

LPSA Thematic Working Group  
on Subnational Finance

# **Making MLG work: Implementation challenges and opportunities in the Western Balkans**

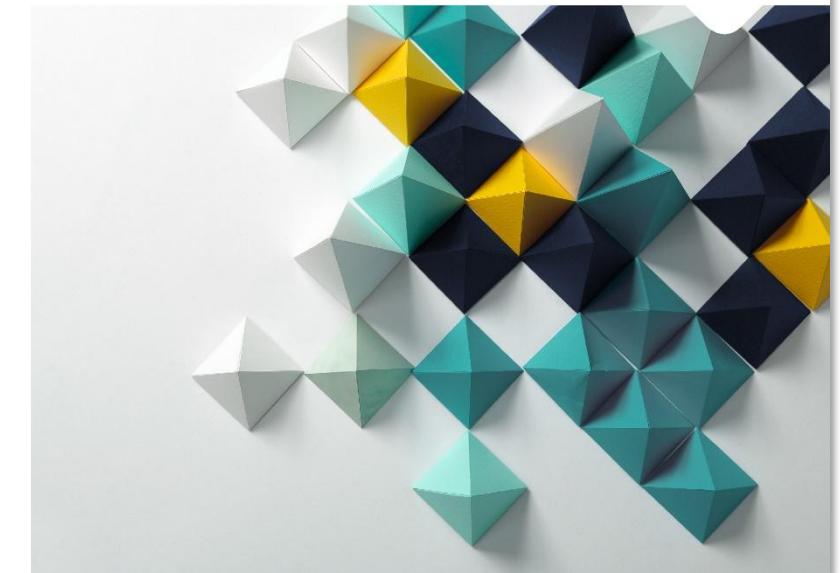
Monika Kurian, SIGMA, [monika.kurian@oecd.org](mailto:monika.kurian@oecd.org)

