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POLICY BRIEFING
WESTERN BALKANS

10 years Berlin Process. Economic development in the Western Balkans since 2014

Executive summary

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Summary: GDP and carbon intensity

	WB6	ALB	BIH	KOS	MNE	MKD	SRB
GDP (USD, bn) ¹⁾	157.8	22.7	27.2	10.5	7.4	14.8	75.2
GDP/capita (USD, thsd) ¹⁾	9.2	8.0	7.9	5.9	11.7	8.1	11.3
GDP growth (real p.a.) ²⁾	3.1%	3.2%	3.0%	4.1%	3.4%	2.0%	3.1%
CO2/GDP (kg/USD) ³⁾	0.63	0.26	0.80	0.86	0.37	0.55	0.68
CO2/GDP (change) ⁴⁾	-15%	-36%	-21%	-19%	-12%	-10%	-9%

Sources: IMF, Our World in Data, respective National Statistics Institutes, OECD;

Notes: 1) 2023, current USD; 2) average from 2014 to 2023; 3) 2022, current USD 4) from 2014 to 2022, GDP in constant 2022 USD

Economic development

- » The WB6 economy grew on average by 3.1% p.a. in the last 10 years, proving resilient against emigration, the COVID-crisis and high inflation
 - KOS featured the highest average real growth (4.1% p.a.) and MKD the lowest (2.0% p.a.)
- » The region's aggregated GDP is comparable to that of UKR and its GDP/capita is higher than that of other EU-accession candidates (UKR, MDA, GEO)
- Resilient economic growth of WB6 in the last 10 years, defying multiple challenges

Carbon intensity (CO2/GDP)

- » Carbon intensity of the WB6 region is four times higher than that of the EU
- » Over the last 10 years, carbon intensity of the region decreased slower than that of the EU
- » Large differences within WB6: ALB has relatively low and rapidly decreasing carbon intensity, KOS and BIH have very high carbon intensities
- Very high and only slowly decreasing carbon intensity

Summary: foreign trade

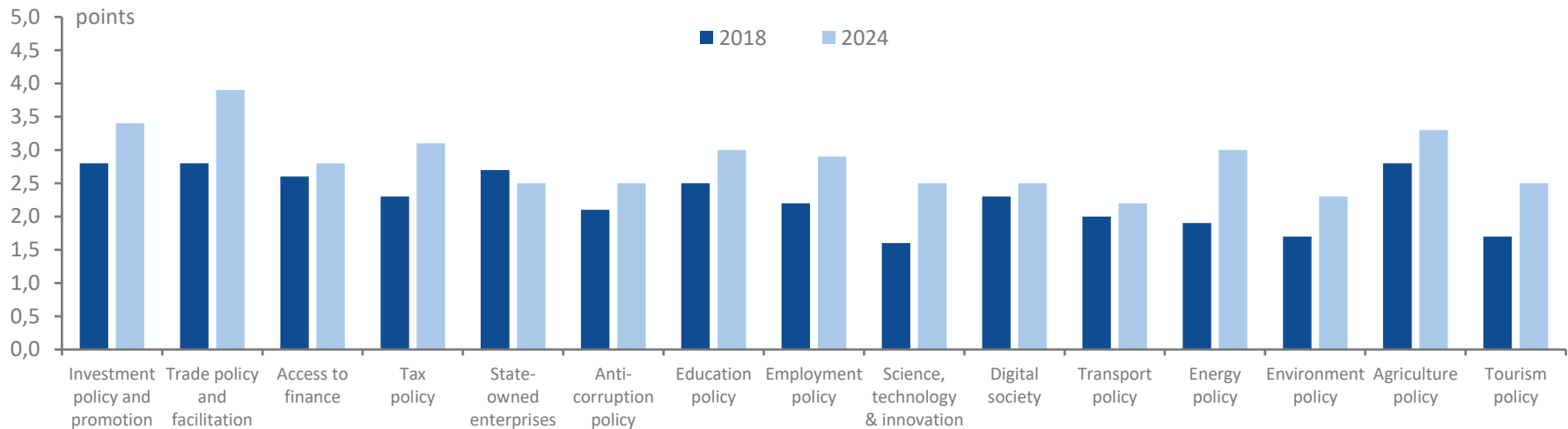
		WB6	ALB	BIH	KOS	MNE	MKD	SRB
Exports to	EU	66% →	71% ↓	73% →	32% →	36% →	79% ↓	62% →
	WB6	16% →	17% ↑	19% ↑	40% →	48% →	13% →	15% ↓
Imports from	EU	54% ↓	52% ↓	59% →	42% →	46% →	49% →	56% ↓
	WB6	8% ↓	6% ↓	12% →	16% ↓	26% ↓	9% →	5% →

