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Corruption and economic growth in the Western Balkans: A legal and economic perspective from the Balkan public barometer

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ARTICLE INFO	ABSTRACT
	This investigation considers the intricate relationship between corruption, governance, and economic growth in the Western Balkans. The study connects legal and economic aspects in order to evaluate their ramifications towards development. Through a review of other literature and regression analyses, the study tests two hypotheses: H1. Perceived corruption (PC) is negatively related to economic perceptions (EP) and H2. The strength of the trust in legal framework moderates the relationship of PC and EP. Results of analysis confirm H1, indicating a statistically significant negative coefficient for PC (-0.063, p < 0.01), and a positive effect of institutional trust on EP (0.315, p < 0.01). Thus, the results show that PC has a negative impact on EP, while governance helps lessen the effects of PC. H2 also finds support as there is a negative interaction effects (-0.013, p < 0.01) found suggesting that weaker legal frameworks have an enhancing effect on the economic toll of corruption, while stronger legal frameworks lessen the toll of corruption. Given previous studies that have considered corruption as a barrier to growth, the results of the study bolster the need for strong institutions and legal reforms, specifically as it pertains to European Union enlargement area. The study recommends that in order to address corruption in the Western Balkans, there needs to be an emphasis on both reducing corrupt acts and strengthening governance and legal framework, in turn supporting long-term and sustainable economic development. **Keywords:** corruption, economic growth, governance, legal frameworks

INTRODUCTION

The issue of corruption and its connection to economic growth has been the focus of various studies, especially in the developing world, where corruption has often deterred sustainable development. In this regard, the instances of high corruption are associated with weakened institutions, lower levels of foreign investment, and inefficient resource allocation, built on high levels of corruption and are likely to affect economic growth (Aidt, 2016; D'Agostino et al., 2016; Ugur & Dasgupta, 2015). While much of the existing literature focuses on economic variables such as GDP growth and investment flows, fewer studies integrate legal perspectives or public perceptions into their analyses, particularly in the context of the Western Balkans. This region, characterized by transitional economies and a legacy of political instability, presents a unique case where corruption remains a significant barrier to economic advancement (Bartlett, 2020; Transparency International, 2022). The labor markets and institutional structures of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia all have similarities regarding their levels of unemployment and governance, which combined, may exacerbate corruption's detrimental effect (Regional Cooperation Council [RCC], 2023; World Bank, 2021).

In this study, we examine the interplay between corruption, governance, and economic growth in the Western Balkans through the lens of public perceptions and institutional frameworks. Key variables include economic perceptions (EP), operationalized as a composite measure derived from the Balkan public barometer (BPB), reflecting respondents' subjective assessments of their financial situation and economic optimism, which serves as a proxy for perceived economic growth. Perceived corruption (PC) is measured as an index capturing public views on the prevalence of corrupt practices in institutions, based on survey responses. Institutional trust (IT) quantifies the degree of public confidence in governance structures, such as government and public administration, while trust in legal frameworks (TLF) assesses confidence in the judicial and legal systems' effectiveness and enforcement. These variables, drawn from the BPB, allow for a nuanced analysis of how public

perceptions of corruption and trust in institutions shape economic outcomes in the region.

This study advances the literature on corruption and economic growth by uniquely integrating public perceptions and legal frameworks in the Western Balkans, a region underexplored in this context. While prior research has examined corruption's economic impacts globally (Aidt, 2016; Ugur & Dasgupta, 2015), few studies have combined quantitative analysis of public perceptions from the BPB with a focus on the moderating role of legal frameworks, as measured by TLF. This research fills a critical knowledge gap by testing the interaction between PC and TLF on EP across Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, offering novel insights into how legal reforms can mitigate corruption's economic toll, particularly in the context of European Union (EU) integration.