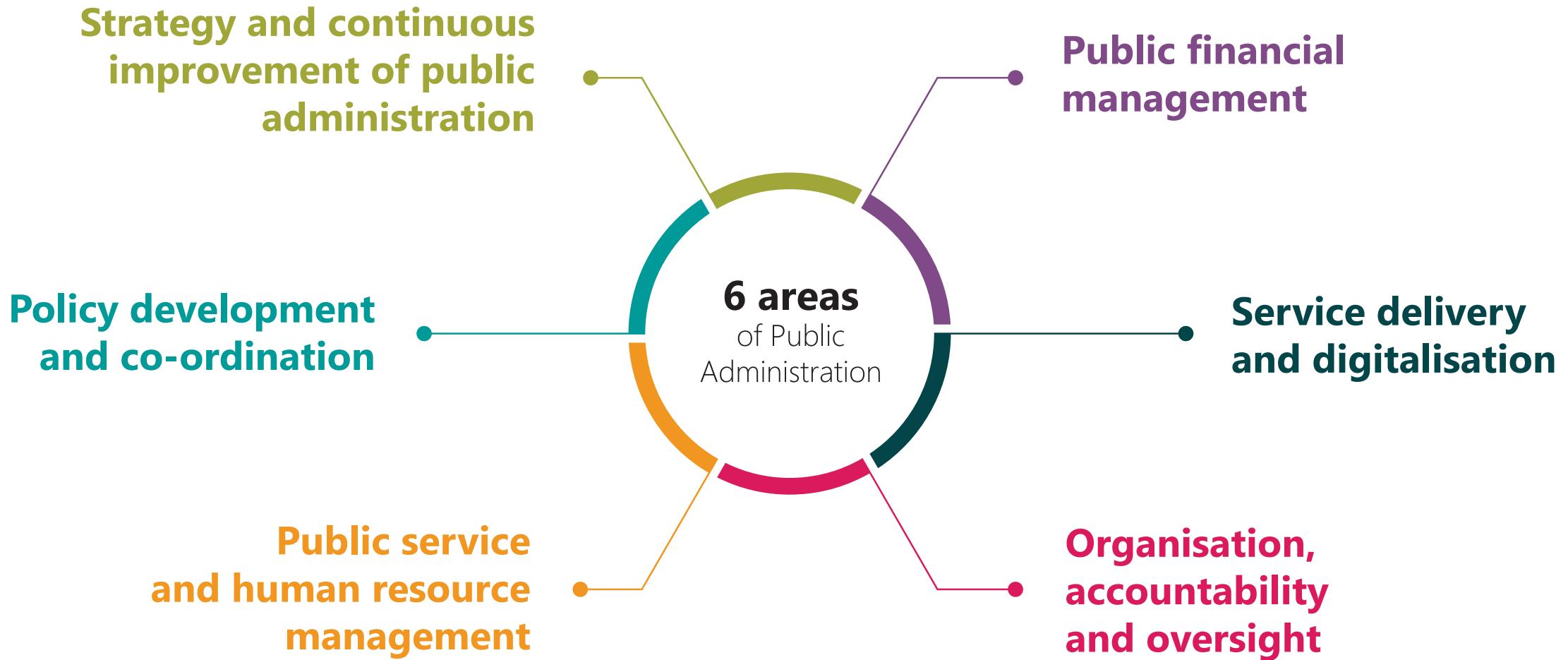
5 November 2025

- A **framework of standards** defining good public administration.
- Produced in **collaboration between OECD and EU**.
- Designed at the request of the **European Commission** to serve as a **tool of EU enlargement and neighbourhood policy**.
- For the OECD, the Principles serve for **dissemination of the Organisation's good governance standards**.
- Standards draw on formal **EU acquis, OECD recommendations**, other **international standards and good practices** of EU and OECD Members.

