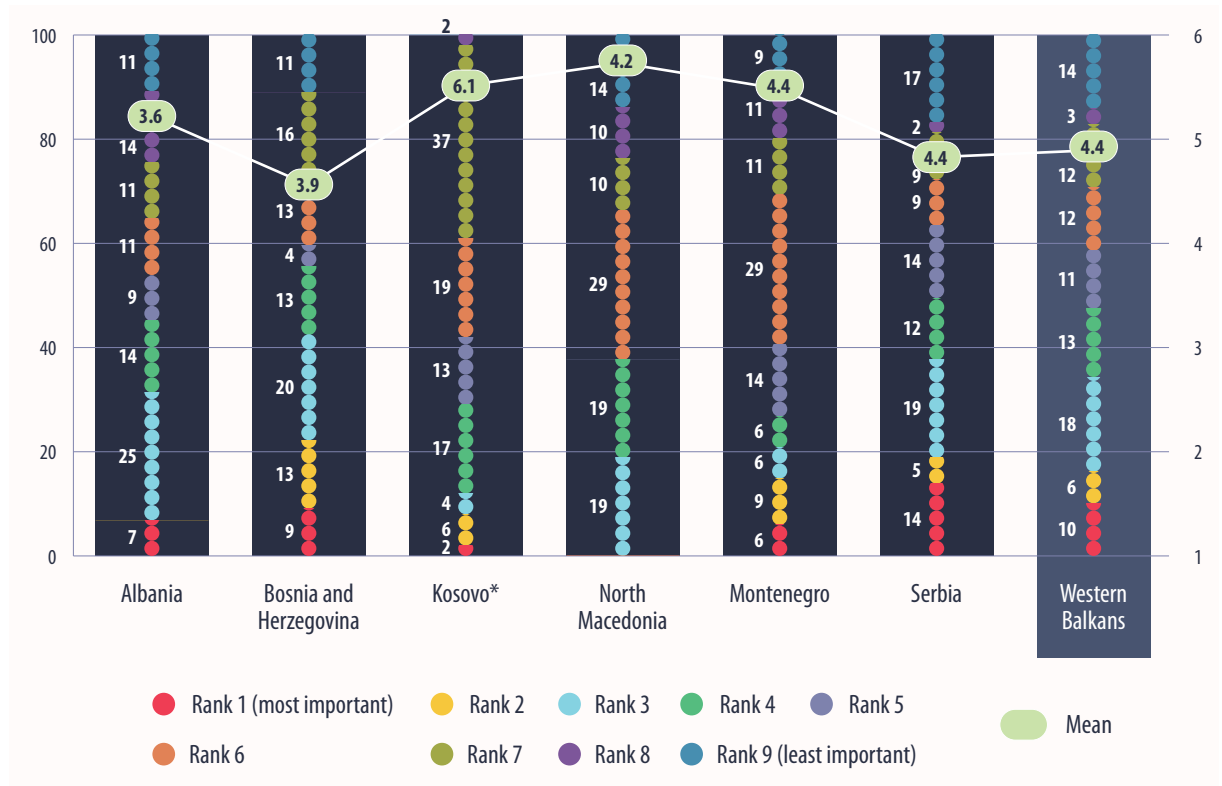
**Figure 59:** Which of the following reasons best describes your company's motivation to invest abroad? (Better integration of your company's value chain)

(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



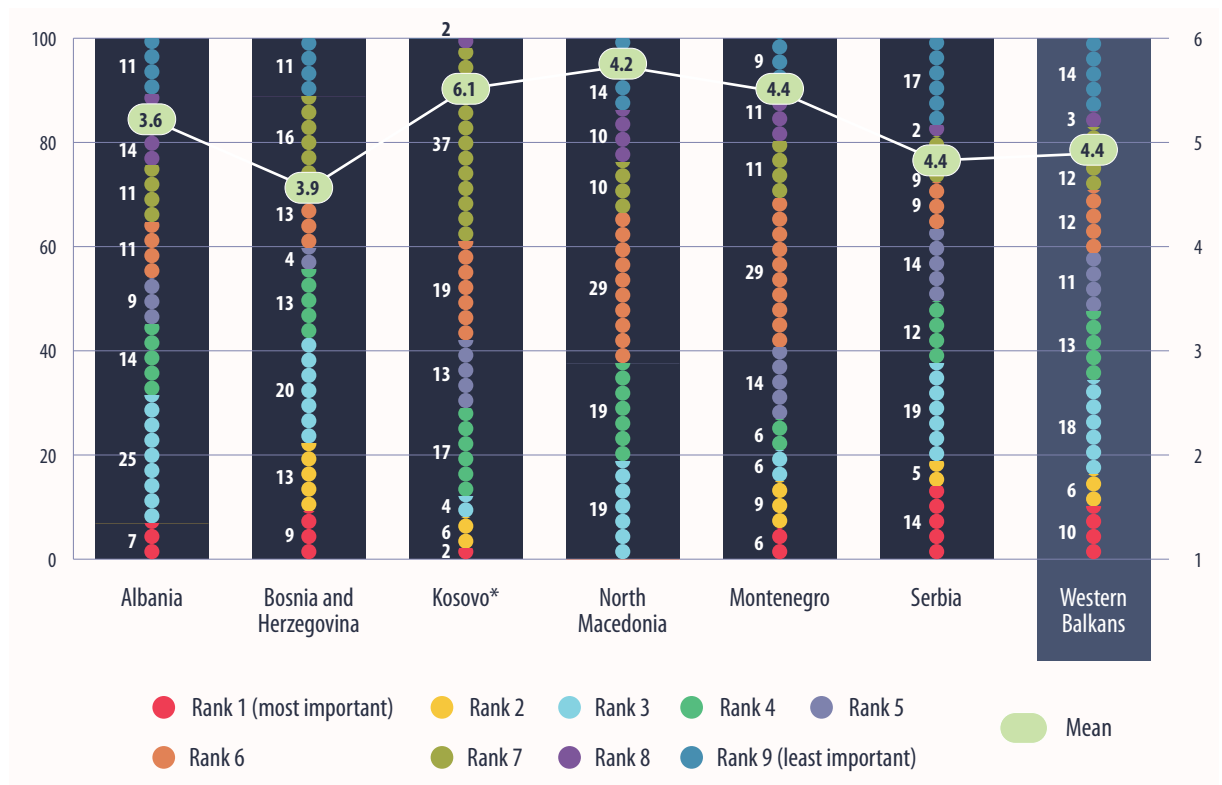
**Figure 60:** Which of the following reasons best describes your company's motivation to invest abroad? (Access to natural resources and raw materials)

(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)

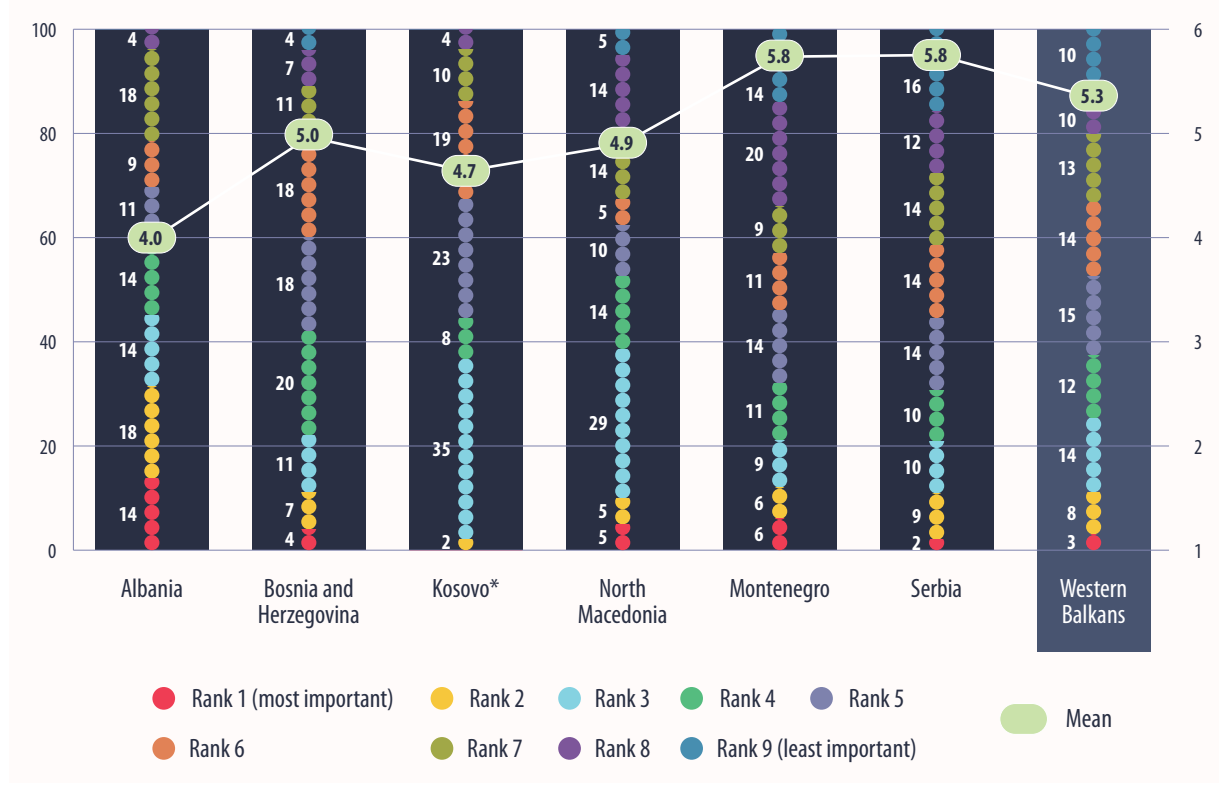


**Figure 61:** Which of the following reasons best describes your company's motivation to invest abroad? (Technological innovation and capabilities)

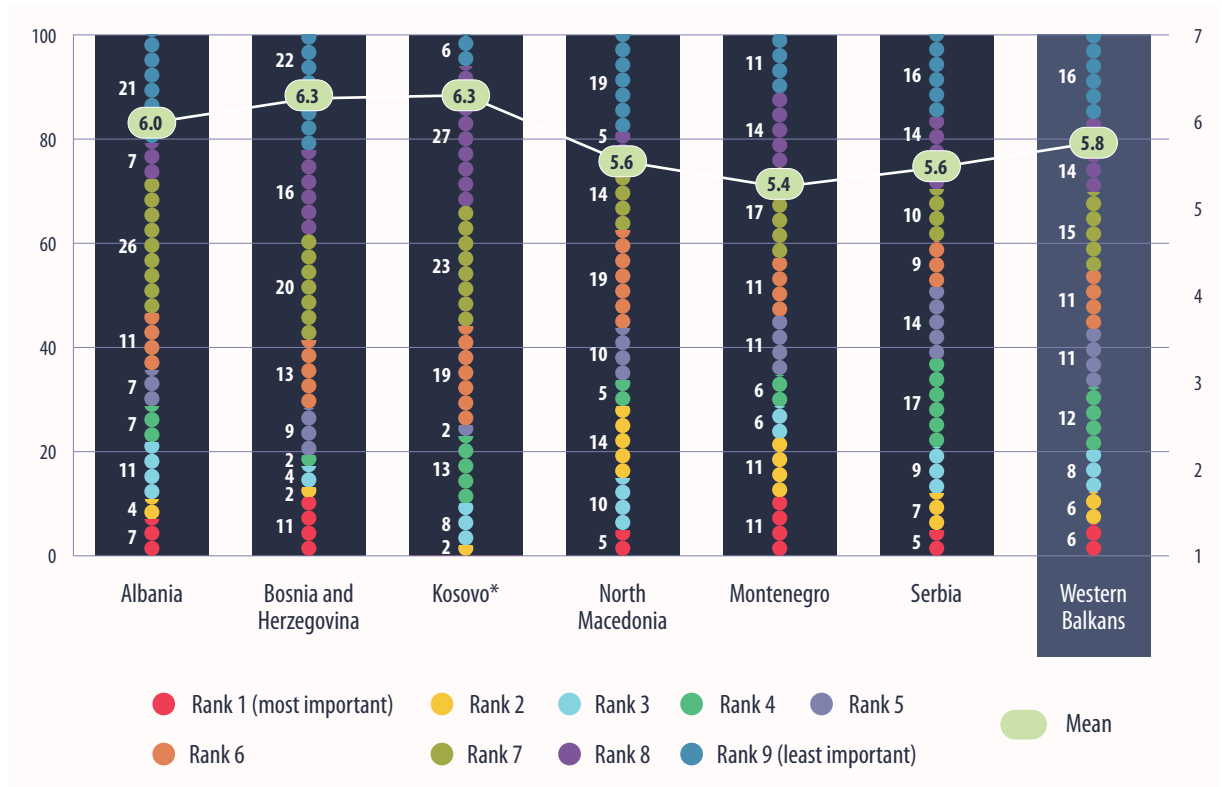
(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



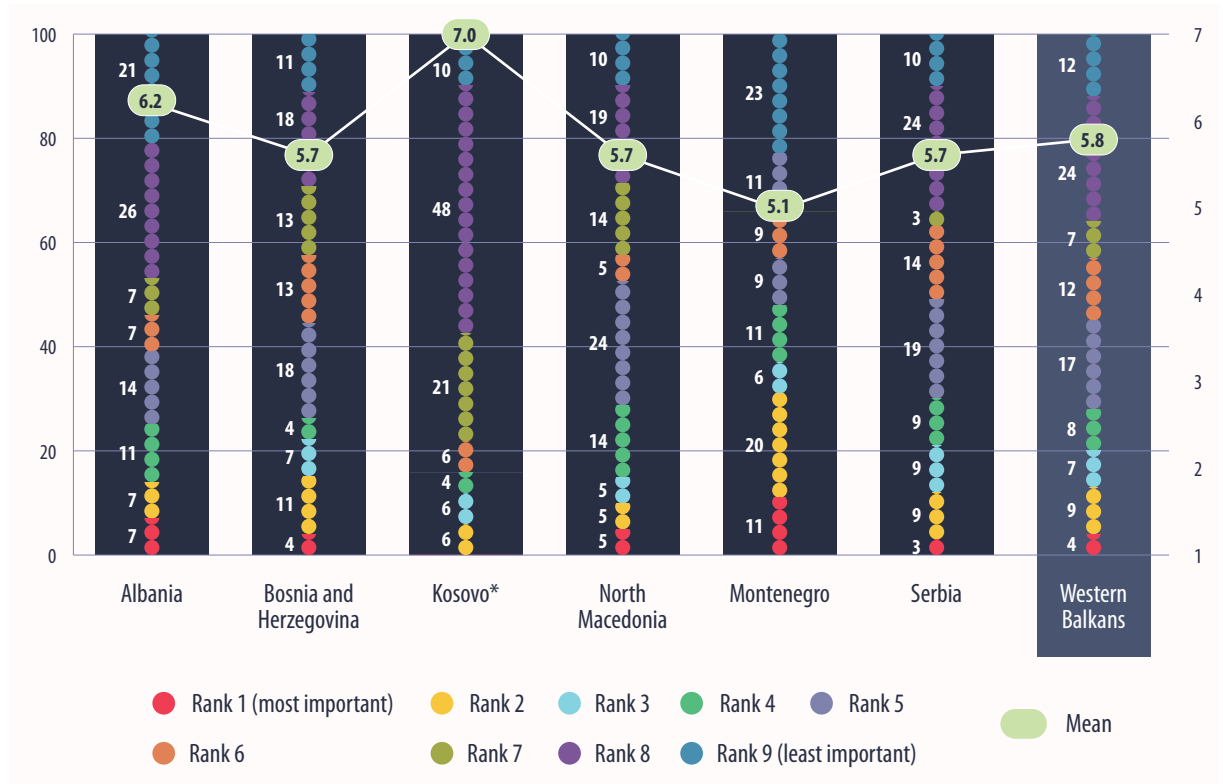
**Figure 62:** Which of the following reasons best describes your company's motivation to invest abroad? (Skilled labour market)  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



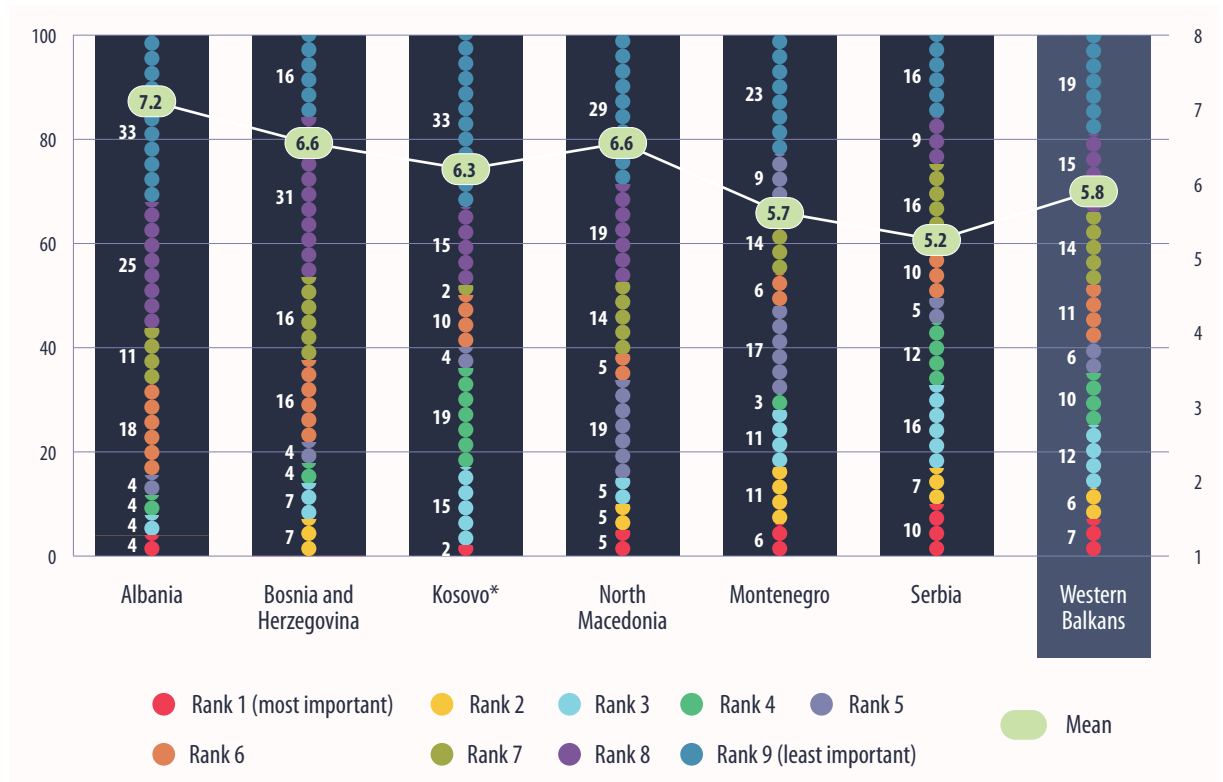
**Figure 63:** Which of the following reasons best describes your company's motivation to invest abroad? (Access to land or real estate)  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



**Figure 64:** Which of the following reasons best describes your company's motivation to invest abroad? (Business-friendly legal and regulatory environment)  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)

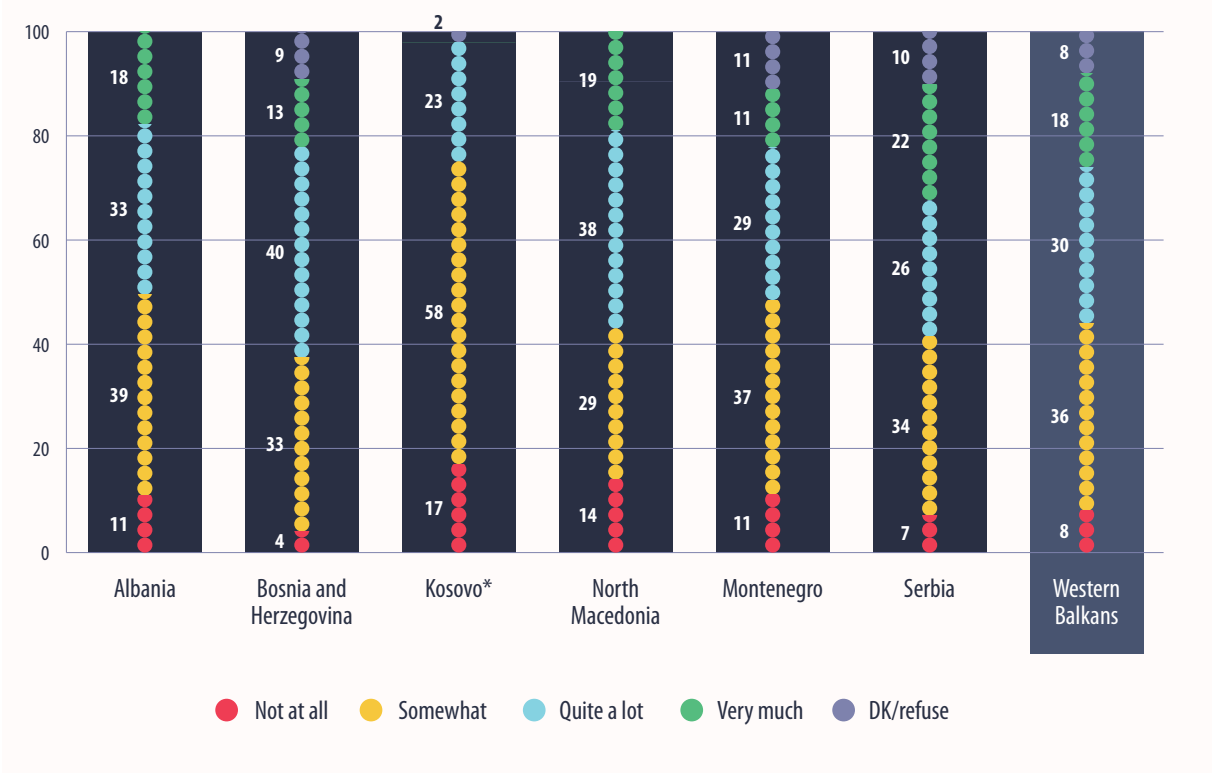


**Figure 65:** Which of the following reasons best describes your company's motivation to invest abroad? (Tax rates)  
 (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, ranks on a scale of 1 to 9 where 1 means most important and 9 least important, share of total, %, mean)



Foreign investment incentives are crucial for businesses in the WB (Figure 77). Such incentives were deemed to be extremely important in the region by 48% and somewhat important by 36% of respondents. There are, nevertheless, some obvious differences between the economies. For instance, North Macedonia (57%) and Bosnia and Herzegovina (53%) both place a high value on such incentives. It is important to note that in Albania, none of the respondents in 2022 thought these incentives as very essential in contrast to 51% of respondents in 2023.

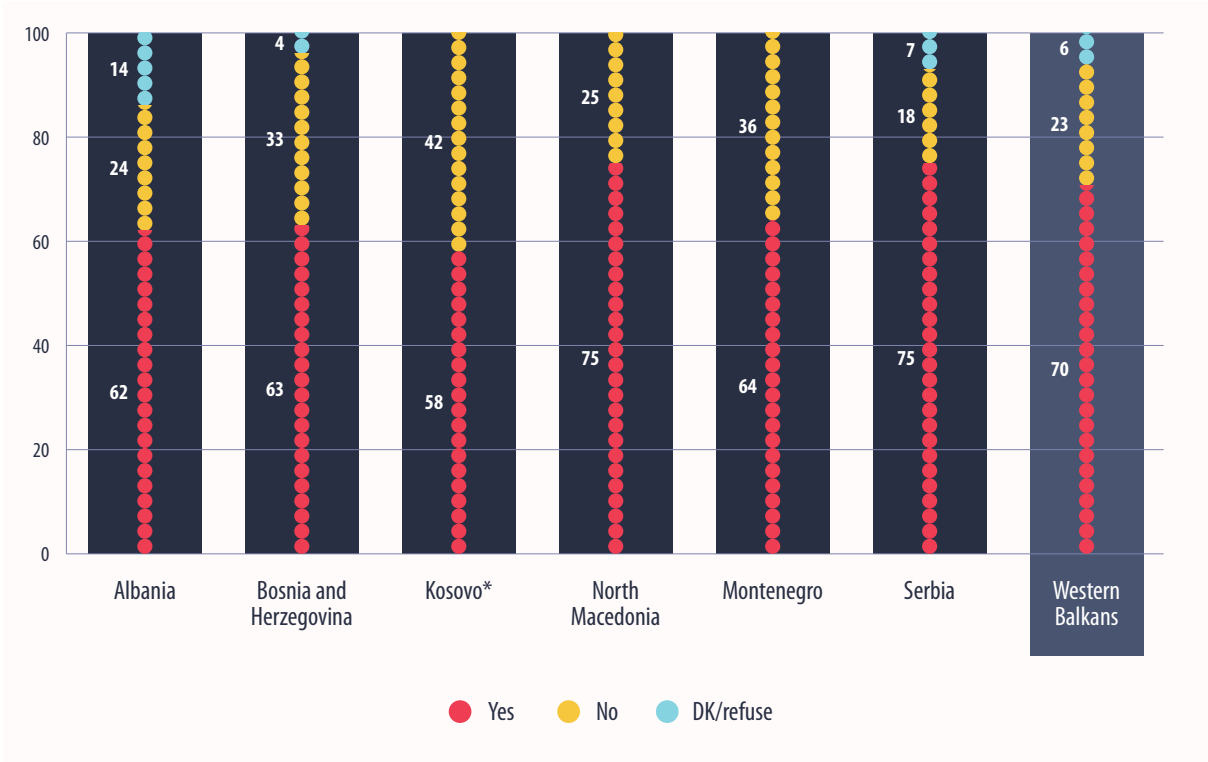
**Figure 66:** When investing abroad how much available investment incentives are influencing the decision on where to invest? (Respondents whose company invested abroad, or plans to do so in the next 12 months - N=240, single answer, scale of 1 to 4 where 1 means not at all and 4 means very much, share of total, %)



Around 75% of respondents from North Macedonia and Serbia consider the investment incentives as transparent, while the percentage that shared a positive attitude towards this factor in Kosovo\* seems to have significantly decreased from 92% in the 2022 report to 58% during the past 12 months.

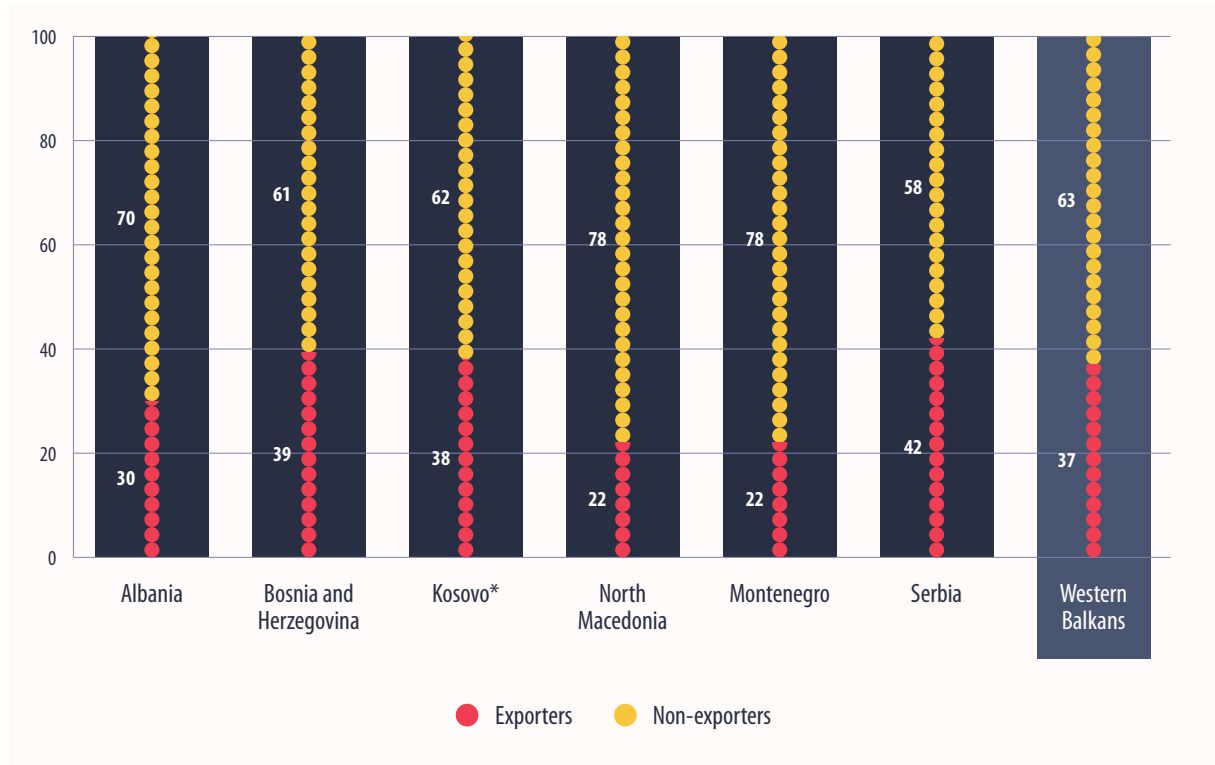


**Figure 67:** Could investment incentives be considered as transparent?  
 (Respondents who believe that available investment incentives are quite a lot or very much influencing the decision on where to invest when investing abroad, N=105, single answer, share of total, %)

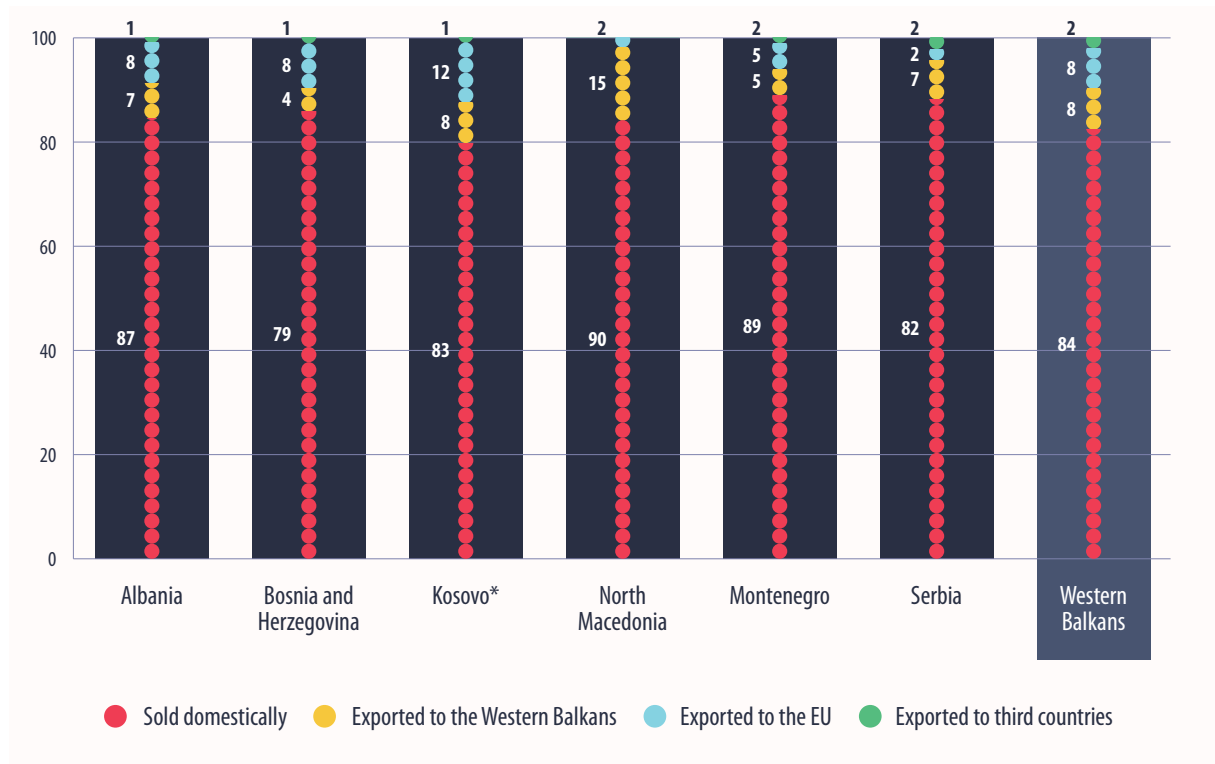


As seen in Figures 79 and 80, businesses in the WB are still tied to their domestic markets. 84% of them said they were only selling domestically, similar to 85% percent a year before. Companies in the WB have a harder time competing in a global market because of their low competitiveness, which is fuelled by low labour productivity and low technology level. Joining international supply chains calls for resources of an entirely distinct type and scale. Most of the products are sold domestically, while only 8% of companies registered the remaining economies of the WB as their export destination (same as exports to the EU). The lack of interest to export is the most common factor with a share of 40%, while 30% of enterprises that did not export stated that their goods/services were not suitable for export (Figure 81). The lack of export capacities (23%) shows a slight increase from 17% in 2021 and an evident decrease from 57% in 2020. These factors are at the top of the list in each of the Western Balkan economies. This might be explained by the overall situation that affected export capacities and global trade in general throughout the pandemic restrictions which was immediately followed by the war.

