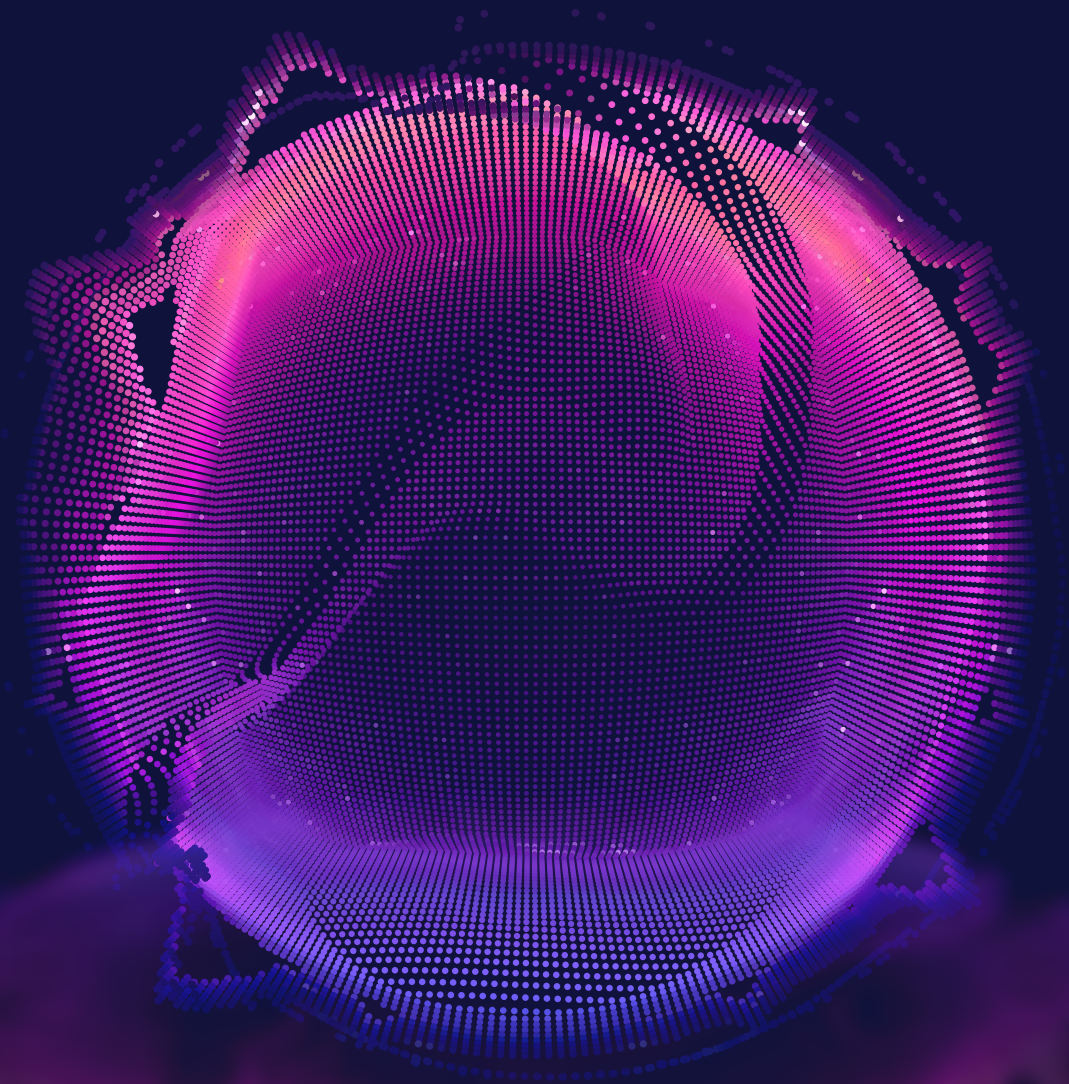


BUSINESS SERVICES SECTOR IN ALBANIA, KOSOVO AND NORTH MACEDONIA 2024





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This report was prepared by Association of Business Service Leaders (ABS L) Albania in cooperation with Vigan Group, DigitSapiens, Kreski Research, Kurtsmajlaj Consulting



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FOREWORD



FLORENSA HAXHI

Albanian Investment Corporation (AIC) | Innovation Expert

Dear Esteemed Readers,

It is with great honor and privilege that I present to you the **2024 Annual Report on the Business Services Sector (BSS)**, encompassing Albania, Kosovo, and North Macedonia. This report reflects the dynamic evolution of the sector across these nations and highlights the integral role it plays in driving economic growth, fostering regional integration, and attracting global investments. Having worked extensively at the intersection of policy development, innovation, and economic strategy, I have witnessed firsthand the transformative power of the business services sector in building bridges between industries, governments, and global markets. This report is a continuation of our collective effort to promote strategic insights and practical solutions that address the sector's challenges and harness its opportunities. The business services industry, through its adaptability and innovation, has emerged as a cornerstone of economic resilience and sustainability in our region. The insights in this report are the culmination of robust research, collaboration, and a shared vision among stakeholders committed to fostering talent, enhancing competitiveness, and enabling digital transformation. I

congratulate the ABSL Albania team, regional partners, and all contributors for their exceptional commitment and collaborative efforts in shaping this comprehensive analysis.

In my professional journey, I have focused on creating synergies between government, academia, and the private sector to develop policies and programs that empower businesses and communities. This report aligns with those efforts, showcasing actionable strategies and a roadmap for sustainable growth.

It is my hope that this report will inspire meaningful dialogue and strategic investments among policymakers, business leaders, and investors. Together, let us leverage the collective strength of the Western Balkans to position the Business Services Sector as a pivotal force in the global economy.

Warm regards,

Florensa Haxhi, PhD

Senior Business Development Expert

Albanian Investment Corporation (AIC) | Innovation Expert

PREFACE



ARJODITA MUSTALI

President - ABSL Albania

DEAR READERS,

The Association of Business Service Leaders (ABSL) Albania is proud to present the 3rd Annual Report for the Business Services Sector. This time the report extends its exploration beyond Albania by including Kosovo and North Macedonian companies in its scope.

The ABSL team has extended its operations in Kosovo and North Macedonia and is in the process of establishing branches in both countries, driven by the mission to represent and bring together leaders in this industry. ABSL continues to support the development of the modern business services sector and create opportunities for its ongoing growth in the extended Western Balkans Region.

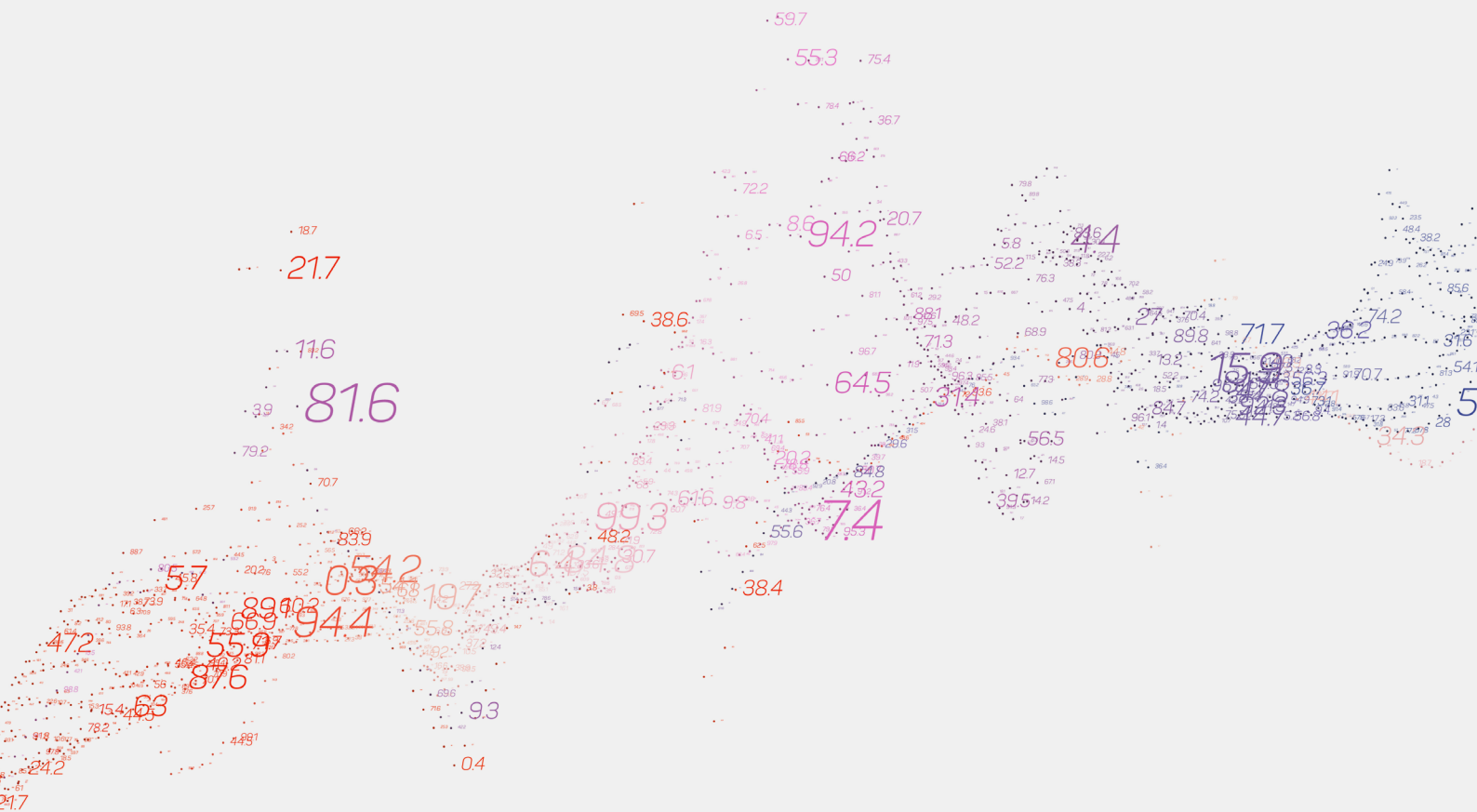
This year's report which has expanded in depth and

geographic scope was made possible by RECONOMY, funded by Sida (Swedish International Development Cooperation Agency), an inclusive and green economic development program implemented by HELVETAS Swiss Intercooperation, in partnership with Help - Hilfe zur Selbsthilfe.

We also thank all participant and contributors to this report, our partners Kreski Research, Vigan Group, DigitSapiens, Kurtsmajlaj Consulting and the dedicated team of ABSL Albania.

We welcome you to explore the insights and findings about the development and the outlook of the Business Service Sector in Albania, Kosovo and North Macedonia.





EXECUTIVE SUMMARY

This report represents an ambitious effort to analyze the Business Service Sector (BSS) in Albania, Kosovo and North Macedonia and focuses in on structural and organic developments that impact the sector in these three neighboring countries. The study brings the perspective of companies and highlights **opportunities for growth and challenges faced by companies, and ventures into** exploring emerging trends and collaboration avenues. Finally, the report offers industry insights for all stakeholders that can be used to **inform action by** government institutions, investors, business leaders, and potential clients.

In the last Annual Report in 2022 which focused on BSS in Albania, we were transitioning out of the pandemic era, during which Business Service Sector organizations displayed remarkable resilience and performed very well in a remote operating environment. This coincided with an increased demand for services which brought business growth opportunities as well as challenges in scaling up. At the time we noted that the business sector in Albania was still in its early stages of development, with a significant number of businesses being freelancers and highlighted the

country's need to develop talent, adopt new technologies and implement policies to retain qualified employees.

In 2024 we find ourselves in a “new normal” work environment, potentially embracing a permanent hybrid operational model, especially within BSS organizations. A significant driver of this transformation is the digital proficiency of the BSS companies and their talent pool and their ability to adapt swiftly to the constantly changing business landscape. There is no doubt that ongoing technological advancements in automation, including generative AI, will further enhance the effectiveness of leveraging a hybrid operational model.

Meanwhile significant political and economic developments in the region such as the shared aspiration to join the EU as well as initiatives like “Open Balkans” have fostered cross-country collaboration. This is evidenced in many companies opening branches in neighboring countries. The expanded scope of ABSL is now Western Balkans, and includes operations from ABSL Albania in Kosovo and North Macedonia.

METHODOLOGY OF THE REPORT

The purpose of the Business Services Sector Report for Albania, Kosovo and North Macedonia is to highlight the most significant developments and provide an overview of the situation and practices of the BSS sector in the three countries. The Business Service Sector includes a wide range of services that support businesses in their operational, administrative, and strategic activities:

- **Business Process Outsourcing (BPO)**, both Nearshore and Offshore
- **IT outsourcing (ITO)**, including software, infrastructure and IT enabled services (ITES)
- **Shared Services Centers (SSC)**
- **Research and Development Centers (R&D)** B2B service companies

Real Estate has also been included in the report as it represents a significant consideration for many businesses, impacting their operational efficiency and growth, making it relevant to analyze as part of BSS. Independent Professionals were not included in this report even though they represented more than half of the respondents in 2022, however, the key themes explored in this report apply to SMEs and this category would be hard to identify in Kosovo and North Macedonia for lack of distinct legal classification in those countries.

Instruments: The source of insights in this report come from our research through literature review of reputable sources (Statistical office records for each country;

reports, articles and studies; World Bank reports, and Web Scraping), as well as the ABSL quantitative (survey with companies) and qualitative (Focus Group Discussions (FGD)) sources. Literature review aims to provide a more complex overview of the industry and the context in which they operate in each country. The following themes regarding the BSS sector in each country were explored by the survey and were followed up based on the quantitative results with the FGDs:

- **Business Profile:** location, sector, ownership structure, market focus, and years of operation.
- **Workforce Dynamics:** employee demographics, recruitment challenges, training programs, and turnover trends.
- **Business Climate:** labor market conditions, financial access, competition, and economic outlook.
- **Technology and Innovation:** technology adoption, AI integration, and workforce preparedness through education.
- **Real Estate:** business premises availability, rent affordability, and real estate market trends.
- **Future Outlook:** expectations for labor, finance, technology, economy, legislation, and real estate over the next 5 years.

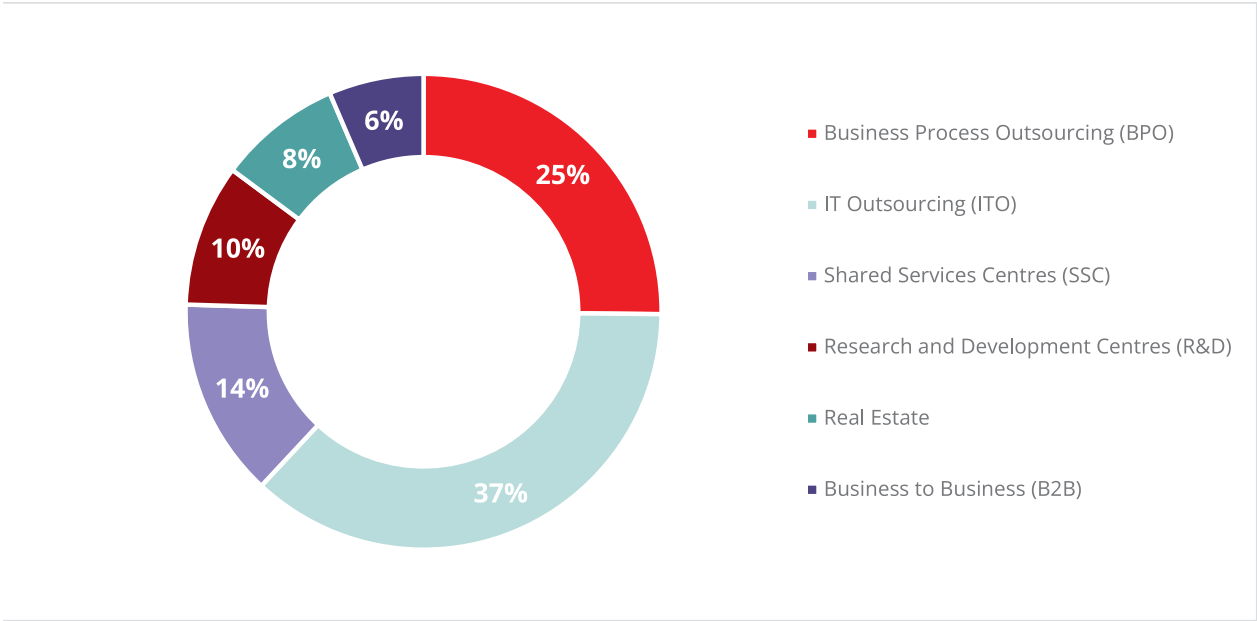
Quantitative data was gathered through Kobo Toolbox from September to November 2024 and FGD were organized online with representatives

from the three different countries.

Sampling strategy and Participants: Our survey used purposive sampling, where participants are deliberately selected based on specific characteristics, expertise, or relevance to the study. This approach proved effective for the purposes of the report as it is targeting a specialized population, allowing us to gather in-depth insights from entities with unique knowledge or experiences. While purposive sampling is efficient and ensures focused data

collection, it is prone to selection bias and limits the generalizability of findings to the broader population. The survey was completed by the managers of 155 companies from Albania (36%), Kosovo (31%) and North Macedonia (33%). To deepen our insights derived from the survey and to explore the key themes from preliminary findings, a series of Focus Group Discussions (FGD) in each country with 30 participating stakeholders were organized

FIGURE 1: PARTICIPANTS IN THE STUDY BY SECTOR (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

CHAPTER 1

ECONOMIC, LEGAL AND TAXATION OVERVIEW

In this chapter the report explores regulatory frameworks, incentives, and entry barriers for investors; taxation, VAT, income taxes and fiscal incentives; cost structure and digitalization and the differences for each country. Following is a high-level overview of the three economies and legal and fiscal developments to contextualize the BPO sector within the larger economic context of each country individually and in relation to each other.

OVERALL ECONOMIC CONTEXT

Albania, Kosovo and North Macedonia economies are rapidly developing. Post-pandemic recovery has been strong for all three countries with sustained growth at around 3% in 2023, 202 and expected to continue through next year.

FIGURE 2: MAP OF ALBANIA, KOSOVO AND NORTH MACEDONIA

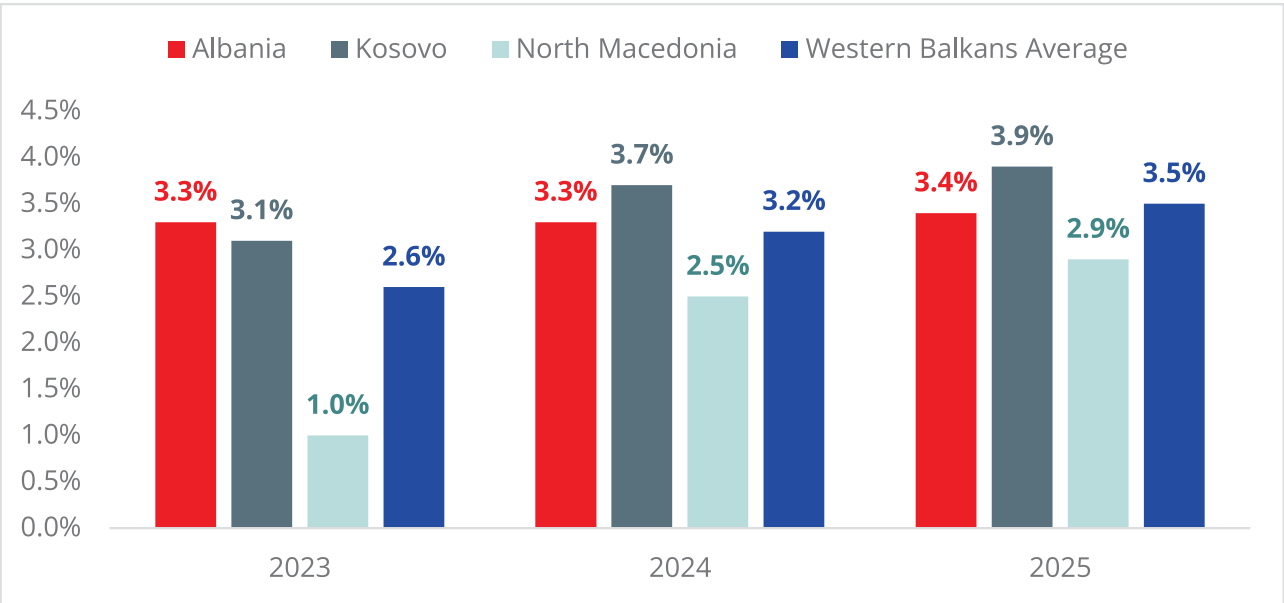


TABLE 1: GENERAL FACTS ABOUT THE THREE COUNTRIES

	Albania	Kosovo	North Macedonia
Population (M)	2.4	1.6	1.83
Total GDP (\$B)	26.130	11.32	15.8
GDP per capita (\$)	9,598	6,389	7,672

Source: World Bank; National Census

FIGURE 3: GDP GROWTH BY COUNTRY (%)



Source: World Bank

Albania's economy has demonstrated resilience and steady growth in recent years, sustained by key sectors such as construction, and tourism. In the first quarter of 2024, Albania's GDP increased by 3.63%. The World bank projects that growth will be sustained through 2024 and moderately accelerate in 2025. While tourism-related services were robust, their impact on overall growth was limited due to an equally exceptional level in 2023 (high base effect) but also prevalent informality within the sector. The construction sector surged by nearly 15% in Q2 2023, driving private investment growth. This growth has supported employment, particularly in the private sector, where wages have grown by an average of 12.7% across all industries over the past year.