## The Principles of Public Administration

November 2023



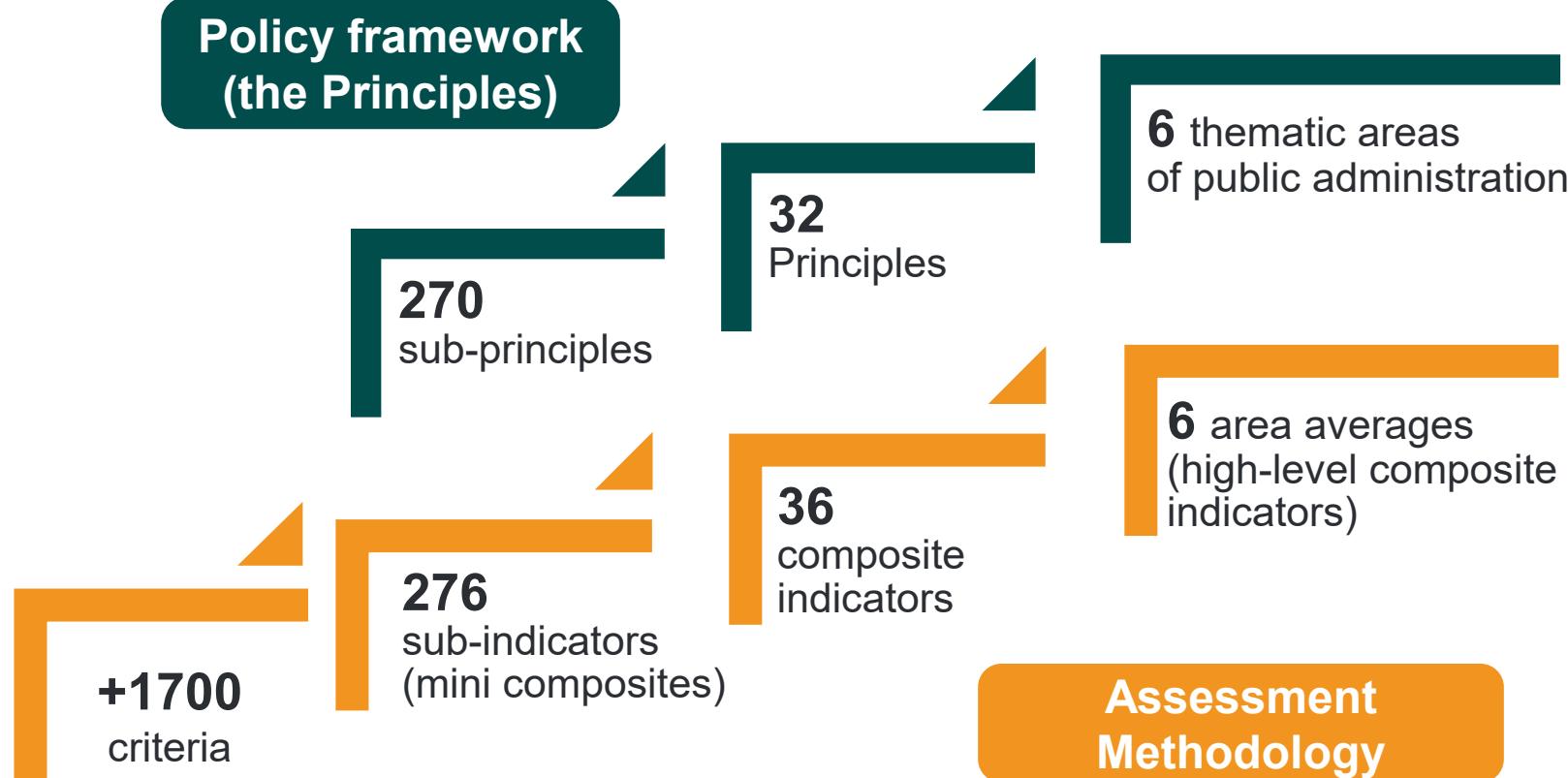


# New dimension: Multi-level governance (MLG)

- Ensuring **efficient co-ordination at all levels of government** is fundamental as they are complementary
- Multi-level governance** = *refers to the institutional and financial interactions among and across levels of government and a broad range of non-governmental stakeholders, including private actors and citizens, when designing and implementing public policies with subnational impact. This interaction is characterised by a mutual dependence among levels of government and runs vertically (among different levels of government), horizontally (across the same level of government), and in a networked manner with a broader range of non-governmental stakeholders (citizens, private actors).*

*(Council on Regional Development Policy, recommendation)*

- Developed in line with **EU, CoE and international instruments and standards**
- In line with the **European Charter of Local Self-Governments**
- Built on key local government principles** (subsidiarity, local autonomy, fiscal decentralisation)
- Assessment of the system – Not of SNGs directly
- First assessment of MLG in 2024 in the Western Balkans**



The methodology tries to capture **the extent a public administration aligns with** the normative statements distilled in each **Principle**