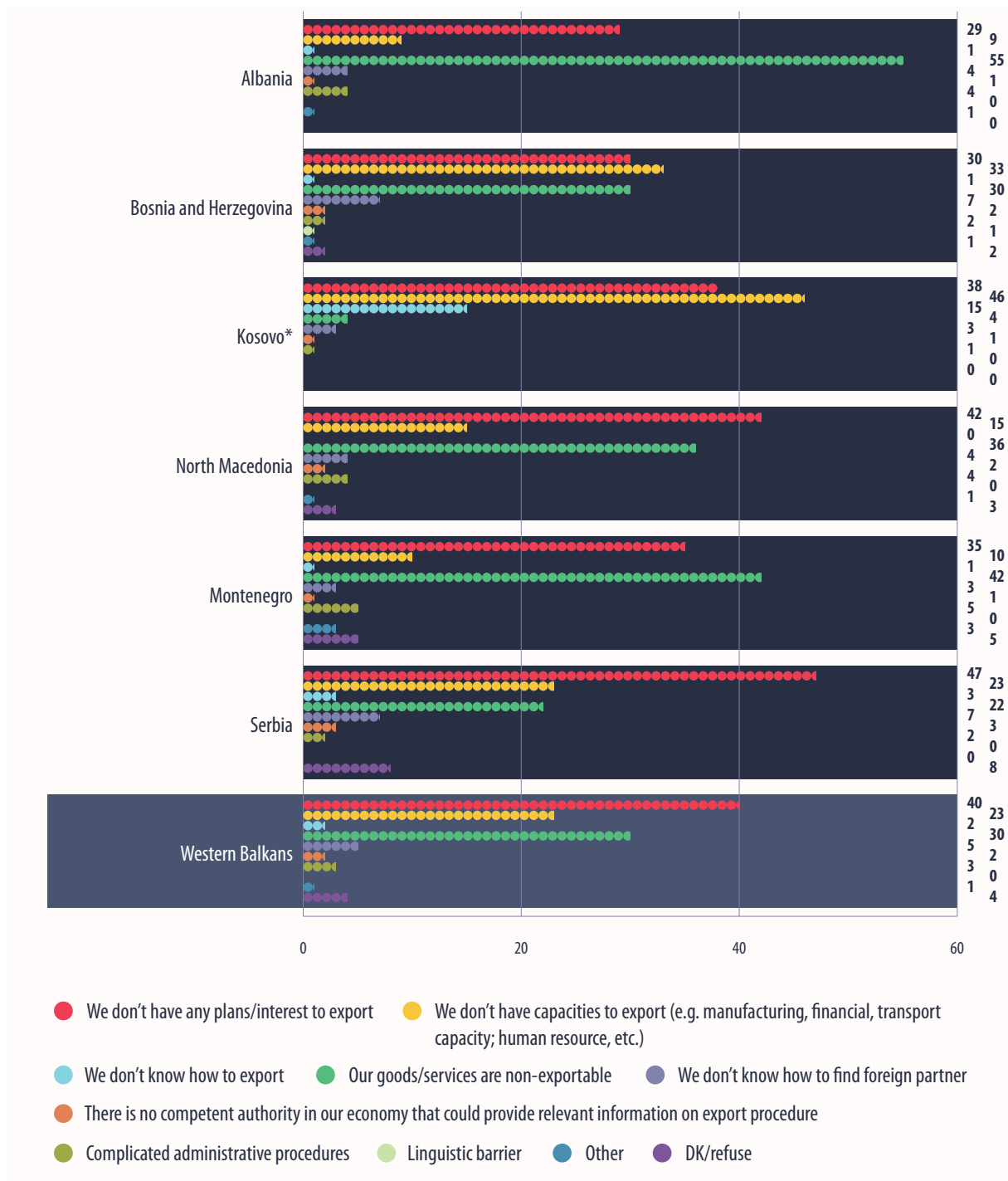
**Figure 68:** Has your company exported goods or services over the past 12 months?  
 (All respondents - N=1211, share of total, %)



**Figure 69:** What percentage of your company's sales are made domestically, exported to the Western Balkans region, the EU or to third countries?  
 (All respondents - N=1211, mean %)

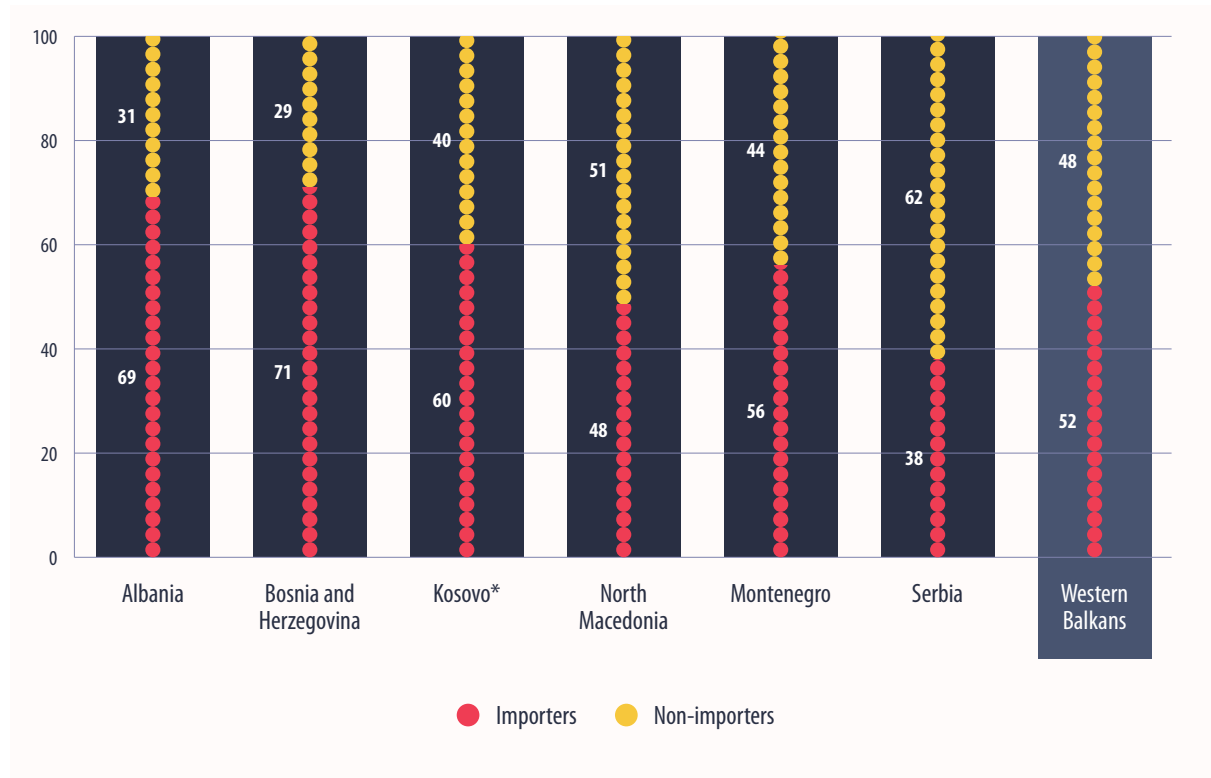


**Figure 70:** Why doesn't your company export?  
 (Respondents whose companies are non-exporters, N=818, %)

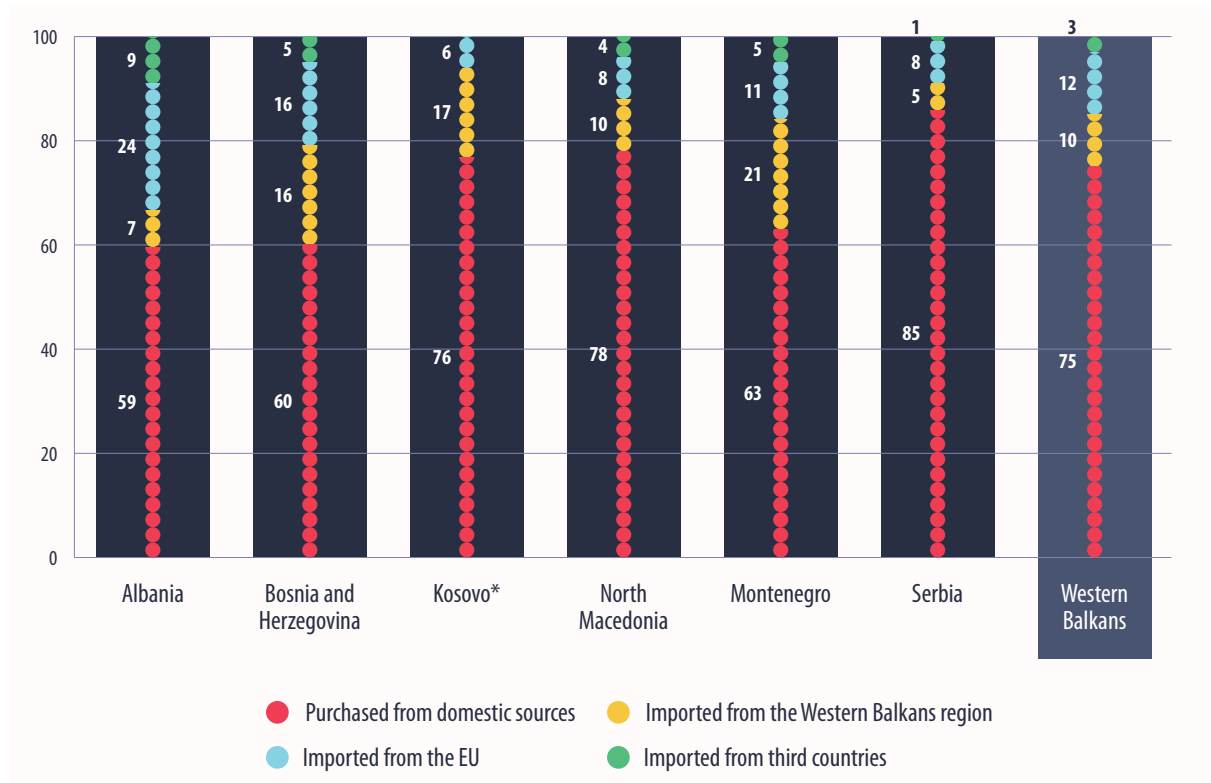


Varying from 38% in Serbia to 71% in Bosnia and Herzegovina, the shares of importers have slightly increased from the previous year (Figure 82). In a regional overview, 75% of the inputs and supplies are purchased from domestic sources while only 25% are imported (Figure 83). Albania has the highest share of imports from the EU at 24%, while Kosovo\* has the lowest (only 6%).

**Figure 71:** Has your company imported goods or services over the past 12 months?  
 (All respondents - N=1211, share of total, %)

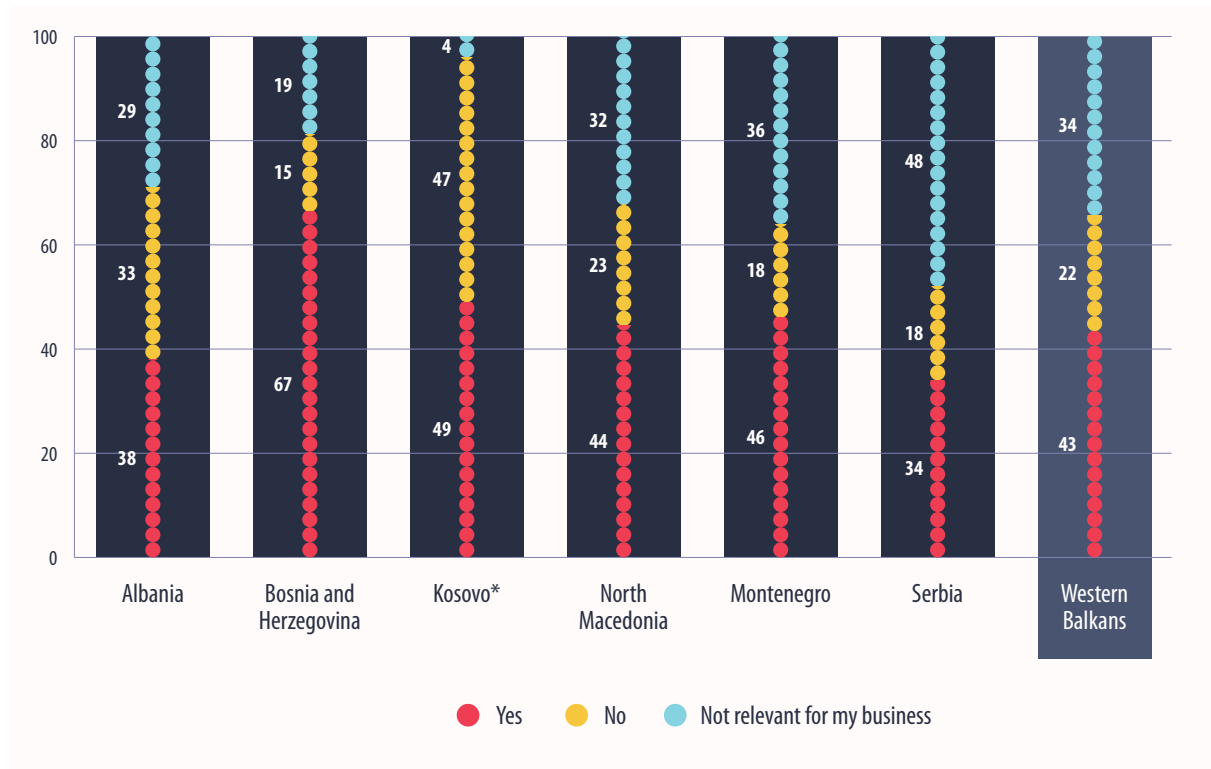


**Figure 72:** What percentage of your company's inputs and supplies are...  
 (All respondents - N=1211, mean %)



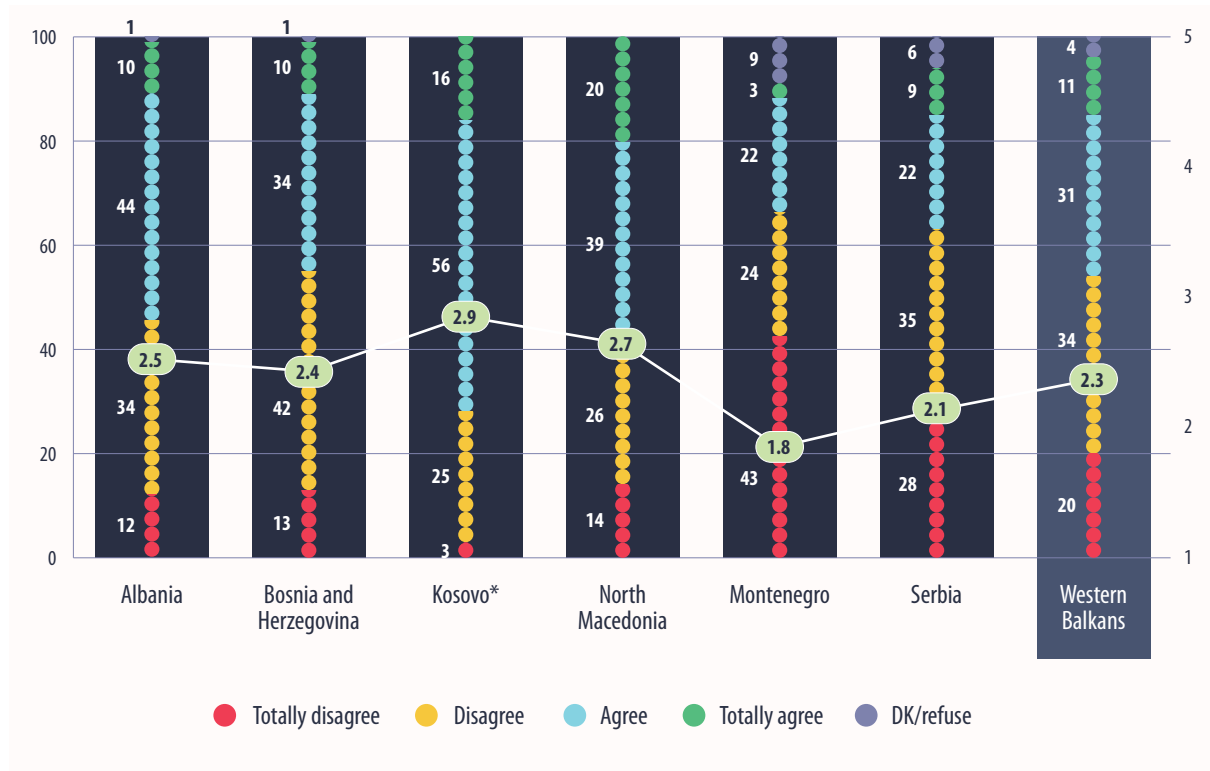
According to 43% of respondents (a 9% rise from 2022 report as indicated in Figure 84), cross-border/boundary transaction costs are too high in the WB economies, with significant variances between 34% in Serbia and 67% in Bosnia and Herzegovina. Cross-border/boundary transaction costs were not relevant to 34% of respondents, decreasing from the last year, with the highest rate (48%) in Serbia and the lowest in Kosovo\* (4%).

**Figure 73:** Do you think that cross-border/boundary transaction costs are too high among the Western Balkan economies?  
(All respondents - N=1211, single answer, share of total, %)



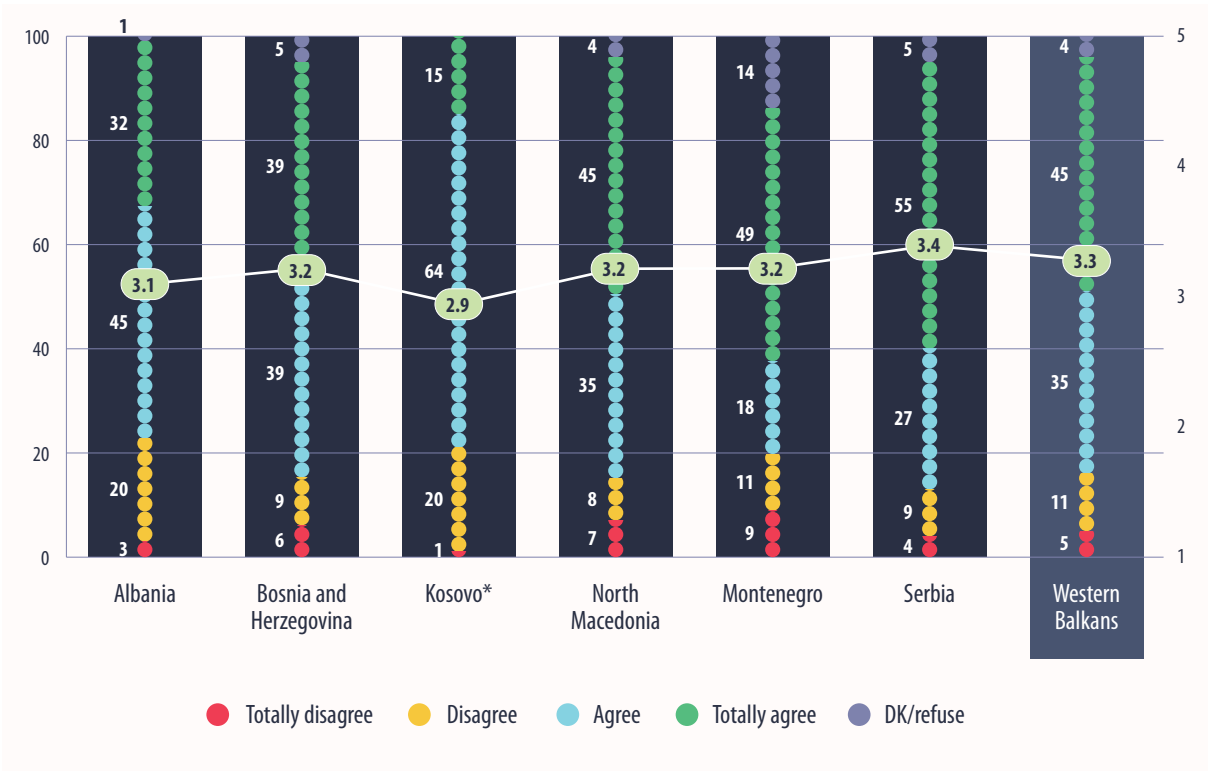
According to Figure 85, 42% of respondents believe their own business is threatened by global competition, share that has come to decrease slightly from 2021 (44%). Businesses in Kosovo\* (72%), followed by those in North Macedonia (59%) acknowledged being threatened by global competition, while this percentage was lowest in Montenegro (25%) despite Montenegro having the highest refusal rate of 9% on this issue (a share that has significantly decreased from 28% in 2021).

**Figure 74:** To what extent do you agree that your company is threatened by global competition?  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)



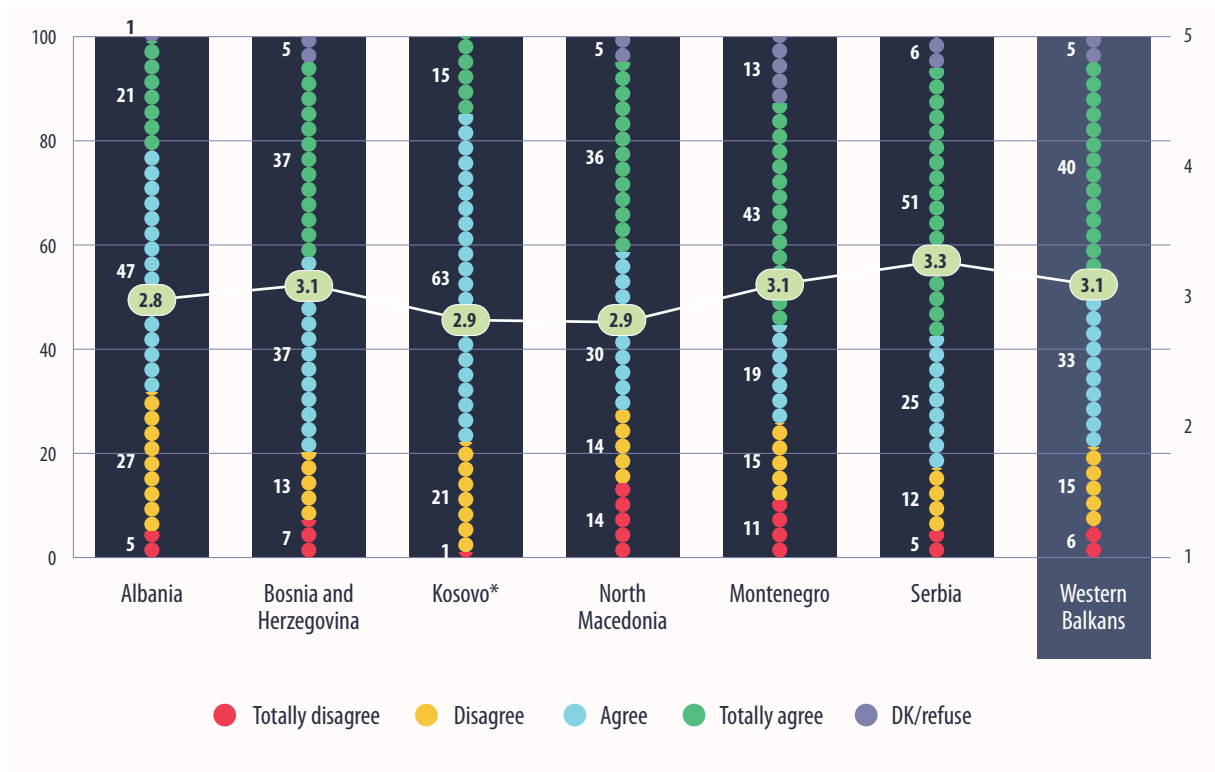
Companies were far more optimistic about market competition in the WB (Figure 86). 80% of respondents, on average, thought their goods, services, and products could compete favourably with those from the WB. Businesses in Serbia were the most competitive in the area, with 82% of them claiming they could compete, followed by 80% in North Macedonia. Albania businesses, on the other hand, are less optimistic, with 23% disagreeing that their products and services could compete well in the regional market (percentage remaining the same as the last year), followed by Kosovo\* and Montenegro, with 21% and 20% respectively. The highest share of respondents (14%) that refuse to answer the question is also in Montenegro, similar as in the results of Figure 85.

**Figure 75:** To what extent do you agree with the following statement - My company's products, goods and services can compete well with products, goods and services from the Western Balkans?  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)



Findings of Figure 87 indicate that the WB economies' confidence in their own goods and services on the EU market remains relatively high. In the region, 73% of respondents believed their products could compete successfully with those on the EU market, with Kosovo\* (78%) having the greatest number and Montenegro having the lowest (62%). Albania still remains to have the lowest level of confidence, with 32% of businesses expressing reservations about their ability to compete in the EU market (36% in 2022).

**Figure 76:** To what extent do you agree with the following statement - My company's products, goods and services can compete well with products, goods and services from other EU Member States?  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)

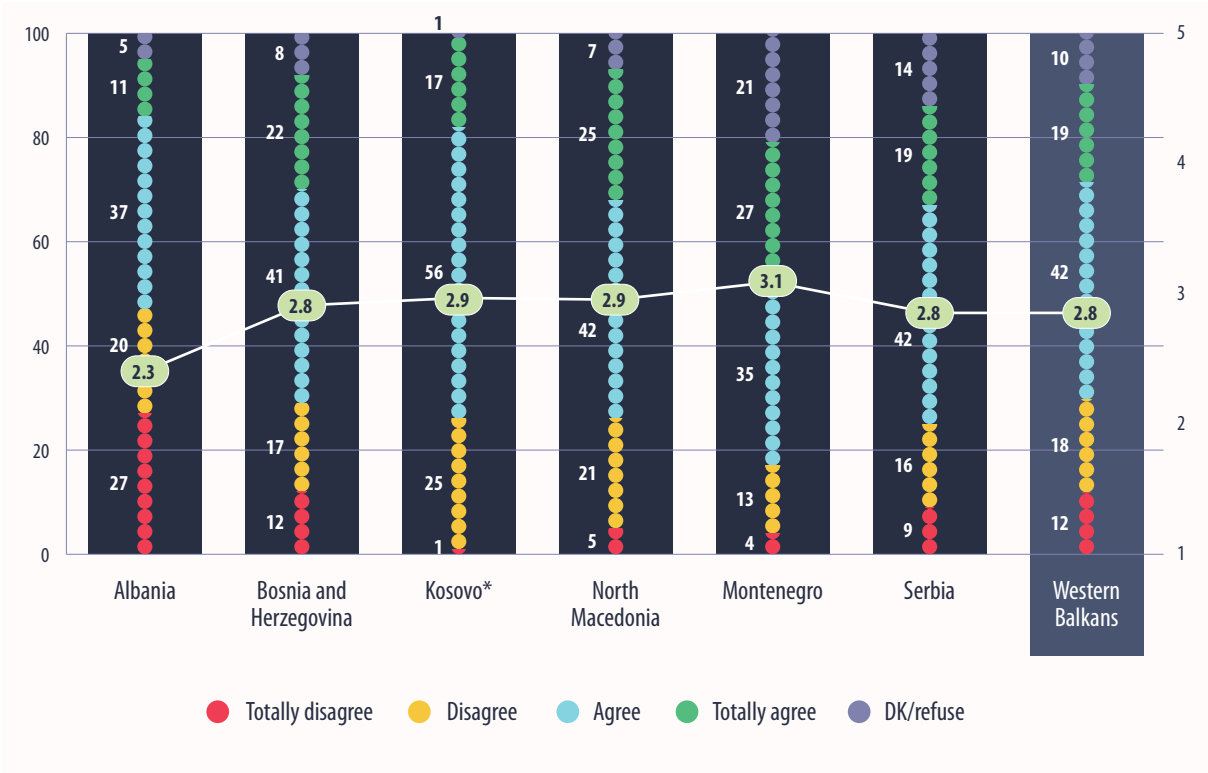


CEFTA 2006 had a more positive than negative effect on the area, as shown in Figure 88, which shows that 61% of respondents thought the regional free trade agreement helped their business, a percentage that remained unchanged since 2021. The majority of Kosovo\* respondents (73%) thought that CEFTA 2006 had a beneficial impact, followed by respondents from North Macedonia (67%). Montenegro still has the highest refusal share of 21% while the situation has improved in Bosnia and Herzegovina at 8% (from 27% in 2022).



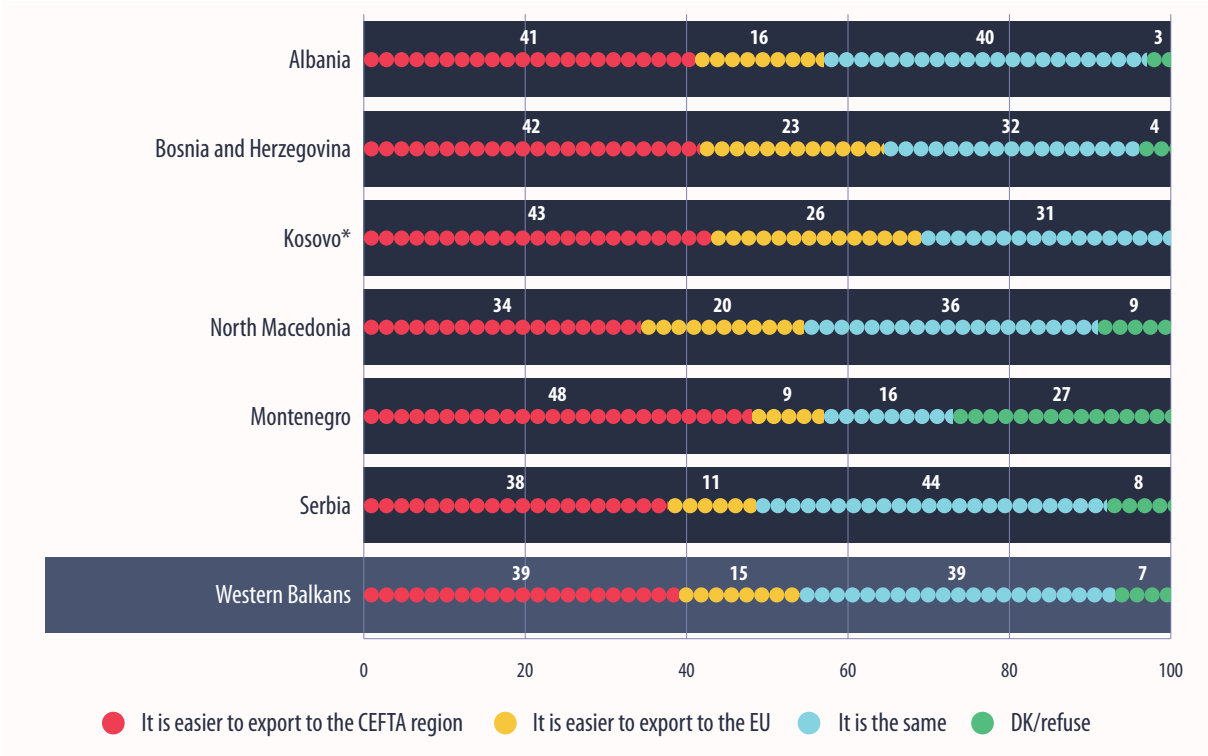
**Figure 77:** To what extent do you agree with the following statement - My company has benefited from the regional free trade agreement (CEFTA 2006)?

(Respondents who confirm exporting and importing from abroad - N=771, single answer, scores on scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)



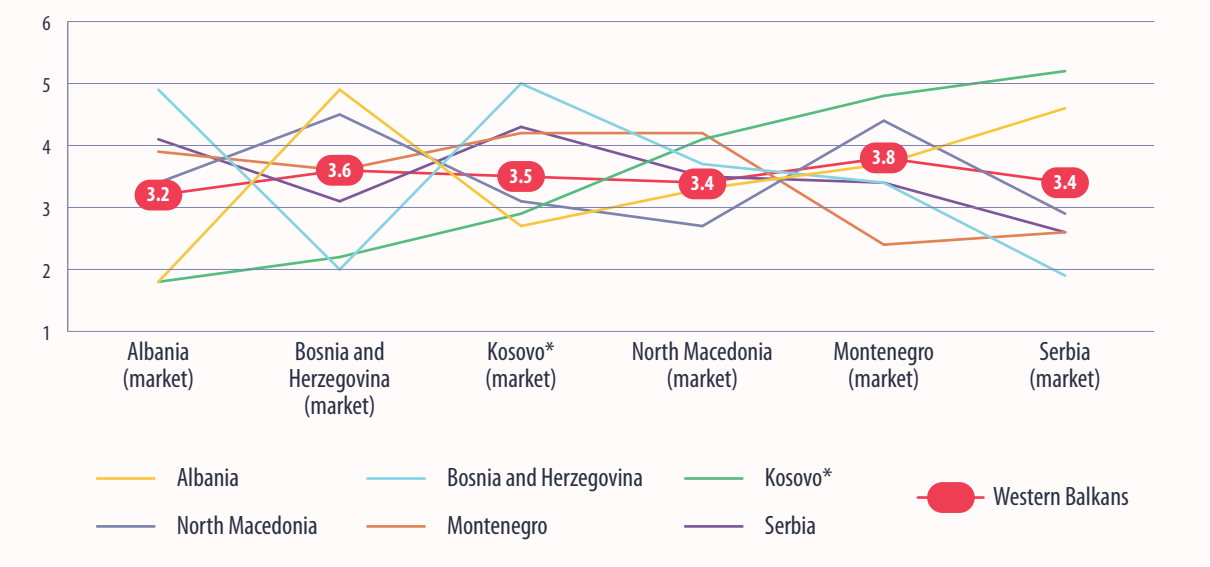
WB businesses seem to be divided equally amongst those which agree that it is easier to export to CEFTA 2006 and those which agree it is easier to do that to the EU, with a share of 39% each. Still, not everyone in the region agrees: respondents from Kosovo\* and Montenegro found it easier to export to CEFTA 2006 than to the EU, while the share of respondents from Serbia who find it easier to export to the CEFTA 2006 region has increased from 19% in 2022 to 38% in 2022. Solid findings cannot be derived in Montenegro because of the high refusal rate (27%) from its respondents.

**Figure 78:** If your company is an exporter, could you tell us whether it is easier to export to the CEFTA region, or to the EU?  
 (Respondents whose companies are exporters, N=393, single answer, share of total, %)



As shown in Figure 90, market in Albania is perceived to be more opened than the other WB economies' markets at a score of 3.2. On the opposite side stand the respondents from Montenegro market with a score of 3.8. While these perceptions do not necessarily derive from actual barriers and existing obstacles to doing business, a more in-depth analysis would be required to better understand the variance in responses to this question.

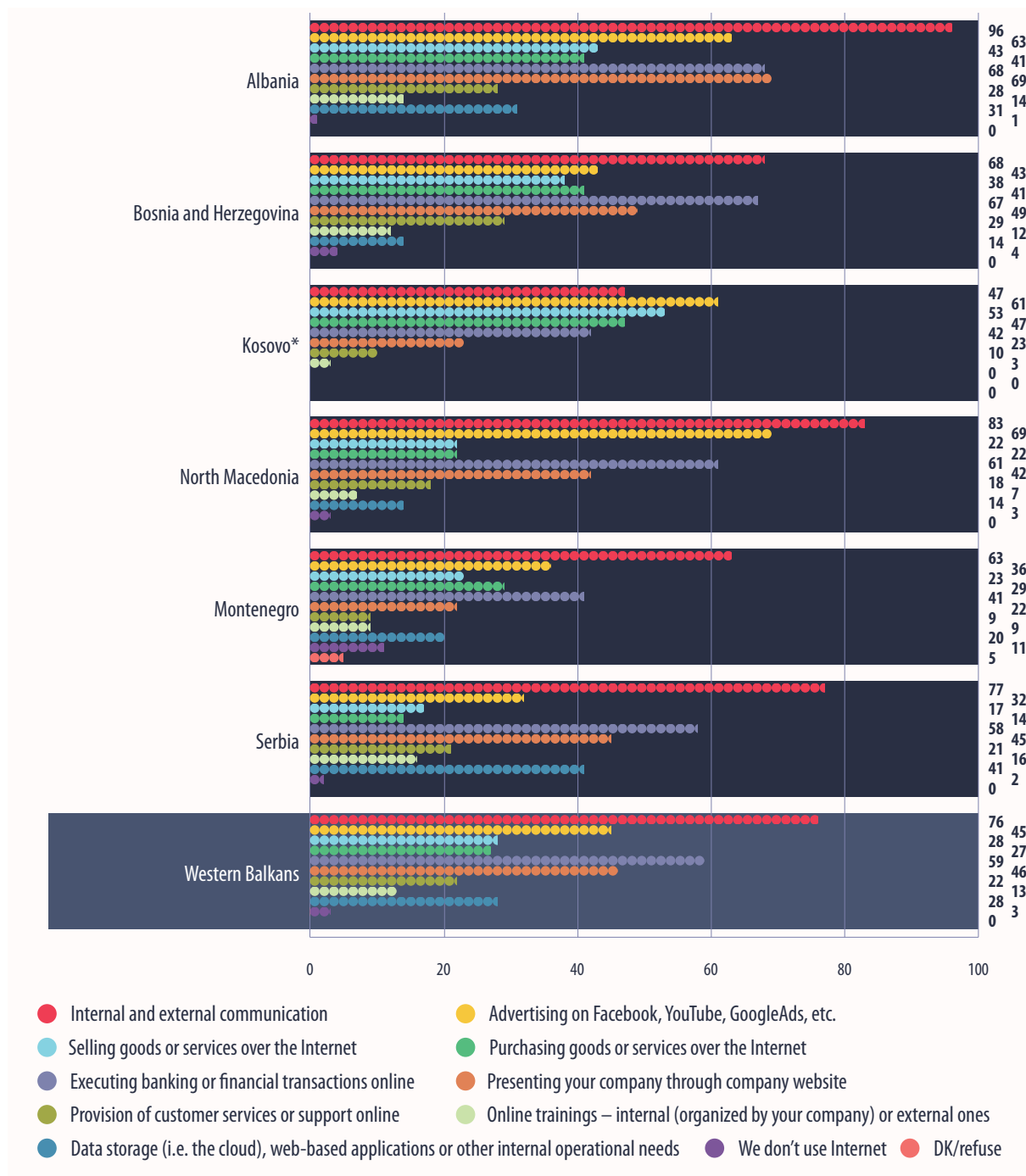
**Figure 79:** In your opinion, which market in the Western Balkans region is the most open one? Please give us your opinion no matter whether you/your company had direct experience with it.  
 (All respondents - N=548, rank from 1 to 6 where 1 means most open, and 6 means least open, mean)



# INNOVATION AND TECHNOLOGY

Figure 91 shows that businesses in the region depend substantially on the internet. 76% (83% in 2022) of enterprises said they used the internet for routine communication, which is similar to its use across all WB economies except for Kosovo\*, which for the second year shares the lowest percentage in this respect. Executing banking or financial transactions online is ranked second at 59%, while presenting the company through the company website is third (46%). The pandemic seems to have shown its wide effect, especially towards making the business more digital.

