



Network of Associations of  
Local Authorities  
of South-East Europe

# **BASELINE STUDY**

## ON THE APPLICATION OF THE EUROPEAN STANDARDS IN LOCAL DEMOCRACY IN THE WESTERN BALKANS

### **REPORT**





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# Contents

<b>1. LIST OF ABBREVIATIONS</b>	<b>4</b>
<b>2. EXECUTIVE SUMMARY</b>	<b>5</b>
<b>3. INTRODUCTION</b>	<b>8</b>
3.1 Background on the EU accession process and its requirements	8
3.2 The role of local governments in implementing EU directives	9
3.3 Purpose and scope of the baseline study	10
<b>4. OBJECTIVES OF THE STUDY</b>	<b>10</b>
<b>5. METHODOLOGY</b>	<b>11</b>
<b>6. FINDINGS AND ANALYSIS</b>	<b>12</b>
6.1 Economy-Specific Analysis	14
6.1.1 Albania	14
6.1.2 Bosnia and Herzegovina	18
6.1.3 Kosovo	21
6.1.4 Montenegro	24
6.1.5 North Macedonia	27
6.1.6 Serbia	29
6.2 Regional Cross-Cutting Issues	32
6.2.1 Common challenges and themes across the region	32
6.2.2 Comparative analysis of regional trends	34
<b>7. ANALYSIS OF EXISTING TECHNICAL ASSISTANCE PROGRAMS</b>	<b>35</b>
7.1 Projects in Western Balkan Economies	35
7.1.1 Albania	35
7.1.2 Bosnia and Herzegovina	37
7.1.3 Kosovo	38
7.1.4 Montenegro	39
7.1.5 North Macedonia	40
7.1.6 Serbia	41
7.2 Regional projects	42
<b>8. CASE STUDIES</b>	<b>46</b>
8.1.1 Albania	46
8.1.2 Bosnia and Herzegovina	47
8.1.3 Kosovo	48
8.1.4 Montenegro	49
8.1.5 North Macedonia	51
8.1.6 Serbia	52
<b>9. RECOMMENDATIONS</b>	<b>54</b>
9.1 Strategies for addressing identified gaps and challenges	54
9.2 Recommendations for enhancing the alignment with EU acquis	54
9.3 Policy and legal advice for local, regional, and national authorities	56
9.4 Proposed capacity-building interventions	56
9.4.1 Identification of training and development needs for local, regional and national authorities in order to support the public administration reform and accession to the EU	56
9.4.2 Recommendations for future capacity-building initiatives for local, regional and national authorities	57
<b>10. CONCLUSION</b>	<b>58</b>
10.1 Summary of key findings and recommendations	58
10.2 Final thoughts on the path forward regarding the application of European standards in local democracy in the Western Balkans	73
<b>APPENDICES</b>	<b>75</b>
10.3 Glossary of terms	75
10.4 List of stakeholders consulted	77
<b>11. REFERENCES</b>	<b>78</b>
List of documents, reports, and sources used in the study	78

## 1. LIST OF ABBREVIATIONS

ADA	Austrian Development Agency
CoE	Council of Europe
EC	European Commission
EIP	Economic and Investment Plan
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI	European Structural and Investment Funds
EU	European Union
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IPA	Instrument for Pre-accession Assistance
LG	Local Government
LGA	Local Government Association
MEAT	Most Economically Advantageous Tender
MSME	Micro, Small, and Medium Enterprises
NALAS	Network of Associations of Local Authorities of South East Europe
NEET	Neither in employment nor in education and training
NUTS	Nomenclature of territorial units for statistics
PPP	Public-Private Partnership
SAA	Stabilization and Association Agreements
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Cooperation Agency
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
UNDP	United Nations Development Programme
WB	Western Balkans
WBIF	Western Balkans Investment Fund
YG	Youth Guarantee

## 2. EXECUTIVE SUMMARY

This baseline study assesses the alignment of local governance practices in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo<sup>1</sup>, Montenegro, North Macedonia and Serbia) with key chapters of the EU acquis, focusing on public procurement (Chapter 5), social policy and employment (Chapter 19), regional policy (Chapter 22), judiciary and fundamental rights (Chapter 23), and environmental protection (Chapter 27). Its overall objective is to identify individual gaps and challenges in the alignment with the EU acquis of each Western Balkan economy, as well as the common cross-cutting issues in the region, while providing recommendations to address them. To achieve this, the study analyses the involvement of local governance in the WB economies' EU accession process, legislative frameworks, institutional capacities and the effectiveness of ongoing technical assistance programs. The methodology included desk reviews, comparative analysis and stakeholder consultations, with significant contributions from NALAS members. By providing critical insights for policymakers, international organizations and local governments, the study outlines necessary measures to (i) strengthen local governance, (ii) enhance institutional alignment with EU standards, and (iii) ensure compliance with the EU acquis as part of the broader EU membership preparation process.

However, the Study does not address the regional (sub-national) level of governance due to the diverse roles, competencies, and legal frameworks of these entities across the Western Balkans. Regional structures in the WB generally have no or limited mandates and influence on the implementation of the EU acquis.

### Key Findings

The study finds that while some progress has been made in legislative alignment, many local governments in the region face persistent challenges in areas such as administrative capacity, fiscal autonomy, and effective fund management. Specific issues such as corruption, weak inter-governmental coordination and lack of infrastructure hinder progress in meeting EU standards. Furthermore, cross-cutting issues in the Western Balkans emphasise the need for a regional approach.

Key areas where **gaps** were identified include:

#### 👉 **Insufficient social care for vulnerable groups**

In the social policy area, equality, the fight against discrimination and inclusion of vulnerable groups remains an important part in EU accession. However, the economies of the region and particularly the local authorities which bear a share of these competences are facing vast socio-economic challenges and slow economic consolidation that reaches only parts of the population. Local governments and other stakeholders often face a lack of knowledge and competences, as well as insufficient financial resources.

<sup>1</sup> All references to Kosovo, whether the territory, institutions or population, in this text shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo.

### 👉 **Weak EU funds absorption capacity**

Also, one of the recurring issues across all Western Balkans economies is the limited capacity to absorb EU pre-accession funds. Weak local administrative systems, bureaucratic hurdles, and lack of training in EU project management reduce the effectiveness of fund utilization.

### 👉 **Inadequate response to corruption**

Corruption, including high-level corruption, continues to be a challenge across enlargement region, and entanglement of public and private interests remains an issue of concern. Although some efforts were made to strengthen the fight against corruption, especially in legal framework, areas like public procurement, political party financing, public finance management, energy, transport, health, water, infrastructure, natural resources and education remain areas particularly prone to corruption and require more robust and ambitious measures.

### 👉 **Underdeveloped capacities to address environment and climate change issues**

Environmental sustainability is a cross-border concern, particularly for water and air quality management. All Western Balkan economies still face major infrastructure challenges in water and waste management and pollution control. The need for better regional cooperation and technical capacity is highlighted as key to advancing EU environmental stand. Furthermore, adaptation of climate change and disaster risk prevention need to be improved, as well as access to water and sustainable water management.

### 👉 **Inconsistence of multi-level governance approach**

The political and administrative fragmentation seen across the Western Balkans, accompanied with urban areas often progressing faster than rural municipalities, significantly affects the ability of local governments to implement EU standards effectively. Political divisions weaken the capacity of local authorities to act uniformly, leading to inefficiencies in public administration, transparency, and resource management.

To address these gaps, the study proposes a **set of recommendations**:

- ➔ **Strengthen local governance capacities** - Provide tailored support and expertise to municipalities for enhancing administrative efficiency.
- ➔ **Foster inter-municipal cooperation** - Introduce favourable environment for inter-municipal cooperation as an efficient and effective mechanism of capacity development and joint provision of public services.
- ➔ **Define responsibilities across government levels** - Adjust legal frameworks to ensure central and local governments have distinct, capacity-based roles.
- ➔ **Enhance accountability and transparency** - Incentivize regular publication of procurement and financial data while addressing corruption risks.



- **Engage local governments in EU integration** - Foster inclusive consultations with local authorities throughout legislative and EU accession processes. Mandate the inclusion of local government representatives in working groups and committees for accession planning.
- **Adopt standardized EU-aligned procedures** - Develop manuals and frameworks to harmonize procurement, financial management and environmental compliance.
- **Establish coordination mechanisms** - Form cross-sectoral and intergovernmental bodies to monitor and guide EU acquis implementation.
- **Provide capacity-building programs** - Focus training on public procurement, anti-corruption, environmental governance, and EU project management.
- **Facilitate experience exchange with EU municipalities** - Organize study visits, workshops, and internships to foster knowledge transfer and collaboration.

## 3. INTRODUCTION

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### 3.1. Background on the EU accession process and its requirements

#### EU Accession Process Overview – cornerstones

**Stabilization and Association Agreements (SAA):** These agreements form the cornerstone of the accession process. They provide a framework for political and economic cooperation between the EU and each potential candidate, with clear conditions that need to be met before moving forward with membership negotiations. All Western Balkan economies have signed a Stabilization and Association Agreement with the EU.

**Candidate Status:** Once an economy demonstrates progress in fulfilling the EU's political and economic criteria, it can be granted candidate status. Currently, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia are official EU candidate countries, while Kosovo is considered as potential candidate.

**Opening of Negotiations:** Candidate countries must meet the Copenhagen Criteria, which focus on:

- ➔ Stable institutions ensuring democracy, rule of law, human rights, and protection of minorities.
- ➔ A functioning market economy capable of competing within the EU.
- ➔ Adoption of the EU acquis, which covers 35 chapters of law, including critical areas such as public procurement, environment, social policy, anti-corruption, and regional development.

For each chapter, a candidate country must demonstrate that it has fully aligned its laws and practices with EU standards.

**Negotiation Chapters:** Each chapter represents a specific area of law, policy, or governance. The key chapters for local democracy, such as Chapter 23 (Judiciary and Fundamental Rights), Chapter 19 (Social Policy and Employment), and Chapter 27 (Environment), require extensive legal reforms, institutional strengthening, and policy harmonization.

#### Western Balkan in the Accession Process

The European Union (EU) Accession Process for the Western Balkans is a complex and lengthy procedure that involves aligning the legal, political, economic and social frameworks with the EU Acquis Communautaire, the body of EU laws and standards. The process is divided into several stages, from obtaining candidate status to formal negotiations and eventual accession, all while economies undergo significant reforms. The Western Balkans include Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

The Western Balkans region, following the dissolution of Yugoslavia and the subsequent conflicts of the 1990s, has been at the center of European stabilization efforts. The EU Stabilization and Association

Process (SAP), launched in 1999, aimed to promote regional peace, stability, and economic development while preparing the region for future EU membership. This process established bilateral agreements between the EU and each Western Balkan economy, setting out the framework for cooperation and reforms.

**Montenegro** has all chapters open for negotiations, six of which are provisionally closed. It also met the interim benchmarks for the rule of law chapters. **Serbia** has 22 out of 35 negotiating chapters open, 2 of which are provisionally closed. The path towards opening further clusters will depend on progress by the country, in particular on the pace of rule of law reforms and normalization of relations with Kosovo. Following the first Intergovernmental Conference with **Albania** and with **North Macedonia** on 19 July 2022, the Commission launched the screening process immediately. The screening reports for the fundamentals cluster were presented to the Council in July 2023. Albania opened accession negotiations for Cluster 1 – Fundamentals in October 2024. Following the granting of candidate status in December 2022, **Bosnia and Herzegovina** expressed commitment to addressing the 14 key priorities from the Commission's Opinion on BiH's application for membership of the EU. In March 2024 its accession negotiations started. In December 2022, **Kosovo** applied for EU membership.

## 3.2. The role of local governments in implementing EU directives

In the enlargement context, quality of governance at sub-national levels is of utmost importance, as local governments are closest to the citizens and play a key role in providing public services as well as in building citizens' trust in public institutions. They also play a key role in the management of EU funds (especially when they become a member state) and with the implementation of a large part of the EU acquis upon accession (70%), including in areas, such as public procurement, internal control, competition, state aid, communal services, agriculture and rural development, employment and social policy, energy efficiency and environment, water and waste management. Moreover, two-thirds of the Sustainable Development Goals must be implemented at the local and regional levels, which brings huge expectations and responsibilities to the local authorities.

The local level is the place where direct democracy and civic representation are exercised, where essential public services are provided, and where social and economic development takes place. Local governments play a critical role in shaping and developing the social and economic life of their territories, bringing communities together, and providing local solutions to local problems. The performance of local government and how it interacts with citizens will affect the latter's behaviour as well as cohesion and trust within and among communities. Enhancing governance, popular engagement, transparency and accountability at regional and local levels in compliance with the European Charter of Local Self-Government is accordingly another fundamental policy priority in EU accession.

Although the EU expressed a clear commitment to accelerate the accession process, successful implementation of the reforms and track record of anchoring EU values and standards in local communities highly depends on the ability of local authorities to acknowledge, prepare and implement EU Acquis, thus implementing required reforms.

### **3.3. Purpose and scope of the baseline study**

The purpose of this baseline study is to provide an evaluation of how local governments in Western Balkan economies align with the European Union's *acquis*, focusing on key chapters that directly impact governance, transparency, and service delivery. By identifying strengths and areas for improvement, the study aims to serve as a foundational tool to guide future reform activities and capacity-building efforts, ensuring that local administrations can meet EU standards effectively.

The scope of the study extends across all Western Balkan economies, with an examination of their legislative frameworks, administrative practices, and institutional capacities. It explores a wide range of governance areas, including public procurement, social policy, environmental standards and anti-corruption measures, while also considering the political, socio-economic, and institutional factors that affect the implementation of EU directives. The study not only assesses current conditions but also proposes strategic recommendations to enhance the role of local governments in achieving full EU alignment, ultimately contributing to regional stability and integration of their societies into the European Union.

## **4. OBJECTIVES OF THE STUDY**

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The overall objective of the study is to identify individual gaps and challenges in the alignment with the EU *acquis* of each Western Balkan economy, as well as the common cross-cutting issues in the region, while providing recommendations to address them. To achieve this, the study analyses the involvement of local governance in the WB economies' EU accession process, legislative frameworks, institutional capacities, and the effectiveness of ongoing technical assistance programs. By providing critical insights for policymakers, international organizations, and local governments, the study outlines necessary measures to (i) strengthen local governance, (ii) enhance institutional alignment with EU standards, and (iii) ensure compliance with the EU *acquis* as part of the broader EU membership preparation process.

## 5. METHODOLOGY

The methodology used in the development of this baseline study follows a comprehensive and multi-layered approach, ensuring an examination of local government practices in the Western Balkans and their alignment with the European Union's standards. The methodology incorporates a variety of research methods, including desk reviews, stakeholder consultations, comparative analysis, capacity-building needs assessments, case studies, and quantitative analysis. Each of these components contributes to providing a well-rounded and evidence-based understanding of how local governance systems in the region are progressing toward EU alignment.

The desk review forms the foundation of this study by gathering existing knowledge and data from various sources. It focuses on EU accession requirements expressed through negotiation chapters and best practices in areas of public procurement, environmental policies, social inclusion, regional policies, and anti-corruption. The study examines how the legal and governance structures in the Western Balkans adhere to these EU standards. It also looks at the technical assistance programs provided by international organizations to see how they help local governments implement these standards. Additionally, the study uses data from the Network of Associations of Local Authorities of South-East Europe (NALAS) to gain insights into decentralization, governance and the challenges municipalities face.

Stakeholder consultations played a key role in understanding the specific challenges and opportunities for local governments. Consultations involved Local Government Associations (LGAs) from the Western Balkan region, as well as members of the national working groups on negotiation chapters that come from the local level, who provided valuable insights into the difficulties municipalities encounter in meeting EU standards. Additionally, these discussions helped pinpoint the specific capacity-building needs of various municipalities, providing a clearer understanding of the challenges encountered by diversified local authorities.

The comparative analysis involved comparing the legal frameworks, governance structures, and administrative capacities of local governments in the Western Balkans with the requirements set out in EU chapters related to public procurement, social policy, regional policy and structural instruments, environmental policies, and anti-corruption. By doing so, the study was able to highlight where local governments struggle to meet EU standards, identify regional trends, and uncover common issues faced by all Western Balkan economies.

