

LPSA Thematic Working Group
on Subnational Finance

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

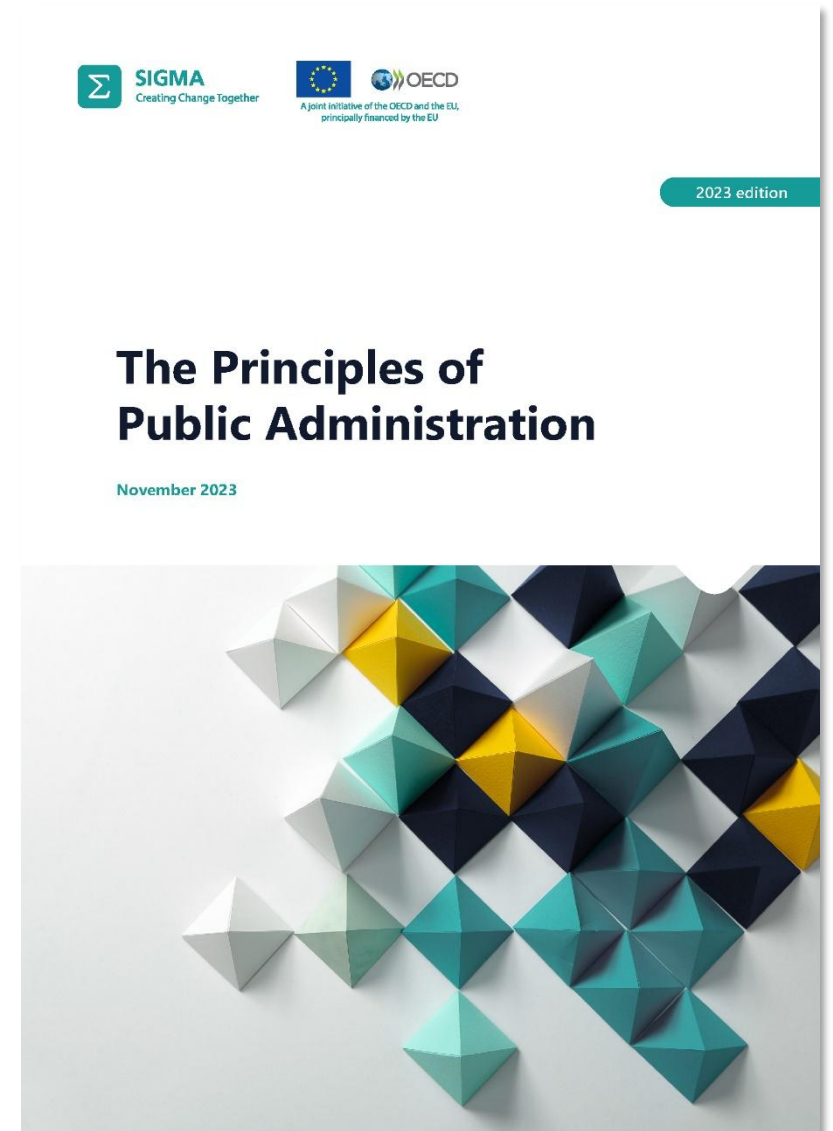
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What are the Principles of Public Administration?

- 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.





Thematic areas





New dimension: Multi-level governance (MLG)

