KEYNOTE ADDRESS

by RCC Secretary General Amer Kapetanovic

at finance forum held in Pristina on 28 April 2026

Demographics, productivity and growth in the Western Balkans

Thank you for inviting me to this important forum to talk about this topic.

Demography, productivity and growth in the Western Balkans are not three separate issues, but rather part of the same challenge, **the very same loop**. Low productivity means wages cannot sustainably converge with EU levels. Slow wage convergence with the EU average encourages emigration. Emigration reduces the labour force and weakens domestic demand. A weaker labour force limits growth potential. Lower growth potential reduces the economy's capacity to invest in education, infrastructure, innovation and public services.

The Western Balkans therefore face a strategic choice: either they move towards a productivity-led model, or they risk becoming economies of labour scarcity, fiscal pressure and permanent semi-convergence.

Let me say what I see as particularly challenging in each of these three important components, how I see the role of RCC and regional cooperation, and ultimately how we can turn it into a model of transformation:

On demography: The working-age population is projected to fall by nearly one-fifth by 2050, and the region could face a **shortage of more than 190,000 workers** in just the next five years. This is why productivity is not optional. With fewer people, we must create more value. The demographic pressure is driven by three factors: **low fertility; ageing; and emigration,**

especially of young and skilled people. A recent study on ageing in the Western Balkans directly links demographic change with employment, productivity, fiscal balances and social expenditure. In other words, ageing is not only about pensions; it affects the entire growth model.

On growth: The Western Balkans are growing **but not yet transforming**. And without transformation, growth alone will not deliver convergence. Recent forecasts show the Western Balkans growing at around 3% annually. The World Bank projected growth of 3.1% in 2026 and 3.5% in 2027. That is not negligible. In today's European context, 3% growth is respectable. But for the Western Balkans, it is not enough. The problem is that much of the current growth is still driven by consumption, remittances, public investment and wage increases, rather than by a deep productivity leap. That means growth is relatively resilient, but not yet sufficiently transformative.

On productivity: Western Balkans labour productivity remains **at only around 40% of the EU average**. That means we are not only poorer because we earn less; we earn less because our economies still produce far less value per worker. There is also one paradox - the region still has unemployed people, but companies increasingly complain that they cannot find workers with the right skills. That means the issue is no longer only unemployment. It is employability, skills, mobility and productivity. The region cannot rely indefinitely on cheaper labour, remittances, public spending or construction-led expansion.

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That is why I think I am not exaggerating by calling these three a **"triangle of challenge"** which, if it remains untouched and unmet, could easily transform itself into the **"triangle of decline"**. But if we get the response right through regional economic integration, gradual access to the EU Single Market, better skills and stronger institutions, it can become a **"triangle of transformation"**.

I am sure no one wants to see decline happen, and that is why the Western Balkans **need a new growth model**. G**rowth based on productivity**. This means SMEs that digitalise and automate. Workers who reskill throughout life. Companies that move from simple assembly to European value chains. Borders/boundaries that stop acting as productivity taxes. Energy systems that reduce costs instead of exporting uncertainty. Railways and corridors that turn geography into competitiveness. Agriculture and tourism that sell value, not only volume.

This is where RCC and regional cooperation is useful: not by replacing governments, but by converting commitments into regional systems that businesses, workers and citizens can use. The good news is that despite these challenges, there is still strong momentum in the region. The public optimism is returning. Support for EU membership has increased significantly, rising by **10 percentage points to 64% -** according to the RCC-commissioned Balkan Barometer, the highest level recorded in recent years. At the same time, **nearly 8 out 10 citizens support regional cooperation**, and importantly, **64% believe that regional cooperation can directly improve their economic situation**.

This is a powerful message partly thanks to our efforts and results on establishing the Common Regional Market (CRM). We have received endorsements from all governments, financial support from the EU, and we have built a strong coalition of will. In practical terms, **CRM is productivity and growth policy**. It helps SMEs digitalise because it gives them a wider market. It helps reskilling because it allows skills to move. It helps nearshoring because it reduces the cost of regional fragmentation. It helps exporters because it shortens queues, simplifies procedures and aligns standards. And it helps investors because it turns the Western Balkans from a collection of small economies into a more credible regional value chain connected to the EU Single Market.

So, the way forward is clear and there is something I want to address here in particular!

There is one deficit we must face urgently. It is not a trade deficit or a budget deficit. It is a structural trust deficit: between political actors, between institutions and citizens, between governments and businesses, between commitments and implementation, and ultimately between the region and those who might want to invest in it. The region needs a trust and predictability package: stable rules, faster permits, stronger rule of law, transparent public procurement, better dispute resolution and serious implementation discipline. **Productivity does not grow in uncertainty**. Investors, workers and citizens need to believe that reforms will last.

Our attractiveness and credibility will depend on three things: deeper regional functionality, deeper entanglement with the European economic space, and a new seriousness about trust, proof, and delivery.

Because if we fail, we will remain discussed, but bypassed. But if we succeed, the Western Balkans can become more than a region waiting for Europe. It will cease to be a region defined by brain drain and become a region of brain regain, creating new opportunities for talent to return, invest, and lead.

And that is the real transformation: not only catching up statistically but rebuilding confidence that the future can be built here, in the region, with Europe, and for our citizens.