Kosovo's economy has demonstrated resilience and steady growth, despite facing external challenges. Projections for GDP growth in 2024 indicate an acceleration to around 3.8%, driven by robust domestic demand. Growth is projected to continue at a similar rate in 2025. Private consumption

remains a key growth driver, supported by a 3.5% year-over-year increase in investment during the first three quarters. The public investments also saw a substantial rise of 32.5%. These factors contributed positively to the economic landscape, although external trade impacts were minimal

North Macedonia's economy experienced a 2.3% year-on-year growth in the second quarter of 2024, marking the highest rate in two years. However, the country faced the lowest growth among the three, with a revised estimate of 1.0% for 2023, followed by projections of 2.5% for 2024 and 2.9% for 2025. This growth was primarily driven by increased government spending.. The contribution of agriculture and construction to growth was negligible, with construction trends detracting from overall performance, however this is expected to change as major infrastructure projects are expected to show their impact in the coming quarters. Private consumption was the primary growth driver for the three countries while both private and public investment has

generally recovered. Investment trends in Kosovo and Albania were also on the rise, aided by an optimistic Eurozone outlook and stabilizing interest rates. Net exports present a limited contribution to overall growth as all three countries remain with a trade deficit. The GDP composition of Albania, Kosovo,

and North Macedonia reflects the high weight of the services sector, with Kosovo having the highest reliance. Agriculture plays a more significant role in Albania, while North Macedonia has the strongest industrial base.

TABLE 2: GDP BY SECTOR

	Albania	Kosovo	North Macedonia
Total GDP (\$ B)	19.2	9	14.5
Agriculture	18%	10%	10%
Industry	21%	20%	25%
Services	61%	70%	59%

Source: World Bank, 2023

TAXATION AND LEGAL INCENTIVES

ALBANIA TAX SYSTEM

Albania has a corporate tax rate of 15% meanwhile dividend is taxed at 8%. Companies whose activity is software production and development, registered until the end of 2023, are subject to a 5% CIT for the periods until the end of 2025. Meanwhile small businesses setup with turnover up to ALL 14 million (around €140,000) enjoy reduced tax rates currently at 0%. The VAT rate in Albania is 20% with entities with an annual turnover exceeding ALL 10 million are required to register for VAT purposes. Crucially for the Business Service Sector there is a 0% VAT rate for exports. Personal incomes are taxed progressively 0% up to 500 Euros* approximately, 13% up to 2000 Euros and 23% above that.

Albania has developed Albania’s Technical and Economic Development Areas (TEDA) to promote foreign direct investment through benefits including tax exemptions, deductibles, and location advantages. The latest development “Durana Technopark”, will be the first techpark in Albania setup between Tirana and Durrës to provide a boost to the landscape of science, technology, and entrepreneurship. The tech park will offer quite attractive tax incentives like exemption from CIT and Personal Income Tax for personnel involved in R&D and is expected to open its doors in 2025 to Large Foreign Companies, Startups and Digital Nomads.



Durana Tech Park represents a unique opportunity for businesses and investors interested in being part of the future of innovation in Albania. With its state-of-the-art infrastructure and government support, the park promises to be a catalyst for technological progress and entrepreneurial excellence in the country. This long-awaited project will start in early 2025 and is poised to revolutionize the landscape of science, technology, and entrepreneurship in Albania.

The Durana Tech Park is the result of collaboration between the Albanian Investment Corporation (AIC), to transform the face of technology in Albania. Park residents will benefit from multiple economic, tax, and business incentives to companies designed to attract innovative companies in the fields of software design and development, cloud computing services, cybersecurity, big

data analysis, and robotics research. With exclusive tax and administrative incentives for businesses and a wide range of support services, Durana Tech Park aims to attract both domestic and foreign investments in the technology sector. This will help stimulate economic growth and create skilled jobs in Albania. These incentives include: Extensive fiscal and customs benefits, including a 0% tax rate on income for 15 years, tax-free salaries for R&D personnel for 10 years, VAT exemptions on goods and services, and no property or infrastructure taxes for specified durations.

Located in the city of Xhafzotaj, a short distance from the center of Durres, Durana Tech Park enjoys a strategic position that makes it easily accessible from both the Port of Durres and Tirana International Airport. This choice aims to facilitate connections with the country's major labor markets and academic institutions.

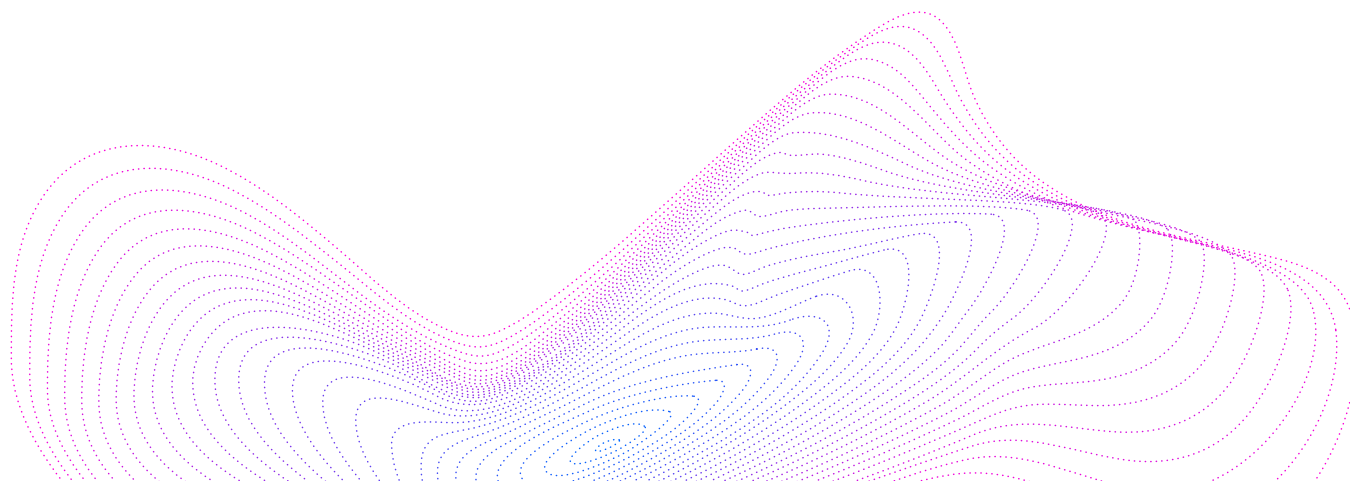
KOSOVO TAX SYSTEM

Kosovo's corporate tax rate is a competitive flat rate of 10%, one of the lowest in Europe. Businesses with annual turnover under 30,000 euros are not subject to CIT but have to file quarterly payments of tax on gross receipts, as follows: 3% of gross income received from trade, transport, agricultural, or similar activities; 9% of gross income for the quarter from services, professional, vocational, entertainment, or similar activities; 10% of gross rent income. Entities with an annual turnover exceeding €30,000 are required to register for VAT which stands at 18% applied to most goods and services. A reduced rate of 8% applies to specific supplies. Vat for exports is 0% while customs exemptions also apply for export-oriented industries that include business services. Personal Income Tax (PIT) is progressive currently at 0% for up to 250 Euros monthly, 8% up to 450 euros and 10% for anything above 450 Euros monthly. This makes Kosovo quite attractive for setting up BPO operations as the overall tax burden on employees is one of the lowest in the region. Kosovo has established several economic zones to promote investment and economic development. The Business Park in Drenas was created in 2010 with a surface of 24 ha and its physical infrastructure has been completed. The park is currently hosting 41 businesses with a variety of business activities

ranging from pharmaceuticals products, elevators manufacturing, metalworking, wood sector, various panels up to plastic recycling. Other operational entities are: Technology park in Shtime, with a focus on attracting technology and manufacturing companies that currently do production of electric poles from concrete, production of quartz and marble tiles, processing of glass types etc and the Business Park in Mitrovica with businesses ranging from plastics recycling, carpentry, manufacturing of paper bags, textiles, metal products etc. preferential rates of 5% and 10% are applied for turnover of certain goods and services. Regarding the repatriation of funds, North Macedonia does not impose restrictions on the reinvestment or repatriation of profits and investment capital. Foreign investors are entitled to transfer profits and income without a transfer tax, and investment returns are generally remitted within three working days.

NORTH MACEDONIA TAXES AND INCENTIVES

The standard Corporate Income Tax in NMK is 10%. Companies with annual revenues between MKD 3 million (~50,000 EU) and MKD 6 million (~100,000 EU) may opt for a simplified tax regime, paying 1% CIT on total revenue. However, the exemption for companies with revenues up to MKD 3 million has been abolished.





ITP PRIZREN

The Innovation and Training Park (ITP) Prizren is a collaborative hub in Kosovo that brings together the private sector, public institutions, civil society organizations, and academia. It aims to foster innovation, business development, and skills enhancement in the Western Balkans. Spanning approximately 40 hectares with nearly 50 buildings, ITP Prizren offers:

- **Co-working spaces:** A 750-square-meter area designed for professionals, entrepreneurs, and startups.
- **Training programs:** Courses in digital skills, creative industries, and vocational

education provided by tenants and the University for Business and Technology.

- **Business support services:** Initiatives such as the “Idea-to-Scale” incubation program assist startups from conception to scaling.
- **Event venues:** Facilities suitable for conferences, workshops, and seminars.

ITP Prizren focuses on sectors like ICT, green energy, environmental technologies, creative and cultural industries, research and development, and vocational education and training.

By integrating these sectors, ITP Prizren aims to create jobs, boost the economy, and offer practical learning opportunities, positioning itself as a regional hub for innovation and development.

The standard VAT rate is 18%. This rate applies to overall turnover and imports of goods and services. In addition, preferential rates of 5% and 10% are applied for turnover of certain goods and services. As of January 1, 2023, a flat tax rate of 10% applies to various income categories, including employment income, self-employment income, royalties, rental income, capital gains, and insurance income. Additionally, the annual personal tax exemption for 2024 is MKD 114,480 (1,880 EU). North Macedonia has established several Technological–Industrial Development Zones (TIDZs) to attract investment and promote economic

growth. These zones offer incentives such as tax exemptions and developed infrastructure to support businesses. Additionally, the country is developing a Science and Technology Park in Skopje, aiming to foster innovation and technology transfer. In the three countries, the government is interested in offering various support schemes for investments in priority sectors like ICT, agriculture, manufacturing and energy mostly aimed at streamlining procedures and providing access to grants, subsidies and overall promotion of investment in these areas.

TABLE 3: COMPARISON OF TAX RATES FOR VARIOUS TYPES OF INCOME

	Albania	Kosovo	North Macedonia
Corporate Income Tax (CIT)	Standard: 15% Small businesses (<€140,000) turnover: 0%	10% (flat); Small businesses (<€30,000 turnover): 3% (trade/agriculture), 9% (services), 10% (rent)	Standard: 10%; Simplified regime for revenues €50,000–€100,000: 1% on total revenue
Dividend Tax	8%	0%	10%
Standard VAT rate	20%	18%	18%
VAT registration threshold (approx.)	€100,000	€30,000	€32,000
VAT for exports	0%	0%	0%
Personal Income Tax (PIT)	Progressive: 0% (<€500/month); 13% (€500–€2000/month); 23% (>€2000/month)	Progressive: 0% (<€250/month); 8% (€250–€450/month); 10% (>€450/month)	Flat 10%; Annual exemption: €1,880
Key Tax Incentives	Reduced tax for software companies (5% CIT until 2025);	Low employee tax burden; Simplified tax regime for SMEs;	Simplified tax regime for SMEs;

Source: Literature review of taxation across the three countries.

FOREIGN DIRECT INVESTMENT

FDI inflows for the region amounted to 5.4% of GDP with Albania (at 6.8% of GDP), the highest in the region, driven by strong equity investments and reinvested earnings in sectors such as tourism, energy, and services. This influx of investment, particularly in the services sector, has been instrumental in strengthening Albania’s export capacity, particularly in tourism and business services, where foreign companies have shown increasing interest. Albania’s foreign tax relief measures and extensive network of DTTs (42 are currently in place) play a vital role in supporting individuals in the BPO sector by preventing double taxation and facilitating smoother international business operations.

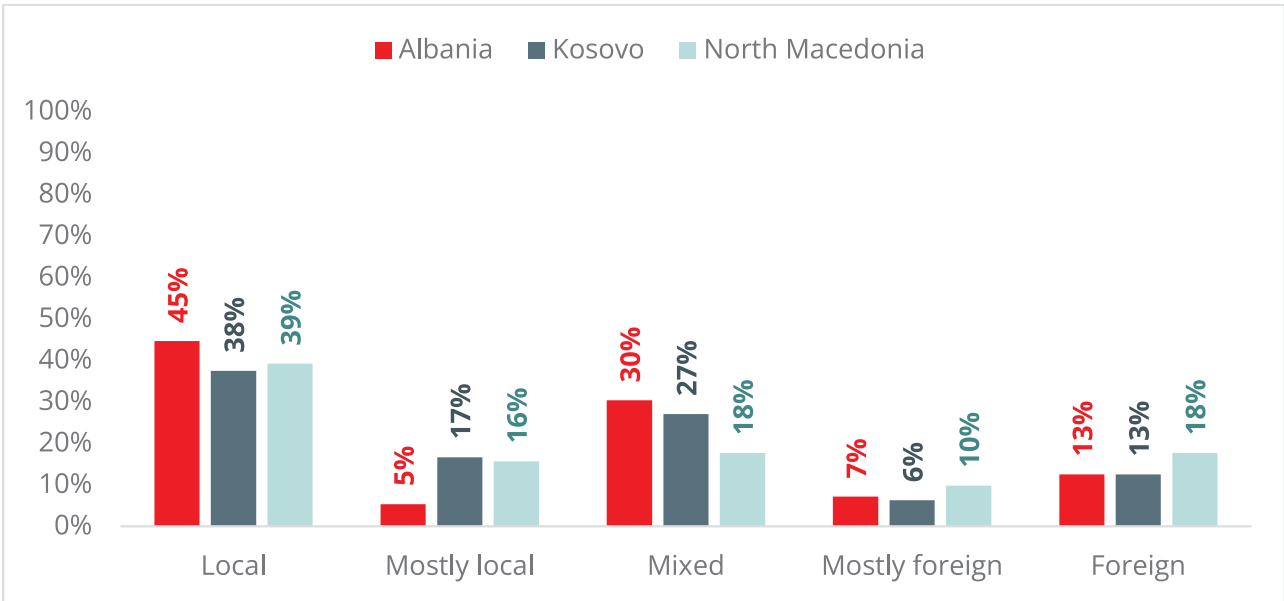
In Kosovo where FDI amounts to 6.4% of GDP, the diaspora’s role in stimulating investment has been crucial, with remittances and diaspora engagement further fueling FDI in services and local businesses. These investments have enhanced Kosovo’s capacity to expand its services exports, particularly in tourism and shared services.

Kosovo has established Double Taxation Agreements

(DTAs) with various countries (10). And has made recent reforms to reduce administrative procedures. Foreign investors have the right to own property, repatriate profits, and are treated equally as domestic investors. In North Macedonia, FDI has flowed predominantly into manufacturing, technology services, and renewable energy, but the services sector has also gained traction, particularly with investments in shared services and BPO activities. This focus on services is helping North Macedonia diversify its economy away from traditional manufacturing, further boosting its service-led exports and solidifying its role as an emerging services hub in the region. Macedonia has an extensive DTT network (49) that prevents the same income from being taxed in both jurisdictions and does not impose restrictions on the reinvestment or repatriation of profits and investment capital.

The survey results for businesses in the three countries reflect that the above as 22% of BSS companies are 22% foreign or mostly foreign owned, another 25% have mixed equity and 53% are locally or mostly locally owned. The data for each country is reflected in the graph below.

FIGURE 4: COMPOSITION OF CAPITAL OF BSS COMPANIES FOR EACH COUNTRY (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

INSIGHTS FROM THE SURVEY

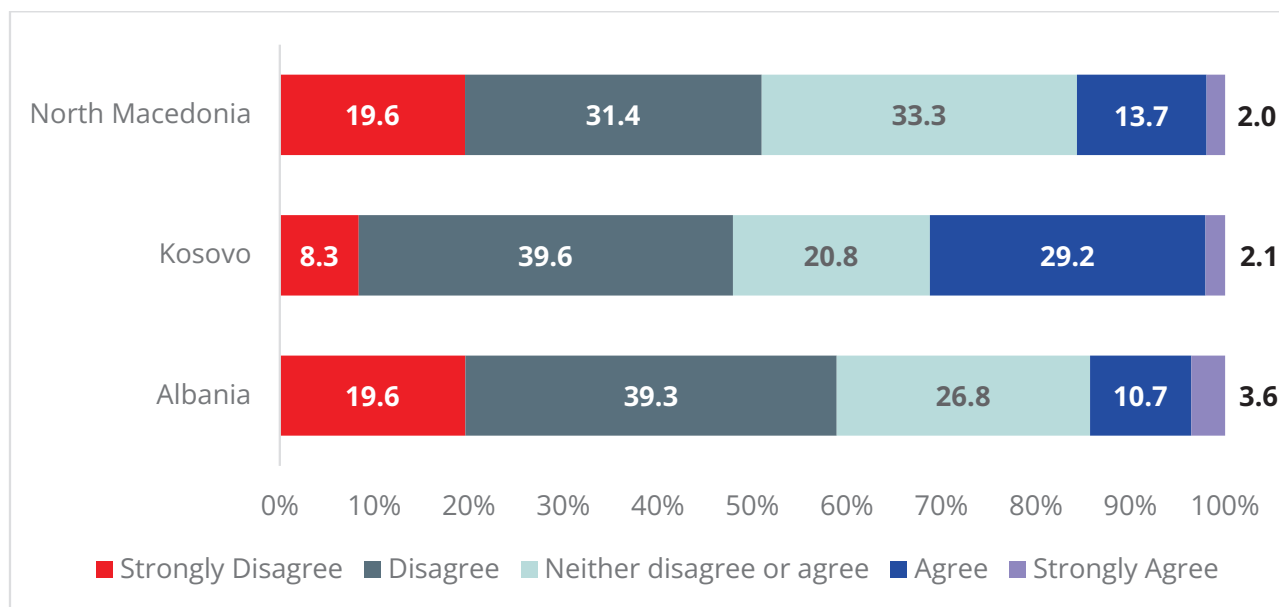
TAXATION

Respondents in all three countries say that setting up a business in each of the three countries is straightforward and the procedure takes 1-3 business days to complete, aided by online services.

Many businesses in Albania are classified as small businesses and have benefited from the low tax and the high VAT threshold for this category. This, however, makes it easy for employees to spin off on their own after gaining some experience, leading to a high number of small businesses and even private contractors

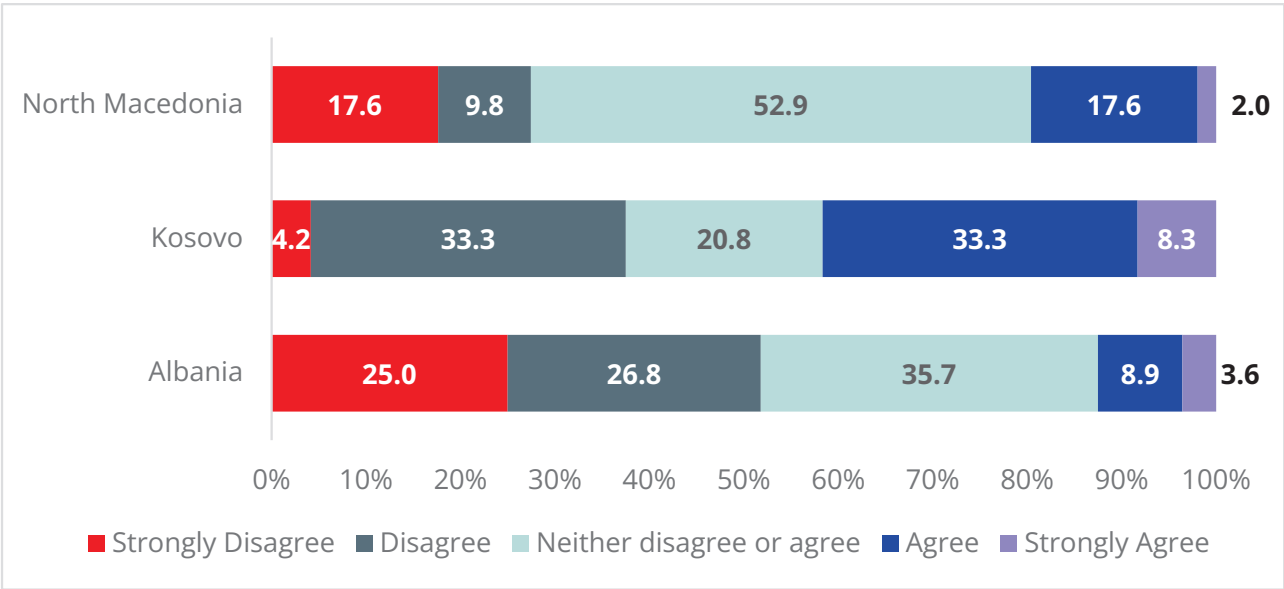
engaged in BSS activities. These incentives are due to expire by 2029 and participants say keeping up with the frequent changes of fiscal packages is challenging. Companies in Kosovo see the flat taxation rate as favorable and straightforward in conducting business. However, specifically in Kosovo companies would like to see employment regulations reviewed as employees are only required to give only a two week notice before quitting, causing issues for the business especially after investing in their training. In North Macedonia companies also see the flat taxation rate as one of the most favorable for

FIGURE 5: THE FISCAL/TAX SYSTEM IS CLEAR AND FAVORABLE FOR BUSINESS (%)



Source: ABSL's analysis based on the results of the survey (N=155)

FIGURE 6: FISCAL CHANGES ARE NOT FREQUENT (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

setting up and operating a business but they express concerns regarding the bureaucracy in obtaining licenses and interfacing with state institutions as leading to high operational costs. The perceptions of the fiscal and tax system’s clarity and favorability vary across Albania, Kosovo, and North Macedonia. In Albania, a significant portion of companies (58.9%) strongly disagree or disagree that the system is clear and favorable. Similarly, in North Macedonia, 51% of companies share this sentiment. Kosovo presents a slightly more favorable view, with only 47.9% disagreeing and a notable 29.2% agreeing that the system is

clear and favorable, suggesting relatively better perceptions compared to the other two countries.