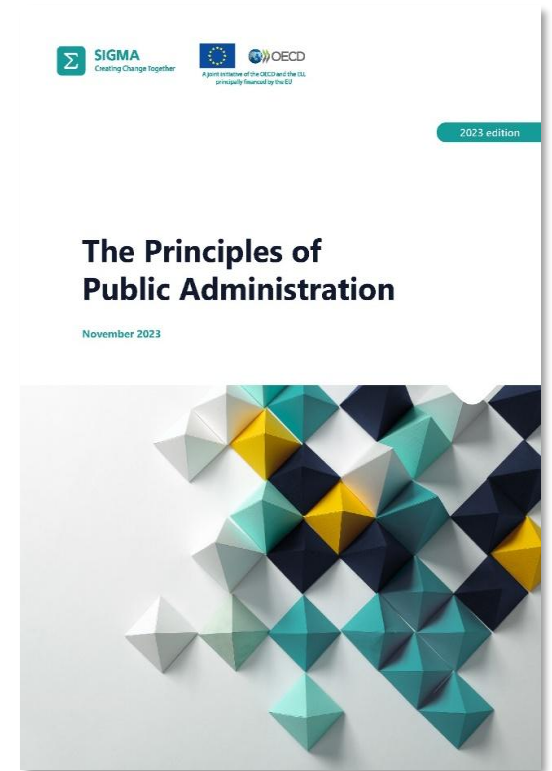
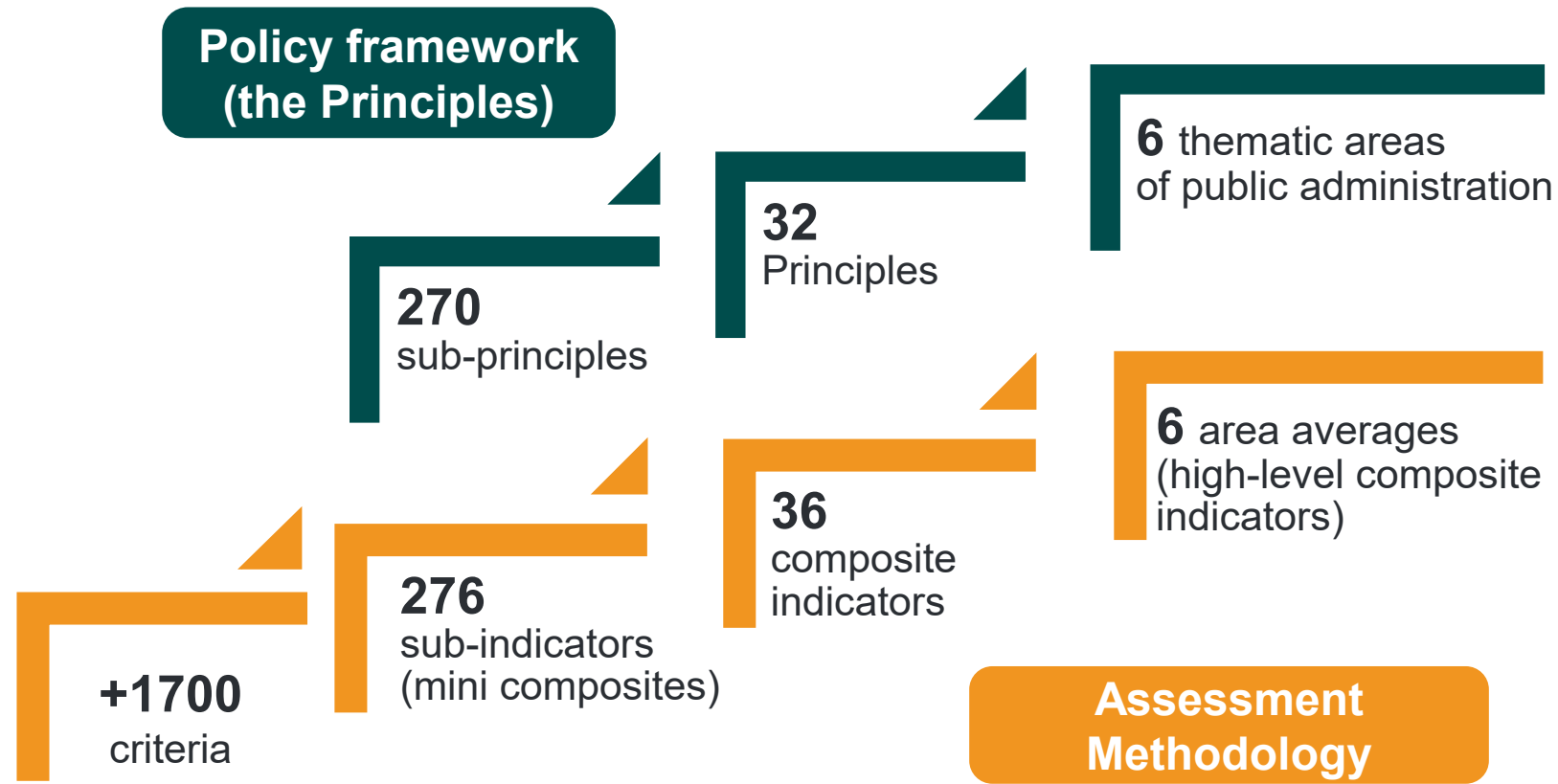
- Ensuring **efficient co-ordination at all levels of government** is fundamental as they are complementary
- **Multi-level governance** = refers to the *institutional and financial interactions among and across levels of government and a broad range of non-governmental stakeholders, including private 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**



