chamber investment forum
western balkan 6

MONITORING THE IMPLEMENTATION OF THE COMMON REGIONAL MARKET ACTION PLAN (2021-2024)

KEY BUSINESS INSIGHTS ON PRIORITY ACTION POINTS

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To contribute to the successful realization of the Action Plan 2021-2024 for the Common Regional Market (CRM AP), WB6 CIF and its Business Council commit to monitoring and documenting the tangible progress as felt by the business community of the region through regular progress reports. The reports will present an analysis of the viewpoints of the private sector on the state of implementation of the CRM AP, identify and propose priority measures from the viewpoint of the business community, and look at the way the common market functions in practice, in particular in key areas and for key market actors. This will help all stakeholders and policymakers – at the regional and national level – to assess the effects of policy actions already undertaken and to identify the right priorities and better respond to the needs of businesses.

Abbreviations

EU27 European Union 27
FDI Foreign Direct Investments
GDP Gross Domestic Product
NTM Non-tariff measures
SPS Sanitary and phytosanitary
TBT Technical barriers to trade
WB6CIF Western Balkans 6 Chamber Investment Forum

Contents

Foreword

The Western Balkans 6 Chamber Investment Forum and its Business Council is committed to monitor the implementation of the Common Regional Market Action Plan, with the intention to provide continuous feedback to the policy makers, national authorities and all interested stakeholders on the reflections of the business community on the implementation of this key document of the regional economic agenda, in view of the direct and tangible improvements in the business climate in the region, easing doing intraregional business.

The full implementation of the Common Regional Market remains an issue of utmost priority for the region's business community, and despite the laggings in its implementation in the first year of the implementation of the Common Regional Market Action Plan, the results of the conducted survey confirm that the issues stated as action points in this document still remain valid requests of the regional business community and businesses across the region expect to see visible shifts related to the issues selected as Key Priority Areas.

This report provides insights of business community to assess potentials of common market by drawing lessons from actual stage of economic development and COVID-19 crisis as well as define and report on key performance indicators on Western Balkans Common Regional Market AP. It is the second of a planned series of yearly reports. Economic conditions of the past years have exposed Western Balkans economies to contracting by 3.1%. Small and medium-sized enterprises were in particular affected by restrictions to free movement of people and goods, as well as supply chain disruptions.

This report consists of three interconnected sections:

- A short overview of the WB6 key economic indicators 2020-2021;
- WB6CIF Key Performance Indicators in the key areas of the Common Regional Market, including two groups of indicators:
    - **First group of indicators: OVERVIEW OF THE KEY MACROECONOMIC INDICATORS,** reflecting the changes in the overall economic development in the regional economy and the achieved progress/regress (which in turn, are reflection of the external factors, including the economic effects of the still ongoing pandemic, but also reflect the impact of the implementation of the Common Regional Market Action Plan on the region's economic performances);

Headline indicators	Common Market Integration	International dimension	Movement of people	Services	Investments and Capital
WB6 GDP WB 6GDP pc WB6 GVA	Intra-regional WB6 trade in goods Intra-regional	Overall WB6 trade in goods and services with world	Population Employment Unemployment	Export of services Import of services	Gross fixed capital formation Gross fixed capital

Headline indicators	Common Market Integration	International dimension	Movement of people	Services	Investments and Capital
WB6 GDP per person as a percentage of the EU average	WB6 Export intensity	Openness index (goods and services) Export intensity for extra WB6 trade	Unemployment rate	Balance of trade in services	formation , as % of GDP Realized loans to non-financial corporations

- **Second group of indicators: OVERVIEW OF THE BUSINESS INSIGHTS REGARDING THE IMPLEMENTATION OF THE COMMON REGIONAL MARKET ACTION PLAN IN THE KEY AREAS,** summarizing the overview of the business insights regarding the implementation of the Common Regional Market Action Plan, deriving from the business survey conducted by the WB6 CIF;

Waiting times at border crossing points	**Progress in elimination of barriers**	**Harmonization of rules (requirements and standards) that apply to products traded within the region**	**Providing services across the region on equal terms without requirements for permanent establishment**	**Making it easier for individuals to move, stay and work**	**Improvement in addressing key restrictions impeding the movement of capital across the region**
KPI 1 - Max waiting time – outbound BCP EU	KPI 5 - Percentage of companies that reported barriers KPI 6 - Percentage of companies reported trade facilitation issues		KPI 7 - Providing services across the region on equal terms without requirements for permanent establishment	KPI 8 - Making it easier for individuals to move, stay and work	KPI 9 - Enabling cross-border movement of capital and payments
KPI 2 - Max waiting time – inbound BCP EU					
KPI 3 - Max waiting time – outbound BCP WB6					
KPI 4 - Max waiting time – inbound BCP WB6					

- Business insights from the conducted Survey on the viewpoints of the region's business community on the circumstances on doing business in the Western Balkans and expectations,

The final section summarizes the main findings of the study and provides some recommendations for involved stakeholders.

PART I
OVERVIEW OF THE WB6 KEY ECONOMIC INDICATORS 2020-2021

After the collapse caused by the pandemic in 2020, it is expected that the economy of the Western Balkans in 2021 will record a growth of economic activity of 5.9% and that the acceleration in 2022 will be 4.1%. Compared to the growth projection of the European Union,[1] in the short term (in 2021) higher growth is expected than in this economic bloc, while lower growth is expected next year. According to the World Bank projection,[2] to achieve the level of the volume before the pandemic, the recovery of the Western Balkans as a region will take several years. Given the scale of internal and external risks, launching an ambitious reform agenda to strengthen resilience and accelerate growth, could be the best response to the current crisis. The COVID-19 crisis has highlighted the importance of looking at the Western Balkans capacities for economic and common market development together, as well as importance of economic and social impact that crisis situation had on the free flow of goods, services and people and business community. There is a need for better understanding linkages across the Western Balkan economies and specific sectors.

The fiscal deficit of this region in 2021 will be lower than originally expected, but depending on the stabilization and control of the pandemic, individual members will be forced to renew their fiscal space in the forthcoming period. Providing fiscal stimulus to the economy in order to accelerate economic activity will inevitably continue during 2021.

The impact of the pandemic on the labor market of the Western Balkans has so far been reduced several times by aid packages from the governments of the member economies of this region, and delayed effects can be expected during 2021. The economies of the Western Balkans are mostly focused on domestic markets, but in most economies, the capacity of local markets is limited, so certain consequences of the pandemic from the European Union spill over into this region (interruptions of large supply chains, energy crisis, shortage and increase in raw material prices).

Inflation in the region is expected to remain mitigated and controlled during 2021, but in the medium term, we should expect its gradual increase, given that the gap in production is decreasing, and that import inflation is growing. When it comes to foreign trade transactions, the trade deficit will increase in economies dependent on trade in services, while in countries that are predominantly goods export-oriented, a full recovery in exports is expected.

Although the profitability of the banking sector in the Western Balkans during the first three quarters of 2020 decreased, bank liquidity in 2021 will be stable. The current account deficit has increased in most economies.

For most members of the Western Balkans, the foreign direct investment will continue to be the main source of external financing. The slowdown in the inflow of foreign direct investment and remittances in some economies has meant reliance on external loans from which external financing needs have been covered. There are no strong enough regional supply chains, to fill the need for connecting large with micro, small and medium companies throughout the region, with the aim of business

[1] https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts_en
[2] https://openknowledge.worldbank.org/bitstream/handle/10986/36402/Greening-the-Recovery.pdf?sequence=1&isAllowed=y

connections and cooperation. MSME sector is without adequate financial support to invest in capacities, licenses, standards and long investments, and it’s difficult to meet the quality and quantity of supply for deliveries within supply chains and exports to foreign markets.

PART II

WB6 CIF KEY PERFORMANCE INDICATORS IN THE KEY AREAS OF THE COMMON REGIONAL MARKET

The WB6 CIF defined key performance indicators for monitoring development of common regional market based on statistical data, survey and chambers insights. The conclusions are defined for the objectives of measuring developments in the key areas of the Common Regional Market, in particular the activities related to creation of an area based on the EU rules and standards, providing free movement of people, goods, services and capital throughout the WB region. The set of KPIs presented below is the analytical approach to address this request.

The selection of all KPIs consists of the indicators based on publicly available data, survey and chambers insights. The set of indicators presented below complements other existing monitoring tools and its main purpose is to report the different areas identified as priorities for the Common Regional Market. Regular reporting based on public data sources could support all economies in providing timely policy response as identified challenges. The scope of this set of indicator is wide, as it covera different parts of common regional market. Approach is based on topics, and this set of KPIs should expand the scope of monitoring to economic activities. The list of indicators in this document is not rigid and will develop during the time and collecting additional data. As new data becomes available and policy priorities evolve, the KPIs will evolve.

Section 1
First group of indicators: OVERVIEW OF THE KEY MACROECONOMIC INDICATORS

This set of KPIs provides an overview of the region's key macroeconomic indicators reflecting the changes in the overall economic developments in the WB6 economy and the achieved progress/regress (which in turn, are reflection of the external factors, including the economic effects of the still ongoing pandemic, but also reflect the impact of the implementation of the Common Regional Market Action Plan on the region's economic performances).

This group of KPIs is structured in main groups regarding the topics:

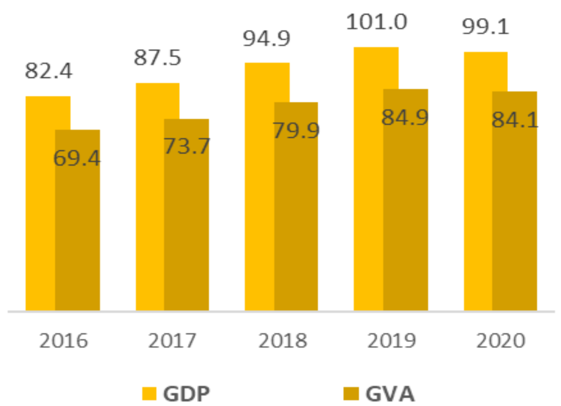
Headline indicators	**Common Market Integration**	**International dimension**	**Movement of people**	**Services**	**Investments and Capital**
WB6 GDP WB6 GDP pc WB6 GDP real growth rate WB6 GVA WB6 GDP per capita PPS as a percentage of the EU-27 average	Intra-regional WB6 trade in goods Export intensity – Intraregional WB6 trade in goods	Overall WB6 trade in goods and services with world Openness index (goods and services) Export intensity for extra WB6 trade in goods	Population Employment Unemployment Unemployment rate	Export of services Import of services Balance of trade in services	Gross fixed capital formation Gross fixed capital formation, as % of GDP Realized loans to non-financial corporations

The majority of the indicators presented are calculated for the whole Western Balkans 6 region. Criteria driving the selection of KPIs depends on availability of data from public sources, to ensure regular period and same sources, length of the time series, way of interpretation and availability of data through surveys.

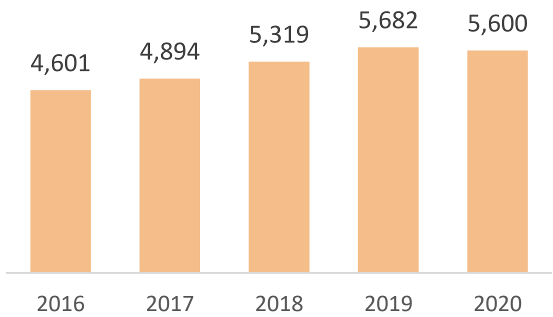
Headline indicators

The total GDP of the Western Balkans region in 2020 exceeded the value of EUR 99.1 bill. A similar growth trend is recorded by GVA, which reached EUR 84.1 bill in 2020 (a slight decline of 0.9% compared to the previous year). GDP per capita is EUR 5,600, well below the EU average.

GDP and GVA, current prices
(billion EUR)



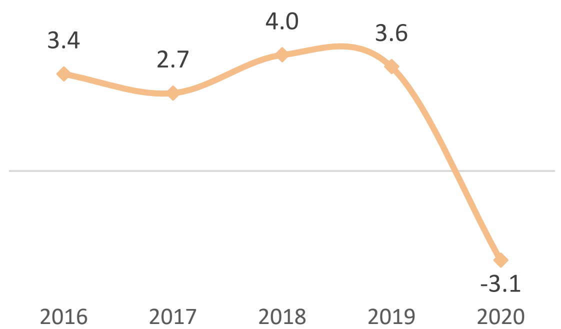
GDP per capita
(EUR)



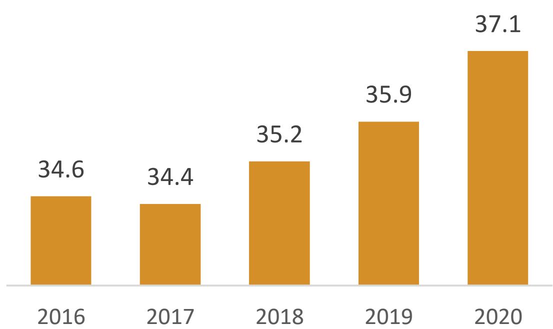
Source: wiiw, national statistics.

In 2018 and 2019, the region reached a sustainable growth rate in the medium term of around 4.0%, however, the outbreak of coronavirus significantly slowed down the development of this region. In the previous year, primarily due to the stagnation of the tourist season, members whose economy is largely dependent on the service sector, pulled the entire region into a contraction (-3.1%), which was still smaller than originally expected.

GDP, real growth rate
(%)



WB6 GDP per capita PPS
(as % of the EU-27)

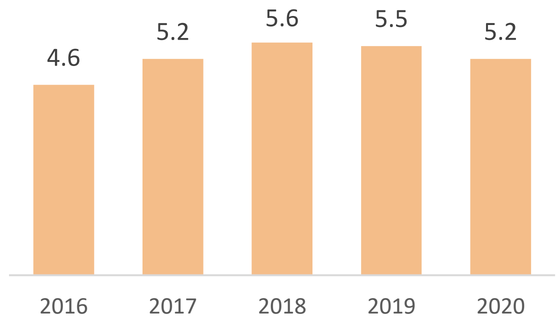


Source: wiiw, national statistics.

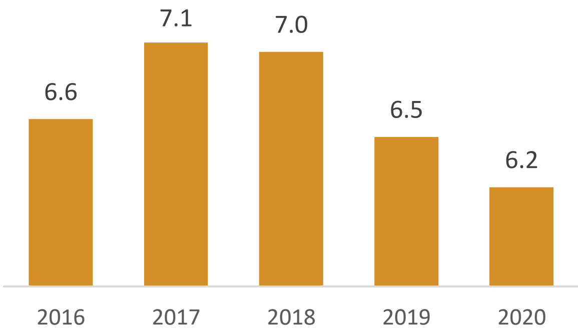
Common market integration

The common regional market is one of the most important topics within the WB6 integration. Developing of intraregional export in goods and its further growth is one of the main goals for WB6 and should be deeper through regional integration. In 2020, WB6 export in goods within the region was 20% of extra WB6 export to the world. The effect of the COVID-19 crisis was the same on intra-WB6 export (-5.6%) and extra WB6-export (-5.5%). Within WB6 regional trade in 2020 amounted to EUR 5.2 bill, which is 13.6% higher than at the beginning of the observed period, 2016. In 2020 the share of intraregional trade in the GVA of the entire region was 6.2% and that is the lowest share in the observed interval 2016–2020. This is a result of the faster GVA growth in compared with the intraregional trade growth.