The capacity-building needs assessment identified areas where local governments need more support to align with EU standards. This assessment looked at the existing skills, resources, and infrastructure available to local authorities. The study also explored the types of training programs and technical support that could improve governance, transparency, and service delivery at the local level. Based on these findings, the study provides recommendations on how to strengthen local government's ability to meet EU requirements.

Case studies of successful initiatives, programs and projects that supported the implementation of EU standards have been incorporated to enhance the study.

Lastly, quantitative analysis was used to assess important indicators of local governance, with a focus on decentralization.

## 6. FINDINGS AND ANALYSIS

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This study concentrates on five critical negotiation chapters that hold significant importance for local self-government: public procurement (Chapter 5), social policy and employment (Chapter 19), regional policies and coordination of structural instruments (Chapter 22), combating corruption (Chapter 23) and environmental policies (Chapter 27). This section provides an overview of each chapter, analysed individually for each Western Balkan economy.

### Chapter 5 – Public Procurement

The core principles of EU directives on public procurement are transparency, equal treatment, open competition, and sound procedural management. They are designed to achieve a procurement market that is competitive, open, and well-regulated. EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all eligible companies on the basis of non-discrimination and equal treatment.

EU public procurement rules significantly impact the role of local authorities as purchasers and contractors of public goods, services, and works. These regulations require local authorities to adhere to specific procedures designed to ensure competition, fairness (equal treatment and non-discrimination), and transparency. Often, these procedures are stricter, or at least different, from national regulations. As a result, local authorities need additional human resources and expertise to implement them correctly and efficiently.

### Chapter 19 – Social Policy and Employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion, social protection, and social dialogue at EU level. This chapter aims at increasing employment, improving working and living conditions, establishing social protection mechanisms at appropriate levels, promoting dialogue with social partners, developing human resources to ensure sustainable employment, combating poverty and social exclusion and providing equal opportunity for men and women. This chapter includes policy areas such as labour law, occupational health and safety, equality between women and men, anti-discrimination, social dialogue, employment, social inclusion, and protection. These standards are grounded in the European Pillar of Social Rights and the Treaty on the Functioning of the European Union (TFEU).

This chapter affects local authorities in their role as employers by setting minimum standards in areas such as labour law, equality, workplace health and safety, anti-discrimination measures, and participation in the EU-wide 'social dialogue.' Furthermore, it includes social policy elements of the acquis that are relevant to local authorities in their broader roles as policymakers and service providers.

### Chapter 22 – Regional policies and coordination of structural instruments

Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through 'shared management' between the

Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation. The EU *acquis* on regional policy and structural instruments encompasses funds and structural instruments aimed at enhancing economic, social, and territorial cohesion, as well as supporting the development of rural and coastal areas. These funds are collectively referred to as the European Structural and Investment (ESI) Funds, which include the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund, European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund.

Local authorities are expected to enhance their capacity to plan, manage, and implement projects funded by the European Structural and Investment (ESI) Funds, such as the European Regional Development Fund (ERDF) and the Cohesion Fund. This requires local governments to establish sound financial management practices, ensure transparency and accountability in the use of funds, and comply with strict monitoring and reporting procedures.

## **Chapter 23 – Judiciary and Fundamental Rights**

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights in law and in practice. Chapter 23 is one of the most challenging and complex chapters, and dynamic and duration of the negotiation process in this area directly affects progress in other aspects of negotiations with the EU. It is divided into four main and interrelated areas: judiciary, fight against corruption, fundamental rights and the rights of EU citizens.

The *acquis* in the fight against corruption area consists of UN and the Council of Europe conventions, as well as decisions and recommendations of the European Council.

Local governments are required to establish robust anti-corruption frameworks that align with EU directives, including the development of transparent procurement processes, strong internal controls, and audit mechanisms. Public officials must adhere to clear codes of conduct and conflict of interest regulations, ensuring the impartiality of decision-making processes. Additionally, local authorities must improve access to information, ensuring transparency in public administration and decision-making.

## **Chapter 27 – Environment and Climate Change**

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection. EU environmental standards refer to the policies, regulations, and requirements established by the European Union to protect the environment and promote sustainable development. These standards cover a wide range of environmental issues, such as air and water pollution, climate change, energy consumption, resource efficiency, and the protection of natural resources.

Local governments are expected to implement measures that ensure compliance with strict regulations on air and water quality, waste management, and biodiversity protection. This includes upgrading

infrastructure for waste treatment, improving water and sewage systems, and reducing pollution. Additionally, local authorities must integrate climate change mitigation and adaptation strategies into their planning processes, focusing on reducing greenhouse gas emissions, promoting energy efficiency, and fostering the use of renewable energy.

*The following provides the basic assessment of the alignment of local authorities with EU requirements, considering their current competencies and responsibilities in each Western Balkan economy. While EU and national reports offer detailed analyses of the central level, local authorities are mainly evaluated based on their administrative and technical capacities for implementing policies, without receiving specific recommendations. This lack of focus on local governments could be attributed to their limited involvement in the preparation of these reports, both by national and EU institutions.*

## 6.1. Economy-Specific Analysis

### 6.1.1. Albania

#### Key milestones

*APRIL 2009 Application for EU membership, Stabilisation and Association Agreement enters into force; JUNE 2014 European Council grants candidate status; APRIL 2018 Commission recommends opening of accession negotiations; JUNE 2018 Council sets out the path towards opening accession negotiations; MARCH 2020 European Council decides to open accession negotiations; JULY 2020 Presentation of the draft negotiating framework to the Member States; JULY 2022 Intergovernmental Conference on accession negotiations (IGC), Start of the screening process; OCTOBER 2024 Intergovernmental Conference to open accession negotiations for Cluster 1 – Fundamentals*

## Chapter 5 – Public Procurement

Albania is moderately prepared in public procurement. The legal framework on public procurement is largely aligned with the 2014 Directive on public procurement and procurement of utilities. Further alignment was achieved through an amendment to the procurement law adopted in February 2024 abolishing the consultancy services procurement category, among other changes. The amendments allow financial thresholds to be modified by the government. In May 2024, the government adopted a decision bringing the threshold closer to the one stipulated in the EU directive. The Law on concessions and public-private partnerships (PPPs) is partially aligned with the EU acquis. Work on a substantial revision of the PPP law with a view to aligning it with the EU acquis is ongoing. The application of the most economically advantageous tender criteria for the award of public procurement contracts was lower in 2023 than in 2022, both in terms of awarded tenders in which it was used (3.6% in 2023, compared to 7.3% in 2022), and in terms of value on associated contracts (20.3% compared to 33.9% in 2022). The use of new PPPs and concessions remains at very low levels. In 2023, there were no new procedures published. The contracting authorities need to continue to build capacity to manage public procurement processes. Regarding prevention of corruption in public procurement, Albania



should focus on further strengthening the functioning of the overall system to increase competition, compliance and professionalisation.

Main challenges faced by local governments:

- ➔ Lack of capacities to manage public procurement processes as well as concessions and PPPs
- ➔ Low compliance with procedures and implementation of corruption prevention measures
- ➔ Irregularities in public procurements

## Chapter 19 - Social Policy and Employment

Albania is moderately prepared in the area of social policy and employment. Efforts need to continue strengthening the social protection system by increasing social services and strengthening the social dialogue, alongside the labour market measures. The Youth Guarantee (YG) Implementation Plan kicked off in pilot phase in October 2023 in three municipalities. The authorities now need to assess the pilot phase and to fully roll out the YG across the country. Progress was made on implementing the exit strategy for recipients of economic aid. A referral mechanism for employment and social integration of working-age family members benefiting from the economic aid scheme became functional in 12 regions. Monitoring of the national action plan on persons with disabilities remains weak. Roma and Egyptians continue to face skills-related challenges for access to the labour market. The inclusion of Roma in the public administration needs to improve. The National Electronic Register of Social Care Services is not fully functional. The authorities need to ensure that social services are established and functioning across all municipalities. Local governments frequently lack predictable funding, capacities and resources to effectively set up, manage and implement social services. On equality between women and men in employment and social policy, gender inequality persists with the employment rate for men (72.5% in the fourth quarter of 2023) exceeding women by 10.4%. Further strengthening of acquiring new knowledge and skills of unemployed persons related to new technologies is needed.

Main challenges faced by local governments:

- ➔ Weak measures to increase local employment opportunities, especially for woman and youth
- ➔ Non enabling environment for development of digital skills for unemployed persons
- ➔ Low level of implementation of local social care plans

## Chapter 22 – Regional policies and coordination of structural instruments

Albania is moderately prepared in the area of regional policy and coordination of structural instruments. Efforts are needed to set-up the legal framework of the partnership principle, requiring the involvement of relevant public authorities, socio-economic partners and civil society in all programming stages, preparing the ground for future cohesion policy in line with the European Code of Conduct on Partnership. Coordination mechanisms have been established between the Minister of State for Public Administration and Anti-Corruption and the Minister of State for Local Government as regards

Chapter 22 preparations. Capacity to manage public funds locally requires further effort, due to the future role of local governments in cohesion policy. The development of the national framework for regional development remains key to foster development potential and the territorial dimension in national-level sectoral policies. A key element for cohesion policy preparations will be to ensure ownership by public and private bodies at national and sub-national levels, following the partnership principle. Albania also needs to address issues with strategic planning, implementation and monitoring capacity for infrastructure projects financed by the Western Balkans investment fund (WBIF) under the Economic and Investment Plan (EIP).

Main challenges faced by local governments:

- ➔ Low participation in regional policy development and sectoral dialogue
- ➔ Inadequate capacities to manage public funds
- ➔ Low technical capacity for using EU funds in infrastructural development
- ➔ Lack of local ownership in the area of regional development projects

## Chapter 23 - Judiciary and Fundamental Rights

Albania is moderately prepared in the area of judiciary and fundamental rights. Overall, corruption remains a serious concern, and preventive efforts have had a limited impact. Targeted risk assessments and dedicated measures are needed to address corruption in the most vulnerable sectors, including police, customs, land and property management, state cadastre and public procurement. Anti-corruption measures continue to have a limited impact in particularly vulnerable areas. Internal checks and inspection mechanisms in the public administration remain weak and ineffective. While municipalities adopted integrity risk assessment and integrity plans, their effective implementation is yet to be ensured. More attention should be paid to the sectors most vulnerable to corruption which require targeted risk assessments and dedicated actions, sound monitoring mechanisms and sufficient budget for implementation. Overall, the impact of corruption prevention structures in the public sector remains limited.

Main challenges faced by local governments:

- ➔ Lack of effective measures for corruption prevention, particularly in vulnerable area, assessed in local governments
- ➔ Non-effective internal checks and inspection mechanisms
- ➔ Ineffective implementation of risk assessment and integrity plans
- ➔ Low level of awareness-raising activities in local communities

## Chapter 27 – Environment and Climate Change

Albania has some level of preparation in this area. In terms of horizontal legislation, Albania needs to improve substantially its alignment and implementation. Inspections and enforcement capacity should be strengthened, especially to address environmental crimes more effectively. Albania should also ensure environmental monitoring in line with EU standards and adequate administrative capacity for the implementation and enforcement of the environmental acquis. More efforts are needed to align with the EU air quality acquis, by extending and improving the air monitoring system, which currently has only seven automatic stations nationwide, non-operational due to insufficient allocation of funds for their maintenance. The legal framework for waste management is only partially aligned with EU acquis, needing substantial efforts for full compliance, as Albania's waste management policies do not currently aim to reach the EU waste hierarchy goals and recycling targets. More awareness, financial incentives and finalising the draft law on extended producer responsibility are needed. Despite these efforts, water supply and sewerage services remain low. To further align with the EU water acquis, Albania needs to substantially increase funding and enhance the implementation capacity of the key national water agencies, adopt a capacity development plan and establish a national water monitoring programme with sufficient coordination and resources. Albania has some level of preparation for tackling climate change, but alignment with the EU acquis still remains limited and the country's capacity to incorporate climate change into sectoral strategies and plans remains very limited. Allocation of further financial and human resources to the sector is needed.

Main challenges faced by local governments:

- ➔ Passive involvement of local authorities in legislation and policy alignment with EU Acquis
- ➔ Low administrative, technical and inspection capacities, especially related to waste management, water and air quality and climate change
- ➔ Lack of appealing promotion of EU standards in waste management (recycle, reuse) and fostering local circular economy
- ➔ Inadequate performance in water supply and sewerage services
- ➔ Underdeveloped capacities to cope with climate change and climate adaptation

## 6.1.2. Bosnia and Herzegovina

### Key Milestones

*FEBRUARY 2016 Application for EU membership; MAY 2019 Commission Opinion on EU membership application; DECEMBER 2019 14 key priorities, endorsed by European Council; OCTOBER 2022 Commission recommends candidate status, on the understanding that a number of steps are taken; DECEMBER 2022 European Council grants candidate status; NOVEMBER 2023 Commission recommends opening negotiations, once the necessary degree of compliance with the membership criteria is achieved; MARCH 2024 European Council decides to open accession negotiations & invites the Commission to prepare the negotiating framework the moment all relevant steps set out in the Commission's recommendation of October 2022 are taken.*

### Chapter 5 – Public Procurement

Bosnia and Herzegovina has some level of preparation in the area of public procurement. The capacity to manage public procurement processes is weak. More efforts are needed to improve integrity and avoid conflicts of interest in the public procurement process, which remains prone to irregularities and vulnerable to corruption. Specialised procurement functions need to be established in each contracting authority and staffed with officials who have the relevant skills and expertise. Over half of tenders (55.62%) received only one bid, and 86.5% of public contracts used price as the only award criterion, which is high. No mechanism has been put in place to regularly coordinate the interpretation of public procurement legislation between the key institutions involved.

Main challenges faced by local governments:

- ➔ Weak corruption prevention measures in public procurements
- ➔ Lack of administrative capacities for complaint and sound public procurements
- ➔ Lack of e-procurement system and its use to ensure transparency

### Chapter 19 – Social policy and employment

Bosnia and Herzegovina has some level of preparation in the field of social policy and employment. Serious challenges remain to be addressed as regards employment, social inclusion and protection, and poverty reduction, especially related to coordination among the responsible institutions across the country. Social dialogue remains weak at all levels and no significant improvements have been made. The involvement of social partners in the implementation of policies is limited as well as their internal capacity. Long-term, structural unemployment prevails, marking a mismatch between the education system and labour market needs. According to the data of the labour force survey in 2022, only 40.2% of the working age population is employed, but only 47.6% of the working age population is actually active in the labour market, with a markedly lower share of women (less than 40% of the total). Youth unemployment remains high, as 40% of those aged 15-24 actually looking for work are unable to find it. 81% of the unemployed are younger than 50. Long-term unemployment prevails, as almost 57.8%

of the total unemployed have been looking for work for more than 2 years and have been unable to find it. The administration of social benefits further limits the ability of public employment services to assist active jobseekers. On social inclusion and protection, there are no countrywide strategies on poverty reduction, social inclusion and protection, nor is there a state-level monitoring system. For persons with disabilities, institutional care is still prevalent, accessibility remains a challenge including to public buildings, and there are only few community services to support independent living. The social protection system remains underdeveloped and ineffective. Because of the highly decentralised governance structure, the eligibility conditions for social assistance differ between entities, districts and cantons. Along with differences in eligibility criteria, there are differences in coverage, targeting efficiency and generosity. Cooperation between social service centres and employment services is not well established.

Main challenges faced by local governments:

- Weak local social dialogue
- Lack of measures for local employment of vulnerable groups (woman, youth, long-term unemployed, minorities)
- Inaccessible public infrastructure for persons with disabilities
- Lack of data collection systems for proper social assistance

## Chapter 22 - Regional policy and coordination of structural instruments

Bosnia and Herzegovina remains at an early stage of preparation in the area of regional policy and coordination of structural instruments. On the legislative framework, Bosnia and Herzegovina still needs to establish a system for managing EU structural funds. It still lacks a number of country-wide strategies in fields relevant to cohesion policy. Bosnia and Herzegovina needs to improve the statistical and analytical basis (including definition of NUTS regions) to develop a sound strategic framework for cohesion policy. The administrative capacity for programming and managing EU pre-accession funds remains weak due to delays in the public administration reform, limited understanding of the EU regional and cohesion policy, and lack of permanent training capacity on EU matters. To avoid an absorption shock at a later stage, Bosnia and Herzegovina needs to develop a systematic plan such as a management and control system roadmap to strengthen administrative capacity to implement EU regional policy.