Structure



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





Principle 14: Multi-level governance



Sub-indicator		Criteria
1	Legal guarantees for the establishment and functioning of local governments ensuring multi-level governance across the public administration	12
2	Ensuring political autonomy of local governments and the right to organise their administration and establish local entities	7
3	Rules and procedures for the administrative supervision of local government activities and decisions	8
4	Rules and institutional set-up for resolving conflicts of competences among levels of government	3
5	Co-ordination and co-operation are ensured between the local governments and the central government	9
6	The right to establish different forms of co-operation between local governments	9
7	Functions for which local governments assume responsibility	5



Principle 32: Fiscal autonomy of local governments

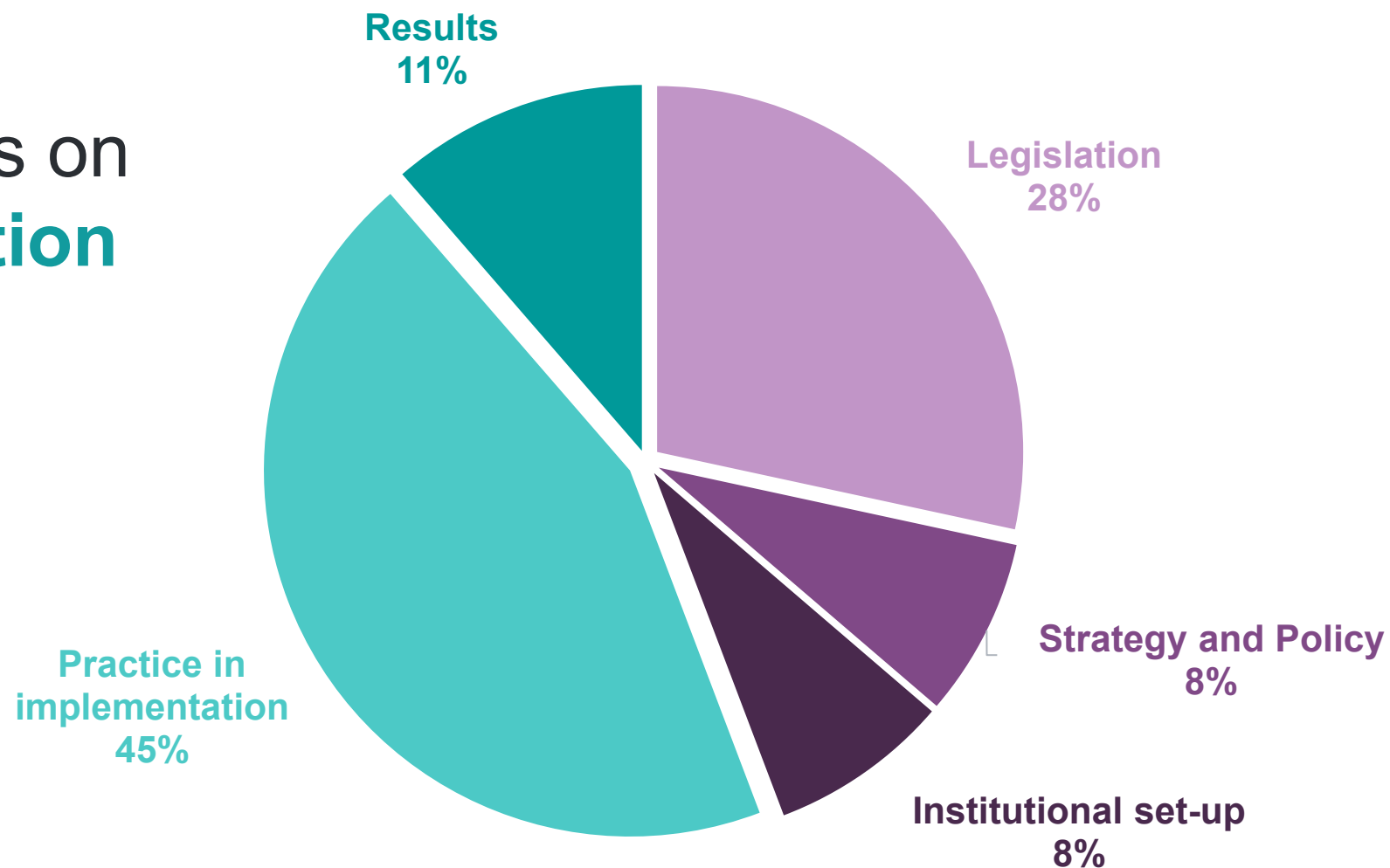
Sub-indicator	Criteria
1	Legislative guarantees for fiscal autonomy and diverse sources of revenues of local governments
2	Rules for fiscal equalisation to mitigate disparities among local governments
3	Mechanisms for financial oversight of local governments
4	Local governments' right to raise and manage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