This study focuses on the six countries of the Western Balkans, where corruption has been a persistent issue for decades, influencing both economic performance and public trust in institutions. Drawing on data from the BPB, an annual survey conducted by the RCC, this paper examines public perceptions of corruption alongside legal and economic indicators. The research questions guiding this study are as follows:

1. How does corruption, as perceived by the public and measured through institutional indices, affect economic growth in the Western Balkan region?

2. To what extent do legal frameworks and their enforcement mitigate or exacerbate the impact of corruption on economic growth perception?

To address these questions, the following hypotheses are proposed:

H1. Higher levels of PC negatively affect economic growth in the Western Balkan countries.

H2. Weak legal frameworks and poor enforcement significantly amplify the adverse effects of corruption on economic performance.

To test the research hypotheses, regression analyses were conducted including interactions between variables. The empirical analysis relies on data from the BPB (RCC, 2023). While previous research has studied the economic effects of corruption, across a number of contexts (Cooray & Schneider, 2016; Hodge et al., 2015), this paper adds to the literature by emphasizing a legal approach and drawing on public perception data in the Western Balkans, a region which has received less attention in this sense.

The findings of this study reveal key insights into the economic and institutional dynamics of the Western Balkans. EP average 8.85, reflecting relatively low economic satisfaction, with North Macedonia scoring the highest (10.13) and Montenegro the lowest (8.04). The results support **H1**, showing that PC, averaging 22.66, has a significant negative effect on EP (-0.063, p < 0.01), with North Macedonia (25.45) and Albania (24.14) reporting the highest corruption perceptions, and Kosovo the lowest (20.99). IT, averaging 7.87, positively influences EP (0.315, p < 0.01), with North Macedonia again leading (9.25) and Kosovo trailing (6.69), indicating varying degrees of institutional distrust across the

region. TLF averages 11.44, with North Macedonia at the top (12.79) and Montenegro and Kosovo at the bottom (10.72); the interaction term in **H2** (-0.013, p < 0.01) confirms that stronger legal frameworks mitigate corruption's negative impact, underscoring significant regional disparities in perceptions of corruption, trust, and legal efficacy.

This paper is structured into six sections. The next section reviews the literature, synthesizing key theoretical and empirical findings on corruption and economic growth. The third section outlines the methodology, followed by the fourth section presenting the empirical results. The fifth section discusses the implications of these findings, and the sixth section offers conclusions and policy recommendations derived from the analysis.

LITERATURE REVIEW

This literature review explores the intricate relationship between corruption and economic growth in the Western Balkans, synthesizing findings from a range of studies that blend legal and economic perspectives. The reviewed works provide insight into the evolving governance structures, the dynamics of corruption, and the broader economic implications in the region, all of which are critical in understanding the underlying challenges and prospects for development.

Biscione and Muco (2021) conduct a quantitative analysis of how corruption and good governance interact to affect the economic growth of Balkan countries. Their study, alongside the panel analysis undertaken by Ziberi and Alili (2021), illustrates that while corruption persists as a barrier, the intervention of mechanisms of governance can alleviate its constraints. These papers lay the basis for understanding processes by which political institutions and economic policies create growth paths in the region. The importance of good governance is highlighted by Pere (2015), who posits the necessity of a political system that incorporates transparency and accountability to allow for economic development. In a similar vein, Mungiu-Pippidi (2015), situates her work in a framework that further supports the notion, articulating the process through which societies become able to exercise control over corruption. Additionally, she notes that institutional reform and civic appeal will facilitate an underpinning for development in the economy. From a microeconomic perspective, Kalaj and Golemi (2024) analyze the relationship between corruption and the performance of firms. They find that in addition to corruption distorting the market mechanism, it tends to stymie business efficiency and investment. Their comparative analysis across the Western Balkan countries demonstrates how corruption which is deeply rooted can negatively affect the competitiveness of local firms which undermines sustainable economic development.

