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GREENFIELD INVESTMENTS IN THE WESTERN BALKANS: A CATALYST FOR ECONOMIC GROWTH AND DEVELOPMENT

Abstract: Greenfield investments are an important form of foreign direct investment (FDI) as they contribute to economic growth and development through the creation of new businesses, job creation and technology transfer. Over the last twenty years, Western Balkan countries have actively sought to attract foreign investors through various policy measures and incentives. Based on secondary data from official UNCTAD reports, this paper analyzes the characteristics and dynamics of FDI inflows to the Western Balkans and their impact on economic growth and development, with a special emphasis on new greenfield investments in the period 2015–2023. The results of the study show that the Republic of Serbia is the most attractive investment destination in the region and attracts the largest share of FDI. The Western Balkan countries can further improve their competitiveness in attracting these investments by reforming the institutional framework, improving the regulatory environment and implementing more efficient incentive measures. This analysis is particularly important for policy makers, investors and other economic actors seeking to improve the investment climate. It highlights the need for strategic reforms to maximize the impact of greenfield investments on the long-term and sustainable economic growth of the Western Balkans.

Keywords: Greenfield investment, FDI, Western Balkans, economic growth.

1. INTRODUCTION

Foreign Direct Investment (FDI) presents a strong driver of socio-economic development, especially in developing countries (Lazaj et al., 2024). The inflow of FDI plays a crucial role in enhancing national production, reducing unemployment rates, and advancing technological progress (Sridevi & Chandramohan, 2019; Alalawneh & Nessa, 2020; Sultana & Turkina, 2020). In recent years, increasing attention has been given to the role of greenfield investment, as a form of FDI as a key driver of economic growth (Gopalan et al., 2018), particularly in transition economies such as Western Balkans countries. Ercegovic & Pucar (2022) found that greenfield FDI inflows are positively associated with GDP growth rates in Western Balkan countries. Unlike mergers and acquisitions, Greenfield investments involve the establishment of new business operations, including new production facilities, offices, and infrastructure (Tripathi et al., 2019). This type of investment not only brings fresh capital into the host economy but also fosters job creation, technology transfer, and increased production capacity (Assamah & Yuan, 2024; Raza et al., 2021). Given its significant impact on economic growth, understanding FDI trends and their impact remains essential for policymakers and other stakeholders in the Western Balkans. This study examines recent FDI inflow trends and evaluates their impact on the economic development of selected economies. The analysis is based on data from the official United Nations Conference on Trade and Development (UNCTAD), providing insights into both the amount

and total number of implemented greenfield investment projects. By reviewing the existing literature has determined that the period from 2015 to 2023 has not yet been analyzed, nor has this approach been utilized. The aim of this paper is to analyze the characteristics and dynamics of FDI inflows to the Western Balkans and their impact on economic growth and development, with a special emphasis on new greenfield investments during the period 2015–2023. This paper is divided into four sections. After the introduction, the second section provides a review of contemporary literature on FDI as a key factor in economic growth and development of national economies. The third section presents research findings on the characteristics and dynamics of FDI inflows in the Western Balkans, highlighting their impact on economic growth and development, with a particular focus on new greenfield investments from 2015 to 2023. Finally, the fourth section summarizes the key conclusions drawn from the research.

