

Economic Convergence Scoreboard for the Western Balkans 2026



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Foreword

Economic convergence with the European Union (EU) remains a strategic priority for the Western Balkan economies. All six Western Balkan economies are EU candidates or potential candidates, and convergence with EU economic standards and levels of development is an important part of their integration and accession trajectory. Economic convergence is also a key element of the regional co-operation agenda promoted through the Berlin Process, which aims to bring the Western Balkans closer to the EU economically and institutionally.

Developed in the context of the Berlin Process, the *Economic Convergence Scoreboard* provides an evidence base for monitoring progress towards economic convergence and supporting the region's path towards EU integration. Building on the first edition published in 2025, the *Economic Convergence Scoreboard for the Western Balkans 2026* further advances the framework for assessing the region's convergence with the European Union across five policy clusters, while expanding its coverage through new indicators on business dynamism and the quality of foreign investment, gender gaps in employment, patent activity, cybersecurity, air pollution and 4G penetration.

The 2026 edition notably introduces, for the first time, a dedicated cluster on macro-financial stability, capturing the broader macroeconomic conditions that underpin sustainable growth and convergence. In addition, the Scoreboard features a new benchmark group comprising neighbouring EU Member States with comparable geographical and cultural characteristics. This provides an additional relevant reference point for understanding the region's performance and convergence dynamics, complementing comparisons with the EU as a whole.

Complementing the OECD's flagship policy analysis, notably the *Competitiveness Outlook* and *SME Policy Index*, this report aims to help governments across the Western Balkans identify key reform areas where policy efforts need to be intensified to accelerate economic growth, strengthen resilience, and advance the region's integration with the European Union.

The OECD would like to thank the governments and statistical offices of the Western Balkan economies for their valuable contributions to the preparation of this edition, including the provision of data and insights. Their continued engagement and co-operation have been essential to strengthening the evidence base for the region's convergence agenda. The OECD also gratefully acknowledges the financial support provided by the Ministries of Foreign Affairs of Bulgaria and Romania, which made this work possible.

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The methodology for the Scoreboard was led by Benoît Dicharry, with contributions from Marin Slim. The principal authors were Benoît Dicharry (Frontmatter, Infrastructure and Connectivity, Skills, Business Environment, Greening and Methodology) and Marin Slim (Digital Transformation, Macro-financial Stability and Economy Profiles).

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Reader's Guide

This guide provides an overview of how to interpret and utilise the data presented in the *Economic Convergence Scoreboard for the Western Balkans 2026*. Further information on the overall approach and methodology, including the selection of indicators and the calculation of scores, is included in Annex B.

Analytical framework

The Scoreboard assesses the level of convergence of the Western Balkan economies across a total of 43 indicators, grouped under six policy clusters key to economic performance:

- Macro-financial Stability
- Infrastructure and Connectivity
- Skills
- Business Environment
- Digital Transformation
- Greening

The analytical framework builds on the growth models in the economic literature:

- **Exogenous growth models** (Solow-Swan): *Infrastructure and Connectivity* and *Business Environment* contribute to capital accumulation (physical capital) and productivity growth.
- **Endogenous growth models** (Romer and Lucas): *Skills* and *Digital Transformation* contribute to human capital and knowledge accumulation. *Greening* can drive technological change and ensure the sustainability of economic growth.
- **Macroeconomic stability literature** (Fischer, Barro): *Macro-financial Stability* provides the enabling conditions under which capital accumulation and human capital formation translate into sustained growth, by reducing macroeconomic vulnerabilities and preserving investor confidence.

Each policy cluster includes five to eight indicators selected for their relevance to economic growth and the availability and comparability of data.

Data coverage and timeline

The primary data source for the selected indicators was Eurostat to maximise comparability between the European Union (EU) and the Western Balkan economies. When this was not possible, data were directly sourced from the national statistical offices of the Western Balkan economies and other international sources, including the OECD. The dataset used to calculate scores and rankings includes the six Western Balkan economies (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) as well as the EU member states. The economy abbreviations used throughout the report are:

Albania	ALB
Bosnia and Herzegovina	BIH
Kosovo	KOS
Montenegro	MNE
North Macedonia	MKD
Serbia	SRB

Convergence for indicators is measured over four sub-periods: 2014-2016, 2017-2019, 2020-2022, and 2023-2024, rather than annually. Each data point represents the average value of the available years within each sub-period. This approach allows for the following: 1) integrating the inclusion of indicators not updated annually; 2) smoothing out cyclical variations or shocks; and 3) overcoming data inconsistencies or gaps.

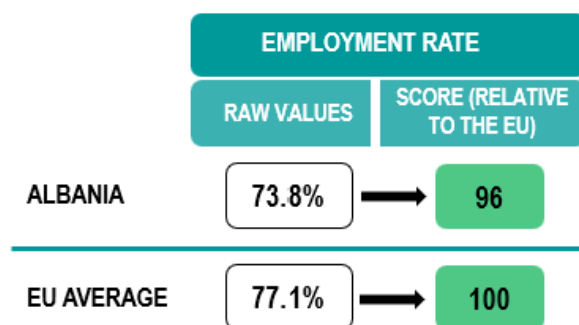
The limited statistical coverage in the Western Balkans, compared to EU member states, influenced the selection of indicators, with some indicators initially considered for the Scoreboard due to their strong correlation with economic growth ultimately excluded primarily due to limitations in data availability. Alternative indicators were selected as proxies to capture comparable dimensions of economic performance and development. For indicators with incomplete time-series coverage, missing data were addressed through imputation.

Scoring

The Scoreboard leverages two methods to calculate scores and rankings.

Each indicator score represents the ratio of a specific Western Balkan economy's sub-period value to the EU average, which is set at 100. Scores above 100 indicate values higher than the EU average, while scores below 100 indicate that the economy's convergence towards the EU average remains incomplete. For example, Albania's employment rate was 73.8% in 2023-2024, compared to the EU average of 77.1%. The indicator score is therefore $(73.8/77.1) \times 100 = 96$, which means that Albania's employment rate is 96% of the EU average, indicating a high level of convergence (Figure 1).

Figure 1. Example indicator score: Employment rate (2023-2024)



The Western Balkan economies are also benchmarked against a group of EU neighbouring economies (Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia). This additional comparison accounts for structural factors, such as geography and demography, that shape convergence independently of economic policies, and provides a more proximate reference point than the EU average alone.

Macro-financial stability indicators are scored differently to reflect compliance with established EU macro-financial benchmarks. These include, most notably, the Maastricht convergence criteria and the thresholds used under the EU's macroeconomic imbalance surveillance framework. A score of 100 indicates full compliance, whereas scores below 100 signal a growing distance from compliance. For example, Albania's general government balance stood at -1.0% of GDP over 2023-2024, within the -3% ceiling set by the European Central Bank. The indicator score is therefore 100, reflecting full compliance with the threshold.

Cluster scores are derived from a dedicated composite indicator. As with individual indicator scores, the EU average is set at 100. Scores above 100 indicate overperformance relative to the EU average, while scores below 100 signal lower convergence. For example, Albania's seven skills-related indicators for the period 2023-2024 yield an average standardised score of 36, against an EU average of 100 (Figure 2).

Figure 2. Example cluster score: Skills (2023-2024)

ECONOMY	OVERALL PERFORMANCE
EU AVERAGE	100
ALBANIA	36

Macro-financial stability cluster scores are calculated as the simple average of the underlying indicator scores. A score of 100 indicates full compliance with the relevant macro-financial stability criteria.

The underlying raw data used to determine scores are provided in the indicator-level graphs throughout the chapters. For more details on the scoring, please consult the Methodology section in Annex B.

Comparability

The 2026 edition of the Scoreboard incorporates new and refined indicators, reflecting a partial evolution in scope aimed at improving data robustness and comparability and providing better insight into the policy drivers of economic convergence. As a result, it is advisable not to directly compare the results of this edition with those released in 2025.

Use and benefits

The Scoreboard serves multiple purposes, offering significant benefits for various stakeholders:

- **Policy makers in the Western Balkans**
 - The Scoreboard helps to identify economic strengths and weaknesses, assess the effectiveness of current policies, and pinpoint areas requiring targeted reforms. By leveraging a data-driven approach, it supports evidence-based policy making and the development of tailored economic strategies to accelerate sustainable growth.
 - As it was developed in close co-ordination with national statistical offices across the region, the Scoreboard strengthens the collection of high-quality, reliable data, enhancing the ability to track policy outcomes more effectively.
- **EU member states and institutions**
 - The Scoreboard provides an objective, data-driven assessment of the region's progress towards economic convergence with the EU. It offers insights into policy implementation, highlighting the extent to which measures are effectively enforced rather than merely transposing the EU acquis into laws and regulations.
 - By identifying priority policy areas that require further efforts, the Scoreboard can help guide the EU's funding priorities, including those under the Instrument for Pre-Accession Assistance and the Western Balkans Investment Framework.

Abbreviations and acronyms

AI	Artificial intelligence
BE	Business Environment
CEER	Council of European Energy Regulators
CEFTA	Central European Free Trade Agreement
CO ₂	Carbon dioxide
DG	Digital Transformation
DTT	Distance-to-target
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECEC	Early childhood education and care
EIB	European Investment Bank
EPR	Extended producer responsibility
ERM II	European Exchange Rate Mechanism
ERP	Economic Reform Programme
EU	European Union
EUR	Euro
FDI	Foreign direct investment
FTTP	Fibre to the premises
g	Gram
GDP	Gross domestic product
GR	Greening
IC	Infrastructure and connectivity
ICT	Information and communication technology
IEA	International Energy Agency
ILO	International Labour Organization
IMF	International Monetary Fund
INSTAT	Institute of Statistics of Albania
KAS	Kosovo Agency of Statistics
kg	Kilogram
kWh	Kilowatt-hour
LLC	Limited Liability Corporation
MAKSTAT	State Statistical Office of the Republic of North Macedonia
Mbit/s	Megabits per second
MONSTAT	Statistical Office of Montenegro
MS	Macro-financial stability
MW	Megawatts
NEET	Not in employment, education or training
NPL	Non-performing loan
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
PPP	Purchasing power parity
R&D	Research and development
RCC	Regional Cooperation Council
RGGF	Reform and Growth Facility for the Western Balkans
SK	Skills

SME	Small and medium-sized enterprises
SORS	Statistical Office of the Republic of Serbia
SSC	Social security contributions
UNDP	United Nations Development Programme
USD	US dollar
VET	Vocational education and training
WB6	Six Western Balkan economies
WBIF	Western Balkans Investment Framework
WBL	Work-based learning
4G	Fourth generation of cellular network technology

Executive summary

Economic convergence with the EU remains a strategic necessity for the six Western Balkan economies. It is central to strengthening competitiveness and resilience, and fostering greater trade, investment and integration into the EU market, as well as raising living standards.

Over the past two decades, the region has made significant progress in sustaining economic growth. Between 2003 and 2025, real GDP per capita expressed in PPP in the Western Balkan economies more than doubled, rising from USD 10 710 to USD 23 660.

Despite this positive convergence trend, the Western Balkan economies have made modest headway in narrowing the gap with their EU counterparts. In 2025, the region's average GDP per capita reached 42.9% of the EU average – an improvement of 15.5 percentage points since 2003, when it stood at 27.4%. While this represents tangible progress over two decades, the gap highlights the challenges that continue to hinder faster convergence and underscores the need for effective and sustained reform efforts.

This report seeks to shed light on the factors preventing faster economic convergence of the Western Balkan economies and identify the policy areas that require greater attention to accelerate progress. The *Economic Convergence Scoreboard for the Western Balkans 2026* offers a comparative overview of the region's performance in relation to the EU, analysing 43 indicators grouped into six policy clusters: 1) infrastructure and connectivity; 2) skills; 3) business environment; 4) digital transformation; 5) greening, and 6) macro-financial stability. The 2026 edition builds on the Scoreboards published in 2023 and 2025, with a refined methodology and expanded data coverage.

Key findings

Macro-financial Stability

Macro-financial stability is the region's second-strongest area of performance, demonstrating steady convergence over the past decade.

Indicators	Regional Performance (Compliance=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024
	73	79	65	83	+10
MS.01: Inflation rate	92.1	90.1	57.6	87.5	-4.6
MS.02: Exchange rate stability vis-à-vis the euro	100.0	100.0	100.0	99.5	-0.5
MS.03: General government balance	74.6	91.3	56.8	89.9	+15.4
MS.04: Long-term government interest rates	56.8	60.2	60.0	75.8	+19.0
MS.05: Current account balance	41.3	52.0	50.6	62.6	+21.3

The Western Balkan economies are characterised by robust monetary stability, reflecting low inflation and stable exchange rates. Inflation has been largely aligned with EU rates over the last decade. The region also maintains stable exchange rates vis-à-vis the euro, supported by monetary arrangements ranging from unilateral euroisation and currency boards to managed floating regimes.

Fiscal stability has strengthened, driven by narrower government deficits than in the EU. Government budget balances do not exceed 3% of GDP in most Western Balkan economies, driven by strong tax revenue growth and continued improvements in tax compliance. Nevertheless, long-term government bond interest rates remain above the EU average, suggesting investors still perceive the region as carrying higher sovereign risk than EU member states.

External positions remain characterised by sizeable current account deficits across the region, reflecting continued reliance on external financing. Persistent merchandise trade deficits remain the main source of external imbalances, only partly offset by growing surpluses in services exports, driven by tourism and ICT services. Meanwhile, declining remittances and rising outward investment income payments add further pressure on the current account balance.

Infrastructure and Connectivity

Infrastructure and Connectivity is the second-fastest-converging cluster, though a gap with the EU persists.

Indicators	Regional performance relative to the EU (EU=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024
	33	31	48	55	+22
IC.01: Road infrastructure density	22.0	22.2	23.1	23.2	+1.2
IC.02: Rail infrastructure density	41.9	41.0	39.2	42.3	+0.4
IC.03: Rail freight intensity	28.4	28.7	34.8	34.2	+5.8
IC.04: Power losses	52.1	52.5	60.0	41.9	-10.2
IC.05: Electricity cost	74.5	68.8	93.6	110.1	+35.6
IC.06: 4G penetration	57.9	84.6	97.3	99.3	+41.4
IC.07: Broadband speed	46.0	37.6	38.7	59.8	+13.8

Transport networks, particularly rail infrastructure, continue to lag behind those of the EU, increasing costs for businesses and reducing trade efficiency. Transport networks, particularly rail infrastructure, continue to lag behind those of the EU, increasing costs for businesses and reducing trade efficiency. Rail continues to lose ground to road: in 2023, only 15% of the overall investment earmarked for the maintenance of the Trans-European Transport Network has been realised, and the region's use of rail for freight has declined over the past decade, with freight intensity now standing at just 34% of the EU average. While the Western Balkans Investment Framework has financed over 1 000 km of road upgrades since 2009, a comparable push on rail has yet to materialise, and regulatory delays continue to slow the projects that do move forward.

Energy infrastructure remains constrained by ageing coal-based power plants, which contribute to inefficiencies reflected in power losses more than twice the EU average. Even then, fossil fuel subsidies continue to keep electricity prices relatively low across much of the region. Nonetheless, partially driven by the prospect of EU accession, electricity market liberalisation efforts have intensified across the region, which could support more efficient and sustainable energy markets over the longer term.

Digital infrastructure has benefited from substantial investments, significantly improving digital connectivity, with 4G penetration rates reaching EU levels. Nonetheless, gaps remain in high-speed network development: the region's average broadband speed is around 60% of the EU average, with development constrained, among other factors, by ongoing disparities in connectivity between urban and rural areas.

Skills

The Skills cluster records both the lowest score in the region and the slowest convergence.

Indicators	Regional performance relative to the EU (EU=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024
	33	37	37	36	+3
SK.01: Labour productivity	39.2	38.2	37.5	38.0	-1.2
SK.02: Employment rate	71.5	74.1	75.8	80.7	+9.2
SK.03: Gender gap in labour force participation	52.5	49.7	50.9	52.8	+0.3
SK.04: PISA performance: mathematics	81.4	84.6	82.8	82.8	+1.4
SK.05: Youth NEET rate	48.7	45.8	46.6	50.0	+1.3
SK.06: Labour force with advanced education	95.7	97.3	98.0	99.6	+3.9
SK.07: Lifelong learning	29.4	23.2	37.5	19.9	-9.5
SK.08: Patent application	1.0	0.8	2.4	2.4	+1.4

Labour market conditions in the region continue to improve, with progress in raising workforce educational attainment and employment rates. In particular, the region's share of the labour force with advanced education matches the EU average. At the same time, employment outcomes have also improved, though part of this trend also reflects high emigration, which has reduced the working-age population. Nonetheless, further progress remains constrained by the gender gap in the labour force, which stands at more than twice the EU average.

Education systems fall short in equipping youth with the foundational skills ensuring a smooth school-to-work transition. Programme for International Student Assessment (PISA) performance is around 20% below the EU average, constrained by insufficient public education spending and low enrolment in early childhood education and care. Weak links between education providers and industry further limit the labour-market relevance of vocational education and training (VET), contributing to a youth not in employment, education or training (NEET) rate that, despite recent declines, remains twice the EU average.

In turn, these obstacles within the education system have weighed on labour productivity, which stagnates below 40% of the EU average. Lifelong learning could help address these imbalances, yet participation reaches only 20% of the EU average. The region's limited innovation activity, the cluster's weakest indicator, further holds back productivity, with patent applications at just 2% of the EU average, pointing to low levels of investment in research and development (R&D) and weak commercialisation of research and innovation.

Business Environment

Business Environment is the region's best-performing cluster and has converged the fastest over the past decade.

Indicators	Regional performance relative to the EU (EU=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024
	47	57	61	87	+40
BE.01: Domestic credit to the private sector	53.9	60.0	66.0	69.5	+15.6
BE.02: Bank non-performing loans	81.5	114.2	92.9	76.3	-5.2
BE.03: Private investment	100.9	98.5	103.4	106.0	+5.1
BE.04: FDI in tradable sectors	59.7	122.6	172.5	435.4	+375.8
BE.05: Control of corruption	19.4	15.7	14.8	18.2	-1.2
BE.06: Estimated informal employment	15.2	14.3	15.7	15.9	+0.7
BE.07: Trade flows	22.3	24.1	24.6	28.5	+6.2
BE.08: New business creation density	47.1	55.6	72.2	97.4	+50.3

The region has established itself as a strong destination for foreign direct investment (FDI). Net inflows into tradable sectors are four times the EU average, supported by an open regulatory environment and generous investor incentives, including tax breaks and special economic zones. This performance has nonetheless not yet translated into broader trade dynamics. Despite steady progress, trade flows remain around 30% of the EU average, held back by a limited industrial base and persistent non-tariff barriers.

Access to affordable financing remains a major bottleneck, particularly for small and medium-sized enterprises (SMEs). Domestic credit to the private sector is 30% below the EU average, reflecting continuous bank risk aversion despite the proliferation of credit guarantee schemes. Meanwhile, banking sector stability has improved, as reflected in the decline in the non-performing loan (NPL) ratio, which fell from an average of 13.6% to 3.4% over the past decade.

Corruption and informality also continue to undermine fair competition and deter investors. Perceptions of corruption have worsened in some economies, partly due to weak political commitment and enforcement challenges. High levels of informal employment, often linked to low productivity levels, are further exacerbated by high labour taxation and underdeveloped social security systems.

Private investment, though broadly in line with the EU average, remains insufficient to sustain rapid economic convergence. In addition to gaps in access to finance and an uneven competitive environment, an underdeveloped innovation ecosystem constrains firms' ability and incentives to invest. Business creation, which can also help spur private investment, remains below the EU average in most Western Balkan economies, further hampered by administrative burdens associated with business entry and operations.

Digital Transformation

Despite recent convergence, Digital Transformation's overall performance remains modest.

Indicators	Regional performance relative to the EU (EU=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2020-2022 to 2023-2024
	-	-	38	49	+11
DG.01: Population with digital skills	-	-	62.0	62.1	+0.1
DG.02: Internet use by individuals	-	-	92.7	96.5	+3.8
DG.03: Internet use for interacting with public authorities	-	-	46.9	55.3	+8.4
DG.04: Internet use for purchases	-	-	51.2	66.5	+15.3
DG.05: Businesses with a website	-	-	84.0	88.9	+4.9
DG.06: Businesses using AI technologies	-	-	54.5	64.1	+9.6
DG.07: ICT services exports	-	-	41.9	56.1	+14.2
DG.08: Secure internet servers	-	-	5.9	5.8	-0.1

The region's population enjoys strong digital connectivity, with internet usage levels matching the EU average. Digital engagement is gradually catching up, with internet use for online purchases and for interacting with public authorities rapidly converging, though the latter remains held back by the non-universal availability of digital public services and low awareness of existing services. Security concerns also weigh on engagement across the region, as cybersecurity infrastructure remains weak, with secure internet servers accounting for only 6% of the EU average. Limited digital skills further prevent the region from fully benefiting from digital transformation, with the share of the population reporting at least basic digital skills standing at around 40% below the EU average.

Businesses are increasingly embracing digital tools, yet adoption remains largely concentrated in basic solutions. Many firms use digital tools to strengthen their market presence, with website adoption broadly in line with the EU average. However, the uptake of more advanced technologies remains limited. AI adoption is about 35% below the EU average, reflecting businesses' limited readiness to adopt the latest digital technologies.

Nonetheless, the information and communication technology (ICT) sector has emerged as a driver of economic growth in recent years. ICT services exports have converged rapidly, reaching 56% of the EU average in 2023-2024, up from 42% in 2020-2022. Several factors underpin this trajectory: targeted policies to attract investment, expanded infrastructure for start-ups, and a young, digitally skilled workforce that has drawn outsourcing from foreign firms.

Greening

The Greening cluster recorded the highest share of worsening outcomes across all clusters, with a marked divergence from the EU. This widening gap stems from two dynamics: progress that was outpaced by the EU's in relative terms, and performance that stagnated or declined in absolute terms.

Indicators	Regional performance relative to the EU (EU=100)				Change
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024
	54	49	40	39	-15
GR.01: CO2 emissions intensity	71.1	66.8	61.1	61.2	-9.9
GR.02: Installed renewable power capacities	132.8	122.8	107.1	98.2	-34.6
GR.03: Energy productivity	82.5	81.2	76.4	79.0	-3.5
GR.04: Water productivity	24.5	25.2	22.6	23.6	-0.9
GR.05: Waste intensity	50.9	49.7	51.2	53.1	+2.2
GR.06: Municipal waste in landfills	45.8	41.3	38.0	34.1	-11.7
GR.07: Air pollution premature deaths	37.7	32.6	30.5	32.2	-5.5

Although the Western Balkans have started to implement policies aimed at a greener economy, progress remains slow, particularly in reducing carbon emissions. The region still relies heavily on fossil fuels, with coal accounting for a substantial share of electricity generation. While investments in renewable energy have increased, they remain, in most economies, insufficient to enable a large-scale transition towards decarbonisation. Moreover, the region's renewable energy mix remains undiversified, with a heavy reliance on hydropower, underscoring the need to expand other clean sources to mitigate environmental concerns and climate change risks. Carbon emissions have significant implications for human health across the region, with premature deaths attributable to air pollution remaining more than three times the EU average, undermining human capital through lost productivity.

The region also uses energy, materials, and water less efficiently than the EU. On average, Western Balkan economies' energy productivity remains 20% lower than the EU's, meaning more energy is used to generate the same economic output – this partly reflects the low energy efficiency of production and consumption. The region also generates nearly twice as much waste per unit of output as the EU and sends most of it to landfill, around three times the EU average, having built limited capacity to sort, collect and recycle. Water use shows similar constraints, with productivity slightly below 25% of the EU average, reflecting the region's high reliance on water-intensive thermal power generation, compounded by ageing, inefficient water infrastructure, and extensive irrigated agriculture.

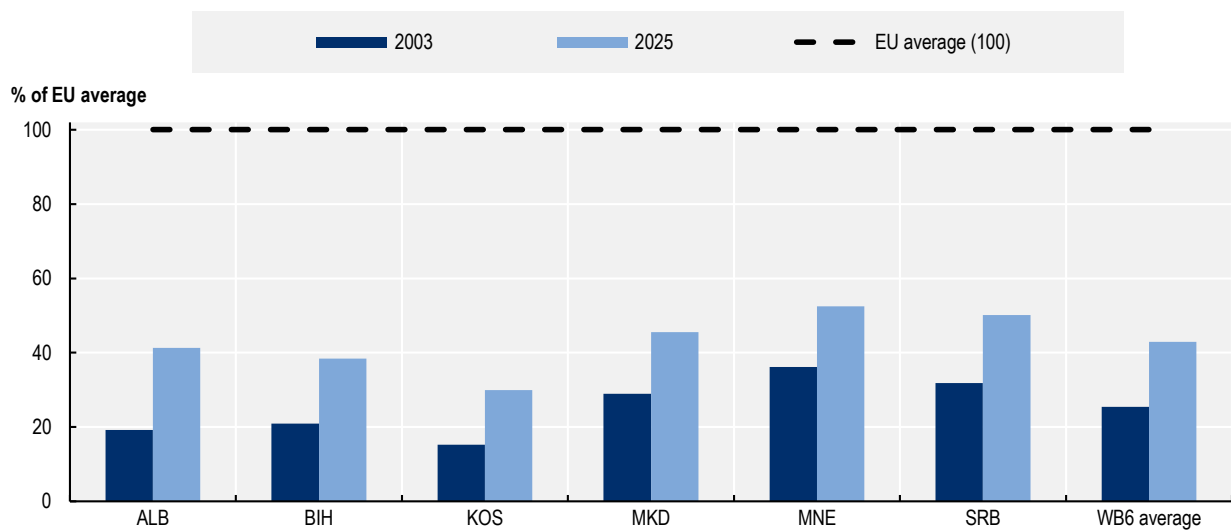
1 Introduction

Context and rationale

The Western Balkan economies experienced rapid economic growth for two decades, though convergence with EU income levels has advanced modestly. Between 2003 and 2025, real GDP per capita¹ in the Western Balkan economies more than doubled, rising from USD² 10 710 to USD 23 660, while the EU's average GDP per capita increased by 32%, from USD 41 729 to USD 55 087. The region's average GDP per capita nonetheless reached 42.9% of the EU average in 2025, up by 15.5 percentage points from 2003 (Figure 1.1).

Convergence has been strongest among economies starting from lower levels of GDP per capita. Kosovo and Albania have recorded the fastest convergence since 2008, gaining 17.5 and 14.6 percentage points in GDP per capita relative to the EU average, respectively, compared with a gain of 9 percentage points for Montenegro. Yet, Kosovo's GDP per capita still stood at 29.9% of the EU average in 2025, the lowest in the region (Figure 1.1).

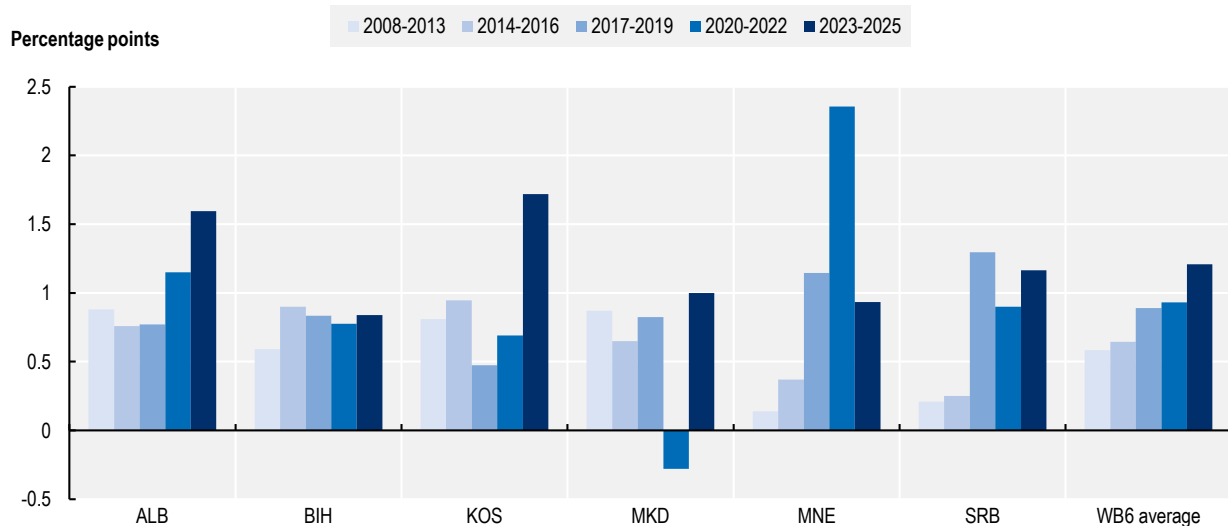
Figure 1.1. GDP per capita convergence of the Western Balkan economies with the EU, 2003-2025



Note: Regarding Kosovo, the data point shown for 2003 in the uppermost graph corresponds to 2008, the first year for which data are available.
Source: (World Bank, 2026^[1]).

The region's economies converged towards the EU average at an accelerating pace over the last decade. Convergence has proceeded at around 1 percentage point per year since 2020, reaching 1.2 percentage points per year in 2023-2025, twice the pace recorded in 2008-2013, when convergence averaged 0.6 percentage points per year in the aftermath of the global financial crisis (Figure 1.2). The region's strong post-pandemic recovery and accelerated integration with the EU have supported faster growth, helping to narrow the income gap with the EU.

Figure 1.2. Pace of GDP per capita convergence of the Western Balkan economies with the EU, 2008-2025



Notes: "Percentage points" measure the change in a Western Balkan economy's GDP per capita relative to the EU average. A value of 1 for 2014-2016, for example, indicates that this relative GDP per capita increased by an average of 1 percentage point per year over the period.

Source: (World Bank, 2026^[11]).

At current average growth rates in both the Western Balkan economies and the EU, full convergence would be achieved in 2072.³ This projection underscores the need to revisit the region's growth model, which largely remains consumption-driven, with private investment playing a limited role in supporting growth. Although private investment levels, as a share of GDP, are broadly comparable to those in the EU, they fall short of what is needed to accelerate growth and close the convergence gap.

Accelerating sustainable convergence will require decisive reforms to overcome structural bottlenecks and to encourage a shift towards more competitive, productivity-driven growth. A renewed focus will be needed on revising economic growth models to attract productive investment and support export-oriented growth.

EU integration

Economic convergence is central to the Western Balkan economies' development and EU integration agenda. Deeper economic integration with the EU can help accelerate convergence by strengthening trade and investment links, supporting productivity and competitiveness, and facilitating participation in European value chains. Advancing economic convergence is, in turn, essential to the region's path toward EU membership, as reducing economic disparities and strengthening economies' capacity to compete within the EU Single Market are key to successful integration.

The EU enlargement process has gained renewed momentum in recent years. Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia are EU candidate economies, while Kosovo is a potential candidate. At the time of writing, Montenegro leads the process, having provisionally closed 18 of its 33 negotiating chapters by mid-2026, with EU membership targeted for 2028. Albania has opened all 33 negotiating chapters and provisionally closed 3 as of July 2026, while Serbia, a candidate since March 2012, has opened 22 chapters and provisionally closed 2. Bosnia and Herzegovina, North Macedonia and Kosovo remain earlier in the process: Bosnia and Herzegovina was granted candidate

status in December 2022 and opened accession talks in March 2024, North Macedonia has yet to formally open negotiations, and Kosovo submitted its application for EU membership in December 2022 (European Parliament, 2025^[2]).

The EU is the region's largest source of financial assistance, supporting the economic convergence process. Continued EU support helps Western Balkan economies advance reforms and align with the *EU acquis*. This support is primarily channelled through the Instrument for Pre-accession Assistance (IPA), currently in its third cycle (IPA III). These resources are further leveraged through blending platforms such as the WBIF, which combines the EU's financial contributions with bilateral donor funding and loans from international financial institutions, such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), to support projects enhancing infrastructure, strengthening human capital, boosting competitiveness, and promoting the green and digital transitions — all key to advancing economic convergence with the EU.

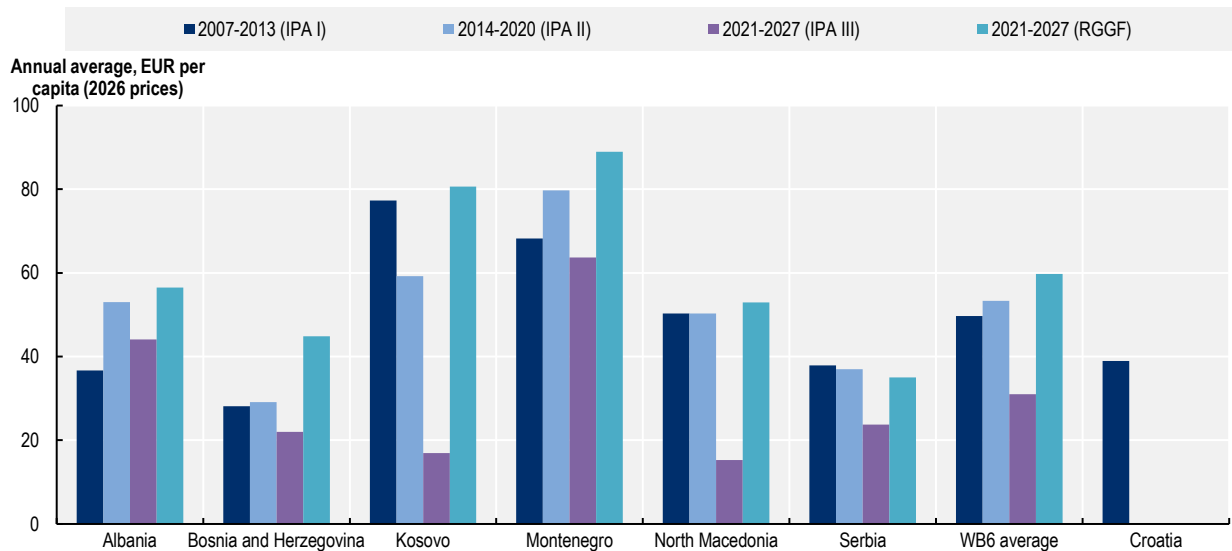
Building on these efforts, the European Commission's Growth Plan for the Western Balkans, adopted in November 2023, provides a key framework to foster socio-economic convergence ahead of accession. Backed by EUR 6 billion in grants and loans, the Growth Plan aims to deliver some benefits of EU membership before formal accession. It is structured around four main pillars:

1. enhancing integration with the EU single market
2. advancing regional economic integration through the Common Regional Market
3. accelerating structural reforms, including reforms in the fundamentals cluster of the EU accession process
4. increasing financial support through the new Reform and Growth Facility for the Western Balkans (RGGF).

The Growth Plan's RGGF has brought EU pre-accession financial support to the region to its highest level on record. Financial assistance to the Western Balkan economies rose from EUR 3.8 billion under IPA I (2007-2013) to EUR 4.2 billion under IPA II (2014-2020), before reaching EUR 8.2 billion under the combined IPA III and RGGF envelope for 2021-2027,⁴ translating into average per capita funding rising from EUR 49.7 annually under IPA I to EUR 53.3 under IPA II and EUR 90.7 under the current envelope (Figure 1.3). This places current support at more than double the per capita funding Croatia received in the cycle preceding its 2013 EU accession (EUR 38.9). Among Western Balkan economies, Montenegro receives the highest per capita allocation for 2021-2027, at EUR 152.6, followed by Albania (EUR 100.6) and Kosovo (EUR 97.5)

The growing levels of EU financial support are expected to support economic convergence, conditional on implementation of the Reform Agendas under the Growth Plan framework. Disbursement of RGGF resources is tied to the fulfilment of Reform Agenda milestones, but progress on the ground has been limited: by the first half of 2026, only EUR 673.6 million had been released, representing 11.2% of the total envelope available for 2024-2027 (European Commission, 2026^[3]). Montenegro records the highest share of funding released (23.3%), followed by Albania (23.1%) and North Macedonia (18.9%), while Serbia (10.6%) and Kosovo (7%) remain at an earlier stage. Bosnia and Herzegovina remains the only Western Balkan economy yet to receive any RGGF funding, as its Reform Agenda had not been ratified at the time of writing.

Figure 1.3. IPA and RGGF financial commitments per capita in the Western Balkan economies and Croatia, 2007-2027



Notes: Commitments cover grants, procurement, and budget support, and loan disbursements in the case of the RGGF. Croatia is not eligible for IPA II, IPA III, or RGGF following EU accession in 2013. RGGF commitments cover 2024-2027. Financial commitment amounts are deflated based on the inflation rate observed in the EU.

Sources: OECD calculations based on financial commitments data from (European Commission, 2025^[4]; 2026^[3]); inflation data from (Eurostat, 2026^[5]) and (World Bank, 2026^[6]); population data from (World Bank, 2026^[7]).

Report scope

In this context, the *Economic Convergence Scoreboard* serves as a practical tool to track the outcomes of policies and reforms. By providing an objective, data-driven framework, it helps identify which economies are making tangible progress in designing and implementing relevant reforms, thereby narrowing the economic gap with the EU and advancing towards convergence. The following chapters present the results for each policy cluster:

- **Chapter 2** addresses *macro-financial stability*, assessing the region's fiscal, monetary, and financial conditions against EU monetary convergence criteria.
- **Chapter 3** focuses on *infrastructure and connectivity*, assessing the development of transport, energy, and digital networks that underpin economic activity and regional integration.
- **Chapter 4** covers *skills*, examining how effectively the region develops and utilises human capital across the life course, from early childhood education to lifelong learning, and how this translates into employment outcomes and innovation capacity.
- **Chapter 5** analyses the *business environment*, focusing on conditions that enable firms to invest, grow, and compete, including access to finance, the quality of market institutions, and the capacity of SMEs to integrate into regional and global markets.
- **Chapter 6** explores *digital transformation*, evaluating the extent to which individuals, firms, and governments are adopting digital technologies to build a dynamic digital economy.
- **Chapter 7** addresses *greening*, examining how the region is advancing the green transition to align economic growth with environmental sustainability objectives.

Annex A presents economy-level results, including scores and rankings, together with the methodology underpinning the overall approach, covering indicator selection and scoring methods.

