



**WESTERN BALKANS
THE INVESTOR'S
NEXT HOTSPOT
PROMOTIONAL BOOKLET**



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ABBREVIATIONS

| | |
|----------------|--|
| CEFTA | Central European Free Trade Agreement |
| DESI | Digital Economy and Society Index |
| DTA | Double Taxation Agreements |
| EU | European Union |
| FDI | Foreign Direct Investments |
| FEZ | Free Economic Zones |
| FTRI | Frontier Technology Readiness Index |
| GDP | Gross Domestic Product |
| GSP | Generalised System of Preferences |
| GTCI | Global Talent Competitiveness Index |
| ICT | Information and Communication Technologies |
| IGI | Inclusive Growth Index |
| IT | Information Technologies |
| NACE | Nomenclature of Economic Activities |
| OEC | Observatory of Economic Complexity |
| OECD | Organisation for Economic Co-operation and Development |
| PCI | Productive Capacities Index |
| PISA | Programme for International Student Assessment |
| PTA | Preferential Trade Agreements |
| R&D | Research and Development |
| RCC | Regional Cooperation Council |
| SAA | Stabilisation and Association Agreements |
| SME | Small and Medium Enterprises |
| TEN-T | Trans-European Transport Network |
| UNCTAD | UN Trade and Development |
| UNDP | United Nations Development Programme |
| VAT | Value Added Tax |
| WDI | World Development Indicators |
| WGI | Worldwide Governance Indicators |
| WEF | World Economic Forum |
| wiiw | Vienna Institute for International Economic Studies |
| WIPO | World Intellectual Property Organization |

WESTERN BALKANS: INVESTMENT LANDSCAPE AT A GLANCE

The Western Balkans region is rapidly emerging as a prime destination for Foreign Direct Investment (FDI), thanks to its strategic location, robust economic growth prospects, and highly favourable business environment. Over the past decade, the **Western Balkans has attracted billions of dollars in investment**—from Europe and beyond—across a wide range of sectors. With its **skilled workforce, competitive costs, and expanding market opportunities**, the Western Balkans offers a diverse and promising landscape for sustainable investment. Currently, the region is making enormous strides to become the **Investor's Next Hotspot** by further streamlining regulations, investing in infrastructure, and digitalising its economy. There are several compelling reasons to consider the Western Balkans as your next investment destination:

- The Western Balkans, with a **population of more than 17 million**, acts as a bridge between Europe and Asia, providing access to major international trade routes, making it an **ideal hub for commerce and investment**.
- With **structural reforms, modern fiscal policies, and an improving business climate**, the region's growth prospects are very promising, with an estimated **GDP growth of around 3.5%** over the next three years.
- Membership in **CEFTA, free trade with the EU guaranteed under the framework of SAAs, and over 70 preferential trade agreements** underscore the region's deep regional and global market integration, offering extensive market access opportunities for investors.
- With a **6,400 km rail line, a 5,200 km road network, access to three key international corridors, and extensive air and water infrastructure**, the Western Balkans serves as a strategic nexus for international trade, facilitating the efficient movement of goods, capital, and people.
- As recognised by the World Bank and other international institutions, **ongoing reforms in Western Balkans to improve regulatory efficiency, reduce bureaucratic barriers, and promote transparency** create a stable and predictable environment for investment.
- The region offers a favourable **environment with competitive labour and operational costs** compared to **European emerging and advanced EU economies**.
- The region provides a **significant talent pool with highly skilled graduates, particularly in engineering, IT, and sciences**, supported by a high degree of digitalisation.

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- Investors benefit from an extensive list of **over 350 investment incentives available in Western Balkan economies**, including financial and non-financial incentives such as tax exemptions and support measures designed to enhance investment ventures.
- Over **40 free economic zones** across the region, with many more in the process of being established, offer tax benefits, simplified administrative procedures, and modern infrastructure to existing and potential investors.
- There are significant opportunities in key sectors, including **manufacturing, ICT, and renewable energy**.
- A wide array of manufacturing activities—including **agro-food, metal processing, automotive, machinery, textiles, and others**—present significant opportunities for foreign investors due to the sectors' cost-competitiveness, export orientation, strategic location, established traditions, and supportive government policies.
- With significant untapped resources in hydro, wind, and solar power, the Western Balkans offers **lucrative opportunities for renewable energy investments, with potential deployment estimated to reach 11,000 MW by 2030**.
- The ICT sector in the Western Balkans is rapidly expanding, supported by technologically skilled workforce and increasing digital infrastructure, making it a hotspot for tech investments and **a net exporter of ICT services for over a decade**.
- Investment promotion agencies in the Western Balkans provide comprehensive **support to investors, from initial inquiries to aftercare**, ensuring a smooth and efficient investment process.



LOCATION



Population (2022): 17,112,541

Area: 218,733 km²

GDP per capita (2022): \$7,657

Source: WDI (2024)

The Western Balkans region is characterised by its strategic geographic location, bridging Europe and Asia and serving as a gateway to major international trade routes. The region's diverse landscapes range from coastal areas along the Adriatic and Ionian seas to mountainous interiors. This advantageous positioning has historically made the Western Balkans a crossroads for trade and cultural exchange, further enhancing its potential as a significant hub for commerce and investment.

GROWTH PROSPECTS

The economic outlook for the Western Balkans is highly favourable. The region has consistently shown robust GDP growth, driven by structural reforms, prudent fiscal policies, and an improving business climate. This growth trajectory is expected to continue, supported by ongoing investments in infrastructure, innovation, and workforce development. These developments showcase the region as a stable and expanding market with ample opportunities for substantial returns on investment.

Table 1: Near-term growth prospects

| | 2022 | 2023e | 2024f | 2025f | 2026f |
|-------------------------------------|-------|-------|-------|-------|-------|
| Real GDP growth, (growth, %) | 3.4 | 2.6 | 3.2 | 3.5 | 3.8 |
| Consumption | 3.1 | 1.7 | 2.8 | 2.7 | 2.7 |
| Investment | 1.3 | -0.8 | 1.3 | 1.2 | 1.3 |
| Net exports | -1.8 | 1.7 | -1.0 | -0.4 | -0.2 |
| Goods exports (% of GDP) | 28.5 | 25.4 | 26.5 | 26.6 | 26.8 |
| Trade balance (% of GDP) | -18.7 | -15.4 | -16.7 | -16.5 | -16.1 |
| FDI (% of GDP) | 6.9 | 5.4 | 5.3 | 5.3 | 5.3 |

Source: World Bank (2024)

Note: e – estimate; f – forecast

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Looking beyond the standard growth measure (e.g. GDP), other more holistic indicators of development and well-being mirror this progress. The UNCTAD's Inclusive Growth Index (IGI) measures economic well-being and inclusivity across four categories: economic development, living conditions, social inclusion, and environmental sustainability. Western Balkans excels along several categories of the IGI. In the area of living conditions, for example, Western Balkan economies score higher than the average for developed and emerging economies.¹ This suggests a strong foundation in terms of basic needs and social safety nets. Social inclusion is another area where the Western Balkans outperforms developed and emerging economies on average. This indicates a relatively equitable distribution of resources and opportunities within the region.

Table 2: Inclusive Growth Index, 2021

| | Overall index | Rank |
|-----------------|---------------|------|
| Luxembourg | 91.80 | 1 |
| Switzerland | 78.1 | 2 |
| Ireland | 76.9 | 3 |
| Western Balkans | 37.0 | 56 |
| Türkiye | 37.0 | 58 |
| Ukraine | 32.7 | 70 |
| Russia | 26.5 | 82 |
| China | 26.0 | 85 |

Source: UNCTAD (2024)

Another multi-dimensional tool that goes beyond just GDP to assess economies' progress is the UNCTAD Productive Capacities Index (PCI). It assesses productive resources, entrepreneurial capabilities and production linkages, which together determine the capacity of an economy to produce goods and services and enable it to grow and develop. PCI is mapped across 42 different indicators. A breakdown of PCIs in sub-categories for Western Balkans – natural capital, human capital, energy, institutions, private sector, structural change, transport, and ICT - reveals pockets of significant strength. The region shows particularly strong performance in ICT, even surpassing the average of developed economies. This robust ICT infrastructure positions the Western Balkans favourably for participation in the global digital economy.