**Figure 80:** Does your company use the Internet for...?  
(All respondents - N=1211, multiple answers, %)



Despite the prevalent usage of the internet, only a small percentage of regional business sales are generated online (Figure 92). A major drop from 57% of respondents in 2022, only 30% of respondents now admitted that fewer than 5% of their purchases were made online. Online purchases and a return to traditional modalities may have been deterred by the pandemic’s easing and reopening of physical retail stores. About 58% of businesses in Bosnia and Herzegovina indicated that internet sales accounted for 5–20% of their total sales (11 points more than the previous year). The opposite tends to be the case in Kosovo\* where the majority of businesses have less than 5% of total sales generated through online sales.

**Figure 81:** What percentage of your total sales is currently generated through online sales?  
 (Respondents who sell their goods or services over the Internet - N=398, single answer, share of total, %)

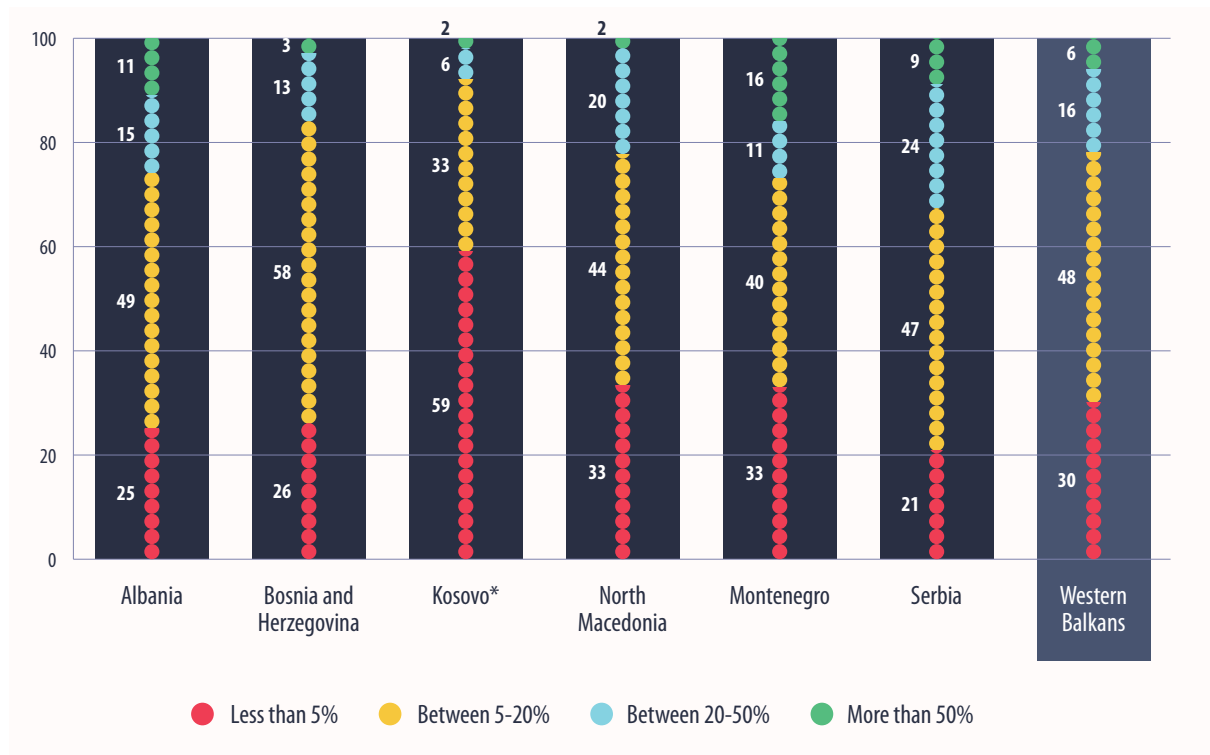
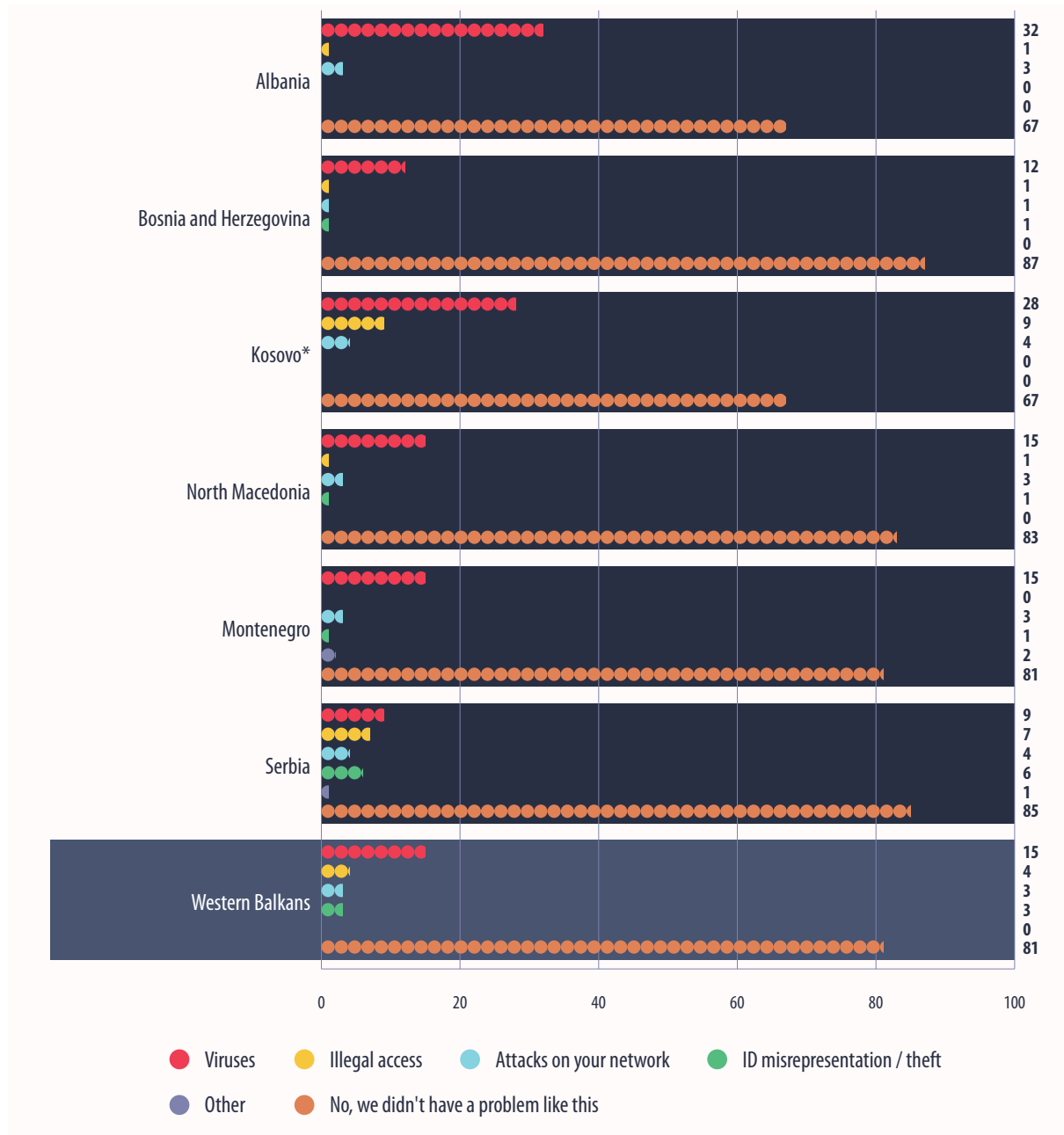


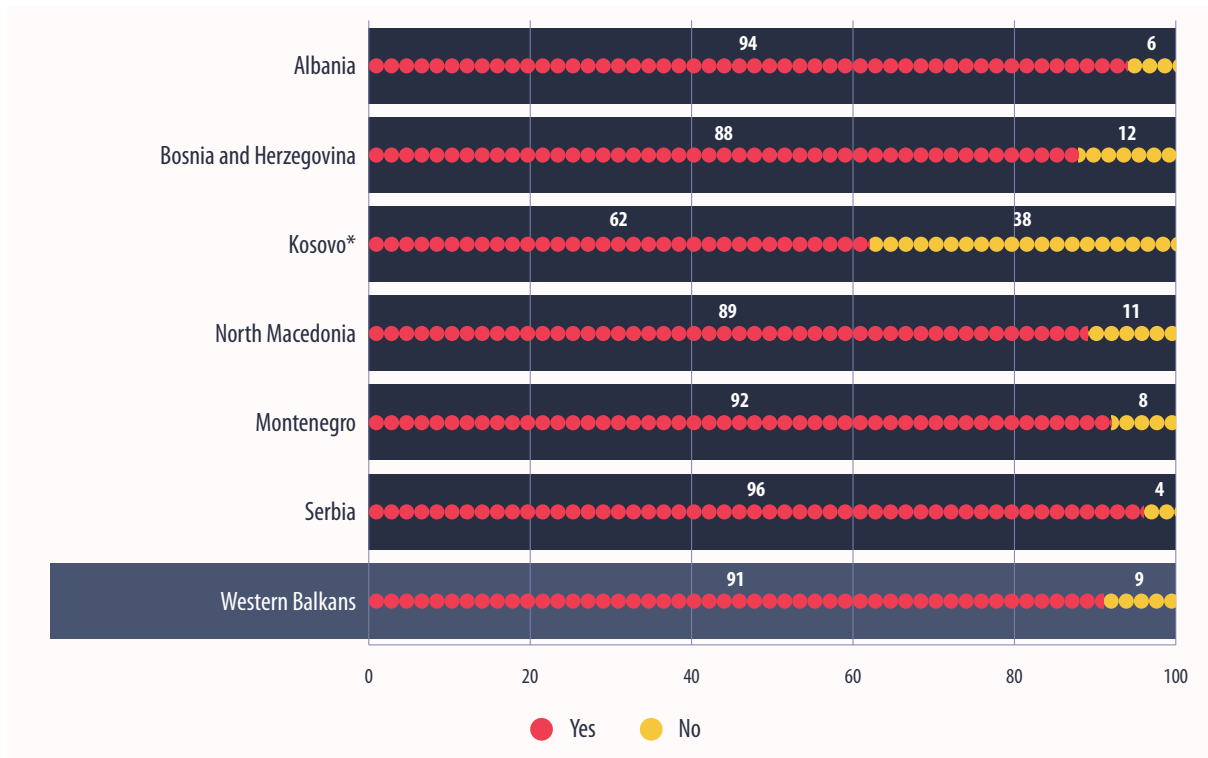
Figure 93 reveals that 81% of the WB companies have not experienced any Internet security problems, and the tendency remains the same amongst them with a share varying from 67% to 87%. Viruses were the most common issue that businesses had with internet usage according to 15% percent of them (16% in 2022). Although other issues, such as illegal access, network attacks and ID theft have gained importance in Serbia, this is the most widespread concern across the region.

**Figure 82:** In the last six months, have you experienced any of the following Internet security problems?  
 (Respondents whose companies are using the Internet - N=1157, multiple answers, %)



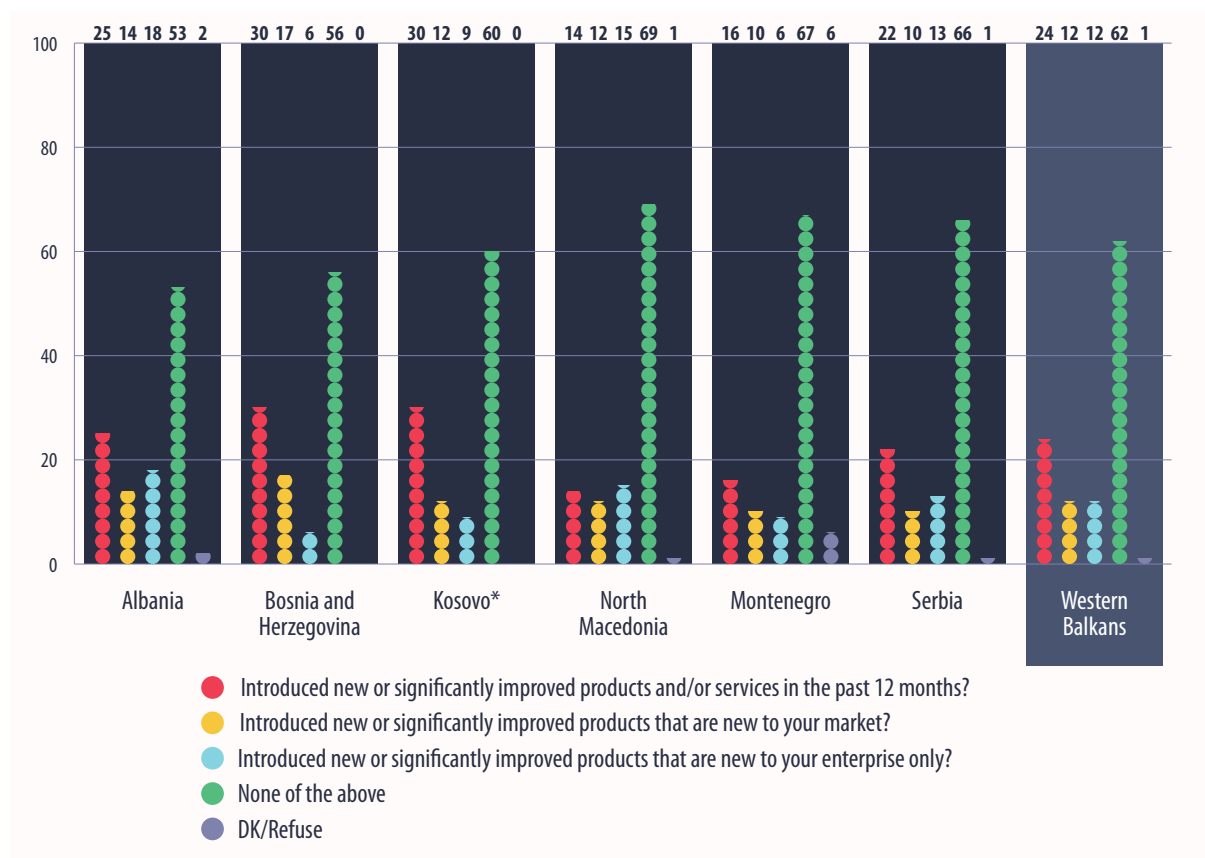
About 91% of respondents at regional level were happy with the quality of their internet connection (Figure 94). When comparing responses by economy, respondents from Serbia are the happiest with internet connection (96%), while respondents from Kosovo\* are the least happy (62%). Kosovo\* case is interesting since this share decreased by 30% from 2021.

**Figure 83:** Are you satisfied with your Internet connection?  
 (Respondents whose companies are using the Internet - N=1157, single answer, share of total, %)



As shown in Figure 95, 62% of respondents admit not to have introduced new or significantly improved products/services. Bosnia and Herzegovina and Kosovo\* share the highest percentage (at 30% each) of introducing new or significantly improved products/services in the past 12 months, followed by Albania at 25%.

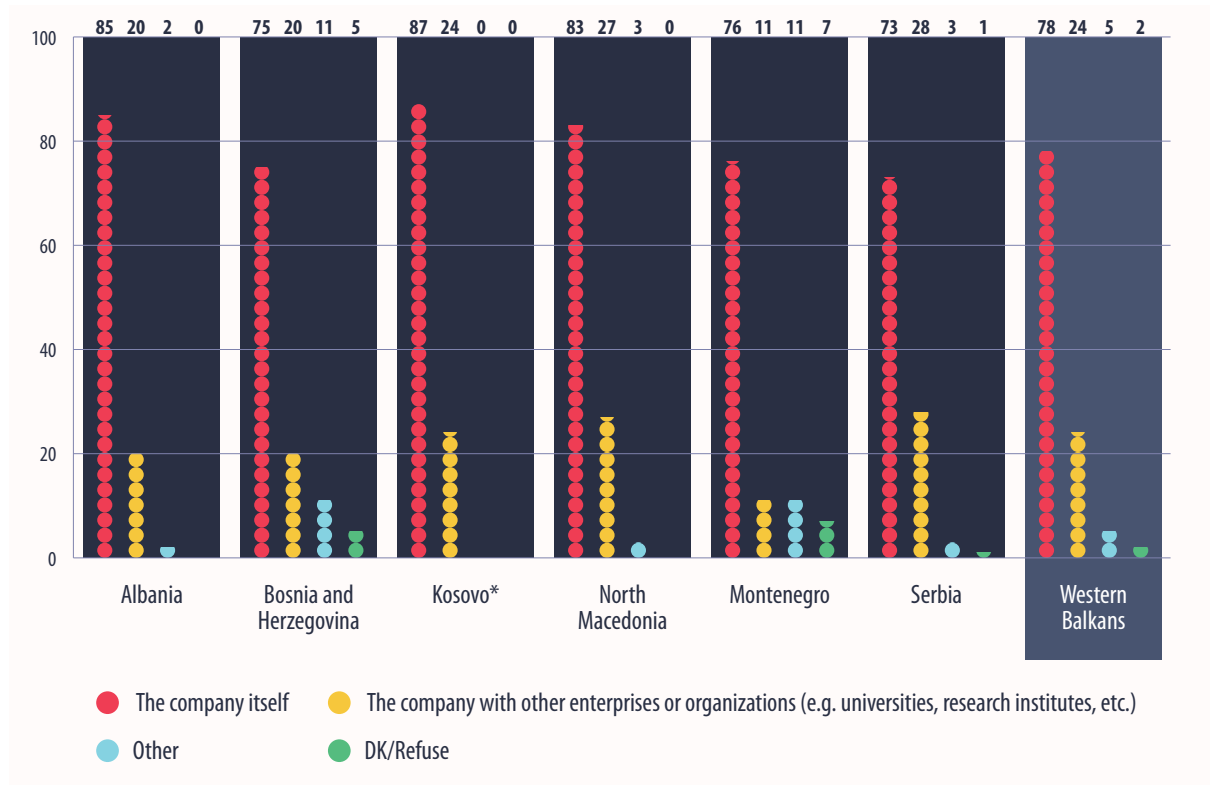
**Figure 84:** Have you ...?  
 (All respondents – N=1211, multiple answers, share of total, %)



As in previous editions, most of businesses representatives (78%) claim that the majority of product improvements were generated by themselves (Figure 96). However, collaboration with other enterprises or organisations was recorded in 24% of the cases. Respondents from Kosovo\* were the most reliant on themselves for developing the product/service innovation (87%), followed by Albania (85%) and North Macedonia (83%).

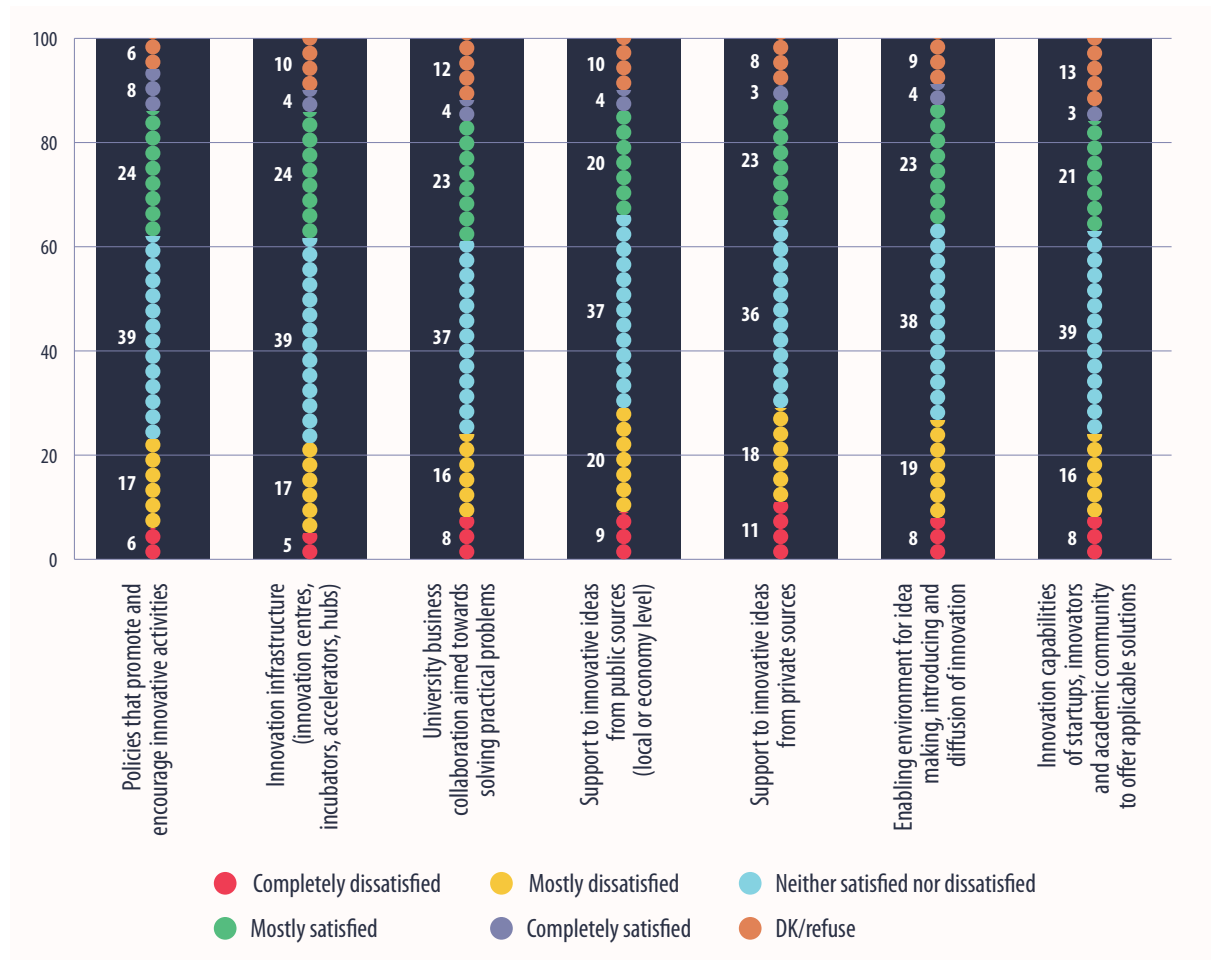


**Figure 85:** Who developed this product and/or service innovations?  
 (Respondents who introduced new or significantly improved products and/or services - N=444, multiple answers, %)

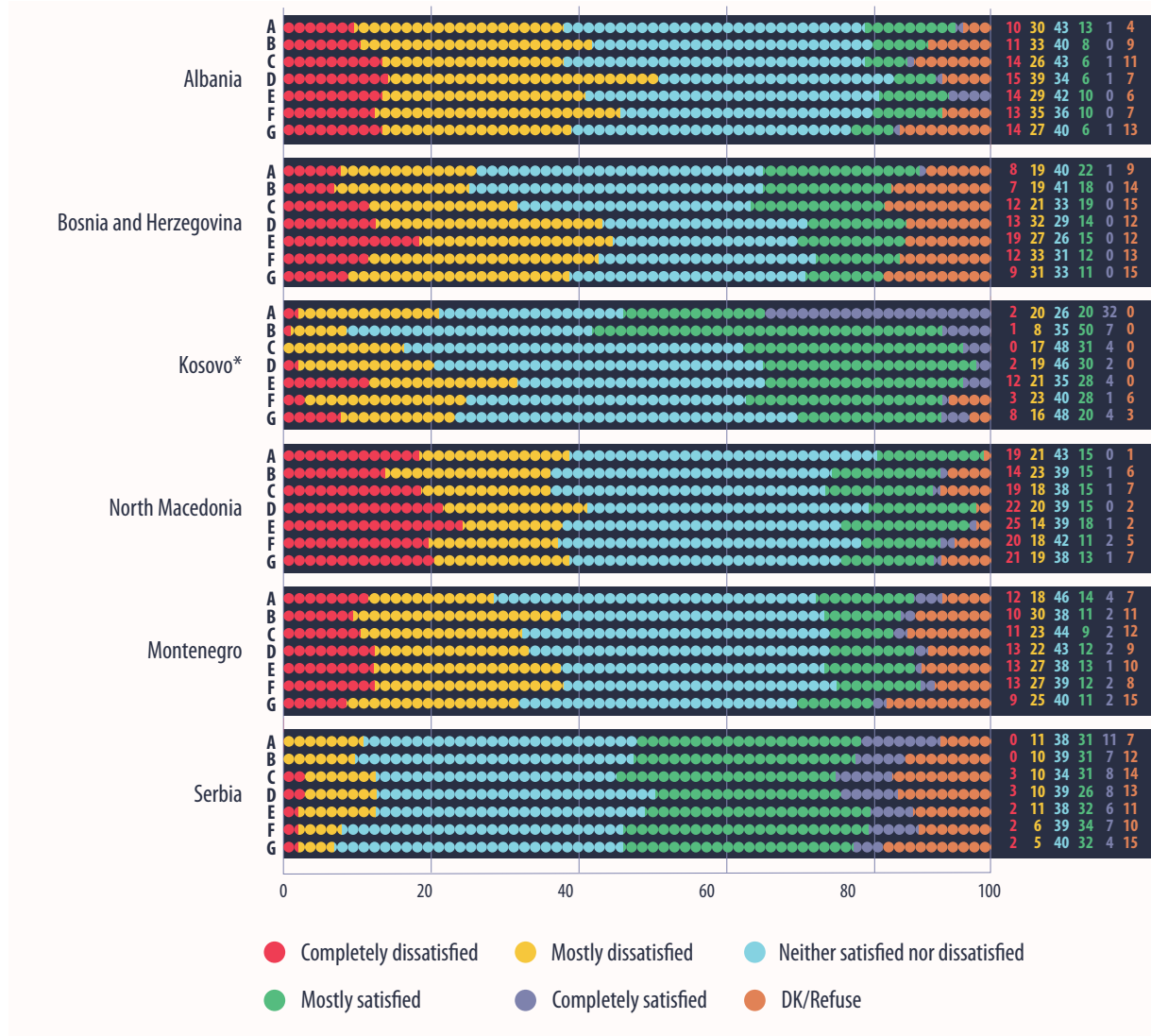


Businesspeople were given the opportunity to assess seven aspects of their economies' innovation policies, such as public services that support innovation, university-business collaboration, innovation infrastructure, and so on, on a scale from complete satisfaction to complete dissatisfaction (Figures 97 and 98). According to the majority of respondents (between 36% and 39%), businesses in the WB have a neutral attitude towards the environment that fosters innovation. What stands out from Figure 98 is the fact that Kosovo\* is completely satisfied at 32% in regard to the policies that promote and encourage innovative activities.

**Figure 86:** Could you please tell me how satisfied are you with each of the following in your economy? (Western Balkans)  
 (All respondents, N=1211, single answer, scores on a scale from 1 to 5, where 1 means completely satisfied and 5 means completely dissatisfied, share of total, %)

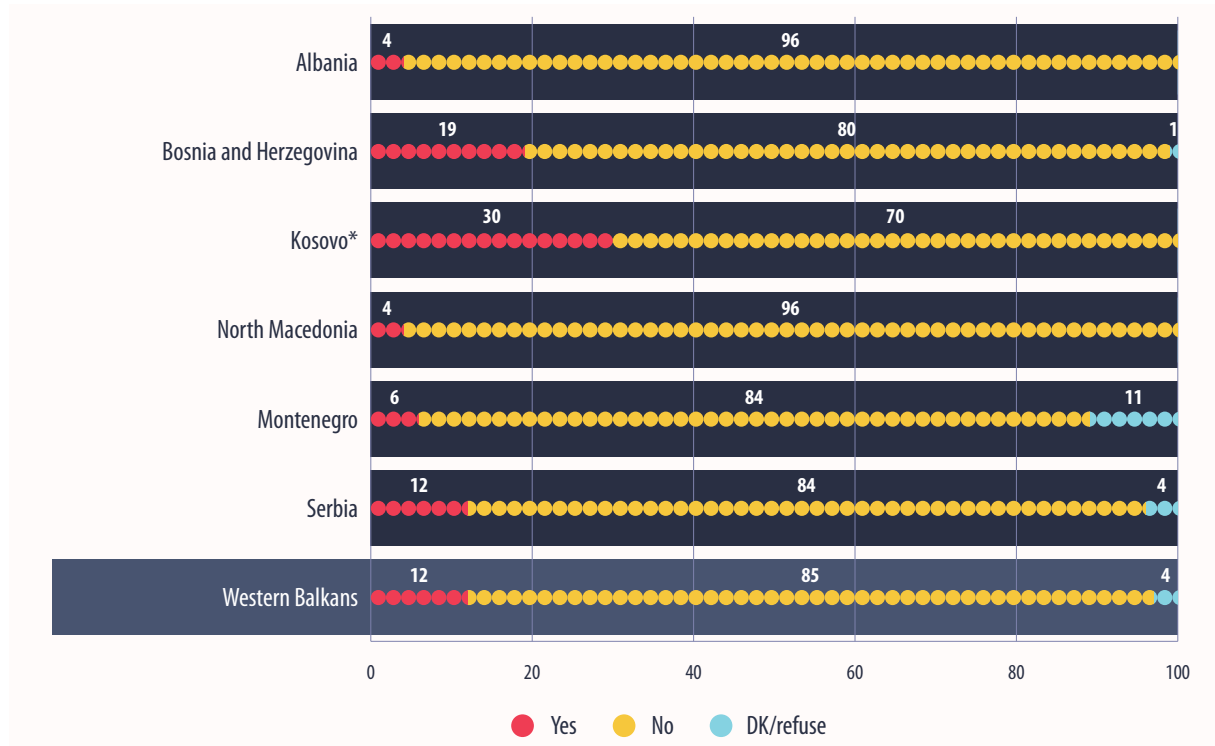


**Figure 87:** Could you please tell me how satisfied are you with each of the following in your economy?  
 A) Policies that promote and encourage innovative activities; B) Innovation infrastructure (innovation centres, incubators, accelerators, hubs);  
 C) University-business collaboration aimed towards solving practical problems; D) Support to innovative ideas from public sources (local or economy level); E) Support to innovative ideas from private sources; F) Enabling environment for idea making, introducing and diffusion of innovation; G) Innovation capabilities of start-ups, innovators and academic community to offer applicable solutions  
 (All respondents, N=1211, single answer, scores on a scale from 1 to 5, where 1 means completely satisfied and 5 means completely dissatisfied, share of total, %)

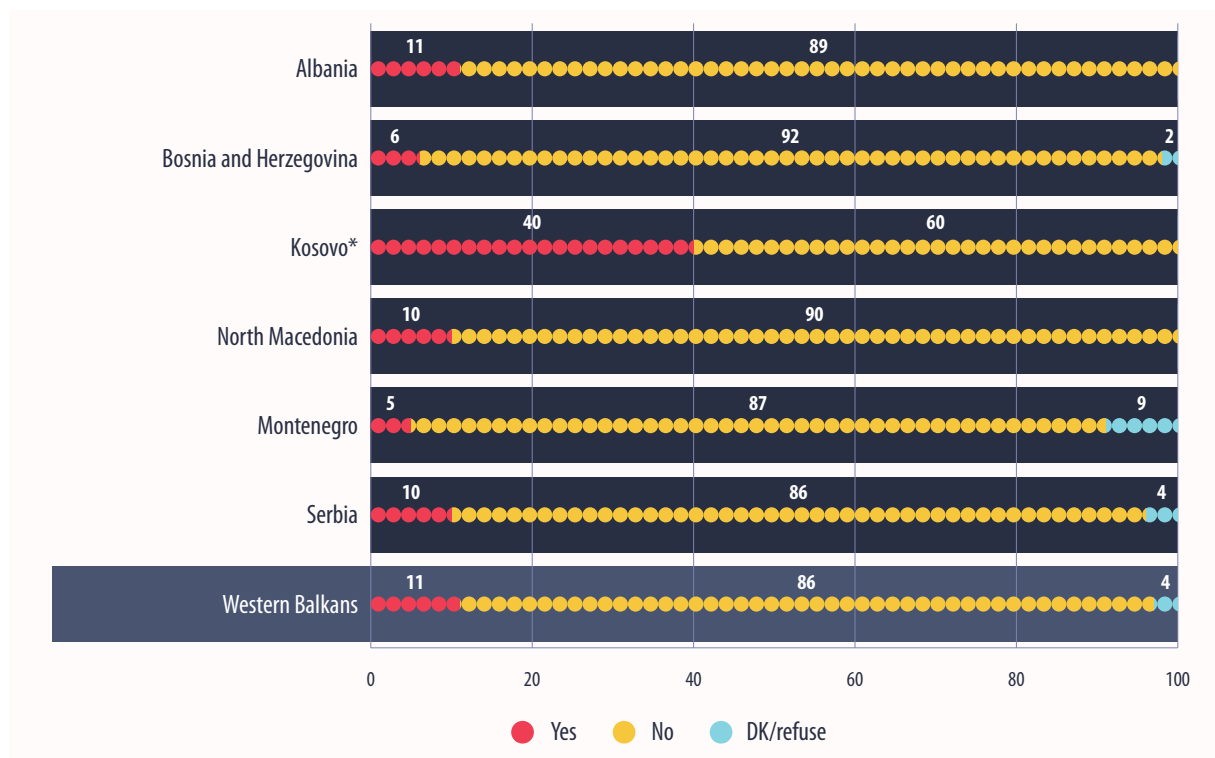


Only 12% of businesses received assistance from local or regional governments in the previous three years; with 11% from the central government, 6% from the EU or other donors, and 4% from the private sector (Figures 99–106). There are no significant disparities in the WB economies in this regard, apart from support in Kosovo\* that has been substantially stronger than in other economies, particularly from the local and regional authorities (30%), followed by Bosnia and Herzegovina at 19%, and central government (40%), followed by Albania at 11%. The EU has been more present in supporting businesses in Bosnia and Herzegovina (13%), while other private sector stakeholders have been active in support mostly in Albania (though at a small share of 7%).