2. LITERATURE REVIEW

In the context of the globalization of the international economy, foreign direct investment has a considerable influence on the growth and development of the national economy (Marjanović et al., 2022). The Western Balkans is a geopolitically strategic region facing competing partnerships with the EU, China, and other global economies. Foreign direct investment has been widely studied in the literature for its potential to spur economic growth and development (Nguyen, 2023; Barry, 2025; Aiyar et al., 2024). Foreign investment is seen in most of the world's economies as both an important development tool and the key to maximizing their own potential (Domazet, et al., 2018). One of the primary strategies for the business expansion of multinational corporations refers to investing in other regions and countries (Vujadinović & Marjanović, 2024). By expanding into foreign markets, multinational corporations can allocate their capital through various investment strategies, including: (1) Greenfield investments, where they establish new facilities and operations; (2) Mergers and acquisitions (M&A), involving the purchase or consolidation of existing businesses; and (3) Joint ventures, which entail forming strategic partnerships with local companies (Sandler et al., 2019). Among these, Greenfield investments are the most prevalent, as they allow companies to maintain total control over their operations. Empirical research indicates that greenfield investments are the most productive among different types of foreign market entry and promote long-term economic growth (Nguyen et al., 2021). In contrast, mergers are primarily driven by the pursuit of efficiency gains and the transfer of advanced technologies, enabling firms to optimize operations and enhance competitiveness (Stepanok, 2015). The analyzed literature provides extensive evidence that these kinds of investments not only drive corporate growth but also contribute to the economic development of host countries through job creation, technology transfer, and infrastructure improvements (Ha et al., 2021; Amoroso & Müller, 2018; Domazet et al., 2021). This form of investment is particularly advantageous in emerging markets, where host countries actively encourage FDI to stimulate industrial growth, create jobs, and enhance technological advancement. It can also create employment opportunities and increase competition, which can stimulate innovation and productivity in various sectors (Hajdini et al., 2023). Foreign Direct Investment, whether in the form of greenfield investments or cross-border mergers and acquisitions (M&As), generates positive spillover effects that stimulate domestic entrepreneurship (Marjanović & Domazet, 2021). Greenfield investments, however, are more beneficial in countries with higher levels of market capacity and institutional support, while cross-border M&As remain effective regardless of these factors (Nguyen, 2023).

3. DATA AND METHODOLOGY

Data for FDI and greenfield FDI inflows in millions of USD is collected from the official United Nations Conference on Trade and Development UNCTAD 2024, ensuring a robust and reliable foundation for the analysis. The methodology used in this research is a comparative and descriptive method. The research sample consists of five countries in the Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia). The analysis covered the period from 2015 to 2023 allows for the assessment of investment trends and their impact on the region's economic development. The aim of this paper is to present recent trends in the FDI inflows and new Greenfield investments (amount and total number of implemented projects), as well as to explore their impact on the development of selected economies. The study aims to provide useful insights and policy guidance for transition economies, particularly the Western Balkans countries, to enhance their competitiveness in attracting greenfield FDI. Understanding these trends is crucial, as previous capital inflows play a key role in the decision-making process for new investors targeting emerging markets. The existing literature finds evidence that FDI, especially Greenfield FDI inflows contribute to economic growth, therefore, this research strives to examine the characteristics and dynamics of FDI and new greenfield investment inflows to the Western Balkans during 2015–2023 (Ercegovac & Pucar, 2022; Marjanović & Đukić, 2020). This research problem is relevant to economic policy creators to raise the attractiveness of national economy for greenfield investments. Following study compares values of received FDI and new greenfield investment inflows by five Western Balkans countries with objective to find a potential link to the achieved economic development. The findings offer valuable insights for policymakers, investors, and economic stakeholders aiming to optimize the benefits of greenfield investments in the Western Balkans and strengthen regional economic development.

4. RESEARCH RESULTS

The presented research involves three segments of analysis: 1) descriptive analysis of received FDI inflows in Western Balkans (2015-2023), 2) descriptive analysis of the number of announced greenfield FDI projects in Western Balkans (2015-2023), 3) descriptive analysis of the value of announced greenfield FDI projects in Western Balkans (2015-2023).

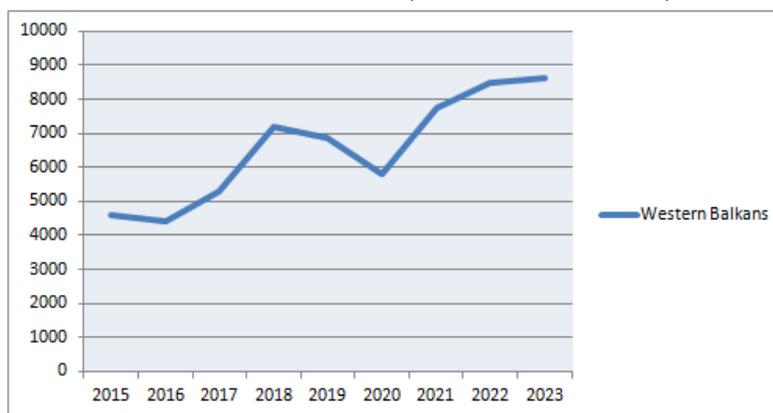
Table 1. FDI inflows, 2015-2023. (Millions of US dollars)