Main challenges faced by local governments:

- Passive participation in elaboration of legislative and strategic frameworks
- Lack of professional and technical capacities for preparation and implementation of projects supported by available EU funds
- Underdeveloped mid-term and long-term local development plans and alignment with EU cohesion and regional policies

## Chapter 23 - Judiciary and fundamental rights

Bosnia and Herzegovina is in between an early stage and some level of preparation in the fight against corruption. Legislation is still not harmonised across the country. Only in Sarajevo Canton is there efficient application of conflict of interest rules, verification of asset declarations and protection of whistle-blowers. Targeted risk assessments and dedicated measures are needed to address corruption in the most vulnerable sectors. Following the entry into force of the new Law on conflict of interest, Parliament failed to appoint the members of the related commission by the legal deadline of June 2024. Many more state-level officials complied with their obligation to submit financial reports for the verification of asset declarations (425 out of 550). However, those who did not submit a financial report faced no proceedings, reports no sanctions. There are marked differences in compliance across the country. In the Republika Srpska entity the figure for submitting financial reports remains very low (136 out of 4 000), while in the Federation entity the rules on conflict of interest are not enforced. The positive trend continued with tangible results in the Brčko District and Sarajevo Canton, with a relatively high number of proceedings and sanctions initiated for conflict of interest. Tuzla Canton also demonstrated good results in verifying asset declarations.

Main challenges faced by local governments:

- ➔ Low level of implementation of corruption prevention measures and awareness raising in local communities
- ➔ Low transparency, monitoring and inspection control systems

## Chapter 27 – Environment and Climate Change

Bosnia and Herzegovina is between an early stage and some level of preparation on the environment and climate change and made limited progress. To align with the EU climate *acquis* and implement and enforce it, Bosnia and Herzegovina still needs to reaffirm its political commitment and set up the necessary administrative capacity at all levels of government. It needs to ensure an even, country-wide harmonised and consistent approach in strategic planning and alignment with the EU *acquis*, in particular in the field of air quality, industrial emissions and water and waste management. The willingness to act and capacity to ensure country-wide harmonisation with the EU *acquis* continues to be limited, leaving the environment sector unevenly regulated across the country. Bosnia and Herzegovina still needs to enhance the legal framework, strengthen administrative capacity and monitoring systems, implement structural reforms, and improve inter-institutional coordination. Awareness-raising measures are required to reduce waste generation and promote reuse and recycling. Alignment with the *acquis* on sewage sludge, water quality, water management, urban wastewater management, drinking water and flood risk management should be strengthened, both on policy level and implementation. Significant further efforts are still needed to align with the EU *acquis* on environmental noise. The level of alignment with the EU climate *acquis* remains limited. The country still needs to significantly reinforce its administrative and inspection capacities in the sector and structural reforms need to be implemented to ensure meaningful implementation of the required measures.

Main challenges faced by local governments:

- Lack of citizens participation in policy and decision making to leverage public pressure on political leaderships
- Low administrative capacities in environment and climate sectors
- Low level of participation of local authorities in strategic planning and legal framework development
- Inadequate inspection capacities for enforcement of structural reforms
- Insufficient awareness raising activities in local communities

### 6.1.3. Kosovo

#### Key milestones

*MARCH 2011 EU facilitated dialogue between Pristina and Belgrade starts; APRIL 2016 Stabilisation and Association Agreement enters into force; MAY 2016 Commission proposes visa-free travel for Kosovo; OCTOBER 2016 First meeting of the EU-Kosovo Stabilisation and Association Council; JULY 2018 Commission confirms that Kosovo has fulfilled all outstanding visa liberalisation benchmarks; DECEMBER 2022 Application for EU membership; MARCH & APRIL 2023 Council and Parliament adopt regulation paving the way for visa liberalisation to start on 1 January 2024.*

#### Chapter 5 – Public Procurement

Kosovo is in between some and moderate level of preparation in the area of public procurement. Kosovo started to increase cooperation between public procurement institutions and contracting authorities by setting up a Joint Coordination Secretariat. Despite some regulatory initiatives by the Public Procurement Regulatory Commission, public procurement remains prone to irregularities and vulnerable to corruption. The legal framework on public procurement remains partially aligned with the EU public procurement acquis. A new draft law on public procurement has been pending approval by the Ministry of Finance, Labour and Transfers for three years. Implementing legislation of the new law has not been drafted yet. A new Law on public-private partnerships and concessions is still pending adoption. In 2023, the total value of contracts signed using the best price-quality ratio amounted to EUR 114 million, or 14.19% (up from 5.66% in 2022 and 1% in 2021). The lowest price criterion remains dominant representing 85.81% of public contracts awarded, as compared with 94.34% in 2022. A good average of 3.5 economic operators per tender submitted bids in 2023. Kosovo should improve its planning and reduce the use of negotiated procurement procedures. To reduce the risks of misuse and fraud, it is important to ensure full transparency, provide robust reasoning explaining the award decision,

and maintain audit trails. The capacity of the contracting authorities to manage public procurement processes varies. Further improvements are needed in the drafting of technical specifications to better support the quality, efficiency and transparency of procurement.

Main challenges faced by local governments:

- ➔ Low capacities in all parts of the public procurements' procedures
- ➔ Lack of monitoring of contract implementation

## Chapter 19 - Social Policy and Employment

Kosovo is between an early stage of preparation and having some level of preparation in this area. Social dialogue remains limited. On employment policy, Kosovo has adopted and published a new employment and labour market strategy for 2024-2028 and has drafted a new regulation on active labour market measures and a new law on employment. After adopting the Youth Guarantee implementation plan, Kosovo launched the piloting of the Youth Guarantee Scheme in two municipalities in January 2024 and presented a monitoring report in July 2024. Still, labour emigration is noticeable. The quality of the social services provided at the municipal level is limited. Currently, there is no legal basis to ensure the sustainability of financing of social services. The 50% increase in government funds dedicated to licensed NGOs providing social services in 2023 does not meet needs. Combined with a lack of stable multiannual funding and the low salaries for social workers, this limits the capacities of NGOs and social workers' centres. The capacity of municipalities concerning service planning and delivery, data collection and integrated care is weak. Efforts to address discrimination against women in employment and social policy, particularly during hiring procedures, promotion and pay are limited. There are gaps in the implementation of legislation on equal opportunities. The lack of childcare and elderly care facilities, unequal share of responsibilities in the maternity, paternity and parental leave hinder women's employment. Kosovo must continue its efforts to ensure equal access of persons with disabilities to institutions, quality services, employment and education.

Main challenges faced by local governments:

- ➔ Low level of long-term measures for decreasing labour emigration
- ➔ No social service planning and delivery based on comprehensive data collection
- ➔ Non-existence of targeted social measures to elderly, children and children with disabilities
- ➔ Lack of public infrastructure to be accessible to persons with disabilities

## Chapter 22 – Regional policies and coordination of structural instruments

Kosovo remains at early stage of preparation regarding regional policy and coordination of structural instruments. Regarding administrative capacities, significant efforts are required to allocate more human resources and to increase their capacities, particularly on planning and management of EU funds. Due to status issues, Kosovo does not participate in transnational and interregional cooperation programmes that cover the Western Balkans.



Main challenges faced by local governments:

- ➔ Inadequate capacities for utilization of available EU funds
- ➔ Passive participation in legal and policy frameworks development

## Chapter 23 - Judiciary and Fundamental Rights

Kosovo is in between an early stage and some level of preparation in fighting against corruption. Stronger commitment to establish a solid track record in fighting high-level corruption remains necessary, including by strengthening the use of anti-corruption tools such as asset declarations and public institutions' integrity plans. The track record in fighting corruption improved, in particular regarding the number of final judgements and final convictions, including in high-level corruption cases. The institutional framework on the fight against corruption is in place and is partially satisfactory. Implementation and monitoring of the framework need to be further improved. It is essential to strengthen the budget, staffing, and expertise capacity of the Agency for the Prevention of Corruption) to match the increase in the number of subjects required to declare their assets. The legal framework on the fight against corruption is in place and is satisfactory, yet its implementation needs improvement. There is a continuous need to promote the drafting and adoption of integrity plans in the public service as a tool for preventing corruption and ensuring discipline, including at municipal level.

Main challenges faced by local governments:

- ➔ Low capacities to enforce anti-corruption legislation at local level
- ➔ Lack of integrity plans and their monitoring
- ➔ Low level of promotion and implementation of corruption prevention measures

## Chapter 27 – Environment and Climate Change

Kosovo is at an early stage of preparation in the area. Administrative and human-resource capacities in the whole sector are at a critically low level and represent a significant obstacle to its proper and progressive development. Concerning horizontal issues, further efforts are needed to revise and adopt strategies, action plans and relevant legislation to ensure consistency with the objectives of the Green Agenda and implement commitments under the Energy Community's Decarbonisation Roadmap. The capacities of the environmental authorities at both central and local levels to implement and enforce the environmental acquis are still very limited, which seriously hampers progress in the sector. Structural reforms continue to be delayed. Insufficient political commitment and funding constitute key challenges to implementing the strategic framework. In June 2024, the government Strategic Planning Committee approved the Single Project Pipeline for the environment sector. Public awareness of the importance of environmental protection is still limited. While some progress was made in improving air quality, it continues to present a major health risk due to delays in the implementation of appropriate remedial measures to curb air pollution. The implementation of the Pristina air quality plan has begun with the introduction of new public transport buses and the application of control measures for exhaust gases from vehicles, but the adoption of plans in the rest of Kosovo is still pending. More efforts are needed to amend the Law on waste management and the integrated waste management strategy

by introducing recycling targets, and to approve and implement the inter-municipal waste management plans. Kosovo also needs to start a reform of communal enterprises, ensure proper management of industrial and hazardous waste and boost the circular economy. Kosovo made limited progress on water management. The capacities of key institutions at both central and local levels, public enterprises and river basin management authorities remain low and need further strengthening. Kosovo made some progress on climate change by adopting the Law on climate change. Finally, awareness raising needs to be strengthened and the cooperation with operators in the private sector should be made more efficient.

Main challenges faced by local governments:

- ➔ Weak capacities to address the issues related to environmental degradation and climate change
- ➔ Improper enforcement of legislation and implementing relevant policies
- ➔ Passive participation in legal framework and policy development
- ➔ Inadequate level of waste recycling
- ➔ Law awareness on environment and climate change in local communities

### **6.1.4. Montenegro**

#### **Key milestones**

*DECEMBER 2008 Application for EU Membership; MAY 2010 Stabilisation and Association Agreement enters into force; DECEMBER 2010 European Council grants candidate status; JUNE 2012 European Council decides to open accession negotiations; DECEMBER 2013 'Rule of Law' chapters 23 and 24 opened for negotiations; JUNE 2020 All 33 screened chapters have been opened, three of which are provisionally closed; JUNE & DECEMBER 2021 Accession Conferences under the revised enlargement methodology; JANUARY 2024 15th Accession Conference; JUNE 2024 16th Intergovernmental Conference, Interim benchmarks for Chapters 23 and 24, overall, met. DECEMBER 2024 provisionally closed chapters 7,10 and 20.*

#### **Chapter 5 – Public Procurement**

Montenegro is in between moderate and a good level of preparation in the area of public procurement. The electronic public procurement system is fully operational. All public procurement procedures in the country are conducted through the system. The use of the system helped improve the implementation of public procurement procedures in the country, with a shorter average duration of procurement procedures and an increased average number of bids per procedure (3.5) in comparison to previous years. In January 2024, Montenegro introduced a monitoring mechanism for procurement procedures without a publication of the contract notice (simple procurements), aimed at preventing irregularities in these types of procedures. The high number of small contracting authorities undermines the efficiency

of procurement processes. In particular, the capacity of small municipalities to conduct more complex procurement procedures, including for EU-financed projects, remains limited.

Main challenges faced by local governments:

- Inadequate capacities to implement EU funded projects procurement procedures

## Chapter 19 - Social policy and employment

Montenegro has some level of preparation in the area of social policy and employment. Unemployment is 13.4 %. The youth employment rate is 37.1%. The level of informal employment remained high, estimated to constitute 26-31% of national GDP. The gender employment gap persists. Men make up 53.9% of all employed persons, compared to 46.1% of women even though women make up a better educated part of the population. The policy framework for social and child protection is outdated and the adoption of the social protection reform is delayed facing challenges in terms of sequencing, costing of measures and lack of proper recognition of civil society role in social care delivery. Concerning social protection and social inclusion, the risk of poverty rate in Montenegro is 20.3% with children being the most exposed compared to other age groups. Income inequality persists, with the Northern region at a higher risk of poverty. A serious lack of child, family and victim support services persists. Social assistance spending is relatively high but remains untargeted with a limited impact on the risk of poverty. An outdated disability identification model leads to unfair and ineffective provision of disability-based benefits and services. Regarding de-institutionalisation, insufficient progress has been made to continue the transition from institutional to community and family-based services.

Main challenges faced by local governments:

- High rate of vulnerable groups in overall unemployment
- Ineffective involvement of civil society in social care services delivery
- Insufficient financial support to delegated social care services from central government

## Chapter 22 - Regional policy and coordination of structural instruments

Montenegro is moderately prepared in the area of regional policy and coordination of structural instruments. The administrative capacity remains a crucial area for reform. A competency-based training needs analysis was commissioned with the aim to prepare recommendations on capacity development for IPA structures and the government engaged into a functional review in selected policy areas relevant to regional policy. Funds were set aside throughout IPA financial support to target the preparation and implementation of a merit-based recruitment policy.

Main challenges faced by local governments:

- Low administrative resources at local level for EU funds absorption
- Underdeveloped EU project management structures at local level

## Chapter 23 - Judiciary and fundamental rights

Montenegro remains moderately prepared to apply the EU acquis and European standards in this area and has made good progress overall. Good progress was achieved as regards justice reform, the fight against corruption, and freedom of expression and media freedom, with substantial reforms to the legislative and strategic frameworks. In June 2024, the European Commission assessed in its interim benchmark assessment report that Montenegro had fulfilled the interim benchmarks for chapter 23, and consequently the closing benchmarks for chapter 23 were set. The institutional framework on preventing corruption is in place but needs to be strengthened, both as regards prevention and law enforcement capacities. Although some financial and expertise support to the local level is present, cooperation with the international donor community regarding anti-corruption initiatives should be strengthened.

Main challenges faced by local governments:

- ➔ Lack of international support for anti-corruption initiatives at local level
- ➔ Low transparency of local governments, especially public funds management

## Chapter 27 - Environment and climate change

Montenegro has some level of preparation in this area. In the fields of environment and climate change, Montenegro needs to significantly strengthen the administrative capacities at central and local level by urgently addressing staff shortages and hiring personnel, address the issue of insufficient inspection services at both levels, and address the insufficient interinstitutional coordination and the lack of sustainable financial framework. The lack of administrative capacities significantly hinders the progress in Chapter 27 and fulfilling its closing benchmarks. Montenegro should ensure that there is an institutional structure in place to deliver coordinated, strategic planning for environmental and climate investments, including the quality of the preparation and implementation of investments. In April 2024, Parliament adopted the Law on waste management. Efforts should now be directed towards its implementation and the adoption of the long-awaited state waste management plan for 2024-2029. Cooperation of local authorities and municipalities on waste management is paramount. Infrastructure for separate waste collection and recycling exists, but it is however not used properly by citizens, and the issue of illegal and temporary waste disposal has yet to be resolved. There were no developments on climate change nor on legislative alignment with the acquis on climate. Montenegro should considerably step up and accelerate its ambitions towards a green transition. Significant progress was made in the area of civil protection. Media campaigns for awareness raising and proper enforcement rules, targeting citizens and local authorities, about separating waste disposal and recycling, are needed.

Main challenges faced by local governments:

- ➔ Low capacities on enforcement and implementation of legal and policy frameworks
- ➔ Unsustainable financial framework for environment infrastructure and climate change actions
- ➔ Lack of awareness raising activities in local communities

## 6.1.5. North Macedonia

### Key milestones

*MARCH 2004 Application for EU membership; APRIL 2004 Stabilisation and Association Agreement enters into force; DECEMBER 2005 European Council grants candidate status; OCTOBER 2009 Commission recommends opening of accession negotiations; JUNE 2018 Council sets out the path towards opening accession negotiations; MARCH 2020 European Council decides to open accession negotiations; JULY 2020 Presentation of the draft negotiating framework to the Member States; JULY 2022 Intergovernmental Conference on accession negotiations (IGC), Start of the screening process; DECEMBER 2023 screening process completed.*

### Chapter 5 – Public Procurement

North Macedonia is moderately prepared in the area of public procurement. The legal framework on public procurement is broadly aligned with the EU acquis. The electronic system for public procurement is functioning efficiently. During 2023, the e-market system was used for awarding 258 small value procurements. Despite the publication on the use of qualitative award criteria, the use of most economically advantageous tender (MEAT) as an award criterion is still limited. In terms of value, only 9% of the tenders used MEAT criteria. Further training and guidelines on the application of MEAT needs to be organised. The capacity to manage public procurement processes needs to be further enhanced, especially at the local level. The quality of tender documentation remains a challenge for smaller contracting authorities.

