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BALKAN BAROMETER 2022 BUSINESS OPINION



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BALKAN BAROMETER 2022

BUSINESS OPINION

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FOREWORD

The Regional Cooperation Council has the pleasure to present the 2022 edition of the Balkan Barometer- the annual survey of Western Balkan citizens and business perceptions. The analysis of the results provides a detailed insight into trends and evolution of the attitudes of thousands of region's citizens and businesses across socio-economic-environmental topics affecting their everyday lives. We are certain that monitoring the public sentiment will once again prove to be of a great importance to understand the citizens' and businesses' attitudes towards current situation and the expectations for the region's recovery under the new circumstances created as result of a war in the European continent amid the pandemic.

The period when the interviews were conducted coincided with the emergence of the new strain of SARS-COV2 virus, labelled Omicron2 that led to an increase in cases throughout the region, followed by the outbreak of war in Ukraine. Therefore, this Barometer edition reflects the new reality created on one hand by the pandemic entering the third year and on the other hand, by the war in Ukraine which has the potential to re-define global security for the decades to come. Without doubts, the findings of this last edition are particularly significant in offering a clear understanding of what these subsequent global crises mean on the ground, what are the impacts and consequences in the economy and daily life of the citizens, and what are the citizens' prospects.

This extreme moment has created opportunities for greater solidarity and sentiments for stronger cooperation in the region. We are particularly proud that this year's edition reconfirms the ongoing incremental improvements in sentiment in the region related to regional cooperation. Solidarity can be easily described as the epitome for the Western Balkans, as more than two-thirds (69%) of participants believed that what brings the region together is bigger than what drives it apart (from 29% in 2020). The vast majority of citizens in the Western Balkans (76%) saw a positive correlation between regional cooperation and better political, security and economic situation. Additionally, findings note an increase of positive feelings related to the region. While in 2020, 36% of respondents associated positive feelings with the Western Balkans, this number has incremented by 6 points.

As the COVID-19 pandemic has almost been overcome in all economies of the region, the virus threat perception is much lower. However, the region is still on the recovery path from the pandemic, and in light of the war in Ukraine, the possible new socio-economic challenges have the potential to jeopardise the IMF projections that the WB economies will return to the pre-pandemic GDP level over 2022.

Economic development and unemployment remain the two most pressing obstacles in the region. The current economic situation is considered the biggest challenge by 47% in the Western Balkans. On the other hand, unemployment is most detrimental to the economy, according to 39% of respondents. Corruption is again ranked third with 27%, while emigration the share of those seeing emigration as a negative trend is increasing (18%, from 13% in 2020).

Confidence in the socio-economic benefits of EU membership prevails in the region, with 60% endorsing accession. While in general the Western Balkan economies are the EU's greatest cheerleaders, the number of respondents who expect EU integration by 2025, has further subtracted (22% from 24% in 2020 and 28% in 2019). In addition, 28% of participants considered EU acces-

sion a mere desire rather than a realistic scenario and this percentage is consecutively rising. 37% others believed that their economies would integrate in the EU by 2030 the latest. This worrying trend can be understood as a direct consequence of the frustration in the region at consecutive delays in moving forward on the EU path. More than ever before the EU must be firm in accelerating merit-based prospect of EU membership for the Western Balkans first and foremost as a geostrategic investment in the EU's own security.

Results of this cycle of the Balkan Barometer show that the region remains firmly in favour of more free trade in the region and with the EU. Despite a moderate decrease, support for strengthening trade links within the region remains high (a regional average of 51% of respondents, 58% in 2020), while almost one-third (31%, same as in 2020) believe current trade links within the region are sufficient. The share of those expecting that the entry of foreign companies into the domestic market will improve conditions for costumers is as high as in the previous round (68%).

However, the number of those not aware is to be read in conjunction with the fact that 40% of the respondents had not recently travelled in the region and consequently did not made use of the roaming free regime.

When it comes to environment, the level of climate awareness has not changed. Over two-thirds (67%) consider climate change a problem and nearly a third (31%) do not see it as a pressing concern. Less people than a year ago (66%, 73% in 2020) see pollution as a problem. In addition, half of respondents of the region are sceptical of achieving climate neutrality by 2050%. Six in ten respondents (62%) are willing to buy environmentally friendly products even if they cost more. A vast majority of over three-quarters (77%) of survey participants are unaware of what circular economy is.

These figures are a strong call to action for promoting environmental awareness and education of citizens for better understanding of natural environment protection and the activities that can cause harm to the environment. Proper information of citizens about the environmental challenges that the region faces, and inspiring them to act by demanding change will also support the implementation of the ambitious Green Agenda for the Western Balkans.

INTRODUCTION

The release of the eighth edition of the Balkan Barometer comes at times when Europe is facing unparalleled challenges to its security, while still facing the perils of the economic crisis induced by the outbreak of the Covid-19. The war has aggravated uncertainties caused by the pandemic in ways that will reverberate across the world, and the Western Balkans region cannot remain intact. Yet, the 2022 edition of the Balkan Barometer, sharing evidence and insights of citizens and businesses perceptions, builds on its firmly established tradition as independent, reliable source of regional data widely employed and referenced by media, business, civil society, and decision makers alike.

The 2022 Balkan Barometer surveys were conducted between mid-February to mid-March 2022 in Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, and Serbia. The Public Opinion survey posed 109 questions to 6029 citizens and the Business Opinion survey presented 177 questions to 1203 business owners, managers, or executives. Answers by survey respondents have been systemised, analysed, and presented in the two reports – Public Opinion Survey and Business Opinion Survey.

Since its first edition, the Balkan Barometer has increasingly evolved to remain relevant, and up to date in a challenging regional landscape. Questions are added and removed to better serve the usefulness in reading and interpreting trends across the region, therefore making the Balkan Barometer an independent guide to attitudes towards cooperation and integration, as well as attitudes to other key policy areas both at domestic and regional levels, that affect daily lives of the Western Balkan citizens. We take satisfaction in the fact that Balkan Barometer findings are used to inform the work of decision makers, scholars, and other interested regional stakeholders, by also making them aware of the societal eagerness for sustainable and far-reaching reforms.

* 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

MAIN FINDINGS

The emergence of the Western Balkan economies from the Covid-19 pandemic over 2021 has been crucial for the improvement in the business perceptions. The Balkan Business Sentiment Index 2022 improved to 59 points after its lowest point of 39 a year ago. Yet, as the overall economic activity in the Western Balkans did not fully recover over 2021, the BBSI in the year likewise did not recuperate to its pre-pandemic level of 65. The value of BBSI has been accompanied by 53 points of the present situation index and 69 points of the expectation index, which suggests that the outlook is considered bright and at the pre-pandemic level.

The economies of the Western Balkans continued to operate under varying conditions in 2021, determined by the new variants of the coronavirus Covid-19 and the commencement and progression of the immunisation process. On average, the total regional economy recovered with a growth rate of 5.4% in 2021, with Montenegro experiencing the steepest growth and Bosnia and Herzegovina experiencing the smallest increase. Consumption recovered with the easing of the restrictive measures, which resulted in businesses reverting to reporting an increase in demand for their products. 44% of them reported expectations in increase of demand, an important increase from 33% a year before, while 60% expect that the number of employees will stay the same.

While expectations for the business climate and structural issues across the region largely improved compared to the previous year, the analysis corroborates important intra-regional variations. If an overall pattern needs to be established, then Kosovo* leads the optimism and the view of conditions as fairly favourable, while North Macedonia stands on the other end of the spectrum. In terms of perceptions of various aspects, Albania and Kosovo* share similar perceptions, while Serbia inclines towards Macedonians' perceptions, with Bosnia and Herzegovina roughly in the middle. However, for an important set of questions, such order varies.

Irrespective of the overall economic situation in the Western Balkan economies determined by the post-pandemic recovery and the old structural problems, the support to the regional cooperation remained constant. The leaders in viewing the regional cooperation as important and beneficial are Kosovo* and Albania, while the businesspersons in North Macedonia have been most hesitant in this regard. Likewise, the satisfaction with CEFTA has been maintained in 2021, but mostly driven by large companies which are more frequently exporters. Overall, businesspersons from the region even improved their perception of the easiness to export to CEFTA members when compared to EU members.

Despite the improvement in the business perception amid the post-pandemic recovery, old structural problems continued to determine key aspects of doing business in the Western Balkans. The macroeconomic environment, likely determined by the increasing prices in the second half of 2021, then the informal economy and the access to finance have been spelled out as lingering obstacles to operation and growth of businesses, with similar or higher intensity than a year ago. Infrastructure – in the broadest sense of the word - was assessed as deteriorating, although in Albania and Kosovo*, an important share of respondents was quite optimistic. Likewise on the positive side, businesspersons in the Western Balkans reiterated their positive attitude towards the Regional Roaming Agreement (RRA).

Labour markets in the Western Balkans likewise recovered over 2021, still not reaching the pre-pandemic level in terms of the working hours. The government support to retain jobs was yet present in some of the Western Balkan economies from the outset of 2021, after massive interventions in 2020 were assessed as critical. Yet, the structural problems continue to exert challenges for the labour markets; in particular, the lack of appropriate skills and labour force emigration intensified their pressure onto the available labour, but affecting the growth of wages. One of the positive consequences is that the companies in the region became more open towards employment of youth, women, and Roma.

Economies of the region remain concentrated on domestic markets. Albeit 77% of businesses claim that their products can compete with those from the EU, only 3 in 10 are engaged in exports, which is an improvement compared to 2020. Non-exporters usually cite lack of plans, interest, or capacities to export, while exporters complain about the need to hardcopy documents and get licences, and about slow import-export procedures, factors which did not change compared to a year ago.

Only one in ten companies decided to invest abroad, and an even smaller share of these investments ended up in the region. Moreover, there is a trend of increasing investments in the EU, rather than in the region. As companies consider and value a lot of different factors when making an investment decision, political stability, and quality of regulatory environment among others, it does not come as a surprise that the region is not becoming a preferable option for investing, as not a lot of progress has been done.

Stronger preference for male workers and prejudices against Roma workers continue to persevere, although some improvement is evident. This situation continues to be one of the reasons of the persistent gender and Roma employment gap across all the economies in the region. Moreover, not so negligible share of employers continues to believe that employing a Roma worker would negatively impact the working environment of their company, albeit this is less the case for the large and exporting companies which are more frequently exposed to foreign cultures and diversities.

Western Balkan companies have still used the Internet in traditional fashion, mostly for communication and advertising and less so for e-trade. Despite widespread internet usage, not much of companies' sales in the region is generated online: 38% of respondents said sales of less than 5% was generated online, which is a striking decline compared to a year ago, likely driven by the easing of the restrictive measures. The usage of e-banking continued to grow over the past year.

Innovative dynamism has not seen much of a change as businesses continue to rely on their own strengths in terms of both capacity and financing.

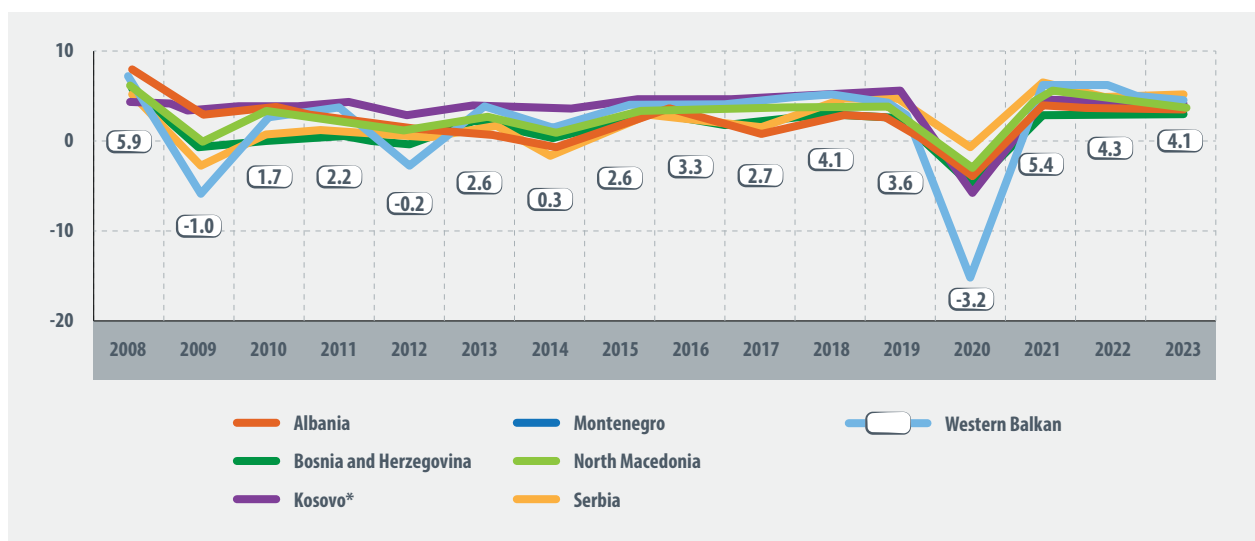
REGIONAL OVERVIEW

The economies of the Western Balkans continued to operate under varying conditions in 2021, determined with the new variants of the coronavirus Covid-19 and the commencement and progression of the immunisation process. From the beginning of the year, the delta variant of the virus has been dominant, but has been intercepted with the start of the immunisation process, the earliest in Serbia approximately in February 2021, followed by other economies in the second quarter of 2021. Yet, the pace of the immunisation process stalled after the summer, amid the spread of the omicron variant in the last quarter.

On average, the total regional economy recovered with a growth rate of 5.4% in 2021, with some between-economy differences (Figure 1). While these figures are not final yet (i.e. present the latest estimates), they suggest that the WB economies have been on the path or post-pandemic recovery, yet on average not reaching their pre-pandemic level. There is some variation in the GDP growth in 2021: Montenegro faced the steepest growth of 7%, after the severest drop of -15.2%, followed by Serbia (6.5%), Kosovo* (6%), Albania (5.3%), North Macedonia (4%), while the smallest growth is observed in Bosnia and Herzegovina (2.8%) (IMF World Economic Outlook).

IMF projections suggest that the WB economies will return to the pre-pandemic GDP level over 2022, which is a slight delay compared to the previous assessment, but apparently driven by the new waves of the pandemic over 2021 and the more-sluggish-than-expected vaccination progress. An average WB growth of 4.3% is expected over 2022, with growth rates ranging between 3.3% and 5.6% across the region (IMF World Economic Outlook). Yet, these projections have been made in October 2021, while the beginning of 2022 brought new and serious geopolitical risks and developments, with the invasion of the Russian Federation over Ukraine. While the dependence of the Western Balkan economies on trade and financial flows with Russia and Ukraine is small (yet varying), the region will likely experience growth deceleration channelled through the deceleration of the economic activity in the European Union and the soaring prices of primary food and energy.

Figure 1: Real GDP Growth in the Western Balkans 2008-2023

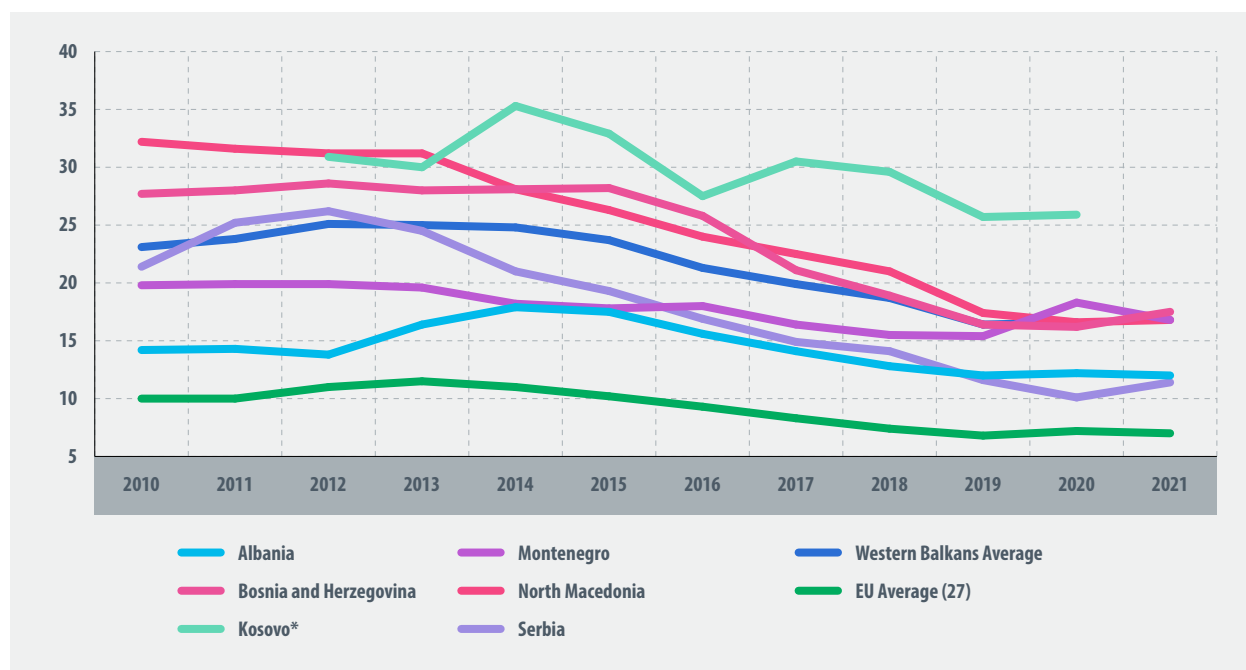


(Source: IMF World Economic Outlook, WB GDP weighted average growth rate)

In 2020, the unweighted average unemployment rate for six Western Balkan economies was 16.6%, while in the EU (27), this average was 7.2%. In 2021, the unweighted average unemployment rate for selected WB economies was 14.9%. Across the WB region, there were some distinctive patterns in 2021. In 2021, compared to 2020, Albania and Montenegro lowered their unemployment rate by 0.2 pp and 1.5 pp respectively. On the other hand, Bosnia and Herzegovina, North Macedonia and Serbia had an increase of the unemployment rate by 1.3 pp, 0.2 pp and 1.3 pp respectively. Unemployment data for Kosovo* for 2021 is not yet available (Figure 2).

Figure 2: Unemployment rates in the Western Balkans, 2010-2021

(% of the labour force; LFS, 15-64 age group)



Source: RCC ESAP 2 Observatory (<https://www.esap.online/observatory/>)

The Covid-19 pandemic caused fiscal deficit to soar in all Western Balkan economies in 2020, while consolidation in 2021 has been rather gradual. The average deficit rose from 0.6% of GDP in 2019 to 7% in 2020, while it declined to only 5.7% in 2021. The latter reflects the persistent need for the government to continue with some key measures in the first quarter to first half of 2021, as well as the general need not to tighten fiscal policy too rapidly and kill the recovery. The largest deficit was incurred in Albania, 6.7% in 2021, with lack of fiscal consolidation (a deficit of 6.9% in 2020). Likewise, Serbia tightened only slightly (a fiscal deficit of 6.5% in 2021 compared to 7.3% in 2020), while the rest of the economies tightened fiscal spending more decisively: it was Montenegro which reduced the fiscal deficit the most, from 10.9% in 2020 to 5% in 2021. Such deficits across all economies of the Western Balkans are still above pre-pandemic trends, and the legacy of the pandemic is a stock of public debt that has now reached historic highs in all economies except Serbia and Bosnia and Herzegovina.

In line with global conditions, by the end of 2021, inflationary pressures in the Western Balkans have been on an upward trajectory. Average inflation was projected to reach 2.6 percent in 2021 from 0.9 percent in 2020, driven by the post-pandemic rebalancing and the price pressures on the markets for primary commodities and energy. In fact, such price pressures significantly soared by the end of the year, as year-end inflation rate averaged 3.4% for the entire WB region, with

pronounced intra-regional differences. It was Kosovo* which experienced the most significant price increases by the end of 2021: 5.4%, followed by Serbia 4.1%, North Macedonia 3.8%, Montenegro 2.9%, Albania 2.1% and Bosnia and Herzegovina 1.6%. Such price movements, although single-digit and fairly low, posed significant concerns pertinent to the real living standard, since the region has undergone a decade of very low inflation rates: the average for the five years before the pandemic hovered from 0% in Bosnia and Herzegovina to 1.9% in Serbia.

BALKAN BUSINESS SENTIMENT INDEX

In order to monitor the present business sentiment and optimism changes over time, the Balkan Business Sentiment Index (BBSI) is conducted, which consists of the following five questions:

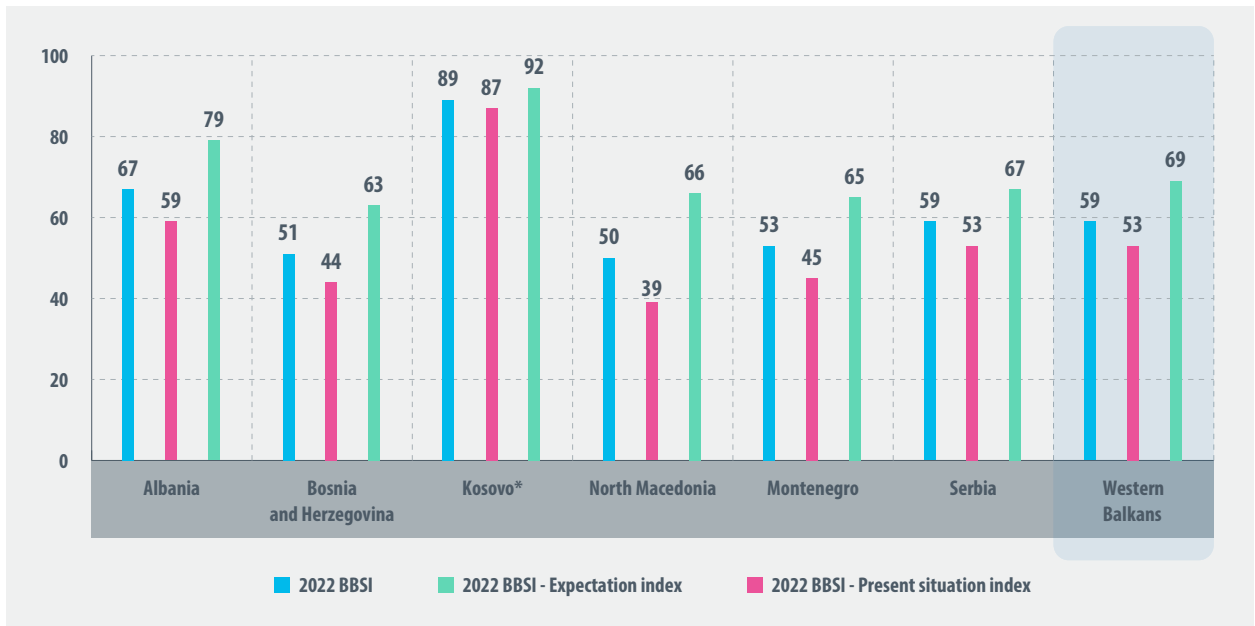
- 1) How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved?
- 2) How has demand for your company's products/services changed over the past 12 months? Has it deteriorated, remained unchanged or improved?
- 3) How has the general economic 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?

BBSI contains questions related to the respondents' experience of the general economic situation and the situation in their business with regards to development and demand for products or services over the past 12 months. Simultaneously, the index contains questions related to the respondents' expectations for the coming 12 months, again in terms of anticipated and the general economic situation in their place of living.

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 Western Balkans 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 the current round of the Balkan Barometer: the value stands at around 59 for all Western Balkan economies, suggesting a satisfaction with the overall and the economic situation in the society to an extent, and an increased satisfaction compared to the previous year. However, the business sentiment increased sluggishly in all Western Balkan economies, except in Kosovo* and Albania. The increase in Kosovo* has been double (by 54 points), while in Albania by 25 points. A similar across-economies pattern is observed for the business sentiment expectations, whereby the annual improvement has been even higher.

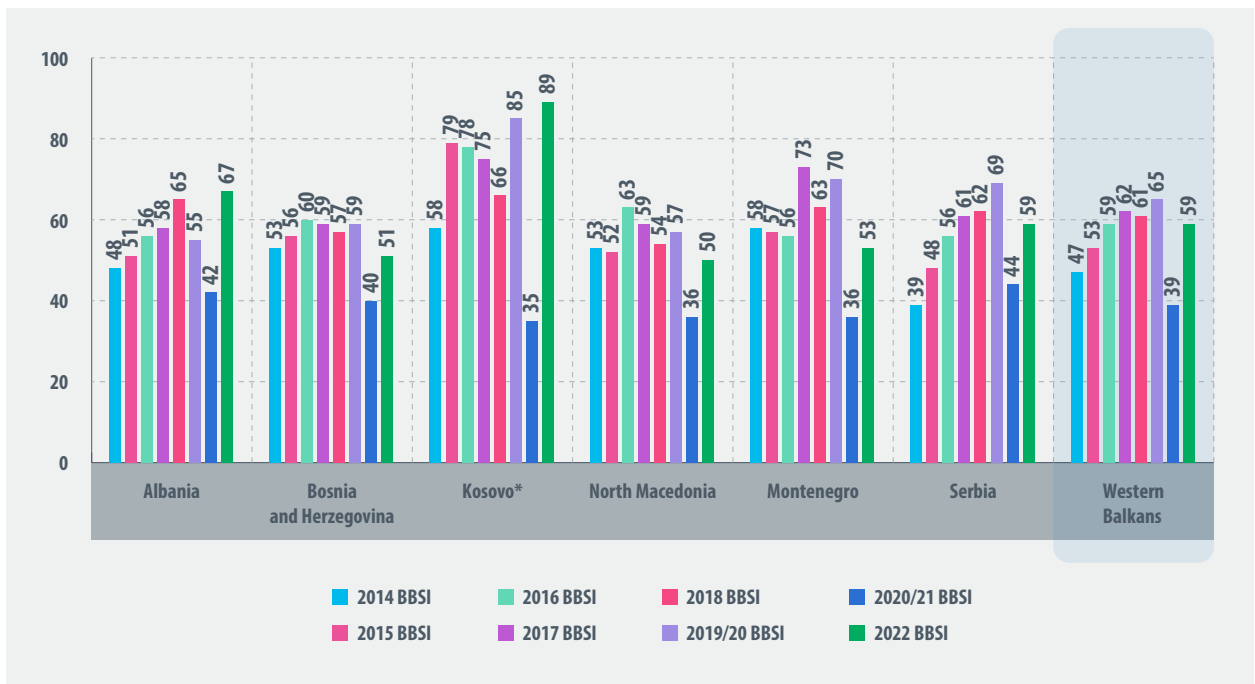
Figure 3: Balkan Business Sentiment Index (BBSI) - 2022



(Scores are on a scale from 0 to 100)

A more thorough overview of the business sentiment in the Western Balkans over time (Figure 4) reveals that despite the significant jump in 2021 at 59 index points, the index has not yet achieved the pre-pandemic level (65 index points in 2019). This average, however, conceals important intra-regional differences. Kosovo*, for example, outpaced the pre-pandemic level, as well as Albania, which observed a worsening even in the year before the pandemic hit. The rest of the economies have not fully recovered in terms of their perception of the business environment, albeit the situation seems worst in Montenegro as it is yet by nearly 17 points lower than the pre-pandemic level.

Figure 4: Balkan Business Sentiment index (BBSI) over time

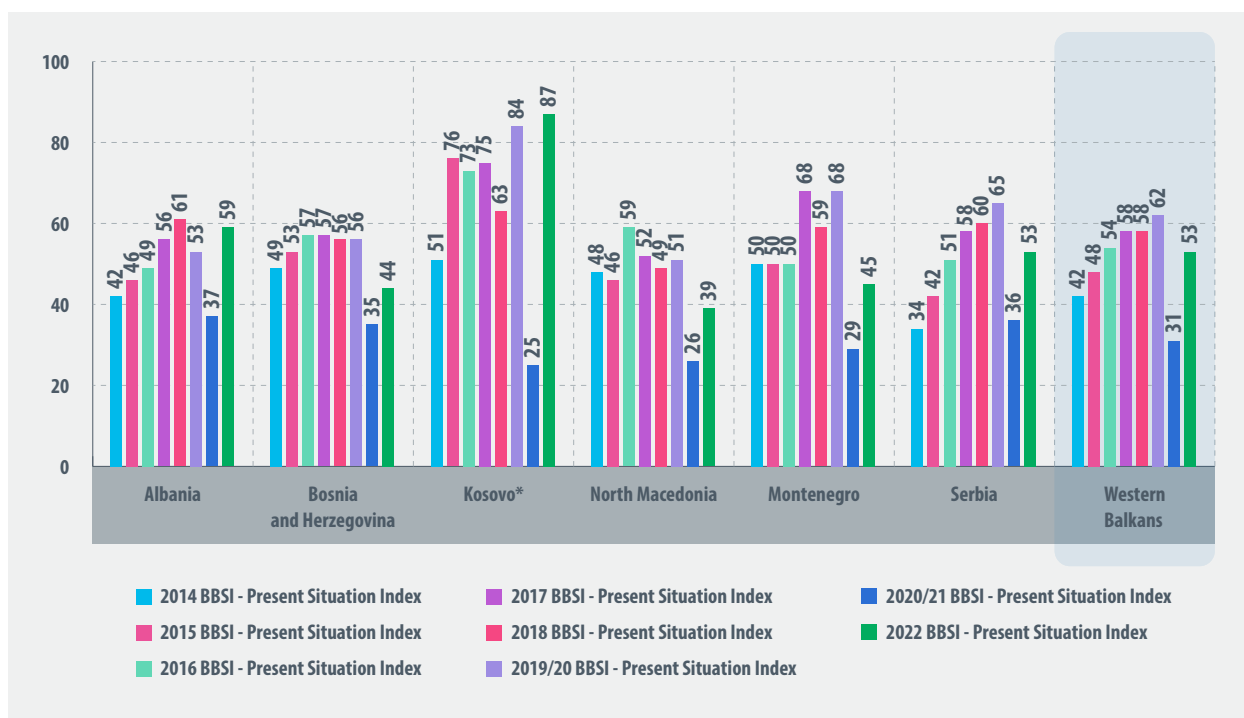


The index can be broken down into two sub-indices, separately monitoring the prevalent sentiment within the business community, as well as their expectations of the future.

- a) BBSI – Present Situation Index
- b) BBSI – Expectation Index

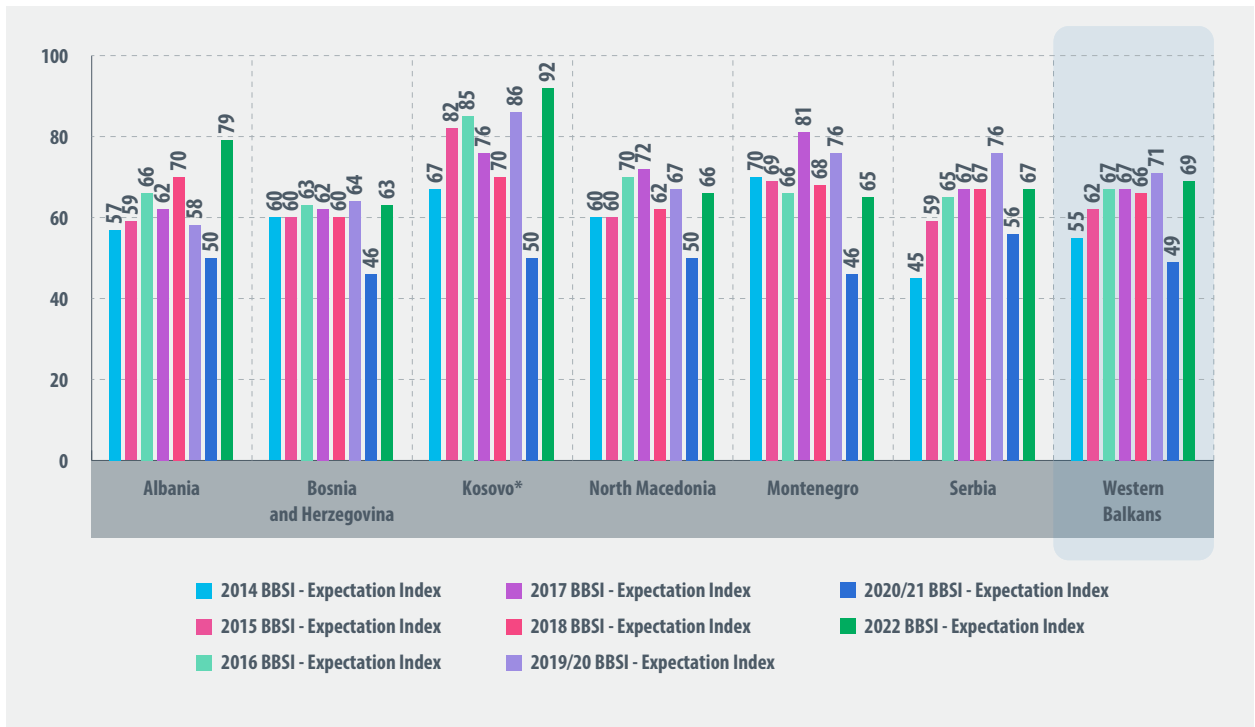
Along with the overall BBSI, businesses in the region were happy with both their current situation and prospects for the future until the crisis induced by Covid-19 hit in early 2020. Yet, a reversal of significant but not full amount is observed in 2021. 2019 recorded the highest satisfaction ratings since the Barometer’s inception, a trend which was suddenly halted. Figure 5 reveals a drop and then a recovery in the BBSI-PSI of a similar magnitude and pattern as for the overall index. Again, Kosovo* and Albania in 2022 are already at higher levels as compared to 2019, Albania is almost at par, while all the other economies are lower than their pre-pandemic level. Serbia and Montenegro recovered without having reached the pre-pandemic level, but the recovery of Serbia is faster. On the other hand, the BBSI-PSI stagnates in 2021 in Bosnia and Herzegovina and North Macedonia, although it was also among the lowest in the region even before the pandemic hit.

Figure 5: Balkan Business Sentiment Index (BBSI) – Present Situation Index



Expectations were suppressed during the pandemic, but swiftly recovered (Figure 6). Along the entire BBSI and BBSI-PSI, the BBSI – Expectation Index recorded a drop in 2020: from 71 points in 2019 to 49 points in 2020; and then a full recovery: to 69 points in 2022. This suggests that the optimism swiftly returned in the Western Balkans after a gloomy period during the pandemic. However, inside the region, such optimism is generally drawn from Kosovo* and Albania. Kosovo* recorded a large increase of the BBSI-expectations index by 92%, followed by Albania by 79%. In Bosnia and Herzegovina and North Macedonia, optimism only returned at its pre-pandemic level, while in Serbia and Montenegro it remains contained, i.e., about 10 index points below its pre-pandemic level.

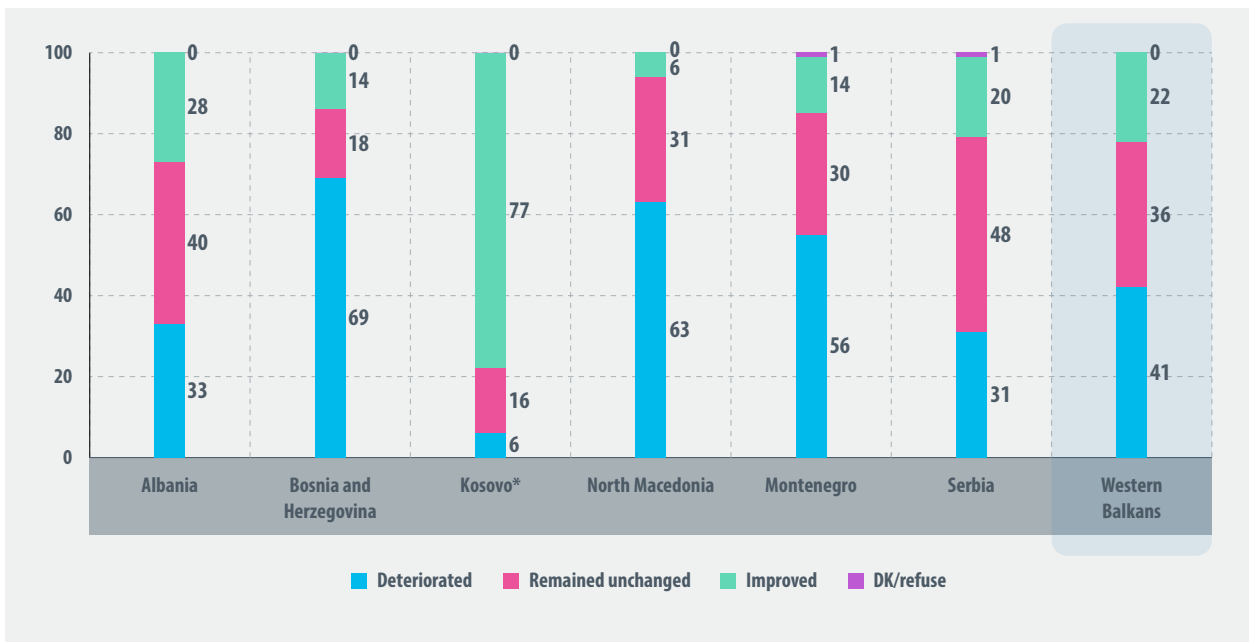
Figure 6: Balkan Business Sentiment Index (BBSI) – Expectation Index



PERCEPTIONS OF THE BUSINESS ENVIRONMENT AND ECONOMIC TRENDS

The overall economic situation significantly improved in 2021 for the Western Balkans. Figure 7 reveals that - compared to 74% in 2020 who reported such deterioration – in 2021 only 41% of respondents said that the general economic situation in their economy deteriorated, a noticeable positive shift. Such sentiment has been more evident in Bosnia and Herzegovina with 69% and North Macedonia with 63%. Out of the WB economies, the economic situation in Kosovo* seems to have completely changed; while 89% saw deterioration in the economy in 2020, in 2021, for 77% of the respondents the situation has improved significantly. Although it is difficult to properly assess the reasons behind it, this considerable shift might be explained with the very low point which characterised Kosovo* the year before, on the one hand, and the political changes that happened in 2021, on the other.

Figure 7: How has the general economic situation in your economy changed over the past 12 months? Has it deteriorated, remained unchanged or improved?



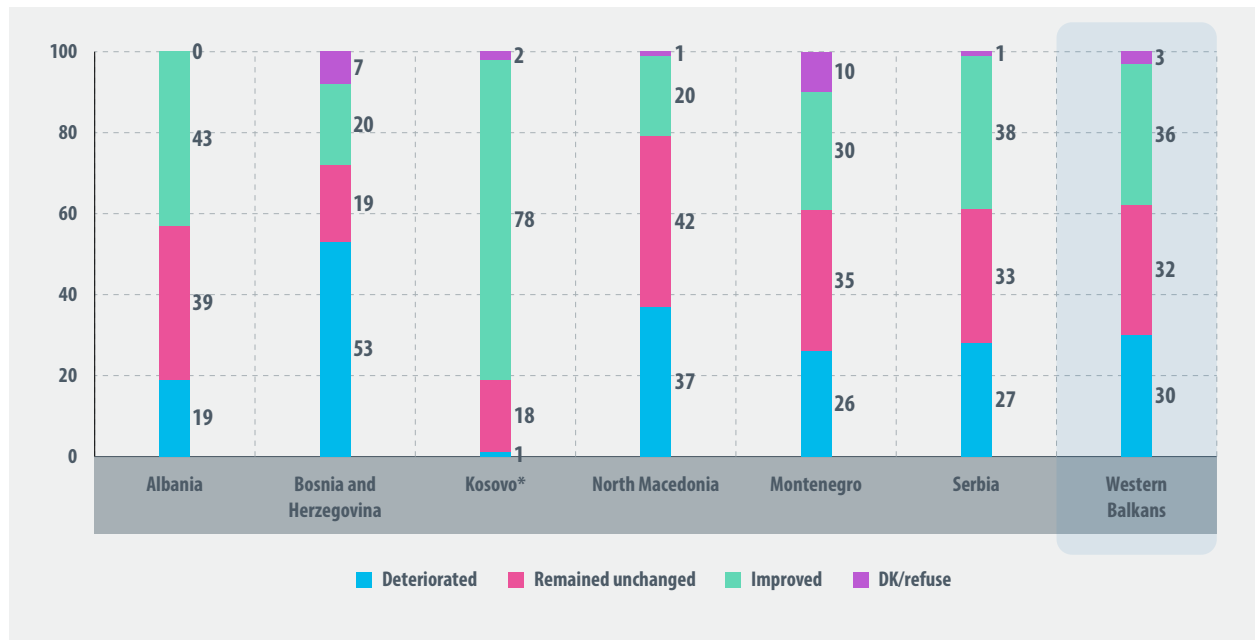
(All respondents - N=1203, share of total, %)

The opinion on what the economic situation is expected to be in the upcoming year is divided (Figure 8). 36% of the respondents in the Western Balkan economies expect that the situation will improve, while 30% expect it to deteriorate, compared to 30% and 26%, respectively, a year ago. The ongoing effect of the pandemic and the slow immunisation rates may have contributed to this effect. The share of respondents seems to be more pessimistic in Bosnia and Herzegovina where 53% are expecting the economy to deteriorate while this share is the lowest in Kosovo*;

! The figures might not add to 100% due to rounding.

only 1%. For the second year in a row, Kosovo* respondents remain most optimistic for the future, since 78% of them responded that the overall economic situation would improve in 2022.

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?

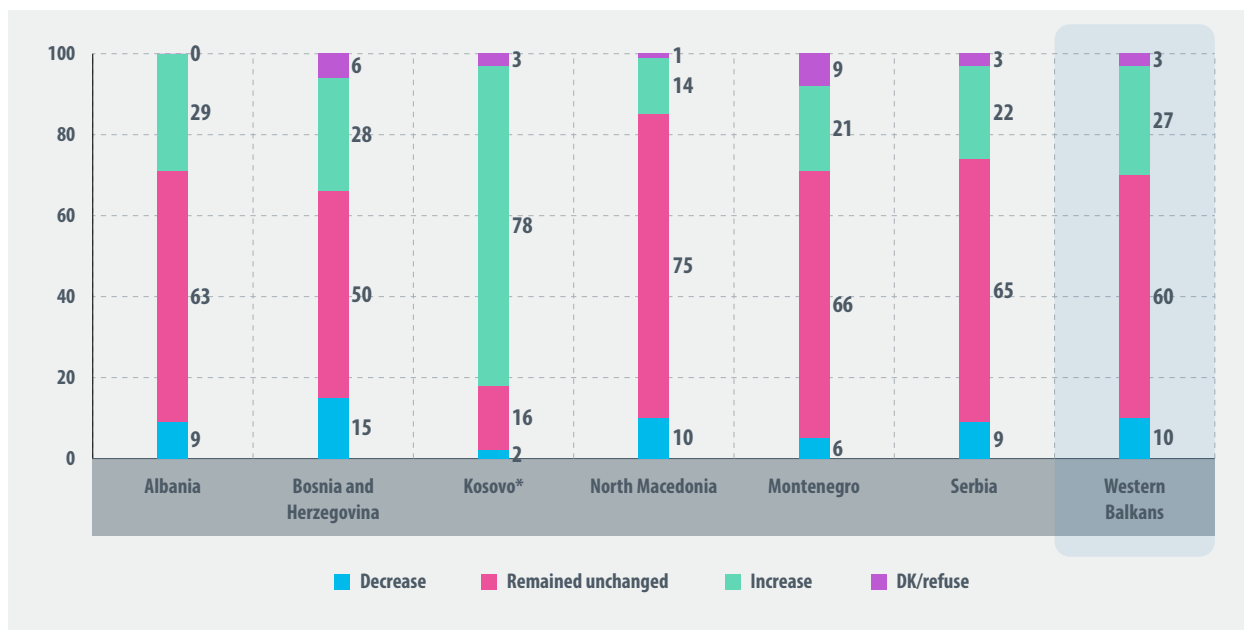


(All respondents - N=1203, share of total, %)

The following chart reflects that the companies in each of the economies do not expect changes in the employment rates. Figure 9 reveals 27% of respondents expect that the number of those employed will increase, as compared to only 15% who had such expectations in 2020.

Within this indicator, Kosovo* respondents remain likewise most optimistic, since only 2% of them said that the number of the employed would decrease. Business representatives of Bosnia and Herzegovina are the most pessimistic about employment, as 15% answered that employment would decline. Still, majority of respondents in each economy, between 50% and 75%, expect that the number of the employed will remain intact, probably reflecting the focus of government measures to preserve jobs.

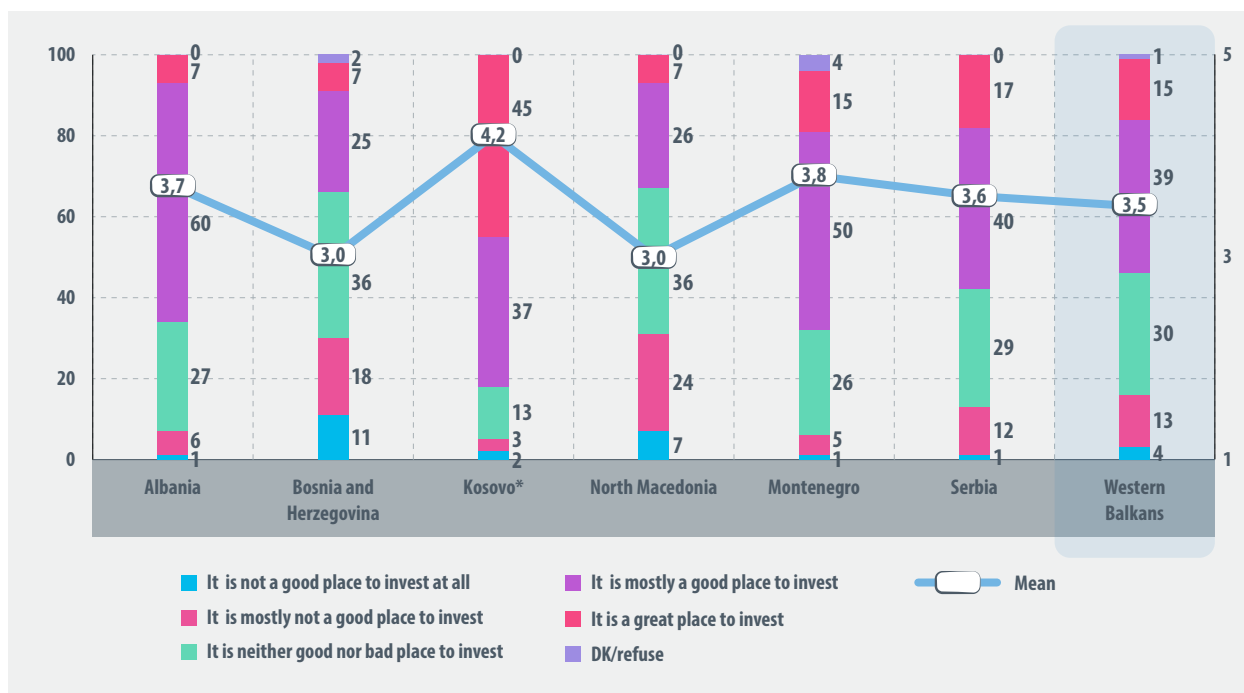
Figure 9: How do you expect the number of people employed in your company to change over the next 12 months?



(All respondents - N=1203, share of total, %)

Business representatives of the Western Balkan economies have shared an overall belief in the attractiveness of their economy for investment. 15% believe the region is a great place to invest, which constitutes a slight increase from 11% in 2020; and 39% said it was mostly a good place to invest, approximately sharing the same opinion as a year ago. The ones who have remained most trustful towards their economies are Kosovo* and Montenegro, while citizens of Bosnia and Herzegovina and North Macedonia on the other hand believe that their economy is not at all a good place to invest with 18% and 24%, respectively.

Figure 10: Do you believe that your economy is a good place to invest?

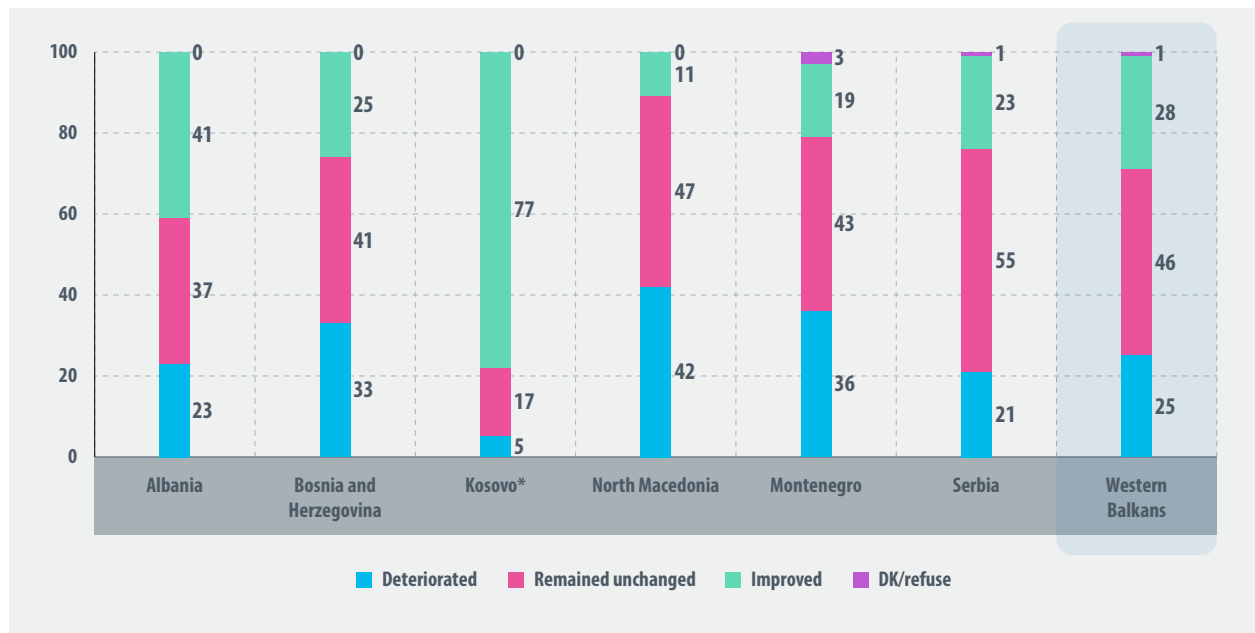


(All respondents - N=1203, share of total, %)

The opening up of the economies assisted by the active vaccine boosting campaigns in the region helped reverse the 2020 trend in economic activity. According to Figure 11, the situation seems to have completely reversed from the last year. The Western Balkan businesses responded of an economic decline in nearly half of the percentage from 2020 (only 25%). Kosovo* in particular is an interesting case since 74% of respondents considered business situation had deteriorated in 2020, but only 5% see an economic decline in 2021. The share of those who considered business situation unchanged varies between 17% in Kosovo* and 55% in Serbia while North Macedonia and Montenegro seem to be the most pessimistic regarding the economic situation.

A notably high share of respondents considered the business situation to have improved over 2021, most evident in Kosovo* (77%) and Albania (41%). The easing of some of the most stringent lockdown measures did revive most of the economic sectors, which were affected by the pandemic and the subsequent crisis.

Figure 11: How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved?

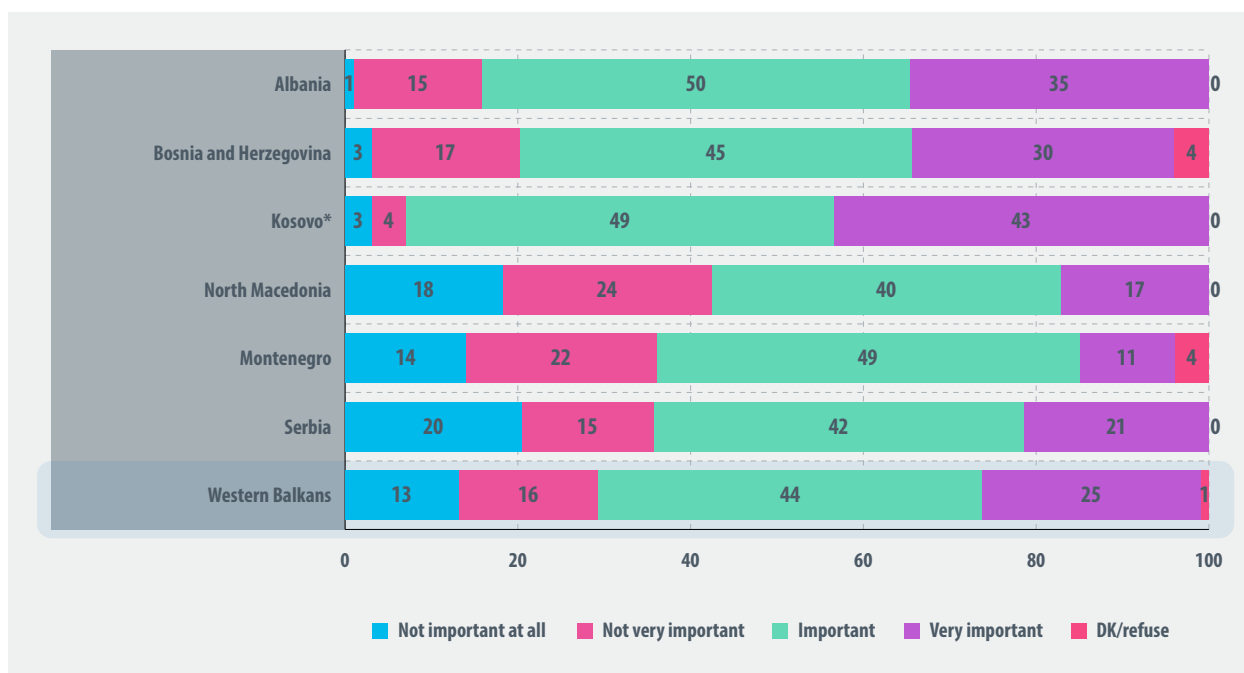


(All respondents - N=1203, share of total, %)

The share of respondents who believe in regional cooperation has been constant (Figure 12). 25% said that the quality of regional cooperation was very important, followed by 44% who marked it as important. Although there have been various public discussions on regional agendas and ideas, the share of respondents who considered quality of regional cooperation as not important at all has shown a slight increase from 10% in 2020 to 13% in 2021.

However, within the region, regional cooperation is perceived distinctively. For example, respondents in Kosovo* and Albania have been at the forefront in viewing regional cooperation as very important (43%) and (35%) respectively, which is different than the last year where specifically these two economies were more hesitant towards regional cooperation. On the contrary, business representatives of North Macedonia have been more hesitant towards regional cooperation and considered regional cooperation as not very important (24%). The shares also evidence a pessimism from Serbians, considering the regional cooperation as not important at all in quite a substantial percentage (20%) which is 9% higher than the last year.

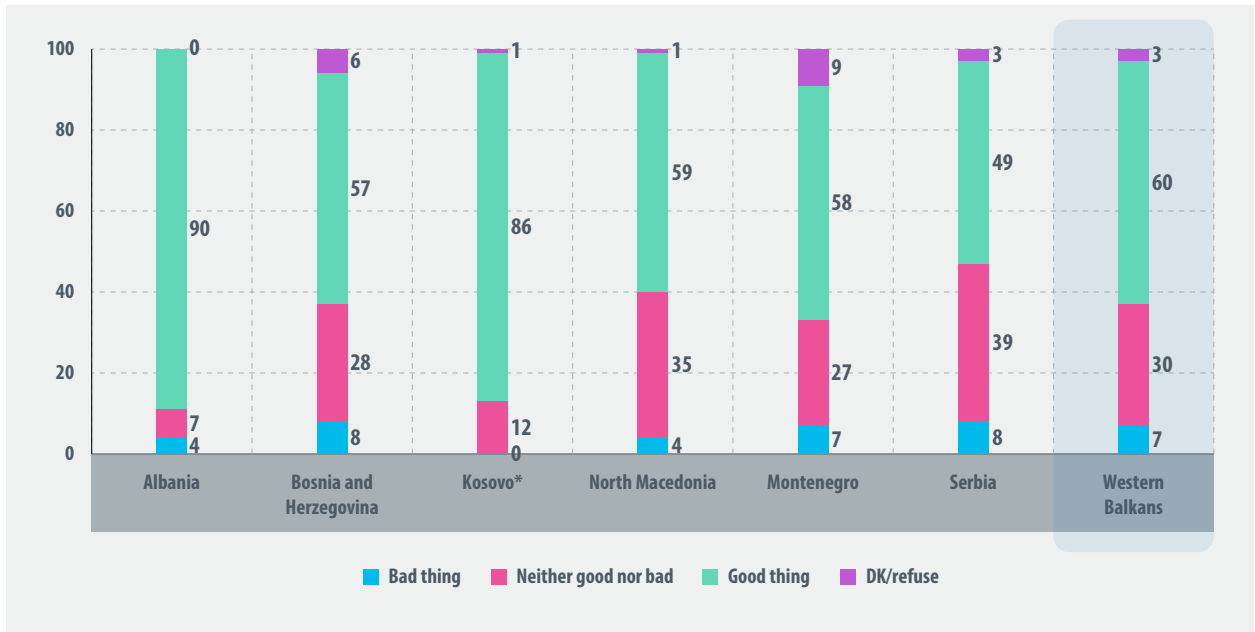
Figure 12: How important is the quality of regional cooperation in the Western Balkans to your business?



(All respondents - N=1203, share of total, %)

Like 2020, 2021 was not a year of great progress in the EU accession process of regional economies. For the second year in a row, Albanian respondents considered EU membership a good thing (90%), followed by Kosovo* (86%) with an important 19% increase from 2020. Interesting about Kosovo* is also the fact that in 2021, none of the respondents perceived the EU membership as a bad thing compared to 7% in 2020. Serbia, on the other hand, observed a decrease of EU membership optimism, from 65% to 49%, in 2021 (Figure 13). In a more general overview, 60% of respondents considered it a good thing, with a decrease of 6 p.p. compared to 2020, at the benefit of those who said it was a bad thing (a slight increase from 4% in 2020 to 7% in 2021).

Figure 13: Do you think that your economy's EU membership would be/is a good thing, a bad thing, or neither good nor bad for your company?



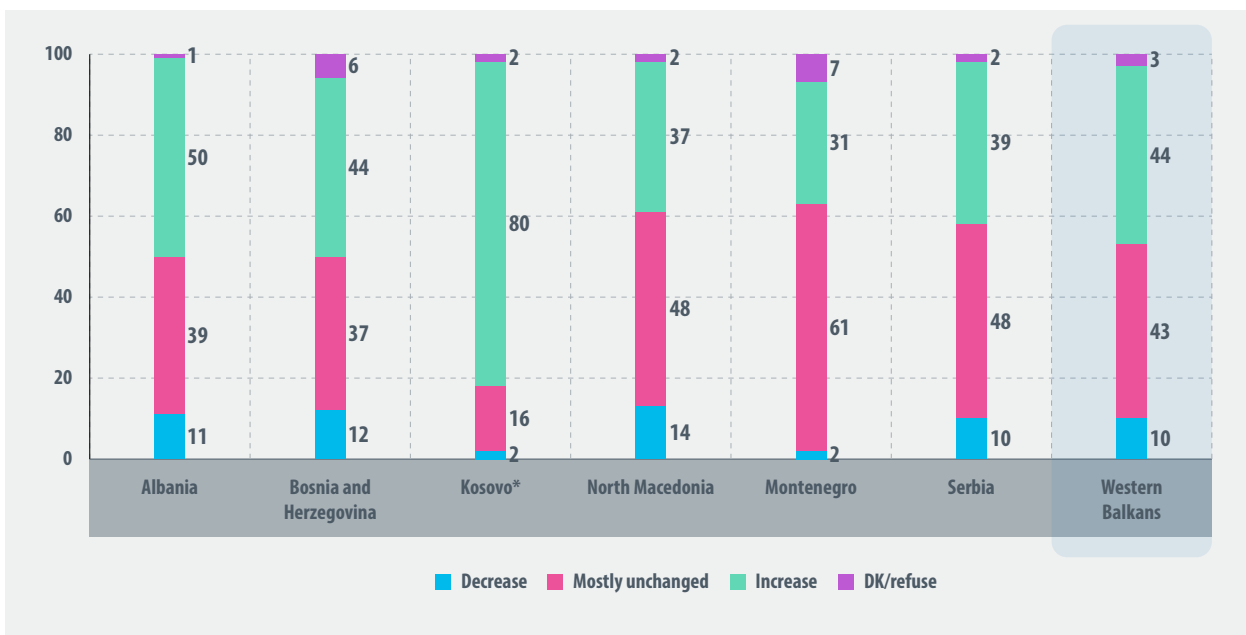
(All respondents - N=1203, share of total, %)

BUSINESS TRENDS IN THE WESTERN BALKANS

In 2020, surely the pandemic put negative pressure on both supply and demand. Less circulation, lack of movement and an overall uncertain economic environment contributed to a pessimistic year. However, in 2021 things seem to have improved considerably, although not yet to pre-pandemic levels. The easing of the pandemic measures and the vaccinations helped in improving economies. On the other hand, differently from 2020, in 2021, the world in general learnt how to cope and live with the virus.

According to the shares, respondents are quite optimistic over the next year (Figure 14) with 44% of them expecting the demand to increase in the upcoming year (11 p.p more than 2020). With the removal or easing of most lockdown measures, the downward pressure on market demand and supply has eased as a result. Kosovo* is the most optimistic (80% of respondents said the demand for their company's product/service would increase), followed by Albania (50%) and Bosnia and Herzegovina (44%). On the other hand, Montenegro and North Macedonia face constrained optimism. North Macedonia, surprisingly, also has the largest share of respondents who reported an expected decrease (14%), while Kosovo* and Montenegro have the lowest (2%), as expected. Unlike the last year, Montenegro recorded the largest shares of respondents who expect that the situation will likely remain unchanged.

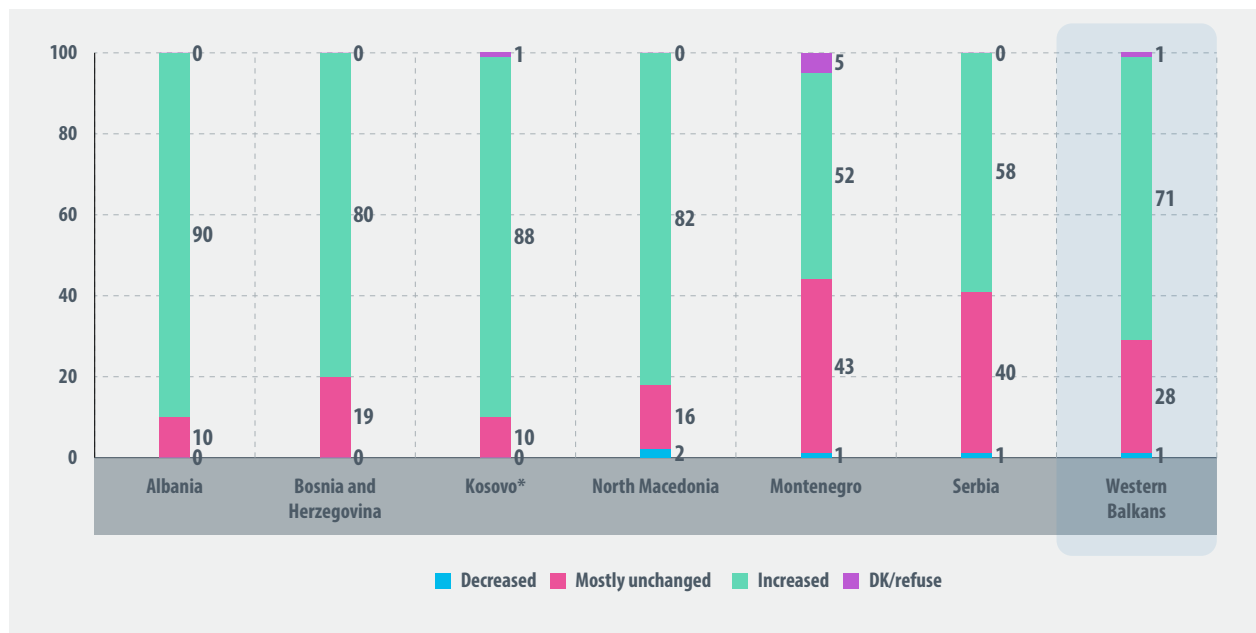
Figure 14: How do you expect the demand for your company's products/services to change over the next 12 months? Will it decrease, remain mostly unchanged or increase?



(All respondents - N=1203, share of total, %)

As the pandemic impact started to ease, companies returned partially to working from office, although a few continued remote working. According to the respondents, the labour and other costs decreased in 1% of the business cases (a 22-points decrease compared to 2020), while remaining unchanged for only 28% (Figure 15). This might be due to the rebalancing of goods and services market in the second half of 2021, when inflationary pressures commenced. Another effect was the soaring energy prices due to the green energy transition in Europe. The situation is very interesting but at the same time contrasting to that of 2020 when only 18% of respondents said the costs in their companies increased, while in 2021, 71% responded on an increase. However, non-negligible share of those indicating higher costs (18%) suggests that for some companies (usually those which are part of the global value chains) some of the inputs have increased to the level that triggered an overall increase in costs.

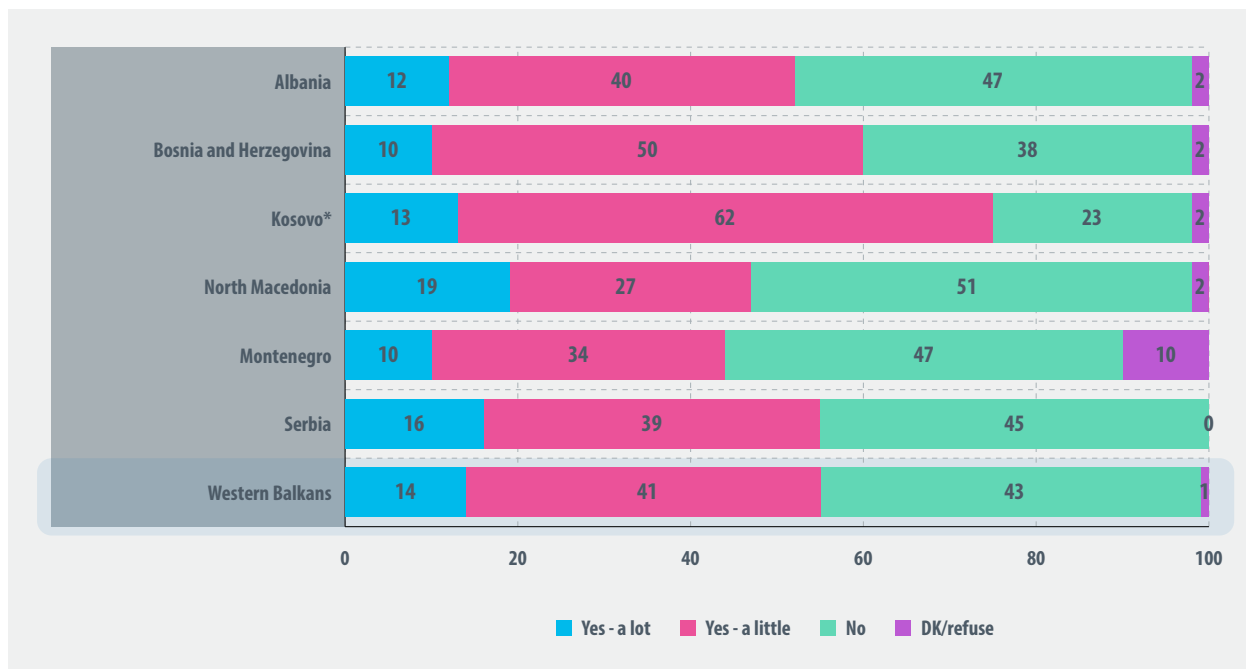
Figure 15: How have your labour and other costs (e.g., energy, etc.) changed over the past 12 months?



(All respondents - N=1203, share of total, %)

The environmental impact of the businesses has not received the needed attention yet (Figure 16). 43% of respondents said their company did not take any steps to reduce such environmental effect, compared to 44% in 2020 and only 26% in 2019. 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 environmental impact has been considered the highest in Kosovo* (62%) and the lowest in North Macedonia (5%). Opposite of last year, Albania seems to have taken considerable steps towards the environmental effects reduction.

Figure 16: Has your business taken any steps to reduce the environmental impact it makes, such as reducing energy consumption, waste reduction or switching to recycled/sustainable materials etc.?

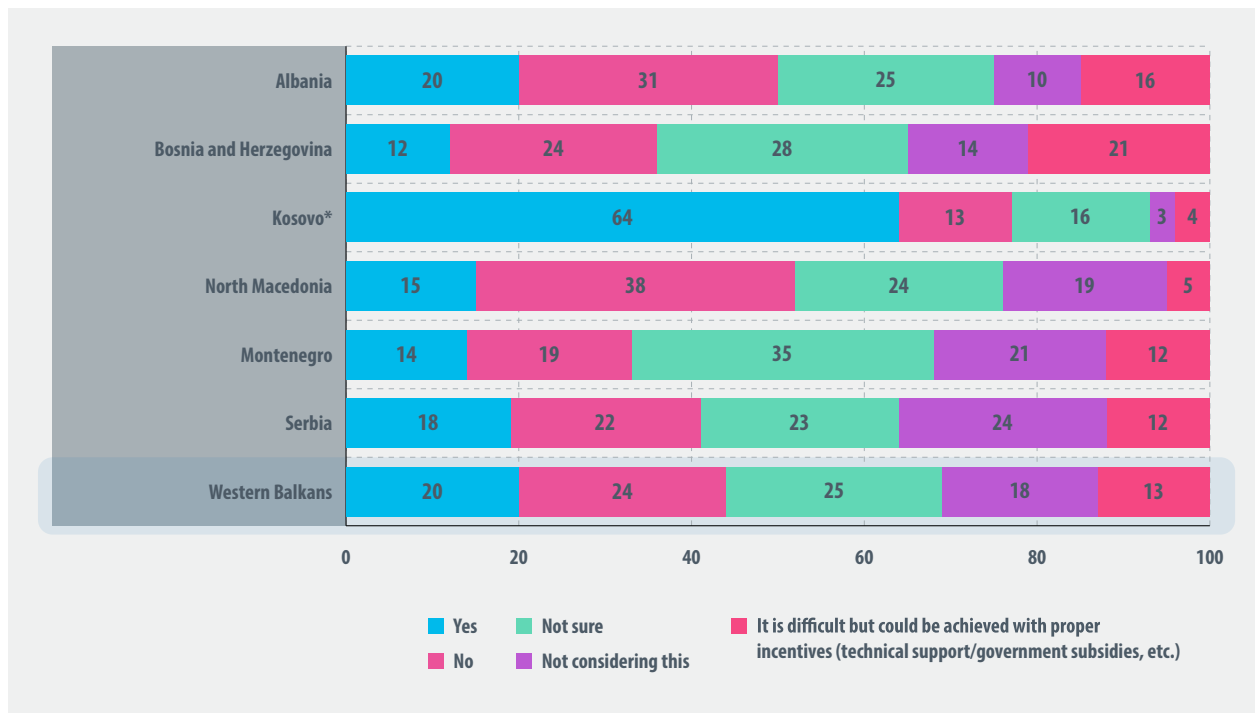


(All respondents - N=1203, share of total, %)

Figure 17 presents an overview of the capacity of business models in the Western Balkans to move to a circular economy model. According to the grey areas below, we can evidence that the Western Balkan economies are far behind in their efforts to shifting towards a circular economy. On a regional level, almost a quarter of respondents (25%) said they were not sure if their business model allows it, followed by another 31% who said that they either did not consider this at all, or that it could be difficult to achieve without proper incentives. The share of respondents who answered affirmative was only 20%, with only 14% in 2020.

However, we can evidence differences inside the region and based on the last year's analysis. Kosovo* is the forerunner with 64% of respondents being prepared and leaning over a circular economic model. In the meantime, North Macedonia was the most likely to reject the model (38%), followed by Albania (31%).

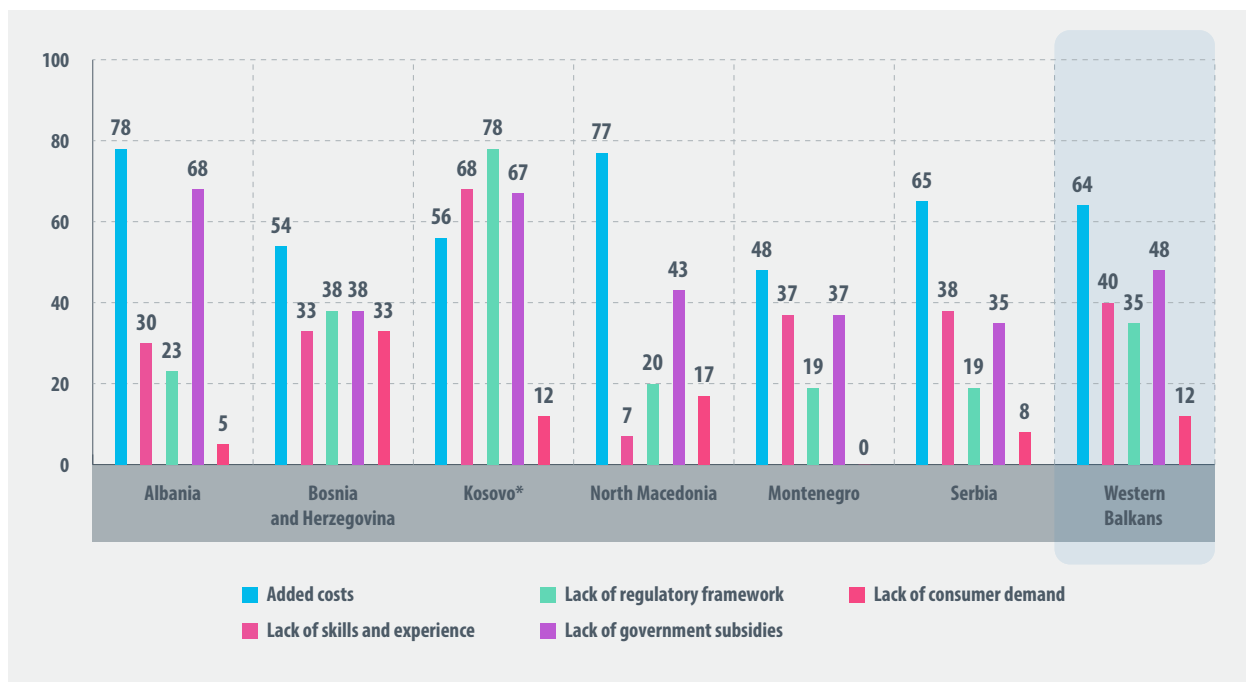
Figure 17: Does your current business model allow for a shift towards a circular (economy) model?



(All respondents - N=1203, share of total, %)

According to 64% of respondents, the most significant impediment to moving toward a circular economy model continues to be the added expenses (Figure 18). Considering the rising prices due to the crisis, this is no surprise. Costs are the most pressing issue in Albania and North Macedonia (78% and 77%, respectively), the lack of skills and experience and a regulatory framework is a major issue in Kosovo* and Montenegro, while the lack of government subsidies appears to be an issue that affects both Albania and Kosovo* more than the other economies. Even though Kosovo* showed the most readiness to shift their business models to a circular economy (Figure 17), this chart proves that the businesses there face the most barriers to doing so.

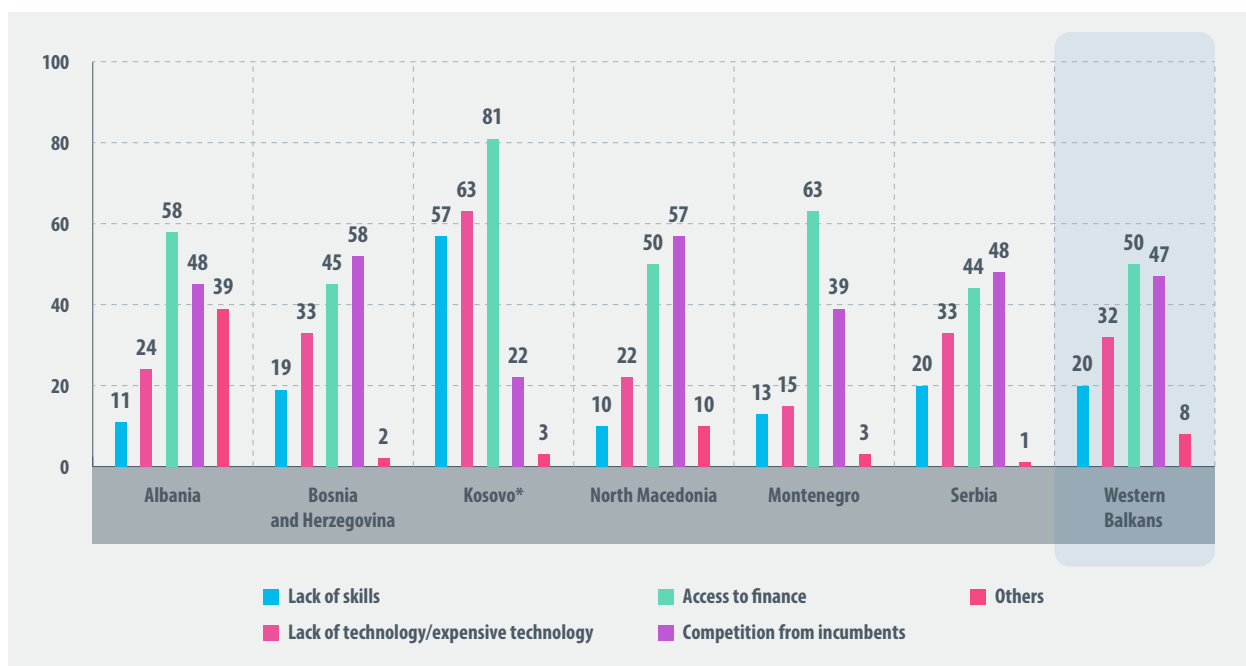
Figure 18: What are the main barriers to shifting towards circular economy in your line of business?



(Respondents who answered "Yes" that their current business model allows for a shift towards a circular (economy) model - N=286, multiple answers, %)

Access to finance continues to be a problem faced by Western Balkan businesses when trying to scale up their business, (Figure 19) with Kosovo* leading the charts with 81% of the respondents confirming so, followed by Montenegro (63%) and Albania (58%). This year, the respondents from all the region also brought to attention the lack of skills (20%) and competition from incumbents (47%) as the main challenge of scaling up their businesses. For Montenegro, specifically the lack of skills has shifted from 1% in 2020 to 13% in 2021.

Figure 19: What are the major challenges faced when trying to scale up your business?

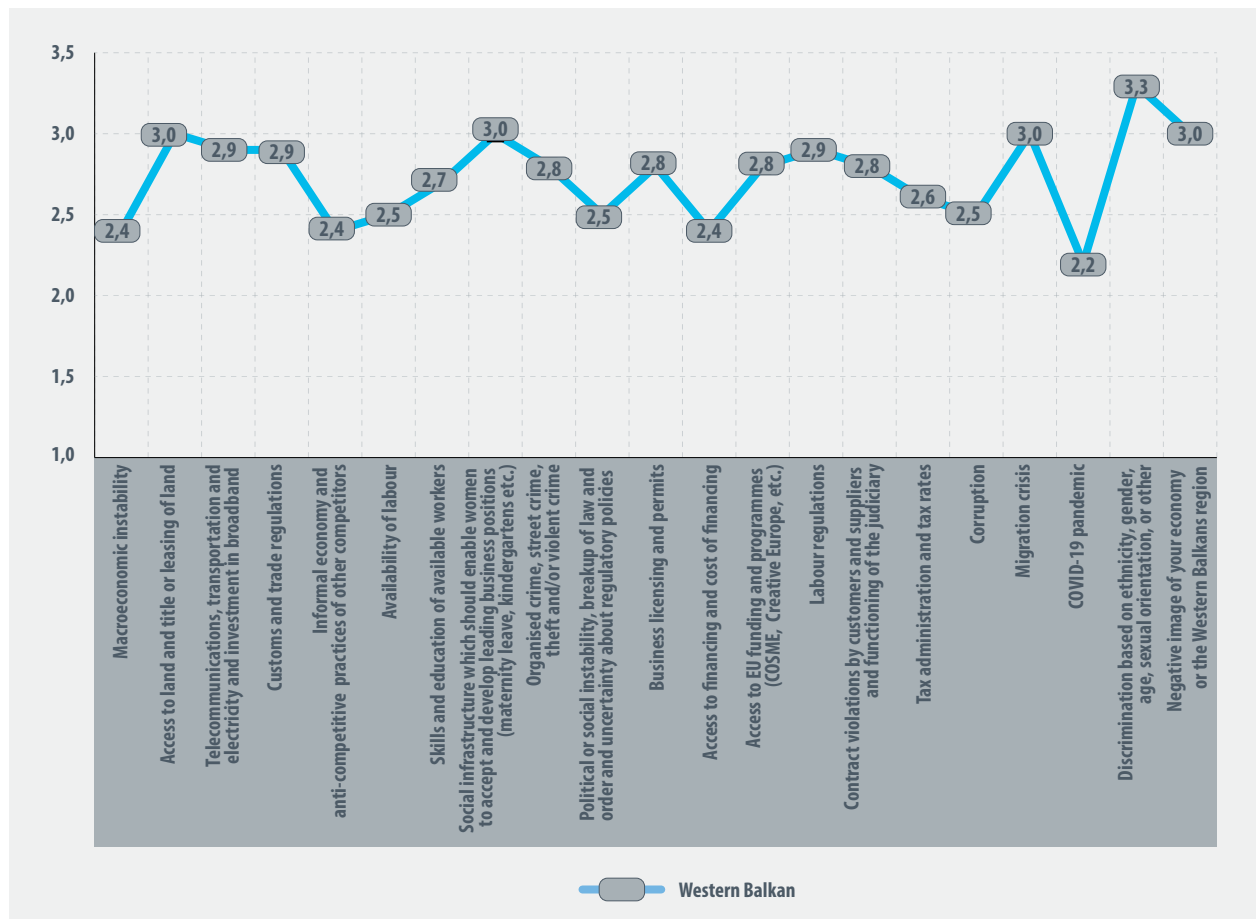


(All respondents - N=1203, share of total, %)

BUSINESS ENVIRONMENT IN THE WESTERN BALKANS

The economies of the Western Balkans continue to face similar obstacles to trade operations over the years. The COVID-19 pandemic continues to be the main impediment to business in the Western Balkans in 2021, with 2.2 rating. Macroeconomic stability, access to financing and informal economy have been perceived as moderate. The migration crisis seems to have returned to the same score of 3% as in 2019, and together with the access to lend and social infrastructure, have significantly improved. As in the previous years, the highest ranked factor (lowest obstacle) continues to be discrimination based on ethnicity, gender, age, sexual orientation.

