



# Western Balkans Competitiveness Outlook 2024

Friends of SEE meeting

28 May 2024

**OECD South East Europe** Regional Programme



# Outline




**1. KEY FEATURES OF THE WESTERN BALKANS COMPETITIVENESS OUTLOOK 2024**

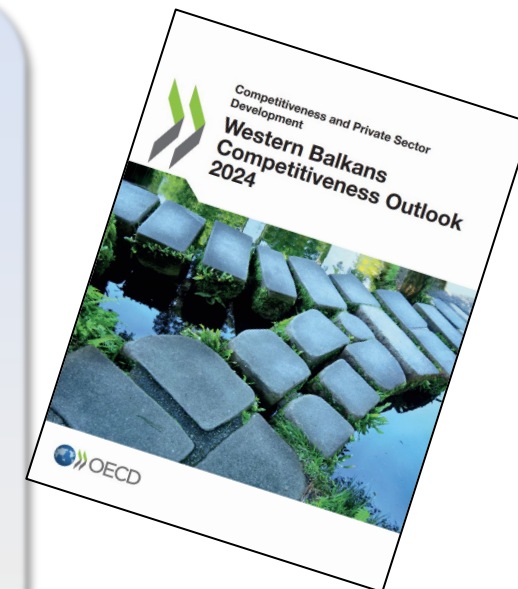


**2. KEY ACHIEVEMENTS AND CHALLENGES OF THE WESTERN BALKANS COMPETITIVENESS OUTLOOK 2024**



# Key features of the Western Balkans Competitiveness Outlook 2024

- 
- Assessment of the **15 policy areas by more than 400 qualitative and quantitative indicators**
    - Qualitative indicators reflect latest relevant OECD tools, good practices, and dominating policy trends in the OECD/EU. They enable to benchmark policies among the WB6.
    - Quantitative indicators enable to benchmark policy outputs and outcomes among WB6, OECD and EU peers
    - The assessment period covers between **March 2021 – March 2024**
  - **6 economy profile reports**, providing insights into economy-specific policy challenges & solutions
  - **1 regional profile report**, grouping the findings across 5 policy clusters key to economic convergence (infrastructure, skills, business environment, digital transformation, greening).



\*This is a mock-up cover, to be approved. The final version may look different.

- 
- **Integrates green and digital transition as a horizontal feature:** To reflect the high importance of the green and digital agendas for the Western Balkans, the OECD introduced 16 new qualitative indicators under different policy dimensions:
    - 1) Strategic framework of sustainable investment; 2) Financial and technical supports for sustainable investment; 3) Digital trade facilitation and logistics; 4) OECD Digital Trade Inventory; 5) Digitalisation of financial services; 6) Sustainable resource use, production and consumption; 7) Research, innovation, technology transfer and digitalisation (RITTD); 8) Food safety, animal and plant health; 9) Digital skills development; 10) Green skills development; 11) Workforce skills for the digital transition; 12) Greening jobs; 13) Smart transport; 14) Green digital sector; 15) Emerging digital technologies; 16) Energy sector decarbonization.
  - **Explores the policy impact of the Russian aggression against Ukraine**, whenever relevant,
  - **As the EU integration/accession for the region advances, closer look at the alignment with the EU acquis & regulations**