Main challenges faced by local governments:

- ➔ Insufficient capacities to manage public procurement processes
- ➔ Lack of capacity on using MEAT procedures and tender documentation preparation

### Chapter 19 - Social policy and employment

The country remains moderately prepared in the area of social policy and employment. On social dialogue, constructive tripartite social dialogue at all levels should be strengthened. The main measure addressing youth unemployment remains the Youth Guarantee scheme. A new plan for implementing the 2023-2026 Youth Guarantee was adopted by the authorities in March 2023. At the end of 2023 a total of 23 619 people (11 675 women) throughout the country were enrolled, 8 404 of whom were employed, and 1 849 participated in active employment measures that do not result in direct employment but increase their employability. The Youth Guarantee included 1 423 Roma, as one of the vulnerable categories on the labour market. Progress was made on social inclusion and protection and on minimising the impact of the pandemic and energy crises. Additional subsidies were introduced, ensuring more comprehensive coverage for people in need. The decentralisation of social assistance remains at a moderate level. The accessibility of public services such as socio-health, employment, vocational education, and in particular specialised services for the people with disabilities and Roma, remained limited. Childcare capacity needs to be increased in urban areas in particular.

Main challenges faced by local governments:

- ➔ Insufficient social dialogue in local communities
- ➔ Centralization of social assistance services
- ➔ Inaccessibility of social services to vulnerable groups
- ➔ Insufficient childcare capacities in urban areas

## Chapter 22 - Regional policy and coordination of structural instruments

North Macedonia is moderately prepared in the area of regional policy and coordination of structural instruments. Limited progress was made on the legislative framework, but basic principles remain broadly in line with EU *acquis*. Weaknesses persist in the administrative capacity of key institutions managing EU funds, including local level. The lack of a national staff retention policy, shortcomings in human resources management and exceptionally high staff turnover (in 2023 the average turnover rate was 10%) across the IPA structures remain key concerns. The administrative capacities and interinstitutional coordination need to be significantly strengthened to maximise the benefit of participation in the EU cross-border, territorial and interregional Programmes and pave the way for the management of cohesion policy.

Main challenges faced by local governments:

- ➔ Underdeveloped capacities in EU funds management
- ➔ Lack of capacities in sound financial implementation of EU funds, particularly in implementation of EU procurement procedures
- ➔ High rate of EU funds staff turnover on all governance levels

## Chapter 23 - Judiciary and fundamental rights

The country is in between some and moderate level of preparation in the prevention and fight against corruption. The track record in the fight against corruption has worsened. The legal framework on the fight against corruption is in place but needs to be improved both in terms of preventive measures and law enforcement. The State Commission for the Prevention of Corruption adopted an integrity policy with guidelines for state bodies and public sector institutions, and guidelines for local self-government. As of the end of 2022, a total of 85 institutions had signed an integrity policy and appointed contact persons on these issues (18 state bodies and public sector institutions and 67 local authorities). Training on integrity was organised for ministries, state bodies and local authorities.

Main challenges faced by local governments:

- ➔ Lack of capacities on corruption prevention
- ➔ Inadequate local government transparency

## Chapter 27 - Environment and climate change

North Macedonia has some level of preparation in this area. The lack of specialised staff and weak institutional and administrative capacity are undermining quality control and the performance of environmental impact assessments. While air pollution remains a major concern in large cities, limited progress was made on air quality monitoring. Municipal waste separation and recycling are at an inadequate level and landfilling is still the predominant method of waste management. The principles of circular economy are embedded in the national waste management legislation, but concrete progress is still lacking due to limited stakeholders' awareness, insufficient financial support and infrastructure shortcomings. The legal and policy framework for integrated water management aligning with the water *acquis* is largely in place. No progress is made in climate change.

Main challenges faced by local governments:

- ➔ Low implementation of environment and climate legislative frameworks
- ➔ Ineffective awareness raising on environmental and climate issues
- ➔ Inadequate waste separation and recycling at local level

### 6.1.6. Serbia

#### Key milestones

*DECEMBER 2009 Application for EU membership; MARCH 201 EU-facilitated dialogue between Belgrade and Pristina starts; MARCH 2012 European Council grants candidate status; JUNE 2013 European Council decides to open accession negotiations; SEPTEMBER 2013 Stabilisation and Association Agreement enters into force; JUNE 2021 Political Intergovernmental Conference under the revised enlargement methodology; DECEMBER 2021 22 out of 35 screened chapters have been opened, two of which are provisionally closed.*

## Chapter 5 – Public Procurement

Serbia is moderately prepared in the area of public procurement. Serbia's legal and institutional frameworks on public procurement are broadly aligned with the EU *acquis*. The Law on public-private partnerships and concessions (PPPs) still needs to be amended to align with the EU Directive on concessions. The share of tenders with only one submitted bid remained at around 51%, higher than the 2024 target share of 47% which Serbia had committed to in the context of the EU Public Finance Management budget support. The State Audit Institution found irregularities in cases covering 17.7% of the value of public procurement contracts audited in 2023. These findings raise concerns and need to be closely followed. Additionally, further implementation of best price-quality ration criterion in public procurements remains challenging.

Main challenges faced by local governments:

- ➔ Insufficient transparency of public procurement procedures
- ➔ Lack of capacities on best price-quality ration criterion in public procurements
- ➔ Low capacities in Public-Private Partnerships project preparation, implementation and monitoring

## Chapter 19 - Social Policy and Employment

Serbia is moderately prepared in the area of social policy and employment. Social dialogue, and the involvement of social partners in policy developments relevant to them, remain weak. On employment policy, budget allocations for active labour market policies in 2024 remained below 0.1% of GDP. The public employment adviser's ratio to job seekers is too low. In December 2023, Serbia adopted an implementation plan for the Youth Guarantee covering the 2023-2026 period to reduce youth unemployment (18.5% in 2023) and NEET rate (15.2% in 2023 for people aged 15-29). A Youth Guarantee pilot scheme has started in three employment offices in January 2024. Public expenditure on social protection and budget transfers as a share of GDP continue to decrease. Concerns remain on the impact of the Social Card on Roma and other vulnerable individuals who risk being unduly excluded from the benefits if their specific circumstances, in addition to the raw data automatically processed by the social card register, are not sufficiently assessed by social welfare staff before a decision being made. Means-tested social assistance programmes, with strict eligibility criteria, do not sufficiently reach the poor; a large share of children living in poverty are not covered by any benefit, and the social protection system remains understaffed. The system of earmarked transfers to the local level is still not implemented systematically and transparently. In the area of deinstitutionalisation, an action plan and funding, to implement the strategy for deinstitutionalisation and development of community-based services adopted in 2022, is increasingly overdue. In the area of equal opportunities for women and men in employment and social policy, the position of women on the labour market in Serbia remains unfavourable compared to the position of men. The employment rate for men (20-64-year-olds) is 12.5 percentage points higher and their activity rate is 12.8 percentage points higher than those for women.

Main challenges faced by local governments:

- ➔ Inadequate level of support for youth employment, particularly in underdeveloped and rural municipalities
- ➔ Not effective social services to vulnerable groups
- ➔ Low advocacy on systematic and transparent implementation of earmarked transfers to the local level

## Chapter 22 – Regional policies and coordination of structural instruments

Serbia is moderately prepared in the area of regional policy and coordination of structural instruments. Serbia's legislative framework for IPA III has been adopted, including operational programmes. In



September 2024, the Government adopted the Law on cohesion policy. Serbia needs to apply a systematic approach to developing, co-financing and implementing multiannual operational programmes. Increased fiscal decentralisation is needed to give subnational levels of government the autonomy to act as fully-fledged cohesion policy actors. A methodology to track compliance with enabling conditions has been adopted in 2024. Responsibility for regional policy is currently scattered among several ministries, and the potential of regional development agencies and local development offices is underused. On programming, work has continued towards the adoption of a development plan, which should form the basis for Serbia's regional development policy, acknowledge the development potential of all Serbian regions, and help reduce regional and local disparities.

Main challenges faced by local governments:

- ➔ Passive participation in programming of EU funds
- ➔ Inadequate administrative and technical capacities for effective usage of future EU cohesion funds
- ➔ Low transparency and inclusiveness of investment planning and implementation

## Chapter 23 - Judiciary and Fundamental Rights

Serbia is between having some level of preparation and a moderate level of preparation in the fight against corruption. Serbia adopted the new anti-corruption strategy (2024-2028) in July 2024. Serbia still needs to adopt and begin implementing the accompanying action plan. Overall, corruption is prevalent in many areas and remains an issue of concern. There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption. Targeted risk assessments and specific measures are also needed to address corruption in the most vulnerable sectors, while updating local actions plans aligned with new Strategy. In the local action plans, further commitment to enhanced transparency of local governments should be highlighted. The institutional framework on the prevention of and fight against corruption is largely in place and is satisfactory regarding preventive measures, but it needs to be improved on law enforcement.

Main challenges faced by local governments:

- ➔ Low level of enforcement of measures for the prevention of corruption
- ➔ Outdated and ineffective current model of local action plans
- ➔ Lack of transparency of local government

## Chapter 27 – Environment and Climate Change

Serbia has some level of preparation in the area of environment and climate change. The institutional framework is in place but should be improved. Overall coordination and capacity of local self-governments and public utilities companies, in particular in the water sector, should be enhanced. In

the field of air quality and waste management, Serbia has a good level of alignment with the EU acquis. In September 2023, a number of important acts were adopted including the sludge management programme 2023-2032, the Law amending the law on waste management, implementing legislation for management of specific waste streams, as well as the regulation on the manner and procedure of sludge management from municipal wastewater treatment plants. The level of alignment with the EU acquis on water quality is moderate. Improving local governance, in particular for operating and maintaining water and wastewater facilities, remains a priority. Serbia has some level of preparation in climate change legislation, but enforcement is at an early stage. Serbia needs to considerably strengthen its administrative and technical capacity at all levels and further increase investment in its green energy transition.

Main challenges faced by local governments:

- ➔ Low level of enforcement of legislation at local level
- ➔ Ineffective promotion of energy efficiency measures funding
- ➔ Lack of capacities in areas of water and wastewater management
- ➔ Inadequate administrative and technical capacities as well as investments in green energy transition

## **6.2. Regional Cross-Cutting Issues**

### **6.2.1. Common challenges and themes across the region**

As evident from the analysis, WB economies face some common challenges and regional cross-cutting issues, with similarities in their legal frameworks and implementation mechanisms.

#### **Insufficient social care for vulnerable groups**

In the social policy area, equality, the fight against discrimination and inclusion of vulnerable groups remains an important part in the EU accession process and in related negotiations. However, the economies of the region and particularly the local authorities which bear a share of these competences are facing vast socio-economic challenges and slow economic consolidation that reaches only parts of the population. Mostly affected are exactly the vulnerable groups, such as persons with disabilities, economically disadvantaged people, residents of rural areas, single parents, elderly, young people, ethnic minorities, as well as women. Majority of citizens belonging to the vulnerable groups lack knowledge about their social rights and access to social services, education and healthcare. Local governments and other relevant stakeholders that need to bridge this gap often face a lack of knowledge and competences, as well as insufficient financial resources.

## **Weak EU funds absorption capacity**

Also, one of the recurring issues across all Western Balkans economies is the limited capacity to absorb EU pre-accession funds. Weak local administrative systems, bureaucratic hurdles, and lack of training in EU project management reduce the effectiveness of fund utilization. Many municipalities (especially smaller ones) in all Western Balkans often struggle with the complexity of EU projects preparation and implementation requirements.

## **Inadequate response to corruption**

Overall, the fight against corruption remains a priority for all levels of government in the Western Balkans. Corruption, including high-level corruption, continues to be challenge across enlargement region, and entanglement of public and private interests remains an issue of concern. Although, some efforts were made to strengthen the fight against corruption, especially in legal framework, areas like public procurement, political party financing, public finance management, energy, transport, health, water, infrastructure, natural resources and education remain areas particularly prone to corruption and require more robust and ambitious measures. Having in mind that the enforcement of anti-corruption measures is still inconsistent, especially in smaller municipalities where oversight mechanisms are weak, strengthening anti-corruption frameworks and ensuring that local governments have the tools and autonomy to enforce these measures are vital for building public trust. A focus on transparency in local governance will also improve the accountability of public spending, a key requirement for EU membership.

## **Underdeveloped capacities to address environment and climate change issues**

Environmental sustainability is a cross-border concern, particularly for water and air quality management. All Western Balkan economies still face major infrastructure challenges in water and waste management and pollution control. The need for better regional cooperation and technical capacity is highlighted as key to advancing EU environmental stand. Furthermore, climate change adaptation and disaster risk prevention need to be improved, as well as access to water and sustainable water management. In energy and environmental domains, the region is characterized by underutilized renewables, energy dependency, lack of high energy safety and reliance on fossil fuels, implying the necessity of shifting towards renewables is crucial, supported with adequate resources.

## **Inconsistence of multi-level governance approach**

The political and administrative fragmentation seen across the Western Balkans, significantly affects the ability of local governments to implement EU standards effectively. Political divisions weaken the capacity of local authorities to act uniformly, leading to inefficiencies in public administration, transparency, and resource management. All Western Balkans economies face difficulties in ensuring coordination between different layers of governance (local, regional, and national) making it challenging to apply consistent reforms. Without a harmonized approach to multi-level governance, meeting EU accession benchmarks becomes significantly more challenging.

## 6.2.2. Comparative analysis of regional trends

A notable trend across the region is the **distinct difference in the capacities of urban versus rural municipalities**. While larger cities and capitals have stronger financial resources and administrative infrastructure to align with EU standards, smaller and rural municipalities face significant challenges, especially in environmental management and public procurement. These areas lack the expertise and technological infrastructure to implement reforms effectively, leading to uneven development within the economies.

Over the past decade, **demographic developments** have been particularly challenging for the region (decreasing birth rates, migration, brain drain). In the Western Balkans, between 2012-2021, the population decreased by 4% (0.7 million). Besides the economic and social implications, emigration, low birth rates and an aging population have profound implications for the types of services that the central and local governments in the region must provide.

The trend of **concentration of people in the capital cities** (and depopulation of rural areas) is evident in the region. For example, in Albania, Serbia, North Macedonia, and Montenegro between 20 - 30% of the population live in the capital cities. Weak connectivity infrastructure, lack of multimodal transport services and modern urban mobility are accompanying other deficiencies, resulting in such disparities.

The **high levels of youth unemployment** are a critical issue across the region, and in many WB economies, it is over 30% and even over 35% percent. Additionally, the integration of marginalized groups into the labour market remains a significant challenge. Social inclusion programs, particularly for minorities and vulnerable populations, remain uneven across the region.

Additionally, it is observed that **fiscal autonomy in the region has been declining** through recent years, as local governments have less and less autonomy over their budgets. The share of local budgets under the full discretion of local authorities has declined in the cases of most economies. A shared feature herewith is also that the infrastructure needs require increased spending levels, and that higher proportions of local authorities' income should be invested in capital infrastructure. In 2021, own revenues, shared taxes and the general grant constituted 70% of local budgets, as opposed to 83% in 2006. Similarly, earmarked block grants and investment grants constituted only 17% of total local government revenues in 2006, while their share has jumped to 30% in 2021. In other terms, looking at the individual revenue streams, the share of own source revenues in 2021 decreased by 25% compared to 2006, while the share of shared taxes has decreased by 12%, while more worryingly, the share of the block grants has increased by 87% and conditional investment grants have increased by 58% compared to 2006. Fiscal autonomy is fundamental for local governments to be able to tailor decision-making for service delivery to the needs and preferences of local constituencies and therefore a fundamental ingredient for the efficiency and democracy gains expected from decentralization.