Figure 20: Can you tell how problematic are these different factors for the operation and growth of your business? Can you please rate each?



(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)

According to Table 1, the main obstacle on a regional level but also separately in each of the economies continues to be the Covid-19 pandemic with a score of 1.9 in Kosovo* and Montenegro, respectively, which are mainly affected. Another obstacle that persists especially in Albania and

Kosovo* (2.1 and 2.0 respectively) but far less in Montenegro and the North Macedonia is the migration crisis. In spite of the pressure of increasing prices in the second half of 2021, macroeconomic instability is placed quite low as an obstacle. This shows that despite many other challenges that the crisis brought, the overall macroeconomic environment has not been affected in a considerable manner. In addition, informal economy is a significant problem across the region. On the other side of the spectrum, discrimination based on ethnicity, gender, age and the like is identified as the smallest obstacle in all Western Balkan economies, whereas in Kosovo*, it has a score of 2.4, still considered as a moderate obstacle.

Table 1 - Can you tell how problematic are these different factors for the operation and growth of your business? Can you please rate each?

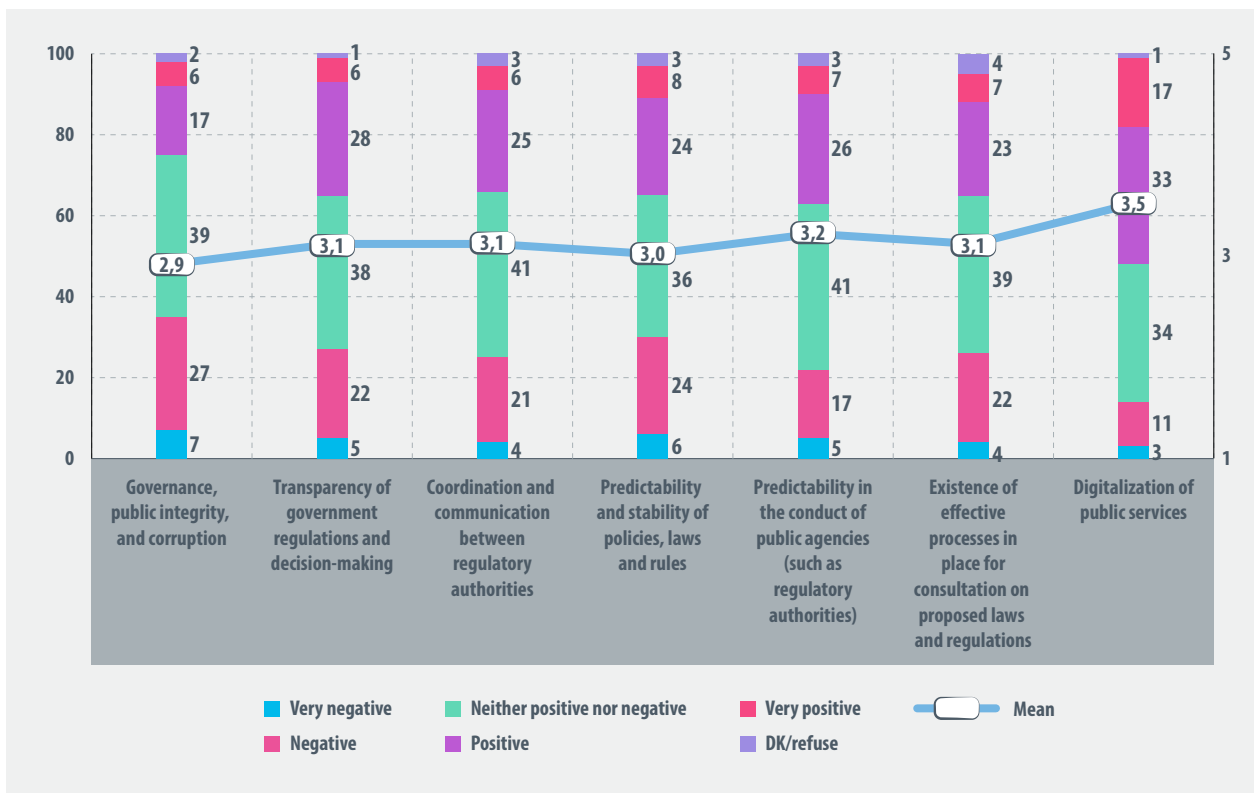
	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
Macroeconomic instability	2.4	2.2	2.1	2.3	2.2	2.3	2.6
Access to land and title or leasing of land	3	2.9	2.9	2.6	3.3	2.7	3
Telecommunications, transportation and electricity and investment in broadband	2.9	2.9	2.8	2.5	3.3	2.7	3
Customs and trade regulations	2.9	3	2.5	2.6	3.1	2.6	3
Informal economy and anti-competitive practices of other competitors	2.4	2.6	2.2	2.6	2.4	2.3	2.4
Availability of labour	2.5	2.5	2.3	2.5	2.7	2.6	2.6
Skills and education of available workers	2.7	2.8	2.5	2.7	2.8	2.6	2.8
Social infrastructure which should enable women to accept and develop leading business positions (maternity leave, kindergartens etc.)	3	3.3	2.9	2.5	3.3	2.8	3
Organised crime, street crime, theft and/or violent crime	2.8	2.6	2.6	2.5	3	2.8	3
Political or social instability, breakup of law and order and uncertainty about regulatory policies	2.5	2.3	2.2	2.6	2.6	2.4	2.8
Business licensing and permits	2.8	3.1	2.6	2.7	2.9	2.6	2.9
Access to financing and cost of financing	2.4	2.3	2.2	2.4	2.5	2.3	2.5
Access to EU funding and programmes (COSME, Creative Europe, etc.)	2.8	3.1	2.4	2.4	2.8	2.8	3
Labour regulations	2.9	3.3	2.6	2.6	3	2.7	2.8
Contract violations by customers and suppliers and functioning of the judiciary	2.8	2.9	2.6	2.7	2.8	2.8	2.7
Tax administration and tax rates	2.6	2.6	2.5	2.6	2.7	2.4	2.6
Corruption	2.5	2.1	2.2	2.1	2.6	2.6	2.7
Migration crisis	3	2.1	2.9	2	3.4	3.5	3.2

	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
COVID-19 pandemic	2.2	2	2	1.9	2	1.9	2.4
Discrimination based on ethnicity, gender, age, sexual orientation, or other	3.3	3.8	3.1	2.4	3.6	3.4	3.3
Negative image of your economy or the Western Balkans region	3	3.4	2.6	2.2	3.1	3.1	3.1

(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)

Respondents rated a few key factors related to government behaviour as either very negative or very positive. In continuation of the last year shares, Figure 21 still reveals a negative to neutral sentiment regarding the overall governments' conduct. The highest share of respondents perceives governance, public integrity and corruption records to scale from negative to very negative, with a total share (34%) remaining unchanged compared to 2020 and 2019 (36% in both years). On the other hand, digitalisation of public services which received the largest share of positive or very positive opinion last year (41%), had a slight increase to 50% in 2021. The trend continues to show optimism also related to transparency of government (34%) and the predictability and stability of policies, laws, and rules (32%).

Figure 21: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of?

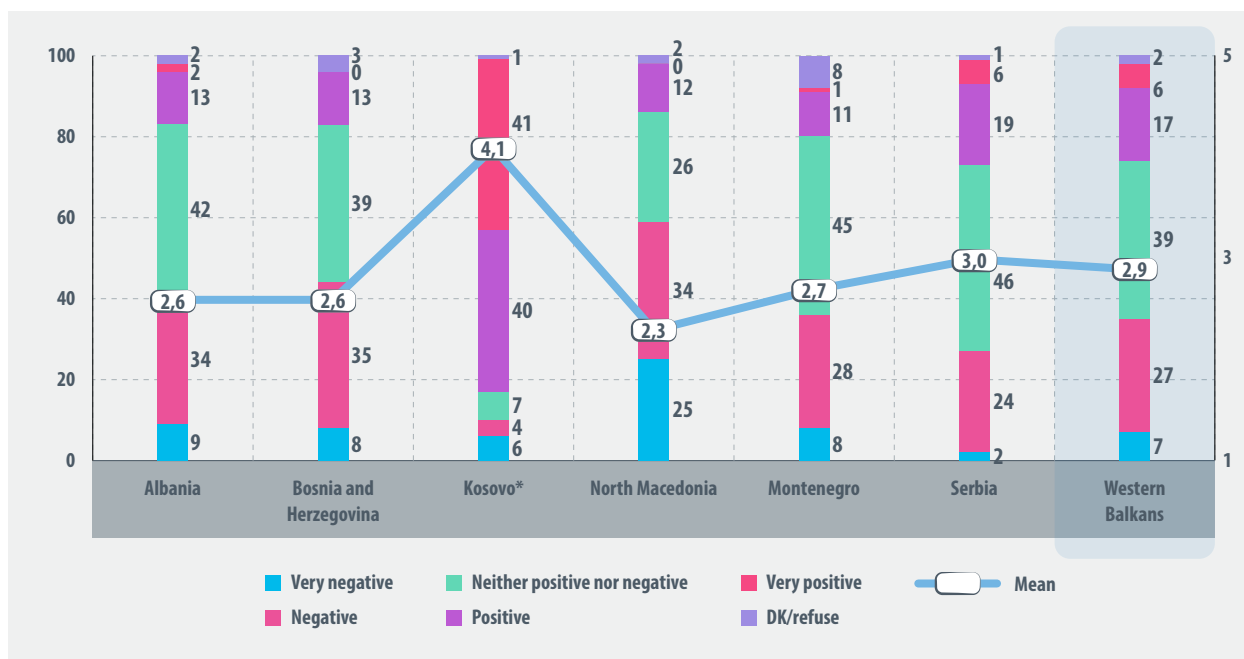


(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Figure 22 presents the evaluation of governance, public integrity, and corruption in each of the Western Balkan economies as well as on a regional level. Albania and Bosnia and Herzegovina

(43%) and North Macedonia (59%) suggest an increase in the perception of these factors as negative and very negative. On the other end, Kosovo* shares the most positive inclination towards governance reaching a staggering high share of 81%. This unusual increase is difficult to explain consistently, although a change in the political landscape might have influenced in the short-term. However, at regional level, a significant share of 39% continues to remain neutral, which still shows hesitation from the economies in answering these questions.

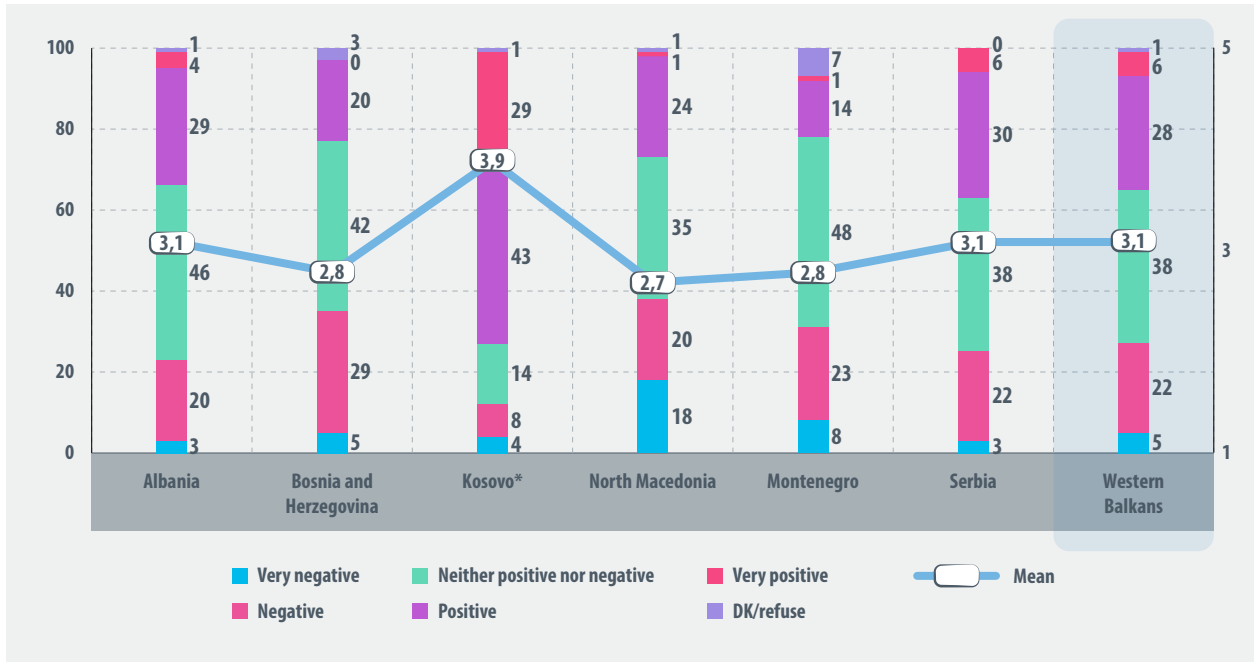
Figure 22: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? Governance, public integrity, and corruption



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Similarities in the perception of transparency and decision-making continue to show in the same line as the factors mentioned above. Bosnia and Herzegovina and North Macedonia share mostly a very negative and a negative perspective, approximately 34% and 38%, respectively. Unlike the last year, Kosovo's* situation has changed dramatically on reverse with only 12% of respondents sharing a negative and very negative view on transparency of government regulations and decision-making, and Montenegro (48%) and Serbia (38%) having a neutral reaction to the factors.

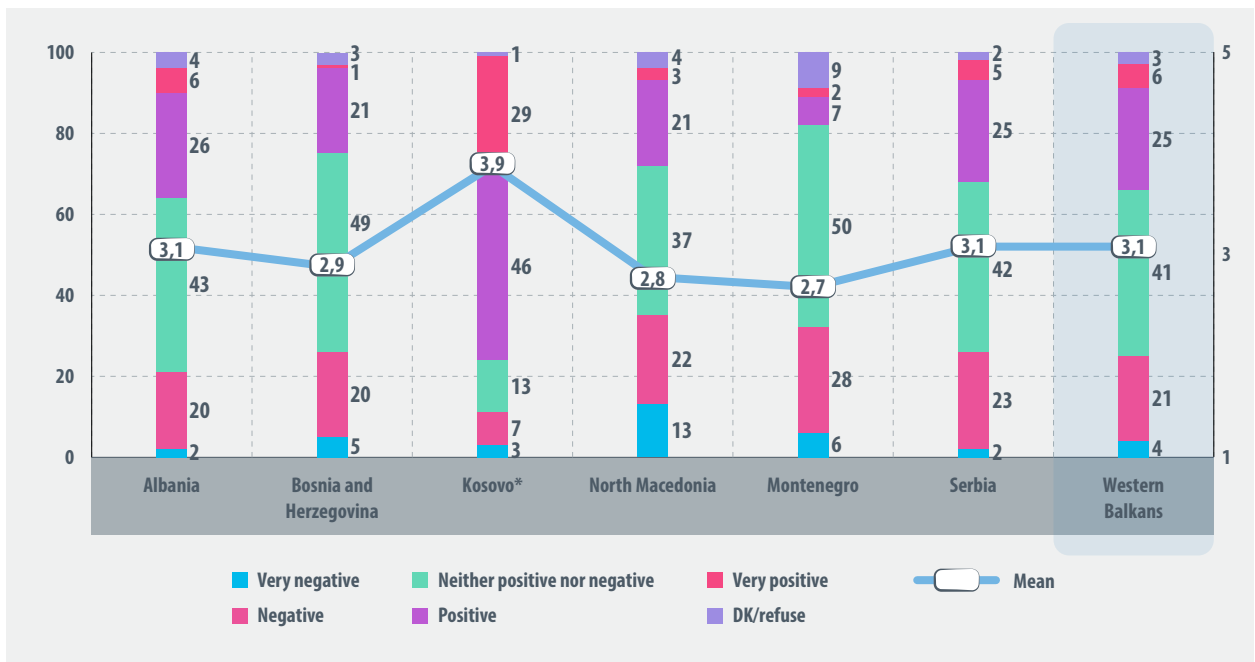
Figure 23: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? Transparency of government regulations and decision-making



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Coordination and communication shares suggest that across the Western Balkan economies, the perspective is neutral (Figure 24). The share of neutral respondents is dominant particularly in Montenegro (50%) and Bosnia and Herzegovina (49%), while surprisingly Kosovo* and Albania stand out with the share of positive and very positive attitudes, 32% and 75% respectively, followed by Serbia (30%) on a slight increase from the last year shares.

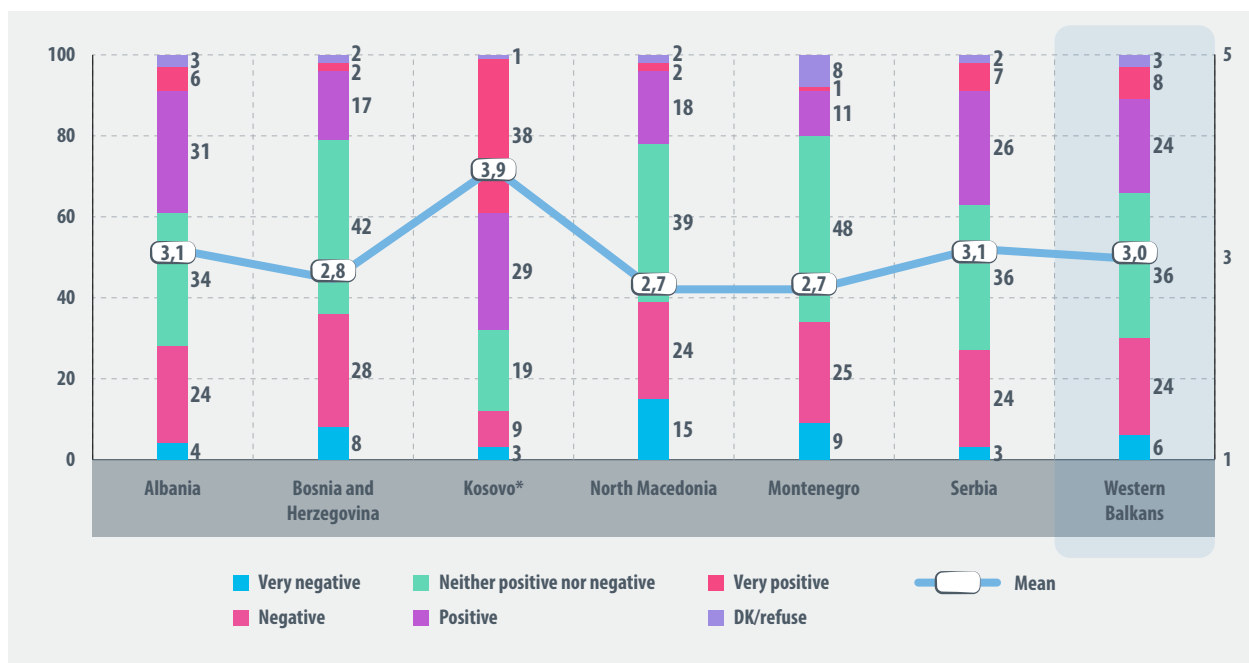
Figure 24: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? – Coordination and communication between regulatory authorities



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Predictability and stability of policies are the next important factors of the economies in the region (Figure 25). North Macedonia is the forerunner on this problem, with 39% of respondents being negative or very negative followed by Bosnia and Herzegovina with a share of 36% (10 p.p lower than the last year). In addition to the factors analysed in the above charts, Kosovo* continues to follow the same trend; it remains the economy with the most positive perception towards the predictability and stability of rules and policies. Despite these percentages, what stands out the most in the graph below is the neutrality to these factors both at the regional level and in particular in Montenegro (48%) and Bosnia and Herzegovina (42%).

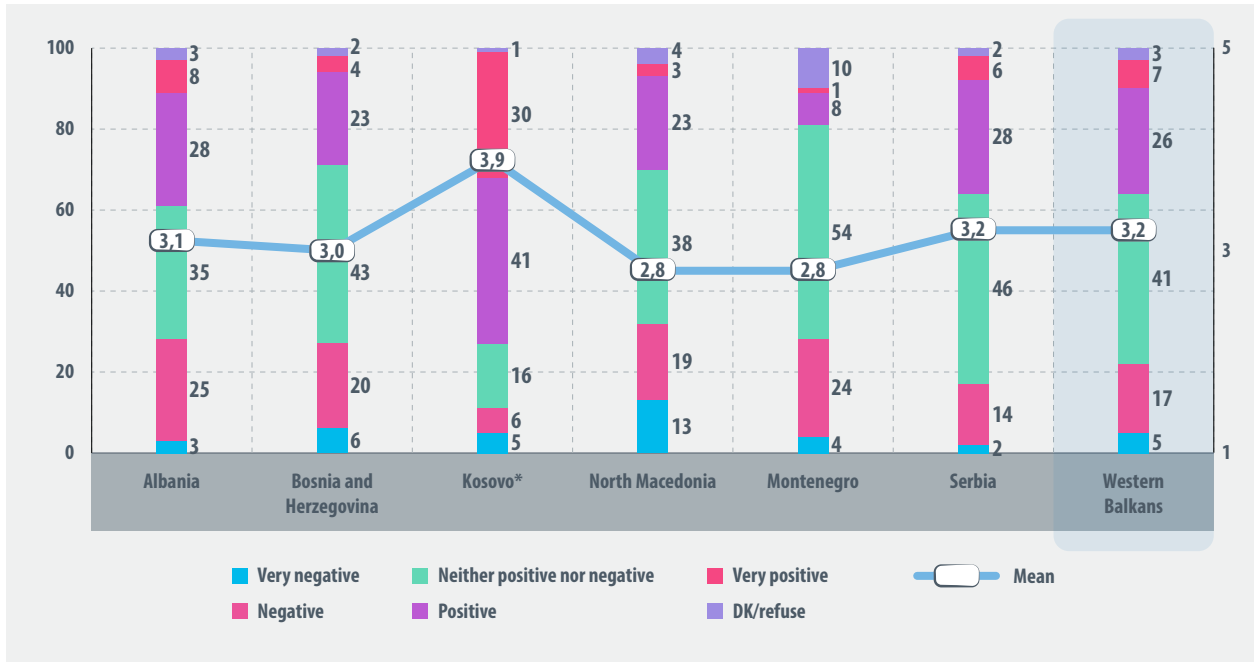
Figure 25: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? – Predictability and stability of policies and rules



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Figure 26 reveals a strong connection between the policies and regulations regarding the conduct of public agencies in their execution. Montenegro pioneers the neutral stance (54%) followed by Serbia (46%), while Kosovo* and Albania reveal a non-negligible positive stance. However, most WB economies are positioned as neutral in this spectrum of the economy.

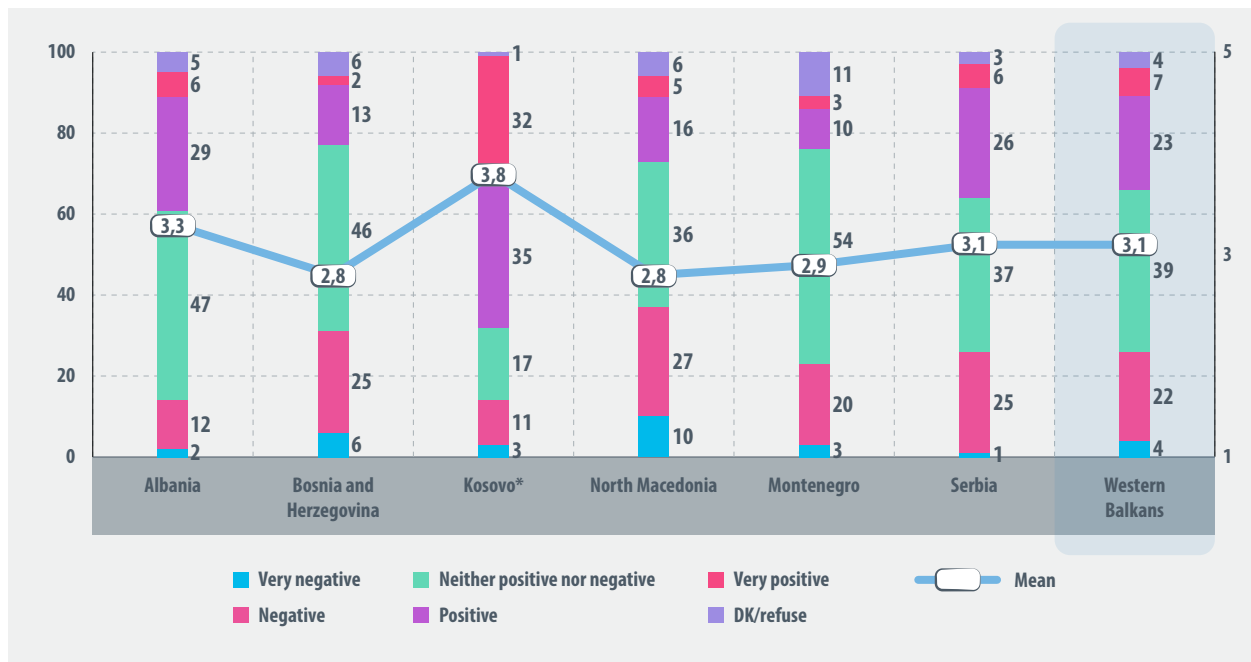
Figure 26: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? – Predictability of the conduct of public agencies (such as regulatory authorities)



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

The Western Balkans have received considerable technical assistance when it comes to working towards improving the legal frameworks overall. However, most respondents perceive the existence of such consultative process as neutral and slightly positive. The situation is particularly optimistic in Albania (35%) and Kosovo* (67%), whereby the shares of respondents with negative attitude soar the highest in North Macedonia (37%). It should be noted that a very large share of respondents has expressed very positive perceptions in Kosovo* with 32%, while the average of Western Balkans for this category (very positive) is only at 7%, confirming once again interesting developments in Kosovo* respondents' perceptions for this year.

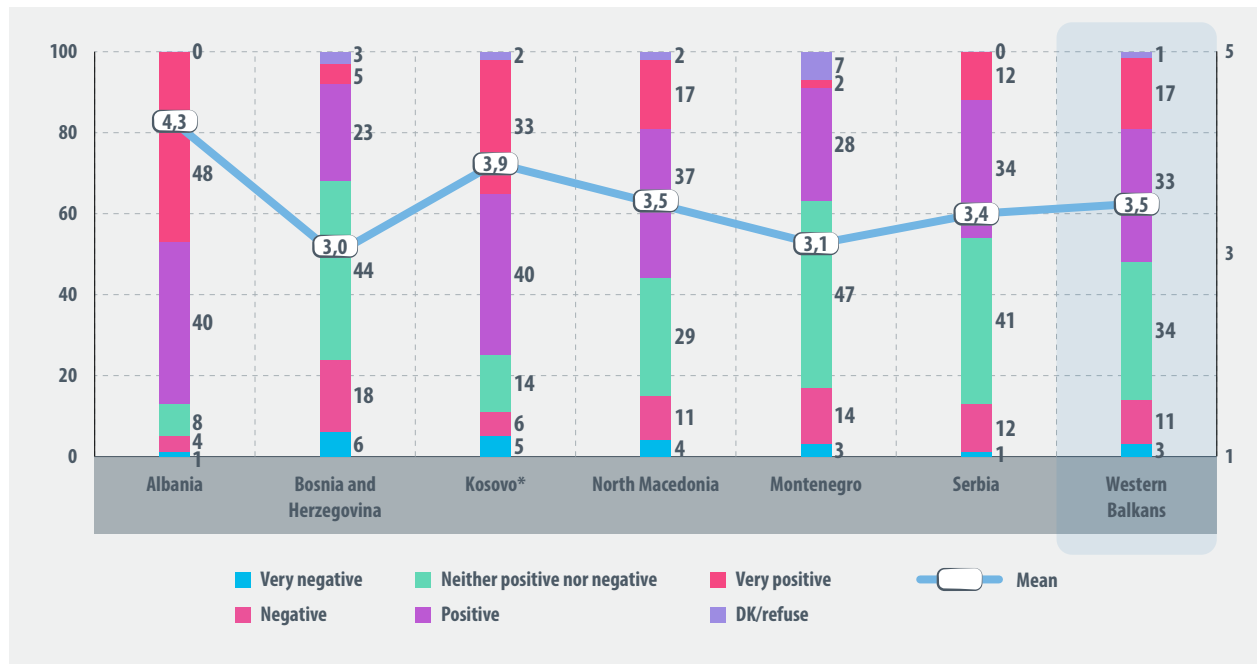
Figure 27: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? – Existence of effective processes in place for consultation on proposed laws and regulations



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

Digitalisation of services, the final factor being considered as related to the government conduct, reveals a totally different and positive picture. The share of respondents who said government conduct related to digitalisation of public services is negative or very negative is lowest in Albania and Kosovo,* and goes up to 24% in Bosnia and Herzegovina, a trend that continues from 2019 until now. The proportion of respondents who have a neutral stance is smaller, leaving more room for those who have an extremely favourable stance. 'Very positive' responses to digitalisation of public services account for significant shares, ranging from 2% in Montenegro to 48% in Albania.

Figure 28: How do you perceive the following factors related to government conduct, based on your experience or of other investors that you have heard of? – Digitalisation of public services

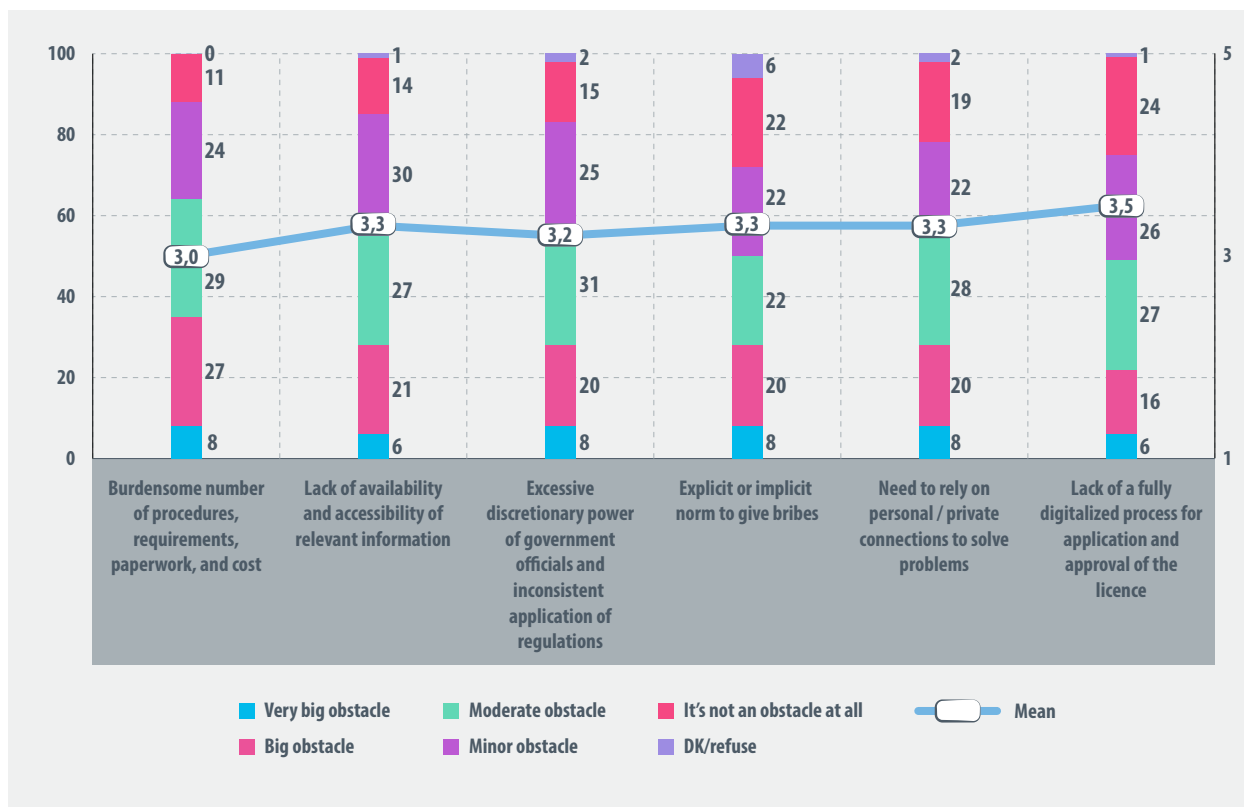


(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very negative and 5 very positive, share of total, %)

The procedure of obtaining numerous business-related licences is the next set of challenges (Figure 29). The cumbersome number of procedures, regulations, paperwork, and expense stands out among the six identified impediments, corroborating central and municipal governments' heavy dependence on parafiscal charges throughout the Western Balkans. This is still identified as a significant or very big barrier by 35% of respondents, followed by a moderate obstacle by 29% of those who responded. Excessive discretionary power of government officials is ranked second (59% of respondents citing it as a moderate to a very significant barrier), while the need to rely on personal connections is ranked third (56%).

On the other end, the lack of digitalised processes for getting licences was a minor or non-existent barrier for a total of 50% respondents.

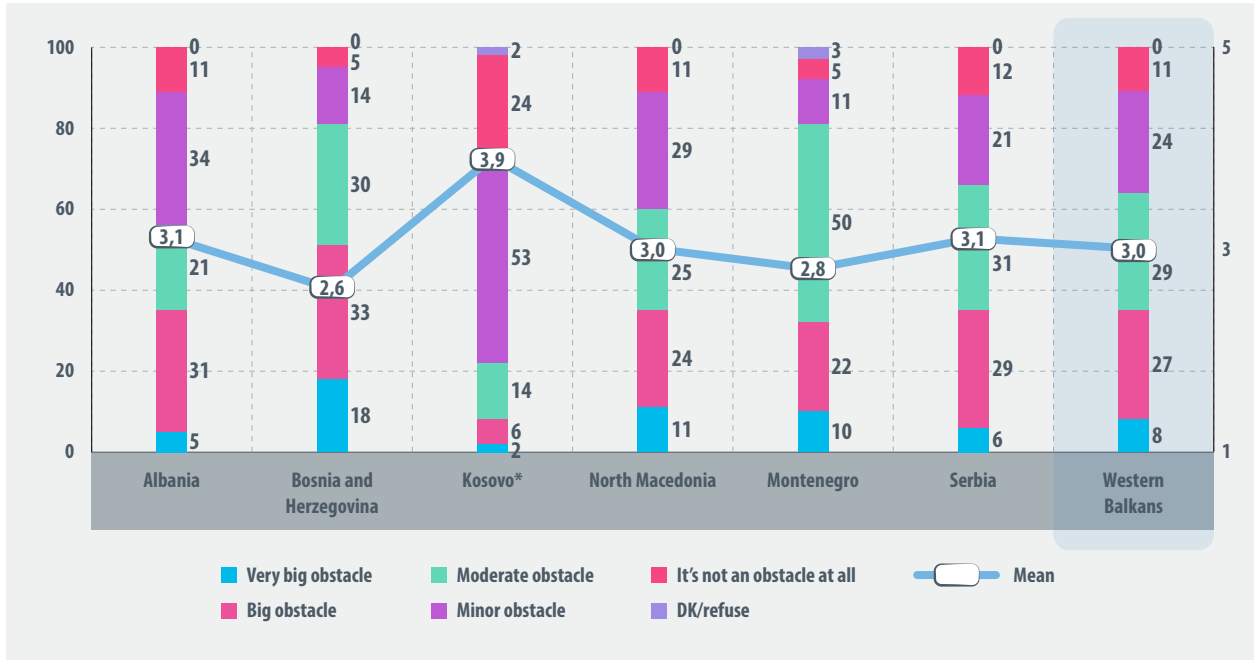
Figure 29: In the process of obtaining licences for your business, how much of an obstacle were the following factors?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

Within-region differences for each of the six major impediments to acquiring licences in the Western Balkans are discussed below. The number of procedures, requirements, paperwork, and costs are all evaluated in Figure 30. In Bosnia and Herzegovina (51%) and Albania (36%), this is regarded as big or very big obstacle (while the average for the region is 35%). Meanwhile, Montenegro stood out because 50% of respondents rated this barrier as moderate. Bosnia and Herzegovina and Montenegro saw this barrier as a minor or non-existent concern, with 19% and 16% of respondents, respectively, labelling it as such. Surprisingly, this obstacle is considered irrelevant for a strong majority in Kosovo* (77%), indicating a very diverse attitude across the region.

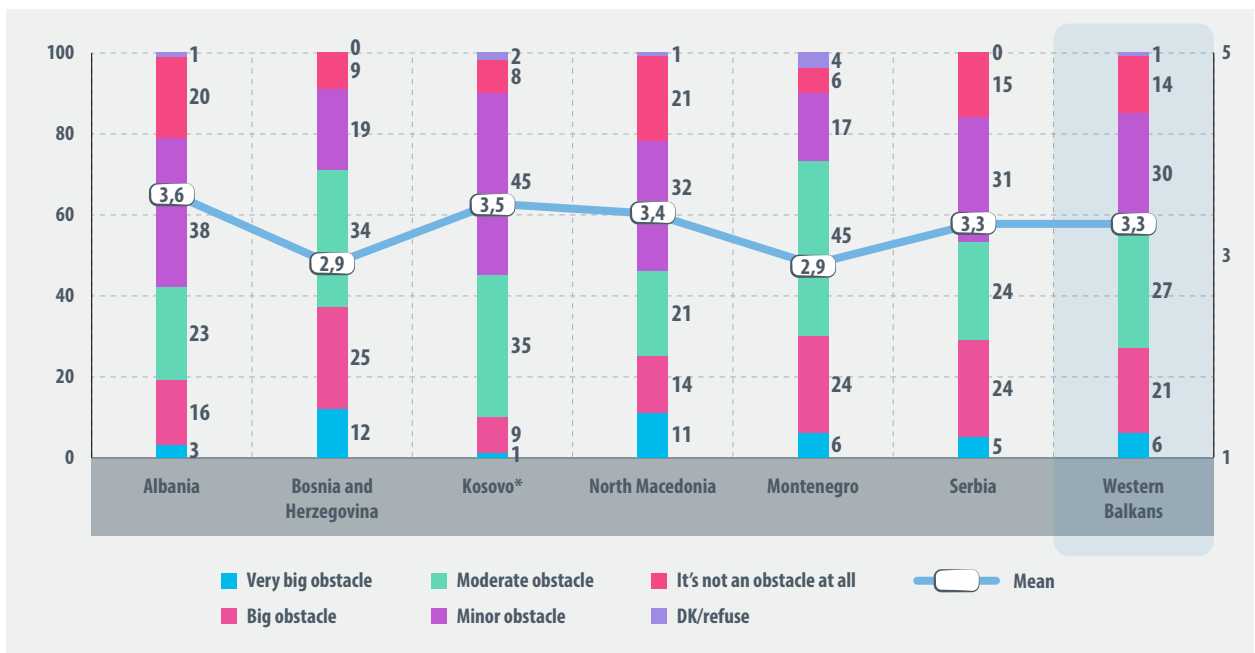
Figure 30: In the process of obtaining licences for your business, how much of an obstacle were the following factors? – Burdensome number of procedures, requirements, paperwork and cost



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

The lack of availability and accessibility of crucial information follows a similar trend. With 37%, 30%, and 29% of respondents, Bosnia and Herzegovina, Montenegro and Serbia, respectively, consider this a big or very big obstacle. Kosovo* continues to have the highest proportion of respondents who consider this a minor hurdle (45%), while this year, North Macedonia has the highest proportion of those who believe it is a non-existent obstacle (21%).

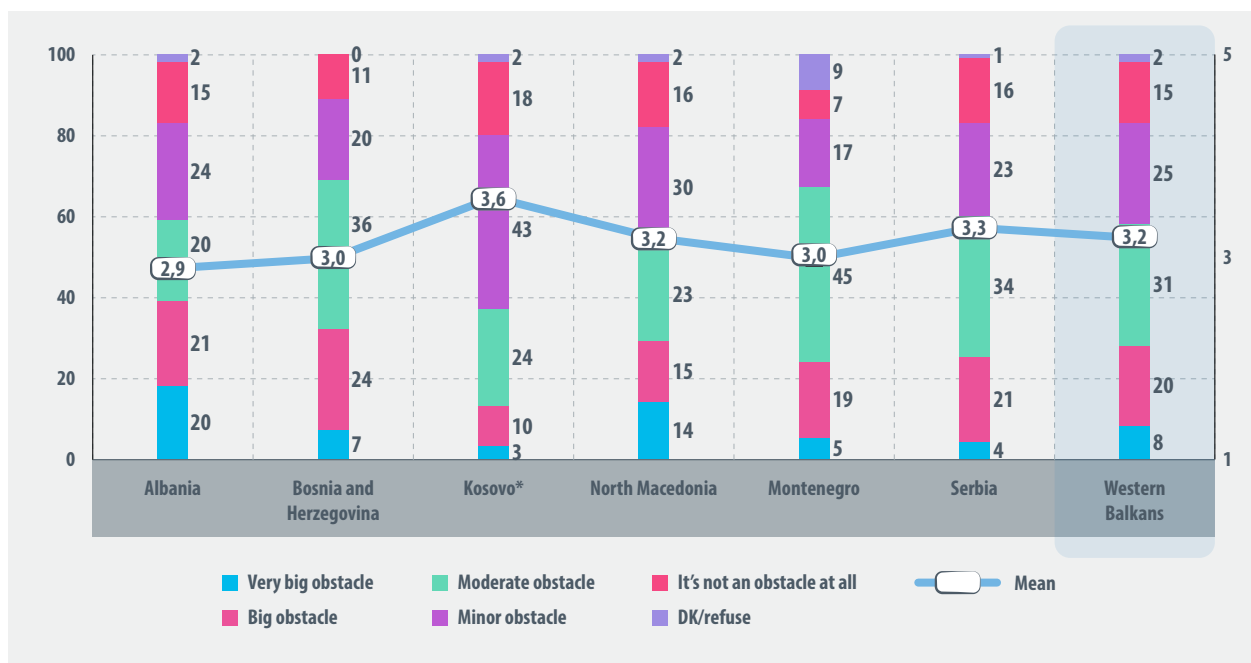
Figure 31: In the process of obtaining licences for your business, how much of an obstacle were the following factors? - Lack of availability and accessibility of relevant information



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

The assessment of government personnel overwhelming discretionary power and inconsistent application of regulations portrays a more depressing picture. Albania joins Bosnia and Herzegovina, North Macedonia, and Montenegro in revealing this to be a big or very big barrier to acquiring licences while on the other end, Kosovo* considers this factor not being a significant obstacle with 43% of respondents. However, Kosovo* and North Macedonia, with 61% and 46% of respondents respectively, share an optimistic perception of the excessive discretionary power of the government officials and inconsistent application of regulations as a minor or non-existent obstacle. It was rated as a moderate obstacle by 43% of Kosovo* businesses.

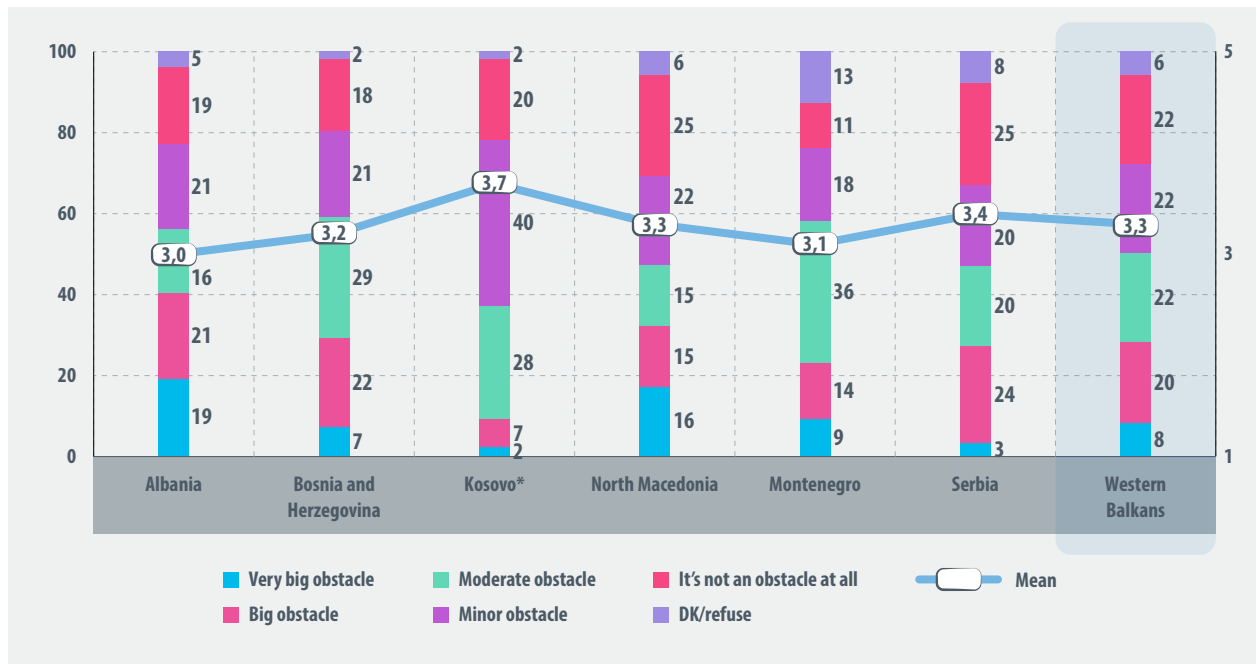
Figure 32: In the process of obtaining licences for your business, how much of an obstacle were the following factors? - Excessive discretionary power of government officials and inconsistent application of regulations



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

The picture becomes even more complicated when the explicit or implied norm of giving bribes is addressed (Figure 33). Bribery is viewed as a minor or non-existent obstacle by 60% of respondents in Kosovo* and 29% of respondents in Montenegro. This percentage is lower in Albania (40%) than in North Macedonia (47%), although the percentage of respondents who consider bribery to be a major or major obstacle is higher in Albania (40%) than in North Macedonia (31%). On a regional level, the highest share of the respondents (44%) consider bribes as not a major obstacle.

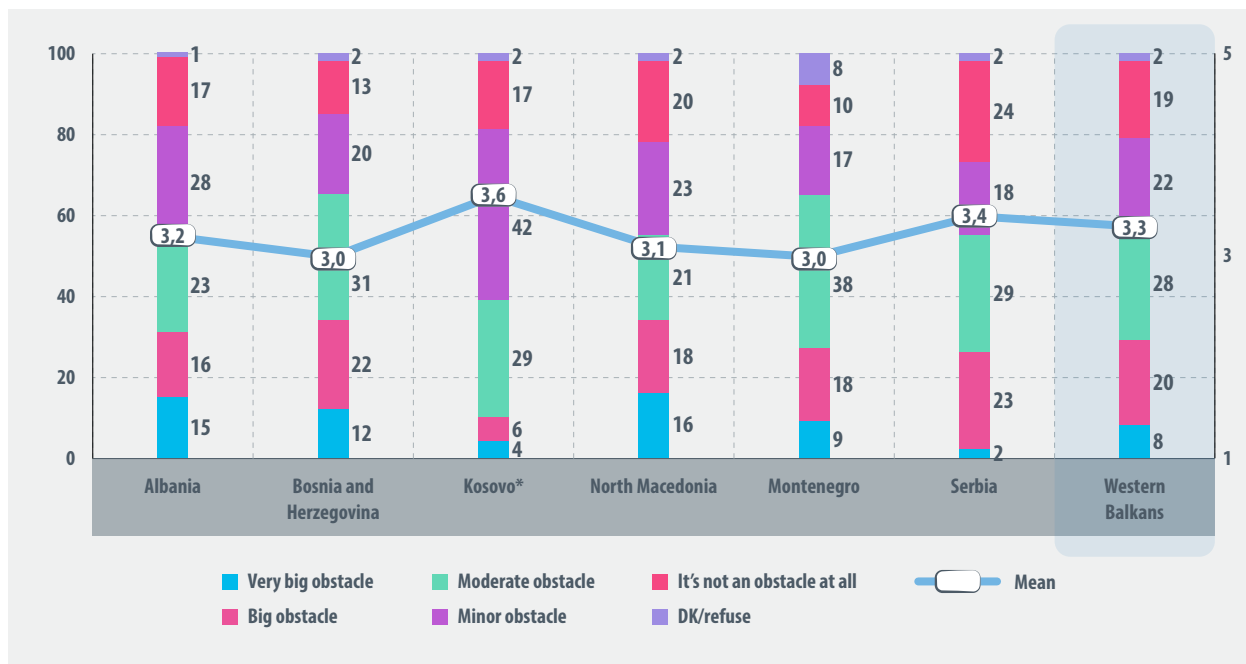
Figure 33: In the process of obtaining licences for your business, how much of an obstacle were the following factors? - Explicit or implicit norm to give bribes



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

In Albania, Bosnia and Herzegovina, North Macedonia and Montenegro, business representatives must rely on personal/private relationships to handle problems more frequently than in the other two Western Balkan economies. In these four economies, respectively, 31%, 34%, 34% and 27% of people believe this has been a big or very big difficulty, respectively. At the same time, a considerable percentage of respondents in Albania (45%) cite personal relationships as a minor or non-existent barrier, whereas Kosovo* has the highest percentage (59%). Personal/private connections are a moderate obstacle for the majority of respondents in Montenegro and Bosnia and Herzegovina, with 38% and 31%, respectively.

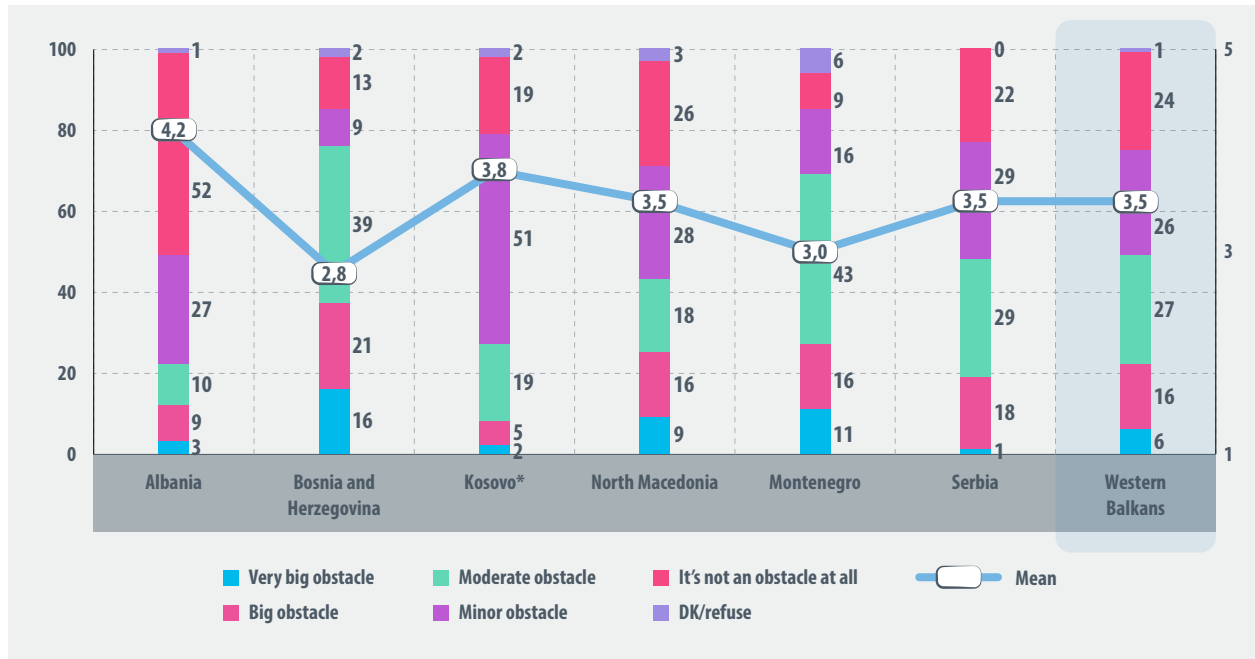
Figure 34: In the process of obtaining licences for your business, how much of an obstacle were the following factors? - Need to rely on personal/ private connections to solve problems



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

Previous patterns can also be seen in terms of the lack of a fully digitalised process for licence application and approval. Albania had the highest percentage of respondents who did not see this as an obstacle at all (52%), followed by North Macedonia (26%), and Serbia (22%). Bosnia and Herzegovina and Montenegro have the largest percentage of respondents who say this is a big or very big obstacle (37% and 27% respectively). At the same time, the majority of respondents in these two economies (39% and 43%) regard digitalisation for acquiring permits to be a moderate difficulty.

Figure 35: In the process of obtaining licences for your business, how much of an obstacle were the following factors? - Lack of a fully digitalised process for application and approval of the licence



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means very big obstacle and 5 it's not an obstacle at all, share of total, %)

Figure 36 shows a variety of aspects of the business environment. Business-people were asked to rate how much these factors have changed during the preceding year. The first thing to notice is that the graph is dominated by blue, indicating that those traits have been concerning, ranging from unchanged to greatly worsening.

Market size in the Western Balkans appears to have remained a major stumbling block in 2021: 33% of respondents said it had worsened. This is not surprising, given that the Western Balkan economies are all relatively modest by European and global standards. Most notably, macroeconomic stability and exchange rate considerations were deemed to have deteriorated (40%), probably driven by the increasing prices in the second half of the year.

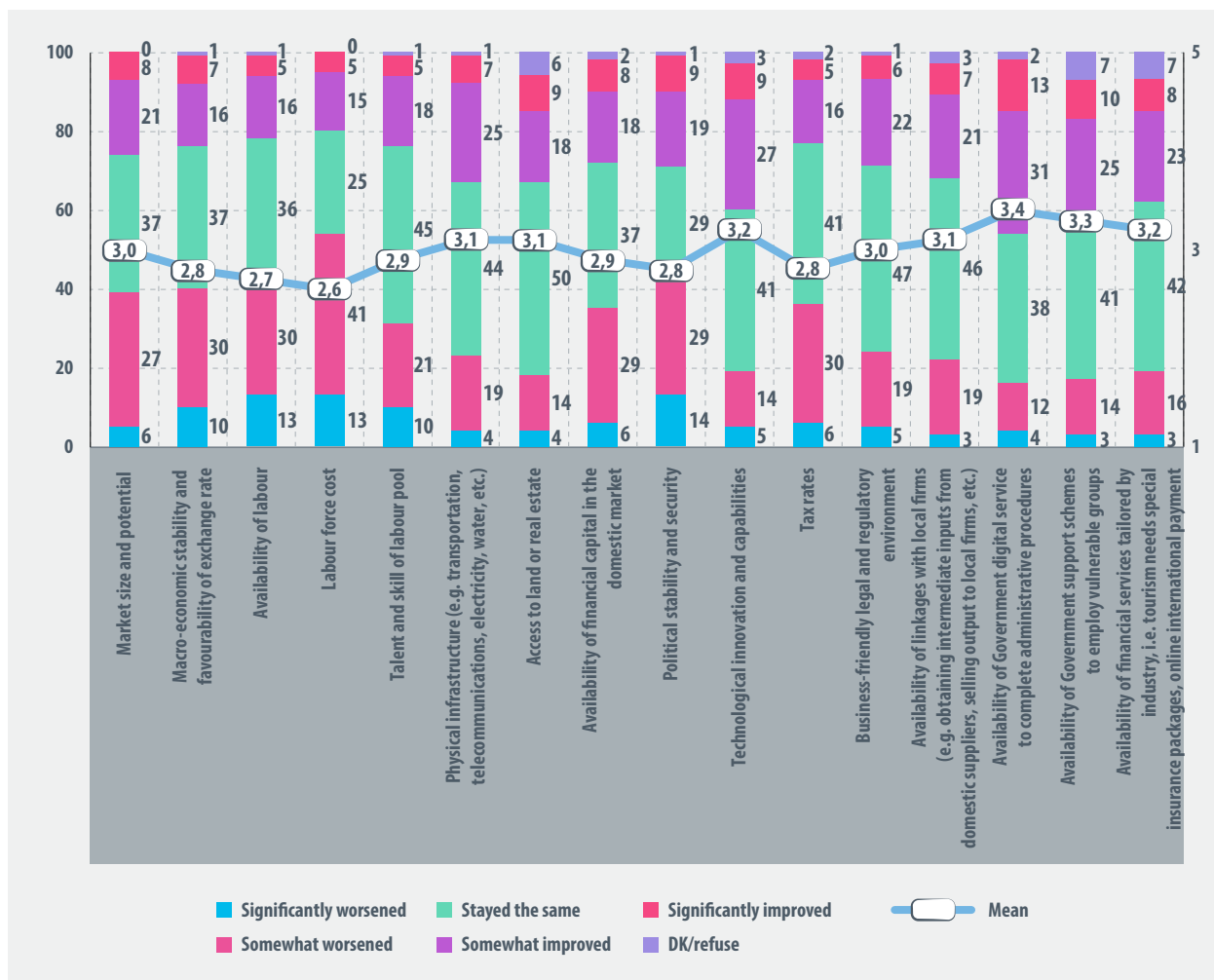
Likewise, the political stability and security has been assessed as worsening by 43% of respondents, followed by the availability of financial capital in the domestic market (35%). These issues continued to be on the table for 2021, and the easing of the pandemic impact may make for some progress in the near future.

There have been some notable shifts compared to 2020. For example, the cost of labour has been assessed as aggravating (54% said somewhat or significantly worsened), followed by the availability of labour (43%). It is not surprising that the post-pandemic period brought about a patent of strengthening the pressure on the labour market, hence bringing back to the table the pre-pandemic problem of lack of qualified labour. Yet, estimates suggest that by the end of the year, the labour market in the WB did not fully return to the pre-pandemic levels.

For the most part, responses suggested no change in 2021. For example, 45% said so about labour pool talent and skill, 41% about tax rates, 47% about a business-friendly legal and regulatory framework, and 46% said so about the availability of links with the domestic firms.

On the plus side, the availability of government digital administrative services were reported as improved by the most respondents (31%), followed by technical innovation and capacities (27%), and the availability of government support schemes for vulnerable workers (25%). These three factors remained positive in the business environment in 2021 compared to 2020, but many other factors such as physical infrastructure, availability of financial services tailored to industry, and access to land or real estate, which had previously gained significant shares of respondents reporting improvement, lost their importance.

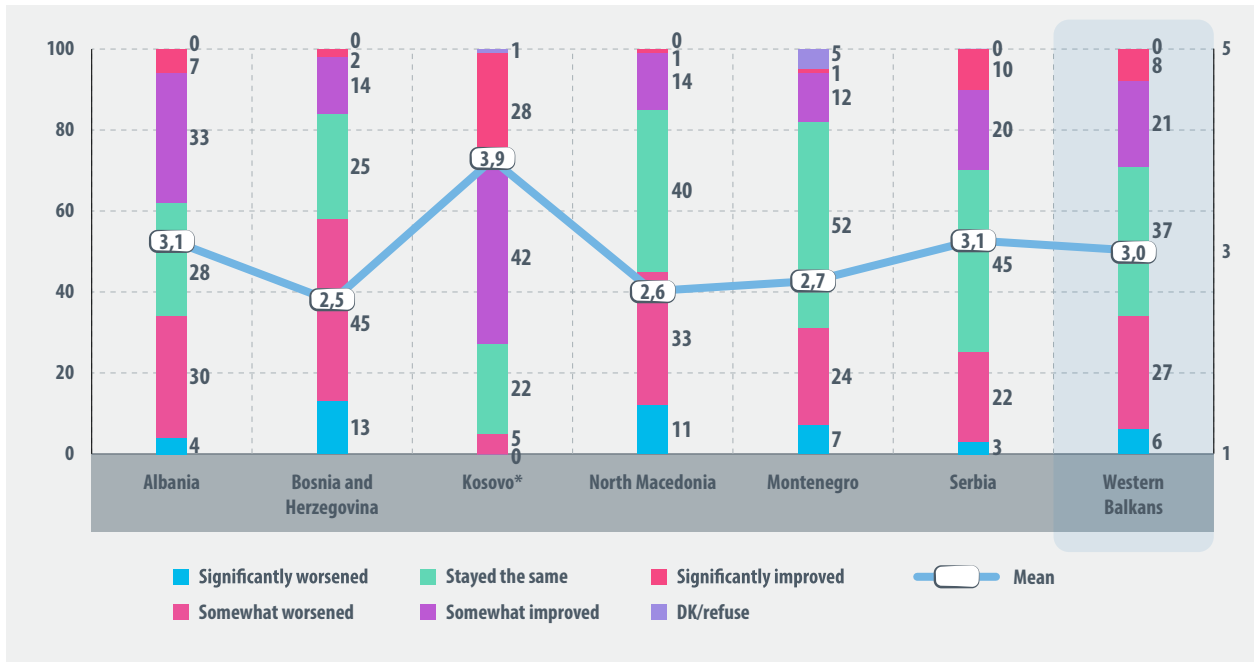
Figure 36: How have the following characteristics of the business environment in your economy changed over the last 12 months?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Below is a breakdown of the distribution of each restricting factor to doing business in each WB economy. Figure 37 shows market size and implies that overall, it is still a limiting factor in each economy. According to the results, the majority of respondents answered that the market size has worsened (33%) or stayed the same (37%). This factor is particularly problematic in Bosnia and Herzegovina (58 % of the respondents said market size has worsened somewhat or significantly). Interestingly, respondents in Kosovo* were optimistic and believed that the market size has improved, different from last year when it was seen as a key limiting factor in the Kosovo's* economy.

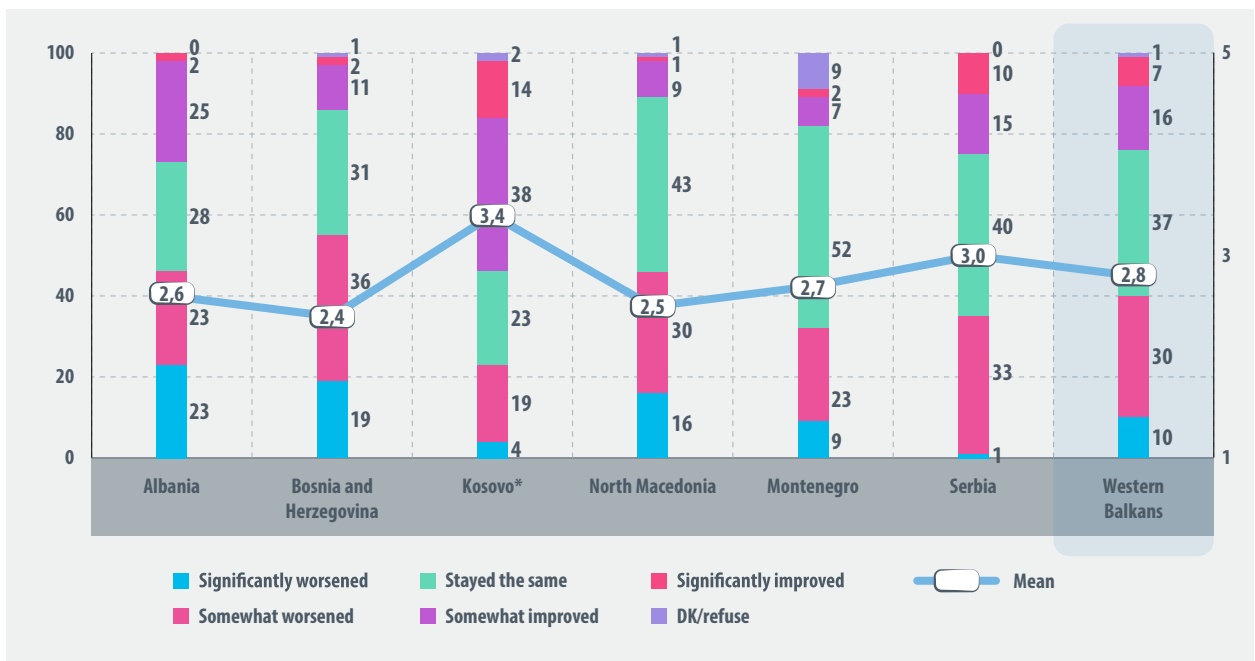
Figure 37: How have the following characteristics of the business environment in your economy changed over the last 12 months? – Market size and potential



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

The role of macro-stability has been rated as more favourable in Western Balkan economies, as there have been some notable shifts compared to 2020. The situation is promising in Kosovo* where 23% of the respondents consider macro-stability to have stayed the same, while 52% to have somewhat or significantly improved. In Bosnia and Herzegovina, macroeconomic stability and exchange rate favourability deteriorated the most, with 55% of respondents reporting some or total deterioration.

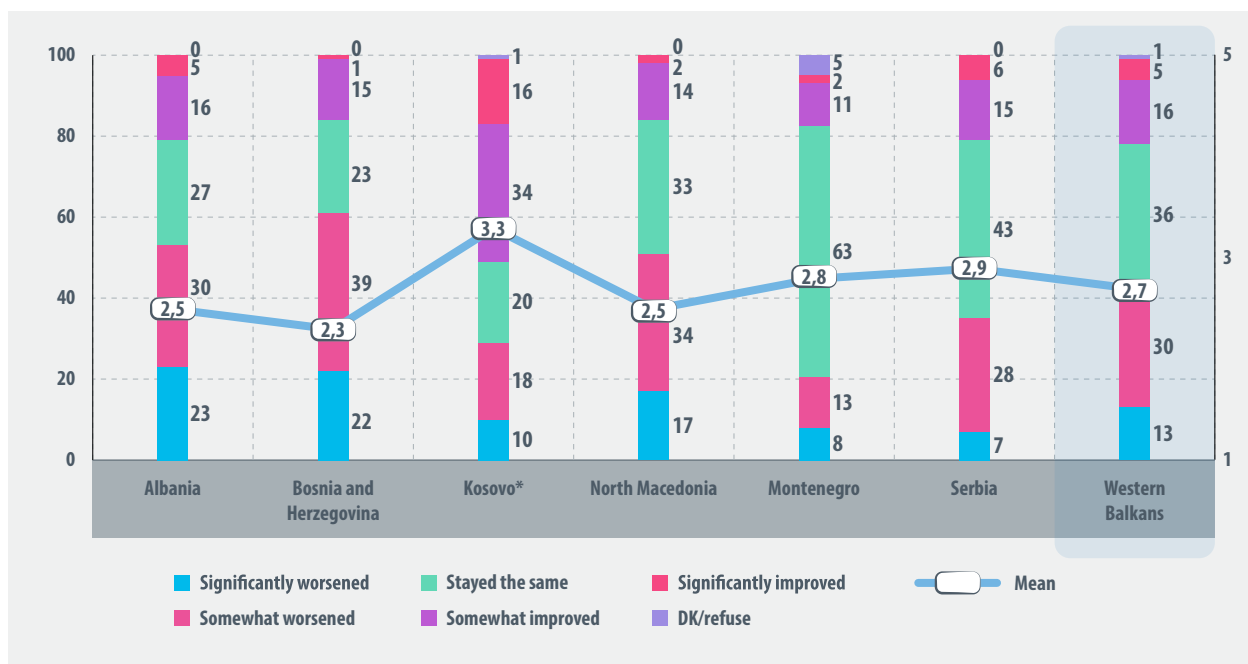
Figure 38: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Macro-economic stability and favourability of exchange rate



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Labour availability has been a serious obstacle to doing business in all WB economies where in 2021, nearly 43% of the respondents reported that the situation has worsened. For Bosnia and Herzegovina in particular, this is a key limiting factor to the economy, with 61% of respondents reporting that the situation somewhat or significantly worsened. With the lockdown measures eased, most migrants returned to their host economies, and thus decreased the available labour pool at home. However, this element is not equally important for all regional economies. Pressure came also on the demand side, which increased amid the return of the economies towards normalcy. Meanwhile, Kosovo* has the highest percentage of respondents who believe the situation with labour availability has improved significantly or somewhat (50%).

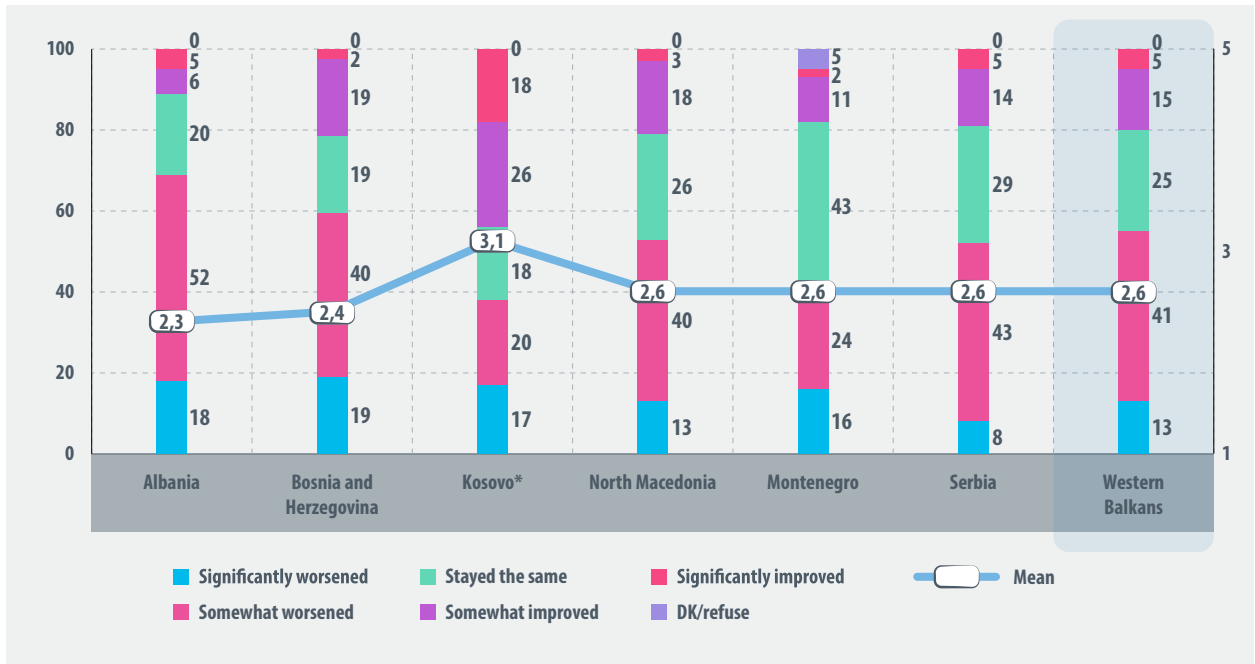
Figure 39: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of labour



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

The cost of labour is still an issue. With the exception of Kosovo*, where the share of those reporting that labour costs significantly increased in 2021 is (18%), comparing to other economies, this picture is consistent across the Western Balkan economies. In comparison to 2020, the proportion of respondents who thought labour costs were increased rose from 36% to 54%. Albania seems to be the most affected by labour cost issues (70% of the respondents stated that the situation has worsened overall), which is reflecting the ongoing pressure by the increase in the minimum wage. This is also due to the rising demand and lower supply of labour, as explained above.

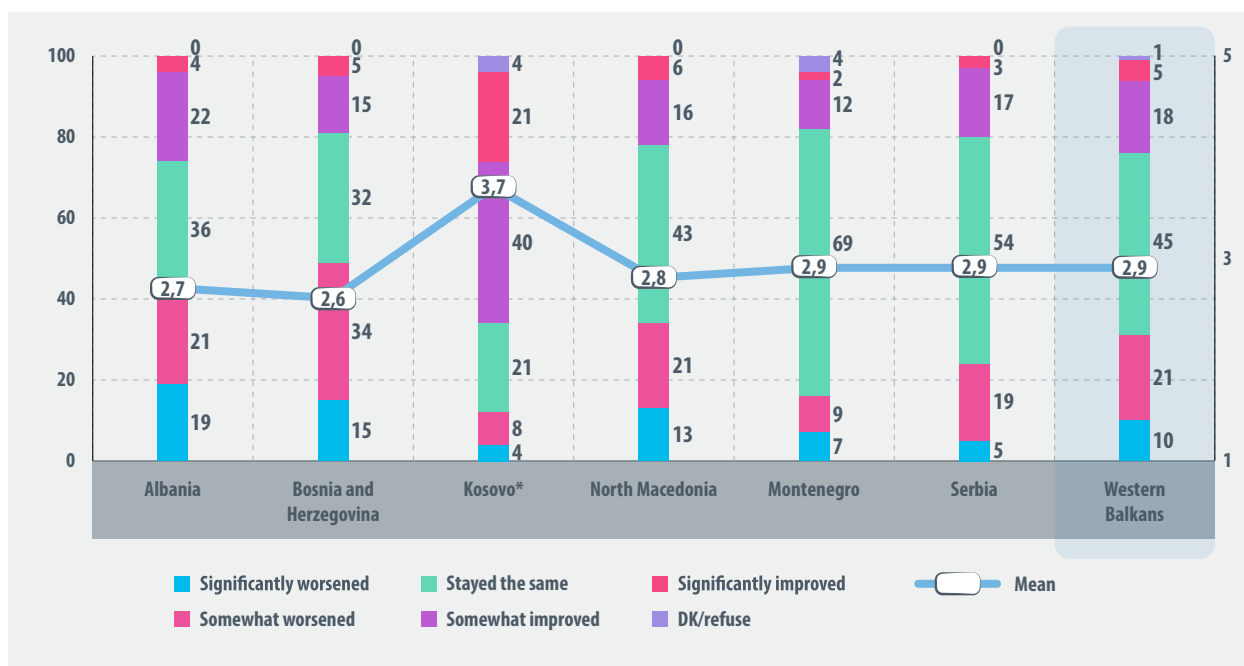
Figure 40: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Labour force cost



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Following the labour supply and cost, the situation with labour force talent and skills as shown in Figure 41, suggests that these factors continue to stay intact. The situation with the skills did not alter for 21% to 69% of respondents with a slight decrease from the last year on a regional level, but with differences within each economy. Furthermore, Albania and Bosnia and Herzegovina had the highest percentages of respondents who thought things were getting worse (40% and 49%), while Kosovo*, in contrast to the last year data, had the highest percentages of respondents who thought things were getting better (61%). Montenegro (69%) and Serbia (54%) perceive the situation to have remained the same.

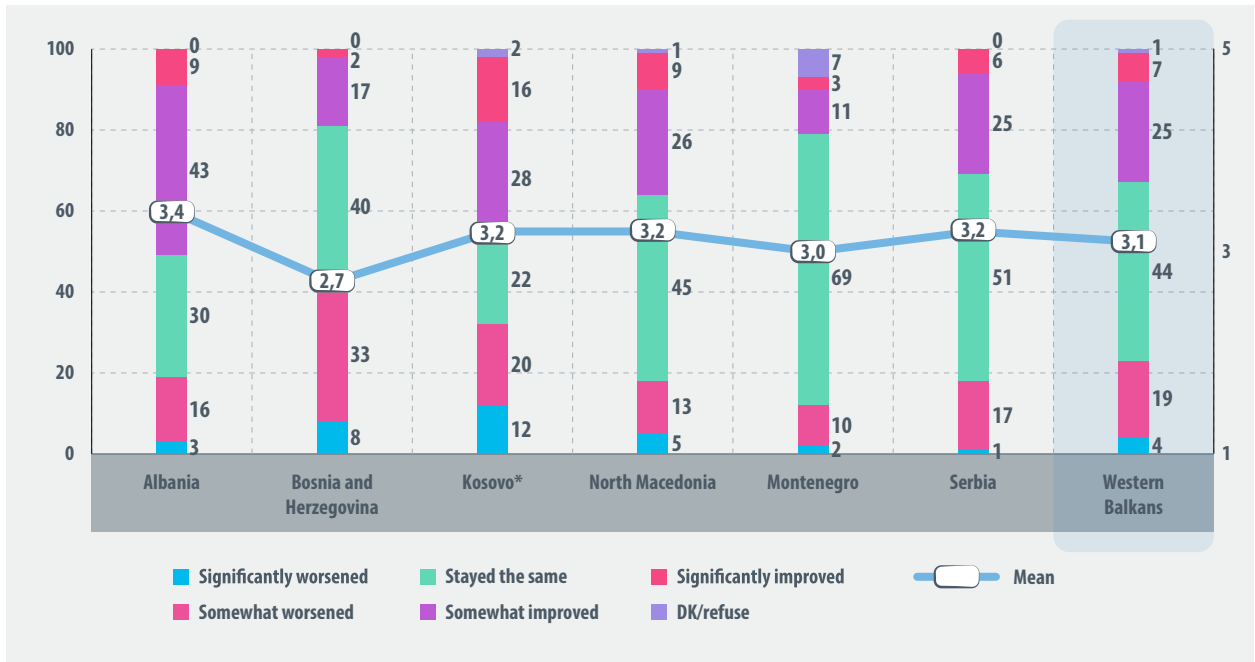
Figure 41: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Talent and skills of labour pool



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

When it comes to infrastructure, the situation is mixed across the Western Balkans. Bosnia and Herzegovina confronts the most challenges with its physical infrastructure, as 41% of respondents believe the situation is deteriorating and 40% believe it is stable. Furthermore, Kosovo* (32 %) and Albania (19%) come in second and third. Both Montenegro and Serbia have significant shares of respondents who have a neutral opinion of infrastructure, while Kosovo* (44%) and Albania seem to be the most optimistic regarding infrastructure. As in the last two years, Albania remains the pioneer in this category, with 52% of respondents believing the economy's infrastructure has improved in the last year.

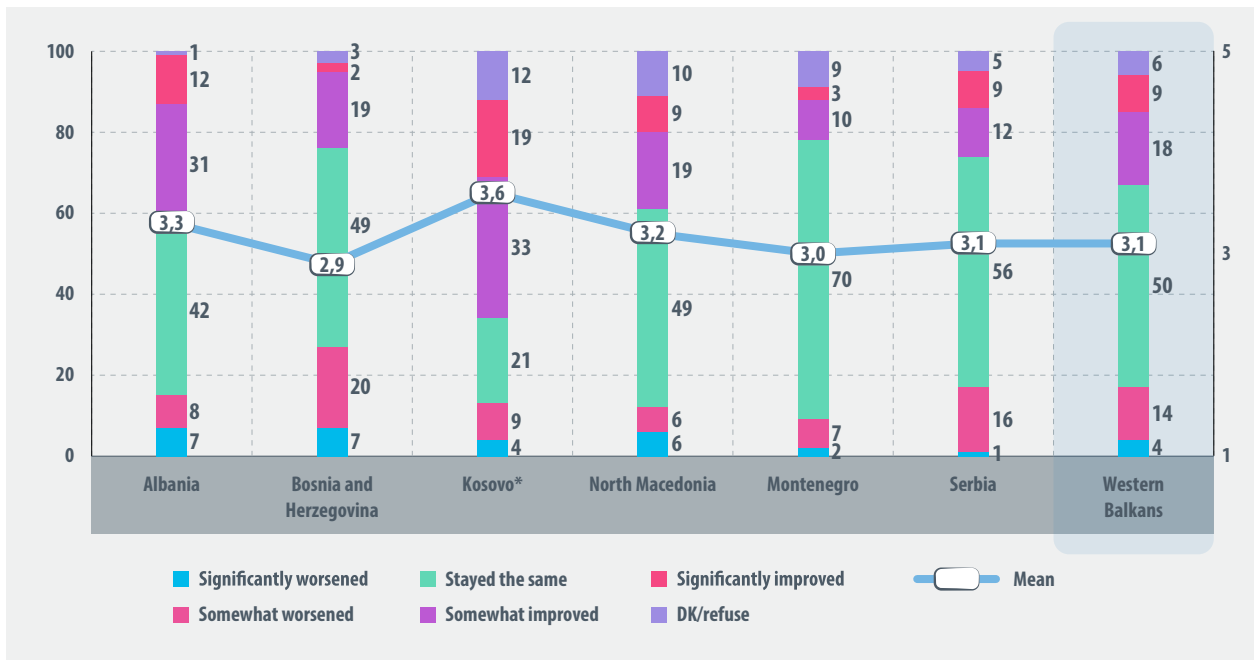
Figure 42: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Physical infrastructure



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

In contrast, Western Balkan economies have not shown significant gains in land and real estate access. Respondents who showed no change in this area make up the dominant share (21% to 70%). Contrary to 2020's data, Kosovo* respondents show visible improvement with 52%, but at the same time it is interesting to note that 12% of respondents from the economy refuse to share their opinion on this matter. Bosnia and Herzegovina, on the other hand, appears to have the most difficult situation on the land and real estate access with 27%.

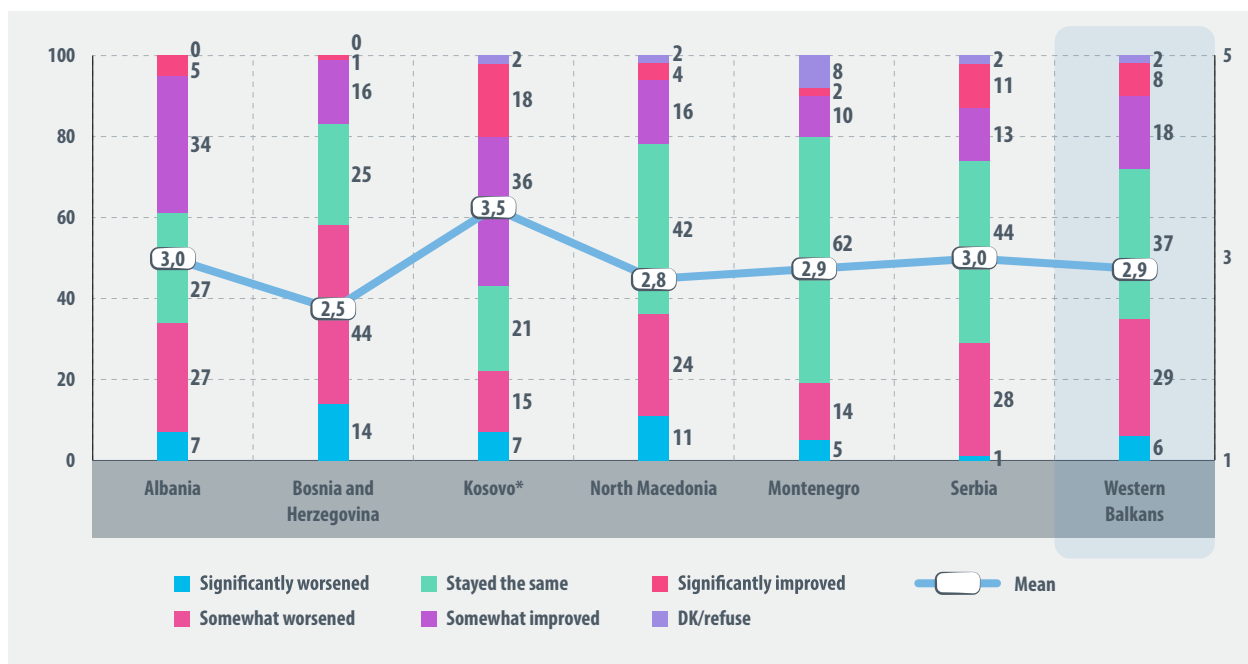
Figure 43: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Access to land or real estate



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Due to the financial crisis posed by the pandemic, the availability of financial capital decreased in most Western Balkan economies. A shift to securing funding through international sources was evident. However, rather than lack of availability, this could reflect more insecurity and hesitation and a "wait and see" approach in terms of investment, which is common during crises. Bosnia and Herzegovina has the most severe financial market deterioration as 58% of respondents indicated some or considerable deterioration, followed by North Macedonia (35%) and Albania (34%). Surprisingly, in Albania (39%) and Kosovo* (54%), things were a little better, as most of the respondents believe their financial condition was improving. However, the aggravating sentiments across all WB economies are slightly better than what respondents thought in usual circumstances during 2020, when those who reported considerable deterioration ranged from an insignificant 3% to 16%, but the range in 2021 is 1% to 14%.

