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WESTERN BALKANS ESG REPORT 2026

Readiness, Challenges and Priorities to 2030

Albania · Bosnia and Herzegovina · Kosovo · Montenegro · North Macedonia · Serbia

SKOPJE, 2026

WESTERN BALKANS ESG REPORT 2026

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SKOPJE, 2026

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Western Balkans ESG Report 2026

Readiness, Challenges and Priorities to 2030

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SKOPJE, 2026

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Executive Summary

Readiness, risks and priorities at a glance

IN THIS SECTION

- Regional Readiness and Performance
- Principal Risks
- Priorities to 2030

This report assesses environmental, social and governance readiness across Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. Readiness is examined through five interrelated dimensions: regulatory alignment; implementation and enforcement; corporate capacity; ESG data capacity; and access to transition finance. The evidence is current to September 2026, while each indicator is clearly identified by its applicable reference year. ESG can also be understood as an implementation and financing lens through which companies, financial institutions and public authorities contribute to sustainable-development outcomes. For the Western Balkans, the ESG agenda and the Sustainable Development Goals are not parallel tracks: ESG frameworks, reporting requirements, due-diligence expectations and sustainable-finance criteria create practical incentives to advance climate action, decent work, sustainable cities, water management, biodiversity conservation, resilient infrastructure, social inclusion and institutional effectiveness, the same outcomes that SDG frameworks track. Recognising this connection helps frame ESG implementation not only as a regulatory or compliance requirement, but also as a structured pathway towards the region's broader sustainable-development and EU-convergence objectives.

E

26–63%

Energy Community implementation range, 2025

E

0.17–0.39

Energy intensity, ktoe per €1 million of output, 2023

S

40.7–75.7%

Labour-force activity rate range, 2023

G

33–46

Corruption Perceptions Index scores, 2025

Regional Readiness and Performance

The central finding is that implementation – not policy intent – is the principal constraint on ESG readiness in the Western Balkans. Although all six economies have adopted strategic commitments and are progressively aligning their legislation with the EU acquis, their ability to translate these commitments into functioning institutions, enforceable rules and measurable results varies substantially. The Energy Community's comparable 2025 implementation scores range from 26% in Bosnia and Herzegovina to 63% in Serbia, illustrating the different speeds at which formal commitments are being converted into operational systems (Energy Community Secretariat, 2025).

> **The central finding is that implementation – not policy intent – is the principal constraint on ESG readiness in the Western Balkans.**

Environmental readiness is uneven both between and within economies. Renewable-energy implementation ranges from 31% to 80%, while implementation of emissions-trading-system monitoring, reporting, verification and accreditation requirements ranges from 0% to 88%. Energy intensity also varies considerably, from 0.17 to 0.39 ktoe per €1 million of output. These differences reflect not only the structure of national energy systems but also variations in regulatory capacity, investment readiness, infrastructure and the ability to implement environmental obligations consistently (Energy Community Secretariat, 2025).

Social conditions represent an equally important constraint on a credible and inclusive transition. In the latest fully comparable data series, for 2023, labour-force activity rates range from 40.7% to 75.7%, NEET rates from 12.4% to 33.4%, youth unemployment from 17.3% to 30.1%, and gender activity gaps from 10.7 to 33.6 percentage points. These disparities indicate that the region's transition capacity will depend not only on investment and regulation, but also on labour-force participation, skills development, occupational safety and the inclusion of women and young people in emerging economic opportunities (World Bank, 2025a).

Governance weaknesses amplify environmental, social and financial risks. Corruption Perceptions Index scores for 2025 range from 33 to 46. World Bank governance scores for 2024 range from 39.0 to 58.5 for government effectiveness and from 51.5 to 60.1 for rule of law. Because these indicators measure different governance concepts and include uncertainty intervals, small differences between economies should not be over-interpreted. Taken together, however, they demonstrate the continuing importance of regulatory credibility, judicial effectiveness, procurement

integrity, transparent ownership structures and accountable management of state-owned enterprises (Transparency International, 2026; World Bank, 2025b).

Corporate and financing readiness remain divided by firm size, ownership and execution capacity. Large exporters, financial institutions and foreign-owned companies are increasingly exposed to direct ESG requirements through EU market access, supply-chain expectations and financing conditions. By contrast, many SMEs lack reliable data systems, specialist staff and the financial capacity needed to respond to complex reporting and due-diligence demands. Although substantial EU and international financial institution funding is available, effective access depends on the preparation of mature projects, credible safeguards, transparent procurement, adequate co-financing, implementation capacity and the verification of results.

Principal Risks

The most significant regional risk is the persistent gap between the adoption of laws and their effective implementation. Secondary legislation, independent regulators, inspection services, registries, judicial enforcement and budget execution frequently remain weaker than the formal policy framework. This implementation gap creates uncertainty for companies and investors and reduces the credibility of reported progress.

The region also faces substantial carbon, pollution and physical-climate exposure. These risks include the potential cost of the EU Carbon Border Adjustment Mechanism for covered exports, the financial and social consequences of continued dependence on coal, and growing exposure to extreme weather and other climate-related disruptions. Labour-force shortages, low participation, gender exclusion, youth disengagement and uneven enforcement of occupational-safety standards may further constrain the capacity to deliver a just transition.

Governance deficiencies in public procurement, state-owned enterprises, judicial systems and integrity frameworks increase the likelihood of project delays, resource leakage, higher financing costs and public distrust in reported outcomes. These weaknesses are compounded by fragmented ESG questionnaires, inconsistent public and corporate data, and project-delivery arrangements that often depend on temporary donor-supported systems without creating durable domestic institutional capacity.

Priorities to 2030

The region should establish a government-owned ESG-acquis implementation map and update the comparative ESG dashboard annually, maintaining consistent indicator definitions while clearly identifying reference years and source revisions. This should be supported by a trusted regional and national data layer covering energy, emissions, pollution, labour, ownership, procurement and project results. Responsibilities for producing and validating each dataset should be clearly assigned, with independent verification introduced progressively in proportion to risk and institutional capacity.

A common and proportionate SME reporting baseline should also be developed in alignment with the EU voluntary sustainability reporting standard. Its acceptance by public authorities, banks, chambers of commerce and major buyers would reduce duplicated information requests and allow SMEs to build reporting capacity gradually. At the same time, governments should convert transition priorities into credible and bankable project pipelines. Permits, land arrangements, safeguards, procurement plans, maintenance capacity and just-transition measures should be prepared before financing approval rather than addressed only during implementation.

International financial institutions and development partners have a central role in enabling this transition. They should harmonise information requirements, finance project preparation, strengthen and use country systems where appropriate, develop domestic assurance and verification capacity, and ensure that projects include credible plans for institutional sustainability after external support ends. Coordinated action across governments, businesses, financial institutions and development partners would allow ESG requirements to become a practical framework for competitiveness, resilience and convergence with the European Union rather than an additional layer of administrative compliance.

01

Introduction

Why ESG matters for the Western Balkans, and how this report measures readiness

IN THIS SECTION

1.1 Methodology and Analytical Framework

1.2 Why ESG Matters for Economies and Companies

1.3 ESG, Economic Growth and Financial Stability

1.4 ESG and Investment Attraction

Environmental, Social and Governance (ESG) considerations are no longer a niche topic reserved for policy documents or sustainability reports. Across Europe and increasingly worldwide, ESG has become a practical framework shaping regulation, investment flows, access to finance and long-term competitiveness. For the Western Balkans, ESG is moving from a "nice to have" to a real necessity, driven by the EU accession process, rising sustainability requirements in European supply chains and the growing influence of international financial institutions in the region's development.

Over the past decade, the Western Balkans have made noticeable progress. Governments have adopted climate and environmental commitments in line with the European Green Deal and the Green Agenda for the Western Balkans. Regulatory reforms are underway in areas such as renewable energy, waste management, corporate governance and labor standards. Many companies especially larger firms and exporters are becoming more aware of ESG expectations and some have started to reflect sustainability considerations in their strategies and day-to-day operations. Financial institutions, too, are gradually factoring ESG risks into lending decisions, often encouraged by EU regulations and development partners.

Still, ESG adoption across the region remains uneven. Institutional capacity is limited in many areas, policies are not always implemented consistently and reliable ESG data are often scarce. Small and medium-sized enterprises in particular tend to struggle with ESG requirements, given limited resources and know-how. While environmental performance has improved in certain sectors, most notably renewable energy continued dependence on coal and carbon-intensive industries leaves several economies vulnerable to upcoming EU measures such as the Carbon Border Adjustment Mechanism (CBAM). At the same time, social challenges persist, including labor shortages, demographic decline and skills mismatches, while governance weaknesses continue to affect investor confidence and the effectiveness of reform efforts.

International financial institutions play a key role in advancing ESG in the Western Balkans. Institutions such as the European Investment Bank, the European Bank for Reconstruction and Development, the World Bank, the International Finance Corporation and the Council of Europe Development Bank provide not only financing, but also technical assistance and policy guidance that shape how ESG is applied in practice. In parallel, EU instruments including IPA III, the Western Balkans Investment Framework and the EU Growth Plan for the Western Balkans offer substantial opportunities to accelerate reform, provided that governments and businesses are ready to use this support effectively.

Looking ahead, ESG represents both a challenge and an opportunity for the region. Insufficient alignment with evolving EU sustainability standards could limit market access, increase financing costs and weaken competitiveness. On the other hand, a more proactive and practical approach to ESG can support economic modernization, attract higher-quality investment, strengthen resilience to environmental and governance risks and help speed up convergence with the European Union.

This report argues that ESG should be seen as a tool for strategic transformation rather than a box-ticking exercise. Policymakers need to focus on clearer and more coherent regulation, stronger institutions, better data and incentives that encourage private-sector engagement. Businesses, in turn, should move beyond isolated sustainability initiatives and integrate ESG into core strategy, governance and risk management. If approached realistically and supported by international partners, ESG can become an important driver of sustainable growth and long-term competitiveness in the Western Balkans.

> **This report argues that ESG should be seen as a tool for strategic transformation rather than a box-ticking exercise.**

1.1 Methodology and Analytical Framework

Scope and cut-off. The report covers the six Western Balkan economies and uses information available up to 5 September 2026. It draws first on EU primary law and official Commission material, Energy Community reporting, European Commission country reports, World Bank datasets and analytical reports, Transparency International's primary CPI dataset, national authorities, and published material from international financial institutions. Secondary evidence is used only when it adds company-level context that is not available in a comparable official series.

Definition of ESG readiness. Readiness means the capacity to translate sustainability expectations into lawful, measurable and financeable action. The assessment uses five dimensions consistently: (1) regulatory alignment; (2) implementation and enforcement; (3) corporate capacity; (4) ESG data capacity; and (5) access to transition finance. These dimensions are analytical lenses, not scores, and each country snapshot follows the same evidence template.

Indicator selection. The comparative dashboard prioritises indicators that are policy-relevant, available for all six economies, published by an official or authoritative institution, sufficiently transparent in definition, and capable of being repeated in future annual reports. It includes four environmental, five social and three governance indicators. Occupational safety, public-procurement, judicial and state-owned-enterprise indicators remain in the monitoring register but are not quantified in the dashboard because fully harmonised six-economy series were not available at the cut-off.

Reference years and comparability. The latest common year differs by dataset: 2025 for Energy Community implementation and CPI, 2024 for the Worldwide Governance Indicators, and 2023 for the fully comparable labour-market and energy-intensity series. No later national value is substituted into a regional table where doing so would break comparability. Units, age groups and direction of improvement are stated explicitly, and source revisions should be carried into subsequent editions.

No synthetic ESG index. The indicators measure different constructs, use different scales and contain different uncertainty and reporting limitations. Aggregating them would create arbitrary weights and false precision. The dashboard therefore presents actual values and within-indicator colour shading only. It supports diagnosis; it does not rank overall ESG performance.

Limitations. Energy Community percentages assess of specific energy and climate directives (including on environmental impact assessment, sulphur in liquid fuels, large combustion plants, industrial emissions and environmental liability) rather than environmental outcomes across all Chapter 27 directives; air quality, water and wastewater, and waste frameworks are not covered by the EnC implementation scores used here. CPI measures perceived public-sector corruption. WGI estimates include uncertainty intervals. Labour-force indicators do not capture all dimensions of job quality, informality or safety. Company evidence is less standardised than public data, and financing envelopes do not demonstrate project absorption or impact. Findings should therefore be read with country and sector evidence, not as transaction-level legal, credit or investment advice.

1.2 Why ESG Matters for Economies and Companies

Environmental, Social and Governance (ESG) principles have become an important way of thinking about economic risk, investment choices and how companies are run. What started in the early 2000s as a mostly voluntary idea has gradually moved into the mainstream. Today, ESG is embedded in regulation, financial markets and corporate governance standards particularly in the European Union making it increasingly relevant for both policymakers and businesses.