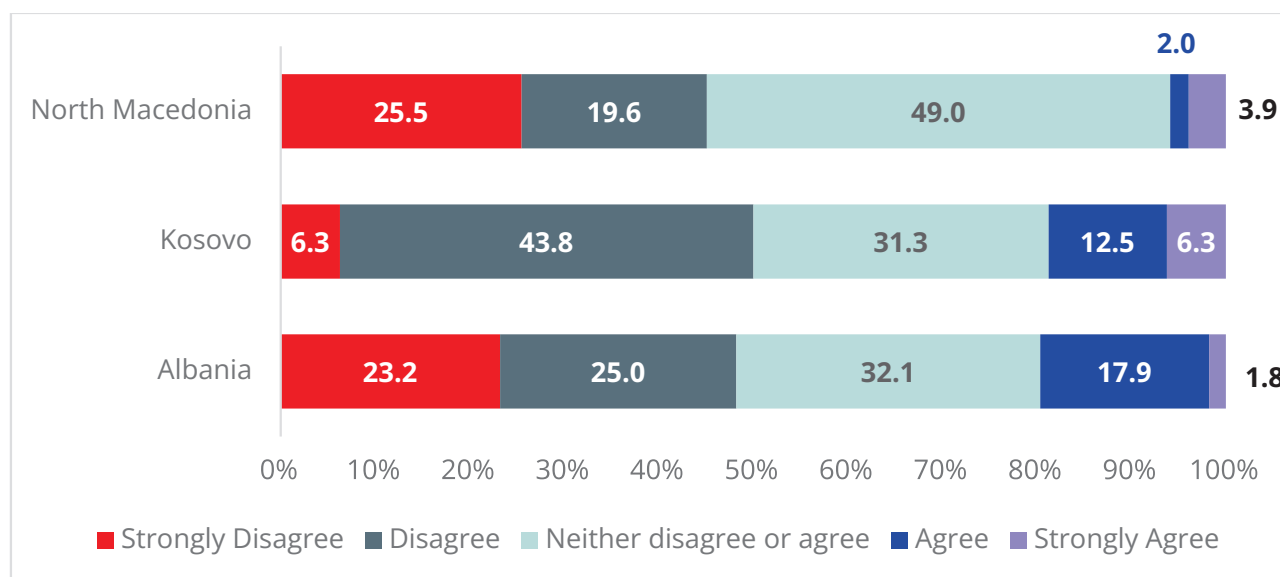
The data explores perceptions regarding the frequency of fiscal changes in Albania, Kosovo, and North Macedonia. Concern about the infrequency of fiscal changes is most pronounced in Albania where a combined 51.8% of companies strongly disagree or disagree with the statement that fiscal changes are infrequent, while Kosovo reflects more stability with 37.5% agreeing or strongly agreeing, and North Macedonia highlights significant neutrality at 52.9%.

RELATIONSHIP WITH THE GOVERNMENT

When asked about the relationship with public institutions, companies in Kosovo feel the situation is improving in recent years with over 53% of businesses saying so. In Albania and North Macedonia companies have more mixed responses indicating a keeping with the status quo regarding interactions with government institutions. Participants in the focus groups have highlighted that they are aware and intend to take advantage of government incentives such as grants, free economic zones and tech parks that are in development.

Regarding whether the application of the law is fair, participants have a significant skepticism across all three countries about the fairness and impartiality of the law. In Albania, 53.6% of businesses either strongly disagree or disagree, 35.7% remain neutral, and only 10.8% agree or strongly agree. In Kosovo, a higher proportion, 52.1%, disagree or strongly disagree, 29.2% are neutral, and 18.8% agree or strongly agree. In North Macedonia, neutrality is most common, with 43.1% neither agreeing nor disagreeing, 45.1% disagreeing or strongly disagreeing, and only 11.7% agreeing or strongly agreeing.

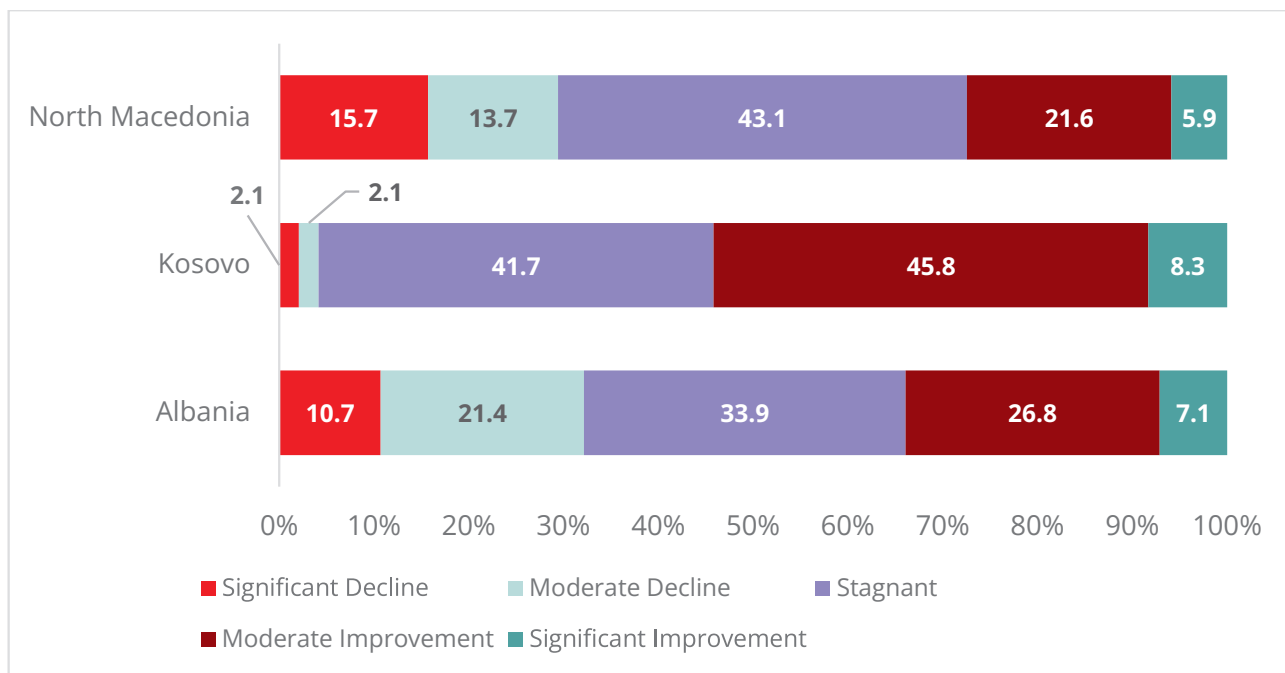
FIGURE 7: THE GOVERNMENT ALLOWS LEGAL SPACES FOR THE DEVELOPMENT OF THE SECTOR I OPERATE IN (%)



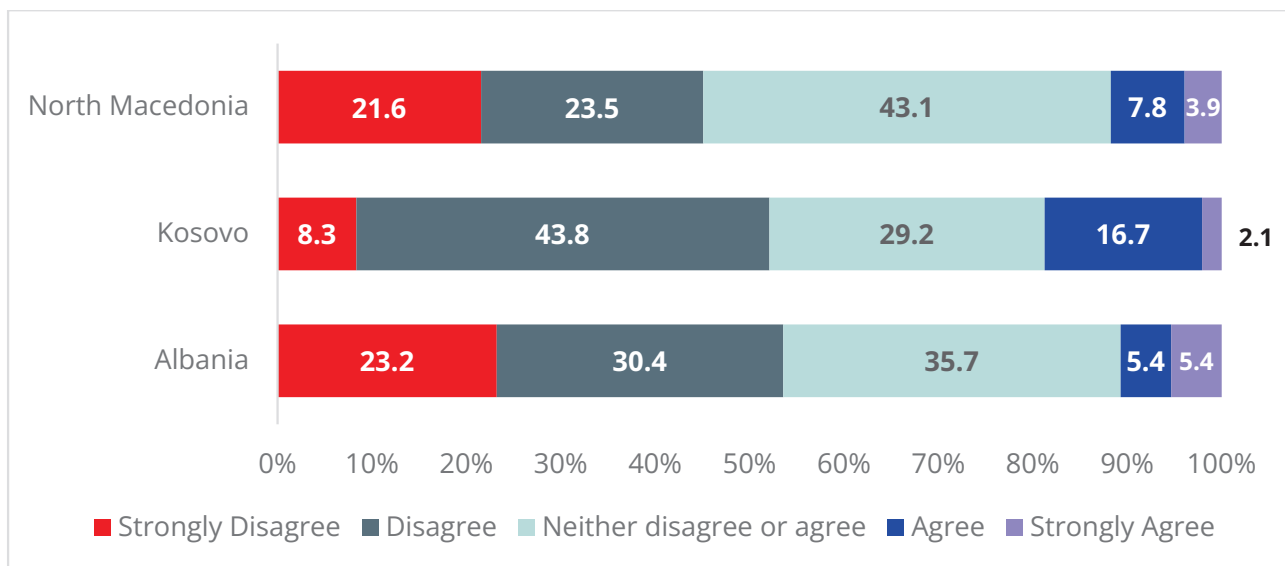
FUTURE DEVELOPMENT OF THE ECONOMY

Companies from the survey were asked about their view of future economic development in the country. Kosovo entities have the most positive outlook with 66.7% expecting significant improvement. In

Albania 44% say that they expect improvement or significant improvement of the economy in the future. In North Macedonia the responses are more mixed indicating a bit of uncertainty about the future.

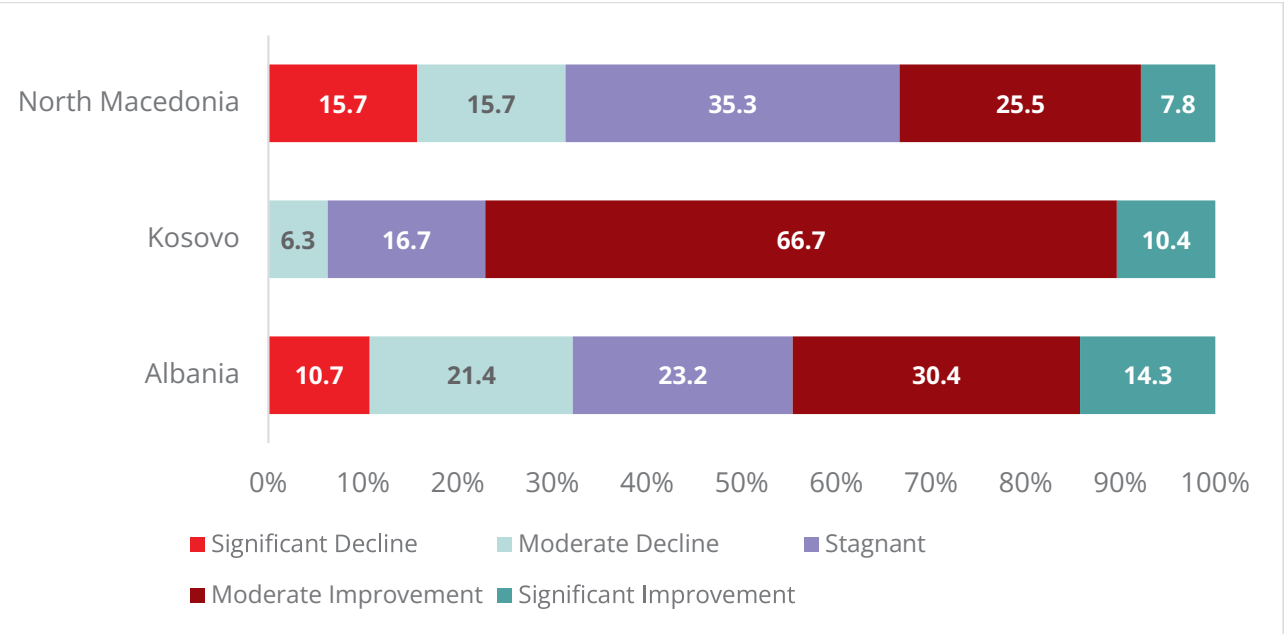
FIGURE 8: LEGISLATION AND RELATIONSHIP WITH STATE INSTITUTIONS (%)

Source: ABSL's analysis based on the results of the survey (N=155)

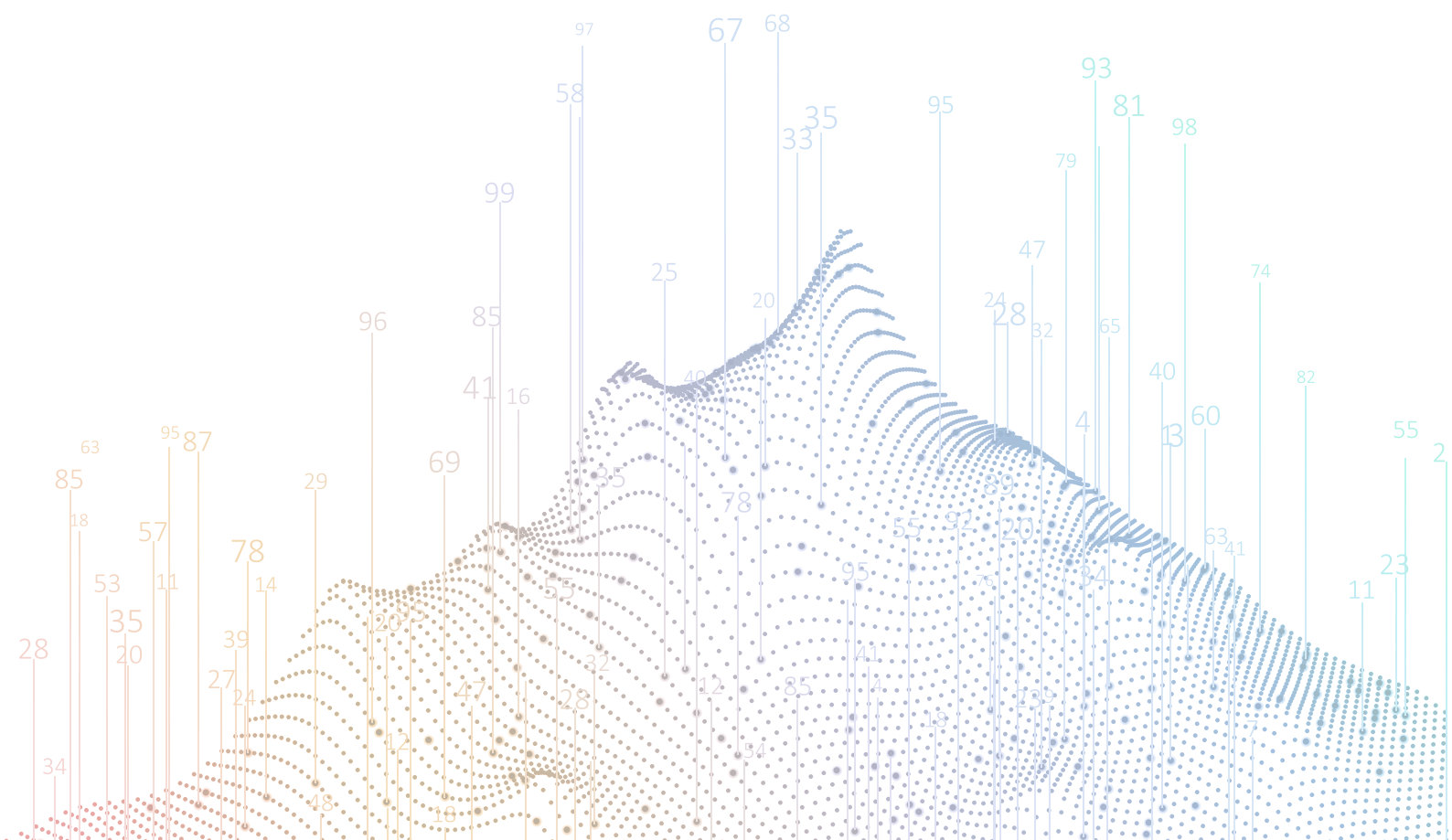
FIGURE 9: THE APPLICATION OF THE LAW IS FAIR AND IMPARTIAL (%)

Source: ABSL's analysis based on the results of the survey (N=155)

FIGURE 10: ECONOMIC DEVELOPMENT OF THE COUNTRY (%)



Source: ABSL's analysis based on the results of the survey (N=155)





CHAPTER 2

LABOR MARKET AND EDUCATION

The chapter explores workforce dynamics by covering salary ranges, unemployment rates, language proficiency within the BPO sector, and sector-specific education, including tertiary education and vocational education and training (VET).

ECONOMY

According to the World Bank Albania, North Macedonia, and Kosovo exhibit labor market trends highlighting both growth potential and persistent structural challenges within the region. Employment across the

Western Balkans expanded by approximately 98,700 jobs. Albania leads with the workforce participation rate at 57.2%. On the other hand, Kosovo’s workforce participation rate lagged significantly at 35.4%, underscoring the unique hurdles it continues to face despite broader regional improvements. Youth unemployment remains a significant issue across the Western Balkans, with regional youth unemployment close to double the EU average at 25.5%. Despite the strides made by Albania and Kosovo, high rates of youth inactivity and ongoing emigration continue to limit long-term employment gains for young workers.

TABLE 4: CHANGE IN UNEMPLOYMENT FOR EACH COUNTRY

	2022 (%)	2023 (%)	Diff.
Albania	11.59	10.70	-0.89
Kosovo	12.60	10.90	-1.70
North Macedonia	14.48	13.08	-1.40

Source: World Bank and Trading economics

TABLE 5: YOUTH UNEMPLOYMENT FOR EACH COUNTRY

Year	Albania	Kosovo	North Macedonia
2019	28.00	49.00	34.80
2020	26.20	49.00	35.00
2022	24.90	20.00	32.00
2023	25.70	16.90	29.40

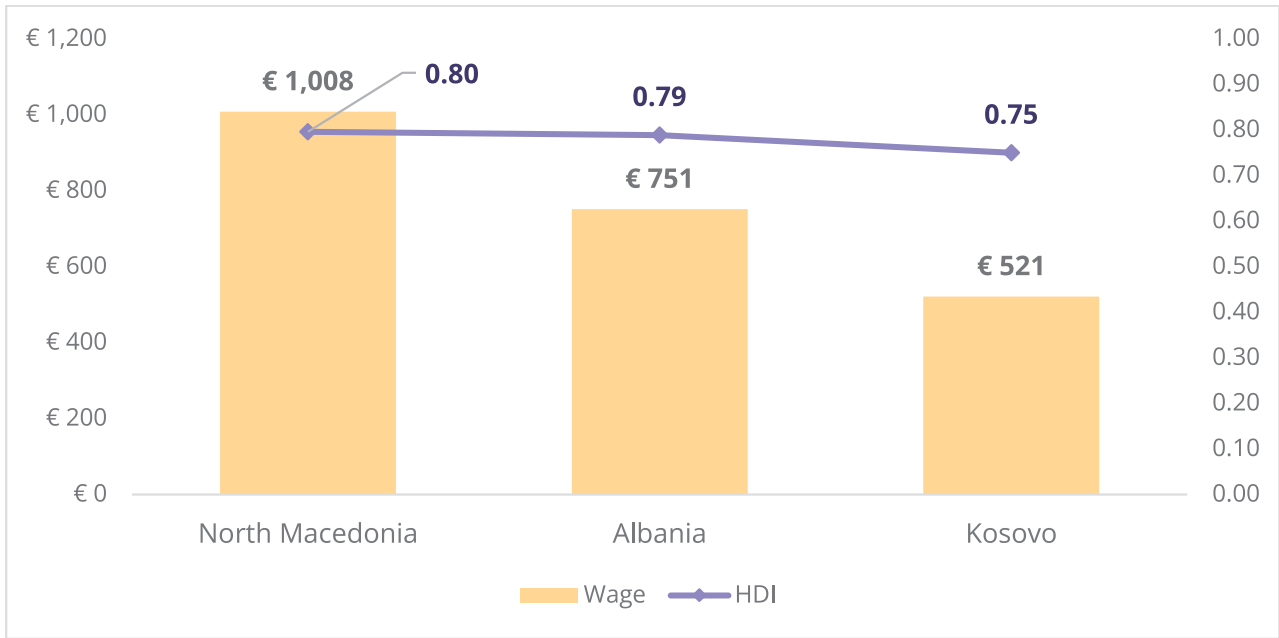
Source: World Bank

Female labor force participation has seen an increase across the region, Nonetheless, gender inequality in the workforce remains pronounced, particularly in Kosovo, where a gender gap exceeding 34 percentage points highlights the substantial barriers faced by women in entering the labor market.