Zvekić and Sunčana (2021) add another layer of consideration, introducing the concept of an "Infrastructure of Integrity." Their subject matter involves examining the political economy of organized corruption and the institutional, systemic platform that is required for effective engagement in any type of anti-corruption infrastructure. The legal component addresses reform which is appropriate to

Table 1. Summary of key studies

Study	Focus	Key Finding
Biscione and Muco (2021)	Corruption and governance impact on growth	Corruption negatively affects GDP growth
Pere (2015)	Good governance and economic development	Governance quality crucial for growth
Kalaj and Golemi (2024)	Corruption and firm performance	Corruption reduces firm profitability
Ziberi and Alili (2021)	Panel analysis of economic growth	Higher corruption slows growth rates
Malaj (2020)	EU integration and corruption	Persistent corruption hinders integration efforts
Zvekić and Sunčana (2021)	Organized corruption's political economy	Systemic corruption challenges reform
Transparency International (2019)	Public perception of corruption	Widespread distrust and bribery encounters
Kmezić and Bieber (2017)	Democracy and stabilitocracy	Democratic deficits perpetuate corruption

understand a process of corruption relief. A legal system can, to an extent, be capable of enclosure reform and adverse corruptive practices against an economic environment related to growth in its scope and measure. The process for integration with that of the EU emerges as an integral point in the literature. Malaj (2020) presents the interplay of factors between European integration against economic policies with the factor of corruption saying that the accost and correspondence of the Union's standard serves the role of an economic catalyst and condition. Further, the complementary study of the European Commission (2020), along with World Bank (2017), supports that the principles of the accession process, along with international domain of governance frameworks were marked by legal reform and economic development counter measures to regulate type of corruption. Public perception of corruption is offered from the report of Transparency International (2019) as documented in the broader realm of the global corruption barometer, this work presents an important counterpoint to quantitative studies. That is to say, this extends into comprehending the lived experience of the citizen relative to institutional reformism, collectively contributing to the notions that public trust concurrently correlates as a condition of sustainable governance and growth of the economy. In addition to the legal basis for successful reform, the political context in the measurement and development of countries is important, as is democratic stability and membership.

Authors Kmezic and Bieber (2017) engage the idea and the crisis of democracy in the Western Balkan environment, to revert back to a systemic connection of the factors of political regressive instability and the rise in populism, contributing to the nature of corruptive practices instead of mitigating it. This study serve to provide depth by linking legal identity and democratic deficits as they relate to economic performance abstraction constructs.

The Western Balkans region, consisting of Albania, Serbia, North Macedonia, Montenegro, Bosnia and Herzegovina, and Kosovo, is struggling against corruption. These countries are at different levels of the process of EU accession, and fighting corruption is a fundamental part of the accession process. The European Commission (2020) highlights that "for there to be enhanced credibility associated with the accession process, credible reforms to combat corruption are prerequisites", and Transparency International (2019) reveals that "many of those living in the Balkans do not have faith in their state institutions, and many have encountered bribery even when seeking basic services". The uniqueness of having a combination of legal and economic issues in this region points

to the need for more focused research regarding the specific issues concerning corruption.

Table 1 summarizes the main findings of key studies on the link between corruption and economic growth in the Western Balkans, providing an overview of their focus and results. Biscione and Muco (2021) show that corruption negatively affects GDP growth, while Pere (2015) emphasizes the importance of governance quality for economic development. Kalaj and Golemi (2024) find that corruption reduces firms' profitability, and Ziberi and Alili (2021) confirm that high levels of corruption slow down economic growth. Malaj (2020) notes that corruption hinders EU integration efforts, while Zvekić and Sunčana (2021) analyze the challenges of systemic corruption in reform. Transparency International (2019) reports widespread distrust and experiences with bribery, and Kmezić and Bieber (2017) link democratic deficits to the persistence of corruption, highlighting the complexity of the issue in the region.