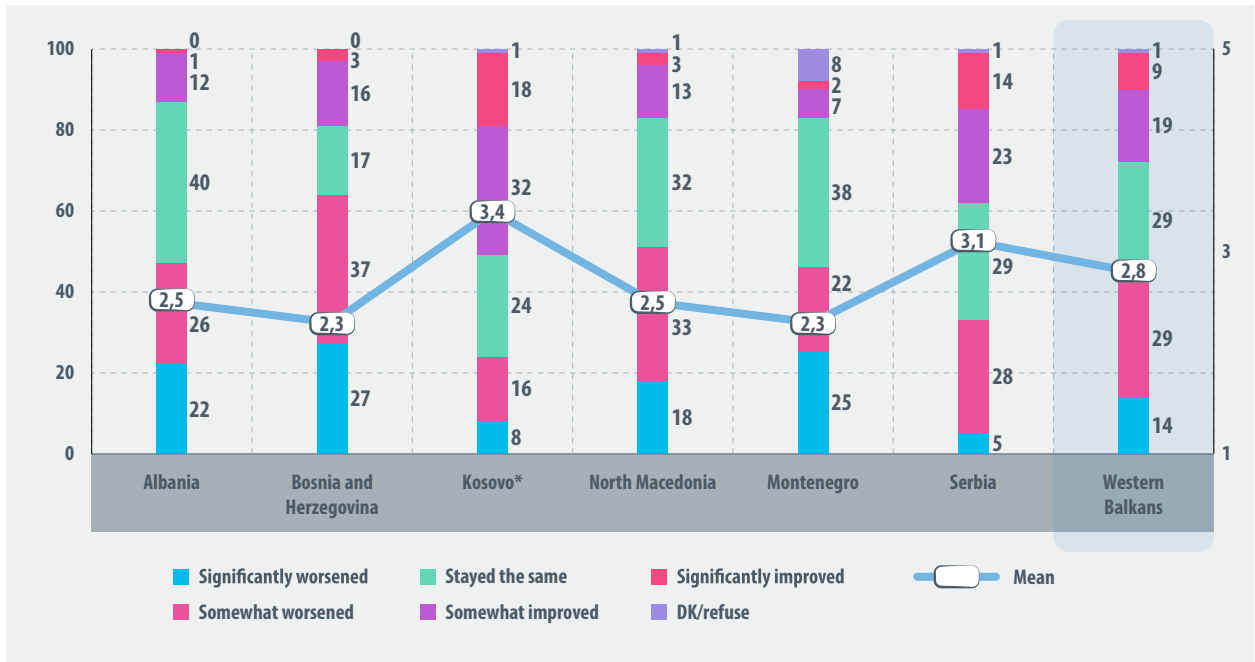
Figure 44: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of financial capital in the domestic market



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Political stability and security, on the other hand, has slightly changed from 2020 as shown in the Figure 45. Only Serbia and Kosovo* had non-negligible proportions of respondents who thought things were improving somewhat or significantly (37% and 50% respectively), while those who thought things were getting worse ranged from 24% in Kosovo* to 64% in Bosnia and Herzegovina (a position retained from the last year too). The deterioration in Bosnia and Herzegovina may be attributed to the load that the political system placed on crisis management. Albania and Montenegro have the highest percentages of respondents who believe the problem of political stability has not been altered (40% and 38%).

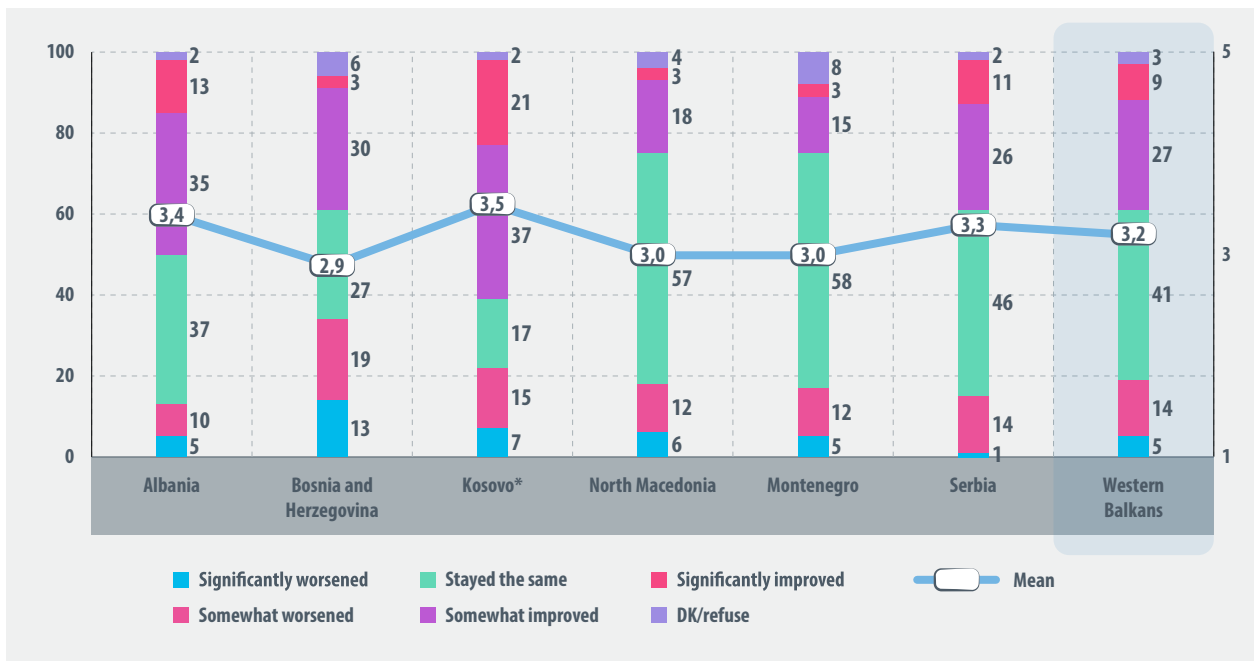
Figure 45: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Political stability and security



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Technological innovation and capacities in 2021 were generally behind in North Macedonia, Montenegro and Serbia: 61% to 75% of respondents observed worsening or unchanged condition in this matter. On a regional level, the trend is the same; 55% perceive the situation in technological innovation and capabilities to have stayed the same or worsened. Only in Albania and Kosovo* are these percentages lower, allowing respondents to believe that technical capabilities and innovation are improving: 48% and 58% respectively said so.

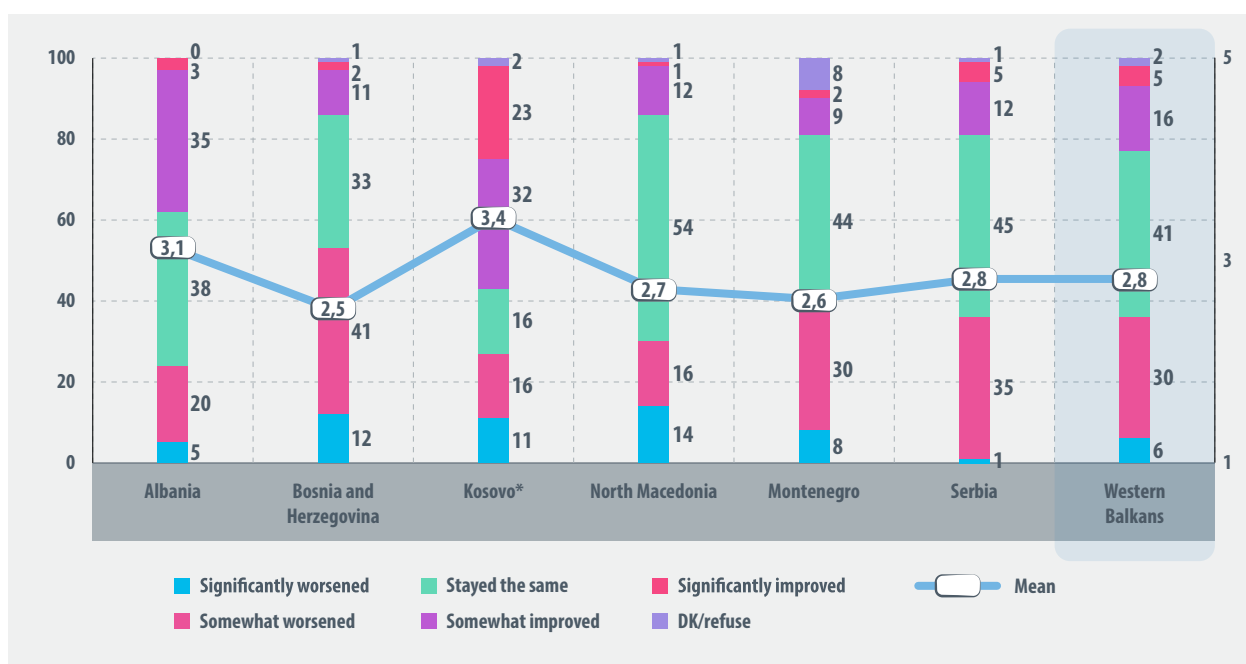
Figure 46: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Technological innovation and capabilities



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Tax rates have a negative rather than positive impact on the business climate, but the situation seems to have slightly changed positively during 2021. The most interesting answers to be analysed this year come from Kosovo* companies who have radically changed their perceptions about taxes; they seem to have a significant improvement of 23%. Tax rates have not changed in Kosovo*, hence this response might be related more to the general perception of improvement of governance and the business environment. Other causes might be related to the introduction of additional financial support for businesses from the government, which was post-COVID-19 related. This could have also impacted the perception of ease of fiscal burden, especially among small companies. The responses have also been more positive this year in the overall Western Balkan economies, but the dominating blue areas in Figure 50 imply that firms are still unsatisfied with the tax rates. In Bosnia and Herzegovina, the situation has deteriorated from 32.5% to 53%.

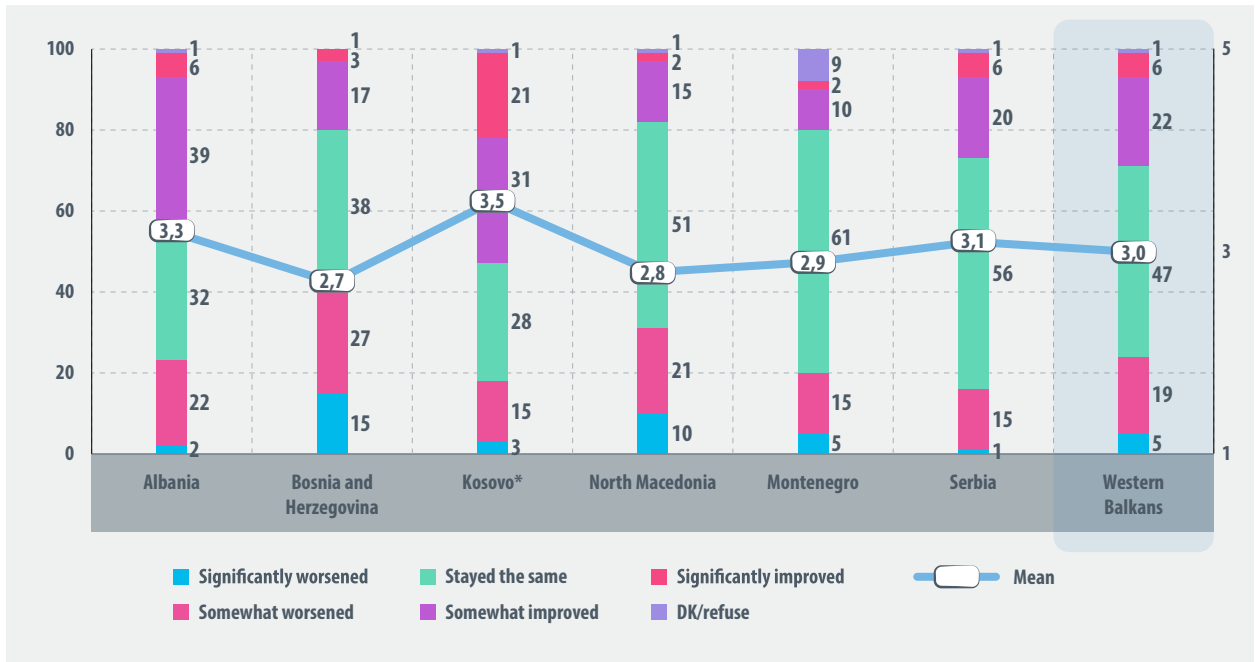
Figure 47: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Tax rates



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

In Bosnia and Herzegovina, the regulatory climate follows the same trend as 2020 in perception as the least hospitable to companies, with 42% of respondents reporting some or significant degradation. This percentage is also high in North Macedonia (31%). Kosovo*, in the other hand, stands out for having the highest percentages of respondents reporting improved regulatory conditions (52%). However, most respondents (47%) perceive the legal and regulatory environment to have stayed the same, with each economy specifically ranging from 28% to 61%.

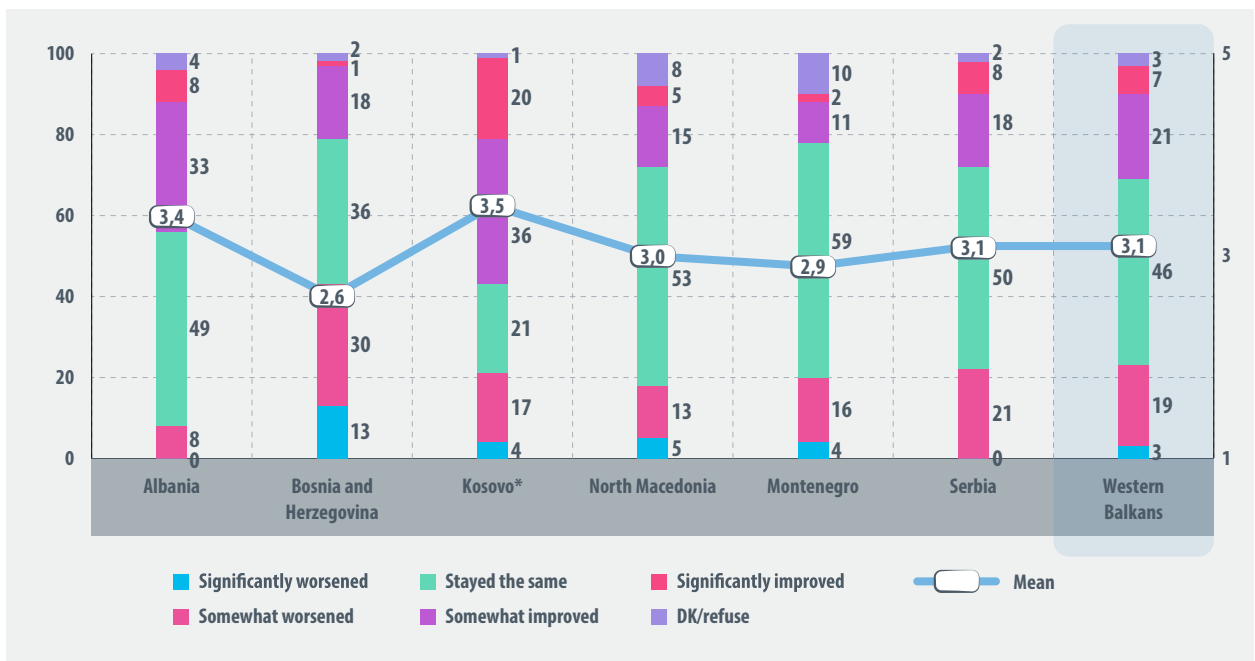
Figure 48: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Business-friendly legal and regulatory environment



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

When businesspeople were questioned about their ties to local enterprises, a similar pattern emerged. While this is a significant feature, particularly for the rooting of foreign-owned industries into local economies so that the latter may join global value chains more quickly, all Western Balkan economies saw a slight improvement in 2021. Bosnia and Herzegovina (43%), followed by Kosovo* and Serbia (21%), are more pessimistic in this aspect of the economy, while Albania and surprisingly Kosovo* are the strongest performers, with more respondents reporting improvement.

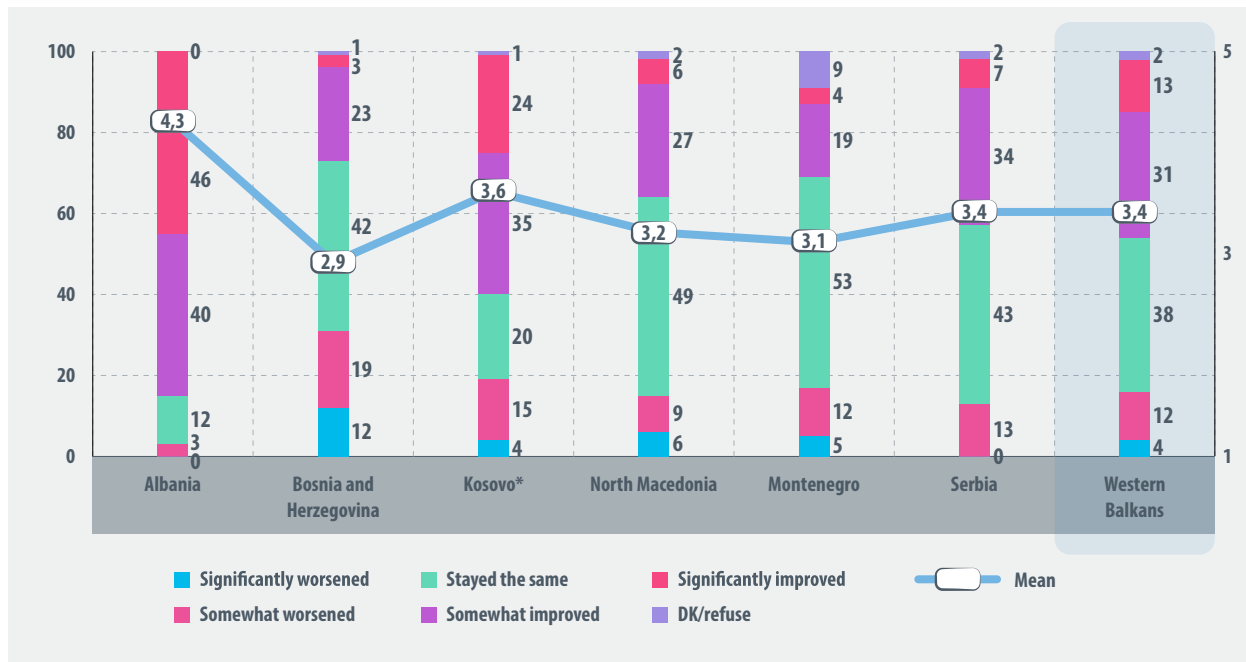
Figure 49: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of linkages with local firms



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

The view of digitisation of public administrative services in Western Balkan economies is marginally better than in other parts of the business environment. Albania is in the first place, with 86% of respondents believing that digitisation had improved in the previous year, followed by Kosovo* (59%) and (Serbia 41%). Bosnia and Herzegovina is the economy with the highest percentage of respondents who believe this metric is deteriorating: 31% believe the digitisation agenda for public services is deteriorating and 42% believe the situation to have stayed the same.

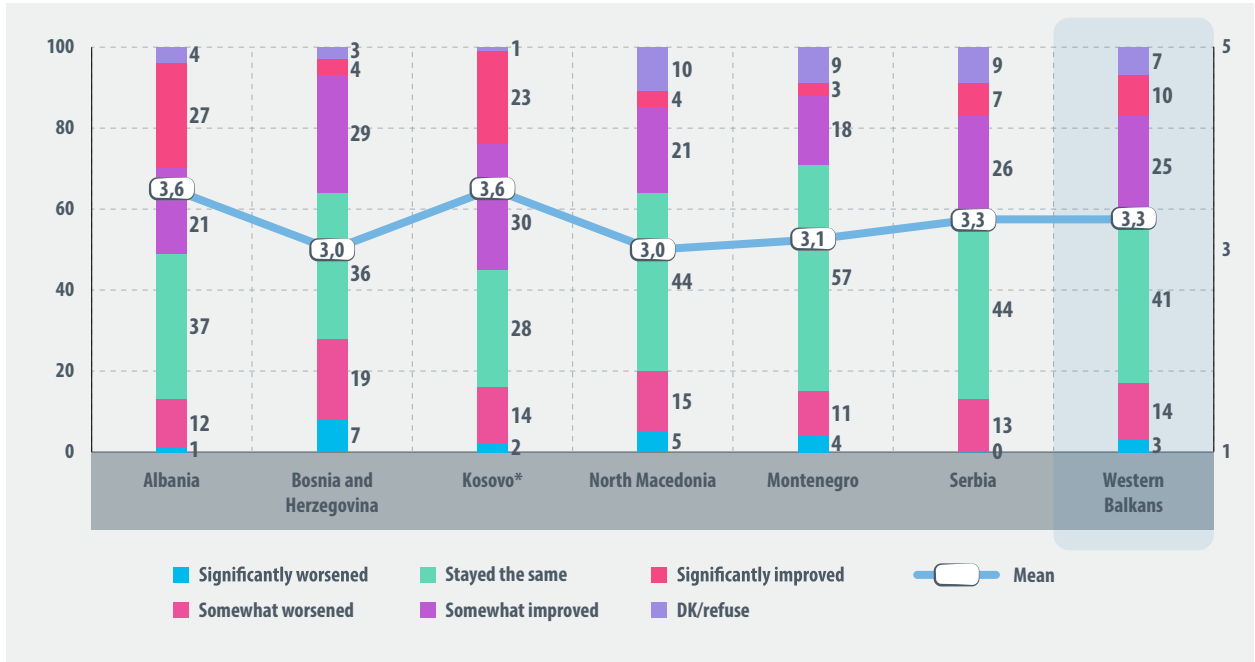
Figure 50: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of government digital service to complete administrative procedures



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

When government services are evaluated in terms of supporting the most vulnerable, the results are comparable. The governments of Albania and Serbia were deemed to have done the least for vulnerable populations, with only 13% reporting improved services, followed by Montenegro (15%). This year, Kosovo* takes the lead, with 53% of respondents expecting this metric to have improved, followed by Albania (48%).

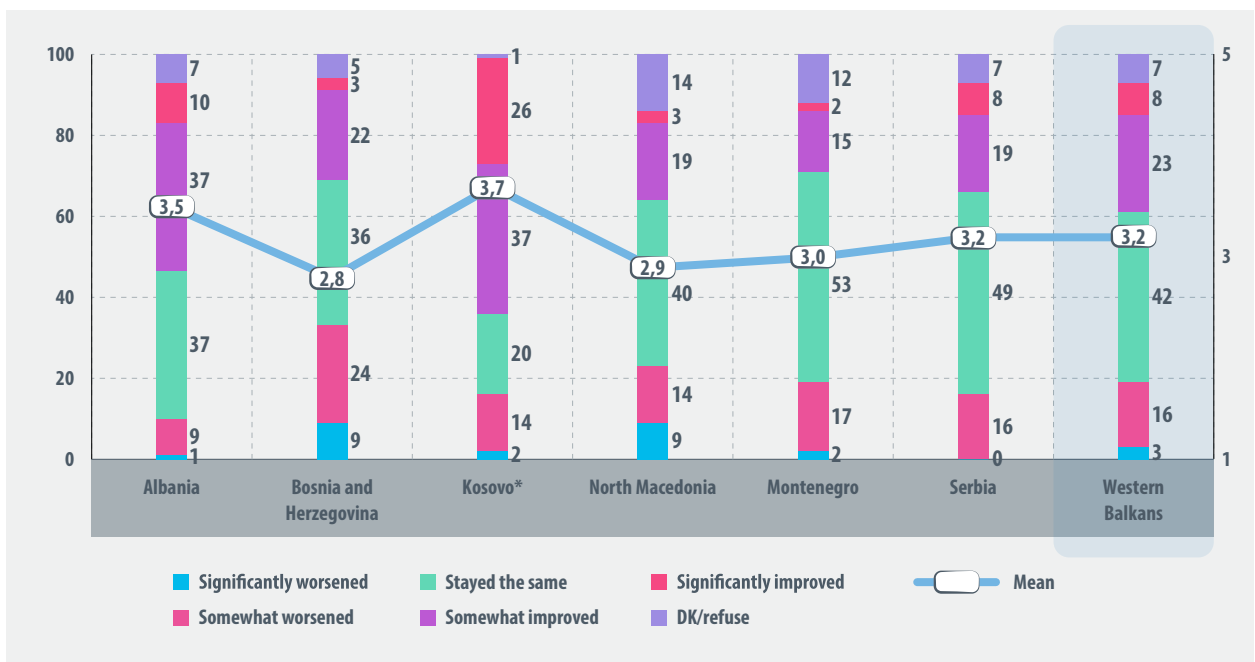
Figure 51: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of government support schemes to employ vulnerable groups



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

Finally, the extent to which financial services in the economy are customised to industry demands paints a complex picture. Bosnia and Herzegovina (33%) and North Macedonia (23%) are the most pessimistic, indicating some or significant worsening, and Albania and Kosovo* are the frontrunners, with 47% and 63% percent, respectively, indicating progress. Surprisingly, Montenegro considered the situation to have stayed the same (53%).

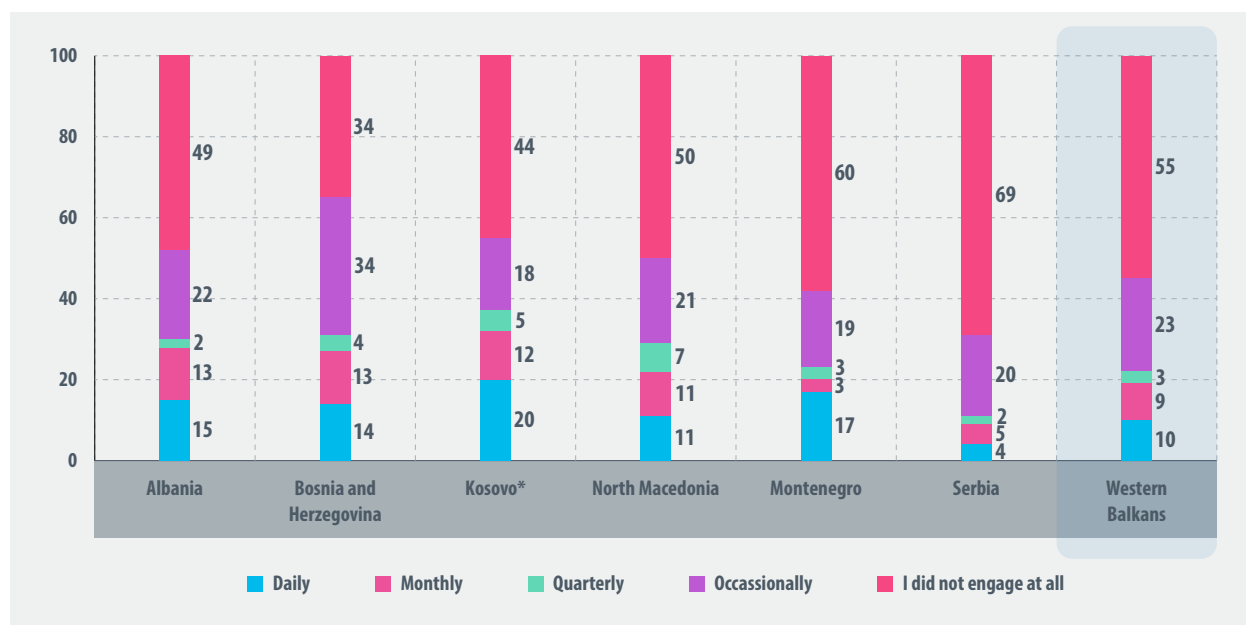
Figure 52: How have the following characteristics of the business environment in your economy changed over the last 12 months? - Availability of financial services tailored by industry



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means significantly worsened and 5 significantly improved, share of total, %)

The following graphs show some recent changes triggered by the pandemic or by initiatives specific to the Western Balkans. The participation of enterprises in online trading in the previous year is seen in Figure 53. Compared to 2020, 16% more businesses have not engaged at all in selling and buying online during 2021. The daily engagement appears to be higher in Kosovo* (20%) and Montenegro (17%) and the lowest in Serbia (only 4%). Serbia represents the economy with the highest share of respondents who claim to have not engaged in online trading at all. As a result, while online trading has gained popularity in the Western Balkans because of the pandemic, many businesses are still lagging behind.

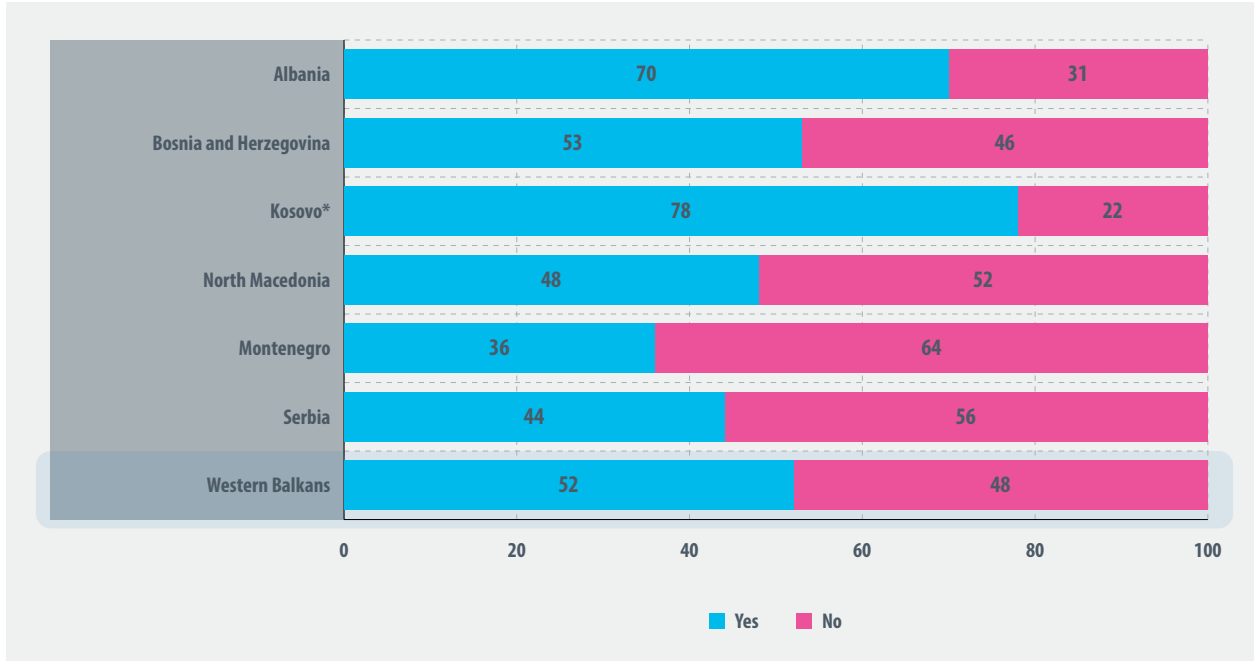
Figure 53: How often have you engaged in selling and buying online during the last year?



(All respondents - N=1203, share of total, %)

A similar picture at regional level is showed regarding online services during the pandemic, where 52% of firms turned to more online/digital services (Figure 54). Albania and Kosovo* made the most progress (70% and 78% respectively) while Montenegro and Serbia made the least (36% and 44%).

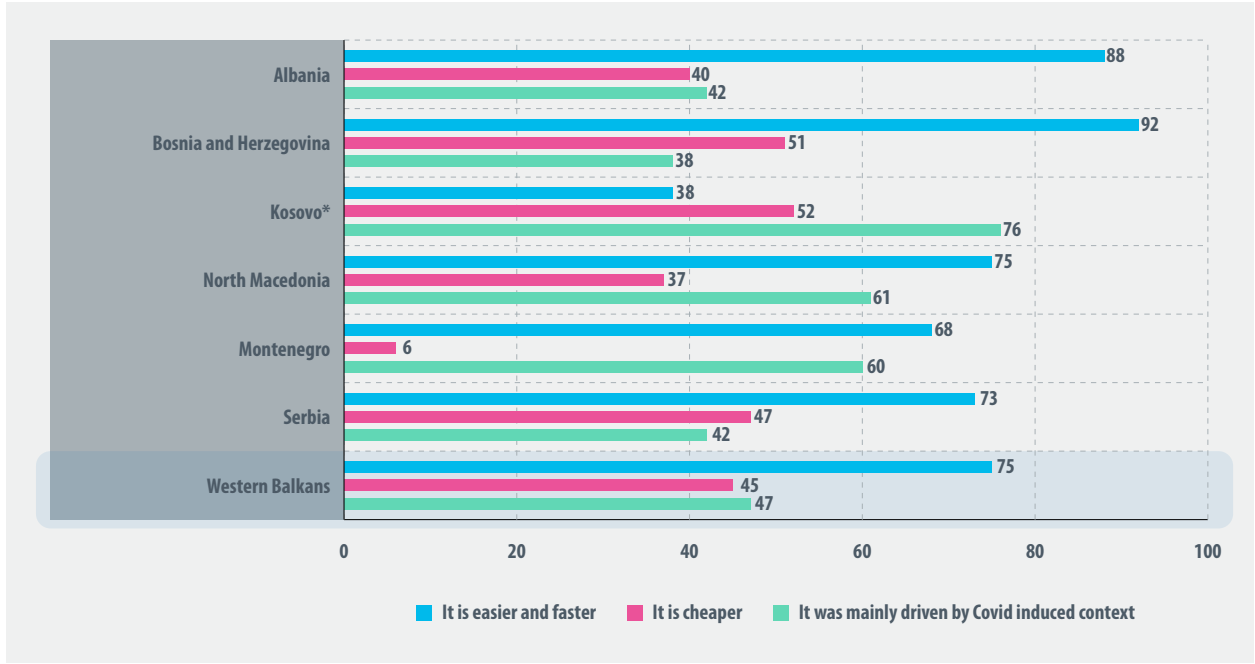
Figure 54: Did you switch to more online/digital services during the last year?



(All respondents - N=1203, share of total, %)

The Covid-19 pandemic has certainly influenced this shift in Kosovo*, as 76% of respondents affirmed (Figure 55). Bosnia and Herzegovina and Kosovo*, on the other hand, perceive the switch to digital services as cheaper, which is not the case in some other Western Balkan nations such as Montenegro (only 6%). North Macedonia, Albania and Bosnia and Herzegovina cited convenience and quickness as more key factors in their decision than the Covid-19 itself. The graphs illustrate the clear driver of the shift to increased online commerce as being easier and faster, but they also highlight other variables that are still important to businesses such as the pandemic.

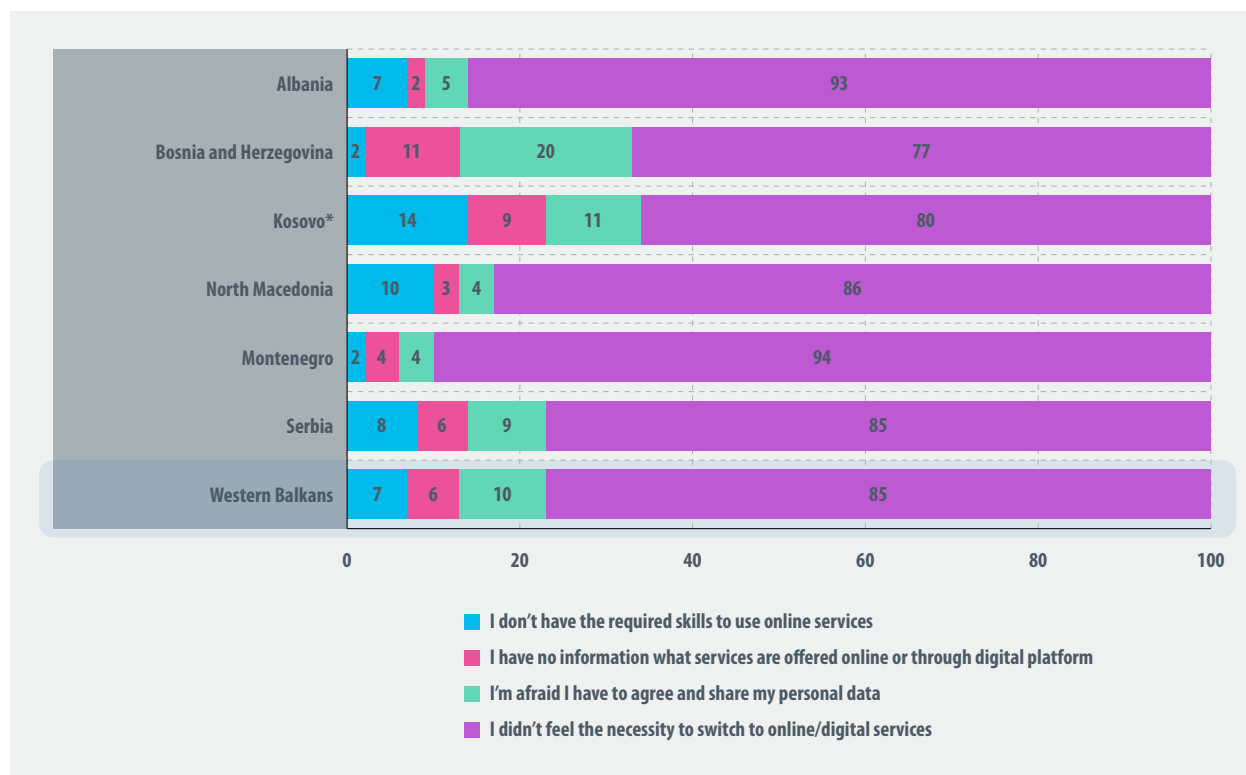
Figure 55: The reason for switching to online/digital services



(Those who have switched to more online/digital services, N=659, share of total, %)

On average, 85% of those who did not move to online trading/digital services (Figure 56) did so because they did not see the need. Montenegro has the biggest share (94%) of non-switchers not feeling a need to shift to online trading/digital services, followed by Albania with 93%. However, it's worth noting that 10% of respondents in all WB economies indicated they weren't willing to switch due to the fear of disclosing any personal data (an increase of 3% from respondents of last year). The most sceptical or afraid to share their data are Bosnia and Herzegovina businesses, where 20% of respondents stated this specific reason for not switching to online trade or digital services).

Figure 56: The reason for NOT switching to online/digital services

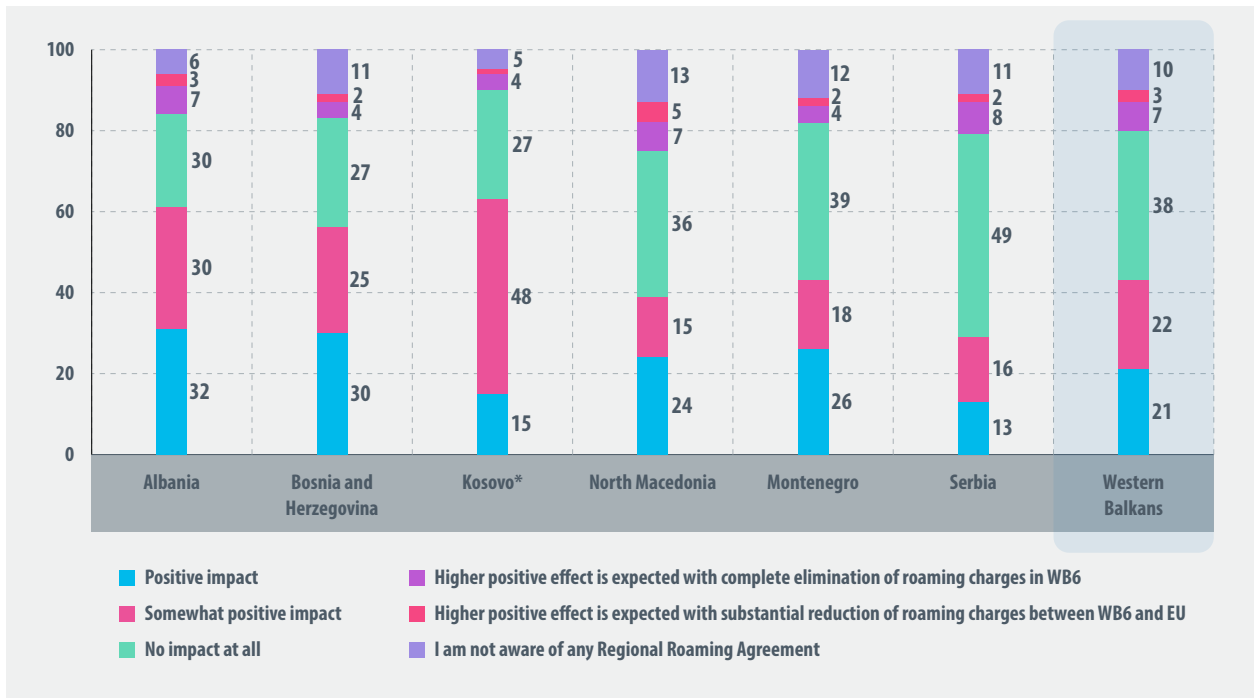


(Those who have not switched to online/digital services- N=544, single answer, share of total, %)

Beyond the pandemic's impact, Western Balkan businesspeople reaffirmed their support for the Regional Roaming Agreement (Figure 57). Despite the concerns, 43% thought it had a positive or somewhat positive influence in their business operations. 38% of the respondents indicated there was no impact and 10% said they were unaware of the RRA. Higher positive effect of the Regional Roaming Agreement is expected in the next period, taking into account that more and more citizens will be aware of it and its benefits.

The Regional Roaming Agreement is viewed positively by Albanians and Kosovo* respondents, with 62% and 63%, respectively considering it positive or rather positive. Serbians and Montenegrins, on the other hand, were unsure, with 49% and 39%, respectively, claiming no influence at all. RRA was unknown to a very small proportion of the population in each economy. The percentages varied from 5% in Kosovo* to 13% in North Macedonia.

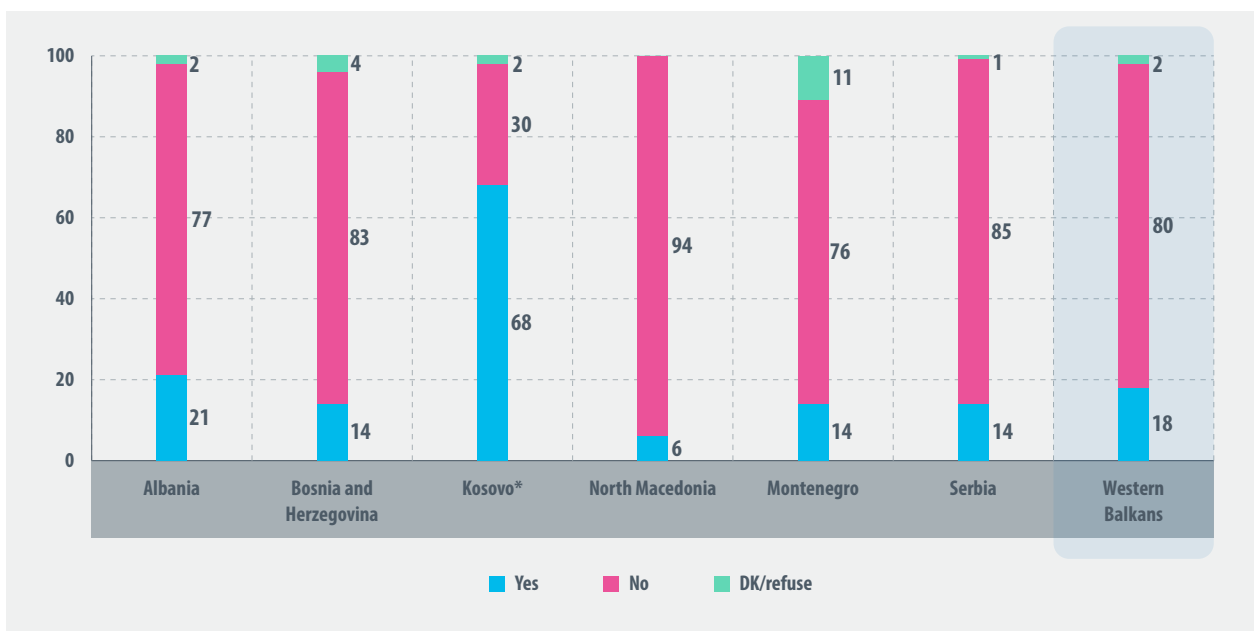
Figure 57: How would you rate the impact the Regional Roaming Agreement has on your business operations? It had:



(All respondents - N=1203, share of total, %)

Company owners and senior managers in the Western Balkans were mostly residents of their own economy, meaning they did not spend much time living and working outside the economy (Figure 58). Kosovo* businesses reported the greatest cases of people who spent time abroad (68%), followed by Albania with 21%, which could represent the magnitude of these economies' diasporas. Yet, a very small share of respondents (18%), answered positively when asked if the business owner or manager lives and works abroad.

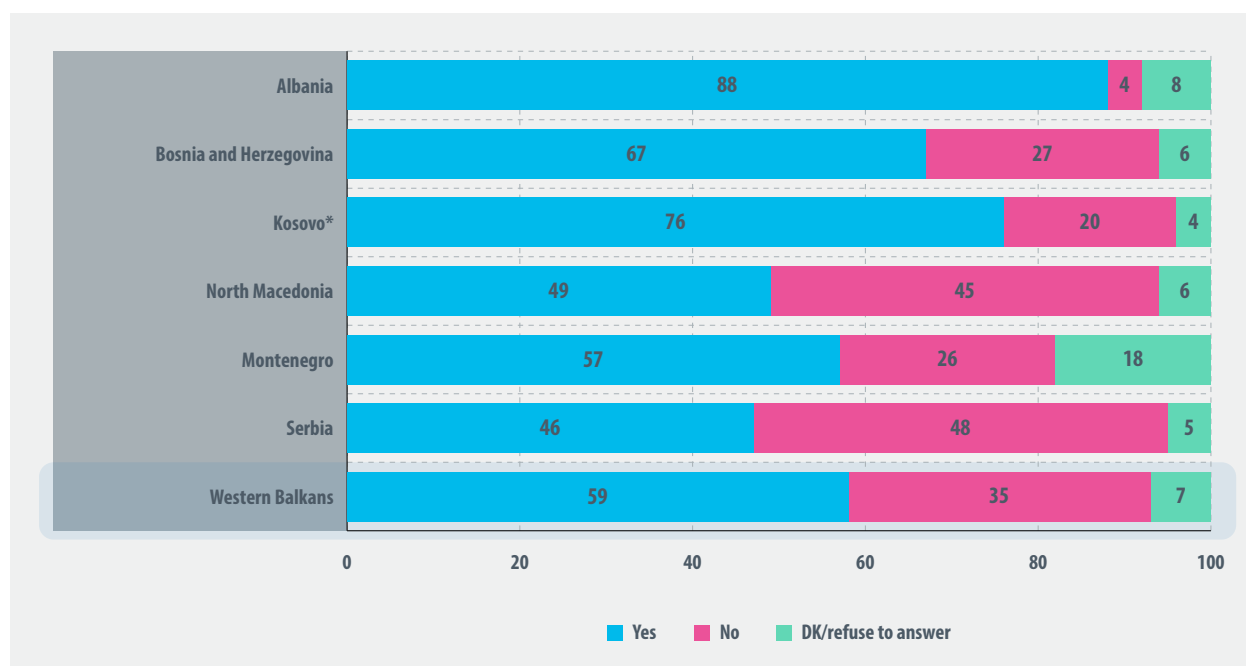
Figure 58: Have any of your company's owners or senior managers spent time living and working abroad as members of the diaspora?



(All respondents - N=1203, share of total, %)

Eventually, Western Balkan enterprises will surely gain from only using ID cards to travel across the region (Figure 59). Despite the fact that travel between some of the region's economies still faces obstacles, 59% of respondents favour this project, which has progressed to a significant level. Respondents from Albania and Kosovo* are the most enthusiastic supporters of the plan (88% and 76%, respectively), while respondents from Serbia are the least enthusiastic (46%). The latter may be influenced by the unsolved political concerns between Serbia and Kosovo* as well as the fact that Serbia has the greatest economy in the region, making it the most self-sufficient. Overall, a slight increase on those respondents who do not support this initiative is noticed (35% in 2021 compared to 32% in 2020).

Figure 59: Would it benefit your business if travel across the region was possible with a valid ID card only?

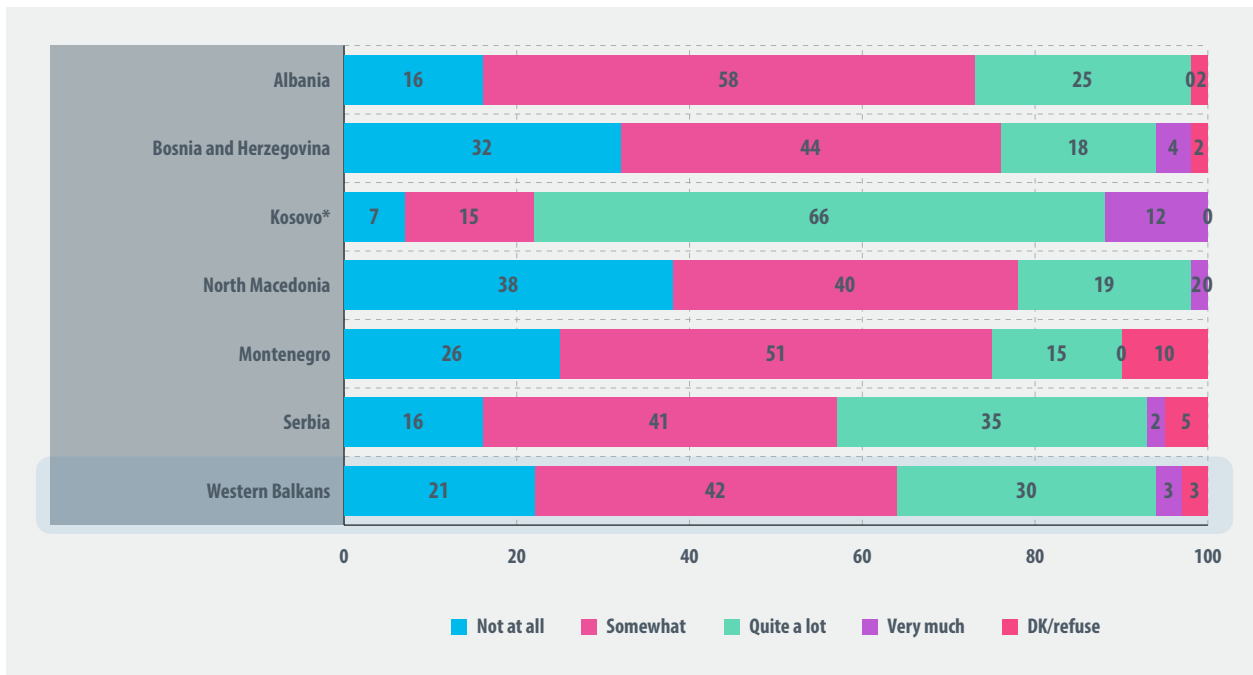


(All respondents - N=1203, share of total, %)

LEGAL AND REGULATORY FRAMEWORK

Businesses in the Western Balkans are still dissatisfied with the impact of their concerns on policies, and there has been little change since the last review. The overall satisfaction with public sector performance follows the same trend as last year (Figure 60): 21% are not satisfied, 42% are neutral, and the rest are satisfied to some or full extent. There are also geographical differences, with businesses in North Macedonia expressing the most discontent, with 38% saying they are dissatisfied with their role in public politics, followed by Bosnia and Herzegovina with 32% of unsatisfied citizens. Serbian respondents are still of divided opinions, and Kosovo* businesses show the highest satisfaction rate, at 78% (who answered quite a lot or fully satisfied).

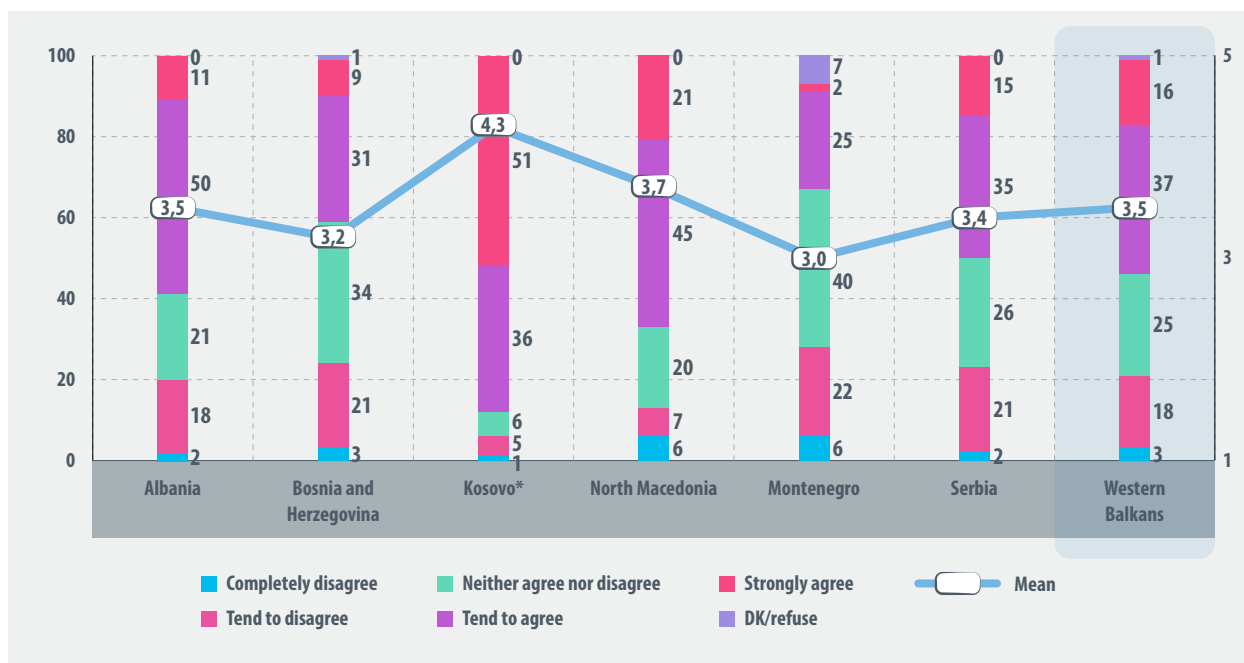
Figure 60: How much do you feel the government of your economy takes into account the concerns of businesses?



(All respondents - N=1203, share of total, %)

Figure 61 depicts public opinion on whether rules and regulations are clearly written and do not change frequently. On average, 53% of respondents on a regional level agree or strongly agree with the statement, however, this percentage varies from 27% in Montenegro to 87% in Kosovo*. Montenegro (40%) followed by Bosnia and Herzegovina (34%) have the highest levels of neutrality.

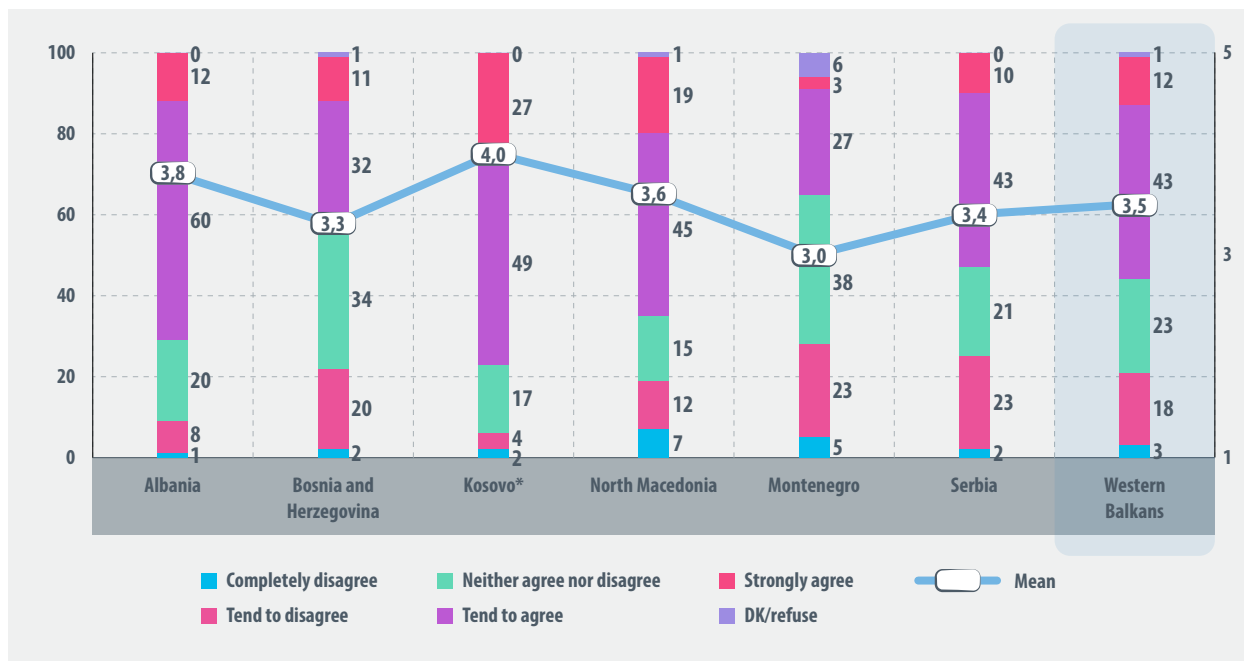
Figure 61: To what extent do you agree with the following statement - Laws and regulations affecting my company are clearly written, not contradictory and do not change too frequently?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

The flow of legal and regulatory information is also extensively analysed. On average, 55% of respondents agreed or strongly agreed that such information is simple to acquire from authorities, with figures as high as 76% in Kosovo* and 72% in Albania. Montenegro (28%) and Serbia (25%) rank worst in terms of accessing information quickly, with Montenegro (38%) and Bosnia and Herzegovina (34%) having the highest percentage of people who have a neutral stance.

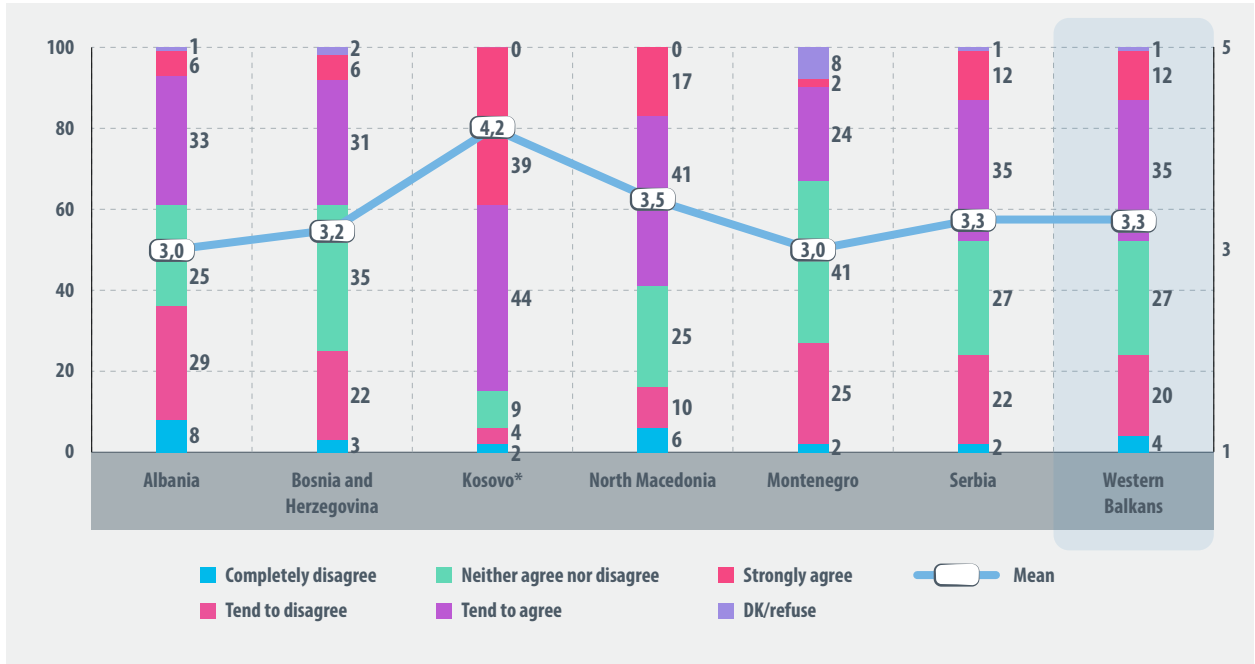
Figure 62: To what extent do you agree with the following statement - Information on the laws and regulations affecting my company is easy to obtain from the authorities?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

According to Figure 63, quite a similar ranking is provided to the interpretation of laws and regulations by the public administration. In North Macedonia and Kosovo*, 58% and 83% of respondents respectively say that the government makes such interpretation consistent and predictable. On a regional level, the respondents' opinions seem to be totally divided.

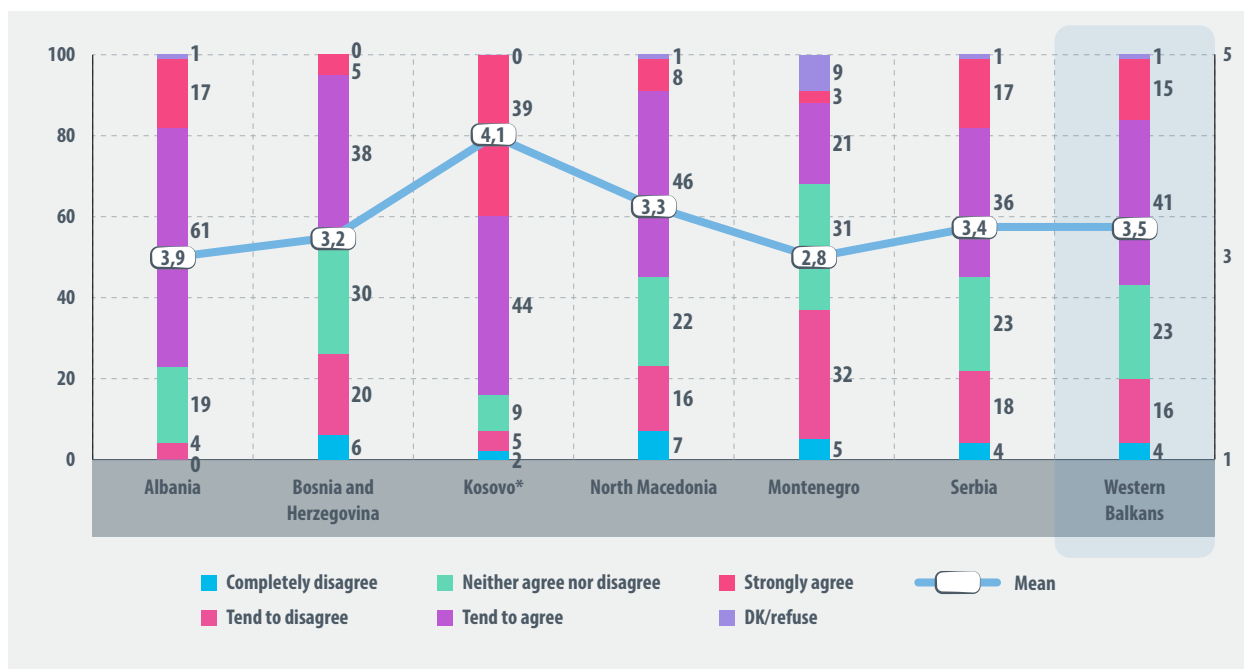
Figure 63: To what extent do you agree with the following statement - The state administration's interpretations of the laws and regulations affecting my company are consistent and predictable?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

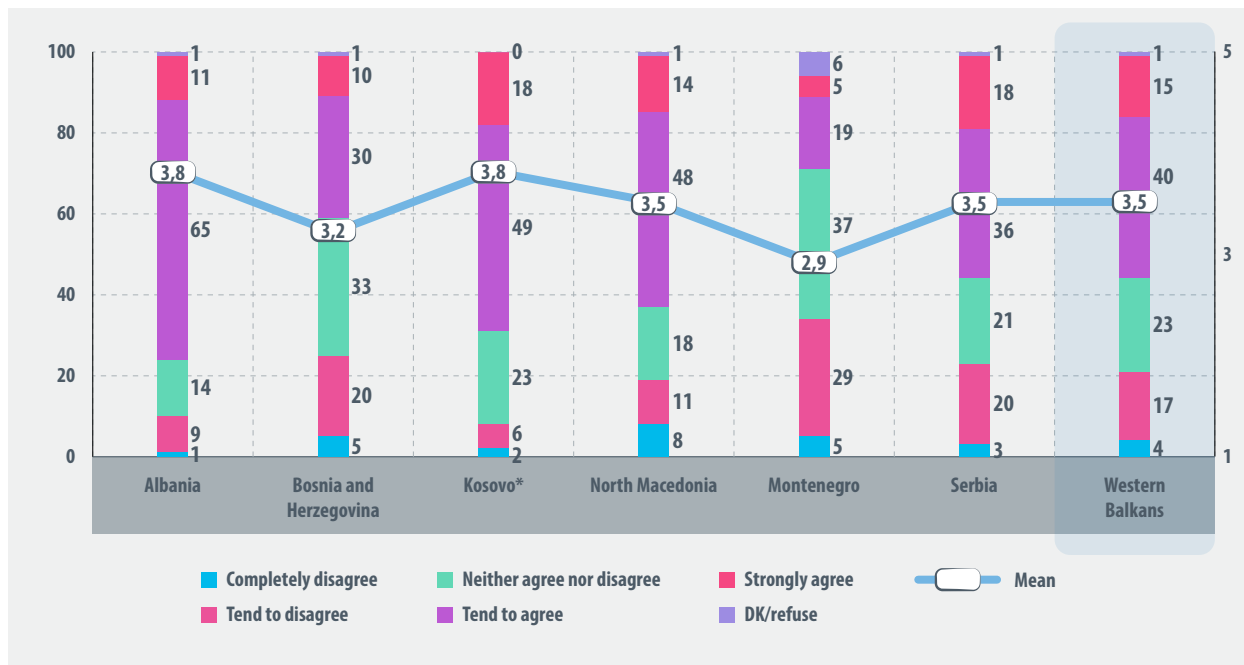
56% of respondents believe that information held by governmental institutions is granted in timely way, a percentage that has slightly increased since 2020. Such a percentage varies from 24% in Montenegro, to 83% in Kosovo*). Albania is also a winner in terms of receiving public information in a timely way, with 78% of respondents pleased. The similar result arises on the pertinence and completeness of such public information on a regional level (Figure 65).

Figure 64: To what extent do you agree with the following statement - Requests for information held by a government agency are granted in timely manner?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

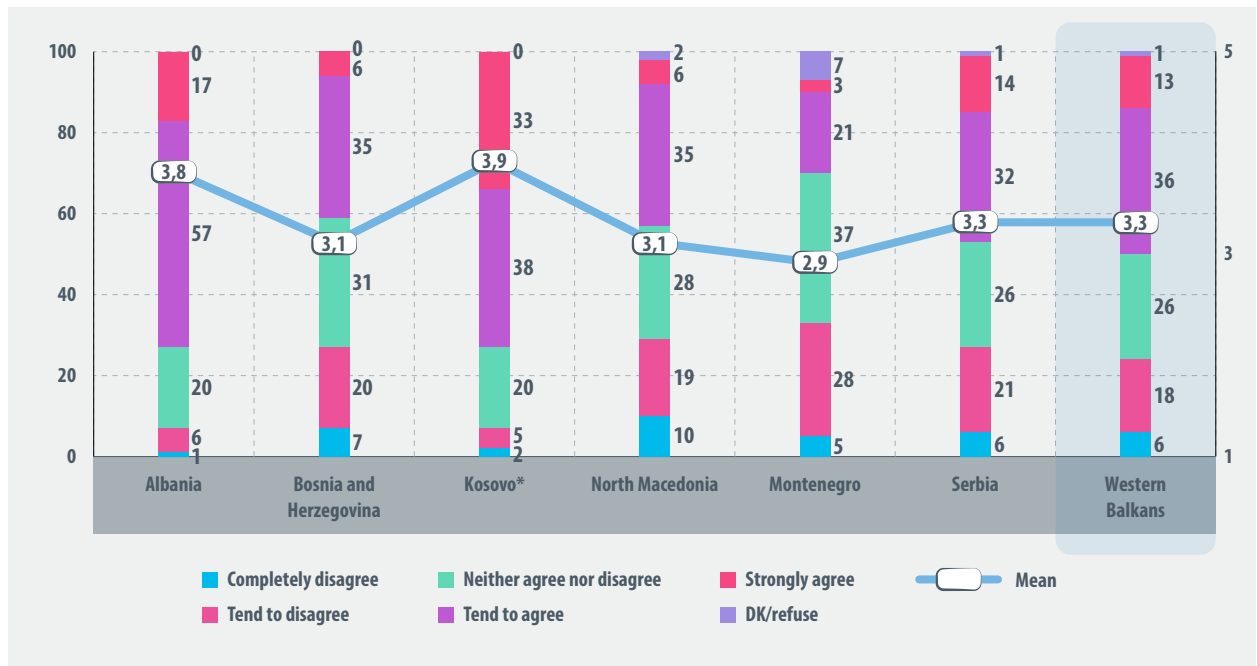
Figure 65: To what extent do you agree with the following statement - The information provided is pertinent and complete?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

36% of respondents said the cost of acquiring public information was appropriate (Figure 66). They mostly complied with the costs of requiring information in Albania, where 74% of the respondents somewhat or strongly agreed that the costs were reasonable. The opposite appears in Montenegro, where 33% disagreed with the costs of information and 37% were indifferent.

Figure 66: To what extent do you agree with the following statement - Requests for information are granted at a reasonable cost?

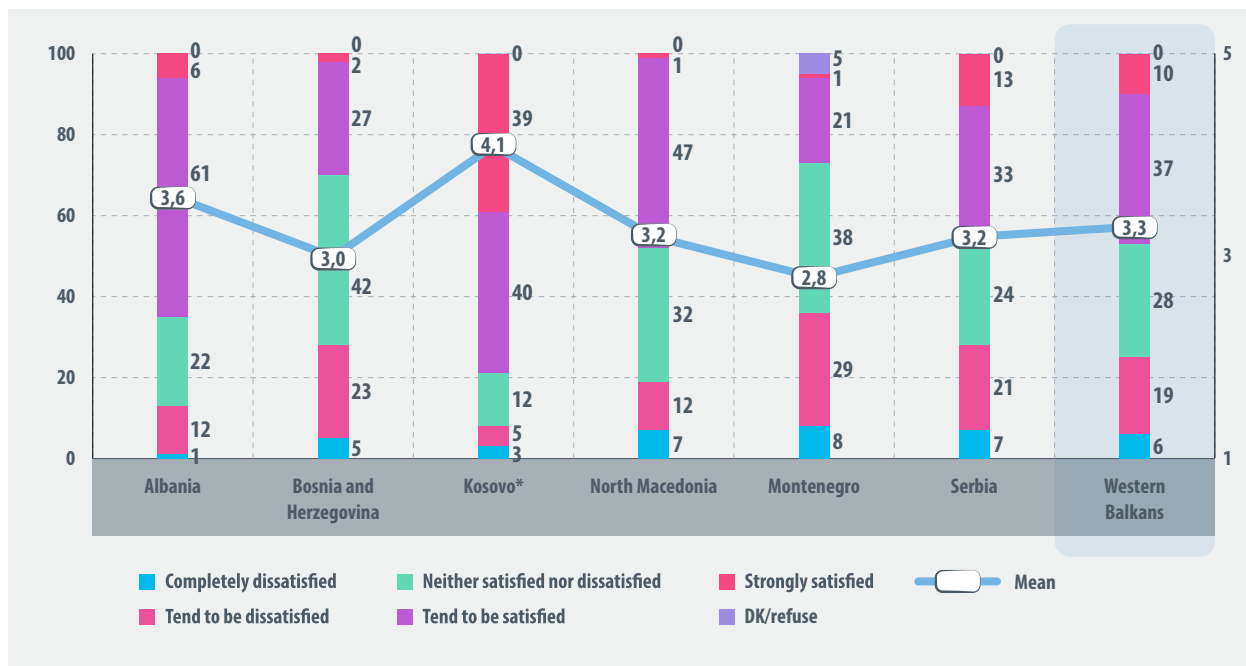


(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

Figures 67 and 68 below show how satisfied businesses are with the public and digital services they receive.

In terms of public services for businesses (Figure 67), 47% of the businesspersons said they were (somewhat or significantly) satisfied with the public services they received, from 33% a year before. The most positive responses were recorded in Kosovo* where 79% of the answers showed satisfied respondents followed by Albania with 67%. Montenegro has the highest proportion of fully unsatisfied enterprises (8%) followed by North Macedonia and Serbia (with 7% each).

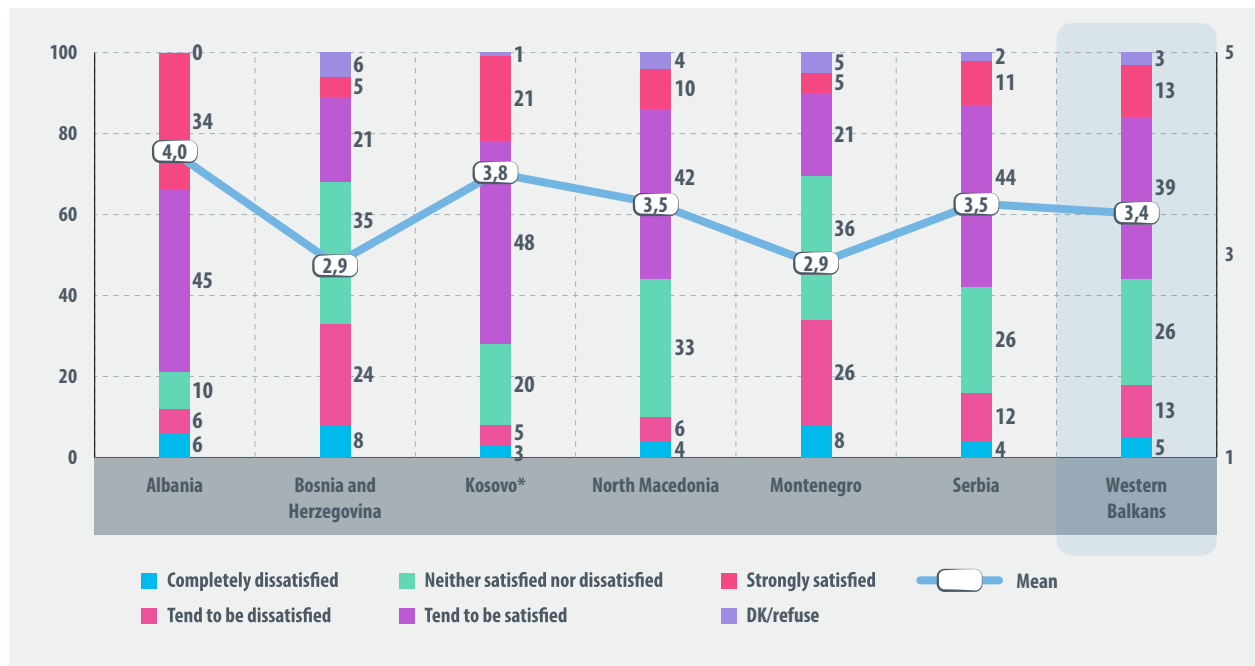
Figure 67: Could you please tell me how satisfied are you with each of the following in your place of living - Public services for businesses?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely dissatisfied and 5 strongly satisfied, share of total, %, mean)

Figure 68 shows that, across the region, 52% of respondents reported some or great satisfaction with digital services for businesses, a significant increase from 2020 (39%). This could probably be related to the intensification of the provision of digital services and the increasing demand for digitalised services amid the pandemic. This year, Albanian businesses have the highest share of respondents (79%) claiming to be satisfied, followed by Kosovo* (69%), Serbia (55%) and North Macedonia (52%). Bosnia and Herzegovina and Montenegro, following the same trend as last year, continue to keep a neutral position to this question.

Figure 68: Could you please tell me how satisfied are you with each of the following in your place of living - Digital services currently provided to business by public administration?

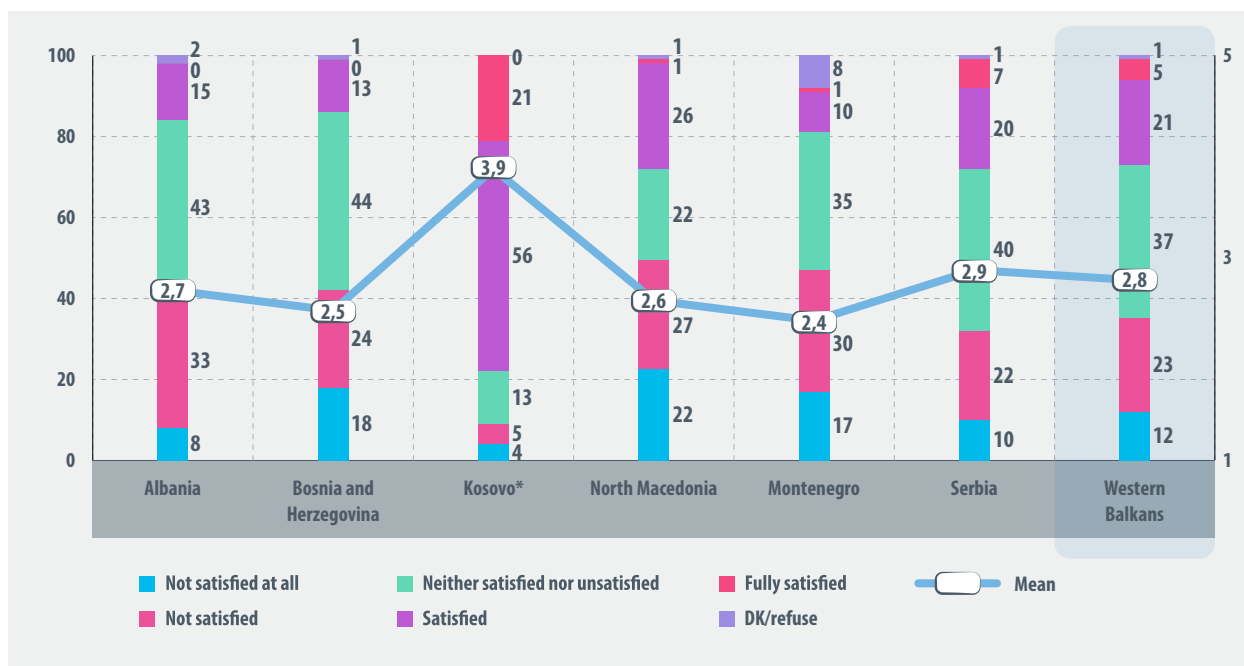


(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely dissatisfied and 5 strongly satisfied, share of total, %, mean)

Businesses seem to be unsatisfied with how much the government consults and includes the private sector when drafting new rules and regulations that affect their operations (**Figure 69**). A total of 35% of respondents across the region revealed full or some dissatisfaction (the share remains the same as in 2020), despite the share of those with neutral stance being of a slightly higher magnitude (37%).

North Macedonia had the greatest level of unhappiness with these government practices, with 22% expressing absolute dissatisfaction and another 27% expressing moderate dissatisfaction. These percentages are 4% and 5% in Kosovo*, respectively, while Kosovo* also has the highest number of satisfied (56%) or fully satisfied (21%) respondents. In contrast, 27% of respondents in the North Macedonia and Serbia expressed partial or complete satisfaction, presenting a balanced situation.