Sources: respective national statistics institutes

Notes: goods only, percentage-numbers indicate share of overall exports/imports, arrows indicate trend of last 10 years

- » EU is by far the largest trading partner of WB6-countries and its share is relatively stable over time
 - All WB6-countries have bilateral free trade agreements with the EU
- » Within-WB6 trade plays only moderate role
 - Additionally, for most countries within-WB6 trade is concentrated on only one partner
- » No progress in regional trade integration, despite free trade agreement (CEFTA) and significant potential for additional regional trade ([see GET study from 2023](#))
- » Reasons, as shown in the GIZ's [“Report on Non-Tariff Measures in CEFTA”](#)
 - Procedural obstacles at customs, incl. access to information, release and clearance of goods
 - Product safety requirements, incl. sanitary & phytosanitary measures (SPS) and technical barriers to trade (TBT)
- Only moderate and stagnating regional trade integration due to prevailing non-tariff trade barriers

Summary: alignment of polices with EU standards



Source: OECD's [Western Balkans Competitiveness Data Hub](#)

- » The policy environments of all WB6-countries have on average converged towards EU standards since 2018 (when the OECD started to report on policy alignment with EU)
- » Substantial differences in convergence across different dimensions and countries
 - Strongest convergence in trade policy and facilitation (+1.1), no convergence in policies concerning state-owned enterprises (-0.2)
 - MNE has made biggest progress, while MKD made least progress since 2018
- » Despite progress, level of alignment achieved in 2024 still leaves much room for reform and varies greatly across dimensions
 - No country has reached EU standards in any of the 15 policy dimensions assessed
 - Big differences between countries: SRB & ALB lead the region, while BIH trails behind
- Significant convergence towards EU standards, but progress varies across dimensions & countries
- Ample scope for reforms remains

Summary: foreign direct investment

		WB6	ALB	BIH	KOS	MNE	MKD	SRB
Net inflows (% of GDP)	2022	6.9	7.6	2.6	8.6	14	6.4	7.2
	Avg. since 2014	5.8	7.9	2.5	4.7	10.9	3.7	6.7
Inward stock (% of GDP)	2022	72.3	60.3	38.1	57.1	91.2	54.5	81.3

Source: Worldbank, UN trade & development, IMF, Central Bank of Kosovo

- » Relatively high and increasing inflows, well above those of UKR & MDA and comparable to those of GEO in last 5 years
 - Reasons: low labour costs, tax incentives for investors, very few regulatory restrictions for FDI and existence of comprehensive legal frameworks to support investments
 - Crucial greenfield investments increased significantly since 2019 and shifted towards higher value-added sectors
- » Correspondingly, FDI stock also steadily increased
 - Mostly comprised of FDI from EU
 - Significant differences between WB6-countries: MNE had highest FDI stock (91.2% of GDP) in 2022 and BIH the lowest (38.1%)
- WB6 was able to attract relatively high FDI inflows in last years
- Increasing FDI stock, which is higher than that of UKR and MDA but smaller than that of GEO

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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