## The Principles of Public Administration

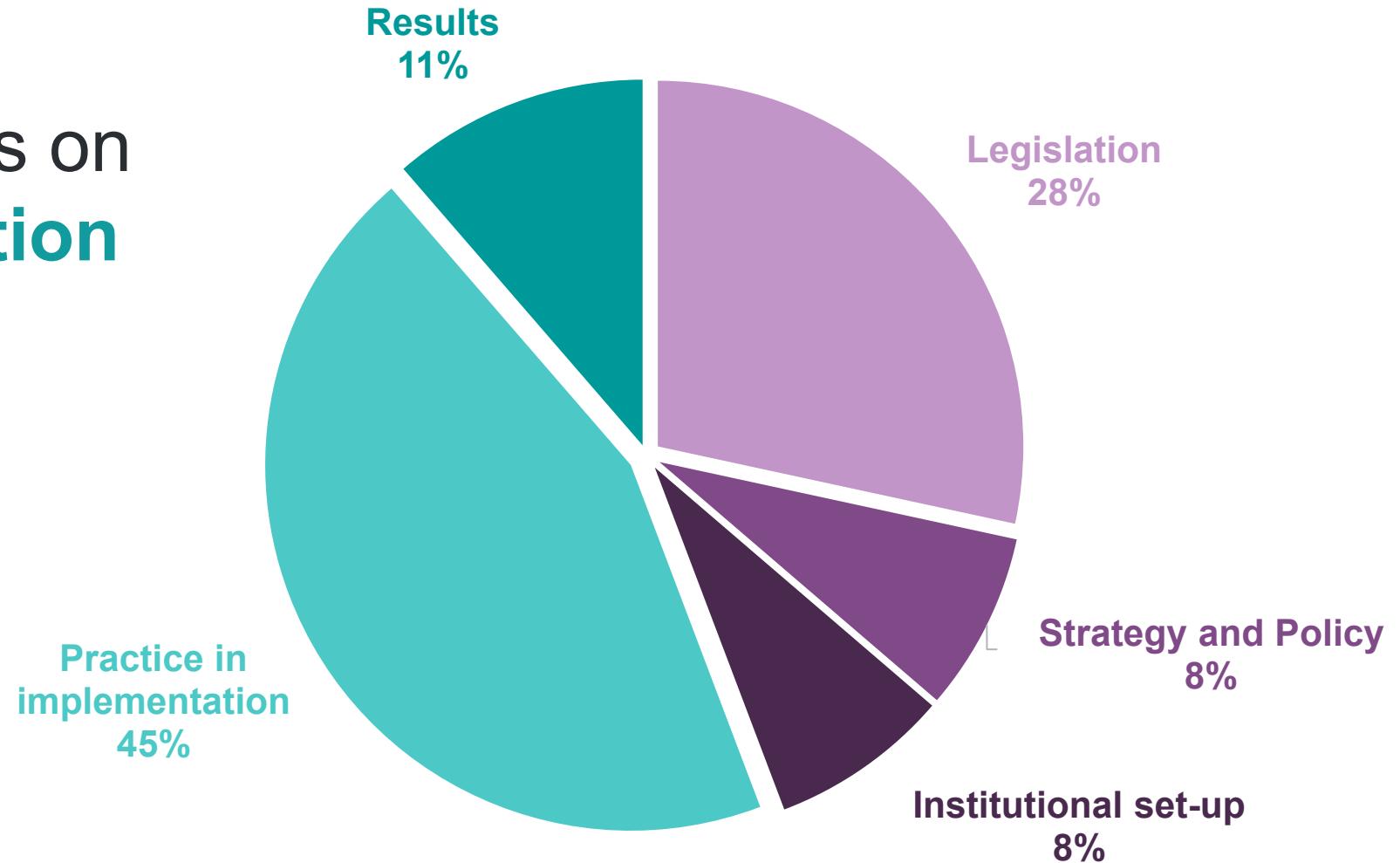
November 2023

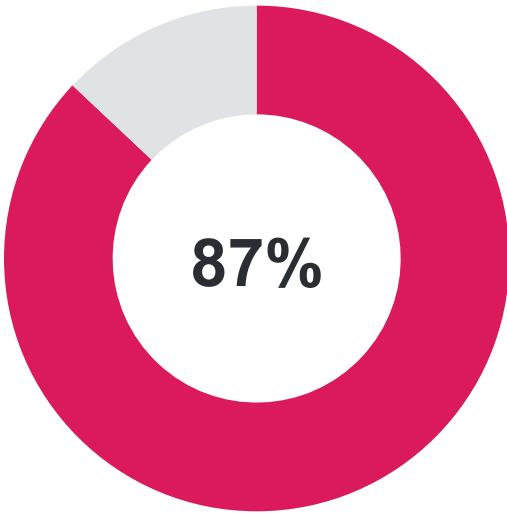


Sub-indicator	Criteria
1	<p><b>Legal guarantees</b> for the establishment and functioning of local governments ensuring multi-level governance across the public administration</p>
2	<p>Ensuring <b>political autonomy</b> of local governments and the right to organise their administration and establish local entities</p>
3	<p>Rules and procedures for the administrative <b>supervision</b> of local government activities and decisions</p>
4	<p>Rules and institutional set-up for resolving <b>conflicts of competences</b> among levels of government</p>
5	<p><b>Co-ordination and co-operation</b> are ensured between the local governments and the central government</p>
6	<p>The right to establish different forms of co-operation between local governments</p>
7	<p><b>Functions</b> for which local governments assume responsibility</p>

Sub-indicator	Criteria
1 Legislative guarantees for fiscal autonomy and <b>diverse sources</b> of revenues of local governments	12
2 Rules for fiscal <b>equalisation</b> to mitigate disparities among local governments	2
3 Mechanisms for financial <b>oversight</b> of local governments	5
4 Local governments' right to raise and manage <b>own finances</b>	6
5 Rules for conditional and unconditional <b>grants</b> to local governments	4
6 Financial balance and <b>fiscal sustainability</b> of local governments	8

**Over 50%**  
of the focus is on  
**implementation**  
and **results**

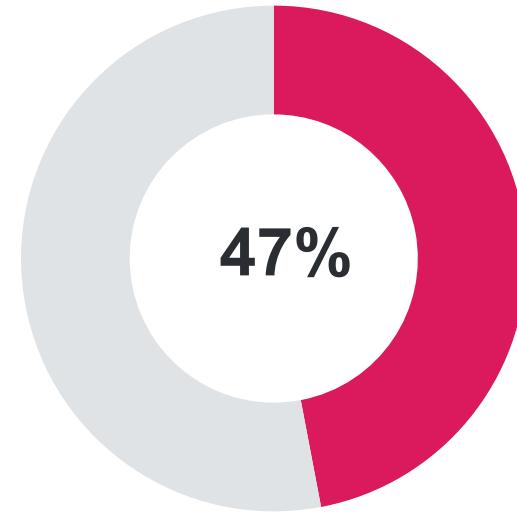




Legislation, strategy  
and institutions



Legislation, strategy and institutions, get very high results ranging from *Montenegro* with 83% to *North Macedonia* and *Serbia* at 90%.

