

# THE HIDDEN ECONOMY IS A WIDESPREAD PHENOMENON THROUGHOUT THE WESTERN BALKANS AND MANIFESTS ITSELF IN VARIOUS SECTORS.

## MOST AFFECTED SECTORS



## CORRUPTION

INSUFFICIENT INSPECTIONS AND AUDITS

LACK OF TRUST IN THE STATE



HIGH TAXATION AND PARA-FISCAL COSTS

## CAUSES OF INFORMALITY

RED-TAPE



LOW QUALITY OF EDUCATION AND HEALTHCARE SYSTEMS

LOW TAX MORALE



WEAK BUSINESS ENVIRONMENT AND POVERTY LEVELS

UNEMPLOYMENT

ACCORDING TO 45% OF THE BUSINESSES IN NORTH MACEDONIA AND 72% OF THOSE IN ALBANIA, CORRUPTION IS THE MOST IMPORTANT FACTOR FOR THE EXISTENCE OF THE HIDDEN ECONOMY. THE PERCEPTION THAT TAX AUTHORITIES AND THE PUBLIC SYSTEM ARE CORRUPT HAS CULTIVATED A HIGH TOLERANCE TOWARDS TAX AND SOCIAL SECURITY EVASION IN THE REGION.

COUNTRY-SPECIFIC SECTORS INCLUDE THE FOOTWEAR AND GARMENT INDUSTRY IN ALBANIA, AS WELL AS CALL CENTRES AND CONSTRUCTION WORKERS IN KOSOVO\*. IN MONTENEGRO, UNDER-REPORTING OF THE NUMBER OF EMPLOYEES AND ENVELOPE WAGES ARE WIDE-SPREAD, WHILE PRIVATE TUTORS AND UNREGISTERED TOURIST GUIDES ARE EVER MORE POPULAR IN BOSNIA AND HERZEGOVINA.

\* The designation "Kosovo" is without prejudice to positions on status, and is in line with UNSCR1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.