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¹ Emerging economies group economies or regions that are in the process of rapid growth and industrialisation and are transitioning from low-income to middle-income

Table 3: Growth metrics: Productive Capacities Index, 2022

| | Average | Max | Min |
|------------------------------------|---------|------|------|
| Productive Capacities Index | 46.2 | 54.9 | 42.4 |
| Human capital | 51.9 | 58.5 | 47.8 |
| Natural capital | 35.9 | 40.8 | 30.3 |
| Energy | 56.8 | 60.2 | 52.6 |
| Transport | 18.1 | 37.9 | 7.7 |
| ICT | 65.5 | 71.3 | 58.8 |
| Institutions | 53.5 | 57.2 | 45.0 |
| Private sector | 59.1 | 63.2 | 51.1 |
| Structural change | 60.9 | 69.5 | 50.7 |

Source: UNCTAD (2024)

FINANCIAL HEALTH

Building on strong macro foundation and fiscal stability, several factors further enhance the region's attractiveness to investors. Underpinning this stability is a return of inflation to pre-pandemic levels. Higher predictability allows businesses to plan for the future with greater confidence, reducing uncertainty and risk. Furthermore, the region faces a lower external debt burden – the total amount of money an economy owes to lenders outside its borders/boundaries – compared to most industrialised economies. This translates to less pressure on government finances, freeing up resources for infrastructure development, upgrading of skills, and other initiatives that can further improve the business environment.

Perhaps most strikingly, the fiscal balance – difference between government's income and spending in a given year – a key indicator of a region's financial health, shows significantly lower deficit compared to most industrialised counterparts. This responsible fiscal management creates a more sustainable economic foundation, a major advantage for long-term investors seeking stable and growing markets. In essence, the Western Balkans presents a compelling combination of controlled inflation, manageable debt levels, and sound fiscal practices, all of which signal a predictable and investor-friendly environment.

Table 4: Financial health indicators

| | 2022 | 2023e | 2024f | 2025f | 2026f |
|---------------------------------------|------|-------|-------|-------|-------|
| Inflation (% , period average) | 11.8 | 9.0 | 3.9 | 2.7 | 2.4 |
| External debt (% of GDP) | 75.3 | 71.3 | 58.2 | 57.2 | 46.3 |
| Public revenues (% of GDP) | 34.8 | 36.5 | 36.3 | 36.5 | 36.7 |
| Public expenditures (% of GDP) | 37.5 | 38.0 | 38.9 | 38.7 | 38.9 |
| Fiscal balance (% of GDP) | -2.7 | -1.5 | -2.7 | -2.2 | -2.4 |

Source: World Bank (2024)

Note: e – estimate; f – forecast

COMPETITIVENESS

Various competitiveness metrics paint a clear picture of the region’s economic landscape, revealing the factors that attract investment, fuel innovation, and ultimately drive sustainable growth. Understanding these elements is crucial for businesses and investors seeking new opportunities in the region.

Table 5: Key competitiveness indices

| Indices | Average | Max | Min |
|--|---------|------|------|
| Global Competitiveness Index 4.0 (2019)¹⁾ | 58.2 | 60.8 | 54.7 |
| Human Development Index (2021)²⁾ | 0.8 | 0.8 | 0.8 |
| Human Capital Index (2020)³⁾ | 0.6 | 0.8 | 0.5 |
| Bertelsmann Transformation Index (2024)⁴⁾ | 5.8 | 6 | 5 |
| Global Innovation Index (2022)⁵⁾ | 45.3 | 84 | 28.5 |
| Frontier Technology Readiness Index (2021)⁶⁾ | 0.5 | 0.6 | 0.5 |
| Economic Complexity Index (2022)⁷⁾ | 49.7 | 76 | 32 |
| Logistics Performance Index (2022)³⁾ | 2.8 | 3.1 | 2.5 |

Source: ¹⁾ WEF (2019); ²⁾ UNDP (2022); ³⁾ World Bank (various years); ⁴⁾ Bertelsmann Stiftung (2024);

⁵⁾ WIPO (2022); ⁶⁾ UNCTAD (2024); ⁷⁾ OEC (2023)

The Western Balkans region displays a competitive edge across several key dimensions. Human development indicators paint a particularly promising picture. The uniformly high Human Development Index (0.8) and Human Capital Index (0.6) suggests a well-educated and healthy population. In

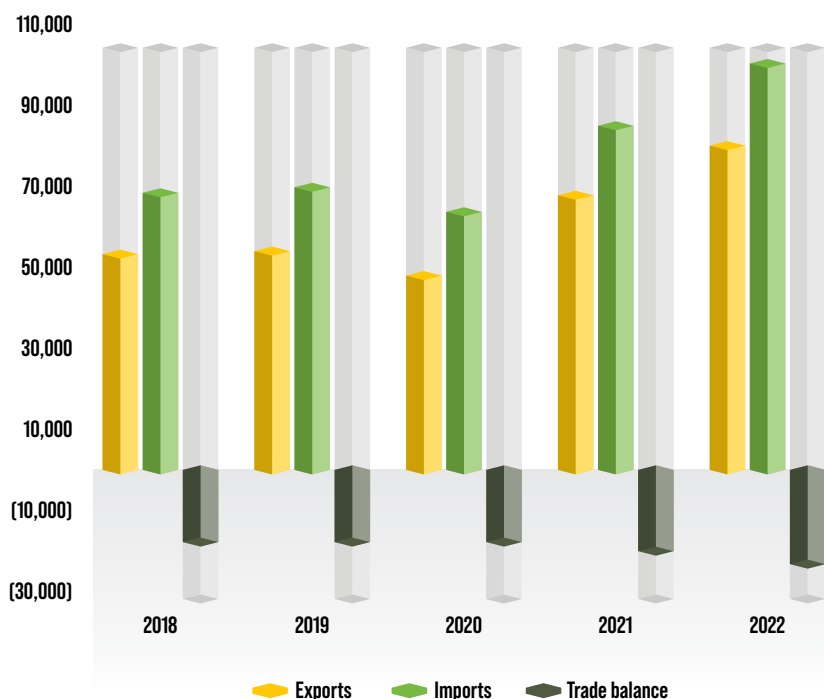
addition, the Global Competitiveness Index (average 58.2) suggests a generally strong overall economic environment, while the Economic Complexity Index (49.7) hints at a diversified and adaptable economy. It is also worth noting the high score in the Bertelsmann Transformation Index (5.8), indicating progress towards a democratic and market-oriented economy. These factors, combined with a relatively good Global Innovation Index score (45.3), position the Western Balkans as a region with significant potential for future growth and innovation.

The high degree of competitiveness has been translated in exceptional export performance of the region.

EXPORTS

Exports of goods and services demonstrate an overall positive trajectory. As elsewhere across the globe, the COVID-19 pandemic has affected exports from Western Balkans. However, the period was followed by a substantial recovery of about 41% in 2021 and further growth of approximately 17.5% in 2022. Imports, on the other hand, similarly show a consistently increasing trend. Imports increased significantly by 33.2% in 2021 and peaked with a growth of approximately 17.8% in 2022. The levels of negative trade balance in the Western Balkans align with the general pattern observed in many developed and emerging economies. The significant rise in exports in post-pandemic years signals potential for strengthening the export sector to improve the trade dynamics.

Figure 1: Trade balance (in mil. \$)

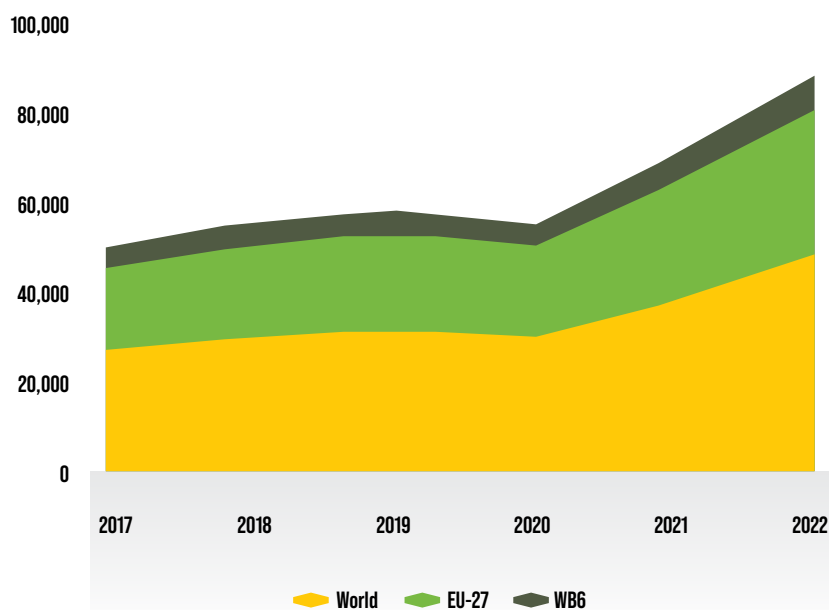


Source: World Bank (2024)

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Data show that there is a steady increase in the exports of the Western Balkans to key trading blocs. Exports to the world at large have seen a significant upward trend, reflecting region's expanding global trade relationships. The EU remains a crucial trading partner, with exports showing consistent growth, especially in post-pandemic years, highlighting deepening economic ties. Seven out of ten major export partners in 2022 are EU Members States. Similarly, largely a result of efforts within CEFTA, intra-regional trade also displays a positive trajectory, albeit from a smaller base.