WAGES

Wage growth emerged as a notable trend, with real wages across the Western Balkans rising by an average of 8.4%. Albania recorded a significant double-digit increase in wages; however, this growth far outpaced a modest productivity increase of only 0.2%. This wage-productivity gap points to underlying issues such as low productivity growth in key sectors despite rising labor demand.

FIGURE 11: AVERAGE (GROSS) WAGES & HUMAN DEVELOPMENT INDEX (HDI)



Source: The Global Economy

TABLE 6: AVERAGE WAGES FOR SELECT POSITIONS

Position	Albania	Kosovo*	North Macedonia
Top Management	1,275	1,431	1,535
Information Technology	859	1,350	1,276
Telecommunications	690	966	614
Banking	648	752	874
Construction & Real Estate	592	515	779
Marketing, Advertising, PR	568	731	801
Human Resources	564	796	940
Administration	469	569	676
Education, Science & Research	466	523	661

Note: *Data from Kosovo is proxied from multiple sources by using the weighted average method

Source: Literature review, primarily Statistical Institutions of each country

some wage growth and economic improvement over the years. North Macedonia's average monthly wage stands at approximately €818, which is considerably higher than its neighbors. This slight wage advantage aligns with its economic policies aimed at attracting foreign investment while supporting moderate wage increases. However, like Albania and Kosovo, North Macedonia's wages remain low compared to Western Europe, a situation that often leads to migration of skilled labor seeking better opportunities abroad.

EDUCATION AND SKILLS

In Albania, education is regarded as a transformative force for the future, with universal access enshrined in the Constitution. In the 2023-2024 academic year, 536,780 students were enrolled across various educational levels, including 120,063 university students. Graduation data for 2022-2023 shows that 27,991 completed their tertiary studies. Of those graduates 65.2% were female. Women dominated fields like Education (82.6%), Natural sciences (80.5%), and social sciences (79.7%), while men were

more represented in Services (68.8%), Engineering (62.5%), and Information Technology (58.5%). In North Macedonia, according to the state statistical office, in the academic year 2023/2024, there were 52,316 students enrolled in higher education institutions, marking a 2.8% decrease compared to the previous year. Of these students, 30,704 (58.7%) were female. The majority, 77.9%, attended public tertiary institutions, while 22.1% were enrolled in private ones. Education Statistics in Kosovo by the Ministry of Education, Science, Technology and Innovation (MESTI), show the total number of students enrolled in higher education institutions for the academic year 2023/2024 was 81,000. Of these, 60% were female, and 40% were male. Public universities accounted for 70% of the total enrollment, while private colleges comprised the remaining 30%. Fifteen thousand students graduated from higher education institutions in Kosovo in 2023. Of these graduates, 55% were female, and 45% were male. Public universities produced 65% of the graduates, while private colleges accounted for 35%.

TABLE 7: ENROLLMENT IN TERTIARY EDUCATION FOR EACH COUNTRY

Country	Academic Year	Total Enrollment	Female Percentage (%)	Public Institution Enrollment (%)
Albania	2022/2023	121,352	58.7	74.9
Kosovo	2023/2024	81,000	60	70
North Macedonia	2023/2024	52,316	58.7	77.9

Source: Statistical Institutions of each country

The education sector in North Macedonia is moderately aligned with the labor market, focusing on improving vocational education and training (VET) to meet workforce demands in key economic sectors and collaborating with local industries. Approximately 60% of upper-secondary students are enrolled in VET programs, which have been a consistent focus for over a decade. Results of

these efforts have been moderate and while the employment rate for VET is around 38%, it remains one of the lowest in Europe, highlighting a gap between education outcomes and labor market absorption. Kosovo is also giving a strong emphasis on modernizing VET to address labor market needs, particularly in ICT, digital skills, and green economy sectors. The strategy seeks to align training programs

TABLE 8: GRADUATES BY FIELD OF STUDY – ALBANIA:

Graduates			
Field	2021	2022	2023
Education	3,264	3,210	2,477
Arts and humanities	3,157	2,724	2,043
Social sciences, journalism and information	3,019	2,973	2,603
Business, administration and law	9,816	8,418	7,101
Natural sciences, mathematics and statistics	969	1,034	817
Information and communication technologies	1,830	1,878	1,982
Engineering, manufacturing and construction	3,262	3,521	3,507
Agriculture, forestry, fisheries and veterinary	1,219	1,089	916
Health and welfare	5,103	4,929	5,336
Services	1,051	1,134	1,209
Total: All fields of education	32,690	30,910	27,991

Source: Public Records; Compiled by Author

with technological advancements and employer requirements. Significant investments have been made to modernize VET institutions, incorporating digital and technical skills training and dual learning models. While Albania also has a VET strategy the education system is focused on higher education and skills development for white-collar jobs, particularly in finance, administration, and IT. Emerging priorities include digital transformation and innovation, reflecting its aspirations for economic modernization. An analysis of public data regarding to graduates by field of study show that, in Albania, graduates in ICT increased steadily from 1,830 in 2021 to 1,982 in 2023. This is the only field showing consistent growth across all three years, with a total increase of 8.3% over the period. Other fields show a decline in the

number of graduates, including significant decreases in Business, Administration, and Law (down 27.6%) and Arts and Humanities (down 35.3%). Overall enrollment in higher education has seen a decline, following the general population trend mostly fueled by immigration and many students choosing to study abroad.

Information and Communication Technology (ICT) is the most consistently growing field in Kosovo, reflecting a shift toward digital skills and technology-driven career paths. This aligns with regional trends and Kosovo’s focus on developing its ICT sector to enhance its economic competitiveness.

TABLE 9: GRADUATES BY FIELD OF STUDY – KOSOVO

Field	2021	2022	2023
Education	1,469	1,117	824
Arts and Humanities	1,343	1,471	1,562
Social sciences, journalism and information	848	1,291	1,097
Business, administration and law	3,346	3,412	3,202
Natural sciences, mathematics and statistics	269	374	395
Information and Communication Technology (ICT)	600	671	768
Engineering, manufacturing and construction	1,302	1,024	957
Agriculture, forestry, fisheries and veterinary medicine	294	291	240
Health and well-being	3,186	4,478	2,662
Services	452	429	345
Total	13,109	14,558	12,052

Source: Public Records; Compiled by Author

TABLE 10: GRADUATES BY FIELD OF STUDY – NORTH MACEDONIA

Field	2021	2022	2023
Education	245	282	287
Arts and humanities	773	732	1,015
Social sciences, journalism and information	852	813	752
Business, administration and law	1,906	1,984	2,079
Social sciences	211	212	322
Information and communication technologies	690	657	539
Engineering, manufacturing and construction	749	846	770
Agriculture, forestry, fisheries and veterinary	134	120	145
Health and welfare	1,335	1,277	1,229
Services	527	560	615
Total	7,422	7,483	7,753

Source: Public Records; Compiled by Author

INSIGHTS FROM THE SURVEY

WAGES

Regarding wages survey and focus group participants that express concerns that wages offered for many professions are very low in Albania. Participants noted that many businesses seek to hire at close to minimum wage and tend to keep employees at that level, especially when they first enter the market and are still gaining experience. This creates high turnover and a low retention rate in the long run. Growth in wages is mostly promoted by the rising cost of living due to high inflation and rising rents.

Participants from Kosovo also expressed concerns of low wages and see them as un motivating for new entrants to the job market leading to high turnover. For them the main driver of low wages is the low skill level of university graduates that require a lot of investment in onboarding and skills training.

Participants from North Macedonia also expressed concern that skilled workers often leave companies due to poor benefits and working conditions and that companies need to improve employee treatment, benefits, and recognize workers as their most valuable assets to retain talent.

EDUCATION AND SKILLS

In terms of skills Macedonian companies are facing difficulty in finding qualified candidates, especially for skilled positions, while low-skill positions in IT, construction, and hospitality are easier to fill. Some top talent has also been attracted away from the country, especially in neighboring Serbia as the IT industry is much more developed there. Companies say that Universities, both private and public, fail to prepare students adequately for the labor market and most of the training often on the job rather than during formal education.

In Albania many recent graduates in fields like finance and accounting require additional training, as candidates often lack practical knowledge. Employers report difficulties finding adequately skilled workers despite the availability of talent. Many come out of school confused and underprepared, requiring extra training to meet business demands.

In Kosovo companies share similar views regarding

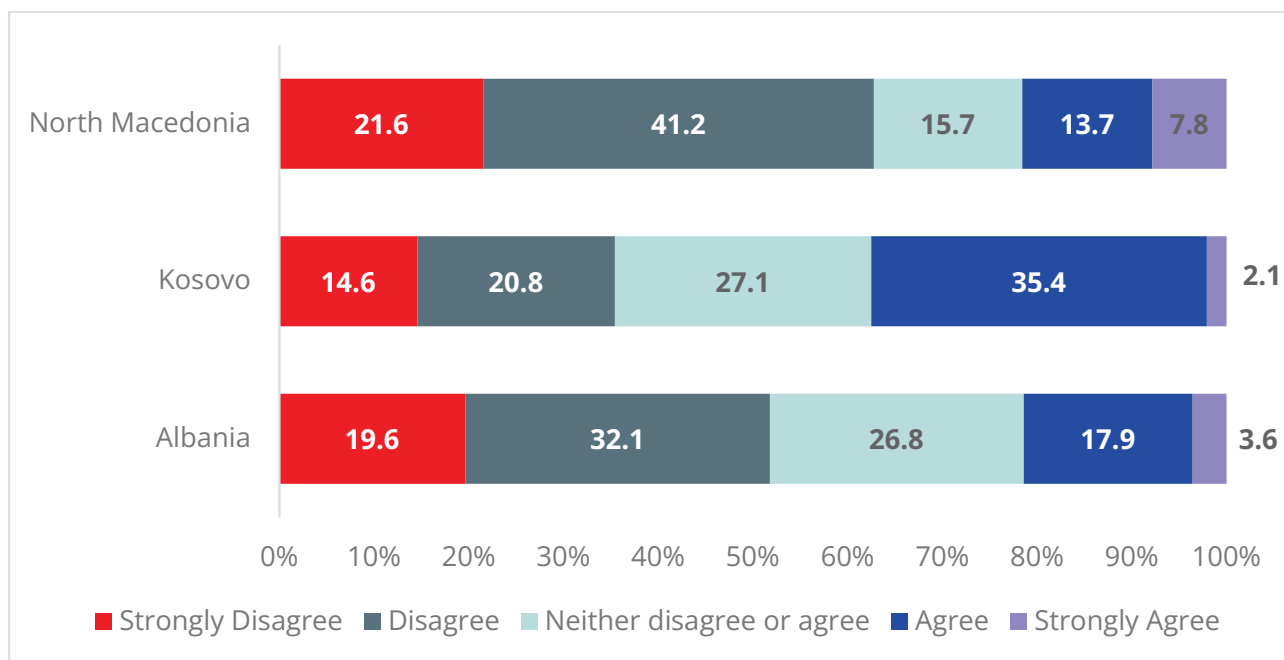
formal education but are focusing on training on-the-job and are actively exploring ways to customize training for their employees, often using online tools and more recently AI to streamline tasks like code documentation, shortening the onboarding period and improving efficiency.

The sentiment that it is hard to find qualified employees is reflected in the questionnaire as well. Most companies disagree with the statement: "It is easy to find qualified employees". As was the case in the Focus Group Discussion, Kosovo remains optimistic in this regard and has invested more in onboarding and training of employees.

The results show that highly specialized professionals are hard to find in each of the countries either due to high demand or lack of appropriate skills for the level.

Across the three countries, businesses are optimistic about their ability to find and hire several roles related to operating their business and offering services.

FIGURE 12: IT IS EASY TO FIND QUALIFIED EMPLOYEES (%)



Source: ABSL's analysis based on the results of the survey (N=155)

TABLE 11: DIFFICULTY TO FIND AND HIRE PROFESSIONALS IN THE FOLLOWING FIELDS

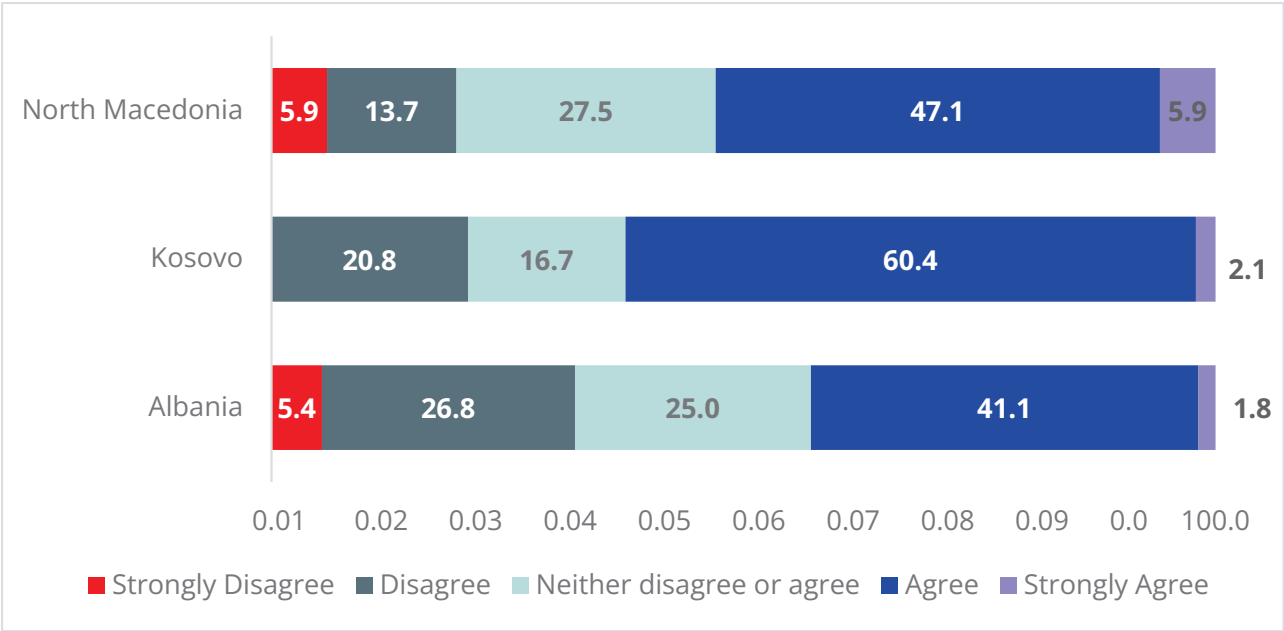
More difficult to find and hire	Easier to find and hire
Software Developer/Programmer	IT Manager
Data Scientist	Marketing Manager / Specialist
Senior Manager	Finance Manager
	Sales/Real Estate Agent
	Web Designer
	Social Media Manager
	Telemarketing Agent
	Human Resources Specialist
	Logistics Specialist

Source: ABSL’s analysis based on the results of the survey (N=155)

However, highly specialized roles such as software developers and senior managers are higher to find and hire, and businesses say they are investing in training and promoting them from within. A significant portion of participants (53.6%) indicate that employee turnover is a notable issue in Albania. Responses are more balanced in Kosovo, as they

are in North Macedonia indicating a moderate level of concern about turnover compared to the other countries. Crucially companies generally agree that in their companies’ employees possess the necessary technical skills

FIGURE 13: EMPLOYEES POSSESS THE NECESSARY TECHNICAL SKILLS (%)



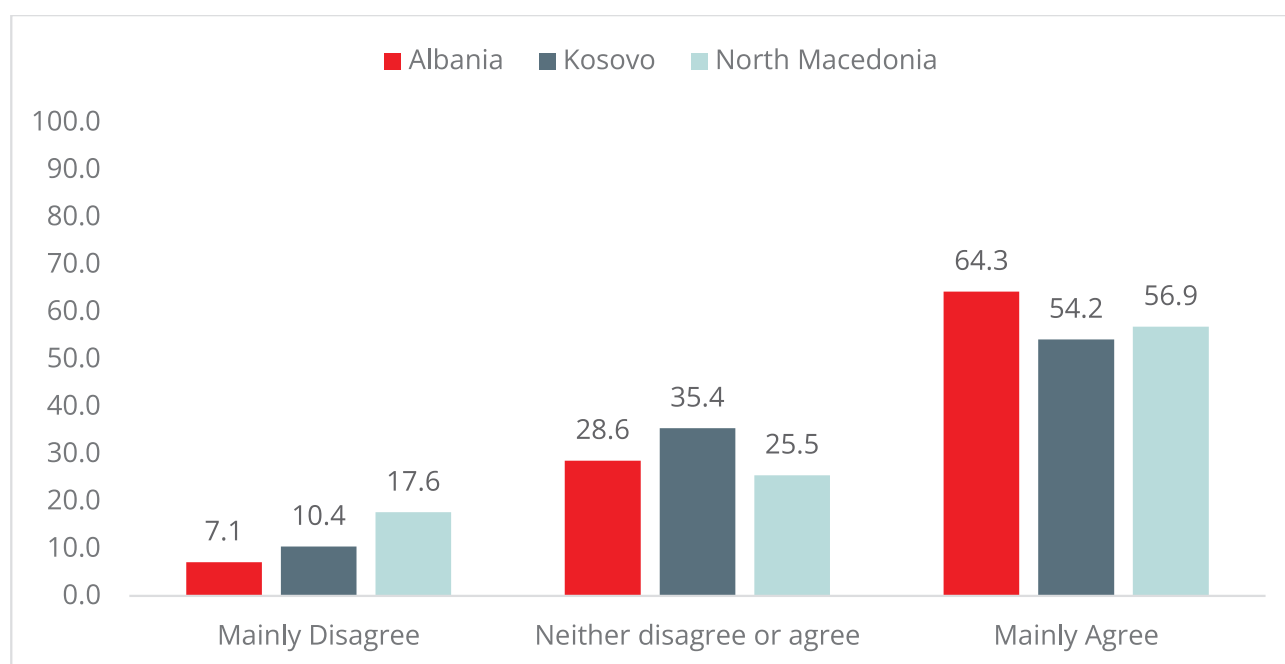
Source: ABSL’s analysis based on the results of the survey (N=155)

State of the modern business services sector

Kosovo shows the highest confidence in employees' technical skills, with 62.5% (Agree + Strongly Agree) compared to 53.0% in North Macedonia and 42.9% in Albania. The proportion of companies expressing dissatisfaction (Disagree + Strongly Disagree) is highest in Albania at 32.2%, followed by 19.6% in Kosovo and 19.6% in North Macedonia. These results suggest Kosovo leads in confidence, while Albania struggles with more skepticism about employee readiness.

The vast BSS companies agree say that they continuously provide training for the staff, however businesses have a more varied opinions in the staff's investment in their own skills with even responses of disagreement, neutrality and agreement. Only in Kosovo there is less disagreement (<20%) about staff investment in technical and interpersonal skills.

