

WeLead



Funded by
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WeWrite: From Ideas to Influence

BY YOUNG PUBLIC OFFICIALS FROM
THE WESTERN BALKANS



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CEF

Connect. Learn. Act.

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PROJECT:

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



FOREWORD

Policy papers play an important role in shaping public agendas, supporting informed debate, and advancing reform. Their value lies in translating analysis into practical, evidence-based solutions, particularly in regions such as the Western Balkans, where complex development challenges persist.

For young public officials, drafting policy papers is a key element of capacity building. It strengthens critical thinking, research, and communication skills, competencies essential for leadership. This process enables them to define policy challenges clearly, develop feasible solutions, and contribute more effectively to institutional and public decision-making.

Policy papers provide policymakers with structured, evidence-based insights, helping them navigate complex issues and identify targeted interventions. They bridge research and implementation by transforming data into actionable recommendations and supporting constructive policy dialogue. In the Western Balkans, they are particularly relevant for addressing socioeconomic disparities, governance challenges, and regional cooperation through realistic proposals for institutional and legal development.

This publication presents eight policy papers developed by young public officials as part of a structured learning process. Supported by experienced mentors, the authors examined real-world challenges and proposed concrete solutions. The collection reflects both their professional development and their shared commitment to public sector reform.

Jana Repanšek,
CEF Director

Polona Sirnik,
WeLead Project Manager



INTRODUCTION

This publication presents the policy papers developed by the third generation of WeWrite participants, reflecting a year of structured work, mentorship, and analytical development.

Eight young public officials from the Western Balkans actively engaged in the program while balancing demanding professional responsibilities. Supported by experienced mentors, they continuously refined their work, strengthening both its policy relevance and analytical rigor.

The papers address diverse policy challenges, grounded in evidence-based research and a strong understanding of institutional contexts. Each contribution combines professional expertise with personal commitment, resulting in practical, context-sensitive recommendations.

A core element of the program is its bilateral mentorship model, enabling continuous, tailored guidance. This is complemented by oversight from the lead mentor, ensuring coherence and consistent quality across the cohort. In parallel, a writing advisor provided targeted support through individual consultations, enhancing clarity, structure, and precision.

The publication demonstrates the value of structured mentorship and collaborative learning, highlighting a shared commitment to advancing public sector reform and governance in the region.

The papers are presented in alphabetical order by country. They include:

- **Closing the Oversight Gap: A Treasury Metadata Register for Classified Public Procurement in Albania**, written by Elkjer Qema, mentored by Eralda (Methasani) Çani
- **Strengthening Financial Governance for Climate Action in Albania**, written by Ester Beqiraj, mentored by Petrina Broka
- **Digital Education Infrastructure in the Republic of Srpska: Addressing Critical Barriers to the Reform Agenda**, written by Maja Jovičić Prole, mentored by Merdža Handalić Plahonjić
- **Energy Efficiency as the New Energy Source: Scaling Up Retrofitting in Kosovo**, written by Aurora Popova, mentored by Vlado Dimovski
- **Increasing Kosovo's Judicial Efficiency Through Digital Tools, Including AI**, written by Lirikë Kamberi, mentored by Dragan Tilev
- **Preparing Montenegro for EU Structural and Cohesion Funds**, written by Aleksandar Cvijović, mentored by Svetlana Laušević
- **Reducing Youth Emigration in the Eastern Region of North Macedonia Through EU-Aligned Measures**, written by Daniel Jovevski, mentored by Natasha Ilijeva Acevska
- **New Momentum in Enlargement: Leveraging the EU Growth Plan for Serbia's Integration into the Single Market: Strengthening State Aid Control, Transparency, and Institutional Capacity**, written by Aleksandar Ljubomirović, mentored by Stefan Surlić

The authors will present their work at the Young Bled Strategic Forum in September 2026, offering a platform for exchange and cross-regional dialogue.

We believe this publication will serve as a valuable resource for policymakers, researchers, and all those engaged in the future of public governance in the Western Balkans. It reflects not only what has been achieved but also the potential that can be unlocked when young professionals are empowered to drive change.

Vlado Dimovski,
Lead Mentor

Paul McClure,
Writing Expert

Laura Katarina Jularić,
Component Leader of the WeWrite Cohort 3

CLOSING THE OVERSIGHT GAP: A TREASURY METADATA REGISTER FOR CLASSIFIED PUBLIC PROCUREMENT IN ALBANIA

AUTHOR: **ELKJER QEMA**

MENTOR: **ERALDA ÇANI**

.....

TIRANA, ALBANIA, 2026





ELKJER QEMA is an Albanian finance professional and PhD researcher with over a decade of experience in public treasury management at Albania's Ministry of Finance. He has held roles on both the expenditure and revenue sides of the treasury system, including a posting in Tirana overseeing budget execution for 27 of the country's largest public budget institutions, building substantial operational knowledge of Albania's public financial management (PFM) framework.

He holds a Master's degree in Finance from the University of Tirana and a Master of Science degree in Business Administration from the University of Ukshin Hoti in Prizren. He is currently pursuing a PhD in Economics and Management at the Slovak University of Agriculture in Nitra, where his research examines economic development challenges and socio-institutional factors shaping economic development across the Western Balkans.

He has presented research at international conferences across Europe and contributed to peer-reviewed literature addressing Western Balkan development economics, poverty, EU convergence, migration, and perceived economic well-being.

Alongside his institutional and academic work, his practical experience in PFM has informed a broader interest in how government-held data could be put to better use, supporting oversight and accountability in public spending as Albania moves closer to EU membership and works to bring its procurement practices in line with EU standards.

He is open to connecting with researchers, policymakers, and practitioners who share an interest in public finance, institutional reform, and the economic development of the Western Balkans.



DR. ERALDA (METHASANI) ÇANI has been a full-time lecturer in the Public Law Department at the Faculty of Law, University of Tirana, since 1998. She also teaches at the Institute of European Studies and the Albanian School of Magistrates.

Prof. Dr. Çani has 27 years of experience in public law and public policy, with a focus on administrative, constitutional, and human rights law. Her career includes notable positions in Albania's public administration, such as her work at the Ministry of Labor and Social Affairs and her service as Public Law Advisor to the Prime Minister and Deputy Minister of Integration (2013–2017). Her expertise spans constitutional and administrative reform, public consultation, deregulation, transparency, conflict of interest and anti-corruption, decentralization, gender equality, public policies in general, and human rights. She is the co-author of public law-related legislation, strategies, and public policies. She has extensive experience in research and policymaking with national and international organizations in public administration, legal drafting, and European integration, including legal harmonization focused on fundamental rights.

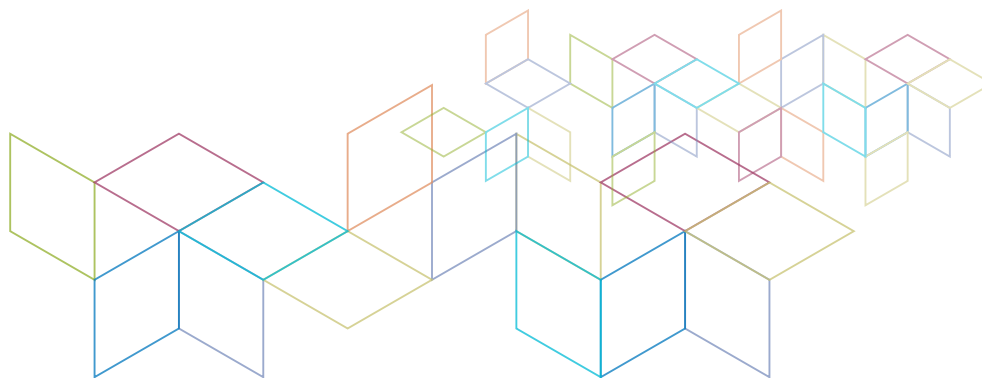
She is the author and co-author of many publications, including the first Albanian–English–Albanian Dictionary for Human Rights in Albania and Kosovo, “Administrative Law in a Comparative Perspective,” “Constitutional and Administrative Law,” and “The Rule of Law in the Constitution of Albania.”

EXECUTIVE SUMMARY¹

Albania's classified public procurement has grown from an exceptional security measure into a substantial and largely unverifiable share of government contracting. Its use has expanded across defense, intelligence, information technology (IT), and health, without a proportionate strengthening of oversight. No single institution holds a complete view. The Public Procurement Agency (PPA) is legally excluded from monitoring these contracts, the Supreme State Audit Institution (SSAI) has risk-based audit tools but lacks the structured data to apply them, and Parliament receives no aggregated information on classified spending. The Commissioner for the Right to Information (CRIPPD) issues binding disclosure orders that authorities routinely ignore in favor of paying small administrative fines.

Yet the Treasury already publishes all classified transaction data daily, although in disaggregated Excel files rather than on a searchable platform. The core problem is therefore not missing data; it is inaccessibility, fragmentation, and the absence of tools capable of turning what already exists into meaningful oversight. The obstacle, in short, is not security but accountability. With Chapter 5 closure anticipated in 2026 or 2027, addressing this gap will be important.

Drawing on treasury transaction data from 2019 to 2025, comparative case studies, legal analysis, and stakeholder consultations, this paper evaluates three policy options against six criteria. It recommends the establishment of a Treasury Metadata Register: a centralized, searchable platform that converts the Treasury's existing daily publications into a usable form, covering all government payment transactions. The Register requires only a Council of Ministers decree for initial establishment and adds two fields to data already in the public domain. It does not, on its own, enable substantive audit of the contents of classified contracts; what it does enable is for the SSAI to apply risk-based audit selection, prioritizing classified transactions for in-depth review using its existing security-clearance protocols. It also gives Parliament a route to aggregated reporting, and provides the European Commission with verifiable evidence in support of Chapter 5 closure, without compromising state secrets. The reform can begin within months and be anchored permanently in legislation once it has demonstrated its value.



1. The views expressed in this paper are those of the author in an individual academic capacity and do not represent the position of any Albanian state institution. This paper was prepared under the WeLead program, funded by the EU, using exclusively publicly available data.

1 INTRODUCTION AND CONTEXT

As Albania approaches EU membership, a key challenge emerges: ensuring that classified public procurement contracts remain proportionate, accountable, and verifiable. Building on a substantially aligned legal framework under Law No. 162/2020, “On public procurement” (hereafter Law No. 162/2020)², Albania now needs to close the oversight gap that fragments monitoring across institutions, deprives the audit authority of usable data, and leaves Parliament without aggregated information on classified spending, all while maintaining the confidentiality that bona fide national security requires.

This transition hinges on urgent investment in data infrastructure, as current institutional arrangements, though adequate for monitoring open procurement, are largely insufficient for verifying whether classified contracting is proportionate to genuine security needs. Based on Albanian treasury transaction data from 2019 to 2025, Albania has executed 1,202 classified transactions totaling nearly 9 billion Albanian lek (ALL), with the National Agency for Information Society (NAIS) accounting for 75% of all classified funds and 95% of all classified transactions.

Even so, closing this oversight gap faces systemic obstacles. Despite several reform efforts under the National Public Procurement Strategy 2024–2030, key structural barriers persist. These include fragmented institutional mandates that leave classified contracts outside any monitoring framework, decentralized data publication practices that prevent systematic audit, and weak enforcement mechanisms that allow authorities to pay fines instead of disclosing nonsensitive information. Internal mobility of data, namely, the ability to repurpose existing treasury information for oversight, is a key mechanism for closing this gap. Yet, the Treasury currently publishes all classified transaction data only as disaggregated daily Excel files, making systematic analysis impossible.

This paper recommends, after evaluating three policy options, the establishment of a Treasury Metadata Register. The Register would convert the Treasury’s existing daily Excel files into a centralized, searchable digital platform with an open application programming interface. It would cover all government payment transactions, regardless of classification status. This measure is critical for closing the gap in institutional readiness for Chapter 5 (Public Procurement). It can be established without amending Law No. 162/2020.

Albania’s oversight gap reflects broader regional challenges, as many Western Balkan countries struggle with opaque procurement practices and weak enforcement of transparency obligations. Other persistent problems include fragmented approaches to concessions and public-private partnerships, frequent exemptions for major infrastructure projects, and widespread distrust among businesses (Lemke et al., 2025). Addressing this issue is not only essential for successful EU accession under Chapter 5, Public Procurement, but also vital for maintaining public trust and ensuring that national-security exemptions are not used to shield contracts from legitimate oversight.

The objective of this policy paper is to provide evidence-based and practical recommendations for closing Albania’s classified procurement oversight gap, in alignment with the anticipated closure of Chapter 5 by 2026 or 2027, through a Treasury Metadata Register that enables risk-based audit selection without compromising state secrets. The next section presents an in-depth analysis of current classified spending trends and institutional concentration. This is followed by a review of the EU accession framework, the legal and institutional framework, and comparative case studies from North Macedonia, Poland, and Hungary. The methodology combines quantitative analysis of treasury transaction data from Open Data Albania, qualitative analysis of national legislation and EU directives, stakeholder consultations with key institutions, and comparative case studies. This framework allows for a comprehensive assessment of institutional readiness, oversight gaps, and reform pathways in line with Albania’s EU integration goals.

² Kuvendi i Republikës së Shqipërisë, 2020b

2 PROBLEM DESCRIPTION

The number of classified procedures in Albanian public procurement has increased significantly between 2019 and 2025. These contracts are designated as state secrets or linked to essential national interests. Under Article 10 of Law No. 162/2020, such designation grants them partial or full exemption from standard competitive and transparency requirements. While such derogations are permitted under EU law (Directives 2014/24/EU and 2009/81/EC), their application in Albania raises serious concerns about proportionality (whether classification is genuinely necessary or merely convenient), accountability, and public trust.

The problem this paper addresses is not the increase in classified contracts itself, but the lack of sufficient transparency to monitor and audit these contracts. This makes it impossible to verify whether their volume and concentration are proportionate to legitimate justifications, including national security, cyber defense, and digitalization priorities.

The Centre for European Security Studies (2022) finds that Albania's legal framework for classified procurement remains easy to bypass. The same category of "military equipment" appears both within and outside the scope of the law, allowing contracting authorities to apply rules selectively. Evidence of overly broad application is clear: institutions unrelated to security have used classified procedures at levels comparable to intelligence services. Oversight of classified contracts is fragmented by design. Active scrutiny from Parliament is largely absent, and technical expertise and certified staff remain insufficient at the SSAI.

The PPA, for its part, is legally excluded from monitoring classified contracts under Article 10 of Law No. 162/2020. As a result, no single institution has a complete view of classified procurement risks. At the same time, there is no effective tracking of contractors, since no central system exists to monitor companies involved in classified contracts, and institutions exchange information only upon request rather than systematically.

This problem is compounded by the way data are currently published. The General Directorate of the Treasury within the Ministry of Finance regularly publishes all financial transactions executed by Treasury branches, including classified public procurement contracts. Nonetheless, these publications are made in Excel files for each working day of the year (Ministria e Financave, 2026), and its capabilities are limited. A digital platform would enable filtering by institution, transaction value, contract number, or economic operator, thereby supporting audit, parliamentary scrutiny, and policy analysis without affecting classified status.

Earlier analyses show a steady rise in the use of secret designations in public procurement during 2008–2018. Albanian public authorities classified a total of 236 contracts in this period, with only 20 in 2008–2013, compared to 216 in 2014–2018. The peak occurred in 2018, with 76 classified contracts, signaling a sharp increase in reliance on confidentiality (Erebara, 2019). According to the SSAI, such procedures restrict competition among economic operators and increase costs for taxpayers.

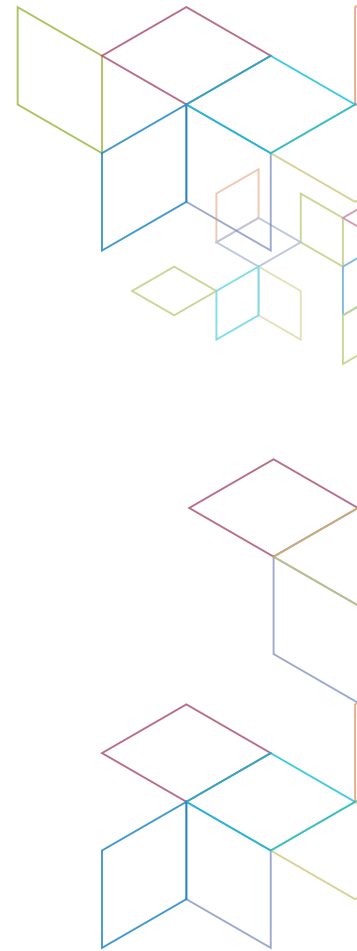
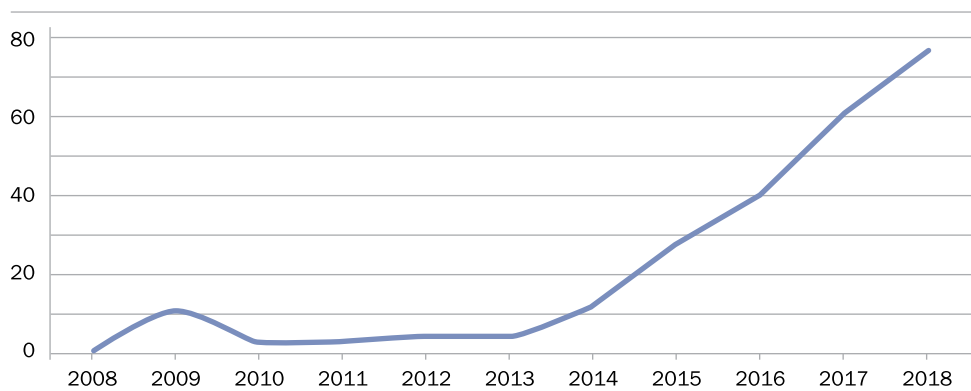


Figure 1: National procurement contracts issued as classified, Albania, 2008–2018

Source: Gjergj Erebara, Qeveria kontrakttoi miliona euro shpenzime me kontrata sekrete [The government contracted millions of euros expenses through secret contracts], BIRN, 27 May 2019.

Building on this trend, more recent evidence suggests a further shift in practice. A review of Treasury-executed payment transactions from Open Data Albania, linked to classified procurement, shows a marked expansion during 2019–2025. In contrast to the earlier period, the use of classified contracting has become more intensive and financially significant. This trend reached its peak in 2024, with 83 transactions totaling 2.35 billion ALL, the highest annual level recorded. In 2025, spending dropped to 133.9 million ALL. Overall, spending for 2019–2025 totaled nearly 9 billion ALL across 1,202 treasury transactions.

Figure 2: Treasury transactions linked to classified procurement, Albania, 2019–2025

Source: Author's calculations based on Open Data Albania.

This expansion is highly concentrated. The NAIS accounts for about 75% of total funds executed through the Treasury in this period, with 1,139 transactions totaling 6.76 billion ALL. Most of these relate to IT contracts with private companies, including infrastructure and the development and maintenance of electronic systems such as e-Albania. Many are recorded only as classified contracts, with little or no description of the contracts' objectives.

The data show different spending patterns across institutions. Some entities rely on a few large payments, while others use many smaller transactions. For example, the National Authority for Electronic Certification and Cyber Security recorded 1.5 billion ALL in only two transactions, while the NAIS carried out a high number of smaller payments. Other institutions in justice, defense, and the central government account for much smaller amounts and only a limited number of transactions. The concentration itself is not the problem. The problem is that no institution can verify whether this concentration is justified, because the data needed for verification are either missing or unusable.

Figure 3: Treasury transactions by budget institution, 2019–2025

#	Budget institution		Transaction value (ALL)	No. trans.
TECHNOLOGY & CYBER SECURITY				
1	National Agency for Information Society (AKSHI)	Tech/Cyber	6.761.481.982	1139
2	Natl. Authority for Electronic Certification & Cyber Security	Tech/Cyber	1.500.194.999	2
14	Directorate of Classified Information (SHIK)	Tech/Cyber	839.160	1
JUSTICE & PROSECUTION				
3	Office of the General Prosecutor	Justice	201.759.844	6
5	General Directorate of Prisons	Justice	117.208.404	10
7	Special Anti-Corruption Prosecution (SPAK)	Justice	54.919.505	16
DEFENSE & MILITARY				
4	Military Unit No. 4300, Tirana	Defense	130.680.919	8
6	QFM Technical, Tirana	Defense	64.427.723	1
10	Military Unit No. 1001, Tirana	Defense	25.146.301	3
11	Military Unit No. 6640, Tirana	Defense	10.000.000	1
PUBLIC ORDER				
8	Republican Guard, Tirana	Order	49.800.000	2
EXECUTIVE				
9	Ministry for Europe and Foreign Affairs	Executive	33.681.074	7
12	Council of Ministers Apparatus	Executive	4.920.000	1
13	Directorate of International Legal Approximation	Executive	3.089.185	1
OTHER				
15	Workers Enterprise No. 2	Other	773.980	1
16	Military Unit No. 6001, Tirana	Defense	46.680	2
TOTAL			8.958.969.756	1201

Source: Open Data Albania – Transactions with classified status, 2019–2025. Values expressed in ALL (Albanian lek).

Notable instances include the COVID-19 period, when Council of Ministers Decisions No. 203 (February 26, 2020) and No. 242 (March 22, 2020) classified emergency health procurements, enabling closed procedures for items such as 54 respirators amid reported pricing concerns. According to a 2022 analysis by Together for Life and reported by Euronews Albania, 18% of all healthcare tenders in 2021 were classified, reflecting a broader pattern of opacity in the sector during and after the pandemic (Mineva et al., 2022).

In parallel, forward-looking data point to continued expansion in this area. Open Data Albania (2026) reports that the NAIS has planned 50 investment projects for 2025–2028, with a total value of 38.62 billion ALL, based on Law No. 87 (December 12, 2025), as part of the 2026 State Budget. The share that is expected to be classified is unknown, but based on 2019–2025 trends, a significant portion may fall outside public scrutiny.

At the same time, broader public spending trends reinforce this trajectory. In the defense sector, NATO-aligned modernization efforts have led to rising military expenditure. Albania has committed to meeting the NATO benchmark of 2% of gross domestic product (GDP) for defense spending, with projections indicating an increase to 2.5% by 2029. Over the 2025–2029 period, total defense allocations are expected to reach approximately \$2.2 billion, reflecting a strong upward trend linked to security priorities. Defense spending is particularly relevant to transparency concerns because it is legally more difficult to challenge than IT classification.

Consistent with this, GlobalData's Albania Defense Market 2024–2029 report shows that the defense budget began to expand in 2022 after a period of limited growth. The increase accelerated in 2023 and is projected to rise from \$346.5 million in 2024 to \$512.8 million by 2029, with an average annual growth rate of 7.69% (Airforce Technology, 2024). These expanding financial flows also intensify the risks in procurement practices. Defense acquisitions aimed at fulfilling NATO commitments frequently rely on classified contract provisions. Examples include undisclosed procurement arrangements with Elbit Systems and Thales (Tirana Times, 2025), suggesting a growing reliance on nontransparent procedures in the sector. The SSAI has identified weaknesses across the procurement cycle, including inadequate qualification criteria and the use of negotiation procedures without prior notice (Balkan Tender Watch, 2024).

External assessments confirm these concerns. The European Commission's 2025 Report (SWD(2025) 750) rates Albania as moderately prepared in public procurement, noting progress alongside persistent issues in competition and the use of exemptions (European Commission, 2025). At the same time, the procurement market has grown sharply, reaching about 16.5% of GDP in 2024, up from 6.7% in 2023. Albania's Corruption Perceptions Index score declined from 42 in 2024 to 39 in 2025 (Transparency International, 2025, 2026).

Overall, the data show that classified procurement in Albania has expanded in volume, value, and institutional concentration, while oversight mechanisms have not been proportionally strengthened. This is not to suggest systematic abuse, but rather to identify a gap between legal permission and institutional control. Closing this gap is necessary to ensure proportionality, protect public funds, and support progress toward EU accession.

2.1 THE EU ACCESSION PATH AND PUBLIC PROCUREMENT

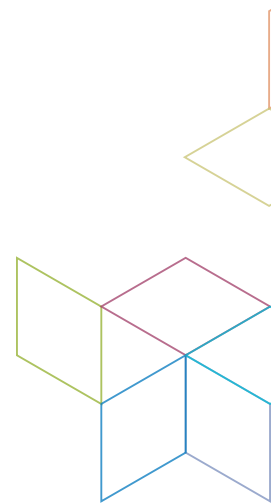
Albania's EU accession process has advanced at a remarkable pace, opening all six negotiating clusters in the shortest time frame recorded. Negotiations began in July 2022. Cluster 1 (Fundamentals, including Chapter 5: Public Procurement) opened in October 2024, followed by Clusters 6, 2, 3, 4, and 5 between December 2024 and November 2025.

The European Commission's 2025 Report maintains Albania's assessment. This includes:

- Reducing negotiated procedures without publication from 2.9% of procedures (2% of value) in 2023 to 2.3% (0.4% of value) in 2024;
- Increasing the use of the Most Economically Advantageous Tender (MEAT) criterion from 3.6% to 4.8% of procedures and from 20.3% to 41% of value;
- Handling rising appeals by the Public Procurement Commission (PPC) – from 1,019 in 2023 to 1,151 in 2024, while issuing 1,050 decisions;
- Substantial capacity building – the PPA trained 3,139 officials in 2024, compared to 247 in 2023.

Framework contracts doubled to 1,601 in 2024, while bidder averages remain around 2.6 to 3 per tender. Positive developments include nearly complete e-procurement coverage and ongoing system upgrades. Remaining areas for attention include transitional provisions for strategic consultancy agreements, the incomplete alignment of the concessions and the legal framework for public-private partnerships, and the need to strengthen overall competition and implementation capacity (European Commission, 2025).

At the same time, the progress that the European Commission reports on negotiated procedures does not capture the full scope of classified contracts, which fall outside standard procurement reporting. Examples include COVID-19 classified health contracts and classified transactions from the 2019–2025 period. These cases suggest that while Albania has reduced noncompetitive procedures, the use of state-secret exemptions may be expanding in parallel. Chapter 5 benefits from the National Public Procurement Strategy 2024–2030, which provides a roadmap for reducing noncompetitive procedures and aligning with EU standards (Këshilli i Ministrave, 2024). It further benefits from its linkages to the Reform and Growth Facility, which offers conditional EU funding that incentivizes Albania to meet specific procurement benchmarks. With all clusters now open, closing the gap between formal alignment and actual practice regarding classified contracts is essential. The European Commission's report already notes specific concerns over transitional provisions and incomplete alignment. An unchecked expansion of classified contracts risks regression on these benchmarks, potentially delaying the closure of further clusters.



2.2 LEGAL AND INSTITUTIONAL FRAMEWORK

Albania's public procurement system is regulated primarily by Law No. 162/2020, which demonstrates broad alignment with EU Directives 2014/24/EU (public sector procurement) and 2014/25/EU (utilities), as well as partial alignment with Directive 2009/81/EC (defense/security). The law promotes electronic procedures through the PPA platform, establishes open tenders as the default, and confines negotiated procedures without public disclosure to specific exceptions (Article 47).

Under its Article 10, the law does not apply to public contracts where procurement or execution is classified as a state secret or requires special security measures under applicable legislation; nor does it apply where the protection of essential state interests cannot be guaranteed by less intrusive measures, such as criteria for protecting classified information provided during the procedure (Kuvendi i Republikës së Shqipërisë, 2020). The classification and handling of state secrets are governed by the relevant legislation on classified information, updated by Law No. 10/2023 (Kuvendi i Republikës së Shqipërisë, 2020b). Drawing upon this, the Public Procurement Law defines state secrets as information whose unauthorized disclosure could endanger national independence, territorial integrity, constitutional order, or foreign relations. By contrast, Article 14(3) permits extensions or reclassifications for consecutive periods of up to ten years, underscoring the need for strict proportionality in application. In addition, Article 11 prohibits the classification of information when it is done with the intent to conceal noncompliance with laws, inefficiency, or errors in public administration, or to obstruct or delay the provision of information that does not require protection in the interest of national security.

Transitional provisions permitting noncompetitive awards for certain strategic consultancy agreements still require further harmonization with the EU acquis and Stabilization and Association Agreement (European Commission, 2025). Concessions and public-private partnerships are now governed by Law No. 88/2025 on Concessions and Public-Private Partnerships, which replaced the previous Law No. 125/2013 and partially transposes Directive 2014/23/EU. Despite this legislative reform, further alignment with the EU acquis remains ongoing (Kuvendi i Republikës së Shqipërisë, 2025; European Commission, 2025).

Key strategic documents include the Council of Ministers Decision No. 304 (May 22, 2024), approving the National Public Procurement Strategy 2024–2030 and Action Plan 2024–2027, which prioritize transparency, competition, and further alignment with EU directives on public procurement, especially Directive 2009/81/EC (defense/security).

Several government institutions play distinct roles in Albania's public procurement system across the contracting cycle, from policy and capacity building to remedies and oversight. The PPA, which reports to the Prime Minister, handles policy development, monitoring, and training. The independent PPC manages procurement complaints electronically and publishes decisions in real time; the OECD/SIGMA has highlighted this e-complaints functionality as a regionally notable feature. The SSAI conducts ex post audits, while other bodies also contribute by addressing market distortions and conflicts of interest.

Overall, Albania's framework is modern, digitally advanced, and substantially aligned with the acquis. Yet this framework contains a critical blind spot. It mandates transparency for standard procurement but leaves classified contracts without any centralized data oversight. These contracts fall outside the PPA's monitoring scope. The legal provisions against abusive classification (Article 11) exist on paper but lack an enforcement mechanism because no institution has a complete view of classified contracting patterns. Continued focus on key areas remains essential: narrowing derogations to genuine security needs as defined in Law No. 10/2023, strengthening independent audits, and enhancing transparency by enabling access to nonsensitive classified procurement data.

3 ANALYTICAL FRAMEWORK AND ANALYSIS

This section establishes the criteria against which the policy options presented below will be evaluated. The criteria are derived from EU accession requirements, stakeholder feedback, and standard policy analysis frameworks. Each policy option will be scored against these six criteria using a three-point scale (low, moderate, and high). The scores will then be aggregated to identify the preferred option.

- **Transparency:** The extent to which nonsensitive classified contract data become searchable, auditable, and accessible while fully protecting national security.
- **Alignment with EU standards:** The degree of compliance with the relevant EU acquis on transparency, competition, and proportionality in public procurement.
- **Effectiveness and timeliness:** The ability to produce measurable results within Albania's 2027–2030 EU accession timeframe.
- **Efficiency:** Cost-effectiveness, leveraging existing institutional infrastructure or data without requiring significant new staffing or budget.
- **Sustainability:** Long-term viability, ensured through permanent institutional guidelines and an infrastructure that remains functional beyond the EU accession period.
- **Stakeholder engagement and ownership:** Clear, nonduplicative roles assigned to stakeholders in designing, implementing, and maintaining the proposed measures.

3.1 CASE STUDIES

The three cases below were not selected to suggest that Albania has replicated these practices. They were selected because each documents a specific, well-evidenced shortcoming in classified or opaque public procurement and because Albania currently shares structural features with all three countries simultaneously. Taken together, they establish the evidentiary basis for why a reactive, complaint-driven oversight model cannot close Albania's classified procurement gap, and why an intervention to improve data infrastructure is necessary.

NORTH MACEDONIA – MISUSE OF EMERGENCY PROCEDURES DURING THE PANDEMIC

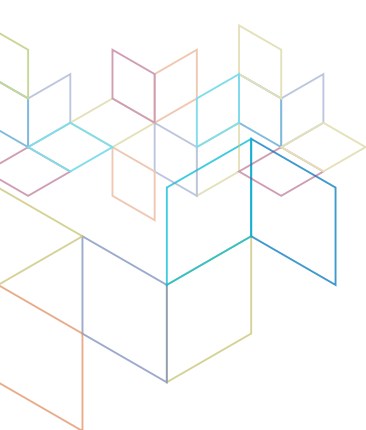
During the pandemic, reviews by the North Macedonian State Audit Office and civil society organizations found that urgent procurement procedures were frequently misapplied, allowing nonurgent contracts to be treated as urgent. In response, North Macedonia increased the transparency of its procurement by publishing all COVID-19-related contracts, including 1,181 awards (of which only 615 were awarded through competition), on its electronic procurement portal and by tracking all budget transactions via the Open Finance platform. Despite these measures, the State Audit Office found that many contracts were awarded without public calls and showed large price variations (Center for the Study of Democracy, 2022; International Monetary Fund, 2022).

Without independent review and automatic disclosure, emergency classifications can easily become a vehicle for secrecy and inefficiency, especially in sectors not linked to genuine crises.

POLAND – “PEGASUSGATE”: SECRET PROCUREMENT FOR POLITICAL SURVEILLANCE

From 2017 to 2025, Poland's “Pegasusgate” scandal centered on the secret procurement of Pegasus spyware when the government was controlled by the Law and Justice party. It was purchased for approximately €6 million through the Central Anti-Corruption Bureau, using misallocated funds from the Justice Ministry's Victim Support Fund. The spyware targeted nearly 600 individuals, including opposition politicians, journalists, lawyers, and judges, under the pretext of national security for counterterrorism and anti-corruption operations (Notes from Poland, 2024). Enabled by the 2006 Act on Special Services, the procurement was classified, with no public disclosure until leaks by Citizen Lab and the media in 2021 exposed its misuse (Balkan Insight, 2025).

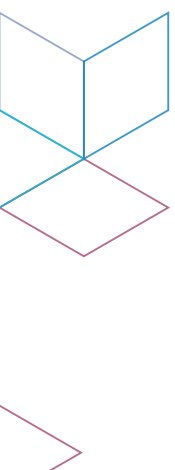




After the new government took power in late 2023, it tasked the Parliamentary Pegasus Commission, prosecutors, and the Supreme Audit Office in 2024 with investigating the case. They confirmed the purchase's illegality and seized the Pegasus systems in June 2024 (The Guardian, 2024; Balkan Insight, 2025). A 2023 European Parliament inquiry condemned the surveillance as a tool for suppressing opposition, fueling calls for EU-wide spyware regulations (European Parliament, 2023).

This case demonstrates that unrestricted secrecy in technology procurement creates opportunities for political abuse. Therefore, judicial oversight and independent audit mechanisms are essential safeguards against the misuse of “national security” justifications.

HUNGARY – THE BUDAPEST–BELGRADE RAILWAY



The Budapest–Belgrade railway modernization, a flagship of China's Belt and Road Initiative (BRI), was launched as a 350-kilometer high-speed corridor connecting Hungary and Serbia to Europe's trade networks (Szunomár, 2022). Promoted as a symbol of connectivity and growth, the project soon became emblematic of secrecy, cronyism, and financial opacity (Inotai, 2020; Káncz, 2020). Hungary's 166-kilometer share of the line, financed mainly through a \$1.855 billion loan from China's Exim Bank (covering 85% of the cost), was projected to cost €2.3 billion and to be completed by 2025 (Szunomár, 2022). In 2020, Hungary's Parliament classified all project-related documents, including feasibility studies, contracts, and loan terms, for ten years, citing “national interests” and China's confidentiality requirements (AFP, 2020). This decision sparked domestic and EU criticism, as it effectively concealed the project's economic and environmental assessments from public scrutiny (Inotai, 2020).

Despite court orders in 2021 and 2025 mandating disclosure, critical details such as interest rates (estimated at 4–6%), projected usage, and local employment impacts remain undisclosed (Szunomár, 2022). Investigations later revealed that half of the Hungarian contract was awarded to RM International, owned by a close associate of the Prime Minister (Szunomár, 2022). This raised allegations of political favoritism and deliberate evasion of EU procurement standards (Inotai, 2020; Káncz, 2020). A leaked feasibility study suggested dismal profitability, with only 1,600 trains annually and a 2,400-year payback period, highlighting the project's limited economic rationale (Káncz, 2020). The secrecy surrounding the deal allowed the government to channel funds toward loyalist business elites while bypassing the EU's oversight mechanisms (Inotai, 2020; Szunomár, 2022).

This case shows that long, broad secrecy based on vague “national interest” claims can protect politically connected suppliers and hide weak economic decisions from public oversight. For Albania, where Article 11 of Law No. 162/2020 already forbids secrecy when used to conceal rule-breaking, the Hungarian experience proves that prohibition without verifiable data infrastructure leaves the prohibition unenforceable in practice.

3.2 STAKEHOLDER FEEDBACK

The following summary presents the feedback gathered from stakeholder consultations conducted for this policy paper.

Economics expert. R.P emphasized that “the main challenge is not a lack of procurement laws, but how they are implemented,” suggesting that addressing abuses in classified contracts requires closer attention to law enforcement and prosecutorial bodies, particularly SPAK (the Special Anti-Corruption and Organized Crime Structure). This is needed to strengthen accountability and enhance the deterrent effect against unlawful practices.

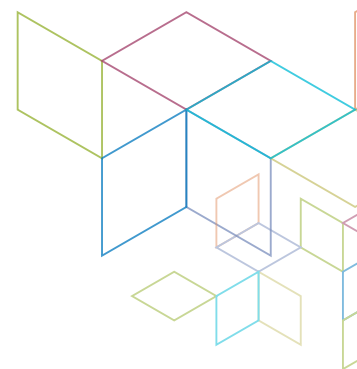
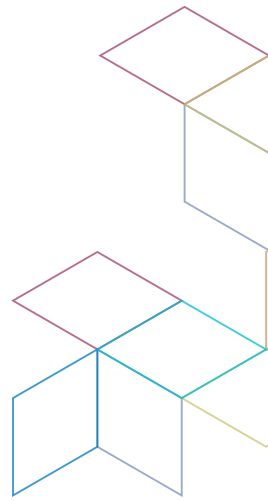
Investigative journalist. A.H., who covers corruption and justice, characterized classification as a systematic mechanism for shielding high-value contracts rather than as an exceptional security measure. Two cases illustrate the pattern: the €25 million State Police uniform tender, classified yet subsequently prosecuted by SPAK for overpricing; and the Elbasan police station reconstruction, kept classified as a state secret despite the winning company holding no security certificate. In neither case did classification protect national security; it delayed accountability. A.H. also identified a structural enforcement failure: institutions refuse to disclose information under the right-to-information law, and court delays make transparency requests strategically unattractive.

Open Data Albania. A.B, the Executive Director of Open Data Albania, an Albanian non-profit organization, reported that cross-checking procurement data with treasury transactions reveals a substantial volume of contracting outside open tendering and competition. In recent years, these contracts have been used mainly for infrastructure, defense, military, and IT purposes, with secret IT procurements particularly prominent. In some cases, the invoice description “does not appear to be a convincing description” of a purchase that genuinely requires confidentiality, and the legal framework does not ensure that contractors with appropriate integrity and security characteristics are invited under a secret procedure. The practice is most evident at the NAIS, the Ministry of Defense, and the Ministry of Health. Signs of clientelism, with limited suppliers for specific goods becoming exclusive suppliers in subsequent tenders, were also flagged. On monitoring obstacles and practical recommendations, A.B. advised against decentralizing tenders from state agencies to publicly owned or mixed-ownership companies, and warned that Parliament is considering a draft law to convert the NAIS into a publicly owned joint-stock company, which would render procurement and audit procedures even less effective (Open Data Albania interview, 2025).

State Advocacy Office (SAO). SAO staff interviewed in 2025 confirmed that SAO provides mandatory prior legal review for all standard public contracts but cannot review classified contracts because its staff lack the National Authority for Classified Information Security (AKSIK) security clearance required for access.

National Authority for Classified Information Security (AKSIK). The AKSIK confirmed that, although its mandate covers protection standards for classified information in defense and security procurement, it does not hold centrally aggregated statistics by authority or classification level. Each contracting authority maintains its own records, and aggregate data must be requested from each institution individually.

Supreme State Audit Institution (SSAI). The SSAI refused to answer consultation questions on classified contract audits for 2019–2024, including risk profiling, access to documentation, key findings, and interagency cooperation, citing the classified status of the requested information. The refusal is itself analytically significant: an audit institution declining, on classification grounds, to discuss whether it audits classified contracts illustrates the oversight gap this paper documents.





4 DESCRIPTION OF POLICY OPTIONS AND THEIR EVALUATION

4.1 POLICY OPTION 1: MAINTAINING THE STATUS QUO

This option would keep Albania's classification decisions and contract administration decentralized across contracting authorities, with no single institution responsible for compiling national, aggregated statistics on classified contracting. The PPA exercises competence only over defense-and-security procurement under Law No. 36/2020 (Kuvendi i Republikës së Shqipërisë, 2020a), while state-secret contracts remain outside its oversight. The CRIPPD enforces partial disclosure on a case-by-case basis through binding decisions, typically requiring disclosure of nonsensitive elements. In practice, some authorities accept administrative fines (€1,500 to €3,000) instead of complying, and disputes frequently move to court, where delays reduce the usefulness of information. Meanwhile, the SSAI only audits contracts after their completion but lacks a centralized, risk-based system to identify and prioritize classified contracts across government.

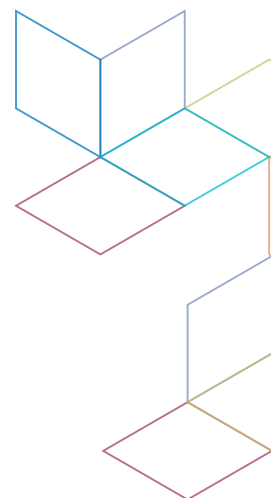
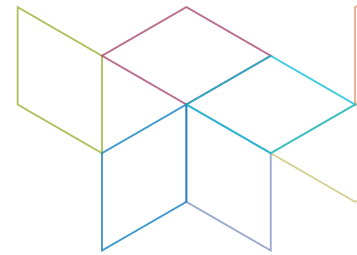
In the short term, this option maintains institutional stability, requires no changes to the law, places little administrative and financial burden on contracting authorities, and allows them to retain broad flexibility when dealing with classified contracts. However, the core problems remain the same: oversight cannot be verified, there are still no data on how much classified contracting is taking place or what patterns it exhibits; transparency only occurs when someone actively seeks it; and policymakers and oversight bodies have no real way to determine whether classification is being used appropriately or simply to avoid competition and public scrutiny. The status quo preserves administrative discretion and speed for contracting authorities, but it does so by sacrificing transparency, accountability, and public trust. It maintains conditions associated with pricing distortions, reduced competition, and repeat-winner patterns in the least observable procurement segments.

4.2 POLICY OPTION 2: AUTOMATIC AUDIT MECHANISMS FOR CRIPPD DECISION VIOLATIONS

This option proposes a targeted enforcement mechanism to address systematic noncompliance with the CRIPPD's binding decisions. It introduces a structured referral pathway that transforms the current weak enforcement system into a risk-based audit trigger. When contracting authorities refuse to disclose even nonsensitive elements of classified contracts, they face a comprehensive audit by the SSAI rather than a minor fine.

In the first phase, a mandatory referral mechanism would be established through legislative amendments. When a contracting authority fails to comply with a CRIPPD binding order within the statutory deadline, the CRIPPD would be legally obligated to compile a referral dossier containing the original decision, evidence of noncompliance, and all identifying contract information. This dossier would be transmitted to the SSAI within ten working days. The mechanism would require amendments to two laws: Law No. 119/2014 (to establish the duty of referral) and Law No. 154/2014 (to mandate priority audit status for referred contracts; Kuvendi i Republikës së Shqipërisë, 2014b). Each audit would produce a Public Interest Summary published on the SSAI's website, including the contracting authority, categories of findings, recommendation status, and whether the case was referred to prosecutors.

In the medium term, the mechanism would be supported by institutional capacity building. A specialized audit unit for classified procurement, holding valid security-clearance certificates issued



by the AKSIK, would be created within the SSAI to process CRIPPD referrals. This option addresses urgent enforcement gaps and structural weaknesses in Albania's transparency architecture. It combines mandatory, legislative amendments, and capacity building. The mechanism is reactive: a complaint and binding CRIPPD decision are required before referral. Published Public Interest Summaries would enable parliamentary committees and civil society to identify patterns and request further audits.

This approach is legally feasible and administratively lightweight (with an estimated annual cost of 7 million ALL, funded by the state budget, to cover the salaries of three employees), and it creates permanent institutional linkages. Although implementation requires interinstitutional coordination and political commitment, this option offers a higher potential for systemic impact by transforming noncompliance from a low-cost violation into a high-risk oversight trigger: a full SSAI audit with public findings. This would pressure contracting authorities to resist CRIPPD decisions only for genuine security concerns, not to avoid transparency or to conceal corruption. It also replaces the SSAI's current lack of a centralized risk system with a referral-based audit trigger.

4.3 POLICY OPTION 3: TREASURY METADATA REGISTER FOR ALL PUBLIC TRANSACTIONS

This option proposes the establishment of a Treasury Metadata Register, a centralized, searchable digital platform that converts the Treasury's existing daily Excel files into a structured, machine-readable database with an open application programming interface (API). Coverage extends to 100% of all Treasury transactions, including both classified contracts and open, competitive contracts. Implementation follows a pilot-first approach, starting with a 12-month pilot limited exclusively to the NAIS, followed by mandatory expansion to all budget institutions upon successful evaluation.

The choice of the NAIS as the pilot institution is grounded in the data. The NAIS represents 75% of all classified spending in Albania between 2019 and 2025, and accounts for 95% of all classified transactions (1,139 out of 1,202). The pilot includes all NAIS's transactions, both classified and open, because comparison between the two types is essential. Without open transactions, it would be impossible to determine whether classified contracts are abnormally large, whether their descriptions are disproportionately empty, or whether the same suppliers dominate both categories.

The Treasury Metadata Register addresses a fundamental flaw in the current Treasury data-publication system, which already records executed financial transactions for all public procurement contracts, including classified ones, but publishes them in an Excel format with very limited utility. While Open Data Albania's keyword-based extraction is adequate for civil society advocacy, it cannot serve as an official audit source because it depends on inconsistent spelling of "classified" and may inadvertently include transactions where the term appears for other administrative reasons. As a result, Open Data Albania's platform has no legal authority and cannot be used by the SSAI as an official source for audit selection or parliamentary oversight. By contrast, adding a dedicated classification-level field (e.g., "Classified" or "Nonne") would enable precise filtering based on official status rather than keyword matching. Only nonsensitive metadata that the Treasury already publishes daily would be included: the Treasury branch name, invoice number and description, contract number, budget institution name and code, supplier name, transaction value, registration date, and execution date. The only additions would be the classification status field and the inclusion of the contract number as a separate field, as the Treasury currently records it only through the invoice description. No classified information would be disclosed beyond what is already in the public domain.

Two levels of access are foreseen. The first is public access, available to journalists, civil society organizations, citizens, and researchers. Through an open API and a simple web interface, any user can search, filter, and export all transactions. The second level is institutional access, provided through dedicated API keys for key oversight bodies. This would allow the SSAI to apply its existing risk-based audit-selection algorithms to classified contracts, identifying transactions with empty descriptions, repeated suppliers, or abnormally high values for audit prioritization.

It is important to be clear about what the Treasury Metadata Register does and does not enable: it supports audit triage and prioritization, not substantive review of contract content. For the Ministry of Finance as the supervising authority over the Treasury, institutional access would provide a centralized, real-time overview of all government payments across all institutions, strengthening fiscal oversight and enabling early detection of irregular spending patterns.

The Treasury Metadata Register can be established without legislative amendments. Initially, only a Council of Ministers Decision or a Minister of Finance Decree would be required. Because the Treasury already publishes these data, the intervention merely changes the existing format and adds two new fields for information already in the public domain. After 12–24 months of successful operation, a legislative amendment should follow to ensure long-term sustainability, anchoring the Treasury Metadata Register permanently and independently of political turnover. Chapter 5 is expected to close by 2026–2027, which reinforces the timeliness of this intervention.



MY NOTES

4.4 COMPARATIVE EVALUATION OF POLICY OPTIONS

The policy options in Table 1 are compared using six criteria: transparency, EU alignment, effectiveness, efficiency, sustainability, and stakeholder engagement.

Table 1: Comparison of Policy Options Against Key Criteria

Evaluation Criteria	Option 1: Maintaining the Status Quo	Option 2: Automatic Audit Mechanisms for CRIPPD Decision Violations	Option 3: Treasury Metadata Register for All Public Transactions
Transparency	Low – No improvement; oversight only after complaints; authorities pay fines instead of disclosing	Moderate – Creates enforcement of transparency obligations, but only for disputed contracts	High – All transactions are searchable and filterable; dedicated classified filter; proactive visibility
Alignment with EU standards	Very low – No compliance with Directive 2009/81/EC; risks delaying Chapter 5 closure beyond 2026–2027	Moderate – Partial alignment through enforcement of disclosure orders, but its reactive nature limits the evidence for the Commission	High – Complies with Directive 2009/81/EC because it does not require disclosure of classified information, only of metadata in the public domain; provides verifiable annual classified-spending data; supports Chapter 5 closure
Effectiveness and timeliness	Very low – Persistent data vacuum; the SSAI has risk-based tools but no classified data to analyze; no results by 2027–2030	Low – Requires legislative amendments (12–24 months); deterrent effect limited to disputed contracts	Moderate – Full capability within 12 months in the pilot version; includes all transactions within 24 months
Efficiency (cost)	Low – Zero upfront cost but high long-term risk from undetected irregularities, pricing distortions, and reduced competition	Moderate – Cost-effective use of the existing CRIPPD–SSAI framework; annual cost of 16 million ALL for new staff (Treasury and SSAI)	Moderate – Estimated one-time development cost of 3–5 million ALL and an annual cost of 16 million ALL for new staff
Sustainability	Very low – No centralized data; each authority keeps its own records; transparency relies on NGO complaints and court delays	Moderate – Permanent CRIPPD–SSAI linkage; specialized audit unit, but the mechanism depends on complaints and lacks centralized metadata	High – Permanent register, risk algorithms, and audit protocols; institutional memory; continuous improvement
Stakeholder engagement	Low – Ignores concerns of civil society, the media, and oversight bodies	Moderate – Addresses CRIPPD and journalist/NGO concerns; engages the SSAI	High – Broad engagement of the SSAI, the CRIPPD, Parliament, the media, and civil society

Note: Bolded terms in the table indicate qualitative judgments (e.g., High, Moderate, Low) for quick visual comparison.

Qualitative ratings are assigned based on the analysis of Treasury transaction data, stakeholder feedback, and the comparative case studies presented above.

5 RECOMMENDED POLICY OPTION

Based on the critical evaluation of all three policy options against the six criteria, this paper recommends Policy Option 3: Treasury Metadata Register for All Public Transactions. The Treasury Metadata Register transforms classified procurement from an unverifiable black box into a measurable, auditable, and accountable component of public financial management (PFM).

In contrast to the status quo, which fails to address the data gap, and to Policy Option 2, which depends on slow, complaint-driven enforcement, Option 3 activates data that already exist within the Treasury system. By converting daily Excel files into a searchable digital platform with an open API, the Treasury Metadata Register immediately provides the SSAI, Ministry of Finance, and civil society with filterable access to all classified transaction metadata. It does not disclose any classified information beyond what is already in the public domain.

To enable this process, only a Council of Ministers Decision or a Minister of Finance Decree is required initially. No legislative amendments are needed. The Treasury Metadata Register adds only two fields populated by data that the Treasury already publishes daily: classification status and contract number. This makes it administratively lightweight and legally uncontroversial.

Building on stakeholder feedback, the Treasury Metadata Register's institutional API access should be formally integrated into SSAI audit protocols. This would enable risk-based prioritization algorithms to be applied to classified transactions for the first time, supporting audit triage rather than substituting for substantive audit. This measure would institutionalize data-driven oversight as a component of PFM. It rewards transparency and systematic monitoring rather than reactive, complaint-driven enforcement.

This option introduces a two-level access framework: public access via an open API and a web interface (enabling journalists, civil society, and researchers to search and export all Treasury transactions), and institutional access via dedicated API keys (enabling the SSAI to apply risk-based selection to classified contracts and providing the Ministry of Finance with real-time fiscal oversight across all government payments).

The choice of the NAIS as the pilot institution is strategic, not arbitrary. The NAIS represents 95% of all classified transactions (1,139 of 1,202) and 75% of all classified spending between 2019 and 2025.

For the first time, the European Commission would be able to assess classified contracts using aggregated data without compromising state secrets. Previously, such data did not exist in any usable form. The European Commission would gain an evidence base it has never had before. The assessment of Albania under Chapter 5 would no longer rely solely on open procedures but would also reflect real data from classified contracts. This would strengthen the credibility of Albania's progress toward EU accession and would provide the European Commission with a complete picture of public procurement, not just the visible part.