# Outline



**1. KEY FEATURES OF THE WESTERN BALKANS COMPETITIVENESS OUTLOOK 2024**



**2. KEY FINDINGS AND CHALLENGES OF THE WESTERN BALKANS COMPETITIVENESS OUTLOOK 2024**

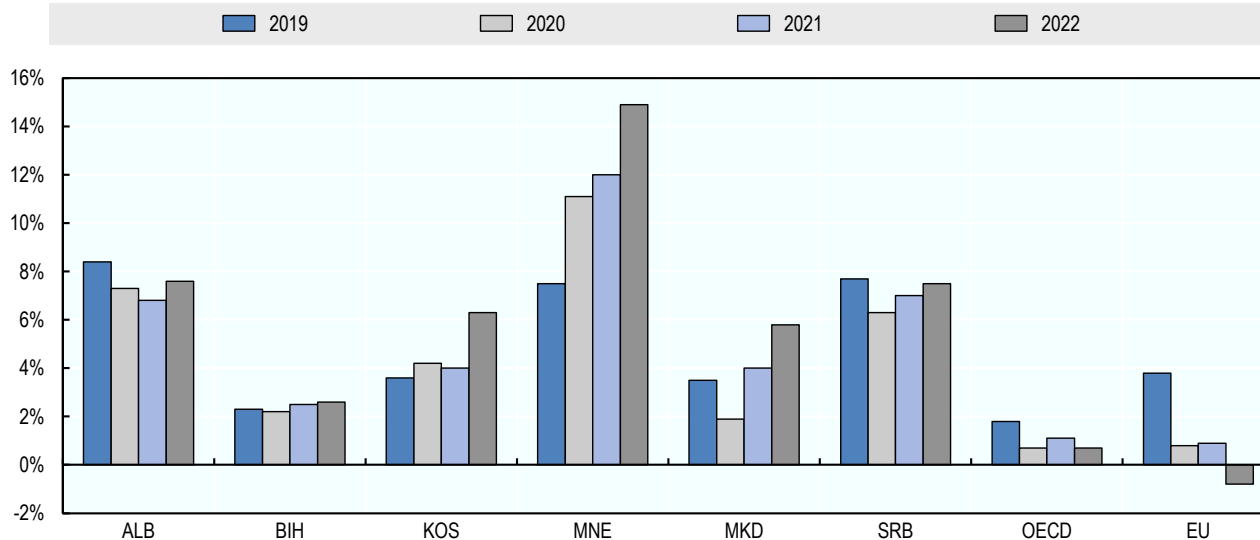


# Key policy achievements

## i) Conducive policy environment contributes to enhanced trade and investment

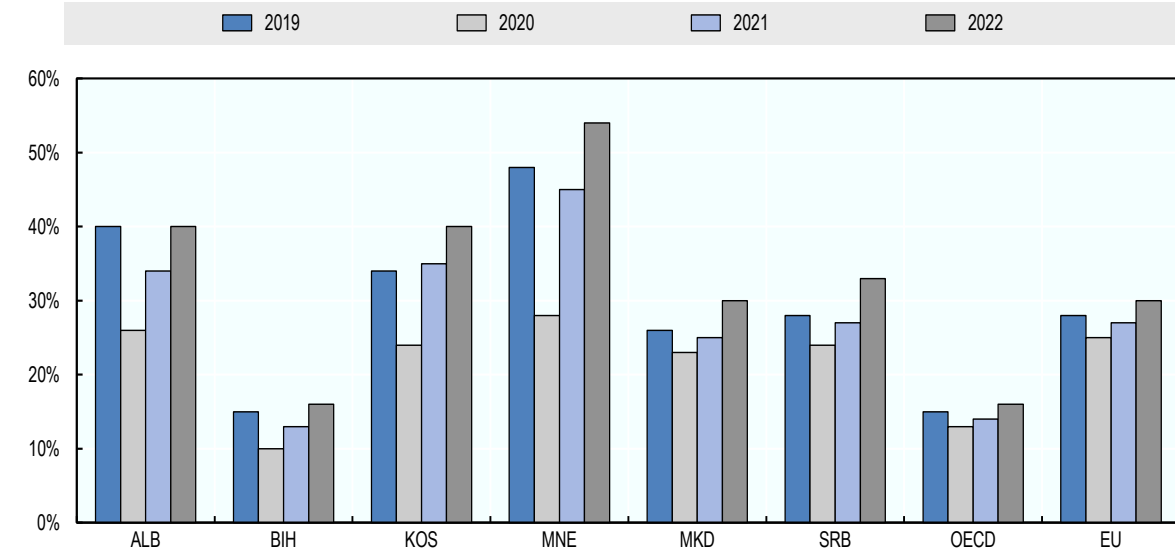
**FDI inflow and services' trade have mostly surpassed pre-pandemic levels across the region.**

Net FDI inflows (% of GDP)



Source: UNCTAD (2023), "UNCTADstat: Data Centre," <https://unctadstat.unctad.org/wds/>; World Bank (2023), *Western Balkans Regular Economic Report No.24: Toward Sustainable Growth*, <https://openknowledge.worldbank.org/handle/10986/40496>.