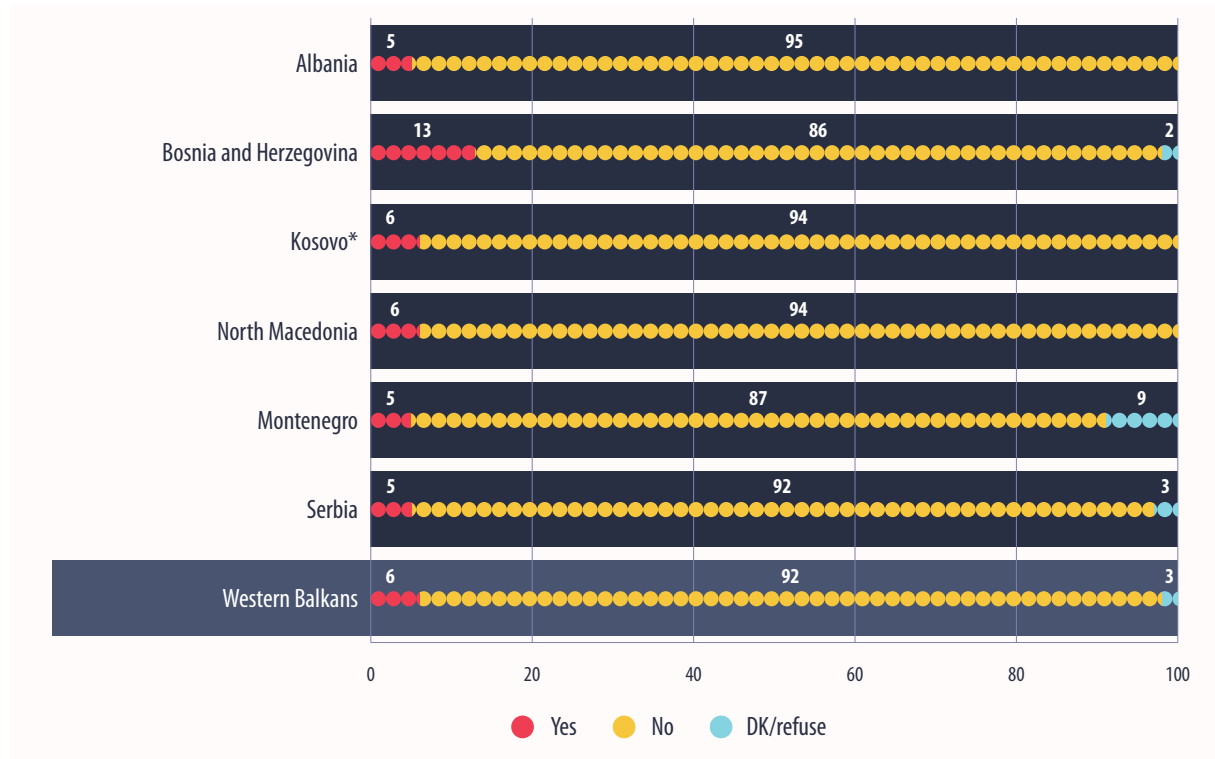
**Figure 88:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Local or regional authorities)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



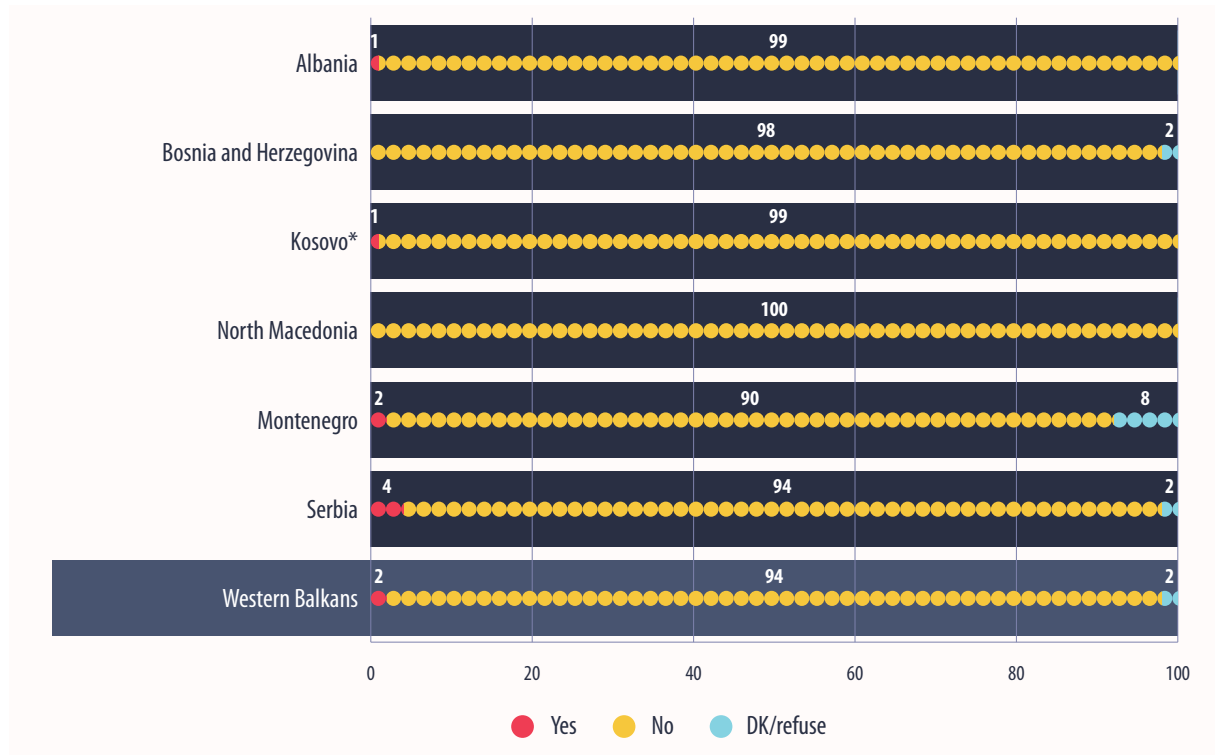
**Figure 89:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Central government)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



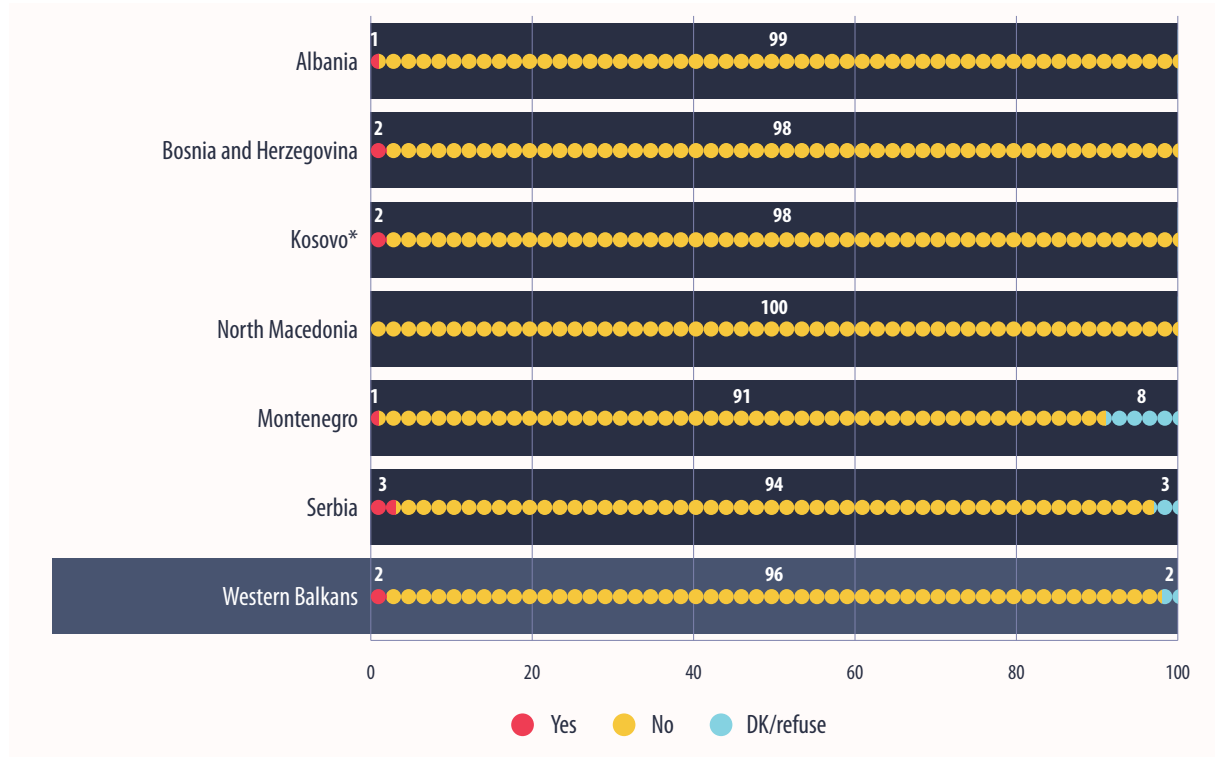
**Figure 90:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (The European Union)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



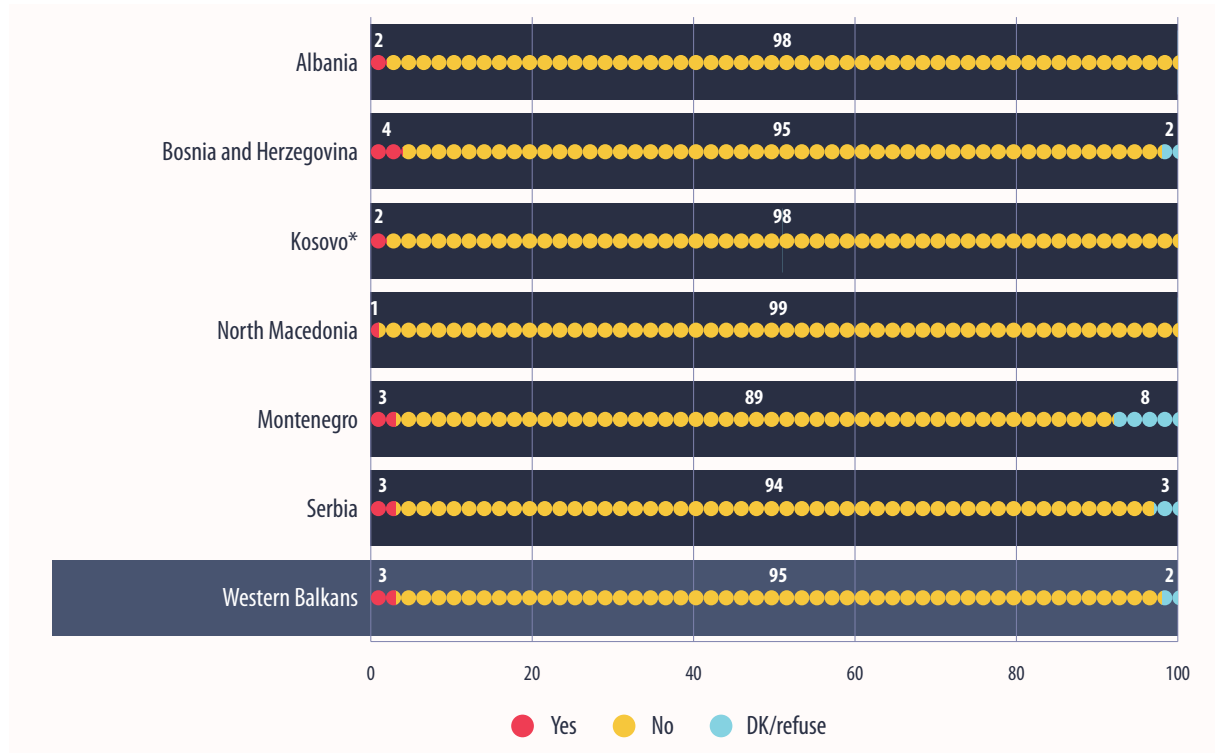
**Figure 91:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (U.S.)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



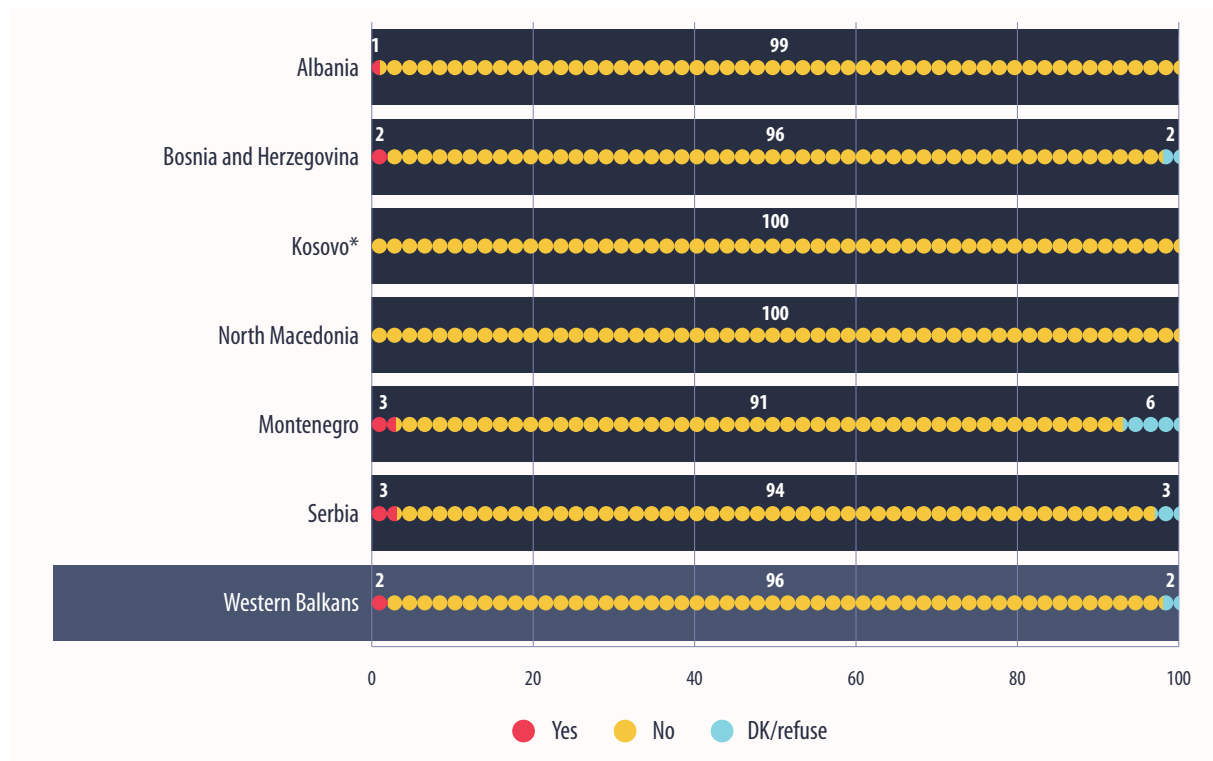
**Figure 92:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Switzerland)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



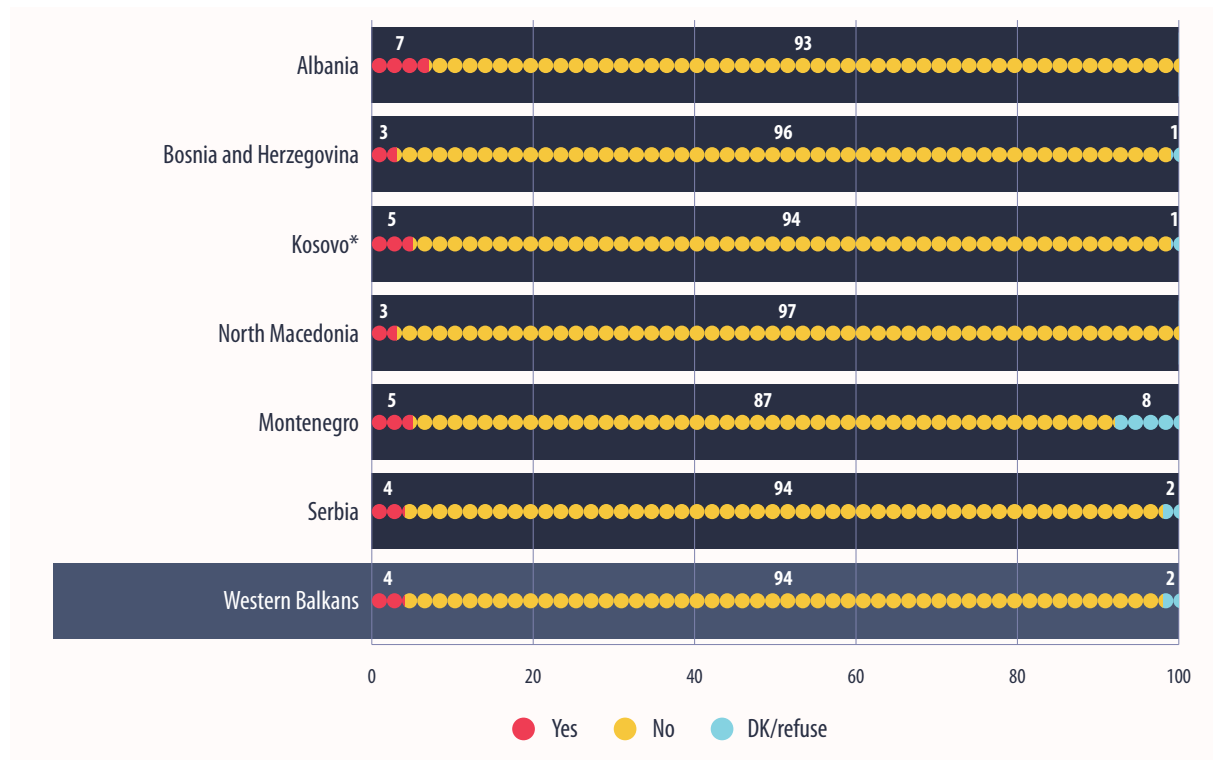
**Figure 93:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Turkey)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



**Figure 94:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Gulf economies)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.  
 (All respondents - N=1211, single answer, share of total, %)



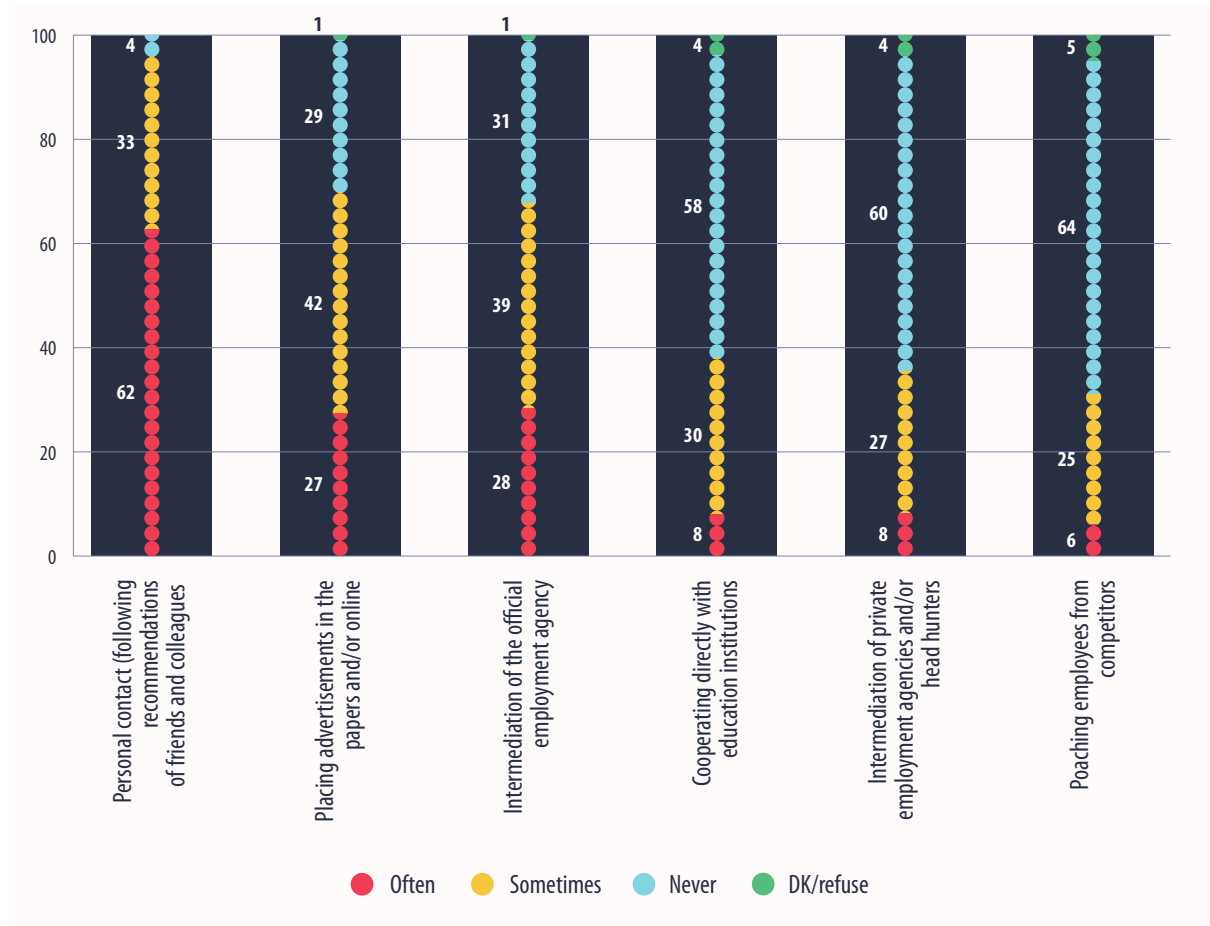
**Figure 95:** During the past three years (2020 to 2022), did your enterprise receive financial support for innovation activities from the following? (Private sector)  
 Include financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. Exclude R&D and other innovation activities conducted entirely for the public sector under contract.



# EMPLOYMENT PRACTICES AND HUMAN CAPITAL

Personal contact continues to be the approach most commonly used when hiring new staff, according to 62% of respondents, up from 54% a year ago. Newspaper and online advertisements were used frequently in 27% of the cases, and occasionally in 42% of the cases. The relatively low level of engagement of employment agencies continues in this edition, similarly to previous years. This type of service is used only occasionally by 39% of respondents or never (31%). Similar to the previous year, there is still a low rate of employment through partnership with educational institutions, with 58% claiming they never do it and 30% indicating they do it occasionally. In contrast, only 6% of employers admit to regularly using the approach of “poaching” employees from competition, while 64% admit it has never been used.

**Figure 96:** How often do you use the following when hiring new employees?  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

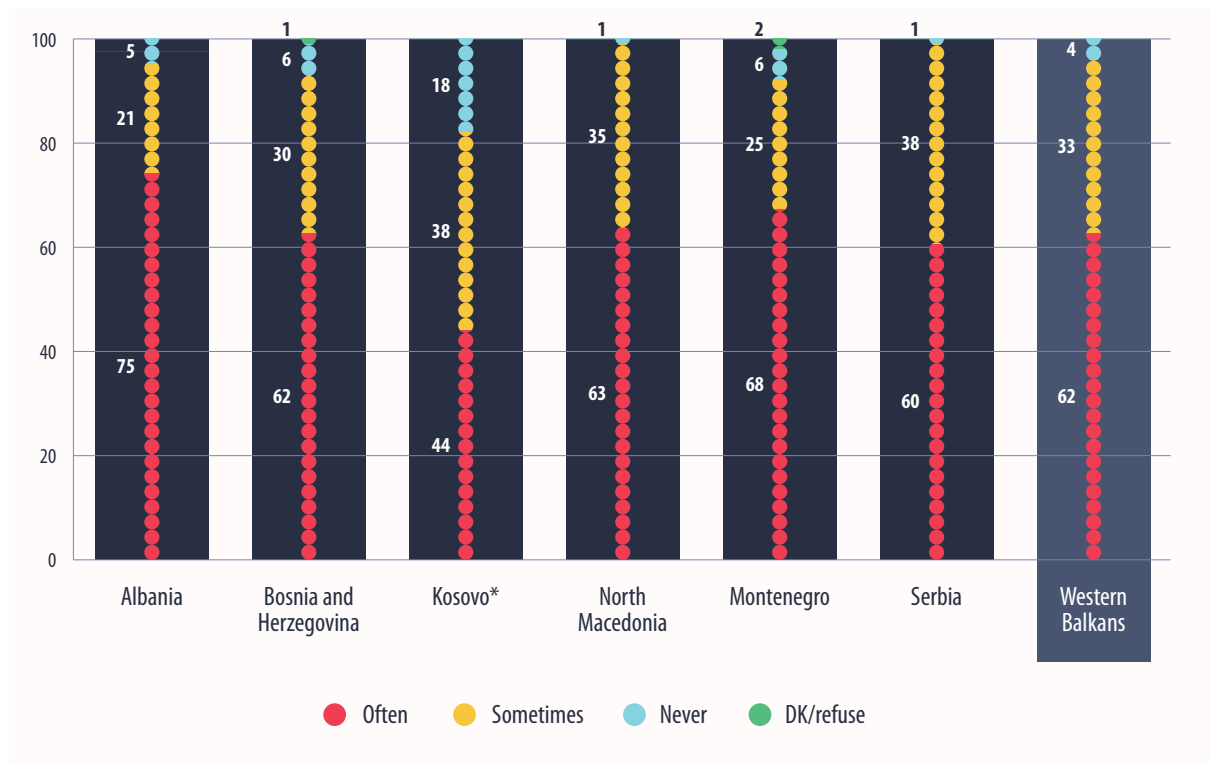


Figures 108 through to 113 show the preferences in employment patterns amongst the Western Balkan economies. In the region, personal contacts are common, with rates ranging from 44% in Kosovo\* to 75% in Albania – a share that has risen significantly since 2021. Advertising is still

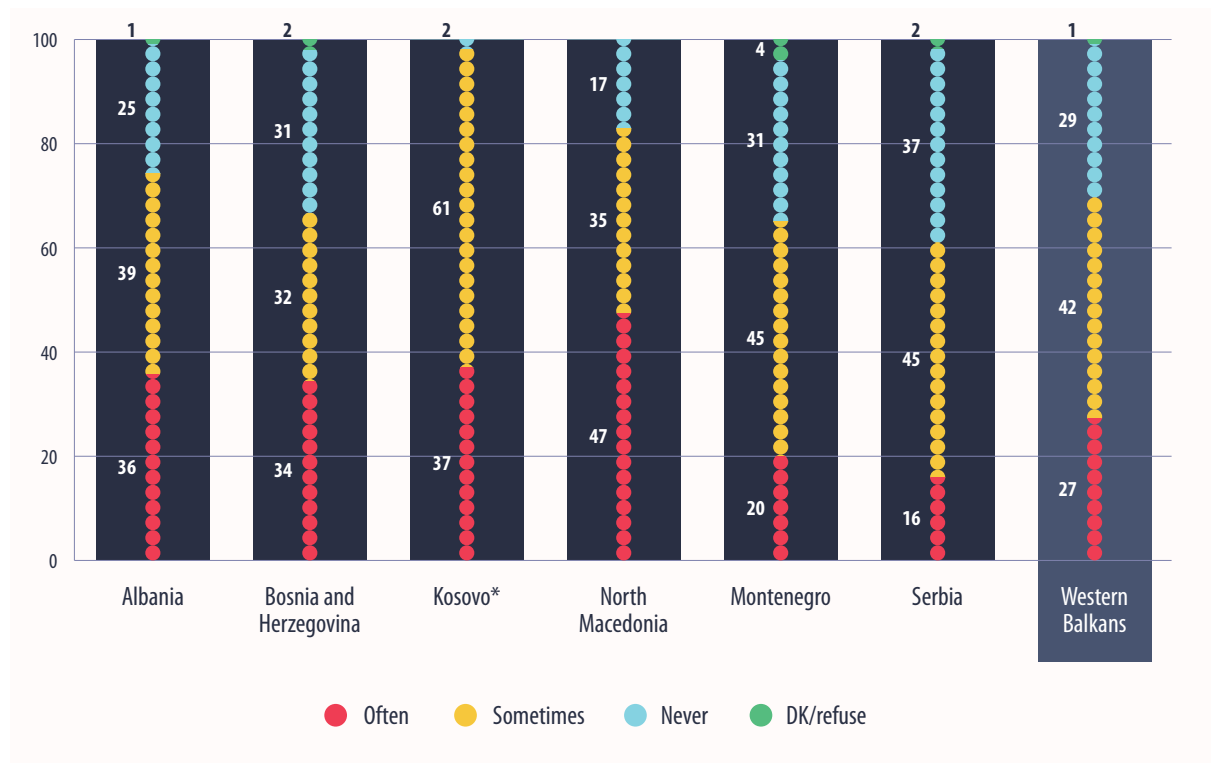


most commonly used in North Macedonia (47%), followed by Kosovo\* (37%), and Albania (36%). However, the percentage of respondents who use it occasionally remains high in all WB economies varying from 32% to 61% and slightly increasing from the last year. On the contrary, employment agencies are utilised infrequently at a rate of 28% in the WB, with 40% of respondents in North Macedonia never using them. On the other hand, respondents from Bosnia and Herzegovina seem to be keener on using employment agencies often (59%), representing a major difference from the rest of the economies. When considering the overall use of agency services (often and sometimes), Kosovo\* businesses are clearly more reliant on them with a total of 83% of respondents. There is significantly less direct contact with educational institutions; it ranges from 3% in North Macedonia to 32% in Kosovo\*. Similar attitudes exist amongst the WB businesses about private employment services (60% report never using these). Finally, “poaching” employees from the competitors remains relatively uncommon in the region, with the exception of Kosovo\*, where 15% of respondents use this technique often and 60% use it sometimes. In all other economies, the majority of respondents have never adopted this method.

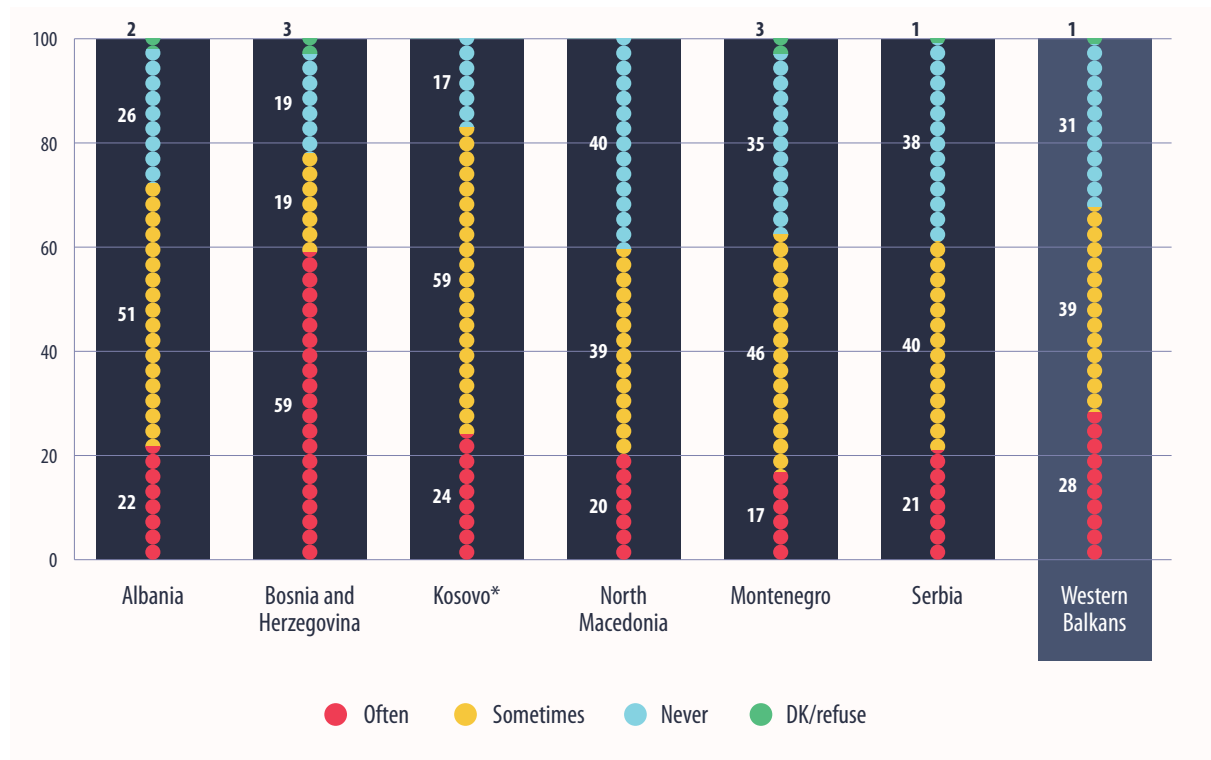
**Figure 97:** How often do you use the following when hiring new employees? (Personal contacts)  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)



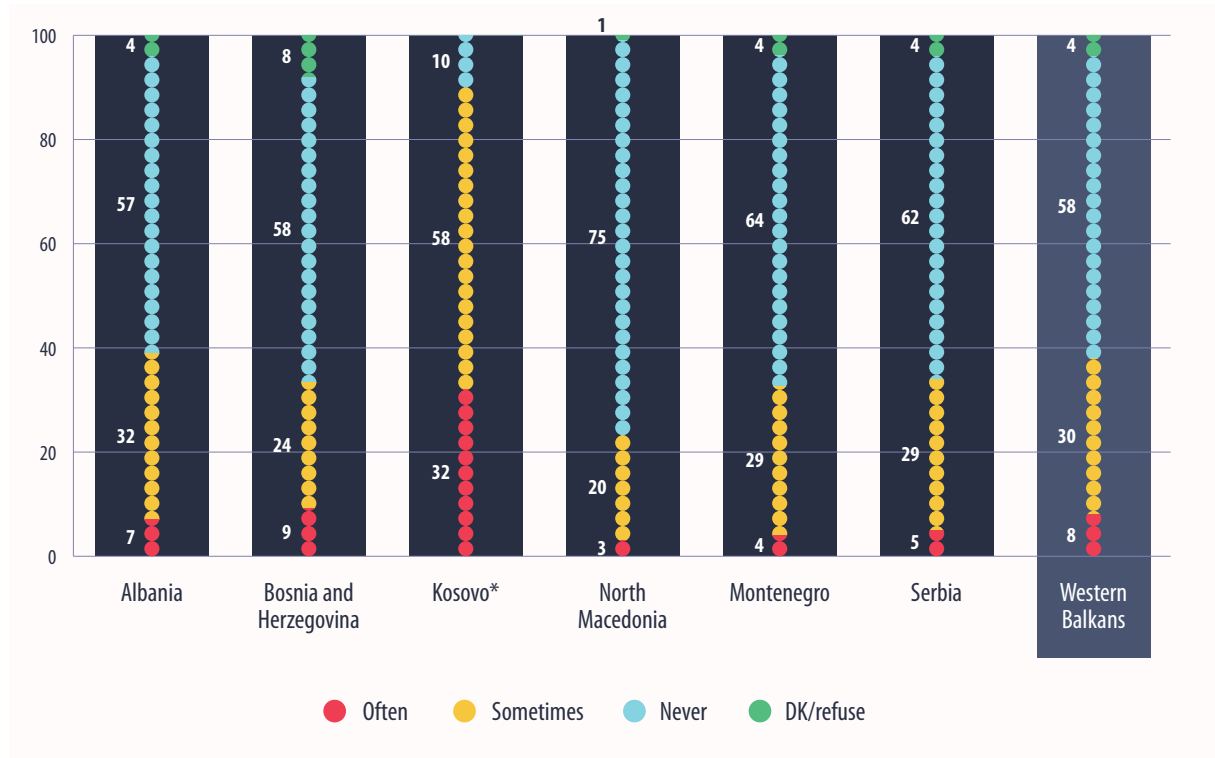
**Figure 98:** How often do you use the following when hiring new employees? (Placing advertisements in the papers and/or online)  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)



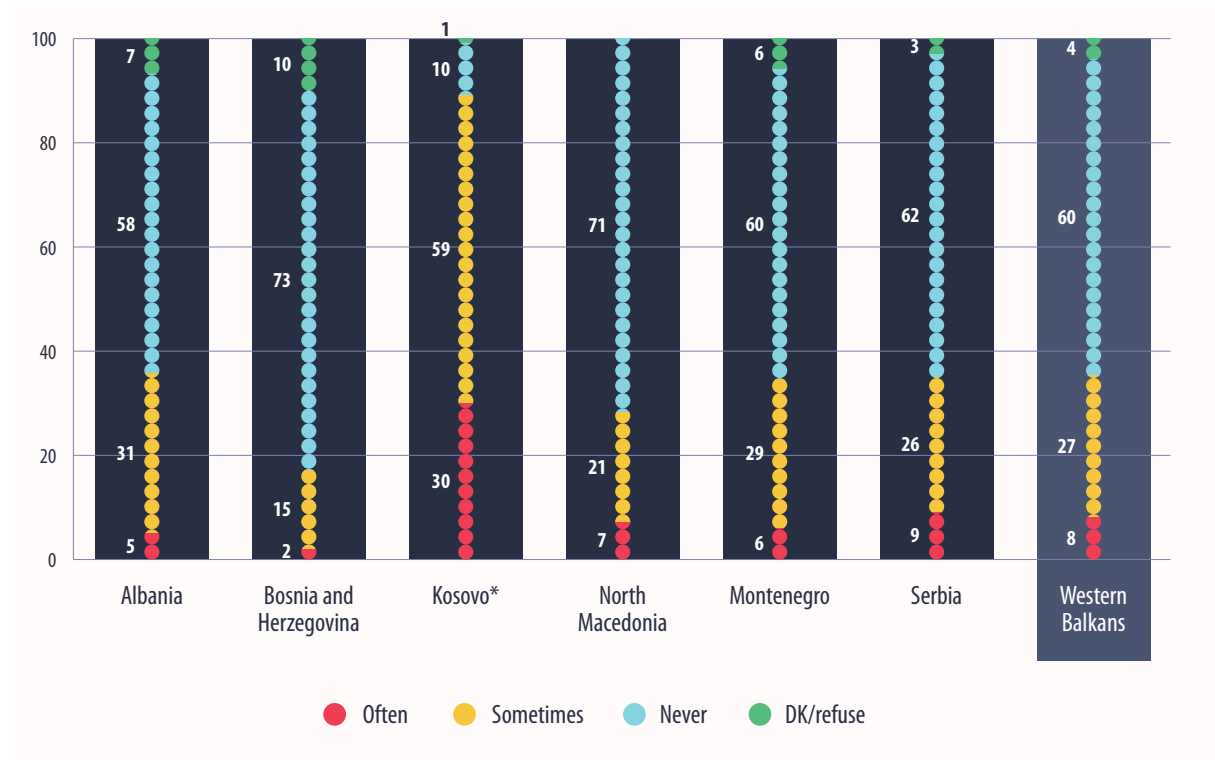
**Figure 99:** How often do you use the following when hiring new employees? (Intermediation of the official employment agency)  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)