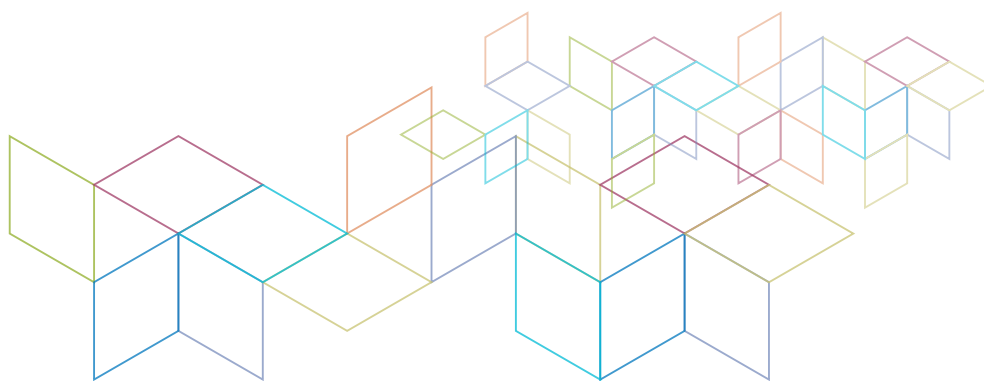
The implementation process would span 18 months, organized into four distinct phases. The first phase would lay the legal and technical groundwork. A working group could be formed with representatives from the Treasury, the Ministry of Finance, and the NAIS. During the pilot phase, the SSAI could participate voluntarily; it could request API keys and use Treasury Metadata Register data at its own discretion, consistent with its constitutional independence. Simultaneously, a software developer would be selected and the core API would be built, covering only NAIS's transactions at this stage.

The second phase would focus on testing and launching the pilot. The API would be validated using the NAIS's historical data from 2024 and 2025 to ensure accuracy and functionality. Once testing was complete, the API would be made publicly available, and dedicated API keys would be issued to the key oversight institutions: the SSAI and the Ministry of Finance. Usage would be closely monitored, and the first pilot report would be produced to evaluate system performance and user adoption.

The third phase would center on evaluation, refinement, and expansion. Based on user feedback, the Treasury would issue an instruction requiring generic object categories for all classified contract descriptions. An independent external evaluation, conducted by a qualified expert or institution such as the OECD or SIGMA, would assess whether the pilot had met its predefined success indicators, including API availability, response time, user adoption, and institutional usage. If the evaluation was positive, the expansion of the Treasury Metadata Register to all budget institutions could be mandated. Drawing on standard IT project timelines for public administration in Albania, technical development for the full register would be expected to take 6–8 months, given that the pilot infrastructure was already operational. Throughout this transition period, the NAIS-only pilot would continue to function without interruption.

In the fourth phase (months 13–18), the Treasury Metadata Register would expand to all budget institutions, and the Ministry of Finance would draft amendments to two laws. An amendment to Law No. 9936, “On the Management of the Budget System in the Republic of Albania,” which covers Treasury functions, would establish the Treasury Metadata Register as a permanent Treasury platform. An amendment to Law No. 154/2014, “On the Organization and Functioning of the Supreme State Audit,” which would oblige the SSAI to use Treasury Metadata Register data for risk-based, would require SSAI auditors to hold AKSIK security clearance and to produce an annual classified spending report to Parliament. The amendments would make the Treasury Metadata Register permanent and independent of political turnover.

Ultimately, this option would represent the most pragmatic path forward. It would achieve early results, strengthen institutional resilience, and align Albania's PFM with the strategic requirements of EU accession by producing the verifiable data on classified spending that the European Commission currently lacks. Its cost-efficiency and adaptability would close the current gap in unverifiable classified spending while building permanent infrastructure for future investments in defense, security, and digitalization.

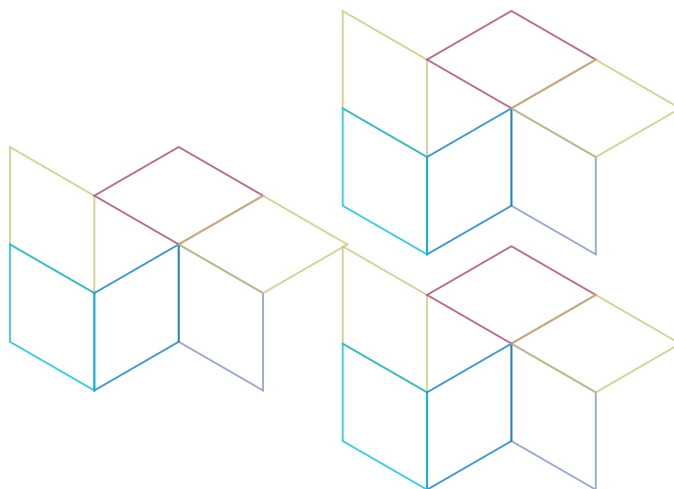
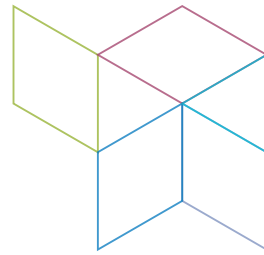


5.1 INDICATIVE IMPLEMENTATION TIMELINE

Implementing the Treasury Metadata Register would require four phases over 18 months: VKM approval, technical development, pilot testing and public launch, expansion to all budget institutions, and legislative amendments. Table 2 specifies each step, responsible institution, and deadline, enabling SSAI risk-based audits and providing Parliament, the media, and civil society with usable classified contract data.

Table 2: Implementation timeline and assigned responsible institutions

Phase	Key Steps – Legal and Institutional	Key Steps – Technical Development	Responsible Institutions
0–3 months	Minister of Finance mandating structured publication. Define metadata. Form a working group (Treasury, NAIS, and voluntary SSAI participation).	Define API specifications. Select a software developer. Begin core API development for NAIS's transactions.	Ministry of Finance (lead), Treasury, NAIS, SSAI
3–6 months	Issue dedicated API keys to the SSAI and the Ministry of Finance. SSAI participation would remain voluntary during the pilot.	Complete API development. Validate the system using NAIS's 2024–2025 historical data. Publicly launch the Treasury Metadata Register and its open API. Publish the first pilot report.	Treasury, NAIS, SSAI, Ministry of Finance
7–12 months	Independent external evaluation by the OECD/SIGMA. If positive, mandate expansion to all budget institutions.	Monitor API usage. Prepare technical specifications for full expansion. Begin full Treasury Metadata Register development (6–8 months). The NAIS pilot continues.	Treasury, OECD/SIGMA, Ministry of Finance, NAIS
13–18 months	Draft amendments to two laws: Law No. 9936 and Law No. 154/2014. Parliament approves the amendments.	Complete full development of the Register and expand it to all budget institutions.	Ministry of Finance, Parliament, Treasury, SSAI



5.2 IMPLEMENTATION RISKS AND INSTITUTIONAL COORDINATION

Potential implementation risks include institutional resistance to maintaining current publication practices, the risk of the NAIS being transformed into a joint-stock company (Gjoka, 2026), political turnover reversing the process, the SSAI choosing not to participate or use Treasury Metadata Register data, and technical delays in API development. These risks can be mitigated through specific measures: civil society monitoring of compliance; addressing the measure through a legislative amendment that makes the Treasury Metadata Register permanent; amending Law No. 154/2014 to make SSAI participation mandatory; and developing the API within six months and piloting it using 2024–2025 data before public launch.

Primary responsible institutions are the Ministry of Finance, the Council of Ministers, the Treasury, the NAIS, and the SSAI. Factors critical to success include political leadership from the Council of Ministers, technical engagement from the European Commission under Chapter 5 monitoring, and transparency support from the OECD/SIGMA.

Table 3: Risk management matrix

Risk	Probability	Impact	Risk Management Measures
Institutional resistance to changing current publication practices	High	High	Civil society watchdogs monitor compliance
NAIS is transformed into a joint-stock company	High	High	Monitor draft law in Parliament; amend Law No. 162/2020 during Phase 4 to ensure continued oversight
Political turnover reverses the VKM	Low	High	Upgrade to a legislative amendment making the Register permanent
SSAI refuses to participate or use Register data	Medium	High	Amendment to Law No. 154/2014 makes SSAI participation mandatory
Technical delays in API development	Medium	Medium	Develop the API and web interface within 6 months; pilot with 2024–2025 data before public launch

6 CONCLUSION

Albania's classified procurement has expanded into a substantial share of state spending and is heavily concentrated within a single agency, yet no institution can currently verify whether that expansion is proportionate to genuine security needs. The data are published but unusable, mandates are fragmented, and Parliament receives no aggregated picture. The analysis in this paper, drawing on Treasury transaction data, comparative case studies, and stakeholder consultations, supports this diagnosis from three independent directions. Comparative evidence from North Macedonia, Poland, and Hungary in particular shows that reactive, complaint-driven oversight cannot close this kind of gap once it opens, regardless of the legal framework surrounding it, and that existing reform efforts have not been sufficient to close it. Evaluated against six criteria, the Treasury Metadata Register is the only option that addresses the gap by reorganizing information already in the public domain into a form that auditors, Parliament, and the European Commission can actually examine, without disclosing any content protected by classification.

The strategic case for this reform is straightforward. It gives the SSAI a basis for risk-based audit selection of classified contracts. It gives Parliament a route to aggregated reporting on a category of spending it currently cannot see. It gives the European Commission an evidence base on which to close Chapter 5 with confidence, on the basis of Albania's compliance with the EU directives governing public and defense-related procurement. More fundamentally, it does so by treating the metadata the state already holds as a public oversight asset rather than as administrative residue. The Treasury Metadata Register cannot, on its own, force compliance from authorities that currently prefer paying fines to disclosing nonsensitive information, nor can it remedy audit capacity constraints in the short term. What it can do is convert classified procurement from an unverifiable category into one that institutions, auditors, and citizens can actually examine. The operational detail, including actions, lead institutions, and sequencing, is set out in the implementation timeline and risk management matrix above.

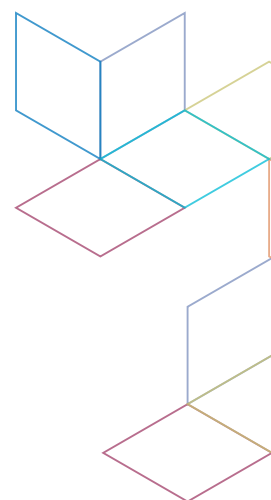
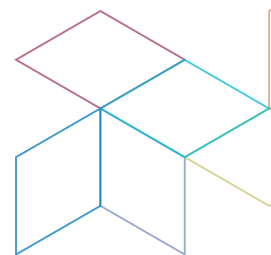
The stakes extend beyond accession, because the procurement landscape that the Treasury Metadata Register would oversee is itself expanding. With defense and digitalization investments projected to grow substantially, much of the new capacity will be procured under classified or partially classified procedures. If oversight infrastructure is not built now, the gap between classified spending and the state's capacity to verify it will widen rather than close. A state's capacity to verify what it spends on its own security is not a concession to external supervisors; it is a precondition for governing security spending coherently. It is what allows the state to set priorities, defend them in Parliament, and demonstrate to citizens and partners that they reflect genuine national interest rather than administrative convenience. Acting on this now is what will allow Albania to enter the EU with a procurement system whose credibility rests on evidence rather than assurance.

5.1 FINANCIAL OUTLOOK OF THE RECOMMENDED POLICY OPTION

Although the recommended reform includes new investments, particularly in technical staff and audit capacity, its overall fiscal footprint remains moderate and strategically balanced. The proposal leverages existing Treasury data and infrastructure, requiring no new legislative amendments initially. Targeted expenditures are justified by long term gains in transparency, audit efficiency, and EU accession readiness under Chapter 5.

Key cost categories include:

- **Digital platform development.** Estimated at 25–35 million ALL for development and launch, covering API creation, web interface, testing, and integration. Annual maintenance is minimal and can be absorbed by the existing Treasury IT budget.

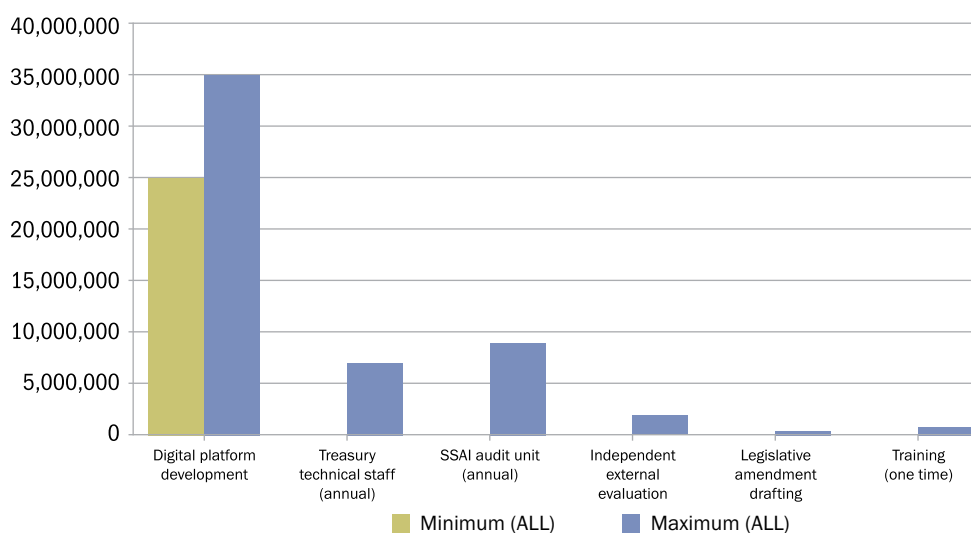


- **Technical staff at the Treasury.** Three new technical staff members would be required to manage the Treasury Metadata Register. Based on civil service salary scales for IT specialists in Albanian public administration, the estimated annual cost is 7 million ALL.
- **SSAI audit unit.** Three auditors with AKSIK security clearance and one data analyst would be required. Based on SSAI salary scales for senior auditors plus additional compensation for holding security clearance, the estimated annual cost is 9 million ALL.
- **Independent external evaluation.** This would be conducted by the OECD or SIGMA after the 12-month pilot. Based on comparable evaluation contracts in the Western Balkans, the estimated cost is 2 million ALL.
- **Legislative amendment drafting.** Estimated at 500,000 ALL, reflecting the cost of interministerial coordination and parliamentary review. This cost would be absorbed through existing parliamentary resources.
- **Training.** One-time training for SSAI auditors on risk-based algorithms (two weeks, 500,000 ALL) and Treasury staff on API management (one week, 300,000 ALL). The total cost would be 800,000 ALL.

Importantly, all new costs may be partially or fully cofinanced through EU technical assistance instruments, such as IPA III or the Reform and Growth Facility. Albania has already received €99.3 million from the latter after verifying 21 of 41 reform steps (European Commission, 2025).

Figure 4 illustrates the estimated minimum and maximum financial outlays associated with implementing the recommended policy option. The digital platform accounts for the largest one-time investment, while recurring staff costs for the Treasury and the SSAI represent the main annual expenditure. Training, independent evaluation, and legislative drafting remain relatively modest and could be offset through EU support mechanisms.

Figure 4: Estimated financial outlays for the Treasury Metadata Register (ALL)



Note: Data compiled from the policy paper's "Financial Outlook of the Recommended Policy Option" section. ALL denotes Albanian Lek.

The total initial cost of approximately 44.3–54.3 million ALL represents a moderate investment relative to the scale of classified spending documented in this paper. Over a five-year period, the recurring cost of 16 million ALL annually amounts to approximately 0.2% of the nearly 9 billion ALL in classified spending between 2019 and 2025.

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MY NOTES

STRENGTHENING FINANCIAL GOVERNANCE FOR CLIMATE ACTION IN ALBANIA

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TIRANA, ALBANIA, 2026

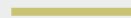




ESTER BEQIRAJ is a Financial Management and Accounting Specialist at the Central Financing and Contracting Unit within the Ministry of Finance of Albania. She contributes to the financial management, monitoring, and reporting of projects financed by the World Bank and other international development partners. With five years of experience in public financial management and donor-funded projects, she has developed expertise in financial reporting, stakeholder coordination, and the effective management of development assistance.

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Ester has demonstrated a strong commitment to continuous learning and active civic engagement. She is particularly interested in sustainable development, public sector modernization, and policies that contribute to stronger institutions and better outcomes for citizens. She is dedicated to advancing effective project management practices and supporting reforms that strengthen public sector performance. Ester is open to collaboration and knowledge exchange that contribute to stronger institutions, sustainable development, and meaningful impact in Albania and across the region.



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Prof. Assoc. Dr. Broka has actively participated in national and international research, capacity building, and policy development initiatives. She is currently serving in her third consecutive term as a mentor in the EU-funded “WeLead: EU Scheme for Young Professionals in the Western Balkans”, implemented by the CEF, where she supports public sector professionals in developing policy papers and promoting evidence-based policymaking.

Recognized for her collaborative approach and commitment to professional excellence, she fosters constructive partnerships and multidisciplinary cooperation. Her positive attitude, strong interpersonal skills, and ability to motivate and support colleagues and mentees have made her a valued contributor to academic, professional, and policy-oriented initiatives.

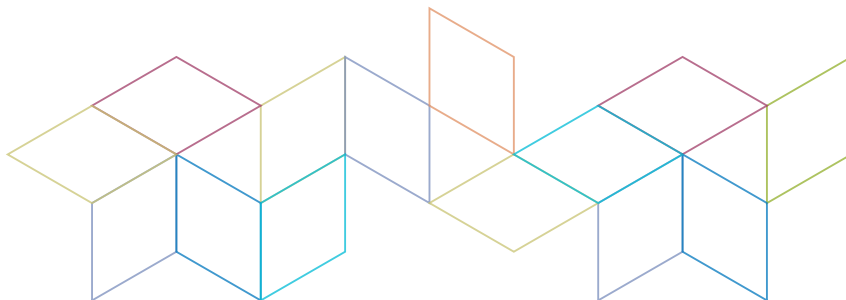
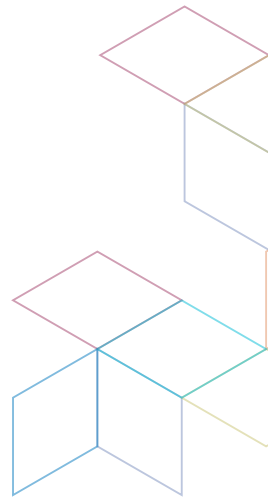
EXECUTIVE SUMMARY

Albania faces increasing climate risks while advancing toward EU accession, and this requires stronger alignment with EU climate and environmental standards. Although the country has adopted key climate strategies and initiated reforms, such as integrating climate objectives into selected budget programs and introducing climate-related guidance in the Medium-Term Budget Program (MTBP), the main challenge remains the limited capacity to translate these commitments into effective, coordinated, and measurable financial actions. The core problem addressed in this policy paper is therefore the weak governance of climate finance, particularly the insufficient integration of climate objectives into the public financial management (PFM) system.

This policy paper analyzes the current state of climate financial governance in Albania, with a focus on institutional coordination, budget integration, and implementation capacity. The findings reveal that the main constraints are structural rather than purely financial. Several major factors – weak interinstitutional coordination, limited technical and administrative capacities, the lack of standardized methodologies for climate expenditure tracking, and insufficient transparency and monitoring mechanisms – continue to undermine effective climate action. While recent reforms represent important progress, they remain fragmented and do not ensure systematic integration of climate objectives across the budget cycle.

To address these challenges, this paper assesses three policy options: (1) maintaining the status quo, (2) introducing a dedicated climate budget line, and (3) establishing a dedicated structure within the Ministry of Finance (MoF) for climate financial governance. The comparative evaluation shows that maintaining the current system fails to address existing weaknesses, while the second improves transparency but does not fully resolve coordination and capacity gaps. The third option provides the most comprehensive institutional solution by addressing the root causes of fragmentation and weak governance.

Based on this evaluation, the paper recommends a combined approach, centered on establishing a dedicated coordination structure within the MoF, complemented by the gradual introduction of a climate budget line as a supporting instrument. This approach ensures both systemic integration and improved budget visibility, while avoiding the limitations of treating climate finance as a standalone category. By combining institutional reform with targeted financial tools, this approach provides a realistic and sustainable pathway for strengthening climate financial governance in Albania.



1 INTRODUCTION AND CONTEXT

Climate change is accelerating, and the resulting damage to the global environment presents an existential threat. Immediate and decisive climate action is essential (European Commission, 2018). In response, the European Green Deal aims to transform the EU into a modern, resource-efficient, sustainable, and competitive economy (European Commission, 2019). The Green Deal is an integral part of the European Commission's strategy to implement the United Nations' 2030 Agenda for Sustainable Development¹ and the Sustainable Development Goals (SDGs) (United Nations, 2015).

The Western Balkans are one of the regions in Europe most heavily affected by the impact of climate change. This trend is projected to continue, with estimates of temperature increases ranging from 1.7 to 4.0 °C, or even up to 5.0 °C, by the end of the century, depending on global efforts to reduce greenhouse gas emissions (European Commission, 2020). The Green Agenda for the Western Balkans is a shared commitment between the region and the EU that serves as a blueprint for achieving climate neutrality and environmental sustainability by 2050 (Regional Cooperation Council, 2020).

Albania is one of the most climate-vulnerable countries in Europe, with significant exposure to extreme weather and climate-related events (Green Climate Fund, n.d.). Like many countries in the Western Balkans, Albania faces growing challenges in addressing climate change while maintaining sustainable economic growth. Achieving its climate objectives will require effective management of public finances.

To ensure that climate action policies are not only designed but also implemented efficiently, Albania needs to strengthen financial governance, particularly the systems that govern budget allocation, financial oversight, and resource mobilization. However, the core policy problem is not the absence of climate strategies, such as the National Energy and Climate Plan (NECP),² the National Climate Change Strategy,³ and Albania's Nationally Determined Contributions (NDCs),⁴ but rather the country's limited capacity to translate these commitments into effectively financed and measurable actions. Despite past efforts, including donor-supported programs, gaps remain in Albania's capacity to link financial planning with measurable climate outcomes, hindering progress toward both national and international commitments (UNDP Albania, n.d.).

One notable example is the ALBAdapt – Climate Services for a Resilient Albania project, approved by the Green Climate Fund (GCF) in August 2024. This project aims to enhance Albania's climate resilience by improving climate services and data accessibility, thereby facilitating informed decision-making at the national and local levels. Another significant project is the Karavasta Solar Power Plant, supported by a €41 million financing package from the International Finance Corporation. This venture represents the largest solar photovoltaic power plant in Albania, contributing to the country's renewable energy capacity and reducing greenhouse gas emissions (International Finance Corporation, n.d.).

At the local level, the United Nations Development Programme (UNDP), in collaboration with the GCF, has been working with eight Albanian municipalities to develop Local Adaptation Plans. This effort aligns with Albania's broader National Adaptation Planning (NAP) process, aiming to integrate climate change adaptation into national and local development planning (UNDP Albania, 2024).

1 The United Nations 2030 Agenda is a global framework establishing the 17 Sustainable Development Goals (SDGs) to achieve sustainable development by 2030.

2 National Energy and Climate Plans are strategic documents that define national objectives and measures related to energy and climate in line with EU governance requirements.

3 Albania's National Climate Change Strategy is a strategic framework for climate mitigation and adaptation policies.

4 Nationally Determined Contributions are national climate action commitments submitted under the Paris Agreement.

The EU accession process further underscores the need for robust governance of climate finance. Aligning with EU standards can enhance transparency, strengthen PFM, and improve the ability to mobilize domestic and international resources for climate action (Fact-Finding Mission in Albania, n.d.).

At the national level, Albania has taken steps toward integrating climate objectives into its development and budgetary frameworks. One such step is the issuance of Supplementary Guideline No. 6, dated February 27, 2026, “On the Preparation of the Medium-Term Budget Program for 2027–2029.” According to Point 8.b of the guideline, “All responsible institutions shall plan concrete budgetary mitigation and adaptation measures for climate change, in accordance with the NECP, accompanied by appropriate and measurable performance indicators. These indicators should aim to identify one or more outputs that will help implement these measures, along with their respective costs.”

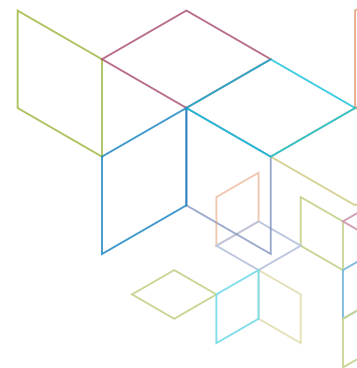
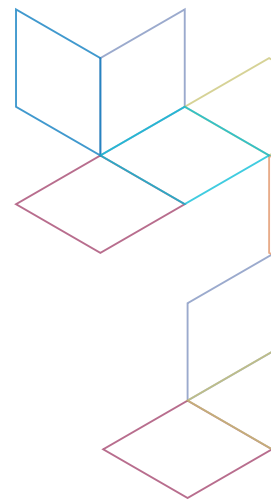
According to the Climate Action Network (2023), the adoption of the NECP and the ongoing implementation of Albania’s NDCs also mark important milestones. However, challenges persist in linking policy goals with concrete budgetary commitments. A coherent institutional framework for climate finance is still missing. Past reforms have been insufficient largely because they focused more on planning requirements than on the delivery systems needed to enforce compliance, standardize data, and connect allocations to measurable outcomes over time.

Strengthening climate financial governance directly contributes to SDG 13 (Climate Action), SDG 16 (Peace, Justice, and Strong Institutions), and SDG 17 (Partnerships for the Goals). The introduction of green-budgeting practices has laid an important foundation. Nevertheless, gaps remain in evidence-based decision-making and in linking financial instruments with measurable climate outcomes. As highlighted by the United Nations (UN) Secretary-General, climate action is the greatest opportunity of the 21st century to drive all the UN’s SDGs (Guterres, 2023).

This policy paper aims to strengthen climate financial governance by assessing previous reform attempts and evaluating best practices from regional and EU contexts. Specifically, the paper pursues the following objectives:

1. To identify key gaps and structural weaknesses in Albania’s governance framework for climate finance.
2. To assess previous reform attempts and ongoing initiatives, including their achievements and limitations.
3. To recommend concrete policy solutions to enhance the transparency, efficiency, and accountability of climate-related public spending.

The methodology combines desk research, interviews with key stakeholders in Albania, a structured questionnaire, and the analysis of climate-related financial data. This comprehensive approach ensures that the recommendations are evidence-based and tailored to the Albanian context. The paper begins with an overview of Albania’s climate policy and PFM framework. It then examines key governance gaps and institutional constraints, followed by a review of relevant regional and EU best practices. The final section presents targeted policy recommendations for strengthening climate financial governance.



2 PROBLEM DESCRIPTION

Albania lacks an effective and coordinated framework for integrating and managing climate finance within its PFM system. This challenge lies at the intersection of climate policy and fiscal governance and directly affects the country's ability to translate climate commitments into financed and measurable actions. Several factors undermine Albania's circular-economy efforts and limit the impact of existing laws and policies; these include low awareness, limited infrastructure, and insufficient financing, combined with weak coordination (OECD, 2024a). These constraints reflect broader challenges in financial governance, particularly in ensuring that climate and environmental priorities are adequately integrated into budget planning and implementation systems, a core principle of green-budgeting frameworks promoted by the OECD (2024b).

Albania's policy framework for climate change is supported by national legislation such as Law No. 155/2020 "On Climate Change," which provides the legal basis for climate action, and by the National Climate Change Strategy. Strengthening financial governance for climate action closely aligns with Albania's EU accession priorities, particularly under Chapter 27 (Environment and Climate Change), as well as Chapters 22 and 33. The key institutional stakeholders include the MoF, which is responsible for budget planning and fiscal policy; the Ministry of Environment (MoE), which leads climate policy; and the National Agency for Environment, which provides technical support for climate policy implementation and manages greenhouse gas-emissions monitoring and reporting.

Despite some level of preparation, Albania's alignment with the EU climate acquis remains limited, and the capacity to incorporate climate change into sectoral strategies and plans remains incomplete. The country needs to allocate further financial and human resources to the climate sector (European Commission, 2024a). Institutional coordination is still weak, and the lack of clear methodologies and monitoring tools undermines the efficiency and accountability of climate finance.

These constraints reflect broader weaknesses in financial governance, particularly in ensuring that climate and environmental priorities are fully integrated into budget planning and implementation systems. Although initial steps toward green budgeting and climate-related indicators have been introduced, these mechanisms are not yet fully operational and remain at an early stage of development. Key gaps in climate financial governance in Albania include:

- Fragmented institutional coordination and weak interministerial cooperation
- Partial integration of climate objectives into the budget process, with limited coverage across sectors
- Absence of a fully operational and systematic framework for tracking climate expenditures
- Limited monitoring, reporting, and evaluation mechanisms for climate spending
- Insufficient administrative and technical capacities at both the central and local levels
- High dependence on international financing and the lack of sustainable domestic funding mechanisms
- Weak linkage between climate policies and strategies and their effective budgetary implementation

These structural challenges are reflected in implementation outcomes. Albania's 2023 NAP Progress Report indicates slow implementation between 2019 and 2023, with only 15% of planned adaptation measures completed, while the lack of monitoring and evaluation protocols limits the ability to assess the actual achievements of these initiatives (Ministry of Tourism and Environment, 2023). The Inter-Ministerial Group for Climate Change, an intergovernmental coordinating body, has not been operational, thereby failing to reduce the fragmentation of interventions (Westminster Foundation for Democracy, 2022a). Interinstitutional communication at the technical level has often been ad hoc and insufficient to enable harmonized and efficient processes.

Human capacities dealing with climate issues remain inadequate and ineffective in coping with the highly dynamic EU climate-legislation framework, and communication between central institutions and relevant agencies remains weak. Capacities at the local level are minimal. However, recent strategic developments, including the NAP 2026–2036, further underline the scale of investment needs and the importance of strengthening institutional coordination and financing mechanisms to ensure effective implementation (UNDP Albania, 2026). A gap persists between strategic planning and actual delivery systems.

These challenges are also reflected in Albania's Climate Finance Vulnerability Index, where the country scores 67.1, indicating a high level of financial vulnerability (Center on Global Energy Policy, n.d.). Financial data further illustrate the scale of the challenge. A study conducted by Green Budgeting in Albania concludes that there is a lack of legal, institutional, and administrative capacity to plan, budget, implement, enforce, and monitor climate-change and environment-protection efforts. In the last four years, environmental protection has accounted for a very small share of the national budget, estimated at approximately 0.18–0.23%, which is below the levels observed in other countries in the Western Balkans (Westminster Foundation for Democracy, 2022b).

Most climate financing in Albania is highly dependent on international support. The Western Balkans Investment Framework (WBIF)⁵ records for Albania a total investment volume of €4.7 billion in the public sector (2008–2025), with ~€31.7 million in environmental and climate support (WBIF, n.d.). Albania and Montenegro have both made bold steps toward improving energy efficiency, thanks to the support of the Regional Energy Efficiency Programme. Building on this support for policy reforms, Albania has focused on its objective of decarbonizing the building sector by 2050 (WBIF, 2025). In the area of governance, Albania still needs to accelerate the finalization of its updated NECP. Timely completion of the NECP is essential to guide energy reforms, attract investments, and align with the Energy Community's governance framework (European Commission, 2025).

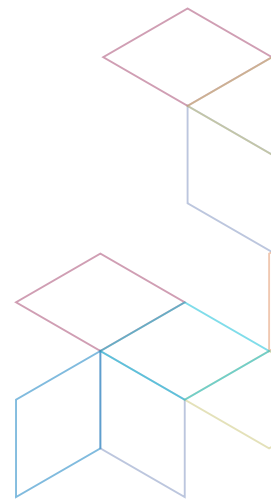
According to the World Bank Group's (2024) Country Climate and Development Report for Albania, the country is highly vulnerable to climate change and requires significant investments in adaptation and resilience, which will bring potential benefits of up to €10 for every €1 invested. Estimated at \$6 billion, these investments need to be front-loaded over the next decade or so. Regional analysis shows that, for each 1€ invested, returns range from €2 to €10. The benefits include reduced economic losses, higher growth potential, and social and environmental co-benefits.

Building on this, the World Bank's (2025) "Albania Public Finance Review" report shows that climate change is already creating real fiscal pressures for Albania. The report points to important gaps:

- Climate considerations are still not fully integrated into budget planning
- Funding for disaster-risk management and environmental protection remains limited
- Public investments are not always used efficiently

To address these challenges, the report stresses the need to strengthen fiscal buffers, improve the management of climate-related risks, and build stronger institutional capacity. It also recommends practical steps such as integrating climate indicators and climate tagging into the budget, increasing environmental spending, and improving transparency and governance in public investments.

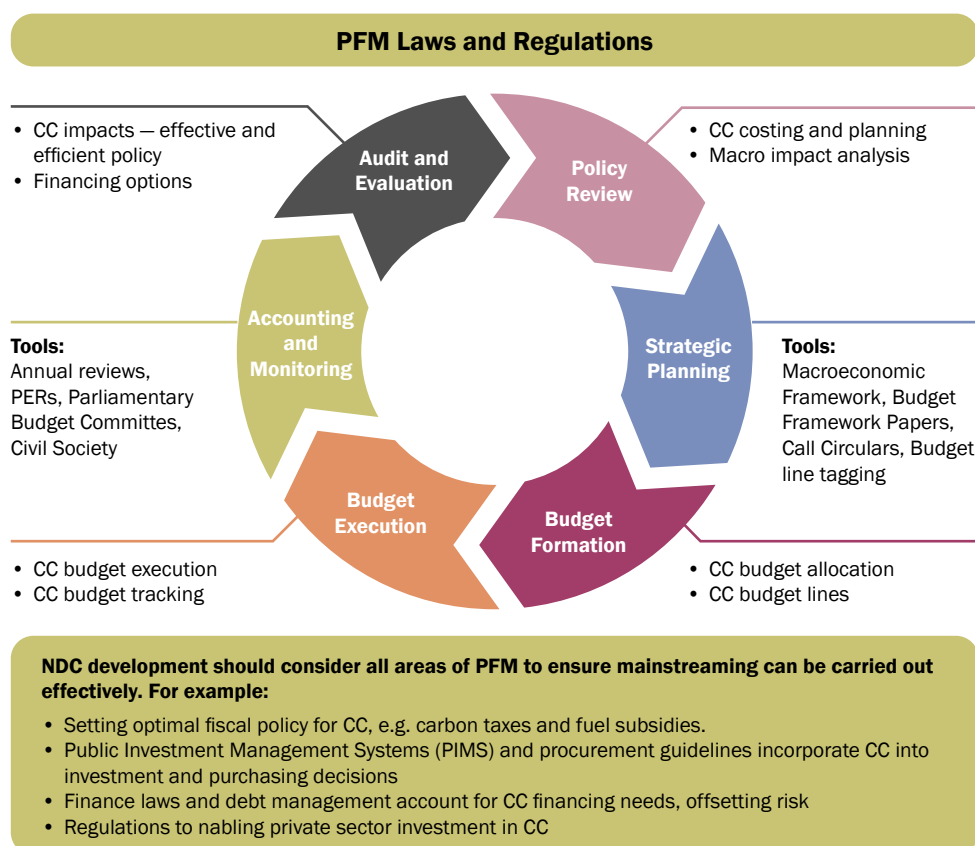
5 The Western Balkans Investment Framework is an EU-supported financing platform that promotes investment and development projects in the Western Balkans.



Recent policy analysis further supports this diagnosis. A recent strategic policy paper developed by academic experts from the Faculty of Economics at the University of Tirana on climate fiscal governance in Albania highlights that, despite ongoing reforms and international support, the country still lacks adequate systems to track climate-related risks and expenditures (Economic Faculty of Tirana, n.d.). The analysis points to the need for improved coordination between institutions involved in climate policy and PFM. It emphasizes the importance of developing standardized methodologies for identifying and classifying climate-related spending.

These findings are consistent with broader international frameworks on climate financial governance. In this context, Helsinki Principle 6 highlights that ministries of finance play a pivotal role in advancing climate-aligned budgeting but require structured coordination, fiscal tools, and macro-economic-modeling capabilities to steer long-term transitions (The Coalition of Finance Ministers for Climate Action, 2020). Ministries of finance also play an important role in the development and implementation of climate actions under NDCs. Indeed, the Paris Agreement⁶ places climate in the context of sustainable development and poverty eradication – it considers climate change to be central to long-term growth and sound fiscal management. As such, the task of a MoF – reducing risks and optimizing opportunities for growth and development – puts it at the center of ensuring realistic climate actions under NDCs.

Figure 1: Budget cycle with overarching PFM systems and tools to consider as entry points for mainstreaming climate change (CC) through NDCs



Source: The Coalition of Finance Ministers for Climate Action (2020).

⁶ The Paris Agreement is an international, legally binding treaty on climate change adopted under the United Nations Framework Convention on Climate Change in 2015, aiming to limit global warming to well below 2 °C above pre-industrial levels while pursuing efforts to limit it to 1.5 °C.

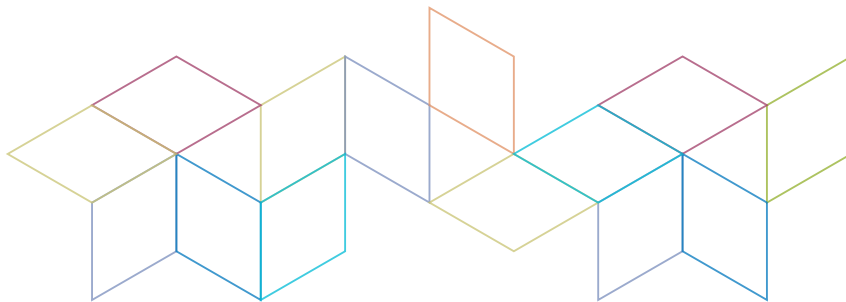
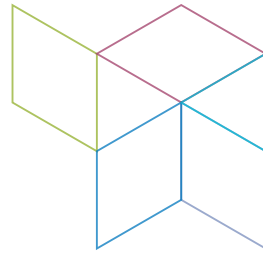
Figure 1 shows a universal budget cycle and its wider systems for PFM. It indicates entry points and tools that can assist in mainstreaming climate action across government. This approach can be adapted to any country's PFM system. In the case of Albania, progress remains limited or slow across most chapters, particularly Chapter 27, while Chapter 33 indicates a regression. As shown in Table 1, the country continues to face persistent challenges regarding the required levels of preparation for full alignment with the EU climate acquis. The European Commission (2025) report recommends that Albania establish an emissions register, update its Climate Law in line with the EU's 2050 climate-neutrality objective, and draft a long-term low-carbon development strategy. In addition, the European Commission calls for alignment with the Monitoring, Reporting, Verification and Accreditation acquis, covering the full scope of the EU Emissions Trading System (EU ETS), as well as alignment with EU legislation on fluorinated greenhouse gases, ozone-depleting substances, and emissions from vehicles and road transport. The report also recommends that Albania takes steps to introduce carbon pricing mechanisms as a prerequisite for future participation in the EU ETS.

Table 1: Albania's progress in EU chapters related to climate financial governance (2024–2025 comparison)

EU Chapters	Progress 2024	Progress 2025
Chapter 14 – Transport Policy	Limited	Limited progress
Chapter 15 – Energy	Good	Some progress
Chapter 21 – Trans-European Networks	Some	Some progress
Chapter 22 – Regional Policy	Some	Some progress
Chapter 27 – Environment & Climate Change	Limited	Limited progress
Chapter 32 – Financial Control	Some progress	Some progress
Chapter 33 – Financial & Budgetary Provisions	Some progress	Limited progress

Source: European Commission (2024, 2025).

Considering these gaps, the following chapter develops an analytical framework to evaluate the effectiveness of Albania's current climate financial governance system. The analysis draws on European Commission Progress Reports, national policy documents, and stakeholder consultations to identify the most appropriate policy options for strengthening coordination, transparency, and efficiency.



3 ANALYTICAL FRAMEWORK AND ANALYSIS

Strengthening financial governance for climate action in Albania starts with clear policy criteria. These define what meaningful improvement looks like and set measurable standards for evaluating policy options. Key policy criteria include:

- **Alignment with EU integration and the Instrument for Pre-accession Assistance (IPA III)⁷ requirements:** Proposed measures should comply with EU accession priorities, particularly under Chapter 27, and should align with IPA III programming principles.
- **Effectiveness:** Solutions should deliver measurable improvements in climate outcomes, strengthen monitoring systems, and enhance institutional performance.
- **Feasibility:** Proposed policies must be realistically implementable within Albania's administrative, legal, and institutional capacities.
- **Efficiency:** Proposed measures should ensure the optimal use of public funds and deliver climate benefits at the lowest possible cost.
- **Equity and stakeholder impact:** Access to climate finance and related services should be fair and inclusive. Measures should support those most exposed to climate risks, including vulnerable populations, urban and rural communities, and key institutional stakeholders.
- **Sustainability:** A sustainable option builds durable institutions, systems and processes. It creates long-term structures and incentives that persist beyond project timelines, ensuring lasting climate benefits.

3.1 EU BEST PRACTICES

The selected case studies represent a spectrum of approaches to integrating climate considerations into PFM, ranging from comprehensive climate-budget tagging to evolving green-budgeting practices in smaller administrations and EU-driven integration through investment frameworks.

France provides a leading example of integrating climate objectives into PFM through a comprehensive green-budgeting framework. Its key mechanism is the Green Budget Annex, which systematically assesses the environmental and climate impacts of public expenditure and incorporates this analysis into the annual state budget, ensuring a high level of transparency (Ministry of Public Action and Accounts, 2024). The strong institutional coordination between the MoF, environmental authorities, and other key actors creates a coherent system in which budgetary decisions are aligned with national and EU climate commitments.

Slovenia represents a valuable reference point for Albania. The country has developed practices for tracking climate-related expenditures, drawing on EU methodologies such as climate coefficients and Rio Markers.⁸ While a fully integrated climate-budget-tagging system is still evolving, these practices enable the classification and monitoring of climate-related spending and support greater transparency in PFM and alignment with EU legislation, including the Green Deal, the Governance Regulation,⁹ and the Fit-for-55 Package.¹⁰ Coordination between the MoF and the MoE ensures that climate priorities are systematically embedded in sectoral policies and annual budgets. Independent institutions, such as the Slovenian Environment Agency and

⁷ The Instrument for Pre-accession Assistance is the EU's financial mechanism that supports reforms and alignment with the EU acquis in candidate countries.

⁸ Rio Markers are indicators developed by the OECD that are used to classify and track climate-related expenditures and development finance.

⁹ The Governance Regulation establishes the framework for reporting and monitoring progress toward energy and climate targets.

¹⁰ The Fit-for-55 Package is a set of legislative proposals aimed at reducing EU greenhouse gas emissions by at least 55% by 2030 compared with 1990 levels.

the Court of Audit, provide oversight that strengthens accountability. These mechanisms have contributed to the more strategic use of domestic resources, greater alignment with EU targets, and better absorption of EU climate funds (European Commission, 2025).

Croatia provides a practical example of how climate objectives can be progressively integrated into national budgeting processes, especially for countries transitioning toward full EU alignment. One of Croatia's key strengths is the way it links climate priorities with EU financing instruments, especially through the Recovery and Resilience Facility (RRF)¹¹ and cohesion-policy funds (European Commission, 2024b). Croatia has also strengthened the connection between its National Energy and Climate Plan and annual budget-planning processes, supporting the translation of strategic commitments into public-investment decisions. Although the system is still evolving, Croatia's experience highlights the role of EU financial mechanisms as a catalyst for integrating climate considerations into budgeting and for strengthening institutional coordination.

Under the European Commission's rules, Croatia must allocate at least 37% of its RRF-funded investments to climate objectives. For EU-funded measures, ministries are required to demonstrate the climate contribution of proposed investments, apply EU climate-tracking methodologies, and coordinate closely with the MoF to ensure compliance.

3.2 LESS SUCCESSFUL CASE STUDIES FROM THE REGION

Less successful experiences in the Western Balkans highlight the risks of weak institutional coordination and limited implementation capacity in climate financial governance. According to the European Commission's (2025a, 2025b) progress reports on Bosnia and Herzegovina and on Serbia, progress under the environment and climate chapter remains limited. While climate-policy frameworks and strategic commitments exist, implementation capacity continues to lag behind expectations. In both cases, climate strategies are not effectively translated into implementation, monitoring systems, or clear accountability structures, resulting in slow and uneven progress across sectors.

3.3 LESSONS LEARNED FROM BEST AND LESS SUCCESSFUL PRACTICES

Both successful and less successful experiences offer important lessons for strengthening climate financial governance. While EU best practices demonstrate the importance of institutional coordination, transparency, and the integration of climate objectives into PFM, weaker regional cases illustrate the consequences of fragmented implementation and limited administrative capacity.

As Albania advances toward EU integration, best practices from the EU provide concrete and realistic approaches that illustrate different stages of climate finance governance. **However, lower performance in neighboring countries offers equally valuable lessons. The European Commission's (2025a, 2025b) progress reports on Bosnia and Herzegovina and Serbia show that climate strategies need to be accompanied by strong implementation capacity, monitoring systems, and clear institutional responsibility. For Albania, the key lesson is to avoid a fragmented and largely pro forma approach to climate governance. Instead, it must become operational, measurable, and integrated into the PFM system, supported by clear accountability structures and stronger institutional capacity, particularly within the MoF.** This reinforces the need to move beyond policy design toward implementation-focused reforms, as will be discussed in the selection of the preferred policy option.

¹¹ The Recovery and Resilience Facility is the EU financial mechanism supporting post-pandemic reforms and investments, particularly in green and digital transitions.

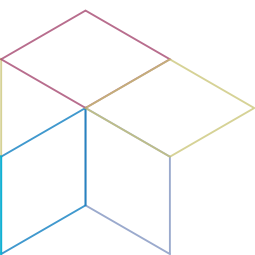
3.4 INTERVIEWS WITH KEY STAKEHOLDERS AND SURVEY FINDINGS

Interviews with key stakeholders, including representatives from the MoF, the EU Delegation in Albania, and the Chamber of Commerce and Industry of Tirana, provide valuable insights into the main challenges of climate financial governance in Albania. Across all perspectives, they reveal a consistent set of constraints:

- Limited technical and administrative capacity within public institutions, including a shortage of specialized climate and budget experts
- Weak interinstitutional coordination and unclear distribution of roles and responsibilities
- Fragmented approach to climate policy, with climate often treated as a separate issue rather than being integrated into overall policymaking
- Limited access to finance for businesses, particularly for small and medium-sized enterprises (SMEs)
- High upfront costs of green investments, reducing incentives for private sector participation
- Regulatory uncertainty and administrative barriers, including complex procedures and delays in project implementation
- Ineffective implementation of existing financial instruments, despite the availability of donor-supported mechanisms
- Lack of stable and predictable policy frameworks, which reduces investor confidence
- Insufficient technical knowledge and capacity within the private sector, especially among SMEs

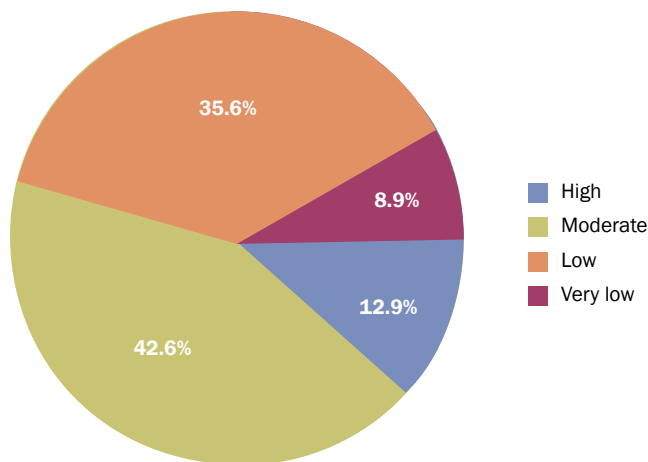
To complement the analytical assessment, a structured questionnaire was conducted with key stakeholders involved in climate action and PFM in Albania. The survey was distributed between December 2025 and May 2026 through electronic channels, including email and online communication platforms, which resulted in broad institutional outreach. A total of **101 responses were collected**, representing a relevant sample for this type of institutional assessment. The **MoF accounted for the largest share of participants**, reflecting its central role in climate-related budgeting and expenditure processes. Other respondents included representatives from line ministries, municipalities, the Bank of Albania, and civil society organizations active in climate governance.

The survey aimed to assess institutional perceptions regarding the main challenges of climate financial governance, including transparency, access to financing, coordination, and administrative capacity. However, certain methodological limitations should be acknowledged. The sample is not statistically representative of all stakeholders, and responses may reflect a degree of institutional bias, particularly due to the relatively higher participation of MoF staff. In addition, the survey captures perceptions rather than quantitative performance indicators. Consultation requests and guiding questions were also shared with representatives of the MoE; however, institutional input remained limited during the preparation of this policy paper. The results help clarify not only where the system is falling short but also where targeted improvements are most urgently needed. These findings inform the evaluation of policy solutions in the following section.



Low transparency emerges as a significant concern.

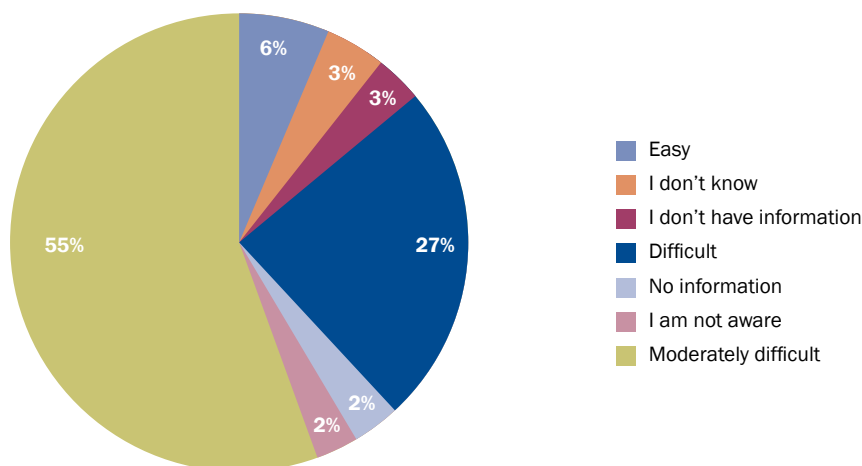
Figure 2: Level of transparency in the use of climate-related funds, as reported by the respondents (n = 101)



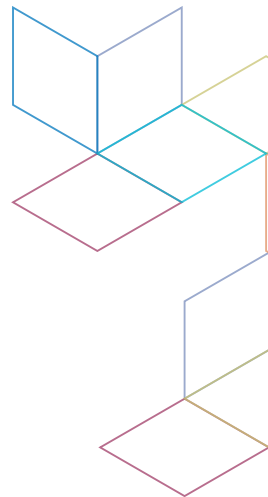
Among the respondents, 42.6% rated transparency in the use of climate funds as moderate, while an additional 35.6% rated it as low. With only 12.9% perceiving transparency as high, the data indicate a broad institutional perception that current systems for reporting, accessing, and communicating climate-related expenditures remain insufficient and fragmented.

The ability to access international climate finance is a challenge.

Figure 3: The ease of accessing international climate finance, as reported by the respondents (n = 101)

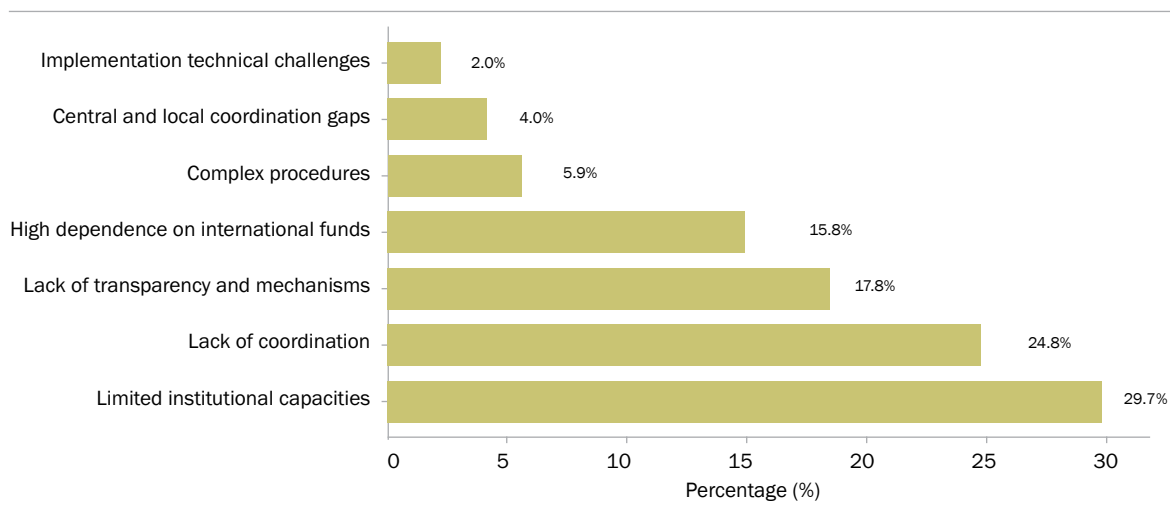


Most respondents (55%) reported that procedures for accessing international climate funds are moderately difficult, while 27% rated them as outright difficult. These results indicate that access to international climate finance is widely perceived as challenging, likely reflecting procedural and administrative barriers.



When identifying the principal governance challenge, most respondents pointed to limited institutional capacities.

Figure 4: Main climate governance challenges, as reported by the respondents (n = 101)



When asked about the main challenges in strengthening financial governance for climate action in Albania, respondents identified several key constraints. The largest share (29.7%) highlighted **limited technical and administrative capacities** as the main barrier to effective governance. Another 24.8% emphasized **weak interinstitutional coordination** and unclear roles, while 17.8% underscored the lack of transparency and mechanisms for monitoring and reporting climate-related expenditures. A smaller proportion of respondents (2%) also identified an additional challenge through the open-ended response option, emphasizing that technical implementation remains a key difficulty despite the existence of climate-related policies and commitments. In particular, respondents highlighted weak coordination between central and local levels of government, which further constrains effective implementation. Taken together, these findings reveal that the core obstacles are not only system-related but also deeply rooted in institutional readiness, capacity constraints, and inconsistent policy implementation.