The literature on corruption and economic growth in the Western Balkans, while growing, remains relatively sparse, necessitating a focused review of key studies to underscore this study's novel contribution. Recent journal articles, such as Alla et al. (2022) in Economic Analysis and Policy, highlight how corruption distorts fiscal policy effectiveness in the Western Balkans, complementing Biscione and Muco's (2021) findings on governance's role in mitigating economic losses. Similarly, Qerimi and Sergi (2021) in Journal of Balkan and Near Eastern Studies emphasize the interplay between weak rule of law and economic stagnation in the region, aligning with Zvekić and Sunčana's (2021) concept of an "Infrastructure of Integrity." However, few studies integrate public perceptions from sources like the BPB with legal frameworks' moderating effects, a gap this research addresses. The limited availability of region-specific studies on this intersection justifies the selective inclusion of broader works (e.g., Aidt, 2016; Ugur & Dasgupta, 2015) to contextualize the economic and legal dynamics, while the present study's focus on public perception data and legal moderation offers a unique advancement in understanding corruption's economic impact in the Western Balkans.

METHODOLOGY

This study uses a quantitative approach to analyze the relationship between corruption and economic growth in the Western Balkans, focusing on legal and economic perspectives based on data from the BPB. Quantitative research was chosen because of its ability to test specific hypotheses through

Table 2. Description of research variables

Variable	Abbreviations	Source	Observations	Mean	Standard deviation
Country	CC	RCC	6,000	3.50	1.70
Age	A	RCC	6,000	3.49	1.63
Gender	G	RCC	6,000	1.49	0.50
Employment status	ES	RCC	6,000	2.53	1.84
Income	I	RCC	6,000	5.44	2.31
Economic perceptions	EP	RCC	6,000	8.94	2.29
Institutional trust	IT	RCC	6,000	7.87	2.72
Perceived corruption	PC	RCC	6,000	22.65	7.07
Trust in legal frameworks	TLF	RCC	6,000	11.44	3.66

Table 3. Descriptive statistics by Western Balkan countries

Country	EP	IT	TLF	PC
Albania	8.33	7.45	12.13	24.14
Bosnia and Herzegovina	9.40	8.27	11.33	22.18
Kosovo	8.54	6.69	10.72	20.99
Montenegro	8.04	8.34	10.72	21.15
North Macedonia	10.13	9.25	12.79	25.45
Serbia	8.65	7.22	10.95	22.04
Average of Western Balkan	**8.85**	**7.87**	**11.44**	**22.66**

statistical analysis and to provide measurable results that can be generalized to the region. The main goal is to assess how public perceptions of corruption and the quality of the legal framework affect economic performance, drawing on secondary data provided by the RCC through the Balkan Barometer database. This approach allows for a systematic examination of the selected variables and provides a solid basis for testing the proposed hypotheses: **H1**, that high levels of PC negatively affect economic growth, and **H2**, that weak legal frameworks and insufficient enforcement exacerbate the negative effects of corruption.

The data for this study are taken from the BPB, a reliable source of secondary data that includes public opinion surveys conducted annually in the six Western Balkan countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The sample includes a total of 6,000 observations, with 1,000 observations for each country, which were collected from RCC surveys to ensure a balanced representation of the population and businesses in the region. These data provide a detailed picture of public and business perceptions of corruption, the economic situation and trust in legal institutions, making them suitable for analyzing the relationships between the study variables.

A total of 18 questions were selected for analysis from the BPB, which were processed to generate 9 main variables that address the research questions and hypotheses. The variable generation process was carefully conducted to ensure that they were measurable and suitable for econometric models

Data analysis is conducted using two regression models to explore the relationship between corruption and economic growth in the Western Balkans (Arkes, 2023). The first regression tests **H1** by examining the coefficient of PC against economic variables, assessing its direct impact on EP. The second regression, which includes interaction terms between corruption and trust in legal institutions, tests **H2** to evaluate the moderating role of law enforcement. Analyses are performed using SPSS and STATA statistical software.