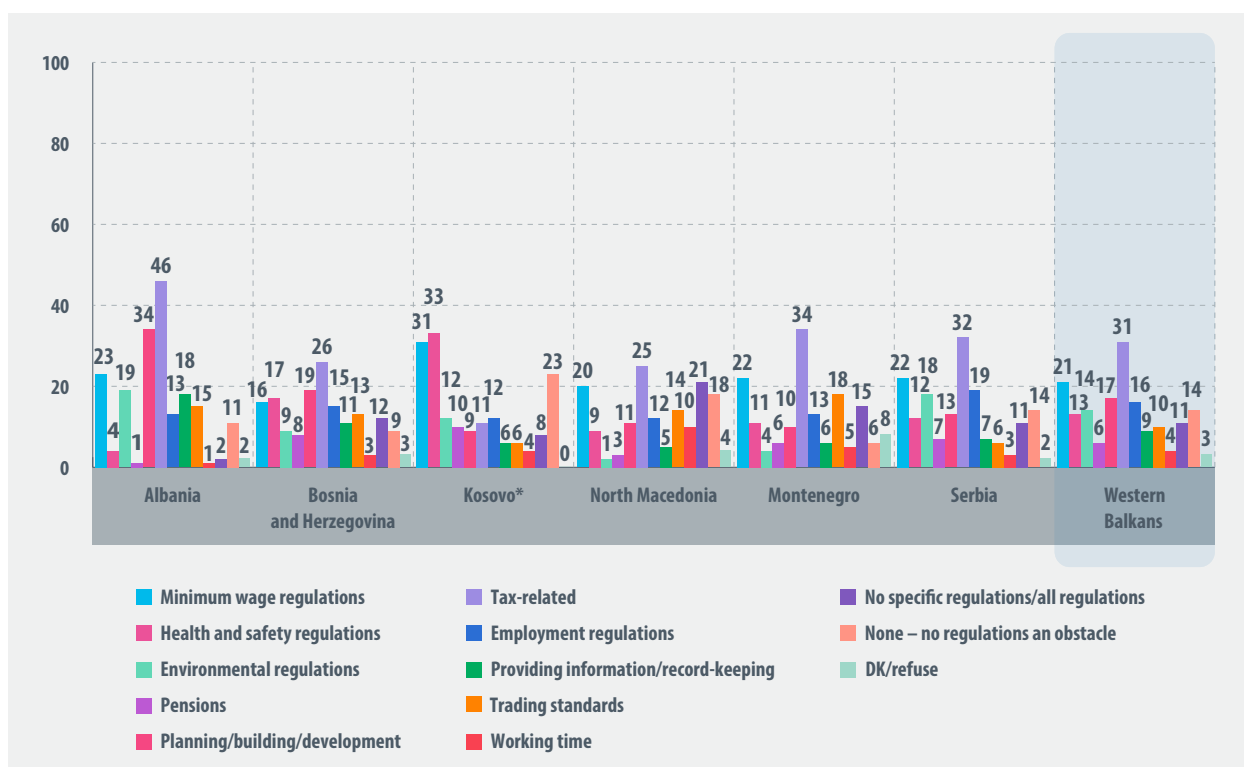
Figure 69: To what extent are you satisfied with how the government consults and involves private sector when developing new laws and regulations relevant for doing business?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely dissatisfied and 5 strongly satisfied, share of total, %, mean)

Figure 70 shows that businesspeople, as in 2020, mostly highlighted tax-related difficulties as major roadblocks in a share of 31%, followed by minimum-wage regulations (21%). However, compared to a year earlier, environmental regulations have gained some relevance (from 8% to 14%) together with planning, building, and development issues (from 13% to 17%)

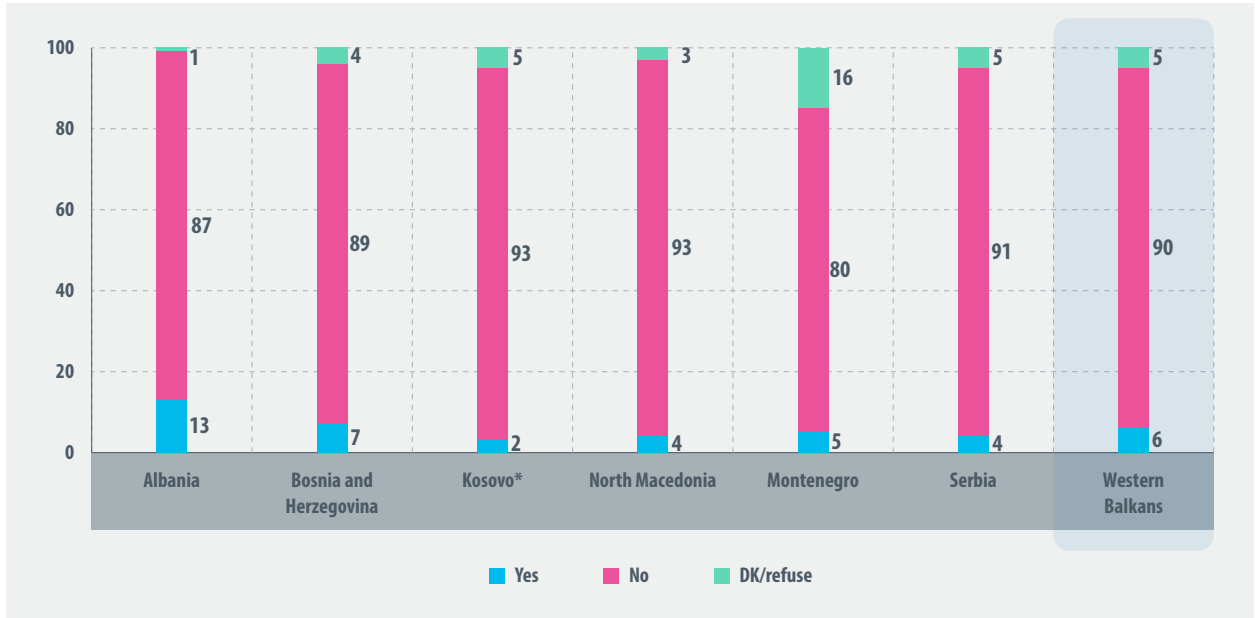
Figure 70: Which regulations do you consider to be an obstacle to the success of a business?



(All respondents - N=1203, max 2 answers, share of total, %)

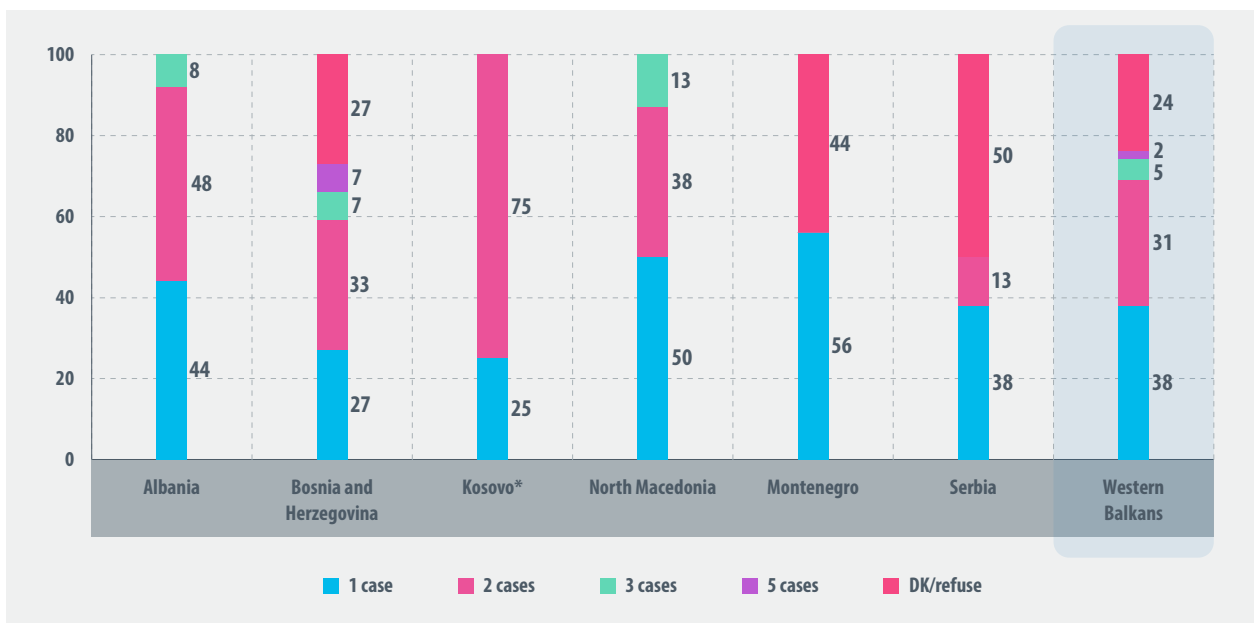
In the Western Balkan economies, 90% of businesses have never had a case heard in mediation courts (**Figure 71**). Based on the evidence shown in **Figure 72**, the cases in each economy specifically vary from 1-2 cases in the last 36-month period. To improve access to justice, 49% of businesses have found mediation to be an effective mechanism for dispute resolution (**Figure 73**) while 42% believe the opposite. However, given the fact that a small share has experienced mediation, the above responses need to be considered adequately.

Figure 71: Has your firm had any cases in mediation courts in the last 36 months?



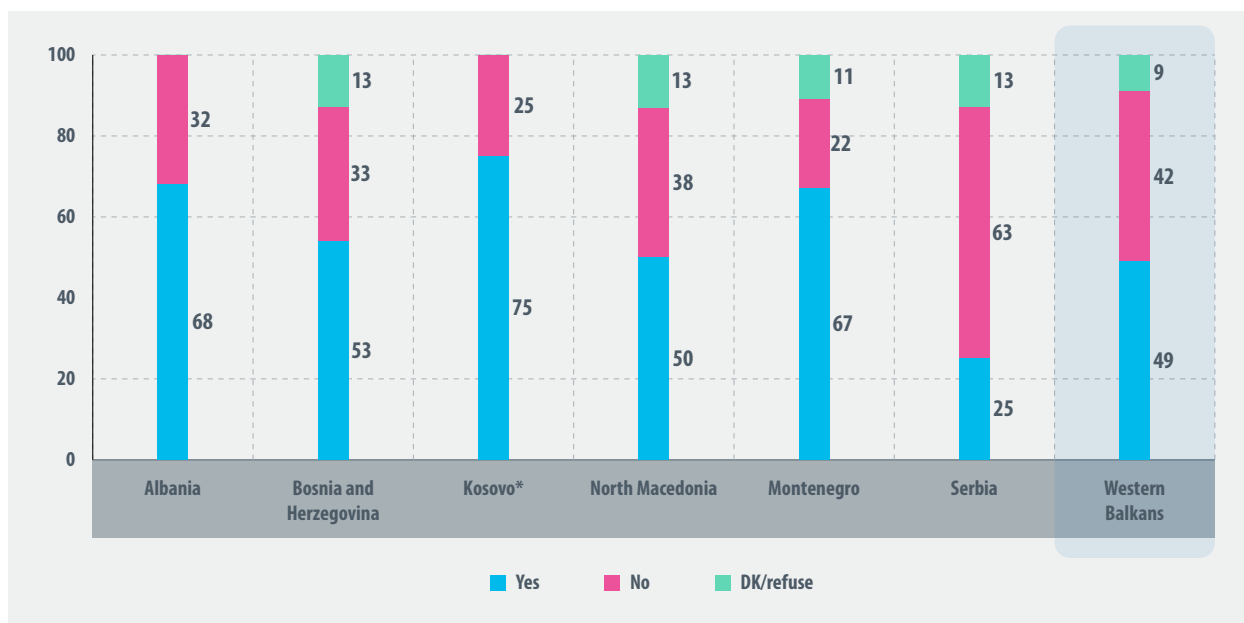
(All respondents - N=1203, single answer, share of total, %)

Figure 72: How many cases in civil or commercial matters were solved by your company through mediation in the last 36 months?



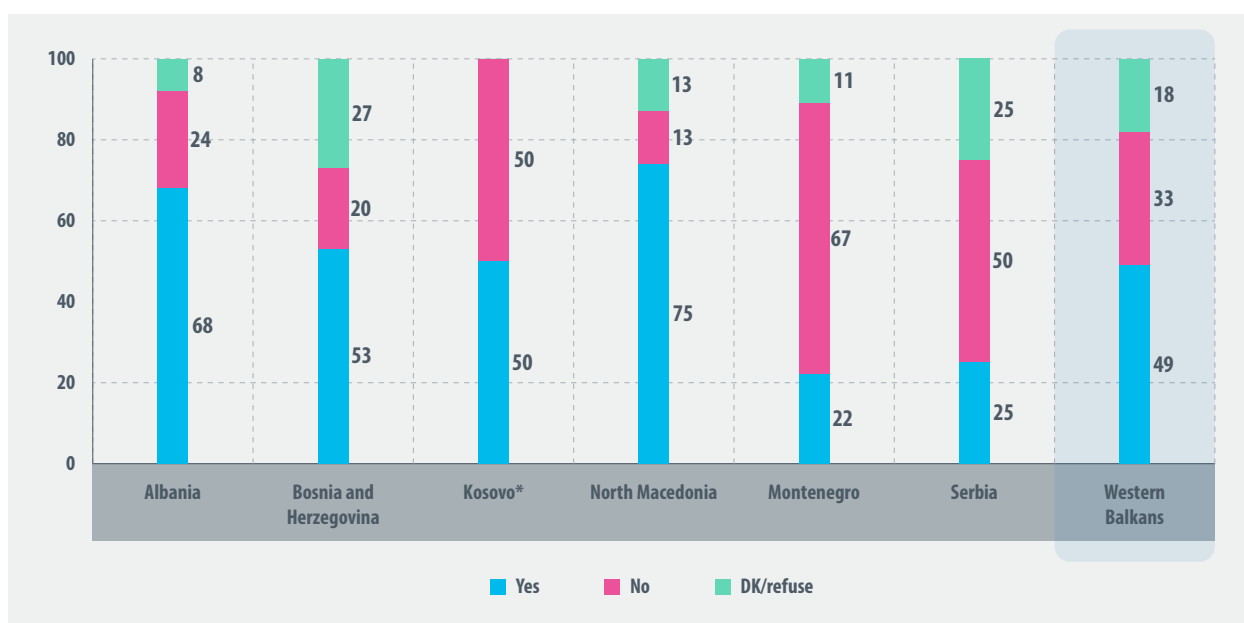
(Respondents who had cases in arbitration courts - N=69, %)

Figure 73: Do you consider mediation as a quick and cost-effective extra judicial alternative to resolving disputes in civil and commercial matters?



(Respondents who had cases in arbitration courts - N=69, %)

Figure 74: Would your company consider mediation even in cases of cross-border/boundary conflict resolution for the settlement of disputes in civil and commercial matters so as to simplify and improve access to justice?

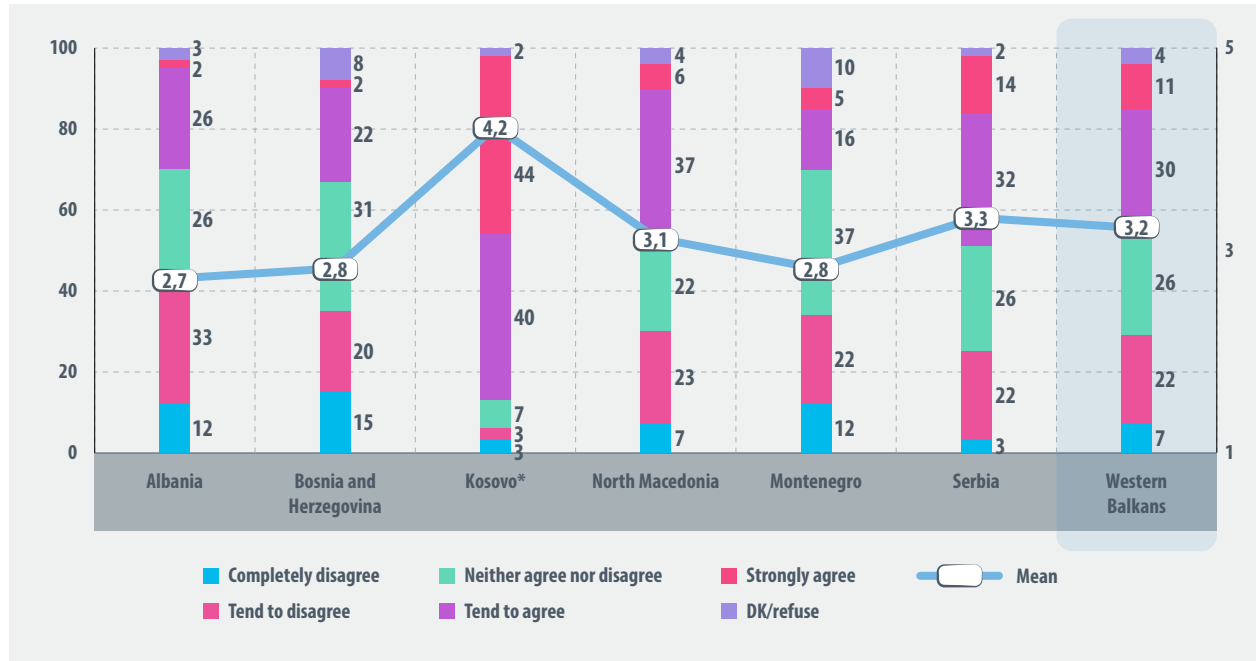


(Respondents who had cases in civil or commercial matters solved by their company through mediation - N=69, single answer, share of total, %)

According to the following three graphs, we can depict how businesspeople see state aid. In the region, access to information on state aid and grants to businesses is accessible, according to businesspeople (41%), who agree or are neutral (26%) (Figure 75). Kosovo* has the first place in agreeing with this statement, with 84% of respondents. Information on state aid is difficult to come by in Albania, with 45% of respondents disagreeing completely or partially that such information is available, followed by Bosnia and Herzegovina (35%), and Montenegro (34%). At region-

al level, there is an increase of respondents who agree or strongly agree with this statement, when compared to 2020 (31%), reaching 41% in 2021. This might be attributed to the variety of support that governments across the region provided in the context of the pandemic crisis.

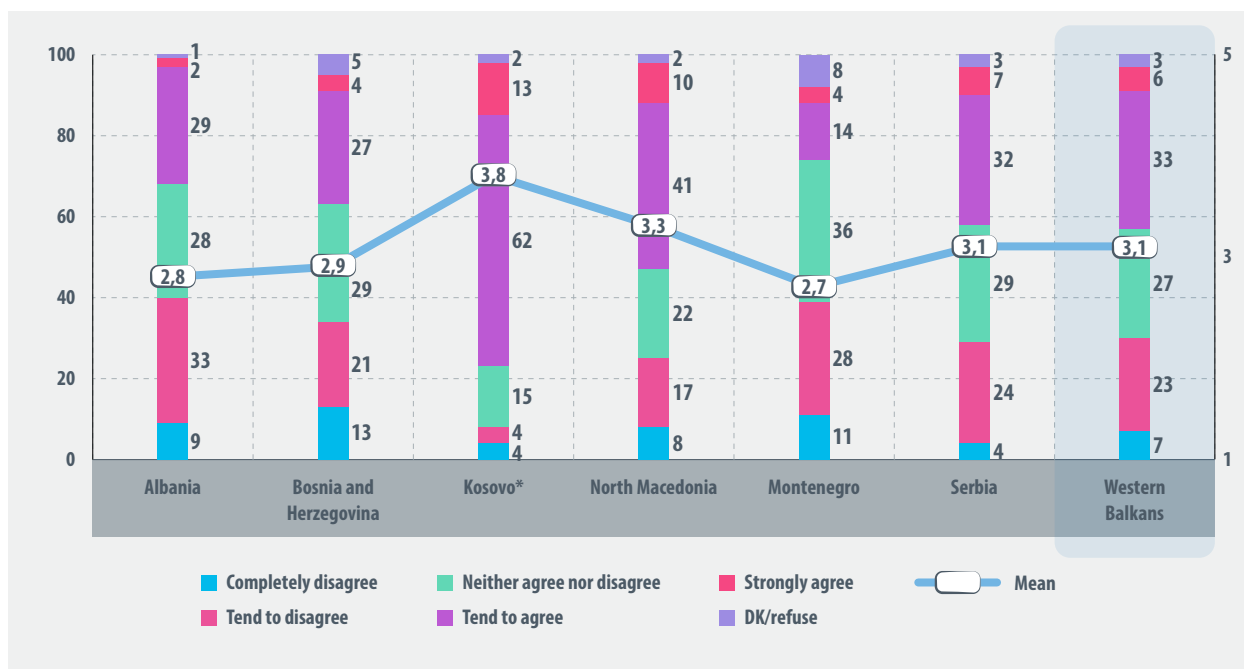
Figure 75: Do you agree with the following statement about state aid - Citizens and companies have full access to information related to state aid policies and grants awarded to companies by the public authorities?



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

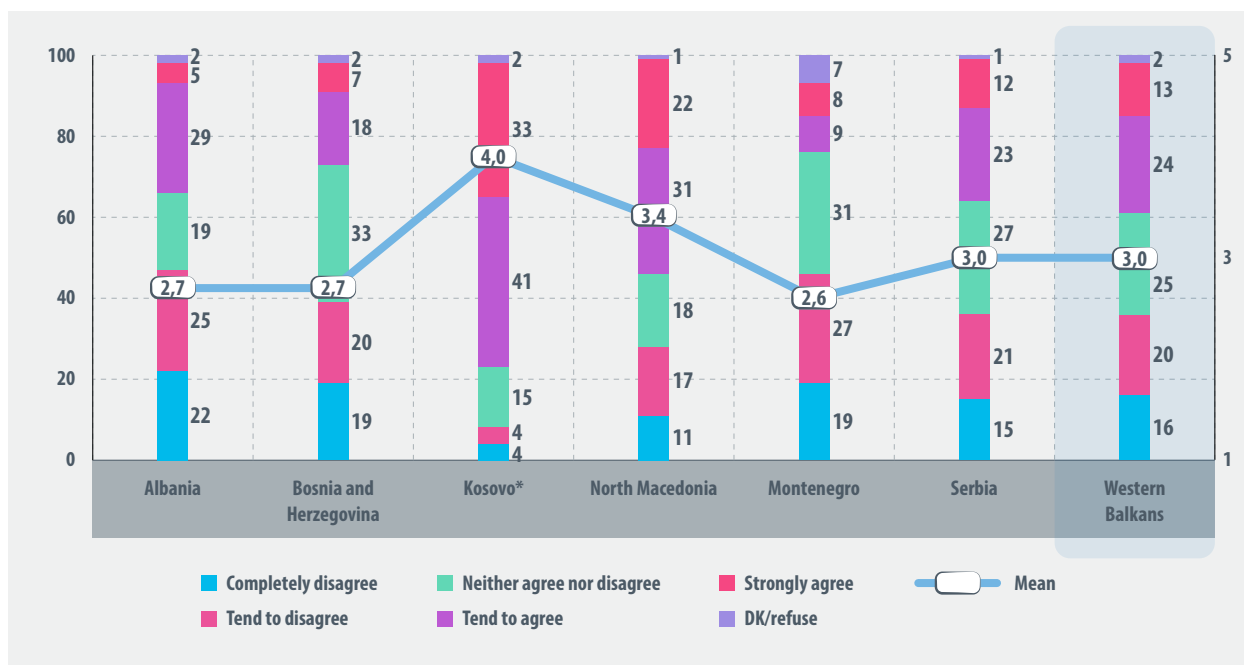
Figure 76 shows that 39% of respondents on a regional level agreed completely or somewhat on the question if sufficient information on state aid was publicly available. On the other hand, only 8% of respondents in Kosovo* believe that such information is difficult to acquire publicly. At the same time, neutral opinion varies from 15% in Kosovo*, to 36% in Montenegro. Surprisingly, 74% of respondents in Kosovo* and 53% in the North Macedonia believe that information on governmental aid received by firms should be kept secret among signing parties (Figure 77). Meanwhile, the opposite is suggested in Albania and Montenegro (47% and 46% respectively).

Figure 76: Do you agree with the following statement about state aid - Sufficient information on the state aid given to companies by the public authorities is already publicly available.



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

Figure 77: Do you agree with the following statement about state aid - Information about state aid received by companies should remain confidential between public authorities and companies.



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, share of total, %, mean)

ACCESSIBILITY OF LOANS

Western Balkan businesses continue to finance their operations from internal funds and retained earnings, jumping from 55% in 2020 to 61% in 2021 (Table 2). Albania is dominant in using retained earnings (90%), while Serbia and Kosovo* follow (respectively with 72% and 71%). In 2020, only 50% of Albanian respondents claimed to have used this source, which shows a massive contraction from other sources. Although still at very low levels (8% for Western Balkans), equity financing has experienced a slight increase from 2020, which shows a slow expansion of financing forms in the region.

Table 2: Have you used any of the following sources of capital over the past 12 months?

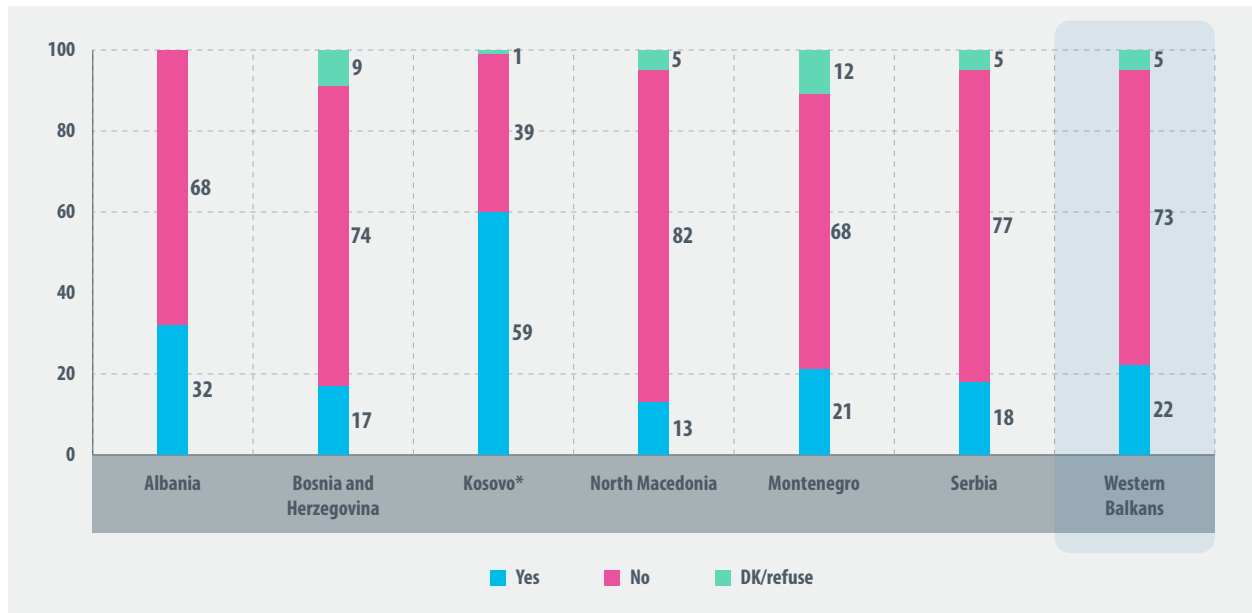
(All respondents - N=1203, multiple answers, %)

	Western Balkans	Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia
Internal funds/retained earnings	61	90	28	71	50	17	72
Borrowing from local private commercial banks	23	38	11	58	21	18	20
Borrowing from foreign banks	11	5	2	24	1	2	17
Equity (through share issues in the capital market, equity investment by institutional investors, or private placement to individuals)	8	2	8	5	0	2	12
Borrowing from state-owned banks, including state development banks	6	2	8	5	7	3	5
Loans from family/friends	12	6	8	15	10	20	14
Money lenders or other informal sources (other than family/friends)	3	3	3	3	3	7	3
Business angel funding	4	5	2	16	2	1	3
Trade credit from suppliers	10	3	13	3	7	13	13
Trade credit from customers	5	2	2	4	3	2	8
Factoring arrangements or selling accounts receivable	5	0	0	1	1	1	10
Credit cards	7	4	6	2	12	7	7
Leasing arrangement	5	5	4	0	1	2	7
The government (other than state-owned banks)	2	0	3	0	0	2	2
Grants	4	1	3	0	6	2	6
DK/refuse	12	1	32	5	20	30	4

73% of businesses did not apply for a bank loan in the previous year (Figure 78), which is much the same as in 2020 and 2019 (70% and 69%). Kosovo* has the highest loan demand, with 59% of businesses applying for a bank loan during the crisis, while North Macedonia has the lowest demand (13%). The average time it took to agree on a loan was 18 days, roughly the same as in 2020

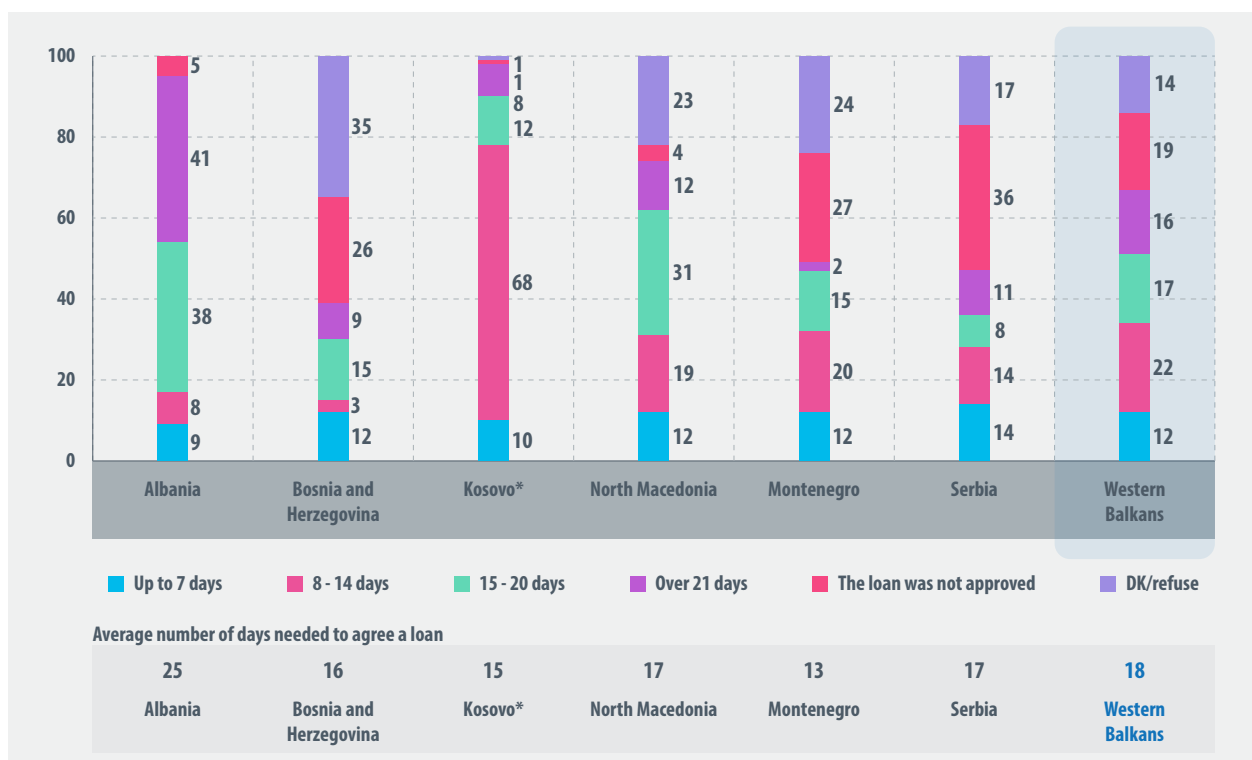
(17 days) as shown in Figure 79. Albania has the longest procedure (25 days), while Montenegro has the quickest (13 days), with the rest of the economies falling somewhere in the middle. This procedure in all the economies increased by 1-3 days from 2020, possibly as a result of the crisis, which disrupted banks' physical operations. Serbia saw a high share of loans getting rejected (36%), followed by Montenegro (27%), while Kosovo* leads the way in this area, with only 1% of loan applications being denied.

Figure 78: Has your company applied for a loan from a bank in the past 12 months?



(All respondents - N=1203, share of total, mean)

Figure 79: How many days did it take to agree the loan with the bank from the date of application?



(Respondents who had a loan - N=320, open-ended answer, %)

This year, in the Western Balkan economies, the main reason behind a loan rejection is the incomplete loan application. Figure 80 shows an irregular distribution of shares in each of the economies without significant similarities. However, considering the size of the sample for those who received a rejection, it is difficult to draw conclusions or identify patterns in this point. It is interesting that in Kosovo* and North Macedonia, the respondents of each agree 100% in their answers perceiving lack of profitability of the company and inadequate credit history as the only reasons, respectively. Care should be exercised in this analysis due to the limited number of respondents whose loans were denied.

Figure 80: You said that your company's loan application was rejected, what was the main reason for that?



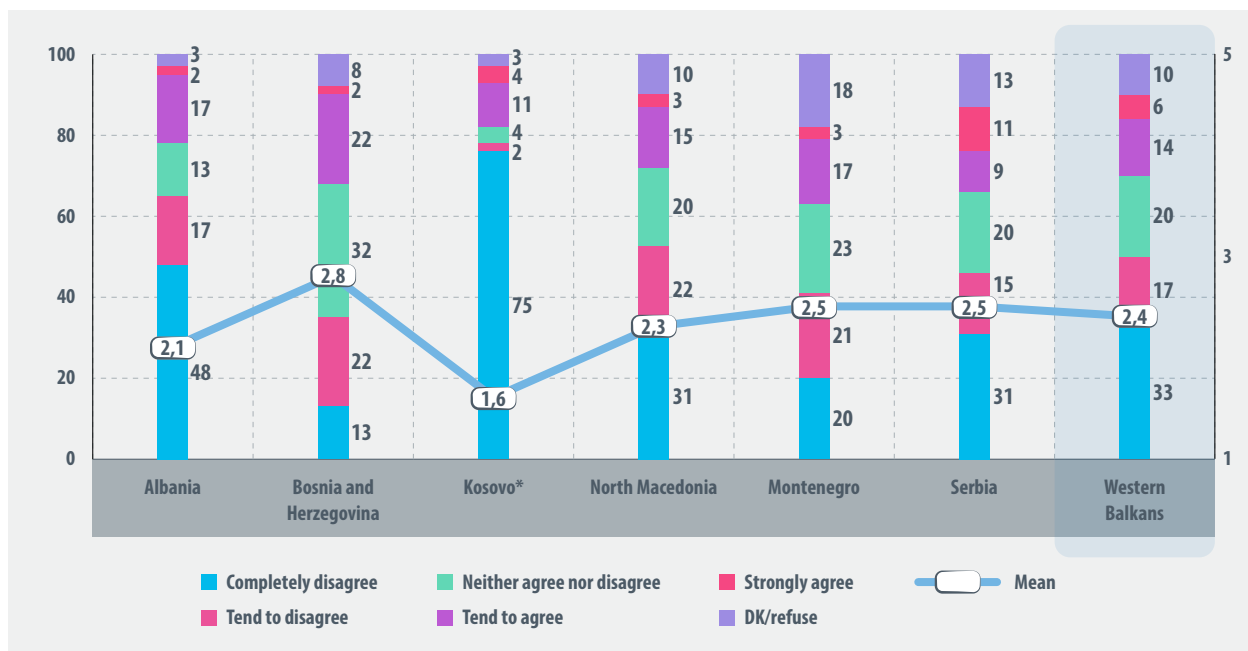
(Respondents whose loan was not approved - N=38, single answer, share of total, %)

CORRUPTION

Western Balkan economies continue to be plagued by corruption, being ranked at considerably low positions in specialised reports (Transparency International ranked poorly regional economies in the 2021 [Corruption Perception Index](#), from Montenegro ranked at 64th place, to Albania and Bosnia and Herzegovina ranked 110th). In its Communication to the European Parliament and Council, the European Commission also points out that Western Balkan leaders need to deliver more credibly in their commitments to fighting corruption². However, despite these records, the Business Opinion report of 2022 shows that there is an improvement in perceptions of region companies. Figure 81 shows the majority of businesspeople tend to completely disagree with the statement that it was typical for corporations to provide additional payments/gifts. In the region, the percentage of people who absolutely or somewhat disagreed with the statement increased slightly from 46% in 2020 to 50% in 2021. Such an improvement may be a reflection of the re-focusing of economies towards the rule of law and the credibility of institutions, driven by the reforms undertaken within the EU accession or pre-accession processes. Despite a small improvement, it is important to notice that this trend might indicate a better environment for businesses in this regard.

The graph shows similarities in the perception of respondents who agree varying from 15% in Kosovo* to 24% in Bosnia and Herzegovina. Within the area, there are significant differences with regard to the extent of disagreement with the statement, whereby Kosovars consistently assess their environment more favourably, with 77% respondents disagreeing with the statement entirely or mostly, and only 35% of Bosnians doing so.

Figure 81: 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"

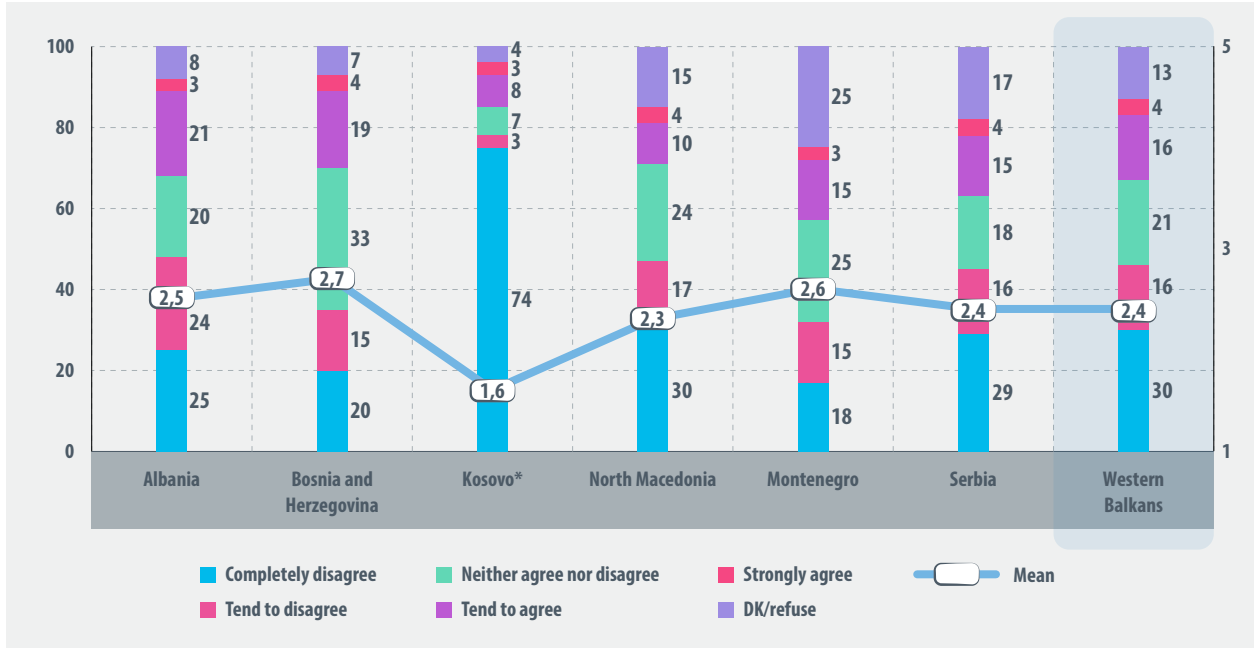


(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, %, mean)

² European Commission, "Enhancing the accession process - A credible EU perspective for the Western Balkans", 05.02.2020

At a regional level, 20% of businesspeople knew how much the extra money or gift was worth (Figure 82). In 2021, the percentage of people who disagreed with this statement increased from 38% to 46%. Again, the majority of Kosovo* respondents disapprove completely (74%), while only 18% of respondents in Montenegro share this view.

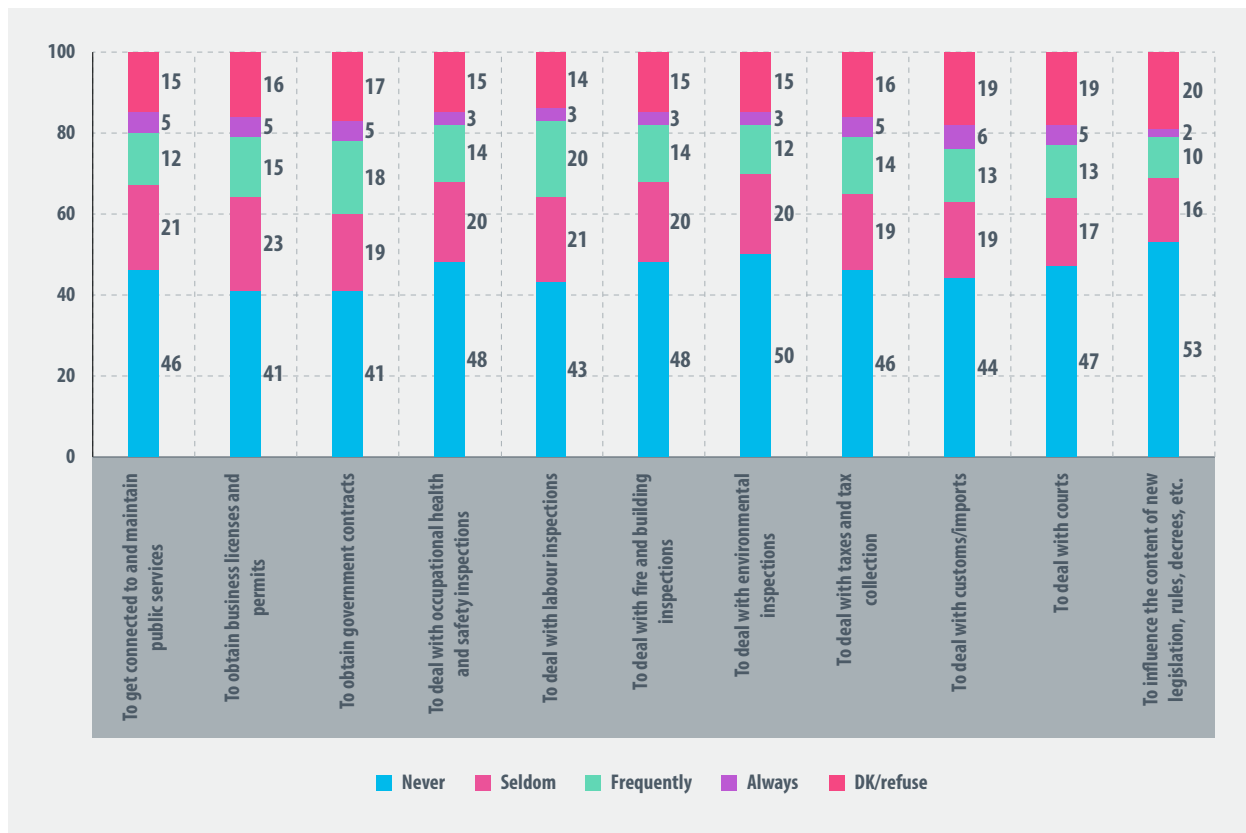
Figure 82: Thinking about officials, to what extent would you agree with the following statements? - Companies in my line of business usually know in advance how much this 'additional payment/gifts' will cost



(All respondents - N=1203, scores are on a scale of 1 to 5 where 1 means completely disagree and 5 strongly agree, %, mean)

Figure 83 shows how often firms have been in a position to offer various unofficial payments/gifts for different reasons, ranging from getting connected to and gaining access to public services to influencing the drafting of new regulations and/or laws. 41% to 53% of the respondents said they had never made an unofficial payment or gift for each function prone to unofficial payments, which may be considered an encouraging result. However, in the areas of dealing with fire and building inspections, labour inspections, and government contracts, this percentage has slightly increased in comparison to 2020.

Figure 83: 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?



(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Each of the 11 reasons is discussed separately in the following sections, illustrating the regional differences (from Figure 84 to Figure 94). For example, on average, 68% of respondents said there was no corruption in getting connected to and maintaining public services, but the situation is significantly worse in Serbia and Bosnia and Herzegovina, where businesspeople were using these payments in 23% and 22% of situations, respectively. The other causes of corporate corruption are distributed in a similar manner in the region. The average percentage of individuals who stated they frequently paid bribes ranges from 1% to 20%, with Bosnia and Herzegovina respondents having the highest rates. In some of the economies, these types of services are offered automatically without too many procedures, reducing the contact with civil servants. Hence, we see that in some cases a large majority declares to never have to give payments for these purposes.

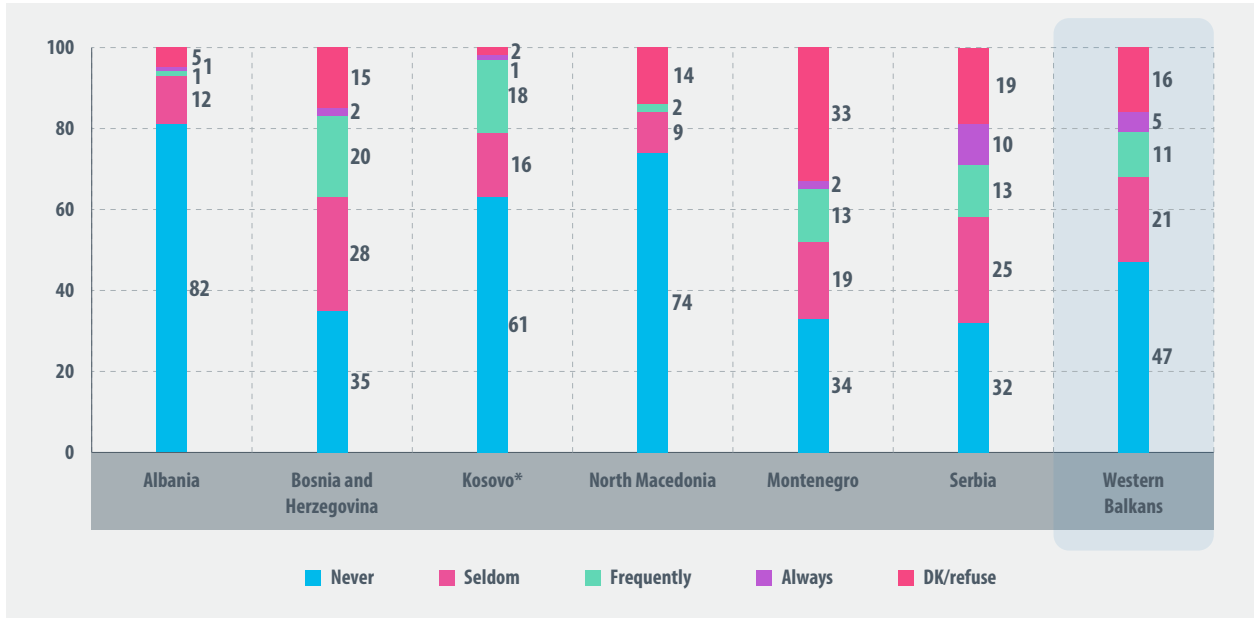
63% of Kosovo* respondents never made unauthorised payments to obtain business licences and permits, but 31% of Bosnians do. Digitalisation agendas might have played a role in this case, as well. Albania and North Macedonia have fully implemented digital systems for obtaining licences and permits, and this factor could have influenced the positive perception, with 82% and 74% of respondents, respectively, claiming to never pay or give gifts for licences and permits.

The same pattern is observed when asking about government contracts. Exposure of corrupted cases and related scandals (such as the wiretapping in North Macedonia) has had a continuous impact in slowly improving public perception on how contracts are awarded. More specifically, Kosovo*, North Macedonia, and Albania are the frontrunners in this category, with positive perceptions, while in Bosnia and Herzegovina more than half of companies claim to make payments

for government contracts, rarely or frequently. This attitude is reflected similarly on all other answers regarding inspection practices.

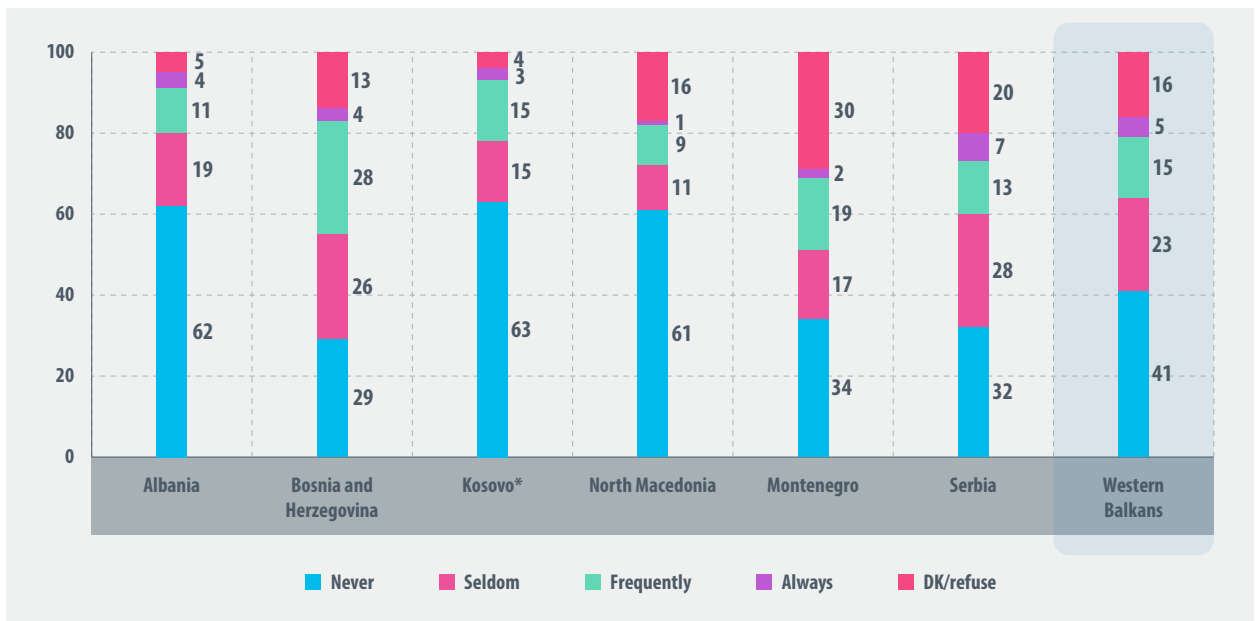
On a regional level, 6% of respondents shared that the main reason they always made payments/gifts was to deal with customs/imports.

Figure 84: 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? - To get connected to and maintain public services



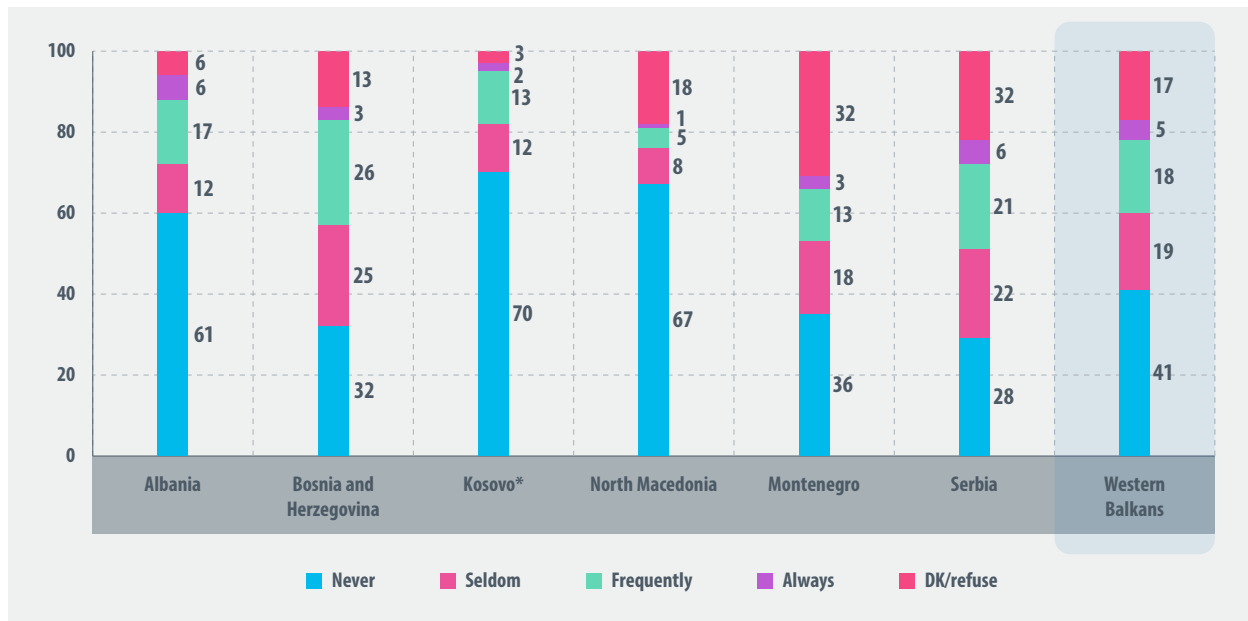
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 85: 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? - To obtain business licences and permits



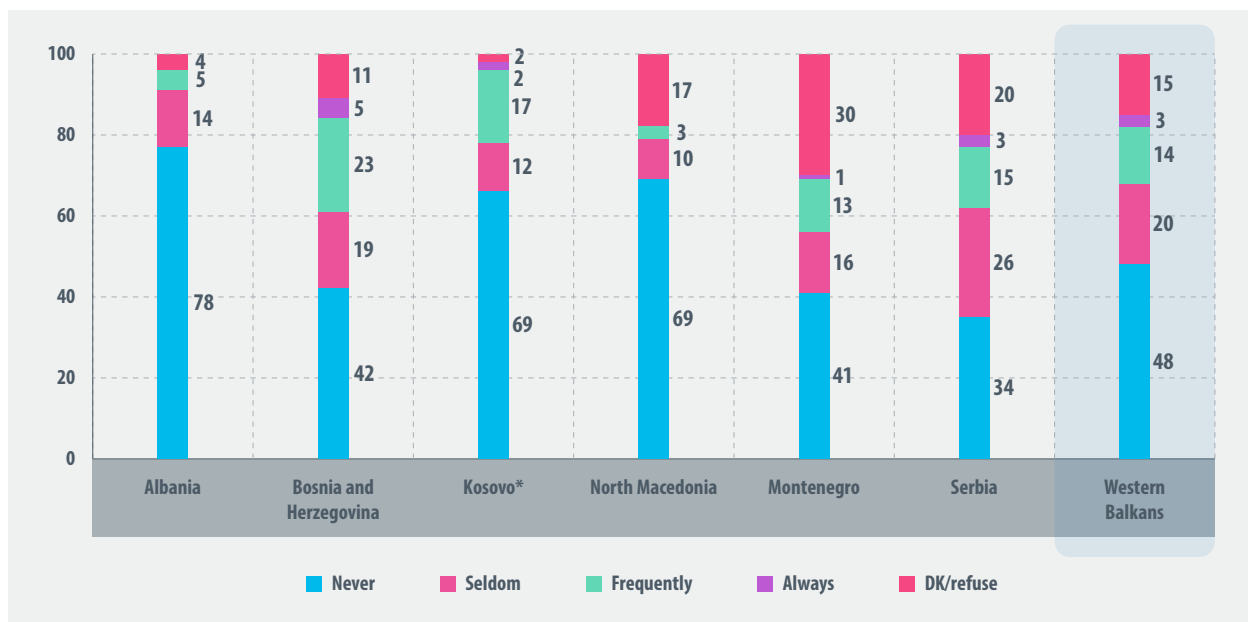
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 86: 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? - To obtain government contracts



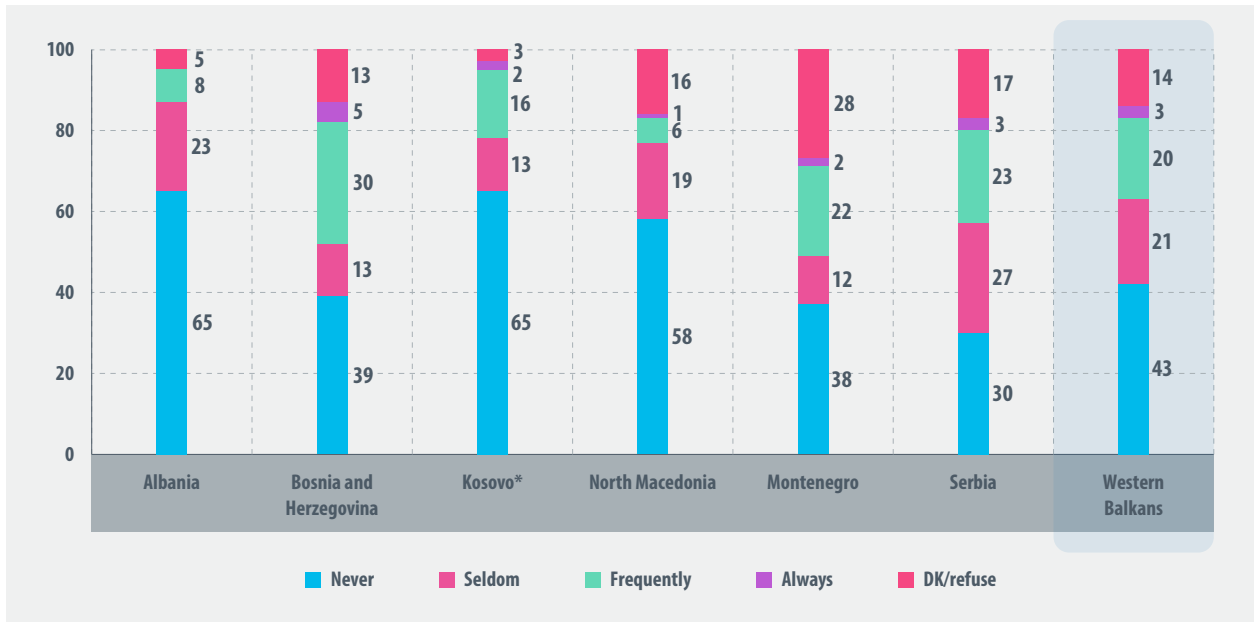
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 87: 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? - To deal with occupational health and safety inspections



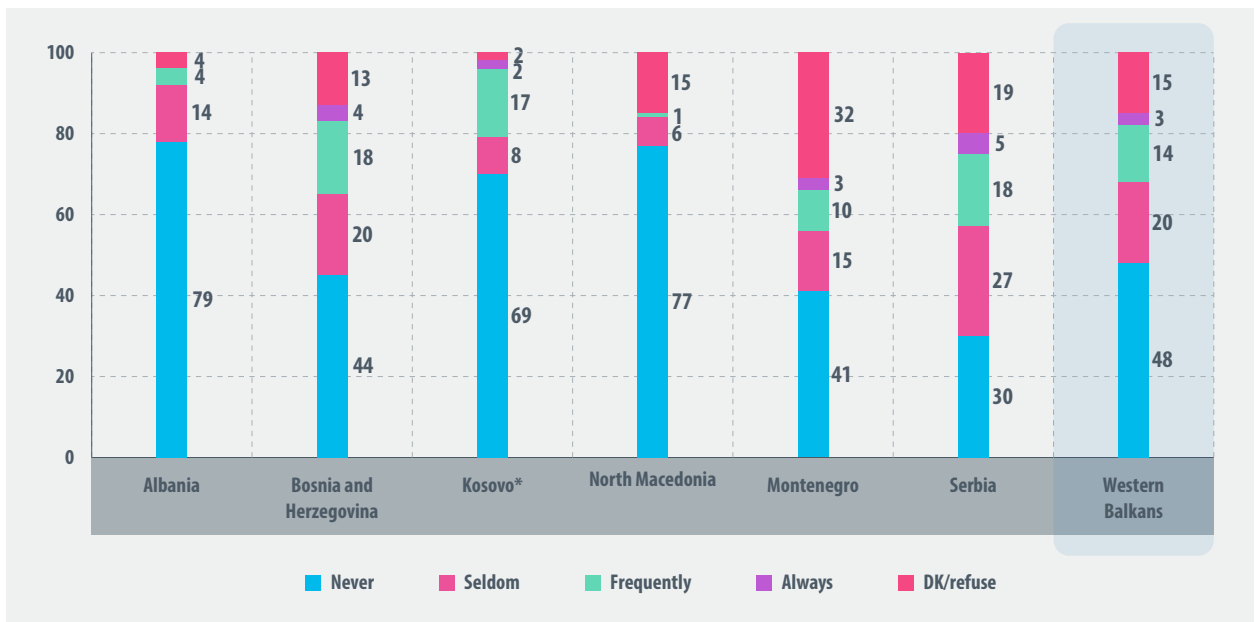
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 88: 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? - To deal with labour inspections



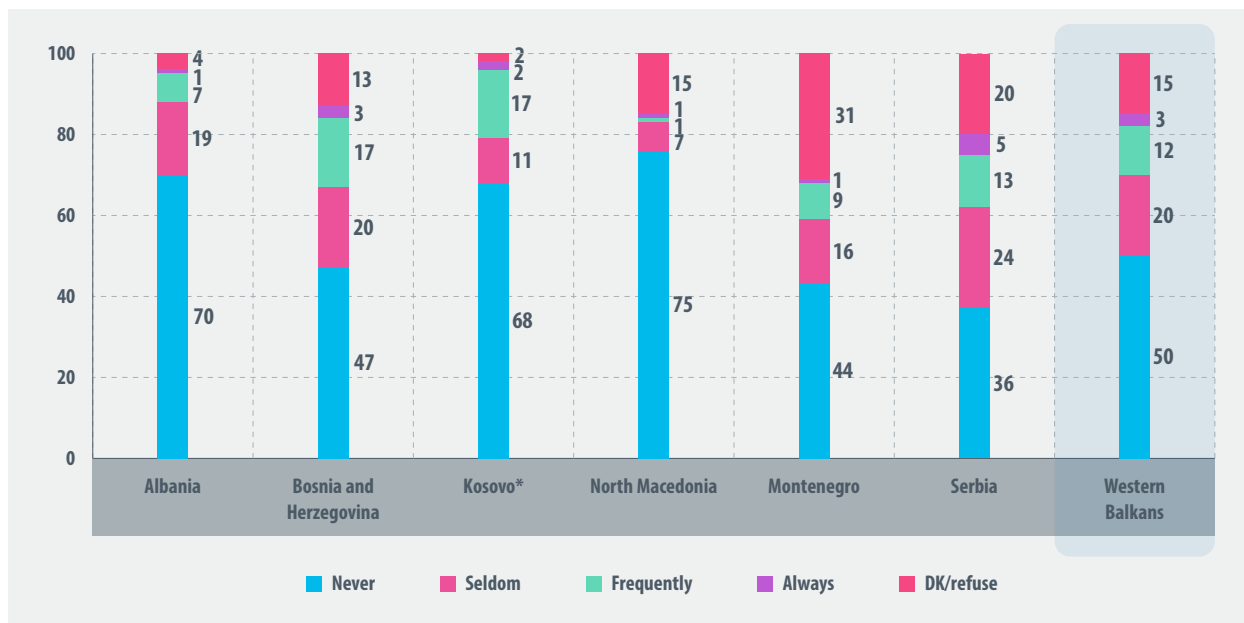
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 89: 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? - To deal with fire and building inspections



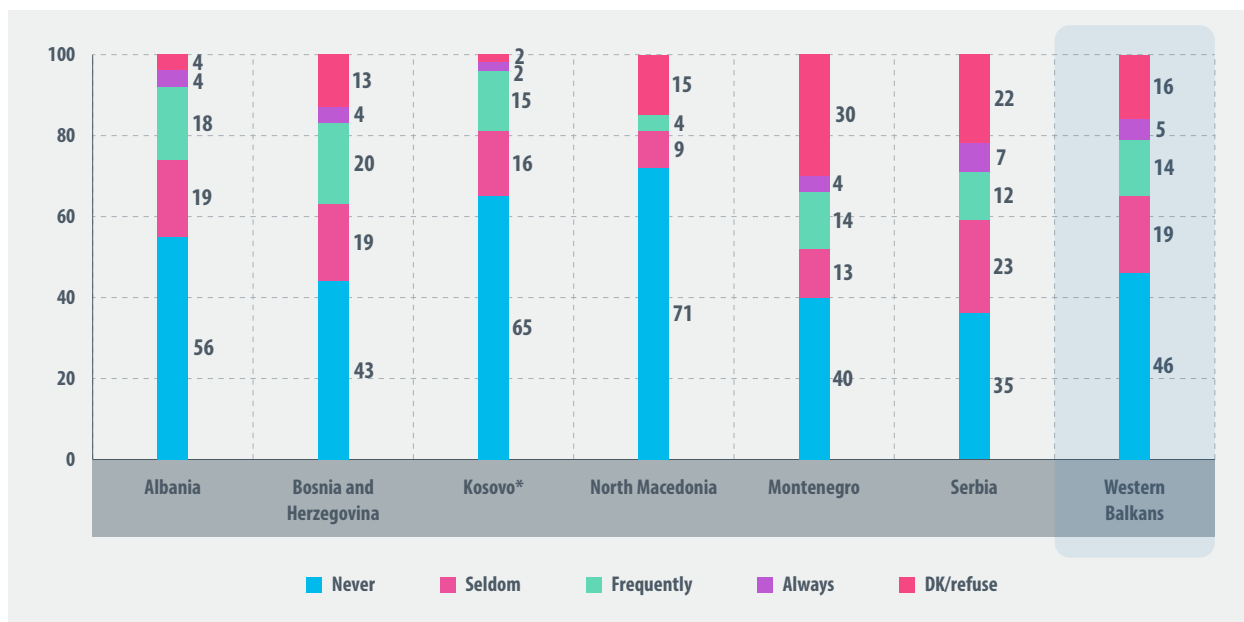
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 90: 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? - To deal with environmental inspections



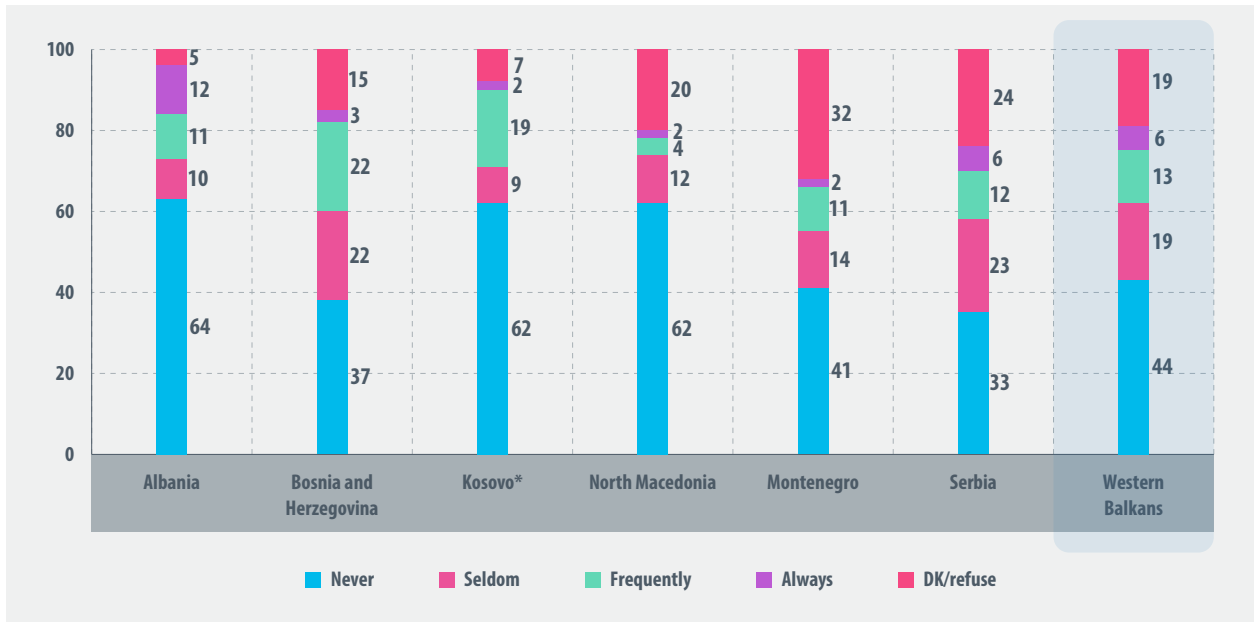
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 91: 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? - To deal with taxes and tax collection



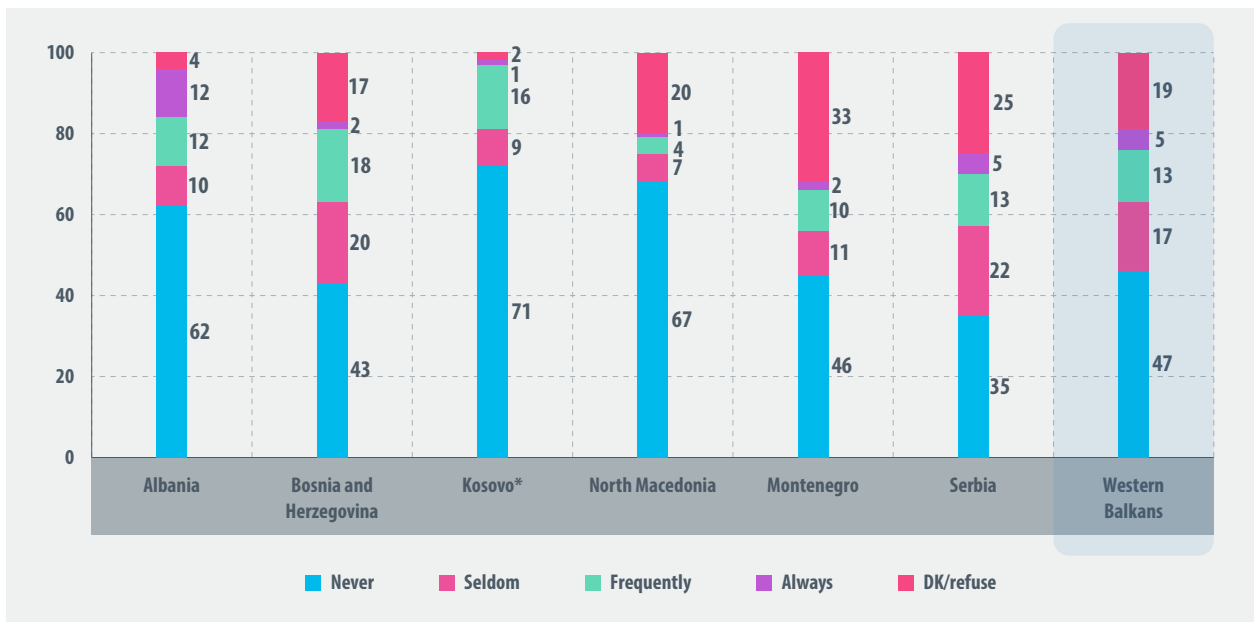
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 92: 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? - To deal with customs/imports



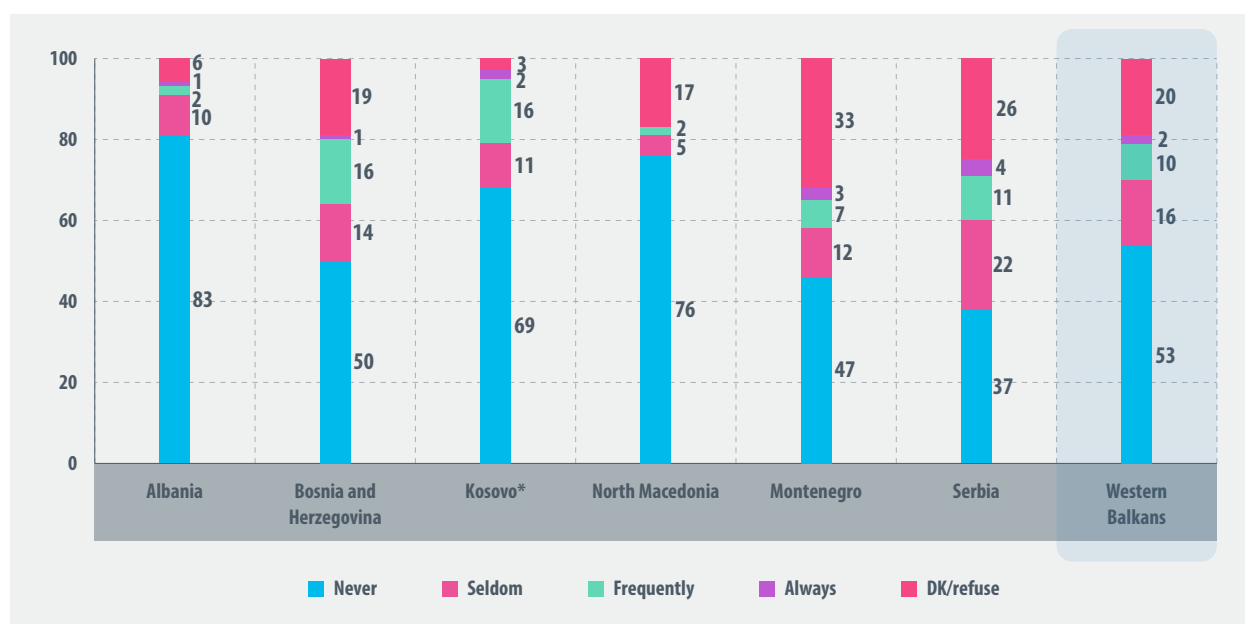
(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 93: 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? - To deal with courts



(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 94: 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? - To influence the content of new legislation, rules, decrees, etc.



(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always,

Dealing with taxes and tax collection (1,882 EUR) is the most expensive unofficial payment/gift (Table 3). The second-highest expenditure is dealing with labour inspections, at 1,799 EUR, which doubled from the previous year (880 EUR). This might be explained by the restrictions imposed due to the pandemic for companies, and their possible decision to continue economic activity anyway. Customs (1,519 EUR) and dealing with environmental inspections (1,453 EUR) are two examples of costly unofficial fees faced by Western Balkan firms. Four out of the eleven costed briberies showed a rise in 2021, while dealing with courts, fire and building inspections and connecting to and maintaining public services, have significantly improved.

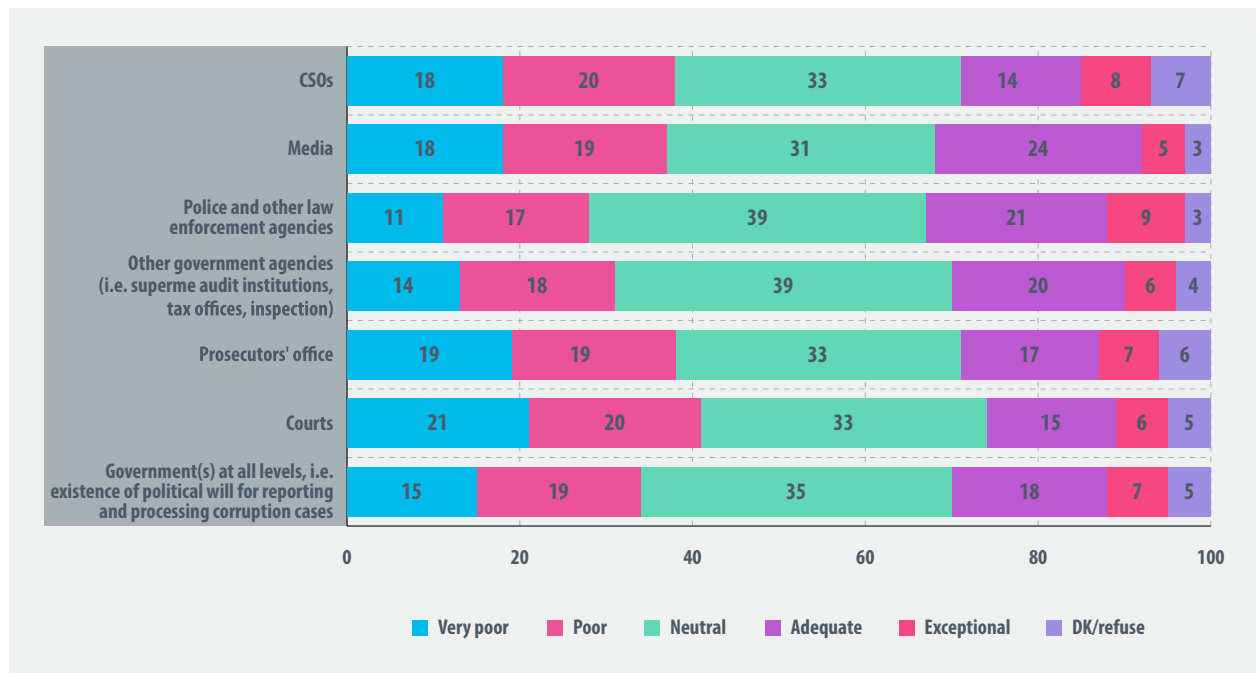
Table 3 - Please estimate what is the approximate amount (in EUR) of unofficial payments/gifts that companies like yours would make in a given year for the following purposes.

Western Balkans 2022	Average amount of unofficial payments/gifts	* Different base (No. of respondents) for each purpose
To get connected to and maintain public services	264 EUR	388
To obtain business licenses and permits	1324 EUR	463
To obtain government contracts	1123 EUR	424
To deal with occupational health and safety inspections	439 EUR	370
To deal with labour inspections	1799 EUR	446
To deal with fire and building inspections	346 EUR	349
To deal with environmental inspections	1453 EUR	349
To deal with taxes and tax collection	1882 EUR	407
To deal with customs/imports	1519 EUR	396
To deal with courts	1794 EUR	352
To influence the content of new legislation, rules, decrees, etc.	556 EUR	271

(Respondents who consider that companies like theirs would make approximate amounts of unofficial payments/gifts seldom, frequently or always and did not reply with DK/refuse in a given year, average amount)*.

Businesspeople in the Western Balkans usually give institutions in charge of reporting, processing and fighting corruption a neutral rating. CSOs, the media, the police and other law enforcement agencies, other government agencies, the prosecutor's office, the courts, and the government as a whole were all evaluated. These institutional actors have a neutral rating, ranging from 31% to 39%. The media had the highest percentage of respondents who said they were adequate (24%), while the police and other law enforcement agencies 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.

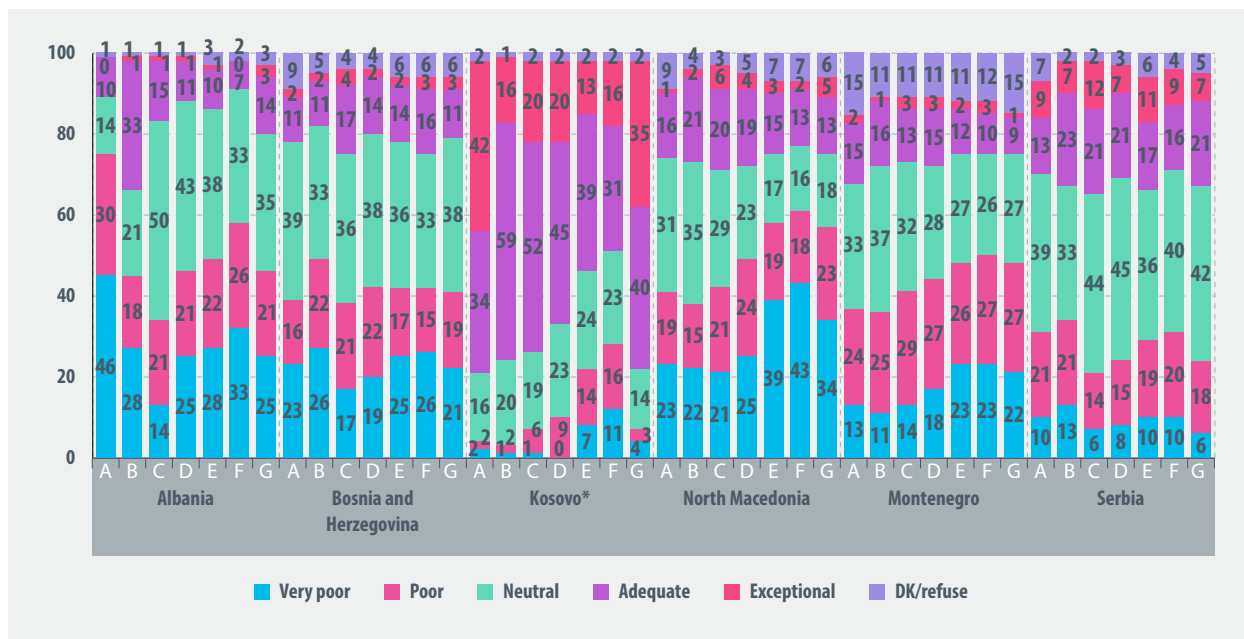
Figure 95: How would you rate the following entities in reporting and processing corruption cases, or providing support in the fight against corruption in your economy?



(All respondents - N=1203, scores are on a scale of 1 to 4 where 1 means never and 4 always, %)

Figure 96 assesses institutional stakeholders and provides an overview of regional differences. The tendencies for the Western Balkan economies are consistent throughout the institutional players studied. Respondents in Albania and North Macedonia rate corruption-related stakeholders the least favourably: the share of those rating extremely poor or poor performance ranged from 46% to 49% for the government as a whole. Bosnia and Herzegovina and Montenegro, for the second year in a row, continue to exhibit a more neutral view, with 38% and 28% of the respondents respectively assessing the government as a whole. Serbia and Kosovo* are on the other end of the spectrum. Kosovo* companies are the most likely to rate corruption-related actors as 'extraordinary,' this percentage remains relatively high: from 13% for the prosecutors' office to 42% for CSOs. Meanwhile, Serbia has 21% of the respondents who rated the government as a whole as adequate, evaluating more positively the role of police, media and other agencies.

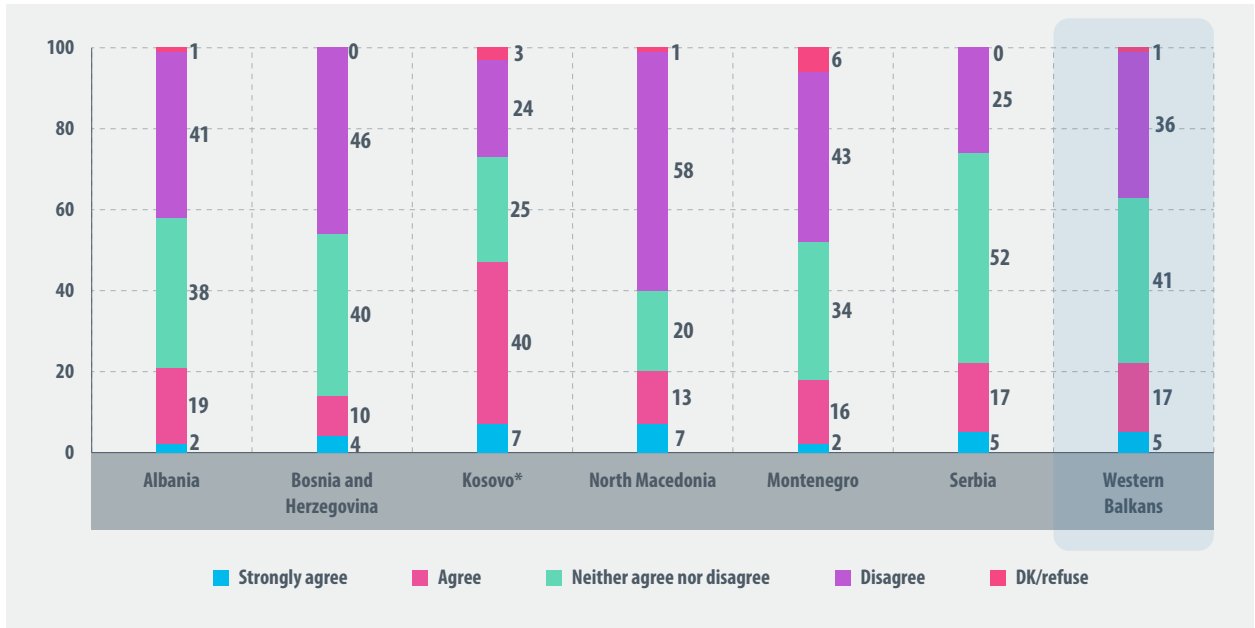
Figure 96: How would you rate the following entities in reporting and processing corruption cases, or providing support in fight against corruption in your economy? A) CSOs; B) Media; C) Police and other law enforcement agencies; D) Other government agencies



(All respondents, N=1203, single answer, scores on a scale from 1 to 5, where 1 means very poor and 5 means exceptional, share of total, %)

When asked about the fight against corruption, 22% of Western Balkan businesspeople believed that it is effective in some way, 41% said they were neutral, while 36% said they disagreed (Figure 97). North Macedonia respondents are the most pessimistic regarding this topic, with the largest share to believe the fight against corruption has been unsuccessful (58%). This might be related to the revealing involvement of the highest government officials in crime of large magnitude in the recent years. In 2019, the Special prosecutor’s office was not able to succeed in a few high-profile cases, which might have affected short-term credibility and hopes for justice. Macedonians’ mistrust is followed by Bosnia and Herzegovina (46%) and Montenegro (43%). Despite the fact that the share of those who agreed was considerable in Kosovo* (47%), respondents in Serbia, Bosnia and Herzegovina, and Albania maintained a neutral position with 52%, 40% and 38% respectively.