Main Obstacles and Priority Improvements

The most frequently recommended measure, supported by 30.7% of respondents, is the introduction of a dedicated budget line for climate action, indicating a strong need for clearer budget visibility and more structured allocation of climate-related expenditures. This is followed by the implementation of a climate-budget-tagging system (27.7%) and capacity building (22.8%), suggesting that both technical tools and institutional strengthening are considered essential. Other measures, including transparency platforms and stronger audit functions, were mentioned less frequently but still point to the need for improved accountability mechanisms.

Stakeholders were also asked whether Albania should establish a dedicated structure within the MoF to coordinate the governance of climate finance. A clear majority (61.4%) strongly support this option, while an additional 34.7% consider it useful, indicating broad institutional consensus on the need for centralized coordination. This strong level of support highlights the perceived importance of institutional coordination and clear responsibility allocation, reinforcing the relevance of policy options that strengthen governance structures.

4 DESCRIPTION OF POLICY OPTIONS

4.1 POLICY OPTION 1: MAINTAINING THE STATUS QUO

This option would continue the current institutional and financial arrangements for climate action in Albania without introducing major structural changes. It serves primarily as a reference scenario, allowing for comparison with more reform-oriented alternatives. While this approach avoids immediate administrative costs or disruptions, it does not fully respond to the increasing demands of climate policy implementation and EU integration.

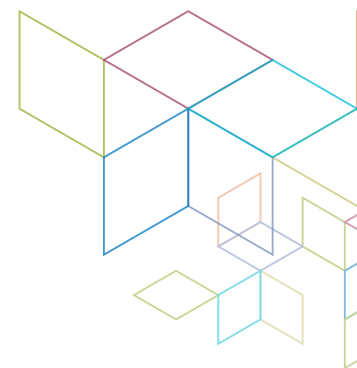
In recent years, Albania has made some progress in integrating climate considerations into its policy and financial frameworks. Notably, climate objectives have been incorporated into selected budget programs, and new instruments such as the sovereign guarantee scheme¹² for the agricultural sector have been introduced to support climate-related investments (Ministry of Finance, 2025). Additional steps include the development of digital tools such as the National Forest Information System (ALFIS),¹³ as well as continued access to external funding through the IPA and IPARD¹⁴ programs.

Despite these developments, the current system remains only partially effective. Climate-related measures are not yet consistently integrated across the full budget cycle, and coordination between institutions continues to be limited. In particular, capacity constraints within key institutions, including the MoE, affect the pace of legislative alignment under Chapter 27. As a result, existing initiatives, although positive, operate in a fragmented manner and do not yet form a coherent governance framework.

Maintaining the status quo also carries important risks. Albania remains highly exposed to climate-related shocks, and recent international assessments point to slow and uneven progress in implementing climate-related reforms. Both the European Commission and the World Bank underline persistent gaps in institutional capacity and implementation, suggesting that current arrangements are not sufficient to deliver systemic change.

Moreover, this option does not address underlying structural issues such as weak monitoring systems, limited transparency, and unclear accountability mechanisms. Without targeted reforms, there is a risk that climate commitments will continue to remain at the strategic level without being effectively translated into concrete budgetary decisions and measurable results.

Hence, while maintaining the current approach may appear feasible in the short term, it is unlikely to provide a sustainable solution. It risks prolonging existing inefficiencies and limiting Albania's ability to strengthen its climate financial governance in line with EU requirements.



¹² The sovereign guarantee scheme is a government-backed financial instrument introduced by the MoF to facilitate access to affordable credit for the agricultural sector by partially covering lending risk for commercial banks and reducing interest rates for beneficiaries.

¹³ ALFIS is a web system with a server hosted at the National Agency for the Information Society and aims to manage geo-spatial and other data related to the Forest and Pasture Fund, regardless of ownership.

¹⁴ EU pre-accession assistance for rural development.

4.2 POLICY OPTION 2: INTRODUCING A SPECIFIC CLIMATE BUDGET LINE

This option would introduce a dedicated budget line for climate-related expenditures within the national budget framework. The objective is to enhance the visibility, traceability, and prioritization of climate spending while ensuring a more structured allocation of financial resources toward climate-related objectives.

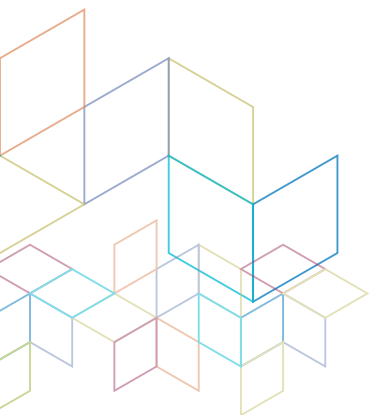
A specific budget line could improve transparency by clearly identifying climate-related expenditures and making them more accessible for monitoring and reporting. It would also provide greater flexibility in responding to climate-related emergencies, as funds could be more easily mobilized or reallocated across sectors, including areas such as energy and infrastructure. Findings from stakeholder consultations and the survey further support this option, indicating a strong demand for clearer budget visibility and more targeted financial planning.

However, this approach also presents several limitations. One key risk is that existing expenditures may simply be reclassified as “climate-related” without generating additional climate impact, thereby reducing the effectiveness of the measure. Furthermore, the development of a precise and consistent methodology for defining climate expenditures would be required, which may be technically complex and resource-intensive.

Another limitation is that a dedicated budget line may treat climate action as a separate category, rather than as a cross-cutting priority. These risks may limit the integration of climate considerations across all sectoral policies and may not ensure that climate objectives are systematically embedded throughout the budget cycle.

At the same time this option does not address underlying structural challenges such as weak interinstitutional coordination and limited technical and administrative capacities. Without improvements in these areas, the effectiveness of a dedicated budget line would remain constrained.

Overall, while this option can significantly enhance transparency and improve the visibility of climate-related spending, it is unlikely to deliver comprehensive improvements in climate financial governance on its own. Its effectiveness would depend on complementary measures aimed at strengthening coordination, capacity, and integration across institutions.



4.3 POLICY OPTION 3: ESTABLISHING A DEDICATED STRUCTURE WITHIN THE MINISTRY OF FINANCE FOR CLIMATE FINANCIAL GOVERNANCE

This option proposes the establishment of a dedicated structure within the MoF to strengthen the coordination, planning, and oversight of climate financial governance.

Policy Option 3 complements and strengthens Policy Option 2, ensuring that climate budgeting is not only visible but also effectively coordinated, implemented, and monitored.

A dedicated unit within the MoF could significantly improve interinstitutional coordination by acting as a central hub for aligning climate-related policies, budget processes, and financial instruments. It would facilitate the integration of climate considerations throughout the budget cycle, from planning and allocation to monitoring and reporting. In addition, such a structure could support the development of clear methodologies, including climate expenditure tracking and reporting, thereby enhancing transparency and accountability.

This option is also strongly supported by stakeholder consultations and survey findings, which highlight the need for clearer institutional responsibilities and more coherent governance arrangements. Establishing a central coordinating structure would help reduce existing fragmentation and ensure that climate-related initiatives are implemented in a more consistent and strategic manner.

However, this option also presents several important risks and challenges that need to be carefully considered. First, the creation of a new structure requires time, administrative effort, and additional financial resources, which may face constraints within the current fiscal environment. More importantly, its effectiveness would depend on strong political commitment within the MoF. In the absence of sustained political support, there is a risk that the structure could remain a pro forma entity, without real authority to influence budget decisions or coordinate across institutions. Another key risk relates to institutional overlap, particularly with the MoE. Without clearly defined roles and responsibilities, the new structure could lead to duplication of functions or coordination conflicts rather than improving governance. In addition, the unit could become overly bureaucratic, focusing on reporting requirements rather than driving actual policy change and implementation.

To mitigate these risks, it is essential that the proposed structure be anchored within the core budget process, supported by a clear legal mandate, and equipped with adequate technical capacity. Strong coordination mechanisms with the MoE and other line ministries should be established to avoid institutional fragmentation. In addition, its role should go beyond reporting functions, ensuring active involvement in budget planning, expenditure tracking, and policy evaluation.

To ensure feasibility and avoid major institutional disruption, the proposed structure could be established within the existing Directorate of Budget of the MoF. This approach would minimize administrative costs, build on existing capacities, and ensure direct integration with core budget processes rather than creating a separate standalone unit.

Overall, while this option requires initial effort, it offers a more comprehensive and sustainable solution. It provides a clear pathway toward improving climate financial governance by combining coordination, capacity building, and systemic integration, in line with EU requirements and best practices.

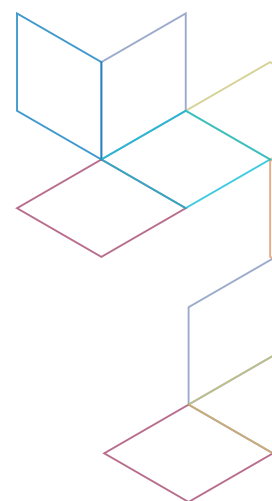
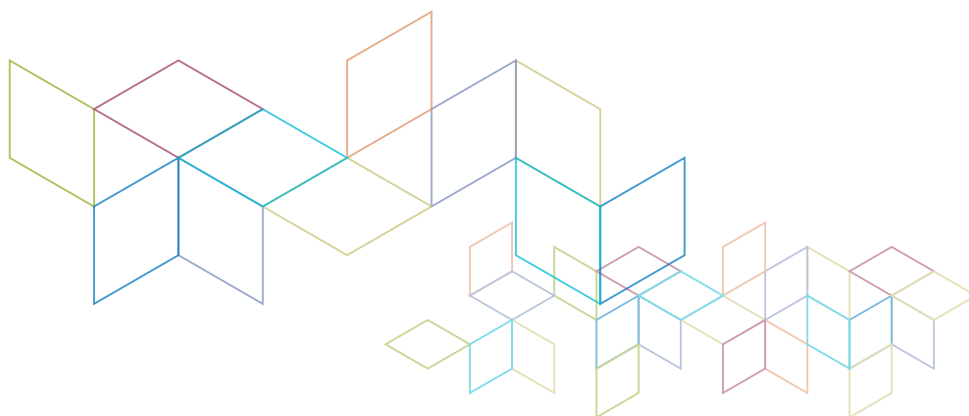


Table 2: Comparison of policy options against key criteria

Evaluation Criteria	Option 1: Maintaining Status Quo	Option 2: Introducing a Climate Budget Line	Option 3: Creating a Dedicated Structure within MoF
Alignment with EU requirements	Low: Limited progress; does not support full alignment with EU climate acquis	Moderate: Improves transparency and reporting, partially aligned with EU practices	High: Strong alignment through institutional coordination and integration into PFM
Effectiveness	Low: Structural issues remain unaddressed	Moderate: Improves visibility, but limited systemic impact	High: Directly addresses coordination, capacity, and implementation gaps
Efficiency (cost-effectiveness)	Low: Risk of inefficiencies and underutilised funds	High: Low-cost and easy to implement within existing structures	Moderate: Requires initial resources but generates long-term efficiency gains
Sustainability	Low: No structural improvements	Moderate: Partial improvements, not fully sustainable	High: Builds durable institutional capacity and coordination mechanisms
Institutional feasibility	High: No major changes required	High: Can be integrated into existing budget processes	Moderate: Requires institutional adjustments and capacity building
Stakeholder support	Very Low: Limited confidence in current system	High: Strong support from survey findings	Very high: Broad support for improved coordination and governance

The comparison highlights clear differences in the capacity of each option to address Albania's climate financial governance challenges. Option 1 performs the worst across all criteria, as it fails to address structural gaps in coordination, capacity, and transparency. Option 2 improves budget visibility and transparency but remains limited in addressing broader governance challenges on its own. In contrast, Option 3 builds upon this foundation by providing a stronger institutional framework for coordination, implementation, and the long-term integration of climate objectives into the PFM system.



5 RECOMMENDED POLICY OPTION

Based on the comparative evaluation of policy options, the establishment of a dedicated structure within the MoF emerges as the most suitable and sustainable solution for strengthening climate financial governance in Albania. Policy Option 3 directly addresses the core structural challenges identified throughout this analysis.

Unlike maintaining the current approach or introducing a standalone climate budget line, this option provides a systemic solution by embedding climate considerations within the core functions of PFM. It builds on recent progress already made in Albania, such as the initial integration of climate objectives into selected budget programs, the introduction of climate-related methodologies within the MTBP, and the government's increasing engagement with climate finance through national and international initiatives. However, as highlighted in recent European Commission reports and national strategic documents, these efforts remain only partial and require stronger institutional coordination to become fully effective.

Looking ahead, establishing a dedicated unit within the MoF would enable a gradual but structured improvement in climate financial governance. In the short term, it would support the consolidation of existing initiatives, including climate expenditure tracking and reporting practices. In the medium term, it would strengthen the integration of climate objectives across all sectors of the budget, ensuring that climate considerations are systematically reflected in policy planning and resource allocation. In the longer term, this reform would contribute to improving Albania's alignment with EU requirements under Chapter 27 and Chapter 33, while also enhancing the country's capacity to absorb and effectively utilize EU and international climate-related funding.

A relevant institutional model can be observed in Ireland, where dedicated climate-related functions have been established within the MoF and the Department of Public Expenditure. In July 2020, a dedicated Climate Unit was established within the Department, followed by the establishment of a Climate Economy Group in early 2022 (The Coalition of Finance Ministers for Climate Action, 2025). This group plays a role in mainstreaming climate-related policy development across the Department and in building awareness and capacity on climate issues across various policy areas, such as tax, budget, fiscal policy, and financial services. Rather than establishing a separate institution, Ireland has introduced specialized units responsible for integrating climate considerations into fiscal policy, expenditure planning, and budgetary decision-making. These units are staffed with technical experts and operate within existing structures, ensuring both policy coherence and direct influence over budget processes.

In terms of costs, this option does not require the creation of a large new administrative structure but rather the strengthening of existing capacities within the MoF. The proposed approach would rely primarily on existing PFM staff already involved in budget planning and expenditure management, complemented by specialized experts in climate finance, environmental policy, and climate expenditure methodologies. Their role would include supporting climate expenditure tracking, project assessment, coordination with line ministries, and the development of climate-related budget methodologies.

Estimated implementation costs would therefore remain moderate and would mainly relate to staffing support, capacity building programs, the development of methodological tools for climate expenditure tracking, and potential digital upgrades to existing budget systems. These costs are expected to remain moderate and can be partially supported through existing external assistance instruments, including EU-funded programs (IPA III), as well as technical support from international partners such as the World Bank. The implementation of this option can be structured in three phases, as shown in Table 3.

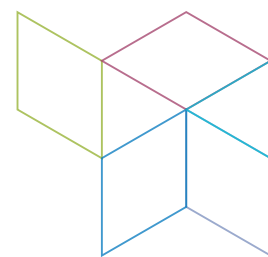


Table 3: Policy Option 3 implementation phases

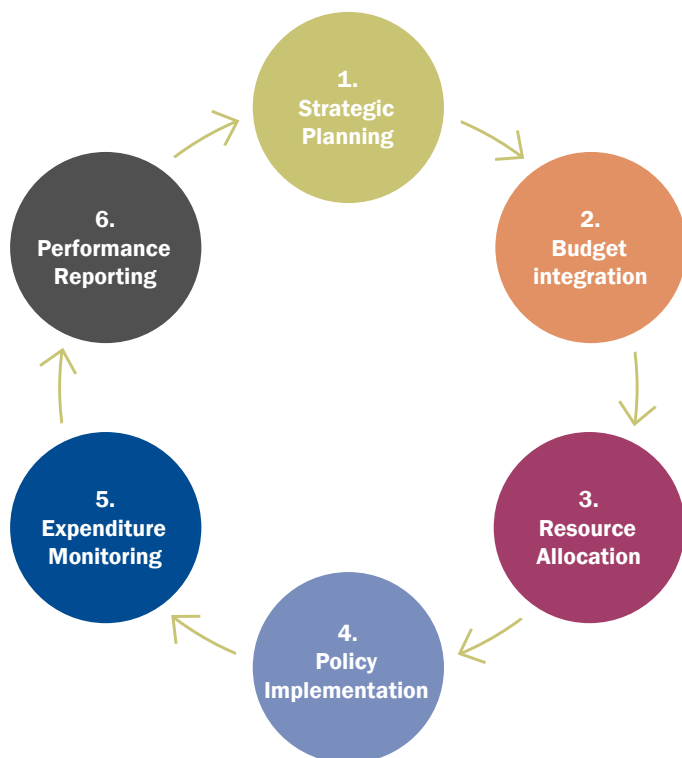
Phase	Timeline	Key Actions
Phase 1	0–12 months	Establish unit, define mandate, recruit 5–7 experts, initiate training
Phase 2	1–3 years	Develop methodology, pilot climate tracking, strengthen coordination
Phase 3	3–5 years	Full budget integration, climate reporting, EU alignment

In the short term (within 12 months), the focus should be on defining the mandate of the structure, assigning responsibilities, and initiating staff training. In the medium term (1–3 years), efforts should concentrate on developing and applying standardized methodologies for climate budgeting, strengthening coordination with line ministries, and integrating climate indicators into budget processes. In the long term (3–5 years), the objective would be to fully institutionalize climate financial governance within the PFM system, ensuring sustainability, transparency, and alignment with EU standards.

To ensure effective implementation, several concrete steps are required. These include the formal establishment of the unit, the development of clear guidelines for climate-related budget classification, the strengthening of coordination mechanisms with the MoE and other line ministries, and the integration of climate considerations into existing budget planning and reporting frameworks. In parallel, continuous capacity building and technical support should be provided to ensure the functionality and sustainability of the reform.

The success of this option will depend on strong collaboration between key stakeholders. The MoF will play a central role in leading the reform, while the MoE will provide sectoral expertise. International partners, including the EU, the World Bank, and other development institutions, can offer technical and financial support. In addition, engagement with academia, civil society, and the private sector can further strengthen transparency, accountability, and inclusiveness in climate financial governance.

Setting up a dedicated structure within the MoF would enable the integration of climate considerations across all stages of the PFM cycle, as illustrated in Figure 5.

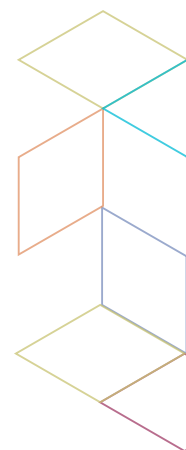
Figure 5: Climate financial governance cycle

As shown in Figure 5, climate financial governance can be understood as a continuous cycle that spans from planning to reporting.¹⁵ Each phase plays a critical role in ensuring that climate objectives are effectively translated into budget decisions and implemented in practice. The process begins with planning, where national climate priorities are defined and aligned with strategic frameworks. This is followed by budgeting, where these priorities are incorporated into the MTBP and annual budget processes. In the allocation phase, financial resources are distributed across sectors in line with these priorities.

The implementation phase involves the execution of climate-related expenditures through specific programs and projects. This is followed by monitoring to track spending and evaluate progress through indicators and reporting systems. Finally, reporting ensures transparency and accountability by communicating results to stakeholders and demonstrating progress in aligning with EU requirements.

Overall, this option provides a balanced and realistic pathway for Albania to move from fragmented and partial approaches toward a more integrated and strategic system of climate financial governance. By strengthening institutional capacity and coordination within the MoF, it creates the necessary foundation for more effective climate action and supports Albania's broader EU integration objectives.

¹⁵ The diagram is based on the standard public financial management cycle applied in Albania, which includes the stages of planning, budgeting, implementation, monitoring, and reporting, as defined in national frameworks such as the Medium-Term Budget Program and the Public Financial Management Strategy 2023–2030.



6 CONCLUSION

This policy paper has examined the current state of climate financial governance in Albania and identified persistent structural challenges that limit the effective integration of climate objectives into the PFM system. The analysis, supported by survey findings and stakeholder consultations, confirms that the main constraints are not solely financial, but also institutional.

Rather than representing mutually exclusive alternatives, Policy Options 2 and 3 should be viewed as complementary approaches. While the introduction of a climate budget line improves the visibility and transparency of climate-related expenditures, its effectiveness depends on the existence of a coordinating institutional structure within the MoF. In this regard, Policy Option 3 provides the governance and implementation framework necessary to ensure that climate budgeting is effective.

The findings of this paper carry important implications for key stakeholders involved in climate financial governance in Albania. For the MoF, the priority should be to take a leading role in establishing the proposed structure, ensuring that climate considerations are systematically integrated into budget planning and expenditure management. For the MoE, closer coordination with the MoF is essential to ensure that climate policies are effectively translated into financed and implementable actions. Strengthening technical collaboration and clarifying institutional roles will be critical to avoiding fragmentation. For international partners, including the EU and development institutions, it is essential to align financial support with institutional capacity building efforts, ensuring that funding is accompanied by mechanisms that strengthen governance and implementation.

Finally, for the private sector, government efforts to improve access to climate finance and reduce administrative barriers are essential, as they can enable greater private participation in climate investments and support Albania's green transition. The estimated indicative annual cost of implementation, ranging between €150,000 and €300,000, as specified in Table 4, remains modest relative to the potential benefits, particularly with respect to improving the efficiency of public expenditure and strengthening access to climate finance from the EU and other international partners.¹⁶

Table 4: Estimated annual cost breakdown for Policy Option 3

Cost category	Estimated Annual Cost (EUR)
Personnel (5–7 experts)	100,000–150,000
Training & Capacity Building	15,000–30,000
IT Systems & Data Tools	20,000–50,000
Operational Costs	15,000–40,000
Total Estimated Cost	150,000–300,000

¹⁶ The estimates in Table 4 are indicative and based on average public sector salary levels and comparable administrative costs in Albania.

Beyond cost considerations, the expected impact of this reform is significant. Within a medium-term horizon (2–3 years), it is realistic to anticipate:

1. An increase in the share of budget programs integrating climate objectives to at least 30–40% (currently, climate objectives are partially integrated into about 10–14 budget programs)
2. Improved tracking and reporting of climate-related expenditures
3. Strengthened coordination mechanisms between the MoF, line ministries, and other stakeholders, and enhanced alignment with EU requirements under Chapter 27 and Chapter 33

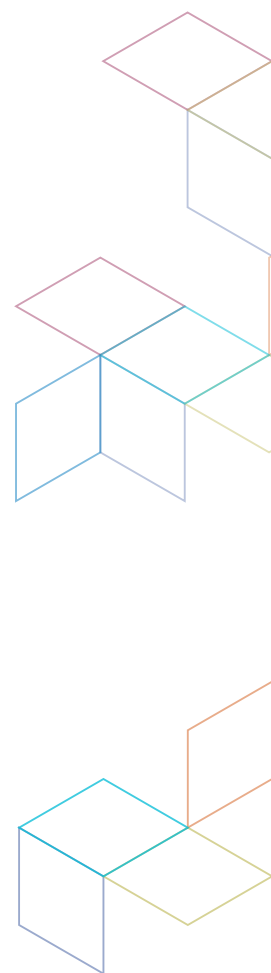
To translate this option into practice, several concrete and actionable steps are required. First, the MoF should take the lead in establishing the dedicated structure, in accordance with the procedures and organizational provisions set out in Law No. 90/2012, “On the Organization and Functioning of State Administration”.¹⁷ Second, targeted capacity building programs should be implemented, supported by international partners such as the EU, the World Bank, and other development institutions. Third, a standardized methodology for climate expenditure tracking should be developed and gradually integrated into the existing budget framework. Finally, coordination mechanisms with the MoE and other line ministries should be strengthened to ensure that climate considerations are consistently embedded across all sectors.

The success of this reform will depend on the active engagement of multiple stakeholders. Key stakeholders involved in the implementation of this reform include the MoF, the MoE, international partners, and representatives from civil society, academia, and the private sector. Looking ahead, further research is needed to support the long-term development of climate financial governance in Albania. In particular, future studies could focus on refining methodologies for climate expenditure classification, assessing the effectiveness of climate-related public spending, and exploring innovative financing instruments to support the green transition. Strengthening data availability and analytical capacity will be essential to ensuring evidence-based policymaking in this area.

In this context, Policy Option 3 can serve as the institutional foundation, while Policy Option 2 can function as a supporting financial instrument.

Strengthening climate financial governance is not only a technical reform but also a strategic necessity for Albania. This reform would improve the management of public resources as well as support the country’s broader objectives of sustainable development and EU integration.

¹⁷ Law No. 90/2012, “On the Organization and Functioning of State Administration,” provides the legal basis for the establishment and organization of internal administrative structures within ministries.



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ANNEX 2: SURVEY QUESTIONS

- How important do you consider the inclusion of climate measures in Albania's budget policies?
- How effective is the current public climate financing in Albania?
- How effective is the coordination between institutions (ministries, municipalities, agencies) for financing climate measures?
- Is there a clear monitoring and reporting mechanism for climate funds in Albania?
- If not, would it be necessary to create a special structure for monitoring climate financing in Albania?
- How do you assess the level of transparency in the use of funds dedicated to climate action?
- What are the main sources of financing for climate action used by your institution?
- How easy or difficult are the procedures for accessing international climate funds?
- What do you think are the main challenges in strengthening financial governance for climate action in Albania?
- What measures do you recommend for improving transparency, monitoring, and the effective use of climate funds in Albania?



MY NOTES

1. European Delegation in Albania
2. Ministry of Finance
3. Chamber of Commerce and Industry of Tirana
4. Ministry of Economy and Innovation
5. Ministry of Infrastructure and Energy
6. Ministry of Environment
7. Ministry of Justice
8. National Agency of Environment
9. Bank of Albania
10. Civil organizations
11. Municipalities in Albania



DIGITAL EDUCATION INFRASTRUCTURE IN THE REPUBLIC OF SRPSKA

ADDRESSING CRITICAL BARRIERS TO THE REFORM AGENDA

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BANJA LUKA, BOSNIA AND HERZEGOVINA, 2026





MAJA JOVIČIĆ PROLE holds a Bachelor's degree in Law and a Master of Science degree in Data Science, bringing a rare interdisciplinary foundation that bridges legal frameworks and advanced technology. She currently serves as a Project Manager at the Agency for Information and Communication Technologies of the Republic of Srpska. With extensive experience spanning both the private and public sectors, as well as a strong background in academia, Maja has developed a versatile and well-rounded professional profile. She has worked as an entrepreneur, mentor, and consultant, contributing to the development of individuals and organizations across multiple domains. Passionate about the intersection of technology, governance, and innovation, she is committed to driving digital transformation and evidence-based decision-making in public administration. Currently residing in Banja Luka, Bosnia and Herzegovina, she is open to collaboration opportunities in professional, academic, and advisory spheres.



DR. MERDŽA HANDALIĆ PLAHONJIĆ is a professor at the Faculty of Administration of the University of Sarajevo. She is also an independent expert in public finance management and economic development. With more than twenty years of experience, she has been actively involved in public administration reforms and capacity building programs for local institutions supporting the EU accession process in Bosnia and Herzegovina. She has authored or co-authored several books, practical guides, and scientific articles published in economic and financial journals. She believes that dedication, a positive attitude, and relentless energy in the workplace can inspire others to work hard and achieve personal and shared goals. Currently residing in Tuzla, Bosnia and Herzegovina, she is open to collaboration opportunities in both professional and academic spheres.

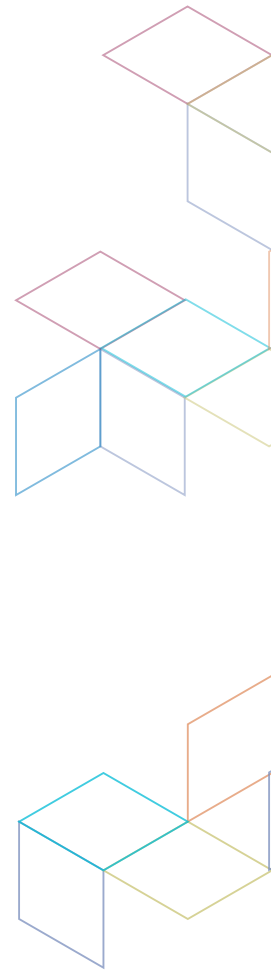
EXECUTIVE SUMMARY

The Republic of Srpska faces a critical infrastructure deficit that prevents it from achieving its Reform Agenda commitment to train 30% of teachers in primary and secondary education in digital skills aligned with EU best practices by December 2027. This commitment is a cornerstone of efforts to modernize education and align with EU standards for developing digital competence. However, current digital infrastructure capacity can support only 11–15% of the required target, creating a substantial implementation gap of approximately 5,500–6,000 teacher training slots.

This infrastructure crisis stems from several interconnected systemic factors that this policy paper analyzes. These infrastructure deficits create measurable barriers to implementing the Reform Agenda. Limited broadband capacity restricts the simultaneous online training of participants. Only a few municipalities can currently support comprehensive digital teacher training programs with existing infrastructure, a situation that systematically disadvantages rural educators. Timeline analysis also reveals the urgency of infrastructure investment. Delayed intervention increases costs due to technological obsolescence, estimated at 15–20% for each year of delay.

This policy paper analyzes successful regional models from Croatia, Estonia, Serbia, and Slovenia to identify evidence-based solutions. Estonia's public-private partnership (PPP) model demonstrates how to achieve, comprehensive connectivity. Slovenia demonstrates how an EU-level policy instrument can be translated into a national action plan with a teacher competence program supported by national coordination, digital platforms and pilot initiatives. Croatia's experience in linking infrastructure investment to EU accession requirements illustrates strategic framing that generates political urgency. Serbia's functional analysis approach provides a methodology for systematic needs assessment, optimizing limited resources. These models have been used to define solutions to the obstacles that this policy paper highlights.

The analysis concludes that the Reform Agenda target remains achievable with focused infrastructure investment, strategic implementation grounded in proven regional best practices, sustained political commitment, and effective coordination across government entities. However, action must begin immediately, as the window for successful implementation narrows with each passing month. The infrastructure challenge represents not merely a technical problem but a fundamental question about the Republic of Srpska's commitment to educational excellence, EU integration, and equal opportunity for all students regardless of their geographic location.



1 INTRODUCTION AND CONTEXT

Bosnia and Herzegovina is a candidate country for EU membership, having been formally granted candidate status in December 2022 following the European Commission's recommendation. As a complex state comprising two entities – the Federation of Bosnia and Herzegovina and the Republic of Srpska – alongside the Brčko District, responsibility for education policy is decentralized, with each entity holding primary accountability for its own education system. Bosnia and Herzegovina also has expert and coordination bodies that operate at the state level (e.g., the Agency for Preschools, Primary and Secondary Education and the Conference of Ministers of Education in Bosnia and Herzegovina chaired by the Bosnia and Herzegovina Ministry of Civil Affairs). This means that while EU accession obligations apply at the state level, the practical work of aligning digital education infrastructure with EU standards must be addressed entity by entity. This paper focuses on the Republic of Srpska, where the Reform Agenda 2027 commitment to train 30% of teachers in EU-aligned digital skills has created a specific, time-bound obligation that the entity's current infrastructure cannot meet.

The infrastructure challenge exists within a comprehensive EU policy framework that establishes both standards and timelines for digital education development. The EU Digital Education Action Plan 2021–2027 establishes the overarching EU framework for high-quality, inclusive digital education accessible to all learners. Adopted by the European Commission in 2020 and updated in 2021, it calls for the development of high-performing digital education ecosystems, including infrastructure, connectivity, digital equipment, and effective digital capacity planning (European Commission, 2020).

The action plan specifically identifies infrastructure as foundational to effective digital education, noting that connectivity gaps, hardware inadequacies, and platform fragmentation create barriers to educational opportunity that contradict EU principles of inclusive, equitable access to quality education. For candidate entities such as the Republic of Srpska, alignment with the Digital Education Action Plan is not just an aspiration but a practical requirement, as the capacity to implement EU education policies forms part of the accession assessment.

Chapter 26 requirements within the EU accession process (covering Education and Culture) mandate that candidate countries and entities demonstrate adequate infrastructure to support education reforms aligned with EU standards. The European Commission's assessment framework for Chapter 26 includes an explicit evaluation of digital education infrastructure, teachers' digital competence, and the capacity to implement EU education initiatives. Infrastructure gaps directly jeopardize progress on Chapter 26 benchmarks. This may delay overall accession timelines and create reputational risks (European Commission, 2024).

2 PROBLEM DESCRIPTION

Through the Reform Agenda, the Republic of Srpska has committed to training 30% of primary and secondary teachers in EU-aligned digital skills by December 2027 – a cornerstone of educational modernization and EU digital competence standards. However, current digital infrastructure can support only 11–15% of this target, leaving a gap of approximately 5,500–6,000 training slots. This shortfall is driven by six factors discussed below, which compound one another to create barriers to effective digital education delivery.

The numbers defining the Chapter 26 challenge are unambiguous. Current infrastructure supports simultaneous training for 800–1,000 teachers; the Reform Agenda's 30% target requires capacity for 6,500–7,000. Only 12 of 64 municipalities can currently deliver EU-aligned digital teacher training, leaving 52 municipalities – and the majority of the teaching workforce – without adequate access. On the current trajectory, the December 2027 deadline will be missed by five years, with each year of delay adding 15–20% to overall costs. Addressing this infrastructure gap is not just one sectoral priority among many – it is the foundational condition for meeting the Republic of Srpska's European commitments on schedule.

2.1 CONTRIBUTING FACTORS AND ROOT CAUSES

The infrastructure crisis stems from six interconnected systemic factors. These factors reinforce one another, creating cumulative barriers that exceed the sum of individual deficits. Understanding these contributing factors in detail is essential for designing effective policy interventions that address root causes rather than merely treating symptoms.

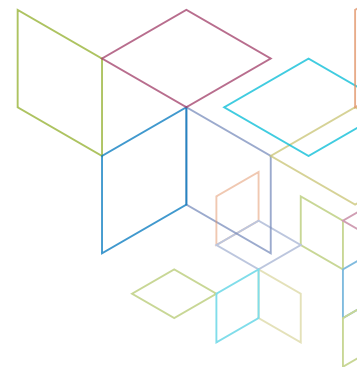
Connectivity Infrastructure Deficit

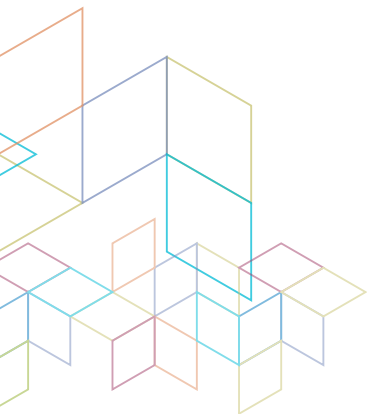
Today, 45% of schools in the Republic of Srpska lack adequate broadband connectivity to support modern digital learning platforms. This statistic understates the problem's severity, as adequate connectivity represents a minimal threshold rather than optimal capacity. Many schools classified as connected possess only basic internet access. This is insufficient for simultaneous use by multiple classes or for bandwidth-intensive applications such as video conferencing, virtual laboratories, or cloud-based learning management systems.

The connectivity deficit is most acute in rural areas, where 70% of schools remain either severely underconnected or entirely lack reliable high-speed internet. Geographic challenges – mountainous terrain, dispersed populations, and long distances from telecommunications infrastructure – create higher per-connection costs that make rural school connectivity less attractive to commercial internet service providers. Market failure in rural connectivity provision means that public intervention is required to achieve universal school access.

This connectivity pattern creates an urban-rural digital divide with profound implications for educational equity. Students in well-connected urban schools gain exposure to digital learning tools, online resources, virtual collaboration, and technology-enhanced instruction that develop the digital competencies essential to academic success and labor market participation. Students in underconnected rural schools lack these learning opportunities, falling further behind their urban peers through no fault of their own. This systematic disadvantage faced by rural students contradicts EU principles of equal access to quality education.

The connectivity deficit also prevents effective professional development for teachers. Online and blended training programs – which offer flexibility, scalability, and cost-effectiveness – require





reliable internet access at the schools where teachers work. Without such connectivity, the delivery of training must rely on face-to-face modalities that are expensive, logistically challenging, and difficult to scale. Hence, teachers in underconnected schools face systemic exclusion from professional development opportunities.

Hardware and Equipment Obsolescence

Around 60% of schools operate with outdated hardware systems that are five or more years old and increasingly unable to run current educational software applications. In technology terms, five years represents a substantial obsolescence threshold. Software developers optimize applications for recent hardware specifications, meaning that older equipment experiences increasingly degraded performance, longer loading times, and application crashes, eventually becoming unable to run newer software versions.

Student-to-device ratios further illustrate hardware inadequacy. Primary schools average eight students per device, while secondary schools average six students per device. These ratios fall far below the EU benchmark of three students per device. High student-to-device ratios severely limit technology integration into daily instruction. Teachers cannot design learning activities that assume all students have access to devices. They must also schedule computer lab time weeks in advance for occasional technology use, and they cannot leverage digital tools for contemporary best practices such as formative assessment, differentiated instruction, or personalized learning.

Obsolescence problems are compounded by equipment replacement cycles averaging seven to nine years compared with the EU best practice of three to four years. Long replacement cycles mean that even when equipment is eventually replaced, it immediately begins falling behind current technological standards. Newly purchased equipment will be expected to serve effectively for seven years, but in rapidly evolving technology markets, hardware purchased today will be substantially obsolete within three to four years.

Platform Integration Gaps

The absence of a unified digital learning platform across the Republic of Srpska's education system creates fragmentation, inefficiency, and barriers to the effective use of technology. Schools and individual teachers have adopted various tools and platforms based on personal preference, vendor marketing, or sporadic project funding. This organic, uncoordinated approach to technology adoption results in multiple disconnected systems that cannot communicate with one another, do not share data effectively, and require teachers to develop expertise in multiple platforms.

While the EduIS administrative system (used throughout the Republic of Srpska school system) handles certain functions (primarily student enrollment, attendance tracking, and basic record-keeping), it has limited integration with the pedagogical delivery tools that teachers use for instruction (Jovičić Prole, 2025). Teachers must navigate multiple systems with different login credentials, incompatible data formats, and redundant data entry requirements. This platform fragmentation wastes time, creates frustration, and generates an administrative burden.

The lack of interoperability with EU-standard learning management systems also prevents the Republic of Srpska from participating in cross-border educational initiatives and limits access to shared digital resources developed by other European education systems. Many European educational resources – including open educational repositories, virtual laboratories, collaborative learning environments, and professional development modules – assume integration with platforms such as Moodle, Canvas, or other systems that meet EU interoperability standards.

Cybersecurity Vulnerabilities

Insufficient cybersecurity infrastructure creates risks that could undermine digital education initiatives and violate the data protection obligations that are increasingly central to EU policy frameworks. Schools collect, store, and process substantial amounts of personal data about students – including enrollment information, assessment results, behavioral records, health information, and learning analytics generated by educational technology systems. These data require protection from unauthorized access, theft, manipulation, or disclosure.

The General Data Protection Regulation (GDPR) establishes comprehensive requirements for personal data protection applicable to EU Member States and forms part of the *acquis* that candidate countries and entities must adopt. Current cybersecurity infrastructure in the Republic of Srpska's schools is inadequate for GDPR compliance. Many schools lack even basic security measures such as network firewalls, encryption for sensitive data, secure authentication systems, or regular security audits.

Technical Support Vacuum

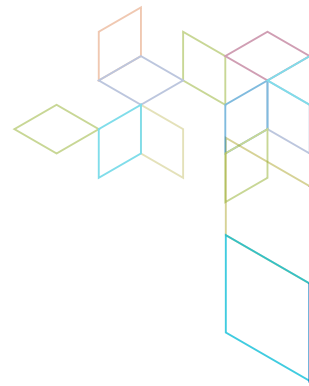
Inadequate IT support staffing, averaging one technician per four or five schools, means that equipment problems often go unresolved for extended periods, disrupting instruction and frustrating teachers. In well-functioning education systems, technical support staff provide rapid response to equipment problems, proactive maintenance, user training and assistance, security management, and strategic planning. However, with technicians spread so thin, such comprehensive support is impossible.

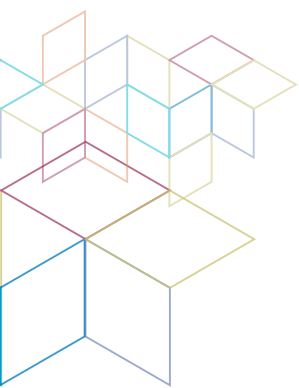
Equipment problems that could be resolved quickly with immediate technical assistance often persist for days or weeks until a technician can visit the affected school. Teachers plan lessons requiring technology but must abandon or modify those plans when equipment fails and no technical support is available. Software updates and security patches are delayed, creating vulnerabilities and performance problems.

Network Capacity Limitations

Existing school networks cannot support simultaneous access by multiple classes, forcing schools to schedule technology use in ways that limit pedagogical flexibility. Network capacity limitations stem from insufficient bandwidth from internet service providers, outdated internal network infrastructure within schools, inadequate wireless access points and coverage, and network design optimized for administrative use rather than for intensive instructional demands.

Most critically for the Reform Agenda implementation, the existing infrastructure cannot scale to accommodate the expanded teacher training programs that are required to meet the 30% target by December 2027. Online and blended professional development requires network capacity at the schools where teachers work. Current network infrastructure cannot support thousands of teachers simultaneously accessing training platforms.





2.2 EVIDENCE FROM REGIONAL EXPERIENCE

Analysis of digital education infrastructure initiatives across Central and South East Europe reveals both successful models and critical failures. Together, these provide evidence-based guidance for addressing the Republic of Srpska's infrastructure challenges. These comparative examples demonstrate what works, what fails, and why, offering practical insights into policy design tailored to the specific context of limited resources, EU accession requirements, and the urgent December 2027 timeline.

Estonia: Public-Private Partnership Model (1990–2020)

Following EU accession, Estonia recognized that it needed major infrastructure investment to ensure digital competence for teachers throughout the country. For Republika Srpska, the most relevant lesson from Estonia is not a rapid transition from low to near-universal school connectivity, but the creation of a sustained national digital-education ecosystem.

Estonia made the digitalization of education a long-term national priority, beginning with the Tiger Leap program in 1996, which combined investment in school ICT infrastructure with teacher training and the development of digital educational resources. Estonia achieved universal school Internet access by 2001 and subsequently continued to upgrade its infrastructure while developing teacher digital competence, digital learning materials, national education information systems and privately developed school-management platforms.

The model combines central government strategy and funding with municipal implementation and private-sector innovation. This suggests that Republika Srpska could benefit from a similarly integrated approach in which connectivity investment is accompanied by teacher training, common interoperability standards, digital content, procurement support and mechanisms for cooperation with domestic telecommunications and EdTech providers.

Slovenia: National Action Plan and Teacher Competence (2022–2026)

Slovenia's approach demonstrates how an EU-level policy instrument can be translated into national implementation on a defined cycle. Following the adoption of the EU Digital Education Action Plan (2021–2027), Slovenia adopted a national Digital action plan (ANDI) in April 2022, covering the period 2021–2027 (ReferNet Slovenia & Cedefop, 2023). Implementation combines platform consolidation with teacher capacity building. The 2023–26 Digital and sustainable teacher (Digitrajni učitelji) project targets over half of Slovenia's teachers, aiming to improve their digital competences, basic knowledge of computer science, financial literacy and sustainability competences, and incorporates extensive use of self-reflection tools such as SELFIE and SELFIE for Teachers alongside good practices from other EU countries. ANDI further encompasses the 2022–26 curriculum reform for general subjects and VET, one goal of which is the horizontal introduction of digital competences for students, together with the Innovative pedagogy 5.0 project, developing learning scenarios tested in 40 selected schools across 480 innovative classes.

Croatia: EU Funding and Accession Linkage (2015–2023)

Croatia provides an example of how EU structural funding can be translated into a phased national program for digital transformation in education. Following the adoption of Croatia's 2014 Strategy for Education, Science and Technology, which identified the need to invest in digital infrastructure, strengthen the digital competences of teachers and learners, and develop digital educational content, Croatia launched the e-Schools program in 2015. The program was implemented in two stages: a pilot phase from 2015 to 2018 involving 151 schools, followed by a second phase from 2018 that expanded digital transformation to all state-funded primary and secondary schools.

This program combined infrastructure investment with teacher training, digital content and e-services, rather than treating connectivity as a standalone intervention. The pilot project equipped 151 schools with ICT infrastructure and equipment, developed digital content and e-services, and provided continuous training and support to teachers and school principals. More than 7,000 teachers and 23,000 students participated in the pilot, which increased the digital maturity of the participating schools.

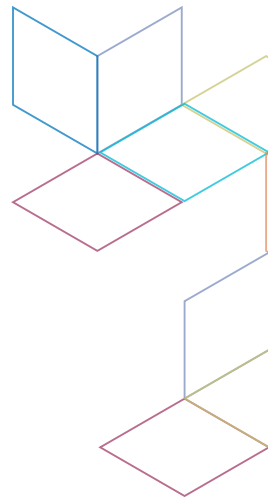
EU structural funds provided the principal financing mechanism. Overall, approximately 85% of the project was financed from EU Structural Funds (CARNET, n.d.)

Croatia's experience therefore demonstrates the value of a phased, EU-supported approach in which pilot implementation is followed by national scaling.

Serbia: Functional Analysis Methodology (2017–2022)

In 2017–18, Serbia revised its school quality standards with greater emphasis on classroom instruction and identifying schools requiring additional resources and support. This was followed by a series of investments in digital infrastructure, including the delivery of 10,000 laptops to schools from 2018 and the launch of the Connected Schools project in 2019. By mid-2020, approximately 92% of Serbian primary and secondary schools had broadband connections of at least 10 Mbps. The Connected Schools program subsequently aimed to extend wireless connectivity to schools that remained unconnected, including remote facilities (OECD, 2021).

Serbia's more recent policy approach also illustrates the importance of evidence-based prioritization and systematic planning. The World Bank's 2025 analysis recommends strengthening data coordination, analytical capacity and skills-anticipation mechanisms so that evidence can inform the development of curricula, financing and training. It also applies explicit costing assumptions to proposed education investments, illustrating how policy measures can be translated into estimated resource requirements (Shmis et al., 2025).



3 ANALYTICAL FRAMEWORK AND ANALYSIS

Bosnia and Herzegovina's progress in digital transformation remains limited, fragmented, and largely uncoordinated. While there have been some isolated advances within individual institutions or administrative levels, the country as a whole lags behind regional and EU benchmarks.

According to the European Commission's 2024 Progress Report, there has continued to be limited effort in supporting the digital transformation of education and training, including the development of digital skills, without a countrywide coordinated approach. The same report recommends that the authorities increase their efforts toward the effective, coherent and inclusive digital transformation of the education and training system, including strengthening the capacity to develop digital skills, in line with the EU Digital Education Action Plan 2021–2027.

In this context, Bosnia and Herzegovina, including the Republic of Srpska, should act proactively and seize every opportunity to overcome or at least reduce the identified obstacles. Failure to address infrastructure barriers generates cascading negative effects across multiple dimensions: educational quality, progress toward EU integration, economic development potential, and social equity.

The infrastructure deficits create measurable, quantifiable barriers to Reform Agenda implementation. These impacts can be expressed in concrete numbers that demonstrate the gap between current and required capacity.

Current broadband capacity limits simultaneous online training of teachers to approximately 800–1,000 participants nationally. This estimate derives from an analysis of existing school connectivity, network capacity limitations, and realistic assumptions about training technology requirements. However, achieving the 30% target requires capacity for 6,500–7,000 teachers, based on a total of roughly 22,000 primary and secondary teachers.

There is considerable inequality in geographic access across the Republic of Srpska: only 12 of 64 municipalities can currently support comprehensive digital teacher training programs with existing infrastructure. These municipalities represent approximately 40% of the teacher workforce due to their greater urbanization. Meanwhile, the other 52 municipalities remain underserved and require substantial infrastructure upgrades before teachers in those areas can access EU-aligned digital skills training (Kamińska et al., 2022).

There is also constant pressure on the implementation timeline. At current infrastructure capacity, achieving the 30% teacher training target would not be achieved until 2032–2034, five years beyond the December 2027 deadline. Each year of delay increases costs by an estimated 15–20% due to technological obsolescence.

A widening digital skills gap separates educators in the Republic of Srpska from their EU counterparts, creating a competitive disadvantage for students. Teachers' inability to implement modern pedagogical approaches that rely on digital tools reduces their instructional effectiveness and limits students' learning outcomes.

Addressing the digital education infrastructure deficit requires coordinated action across multiple government entities, civil society organizations, private sector partners, and international institutions. This section identifies key stakeholders who must participate in infrastructure development, analyzes three distinct policy options for addressing the identified challenges, and recommends an integrated approach that combines successful elements from regional experience while avoiding documented failure patterns.

3.1 KEY STAKEHOLDERS AND THEIR ROLES

Successful implementation requires coordinated participation across three stakeholder groups, each bringing distinct mandates and resources to the common objective of achieving the Reform Agenda target by December 2027.

a) Public Institutions

The Agency for Information and Communication Technologies of the Republic of Srpska serves as the primary technical authority and lead coordinating body, holding a mandate over telecommunications infrastructure, cybersecurity standards, and technology procurement. The Ministry of Education and Culture ensures that infrastructure investment is driven by genuine pedagogical requirements and that training programs align with EU Digital Competence standards. The Ministry of Scientific and Technological Development, Higher Education and Information Society connects digital infrastructure investment to broader knowledge-economy objectives. The Ministry of Finance controls budget allocations, manages EU cofinancing applications, and ensures fiscal sustainability; its alignment on IPA III cofinancing obligations is a prerequisite for implementation. The Office of the Prime Minister provides strategic direction and cross-ministerial coordination; sustained political commitment at this level proved decisive in Estonia, Slovenia, and Croatia.

The Republican Pedagogical Institute is responsible for teachers' professional development standards and training accreditation, ensuring that this initiative's outputs meet nationally recognized benchmarks. The Association of Primary School Directors and the Association of Secondary School Directors jointly represent school leadership across all 64 municipalities and provide essential knowledge of local infrastructure conditions and organizational readiness. The Independent Trade Union of Education, Science and Culture represents teachers' collective interests, and its engagement is critical for ensuring that training design reflects classroom realities. Municipal education authorities across all 64 municipalities – particularly the 52 currently unable to support comprehensive digital training – are positioned to contribute to facility readiness and partial cost-sharing.

b) Private Sector Partners

Two telecommunications operators (Mtel a.d. Banja Luka and BH Telecom) could participate in a PPP, which would be essential for broadband deployment in underserved municipalities. Microsoft, Google for Education, and regional providers, including Yettel's EduCloud platform, constitute the software landscape from which a unified national digital learning platform could be selected.

However, the key partner in these endeavors would probably be Lanaco d.o.o, an IT company. This company has been providing technological services and maintaining and building the education system in the Republic of Srpska for years.

c) Civil Society and International Partners

The Digital Inclusion Initiative Bosnia and Herzegovina brings community-level implementation experience and monitoring capacity that would enable tracking of geographic equity. The EU Delegation to Bosnia and Herzegovina coordinates IPA III funding, monitors Reform Agenda compliance, and facilitates knowledge exchange with EU Member States. The World Bank Country Office offers technical expertise in functional analysis methodology and access to concessional financing. The Regional Cooperation Council in Sarajevo facilitates peer learning with Western Balkan neighbors where comparable initiatives are underway or have been completed.

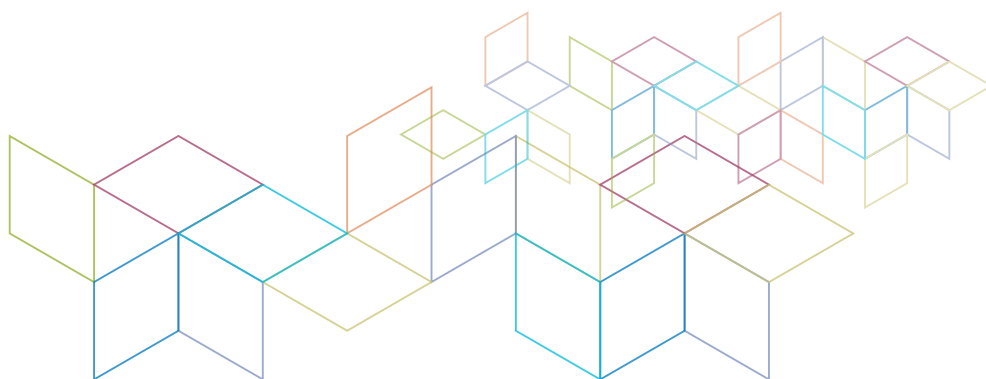
3.2 STAKEHOLDER ENGAGEMENT AND CONSULTATION PROCESS

Policy development for this paper was grounded in direct stakeholder engagement during the first half of 2026. The consultation process drew on interviews, working group sessions, and written input from representatives across government institutions, educational authorities, private sector partners, and international organizations. This ensured that the policy options analyzed here reflect institutional knowledge, operational realities, and the expressed priorities of those responsible for implementation.