For the Western Balkans, ESG matters for three main reasons:

First, ESG is becoming a key factor in access to markets, especially the EU market. European companies now face strict sustainability reporting and due-diligence requirements and these obligations are increasingly passed down through their supply chains. As a result, Western Balkan firms that cannot show a basic level of ESG compliance risk losing contracts, partnerships, or access to important customers.

Second, ESG has a growing influence on access to finance and the cost of capital. Banks, investors and development institutions are paying closer attention to ESG risks when making lending and investment decisions. Companies or projects with weak environmental performance, poor governance, or unresolved social issues may face higher borrowing costs or find it harder to secure financing at all.

Third, ESG is closely connected to long-term competitiveness and economic resilience. Firms and economies that manage environmental risks, invest in skills and human capital and improve governance are generally better prepared to deal with external shocks whether these come from climate change, new regulations, or shifts in global markets.

It is also important to distinguish ESG from traditional corporate social responsibility (CSR). CSR has often focused on voluntary or one-off initiatives, sometimes

disconnected from core business decisions. ESG, by contrast, is increasingly linked to measurable performance, transparency and accountability. In practice, this means integrating sustainability into strategy, governance and risk management, rather than treating it as a purely reputational exercise. The evidence is summarized in Table 1.

TABLE 1

How ESG conditions affect Western Balkan economies and companies

Driver	Operational requirement	Transmission channel	Economic or company consequence
EU market access	Product emissions, supply-chain evidence and conformity	Eligibility, CBAM cost and buyer screening	Export margin, contract retention and investment in abatement
Banks and investors	Material risk data, safeguards and governance	Credit pricing, tenor, covenants and capital allocation	Financing cost, project design and access to long-term capital
Physical climate risk	Asset-level vulnerability and adaptation plans	Damage, downtime, insurance and fiscal exposure	Resilience of infrastructure, firms and public budgets
Labour and communities	Safe work, skills, participation and remedy	Productivity, retention and project acceptance	Output, inclusion and social licence to operate
Integrity and institutions	Transparent procurement, ownership and enforcement	Execution risk, leakage and investor confidence	Value for money, competition and reform credibility

SOURCE Strategers analysis based on the regulatory and institutional evidence referenced in Chapters 2–5.

1.3 ESG, Economic Growth and Financial Stability

The relationship between ESG and economic performance is neither automatic nor uniform. It operates through energy and resource efficiency, workforce productivity, risk control, cost of capital and the credibility of institutions. The World Bank's Spring 2026 baseline projects Western Balkan growth of 2.8% in 2026 and 3.2% in 2027, while identifying labour supply, productivity and policy stability as material constraints (World Bank, 2026).

At the macroeconomic level, environmental investment can reduce exposure to imported fuel, pollution and physical climate damage; social policy can widen participation and address skills scarcity; and governance reform can reduce leakage and execution risk. The World Bank estimates that a regional climate-adaptation package of about US$37 billion over a decade could generate roughly US$4 in benefits for each dollar invested, provided projects are prioritised, maintained and transparently procured (World Bank, 2024).

Financial stability is part of the ESG transmission mechanism. Physical hazards can impair collateral and infrastructure; transition measures can reprice energy-intensive assets; environmental liabilities can interrupt operations; and governance failures can increase credit and legal risk. Banks and supervisors therefore need sector-specific exposure data, disciplined scenario analysis and clear treatment of estimates rather than a single undifferentiated ESG score.

1.4 ESG and Investment Attraction

Investment decisions are increasingly influenced by climate alignment, labour and community safeguards, procurement integrity and the reliability of disclosures. Although market-labelled ESG flows fluctuate, EU instruments and international financial institutions continue to prioritise operations that can demonstrate additionality, environmental and social safeguards and measurable transition outcomes.

For the Western Balkans, ESG alignment is increasingly a condition for higher-quality investment rather than investment at any cost. Renewable generation, grids and storage, building renovation, clean transport, resilient water systems, circular production and

workforce development are all investable themes; unresolved land, labour, pollution or integrity risks can delay approval, increase cost or prevent financing.

Transparent reporting reduces information asymmetry only when it is supported by controls and evidence. Comparable boundaries, metered energy and emissions, workforce records, grievance mechanisms, ownership disclosure and board oversight matter more than the volume of narrative.

02

EU and Global ESG Regulatory Landscape

The frameworks shaping requirements for companies and economies in the region

IN THIS SECTION

2.1 EU ESG Frameworks with Direct and Indirect Impact

2.2 Global ESG Standards and Frameworks

2.1 EU ESG Frameworks with Direct and Indirect Impact

The European Union has developed the regulatory framework with the most direct spillover into the Western Balkans. The six economies are not EU Member States, but EU rules already affect them through exports, EU-owned groups, bank policies, public procurement, accession alignment and international-financial-institution requirements. Legal scope and commercial expectation must be distinguished: a firm can be outside a directive and still be asked for credible data by a customer or lender.

The European Green Deal and the European Climate Law set the Union's climate-neutrality objective for 2050 and a net domestic greenhouse-gas reduction target of at least 55% by 2030 compared with 1990. For accession economies, the Green Agenda for the Western Balkans translates this direction into decarbonisation, circular economy, pollution control, sustainable food systems and biodiversity priorities (European Commission, 2019) (European Commission, 2020).

The EU Taxonomy classifies environmentally sustainable economic activities against technical criteria and minimum safeguards. It does not generally impose a stand-alone obligation on a Western Balkan company, but it shapes project appraisal, green-bond frameworks, bank products and the evidence required by EU-linked investors. Taxonomy alignment should never be inferred from a sector label alone; substantial contribution, do-no-significant-harm criteria and minimum safeguards must be tested.

Directive (EU) 2026/470 entered into force on 18 March 2026 and reset the CSRD perimeter. For financial years beginning on or after 1 January 2027, an undertaking is in the principal reporting scope only if it exceeds both €450 million net turnover and an average of 1,000 employees, with equivalent consolidated tests for groups. The third-country regime requires more than €450 million EU turnover in each of the previous two years plus a qualifying EU subsidiary or branch above €200 million turnover (European Union, 2026).

The same Directive narrowed CSDDD to EU companies exceeding 5,000 employees and €1.5 billion worldwide turnover and to non-EU companies exceeding €1.5 billion EU turnover. Member States must transpose the amended due-diligence rules by 26 July 2028 and apply them from 26 July 2029; the specified reporting obligation applies for financial years beginning on or after 1 January 2030. The Directive removed the CSDDD climate-transition-plan obligation but retained risk-based human-rights and environmental due diligence for companies in scope (European Union, 2026).

On 3 July 2026, the Commission adopted revised ESRS and a voluntary standard for smaller companies. It reported reductions of more than 60% in mandatory datapoints and more than 70% in total datapoints, together with a value-chain cap. At the 5 September 2026 cut-off, the Commission's official page still described application as contingent on completion of the European Parliament and Council scrutiny period; users should rely on the eventual Official Journal act for legal application (European Commission, 2026b).

The final 2026 Omnibus position also creates a value-chain cap for CSRD reporting. A covered reporter may not require a protected value-chain company to provide sustainability information beyond the EU voluntary standard for smaller undertakings. The cap does not displace legitimate requests needed for product compliance, CBAM, credit assessment, contractual safeguards or risk-based due diligence (European Commission, 2026b) (European Union, 2026).

For Western Balkan companies, the legal and commercial tests must therefore be separated. Few firms are likely to enter the narrowed directives directly, but EU parents, buyers, lenders and IFIs may still require material operational data. The proportionate response is a controlled baseline covering energy, emissions, workforce, ownership, integrity and material supplier risks, supported by documented boundaries, estimates, evidence and verification where risk warrants it.

CBAM's definitive regime applies from 1 January 2026. It covers specified cement, iron and steel, aluminium, fertiliser, electricity and hydrogen goods and certain precursors and downstream products. EU importers or indirect customs representatives must obtain authorised-declarant status, report verified embedded emissions and surrender certificates. The 50-tonne single-mass threshold exempts small consignments for most covered goods but does not apply to electricity or hydrogen, and is assessed cumulatively per importer per calendar year — not per shipment. CBAM certificate sales open on 1 February 2027; the first declaration and surrender deadline for 2026 imports is

30 September 2027. Embedded-emissions calculations under CBAM use product-level methodologies that differ from national GHG inventory accounting; companies should not assume that national inventory data translates directly into CBAM compliance figures. Western Balkan installations are normally data providers rather than declarants, but plant- and product-level emissions directly affect importer cost and exporter competitiveness (European Commission, 2026a).

The instruments should be read together with national transposition and sector-specific rules; this report is not a substitute for transaction-level legal advice. The evidence is summarized in Table 2.

TABLE 2

EU regulatory framework and relevance to the Western Balkans (September 2026)

Framework	Current EU status	Principal direct scope	Western Balkan transmission channel
European Green Deal / Climate Law	Climate-neutrality direction; at least 55% net reduction by 2030	EU policy and legislation	Accession alignment, energy and industrial policy, finance criteria
EU Taxonomy	Technical classification system in force	Covered EU disclosures and financial products	IFI/bank appraisal, green finance and investor definitions
CSRD after Directive (EU) 2026/470	New principal threshold from FY2027: >€450m turnover and >1,000 employees	Qualifying EU undertakings/groups; narrowed third-country regime	EU group subsidiaries, customers and value-chain information requests
Revised ESRS / voluntary standard	Commission adopted 3 July 2026; application follows scrutiny and legal publication	CSRD reporters; voluntary reference for smaller firms	Proportionate supplier/lender baseline and value-chain cap
CSDDD after Directive (EU) 2026/470	Transposition by 26 July 2028; application from 26 July 2029	Largest EU/non-EU groups above amended thresholds	Risk-based requests to material business partners and remedy expectations
CBAM definitive regime	Applicable from 1 January 2026; 50-tonne threshold per importer/year (not electricity or hydrogen); certificate sales: 1 Feb 2027; first surrender: 30 Sep 2027	EU importers/indirect customs representatives	Verified product emissions and carbon-price evidence; CBAM emissions methodology ≠ national GHG inventory

SOURCE Strategers synthesis of EU primary law and Commission guidance (European Union, 2026) (European Commission, 2026b) (European Commission, 2026a).

2.2 Global ESG Standards and Frameworks

Global standards remain relevant because they shape investor, lender and project requirements even when they are not transposed into domestic law. The UN Sustainable Development Goals provide a policy framework; they are not a company-level reporting standard and should not be used as a substitute for materiality or performance evidence (United Nations, 2015).

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct were updated in 2023. Together with the OECD's due-diligence guidance, they set expectations on disclosure, human rights, employment, environment, bribery, consumer interests, science and technology, competition and taxation. National Contact Point procedures can also create reputational and remedy consequences (Organisation for Economic Co-operation and Development, 2023).

IFRS S1 and IFRS S2 provide an investor-focused global baseline for sustainability-related financial information and climate disclosures. GRI's Universal Standards remain impact-oriented. Companies should select frameworks according to the information needs of users and avoid presenting partially aligned reporting as full compliance (IFRS Foundation, 2023) (Global Reporting Initiative, 2021).

The World Bank Environmental and Social Framework and IFC Performance Standards are binding through financing agreements for covered projects and clients. They address environmental and social assessment, labour, resource efficiency, community health and safety, land acquisition, biodiversity, Indigenous Peoples, cultural heritage and stakeholder engagement. In the Western Balkans, these contractual standards often shape project design before comparable national systems are fully operational (World Bank, 2017); (International Finance Corporation, 2012).

03

ESG in the Western Balkans: State of Play

Regional readiness, pillar performance and six country snapshots

IN THIS SECTION

3.1 Regional ESG Readiness – Overall Picture

3.2 ESG Performance by Pillar: Environmental, Social and Governance

3.3 Country Snapshots

3.4 Where the Region Stands

3.1 Regional ESG Readiness – Overall Picture

Across the Western Balkans, ESG has moved into public policy, banking, export management and major investment projects, but maturity differs sharply by economy, sector and company size. The 2025 Energy Community scores – Serbia 63%, Montenegro 53%, North Macedonia 53%, Albania 50%, Kosovo 46% and Bosnia and Herzegovina 26% – show that legal and institutional implementation is not converging at one speed (Energy Community Secretariat, 2025). All six governments have commitments linked to the Green Agenda for the Western Balkans and the Energy Community acquis. Yet strategies and legislation do not establish readiness on their own. Secondary rules, regulators, inspectors, registries, courts, budget execution and public reporting determine whether formal alignment changes outcomes (European Commission, 2020) (Energy Community Secretariat, 2025).

The private-sector pattern is equally uneven. Exporters, utilities, banks and foreign-owned firms encounter ESG requirements through customers, group policies and lenders, while smaller firms often lack metering, staff, verified inventories and clarity on which requests are proportionate. The policy response should lower the cost of reliable baseline data rather than replicate the full systems of the largest EU reporters. International financial institutions and EU instruments remain the strongest practical transmission channel. Their safeguards, procurement rules, transition criteria and technical assistance can improve standards, but project-by-project compliance does not automatically build a national system. Domestic institutions must retain data, staff and enforcement capacity after external support ends. Overall, the Western Balkans are ESG-aware but not fully ESG-ready. The macroeconomic context reinforces the urgency: regional growth is projected at 2.8% in 2026 and 3.2% in 2027, while labour supply, productivity and policy uncertainty constrain convergence (World Bank, 2026).