*In this context, it is also important to mention that the EU recently introduced €6 billion Growth Plan for the Western Balkans, launched in November 2023, which represents a significant effort to boost economic convergence between the region and the EU, based on the Reform Agendas of each WB economy. However, the capacity to effectively absorb these funds and implement necessary reforms is yet to be shown. Furthermore, the lack of consultation of central governments with local authorities could affect the successful absorption of these funds, ultimately affecting the economic progress of the Western Balkan economies.*

## 7. ANALYSIS OF EXISTING TECHNICAL ASSISTANCE PROGRAMS

In the context of the EU accession process, WB economies require significant technical support to meet the complex demands of aligning local governance practices with EU standards. This section of the study examines the technical assistance programs implemented to help local governments in the region address key challenges related to governance, public procurement, environmental sustainability, social policy, and anti-corruption efforts.

### 7.1. Projects in Western Balkan Economies

#### 7.1.1. Albania

##### 1. EU for Circular Economy and Green Growth – support to the transition of Albania towards a circular economy

- **Donor:** European Union (EU)
- **Value:** €14.6 million
- **Duration:** 2023-2027
- **Focus Areas:** Environment
- **Description:** The overall objective of the Action is to contribute to improving the protection of the environment and developing circular economy and sustainable green growth in Albania. The Action supports Albania in achieving key objectives in the field of environmental protection and economic green growth.

##### 2. EU for Circular Economy – Regional Waste Management Programme' (EU4CE-ReWaM)

- **Donor:** EU, implemented by ADF
- **Value:** €19 million
- **Duration:** started in 2024
- **Focus Areas:** Environment
- **Description:** The project will help reduce the environmental and health impact of solid waste in Kukës and Gjirokastra/South Vloa waste areas. Project activities will include increasing recycling to reduce waste volumes and establishing new European Union compliant landfills and waste facilities to reduce pollution and greenhouse gas emissions.

### 3. EU4Rivers

- **Donor:** EU, implemented by ADA
- **Value:** €7.5 million
- **Duration:** 2022 - 2024
- **Focus Areas:** Environment
- **Description:** The action aims to enhance the implementation of the National Water Reform and the progress of Albania towards meeting EU water legislation requirements – resulting in increased capacities for managing the sector in line with EU policies.

### 4. EU for Social Care

- **Donor:** EU, implemented by ADA
- **Value:** €3.1 million
- **Duration:** 2024- 2027
- **Focus Areas:** Social Policy
- **Description:** The action aims to establish and expand social care services to address the needs and rights of vulnerable groups such as children with disabilities, women at risk, and young people in difficult situations.

### 5. Sustaining Public Administration Reform at Local Level in Albania

- **Donor:** German Government, implemented by the Council of Europe
- **Value:** €700.000
- **Duration:** 2022 - 2024
- **Focus Areas:** Public Administration
- **Description:** The project provides legal, and policy advice based on Council of Europe standards and delivers capacity building programmes developed from the Toolkits of the Centre of Expertise for Good Governance. Activities draw from best European practice and be specifically adapted to the local context to address the needs of the beneficiaries and build upon the outcomes of the previous intervention “Strengthening Local Government Structures in Albania.”

### 6. EU for Municipalities (EU4M)

- **Donor:** European Union (EU)

- **Value:** €2.7 million
- **Duration:** 2021-2024
- **Focus Areas:** Local Infrastructure Development, Public Service Improvement, Sustainable Economic Development
- **Description:** The project aims at fostering municipalities' development potential and improving the socio-economic and environmental conditions of local communities in Albania. The "EU for Municipalities" project supports the development of local infrastructure by providing better public services and sustainable local economic development.

**Note:** The EU for Municipalities (EU4M), phase II is planned to start in 2025.

## **7.1.2. Bosnia and Herzegovina**

### **1. Strengthening Associations of Municipalities and Cities in BiH**

- **Donor:** Swedish International Development Cooperation Agency (SIDA)
- **Value:** 7.4 million SEK
- **Duration:** 2022 – 2026
- **Focus Areas:** Advocacy, capacity building, service delivery, EU integration
- **Description:** The project aims to support AMCs' institutional and organizational change so that they may improve their advocacy role and firmly represent the municipal interests in the evolving decentralization processes. Also, it contributes to improved role and status of the AMCs as a respected actor in promoting democratic developments in the context of the EU integration.

### **2. Support to Environmental Governance and Climate Action**

- **Donor:** Swedish International Development Cooperation Agency (SIDA)
- **Value:** €4.2 million
- **Duration:** 2021 – 2024
- **Focus Areas:** Environment
- **Description:** This project provides technical assistance to municipalities in Bosnia and

Herzegovina to strengthen environmental governance. The project focuses on improving waste management, air quality monitoring, and water resource management at the local level. It also supports capacity-building for municipal officials to ensure compliance with EU environmental directives.

### 3. Revitalizing Local Communities Phase II

- ➔ **Donor:** Switzerland and Sweden Governments, implemented by UNDP
- ➔ **Value:** €9 million
- ➔ **Duration:** 2020 – 2024
- ➔ **Focus Areas:** Regional policy, local governance
- ➔ **Description:** The focus of the Project phase 2 will shift towards wide horizontal upscaling and replication of successful legislative and institutional approaches, as well as maintaining the policy dialogue that help empower local communities (“mjesne zajednice”) at the local level.

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## 7.1.3. Kosovo

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### 1. EU for Better Municipal Governance – DEMOS III

- ➔ **Donor:** EU, Swedish Government
- ➔ **Value:** €16 million
- ➔ **Duration:** 2022 – 2025
- ➔ **Focus Areas:** Good governance
- ➔ **Description:** The project incentivises and supports the 38 municipalities of Kosovo in achieving enhanced democratic local governance and better municipal management. It also supports the Government of Kosovo in the development of policies, which are more conducive to rule-based financing of municipalities.

### 2. Kosovo Social Assistance System Reform Project

- ➔ **Donor:** World Bank
- ➔ **Value:** \$55 million
- ➔ **Duration:** 2021 – 2026



- **Focus Areas:** Social policy
- **Description:** The objective of the project is to improve the equity and adaptability of Kosovo's social safety net.

## **7.1.4. Montenegro**

### **1. Municipalities4EU**

- **Donor:** European Union (EU)
- **Value:** €1 million
- **Duration:** 2024 – 2027
- **Focus Areas:** European integration, Capacity building
- **Description:** The project objective is to strengthen the capacities of municipalities for EU integration in order to ensure local governments are equipped with the necessary institutional, financial, and human resources to effectively implement EU policies and standards at the local level.

### **2. EU4Public Administration**

- **Donor:** European Union (EU)
- **Value:** €1.3 million
- **Duration:** 2021 – 2026
- **Focus Areas:** Public administration
- **Description:** This project objective is building an accountable, efficient, transparent public administration, oriented towards the needs of citizens and businesses and delivering services to end users in high-quality manner.

### **3. EU4ME- Communicating EU accession and EU assistance in Montenegro**

- **Donor:** European Union (EU), implemented by UNDP
- **Value:** €440 000

- ➔ **Duration:** 2023 – 2025
- ➔ **Focus Areas:** Good governance
- ➔ **Description:** The project aims to help the Montenegrin Government and municipalities to inform and communicate about the European Union to the citizens of Montenegro in order to achieve higher knowledge of the EU accession process, and a high level of visibility of the EU and EU programmes in Montenegro.

## **7.1.5. North Macedonia**

### **1. EU for Municipalities**

- ➔ **Donor:** European Union (EU)
- ➔ **Value:** €7.2 million
- ➔ **Duration:** ongoing
- ➔ **Focus Areas:** Good governance, social policy
- ➔ **Description:** Providing support to the municipalities in North Macedonia on “Improving Local Government Services through Innovative Concepts”. The Programme aims to contribute to the local economic and social development of municipalities of the Republic of North Macedonia by introducing innovation in their policy development, planning, governance and service delivery capacity.

### **2. EU for Economic Growth (EU4EG)**

- ➔ **Donor:** EU
- ➔ **Value:** €9.7 million
- ➔ **Duration:** 2021 – 2025
- ➔ **Description:** Promoting opportunities for the growth of start-ups and MSMEs in target regions and municipalities in North Macedonia, through contributing to the setting and development of strong ecosystems, while encouraging a green economy, green growth, use of innovative technologies and methods for improving businesses and increasing competitiveness in a sustainable manner.

## 7.1.6. Serbia

### 1. EU Exchange 6

- **Donor:** European Union (EU)
- **Value:** €2 million
- **Duration:** 2021-2024
- **Focus Areas:** Good governance
- **Description:** Fostering LSs in preparation and implementation of Development Plans and Mid-term Plans in line with their programme budgets and Upgrading capacities of LGs to adequately apply capital projects' cycle and transparently operate the budget

### 2. Support to sustainable community-based social services and inclusion policies at the local level

- **Donor:** European Union (EU)
- **Value:** €6.5 million
- **Duration:** ongoing
- **Focus Areas:** Social Policy
- **Description:** Support sustainable community-based social services and inclusion policies at the local level. The project will create conditions for improving the quality and scope of social protection services and encouraging the inclusion of vulnerable and marginalized groups, especially the Roma population at the local level.

### 3. PRO - Local Governance for People and Nature

- **Donor:** SDC and UN
- **Value:** €10 million
- **Duration:** 2023 – 2026
- **Focus Areas:** Good governance
- **Description:** contributes to improving the quality of life of citizens through the improvement of local governance, social inclusion and environmental protection governance in 110 cities and municipalities throughout Serbia, which are eligible for the Programme support.

### 4. Partnership for Good Local Government Program

- **Donor:** European Union (EU)

- **Duration:** 2023 – 2026
- **Focus Areas:** Good governance
- **Description:** The program aims to contribute to the development of decentralized public governance and accountable local governments that respect citizens' rights and provide sustainable services to all citizens.

## 5. Improvement of public procurement in local self-governments, phase II

- **Donor:** USAID
- **Value:** \$14.5million
- **Duration:** 2022 – 2027
- **Focus Areas:** Public procurement
- **Description:** The project aims to improve planning, tendering and implementation of public procurement, but also to help implement the legal framework and supervision of public procurement as effectively as possible.

## 7.2. Regional projects

### 1. New Growth Plan for the Western Balkans

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia
- **Donor:** European Union (EU)
- **Value:** €6 billion (comprising €2 billion in grants and €4 billion in concessional loans)
- **Duration:** 2024–2027
- **Focus Areas:** Economic Integration, Fundamental Reforms, Financial Assistance
- **Description:** The Growth Plan aims to enhance socio-economic convergence of the Western Balkans with the EU by accelerating reforms and fostering regional stability. It is structured around four pillars: (1) Enhancing integration with the EU Single Market; (2) Strengthening the Common Regional Market; (3) Accelerating fundamental reforms; and (4) Providing increased financial assistance through the €6 billion Reform and Growth Facility. The EU will open certain areas of the EU Single Market to the Western Balkan partners prior to accession bringing tangible benefits to its citizens. The Western Balkans partners will need to undertake fundamental reforms, align with the *acquis* and fulfil their obligations under the Common Regional Market. To increase socio-economic convergence the Western Balkan partners will need to make reforms

in the area of the fundamentals. Each Western Balkan partner will implement a Reform Agenda with a set of priority reforms broken down into milestones, so-called “payment conditions”. Their completion will trigger the release of funds from the new Growth Plan.

## 2. Promoting Deliberative Democracy and Innovative Approaches to Citizen Participation in South-East Europe

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia
- **Duration:** 2024-2025
- **Focus Areas:** Citizen participation, governance, regional policy
- **Description:** This program aims to promote deliberative democracy as a tool for enhancing citizen participation in local governance. The project helps local authorities implement innovative citizen engagement practices, such as participatory budgeting and public consultations, to align local governance with EU standards.
- **Implemented by:** Council of Europe

## 3. Promoting Good Governance and Roma Empowerment at the Local Level

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia, Serbia, and Türkiye
- **Duration:** 2021-2024
- **Focus Areas:** local democracy, inclusion, regional policy
- **Description:** The project pursues the following objectives: improving local democracy, accountability, inclusiveness and responsiveness towards Roma citizens and thereby improving the delivery of services.
- Joint Programme between the European Union (DG NEAR) and the Council of Europe.

## 4. Regional Capacity Development Network (RCDN+)

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, North Macedonia
- **Duration:** 2024-2026
- **Focus Areas:** Environment, Good governance

- **Description:** RCDN+ emphasizes environmentally sustainable practices in CD for water and sanitation infrastructure to secure long-term benefits for current and future generations. RCDN+ aims at designing and building foundation for sustainable water and sanitation services through continuous capacity development, supporting LGs and PUCs staff do a better job.
- Commissioned by German Federal Ministry for Economic Cooperation and Development (BMZ), Swiss State Secretariat for Economic Affairs (SECO)
- **Implemented by:** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, NALAS

## 5. EU4 Energy Transition: Covenant of Mayors in the Western Balkans and Türkiye

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, North Macedonia, Türkiye
- **Duration:** 2021-2025
- **Focus Areas:** Environment
- **Description:** The overall objective of the action is to deliver on the energy transition and tackle climate change in the Western Balkans and Türkiye. The specific objective is to support the Covenant of Mayors cities of the Western Balkans and Türkiye in delivering on their pledges under the energy and climate targets.
- **Implemented by:** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Central Project Management Agency (CPMA)

## 6. Promoting the social inclusion of disadvantaged groups in the Western Balkans

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, Serbia, North Macedonia
- **Duration:** 2022-2025
- **Focus Areas:** Social Policy
- **Description:** The project enables local actors to identify, develop and apply strategies to ensure rights and access to services for disadvantaged groups. Concrete activities include awareness-raising, day care centres, inclusive disaster risk management, mobile outreach teams and social dialogue forums.
- **Implemented by:** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, NALAS

## 7. Regional Programme on Local Democracy in the Western Balkans 2 (ReLOaD2)

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, North Macedonia
- **Duration:** 2021-2025
- **Focus Areas:** Good governance
- **Description:** Strengthening partnerships between LGs and civil society, by scaling a successful model of transparent project funding of CSOs from LGs budgets, aimed at greater citizens and youth participation in decision-making processes and improving the provision of services in local communities.
- **Implemented by:** UNDP

## 8. Western Balkans Youth Lab Project

- **Economies:** Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, North Macedonia
- **Duration:** 2020-2025
- **Focus Areas:** Social Policy and Employment
- **Description:** Longer-term structured regional dialogue between youth organisations and national administrations focused on jointly developing policies that will increase youth participation in decision-making, to improve the overall socio-economic environment for and mobility of youth in the Western Balkans economies through different types of activities.
- **Implemented by:** Regional Cooperation Council

## 8. CASE STUDIES

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### 8.1.1. Albania

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#### Implementation of Integrated Social and Health Services in Albania

##### Overview:

With support from the Joint SDG Fund and various United Nations agencies, the Albanian government has made notable progress in enhancing the provision of integrated social and health services at the local level. A key aspect of these reforms has been the creation and operation of Needs Assessment and Referral Units (NARUs) within local government units. These units play a critical role in identifying, assessing, and coordinating social service delivery to vulnerable individuals and families, particularly those living in poverty or remote areas. Six pilot municipalities: Tirana, Kamza, Puka, Rogozhina, Pogradec, and Devoll were selected to implement the Development Model for Integrated Care, which emphasizes a family- and community-centered approach to service delivery. This model promotes collaboration between health and social services, enabling multidisciplinary interventions that address the comprehensive needs of vulnerable populations.

##### Impact and results:

- ➔ NARUs in the pilot municipalities have enhanced collaboration between local governments and service providers, ensuring timely and appropriate care for vulnerable groups. The program focuses on early intervention to keep individuals within their communities rather than relying on institutionalization.
- ➔ Through technical assistance and training, the program has strengthened the ability of local government staff, social workers, and health professionals to deliver integrated services. This includes developing local social plans that align with both national priorities and EU standards.
- ➔ Special attention has been given to populations in need, such as the elderly, people with disabilities, and marginalized communities, including the Roma. Mobile health and social services have been introduced in remote areas to ensure these groups receive adequate care.

##### Lessons Learned and Challenges:

The long-term success of these initiatives depends on the local government's ability to maintain the integrated service model beyond the pilot phase. This will require ongoing support from national authorities and international donors, as well as the institutionalization of the NARU model across all municipalities in Albania.