Figure 2: Major export blocks (in mil. \$)



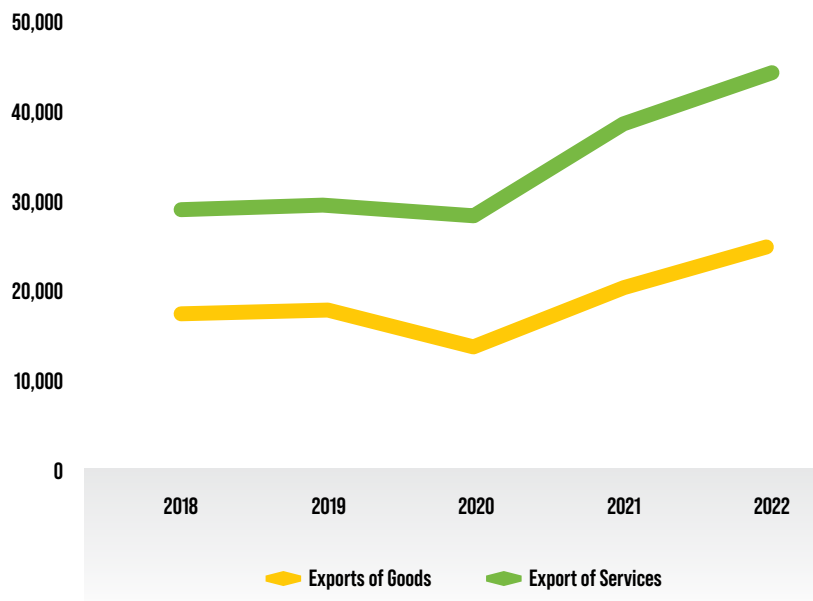
Source: World Bank (2024)

Dissecting exports in goods and services shows similar trends in both categories. Exports of goods experienced a moderate growth rate initially, increasing slightly from 2018 to 2019. There was a small decline in 2020, but this was followed by a strong recovery in 2021 with a growth rate of around 36%, and continued to grow robustly by approximately 14% in 2022. Meanwhile, exports of services saw a gradual increase from 2018 to 2019, but a significant decline of about 25% in 2020, likely due to the pandemic's impact on the service sector. This was followed by a sharp rebound in 2021 with a growth rate of about 49%, and further strong growth of approximately 23% in 2022. Overall, while both goods and services exports were affected by the pandemics in 2020, they both demonstrated resilience and strong recovery in the subsequent years.

**Table 6:
Major export partners, 2022**

| Partner | Share |
|------------------------|-------|
| Germany | 9.9 |
| Italy | 5.5 |
| Croatia | 2.9 |
| Bosnia and Herzegovina | 2.4 |
| Hungary | 2.1 |
| Serbia | 2.1 |
| Austria | 2.0 |
| Slovenia | 1.8 |
| Montenegro | 1.7 |
| Romania | 1.6 |

Figure 3: Exports of goods and services (in mil. \$)



Source: World Bank (2024)

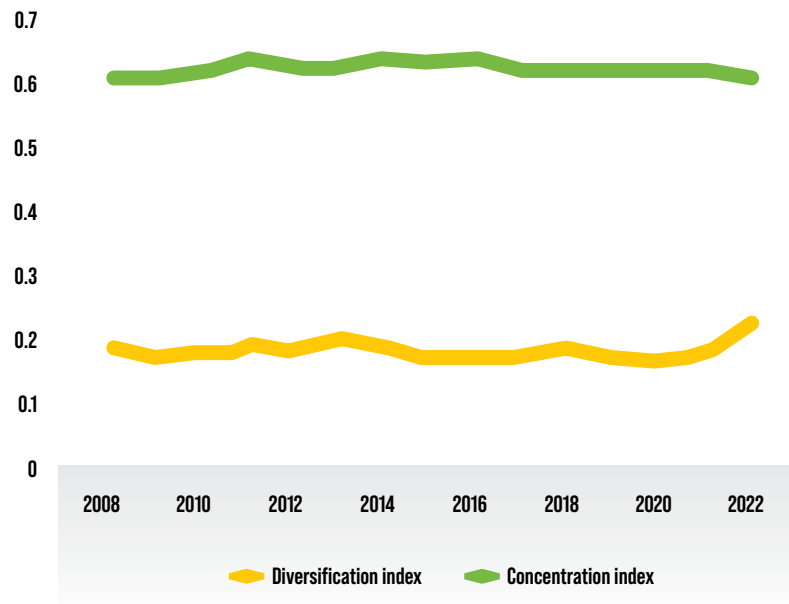
In the Western Balkans, major goods exports include agricultural products like fruits, vegetables, and grains. Additionally, processed foods, beverages, and textiles contribute significantly to exports. Recently, sectors such as metal processing, automotive industry, and machinery are showing increasing trends. On the other hand, service exports are diversified, with tourism and hospitality playing a significant role across the region. ICT services, including software development and IT outsourcing, are growing service sectors. Professional and business services, such as legal and consulting services, also contribute substantially to the service export economy. The travel account, bolstered by sizable diaspora communities, constitute a significant portion of their service exports.

The degree of export diversification and concentration in the Western Balkans can reveal potential resilience against external shocks, such as price volatility in their key export goods. Specifically, the former assesses the variety and distribution of exported products, indicating how spread out the exports are across different categories.² On the other hand, the latter measures dominance of a few products within the total exports, showing how much the export earnings depend on the top export items.³ Over the years, the Western Balkans saw moderate fluctuations in both indices. Initially, the diversification index showed a general upward trend, indicating increasing specialisation, but later years witnessed some variability with slight decreases, suggesting efforts towards diversification. The concentration index displayed similar movements, generally trending downwards, implying a broader distribution of exports, though it peaked at the end of the period, indicating increased dominance of certain exports. Compared to emerging economies, the Western Balkans exhibits higher volatility in these indices, whereas emerging markets generally maintain more stable trends.

² Ranges from 0 to 1, where values closer to 0 indicate a highly diversified export portfolio, and values closer to 1 indicate less diversification.

³ Ranges from 0 to 1, with values near 0 indicating low concentration (more evenly distributed exports) and values near 1 indicating high concentration (dominance by a few export products)

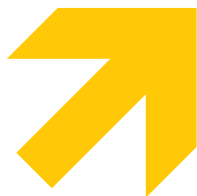
Figure 4: Concentration v. diversification of exports



Source: wiiw (2024)

FDI INFLOWS

The Western Balkans region is emerging as a dynamic and promising destination for FDI. Since 2017, the Western Balkans has witnessed a steady rise in FDI inflows. This trend gained momentum in recent years, culminating in a record-breaking \$8.8 billion invested in 2022.

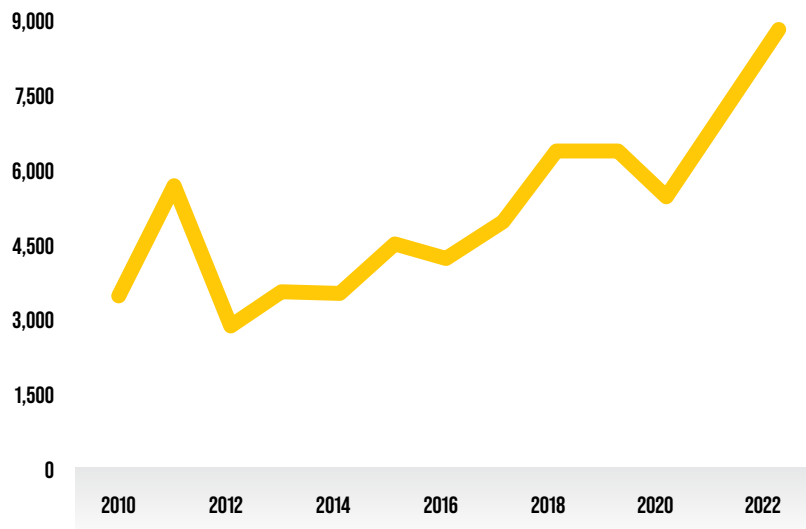


**THE STOCK OF FDI IN WESTERN BALKANS
BETWEEN 2010 AND 2022 REACHED
\$87 BILLION.**

Source: wiiw (2024)



Figure 5: FDI inflows (mil. \$)