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Notes

- ¹ Regional averages for 2003-2007 exclude Kosovo, for which data are only available from 2008 onward.
- ² In 2021 prices, adjusted for purchasing power parity (PPP).
- ³ This projection extrapolates the 2023-2025 average convergence rate (1.2 percentage points per year) linearly from the 2025 gap with the EU average.
- ⁴ These amounts exclude the IPA multi-country programmes, which are not attributed to individual economies.



2 Macro-financial stability cluster

Macro-financial stability underpins sustainable economic growth by strengthening resilience and maintaining confidence in the economy. This chapter benchmarks the progress of the Western Balkan economies against relevant EU macroeconomic criteria, exploring how effectively the six economies maintain macro-financial stability across monetary, fiscal and external dimensions. It highlights the role of monetary stability, captured through inflation and exchange rate developments, in anchoring price and currency confidence. The chapter further explores fiscal stability, assessed through government balances and long-term government interest rates, before turning to external sustainability, captured through current account balances.

Key findings

Macro-financial stability records the second-highest average score among the six clusters, at 83 in 2023-2024 (Figure 2.1), even exceeding the average for EU neighbouring economies (80). The region has converged steadily over the past decade, with the regional average rising by 10 points since 2014-2016. All Western Balkan economies record high scores, with Bosnia and Herzegovina standing as the regional leader, while Serbia records the lowest score.

Figure 2.1. Macro-financial stability cluster scores by economy (full compliance with macro-financial stability criteria=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
1	Bosnia and Herzegovina	100	+14
<i>EU average</i>		88	-7
2	Kosovo	83	+6
<i>WB6 average</i>		83	+10
3	Montenegro	82	+20
4	Albania	82	+27
<i>EU neighbours average</i>		80	-14
5	North Macedonia	76	-18
6	Serbia	74	+11

Notes: “Full compliance with macro-financial stability criteria” implies meeting the reference values defined for all indicators (MS.01, MS.02, MS.03, MS.04, MS.05). Reference values for MS.01 and MS.04 are derived from the European Central Bank Convergence Reports (European Central Bank, 2026^[1]). For MS.02, the reference value is derived from the exchange-rate fluctuation margin used under the Exchange Rate Mechanism (ERM II) (European Commission, 2020^[2]). For MS.03, the reference value follows the threshold set under the Excessive Deficit Procedure (Council of the European Union, 2026^[3]). For MS.05, the reference value is based on the threshold defined under the Macroeconomic Imbalance Surveillance Framework (European Commission, 2026^[4]). Please consult the Methodology section for more details on the scoring. “EU neighbours average” denotes the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia.

The Western Balkan economies are characterised by robust monetary stability, underpinned by low inflation and stable exchange rates (Figure 2.2). The inflation rate gap with the EU has never exceeded 0.5 percentage point, reflecting the region’s growing economic integration with the European Union. The region also maintains stable exchange rates *vis-à-vis* the euro, underpinned by monetary arrangements ranging from unilateral euroisation and currency boards to managed floating regimes.

Fiscal stability has strengthened, driven by narrower government deficits than in the EU, although long-term government bond yields continue to point to persistently high sovereign risk premia (Figure 2.2). The region’s average government budget balance is 0.6 percentage points higher than the EU average, driven by strong tax revenue growth and continued improvements in tax compliance. Nevertheless, long-term government bond interest rates remain about 2 percentage points higher than the EU average, suggesting that investors continue to perceive the region as carrying higher sovereign risk than EU member states.

External positions remain characterised by sizeable current account deficits across most of the Western Balkan economies, which are largely financed by FDI inflows across the region (Figure 2.2). Persistent merchandise trade deficits remain the main source of external imbalances, only partly offset by growing surpluses in services exports driven

by tourism and ICT services, while declining remittances and rising outward investment income payments add further pressure on the current account balance.

Figure 2.2. Macro-financial stability indicator scores by economy (compliance with macro-financial stability criteria=100), 2023-2024

	Inflation rate (MS.01)	Exchange rate stability (MS.02)	General government balance (MS.03)	Long term government interest rates (MS.04)	Current account balance (MS.05)
Albania	100	97	100	37	76
Bosnia and Herzegovina	100	100	100	100	100
Kosovo	100	100	100	100	17
North Macedonia	83	100	40	60	100
Montenegro	100	100	100	100	11
Serbia	42	100	100	58	72
<i>WB6 average</i>	88	99	100	76	63
<i>EU neighbours average</i>	77	100	74	78	73
<i>EU average</i>	91	100	76	93	79

Notes: Economies meeting the reference value for a given indicator receive a score of 100; lower scores reflect increasing deviation from it. For more details, please refer to the Methodology section. Scores are rounded to the nearest whole number. "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia.

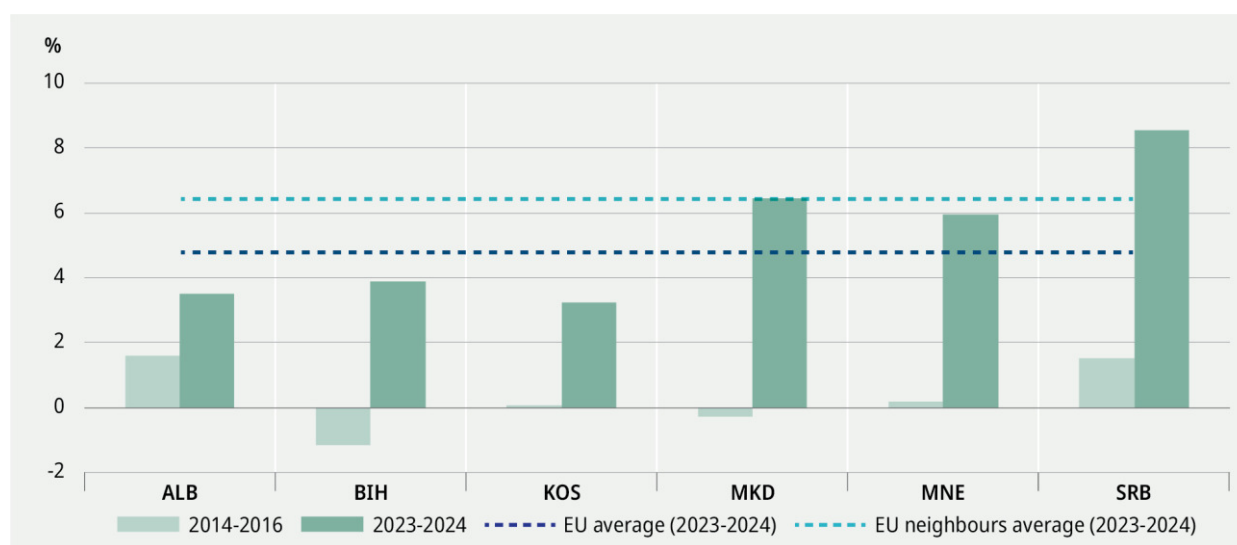
MS.01. Inflation rate

Price stability reduces uncertainty, creating a predictable environment that enables businesses and investors to make informed operational and investment decisions.

With an average **inflation rate** of 5.3% in 2023-2024, the region broadly matches the EU average of 4.8% and experiences lower inflation than the EU neighbouring economies, with an average of 6.4% (Figure 2.3). The inflation gap between the region and the EU has consistently been below 0.5 percentage point over the last decade, reflecting the region's growing economic integration with the EU¹ and the influence of euro-area monetary conditions.² The remaining inflation gap is largely explained by food price increases, which had a stronger impact on headline inflation owing to food's larger weight in household consumption compared to the EU.³

Kosovo recorded the lowest inflation rate in the region, averaging 3.3% in 2023-2024, while Serbia experienced inflation nearly twice as high as the EU average, at 8.6%.⁴

Figure 2.3. Inflation rate in the Western Balkan economies and the EU, 2014-2024



Source: (International Monetary Fund, 2026^[5]).

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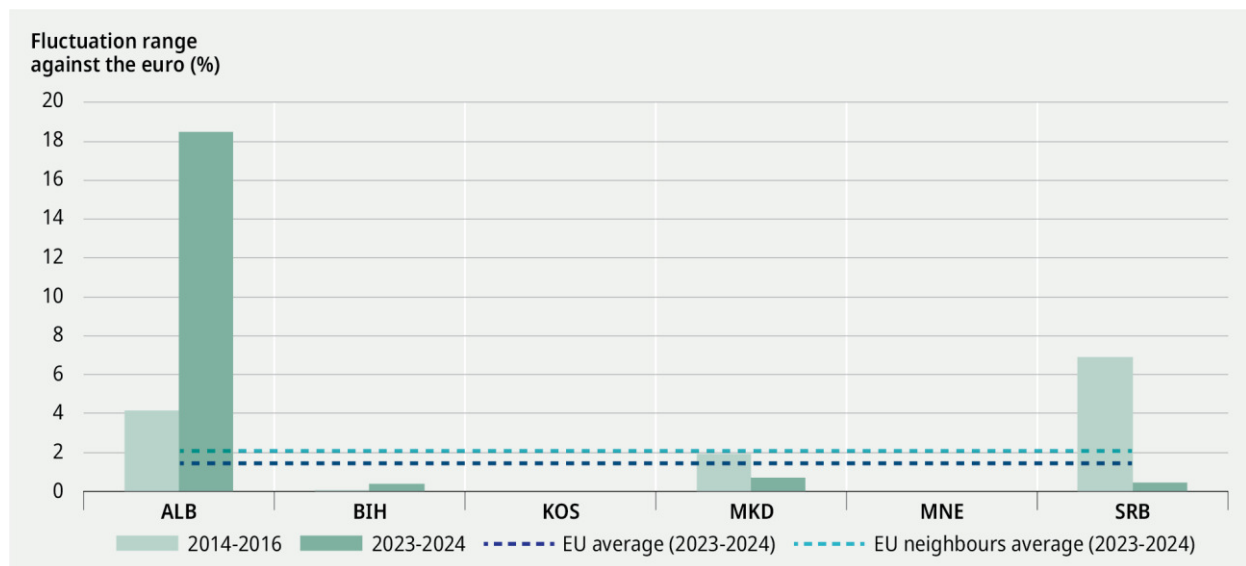
MS.02. Exchange rate stability

Measured as the maximum fluctuation range *vis-à-vis* the euro, **exchange rate stability** is a key condition for closer economic integration within the EU, as it lowers transaction costs and removes the risk premium attached to cross-border trade and investment.

Across the region, exchange rate fluctuations against the euro averaged 3.3% in 2023-2024, an average largely driven by the appreciation of the Albanian lek amid strong tourism receipts, remittances and FDI inflows (Figure 2.4).⁵ Exchange-rate stability remains a strength of the region's macro-financial stability, underpinned by monetary arrangements ranging from unilateral euroisation and currency boards to managed floating regimes, all oriented towards limiting fluctuation *vis-à-vis* the euro.⁶

Apart from Albania, which recorded an exchange-rate fluctuation *vis-à-vis* the euro of 18.5% in 2023-2024, all other regional economies remained below 1%.

Figure 2.4. Exchange-rate stability in the Western Balkan economies and the EU, 2014-2024



Note: The fluctuation range is calculated as the difference between the maximum and minimum bilateral exchange rates against the euro observed over the period, expressed as a percentage of the minimum exchange rate. For economies that use the euro as their official currency, the fluctuation range is set to zero. Both the EU and EU neighbouring economies average include several non-euro area economies, which remain exposed to exchange-rate fluctuation *vis-à-vis* the euro.

Source: (International Monetary Fund, 2026^[6]).

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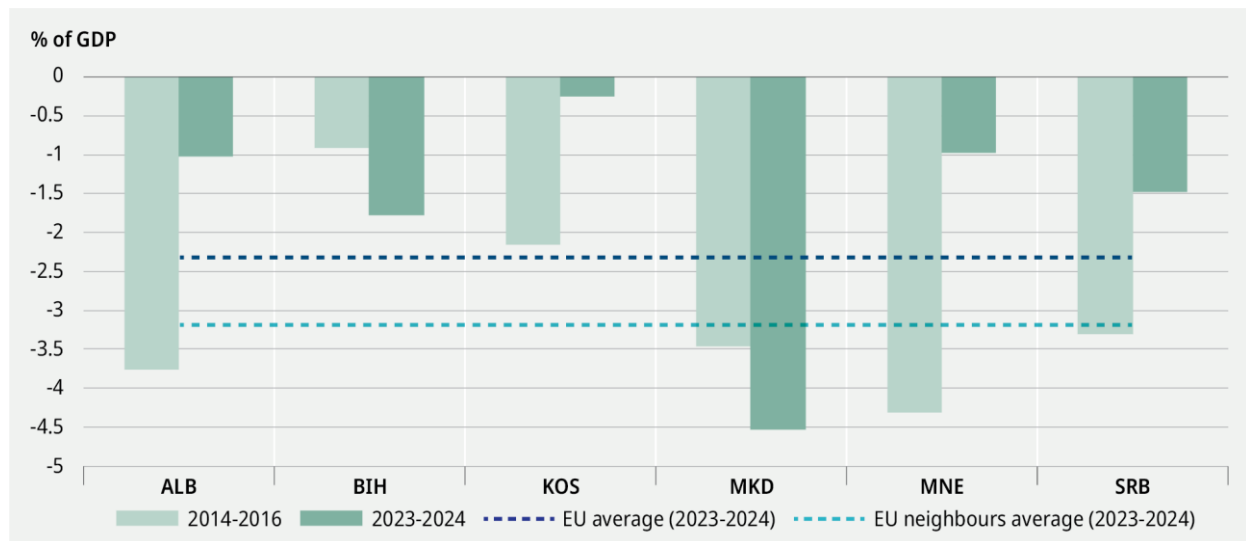
MS.03. General government balance

Maintaining a sustainable **general government balance** supports economic growth by containing public debt, easing the cost of government borrowing and preserving fiscal space to respond to future shocks.

The Western Balkan economies recorded an average general government deficit of 1.7% of GDP in 2023-2024, a stronger performance than both the EU average (2.3%) and the EU neighbours' average (3.2%) (Figure 2.5). Since 2014-2016, the region has narrowed its general government deficit by 1.3 percentage points, while the EU's deficit widened by 0.4 percentage points over the same period, making the general government balance the cluster's best-performing indicator for the Western Balkan economies. Over the last decade, the region's progress has largely been driven by strong tax revenue growth,⁷ coupled with continued improvements in tax compliance.⁸

While all Western Balkan economies recorded fiscal deficits in 2023-2024, only North Macedonia exceeded the EU's 3% deficit reference value, posting a deficit of 4.5% of GDP, whereas Kosovo recorded the strongest fiscal position, with a deficit of 0.3% of GDP.

Figure 2.5. General government balance in the Western Balkan economies and the EU, 2014-2024



Source: (International Monetary Fund, 2026^[7]).

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MS.04. Long-term government interest rates

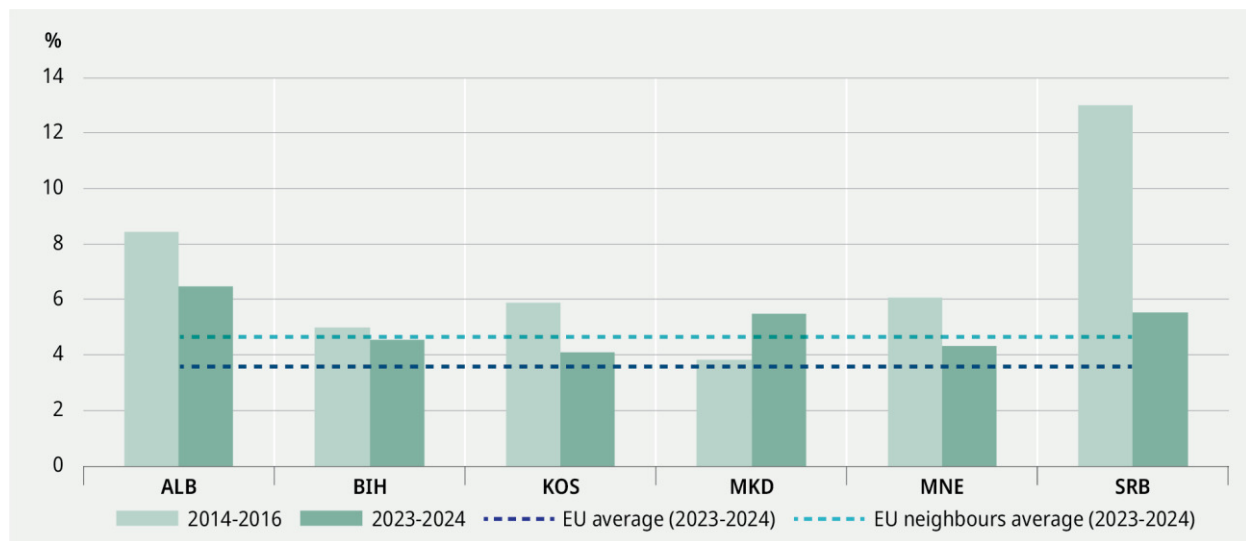
Long-term government interest rates reflect investors' perception of sovereign risk and the sustainability of public finances, shaping the cost of government borrowing and its fiscal space.

Unlike for the EU member states, comparable and harmonised long-term government bond yields are not always available for Western Balkan economies, reflecting the limited depth and liquidity of domestic government bond markets and, in some cases, the absence of sufficiently long-dated benchmark securities. Therefore, as needed, 10-year government bond yields are inferred from shorter-term government interest rates, as described in the Technical Annex published separately from this report.

Average long-term government bond yields across the Western Balkan economies stood at 5.1% in 2023-2024, above both the EU average of 3.6% and the EU neighbouring economies' average of 4.6% (Figure 2.6). However, this gap with the EU has narrowed: a decade ago, the region's average yield stood at 7.0%, more than three times the EU average of 2.1%. This progress was supported by consistently strong fiscal discipline, resulting in lower public debt,⁹ strengthening the Western Balkan economies' sovereign creditworthiness.¹⁰ Nevertheless, relatively illiquid sovereign debt markets across the Western Balkan economies continue to weigh on investor demand for government securities, contributing to higher borrowing costs.¹¹

Kosovo recorded the lowest average level of long-term government interest rates in the region in 2023-2024, standing at 4.1%, while Albania recorded the highest at 6.5%.

Figure 2.6. Long-term government interest rates in the Western Balkan economies and the EU, 2014-2024



Sources: Data for long-term government yields for EU economies from (Eurostat, 2026^[8]). Data for Albania from (Bank of Albania, 2026^[9]). Data for Kosovo (2023, 2024) from (Central Bank of the Republic of Kosovo, 2026^[10]). Data for North Macedonia (2014, 2015, 2016) from (Government of the Republic of North Macedonia, 2026^[11]). Data for Serbia (all years) from (National Bank of Serbia, 2026^[12]). Data are imputed for Bosnia and Herzegovina (all years), Kosovo (2014, 2015, 2016), North Macedonia (2023, 2024), Montenegro (all years), and Estonia (2014, 2015, 2016). For more details on imputations, please consult the Methodology section.

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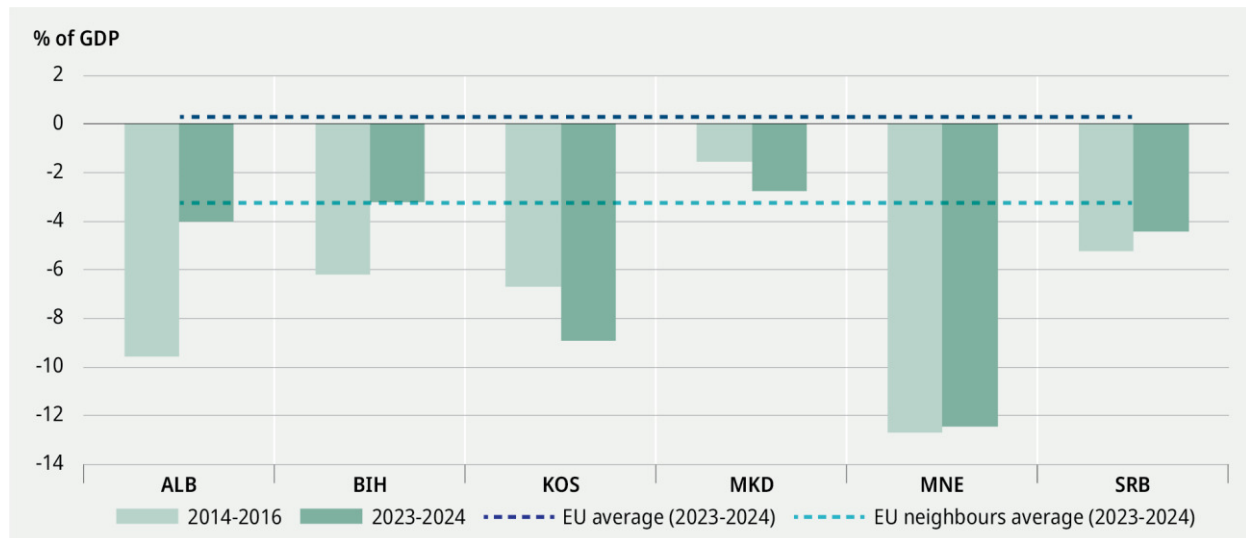
MS.05. Current account balance

A sustainable **current account balance** preserves an economy's external financing capacity and limits foreign debt accumulation, factors that determine an economy's resilience to external shocks.

Standing at -6.0% of GDP in 2023-2024, the region's average current account deficit exceeds the -4% threshold used under the EU's macroeconomic imbalance surveillance framework, making the current account balance the cluster's lowest-scoring indicator for the region. By comparison, the EU and EU neighbouring economies recorded average balances of 0.3% and -3.2% of GDP respectively (Figure 2.7). Although up from -7.0% of GDP in 2014-2016 thanks to an expanded services surplus supported by the growth of tourism¹² and ICT sectors (see the *Digital Transformation* cluster for more details), the current account deficit remains sizeable due to large merchandise trade deficits¹³ and declining remittance inflows.¹⁴ At the same time, while strong FDI inflows provided an important source of financing for current account balance deficits, the associated outward investment-income payments contributed to a widening primary income deficit in the current account.¹⁵

Albania, Bosnia and Herzegovina and North Macedonia remained within the -4% threshold in 2023-2024, while Serbia, Kosovo and Montenegro exceeded this threshold, with Montenegro recording the region's largest deficit at 12.4% of GDP.

Figure 2.7. Current account balance in the Western Balkan economies and the EU, 2014-2024



Note: In line with the Macroeconomic Imbalance Surveillance Framework methodology, the current account balance is expressed as a three-year backwards-moving average.

Source: Data for the current account balance from (International Monetary Fund, 2026^[13]).

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Notes

¹ Since the entry into force of the Stabilisation and Association Agreements, the Western Balkan economies have progressively deepened their economic integration with the European Union, which stands as the region's main trading partner and accounts for around 62% of its total trade in 2025, contributing to the convergence of price dynamics between the two regions (Council of the European Union, 2026^[25]).

² Monetary conditions also contributed to the close alignment of inflation developments with the euro area. Bosnia and Herzegovina, Kosovo and Montenegro, which do not conduct autonomous monetary policy, imported the ECB's monetary tightening directly. In Albania, North Macedonia and Serbia, policy rates followed broadly similar tightening cycles to those of the euro area following the exceptionally accommodative conditions of 2014-2016. Average central bank policy rates increased by around 2 percentage points between 2017-2019 and 2023-2024, compared with 3.4 percentage points for the ECB over the same period (European Central Bank, 2026^[36]; Bank of Albania, 2026^[26]; National Bank of North Macedonia, 2026^[23]; National Bank of Serbia, 2026^[24]).

³ Average food inflation reached 7.3% in both the region and the EU in 2023-2024. However, food accounts for around 42% of the consumer price index basket in the region, compared with around 15% in the EU, leading to a stronger impact of food prices on headline inflation in the Western Balkan economies (Eurostat, 2026^[29]; International Monetary Fund, 2023^[27]).

⁴ After a hike in inflation between 2021 and 2022, Serbia did not experience the inflation decline observed elsewhere in the region in 2023, as the government implemented a series of regulated electricity and natural gas tariff increases (Balkan Green Energy News, 2023^[19]).

⁵ In 2023, tourism, FDI and remittances reached EUR 3.2 billion (+46.6% compared to 2022), EUR 1.1 billion (+10.6%) and EUR 676 million (+14.2%) respectively (Bank of Albania, 2023^[41]). Their impact on the exchange rate was amplified by the relatively shallow domestic foreign exchange market, with annual foreign exchange market turnover of around USD 11 billion in Albania compared with an average of USD 52 billion across emerging market economies, limiting the economy's capacity to absorb such inflows without sizeable exchange-rate adjustments (International Monetary Fund, 2025^[32]).

⁶ Although monetary arrangements across the Western Balkan economies differ in their institutional design, they all share a common objective of maintaining exchange rate stability toward the euro. Kosovo and Montenegro have unilaterally adopted the euro as legal tender. Bosnia and Herzegovina operates a currency board while North Macedonia maintains a de facto peg of the denar to the euro. Albania and Serbia operate managed floating exchange-rate regimes, allowing their central banks to intervene in foreign exchange markets to limit excessive exchange-rate fluctuations (International Monetary Fund, 2023^[39]).

⁷ On average, government revenues increased by 4.4 percentage points of GDP from 2014-2016 to 2023-2024, compared with 0.5 percentage point for government expenditures. Stronger indirect tax receipts, particularly value-added tax, were supported by robust domestic demand, with real final consumption expenditure rising by 33.8% over the period, associated with higher labour incomes across the region, including significant minimum-wage increases. (International Monetary Fund, 2026^[34]; World Bank, 2026^[35]; World Bank, 2024^[15]; Bank of Albania, 2024^[40]; Central Bank of Bosnia and Herzegovina, 2024^[42]; Central Bank of the Republic of Kosovo, 2024^[43]; Central Bank of Montenegro, 2024^[44]).

⁸ Improved taxpayer services across all Western Balkan economies, notably through simpler filing procedures and the expansion of electronic tax filing, supported revenue performance (OECD, 2024^[45]).

⁹ At 43.4% of GDP in 2023-2024, general government gross debt in the Western Balkan economies was 7 percentage points lower than in 2014-2016 (International Monetary Fund, 2026^[30]).

¹⁰ Over the past decade, sovereign credit ratings followed a broadly positive trajectory across the Western Balkan economies. Albania was upgraded from B+ to BB by Standards & Poor's between 2014 and 2024, Montenegro from B to B+ and Serbia from BB+ to BBB-, entering investment-grade territory. Bosnia and Herzegovina and North Macedonia sovereign ratings remained unchanged at B+ and BB-, respectively. Kosovo obtained its first international sovereign credit ratings in 2024, receiving a BB- rating from Fitch (Standards & Poor's, 2024^[17]; 2024^[22]; 2024^[18]; 2024^[37]; 2025^[21]; Fitch, 2024^[33]).

¹¹ Capital market activity remains underdeveloped, with domestic banks as the main investors in government securities, which are often held to maturity rather than actively traded on the secondary market. Limited secondary-market liquidity is generally associated with a higher liquidity premium demanded by investors, contributing to higher sovereign bond yields (International Monetary Fund, 2025^[31]; World Bank, 2026^[14]).

¹² Up from 7.9% of GDP in 2014-2016, the services balance reached 12.2% of GDP across the region in 2023-2024. Strong tourism activity fed that uptrend, with travel services accounting for nearly half of total service exports (47.6% in 2023-2024) (International Monetary Fund, 2026^[28]; World Bank, 2026^[16]).

¹³ The trade in goods balance remained broadly unchanged over the decade, standing at -26.8% of GDP in 2023-2024, slightly up from -26.2% in 2014-2016 (International Monetary Fund, 2026^[28]).

¹⁴ The secondary income balance remained a major source of external financing, although it declined from 11.8% of GDP in 2014-2016 to 11% in 2023-2024, closely mirroring the evolution of remittance inflows, from 10% to 9.4% of GDP (International Monetary Fund, 2026^[28]; World Bank, 2026^[20]).

¹⁵ The primary income balance widened from -0.4% of GDP in 2014-2016 to -1.6% in 2023-2024, as growing FDI inflows financing the current account deficit also increased investment-income payments to foreign investors. Direct investment income owed to foreign shareholders rose from USD 348 million in 2014-2016 to USD 1.1 billion in 2023-2024 (International Monetary Fund, 2026^[38]).



3

Infrastructure and connectivity cluster

Infrastructure and connectivity play a crucial role in fostering economic growth and regional integration by enhancing transport, energy and digital networks. This chapter assesses the extent to which the six Western Balkan economies have developed the infrastructure networks necessary to support economic growth, drawing on seven indicators. It first examines the density and utilisation of transport infrastructure, covering road density, rail density and rail freight intensity relative to economic size, before turning to energy infrastructure, assessed through power losses and electricity costs for non-household consumers. The chapter concludes with an analysis of digital infrastructure, focusing on population coverage by at least 4G networks and broadband speed.

Key findings

With an average score of 55 in 2023-2024, the Infrastructure and Connectivity cluster records the third-highest performance across all six clusters. At the same time, it has seen the second-fastest pace of convergence, with the regional average rising by 22 points since 2014-2016. Despite this progress, the regional average remains 25 points below the average of EU neighbouring economies, which share broadly comparable geographical and topographic conditions with the Western Balkan economies, indicating that a substantial convergence gap persists. Serbia leads the regional ranking, while Albania is the lowest-performing economy (Figure 3.1).

Figure 3.1. Infrastructure and connectivity cluster scores by economy (EU average=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
<i>EU neighbours average</i>		80	+7
1	Serbia	68	+22
2	Montenegro	64	+29
3	Bosnia and Herzegovina	61	+22
<i>WB6 average</i>		55	+22
4	North Macedonia	53	+15
5	Kosovo	50	+16
6	Albania	33	+33

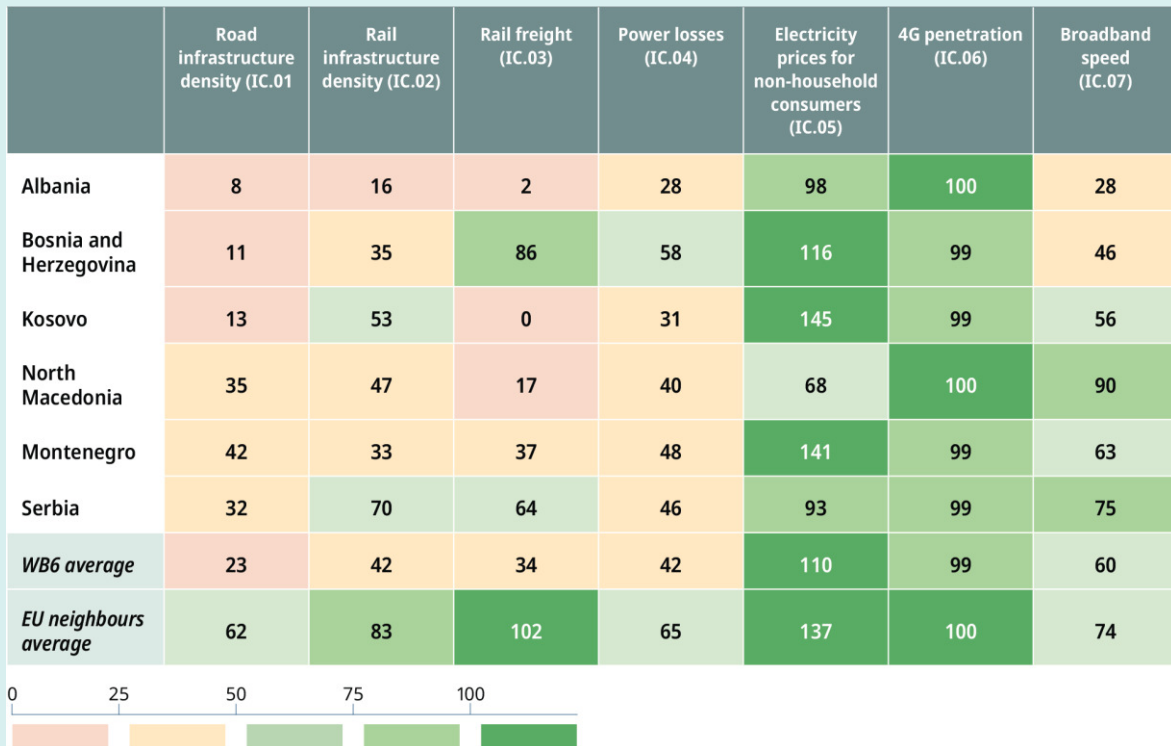
Notes: "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

Over the last decade, the Western Balkan economies have made notable progress in digital infrastructure, with 4G population coverage now matching EU levels across all six economies (Figure 3.2). However, a broadband speed gap persists, with the regional average at 60% of the EU average; the high share of the rural population also challenges efforts to extend high-speed network coverage.

By contrast, transport infrastructure remains the cluster's weakest area (Figure 3.2). Road density has remained broadly stable over the last decade, constrained by an investment pattern skewed towards upgrading existing corridors rather than expanding network coverage, as well as slow project implementation, leaving the region at only 23% of EU levels. Rail infrastructure has continued to deteriorate over the same period, reflecting a pattern of structural disinvestment, leading to a considerable decline in rail freight traffic.

The energy infrastructure presents a contrasting picture (Figure 3.2). Power losses remain structurally elevated at more than 2.5 times the EU average, reflecting primarily ageing generation and distribution infrastructure. Electricity costs for non-household consumers have nonetheless remained contained; however, EU accession prospects will increasingly put pressure on existing coal-based subsidies, as alignment with EU state aid rules and the Emissions Trading System will raise the cost of coal-based electricity production.

Figure 3.2. Infrastructure and connectivity indicator scores by economy (EU average=100), 2023-2024



Notes: Scores are rounded to the nearest whole number. "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

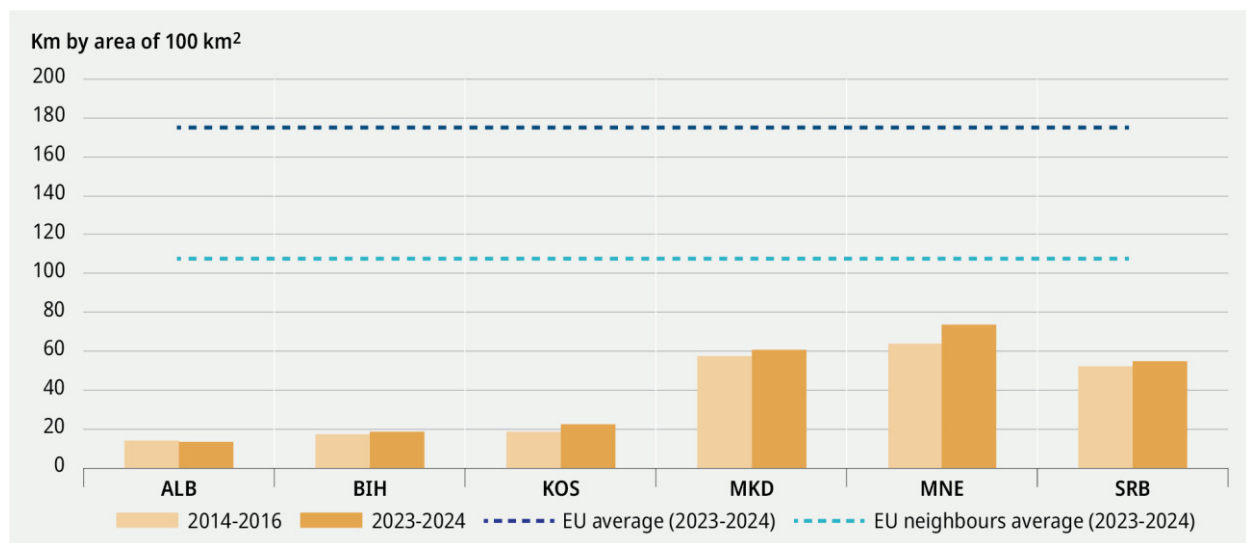
IC.01. Road infrastructure density

The coverage and quality of road infrastructure shape economic convergence, determining the extent to which producers and consumers can access domestic and regional markets. Road network density thus offers a useful measure of the spatial extent of road infrastructure and, indirectly, of connectivity. However, differences across economies also reflect factors such as population density, geography, topography and settlement patterns, meaning that higher road density does not necessarily imply adequate infrastructure provision. This indicator should therefore be interpreted alongside other measures of transport infrastructure and connectivity.

With an average **road infrastructure density** of approximately 41 km per 100 km² in 2023-2024, the Western Balkan economies fall short of the EU average of 175 km per 100 km² (Figure 3.3). Nonetheless, when compared with the EU neighbouring economies, which share similar population densities¹ and broadly comparable geographical characteristics, the Western Balkan economies still reach only 38% of this benchmark (108 km per 100 km²). This gap points to constraints on network development characterised by insufficient maintenance spending,² an investment pattern skewed towards upgrading existing corridors rather than expanding network coverage³ and persistently slow project implementation.⁴ Road density has remained broadly stable across most economies over the last decade, indicating an investment pace insufficient to close the gap.

Montenegro leads the region in road density, standing at 74 km per 100 km², while Albania, at 13 km per 100 km², ranks lowest and is the only economy to have experienced a decline over the period.

Figure 3.3. Road infrastructure density in the Western Balkan economies and the EU, 2014-2024



Notes: Data are unavailable for Montenegro (2014, 2015, 2024), Austria (2024), Cyprus (2024), Germany, Denmark (2024), Spain (2024), Greece, Italy (2024), Luxembourg (2024), Latvia (2024), Malta (2014, 2015, 2017), Poland (2024) and Romania (2024).

Sources: (OECD, 2026^[1]). Data for Cyprus from (Eurostat, 2026^[2]). Data for Kosovo sent by KAS to the OECD. Data are imputed for Malta (2016), Denmark (2023), Latvia (2023), Luxembourg (2023) and Poland (2023). For more details on imputations, please refer to the Technical Annex, published separately from this report.