FIGURE 14: CONTINUOUS TRAINING FOR STAFF IN THE WORKPLACE (%)

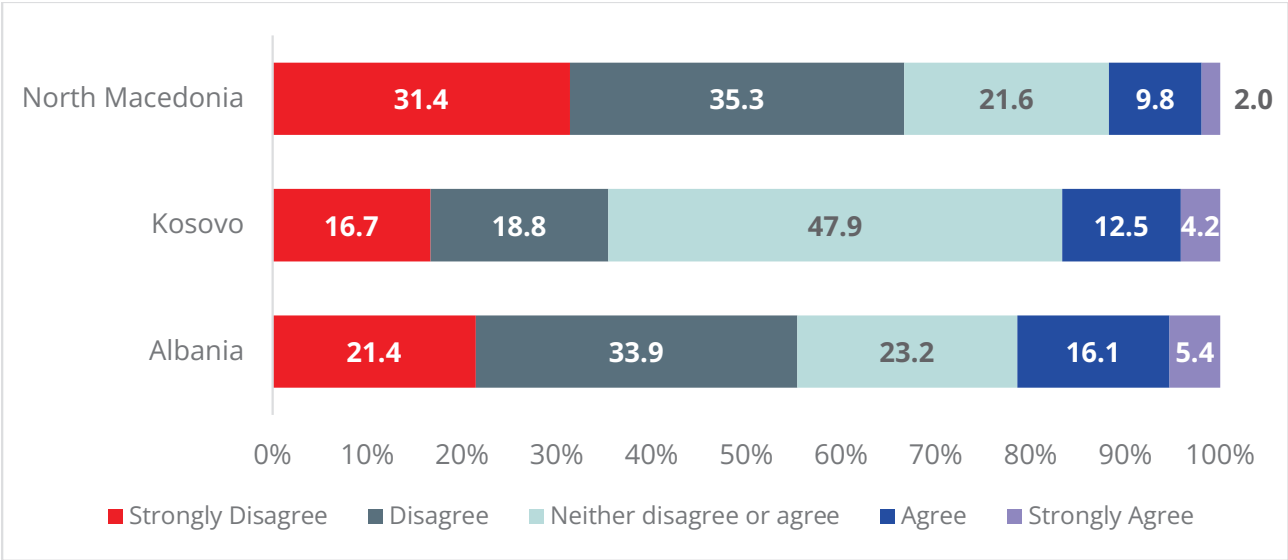


Source: ABSL's analysis based on the results of the survey (N=155)

Figure 15 presents the preparedness of recently graduated students for the job market. In Albania, 55.3% of businesses disagree or strongly disagree, while only 21.5% agree or strongly agree. Kosovo shows a more mixed view, with 47.9% neutral, 35.5% disagreeing or strongly disagreeing, and only 16.7% agreeing or strongly agreeing. North Macedonia has

the highest negative perception, with 66.7% disagreeing or strongly disagreeing, 21.6% neutral, and just 11.8% agreeing or strongly agreeing. The data highlights significant skepticism across all three countries about graduates' job market readiness, with Kosovo showing the most balanced opinions and North Macedonia the strongest dissatisfaction.

FIGURE 15: RECENTLY GRADUATED STUDENTS ARE PREPARED FOR THE JOB MARKET (%)



Source: ABSL's analysis based on the results of the survey (N=155)

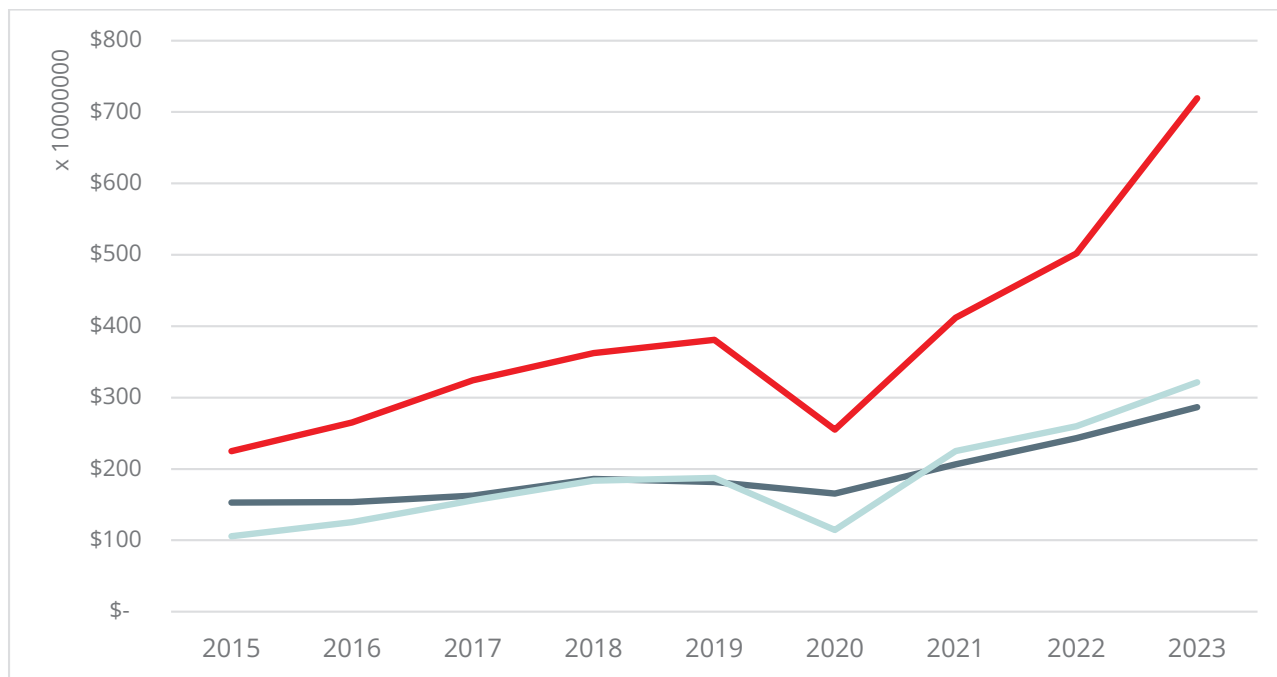
CHAPTER 3

ECONOMIC OUTLOOK OF BPO

Service-led exports played a key role in improving the external position of the Western Balkans, including Albania, Kosovo, and North Macedonia. Net service exports in the region represent about 11.5% of overall GDP. Albania leads with robust service exports, primarily in tourism and business services. Kosovo services exports make up 16.5% of GDP, fueled by

strong contributions from its diaspora and travel-related revenues. In North Macedonia, the growing importance of the service sector helped the country achieve a positive current account balance. Across these three countries, services, including tourism, business process outsourcing (BPO), and shared services, have grown in importance,

FIGURE 16: TOTAL SERVICE EXPORTS IN \$BN



Source: Public Records; Compiled by Author

allowing them to reduce their dependence on traditional merchandise trade. While goods exports have slowed due to weaker EU demand, services provide a much-needed boost to overall exports of Albania, Kosovo, and North Macedonia.

We see that the three countries have consistently enlarged their service exports share in the last 10 years. Albania leads surpassing \$7bn and we see significant growth in North Macedonia and especially Kosovo more than doubling its exports.

In **Albania** the Business Process Outsourcing (BPO) market has seen significant growth and continues to present strong opportunities for development. In 2024, the BPO market in Albania is projected to reach revenues of approximately US\$35.55 million and is expected to grow to US\$46.12 million by 2029. Albania's BPO market is not only growing in volume but also evolving toward more specialized, high-value services such as data analytics and research. This shift aligns with global trends, where businesses are increasingly focused on leveraging expertise that enables growth.

North Macedonia's Business Process Outsourcing (BPO) market continues to be a dynamic and rapidly growing sector. In 2024, the market is projected to generate US\$33.98 million and is expected to grow to US\$44.32 million by 2029. The country has quickly become a favored offshore delivery destination for

Western European companies, competing with more established hubs like Poland, Romania, and Croatia.

Kosovo is gaining attention as a nearshore location for BPO services, highlighting Kosovo's strong potential in this space, driven by investments from major multinational BPO operators. Kosovo's BPO sector is also supported by a young and educated workforce. With 75% of the population under the age of 35 and over 30% of women and 28% of men possessing tertiary education, the country is well-equipped to supply the talent needed for growth in the outsourcing industry.

The demand for BPO services in the three countries has steadily grown, driven by the skilled, multilingual workforce, proficient in English, German, French, and Italian positioning them as prime outsourcing destinations for companies in Western Europe and beyond. The proximity to major European markets facilitates efficient communication and collaboration between clients and service providers, reducing operational friction.

The steady growth of BPO in the three countries is supported by their ability to offer cost-effective solutions, thanks to relatively low living costs and an increasingly skilled and educated workforce.

COSTS

Businesses outsourcing in the region are experiencing an impressive 70% operational cost savings, and some companies report 40% overall cost reductions compared to other in-house or outsourcing options. Furthermore, firms have witnessed up to a 30% increase in customer satisfaction rates

and a 25% increase in sales, showcasing the efficiency and effectiveness of BPO services. Advances in technology, such as automation and artificial intelligence, are also driving these improvements, leading to a 35% reduction in issue resolution time for outsourced services.

Some challenges exist however as in Albania, the appreciation of the lek, which strengthened by 9% year-on-year, has impacted the price competitiveness of service exports, but this didn’t stop the overall sector growth. Kosovo is more stable in this regard as the country already operates in Euro and North Macedonia has a pegged exchange rate strategy.

With favorable economic conditions, government support, and investment in skills and new technology Albania, Kosovo and North Macedonia are well-positioned to continue their growth in the global BPO industry.

TABLE 12: YEARS’ OPERATING IN THE MARKET BY COUNTRY

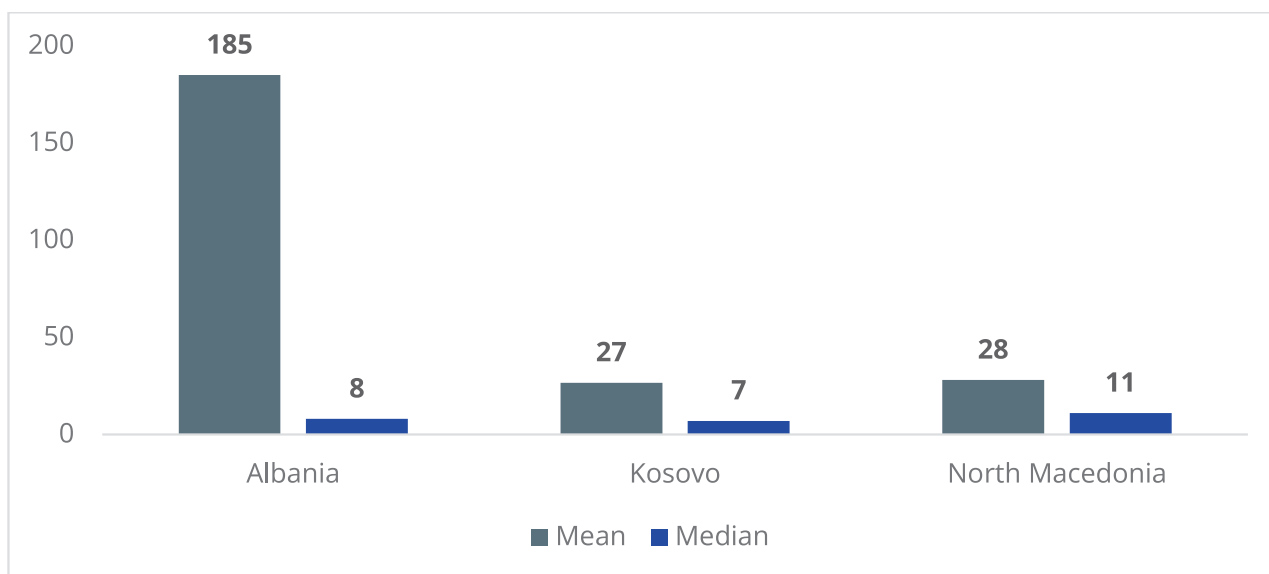
	Albania		Kosovo		North Macedonia	
	N	%	N	%	N	%
1 - 5 years	38	67.9	18	37.5	20	39.2
6 – 10 years	4	7.1	13	27.1	11	21.6
11 – 15 years	8	14.3	9	18.8	8	15.7
16 – 20 years	3	5.4	4	8.3	6	11.8
20+ years	3	5.4	4	8.3	6	11.8
Total	56	100.0	48	100.0	51	100.0

Source: ABSL’s analysis based on the results of the survey (N=155)

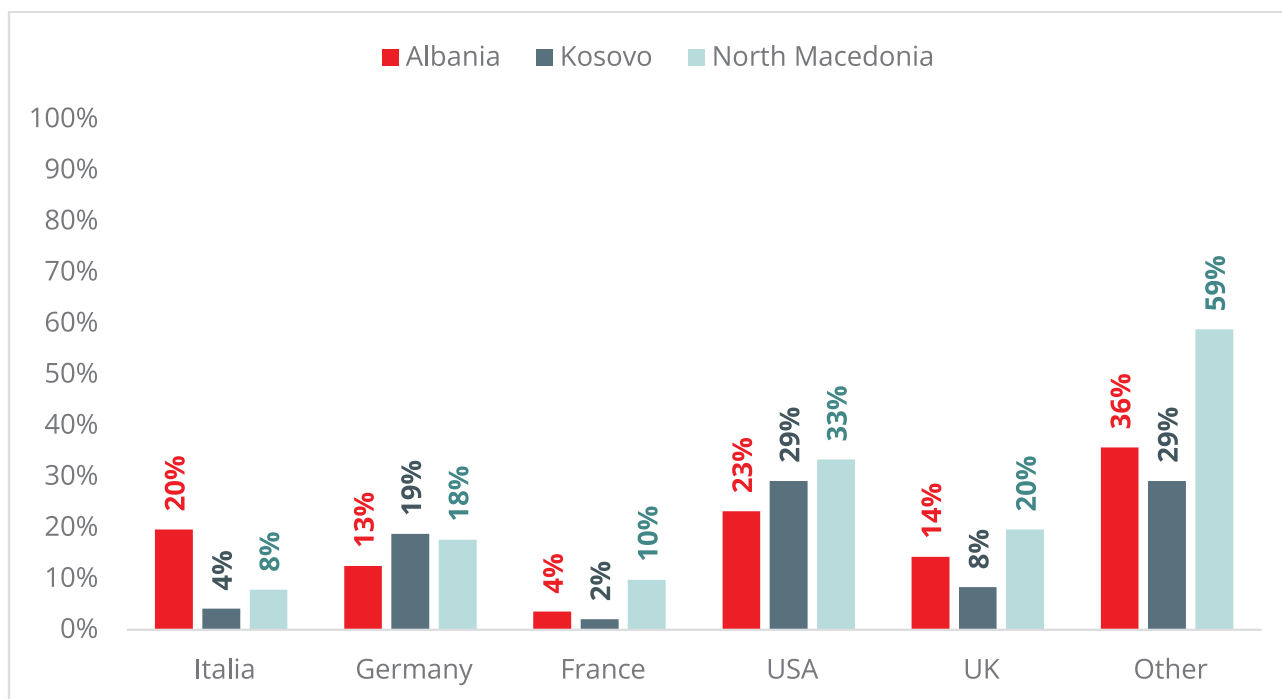
SIZE OF COMPANIES

Across Albania, Kosovo, and North Macedonia, the business landscape reflects varying levels of maturity. Albania stands out with a predominantly young business environment, as 68% of companies have been operating for only 1–5 years, indicating rapid recent growth but limited long-term presence. In contrast, Kosovo and North Macedonia exhibit a more balanced distribution of business experience. In Kosovo, 38% of businesses are young (1–5 years), while a substantial

proportion (27%) have been active for 6–10 years, highlighting a mix of newer and moderately established firms. North Macedonia, however, shows the highest level of maturity, with 24% of businesses operating for 16+ years, suggesting a more developed and stable market compared to its regional counterparts. These companies mostly fall into the SME category with a Median company size being around 9 employees

FIGURE 17: MEAN AND MEDIAN OF HEADCOUNT OF EMPLOYEES BY COUNTRY

Source: ABSL's analysis based on the results of the survey (N=155)

FIGURE 18: MARKET OF OPERATION BY COUNTRY (%)

Note: The figure presents the answer "yes" by the participants.

Source: ABSL's analysis based on the results of the survey (N=155)

INSIGHTS FROM SURVEY

According to our survey BPO companies are focused on offering services to western markets, especially in markets where a lot of immigration has naturally happened in the last 20 years.

Businesses in Albania, Kosovo, and North Macedonia show diverse operations, with many categorizing the markets they serve as "Other" (Albania: 75%, Kosovo: 79.2%, North Macedonia: 52.9%). Albanian businesses focus on Europe and global markets like Norway and Japan, while Kosovo highlights regional overlaps with Albania and Serbia, alongside ties to Denmark and Switzerland. North Macedonian businesses also closely collaborate with neighboring Kosovo and Albania, but have also diversified across Europe, the Gulf, and India, showcasing a mix of regional and international connections.

MAIN MARKETS FOR GROWTH

In the survey, companies from Kosovo see high potential in the U.S. market, citing strong rules and solid structures that enable success. The European Union

(EU) is also attractive due to time zone advantages over Asian competitors. Emerging opportunities in China are noted as participants say they are competitive in pricing.

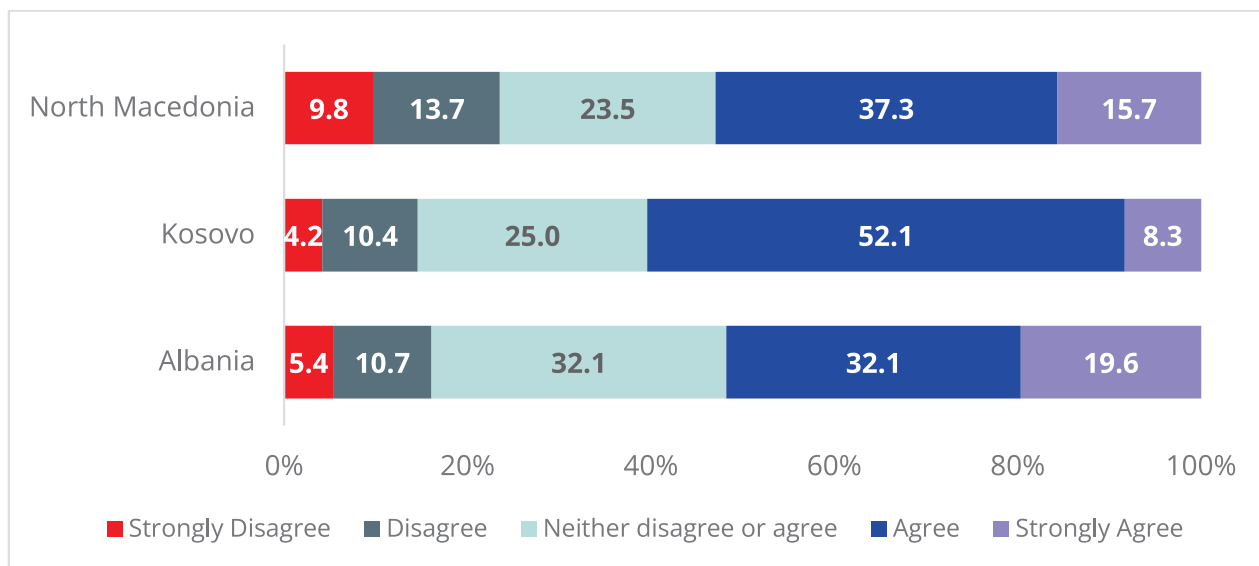
In Albania companies are pivoting toward Germany, Nordic countries, and occasionally China, given the saturation of nearby markets like Italy. Cybersecurity and niche services are identified as emerging growth areas.

In North Macedonia companies view proximity to Europe as a significant advantage, enabling outsourcing growth to Germany, Switzerland, the Middle East, and the U.S. Local connections play a critical role in attracting clients.

GROWTH LIMITATIONS

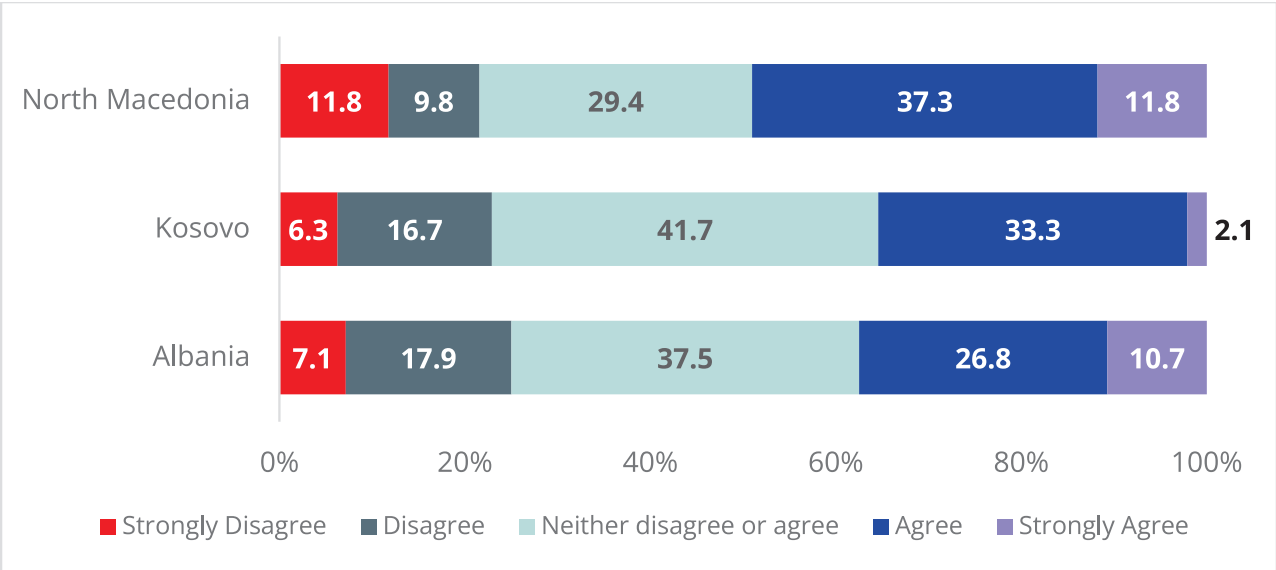
The companies also say they face challenges. The most significant difficulty is finding and retaining clients. The competition is now global, and companies struggle to compete with established players in regions like Asia or more developed European markets.