3.2 ESG Performance by Pillar: Environmental, Social and Governance

Environmental performance. The region does not form a single environmental cluster. In the Energy Community's 2025 assessment, overall implementation ranges from 26% to 63%, renewable-energy implementation from 31% to 80%, and ETS monitoring, reporting, verification and accreditation implementation from 0% to 88%. Energy intensity in 2023 ranges from 0.17 to 0.39 ktoe per €1 million. These measures show regulatory progress and structural exposure; they do not by themselves measure emissions, air quality or biodiversity outcomes. ETS MRVA implementation tracks domestic readiness for monitoring, reporting, verification and accreditation, which is an important prerequisite for participation in an emissions-trading system. It should not, however, be interpreted as participation in the EU ETS itself. Linking a third-country emissions-trading system with the EU ETS and providing for mutual recognition of allowances would require an agreement under Article 25 of the EU ETS Directive (Energy Community Secretariat, 2025; European Parliament and Council, 2003).

Social performance. Comparable 2023 labour-force data show large differences in the economic base from which a just transition must be financed. Activity ranges from 40.7% to 75.7%, employment from 36.3% to 67.2%, youth unemployment from 17.3% to 30.1%, NEET from 12.4% to 33.4%, and the male–female activity gap from 10.7 to 33.6 percentage points. NEET and gender participation identify inclusion risks that headline unemployment alone can miss (World Bank, 2025a).

Governance performance. CPI 2025 scores range from 33 to 46, below the Western Europe/EU average of 64. The World Bank's 2024 governance scores add government effectiveness and rule of law, reducing dependence on a single perception measure. Procurement integrity, judicial performance and state-owned-enterprise governance remain essential country-level tests, but the report does not convert qualitative accession assessments into invented numeric scores (Transparency International, 2026; World Bank, 2025b).

Table 3 defines the indicator architecture used in Figure 1. The dashboard reports twelve observed measures for all six economies, with the reference

year and favourable direction shown for each column.
It does not calculate an overall ESG score.

TABLE 3

Indicator architecture for the comparative ESG dashboard

Pillar	Indicator	Measure / year	Direction	Primary source
E	Energy-acquis implementation	% / 2025	↑ Higher	Energy Community
E	Renewable-energy acquis implementation	% / 2025	↑ Higher	Energy Community
E	ETS MRVA implementation	% / 2025	↑ Higher	Energy Community
E	Energy intensity	ktoe per €1m / 2023	↓ Lower	Energy Community / Eurostat
S	Labour-force activity, ages 15–64	% / 2023	↑ Higher	World Bank / SEE Jobs Gateway
S	Employment, ages 15–64	% / 2023	↑ Higher	World Bank / SEE Jobs Gateway
S	Gender activity gap, ages 15–64	percentage points / 2023	↓ Lower	World Bank / SEE Jobs Gateway
S	Youth unemployment, ages 15–24	% / 2023	↓ Lower	World Bank / SEE Jobs Gateway
S	NEET, ages 15–24	% / 2023	↓ Lower	World Bank / SEE Jobs Gateway
G	Corruption Perceptions Index	0–100 / 2025	↑ Higher	Transparency International
G	Government effectiveness	WGI 0–100 / 2024	↑ Higher	World Bank WGI
G	Rule of law	WGI 0–100 / 2024	↑ Higher	World Bank WGI

SOURCE Strategers methodology based on Energy Community Secretariat (2025), World Bank (2025a), World Bank (2025b) and Transparency International (2026).

FIGURE 1

Comparative ESG dashboard for the six Western Balkan economies

E Environmental implementation and exposure

	EnC implementation 2025, % ↑	Renewable-energy acquis implementation 2025, % ↑	ETS MRVA 2025, % ↑	Energy intensity 2023, ktoe/€m ↓
Albania	50	66	28	0.17
Bosnia and Herzegovina	26	31	0	0.39
Kosovo	46	58	6	0.37
Montenegro	53	55	49	0.25
North Macedonia	53	51	0	0.29
Serbia	63	80	88	0.37

S Participation, employment and inclusion 2023, ages 15–64 unless stated

	Activity rate % ↑	Employment rate % ↑	Gender activity gap pp ↓	Youth unemployment 15–24, % ↓	NEET 15–24, % ↓
Albania	75.7	67.2	12.4	25.6	22.6
Bosnia and Herzegovina	59.8	51.8	25.3	30.1	16.5
Kosovo	40.7	36.3	33.6	17.3	33.4
Montenegro	71.7	62.1	10.7	23.3	17.3
North Macedonia	65.4	56.8	21.3	29.3	18.7
Serbia	71.7	64.7	12.2	25.0	12.4

G Public-sector integrity and institutional quality

	CPI 2025, 0–100 ↑	WGI government effectiveness 2024 ↑	WGI rule of law 2024 ↑
Albania	39	57.4	54.9
Bosnia and Herzegovina	34	39.0	51.5
Kosovo	42	50.1	57.9
Montenegro	46	58.5	60.1
North Macedonia	40	50.7	53.1
Serbia	33	53.3	53.5

Less favourable — More favourable

↑ higher is better · ↓ lower is better · shading is relative within each indicator; no composite ESG score is calculated

SOURCE Strategers visualisation using Energy Community Secretariat (2025), World Bank (2025a), World Bank (2025b) and Transparency International (2026). Shading is relative within each indicator and is not a composite ESG ranking.

3.3 Country Snapshots

TABLE 4

Western Balkan country snapshot at the 2026 report cut-off

Economy	EnC 2025	CPI 2025	Material exposure	Immediate priority
Albania	50%	39	Hydropower variability; waste, water and biodiversity enforcement	Diversify generation, strengthen environmental enforcement and transparent permitting
Bosnia and Herzegovina	26%	34	Coal, institutional fragmentation and delayed national frameworks	State-wide coordination, MRV/carbon pricing and integrity controls
Kosovo	46%	43	Ageing lignite assets, system flexibility and participation gaps	Grid, storage, renewables, pollution control and a just transition
Montenegro	53%	46	Coal transition, hydropower, tourism, waste and coastal resilience	Credible coal sequence, climate law implementation and municipal services
North Macedonia	53%	40	Coal transition, air pollution, skills and data capacity	Clean-air delivery, grid/renewables and proportionate company support
Serbia	63%	33	Largest industrial/CBAM exposure and governance constraints	Verified emissions, industrial decarbonisation, procurement and oversight

SOURCE Energy Community Secretariat (2025), Transparency International (2026) and European Commission 2025 country reports. Scores are not an overall ESG ranking (Energy Community Secretariat, 2025) (Transparency International, 2026).

3.3.1 Albania

50%	39	75.7%	0.17
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. Albania records 50% for overall Energy Community implementation, 66% for renewable-energy implementation and 28% for ETS MRVA implementation. Its 2023 energy intensity of 0.17 ktoe per €1 million is the lowest of the six. Hydropower supports a low-carbon electricity profile but also creates hydrological and system-flexibility risk (Energy Community Secretariat, 2025).

Social performance. The 2023 activity rate is 75.7% and employment rate 67.2%, both the highest in the six-economy comparison. Youth unemployment remains 25.6%, NEET 22.6%, and the gender activity gap 12.4 percentage points, indicating that stronger headline participation does not remove youth inclusion and skills challenges (World Bank, 2025a).

Governance performance. CPI 2025 is 39. The 2024 WGI scores are 57.4 for government effectiveness and 54.9 for rule of law. The combination suggests administrative capacity in parts of the state but continuing integrity, enforcement, procurement and judicial risks that require transaction-level controls (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. EU accession remains the main driver. Priority gaps concern waste, water, nature protection, permitting, environmental monitoring and implementation capacity. The Commission's 2025 assessment should be read alongside sector regulators and the Energy Community results (European Commission, 2025a).

Corporate readiness. Banks, multinational companies and firms in finance, telecommunications, energy and extractive sectors are the principal transmission channels. Many SMEs remain outside structured ESG systems and need a proportionate baseline rather than duplicated buyer and lender questionnaires.

Financing and project pipeline. The Bank of Albania presented a first draft Green Taxonomy in April 2026 with EIB support. Finalisation, consistent eligibility criteria and bank-level client data could improve the link between sustainable-finance products and investable projects (Bank of Albania, 2026).

Principal risks. (1) Hydrological variability and insufficient diversification, storage and grid resilience. (2) Waste, water, biodiversity and industrial-enforcement gaps. (3) Uneven SME preparedness and weak evidence behind green claims or financing eligibility.

Priorities through 2030. (1) Diversify renewable generation and strengthen grids, storage and climate resilience. (2) Complete and operationalise the Green Taxonomy with consistent data and verification rules. (3) Improve permitting, environmental enforcement and procurement transparency while supporting SMEs.

3.3.2 Bosnia and Herzegovina

26%	34	59.8%	0.39
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. Bosnia and Herzegovina records the lowest 2025 implementation results: 26% overall, 31% for renewable energy and 0% for ETS MRVA. Energy intensity is the highest in the group at 0.39 ktoe per €1 million in 2023. Coal, air pollution, waste and fragmented environmental governance reinforce one another (Energy Community Secretariat, 2025).

Social performance. The 2023 activity rate is 59.8%, employment 51.8%, youth unemployment 30.1%, NEET 16.5% and the gender activity gap 25.3 percentage points. High youth unemployment and low female participation magnify the social and fiscal difficulty of industrial and energy transition (World Bank, 2025a).

Governance performance. CPI 2025 is 34. WGI 2024 scores are 39.0 for government effectiveness, the lowest in the group, and 51.5 for rule of law. Fragmented competencies, procurement, oversight, judicial execution and accountability materially affect project delivery and investor confidence (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. Multiple levels of authority and separate legal and administrative systems delay state-wide energy, climate, data and market frameworks. Entity-level initiatives cannot substitute for interoperable systems and clear allocation of responsibilities. The Commission's 2025 report documents the wider accession context (European Commission, 2025b).

Corporate readiness. Exporters, banks and a limited number of larger firms are responding to EU and IFI requirements. Most SMEs face fragmented rules, limited expertise and weak incentives for structured reporting. Consistent national or interoperable entity-level baselines are not yet established.

Financing and project pipeline. IFI and donor support remains essential for energy, transport, pollution control, municipal services and private-sector efficiency. The critical issue is to prepare cross-jurisdictional projects, use transparent procurement and ensure that externally financed systems can be operated and maintained domestically.

Principal risks. (1) Institutional fragmentation and delayed energy, climate and carbon-market frameworks. (2) Coal, pollution and high energy intensity without a credible just-transition sequence. (3) Weak government effectiveness, procurement integrity and domestic implementation capacity.

Priorities through 2030. (1) Establish interoperable state-wide rules, data and MRVA/carbon-policy arrangements. (2) Prepare coal-region, pollution-control and energy investments with worker and community plans. (3) Tie external finance to domestic staffing, transparent procurement, maintenance and public reporting.

3.3.3 Kosovo

46%	42	40.7%	0.37
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. Kosovo records 46% for overall Energy Community implementation, 58% for renewable-energy implementation and 6% for ETS MRVA implementation. Energy intensity is 0.37 ktoe

per €1 million in 2023. Ageing lignite assets, limited flexibility, air pollution and incomplete emissions systems define the transition challenge (Energy Community Secretariat, 2025).

Social performance. The 2023 activity rate is 40.7% and employment 36.3%, both the lowest in the group. Youth unemployment is 17.3%, but NEET is 33.4% and the gender activity gap 33.6 percentage points, the highest values in the comparison. Participation and skills are therefore core ESG constraints (World Bank, 2025a).

Governance performance. CPI 2025 is 42. WGI 2024 scores are 50.1 for government effectiveness and 57.9 for rule of law. Institutional coordination, technical staffing, procurement, enforcement and reliable public data remain the mechanisms through which formal alignment must become operational performance (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. The Energy Strategy 2022–2031, climate strategy and 2024 climate law provide direction, but the National Energy and Climate Plan, MRVA, carbon-pricing preparation, secondary rules and enforcement need completion. The Commission's 2025 report provides the latest broad assessment (European Commission, 2025c).

Corporate readiness. ESG adoption is incipient and concentrated among banks, larger firms and companies exposed to international customers or finance. Smaller businesses commonly lack staff, data systems and familiarity with emissions, labour, supplier and governance indicators.

Financing and project pipeline. Grid reinforcement, storage, renewable auctions, efficient buildings, district heating, pollution control and worker skills are priority opportunities. Projects should combine investment with land and permit readiness, social safeguards, procurement integrity and durable local operating capacity.