Government stakeholders – including the Ministry of Education and Culture, the Ministry of Finance, and the Republican Pedagogical Institute – provided input on infrastructure needs, barriers to Reform Agenda delivery, and institutional capacity for implementation. Private sector partners, including telecommunications providers, contributed assessments of technical feasibility and conditions for PPP participation. International partners provided feedback on EU funding eligibility and alignment with the Chapter 26 assessment framework, which informed the cost estimates and governance recommendations presented in the recommended policy option section below.

Practitioners from across the school system – school directors, administrators, and teacher representatives – were consulted on infrastructure usability, training program design, and geographic equity. Their engagement was notably constructive: teachers and school representatives expressed strong interest in and support for the policy direction, recognizing the Reform Agenda commitment as an opportunity to close the professional development gap that many described as a long-standing concern. This groundswell of support from the education community represents a significant implementation asset and reduces the stakeholder resistance risk that undermined comparable initiatives elsewhere in the region.

All input was synthesized thematically, with the recommended approach reflecting considered judgment in areas where institutional perspectives diverged.

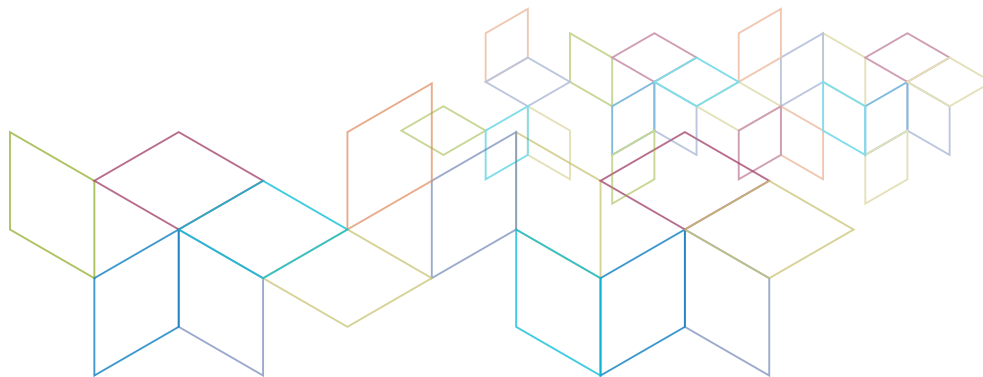


3.3 APPLYING REGIONAL LESSONS

Comparative analysis reveals consistent success factors: an integrated approach combining connectivity, hardware, platforms, support, and training; political commitment; EU funding leverage; stakeholder engagement; phased implementation; and a focus on equity and adaptive management. Failure patterns include fragmentation, technology-first thinking, top-down imposition, insufficient training, and inadequate maintenance.

For the Republic of Srpska, the comparative examples suggest a composite approach (Fabbri et al., 2025):

- **Estonia's PPP model for connectivity** – Estonia's experience demonstrates that coordinated infrastructure investment can rapidly close digital gaps when combined with political commitment and EU funding mechanisms. The PPP model is well suited to resource-constrained contexts.
- **Slovenia's national action plan and centralised delivery model** – Slovenia translated the EU Digital Education Action Plan into a national instrument (ANDI) aligned to the same 2021–2027 programming period, then paired it with a teacher competence programme targeting over half the teaching workforce. Delivery runs through a single national agency responsible for network infrastructure, procurement, technical services and platform provision across all educational institutions. Slovenia's use of established Commission instruments for competence assessment further demonstrates that measurement tools need not be developed from scratch.
- **Croatia's dedicated EU funding stream and accession linkage** – Croatia's accession-driven timeline and successful use of IPA funds provide a direct model for the Republic of Srpska today. The needs-based grant system ensures efficient resource allocation. A clear linkage between infrastructure investment and EU accession requirements creates political urgency.
- **Serbia's functional analysis methodology** – Serbia's functional analysis methodology offers a directly applicable framework for systematic needs assessment and prioritization that optimizes limited resources. The timeframe – substantial progress within five years – demonstrates that the December 2027 target remains achievable with focused effort.



4 DESCRIPTION AND EVALUATION OF POLICY OPTIONS

Analysis of the infrastructure challenge and stakeholder landscape reveals three distinct policy approaches, each with distinct cost structures and performance against the seven analytical criteria established in the methodological framework. These options represent fundamentally different strategies for addressing connectivity deficits, hardware obsolescence, platform gaps, technical support limitations, and network capacity constraints within the context of limited resources and the urgent December 2027 timeline.

a) Policy Option 1: Incremental Government-Led Approach

This approach relies primarily on national and municipal government budgets to fund infrastructure development through incremental, phased investments over an extended timeframe. The government would directly procure connectivity services, hardware, and platforms through standard public procurement procedures. Implementation would proceed municipality by municipality based on available annual budget allocations, prioritizing areas with existing partial infrastructure that require modest enhancement. Technical support would expand gradually as the budget allows for the hiring of additional IT staff.

b) Policy Option 2: Rapid External Partner-Driven Approach

This approach relies heavily on external financing and implementation capacity from international financial institutions, EU funding mechanisms, and private sector partners. The government would focus on policy framework development and oversight while delegating actual infrastructure deployment to external implementers. Large-scale EU-funded projects through IPA III would provide the primary financing, international telecommunications companies would deploy connectivity infrastructure under concession agreements, technology vendors would supply hardware through vendor financing, and international consulting firms would provide technical assistance and project management. Although theoretically feasible, this policy option involves coordination complexity and sustainability concerns.

c) Policy Option 3: Integrated Public-Private Partnership Approach (Recommended)

This hybrid approach combines government leadership and control with strategic private sector partnerships and EU cofinancing, drawing on successful models from Estonia, Slovenia, Croatia, and Serbia. The government maintains strategic direction, the policy framework, and quality oversight while leveraging private sector capacity for connectivity deployment and technical support. EU pre-accession funding through IPA III provides substantial cofinancing. Regional technical support hubs address the technical support vacuum identified in Section 2.1.5, concentrating scarce IT capacity where it can serve clusters of schools rather than dispersing it across individual institutions. Standardized procurement creates economies of scale while maintaining competitive processes. Phased implementation with structured needs assessment at each stage enables adaptive management based on evidence. Government subsidies could further incentivize private telecommunications providers to expand profitable service coverage into rural areas. Through PPPs, the government can also integrate training and educational components into the broader development and maintenance of the education system.

4.1 COST COMPARISON AND EVALUATION

Costs for each policy option were calculated based on average pricing and anticipated expenses.

Table 1: Cost comparison of policy options

Cost Component	Option 1: Incremental Government-Led	Option 2: External Partner-Driven	Option 3: Integrated PPP (Recommended)
Total upfront investment	€8–10M (first phase only)	€35–45M	€20–28M
Implementation timeline	8–10 years	3–4 years	15 months
Annual budget impact	€2.5–3M (ongoing)	€7–10M initial, then €1.5–2M debt service	€2–3M (limited-term operational support and training contracts)
EU cofinancing	€0 (0%)	€20–25M (50–60%)	€8–12M (35–40%)
Private sector investment	€0	€8–12M	€6–9M
Municipal cost-sharing	Variable	€0	€1–2M
Debt obligations	None	€30–40M loans (15–20-year repayment)	None (grant-based)
Total cost of ownership (10 years)	€55–70M	€85–105M	€45–60M
Cost per teacher reached	N/A (incomplete)	€11,000–15,000	€3,500–4,500

Table 2 evaluates each policy option against the seven analytical criteria established in the methodological framework, using a qualitative rating scale (poor, moderate, good, excellent).

Table 2: Evaluation of policy options against analytical criteria

Analytical Criterion	Option 1	Option 2	Option 3
1. EU compliance and alignment	POOR 8–10-year timeline, does not meet the December 2027 deadline	GOOD 3–4 years, meets the deadline, strong EU standards, but coordination risks	EXCELLENT 15 months, achieves the target with time to spare, explicit EU alignment
2. Implementation effectiveness	POOR Insufficient scalability, fragmented approach, cannot close the gap	GOOD–MODERATE High capacity, proven methods, but donor coordination challenges	GOOD–EXCELLENT Realistic timeline, validated models, adaptive management
3. Cost efficiency	MODERATE €55–70M incomplete coverage, no economies of scale, 100% government-funded	MODERATE €85–105M with debt service, premium pricing, long-term obligations	EXCELLENT €45–60M, optimal mix, no debt, 35–40% savings, €3,500 per teacher
4. Geographic equity	POOR Urban areas advance, systematic exclusion of rural areas, perpetuates inequalities	GOOD Comprehensive coverage, donor priorities may conflict, standardization risks	EXCELLENT Explicit rural priority, targeted subsidies, needs-based allocation
5. Sustainability and future-readiness	MODERATE Newer technology in later phases, early installations become obsolete before completion	GOOD Modern systems, external dependency risks, vendor lock-in concerns	GOOD Clear standards, capacity building, upgrade provisions, political commitment needed
6. Stakeholder integration	MODERATE Government control, excludes private expertise, limited innovation	POOR–MODERATE Limited control, complex coordination, structured donor mechanisms	EXCELLENT Balanced control, coordinated governance, stakeholder engagement
7. Pedagogical proficiency	POOR–MODERATE Fragmented access, platform fragmentation, uneven teacher opportunities	MODERATE Sophisticated platforms, inappropriate transfer risks, limited teacher input	GOOD–EXCELLENT User-centered design, platform customization, comprehensive support

5 RECOMMENDED POLICY OPTION

The integrated PPP approach (Option 3) requires implementation planning to translate policy selection into operational reality. With the foundational work – including infrastructure assessment, the establishment of governance, IPA III application submission, PPP procurement launch, and stakeholder consultation – completed by May 2026, the remaining 15-month window to December 2027 requires an accelerated, parallel-track execution across three compressed phases.

5.1 PHASED IMPLEMENTATION TIMELINE (15 MONTHS, SEPTEMBER 2026 – DECEMBER 2027)

Phase 1: Partnership Structuring and System Preparation (September 2026 – February 2027)

Building on the completed groundwork for procurement and assessment, this phase focuses on establishing PPP frameworks for the development, maintenance, and educational support of digital education systems, including EduS and related platforms. Rather than prioritizing broadband expansion, PPP agreements concentrate on integrating teacher training, technical support, and digital education services into long-term system management contracts.

Private sector partners are contracted to support platform maintenance, user support services, cybersecurity management, and the development of training modules aligned with EU Digital Competence standards. Regional technical support hubs are established in parallel, with technical and training personnel recruited and certified by November 2026. Standardized training materials and digital learning resources are developed collaboratively between the Ministry of Education, private providers, and pedagogical experts. Existing digital platforms, including EduS, undergo functional upgrades to support integrated teacher training delivery, monitoring, and reporting functions. Cybersecurity and GDPR-compliant data governance frameworks are implemented concurrently. Estimated expenditure: €12–15 million.

Phase 2: System Integration and Training Rollout Preparation (March 2027 – August 2027)

During this phase, the upgraded digital education ecosystem is deployed nationwide, integrating training delivery tools directly into EduS and associated administrative and learning management systems. PPP partners oversee platform functionality, user support, maintenance operations, and the deployment of digital training environments for schools and educational staff.

Teacher cohorts are identified, scheduled, and enrolled in training pathways, with regional coordination designed to ensure equitable participation across rural and urban municipalities. Technical support hubs begin active operations, providing continuous assistance to schools, administrators, and educators. Quality assurance assessments and compliance audits verify that platforms, training materials, and support systems meet EU standards and operational benchmarks. Ongoing maintenance procedures and service-level monitoring mechanisms are formally activated under PPP contractual obligations. Estimated expenditure: €7–10 million.

Phase 3: Training Delivery, Capacity Building, and Evaluation (September 2027 – December 2027)

Digital competency training is delivered to approximately 30% of teachers – between 6,500 and 7,000 educators – through the fully operational EduIS-integrated training system. Parallel regional delivery tracks allow training to be implemented at scale within the four-month timeframe. Private sector partners provide ongoing technical support, platform maintenance, troubleshooting, and instructional assistance throughout the implementation process.

Real-time monitoring mechanisms track participation, platform performance, and training outcomes, enabling rapid intervention if operational or logistical issues arise. Training effectiveness is evaluated against EU Digital Competence benchmarks, while implementation data and lessons learned are documented for future educational modernization initiatives. Final reporting and compliance documentation are submitted to the European Commission as part of the Reform Agenda obligations. Estimated expenditure: €2–3 million.

5.2 GOVERNANCE AND COORDINATION

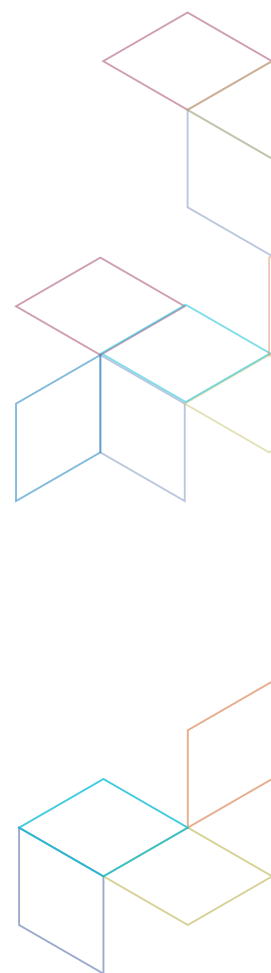
Stakeholder coordination mechanisms provide strategic oversight throughout implementation, bringing together representatives from the Ministry of Education and Culture, the Republican Pedagogical Institute, the Ministry of Finance, the Agency for Information and Communication Technologies, private sector partners, municipalities, schools, and teachers. Given the compressed implementation timeline, coordination and reporting processes are conducted on an accelerated schedule during the initial implementation period to ensure alignment across system upgrades, training delivery, and operational support activities. Stakeholder reports continue on a quarterly basis, with an additional coordination session in August 2027 focused on confirming institutional readiness for large-scale training delivery.

5.3 FINANCING AND RESOURCE MOBILIZATION

IPA III disbursements (€8–12 million, approximately 35–40% of total costs) support digital education modernization, teacher training programs, and institutional capacity building activities tied to the Reform Agenda objectives. Government budget allocations of €5–7 million are concentrated within the 2026–2027 implementation period, with approximately €3–4 million committed in 2026 and €2–3 million in 2027 to support system upgrades, coordination, and training delivery.

PPP agreements contribute €6–9 million in private sector investment through long-term service contracts focused on platform maintenance, technical support, digital training delivery, cybersecurity management, and ongoing operational assistance for EduIS and related systems. Municipal cost-sharing contributes an additional €1–2 million, while equity exemptions remain available for financially disadvantaged municipalities to preserve equitable participation across regions.

A contingency reserve of approximately 10% (€2–3 million) is maintained to address unforeseen operational, technical, or implementation challenges, with accelerated release mechanisms established to ensure continuity of service delivery and training activities within the compressed implementation timeline.



The compressed implementation timeline significantly increases operational and coordination risks, making sustained political commitment and institutional alignment essential throughout the entire 15-month implementation period. Successful implementation depends on parallel-track delivery, where platform upgrades, technical support systems, teacher training preparation, and maintenance structures operate simultaneously rather than sequentially.

6 CONCLUSION

The Republic of Srpska faces a critical deficit in digital education infrastructure, which is preventing the achievement of its Reform Agenda commitment to provide digital skills training to 30% of teachers by December 2027. Current infrastructure capacity supports only 11–15% of this target, creating an implementation gap of 5,500–6,000 teacher training slots. This deficit stems from six interconnected factors examined in this paper.

Analysis of regional experience demonstrates that focused infrastructure investment combined with strategic implementation can achieve ambitious targets within tight timelines. Comprehensive stakeholder analysis identifies government institutions, educational authorities, private sector partners, and international organizations whose coordinated action proves necessary for successful implementation.

Three distinct policy options present fundamentally different approaches. Option 1's incremental government-led approach (€55–70 million total cost of ownership over 8–10 years) cannot achieve the December 2027 deadline and scores poorly on most analytical criteria. Option 2's rapid external partner-driven approach (€85–105 million including debt service over 3–4 years) could meet the timeline but creates coordination complexity and sustainability concerns. Option 3's integrated PPP approach (€68–90 million total cost over 3 years, €28–35 million upfront) achieves the optimal balance, scoring good to excellent across all seven analytical criteria discussed in this paper.

The recommended implementation strategy operationalizes Policy Option 3 through three phases over 15 months with clear governance structures, diversified financing that avoids debt obligations, and adaptive management that enables evidence-informed adjustments. Critical success factors include political commitment, stakeholder engagement, quality assurance, and risk mitigation to proactively address potential obstacles. With these elements in place, the Republic of Srpska can transform the current infrastructure crisis into an opportunity for educational advancement that will benefit current and future generations. The path forward is clear and proven by regional precedents. If adequately financed through EU cofinancing and partnerships, it is achievable with immediate action and sustained commitment.



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ENERGY EFFICIENCY AS THE NEW ENERGY SOURCE: SCALING UP RETROFITTING IN KOSOVO

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MENTOR: **VLADO DIMOVSKI**

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PRISHTINA, KOSOVO, 2026





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This paper was prepared within the WeLead/WeWrite policy-writing process and follows the general structure suggested in the WeLead methodological guidelines.¹ It draws on public national and international sources, the author's background experience, and additional draft materials shared for analytical purposes. The paper also benefited from informal review comments and technical discussions with sector stakeholders from the Ministry of Economy, responsible for energy; the Ministry of Environment, responsible for building performance; the Kosovo Energy Efficiency Fund; the Association of Kosovo Municipalities; and development partners.



MY NOTES

1 CEF. (2025). *Methodological guidelines for policy paper writing for the WeLead project*.

EXECUTIVE SUMMARY

Kosovo has set clear medium-term energy efficiency targets, but it has not yet built the full delivery system needed to reach them. The Energy Strategy of the Republic of Kosovo 2022–2031² sets a target to limit final energy consumption to 1,877 ktoe by 2031 and to achieve cumulative savings of 266.4 ktoe in buildings by the same year. It also sets a target of 150 near-zero-energy buildings by 2031. These are not marginal targets. They imply a structural change in the way Kosovo renovates homes, apartment blocks, and public buildings, and in the way it uses data, finance, and institutions to drive that renovation process.

The core policy challenge addressed in this paper is therefore not a lack of activity but the absence of an integrated delivery system capable of scaling up building renovation. Two core instruments remain underdeveloped: an approved Building Renovation Strategy (BRS) and a fully operational Energy Performance Certificate (EPC) registry. Without these tools, Kosovo cannot systematically prioritize the worst-performing buildings, sequence investments, target vulnerable households, mobilize finance efficiently, or monitor whether results are being achieved at the national level. In practical terms, Kosovo risks remaining in a permanent pilot phase: active, committed, and visible, but not yet strategic and not yet operating at a national scale.

This paper argues that energy efficiency in buildings should be treated as Kosovo’s “first fuel.” Every kilowatt-hour saved through insulation, improved windows, efficient heating systems, controls, and better building design is energy that does not need to be generated, imported, or subsidized. In a system still exposed to winter stress, inefficient electric heating, and continued use of solid fuels, reducing demand is not a secondary policy. It is a policy to advance energy security, affordability, competitiveness, and public health.

The paper reviews Kosovo’s legal and strategic framework, including the Energy Strategy 2022–2031; the draft National Energy and Climate Plan (NECP); the draft BRS; the Law on Climate Change (2024), the Law on the Energy Performance of Buildings (2024), which is partially aligned with the Energy Performance of Buildings Directive; and the Law on Energy Efficiency (2018) together with its new draft law aligned with the Energy Efficiency Directive. The analysis is complemented by Energy Community implementation reports, as well as relevant national, international, and internal analytical studies, including the residential building typology study.³ It also examines comparative practice from Ireland, Croatia, and Western Balkan countries.

Three policy options are assessed. Option 1 would maintain the current fragmented approach. Option 2 would scale up existing subsidy and retrofit programs without changing the overall system. Option 3 would establish a National Energy Retrofit Program, anchored in an approved BRS and an operational EPC registry, and supported by coordinated financing and implementation arrangements. The paper concludes that Option 3 is the strongest choice. It is more demanding institutionally, but it is the only option that addresses all the constraints on strategy, data, delivery, and financing.

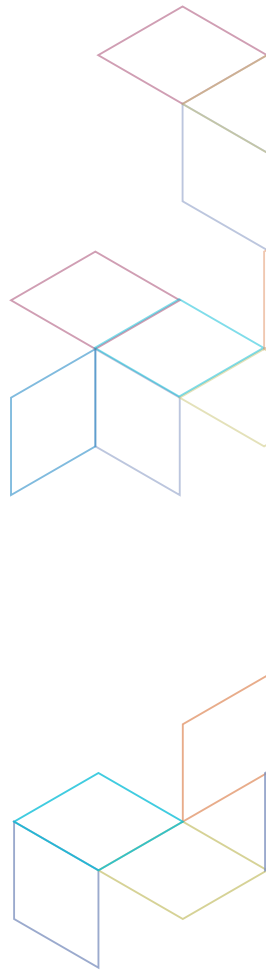
² Ministry of Economy. (2023). *Energy strategy of the Republic of Kosovo 2022–2031*.

³ Government of Kosovo, *Draft national energy and climate plan (NECP) 2025–2030*; Government of Kosovo, *Draft building renovation strategy*; Official Gazette of the Republic of Kosovo, *Law No. 08/L-242 on the energy performance of buildings (2024a)*; Official Gazette of the Republic of Kosovo, *Law No. 08/L-250 on climate change (2024b)*; Official Gazette of the Republic of Kosovo, *Law No. 06/L-079 on energy efficiency (2018)*; Government of Kosovo, *Draft law on energy efficiency*; Directive 2010/31/EU on the energy performance of buildings, as amended by Directive (EU) 2018/844 and recast by Directive (EU) 2024/1275; Directive 2012/27/EU on energy efficiency, as amended by Directive (EU) 2018/2002 and recast by Directive (EU) 2023/1791.

The recommended way forward is therefore to launch a National Energy Retrofit Program in phases. Steps will include finalizing the BRS, operationalizing the EPC registry inside the national data architecture, prioritizing building segments based on typology, and setting up a coordinated financing platform led by the responsible public institutions and partners. In simple terms, Kosovo does not need more isolated retrofit projects. It needs a national retrofit system.



MY NOTES



1 INTRODUCTION AND CONTEXT

Kosovo's energy transition is taking place under unusually tight constraints. The country must improve the security of supply, reduce the structural pressure of winter electricity demand, address continued exposure to air pollution from heating, and align progressively with the EU and the Energy Community clean energy acquis. The Energy Strategy of the Republic of Kosovo 2022–2031 recognizes this challenge clearly. It places energy efficiency as a core pillar of the national energy transition alongside decarbonization, renewable energy, consumer protection, and regional market integration.

Buildings are central to this broader transition. The Energy Strategy identifies buildings as a major source of national energy use and sets explicit targets for cumulative savings in the sector. Energy Community reporting⁴ is even more direct: in 2023, the buildings sector remained the largest contributor to Kosovo's final energy consumption, accounting for 47%, with households alone representing 35%. This is consistent with a wider European pattern, where buildings account for roughly 40% of final energy use. Therefore, the EU has increasingly intervened through new regulations and directives, with Kosovo progressively aligning its legal and policy framework accordingly.

The political importance of buildings goes beyond energy balances. For households, inefficient buildings mean higher heating costs, poorer comfort, unhealthy indoor conditions, and greater vulnerability to price shocks. For the energy system, inefficient buildings increase demand during winter peak periods, lead to inefficient heating solutions, and raise overall system costs, including the need for energy imports or public financial support. For municipalities and public institutions, they mean school, health, and administrative buildings that are costly to heat and still deliver poor thermal comfort. For the labor market, they also represent an opportunity to support local construction firms, auditors, installers, and suppliers.

This paper is written from a policy reform perspective. It asks how Kosovo can move from today's mix of useful but fragmented programs towards a national framework capable of delivering building renovation at the speed and scale implied by its own strategy and by the wider direction of EU building policy. Kosovo does not start from zero. Earlier experience in public-building retrofits was developed under the Ministry of Economy and the former Kosovo Energy Efficiency Agency, while the Kosovo Energy Efficiency Fund now operates as the main implementation and financing vehicle for many public-building interventions, with an expanding role beyond this segment. The question is not whether activity exists. The question is whether that activity can be converted into an enduring national delivery model.

The paper has four objectives. First, it clarifies why buildings must be treated as a strategic priority for energy policy rather than a narrow social or construction issue. Second, it identifies the policy and implementation gaps that are preventing progress at scale. Third, it compares alternative policy pathways and evaluates them against a clear analytical framework. Fourth, it offers a preferred policy option: a National Energy Retrofit Program (NERP) designed to bring together strategy, data, finance, and implementation in one coherent system.

Methodologically, the paper combines document review and comparative policy analysis. It draws on Kosovo's national strategic and legal framework, relevant sectoral studies, and publicly available evidence from comparator countries. The analysis incorporates internal analytical inputs and data available through the Ministry of Economy, the Ministry of Environment and Spatial Planning, and the Kosovo Energy Efficiency Fund, and is informed by targeted consultations and exchanges with other relevant stakeholders during the drafting process. It further benefits from practical insights derived from direct engagement with ongoing policy development and implementation processes in Kosovo.

4 Energy Community Secretariat. (2025a). *Annual implementation report 2025: Kosovo*.

2 PROBLEM DESCRIPTION

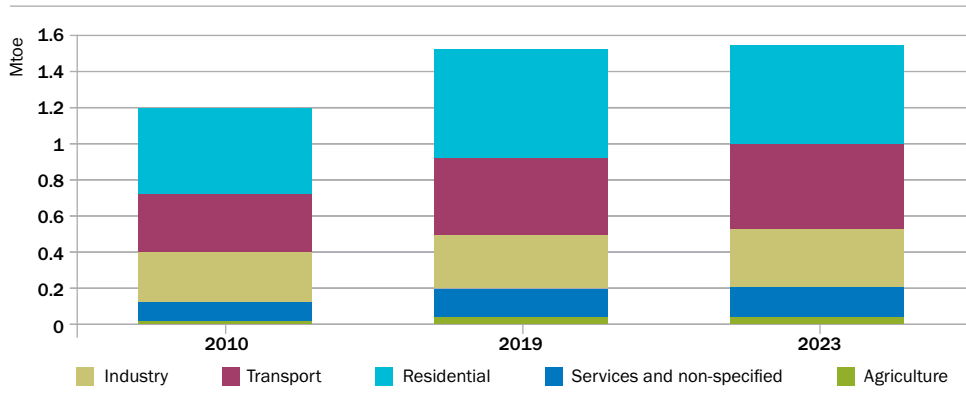
Kosovo's core challenge in the building sector is not a lack of policy attention. It is the absence of a delivery architecture that links targets, data, prioritization, finance, and implementation. The strategic direction exists. The legal framework is improving. Several support programs are already active. Yet the system remains incomplete. This gap between ambition and implementation is the main problem that this paper addresses.

2.1 WHY BUILDINGS MATTER SO MUCH IN KOSOVO

The first reason buildings matter is their large proportion of the country's energy use. The Energy Strategy 2022–2031 sets a headline target of 266.4 ktoe of cumulative energy savings in buildings by 2031 and links building efficiency directly to reducing overall final energy consumption. The same document also sets a target for near-zero-energy buildings by 2031, positioning the buildings sector at the core of Kosovo's energy transition. Energy Community reporting further confirms that the buildings sector remains Kosovo's largest consumer of final energy, meaning that any serious effort to meet national energy efficiency targets must focus on buildings.

Within this context, the structure of final energy consumption further highlights the central role of buildings in Kosovo's energy system. As shown in Figure 1, based on one of the most recent country reports available on the ODYSSEE-MURE platform,⁵ the residential sector remains the largest contributor to final energy consumption, followed by transport and industry.

Figure 1: Final energy consumption by sector in Kosovo (with climatic corrections)



Source: ODYSSEE-MURE.

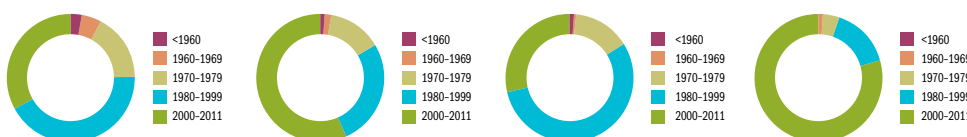
The second reason is building quality. Kosovo's residential typology study,⁶ prepared using the TABULA methodology, shows clearly that a large share of the stock remains highly inefficient by construction period, envelope quality, and type of heating system. The typology is valuable because it does not only describe buildings qualitatively. It classifies representative building categories and estimates specific heating needs and possible measures for improvement. Its overall finding is highly relevant for policy: single-family houses dominate the stock and are by far the largest source of heating demand. As illustrated in Figure 2, the study estimates that single-family houses account for 85.29% of the heating energy required by the entire residential stock while representing 55.84% of gross floor area. In other words, the least compact and often least insulated part of the stock is also the largest source of demand. That matters enormously for policy design.

⁵ ODYSSEE-MURE. (2026). ODYSSEE-MURE database. Available at: <https://www.odyssee-mure.eu/>.

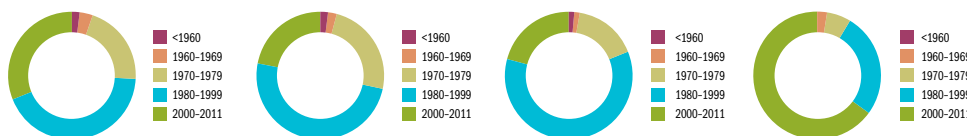
⁶ Teskeredzic, A., et al. (2021). *Typology and energy performance of residential buildings in the Republic of Kosovo*.

Figure 2: Residential building stock and heating energy demand by building type

Year of construction	Single family houses SFH	Terraced house TH	Multi-family house MFH	Apartment blocks AB	Total buildings	Total %
<1960	534,722	24,282	25,554	0	584,557	1.81%
1960–1969	893,641	33,650	13,260	122,834	1,063,386	3.29%
1970–1979	3,066,617	261,476	288,504	422,371	4,038,969	12.51%
1980–1999	7,624,647	523,311	1,114,731	1,598,598	10,861,287	33.63%
2000–2011	5,914,917	1,091,308	574,153	8,170,200	15,750,579	48.77%
Total	18,034,543	1,934,028	2,016,203	10,314,003	32,298,777	100.00%
Total %	55.84%	5.99%	6.24%	31.93%	100.00%	



Year of construction	Single family houses SFH	Terraced house TH	Multi-family house MFH	Apartment blocks AB	Total buildings	Total %
<1960	162,206	7,350	4,715	0	174,271	1.82%
1960–1969	278,471	7,593	3,976	19,560	309,600	3.24%
1970–1979	1,670,563	82,260	50,081	46,436	1,849,340	19.35%
1980–1999	3,517,798	170,082	185,682	200,221	4,073,784	42.62%
2000–2011	2,522,890	74,948	64,092	489,074	3,151,004	32.97%
Total	8,151,929	342,233	308,546	755,291	9,557,999	100.00%
Total %	85.29%	3.58%	3.23%	7.90%	100.00%	



Source: Residential Building Typology Study (TABULA methodology).

The third reason is the interaction between buildings and Kosovo's heating mix. Older single-family houses are often heated by wood-based individual stoves or inefficient electric heaters. The typology study illustrates the problem. For a representative single-family house built in 1970–1979, the specific heating demand is estimated at around 272.7 kWh/m² per year, with notable losses through openings and roof elements. By contrast, indicative values for newer multiapartment buildings (e.g., built in 2000–2011) are significantly lower, at around 44.9 kWh/m² per year. The policy lesson is not that all newer apartment blocks are efficient in every respect, but that the performance spread within Kosovo's building stock is large and can be used to prioritize interventions. The energy-saving case for action is strongest where buildings are detached, older, and weakly insulated.

The fourth reason is social. In a lower-income economy, inefficient buildings translate into energy poverty risk and household stress. Energy bill support from the government can be necessary in crisis periods, but it does not solve the underlying structural problem. It treats the symptom rather

than the cause. If households remain in inefficient homes with poor envelope performance and expensive or polluting heating systems, public support schemes will need to be repeated without providing a sustainable long-term solution. A retrofit strategy, by contrast, can improve affordability on a durable basis while also improving comfort and public health.

2.2 POLICY FOUNDATIONS AND DELIVERY MECHANISMS IN KOSOVO

Kosovo does not start from an empty policy field. Several key foundations for improving energy efficiency in buildings are already in place, reflecting both national priorities and alignment with EU policy frameworks. At the strategic level, the Energy Strategy 2022–2031 provides the main policy anchor, identifying energy efficiency as a central pillar of the energy transition. The Law on Climate Change (2024) further establishes the governance basis for strategic climate and energy planning, including the preparation of the NECP. The draft NECP translates these objectives into measurable targets and policy directions in line with the EU framework. The same framework also foresees the preparation of Municipal Energy and Climate Plans at the local level, previously referred to as Municipal Energy Efficiency Action Plans, with around 30 municipalities already having prepared such plans. Furthermore, at the legislative level, the Law on the Energy Performance of Buildings (2024) modernizes the legal basis for building performance requirements, certification, and inspections. In parallel, the Law on Energy Efficiency (2018), alongside the new draft law, provides the broader framework for energy savings obligations, policy measures, and support schemes. Importantly, these two frameworks are interlinked: energy performance of buildings legislation defines the technical requirements and performance standards for buildings, while energy efficiency legislation enables their implementation through programs, incentives, and financing mechanisms.

Institutionally, the division of roles is also relatively well defined. The Ministry of Economy is the central institution responsible for energy policy and for developing national energy efficiency policies and programs. Prior to recent institutional restructuring, the Ministry of Economy and the former Kosovo Energy Efficiency Agency (active 2012–2023) played a central role in implementing energy efficiency measures for the public sector. Implementation has shifted from the agency to the Kosovo Energy Efficiency Fund, established in 2019 under the EE law. The Ministry of Environment is responsible for building-related regulations and performance standards. The Ministry of Local Government Administration plays a coordinating role with municipalities, which are key actors in implementation at the local level. This institutional and policy setup is illustrated in Figure 3 below, whereas Table 1 provides the status of main policies and instruments.

Figure 3: Policy setup and key stakeholders

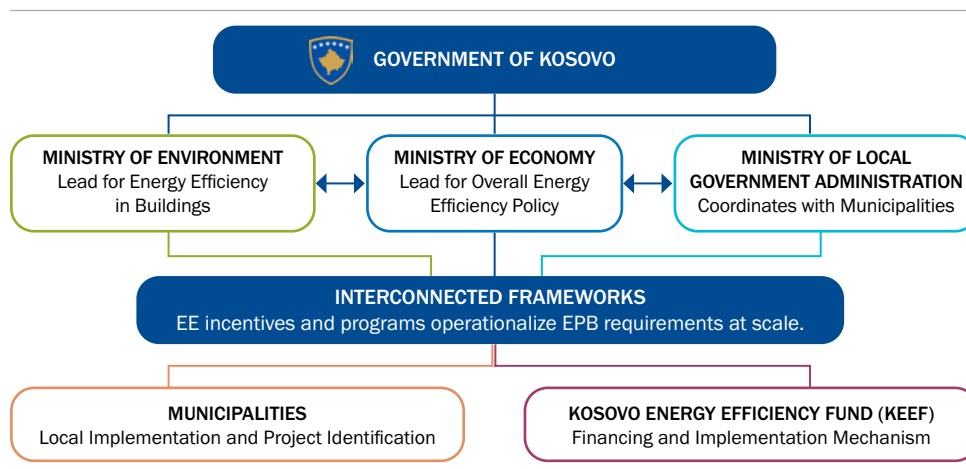


Table 1: Main policies and instruments

Policy/instrument	Status
Energy Strategy 2022–2031	Adopted
Law on Energy Efficiency (2018)	Adopted. New draft law prepared – approval expected in 2026 (administrative instructions to follow – some already drafted)
Law on Energy Performance of Buildings (2024)	Adopted (administrative instructions under preparation)
Building Renovation Strategy (BRS)	Old draft exists – update required
Law on Climate Change (2024)	Adopted
National Energy and Climate Plan (NECP)	Final draft prepared – modifications expected
Nearly-Zero-Energy Building Framework	Old draft exists – should be redrafted

There is clear evidence of implementation capacity in selected areas. Kosovo has developed a progressive track record of energy efficiency interventions across public buildings, households, and businesses. However, these interventions have evolved through different institutional channels and policy approaches, rather than as part of a unified system.

Early implementation experience was established through public-building interventions led by the Ministry of Economy. Between 2016 and 2021, a first set of projects covered schools and health facilities, with a total investment of approximately €1.6 million, providing initial experience with building-level energy efficiency measures in the public sector.⁷ This was followed by a significant scale-up through the World Bank-supported KEEREP program (2018–2024), implemented by the former Kosovo Energy Efficiency Agency. Around 100 public buildings were renovated, with an investment of approximately €15 million, marking the first structured and large-scale intervention in Kosovo's public building stock.⁸ In parallel, early experience with direct household-level interventions emerged through the Millennium Challenge Corporation (MCC)-funded SEEK program (2017–2022). Although relatively modest in scale (around 1,000 households and a limited number of apartment buildings), this program demonstrated that energy efficiency measures could be delivered directly to consumers and helped inform later national schemes.⁹ Building on this experience, the Ministry of Economy introduced its first large-scale household support scheme in 2022, with a budget of approximately €5 million and around 9,500 beneficiaries, marking a shift toward demand-side support.¹⁰ This approach was significantly expanded under the EU Energy Support Package (2023–2024). The Ministry of Economy implemented support schemes for households and businesses focused primarily on energy-efficient equipment and renewable technologies.¹¹ Under this package, household schemes reached over 30,000 beneficiaries, with a budget of approximately €14 million, whereas business schemes supported around 150 micro, small and medium enterprises (MSMEs), with funding of approximately €0.3 million. Supported measures included efficient heating systems, appliances, solar thermal systems, and small-scale photovoltaic installations. Importantly, subsidy schemes were designed with clear financial caps or percentage-based support levels, allowing households to receive support up to defined thresholds depending on the measure, which contributed to strong uptake.

7 Ministry of Economy. (2025). *Summary report on energy efficiency – Energy Efficiency Division*.

8 World Bank. (2024). *Kosovo energy efficiency and renewable energy project (KEEREP)*.

9 Millennium Challenge Corporation. (2022). *Kosovo threshold program – Final Report*.

10 Ministry of Economy. (2025). *Summary report on energy efficiency – Energy Efficiency Division*.

11 Government of Kosovo. (2025). *Final report: EU energy support package*.

Meanwhile, building-focused interventions under the same package were implemented through the Kosovo Energy Efficiency Fund (KEEF), with a total allocation of approximately €20 million, in addition to other ongoing public-building interventions. Structural improvements such as thermal insulation of external walls, roof and attic insulation, and replacement of external windows and doors targeted around 4,000 individual homes and around 30 social multiapartment buildings. This distinction is important: ministry-led schemes demonstrated that simple subsidy designs with capped support can generate rapid uptake, while KEEF interventions showed that building renovation is feasible but more complex and resource-intensive, requiring project preparation, cofinancing, and coordination with local authorities.

Recent developments also show a gradual evolution toward enterprise-focused schemes. In 2025, the Ministry of Economy, jointly with the Ministry of Industry, Entrepreneurship, Trade and Innovation (MIETI), launched a €1 million Clean Energy Grant Scheme for MSMEs through the Kosovo Investment and Enterprise Support Agency (KIESA), with support from LuxDev. It supports investments in solar systems, building energy efficiency, and production-related energy savings. At the same time, KEEF continues to expand its role through a growing pipeline of donor- and International Financial Institution (IFI)-supported programs. This includes a large-scale project supported by the European Bank for Reconstruction and Development, approved in 2024 and launched in 2025, providing a loan of up to €50 million, cofinanced by the Government of Kosovo with €12.6 million and complemented by grant financing, resulting in a total investment envelope of approximately €86 million. The project is expected to target up to 400 public buildings, including schools and healthcare and administrative facilities, with interventions focused on insulation, windows, and heating system upgrades.¹² In parallel, a United Nations Development Programme (UNDP)-supported residential program (approximately €5.7 million) focuses on vulnerable households, targeting around 140 homes in 2026, with expected expansion to up to 280 households by 2028, and supporting measures such as insulation, window replacement, and heating system improvements.¹³ Furthermore, initial pilot approaches for privately owned multiapartment buildings are also being explored through a project supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, implemented by KEEF. The project focuses on developing and piloting financing mechanisms for energy efficiency and renewable energy self-consumption in the residential sector. Figure 4 on next page shows the timeline of the delivery architecture.¹⁴

Taken together, these experiences demonstrate that Kosovo has already developed several key elements of a functioning energy efficiency ecosystem:

- institutional experience in program design and implementation;
- strong demand from households and public sector actors;
- an established financing and delivery mechanism through KEEF; and
- increasing public awareness of energy efficiency measures.

However, these elements remain fragmented and only partially connected. Public building renovations, household subsidies, donor-funded pilots, and business support schemes operate with different objectives and implementation models. In particular, household schemes have focused largely on individual technologies, while building-level renovation is delivered separately through other mechanisms. As a result, Kosovo is able to deliver large numbers of individual interventions, but it does not yet operate within a system that defines which buildings should be prioritized, what level of renovation should be achieved, how investments should be sequenced, and how financing should be structured across the building stock. This is the missing system layer.

12 European Bank for Reconstruction and Development. (2024). *Kosovo: energy efficiency in public buildings programme* (Project ID 55125).

13 United Nations Development Programme. (2026). *Green and just transition: Up to 280 vulnerable families to benefit from energy efficiency measures*.

14 The transition from legacy projects to the ESP and then to a broader KEEF-plus-donor pipeline is supported by Ministry, Energy Strategy reporting, KEEF's public portfolio, World Bank KEEREP reporting, and official partner announcements.

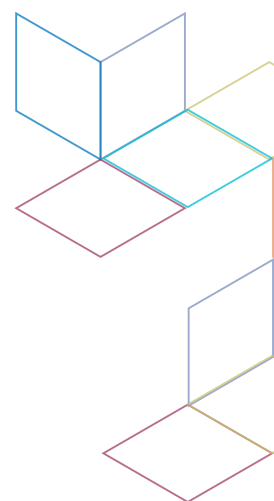
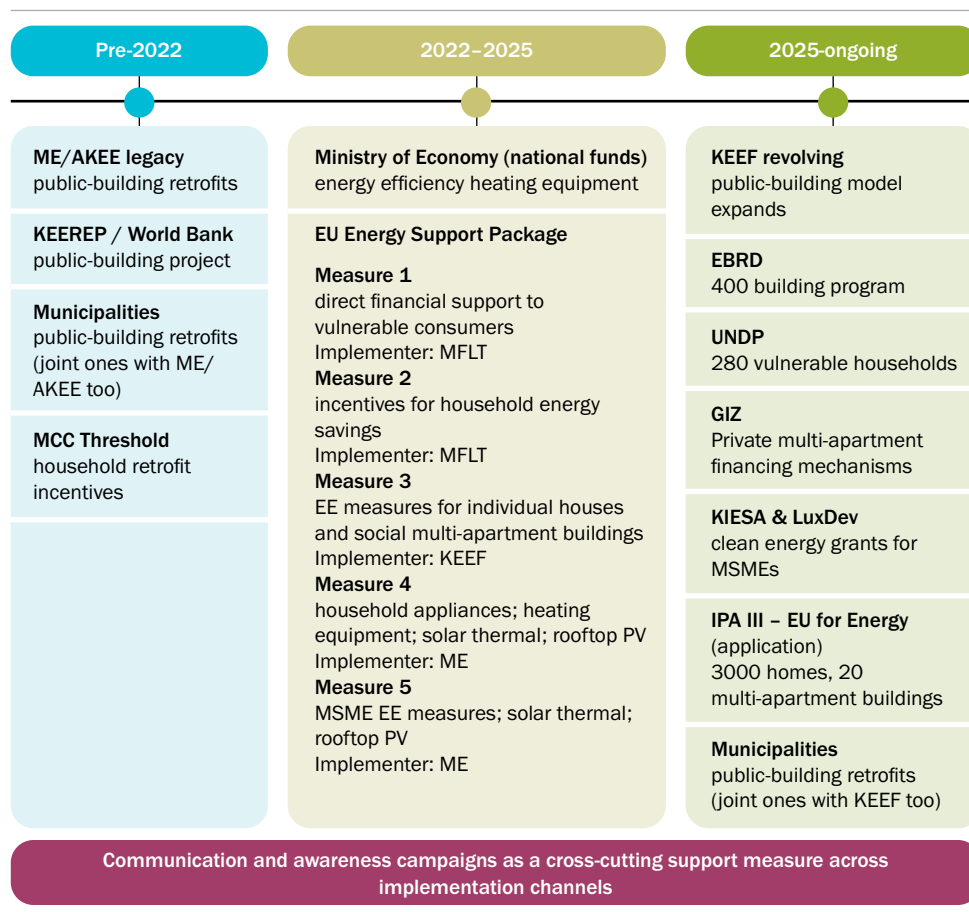


Figure 4: Timeline of key delivery architecture



2.3 THE MISSING BUILDING RENOVATION STRATEGY

The absence of an approved BRS is one of the clearest weaknesses in Kosovo's current framework. The draft NECP itself recognizes the importance of this strategy, and Energy Community reporting has repeatedly noted that the long-term BRS remains to be adopted.

Why does this matter so much? Because a BRS is not a symbolic document. It should answer questions that no annual call for applications can answer on its own. Which segments of the stock should be prioritized first: detached houses, public schools, apartment blocks, social housing, health buildings, municipal administration, or private rental housing? What level of renovation should the country pursue in each segment: shallow, medium, or deep? How should renovation efforts interact with district heating expansion, heat-pump roll-out, rooftop solar, or biomass replacement? What level of funding is required by segment and by year? What share should come from grants, public budgets, concessional credit, and private finance? And how will the country monitor progress against those priorities?

Without a BRS, these questions are handled only partially and often on a case-by-case basis. That creates four problems. First, investment can become reactive rather than strategic. Second, donor support can be harder to absorb because there is no agreed national sequencing logic. Third, institutions can duplicate efforts because responsibilities are not anchored in a single roadmap. Fourth, the political case for larger and more stable funding becomes weaker because there is no official long-term plan that quantifies needs and expected outcomes.

The absence of the BRS also weakens coherence with the broader EU policy direction. The EU's revised building policy framework is moving from isolated efficiency measures towards long-term plans, building stock trajectories, better data, and deeper renovation pathways. Kosovo, as an Energy Community Contracting Party and a potential EU candidate, will increasingly be assessed against that logic. The BRS is therefore not only a domestic planning document. It is also a signal of institutional seriousness in the EU accession-related policy environment.

2.4. THE ENERGY PERFORMANCE CERTIFICATE REGISTRY

The second major missing building block is an operational EPC system at scale. Kosovo has a legal basis for energy performance certification, and the system has moved beyond zero with pilot certificates and software development. Yet this is not the same as a live, scaled, and trusted national registry.

Kosovo has already taken initial steps toward establishing a digital infrastructure for energy performance monitoring through the National Building Energy Performance Registry (RKPEN). The registry serves as the central national platform for energy efficiency, including building energy performance data. It is jointly managed by the Ministry of Economy and the Ministry of Environment and Spatial Planning (MESP) through their respective functional modules. The EPC-related modules, including those for certified assessors and independent experts, are administered by MESP, while the module for energy auditors is administered by the Ministry of Economy. The system has also integrated elements of the ENMASOFT database – a municipal energy management software system that supports data collection, monitoring, and planning of energy use in buildings, covering around 900 public buildings.

Beyond institutional and technical infrastructure, Kosovo is developing human capacities relevant to the implementation of energy efficiency measures. To date, around 24 trainers for energy auditors and over 300 energy auditors have been certified. In parallel, around 14 certified trainers for energy assessors have been established, while MESP is also organizing certification training for approximately 60 independent experts in heating, ventilation, and air-conditioning inspection. However, the extent to which these professionals are actively integrated into a functioning EPC registry and wider policy processes remains limited. This indicates that, while technical capacity is gradually emerging, it is not yet sufficiently scaled or fully aligned with a comprehensive national system. In parallel, the Monitoring and Verification Platform, administered by the Ministry of Economy, is used to register renovated public buildings and calculate energy savings and CO₂ reductions. This indicates that different components of a building-performance data system already exist, but they are fragmented across institutions and not yet integrated into a single, operational framework.

The broader policy value of EPCs is often underestimated. They are not just labels for buyers and sellers. At the household level, a certificate describes current performance and identifies possible improvements. At the program level, aggregated EPC data can show where the worst-performing buildings are concentrated and what measures are most needed. At the financial level, aggregated EPC data can support eligibility design, targeting, quality control, and ex post monitoring. At the strategic level, such data can feed directly into the BRS and future NECP updates.

For non-specialist readers, EPC classes can be understood as simplified performance bands, with A-type class ratings indicating stronger energy performance and lower consumption, and E-class or lower ratings indicating poorer performance and a greater need for renovation. Figure 5 provides examples of EPCs issued in Kosovo.

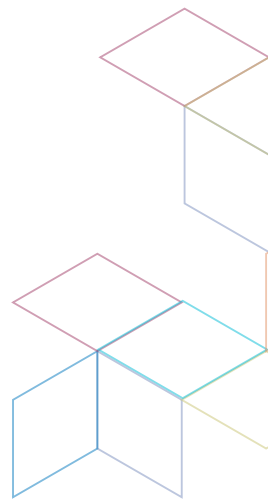
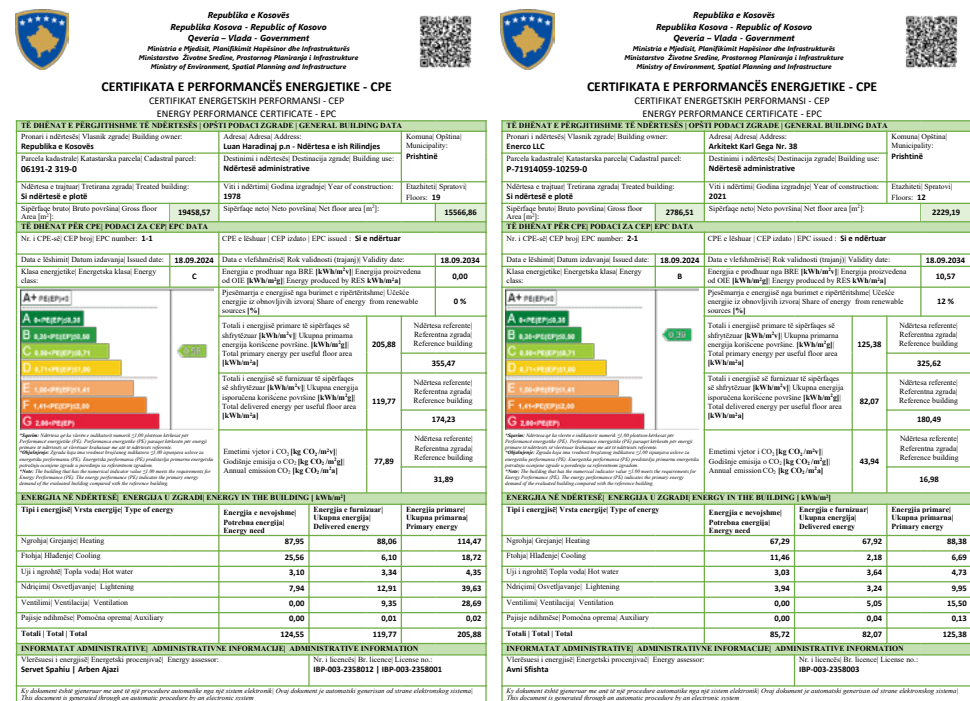


Figure 5: Initial energy performance certificates issued in Kosovo



Source: Ministry of Environment and Spatial Planning.

These two examples show that the EPC system in Kosovo is already technically developed and professionally structured. The certificates include detailed information on energy class, energy consumption, emissions, and building characteristics, and follow a format broadly aligned with EU practice. This indicates that the methodological and technical foundations are in place. However, the number of certificates issued remains very limited, and the system has not yet reached the scale required to function as a national registry or policy tool. As a result, Kosovo currently has a functioning instrument, but not yet a functioning system. A small number of high-quality certificates is not sufficient to generate the aggregated data needed for policy design, targeting of subsidy schemes, or monitoring of renovation outcomes.

There is also a market-building dimension. A functioning EPC system helps create demand for trained assessors, energy audit services, digital building records, and quality-assured retrofit advice. It gives banks and grant schemes a standardized language for pre- and post-renovation performance. It also improves transparency in the property market. For these reasons, the EPC registry should be viewed not as a narrow compliance tool but as market infrastructure for a future retrofit ecosystem, as well as for the broader building sector, including newly constructed buildings.

Without this registry, Kosovo lacks a dynamic evidence base. Policymakers cannot easily determine how many buildings fall into the weakest performance bands, whether subsidy programs are reaching the poorest performers, or whether public money is being concentrated in the most cost-effective parts of the building stock. A functioning registry would also support a professional ecosystem of assessors, auditors, designers, and financiers.