FIGURE 19: THE POSSIBILITY OF EXPANDING INTO OTHER MARKETS IS HIGH (%)



Source: ABSL's analysis based on the results of the survey (N=155)

FIGURE 20: THE SITUATION IN INTERNATIONAL MARKETS IS FAVORABLE (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

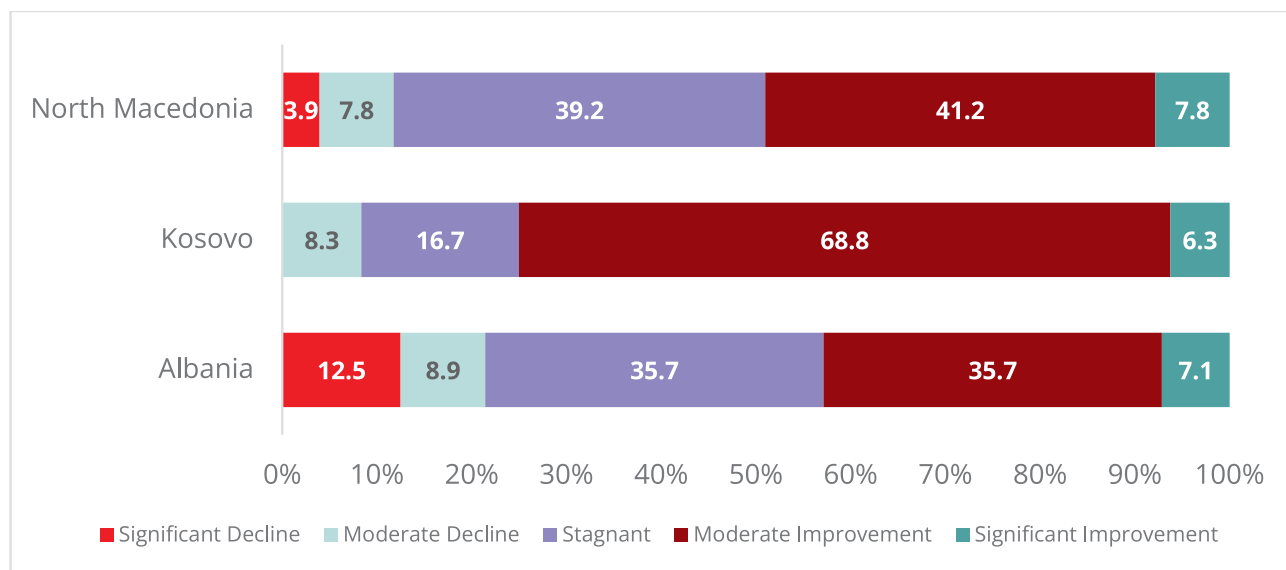
Another challenge is related to talent, as covered in the labor market chapter, while there is access to low skilled workers, finding high skill talent to scale is proving difficult.

Businesses see that growth might have a natural limit as sustaining large-scale BPO deployments will be limited by the small population size in the three companies.

Figure 25 reflects perceptions of the possibility of expanding into other markets across Albania, Kosovo, and North Macedonia. In Albania, 32.1% agree, 19.6% strongly agree that expansion is possible. In Kosovo, optimism is higher, with 52.1% agreeing and 8.3% strongly agreeing. North Macedonia also shows

moderate optimism, with 37.3% agreeing and 15.7% strongly agreeing.

When asked about the developments in International markets businesses in all three countries exhibit mixed views, with North Macedonia having the highest agreement about favorable international market conditions and Kosovo being the least. Surveyed companies also have a positive outlook on finding funding and investment to drive their growth. Especially in Kosovo 68.8% of companies say that there is improvement in their ability to access funding with 6.3% saying there is significant improvement. North Macedonia has a rather balanced outlook while some Albanian businesses (21.4%) express concern that access to funding has declined.

FIGURE 21: ACCESS TO FUNDS AND INVESTMENTS (%)

Source: ABSL's analysis based on the results of the survey (N=155)



CHAPTER 4

DIGITALIZATION AND THE ICT SECTOR

DIGITALIZATION

Albania is highly advanced in digitalization of government systems and government services. The e-Albania platform is the flagship product in the country's digital transformation, offering more than **1,200 electronic services for businesses and citizens**, which constitute 95% of all state public services. Local government services still need to catch up to the central government in this regard, but progress is being made. Meanwhile the private sector, especially telco, have invested significantly in infrastructure, including the launch of **5G and high-speed internet** making internet penetration very high. Digital literacy is on the rise and the ICT sector in Albania is quite mature, with companies and professionals working in the field offering development, outsourcing and consultancy for local and international clients. The innovation ecosystem also is gathering a lot of momentum with access to funding and mentorship readily available. The fintech sector in Albania is quite competitive with companies and startups offering a wide range of services and innovative products. The government has a clear focus on reducing cash usage and promoting digital payments, also supported by the Bank of Albania. Businesses and government are

becoming more and more aware of the importance of cyber defense, but more funding and an increase of skilled professionals in this area is needed. This rather mature ecosystem has helped the adoption of advanced technologies to transform business processes. Artificial intelligence is purported to play a significant role in Albania's future economic development, offering opportunities for efficiency gains and innovation across sectors, both in government and in the private sector. The ongoing government initiatives to **use AI to align legislation with EU standards** are a concrete example of leveraging technology to speed up the ascension process.

Kosovo is advancing in digitization efforts to enhance citizen and business services, focusing on e-government and regulatory updates. Online portals streamline processes for tax filing, business registration, and permit applications, reducing bureaucracy. These government systems are aligned with EU standards. The country has legal frameworks in place for e-commerce, digital payments, and cybersecurity that are strengthening the foundation for a digital economy. Digital payments, such as mobile banking and e-wallets, are increasingly adopted in Kosovo, supported by banks and government initiatives.

The ICT sector in Kosovo is continuing growth, with startups and tech companies focusing on software development, outsourcing, and IT consultancy. In terms of trade, exports of services in telecommunications, computer, and information sectors amounted to €99 million in 2021, representing 5.1% of Kosovo’s total service exports. Despite digital progress, rural areas face connectivity issues, limiting access to digital services. Kosovo’s academic institutions are incorporating AI into STEM curricula to foster a tech-savvy youth population and there are several industry applications for AI. As the overall IT ecosystem grows, AI adoption is also poised to grow and transform Kosovo’s ecosystem.

North Macedonia has been advancing its efforts to offer e-services for both citizens and businesses.

The central platform for accessing these services is the National e-Services Portal (uslugi.gov.mk), which offers more than 150 online services aimed at streamlining administrative processes. However, the wide adoption and use of these e-Services needs more promotion as it remains low. Through the Digital Agenda 2020-2025, focusing on e-governance, cybersecurity, digital skills, and infrastructure development, government aims to raise the digital economy’s contribution to GDP from around 5% currently to 10% by 2025. Digital infrastructure investment has reached over 1 billion Euros, especially in high-speed broadband and 5G. The IT sector has emerged as a bright spot, growing at over 15% annually and Skopje’s tech talent pool of over 20,000 professionals is attracting global companies to set up R&D and outsourcing centers.

BOX 1: COMPARISON OF GOVERNMENT E-SERVICES

Albania	Kosovo	North Macedonia
Early investments in digital transformation and interoperability give a strong foundation in offering more than 1200 e-services that are continuously improved in terms of efficiency and accessibility.	There is progress, and the main focus is on improvement of digital literacy and skills. Kosovo is still progressing to identify and bridge existing gaps in digital infrastructure, governance, and personnel, especially at local level.	Many systems at the municipal level are underdeveloped, and coordination between local and national levels needs improvement as well as bureaucratic hurdles that slow digitalization but progress at a central level is being made.
The three countries are strongly committed to investment in e-Government and to improving services to citizens and businesses. These investments are being carried out in alignment with overarching European standards regarding interoperability, digital identity and digital documents.		

Box 2: GDPR Adoption and Data Protection Challenges Across Albania, Kosovo, and North Macedonia

Albania	Kosova	NMK
Regarding GPDR adoption and awareness we notice similar themes in each of the countries as they have formally aligned main national laws with the overarching European directive regarding data protection. Meanwhile the Data Protection bodies are still developing their institutional capacity, and technical and organizational challenges are present in many SMEs.		

GDPR

The General Data Protection Regulation (GDPR) protects individuals’ privacy by giving them control over their personal data and setting strict guidelines for its use. It standardizes data protection laws across the EU, ensuring transparency and accountability for organizations handling data.

CYBERSECURITY

Regarding Cybersecurity the three countries are making strides both in aligning legislation and improving relevant skills. A comparison of main themes in the cyber protection space follows.

THE ITO SECTOR

The importance of ICT services in the economies and exports of Albania, North Macedonia, and Kosovo has seen notable growth over the past two decades, as highlighted by the figures and trends in ICT service exports. This sector is becoming increasingly vital, providing new revenue streams and supporting economic diversification in these countries.

Albania: The ICT sector contributes about 2.1% to Albania’s GDP and represents around a third of the outsourcing sector. By 2028, the market volume of the Albanian IT outsourcing industry is expected to reach US\$150.60 million growing on average 9.38% yearly. The country remains well-positioned to expand its digital service offerings, particularly software development and cloud services. The country has

seen a significant rise in ICT exports to over \$214 million in 2023. Especially since 2020 indicates that the country is beginning to tap into the global demand for digital services, although there remains ample room for growth and increased investment in this area.

Kosovo: For Kosovo, where the economy has traditionally relied heavily on remittances and diaspora-related services, the booming ICT sector is creating new employment opportunities. Kosovo has shown the most remarkable growth trajectory bringing its ICT service exports to \$309 million by 2023. This is promising to Kosovo’s potential to accelerate digital exports, particularly in areas such as software development, outsourcing, and IT support services. Kosovo’s future as a competitive BPO and ICT outsourcing hub seems promising. With more than 35,000 people employed in its contact center sector and over 20,000 employed in ICT companies, the country is poised for continued growth. The government’s ongoing initiatives to attract foreign investment, coupled with Kosovo’s growing pool of skilled professionals and competitive labor costs, make it an attractive outsourcing destination in Europe.

North Macedonia: In 2023, ICT service exports from North Macedonia reached nearly \$599 million making up more than 20% of total service exports. The country’s robust growth in ICT services suggests a well-developed ICT infrastructure and a skilled workforce. As more foreign companies set up service centers in North Macedonia, the ICT sector is poised to contribute even more to the

country’s external position and economic growth. Over 1000 software developers graduate annually from the country’s nine universities, contributing to the nation’s talent pool. Additionally, more than 150 foreign IT firms have already established operations in North Macedonia, taking advantage of the country’s skilled workforce and favorable business climate. In 2023, the country produced more than 5000 software developers, ensuring a continuous supply of qualified professionals.

Summary: The three countries’ IT sector continues to thrive, with typical labor costs for developers and IT professionals ranging between 60% and 70% less than those in Western Europe. For companies looking to outsource IT services, labor costs are often half of what they would pay in some EU countries. These cost advantages, combined with adequate infrastructure, booming talent markets and ease of doing business, make all three great outsourcing destinations and very well positioned to

take advantage of growing demand for IT services. According to the Future of IT Report a comparative analysis of ICT-related development indicators for the three countries, Kosovo leads in the number of ICT students and graduates per 100,000 population aged 15-64, with 648, followed by Albania (101) and North Macedonia (53). This high talent availability contributes to Kosovo’s top overall score (49.6), indicating better performance across categories. Kosovo also scores highest in Talent (18.17), driven by its large ICT talent pool, followed by North Macedonia (15.76) and Albania (10.06). In IT Infrastructure, Kosovo again leads with 9.74, slightly ahead of North Macedonia (8.62) and Albania (8.52). In terms of Economic Impact, Kosovo ranks first (10.48), highlighting its ICT sector’s economic contributions. Finally, in Business Environment, Kosovo (11.21) outperforms Albania (9.6) and North Macedonia (9.84), reflecting a more favorable setup for ICT businesses.

TABLE 13: COMPARISON OF CYBERSECURITY

Albania	Kosova	NMK
Albania has made significant progress in cybersecurity, particularly after the 2022 cyberattacks that targeted its government infrastructure.	Still in the process of developing its Cybersecurity Strategy, focusing on improving its technical capabilities	Actively developing its cybersecurity infrastructure, including a National Cybersecurity Strategy that focuses on critical infrastructure protection. The government has prioritized cybersecurity in its broader Public Administration Reforms.
Skills and institutional collaborations with international partners are increasing although the legal framework and institutions are still developing capacities in preventing and responding to cyber threats.		

TABLE 14: COMPARISON OF ICT STUDENTS/GRADUATES AND DIGITAL COMPETITIVENESS INDICATORS ACROSS COUNTRIES

Country	Number of ICT Students/Graduates per 100,000 Population (15-64)	Total Score	Talent	IT Infrastructure	Economic Impact	Business Environment
Kosovo	648	49.6	18.17	9.74	10.48	11.21
Albania	101	36.37	10.06	8.52	8.19	9.6
North Macedonia	53	44.03	15.76	8.62	9.8	9.84

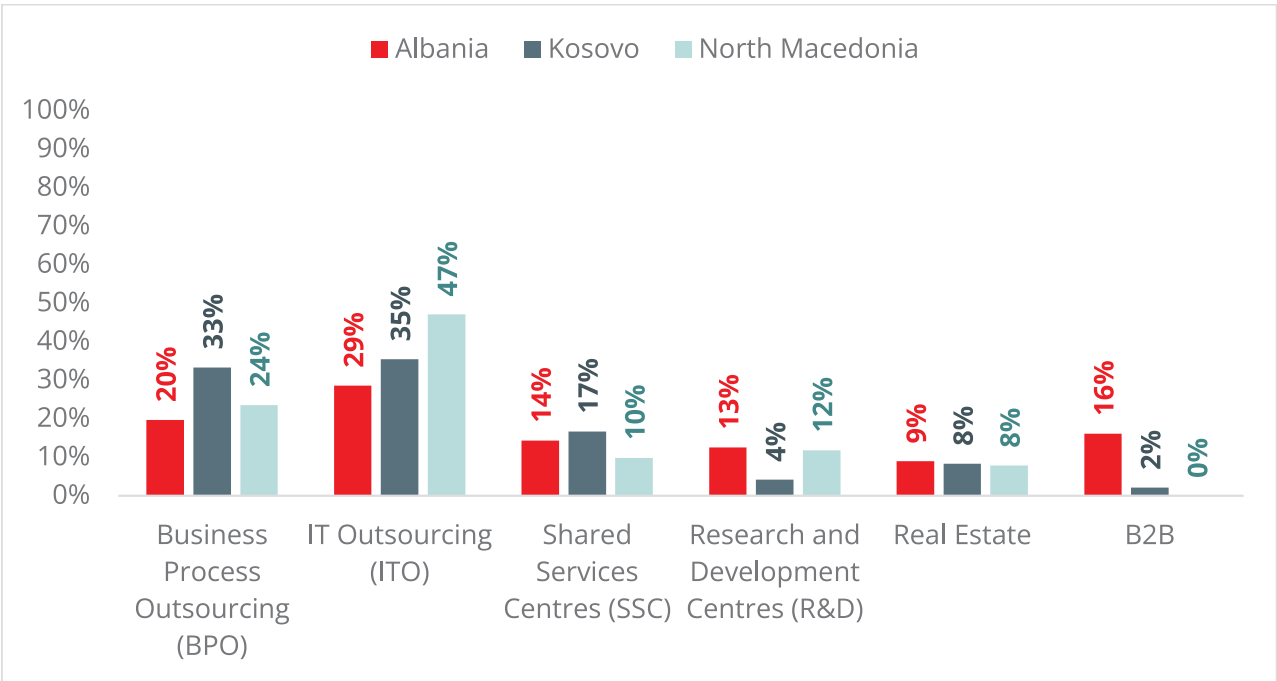
Source: Future of IT Report

In our data scraping exercise on LinkedIn we queried for the most common roles in the ICT industry to get a sense of overall size of the ICT talent market. The data shows a more even distribution of professionals in each country especially compared to population, indicating that established ICT workforce is more comparable among the three countries.

INSIGHTS FROM THE SURVEY

We notice that a higher number of ITO companies from each country answered the survey. This is indicative of the high weight of this sector in each of the countries’ economies.

FIGURE 22: THE SECTOR OF THE BUSINESSES FOR EACH COUNTY (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

USE OF ADVANCED TECHNOLOGIES AND AI

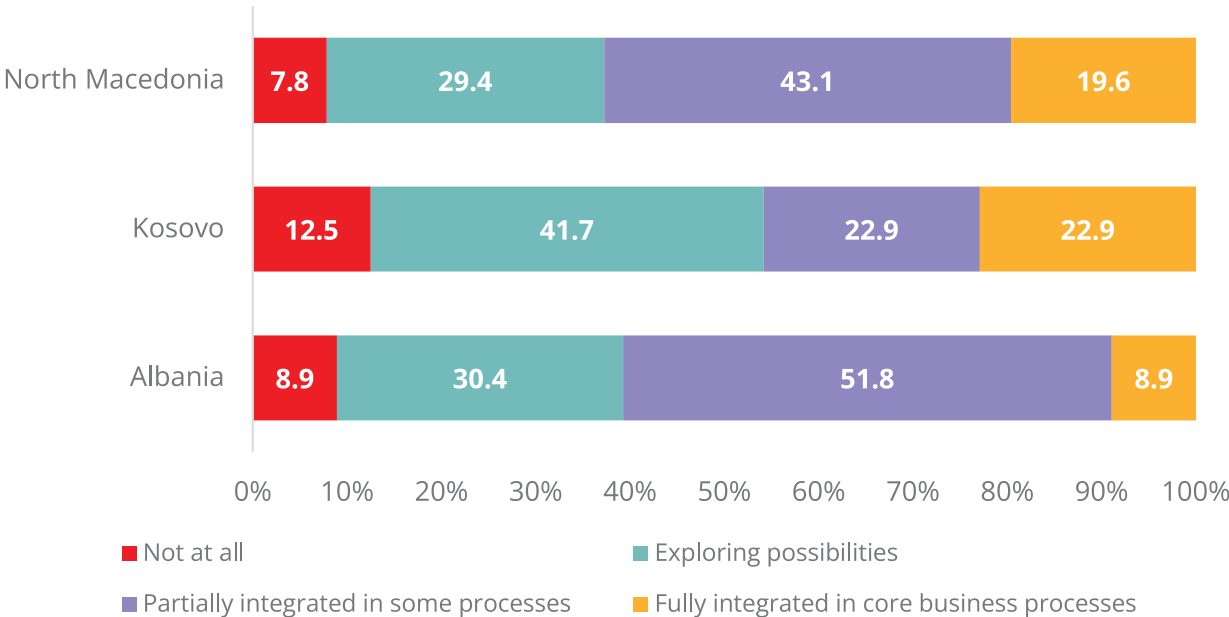
We asked businesses specifically about the use of advanced technologies and AI in our survey and focus groups. Figure 18 results indicates a growing AI adoption across the region. A significant number of companies respond that they have already integrated AI in some business processes indicating a high level of adoption of advanced technologies by businesses. Only a very small minority of businesses say that they are not actively exploring AI and advanced technologies in their business. When asked about plans to explore AI in the next 3-5 years most businesses in all three countries are open to exploring or actively doing so currently. Albania and North Macedonia showing the highest enthusiasm (80.4% and 86.3%, respectively). Kosovo also demonstrates significant interest, with 70.8% of businesses open to exploring or actively investing. In all three countries businesses are keen to explore or invest in AI, with North Macedonia leading in active investment presenting a significant potential for AI adoption and transformation.