Intra WB6 regional trade in goods
(billion EUR)



Export Intensity for intra regional WB6 trade in goods
(as % of GVA)

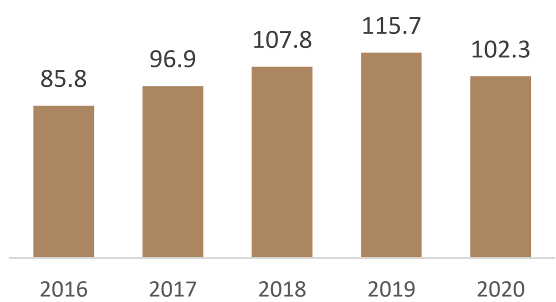


Source: wiiw, national statistics.

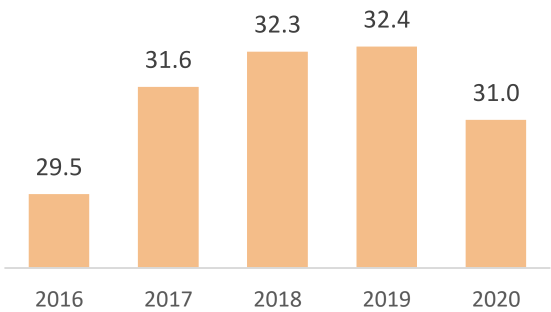
International dimension

The total foreign trade of Western Balkans in 2020 amounted to EUR 102.3 bill which represents an annual decline by 11.6%. This indicator measures an openness of one economy or, in this case, of one economic bloc to the world. Despite of the pandemic, many economic analysts expect the foreign trade and export to be among the indicators with the fastest recovery from global economic disruption. Export intensity, measured as share of extra regional export in GVA, in 2020 was 31.0% which shows that export intensity of WB6 remained stable at standard annual level.

Overall WB6 trade with world in goods and services
(billion EUR)

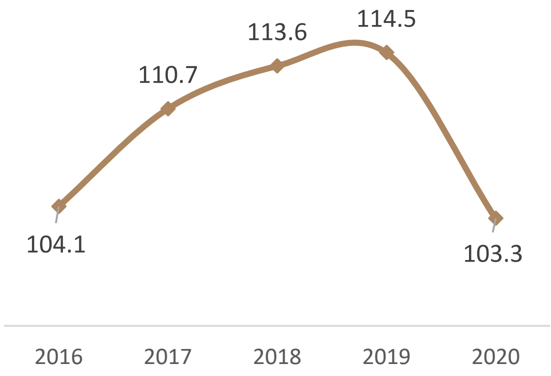


Export Intensity for extra regional WB6 trade in goods
(as % of GVA)



Source: wiiw, national statistics.

Openness index (goods and services)

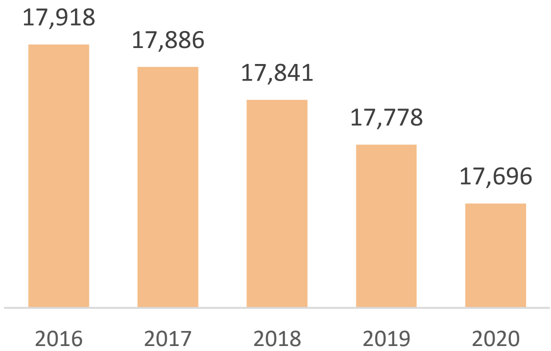


Source: wiiw, national statistics.

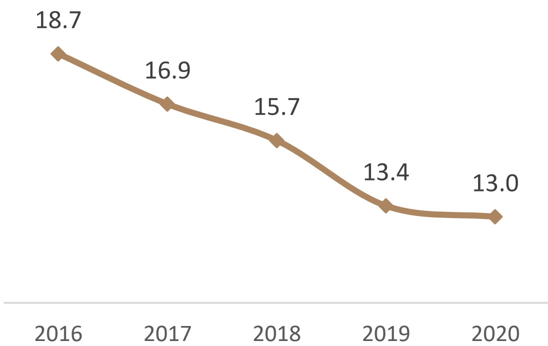
Movement of people

The total population of the Western Balkans in 2020 was 17.7 million people with a clear downward trend since 2016. As of this year, the Western Balkans have lost about 280,000 people, and the average annual rate of population decline over a 5-year period is 0.3%. The negative demographic trend in this region has been going on for years. A large number of FDIs in the last few years have created a large number of jobs, so the employment rate is rising, while the unemployment rate is falling. Looking at the situation from 2016, despite of coronavirus outbreaking, in 2020 the situation is incomparably better. The unemployment rate is 13.0%, which is 5.7 percentage points less than in 2016. The high inflow of FDIs will undoubtedly continue in the following period, so it is expected that the unemployment rate will be further reduced.

Population
(thousands people)



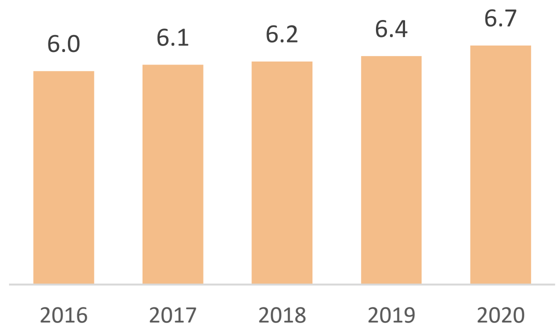
Unemployment rate
(%)



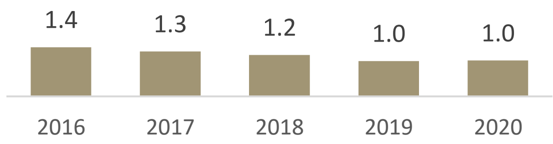
Source: wiiw, national statistics.

Measured in millions of people, the total number of employees in the Western Balkans in 2020 was 6.7 million, an increase of 12.0% compared to 2016. On the other hand, the total number of unemployed people in 2020 is the lowest of all observed years and amounts to about 1.0 million, which is a decrease of about 33% (or about 0.5 million). The high inflow of FDIs and the creation of new jobs in the future is a guarantee that this indicator will continue to decrease in the coming years.

Employment (LFS)
(million people)



Unemployment (LFS)
(million people)

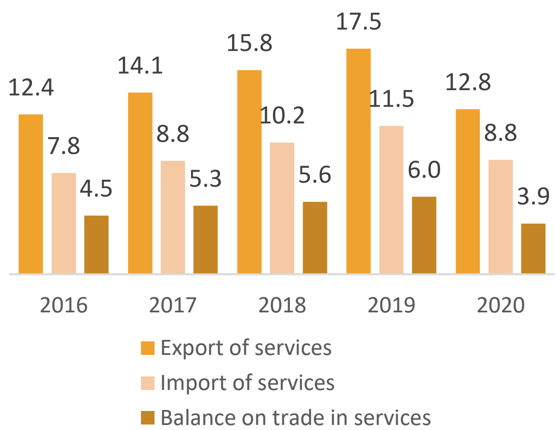


Source: wiiw, national statistics.

Services

The services sector of this region is developing more and more intensively from year to year, and until the outbreak of the coronavirus, the total foreign trade amounted to a record EUR 29.0 bill with a surplus of EUR 6.0 bill. However, in 2020, the services sector was facing a major challenge that affected mostly the areas of transport and tourism, so members of the region that are dependent on tourism suffered great damage and fell into a phase of stagnation. In the coming years, a complete recovery of the services sector and it's development that is even more intensive should be expected.

Export, import and balance of services
(billion EUR)



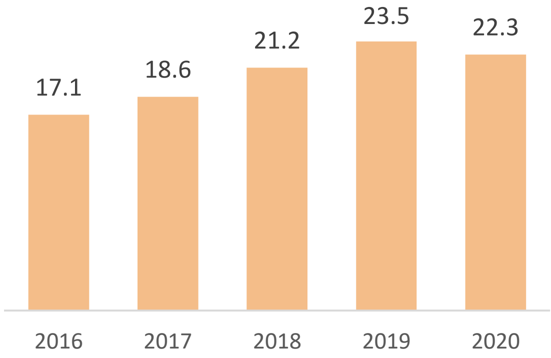
Source: wiiw, national banks.

Investments and Capital

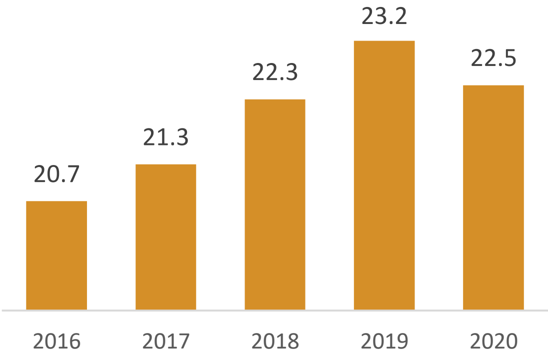
Observing that since 2016, gross fixed investments have increased by about EUR 5.0 bill and in 2020 amounted to EUR 22.3 bill. This indicator is increasing from year to year, but in 2020, due to the impact of the pandemic, there was a minimal decline by 5.1%. The chart clearly shows a similar trend when it comes to the share of gross fixed investments in GDP. In 2020 this indicator was 22.5%.

Gross fixed capital formation

(billion EUR)



(as % of GDP)

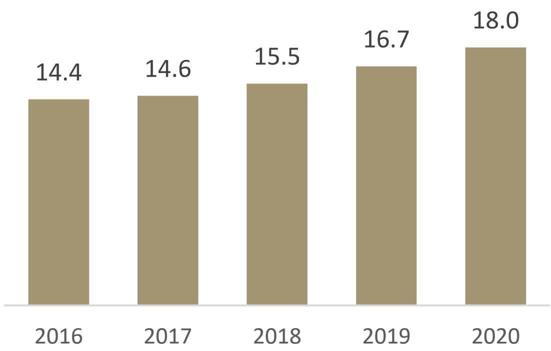


Source: wiiw, national statistics.

At a time of global crisis, one of the main problems was the slowdown in spending. In such circumstances, many economies around the world have sought help with monetary policy instruments. The states tried to reduce interest rates, which made loans much cheaper and more profitable, so the total lending activity of the economy increased. Loans to the economy were highest in the 2020, during the crisis, when they reached EUR 18.0 bill (annual increase by 7.8%).

Loans to non-financial corporations

(billion EUR)



Source: central banks.

Section 2
Second group of indicators: OVERVIEW OF THE BUSINESS INSIGHTS REGARDING THE IMPLEMENTATION OF THE COMMON REGIONAL MARKET ACTION PLAN IN THE KEY AREAS

This set of KPIs is summarizing the overview of the business insights regarding the implementation of the Common Regional Market Action Plan in the key areas, deriving from the business survey conducted by the WB6 CIF. The results are based on a survey of 500 companies from across 27 economy branches, in sectors: Agriculture, Industry, and Services in the WB6 chamber's members (34% of companies come from the industry sector, 66 % from the services sector, while 5% are from agriculture).

Key Area 1. Waiting times at the border crossing points

The analysis confirm that businesses expect border crossing waiting times to be minimized and predictable. There are no significant improvements in effectiveness of reform processes associated with accelerating facilitation of cross-border trade within the overcrowded BCPS/CCPs. Time delay at border crossings is mainly the same or even longer in 2021, compared to 2020. Waiting times and formalities should show how well the trade facilitation measures are formulated and how they are implemented at the national level. In this context, any trade facilitation measure that helps in speeding up processes, such as green lanes, pre-arrival processing, common controls, harmonization of working hours, available technologies, is increasingly important for reducing trade costs essential to promote trade. The majority of transport companies are oriented on road transportation while the railway transportation is lesser choice.

The Annual Monitoring Report of the Transport Facilitation Action Plan[3] has shown clear progress in several key aspects that can lead to lower waiting times. Infrastructure and staff, along with the border procedures remain the key obstacle in providing smooth movement of goods within the Western Balkans. Furthermore, waiting times between the region and the EU poses a more significant problem to the business community, with waiting times at certain border crossings with EU member states alarmingly long.

Areas requiring immediate action include the following:

- Harmonization of working hours between the border agencies within the WB6 economies with the establishment of 24/7 working hours of phytosanitary and veterinary inspections on all mayor border crossings;
- Construction of additional lanes and modernization of existing at the priority border crossing points along with the improvement and upgrade of existing ICT infrastructure;
- Establishing functional joint border controls or one-stop shops;

[3] Published by the Transport Community Secretariat in October 2021, available on the following link: https://www.transport-community.org/wp-content/uploads/2021/10/One-year-progress-report-on-implementation-of-TCT-Action-Plans-14-10-2021-14-50.pdf

- Establishing full interoperability of communication and data sharing systems between all WB6 parties;
- Validating statuses of AEO entities aimed at mutual recognition of AEO's and providing technical assistance to those parties that are lagging in AEO authorization;
- Capacity building - hiring additional customs and inspection personnel along with training provided to improve the overall performance of staff involved in border procedures;

Considering the joint border controls, the example of the Qafe Thane-Kjafasan border crossing between Albania and North Macedonia is a positive example of an agreement that was followed with investments in infrastructure and equipment on both sides.

Average waiting time inbound and outbound crossing points inside and outside Western Balkans
Horgos/Roszke and Batrovci/Bajakovo are the most crowded BCPs/CCPs in the region, with waiting times commonly exceeding 120 minutes. RS-HU direction in Horgos/Roszke experiences the longest waiting times in the region, while Batrovci/Bajakovo is the busiest route from the EU towards Western Balkans. Data shows average times on borders for main cross borders to EU and inside Western Balkans.

OUTBOUND BORDER CROSSING POINT/COMMON CROSSING POINT Waiting times September 2021

Border Crossing Point		Outbound for the first crossing point (hh:mm:ss)	
EU (RS–HU)	Horgos/Roszke	02:26:16	
EU (RS–HR)	Batrovci/Bajakovo	02:02:41	
WESTERN BALKANS	Klobuk/Ilion Brdo	01:12:13	
WESTERN BALKANS	Sremska Raca/Raca	01:02:43	
WESTERN BALKANS	Blace/Hani i Elezit	00:58:20	
EU (RS–BG)	Gradina/Kalotina	00:57:17	
EU (AL–GR)	Kakavija/Ktismata	00:53:42	
WESTERN BALKANS	Dobrakovo/Gostun	00:50:23	
WESTERN BALKANS	Kjafasan/Qafe Thane	00:43:36	
EU (RS–RO)	Gradiska/Stara Gradiska	00:42:53	
WESTERN BALKANS	Hani i Hotit/Bozaj	00:39:56	
WESTERN BALKANS	Presevo/Tabanovce	00:39:08	
WESTERN BALKANS	Morine/Vernice	00:32:24	
EU (BA–HR)	B. Samac/Sl. Samac	00:27:53	
EU (SR–RO)	Vatin/Stamora Moravita	00:26:11	
WESTERN BALKANS	Kulina/Kula	00:25:08	
EU (BA–HR)	Bijaca/Nova Sela	00:20:03	
WESTERN BALKANS (ME)	Port of Bar	00:20:00	
WESTERN BALKANS (AL)	Port of Durres	00:20:00	
EU (MK–BG)	Deve Bair/Gyuesevo	00:18:15	
EU (MK–GR)	Bogorodica/Evzoni	00:12:59	
WESTERN BALKANS	Merdare/Merdare	00:08:44	

Source: Transport Community, visualization WB6CIF. Note: red = more than 60 minutes, yellow = 30-60 minutes, green = less than 30 minutes.