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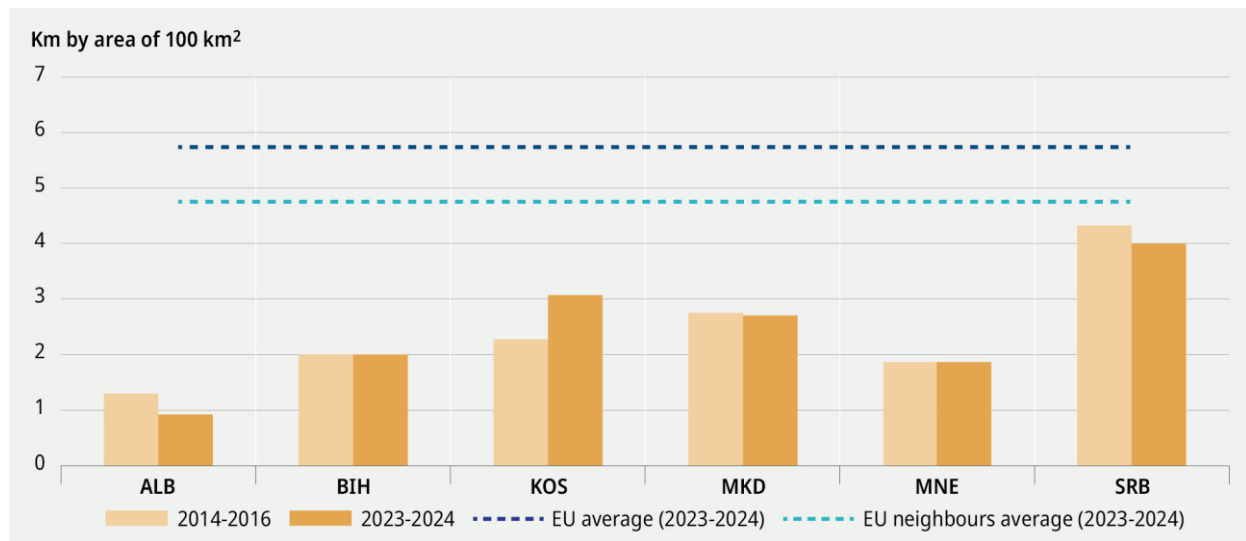
IC.02. Rail infrastructure density

Complementing road infrastructure, rail can support economic growth and competitiveness by improving the movement of people and goods, strengthening domestic and regional connectivity and enabling a more sustainable mobility network. As with road infrastructure, differences in geography, topography and settlement patterns should also be considered when interpreting cross-economy comparisons.

Rail infrastructure density has declined across most Western Balkan economies over the last decade, driven by a pattern of structural disinvestment in which rail has consistently been deprioritised relative to road infrastructure.⁵ With a regional average of approximately 2.4 km per 100 km² in 2023-2024 (Figure 3.4), rail infrastructure density in the Western Balkan economies falls short of the EU average of 5.7 km per 100 km². Nonetheless, when compared with the EU neighbouring economies, which share similar population densities and broadly comparable geographical characteristics, the Western Balkan economies still reach only around 50% of this benchmark (4.8 km per 100 km²). Maintenance spending in the Western Balkans remains insufficient, with works fragmented across isolated sections rather than organised around a comprehensive network upgrade.⁶

Serbia leads the region with a density of 4.0 km per 100 km², while Albania records the lowest, at 0.9 km per 100 km², with the sharpest contraction in the region, at over 28%, since 2014-2016.

Figure 3.4. Rail infrastructure density in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Cyprus, Malta, and Kosovo (2014, 2015).

Sources: (Eurostat, 2026^[3]). Data for Kosovo (2016, 2023, 2024) sent by KAS to the OECD.

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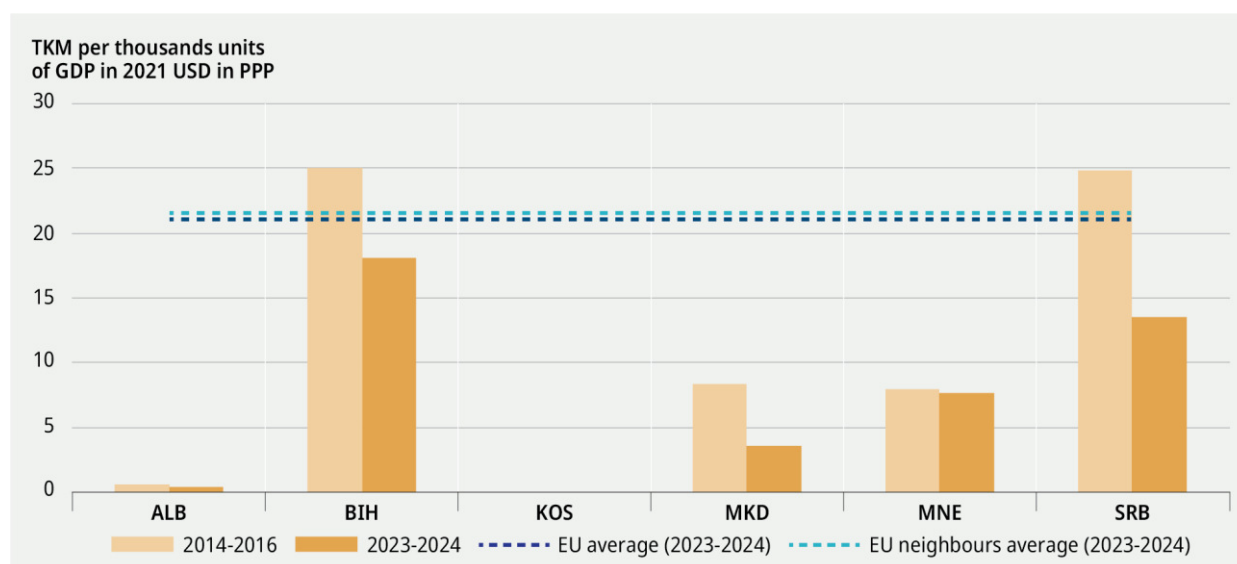
IC.03. Rail freight intensity

The deterioration of rail infrastructure documented above has directly led to the underutilisation of railways for freight transport across the region.

Rail freight intensity, measured as tonne-kilometres per unit of GDP in 2021 USD, expressed in purchasing power parity (PPP),⁷ has declined across most Western Balkan economies over the last decade. This trend has been driven primarily by a contraction in absolute rail freight volumes,⁸ reflecting the progressive erosion of network capacity and service reliability resulting from sustained underinvestment in maintenance.⁹ With a regional average of 7.2 tonne-kilometres per thousand units of GDP in 2023-2024 (Figure 3.5), the Western Balkan economies stand at 34.2% of the EU neighbouring economies' average (21.6).

Bosnia and Herzegovina and Serbia, which were broadly in line with the EU neighbouring economies' average in 2014-2016, have recorded significant declines, with performance at 16% and 37% below the EU neighbours' average in 2023-2024, respectively. Albania and Kosovo are the economies where rail freight remains marginal, with negligible volumes.

Figure 3.5. Rail freight intensity in the Western Balkan economies and the EU, 2014-2024



Notes: Data are unavailable for Belgium, Cyprus, Greece (2018, 2019, 2020, 2021, 2023), Malta, Albania (2024), and Montenegro (2021, 2023).

Sources: (Eurostat, 2026^[4]). Data for Albania from (INSTAT, 2026^[5]). Data for Kosovo (2015-2023) from (KAS, 2024^[6]) and (KAS, 2026^[7]) for the year 2024. Data for Montenegro (2021, 2023) from (MONSTAT, 2024^[8]). Data for Serbia from (SORS, 2026^[9]). GDP data from (World Bank, 2026^[10]). Data are imputed for Greece (2022). For more details on imputations, please refer to the Technical Annex, published separately from this report.

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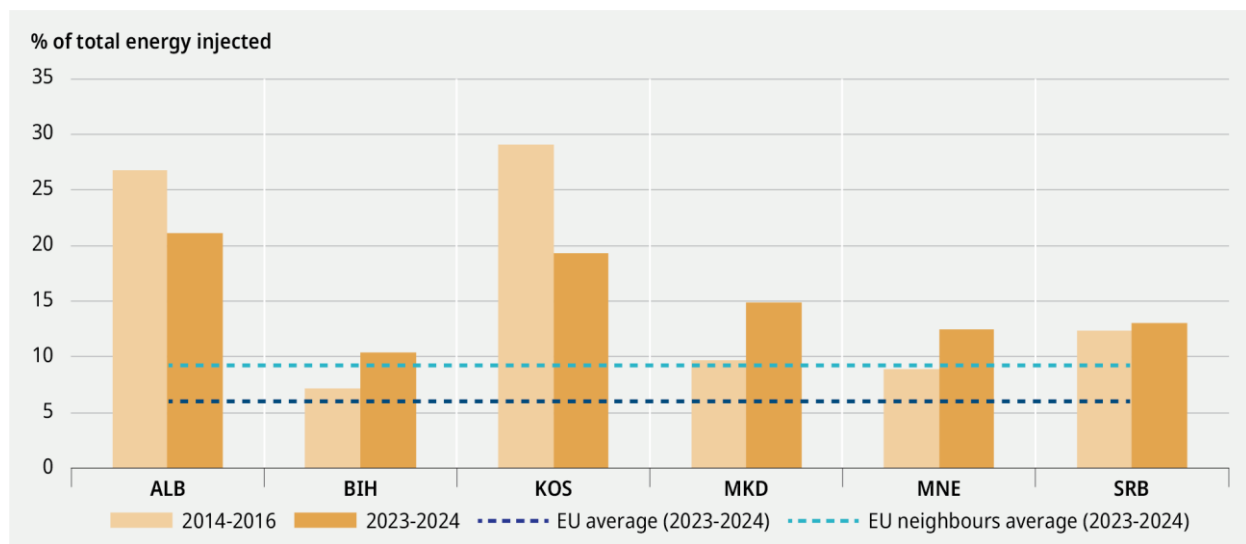
IC.04. Power losses

Power losses, measured as the share of energy injected into transmission and distribution grids that fails to reach end users, capture the efficiency of energy infrastructure in delivering available electricity to consumers.

The Western Balkan economies recorded an average loss rate of 15.2% in 2023-2024 (Figure 3.6), more than 2.5 times the EU average (6.0%) and significantly above the average for EU neighbouring economies (9.2%). The regional average has remained unchanged since 2014-2016, reflecting the combined effect of an ageing generation and distribution infrastructure¹⁰ and outdated metering systems that contribute to non-technical losses.¹¹

This stagnation conceals diverging trends across the region. Albania and Kosovo, despite reducing their loss rates over the period, continue to record the highest levels in the region at 19.4% and 21.9% in 2023-2024, respectively. It should be noted that in Kosovo, a significant share of non-technical losses in the northern municipalities stems from unbilled energy, which is currently treated as power losses; the gradual integration of these municipalities into the domestic electricity billing and collection system is expected to help reduce non-technical losses in the future. Power losses have meanwhile risen across the remaining economies; Bosnia and Herzegovina records the lowest rate in the region at 10.4%, a level broadly aligned with the EU neighbours.

Figure 3.6. Power losses in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Luxembourg (2014, 2015), Slovakia (2014, 2015, 2019).

Sources: (Council of European Energy Regulators, 2025^[11]; 2020^[12]). Data for Albania (2023), Bosnia and Herzegovina (2023), Kosovo (2023), Montenegro (2023), North Macedonia (2023) and Serbia (2023) have been sent by the Energy Community to the OECD. Data for Kosovo (2024) have been sent by the KAS to the OECD. Data are imputed for Bulgaria (2014-2016), Denmark (2014-2016), the Netherlands (2014-2016) and the EU economies (2023). For more details on imputations, please refer to the Technical Annex, published separately from this report.

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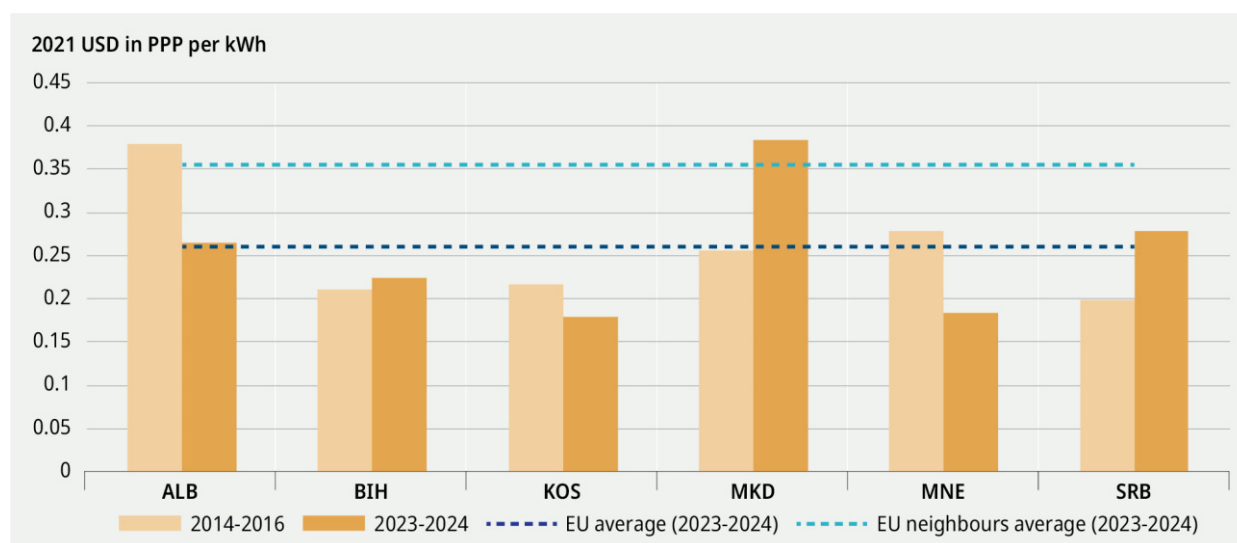
IC.05. Electricity cost for non-household consumers

In contrast to power losses, **electricity costs for non-household consumers** represent a strength for the competitiveness of Western Balkan businesses, with half of the economies maintaining prices below EU levels.

The regional average stands at USD 0.25 per kWh in 2023-2024 (Figure 3.7), broadly in line with the EU average (USD 0.26) and well below the average for EU neighbouring economies (USD 0.36). This relatively contained cost level reflects the region's reliance on domestically produced coal,¹² supported by substantial fossil fuel subsidies¹³ that have so far shielded businesses from global energy market pressures. However, EU accession prospects increasingly challenge the sustainability of this competitive advantage, as alignment with EU state aid rules and the Emissions Trading System would raise the cost of coal-based electricity production.

Kosovo records the lowest prices in the region at USD 0.18 per kWh, around 30% below the EU average. North Macedonia records the highest, at USD 0.38 per kWh, nearly 50% above the EU average, reflecting its particularly high dependence on energy imports.

Figure 3.7. Electricity prices for non-household consumers in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Albania (2014, 2015, 2017, 2018).

Sources: (Council of European Energy Regulators, 2025^[11]; 2020^[12]). Data for Albania (2023), Bosnia and Herzegovina (2023), Kosovo (2023), Montenegro (2023), North Macedonia (2023) and Serbia (2023) have been sent by the Energy Community to the OECD. Data are imputed for Albania (2016).

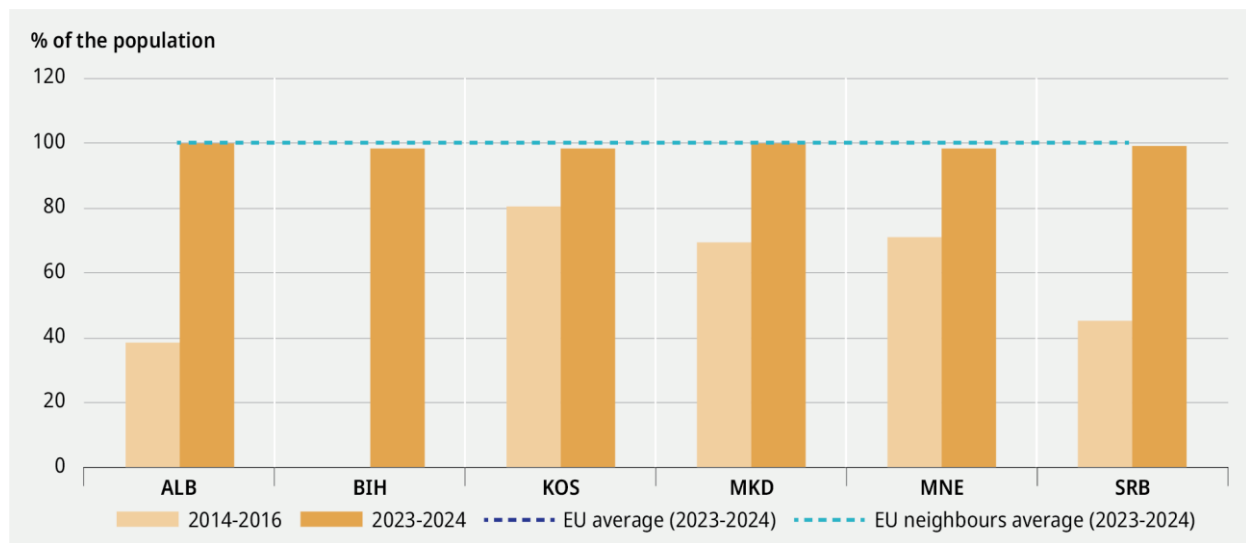
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IC.06. 4G coverage

Population coverage by at least 4G networks¹⁴ measures the breadth of digital infrastructure deployment, a prerequisite for businesses and individuals to adopt digital tools and participate in the digital economy.

Convergence on this indicator since 2014-2016 has been the most pronounced of any in the cluster, with the regional average rising from 58% to 99.3% of the population (Figure 3.8), now matching the EU average, driven by sustained private investment in mobile network expansion.¹⁵ Progress has been particularly notable in Bosnia and Herzegovina, where 4G networks had yet to be deployed in 2014-2016 and reached 98% in 2023-2024, and in Albania, where coverage has increased from 38% to nearly 100% over the same period.

Figure 3.8. 4G penetration in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Kosovo (2017, 2019, 2020).

Sources: (World Bank, 2026^[13]). Data for Kosovo (2022, 2023, 2024) from (Electronic and Postal Communications Regulatory Authority, 2025^[14]), year 2021 from (Electronic and Postal Communications Regulatory Authority, 2022^[15]) and year 2018 from (Electronic and Postal Communications Regulatory Authority, 2019^[16]).

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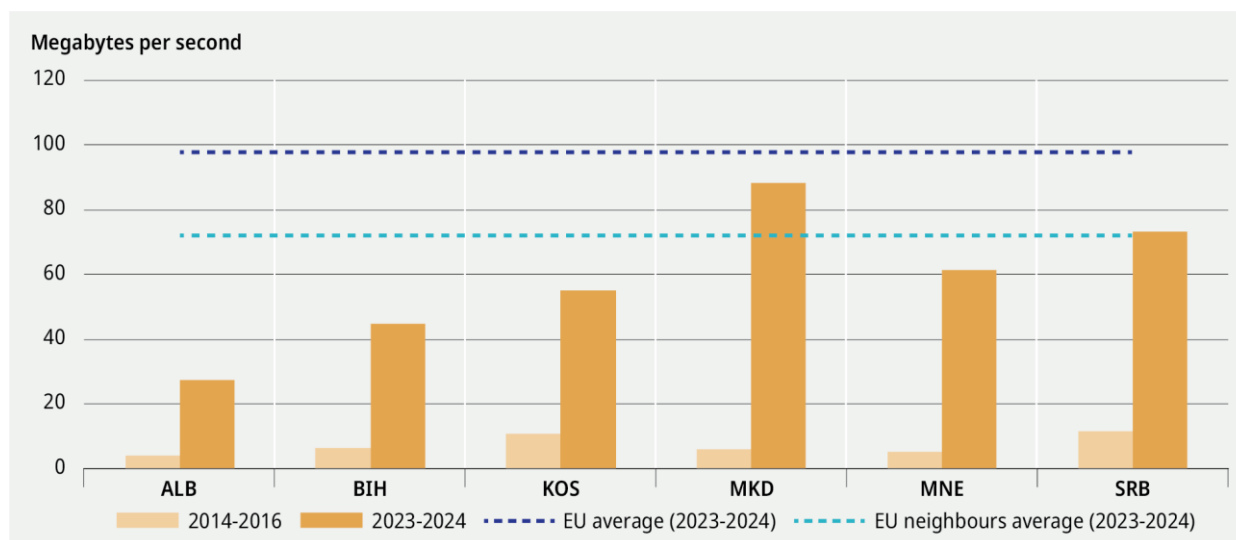
IC.07. Broadband speed

While 4G coverage shows near-complete convergence, **broadband speed** reveals a remaining gap in the quality of digital infrastructure, constraining businesses' capacity to adopt data-intensive digital tools and processes.

With a regional average of 58.6 Mbit/s in 2023-2024 (Figure 3.9), the Western Balkan economies reach 60% of the EU average. The progress recorded since 2014-2016 is nonetheless substantial, with the regional average rising eightfold, driven by significant investment in high-speed networks over the last decade.¹⁶

North Macedonia is the regional leader, even exceeding the average of EU neighbouring economies (72.3 Mbit/s), at 88.5 Mbit/s. Albania, however, records the lowest broadband speed in the region at 27.6 Mbit/s, with convergence remaining modest, rising from 25% to 28% of the EU average over the past decade. Overall, closing the remaining gap with the EU will require addressing the challenge of rural connectivity: with approximately 37.8% of the Western Balkan population residing in rural areas, against an EU average of 25% (World Bank, 2026^[17]), the deployment of the high-speed network infrastructure will require public support to offset the higher costs that deter private operators from extending coverage beyond urban centres.

Figure 3.9. Broadband speed in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for all economies (2014, 2015).

Source: (Cable.co.uk, 2025^[18]). Data are imputed for all economies (2016). For more details on imputations, please refer to the Technical Annex, published separately from this report.

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Notes

¹ The average population density of the Western Balkan economies is 83.5 inhabitants per km² in 2024, while the EU neighbours' average is 84.3 (World Bank, 2026^[29]).

² Available data indicate increasing efforts in most Western Balkan economies, albeit to varying degrees. Serbia has had the highest maintenance spending, reaching EUR 374.7 million in 2024, or 0.45% of GDP, compared to 0.32% in the EU neighbouring economies (data not available for Greece and Romania). Spending has also risen in Albania, but efforts remain below the EU average at 0.15% of GDP. In North Macedonia, annual spending remained below EUR 15 million over 2014-2024 and stood at only 0.02% of GDP in 2024, posing challenges to the sustainability of road infrastructure (OECD, 2025^[23]).

³ Between 2009 and 2025, more than 1000 km of roads were built or upgraded in the region through the WBIF, including 215 km of newly constructed motorways (Western Balkans Investment Framework, 2025^[24]).

⁴ Most road extension projects in the region suffer delays of over two years following their approval (OECD, 2024^[20]).

⁵ In 2024, available data for Albania, North Macedonia and Serbia indicated that investment in rail amounted to, respectively, 5.4%, 0.3% and 29.1% of investment in road infrastructure (OECD, 2025^[23]).

⁶ Only 15% of the overall investment earmarked for the maintenance of the Trans-European Transport Network was realised in 2023 (Transport Community, 2023^[19]).

⁷ Unless otherwise stated, USD refers to 2021 USD PPP throughout the chapter.

⁸ Apart from Montenegro, where the freight volumes in tonne-km have increased by 43.6% from 2014 to 2024, all the Western Balkan economies have experienced a decline, such as Bosnia and Herzegovina (-22.4%), North Macedonia (-61.6%) (Eurostat, 2026^[3]) and Kosovo (-99.6%).

⁹ In 2023, an estimated 42.5% of the core and 46.3% of the comprehensive networks were in poor or very poor condition (Transport Community, 2023^[19]). This share has increased to 45% in 2025 (Transport Community, 2025^[25]), indicating a continued deterioration of the regional railway network.

¹⁰ As of 2023, around 50% of the installed generation capacity was more than 35 years old, while the lifetime duration of thermal power plants is estimated to be around 40 years (CEPS, 2023^[21]).

¹¹ Non-technical losses refer to electricity that is consumed but not billed, arising principally from energy theft, metering errors and conveyance inaccuracies. In the Western Balkan economies, the limited deployment of smart metering infrastructure across the region contributes to elevated non-technical loss rates, although modernisation efforts are underway in Kosovo, Montenegro, North Macedonia and Serbia (EIB, 2024^[22]).

¹² Western Balkan economies consumed 61 million tonnes of brown coal in 2023, an increase of 13% compared with 1990. Brown coal still plays a major role in electricity generation in the region, providing 39% of the electricity generation in Montenegro, 40% in North Macedonia, 56% in Bosnia and Herzegovina, 60% in Serbia and 91% in Kosovo (Eurostat, 2025^[27]).

¹³ Between 2018 and 2023, the Western Balkan economies provided EUR 5.8 billion in transfers and credit to their energy sectors, mostly to fossil fuels (OECD, 2025^[30]).

¹⁴ The 2026 edition replaces mobile cellular penetration with population coverage by at least 4G networks, providing a more accurate measure of meaningful mobile connectivity and eliminating distortions generated by multi-SIM usage and non-resident mobile subscriptions in the previous indicator.

¹⁵ Private capital and infrastructure sharing have played an increasing role in the expansion of mobile networks in the region. In January 2024, an Actis-led consortium, with EBRD support, acquired around 1 800 mobile network towers from Telekom Srbija across Serbia, Bosnia and Herzegovina and Montenegro, establishing the first independent tower company headquartered in the Western Balkan economies. The transaction transfers state-owned telecommunications infrastructure to private ownership and is intended to facilitate infrastructure sharing among operators, thereby supporting 5G roll-out and improving network coverage (EBRD, 2024^[28]).

¹⁶ In line with the Gigabit Society targets, the Western Balkan economies have invested significantly in developing high-speed networks, leading to the emergence of fibre-to-the-premises (FTTP) technology in the region. As of 2024, 56.6% of households in the Western Balkan economies used FTTP technology, up from 33.8% in 2021; however, these figures remain below the EU average of 69.2% in 2024 (Regional Cooperation Council, 2026^[26]).



4 Skills cluster

Skills development is a key driver of long-term growth and convergence, strengthening human capital and boosting productivity. This chapter benchmarks the progress of the Western Balkan economies against the EU, exploring how effectively the six economies develop and utilise skills to improve education, employment and innovation outcomes. It highlights the role of quality education throughout individuals' lives – from early childhood education to lifelong learning once in the labour force – in shaping the skills and competencies needed to meet market demands. The chapter further explores how these skills contribute to enhanced employment outcomes and productivity gains, while emphasising the importance of innovation in adapting and enhancing capabilities to ensure regional competitiveness and resilience.

Key findings

With an average score of 36 in 2023-2024, Skills ranks as the lowest-performing cluster of the six. Convergence has also been slow, with the regional average rising by only 3 points since 2014-2016. Overall, the regional average is only half that of EU neighbouring economies (71). Serbia leads the region, followed by Montenegro, while Kosovo records the lowest score (Figure 4.1).

Figure 4.1. Skills cluster scores by economy (EU average=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
<i>EU neighbours average</i>		71	+7
1	Serbia	56	+14
2	Montenegro	48	-4
3	Albania	36	+4
<i>WB6 average</i>		36	+3
4	North Macedonia	33	-4
5	Bosnia and Herzegovina	31	0
6	Kosovo	15	+8

Notes: "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

The region's main strength ostensibly rests in educational attainment: the share of the labour force having achieved tertiary education is the only indicator in the cluster to have broadly converged to the EU average (Figure 4.2). These attainment levels, however, mask shortcomings in the quality of education. The region's average PISA mathematics performance stands around 80% of the EU average, with no significant convergence over the decade, constrained by insufficient public education spending and low enrolment in early childhood education and care (ECEC). These gaps in learning outcomes can hinder the school-to-work transition, contributing to a youth not in employment, education or training (NEET) rate that, despite recent declines, remains twice the EU average.

In turn, these obstacles within the education system have weighed on labour productivity, which remains slightly below 40% of EU levels and has not converged over the last decade. This reflects, amongst other things, training systems that often fail to equip individuals with foundational competencies aligned with labour market demands. Lifelong learning could help address these imbalances, yet participation reaches only 20% of the EU average. The region's limited innovation activity, the weakest indicator in the cluster, similarly weighs on productivity, with patent applications at just 2% of the EU average.

Employment outcomes have nonetheless improved. The employment rate is the cluster's fastest-converging indicator, though part of this trend reflects high emigration, which has reduced the working-age population and drained skills from the region. Progress remains uneven across the workforce: women's labour force participation remains more than 20 percentage points below men's, a gap more than twice the EU average, reflecting an underdeveloped social infrastructure.

Figure 4.2. Skills indicator scores by economy (EU average=100), 2023-2024

	Labour productivity (SK.01)	Employment rate (SK.02)	Gender gap in labour participation (SK.03)	PISA performance: Mathematics (SK.04)	Youth NEET rate (SK.05)	Labour force with advanced education (SK.06)	Lifelong learning (SK.07)	Lifelong learning (SK.07)
Albania	26	96	73	78	41	103	8	3
Bosnia and Herzegovina	36	74	38	81	57	104	11	1
Kosovo	36	54	23	75	27	90	23	1
North Macedonia	47	81	39	83	48	95	18	1
Montenegro	42	88	72	86	56	110	21	7
Serbia	40	91	72	93	70	95	39	2
<i>WB6 average</i>	38	81	53	83	50	100	20	2
<i>EU neighbours average</i>	70	96	77	95	83	98	58	14

Notes: Scores are rounded to the nearest whole number. “EU neighbours average” is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

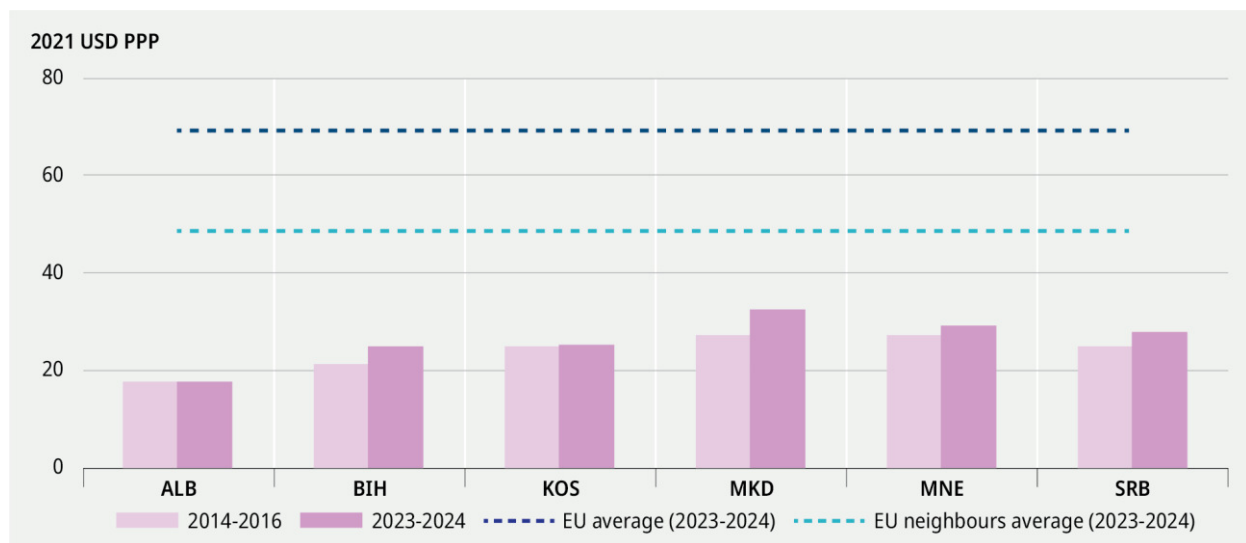
SK.01. Labour productivity

Labour productivity captures the extent to which rising employment translates into sustained improvements in living standards.

With a regional average of USD¹ 26.2 per hour worked in 2023-2024, the Western Balkan economies reach only 38% of the EU average (USD 69.0), and 54% of the EU neighbouring economies' average (USD 48.5) (Figure 4.3). Overall, no convergence with the EU has taken place since 2014-2016, with the regional average unchanged at around 38%. This absence of convergence reflects, among other factors, skills gaps that contribute to both the concentration of employment in low-value-added activities² and the limited adoption of productivity-enhancing technologies, including artificial intelligence.³

North Macedonia leads the region at 46.9% of the EU average (USD 32.4 per hour worked), while Albania ranks lowest at 25.6% (USD 17.6).

Figure 4.3. Labour productivity in the Western Balkan economies and the EU, 2014-2024



Source: (ILO, 2026^[1]). Data are imputed for Kosovo. For more details on imputations, please refer to the Technical Annex, published separately from this report.

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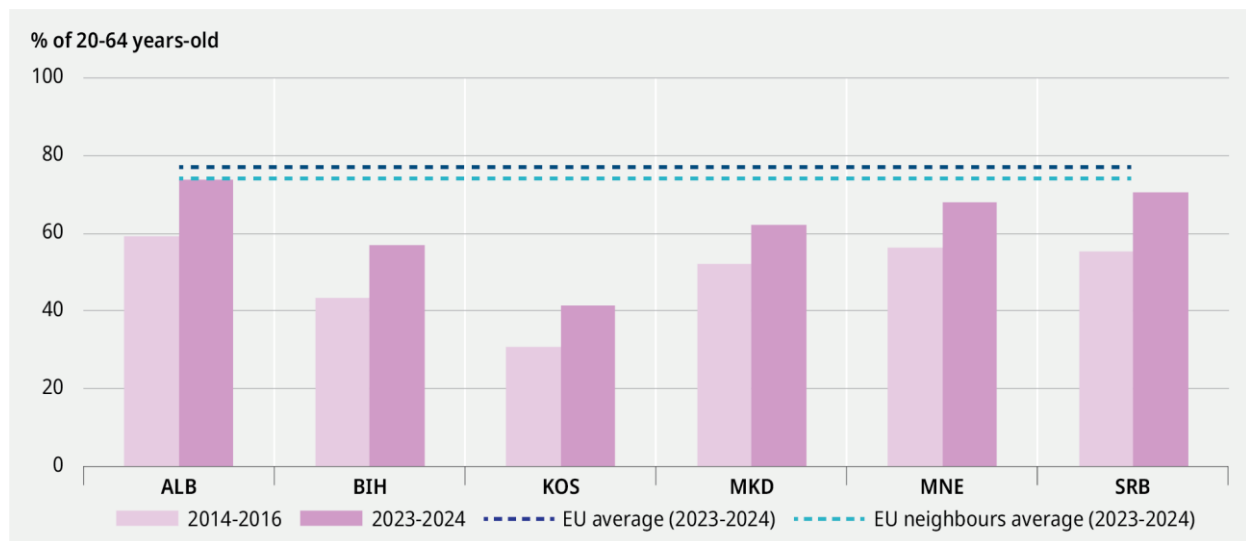
SK.02. Employment rate

The **employment rate** captures how much of an economy's human capital is in productive use, with higher rates bringing more skills into the labour force and lifting aggregate output.

It represents the Skills cluster's most significant area of convergence over the last decade: the regional average rose from 49.6% in 2014-2016 to 62.2% in 2023-2024, reaching 80.7% of the EU average (77.1%) (Figure 4.4). This progress largely reflects more active labour market policies targeting vulnerable groups, particularly women but also youth and the long-term unemployed, supported by efforts to improve the quality and relevance of vocational education and training (VET) while gaps remain.⁴ However, part of this progress likely reflects the impact of high emigration, estimated at 23.6% of the native population in 2024, together with low birth rates.⁵

Albania leads the region with an employment rate close to the EU average at 73.8%, while Kosovo records the lowest rate at 41.6%, half the EU average, reflecting the particularly low participation of women.

Figure 4.4. Employment rate in the Western Balkan economies and the EU, 2014-2024



Sources: (Eurostat, 2026^[2]). Data for Albania (2014-2018) from (European Commission, 2020^[3]), (2019-2022) from (European Commission, 2024^[4]), (2023) from (European Commission, 2025^[5]) and (2024) was sent by INSTAT to the OECD. Data for Bosnia and Herzegovina (2014-2018) from (European Commission, 2020^[6]) and (2019-2020) from (European Commission, 2024^[7]). Data for Kosovo (2014-2018) from (European Commission, 2020^[8]), (2019-2022) from (European Commission, 2024^[9]) and (2023) from (European Commission, 2025^[10]). Data for Montenegro (2021-2024) from (MONSTAT, 2026^[11]). Data for Kosovo (2024) sent by KAS to the OECD.

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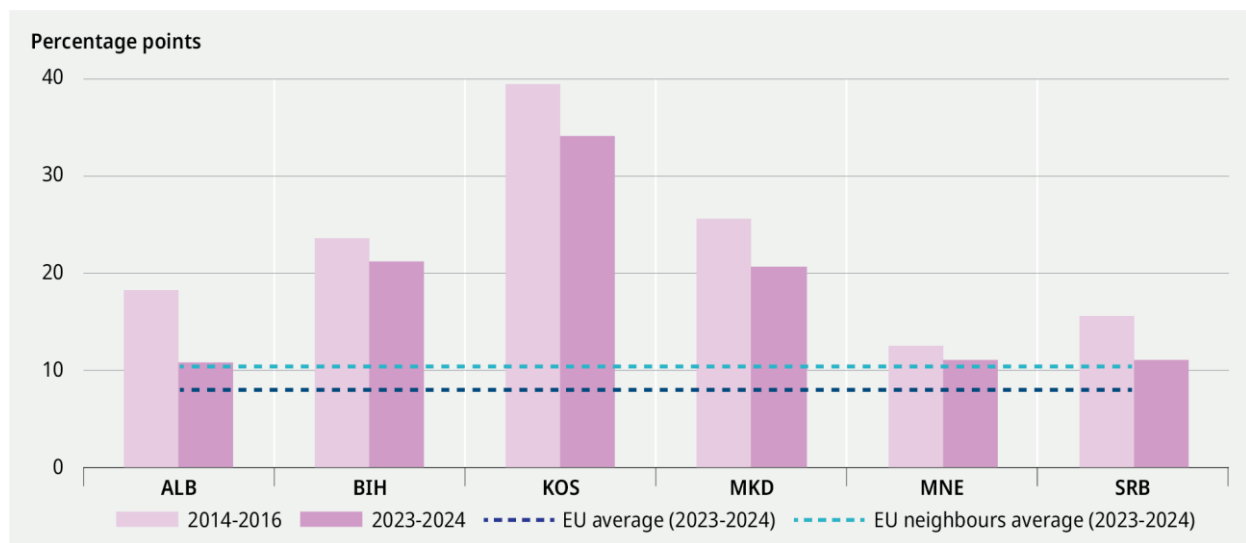
SK.03. Gender gap in labour participation

The **gender gap in labour force participation**⁶ captures the extent to which women remain outside the labour market relative to men, leaving human capital underused.