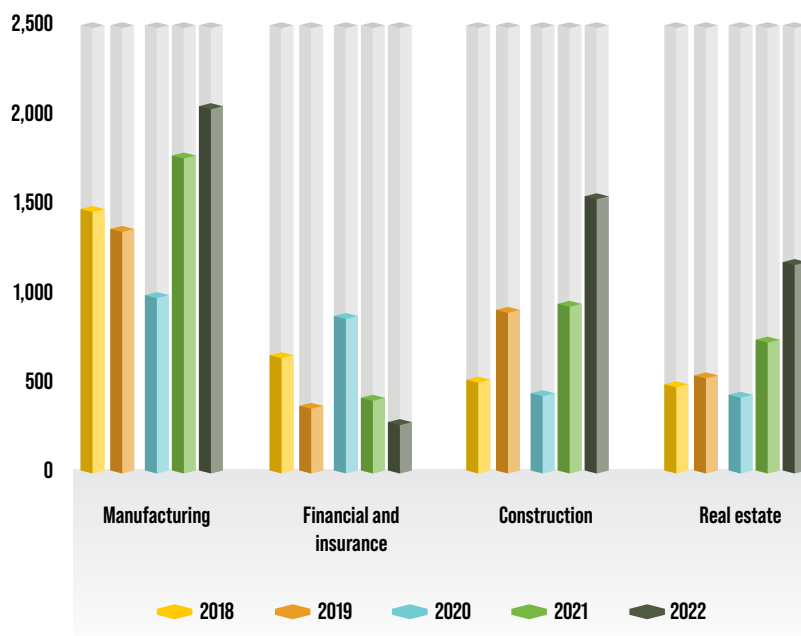
Source: World Bank (2024)

STRUCTURE OF FDI

The Western Balkans is increasingly becoming an attractive destination for a diverse set of investors. Notably, manufacturing industries and specific service activities are emerging as dominant sectors within the region's investment landscape. The stability and potential for growth in manufacturing sectors, coupled with the region's strategic location and access to markets, are luring investors seeking production hubs and export opportunities. Additionally, specific service activities, such as financial and insurance services, construction, and real estate, are also gaining prominence, offering lucrative investment prospects.



Figure 6: FDI by activities (NACE Rev. 2; in mil. \$)



Source: wiw (2024)

FDI PARTNERS

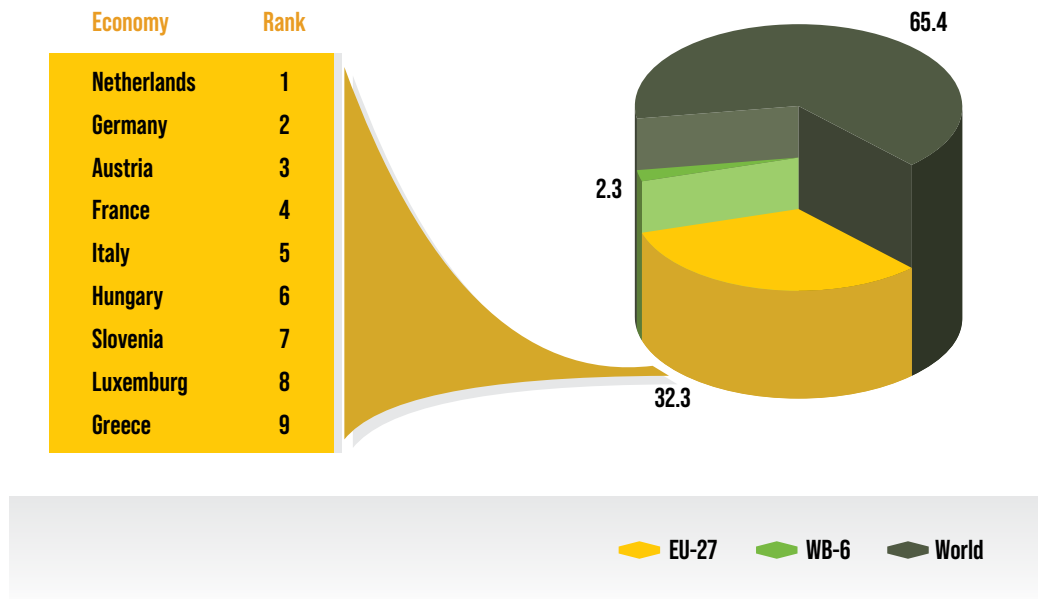
The structure of FDI inflows between 2013 and 2022 offers valuable insights into the region's investment dynamics. The data reveals that the majority of FDI stocks, accounting for approximately 65.4% of the total, originate from the rest of the world. The 27 EU members emerge as a substantial contributor, representing around 32.3% of the FDI inflows received by the Western Balkans during the period. This highlights the close economic ties between the Western Balkans and the EU. Despite being a smaller share, approximately 2.3%, FDI inflows also originate from within the Western Balkan economies.

The Netherlands emerges as the top contributor with FDI totalling around \$6.5 billion, representing the highest share of EU investments during the analysed period. Germany followed closely behind, with a substantial contribution of \$3.4 billion. Austria ranked third, with \$3.1 billion to the region's FDI inflows. The remaining contributors, including France, Italy, Hungary, Slovenia, Luxemburg, and Greece, also played significant role, albeit with comparatively smaller shares. Despite their individual contributions, it is evident that the Western Balkans attracted the majority of its FDI from a handful of key European economies, highlighting potential areas for further collaboration and investment promotion efforts.

**Table 7: Major FDI partners
(average shares, 2013-2022)**

| Economy | Rank |
|-------------|------|
| Netherlands | 1 |
| Germany | 2 |
| Austria | 3 |
| France | 4 |
| Italy | 5 |
| Hungary | 6 |
| Slovenia | 7 |
| Luxemburg | 8 |
| Greece | 9 |

**Figure 7: Major FDI blocks (av-
erage shares, 2013-2022)**



Source: wiiw (2024)

INSTITUTIONS AND THE ENABLING ENVIRONMENT

The Western Balkans is undergoing significant institutional transformations to enhance its business environment and governance frameworks. Governments in the region are focused on implementing reforms to improve regulatory efficiency, reduce bureaucratic barriers, and promote transparency. Efforts to align with EU standards and practices are particularly prominent, reflecting a commitment to stability and integration with broader European economic structures. These institutional improvements, as evidenced by the World Bank's Worldwide Governance Indicators, are creating a more conducive environment for business operations and investment, further bolstering the region's attractiveness as a destination for international investors.

Table 8: Selected Worldwide Governance Indicators for Western Balkans, 2022

| | | Average | Min | Max |
|---------------------------------|----------|----------------|------------|------------|
| Government Effectiveness | Estimate | -0.18 | -0.28 | -0.09 |
| | Rank | 46.64 | 42.30 | 51.28 |
| Regulatory Quality | Estimate | 0.10 | 0.07 | 0.13 |
| | Rank | 56.17 | 54.76 | 57.70 |
| Rule of Law | Estimate | -0.23 | -0.29 | -0.17 |
| | Rank | 46.03 | 43.89 | 50.48 |

Source: WGI (2024)

Despite facing challenges, the Western Balkans region demonstrates relatively favourable institutional quality compared to many emerging economies. The average estimates for Government Effectiveness, Regulatory Quality, and Rule of Law suggest a moderate level of institutional capacity and governance effectiveness within the region. Furthermore, the ranks, which range from 42.3 to 57.7, indicate that the Western Balkans generally falls within the mid-range among emerging economies in terms of institutional performance. This suggests that while there is room for improvement, the Western Balkans exhibits institutional frameworks that are conducive to attracting foreign investment.

Table 9: Convergence with the EU/OECD economies: business environment

| |
|--|
| Better performance relative to the EU (2018-2022) |
| Trade openness (% of GDP) |
| SMEs in total exports (% of exports) |
| FDI net inflows (% of GDP) |
| Private gross fixed capital formation (% of GDP) |
| New business density (registrations per 1,000 people) |
| Bank nonperforming loans (% of total gross loans) |
| Better performance relative to the OECD (2020-2022) |
| Services Trade Restrictiveness Index |
| Trade Facilitation Index |
| Trade Policy (WB Competitiveness Outlook) |
| SME Policy Index |
| FDI Restrictiveness Index |

Source: OECD (2023)

Improvements in business environment and institutional performance of the Western Balkans are recognised in the OECD *Economic Convergence Scoreboard for the Western Balkans 2023*. As noted in the report,

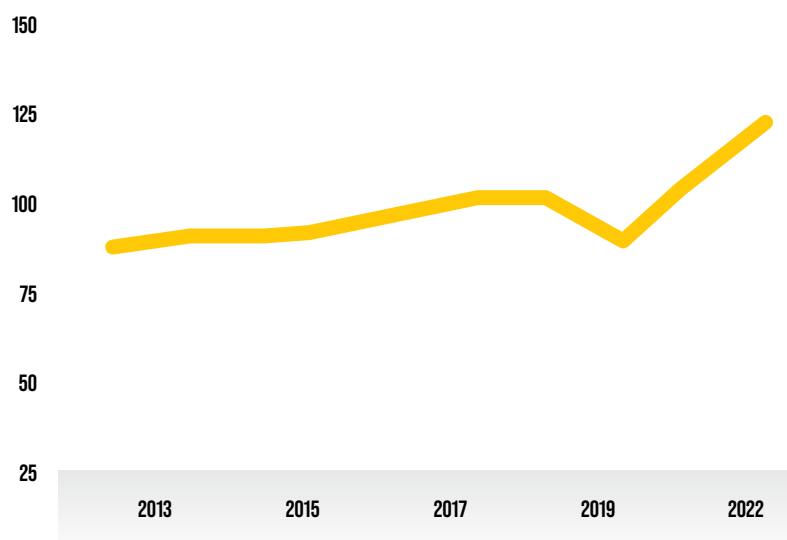
in several areas the region's business environment outperforms that of the average EU and OECD economies. Relative to the EU, the Western Balkans demonstrates greater trade openness as a percentage of GDP. SMEs play a more significant role in total exports. The region also attracts higher FDI net inflows as a percentage of GDP. Moreover, private gross fixed capital formation as a percentage of GDP is higher. Additionally, new business density, measured by registrations per 1,000 people, is greater, indicating a vibrant entrepreneurial environment.

