

## **ABSTRACT**

### **The role of quality of institutions in economic growth of Western Balkans**

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This dissertation examines the relationship between institutional quality and economic growth. It considers this relationship as a fundamental dimension of economic development in the Western Balkans from 1990 to 2021. The study uses a comparative panel framework with a reference group of nine Central, Southern, and Southeastern European economies. Drawing on economic growth theory, institutional economics, and political economy, the study investigates whether governance quality and institutional quality contribute to development in transitional and post-conflict regions. It also explores whether these effects differ across institutional dimensions, countries, and time horizons.

The empirical analysis uses a balanced panel of fifteen countries. Six Western Balkan economies make up the core sample, while nine reference group countries are used for benchmarking and robustness checks. The study employs a comprehensive set of estimators. These include pooled OLS, fixed- and random-effects panel models, correlated random effects (Mundlak), instrumental-variable approaches, and dynamic system GMM. This approach allows for the treatment of unobserved heterogeneity, endogeneity, and income persistence.

The results show that institutional quality has a substantive and positive impact on long-run economic development in the region. These findings contribute to academic debates by providing comparative and dynamic evidence from transitioning and post-conflict economies. Insights from the analysis underline how improving control of corruption and government effectiveness can meaningfully influence economic policy and reform strategies in the Western Balkans and similar contexts. Strong income persistence is observed, confirming developmental path dependencies across the region.

*Keywords: Economic Growth; Western Balkans; Institutional Quality Indicators; Panel Data; Panel Data Models, CRE, IV-2SLS.*