TABLE 15: ICT LABOR MARKET BY KEYWORDS

Keyword	Albania	Kosovo	North Macedonia
Software Developer	4,400	3,100	6,500
Software Engineer	4,100	3,000	6,800
IT Support	3,600	1,800	3,000
Web Developer	2,500	1,800	2,900
IT professionals	3,800	1,100	1,400
Network Engineer	1,100	1,100	1,000
Full Stack Developer	1,100	778	1,300
DevOps Engineer	410	329	690
Database Administrator	451	362	501
Data Scientist	131	123	335
Cybersecurity Analyst	223	151	133

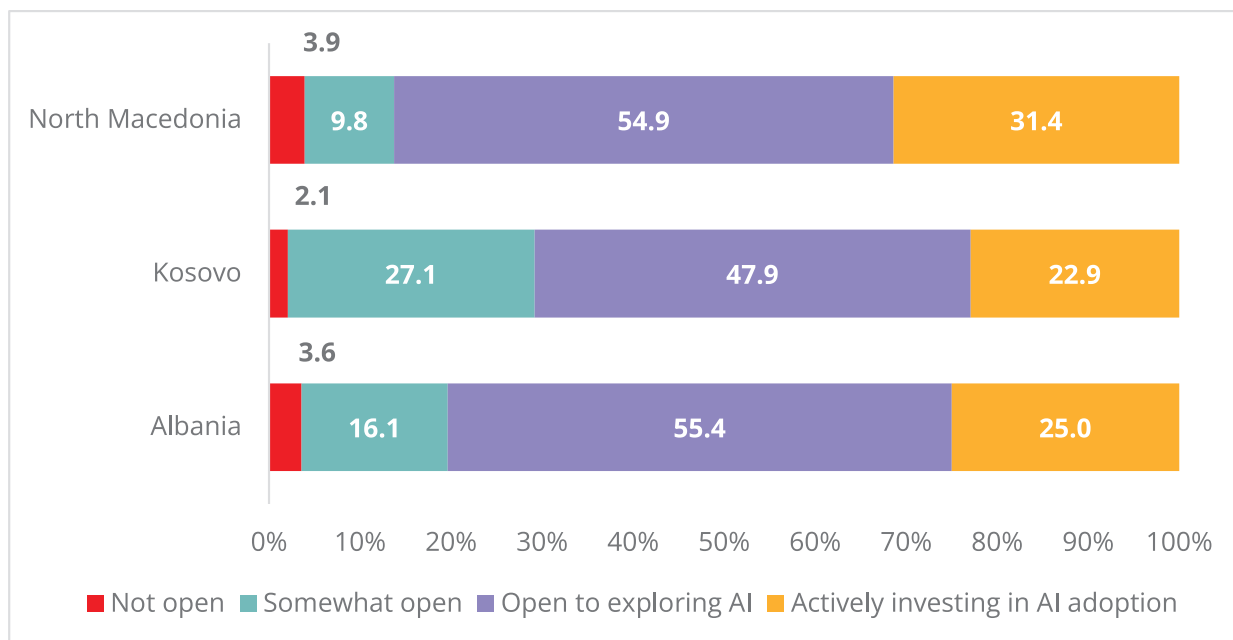
Source: Public Records; Compiled by Author

FIGURE 23: TO WHAT EXTENT IS YOUR COMPANY CURRENTLY USING AI TECHNOLOGIES IN ITS OPERATIONS? (%)



Source: ABSL’s analysis based on the results of the survey (N=155)

FIGURE 24: HOW OPEN IS YOUR BUSINESS TO ADOPTING AI-DRIVEN SOLUTIONS IN THE NEXT 3-5 YEARS? (%)



The embrace of advanced technologies like AI also comes across clearly in the qualitative data. In Kosovo AI is viewed as a significant tool for the future, with several practical implementations already in progress. Companies are leveraging AI for automation and efficiency but remain cautious about its broader implications.

- *"Repetitive tasks like documenting code variables can be automated, reducing onboarding time from six months to one or two."*
- *"Invoices are photographed and categorized automatically with AI."*
- *"AI can help us filter candidates unemotionally, but it can also be misused, allowing people to hide behind its decisions."*

In Albania businesses say that AI adoption is growing, but it's often not openly advertised, and companies are integrating AI subtly into processes while highlighting the human element to maintain trust.

- *"The final product has AI integrated, but we keep it subtle because clients aren't ready for these 'big' words yet"*
- *"AI applications help ensure patient privacy by predicting expected results while safeguarding sensitive data."*

In Macedonia businesses say that creative industries are exploring AI and some sectors, especially those influenced by foreign companies, are beginning to explore its potential.

- *"Foreign companies recruiting locally are leading the way in automating recruitment processes."*
- *"Marketing and other creative industries are experimenting with AI, but the overall usage remains low."*



CHAPTER 5

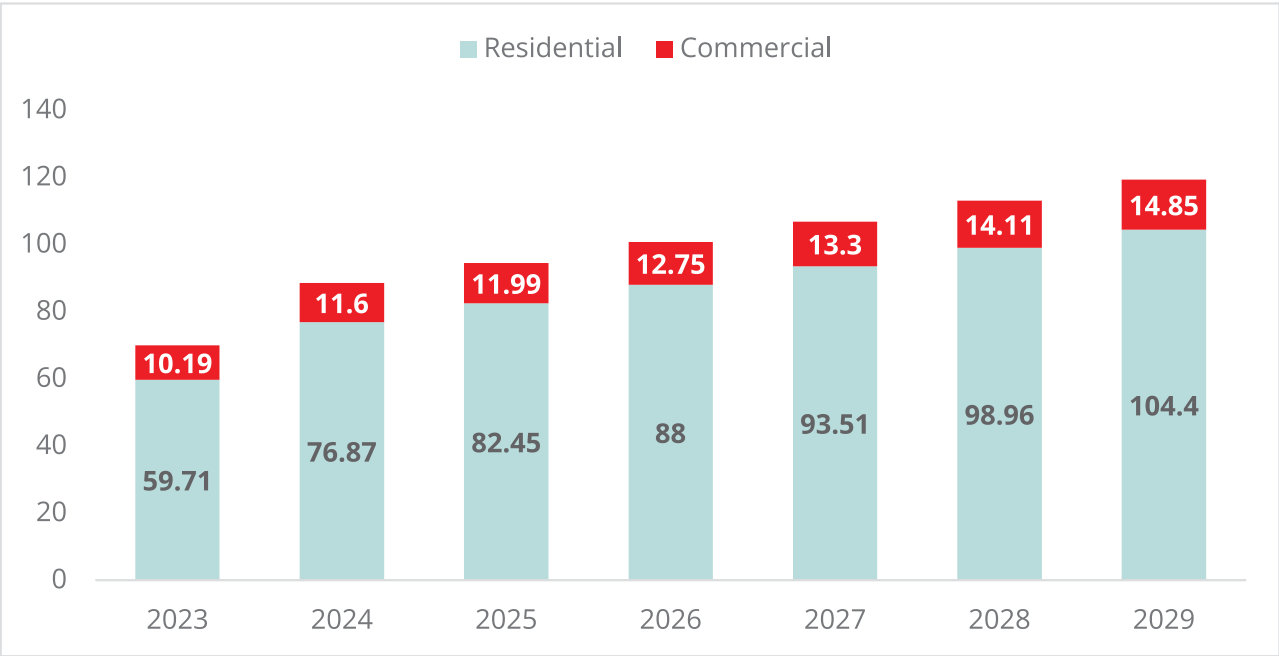
REAL ESTATE

The developments in the Real Estate market have been explored in this report because of their importance to both the strategic growth and the overall cost structure of the Business Service sector. Information was gathered from other reports as well as data scraped from active listings of real estate agencies. We have analyzed insights into market prices, focusing on commercial real estate. Questions about the developments of the Real Estate market were included in the questionnaire and Real Estate businesses were invited to answer the questionnaire.

ALBANIA REAL ESTATE MARKET

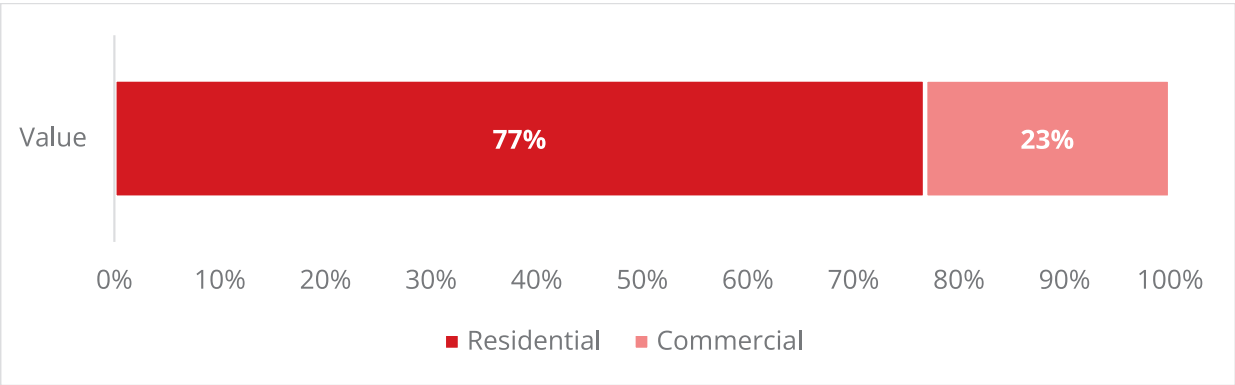
Albania’s real estate market has seen substantial growth in both residential and commercial spaces. Building stock and prices have risen significantly. Tirana’s office market saw a 31% increase in office stock in 2023, reaching 189 thousand square meters with 82% of spaces located in the central business district. Headline rents have increased by 12.5%, with rates from €12 to €27/sq.m/month while vacancy rates were about 21% in 2023.

FIGURE 25: MARKET SIZE OF COMMERCIAL REAL ESTATE ALBANIA



Source: Public Records; Compiled by Author

FIGURE 26: REAL ESTATE TRANSACTION COMPOSITION IN KOSOVO*(%)



Source: Public Records; Compiled by Author

*Compiled using the weighted adjustment method based on number of transactions available from public record keeping indexed by cost differential factor.

New office space is expected to double within the next five to seven years. The increased demand for office space in Tirana is driven by the expansion of companies, both foreign and local, seeking to consolidate and grow their operations especially in Tirana. Companies are demanding better standards such as international standard Class-A office spaces, with key requirements like thermal efficiency and green certification being met.

KOSOVO REAL ESTATE

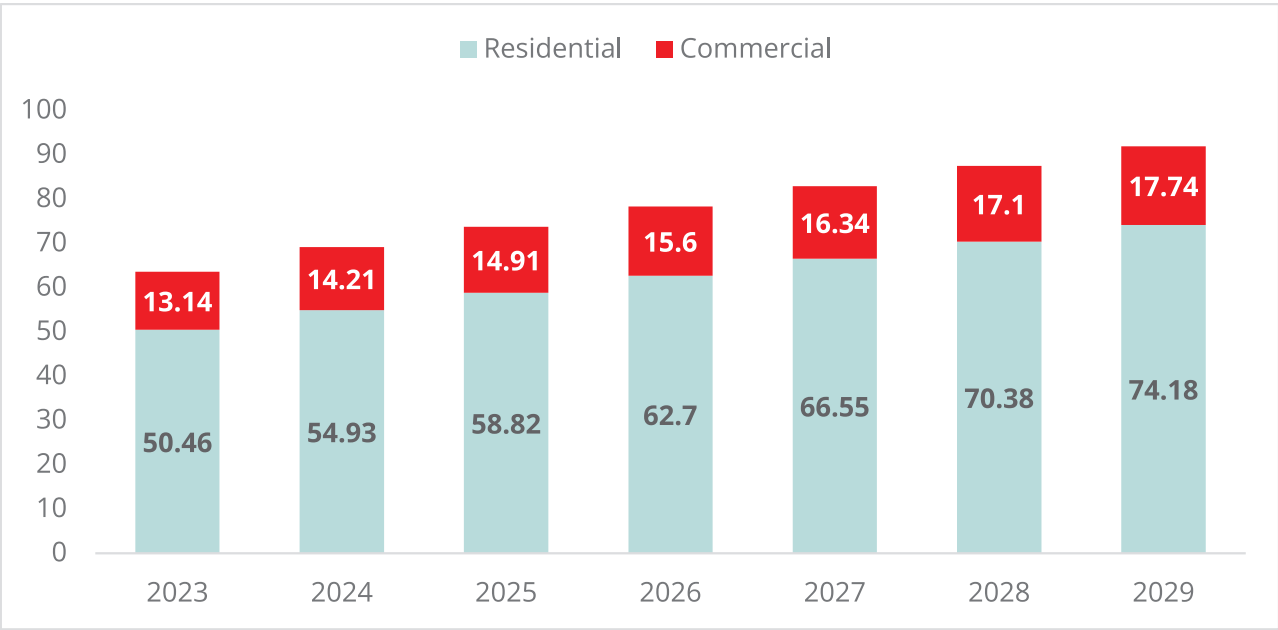
Kosovo’s real estate market has experienced significant growth in recent years, with average residential prices increasing by €400 to €1,460 per square meter in recent years and rental prices in city centers range from €300 - €350 per month. In Pristina, hundreds of building permits were issued for multi-residential developments, and there are still 15,000 uninhabited housing units from previous years. For foreign investors, Kosovo allows ownership of up to 5,000 m² of agricultural land for residential construction, though foreigners are not allowed to possess public land or natural resources. According to public documents from the Municipality of Prishtina, in the last 10 years, over 6.5 million

square meters of building permits have been granted for multi-story commercial-residential buildings in Prishtina. In 2023, an analysis of 21,000 real estate transactions indicated that 23% of such transactions are for commercial space.

NORTH MACEDONIA REAL ESTATE

North Macedonia’s construction sector is thriving, with construction companies generating €1.5 billion annually. Residential prices have steadily increased particularly in Skopje, where demand remains strong. The real estate market in North Macedonia is projected to reach a value of \$69.14 billion in 2024 with the residential sector dominating at \$54.93 billion. The market is expected to grow at an annual growth rate of 5.86% from 2024 to 2029. Commercial real estate makes up 25% of the total market value as of 2024 projection indicating a high availability of commercial space. By 2029, the commercial market is projected to increase to \$17.74 billion.

FIGURE 27: MARKET SIZE OF COMMERCIAL REAL ESTATE NORTH MACEDONIA



Source: Public Records; Compiled by Author

COMMERCIAL RENTAL MARKET

The commercial space rental market in Prishtina, Skopje, and Tirana, is calculated from hundreds of active listings on popular real estate platforms, reveals a dynamic range of prices across these capitals. The data shows that while Prishtina and Skopje offer relatively stable commercial rents, Tirana presents a wider spread, indicative of a more varied market with both affordable and high-end spaces available.

In Prishtina, the market is concentrated, indicating that most office spaces are priced similarly making the market predictable for tenants seeking office space. Skopje’s office market is slightly more affordable and stable like Prishtina, making it accessible for businesses looking for consistent rental costs. In contrast, Tirana displays the most volatility in office rents, with prices ranging from €2.00 to €33.30 per square meter. The average rent is slightly higher than in Prishtina, but there is high variability in offerings—from budget offices to high-end, premium spaces. This points to a more fragmented market, where businesses can find a wide spectrum of office

spaces depending on their budget and needs. The Figure 19 shows the number of building permits across the last five years in the countries in the region. Data for Kosovo is proxied by data for Pristina. There is a visible booming trend visible for Tirana, where building permits between Q2 of 2022 and Q4 of 2025 have almost tripled. The increased offering in Tirana is not expected to reduce prices however as most new buildings aim to raise the overall standard of commercial real estate

INSIGHTS FROM THE SURVEY

In keeping with the above review, during the survey businesses in North Macedonia generally agree that finding business premises is easy with less than 30% disagreeing with the statement. Kosovo is a bit more balanced. However, in Albania businesses (50%) generally disagree with the statement indicating difficulties in finding office spaces. This sentiment in contrast to Albania’s high rate of development in new commercial space.

TABLE 16: MEAN, MEDIAN AND MAX RENTS IN THE COUNTRIES CAPITALS

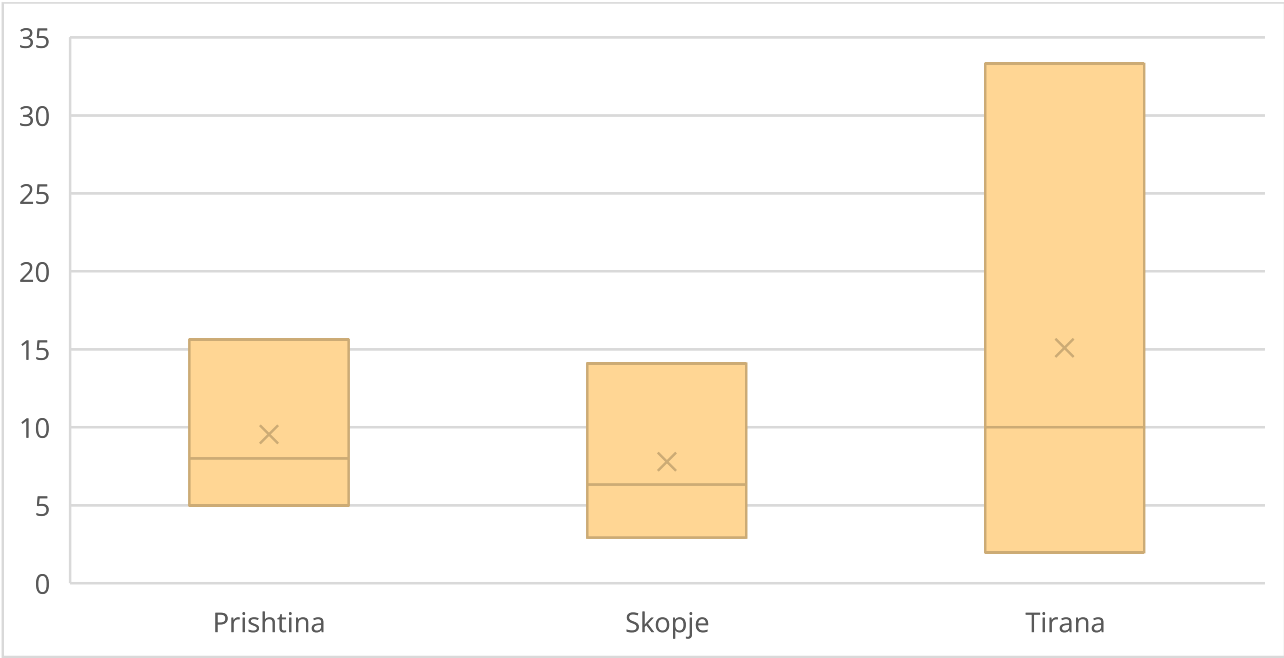
Capital	Mean	Median	Max
Prishtina	€ 8.20	€ 8.00	€ 15.60
Skopje	€ 6.71	€ 6.33	€ 14.10
Tirana	€ 8.39	€ 10.00	€ 33.30

Source: Local Listing Companies; Compiled by Author

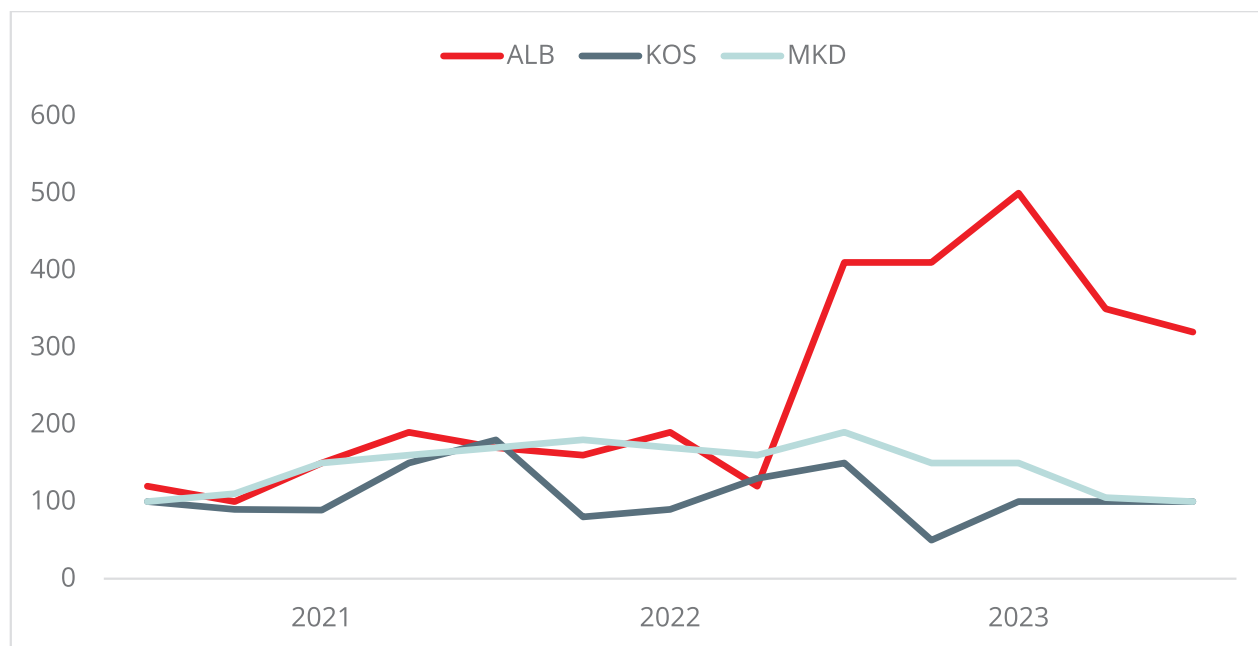
A significant portion of Albanian companies (67.9%) either strongly disagree or disagree that rents are at reasonable levels. Kosovo displays a relatively balanced perspective, with a small minority expressing strong disagreement. In North Macedonia, the high percentage of neutral responses suggests variability in perceptions. When asked whether rents represent a significant cost to businesses our survey found companies to generally agree that it does. In Albania,

responses indicate a stronger belief that rent is a significant business cost, with 53% saying so while only a small percentage (12.5%) express rent is not a burden. Kosovo stands out as 35% of companies say that rent does not take a significant portion, while fewer companies strongly disagree (2.1%). In North Macedonia, opinions are more mixed, with a notable percentage being neutral keeping in line with the earlier observations regarding rent reasonableness.