Trade in services (% of GDP)



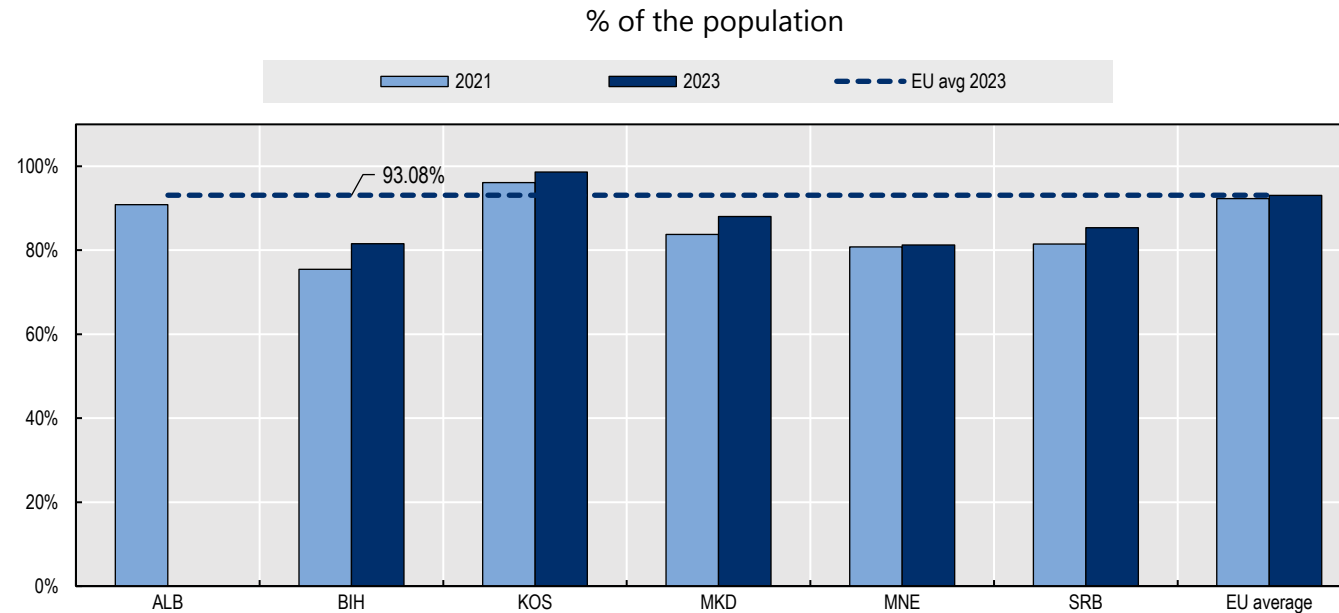
Source: World Bank (2022), "World Development Indicators: Trade in services (% of GDP)," <https://databank.worldbank.org/reports.aspx?source=2&series=BG.GSR.NFSV.GD.ZS&country=ALB,XKX,SRB,BIH,MNE,MKD>.

- **With fewer statutory restrictions on FDI, the region has attracted notable inflows of FDI.** Yet, inflows are not always channeled into export-oriented and productive sectors (e.g. real estate).
- **Generous fiscal incentives exist to attract FDI.** Its composition has become less distortive, and they are being evaluated for effectiveness.
- **The region improved its trade facilitation performance based on OECD Trade facilitation indicators,** on the back of digitalisation of customs procedures and streamlining import and export procedures.
- **Growing investment in innovation infrastructure supported the growth of the ICT sector.** Between 2018-22, ICT service exports in the region grew from USD 2 billion to USD 4.3 billion.

# Key policy achievements

## ii) Digitalisation is leveraged for enhanced competitiveness

### Access to internet improved, approaching the EU average.



Source: World Bank (2024), "World Development Indicators: Individuals using the Internet (% of the population)," <https://data.worldbank.org/indicator/IT.NET.USER.ZS>.