## 8.1.2. Bosnia and Herzegovina

### Building Democratic Participation in the City of Mostar

#### Overview:

The “Building Democratic Participation in the City of Mostar” project was initiated by the Council of Europe’s Congress of Local and Regional Authorities to reinvigorate local democracy in Mostar after a prolonged absence of elections. Mostar’s residents had not participated in local elections for over a decade due to political gridlock, which severely hindered civic engagement and governance accountability. The project aimed to empower citizens and local authorities to work together in fostering democratic participation and decision-making. Mostar’s unique political situation, resulting from the complex power-sharing system, has long prevented local elections, effectively stalling democratic governance at the municipal level. This created a significant gap in citizen participation, with decision-making confined to a limited political elite. The absence of local electoral processes meant that citizens had little opportunity to influence local policies or hold authorities accountable, leading to mistrust in governance and weakened democratic structures.

#### Key Objectives:

- Re-establish democratic practices by encouraging civic participation and transparent governance.
- Empower citizens through deliberative processes, enabling them to contribute to key local decisions.
- Strengthen local institutions to foster more responsive governance aligned with European democratic standards.

#### Impact and Results:

- The project successfully re-engaged citizens in governance through the Citizens’ Assembly, creating a model for direct participation in local decision-making processes.
- The training programs and workshops on transparency and ethical decision-making have led to more open and accountable governance in Mostar, enhancing public trust in local institutions.
- Citizens were empowered to directly influence local governance, while local authorities were provided with tools to implement more inclusive, responsive, and transparent governance practices.

## Lessons Learned and Challenges:

- ➔ The introduction of a participatory governance model in Mostar has been a significant step toward rebuilding democratic institutions and fostering trust between citizens and local authorities.
- ➔ The deep-rooted political and ethnic divisions in Mostar remain a challenge for sustained democratic participation. Overcoming these divisions will require ongoing efforts to promote dialogue and inclusivity.

### **8.1.3. Kosovo**

## The Collegium for European Integration in Kosovo

### Overview

The Collegium for European Integration serves as a key mechanism within the Association of Kosovo Municipalities, comprising European Integration Officers from municipalities across the economy. The Collegium plays an essential role in addressing issues related to European integration, supporting local governments in aligning with EU standards. Through its work, the Collegium provides critical opinions, recommendations, and proposals to various institutions and encourages the exchange of best practices within Kosovo and beyond.

### Key Objectives

- ➔ Provide professional assistance to municipal and national decision-making bodies.
- ➔ Support the implementation of laws, orders, and instructions related to municipal directorates and broader municipal governance.
- ➔ Contribute to legislative processes by participating in working groups for drafting laws and regulations affecting municipalities.
- ➔ Enhance cooperation among municipalities, local and international partners, and institutions across Kosovo to further the European integration agenda.
- ➔ Promote the dissemination of good practices in local governance within Kosovo and internationally.

## Impact and Results

- The Collegium provides critical expertise and professional assistance to decision-makers at the municipal and national levels, ensuring that European integration efforts are aligned with local governance needs.
- By actively contributing to the drafting of laws and regulations, the Collegium ensures that local governments' perspectives are considered in the national legislative process, fostering stronger alignment with EU requirements.
- The Collegium facilitates collaboration between municipalities and other institutions, ensuring that lessons learned and best practices are shared across Kosovo, thereby improving the overall effectiveness of local governance.

## Lessons Learned and Challenges

- The Collegium's work underscores the value of coordination between municipalities and national institutions.
- Municipalities benefit from the professional support provided by the Collegium, but continued investment in training and resources will be necessary to sustain these efforts.
- The Collegium has demonstrated the value of sharing knowledge and good practices among municipalities, promoting a culture of collaboration that enhances the effectiveness of local governance.

### 8.1.4. Montenegro

## Revolving Fund for the Pre-Financing of EU-Funded Projects in Montenegro

### Overview:

The establishment of a Revolving Fund in Montenegro was a strategic initiative aimed at addressing the challenge of pre-financing EU-funded projects by local governments. Local self-governments, especially those participating in EU territorial cooperation programs, are often required to pre-finance up to 90% of the project costs before receiving reimbursement from the program's Managing Authority. This financial burden posed significant challenges for municipalities, many of which were not able to allocate sufficient funds in their budgets, ultimately limiting their participation in EU projects.

## Challenges Addressed:

Pre-financing was a considerable hurdle for municipalities in Montenegro due to their limited financial resources. Even when municipalities had funds available, planning for pre-financing was risky as it required budget allocations before confirmation that a project would be supported. This financial unpredictability discouraged many local governments from applying for EU funding, hampering their capacity to absorb EU funds and effectively implement projects.

## Revolving Fund Mechanism:

After several years of advocacy by the Union of Municipalities of Montenegro, the Revolving Fund was officially established within the State Budget through the adoption of the Law on Financing Local Self-Government in 2018. The Fund was initially allocated €2 million in the 2019 budget. It provides no-interest loans to local governments to pre-finance their EU-funded projects. Importantly, these loans must be repaid within 12 months of withdrawal, after municipalities receive reimbursement from the EU Managing Authority.

In addition to local governments, other public services and legal entities established by municipalities are eligible to use the Fund. This flexibility ensures broader access to financial support for pre-financing, particularly for public services that are crucial for project implementation.

## Impact and Results:

Since its establishment, the Revolving Fund has significantly increased the absorption capacity of local governments in Montenegro. Municipalities have withdrawn over €4 million from the Fund, with over €3 million already returned. The revolving nature of the Fund ensures that once loans are repaid, the funds are made available again for new lending, creating a sustainable financial support system for municipalities to apply for and implement EU projects continuously.

## Lessons Learned and Challenges:

- ➔ The Revolving Fund has played a crucial role in overcoming the financial barriers local governments faced in pre-financing EU-funded projects. It has enabled municipalities to participate more actively in EU programs, thereby increasing their project absorption capacity.
- ➔ Ensuring timely reimbursement from the Managing Authorities remains a challenge, as delays in the refund process could create cash flow issues for municipalities. The need for careful budget planning and efficient project management remains critical to maintaining the functionality of the Fund.

## 8.1.5. North Macedonia

### Red Flags System for Public Procurement

#### Overview

The Red Flags System was introduced by North Macedonia in December 2019 as part of the country's broader efforts to improve transparency, accountability, and efficiency in public procurement. Integrated into the Electronic System for Public Procurement, the Red Flags System leverages real-time data and advanced analytics to identify potential risks and irregularities in procurement processes. By proactively highlighting suspicious patterns, the system aims to prevent corruption and ensure that public funds are used effectively.

#### Key Objectives

- Improve transparency in public procurement processes by identifying and flagging high-risk activities.
- Prevent corruption and misuse of public resources by detecting patterns of collusion, tender manipulation, and restrictive procurement practices.
- Strengthen governance by ensuring that procurement processes align with legal and regulatory frameworks, ultimately delivering value for money to citizens.

#### Impact and Results

Since its implementation, the Red Flags System has delivered significant benefits to public procurement in North Macedonia:

- As of January 2023, the system flagged 40 procurement procedures as high-risk, leading to the termination of nearly 90% of these processes due to improper selection and award criteria.
- By identifying and addressing restrictive procurement practices, the system has fostered a more competitive environment for suppliers, ensuring fairer access to public contracts.
- The system has improved public confidence in the procurement process, as the government demonstrates its commitment to transparency and fairness. Reports generated by the system have been reviewed by key oversight institutions, including the State Audit Office and the State Anti-Corruption Commission.

## Lessons Learned and Challenges

- ➔ The introduction of real-time risk indicators has proven effective in identifying high-risk procurement activities before they escalate into larger issues. The preventive nature of the system allows authorities to intervene early, avoiding potential mismanagement or corruption.
- ➔ While the system relies heavily on advanced analytics and algorithms, the involvement of human oversight has been critical to refining the system and ensuring the accuracy of the red flag indicators. This hybrid approach of machine-driven alerts and human validation has enhanced the system's reliability.
- ➔ The Red Flags System has demonstrated the value of data-driven decision-making in public procurement. However, it also highlights the importance of building data literacy and technical capacity among procurement officials to fully utilize the system's capabilities.

### 8.1.6. Serbia

## Exchange Programme – EU Support for Local Self-Government in Serbia

### Overview:

The Exchange Programme, initiated in 2004, has been a key EU-supported initiative aimed at addressing some of the most critical challenges faced by local governments in Serbia. Over six phases, the Programme has focused on modernizing local governance, preparing municipalities for EU membership, and improving the quality of public administration and local development. To date, the Programme has received over €35 million in EU support, with the largest portion (€21.8 million) allocated through financial grants, complemented by expert assistance and advisory support provided to local governments (LGs).

### Key Focus Areas:

The Programme has tackled multiple priority areas to enhance local governance, including:

- ➔ Municipal Planning and Development
- ➔ Municipal Finance and Budgeting
- ➔ Capacity Building and Project Implementation
- ➔ Local Services and Infrastructure.

## Impact and Results:

Since its inception, the Exchange Programme has played a key role in preparing Serbian municipalities for EU accession by enhancing their administrative, financial, and planning capacities. The grant schemes have allowed municipalities to implement a wide range of development projects, while expert assistance has ensured that local governments adopt best practices aligned with EU standards. Additionally, the Programme has fostered greater financial transparency, more efficient resource management, and stronger project management capabilities at the local level.

## Lessons Learned and Challenges:

- ➔ The Programme has been highly successful in building the capacities of local self-governments, especially in terms of strategic planning, financial management, and project implementation.
- ➔ Municipalities still face challenges related to long-term sustainability, particularly in maintaining improvements in local services and integrating EU-aligned practices into everyday governance without ongoing external support.

## 9. RECOMMENDATIONS

This chapter does not address the regional (sub-national) level of governance due to the diverse roles, competencies, and legal frameworks of these entities across the Western Balkans. Regional structures generally have limited mandates and influence on the implementation of the EU acquis. For instance, while cantons in Bosnia and Herzegovina have certain level of autonomy, regional entities in the most of WB economies are mainly treated as statistical or administrative units with no or very limited governance roles. Given this variability, the study concentrates on local governments, recognizing them as the key level of governance in implementation of the EU-related reforms in the Western Balkans.

The following recommendations are to be used as advocacy tool of local authorities towards higher level of governance and other relevant stakeholders.

### 9.1. Strategies for addressing identified gaps and challenges

The strategy for addressing the gaps and challenges identified in the alignment of local governance practices with the EU acquis must focus on both systemic and targeted interventions. A **key priority should be the development of institutional capacity at the local level**, particularly in weaker municipalities, where human and financial resources are lacking. For instance, tailored interventions in smaller municipalities, where administrative capacity is limited, should involve the provision of external expertise to assist with the implementation of complex EU directives. In this strategic approach, **inter-municipal cooperation** should be actively, systematically and continuously supported and could provide an efficient and effective mechanism of capacity development.

Additionally, a **clear division of responsibilities between central and local governments** must be established to avoid the uniform delegation of responsibilities without considering the capacity of each municipality. This requires in-depth institutional reviews and adjustments of the legal frameworks to account for the differing levels of readiness across municipalities.

**Strengthening accountability mechanisms** is also crucial. Local governments should be incentivized to establish transparency practices such as the regular publication of procurement data and financial statements. In particular, implementation of policies and activities to minimize corruption risks and enhance accountability. Furthermore, reinforcing judicial and inspectorate capacities to ensure the enforcement of environmental laws and anti-corruption policies is necessary for sustainable governance reforms.

### 9.2. Recommendations for enhancing the alignment with EU acquis

Aligning with the EU acquis requires the active involvement of all segments of society, including central and local governments, civil society, and the private sector.

**National governments** have to implement more inclusive consultation processes with local self-governments at all stages of planning, programming, and decision-making in matters related to European integration that impact them. This approach should recognize the unique roles, tasks, and



responsibilities of local self-governments, which differ from those of other local actors. They need to engage local representatives in national preparations by including them in consultations on legislation and national plans for adopting the *acquis*. **LGs need to be involved in working groups and other structures preparing for accession negotiations**, as well as in capacity-building initiatives, and the planning and monitoring of EU funds. On the other hand, local governments must engage citizens and stakeholders at all levels to foster broader public understanding and participation in reforms. Public consultations, awareness campaigns, and participatory governance initiatives can ensure that the accession process reflects local priorities and strengthens the democratic processes.

**Local governments must adopt standardized administrative procedures aligned with the EU acquis**, especially for critical areas like Chapter 5 (Public Procurement), Chapter 23 (Anti-Corruption), and Chapter 27 (Environmental Protection). The creation of EU-compliant manuals on public procurement, financial management, and environmental impact assessments is essential for uniformity and consistency across municipalities.

To achieve alignment with complex EU directives, **cross-sectoral coordination** bodies involving representatives from local and national governments should be established and/or strengthened. These bodies can function as oversight and support mechanisms to monitor progress in key areas such as environmental protection and social inclusion policies. Establishing national coordination mechanisms or platforms between national and local governments could serve as a centralized mechanism for ensuring that local practices conform to national and EU standards.

Finally, to ensure the EU accession process is effectively implemented and embraced at the local level, **national associations of local authorities** should focus on the following key actions:

- ➔ Advocate for the early involvement of local government representatives in pre-accession activities and related bodies, such as negotiation working groups, thematic committees, and IPA program monitoring committees.
- ➔ Ensure the mandatory inclusion of local representatives in drafting legislation that impacts the local implementation of the EU *acquis*.
- ➔ Build organizational capacities for analysing EU legislation and collecting data from their members to support advocacy, programming, and EU-related issues.
- ➔ Provide mentoring and training programs to support local authorities in managing EU projects, strategic planning, multi-sector cooperation, public procurement, environmental sustainability initiatives.
- ➔ Advocate for the creation of funds to assist municipalities, particularly those with fewer resources, in co-financing development projects, securing pre-financing, and preparing the necessary documentation for EU-funded projects, including feasibility studies, environmental assessments, and relevant technical documentation.

### **9.3. Policy and legal advice for local, regional, and national authorities**

National authorities need to review and amend decentralization laws to provide municipalities with clearer roles and responsibilities. These legal frameworks should also incorporate fiscal decentralization measures that ensure local governments have adequate financial autonomy and financial resources to implement EU standards in local communities, particularly in environmental and climate areas.

The development of clear anti-corruption policy frameworks at the municipal level is essential. Additionally, updating procurement laws to make e-procurement prevailing against direct contracting, will significantly reduce opportunities for corruption. The local inspectorates in all areas of jurisdiction need clear legal mandates and increased capacity to enforce current and upcoming EU standards requirements.

National and local authorities should amend legal and policy frameworks to enhance mechanisms for citizen participation in decision-making processes, particularly in areas impacted by EU reforms such as corruption prevention, social policy and environmental management. This could include extended public consultations, participatory budgeting, and platforms for local stakeholder engagement. Such provisions will strengthen democratic governance and ensure that citizens' voices are integrated into the EU integration process.

The full and active participation of Local Governments (LGs) in the EU accession process is essential. The effective approach is to include representatives from Local Governments and their Associations (LGAs) in the Negotiation Working Groups. Across the Western Balkans, the level of involvement varies based on the economy's accession status. For instance, in Montenegro, LGs are engaged in 11 Negotiation Working Groups, while in Serbia, they are involved in 2. In other economies, LGAs should continue to advocate for the inclusion of local governments in the EU negotiations.

### **9.4. Proposed capacity-building interventions**

#### **9.4.1. Identification of training and development needs for local, regional and national authorities in order to support the public administration reform and accession to the EU.**

The study identifies several critical training and development needs for local, regional, and national authorities in supporting public administration reform and EU accession process:

Training programs should focus on the implementation of the **EU public procurement directives** (Chapter 5), including contract management, tendering processes, and transparency measures. Local officials must be trained in conflict-of-interest regulations. Special attention must be given to the implementation of EU projects public procurement regulations, i.e. PRAG.

Capacity-building efforts should emphasize **environmental governance**, specifically in the implementation of Chapter 27 (Environment). Municipalities require trainings on environmental impact assessments, waste management, and climate resilience strategies. Trainings should also cover enforcement mechanisms, ensuring that public authorities are equipped to monitor and enforce environmental compliance.

Local authorities need trainings on **anti-corruption practices**, including risk management, internal controls, and the development of anti-corruption action plans. These programs should target local officials and procurement officers, offering tools to increase transparency and accountability in service delivery. Training on fiscal management is critical, particularly in smaller municipalities where financial autonomy is limited. Municipalities need skills in budget forecasting, tax collection, and resource allocation to manage both their financial operations and EU-funded projects efficiently.