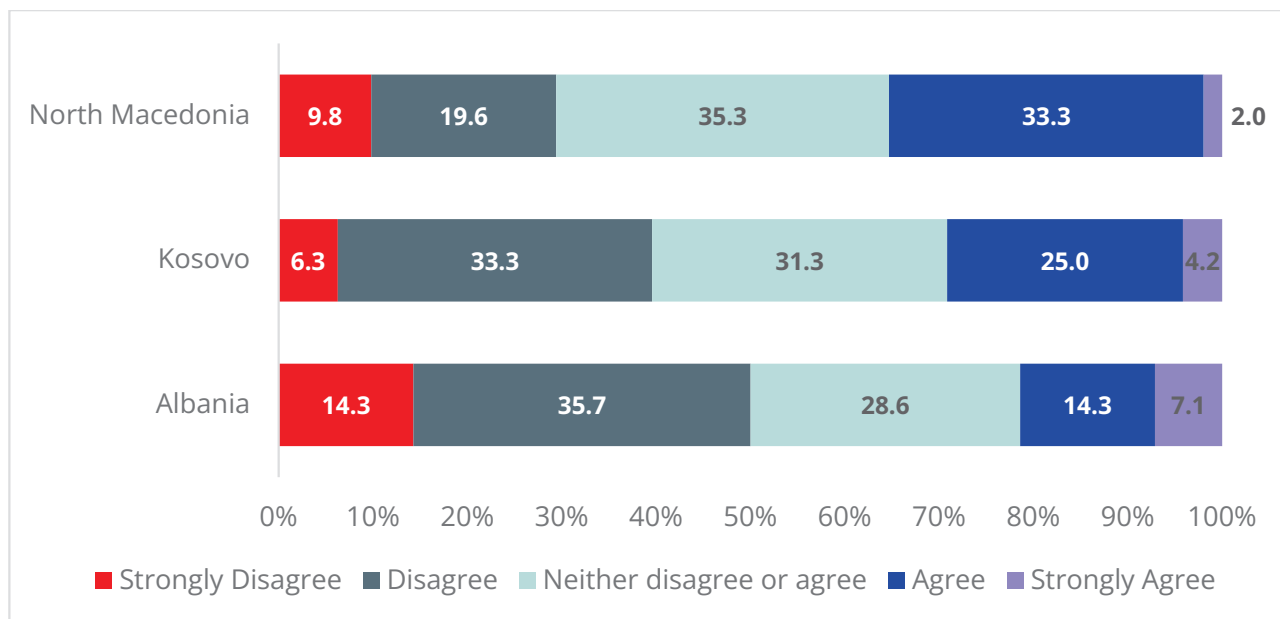
FIGURE 28: AVERAGE OF RENT DISTRIBUTION FOR THE CAPITALS OF EACH COUNTRY



Source: Public Records; Compiled by Author

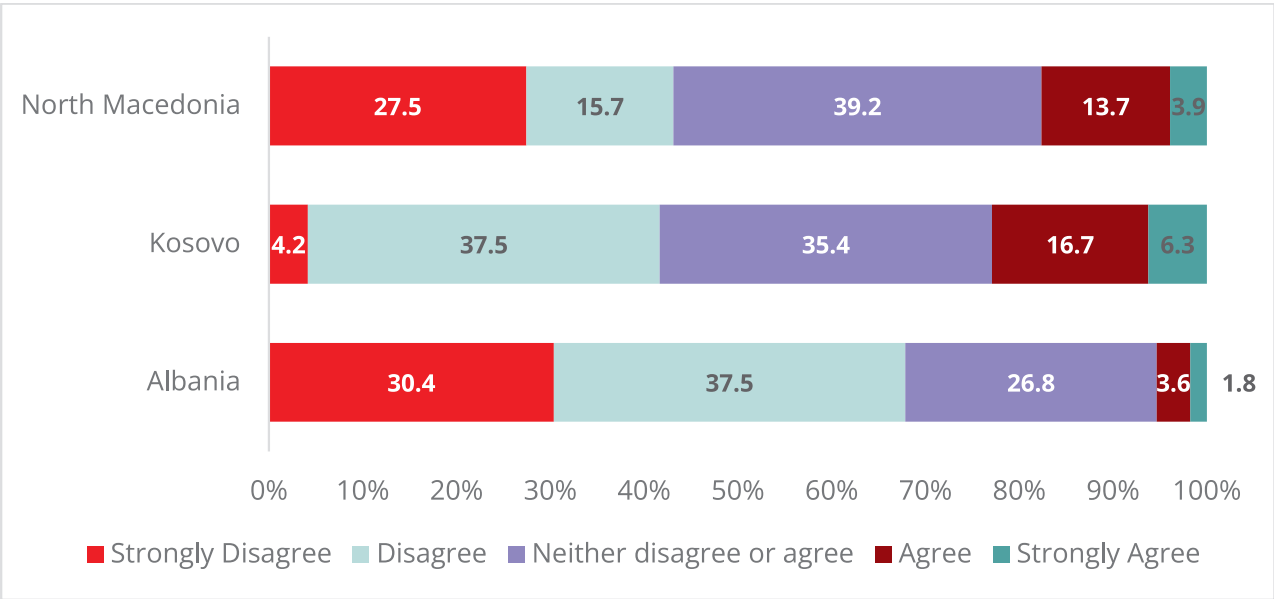
FIGURE 29: BUILDING PERMITS FOR EACH COUNTRY

Source: Public Records; Compiled by Author

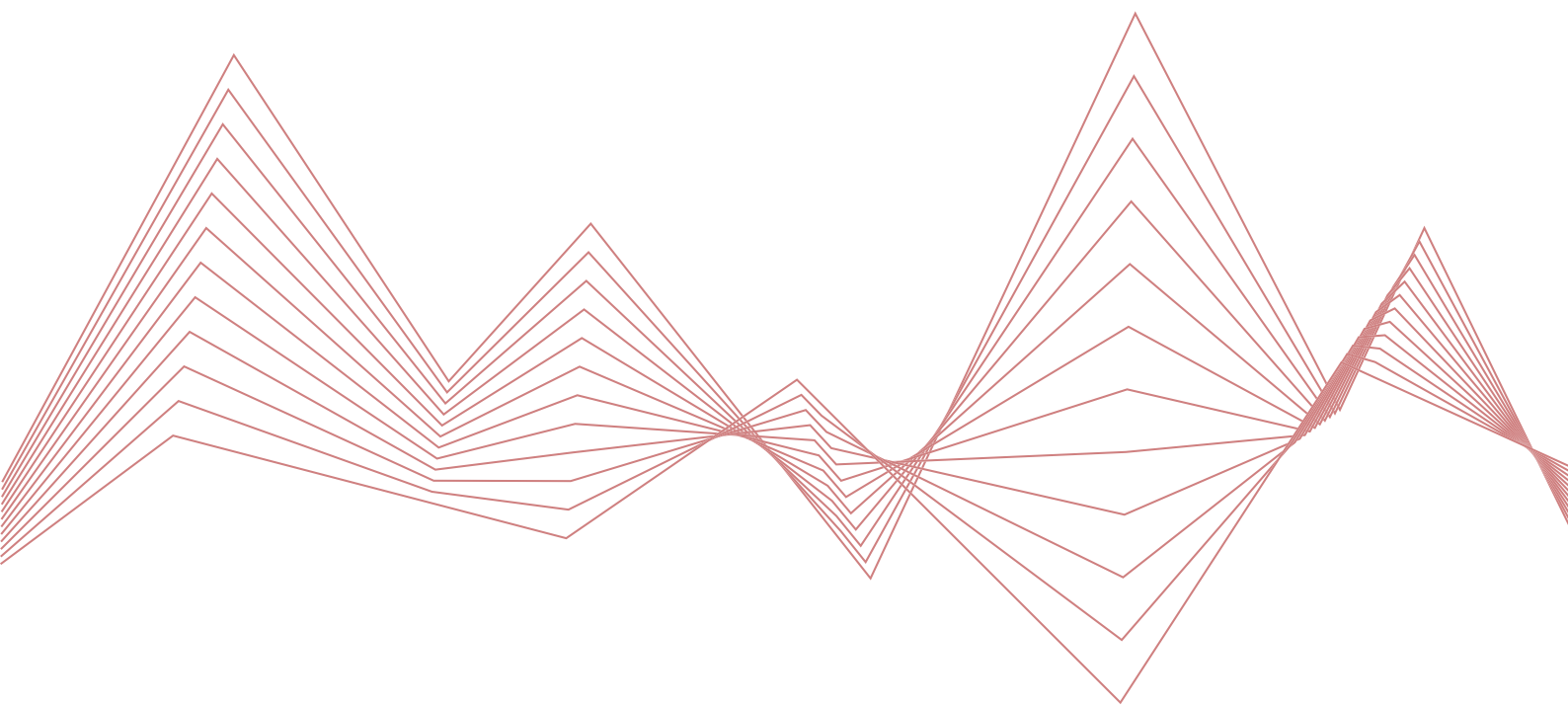
FIGURE 30: FINDING PREMISES FOR BUSINESS ACTIVITIES IS EASY (%)

Source: ABSL's analysis based on the results of the survey (N=155)

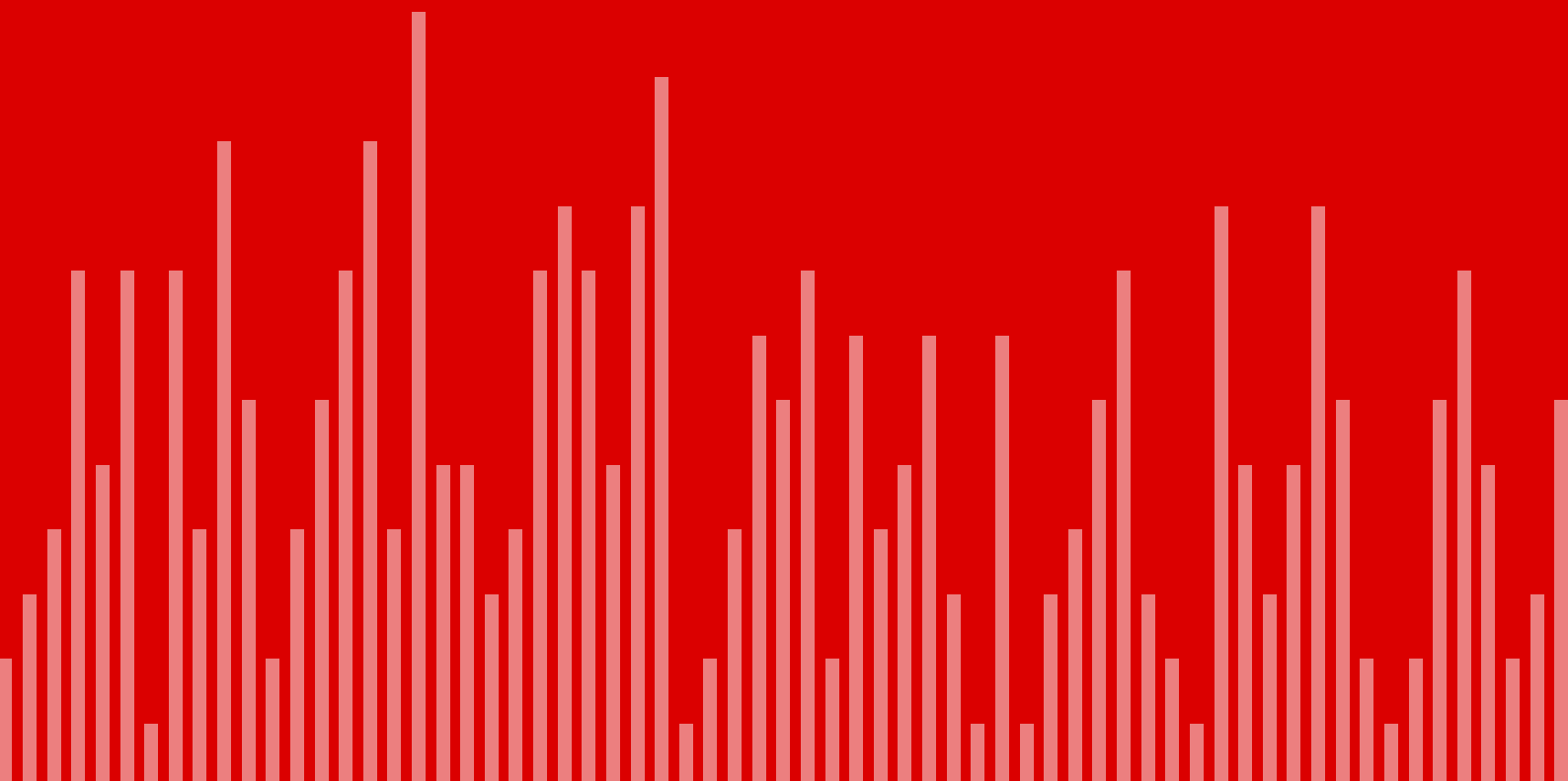
FIGURE 31: COMMERCIAL RENTS ARE AT REASONABLE LEVELS (%)



Source: ABSL's analysis based on the results of the survey (N=155)



SUCCESS STORIES



ALBANIA

Regional Success Stories:

1. VIGAN GROUP SHPK

Industry: Investmen, Business Development Consultancy and Education

Description:

Vigan Group is a dynamic business network specializing in strategic consulting, digital transformation, and innovative solutions across various industries.
<https://vigangroup.com/>

Achievement:

- Successfully facilitated strategic investments across various industries, fostering economic growth in the region.
- Established a reputation as a trusted advisor for businesses seeking to navigate complex investment landscapes.
- Supported the launch and growth of multiple successful projects, contributing to regional development and job creation.

Services:

- Strategic Consulting
- Digital Transformation
- Branding & Marketing Services
- HR Consulting & Services
- Procurement Solutions
- Financial Access Support
- Professional Trainin



2. DIGITSAPIENS SHPK

Industry: Software Development and Product Engineering Services

DigitSapiens partners startups, tech companies, and clients on the digitalization path to offer software product engineering that drives innovation from idea to launch.
<https://digitsapiens.com/>

Achievement:

- Ten partner startups launched and thriving in various markets. DigitSapiens remains the main technology partner for each.
- Serves a dozen of the most prominent agencies and system integrators in Europe and the US with high quality engineering talent forming long-term relationships.
- Trained and deployed computer vision models for increased accuracy, anomaly detection for preparation before on-field deployment.
- Launched LLM agent orchestration solution for the FinTech industry in the US market
- Expanded operations in Kosovo by establishing the local branch in Pristina in 2024

DigitSapiens provides innovative software solutions and product engineering services, specializing in:

- Tailored Software Development
- Team Extension & Outsourcing
- Cloud Computing
- Machine Learning
- AI & LLM Research
- Computer Vision



3. AM CONSULTING & SERVICES SHPK

Industry: Financial Consulting and Tax Administration
AM Consulting & Services is an independent accounting firm providing business registration, accounting, tax administration, financial consulting, and training. It offers tailored solutions to enhance business efficiency and compliance.

Web: <https://amconsulting.al/>

Achievement:

- Established itself as a trusted and independent accounting office with over 10 years of experience, delivering high-quality financial and tax consultancy services.
- Built a portfolio of 144 satisfied clients, offering tailored professional services that meet the unique needs of businesses and individuals.
- Developed and provided advanced training services in tax administration and financial management, enhancing client capabilities.

AM Consulting & Services offers the following services:

- Business Registration
- Accounting & Bookkeeping
- Tax Services & Declarations
- Financial & Banking Consultancy
- Business Plan Development
- Risk Analysis & HACCP
- Training & Consulting



Regional Success Stories:

4. BOOST OUTSOURCING

Industry: Business Process Outsourcing (BPO) and Remote Staffing Solutions
Boost Outsourcing Solutions helps North American businesses improve efficiency by providing tailored outsourcing services from Albania. Their expert team handles various tasks, allowing clients to focus on core operations.

Web: <https://boostoutsourcing.com/>

Achievement:

- Established itself as a premier BPO provider, delivering exceptional outsourcing services in areas such as customer support, IT solutions, data management, and administrative assistance.
- Successfully partnered with global companies, offering scalable and cost-effective remote staffing solutions tailored to their operational needs.
- Built a reputation for combining skilled talent with innovative technology, ensuring high-quality service delivery and client satisfaction.

Services:

- Administrative Assistance
- Bookkeeping
- Graphic Design
- Project Management
- Collection Services
- Interior Design



KOSOVO

Regional Success Stories:

1. KEIRETSU FORUM SEE (SOUTH-EAST EUROPE)

Industry: Investment and Entrepreneurial Network

Keiretsu Forum SEE connects Southeast European startups with investors, offering access to capital, mentorship, and strategic partnerships to support business growth and innovation.

Web: <https://keiretsuforumsee.com/>

Achievement:

- Established itself as a leading investment community in South-East Europe, connecting investors, entrepreneurs, and industry leaders to foster innovation and business growth.
- Successfully facilitated significant investment rounds for startups and businesses across various industries, driving regional economic development.
- Hosted impactful events and forums, creating opportunities for knowledge exchange, networking, and strategic partnerships.

Keiretsu Forum SEE offers:

- Investment opportunities
- Mentorship and guidance
- Networking within the Keiretsu network
- Strategic partnerships
- Access to capital for startups

KEIRETSU



FORUM

2. DS DEVELOPMENT SERVICES

Industry: Web Development and Software Solutions

DigitSapiens collaborates with startups, tech companies, and clients to deliver software product engineering solutions, guiding digital transformation from concept to launch and fostering innovation

Web: <https://digitsapiens.com/>

Achievement:

- Recognized as a leading provider of custom web development and software solutions, delivering innovative and user-centric digital experiences.
- Successfully built and launched numerous websites, mobile apps, and software platforms for businesses across various industries.
- Specialized in creating scalable and secure solutions, enabling clients to enhance their digital presence and operational efficiency.

DigitSapiens offers cutting-edge software solutions and product engineering, specializing in:

- Custom Software Development
- Team Augmentation & Outsourcing
- Cloud-Based Solutions
- Machine Learning & Automation
- AI & Language Model Research
- Computer Vision Technology



3. KOSOVA PANAIRI

Industry: Event Management and Online Marketplace
Panairi Kosova is an international exhibition in Pristina that promotes collaboration, innovation, and business opportunities, connecting local and global markets.

Web: <https://panairi.1kosova.com/>

Achievement:

- Successfully established 1Kosova Panairi as a prominent platform for organizing trade fairs and exhibitions, connecting businesses with their target audiences.
- Created an innovative online marketplace that bridges the gap between businesses and consumers, offering a virtual space for showcasing products and services.
- Attracted a wide range of participants, from small local businesses to established companies, promoting economic collaboration and growth.

Panairi Kosova offers:

- Exhibition space for businesses
- Networking opportunities
- Business matching for trade and investment
- Event organization for innovation and collaboration



4. NGN - NETWORKING GENERATION NETWORK

Industry: Youth Empowerment, Education, and Community Development
The Next Gen Networks Institute (NGN) is a non-governmental organization that provides training in telecommunications technologies like 5G and cybersecurity. It focuses on professional development and supports the implementation of 5G infrastructure in Kosovo.

Web: <https://ngn-ks.org/>

Achievement:

- Established itself as a leading organization in Kosovo, focusing on empowering youth through education, professional development, and community engagement.
- Successfully organized impactful programs and initiatives aimed at equipping young people with skills in leadership, entrepreneurship, and digital transformation.
- Built a strong network of partners and stakeholders, fostering collaboration to address societal challenges and create opportunities for the next generation.

NGN offers:

- Telecommunications training (5G, cybersecurity, etc.)
- Professional development
- 5G infrastructure implementation and maintenance
- Grants and funding support



NORTH MACEDONIA

1. JETA GROUP INTERNATIONAL (JGI)

Industry: Recruitment and Staffing Solutions

Jeta Group is a global recruitment platform that connects job seekers with employers across multiple regions, including the Middle East, Europe, and North Africa.

Web: <https://www.jeta-group.net/>

Achievement:

- Successfully positioned itself as a trusted provider of recruitment and staffing services, facilitating efficient job transitions for professionals globally.
- Established a strong network of entrepreneurial recruitment professionals, connecting top talent with businesses across diverse industries and regions.
- Delivered world-class, customized recruitment services, ensuring high satisfaction levels among clients and candidates.

Services:

- HR Services
- ICT Solutions (Web, Software, and App Development)
- Consultancy Management (in sectors like real estate, banking, and business)
- Training & Development (Internationally Accredited Courses)
- Travel Services
- Supply Chain Management (Global Export)



2. RDS (EXPERT LANGUAGE SOLUTIONS)

RDS Translations is a UK-based language service provider offering translation, interpretation, proofreading, and transcription in 200+ languages. They serve industries like legal, finance, healthcare, media, and more with fast and accurate solutions.

Web: <https://www.rdstranslations.com/>

Achievement:

- Over two decades of experience in professional language services
- Expertise in 200+ languages
- A vast network of certified linguists and interpreters
- Trusted by clients across legal, financial, healthcare, media, and other industries

Services:

- Translation
- Interpretation
- Proofreading
- Transcription



expert
language
solutions



BUSINESS SERVICES
SECTOR IN ALBANIA, KOSOVO
AND NORTH MACEDONIA 2024



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