Principal risks. (1) Lignite dependence, ageing assets, pollution and inadequate grid flexibility. (2) Very low participation, a wide gender gap and high NEET rate. (3) Weak data, MRVA, institutional coordination and SME implementation capacity.

Priorities through 2030. (1) Deliver grids, storage, renewable capacity and a sequenced lignite/clean-heating transition. (2) Integrate women, youth, skills, safety and affordability into transition investments. (3) Complete regulatory systems and build domestic project-preparation, verification and SME support capacity.

3.3.4 Montenegro

53%	46	71.7%	0.25
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. Montenegro records 53% for overall Energy Community implementation, 55% for renewable-energy implementation and 49% for ETS MRVA implementation. Its 2023 energy intensity is 0.25 ktoe per €1 million. The transition must reconcile the Pljevlja coal complex, hydropower, new renewables, tourism, waste and coastal resilience (Energy Community Secretariat, 2025). Montenegro is the only Western Balkan economy that has established an actual domestic emissions-trading system, introduced under its Climate Law; the system remains simple in structure but represents a meaningful step toward carbon pricing in the region.

Social performance. The 2023 activity rate is 71.7%, employment 62.1%, youth unemployment 23.3%, NEET 17.3% and the gender activity gap 10.7 percentage points, the narrowest in the comparison. A just transition still requires worker redeployment, affordable energy and resilient services in affected municipalities (World Bank, 2025a).

Governance performance. CPI 2025 is 46, the highest among the six but below 50 and the Western Europe/EU average. WGI 2024 scores are 58.5 for government effectiveness and 60.1 for rule of law. Political stability, administrative continuity, procurement and enforcement remain important credibility tests (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. EU accession provides a strong alignment incentive. Implementation priorities include the coal-transition sequence, climate and energy legislation, waste and municipal services, environmental inspection and administrative coordination. The European Commission's 2025 report remains the latest comprehensive accession assessment (European Commission, 2025d).

Corporate readiness. ESG awareness is increasing among banks, tourism businesses, utilities and internationally connected firms. Uptake remains less

structured among smaller companies, which need common metrics, climate-risk guidance and finance linked to feasible investment plans.

Financing and project pipeline. Priority opportunities include renewable generation and grids, building efficiency, resilient water and waste systems, clean mobility, tourism adaptation and the Pljevlja just transition. Small administrative scale makes coordinated project preparation and maintenance capacity especially important.

Principal risks. (1) An unsequenced coal transition with employment, fiscal and energy-security consequences. (2) Climate, wildfire, flood, water, waste and coastal-tourism exposure. (3) Limited administrative depth and reform discontinuity during political change.

Priorities through 2030. (1) Agree a costed coal-transition and worker/municipal support sequence. (2) Prepare bankable waste, water, resilience, grid and renewable investments. (3) Strengthen administrative continuity, procurement, inspection and public performance data.

3.3.5 North Macedonia

53%	40	65.4%	0.29
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. North Macedonia records 53% for overall Energy Community implementation, 51% for renewable-energy implementation and 0% for ETS MRVA implementation; 2023 energy intensity is 0.29 ktoe per €1 million. The central environmental issues are coal transition, grid and renewable integration, air pollution and credible emissions systems (Energy Community Secretariat, 2025). Beyond energy transition, environmental governance in North Macedonia encompasses biodiversity conservation, ecosystem resilience, climate adaptation and sustainable environmental finance. In recent years, the country has advanced climate-policy and transparency processes under the UNFCCC, including its Nationally Determined Contributions and Biennial Transparency Reporting, while work on National Adaptation Planning is ongoing. Biodiversity-finance initiatives are also being developed through the BIOFIN process, alongside efforts to strengthen biodiversity conservation and protected-area management. These processes contribute to ESG readiness by strengthening institutions, improving environmental data and transparency, and creating mechanisms for mobilising climate and biodiversity finance. At the local level, air-quality governance remains an important implementation challenge, particularly in relation to municipal planning, data and monitoring capacity, investment preparation, and coordination between central and local authorities (UNDP, 2025; UNDP, 2026; United Nations North Macedonia, 2025a).

Social performance. The 2023 activity rate is 65.4% and employment rate 56.8%. Youth unemployment is 29.3%, NEET 18.7%, and the gender activity gap 21.3 percentage points. Skills, participation and worker protection therefore belong in energy and industrial transition planning (World Bank, 2025a).

Governance performance. CPI 2025 is 40, while 2024 WGI scores are 50.7 for government effectiveness and 53.1 for rule of law. The numbers point to a need for stronger implementation, procurement integrity, regulatory consistency and judicial follow-up rather than additional formal strategies alone (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. Alignment is advancing through the Energy Community acquis and EU accession process, but secondary legislation, clean-air delivery, ETS readiness, inspection capacity and interoperable data remain the practical tests. The European Commission's 2025 country report is the latest comprehensive accession assessment at the cut-off (European Commission, 2025e).

Corporate readiness. The 2023 AmCham–Kearney assessment found that only half of surveyed companies were above the 'developing' threshold for ESG strategy, reporting and guidelines, and 4% reached the highest tier; 75% had incorporated sustainability into general business strategy while only 50% had a dedicated ESG strategy. Larger firms lead; SMEs often lack defined responsibilities, data systems and a practical reporting baseline. The survey's sample size, sector composition, selection method and response rate are not disclosed, and results reflect self-reported ESG orientation among AmCham members rather than the full North Macedonia business population; findings should be treated as directional (American Chamber of Commerce in North Macedonia & Kearney, 2023).

Financing and project pipeline. Grid modernisation, renewable capacity, building and industrial efficiency, clean heating, transport and skills are financeable themes. Access will depend on permits, procurement, safeguards, bankable preparation, emissions baselines and a credible plan for workers and municipalities affected by transition. Existing green-finance mechanisms, including experience supporting SME investments in energy efficiency, renewable energy and green-business transformation, provide a practical foundation on which the project pipeline can build. The next challenge is to connect this experience to sector-wide tracking, stronger data systems and replicable financing structures (United Nations North Macedonia, 2025b).

Principal risks. (1) Slow delivery of coal-transition, air-quality and ETS/MRVA reforms. (2) Low youth employment and a wide gender participation gap. (3) Weak SME data capacity and uneven enforcement, procurement and judicial follow-up.

Priorities through 2030. (1) Adopt and implement a sequenced energy, clean-air and ETS/MRVA delivery plan. (2) Create one SME baseline with shared tools, data owners and verification support. (3) Link transition finance to skills, worker protection, transparent procurement and measurable social outcomes, including whether supported investments create or retain formal, safe and sustained jobs, and whether women, young people and persons with disabilities can access emerging economic opportunities. (4) Develop disaggregated data on ESG reporting by company ownership, distinguishing domestically owned companies from foreign-owned or internationally affiliated firms, in order to assess how far ESG reporting practices have diffused across the domestic private sector.

3.3.6 Serbia

63%	33	71.7%	0.37
EnC implementation 2025	CPI 2025	Activity rate 2023	Energy intensity, ktoe/€m

Environmental performance. Serbia has the strongest 2025 Energy Community results in the group: 63% overall, 80% for renewable-energy implementation and 88% for ETS MRVA implementation. Energy intensity remains high at 0.37 ktoe per €1 million, and coal-based power and industrial exports create material CBAM and asset-transition exposure (Energy Community Secretariat, 2025).

Social performance. The 2023 activity rate is 71.7%, employment 64.7%, youth unemployment 25.0%, NEET 12.4% and the gender activity gap 12.2 percentage points. The low comparative NEET rate is a strength, but skills shortages, emigration, workplace safety and transition impacts remain relevant (World Bank, 2025a).

Governance performance. Serbia's CPI 2025 score of 33 is the lowest in the group. WGI 2024 scores are 53.3 for government effectiveness and 53.5 for rule of law. Public procurement, state-owned-enterprise governance, regulatory independence and judicial follow-up are therefore central to ESG credibility and investment execution (Transparency International, 2026) (World Bank, 2025b).

Regulatory preparedness. Energy-acquis and ETS/MRVA readiness is comparatively advanced, but consistent implementation across environmental permitting, carbon-cost pass-through, industrial policy and state-owned assets is still required. The Commission's 2025 report provides the broader accession assessment (European Commission, 2025f).

Corporate readiness. Large exporters, banks, foreign-owned firms and companies integrated into EU value chains are the most advanced. Many SMEs still treat ESG as corporate responsibility rather than operational risk management and lack verified product, workforce and supplier data.

Financing and project pipeline. Serbia's scale supports significant opportunities in grids, renewable energy, storage, district heating, industrial decarbonisation, clean transport and SME efficiency. Financing decisions should require robust carbon economics, competitive procurement, ownership transparency and measurable transition impact.

Principal risks. (1) Coal and energy-intensive industry exposure to CBAM, carbon pricing and stranded assets. (2) Weak integrity, SOE governance and public-procurement controls. (3) A widening capability gap between large exporters and the domestic SME base.

Priorities through 2030. (1) Accelerate verified product emissions, power-sector transition and industrial abatement. (2) Strengthen SOE oversight, procurement competition, beneficial ownership and

judicial follow-up. (3) Provide sector tools and blended finance for SME efficiency, data and supply-chain readiness.

3.4 Where the Region Stands

Across the Western Balkans, ESG development reflects a region in transition rather than convergence. While awareness of environmental, social, and governance issues has clearly increased over recent years, ESG is still far from being embedded as a common business or policy framework. Instead, it remains uneven, externally driven, and strongly shaped by differences in institutional capacity, economic structure, and exposure to international markets.

A consistent pattern emerges across countries. ESG adoption is advancing fastest among larger, internationally connected companies, particularly those integrated into EU value chains or operating under foreign ownership. For these firms, ESG is no longer optional. It is increasingly linked to access to finance, market entry, supply-chain requirements, and regulatory preparedness, especially in light of EU initiatives such as the Green Deal and the Corporate Sustainability Reporting Directive. In this sense, ESG functions as a channel through which European standards are gradually transmitted into the region's private sectors.

At the same time, small and medium-sized enterprises, which dominate the regional economies, remain significantly less prepared. Limited financial resources, lack of technical expertise, and uncertainty about future regulatory requirements continue to constrain ESG uptake among SMEs. In many cases, ESG is still perceived primarily as traditional corporate social responsibility rather than as a comprehensive framework covering governance, risk management, and measurable performance. This creates a persistent gap between ESG front-runners and the broader business base, raising concerns about an uneven a sustainability transition.

From an environmental perspective, all countries face structural challenges that go beyond corporate behavior alone. High energy intensity, reliance on fossil fuels or outdated infrastructure, weak waste management systems, and growing climate risks are common across the region. While policy alignment with EU climate objectives is progressing, implementation remains slow, often constrained by limited investment capacity, regulatory fragmentation, and enforcement gaps. As a result, environmental ESG pressure is largely reactive, driven by external regulation and market expectations rather than by voluntary leadership.

Social issues add another layer of complexity. Workforce availability, skills mismatches, labor migration, and social inequality shape how ESG is understood and prioritized. In several countries, social topics are perceived as more accessible than environmental ones, particularly for service-oriented firms. Yet practical implementation remains limited, revealing a recurring "awareness–execution gap." This suggests that while ESG language is increasingly familiar, the operational tools needed to manage social risks and opportunities are still underdeveloped.

Governance stands out as the most persistent bottleneck across the region. Although legal alignment with EU frameworks is advancing, institutional fragmentation, administrative capacity constraints, and uneven enforcement continue to undermine ESG credibility and consistency. Weak governance not only slows environmental and social reforms but also affects trust in corporate reporting and transparency, limiting the effectiveness of ESG as a decision-making tool for investors and financial institutions.

Overall, the Western Balkans are at an ESG inflection point. Expectations are rising, external pressure is intensifying and early adopters are beginning to demonstrate the strategic value of sustainability integration. Without stronger governance, clearer policy signals, targeted SME support and better access to green finance, however, ESG risks will remain concentrated among a narrow group of large companies instead of becoming a shared framework across the regional economy.

The region's challenge is therefore not one of awareness, but of execution. Turning ESG from an externally imposed requirement into a driver of competitiveness, resilience, and inclusive growth will depend on closing the gap between ambition and capacity at both the corporate and institutional level.