One of the most critical areas, as emphasized by the national LGAs, is training in **EU project management** and the effective utilization of EU funds. All levels of government need to be equipped with the skills to design, implement, and manage EU-funded projects. These trainings should include grant project preparation, project cycle management, fund absorption, and reporting mechanisms required by EU funding bodies. Providing hands-on training on managing complex projects, particularly in the areas of infrastructure development, environmental sustainability, and social policy, is essential for maximizing the impact of EU funds in the Western Balkans.

#### **9.4.2. Recommendations for future capacity-building initiatives for local, regional and national authorities.**

Looking ahead, and considering the prospect of EU membership, it is expected that demands on local governments will increase as they are required to operate under conditions and standards comparable to those in EU Member States (including good governance, service quality, and effective EU fund absorption). Therefore, Western Balkan local governments should have more concrete opportunities for **experience exchange**, immediate learning, and direct cooperation with partner municipalities from the EU, as well as civil servants' counterparts in local administrations. Such forms of support should be more focused and efficient, with shorter, high-impact activities such as study visits and internships in EU local governments. Also, targeted workshops on specific issues delivered by experts from EU municipalities would greatly benefit local authorities from the Western Balkans.

All levels of government should cooperate, coordinate and align efforts to jointly **develop and implement capacity-building initiatives** thus fostering synergies and efficiency in the EU accession process and timely preparation of all governing structures for assuming EU requirements and implementation of EU standards in local communities. For achieving long-term sustainability of capacity-building activities at the local level, **LGAs should play a key role** in ensuring encouraging and incentivizing capacity-building framework for local officials and practitioners.

However, one of the key prerequisites for the successful implementation of these recommendations is that EU institutions acknowledge **the unique role of local authorities** as the level of government closest to citizens. EU institutions need to engage in **direct cooperation and communication with local authorities** on matters concerning integration and reform, as local authorities are not just policymakers, they are also the primary providers of many public services, as outlined by national legislation.

## 10. CONCLUSION

### 10.1. Summary of key findings and recommendations.

#### Common/cross-cutting issues:

Common/cross-cutting issues	Recommendations	Level of implementation
Insufficient social care for vulnerable groups	Enhance the capacities of local governments through targeted training, increased funding, and the establishment of multi-disciplinary teams to design, implement, and monitor inclusive social care programs tailored to the needs of vulnerable groups.	Local
Weak EU funds absorption capacity	Fully engage local governments in EU accession process and strengthen local governments' EU fund absorption capacity by providing specialized training and mentoring.	Local and national
Inadequate response to corruption	Strengthen local governments' ability to address corruption by adopting standardized EU-aligned procedures, enhancing accountability and transparency mechanisms, and providing targeted training on anti-corruption practices and ethical governance	Local
Underdeveloped capacities to address environment and climate change issues	Strengthen local governments' capacities to address environmental and climate change issues by facilitating experience exchange with EU municipalities and providing targeted capacity-building programs	Local
Inconsistence of multi-level governance approach	Establish effective coordination mechanisms, Clearly define responsibilities across government levels	National Local and national
The regional disparities, with urban areas often progressing faster than rural municipalities in implementing EU standards	Strengthen regional coordination mechanisms Promote inter-municipal cooperation	National Local and national

## Economy-specific challenges:

ALBANIA		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Lack of capacities to manage public procurement processes as well as concessions and PPPs	Capacity development in public procurements procedures, concessions and PPPs	Local and national
Low compliance with procedures and implementation of corruption prevention measures	Improve compliance and corruption prevention by providing training, standardized monitoring, and stronger accountability measures	Local and national
Irregularities in public procurements	Design and implement appropriate corruption prevention measures	Local and national
	Implement mechanisms for decreasing irregularities in public procurement	Local and national
Partially aligned legal framework for PPP with EU Acquis	Revision of the PPP law	National
<b>Chapter 19 - Social policy and employment</b>		
Weak measures to increase local employment opportunities, especially for woman and youth	Develop and implement tailor made measures to increase employment of vulnerable groups	Local and national
Non enabling environment for development of digital skills for unemployed persons	Create enabling environment for development of labour market needed skills	Local
Low level of implementation of local social care plans	Enhance local social care plan implementation through targeted training, resource allocation, and regular monitoring.	Local
Weak monitoring of the National Action Plan on persons with disabilities	Improved monitoring measures including data collection and reviews	National
Not fully functional National Electronic Register of Social Care Services	Ensure the full functionality of the National Electronic Register of Social Care Services through technical upgrades, staff training, and improved data management	National
<b>Chapter 22 - Regional policy and coordination of structural instruments</b>		
Low participation in regional policy development and sectoral dialogue	Increase local governments' participation in regional policy development and sectoral dialogue through structured consultations, capacity-building, and enhanced representation mechanisms	Local and national
Inadequate capacities to manage public funds	Enhance capacities to manage public funds through targeted training, improved financial systems, and strengthened oversight mechanisms.	Local and national

ALBANIA		
Challenges	Recommendations	Level of implementation
Low technical capacity for using EU funds in infrastructural development	Improve technical capacity for using EU funds in infrastructure development through specialized training and mentoring.	Local
Lack of local ownership in the area of regional development projects	Fostering local ownership through cooperation with mandated national bodies	Local
Not suitable legal framework	Set-up legal framework of the partnership principle in line with the European Code of Conduct on Partnership	National
Low capacity on strategic planning, implementation and monitoring for infrastructure projects funded by the WBIF and EIP	Enhance capacity for strategic planning, implementation, and monitoring of infrastructure projects funded by WBIF and EIP through targeted training, mentoring, and monitoring procedures in place	National
	Roadmap on strategic planning	National
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Lack of effective measures for corruption prevention, particularly in vulnerable area, assessed in local governments	Strengthen corruption prevention in vulnerable areas of local governments by designing and implementation of corruption prevention measures and enhanced oversight	Local
Non-effective internal checks and inspection mechanisms	Development of internal checks and inspection mechanisms	Local
Ineffective implementation of risk assessment and integrity plans	Improve the implementation of risk assessment and integrity plans through targeted training, standardized methodologies, and strengthened accountability mechanisms	Local
Low level of awareness-raising activities in local communities	Enhance awareness-raising activities in local communities through targeted campaigns and stakeholder engagement.	Local
Limited impact of corruption prevention structures in the public sector	Capacity building of the relevant national structures	National
	Targeted risk assessments to address corruption in the most vulnerable sectors	National
<b>Chapter 27 - Environment and climate change</b>		
Passive involvement of local authorities in legislation and policy alignment with EU Acquis	Active participation of Local Authorities in policy development ensured by the National Government	Local and national
Low administrative, technical and inspection capacities, especially related to waste management, water and air quality and climate change	Capacity development measures, both administrative and technical	Local

ALBANIA		
Challenges	Recommendations	Level of implementation
Lack of appealing promotion of EU standards in waste management (recycle, reuse) and fostering local circular economy	Implementing comprehensive promotion and education measures to relevant target groups	Local
	Continue with the establishment of local composting facilities	Local
Inadequate performance in water supply and sewerage services	Improve performance in water supply and sewerage services through capacity-building and enhanced service management	Local
	Increased infrastructure and equipment development	Local and national
Underdeveloped capacities to cope with climate change and climate adaptation	Adopt and implement climate risk management plans and increase infrastructure resilience to climate change impacts	Local
	Capacity development measures in climate change and adaptation at the local level	Local
Limited alignment with the EU Acquis regarding climate change	Revision of the existing legal framework	National
Very limited capacity to incorporate climate change into sectoral strategies	Strengthen capacity to integrate climate change into sectoral strategies through targeted training, technical support, and cross-sector collaboration.	National
Alignment with the EU water Acquis	Substantially increase funding and enhance the implementation capacity of the key national water agencies	National
	Adopt a capacity development plan in the water sector	National
	Establish a national water monitoring programme with sufficient coordination and resources	National

BOSNIA AND HERZEGOVINA		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Weak corruption prevention measures in public procurements	Establishing open data systems for monitoring public procurements, both in procedures and contract implementation	Local and national
Lack of administrative capacities for complaint and sound public procurements	Capacity building in public procurements procedures	Local
Lack of e-procurement system and its use to ensure transparency	Establishment and full usage of e-procurement system	Local and national
No specialised procurement function established in each contracting authority	Establish procurement function in each contracting authority	Local and national
No mechanism to regularly coordinate the interpretation of the procurement legislation	Establish a regular coordination mechanism for consistent interpretation of procurement legislation.	National
<b>Chapter 19 - Social policy and employment</b>		
Weak local social dialogue	Strengthen local social dialogue through structured engagement, capacity-building, and inclusive participation mechanisms	Local
Lack of measures for local employment of vulnerable groups (woman, youth, long-term unemployed, minorities)	Developing and implementing sustainable and long-term system on decreasing labour emigration	Local
	Improving community employment and social care services, especially for the vulnerable groups	Local
Inaccessible public infrastructure for persons with disabilities	Improve accessibility of public infrastructure	Local
Lack of data collection systems for proper social assistance	Develop and implement comprehensive data collection systems	Local and national
Mismatch between the education system and labour market needs	Conduct labour market needs assessment	National
	Establishment of proper cooperation mechanism between education system and economic operators	National
	Reform of the education system	National
No countrywide strategies on poverty reduction, social inclusion and protection, nor is there state-level monitoring system	Develop countrywide strategies on poverty reduction, social inclusion, and protection, alongside a state-level monitoring system.	National



BOSNIA AND HERZEGOVINA		
Challenges	Recommendations	Level of implementation
<b>Chapter 22 - Regional policy and coordination of structural instruments</b>		
Passive participation in elaboration of legislative and strategic frameworks	Enable active local government participation in developing legislative and strategic frameworks through structured consultations and capacity-building	Local and national
Lack of professional and technical capacities for preparation and implementation of projects supported by available EU funds	Capacity building in preparation and implementation of EU funded projects	Local
Underdeveloped mid-term and long-term local development plans and alignment with EU cohesion and regional policies	Develop/update mid-term and log-term development plans aligned with EU cohesion and regional policies	Local
Not established system for managing EU structural funds	Establishment of the proper system for managing EU structural funds	National
Lack of country-wide strategies in fields relevant to cohesion policy	Adaption of country-wide strategies in all fields relevant to cohesion policy	National
Weak administrative capacity to implement EU regional policy	Development of a management and control system roadmap	National
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Low level of implementation of corruption prevention measures and awareness raising in local communities	Replication of successful model of the Sarajevo Canton in fighting corruption based on targeted risk assessments	Local
	Increase inclusive implementation of corruption prevention measures ensuring awareness raising and participation of local community stakeholders	Local
Low transparency, monitoring and inspection control systems	Design and implement open data systems for monitoring	Local
	Capacity building in inspection controls	Local
Legislation not harmonised across the country	Harmonise legislation framework across the country	National
No targeted risk assessment on corruption in the most vulnerable sectors	Conduct targeted risk assessment in the most vulnerable sectors	National
	Elaborate dedicated measures to address corruption in the most vulnerable sectors	National

BOSNIA AND HERZEGOVINA		
Challenges	Recommendations	Level of implementation
<b>Chapter 27 - Environment and climate change</b>		
Lack of citizens participation in policy and decision making to leverage public pressure on political leaderships	Ensure inclusive citizens participation and its reflection in policy and decision-making processes	Local
Low administrative capacities in environment and climate sectors	Capacity development in environment and climate sectors as well as in enforcement of structural reform	Local
Low level of participation of local authorities in strategic planning and legal framework development	Establish sustainable instruments of active participation in strategic planning and legal framework development	Local and national
Inadequate inspection capacities for enforcement of structural reforms	Capacity development measures for inspections, including enhancing administrative capacities	Local
Insufficient awareness raising activities in local communities	Enhance awareness-raising activities in local communities through targeted campaigns and stakeholder engagement.	Local
No countrywide strategic approach in planning and alignment with the EU Acquis	Ensure an even, countrywide harmonised and consistent approach in strategic planning and alignment with the EU Acquis	National
Limited alignment with EU climate Acquis	Strengthen alignment with the EU climate acquis through targeted reforms, capacity-building, and enhanced regulatory frameworks.	National
Low alignment with the EU Acquis on sewage sludge, water quality, water management, urban wastewater management, drinking water and flood risk management	Improve alignment with the EU acquis on sewage sludge, water quality, water management, urban wastewater, drinking water, and flood risk management through targeted reforms and capacity-building initiatives, both on policy level and implementation.	National and local

KOSOVO		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Low capacities in all parts of the public procurements' procedures	Capacity building in public procurements, especially in usage of best-price-quality ratio in public procurements	Local
Lack of monitoring of contract implementation	Establish internal mechanism and open data platform on monitoring of contract implementation	Local
Partially aligned legal framework on public procurements	Full alignment of legal framework with the EU public procurement Acquis	National
<b>Chapter 19 - Social policy and employment</b>		
Low level of long-term measures for decreasing labour emigration	Design and implement long-term measures decreasing brain drain	Local and national
	Implement Youth Guarantee schemes in all municipalities	Local and national
	Empowering vulnerable groups (woman, youth, minorities) for employment	Local
No social service planning and delivery based on comprehensive data collection	Establish comprehensive data collection systems for planning and delivery of social services	Local and national
Non-existence of targeted social measures to elderly, children and children with disabilities	Implement targeted social measures for specific target groups	Local
Lack of public infrastructure to be accessible to persons with disabilities	Improve accessibility of public infrastructure	Local
No legal basis for sustainable financing of social services	Establishment of legal basis to ensure the sustainability of social services	National
<b>Chapter 22 - Regional policy and coordination of structural instruments</b>		
Inadequate capacities for utilization of available EU funds	Develop capacities for preparation and implementation of EU funded projects	Local
	Intensify cross-border and international cooperation within available EU funds	
Passive participation in legal and policy frameworks development	Ensure sustainable mechanisms of active involvement in legal and policy frameworks development	Local and national
Lack of human resources on planning and management of EU funds	Allocate more human resources on planning and management of EU funds and increase their capacity	National

KOSOVO		
Challenges	Recommendations	Level of implementation
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Low capacities to enforce anti-corruption legislation at local level	Strengthen capacities to enforce anti-corruption legislation at the local level through targeted training and improved oversight mechanisms	Local
Lack of integrity plans and their monitoring	Development, implementation and monitoring of integrity plans as well as corruption prevention measures	Local
Low level of promotion and implementation of corruption prevention measures	Increase promotion and implementation of corruption prevention measures through targeted awareness campaigns and strengthened enforcement	Local
Not adequate capacities of the Agency for the Prevention of Corruption	Strengthen the budget, staffing and expertise capacity	National
<b>Chapter 27 - Environment and climate change</b>		
Weak capacities to address the issues related to environmental degradation and climate change	Enhance capacities to address environmental degradation and climate change through targeted training, technical support, and resource allocation.	Local
Improper enforcement of legislation and implementing relevant policies	Implementation of climate actions (decarbonization, sustainable urban mobility plans...)	Local
Passive participation in legal framework and policy development	Active participation mechanisms ensured by the National Government	Local and national
Inadequate level of waste recycling	Introducing and supporting recycling and circular economy measures in local communities	Local
Low awareness on environment and climate change	Enhance awareness-raising activities in local communities through targeted campaigns and stakeholder engagement.	Local
Not proper consistency of legal and strategic framework with the Green Agenda and Energy Community	Revise and adopt strategies, action plans and implement legislation to ensure consistency with the Green Agenda	National
	Implement commitments under the Energy Community's Decarbonisation Roadmap	National
	Amend the Law on waste management and the integrated waste management strategy by introducing recycling targets	National