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
European Union	631254	363448	274520	305556	627335	154888	266502	-84830	58645
Western Balkans	4592	4401	5280	7174	6875	5817	7759	8466	8637

Source: UNCTAD (2025)

The Table1 shows FDI inflows for the European Union (EU) and the Western Balkans from 2015 to 2023. Although the inflow of FDI in the Western Balkans has significantly increased in recent years, it is still insufficient compared to EU countries. The Western Balkan countries remain behind developed EU economies in overall economic development, as evidenced by their significantly lower FDI inflows compared to the EU. FDI inflows in the European Union show significant fluctuations over the period. The highest inflows were recorded in 2015 (\$631,254 million) and 2019 (\$627,335 million). Then there was a sharp decline in FDI inflows in 2020 due to the COVID-19 pandemic, dropping to \$154,888 million. In 2022, the EU recorded negative FDI inflows (-\$84,830 million), indicating capital outflows. A partial recovery is observed in 2023 (\$58,645 million). On the other hand, FDI inflows in the Western Balkans were relatively stable, with a gradual upward trend. The lowest inflow was recorded in 2016 at \$4,401 million, while the highest inflow was recorded in 2023, reaching \$8,637 million. An interesting thing is that, unlike the EU, the Western Balkans did not experience a sharp decline in 2020, instead maintaining a more stable level of investment. The Western Balkan countries continue to fall behind the developed EU economies in overall economic development. Due to limited internal capital accumulation, they rely heavily on FDI as a crucial source of external financing. Attracting substantial foreign capital is a key objective for these nations, helping to bridge the gap between existing and necessary amounts of investment. The influx of new investments is expected to play a vital role in driving their economic growth.

Figure 1. FDI inflows in Western Balkans, 2015-2023. (Millions of US dollars)



Source: UNCTAD (2025)

The Figure1 presents the trend of FDI inflows in the Western Balkans from 2015 to 2023. Initially, there was a moderate inflow in 2015, followed by a steady increase until 2018. A decline occurred in 2019, followed by a continued decline until 2020. The FDI inflows rebounded strongly in subsequent years, despite the global economic disruptions in 2020. The highest recorded inflows are observed in 2023, indicating a positive trend in attracting foreign investments to the region.

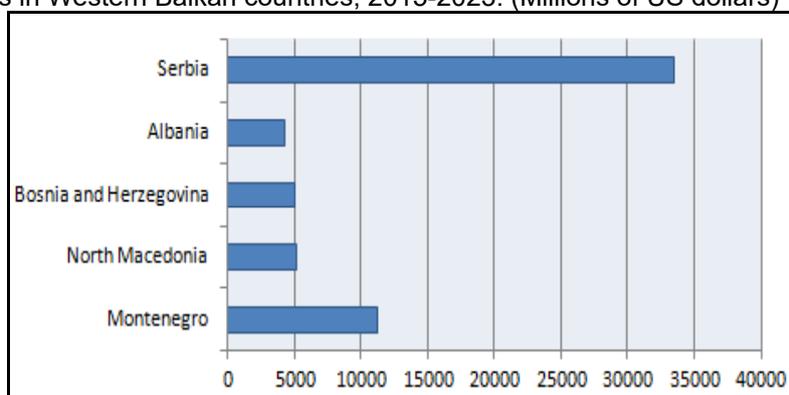
Table 2. FDI inflows in Western Balkan countries, 2015-2023. (Millions of US dollars)

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Albania	945	1100	1148	1289	1287	1108	1233	1434	1630
Bosnia and Herzegovina	361	349	491	581	457	479	683	774	945
Montenegro	699	226	558	489	416	532	698	876	526
North Macedonia	240	374	205	725	446	230	556	784	666
Serbia	2347	2352	2878	4090	4269	3468	4589	4598	4870

Source: UNCTAD (2025)

Table 2 presents the annual FDI inflows for five Western Balkan countries: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia over the period from 2015 to 2023. During this period about \$ 59,001 million of FDI entered the Western Balkan region. From this table, it can be seen that Serbia consistently received the highest FDI inflows, peaking in 2023 with \$ 4,870 million. Also, Albania showed a positive trend, with inflows increasing from \$945 million in 2015 to \$1,630 million in 2023. Bosnia and Herzegovina had fluctuating inflows, with an overall upward trend, reaching \$945 million in 2023. Montenegro showed fluctuations, with a notable drop in 2016, followed by a peak of \$876 million in 2022, before declining to \$526 million in 2023. North Macedonia had inconsistent FDI inflows, with a peak in 2022 (\$784 million) and a decline in 2023 (\$666 million). Serbia stands out as the leading investment destination, largely due to its stimulative fiscal policy for foreign investments, which has helped create a competitive economic environment and attract significant foreign capital.