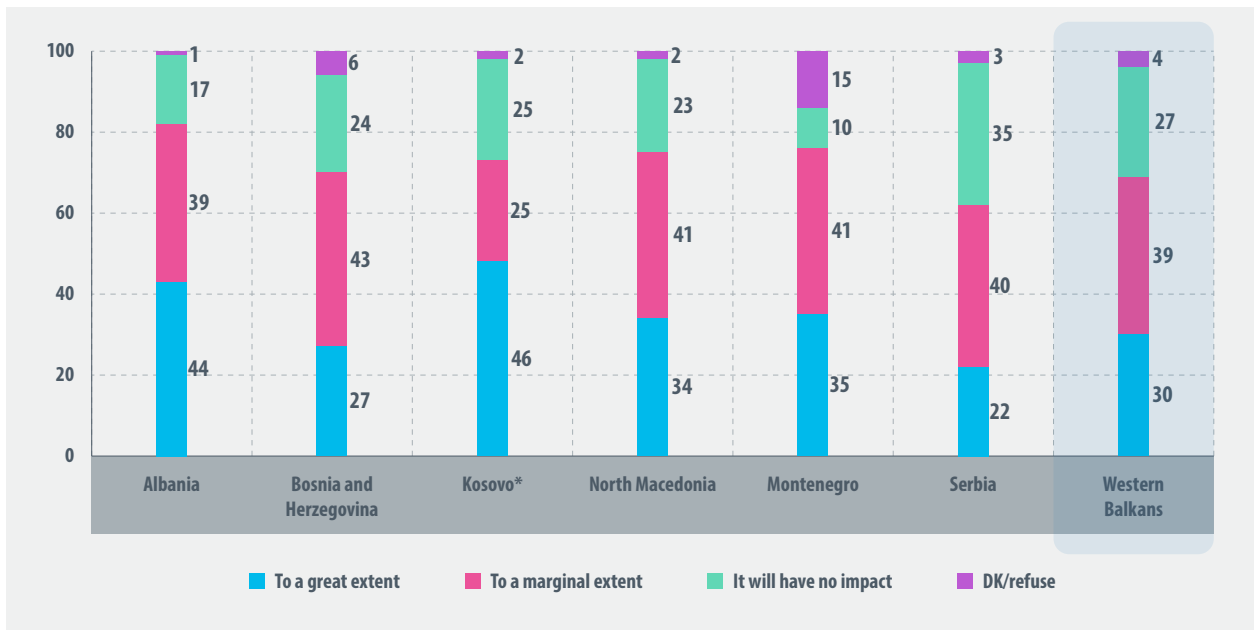
Figure 97: How much do you agree or disagree with the following statement: Fight against corruption in my economy is effective



(All respondents - N=1203, single answer, share of total, %)

Respondents were in favour of digitising public services as a means of reducing corruption (Figure 98). Overall, in the Western Balkan economies, 69% thought it would have a complete or partial beneficial impact across the area, with Albania having the highest percentage (83%), while Serbia has the highest percentage of people who think the digitalisation process will have no impact at all (35%).

Figure 98: To what extent do you believe digitalisation of public services would have a positive impact on preventing corruptive practices?



(All respondents - N=1203, share of total, %)

TRADE AND INVESTMENT

This year, the majority of businesses did not explore or plan any foreign investments (92% of the respondents answered 'no' when asked if their company invested abroad or plans to do so in the next 12 months (Figure 99). This could be related to the uncertainty and hesitation which was widespread throughout 2021. Companies in Bosnia and Herzegovina were the most likely to make a foreign investment (13% said they had made or planned to make one), while North Macedonia was the most hesitant (only 1% did or planned an investment).

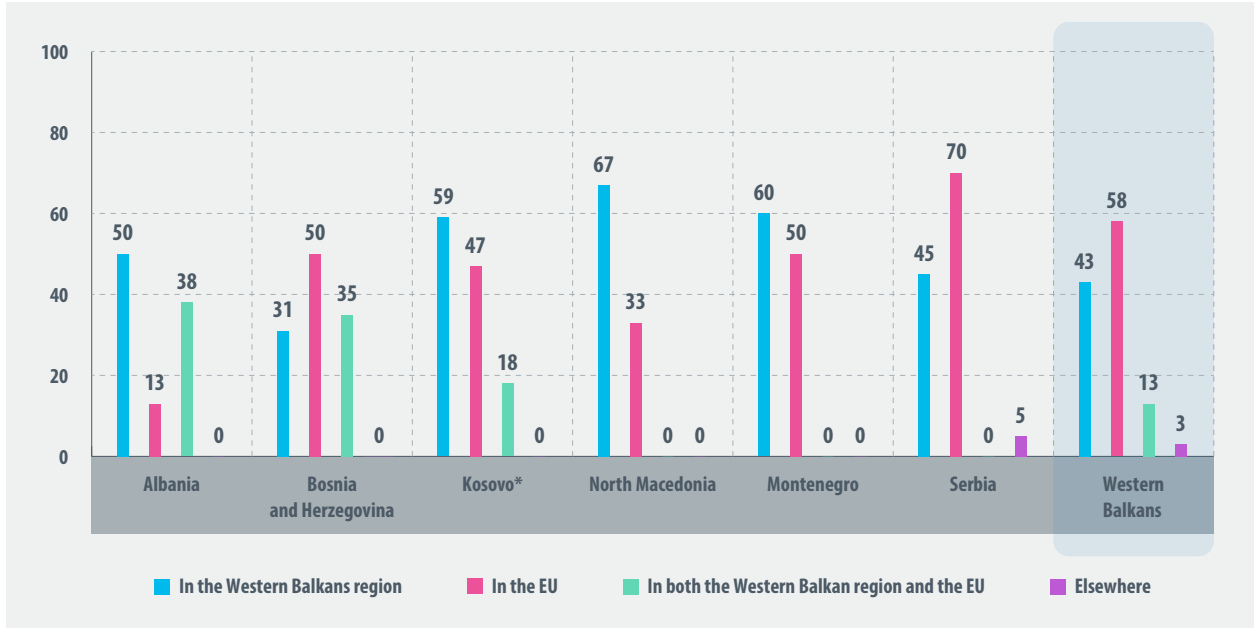
There was an even distribution of those who pursued or planned an investment; to invest within the Western Balkans (43%), in the EU (58%), and in both (13%) (Figure 100). Companies in Kosovo* and Montenegro tended to focus on investing both within the Western Balkans and the EU, while companies in Albania and North Macedonia planned to keep their investments within WB. Bosnia and Herzegovina, as well as Serbia businesses are predominant to expand the investment in the EU, 50% and 70% respectively.

Figure 99: Has your company invested abroad, or plans to do so in the next 12 months?



(All respondents - N=1203, share of total, %)

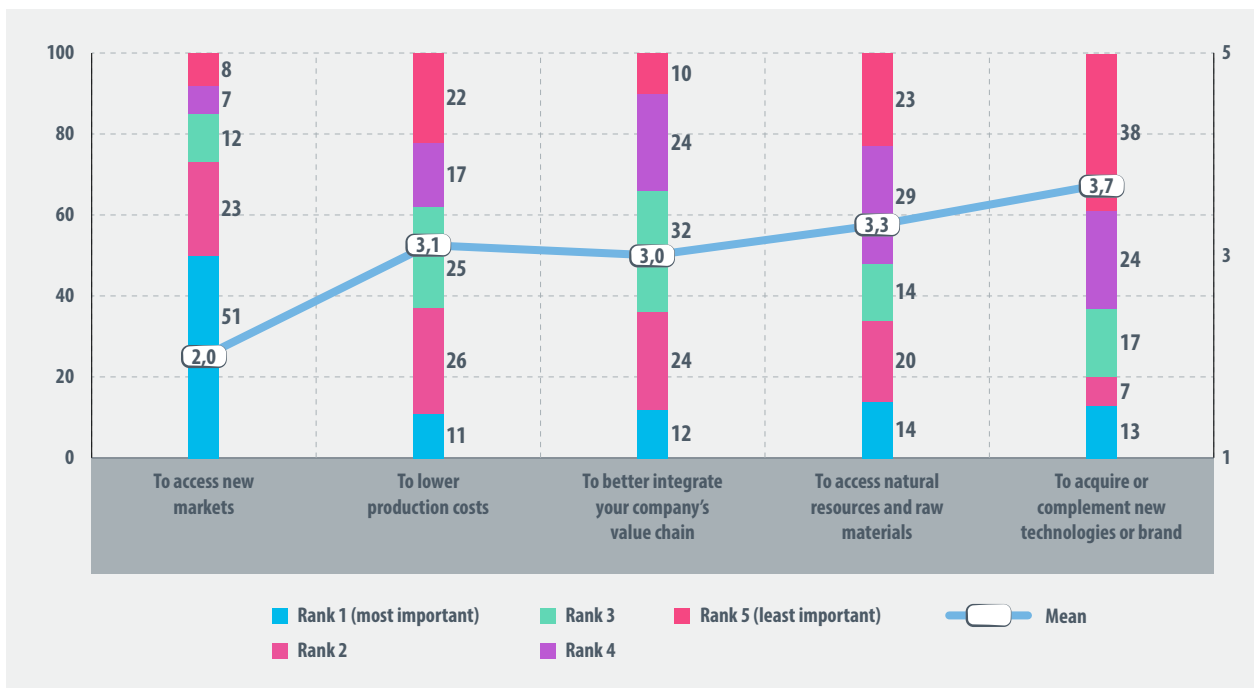
Figure 100: Where did you invest or plan to do so?



(Those who invested or plan to invest abroad in the next 12 months, N=84, share of total, %)

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 in Figure 101. The ambition to access new markets again came out on top, with 51% of businesses saying it was the most essential incentive. Better integrating the companies value chain is ranked as the second most important motivator, leaving behind access to natural resources and lowering prices. On the other hand, acquiring new technologies is the least driving factor to investing abroad.

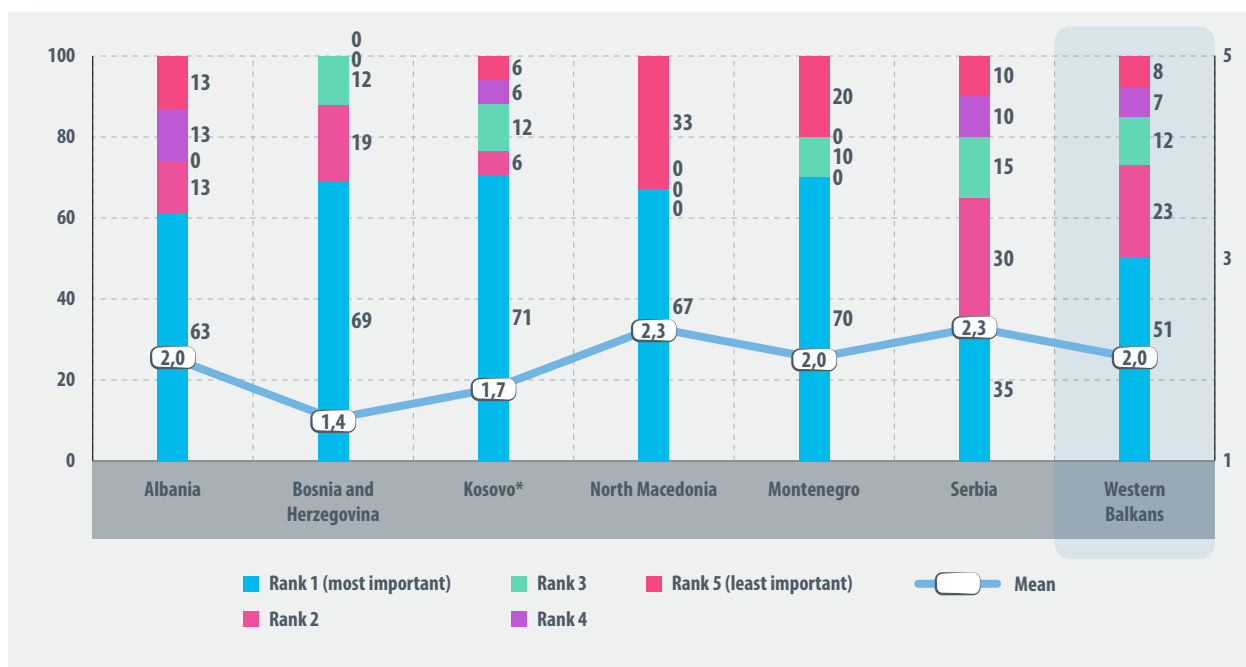
Figure 101: Which of the following reasons best describes your company's motivation to invest abroad?



(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

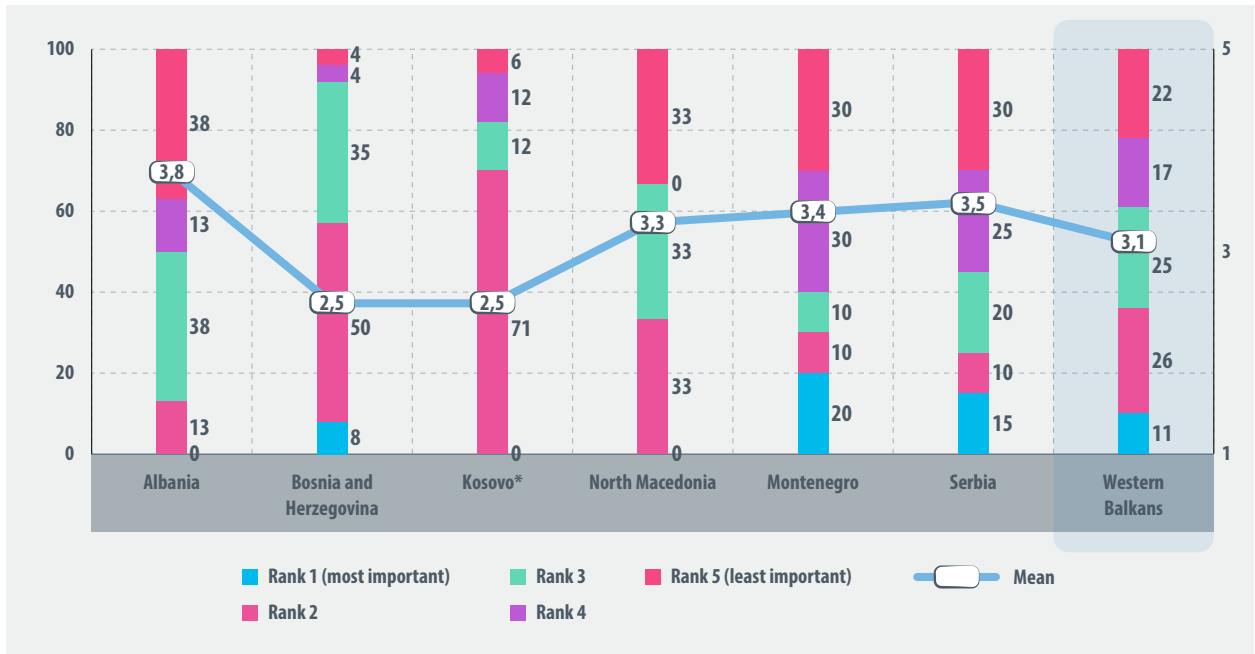
The importance of motivators varies in each of the Western Balkan economies, as seen in Figures 102 through 106. Accessing new markets is very important in the WB economies where 51% of respondents ranked this motivator as the most crucial, especially for Kosovo* (71%) considering the economy's small size and Montenegro (70%) and less important in Serbia (35%). Lowering production costs is most significant in Bosnia and Herzegovina with 93% of the respondents giving it a rating from 1-3; while businesses in Montenegro seem unconcerned with decreasing expenses (60% gave this motivation a ranking from 4-5). In Albania, better integration into the global value chain is particularly significant, with 88% ranking it first 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 brands where Albanians together with the Macedonian enterprises, outperformed their Western Balkan counterparts. Montenegrins and Serbian respondents were the only ones who saw the need to access natural resources and raw materials as a motivator to invest abroad with 90% and 65% respectively.

Figure 102: Which of the following reasons best describes your company's motivation to invest abroad? - To access new markets



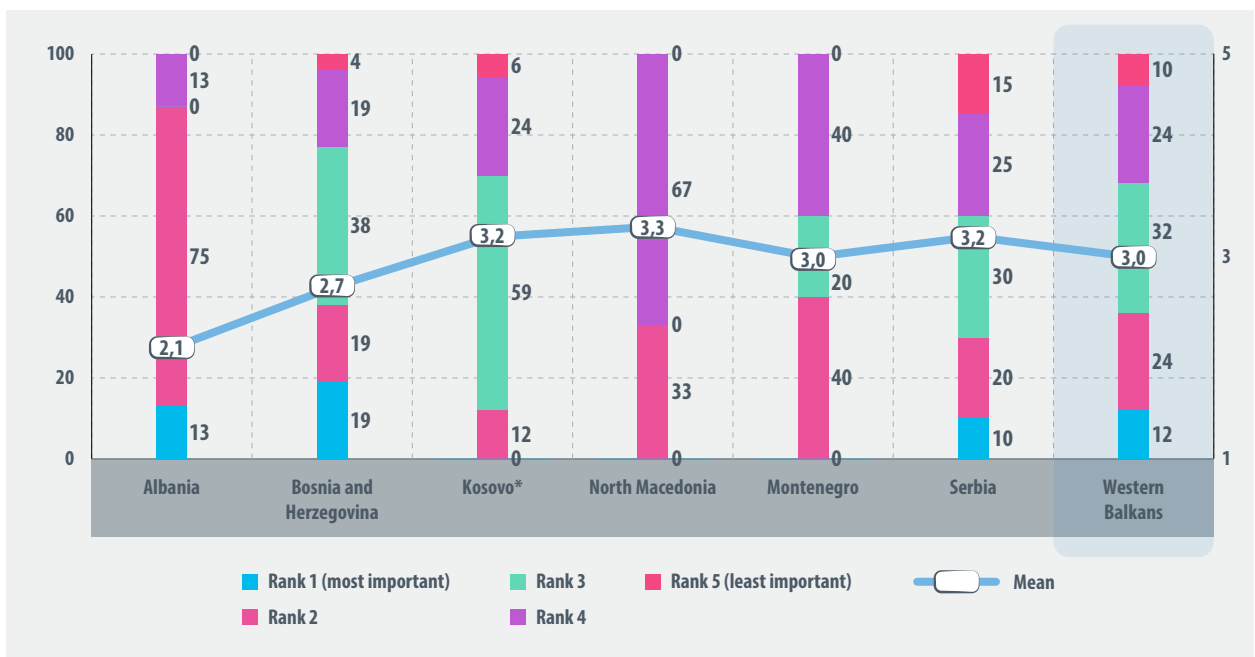
(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

Figure 103: Which of the following reasons best describes your company's motivation to invest abroad? - To lower production costs



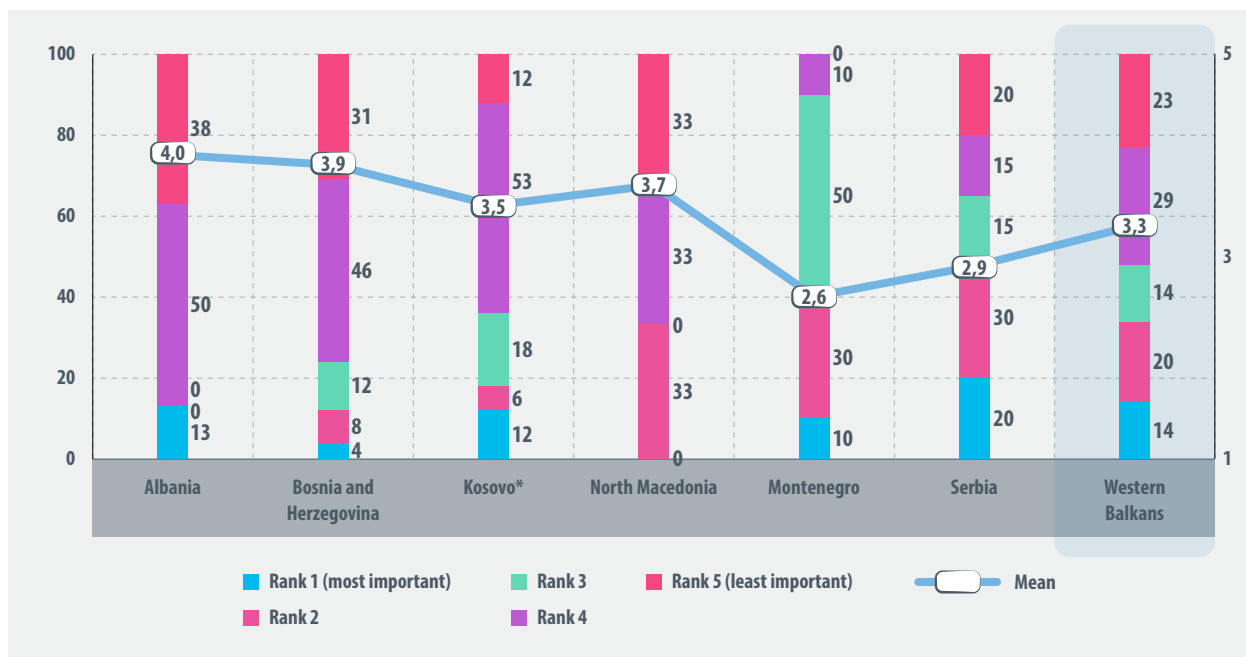
(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

Figure 104: Which of the following reasons best describes your company's motivation to invest abroad? - To better integrate your company's value chain



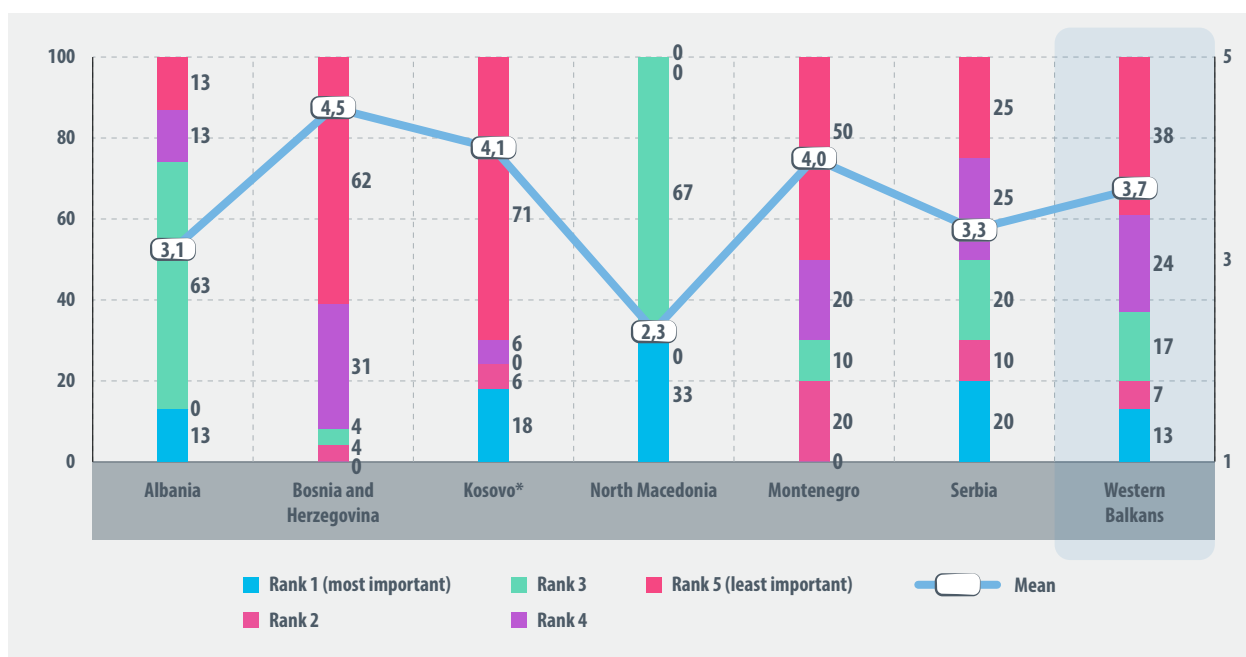
(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

Figure 105: Which of the following reasons best describes your company's motivation to invest abroad? - To access natural resources and raw materials



(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

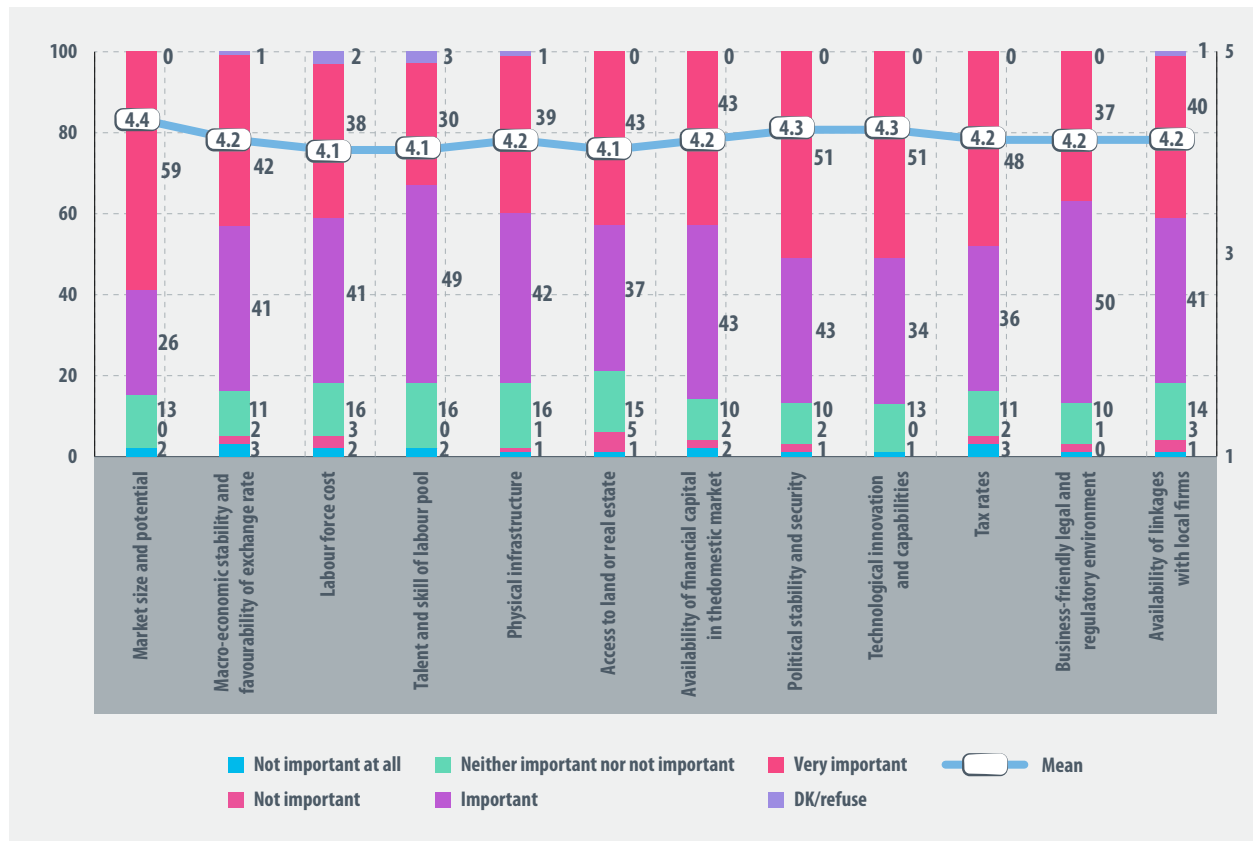
Figure 106: Which of the following reasons best describes your company's motivation to invest abroad? - To acquire or complement new technologies or brand



(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, ranks on a scale of 1 to 5 where 1 means most important and 5 least important, share of total, %, mean)

In 59% of situations, businesspeople evaluated market size and potential as extremely significant when determining where to invest abroad (Figure 107). All other factors are deemed crucial, such as political stability and security (51%), technological innovation and capabilities (51%), and tax rates (48%). The sole factors listed as not important and not important at all (by a total of 1% of respondents) are technological innovation and capabilities and the business-friendly legal and regulatory environment, and yet all variables received relatively modest percentages of respondents who assigned no value to them (ranging from 1% to 6%).

Figure 107: In the process of choosing where to invest abroad, how important were the following factors?

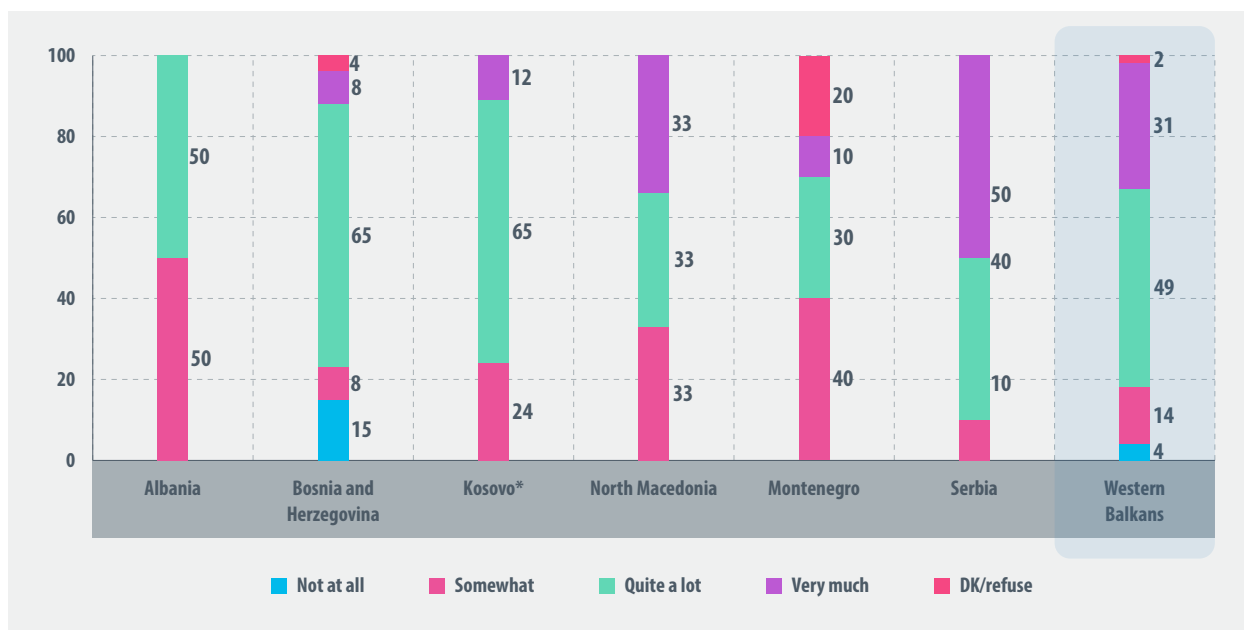


(Respondents whose companies invested abroad, or plans to do so in the next 12 months - N=84, single answer, scores on a scale of 1 to 5 where 1 means not important at all and 5 very important, share of total, %, mean)

For enterprises in the Western Balkans, foreign investment incentives are critical (Figure 108). In the region, 31% thought such incentives were extremely essential, while 14% said they were somewhat important. However, there are some notable variances among the economies. For example, such incentives are very significant to Serbia (50%) and the North Macedonia (33%), whereas in Albania none of the respondents perceives these incentives as very important. This might be related to the different policies applied in the economies for attracting foreign investments.

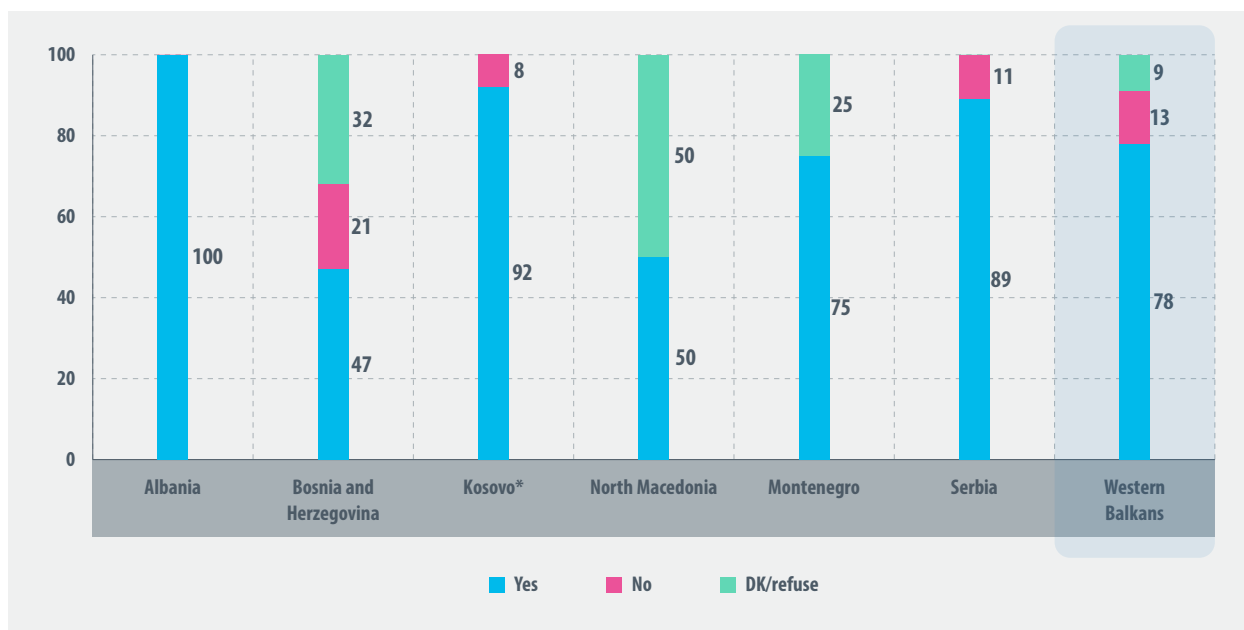
Figure 109 explains that 100% of Albanians and 92% of Kosovo* respondents (28% in 2020) thought such investment incentives were transparent, albeit this percentage varied from 47% in Bosnia and Herzegovina and 50% in North Macedonia. Most of the respondents who share a neutral stance also come from these two economies.

Figure 108: When investing abroad, how much do available investment incentives influence the decision on where to invest?



(Respondents whose company invested abroad, or plans to do so in the next 12 months - N=84, single answer, scale of 1 to 4 where 1 means not at all and 4 means very much, share of total, %)

Figure 109: Could they be considered transparent?



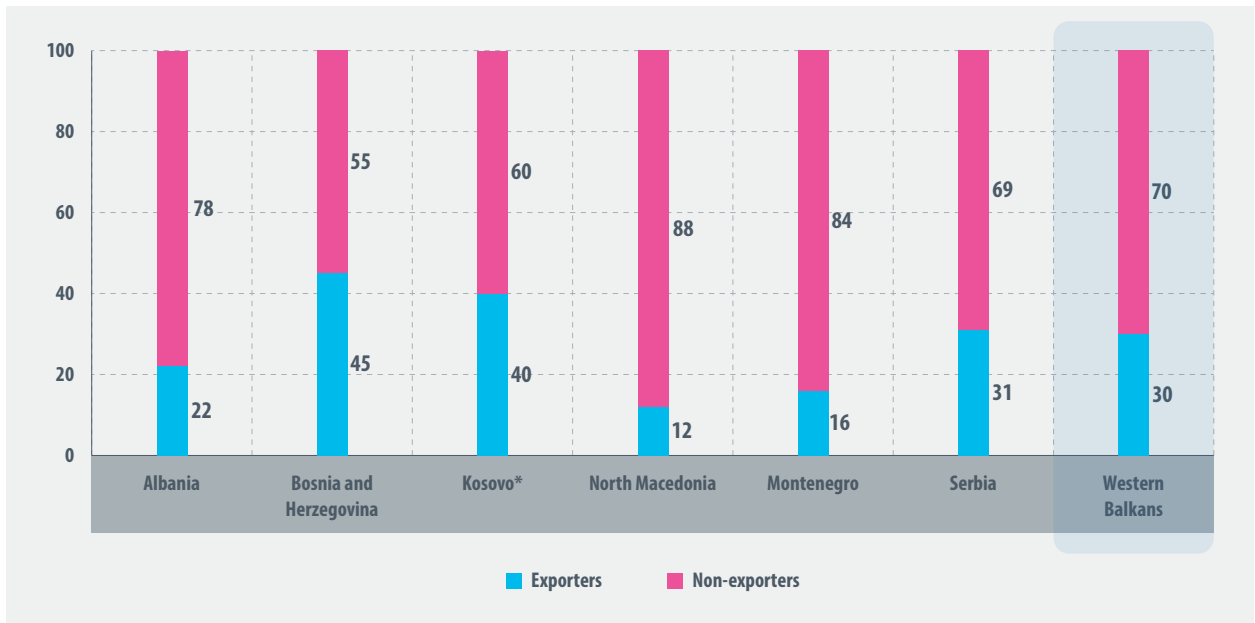
(Respondents who believe that available investment incentives are quite a lot or very much influencing the decision on where to invest when investing abroad, N=60, single answer, scale of 1 to 4 where 1 means not at all and 4 means very much, share of total, %)

Businesses in the Western Balkans still remain stuck in the home market, as shown in Figure 110 and Figure 111. 85% percent of them said they were only selling domestically, similar to the 86% percent a year before. Competing in an international market is more difficult for companies in the Western Balkans due to their low competitiveness, driven by low labour productivity and low technological level. Joining global supply lines requires resources of a different scale and type. Only 6% went to the Western Balkans, 7% to the EU, and 2% to the rest of the world. Within-region

variance is minimal, with the exception of Bosnia and Herzegovina, where enterprises showed a greater proclivity to export: 9% claimed they exported to the Western Balkans, 11% to the EU, and 3% to other countries.

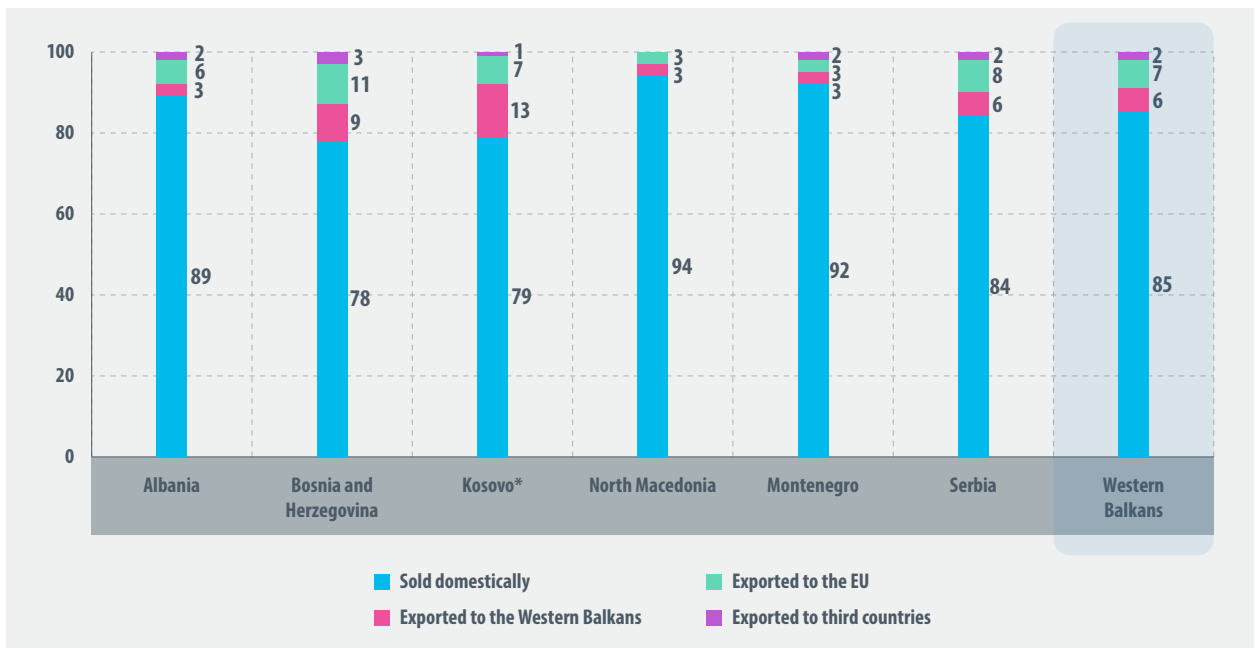
Understandably, 41% of enterprises that did not export stated that their goods/services weren't suitable for export (Figure 112). The lack of plans / interest to export is the second most common factor with a share of 34%, while the lack of export capacities (17%) shows a significant decrease from 57% in 2020. These factors are at the top of the list in each of the Western Balkan economies. This might be explained with the overall situation that affected export capacities and global trade in general, throughout the pandemic restrictions.

Figure 110: Has your company exported goods or services over the past 12 months?



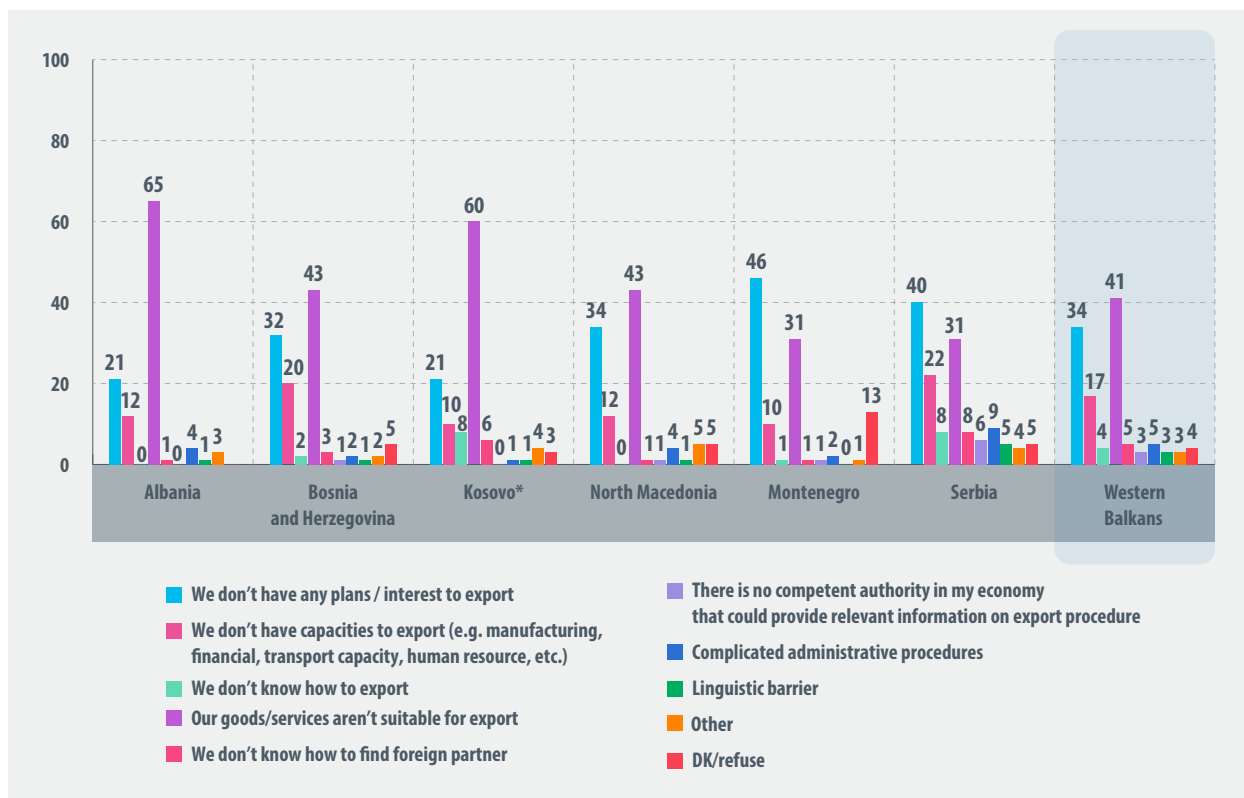
(All respondents - N=1203, share of total, %)

Figure 111: What percentage of your company's sales are made domestically, exported to the WB region, to the EU or to the third countries?



(All respondents - N=1203, share of total, %)

Figure 112: Why doesn't your company export?

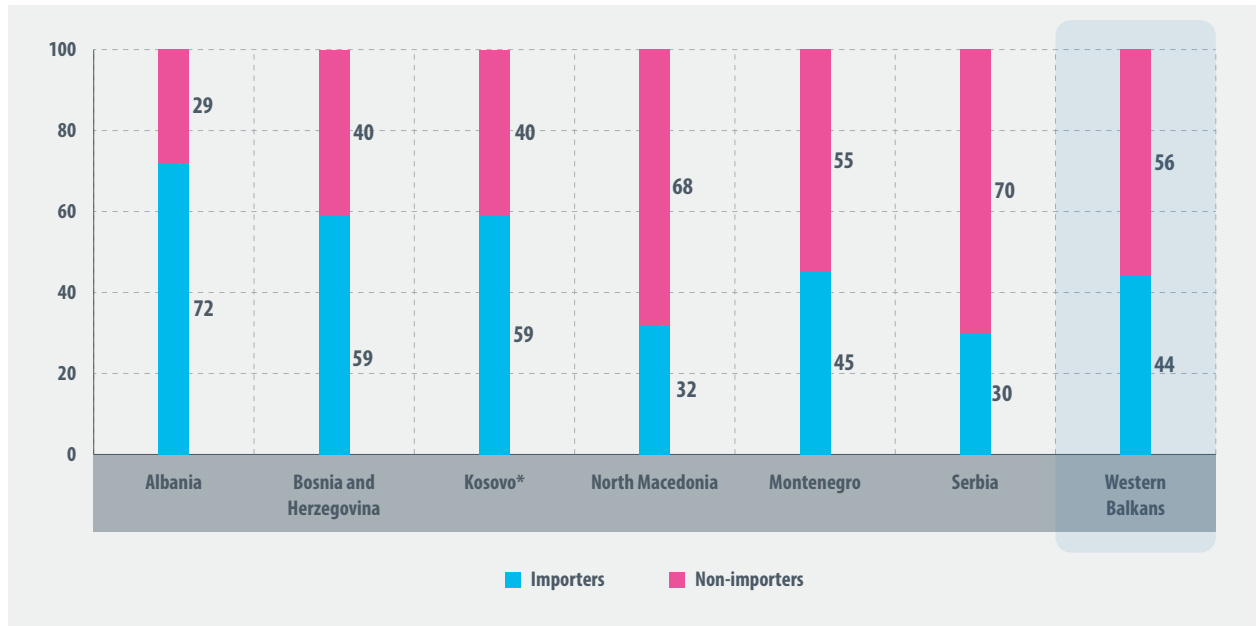


(Respondents whose companies are non-exporters, N=870, %)

Non-exporters also lack integration into the global value chain on the import side (Figures 113 and 114), as the vast majority of their inputs are purchased domestically as in 2020 (Figures 113 and 114), with varying percentages ranging from 85% in Serbia and North Macedonia, to 59% in Albania. Non-exporters, on the other hand, produce for small businesses and individuals (49% as shown in Figure 115), while only 4% respectively produce for government or government agencies and publicly owned or controlled enterprises.

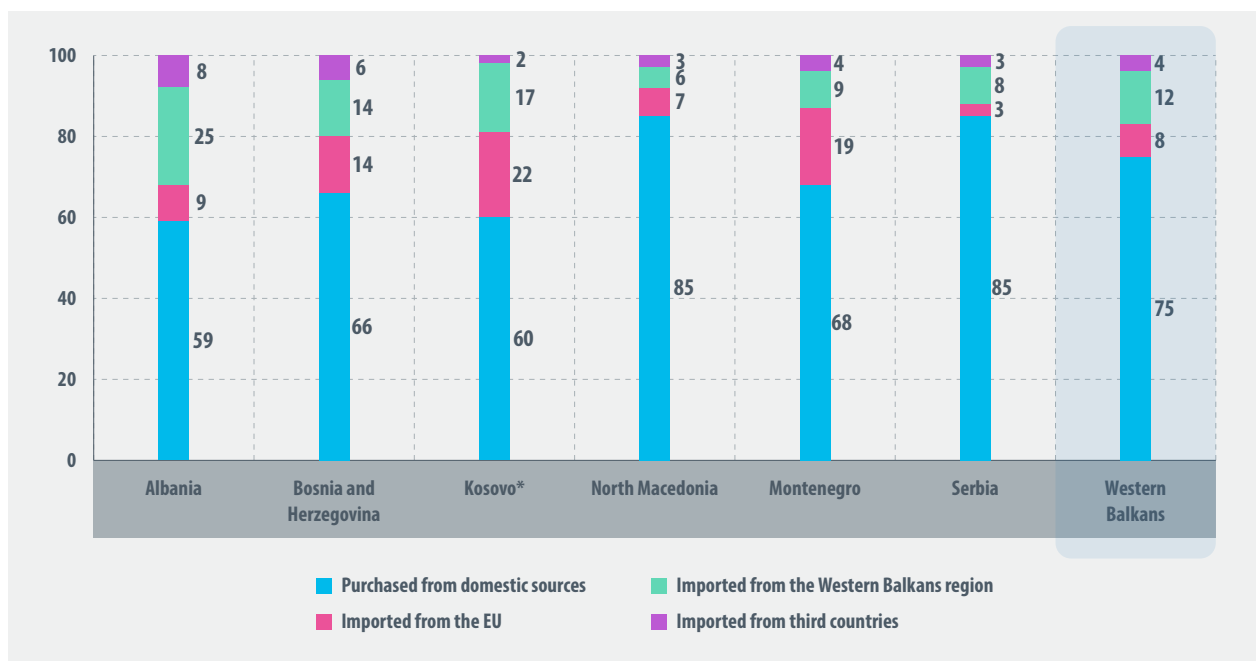
There are still variances between regions. In Albania and Serbia, a substantial percentage of non-exporters (57% and 56% respectively) work for small businesses and individuals, but in North Macedonia, 47% produce for multinationals that are located in their economy. Meanwhile, a large share of respondents in Montenegro produce for other types of businesses that are not included in our analysis.

Figure 113: Has your company imported goods or services over the past 12 months?



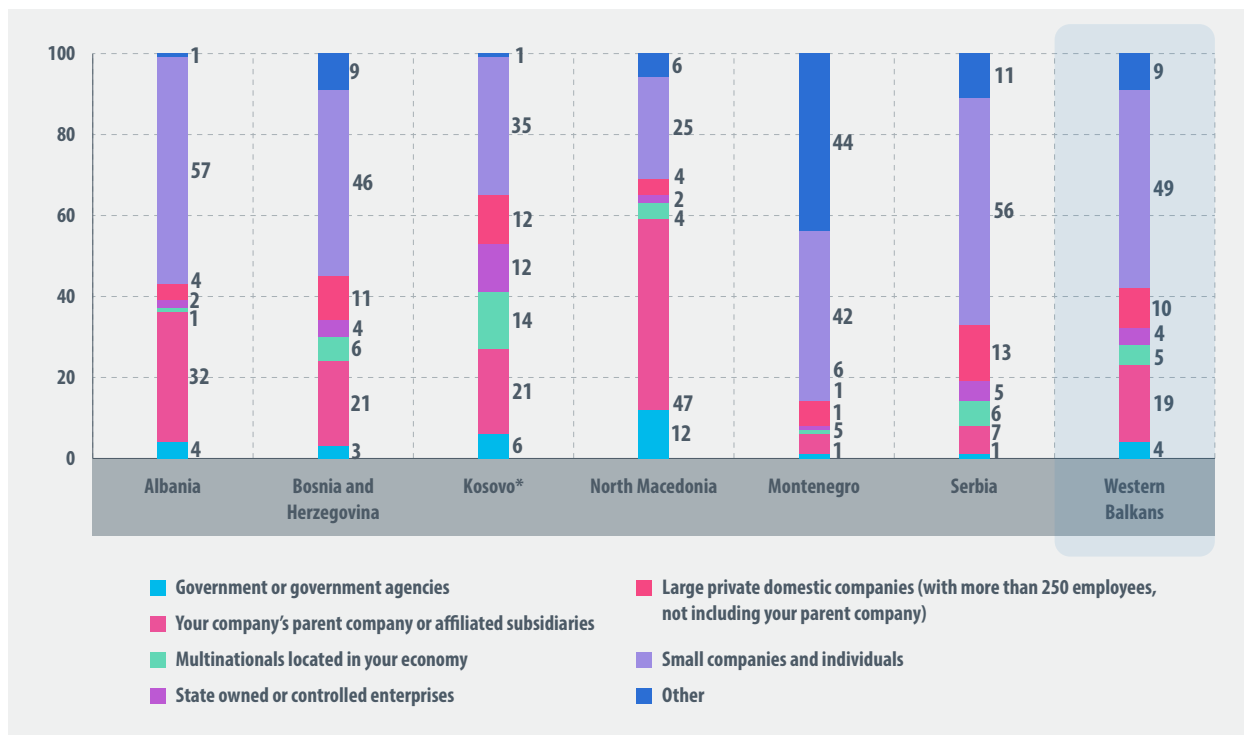
(All respondents - N=1203, share of total, %)

Figure 114: What percentage of your company's inputs and supplies are...



(All respondents - N=1203, mean %)

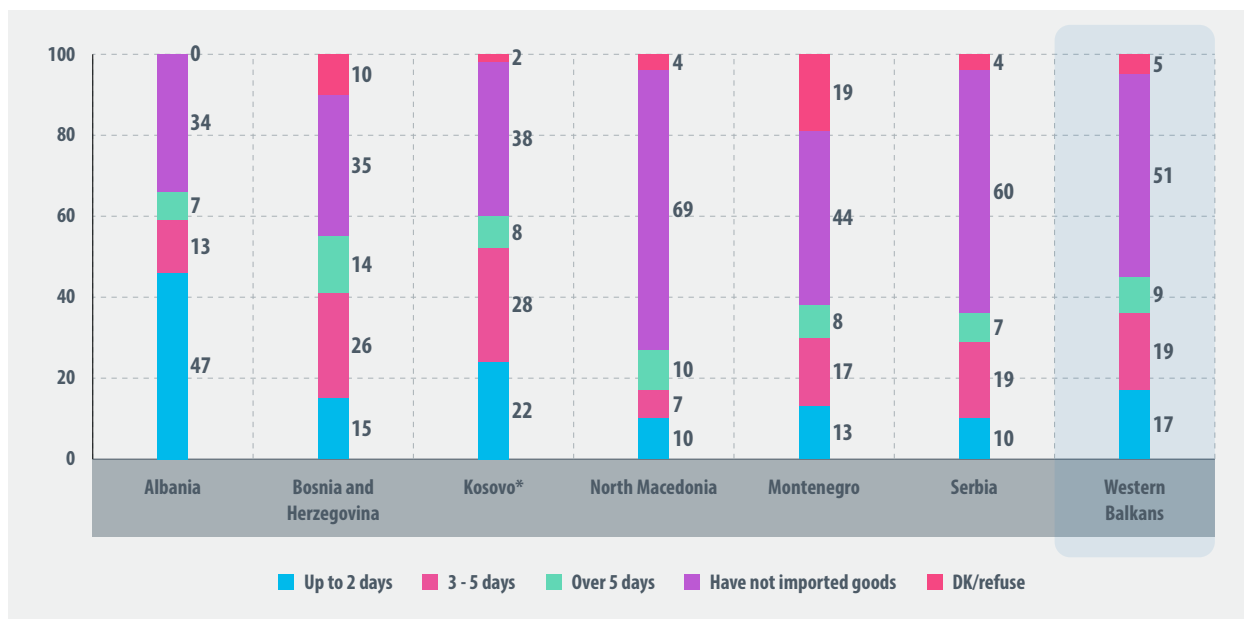
Figure 115: What percentage of your domestic sales are made to?



(All respondents - N=1203, mean %)

With a slight decrease from 2020 (56%), 51% of non-exporters said they did not import (Figure 116), with North Macedonia leading the chart with 69% and Albania being in the bottom with 34%. However, the proportion of people who needed up to two days for customs clearance for their imports increased to 17% in 2021, from 10% in 2020. Within the area, Albania appears to have the quickest customs clearance of imports, with nearly half of non-exporters completing it in as little as two days. Over five days were most commonly required in Bosnia and Herzegovina and North Macedonia (14% and 10% each).

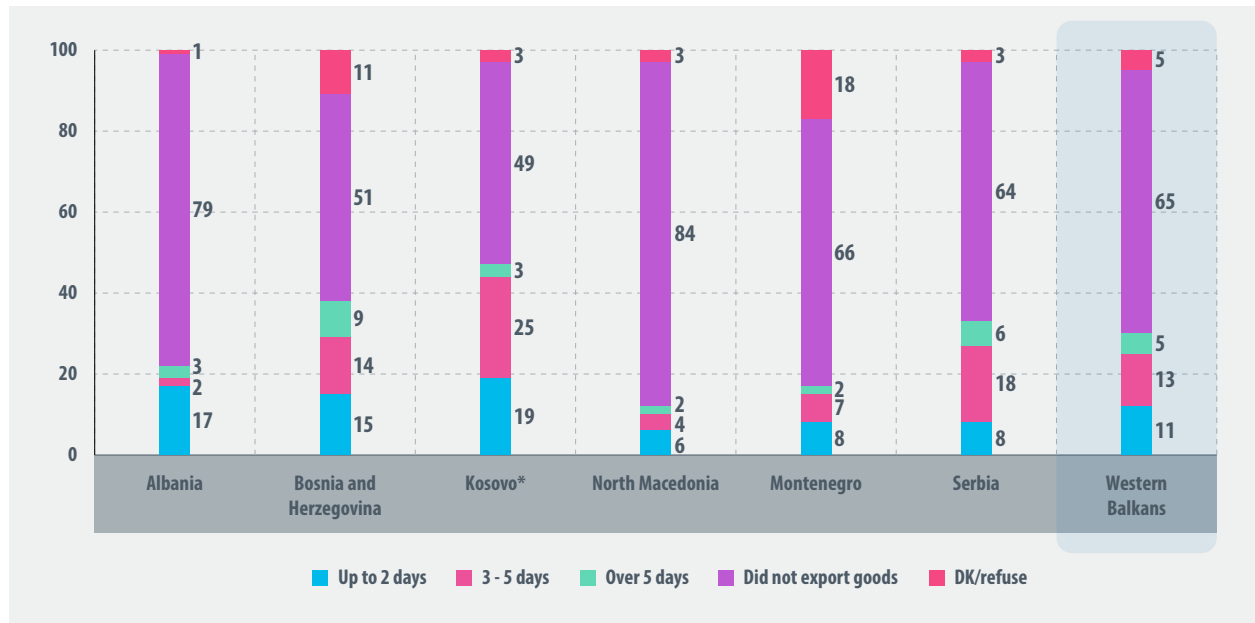
Figure 116: If you have imported goods in the past 12 months, what is the average number of days to clear imports through customs?



(All respondents - N=1203, single answer, share of total, %)

Customs clearance for exports presents a more complex picture (Figure 117). On a regional level, 65% of the respondents reported that they did not export goods in the last 12 months. For those who did, export clearance took 3-5 days for 13% of respondents, but only 5% took more than 5 days. Nonetheless, it is clear that Kosovo* and Albania are the fastest in terms of export clearance (19% and 17%, respectively, said it took less than two days to export).

Figure 117: If you have exported goods in the past 12 months, what is the average number of days to clear exports through customs?

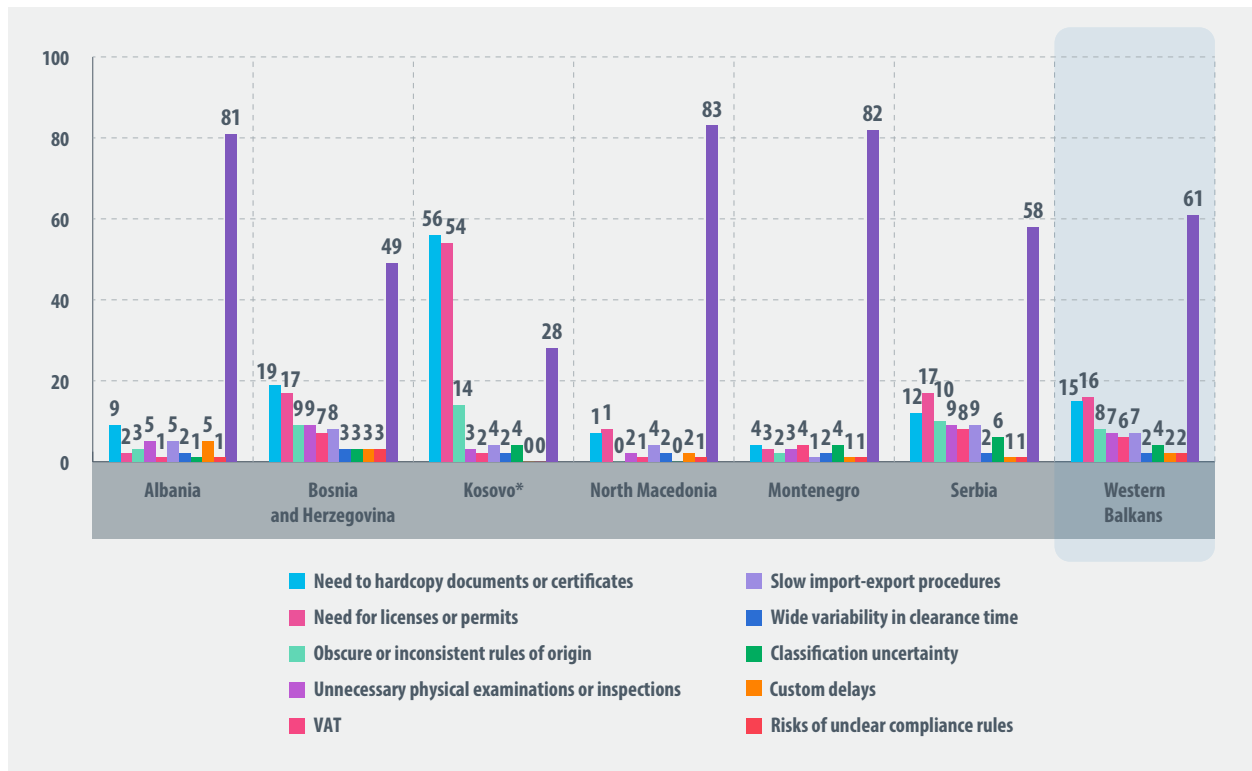


(All respondents - N=1203, single answer, share of total, %)

Exporters to the Western Balkans have cited the requirement for licences and permits (16%) and hardcopy documentation (15%) as major roadblocks, though the relevance of both has decreased dramatically since 2020 (Figure 118). This could be explained through the various attempts towards regional integration agendas, being discussed and promoted during 2021.

However, there are a few intraregional variances in terms of challenges. The need to provide hard copy documents or certificates and the need for licences or permits are major obstacles for Kosovo* with 56% and 54% respectively. These factors seem to be concerning for Bosnians (19%; 17%) and Serbians (12%; 17%) also. On a regional level, custom delays, the risk of unrealistic compliance rules and the variability in clearance time are the least restricting factors to export.

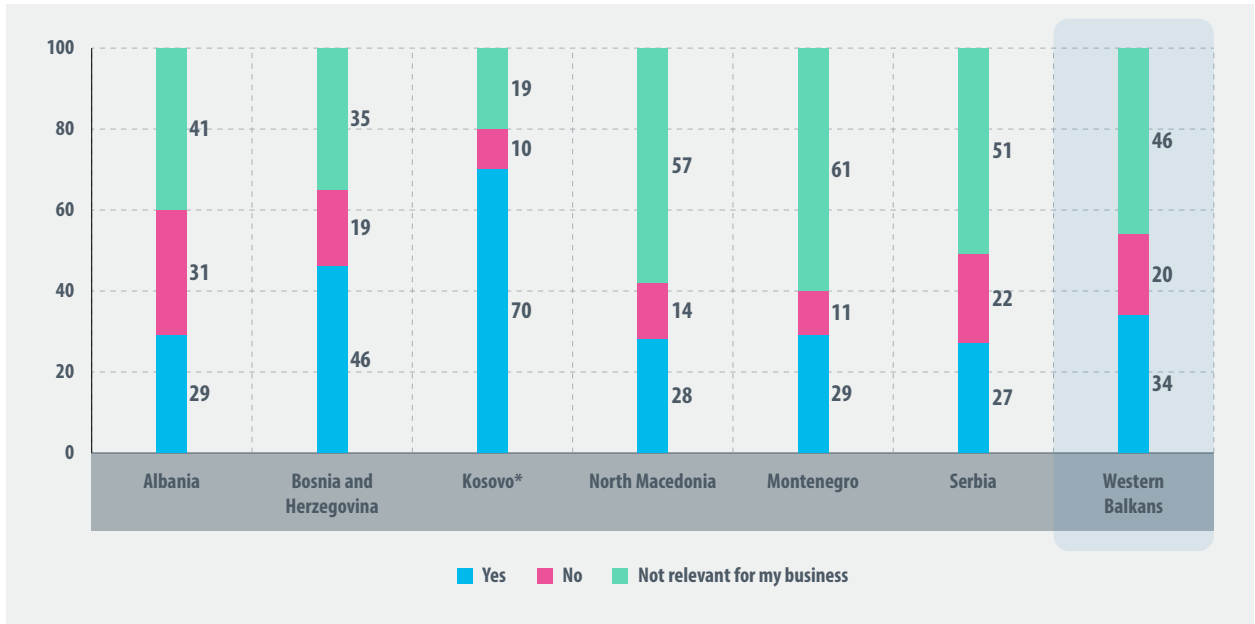
Figure 118: If your company exports to the Western Balkan region, what are the main obstacles to your exports?



(All respondents - N=1203, share of total, %)

Cross-border/boundary transaction costs are excessively high in Western Balkan economies, according to 34% of respondents (5% increase from 2020 as shown in Figure 119), with considerable variations between 27% in Serbia to 70% in Kosovo*. Cross-border/boundary transaction costs were not relevant to 46%, following the same trend as the last year, with the highest rate (61%) in Montenegro and the lowest in Kosovo* (19%).

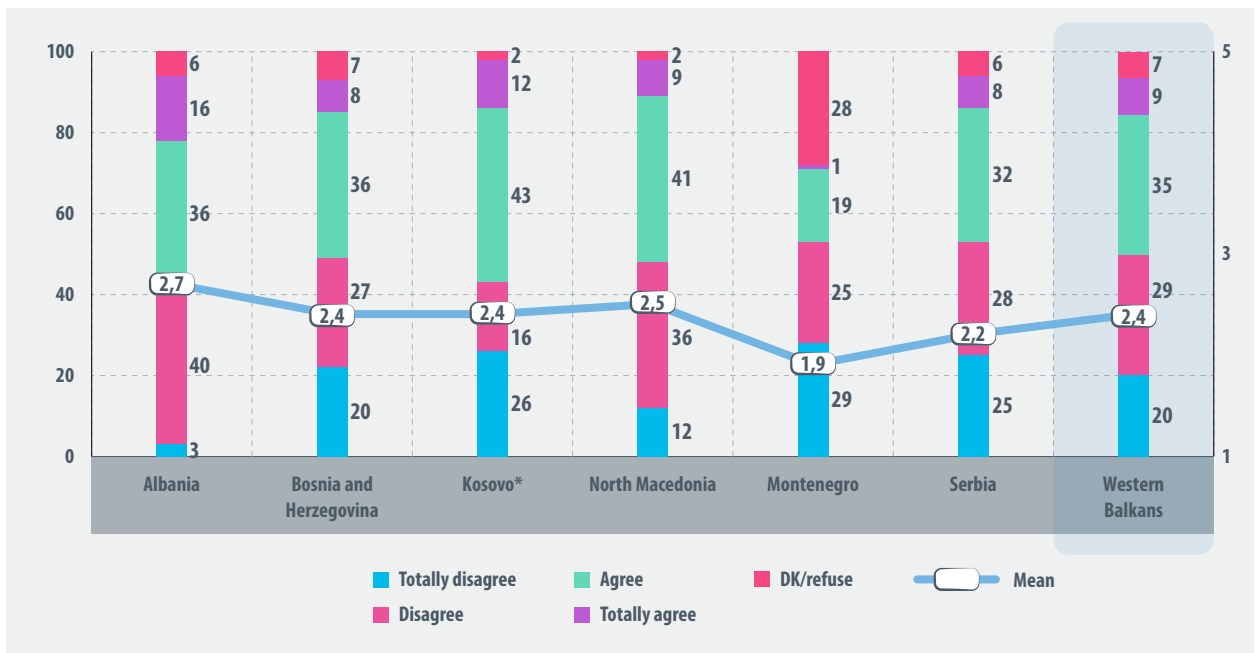
Figure 119: Do you think that cross-border/boundary transaction costs are too high among Western Balkan economies?



(All respondents - N=1203, share of total, %)

44% of respondents believe their own business is threatened by global competition, share that has come to increase significantly from 2019 (27%) and 2020 (40%). (Figure 120). Businesses in Kosovo* (55%) acknowledged being threatened by global competition, while this percentage was lowest in Montenegro (20%) despite Montenegro having the highest refusal rate of 28% on this issue.

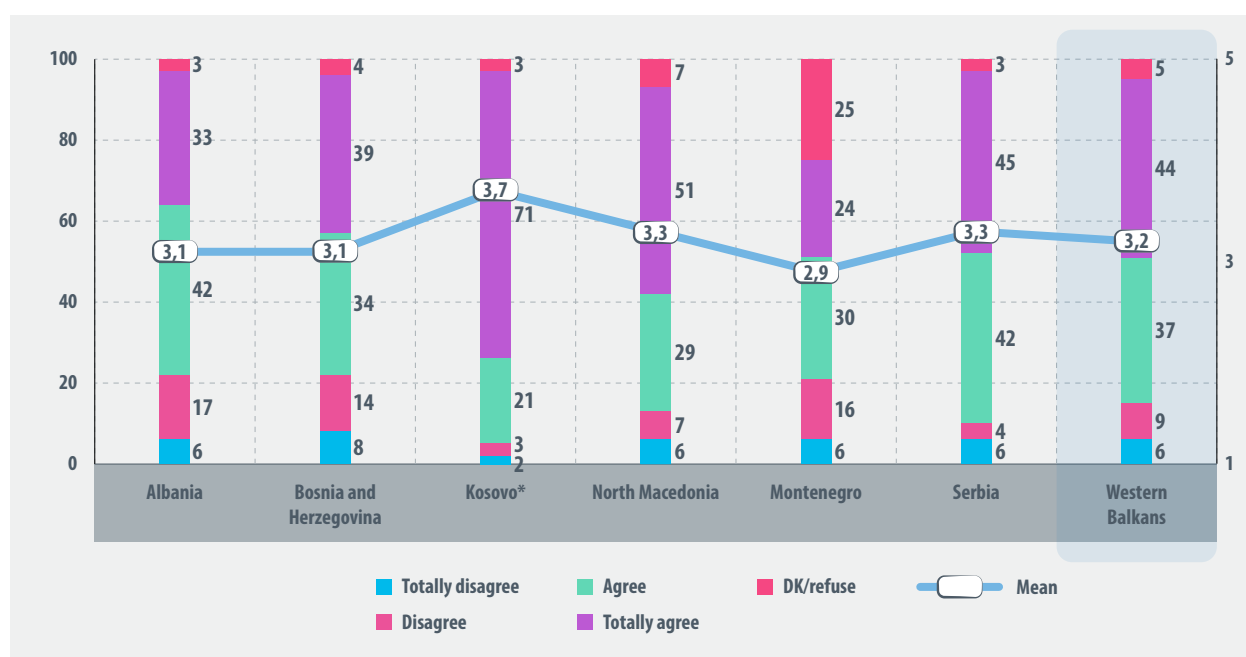
Figure 120: To what extent do you agree that your company is threatened by the global competition?



(All respondents - N=1203, single answer, scores on a scale from 1 to 4, where 1 means totally disagree and 4 means totally agree, share of total, %)

When it came to market rivalry in the Western Balkans (**Figure 121**), companies were way more optimistic. On average, 81% of respondents believed that their products, goods, and services can compete favourably with those from the Western Balkans. Kosovo* businesses had the most competitive spirit in the region, with 92% believing they could compete, followed by 87% in Serbia. Albania businesses, on the other hand, are less optimistic, with 23% disagreeing that their products and services could compete well in the regional market, followed by Bosnia and Herzegovina and Montenegro, both at 22%. The highest share of the respondents (25%) that refuse to answer the question, is also in Montenegro, similar as in the results of Figure 120.

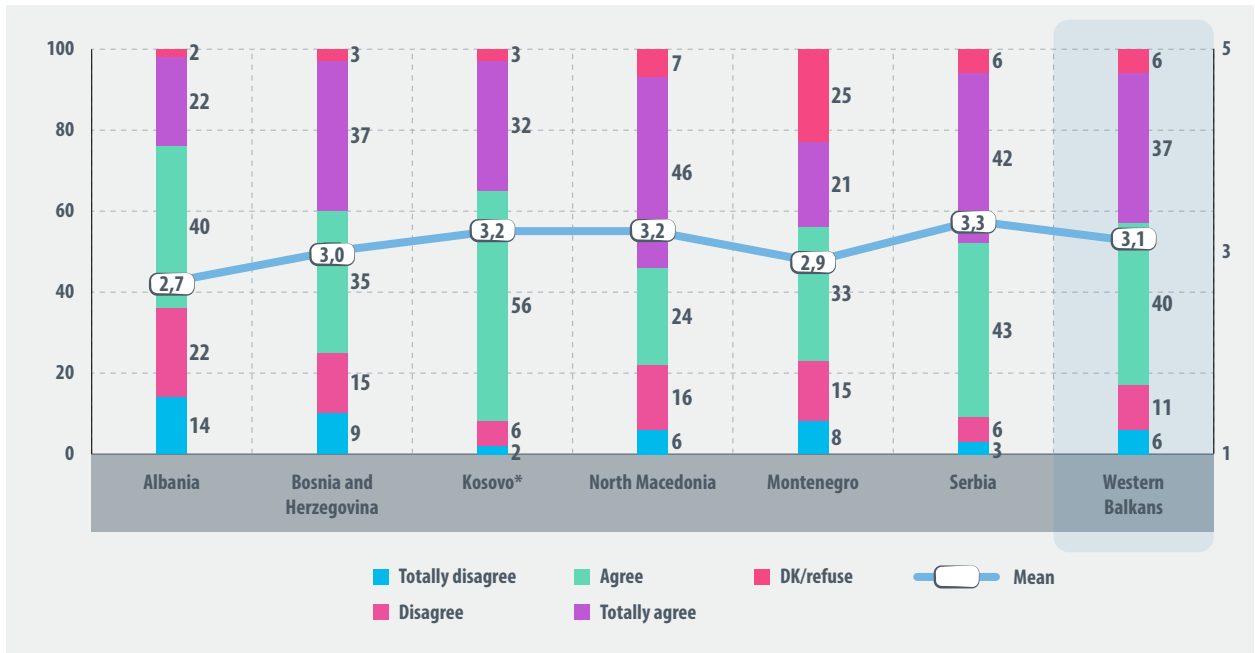
Figure 121: To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods and services from the Western Balkans?



(All respondents - N=1203, single answer, scores on a scale from 1 to 4, where 1 means totally disagree and 4 means totally agree, share of total, %)

Apparently, as per the results shown in Figure 122, there is more trust in each economy's own products and services on the EU market. In the region, 77% of respondents believed their products could compete successfully with those on the EU market, with Kosovo* (88%) having the greatest number and Montenegro having the lowest (54%). Albania had the lowest level of confidence in the 2022 report, with 36% of businesses expressing reservations about their ability to compete in the EU market.

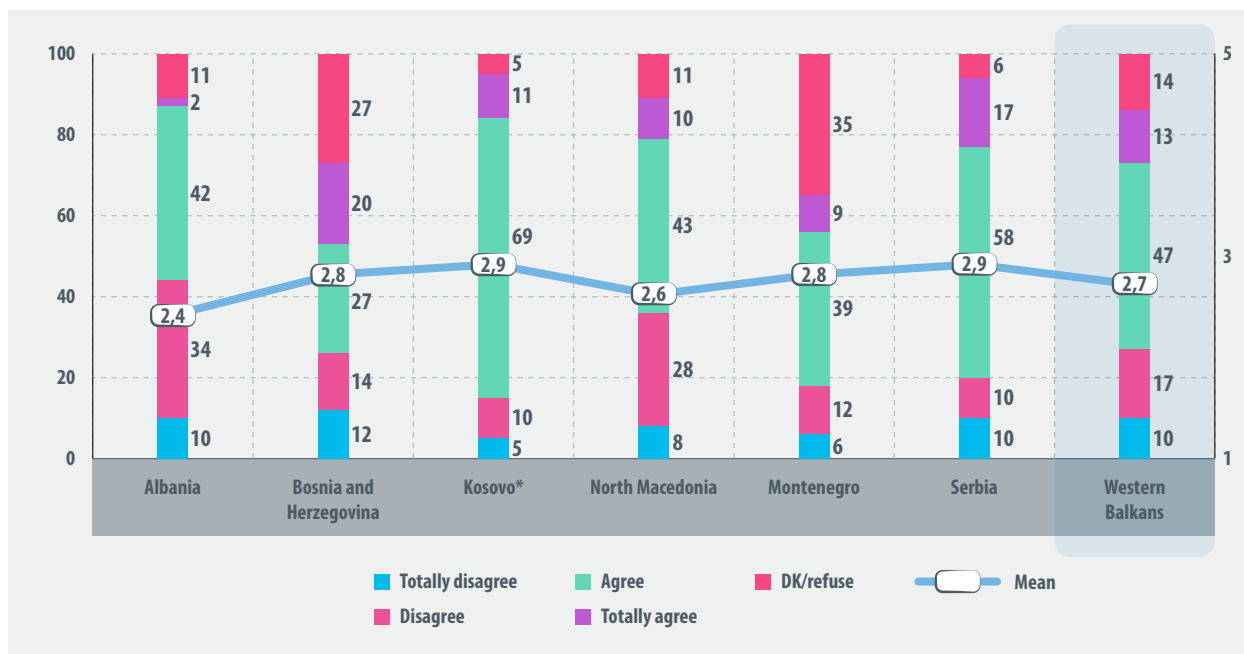
Figure 122: To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods and services from other EU countries?



(All respondents - N=1203, single answer, scores on a scale from 1 to 4, where 1 means totally disagree and 4 means totally agree, share of total, %)

CEFTA 2006 had a greater beneficial than negative impact on the region: According to Figure 123, 60% of respondents believed the regional free trade agreement benefited their company, a significantly higher share than in 2020 (38%). This might be explained also with the easement of pandemic-related constraints to trade. In 2021, the refusal rate has decreased to 14% (from 39% in 2020). The majority of Kosovo* respondents (80%) thought that CEFTA 2006 played a beneficial impact, followed by Serbians (75%). In North Macedonia, the public opinion toward CEFTA 2006 has changed, with 53% of respondents agreeing that it benefited their business (in 2020, 40% disagreed with the statement).

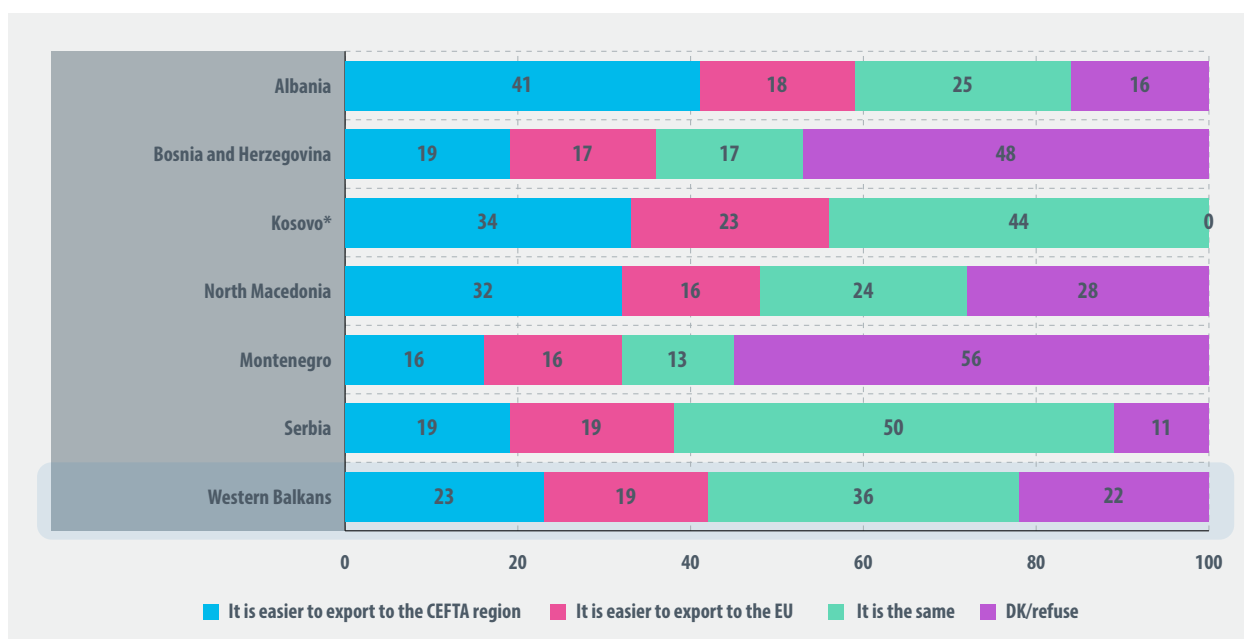
Figure 123: To what extent do you agree with the following statements - “My company has benefited from the regional free trade agreement (CEFTA 2006)”?