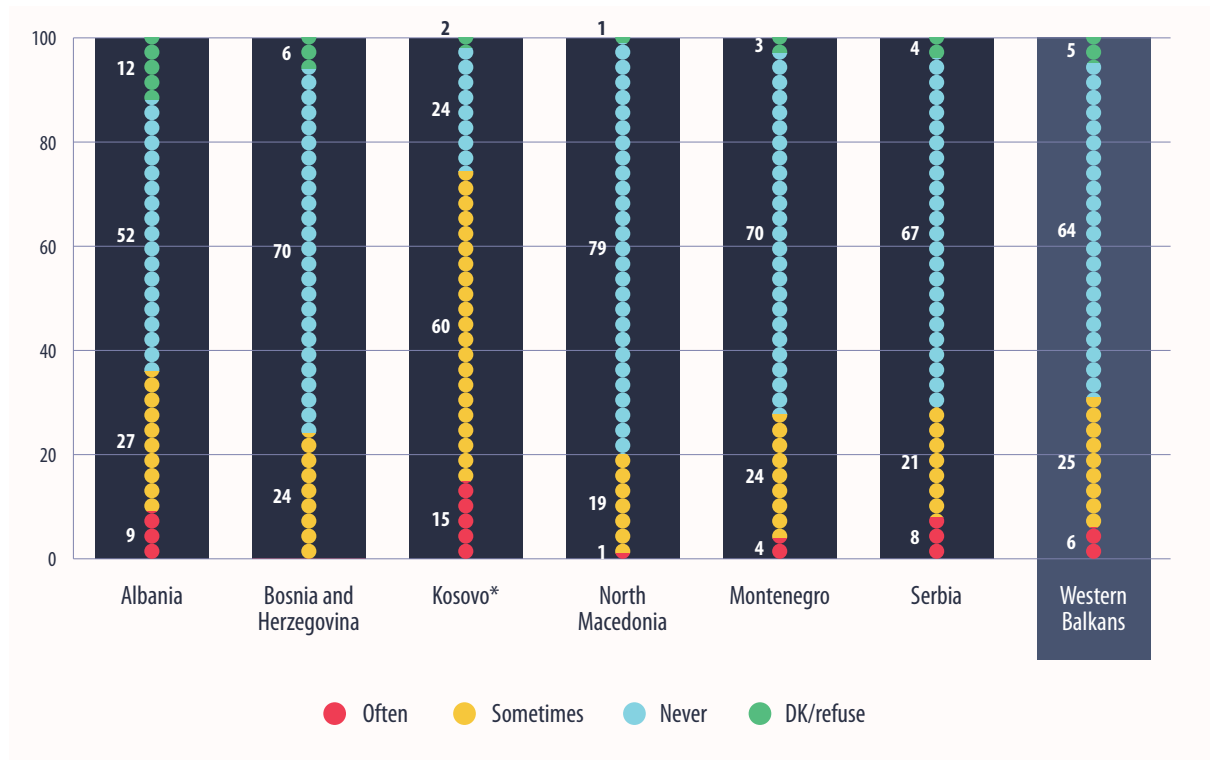
**Figure 100:** How often do you use the following when hiring new employees? (Cooperating directly with education institutions)  
 (All respondents - N=1211, scores on a single answer, scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)



**Figure 101:** How often do you use the following when hiring new employees? (Intermediation of private employment agencies and/or head hunters)  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

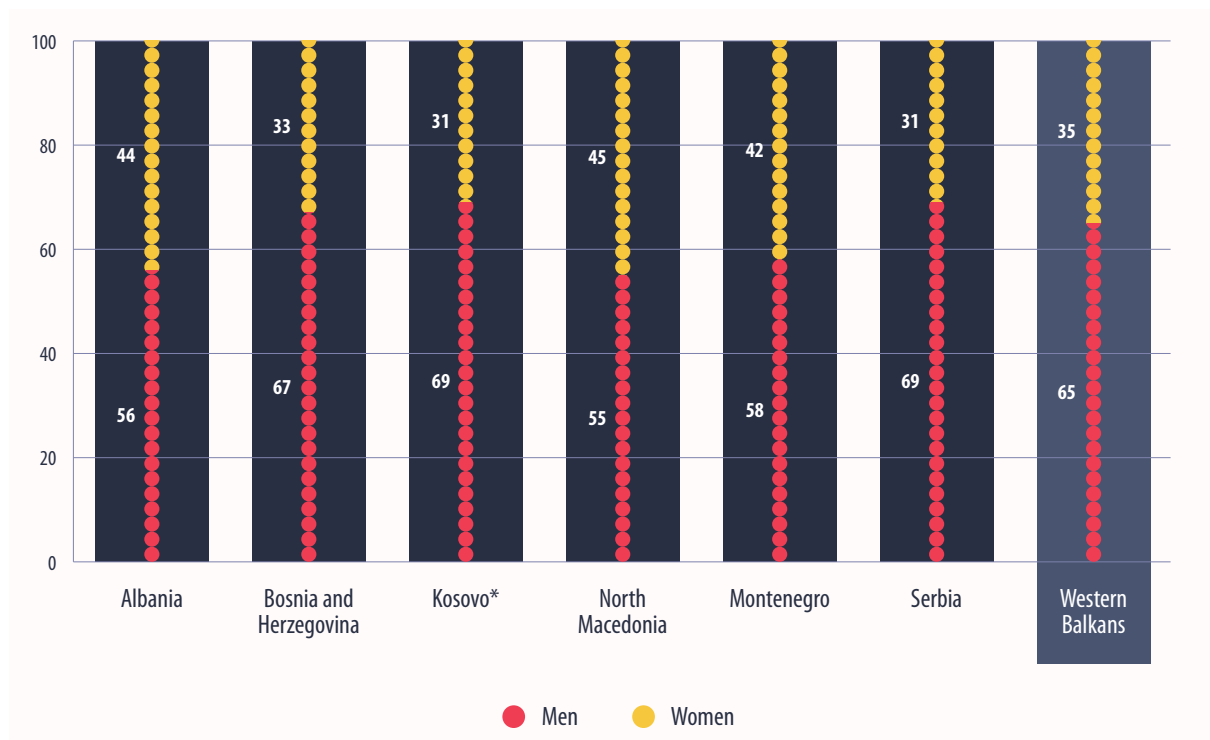


**Figure 102:** How often do you use the following when hiring new employees? (Poaching employees from the competitors)  
 (All respondents - N=1211, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)



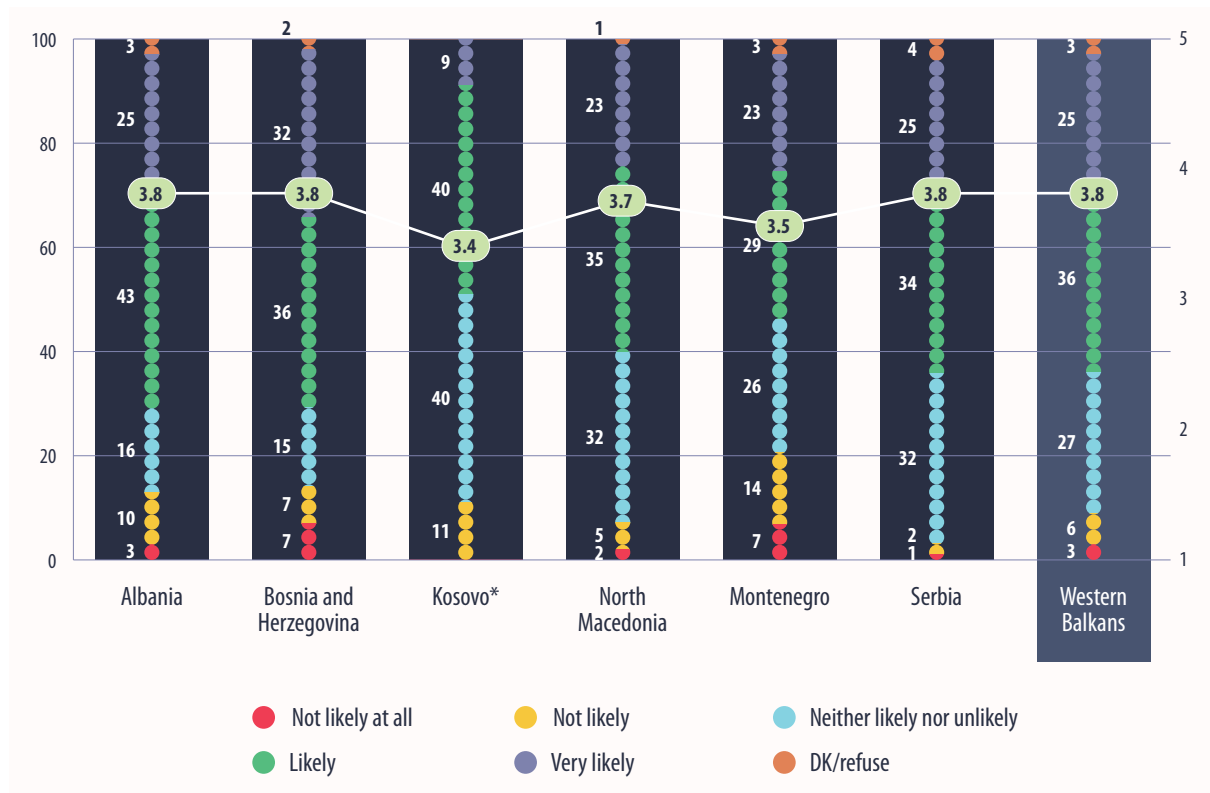
The gender distribution of employees supports the region’s visible gender disparities in employment (a pattern that appears to have been consistent since 2020), resulting in men (65%) having higher employment rates than women (35%). Figure 103 illustrates that Kosovo\* and Serbia top the ranking with males accounting for 69% of employment, with North Macedonia having the lowest gender discrepancy (45% women and 55% men).

**Figure 103:** Out of the total number of full-time workers your company currently employs, how many are men and how many women?  
 (All respondents - N=1211, mean %)



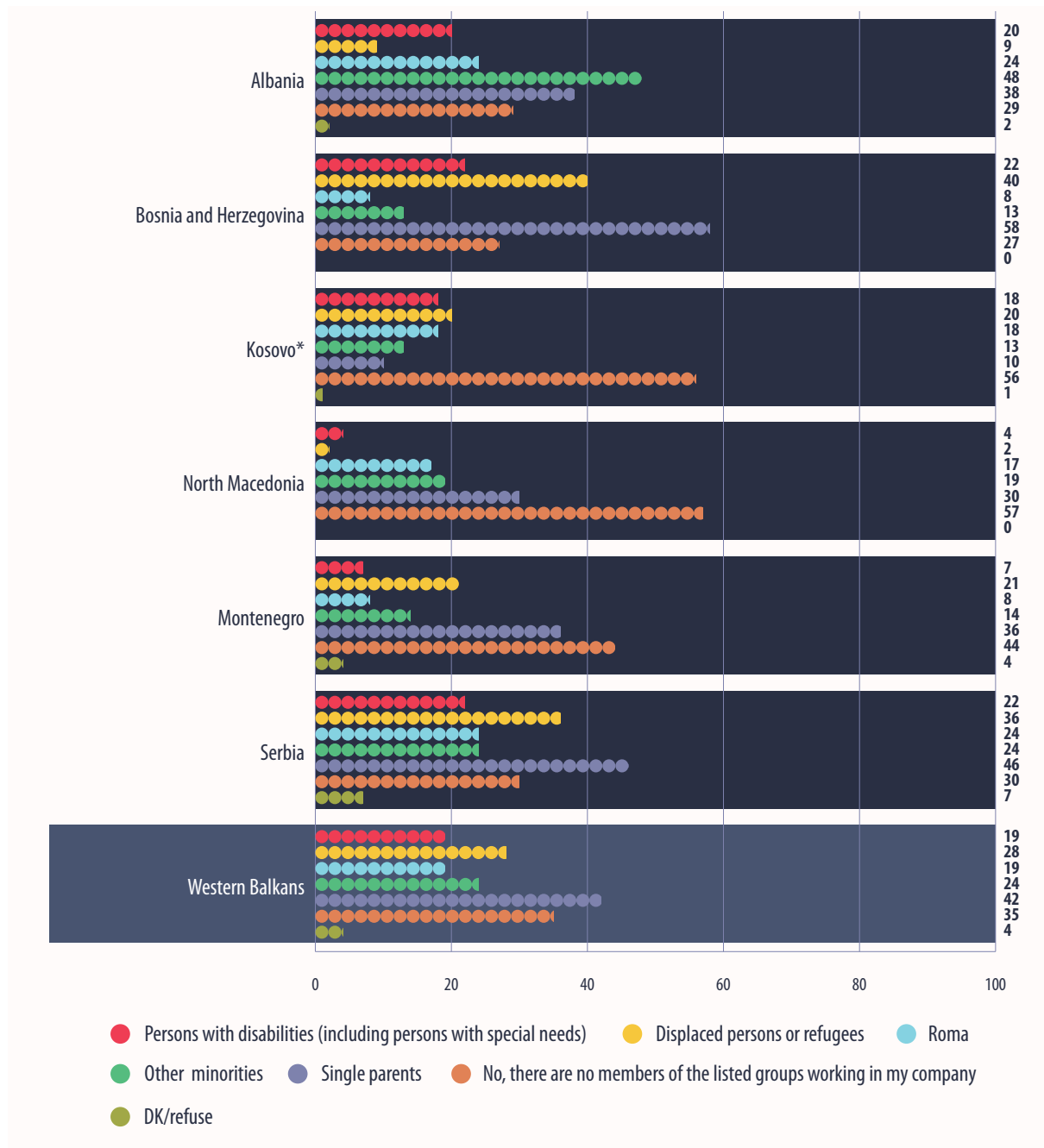
From the 2022 BB edition, sentiments towards Roma as employees are considerably improving in the region. This is a positive development, as 61% of respondents implied they would hire a Roma who has sufficient abilities, while 27% said they were neutral on the matter. Montenegro respondents have the highest share of reluctant opinion regarding Roma, with 21% of respondents saying it is unlikely or very unlikely that they would hire a Roma. Kosovo\* took the most neutral stance (40%), while Albania and Bosnia and Herzegovina were mostly in favour of hiring Roma, with 68% saying it was likely or very likely.

**Figure 104:** How likely would you hire a Roma person whose educational profile and experience completely meet the needs of your business?  
 (All respondents - N=1211, single answers, scores on a scale from 1 to 5 where 1 means very likely and 5 means not likely at all, share of total, %)



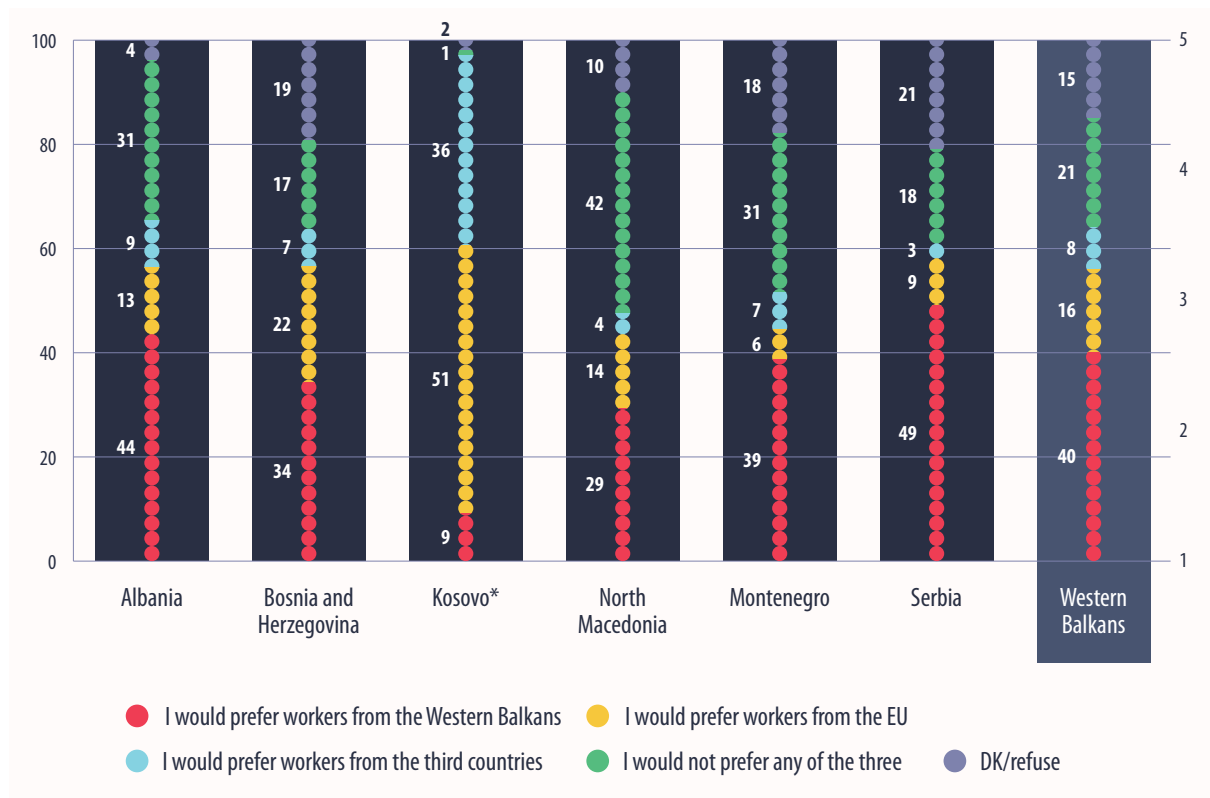
35% of respondents in WB businesses admitted they do not have members of the vulnerable groups working in their companies. The shares vary from 29% in Albania to 57% in North Macedonia. Respondents from Bosnia and Herzegovina seem to be more in favour of hiring single parents (58%), followed by displaced persons or refugees, while respondents from Albania are more likely to have hired other minorities as the favoured category (48%). Regarding engagement of persons with disabilities, figures are quite low at regional level, with only 19% of respondents claiming to have them in their team. Results for this group are slightly higher in Serbia and Bosnia and Herzegovina (22% each) when compared to the rest of the economies.

**Figure 105:** Do you have somebody from the below mentioned vulnerable groups working in your company?  
 (All respondents - N=1211, multiple answers, %)



In the WB, attitudes towards hiring workers outside of the region seem to be a bit discouraging. 40% prefer hiring workers from the region, while only 24% would prefer hiring from the EU or third economies. The case is different for Kosovo\* in particular, as the economy has a preference on hiring outside the region, in 87% of the cases. Respondents from the rest of the economies show less enthusiasm for hiring from outside the region, ranging from 12% in Serbia up to 29% in Bosnia and Herzegovina. Most locally oriented tend to be those surveyed from North Macedonia (42%), who do not prefer any of the three options.

**Figure 106:** If you had to hire workers from abroad, what would be your preference?  
 (All respondents - N=1211, single answers, share of total, %)



A wide range of viewpoints has been provided by businesspeople that confirmed they would hire workers from the WB economies (Figure 107). Considering there is no language barrier, respondents from Albania, for instance, are extensively in favour of hiring workers from Kosovo\* (94%) and North Macedonia (89%). The majority of respondents from Kosovo\* (78%), as well as respondents from Bosnia and Herzegovina (67%), said they would prefer workers from Albania. These shares seem to have significantly decreased from the past year. Respondents from Serbia prefer workers from Bosnia and Herzegovina (88%) and Montenegro (73%), reflecting the language advantage once again, and this tendency is reflected in Montenegro too. Respondents from North Macedonia prefer workers from Serbia (58%) and from Albania (41%). In comparison to other WB economies, companies from Bosnia and Herzegovina have a more balanced preference towards workers for the second consecutive year.

**Figure 107:** You said that you would employ workers from the Western Balkans region in your company. From which economy/economies exactly would you hire?

(Respondents who would prefer workers from the Western Balkans region - N=408, multiple answers, %)

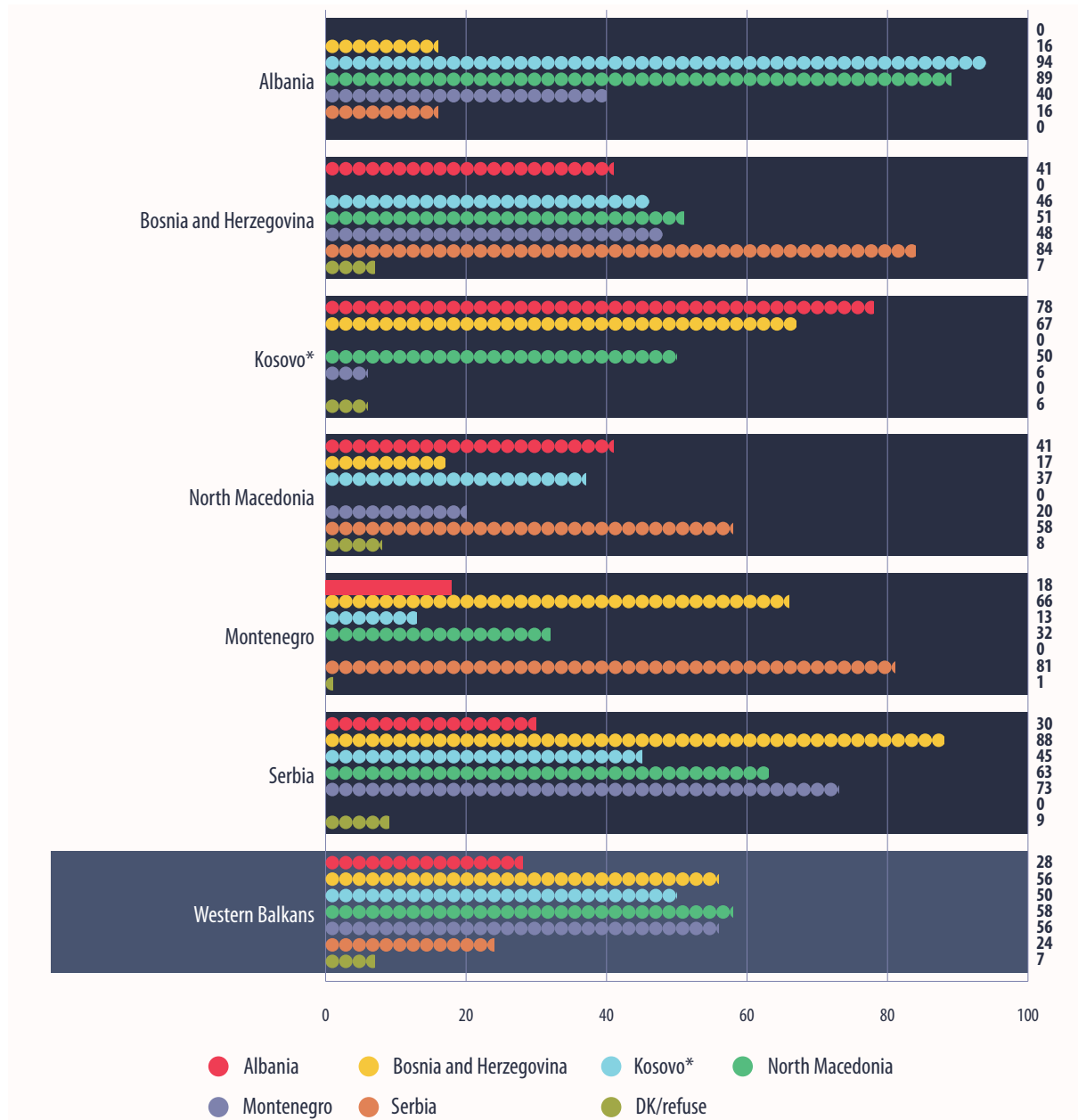


Figure 108 shows that respondents tend to agree with the given statements, except for introducing a paid internship or apprenticeship programme to young people in their company. The opinion is divided with 45% of respondents who agree and 43% who do not comply with the proposal of this statement. The largest share of businesses that are likely to hire a young person without any work experience whose educational profile completely meets the needs of their business is in North Macedonia, at 88%. Regarding the education system and how much skills taught match the company needs, the majority at regional level tend to agree (46%) or fully agree (22%). This trust in education system is relatively higher in Albania (74%, overall) and Serbia (73%). Highest scepticism regarding the potential match between their company needs and the education system in their economy can be found in Kosovo\* (42%), followed by Bosnia and Herzegovina (41%).



**Figure 108:** Would you agree with the following statements?

A) *The skills taught in the educational system meet the needs of your company;* B) *I am likely to hire a young person without any work experience whose educational profile completely meets the needs of my business;* C) *I plan to introduce a paid internship or apprenticeship programme to young people in my company*

(All respondents - N=1211, single answer, scores on a scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)

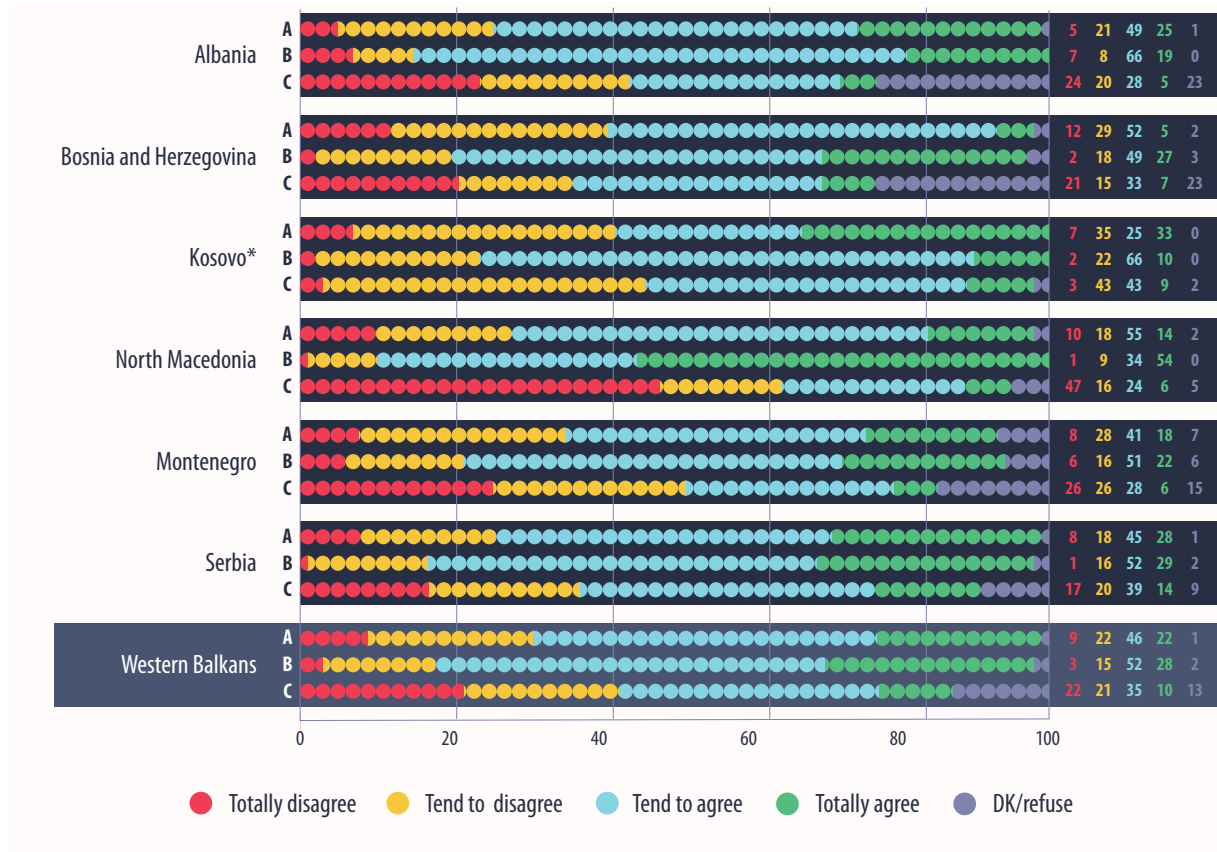
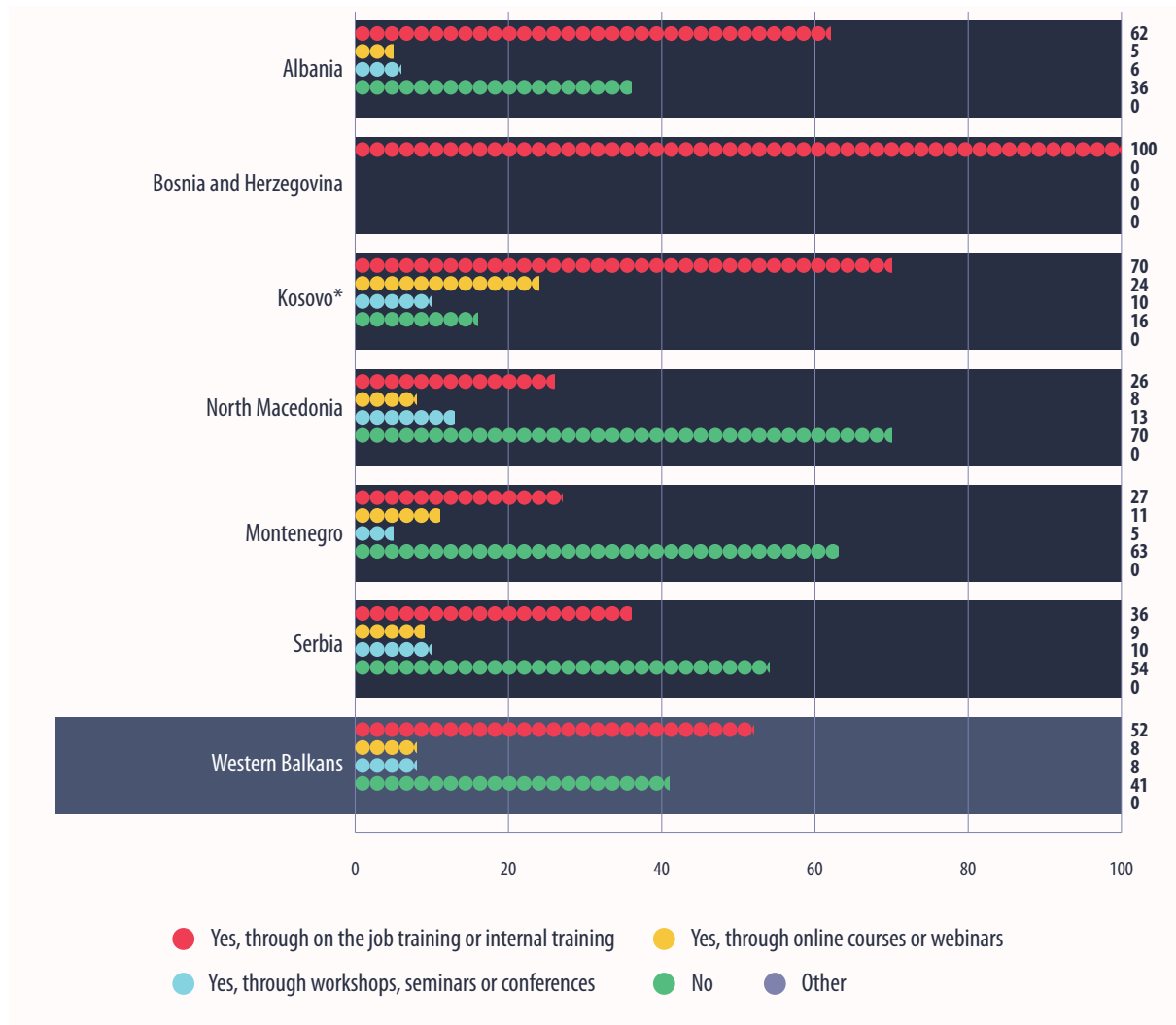


Figure 109 shows that there are significant variations in between economies of the region when it comes to employers’ measures to improve digital skills of their employees. The most common method is through job training or internal training programmes. About 52% of the people surveyed participated in such activities, which is a slight increase compared to last year. However, the percentage varies between the economies. Respondents from Montenegro present the lowest share of responses regarding implementation of training activities, at 27%. In other WB economies, attitudes toward investing in digital skills were less favourable; 70% of respondents from North Macedonia, 63% from Montenegro and 54% from Serbia admitted not to have taken any course to improve their digital skill.

**Figure 109:** Do you take concrete measures to improve digital skills of your employees?  
 (All respondents- N=1211, multiple answers, %)



Regarding participation in programmes related to employment, the experience amongst the companies in the region tends to be similar. 73% admit not having participated in any of these programmes; while the largest share of respondents who did participate in incentives that foster employment is at only 27% in Bosnia and Herzegovina. On the other hand, only 7% of companies from Albania have used these incentives, representing the lowest share in the region. Businesses from Albania have been the least active in the region in using training and upskilling activities offered (only 4%). When it comes to matching services provided by the employment agencies, Kosovo\* and Montenegro are the least active in this regard, with only 2% and 3% of businesses that have used it, respectively.