> **The region's challenge is therefore not one of awareness, but of execution.**

04

Key Gaps, Risks and Bottlenecks

Where implementation stalls, and what it costs

IN THIS SECTION

4.1 Fragmented Policies and Weak Enforcement

4.2 Limited ESG Capacity in the Private Sector

4.3 Regulatory Uncertainty and Proportionality after Omnibus I

4.4 Weak ESG Data, Reporting and Transparency

4.5 Governance Constraints and Institutional Weakness

4.6 High Exposure to Environmental and Climate Risks

4.7 Over-reliance on International Financing

4.8 Risk of Falling Behind EU Market Expectations

TABLE 5

Material ESG bottlenecks, consequences and priority controls

Bottleneck	Evidence	Consequence	Priority control / owner
Fragmented policy and enforcement	Delayed rules, plans and sanctions	Uncertain obligations and uneven competition	Owner–budget–deadline map; lead ministries/regulators
Limited SME capacity	Manual data, no specialist staff, repeated requests	Contract loss, higher cost and exclusion	Common SME baseline and sector tools; chambers/banks
Regulatory transition	Narrower direct scope; continuing market requests	Misreading simplification as removal of exposure	Scope screen and customer/lender data map; companies
Weak data and assurance	Inconsistent boundaries, estimates and audit trail	Unreliable claims, poor credit decisions and greenwashing	Data owners, controls, restatement policy and phased verification
Governance and integrity	Low CPI scores; procurement and oversight gaps	Leakage, delay, litigation and loss of trust	Ownership, conflicts, competitive procurement and remedy
Climate and pollution	Coal, pollution, floods, droughts and heat	Asset loss, health cost, stranded assets and fiscal risk	Adaptation appraisal, MRV, carbon strategy and maintenance
External-finance dependence	Donor-led pipelines; weak project preparation	Low absorption and post-project discontinuity	Project preparation and domestic co-financing/skills
EU market expectations	CBAM, buyer standards and lender covenants	Higher cost or loss of EU market access	Product emissions, abatement and traceable supplier data

SOURCE Strategers analysis based on Chapters 2 and 3 and the official sources cited in this report.

4.1 Fragmented Policies and Weak Enforcement

One of the most persistent challenges across the region is fragmentation. ESG-related policies exist in areas such as environmental protection, energy, labor and corporate governance, but they are rarely brought together into a single, coherent framework. Responsibilities are often spread across multiple ministries and agencies, with limited coordination and unclear lines of accountability.

In practice, this leads to a familiar set of problems: (1) Environmental laws are adopted, but enforcement is inconsistent; (2) labor standards exist, but are applied unevenly; and (3) corporate governance rules are in place, but monitoring is weak.

For companies, this creates uncertainty rather than clarity. Rules can change, enforcement varies from one institution to another and long-term planning becomes more difficult. Over time, this uncertainty discourages investment and weakens trust in public institutions.

4.2 Limited ESG Capacity in the Private Sector

Most companies in the Western Balkans, particularly small and medium-sized enterprises are not yet ready for structured ESG implementation. Many still view ESG mainly as a form of voluntary corporate social responsibility, rather than as part of core business strategy, risk management, or reporting.

Common challenges include: (1) a lack of in-house expertise on ESG standards and reporting requirements; (2) limited systems for collecting and managing ESG-related data; (3) constrained financial resources for investing in sustainability measures; and (4) uncertainty about which ESG standards apply now and which are likely to apply in the future.

This gap is especially risky in light of the EU's Corporate Sustainability Reporting Directive (CSRD). Most domestic SMEs in the Western Balkans are outside the direct mandatory scope of CSRD following the Omnibus I amendments; however, companies that are part of a qualifying EU-listed group, subsidiaries of EU reporting entities, or that have significant EU revenue or presence require a specific scope assessment rather than a blanket assumption of exemption. Regardless of direct scope, firms supplying EU partners, accessing IFI financing or exporting CBAM-covered goods will face indirect information requests. Companies that do not start preparing may find it harder to maintain relationships with EU partners.

4.3 Regulatory Uncertainty and Proportionality after Omnibus I

The detailed 2026 legal position is set out in Section 2.1. For Western Balkan firms, the bottleneck is no longer uncertainty about whether the original CSRD and CSDDD scopes survived unchanged; Directive (EU) 2026/470 narrowed direct scope and delayed application. The practical uncertainty is which information EU parents, customers, lenders and IFIs will continue to request for legitimate commercial, credit, product and due-diligence purposes (European Union, 2026).

A proportionate response is essential. Smaller companies should not be asked to reproduce a full ESRS architecture. They should maintain a controlled baseline for material energy and emissions, workforce and safety, ownership and integrity, and high-risk suppliers. Requests should be tied to a stated decision, use the EU voluntary standard where relevant, and avoid duplicated questionnaires (European Commission, 2026b).

Companies should conduct an annual scope and exposure screen covering group structure, EU turnover and presence, customers, financing contracts, CBAM-covered products and risk-sensitive suppliers. CBAM remains legally separate from Omnibus I and requires installation- and product-level emissions evidence where covered exports enter the EU (European Commission, 2026a).

4.4 Weak ESG Data, Reporting and Transparency

Reliable ESG data remains scarce across much of the region. Environmental indicators, social metrics and governance disclosures are often incomplete, inconsistent, or simply unavailable. Even where data does exist, it is rarely standardized or easy to compare.

This lack of data creates several practical problems: (1) policymakers struggle to design evidence-based ESG policies; (2) banks and investors have difficulty assessing risks accurately; and (3) companies are unable to demonstrate sustainability performance, even when progress has been made.

Without credible and consistent data, ESG risks becoming a box-ticking exercise rather than a meaningful tool for improvement. The absence of national ESG reporting frameworks or clear taxonomies further adds to the challenge.

4.5 Governance Constraints and Institutional Weakness

Governance is a cross-cutting constraint on ESG progress across the Western Balkans. Weak rule of law, uneven enforcement and political interference continue to undermine ESG efforts in both the public and private sectors. Key governance-related risks include: (1) limited independence of regulatory bodies; (2) weak oversight of state-owned enterprises; (3) insufficient enforcement of anti-corruption rules; and (4) lack of accountability for environmental and social violations. In countries with complex administrative structures, decision-making is often slow and coordination difficult. This delays infrastructure projects, environmental investments and broader ESG-related reforms.

4.6 High Exposure to Environmental and Climate Risks

The structure of many Western Balkan economies creates a high level of environmental and climate-related exposure. Continued reliance on coal, aging industrial facilities and weak pollution control systems increase vulnerability to EU climate policies and broader global sustainability trends. The EU's Carbon Border Adjustment Mechanism (CBAM) illustrates this

risk clearly. Without faster progress on decarbonization: (1) exporters are likely to face higher costs; (2) carbon-intensive industries may lose competitiveness; and (3) pressure on public finances and employment could increase. At the same time, climate-related risks such as floods, droughts and heatwaves are becoming more frequent. These events already impose rising costs on infrastructure, agriculture and public services and are expected to do so even more in the years ahead.

4.7 Over-reliance on International Financing

International financial institutions play a central role in driving ESG-related investment in the Western Balkans. Their support is essential, but heavy reliance on external financing also brings risks. In many cases, ESG reforms: (1) depend primarily on donor funding rather than national budgets; (2) remain limited to individual projects; and (3) fail to scale across the broader economy. Domestic capital markets are still underdeveloped and private-sector ESG financing remains limited. Without stronger domestic ownership of ESG reforms by governments, banks and companies, progress is likely to remain uneven and vulnerable to shifts in external funding priorities.

4.8 Risk of Falling Behind EU Market Expectations

Perhaps the most immediate risk is a strategic one. ESG requirements in the European Union are advancing faster than reforms in the Western Balkans. If this gap continues to widen: (1) companies may lose access to EU value chains; (2) countries will find it harder to attract higher-quality investment; and (3) EU accession processes could slow further. This is not a distant or theoretical concern. For many exporters, ESG compliance is already becoming a basic condition for doing business with EU partners. The Western Balkans do not lack ESG concepts or formal commitments. The real challenge lies in execution. Unless governments strengthen institutions, companies build practical ESG capacity and data systems improve, ESG will remain fragmented and largely reactive. The cost of inaction is not primarily reputational it is economic.

05

ESG Development Opportunities for the Western Balkans

EU programmes, international financial institutions and development agencies

IN THIS SECTION

5.1 European Union Programs

5.2 International Financial Institutions

5.3 Development Agencies

5.4 From Opportunity to Impact

TABLE 6

Financial and advisory opportunities for ESG delivery

Programme or institution	Instrument / published envelope	Best-fit opportunity	Access and credibility requirements
IPA III (2021–2027)	EU pre-accession grants and technical assistance	Acquis alignment, institutions, monitoring, skills and project preparation	Programming priorities, administrative capacity, procurement and measurable reform results
Reform and Growth Facility	Up to €6bn: €2bn grants + €4bn concessional loans; 2024–2027	Reform milestones plus investment through WBIF	Approved Reform Agenda, macro/financial preconditions and verified payment conditions
WBIF	EU grants blended with IFI loans; €171m package approved January 2026	Energy, environment, transport, digital, human capital and SME finance	Mature project, permits/land, cost-benefit and climate appraisal, safeguards and procurement
EIB Group	>50% annual finance for climate/environment; €30bn adaptation target for 2026–2030 across EIB operations	Energy, grids, water, cities, transport, adaptation and intermediated finance	Paris alignment, additionality, bankability, safeguards and implementation capacity
EBRD	At least half of annual investment green; GET 2030 targets at least €150bn cumulative green finance including mobilised flows	Private sector, utilities, cities, industrial decarbonisation and governance	Transition impact, sound banking, integrity and private-capital mobilisation
IFC Green Growth Alliance	Advisory and potential financing platform; no fixed regional envelope stated	Mid/large firms in manufacturing, agribusiness, services and hard-to-abate sectors	Credible decarbonisation need, management commitment and finance-ready investment plan
World Bank / IFC project finance	Sovereign, private and advisory instruments	Adaptation, infrastructure, competitiveness and private investment	Environmental and social framework/performance standards, procurement and results monitoring
Domestic banks and capital markets	Loans, guarantees, green/sustainability-linked bonds and funds	SME efficiency, distributed renewables, buildings and clean equipment	Eligible use of proceeds or credible KPIs, baseline data, covenants and reporting

SOURCE European Commission and European Union Growth Plan materials, WBIF, EIB, EBRD, IFC and World Bank publications (European Commission, 2024) (European Union, 2024) (Western Balkans Investment Framework, 2026) (European Investment Bank, 2025) (European Bank for Reconstruction and Development, 2025) (European Bank for Reconstruction and Development, 2026) (International Finance Corporation, 2025).

The Western Balkans have access to substantial EU and international financing and advisory support, but access is neither uniform nor automatic. The evidence in this report does not support treating resource availability as the sole or universally secondary constraint. Fiscal space, co-financing, pipeline maturity, permits and land, project preparation, procurement, safeguards, implementation staffing and the ability to verify results all influence whether published envelopes become completed investments.

At present, ESG progress in the Western Balkans is driven largely by external actors. European Union instruments and international financial institutions shape priorities, standards and investment decisions. While this external push has been essential, it has also led to a fragmented landscape in which many ESG

initiatives are project-based, donor-driven and not fully embedded in national strategies or corporate planning. Turning these opportunities into lasting impact will require stronger domestic ownership.

5.1 European Union Programs

EU funding and policy frameworks represent the most significant ESG opportunity for the Western Balkans. Over time, the EU has increasingly linked financial support to progress on sustainability, governance and reform implementation, making ESG alignment an implicit condition for continued access to funding.

IPA III is the core pre-accession instrument for 2021–2027 and supports political, institutional, legal, administrative, social and economic reforms required for progressive alignment with EU rules. For ESG delivery, its comparative advantage is institution-building: environmental monitoring, inspection, statistics, public-investment management, procurement, energy-market capacity and project preparation.

The Western Balkans Investment Framework blends EU grants with loans and expertise from international financial institutions for mature public infrastructure and private-sector development. On 27 January 2026 its Operational Board approved a €171 million package covering digital, energy, environment, human capital and transport investments, private-sector support and technical assistance (European Commission, 2026c) (Western Balkans Investment Framework, 2026).

The Growth Plan is supported by the Reform and Growth Facility of up to €6 billion for 2024–2027—€2 billion in grants and €4 billion in highly concessional loans. Payments are conditioned on Reform Agenda milestones, and at least half of the Facility is channeled through WBIF for investments. By December 2025 all six partners had approved Reform Agendas, making implementation and verification, not agenda adoption, the central test (European Commission, 2024) (European Union, 2024).

5.2 International Financial Institutions

International financial institutions remain the backbone of ESG implementation in the Western Balkans. For many governments and companies, ESG standards are first encountered through the conditions attached to IFI financing, rather than through domestic regulation.

The World Bank supports ESG mainly through public-sector reforms, climate adaptation projects and investments in environmental protection and infrastructure. Its Environmental and Social Framework sets mandatory standards that shape how large projects are designed and implemented. Over time, these standards have helped raise expectations across the region, even beyond projects directly financed by the Bank.

The International Finance Corporation plays a similar role in the private sector. Through its Performance Standards, the IFC defines clear requirements for environmental risk management, labor practices, community engagement and corporate governance. Companies that align with these standards are better positioned not only to access IFC financing, but also to meet EU and investor expectations. In practice, IFC standards often serve as a reference point for ESG maturity in the region.