The region also maintains a lower percentage of bank nonperforming loans, which indicates the health of banking sector in the region. Relative to the OECD from 2020 to 2022, the Western Balkans excels in the Services Trade Restrictiveness Index, Trade Facilitation Index, and Trade Policy as per the WB Competitiveness Outlook. The region also performs better in the SME Policy Index and the FDI Restrictiveness Index, showcasing more favourable conditions for trade, investment, and SME development compared to the OECD average.

ECONOMIC INTEGRATION

As pointed out, Western Balkan economies show greater trade openness than the EU average. This indicates that Western Balkans is a highly integrated and open region. The trade openness of the Western Balkans has shown a clear upward trend from 2013 to 2022. Initially, the region experienced gradual increases each year, reflecting growing integration into the global economy. By 2022, trade openness had reached its highest point of 123%, indicating a significant rise in trade activities relative to GDP over the decade.

Figure 8: Trade as a share of GDP



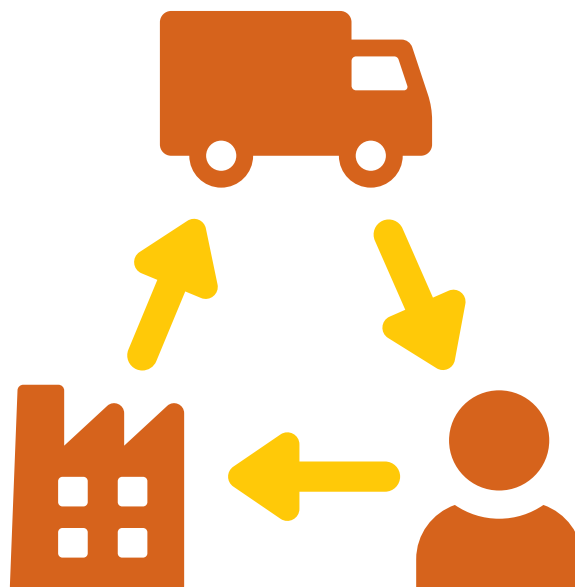
Source: World Bank (2024)

WESTERN BALKANS: THE INVESTOR'S NEXT HOTSPOT

The Western Balkans is deeply integrated with the world economy, as evidenced by several key indicators. All WB economies have signed Stabilisation and Association Agreements (SAA) with the European Union, a backbone of Western Balkans' trade and political relationships with one of the world's largest markets. Furthermore, the region's membership in CEFTA underscores its commitment to regional economic cooperation and trade liberalisation. Additionally, the Western Balkans is party to around 70 Preferential Trade Agreements (PTAs), with these agreements ranging in depth from three to seven, indicating significant levels of trade cooperation and market access. Higher depth indicates more extensive cooperation and integration, covering a wider range of issues such as tariff reductions, regulatory standards, and trade facilitation measures, while lower depth typically involves more basic trade liberalisation measures. The region also benefits from the Generalised System of Preferences (GSP), which provides favourable trade terms with developed economies, further integrating region's economies into the global market.

INFRASTRUCTURE

The region benefits from robust transport connectivity with the EU and the rest of the world through extensive road, rail, air, and water infrastructure. Major transport corridors and logistics hubs facilitate efficient movement of goods, capital and people, enhancing the region's attractiveness as a strategic investment destination. Ongoing infrastructure projects are set to further improve connectivity and reduce transportation costs for businesses operating in the region. On average, according to the OECD *Economic Convergence Scoreboard*, among others, Western Balkans performs better relative to the EU (2018-2022) on the road in total freight transport and logistics performance.



The following table provides key transport data for Western Balkans.

Table 10: Key transport data for Western Balkans

| Rail and road |
|--|
| <p>The total length of the Trans-European Transport Network (TEN-T) rail network in 2023 was 6,400-line km</p> <ul style="list-style-type: none"> → Core network: 2,570 km → Comprehensive network: 3,819 km <p>The total length of the TEN-T road network in the Western Balkans in 2023 was 5,206 km</p> <ul style="list-style-type: none"> → Core network: 3,511 km → Comprehensive network: 1,694 km |
| Water and air |
| <p>Key ports for maritime transport</p> <ul style="list-style-type: none"> → Core network: Bar and Durres → Comprehensive network: Vlora → Through infrastructure corridors connected to the following major ports: Koper, Rijeka, Ploce, and Thessaloniki <p>Inland waterways</p> <ul style="list-style-type: none"> → Core network: Danube, Sava, and Tisa rivers → Key ports: Novi Sad, Belgrade, Brcko, and Bosanski Samac <p>Airports</p> <ul style="list-style-type: none"> → Core network: Tirana, Sarajevo, Podgorica, Skopje, Belgrade → Comprehensive network: Pristina, Banja Luka, Ohrid, Kraljevo, Nis |
| Key international corridors connecting Western Balkans |
| <ul style="list-style-type: none"> → Corridor X runs from Salzburg, through Ljubljana, Zagreb, Belgrade, Skopje, and Thessaloniki → Corridor VIII stretches from the Adriatic port of Durres, through Tirana, Skopje, and Sofia, reaching the Black Sea port of Varna → Corridor Vc runs from Budapest, through Osijek and Sarajevo, to the Adriatic port of Ploce |

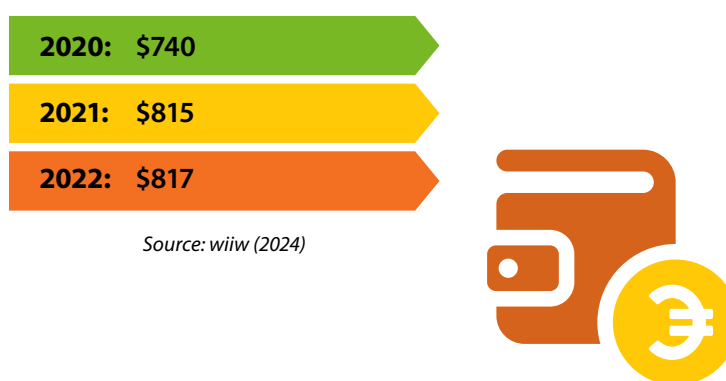
Source: Transport Community (2023)



WORKFORCE AND TALENT POOL

The Western Balkans is home to a significant talent pool, providing a readily available talented workforce. The region's education systems produce highly skilled graduates in various fields, particularly in engineering, IT, and sciences. This well-qualified workforce is complemented by a high degree of digitalisation, ensuring businesses can leverage modern technologies and innovative solutions to drive growth and competitiveness.

The average monthly gross wage in Western Balkans:



The labour market indicators for the Western Balkans show several notable trends. The activity rate – the proportion of the working-age population either employed or actively seeking employment – between 2012 and 2023 steadily increased from 49.2% to 53.9%. Similarly, as a result of increased job opportunities the employment rate for the same period rose from 37.4% to 47.9%. Correspondingly, the unemployment rate saw a dramatic decrease from 24.0% in 2012 to 11.1% in 2023.

