

The hidden economy in the Western Balkans in a time of crisis: friend or foe

2020-2022 Developments Related to the Key Factors Influencing Informality

Tax policy

Efforts to improve operational capacity of tax authorities, the introduction of e-services and computerisation of tax administrations have helped the fight against tax evasion and informal economy in all Western Balkan countries. **01**

As a response to the pandemic-induced economic recession, all WB6 countries have offered tax deferrals for SMEs. **02**

Updated VAT and tax policy of the countries from the region, aimed to tackle tax evasion and increase revenue mobilization. **03**

Labour and education policy

All of the countries from the region are working towards improving their labour laws, yet the legislative framework is only partially aligned with the EU acquis. **04**

According to the latest available PISA ranking, the WB6 have all achieved some progress in the field of education in recent years, which could potentially contribute to lower informality levels in the future. **05**

Health care

The COVID-19 pandemic has put the public health care systems in WB6 under a lot of pressure, exacerbating many of the already existing problems, despite material and financial help from the EU and the WHO. **06**

In many WB6 countries access to health care remains unequal, and many health care professionals are emigrating elsewhere from the region, causing a brain drain. **07**

The unsatisfactory state of the healthcare system continues to contribute to the low trust in the institutions and the quality of public services – and consequently leads to an increase in the informal economy. **08**



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