2.5 THE STOCK STRUCTURE POINTS TO A NEED FOR TARGETED POLICY

Kosovo's residential building typology study is especially important because it demonstrates why a generic national retrofit message is not sufficient. The study was designed to approximate the structure of the current housing stock despite data constraints, using expert judgment, available statistics, field visits, and the TABULA framework. It identifies representative building categories, construction periods, heating systems, and potential improvement packages. This allows policy to move beyond general statements such as "homes are inefficient" toward a more precise understanding of where the biggest savings can be found.

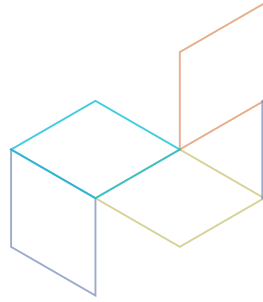
Three findings matter most. First, detached and single-family houses dominate heat demand. Second, older multifamily buildings still show high losses and often rely on inefficient heating. Third, the stock is diverse enough that retrofit packages should not be designed as one-size-fits-all interventions. A detached house with poor windows, an uninsulated roof, and biomass-based heating requires a different renovation approach and financing model than an apartment building with heat losses through shared walls, roofs, and common areas, where decisions must also be coordinated among multiple apartment owners.

For policy design, this means that the future BRS and EPC system should work together. The typology offers the baseline structure; the EPC registry can then progressively validate, refine, and update that baseline with real certification data. This combination is far stronger than either instrument alone. The typology gives Kosovo an immediate analytical starting point; EPC data turns that starting point into a living national evidence base. Together, these instruments can support segment-specific policy design, including different incentives for detached houses, multiapartment buildings, public schools, and municipal buildings.

2.6 A FINANCING GAP, BUT ALSO A DESIGN PROBLEM

Financing is not only a question of how much money is available. Money is certainly a constraint, but financing is also a policy design problem. Existing grant and subsidy schemes have shown strong demand. Yet grant-led growth alone can become fiscally difficult if the state tries to extend it to a large share of the national stock. At the same time, a purely market-based approach would exclude many households, especially lower-income or energy-poor households that cannot take on commercial debt. The policy challenge is therefore not to choose between grants and finance. It is to use each instrument where it fits best.

Kosovo needs a layered architecture rather than a single funding tool. Grants remain essential for vulnerable households, municipality-owned social multiapartment buildings, and newer or less developed segments where transaction costs are high. Low-interest loans and blended financing schemes combining grants and loans are more appropriate where there is some repayment capacity. Guarantees can mobilize private bank lending more efficiently than grants in commercially viable segments. Energy Service Company (ESCO) instruments can help create a performance-based retrofit market where investments are repaid through achieved energy savings, especially in public and commercial buildings. In practice, KEEF already performs some functions similar to an ESCO model, while also increasingly acting as a centralized implementation and advisory support mechanism for energy efficiency investments. However, this does not preclude the future development of additional ESCO providers or other one-stop-shop structures as the market matures. In short, scale requires instrument matching, not one instrument repeated indefinitely.



The policy problem can therefore be defined as follows: Kosovo has strategic targets and promising implementation experience in building energy efficiency, but it lacks the integrated system required to scale retrofitting nationally. The missing system consists above all of an approved BRS, an operational EPC registry, and a financing and implementation architecture that links public support with typology-based targeting and long-term market development. Unless these gaps are addressed together, Kosovo is unlikely to move beyond fragmented, donor-supported, and grant-heavy programs toward the sustained national retrofit effort required by its own strategy.



3 ANALYTICAL FRAMEWORK AND COMPARATIVE POLICY ASSESSMENT

This section establishes the analytical framework used to assess Kosovo's building renovation challenge through institutional, comparative, and implementation-oriented policy analysis.

3.1 ANALYTICAL FRAMEWORK AND ANALYTICAL APPROACH

The analysis applies a policy and governance perspective to evaluate Kosovo's building renovation challenge and the policy pathways available for scaling up energy efficiency implementation. It focuses on how Kosovo can move from fragmented renovation interventions toward a more integrated and operational national retrofit framework aligned with long-term energy, climate, and EU integration objectives. The paper evaluates policy options against several analytical criteria relevant to long-term building renovation policy and energy transition governance:

- effectiveness in achieving measurable energy savings and renovation targets;
- institutional feasibility and implementation readiness;
- coordination capacity across responsible institutions;
- financial scalability and efficient use of public and donor funding;
- inclusiveness and accessibility for households, municipalities, and vulnerable groups;
- long-term sustainability of the renovation system;
- monitoring, data availability and accountability;
- alignment with EU and Energy Community obligations.

This paper assesses the policy options qualitatively rather than through a full quantitative model, partly because Kosovo still lacks an operational EPC registry and a finalized BRS that would enable more robust building-stock modeling and prioritization analysis. However, sufficient strategic, institutional, and comparative evidence exists to evaluate the relative strengths and limitations of the proposed policy pathways. The assessment combines comparative policy analysis with implementation-oriented institutional perspectives, drawing on Kosovo's energy efficiency framework, Energy Community reporting, residential building typology analysis, and selected EU and regional comparative practices.

In addition, the paper incorporates targeted institutional consultations and technical exchanges undertaken during the drafting process with stakeholders involved in energy efficiency governance and implementation in Kosovo, including representatives from the Ministry of Economy, the Ministry of Environment and Spatial Planning, the Kosovo Energy Efficiency Fund, the Association of Kosovo Municipalities, development partners, and other sector stakeholders. Additional analytical insights were also informed through discussions linked to ongoing policy development processes, EPC implementation, financing mechanisms, and institutional coordination practices.

Such stakeholder-based analytical approaches are common in energy efficiency and public policy reform processes, particularly in sectors where implementation responsibilities are distributed across multiple institutions and governance levels. Kosovo's energy efficiency community remains relatively interconnected and institutionally accessible in practice, with ministries, municipalities, implementing institutions, and development partners often maintaining direct communication and practical cooperation. However, the analysis suggests that scaling up renovation policy beyond individual projects and programs increasingly requires more structured governance arrangements, clearer institutional responsibilities, and more formalized coordination mechanisms capable of supporting implementation at a national scale over the long term.¹⁵

¹⁵ OECD. (2019). Recommendation on policy coherence for sustainable development; European Commission. (2020). *A renovation wave for Europe – greening our buildings, creating jobs, improving lives*, COM(2020) 662 final.

3.2 INSTITUTIONAL AND IMPLEMENTATION ASSESSMENT

The analysis undertaken in this paper indicates that Kosovo has already established important foundations for advancing energy efficiency in buildings. Strategic targets exist, legislative alignment with EU directives is progressing, donor and public investment programs are active, and institutional responsibilities are increasingly defined. However, the current system still operates in a fragmented manner, with gaps between strategic ambition and implementation capacity.

The central implementation challenge is therefore not the absence of activity, but the absence of a sufficiently integrated delivery framework linking strategy, data, prioritization, financing, and implementation. In particular, two core building blocks remain insufficiently operationalized: an approved and implementation-oriented BRS and a fully operational EPC registry functioning as part of a broader national data and monitoring architecture. Without these instruments, Kosovo faces limitations in several critical areas:

- systematic prioritization of the worst-performing buildings;
- sequencing of investments;
- targeting of vulnerable households;
- aggregation of reliable building-performance data;
- long-term monitoring of renovation outcomes; and
- mobilization of scalable financing mechanisms.

Institutional consultations and implementation discussions undertaken during the drafting process further highlighted recurring governance and coordination challenges, including overlapping institutional responsibilities, fragmented data-management practices, uneven implementation capacities across institutions and municipalities, and limited integration between strategic planning and operational implementation tools. At the same time, Kosovo's relatively smaller institutional setting may allow for more direct stakeholder communication and practical coordination compared to larger and more administratively complex systems. Nevertheless, comparative practice suggests that the long-term scaling-up of building renovation policy increasingly depends on stronger institutional structuring, a clearer division of implementation responsibilities, and more predictable coordination processes.

The assessment therefore indicates that future progress will depend less on additional retrofit programs or financial support schemes than on strengthening the broader governance architecture supporting energy efficiency implementation.

3.3 COMPARATIVE LESSONS AND POLICY IMPLICATIONS FOR KOSOVO

Comparative EU and regional experience demonstrates that successful large-scale building renovation systems depend not only on financial support schemes but also on integrated governance, operational data systems, and long-term institutional coordination.¹⁶

Ireland: retrofit governance and data systems: Ireland provides an important example of how building renovation policy can progressively evolve into a coordinated national retrofit framework supported by operational certification systems, long-term planning, and institutional coordination. Through the Building Energy Rating (BER) system and the National Retrofit Plan, Ireland has developed a more centralized approach for identifying inefficient building segments, prioritizing interventions, and monitoring renovation progress over time.¹⁷

¹⁶ European Commission. (2020). *A renovation wave for Europe – greening our buildings, creating jobs, improving lives*, COM(2020) 662 final; International Energy Agency. (2023). *Energy efficiency 2023*.

¹⁷ Government of Ireland. (2023). *Climate action plan 2024*; Sustainable Energy Authority of Ireland. (2022). *National retrofit plan*.

Ireland's National Retrofit Plan is linked to explicit national targets, including retrofitting up to 500,000 homes to a B2 BER or cost-optimal standard by 2030 and installing around 400,000 heat pumps in existing homes. More importantly for Kosovo's purposes, Ireland's BER system has developed into a broader public policy infrastructure: there is a national register, publicly available data that are regularly updated, an anonymized research tool, and a BER map. This makes the database useful not only for certification but also for program design, public reporting, market transparency, and long-term renovation planning. This is consistent with earlier analysis using Irish BER data to assess large-scale retrofit potential and associated economic and energy-saving benefits.¹⁸

The Irish experience demonstrates that operational building-performance systems become significantly more valuable when integrated into broader policy planning, financing, and monitoring structures rather than functioning only as compliance instruments. More broadly, comparative assessments from the Energy Community Secretariat and the ODYSSEE-MURE project confirm that countries that invested early in building-data systems and structured renovation policies – such as Ireland – have generally achieved more consistent progress in scaling up residential energy efficiency improvements. These experiences underline that data infrastructure, when combined with clear policy direction and financing mechanisms, becomes a critical enabler of long-term renovation markets.

Croatia: regional implementation lessons: Croatia provides a particularly relevant comparative example for Kosovo due to similarities in regional context, administrative transition, and gradual alignment with the EU energy and climate acquis. Compared to many Western Balkan countries, Croatia has advanced further in integrating building renovation policy with EU financing instruments, institutional coordination, and operational energy-performance frameworks. Its experience illustrates how building renovation policy can gradually transition from project-based interventions toward more strategic and system-oriented implementation structures.¹⁹

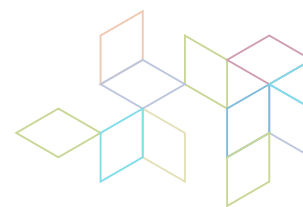
Croatia illustrates the value and the institutional model of combining a long-term renovation strategy with a high level of grant support. Following the adoption of its Long-Term Renovation Strategy in 2020, Croatia pursued its approach through structured national programs financed largely by EU funds, where line ministries design schemes and define eligibility criteria, while implementation is carried out through specialized public bodies such as the Environmental Protection and Energy Efficiency Fund. This model separates policy design from program delivery, enabling faster disbursement and standardized project pipelines, particularly in the residential and public-building sectors.

High grant intensities, often covering a substantial share of investment costs for households, have driven strong uptake in Croatia, especially in multiapartment buildings and post-earthquake reconstruction programs. At the same time, this approach has required significant fiscal and administrative capacity, as well as strong coordination between the central government, municipalities, and implementing agencies. Comparative insights from the Energy Community Secretariat highlight Croatia as a case where early strategic planning, combined with dedicated implementation structures and EU-backed financing, has enabled relatively rapid scaling of building renovation programs in the region.

However, stakeholder experience from regional exchanges with Croatian institutions also points to an important caution: very high grant intensities, if sustained over time, can shape beneficiary expectations and reduce willingness to cofinance investments. This creates a risk of dependency on public support and can make future program adjustments more difficult, politically and socially.

¹⁸ Popova, A. (2020). *The economic opportunity and energy savings from investments in scaling up residential retrofitting in Ireland ("RETROPPORTUNITY")*.

¹⁹ Republic of Croatia. (2020). *Long-term strategy for mobilising investment in the renovation of the national building stock*.





The policy lesson for Kosovo is therefore not that it should imitate Croatia's subsidy levels mechanically. Rather, it should draw from the institutional logic: a clear division between policy design (ministry-led), financing and program structuring, and implementation (e.g., through KEEF or municipalities). Such an approach can significantly improve uptake and delivery efficiency, but fiscal sustainability and targeting must remain central to program design.

Broader Western Balkan context: At the same time, broader Western Balkan experience continues to demonstrate common implementation constraints relevant to Kosovo's context. Across the region, countries continue to face challenges related to fragmented governance structures, evolving EPC systems, donor-driven interventions, and uneven municipal capacities. In several cases, energy efficiency progress remains dependent on isolated projects and external financing rather than integrated national renovation systems.

Experience from countries across the Western Balkans also highlights the importance of institutional sequencing. While energy certification frameworks and support schemes may be established relatively early, their effectiveness depends on the timely adoption of bylaws, functioning institutions, and a stable pipeline of projects. Without this alignment, implementation tends to lag behind legislation. Kosovo should therefore focus not only on adopting the necessary legal and strategic frameworks but also on ensuring operational readiness from the outset.

At the same time, important institutional and legal foundations already exist, including strategic targets, the Kosovo Energy Efficiency Fund, public retrofit experience, subsidy schemes, and ongoing legislative approximation with EU directives. However, comparative experience suggests that the transition from fragmented interventions toward a scalable renovation framework requires stronger integration between strategy, data, finance, and implementation.

The one-stop-shop experience across Europe also matters for Kosovo. EU practice shows that one-stop-shops can reduce administrative barriers, connect households and SMEs to technical and financial support, and improve the customer journey through renovation. In practice, Kosovo already has institutional elements that perform functions similar to a one-stop-shop approach. KEEF increasingly acts as a centralized implementation, financing, and advisory mechanism for energy efficiency investments, while municipal energy efficiency officers often serve as local coordination and contact points for municipal energy projects and the preparation and implementation of Municipal Energy and Climate Plans. At the same time, this does not preclude the future development of additional or more formalized one-stop-shop structures as the renovation market and institutional framework continue to evolve.

These comparative experiences suggest that Kosovo does not need to replicate any single model wholesale. Rather, future policy development could draw selectively from different approaches: Ireland's data architecture, Croatia's strategic planning and delivery model, and broader regional experience in institutional sequencing and implementation alignment. These lessons are particularly relevant for the design of a more integrated national retrofit framework in Kosovo. A simplified overview of selected comparative examples and their policy relevance for Kosovo is provided in Annex 1 which is intended as a supporting analytical summary rather than a full benchmarking exercise.

4 POLICY OPTIONS AND THEIR EVALUATION

This section evaluates three options. Option 1 keeps the current approach broadly intact. Option 2 scales up existing schemes without changing the architecture. Option 3 establishes a National Energy Retrofit Program anchored in the BRS and EPC registry. Each reflects a plausible path that Kosovo could choose in the next policy cycle.

4.1 POLICY OPTION 1: MAINTAINING THE STATUS QUO

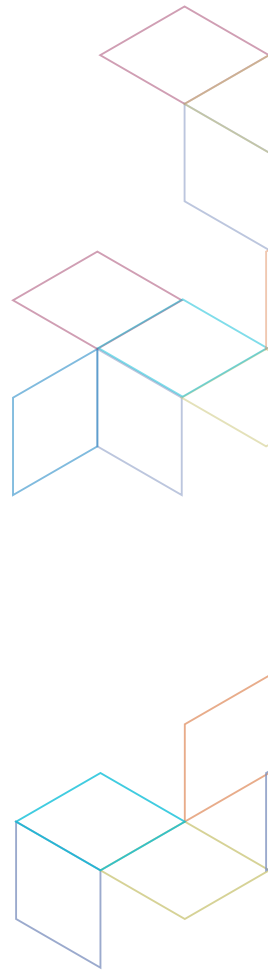
Under this option, Kosovo would continue with the existing mix of donor- and government-backed measures: public building retrofits through KEEF, periodic subsidy schemes for households, social housing projects, and gradual legal work on energy efficiency and building performance. Institutional arrangements would stay broadly as they are today, and no new overarching national retrofit framework would be established in the short term.

The strongest argument for this option is that it is administratively familiar. Institutions already know how to design and launch public calls for subsidy schemes, process applications, and deliver targeted projects. Political risk is relatively low because the approach does not require major coordination reforms or major new institutional commitments. It also builds on a track record of programs that have generated real public demand. If the government seeks only to avoid disruption, continuing the status quo can appear attractive.

However, the weaknesses are substantial. First, the option does not solve the strategy gap. Without an adopted BRS, investments remain largely reactive by individual public funding calls rather than sequenced within a formal national pathway. Second, it does not solve the data gap. Initial pilot EPCs may continue – there are only two at present – but without a fully operational registry, public policy will still lack the evidence base needed for setting priorities at the national level. Third, it does not solve the financing design problem. Separate subsidy windows may continue to reach beneficiaries, but they are unlikely to create the layered financing model needed for scaling up. Fourth, the option risks institutional fatigue. Ministries and implementing agencies can become absorbed in program administration while deeper system reform is continuously postponed.

In terms of the five criteria, Option 1 performs weakly overall. Its feasibility is relatively high in the short term, because it requires the fewest changes. But its effectiveness is low because it cannot reasonably be expected to deliver national-scale renovation of buildings. Its efficiency is also limited because scarce public and donor funds are not guided by the strongest possible logic for prioritizing renovations. Its equity performance is mixed: some vulnerable groups may still receive support through targeted public calls for subsidies, but there is no systematic framework to ensure fairness across the building stock. Its sustainability is low because the approach depends on repeated project cycles rather than a durable national retrofit system.

The status quo option would therefore keep useful activity alive, but it would not convert that activity into a strategic transformation. Kosovo would continue to renovate buildings, but it would do so without a national navigation system. The country would remain active, yet still structurally underprepared for the scale of activity implied by its own strategy.



4.2 POLICY OPTION 2: SCALING UP EXISTING SUBSIDY AND RETROFIT PROGRAMS

Under this option, Kosovo would significantly expand what already works. KEEF windows would be enlarged, household and business subsidy programs would grow, donor-supported residential and social housing schemes would be extended, and public communication around retrofit benefits would intensify. The key difference from Option 1 is one of volume rather than architecture: the same types of instruments would continue, but on a larger scale and with stronger budgetary support.

The appeal of this option is obvious. It promises faster, more visible results. More homes could receive windows, insulation, roofs, or efficient heating systems in a relatively short time. Public support is likely to remain high because grant-based programs are tangible and popular. Donors and IFIs may also find it easier to support a scale-up when the delivery channels already exist. In political communication terms, this option offers a simple message: more beneficiaries, more government public calls for subsidies, and more retrofits.

Yet Option 2 remains constrained by the same structural weaknesses as Option 1, despite its broader benefits. Without a BRS, the country still lacks an agreed national sequencing of segments and measures. Without an operational EPC registry, it is still difficult to target the lowest-performing buildings systematically or to compare renovation outcomes across programs. And without a more differentiated financing architecture, large subsidies risk becoming fiscally difficult over time. A system that relies mostly on repeated grants can expand rapidly for a while, but it may struggle to mobilize private capital or to remain affordable as ambitions increase.

There is also a risk of crowding out market development. If grants dominate too broadly and for too long, local banks, ESCO actors, and other private finance providers may have less incentive to develop products for energy renovation. In some segments, especially middle-income households, private rental properties, commercial buildings, or viable SMEs, the state should eventually aim to crowd in rather than crowd out other financing sources. Option 2 does not prevent such evolution, but it does not create it either.

Against the five criteria, Option 2 performs better than Option 1, but still falls short of what Kosovo needs. Its effectiveness would be rated medium: it can deliver more retrofits quickly, but not necessarily the best-sequenced or deepest retrofits. Its feasibility rates as medium to medium-high because institutions already know the instruments, though a scale-up would still require administrative strengthening. Its efficiency is mixed: in some programs it may be acceptable, but without stronger targeting and instrument matching it will not maximize every euro spent. Its equity can be rated medium if program design remains socially oriented. Its sustainability is medium at best because the model still lacks the core system elements that would support long-term transformation.

Option 2 is therefore a transitional improvement, not a full solution. It can buy time and can produce more immediate outputs, but it does not resolve the architecture problem. Kosovo would be scaling programs before it has fully built the strategic and data infrastructures needed to govern them at the national level.

4.3 POLICY OPTION 3: ESTABLISHING A NATIONAL ENERGY RETROFIT PROGRAM

Option 3 would create a NERP as the organizing framework for building renovation in Kosovo. This would not necessarily mean creating a wholly new institution. Rather, it would mean creating a unified national program architecture that links five elements: an approved BRS; an operational EPC registry embedded in the national data architecture; a typology-informed prioritization framework; a coordinated financing platform using multiple instruments; and a clear implementation and monitoring structure involving the responsible ministries, KEEF, municipalities and other partners.

The first strength of this option is strategic coherence. By anchoring retrofit delivery in the BRS, Kosovo would move from reactive public calls to an official national pathway. The second strength is evidence-based policy. Through the EPC registry, Kosovo would gradually replace approximation with real building-level performance data and use those data to improve targeting and monitoring. The third strength is financing coherence. Instead of expecting one instrument to solve every problem, the program could match grants, concessional loans, guarantees, and performance-based tools to different segments of the building stock and different beneficiary groups. The fourth strength is market development. Because the program would be long-term and data-driven, it could support the growth of assessors, auditors, contractors, ESCO services, and green finance products.

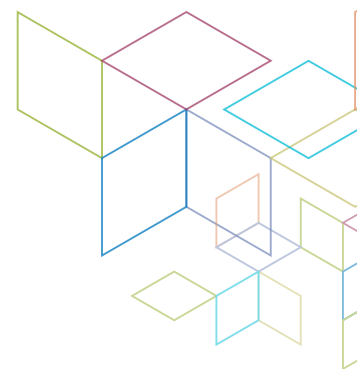
This option also has clear challenges. It requires stronger interinstitutional coordination and a higher initial administrative effort. Finalizing the BRS and the EPC registry are not minor tasks. They require technical work, legal clarity, digital systems, training, and quality assurance. Coordination of financing is also more demanding than running separate grant windows. In the short term, Option 3 therefore appears more challenging than the other two options. However, when judged against Kosovo's actual policy objective, rather than just short-term administrative comfort, Option 3 is the only option that addresses the main barriers together. It is the strongest on effectiveness because it combines volume with prioritization. It is strong on efficiency because better data and better instrument matching reduce the risk of poorly targeted spending. It is strong on equity because the program can explicitly assign different support intensities to vulnerable households, social housing, and poorer-performing parts of the building stock. It is strongest on sustainability because it aims to build institutions and markets, not only projects.

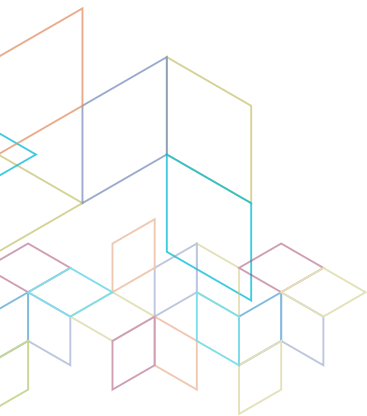
The decisive point is this: Kosovo's challenge is systemic, so the response also has to be systemic. Option 3 is more difficult at the start, but it is the only option consistent with a national transition from fragmented projects to an integrated retrofit system. For that reason, it is the preferred option in this paper.

4.4 COMPARATIVE EVALUATION OF OPTIONS

Table 2: Comparative evaluation of options 1, 2, and 3

Option	Effectiveness	Feasibility	Efficiency	Equity	Sustainability	Overall assessment
1: Status quo	Low	Medium-high in the short term	Low	Medium-low	Low	Keeps activity alive but does not create a national retrofit system
2: Scale up existing schemes	Medium	Medium	Medium	Medium	Medium	Can produce more short-term outputs, but remains fragmented and fiscally vulnerable
3: NERP with BRS and EPC	Very high	Medium-high if phased	High	High	Very high	Best fit with Kosovo's energy efficiency targets and long-term system-building objectives





5 RECOMMENDED POLICY OPTION – DETAILED DESCRIPTION

This paper recommends that Kosovo establish a National Energy Retrofit Program as the central framework for scaling up building renovation. The word “program” is important. The recommendation is not merely to approve another strategy document or to run a larger subsidy scheme. It is to create a practical national framework within which strategy, certification data, finance, and implementation reinforce one another. In policy terms, the NERP should become the operational bridge between strategic planning and practical implementation, linking the Energy Strategy, the future BRS, and the NECP into a coherent delivery framework.

The recommended option rests on a simple proposition: energy efficiency should be treated as a strategic energy resource, not as a residual social or construction policy. If Kosovo accepts that proposition, then building renovation has to be organized with the same seriousness that would be given to any other energy-system intervention. The NERP is the vehicle through which that seriousness can be translated into practical governance.

5.1 CORE DESIGN PRINCIPLE: A SEQUENCED APPROACH TO SCALE-UP

The first design principle is sequencing. Kosovo should not wait for a perfect final model before acting, but neither should it scale endlessly before core foundations are in place. The recommended sequence is therefore as follows: first, finalize and adopt the BRS; second, fully establish the EPC registry and related software, training, and quality assurance arrangements; and third, scale up the retrofit program using these tools as the basis for prioritization, eligibility, monitoring, and future revisions.

This sequencing matters because it prevents two pitfalls. The first of these would be strategic postponement – keeping the system permanently at the pilot level while waiting for every document to be completed. The second error would be premature scale-up – disbursing ever larger funds before the country has the data and strategy needed to allocate them most effectively. The recommended approach balances urgency with institution-building. Kosovo should move quickly, but in a disciplined order.

5.2 WHAT THE BUILDING RENOVATION STRATEGY SHOULD DO

The BRS should be the central planning document for the NERP. It should translate the Energy Strategy’s headline targets into a renovation pathway for the building stock. At a minimum, it should include an overview of the building stock; a typology-based segmentation of residential and nonresidential buildings; baseline performance assumptions; renovation scenarios by segment; estimates of investment needs; a social dimension, including the treatment of vulnerable households and social housing; responsibilities for implementation; and a monitoring framework that can be updated as EPC data accumulate.

The strategy should not try to predict everything with false precision. Given current data constraints, some assumptions will necessarily remain approximate at the start. But approximation inside a formal strategy is still much better than approximation dispersed across separate programs. A good BRS would give Kosovo a common language of priorities. It would make explicit, for example, whether detached houses in specific performance bands should be the first national priority, whether public buildings should be used as a demonstration and market-building segment, and how social housing, such as multiapartment buildings, fits into an equity-based transition.

The strategy should also define categories of renovation depth. This refers to the scale and ambition of renovation measures – ranging from basic improvements such as window replacement or roof insulation, to deeper renovations combining building-envelope upgrades, heating-system replacement, and broader energy-performance improvements. This matters because public programs often gravitate toward partial measures that are easy to disburse but insufficient to deliver durable improvements. Kosovo's policy framework should avoid this trap by defining what counts as a basic, medium, and deep renovation package across different building segments. The typology study already provides helpful guidance on representative building-envelope and heating upgrades. The BRS can build on this and translate it into a national program logic.

5.3 WHAT THE EPC REGISTRY SHOULD DO

The EPC registry²⁰ should become Kosovo's core platform for data on building performance. It should not be treated merely as an archive of certificates. It should serve at least five functions. First, it should support compliance with building performance rules at the level of individual buildings and transactions. Second, it should create an aggregated evidence base for policy design and future BRS updates. Third, it should support eligibility and verification in public support schemes. Fourth, it should allow program monitoring over time, including before-and-after performance tracking where possible. Fifth, it should help build market confidence by creating a standard language of performance for homeowners, contractors, auditors, and financiers.

Comparative experience, particularly from Ireland, demonstrates that building-performance registries become significantly more valuable when integrated into broader policy planning, financing, and monitoring systems rather than functioning only as compliance instruments.²¹

For Kosovo, integration into the broader national data architecture is especially important. The EPC system should be designed from the start so that it can communicate with other relevant public datasets where legally and technically appropriate. The objective is not to have a heavy, over-complex digital platform. The objective is to ensure that EPCs can support planning, monitoring, and program administration rather than remaining isolated documents.

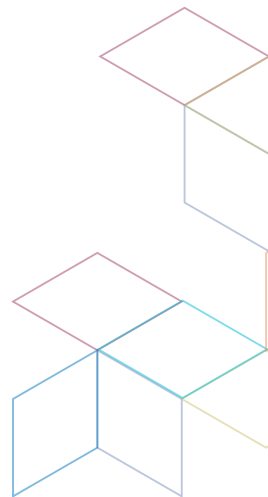
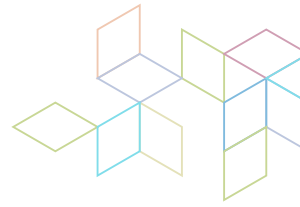
5.4 A TYPOLOGY-BASED TARGETING MODEL

The NERP should use a typology-based targeting model in its first phase. This is one of the most practical ways to move forward while the EPC registry is still maturing. The typology study already identifies where the largest heating demand lies, and thus where the largest savings potential exists. Single-family houses should be treated as a central national segment rather than a marginal one. Within that segment, priority should go to older detached houses with very high heating demand, poor building envelopes, and inefficient heating systems. In urban areas, older multifamily buildings and social housing should be treated as a second major priority because they combine high energy saving potential and important social benefits, while renovation in multifamily buildings also requires coordination and joint decision-making among multiple residents and apartment owners. Initial pilot approaches for this segment are already being explored through a GIZ-supported project implemented by KEEF, focused on financing mechanisms for privately owned multifamily buildings.

For public buildings, the NERP should combine visibility and savings logic. Schools, health facilities, and municipal buildings are suitable for this because they produce direct comfort benefits, can create local demonstration effects, and are easier to monitor when supported through public pro-

20 Republic of Kosovo. (n.d.). *Registry of Energy Performance Certificates (RKPEN)*.

21 Sustainable Energy Authority of Ireland. (n.d.). *National Building Energy Rating (BER) Register*.



grams. KEEF secured a loan from the European Bank for Reconstruction and Development (EBRD) in early 2025 that includes a feasibility study for 400 buildings across all municipalities, which can be used as an important feeder for a more systematic public-building pipeline under the NERP.

The targeting logic should be reviewed periodically. In the early years, typology can do much of the work. Over time, as the EPC registry expands, targeting should shift from modeled representative categories to real performance data. This is one of the core reasons that the typology and EPC system should be understood as complementary rather than competing instruments. A simplified overview of illustrative typology-based renovation priorities and corresponding support approaches for Kosovo is provided in Annex 2.

5.5 FINANCING ARCHITECTURE FOR THE NATIONAL ENERGY RETROFIT PROGRAM

The NERP should use a layered financing architecture. A single grant model cannot carry Kosovo's renovation needs to 2030 and beyond, but a purely commercial approach would also fail because large parts of the building stock and many households do not have the repayment capacity for market-rate finance. The financing question should therefore be approached by building segment and beneficiary type.²²

For vulnerable households, social housing, and the lowest-income owner-occupiers, grants should remain the dominant instrument. From an equity perspective, this is unavoidable. Support should increasingly favor packages that reduce heat loss through better insulation, windows, and roof upgrades – overall thermal performance rather than only replacing appliances.

For middle-income owner-occupiers, grants should be combined progressively with concessional loans or low-cost lending, especially where the renovation package is deeper and more expensive. Ireland is instructive here as well. Its National Retrofit Plan combines grants with advisory support, one-stop-shop delivery, and a government-backed Home Energy Upgrade Loan Scheme. Kosovo's income structure is different and the market is smaller, but the policy lesson is still relevant: a public retrofit system becomes more sustainable when grant support and affordable finance are designed together rather than in isolation.

For public buildings, Kosovo should continue and expand the revolving approach developed first through public programs and now through KEEF and partner finance. For commercially viable SMEs and selected service-sector buildings, credit guarantees and green lending instruments should be explored more systematically. The analytical logic is strong: guarantees can mobilize more private capital per euro of concessional public support than grants alone in borrower segments that already have repayment capacity. Kosovo should reserve scarce grant funding for segments that genuinely need it and use leverage-oriented tools where market finance can participate.

For the medium term, Kosovo should also prepare the ground for ESCO-type performance-based delivery and for more structured one-stop-shop support. In practice, this means starting with contractual templates, quality standards, registry/certification arrangements, and pilot projects rather than waiting for a perfect market to emerge. The aim should not be to force private finance where it is not yet ready, but to make sure that today's public programs do not block tomorrow's market development. In practice, KEEF already performs some functions similar to an ESCO and increasingly acts as a centralized implementation and advisory mechanism for energy efficiency investments, including elements comparable to a one-stop-shop approach. At the municipal level, local energy efficiency officers also perform similar coordination and contact-point roles for municipal energy projects and the preparation and implementation of Municipal Energy and Climate Plans.

²² Western Balkans Investment Framework. (2016). *Financing energy efficiency investments in the Western Balkans*.

Across all segments, the financing architecture should be governed by a simple principle: deploy the highest subsidy intensity where social need and market barriers are highest, and deploy more catalytic instruments where repayment capacity and private interest are stronger. That principle would make Kosovo's retrofit system both fairer and more fiscally sustainable.

5.6 INSTITUTIONAL ARCHITECTURE AND ROLES

The NERP does not require a completely new bureaucratic structure, but it does require a clearer operating model. The Ministry of Economy, as the institution responsible for energy, should retain the strategic lead on energy-efficiency policy, targets, and overall program direction. The Ministry of Environment should play a decisive role where the BRS, building regulation, building performance requirements, and implementing bylaws intersect. KEEF should remain the principal implementation and financing vehicle for many public and residential interventions, especially where it already has operational capacity. Municipalities should be key partners for public buildings, local outreach, vulnerable-household targeting, and multifamily delivery, as well as for the preparation and implementation of Municipal Energy and Climate Plans.

A practical solution would be to establish a formal interinstitutional steering structure for the NERP, backed by a technical secretariat or coordination unit embedded in existing institutions. This steering structure should approve annual priorities, monitor implementation, resolve bottlenecks, and coordinate donor support. It should include, at a minimum, the Ministry of Economy, the Ministry of Environment, KEEF, the Ministry of Local Government Administration, municipal representation, and key development partners in observer/support roles. The intention is not to create more meetings. It is to create decision-making discipline across institutions that already have pieces of the retrofit agenda but do not yet operate as one system.

The private and quasi-public delivery ecosystem also matters. A national retrofit program succeeds when institutions do not attempt to do everything themselves, but instead shape a market and delivery system in which many actors can perform specialized roles under clear rules and monitoring. Hence, energy auditors, EPC assessors, architects, designers, contractors, suppliers, banks, guarantee institutions, and municipal energy staff should all be seen as part of the program's implementation environment. Table 3 shows the institutional cooperation matrix.

Table 3: Indicative institutional cooperation matrix

Function	Lead institution	Supporting actors	Comment
Strategic policy and targets	Ministry of Economy & Ministry of Environment	Government, Energy Community, donors	Leads energy-efficiency policy and monitoring
Building Renovation Strategy	Ministry of Environment	Ministry of Economy, KEEF, municipalities	Confirm final institutional ownership before submission
EPC software/registry and bylaws	Ministry of Economy & Ministry of Environment	Technical experts, municipalities, KEEF	Requires quality assurance and interoperability
Financing windows and program delivery	Ministry of Economy & Ministry of Environment	Ministry of Finance, KEEF, municipalities, donors/IFIs, banks	Different windows by segment and instrument
Municipal/public-building pipeline	Municipalities + KEEF	Central institutions, donors	Needs standardized project preparation

5.7 IMPLEMENTATION ROADMAP, 2026–2030

The NERP should be launched in phases. A phased approach reduces political and administrative risks while still creating visible momentum.

Table 4: Implementation roadmap, 2026–2030

Phase	Timing	Main actions	Expected output
Phase 1: Foundations	2026	Adopt the BRS; finalize implementing bylaws; set up EPC software, registry, and quality control; define renovation categories; formalize NERP steering structure	Kosovo moves from pilot EPC activity to an operational system basis
Phase 2: Prioritized scale-up	2026–2027	Launch targeted program windows by building segment; align KEEF and donor pipelines with BRS priorities; expand public-building project preparation; begin affordable finance pilots for selected households and SMEs	Program growth becomes strategy-led rather than purely public-call-led
Phase 3: Market development	2027–2028	Introduce more structured advisory functions or strengthen the existing ones (i.e., more one-stop-shops); pilot ESCO/performance-based contracting in selected segments; expand bank participation where appropriate	Private and mixed finance begin to complement grants
Phase 4: Consolidation	2029–2030	Use registry and monitoring data to revise targeting; deepen support for worst-performing segments; integrate learning into the next strategy/NECP cycle	A functioning national retrofit system with stronger data, finance, and delivery feedback loops

This roadmap accepts that Kosovo cannot build the entire system in one year. But it also rejects indefinite postponement. Phase 1 should be treated as urgent for the retrofit agenda. Once that foundation is in place, the scale-up can proceed with more confidence and stronger discipline. A simplified overview of proposed monitoring indicators supporting the implementation and long-term monitoring of the NERP is provided in Annex 3.

5.8 COMPARATIVE LESSONS SUPPORTING THE RECOMMENDED OPTION

Comparative experience reinforces the conclusion that Option 3 provides the strongest long-term pathway for Kosovo. Evidence from Ireland demonstrates the importance of operational building-performance data systems and long-term retrofit planning, while Croatia illustrates the value of separating policy design from implementation through dedicated delivery structures and financing mechanisms. Experiences across the Western Balkans further highlight the importance of institutional sequencing, operational readiness, and coordination between legal frameworks and implementation capacity.

For Kosovo, the key lesson is not to replicate any single model directly, but to adapt selected strengths within a nationally appropriate framework. The proposed NERP therefore builds on three complementary principles: stronger data and monitoring architecture, more coordinated implementation structures, and phased financing mechanisms capable of supporting renovation at scale over the long term. In this sense, the comparative assessment supports one of the central arguments of this paper: energy efficiency in buildings should increasingly be treated as both an environmental measure and a strategic energy resource linked to affordability, energy security, and long-term system resilience.

5.9 RISKS AND MITIGATION

A serious recommendation must also address risks. The first risk is implementation delay: the BRS and registry reforms may move more slowly than expected. This can be mitigated by sequencing and by clearly assigning responsibility with time-bound milestones. The second risk is institutional fragmentation. Ministries and agencies may defend narrow mandates rather than cooperate. This can be mitigated through a formal steering mechanism with decision-making authority rather than an informal working group. The third risk is an over-reliance on grants. This can be mitigated by adopting the layered financing approach described above and by progressively introducing affordable finance and guarantee instruments where suitable. The fourth risk is weak market capacity. A rapid increase in retrofit demand without enough trained assessors, designers, and contractors could undermine quality. This can be mitigated through a phased roll-out, training, standard documentation, and stronger quality assurance. The fifth risk is weak public trust. If programs are perceived as bureaucratic or inconsistent, demand can weaken. This can be mitigated through transparent rules, good communication, and simpler customer journeys, including one-stop-shop elements where feasible.

None of these risks is trivial, but none is a reason to avoid system reform. On the contrary, they are reasons to design the NERP carefully and to begin institutional preparation immediately.

6 CONCLUSION

Kosovo has already demonstrated that energy efficiency in buildings can deliver real benefits. It has strategic targets, an improved legal framework, an active implementation vehicle in KEEF, strong public demand for subsidies, and a growing set of donor-supported projects. What it does not yet have is a complete national retrofit system. That is the policy gap this paper has identified and the reason why buildings continue to represent both Kosovo's largest efficiency opportunity and one of its largest implementation challenges.

The central finding of the paper is straightforward: Kosovo's next step should not be another isolated project or another temporary subsidy cycle. It should be the construction of a NERP that links strategy, data, finance, and implementation. The key preconditions for that shift are an adopted BRS and a functional EPC system embedded within the broader national data architecture. The EPC framework is important not only for renovation planning and support schemes but also for compliance, market transparency, public information, and long-term monitoring of building performance. Together with energy audits and other implementation instruments, it can support more effective prioritization, targeting, and scaling of renovation efforts over time.

Among the three options assessed, the NERP is the strongest because it is the only one that addresses all dimensions of the problem: strategic, informational, financial, and institutional. The status quo can preserve useful activity but not transformation. Scaling existing programs can generate more outputs but still leaves Kosovo in a fragmented system. The NERP, by contrast, can turn today's projects into a national pathway.

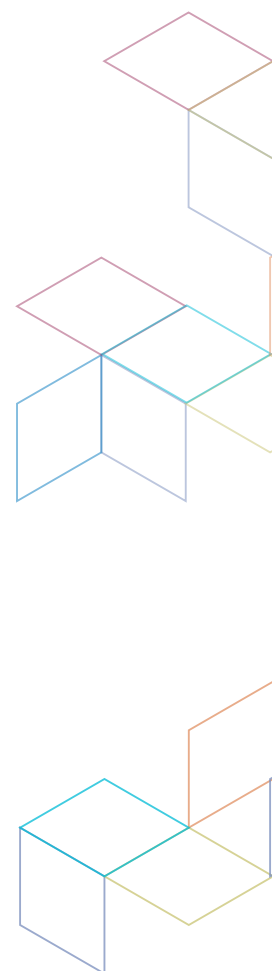
The recommended policy actions are therefore practical and immediate. First, finalize and adopt the BRS. Second, fully establish the EPC system beyond pilot certification and ensure that it supports compliance, market transparency, public information, and long-term policy analysis. Third, use the residential typology study as an initial targeting and planning tool while the EPC system and broader building-performance data infrastructure continue to develop. Fourth, align financing instruments to beneficiary segments rather than relying on a single instrument alone. Fifth, establish a formal interinstitutional steering mechanism for the NERP and integrate donor pipelines into that framework. Sixth, strengthen the retrofit delivery ecosystem by supporting assessors, auditors, designers, contractors, and municipalities as part of a national market-building effort.

Future research should deepen three areas. Kosovo needs better evidence on the building stock outside the residential typology, especially in the service and public sectors. It needs stronger evidence on household affordability, willingness to cofinance, and how different subsidy levels affect access to renovation support across different income groups. And once the EPC registry is live, it should use real certificate data to refine the BRS and the NECP over time. These are not reasons to postpone action. They are reasons to build the system now so that learning can happen inside a functioning national framework.

Ultimately, the transition toward large-scale building renovation should not be viewed only as a construction or social policy agenda. For Kosovo, it increasingly represents a strategic energy policy choice. Every unit of energy saved through better-performing buildings reduces pressure on imports, lowers winter demand, improves affordability, and strengthens long-term energy security. In this sense, energy efficiency should increasingly be treated as Kosovo's "first energy source" – not because it generates energy directly, but because it reduces the need to produce, import, and subsidize it in the first place.

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ANNEX 1. SELECTED COMPARATIVE EXAMPLES

The table below summarizes selected lessons from comparator countries. It is intended as an analytical aid rather than a full benchmarking exercise. Public data availability is uneven across countries, so the comparison focuses on structural lessons rather than on exact one-to-one metrics in every case.

Country	Strategy/plan	Data and registry	Financing/delivery	Lesson for Kosovo
Ireland	National Retrofit Plan with explicit 2030 retrofit targets	National BER Register, public BER publication data, BER research tool, and BER map	Grants, one-stop-shop model, government-backed upgrade loans, regular reporting	Shows how certification data can become full policy infrastructure rather than a narrow compliance tool
Croatia	Long-Term Renovation Strategy adopted in 2020	Registry-backed implementation and program experience (public data availability varies by source)	High grant intensity in parts of the stock; strong public uptake	Shows value of strategic planning, but also the need to watch fiscal sustainability
Kosovo	Energy Strategy adopted; BRS still pending	Pilot EPC issuance and initial registry testing, but not yet a scaled national system. Professional EPC design	KEEF public-building and residential support, donor-backed subsidies, social housing retrofit	Confirms the central gap: proof of concept exists, but the system architecture is incomplete

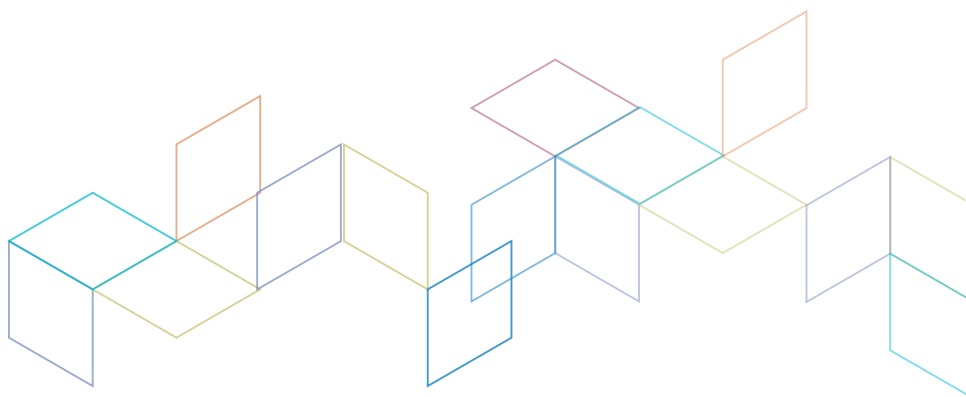


MY NOTES

ANNEX 2. ILLUSTRATIVE TYPOLOGY-BASED PRIORITIES FOR KOSOVO

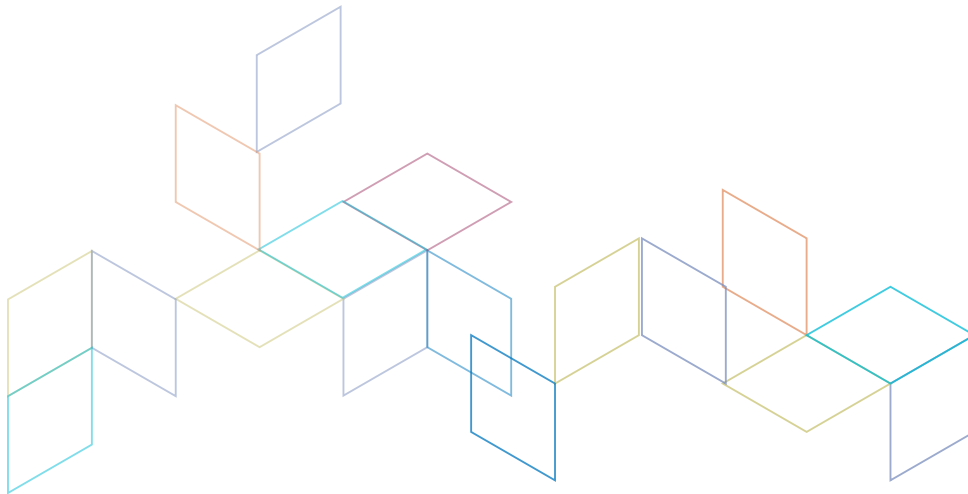
This annex translates the typology evidence into an initial policy prioritization logic. It is illustrative and should be formalized in the BRS once adopted.

Building segment	Why it matters	Likely support model	Suggested first-step action
Older single-family houses	Largest share of heating demand in the residential stock; often weak envelope and inefficient heating	Grant + concessional finance mix, with higher grant intensity for vulnerable households	Target through typology-first calls, then refine through EPC data
Older multifamily buildings	High social relevance; collective-action barriers; visible urban impact	Grant-heavy for social buildings, cofinancing/managed schemes for private blocks	Develop standard packages and building-level advisory support
Public schools and health buildings	Direct social benefit, demonstration effect, easier aggregation	Pipeline financing through KEEF and partner finance	Use energy audits and feasibility studies to build multiyear municipal and central pipelines
Social multiapartment buildings	Strong equity case and visible quality-of-life gains	High grant intensity with municipal participation	Expand current pilots and embed them into a permanent social retrofit window
Commercial/SME buildings	Can improve competitiveness and attract private finance	Loans, guarantees, and later ESCO approaches	Pilot guarantee-backed or performance-based products in selected sectors



ANNEX 3. PROPOSED MONITORING INDICATORS FOR THE NERP

Indicator	Why it matters	Data source	Frequency
Number of trained/active assessors, auditors, and contractors	Tracks market ecosystem development	Registry/accreditation/program records	Quarterly
Number of valid EPCs issued by building segment	Tracks rollout of the registry and market activity	National EPC registry	Quarterly/annual
Estimated annual and cumulative final energy savings from NERP-supported measures	Tests whether the program is contributing to Energy Strategy targets	Program monitoring plus EPC/audit data	Annual
Number of homes and buildings renovated by segment and depth	Tracks scale and quality, not only disbursement	KEEF, ME, municipalities/program data	Quarterly/annual
Share of support reaching vulnerable households and social housing	Tracks equity performance	Program administrative data	Annual
Public and private finance mobilized by instrument type	Tracks leverage and fiscal sustainability	Program financial reporting	Annual
Average pre- and post-renovation energy class where available	Tracks quality and depth of renovation	EPC registry	Annual
Municipal and central government public-building pipeline prepared	Tracks project preparation readiness	KEEF/ministry/municipality reporting	Annual





MY NOTES

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INCREASING KOSOVO'S JUDICIAL EFFICIENCY THROUGH DIGITAL TOOLS, INCLUDING AI

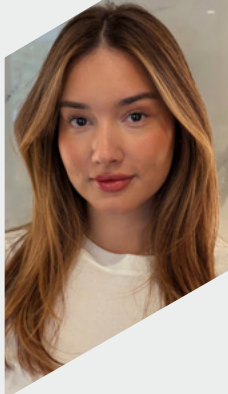
AUTHOR: **LIRIKË KAMBERI**

MENTOR: **DRAGAN TILEV**

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PRISHTINA, KOSOVO, 2026





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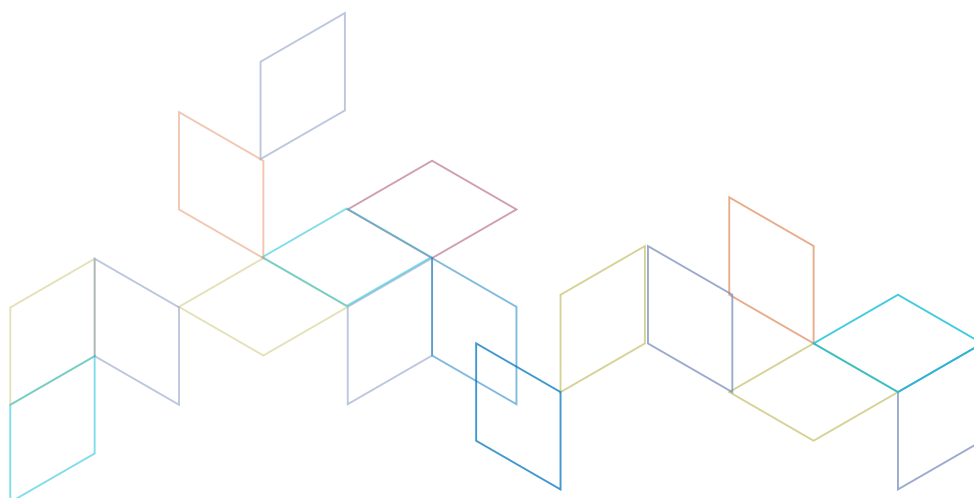
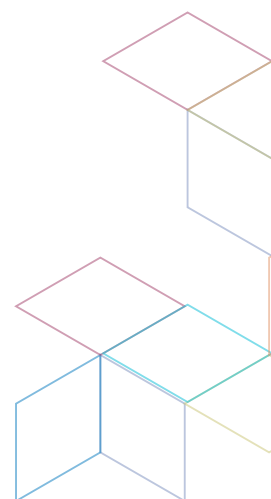
EXECUTIVE SUMMARY

Kosovo's judicial system continues to face significant inefficiencies, reflected in lengthy case durations, persistent backlogs, and administrative delays that fall below EU standards. This situation undermines public trust and discourages investment. While important legislative reforms have been undertaken, they have not sufficiently addressed the core issues of efficiency. Key structural challenges include the continued reliance on manual processes, fragmented digital systems, and limited institutional capacity to fully implement existing technological solutions.

This policy paper examines the extent to which digital tools, including artificial intelligence (AI), can improve judicial efficiency in Kosovo. It finds that despite progress made through the introduction of the Case Management Information System (CMIS), implementation remains uneven and incomplete. The parallel and fragmented use of manual and digital systems, the lack of interoperability between databases, and insufficient digital skills among judicial staff continue to limit the system's effectiveness. Nonetheless, Kosovo has a relatively strong legal framework aligned with EU standards and high levels of digital connectivity, which provide a solid foundation for further digital transformation.

The analysis draws on comparative experiences from European and neighboring jurisdictions, particularly Albania and Germany, to highlight both opportunities and risks associated with digitalization and AI integration in the judiciary. These examples demonstrate that while digital tools can significantly enhance efficiency, transparency, and access to justice, their success depends on strong governance, sustained political commitment, and careful implementation. Importantly, the use of AI must remain assistive in nature, ensuring human oversight, accountability, and compliance with fundamental rights.