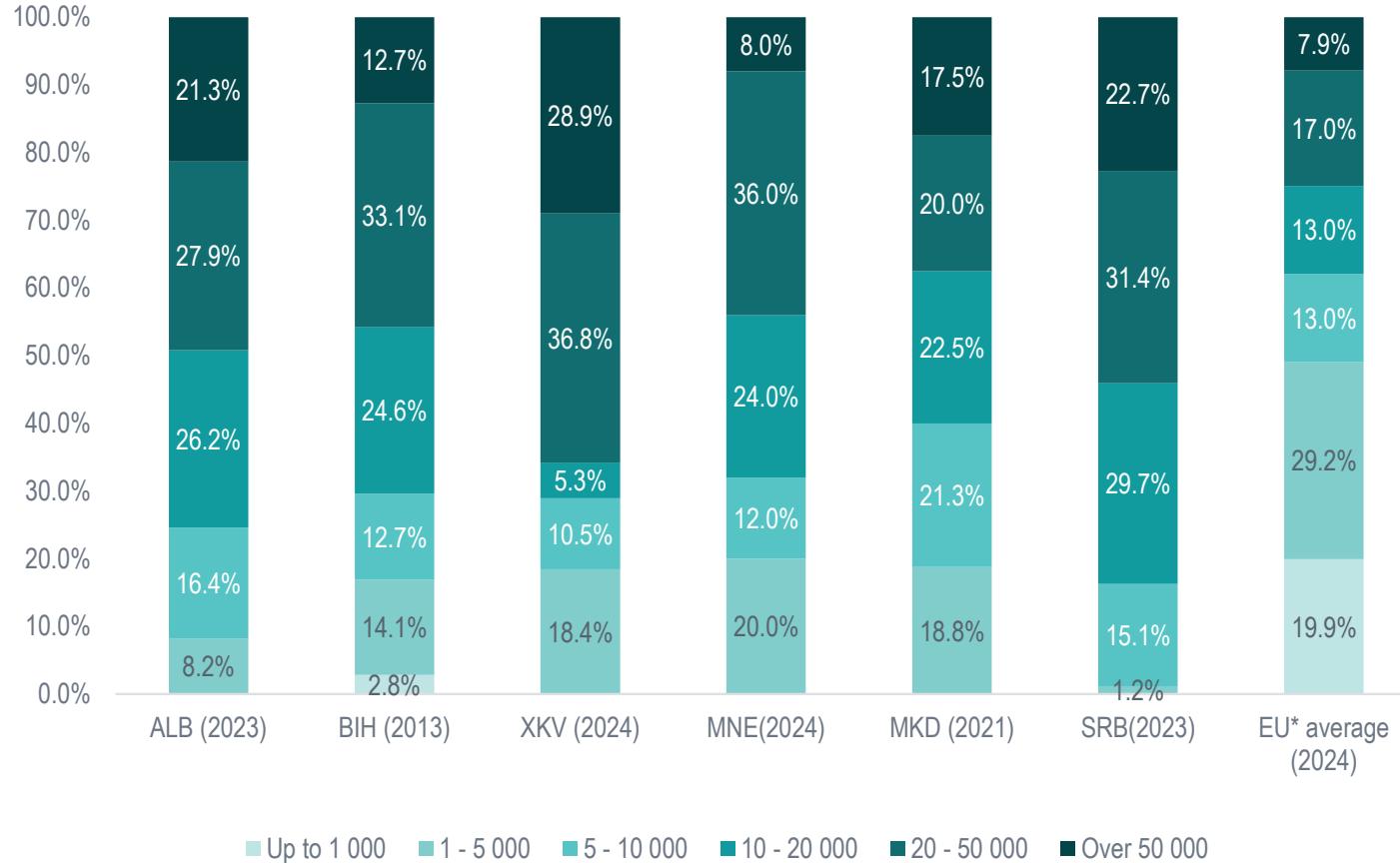


Implementation  
and results



In the **implementation and results** category, values range from 32% in *Bosnia and Herzegovina* to 55% in *Albania*.