To test the two hypotheses using the 9 variables provided (country, age, gender, employment status, income, EP, IT, PC, and TLF), we construct econometric models suitable for the panel data structure of 6,000 observations across six Western Balkan countries (1,000 observations per country). The models leverage the quantitative nature of the BPB data and account for both cross-sectional (country) and individual-level variations. The equations are as follows:

$$EP_{ic} = \beta 0 + \beta 1(PC_{ic}) + \beta 2(IT_{ic}) + \beta 3(A_{ic}) + \\ \beta 4(G_{ic}) + \beta 5(ES_{ic}) + \beta 6(I_{ic}) + \epsilon_{ic}. \tag{1}$$

$$EP_{ic} = \alpha c + \beta 1(PC_{ic}) + \beta 2(TLF_{ic}) + \beta 3(PC_{ic} \\ \times TLF_{ic}) + \epsilon_{ic}. \tag{2}$$

Two econometric models test hypotheses on the impact of corruption and the legal framework on EP in the Western Balkans. The first model estimates the direct effect of PC and IT on EP, controlling for age (A), gender (G), employment status (ES) and income (I), to test **H1**. The second model includes fixed effects for countries (αc) and an interaction term between PC and TLF, to test **H2**, focusing on the moderating role of TLF. **Table 2** shows the description of research variables.

RESULTS

Based on **Table 3**, the regional average of the EP is 8.85, indicating that people have relatively low economic satisfaction or economic optimism regarding their financial situation. North Macedonia has the highest value (10.13) while Montenegro has the lowest value (8.04). The average of the IT is 7.87 and the range is from North Macedonia having the highest value (9.25) to Kosovo having the lowest value (6.69), suggesting that there is some degree of distrust of institutions, with institutions being trusted to some extent in North Macedonia and greatly distrusted in Kosovo TLF has an average of 11.44 with North Macedonia, again, having the
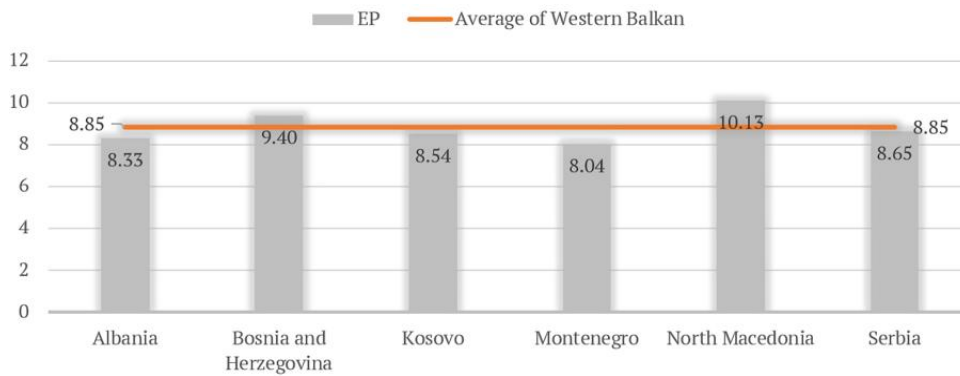
Figure 1. Comparison of EP in the Western Balkans region (Source: Authors' own elaboration, using Data from RCC)
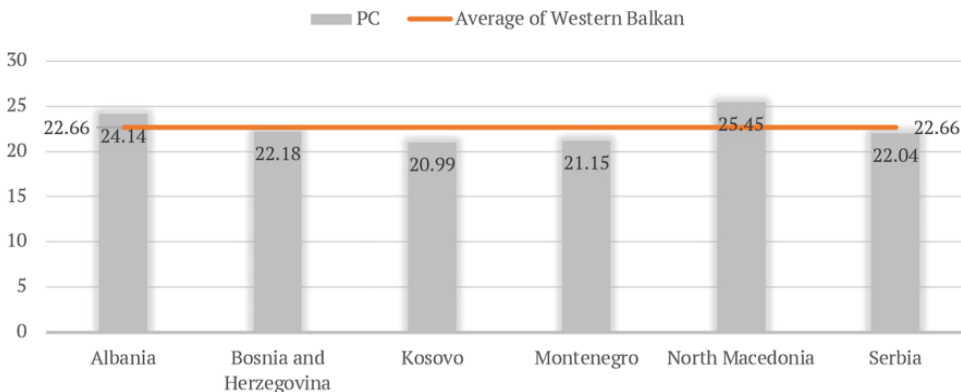