Based on clearly defined policy criteria, the paper evaluates two policy options: continuing the status quo with incremental digitalization and pursuing a comprehensive digital transformation with AI integration. The paper argues that minor adjustments are insufficient to address the depth of Kosovo's judicial challenges. A strategic, technology-driven transformation is necessary to enhance efficiency, strengthen accountability, and align the justice system with EU standards. By pursuing this path, and provided that there is strong political commitment, sustained institutional effort, and continued financial support, Kosovo can build a more effective, transparent, and citizen-oriented judiciary while reinforcing its broader objective of EU integration.



1 INTRODUCTION AND CONTEXT

Kosovo's journey toward EU integration requires a strong and efficient justice system. Kosovo signed its Stabilization and Association Agreement (SAA) with the EU in October 2015, which entered into force on April 1, 2016 (European Commission, 2016). Under this agreement, Kosovo committed to strengthening the independence, impartiality, and accountability of the judiciary, as well as improving its overall efficiency. Since then, Kosovo has taken concrete steps to implement these obligations through SAA bodies that regularly monitor progress. Kosovo formally applied for EU membership on December 15, 2022, marking the start of what is expected to be a long and demanding process. While its application still awaits consideration by the Council of the EU, Kosovo remains committed to fulfilling the SAA through the EU Reform Agenda and, more recently, the EU's Growth Plan for the Western Balkans and the Reform Agenda 2024–2027. The Reform Agenda objective in the justice sector focuses on improving the performance, integrity, accountability, and efficiency of the judiciary, not only by implementing the laws derived from the Joint Commitment Statement but also by achieving a 115% clearance rate in the first instance¹ by 2027. Public support for the EU integration process remains strong, with 64% of citizens holding a positive view of the EU and an additional 27% holding a neutral view (European Commission, 2025).

This policy paper argues that a comprehensive digital transformation, strategically integrating advanced digital tools and AI capabilities, is essential to enhance the efficiency and transparency of Kosovo's judiciary. It draws valuable lessons from Albania's experiences with judicial digitalization during its EU accession negotiations, as well as from Germany's experience as an EU Member State. It outlines a strategic roadmap for Kosovo and highlights the crucial need to move beyond basic digitization to digitalization² and intelligent automation. This will help address systemic inefficiencies and risks of corruption that are related to manual processes while simultaneously ensuring ethical AI deployment, robust infrastructure, and comprehensive development of human capital. The ultimate aim is to foster a modern, trustworthy, and EU-aligned justice system that serves all citizens effectively. Ultimately, judicial digitalization is fundamentally an institutional reform process enabled by technology, rather than a purely technological reform.

Kosovo has made systematic efforts to strengthen its justice system. Initiatives such as the KoSEJ II Action explicitly aim to improve the day-to-day functioning of the justice system by strengthening its efficiency and quality in accordance with EU standards (Council of Europe, n.d.-a). The rule of law and access to justice are core requirements for Kosovo's EU integration and for the broader achievement of the Sustainable Development Goals (SDGs) (UNDP Kosovo, n.d.). This means that judicial reform, including the use of digital tools, is driven by international goals that guide and incentivize change.

Across the world, digital tools are increasingly recognized for their transformative potential to enhance justice-sector efficiency, transparency, and access to justice (World Bank, 2023; UNESCO, 2025). The global health crisis of 2020 further accelerated this trend, demonstrating the necessity of electronic filing, remote hearings, and digital document flow to maintain judicial operations during disruptions (World Bank, 2023).

1 In Kosovo, first-instance cases are those handled by the Basic Courts or competent specialized courts (the Commercial Court and Administrative Court). Second-instance cases are those handled by the Court of Appeals or the second-instance chamber of the Commercial Court.

2 Gartner defines digitization as "the process of changing from analog to digital form, also known as digital enablement," while digitalization refers to "the use of digital technologies to change a business model and provide new revenue and value-producing opportunities."

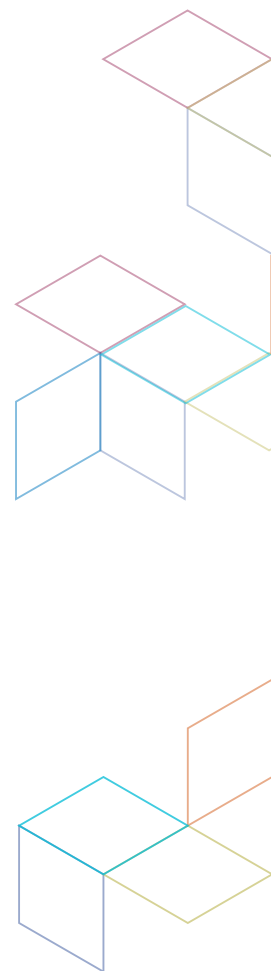
AI offers even more profound capabilities for judicial systems. It can process vast volumes of case data and legal documents much faster than traditional manual methods (Foundry Journal, 2024; NexLaw, 2025; UNESCO, 2025). Examples from Germany illustrate AI's effectiveness in managing case backlogs and categorizing cases, with the potential to reduce processing times for judges and clerks by over 50% (IBM, 2025). Beyond internal operational improvements, AI-based platforms can also help citizens understand their rights and navigate complex legal procedures through user-friendly interfaces, thereby potentially broadening access to legal resources and democratizing the justice system (American Bar Association, 2025; UNESCO, 2025).

The effective deployment of AI in the judiciary is grounded in a robust digital infrastructure. As one source notes, as digitization is adopted by law firms and court systems, a wealth of data in the form of court opinions, statutes, and legal documents becomes available to train AI models (IBM, 2025). This demonstrates that comprehensive digitization, encompassing electronic filing and advanced CMISs, creates the structured and accessible data environment necessary for AI to function effectively. AI then acts as a powerful accelerator, leveraging these digital data to achieve higher levels of efficiency, consistency, and analytical depth through tools such as predictive analytics and automated document analysis, pushing the boundaries of what traditional digitization alone can achieve. By providing easily accessible legal information and procedural guidance through AI-powered chatbots and user-friendly interfaces, these technologies can broaden access to justice, especially for those in underserved communities, by helping them better understand and navigate the legal system (American Bar Association, 2025). This extends the impact of digital transformation beyond internal court efficiency to broader societal benefits, potentially fostering greater public trust and inclusiveness in the justice system.

Kosovo has already taken important steps toward digitizing its judiciary and continues to advance these efforts through the Mid-Term Review of the Rule of Law Strategy 2021–2026 and its Action Plan for 2025–2026 (the “Rule of Law Strategy”). The latter includes a dedicated chapter on advancing the digitalization of the justice system, based on a thorough analysis of the current situation and potential improvements. Against this backdrop, this paper focuses on the potential integration of AI into the judiciary once the level of digitalization allows it. In this sense, it positions AI not as an immediate reform, but as a forward-looking next step in the continued modernization of the justice system.

This paper provides an evidence-based analysis to support digital transformation, including AI tools, in Kosovo's judiciary. It begins with an analysis of the policy problem, highlighting issues related to judicial efficiency and other challenges. It then reviews practices from other countries that have addressed similar issues, forming the basis for the development of policy criteria. The options chapter discusses two solutions and what each one offers, which are evaluated against the policy criteria. Finally, the preferred policy option is presented in detail, including a budget estimate and an implementation timeline.

The methodology involves desk research, including the analysis of secondary sources such as academic papers, reputable news outlets, and reports from international organizations such as the EU, the Council of Europe, the World Bank, the United Nations Development Programme (UNDP), and the European Bank for Reconstruction and Development (EBRD). Data collection focused on identifying the current situation, digital initiatives, challenges, and the experiences of Albania and Germany with judicial digitalization and AI. The analysis involves a comparative analysis between Kosovo and these countries, while also evaluating policy options based on established criteria. Feedback from stakeholder interviews is also incorporated, especially in the implementation chapter.

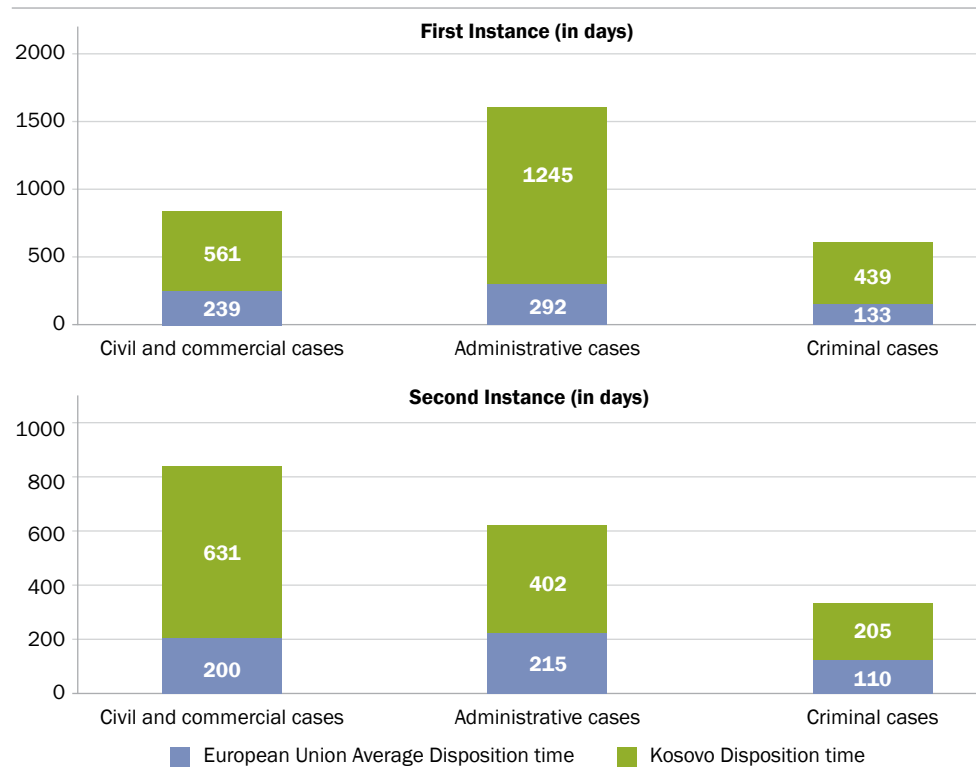


2 PROBLEM DESCRIPTION

A major challenge that Kosovo is facing is the inefficiency of the judiciary. Available data point to a concerning situation that calls for immediate action. According to the European Commission for the Efficiency of Justice (CEPEJ), obtaining an enforceable judgment in a civil case takes about three years and three months, while in administrative cases it takes about four years and six months. Criminal proceedings are somewhat shorter, with a final verdict reached in approximately one year and nine months.

These delays fall far short of CEPEJ (Council of Europe) standards and directly undermine public trust while discouraging foreign investment. By comparison, Kosovo's average disposition time in civil and commercial cases is approximately 2.7 times as long as the CEPEJ average, while the disposition time in administrative cases is over three times as long. Although criminal cases are resolved somewhat faster, their disposition time remains more than two and a half times as long as the CEPEJ average (see Figure 1).

Figure 1: Kosovo's average disposition time in court cases compared with the CEPEJ average by instance (in days)



In response to these challenges, Kosovo has undertaken a range of reforms, particularly through legislative measures to strengthen the integrity and transparency of the judicial system. However, while these reforms are important, they do not directly address the issue of efficiency. One of the structural factors that contributes to inefficiency is the continued reliance on manual record-keeping and paper-based procedures. This approach not only allows poor performance to be excused but also reduces transparency and limits effective oversight (U4 Anti-Corruption Resource Centre, 2022). The 2025 Kosovo Country Report further highlights that manual case registration has been reintroduced alongside digital systems, creating parallel processes that place additional strain on court and prosecution staff (European Commission, 2025).

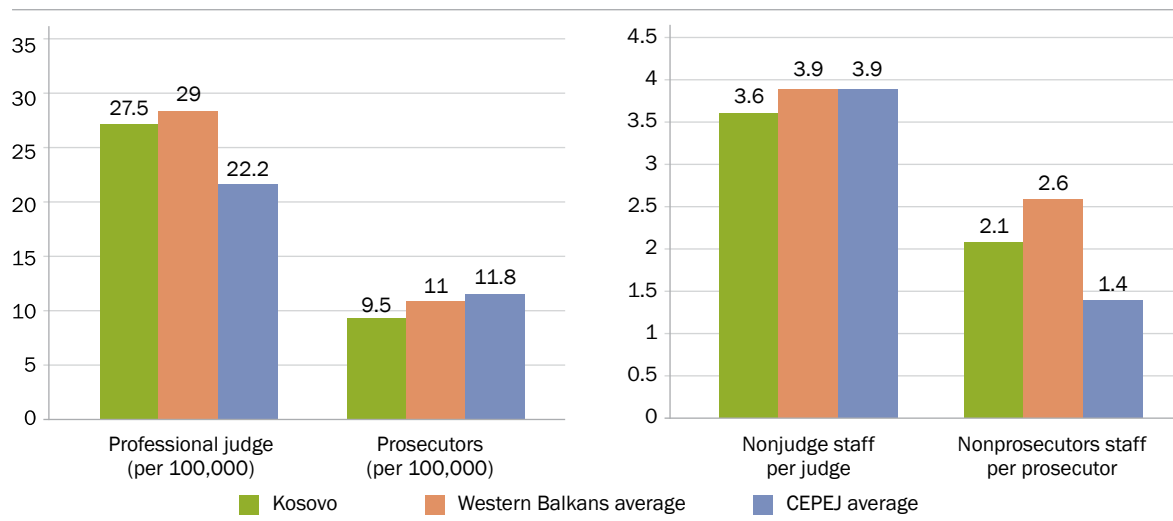
These challenges point to a broader issue of implementation rather than legislative design. Evidence from stakeholder consultations indicates that the justice system is not yet fully prepared for complete digitalization. This is due to a combination of factors, including limited digital skills, insufficient training, and the lack of fully functional systems tailored to the specific needs of judicial institutions. As a result, administrative inefficiencies persist, slowing down case processing and increasing the workload of judicial actors.³

In addition, hesitation to move from a paper-based system to a fully digitalized system makes the judiciary vulnerable to corruption. Reports indicate that transactions are more likely to go unrecorded, and files can be removed from the office without proper safeguards (U4 Anti-Corruption Resource Centre, 2022). Additionally, the Kosovo Law Institute has consistently reported delays in registering cases, with some corruption case files remaining in prosecutors' cabinets for extended periods, even a decade (U4 Anti-Corruption Resource Centre, 2022). A further concern relates to the practice of delaying corruption cases until they reach the statute of limitations, a tactic criticized by both local and international observers (U4 Anti-Corruption Resource Centre, 2022). For instance, 50 corruption cases reached their statutory limitations between 2015 and 2019, representing over 4% of all cases in Basic Court offices. This practice has been described as a mechanism used to dispose of "inconvenient" investigations (U4 Anti-Corruption Resource Centre, 2022).

While such conditions may increase the risk of non-transparent practices, this paper does not address corruption as a standalone issue, nor does it suggest that digital tools can reduce corruption risks. Instead, it focuses on how these systemic inefficiencies undermine accountability and degrade the judiciary's overall performance. Input provided from stakeholders suggests that integrating AI can be helpful in solving high-profile criminal cases more efficiently by analyzing criminal networks, processing large datasets, linking financial evidence, and identifying money-laundering schemes.⁴

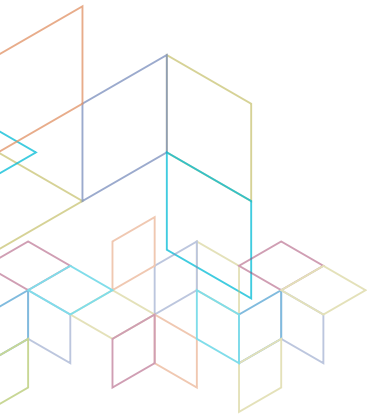
Another contributing factor to these delays is limited human resources compared to the case backlog. Judges often lack sufficient support staff, with several judges sometimes sharing a single legal clerk. This situation requires judges themselves to take on administrative tasks, limiting the time available for substantive legal issues. Professional legal associates remain essential to the judiciary, and their shortage contributes significantly to both delays and backlogs (UNDP, 2022).

Figure 2: Comparison of Kosovo's Judicial and Prosecutorial Staffing Indicators with the Western Balkan and CEPEJ Averages



³ See Annex 1 for more details.

⁴ See Annex 1 for more details.



According to 2024 data, Kosovo has a slightly higher number of judges than the CEPEJ average and remains marginally below the Western Balkans average. In contrast, the number of prosecutors is around one-fifth lower than the CEPEJ average and also below the regional average. The level of nonjudge staff per judge is slightly lower than both the Western Balkans and CEPEJ averages, indicating a slightly weaker administrative support structure within the courts. However, the number of nonprosecutor staff is approximately 1.5 times higher than the CEPEJ average, although it remains below the Western Balkans average (CEPEJ, 2024, 2025).

Consultations with professionals from the justice system indicate that current manual processes and fragmented digital systems significantly increase the administrative burden for about 40%. The lack of consistency between databases and actual case information, as well as weak coordination between prosecutorial requests and IT support, results in unnecessary delays, wastes staff time, and negatively affects the quality of legal analysis.⁵ These findings further support the view that inefficiencies in the justice system are not solely driven by a shortage of staff, but also by structural and procedural weaknesses. Therefore, improving efficiency requires the prioritization of digital reform and workflow optimization over additional staffing.

Based on all these factors, Kosovo's justice system faces challenges related to the overall length of proceedings and the persistence of large case backlogs (Council of Europe, n.d.-a). Although Kosovo has made some progress, particularly in strengthening public trust and improving case management, further reforms in court administration and management capacities remain essential (European Commission, 2024).

Kosovo began its digital transformation process in 2018, with the CMIS as its central component. Implemented through a collaboration between the Kosovo Judicial Council and the Kosovo Prosecutorial Council, its goal was to establish an electronic case-management system across all courts and prosecutors' offices, thereby replacing slow, manual procedures (Kosovo Judicial Council & Kosovo Prosecutorial Council, n.d.). The system enables the registration, tracking, and monitoring of cases, thereby improving transparency and facilitating more efficient case management (U4 Anti-Corruption Resource Centre, 2022).

Through automated tracking, the CMIS allows for better oversight of case progression and helps identify procedural inconsistencies, such as incomplete data entry or delays in specific stages of proceedings. In addition, performance dashboards and statistical reporting tools have been introduced to monitor court efficiency, including backlog levels, postponements of hearings, and case duration (Council of Europe, n.d.-a).

Despite its potential, the CMIS remains an incomplete solution because its implementation has been uneven (U4 Anti-Corruption Resource Centre, 2022). This indicates a need to continue investing, refining, and addressing both technical and human implementation challenges to ensure complete adoption across all relevant institutions. The next phase for Kosovo involves exploring how this system can be further advanced and how AI can further enhance efficiency. AI offers potential applications in case management, data analytics, translation, and predictive modeling, all of which could support judges and prosecutors in managing workloads more effectively and improving their decision-making.

Building on these digital foundations, future reforms are expected to further enhance system interoperability and reduce reliance on manual procedures. The Rule of Law Strategy includes a dedicated policy document on the digitalization of the justice sector. This led to the inclusion of a new chapter in the strategy with concrete actions aimed at modernizing and transforming justice institutions by integrating advanced digital technologies. These actions foresee the

⁵ See Annex 1 for more details.

gradual replacement of paper-based processes with video-conference hearings, electronic communication, and the digital submission of documents. In parallel, the CMIS will be upgraded to interface with other justice-sector databases, including those of the Correctional and Probation Services, to allow for real-time data exchange (Ministry of Justice, 2024). This reform aims to improve system interconnection and interoperability, thereby enhancing interinstitutional cooperation, reducing administrative burdens, and ensuring both the accuracy and the security of data. Greater interoperability is expected to increase overall enforcement capacity while meeting the highest standards of data protection (Ministry of Justice, 2024). Therefore, the Rule of Law Strategy provides a basis for this paper to build upon. While the strategy focuses on building strong digital foundations, it also paves the way for the introduction of AI in the judiciary.⁶

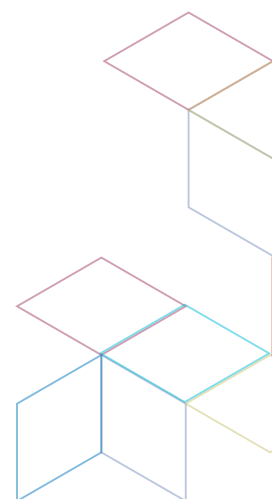
Many countries are turning to AI to clear their backlogs. Germany faced a backlog at the Stuttgart Higher Regional Court, where it was overwhelmed with 10,000 cases that the court could not process quickly enough. Instead of hiring more staff, Germany's Ministry of Justice suggested using AI to help manage the caseload, which proved effective. Meanwhile, Estonia has implemented a "robot judge" for handling small claims. This system reviews legal documents and decides which are then reviewed by a human judge (World Economic Forum, 2019). Other countries, such as Argentina, Brazil, and the United Kingdom, have also introduced AI into their judicial systems.

Kosovo has made progress in establishing its digital infrastructure, achieving nearly universal internet coverage, with 99.8% of households and 100% of enterprises having access (International Monetary Fund, 2024). Mobile network coverage is also widespread, with 99.5% of the population covered by at least 3G, and with 4G and 5G covering 94% and 65% of the territory, respectively (International Monetary Fund, 2024). The KODE project has been instrumental in extending fiber-optic infrastructure to rural areas, positioning Kosovo among the most connected countries in the region (International Monetary Fund, 2024).

Despite this connectivity, significant challenges persist. These include unconnected systems, relatively high consumer prices for digital inclusion, limited digital skills among the population, and cybersecurity risks, all of which hinder the full realization of digital benefits (International Monetary Fund, 2024). This situation presents a paradox: while basic digital infrastructure is largely in place, the effective use and integration of this infrastructure for complex public services such as justice are hampered by systemic fragmentation, affordability barriers for citizens, and a significant deficit in digital literacy. This suggests that future investment must prioritize not only expanding coverage but also ensuring interoperability, affordability, and extensive digital literacy programs to bridge the gap between access and effective use. These data show a general challenge across the system rather than just the judiciary.

Kosovo has also established a legal framework that aligns with EU standards. This includes laws on cybercrime, data protection (with rights similar to those under the EU's General Data Protection Regulation), and cybersecurity (LawGratis, n.d.). The Law on Electronic Identification and Trusted Services further regulates electronic signatures, granting them the equivalent legal effect as handwritten signatures, and defines the legal effects and admissibility of electronic documents as evidence in legal proceedings (PwC, n.d.). This demonstrates that the legislative foundation for digital interactions within Kosovo's justice system is largely established. However, the broader context of persistent corruption (U4 Anti-Corruption Resource Centre, 2022), challenges in digital skills (International Monetary Fund, 2024), and the general need for coordination (International Monetary Fund, 2024) implies that the effectiveness of these laws in enabling digital justice depends heavily on robust implementation, consistent enforcement, and widespread public and institutional adoption. The legal framework is a crucial enabling condition, but it is not sufficient on its own to drive successful digital transformation.

6 Chapter 4.1 of the Rule of Law Strategy (setting out the actions for the digitalization of the justice system) is available at: <https://md.rks-gov.net/dokumente-strategjike/>.



3 ANALYTICAL FRAMEWORK AND ANALYSIS

To effectively address the policy problem of increasing Kosovo's judicial efficiency through digital tools, including AI, it is necessary to establish clear criteria for evaluating potential solutions. These criteria will serve as benchmarks for acceptable standards of improvement and guide the development and assessment of policy options.

3.1 POLICY CRITERIA FOR JUDICIAL DIGITAL TRANSFORMATION

- **Effectiveness:** The extent to which proposed solutions demonstrably improve judicial efficiency (e.g., reduced case backlogs, faster processing times) and enhance transparency.
- **Feasibility:** The practicality of implementing solutions, or institutional capacity, considering technical infrastructure, human resource capacity, legal frameworks, and financial resources.
- **Sustainability:** The long-term viability of the solutions, including ongoing maintenance, adaptability to future technological advancements, and sustained funding.
- **Equity and access to justice:** The degree to which solutions ensure equitable access to justice for all citizens, including marginalized communities, and improve the user experience.
- **Ethical compliance:** Adherence to fundamental principles of human rights, data protection, accountability, and human oversight, particularly concerning AI deployment.
- **Political acceptance:** The likelihood of gaining and maintaining political will and stakeholder buy-in for the implementation and sustained support of the reforms.
- **EU alignment:** The extent to which solutions align with EU standards and best practices, as well as contribute to Kosovo's EU accession process.

3.2 COMPARATIVE EXAMPLES

To apply these criteria meaningfully, it is important to examine experiences in the EU and the Western Balkans, which illustrate both successful practices and pitfalls.

Albania's judicial reform stands as a central component of its own EU integration process (Hajdini & Skara 2022; EUobserver, n.d.). The EU has provided substantial support, with projects such as EU4Digital Justice explicitly aiming to strengthen the rule of law through digital transformation, identified as an important requirement under Cluster 1 for EU membership negotiations (European Union Delegation to Albania, n.d.-a). This makes Albania's journey a highly relevant and contemporary case study for Kosovo, as the two nations share similar regional contexts and face comparable EU expectations. Moreover, the shared Albanian language may facilitate the adaptation of certain technological solutions, particularly in simple tasks such as anonymization of judicial decisions involving sensitive data. In this regard, Albania has already initiated an AI-assisted anonymization project within its Supreme Court (UNDP, 2026). Therefore, Albania's experience can serve as a valuable practical reference for Kosovo in exploring similar reforms.

Albania's reform aims to strengthen judicial independence, enhance prosecutorial autonomy, and promote integrity and professionalism across the judiciary (Hajdini & Skara, 2022; European Commission, 2025). A cornerstone of this reform has been the extensive vetting process for judges and prosecutors, which, while intended to strengthen accountability, has also led to numerous dismissals and subsequent administrative backlogs (ELIAMEP, 2025; European Commission, 2025). The 2016 reform explicitly underscored the importance of digitizing the judiciary to increase transparency, accountability, impartiality, and citizens' access to information, as well as to combat pervasive corruption (Hajdini & Skara, 2022). Generally, a high level of corruption has been a major barrier to Albania's EU accession, with judicial reform being one of the main conditions for accession talks since 2009 (Hajdini & Skara, 2022).

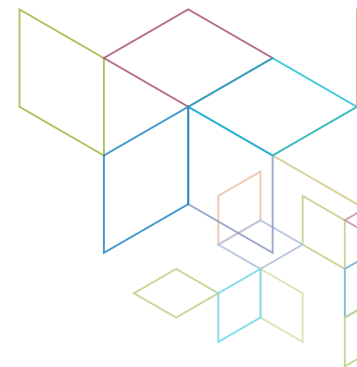
A key observation is that judicial reform in Albania is a multifaceted and often politically charged undertaking. It encompasses not only digital aspects but also fundamental structural changes such as the vetting process, the establishment of new institutions, and addressing human resource gaps created by dismissals (ELIAMEP, 2025; European Commission, 2025). The political will of domestic elites is explicitly identified as a precondition for the efficient implementation of such deep reforms (OEGFE, 2021). This demonstrates that digital transformation in the justice sector is not an isolated technical project; it is deeply intertwined with broader, often contentious, structural, political, and human resource reforms. Similarly, Kosovo is in the process of adopting the reform law package deriving from the Joint Commitment Statement, which aims to tackle the issues of the judiciary from another point of view, including structural changes within key judicial institutions, to strengthen integrity and accountability. Both countries are accompanying these reforms with digital transformation. Kosovo's ongoing initiatives under the Rule of Law Strategy to improve the CMIS and to increase efficiency, transparency, and accountability can benefit from Albania's experience by recognizing that technological tools succeed only when accompanied by strong political will, continuous training, and institutional coherence.

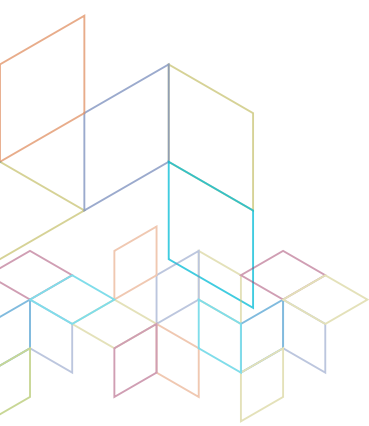
The potential of digital tools to enhance accountability and public trust carries some risks. Measures such as electronic case assignment, public availability of rulings, and online user satisfaction surveys are clearly designed to increase transparency and public confidence (Hajdini & Skara, 2022; European Commission, 2025). However, reports indicate that shortcomings remain regarding the quality of justice and access to it, and the perception of judicial independence among companies actually decreased (European Commission, 2025). This implies that the impact of digital tools on public trust is not automatic and can be undermined if fundamental issues, such as persistent delays in decision-making or attempts at undue political influence, are not addressed (European Commission, 2025). Therefore, the broader reforms mentioned above should be pushed as hard as the digitalization of the justice system.

The reform in Albania began in 2016 (Hajdini & Skara, 2022), yet the full operability of its electronic case management system is not foreseen until 2030 (European Commission, 2025). This extended period, spanning 14 years from the reform's emphasis on digitalization to the full functionality of a key digital tool, suggests that the digital transformation of the judiciary is a marathon, not a sprint. It requires sustained commitment and realistic expectations. This implies that Kosovo needs to plan for long-term investment, consistent political backing, and mechanisms to guard against "reform fatigue," while ensuring that interim benefits are visible and communicated to maintain momentum and public trust throughout the process.

Despite Albania's substantial investment and multiple initiatives, achieving a truly integrated and interoperable digital justice system remains a work in progress. The situation is similar in Kosovo, where both the CMIS and the National Centralized Criminal Records System are operational, but work remains to make them fully interoperable (European Commission, 2024). Furthermore, implementing the CMIS in prosecution offices has proven to be more challenging, as some files are still handled manually, despite its formal integration (European Commission, 2023). This means that there can be a gap between formal implementation and real functionality. Therefore, Albania's experience shows that transformation does not come from simply implementing the technology, but rather requires strong governance, coordination, and user adoption. Addressing these issues is essential not only for improving efficiency and transparency in the justice system but also for laying the groundwork for the safe and effective integration of AI tools that rely on consistent and connected data systems.

Albania's role as an early adopter of AI offers a useful reference point for Kosovo. While its approach aims to enhance efficiency and address corruption, concerns have been raised regarding the protection of democratic values, human rights, and the privacy and integrity of





citizen data, as well as the need for a robust national framework for ethical and responsible AI use (Methasani & Mazelliu, 2025; Cluster 1 Albania, n.d.). The literature further highlights the need for human oversight, in line with the nondelegation principle, which limits the transfer of decision-making to automated systems. In this context, AI is generally not considered a substitute for human judges or for core legal reasoning (Methasani & Mazelliu, 2025; UNESCO, 2025). This emphasizes a fundamental challenge: while AI can automate and analyze, core judicial functions involving judgment, discretion, and ethical considerations require human oversight. Kosovo must establish clear boundaries for AI's role, ensuring that it facilitates, rather than replaces, human judgment, and that accountability for decisions always remains with human actors, thereby balancing innovation with integrity.

While lessons learned from Albania offer important insights into broader judicial challenges and AI integration, Kosovo can also benefit from observing more specific applications of AI in the judiciaries of EU Member States. Germany provides a good example of how AI can enhance judicial efficiency. There, natural language processing (NLP) tools have been employed to categorize cases, extract metadata, and facilitate faster resolution. An AI assistant named OLGA allows judges and clerks to sift through thousands of documents rapidly, apply precise search criteria, and contextualize relevant information while preserving the full case history. This relieves judicial staff from repetitive administrative tasks and allows them to focus on complex legal reasoning.

German courts have reported that OLGA could potentially reduce case-processing times by over 50%, demonstrating clear effectiveness in improving efficiency (Schindler, n.d.). Kosovo could benefit from an AI-driven triage process, which could potentially address the issues of a shortage of judges and legal clerks by reducing the administrative burden on judges as well as allowing them to focus on deciding cases. Additionally, such a system could be adapted to address backlogs in civil, commercial, and administrative cases, particularly when case documentation is extensive and repetitive.

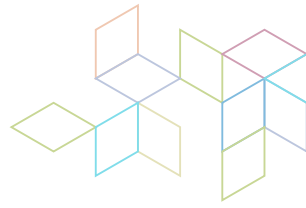
Another example from Germany is the “Frauke” pilot project, which explores the use of AI to generate settlement proposals in cases involving air passenger rights. By analyzing data such as boarding passes, flight times, weather conditions, and past rulings, the system can suggest resolutions for disputes involving similar facts. Importantly, the AI does not decide the case or issue binding judgments; it merely proposes amicable settlements. Since these proposals are nonbinding and voluntary, the use of AI raises no constitutional concerns (Norton Rose Fulbright, 2022). Kosovo could particularly benefit from AI in cases where collective agreements are disregarded by the government, leading to a heavy backlog in the courts. Given that many of these cases involve similar factual circumstances, AI could be employed to streamline their resolution, significantly reducing delays and administrative burdens.

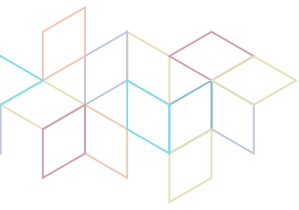
Meanwhile, the European Court of Justice is exploring the use of AI to enhance the quality and consistency of judicial decisions. These efforts include testing an AI module within the new SIGA case management system to assist with document management, developing speech-to-text tools for automatic hearing transcripts, and advancing the “Eureka” search engine with semantic-search capabilities. In addition, NLP is being explored to enable automatic summarization and faster legal analysis. AI-powered virtual assistants are envisioned to support staff with administrative tasks, while smart building technologies could optimize energy use, security, and overall performance. Together, these initiatives demonstrate a comprehensive, human-supervised approach that responsibly leverages AI to improve judicial operations and institutional efficiency (Court of Justice of the European Union, 2023). The European Court of Justice's AI initiatives offer valuable guidance for Kosovo's judicial digitalization. By adopting similar low-risk, supervised applications, Kosovo could reduce administrative burdens, improve efficiency, and enhance access to legal information.

Adopting AI tools could support Kosovo's EU alignment, signaling a commitment to modern, efficient, and transparent justice systems while managing risks through robust governance frameworks. By drawing on Germany and other European examples, Kosovo can implement AI not as a standalone solution but as part of a broader, sustainable, and ethically grounded judicial reform strategy.



MY NOTES





4 DESCRIPTION OF POLICY OPTIONS

This section identifies and assesses potential solutions to increase Kosovo's judicial efficiency through digital tools, including AI. It presents two distinct policy options and evaluates them against the established policy criteria.

Problem definition: Kosovo's justice system suffers from persistent inefficiencies and substantial backlogs, which limit public trust. This, accompanied by a hesitation to fully move away from manual processes and fragmented digital initiatives, hinders its efforts at EU integration. To address this, two policy options are proposed:

- **Policy Option 1:** Status Quo with Incremental Digitalization
- **Policy Option 2:** Comprehensive Digital Transformation with AI Integration

4.1 POLICY OPTION 1: STATUS QUO WITH INCREMENTAL DIGITALIZATION

This option would continue the current situation, without a significant strategic shift toward comprehensive AI integration or a unified digital architecture. It involves maintaining existing digital initiatives and making minor, ad hoc improvements as resources and opportunities arise. This option focuses on improving the situation without much commitment. While introducing some digitalization features, such as e-filing and digital communication, it does not aim for full digitalization and automation.

One possible course of action is to maintain the existing CMIS, addressing only critical bugs and minor functionality issues as they arise. This approach would focus primarily on basic case tracking and data collection, without pursuing significant automation or AI integration.

Another option is to continue with limited e-filing and digital communication initiatives. These would primarily be pilot projects implemented where funding allows, without a mandate for widespread adoption or full integration across all courts and case types (European Commission, 2025). This would moderately improve access to justice and generate limited efficiency gains. However, the main work, such as going through a large volume of data and analyzing it, would still require hands-on work by the judge, prosecutor, or their support staff. While digital communication would allow faster case resolution, Germany's case shows that simple technology is no longer sufficient to achieve a higher clearance rate.

The training situation would continue as it currently is. Use of the current CMIS is mandatory and part of the initial training for every new judge or prosecutor. When the system introduces new features, such as e-filing or digital communication, additional training would be provided.

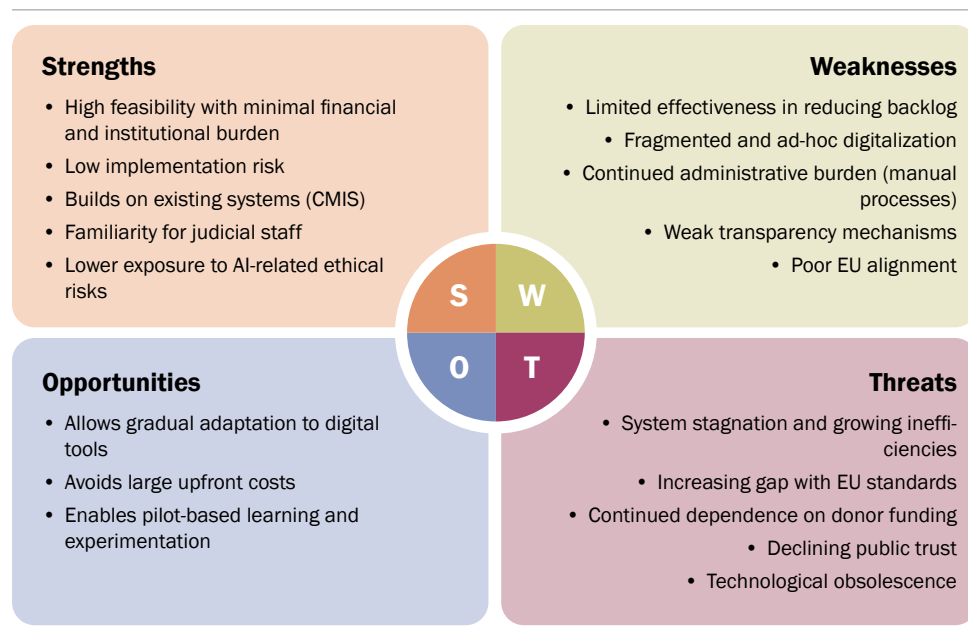
Cybersecurity measures would remain reactive, with risks addressed primarily through incident response rather than through a proactive, integrated strategy implemented across the judicial system (International Monetary Fund, 2024).

Similarly, data publication would be limited to some statistical reports and selected court decisions, without a systematic open-data framework or advanced analytics to identify corruption-related trends or patterns (Hajdini & Skara, 2022; Council of Europe, n.d.-a).

Data redaction would continue manually, requiring staff to review pages of decisions before publication to remove personal and sensitive data from the documents. This would continue to impose an additional burden on judicial staff, as well as increase the risk of exposing personal data.

This approach would continue to rely heavily on international donor funding to support fragmented digital initiatives, without establishing a robust national budget to ensure the long-term maintenance and development of digital infrastructure (European Bank for Reconstruction and Development, 2025; Council of Europe, n.d.-b).

Figure 3: SWOT Analysis of Policy Option 1: Status Quo with Incremental Digitalization



4.2 POLICY OPTION 2: COMPREHENSIVE DIGITAL TRANSFORMATION WITH AI INTEGRATION

This option calls for a comprehensive, well-planned modernization of Kosovo's judicial system, using advanced digital tools and introducing AI gradually. It builds on existing systems such as the CMIS but goes further by adding smart automation and data-driven decision-making throughout the justice sector.

Course of Action

The first set of actions focuses on enhancing case management and workflow automation within the judiciary. This involves introducing AI-powered tools that automatically categorize cases and extract key metadata, following models such as Germany's OLGA. In parallel, intelligent workflow automation would streamline routine administrative tasks within the CMIS, including scheduling hearings, generating standard notifications, and preparing basic legal documents. To further strengthen efficiency, the full and mandatory implementation of e-filing and e-service across all courts and case types is essential, as this would greatly reduce manual handling and accelerate procedural timelines. The integration of e-discovery tools would further improve the management of digital evidence, enhancing accuracy, efficiency, and security in pretrial processes.

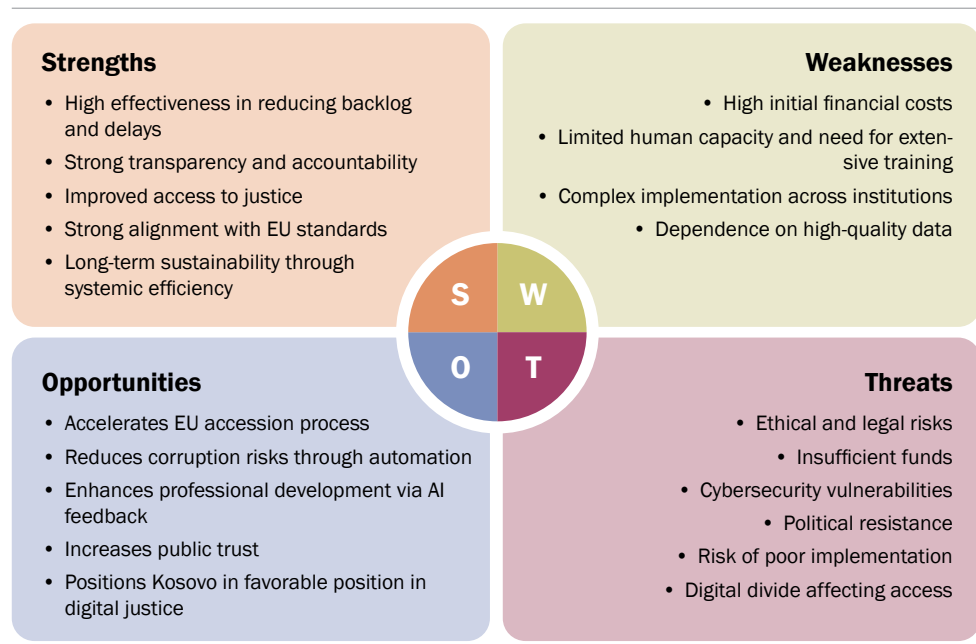
The second component of the intervention employs AI for legal research, document analysis, and predictive analytics. AI tools can drastically accelerate legal research by scanning extensive databases of case law, legislation, and other sources to identify relevant precedents far

faster than manual methods. NLP applications would further support document analysis by summarizing complex cases, extracting key information, and automating the drafting of routine legal documents and preliminary judgments. Advanced predictive analytics could also be used to analyze historical decisions, judicial tendencies, and patterns in legal behavior to generate data-driven insights into likely case outcomes. Finally, AI-enabled feedback systems would support continuous professional development by helping magistrates identify patterns in their own case handling and decision-making practices.

The third set of actions aims to strengthen transparency and combat corruption through digitalization. Enhancing the CMIS to create an immutable digital trail for each case would safeguard procedural integrity and significantly limit opportunities for manipulation, including the intentional delaying of corruption cases until they reach the statute of limitations. Transparency efforts would also be reinforced through the systematic publication of anonymized court decisions and detailed performance statistics, including data on backlogs and processing times. In addition, all digital interactions within the justice system would generate secure, unalterable audit trails, facilitating the detection and investigation of irregular activities.

The final group of actions focuses on improving access to justice and citizen engagement. This involves developing user-friendly online portals, building on platforms such as Kosovo's e-Kosova, to provide citizens with access to legal information, case-tracking features, electronic document submission, and online payment systems. AI-powered chatbots would offer self-represented litigants accessible legal information and procedural guidance tailored to their needs. Expanding the use of remote hearings and electronic communication tools would reduce the need for physical court appearances, lowering costs and time burdens for litigants. Automated SMS and email notification systems would keep users informed about updates in their cases. Lastly, the systematic use of online satisfaction surveys would allow institutions to collect feedback and use it to continuously improve judicial services.

Figure 4: SWOT Analysis of Policy Option 2: Comprehensive Digital Transformation with AI Integration



4.3 EVALUATION BY CRITERIA⁷

Effectiveness

One of the strongest advantages of Policy Option 2 is its effectiveness, which aligns directly with the policy paper's main aims. It introduces automation that can meaningfully address court backlogs and reduce disposition times. In contrast, Policy Option 1 remains only moderately effective. Although some digitalization already exists and more is planned, the absence of automation limits its capacity to improve efficiency at a systemic level.

Feasibility

Policy Option 1 is highly feasible because it demands fewer resources. The CMIS system already exists and is used by judicial personnel, which reduces the need for training. Although the system still requires maintenance, the demands are considerably lower than those that would be introduced with advanced AI tools. On the other hand, feasibility poses challenges for Policy Option 2, primarily due to the substantial investments required for integrating AI into Kosovo's judicial system. Securing the necessary funds is difficult, and extensive capacity building is required, including intensive training for judges and prosecutors, as well as the development of expertise to monitor and oversee AI systems.

Sustainability

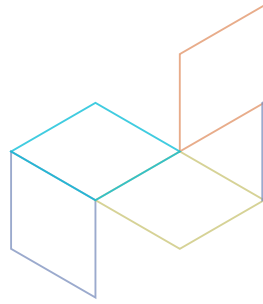
Sustainability is a crucial criterion for long-term reforms. Policy Option 1 rates low in sustainability because the existing digital systems are insufficient and risk becoming outdated. Increasing the number of justice-sector professionals is not a viable long-term solution. Instead, judges, prosecutors, and professional staff require effective digital tools to support their work. Enhancing the efficiency of support staff directly contributes to the efficiency of the entire system. This makes Policy Option 2 far more sustainable in the long term.

Equity and access to justice

Policy Option 2 performs strongly on equity and access to justice. User-friendly portals, AI-powered chatbots, remote hearings, and automated notifications all improve access while enhancing judicial efficiency. By contrast, under Policy Option 1, the situation remains largely unchanged. Physical presence is required for all hearings, clerks remain overburdened with manual tasks, and high legal fees continue to prevent citizens from pursuing justice unless they believe they will win.

Ethical compliance

As discussed in the analytical framework, ethical considerations must be addressed before implementing AI, as seen in the Albanian experience. Policy Option 2 demands strong ethical guidelines, clear regulation, alignment with the EU AI Act, and strict compliance with data protection legislation. Continuous oversight is essential to reduce risks such as bias, opacity, and overdelegation of authority to AI. Policy Option 1 carries fewer AI-related risks because less data are processed, but it still raises concerns about transparency and ongoing corruption vulnerabilities within the partly digitalized system.



⁷ For visual representation and ease of reference, see Annex 2.

Political acceptance

Policy Option 2 requires strong political will. AI remains a relatively new concept, and resistance may come from traditional policymakers or those who benefit from current inefficiencies. However, with the right mindset and leadership, positive political feedback is also possible. Policy Option 1 avoids difficult structural reforms and would therefore likely encounter less political resistance in the short term.

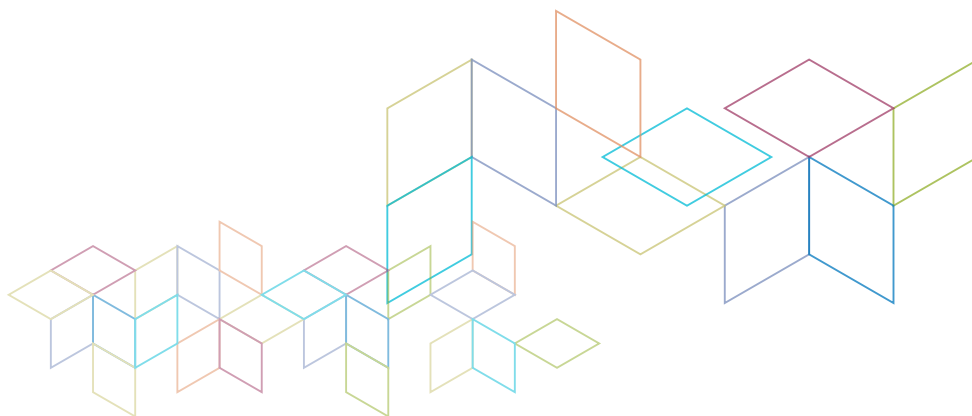
EU alignment

Regarding EU alignment, Policy Option 1 falls short. The current system does not meet the standards outlined in the SAA or EU best practices. In contrast, Policy Option 2 promotes the transposition of EU legislation and directly contributes to increasing efficiency, transparency, and integrity, which are key requirements for EU accession.

Cross-criterion reflections

- **Effectiveness vs feasibility trade-off:** Policy Option 2 is the most effective but less feasible in the short term due to costs and capacity needs. Policy Option 1 is feasible but insufficient to meet the policy goals.
- **Sustainability:** Long-term reform under Policy Option 2 requires strengthening the capacity of judicial staff through digital tools, so that increased efficiency does not depend solely on hiring more personnel. Investing in tools that increase staff capacity is therefore preferable to a permanent increase in staff numbers alone.
- **Access to justice:** Remote hearings and AI-based legal guidance can significantly reduce procedural delays caused by nonappearance and high legal costs, helping litigants resolve disputes more efficiently or avoid unnecessary litigation. The status quo maintains the current burden on citizens and court staff.
- **Ethics and legal compliance:** Policy Option 2 must be implemented only after ethical and legal safeguards are in place. Lessons from other countries show that addressing these challenges early on is essential to avoid harm and resistance. Policy Option 1 avoids some AI-related risks but continues to tolerate limited transparency and risk of corruption.

Based on the analysis, the preferred path forward is Policy Option 2: Comprehensive Digital Transformation with AI Integration, because it directly addresses the root causes of inefficiency in Kosovo's judicial system. By combining advanced digitalization with AI-driven automation, it offers a systemic solution to reduce backlogs, accelerate case processing, and improve the overall performance of the judiciary. While its implementation requires significant financial investments and capacity building, these short-term challenges are outweighed by the long-term benefits.



5 RECOMMENDED POLICY OPTION

Based on the comparative assessment of the policy options, the recommended approach for Kosovo is **Policy Option 2: Comprehensive Digital Transformation with AI Integration**. This option, while requiring significant investment and commitment, ensures judicial data sovereignty, resilience against cyber threats, strategic autonomy, a secure national digital infrastructure, and offers the most robust and sustainable path to achieving a truly efficient, transparent, and EU-aligned justice system. Its advantages in effectiveness, long-term sustainability, and EU alignment far outweigh the greater implementation challenges associated with feasibility when compared to the status quo. The current challenges of inefficiency and corruption are deeply systemic, and only a transformative approach can address them effectively.

The choice of this option is driven by the understanding that fragmented changes (Policy Option 1) have proven to be insufficient to overcome deep-seated issues as evidenced by persistent challenges despite existing digital initiatives. Furthermore, EU integration requires a modern, resilient, and transparent justice system that actively leverages technology, including AI, in line with EU standards and the Digital Agenda for the Western Balkans (European Union Delegation to Albania, n.d.-a; Western Balkans Investment Framework, n.d.). This option directly addresses the core problem by enhancing efficiency through AI-powered tools and improving access to justice for all citizens.

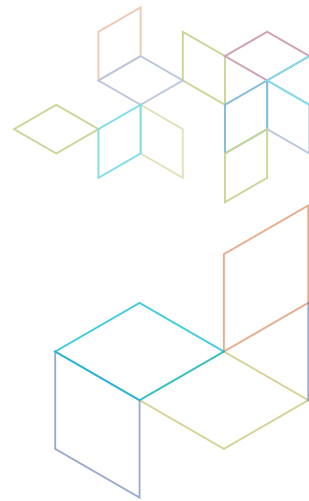
Consultations with judicial and prosecutorial stakeholders further reinforce this recommendation. While there is broad agreement that AI should be integrated into the justice system, stakeholders consistently emphasize that such integration must be gradual, carefully regulated, and strictly assistive in nature. They highlight the need for strong human oversight, clear legal frameworks, significant investments in digital infrastructure, and responsible implementation.⁸

5.1 VISION FOR THE FUTURE

By 2030, Kosovo's judiciary will be a leading example of digital justice in the Western Balkans, characterized by:

- **Seamless digital operations:** A fully integrated and interoperable digital CMIS will connect all courts, prosecution offices, and relevant legal entities, enabling electronic filing, automated workflows, and real-time data exchange. This will reduce average case-processing time and virtually eliminate case backlogs caused by manual handling.
- **AI-supported legal professions:** Judges, prosecutors, and lawyers will routinely use AI tools for accelerated legal research, intelligent document analysis, and predictive analytics, leading to more consistent jurisprudence and reducing time spent on repetitive tasks.
- **Unprecedented transparency and accountability:** All judicial processes will be digitally auditable, with mandatory electronic case assignment and proactive, anonymized publication of court decisions and performance statistics. This will improve public perceptions of judicial transparency and reduce instances of case manipulation or delays in cases approaching the statute of limitations.
- **Citizen-centered justice:** User-friendly online portals and AI-powered chatbots will provide 24/7 access to legal information and services, significantly reducing barriers to justice for all citizens, including those in remote areas or with limited mobility. Remote hearings will be standard practice where appropriate, saving citizens time and travel costs.

⁸ Please see Annex 1 for details.



5.2 COST ESTIMATION AND FINANCIAL SUPPORT⁹

Cost estimates remain indicative due to the absence of finalized technical specifications and phased procurement planning. Implementing this comprehensive digital transformation will require substantial financial investment, estimated at €50–70 million over the next five to ten years. This includes:

- **Infrastructure development:** Upgrading and expanding secure cloud-computing infrastructure, data centers, and high-speed broadband connectivity, particularly in rural areas (€15–20 million).
- **Software development and licensing:** Developing and acquiring advanced CMIS modules, AI tools (legal research, NLP, predictive analytics), e-filing systems, and cybersecurity solutions (€20–25 million).
- **Human capital development:** Comprehensive digital-literacy programs, specialized training for judicial staff, and reskilling initiatives (€10–15 million).
- **Cybersecurity and data governance:** Implementing advanced threat-detection systems, establishing a domestic cyber incident response team, and developing robust AI-governance frameworks (€5–10 million).