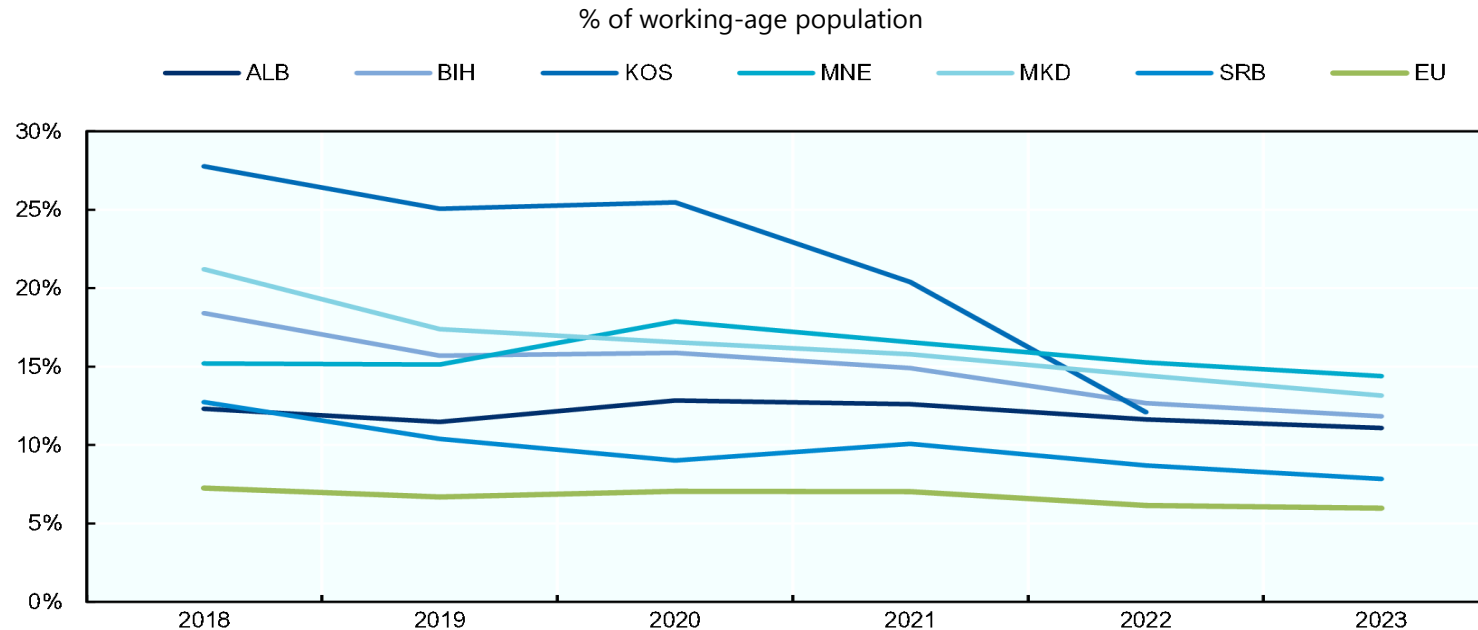
- **Broadband coverage and quality have improved.** Available fibre connections have risen to 33% in 2022 (compared to 58% in the EU).
- **Government services are increasingly digitalised.** User-centric e-service portals have grown in scope and quality. Implementation of electronic identification and payment systems advanced, being integrated with e-service portals.
- **Students' acquisition of digital skills has advanced.** Digital competence frameworks have been adopted, leading to the inclusion of information and communication technology (ICT) courses in school curricula.
- **Businesses are supported to adopt digital technologies, develop e-commerce and e-business, and engage in digital innovation.** Businesses with a website and selling online are on the rise.



# Key policy achievements

## iii) The regional labour market demonstrates robust performance

**Unemployment rates declined across the region, reaching a historical low of 10.9% in 2023.**



Source: World Bank (2024), "World Development Indicators,"; World Bank (2024), *Western Balkans Regular Economic Report: Invigorating Growth* (Washington, DC)