INBOUND BORDER CROSSING POINT/COMMON CROSSING POINT Waiting times September 2021

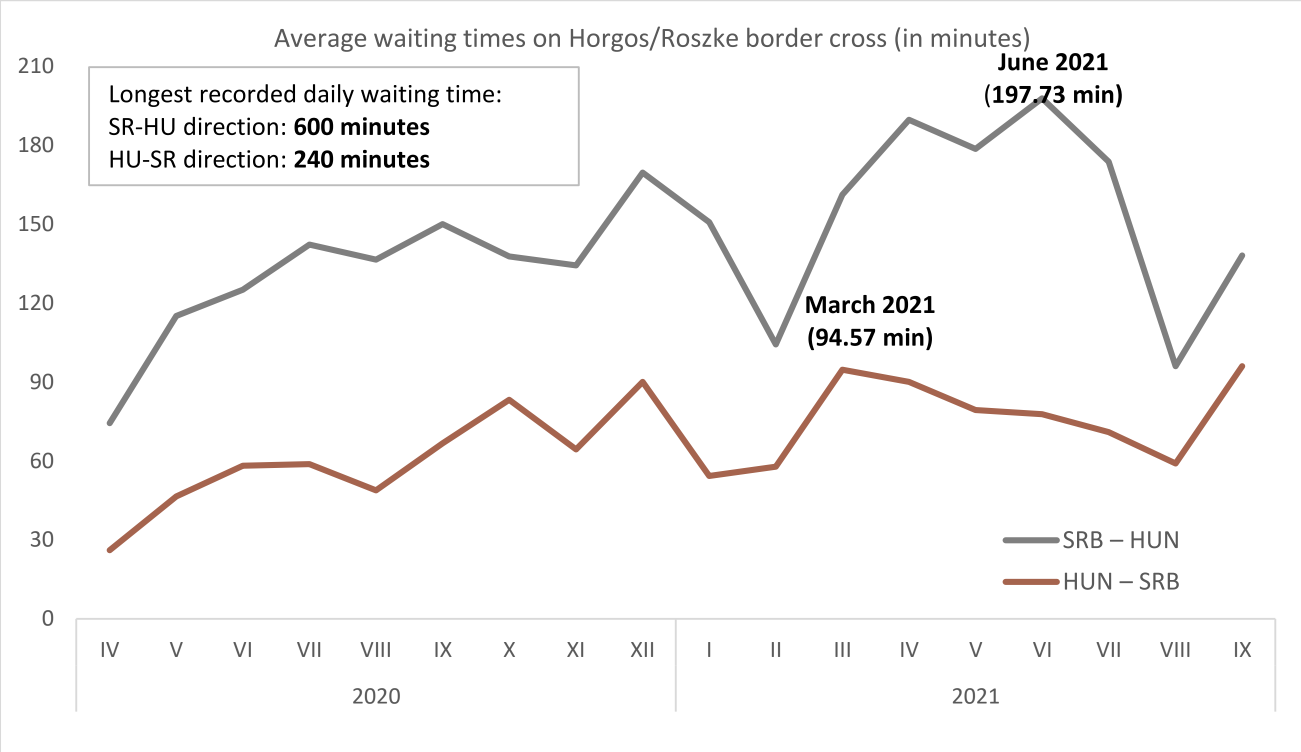
Border Crossing Point		Inbound for the second crossing point (hh:mm:ss)	
EU (RS–HR)	Batrovci/Bajakovo	01:38:15	red
EU (RS–HU)	Horgos/Roszke	01:06:40	red
WESTERN BALKANS	Dobrakovo/Gostun	01:05:30	red
EU (RS–BG)	Gradina/Kalotina	01:00:17	red
WESTERN BALKANS	Kjafasan/Qafe Thane	00:56:40	yellow
WESTERN BALKANS	Sremska Raca/Raca	00:55:38	yellow
WESTERN BALKANS	Morine/Vernice	00:46:40	yellow
WESTERN BALKANS	Klobuk/Ilion Brdo	00:41:43	yellow
WESTERN BALKANS	Presevo/Tabanovce	00:40:11	yellow
EU (RS–RO)	Gradiska/Stara Gradiska	00:35:43	yellow
WESTERN BALKANS	Merdare/Merdare	00:34:24	yellow
EU (AL–GR)	Kakavija/Ktismata	00:32:50	yellow
WESTERN BALKANS	Blace/Hani i Elezit	00:30:52	yellow
WESTERN BALKANS	Kulina/Kula	00:29:52	green
EU (BA–HR)	B. Samac/Sl. Samac	00:25:40	green
WESTERN BALKANS	Hani i Hotit/Bozaj	00:25:08	green
EU (MK–BG)	Deve Bair/Gyuesevo	00:24:51	green
EU (SR–RO)	Vatin/Stamora Moravita	00:22:55	green
WESTERN BALKANS (ME)	Port of Bar	00:20:00	green
EU (BA–HR)	Bijaca/Nova Sela	00:19:57	green
EU (MK–GR)	Bogorodica/Evzoni	00:12:03	green
WESTERN BALKANS (AL)	Port of Durres	00:10:00	green

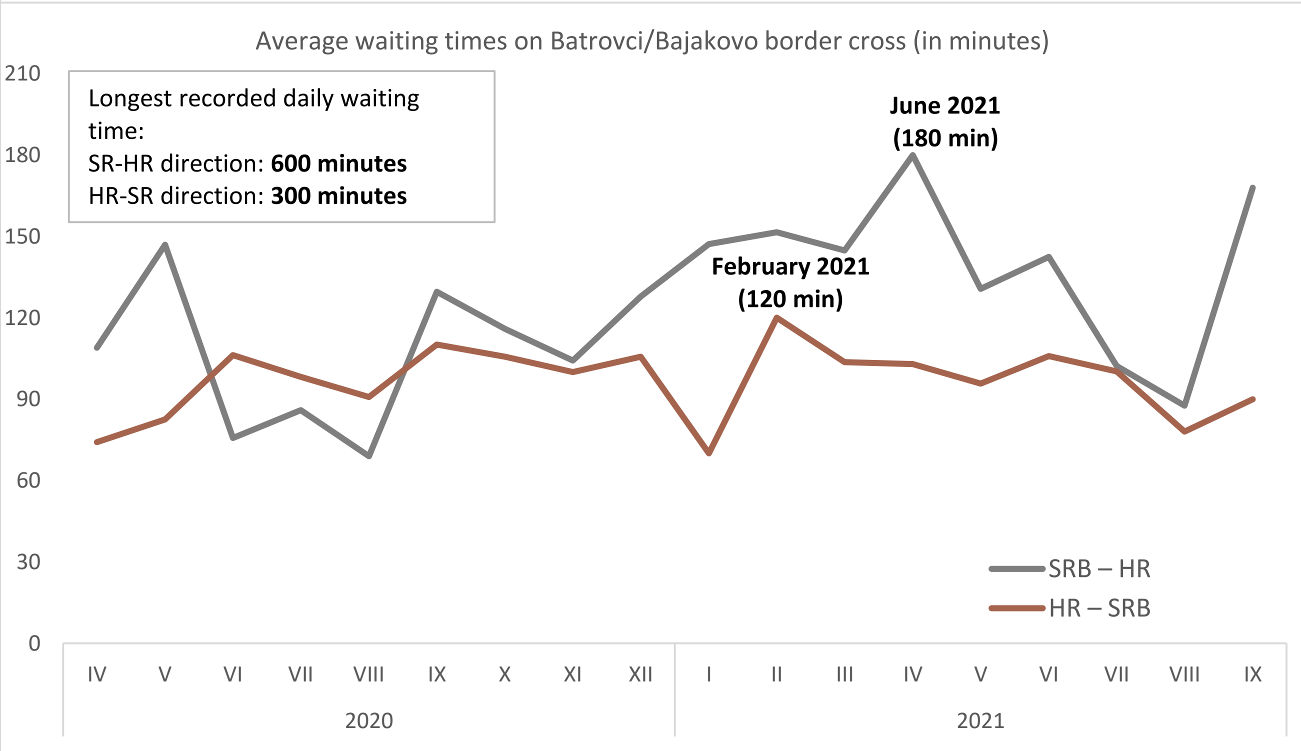
Source: Transport Community, visualization WB6CIF. Note: red = more than 60 minutes, yellow = 30-60 minutes, green = less than 30 minutes.

The most frequent border crossing point with EU (Hungary and Croatia)

Horgos/Roszke is among the two busiest BCPs in Western Balkans with average waiting times on RS-HU direction being the longest recorded in the region. High discrepancy between waiting times on the outbound (SRB-HUN) and the inbound (HUN-SRB) directions is a key feature of this BCP. Peak values on HUN-SRB direction are usually recorded before weekends; on SRB-HUN, waiting times are usually longer in the first half of the week. The overall trend line is on an increasing pace on both directions but in particular on SRB-HUN, where the last 4 months experienced the longest recorded waiting times.

As a general rule, waiting times tend to be higher on SRB-HR direction, though the difference is not as striking as in Horgos/Roszke. Waiting times on HR-SRB are the highest from the region on the EU-WB6 direction. Peak values on HR-SRB direction are usually recorded before weekends; on SRB-HR, waiting times are usually longer in the first half of the week. Monthly fluctuations are rather high, especially on SRB-HR direction.





Source: Transport Community, visualization WB6CIF.

KPI 1-4 Waiting times inbound and outbound crossing points inside and outside Western Balkans

September 2021 (maximum, in minutes)

(Maximum waiting times in minutes for inbound and outbound crossing points within WB6 and with EU. Note: red = more than 60 minutes, yellow = 30-60 minutes, green = less than 30 minutes.)

Key findings:

1. During 2021 almost no progress has been achieved in the implementation of the action points under the Common Regional Market Action Plan, which would lead to decrease in the average waiting times on BCPs within Western Balkans, and towards neighboring EU countries.
2. Special priority should be given to the activity of expanding the Green lines to the BCPs with the EU – the data shows that the longest average waiting times are on those BCPs, and the region's business community urges policy makers to give priority to this issue (which under the Action Plan should have been implemented in 2021)
3. The high frequency of transport shows that there is a need for opening **additional BCPs** with Hungary, Croatia, Bulgaria and Greece.
4. **Lack of coordination still remains to be an issue** between the border-control agencies, accompanied with the unharmonized working hours of customs, phytosanitary and veterinary inspections inside Western Balkans BCPs.
5. **Priority crossing for perishable goods** existing in the Green Lanes scheme doesn't function the same at all border crossings, and their operability should be further improved.

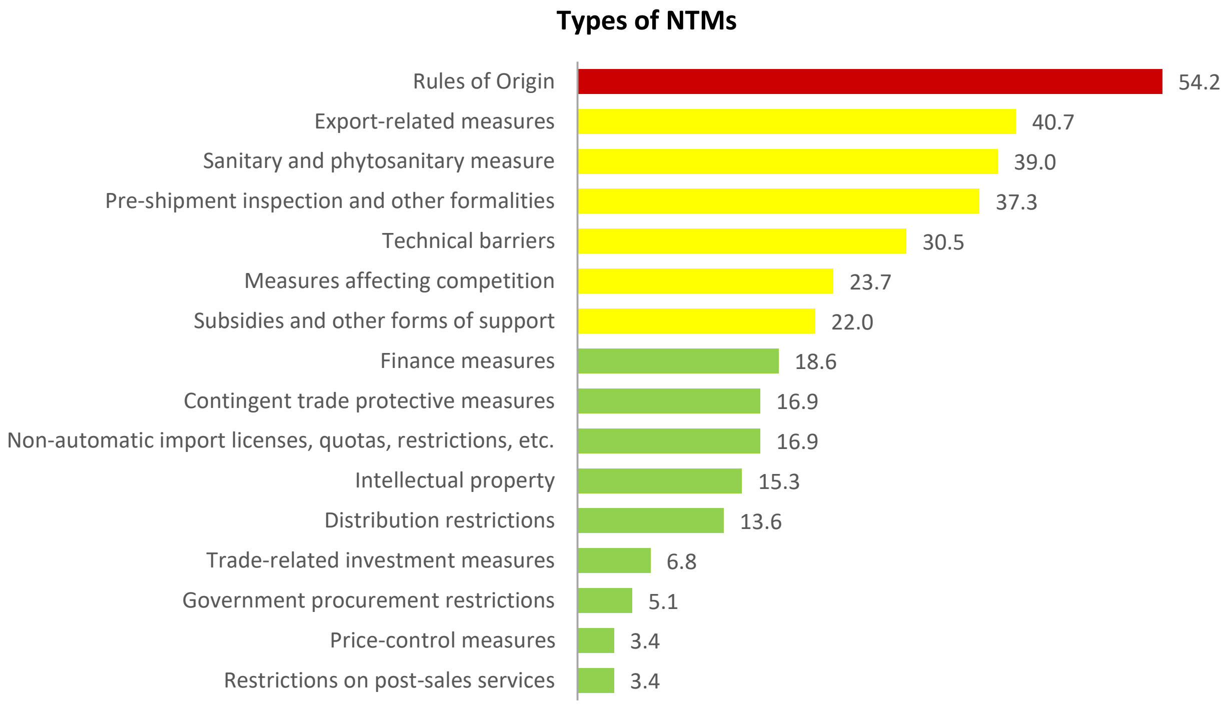
6. **Additional delay is caused due to non-compliance with signed bilateral agreements** on the recognition of phytosanitary certificates and veterinary certificates, which results in additional quality control by the importing country and additional unnecessary costs (approximately 200 Euros per truck).
7. Specific attention should be provided on the issue of enabling electronic submission of documents instead of the current practice where only paper documents are admitted as valid – companies urge this issue to be implemented in due time.

Key Area 2. Progress in elimination of barriers

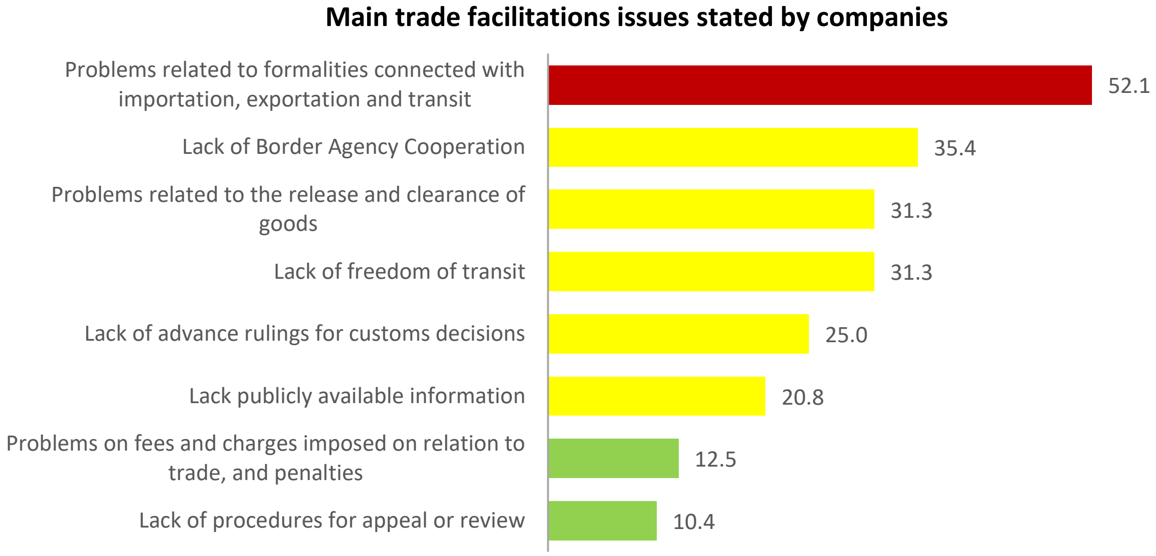
Non-tariff measures (NTMs) are policy measures other than tariffs that have an economic effect on international trade in goods (influencing trade of different kind of economic activities). For exporters, importers and policymakers, NTMs represent a major challenge. Though many NTMs aim primarily at protecting public health or the environment, they also substantially affect trade through information, compliance and procedural costs. According to UNCTAD Report (2019) economic cost of SPS and TBT measures was estimated to be up to 1.6% of global gross domestic product. Non-tariff barriers still continue to be obstacles to doing business in the WB region. This includes both waste of time and costs for obtaining various administrative documents related to NTMs. There weren't regulatory improvements regarding adoption efficient and effective Dispute Settlement Mechanism and institutionalized practice of annual reports on NTBs in 2021. Reduction of non-tariff barriers encountered in the regional trade within CEFTA and international trade with their other trading partners and development of a harmonized legislative framework for dispute settlement remains pending issue.