Financial support will be mobilized through a multipronged approach:

- **National budget allocation:** Increased and sustained allocation from Kosovo's national budget, demonstrating strong domestic ownership and commitment.
- **EU pre-accession funds:** Strategic alignment with EU initiatives such as the Economic and Investment Plan for the Western Balkans, the Digital Agenda for the Western Balkans, and the Global Gateway initiative, all of which offer significant grant and investment opportunities (Aspen Institute, 2025; Western Balkans Investment Framework, n.d.).
- **International donor support:** Continued and expanded partnerships with organizations such as the World Bank, EBRD, UNDP, USAID, and the Council of Europe, leveraging their technical assistance and financial contributions (European Bank for Reconstruction and Development, 2025; Council of Europe, n.d.-a, n.d.-b; Kosovo Judicial Council & Kosovo Prosecutorial Council, n.d.; UNDP Kosovo, n.d.; World Bank, 2023; World Bank, n.d.).
- **Public-private partnerships (PPPs):** Exploring PPPs for specific digital infrastructure or service-delivery components to leverage private-sector expertise and investment (UNDP, 2025).

⁹ Disclaimer: This cost estimate is indicative and subject to further detailed financial analysis in future implementation phases, once the political decision is taken at the appropriate level.

6 CONCLUSION

This policy paper has examined the persistent inefficiencies within Kosovo's judicial system and assessed how digital tools, including AI, can be used to address them. The analysis shows that the current system is characterized by excessive case duration, significant backlogs, and structural inefficiencies that derive not from legal or institutional design, but primarily from weaknesses in implementation. Civil, administrative, and criminal proceedings remain substantially longer than CEPEJ averages, with administrative cases in particular demonstrating substantial delays. These inefficiencies undermine public trust in the justice system and pose a risk to broader economic and EU integration objectives.

While Kosovo has made progress in digitalizing parts of its justice system, these efforts remain unevenly implemented, with the judiciary remaining partially dependent on manual procedures and fragmented workflows. This limits its ability to deliver full efficiency gains and reduces its potential to improve transparency and accountability. The continued reliance on paper-based processes and parallel digital and manual systems further contributes to delays and places administrative burdens on judicial staff.

At the same time, the policy analysis finds that Kosovo is operating within a favorable legal and infrastructural environment for digital transformation. The existing framework already supports electronic communication, digital signatures, and data protection standards aligned with EU requirements. In addition, Kosovo's high level of digital connectivity provides a strong technical foundation for further reform. However, the effectiveness of this framework remains limited in practice due to implementation gaps, coordination challenges, and insufficient institutional readiness.

The evaluation of policy options demonstrates the contrast between incremental and transformative approaches. Maintaining the status quo would offer only marginal gains in efficiency while failing to address structural bottlenecks. In contrast, a comprehensive digital transformation with AI integration presents a more ambitious and systemic response, capable of significantly improving efficiency, reducing backlogs, strengthening transparency, and enhancing access to justice. While this option requires greater financial investment, institutional capacity building, and careful governance, it offers substantially greater long-term benefits and stronger alignment with EU standards.

Based on this comparative assessment, the paper identifies comprehensive digital transformation with AI integration as the path forward. By building upon existing initiatives such as the CMIS, Kosovo has the opportunity to further strengthen its judiciary by integrating digital tools in a structured and purposeful manner. The use of AI for functions such as legal research and document analysis can contribute to greater efficiency, while broader digital solutions can enhance transparency and improve communication with citizens.

Altogether, the effectiveness of these reforms will depend on the ability to address key challenges from the outset. It is essential to ensure interoperability between systems, invest in digital skills across the judiciary, and establish clear and robust frameworks for the ethical use of AI. In particular, careful governance is needed to ensure that technological tools support judicial work without compromising fundamental principles such as fairness, accountability, and human oversight.

Kosovo is at a critical stage in its development, where its aspiration to join the EU serves as a strong driver for comprehensive judicial reform. In this context, the adoption of digital tools, including advanced AI applications, offers a significant opportunity to address long-standing

inefficiencies, improve transparency, and combat corruption within its justice system. However, digital transformation is not a substitute for judicial reform, but rather an enabler of institutional efficiency, transparency, and accountability.

6.1 CONCRETE NEXT STEPS AND RECOMMENDATIONS¹⁰

1. **Establish a high-level Digital Justice Task Force:** Comprising representatives from the Kosovo Judicial Council, Kosovo Prosecutorial Council, Ministry of Justice, and IT experts, this task force would oversee the entire digital-transformation roadmap, ensuring coordination and accountability.
2. **Secure dedicated funding:** Advocate for a significant increase in national budget allocations for digital justice and actively pursue multiyear funding commitments from EU and international partners.
3. **Prioritize interoperability:** From the outset, design all new digital systems and upgrades with a focus on seamless interoperability, establishing common data standards and a unified digital architecture.
4. **Invest in human capital:** Develop and implement a multiyear training strategy for all judicial staff, focusing on digital literacy, including awareness of AI-related threats, AI-tool proficiency, data analysis, and ethical standards.
5. **Develop robust AI governance:** Proactively draft and enact legislation governing AI in the judiciary, ensuring transparency, accountability, human oversight, and bias mitigation, while aligning with EU standards.
6. **Foster public engagement:** Launch public-awareness campaigns about digital-justice initiatives and establish accessible feedback mechanisms (e.g., online surveys, public forums) to build trust and ensure citizen-centered design.
7. **Strengthen cybersecurity:** Implement a comprehensive cybersecurity strategy, including regular audits, advanced threat detection, and a dedicated incident-response team.
8. **Leverage peer learning:** Actively participate in regional and international knowledge exchange platforms, learning from the experiences of countries such as Albania and Germany.

6.2 POTENTIAL PARTNERS, COALITIONS, AND STAKEHOLDERS

- **Government institutions:** Kosovo Judicial Council, Kosovo Prosecutorial Council, Academy of Justice, Ministry of Justice, Agency for Information Society, Ministry of Finance, Ministry of Digitalization, Agency for Information and Privacy.
- **International organizations:** European Union (EU Office in Kosovo, European Commission), Council of Europe (CEPEJ), USAID, World Bank, UNDP, EBRD, United Nations Office for Project Services (UNOPS).
- **Civil society:** Kosovo Law Institute, Group for Legal and Political Studies, legal nongovernmental organizations (NGOs), human-rights organizations.
- **Private sector:** Technology providers, cybersecurity firms, legal-tech companies.
- **Judicial professionals:** Judges, prosecutors, court staff, legal associates, lawyers, academia.
- **Citizens:** General public, with a focus on vulnerable and marginalized communities.

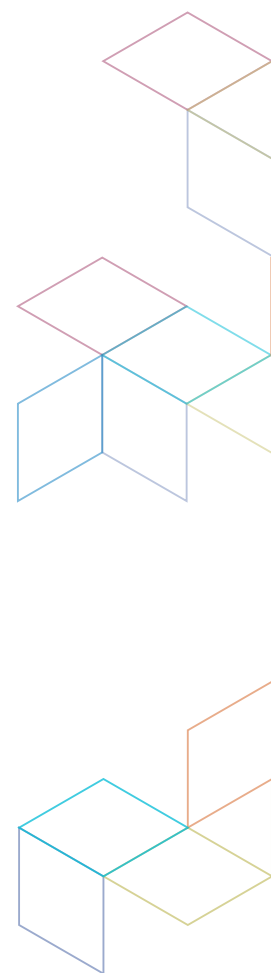
This transformation will not only improve the fairness and accessibility of judicial services for citizens, but also strengthen Kosovo's credibility as a reliable partner on its path toward EU integration. In this regard, advancing the rule of law and promoting digital innovation should be understood as mutually reinforcing objectives that contribute to a more effective, transparent, and democratic system of governance.

¹⁰ See Annex 3 for an outline of the Action Plan and the dynamics of the implementation.

Looking ahead, further research would be valuable to support the practical implementation of these reforms. A detailed cost-benefit analysis of specific AI applications within Kosovo's judicial context would provide important insights, especially if complemented by pilot projects generating empirical evidence of their impact on efficiency and fairness. Further studies could also explore public perception of and trust in AI-powered judicial systems and investigate best practices for ensuring equitable access to digital justice for all demographic groups, especially those with limited digital literacy or access.



MY NOTES



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ANNEX 1: STAKEHOLDER QUESTIONNAIRES

This annex presents the **responses of judicial stakeholders** in a structured questionnaire format, reflecting practical experiences and perspectives on digital tools and the integration of artificial intelligence (AI) in the justice system. They are answered from one representative from the respective institution and were conducted through February – April 2026.

Judiciary

Question 1: To what extent do current manual processes or inefficient digital tools increase your daily administrative workload and how does it affect your ability to focus on more complex legal issues?

Manual processes (such as physical submission of documents and manual archiving) create a high administrative burden which I consider accounts for up to 30–40% of daily working time. This workload of technical tasks, which is often repetitive, reduces the time needed for in-depth legal analysis of complex cases, directly affecting delays in adjudication and the quality of decisions.

Question 2: What are the main challenges of the current CMIS and how prepared do you think the judicial system is to implement AI in daily work (explanation: this question explores issues such as system interoperability, user-friendliness, and whether judicial staff have sufficient knowledge and skills to use digital tools, as well as other factors affecting readiness for AI adoption)?

The CMIS has laid the foundations, but there are certainly challenges in its full operationalization. Two issues may be linked to the above-mentioned matter: the lack of interoperability, as CMIS still does not fully communicate in real time with all institutions (e.g. the Kosovo Cadastral Agency), as well as staff readiness, since there is a generational shift; while the new staff is capable, a considerable part of judges and technical staff need intensive training in digital tools. Readiness for AI should be seen as an opportunity to make the system more efficient, but not as a replacement of the individual.

Question 3: How do you view the integration of AI tools in judicial proceedings, as an opportunity, a necessity, or a risk?

The integration of AI in Kosovo should be seen as a necessary need to address issues related to the integrated case system, their systematization, and interoperability with other systems, but at the same time as a risk if not properly regulated.

Question 4: Are there specific areas of decision-making where you believe AI should never be used (e.g., sentencing, pretrial detention decisions, assessment of credibility)?

AI cannot replace the judge, as decision-making must be human. Judicial decisions concerning the restriction of liberty (sentences and measures) and rulings on constitutionally guaranteed rights. Thus, AI is classified as “high risk” in the judiciary under the EU AI Act (2024).

Question 5: Under what conditions would you feel comfortable relying on AI-assisted outputs in your daily work?

I would feel comfortable relying on AI only if the algorithms are secure (due to the confidentiality of cases), the system is trained with Kosovo's legislation and official languages, and the AI output serves only as assistance in daily work.

Question 6: Which stages of litigation (case preparation, legal research, drafting submissions, evidence analysis) could realistically benefit from AI, and where should human legal reasoning remain dominant?

I consider that legal research, analysis of large volumes of documents, comparison of written evidence, and technical drafts would be the real benefit for the judiciary in court proceedings.

Question 7: Do you think AI could effectively support case management, and to what extent would it ease your daily workload (for example, in the initial review of claims and complaints or in drafting preliminary decisions, such as dismissals)?

I consider that AI would facilitate work in the initial stages of the process. For example, filtering deficient lawsuits (when there is a need for supplementing or correcting submissions), automatic notification of parties, would help in efficient procedures and would avoid wasted time on physical verification.

Question 8: What are your primary concerns regarding AI in the judiciary (bias, loss of discretion, overreliance, transparency, or public trust)?

Bias, as there is a risk that AI may inherit biases from past data; loss of discretion, as judges may become dependent on the system and blindly accept AI suggestions; and impact on public trust, as the public may perceive justice as “mechanical” and “non-human”.

Question 9: Do current procedural laws require amendment to support AI integration?

Yes, current laws require legal changes, as procedural laws are not subject to frequent changes, and in the process of their reform technological changes should also be taken into account in order to make procedural justice more efficient.

Question 10: Do you believe AI can contribute to a more effective fight against crime, particularly in high-profile cases?

AI can be helpful in high-profile cases (such as corruption or money laundering) to analyze complex banking transactions, to detect patterns of fraud that the human eye cannot notice in cases with large volumes of documentation.

Prosecutorial system

Question 1: To what extent do current manual processes or inefficient digital tools increase your daily administrative workload?

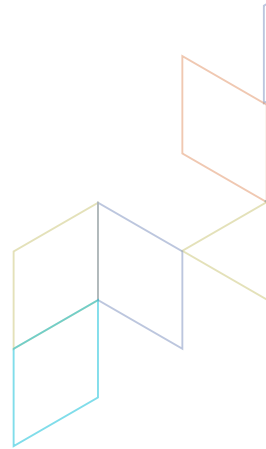
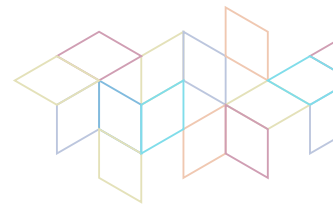
Manual processes and fragmented digital systems significantly increase the burden of administrative procedures, up to the final decision. Databases often take more time when processing documents. There have been cases where databases were not aligned with the actual information in the case files. This has required additional time for legal analysis to adjust to these inconsistencies. There is also a lack of coordination between prosecutors' requests and IT officials.

Question 2: How do you view the integration of AI tools in judicial procedures – as an opportunity, a necessity, or a risk?

AI is a strategic necessity of our time, but it must have clear limits, especially in cases involving document analysis that contains sensitive data. It supports not only domestic jurisprudence but also international jurisprudence and contributes to standards such as international legal cooperation. However, AI should not replace human actors.

Question 3: Are there specific areas of decision-making where you believe AI should never be used (e.g., sentencing, pretrial detention decisions, assessment of credibility)?

AI should not be used in determining sentences, pretrial detention, intent, or the assessment of witness credibility. These are exclusively within the competence of prosecutors, as they directly affect human dignity and the sensitivity of the case.



Question 4: Under what conditions would you feel comfortable relying on AI-assisted outputs in your daily work?

I view AI as an assistive tool and would feel comfortable only when human control is not exceeded. AI should be used only by trained professionals. I would feel comfortable if there is a clear user manual defining its use and clearly establishing its limits.

Question 5: What are your main concerns regarding the use of AI in the judiciary – bias, loss of discretion, over-reliance, lack of transparency, or public trust?

AI bias is a major concern. It cannot be fully transparent due to the “black box” nature. Excessive reliance on AI can negatively affect the critical thinking of prosecutors. If we rely too much on it, it may pose increased risks to human rights. It may also reduce public trust in the system. AI should improve the quality of work, but not undermine the legitimacy of the institution.

Question 6: How prepared do you think the judicial system is to implement AI in daily work?

It is not prepared at all. There is a lack of digital infrastructure, lack of training, and absence of a legal framework that clearly defines the limits of AI use. Before full integration, pilot projects should be implemented. There is no need for changes in procedural laws, but a specific sub-legal act regulating the use of AI is necessary.

Question 7: How would a 50% reduction in the time required for routine administrative tasks affect your ability to focus on more complex legal issues?

It would make sense only if it reduces everyday tasks such as sending notifications and communication with the police and other institutions. This would lead to higher-quality decisions, as more time could be dedicated to deeper legal reasoning.

Question 8: Do you believe AI can contribute to more effective crime control, particularly in high-profile cases?

If it is used properly. Especially in cases involving the analysis of criminal networks, as current information is often fragmented. It can help in linking financial evidence and processing large datasets. Another important area is money laundering, where AI could identify different patterns of laundering. However, high-profile cases must remain the exclusive responsibility of humans. Before taking such steps, it is necessary to gather input from staff and different user groups. Some categories are familiar with the system, while others may experience a “boomerang effect.” Above all, mechanisms for control must be established. It is also important to ensure that there are dedicated personnel responsible for protecting the system from cyberattacks and continuously monitoring it. Data protection remains the most sensitive issue.

IT Department of Prosecutorial System

Question 1: How will the system protect sensitive judicial data from emerging cybersecurity risks, moving from reactive measures to a proactive, integrated strategy?

The prosecutorial system is in the process of transitioning from a reactive approach to a proactive security architecture. This includes a “zero-trust” model, network segmentation, end-to-end encryption (both at rest and in transit, already implemented), continuous monitoring (SIEM/SOC in progress), periodic penetration testing, and detailed incident response plans.

Question 2: What infrastructure upgrades are necessary to support advanced AI applications like Natural Language Processing (NLP) for case categorization and legal research?

The following are required: high-capacity processing servers (GPU/TPU), scalable storage, low-latency networks, standardized databases, well-documented APIs for integration with CMIS, and separate environments for testing, development, and production. Additionally, a structured digital archive for procedural documents is necessary.

Question 3: What automated alert mechanisms will be prioritized in the CMIS to flag cases nearing their statute of limitations, specifically to counter deliberate delays in corruption cases?

The following will be prioritized:

- Multilevel automated alerts (prosecutor, supervisor, administration)
- A dedicated dashboard for high-risk cases approaching statutory deadlines
- Automatic escalation if no action is taken within internal deadlines
- Monthly reports for sensitive cases (e.g., corruption cases)
- The goal is to eliminate space for intentional delays.

Question 4: Considering the “nondelegation principle,” what specific guidelines will be established to ensure AI only assists and does not replace the core legal reasoning of human judges or prosecutors?

Clear guidelines will be developed: AI will only assist (e.g., research, categorization, summarization) and will not make procedural or substantive decisions. Every AI-generated recommendation must be verified and approved by the responsible prosecutor. Legal responsibility remains exclusively with human actors.

Question 5: What additional cybersecurity safeguards would be required before deploying AI tools in judicial or prosecutorial environments?

Required safeguards include: use of independent AI models that can operate offline, privacy impact assessments (DPIA), isolation of AI environments, strict access control, detailed logging, model security testing, and clear policies on data storage and processing.

Question 6: Are judicial and prosecutorial datasets sufficiently structured, standardized, and clean to be used for AI systems?

Currently, there are deficiencies in full standardization and structuring. However, the preconditions exist to begin initial implementation. A full AI deployment would require data cleaning, normalization, and standardization, as well as the definition of unified transaction categories for types of criminal offenses and procedural stages.

Question 7: How would you ensure technical control and oversight if AI systems are developed or hosted by external vendors (e.g., cloud services, third-party providers)?

The initial approach is to use open-source libraries within internal infrastructure for various functions such as image-to-text conversion, document-related data summarization, and drafting initial versions of documents based on structured data provided to these AI tools.

Question 8: Do you think that the justice system has sufficient human resources for ongoing monitoring, updating, auditing, and maintaining AI systems once deployed?

Current capacities are limited. Additional training for existing staff is required in implementing AI tools and libraries. It is also necessary to strengthen the IT unit with specialized profiles (e.g., AI specialists, cybersecurity officers). Without this, long-term implementation is not sustainable.

Question 9: Can AI tools realistically integrate with existing case management systems, or would parallel systems be required?

The objective is integration through APIs and additional modules within CMIS, not the creation of parallel systems. Parallel systems increase the risk of data fragmentation and loss of control. Initially, offline AI libraries will be used, and only in specific, less sensitive procedural phases may online AI services be considered.

Question 10: Can the system technically record and log how AI outputs were generated and used in individual cases (for traceability and review)?

It is too early to determine, as the system is still in the planning phase and lacks sufficient technical capacity in both staffing and IT infrastructure. This will be defined in later stages during the development of concrete procedures for integrating AI services (e.g., textualization, summarization, drafting). In principle, all versions will be stored; currently, systems such as CMIS already allow multiple versions of the same document to be retained.

Question 11: From a system-design perspective, how can AI tools be implemented to prevent blind reliance by users (e.g., mandatory review prompts, visibility of confidence levels)?

Given the current stage, it is difficult to provide detailed design features. However, AI is expected to play a proactive role, with users receiving notifications or alerts generated through background analysis of structured data within internal systems.

Question 12: Would you recommend piloting AI tools in limited areas first? If so, where would technical risks be lowest?

Pilot use has already begun with offline AI libraries in systems where critical data is not stored. These serve as a reference point for future implementation within the CMIS. AI will not be used for direct decision-making or evidence evaluation. After technical and legal evaluation, its use can be gradually expanded.

Judiciary IT Department

Question 1: How will the system protect sensitive judicial data from emerging cybersecurity risks, moving from reactive measures to a proactive, integrated strategy?

For the protection of judicial sensitive data, ICT security standards and best practices must be implemented to ensure confidentiality, integrity, and reliability, while also enabling secure access and proper use of information. Some of the main measures include adopting a data security strategy, applying security policies and procedures, using adequate hardware and software, and providing training.

Question 2: What infrastructure upgrades are necessary to support advanced AI applications like Natural Language Processing (NLP) for case categorization and legal research?

To identify the necessary ICT infrastructure upgrades that will support AI, an initial assessment is required. This includes evaluating the potential number of users, the capacity and structure of available data, processing capacities, storage capacity, network capacities, and the planned AI tools to be used.

Question 3: What automated alert mechanisms will be prioritized in the CMIS to flag cases nearing their statute of limitations, specifically to counter deliberate delays in corruption cases?

In CMIS, relevant mechanisms that can support sensitive case processing include deadline alerts, prioritization tools, notifications, alerts for inactivity in case handling, dashboards, and reporting functions.

Question 4: Considering the “nondelegation principle,” what specific guidelines will be established to ensure AI only assists and does not replace the core legal reasoning of human judges?

Some of these principles would include situation analysis, evidence analysis, legal basis analysis, and maintaining an advisory role for AI.

Question 5: What additional cybersecurity safeguards would be required before deploying AI tools in judicial or prosecutorial environments?

Training on the use of AI tools and familiarization with the concept of AI is required.

Question 6: Are judicial and prosecutorial datasets sufficiently structured, standardized, and clean to be used for AI systems?

The data available in the systems currently in use are structured data.

Question 7: How would you ensure technical control and oversight if AI systems are developed or hosted by external vendors (e.g., cloud services, third-party providers)?

The use of AI tools in judicial systems requires an adequate legal framework. The level of the legal framework depends on the type of data used and the services that AI will provide.

Question 8: Do you think that the justice system has sufficient human resources for ongoing monitoring, updating, auditing, and maintaining AI systems once deployed?

No.

Question 9: Can AI tools realistically integrate with existing case management systems, or would parallel systems be required?

The CMIS uses a Microsoft database and would be interoperable.

Question 10: Can the system technically record and log how AI outputs were generated and used in individual cases (for traceability and review)?

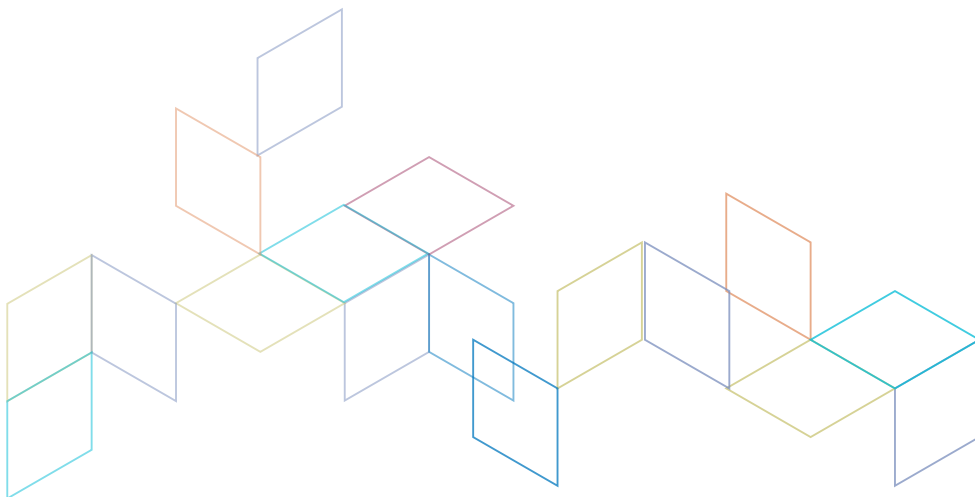
The CMIS system uses a Microsoft database server that can be configured to record and log outputs for traceability and review, but extensive design and configuration are needed.

Question 11: From a system-design perspective, how can AI tools be implemented to prevent blind reliance by users (e.g., mandatory review prompts, visibility of confidence levels)?

There are several areas where AI can be used to prevent inadequate use, but this must go through an assessment process. For example, AI in court cases can be used to analyze court practices for resolving cases and identify relevant cases for consolidation.

Question 12: Would you recommend piloting AI tools in limited areas first? If so, where would technical risks be lowest?

As with every initiative, the use of AI is preferred to be piloted first.



ANNEX 2: VISUAL REPRESENTATION OF THE POLICY OPTIONS AGAINST THE POLICY CRITERIAS

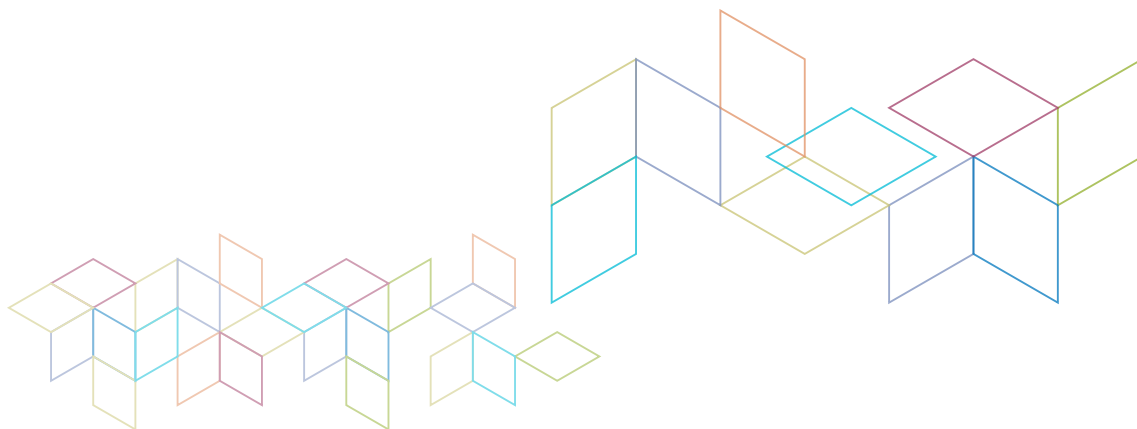
Policy Criterion	Policy Option 1: Status Quo with Incremental Digitalization	Policy Option 2: Comprehensive Digital Transformation with AI Integration
Effectiveness in increasing judicial efficiency, transparency, and anti-corruption	Medium effect	Strong effect
Feasibility (technical, human, legal, financial)	High feasibility	Medium feasibility
Sustainability (long-term viability, adaptability)	Low sustainability	High sustainability
Equity and access to justice (for citizens and marginalized communities)	Medium effect	Strong effect
Ethical compliance (human rights, data protection, accountability, human oversight)	Medium compliance	Medium-to-high compliance (with proactive measures)
Political acceptance (will, stakeholder buy-in)	High acceptance	Medium acceptance (with strong leadership)
EU alignment (standards, accession contribution)	Low alignment	Strong alignment



MY NOTES

ANNEX 3: OUTLINE OF THE ACTION PLAN

Phase	Year	Primary Focus Area	Key Deliverables and Milestones
Phase 1: Foundational Strengthening	2026	Governance and data preparation	- Establish Digital Justice Steering Committee - Audit CMIS and IT infrastructure - Develop an EU-aligned AI-governance framework - Initiate data cleaning, anonymization, and metadata standardization - Launch judicial digital-literacy training
	2027	Infrastructure and pilot	- Upgrade secure data storage and network capacity - Create segregated IT environments (test, development, and operations) - Launch low-risk AI pilots (legal research, summarization) - Implement data-protection and algorithmic impact assessments - Strengthen cybersecurity and ethical-oversight mechanisms
Phase 2: Advanced Integration & Optimization	2028	System integration	- Fully implement e-filing and e-services in basic courts - Modularly integrate AI tools into the CMIS - Deploy automated case-management tools (alerts, prioritization) - Establish a domestic cyber incident response team - Expand digital-literacy programs to rural and marginalized areas
	2029	Predictive analytics	- Integrate predictive legal analytics for strategic planning - Expand remote hearings and digital communication across the judiciary - Implement mandatory AI audit trails and traceability mechanisms - Strengthen institutional capacity for evidence-based policymaking
	2030–2031	Sustainability and scale	- Fully integrate all judicial systems for seamless cooperation - Establish sustainable national funding models - Conduct regular independent audits and public-trust evaluations - Scale human resources: recruit AI specialists, data analysts, and cybersecurity experts





PREPARING MONTENEGRO FOR EU STRUCTURAL AND COHESION FUNDS

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MENTOR: **SVETLANA LAUŠEVIĆ**

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PODGORICA, MONTENEGRO, 2026





ALEKSANDAR CVIJOVIĆ holds a Specialist degree in Political Science from the University of Montenegro. He currently serves as Head of Unit for Management of the Control Framework and IPA System Supervision within the Directorate for Management of the EU Pre-Accession Assistance Structures at the Ministry of Finance of Montenegro.

Since joining the Ministry of Finance, he has been actively involved in the supervision of the EU funds management and control system, risk management, internal control frameworks, and the preparation of key management documents related to EU pre-accession assistance. His work focuses on strengthening institutional capacities and ensuring compliance with EU requirements and standards.

Prior to his current role, Aleksandar worked as a journalist, gaining valuable experience in research, analysis, public communication, and stakeholder engagement. He also participated in public policy and civic initiatives, contributing to projects related to governance and democratic development. Throughout his professional career, he has taken part in numerous international trainings, seminars, and study visits dedicated to EU funds management, public administration reform, and institutional development. In addition to his regular duties, he has delivered professional training in the field of the Instrument for Pre-accession Assistance (IPA) funds and the institutional framework for managing EU pre-accession assistance. His professional interests include EU integration, public governance, institutional development, and the modernization of public administration.



SVETLANA LAUŠEVIĆ is a public policy and governance expert with more than 15 years of experience in public administration reform, public financial management, strategic planning, monitoring and evaluation, and EU funds management. She holds a Master's degree in European Studies from LUISS University in Rome and a Bachelor's degree in Economics from the University of Montenegro.

She currently serves as Team Leader at the CEF, leading an EU-funded project supporting the coordination, monitoring, and reporting of Montenegro's Public Administration Reform Strategy and Public Financial Management Reform Program. Throughout her career, she has worked with the Delegation of the EU to Montenegro, the OSCE Mission to Montenegro, and as a senior expert on numerous EU-funded technical assistance projects across the Western Balkans. Her experience includes managing and monitoring EU-funded programs and sector budget support operations, IPA programming, donor coordination, and the development of monitoring and reporting frameworks for reform implementation, including supporting the strengthening of monitoring and reporting systems for IPA III programs through indicator-based performance monitoring, quality assurance, and institutional capacity building.

EXECUTIVE SUMMARY

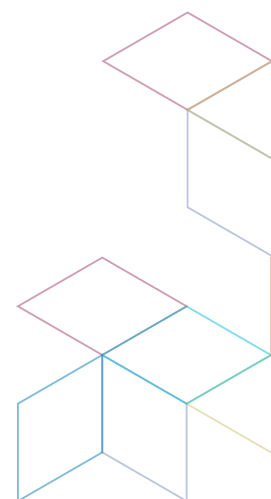
Montenegro has entered the final stage of its EU accession process and aims to become an EU Member State by 2028. While the country has established a functional system for managing the Instrument for Pre-accession Assistance (IPA III), accession will require a transition to the significantly more demanding system for managing EU Structural and Cohesion Funds. Unlike IPA, Cohesion Policy operates through substantially larger financial allocations, multiannual programming cycles, and more complex governance, financial management, control, and audit requirements. Strengthening institutional preparedness before accession is therefore essential to ensure the effective absorption and sound financial management of future EU funds.

This policy paper assesses Montenegro's preparedness for managing EU Structural and Cohesion Funds by examining whether the existing institutional arrangements developed for IPA implementation provide an adequate foundation for Cohesion Policy. The analysis is structured around three mutually reinforcing dimensions that determine long-term absorption capacity: institutional stability, administrative capacity, and project readiness. It combines a review of European Commission reports, national legislation, and strategic documents with a comparative analysis of selected EU Member States and evidence gathered through a capacity-mapping questionnaire and an internal survey of officials involved in IPA management.

The paper demonstrates that Montenegro has established an institutional framework capable of managing pre-accession assistance, but that several structural weaknesses may limit its capacity to manage EU Structural and Cohesion Funds effectively after accession. Frequent institutional reorganizations have affected continuity, weakened institutional memory, and disrupted the accumulation of specialized expertise. Human resource challenges, including uneven staffing levels, staff turnover, and limited retention mechanisms, continue to constrain administrative capacity. In addition, project preparation remains largely driven by individual funding opportunities rather than by a structured system for identifying, prioritizing, and preparing mature investment projects aligned with national development priorities. Together, these factors reduce administrative resilience and increase the risks associated with Cohesion Policy implementation.

Comparative analysis of Croatia, Lithuania, and Poland indicates that successful absorption of EU Structural and Cohesion Funds depends not only on compliance with EU regulatory requirements but also on stable institutional arrangements, specialized administrative capacity, and a continuous pipeline of mature projects. Findings from the stakeholder surveys conducted as part of this research reinforce these conclusions. Respondents identified staff turnover, insufficient staffing levels, and project preparation as the most significant challenges for Cohesion Policy implementation, while expressing strong support for greater institutional continuity, strengthened administrative capacity, and more systematic project planning.

Based on the comparative evaluation of policy options, the paper recommends establishing a specialized and operationally autonomous agency responsible for the management of EU funds, accompanied by a comprehensive framework for strengthening human resource capacity and establishing a national Single Project Pipeline. The proposed reform would enhance institutional continuity, improve the retention and professional development of specialized staff, and support the systematic preparation of mature projects before funding opportunities become available. The recommendations build on existing institutional structures and ongoing Chapter 22 preparations, providing a realistic pathway for strengthening Montenegro's readiness for managing EU Structural and Cohesion Funds following accession.





1 INTRODUCTION AND CONTEXT

Montenegro has entered the final stage of its EU accession process, with the government aiming to conclude accession negotiations by the end of 2026 and achieve EU membership by 2028. Achieving this objective requires not only the alignment of national legislation with the EU acquis, but also the establishment of institutional and administrative systems capable of implementing EU policies and managing EU financial instruments in accordance with EU standards. The European Commission has repeatedly acknowledged Montenegro's overall progress and, in its November 2025 report,¹ confirmed its support for the country's ambitious accession agenda through the 2025 Enlargement Package.

The EU is Montenegro's largest development partner. Through the Instrument for Pre-accession Assistance (IPA III), the EU allocated more than €135 million to Montenegro during the 2021–2024 period to support reforms, institutional development, and investments linked to the accession process. Beyond its financial dimension, IPA III serves as the principal instrument through which candidate countries gradually develop the administrative, financial management, and institutional capacities required for future participation in EU policies.² The implementation of IPA programs therefore represents an important process of progressive institutional preparation for the systems that will ultimately be responsible for managing EU funds after accession.

Following accession, Montenegro will transition from IPA assistance to the EU Structural and Cohesion Funds, which constitute the EU's principal investment policy for promoting economic, social, and territorial cohesion. Unlike IPA, Cohesion Policy operates through multiannual programming periods, substantially larger financial allocations, and significantly more demanding governance, management, control, and audit requirements. Effective participation therefore requires Member States to establish robust institutional arrangements, professional administrative capacity, and mature systems for strategic investment planning well before accession.

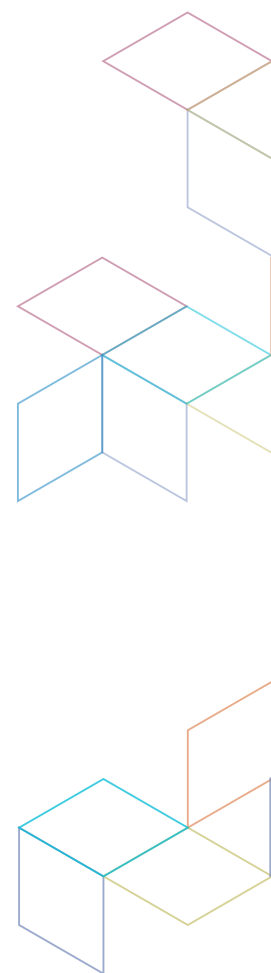
Preparations for this transition are closely linked to Chapter 22 – Regional Policy and Coordination of Structural Instruments. While legal approximation remains an essential component of the accession process, Chapter 22 also requires candidate countries to establish the institutional structures and administrative capacity necessary to program, manage, monitor, and control EU Structural and Cohesion Funds from the first years of EU membership. Consequently, strengthening institutional preparedness has become an increasingly important component of Montenegro's overall accession agenda.

Montenegro is not unique in facing this challenge. Experience from countries that joined the EU in previous enlargement rounds demonstrates that successful absorption of Cohesion Policy resources depends not only on compliance with EU legislation but also on institutional continuity, professional administrative capacity, and the ability to prepare a continuous pipeline of mature investment projects. These experiences provide valuable lessons for Montenegro as it prepares for the transition from pre-accession assistance to full participation in EU Cohesion Policy.

Against this background, this policy paper assesses Montenegro's preparedness to manage EU Structural and Cohesion Funds following accession. It examines whether the institutional arrangements developed for IPA implementation provide a sufficient basis for Cohesion Policy management and identifies the reforms required to strengthen institutional stability, administrative capacity, and long-term absorption performance. The analysis combines desk research, a review

1 https://enlargement.ec.europa.eu/montenegro-report-2025_en

2 https://enlargement.ec.europa.eu/eu-and-montenegro-factsheet_en



of European Commission reports and national strategic documents, a comparative analysis of selected EU Member States, and evidence collected through institutional consultations and surveys conducted within Montenegro's IPA management system. Based on these findings, the paper proposes policy options and recommendations aimed at strengthening Montenegro's readiness for the effective management of EU Structural and Cohesion Funds.



MY NOTES

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2 PROBLEM DESCRIPTION

The central policy problem addressed in this paper concerns Montenegro's preparedness to manage EU Structural and Cohesion Funds following accession to the EU. While the country has established a functional institutional framework for the management of IPA assistance, the transition to Cohesion Policy represents a significantly more demanding administrative, institutional, and financial challenge. The scale of EU funding, together with the complexity of Cohesion Policy governance, requires institutional arrangements capable of ensuring continuity, specialized administrative capacity, and effective project preparation over successive programming periods.

Currently, multiple institutions at the national level share responsibility for managing IPA funds, including central managing authorities, line ministries, and intermediate bodies. This division of responsibilities is defined by the relevant Commission implementing decisions³ and agreements concluded between Montenegro and the EU. While national legislation and internal procedures exist to regulate financial control, procurement, project monitoring, and reporting, several gaps remain in the effective functioning of the management and control system. Unclear lines of accountability, insufficient internal control mechanisms, and the risk of losing institutional knowledge continue to affect the overall effectiveness of the system. Although the institutional design for IPA management is largely in place, its operational effectiveness remains uneven.

The need to strengthen institutional preparedness is also recognized in Montenegro's key strategic documents, including the Government Program for Montenegro's EU Accession 2024–2027,⁴ which emphasizes institutional stability, professionalization of the public administration, and continuous capacity development as prerequisites for successful EU membership. The management of EU Structural and Cohesion Funds requires a clearly defined institutional framework, transparent allocation of responsibilities, and continuous strengthening of administrative capacity⁵ across all institutions involved in the management and implementation of EU funds.

The transition from IPA assistance to EU Structural and Cohesion Funds represents a qualitative shift rather than a simple continuation of existing management arrangements. While Montenegro has demonstrated satisfactory performance in implementing IPA programs, including IPARD II (Pre-Accession Assistance for Rural Development), the management of EU Structural and Cohesion Funds will require a fundamentally different administrative architecture, stronger institutional arrangements, and considerably greater administrative capacity.

In addition to institutional and human resource requirements, successful implementation of Cohesion Policy also depends on the availability of mature and strategically prioritized investment projects. Experience from EU Member States demonstrates that long-term absorption capacity depends on institutional arrangements and professional administrative capacity, as well as mechanisms capable of continuously generating, preparing, and prioritizing projects aligned with national development objectives.

Against this background, Montenegro's preparedness for Cohesion Policy is assessed through three mutually reinforcing analytical dimensions: institutional stability, administrative capacity, and project readiness. Together, these dimensions provide the analytical framework used throughout the remainder of the paper.

3 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2236&from=EN>

4 <https://www.eu.me/dokumenti-pregovori-o-pristupanju/#1583-1683-ppcg>

5 <https://www.eu.me/dokumenti-pregovori-o-pristupanju/#1583-1683-ppcg>

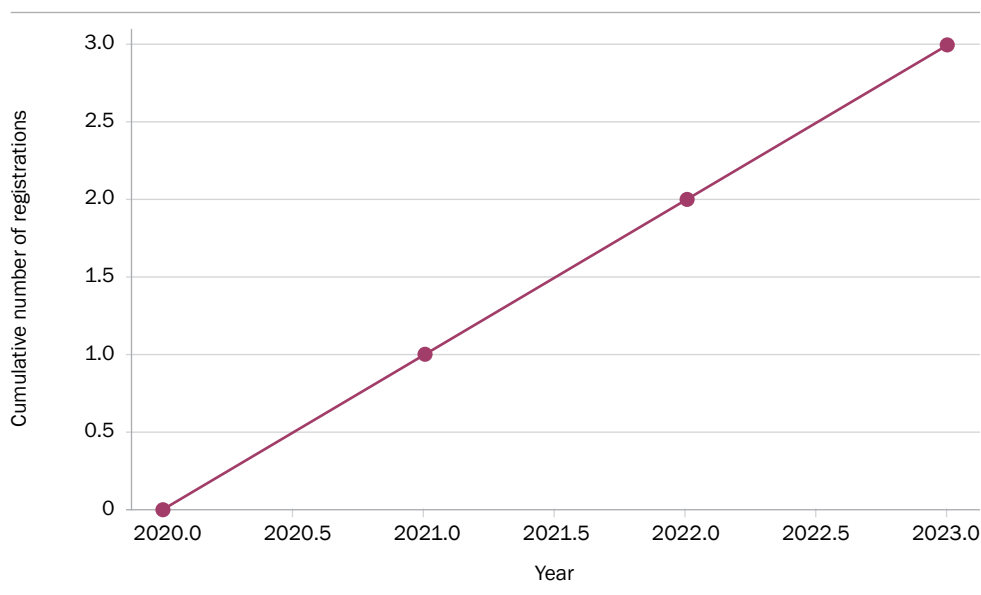
2.1 INSTITUTIONAL STABILITY CHALLENGES

Institutional stability is one of the fundamental preconditions for the effective management of EU Structural and Cohesion Funds. While the implementation of IPA programs allows a certain degree of institutional flexibility, Cohesion Policy requires stable governance arrangements capable of maintaining consistent responsibilities, preserving institutional knowledge, and ensuring uninterrupted program implementation throughout an entire multiannual programming period. Consequently, institutional continuity is not merely an administrative issue but a prerequisite for sound financial management, accountability, and the effective absorption of EU funds.

In Montenegro, frequent institutional reorganizations between 2010 and 2025 have undermined continuity, created overlapping mandates, and caused the loss of institutional memory. Responsibilities for EU funds have often shifted between ministries and agencies, weakening coordination and slowing implementation under seven governments that were appointed during that period. These changes have repeatedly altered reporting lines, redistributed responsibilities among institutions, and required the adoption of new internal rulebooks and organizational structures. As a result, considerable time and administrative effort have been devoted to rebuilding institutional arrangements rather than strengthening implementation capacity. Delays in appointing key IPA officials following government reorganizations have repeatedly been highlighted during European Commission verification missions, demonstrating that political and administrative transitions can directly affect the functioning of the management and control system. Such interruptions reduce the predictability of program implementation, delay strategic decisions, and weaken coordination among institutions responsible for programming, contracting, financial management, and control.

For example, between 2020 and 2023, the Ministry of Labor, a key institution in the state administration, underwent three reorganizations (Fig. 1). These changes required repeated amendments to internal rulebooks, reassignment of responsibilities, and adjustments to staffing arrangements, illustrating the broader challenge of maintaining institutional continuity.⁶

Figure 1: Institutional reorganizations of the Ministry of Labor, 2020–2023



Source: Author's illustration generated using ChatGPT.

⁶ <https://www.sluzbenilist.me/propisi/362289>

Throughout the second half of 2024 and the first half of 2025, vacant positions were gradually filled, resulting in a steady increase in appointments. This hiring process has contributed to greater stability within the system, thereby improving overall operational efficiency.

The cumulative impact of these changes extends beyond administrative inefficiency. Frequent restructuring disrupts institutional memory, weakens informal coordination networks, and reduces incentives for long-term professional development. Staff are often required to adapt to new organizational structures, reporting relationships, and procedures instead of focusing on program implementation. This creates a cycle in which institutional learning is repeatedly interrupted, making it difficult to build the specialized expertise required for managing increasingly complex EU funding instruments. While these shortcomings remain manageable under the current IPA framework, they present a significantly greater risk under the EU Structural and Cohesion Funds, where program implementation extends over several programming periods and requires stable institutions capable of ensuring continuity regardless of political changes.

The issue is not that Montenegro changes institutions; rather, it is that every institutional change resets administrative capacity.

For the management of EU Structural and Cohesion Funds, Montenegro must move toward specialized, professional, and independent bodies with clear operational mandates supported by a strong legal and institutional framework.

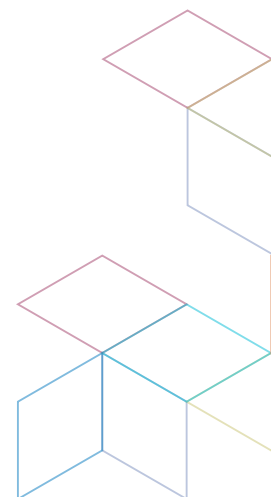
2.2 HUMAN RESOURCES AND CAPACITY CHALLENGES

While institutional stability provides the governance framework for the management of EU funds, administrative capacity ultimately determines whether that framework can function effectively. The successful implementation of EU Structural and Cohesion Funds depends on clearly defined institutional responsibilities as well as the availability of sufficient, specialized, and experienced human resources capable of managing increasingly complex programming, procurement, financial management, monitoring, audit, and reporting requirements. Consequently, administrative capacity should be understood not merely in terms of staffing levels, but also through the continuity of expertise, institutional learning, and the ability to retain specialized knowledge.

As of May 2026, approximately 300 officials were engaged in Montenegro's IPA management structure across the responsible ministries, including newly hired employees working on the two Operational Programs. This number is expected to increase further with the implementation of additional IPA initiatives, including the EU Sector Budget Support Program for Public Administration Reform (SBS for PAR) and the Annual Action Program for Montenegro IPA 2022. However, these structures have been developed primarily to manage pre-accession assistance. The transition to EU Structural and Cohesion Funds will substantially increase both the volume and the complexity of administrative responsibilities, requiring significantly stronger institutional capacities than those currently available.

An internal assessment conducted by the National Authorizing Officer (NAO) Support Office⁷ during the preparation of the 2024 Annual Management Declaration (AMD), finalized in February 2025, indicated that staffing capacities remain uneven across the IPA management system. While 11 of the 18 IPA II bodies (for the “current staff” indicator) reported satisfactory staffing levels, several institutions continue to experience significant staff turnover and capacity shortages. These disparities create unequal implementation capacities across the system, increasing operational risks and reducing the overall efficiency of program implementation.

⁷ The NAO Support Office, within the Division for Internal Control Management and Accreditation of EU Support of the Directorate for Management of EU Pre-accession Funds Structures, Ministry of Finance, prepares the AMD on system functioning each February for the previous year.



Beyond staffing numbers, one of the most significant challenges relates to staff turnover and the preservation of institutional memory. Frequent institutional restructuring, combined with changes in senior management and limited retention mechanisms, has contributed to the departure of experienced personnel responsible for EU funds management. Although new recruitment gradually fills vacant positions, replacing specialized expertise accumulated through years of program implementation is a lengthy process. Newly recruited officials require extensive induction, practical experience, and continuous mentoring before reaching the level of operational autonomy required for managing complex EU-funded programs. Consequently, high staff turnover generates hidden administrative costs, weakens organizational learning, and reduces institutional resilience.

Institutional memory represents one of the most valuable assets within any EU funds management system. Practical knowledge acquired through successive programming cycles, including the interpretation of European Commission requirements, financial management procedures, procurement practices, and communication with beneficiaries, cannot be fully replaced through written procedures alone. When experienced staff leave, institutions lose not only technical expertise but also informal coordination networks and implementation experience that are essential for efficient program delivery. Rebuilding this capacity requires considerable time and resources, making staff retention a strategic rather than merely administrative issue.

The challenge extends beyond recruitment and retention to the broader development of specialized competencies required for Cohesion Policy implementation. Based on the NAO assessment, corrective measures are also needed for training policy and security control activities to ensure adequate security procedures and appropriate electronic access at all levels. A joint training plan has been developed and is being implemented in cooperation with the Human Resources Management Authority (HRMA) and through various projects, including those implemented by the Management Structure and the National IPA Coordinator (NIPAC) Office in specific areas, with the overall goal to improve knowledge of the IPA operating structures.⁸ The Ministry of European Affairs (NIPAC Office), with the support of the Ministry of Public Administration, the Union of Municipalities of Montenegro, and the Regional School of Public Administration, has developed the national training program “Ready for the EU,” which is executed by the HRMA.⁹ At the same time, the HRMA continues to deliver training throughout 2026 for employees of the institutions responsible for managing IPA funds¹⁰. While these efforts represent an important step forward, Cohesion Policy implementation will require considerably broader and more specialized competencies, particularly in program management, financial control, public procurement, monitoring and evaluation, project appraisal, and the management of major investment operations.

Experience from newer EU Member States demonstrates that successful preparation for EU Structural and Cohesion Funds requires long-term investment in professional administrative capacity rather than ad hoc recruitment before accession. Building a stable and competent workforce requires systematic career development, continuous professional learning, knowledge management, and retention policies capable of preserving expertise throughout successive programming periods.

In June 2025, the government of Montenegro adopted the “Information on the Preparation of the Employment Plan in the Area of EU Funds Management.” This initiative aims to strengthen human resource capacity across institutions responsible for the programming, implementation, and control of EU funds. The Plan identifies two pilot sectors – environmental protection and employment and social policy – for the initial phase and sets the foundation for a comprehensive

8 <https://wapi.gov.me/download-preview/d91c8c3d-43c7-42bf-9386-461d612970f4?version=1.0>

9 <https://www.respaweb.eu/0/news/716/handjiska-trendafilova-at-ready4eu-kick-off-honoured-to-contribute-to-the-design-and-implementation-of-this-crucial-training-programme>

10 <https://www.gov.me/dokumenta/53644a46-235b-4007-a789-866f7bb8e771>

and sustainable approach to capacity building across the EU funds management system.¹¹ This measure will be implemented within the framework of the Sector Budget Support for Public Administration Reform and Public Financial Management, financed under the IPA 2022 Annual Action Program, with €3.5 million allocated to complementary capacity building measures. This initiative aims to streamline recruitment, improve internal mobility, and ensure that newly recruited staff are adequately trained to manage the transition from IPA to Cohesion Policy mechanisms.

When it comes to the current retention and motivation policy established within IPA management in Montenegro, the government of Montenegro adopted a new Decision on top up on salaries for IPA employees (OG No. 1/2026) in January 2026 with the aim of aligning it with the current organization of the state administration and establishing clearer, measurable, and more efficient criteria for top up on basic salary.¹² Subsequently, the NAO issued **Instructions for the implementation of the Decision**. The Instructions included a standardized form for recording fulfillment of the prescribed criteria for top up on basic salary, which may increase the basic salary by up to 30%.

Despite the growing number of training initiatives and capacity building measures, turnover and recruitment challenges continue to undermine the accumulation of institutional knowledge and the long-term sustainability of administrative capacity within the system for managing EU funds. The success of Cohesion Policy management depends primarily on the quality, stability, and motivation of human resources. Montenegro's current staffing levels and administrative capacity are adequate for IPA, but they will be insufficient for the projected fivefold expansion required for Cohesion Policy implementation.¹³

2.3 PROJECT PREPARATION CHALLENGES

While institutional stability and administrative capacity are essential prerequisites for managing EU Structural and Cohesion Funds, they are not sufficient on their own. Successful absorption of Cohesion Policy resources ultimately depends on the availability of a continuous pipeline of mature, strategically prioritized, and technically prepared projects that can be implemented throughout the programming period. Without such a pipeline, even well-functioning institutions with qualified staff cannot effectively utilize available EU resources.