- Multi-level governance (**MLG**) defines how power and responsibilities are shared among central, regional, and local levels
- It is vital for responsive service delivery, accountability, and **EU integration**
- **Local Autonomy Index in the WBs (2000-2020)**: Despite initial progress, the pace of decentralisation has stalled since 2010, the WB administrations continue to lag behind the EU average in local autonomy
- **Optimal sized local governments in most administrations** - but differences in LG capacities persist
- Developed **strategies and/or policies** focusing on LG issues
- In general, **administrative and fiscal autonomy** of LGs in line with EU standards
- **Key gaps**:
  - Narrow scope of competences/responsibility in policy areas
  - Fragmented central supervision with weak enforcement
  - Limited co-ordination and consultation mechanisms
  - Insufficient use of IMC in practice



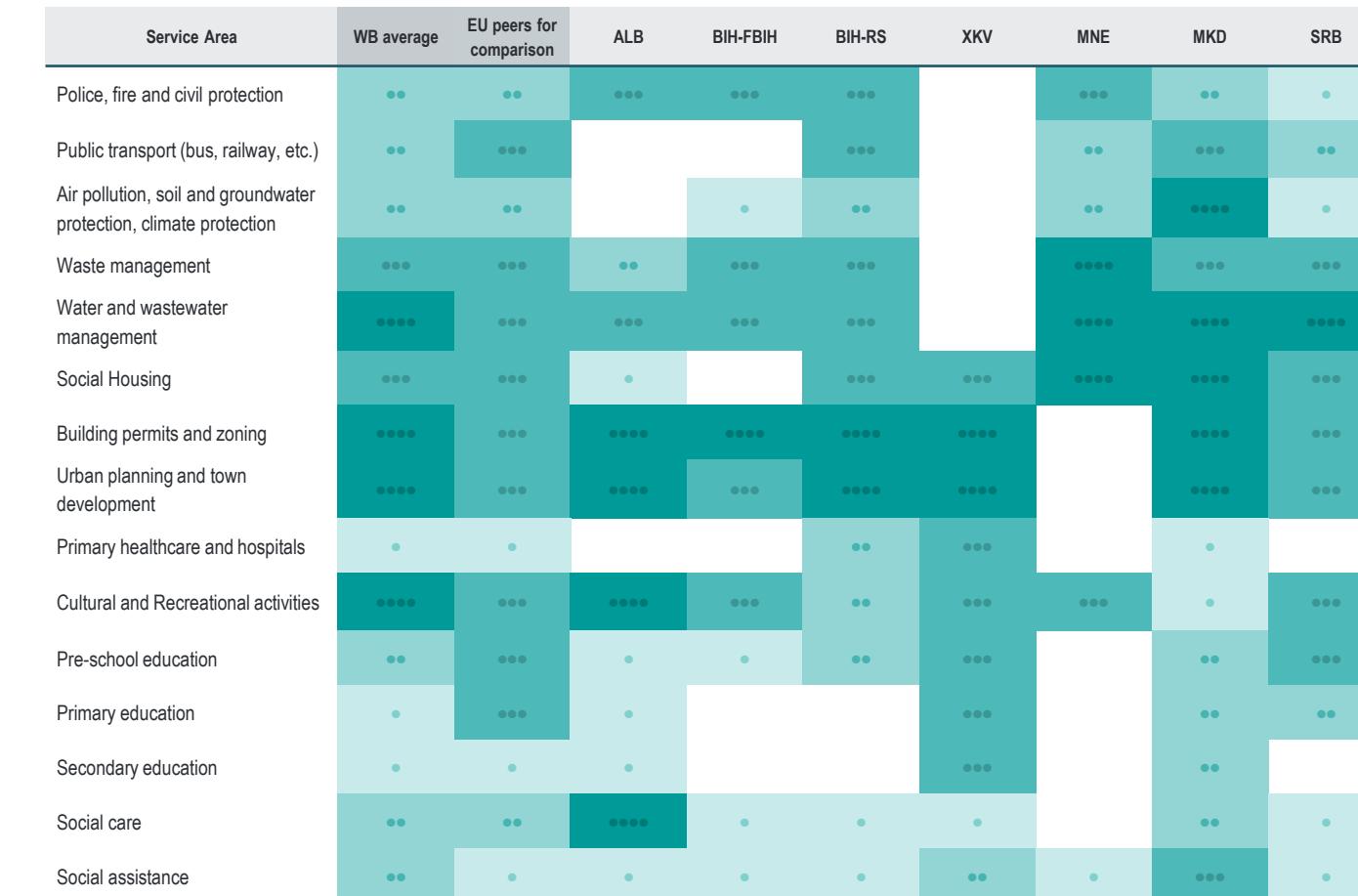
**Population size of local governments in the Western Balkans**

# Σ Gap between law and practice

- **Implementation gap** between legislation and practice
- **Subsidiarity** mostly recognised but **not fully applied in practice**
- Local administrations remain politically dependent and administratively constrained.
  - **Political autonomy** is guaranteed in law across the region, **some limitations** in practical flexibility (mayors and councillors are elected directly in most countries, however, central regulations dominate electoral procedures)
  - **Organisational autonomy** legally guaranteed, often **in practice central government control/approval** (*staff number, salary set at central level; employment plan approvals, low salary ceilings, weak merit-based recruitment*)

**Policy implication:** Decentralisation requires moving from formal alignment with EU norms to genuine local empowerment - by reducing central control, professionalising local administration, and ensuring subsidiarity works in practice.