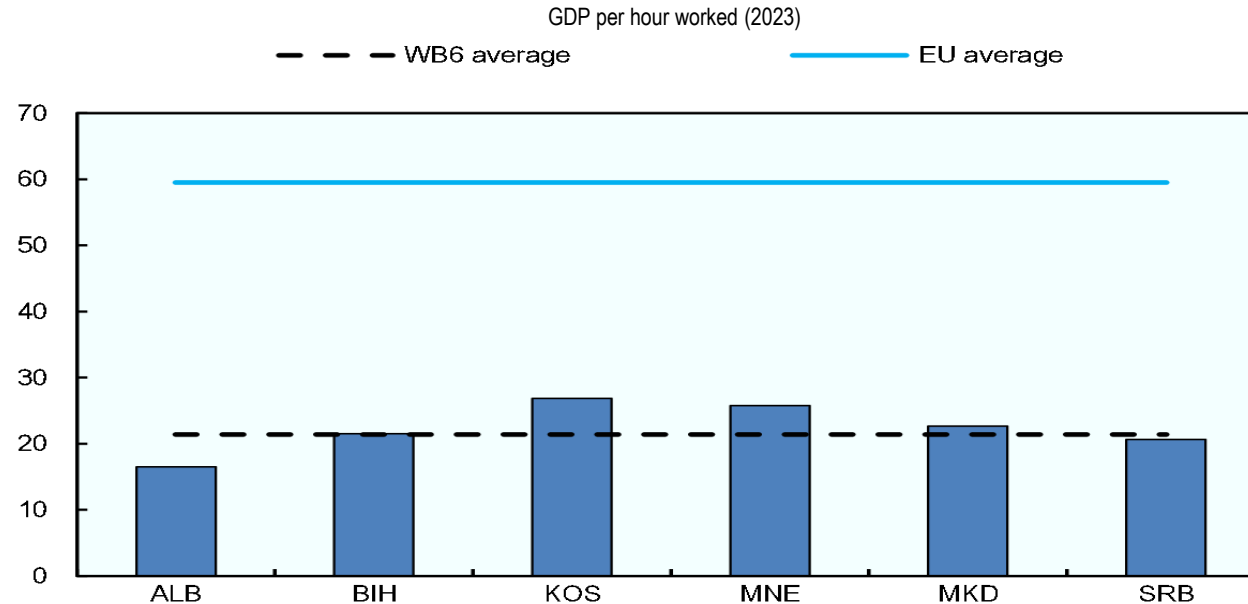
- **Implementation of youth guarantee schemes has flourished**, curbing youth inactivity and unemployment.
- **Growing initiatives exist to promote women participation in the labour force** (e.g. provision of childcare, flexible working hours) **and women entrepreneurship**. The difference in male-female labour market participation rate has come down to 18%.
- **Vocational education and training (VET) systems undergo modernisation**. A growing emphasis is given on work-based learning.
- **Immigration policies have been revisited to meet growing labor demand**. Number of temporary foreign workers increased by more than 60% since 2018.



# Key policy recommendations

## i) Prioritise skills development

**Low labour productivity hinders faster economic convergence in the Western Balkans.**



Note: All data comes from 2023 except KOS (latest data available from 2019).

Source: ILOSTAT, "ILO Modelled Estimates (ILOEST database)"; World Bank (2024), "World Development Indicators"; Government of Kosovo, "Economic Reform Programme (ERP) 2022-24".

- **The region faces widespread skills gaps and imbalances.** 31% of businesses note that the education system fails to provide necessary skills.
- **Students in the Western Balkans lag behind their EU and OECD counterparts in learning outcomes.** In the 2022 PISA, 79% of 15-year-olds in the region were low performers in at least one subject – far above the OECD average (45%).
- **Skills intelligence systems are underdeveloped.** Irregular analyses, decentralised data collection and the overarching lack of predictive tools limit the efficacy of intelligence systems to inform about current and future skills needs.
- **Reskilling and upskilling programmes are undeveloped.** Incentives are needed to boost adult participation in lifelong learning.