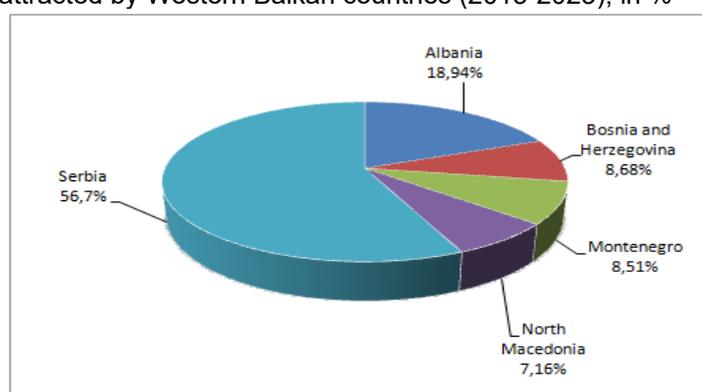
Figure 2. FDI inflows in Western Balkan countries, 2015-2023. (Millions of US dollars)



Source: UNCTAD (2025)

Figure 2 shows the total FDI inflows in Western Balkan countries over the period from 2015 to 2023. Serbia stands out as the dominant recipient of FDI, significantly surpassing the other countries in the region. It is followed by Albania, with a considerably lower value. Montenegro, Bosnia and Herzegovina, and North Macedonia attracted relatively lower FDI inflows, with Montenegro receiving a slightly higher amount. FDI has made significant contributions to the economies of the Western Balkans in recent years, as shown in Figure 2. It has played a key role in driving economic growth, creating jobs, and fostering innovation and technological advancement. Serbia was the leader in terms of FDI inflows.

Figure 3. Share of FDI attracted by Western Balkan countries (2015-2023), in %



Source: UNCTAD (2025)

Figure 3 illustrates the distribution of FDI inflows among the Western Balkan countries from 2015 to 2023. Serbia dominates the Western Balkan region in attracting FDI, with 56,7% of the total inflows, making it the most attractive investment destination. Albania, with 18,94%, holds second place, reflecting a significant share of regional FDI. Bosnia and Herzegovina and Montenegro received similar proportions of FDI, with 8,68% and 8,51%. North Macedonia attracted the lowest share, with 7,16% of total FDI inflows. This figure highlights Serbia's leading position in attracting foreign investments, while the other Western Balkan countries collectively account for less than half of the region's total FDI inflows.

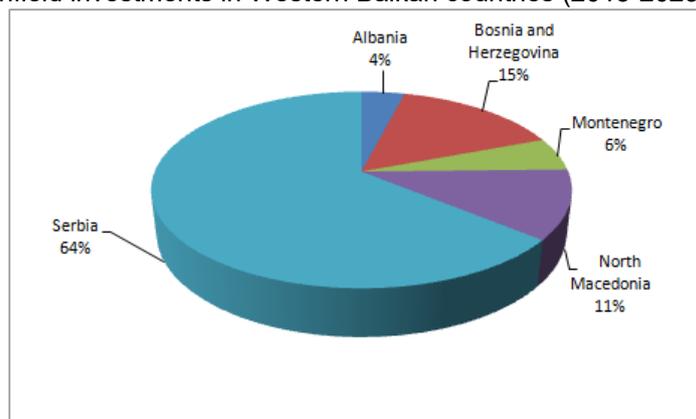
Table 3. Number of announced greenfield FDI projects in Western Balkan countries, 2015-2023

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Albania	5	2	3	8	3	5	6	7	12
Bosnia and Herzegovina	25	16	26	33	30	13	11	19	23
Montenegro	4	3	2	18	10	5	3	10	15
North Macedonia	20	22	12	15	13	3	18	29	14
Serbia	75	86	114	168	117	42	46	100	75

Source: UNCTAD (2025)