At 18.1 percentage points in 2023-2024 (Figure 4.5), down from 22.6 in 2014-2016, the regional average gender gap remains more than twice the EU average, a gap that has stayed unchanged over the last decade. Despite gradual progress in aligning gender equality frameworks with the EU *acquis*, women's engagement in the labour market remains constrained by underdeveloped child and elderly care infrastructure, unequal care responsibilities, unpaid care within households⁷ and limited availability of flexible work arrangements.

Albania, Montenegro and Serbia record a gap of around 11 percentage points in 2023-2024, broadly in line with the EU neighbours' average (10.4), while Kosovo registers the widest gap at 34.2 points, more than four times the EU average.

Figure 4.5. Gender gap in labour participation in the Western Balkan economies and the EU, 2014-2024



Sources: (ILO, 2025^[12]). Data for Kosovo from (KAS, 2025^[13]).

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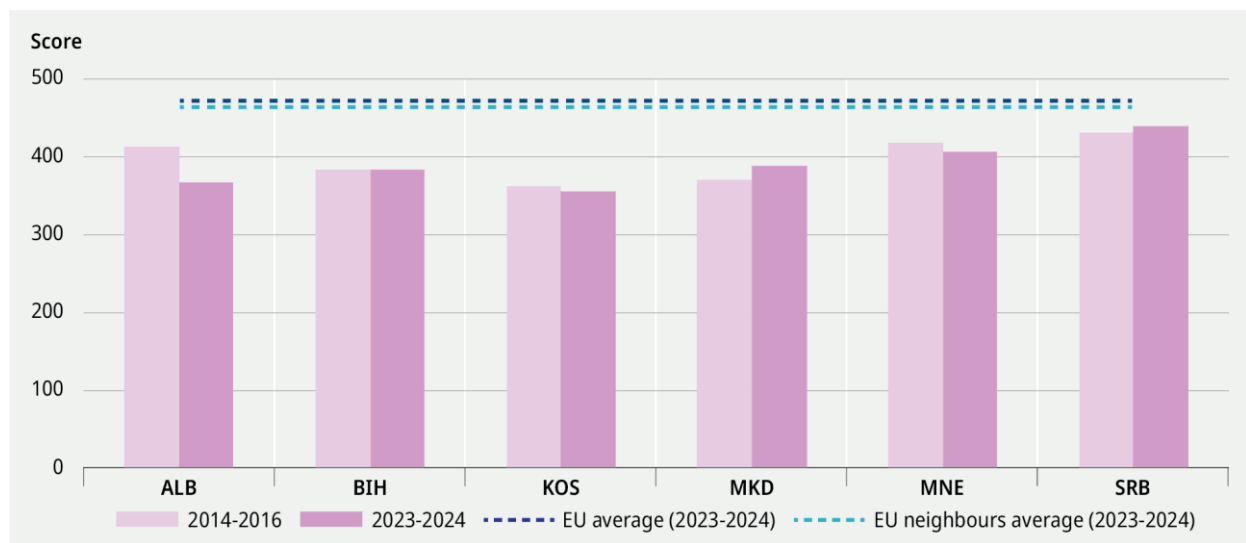
SK.04. PISA performance: Mathematics

The quality of foundational education shapes the skills base of the future workforce, determining its capacity to adapt to evolving labour market demands and contribute to economic growth.

Assessed through the **PISA mathematics score**, student performance in the Western Balkan economies averaged 390 points in the 2022 assessment, the most recent available, reaching 83% of the EU average (472 points), compared to 81% in 2014-2016 (Figure 4.6), indicating the absence of meaningful convergence over the decade. This stagnation reflects persistent weaknesses in the region's education systems, notably insufficient public education spending⁸ and low participation rates in ECEC,⁹ which limit students' development of foundational skills before entering primary school.

Serbia leads the region at 440 points, or 93.3% of the EU average, while Kosovo records the lowest at 355 points (75.3%). Albania has seen the steepest decline, from 84.8% to 78.0% of the EU average since 2014-2016.

Figure 4.6. Performance in mathematics in PISA in the Western Balkan economies and the EU, 2014-2024



Notes: The economy and regional average for the 2014-2016 period reflect data collected in 2015. This figure was finalised before the publication of the 2025 PISA results on 8 September 2026 and therefore does not incorporate them.

Source: (OECD, 2024^[14]). Data are imputed for Bosnia and Herzegovina (2015, 2022), Serbia (2015) and all economies (2023). For further details, please refer to the Technical Annex, published separately from this report.

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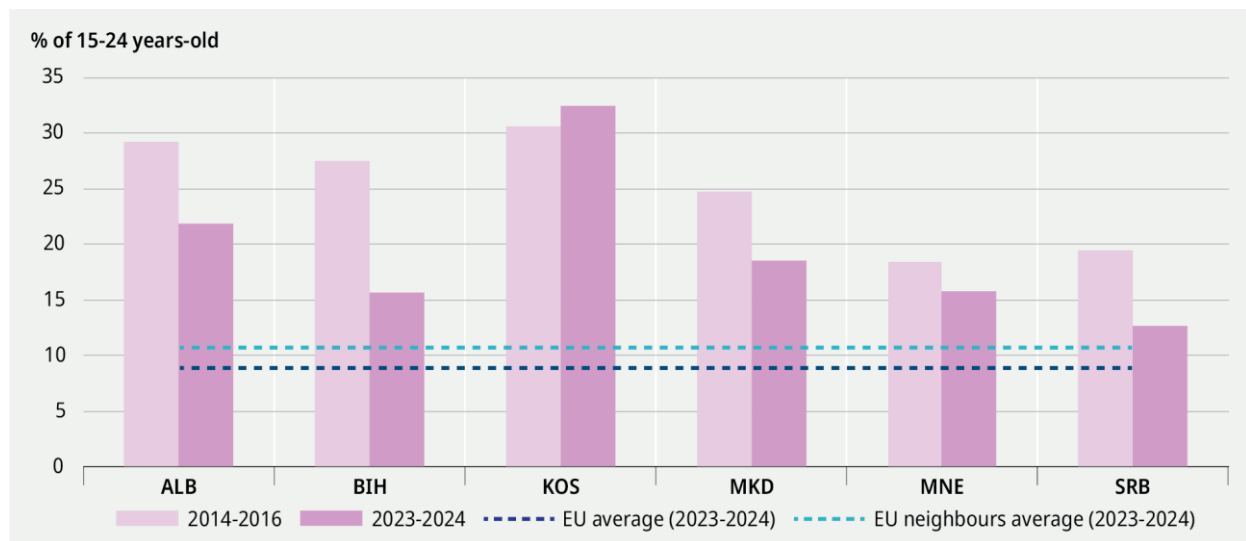
SK.05. Youth NEET rate

The **youth NEET rate** captures the efficiency of the school-to-work transition and reflects gaps in the quality and relevance of education.

Although down from 25.0% in 2014-2016, the regional average of 19.5% in 2023-2024 (Figure 4.7) remains more than twice the EU average (8.9%) and well above the average of EU neighbouring economies (10.7%). The decline in the regional NEET rate reflects the roll-out of Youth Guarantee schemes across most economies,¹⁰ as well as efforts to improve the quality and relevance of VET programmes. The gap with the EU nonetheless persists, mainly reflecting the inadequate quality and labour market relevance of VET programmes,¹¹ as well as a misalignment between the skills of higher education graduates and labour market demand.

While Serbia has reduced its NEET rate to 12.7%, the lowest in the region, Kosovo is the only economy in which the rate has risen since 2014-2016, now at 32.4%, more than three times the EU average.

Figure 4.7. Youth NEET rate in the Western Balkan economies and the EU, 2014-2024



Sources: (Eurostat, 2026^[15]). Data for Albania from (INSTAT, 2026^[16]). Data for Bosnia and Herzegovina (2014-2020) from (ILO, 2024^[17]). Data for Kosovo from (KAS, 2026^[18]). Data for Montenegro (2021-2024) from (MONSTAT, 2026^[11]).

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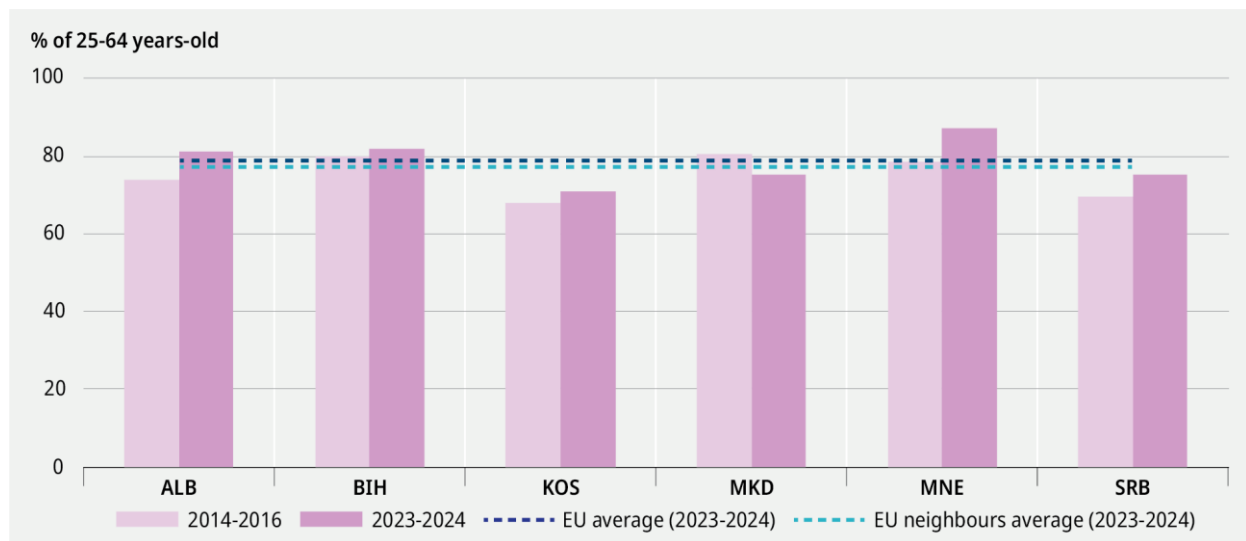
SK.06. Labour force with advanced education

Advanced educational attainment, reflecting completion of tertiary education, helps to equip the labour force with the skills required to adapt to evolving labour market demands and technological change, supporting productivity growth.

The share of the **labour force with advanced education** is the only indicator in the Skills cluster for which the Western Balkan economies have achieved broad convergence with the EU: at 78.5% in 2023-2024, the regional average matches the EU average (78.8%), a level maintained since 2014-2016, when it already reached 95.6% of the EU average (Figure 4.8). While these high attainment levels should be interpreted with caution, as they may reflect the high unemployment rates across the region, which can incentivise individuals to pursue advanced education as an alternative to job-seeking rather than in response to genuine labour market demand, as evidenced by the high prevalence of over-education in the region.¹²

Overall, Montenegro records the highest share at 87.0% in 2023-2024, while the remaining economies cluster around the EU average.

Figure 4.8. Labour force with advanced education in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for North Macedonia (2023).

Source: (World Bank, 2026^[19]).

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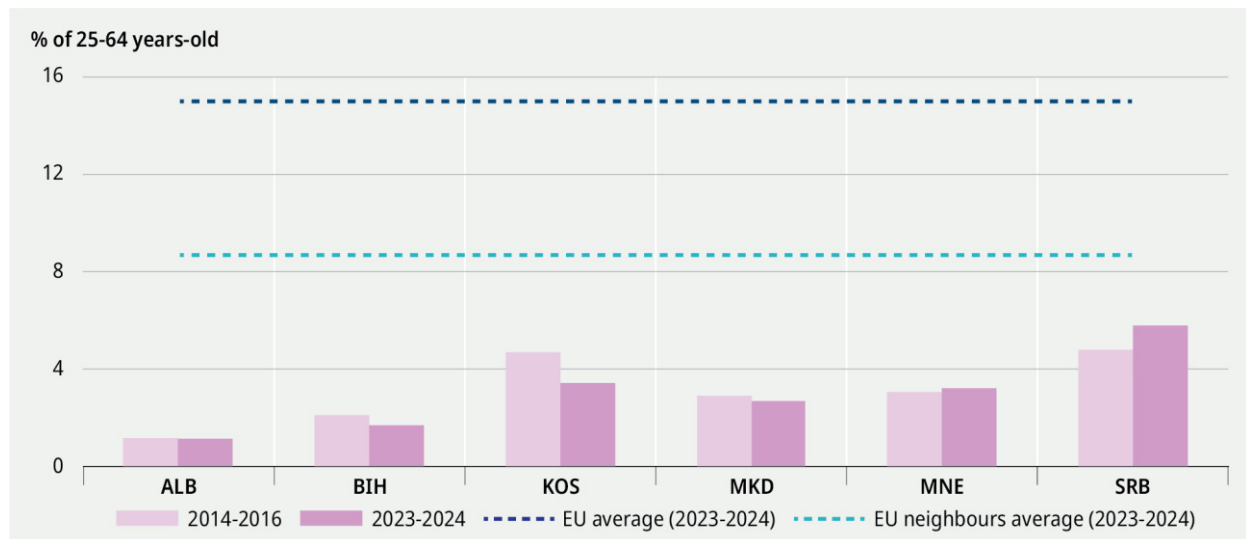
SK.07. Lifelong learning participation

Lifelong learning is essential to enable workers to adapt to the evolving demands of the labour market, supporting both employability and broader productivity gains.

Lifelong learning participation is one of the weakest indicators in the Skills cluster, with the regional average standing at only 3.0% in 2023-2024, reaching 20% of the EU average (15.0%) and 34% of the EU neighbouring economies average (8.7%) (Figure 4.9). The gap has widened over the last decade: while the regional average has remained broadly unchanged at around 3%, the EU average has risen from 10.6% to 15.0%. This divergence reflects the limited availability of training programmes for adults that are designed in view of labour market demand¹³ and insufficient financial incentives, such as vouchers or tax breaks, to encourage participation, particularly among low-skilled workers. Persistent informality across the region further compounds this challenge, as workers operating outside the formal economy are less likely to benefit from government-led skills development initiatives or employer-supported training.¹⁴

Overall, Serbia leads the region at 5.8% and is the only economy to have made meaningful progress since 2014-2016, while Albania records the lowest lifelong learning participation rate at 1.2%, unchanged from 2014-2016.

Figure 4.9. Lifelong learning in the Western Balkan economies and the EU, 2014-2024



Notes: Data are unavailable for Bosnia and Herzegovina (2014, 2015) and Kosovo (2014). Due to data availability constraints, the Albania figure is based on a 12-month reference period rather than the 4-week reference period used for other economies, pushing the estimate upward relative to comparable figures. Sources: (Eurostat, 2026_[20]). Data for Albania from (INSTAT, 2026_[21]). Data for Bosnia and Herzegovina (2017-2020) from (European Commission, 2025_[22]). Data for Kosovo sent by KAS to the OECD, (2023) from (European Commission, 2025_[10]). Data for Montenegro (2021-2024) from (MONSTAT, 2026_[11]). Data are imputed for Bosnia and Herzegovina (2016). For further details, please refer to the Technical Annex, published separately from this report.

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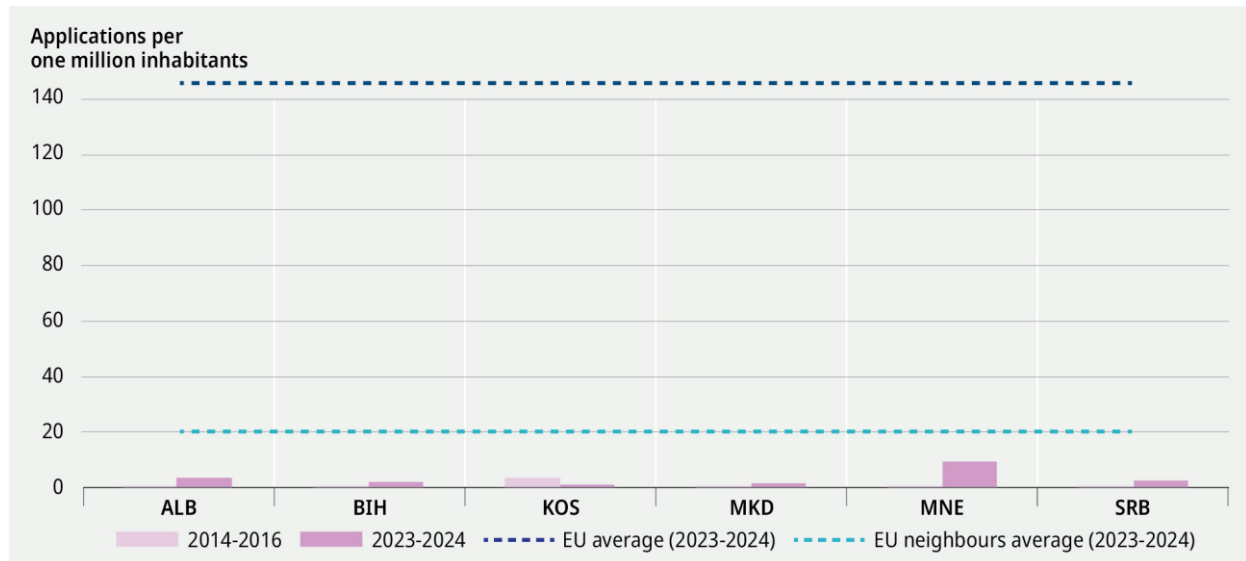
SK.08. Patent applications

Innovation underpins long-term productivity growth and sustains economic convergence by enabling firms to develop and commercialise new products and processes, with **patent applications**¹⁵ serving as a direct outcome.

With a regional average of 3.5 applications per million inhabitants in 2023-2024, the Western Balkan economies reach only 2.4% of the EU average (145.6) and 17% of the EU neighbouring economies' average (20.1) (Figure 4.10). Patent activity remains negligible across all economies, reflecting low research and development (R&D) expenditure,¹⁶ gaps in innovation infrastructure and weak absorptive capacity of firms.¹⁷

Montenegro records the highest rate in the region at 9.6 applications per million inhabitants, though this still amounts to only 6.6% of the EU average, while Kosovo records the lowest at 1.1.

Figure 4.10. Patent applications in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Bosnia and Herzegovina (2019, 2020, 2021), Kosovo (2014) and Montenegro (2023).

Source: (Eurostat, 2026_[23]). Data are imputed for Kosovo (2023). For further details, please refer to the Technical Annex, published separately from this report.

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Notes

¹ Unless otherwise stated, USD refers to 2021 USD PPP throughout the chapter.

² Employment in the region remains concentrated in low-productivity activities (World Bank, 2026^[28]). Tourism, a labour-intensive and comparatively low-value-added sector, illustrates this pattern: it accounted for an average of 14.2% of employment in the region in 2023 (13.9% in 2019), peaking at 21.5% in Albania and 25.6% in Montenegro (OECD, 2024^[29]).

³ On average, only 35.8% of the population possesses at least basic or above basic digital skills in 2023-2024, compared to 57.6% in the EU (see Digital Transformation chapter).

⁴ See indicator SK05 on youth NEET rate.

⁵ Across the Western Balkan economies, the working-age population (aged 15-64) contracted by around 13.5% between 2014 and 2024, from 12.1 million to 10.5 million, with declines recorded in all six economies, including Kosovo, where the contraction has set in since 2022 (World Bank, 2026^[27]). Between 2015 and 2024, the total number of emigrants from the region grew by more than 635 000, rising from 3.8 million to 4.4 million, resulting in modest increases in emigration rates across most Western Balkan economies, from 3.1 percentage points in Serbia to 5.2 percentage points in Albania (United Nations, 2024^[25]).

⁶ This indicator is introduced for the first time in the 2026 edition of the Scoreboard.

⁷ Women in the Western Balkan economies carry a disproportionate burden of unpaid care and domestic work, spending on average one to three hours more per day on unpaid work than men (UNDP, 2026^[26]).

⁸ A critical factor in this issue is insufficient and inefficient public spending on education, which in the Western Balkan economies amounts to 3.9% of GDP in 2023 (OECD, 2024^[39]), approximately 20% lower than the EU average of 4.7% in 2023 and 4.8% in 2024 (Eurostat, 2026^[34]).

⁹ Available data indicate that, in 2024, 48.3% and 79.5% of children aged 3 to the starting age of compulsory education are enrolled in pre-primary education in North Macedonia and Serbia, respectively, while the EU average is 94.9% (Eurostat, 2026^[36]).

¹⁰ North Macedonia and Serbia remain the only Western Balkan economies to have deployed a Youth Guarantee nationally (European Parliament, 2025^[24]; 2026^[32]). Montenegro launched a Youth Guarantee pilot for the period 2025-26, implemented in three municipalities (European Commission, 2025^[33]).

¹¹ VET programmes in the Western Balkan economies are frequently characterised by outdated curricula, obsolete technologies and inadequate equipment, which constrain the development of labour-market-relevant skills, and they remain both underfunded and under-enrolled. Dual education models promoting work-based learning (WBL) have

nonetheless gained momentum, with Kosovo and North Macedonia showing the clearest progress, while efforts elsewhere remain largely confined to donor-funded projects. Employer engagement, though still uneven across the region, is growing: for example, in North Macedonia, the number of companies offering a WBL placement rose from 16 in 2020-21 to around 650 in 2024-25 (RCC, 2025^[31]).

¹² Skills mismatch is widespread across the region's labour markets, with 22% of respondents holding qualifications higher than their job required in 2023 (ETF, 2024^[30]).

¹³ Most existing initiatives focus on cultivating digital skills among the unemployed, with employment agencies in Albania and Kosovo, for example, training jobseekers in programming and coding. While targeted efforts are important given the high incidence of long-term unemployment across the region, the limited availability of training restricts workers' adaptability to evolving skills demands and thus their ability to maintain relevant competencies (OECD, 2024^[39]).

¹⁴ See indicator BE06 on estimated informal employment.

¹⁵ This indicator replaces R&D expenditure in the 2026 edition, providing a more direct measure of innovation output rather than input.

¹⁶ Available data indicate that Gross Expenditure on Research and Development has reached 0.29% of GDP in Montenegro, 0.37% in North Macedonia (2023), and 0.93% in Serbia, while 2.24% in the EU (Eurostat, 2026^[37]). The R&D expenditure also remains limited among businesses, with business expenditure on research and development reaching 0.04% of GDP in Montenegro, 0.1% of GDP in North Macedonia (2023), and 0.43% of GDP in Serbia, while it is 1.49% of GDP in the EU (Eurostat, 2026^[38]).

¹⁷ Evidence suggests that absorptive capacity among businesses remains a key constraint: for example, in the ICT sector, firms in the Western Balkan economies have struggled to absorb and apply cluster-based technological spillovers from European enterprises operating in the region (Kacani and Shaqiri, 2023^[35]).



5 Business environment cluster

A sound business environment supports economic growth by creating the right conditions for businesses to thrive, invest and innovate. This chapter evaluates the progress of the Western Balkan economies in converging with the EU, focusing on the conditions that enable businesses to enhance their competitiveness and compete on an equal footing. It specifically examines credit provision and the financial stability of banks, alongside the orientation of foreign direct investment towards tradable sectors, as drivers of private investment. Additionally, it analyses market competition by shedding light on corruption and informality and considers the pace of new business creation as a measure of entrepreneurial dynamism. Finally, the chapter explores trade integration, capturing the region's capacity to participate in international trade.

Key findings

With an average score of 87 in 2023-2024, Business Environment ranks as the best performing cluster, with a score broadly matching the average for EU neighbouring economies of 94 (Figure 5.1). It also shows the fastest convergence of the six clusters, with the regional average rising by 40 points since 2014-2016. Montenegro leads the region, while Bosnia and Herzegovina records the lowest score.

Figure 5.1. Business environment cluster scores by economy (EU average=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
1	Montenegro	104	+39
2	Serbia	96	+50
3	North Macedonia	95	+36
<i>EU neighbours average</i>		94	+24
<i>WB6 average</i>		87	+40
4	Kosovo	80	+43
5	Albania	77	+41
6	Bosnia and Herzegovina	69	+29

Notes: "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

The region's main strength lies in its ability to attract FDIs (Figure 5.2), with inflows into tradable sectors four times the EU average, supported by an open regulatory environment and generous investor incentives, including tax breaks and special economic zones. This performance, however, has not yet translated into broader trade dynamics: trade flows remain around 30% of the EU average, held back by the region's limited industrial base and persistent non-tariff barriers.

Although domestic private investment exceeds the EU average by about 6%, it remains insufficient to sustain rapid economic convergence. Investment remains constrained by an uneven competitive environment, an underdeveloped innovation ecosystem, and limited access to finance for businesses. In particular, domestic credit to the private sector remains low, at around two-thirds of the EU average, despite improvements in banking sector stability, as reflected in non-performing loan (NPL) ratios converging towards the EU average. Consistent with these constraints, new business creation remains below the EU average in most Western Balkan economies, reflecting both limited entrepreneurial dynamism and administrative barriers to business entry and operations.

Securing a level-playing field for businesses remains a main weakness in the business environment of the Western Balkan economies, with corruption and informality recording the cluster's lowest scores. Over the last decade, the estimated share of informal employment has declined, but remains around six times the EU average, reflecting low labour productivity, high non-wage costs and the absence of robust social security systems. Regarding corruption, perceptions have shown no improvement over the same period, continuing to affect fair competition and deter investors, amid weak political commitment to comprehensive anti-corruption frameworks.

Figure 5.2. Business environment indicator scores by economy (EU average=100), 2023-2024

	Domestic credit to the private sector (BE.01)	Bank non-performing loans (BE.02)	Private investment (BE.03)	FDI in tradeable sectors (BE.04)	Control of corruption (BE.05)	Estimated informal employment (BE.06)	Trade flows (BE.07)	New business creation density (BE.08)
Albania	52	54	106	571	13	10	20	32
Bosnia and Herzegovina	74	66	106	400	6	15	23	25
Kosovo	90	122	137	103	28	10	19	115
North Macedonia	82	88	107	435	19	22	39	79
Montenegro	68	47	85	403	36	18	36	301
Serbia	51	81	95	701	8	21	34	33
<i>WB6 average</i>	70	76	106	435	18	16	28	97
<i>EU neighbours average</i>	60	74	96	326	50	142	55	107



Notes: Scores are rounded to the nearest whole number. "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

BE.01. Domestic credit to the private sector

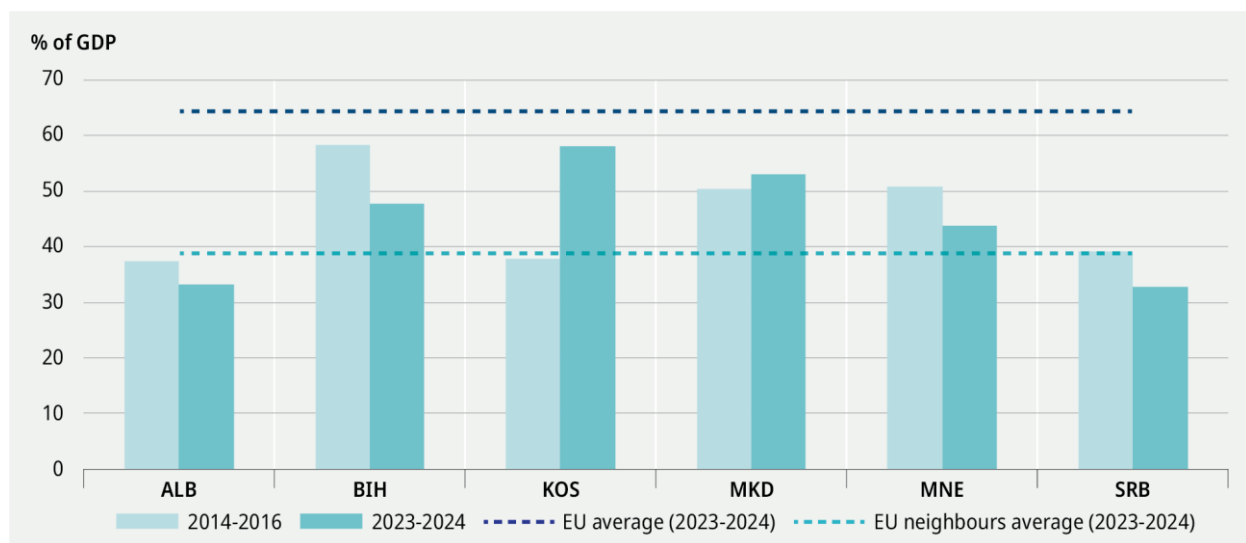
Domestic credit to the private sector captures the ease and affordability of access to bank financing, a key determinant of businesses' capacity to invest, innovate and expand.

At 44.8% of GDP in 2023-2024, the region stands slightly above the EU neighbours' average of 38.9%, while remaining largely below the EU average of 64.4% (Figure 5.3). Despite a contraction of domestic credit to the private sector in four of the six Western Balkan economies, the regional average remained broadly stable at 45.7% in 2014-2016, driven by strong growth in Kosovo. Meanwhile, the EU average fell by 20 percentage points over the same period, from 84.8% of GDP, narrowing the gap between the EU and the Western Balkan economies.

The *OECD SME Policy Index 2026* highlights that businesses' access to bank finance remains constrained by obstacles such as gaps in asset registration,¹ challenges in collateral enforcement coupled with corporate governance deficiencies that lead to stringent collateral requirements,² and the uneven availability or often limited scale of public instruments, such as guarantee funds, which constrains their capacity to ease businesses' access to credit (OECD, 2026^[1]).³

Kosovo leads the region with domestic credit at 58.1% of GDP in 2023-2024, while Albania and Serbia remain below half of the EU average, at around 32% of GDP.

Figure 5.3. Domestic credit to the private sector in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Germany (2024).

Source: (World Bank, 2026^[2]).

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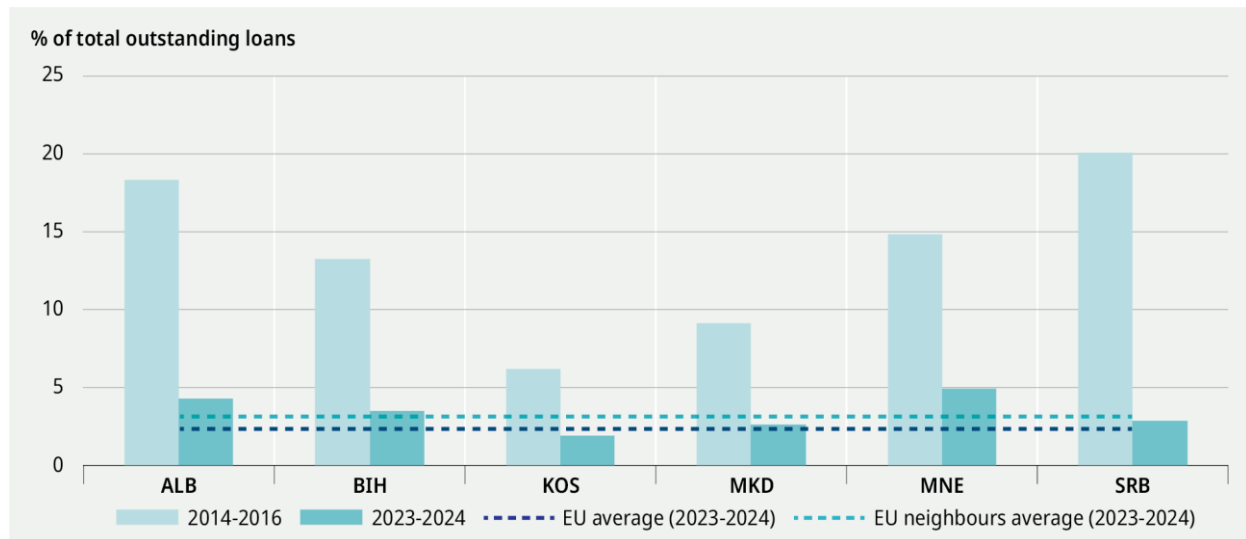
BE.02. Bank non-performing loans

NPLs can undermine credit availability by threatening banks' financial stability, limiting businesses' access to finance and constraining private investment.

At 3.4% of total outstanding loans in 2023-2024, NPLs in the region match the EU neighbours' average of 3.2% and remain slightly above the EU average of 2.3% (Figure 5.4). Over the last decade, the region and the EU have both significantly reduced their NPL ratios, from 13.6% and 9.4% in 2014-2016, respectively, maintaining the region's relative performance at around 70% of the EU average (Figure 5.2). This reflects continuous progress in banking supervision and dedicated NPL-reduction plans, alongside conservative lending practices that have also weighed on credit growth in the region.⁴

Kosovo is the only economy with an NPL ratio broadly in line with the EU average, at 2.3% in 2023-2024. By contrast, Montenegro recorded the highest NPL ratio in the region, at 4.9%, more than double the EU average.

Figure 5.4. Bank non-performing loans in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Germany (2014, 2015), Denmark (2014) and Sweden (2014, 2015).

Sources: (International Monetary Fund, 2026^[3]). Data for Serbia from (National Bank of Serbia, 2026^[4]). Data are imputed for Germany (2016, 2019). For further details, please refer to the Technical Annex, published separately from this report.

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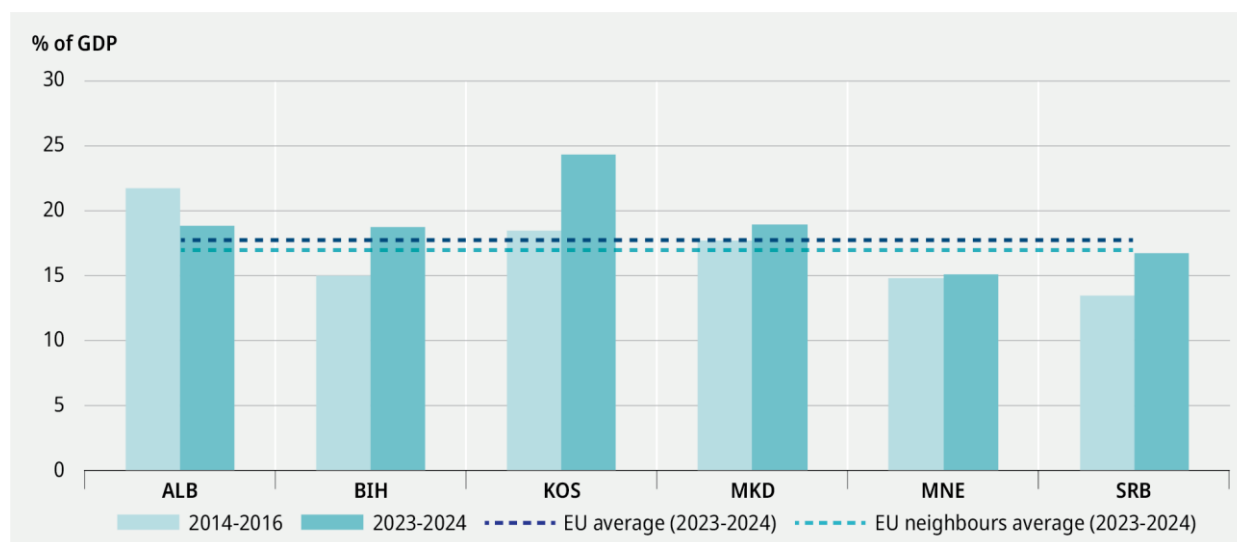
BE.03. Private Investment

Private investment is a major driver of economic growth, as it fosters innovation and the accumulation of physical capital, thereby boosting productivity and expanding the production of goods and services.

At 18.8% of GDP in 2023-2024, private investment in the region slightly exceeds the EU average of 17.8% (Figure 5.5). This represents a modest improvement from 16.8% of GDP in 2014-2016. However, as middle-income economies converging toward higher income levels are typically expected to exhibit higher investment rates, the region will likely need stronger private investment to sustain faster economic growth. As highlighted in the *OECD SME Policy Index 2026's* “Creating an enabling environment for SME and entrepreneurs” section, persistent barriers, including limited access to finance,⁵ an underdeveloped innovation ecosystem and market distortions arising from the large economic footprint of state-owned enterprises and the relatively large informal sector, continue to constrain private investment (OECD, 2026^[1]).

Kosovo is the only regional economy to exceed the EU average, with private investment at 24.4% of GDP in 2023-2024, while Montenegro records the lowest level at 15.2%.

Figure 5.5. Private investment in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Bulgaria (2024), Bosnia and Herzegovina (2024), Montenegro (2024) and Serbia (2024).

Sources: OECD calculations based on (Eurostat, 2026^[5]). Data for Kosovo, North Macedonia, Croatia, Poland and Romania from (World Bank, 2026^[6]). Data for Albania were sent by INSTAT to the OECD. Data are imputed for Bosnia and Herzegovina (all years), Montenegro (all years) and Bulgaria (2023). For further details, please refer to the Technical Annex, published separately from this report.