**Figure 110:** Has your company participated in any of the following programmes related to employment?  
 (All respondents- N=1211, multiple answers, %)

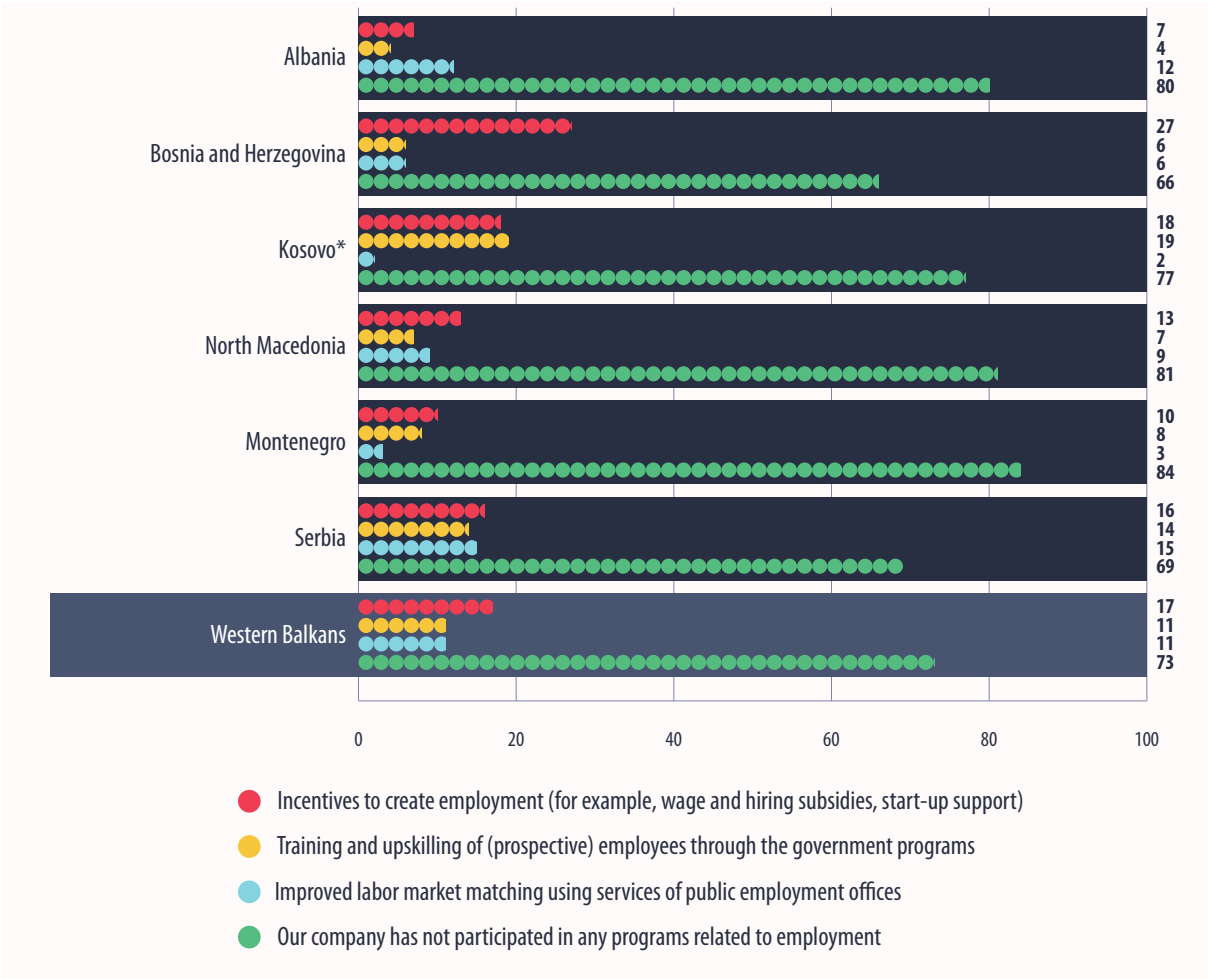
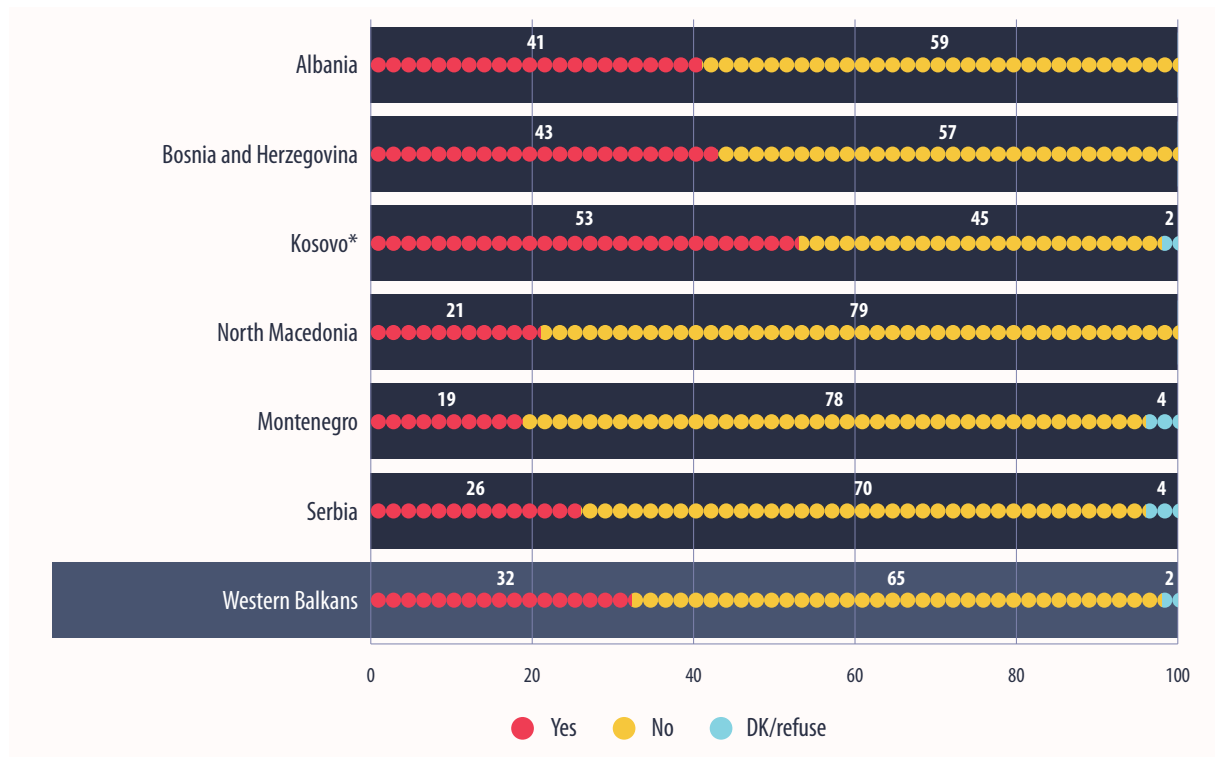


Figure 111 shows that businesspeople in WB economies have disregarded employee training in 65% of cases (the percentage is essentially constant to 2021). For the second year in a row, Kosovo\* respondents maintain the leading position in the area for being the most likely to invest in non-formal education (53% reported organising some kind of training), while respondents from Montenegro were the least likely.

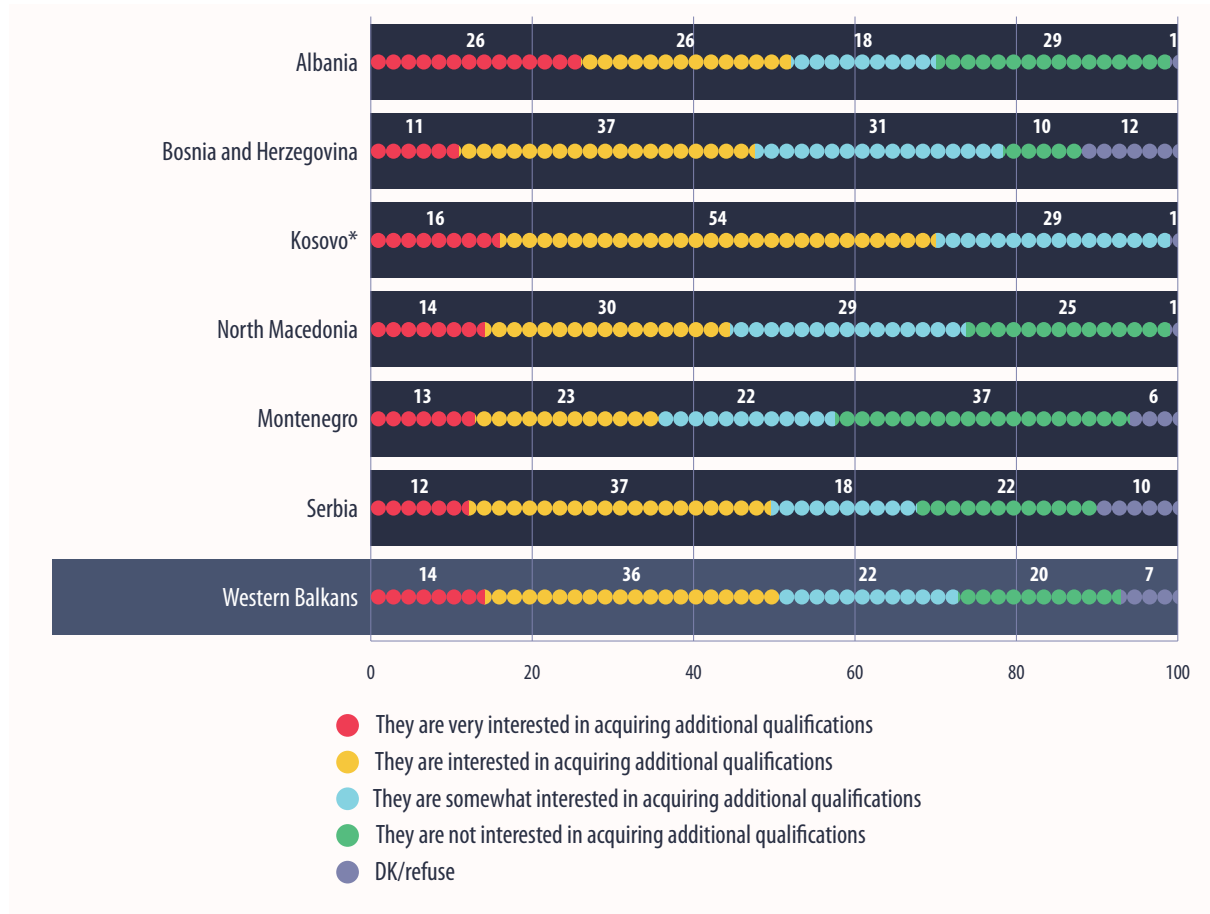
**Figure 111:** Over the past 12 months, has your business funded or arranged any training and development for staff in the organisation, including any informal on-the-job training except training required by the law?  
 (All respondents - N=1211, single answer, share of total, %)



According to business representatives, there is a general positive attitude amongst employees when it comes to their interest and willingness to obtain additional qualifications (Figure 112). About 70% of companies in Kosovo\* stated their staff were interested or very interested in obtaining extra qualifications, the highest percentage of any WB economy. Employees in Montenegro, on the other hand, are the least motivated to acquire extra credentials, with 22% neutral and 37% not interested in acquiring additional qualifications at all; values seem to have reversed in this case from 2022. The picture displayed by the business responses in this regard seems to contrast attitudes of citizens collected in the Public Opinion survey, with 80% not taking any steps to upgrade their skills. The perspective and perception of employers seem to provide a more proactive approach amongst their employees.

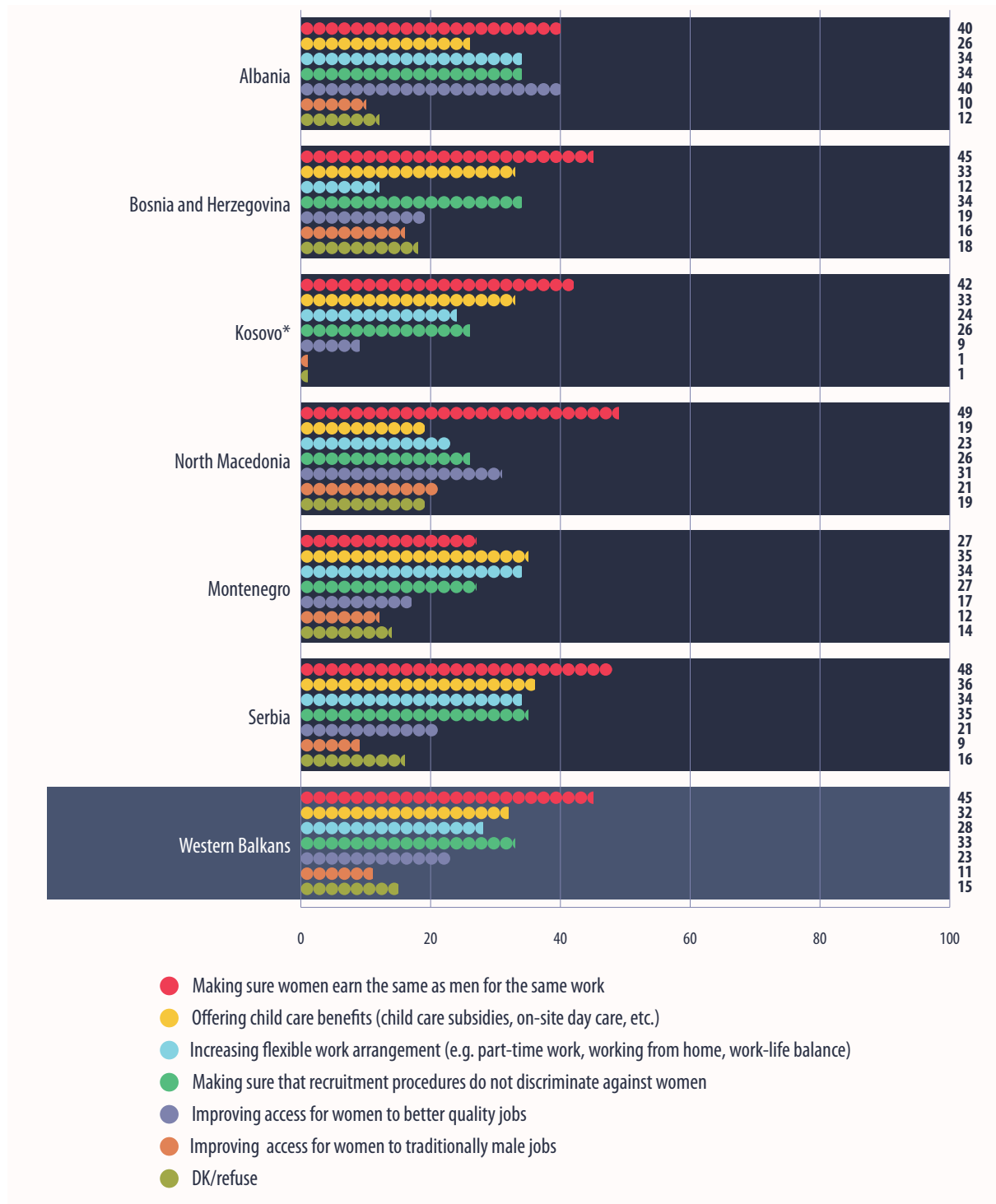
**Figure 112:** How would you assess the readiness of employees in your company to acquire additional qualifications in order to advance and get promoted?

(All respondents - N=1211, single answer, share of total, %)



Making sure women earn the same as men for the same work is the most effective approach to increase the number of women working in the WB according to 45% of respondents (Figure 113). Offering childcare benefits (32%) and making sure that recruitment procedures do not discriminate against women (33%) are the following measures with the highest score. In Albania and North Macedonia in particular (40% and 31% respectively) another prominent measure is the improvement of access to better quality jobs for women.

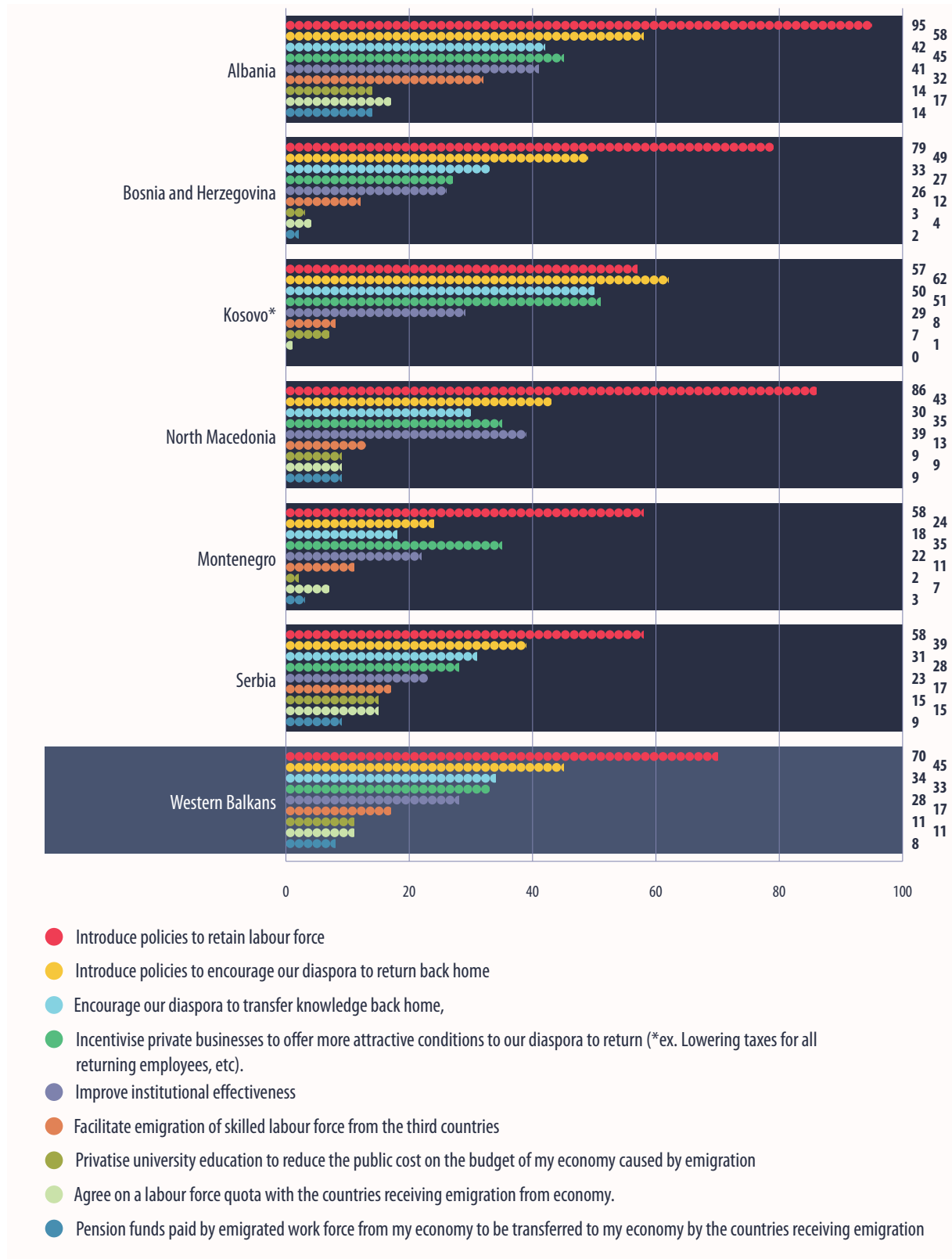
**Figure 113:** Which of the following measures are you ready to finance to increase the number of women, even if it creates additional costs to your business?  
 (All respondents - N=1211, multiple answers, %)



According to the findings illustrated in Figure 1 respondents agree that in order to address the issue of labour shortages and brain drain, governments should implement initiatives aimed at retaining workers in WB economies. This response was given by 70% of respondents, ranging from 57% in Kosovo\* to 95% in Albania (this factor has shown an enormous increase from 2020 when the share was only 37%). Though a widespread concern in the region, this has become an even more sensitive

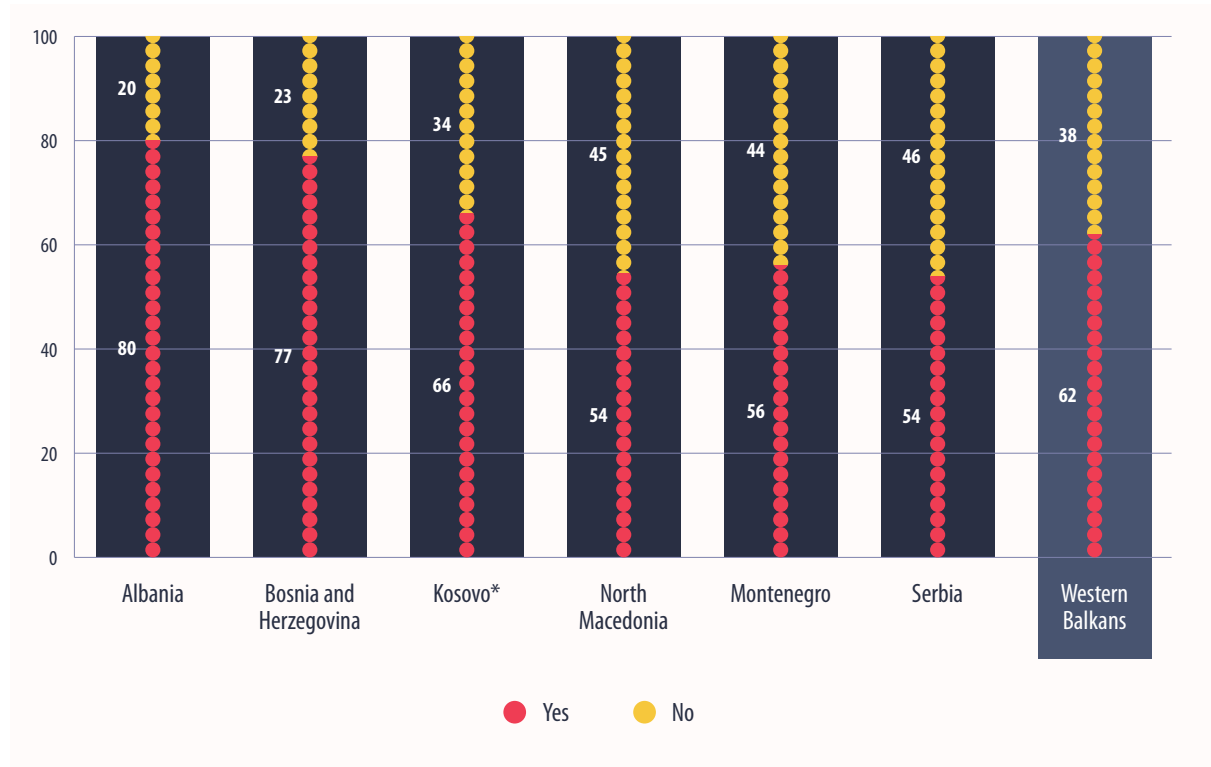
challenge in Albania in the recent years. The second-placed policy option was to encourage diaspora to return home, which was especially prominent in Kosovo\* with 62% (significant decrease from 83% in 2022). Policy solutions that received some attention amongst the respondents included incentives for enterprises to offer attractive conditions for diaspora return (33%).

**Figure 114:** To curb the problem of labour force shortages and brain drain, our Government should?  
 (All respondents - N=1211, multiple answers, %)



In the region, 62% of businesspeople are now aware of the RCC, marking a substantial increase from 53% in 2020. Respondents from Albania have the highest level of awareness in this regard, with 80% of businesspeople knowing about the RCC, while the least familiar are respondents from North Macedonia and Serbia, with only 54% (Figure 115).

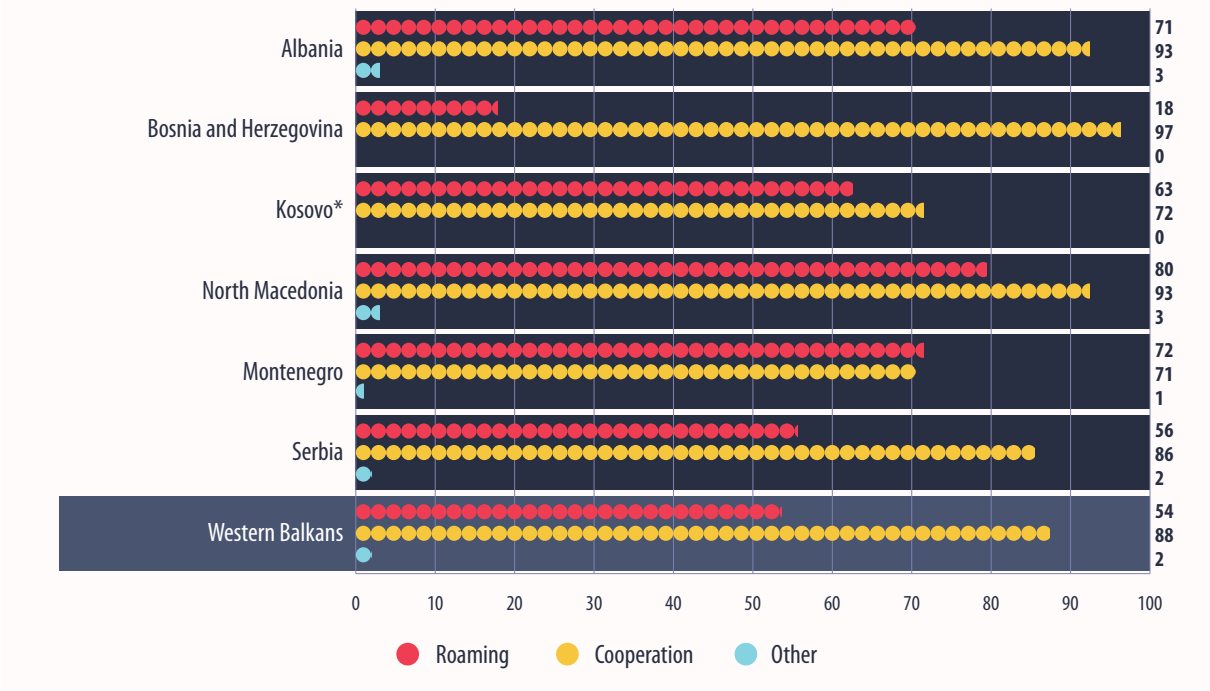
**Figure 115:** Have you heard of the Regional Cooperation Council (RCC)?  
 (All respondents - N=1211, single answer, share of total, %)



When asked about the context in which they heard about RCC, 88% claims that cooperation is the main reason. The case is more prevalent in Bosnia and Herzegovina (97%) and the least in Montenegro (71%) (Figure 116) while the context of roaming varies throughout the region from only 18% in Bosnia and Herzegovina to 80% in North Macedonia.

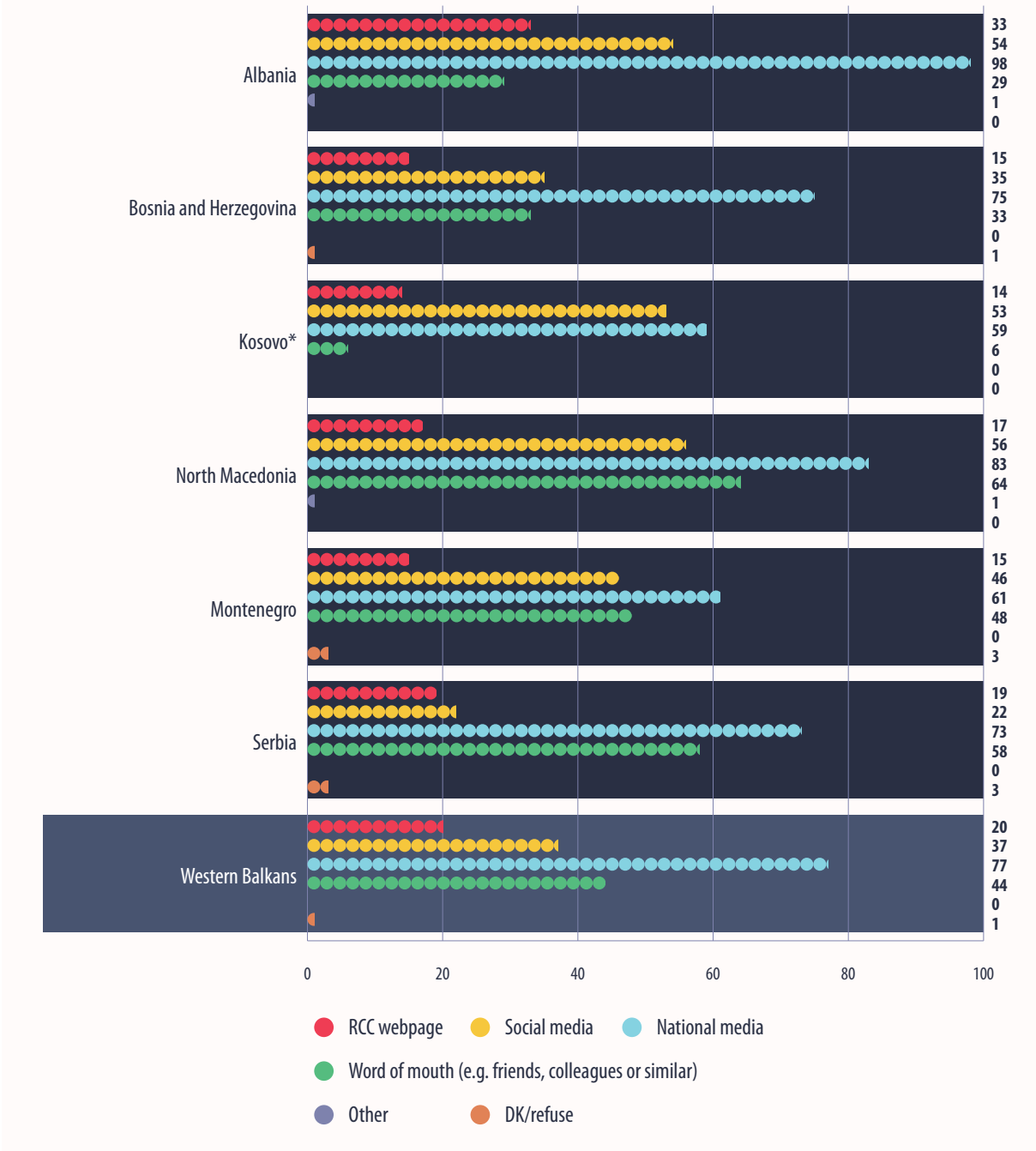


**Figure 116:** In what context have you heard of the Regional Cooperation Council (RCC)?  
 (All respondents - N=780, multiple answers, %)



Most respondents (77%) acknowledge having heard about RCC from domestic media, with Kosovo\* having the lowest percentage at 59% and Albania having the highest at 98%. Word of mouth seems to be the second-most common form of information about encountering the RCC in North Macedonia (64%), Montenegro (48%) and Serbia (58%).

**Figure 117:** How did you hear about the Regional Cooperation Council (RCC)?  
 (All respondents - N=780, multiple answers, %)



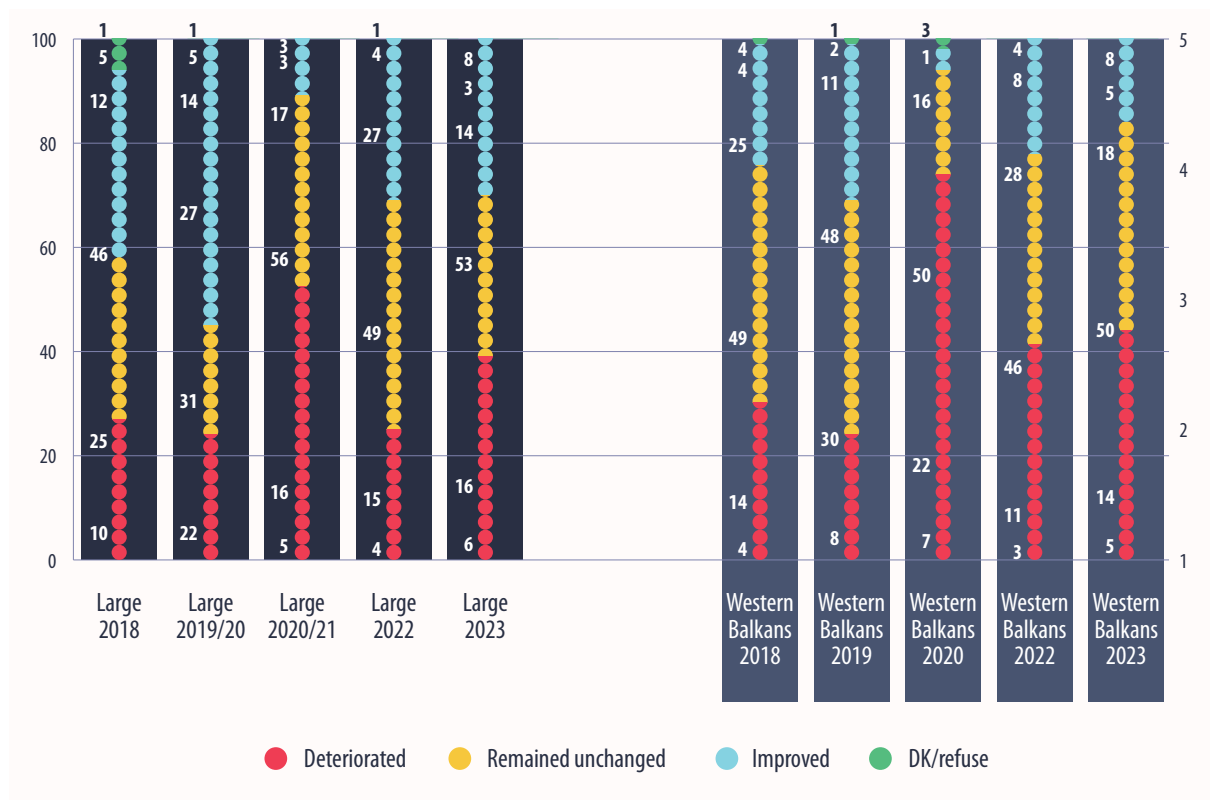
# APPENDIX

## FOCUS ON LARGE COMPANIES

According to the shares during the past six years, 39% of large enterprises said that the economy had deteriorated (Figure 118), a share lower than the whole sample of companies in the WB (44%). Their perception seems to have had fluctuations over the years, reaching the maximum during the Covid-19 pandemic at 53%. This year's increase of 14% might have been affected by the Russia's war in Ukraine.

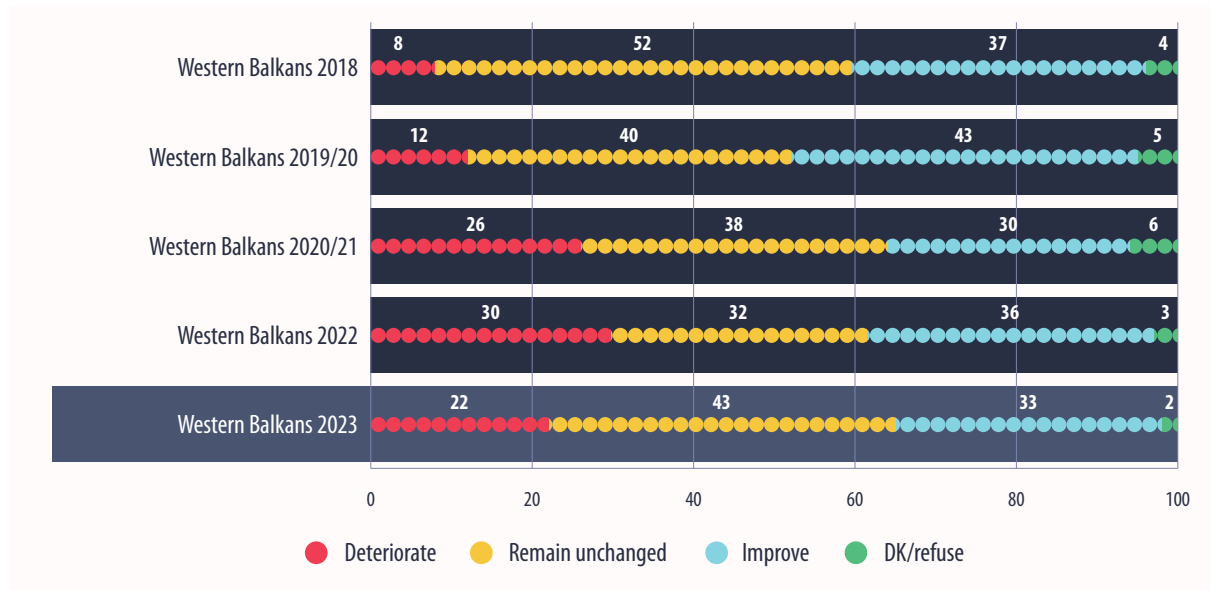
**Figure 118:** How has the general economic situation in your economy changed over the past 12 months? Has it improved, remained unchanged or deteriorated?

(All respondents - N=1211, single answer, share of total, %)



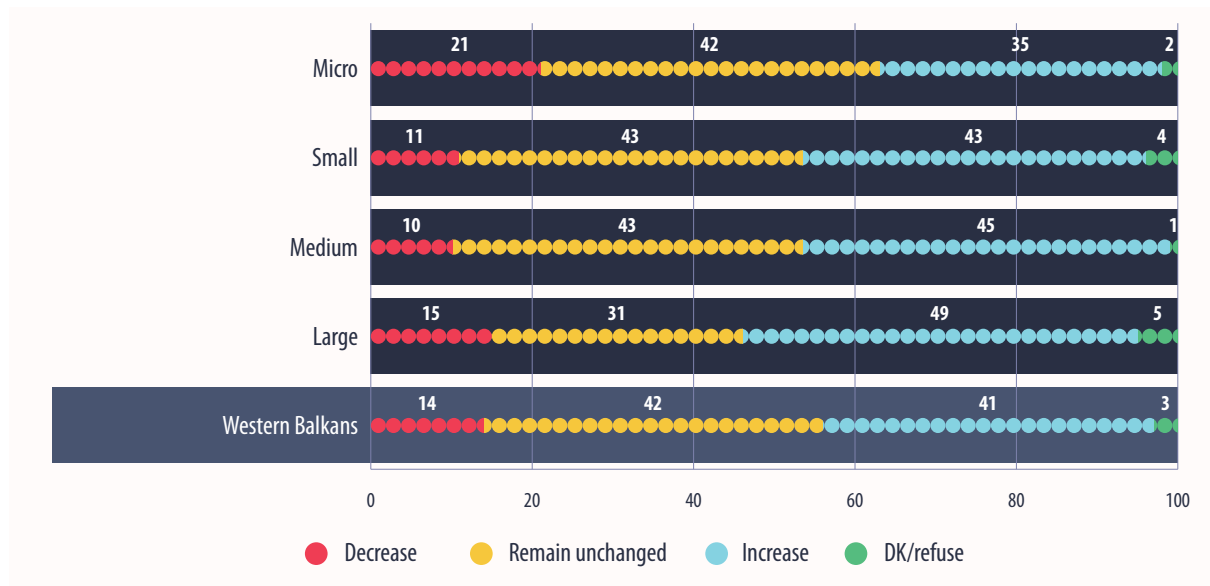
However, companies tend to be more optimistic or neutral when asked about the economic situation in the upcoming months, with 33% of respondents believing it will improve and 43% believing it will remain unchanged. This trend is evident in Figure 119. The pandemic, followed by the war made the large companies rather pessimistic.