Figure 2. Comparison of PC in the Western Balkans region (Source: Authors' own elaboration, using Data from RCC)

highest value (12.79) and Montenegro and Kosovo having the lowest values (10.72) indicating the differences in perceptions about how effective the judicial and legal system is through the region. PCs are not low with an average of 22.66 and North Macedonia (25.45) and Albania (24.14) being the highest valued and Kosovo being the lowest (20.99), meaning people across the region may perceive corruption as a major problem.

Figure 1 presents a comparison of EP in the six Western Balkan countries, showing the EP values for each country against the Western Balkans regional average of 8.85. North Macedonia has the highest EP value (10.13), exceeding the regional average, suggesting greater economic optimism or satisfaction compared to other countries, while Montenegro has the lowest value (8.04), reflecting fewer positive perceptions. Albania (8.33), Bosnia and Herzegovina (9.4), Kosovo (8.54), and Serbia (8.65) rank close to the average, with Bosnia and Herzegovina slightly above the average and Albania and Montenegro below it. These differences indicate variations in EP across countries, providing a basis for further analysis of factors, such as corruption and the legal framework, that may influence these perceptions in the region.

Figure 2 illustrates the comparison of PC in the six Western Balkan countries, compared to the regional average of 22.66. North Macedonia reports the highest PC level (25.45), followed by Albania (24.14), both significantly above the average, indicating a high level of concern about corruption in these countries. Bosnia and Herzegovina (22.18), Serbia (22.04), and Montenegro (21.15) are close to the average, while Kosovo has the lowest value (20.99), but still above 20, reflecting an overall high perception of corruption across the region. These differences suggest variations in the level of PC,

with North Macedonia and Albania likely to face greater challenges, which negatively impact EP and development.

Table 4 presents the regression results for the first model, which tests hypothesis **H1**. The coefficient of PC is -0.063 and statistically significant ($p < 0.01$), indicating that a 1-unit increase in PC decreases EP by 0.063 units. This result strongly supports **H1**, confirming that PC has a negative effect on EP, consistent with theoretical expectations and previous findings in the literature.

IT has a positive and significant coefficient (0.315, $p < 0.01$), suggesting that a 1-unit increase in IT increases EP by 0.315 units, indicating that higher trust in institutions is associated with more positive EP. Age (A) and employment status (ES) also show significant, but weaker effects (A: 0.03, $p < 0.1$; ES: 0.032, $p < 0.05$), implying that older and employed individuals tend to have slightly more positive perceptions. On the other hand, gender (G) and income (I) are not statistically significant ($p > 0.05$), indicating that these factors do not play an important role in explaining variations in EP.

Table 5 presents the regression results for the second model, which tests hypothesis **H2**. The interaction effect (PC##TLF) has a negative and significant coefficient (-0.013, $p < 0.01$), indicating that the effect of corruption on EP is modified by the level of TLF: for low values of TLF, the negative effect of PC is exacerbated, while for high values of TLF, this effect is attenuated (the total effect of PC is -0.315 + [-0.013 × TLF]). This supports **H2**, confirming that weak legal frameworks amplify the negative impact of corruption on economic performance.