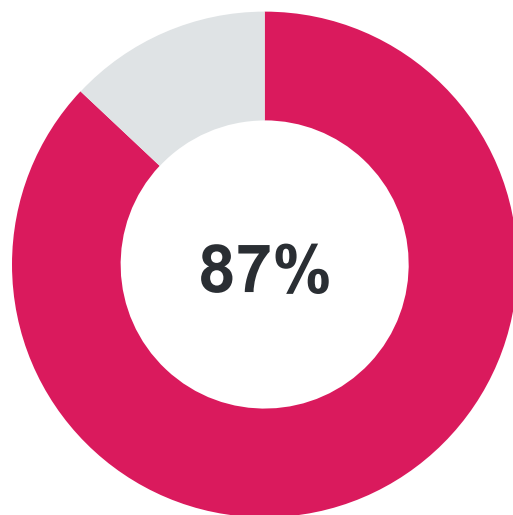
Types of criteria

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





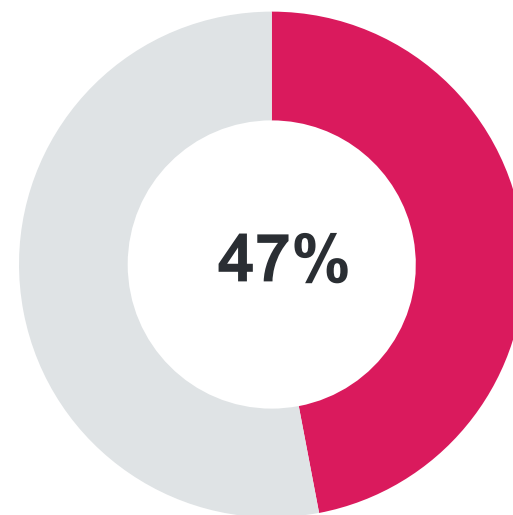
State of play in MLG in the Western Balkans