**Figure 119:** How do you expect the general economic situation in your economy to develop over the next 12 months? Will it improve, remain unchanged or deteriorate?  
(All respondents - N=1211, single answer share of total, %)



Regardless to the size of the company, the trend seems to be the same and constant when it comes to their expectations for the demand of their products/services in the next year. 14% are pessimistic of the issue and 41% expect the demand to increase. However, majority of them believe the situation will remain unchanged.

**Figure 120:** How do you expect the demand for your company's products/services to change over the next 12 months? Will it increase, remain unchanged or decrease?  
(All respondents - N=1211, single answer, share of total, %)



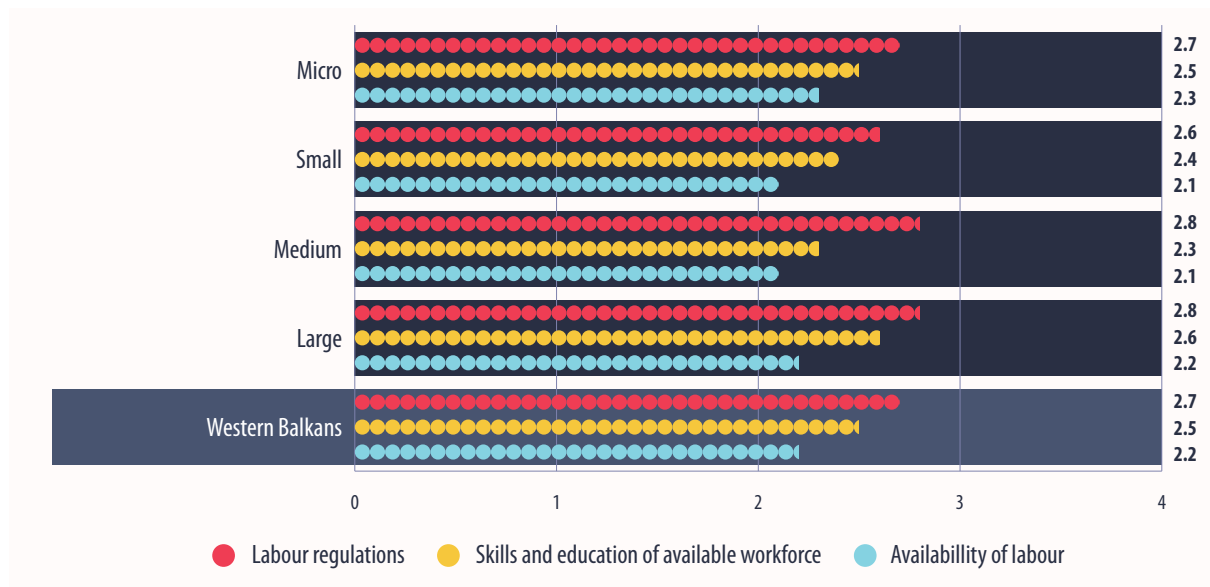
According to Figure 121, small and medium enterprises (30% and 29% respectively) believe the business situation in the past months to have improved, while the majority of companies in the the region confirm it has remained unchanged. Micro businesses on the other hand are the least optimistic at 29%.

**Figure 121:** How has your business situation developed over the past 12 months? Has it improved, remained unchanged or deteriorated? (All respondents - N=1211, share of total, %)



Regardless of the size of the company, the trend seems to be the same and constant when it comes to the factors that affect business growth. As expected, the major obstacle is the availability of labour at a score of 2.2, followed by the skills and education of the available workforce at 2.5.

**Figure 122:** Can you tell me how the following different factors affect the growth of your business? Can you please rate each? (All respondents - N=1211, scores on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)



Exports by large businesses are more likely to go to the EU (27%) and the WB (22%), according to Figure 123. Only 5% of microbusinesses reported exporting to the region, the EU, or other economies, compared to 52% of large businesses. It is obvious that the company's size and export orientation are related. Although it has slightly decreased from 2022 (52%), the percentage of large enterprises that sell primarily domestically (48%) is still significant.

**Figure 123:** What percentage of your company's sales are made domestically, exported to the Western Balkans region, the EU or to the third countries?  
(All respondents - N=1211, share of total, %)

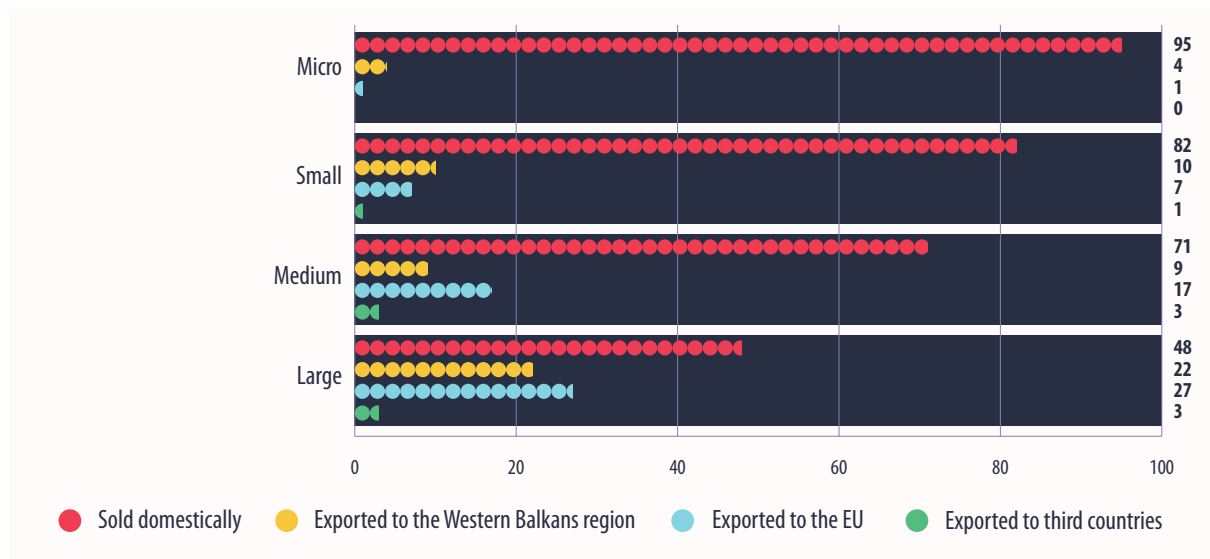
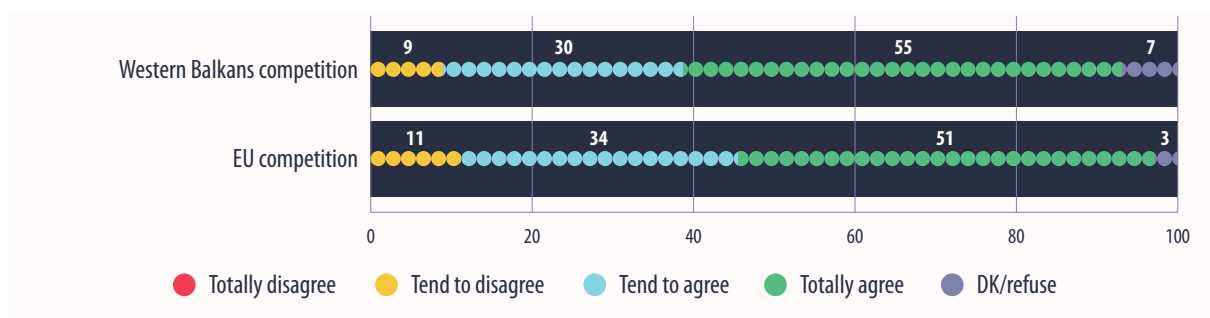
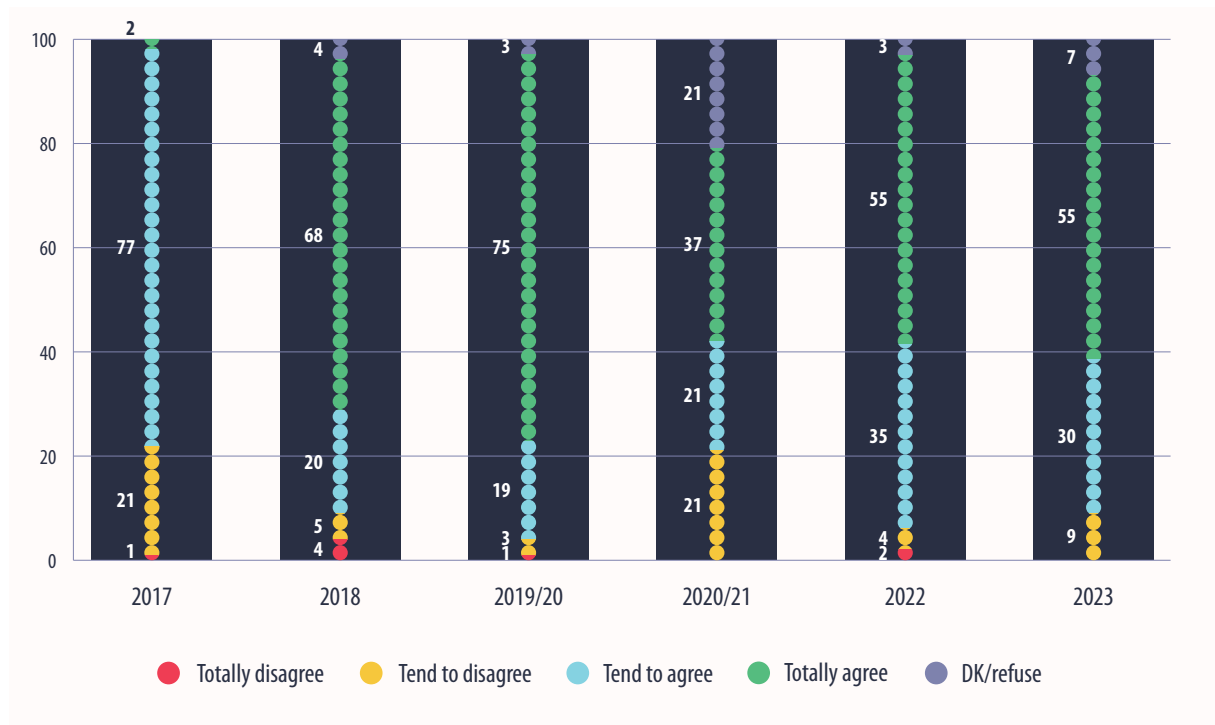


Figure 124 demonstrates that 55% of large companies fully agree that their goods and services can compete successfully in the market of the WB, whereas only 51% fully agree that they can compete in the market of the EU. The conclusions of this observation were shared by the full sample of respondents. A few changes have been registered regarding the perception of businesses about their own competitiveness in regional and European markets (Figure 125 and Figure 126, respectively). For example, in 2017, only 2% of respondents said they were competitive in the regional market, compared to 55% in the current year. During the Covid-19 pandemic in 2019/2020, 47% claimed their products, goods and services could compete well in the EU markets; this share has slightly increased in the past two years, with 51% of them in 2023.

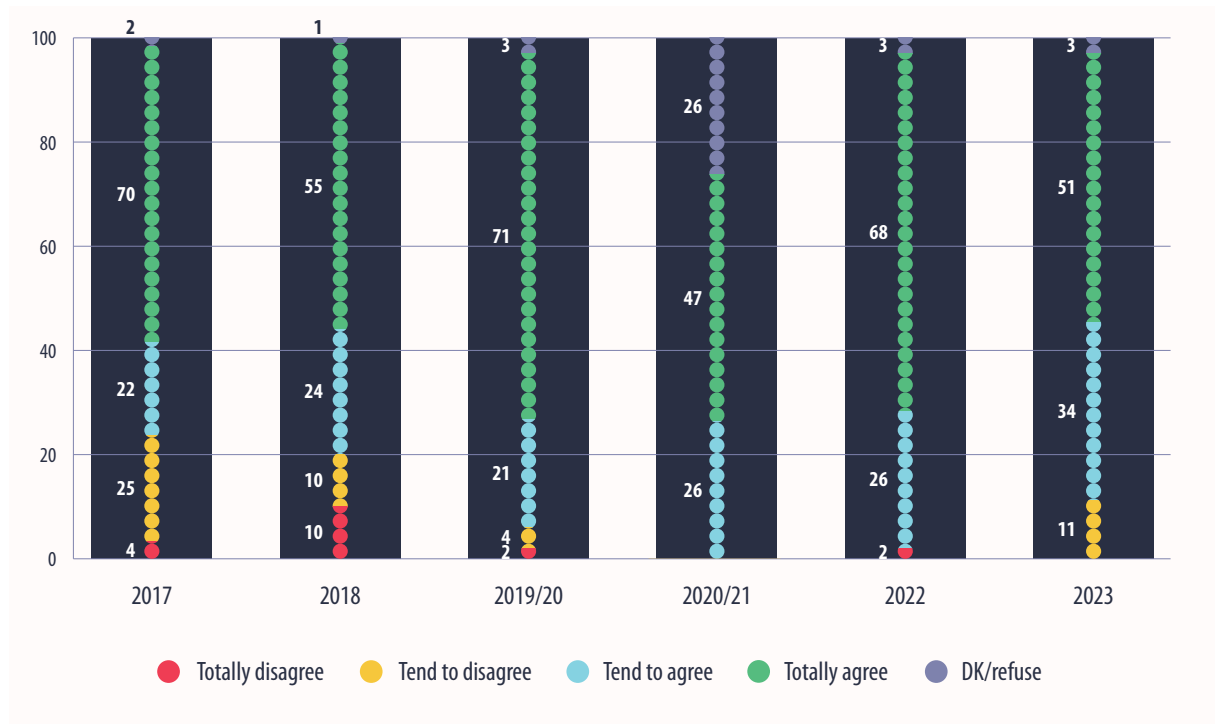
**Figure 124:** To what extent do you agree with the following statement: My company's products, goods and services can compete well with products, goods and services from: The Western Balkans? EU Member States?  
(Large companies - N=34, share of total, %)



**Figure 125:** To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods and services from the Western Balkans?  
(Large companies - N=34, share of total, %)



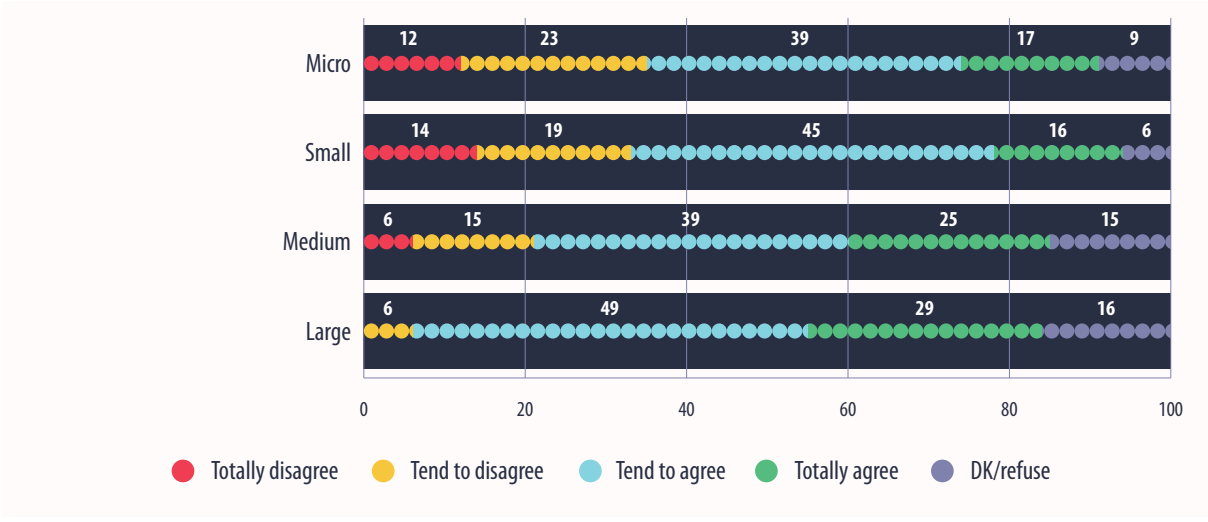
**Figure 126:** To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods and services from EU Member States?  
(Large companies - N=34, share of total, %)



Large companies seem to be more optimistic regarding the beneficial effect of CEFTA 2006; 78% of respondents tend to agree or totally agree. This may be due to the fact that it is mostly the large

companies that are involved in import and export from abroad. As expected, only 56% of micro companies agree with this statement.

**Figure 127:** To what extent do you agree with the following statements: My company has benefited from the regional free trade agreement (CEFTA 2006)?  
 (Respondents who confirm exporting and importing from abroad - N=837, single answer, scores on scale from 1 to 4, where 1 means totally agree and 4 means totally disagree, share of total, %)



Companies use the internet for a variety of reasons (Figure 128). The most prominent reasons for the companies to use internet, be them micro, small, medium or large enterprise are in relation to the internal and external communication (74% to 81%), executing banking or financial transactions (50% to 70%) and presenting the company through their website (34% to 62%).

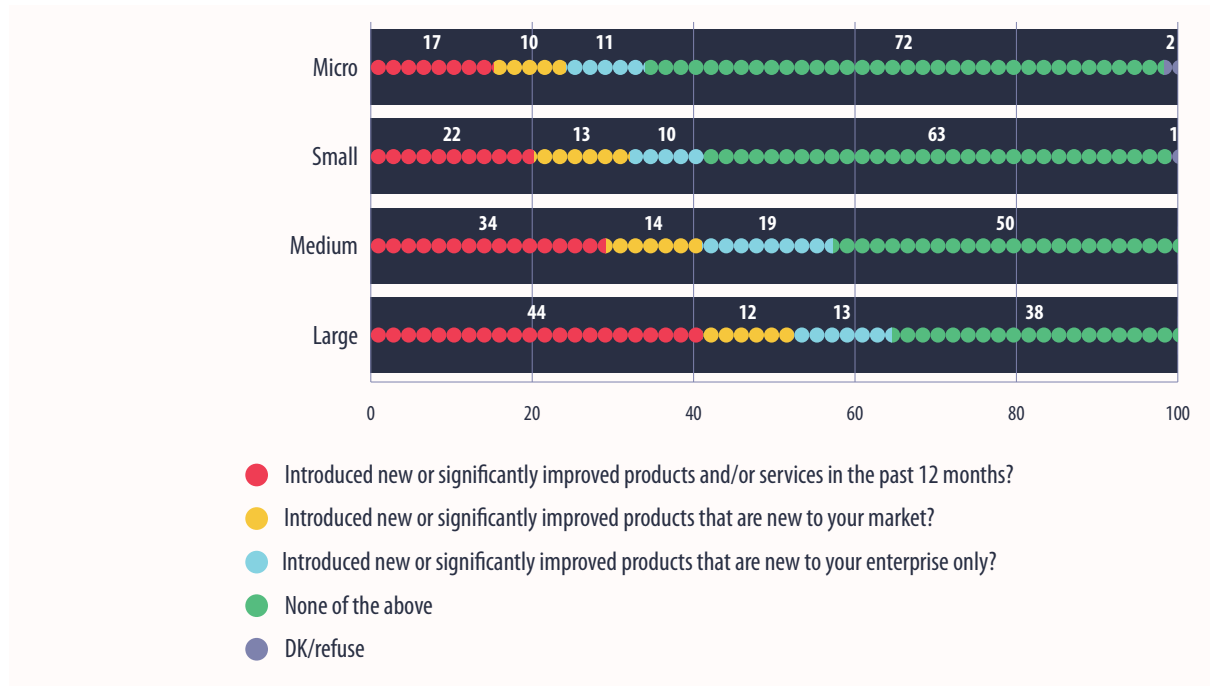


**Figure 128:** Does your company use the Internet for...?  
 (All respondents - N=1211, multiple answers, %)



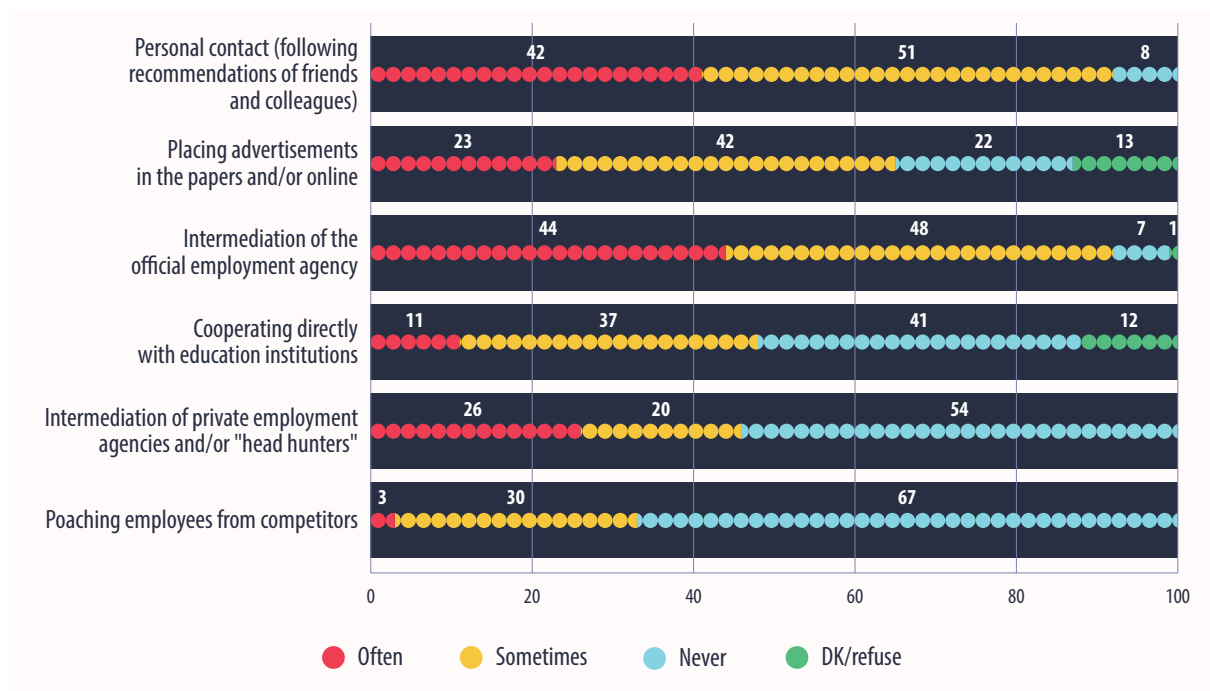
As Figure 129 shows, the largest share of micro, small and medium enterprises that have not introduced improved products and/or services varies from 50% to 72%. Meanwhile, this share is relatively lower for large enterprises, which admit having introduced improved products and/or services in the past 12 months.

**Figure 129:** Have you:  
(All respondents – N=1211, single answer, share of total, %)



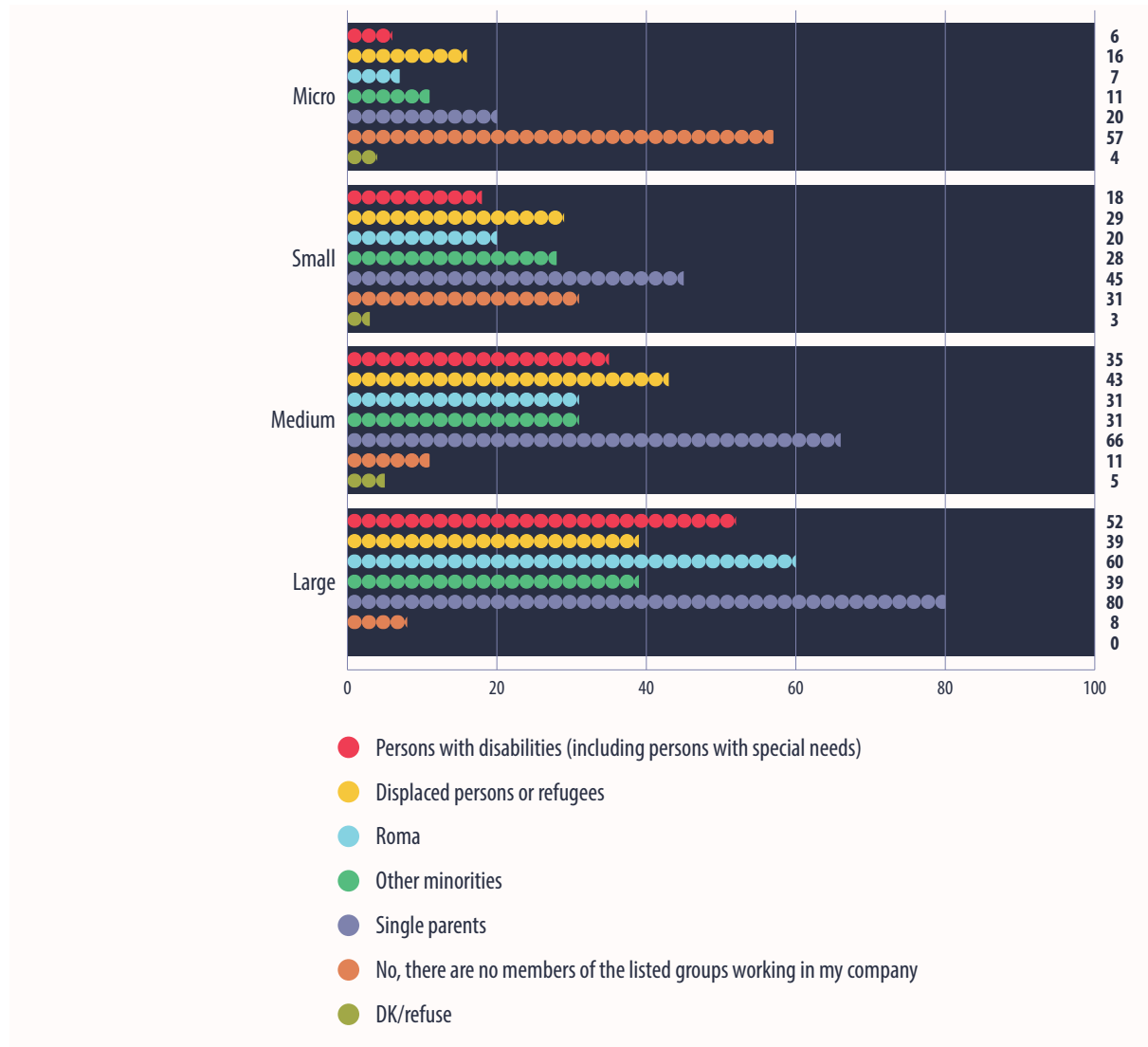
According to Figure 130, the hiring process happens through intermediation of the official employment agency (44%) followed by personal contact (42%). The least used method as we expected is “poaching” employees from competitors at a share of only 3%.

**Figure 130:** How often do you use the following when hiring new employees? Please mark each of the following methods with 1 often, 2 sometimes or 3 never.  
(Large companies- N=34, single answer, share of total, %)



The primary vulnerable group that has the largest share amongst all companies, but mostly in the large ones, is the single parents at 80% (Figure 131). Single parents are followed by Roma (60%) and persons with disabilities/special needs (52%). Interesting is the fact that 57% of respondents in micro companies have no members of these vulnerable groups working in their companies.

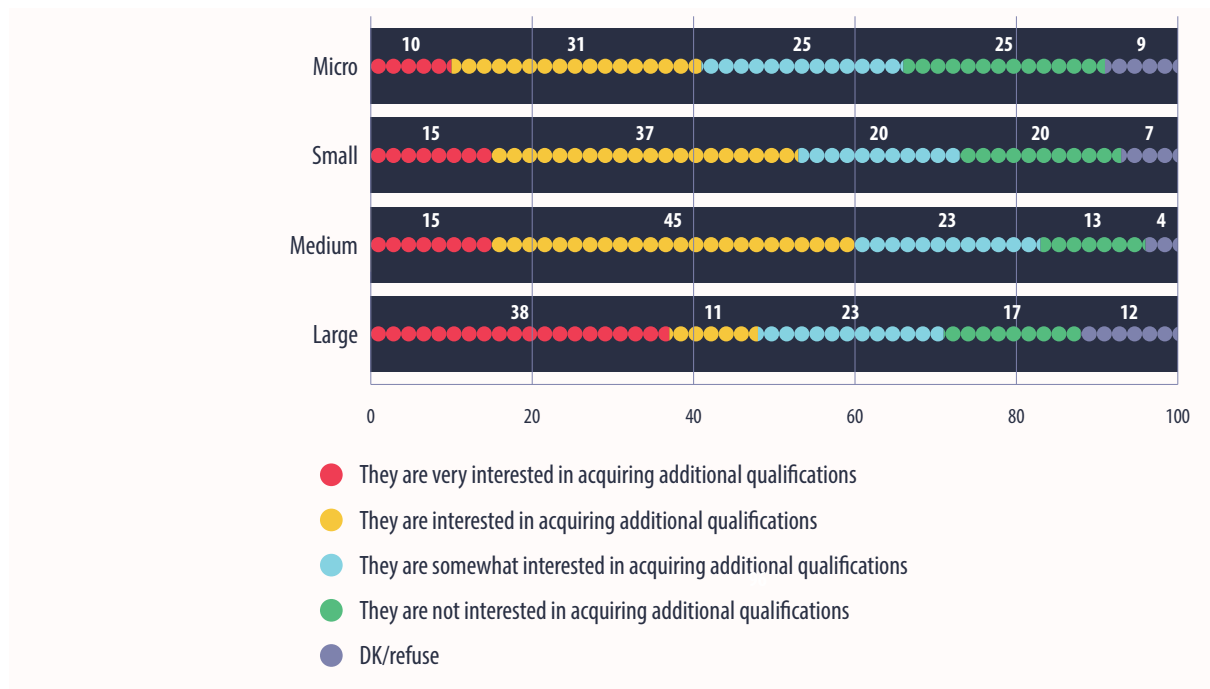
**Figure 131:** Do you have somebody from the below mentioned vulnerable groups working in your company?  
 (All respondents - N=1211, multiple answers, %)



Employees of large-sized companies (38%) show a greater willingness to learning new skills (Figure 132). In the case of medium and small companies, 15% stated they were interested in doing so, compared to only 10% for micro businesses. However, large companies and micro companies share a significant amount of lack of interest in acquiring additional qualifications (9% and 12% respectively).

**Figure 132:** How would you assess the readiness of employees in your company to acquire additional qualifications in order to advance and get promoted?

(All respondents - N=1211, single answer, share of total, %)

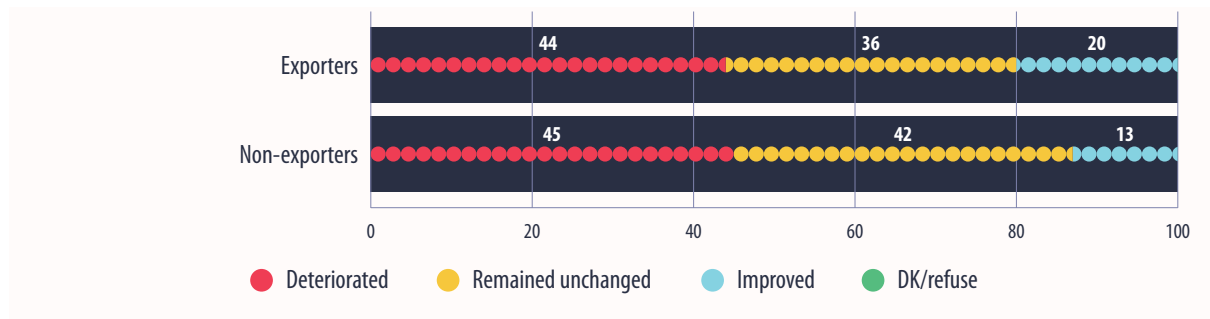


## FOCUS ON EXPORTERS

Businesses that focus on exporting have better access to and a greater presence in foreign markets. However, because of this, they are also more open to market pressure from foreign businesses and foreign innovation. According to Figure 133, compared to 44% of exporters, 45% of non-exporters reported a deterioration in business activity in 2022. While during 2021 only 37% of exporters felt the economy had deteriorated, 43% of non-exporters stated the same. Similarly, both feel positive towards the future. In terms of the demand expectations for their products, goods or services over the next year (Figure 135), they believe the situation to remain unchanged (43% and 42% respectively). On the contrary, both exporters and non-exporters expect labour and other costs to increase significantly in the upcoming months (Figure 136).

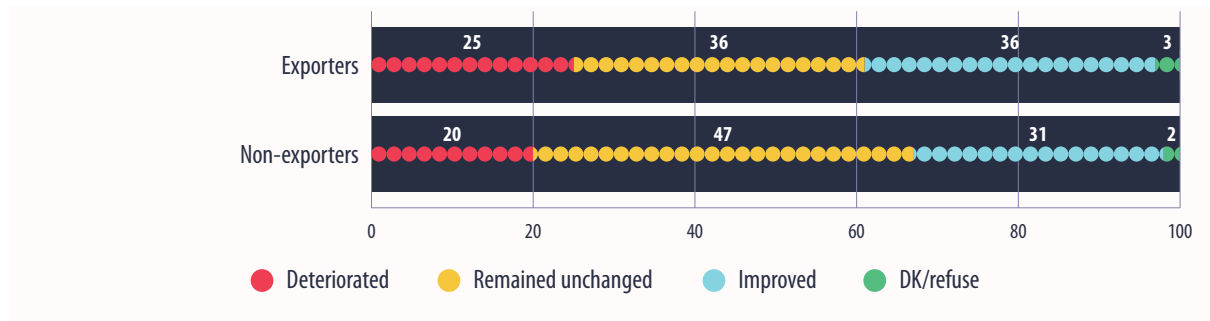
**Figure 133:** How has the general economic situation in your economy changed over the past 12 months? Has it improved, remained unchanged or deteriorated?

(All respondents - N=1211, single answer, share of total, %)



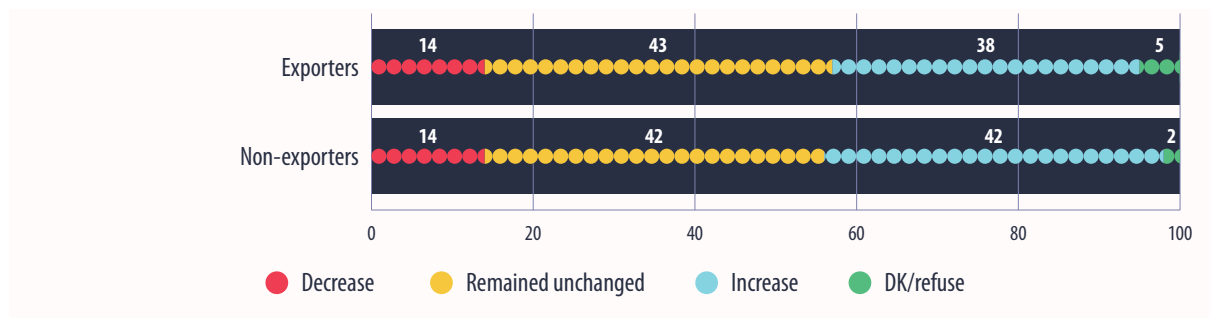
**Figure 134:** How do you expect the general economic situation in your economy to develop over the next 12 months? Will it improve, remain unchanged or deteriorate?