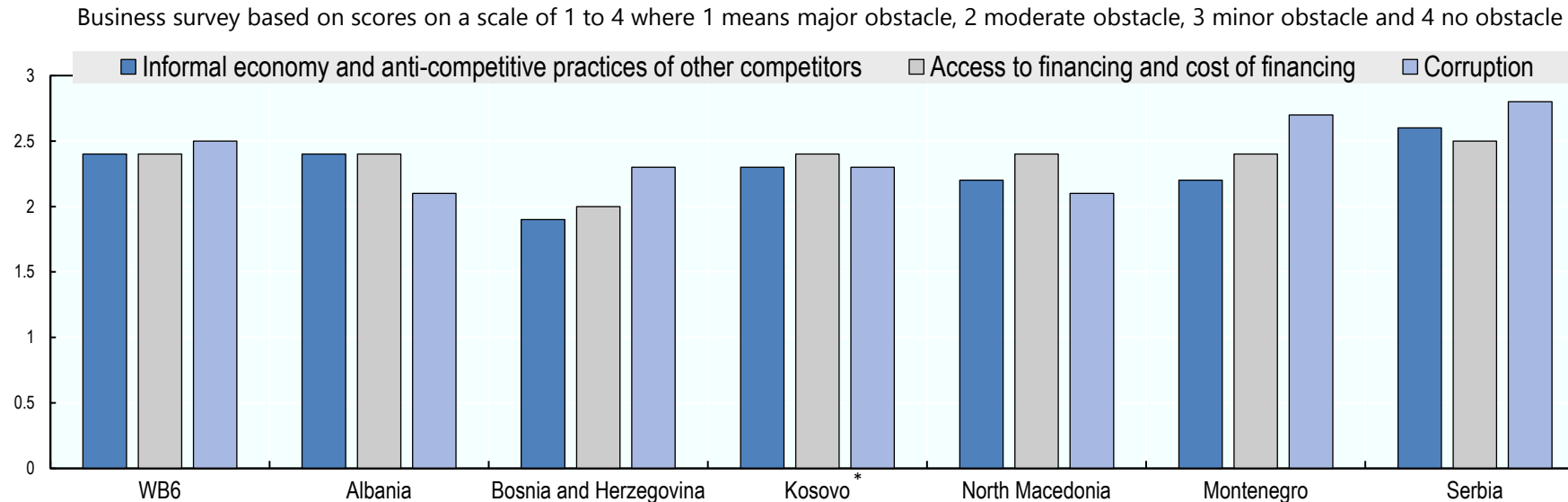




# Key policy recommendations

## ii) Ensure a level-playing field for businesses

### Businesses view informality as a growing constraint, ahead of access to finance and corruption.



Source: Regional Cooperation Council (2023), *Balkan Barometer 2023: Business Opinion*, <https://www.rcc.int/balkanbarometer/publications>.

- **SOEs in the region, are often loss-making, and lack centralised and clear ownership policies.** In some cases, they are not subject to the same laws and regulations as private companies.
- **Businesses view corruption as an obstacle to their growth.** There is a need for sustained and long-term anti-corruption policy frameworks and strengthened corporate liability measures to effectively combat corruption.
- **With rising interest rates & phasing-out of COVID-19 schemes, SMEs' access to bank financing is getting more difficult.** Less than 40% of total loans go to SMEs, compared to 50% in the EU.
- **Informal practices continue to negatively affect competition.** Work without an employment contract (10.5%) & different remuneration than declared (21.9%) are the most common forms of informality.

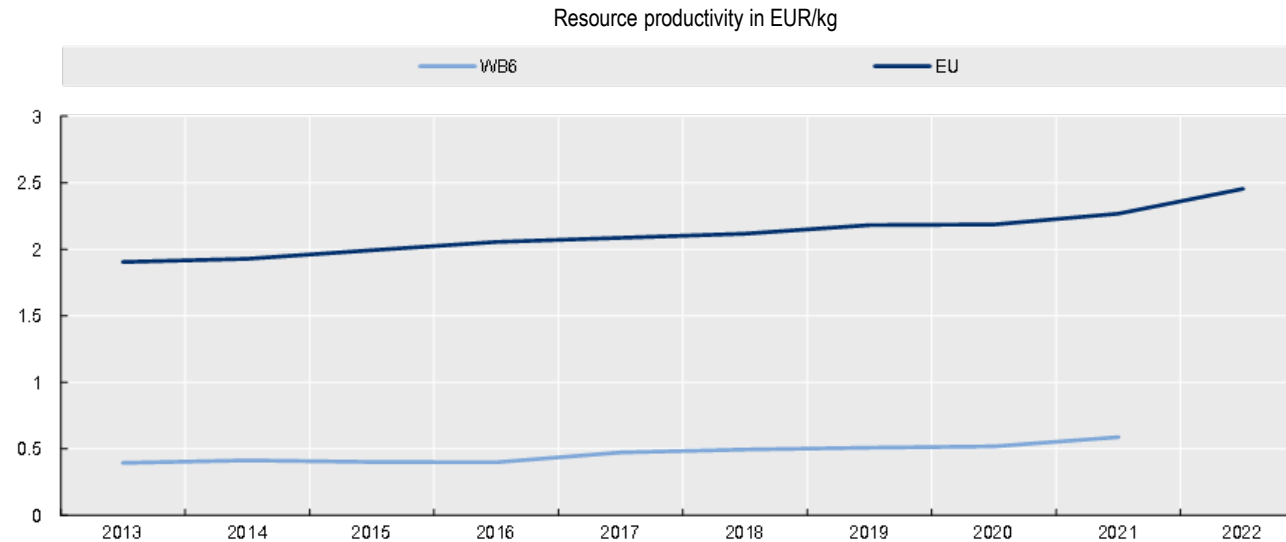
\* This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