**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*.

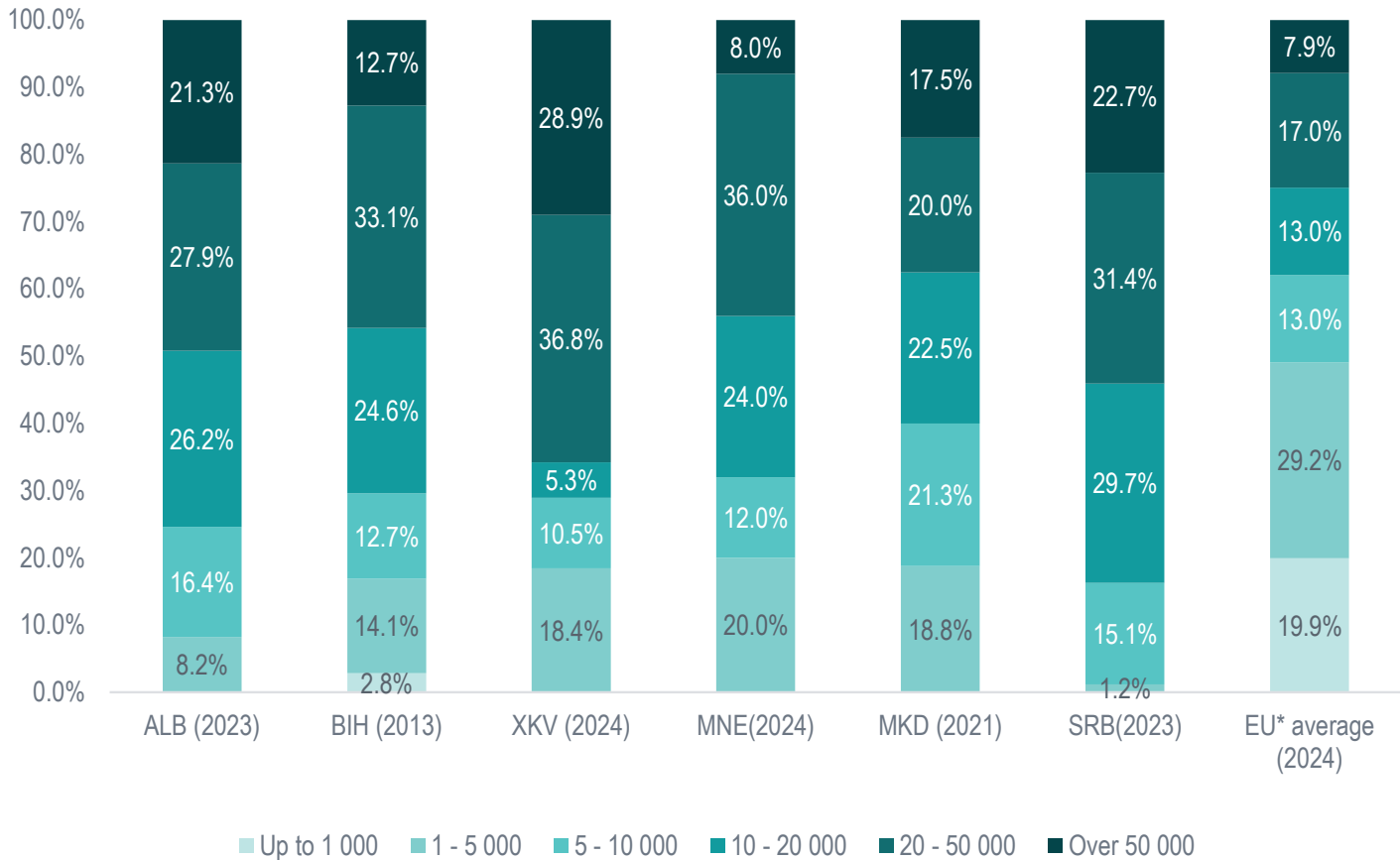


The regional context

- 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



The regional context



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





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

Service Area	WB average	EU peers for comparison	ALB	BIH-FBIH	BIH-RS	XKV	MNE	MKD	SRB
Police, fire and civil protection
Public transport (bus, railway, etc.)
Air pollution, soil and groundwater protection, climate protection
Waste management
Water and wastewater management
Social Housing
Building permits and zoning
Urban planning and town development
Primary healthcare and hospitals	
Cultural and Recreational activities
Pre-school education
Primary education
Secondary education	
Social care
Social assistance

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.



*This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.



Improving oversight and co-ordination with LGs

- **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

Policy implication: Oversight should evolve from fragmented control to coordinated, transparent supervision that enforces legality while empowering local autonomy, supported by regular dialogue between ministries and local government association, which should have stronger mandates.



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 MC sustainable and effective** – can transform IMC from optional collaboration to core element of local governance ([further to read](#))