Companies from agriculture and industry sectors engaged in foreign trade reported different kind of barriers and the most affected were products within food industry and agriculture. The most frequent barriers that apply for WB6 companies, according the survey were sanitary and phytosanitary measures, export related measures (measures applied to exported goods by the Government of the exporting country), pre shipment inspections and other formalities as well as technical barriers.

NTBs have been reported mainly by the following economy branches: food productions, beverages, crop and animal production, fabricated metal products, motor vehicles, chemical products, rubber and plastic, non-metallic minerals, basic metals, wood, paper, chemicals, rubber, non-metallic, textile, wood, paper, pharmaceuticals. Within the WB6 region, companies reported different kind of costs either reported as additional taxes or waiting times due to recognizing of certificates, labeling, testing procedures, analyses, tests and others.



Source: WB6CIF Survey.

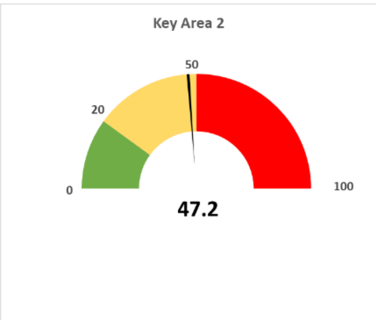


Source: WB6CIF Survey.

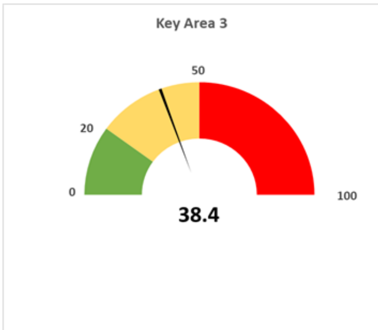
	Economy branches reported
Rules of origin	Chemical products, rubber and plastic, non-metallic mineral, basic metals, fabricated metal products, motor vehicles
Export-related measures	Crop and animal production, food, textile, wood, paper, chemicals, rubber, non-metalic, basic metals, fabricated metal products

	Economy branches reported
Sanitary and phytosanitary measure	Crop and animal production, food, wood, paper, chemicals, rubber, non-metalic, beverages
Pre-shipment inspection and other formalities	Crop and animal production, food, textile, wood, paper, chemicals, rubber, non-metalic, beverages, pharmaceutical products
Technical barriers	Chemical products, rubber and plastic, non-metallic mineral, basic metals, fabricated metal products, pharmaceutical products
Measures affecting competition	Food, textile, wood, rubber, non-metalic, basic metals, fabricated metal, beverages
Subsidies and other forms of support	Food, textile, wood, paper, chemicals, fabricated metal, motor vehicles, beverages

KPI 5 Reported barriers, October 2021



KPI 6 Reported trade facilitation issues, October 2021



(percentages of companies reported obstacles, Note: red = more than 50% of responds, yellow = 20-50%, green = less than 20%).

Key findings:

1. The EU is in the process of amending 21 origin protocols within the pan-Euro-Mediterranean (PEM) area, by implementing an alternative set of rules of origin applicable alongside with the rules of the PEM Convention, on a bilateral basis pending the adoption of the revised Convention. These new rules, which were endorsed by a large majority of PEM Contracting Parties, contain a significant number of improvements and simplifications as compared with the current PEM Convention. The target application date of the new set of rules was 1 September 2021. Adoption of amendments to bilateral origin protocols on rules of origin between EU and individual CEFTA parties is ongoing and at different stages of progress;
2. Based on the follow up with Agro-Food companies and suggestions through direct contacts with chambers, several issues should gain priority in this sector:
   - **Harmonization of animal disease list** (OIE). Standard adopted at the international level. Exchange of monitoring plans, active and passive control plans, and disease reports;
   - **Harmonizing the procedure for perishable goods** on all cross border points with the Green Lines scheme does not function the same at all border crossings;

- Preparing a list of approved food business operators and animal establishments for food of animal and non animal origin and exchange of notification of food business operators without requirements for controls on the site, only implementing the exchange of the monitoring plan;
- Agreeing on a set of criteria for transport of UHT dairy products and other food products that do not require refrigeration during transport;
- Exchange of all monitoring and national plans or programs of official controls in the field of food, feed, of plant, animal, and mixed origin and also for food to trade purposes;

3. **Periodic introduction of non-tariff barriers** in all markets is still noticeable. Developing of **private-sector led trade obstacle alert mechanism, jointly by CEFTA Secretariat and WB6 CIF, as representative of regional businesses, can lead to improved system of tracking NTBs on daily basis, as raised by affected companies, thus leading to their swifter resolution**.
4. **Extension of the defined deadline for payment of import duties** (customs and VAT), which at the moment is too short, which is especially felt by production companies.

Key Area 3. Progress in harmonization of rules (requirements and standards) that apply to products traded with the region

Harmonization of rules that pertain to technical requirements and standards remain one of the main problems that affect the free movement of goods within the Western Balkans.

Although each Western Balkans economy has been aligning its requirements and standards with the EU, especially for industrial products, companies face additional costs recertifying and retesting products that have already been tested for conformity to similar and even altogether same standards.

The lack of recognition of certificates issued by Conformity Assessment Bodies remains a common problem from the perspective of the business community. Companies that place their product on multiple markets are faced with additional costs for testing and/or certification, along with delays related to obtaining the necessary certificates.

Regarding the action points within the priority area that calls for the establishment and implementation of Mutual Recognition Programs, we note the lack of any significant improvement. The existing MRPs have not been further implemented (fruits and vegetables and AEOs), while no progress has been made on negotiating and concluding a MRP for industrial products.

Key findings:

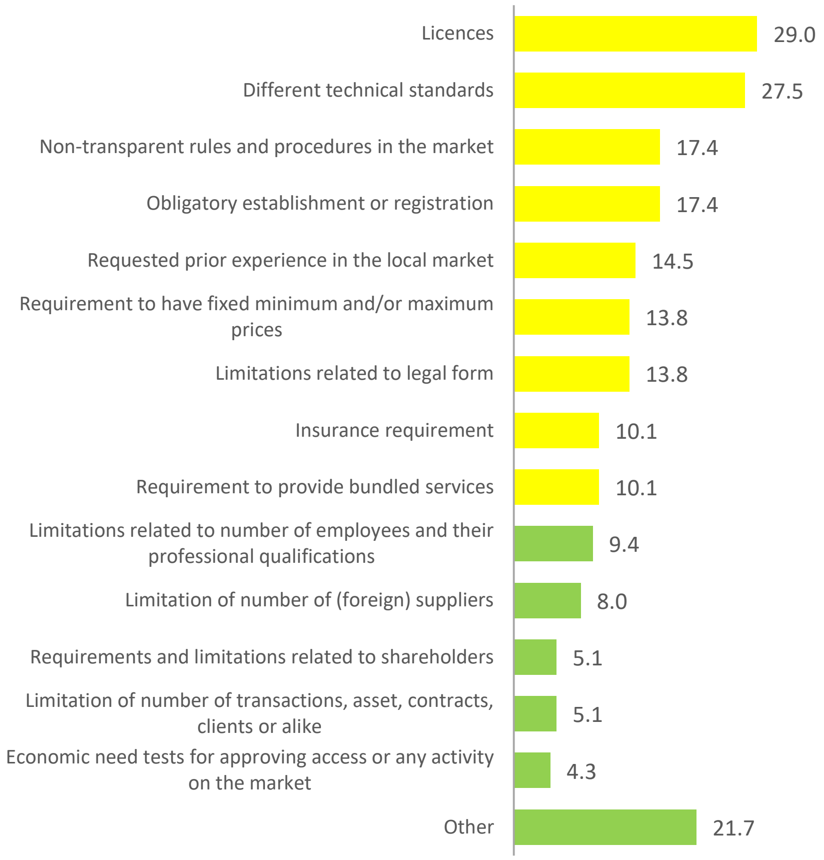
1. There were no MRPs adopted in 2021 on reduced formalities through acceptance of certificates and testing results, on improved security and safety and the optimisation of procedures. Very little progress has been achieved in the implementation of the existing MRPs (including AEOs and Fruits and vegetables decision)
2. Amongst one of the priority issues to be resolved remains the issue on recognition of conformity assessments results in testing, certification, inspection, and accreditation within the Western Balkans region. The obligation to acquire a national conformity assessment certificate even though the product has a certificate issued in another WB6 economy or the EU remains to be a problem and generator of additional cost.
3. Mutual recognition of conformity assessment results in testing, certification, inspection, and accreditation even before gully developed MRPs that would harmonize technical regulation and standards in line with the EU acquis could lower existing costs and timely procedures. The proposed agreement would ensure that assessment results performed by either party's conformity assessment bodies (CABs) would be accepted to show compliance with the requirements present in any of the six economies legal system.
4. Content of the labels on the products only appear to be synchronized with EU directions but are unnecessarily more rigid (e.g. trade inspectors in some WB6 economies insist on putting the name of the producer on the label, EU legislation does not insist on this - only the exporter and the country of export are mandatory)

5. The rate of re-sampling at the borders is too high, especially pertinent in cases when the products have all necessary documents and testing results from the WB6 economy of import, and activities in the Risk Management field should be prioritized (despite the set time-frame to 2024 in the Common Regional Market Action Plan).

Key Area 4. Providing services across the region on equal terms without requirements for permanent establishment

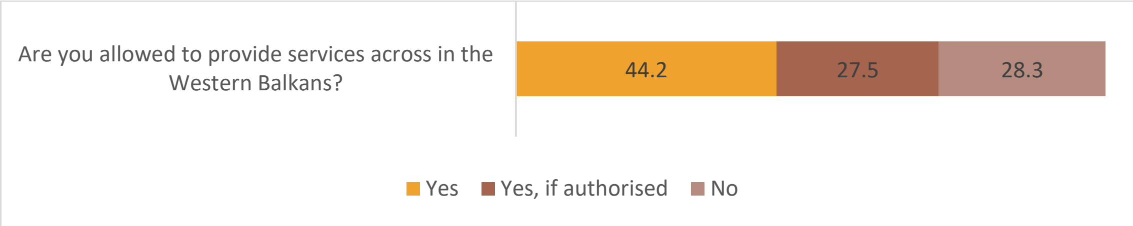
The data from the conducted survey shows how companies who had problems regarding providing services across the region rated that main barriers for providing services across are licenses, different technical standards, non-transparent rules and procedures for all markets.

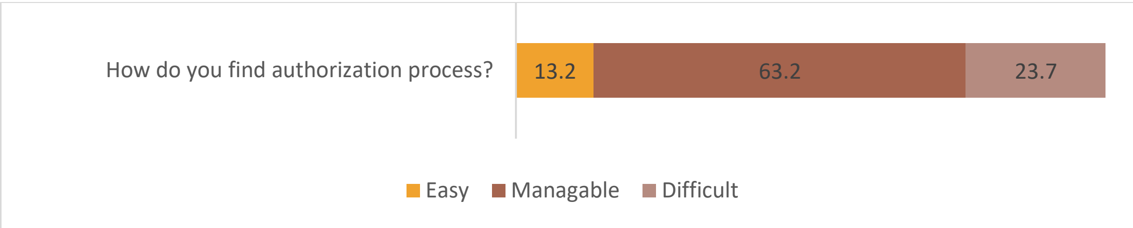
Reported obstacles during providing services



Source: WB6CIF Survey. Other: uneven standards in all economies, not authorized by the Principal for another market, long waitting for customs procedure, customs, and transfer of assembly tools.

Additionally, the data from the conducted survey shows that 27,5% of the companies responded that they are allowed to provide serviced in the WB region, and most of the surveyed companies (63,2) found the authorization process manageable.



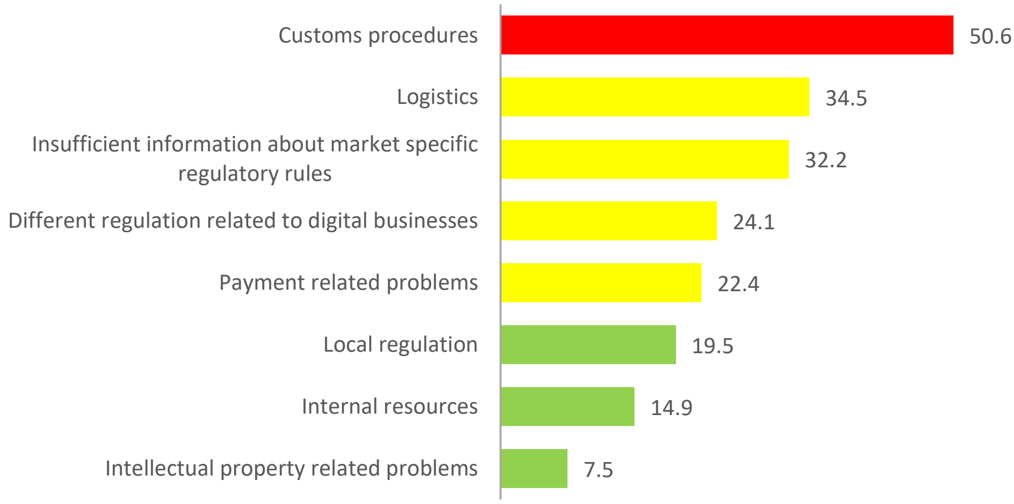


Source: WB6CIF Survey.

Regarding the e-commerce, the most important topics are commercial communication, digital contracts and consumer information, responsibility of platforms and search engines, consumer rights (return of purchased goods). Main topics for future actions covers rules for the protection of SMEs on the platform, platforms for alternative and online dispute resolution with consumer.

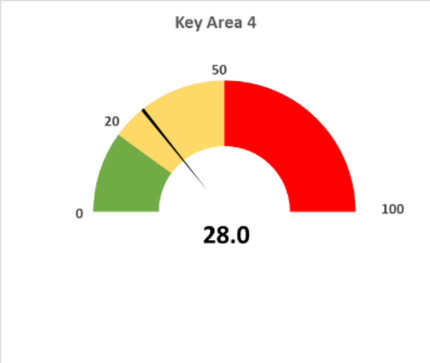
Companies stressed as the most important barriers within e-commerce during trading / providing services in the Western Balkans: customs procedures, logistics, and insufficient information about market specific regulatory rules, different regulation related to digital business, payment related problems, as well as local regulation, internal resources and intellectual property related problems.

Main problems during trading / providing services throught e-commerce



Source: WB6CIF Survey.

KPI 7. Providing services



(percentages of companies reported obstacles, Note: red = more than 50% of responds, yellow = 20-50%, green = less than 20%).