Table 4. Regression results for the impact of PC on economic growth

EP	Coefficient	Standard error	t-value	p-value	95% confidence interval	Significance
PC	-.063	.004	-15.19	.000	[.055, .071]	***
IT	.315	.011	29.37	.000	[.294, .336]	***
A	.03	.016	1.84	.066	[-.002, .062]	*
G	-.06	.051	-1.16	.246	[-.160, .041]	
ES	.032	.014	2.26	.024	[.004, .061]	**
I	-.01	.011	-0.87	.384	[-.032, .012]	
Cons	4.644	.160	29.04	.000	[4.331, 4.958]	***
Mean dependent variable		8.940		Standard deviation dependent variable		2.294
R-squared		0.857		Number of observations		6,000
F-test		296.679		Probability > F		0.000
Akaike information criterion		25,221.556		Bayesian information criterion		25,275.152

Note. ***p<.01; **p<.05; & *p<.1

Table 5. Regression results for the impact of legal frameworks and weak implementation on corruption and the effect on economic performance

EP	Coefficient	Standard error	t-value	p-value	95% confidence interval	Significance
PC	-.315	.019	-16.94	.000	[.279, .352]	***
TLF	.216	.034	6.37	.000	[.150, .283]	***
PC##TLF	-.013	.001	-14.53	.000	[-.015, -.011]	***
Cons	3.025	.237	12.77	.000	[2.560, 3.489]	***
Mean dependent variable		8.940		Standard deviation dependent variable		2.294
R-squared		0.769		Number of observations		6,000
F-test		406.120		Probability > F		0.000
Akaike information criterion		25,889.114		Bayesian information criterion		25,915.912

Note. ***p<.01; **p<.05; & *p<.1

The regressions results are consistent with the literature on corruption and economic growth in the Western Balkans. The statistically significant negative coefficient of PC (-0.063, p < 0.01) reinforces the results of Biscione and Muco (2021) and Ziberi and Alili (2021) who describe corruption as a persistent hindrance to economic development in the Western Balkans. This result demonstrates that once again, higher levels of PC negatively impact EP, indicating a distortion of market mechanisms and inefficiencies in the business sphere (Kalaj & Golemi, 2024). The coefficient of IT was positive and statistically significant (0.315, p < 0.01) also aligned with Pere (2015) and Mungiu-Pippidi (2015) who contend that trust in transparent and accountable governance structures is vital to promoting economic growth within a society. The weaker (but still statistically significant) effects of age (A) and employment status (ES) suggest an inherently lesser importance of social economic characteristics assessed versus systemic characteristics of corruption and trust. These latter results also add nuance to the general institutional approach found across the literature.

The regression results for model 2, test hypothesis **H2** by examining how TLF moderates the relationship between PC and EP. The interaction term (PC##TLF) has a negative and statistically significant coefficient (-0.013, p<0.01), meaning that the strength of the legal framework influences the negative impact of corruption on EP. When trust in legal systems is low, corruption has a stronger negative effect on how people view their economic situation, reducing optimism and satisfaction. Conversely, when TLF is high, the harmful effect of corruption on EP is weakened, as stronger legal systems help mitigate corruption's economic toll. For example, in a country with robust legal enforcement, the negative impact of corruption on economic optimism is less

severe than in a country with weaker legal systems. This finding highlights the critical role of effective legal frameworks in reducing the economic damage caused by corruption in the Western Balkans.

Results augment the discussion by operationalizing and testing legal frameworks (TLF) as a moderator, which is thought to have constituted Zvekić and Sunčana's (2021) "infrastructure of integrity". The negative and significant interaction effect (PC ## TLF, -0.013, p < 0.01) provides evidence that a weak framework of legal institutions will magnify the negative effects of corruption on the economic performance of individuals; conversely, a strong framework of institutions will subdue the negative effects of economic performance of individuals. This finding relates to Malaj (2020) and the European Commission (2020) on relying on legal reforms and EU accession criteria to alleviate the negative economic effects of corruption. It also relates to the legal-economic framework explicated by Kmezic and Bieber (2017) where democratic stability and institutional strength compliment persisting corruption limitations on economic growth. These results support claims in the literature regarding how corruption, governance, and legal systems interact, and contribute empirical evidence for the argument persistent and systematic collective strength in institutions can dampen the economic impacts of corruption in the Western Balkans.