The European Bank for Reconstruction and Development has been especially influential in supporting the green transition. Its investments in renewable energy, energy efficiency, sustainable cities and SME financing have helped make ESG considerations part of everyday business decisions. Just as importantly, the EBRD combines financing with technical assistance, which is critical in a region where many companies and municipalities lack in-house ESG expertise.

The European Investment Bank, acting as the EU's climate bank, supports large-scale infrastructure and green investments aligned with EU policy goals. Projects financed by the EIB are appraised against EU policy standards and environmental safeguards, which creates strong alignment incentives — though EIB financing approval is not a certification of accession readiness and does not replace the broader reform obligations of the EU membership process. For governments, EIB involvement often improves project preparation and governance; for companies, it signals credibility.

The Council of Europe Development Bank complements these efforts by focusing on the social dimension of ESG. Its investments in housing, healthcare, education and social inclusion target areas that are often underfunded but essential for balanced development and social stability.

5.3 Development Agencies

While IFIs provide scale and financing, development agencies play a key role in building the foundations of ESG systems. The United Nations Development Programme, in particular, focuses on capacity building, policy design and the development of sustainable finance frameworks. Through tools such as Sustainable Finance Roadmaps and ESG guidance, UNDP helps governments and financial institutions translate global standards into workable national approaches.

This type of support is especially valuable for small and medium-sized enterprises, which often lack the knowledge, tools and resources needed to engage meaningfully with ESG. By simplifying concepts, offering training and developing tailored tools, development agencies help narrow the gap between large corporations and smaller businesses.

5.4 From Opportunity to Impact

The Western Balkans already have access to substantial ESG-related support. What is often missing is consistency and coordination. Too many initiatives operate in isolation and lessons learned in one project or sector are not systematically applied elsewhere. Once donor funding ends, ESG efforts sometimes lose momentum, reflecting limited domestic ownership.

To move forward, the region needs to treat ESG not as a collection of externally driven projects, but as a core part of economic and institutional development. When EU programs, IFI financing and national strategies are better aligned, ESG can move from being a compliance requirement to becoming a genuine development opportunity.

06

Implications for Policymakers, Companies and International Financial Institutions

Priority actions, owners and evidence of delivery

IN THIS SECTION

6.1 Implications for Policymakers

6.2 Implications for Companies

6.3 Implications for International Financial Institutions and Development Partners

6.4 Shared Delivery Responsibilities

TABLE 7

Priority actions, owners, timing and evidence of delivery

Priority action	Lead actors	Timing	Evidence / KPI
Publish one ESG-acquis implementation map	Prime-minister offices; energy, environment, economy and justice ministries	2026–2027	Named owner, budget, legal deadline, dataset and quarterly status for each obligation
Create a common proportionate SME baseline	Economy ministries, chambers, banks and export agencies	2026–2027	Template aligned with the EU voluntary standard; firms trained; questionnaires accepting the baseline
Build trusted emissions and environmental data	Environment/energy agencies, statistics offices, operators and verifiers	2026–2028	Metering coverage, verified installations, public registers, restatements and assurance findings
Prepare CBAM-exposed sectors	Customs, ministries, industry associations and exporters	Immediate / annual	Product-code screening, verified embedded emissions, carbon-cost scenarios and abatement capital plans
Integrate ESG into credit and supervision	Central banks, supervisors, banks and development institutions	2026–2029	Sector exposure, physical/transition risk tests, governance controls and data-quality assessment
Protect workers and affected communities	Labour ministries, municipalities, employers and unions	Before closure or restructuring	Skills plans, participation, grievance/remedy, safety performance and distributional analysis
Condition finance on integrity and outcomes	Finance ministries, contracting authorities, IFIs and donors	All new programmes	Competitive procurement, beneficial ownership, red flags, public contracts and verified outcomes
Align development support with country systems	IFIs, EU, bilateral partners and beneficiary institutions	2026 onward	One data baseline; joint diagnostics; funded project preparation; local staff and systems retained after completion

SOURCE Strategers implementation framework based on the risks, regulatory requirements and financing conditions documented in this report.

ESG delivery requires distinct responsibilities and a common evidence base. Governments create enforceable systems; companies manage operational risks and data; and international financial institutions and development partners can reduce coordination and financing failures without substituting for domestic ownership.

6.1 Implications for Policymakers

Governments should shift attention from additional strategy documents to implementation maps that identify the responsible institution, secondary rule, budget, dataset, enforcement mechanism and deadline for each material obligation. Progress should be published in a format that can be updated annually.

Environmental agencies, labour inspectorates, procurement authorities, courts, statistics offices and financial supervisors need adequate staff, interoperable systems and enforcement powers. Regulatory coherence should extend across energy, climate, labour, corporate, financial and public-investment policy.

Public incentives should be conditional on evidence. Procurement preferences, guarantees, grants and tax support should use clear eligibility rules, beneficial-ownership and conflict checks, measurable outcomes, and transparent treatment of non-performance.

The 2026 dashboard should become a repeatable baseline. By 2030, the direction of travel should be visible in stronger acquis implementation, lower energy

intensity and pollution exposure, higher employment and inclusion, stronger governance evidence, and better project execution. Targets should be adopted only where a responsible institution controls the measure and a verified baseline exists.

6.2 Implications for Companies

Boards and senior management should identify which ESG matters affect cash flow, assets, workforce, licenses, customers and financing. Responsibility should sit with operating, finance, risk, human-resources, compliance and procurement functions, not only communications teams.

Companies should build a controlled minimum dataset: energy and emissions, workforce and occupational safety, material environmental compliance, ownership and conflicts, supplier risk and grievance/remedy. Definitions, boundaries, estimates and evidence should be documented and revised consistently.

Scope should be tested annually against CSRD/CSDDD thresholds, group and EU presence, customer and lender requests, CBAM product codes and material value-chain risks. Smaller firms should use a proportionate baseline and reject duplicated requests only after identifying the legitimate information need.

Capital plans should link ESG risk to investable measures, including efficiency, renewable electricity, process change, pollution control, adaptation, safety and skills. A credible financing request requires a baseline, engineering and financial analysis, permits, safeguards, governance and measurable expected results.

6.3 Implications for International Financial Institutions and Development Partners

Harmonise information requests. IFIs, bilateral partners and implementing agencies should use a common core ESG baseline for comparable projects and SMEs, with institution-specific additions only where required by mandate, risk or financing structure.

Finance project preparation. Grants and advisory facilities should cover feasibility work, engineering, emissions baselines, climate-risk appraisal, permits, land, procurement design, safeguards, just-transition plans and maintenance arrangements, not only construction or equipment.

Build domestic capability. Programmes should strengthen regulators, inspectorates, procurement bodies, statistics offices, supervisors, municipalities, chambers and local professional services. Training should be tied to retained posts, operating procedures and real datasets.

Use and improve country systems. Parallel donor databases, project-management structures and questionnaires should be avoided where national systems can be strengthened to meet the required standard. Joint diagnostics and shared reporting should reduce duplication.

Support verification infrastructure. The region needs competent laboratories, accredited verifiers, assurance providers, emissions factors, metering protocols and quality-control arrangements. Market development should include conflict-of-interest safeguards and supervisory oversight.

Require institutional sustainability. Approval and completion criteria should specify the domestic owner, recurrent budget, staffing, data custody, maintenance, public reporting and post-project evaluation arrangements. Handover should be tested before external implementation structures close.

6.4 Shared Delivery Responsibilities

Annual government–business–IFI reviews should use the same dashboard definitions, disclose missing data, examine why projects or reforms are delayed and agree corrective action. Coordination should produce fewer reporting systems and stronger institutions, not an additional layer of meetings.

The test is durable performance: public institutions that enforce and disclose, companies that manage material risks, financiers that support bankable transition, and data that remain available after a programme ends.

07

Conclusion: ESG as a Strategic Transformation Tool, 2026–2030

A roadmap of legal, financial and outcome milestones

The 2026 dashboard establishes a transparent baseline rather than a league table. It records legal and market milestones alongside twelve repeatable indicators, identifies missing comparable data for safety, procurement, courts and state-owned enterprises, and gives future Strategers editions a consistent method for testing whether implementation is improving.

> **The 2026 dashboard establishes a transparent baseline rather than a league table.**

During 2026–2027, governments should convert Reform Agenda commitments and IPA III programming into functioning institutions, common data systems and prepared investments. Companies should establish materiality, responsibility and control over energy, emissions, labour, ownership and supplier information. Banks should integrate sector exposure and data quality into ordinary credit decisions rather than create a disconnected ESG questionnaire.

By July 2028, EU Member States must transpose the revised CSDDD rules; application begins in July 2029 and the specified reporting requirement follows for financial years beginning in 2030. Even where Western Balkan firms remain outside direct scope, material business partners will need evidence that risks are identified, prevented or mitigated and that remedy is available where harm occurs (European Union, 2026).

The EIB and EBRD 2026–2030 strategies create a favourable capital window for energy security, industrial decarbonisation, adaptation, human capital and governance. Access will depend on implementation quality: bankable design, permits and land, procurement integrity, safeguards, maintenance capacity and measurable outcomes (European Investment Bank, 2025) (European Bank for Reconstruction and Development, 2025).

By 2030, credible performance will be visible in lower emissions and pollution, resilient infrastructure, safer and more inclusive work, competitive procurement, functioning oversight and reliable company data. Future Strategers annual reports should assess delivery against a stable sequence of legal, financial and outcome milestones. The evidence is summarized in Table 8.

TABLE 8

Western Balkans ESG implementation roadmap 2026–2030

Period	Regulatory / market milestone	Regional delivery priority	Annual-report test
2026	CBAM definitive regime; Omnibus I in force; revised ESRS/voluntary standard adopted	Scope screening, product emissions, data owners and common SME baseline	Are legal status, covered products, baselines and data controls documented?
2027	Revised CSRD principal scope applies from financial years beginning 1 January; Growth Facility programming closes	Complete reform milestones, institutions and investment pipeline	Did reforms operate in practice and did finance reach verified projects?
2028	CSDDD transposition deadline: 26 July	Value-chain risk processes, remedy and supplier support	Can firms evidence risk-based due diligence without disproportionate requests?
2029	Revised CSDDD applies from 26 July	Assurance, enforcement, supervisory use and outcome reporting	Are data reliable enough for contracts, credit and public accountability?
2030	Specified CSDDD reporting from financial years beginning in 2030; end-point for major climate strategies	Demonstrate emissions, resilience, inclusion and integrity outcomes	Has the implementation gap narrowed in comparable official evidence?

SOURCE Strategers roadmap based on Directive (EU) 2026/470, CBAM and the 2026–2030 EIB/EBRD strategy cycle (European Union, 2026) (European Commission, 2026a) (European Investment Bank, 2025) (European Bank for Reconstruction and Development, 2025).

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Appendix

ESG Measurement Framework for the Western Balkans

IN THIS SECTION

1. Purpose and design principles
2. Standards and regulatory alignment
3. Minimum executive dashboard
4. Environmental indicators
5. Social indicators
6. Governance indicators
7. Western Balkans context indicators

ESG Measurement Framework for the Western Balkans

1. Purpose and design principles

The framework provides a controlled starting point for corporate ESG reporting and for contextual analysis of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and Serbia. It combines investor-focused sustainability-related financial information, impact reporting and jurisdictional obligations without implying that the frameworks are interchangeable (IFRS Foundation, 2023a, 2023b; Global Reporting Initiative, 2021; European Union, 2023).

2. Standards and regulatory alignment

No single framework answers every reporting objective. IFRS S1 and IFRS S2 focus on sustainability-related risks and opportunities that could reasonably affect an entity's prospects; GRI focuses on significant impacts; ESRS operationalizes EU double materiality; SASB supplies industry-based topics; the GHG Protocol supplies emissions-accounting rules; and TNFD addresses nature-related dependencies, impacts, risks and opportunities (IFRS Foundation, 2023a, 2023b; Global Reporting Initiative, 2021; TNFD, 2023; WRI & WBCSD, 2004, 2011, 2015).

TABLE A1

Standards and regulatory alignment

Framework / instrument	Primary lens	Use in this indicator set	Current-status caution
IFRS S1 / IFRS S2	Investor-focused financial information	Anchor governance, strategy, risk, climate metrics and targets; use SASB for industry relevance.	Effective 1 January 2024, subject to jurisdictional adoption.
ESRS / CSRD	Double materiality	Use exact ESRS definitions and datapoints where in scope; retain materiality evidence.	EU scope and standards changed in 2026; verify current legal text.
GRI Standards	Impacts on economy, environment and people	Use Universal, applicable Sector and selected Topic Standards.	GRI 101 applies from 2026; GRI 102/103 from 2027.
VSME / voluntary standard	Proportionate SME/value-chain information	Use as simplification route for smaller companies outside mandatory scope.	Confirm whether the 2026 standard supersedes the 2025 Recommendation.
SASB Standards	Industry-based investor information	Identify sector-relevant topics and metrics beyond the baseline.	Confirm the latest ISSB-maintained industry standard.
GHG Protocol	Corporate/value-chain GHG accounting	Use for boundaries, scopes, categories and inventory controls.	A consolidated standard is under development; use issued standards until replaced.
TNFD	Nature dependencies, impacts, risks and opportunities	Apply location-specific assessment and relevant metrics.	Use current sector guidance where available.
OECD / UN / ILO	Responsible conduct and rights	Anchor due diligence, remedy, labour rights, anti-corruption and governance.	Translate principles into risk-based controls and outcomes.
EU Taxonomy	Sustainable economic activities	Report turnover, CapEx and OpEx eligibility/alignment only where applicable.	Do not call general green revenue aligned without full criteria.