Table 11: Labour market indicators

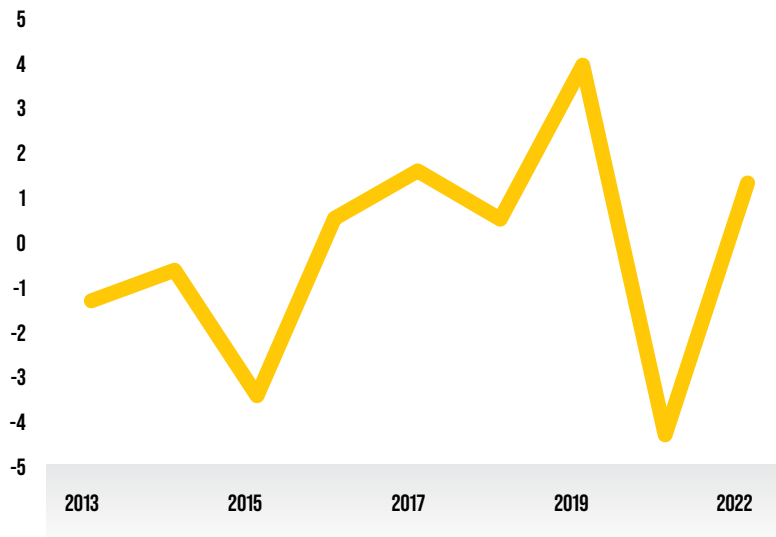
| Indicator/Unit | 2021 | 2022 | 2023 |
|--|------|------|------|
| Activity rate (% of population, period avg.) | 52.9 | 53.7 | 53.9 |
| Employment rate (% of population, period avg.) | 45.7 | 47.4 | 47.9 |
| Unemployment rate (% of labour force, period avg.) | 13.6 | 11.7 | 11.1 |

Source: wiiw (2024)

The Western Balkans has strategically positioned itself as a hub for highly skilled yet affordable labour, a key competitive advantage often highlighted in discussions about the region's economic potential. With average monthly gross wages of \$817 in 2022, labour costs in the Western Balkans are more competitive than those in many emerging and developed economies. For instance, average wages in emerging economies like Poland and Hungary often exceed \$1,180, while in de-

veloped economies such as Germany and France, they are several times higher, surpassing \$3,540 per month. This cost advantage makes the Western Balkans an attractive destination for businesses looking to capitalise on a well-educated, skilled workforce at a fraction of the labour costs in more developed regions.

Figure 9: Real unit labour costs (growth rate in %)



Source: wiiw (2024)

Real unit labour costs give important indications on the interaction between wages and productivity. Real unit labour costs measure the average cost of labour per unit of output, adjusted for productivity and exchange rate changes. A decrease in real unit labour costs indicates that labour productivity is increasing faster than labour costs, while an increase suggests the opposite. In the Western Balkans, real unit labour costs trends from 2013 to 2022 show fluctuations, reflecting changes in productivity relative to wages. From 2013 to 2015, real unit labour costs decreased. Especially a significant decrease in 2021 suggested substantial productivity gains relative to labour costs. Overall, these trends suggest that while there have been periods of rising labour costs, the region has seen significant productivity improvements, particularly in 2021.

THE GTCI AVERAGE SCORE FOR WESTERN BALKAN ECONOMIES IN 2023 WAS 45.31, RANKING THE REGION IN THE 61ST PLACE AMONG 130 ECONOMIES ASSESSED.

Source: WEF (2023)



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As pointed out, the education systems in the Western Balkans produce graduates with strong technical and professional skills, making the local workforce highly capable in IT, engineering, manufacturing, and other services. According to the 2023 OECD *Economic Convergence Scoreboard*, Western Balkans performs better than EU on average in two indicators: PISA average score and tertiary education achievement (% of pop. 25-34). Similarly, in 2023, Western Balkan economies achieved a commendable average Global Talent Competitiveness Index (GTCI) score.⁴ These facts evidence a significant progress in developing and utilising talent within the region. Compared to other emerging economies, the Western Balkans offers a promising landscape with improving educational systems, a growing pool of skilled labour, and increasing investments in innovation and technology.

Education level distributions across various demographic groups, such as employment rate, labour force composition, and working-age population show promising trends. For over a decade, there has been a consistent upward trend in the percentage of individuals categorised under “High” education levels (levels 5-8) across all three segments. This shows a sustained improvement in educational attainment across the region, contributing to rising employment rates and a more skilled labour force.

Table 12: Level of education (in % of population, period average)

| | | 2020 | 2021 | 2022 |
|-------------------------------|---------------------|------|------|------|
| Employment rate | High (levels 5-8) | 65.6 | 66.8 | 69.1 |
| | Low (levels 0-2) | 26.8 | 25.2 | 25.8 |
| | Medium (levels 3-4) | 50.4 | 50.6 | 52.2 |
| Labour force | High (levels 5-8) | 24.6 | 25.3 | 25.9 |
| | Low (levels 0-2) | 19.8 | 18.5 | 17.9 |
| | Medium (levels 3-4) | 55.6 | 56.1 | 56.3 |
| Working-age population | High (levels 5-8) | 17.3 | 17.8 | 18.1 |
| | Low (levels 0-2) | 33.4 | 32.6 | 31.8 |
| | Medium (levels 3-4) | 49.3 | 49.7 | 50.1 |

Source: wiw (2024)



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⁴ The GTCI is an input-output model that combines an assessment of what economies do to produce and acquire talent and the kind of skills that are available to them as a result.

DIGITALISATION



Relative to the EU:

On average, Western Balkans performs better on the following connectivity-related indicators:

- Mobile cellular penetration subscriptions per 100 people
- Individuals having made digital payments (% of population)



Relative to the OECD economies:

On average, Western Balkans performs better in:

- Digital Services Trade Restrictiveness Index

Source: OECD (2023)

The Western Balkans region has made significant strides in advancing its digital infrastructure. The robust digital framework plays a pivotal role in fostering entrepreneurship, enhancing productivity across industries, and attracting foreign investments.

The 2022 Digital Economy and Society Index (DESI) for Western Balkan provides a snapshot of region's digital development.⁵ The region exhibits lower DESI scores compared to the EU average, however, when compared with specific emerging economies, the region demonstrates significant competitive strengths. For instance, economies in the Western Balkans have made strides in improving broadband connectivity and digital infrastructure, often outpacing infrastructure development in the latter group of economies. In addition, they often surpass their peers in other emerging regions in terms of internet penetration rates and the adoption of digital tools in governance and public services. Finally, the region has been investing in enhancing digital skills among its workforce, potentially putting it ahead of some emerging economies in specific digital competency areas.

Table 13: DESI aggregates

| Region | DESI score | Human capital | Broadband connectivity | Int. of dig. technology | Dig. public services |
|-----------------|------------|---------------|------------------------|-------------------------|----------------------|
| Western Balkans | 29.3 | 8.4 | 7.7 | 5.2 | 8.0 |
| EU | 52.3 | 11.4 | 15.0 | 9.0 | 16.8 |

Source: RCC (2022)

⁵ DESI is an index measuring various facets of digital performance within economies, including connectivity, digital skills, internet usage, integration of digital technology, and digital public services.

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Another crucial indicator of digitalisation and technological readiness is the UNCTAD Frontier Technology Readiness Index (FTRI), which assesses a region's preparedness to adopt advanced technologies.⁶ Analysing the data from 2008 to 2021 for the Western Balkans, the overall FTRI shows fluctuating trends but with a noticeable improvement from 0.44 in 2008 to 0.54 in 2021. Specifically, ICT infrastructure and industry activity have demonstrated steady improvement over the years, reaching scores of 0.66 and 0.60, respectively, in 2021. Skills availability has also shown incremental growth, increasing to 0.52 in 2021. When compared with emerging economies, the Western Balkans exhibits competitive readiness in ICT infrastructure and access to finance, positioning it favourably in the global technological landscape.

Table 14: Frontier Technology Readiness Index (FTRI)

| | 2019 | 2020 | 2021 |
|--|------|------|------|
| Frontier Technology Readiness Index | 0.50 | 0.50 | 0.54 |
| ICT | 0.68 | 0.68 | 0.66 |
| Skills | 0.48 | 0.5 | 0.52 |
| Research and Development | 0.18 | 0.18 | 0.22 |
| Industry activity | 0.58 | 0.60 | 0.60 |
| Access to finance | 0.68 | 0.66 | 0.66 |

Source: UNCTAD (2024)

STARTUP ECOSYSTEM

In recent years, the startup ecosystem in the Western Balkans has shown increasing dynamism. The region has seen a marked rise in startup activity and investment. For instance, in recent years the early-stage funding increased by over 30%, with technology and digital services startups at the forefront. The number of startups in the region has more than doubled over the past five years, reflecting a burgeoning entrepreneurial spirit. Incubators and accelerators have been pivotal in supporting new ventures, with over 50 active programmes that provide mentorship, funding, and networking opportunities. Moreover, as pointed out repeatedly, the region boasts a skilled and youthful workforce, with more than 60% of the population under 40, which enhances the potential for innovation and entrepreneurship. This demographic advantage is complemented by increasing digital connectivity, with internet penetration rates exceeding 70%, facilitating the growth of tech-oriented startups.