Key findings:

1. No MRA has been adopted in 2021, easing the liberalization of the trade of services in the region, securing mutual recognition of licences.
2. In the field of copyright and protection of intellectual property obtained on another market, one of the main concerns remains the issue that the rights are not valid in the region, and vice versa (trademark protection in graphics and verbalism).
3. High costs of postal services and complicated customs procedures for parcel deliveries remain amongst the priority issues in the e-commerce area, and the finalized text of the Framework should be adopted as soon as possible.
4. The companies still face the problem of Insufficient information about market specific regulators rules in the area of trade of services.
5. Payment procedures and costs still hinder significantly the possibilities for free trade of services in the region.

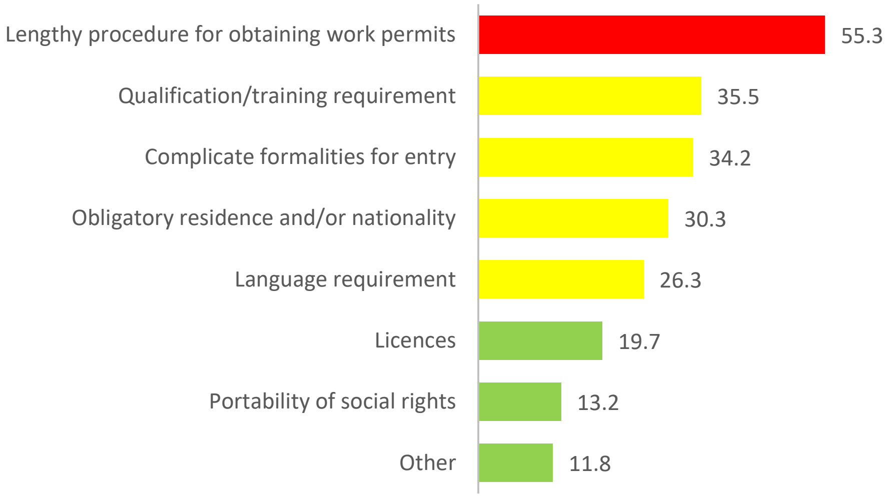
Key Area 5. Making it easier for individuals to move, stay and work

One of the most important topics for the region's private sector regarding the issues of mobility for individuals to move, stay and work are agreements on mutual recognition on professional qualifications. It is important to remove obstacles to the mobility of students, researchers and academics (for innovations). From the economic point of view, the biggest problems in the context of employment are the long procedures for obtaining work permits, qualification/training requirements, complicated formality for entry and obligatory residence, language requirements, licenses.

Rules on access to professions vary across WB6 and cause barriers to cross border mobility with strong need to mitigate these obstacles by providing clear rules on recognition of professional qualifications. The system of mutual recognition would benefit from further improvements in national regulatory environments and administrative procedures. Regarding the topic on mobility for individuals to move, stay and work important topic for business community are agreements on mutual recognition on professional qualifications. Important topic regarding the mobility of individuals to work is abolishment of work permits for posted workers within WB6, what is the area without the progress in 2021. Removing obstacles to the mobility of students, researchers and academics (for innovations) is other important field. There were not improvements regarding the number of adopted agreements for recognition of qualifications (number of sectors) in 2021. From the business point of view, the biggest problems in the context of employment are time procedures for obtaining work permits, complicated formality for entry qualification/training requirements, and obligatory residence, language requirements, licenses.

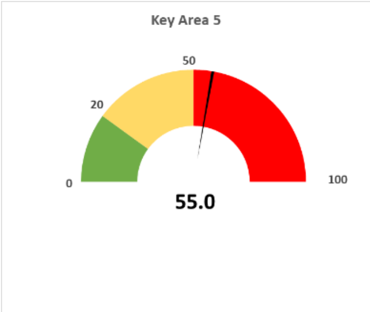
According to the survey, the offer of skilled workers is adequate for 36% of respondents, while for 50% of respondents there is not enough appropriate personnel. Regarding unskilled labor, 55% of respondents said that the current supply in the local economy is corresponding.

The most important obstacles for employment of residents from other Western Balkans economies



Source: WB6CIF Survey. Other: Housing problem for foreign workers, time to find out the level of their knowledge to perform necessary activities, instability, rights and obligations, administration.

KPI 8 Making it easier for individuals to move, stay and work, October 2021.



(percentages of companies reported unsufficiant labor force, Note: red = more than 50% of responds, yellow = 20-50%, green = less than 20%).

Companies have stressed the difficulties in finding qualified labor force, which is not adequately distributed in cities and smaller municipalities. Lack of skilled labor is a problem despite high unemployment rates (enterprises have trouble finding adequate employees for their business needs). Further support for reinforcing qualification recognition measures will be an important tool for facilitating the mobility of professionals in all sectors and addressing the skills needs. Lack of skilled labor is noticeable in the technical sector (carpenters, locksmiths, builders went to the EU).

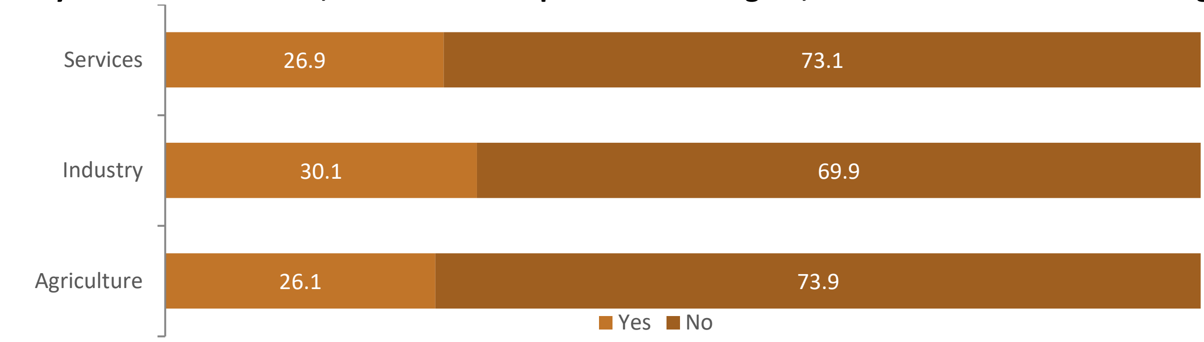
Key findings:

1. There has been no progress in the activities for abolishment of working permits in 2021, despite the coordination activities for finalizing the text of the agreement, and companies still reflect the problem of long and complicated procedures for obtaining temporary residence and **work permit**.
2. Regarding the encouragement of free movement of labor within the Western Balkans, it is necessary to give priority to the adoption of an agreement in the short term which would simplify the procedure for **recognition of qualifications** within the region. In the medium term, this should be upgraded with a methodology for the development of regionally recognizable standards of occupations, which are the basis for the standard of qualifications in most countries.
3. In the area of education, a system for **automatic recognition of diplomas** issued by accredited institutions in all WB6 economies would bring significant improvements.
4. Companies have stressed the difficulties in finding qualified labor force, which is not adequately distributed in cities and smaller municipalities.
5. Further support for reinforcing qualification recognition measures will be an important tool for facilitating the mobility of professionals in the construction sector and addressing the skills needs.

Key Area 6. Improvement in addressing key restrictions impeding the movement of capital across the region

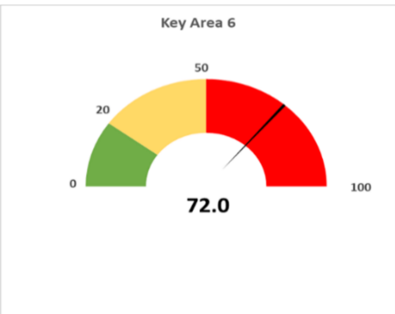
Improvement in addressing key restrictions impeding the movement of capital across the region demonstrate whether the proposed measures are conducive to cross-border capital transfers, cross-border investments and loans. Until targeted 2024, when companies should be able to invest in and own other companies in the region and raise loans within the region without discrimination, improvement could be express as increase % of companies who expressing satisfaction with the progress in enabling cross-border movement of capital and payments. According to the Survey, 28% of companies reported that they are able to invest in, own other companies in the region.

Are you able to invest in, own other companies in the region, and raise loans within the region?



Source: WB6CIF Survey.

KPI 9 Enabling cross-border movement of capital and payments, October 2021.



(as % of companies reported obstacles, Note: red = more than 50% of responds, yellow = 20-50%, green = less than 20%).

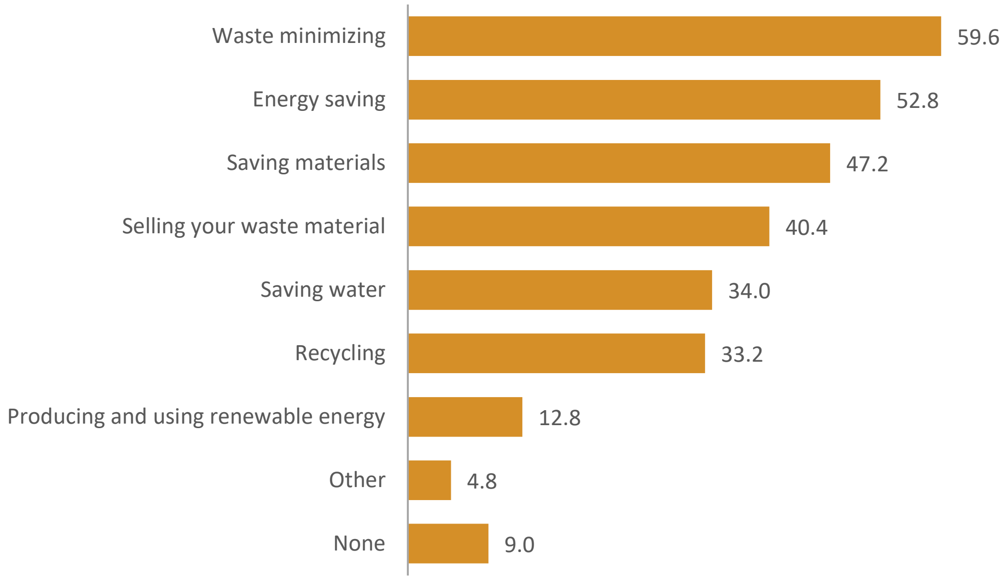
Key findings:

1. Activities for abolishing the key restrictions impeding the movement of capital across the region directly affect the rate of intraregional investments, and activities in this area should gain priority even prior than 2024.

Key Area 7. Industry and Innovation issues: Environmental issues, EU Green Deal and the Green Agenda for the Western Balkans 6

According to the results of the Survey, in terms of the activities companies undertake to improve the environment, activities such as waste minimization, energy and material savings, waste sales, water savings and recycling are mostly undertaken. When choosing business suppliers or bidders, 30% of respondents also take into account whether they respect environmental issues (their attitude and impact on environmental issues) and 48% of them in some degree, while 26% of responents don't take environmental issues during business decizion and cooperation.

Does your company undertake any actions to improve the environment?



Source: WB6CIF Survey.

Companies in the manufacturing industry provide waste for companies dealing with collection/recycling/ disposal waste. There are numerous examples of using input materials for other purposes within companies (obtaining energy, production of another products) etc. Some examples of generating waste in the food industry process: waste cardboard and paper, foil, aluminum, plastic, PVC, pet, glass, livestock waste, stretch film, wood waste pallets, cardboard and plastic packaging, processed fruit waste (used as fertilizer for agriculture of fruit growing), wine lees. Examples of generating waste in the textile industry: glass fiber, paper waste, textile material, short fibers from raw materials imported, waste from leather, waste from other footwear manufacturing materials, etc. Examples of generating waste in the wood industry: metal, wood, piles, wooden staples, sawdust, plane stalks, foils, PVC foil, cardboard, MDF, particleboard etc.

Key challenges at administrative level concerning the EU Green Deal and Green Agenda cover: developing energy and climate plan (consistent with the European Green Deal's zero emission target for 2050 and the Green Agenda for the Western Balkans), implementation and enforcement of environmental legislation (rules on environmental impact assessment, closing non-compliant landfills, increasing investing in waste reduction, separation and recycling, improving air and water quality including through phasing out coal) and strengthening administrative and financial capacity of central and local authorities. Only 20% of surveyed companies confirmed that they are familiar with the EU Green Deal and the EU Farm to Fork Strategy. In the upcoming period, WB6CIF will pay special attention to informing members about the EU Green Deal and the EU Farm to Fork Strategy.

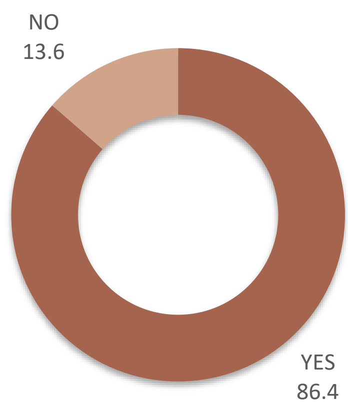
Companies lack detailed information on all issues related to the Green Agenda for the WB, and are in need of capacity building in these areas, and activities in this regard directed towards the business community from the Western Balkans should be given additional support in the forthcoming period.

Key Area 8. Digital readiness

The digital dimension covers roaming and broadband deployment, cybersecurity and data protection, and addresses the needs of digital skills over the region.

According to a business survey 86% of respondents use digital tools in their business, but they stressed the importance of ongoing continuing education and training programs. Also, they reported need for acceleration of digitalization process in foreign trade business (customs, border crossings, economy). Further support for business in the WB6 region should include digital transformation and encouraging e-commerce to facilitate entry into other markets.

Do you use digital tools?



Main business comments stresses need for digitization of administrative procedures, especially in areas where paperwork is required, as well as digitization in the field of justice. Strengthening of the digital infrastructure (equipment, fast data flow) and encouragement of digital literacy are main fields for improvements. Moreover, further advancement of the digital agenda is needed, for companies to capture the potential of Fourth Industrial revolution, including the benefits of artificial Intelligence, genetic engineering, robotics and other sophisticated technologies.