# Key policy recommendations

## iii) Ensure the sustainability of economic growth

**Resource productivity remains three times lower than in the EU.**



Note : No data available for Kosovo and no data for Bosnia and Herzegovina before 2015.  
Source : Eurostat (2023[44]), "Resource productivity", [https://ec.europa.eu/eurostat/databrowser/view/env\\_ac\\_rp\\$defaultview/default/table](https://ec.europa.eu/eurostat/databrowser/view/env_ac_rp$defaultview/default/table).

- **The carbon intensity of the Western Balkans**, stemming largely from the reliance on fossil fuels, **is almost twice that of the EU**, raising concerns about environmental sustainability and the efficiency of economic production.
- **Policies supporting the decarbonisation of businesses remain insufficient.** Green finance and training for the private sector on compliance with increasing mitigation measures are scarce.
- **Low resource productivity negatively impacts non-renewable resource supply.** The promotion of a circular economy is imperative to future-proofing regional economies.
- **Biodiversity conservation and ecosystem health face challenges stemming from economic activities**, especially from tourism, mining, and agriculture.

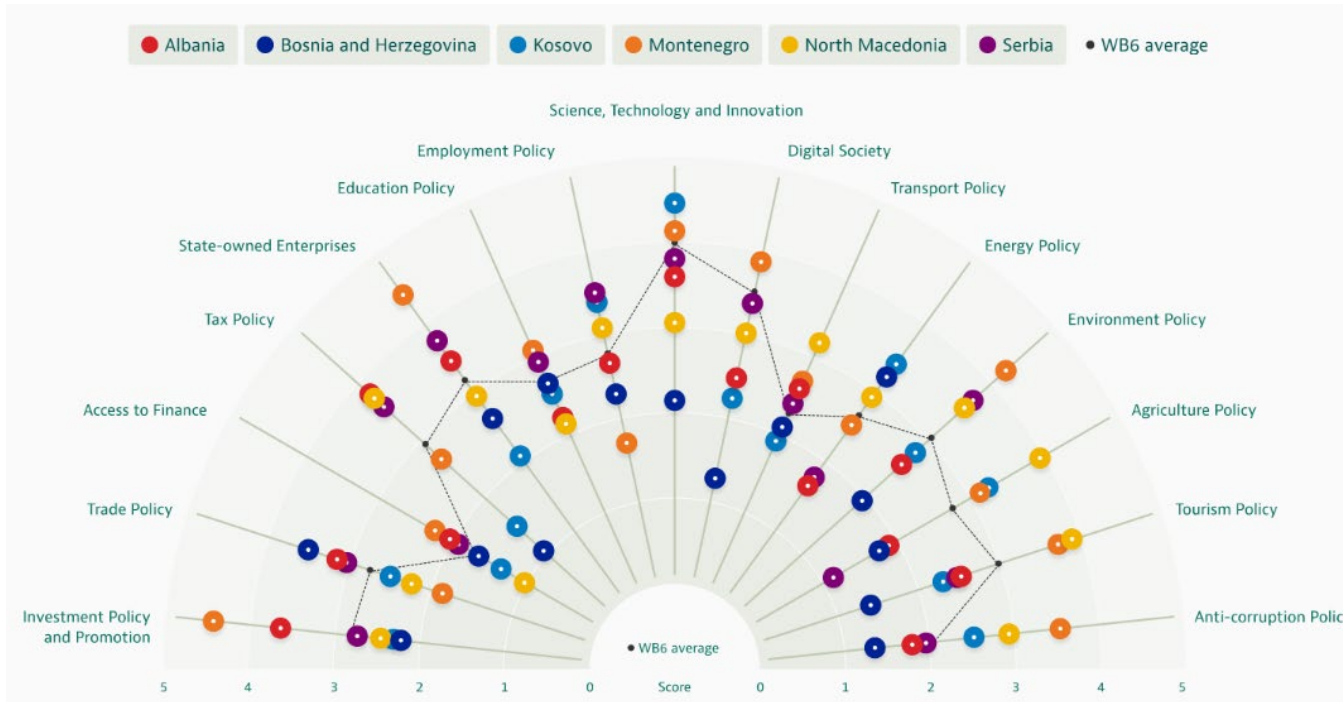
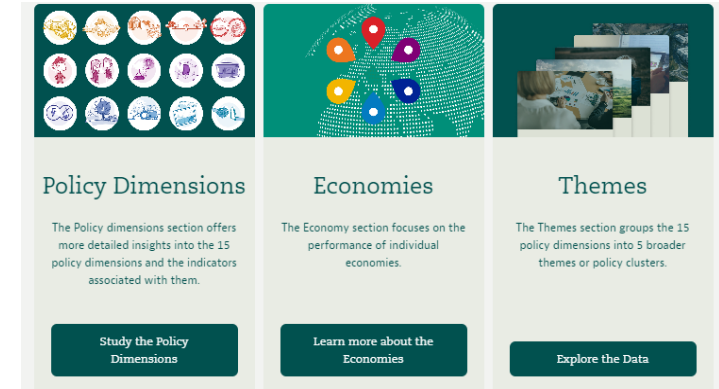