NOTE A source mapping here shows conceptual alignment. It is not a complete disclosure checklist and does not establish compliance with a standard or law.

3. Minimum executive dashboard

The dashboard below is the recommended Tier 1 starting set. It is intentionally compact and must be supplemented when materiality, sector standards or law require more. Each value should link to the detailed register, source record and accountable owner.

TABLE A2

Minimum executive dashboard (Tier 1 starting set)

Pillar	Dashboard indicator	Preferred unit	Register link
E	**Gross Scope 1, Scope 2 (both methods where applicable) and material Scope 3 emissions**	tCO_2e and year-on-year %	E01–E04
E	**GHG intensity and progress against target**	tCO_2e/denominator; target gap	E05–E06
E	**Energy consumption and renewable share**	MWh/GJ; %	E11–E12
E	**Water withdrawal/consumption in stressed areas**	m^3/ML and %	E13–E14
E	**Waste generated and diverted from disposal**	tonnes and %	E16–E17
S	**Employees/FTE, turnover and workforce composition**	persons/FTE and %	S01–S04
S	**Women in management and gender pay gap**	%	S06, S08–S09
S	**Fatalities, recordable injuries and lost-time frequency**	number and rate	S11–S14
S	**Collective bargaining and human-rights due-diligence coverage**	%	S10, S17
S	**Severe human-rights incidents and remedy**	number and % remediated	S18–S19
G	**Board independence, diversity and sustainability oversight**	% and governance evidence	G01–G03; S07
G	**Corruption incidents and speak-up effectiveness**	number, %, days	G06–G07
G	**Material non-compliance and cybersecurity incidents**	number, value and severity	G10–G11
G	**Supplier due diligence and enterprise-risk integration**	% coverage	G13–G14
G	**Data completeness, restatements and assurance coverage**	% and quantified effect	G16–G18

4. Environmental indicators

Environmental reporting should combine absolute impacts, intensity measures, risk exposure and evidence of transition. Avoid netting offsets against gross emissions in the headline inventory, and do not treat purchased instruments as equivalent to physical reductions without transparent accounting (WRI & WBCSD, 2004, 2015; IFRS Foundation, 2023b).

TABLE A3

Environmental indicators

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
E01	**Gross Scope 1 GHG emissions**	Direct emissions from sources owned or controlled by the organization; disclose gases included and consolidation approach.	tCO_2e	Annual; entity and material operations	GHG Protocol; IFRS S2; ESRS E1; GRI 102
E02	**Scope 2 GHG emissions — location based**	Indirect emissions from purchased electricity, steam, heat and cooling using grid-average factors.	tCO_2e	Annual; entity and material operations	GHG Protocol Scope 2; IFRS S2; ESRS E1
E03	**Scope 2 GHG emissions — market based**	Scope 2 emissions reflecting eligible contractual instruments; report with the location-based value where applicable.	tCO_2e	Annual; markets with contractual instruments	GHG Protocol Scope 2; IFRS S2; ESRS E1

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
E04	**Material Scope 3 GHG emissions**	Value-chain emissions by applicable category; state screened categories, exclusions, methods and estimated-data share.	tCO_2e by category	Annual; upstream and downstream value chain	GHG Protocol Scope 3; IFRS S2; ESRS E1; GRI 102
E05	**GHG emissions intensity**	Selected gross emissions ÷ a decision-useful denominator; report absolute emissions separately and keep denominator stable.	tCO_2e / revenue, output or FTE	Annual; same boundary as numerator	IFRS S2; ESRS E1; GRI 102
E06	**Emissions target progress**	Actual emissions versus a time-bound target and base year, including target boundary, offsets treatment and methodology changes.	% change; target gap	Annual; target boundary	IFRS S2; ESRS E1; GRI 102
E07	**Climate-transition risk exposure**	Assets or activities vulnerable to policy, market, technology or legal transition risk; explain identification method.	Currency and % of assets/revenue	Annual; material assets and activities	IFRS S2; ESRS E1
E08	**Climate-physical risk exposure**	Assets or activities exposed to material acute or chronic physical hazards, with horizon and scenario stated.	Currency and % of assets/revenue	Annual; geocoded material assets	IFRS S2; ESRS E1
E09	**Climate-related capital deployment**	Capital expenditure, financing or investment directed to climate risks/opportunities; reconcile to accounts where feasible.	Currency and % of CapEx	Annual; consolidated group	IFRS S2; ESRS E1
E10	**Internal carbon price**	Price per tCO_2e used in investment appraisal, risk management or transfer pricing, plus share of emissions covered.	Currency/t CO_2e; % coverage	Annual; covered decisions/emis sions	IFRS S2; ESRS E1
E11	**Energy consumption**	Total fuel, electricity, heat, steam and cooling consumed, disaggregated by source and renewable/non-renewable origin.	MWh or GJ	Annual; operations and relevant value chain	ESRS E1; GRI 103; VSME
E12	**Renewable energy share**	Renewable energy consumed ÷ total energy consumed × 100; disclose instruments and treatment of self-generation.	%	Annual; same boundary as E11	ESRS E1; GRI 103; VSME
E13	**Water withdrawal**	Water withdrawn by source, with separate reporting for areas of water stress and material value-chain locations.	m^3 or ML	Annual; sites and material value chain	ESRS E3; GRI 303; TNFD
E14	**Water consumption**	Withdrawal minus discharge returned to the same catchment in the period, applying a disclosed method.	m^3 or ML	Annual; sites, catchments and stress status	ESRS E3; GRI 303; TNFD
E15	**Water discharge and quality**	Water discharged by destination and material quality parameters; identify permit exceedances and affected catchments.	m^3 plus pollutant load	Annual; material sites	ESRS E2/E3; GRI 303; TNFD
E16	**Waste generated**	Total waste by hazardous/non-hazardous class and by principal waste stream.	tonnes	Annual; operations and material contractors	ESRS E5; GRI 306; VSME
E17	**Waste diverted from disposal**	Waste prepared for reuse, recycled or recovered ÷ total waste generated × 100; report treatment categories. Note: under GRI 306, incineration with energy recovery is classified as disposal, not diversion - exclude it from the diversion numerator.	% and tonnes	Annual; same boundary as E16	ESRS E5; GRI 306; VSME
E18	**Material pollutant emissions**	Mass of material air, water or soil pollutants, including NOx, SOx, PM and VOCs where relevant; include exceedances.	kg or tonnes by pollutant	Annual; material facilities	ESRS E2; GRI Topic Standards; VSME
E19	**Nature-sensitive site exposure**	Number and area of sites in or near protected/ecologically sensitive areas; identify dependencies and impacts.	sites; hectares; % assets	Annual; geocoded operations and material value chain	ESRS E4; GRI 101; TNFD

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
E20	**Land-use and ecosystem change**	Area converted, disturbed, restored or rehabilitated, with ecosystem condition and location-specific context.	hectares and condition measure	Annual; material locations	ESRS E4; GRI 101; TNFD
E21	**Material circularity**	Weight of materials used, recycled/secondary input share, and products/packaging designed for circularity.	tonnes; % secondary input/output	Annual; products and operations	ESRS E5; GRI 301
E22	**EU Taxonomy eligibility and alignment**	Where applicable, eligible and aligned proportions of turnover, CapEx and OpEx, with criteria, DNSH and safeguards documented.	% turnover; % CapEx; % OpEx	Annual; legally defined perimeter	EU Taxonomy; Delegated Regulation 2021/2178

NOTE E01–E06, E11–E12 and E16–E17 are common Tier 1 indicators. Other indicators become Tier 1 where material or legally required.

5. Social indicators

Social indicators should show workforce conditions and effects on value-chain workers, communities and customers. Counts alone can mislead: pair incident and grievance volumes with exposure, coverage, severity, closure time and remedy. Protect personal data and avoid small-cell breakdowns that identify individuals (OHCHR, 2011; ILO, 2022; OECD, 2023a).

TABLE A4

Social indicators

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
S01	**Employees and FTE**	Employees at period end and average full-time equivalents, disaggregated by country, contract type and gender where lawful.	persons; FTE	Quarterly/annual; consolidated workforce	ESRS S1; GRI 2; ISO 30414
S02	**Non-employee workers**	Workers whose work is controlled by the organization but who are not employees; state categories and estimation basis.	persons; FTE	Annual; controlled workforce	ESRS S1; GRI 2
S03	**Workforce composition**	Permanent, temporary, full-time and part-time employees by gender, country and significant employee category.	persons and %	Annual; employees	ESRS S1; GRI 2; ISO 30414
S04	**Employee turnover**	Employee leavers ÷ average headcount × 100, plus hires; disclose voluntary/involuntary categories where material.	% and persons	Annual; employees by key segment	ESRS S1; GRI 401; ISO 30414
S05	**Women in the workforce**	Women employees ÷ total employees × 100; report other lawful diversity dimensions where material.	%	Annual; workforce and major locations	ESRS S1; GRI 405; ISO 30414
S06	**Women in management**	Women in defined management population ÷ total management population × 100; publish the management definition.	%	Annual; management levels	ESRS S1; GRI 405; ISO 30414
S07	**Board diversity**	Board composition by gender, independence, tenure, age range and relevant skills, subject to applicable law.	number and %	Annual; highest governance body	ESRS 2; GRI 2; OECD governance principles
S08	**Gender pay gap — unadjusted**	Average male minus average female gross hourly pay ÷ average male gross hourly pay × 100; disclose coverage.	%	Annual; employees, by material country	ESRS S1; GRI 405; VSME
S09	**Equal-pay analysis**	Adjusted pay difference for comparable work after controlling for legitimate factors; disclose model, coverage and remediation.	% and remediation status	Annual; comparable roles	ESRS S1; ILO principles; ISO 30414

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
S10	**Collective bargaining coverage**	Employees covered by collective bargaining agreements ÷ total employees × 100, by significant country.	%	Annual; employees	ESRS S1; GRI 2; ILO principles
S11	**Work-related fatalities**	Fatalities from work-related injury and ill health, separating employees and other workers.	number	Immediate/annual; workers under operational control	ESRS S1; GRI 403; ILOSTAT
S12	**Recordable injury rate**	Recordable injuries × disclosed normalization factor ÷ hours worked; provide case count and factor.	per 200,000 or 1,000,000 hours	Monthly/annual; employees and other workers	ESRS S1; GRI 403; ILOSTAT
S13	**Lost-time injury frequency rate**	Lost-time injuries × 1,000,000 ÷ hours worked; define threshold and contractor coverage.	per 1,000,000 hours	Monthly/annual; operationally controlled workers	GRI 403; ILOSTAT; industry practice
S14	**Work-related ill health**	Recordable cases and fatalities, with principal hazards and confidential health safeguards.	number and rate	Annual; employees and other workers	ESRS S1; GRI 403; ILO principles
S15	**Absence rate**	Total absence days or hours ÷ scheduled workdays or hours × 100; specify included categories.	%	Monthly/annual; employees	ISO 30414; management indicator
S16	**Learning and development**	Average training hours per employee and share receiving regular performance/career review.	hours/FTE; % employees	Annual; employee category and gender	ESRS S1; GRI 404; ISO 30414
S17	**Human-rights due-diligence coverage**	Operations and high-risk suppliers assessed for human-rights risks ÷ in-scope population × 100; disclose risk method.	% coverage	Annual; operations and risk-based value chain	UNGP; OECD MNE Guidelines; ESRS S2–S4
S18	**Severe human-rights incidents**	Confirmed severe incidents involving workforce, value-chain workers, communities or consumers, with remediation status.	number; % remediated	Quarterly/annual; operations and value chain	UNGP; OECD MNE Guidelines; ESRS S1–S4
S19	**Grievance and remedy effectiveness**	Cases received, substantiated, closed and remedied, plus median closure time; protect confidentiality and non-retaliation.	number; %; days	Quarterly/annual; workforce and stakeholders	UNGP; OECD MNE Guidelines; GRI 2
S20	**Supplier social screening**	New and active suppliers screened against defined social criteria; include high-risk suppliers with corrective action.	% suppliers or spend	Annual; risk-based supplier universe	ESRS S2; GRI 414; OECD MNE Guidelines
S21	**Community-impact assessment**	Material operations with community impact assessment and engagement, including vulnerable groups.	% material sites	Annual; material locations	ESRS S3; GRI 413; UNGP
S22	**Customer privacy incidents**	Substantiated complaints and reportable breaches involving personal data; include affected people/records where reliable.	number and severity	Immediate/annual; products and services	ESRS S4; GRI 418; OECD MNE Guidelines
S23	**Product and service safety**	Material safety incidents, recalls and regulatory non-compliance, with affected units/customers and remediation.	number; units; currency	Immediate/annual; products and services	ESRS S4; GRI 416/417; OECD MNE Guidelines

NOTE S01–S04, S06, S08, S10–S13 and S17–S19 are common Tier 1 indicators. Add value-chain, community and customer indicators according to materiality.