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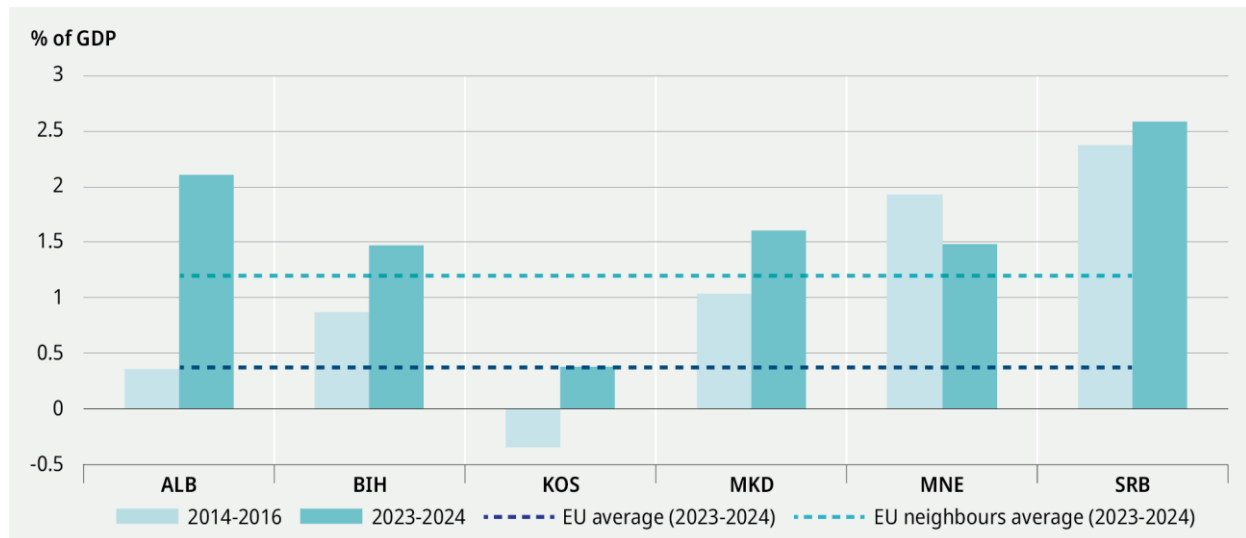
BE.04. Foreign direct investment in tradable sectors

By channelling capital and technology transfer into export-oriented and high-value-added industries, **FDI in tradable sectors**⁶ supports productivity gains and long-term economic growth.

FDI inflows into tradable sectors rose from 1.0% of GDP in 2014-2016 to 1.6% in 2023-2024 in the region, in contrast to the EU, where they fell from 1.6% of GDP to 0.4% over the same period (Figure 5.6), making this indicator the cluster's best-performing area. It could also be noted that FDI in tradable sectors grew faster than in non-tradable sectors over the last decade, increasing its share of the region's total net inflows from 17% in 2014-2016 to 26% in 2023-2024. Despite weaknesses in the level playing field weighing on the region's investment climate, several factors have supported the region's attractiveness to foreign investors, including relatively competitive production costs and increasing participation in European value chains amid accelerated EU integration. The region also maintains a very open regulatory framework for foreign investment,⁷ offers generous investor incentives⁸ and a large network of special economic zones⁹, complemented by investment promotion agencies that facilitate market entry and provide aftercare services to investors.¹⁰

Overall, Serbia is the regional leader with net inflows reaching 2.6% of GDP in 2023-2024, while Kosovo ranks last at 0.4%.

Figure 5.6. FDI in tradable sectors in the Western Balkan economies and the EU, 2014-2024



Notes: Data are unavailable for Bulgaria (2014, 2015), Cyprus (2014, 2015, 2024), Czechia (2014, 2016, 2024), Germany (2016, 2024), Denmark (2023), Spain (2024), Croatia (2014, 2015, 2024), Malta (2014, 2015, 2024), the Netherlands (2015, 2016), Romania (2014, 2015, 2024), Slovakia (2014, 2015, 2024), Albania (2014, 2015), Bosnia and Herzegovina (2014, 2015), Kosovo (2014, 2015), Montenegro (2014, 2015), North Macedonia (2014, 2015) and Serbia (2014, 2015). Sources: OECD calculations. Data for Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia from (CEFTA, 2026^[7]). Data for Bulgaria, Croatia, Cyprus, Romania and Slovakia from (Eurostat, 2026^[8]). Data for the remaining economies from (OECD, 2026^[9]). Data are imputed for Montenegro (all years), Belgium (2023, 2024), Cyprus (2016, 2023), Czechia (2015), Ireland (2014, 2015, 2023, 2024), Malta (2023), Portugal (all years) and Romania (2016, 2023). For further details, please refer to the Technical Annex, published separately from this report.

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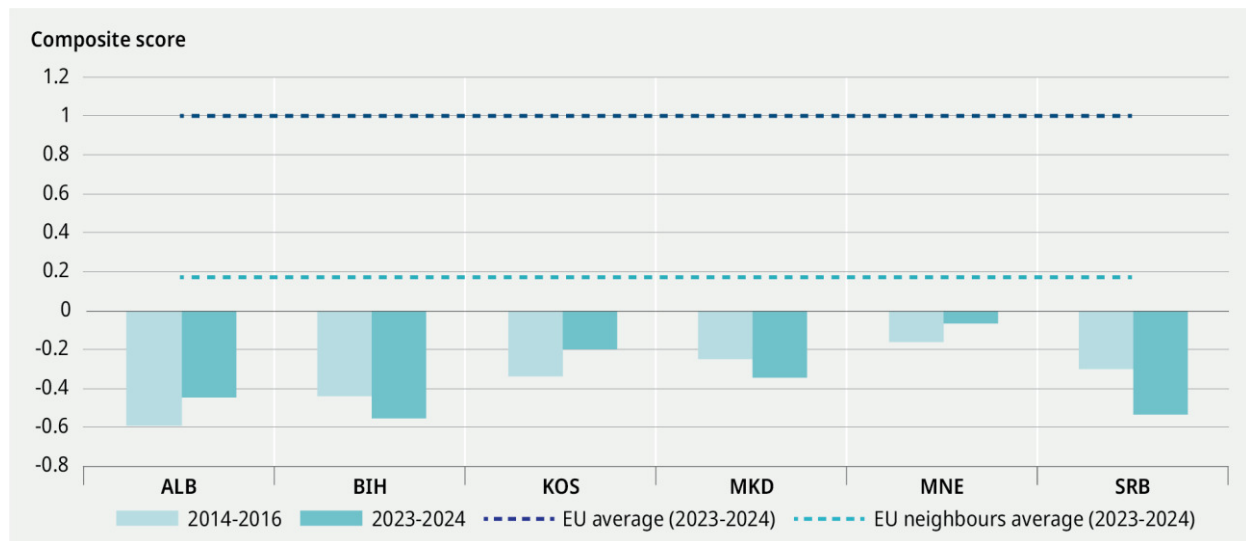
BE.05. Control of corruption

By raising operating costs and distorting competition, **corruption** discourages businesses from investing and expanding.

The Western Balkan economies' performance on the World Bank's Control of Corruption indicator, which assesses perceptions of corruption and the effectiveness of anti-corruption policies, has stagnated over the last decade, at -0.35 between 2014-2016 and 2023-2024 (Figure 5.7). This performance is well below the EU average, which increased from 0.95 in 2014-2016 to 1.0 in 2023-2024, making control of corruption the cluster's second lowest-performing indicator. This widening gap reflects persistent weaknesses in the effectiveness of anti-corruption institutions,¹¹ as well as limited enforcement of anti-corruption legislation and shortcomings in implementing strategic anti-corruption frameworks.¹²

Overall, Montenegro leads the region with a score of -0.06, while Bosnia and Herzegovina and Serbia lag behind with scores slightly below -0.5—both having seen their performance decline over the last decade.

Figure 5.7. Control of corruption in the Western Balkan economies and the EU, 2014-2024



Source: (World Bank, 2026_[10]).

StatLink  <https://stat.link/mkpil3>

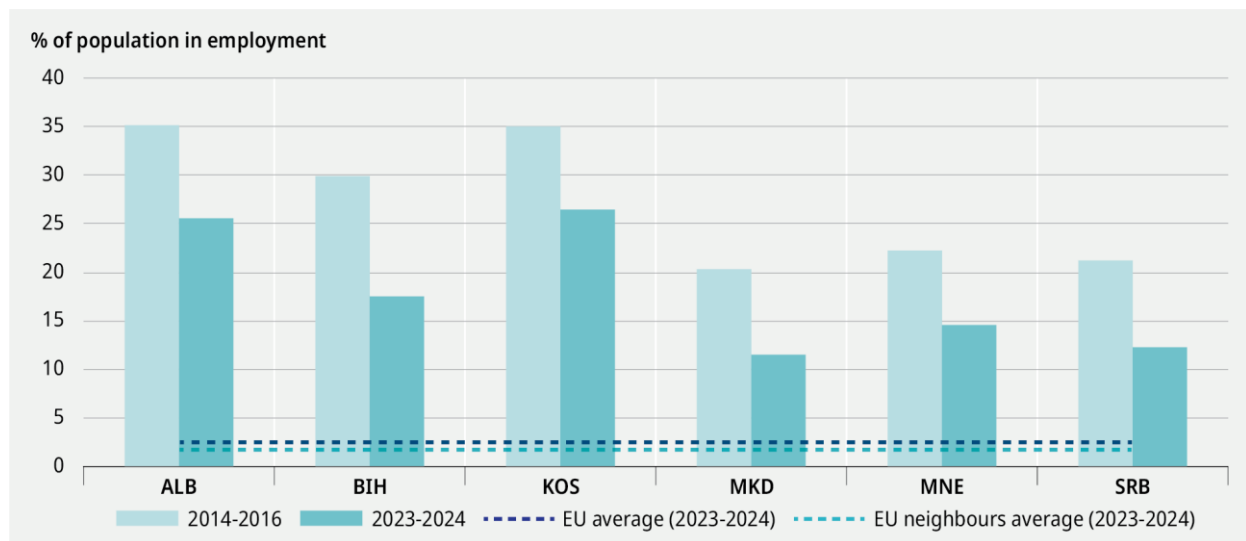
BE.06. Estimated informal employment

In reducing government revenue and limiting firms' access to capital, training and technology, informality constrains both public investment and business productivity.

The **estimated share of informal employment** has declined across all Western Balkan economies, with the regional average decreasing from 27.3% of the employed population in 2014-2016 to 18% in 2023-2024 (Figure 5.8). This decline has occurred at a pace similar to that of the EU, from 3.9% to 2.6% over the same period, leaving the region's average still around six times higher, and making estimated informal employment the cluster's lowest-performing indicator. The remaining gap with the EU mainly reflects the region's low labour productivity,¹³ compounded by high non-wage labour costs¹⁴ and gaps in the social security system, all of which reduce incentives for formal employment.

North Macedonia records the lowest estimated informal employment rate in the region, at 11.5% of the employed population in 2023-2024, while Albania and Kosovo exhibit rates about ten times the EU average (at around 26%).

Figure 5.8. Estimated informal employment in the Western Balkan economies and the EU, 2014-2024



Notes: Data are unavailable for Germany (2014, 2015, 2024), Denmark (2022, 2024), Croatia (2024), Malta (2024), Romania (2014, 2015), Kosovo (2014, 2015, 2024) and Montenegro (2014, 2015, 2024).

Sources: (International Labour Organisation, 2026^[11]). Data for Albania from (INSTAT, 2026^[12]). Data for Kosovo (2017) from (Government of Kosovo, 2024^[13]). Data for Montenegro (2014) from (UNDP, 2016^[14]). Data for North Macedonia from (MAKSTAT, 2026^[15]). Data for Serbia from (SORS, 2026^[16]). Data are imputed for Kosovo (2016, 2023), Montenegro (2023), Denmark (2023), Germany (2016, 2023), Hungary (2023), Malta (2023), and Romania (2016). For further details, please refer to the Technical Annex, published separately from this report.

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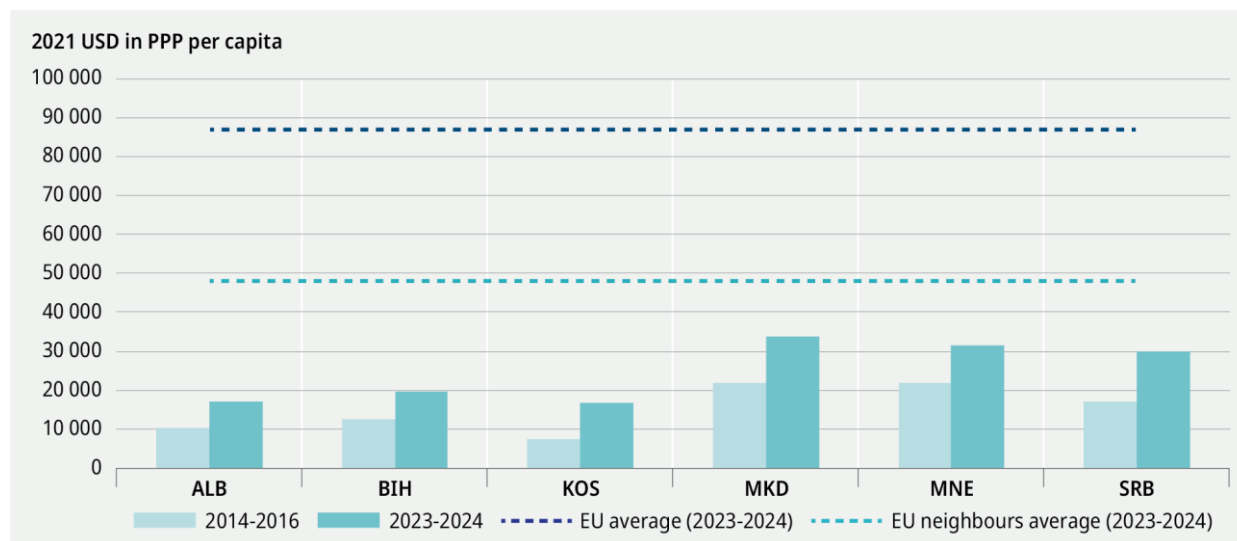
BE.07. Trade flows

Trade flows capture an economy's integration into regional and global markets, which supports economic growth by expanding market access, encouraging specialisation and driving innovation.

Trade flows in the region stood at USD¹⁵ 24 731 per capita in 2023-2024, equivalent to 28.5% of the EU average (USD 86 895) and 51.6% of the EU neighbours' average (USD 47 916) (Figure 5.9). Some convergence has taken place over the last decade: the region's trade flows rose from 22.3% of the EU average between 2014-2016 and 2023-2024. This modest convergence has been supported by trade facilitation efforts since the adoption of the Central European Free Trade Agreement (CEFTA) in 2006, which have focused on harmonising trade policies and regulations with EU standards and improving intra-regional infrastructure, with marked progress achieved since 2022,¹⁶ as well as by domestic investment promotion agencies supporting SME internationalisation.¹⁷ Non-tariff barriers persist, however, alongside limited co-operation between trade authorities on data exchange, the absence of a fully paperless trade environment.¹⁸ Together with the region's low industrial base, these factors remain a major constraint on export potential.¹⁹

North Macedonia records the highest trade flows in the region, at USD 33 830 per capita, or 38.9% of the EU average, while Albania and Kosovo record the lowest performance, at around USD 17 000 per capita.

Figure 5.9. Trade flows in the Western Balkan economies and the EU, 2014-2024



Sources: OECD calculations based on (World Bank, 2026^[17]) and (World Bank, 2026^[18]).

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BE.08. New business creation density

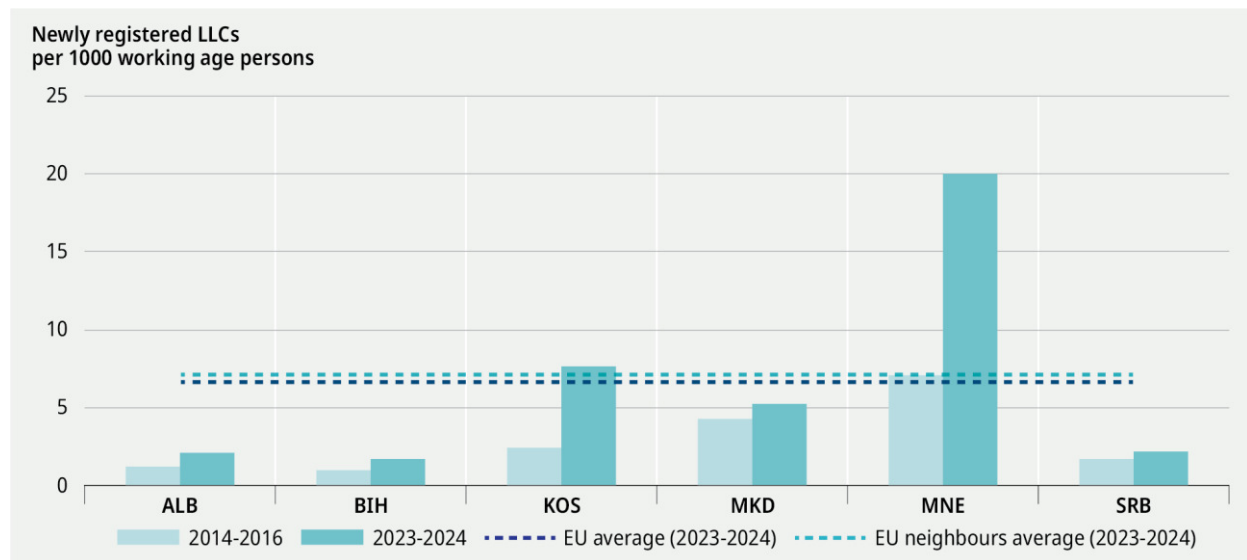
New business creation density captures an economy's capacity to renew its productive base, thereby supporting economic growth by reallocating resources towards more productive activities, intensifying competition and driving innovation.

On average, 6.5 new limited-liability companies (LLCs) per 1 000 working-age persons were registered in the region in 2023-2024. However, when excluding Montenegro (which recorded 20.0 new LLCs per 1 000 working-age persons in this period),²⁰ this figure falls to 3.8, which is substantially below the EU average of 6.6 (Figure 5.10).

The region's relatively low rate of business creation reflects a combination of structural and regulatory barriers. As highlighted in the *OECD SME Policy Index 2026's* "Creating an enabling environment for SME and entrepreneurs", these include limited access to finance, an underdeveloped innovation and entrepreneurial ecosystem, high levels of informality, alongside administrative burdens associated with business entry and operation, including licensing, permitting and registration requirements (OECD, 2026^[1]).²¹

Alongside Montenegro, Kosovo is the only other regional economy to exceed the EU average, with 7.6 new LLCs per 1 000 working-age persons. Conversely, entrepreneurial activity remains low in Albania, Bosnia and Herzegovina, and Serbia, at around 2.0 new LLCs per 1 000 working-age persons.

Figure 5.10. New business creation density in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Austria (2024), Belgium (2024), and the Netherlands (2014, 2015, 2024).

Source: (World Bank, 2026^[19]). Data are imputed for the Netherlands (2023). For further details, please refer to the Technical Annex, published separately from this report.

StatLink  <https://stat.link/0pk6co>

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Notes

¹ Asset registration systems across the region remain incomplete in practice, constraining their effectiveness in supporting the use of various assets as collateral. Notably, while registries for movable and intangible assets are broadly in place, gaps persist. For instance, fewer than half of movable assets are documented in Bosnia and Herzegovina, while documentation for livestock and agricultural equipment remains incomplete in Albania (OECD, 2026^[1]).

² Collateral enforcement and insolvency frameworks present difficulties across the region, ranging from the absence of out-of-court restructuring options to structural constraints on banks' influence over the restructuring process. For more information, see (OECD, 2026^[39]; 2026^[40]; 2026^[41]; 2026^[42]; 2026^[43]; 2026^[44]).

³ Only half of the Western Balkan economies (Bosnia and Herzegovina, Kosovo, North Macedonia) have so far established public credit guarantee schemes, and the existing ones tend to operate at a limited scale, leaving public risk-sharing mechanisms insufficient to meaningfully influence commercial banks' incentives. For more information, see (OECD, 2026^[1]).

⁴ Collateral requirements are generally higher across the Western Balkan economies than in the EU. For instance, in Serbia, 43.2% of SMEs were required to provide collateral for a new loan in 2024, compared to 31% in Finland, 19% in Spain, 9.9% in Greece and 6.4% in France (OECD, 2026^[20]).

⁵ Over 2023-2025, the share of firms reporting they were partially or fully credit-constrained was 9.5% in Bosnia and Herzegovina, 12.6% in Albania, 14.0% in North Macedonia, 18.4% in Montenegro and 25.2% in Serbia (World Bank, 2026^[21]). The estimated financing gap for the region's businesses amounts to 2.5% of GDP (Akbas, Betz and Gattini, 2023^[22]).

⁶ FDI in tradable sectors is introduced for the first time in the 2026 edition of the Scoreboard. Tradable sectors include mining and quarrying, manufacturing, transport and storage, and information and communication (United Nations, 2008^[37]). Following insufficient data availability, agriculture has not been included. For more details, see the Methodology chapter.

⁷ The OECD FDI Regulatory Restrictiveness Index covers statutory measures discriminating against foreign investors, including foreign equity limits, screening and approval requirements, restrictions on key foreign personnel and other

restrictions. The region's average score stood at 0.04 in 2024, 20% lower than the OECD average of 0.05. The region obtains an average score of 0 on both restrictions on key foreign personnel and screening and approval (OECD, 2024^[46]).

⁸ Available data indicates that the effective average corporate income tax rate reached 22.2% in the OECD in 2025, compared with much lower rates across the Western Balkan economies, including 14.7% in Albania, 9.2% in Bosnia and Herzegovina and 9.3% in North Macedonia (OECD, 2026^[31]). For more details on the tax breaks, see (OECD, 2024^[47]).

⁹ The region's network of special economic zones, numbering approximately 40, offers incentives that may include value-added tax and customs exemptions, efficient transport links, reliable utilities and facilities for industrial production, depending on the economy and applicable domestic legislation. For more details on the special economic zones, see (OECD, 2024^[47]).

¹⁰ For more details on the investment promotion activities carried out by domestic investment promotion agencies, please refer to (OECD, 2024^[47]).

¹¹ Anti-corruption bodies across the region face staffing and budgetary constraints that limit their effectiveness. Notably, while dedicated agencies have been established in most economies, resourcing gaps persist. For instance, Albania's General Directorate on Anti-Corruption relies on around 30 staff to co-ordinate preventive work across some 20 institutions, while Montenegro's Agency for the Prevention of Corruption has filled only 54 of its 98 allocated posts and operates below the legal minimum budget. For more details, see (European Commission, 2025^[23]; 2025^[24]; 2025^[25]; 2025^[26]; 2025^[28]; 2025^[27]).

¹² At the time of writing, Kosovo is the only economy without an adopted anti-corruption strategic framework, and beyond adoption, implementation and monitoring suffer from gaps across the region. Albania's anti-corruption bodies lack the planning and co-ordination capacities to monitor and report on implementation, while in Bosnia and Herzegovina only the Sarajevo Canton has aligned and monitored its strategy with the state-level agency. Montenegro's National Council for the Fight Against Corruption is tasked with oversight, but its working structure, mandate and resourcing remain undefined, North Macedonia fully implemented only 18% of its planned 2024 activities, and Serbia's 2024-2025 action plan lacks an effective monitoring mechanism (European Commission, 2025^[23]; 2025^[24]; 2025^[25]; 2025^[26]; 2025^[28]; 2025^[27]).

¹³ For more details, see the indicator SK.01 on labour productivity.

¹⁴ The high cost of formalising labour is another barrier to reducing informality in the region. The share of social security contributions (SSC) relative to gross income exceeds 20% in the region, with the highest rates observed in Serbia and Bosnia and Herzegovina (OECD, 2024^[47]). The region's tax-benefit systems further discourage formalisation through two additional mechanisms: the loss of social benefits, such as poverty alleviation schemes, child allowances and energy allowances, upon formalisation, and minimum SSC bases that require contributions on at least a specified gross wage irrespective of actual earnings, imposing disproportionately high costs on very low formal incomes (World Bank, 2025^[29]).

¹⁵ Unless otherwise stated, USD refers to 2021 USD PPP throughout the chapter.

¹⁶ Between 2022 and 2024, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia were among the ten economies that achieved the most progress in trade facilitation in the Europe and Central Asia region, according to the OECD's Trade Facilitation Indicators (OECD, 2025^[45]).

¹⁷ For more details on policies related to the internationalisation of SMEs, please refer to (OECD, 2026^[1]).

¹⁸ Non-tariff barriers in the Western Balkan economies mainly stem from technical barriers to trade and sanitary and phytosanitary measures, which arise from misaligned regulatory frameworks across the six economies. Initiatives such as the Green Lanes, which prioritise the clearance of designated goods at selected border crossings, have delivered localised improvements, including at the Serbia-North Macedonia crossing, but their regional roll-out remains partial (Steinbach, Vujanovic and Fiore, 2025^[30]).

¹⁹ The exports of goods in the region stood at 22% of GDP in 2024, which is far below the EU's average level of 33.7% (Eurostat, 2026^[48]). Apart from North Macedonia, which outperforms the EU average (41.2%), exports of goods remain low across the region. This is especially evident in Albania (6.7%), Montenegro (8.6%) and Kosovo (9.2%), where exports of services play a much more significant role in total trade.

²⁰ Montenegro's Law on Foreigners allows foreign nationals to obtain a temporary residence permit by registering as the founder and executive director of a locally incorporated company. Montenegro's Revenue and Customs Administration indicate that 5 846 companies were registered to Russian owners between February 2022 and July 2023, compared with 4 600 registered by 2021; 64% of these newly registered companies reported no more than one employee, a pattern consistent with company registration being used to obtain a residence permit rather than to conduct substantial business activity (Balkan Insight, 2023^[32]). This migration inflow is identified by the IMF as a contributing factor to Montenegro's economic growth, mainly through increased household consumption (IMF, 2024^[38]).

²¹ See also (World Bank, 2025^[34]; 2025^[33]; 2025^[35]; 2025^[36]) for more details on the barriers to business creation.



6 Digital transformation cluster

Digital transformation is reshaping economies, unlocking new pathways for growth, innovation and competitiveness. This cluster assesses the Western Balkan economies' progress toward EU levels across key aspects of digital transformation. It examines digital adoption by individuals, covering digital skills, internet use and online engagement, before turning to business digitalisation through website adoption and the use of AI technologies. The chapter concludes by assessing the extent to which digital transformation supports the development of competitive digital industries through ICT services exports and the development of secure digital infrastructure.

Key findings

With a score of 49 in 2023-2024, the Western Balkan economies achieved less than half of the EU's average performance on digital transformation. The cluster is nonetheless converging quickly: the regional average has increased by 11 points since 2020-2022, mainly driven by substantial progress in Albania and Bosnia and Herzegovina. Serbia leads the region, with a score above the EU neighbours' average, while Bosnia and Herzegovina ranks last, despite its recent progress (Figure 6.1).

Figure 6.1. Digital transformation cluster scores by economy (EU average=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
1	Serbia	64	+10
<i>EU neighbours average</i>		61	+2
2	Montenegro	55	+8
3	North Macedonia	51	+4
<i>WB6 average</i>		49	+11
4	Kosovo	49	+4
5	Albania	40	+25
6	Bosnia and Herzegovina	34	+13

Notes: "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

Digital connectivity is the region's highest-scoring area, with individuals' internet use broadly matching the EU average (Figure 6.2). However, this connectivity has not yet fully translated into digital engagement. Internet use for online purchases and for interacting with public authorities remains at roughly half the EU average, held back by the limited availability of digital public services and low awareness of existing services. Security concerns also contribute to low engagement across the region, as the cybersecurity infrastructure remains weak, with secure internet servers accounting for only 6% of EU levels. Limited digital skills prevent the region from fully benefiting from digital transformation: the share of the population reporting low digital skills is about 20 percentage points above the EU average.

Businesses are increasingly adopting digital tools, yet progress remains largely limited to basic solutions. Many leverage digital tools to strengthen their market presence, with website use reaching 89% of the EU average. The adoption of more advanced technologies has been slower, with AI use at 64% of the EU average, partly reflecting underdeveloped governance frameworks and policy instruments.

The information and communication technologies (ICT) sector has meanwhile become a driver of growth across the region, with ICT services exports relative to GDP reaching 56% of the EU level, and the regional average exceeding that of EU neighbouring economies. Several factors underpin this trajectory: targeted policies to attract investment, expanded infrastructure for start-ups and a young, digitally skilled workforce that has attracted outsourcing by foreign firms.

Figure 6.2. Digital transformation indicator scores by economy (EU average=100), 2023-2024

	Population with digital skills (DG.01)	Internet use by individuals (DG.02)	Internet use for interacting with public authorities (DG.03)	Internet use for purchases (DG.04)	Businesses with a website (DG.05)	Businesses using AI (DG.06)	ICT service exports (DG.07)	Secure internet servers (DG.08)
Albania	40	92	93	50	73	95	18	2
Bosnia and Herzegovina	52	92	35	56	85	52	33	6
Kosovo	65	106	46	84	81	51	62	4
North Macedonia	66	99	47	82	69	89	77	2
Montenegro	90	96	42	45	113	60	53	5
Serbia	58	94	69	83	112	39	94	15
<i>WB6 average</i>	62	96	55	67	89	64	56	6
<i>EU neighbours average</i>	81	95	74	84	82	68	43	48

Notes: Scores are rounded to the nearest whole number. "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section

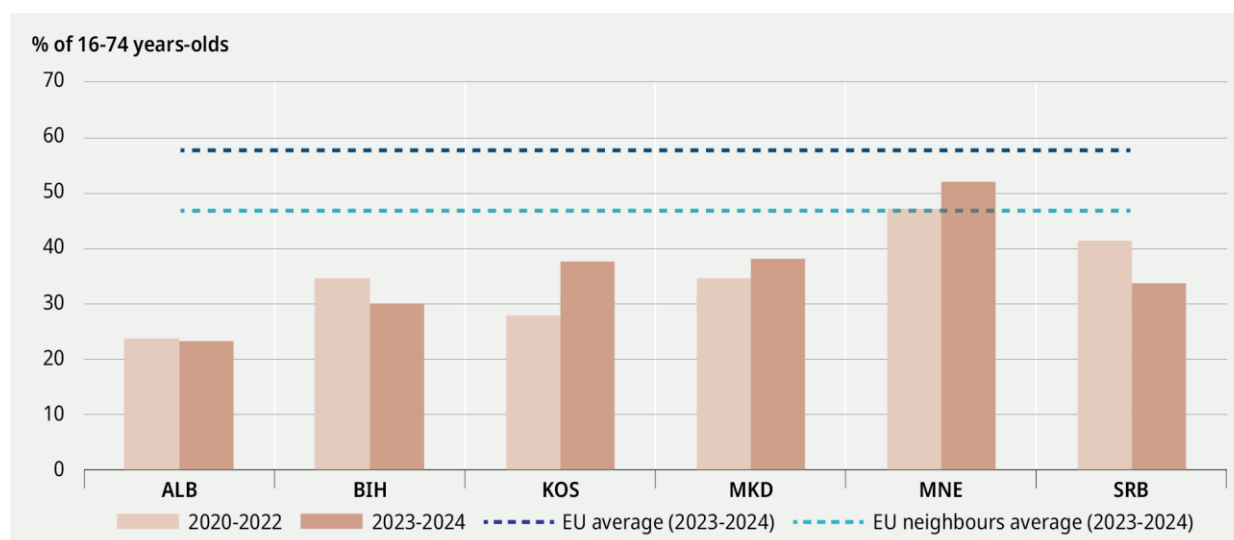
DG.01. Population with digital skills

High levels of **digital skills** across the population can maximise the benefits of digital transformation for economic growth by increasing labour productivity.

Overall, most Western Balkan economies exhibit low proficiency levels, with only 35.8% of the population possessing at least basic or above basic digital skills in 2023-2024, compared to 57.6% in the EU. Moreover, convergence has been slow, with the regional average increasing by only 0.9 percentage points since 2020-2022 (Figure 6.3). One notable barrier to this shortfall is the limited support for digital inclusion among disadvantaged groups, especially among older individuals. While digital skills decline with age across both the EU and the Western Balkan economies, the decline is far steeper in the latter: in 2023, 61% of those aged 16-24 had at least basic digital skills against 17% of 55- 64-year-olds, compared with 74% and 44% respectively in the EU (Eurostat, 2026^[1]). Insufficient access to digital education and training, particularly among adult workers seeking to reskill or upskill, contributes to these disparities across Western Balkan economies.¹

Montenegro stands out as the regional leader with a share of 52%, exceeding the EU neighbours' average (46.7%), while Albania records the lowest share at 23.3%.

Figure 6.3. Population with digital skills in the Western Balkan economies and the EU, 2020-2024



Note: 2020-2022 refers to data collected in 2021; 2023-2024 to data collected in 2023.

Sources: (Eurostat, 2026^[1]). Data for Kosovo (2021, 2023) and North Macedonia (2023) from (RCC, 2026^[2]).

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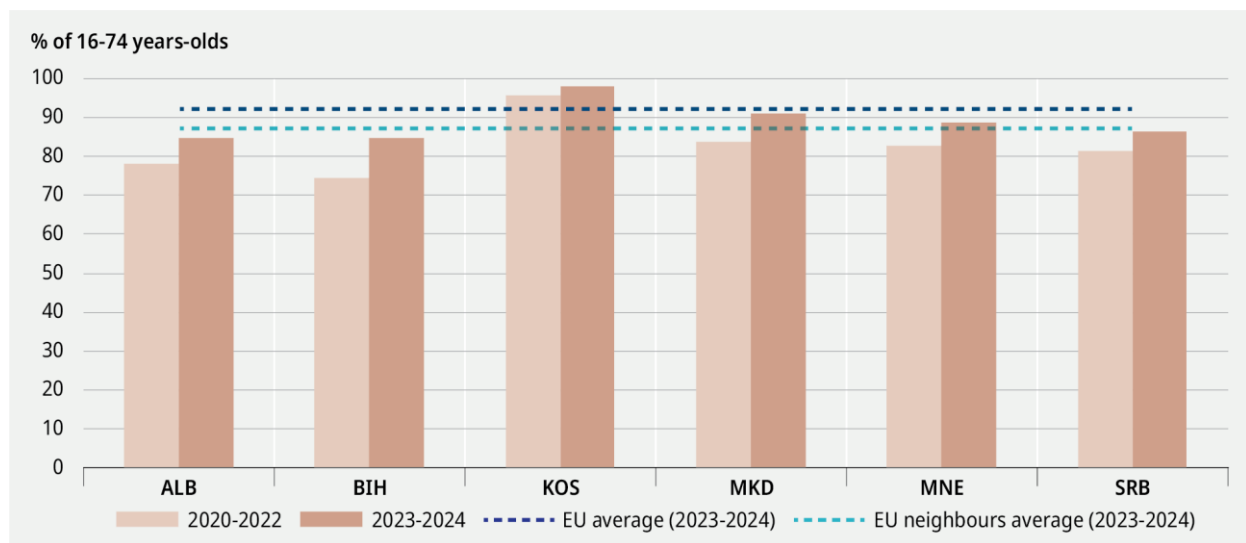
DG.02. Internet use by individuals

Widespread internet use provides the foundation for individuals to participate in the digital economy by accessing information, acquiring digital skills and engaging in online activities, thereby strengthening productivity and economic growth.

Internet use by individuals is the digital transformation cluster's strongest-performing indicator, with 88.9% of the population using the internet in 2023-2024, compared to 92.2% in the EU and 87.3% in neighbouring EU economies. The regional average has increased by 6.3 percentage points compared to 2020-2022, with progress observed across all Western Balkan economies (Figure 6.4). Sustained improvements in digital infrastructure, notably in mobile network coverage and broadband connectivity (see the *Infrastructure and Connectivity* chapter for more details), have boosted internet use, while narrowing the urban-rural gap.²

Overall, Kosovo leads the region with a share of 98%, while Albania ranks last at 84.7%.

Figure 6.4. Internet use by individuals in the Western Balkan economies and the EU, 2020-2024



Note: Data are unavailable for Bosnia and Herzegovina (2022), Kosovo (2021, 2022, 2023) and North Macedonia (2022, 2023).

Source: (Eurostat, 2026^[3]).

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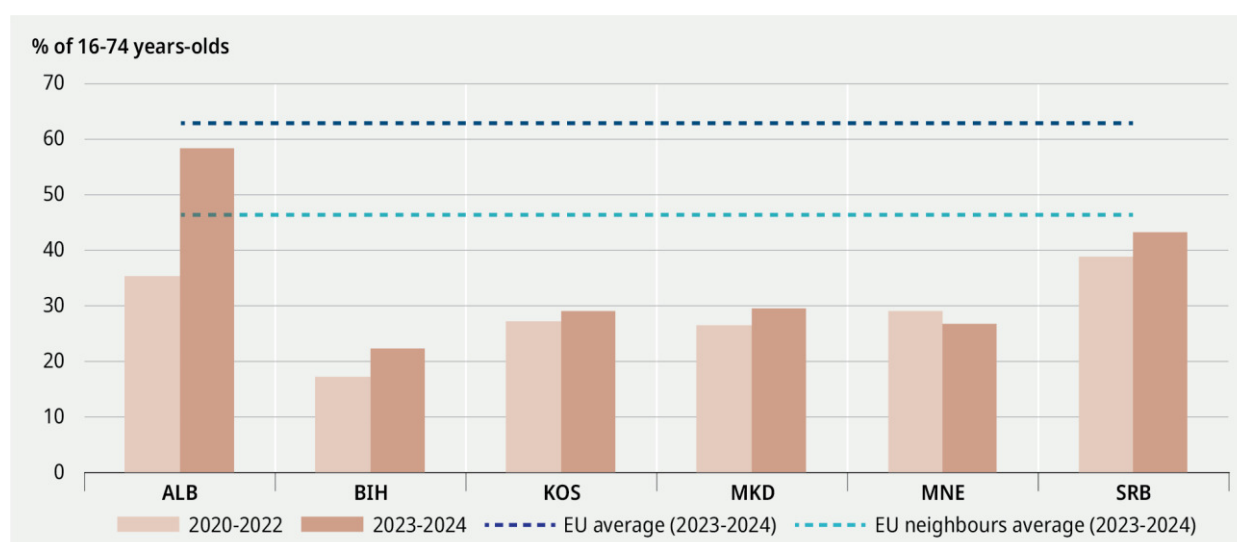
DG.03. Internet use for interacting with public authorities

The share of the population using **the internet to interact with public authorities** provides an indication of the accessibility and uptake of digital public services, helping to reduce administrative burdens and foster an enabling environment for entrepreneurship and investment.