(Respondents who confirm exporting and importing from abroad - N=666, single answer, scores on scale from 1 to 4, where 1 means totally disagree and 4 means totally agree, share of total, %)

Exporters seem slightly more positive on whether it is easier to export to CEFTA 2006 rather than the EU (Figure 124). Exporting to CEFTA 2006 parties was easier for 23% of respondents, but still 36% percent said it was the same for CEFTA 2006 and the EU. Still, not everyone in the region agrees: Albanians, Kosovars, and Macedonians found it easier to export to CEFTA 2006 than to the EU, while Serbians were split between the two trading blocs (19% each). The high percentage of refusal in Montenegro and Bosnia and Herzegovina prevents valid conclusions from being drawn.

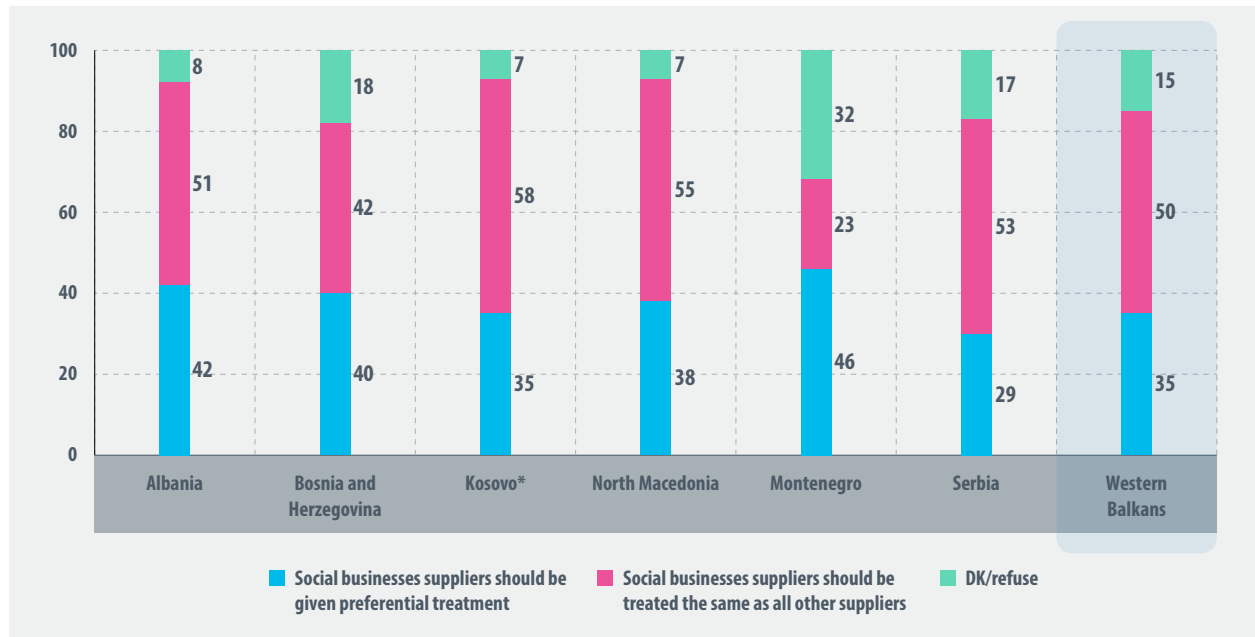
Figure 124: If your company is an exporter, can you tell us whether it is easier to export to the CEFTA region, or to the EU?



(Respondents whose companies are exporters, N=333, single answer, share of total, %)

As suggested in Figure 125, when it comes to social businesses, the average opinion on the Western Balkans is that they should be given equal treatment, more frequently than preferential treatment over the other enterprises. Such an opinion is particularly sharpened in Kosovo* (58%), North Macedonia (55%) and Serbia (53%). Montenegro remains the only economy where the opinion leans towards social businesses, but like in 2020, the county also has the highest share of refusal (32%).

Figure 125: In your opinion, when procuring products and services, should the governments in the region give preferential treatment to suppliers which are social businesses, or should they be treated the same as all other suppliers (provided price and quality are equal)

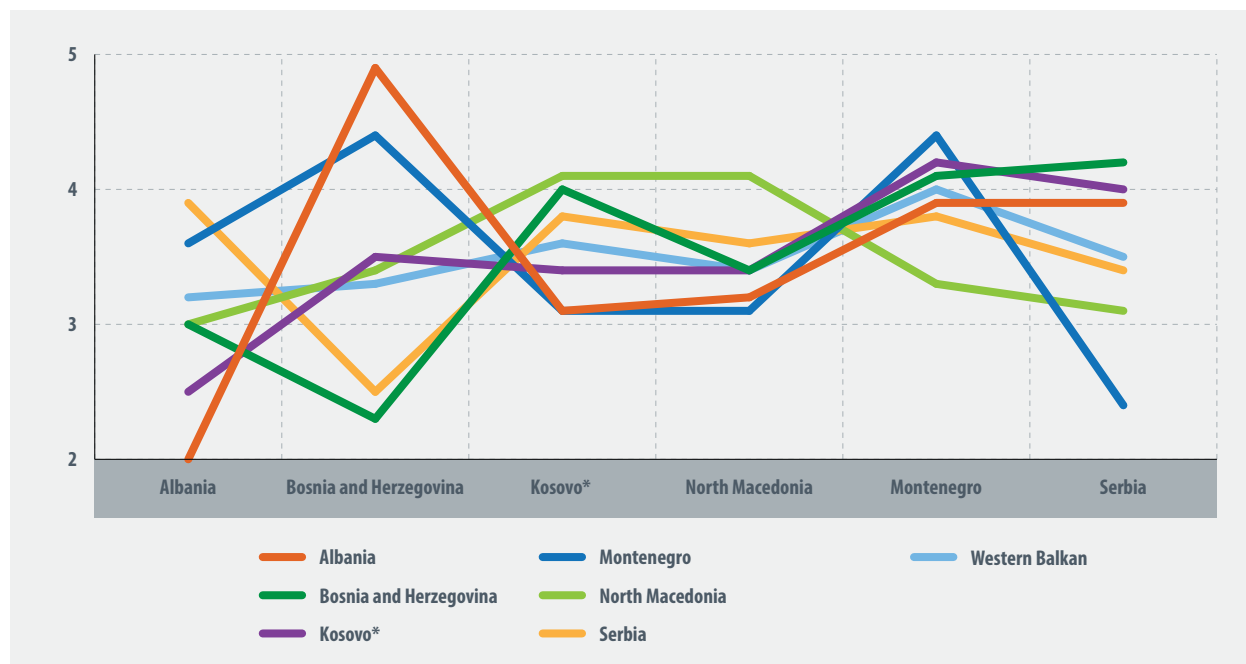


(All respondents - N=1203, share of total, %)

According to Figure 126 and Table 4, although with modest differences, Albanian market is considered to be the most open market in the region (3.2), while Montenegrin market is the least open one (4.0). Albanian businesses consider Serbian, Montenegrin and Bosnia and Herzegovina markets to be the least open in the region. Businesses in North Macedonia think the same for Montenegrin and Bosnian markets (4.4 respectively) but the opposite for Serbian ones (2.4). These conclusions must be approached with caution because the patterns just described may be also a reflection of the intra-regional political considerations, and a reflection of political relations, ethnic divides, etc.

Figure 126: In your opinion, which market in the WB region is the most open one? Please give us your opinion no matter if you/your company had direct experience with it.

Rank these 6 markets from 1 (most open) to 6 (least open).



(Respondents who can rank, N=336, mean)

Table 4: According to your opinion, which market in the WB region is the most open one? Please give us your opinion no matter if you/your company had direct experience with it.

Rank these 6 markets from 1 (most open) to 6 (least open).

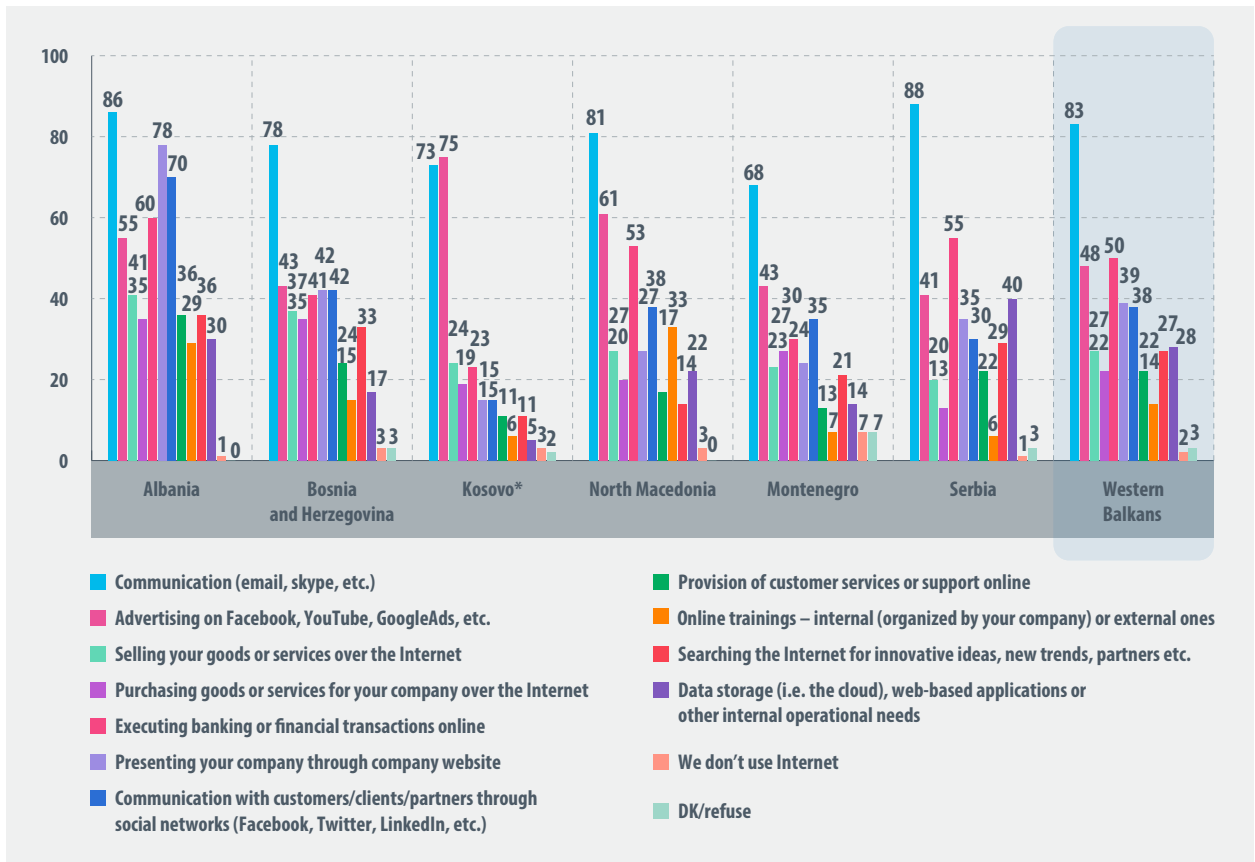
		Albania	Bosnia and Herzegovina	Kosovo*	North Macedonia	Montenegro	Serbia	Western Balkans
Market	Albania	2	3	2.5	3.6	3	3.9	3.2
	Bosnia and Herzegovina	4.9	2.3	3.5	4.4	3.4	2.5	3.3
	Kosovo*	3.1	4	3.4	3.1	4.1	3.8	3.6
	North Macedonia	3.2	3.4	3.4	3.1	4.1	3.6	3.4
	Montenegro	3.9	4.1	4.2	4.4	3.3	3.8	4
	Serbia	3.9	4.2	4	2.4	3.1	3.4	3.5

(Respondents who can rank, N=336, mean)

INNOVATION AND TECHNOLOGY

According to Figure 127, the businesses around the region require intensive use of the internet. 83% of enterprises said they used the internet for routine communication, which is similar to its use across all Western Balkan economies except for Kosovo*. Executing banking or financial transactions online is ranked second, while advertising on social media sites is third.

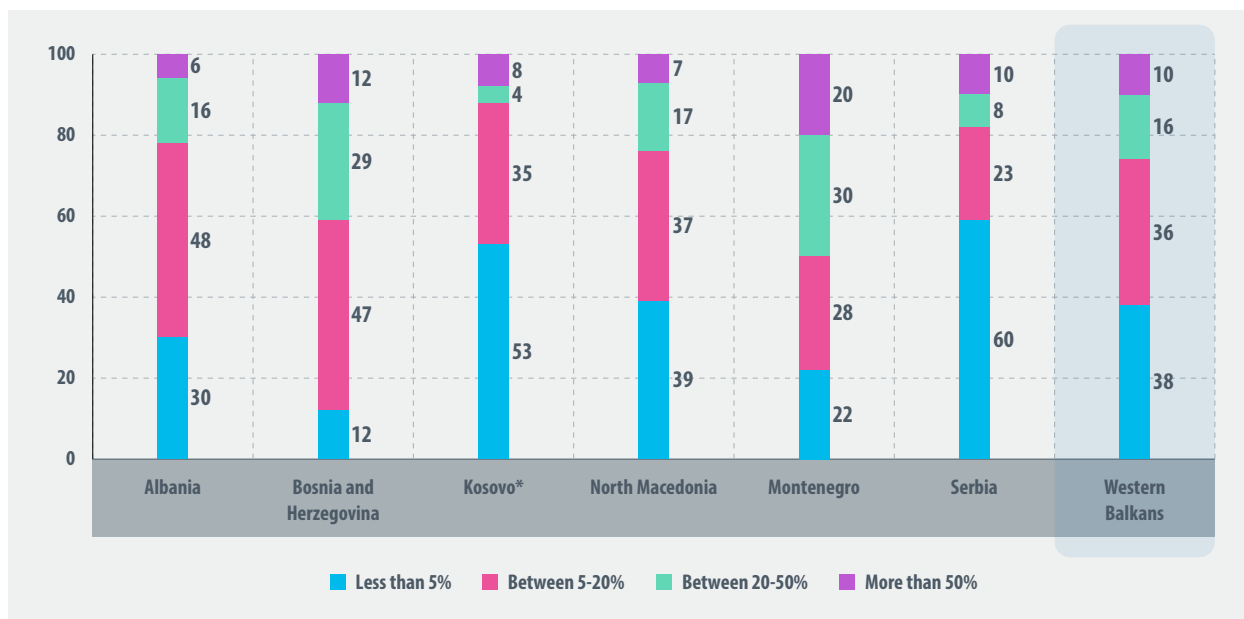
Figure 127: Does your company use the Internet for...?



(All respondents - N=1203, multiple answers, %)

Despite widespread internet use, online sales account for only a small portion of regional business sales (Figure 128). In comparison to a year earlier, 38% of respondents claimed sales of less than 5% were generated online, which is a significant fall (from 57 %). The easement of the pandemic and the reopening of physical retail shops may have discouraged online sales and a return to traditional modalities. Serbia and Kosovo* have the highest percentages (60% and 53%, respectively), while Bosnia and Herzegovina has the lowest (12%). Bosnian businesses reported that 5-20% of their sales were made online (47%).

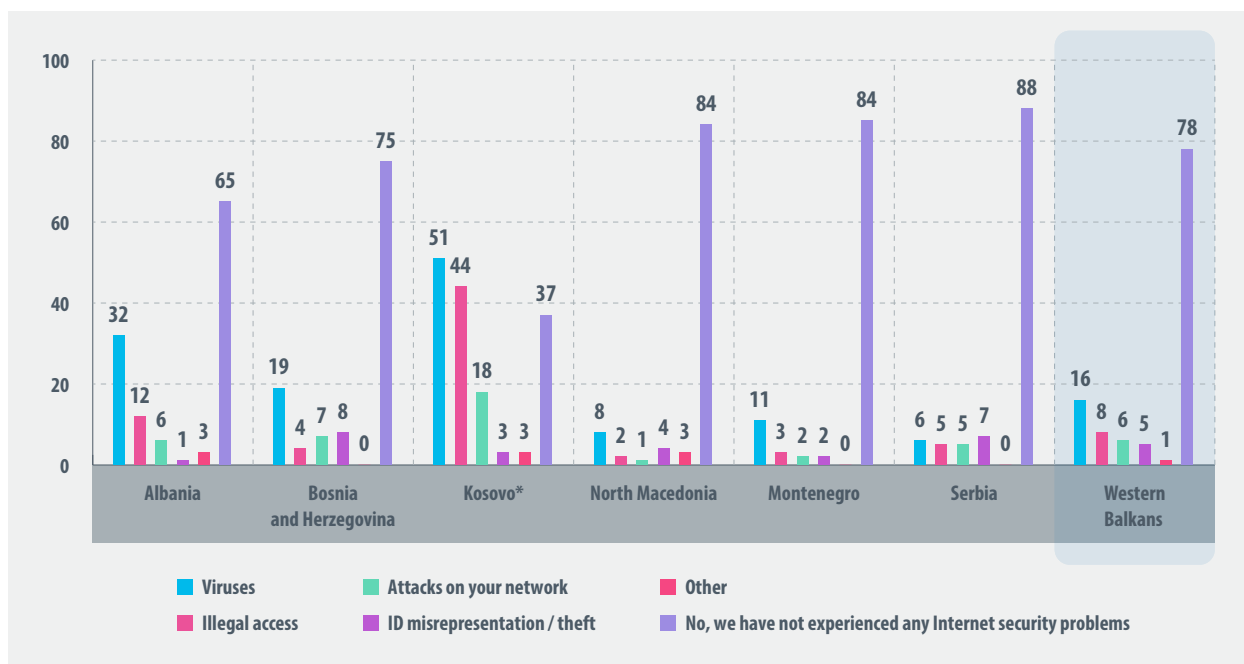
Figure 128: What percentage of your total sales is currently generated through online sales?



(Respondents who sell their goods or services over the Internet - N=345, single answer, share of total, %)

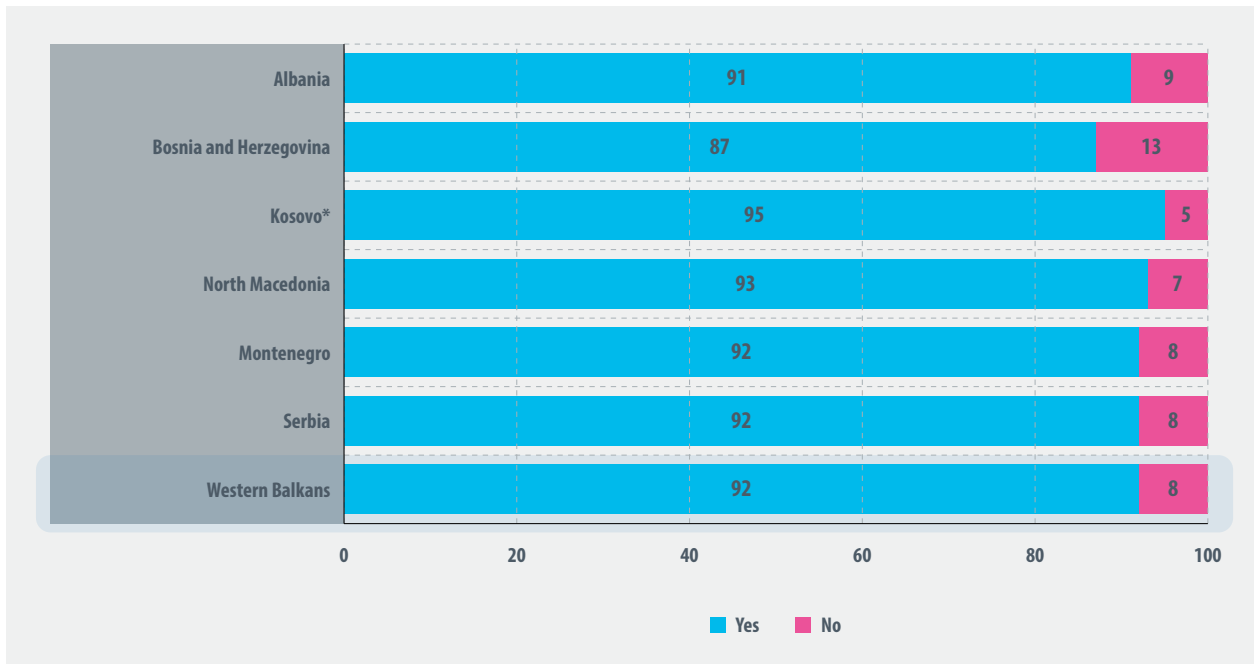
Figure 129 reveals that 78% of the Western Balkan companies have not experienced any Internet security problems, except for Kosovo* where this share is the lowest (37%). Viruses were the most common issue that businesses had with internet usage, according to 16% percent of them. Although other issues, such as illegal access and network attacks have gained importance in Kosovo*, this is the most widespread concern across the region. 92% of respondents were happy with their internet connection, with a slight increase from 82% in 2020. (Figure 130). Kosovo* respondents are the happiest (95%), while Bosnians are the least happy (87%).

Figure 129: In the last six months, have you experienced any of the following Internet security problems?



(Respondents whose companies are using the Internet - N=1135, multiple answers, %)

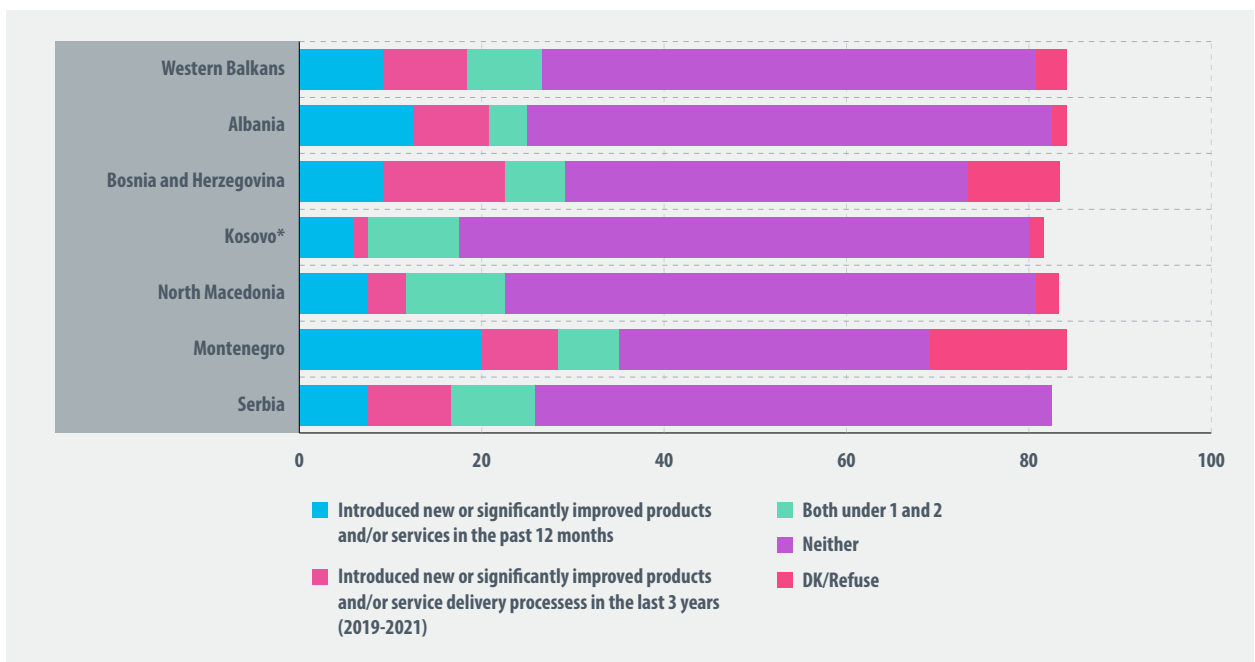
Figure 130: Are you satisfied with your Internet connection?



(Respondents whose companies are using the Internet - N=1135, single answer, share of total, %)

Only 11% of Western Balkan enterprises developed a new or considerably upgraded product/service in the previous 12 months in 2021. In the last three years, an additional 11% of enterprises have done so as well. However, the percentage of those that presented a new product in the two-time frames is 10 percent, indicating that innovation activity is still at the same level as a year earlier. There is some variation across the region, with Bosnia and Herzegovina leading the way with 16% of respondents saying they innovated in the last three years, while Kosovo* lags behind with only 2%.

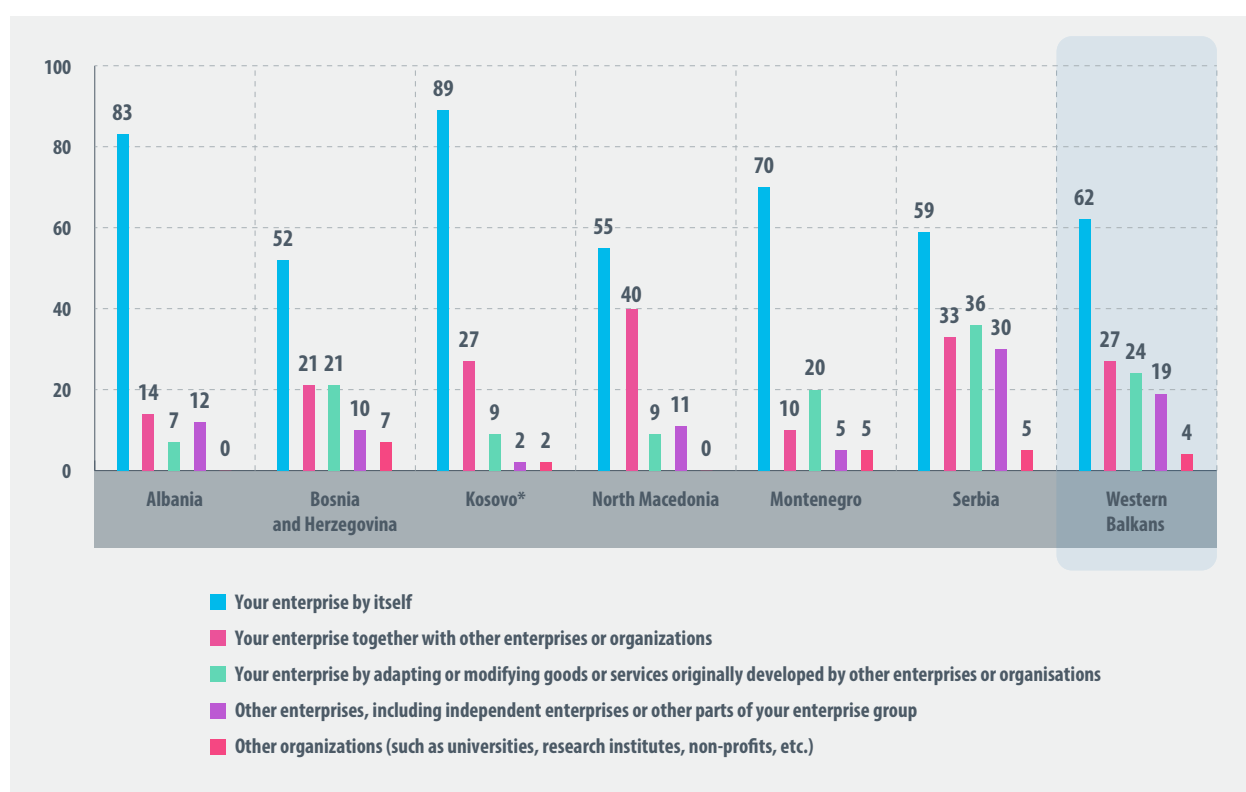
Figure 131: Have you introduced new or significantly improved products?



(All respondents – N=1203, single answer, share of total, %)

The majority of these product improvements were generated by businesses themselves, with 62% (Figure 132). However, some techniques to generating innovation have gained significance this year: for example, co-innovation with other enterprises was recorded in 27% of situations and 24% indicated they innovated by adapting procedures created elsewhere. Within the region, enterprises in Kosovo* were the most reliant on product innovation (89%), followed by Albania (83%), Montenegro (70%). Serbia, Bosnia and Herzegovina and North Macedonia are significantly different. Around 52% of Bosnian businesses put efforts into innovation on their own, while equal efforts are put into adapting or modifying other companies' work (21%) and co-innovation with other businesses (21%).

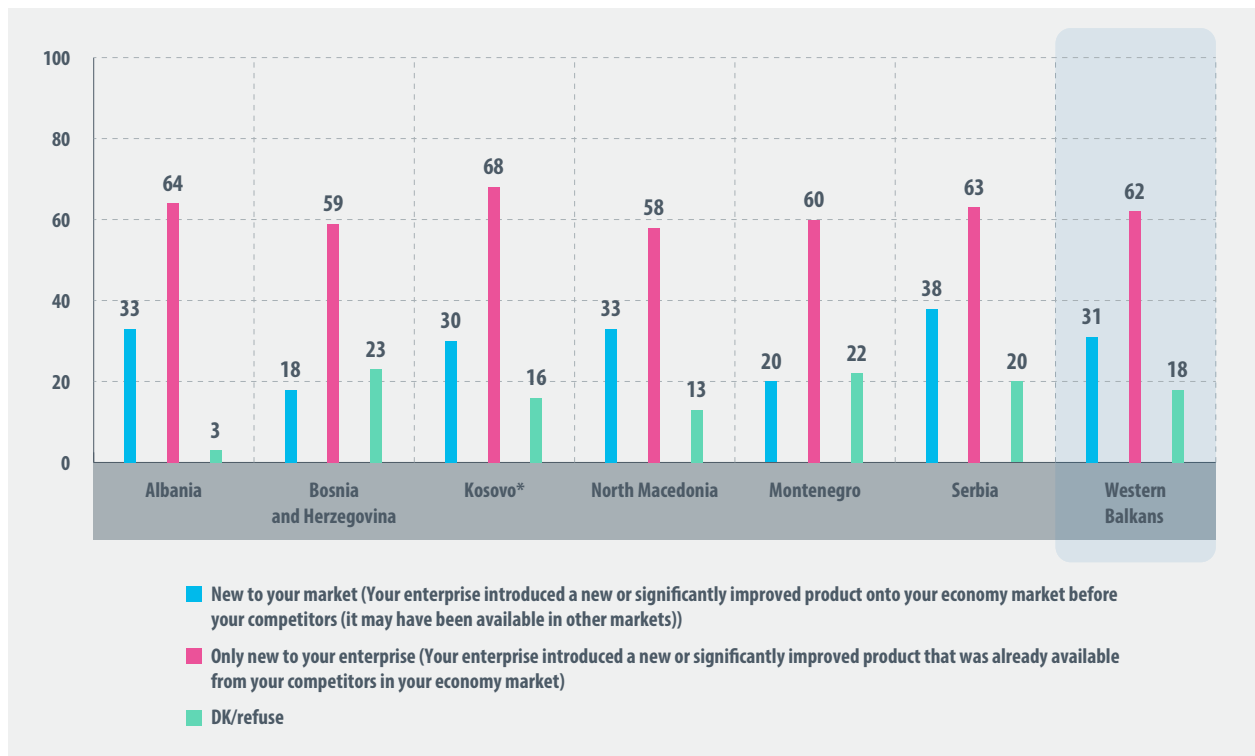
Figure 132: Who developed these product innovations?



(Respondents who introduced new or significantly improved products and/or services - N=374, multiple answers, %)

Although the share of pure innovation decreased slightly to 31% from 35% a year ago, most of the product innovations (62%) were only new to the company (therefore the product was already on the market by competitors) (Figure 133). In Serbia, pure innovation leads the charts with 38%, similar in Albania and North Macedonia with 33% each. The other three economies are still falling behind in terms of innovation, with internal innovations still being the norm.

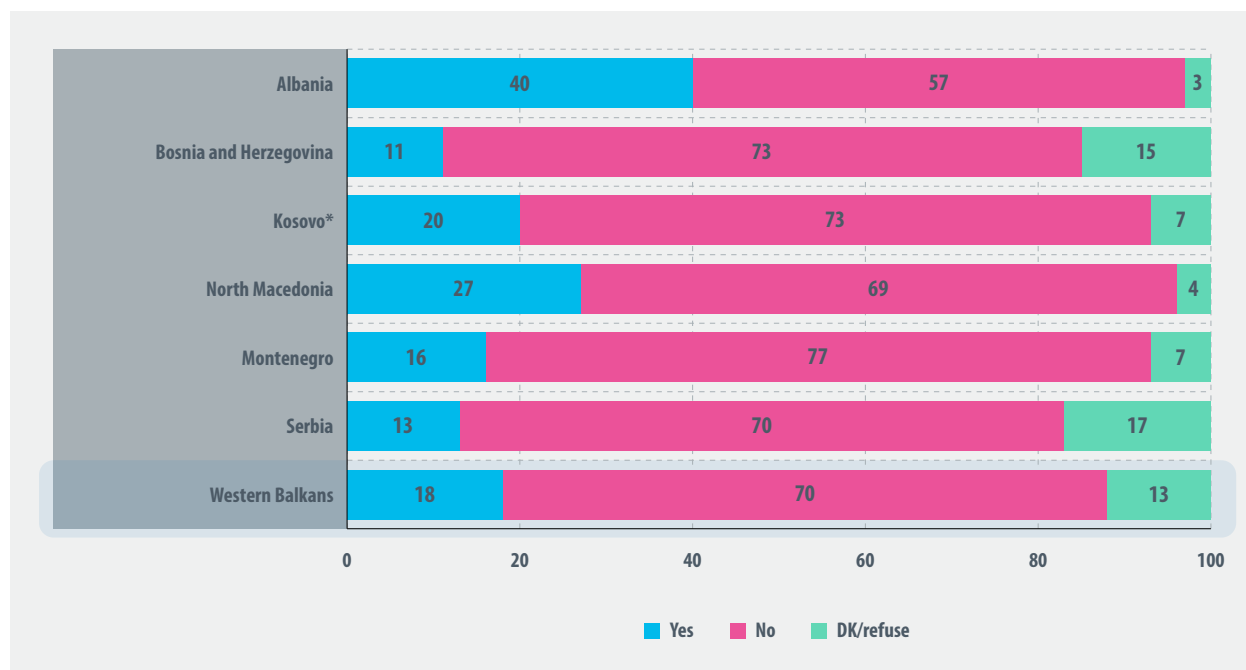
Figure 133: Were any of your product innovations (goods or services)...



(Respondents who introduced new or significantly improved products and/or services - N=374, multiple answers, %)

About 18% of the products developed were first in their own economy (Figure 134), down from 35% in 2020, indicating decreasing innovation across each of the economies. Albania is the leader in this regard, accounting for 40% of all products in the economy, followed by North Macedonia with 27%. In Europe (Figure 135), 3% of the products were first, while on a world level this share was 2% (Figure 136). Both percentages lowered significantly from the previous year (13% each). North Macedonia is the clear leader of new items reported in Europe (5%) but none on a world level. Kosovo* holds the lowest level of innovative activity in both Europe and the world.

Figure 134: To the best of your knowledge, were any of your product innovations during the three years (2019 – 2021) - A first in your economy?



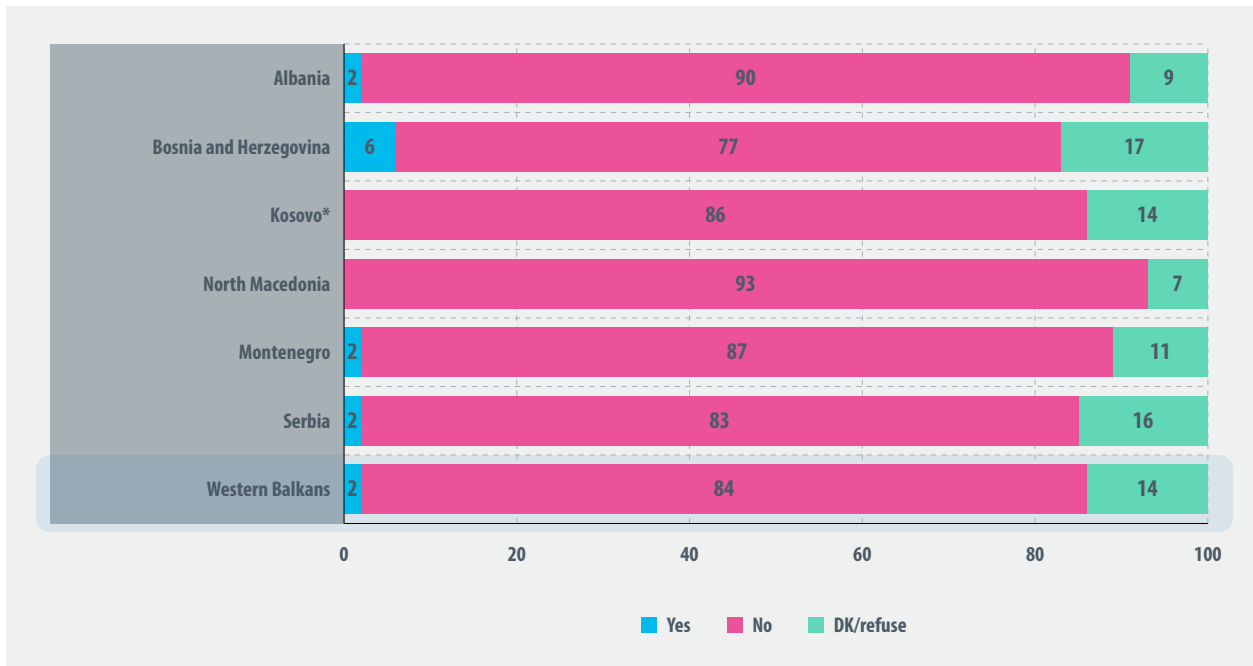
(Respondents who introduced new or significantly improved products and/or services - N=374, single answer, share of total, %)

Figure 135: To the best of your knowledge, were any of your product innovations during the three years 2019 to 2021 – A first in Europe



(Respondents who introduced new or significantly improved products and/or services - N= 374, single answer, share of total)

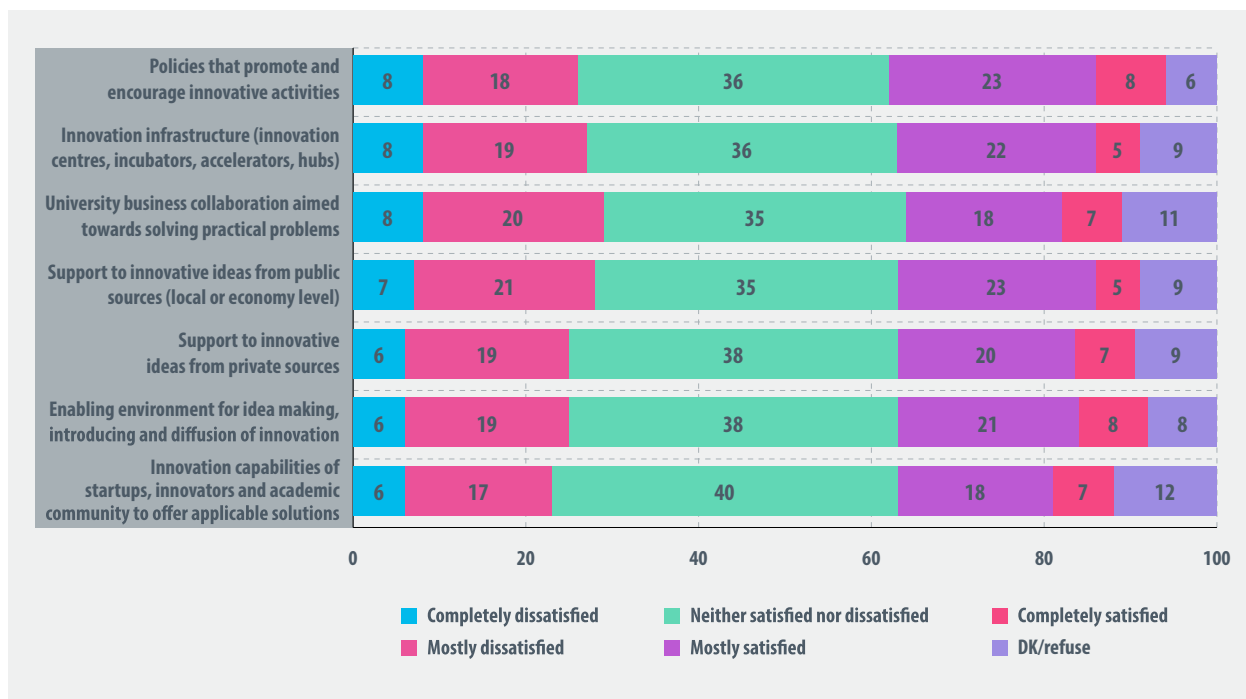
Figure 136: To the best of your knowledge, were any of your product innovations during the three years 2019 to 2021 – A world first



(Respondents who introduced new or significantly improved products and/or services - N=374, single answer, share of total, %)

Businesspeople were asked to rate seven aspects of their economies' innovation policies on a scale of complete satisfaction to complete dissatisfaction, including policies that promote innovation, innovation infrastructure, university-business collaboration, public services that support innovation, and so on (Figure 137). The prevailing opinion is that firms in the Western Balkans are happier with the innovation-supporting environment than in 2020. However, the majority of respondents (ranging from 35-40%) were neutral on all factors.

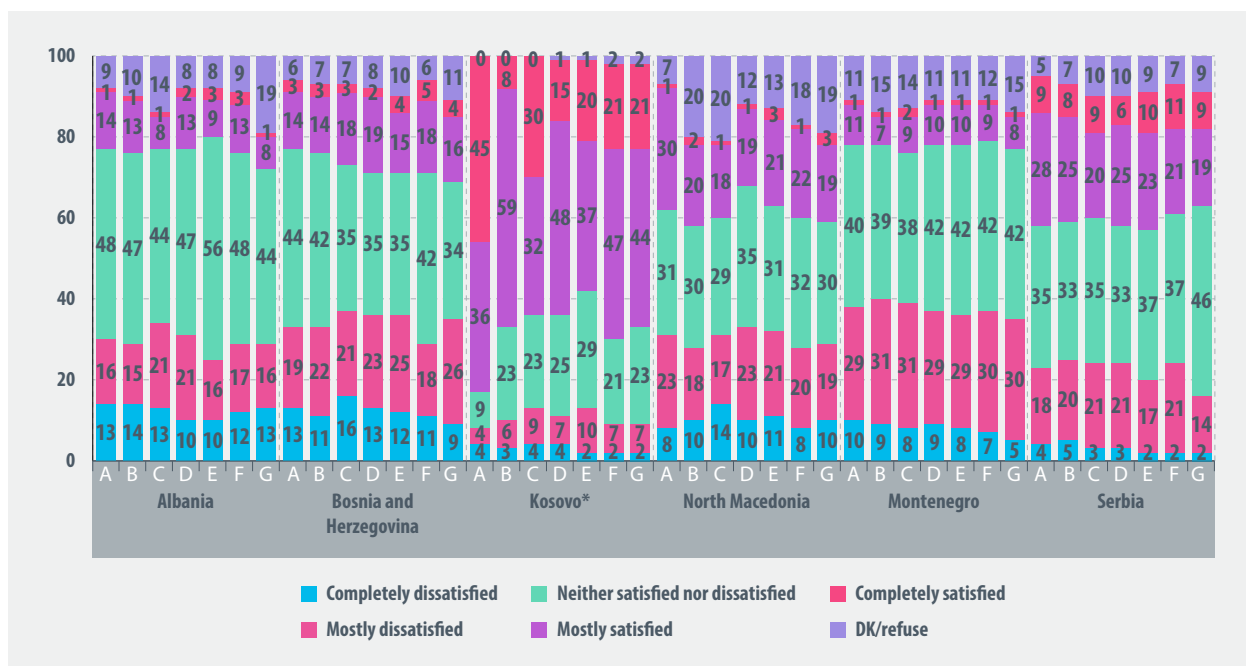
Figure 137: Could you please tell me how satisfied are you with each of the following in your economy:



(All respondents, N=1203, single answer, scores on a scale from 1 to 5, where 1 means completely dissatisfied and 5 means completely satisfied, share of total, %)

Figure 138: 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 startups, innovators and academic community to offer applicable solutions

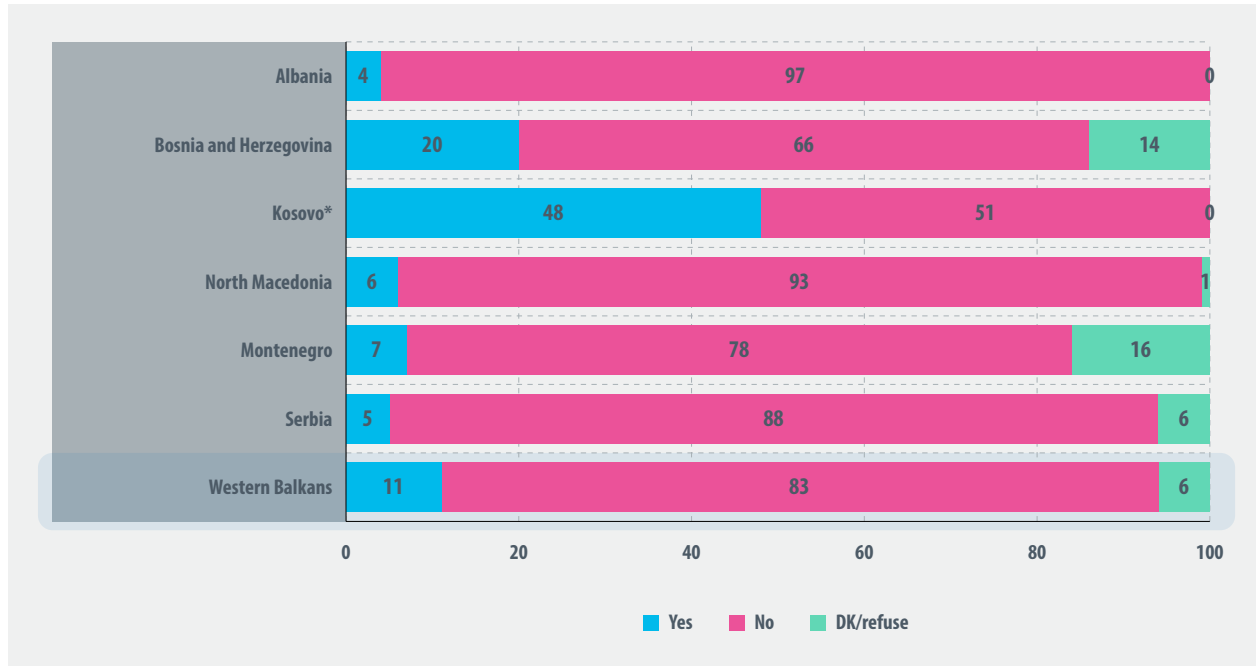


(All respondents, N=1203, single answer, scores on a scale from 1 to 5, where 1 means completely dissatisfied and 5 means completely satisfied, share of total, %)

In the last three years, 11% of businesses received assistance from local or regional governments, 12% from the central government, and 6% from the EU or other donors (Figure 139 through Figure 141). There are no significant variations in the economies of the Western Balkans in this regard, while support in Kosovo* has been much higher than in other economies.

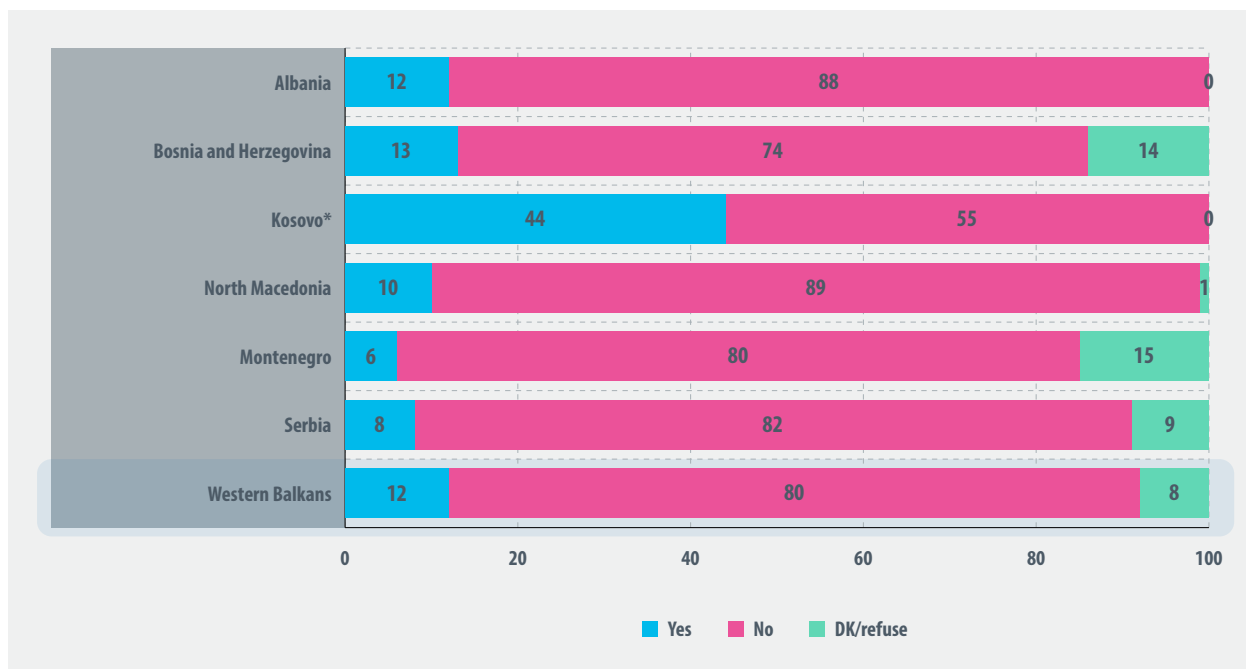
Figure 139: During the past three years (2019 to 2021), did your enterprise receive any public and/or donor's financial support for innovation activities from the following levels of government? Local or regional authorities.

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=1203, single answer, share of total, %)

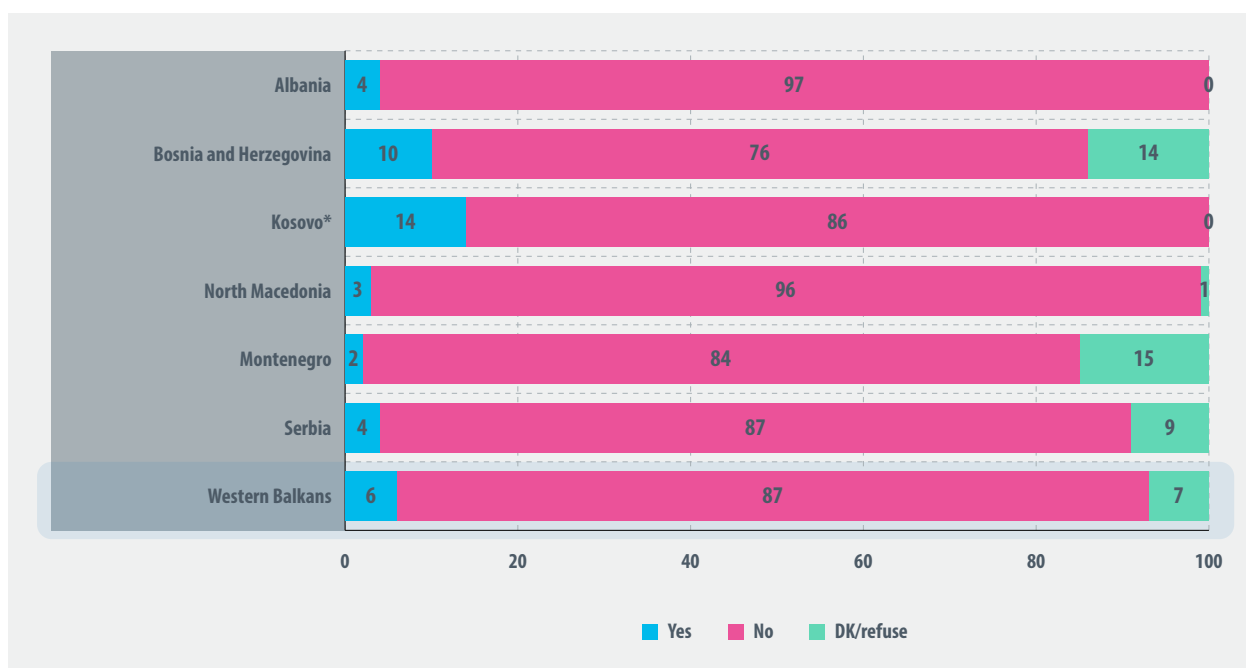
Figure 140: During the past three years (2019 to 2021), did your enterprise receive any public and/or donor's financial support for innovation activities from the following levels of government? - Central government (including central government agencies or ministries)



(All respondents - N=1203, %)

Figure 141: During the past three years (2019 to 2021), did your enterprise receive any public and/or donor's financial support for innovation activities from the following levels of government? - The European Union (EU) or other donors.

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.



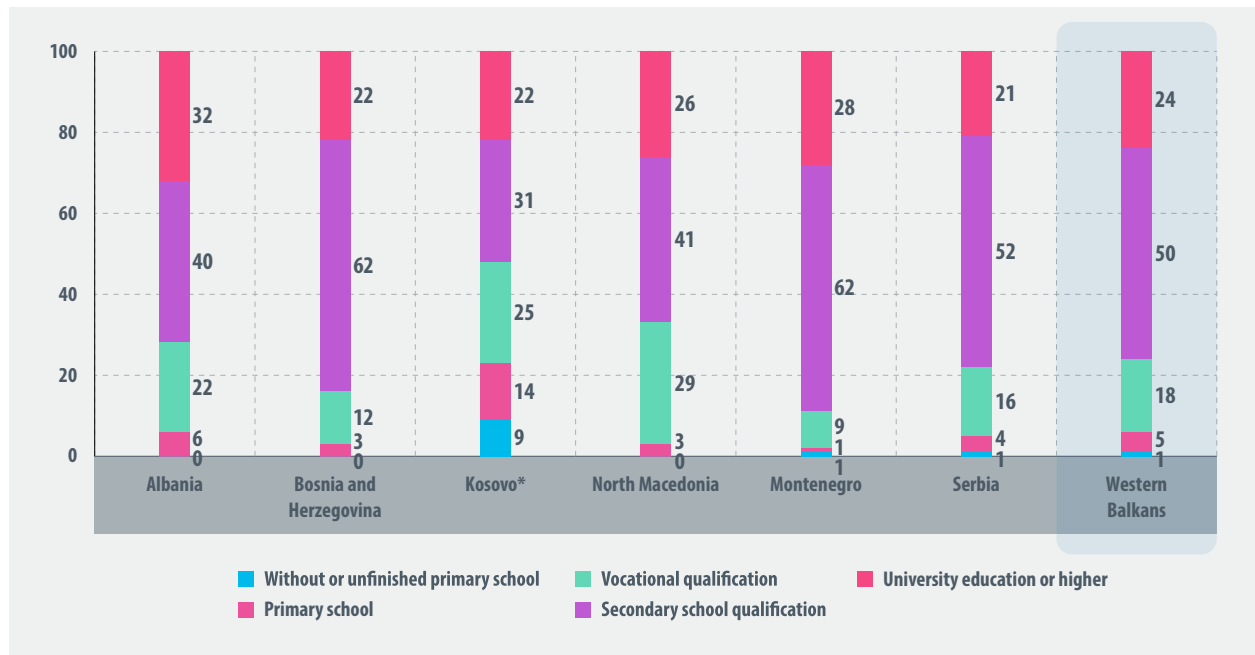
(All respondents - N=1203, %)

HUMAN CAPITAL

Finding an applicant with the required set of skills is a considerable challenge for employers in the Western Balkans. Namely, more than a quarter of companies in the region have reported struggling to fill vacancies, with the most commonly cited reason being the lack of necessary skills by prospective applicants. With this issue likely to become increasingly important in the near future, policymakers must invest considerable effort in increasing the size of the labour pool through activation, training, and education of both the inactive and the unemployed. With women more frequently inactive due to various reasons, including social stereotypes and marginalised positions in Western Balkan societies, special tailored programmes should be designed and deployed to ensure their inclusion into the labour pool.

In the Western Balkans, the majority of employed people have completed secondary school (50%) (Figure 142). The percentage of respondents with a university education is also significant, at 24%, albeit it is not particularly high among Western Balkan enterprises. Although the region eliminated full illiteracy among the working population, the number of individuals employed with only an elementary education remains high. Montenegro and Bosnia and Herzegovina have the largest pool of workers with secondary education (62%), whereas Albania has the highest educated working population (32% of those employed have finished university education or higher). It's worth mentioning that the proportion of employees with vocational qualifications (18%) is significantly less than that of individuals with secondary general education (50%).

Figure 142: What percentage of the workforce at your firm has the following education levels?



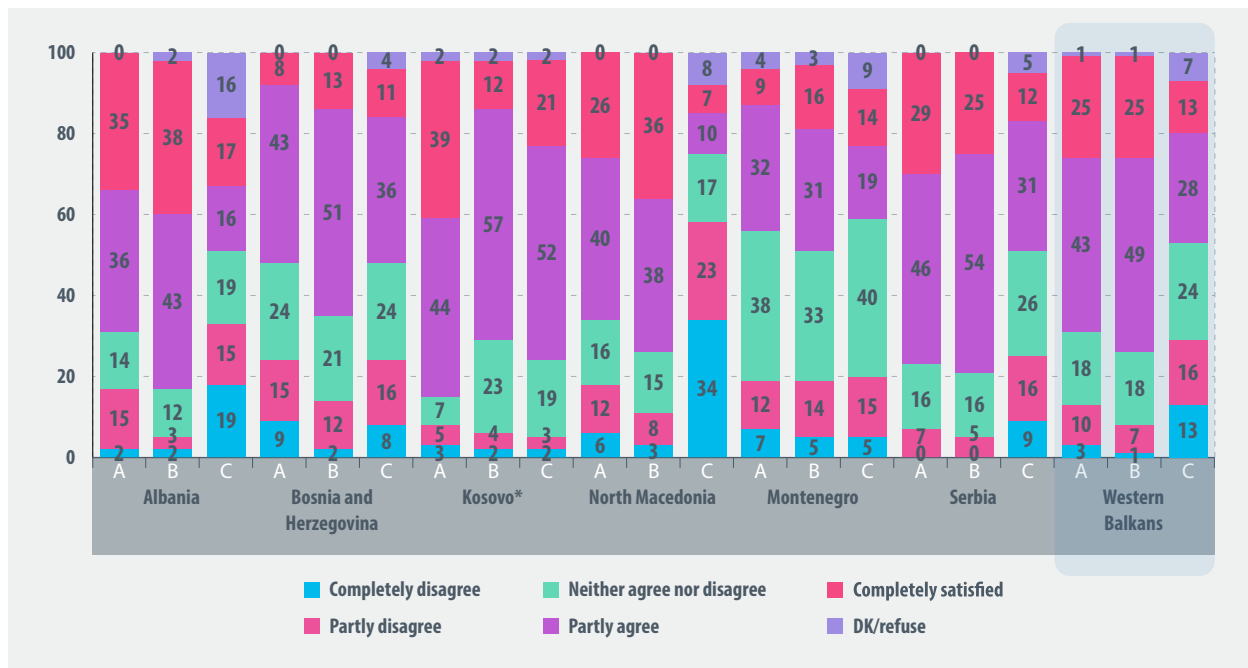
(All respondents - N=1203, mean)

When asked about the following statements, businesspeople had an optimistic opinion generally (Figure 143). On average, they agreed (68%) that skills match demand across the entire region

with an increasing share from the previous year (55% in 2020). Businesspeople in Kosovo* are most likely to hire someone based on their educational profile (69%), whereas this is least true in Montenegro, where 19% would not hire without any work experience. In addition, in Montenegro, a large part of respondents expressed a neutral position on this point (33%), followed by Kosovo* (23%). Albania (17%), North Macedonia (18%) and Montenegro (19%) had the most reservations about the appropriateness of generated skills taught in the educational system.

Figure 143: Would you agree with the following statements?

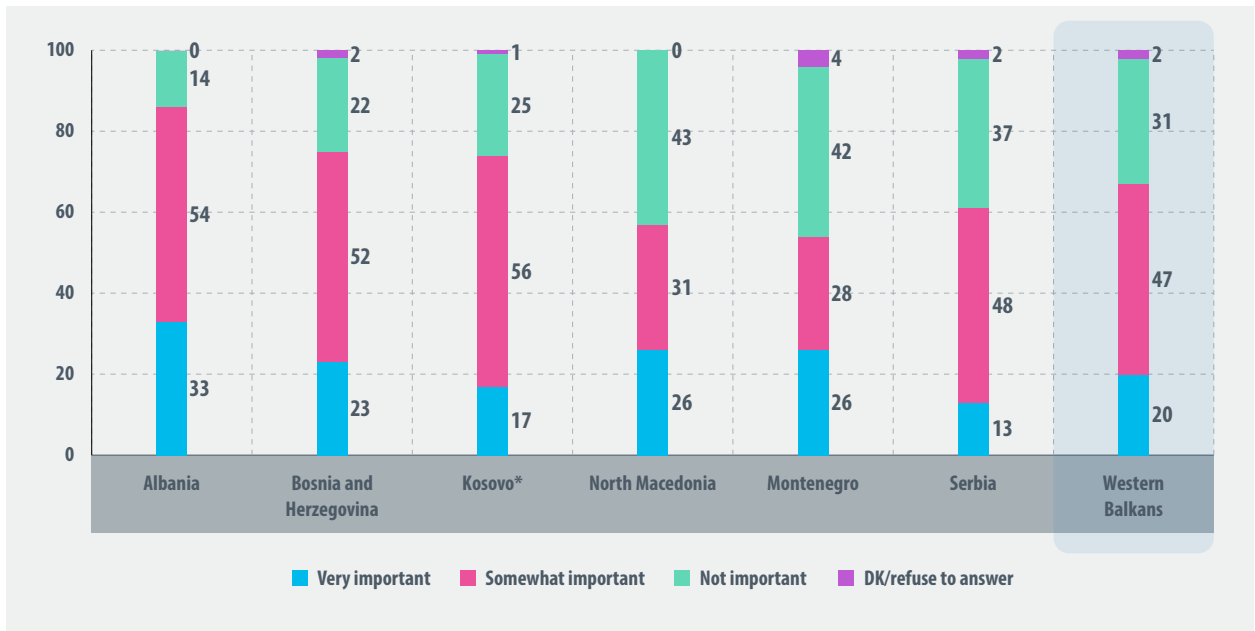
A) The skills taught in the educational system meet the needs of your company; B) I am likely to hire a young person without any work experience whose educational profile completely meets the needs of my business; C) I plan to introduce a paid internship or apprenticeship programme to young people in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



(All respondents - N=1203, single answer, scores on a scale from 1 to 5, where 1 means completely disagree and 5 means completely agree, share of total, %)

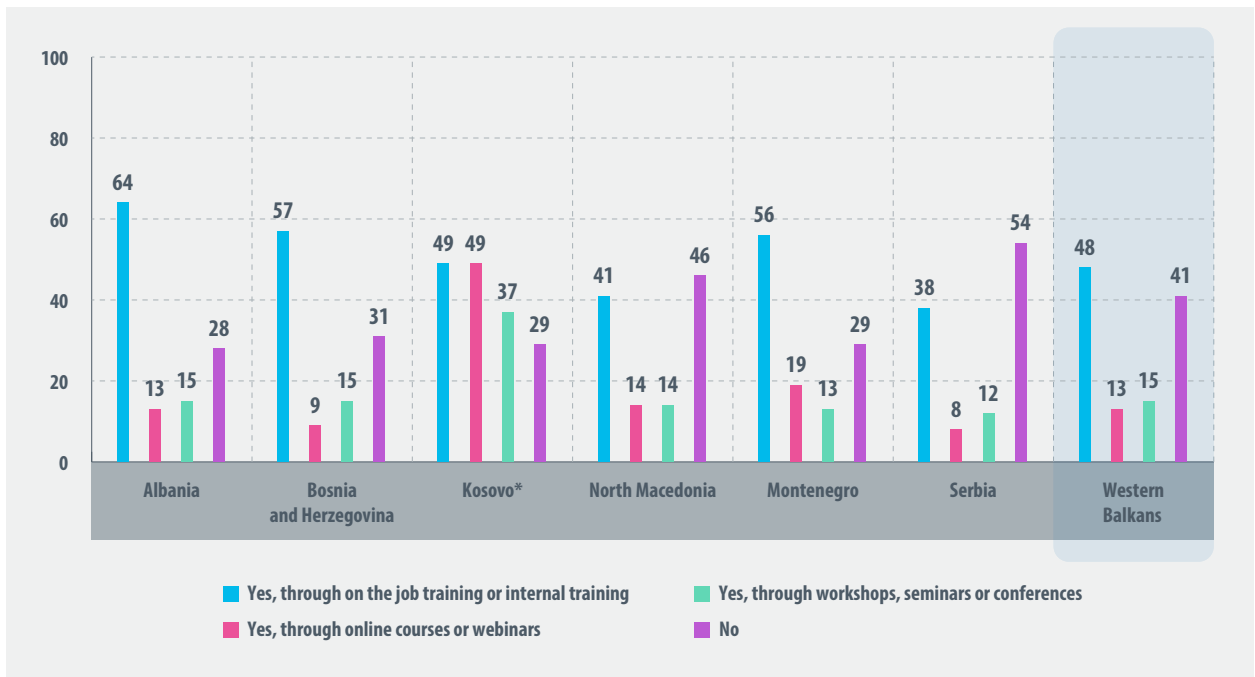
Companies in the Western Balkans continue to value digital skills (Figure 144). They are very important or moderately important for 67% of respondents, showing a slight decrease from the 2021 edition. This might be due to an over-reaction to the pandemic, with businesses considering digitalisation as a must, and later finding out that some aspect of their activity would go back to the pre-pandemic situation. The same level of respect for digital abilities can be seen throughout the area, while Albanians place the most value on it (33% of respondents rated digital skills as very important), while North Macedonia (43%) followed by Montenegro (42%) have the most reservations towards digital skills. Despite the fact that a solid 67% of respondents agreed that digital skills are somewhat or extremely important for their business, 41% had not taken steps to improve their employees' skills (Figure 145). It was mostly on-the-job/internal training for individuals who participated in such activities (48% of all respondents, doubled from 23% a year ago). The majority of Kosovo* respondents engaged in digital skills through internal training (49%) as well as online courses (49%) and workshops (37%). In the other Western Balkan economies, attitudes toward investing in digital skills were less favourable (46% of Macedonians admitted to not have taken any course to improve their digital skills).

Figure 144: How important are digital skills for your company?



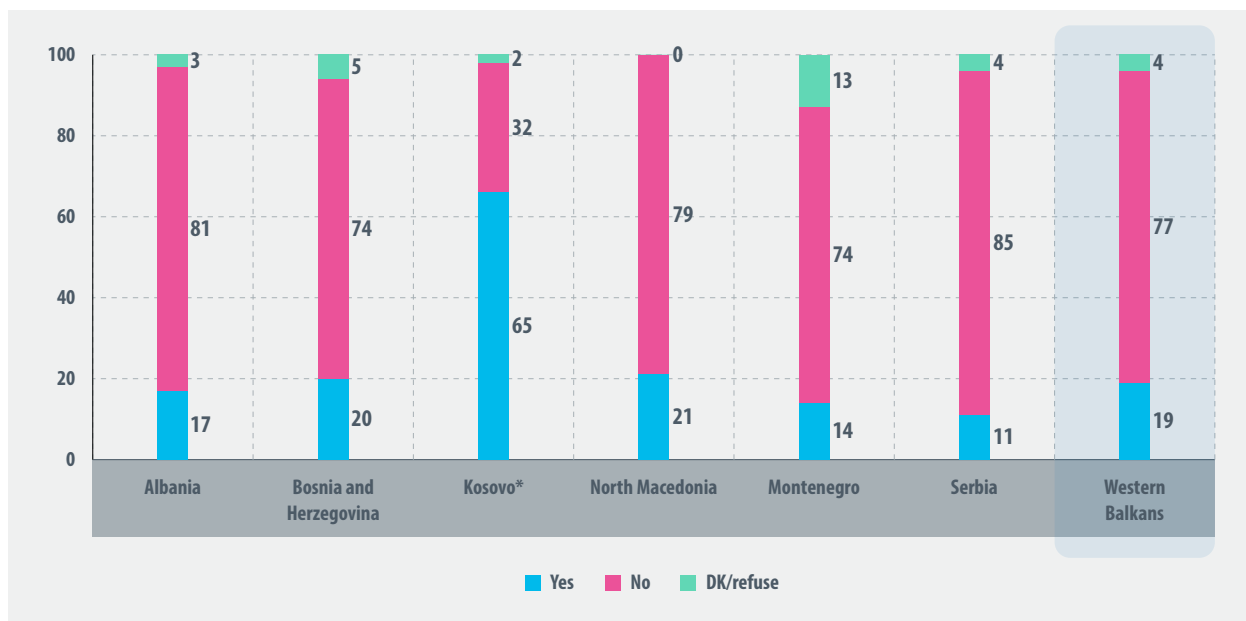
(All respondents - N=1203, single answer, share of total, %)

Figure 145: Do you take concrete measures to improve the digital skills of your employees?



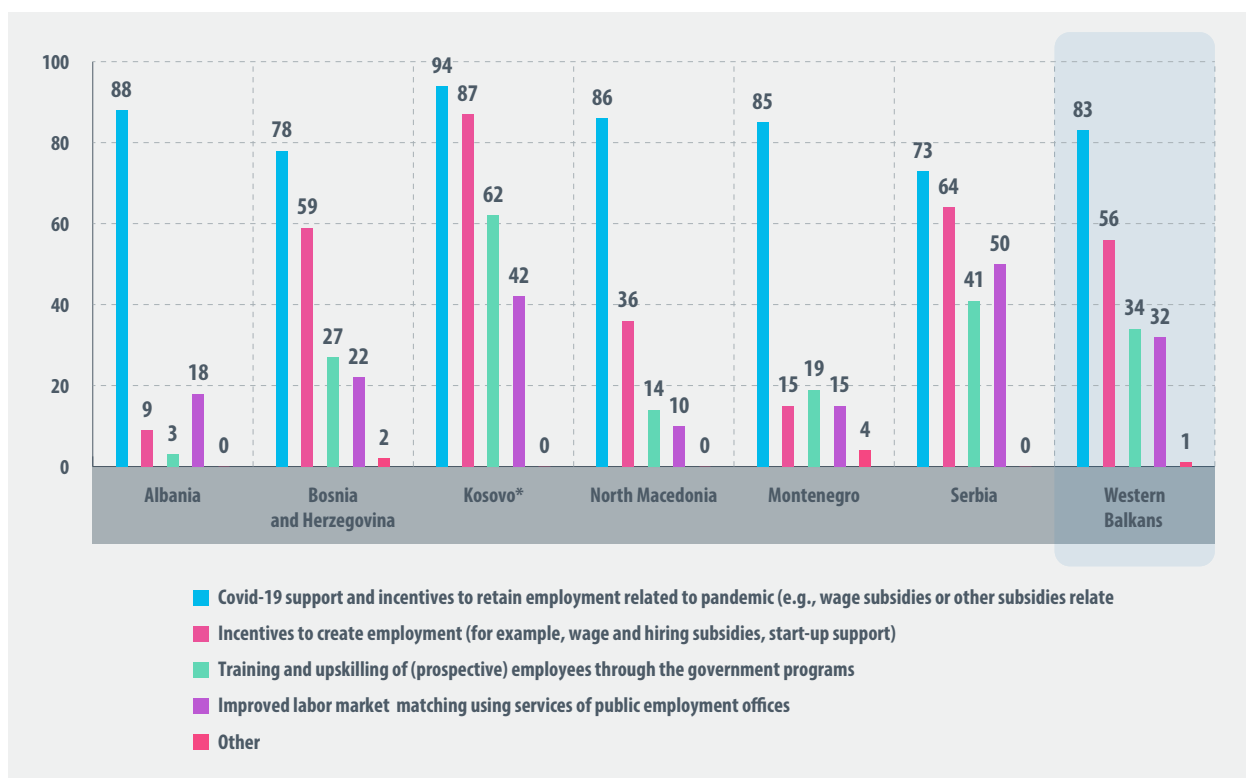
(Respondents who answered that digital skills are very important or somewhat important - N=816, multiple answers, %)

Figure 146: Has your company taken part in any active labour market measures through the government programmes?



(All respondents - N=1203, single answer, share of total, %)

Figure 147: Please select all government programmes related to employment that apply in your case.

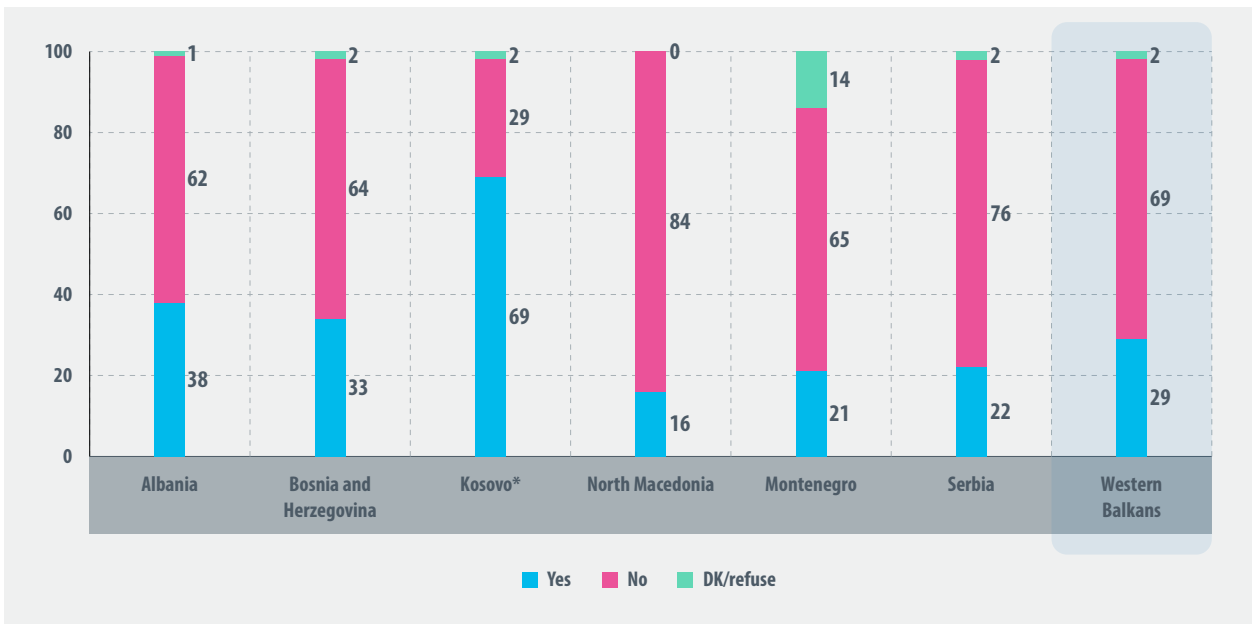


(Respondents who confirmed their company has taken part in any active labour market measures through the government programmes - N=296, multiple answers, %)

According to Figure 148, despite complaining about the availability and lack of skills, business-people in the Western Balkan economies have neglected training of their employees in 69% of situations (share remains nearly the same as in 2020). Kosovo* respondents were the most likely

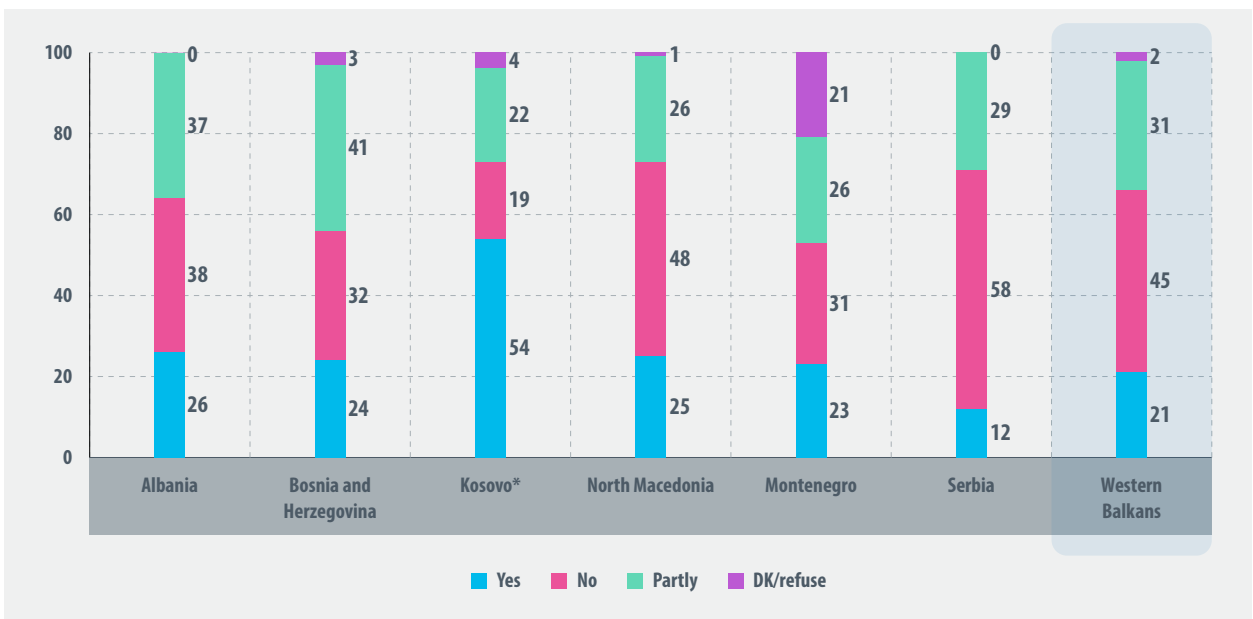
to invest in non-formal education (69% said they organised some kind of training), while Macedonians were the least likely (16%, even less than 2020). Furthermore, the majority of employers (45%) do not examine their individual employees' skill and training needs (Figure 149), a 6% increase of this share from 2020. It was largely Kosovo* respondents who pursued such reviews (54% said they examined the skill and training needs of individual employees on a frequent basis), as opposed to Serbians who did it the least (12%), and Montenegrins showing a high refusal rate of 21%.

Figure 148: 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=1203, single answer, share of total, %)

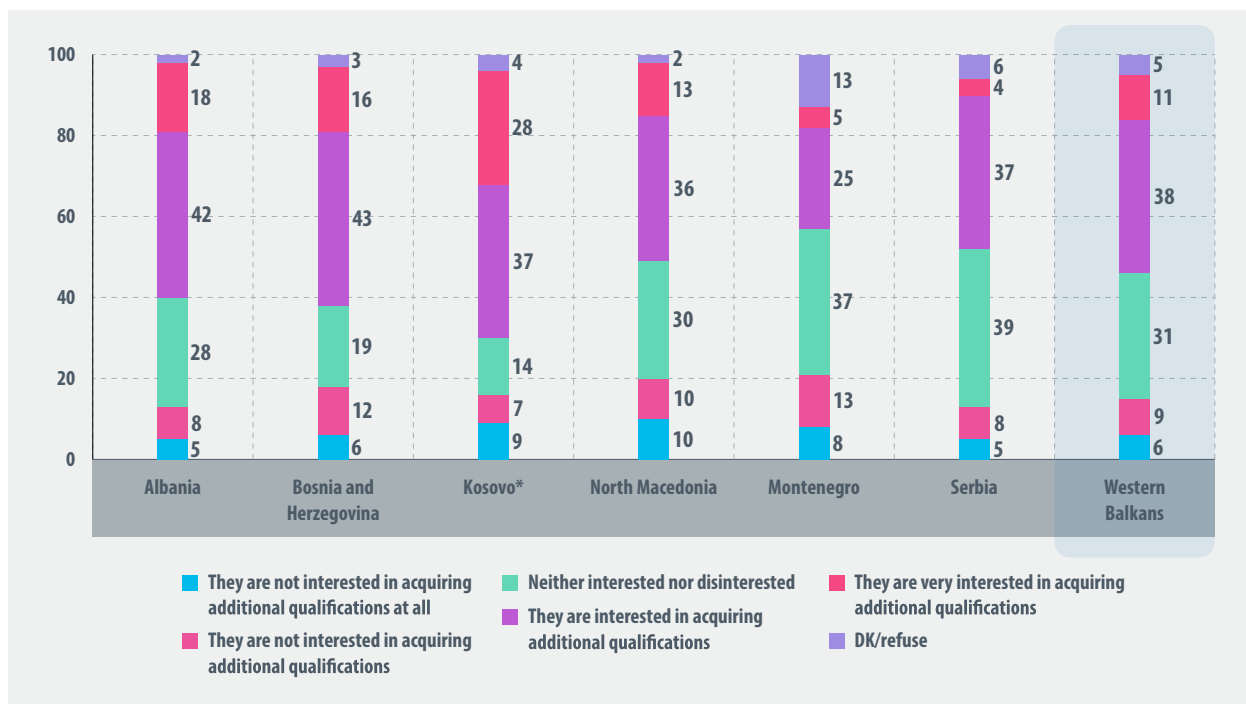
Figure 149: Thinking about skills requirements, does your company regularly review the skill and training needs of individual employees?



(All respondents - N=1203, single answer, share of total %)

In contrast to the scarcity of training opportunities, employees often demonstrate an evident willingness to learn new skills (Figure 150). 65% of companies in Kosovo* stated their staff were interested or extremely interested in obtaining extra qualifications, the highest percentage of any Western Balkan economy. Employees in Montenegro, on the other hand, are the least motivated to acquire extra credentials, with 37% neutral and 21% not interested in acquiring additional qualifications at all.