# Western Balkans Competitiveness Data Hub

A novel way to present findings for policy-makers

[westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org) (to be launched on 26 June)

- **Visualising the results** of Competitiveness Outlook 2024 **and comparing** with peer economies.
- Creating the **benchmarking criteria for the scoring system** for each qualitative indicator & adding these to the data hub to better demonstrate the justification and rationale of scores.
- **Data can be explored through different lenses**, navigating sections by policy dimension, economy or policy cluster.



Indicator: Accommodation capacity and quality

Economy Score 2024

| Scoring Criteria   | 2.4 WB6 Average | 2.5 ALB | 1.5 BIH | 1.5 KOS | 4.0 ANE | 1.5 MKD | 3.5 SRB |
|--|-----------------|---------|---------|---------|---------|---------|---------|
| This dimension assesses the performance of the Western Balkan economies in developing competitive and sustainable tourism.                                     | ✓               | ×       | ×       | ×       | ✓       | ✓       | ✓       |
| The government adopted the planned accommodation quality standard framework.   | ✓               | ×       | ×       | ×       | ✓       | ✓       | ✓       |
| The sharing economy is regulated.  | ✓               | N/A     | N/A     | N/A     | ×       | ✓       | ✓       |
| The measures for facilitating the investments in renovation and / or building up new high quality private accommodation are implemented according to the plan. | ✓               | ×       | ×       | ×       | ×       | ×       | ×       |
| There is evidence that a regular inspection of quality standards is implemented.   | ✓               | ×       | ×       | ×       | ×       | ✓       | ✓       |
| Requirements for people with disabilities are included in quality standards for accommodation.   | ×               | ×       | ×       | ×       | ×       | ✓       | ✓       |
| Energy efficiency requirements are included in the accommodation quality standard framework.   | ✓               | ×       | ×       | ×       | ×       | ✓       | ×       |
| Monitoring takes place systematically vis-à-vis the framework and adjustments are made accordingly.  | ×               | ×       | ×       | ×       | ×       | ✓       | ×       |
| An independent ex-post evaluation has been conducted to assess the effectiveness of the implemented measures and to take corrective action.                    | ×               | ×       | ×       | ×       | ×       | ×       | ×       |

**Thank you for your attention!**

For further information please contact:

**Ms. Marzena Kisielewska**

*Head of the OECD South East  
Europe Division*

e-mail: [marzena.kisielewska@oecd.org](mailto:marzena.kisielewska@oecd.org)

**Mr. Umur GOKCE**

*Economic Advisor at the OECD South East  
Europe Division*

e-mail: [umur.gokce@oecd.org](mailto:umur.gokce@oecd.org)

**Mr. Ali-Fuad TURGUT**

*Project Manager of the Western Balkans  
Competitiveness Outlook  
OECD South East Europe Division*

e-mail: [alifuad.turgut@oecd.org](mailto:alifuad.turgut@oecd.org)