# Moderate competences and responsibilities of LGs in the region



Responsibility Level	Description
	no responsibility
•	1/4 partial responsibility
••	1/2 shared responsibility
•••	3/4 shared responsibility
••••	full responsibility

- **Greater responsibilities of LGs in EU peers:** EU LGs (e.g. *Austria, Poland, Estonia*) often handle education and social services more extensively than in WB
- **Similarities in technical and communal services:** both EU and WB LGs share similar roles in utilities management (exception Kosovo\*)
- Conversely in Greece, LGs display **similar functional limitations** to those in WB
- MKD has the broadest scope but **limited policy discretion** (e.g. primary and secondary education)
- **Asymmetric decentralization** is emerging: MNE, XKV
- **Unclear division of competences**, responsibilities are delegated without matching authority or capacity — creating blurred accountability lines

**Policy implication:** Expanding competences must be matched by real policy-making authority, not just delegated tasks.

- **Supervision formally limited to legality**, however control sometimes extends to “expediency” of local decisions.
- **Weak enforcement mechanisms** - enforcement is often weak, fragmented across sectors, and poorly co-ordinated
- **Rare use of legal remedies** - although legal avenues exist (e.g., constitutional courts), they are underutilised in practice
- **Lack of central oversight data** - inspection data is not centrally compiled or analysed, reducing transparency
- **Underdeveloped internal controls** – LGs struggle with implementing effective internal control systems, especially in risk management
- **Consultation exists but lacks depth** – formal and/or informal structures exist, but these are often underused (inconsistent, ad hoc, late in policy process)
- **Early-stage consultation** in national policymaking **is rare, LG associations vary in strength**
- **Policy incoherence** - caused by unaligned reforms across ministries -undermines local policy delivery and regional development strategies

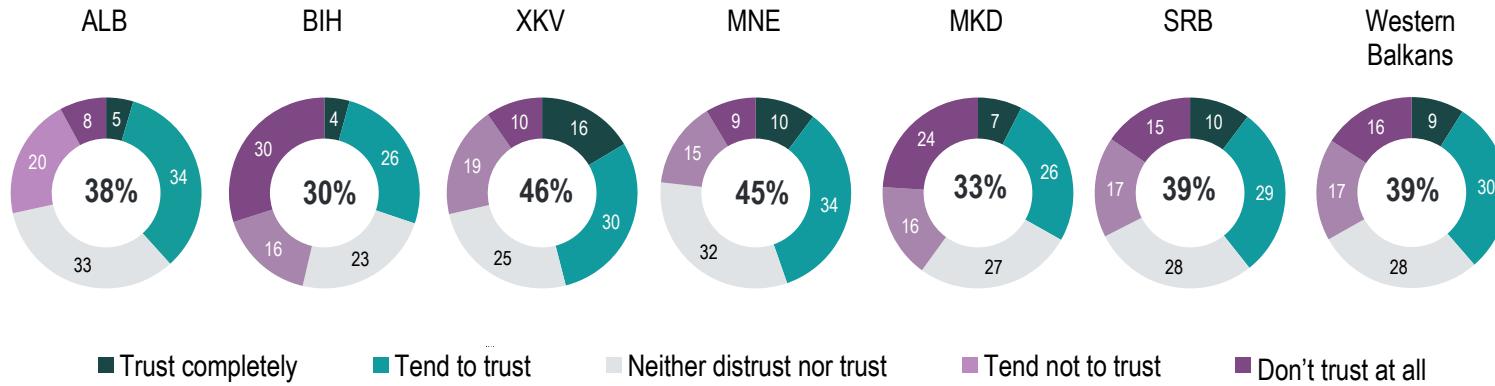
# Σ Unlocking the potential of IMC

- Significant differences in capacity among LGs, yet IMC **remains underused**, despite legal provisions enabling co-operation
- Often **relying on donor funding** and lacking sustained financial or policy incentives
- There is **lack of national strategic support**, which also leads to co-ordination issues
- Smaller municipalities often lack human and/or technical capacities, local dynamics can also inhibit co-operation
- The **most common areas of IMC are waste management and communal services** (some showing wider range of activities), not the most “significant” policy areas
- Across the EU, several models show how **targeted financial incentives and legal frameworks can make IMC sustainable and effective** – can transform IMC from optional collaboration to core element of local governance ([further to read](#))