PART III

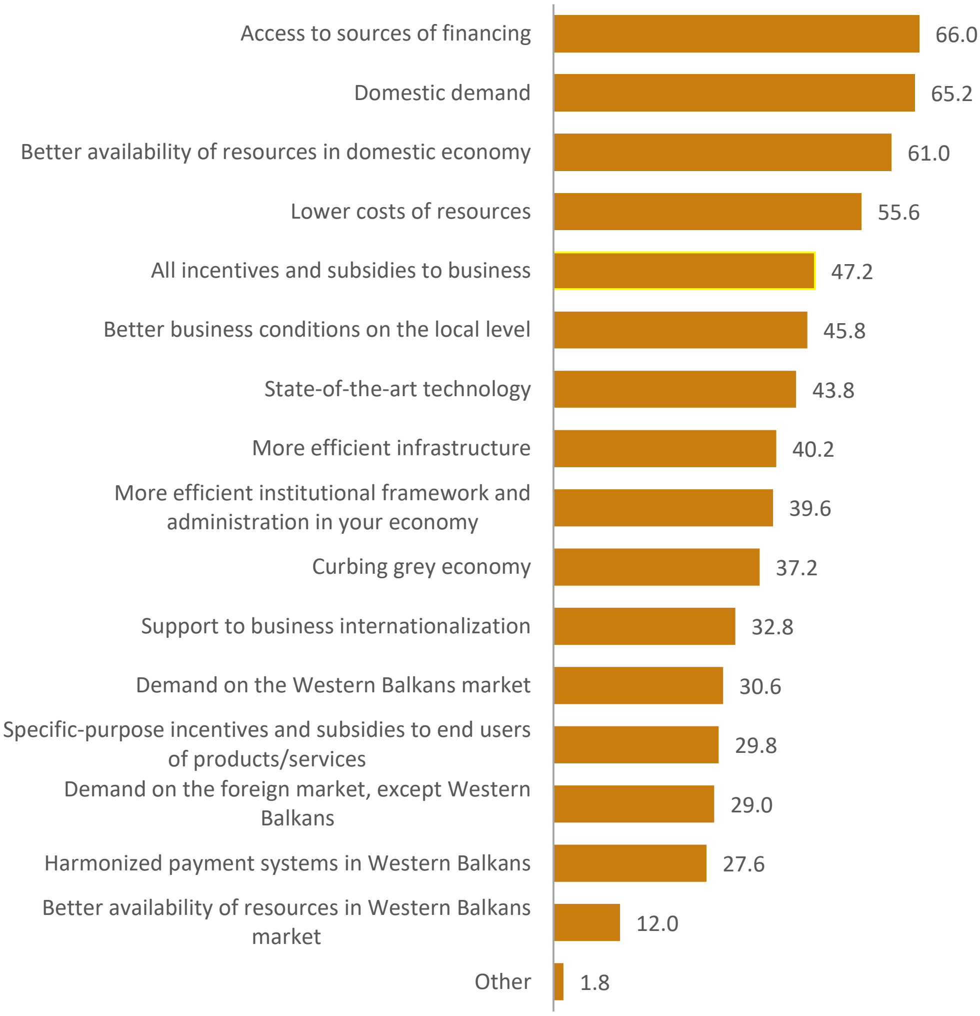
BUSINESS INSIGHTS ON PRECONDITIONS FOR DOING BUSINESS IN THE WESTERN BALKANS AND BUSINESS EXPECTATIONS

PART III
Business insights on preconditions for doing business in the Western Balkans and Business Expectations

The conducted survey collected information on the viewpoint of the region's business community relating business surrounding in their respective economies, and their expectations regarding turnover and employment. Data confirms that the issue of securing access to finance still remains the first key concern for the region's businesses, whilst the issues of availability and costs of the resources are still ranked high on the list, confirming that in the following time-frame the activities for implementation of the Regional Supplier Development Program lead by the WB6 CIF, aimed at better linking regional businesses in supply chains, with potential focus on developing joint regional final products, should be further supported. The expectations of businesses regarding turnover and employment show stable forecast, and initiation of the process of slow recovery from the pandemic.

Factors for improvement of the business operations in the region
The results from the conducted survey indicate that companies are mostly oriented towards business conditions in the domestic market, and potentials of interregional cooperation have not been used to the full capacity. The companies mostly pointed out that access to sources of financing, demand on the domestic market and resources (availability and price) are the most important factors for business improvement. Important challenge faced by companies was reduced demand for their products or services. Loss of demand and revenue can lead to severe cash-flow problems (especially for SMEs which have limited financial resources, especially compared to larger enterprises). The second group of factors are incentives and subsidies for business, better business conditions at the local level, state of the art technology, infrastructure, institutional framework and administration, grey economy, support for business internationalization and demand on Western Balkans market. Third group of factors are specific purpose incentives and subsidies to end-users of products/services, demand on the foreign markets (outside Western Balkans), harmonized payment systems in Western Balkans, better availabilities of resources in the Western Balkan markets.

The most relevant factors for improvement of companies' business (%)

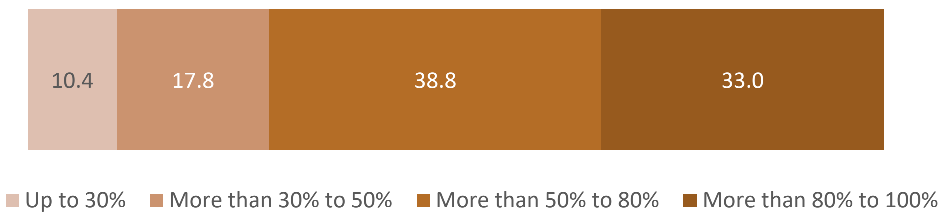


Source: WB6CIF Survey.

Capacity utilization rate – fragile recovery

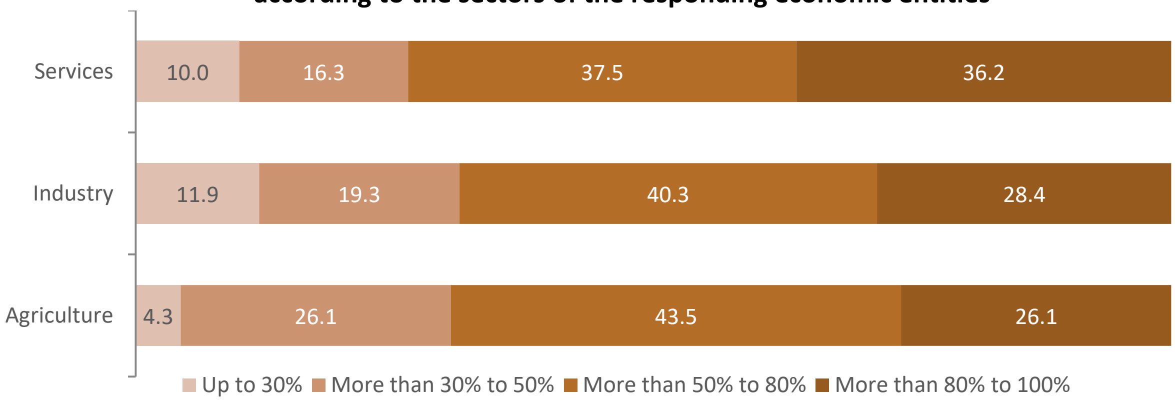
Companies' recovery is still fragile as the largest number of the interviewed companies (39%), in the first half of 2021, achieved capacity utilization in the range of 50%–80%.

Capacity utilization rate of Western Balkans companies in the first half of 2021
percentage of respondents



The largest capacity utilization in the first half of 2021 was recorded by the respondents from the services, taking into consideration that 36.2% of the companies surveyed utilized over 80% of capacities (and 73.8% companies from services utilized over 50% of capacities). On the other hand, industry and agriculture have been still facing challenges (31% of the surveyed industry companies and 30% of the surveyed companies from agriculture utilized less than 50% of capacities).

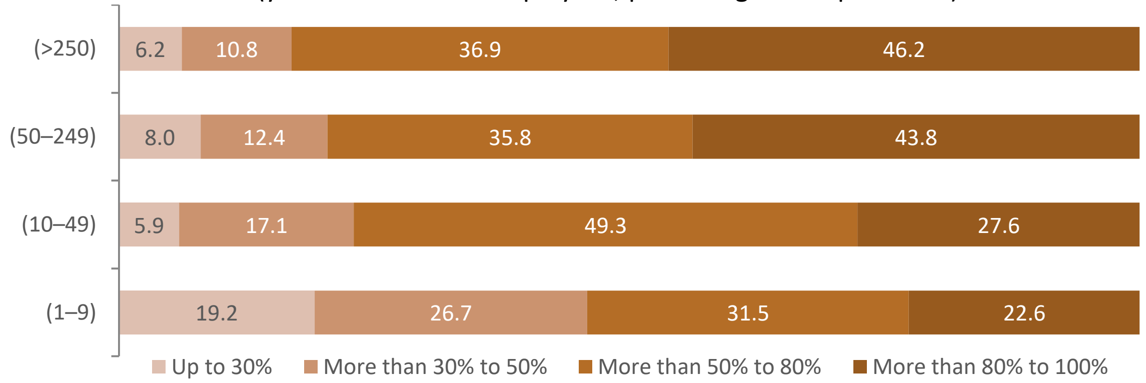
Capacity utilization rate of Western Balkans companies in (January – June 2021), according to the sectors of the responding economic entities



The survey has shown that the level of the capacity utilization in the first half of 2021 is to a large extent connected with the size of the company:

- for respondents classified in the category of large economic entities (more than 250 employees), 46% of which used their capacities in the range 80%-100%.
- less than a half of the respondents (44%) from the category of medium enterprises (50-249 employees) used their capacities in the range 80%-100%.
- less than a third of the respondents (28%) from the category of small enterprises (10-49 employees) used their capacities in the range 80%-100%
- a fifth of the respondents (23%) from the category of micro enterprises (1-9 employees) used their capacities in the range 80%-100%.

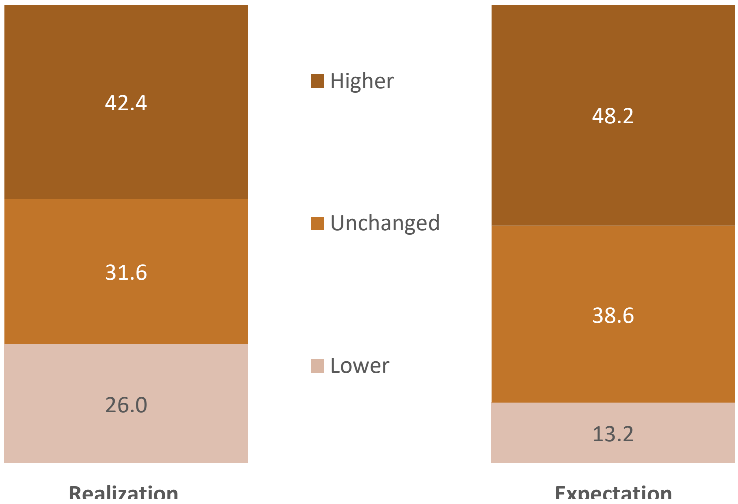
Capacity utilization rate of Western Balkans companies in the first half of 2021 according to the size of the responding economic entities
(y axes: number of employees, percentage of respondents)



Turnover

The survey on the business activity of the Western Balkans companies for the first half of 2021 showed that 32% of businesspeople marked their turnover unchanged and 42% higher according to the previous six months, while 26% of the surveyed companies recorded a decreased turnover. More than a half of the respondents (87%) expect unchanged and higher turnover for the second half of 2021 according to the previous six months. On the side of business expectations for the second half of 2021, 39% of businesses expect unchanged turnover and 13% expect lower turnover.

Turnover
(realization for the first half 2021 and expectations for the second half 2021)
(compared to the previous six months, percentage of respondents)

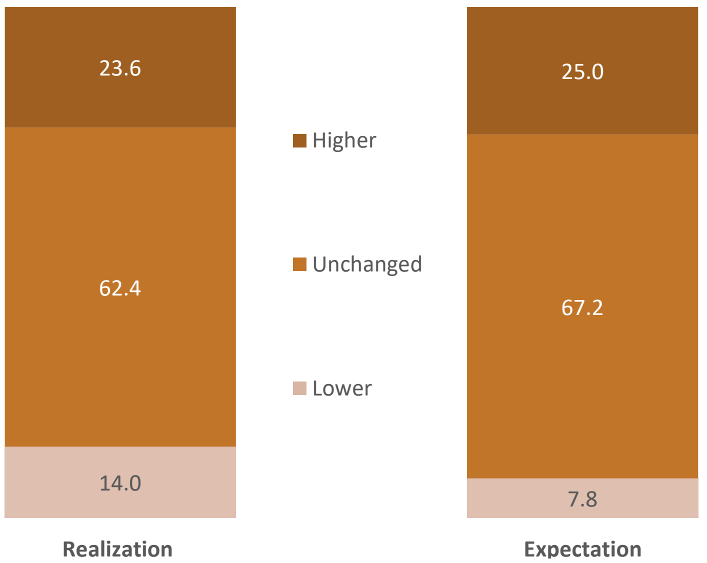


Source: WB6CIF Survey. Note: Realization in H1 2021 (January – June 2021), as compared to H2 2020 (July – December 2020). Expectation: H2 2021 (July – December 2021), as compared to H1 2021 (January – June 2021).

Employment

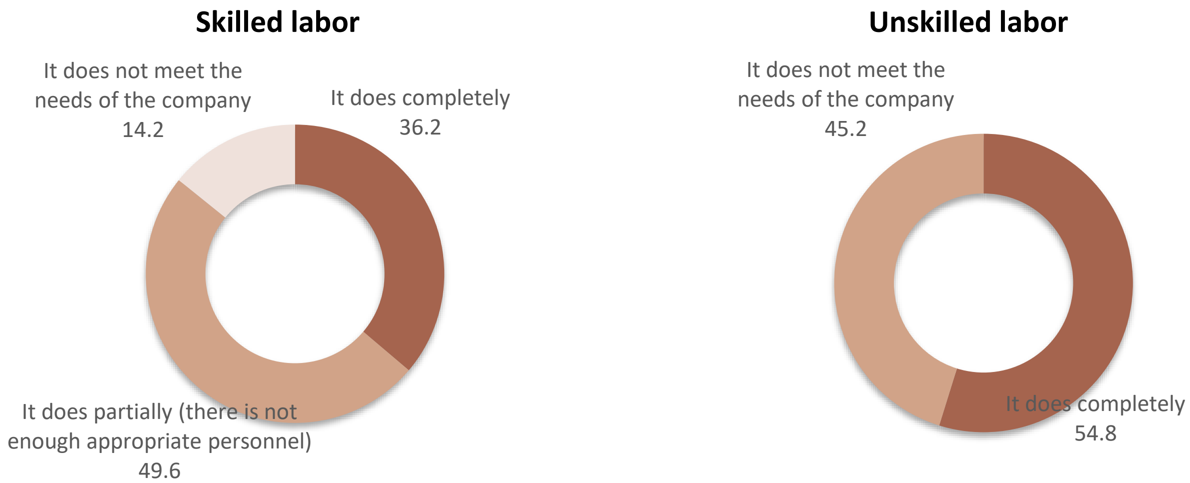
In the first half of 2021, employment was also stable, taking into account that 86% of the surveyed companies did not reduce the number of their employees. In addition, for the second half of 2021, 92% of the respondents do not expect to reduce the number of employees (67% of them expect unchanged number of employees, and 25% of them expect a higher number of employees).

Employment
(realization for the first half 2021 and expectations for the second half 2021)
(compared to the previous six months, percentage of respondents)



Source: WB6CIF Survey. Note: Realization: Number of employees in the company in H1 2021 (January – June 2021), as compared to H2 2020 (July – December 2020). Expectation: H2 2021 (July – December 2021), as compared to H1 2021 (January – June 2021)

Does the current supply of the labour in the local economy meet the needs of the company?

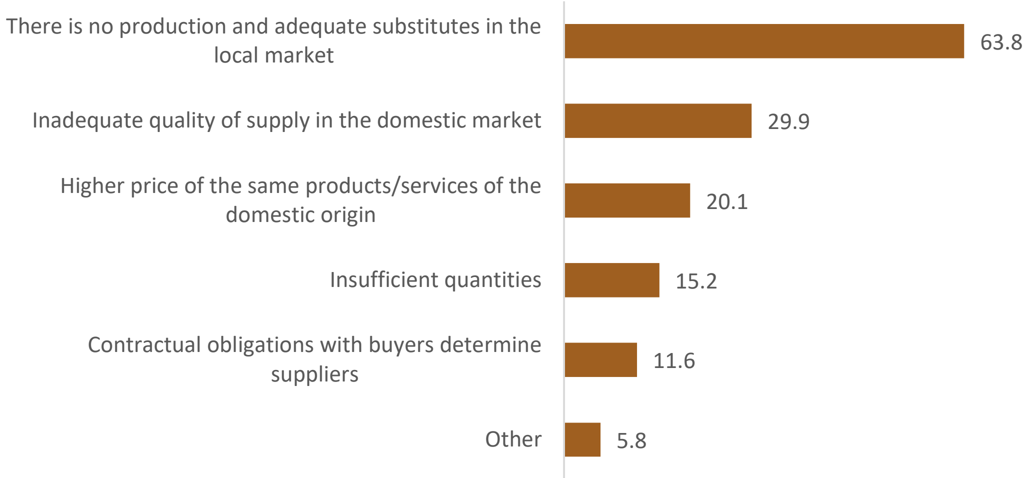


The largest number of respondents has stated that there is no need to employ residents from other economies. Within companies that have stated that they do have needs to employ residents from other economies, most are not able to do so, due to obstacles.