6. Governance indicators

Governance indicators should test whether responsibilities, controls and consequences are real—not simply whether policies exist. High-quality disclosure connects board oversight, risk management, remuneration, compliance, data controls and external assurance to material sustainability matters (IFRS Foundation, 2023a; OECD, 2023b; IAASB, 2024).

TABLE A5

Governance indicators

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
G01	**Board independence**	Independent directors ÷ total directors × 100, applying and disclosing the relevant legal or listing definition.	% and number	Annual; highest governance body	OECD governance principles; GRI 2
G02	**Board effectiveness**	Board/committee attendance, annual evaluation coverage and material skills gaps identified/addressed.	% attendance; % evaluated	Annual; board and committees	OECD governance principles; GRI 2
G03	**Sustainability oversight**	Named board/committee oversight, management accountability, review frequency and escalation for material matters.	roles; meetings/year	Annual; governance and management	IFRS S1/S2; ESRS 2; GRI 2
G04	**Sustainability-linked remuneration**	Share of variable executive remuneration linked to material, measurable sustainability criteria; disclose weight, horizon and outcome.	% variable remuneration	Annual; key management	IFRS S2; ESRS 2/E1; OECD principles
G05	**Ethics and compliance training**	Employees, directors and relevant third parties completing role-based code, anti-bribery and compliance training.	% of in-scope population	Annual; risk-based population	GRI 205; OECD MNE Guidelines
G06	**Corruption and bribery incidents**	Confirmed incidents, disciplinary actions, contracts terminated and public cases; distinguish allegations from findings.	number and outcome	Quarterly/ann ual; entity and controlled operations	GRI 205; OECD MNE Guidelines
G07	**Speak-up system effectiveness**	Reports received, substantiated and closed; median closure time and retaliation cases; preserve anonymity.	number; %; days	Quarterly/ann ual; workforce and third parties	ESRS G1; GRI 2; OECD MNE Guidelines
G08	**Political influence transparency**	Political contributions, lobbying and trade-association payments by jurisdiction and policy topic, where lawful.	currency and recipients	Annual; entity and controlled subsidiaries	ESRS G1; GRI 415; OECD MNE Guidelines
G09	**Tax transparency**	Income tax paid, effective tax rate and material country-level reconciliation; explain tax-governance controls.	currency; %	Annual; consolidated and material jurisdictions	GRI 207; OECD MNE Guidelines
G10	**Material non-compliance**	Material fines, penalties and non-monetary sanctions by environmental, social, competition, data and other relevant law.	currency; number; topic	Annual; consolidated group	ESRS 2/G1; GRI 2
G11	**Cybersecurity and data breaches**	Material incidents, reportable breaches, service disruption and affected data subjects/assets using a severity taxonomy.	number; downtime; affected records	Immediate/an nual; systems and key suppliers	ESRS S4/G1; OECD governance principles
G12	**Ownership and related-party transparency**	Beneficial ownership, controlling interests, related-party transactions and conflicts under disclosed procedures.	% ownership; transaction value	Annual/event-driven; group structure	OECD governance principles; GRI 2
G13	**Supplier ESG due diligence**	Risk-screened supplier spend and high-risk suppliers with assessment, corrective action and closure verification.	% spend/sup pliers; % actions closed	Annual; risk-based value chain	OECD MNE Guidelines; ESRS value-chain standards
G14	**ESG integration in enterprise risk**	Material sustainability risks in risk register with owners, controls, thresholds and board reporting.	% material risks with controls	Quarterly/ann ual; enterprise risk universe	IFRS S1/S2; ESRS 2; OECD principles

ID	Indicator	Definition / calculation	Unit	Boundary / frequency	Primary alignment
G15	**Policy and control coverage**	Material ESG topics supported by approved policy, control owner, testing evidence and remediation timetable.	% material topics	Annual; reporting scope	IFRS S1; ESRS 2; GRI 2
G16	**External assurance coverage**	Indicators/disclosures under external limited or reasonable assurance, state scope, applicable standard (e.g. ISSA 5000), practitioner and key exclusions. Note: CBAM product-level verification is a separate regulatory requirement - do not conflate with sustainability-statement assurance.	% indicators or disclosure scope	Annual; sustainability statement	ISSA 5000; ESRS assurance rules
G17	**Data completeness and estimates**	Share of required population covered by primary data; estimated-data share, method and uncertainty.	% coverage; % estimated	Each reporting cycle; each KPI	IFRS S1; ESRS 1; GHG Protocol
G18	**Restatements and methodology changes**	Material prior-period restatements and changes to definitions, boundaries, factors or systems, with quantified effect.	number and quantified effect	Annual; all reported KPIs	IFRS S1; ESRS 1; GHG Protocol
G19	**Reporting timeliness**	Days from financial year-end to sustainability publication and lag of underlying datasets.	days	Annual; report and material datasets	Management control indicator
G20	**Stakeholder engagement coverage**	Material stakeholder groups engaged, issues raised, governance response and decisions influenced.	% material groups; outcomes	Annual; materiality process	ESRS 1/2; GRI 2/3; OECD MNE Guidelines

NOTE G01–G07, G10 and G13–G18 are common Tier 1 indicators. Tax, political influence, cybersecurity and ownership indicators are Tier 1 when material or required.

7. Western Balkans context indicators

The context register supports regional analysis and country snapshots. It prioritizes comparable official data from Eurostat, the Energy Community, UNFCCC, World Bank, ILOSTAT, WHO and EU enlargement reporting. Always show the reference year because the latest year differs across countries and indicators (Energy Community Secretariat, 2025; Eurostat, 2026; World Bank, 2025a, 2025b).

TABLE A6

Western Balkans context indicators

ID	Context indicator	Definition	Unit	Preferred source	Comparability control
WB-E01	**Territorial net GHG emissions**	National emissions/removals by gas and sector under UNFCCC reporting.	kt or $MtCO_2e$	UNFCCC; national inventory agencies	Compare latest common year; retain revisions
WB-E02	**GHG emissions intensity**	Territorial GHG emissions per capita and per unit of real GDP.	tCO_2e/capita; $kgCO_2e$/GDP	UNFCCC; WDI; Eurostat	Use common GDP and population basis
WB-E03	**Electricity generation mix**	Generation shares from coal/lignite, gas, hydro, wind, solar and other sources.	% and GWh	Eurostat; Energy Community; regulators	Disclose hydrology and imports
WB-E04	**Electricity carbon intensity**	Power-sector CO_2e emissions ÷ net electricity generated.	gCO_2e/kW h	UNFCCC/EEA-compatible inventory; energy balances	Keep both bases consistent
WB-E05	**Renewable energy share**	Renewable share of gross final energy and electricity consumption using harmonized methodology.	%	Eurostat SHARES; Energy Community	Check series breaks and normalization

ID	Context indicator	Definition	Unit	Preferred source	Comparability control
WB-E06	**Energy intensity of the economy**	Gross inland or final energy consumption per unit of real GDP.	toe or GJ per GDP	Eurostat; WDI; national statistics	Use constant-price GDP and common base
WB-E07	**Energy-acquis implementation**	Energy Community transposition/implementation score and relevant sector indicators.	% score	Energy Community annual report	Never mix with company ESG scores
WB-E08	**CBAM exposure**	Value and embedded emissions of EU exports in CBAM-covered products, by sector.	currency; tonnes; tCO_2e	Eurostat COMEXT; customs; verified installation data	Report current scope and period rules
WB-E09	**Population-weighted PM2.5 exposure**	Annual mean exposure to fine particulate matter and associated burden of disease.	$\mu g/m^3$; deaths/100,000	WHO GHO; EEA; national monitoring	Separate modeled exposure and station data
WB-E10	**Urban wastewater treatment**	Population connected to collection/treatment and share receiving at least secondary treatment.	% population	Eurostat; water agencies; WDI	Check rural/urban coverage
WB-E11	**Municipal waste and circularity**	Waste per capita, recycling rate, landfill share and separately collected waste.	kg/capita; %	Eurostat; environment agencies	Harmonize definitions; flag illegal dumping
WB-E12	**Nature protection and pressure**	Protected area plus material land-use change, habitat condition or threatened-species indicators.	% area; ha; index	CBD; protected-area agencies; Eurostat/WDI	Area is not management effectiveness
WB-S01	**Labour-force participation**	Economically active population ÷ working-age population, by sex and age.	%	Eurostat LFS; ILOSTAT; national statistics	Use same age band, preferably 15–64
WB-S02	**Employment rate**	Employed persons ÷ working-age population, by sex and age.	%	Eurostat LFS; ILOSTAT	Use harmonized LFS definition
WB-S03	**Unemployment rate**	Unemployed persons ÷ labour force, by sex and age.	%	Eurostat LFS; ILOSTAT	Do not compare with registered unemployment
WB-S04	**Youth unemployment**	Unemployed persons aged 15–24 ÷ youth labour force.	%	Eurostat LFS; ILOSTAT	Pair with NEET
WB-S05	**Youth NEET rate**	Young people not in employment, education or training ÷ specified age population.	%	Eurostat; ILOSTAT	State age band, commonly 15–24
WB-S06	**Gender participation gap**	Male minus female labour-force participation rate for the same age group.	percentage points	Eurostat; ILOSTAT; World Bank	Report levels as well as gap
WB-S07	**Informal employment**	Employment in informal arrangements as a share of total employment under ILO definitions.	%	ILOSTAT; national LFS	Coverage varies; flag breaks
WB-S08	**Occupational injury incidence**	Fatal/non-fatal occupational injuries relative to workers or hours worked.	rate	ILOSTAT; labour inspectorates	Under-reporting is material
WB-S09	**Poverty and social exclusion**	At-risk-of-poverty, deprivation and related harmonized measures.	% population	Eurostat-compatible surveys; World Bank	Use one definition per comparison
WB-S10	**Education and skills**	Early school leaving, tertiary attainment, adult learning and skills mismatch.	% and index	Eurostat; UNESCO UIS; national statistics	Report age group and survey basis
WB-S11	**Migration and population change**	Net migration, emigration, remittances and working-age population change.	persons; % population; % GDP	Eurostat; UN DESA; WDI	Triangulate undercounted emigration

ID	Context indicator	Definition	Unit	Preferred source	Comparability control
WB-G01	**Worldwide Governance Indicators**	Six WGI dimensions: voice, stability, effectiveness, regulation, rule of law and corruption control.	absolute 0–100 plus interval	World Bank WGI 2025 revision	Use intervals; avoid annual over-interpretation
WB-G02	**Corruption Perceptions Index**	Perceived public-sector corruption score and rank.	0–100 score; rank	Transparency International CPI	Perception index, not incident count
WB-G03	**EU-accession alignment**	Commission assessment of preparedness/progress in fundamentals and ESG-relevant acquis.	qualitative rating; milestones	European Commission country reports	Retain narrative; do not invent numeric scores
WB-G04	**Public-procurement integrity**	Competitive share, single-bid share, publication completeness and review timeliness.	% procedures/value days	Procurement agencies; EC reports; SIGMA	Prefer transaction-level data
WB-G05	**Judicial effectiveness**	Case clearance, duration, backlog and enforcement for relevant case types.	%; days; cases	CEPEJ; ministries; EC reports	Compare like court/case categories
WB-G06	**Statistical capacity and availability**	Timeliness, coverage, methodological alignment and revision transparency for ESG statistics.	coverage score; release lag	Eurostat Chapter 18; national statistics	Report missingness explicitly
WB-G07	**State-owned enterprise governance**	Board independence, transparency, fiscal risk and audited-account publication for material SOEs.	% covered; timeliness	Finance ministries; OECD/WB; EC reports	Define material SOE portfolio
WB-G08	**AML and beneficial ownership**	Register coverage, verification/enforcement and relevant AML assessment outcomes.	% entities; outcomes	FATF/MONEYVAL ; registries; EC reports	Measure effectiveness, not adoption only

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ABOUT THIS REPORT

This report assesses environmental, social and governance readiness across Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

The central finding is that implementation – not policy intent – is the principal constraint on ESG readiness in the Western Balkans. Although all six economies have adopted strategic commitments and are progressively aligning their legislation with the EU acquis, their ability to translate these commitments into functioning institutions, enforceable rules and measurable results varies substantially.

FIVE DIMENSIONS OF ESG READINESS

01 Regulatory alignment

02 Implementation and enforcement

03 Corporate capacity

04 ESG data capacity

05 Access to transition finance

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