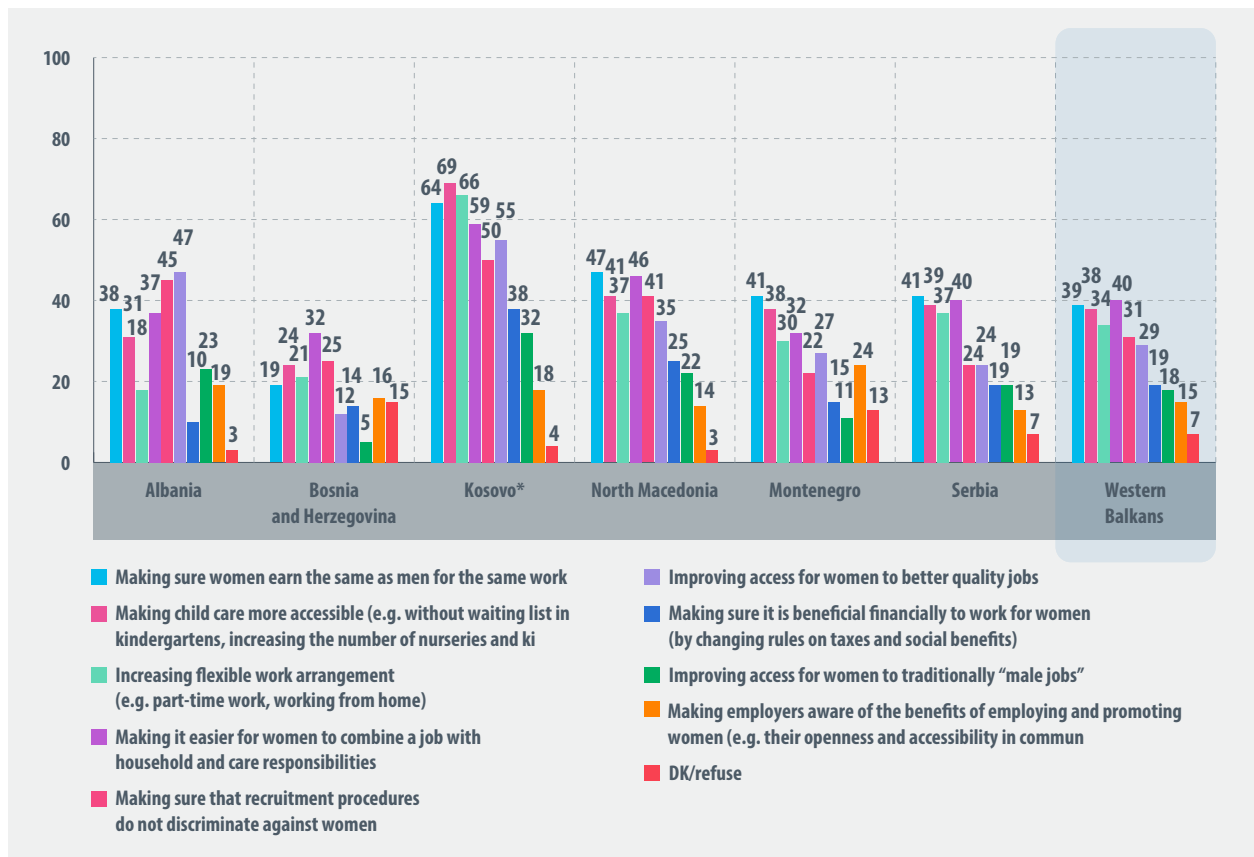
Figure 150: How would you assess the readiness of employees in your company to acquire additional qualifications in order to advance and get promoted?



(All respondents - N=1203, single answer, share of total, %)

Making it easier for a woman to combine a job with household responsibilities is the most effective approach to increase the number of women working in the Western Balkans according to 40% of respondents (Figure 151). Paying women and men the same will improve women's participation in the labour market, according to 39% of respondents, making it the second most popular and effective method. Two more factors stand out in Kosovo* and North Macedonia: accessible childcare and the flexibility to combine jobs and household chores. Other factors that have been recognised as potentially useful in the region include improving access for women to better quality jobs (47% in Albania) and increasing flexible work arrangement (37% in Serbia).

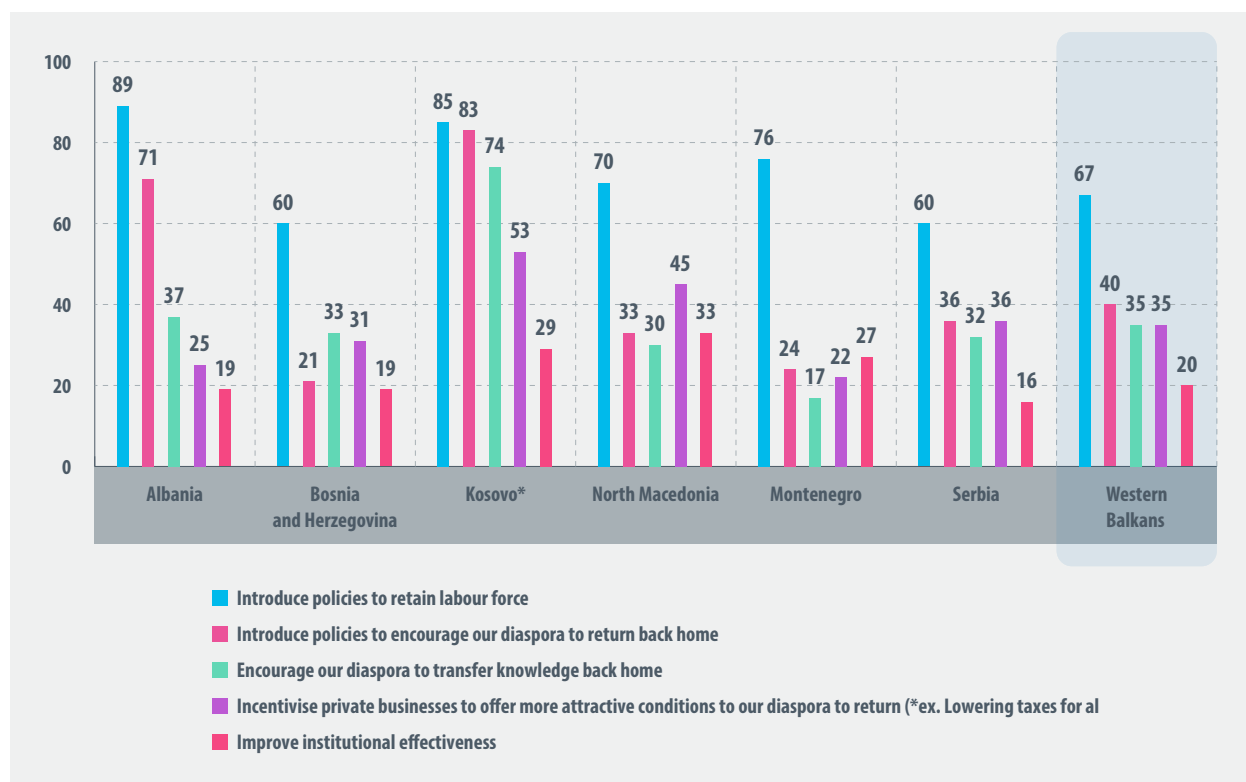
Figure 151: In your opinion, what are the most effective ways to increase the number of women in the labour market?



(All respondents - N=1203, multiple answers, %)

As per the results shown in Figure 152, respondents believe that governments should implement measures aimed at retaining workers in Western Balkan economies in order to address the problem of labour force shortages and brain drain. This response was given by 67% of respondents, ranging from 60% in Bosnia and Herzegovina and Serbia, to 89% in Albania (this factor has shown an enormous increase from 2020 when the share was only 37%). A second-placed policy option was to encourage diaspora to return home, which was especially prominent in Kosovo* with 83%). Policy solutions that received some attention among respondents included encouraging diaspora knowledge transfer and incentivise for enterprises to offer attractive conditions for our diaspora return (35% respectively). Nonetheless, institutional effectiveness was acknowledged as vital to reducing brain drain in various Western Balkan economies; for example, this option was ranked second in Montenegro.

Figure 152: To curb the problem of labour force shortages and brain drain, our government should:

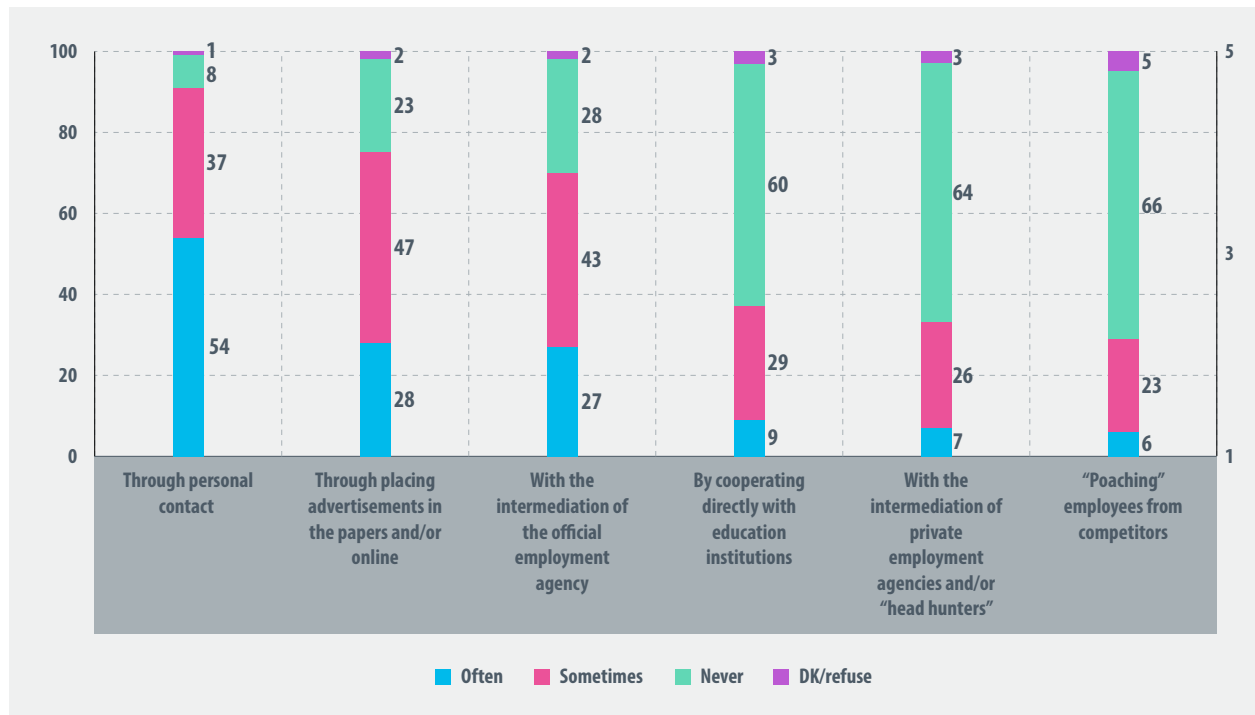


(All respondents - N=1203, multiple answers, %)

EMPLOYMENT PRACTICES

Businesses in the Western Balkans use a variety of methods to hire new staff, with varying degrees of success (Figure 153). Personal contact is the most commonly employed method, according to 54% of respondents, up from 49% a year ago. Advertisements in newspapers and on the internet were utilised frequently in 28% of the cases, and occasionally in 47% of the cases. Surprisingly, employment agencies' intermediation is employed only occasionally (43%) or never (28%), indicating a potential mistrust that companies in the region might have for institutional actors, including employment service agencies. Similarly, employment through collaboration with educational institutions remains low, with 60% saying they never do it and 29% saying they do it occasionally. On the other hand, in 66% of situations, "poaching" employees from competitors has never been used as a hiring tactic, while only 6% admit to have used this method often.

Figure 153: How often do you use the following when hiring new employees?

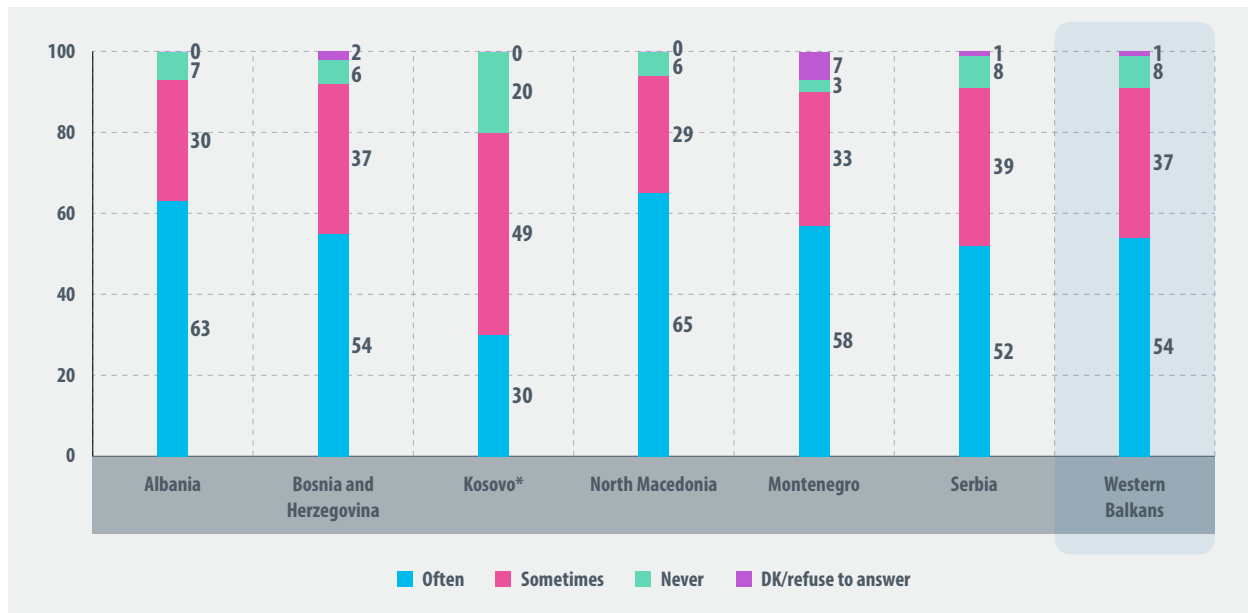


(All respondents - N=1203, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

The preferences in employment patterns among the Western Balkan economies are depicted in Figures 154 through 159. Personal contacts are common in the region, ranging from 30% in Kosovo* to 65% in North Macedonia. In fact, the percentage of respondents who claimed this method was occasionally utilised is high in Serbia (39%) and Bosnia and Herzegovina (37%). Advertising is still most commonly used in Kosovo* (45%), followed by Bosnia and Herzegovina (40%), and Albania (35%). However, the percentage of respondents who use it occasionally remains high in all Western Balkan economies varying from 25% to 59%. On the contrary, employment agencies are utilised infrequently or not at all in the Western Balkans, with 51% of respondents in North Macedonia never using them and only 28% in Montenegro and Serbia. Direct interaction with edu-

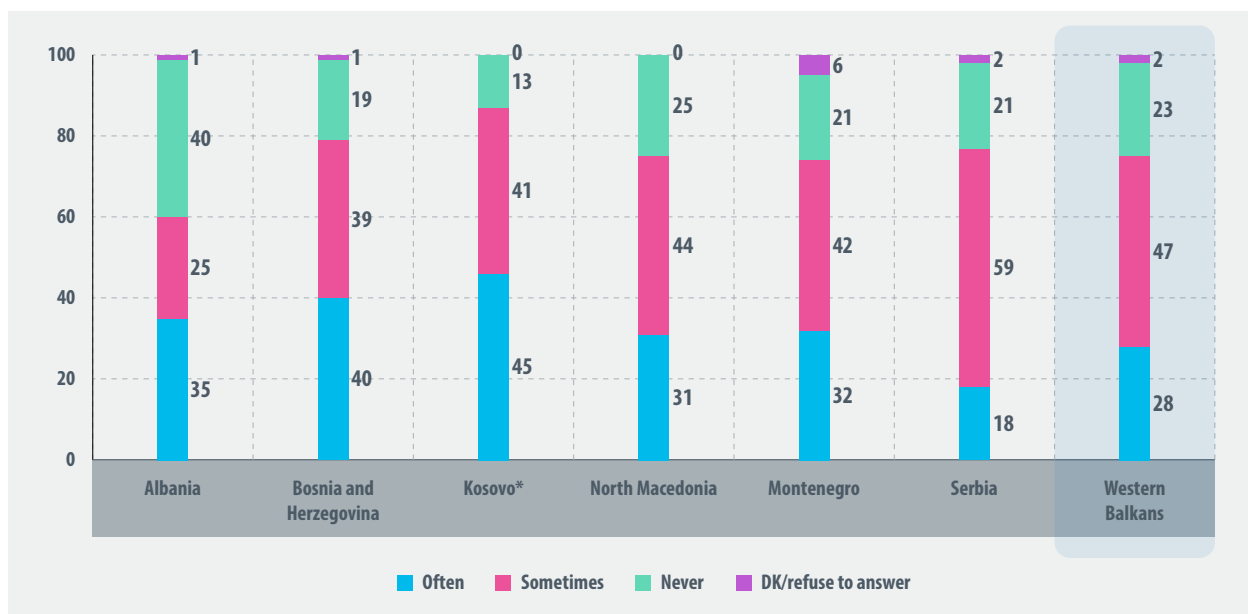
cational institutions is much rarer: 30% of respondents in Kosovo* had never done so, compared to 77% in North Macedonia. Businesses in the Western Balkans have a similar stance toward private employment services (64% admit having never used these services). Finally, on the other side, 'stealing' employees from competitors is still uncommon: 41% (Kosovo*) to 82% (North Macedonia) of respondents indicated they had never done so, while the percentage of those who had done so frequently is insignificant (varying from never in some of the economies, to 18% in Kosovo*).

Figure 154: How often do you use the following when hiring new employees? - Through personal contact (following recommendations of friends and colleagues)



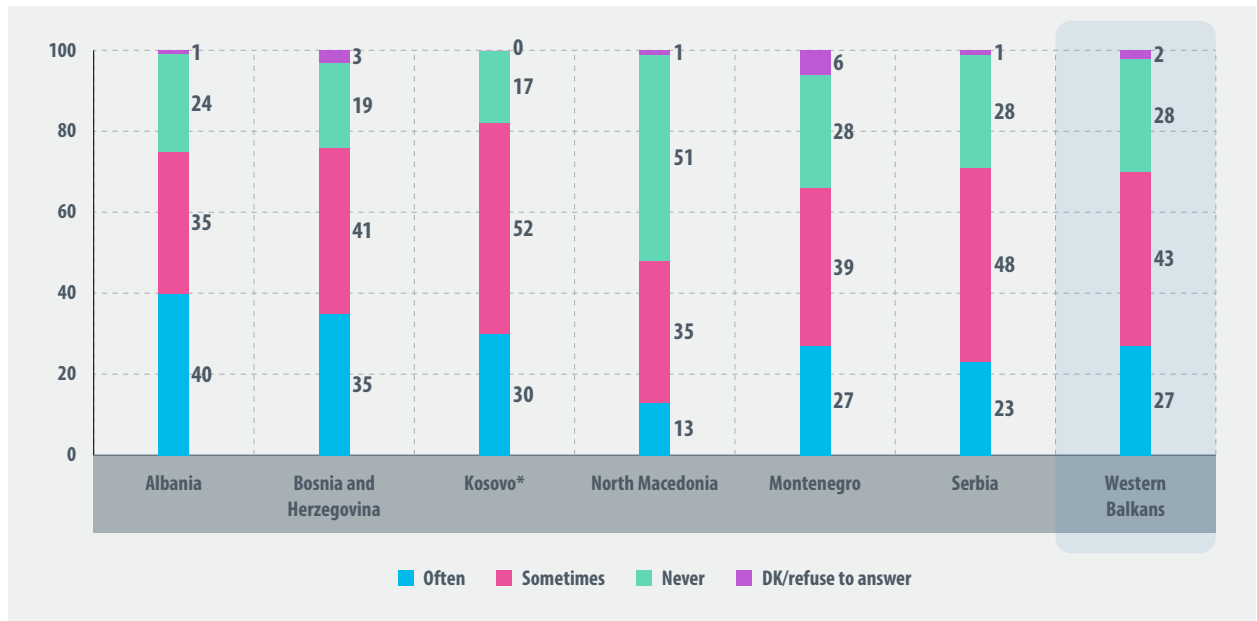
(All respondents - N=1203, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

Figure 155: How often do you use the following when hiring new employees? - Through placing advertisements in the papers and/or online



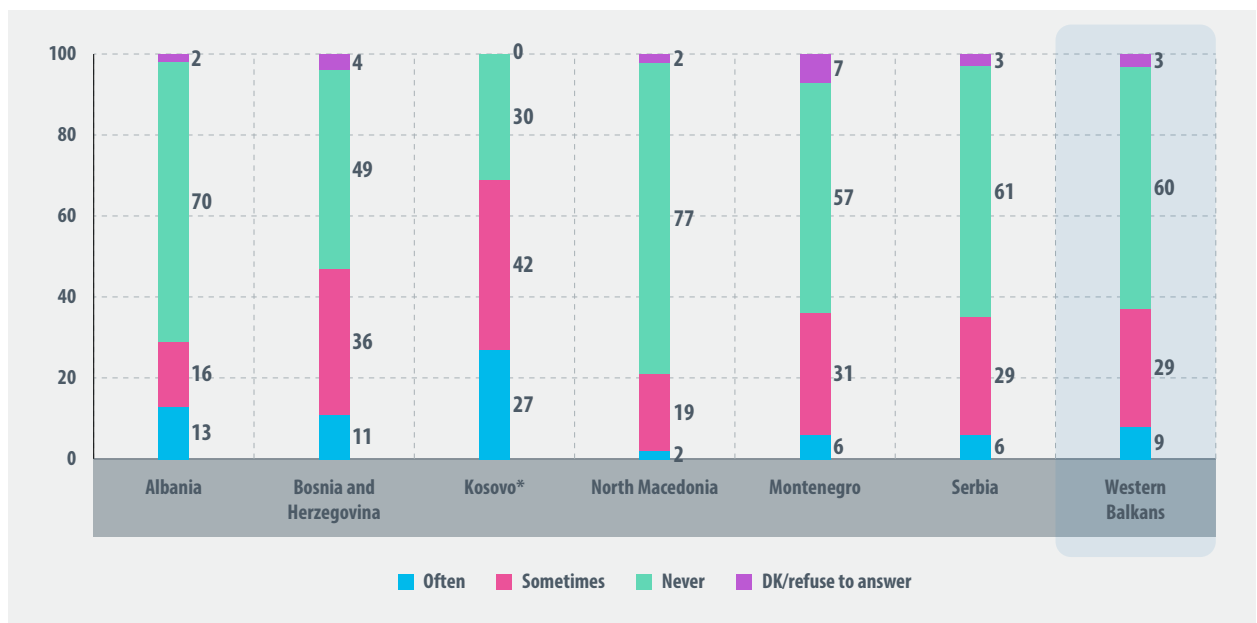
(All respondents - N=1203, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

Figure 156: How often do you use the following when hiring new employees? - With the intermediation of the official employment agency



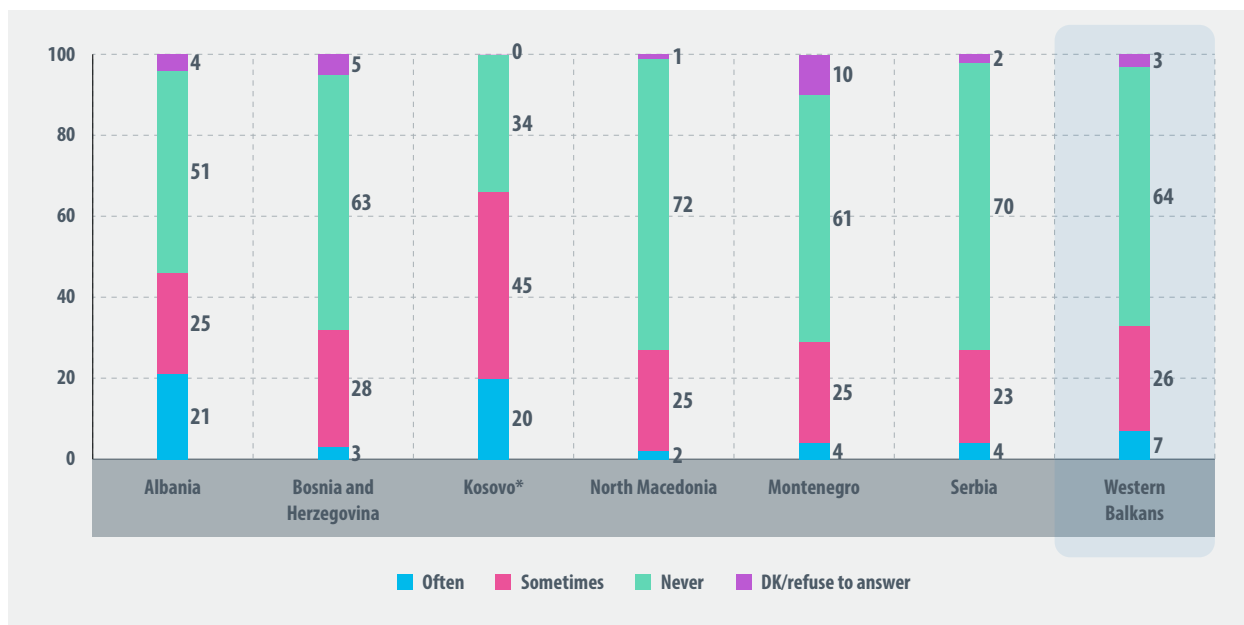
(All respondents - N=1203, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

Figure 157: How often do you use the following when hiring new employees? - By cooperating directly with education institutions



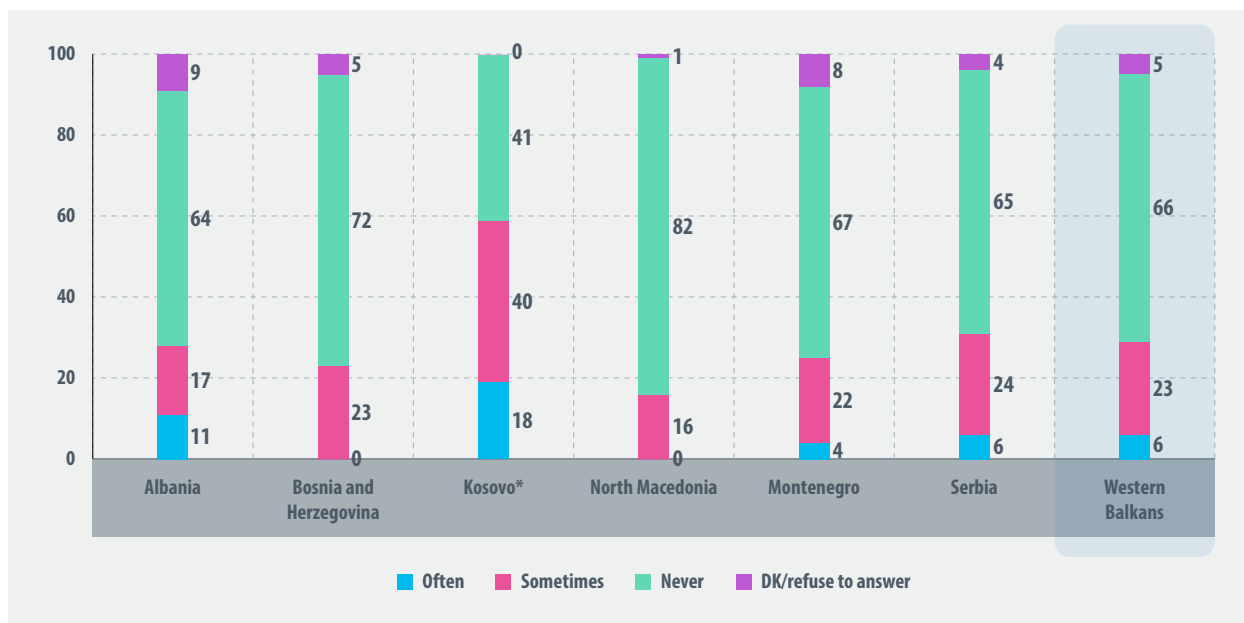
(All respondents - N=1203, scores on a single answer, scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

Figure 158: How often do you use the following when hiring new employees? - With the intermediation of private employment agencies and/or head hunters



(All respondents - N=1203, single answer, scores on a scale from 1 to 3, where 1 means often, 2 – sometimes and 3 means never, share of total %)

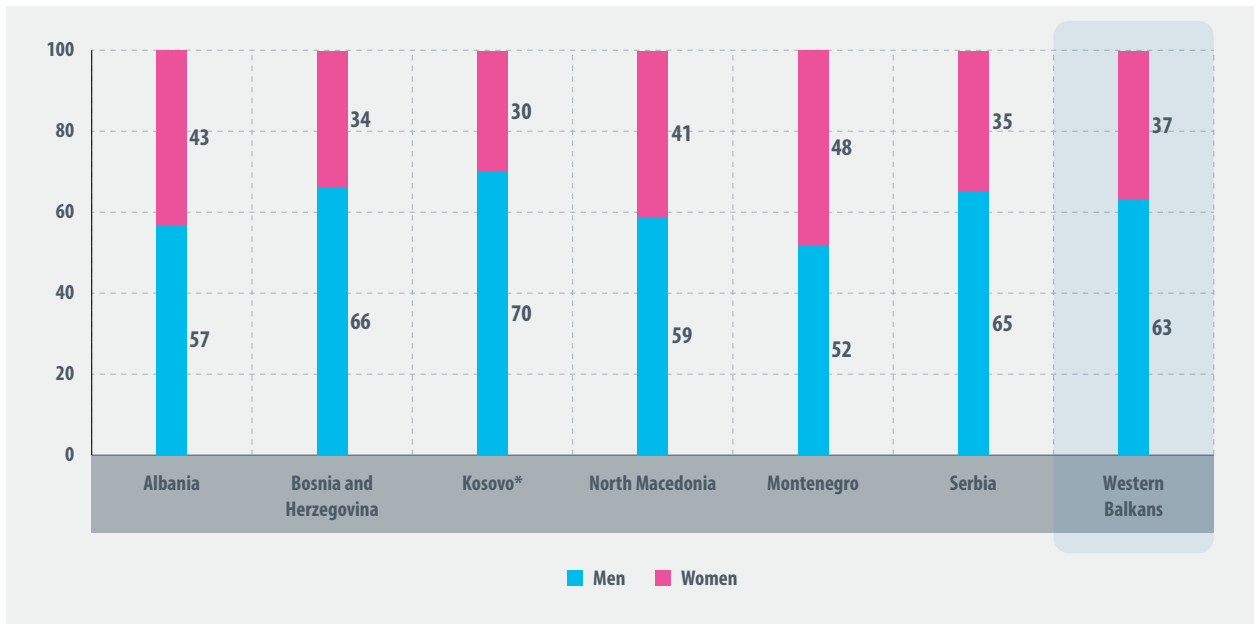
Figure 159: How often do you use the following when hiring new employees? - "Poaching" employees from the competitors



(All respondents - N=1203, 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 workers confirms the region's current gender employment disparities (a trend that seems to be unchanged since 2020), i.e., men (63%) have greater employment rates than women (37%). Figure 160 shows that Kosovo* leads the region with men as 70% of the employees, and Montenegro having the slightest disparity between genders (48% women and 52% men).

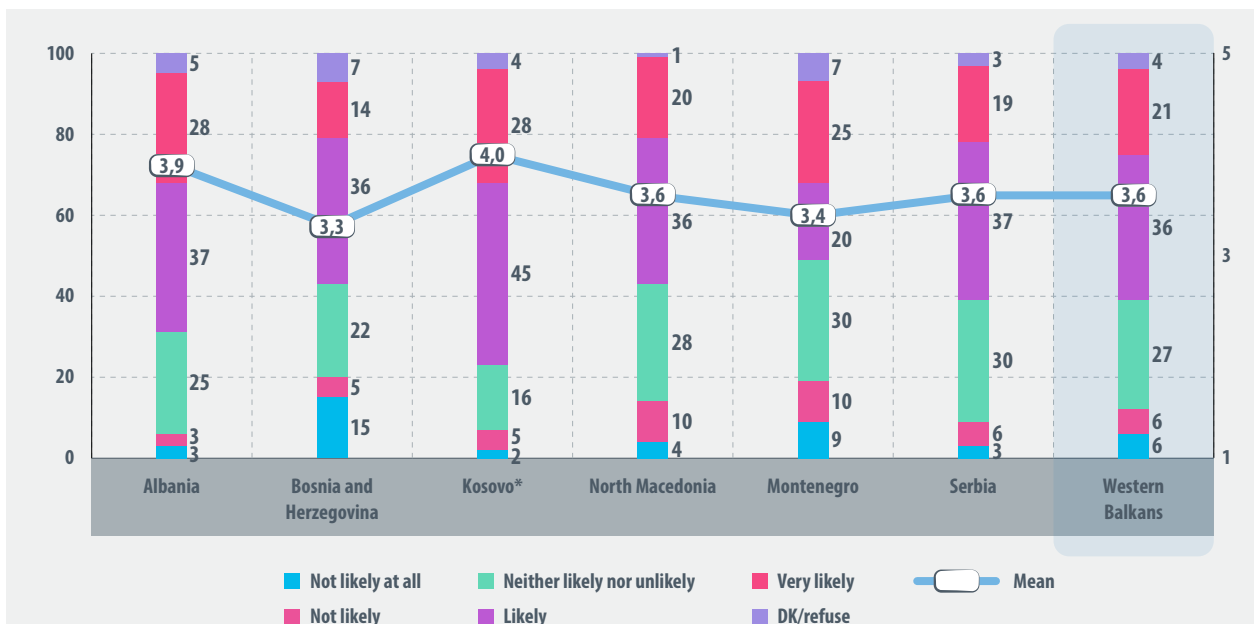
Figure 160: Of the total number, how many of your employees are men and how many women?



(All respondents - N=1203, mean %)

In the region, attitudes against Roma as employees are slightly improving from the last year. This is a positive development, which presents that 36% of respondents said they would recruit a Roma person with acceptable skills, and 21% responded they would “very likely” hire one. Bosnia and Herzegovina has the most negative opinion against Roma, with 20% of respondents saying it is unlikely or very unlikely that they would hire a Roma person.. Montenegro and Serbia took the most neutral stance (30%), while Kosovo* was mostly in favour of hiring Roma, with 73% saying it was likely or very likely, followed by Albania (65%).

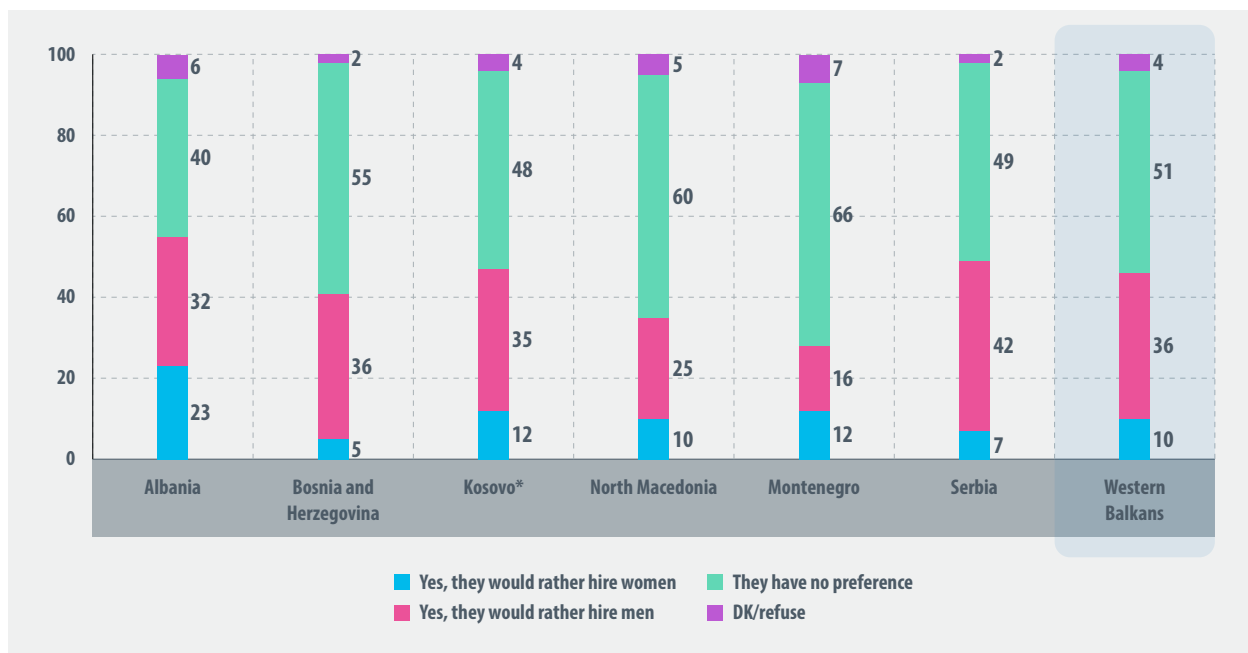
Figure 161: How likely would it be for you to hire a Roma person whose educational profile and experience completely meet the needs of your business?



(All respondents - N=1203, single answers, share of total, %)

In the Western Balkans, the majority of enterprises (51%) indicated no gender preference in recruiting (Figure 162). However, the vast majority of them expressing gender preferences stated that they would prefer to work for a man (36% of total respondents). The chart suggests significant differences across the region, where gender stereotyping in hiring is most prevalent in Serbia; 42% prefer to hire a man and only 7% prefer to hire a woman. Also, Serbia, Bosnia and Herzegovina and North Macedonia have the lowest gender preferences for women (7%, 5% and 10% respectively), while Montenegro has the lowest gender preference for men (16%).

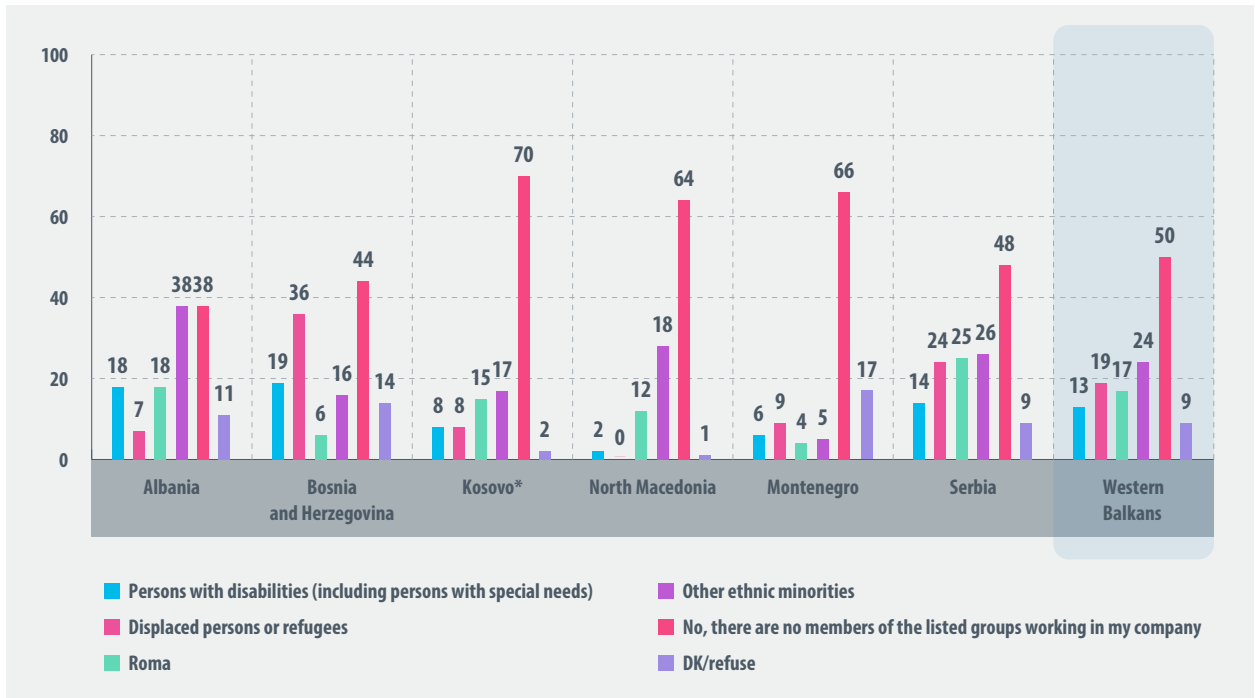
Figure 162: In your opinion, do companies like yours have a gender preference in terms of hiring?



(All respondents - N=1203, single answer, share of total, %)

Half of respondent companies (Figure 163) do not employ a representative from the represented vulnerable groups: persons with disabilities, displaced persons or refugees, Roma, and other ethnic minorities. This is a slight decrease from 2020, and it comes at the expense of all of these categories. Employment attitude against vulnerable groups is the most unfriendly in Kosovo*, where 70% of respondents reported no vulnerable worker hired, followed by Montenegro (66%). However, in Montenegro, 6% recruited individuals with disabilities and 9% hired displaced persons or refugees. In other economies, attitudes toward employing Roma are the most positive in Serbia (25%) and Albania (18%). Meanwhile, Bosnia and Herzegovina and Albania share the most positive attitudes toward persons with disabilities. These shares, however, are not just a reflection of employer views, but also of disadvantaged groups in the working-age population's engagement in the different economies.

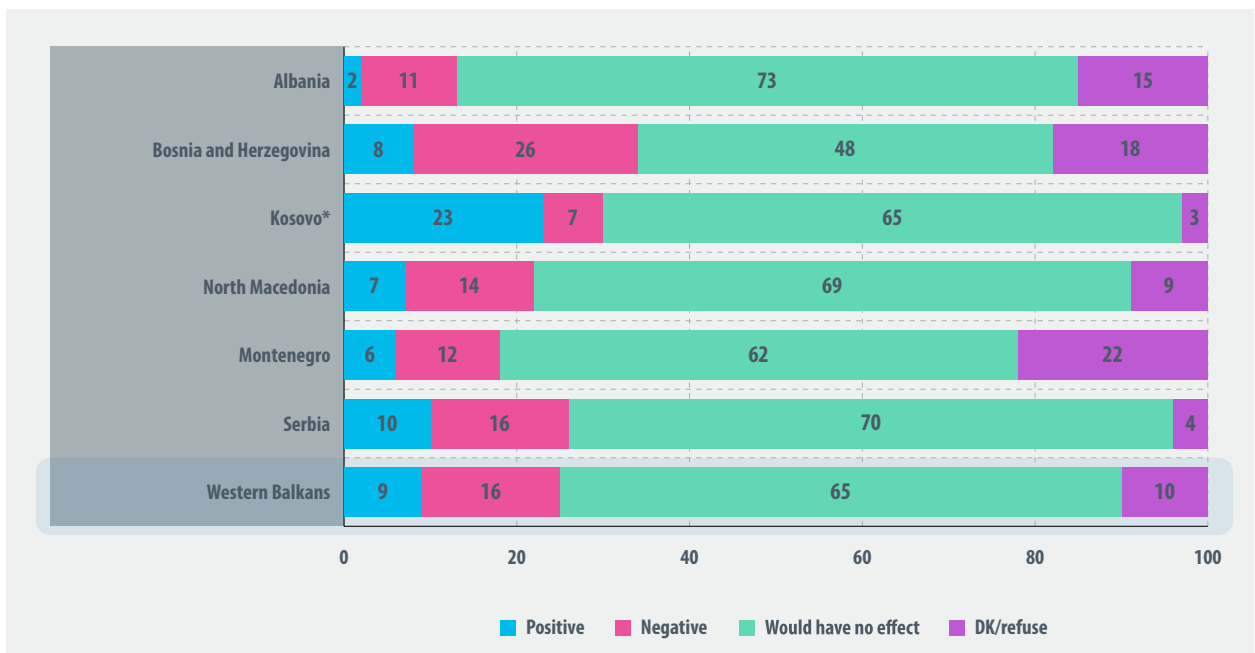
Figure 163: Do you have somebody from the below mentioned vulnerable groups working in your company?



(All respondents - N=1203, multiple answers, %)

65% of respondents believe that hiring Roma is neutral for sales and the workplace, from 63% in 2020 (Figure 164). However, 16% reported unfavourable assertiveness with a slight increase from the last year. Bosnia and Herzegovina (26%) has the most negative attitude, while Kosovo*, Montenegro, and Albania have the least negative (7%, 12% and 11% respectively). Despite the region's general neutrality, 23% of Kosovo* respondents believed Roma employees to be beneficial to their company's sales and working environment.

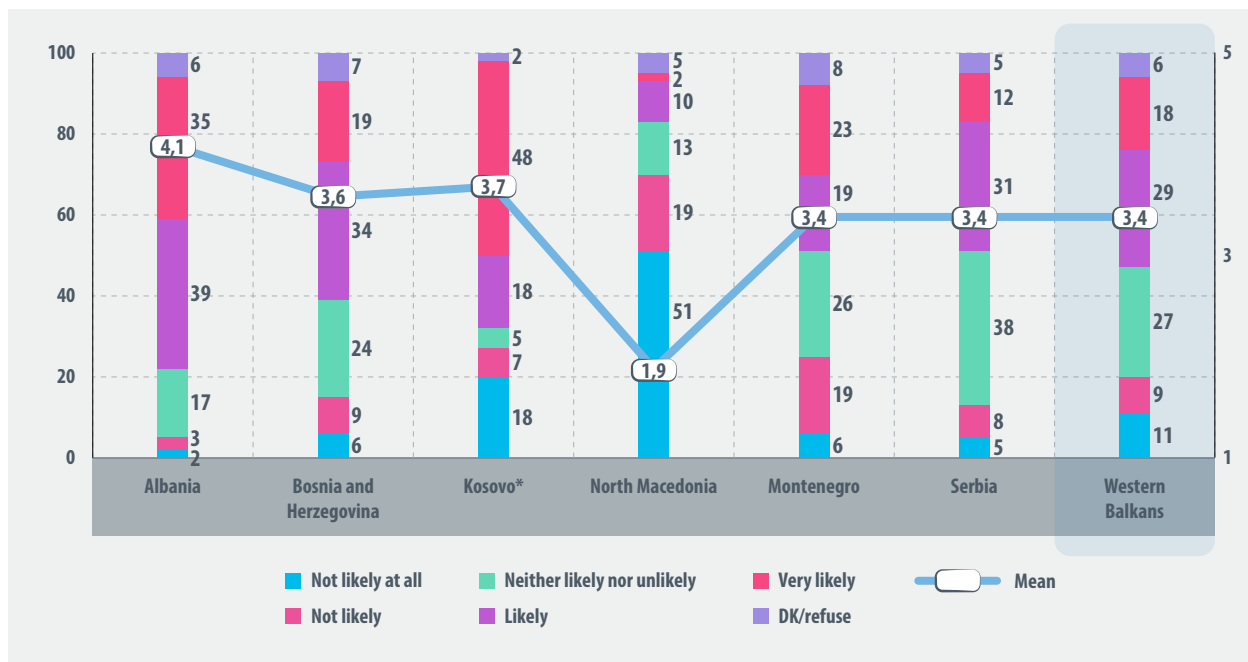
Figure 164: Do you think that employing Roma persons would affect company sales or the working environment in a positive or a negative way?



(All respondents - N=1203, single answer, share of total, %)

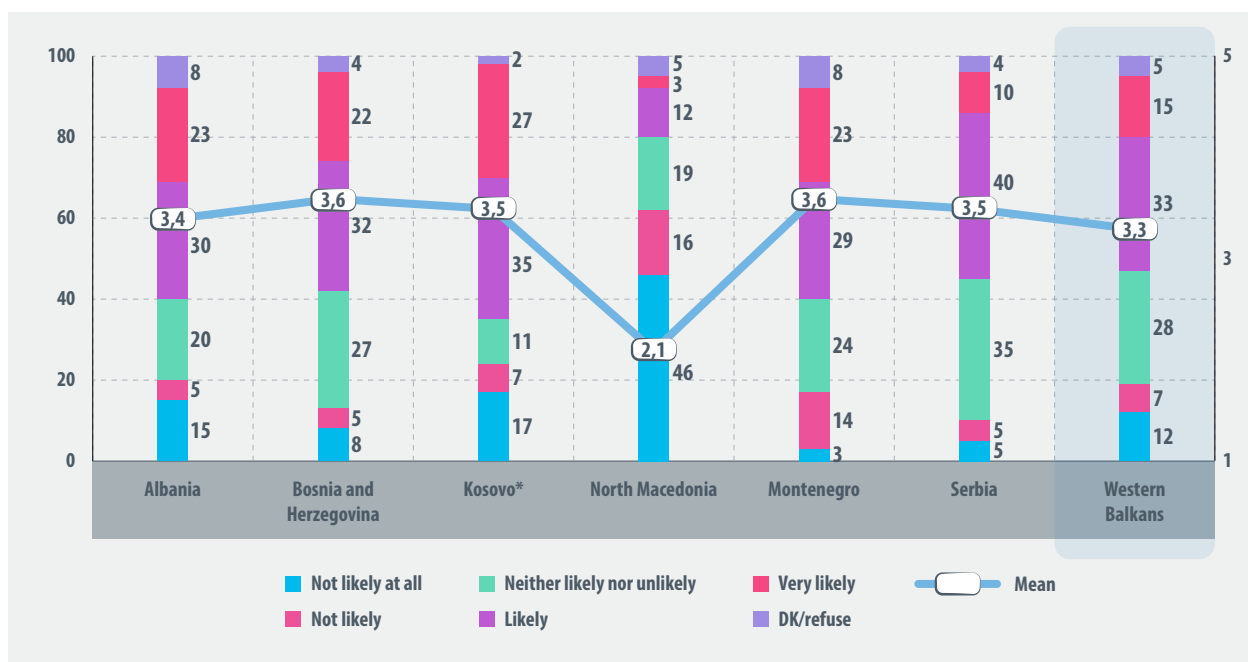
In the Western Balkans, attitudes about hiring foreigners are mixed (Figure 165), with 29% perceiving it as likely, 9% perceiving it as not likely, and another 27% considering it as neutral. However, the situation in North Macedonia is noteworthy, with 51% expressing significant reservations about hiring foreigners and another 19% expressing some reservations. On the contrary, Kosovo* respondents were overwhelmingly in favour of foreign labour, with 48% perceiving it as very likely. The situation is similar for employers in the Western Balkans towards workers from other economies in the region, as shown in Figure 166.

Figure 165: How likely would you employ workers from abroad in your company?



(All respondents - N=1203, single answers, share of total, %)

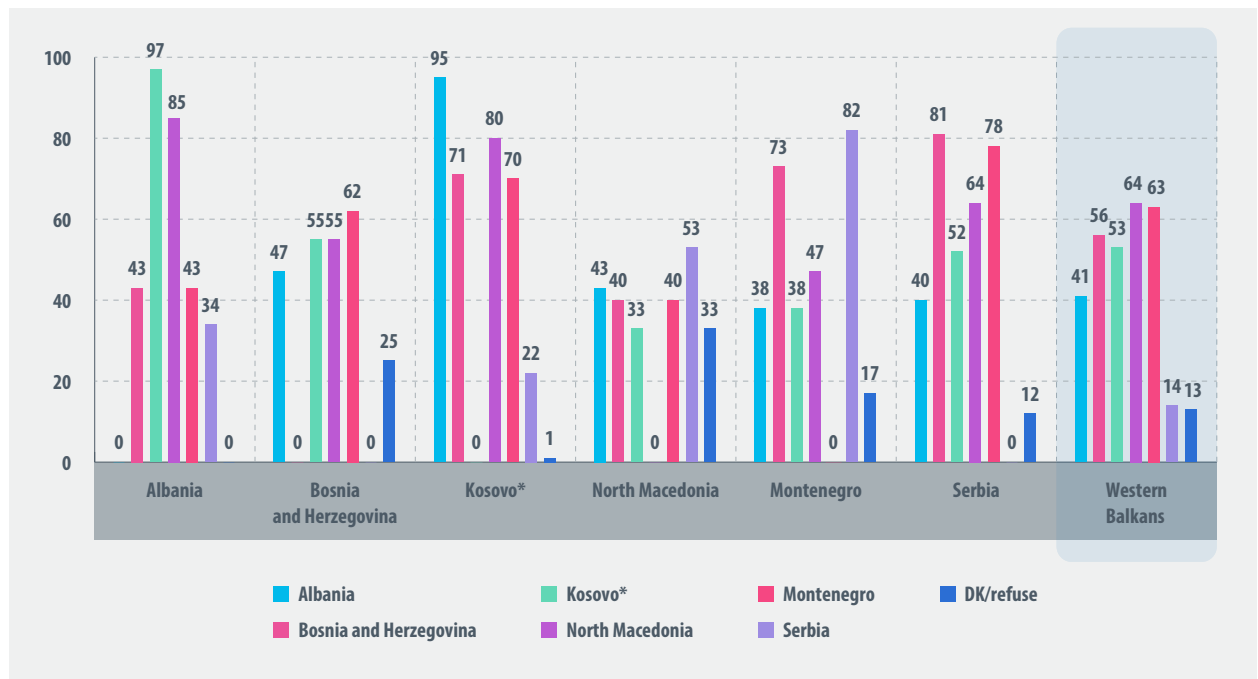
Figure 166: How likely would you employ workers from the WB region in your company?



(All respondents - N=1203, single answers, share of total, %)

Businesspeople that admitted they would hire people from the Western Balkan economies expressed a wide range of opinions (Figure 167). Albanians, for example, are overwhelmingly in favour of hiring Kosovars (97%) and Macedonians (85%), apparently owing to the lack of a language barrier. While 95% of Kosovars said they would prefer Albanians, they also said they would prefer Macedonians (80% percent) and Bosnians (71%). Serbians prefer Bosnian (81%) and Montenegrin (78%) workers, reflecting the language advantage once again, and this tendency is reflected in Montenegro too. Macedonians prefer Albanian (43%) and Serbian workers (53%). In comparison to other Western Balkan economies, Bosnia and Herzegovina has a more balanced preference towards workers.

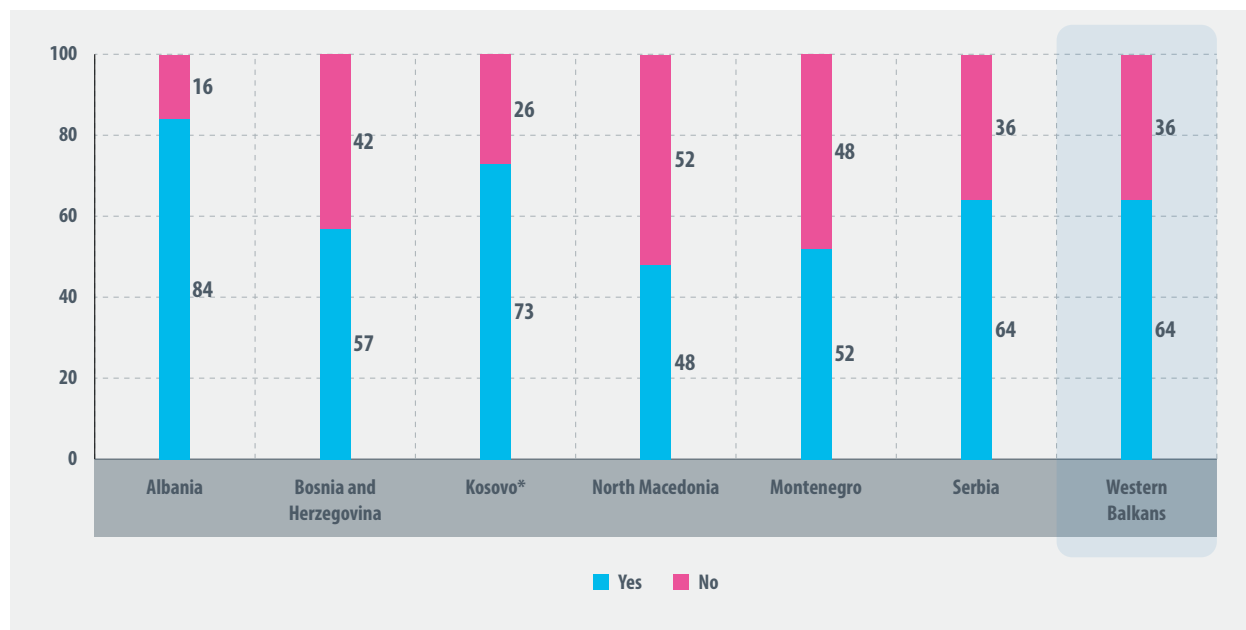
Figure 167: You said that you would employ workers from the WB region in your company, from which economy/economies exactly?



(Respondents who would likely or very likely employ workers from the region - N=574, multiple answers, %)

In the Western Balkans, 36% of businesspeople have never heard of the Regional Cooperation Council, a significant decrease from 47% a year ago. Albanians have the largest advantages in this regard, with 84% of businesspeople knowing about the RCC, while Macedonians have the least, with only 48% (Figure 168).

Figure 168: Have you heard of the Regional Cooperation Council?

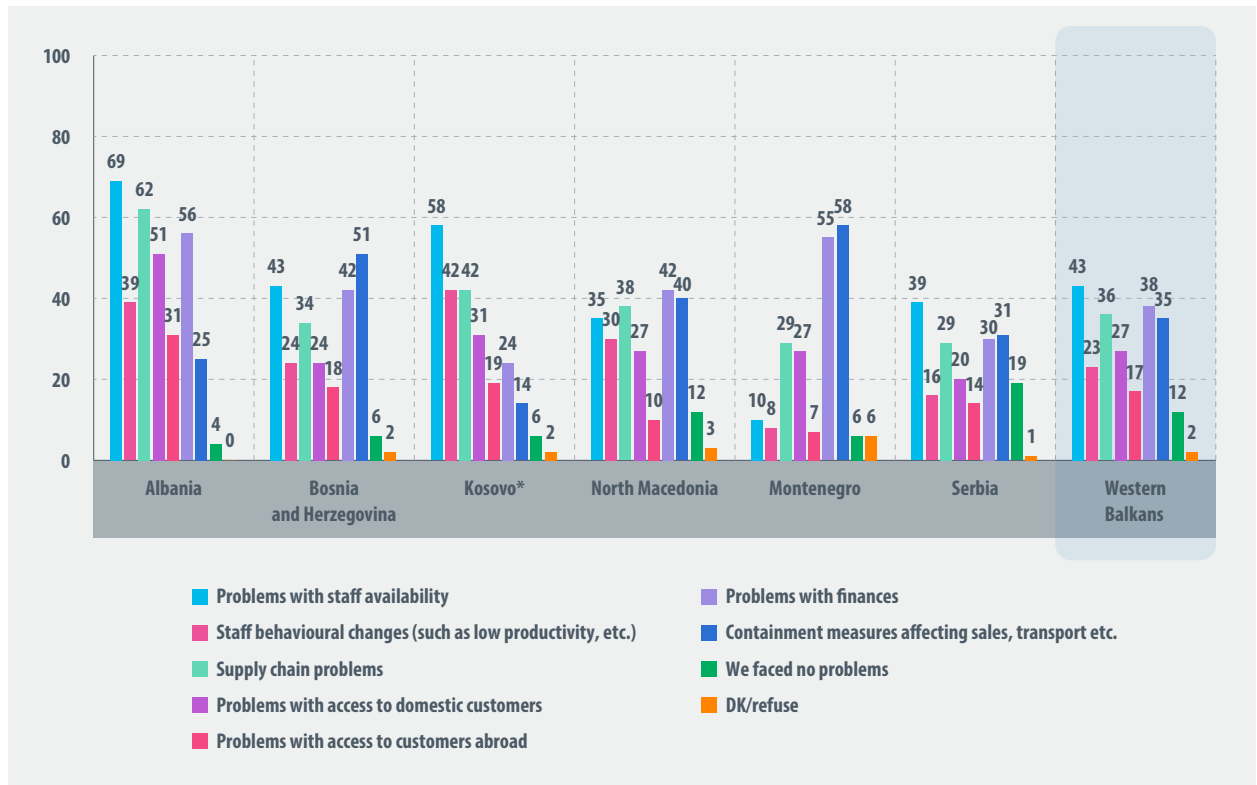


(All respondents - N=1203, single answer, share of total, %)

COVID-19 IMPACT

The biggest issue raised by businesspeople in relation to Covid-19 was problems with staff availability (43%). When the government's various initiatives are reviewed, however, it's likely that this problem is revealed as a combination of Covid-19 pressure and inherited structural issues that existed in the past. Problems with finances, on the other hand, might be specifically related to the Covid-19, as 38% of companies pointed out. With minor variation, these two topped the list in almost all Western Balkan economies. For example, in Montenegro, problems with finances are listed second, while in Albania, problems with staff availability, supply chain, and problems with finances remain of a very high importance (69%; 62% and 56% respectively).

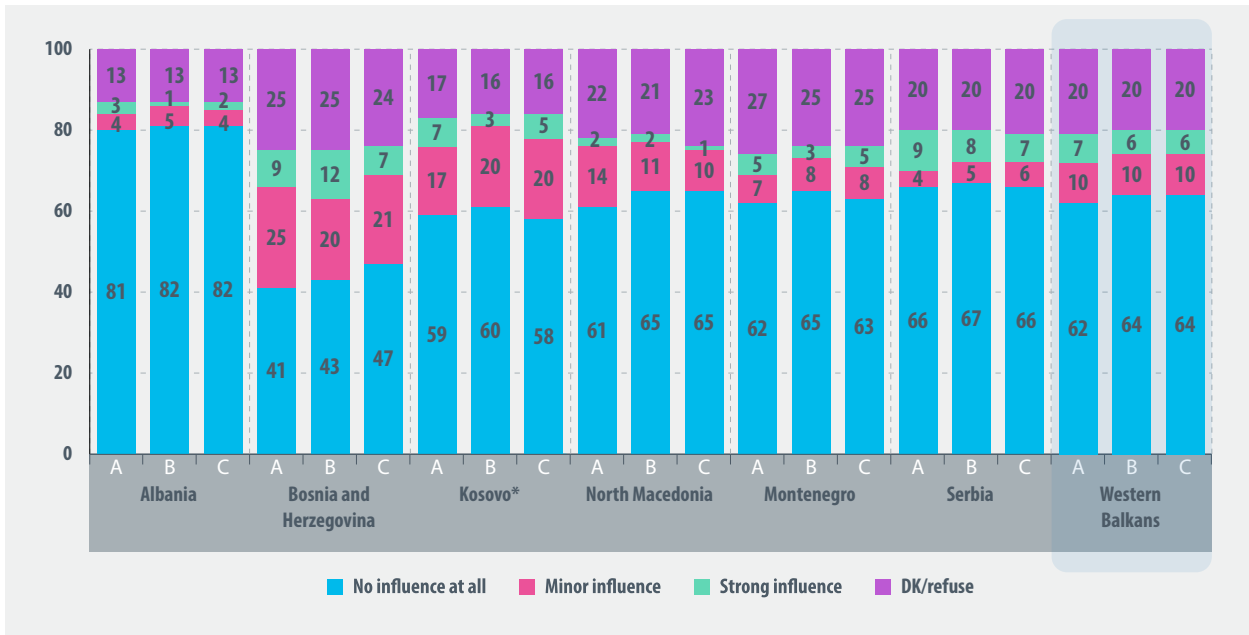
Figure 169: In what ways has your business been affected, i.e., what specific problems, if any, has your business faced?



(All respondents - N=1203, multiple answers, %)

Figure 170: Have the following trends influenced the structure and/or operations of your company?

A) Offshoring; B) Nearshoring; C) Onshoring

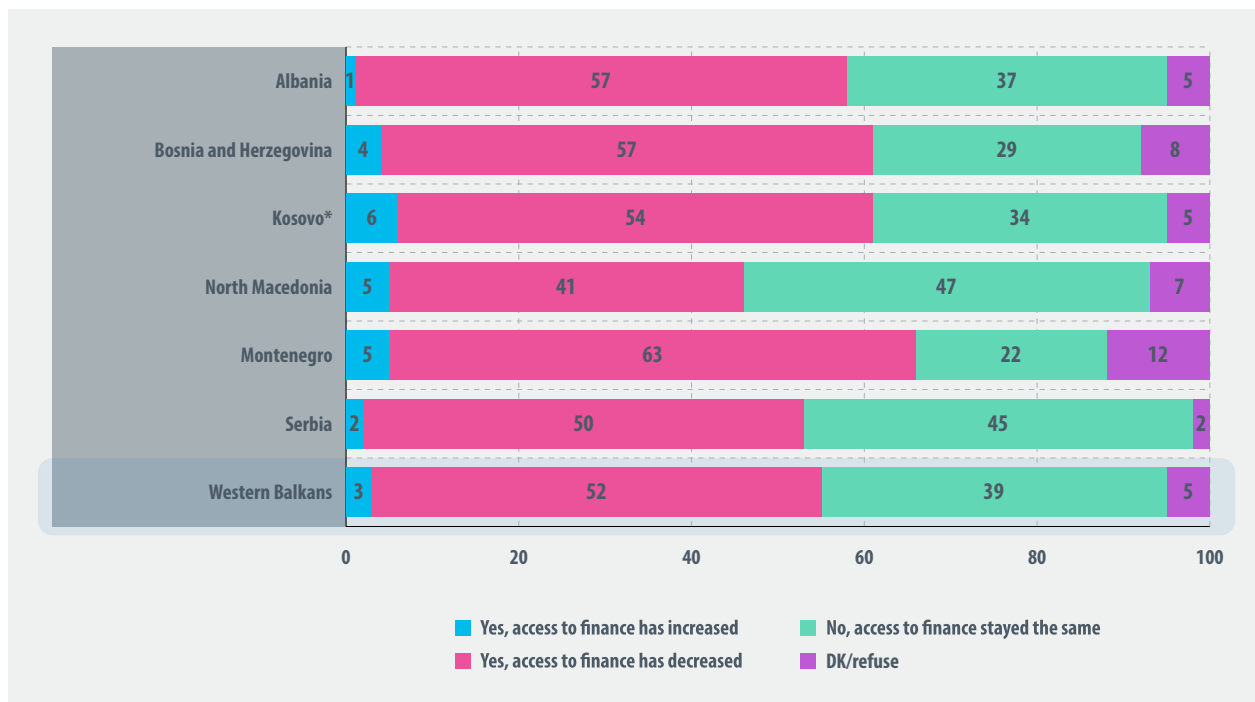


(All respondents - N=1203, single answer, scale from 1 to 3, where 1 means no influence at all, 2 – minor influence and 3 means strong influence, share of total, %)

FINANCIAL AND OPERATIONAL PERFORMANCE

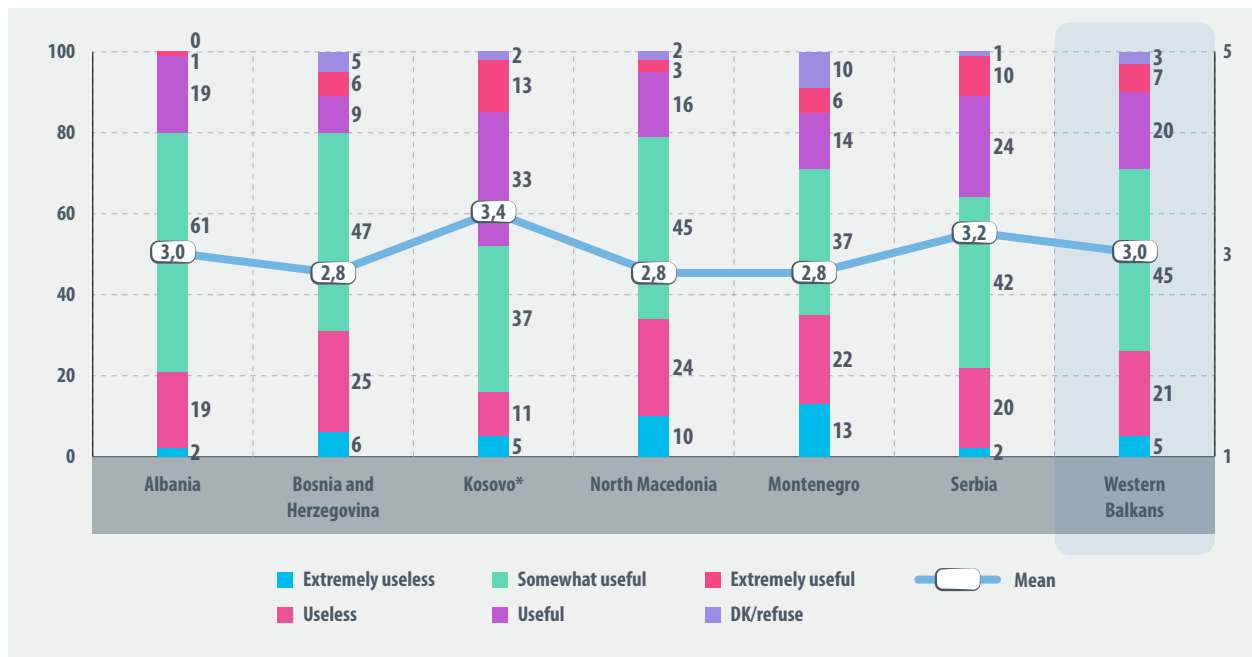
During Covid-19 pandemic, 52% of firms said their access to capital had deteriorated, from 62% in 2020 (Figure 171). This might be attributed to the retraction of the Covid-19 measures. While this percentage fluctuates across the region, ranging from 41% in North Macedonia to 63% in Montenegro, it has remained a major component of the crisis when considering company liquidity positions. Given that several of the implemented government actions were focused at directly assisting companies' liquidity, the majority of businesses (45%) said they were useful to some extent (Figure 172). However, satisfaction varied by economy: in Kosovo*, 13% rated measures as extremely useful, 33% as useful, and 37% as somewhat useful, for a total of 83%). On the other hand, only 57% of respondents in Bosnia and Herzegovina thought the government measures were useful in any way, while in Kosovo* 83% found them useful, representing the lowest and highest percentages in the region. On the other hand, Montenegro has the greatest percentage of people who consider measures to be useless or extremely useless among the Western Balkan economies, at 35%. Responses were more evenly distributed in North Macedonia and Serbia, with the majority of respondents stating measures were moderately useful.

Figure 171: Has your business's access to financial resources changed since the outbreak of COVID-19?



(All respondents - N=1203, single answer, share of total, %)

Figure 172: In your opinion how useful are the Gov's economic measures for mitigating consequences of Covid-19 pandemic in your economy?

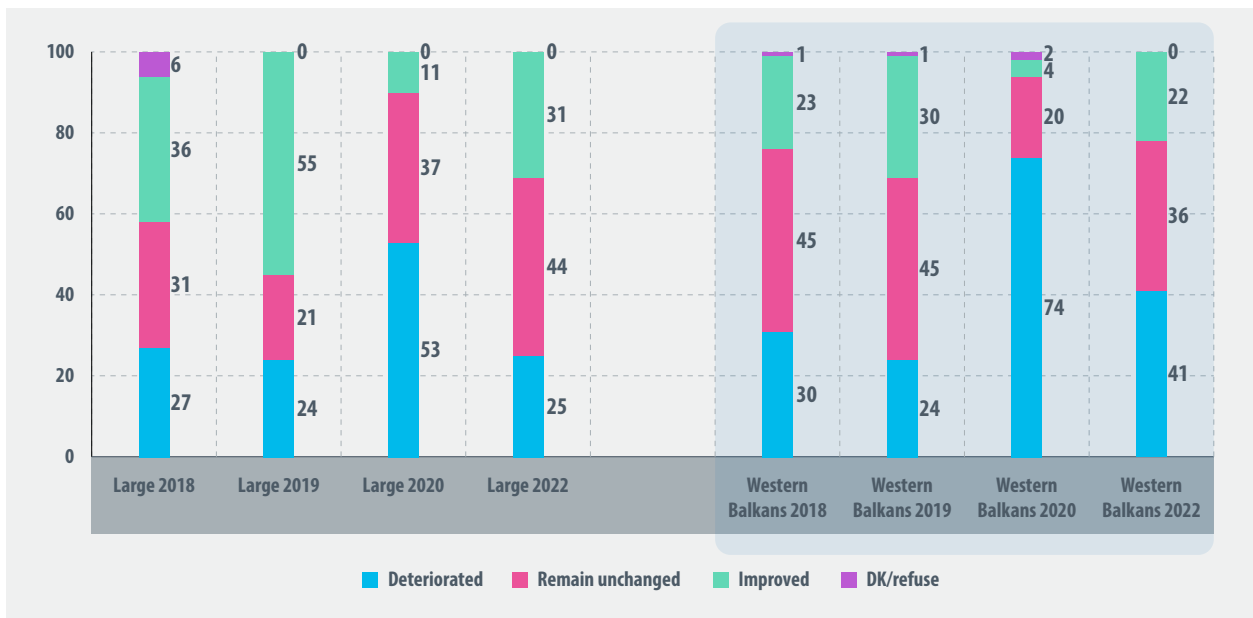


(All respondents - N=1203, single answer, share of total, %)

FOCUS ON LARGE COMPANIES

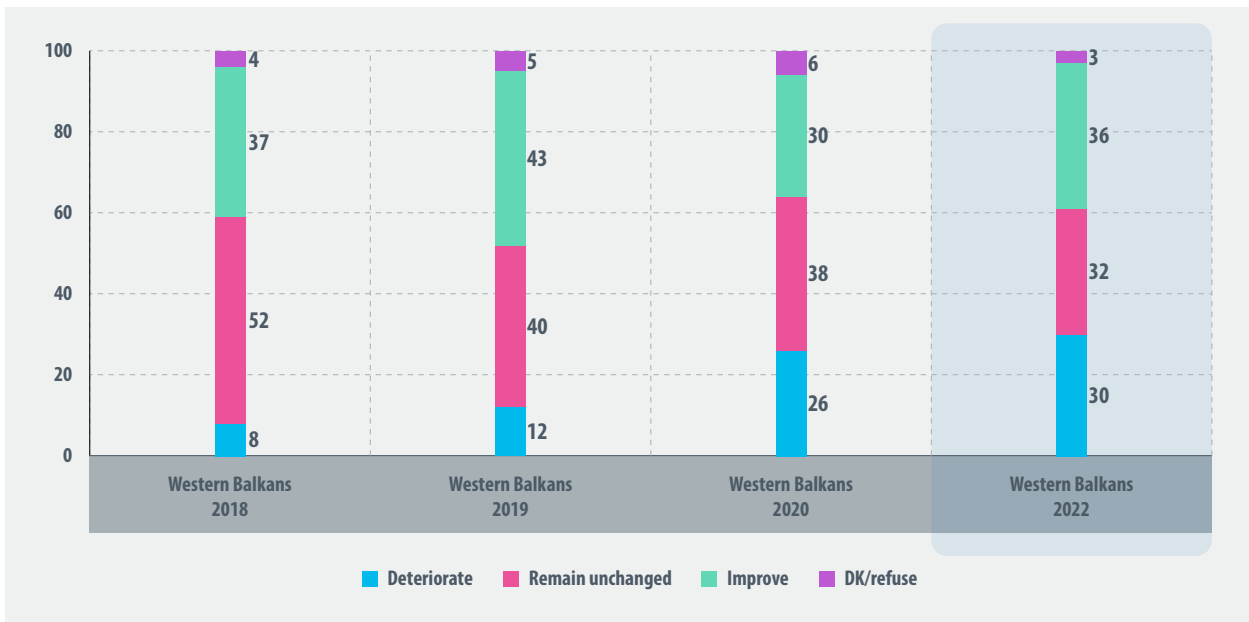
According to these yearly shares, 25% of large enterprises said that the economy had deteriorated (Figure 173), a share lower than the whole sample of companies (41%). However, companies remain optimistic when asked about the economic situation in the upcoming months, with 36% of respondents believing it will improve. 27% of small companies admit their business to have deteriorated, unlike only 5% of large firms. Thus, it is clear that smaller businesses have weathered the pandemic differently than bigger businesses, whose cushions are much bigger for crisis mitigation. Regarding employee numbers in the coming year, 29% of small companies and 46% of large companies expect an increase (Figure 176).

Figure 173: How has the general economic situation changed over the past 12 months? Has it deteriorated, remained unchanged or improved?



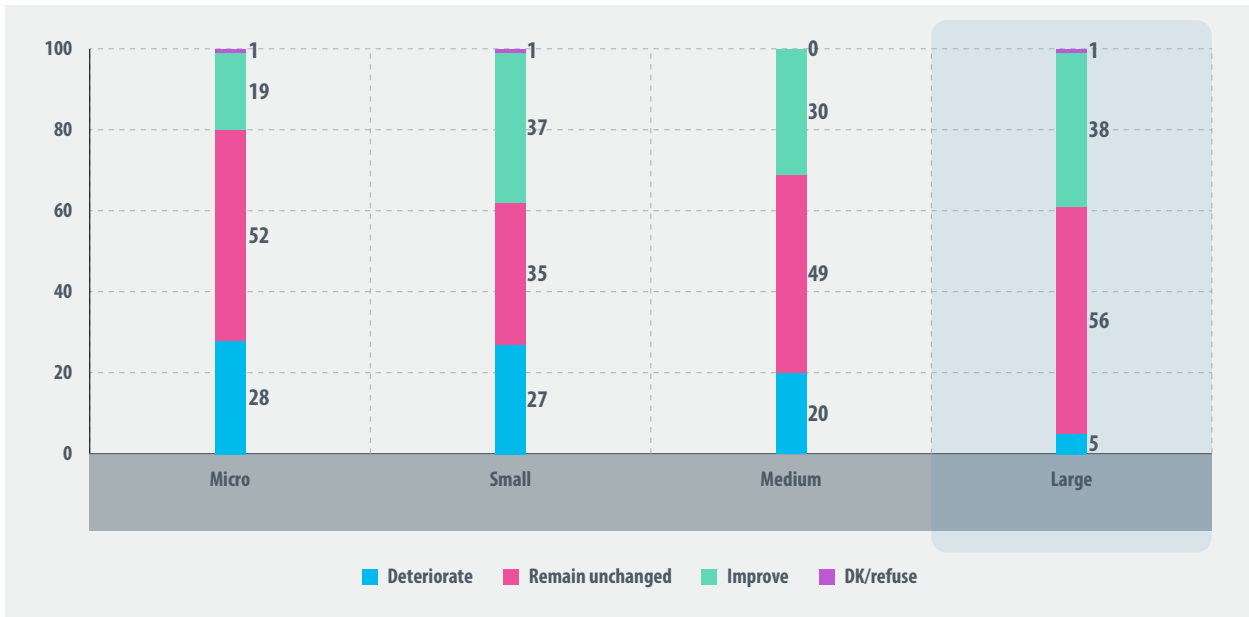
(All respondents - N=1200, %)

Figure 174: 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?



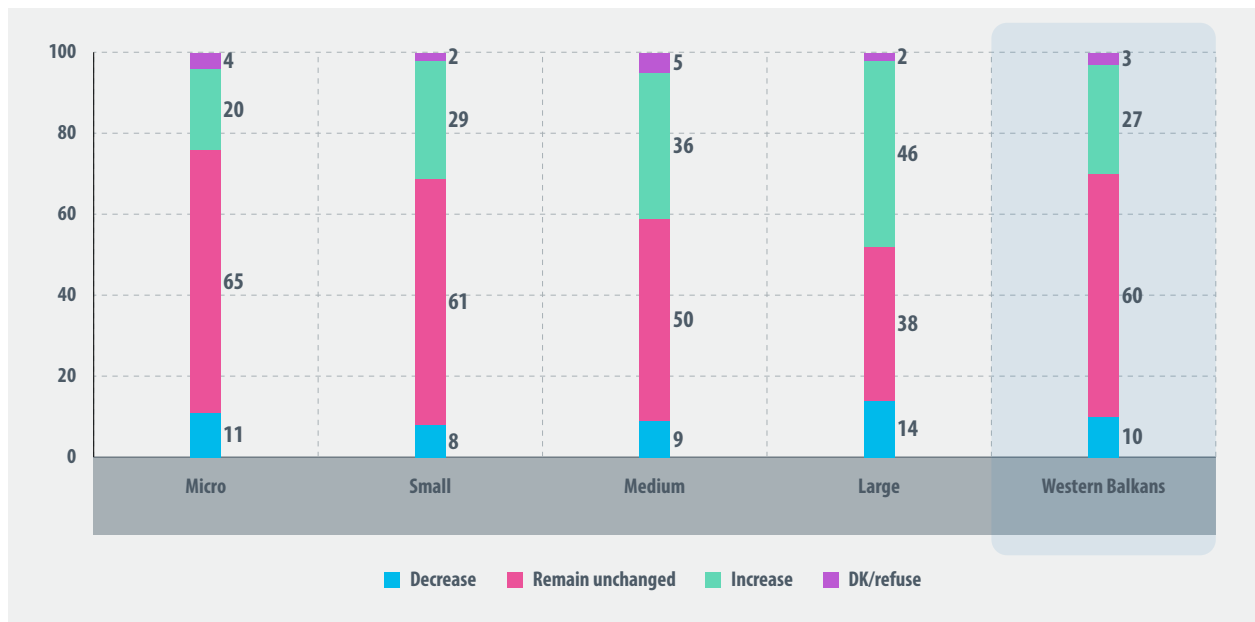
(All respondents - N=1203, single answer share of total, %)

Figure 175: How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved?



(All respondents - N=1215, share of total, %)

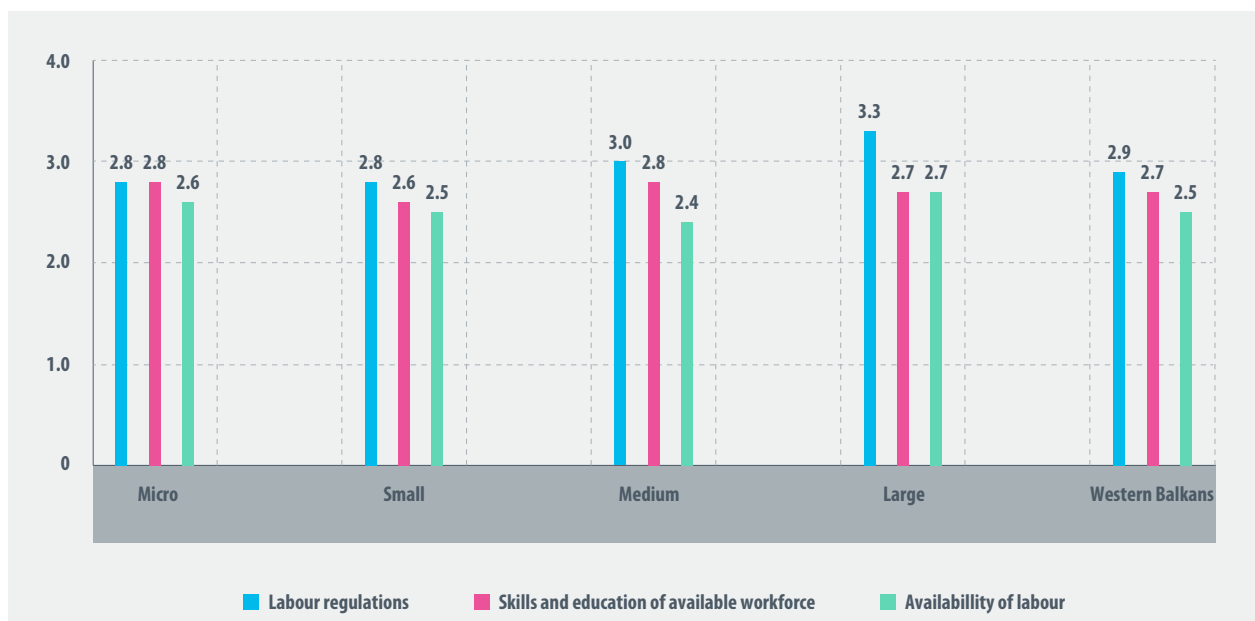
Figure 176: How do you expect the number of people employed in your company to change over the next 12 months?