Possibilities for import substitution

Main reasons for importing abroad are nonexistent and inadequate substitutes in the local markets and inadequate quality of supply in the domestic market. It is striking that 2/3 of the surveyed importing companies find no domestic production as a reason for import (which is accompanied by 20% indicating higher price of domestic products, compared to imports). While the second data is a matter of competitiveness, the first one should be an alarming sign for policy - makers. Such a large untapped potential for increasing domestic economy production requires further in-depth investigation on the sectors, areas and products that are deficient and could be produced domestically, to some extent through developing regional supply chains.

Main reasons for importing from abroad



Source: WB6CIF Survey.

Special efforts should be made to improve cooperation between domestic and foreign companies. [4] The benefit of nearshoring is not only related to attracting a larger number of foreign companies, but also to engaging local companies in numerous jobs and extraction of the greatest benefits from cooperation and the presence of foreign investors in the domestic market. The first thing to work on is the inclusion of domestic companies in the supply chain of investors, with an emphasis on the systematic insistence that foreign companies use as many domestic goods and services as possible. Attention should also be paid to the type of supply involved and the level of sophistication of services, and thus to intensify efforts to break the scheme of reliance of foreign supply chains on their home countries or other markets, as well as to stop avoiding the process of sourcing from local suppliers (especially the large series of local products). Local-domestic companies often do not know the representation of all foreign companies with which they could achieve potential cooperation

[4] These findings were also confirmed in the Study "Getting stronger after COVID-19: Nearshoring potential in the Western Balkans", prepared by the WIIW and WB6 CIF, available at: https://wiiw.ac.at/getting-stronger-after-covid-19-nearshoring-potential-in-the-western-balkans-dlp-5814.pdf

(business needs more events such as fairs, online fairs, business meetings for spreading cooperation. Cooperation between domestic and foreign companies (selling products, exchange of knowledge and information, joint product development, lobbying for common interests, etc) is important part of developing trade issues.

Conclusion

Almost a year after the implementation of the Common Regional Market Action Plan has started, many uncertainties still remain – the pace of the implementation of the action points set in the document was not at the desired level. However, this report confirms that the full implementation of the Common Regional Market remains **an issue of utmost priority for the region's business community,** and despite the laggings in its implementation in the first year, the issues stated as action points in this document still remain valid requests of the regional business community and **businesses across the region expect to see visible shifts in relation to the issues selected as Key Priority Areas.**

The **overview of the WB6 key economic indicators 2020-2021** shows that after the collapse caused by the pandemic in 2020, it is expected that the economy of the Western Balkans in 2021 will record a growth of economic activity of 5.9% and that the acceleration in 2022 will be 4.1%. Given the scale of internal and external risks, launching an ambitious reform agenda to strengthen resilience and accelerate growth, could be the best response to the current crisis. The COVID-19 crisis has highlighted the importance of looking at the Western Balkans capacities for economic and common market development together, as well as importance of economic and social impact that crise situation had on the free flow of goods, services and people and business community. There is a need for better understanding linkages across the Western Balkan economies and specific sectors.

The business insights from the conducted survey provide an overview on the priorities in each of the key areas of the Common Regional Market.

The **waiting time at the border crossing points** needs to be minimized and predictable. The activities within the bilateral agreements have to be clearly coordinated between all parties in a uniform way. Infrastructure and staff, along with the border procedures, remains the key obstacle in providing smooth movement of goods within the Western Balkans. However, the waiting time between the region and the EU poses a more significant problem to the business community. Main challenges are the lack of harmonization of working hours between the border agencies, the lack of coordination among the different agencies involved in physical inspection. There is a need to overcome gaps in regional cooperation.

The **non-tariff barriers** present serious obstacles to doing business in the Western Balkans, there is strong urgency concerning the need to aimed for further reduce NTB across the region.

Regarding the **harmonization of rules**, priority area that calls for the establishment and implementation of Mutual Recognition Programs, we note the lack of any significant improvement. The existing MRPs have not been further implemented (fruits and vegetables and AEOs), while no progress has been made on negotiating and concluding a MRP for industrial products.

Rules and procedures across the region are not clear enough and it takes time to foreign trade companies to collect all information from different sources. Those problems stress the importance of up to date all online official sources and prepare clear guides.

Enabling companies to provide **services across the region** on equal term through the AP6 implementation in order to liberalize trade in services should also be one of the priorities. The main barriers for providing services across are licenses, different technical standards, non-transparent rules and procedures.

Mutual recognition of professional qualifications should be agreed, starting with a framework arrangement covering select pilot qualifications. It is equally important to remove obstacles to the mobility of students, researchers and academics. The biggest problems in the context of employment are the long procedures for obtaining work permits. In the short term procedure for recognition of qualifications within the region could be simplify by draft an agreement. In the medium term, it is necessary to develop a methodology for the development of regionally recognizable standards of occupations, which are the basis for the standard of qualifications in most countries.

Activities for abolishing the key restrictions impeding the **movement of capital** across the region (to cross-border capital transfers, cross-border investments and loans) directly affect the rate of intraregional investments, and activities in this area should gain priority even prior than 2024.

Companies lack detailed information on all issues related to the **Green Agenda for the WB**, and are in need of capacity building in these areas, and activities in this regard directed towards the business community from the Western Balkans should be given additional support in the forthcoming period.

Regarding the **digital readiness**, the survey shows that companies reported need for acceleration of digitalization process in foreign trade business (customs, border crossings, economy). Main business comments stresses need for digitization of administrative procedures, especially in areas where paperwork is required. Further support for business in the WB6 region should include digital transformation and encouraging e-commerce to facilitate entry into other markets.

The results from the conducted survey indicate that companies are mostly oriented towards business conditions in the domestic market, and **potentials of interregional cooperation have not been used to the full capacity**. Data confirms that the issue of securing access to finance still remains the first key concern for the region’s businesses, whilst the issues of availability and costs of the resources are still ranked high on the list, with striking 2/3 of the surveyed importing companies state finding no domestic production as a reason for import, confirming that in the following time-frame the activities for implementation of the Regional Supplier Development Program lead by the WB6 CIF, aimed at better **linking regional businesses in supply chains**, with potential focus on developing joint regional final products, should be further supported.

Appendix

Statistical overview Western Balkans 6

Key economic data

Main goals	**2018**	**2019**	**2020**	**2021**	**2022**
Intra-regional trade volume (goods) (billion EUR)	5.6	5.5	5.2		6.6
Trade in goods and services (Exports, % of GDP)	45.2	45.7	40.5		45.0%
Trade in goods and services (Imports, % of GDP)	58.6	59.3	54.1		70.0%
Openness index (export + import of goods and services, as % of GDP)	103.8	105.0	94.7		>110
WB6 GDP per person as a percentage of the EU average (European Union - 27 countries (from 2020))	35.2	35.9	37.1		40%

Source: wiiw, Eurostat.

Realized loans to non-financial corporations

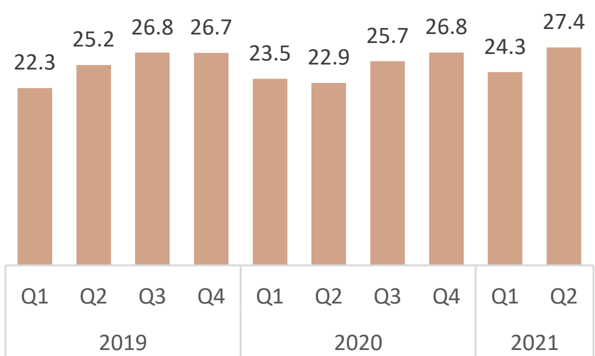
WB6 TOTAL (mil EUR)	**2018**	**2019**	**2020**
Loans non-financial private sector (S11+S14)	42,479	45,959	48,730
Loans non-financial corporations (S11)	**22,874**	**24,537**	**25,819**
Loans households (S14)	19,604	21,424	22,911

Source: Central banks.

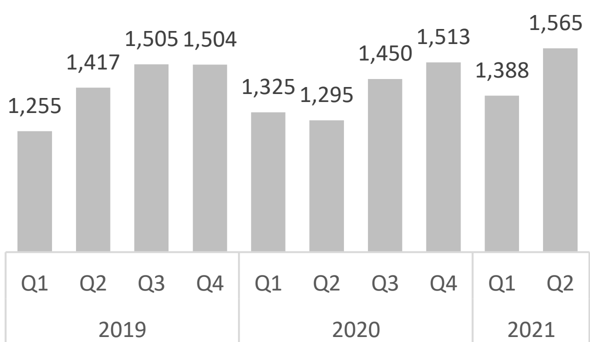
Western Balkans, Services	**2018**	**2019**	**2020**
Export (mill EUR)	15,798	17,461	12,768
Import (mill EUR)	10,193	11,477	8,848
Balance on trade (mill EUR)	5,605	5,984	3,920

Source: Central banks.

WB6 GDP
(bn EUR)

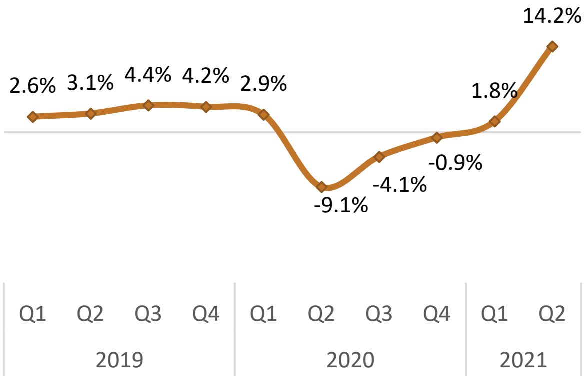


WB6 GDP per capita
(EUR)



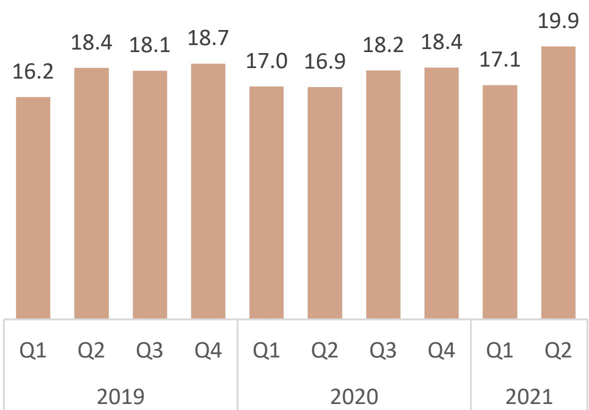
*preliminary data, a calculation based on annual population

WB6 GDP (real growth rate %)

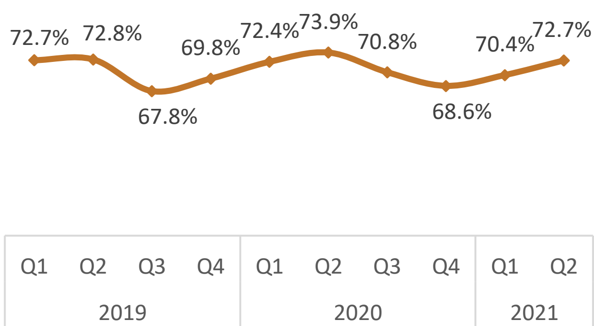


WB6 Household final consumption expenditure

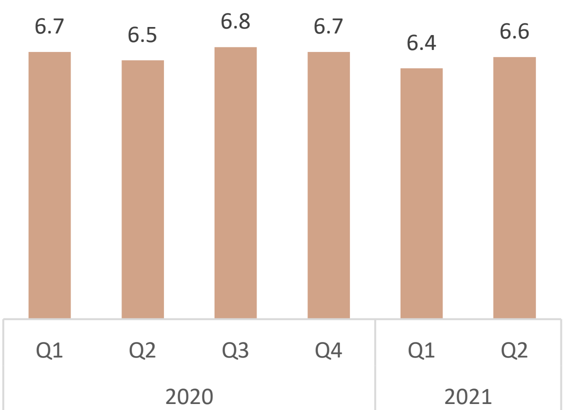
(bn EUR)



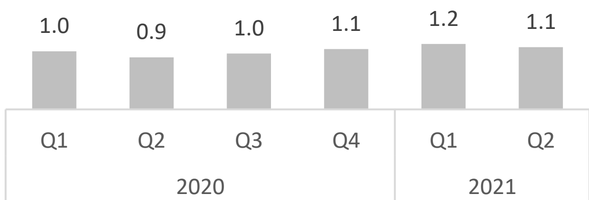
(as % of GDP)



WB6 Employment (LFS)
(mn people)

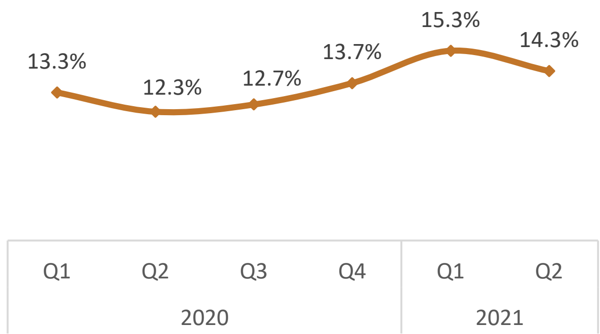


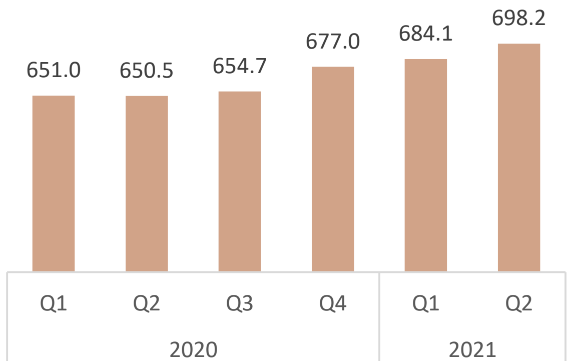
WB6 Unemployment (LFS)
(mn people)



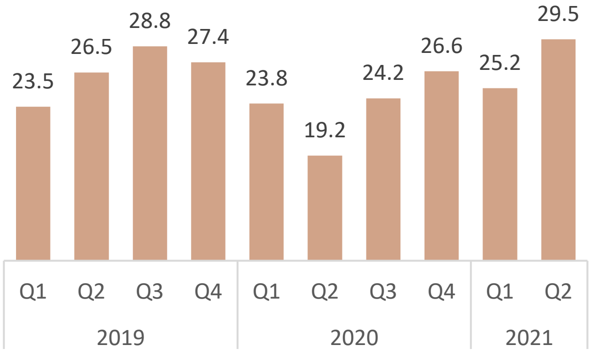
WB6 Unemployment rate (%),

WB6 Average Gross Salary (EUR)