MONTENEGRO		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Inadequate capacities to implement EU funded projects procurement procedures	Capacity development in sound financial implementation of EU funded projects	Local
High number of small contracting authorities	Increase Public procurements processes efficiency by fostering joint PP procedures of smaller contracting authorities	National
<b>Chapter 19 – Social policy and employment</b>		
High rate of vulnerable groups in overall unemployment	Maintain and enhance support to woman entrepreneurship	Local
	Introduce innovative measures for increasing youth employment and support long-term unemployed persons	Local and national
Ineffective involvement of civil society in social care services delivery	Ensure inclusive instruments in social care services delivery	Local
Insufficient financial support to delegated social care services from central government	Advocate for adequate financial support following delegation of social care services from central government	Local and national
Outdated policy framework for social and child protection	Prioritize the transition to a family- and community-based care system by integrating it into the broader social protection reform agenda.	National
Regional economic disparities	Enhance regional development policies implementation and address regional economic disparities through targeted investments, capacity-building, and balanced development strategies.	National
Outdated disability identification model	Transform disability identification model into a system that promotes dignity, inclusion, and equal opportunities for persons with disabilities	National
<b>Chapter 22 – Regional policy and coordination of structural instruments</b>		
Low administrative resources at local level for EU funds absorption	Capacity development in EU fundraising	Local
	Enhance peer-to-peer exchange and training opportunities in EU funds management	Local
Underdeveloped EU project management structures at local level	Establish institutional structures for EU funds management	Local
Not sufficient administrative capacity to of IPA structures relevant to regional policy	Implement capacity development measures to strengthen IPA structures relevant to regional policy	National
	Conduct merit-based recruitment policy in IPA structures	National

MONTENEGRO		
Challenges	Recommendations	Level of implementation
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Lack of international support for anti-corruption initiatives at local level	Foster international support for local anti-corruption initiatives through enhanced partnerships, advocacy efforts and continuous coordination of donor community.	National
Low transparency of local governments, especially public funds management	Setting up, implementing and monitoring local Anti-corruption Plans	Local
	Introducing inclusive mechanisms for citizens monitoring and corruption reporting	Local
Weak institutional framework on preventing corruption	Strengthening the institutional framework on preventing corruption regarding prevention and law enforcement capacities	National
<b>Chapter 27 - Environment and climate change</b>		
Low capacities on enforcement and implementation of legal and policy frameworks	Build capacity for effective enforcement and implementation of environmental and climate change frameworks through specialized training and improved institutional coordination Capacity building on specific issues, i.e. separate waste disposal and recycling	Local and national
Unsustainable financial framework for environment infrastructure and climate change actions	Establish sustainable and predictive financial framework for implementation of activities on local level in environment and climate change	Local and national
Lack of awareness raising activities in local communities	Implement awareness raising activities tailored to specific target groups in local communities	Local
Low administrative capacities at the National level	Enhance administrative capacities at the national level for environment and climate change through targeted training, institutional strengthening, and resource optimization. Enable sufficient inspection services	National
No specific institutional structure in place or environmental and climate investments	Ensure that there is an institutional structure in place to deliver coordinated, strategic planning for environmental and climate investments, including the quality of the preparation and implementation of investments.	National
Outdated state waste management plan	Adoption of the state waste management plan for 2024-2029	National

NORTH MACEDONIA		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Insufficient capacities to manage public procurement processes	Capacity development in public procurements at the local level	Local
Lack of capacity on using MEAT procedures and tender documentation preparation	Capacity building in using MEAT procedures and tender documentation preparation	Local and national
Improper quality of tender documentation for smaller contracting authorities	Establish technical support for smaller contracting authorities	National
<b>Chapter 19 - Social policy and employment</b>		
Insufficient social dialogue in local communities	Strengthen local social dialogue through structured engagement, capacity-building, and inclusive participation mechanisms	Local
Centralization of social assistance services	Advocate for decentralisation of social assistance accompanied with fiscal decentralisation	Local and national
Inaccessibility of social services to vulnerable groups	Develop and implement targeted social services to vulnerable groups	Local
Insufficient childcare capacities in urban areas	Expand childcare capacities in urban areas through infrastructure investment, resource allocation, and policy support.	Local
Limited accessibility of public services such as socio-health, employment, vocational education and specialised services for people with disabilities and Roma	Improve accessibility to public services, including socio-health, employment, vocational education, and specialized services for people with disabilities and Roma, through targeted investments and inclusive policy measures.	National
Inconsistent involvement of social partners in policy development and policy change	Ensure functional mechanisms of involvement of social partners in policy development and policy change	National
<b>Chapter 22 - Regional policy and coordination of structural instruments</b>		
Underdeveloped capacities in EU funds management	Capacity development in EU funds management	Local
Lack of capacities in sound financial implementation of EU funds, particularly in implementation of EU procurement procedures	Capacity development in EU funds financial implementation and public procurements	Local
High rate of EU funds staff turnover on all governance levels	Introduce EU funds staff retention policies on all governance levels	Local and national

NORTH MACEDONIA		
Challenges	Recommendations	Level of implementation
Weak interinstitutional coordination and administrative capacities for future management of EU Cohesion Policy	Strengthen interinstitutional coordination and administrative capacities of IPA structures for future EU Cohesion Policy management through enhanced collaboration, targeted training, and resource optimization	National
	Establish functional interinstitutional coordination mechanisms to maximise the benefit of participation in the EU funds Programmes	National
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Lack of capacities on corruption prevention	Introducing local innovative measures on anti-corruption with inclusive citizens monitoring	Local
	Capacity building on corruption prevention	Local
Inadequate local government transparency	Enhance local government transparency through improved communication, open data initiatives, and strengthened accountability measures	Local
Weak legal framework on the fight against corruption	Improvement of legal framework on the fight against corruption in terms of preventive measures and law enforcement	National
<b>Chapter 27 - Environment and climate change</b>		
Low implementation of environment and climate legislative frameworks	Improve capacities of local governments to implement environment and climate legislative requirements	Local
	Design and implementation of local actions in climate change within strategic framework	Local
Ineffective awareness raising on environmental and climate issues	Continuous awareness raising activities tailored to specific target groups	Local
Inadequate waste separation and recycling at local level	Improve technical capacities for separate waste collection and recycling	Local
	Awareness raising campaigns on recycling	Local
Low quality control and the performance of environmental impact assessments	Enhance the quality and effectiveness of environmental impact assessments by strengthening regulatory frameworks, providing targeted training, and implementing comprehensive monitoring mechanisms.	National



SERBIA		
Challenges	Recommendations	Level of implementation
<b>Chapter 5 – Public Procurement</b>		
Insufficient transparency of public procurement procedures	Increase transparency of public procurement procedures by introducing inclusive monitoring measures	Local
Lack of capacities on best price-quality ration criterion in public procurement	Capacity building on usage of best price-quality ration criterion in public procurements	Local
Low capacities in Public-Private Partnerships project preparation, implementation and monitoring	Capacity development in specific areas such as PPPs projects preparation, implementation and monitoring	Local
Alignment of PPP law with the EU Directive on concessions	Amend the Law on public-private partnerships and concessions to align with the EU Directive on concessions	National
<b>Chapter 19 - Social policy and employment</b>		
Inadequate level of support for youth employment, particularly in underdeveloped and rural municipalities	Introduce targeted support measures for youth employment in specific territories	Local
Not effective social services to vulnerable groups	Develop and implement targeted social services to vulnerable groups	Local
Low advocacy on systematic and transparent implementation of earmarked transfers to the local level	Develop advocacy measures on systematic and transparent implementation of earmarked transfers to the local level	Local and national
Low ration of employment advisors to job seekers	Increase the ratio of employment advisors to job seekers by hiring additional staff and optimizing resource allocation.	National
Low public expenditure on social protection and budget transfers	Increase public expenditures and budget transfers on social protection as a share of GDP, especially for active labour market policies	National and local
<b>Chapter 22 - Regional policy and coordination of structural instruments</b>		
Passive participation in programming of EU funds	Ensure mechanism of active collaboration with central government in programming of EU funds	Local and national
Inadequate administrative and technical capacities for effective usage of future EU cohesion funds	Capacity building for effective usage of existing EU funding opportunities and future Eu cohesion funds	Local
Low transparency and inclusiveness of investment planning and implementation	Ensure inclusive investment planning, implementation and monitoring	Local
Low capacity to implement multiannual operational programmes	Apply a systematic approach to developing, co-financing and implementing multiannual operational programmes	National

SERBIA		
Challenges	Recommendations	Level of implementation
Scattered responsibility for regional policy among several ministries	Establish one place responsibility for overall regional policy	National
	Use potentials of regional development agencies and local development offices	National
<b>Chapter 23 - Judiciary and Fundamental Rights</b>		
Low level of enforcement of measures for the prevention of corruption	Foster implementation of measures for the prevention of corruption	Local
Outdated and ineffective current model of local action plans	Analyse the effectiveness of current model of local action plans and introduce updated/modified/different model of anti-corruption fighting at local level	Local
Lack of transparency of local government	Enhance local government transparency through improved communication, open data initiatives, and strengthened accountability measures.	Local
No Action Plan on implementation of new Anti-corruption Strategy (2024-2028)	Adopt and start with the implementation of the Action plan	National
Weak law enforcement	Strengthening institutional framework on the prevention and fight against corruption	National
	Robust criminal justice response to high-level corruption	National
<b>Chapter 27 - Environment and climate change</b>		
Low level of enforcement of legislation at local level	Develop capacities for proper and efficient enforcement of legislation at local level	Local
Ineffective promotion of energy efficiency measures funding	Continuous and targeted promotion of available funding measures on energy efficiency	Local and national
Lack of capacities in areas of water and wastewater management	Improve capacities in specific sectors, i.e. water and wastewater management, especially in operating and maintaining related facilities	Local
Inadequate administrative and technical capacities as well as investments in green energy transition	Strengthen administrative and technical capacities and increase investments in green energy transition through targeted training, resource allocation, and strategic partnerships.	Local
Some level of preparation of climate change legislation	Increase level of alignment of climate change legislation	National
	Ensure enforcement of climate change legislation	National

## **10.2. Final thoughts on the path forward regarding the application of European standards in local democracy in the Western Balkans**

The alignment of local governments in the Western Balkans with European standards remains a critical component of the region's EU accession process. Local governments play a key role in implementing reforms that are necessary for democratic governance, economic development, and social cohesion, all of which are fundamental pillars of the EU acquis.

Despite significant progress in aligning national legislation with EU standards, local governments in the Western Balkans continue to face challenges in capacity, resources, and institutional frameworks. Addressing these challenges requires targeted capacity-building initiatives that strengthen administrative capabilities, particularly in managing public procurement, environmental policies, and social services. Investment in human capital, including training on EU procedures and project management, will be crucial in enhancing the capacity of local governments to absorb EU funds and deliver quality services to citizens.

To effectively apply European standards, local governments need greater autonomy and clearer delineation of responsibilities between all governance levels. In all Western Balkan economies, decentralization remains incomplete, with local authorities still dependent on central government transfers. Fiscal and political decentralization, coupled with stronger coordination mechanisms across governance levels will improve the ability of local governments to implement EU-aligned reforms. A robust system of multilevel governance will ensure that local governments are not only implementing but also contributing to shaping national and regional strategies in line with EU objectives.

A key area of focus for the WB is the continued fight against corruption. Public procurement processes, in particular, remain vulnerable to misuse and political interference at the local level. Local governments must adopt and rigorously apply anti-corruption measures, including the use of e-procurement systems, transparent budgeting processes, and independent oversight mechanisms. Reducing corruption will not only enhance public trust in local institutions but also contribute to fostering long-term economic stability and development.

Local governments are at the forefront of implementing social policies that address unemployment, social inclusion, and equal opportunities. However, many municipalities in the Western Balkans lack the financial and technical capacity to deliver social services effectively. Strengthening local social policy frameworks, with an emphasis on vulnerable populations such as youth, women, and minorities is essential for aligning with EU standards on social policy and employment. Municipalities must be empowered to develop tailored solutions that meet the specific needs of their communities.

The Western Balkans face significant regional disparities, with urban areas often progressing faster than rural municipalities in implementing EU standards. Ensuring that all municipalities, regardless of their economic situation, have the capacity to participate in regional development projects is essential for reducing inequality and promoting balanced territorial development. Local governments need continued access to sustainable funding mechanisms to address infrastructure deficits, support economic operators, and foster sustainable economic growth.

Environmental sustainability is one of the core areas where local governments have a direct impact on meeting EU standards. Environment is one of the most complex and resource-intensive chapters for local governments in their alignment with EU standards. Given the scope of responsibilities such as

waste management, water resource protection, air quality monitoring, climate change adaptation, etc. this chapter demands significant financial investments, advanced technical expertise, and long-term infrastructure development. Local governments require extensive external support to fully adopt and enforce EU environmental regulations and standards.

Regional cooperation, both among Western Balkan economies and with EU member states, is vital for knowledge-sharing and the implementation of best practices. Initiatives such as TAIEX, twinning programs and cross-border cooperation can accelerate the adoption of EU standards by leveraging the experiences of municipalities that have successfully navigated the EU accession process. Strengthening platforms for regional dialogue and cooperation will enable local governments to work together in overcoming common challenges.

NALAS, as the only regional network of local governments in the Western Balkans, plays a pivotal role in knowledge sharing, advocacy towards EU institutions in Brussels, as well provision of policy assistance to its members, local governments associations. In this context, it is crucial for European institutions to extend direct support to local governments and their associations in the Western Balkans, similar to the support provided to central governments through initiatives like the Regional Cooperation Council (RCC), the Berlin Process, Central European Free Trade Agreement (CEFTA), or the Regional School of Public Administration (RESPA).

## APPENDICES

### 10.3. Glossary of terms

**EU Acquis:** The comprehensive body of EU laws, regulations, and obligations that EU member states and candidate countries must adopt.

**The Copenhagen Criteria:** The essential conditions that a country must meet to be eligible for European Union (EU) membership.

**Negotiating Chapters:** These are sections of the EU acquis that candidate countries must align with during the accession process. The negotiation process is structured around 35 chapters, each covering different policy areas. The EU opens and closes chapters as a measure of progress toward membership, with detailed assessments of how well a country meets EU standards in each area.

**Stabilization and Association Agreements (SAAs):** Bilateral agreements between the EU and non-member countries that set the legal and policy framework for political dialogue, trade, and reforms, preparing candidate countries for EU membership.

**Multi-level governance:** A system of governance in which responsibilities and decision-making processes are distributed across various levels of government – local, regional, national, and supranational (EU). In the context of EU accession, multi-level governance ensures that local governments are included in the decision-making process and have a role in implementing EU policies and directives.

**Good Governance:** Refers to the principles of transparency, accountability, efficiency, and participation in the management of public affairs.

**Subsidiarity:** A key principle of EU governance, which dictates that decisions should be made as closely as possible to the citizen, meaning that local or regional authorities should handle responsibilities that they can effectively manage. In the context of EU accession, subsidiarity promotes decentralization and empowers local governments to implement EU policies.

**Decentralization:** The transfer of administrative, fiscal, and political powers from central governments to local or regional authorities, aimed at improving governance and public service delivery by empowering local governments.

**Fiscal Decentralization:** The process of delegating fiscal responsibilities, including tax collection and expenditure management, to local governments.

**E-Governance:** The use of digital technologies by government bodies to improve the efficiency of public services, ensure transparency, and increase citizen engagement in governance processes.

**Technical Assistance Programs:** Programs funded by international organizations, including the EU, designed to support candidate countries in building the administrative and institutional capacities needed to align with the EU acquis.

**Administrative Capacity:** Refers to the ability of local, regional, and national governments to effectively implement public policies, manage public resources, and deliver services.

**Absorption Capacity:** This term refers to the ability of a country or government to effectively utilize EU funds for development projects.

**Capacity-Building:** The process of improving the skills, competencies, and organizational capabilities of local, regional, and national authorities to manage public resources and implement reforms.

**Public Administration Reform (PAR):** A set of reforms aimed at modernizing the structures, functions, and operations of public institutions to improve the efficiency and transparency of government services.

**Pre-Accession Assistance (IPA):** An EU financial tool designed to help candidate and potential candidate countries prepare for EU membership. IPA funds are used to build administrative capacity, strengthen institutions, and implement reforms across sectors such as public administration, rule of law, and infrastructure.

**Structural Funds:** Financial instruments of the EU's cohesion policy aimed at reducing disparities between regions and promoting balanced development. Structural funds support infrastructure, employment, and innovation projects, and candidate countries must demonstrate capacity to effectively manage these funds.

## 10.4. List of stakeholders consulted

- NALAS Secretariat
- Union of Municipalities of Montenegro
- Standing Conference of Towns and Municipalities in Serbia
- Association of Local Autonomy of Albania
- Association of Kosovo Municipalities
- Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina
- Association of Municipalities and Towns of Republika Srpska
- Members of Negotiation Working Groups in Montenegro (representatives of the local level)

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