(All respondents - N=1203, single answer, share of total, %)

Large enterprises, on average, cite labour legislation, skills, and labour quantity as more challenging than smaller businesses (Figure 176). The difference in averages, however, is too minor to be statistically significant, particularly on skills and availability of labour. Similarly, major businesses financed their operations mostly with internal money (58%) during the pandemic, but this percentage did not differ considerably from that of smaller businesses.

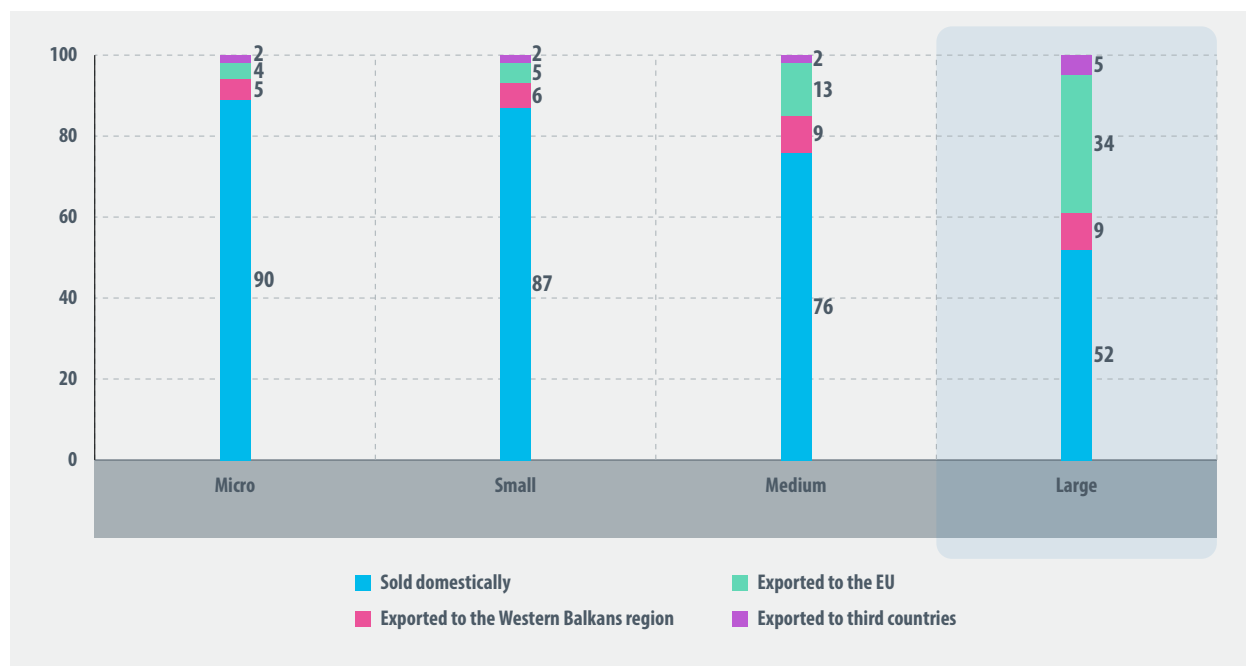
Figure 177: Can you tell how problematic are these different factors for the operation and growth of your business? Can you please rate each?



(All respondents - N=1203, scores on a scale of 1 to 4 where 1 means major obstacle, 2 moderate obstacle, 3 minor obstacle and 4 no obstacle, mean)

Large companies are more likely to export to EU (34%) and the Western Balkan region (9%) (Figure 178). Only 11% of micro-firms reported exporting in the region, the EU, or internationally, while 48% percent of large companies did. It is clear that the size of the company and its export orientation are related. Nevertheless, the proportion of large companies that primarily sell domestically (52%) is still significant, but with a major decrease from 2020 (71%).

Figure 178: What percentages of your company's sales are made domestically, exported to the WB region, to the EU or to the third countries?

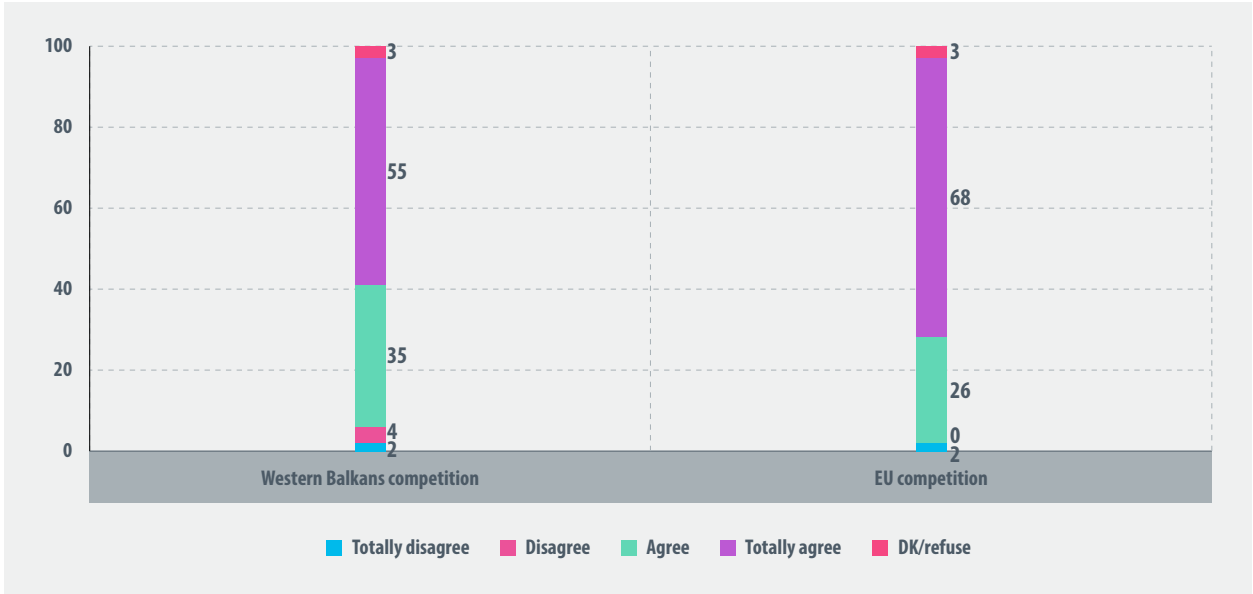


(All respondents - N=1203, share of total, %)

Figure 179 shows that 55% of large enterprises totally agree their products and services can compete well in the Western Balkan market, whereas 68% totally agree they can compete in the EU market (Figure 180). The entire sample of respondents came to the same conclusion as this observation. Over the years, however, the perception of one's own competitiveness on regional and European markets has changed (Figure 181 and Figure 182, respectively). For example, in 2017, 41% of major respondents said they could compete in the regional market, compared to 58% in the last year. In 2020, 73% of respondents perceived they were competitive in the European market, but that number has increased to 94% during this year.

Figure 179: 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?

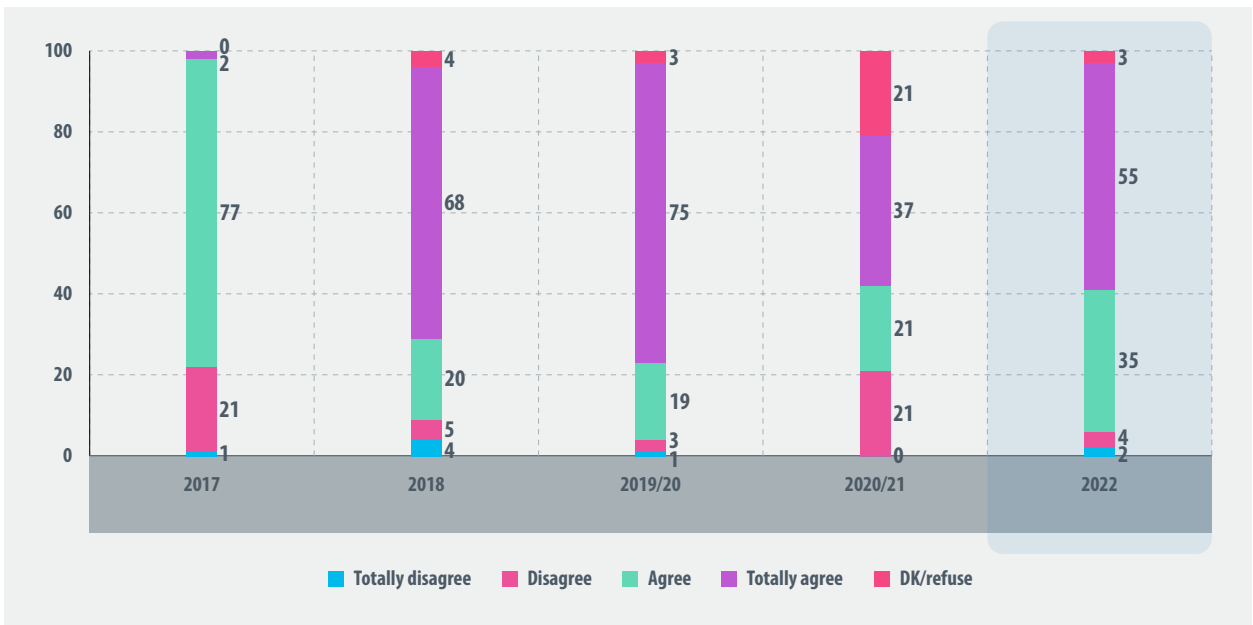
Figure 180: To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods, and services from other EU countries?



(Large companies - N=33, share of total, %)

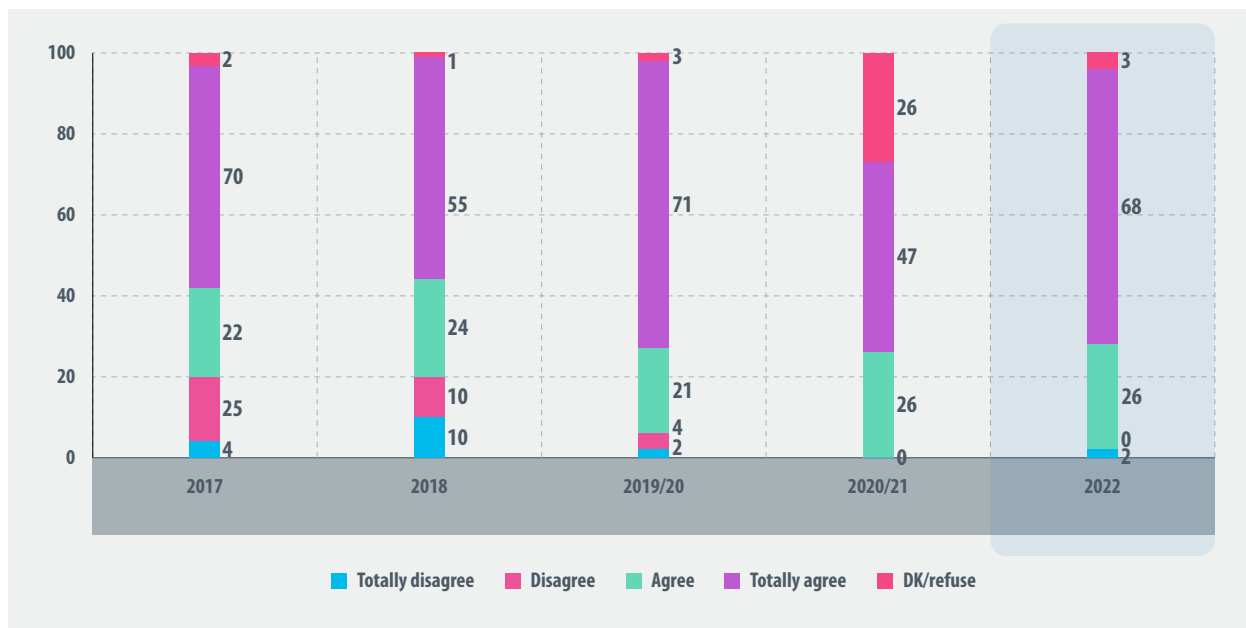
(Large companies - N=33, share of total, %)

Figure 181: 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=33, share of total, %)

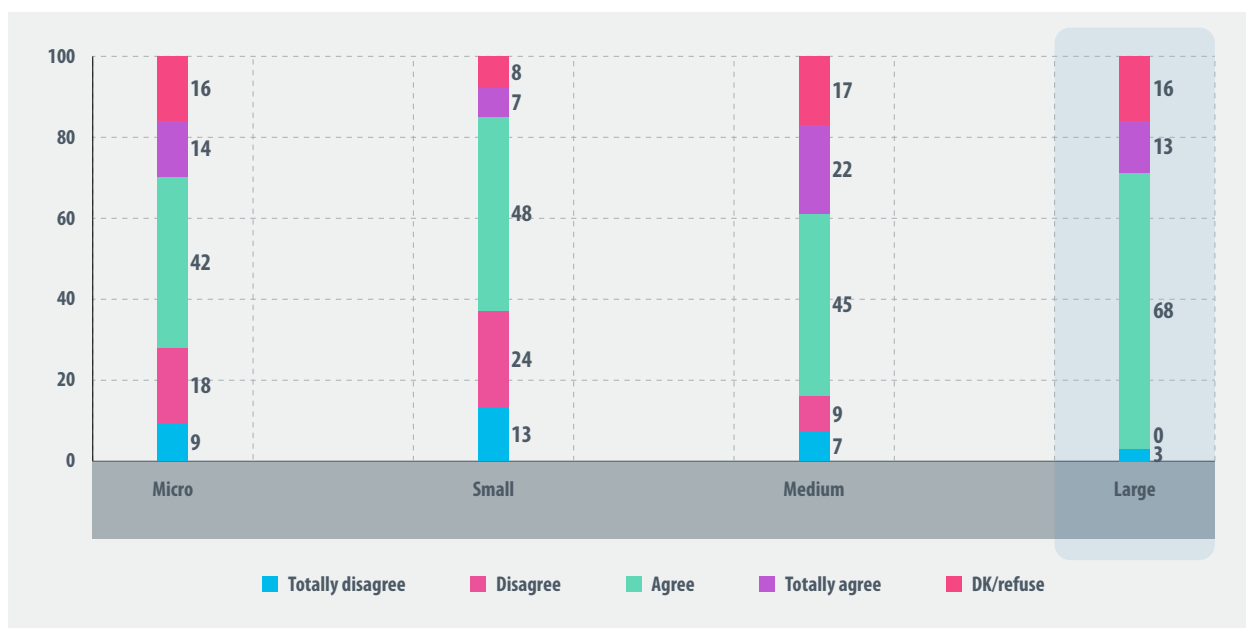
Figure 182 – Figure 182: To what extent do you agree with the following statements - My company's products, goods and services can compete well with products, goods and services from other EU countries?



(Large companies - N=33, share of total, %)

Large companies, on average, believe CEFTA 2006 was more beneficial than what other companies thought (Figure 183), since they are more frequently exporters. In comparison to 56% of micro businesses, 81% of large businesses think that CEFTA 2006 has been advantageous to them. Small and medium-sized businesses, on the other hand, have similar shares: 55% and 67%, respectively. However, only 3% of large companies have indicated complete dissatisfaction, compared to 9% percent in micro businesses, 13% in small businesses, and 7% in medium-sized businesses.

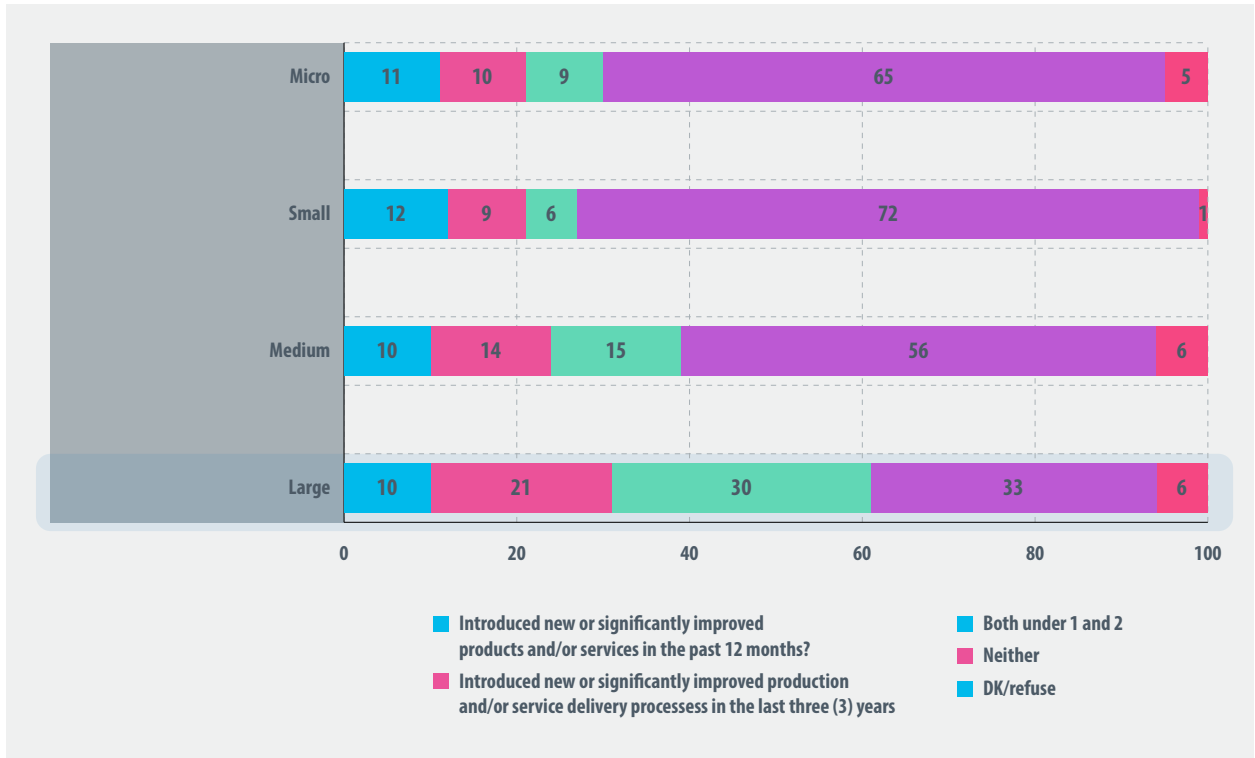
Figure 183: To what extent do you agree with the following statements - “My company has benefited from the regional free trade agreement (CEFTA 2006)”?



(Respondents who confirm exporting and importing from abroad - N=666, single answer, scores on scale from 1 to 4, where 1 means totally disagree and 4 means totally agree, share of total, %)

Small companies (12%) launched a new product last year, but their frequency is similar to that of other enterprises. Meanwhile, large companies become more innovative in the last three years (21% compared to 9% in the case of small companies). Furthermore, in the two timeframes studied, 30% of large enterprises explored product and service innovation, far more frequently than small and micro-businesses.

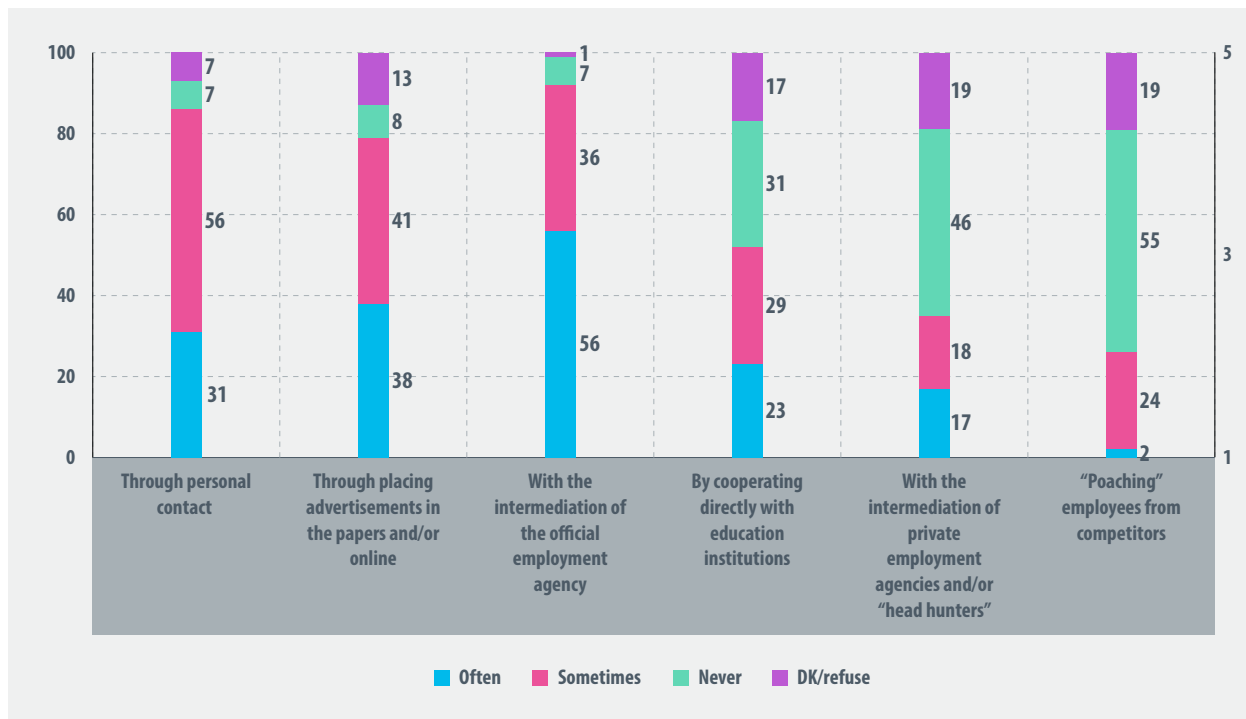
Figure 184: Have you introduced new or significantly improved product or service?



All respondents – N=1203, single answer, share of total, %)

Figure 185: How often do you use the following when hiring new employees?

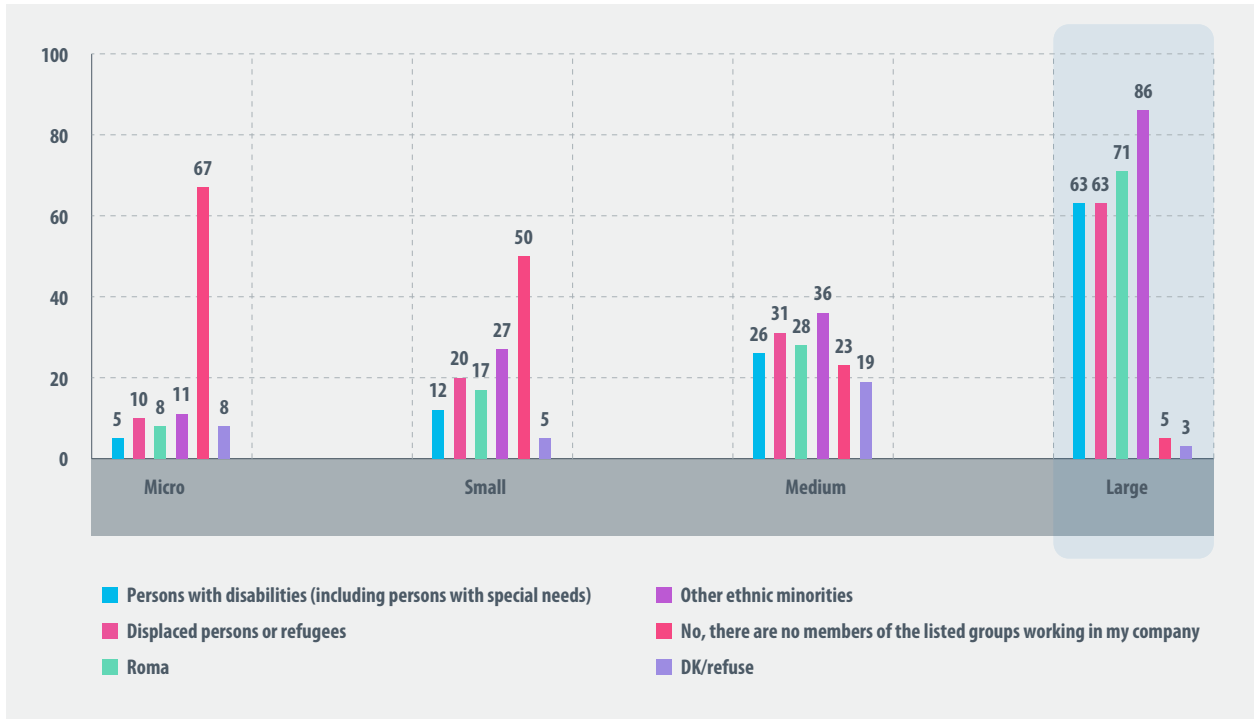
Please mark each of the following methods with 1 often, 2 sometimes or 3 never.



(Large companies- N=33, single answer, share of total, %)

When it comes to vulnerable groups, large corporations have a significantly diverse workforce (Figure 186). Furthermore, 71% of them employ Roma, compared to only 8% of micro-businesses. Ethnic minorities are employed by 86% of large corporations, compared to only 11% of micro-firms and 36% of medium-sized businesses. Disabled people and displaced people or refugees show similar differences in all businesses.

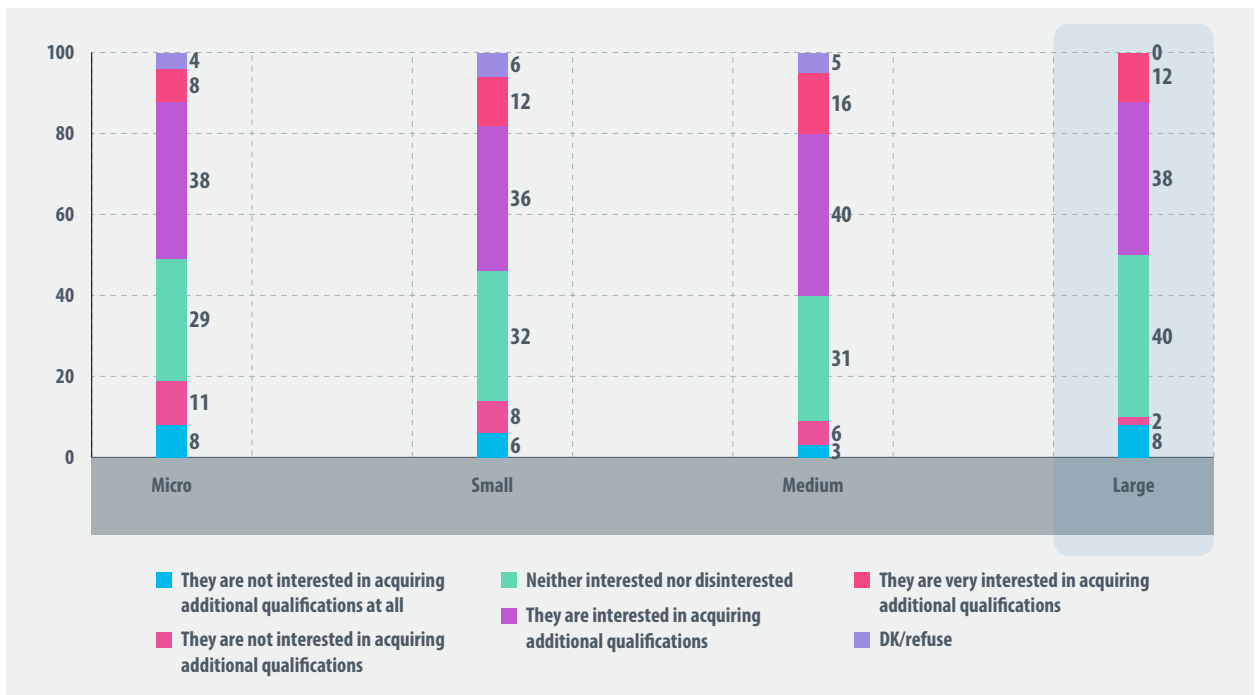
Figure 186: Do you have somebody from the below mentioned vulnerable groups working in your company?



(All respondents - N=1203, multiple answers, %)

Employees of medium-sized companies (56%) show a greater willingness to learn new skills (Figure 187). In the case of large organisations, 50% stated they were interested or extremely interested in doing so, compared to 46% for micro businesses. However, large companies and micro companies share the same lack of interest in acquiring additional qualifications (8% each).

Figure 187: How would you assess the readiness of employees in your company to acquire additional qualifications in order to advance and get promoted?



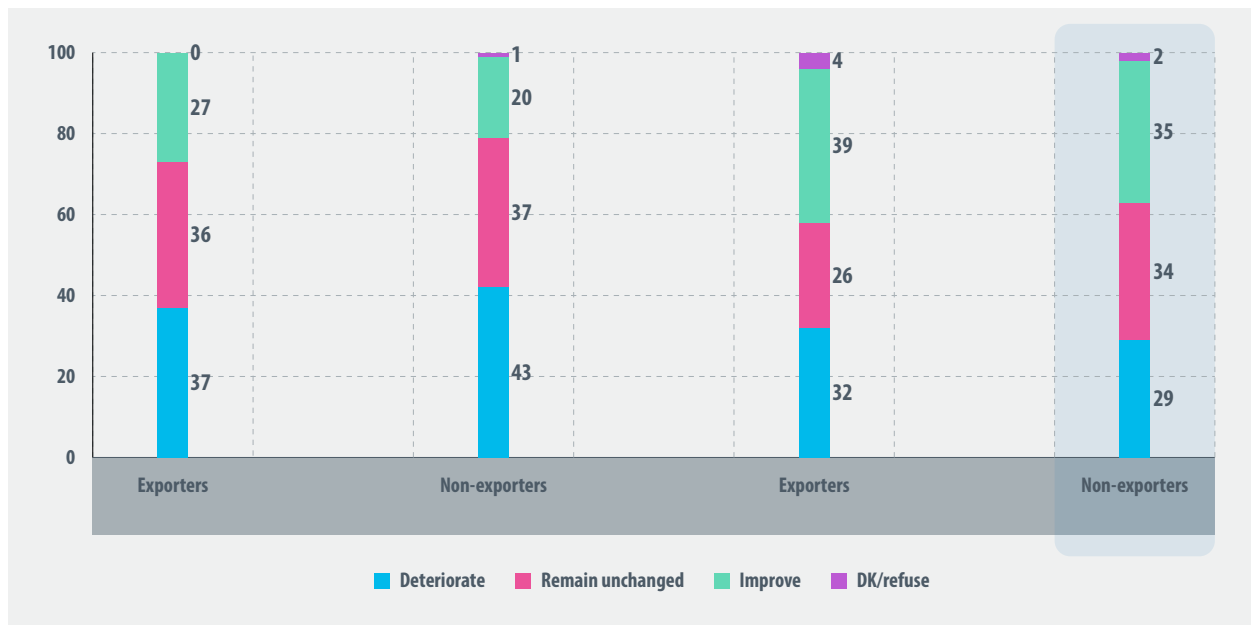
(All respondents - N=1203, single answer, share of total, %)

FOCUS ON EXPORTERS

Export-oriented businesses have access to international markets and easier reach to them. However, for that reason they are also more susceptible to market pressure from foreign companies and innovation from abroad. According to Figure 188, during 2021, only 37% of exporters felt the economy had deteriorated, while 43% of non-exporters stated the same. These shares are roughly half of what they were a year ago. Similarly, compared to 24% of exporters, 26% of non-exporters reported a decline in business activity in 2021. (Figure 189). Both groups, however, share the idea that the situation has remained unchanged (45% and 46% respectively). Thus, the speed of recovery for exporters is faster than non-exporters, even though the crisis did hurt them considerably. Exporters, on the other hand, do not differ significantly from non-exporters statistically in terms of their expectations for the economy over the next year, demand for their products/services and also the number of employees in their companies.

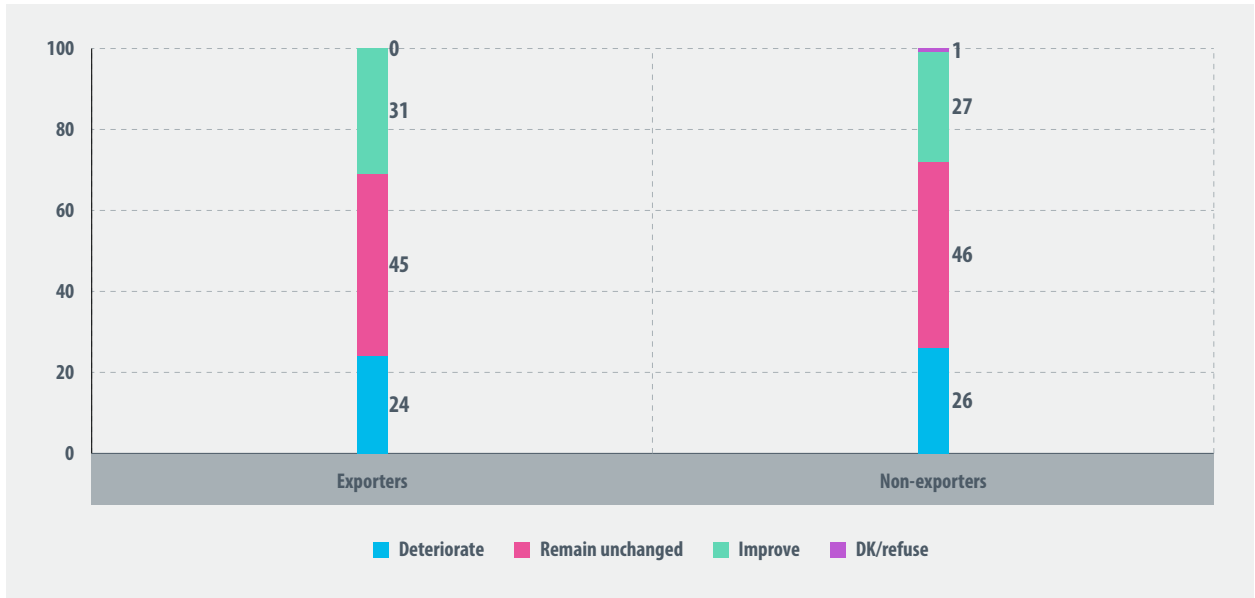
Figure 188: 1. How has the general economic situation changed over the past 12 months? Has it deteriorated, remained unchanged or improved?

2. How do you expect the general economic situation in [ECONOMY] to develop over the next 12 months? Will it mostly deteriorate, remain unchanged or improve?



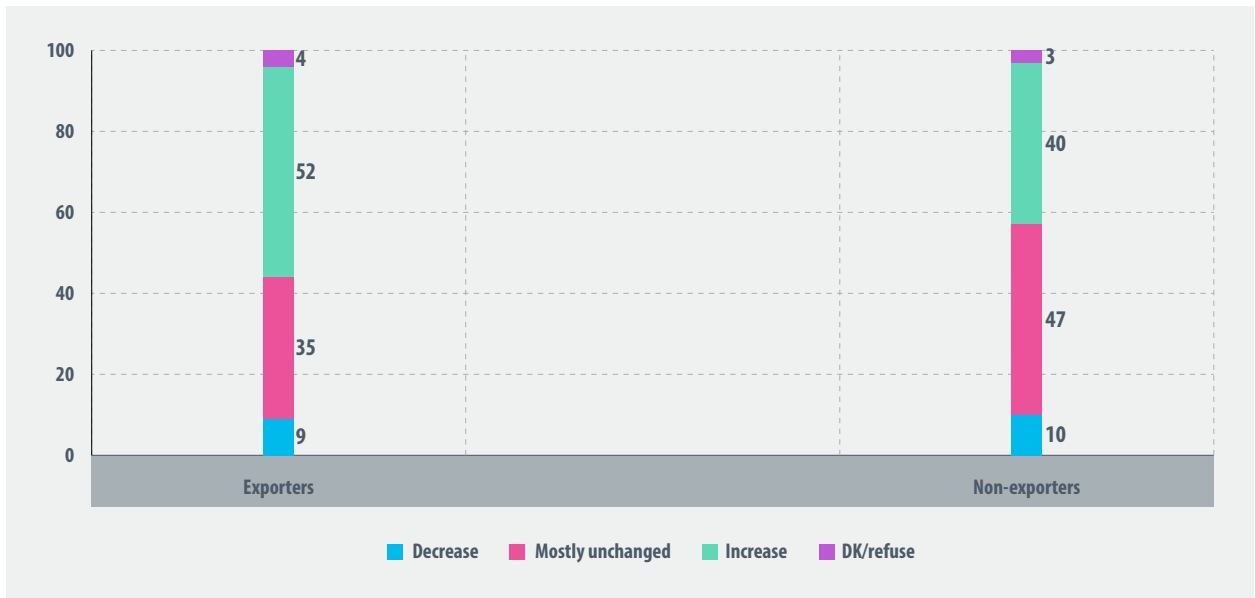
(All respondents - N=1203, single answer, share of total, %)

Figure 189: How has your business situation developed over the past 12 months? Has it deteriorated, remained unchanged or improved?



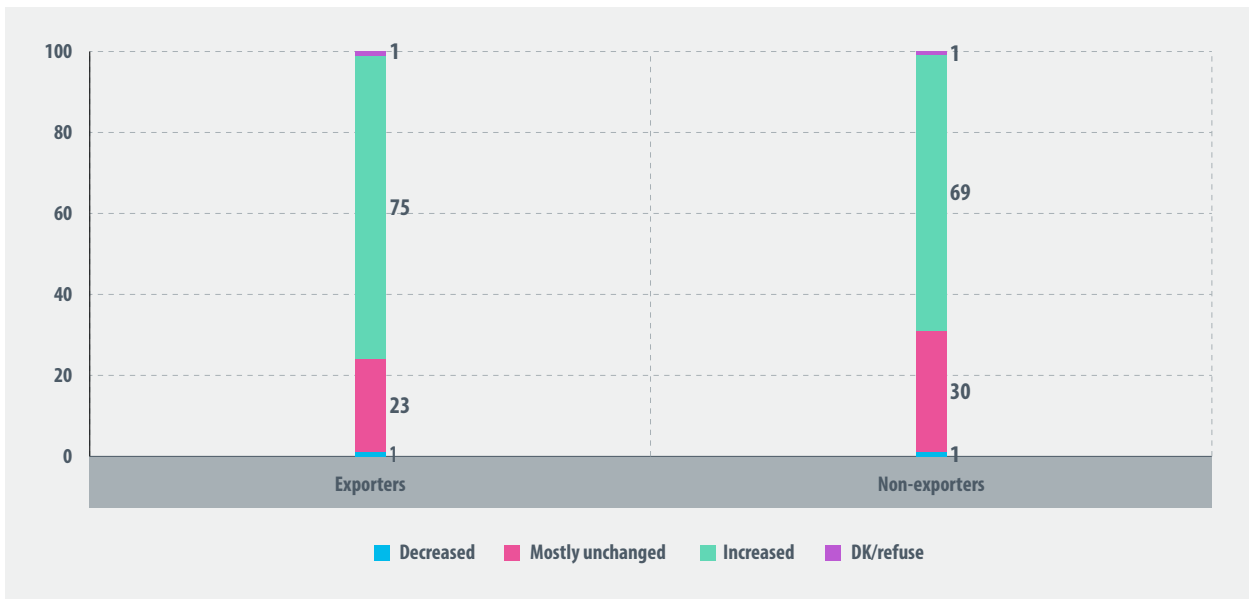
(All respondents - N=1203, single answer, share of total, %)

Figure 190: How do you expect the demand for your company's products/services to change over the next 12 months? Will it decrease, remain mostly unchanged or increase?



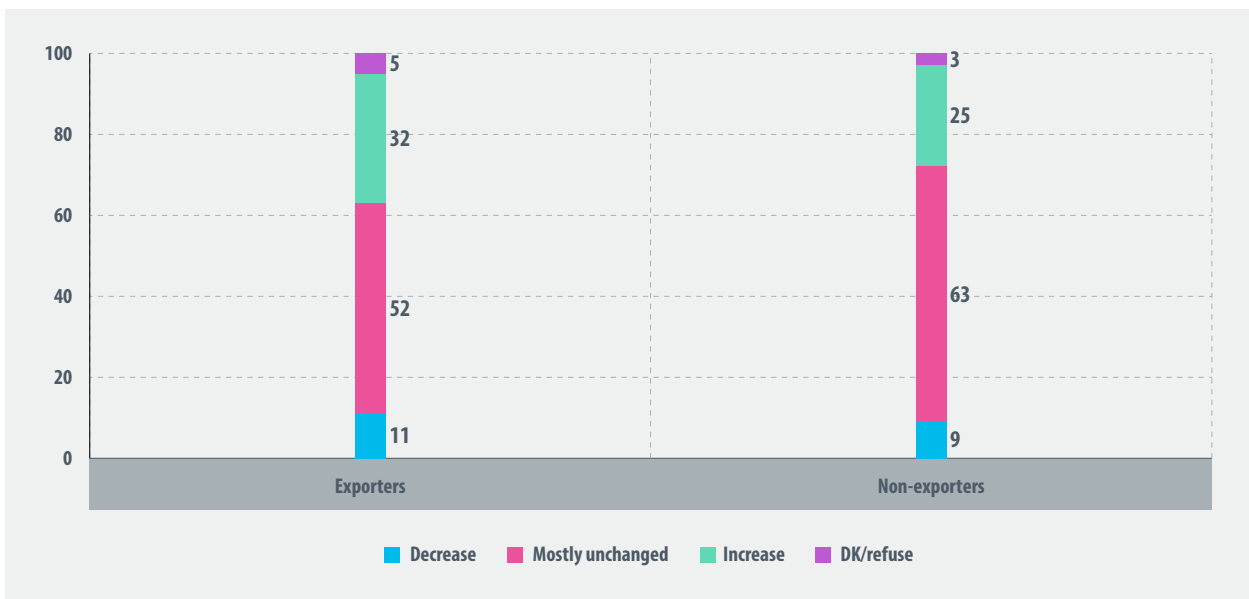
(All respondents - N=1215, share of total, %)

Figure 191: How have your labour and other costs (e.g. energy, etc.) changed over the past 12 months?



(All respondents - N=1203, single answer, share of total, %)

Figure 192: How do you expect the number of people employed in your company to change over the next 12 months?

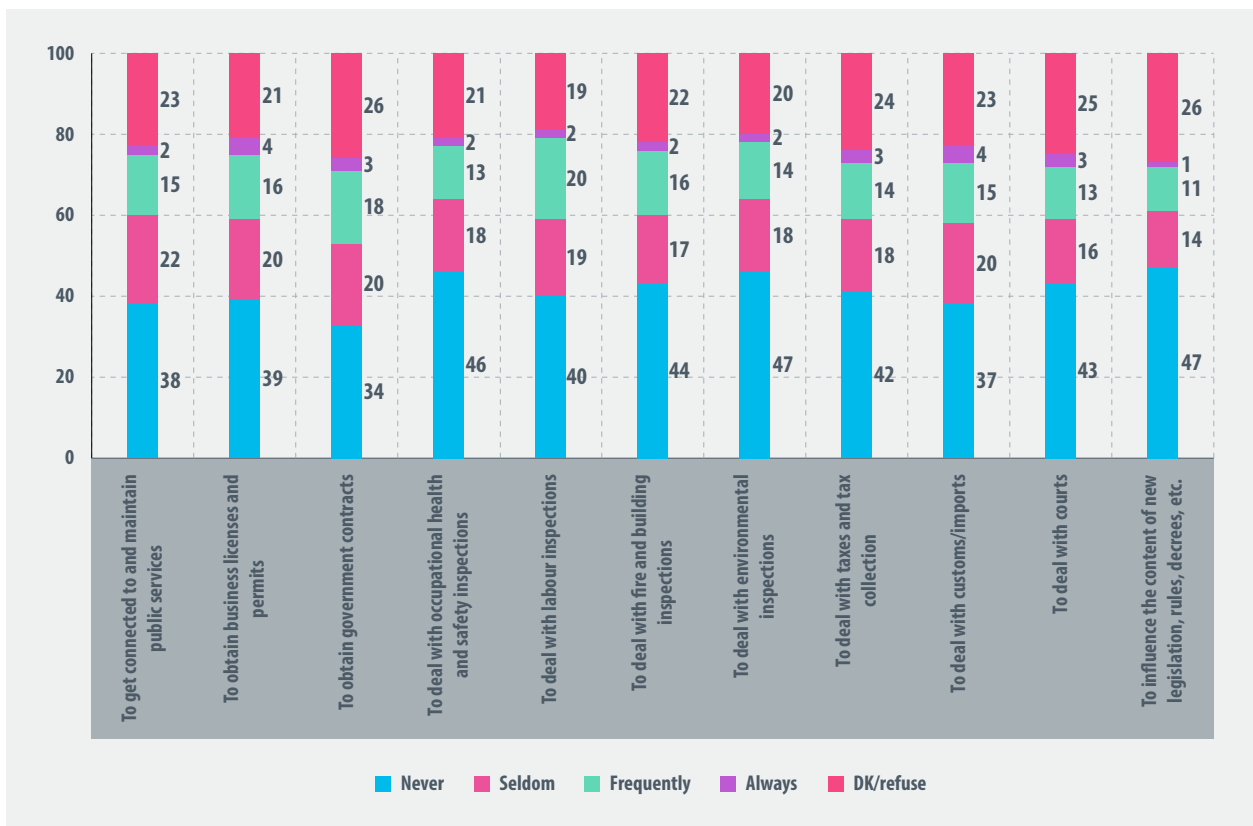


(All respondents - N=1203, single answer, share of total, %)

Figure 193 indicates how often exporters may have been in a position to offer various unofficial payments/gifts for 11 varying reasons, ranging from gaining access to governmental services to influencing the content of new laws. Generally, more than half of the respondents in each of the following 11 purposes, never or seldom made an unofficial payment or a gift in any purpose sensitive to unofficial payments.

Bribes were more evident among exporters. This may be a tell-tale sign that two factors might be affecting it: government officials expect bribes from exporters, and exporters have power to influence them through bribes. About 1%-5% of the total sample responded that they always give bribes, while the highest shares when admitting to giving unofficial gifts/payments are mostly to obtain government contracts and to deal with labour inspections.

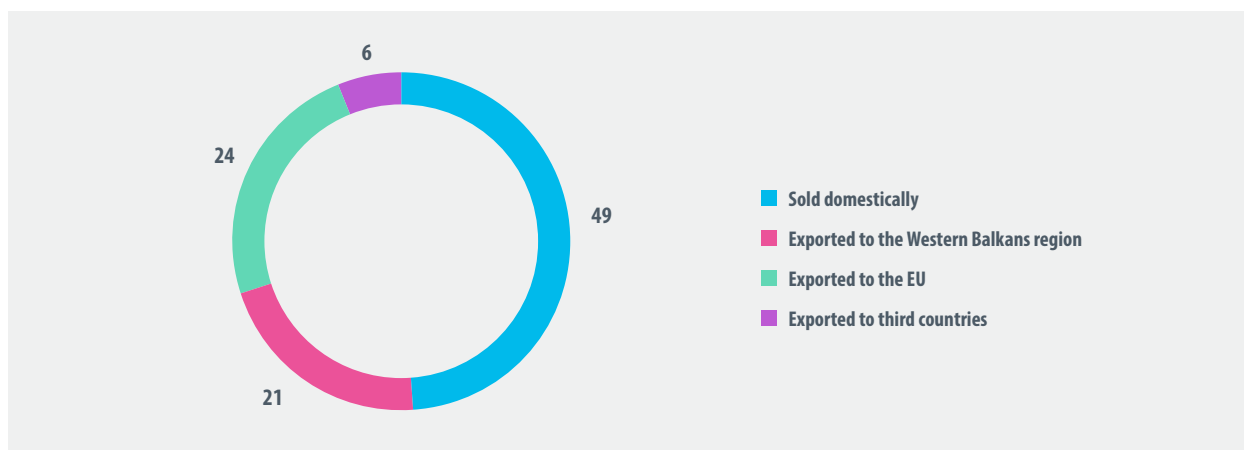
Figure 193: Thinking now of unofficial payments/gifts that companies like yours would make in a given year, could you please tell me how often would they make payments/gifts for the following purposes?



(Exporters only - N=333, single answer, scores on a scale of 1 to 4 where 1 means never and 4 always, share of total, %)

Almost half of exporters sell domestically (Figure 194). Regarding the share of sales, 21% of them reported to sell in the region, 24% in the EU, and 6% elsewhere in the world.

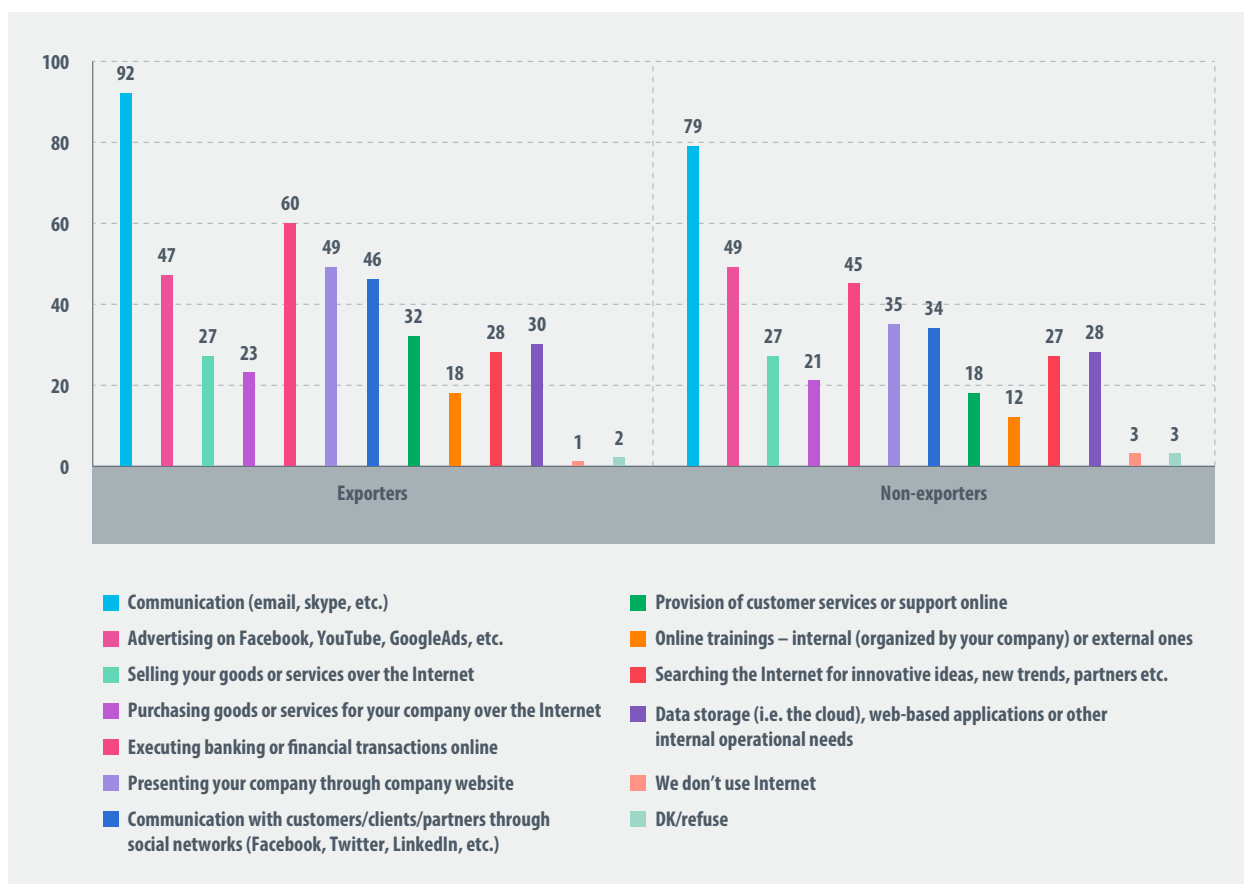
Figure 194: What percentages of your company's sales are made domestically, exported to the Western Balkans region, to the EU, or to the third countries?



(Exporters only- N=333, single answer, share of total, %)

Exporters use the internet more than non-exporters for a variety of reasons (Figure 195). The differences in internet usage between the two groups are more pronounced for communication (92% vs 79%), Financial transactions (60% vs 45%), presentation through website (49% vs 35%) and provision of customer services or online support (32% vs 18%). In terms of productivity levels, exporters and non-exporters may have disparities too.

Figure 195: Does your company use the Internet for...?

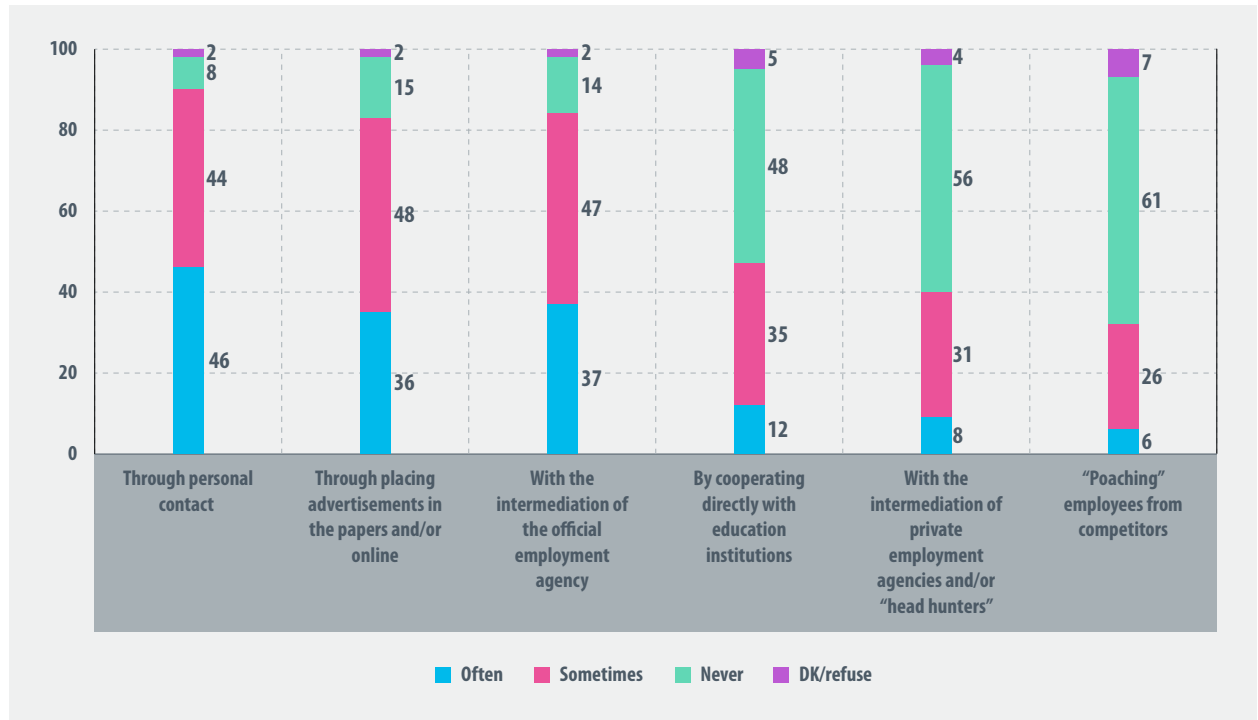


(All respondents - N=1203, multiple answers, %)

According to Figure 196, the hiring process happens through personal contact most of the time (46%) followed by employment agencies (37%), and advertisement in papers or online (36%). The least used method as we expected is “poaching” employees from competitors.

Figure 196: 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.

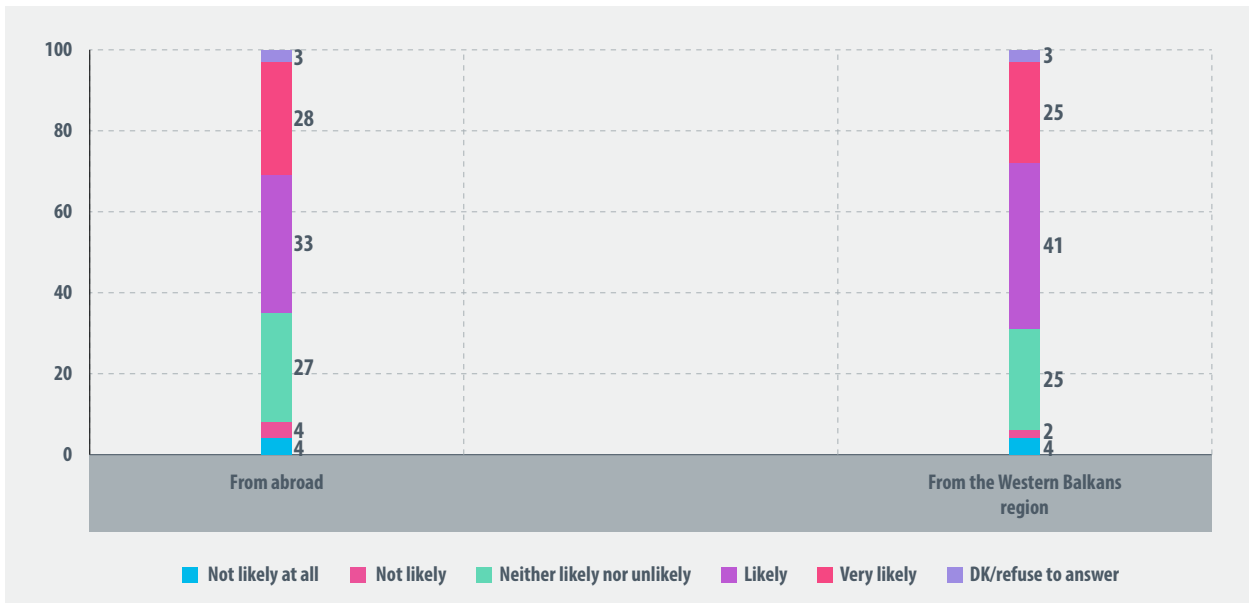


(Exporters Only- N=333, single answer, share of total, %)

Exporters prefer employees from outside the economy (Figure 197) and within the region (Figure 198). The majority of respondents said this is likely or very likely to happen: 61% for foreign employees and 66% for regional ones. The exposure of exporters to international businesses and cultures may lead to a more favourable attitude toward hiring foreign employees.

Figure 197: How likely would you employ workers from abroad in your company?

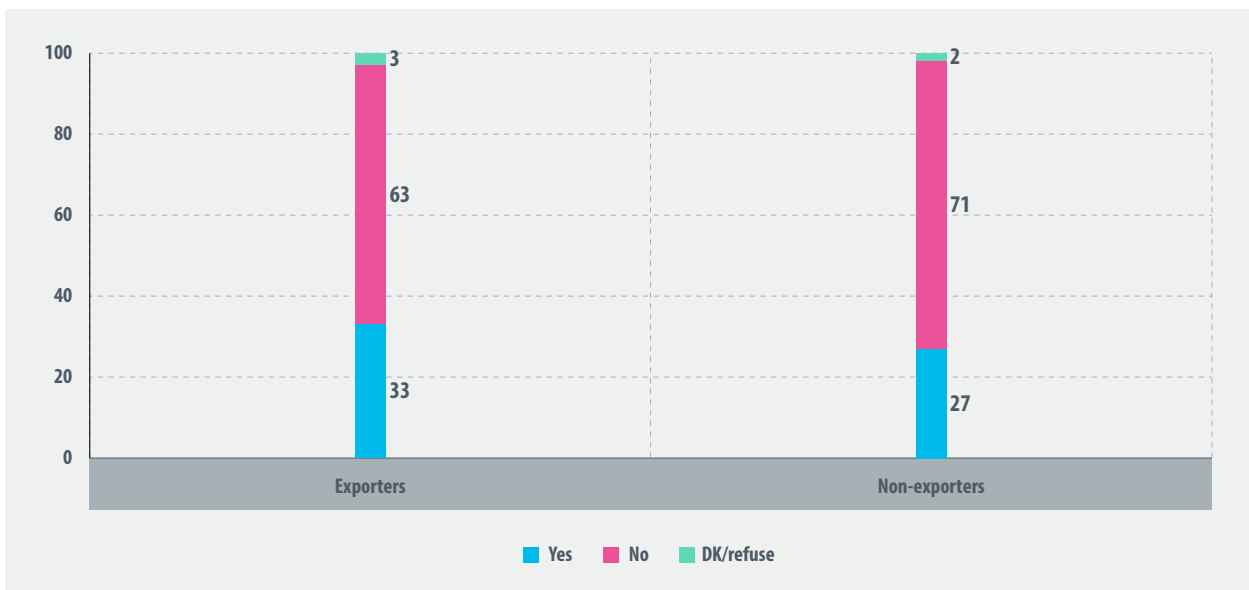
Figure 198: How likely would you employ workers from the region in your company?



(Exporters only - N=333, single answer, share of total, %) (Exporters only - N=333, single answer, share of total, %)

According to Figure 199, exporters could be experiencing higher productivity levels than non-exporters, evidenced by the fact that 33% of them invested in training of their staff, as compared to 27% of non-exporters.

Figure 199: 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 for training required by the law?

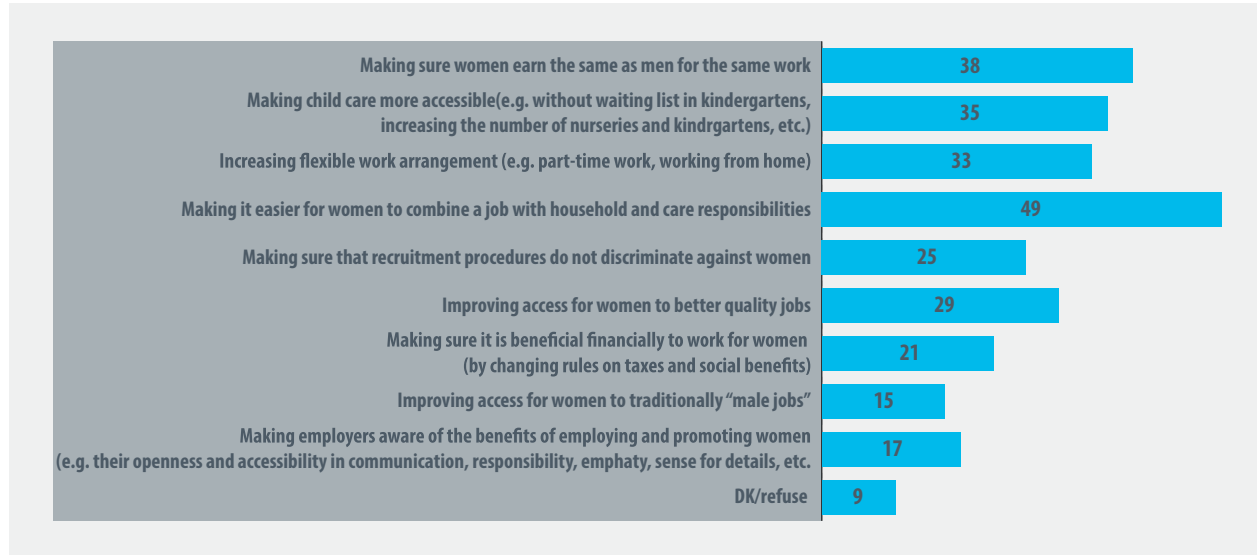


(All respondents - N=1203, single answer, share of total, %)

Exporters' perspectives on involving women as workers are similar to those of the overall sample (Figure 200): 38% see equitable pay as a way to increase their labour market involvement; the

highest share of respondents consider that combining a job with household and care responsibilities would be the most effective (49%), while 38% choose same earnings for men and women, and 35% mention childcare infrastructure as more effective.

Figure 200: In your opinion, what are the most effective ways to increase the number of women in the labour market?



(Exporters only- N=333, single answer, share of total, %)

CONCLUSIONS

Following the severe deterioration of the business sentiment in the Western Balkans during the pandemic of Covid-19 over 2020, the situation significantly improved over 2021. Although the losses in the business perceptions were as large to turn the situation back to 2014, they were almost recuperated in 2021, still not fully reaching the pre-pandemic level. This situation is a reflection of the overall conditions of the Western Balkan economies, whereby solid growth rates, although with apparent heterogeneity, made a return of the economies to normalcy, as well as the working hours and jobs, but the economies at the end of 2021 have not yet operated at the pre-pandemic level and a fuller return was expected for the first half of 2022.

Yet, the 2022 Barometer analysis corroborates the earlier trend that businesspersons in the Western Balkans consider the regional cooperation to be an important push driver of improved living standard of the citizens, a tool to accelerate growth and make Western Balkans a better place to live and work.

The picture of what businesspersons think about a palette of aspects of business life, government services, structural drivers and obstacles of growth largely remains unchanged compared to the last year. If a pattern needs to be established intra-regionally, then Kosovars stand out by being most optimistic and favouring their own business environment, followed by Albania. On the other side of the spectrum, the North Macedonia exhibited most of the pessimism in the same regard, preceded by Serbia. Bosnia and Herzegovina largely stayed in the middle, although the wide set of issues treated in the barometer implies that the patterns vastly vary depending on the thematic area of investigation.

When being asked about their governments' conduct, ethics, transparency, accountability or willingness to include them in the decision-making process, they tend to express dissatisfaction, yet shrinking over time and particularly over the last two years. Businesses across the region recognised governments' efforts to digitalise public services, advance technological and innovation capabilities, and enhance physical infrastructure, although the attitude towards such structural issues has been maintained rather constant or at best improving sluggishly. The perception of corruption is still high, and in some cases growing. Hence, upholding the rule of law should remain a prime concern of policymakers.

When it comes to trade and investment, Western Balkan businesses revealed a slight improvement in their attitude to trade with and invest in the EU, as well as within the CEFTA region, despite majority of companies – predominantly small and medium-sized remained stuck on the domestic market. The latter reflects their low technological and innovation levels, which then determine the low competitiveness for the global marketplace, even when seen through their inclusion into the chains of the multinational companies operating in the Western Balkans. Yet, most of them expressed confidence that their products were highly competitive on the European markets. Both businesses and governments may reap the fruits of such confidence, if structural reforms are put on an accelerated track to support the enabling environment for inclusion of domestic companies into the global value chains.

On the structural front, the 2022 Barometer concludes that government-supported push is required in two other critical areas: innovation and labour markets. As mentioned, particularly SMEs

should be targeted with support to elevate their innovation capacities to be able to compete regionally and globally. The labour market more intensively faced the problem of lack of adequately qualified labour force, amid eased containment measures, which could be addressed only over the medium haul through robust investment in education, training and activation programmes. Related problems like gender gaps, stereotypes against Roma etc. will likewise benefit from such measures.

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 mid-February to mid-March 2022 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.

The Business Opinion Survey questionnaire was composed of 109 questions, including those on business demographic.

The questionnaire was originally written in English and subsequently translated into the local languages. 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/national team leader in each economy.

Interviewers

The survey was conducted by experienced interviewers in all 6 (six) 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/national 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 1,203 respondents for the entire Western Balkans region. Companies in majority state 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 2019.

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 national statistical offices of 6 (six) 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 a lot of responsibility and are probably very busy, telephone recruitment was organised. 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 idea and the objectives of the survey to the respondent and then attempted to arrange a face-to-face interview. The interviewer needed to be very familiar with the project, but also to be eloquent, persuasive, polite and persistent. Every telephone interviewer was obliged to contact a potential respondent at least three times and arrange an appointment (except in cases when a person categorically refused to participate in the survey). They needed to note down the scheduled date and time clearly. Thus, the contact lists contained only relevant information; they were filtered and ready for face-to-face interviews.

Sample Structure

Figure 201: Sample structure by respondent's position

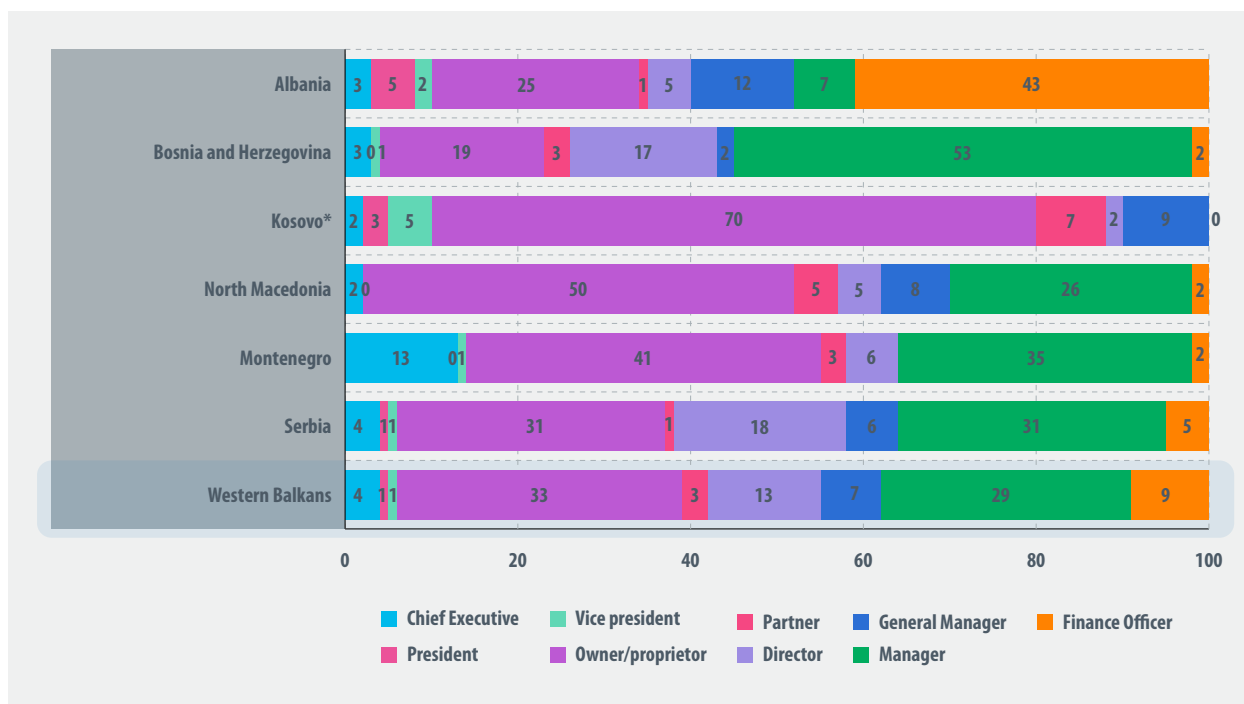


Figure 202: Sample structure by number of employees

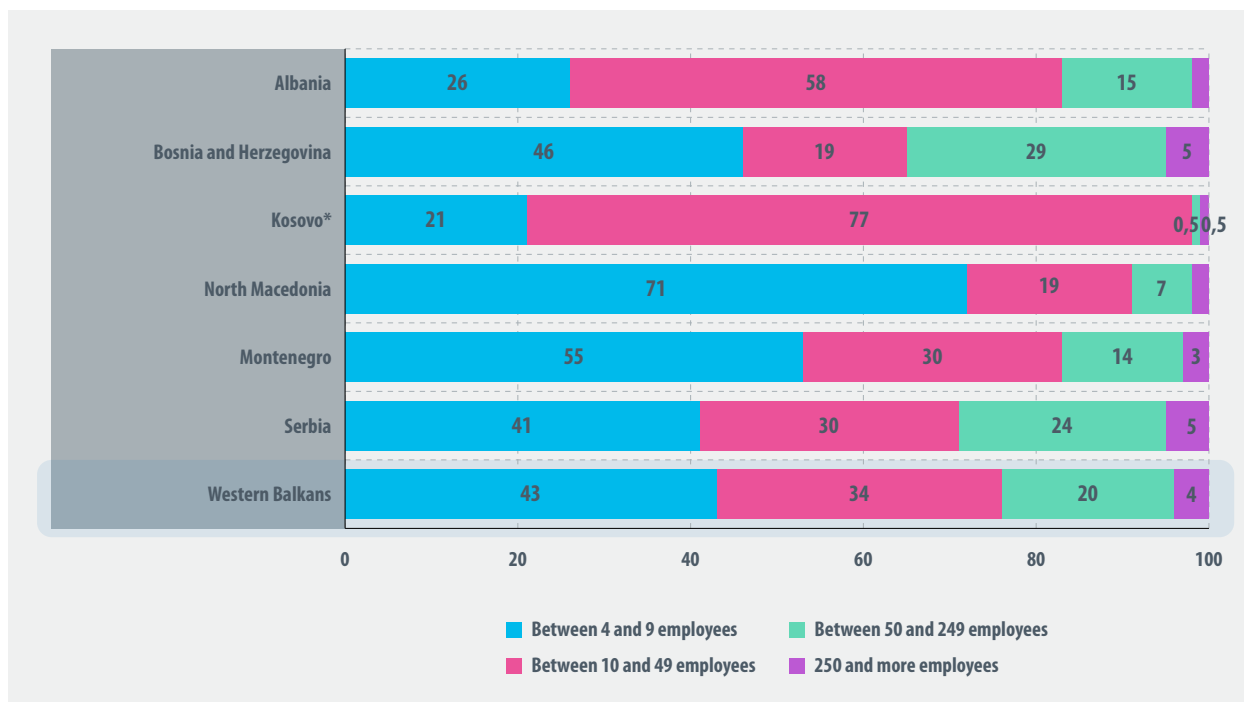


Figure 203: Sample structure by largest shareholder

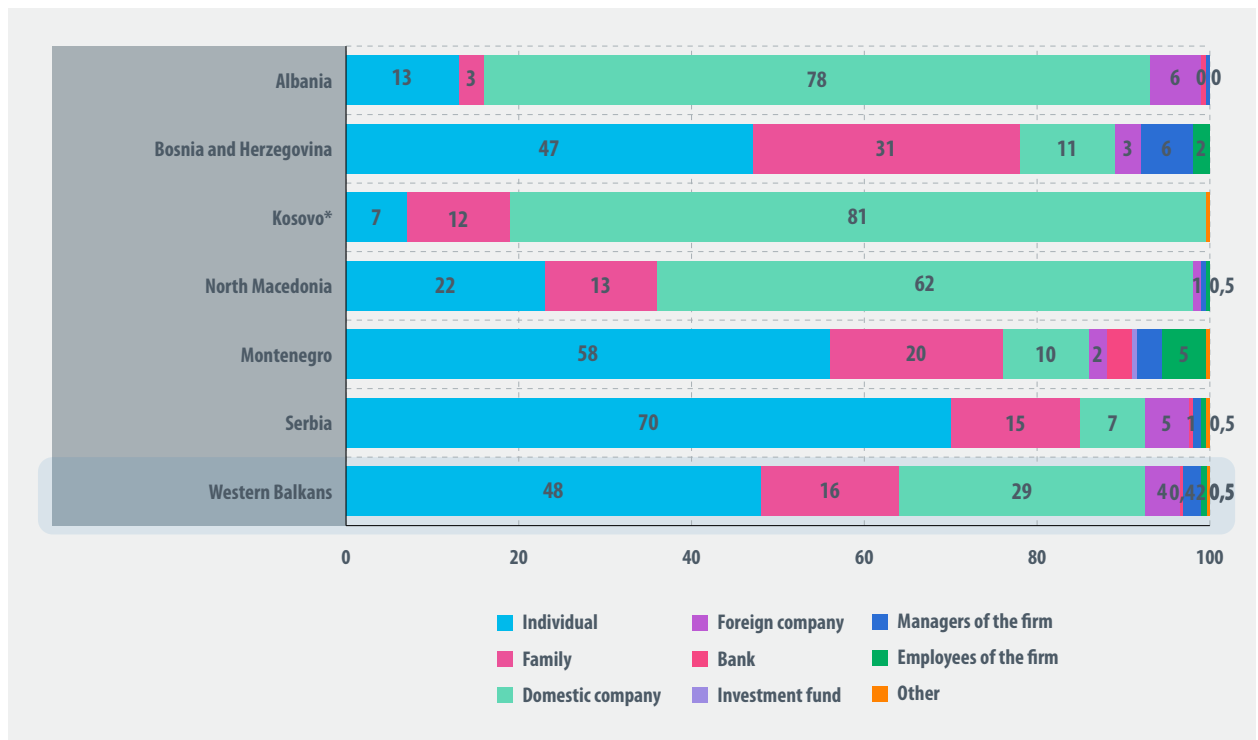


Figure 204: Sample structure by business area

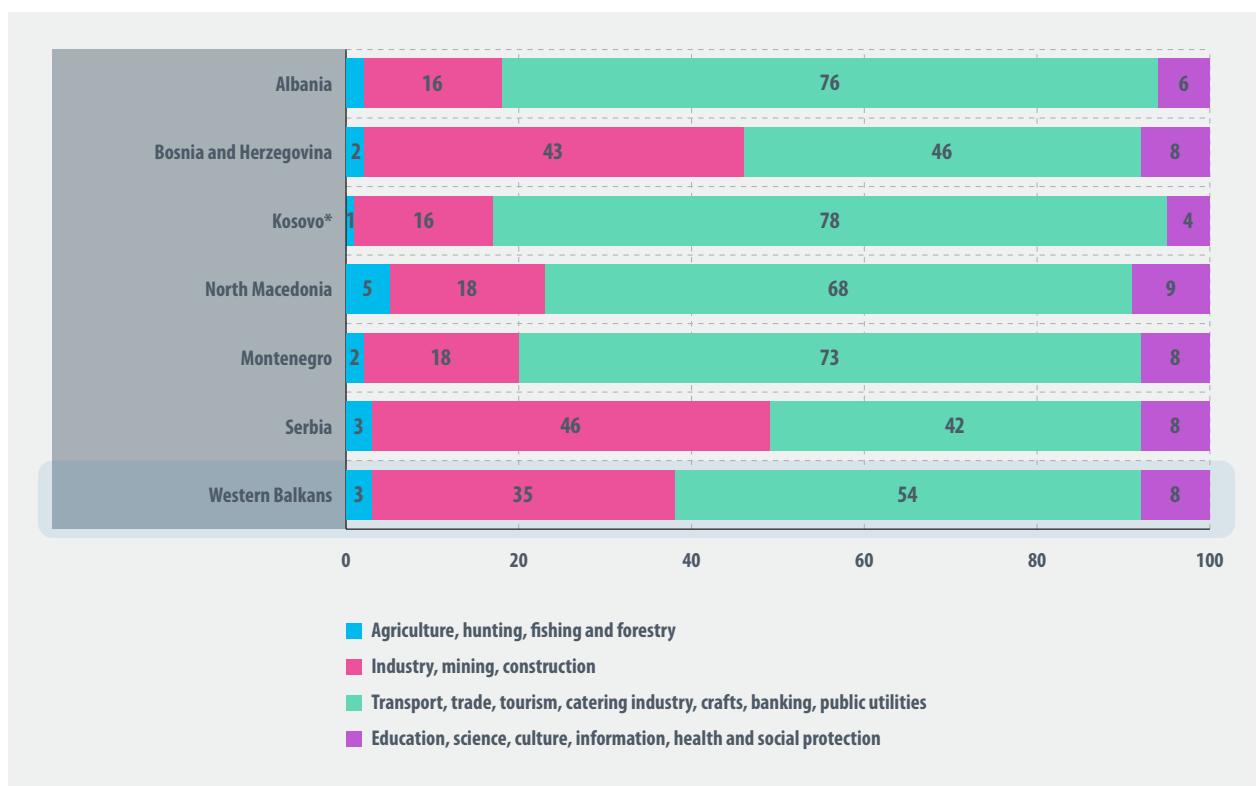
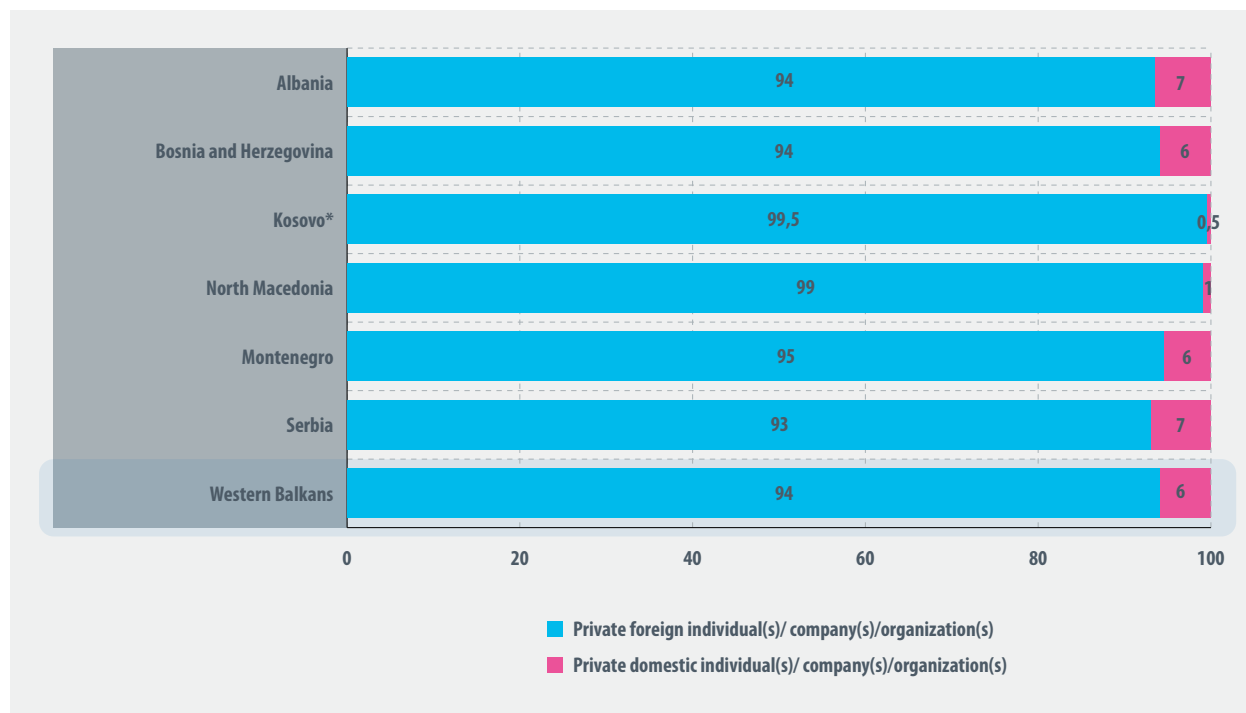


Figure 205: Sample structure by ownership



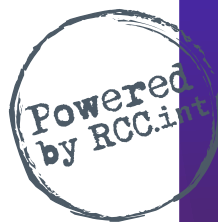
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