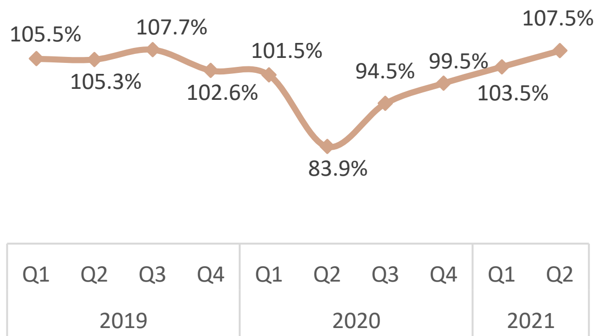




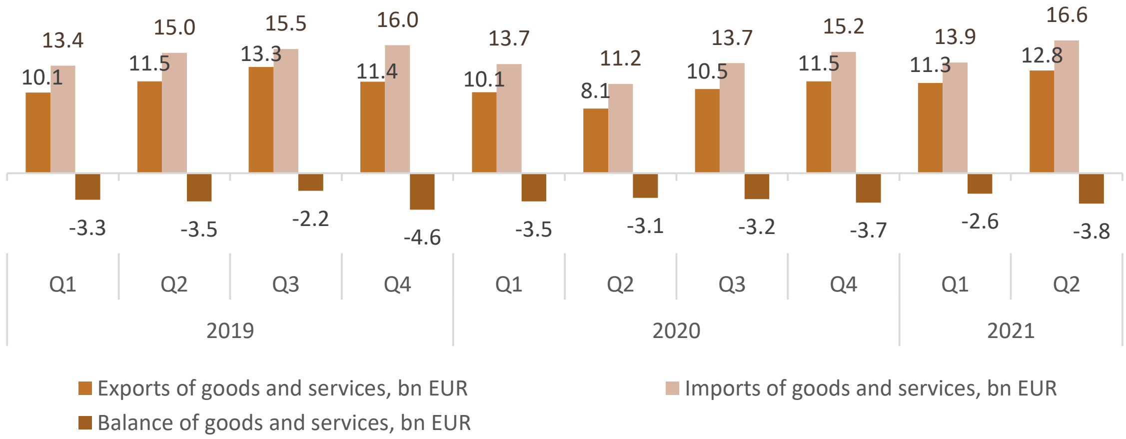
WB6 Total trade, goods and services
(bn EUR)



WB6 Openness index
(goods and services trade to GDP, %)



WB6 Exports, imports and balance of goods and services (bn EUR)



Macroeconomic indicators	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP (bn EUR)										
AL	3.1	3.7	3.5	3.5	3.1	3.1	3.4	3.5	3.3	3.9
BA	4.1	4.5	4.8	4.7	4.3	4.1	4.6	4.5	4.4	4.6
XK	1.5	1.8	2.0	1.8	1.5	1.6	1.8	1.9	1.6	2.0
ME	0.9	1.2	1.6	1.3	0.9	0.9	1.2	1.2	0.9	1.1
MK	2.5	2.8	2.9	3.0	2.6	2.3	2.8	3.0	2.6	2.8
RS	10.2	11.3	11.9	12.5	11.1	10.8	11.9	12.7	11.6	13.0
WB6	**22.3**	**25.2**	**26.8**	**26.7**	**23.5**	**22.9**	**25.7**	**26.8**	**24.3**	**27.4**
GDP per capita (EUR)										
AL	1,088	1,279	1,239	1,214	1,080	1,096	1,182	1,247	1,149	1,383
BA	1,169	1,277	1,385	1,338	1,231	1,183	1,323	1,301	1,257	1,332
XK	824	1,016	1,092	1,012	836	920	1,014	1,034	884	1,093
ME	1,432	1,866	2,647	2,014	1,475	1,450	1,949	1,863	1,409	1,817
MK	1,222	1,339	1,384	1,452	1,258	1,126	1,342	1,469	1,273	1,354
RS	1,470	1,631	1,715	1,803	1,607	1,569	1,726	1,834	1,678	1,878
WB6	**1,255**	**1,417**	**1,505**	**1,504**	**1,325**	**1,295**	**1,450**	**1,513**	**1,373**	**1,549**
GDP, real growth rate (percent)										
AL	2.3	2.1	4.2	-0.1	-2.8	-11.3	-3.5	2.4	5.5	17.9
BA	2.4	2.9	3.4	2.6	3.3	-8.0	-5.0	-2.6	2.5	11.6
XK	4.5	4.0	5.3	5.1	1.5	-9.1	-7.3	1.8	4.2	16.3
ME	3.2	3.6	5.2	3.7	2.5	-20.5	-27.1	-7.7	-6.5	19.0
MK	1.4	4.3	3.6	3.3	0.9	-14.9	-3.3	-0.7	-1.9	13.1
RS	2.6	2.9	4.9	6.3	5.2	-6.3	-1.4	-1.0	1.8	13.7
WB6	**2.6**	**3.1**	**4.4**	**4.2**	**2.9**	**-9.1**	**-4.1**	**-0.9**	**1.8**	**14.2**
Household final consumption expenditure (bn EUR)										
AL	2.5	3.0	2.8	2.6	2.7	2.8	2.6	2.7	2.7	3.1
BA	3.1	3.2	3.4	3.4	3.3	3.0	3.3	3.2	3.3	3.4
XK	1.2	1.5	1.3	1.6	1.3	1.5	1.5	1.6	1.4	1.7
ME	0.8	0.9	0.9	1.0	0.8	0.8	0.9	0.9	0.7	0.9
MK	1.7	1.9	1.9	1.9	1.7	1.7	1.8	1.9	1.7	2.0
RS	6.9	7.8	8.0	8.2	7.3	7.3	8.0	8.1	7.3	8.8
WB6	**16.2**	**18.4**	**18.1**	**18.7**	**17.0**	**16.9**	**18.2**	**18.4**	**17.1**	**19.9**
Household final consumption expenditure (percent of GDP)										
AL	81.0	81.2	78.3	75.9	86.5	88.9	78.8	75.6	82.8	79.5
BA	76.5	72.4	70.0	72.2	76.1	72.7	71.6	70.9	75.5	73.0
XK	84.0	84.8	65.9	87.5	86.5	88.8	80.9	85.9	86.6	88.6
ME	87.3	77.9	53.4	77.7	88.7	84.5	74.1	80.2	85.3	78.8
MK	65.3	68.4	64.9	64.1	65.1	73.4	66.0	62.4	65.5	70.2
RS	67.6	69.0	66.9	65.2	65.6	67.0	67.5	63.8	62.7	68.1
WB6	**72.7**	**72.8**	**67.8**	**69.8**	**72.4**	**73.9**	**70.8**	**68.6**	**70.4**	**72.7**

Macroeconomic indicators	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Total trade of goods and services (bn EUR)										
AL	2.2	2.6	3.1	2.6	2.1	1.5	2.2	2.3	2.2	2.8
BA	3.9	4.6	4.6	4.2	3.7	3.2	3.7	4.0	3.9	4.5
XK	1.1	1.4	2.1	1.4	1.2	1.0	1.4	1.5	1.4	1.8
ME	0.9	1.3	1.9	1.2	0.9	0.8	0.9	1.0	0.8	1.2
MK	3.6	3.8	4.0	4.2	3.4	2.6	3.8	4.1	3.9	4.2
RS	11.7	12.8	13.2	13.8	12.5	10.2	12.3	13.8	13.0	15.0
WB6	**23.5**	**26.5**	**28.8**	**27.4**	**23.8**	**19.2**	**24.2**	**26.6**	**25.2**	**29.5**
Exports of goods and services (bn EUR)										
AL	0.9	1.1	1.3	1.0	0.8	0.5	0.9	0.8	0.8	1.2
BA	1.6	2.0	2.0	1.7	1.5	1.3	1.5	1.7	1.7	1.9
XK	0.4	0.4	0.9	0.4	0.4	0.2	0.5	0.4	0.4	0.5
ME	0.3	0.5	1.0	0.4	0.3	0.2	0.3	0.3	0.3	0.4
MK	1.6	1.7	1.8	1.8	1.5	1.2	1.7	1.9	1.8	1.9
RS	5.3	5.9	6.1	6.2	5.6	4.7	5.6	6.4	6.3	6.9
WB6	**10.1**	**11.5**	**13.3**	**11.4**	**10.1**	**8.1**	**10.5**	**11.5**	**11.3**	**12.8**
Imports of goods and services (bn EUR)										
AL	1.3	1.6	1.7	1.6	1.2	1.0	1.3	1.4	1.3	1.6
BA	2.3	2.6	2.6	2.5	2.2	1.9	2.2	2.3	2.2	2.6
XK	0.8	1.0	1.2	1.0	0.8	0.8	1.0	1.1	1.0	1.3
ME	0.7	0.9	0.9	0.8	0.7	0.6	0.6	0.7	0.5	0.8
MK	2.0	2.0	2.1	2.4	1.9	1.4	2.0	2.3	2.1	2.3
RS	6.4	6.9	7.1	7.6	6.9	5.5	6.6	7.4	6.7	8.1
WB6	**13.4**	**15.0**	**15.5**	**16.0**	**13.7**	**11.2**	**13.7**	**15.2**	**13.9**	**16.6**
Balance of goods and services (bn EUR)										
AL	-0.4	-0.5	-0.4	-0.6	-0.4	-0.5	-0.4	-0.6	-0.5	-0.4
BA	-0.7	-0.6	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6	-0.5	-0.6
XK	-0.4	-0.6	-0.2	-0.7	-0.4	-0.6	-0.5	-0.7	-0.6	-0.7
ME	-0.4	-0.4	0.2	-0.4	-0.4	-0.4	-0.3	-0.4	-0.3	-0.4
MK	-0.4	-0.3	-0.3	-0.6	-0.4	-0.2	-0.3	-0.4	-0.3	-0.4
RS	-1.1	-1.1	-1.0	-1.5	-1.3	-0.8	-1.0	-1.0	-0.5	-1.2
WB6	**-3.3**	**-3.5**	**-2.2**	**-4.6**	**-3.5**	**-3.1**	**-3.2**	**-3.7**	**-2.6**	**-3.8**
Exports of goods and services (percent of GDP)										
AL	28.6	29.0	38.1	29.4	27.6	15.7	25.4	23.6	26.0	30.1
BA	39.1	43.9	41.8	37.3	35.9	31.5	33.6	36.9	38.9	42.1
XK	24.4	22.5	48.1	19.9	25.5	13.9	25.0	21.9	27.6	26.7
ME	31.3	40.9	63.8	29.3	30.0	22.5	24.8	26.8	30.5	35.3
MK	64.4	61.9	64.3	59.0	58.1	50.3	61.7	60.9	67.9	67.9
RS	52.2	51.8	51.2	49.3	50.4	43.3	47.3	50.6	54.0	53.0
WB6	**45.2**	**45.6**	**49.7**	**42.8**	**43.2**	**35.2**	**40.9**	**42.9**	**46.5**	**46.8**

Macroeconomic indicators	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Imports of goods and services (percent of GDP)										
AL	41.7	43.3	48.8	45.8	40.2	32.3	38.8	39.9	40.7	40.5
BA	56.3	58.4	53.5	53.0	50.7	45.2	47.4	50.5	49.9	55.5
XK	53.2	54.7	59.3	57.8	54.7	47.3	54.2	57.8	62.6	64.2
ME	74.3	75.2	52.9	64.8	72.3	66.6	51.6	57.6	61.0	68.3
MK	78.6	73.6	73.4	80.4	72.8	60.9	73.2	74.9	79.9	83.3
RS	62.7	61.2	59.4	61.1	62.1	50.7	55.6	58.8	58.0	62.5
WB6	**60.2**	**59.7**	**58.0**	**59.8**	**58.3**	**48.7**	**53.6**	**56.6**	**57.0**	**60.7**
Openness index										
AL	70.3	72.3	86.9	75.2	67.8	48.0	64.2	63.6	66.7	70.6
BA	95.4	102.4	95.4	90.3	86.5	76.7	81.0	87.4	88.9	97.6
XK	77.6	77.2	107.4	77.7	80.1	61.2	79.2	79.6	90.2	91.0
ME	105.6	116.1	116.7	94.1	102.3	89.1	76.4	84.4	91.6	103.6
MK	143.0	135.6	137.7	139.4	130.9	111.2	134.9	135.8	147.9	151.2
RS	114.9	113.1	110.5	110.4	112.5	94.0	102.9	109.4	112.0	115.5
WB6	**105.5**	**105.3**	**107.7**	**102.6**	**101.5**	**83.9**	**94.5**	**99.5**	**103.5**	**107.5**

Source: wiiw, recalculation WB6CIF RCEA.

WESTERN BALKANS 6, KEY CHANGES
(January – June) 2020 – 2021.

Western Balkans (Key figures)	Unit	Change the first half 2021 compared to the first half 2020
GDP	%	11.5
GDP per capita	%	12.7
Household final consumption expenditure	%	9.1
Employment	%	-1.7
Unemployment	%	15.9
Unemployment rate	pp	2.0
Average gross salary	%	6.2
Total trade of goods and services	%	26.9
Trade openness index	pp	12.8
Exports of goods and services	%	32.5
Imports of goods and services	%	22.8
Exports of goods and services, as of GDP	pp	7.4
Imports of goods and services, as of GDP	pp	5.4

Source: wiiw database, Western Balkans statistical offices, Eurostat, WB6 CIF Calculations.
Note: pp – percentage points.

Methodology

The WB6CIF CRM Survey (Common Regional Market Implementation) covers Western Balkans companies of all sizes and types of ownership. The Questionnaire is conducted on the sample of size n=500. The data collection period is from September 16th to October 19th 2021.

The criteria for the sample construction is participation of economies in the structure of Western Balkans Gross Domestic Product and it was taken into account to cover main sectors: Agriculture, Industry and Services. The main objective of the Survey requires a sample of companies with the aim to collect detailed information regarding business obstacles and information within sectors.

The findings are presented through the frequency of answers, i.e. medium values. No weighting of the obtained results was performed. The report presents information on business operations of the economy, available to the chambers in the Western Balkans region, based on contacts with members through their organizational units. Data sources: wiiw database, statistical offices, WB6 CIF Calculations, WB6 CIF Survey, Western Balkans chambers.

The survey sample consists key information of the Western Balkans companies like the sector/economic branches of activity, the company size and, most importantly, the contact details. With this objective, the team examined Western Balkans business registers and based selection on the criteria of availability of data and number of companies in registers. As there is no single database that provided a sufficiently comprehensive register for every national economy, a combination was used from the WB6 CIF chamber's data and data available on databases Dun&Bradstreet Hoovers package and Boniteti International. The WB6CIF evaluation methodology involves actor-oriented questionnaires, established with the aim to collect information regarding key business areas. The Activity was co-financed within EU funded project "EU support to the WB6 CIF".

The survey focused on two main areas: (Part A) Key economic activities for Western Balkans and (Part B) Implementation of the measures and activities stipulated in the Common Regional Market Action plan. Part A consists of topics regarding economic activity, foreign trade activities and business activities (capacity utilization, turnover, labor and important topics for business regarding to finance and payment, administration, demand and resources). Part B consists of topics regarding trade, investments, digital and industrial and innovation fields.

Classification of non-tariff measures (NTM) by chapter [5] **1. Imports:** **1.1 Technical measures** **A** Sanitary and phytosanitary measures **B** Technical barriers to trade **C** Pre-shipment inspection and other formalities **1.2 Non-technical measures** **D** Contingent trade-protective measures **E** Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade **F** Price-control measures, including additional taxes and charges	**G** Finance measures **H** Measures affecting competition **I** Trade-related investment measures **J** Distribution restrictions **K** Restrictions on post-sales services **L** Subsidies and other forms of support **M** Government procurement restrictions **N** Intellectual property **O** Rules of origin **2. Exports** **P Export-related measures**

[5] Classification in accordance with the International Classification of Non-tariff Measures prepared by UNCTAD (available at: International Classification of Non-tariff Measures - 2019 edition (unctad.org).

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