Table 3 presents the number of announced greenfield FDI projects in the Western Balkan countries from 2015 to 2023. Serbia consistently attracted the highest number of greenfield FDI projects, reaching a peak of 168 in 2018 and retaining a dominant position throughout the observed period. Bosnia and Herzegovina and North Macedonia showed fluctuating trends, with Bosnia reaching its highest number of projects (33) in 2018 and North Macedonia peaking at 29 in 2022. Albania and Montenegro reported relatively lower numbers of announced projects, with Albania showing a modest increase over time, reaching 12 in 2023, while Montenegro saw minor fluctuations, reaching a peak at 18 in 2018. From this table, it can be observed that in 2020, due to the impact of the COVID-19 pandemic, a noticeable decline in greenfield FDI projects was recorded across all countries.

Figure 4. Share of greenfield investments in Western Balkan countries (2015-2023), in %



Source: UNCTAD (2025)

Figure 4 illustrates the distribution of greenfield investments among Western Balkan countries from 2015 to 2023. Serbia attracted the largest share of greenfield investments, with 64% of the total projects, demonstrating its position as the primary investment hub in the region. Bosnia and Herzegovina followed with 15%, with a significant share of investment activity. Montenegro secured 6% of the investments, while Albania had the lowest share, with only 4% of the total greenfield FDI projects. North Macedonia with 11%, indicating a moderate share of greenfield projects. Montenegro secured 6% of the investments, while Albania had the lowest share, with only 4% of the total greenfield FDI projects. This distribution highlights Serbia's dominant role in attracting greenfield investments, while other Western Balkan countries receive a relatively smaller proportion of such projects.

Table 4. Value of announced greenfield FDI projects in Western Balkan countries, 2015-2023 (Millions of US dollars)

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Albania	137	34	13	219	57	343	249	170	1049
Bosnia and Herzegovina	3089	822	639	737	532	465	356	693	1905
Montenegro	43	614	49	2009	572	581	103	140	1702
North Macedonia	354	339	135	917	287	137	1025	623	592
Serbia	4529	2132	4128	7004	4391	2108	3226	4438	11190

Source: UNCTAD (2025)

Table 4 presents the value of announced greenfield FDI projects in the Western Balkan countries from 2015 to 2023. The data indicates significant fluctuations in investment values across the years and countries. Serbia consistently attracted the highest greenfield FDI values, reaching a peak in 2023 with \$11,190 million, further reinforcing its status as the leading investment destination in the region. Bosnia and Herzegovina showed a fluctuating but moderate investment trend, reaching its highest value of \$1,905 million in 2023. Montenegro had a significant increase in 2018, reaching \$20,009 million, making it an outlier compared to other years. North Macedonia showed fluctuating investment values, with a notable increase in 2021 with \$1,025 million. Albania exhibited a more modest investment volume, but in 2023 recorded a sharp rise to \$1,049 million, compared to previous years. The data highlights Serbia's dominance in attracting greenfield FDI, while other Western Balkan countries display varied investment trends.

5. CONCLUSION

The Western Balkans have been recognized as an attractive investment destination, driven by economic reforms and simplified procedures for attracting foreign capital. A well-designed tax policy, particularly in the form of tax incentives, plays a crucial role in shaping the investment decisions of foreign investors. Also, FDI is an important factor for economic growth in all Western Balkan countries. Foreign investors are increasingly attracted to the region due to its favorable location, highly skilled workforce and affordable labor prices. By investing money in key sectors such as manufacturing, infrastructure, energy and ICT, FDI promotes economic growth. During the period under review, the Western Balkan countries recorded a significant increase in FDI inflows, which can be attributed to the economic reforms implemented and various investment incentives. However, despite these positive trends, the region still lags behind EU countries in attracting foreign capital. Serbia has been recognized as the leading investment destination in the region, attracting the largest share of FDI and greenfield investments, indicating a more competitive business environment compared to neighboring countries. Other Western Balkan countries have shown different levels of investment activity. Some of the factors that may cause these differences are economic policies, political stability, and market attractiveness.

The limitations of this research relate to the fact that Western Balkan countries were not compared with countries outside the region, as well as to the period covered by this research. To further improve the investment climate and ensure sustainable economic growth, it is necessary to continue reforms focused on strengthening the institutional framework, improving legal security, and creating a more favorable business environment for foreign investors.

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