⁶ FTRI evaluates key components such as ICT infrastructure, skills availability, R&D capabilities, industry activity, and access to finance, assigning each category a score between 0 and 1. Higher scores indicate greater readiness in that particular area.

The Western Balkans offers several opportunities for startups, bolstered by supportive governmental actions. Governments in the region are increasingly recognising the importance of startups to economic growth and are thus implementing measures to foster this sector. These include the provision of grants and public funding, tax incentives for private investors, and efforts to streamline business registration processes. Moreover, funds supporting R&D and innovation are pivotal in providing early-stage financial support and fostering a conducive environment for startups. These government-backed efforts are complemented by international development agencies that fund various entrepreneurial programmes, further enriching the startup landscape.

The link between the startup ecosystem and foreign investments is becoming more pronounced, as governments and local organisations actively promote the region as a viable investment destination. By enhancing the local startup ecosystem, the region is further positioning itself to attract more FDI. In this context, the integration of global business practices and networks into local ecosystems is a strategy being employed to attract foreign investors, offering them access to untapped markets and innovative local startups. This approach not only boosts the economic dynamism of the Western Balkans but also serves as a gateway for startups to enter global markets, thereby facilitating a two-way flow of capital and ideas.

INVESTMENT INCENTIVES

Investors in Western Balkans will find an extensive list of financial and non-financial incentives designed to support and enhance their investment ventures. These include tax breaks (especially related to Corporate Income Tax, VAT, Personal Income Tax, and customs duty reductions), subsidies, grants, and other forms of government support such as land concessions and expedited procedures. In total, Western Balkan governments provide 299 financial incentives and 57 non-financial incentives.⁷ Moreover, investment promotion agencies in the Western Balkans provide comprehensive support to investors, from initial inquiries to aftercare, ensuring a smooth and efficient investment process.

The financial and non-financial incentives provided by Western Balkan governments are designed to achieve a range of strategic economic and social goals. They aim to stimulate job creation and enhance competitiveness across various sectors. They support the green transition by encouraging environmentally sustainable practices and technologies. Additionally, these incentives promote market expansion and development of underdeveloped regions, helping to balance economic growth across the region. Agricultural advancement and economic diversification are also key objectives, ensuring a broad-based and inclusive economic development. Furthermore, although to

⁷ It is beyond the scope of this booklet to present the extensive list of incentives offered by Western Balkan economies. However, in 2024, the RCC will finalise a comprehensive database of all financial and non-financial incentives available in each Western Balkan economy.

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a lesser extent, the incentives aim to promote entrepreneurship, drive R&D, facilitate knowledge transfer, and advance technological innovation.

A wide range of sectors are benefiting from the incentives offered. Agriculture, food sector, and agrotourism benefit from incentives to boost rural development, ensure food security, and promote sustainable farming practices. The ICT sector is supported to drive digital transformation, enhance innovation, and create high-value jobs. Manufacturing, including textile and apparel production, receives incentives to increase productivity, enhance competitiveness, and support export-oriented growth. Tourism, a key economic driver in some Western Balkan economies, is incentivised to attract international visitors and boost local economies. The energy sector, particularly renewable energy, benefits from incentives to support the green transition and ensure energy sustainability. Education and health sectors receive incentives to improve infrastructure, access, and quality of services, promoting a well-educated and healthy workforce. Finally, waste management incentives aim to address environmental challenges and promote sustainable practices.

Two widely used instruments in the Western Balkans to promote the region as an attractive destination for foreign investors are tax instruments and free economic zones. Tax exemptions provide significant financial relief and enhance the profitability of investments. Free economic zones offer additional incentives such as simplified regulatory procedures, infrastructure support, and further tax benefits, creating an appealing environment for businesses to establish and expand their operations.

Tax incentives and other exemptions

Tax incentives are a crucial factor for foreign investors seeking to establish a business presence in a new market, or expanding the existing activities. These incentives can lower the initial cost of investment, improve profitability, and create a more favourable business environment. Recognising this, Western Balkan economies offer a wide range of tax incentives. The structure provides valuable insights into the specific benefits available to foreign investors, making it easier to assess the financial feasibility of doing business in the region.



Table 15: Taxes in Western Balkans

| | Lowest | Highest |
|----------------------|--|---|
| Corporate Income Tax | 0% | 15% |
| Customs duties | 0% | 35% |
| Personal Income Tax | 0% | 23% |
| Value Added Tax | Standard rate: 17% Reduced rate: 5% | Standard rate: 21% Reduced rate: 10% |
| Withholding tax | 5% | 20% |
| Capital Gains Tax | 9% | 15% |
| Transfer Tax | 0.1% | 4% |
| Property Tax | 0.05% | 2% |
| Environmental taxes | Yes | |
| Excise Tax | Yes | |

Source: Local authorities (2024)

Overall, the tax structure in the Western Balkans appears conducive to attracting foreign investment, offering competitive rates that are generally lower or on par with those found in other developing and emerging markets. Here are the highlights:

- Corporate income tax rates in the region range from 0% to 15%, frequently placing foreign investors in the lower bounds of the rate, often between 0% and 5%, which is notably lower than in many emerging economies where rates often range from 20% to 30%;
- Customs duties in the Western Balkans offer a broad spectrum of levels. Since most of the Western Balkans trade is liberalised, most investors benefit from customs duties of 0%. Higher rates are imposed on non-preferential partners, whereas many emerging economies have similar or higher upper limits to protect domestic industries;
- Personal income tax rates in the Western Balkans vary, with a maximum being 23%. These rates are competitive, particularly the lower end which can serve as an important factor to attract foreign investment; this compares favourably to emerging economies where personal income tax rates can reach up to 30% or higher;
- The VAT standard rate ranges from 17% to 21%, which is on par with or slightly lower than many emerging economies where VAT rates often exceed 20%;
- Withholding taxes in the Western Balkans range from 5% to 20%, and capital gains taxes from 9% to 15%, and are generally competitive, aligning closely with the lower to mid-range rates found in emerging economies;

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- Transfer taxes (in many economies known as Property Transfer Tax) and property taxes are also relatively modest, with the highest rates at 4% and 2% respectively, compared to higher rates often seen in other developing markets;
- Excise taxes in the Western Balkans are applied to specific goods such as alcohol, tobacco, petroleum products, and other goods;
- Environmental taxes in the Western Balkans have been aiming at promoting sustainable development and reducing the environmental impact of economic activities. These taxes target various sectors and activities, including emissions, waste management, water usage, energy consumption, and natural resources;

Western Balkan economies have each signed a number of Double Taxation Agreements (DTAs). DTAs facilitate cross-border/ boundary trade and investment by clarifying the tax obligations of foreign investors and mitigating the risks of double taxation on income such as dividends, interest, and royalties.

Table 16: DTAs in Western Balkans

| | Lowest | Highest |
|---|--------|---------|
| Double Taxation Agreements (DTA) | Yes | |
| Number of DTAs per economy | 20 | 65 |

Source: Local authorities (2024)

In the Western Balkans, the data shows that employer contributions range from 5% to 31%, and employee contributions range from 5% to 18.8%. The higher bound rates are found in economies that mandate contributions to pension and disability insurance, health insurance, and unemployment insurance. In contrast, some economies have simpler systems, requiring contributions only to the pension fund, resulting in lower overall rates. Compared to emerging economies, the social security contribution rates in the Western Balkans are relatively competitive, with the lower bounds being particularly attractive for investors looking to minimise labour costs.

Table 17: Social security contributions

| | Lowest | Highest |
|------------------------------|--------|---------|
| Employer contribution | 5% | 31% |
| Employee contribution | 5% | 18.8% |

Source: Local authorities (2024)

Western Balkan economies provide additional reductions, exemptions and trade facilitation measures to enhance trade and investments. Two common examples are temporary imports, and inward and outward processing. Temporary imports allow goods to be brought into an economy for a specific use without paying full customs duties. These goods are then re-exported within a set time-

frame. Inward and outward processing involve importing materials for processing or assembling into a final product, which is then exported. This allows duty to be paid only on the value-added for the processing in the economy. Finally, recognising the importance of efficient customs clearance, Western Balkan economies are making significant strides to establish fully functioning Single Window facilities. These one-stop shops aim to simplify trade by allowing all import, export, and transit documentation to be submitted electronically through a single portal. This can significantly reduce administrative burden and processing times for businesses.

Free economic zones

A key initiative to lure foreign investors to the Western Balkans has been the creation of Free Economic Zones (FEZs), currently numbering around 40. This number is constantly growing, as many more zones are in various stages of development. These zones provide a package of enticing incentives: tax breaks like reduced corporate income tax for a set period (see above), exemptions from customs duties on imported goods and exported finished products, streamlined bureaucracy to expedite business registration and licensing, and modern infrastructure providing efficient transportation links, reliable utilities, and industrial buildings. Some FEZs even offer flexible labour regulations, allowing for easier hiring and potentially lower labour costs.