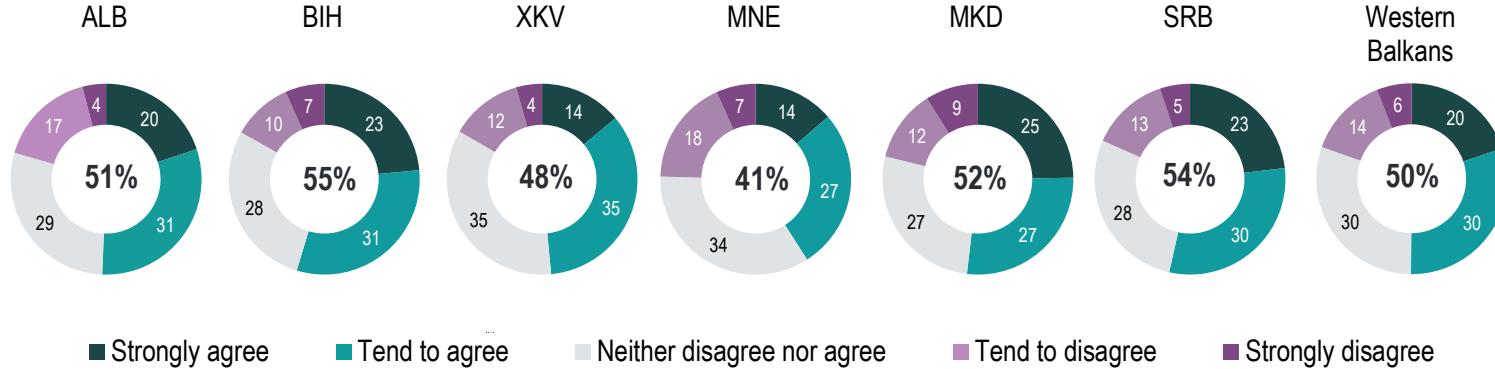
**Policy implication:** IMC should move from ad-hoc, donor-driven projects to strategic, government-supported with clear legal frameworks, financial incentives, monitoring mechanisms, and platforms that enable municipalities to collaborate, share resources, and deliver joint services effectively.

- **Low public trust in local governments** - ranges roughly between 30% and 46%
- **Central government overreach** – widespread concern with some countries showing over 50% agreement

## Citizen trust in local governments



## Citizens' perception about excessive central government interference in local issues



# Σ Regional good practices in MLG

- **Albania** - Consultative Council established by law, 2015 territorial reform improved service capacity
- **FBiH** - a Handbook (prepared by the Association) for newly elected municipal/city councilors with a written division of competences, citizen assemblies in some LG enhance participation and trust
- **Kosovo** - elements of asymmetric decentralisation, with extended functions for the capital city of Pristina and three municipalities with a Serbian majority
- **Montenegro** - analysis followed by public consultation and reform
- **North Macedonia** - LG financing support measures during COVID, ZELS acts as a strong intermediary in dialogue with the government
- **Serbia** - Commission for Local Self-Government Financing with local government participation + active support to IMC



Forthcoming 2025

**Implementation and Challenges  
of Multi-Level Governance  
in the Western Balkans**



2023

**Subnational government  
in the Western Balkans**



2024

**Inter-municipal co-operation  
in the Western Balkans**



2025

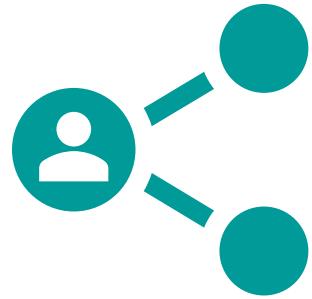
**Toolkit for analysis  
of local governments  
in the Western Balkans**

May 2025





## Find out more about SIGMA



[www.sigmaweb.org](http://www.sigmaweb.org)



[www.par-portal.sigmaweb.org](http://www.par-portal.sigmaweb.org)



[www.linkedin.com/company/sigma-programme](http://www.linkedin.com/company/sigma-programme)



[sigmaweb@oecd.org](mailto:sigmaweb@oecd.org)

[monika.kurian@oecd.org](mailto:monika.kurian@oecd.org)

# Thank you!