In 2023-2024, the regional average stood at 34.8% (Figure 6.5), up from 8.4 percentage points since 2020-2022, but still remains around half the EU average (63%), indicating that widespread internet use across the region has not yet been matched by comparable uptake of digital public services. While the supply of digital public services has expanded across the Western Balkan economies, differences in the availability of fully transactional services³ coupled with limited public awareness⁴ limit the uptake of digital public services in the region.

Overall, following marked gains since 2020-2022, Albania is the regional leader with a share of 58.4%, broadly in line with the EU average, while Bosnia and Herzegovina ranks last at 22.2%.

Figure 6.5. Use of digital public services in the Western Balkan economies and the EU, 2020-2024



Note: Data are unavailable for Bosnia and Herzegovina (2022), Kosovo (2021, 2022) and North Macedonia (2022)

Sources: (Eurostat, 2026_[4]). Data for Kosovo (2023) and North Macedonia (2023) sent by KAS and MAKSTAT to the OECD.

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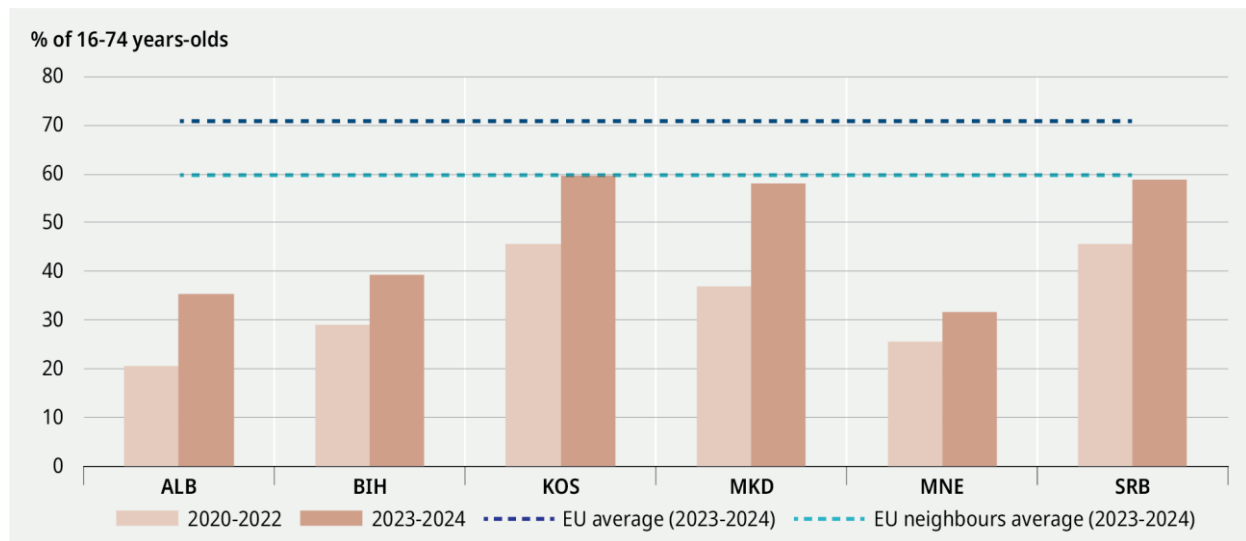
DG.04. Internet use for purchases

The share of the population using the **internet to make purchases** reflects how actively consumers adopt online channels to access goods and services, which widens market access and fosters digital commerce.

In 2023-2024, the regional average reached 47.2% of the population, representing two-thirds of the EU average (70.9%) (Figure 6.6). Rising from 51.2% of the EU average in 2020-2022, this is the cluster's fastest-converging indicator, with improvements observed across all the region's economies. Nevertheless, concerns over the security of online transactions continue to limit online transactions, reflecting also remaining gaps in data protection and consumer rights frameworks.⁵ The still-limited diffusion of debit and credit cards in some economies further constrains the expansion of e-commerce.⁶

Kosovo, North Macedonia and Serbia lead the region with around 60% of the population using the Internet to make purchases, matching EU neighbours' performance, while Montenegro lags behind at 31.7%.

Figure 6.6. Internet use for purchases in the Western Balkan economies and the EU, 2020-2024



Note: Data are unavailable for Bosnia and Herzegovina (2022), Kosovo (2021, 2022) and North Macedonia (2022, 2023).

Sources: (Eurostat, 2026^[5]). Data for Kosovo (2023) sent by KAS to the OECD.

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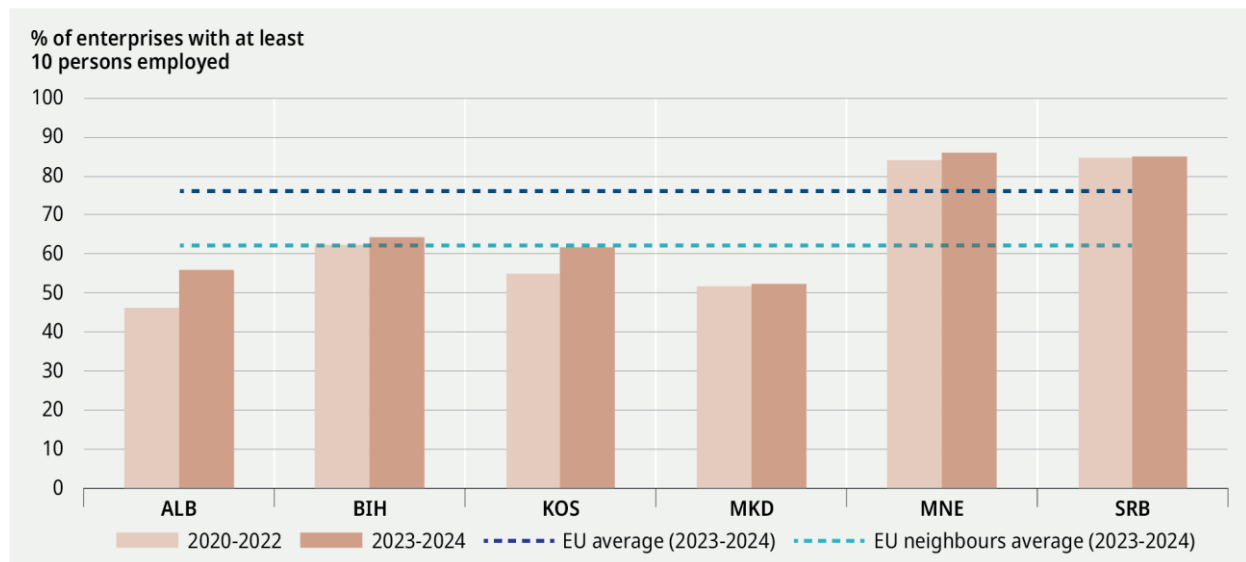
DG.05. Businesses with a website

The share of **businesses with a website** reflects how actively businesses leverage the digital economy to expand their market reach.

In 2023-2024, an average of 67.6% of Western Balkan businesses operated a website (Figure 6.7), compared with 76.1% in the EU. This share has risen by 4.9 percentage points since 2020-2022, raising the regional average from 84% to 88.9% of the EU average. The increase was driven by higher adoption among small enterprises, where website use rose from 60% in 2020-2022 to 76% in 2023-2024.⁷ A recent OECD survey found that the remaining convergence gap in part reflects lower digital engagement among potential customers and constraints on businesses' capacity to invest in online presence.⁸

Overall, Montenegro and Serbia are the regional frontrunners, with 86% and 85% of businesses operating a website, respectively, both above the EU average, while North Macedonia ranks last at 52.5%.

Figure 6.7. Businesses with a website in the Western Balkan economies and the EU, 2020-2024



Note: 2020-2022 refers to data collected in 2020 and 2021; 2023-2024 to data collected in 2023.

Sources: (Eurostat, 2026^[6]). Data for Albania (2020, 2022, 2023, 2024) from (INSTAT, 2026^[7]). Data for Kosovo (2020, 2021) from (KAS, 2022^[8]) and (2023, 2024) from (KAS, 2026^[9]) for Kosovo. Data for North Macedonia (2023) from (MAKSTAT, 2024^[10]). Data for Montenegro (2021-2024) from (MONSTAT, 2025^[11]). Data for Serbia (2022, 2024) from (SORS, 2026^[12]).

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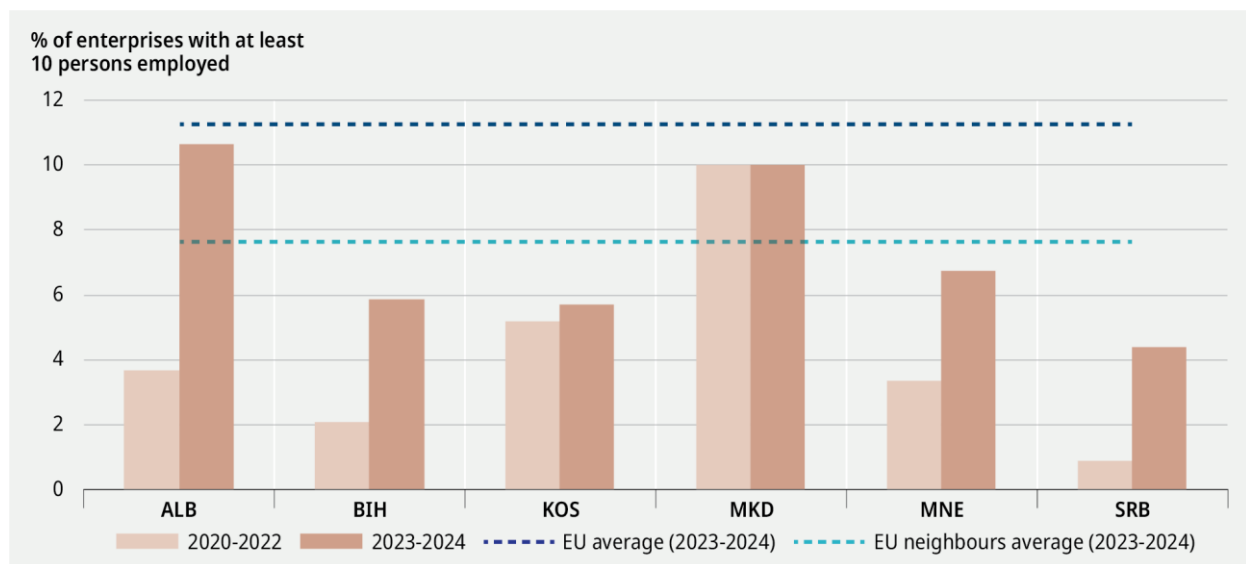
DG.06. Businesses using AI technologies

The use of AI technologies provides an indication of the extent to which businesses integrate emerging technologies into their operations, with implications for productivity growth, innovation and competitiveness.

In 2023-2024, the share of businesses having adopted AI technologies reached 7.2% in the region, or 64.1% of the EU average (11.3%) (Figure 6.8), representing a 2.9 percentage-point increase compared to 2020-2022. AI adoption across the region has been constrained by limited digital maturity among firms, as businesses that have adopted a wider range of digital technologies are considerably more likely to implement AI, according to a recent OECD survey.⁹ Still evolving governance frameworks for AI¹⁰ and limited awareness of AI's potential applications have also slowed adoption, even though support for business AI uptake through financial incentives has been emerging across the region.¹¹

Overall, Albania leads the region, with 10.6% of businesses using AI technologies, corresponding to 94.5% of the EU average, while Serbia ranks last at 4.4% in 2023-2024.

Figure 6.8. Businesses using AI technologies in the Western Balkan economies and the EU, 2020-2024



Notes: 2020-2022 refers to data collected in 2021; 2023-2024 to data collected in 2023. Data are unavailable for North Macedonia (2024).

Sources: (Eurostat, 2026^[13]). Data for Albania (2023), Kosovo (2021, 2023) and North Macedonia (2021, 2023) from (RCC, 2026^[14]). Data for Kosovo (2024) sent by KAS to the OECD.

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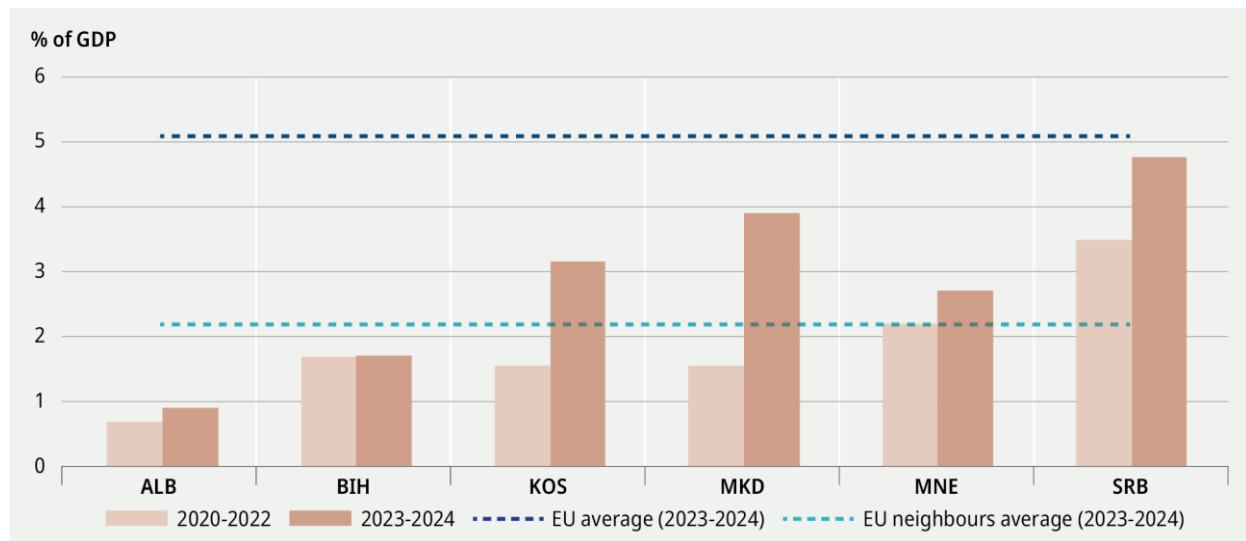
DG.07. ICT services export

ICT services exports capture the extent to which economies can generate economic value from digital activities and compete in the global digital economy.

At 2.9% of GDP in 2023-2024 (Figure 6.9), the region's ICT services exports reached 56.1% of the EU average (5.1% of GDP), up from 41.9% of EU levels in 2020-2022. This fast expansion has been supported by targeted incentives to attract investment in ICT and by the growth of innovation infrastructure, including technology parks, innovation hubs and start-up facilities, which has strengthened the ecosystem for the ICT sector.¹² A relatively deep pool of young and digitally skilled workers has reinforced this momentum.¹³

Serbia leads the region, with ICT services exports at 4.8% of GDP, matching the EU average, while Albania records the lowest share at 0.9% of GDP.

Figure 6.9. ICT services exports in the Western Balkan economies and the EU, 2020-2024



Sources: OECD calculations based on (World Bank, 2026_[15]) and (World Bank, 2026_[16]).

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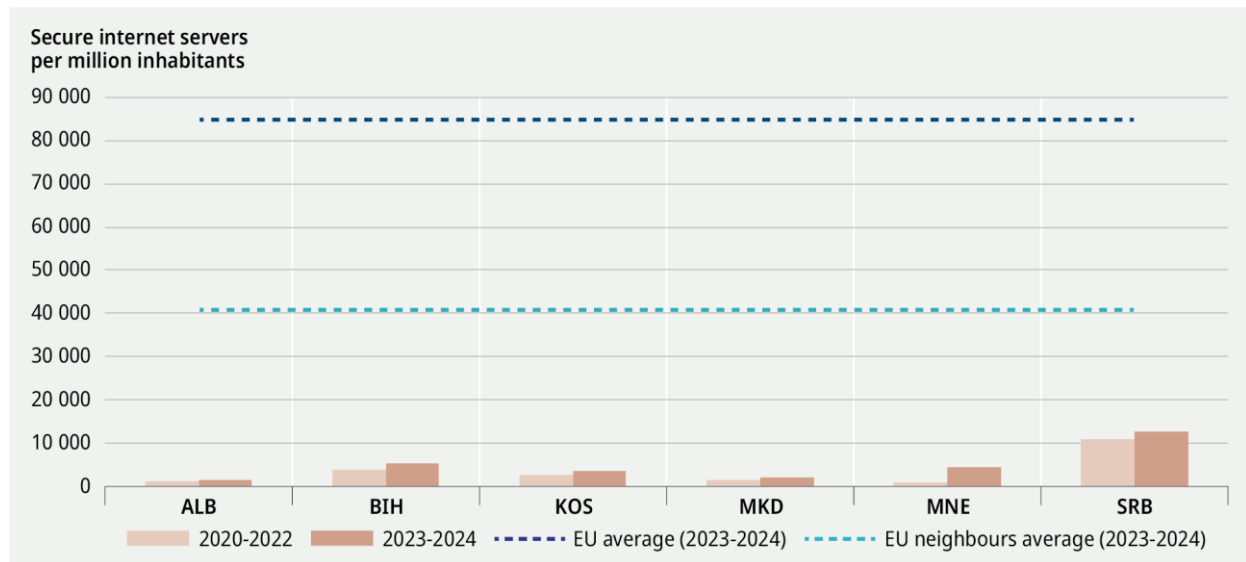
DG.08. Secure internet servers

Secure internet servers measure the availability of servers that use encryption to enable secure online transactions and digital services, indicating an economy's readiness to address cybersecurity risks.

In 2023-2024, the regional average number of secure internet servers stood at just 5.8% of the EU level, with 4 914 servers per million inhabitants, compared with 84 617 in the EU (Figure 6.10), making it the weakest-performing indicator of the digital transformation cluster. This gap reflects the still-limited scale of secure hosting and data-processing capacity in the region, owing to low domestic demand for advanced hosting services and limited development of domestic hosting and cloud infrastructure.¹⁴

Serbia leads the region, yet still reaches only 15% of the EU average; the other Western Balkan economies remain at marginal levels.

Figure 6.10. Secure internet servers in the Western Balkan economies and the EU, 2020-2024



Note: Data are unavailable for Kosovo (2020, 2021, 2023).

Sources: (World Bank, 2026^[17]). Data for Kosovo has been sent by the government of Kosovo to the OECD. Data are imputed for Kosovo (2022). For further details, please refer to the Technical Annex, published separately from this report.

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Notes

¹ An average of 22% of enterprises provide ICT training to their employees in the region. Montenegro (29%) and Serbia (26.8%) are the regional leaders, followed by Bosnia and Herzegovina (18.1%), North Macedonia (16.4%) and Kosovo (13.6%). The figures refer to 2024 for Bosnia and Herzegovina, Montenegro, and Serbia, and to 2025 for Albania, Kosovo, and North Macedonia (RCC, 2025^[28]).

² The urban-rural gap in internet use narrowed sharply between 2018 and 2024 in Bosnia and Herzegovina (10 to 0.2 percentage points), Montenegro (15.4 to 9.4 percentage points) and in Serbia (21.6 to 7.2 percentage points). In Kosovo and North Macedonia, the urban-rural gap was already relatively small in 2019, at 3 and 2.3 percentage points respectively. (International Telecommunication Union, 2026^[18]; ICEDA, 2020^[22]; MONSTAT, 2026^[24]).

³ Transactional services, which enable citizens and enterprises to submit applications, pay taxes, renew licenses or obtain official documents remotely without visiting a government office, remain scarce in most economies, with North Macedonia providing 24% of such services digitally and Montenegro 30% (Maksić and Uzelac, 2024^[21]; MAKSTAT, 2026^[23]).

⁴ The Albanian case suggests that expanding the supply of digital public services may not be enough to lift uptake. Before 2024, e-Albania platform already offered over 1200 fully transactional online services, yet uptake remained comparatively low. The sharp rise in internet use for interacting with public authorities observed in 2024 coincided with complementary measures to improve accessibility, simplify user journeys and raise awareness (Government of Albania, 2026^[20]).

⁵ Around 26% of citizens across the Western Balkan economies continue to identify the security of online payments as one of their main concerns related to the growing use of digital technologies (RCC, 2025^[27]).

⁶ The cash-dominant nature of the region, which stems from various factors, including the prevalent informal economy, security concerns, or inaccessibility and lack of inclusivity of digital options, can make online purchases less accessible and practical for many consumers (World Bank, 2020^[19]).

⁷ The breakdown of businesses with a website by size is calculated based on Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia for 2020-2022 and 2023-2024. No data available for Kosovo (Eurostat, 2026^[6]).

⁸ Among enterprises in the region, software and service fees (39%) and equipment costs (36%) are the two most frequently cited barriers to investing in digital tools. At the same time, financial returns remain uncertain as more than half of small and medium enterprises selling online generate less than 10% of their revenue through e-commerce (OECD, 2026^[26]).

⁹ AI adoption increases sharply with firms' digital maturity, rising from 29% among firms using only one digital tool to 80% among those using six or more. At the same time, adoption remains concentrated in accessible generative AI tools, while more advanced AI applications requiring greater technical capacity remain uncommon (OECD, 2026^[26]).

¹⁰ AI strategies or related frameworks already exist or are under preparation in Albanian, Montenegro, North Macedonia and Serbia. By contrast, Bosnia and Herzegovina and Kosovo still lack dedicated AI policy frameworks (OECD, 2026^[25]).

¹¹ All Western Balkan economies provide financial support for AI adoption through grants; innovation funds or dedicated support programmes, alongside non-financial assistance, such as mentoring, to help small businesses adopt and advance AI technologies. Serbia has gone further, establishing its Research and Development Institute for Artificial Intelligence, which fosters public-private collaboration, supports AI start-ups and raises awareness of AI's applications (OECD, 2026^[25]).

¹² Recent OECD work documents the expansion of innovation infrastructure across the Western Balkan economies, including technology transfer offices, science and technology parks, digital innovation hubs and businesses incubators (OECD, 2026^[25]).

¹³ The region's skilled youth with strong English proficiency and competitive wages have made it an attractive destination for foreign companies to outsource and relocate ICT services. The outsourcing of European companies has led to the emergence of early-stage ICT "clusters" in economies such as Serbia (Vojvodina) and Albania (Tirana) (Kacani and Shaqiri, 2024^[29]).

¹⁴ The limited number of secure internet servers is consistent with the region's shortage of edge nodes, or local infrastructure points used to deliver and process digital services closer to users. In 2025, the Western Balkan economies recorded only 23 edge nodes compared with 2 257 in the EU, suggesting that a significant share of digital services used in the region relies on infrastructure located abroad. (RCC, 2025^[28]).



7 Greening cluster

Advancing the green transition is essential for reconciling robust economic growth with domestic and global sustainability objectives. This chapter explores the extent to which greening policies and initiatives in the Western Balkan economies have translated into convergence with the EU. It examines efforts to accelerate decarbonisation, highlighting achievements and ongoing challenges in reducing carbon emissions and expanding renewable energy capacity, along with their implications for air quality and public health. It also assesses progress in enhancing the use of energy, water and municipal waste, to foster the more sustainable use, consumption and production of these resources across the region.

Key findings

With a regional average of 39 in 2023-2024, Greening ranks as the second-lowest cluster among the six, at half the level recorded by EU neighbouring economies (78). The cluster is also the only one diverging from the EU average, with the regional average down by 15 points since 2014-2016. Albania leads the region, slightly exceeding the EU neighbours' score, while Kosovo records the lowest score (Figure 7.1).

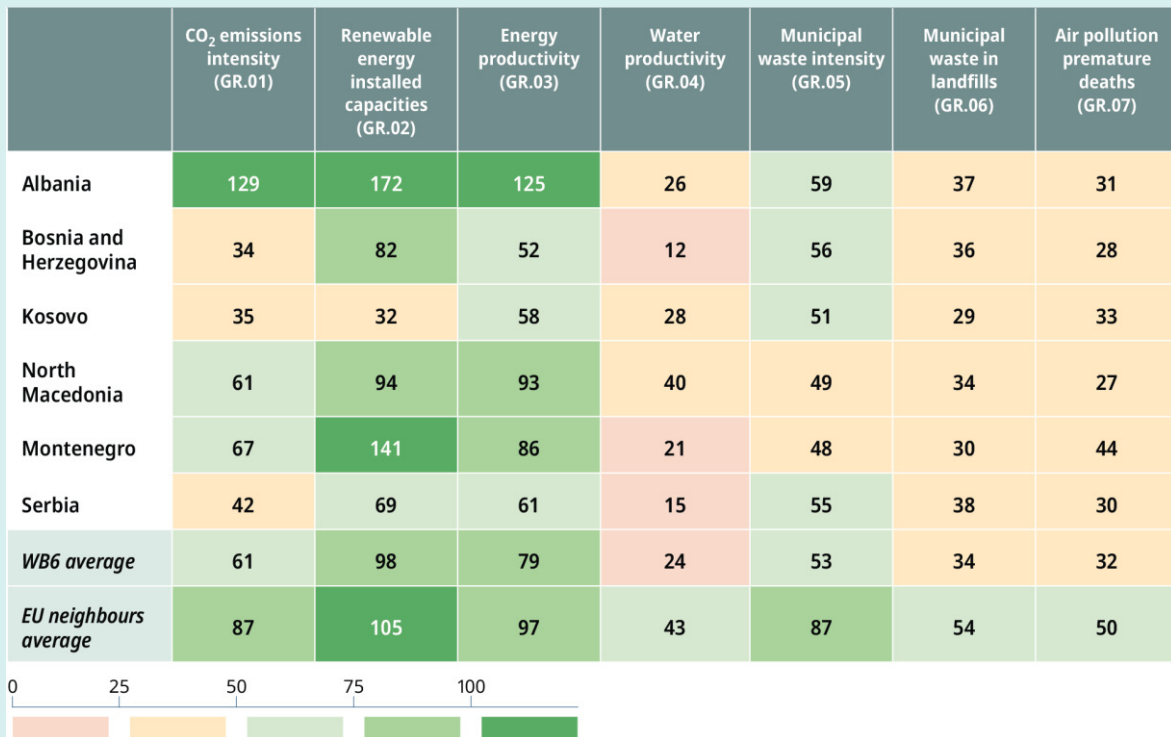
Figure 7.1. Greening cluster scores by economy (EU average=100), 2023-2024

Rank	Economy	Scoreboard 2026 score (2023-2024)	Change since 2014-2016
1	Albania	81	-11
<i>EU neighbours average</i>		78	-2
2	Montenegro	54	-24
3	North Macedonia	43	-12
<i>WB6 average</i>		39	-15
4	Serbia	25	-21
5	Bosnia and Herzegovina	19	-20
6	Kosovo	10	-3

Notes: "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section.

The slow pace of decarbonisation is holding back the region's green transition and weighing on its economic convergence with the EU (Figure 7.2). The region emits twice as much carbon dioxide (CO₂) per unit of economic activity as the EU average, and despite a fall in absolute terms, the gap with the EU continues to widen due to the region's continued reliance on coal and lignite for power and heating. Renewable energy is the area closest to convergence: installed capacity is broadly in line with the EU average, though this position rests largely on legacy hydropower and has narrowed as the EU has expanded wind and solar power at a faster pace. This same dependence on fossil fuels carries direct human costs: air pollution-related premature deaths remain more than three times the EU average, weighing on human capital through lost productivity and higher mortality.

The region also uses energy, materials and water less efficiently than in the EU (Figure 7.2). The Western Balkan economies extract less economic value from the energy they consume than their EU peers, at 79% of the EU average, as poorly insulated buildings and networks that suffer significant losses reduce the share of energy supplied that reaches productive use. Moreover, the region generates nearly twice as much municipal waste per unit of output as the EU: most of this waste ends up in landfills, at a rate around three times the EU average, reflecting the region's very limited capacity to sort, collect and recycle. Finally, the region draws on water for comparatively lower economic value, reaching only 24% of the EU's water productivity, driven by the region's high reliance on water-intensive thermal power generation, compounded by ageing and inefficient water infrastructure and extensive irrigated agriculture.

Figure 7.2. Greening indicator scores by economy (EU average=100), 2023-2024

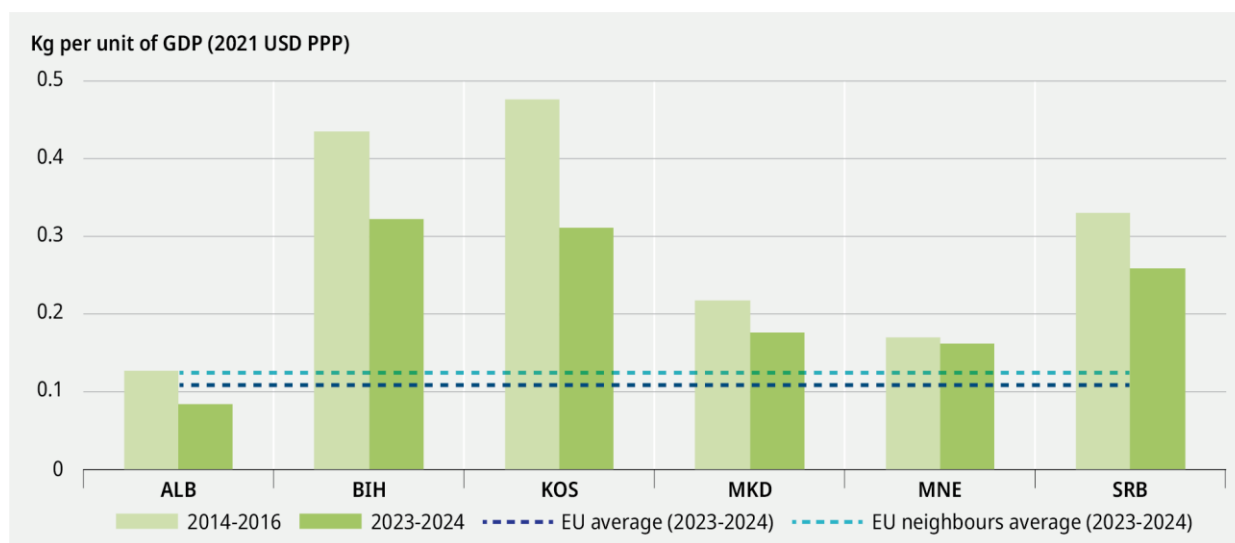
Notes: Scores are rounded to the nearest whole number. "EU neighbours average" is the average cluster score of Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia. For more information on score calculation and the overall methodological approach, please consult the Methodology section

GR.01. CO₂ emissions intensity

CO₂ emissions intensity captures the volume of carbon emissions generated per unit of economic output, and thus the degree to which economic growth is decoupled from CO₂ emissions.

With a regional average of 0.22 kg of CO₂ per USD of GDP¹ in 2023-2024, against 0.11 kg in the EU, the Western Balkan economies remain considerably more carbon-intensive than both the EU and the EU neighbouring economies (Figure 7.3). Although regional intensity fell by 25% since 2014-2016, the EU's intensity dropped by 35% over the same period, thus leading to the divergence between the region and the EU. This increasing gap mainly reflects a carbon-heavy power mix,² a road-dominated transport system³ and the limited reach of carbon pricing policies.⁴ Overall, Albania records the lowest intensity (0.08 kg), the only economy below the EU average, while Bosnia and Herzegovina and Kosovo both emit around three times the EU average level.

Figure 7.3. CO₂ emissions intensity in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Montenegro (2024) and Serbia (2024).

Sources: (World Bank, 2025^[1]). Data for Kosovo (2014-2022), Montenegro and Serbia were calculated by the OECD based on (IEA, 2026^[2]) and (World Bank, 2026^[3]). Data for Kosovo (2023, 2024) sent by KAS to the OECD.

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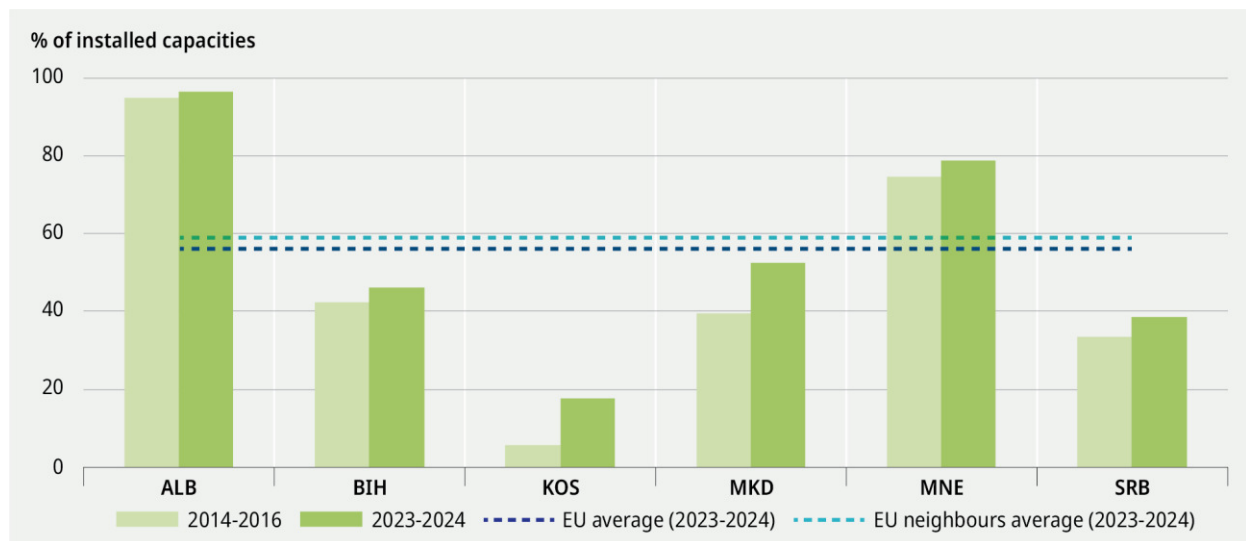
GR.02. Renewable energy installed capacities

Installed renewable capacity, measured as the share of renewables⁵ in total installed electricity capacity, indicates the extent to which the power system contributes to economies' decarbonisation.

At 55% of installed capacity in 2023-2024 (Figure 7.4), the region is broadly in line with the EU (56%) and the EU neighbouring economies (58.9%), making this the strongest-performing indicator of the Greening cluster. The region led decisively in 2014-2016, with 48.4% of installed capacity against the EU's 36.4%, but progress has since been markedly slower than in the EU, which has closed the gap over the last decade. This slower pace reflects a reliance on legacy hydropower rather than developing newer wind and solar capacity, which has expanded only modestly across most of the region.⁶

Albania leads the region, with renewables accounting for nearly all installed capacity (96.6%) in 2023-2024, owing to its large hydropower base, while Kosovo ranks lowest (17.8%), reflecting its significant dependence on coal-fired power generation.

Figure 7.4. Renewable energy installed capacities in the Western Balkan economies and the EU, 2014-2024



Source: (IRENA, 2025^[4]; 2026^[5]).

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GR.03. Energy productivity

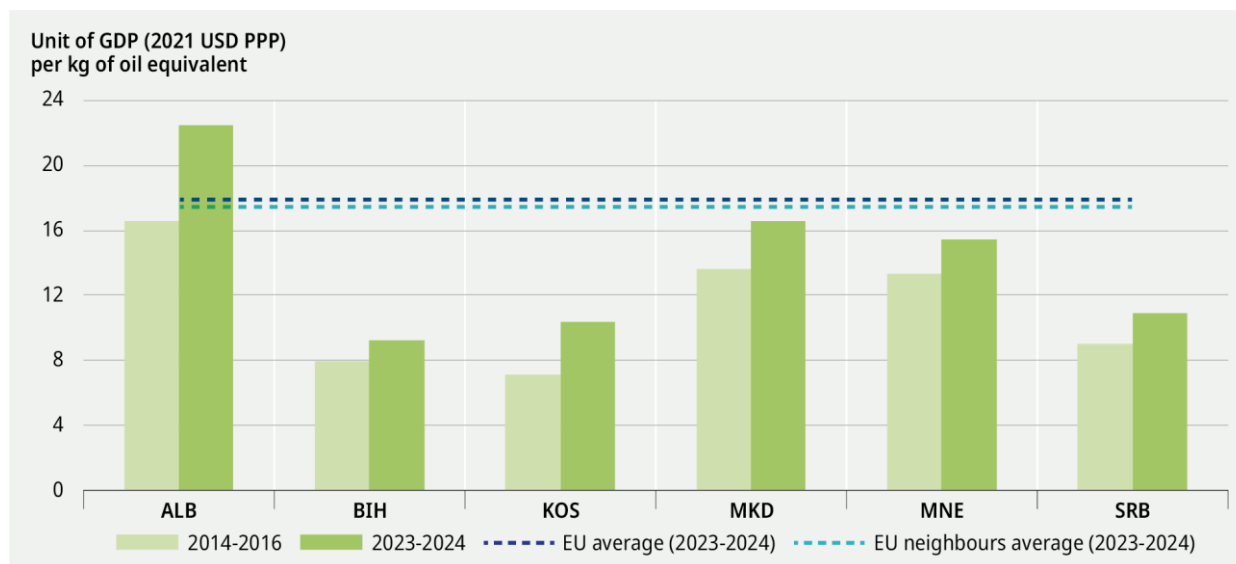
Energy productivity measures the economic output an economy derives per unit of energy, capturing the degree to which growth is decoupled from energy use and its associated CO₂ emissions.

At USD 14.2 per kilogramme of oil equivalent (kgoe) in 2023-2024, or 79% of the EU level, the region remains less energy-productive than its EU peers (Figure 7.5). While energy productivity rose across the region by 25.7% since 2014-2016, this growth has lagged behind that of the EU (31.6%), increasing the convergence gap from 17.5% to 21%. This slight divergence reflects various factors, including inefficient heating of the building stock⁷, high losses in electricity transmission and distribution⁸ and limited alignment with the EU and Energy Community *acquis* on energy efficiency,⁹ which has slowed the adoption of efficiency standards among businesses. In fact, a recent OECD survey indicates that only 37.7% of SMEs in the region have adopted energy efficiency measures (OECD, 2026^[6]).

The sectoral composition of an economy also influences energy productivity. The Western Balkan economies' lower energy productivity partly reflects the smaller share of services in GDP compared with the EU, as services are generally less energy-intensive than industry and, in most cases, agriculture.¹⁰

Overall, Albania leads the region at USD 22.5 per kgoe in 2023-2024, the only regional economy above the EU average, while Bosnia and Herzegovina ranks lowest at USD 9.2, or around half the EU level.