(All respondents - N=1211, single answer, share of total, %)

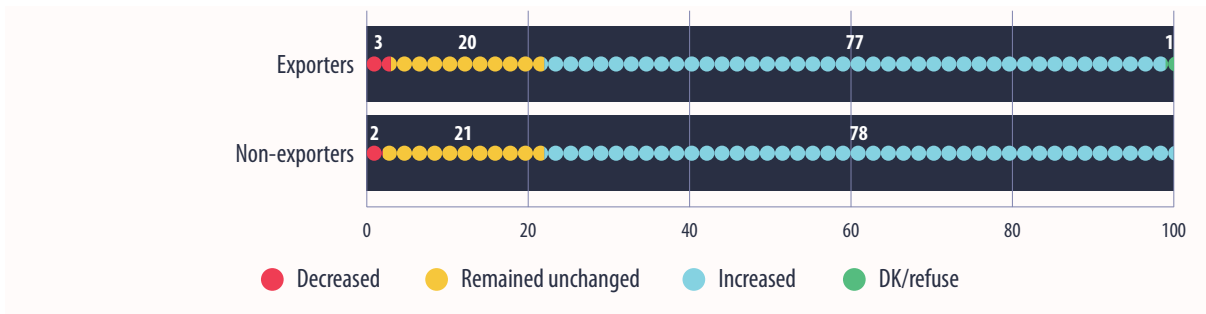


**Figure 135:** How do you expect the demand for your company's products/services to change over the next 12 months? Will it increase, remain unchanged or decrease?

(All respondents - N=1211, share of total, %)



**Figure 136:** How have your labour and other costs (e.g. energy, etc.) changed over the past 12 months?  
 (All respondents - N=1211, single answer, share of total, %)



**Figure 137:** How has your business situation developed over the past 12 months? Has it improved, remained unchanged or deteriorated?  
 (All respondents - N=1211, single answer, share of total, %)

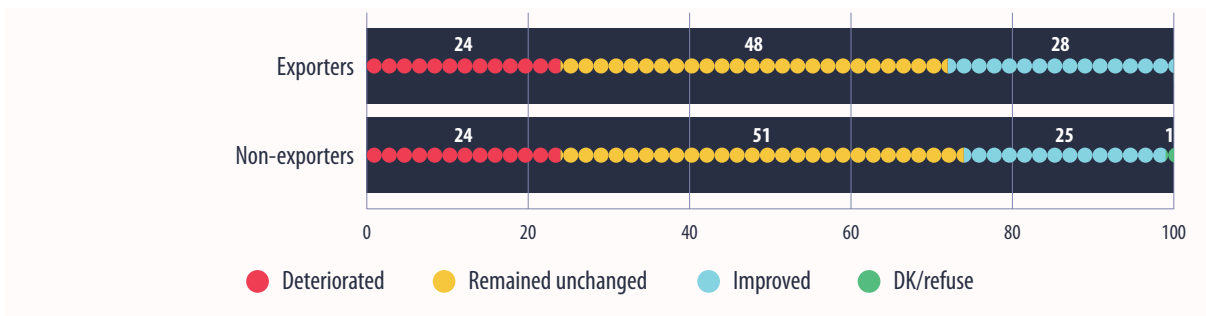
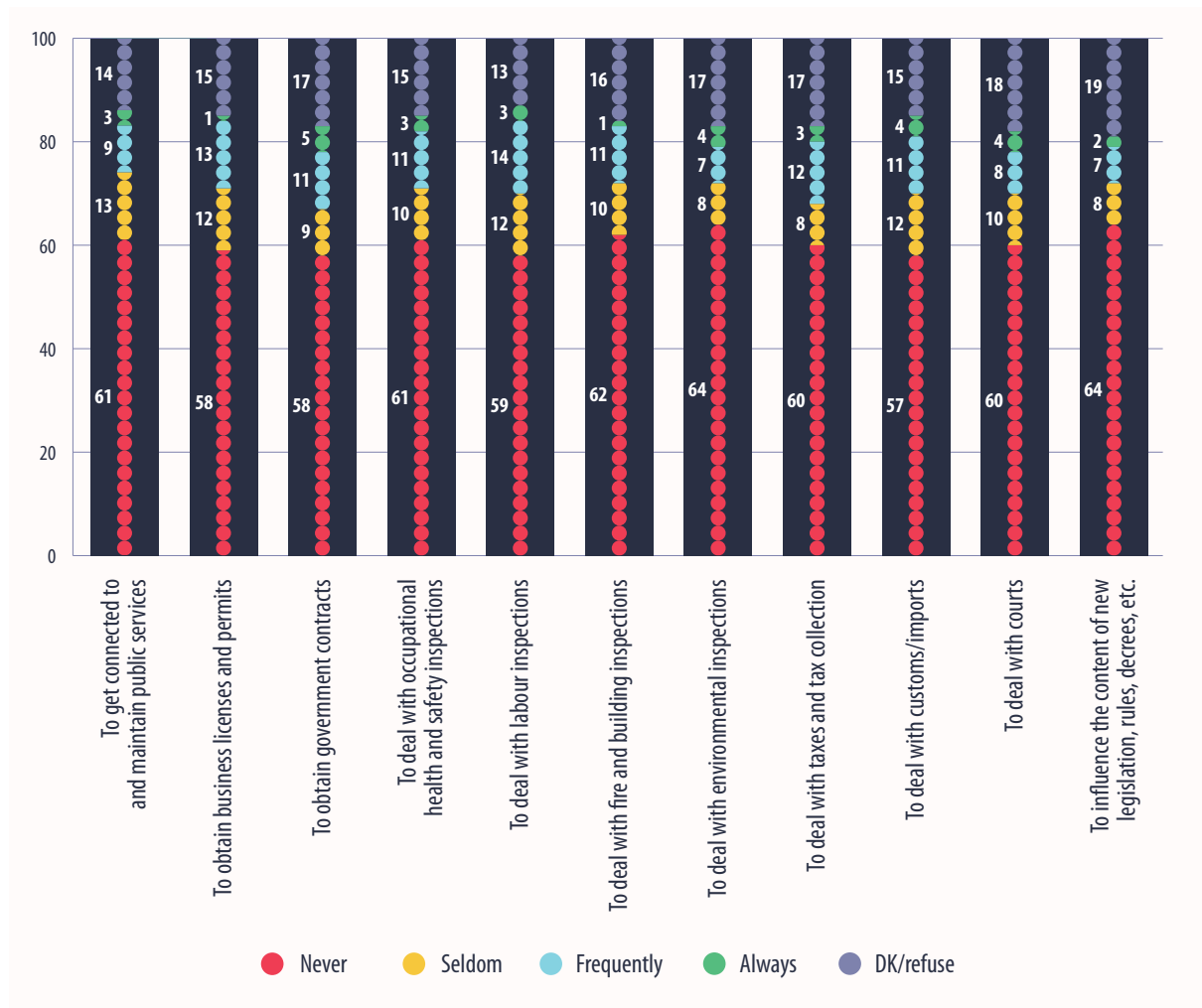


Figure 138 indicates how often exporters may have been in a position to offer various unofficial payments/gifts for 11 varying reasons, ranging from getting connected to maintain public services to influencing the content of new laws. Responses show that the majority of business representatives have never or seldom made unofficial payments or a gift for this purpose, with shares varying from 57% to 64%. The majority of those who admitted to giving unofficial gifts or payments did it predominantly to obtain government contracts and to deal with environmental inspection, courts, and customs/import, whereas 1% to 5% of the sample overall said they always give bribes.

**Figure 138:** Thinking now of unofficial payments/gifts that companies like yours would make in a given year, could you please tell me how often would they make payments/gifts for the following purposes? (Exporters only)  
 (Exporters only - N=393, single answer, scores on a scale of 1 to 4, where 1 means never and 4 always, share of total, %)



More than half of exporters sell domestically (Figure 139). Regarding the share of sales, 20% of them reported to sell in the region, 21% in the EU, and 4% to third economies.

**Figure 139:** What percentage of your company's sales are made domestically, exported to the Western Balkans region, to the EU or to the third countries? (Exporters only)  
 (Exporters only- N=393, single answer, share of total, %)

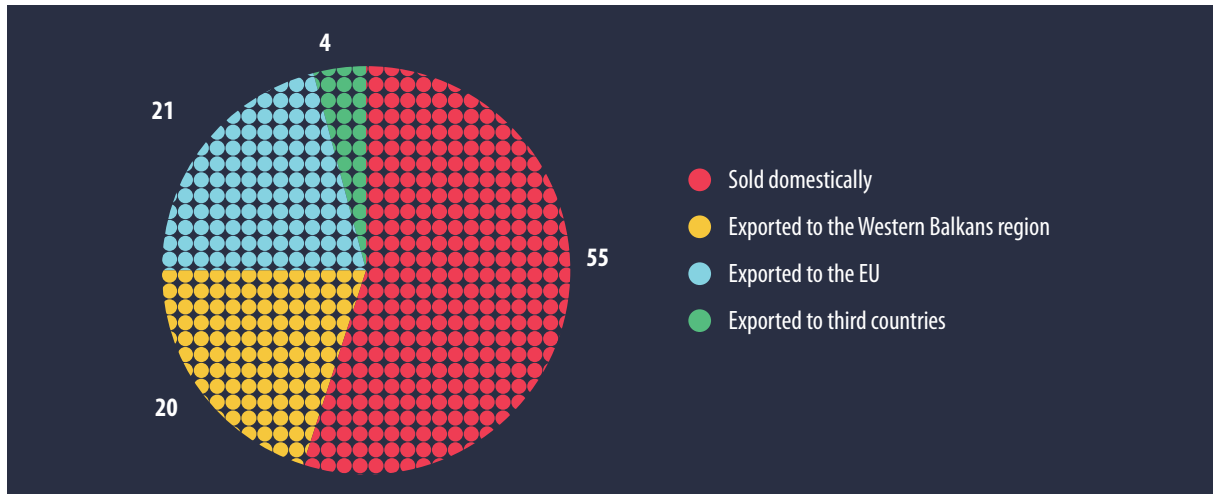
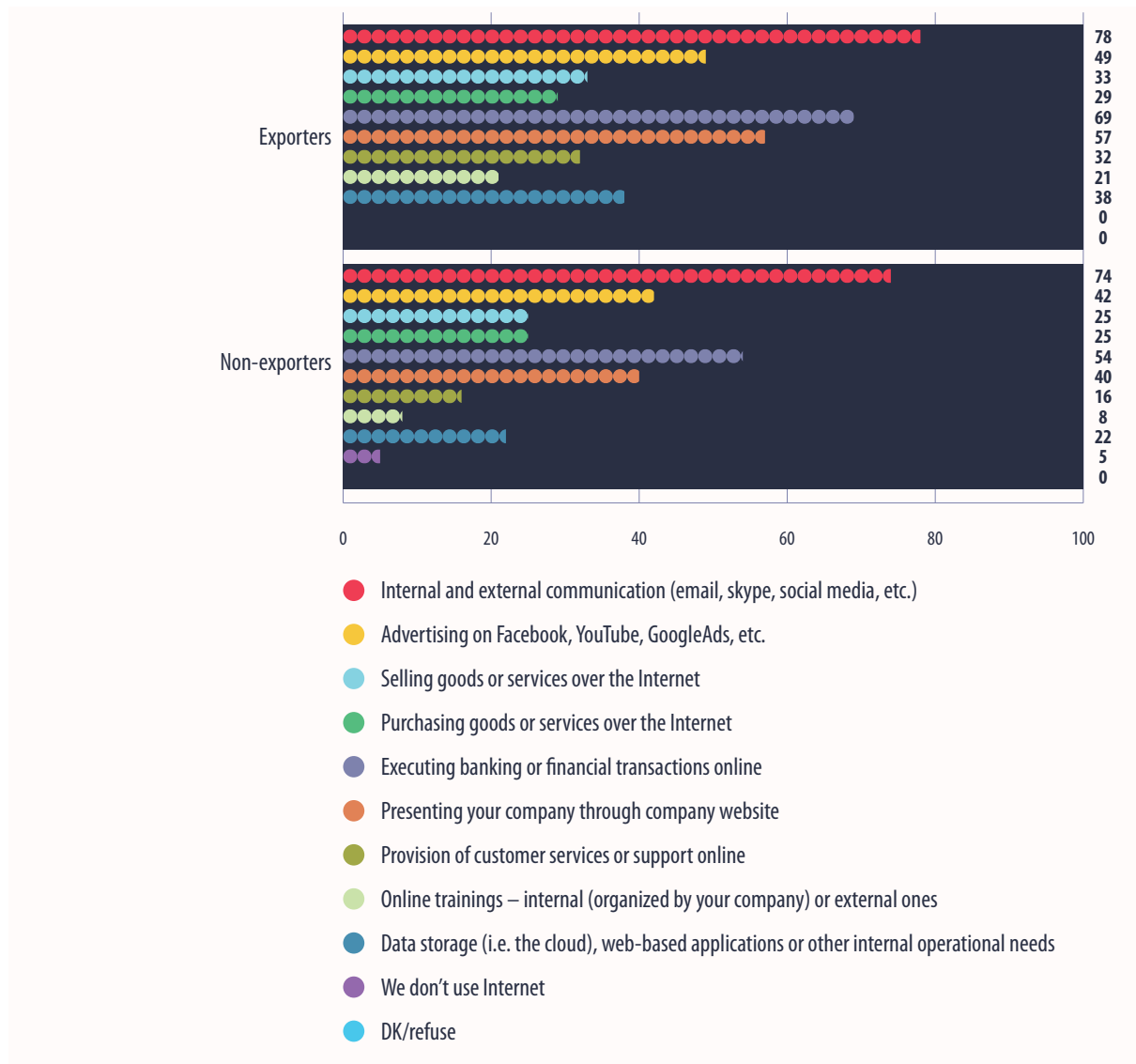


Figure 140 shows no visible differences in internet usage between the two groups; both exporters and non-exporters are more pronounced for internal and external communication (78% vs 74%), financial transactions (69% vs 54%), presentation through website (57% vs 40%) and advertising in social media (49% vs 42%).

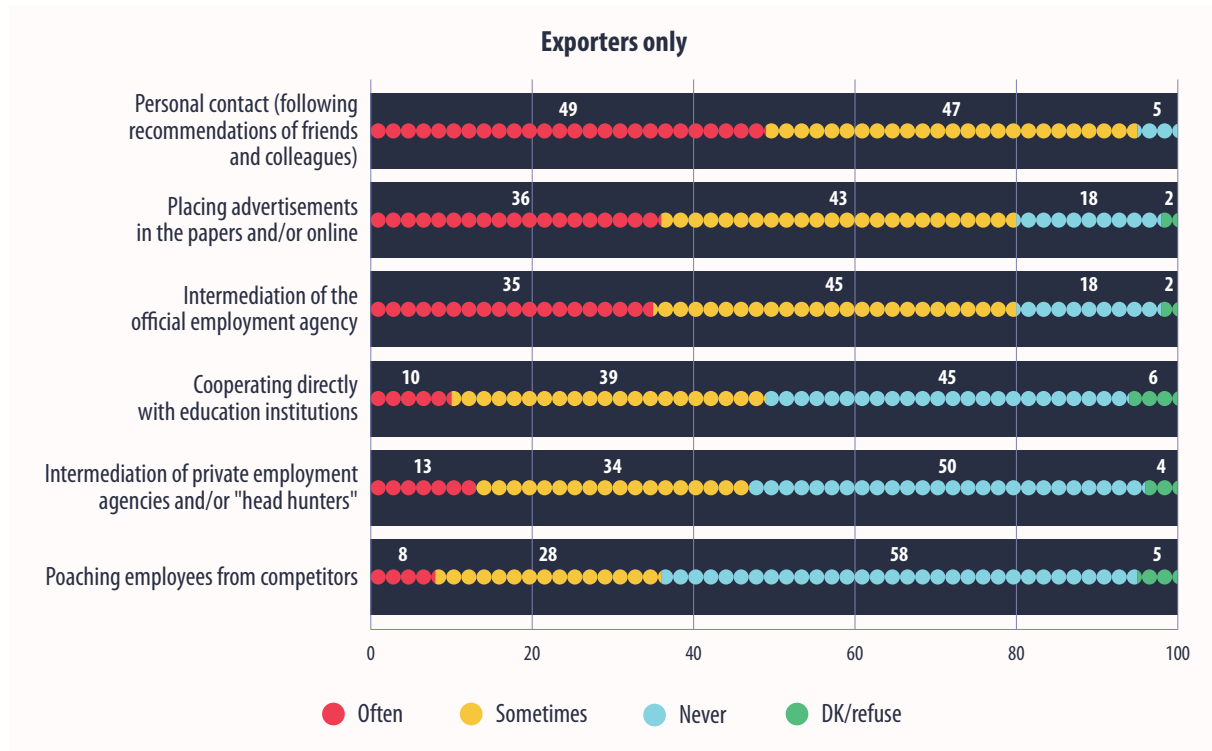


**Figure 140:** Does your company use the Internet for...?  
 (All respondents - N=1211, multiple answers, share of total %)

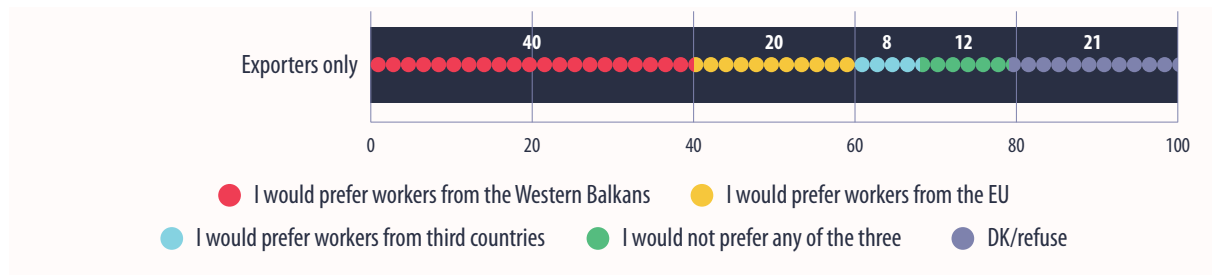


As shown in Figure 141, the hiring process happens through personal contacts most of the time (49%) followed by advertisement in papers or online (36%) and intermediation of employment agencies (35%). Similarly to the previous year, the least favoured method by businesses is to get their employees from their competitors (with only 8% using this approach). In terms of their preference when hiring workers, 40% would prefer workers from the region, 20% from the EU; while 21% refused to answer the question (Figure 142).

**Figure 141:** How often do you use the following when hiring new employees? Please mark each of the following methods with 1 often, 2 sometimes or 3 never. (Exporters only)  
(Exporters Only- N=393, single answer, share of total, %)

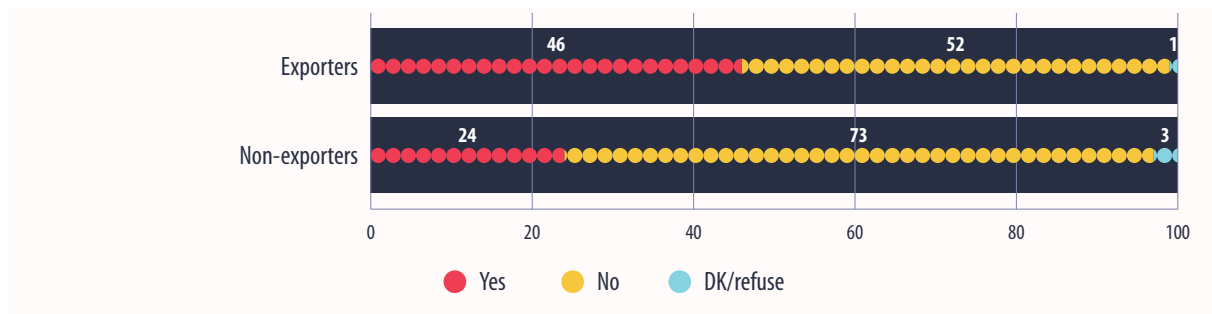


**Figure 142:** If you had to hire workers from abroad, what would be your preference? (Exporters only)  
(Exporters only - N=393, single answer, share of total, %)



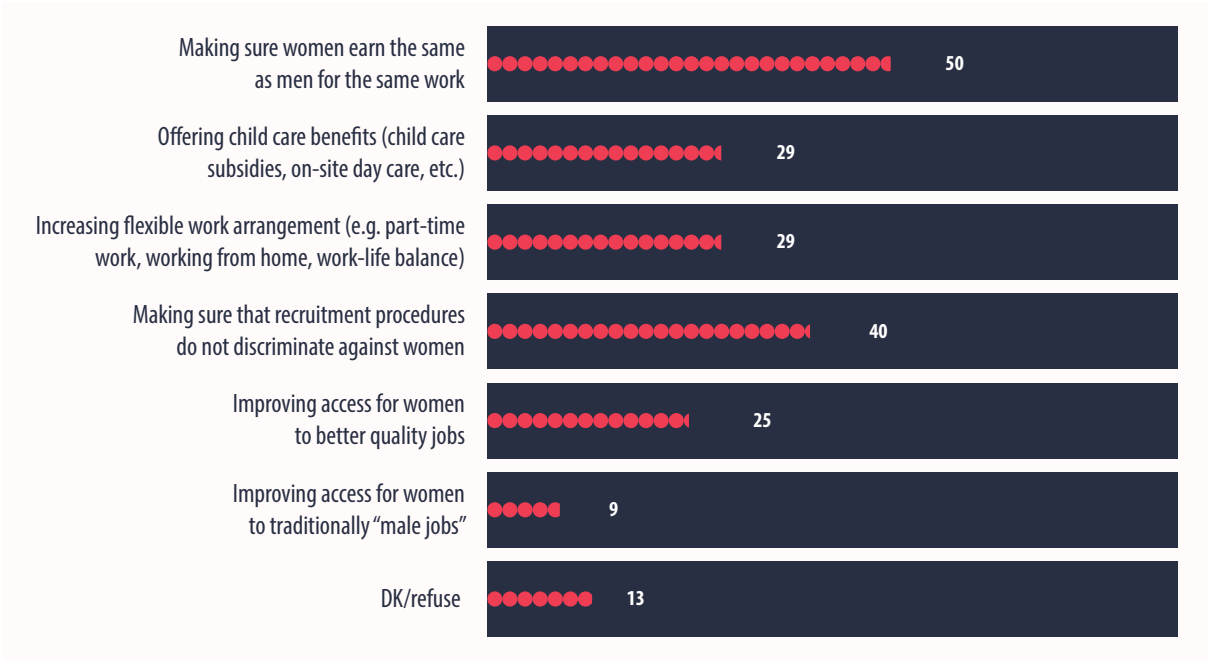
According to Figure 143, exporters could be experiencing higher productivity levels than non-exporters, evidenced by the fact that 46% of them invested in training of their staff, as compared to 24% of non-exporters.

**Figure 143:** Over the past 12 months, has your business funded or arranged any training and development for staff in the organisation, including any informal on-the-job training, except training required by the law?  
(All respondents - N=1211, single answer, share of total, %)



The opinions of exporters on hiring women as employees are comparable to those of the general group (Figure 144): 50% of respondents perceive equitable compensation as a strategy to improve their participation in the labour market. The second biggest percentage of respondents is ensuring that hiring practices do not discriminate against women (40%), followed by providing childcare benefits and flexible work schedules at 29% each.

**Figure 144:** Which of the following measures are you ready to finance to increase the number of women, even if it creates additional costs to your business?  
*(Exporters only- N=393, single answer, share of total, %)*



## NOTE ON METHODOLOGY

The Business Opinion Survey was conducted as quantitative research and data was collected by using CAPI (Computer-Assisted Personal Interviewing) data collection method. The interviews were carried out via direct, face-to-face interviews by trained interviewers from Indago-led consortium of research companies between 3 March and 4 April 2023 in Albania, Bosnia and Herzegovina, Kosovo\*, North Macedonia, Montenegro and Serbia. As a part of project set-up phase, some preparations and adjustments were undertaken as necessary for the successful implementation of the survey:

### Questionnaire

The survey questionnaire was provided by the RCC and finalised by Indago. The Business Opinion Survey questionnaire was composed of around 80 questions, including those on business demographics. The questionnaire was originally written in English by RCC and subsequently translated into related local languages by Indago. RCC reviewed and approved all the translations of the questionnaire. Since the CAPI methodology was used in the research, all questionnaires were converted to a digital form and installed on interviewers' laptops/tablets. The programmed questionnaires were reviewed by a responsible person in each economy.

### Interviewers

The survey was conducted by experienced interviewers in all WB economies. All interviewers were given written instructions containing general description of the questionnaire, method of selecting a company and respondent selection method. In addition to the written instructions, all interviewers were trained to understand research goals, interviewing method and eligible respondent selection (a member of a company's management board/team). Moreover, project coordinators/economy team leaders reviewed the entire digital questionnaire jointly with the interviewers and emphasised some important elements (especially the need to read individual answers where one or more answers were possible, etc.).

### Sample

Business Opinion Survey was conducted among a minimum of N=200 respondents – business owners, managers and senior executives, in each economy, with a total of 1,211 respondents for the entire WB region. Companies in majority public ownership were not included in the sample.

The survey encompassed:

- companies of various sizes – micro (4 – 9 employees), small (10 - 49 employees), medium (50 - 249 employees) and large (more than 250 employees),
- various business areas (21 business areas according to NACE classification),
- companies which are not majority publicly owned or by government,
- companies established earlier than 2020.

Before the main part of the fieldwork, i.e. interviews with business respondents, Indago conducted two preparatory phases: company selection and telephone recruitment.

#### a) Company selection

The selection of the companies was performed randomly within various regions, sectors, sizes and ownerships. Official data provided by statistical offices of all WB economies were used as data source.

The selection was completed before the first phase of fieldwork, enabling interviewers to receive lists of companies to be contacted. The lists contained the company's name, address and telephone number and, in some cases, the name of contact person.

b) Telephone recruitment

The target group in the Business Opinion Survey were members of the companies' managing boards/ teams. Considering the fact that persons in leadership positions have many responsibilities and are probably very busy, telephone recruitment was organised. Where needed, this was the first step of fieldwork which increased the response rate and therefore led to a successful implementation of the interviewing process. In telephone conversations, the interviewer presented the objectives of the survey to the respondent and then attempted to arrange a face-to-face interview. All the interviewers got familiarised with the project through prior training. Every potential respondent was contacted at least three times to arrange an appointment (except in cases when a person categorically refused to participate in the survey). Thus, agreed date and time most convenient for the respondents were noted down and the contact lists contained only relevant information; they were filtered and ready for face-to-face interviews.

## SAMPLE STRUCTURE

Figure 145: Sample structure by respondent's position



Figure 146: Sample structure by largest shareholder



Figure 147: Sample structure by no. of employees

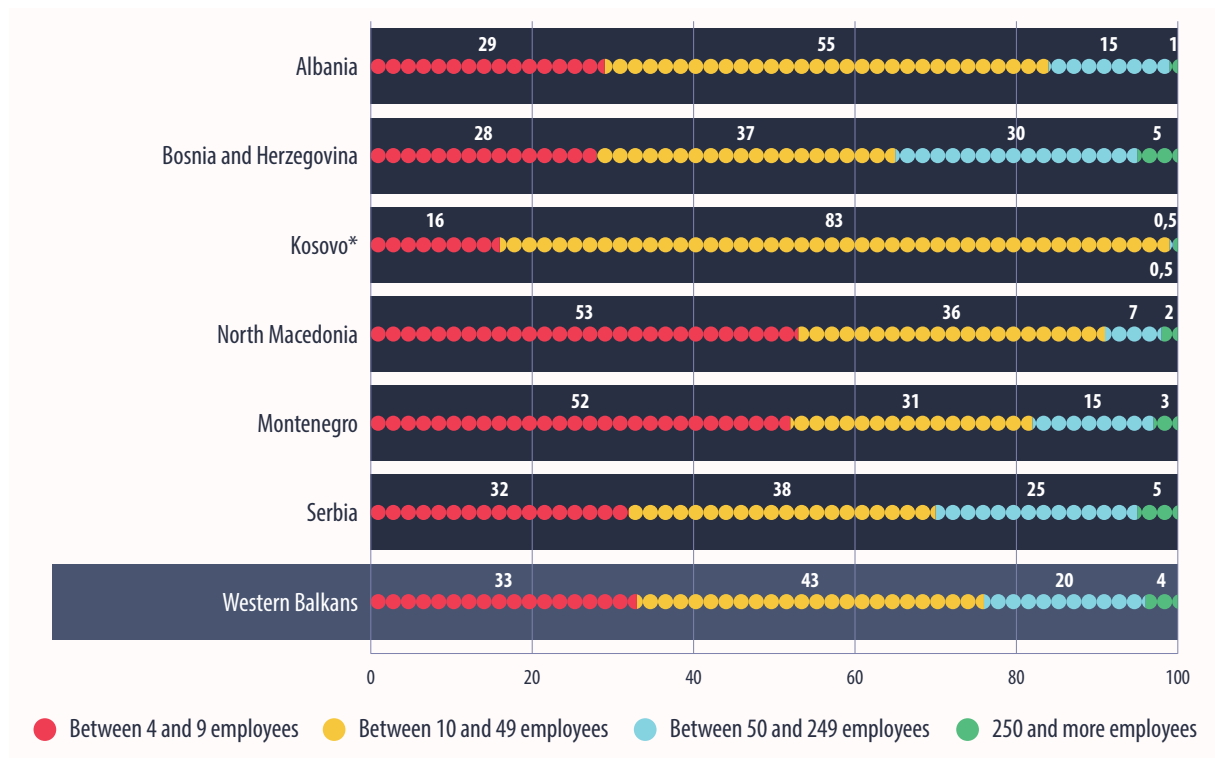


Figure 148: Sample structure by business area

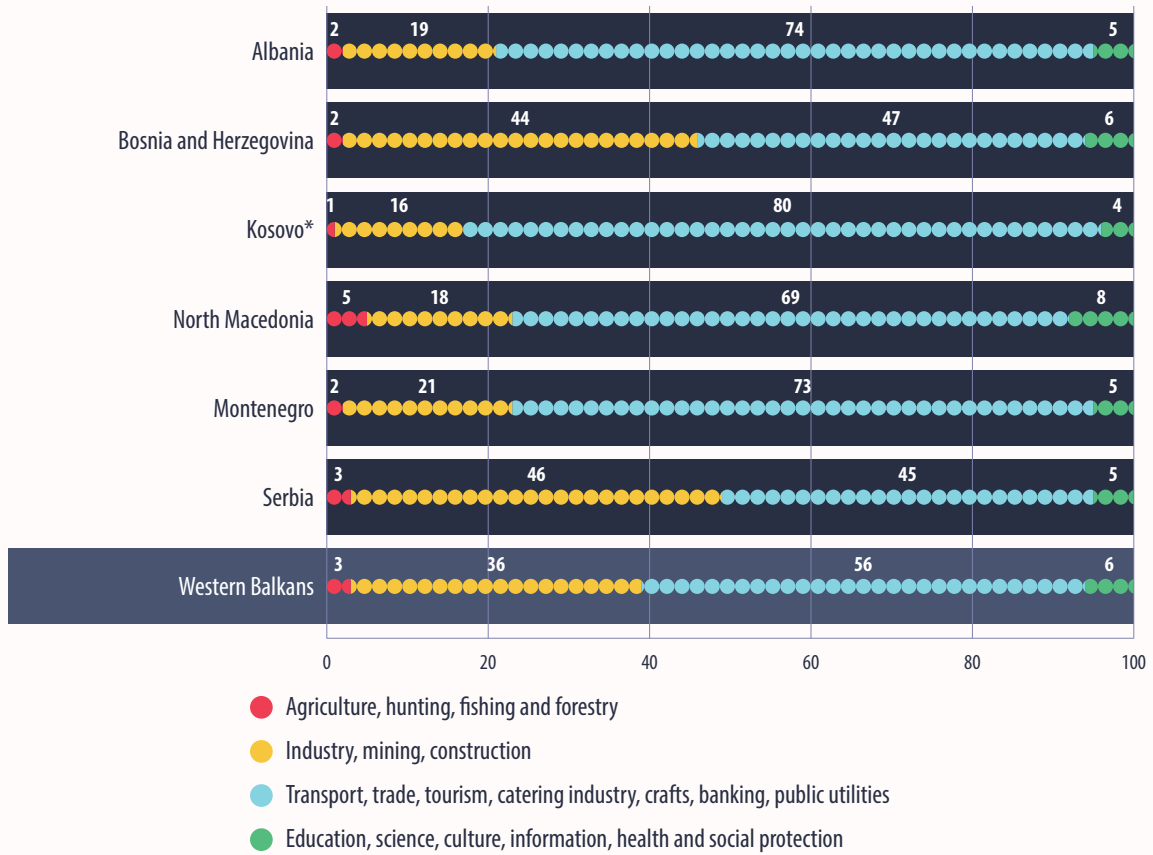
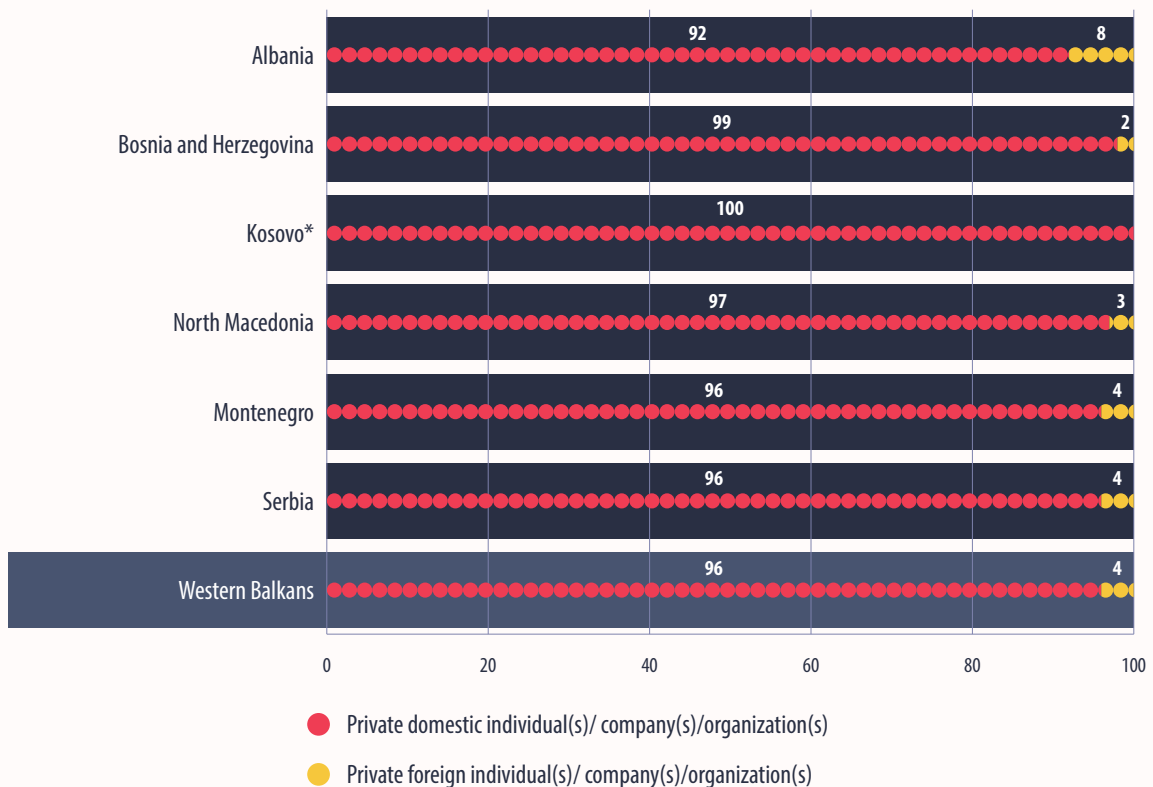


Figure 149: Sample structure by ownership







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