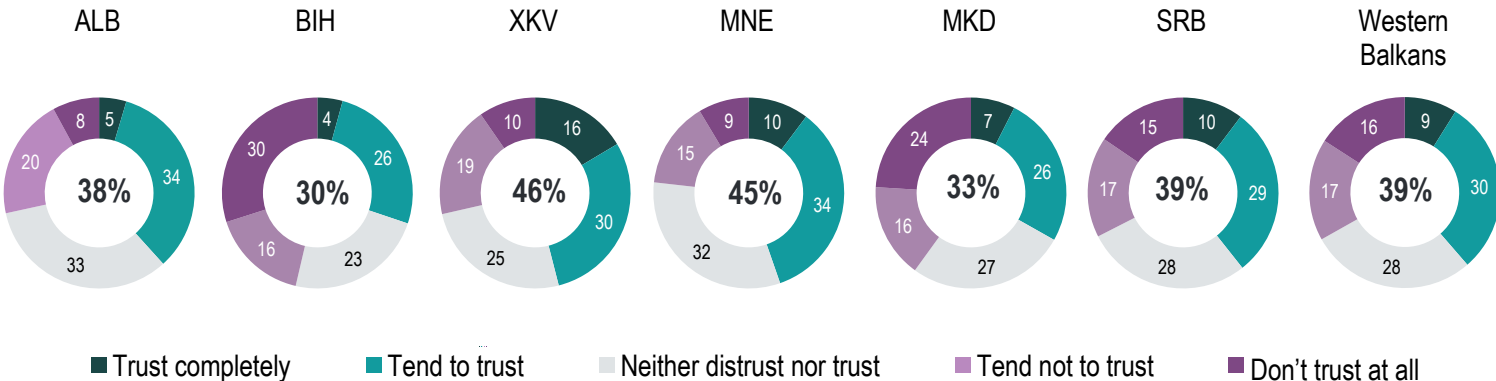
Policy implication: IMC should move from ad-hoc, donor-driven projects to strategic, government-supported with clear legal frameworks, financial incentives, monitoring mechanisms, and platforms that enable municipalities to collaborate, share resources, and deliver joint services effectively.



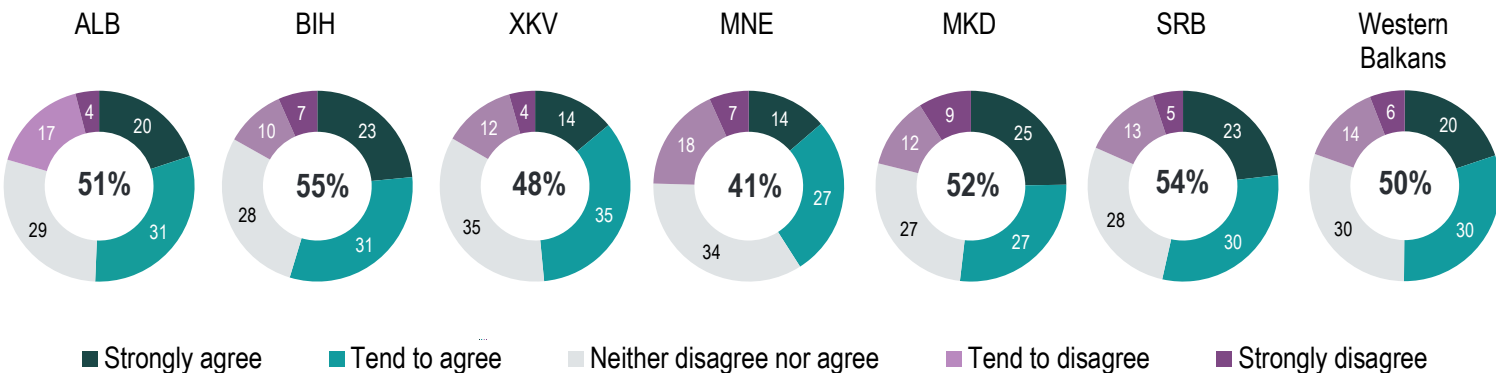
Restoring public trust through decentralisation and citizen participation?

- **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



- **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



SIGMA publications on MLG

**SIGMA**
Creating Change Together


A joint initiative of the OECD and the EU,
principally financed by the EU

Forthcoming 2025

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



**SIGMA**
Creating Change Together


A joint initiative of the OECD and the EU,
principally financed by the EU

2023

Subnational government
in the Western Balkans



**SIGMA**
Creating Change Together



A joint initiative of the OECD and the EU,
principally financed by the EU

2024

Inter-municipal co-operation
in the Western Balkans



**SIGMA**
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2025

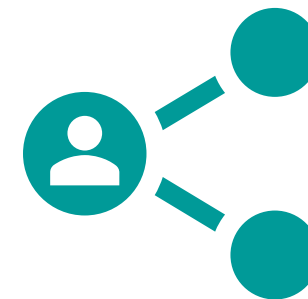
Toolkit for analysis
of local governments
in the Western Balkans

May 2025





Find out more about SIGMA



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Thank you!

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