Figure 7.5. Energy productivity in the Western Balkan economies and the EU, 2014-2024



Sources: OECD calculations based on (Eurostat, 2026^[7]), (World Bank, 2026^[8]) and (World Bank, 2026^[3]). Energy productivity in EUR in market prices for Kosovo (2023, 2024) sent by KAS to the OECD.

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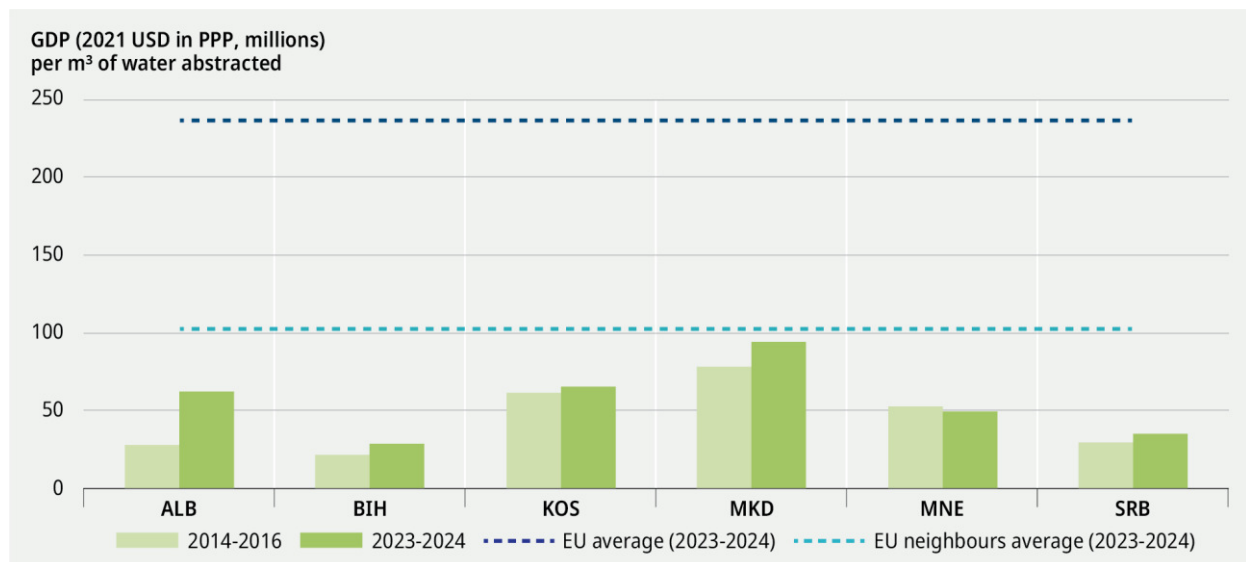
GR.04. Water productivity

Water productivity measures the economic output an economy derives per unit of water abstracted, capturing how efficiently water resources are managed. As the region faces rising temperatures, frequent droughts and reduced snow cover, increasing pressure on freshwater resources is likely to become a key constraint on sustainable economic growth.

Standing at USD 55.9 of GDP per cubic metre of abstracted water in 2023-2024, the regional average stands at just 23.6% of the EU average, making water productivity the weakest-performing indicator in the Greening cluster (Figure 7.6). Over the last decade, the region's water productivity rose by 23.6%, compared with 28.2% in the EU, slightly reducing the region's relative performance from 24.5% to 23.6% of the EU average. This persistent gap reflects the region's high reliance on water-intensive thermal power generation,¹¹ compounded by ageing and inefficient water infrastructure¹² and extensive irrigated agriculture,¹³ which together raise the volume of freshwater needed to sustain economic activity.

Overall, North Macedonia records the highest water productivity in the region, at USD 94.1 in 2023-2024, or 40% of the EU average, while Bosnia and Herzegovina ranks lowest at USD 28.6 (12%).

Figure 7.6. Water productivity in the Western Balkan economies and the EU, 2014-2024



Sources: OECD calculations based on (World Bank, 2026^[3]) and (European Environment Agency, 2025^[9]). Data for Kosovo (2024) has been sent by KAS to the OECD. Data are imputed for Kosovo (2023) and Montenegro (2014, 2015, 2016). For further details, please refer to the Technical Annex, published separately from this report.

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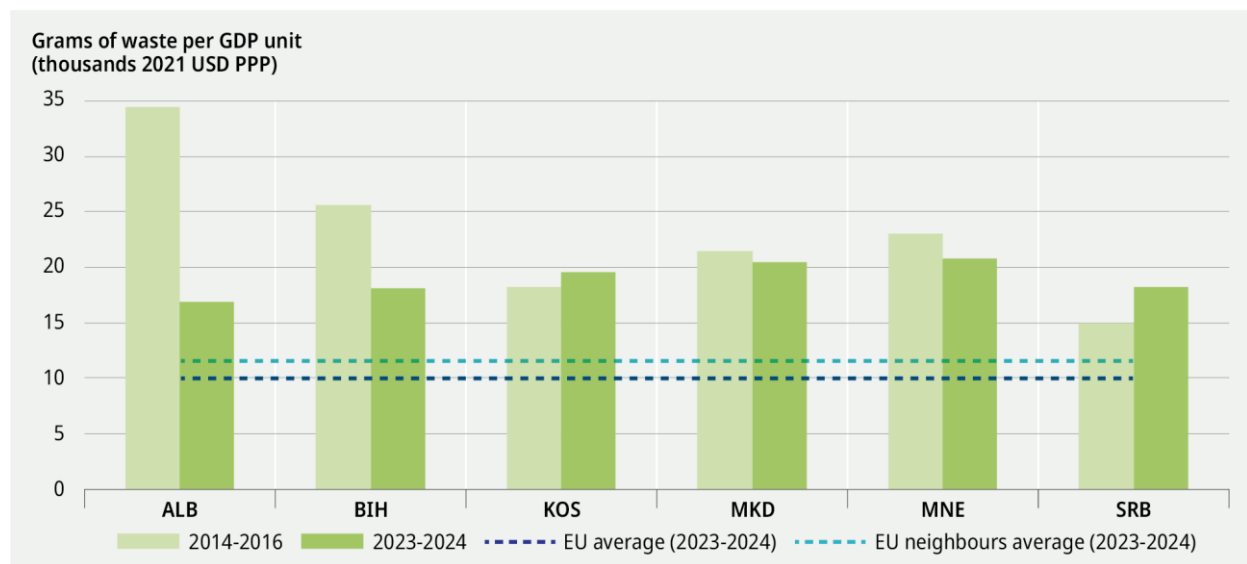
GR.05. Municipal waste intensity

Municipal waste intensity captures the quantity of municipal waste generated per unit of economic output, providing an indication of the degree to which economic growth is decoupled from resource use.

In 2023-2024, the region generated 19 grams (g) of municipal waste per USD 1 000 of GDP, or 1.9 times the EU average level of 10 g (Figure 7.7). This gap has not changed significantly since 2014-2016, when regional intensity stood at 2.1 times the EU level (23 g against 10.9 g). This trend is primarily driven by weak waste prevention and treatment policies,¹⁴ which limit the region's capacity to curb waste generation as economic activity expands, with municipal waste rising by 15% over the last decade, compared with 6% in the EU.¹⁵ Moreover, persistent gaps in waste data collection and reporting also undermine the reliability of municipal waste statistics in the region and consequently may understate actual waste levels.¹⁶

Overall, the six economies record broadly similar levels, ranging from 16.9 g per USD 1000 of GDP in Albania in 2023-2024, to 20.8 g in Serbia.

Figure 7.7. Municipal waste intensity in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Kosovo (2014, 2016), North Macedonia (2016, 2017, 2024), Serbia (2024), Austria (2024), Bulgaria (2024), Greece (2024), Ireland (2015, 2024), Italy (2024) and Romania (2024).

Sources: (Eurostat, 2026^[10]) and (World Bank, 2026^[3]). Data for Albania (2024) sent by INSTAT to the OECD.

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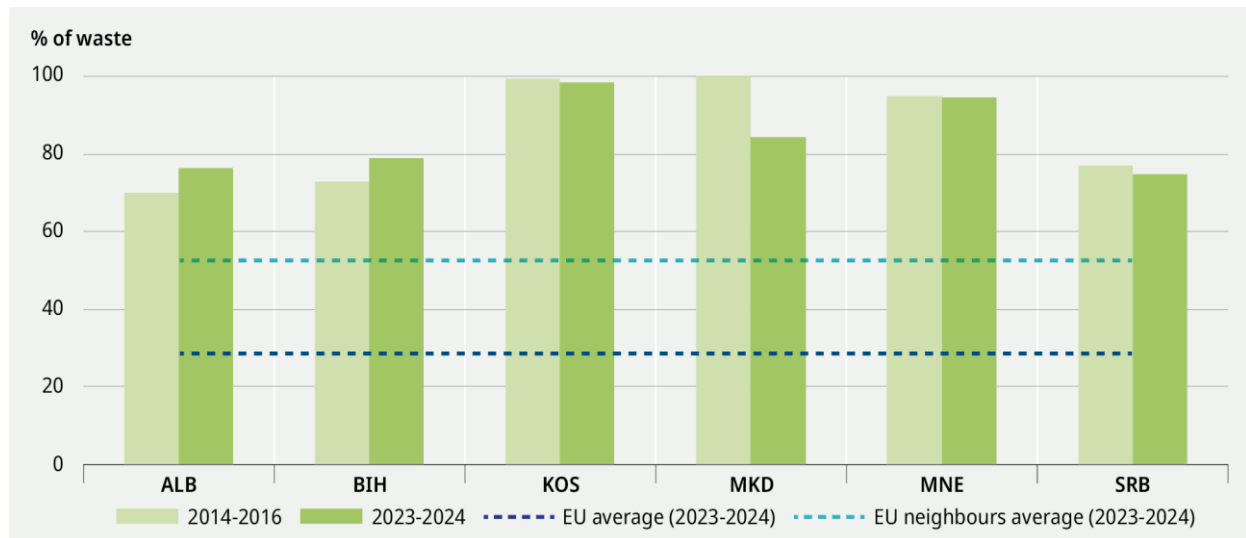
GR.06. Municipal waste disposed in landfills

Municipal waste landfilled measures the share of waste sent to disposal rather than recycling or recovery and thus reflects the quality of municipal waste and resource management. Lower landfill rates support sustainable economic growth by promoting resource efficiency, creating opportunities in the circular economy, and limiting the environmental and health costs associated with waste disposal.

In 2023-2024, 84.6% of municipal waste in the Western Balkan economies was sent to landfill, three times the EU average (28.5%) (Figure 7.8). Landfill rates have remained broadly unchanged in the region since 2014-2016 (85.7%), while the EU's average dropped by 10 percentage points over the last decade, lowering the region's relative performance from 46% to 34% of the EU average. This divergence largely reflects the region's insufficient infrastructure for sorting, collecting and recycling municipal waste¹⁷ as well as the limited enforcement of waste management policies.¹⁸ Moreover, in the absence of waste management infrastructure, the informal sector has emerged as the primary actor responsible for collecting recyclable waste across the region, exacerbating data collection challenges and complicating efforts to monitor progress towards waste-management targets.

Overall, Serbia records the lowest landfill rate in the region, though still at 75% of municipal waste in 2023-2024, while in Kosovo, nearly all waste is sent to landfill (98.4%).

Figure 7.8. Municipal waste in landfills in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for Bosnia and Herzegovina (2021), Kosovo (2014, 2016), North Macedonia (2016, 2017), Montenegro (2017), Serbia (2020), Austria (2024), Bulgaria (2024), Czechia (2024), Greece (2024), Ireland (2015, 2024), Italy (2024), Latvia (2023) and Romania (2024).

Sources: OECD calculations based on (Eurostat, 2026_[10]). Data for Albania (2024), North Macedonia (2024), and Serbia (2024) were sent by INSTAT, MAKSTAT, and SORS to the OECD.

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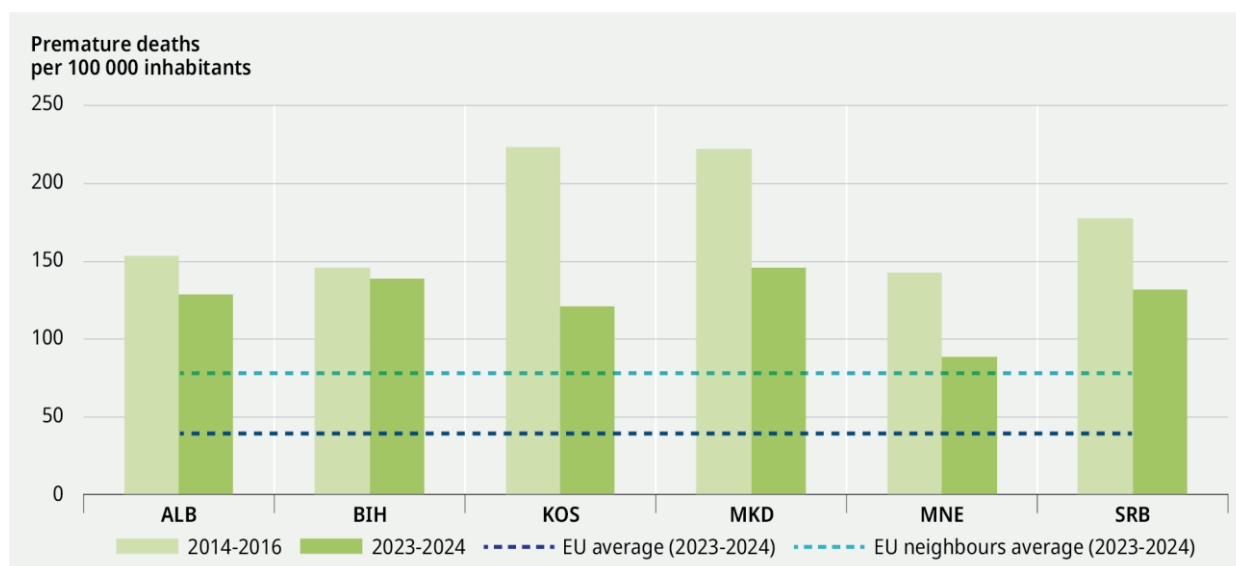
GR.07. Air pollution premature deaths

Air pollution-related premature deaths¹⁹ capture the health burden of poor air quality, which weighs on human capital through workforce productivity losses, higher healthcare costs and premature mortality.

In 2023-2024, the region recorded 126 premature deaths per 100 000 inhabitants, more than three times the EU average (39.5) and approximately 1.6 times the EU neighbours' average (78.5) (Figure 7.9). Although air pollution-related premature deaths fell by 29% in the region from 178 in 2014-2016, the EU cut its own toll by 39%, reducing the region's relative performance from 37.7% to 32.2% of the EU level. This divergence reflects the region's reliance on ageing coal and lignite plants with limited emissions-filtering equipment,²⁰ a road-dominated transport sector and the widespread use of solid fuels in households.²¹

Montenegro records the lowest mortality in the region, at 89 per 100 000 inhabitants in 2023-2024, while North Macedonia records the highest mortality rate (146).

Figure 7.9. Air pollution premature deaths in the Western Balkan economies and the EU, 2014-2024



Note: Data are unavailable for all economies (2024).

Source: (Eurostat, 2025^[11]).

StatLink  <https://stat.link/qn9cxi>

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Notes

¹ Throughout this chapter, “USD” denotes USD in 2021 prices expressed in purchasing power parity.

² For more details, see the indicator GR.02 on renewable power installed capacities.

³ In 2024, the region had an average of 332 passenger cars per thousand inhabitants, which, although well below the EU average of 577, still represents a 58% increase on 2015, well above the EU's 13.5% growth over the same period (Eurostat, 2026^[13]).

⁴ While most economies have committed to aligning with the EU Emissions Trading System and introducing carbon pricing instruments as part of their climate strategies, Montenegro remains the only one to operate an emissions trading system, and at the beginning of 2026, Serbia introduced a tax on greenhouse gas emissions, in accordance with the Law on the Tax on Greenhouse Gas Emissions (“Official Gazette of the Republic of Serbia”, No. 109/25). Carbon pricing has direct implications for businesses, as it raises the cost of carbon-intensive production processes and strengthens incentives to adopt green practices: cost savings are the most frequently cited motivation for greening among SMEs in the region in 2025, cited by nearly half (49%), ahead of both reputational benefits (41%) and regulatory compliance (36%) (OECD, 2026^[6]).

⁵ Renewable energy sources include hydropower, wind, solar, and biomass (solid biofuels, renewable waste, liquid biofuels and biogas). This indicator captures only electricity capacity and therefore does not reflect traditional biomass used for household heating, which remains widespread in parts of the region. Biomass represents a marginal share of installed renewable capacities in the region, ranging from 0% in Kosovo and Montenegro, where no biomass capacity is installed, to 1.63% in Serbia (62.22 MW), while 0.04% in Albania (1.43 MW), 0.33% in Bosnia and Herzegovina (10.21 MW) and 0.69% in North Macedonia (13.1 MW) (IRENA, 2026^[23]).

⁶ By 2023, onshore wind and solar power production reached only 2% and 4% of their respective technical potential in the region – the estimated maximum capacity for deployment based on natural resources, topography and technological limitations (IRENA, 2025^[4]).

⁷ A major challenge to improving energy efficiency is the inefficient heating of buildings, which accounts for over 40% of the region's total energy consumption (European Commission, 2022^[14]). Many of these buildings rely on solid fuels (such as wood, lignite and coal) for heating and are poorly insulated.

⁸ For more details, see the indicator IC.04 on power losses (*Infrastructure and Connectivity cluster*).

⁹ For more information on the Energy Community's *acquis*, see: <https://energy-community.org/legal/acquis.html>.

¹⁰ Services accounted for an average of 55.2% of GDP in the region in 2025 (ranging from 46.2% in Kosovo to 63.4% in Montenegro), compared with an EU average of 65.9% (World Bank, 2026^[18]).

¹¹ The region's electricity mix remains dominated by ageing coal- and lignite-fired power plants, which rely on water-intensive cooling systems to sustain thermal power generation. Cooling water accounted for 74.3% of total abstraction in Serbia and 81.8% in Bosnia and Herzegovina in 2023, compared with just 3.5% in Albania, reflecting the latter's near-total reliance on hydropower (European Environment Agency, 2026^[20]).

¹² Water infrastructure includes irrigation, public water supply and sanitation systems, many of which were built decades ago. Across most Western Balkan economies, non-revenue water – water supplied but subsequently lost or unaccounted for – ranges between 55% and 67% of total distribution, increasing freshwater abstraction to compensate for these inefficiencies (WAREG, 2021^[15]).

¹³ Albania, North Macedonia and Serbia account for 91% of irrigated land in the Western Balkan economies, reflecting less favourable rainfall patterns, putting additional pressure on freshwater abstraction for agricultural production. By contrast, irrigation remains limited in Bosnia and Herzegovina and Kosovo, where topography and crop composition reduce water demand (OECD, 2024^[24]).

¹⁴ Across most Western Balkan economies, awareness-raising initiatives aimed at educating citizens and businesses about waste prevention and sustainable consumption habits remain inconsistent. Incentives to reduce waste, such as “pay-as-you-throw” schemes, are either absent, as in Albania, Kosovo and North Macedonia, or largely ineffective. It should be noted, however, that Serbia adopted the Waste Prevention Plan in 2025, setting goals and priority areas for waste prevention, as well as implementation measures for the period 2025-2030 (Korance, 2022^[22]). Limited awareness extends to businesses as well: only 38% of surveyed SMEs report adopting circular practices such as waste reduction, eco-design or recycling (OECD, 2026^[6]).

¹⁵ Municipal waste generation increased from 484.7 kilograms (kg) per capita in 2014-2016 to 514 kg in 2023-2024 in the EU, and from 353.7 kg to 406.7 kg in the region over the same period. Albania stands out as the only regional economy where per capita waste generation declined, from 456 kg to 306 kg (Eurostat, 2026^[10]).

¹⁶ Actual waste generation in the Western Balkan economies may be higher than reported due to the lack of reliable data. In some cases, underreporting may result from inadequate monitoring and reporting mechanisms. Several economies have taken steps to improve data quality, including the installation of weighing bridges in Albania to better track waste entering landfills and the introduction of electronic systems for waste data collection in Bosnia and Herzegovina and North Macedonia (European Environment Agency, 2022^[12]; OECD, 2024^[24]).

¹⁷ In economies such as Albania, Kosovo, North Macedonia and Serbia, progress in municipal waste sorting and collection infrastructure is limited to small-scale pilot programmes focused on collecting recyclable materials (e.g. paper, cardboard, plastics).

¹⁸ Enforcement gaps concern a range of policy tools, including extended producer responsibility (EPR) schemes and sustainable product design requirements (e.g. minimum recycled-content standards, bans on single-use plastics). Limited

institutional capacity, including insufficient inspection and monitoring systems, together with fragmented national approaches, prevent effective implementation (Western Balkans 6 Chamber Investment Forum, 2025^[21]).

¹⁹ This indicator has been introduced in the Scoreboard's 2026 edition. For more details on the economic impact of air pollution, see (Health and Environment Alliance, 2022^[19]).

²⁰ For more details, see the indicator IC.04 on power losses (Infrastructure and Connectivity cluster).

²¹ The main sources of particulate matter are electricity generation from thermal power plants, mostly lignite-fired, and household heating. Over 60% of the region's population relies on solid fuels such as coal and firewood for domestic heating, while only 12% of buildings are connected to district heating systems (United Nations, 2022^[17]; 2019^[16]).

Annex A. Economy profiles

This annex presents each Western Balkan economy's overall convergence across 43 indicators, along with its rankings (relative to other Western Balkan economies) in the six assessed clusters.

In the **Infrastructure and Connectivity**, **Skills**, **Business Environment**, **Digital Transformation** and **Greening** clusters, scores measure performance against the EU average, set at 100. In the **Macro-financial Stability** cluster, scores measure compliance with the relevant EU reference values, where 100 indicates compliance with the applicable criterion. For further details on the score calculation and indicator selection, please refer to Annex B. Methodology.

Albania

Key highlights

Albania ranks fourth among Western Balkan economies in overall convergence with the EU. The economy leads the region in the Greening cluster and has recorded its largest gains in the Infrastructure and Connectivity, Business Environment and Digital Transformation clusters (Figure A A.1).

- **Infrastructure and Connectivity** is Albania's lowest-ranked cluster, ranking last in the region. Transport infrastructure remains underdeveloped, with marginal rail freight activity, and broadband speed is the lowest in the region. The expansion of 4G coverage and the fall in electricity costs stand as the cluster's main positive developments.
- Albania ranks third in the region in the **Skills** cluster, with limited convergence towards the EU. Labour market participation is a strength, with the region's highest employment rate and narrowest gender gap in labour force participation. These favourable outcomes contrast with weaknesses in skills development and utilisation: Albania records the region's lowest labour productivity and lowest participation in lifelong learning, while the youth NEET rate remains elevated.
- The **Business Environment** cluster has recorded Albania's strongest progress since 2014-2016, although the economy still ranks second-last in the region. Gains in trade and business creation, alongside FDI inflows into tradable sectors and private investment, have supported this progress. Nonetheless, private investment has weakened over time, recording the region's largest decline in relative performance, while corruption and informal employment continue to undermine the level playing field.
- Albania has converged rapidly in the **Digital Transformation** cluster, although it ranks second-last in the region. Progress has been particularly strong in business digitalisation, including the uptake of AI technologies, where Albania ranks first. Internet use is also widespread, with Albania recording the region's highest performance in engagement with digital public services. Nonetheless, the population's digital skills, ICT service exports and secure internet server density remain challenging areas.
- Albania ranks first in the region in the **Greening** cluster, underpinned by low carbon intensity, a largely renewable electricity system and high energy productivity. Nonetheless, its relative advantage has narrowed over time, particularly regarding installed renewable capacity, while landfill reliance and air-pollution outcomes also remain weak compared with the EU.
- Albania ranks fourth in the region in the **Macro-financial Stability** cluster, with most indicators improving. This performance is supported by low inflation and a sound fiscal position, alongside an improving current account balance. Nonetheless, long-term government interest rates remain the region's highest, despite considerable improvement, while exchange-rate stability has eased amid the lek's recent appreciation.

Figure A A.1. Albania's economic convergence by cluster and by indicator

Overall score					Overall ranking	
2014-2016	2017-2019	2020-2022	2023-2024		2023-2024	
40	40	41	53		4/6	
Indicators	Performance relative to the EU (EU=100)				Change	Ranking
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity	0	0	24	33	+33	6/6
IC.01: Road infrastructure density	8.5	7.8	7.7	7.6	-0.9	
IC.02: Rail infrastructure density	22.4	19.0	13.3	16.1	-6.3	
IC.03: Rail freight intensity	1.6	2.0	1.9	1.9	+0.3	
IC.04: Power losses	23.0	28.7	33.8	28.4	+5.4	
IC.05: Electricity cost	48.2	49.9	73.3	98.0	+49.8	
IC.06: 4G penetration	44.0	90.3	99.8	100.1	+56.1	
IC.07: Broadband speed	24.5	24.4	22.5	28.2	+3.7	
Skills	32	38	34	36	+4	3/6
SK.01: Labour productivity	29.1	25.4	24.8	25.6	-3.6	
SK.02: Employment rate	85.4	89.4	90.5	95.7	+10.3	
SK.03: Gender gap in labour force participation	56.4	57.5	63.2	73.4	+17.0	
SK.04: PISA performance: mathematics	84.8	89.4	78.0	78.0	-6.8	
SK.05: Youth NEET rate	40.2	37.8	39.4	40.7	+0.5	
SK.06: Labour force with advanced education	94.3	93.5	97.5	102.9	+8.6	
SK.07: Lifelong learning	11.0	7.6	5.8	7.7	-3.3	
SK.08: Patent applications	0.4	0.2	0.8	2.6	+2.2	
Business Environment	36	37	49	77	+41	5/6
BE.01: Domestic credit to the private sector	44.1	43.8	49.0	51.6	+7.5	
BE.02: Bank non-performing loans	51.5	61.3	58.1	54.1	+2.6	
BE.03: Private investment	130.3	110.0	103.1	106.2	-24.1	
BE.04: FDI in tradable sectors	20.8	137.6	258.2	570.6	+549.8	
BE.05: Control of corruption	4.2	5.7	4.2	13.0	+8.8	
BE.06: Estimated informal employment	11.2	10.6	9.5	10.0	-1.2	
BE.07: Trade flows	15.1	15.7	15.5	19.6	+4.5	
BE.08: New business creation density	20.1	22.4	24.4	31.6	+11.5	
Digital Transformation	-	-	15	40	+25	5/6
DG.01: Population with digital skills	-	-	42.3	40.5	-1.8	
DG.02: Internet use by individuals	-	-	87.6	91.8	+4.2	
DG.03: Internet use for interacting with public authorities	-	-	57.1	92.7	+35.6	
DG.04: Internet use for purchases	-	-	30.9	49.7	+18.8	
DG.05: Businesses with a website	-	-	60.7	73.4	+12.7	
DG.06: Businesses using AI technologies	-	-	47.7	94.5	+46.8	
DG.07: ICT services exports	-	-	15.3	17.7	+2.4	
DG.08: Secure internet servers	-	-	1.9	1.7	-0.2	
Greening	92	86	83	81	-11	1/6
GR.01: CO2 emissions intensity	130.1	119.8	119.8	128.8	-1.3	
GR.02: Installed renewable power capacities	260.3	235.7	201.5	172.3	-88.0	
GR.03: Energy productivity	121.6	121.2	122.0	125.3	+3.7	
GR.04: Water productivity	15.3	20.0	25.0	26.3	+11.0	
GR.05: Waste intensity	31.7	36.3	52.3	59.4	+27.7	
GR.06: Municipal waste in landfills	54.8	43.5	39.7	37.4	-17.4	
GR.07: Air pollution premature deaths	42.2	36.1	36.4	30.6	-11.6	
Macro-financial Stability	55	67	51	82	+27	4/6
MS.01: Inflation rate	81.3	90.9	67.9	100.0	+18.7	
MS.02: Exchange rate stability vis-à-vis the euro	100.0	100.0	100.0	97.0	-3.0	
MS.03: General government balance	57.4	100.0	40.4	100.0	+42.6	
MS.04: Long-term government interest rates	23.0	24.1	26.1	37.3	+14.3	
MS.05: Current account balance	15.3	22.5	21.6	76.3	+61.0	

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable with the other clusters.

Bosnia and Herzegovina

Key highlights

Bosnia and Herzegovina ranks fifth among Western Balkan economies in overall convergence with the EU. The economy leads the region in the Macro-financial Stability cluster, the only Western Balkan economy to achieve full compliance with the relevant EU reference values and has recorded its largest gains in the Business Environment cluster (Figure A A.2).

- **Infrastructure and Connectivity** is Bosnia and Herzegovina's second fastest area of convergence. Progress has been particularly strong in digital connectivity, supported by the widespread deployment of 4G networks. Energy infrastructure is a relative strength for Bosnia and Herzegovina, with the economy recording the region's lowest power losses.
- Performance in the **Skills** cluster has remained unchanged, with Bosnia and Herzegovina continuing to face difficulties in translating its skills base into stronger labour market outcomes. Employment has improved, although progress in closing the gender gap in labour force participation has been slower than in the EU. The economy maintains a highly educated workforce and has recorded the region's highest convergence in reducing the youth NEET rate. Nonetheless, limited participation in lifelong learning and low patent activity continue to constrain skills development and its contribution to innovation.
- **Business Environment** is Bosnia and Herzegovina's fastest area of convergence towards the EU, although the economy still ranks last in the region. This progress has been supported by gains in private investment and domestic credit for the private sector. Nonetheless, ensuring a level playing field remains a challenge, with high levels of informality and persistent weaknesses in addressing corruption.
- **Digital Transformation** is among Bosnia and Herzegovina's lowest-performing clusters, with the economy ranking last among its regional peers. Internet use is widespread, but limited digital proficiency among citizens, along with the region's lowest density of secure internet servers, constrains the potential to leverage digital technologies in interactions with public services and businesses.
- **Greening** is Bosnia and Herzegovina's lowest-performing cluster, with performance diverging from the EU across most indicators. Decarbonisation has progressed more slowly than in the EU, and the economy records the region's highest CO₂ emissions intensity. Resource use also remains a weakness, with water productivity among the region's lowest and only modest progress recorded in municipal waste management.
- Bosnia and Herzegovina is the region's top performer in the **Macro-financial Stability** cluster. This performance reflects full compliance with the EU reference values across all five indicators: price stability, fiscal balance, exchange-rate stability, long-term interest rates, and current account balance.

Figure A A.2. Bosnia and Herzegovina's economic convergence by cluster and by indicator

Overall score				Overall ranking		
2014-2016	2017-2019	2020-2022	2023-2024	2023-2024		
37	33	35	43	5/6		
Indicators	Performance relative to the EU (EU=100)				Change	Ranking
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity	39	35	57	61	+22	3/6
IC.01: Road infrastructure density	10.1	10.5	10.3	10.6	+0.5	
IC.02: Rail infrastructure density	34.7	34.4	34.4	34.9	+0.2	
IC.03: Rail freight intensity	63.9	59.4	70.2	85.7	+21.8	
IC.04: Power losses	86.2	86.4	88.0	57.6	-28.6	
IC.05: Electricity cost	86.5	79.8	105.2	115.9	+29.4	
IC.06: 4G penetration	0.0	27.9	92.3	98.5	+98.5	
IC.07: Broadband speed	41.6	29.9	29.0	45.7	+4.1	
Skills	31	29	34	31	0	5/6
SK.01: Labour productivity	34.8	34.7	35.4	36.0	+1.2	
SK.02: Employment rate	62.7	65.5	70.9	74.0	+11.3	
SK.03: Gender gap in labour force participation	43.7	42.2	40.3	37.5	-6.2	
SK.04: PISA performance: mathematics	78.9	83.1	81.3	81.3	+2.4	
SK.05: Youth NEET rate	42.6	41.6	48.6	57.0	+14.4	
SK.06: Labour force with advanced education	101.7	96.8	102.1	103.9	+2.2	
SK.07: Lifelong learning	19.8	18.4	16.5	11.3	-8.5	
SK.08: Patent applications	0.1	0.1	1.4	1.4	+1.3	
Business Environment	40	38	43	69	+29	6/6
BE.01: Domestic credit to the private sector	68.9	74.8	72.3	74.2	+5.3	
BE.02: Bank non-performing loans	71.2	71.0	63.0	66.4	-4.8	
BE.03: Private investment	89.7	87.2	92.9	106.0	+16.3	
BE.04: FDI in tradable sectors	50.2	76.1	117.0	400.3	+350.1	
BE.05: Control of corruption	13.6	2.4	0.0	6.2	-7.4	
BE.06: Estimated informal employment	13.2	13.6	15.8	14.6	+1.4	
BE.07: Trade flows	18.6	20.3	20.5	22.6	+4.0	
BE.08: New business creation density	16.2	16.0	19.3	25.3	+9.1	
Digital Transformation	-	-	21	34	+13	6/6
DG.01: Population with digital skills	-	-	61.5	52.2	-9.3	
DG.02: Internet use by individuals	-	-	83.5	91.9	+8.4	
DG.03: Internet use for interacting with public authorities	-	-	27.9	35.3	+7.4	
DG.04: Internet use for purchases	-	-	43.8	55.5	+11.7	
DG.05: Businesses with a website	-	-	82.1	84.7	+2.6	
DG.06: Businesses using AI technologies	-	-	26.9	52.0	+25.1	
DG.07: ICT services exports	-	-	38.1	33.4	-4.7	
DG.08: Secure internet servers	-	-	6.6	6.4	-0.2	
Greening	39	28	18	19	-20	5/6
GR.01: CO2 emissions intensity	38.0	35.0	32.9	33.6	-4.4	
GR.02: Installed renewable power capacities	116.1	102.3	90.8	82.1	-34.0	
GR.03: Energy productivity	58.0	53.6	49.8	51.5	-6.5	
GR.04: Water productivity	11.8	10.9	11.3	12.1	+0.3	
GR.05: Waste intensity	42.6	47.3	52.4	55.6	+13.0	
GR.06: Municipal waste in landfills	52.7	42.6	37.2	36.1	-16.6	
GR.07: Air pollution premature deaths	44.3	34.5	25.3	28.4	-15.9	
Macro-financial Stability	86	96	86	100	+14	1/6
MS.01: Inflation rate	100.0	100.0	55.0	100.0	0	
MS.02: Exchange rate stability vis-à-vis the euro	100.0	100.0	100.0	100.0	0	
MS.03: General government balance	100.0	100.0	80.0	100.0	0	
MS.04: Long-term government interest rates	100.0	100.0	93.0	100.0	0	
MS.05: Current account balance	32.3	78.5	100.0	100.0	+67.7	

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable with the other clusters.

Kosovo

Key highlights

Kosovo remains the lowest-ranked Western Balkan economy in overall convergence with the EU, despite recording the region's fastest convergence. The economy has recorded its largest gains in the Business Environment cluster, while Greening remains its lowest-ranked cluster (Figure A A.3).

- Kosovo has made some progress in the **Infrastructure and Connectivity** cluster, although it ranks fifth in the region. This progress has been supported by competitive electricity costs, where Kosovo is the region's top performer. Nonetheless, gaps remain in transport infrastructure, with marginal rail freight activity, while broadband connectivity continues to lag behind the EU.
- **Skills** is Kosovo's second lowest-performing cluster, with the economy ranking last in the region. Educational attainment remains relatively strong, but this has yet to translate into stronger labour market outcomes. The economy's labour productivity has recorded the region's largest divergence from the EU, as has the youth NEET rate, while the employment rate is the region's lowest and the gender gap in the labour force is the region's highest. Patent application activity, the lowest in the region, reflects the gaps in the innovation landscape and limited capacity to translate research and innovation into commercially viable outputs.
- **Business Environment** has recorded Kosovo's highest gains, although the economy still ranks fourth in the region. This progress has been supported by improvements in access to finance, where Kosovo is the region's top performer in domestic credit to the private sector, bank non-performing loans, and private investment. Nonetheless, informality, the region's highest, together with persistent high perceptions of corruption, continues to weigh on the business environment.
- Kosovo ranks fourth in the **Digital Transformation** cluster, having recorded modest convergence towards the EU. This performance has been supported by improvements in digital skills and the region's highest level of internet use for online purchases. Nonetheless, the low prevalence of secure internet servers continues to constrain digital economy development, and adoption of advanced technologies such as AI remains limited.
- Kosovo is the region's lowest performer in the **Greening** cluster, with only limited convergence towards the EU. The highest gains have been recorded in installed renewable capacity, although the economy still ranks last in the region in this area. Nonetheless, resource use remains a major weakness, with Kosovo recording the region's highest share of municipal waste disposed of in landfills.
- **Macro-financial Stability** is a strong area of performance for Kosovo, as the economy ranks second in the region. Except for the current account balance, the other indicators, namely price stability, fiscal balance, exchange-rate stability, and long-term interest rates, all remain within the relevant EU reference values.