INVESTMENT SECTORS

Over the past decade, the Western Balkans has successfully attracted substantial FDI, particularly in the manufacturing sector, which continues to be highly attractive to foreign investors. However, there is a substantial potential not only in manufacturing but also in ICT and green investments, especially in renewable energy and sectors related to climate adaptation efforts such as agriculture, transport, construction, water, waste management, and tourism. These sectors present significant growth opportunities and are pivotal to achieving the region's sustainable development goals.

Manufacturing Sector



**THE MANUFACTURING SECTOR EMPLOYMENT IN
2022:**

1,147,919

Source: wiiw (2024)

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Manufacturing is a cornerstone of the Western Balkan economies, significantly contributing to GDP growth and employment. On average, manufacturing accounts for 12.2% of GDP and just below 15% of total employment across the all Western Balkan economies. The region's manufacturing sector is export-oriented, with manufactured goods constituting 76% of total exports between 2017 and 2021.

In-depth OECD⁸ and the European Commission⁹ reports reveal that within the broad manufacturing sector, a few activities stand out. Specific sectors such as agro-food, metal processing, automotive, machinery, and textiles significantly contribute to employment, export, value added, and ultimately economic growth:

→ **Agro-food industry**

- ▶ Largest contributor to gross value added (11.7% of GDP);
- ▶ Highly labour-intensive, providing employment for a significant portion of the workforce;

→ **Metal processing industry**

- ▶ Integral to the manufacturing base, supporting a range of other sectors;

→ **Automotive industry**

- ▶ Highly export-oriented, accounting for 24.6% of total exports;
- ▶ Offers substantial opportunities for further FDI, especially in the context of near-shoring trends;

→ **Machinery**

- ▶ Essential for both domestic use and export, benefiting from the region's skilled labour force;

→ **Textiles**

- ▶ Value added ranges between 2% and 4% of GDP;
- ▶ Contributes significantly to the employment, especially female employment.

The Western Balkans manufacturing sector has significant competitive advantages that make it an attractive destination for investment:

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8 OECD (2019). Unleashing the Transformation Potential for Growth in the Western Balkans. OECD. Retrieved from: https://www.oecd.org/south-east-europe/programme/Unleashing_the_Transformation_potential_for_Growth_in_WB.pdf.

9 Matusiak, M., Radovanovic, N., Rakhmatullin, R., Stehrer, R., Beraha, I., Berrer, H., Boch, M., Djuricin, S., Graser, G., Jovanovic, B., Korpar, N., Ljumovic, I. and Marjanovic, D., (2022) *Analysis of Value Chains in the Western Balkan Economies- Enriching the Potential for Regional Cooperation in Priority Areas*, Matusiak, M., Radovanovic, N. and Rakhmatullin, R. editor(s), EUR 31024 EN, Publications Office of the European Union, Luxembourg, 2022, ISBN 978-92-76-49489-8, doi:10.2760/47718, JRC126816.

The average monthly gross wage in manufacturing:



Source: wiiw (2024)



- It has a large, cost-competitive, and skilled labour pool dedicated to manufacturing. Furthermore, the Western Balkans offers competitive operating costs, with lower wages and overheads compared to other European manufacturing hubs;
- The sector has a growing export orientation, supported by the growing number of free trade agreements that facilitate easier access to international markets;
- The Western Balkans benefits from robust supply chain networks that support efficient production and distribution;
- The region's governments have implemented supportive policies, including tax incentives and streamlined regulations, to foster a business-friendly environment conducive to manufacturing activities;
- There is also a long tradition in various manufacturing disciplines, such as textiles, automotive, and machinery, which provides a solid foundation for industrial development;
- The region's infrastructure is continually improving, with significant investments in transportation and logistics, making it easier for manufacturers to connect with global markets.

Overall, these advantages position the Western Balkans as an important location for investments in manufacturing. The Western Balkan economies are well positioned to benefit from the ongoing trend of nearshoring, driven by supply chain disruptions and rising labour costs in traditional emerging markets.

Information and Communication Technology



THE ICT SECTOR EMPLOYMENT IN 2022:

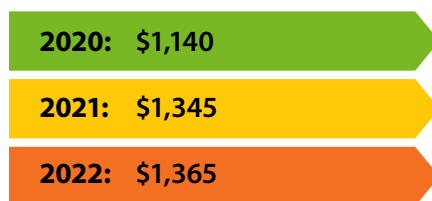
93,976

Source: wiiw (2024)

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The ICT sector is pivotal for economic modernisation and growth in the Western Balkans. It fuels innovation, creates high-skilled jobs, and boosts productivity. The sector contributes approximately 2% to GDP and employs around 2.9% of the workforce. ICT exports constitute 11.2% of total service exports, amounting to over \$14 billion between 2018 and 2022. The region has been a net exporter of ICT services for over a decade. The region's ICT sector outperforms some established EU economies in key digital indicators, making it a promising area for investment.

The average monthly gross wage in ICT:



Source: wiiw (2024)

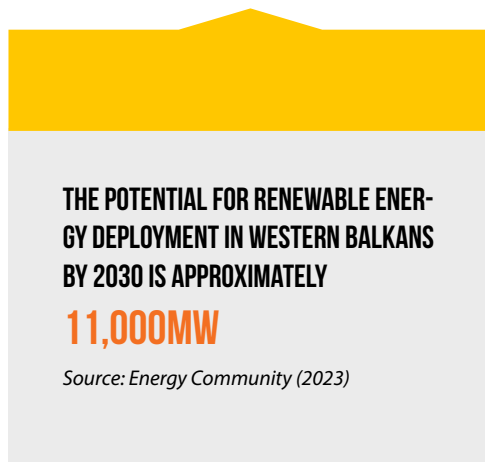


The Western Balkans ICT sector offers numerous competitive advantages, making it a highly attractive sector for investment:

- A well-educated population, with a growing talent pool in computer science, engineering, and related fields. This skilled labour force is available at competitive rates;
- Major upgrades in telecommunications infrastructure, including high-speed internet and reliable data centres, are taking place across the region;
- Governments in the region are also fostering a business-friendly environment through streamlined regulations and tax incentives. In addition, local governments are proactive in supporting the ICT sector, providing funding for tech incubators and accelerators, and promoting digital literacy and entrepreneurship;
- The region has a strong tradition of technical education, supported by numerous universities and research institutions producing highly qualified graduates. This continuous influx of talent ensures a dynamic and capable workforce;
- The Western Balkans has a growing reputation for excellence in software development, cybersecurity, and IT services, driven by a burgeoning start-up ecosystem and increasing venture capital investments;
- Finally, the region is experiencing a digital transformation, with significant investments in e-governance and digital public services, creating a conducive environment for ICT innovation and application. This transformation is bolstered by the commitment to aligning with EU standards and practices, ensuring regulatory stability and predictability for investors.

In conclusion, with a technologically proficient population and robust infrastructure, the ICT sector in the Western Balkans is set for substantial growth, presenting abundant opportunities for foreign investors.

Renewable Energy



Renewable energy is crucial for the Western Balkans, given the region's heavy reliance on coal-fired power generation. Transitioning to renewable energy sources is essential for reducing greenhouse gas emissions and achieving climate goals. Through the Sofia Declaration and by adopting the GAWB, governments in the region have pledged their support for ambitious environmental initiatives, including the Paris Agreement on climate change and the European Green Deal, outlining a roadmap for a sustainable future.

Over the past three years, FDI in renewables has surged globally, surpassing fossil fuel investments, with renewable energy becoming the top recipient of FDI in 2023, attracting \$348 billion and creating 91,600 jobs in 2022, 62% of which are from planned projects in hydrogen production and other emerging clean technologies. This presents enormous opportunities for Western Balkans, which is ideally positioned to benefit from the ongoing global energy transformation. And, indeed, this is currently happening. A record 22 greenfield FDI renewable energy projects were announced across the Western Balkans in 2023. This marks an increase from 13 projects a year earlier and 7 projects in pre-pandemic 2019.

The region has an immense potential for renewable energy production. With high solar irradiation levels, the region basks in sunshine for extended periods, making it prime territory for solar energy production. Additionally, strong average wind speeds create ideal conditions for wind farms. Furthermore, geothermal resources in certain areas hold the potential to provide consistent and reliable clean power.

Institutional support for renewable energy is strong, with governments enacting policies and regulatory frameworks that encourage investment in this sector. These frameworks provide stability and clarity for businesses, increasing the likelihood of investment in solar, wind, and other renewable energy projects.

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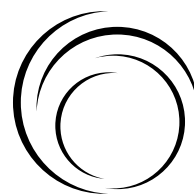
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