CONCLUSIONS

The findings of the study reinforce the considerable impact of corruption on EP and performance in the Western Balkans and reaffirm its status as a constraint to sustainable

development. The support for **H1**, with a significant negative impact of PC on EP, reflects a situation of high corruption eroding trust in even its own economic systems, and aligns with the literature on corruption as a constraint to development. Positive impact on IT on EP highlights the importance of governance mechanisms in creating conditions for economic development. These findings suggest that while it is difficult to corral corruption, mechanisms to bolster trust will likely help reduce its impact through reported transparency and accountability in institutions.

Findings specific to the Western Balkans, a group of countries at varying progress towards EU integration, identifies again the importance of prioritizing anti-corruption efforts, and broader governance reforms, as important foundational steps toward creating conditions for steady growth and stability. The support for **H2** reinforces the already complex picture, revealing that there is moderation of legal frameworks (TLF) found between corruption and economic performance. Specifically, the significant interaction term indicates that weak legal frameworks exacerbate the negative impact of PC, while a strong legal framework moderates and mitigates the impact of corruption. This illustrates demonstrates a combined approach between legal reform and anti-corruption agenda to tackling the issues of corruption and legal frameworks, consistent with Zvekić and Sunčana's (2021) "infrastructure of integrity" and EU integration expectations (European Commission, 2020; Malaj, 2020).

For policymakers in the region, this indicates that legal and institutional frameworks to strengthen the region are not only optional, but a necessary investment in unlocking the economic potential of the region.

This study helps to build an understanding of the multi-dimensional impacts of corruption in the Western Balkans. Above all it illustrates the need for actions that both combat corruption itself, as well as build institutional frameworks, including legal frameworks, that will ensure genuine economic development. As the region moves toward EU integration, this provides an opportunity to take a holistic approach to the issues of corruption that addresses the symptoms associated with corruption, as well as the root causes tied to lack of governance in building public trust, stability of democracy, and subsequent governance, will be essential to sustainable economic development.

To address the detrimental impact of corruption on EP in the Western Balkans, policymakers in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia should prioritize targeted legal reforms and governance enhancements tailored to each country's context. In countries with high PC, such as North Macedonia (PC = 25.45) and Albania (PC = 24.14), establishing independent anti-corruption agencies with robust investigative powers, as recommended by the European Commission (2020), can enhance transparency and accountability. For Kosovo and Montenegro, where TLF is lowest (TLF = 10.72), strengthening judicial independence through merit-based appointments and training programs for judges, as suggested by Zvekić and Sunčana (2021), is critical to rebuilding public confidence. Across all six countries, aligning legal frameworks with EU accession standards, such as those outlined in Malaj (2020), by enacting stricter anti-bribery laws and improving public

procurement processes, can mitigate corruption's economic toll. Additionally, fostering IT through public awareness campaigns and participatory governance, as emphasized by Pere (2015), can bridge the gap between citizens and institutions, particularly in Serbia and Bosnia and Herzegovina, where IT is moderate (IT = 7.22 and 8.27, respectively), ultimately supporting sustainable economic development and EU integration.

Future research might build on the findings of this study by examining specific policy interventions, or comparative case studies within the Western Balkans region itself, to provide contextualized intervention recommendations. The potential of future research is evident in the discussion of the inevitability of corruption in the region and the evidence provided in this paper demonstrates that corruption remains a serious impediment to orderly and economic growth, the approaches to "reduce" the impacts of corruption (governance, trust, legal resiliency) exist now.

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