Figure A A.3. Kosovo's economic convergence by cluster and by indicator

Overall score					Overall ranking	
2014-2016	2017-2019	2020-2022	2023-2024		2023-2024	
23	26	33	41		6/6	
Indicators	Performance relative to the EU (EU=100)				Change	Ranking
	2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity	36	20	39	52	+16	5/6
IC.01: Road infrastructure density	10.9	11.5	12.9	12.8	+1.9	
IC.02: Rail infrastructure density	39.3	39.2	39.2	53.3	+14.0	
IC.03: Rail freight intensity	0.0	0.0	0.0	0.0	0	
IC.04: Power losses	21.1	21.7	24.1	30.8	+9.7	
IC.05: Electricity cost	83.7	75.7	124.8	144.5	+60.8	
IC.06: 4G penetration	92.0	91.7	92.9	98.8	+6.8	
IC.07: Broadband speed	67.6	47.7	42.3	56.4	-11.2	
Skills	7	18	16	15	+8	6/6
SK.01: Labour productivity	40.9	38.9	35.4	36.4	-4.5	
SK.02: Employment rate	44.5	46.3	46.9	54.0	+9.5	
SK.03: Gender gap in labour force participation	26.1	22.7	26.2	23.3	-2.8	
SK.04: PISA performance: mathematics	74.3	74.8	75.3	75.3	+1.0	
SK.05: Youth NEET rate	38.3	32.6	29.5	27.4	-10.9	
SK.06: Labour force with advanced education	86.4	97.6	89.6	90.1	+3.7	
SK.07: Lifelong learning	44.0	29.4	114.4	22.6	-21.4	
SK.08: Patent applications	2.4	1.4	0.9	0.8	-1.6	
Business Environment	37	54	58	80	+43	4/6
BE.01: Domestic credit to the private sector	44.5	58.0	70.5	90.2	+45.7	
BE.02: Bank non-performing loans	153.1	250.3	158.4	121.9	-31.2	
BE.03: Private investment	110.5	108.1	134.7	137.2	+26.7	
BE.04: FDI in tradable sectors	0.0	0.0	34.0	102.5	+102.5	
BE.05: Control of corruption	19.8	16.8	17.0	27.6	+7.8	
BE.06: Estimated informal employment	11.3	9.1	9.8	9.7	-1.6	
BE.07: Trade flows	10.9	12.2	13.6	19.3	+8.4	
BE.08: New business creation density	38.6	62.5	79.4	114.9	+76.3	
Digital Transformation	-	-	45	49	+4	4/6
DG.01: Population with digital skills	-	-	49.7	65.4	+15.7	
DG.02: Internet use by individuals	-	-	107.2	106.3	-0.9	
DG.03: Internet use for interacting with public authorities	-	-	43.8	46.2	+2.4	
DG.04: Internet use for purchases	-	-	68.9	84.3	+15.4	
DG.05: Businesses with a website	-	-	72.0	81.2	+9.2	
DG.06: Businesses using AI technologies	-	-	67.5	50.6	-16.9	
DG.07: ICT services exports	-	-	34.9	62.1	+27.2	
DG.08: Secure internet servers	-	-	4.3	4.1	-0.2	
Greening	13	11	7	10	-3	6/6
GR.01: CO2 emissions intensity	34.8	36.2	32.0	34.8	0	
GR.02: Installed renewable power capacities	15.9	22.1	24.1	31.8	+15.9	
GR.03: Energy productivity	52.0	53.8	48.7	57.6	+5.6	
GR.04: Water productivity	33.1	31.1	28.9	27.8	-5.3	
GR.05: Waste intensity	72.7	67.4	55.6	55.3	-17.4	
GR.06: Municipal waste in landfills	38.6	34.3	31.9	29.0	-9.6	
GR.07: Air pollution premature deaths	29.0	28.3	33.2	32.7	+3.7	
Macro-financial Stability	77	78	62	83	+6	2/6
MS.01: Inflation rate	100.0	100.0	56.5	100.0	0	
MS.02: Exchange rate stability vis-à-vis the euro	100.0	100.0	100.0	100.0	0	
MS.03: General government balance	100.0	100.0	72.4	100.0	0	
MS.04: Long-term government interest rates	55.4	65.3	57.1	100.0	+44.6	
MS.05: Current account balance	29.1	26.6	22.7	16.9	-12.2	

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable with the other clusters.

North Macedonia

Key highlights

North Macedonia ranks third among Western Balkan economies in overall convergence with the EU. The economy recorded its largest gains in the Business Environment cluster, while declining performance in Skills, Greening, and Macro-financial Stability weighed on overall convergence (Figure A A.4).

- The **Infrastructure and Connectivity** cluster's performance has been supported by strong gains in digital infrastructure, where the economy stands among the region's top performers. Nonetheless, energy infrastructure remains a weakness, with a wide divergence from the EU and the region's highest electricity costs for non-household consumers. Challenges also persist in transport infrastructure, particularly in rail freight activity.
- **Skills** is the lowest-performing cluster, with performance diverging from the EU over time. Labour market and education outcomes remain mixed, with improvements in employment and educational performance offset by low lifelong learning participation and patent applications.
- **Business Environment** is the economy's fastest area of convergence towards the EU. This progress has been supported by growing FDI inflows into tradable sectors, higher levels of private investment and the region's highest level of trade flows. Nonetheless, ensuring a level playing field remains a challenge, with high perceptions of corruption and continued high levels of informality, although estimated informal employment remains the region's lowest.
- **Digital Transformation** has recorded modest convergence towards the EU. Business digitalisation remains uneven, as website adoption is the lowest in the region and AI uptake records the region's largest divergence. Nonetheless, digital uptake among individuals has improved, with online purchases recording the region's highest convergence. The ICT sector also shows positive developments, with the sector's exports recording the region's fastest convergence towards the EU.
- North Macedonia has diverged sharply from the EU in the **Greening** cluster, with the relative performance of all indicators declining. Progress towards decarbonisation has been particularly slow, and environmental quality remains a concern, with North Macedonia recording the region's highest level of premature deaths from air pollution.
- **Macro-financial Stability** is the economy's lowest-ranked cluster, driven by weaker outcomes in price stability, government balance and long-term interest rates. Nonetheless, the current account balance remains within the EU reference values, and exchange-rate stability against the euro has been maintained.

Figure A A.4. North Macedonia's economic convergence by cluster and by indicator

Overall score					Overall ranking	
2014-2016	2017-2019	2020-2022	2023-2024		2023-2024	
47	49	48	55		3/6	
Indicators					Change	Ranking
Performance relative to the EU (EU=100)					2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity						
	38	39	38	53	+15	4/6
IC.01: Road infrastructure density	34.0	34.2	34.5	34.7	+0.7	
IC.02: Rail infrastructure density	47.7	46.9	46.9	47.2	-0.5	
IC.03: Rail freight intensity	21.3	21.8	30.0	17.2	-4.1	
IC.04: Power losses	63.2	56.5	57.2	40.4	-22.8	
IC.05: Electricity cost	71.1	68.6	48.4	67.9	-3.2	
IC.06: 4G penetration	79.2	100.2	100.6	100.3	+21.1	
IC.07: Broadband speed	38.2	33.0	25.3	90.3	+52.1	
Skills						
	37	33	43	33	-4	4/6
SK.01: Labour productivity	44.6	44.6	45.8	46.9	+2.3	
SK.02: Employment rate	75.1	77.4	81.2	80.7	+5.6	
SK.03: Gender gap in labour force participation	40.2	39.8	38.8	38.5	-1.7	
SK.04: PISA performance: mathematics	76.3	80.7	82.5	82.5	+6.2	
SK.05: Youth NEET rate	47.4	43.9	51.7	48.0	+0.6	
SK.06: Labour force with advanced education	102.5	103.3	102.8	95.2	-7.3	
SK.07: Lifelong learning	27.4	21.9	20.6	17.7	-9.7	
SK.08: Patent applications	2.3	1.2	8.7	1.1	-1.2	
Business Environment						
	59	67	69	95	+36	3/6
BE.01: Domestic credit to the private sector	59.5	66.1	75.2	82.2	+22.7	
BE.02: Bank non-performing loans	103.0	118.1	112.8	88.0	-15.0	
BE.03: Private investment	105.7	91.9	97.2	106.6	+0.9	
BE.04: FDI in tradable sectors	59.7	122.6	172.5	435.4	+375.7	
BE.05: Control of corruption	25.4	18.4	15.8	19.1	-6.3	
BE.06: Estimated informal employment	19.4	19.7	21.4	22.4	+3.0	
BE.07: Trade flows	32.2	35.6	37.8	38.9	+6.7	
BE.08: New business creation density	67.6	62.8	73.3	78.7	+11.1	
Digital Transformation						
	-	-	47	51	+4	3/6
DG.01: Population with digital skills	-	-	61.5	66.1	+4.6	
DG.02: Internet use by individuals	-	-	94.1	98.8	+4.7	
DG.03: Internet use for interacting with public authorities	-	-	42.9	46.8	+3.9	
DG.04: Internet use for purchases	-	-	55.9	82.0	+26.1	
DG.05: Businesses with a website	-	-	67.8	69.0	+1.2	
DG.06: Businesses using AI technologies	-	-	129.9	88.6	-41.3	
DG.07: ICT services exports	-	-	34.9	76.9	+42.0	
DG.08: Secure internet servers	-	-	2.5	2.3	-0.2	
Greening						
	55	58	45	43	-12	3/6
GR.01: CO2 emissions intensity	75.9	73.1	65.8	61.4	-14.5	
GR.02: Installed renewable power capacities	108.0	99.8	85.2	93.5	-14.5	
GR.03: Energy productivity	99.7	100.0	93.2	92.5	-7.2	
GR.04: Water productivity	42.3	51.7	31.5	39.8	-2.5	
GR.05: Waste intensity	60.2	50.6	48.5	51.3	-8.9	
GR.06: Municipal waste in landfills	38.4	48.2	44.7	33.8	-4.6	
GR.07: Air pollution premature deaths	29.1	28.0	26.8	27.1	-2.0	
Macro-financial Stability						
	94	97	76	76	-18	5/6
MS.01: Inflation rate	100.0	100.0	54.9	83.3	-16.7	
MS.02: Exchange rate stability vis-à-vis the euro	100.0	100.0	100.0	100.0	0	
MS.03: General government balance	71.1	100.0	25.9	39.6	-31.5	
MS.04: Long-term government interest rates	100.0	83.3	100.0	59.5	-40.5	
MS.05: Current account balance	100.0	100.0	100.0	100.0	0	

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable to the other clusters.

Montenegro

Key highlights

Montenegro is the region's top-ranked economy in overall convergence with the EU. The economy leads the region in the Business Environment cluster, while performance in Greening has recorded the region's steepest divergence (Figure A A.5).

- Montenegro ranks second in the **Infrastructure and Connectivity** cluster. Convergence is observed across almost all indicators, with particularly strong progress in digital infrastructure and electricity costs. Power losses are the sole indicator showing divergence, although Montenegro still ranks second in the region on this front.
- Despite slight divergence from the EU over time, Montenegro ranks second in the **Skills** cluster. The economy benefits from a highly educated workforce, leading the region in this respect. Employment outcomes have improved, but challenges persist in fully tapping into the skills base, with limited lifelong learning opportunities and a high youth NEET rate. Nonetheless, patent activity has strengthened, ranking first in the region, although it remains low.
- **Business Environment** is Montenegro's highest-ranked cluster, with the economy leading the region. This performance is supported by dynamic business creation, where Montenegro records the region's highest performance, and a strong capacity to attract FDI in tradable sectors. Nonetheless, difficulties persist in enhancing access to finance and investment, with Montenegro recording the region's lowest level of private investment.
- Montenegro ranks second in the **Digital Transformation** cluster. The population has widespread internet use and is the most digitally skilled in the region, but interactions with public authorities and online purchases remain well below the EU average.
- Despite recording the region's steepest divergence over the last decade, Montenegro ranks second in the **Greening** cluster. Resource use remains a key challenge, particularly in water productivity and municipal waste management, where Montenegro ranks second-last. Still, the economy records the region's lowest level of premature death from air pollution, although the level remains well above the EU average.
- Montenegro ranks third in the region in the **Macro-financial Stability** cluster, supported by strong price stability and a balanced government budget, alongside exchange-rate stability, de facto ensured through its use of the euro. The current account deficit is the cluster's main weakness and remains well above the EU reference value.

Figure A A.5. Montenegro's economic convergence by cluster and by indicator

					0	25	50	75	100
Overall score				Overall ranking					
2014-2016	2017-2019	2020-2022	2023-2024	2023-2024					
57	61	59	65	1/6					
Indicators				Performance relative to the EU (EU=100)				Change	Ranking
				2014-2016	2017-2019	2020-2022	2023-2024	2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity				35	40	64	64	+29	2/6
IC.01: Road infrastructure density				37.7	39.2	42.0	42.2	+4.5	
IC.02: Rail infrastructure density				32.2	32.2	32.2	32.5	+0.3	
IC.03: Rail freight intensity				20.3	25.8	39.0	36.6	+16.3	
IC.04: Power losses				69.3	70.3	102.4	48.4	-20.9	
IC.05: Electricity cost				65.4	65.9	111.6	141.3	+75.9	
IC.06: 4G penetration				80.9	99.6	98.7	98.6	+17.7	
IC.07: Broadband speed				31.8	29.6	54.2	63.0	+31.2	
Skills				52	50	48	48	-4	2/6
SK.01: Labour productivity				44.6	46.1	45.2	42.4	-2.2	
SK.02: Employment rate				81.3	81.3	76.6	88.3	+7.0	
SK.03: Gender gap in labour force participation				82.5	66.7	68.5	72.0	-10.5	
SK.04: PISA performance: mathematics				85.8	87.9	86.1	86.1	+0.3	
SK.05: Youth NEET rate				63.7	58.7	47.5	56.4	-7.3	
SK.06: Labour force with advanced education				100.3	100.7	103.3	110.4	+10.1	
SK.07: Lifelong learning				29.0	24.8	30.5	21.3	-7.7	
SK.08: Patent applications				0.4	1.1	1.1	6.6	+6.2	
Business Environment				65	79	78	104	+39	1/6
BE.01: Domestic credit to the private sector				60.0	65.2	72.8	68.0	+8.0	
BE.02: Bank non-performing loans				63.4	89.7	54.5	46.9	-16.5	
BE.03: Private investment				88.8	109.0	100.8	85.4	-3.4	
BE.04: FDI in tradable sectors				110.7	140.4	113.6	402.9	+292.2	
BE.05: Control of corruption				31.1	34.6	38.8	35.9	+4.8	
BE.06: Estimated informal employment				17.7	16.1	18.5	17.6	-0.1	
BE.07: Trade flows				32.1	33.2	29.3	36.1	+4.0	
BE.08: New business creation density				113.2	142.3	204.0	301.3	+188.1	
Digital Transformation				-	-	47	55	+8	2/6
DG.01: Population with digital skills				-	-	83.9	90.3	+6.4	
DG.02: Internet use by individuals				-	-	92.8	96.1	+3.3	
DG.03: Internet use for interacting with public authorities				-	-	46.9	42.4	-4.5	
DG.04: Internet use for purchases				-	-	38.7	44.7	+6.0	
DG.05: Businesses with a website				-	-	110.4	113.1	+2.7	
DG.06: Businesses using AI technologies				-	-	43.4	60.0	+16.6	
DG.07: ICT services exports				-	-	49.5	53.1	+3.6	
DG.08: Secure internet servers				-	-	1.7	5.1	+3.4	
Greening				78	73	57	54	-24	2/6
GR.01: CO2 emissions intensity				97.6	89.8	71.6	66.7	-30.9	
GR.02: Installed renewable power capacities				204.7	190.5	164.1	140.7	-64.0	
GR.03: Energy productivity				97.7	95.1	84.9	86.3	-11.4	
GR.04: Water productivity				28.7	25.3	25.0	20.9	-7.8	
GR.05: Waste intensity				50.8	47.9	49.0	49.0	-1.8	
GR.06: Municipal waste in landfills				40.5	39.0	34.1	30.2	-10.3	
GR.07: Air pollution premature deaths				45.3	38.5	33.9	44.4	-0.9	
Macro-financial Stability				62	54	53	82	+20	3/6
MS.01: Inflation rate				100.0	58.8	55.5	100.0	0	
MS.02: Exchange rate stability vis-à-vis the euro				100.0	100.0	100.0	100.0	0	
MS.03: General government balance				49.5	47.9	53.2	100.0	+50.5	
MS.04: Long-term government interest rates				51.1	54.7	48.8	100.0	+48.9	
MS.05: Current account balance				10.4	7.9	7.0	10.8	+0.4	

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable with the other clusters.

Serbia

Key highlights

Serbia shows the region's second-highest overall convergence with the EU. The economy leads the region in three of the six policy clusters: Infrastructure and Connectivity, Skills and Digital Transformation. Nonetheless, Greening remains Serbia's most challenging policy area, with performance declining further over time (Figure A A.6).

- Serbia is the regional leader in **Infrastructure and Connectivity**. Digital connectivity is a key strength, supported by widespread 4G coverage and comparatively strong broadband access. Transport and energy infrastructure also perform relatively well, although convergence gains in these areas have remained limited.
- **Skills** is the second cluster in which Serbia leads the region, supported by favourable education and labour market outcomes. The economy records the region's highest PISA mathematics score, while also leading its peers in lifelong learning and recording the lowest youth NEET rate. Nonetheless, these strengths have not yet translated into stronger labour productivity, and the convergence gap towards the EU has remained unchanged.
- **Business Environment** is the economy's highest-performing cluster and has recorded the highest convergence towards the EU. This progress has been supported by Serbia's strong capacity to attract FDI in tradable sectors, where it leads the region and has recorded the region's highest convergence, as well as the region's largest reduction in non-performing loans. Nonetheless, challenges remain in ensuring a level playing field, particularly in addressing perceived corruption and informality.
- Rapid convergence has made Serbia the regional leader in the **Digital Transformation** cluster. This performance is supported by widespread online engagement, a strong ICT sector, and the region's highest level of website use. Nonetheless, digital skills have fallen further behind the EU, while secure internet infrastructure remains limited despite Serbia ranking first in the region on this indicator.
- **Greening** is the economy's lowest-performing cluster, with overall performance declining further over time. Energy-related outcomes remain particularly weak, as Serbia records the region's lowest energy productivity alongside a sharp divergence in installed renewable power capacity. Performance in municipal waste management has also declined sharply, although Serbia remains the regional leader.
- Serbia has recorded convergence in the **Macro-financial Stability** cluster, although the economy still ranks last in the region. This progress has been driven by stronger performance in the government balance, lower long-term government interest rates, and an improved current account balance, while exchange-rate stability against the euro has been maintained. Nonetheless, price stability has weakened, and it remains outside the relevant EU reference values together with long-term government interest rates and the current account balance.

Figure A A.6. Serbia's economic convergence by cluster and by indicator

Overall score					Overall ranking	
2014-2016	2017-2019	2020-2022	2023-2024		2023-24	
45	50	52	62		2/6	
Indicators					Performance relative to the EU (EU=100)	Change
					2014-2016	2017-2019
					2020-2022	2023-2024
					2014-2016 to 2023-2024	2023-2024
Infrastructure and Connectivity					46	49
					66	68
					+22	1/6
IC.01: Road infrastructure density					30.7	29.8
IC.02: Rail infrastructure density					75.1	74.2
IC.03: Rail freight intensity					63.4	63.1
IC.04: Power losses					49.9	51.2
IC.05: Electricity cost					91.9	73.1
IC.06: 4G penetration					51.5	97.8
IC.07: Broadband speed					72.2	60.7
Skills					42	52
					47	56
					+14	1/6
SK.01: Labour productivity					40.9	39.1
SK.02: Employment rate					79.8	84.4
SK.03: Gender gap in labour force participation					66.0	69.2
SK.04: PISA performance: mathematics					88.5	91.7
SK.05: Youth NEET rate					60.2	60.1
SK.06: Labour force with advanced education					88.8	91.6
SK.07: Lifelong learning					45.0	37.3
SK.08: Patent applications					0.5	0.9
Business Environment					47	65
					67	96
					+49	2/6
BE.01: Domestic credit to the private sector					46.2	51.8
BE.02: Bank non-performing loans					46.9	94.8
BE.03: Private investment					80.4	84.9
BE.04: FDI in tradable sectors					136.5	272.0
BE.05: Control of corruption					22.3	16.5
BE.06: Estimated informal employment					18.6	16.3
BE.07: Trade flows					25.2	27.8
BE.08: New business creation density					27.1	27.6
Digital Transformation					-	-
					54	64
					+10	1/6
DG.01: Population with digital skills					-	-
DG.02: Internet use by individuals					-	-
DG.03: Internet use for interacting with public authorities					-	-
DG.04: Internet use for purchases					-	-
DG.05: Businesses with a website					-	-
DG.06: Businesses using AI technologies					-	-
DG.07: ICT services exports					-	-
DG.08: Secure internet servers					-	-
Greening					46	36
					29	25
					-21	4/6
GR.01: CO2 emissions intensity					50.2	46.6
GR.02: Installed renewable power capacities					91.9	86.5
GR.03: Energy productivity					65.7	63.7
GR.04: Water productivity					16.0	12.1
GR.05: Waste intensity					47.4	48.5
GR.06: Municipal waste in landfills					49.9	40.0
GR.07: Air pollution premature deaths					36.5	30.4
Macro-financial Stability					63	80
					62	74
					+11	6/6
MS.01: Inflation rate					71.4	90.9
MS.02: Exchange rate stability vis-à-vis the euro					100.0	100.0
MS.03: General government balance					69.3	100.0
MS.04: Long-term government interest rates					11.2	33.7
MS.05: Current account balance					60.7	76.6

Notes: The overall score is calculated as the average convergence score across all clusters, excluding Macro-financial Stability, whose score is not directly comparable with the other clusters.

Annex B. Methodology

Background and rationale

The *Economic Convergence Scoreboard for the Western Balkans* (referred to hereafter as the Scoreboard) provides a comparative assessment of the convergence of the six Western Balkan economies relative to the European Union (EU). It aims to help the Western Balkan economies identify the main policy areas requiring focused attention to accelerate economic convergence with the OECD and the EU. Building on the pilot Scoreboard first published in 2023 and the more comprehensive 2025 edition, this third edition further consolidates the Scoreboard as the annual monitoring tool for tracking economic convergence of the Western Balkan economies towards the EU, following its acknowledgement as such in the Chair's Conclusions of the 2025 Berlin Process Leaders' Summit (Berlin Process, 2025^[1]).

GDP per capita is the primary indicator used to assess economic convergence, as it provides a snapshot of relative prosperity across regions and countries. However, on its own, it offers limited insights into the underlying factors driving economic growth. The Scoreboard bridges this gap by combining policy-relevant analysis and data to understand better and monitor the key drivers of economic performance.

Drawing primarily on the OECD's *Western Balkans Competitiveness Outlook 2024*, the Scoreboard covers six main policy clusters that are key to long-term economic growth:

1. **Infrastructure and Connectivity:** Infrastructure and connectivity enable the efficient movement of goods, services and people, improving access to markets and boosting economic activities.
2. **Skills:** As a key component of human capital, skills contribute to workforce productivity and adaptability, enabling economies to adopt and innovate with new technologies.
3. **Business Environment:** A competitive business environment promotes investment, fosters entrepreneurship and cultivates an ecosystem where businesses can operate efficiently.
4. **Digital Transformation:** Digital transformation enhances productivity, innovation and access to information, enabling economies to modernise and compete effectively.
5. **Greening:** Greening economies ensures the sustainability of economic growth, reducing environmental risks and fostering resource efficiency.
6. **Macro-financial stability:** Macro-financial stability reduces uncertainty and lowers the cost of capital, creating the conditions necessary for sustained economic growth and private investment.

The Scoreboard assesses the degree of convergence among the Western Balkan economies across these six clusters, utilising 43 indicators, up from 35 in the 2025 edition. The indicators were selected based on relevance, reliability and availability:

- **Relevance:** While the Scoreboard does not exhaustively cover all areas relevant to economic growth, it prioritises indicators identified in the OECD's work and academic literature as having an impact on economic performance. Statistical tests were then conducted to explore the causal relationship between the indicators and GDP per capita, informing the final selection of indicators for the Scoreboard.
- **Reliability:** The Scoreboard mainly draws on comparable data from national statistical offices, leveraging their extensive co-operation with the OECD within the framework of the *Western Balkans Competitiveness Outlook* and the *SME Policy Index for the Western Balkans and Türkiye*. It also draws on data from reputable international sources, such as the OECD, Eurostat and the World Bank.
- **Availability:** The limited statistical coverage in the Western Balkan economies, compared to OECD and EU members, influenced the selection of indicators. Indicators that lacked data for any economy across all periods, and for which no viable alternatives were available to allow for imputation, were excluded. For indicators with partial time-series coverage, missing data were addressed through imputations.

The entire list of indicators considered for the Scoreboard is shown in Table A B.1.

Table A B.1. List of indicators of the measurement framework

Cluster name	Sub-group	No.	Indicator
Infrastructure and Connectivity	Transport infrastructure	IC.01	Road infrastructure density (km per area of 100 km ²)
		IC.02	Rail infrastructure density (km per area of 100 km ²)
		IC.03	Rail freight intensity (tonnes-kilometres per thousand units of GDP expressed in 2021 USD in purchasing power parity PPP)
	Energy infrastructure	IC.04	Power losses (% of total energy injected into distribution and transmission grids)
		IC.05	Electricity cost for non-household consumers (2021 USD PPP per kilowatt-hour)
	Digital infrastructure	IC.06	4G penetration (% of total population)
		IC.07	Broadband speed (megabytes per second)
Skills	Putting skills to effective use	SK.01	Labour productivity (2021 USD in PPP)
		SK.02	Employment rate (% of population aged 20-64 years)
		SK.03	Gender gap in labour force participation (% of population aged 15-64 years)
	Skills development	SK.04	PISA performance: Mathematics
		SK.05	Youth NEET rate (% of 15-24 years old population)
		SK.06	Labour force with advanced education (% of total working-age population)
		SK.07	Lifelong learning (% of population aged 25-64 years)
	Leveraging skills for innovation	SK.08	Patent applications (per million inhabitants)
Business Environment	Enhancing access to finance and investment	BE.01	Domestic credit to the private sector (% of GDP)
		BE.02	Bank non-performing loans (% of total gross loans)
		BE.03	Private investment (% of GDP)
		BE.04	FDI net inflows in tradable sectors (% of GDP)
	Strengthening the level-playing field	BE.05	Control of corruption (composite score)
		BE.06	Estimated informal employment (% of total employment)
	Promoting trade and entrepreneurship	BE.07	Trade flows (2021 USD PPP per capita)
		BE.08	New business creation density (new business creations per million inhabitants)
Digital Transformation	Digital society	DG.01	Population with digital skills (% of population aged 16-74 years)
		DG.02	Internet use by individuals (% of total population)
		DG.03	Internet use for interacting with public authorities (% of population aged 16-74 years)
		DG.04	Internet use for purchases (% of population aged 16-74 years)
	Digital businesses	DG.05	Businesses with a website (% of enterprises with 10 employees or more)
		DG.06	Businesses using AI technologies (% of enterprises with 10 employees or more)
	Digital economy	DG.07	ICT services exports (% of GDP)
	Cybersecurity	DG.08	Number of secure Internet servers (per million inhabitants)
Greening	Accelerating decarbonisation	GR.01	CO2 emissions intensity (kg per unit of GDP in 2021 USD PPP)
		GR.02	Installed renewable power capacities (% of total installed power capacity)
	Enhancing resource use	GR.03	Energy productivity (GDP in 2021 USD PPP per kg of oil equivalent consumption)
		GR.04	Water productivity (GDP in 2021 USD PPP per cubic meter of total freshwater withdrawal)
		GR.05	Waste intensity (generated municipal waste per unit of GDP in 2021 USD PPP)
		GR.06	Municipal waste in landfills (% of municipal waste)
	Environmental quality	GR.07	Premature deaths from air pollution (deaths per million inhabitants)

Cluster name	Sub-group	No.	Indicator
Macro-financial stability	Monetary stability	MS.01	Inflation (% of consumer price index)
		MS.02	Nominal exchange-rate stability vis-à-vis the Euro (percentage points change range)
	Fiscal stability	MS.03	Government balance (% of GDP)
		MS.04	Long-term government interest rates (%)
	External sustainability	MS.05	Current account balance (% of GDP)

During the selection process for the Scoreboard indicators, several additional indicators were initially considered for inclusion due to their relevance to economic growth. However, many were ultimately excluded due to limited data availability. Consequently, alternative indicators were selected to capture comparable aspects of growth dynamics and to best explain variations in economic performance.

Convergence with the EU for each indicator was measured over four sub-periods, 2014-2016, 2017-2019, 2020-2022, and 2023-2024, rather than annually. Each data point represents the average value of the available years within each sub-period. This approach allowed for 1) integrating the inclusion of indicators not updated annually; 2) smoothing out cyclical variations or shocks; and 3) overcoming data inconsistencies or gaps.

Scoring

General scoring

The Scoreboard leveraged two methods to calculate scores and rankings:

1. Each **individual indicator score** represents the ratio of a specific Western Balkan economy's value to the EU average. The sample used to calculate the EU average includes the 27 EU member states. In addition, the 2026 edition introduces a supplementary informative benchmark comprising EU member states that share similar structural and geographical conditions with the Western Balkan economies, namely Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia, providing a complementary perspective on the Western Balkan economies' convergence performance.
2. Each **cluster score** was derived from a dedicated composite indicator using a three-step method:
 - **Outlier treatment:** The individual values of the Western Balkan economies and the EU member states were considered, leading to a total sample size of 33 individual economies. Outliers were then detected using a skewness/kurtosis rule and treated with the Winsorisation method, adjusting extreme values to reduce their impact without removing them from the dataset. This step is crucial to ensure that the aggregation results are not distorted by extreme values.
 - **Normalisation:** This process standardised all data points to a comparable scale, regardless of their original units or ranges. The distance-to-target (DTT) scales data based on the proximity of each value to a predefined target, ensuring that the resulting values reflect how close each observation is to the desired goal. The target values were the EU average values. The DTT score for the indicator x , $DTTscore_{x,i}$, was calculated as follows:

$$DTTscore_{x,i} = \frac{x_i - MIN_{x_i}}{TARGET_EU_x - MIN_{x_i}}$$

where x_i denotes the indicator value for the economy i among Western Balkan and EU economies, MIN_{x_i} denotes the minimum value for indicators among Western Balkan and EU economies, and $TARGET_EU_x$ denotes the EU average's value.

- **Lower-is-better indicators:** It should be noted that for indicators where higher values are not desirable, such as IC.04 (power losses), SK.03 (gender gap in labour force participation), SK.04 (youth NEET), BE.01 (non-performing loans), BE.06 (estimated informal employment), GR.01 (CO2 emissions intensity), GR.05 (waste intensity), GR.06 (municipal waste in landfills) and GR.07 (premature deaths from air pollution), the inverse value of x_i , $\frac{1}{x_i}$ has been considered.

- **Converged indicators:** A consequence of the DTT approach is that a Western Balkan economy whose performance is close to the EU average may nonetheless receive a low DTT-based cluster score if the minimum observed in the sample lies close to its own value, an outcome that would misrepresent the degree of convergence achieved. To address this, the Scoreboard sets aside the DTT normalisation for indicators where the ratio of all Western Balkan economies to the EU average falls between 90% and 150%, deriving the cluster score contribution directly from that ratio, scaled to an EU average of 100. The list of indicators treated as converged indicators is the following: “4G penetration” (IC.06) for the periods 2020-2022 and 2023-2024, “Labour force with advanced education” (SK.06) for the periods 2017-2019 and 2023-2024, Private investment (BE.03) for the period 2020-2022 and Internet use by individuals (DG.02) for the period 2023-2024.
- o **Weighting and aggregation:** Indicators were then aggregated into dimension scores. The average score for each cluster was computed as the simple average, giving each indicator equal weight. Each DTT score $DTTscore_{x,i}$ was assigned to cluster c , leading to $DTTscore_{x,c,i}$. The cluster c average score for economy i was calculated as:

$$CLUSTERscore_{c,i} = \frac{\sum_i^{X_c} DTTscore_{x,c,i}}{X_c}$$

where X_c denotes the total number of indicators x in cluster c .

Macro-financial stability cluster scoring

When it comes to the **Macro-financial stability cluster**, the Scoreboard leveraged a specific method to calculate scores and rankings:

Each **individual indicator score** reflects the degree of compliance with the reference value defined for each criterion, drawing on the convergence criteria established in the context of EU accession. For each economy and each year, the score is set at 100 if the indicator value meets or does not exceed the applicable threshold. Where the threshold is breached, the score falls below 100 in proportion to the magnitude of the deviation. Five threshold-based scoring formulas are applied, one per indicator, as follows:

- a. MS.01 (Inflation rate): If the inflation rate is below or equal to the reference value from the European Central Bank (ECB)’s Convergence Reports (see Table A B.2), the score is set at 100. If the inflation rate exceeds the reference value, the score progressively decreases. The scoring formula is defined as:

$$Score_{MS.01,i} = \frac{100}{1 + \text{Max}(0; \text{Inflation rate}_i - \text{Reference value}_{x_i})}$$

The reference value is defined by the ECB in its Convergence Reports as the average inflation rate of the three best-performing EU member states in terms of price stability, plus 1.5 percentage points.

Table A B.2. Reference values for MS.01 (2014-2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reference values	1.7		0.7		1.9		1.8		4.9		3.3

Note: Reference values are published biannually.

Source: (European Central Bank, 2025^[2])

- b. MS.02 (Nominal exchange-rate stability): For the exchange-rate stability criterion, the reference threshold is derived from the fluctuation margin used under the ERM II (European Commission, 2020^[3]), under which participating currencies are expected to remain within a 15% band around a central exchange rate. As Western Balkan economies cannot participate in ERM II and therefore do not have a central exchange rate against the euro, exchange-rate stability is assessed using the observed fluctuation range of the exchange rate *vis-à-vis* the euro over a given reference period, defined as:

$$Range_{i,t} = \left(\frac{max_{i,t} - min_{i,t}}{min_{i,t}} \right) \times 100$$

If the fluctuation range does not exceed 15%, the score is set at 100, and as the fluctuation range exceeds the reference value, the score progressively declines towards 0. The scoring formula is defined as:

$$Score_{MS.02,i} = \frac{100}{1 + Max(0; Range_{i,t} - 15)}$$

- c. MS.03 (Government balance): The ECB Convergence Reports assess compliance with the excessive deficit criterion established under the Maastricht Treaty. The reference value is set at a general government deficit of 3% of GDP (European Council, 2026^[4]). If the government balance is equal to or above the reference value, the score is set at 100. As the deficit exceeds the reference value, the score progressively declines towards 0. The scoring formula is defined as:

$$Score_{MS.03,i,t} = \frac{100}{1 + Max(0; -3 - Government\ balance\ rate_{i,t})}$$

- d. MS.04 (Long-term government bond interest rate): The ECB Convergence Reports assess whether an economy's average nominal long-term interest rate exceeds by more than 2 percentage points that of the three best-performing EU member states in terms of price stability. If the long-term rate is below or equal to the reference value (see Table A B.3), the score is set at 100. As the interest rate exceeds the reference value, the score declines progressively toward 0. The scoring formula is defined as:

$$Score_{MS.04,i,t} = \frac{100}{1 + Max(0; Long\ term\ government\ bond\ interest\ rate_{i,t} - Reference\ value_{x_{i,t}})}$$

Table A B.3. Reference values for MS.04 (2014-2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reference values	6.2		4		3.2		2.9		2.6		4.8

Note: Reference values are published biannually.

Source: (European Central Bank, 2025^[2])

- e. MS.05 (Current account balance): For the current account criterion, the ECB Convergence Reports assess external sustainability using the thresholds defined under the MIP. According to the MIP scoreboard, the three-year backwards-moving average of the current account balance should remain within the range of -4% to +6% of GDP (European Commission, 2026^[5]). If the three-year backwards-moving average of the current account balance falls within this range, the score is set at 100. As the balance moves beyond either reference value, the score declines progressively toward 0. The scoring formula is defined as:

$$Score_{MS.05,i,t} = \frac{100}{1 + Max(0; -4 - Current\ account\ balance_{x_{i,t}}; Current\ account\ balance_{x_{i,t}} - 6)}$$

The **macro-financial stability cluster score** is the simple average of the five individual indicator scores, computed for each economy and each sub-period (2014-2016, 2017-2019, 2020-2022 and 2023-2024), with each indicator assigned equal weight. The macro-financial stability cluster score is expressed as:

$$CLUSTERscore_{MS,i} = \frac{\sum_i^5 Score_{MS.x,i}}{5}$$

Where $Score_{MS.x,i}$ denotes the individual score of indicator x (MS.01, MS.02, MS.03, MS.04, MS.05). A cluster score of 100 indicates that an economy complies with all the macro-financial stability criteria.

Limitations

The Scoreboard is a valuable tool for Western Balkan policymakers, helping them identify the bottlenecks that hinder faster economic convergence. Yet, the method has certain limitations, as outlined in Table A B.4.

Table A B.4. Limitations of the Economic Convergence Scoreboard for the Western Balkan economies 2026

Analytical framework	While the Scoreboard focuses on areas crucial to accelerating the economic convergence of the Western Balkan economies, it does not cover all relevant areas in exhaustive detail.
	Constraints in data availability and comparability limited the choice of indicators.
	The Scoreboard data cover a decade, preventing analysis over a longer time frame.
Methodology	Despite the benefits of measuring convergence in four time periods, the Scoreboard does not fully capture the most recent developments and state-of-play.
	The DTT method measures proximity to the target without explaining the underlying causes of disparities.
	The DTT method assumes a linear relationship between the distance to the target and the degree of convergence. This assumption fails to account for non-linear relationships, in which the impact of improvements could vary across stages. The treatment applied to converged indicators partly addresses this limitation for economies close to the EU average, while introducing a threshold effect at the 90% mark.
	Assigning equal weight to indicators when calculating cluster scores may not adequately reflect their varying importance in driving economic growth.
	Assigning equal weight to the EU's 27 economies to calculate EU averages may have introduced bias in the EU's actual performance by over-weighting smaller economies.
	The macro-financial stability cluster relies on a threshold-based scoring approach, drawing on the Maastricht convergence criteria, rather than the DTT normalisation applied to the other five clusters. This methodological distinction limits the direct comparability of cluster scores across the Scoreboard.

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Economic Convergence Scoreboard for the Western Balkans 2026

The Economic Convergence Scoreboard, first launched as a pilot in 2023, is a tool for monitoring and assessing the Western Balkans' progress towards economic convergence with the European Union (EU). Now in its third edition, the Scoreboard continues to support policy makers in identifying priority areas for accelerating growth and narrowing the region's economic gap with the EU. It draws on 38 indicators grouped into five policy clusters that are essential for sustainable and inclusive growth: infrastructure and connectivity, skills, the business environment, digital transformation, and greening.

In addition, this edition introduces, for the first time, a dedicated macro-financial stability cluster. This new cluster assesses the macroeconomic fundamentals and financial conditions that provide the enabling environment for sustainable economic growth and convergence with the EU.



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