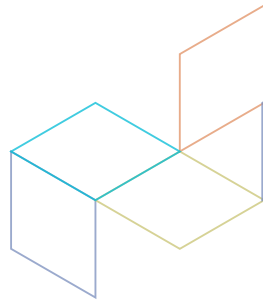
Project readiness extends far beyond the identification of investment ideas. Under EU Cohesion Policy, projects are expected to reach an advanced stage of preparation before financing decisions are taken. This includes the preparation of feasibility studies, cost-benefit analyses, environmental impact assessments, technical documentation, the resolution of land ownership issues, where applicable, financial sustainability assessments, procurement planning, and alignment with national strategic priorities. The absence of these preparatory elements often leads to implementation delays, procurement failures, financial corrections, or, ultimately, the loss of available EU funding.

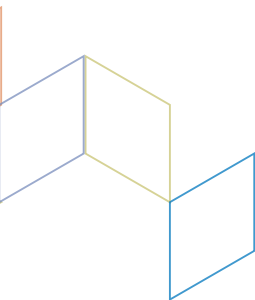
At present, project preparation in Montenegro remains largely decentralized and institution-specific. Individual ministries, agencies, and local governments prepare projects according to their own sectoral priorities, institutional capacities, and available funding opportunities. Although this approach has enabled the implementation of IPA-funded projects, it lacks a single national mechanism capable of systematically identifying, prioritizing, and monitoring strategically important investments across sectors. Consequently, project preparation often remains reactive, responding to individual financing opportunities rather than following a coordinated long-term investment strategy.

¹¹ <https://wapi.gov.me/download-preview/f26e7a29-e54e-4c7c-ade3-be74079f5c2b?version=1.0>

¹² <https://www.sluzbenilist.me/propisi/389873>

¹³ Đurovic, T. et al. (2024). Projected Administrative Requirements for ESIF in Montenegro. Ministry of European Integration, Podgorica





For Cohesion Policy programming, as outlined in the Updated Action Plan for Chapter 22, the most valuable experience comes from multiannual programming under IPA III. This includes the preparation of multiannual Operational Programs for the period 2024–2027, cross-border cooperation programs between IPA beneficiary countries planned as multiannual programs covering the entire IPA III implementation period, and support for rural development under IPA III, developed as a multiannual program encompassing the full IPA III implementation period.¹⁴ The effective use of the Cohesion Policy resources will also depend on the availability of mature projects supported by feasibility studies, cost-benefit analyses, environmental assessments, and implementation plans. While Montenegro has developed considerable experience in IPA project implementation, project preparation remains largely driven by individual funding opportunities rather than by a structured system of strategic project development. As a result, project maturity and implementation readiness may become significant constraints on future absorption capacity.

The gradual transition to ex-post control mechanisms within the multiannual IPA III Operational Programs requires strengthening the internal control system and quality assurance procedures, while assigning full responsibility and oversight for public procurement and grant award procedures to the national authorities. This should accelerate the alignment of existing IPA structures and competent institutions with the administrative systems of EU Member States that utilize cohesion support funds.

When it comes to IPA funds in Montenegro, data from the IPA II programming period indicate strong implementation performance. As of July 31, 2025, 90% of the available EU funds from the IPA II programming period had been absorbed. Projections further indicate that by the end of the implementation cycle, the country will reach a 93% absorption rate. Regarding contracting, Montenegro has contracted €146 million out of €155 million available under the IPA II financial perspective (94% of available support), with projections suggesting growth to 96% by the end of the programming period.

Under the IPA III cycle for indirect management, Montenegro has €170.3 million in EU support available, including €63 million allocated for agriculture and rural development through the IPARD III program, bringing the total amount under indirect management and IPA III sectoral budget support to €223 million. The contracting process for this period is still in its early phase, while fund absorption and payment execution are planned for the 2025–2032 period, in line with the established timelines. Considering the maturity of projects and the strengthened administrative capacity, contracting and absorption rates are expected to exceed those achieved under the IPA II programming period.

This experience in managing IPA funds provides a foundation, but it is insufficient to fully prepare Montenegro for the significantly larger and more complex EU Structural and Cohesion Funds portfolio. The complexity of this portfolio is well presented in the “Multiannual Financial Framework 2021–2027,”¹⁵ overview of the allocations by the Cohesion Fund, and the fact that the EU budget for Cohesion Policy available for programming in the Member States is €368 billion.¹⁶

Data from the Cohesion Open Data Platform illustrate how Member States have progressed in utilizing available Cohesion Policy funds across the 2014–2020 and 2021–2027 programming periods (Fig. 2). During the 2014–2020 cycle, payments increased only gradually throughout the programming period, and the absorption rate accelerated only in 2018–2019, just two years before the end of the programming period. At the end of 2020, only 52.5% of the financial resources available from the European Regional Development Fund (ERDF), Cohesion Fund (CF),

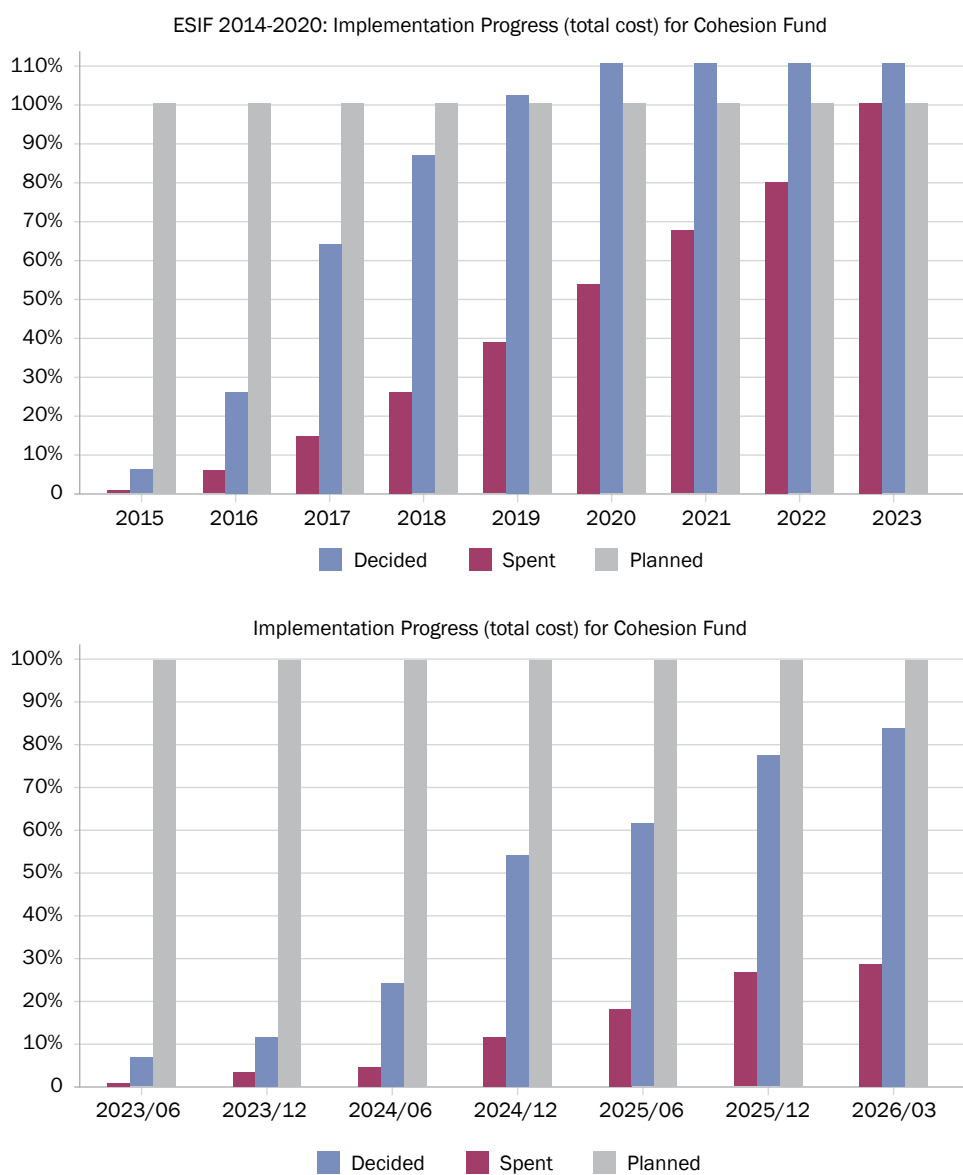
¹⁴ <https://wapi.gov.me/download-preview/d94aa1fc-fa86-43d3-a96a-9ce2157bdc2c?version=1.0>

¹⁵ https://commission.europa.eu/system/files/2021-01/mff_2021-2027_breakdown_current_prices.pdf

¹⁶ <https://cohesiondata.ec.europa.eu/stories/s/2021-2027-Adopted-National-Partnership-Agreements/4jua-76d5>

European Social Fund (ESF), and Youth Employment Initiative (YEI) for the 2014–2020 period had been paid to Member States. As of the end of 2023, EU payments for the ERDF, CF, ESF, and YEI amounted to €335.5 billion, compared with €355.1 billion in planned resources, resulting in an absorption rate of 94.4%. When REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe) funds are also considered, the overall absorption rate falls to 90.4% as of the end of 2023.

Figure 2: Progress in the absorption of EU Cohesion Policy funds



Source: <https://cohesiondata.ec.europa.eu>

The 2014–2020 budget proved that the EU funding mechanism is inherently slow-moving. By December 2020 (the official final year of the programming cycle), Member States had successfully spent and been reimbursed for only 52.5% of the available 2014–2020 Cohesion Policy resources. Under EU rules, countries have three years (the N + 3 rule) to actually spend their allocations, which explains why Member States' absorption rate was only approximately 50% at the end of 2020. Only nearly a full decade after the cycle started did the absorption rate reach approximately 90%.

The ongoing 2021–2027 cycle reveals a different, more alarming systemic risk for a small administration like Montenegro's: administrative overload. Data confirm that early absorption rates for the 2021–2027 cycle are even lower than they were at the same stage of the 2014–2020 cycle. In addition to Cohesion Policy funds, the EU introduced the Recovery and Resilience Facility (RRF) in response to the COVID-19 pandemic. Because RRF funds strictly expire in mid-2026, national administrations often prioritized the faster-disbursing RRF resources over standard Cohesion Policy programming. As a result, Member States have had to simultaneously close the 2014–2020 projects, racing to spend RRF funding and attempting to design complex 2021–2027 infrastructure programs. This has created a severe bureaucratic traffic jam.

Montenegro is currently managing IPA III funds totaling roughly €30–40 million annually. Following accession, annual EU funding will skyrocket to €350 million. According to recent European Commission planning documents, Montenegro could be allocated an indicative financial envelope of approximately €3.2 billion under the 2028–2034 Multiannual Financial Framework (MFF),¹⁷ assuming accession by 2028. The existing administrative capacity is insufficient to manage the volume of legal, financial, and administrative procedures associated with this level of funding.

Croatia's early experience shows that the most difficult funds to absorb are in complex areas such as environmental protection, wastewater management, and major transport infrastructure, where projects regularly fall through due to failed public tenders, lack of local cofinancing, or environmental litigation. These are also areas where Montenegro is currently bottlenecked. EU Structural and Cohesion Funds are not entirely free; they require national cofinancing (typically 15% to 30%). A small economy like Montenegro's risks blowing its national fiscal deficit limits simply by trying to provide the matching funds needed to unlock the larger EU grants, which is a scenario that has happened to many smaller Member States during the first years of accession.

According to the legal framework established for EU Cohesion Policy, Regulation (EU) 2021/1060 (the Common Provisions Regulation, CPR) lays down the fundamental horizontal principles that candidate countries must satisfy before absorbing structural funds upon accession. In Montenegro, operational preparations to meet these Chapter 22 closing benchmarks have intensified. In April 2026, the country launched the drafting of the Strategic Planning Document (SPD), a high-level socioeconomic assessment designed to identify long-term development gaps. Submitted to the European Commission by June 30, 2026, the SPD serves as the baseline for the subsequent National and Regional Partnership Plan (NRPP).¹⁸ In June 2026, the Council of the EU agreed on its negotiating position on the proposed NRPP, establishing it as the single programming framework for implementing the EU budget for the 2028–2034 period.¹⁹ The NRPP will serve as the legally binding operational framework, establishing the financial envelopes and thematic priorities for the ERDF, the European Social Fund+, and the Cohesion Fund, in accordance with Draft Regulation 2028+.²⁰

17 <https://rtcg.me/vijesti/politika/858098/za-crn-u-goru-kao-buducu-clanica-32-milijarde-eura.html>

18 [https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/782606/EPRS_BRI\(2026\)782606_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/782606/EPRS_BRI(2026)782606_EN.pdf)

19 <https://www.consilium.europa.eu/en/press/press-releases/2026/06/16/mff-2028-2034-council-backs-simpler-and-more-efficient-financing-for-key-eu-priorities/>

20 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025PC0552>

While the NRPP defines the strategic goals and financing ratios agreed with the European Commission, it requires a pipeline of concrete capital projects. This missing link was partially addressed in May 2026, when the government adopted the Master Plan for Infrastructure Investments (2026–2030),²¹ which includes an ambitious €5.75 billion portfolio of projects across the transport, energy, health, and environmental sectors.

The Master Plan intersects with the NRPP in two critical dimensions:

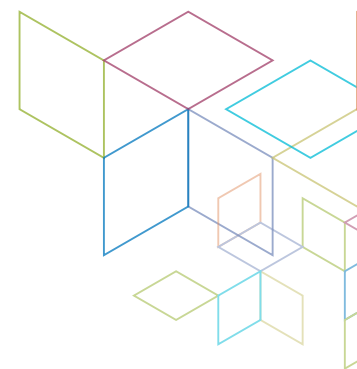
- **Fiscal cofinancing commitments:** Under the CPR, EU funding requires national cofinancing. The Master Plan, drafted in coordination with international financial institutions and the CEF, anchors 258 projects within Montenegro's medium-term budgetary framework, demonstrating to the European Commission that national counterpart funding is secured.
- **Strategic feeding mechanism:** The Master Plan serves as the domestic catalog from which the NRPP will draw concrete interventions to fulfill its thematic objectives (e.g., matching the transport budget of €3.32 billion in the Master Plan with the sustainable connectivity objectives of the NRPP).

Nevertheless, the current framework lacks a centralized rolling project registry capable of continuously filtering the Master Plan's projects based on strict technical, legal, and environmental maturity criteria (such as expropriation status, construction permits, and Natura 2000 compliance). Without upgrading the current fragmented sectoral project lists into a legally mandated Single Project Pipeline database, the strategic ambitions of the NRPP may face severe absorption bottlenecks, as projects listed in the Master Plan may fail to achieve the operational readiness required for immediate EU funding.

Despite the strategic progress of the SPD, NRPP, and the fiscal consolidation of the 2026 Master Plan, a significant structural vulnerability persists. The Master Plan remains a static medium-term planning document rather than a functional, automated management system. EU Cohesion Policy operates under strict programming and financial management rules that require Member States to maintain a continuous flow of mature projects throughout the programming period. Delays in project preparation cannot easily be compensated for later, as prolonged procurement procedures, repeated tender failures, or unresolved administrative requirements may result in the decommitment of allocated funds under the EU financial rules. Consequently, project preparation should be recognized as a strategic function of the future management system rather than as a technical activity undertaken immediately before project implementation.

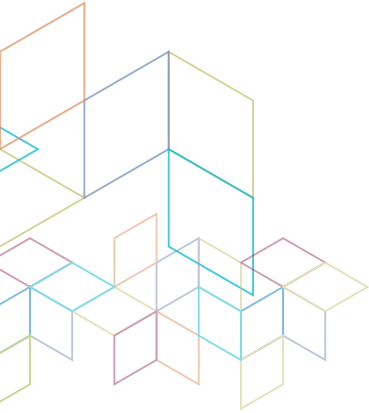
To address these challenges, Montenegro should gradually establish a national Single Project Pipeline as an integrated framework for identifying, assessing, and monitoring strategic investment projects. The Single Project Pipeline should not be understood merely as a database of potential projects but as a strategic governance instrument linking national development planning, sector strategies, public investment management, and EU programming. It would enable competent authorities to monitor project maturity, identify bottlenecks during preparation, prioritize investments according to transparent criteria, and allocate technical support to projects of the greatest strategic importance.

Such an approach would also strengthen coordination among line ministries, local governments, and central institutions responsible for EU funds management, while creating a predictable portfolio of mature investments that could be financed immediately once EU resources become available. At the same time, the pipeline would improve the transparency of investment planning, facilitate evidence-based decision-making, and contribute to more efficient utilization of both national and EU financial resources.



21. <https://wapi.gov.me/download-preview/f2fb5c82-51c9-45da-8a20-4fadfe1d9000?version=1.0>

Institutional continuity, human resource capacity, and project readiness therefore emerge as the three critical dimensions that will determine the country's future absorption capacity and form the basis for the policy options assessed in the following sections.



3 ANALYTICAL FRAMEWORK FOR ASSESSING MONTENEGRO'S READINESS FOR COHESION POLICY

3.1 ANALYTICAL FRAMEWORK AND EVALUATION CRITERIA

The analytical framework used in this paper is based on the premise that Montenegro's existing experience in managing IPA III provides the closest institutional approximation to the governance arrangements required under EU Cohesion Policy. Although EU Structural and Cohesion Funds differ substantially from IPA in terms of financial scale, programming logic, and regulatory requirements, both instruments rely on comparable principles of multi-level governance, financial management, programming, implementation, monitoring, control, and audit. Consequently, assessing the strengths and limitations of the current IPA management system provides a suitable basis for evaluating Montenegro's preparedness for Cohesion Policy implementation.

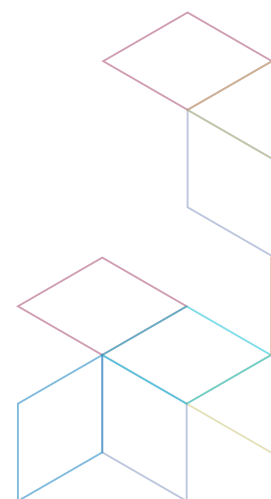
In accordance with the European Commission Implementing Regulation, the IPA framework is based on a clearly defined governance structure comprising the NIPAC, the NAO, the management structure, managing authorities, intermediate bodies for financial management, intermediate bodies for policy management, and the audit authority. The legal framework governing IPA III includes the Financial Framework Partnership Agreement between Montenegro and the European Commission, the Law on Budget and Fiscal Responsibility (Article 76), the Decree on Indirect Management of IPA III, and the Decision on Appointment of IPA Officials. These arrangements provide the institutional foundation upon which preparations for EU Structural and Cohesion Funds are currently being developed.

While these institutional arrangements have enabled Montenegro to implement IPA assistance successfully, Cohesion Policy requires considerably greater institutional maturity. Compared with IPA, EU Structural and Cohesion Funds involve significantly larger financial allocations, multiannual operational programs, more complex governance arrangements, and substantially higher administrative, financial management, and control requirements. The transition therefore represents not merely an expansion of existing responsibilities but also a qualitative transformation of the institutional system responsible for managing EU funds.

Against this background, the paper assesses Montenegro's preparedness through three interrelated analytical dimensions that are widely recognized as key determinants of long-term absorption capacity:

- **Institutional stability**, referring to the ability of institutions to maintain clear mandates, organizational continuity, effective coordination, and institutional memory throughout successive programming periods;
- **Administrative capacity**, referring to the availability of sufficient human resources, specialized competencies, professional development systems, and retention mechanisms required for effective program management;
- **Project readiness**, referring to the existence of mature, strategically prioritized, and technically prepared investment projects capable of being implemented immediately once EU funding becomes available.

Together, these three dimensions provide the analytical framework used throughout the remainder of the paper to identify institutional weaknesses, assess future risks, and evaluate alternative policy options.



The assessment combines qualitative and comparative analytical methods. It is based on a review of European Commission reports, EU legislation, national legislation, and strategic documents, supported by a comparative analysis of institutional models in Croatia, Lithuania, and Poland. The analysis is further complemented by findings from a capacity-mapping questionnaire and an internal survey conducted among officials involved in the management of IPA funds in Montenegro. The combination of documentary evidence, comparative experience, and stakeholder perceptions provides a comprehensive basis for assessing Montenegro's readiness to manage EU Structural and Cohesion Funds following EU accession.

The following evaluation criteria are applied to assess the policy options:

- **Institutional stability and continuity** – the extent to which the proposed option ensures clear institutional responsibilities, minimizes fragmentation, and supports the preservation of institutional knowledge and expertise.
- **Alignment with EU Cohesion Policy requirements** – the degree to which the proposed option contributes to compliance with Chapter 22 obligations, the CPR, and established Cohesion Policy management practices within EU Member States.
- **Administrative effectiveness** – the ability of the proposed option to strengthen administrative capacity, improve coordination, and support the efficient management, contracting, monitoring, and implementation of EU-funded programs and projects.
- **Project preparation and readiness** – the extent to which the proposed option supports systematic project identification, prioritization, and preparation.
- **Accountability and transparency** – the capacity of the proposed option to ensure clear reporting lines, effective control mechanisms, risk management procedures, and transparent decision-making processes.
- **Financial and administrative implications** – the level of financial resources, organizational adjustments, and administrative effort required for implementation.
- **Political and institutional feasibility** – the extent to which the proposed option can secure the political commitment and institutional support necessary for successful implementation, considering any required legislative or organizational changes.
- **Sustainability** – the extent to which the proposed option provides a long-term solution capable of supporting Montenegro's management of EU Structural and Cohesion Funds beyond the current IPA framework.

The findings generated through this framework provide the basis for evaluating alternative policy options and identifying the institutional model best suited to support Montenegro's transition from IPA assistance to the management of EU Structural and Cohesion Funds.

3.2 INSTITUTIONAL MODELS FOR MANAGING EU FUNDS: EXPERIENCES FROM CROATIA, LITHUANIA, AND POLAND

There is no single institutional model prescribed by the EU for the management of EU Structural and Cohesion Funds. EU legislation establishes the functions that Member States must perform – including program management, financial control, certification, audit, and coordination – but leaves considerable flexibility regarding the institutional arrangements through which these responsibilities are organized. Consequently, Member States have developed different governance models reflecting their administrative traditions, institutional capacities, and constitutional structures.

To identify institutional arrangements that could inform Montenegro's system for managing EU Structural and Cohesion Funds, this paper reviews the experience of selected EU Member States. The selected countries represent different administrative traditions and institutional models but share one important characteristic: they successfully transitioned from pre-accession assistance to the management of Cohesion Policy. The objective is not to identify a single model to replicate, but to extract institutional features that could strengthen Montenegro's preparedness for EU membership.

Croatia

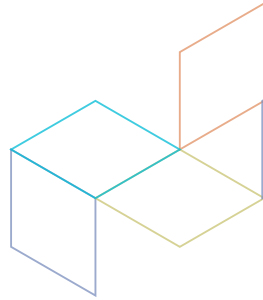
Croatia's institutional framework for the management of EU Structural and Cohesion Funds provides one of the most relevant reference points for Montenegro due to similarities in administrative size, governance traditions, and the accession process. During its pre-accession period, Croatia experienced frequent political changes that threatened continuity in EU fund management. To address this, the country established the Central Finance and Contracting Agency (CFCA), formerly known as SAFU, in 2007. The CFCA was established to take over all the commitments, rights, obligations, and responsibilities delegated to it for the management of the European Community's financial assistance to Croatia. The Croatian experience demonstrates the advantages of establishing a specialized and operationally autonomous institution to manage EU funds. By concentrating technical expertise and reducing exposure to frequent political and administrative restructuring, the CFCA contributed to stronger institutional continuity, professional management, and absorption capacity.

Croatia adopted a predominantly decentralized management model, in which line ministries perform the role of managing authorities while implementation tasks are supported by the SAFU. Strategic coordination remained at the central government level, while operational implementation responsibilities were distributed according to sectoral competencies. This approach enabled the gradual accumulation of sector-specific expertise while maintaining central oversight of the overall management system.

Although Croatia established the necessary institutional framework before accession, the initial years of Cohesion Policy implementation revealed that institutional arrangements alone were insufficient to ensure high absorption rates. Administrative capacity constraints, lengthy procurement procedures, insufficient project maturity, and delays in preparing technical documentation affected the implementation of several major infrastructure investments, particularly in the transport, environmental protection, and wastewater sectors. Over time, Croatia addressed many of these shortcomings by strengthening administrative capacity, improving coordination mechanisms, and investing systematically in project preparation.

Croatia's experience demonstrates that successful management of EU Structural and Cohesion Funds depends not only on the formal institutional model but also on the stability of institutions, the professionalization of administrative staff, and the availability of a continuous pipeline of mature investment projects. The Croatian case further illustrates that institutional reforms should be introduced sufficiently well before accession, allowing administrative systems adequate time to consolidate and gain practical implementation experience.

In comparison, Montenegro's corresponding IPA body – the Directorate for Finance, Contracting and Implementation of EU Assistance Funds (CFCU), currently operating as the Intermediate Body for Financial Management within the Ministry of Finance – remains an integral part of the state administration. The Croatian model therefore provides a relevant example of how legally protected and professionally managed structures can strengthen preparedness for managing EU Structural and Cohesion Funds. However, establishing an institutional framework is only the first step. Sustainable absorption capacity requires parallel investment in specialized administrative capacity, project preparation, and institutional continuity. For Montenegro, the early establishment of stable implementation structures, accompanied by the systematic development of project pipelines and professional expertise, will be just as important as the choice of the institutional model itself.



Lithuania

Lithuania represents a different institutional approach, characterized by strong central coordination combined with clearly defined responsibilities across line ministries and implementing institutions. Since joining the EU in 2004, Lithuania has consistently achieved high levels of EU funds absorption while maintaining a relatively streamlined institutional structure and a strong focus on performance management.

Lithuania adopted a different but equally relevant approach to strengthening its institutional capacity for EU funds management. Following accession preparations and the growing complexity of EU-funded programs, Lithuania established the Central Project Management Agency (CPMA) as a specialized public institution responsible for implementing and managing a broad range of EU-funded projects.²² The CPMA operates as a separate legal entity under public ownership and performs functions related to project appraisal, procurement, contracting, financial management, monitoring, and implementation support. Over time, its mandate expanded beyond pre-accession assistance to include the management of Structural Funds, Cohesion Fund interventions, and other EU financial instruments.²³

An important feature of the Lithuanian approach has been its emphasis on long-term administrative capacity development. Rather than relying primarily on institutional restructuring, Lithuania invested in strengthening professional competencies, improving digital systems, and establishing stable administrative procedures capable of functioning across successive programming periods. Continuous staff development, knowledge management, and evidence-based monitoring have become integral components of the management system.

The establishment of the CPMA enabled Lithuania to centralize technical expertise, standardize procedures, and reduce fragmentation among different implementing bodies. By operating outside the traditional ministerial structure while maintaining strong accountability mechanisms, the Agency contributed to greater administrative efficiency, continuity, and professional specialization in EU funds management.

Poland

Poland manages one of the largest and most decentralized Cohesion Policy systems in the EU, reflecting both the scale of available funding and the country's regional governance structure. While the Polish administrative context differs significantly from Montenegro's, its experience provides valuable lessons regarding coordination, institutional capacity, and long-term preparation for large-scale EU investment programs.

Poland is the largest beneficiary of EU Cohesion Policy in the 2021–2027 programming period, with approximately €76.5 billion allocated through the Partnership Agreement agreed upon with the European Commission. Rather than relying on a single centralized implementation agency, the Polish system combines the work of managing authorities, intermediate bodies, and specialized implementation institutions responsible for supporting beneficiaries throughout the project cycle. This model has enabled the country to manage large volumes of EU funding while maintaining high levels of coordination, monitoring, and financial control.

A key characteristic of the Polish approach is the strong emphasis placed on project preparation, project maturity, and continuous monitoring of implementation. The Polish experience, particularly through the Center for EU Transport Projects (CEUPT),²⁴ demonstrates the value of specialized

²² <https://finmin.lrv.lt/en/news/the-cpma-board-elected-it-will-ensure-even-more-efficient-management-of-the-agency/>

²³ <https://cpva.lt/en/about-us>

²⁴ <https://www.cupt.gov.pl/en/european-funds/connecting-europe-facility-cef-2-2021-2027/>

institutions that combine project appraisal, implementation support, and sectoral expertise. Beyond their formal implementation role, such institutions perform analytical and advisory functions that help beneficiaries prepare projects, improve project quality, and strengthen overall absorption capacity. Such an approach contributes to reducing implementation delays, strengthening compliance with EU requirements, and improving the overall quality of investments financed through EU funds.

Another important feature of the Polish system is the strong integration between strategic planning, Partnership Agreement programming, and structures for operational implementation. Through national and regional programs coordinated by the Ministry of Development Funds and Regional Policy, project preparation is linked to long-term development priorities, allowing investments to be identified and developed before funding opportunities become available.²⁵ For Montenegro, the Polish experience highlights the importance of combining strong institutional coordination with systematic project preparation and implementation support. The development of a structured project pipeline, supported by specialized institutions and clear monitoring procedures, may represent an important element of managing EU Structural and Cohesion Funds.²⁶

3.3 KEY LESSONS FOR MONTENEGRO'S PREPARATION FOR EU STRUCTURAL AND COHESION FUNDS

The comparative analysis highlights several lessons relevant for Montenegro's management of EU Structural and Cohesion Funds. First, the experiences of Croatia and Lithuania demonstrate the importance of specialized institutional structures capable of ensuring continuity, professionalization, and the concentration of expertise in EU funds management. Both countries gradually strengthened their administrative systems through specialized implementation agencies that reduced institutional fragmentation and improved operational efficiency.

Second, all three cases confirm that human resources remain one of the most important determinants of successful fund absorption. Stable staffing structures, continuous professional development, and the preservation of institutional knowledge are necessary preconditions for managing increasingly complex funding instruments.

Third, the Polish experience demonstrates that absorption capacity depends not only on institutional arrangements but also on the existence of mechanisms that continuously generate mature and strategically prioritized projects. Successful implementation of Cohesion Policy requires project ideas to be prepared well in advance of funding opportunities and supported by adequate technical, financial, and environmental documentation.

Taken together, these findings suggest that Montenegro's preparedness for EU Structural and Cohesion Funds depends on two mutually reinforcing dimensions. The first concerns institutional continuity and administrative capacity, while the second relates to the establishment of mechanisms capable of generating and maintaining a pipeline of mature projects aligned with national development priorities. Strengthening both dimensions should therefore represent a central objective of future reforms.

25 https://www.gov.pl/web/funds-regional-policy/partnership-agreement-is-a-record-eur-76-billion-which-is-about-pln-350-billion-for-poland?utm_source=chatgpt.com

26 <https://www.cupt.gov.pl/en/ceutp/about-us>

Figure 3: Top 10 beneficiaries of Cohesion Policy 2021–2027

Source: Author's illustration generated using ChatGPT.²⁷

3.4 SURVEY RESULTS

To complement the documentary analysis and comparative assessment presented in the previous sections, this paper draws on evidence from two separate survey-based sources. The first is a capacity-mapping questionnaire, conducted in April 2026 as part of the project Support to Planning, Programming and Coordination in Relation to EU and Other Financial Assistance, Including Sector Operational Programs and Chapter 22 – Second Phase, implemented in cooperation with the NIPAC Office. This questionnaire had a broader institutional purpose, focusing on mapping existing administrative capacity, identifying competency gaps, and informing organizational development and training needs across institutions involved in the management of EU funds.

The second source is an internal survey of officials working within Montenegro's IPA management structures, designed specifically for this paper. Unlike the capacity-mapping questionnaire, which focused primarily on administrative capacity and organizational development, the internal survey sought to capture practitioners' views on the adequacy of existing institutional arrangements, project preparation mechanisms, and potential governance reforms required for the management of EU Structural and Cohesion Funds. Together, these two sources provide complementary evidence that supports and validates the analytical findings presented in this paper.

²⁷ <https://www.schumanassociates.com/newsroom/eu-funding-rrf-cohesion-policy-2024-2025>

3.5 FINDINGS FROM THE CAPACITY-MAPPING QUESTIONNAIRE

The assessment was carried out in the context of preparations for Chapter 22 – Regional Policy and Coordination of Structural Instruments. It also directly contributes to Closing Benchmark 5, which requires the development of organizational development plans for institutions involved in coordinating, managing, implementing, and auditing of EU funds.

Data were collected through an online capacity-mapping questionnaire, designed to assess existing competencies, identify capacity gaps, and determine future training and development needs among civil servants involved in EU funds management. A total of 92 responses were collected, including 83 responses from existing staff members and 9 responses from newly recruited employees. The survey data were used as a supplementary source of evidence intended to capture stakeholder perceptions regarding Montenegro's preparedness for Cohesion Policy implementation and to validate the key analytical findings presented in this paper.

The findings provide valuable evidence on the current level of administrative preparedness and highlight areas where additional capacity development may be required, across the three dimensions analyzed in this paper: institutional stability, administrative capacity, and project readiness. Beyond assessing existing competencies, the survey was intended to support evidence-based planning of capacity building measures and organizational development activities to support the transition to the more demanding requirements associated with EU Structural and Cohesion Funds. Furthermore, the survey provides an important practitioner perspective by capturing the views of officials directly involved in EU funds management, thereby complementing the documentary analysis and comparative assessment presented in the previous sections.

Capacity-Mapping Questionnaire

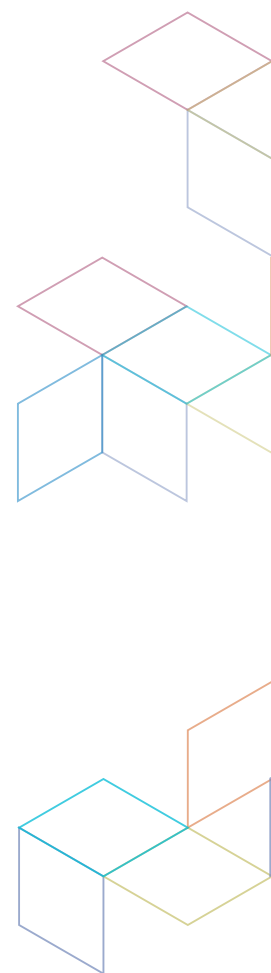
In April 2026, a Capacity-mapping Questionnaire was conducted to assess the administrative capacities of institutions involved in Chapter 22, identify competency gaps, and determine future capacity development needs related to the management of EU funds.

The questionnaire was completed by 92 respondents, of whom 83 (90%) were previously employed staff and 9 (10%) were newly recruited employees. This composition provides a representative overview of both experienced personnel and newly engaged staff involved in EU funds management.

The findings indicate that respondents assign the highest importance to strengthening operational and implementation-related competencies. The most highly rated training areas include monitoring of implementation, evaluation of EU-funded programs, financial management and control, auditing of EU-funded programs, development of project proposals, and eligibility of expenditure. These topics consistently received high average importance scores among both previously employed and newly recruited staff, demonstrating a broad consensus regarding future capacity development priorities.

Areas related to Cohesion Policy management, including program management, legislative framework, and the use of IT tools for analysis, were also assessed as highly important. Respondents additionally emphasized the need to strengthen competencies in socio-economic analysis and project preparation, reflecting the increasing complexity of programming and implementation requirements.

By comparison, topics associated with the Do No Significant Harm (DNSH) principle, climate change mitigation and adaptation, and the green and digital transitions received comparatively lower, although still relevant, importance ratings. This suggests that while horizontal policy



requirements are recognized, respondents currently place greater emphasis on strengthening core implementation and financial management capacities.

Overall, the capacity-mapping exercise identified several thematic priorities for future training and institutional capacity development. These include strengthening program implementation capacities; monitoring and evaluation of EU-funded programs; financial management and control; audit and anti-fraud systems; project preparation and cost-benefit analysis; Cohesion Policy management; climate resilience and DNSH requirements; and continuous professional development and knowledge retention.

The results confirm that future capacity building interventions should primarily focus on enhancing practical implementation competencies while ensuring that emerging policy requirements, such as climate resilience and sustainability principles, are progressively integrated into the overall administrative capacity development framework.

Overall analysis of the respondents – general characteristics

This section presents an overview of the general characteristics of the 92 respondents who completed the questionnaire.

The questionnaire gathered general demographic and professional information, including respondents' gender, age, level of education and affiliated institutions. The following graphs (1-5) present the results related to this section of the questionnaire and provide an overview of the respondents' general characteristics.

The survey invitation was sent to 183 individuals, including 154 previously employed recipients and 29 newly employed recipients. A total of 92 valid responses were received, of which 83 came from previously employed staff and 9 from newly recruited staff members.

Perceived Importance of Training Topics

Respondents assessed the importance of selected training topics related to the management and implementation of EU-funded programs using a five-point scale, where 1 indicated "Not important at all" and 5 indicated "Extremely important". Average scores were calculated separately for previously employed staff (n=83) and newly recruited staff (n=9).

Overall, the findings indicate a strong preference for practical and implementation-oriented training areas. Among previously employed staff, the highest average importance was assigned to monitoring of implementation of EU-funded programs (4.33), followed by evaluation of EU-funded programs (4.30), audit of EU-funded programs (4.24), and financial management of EU funds (4.17). High importance was also attributed to development of calls for project proposals (4.05), use of IT tools for analysis (4.07) and EU Cohesion Policy legislative framework (4.17).

Newly recruited staff demonstrated a very similar pattern, although average scores were generally slightly higher across most topics. The highest-rated training need was monitoring of implementation of EU-funded programs (4.62), followed by evaluation of EU-funded programs (4.56). Several topics received equally high ratings (4.38), including development of calls for project proposals, eligibility of costs, EU Cohesion Policy management, use of IT tools for analysis, and socio-economic analyses.

In contrast, comparatively lower importance ratings were assigned to cross-cutting policy topics, including the application of the DNSH principle, twin transitions (digital and green transition), and climate change mitigation and adaptation. Although these topics received lower average scores than operational program management themes, they remain relevant as horizontal requirements within the EU Cohesion Policy framework.

Overall, the results confirm that respondents place the greatest emphasis on strengthening competencies directly related to program implementation, monitoring, evaluation, financial management, audit, and project preparation. These findings suggest that future capacity development activities should primarily focus on operational aspects of EU funds management, while continuing to integrate emerging policy priorities such as climate resilience, DNSH compliance and digital and green transitions into the overall training program.

Source: Internal document

3.6 FINDINGS FROM THE INTERNAL SURVEY OF IPA STRUCTURES

To complement the document review and comparative analysis, an internal survey was conducted among officials directly involved in the management of IPA funds. The objective of the survey was to capture perceptions regarding the adequacy of existing institutional arrangements, administrative capacity, project preparation mechanisms and potential reforms required for the management of EU Structural and Cohesion Funds.

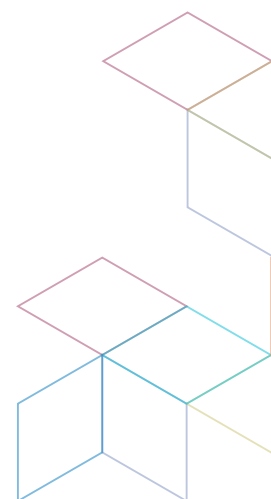
The survey results indicate that respondents generally perceive the current institutional framework as a useful foundation for EU funds management, but they expressed reservations regarding its ability to meet the substantially more demanding requirements associated with Cohesion Policy.

Human resource challenges emerged as one of the most significant findings. Respondents strongly agreed that staff turnover represents a major challenge for Cohesion Policy implementation and overwhelmingly identified the retention of experienced personnel as a strategic priority. This confirms that administrative capacity should be understood not only in terms of staffing levels but also in the preservation of institutional memory, specialized expertise, and organizational continuity.

The survey also highlighted the importance of project preparation and project maturity. Participants largely agreed that project preparation should begin well in advance of funding opportunities and considered project maturity to be a key determinant of successfully absorbing EU funds. They also strongly supported establishing a structured national project pipeline, indicating broad recognition of the need for a more systematic approach to project identification, prioritization, and preparation. The consistency of these findings across respondents suggests that project readiness is widely recognized within the administration as a strategic prerequisite for Cohesion Policy implementation rather than merely a technical project management issue.

In addition, participants expressed considerable support for institutional reforms aimed at strengthening the management of EU funds. Greater operational autonomy for the institutions involved received the highest level of support, while setting up an agency responsible for contracting and implementation functions was also viewed positively.

Overall, the survey findings validate the three principal conclusions of this paper. Respondents consistently recognized the need to strengthen administrative capacity, improve staff retention and institutional continuity, and establish more structured mechanisms for project preparation. At the same time, the strong support expressed for greater operational autonomy and a specialized implementation agency suggests that practitioners perceive institutional reform as an important component of Montenegro's preparations for managing EU Structural and Cohesion Funds.



Internal Survey of IPA Structures – Perceptions on Preparedness for Future EU Structural and Cohesion Funds

The survey was conducted among officials working in institutions involved in the management of IPA funds. A total of 30 respondents participated in the survey and rated their level of agreement with a series of statements on a scale from 1 (strongly disagree) to 5 (strongly agree).

The results indicate that respondents generally believe Montenegro's future preparedness for managing EU Structural and Cohesion Funds depends on strengthening administrative capacity, retaining experienced staff, improving project preparation and implementing institutional reforms.

Regarding administrative capacity, respondents expressed concerns that current staffing levels are not sufficient for future management of Structural and Cohesion Funds. The statement "Current staffing levels are sufficient for future management of Structural and Cohesion Funds" (reverse-coded) received an average score of 2.43 out of 5, indicating that most respondents do not consider existing staffing capacities adequate.

Within the human resources dimension, respondents strongly agreed that staff turnover represents a significant challenge for future Cohesion Policy implementation, with an average rating of 4.57 out of 5. They also identified the retention of experienced staff as a strategic priority, giving this statement an average score of 4.83 out of 5. These findings demonstrate broad consensus that preserving institutional knowledge and ensuring staff continuity are essential for future absorption of EU funds.

In the area of project preparation, respondents strongly supported the establishment of a structured national project pipeline as a means of improving Montenegro's future absorption capacity, with an average score of 4.43 out of 5. They also agreed that project maturity represents one of the key determinants of successful EU funds absorption, with an average rating of 4.29 out of 5. The results underline the importance of early project preparation, strategic planning and maintaining a pipeline of mature, implementation-ready projects.

With regard to institutional reform and autonomy, respondents expressed strong support for structural changes aimed at strengthening the management of EU funds. The proposal to establish a specialized autonomous agency responsible for EU funds contracting received an average rating of 4.43 out of 5, while the statement that greater operational autonomy of institutions responsible for EU funds management would strengthen preparedness for Structural and Cohesion Funds achieved the highest average rating in the survey, 4.86 out of 5.

Overall, the survey highlights significant concerns regarding current staffing levels and the impact of staff turnover, while demonstrating strong support for staff retention, improved project preparation through a structured national project pipeline, and institutional reforms that would enhance operational autonomy and continuity. These findings suggest that strengthening human resources, project preparation and institutional arrangements should be considered among the key priorities for Montenegro's future management of EU Structural and Cohesion Funds.

4 POLICY OPTIONS

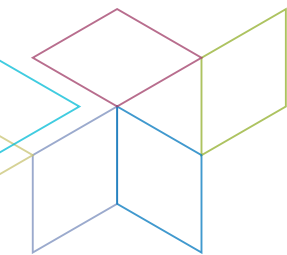
Based on the analysis of institutional stability, administrative capacity, project readiness, comparative experience, and stakeholder perceptions, three policy options are assessed for strengthening Montenegro's preparedness to manage EU Structural and Cohesion Funds. The options represent different levels of institutional ambition, ranging from maintaining the existing system to introducing comprehensive institutional reforms. Each option is assessed against a common set of criteria, including feasibility, expected impact, sustainability, and alignment with the requirements of EU Cohesion Policy.

To support the assessment of these policy alternatives, a SWOT analysis of the current system was conducted, identifying the main strengths, weaknesses, opportunities, and threats that may influence Montenegro's ability to effectively manage EU funds. Based on these findings, the policy options are assessed in terms of their feasibility, expected impact, and contribution to strengthening institutional capacities and project preparation mechanisms.

By comparing the advantages, limitations, and implementation requirements of each option, this section aims to provide a structured basis for identifying the most effective and realistic approach to supporting Montenegro's transition to the management of EU funds. We start with the SWOT analysis.

4.1 SWOT ANALYSIS OF MONTENEGRO'S PREPAREDNESS FOR EU STRUCTURAL AND COHESION FUNDS





The SWOT analysis demonstrates that Montenegro has already established an important institutional foundation through IPA implementation. However, the identified weaknesses and external threats suggest that maintaining the current trajectory may not be sufficient to ensure the effective management of the substantially larger and more complex EU Structural and Cohesion Funds after accession. This reinforces the need to consider policy options that address both institutional and administrative constraints while strengthening project preparation capacities.

4.2 POLICY OPTION 1: MAINTAINING THE EXISTING INSTITUTIONAL FRAMEWORK (STATUS QUO)

This option maintains the existing institutional framework for the management of EU funds and continues preparations for Chapter 22 without introducing significant institutional reforms. Existing institutions involved in the management of IPA assistance, including the Ministry of Finance, the CFCU, and other competent bodies, would retain their current roles and responsibilities. Capacity building efforts would continue through existing training programs, technical assistance projects, and organizational development plans. The option would also allow Montenegro to continue activities related to the preparation of the SPD and the NRPP within the existing governance framework.

The rationale behind this option is that the current IPA management system has enabled Montenegro to establish a functioning institutional framework and accumulate valuable experience in managing EU pre-accession assistance. Maintaining the existing arrangements would minimize administrative disruption and avoid the financial and organizational costs associated with institutional restructuring, and would allow preparations for EU accession to continue without significant organizational changes. From a short-term perspective, this represents the least resource-intensive and politically least demanding option.

However, this option assumes that the existing institutional framework can gradually evolve to meet the considerably more demanding requirements of EU Structural and Cohesion Funds. The findings presented throughout this paper suggest that this assumption may be overly optimistic. While the current system has proven adequate for managing IPA assistance, it was designed for a significantly smaller volume of funding, less complex implementation arrangements, and lower administrative demands than those associated with Cohesion Policy.

Consequently, maintaining the current institutional framework would leave several of the key challenges identified in this analysis largely unaddressed. Institutional instability, staff turnover, uneven administrative capacity, and fragmented project preparation mechanisms would continue to affect the system. Although ongoing capacity building initiatives could partially mitigate these weaknesses, they would not fundamentally resolve the structural constraints limiting Montenegro's long-term preparedness for managing EU Structural and Cohesion Funds.

As a result, maintaining the status quo would provide stability in the short term but would carry the risk that Montenegro would enter the post-accession period without the institutional and administrative capacities necessary for the effective absorption of Cohesion Policy resources, because this option focuses on preserving the existing system rather than addressing the institutional and administrative challenges identified throughout this paper.

4.3 POLICY OPTION 2: STRENGTHENING ADMINISTRATIVE CAPACITY WITHIN EXISTING STRUCTURES

This policy option seeks to strengthen Montenegro's preparedness for the management of EU Structural and Cohesion Funds by improving the performance of the existing institutional framework rather than introducing major institutional reforms. It assumes that the principal constraints identified in this paper relate primarily to administrative capacity rather than institutional design. Consequently, the focus is placed on enhancing the effectiveness of existing institutions through targeted investment in human resources, specialized competencies, and organizational development, while preserving the current governance structure.

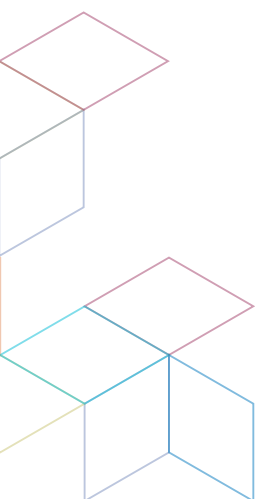
The rationale behind this option is that many of the challenges identified throughout this paper are directly linked to administrative capacity constraints rather than to the formal allocation of institutional responsibilities. The survey findings indicate concerns regarding staffing levels, staff turnover, and the need for additional specialized knowledge related to Cohesion Policy implementation. Addressing these challenges would strengthen the operational capacity of the existing management system while preserving the institutional knowledge and implementation experience accumulated through years of IPA assistance.

The implementation of this option would focus on three complementary areas. First, it would strengthen human resource capacity through targeted recruitment in key institutions involved in the management of EU funds, while introducing measures aimed at improving staff retention, succession planning, and career development for experienced personnel. Second, it would support the development of specialized competencies through comprehensive training programs focused on Cohesion Policy, including project appraisal, program management, financial management, monitoring and evaluation, public procurement, audit, and control. Particular emphasis would be placed on practical learning, mentoring arrangements, and knowledge exchange with EU Member States. Third, it would promote stronger organizational development by improving internal procedures, knowledge management systems, digital tools, and coordination mechanisms across institutions involved in EU funds management.

Successful implementation of this option would also require the preparation of comprehensive human resource development plans for institutions responsible for managing EU funds. These plans should extend beyond recruitment targets and include competency frameworks, continuous professional development, knowledge retention mechanisms, and performance management systems capable of supporting long-term administrative resilience. Such measures would contribute to building a more professional and sustainable public administration capable of responding to the increasing complexity of EU Structural and Cohesion Funds.

A key advantage of this option is that it builds upon institutional structures that are already operational, thereby avoiding the organizational disruption and legislative changes associated with creating new institutions. It represents a comparatively cost-effective and politically feasible approach, allowing Montenegro to strengthen administrative performance gradually while continuing preparations under Chapter 22. Furthermore, investments in administrative capacity would generate benefits not only for the management of EU Structural and Cohesion Funds but also for the remaining period of IPA implementation and for the broader process of public administration reform.

However, while improving human resources would address some of the most significant weaknesses identified in the analysis, this option would not fundamentally change the institutional framework itself. As a result, challenges related to institutional continuity, organizational fragmentation, and long-term project pipeline management would remain only partially addressed. The analysis presented in this paper suggests that several of Montenegro's



future challenges extend beyond administrative capacity alone and relate to broader questions of institutional stability and governance. Consequently, strengthening staff capacities without addressing these structural issues may improve operational performance but is unlikely to fully resolve the long-term constraints affecting Montenegro's future absorption capacity.

This option represents a realistic, incremental, and comparatively low-risk approach to strengthening Montenegro's preparedness for Cohesion Policy implementation. It significantly improves the performance of the existing management system through investment in people, knowledge, and organizational development. Nevertheless, because it focuses on strengthening institutional performance rather than institutional design, its ability to address the full range of challenges identified in this paper remains only partial.

4.4 POLICY OPTION 3: ESTABLISHING AN AUTONOMOUS CONTRACTING AGENCY AND A SINGLE PROJECT PIPELINE

This policy option proposes a comprehensive approach to strengthening Montenegro's preparedness for the management of EU Structural and Cohesion Funds by combining institutional reform with enhanced project preparation. It is based on the premise that the challenges identified throughout this paper extend beyond administrative capacity alone and require a more resilient institutional framework capable of ensuring continuity, preserving specialized expertise, and supporting the long-term implementation of Cohesion Policy. Consequently, this option proposes the establishment of an autonomous contracting agency responsible for financial management, contracting, and implementation support for EU-funded programs and projects, complemented by the development of a national Single Project Pipeline.

The rationale for establishing an autonomous contracting agency is not to create an additional administrative layer but to separate operational implementation from political and organizational changes. A specialized operational agency would provide greater institutional continuity, preserve accumulated expertise, and create a professional environment capable of supporting increasingly complex financial management, procurement, and implementation responsibilities throughout successive programming periods.

Under this model, strategic planning, programming, and policy coordination functions would remain within the competent ministries and future managing authorities, while the autonomous agency would assume operational responsibilities related to contracting, financial management, implementation support, monitoring, and selected control functions. Such a division of responsibilities would strengthen institutional accountability, facilitate the accumulation of specialized expertise, and reduce the impact of political and organizational changes on the day-to-day implementation of EU-funded programs.

The second pillar of this option is the establishment of a national Single Project Pipeline. Montenegro has already initiated preparations for Cohesion Policy through the development of the SPD and the NRPP, which will define strategic priorities and investment needs. However, successful implementation of these priorities will ultimately depend on the availability of mature and well-prepared projects. The proposed Single Project Pipeline would provide a structured mechanism for identifying, assessing, prioritizing, and monitoring strategic investment projects, ensuring that future funding opportunities are matched with projects that are technically, financially, and administratively ready for implementation. In this way, the pipeline would serve as the operational link between strategic planning and the effective absorption of EU Structural and Cohesion Funds.

The autonomous agency and the national Single Project Pipeline should therefore be understood as complementary components of a single reform package rather than as separate initiatives. While the agency would strengthen Montenegro's institutional capacity to implement EU-funded programs, the project pipeline would ensure the continuous availability of mature investment projects capable of absorbing available financial resources. Together, these reforms address both the institutional capacity to deliver projects and the availability of projects ready for implementation.

Importantly, this option builds upon reforms that are already underway through the Chapter 22 closing benchmark process rather than introducing an entirely separate reform agenda. The preparation of the SPD, the future NRPP, and the organizational development strategies required under Closing Benchmark 5 already provide an important foundation for strengthening Montenegro's management system. The proposed institutional reforms would complement these ongoing activities by creating a stable operational structure capable of supporting their long-term implementation.

The findings of the capacity-mapping questionnaire further reinforce the relevance of this option. Respondents consistently identified institutional continuity, staff retention, and project maturity among the most significant challenges for Cohesion Policy implementation, while expressing strong support for greater operational autonomy of institutions involved in EU funds management. These findings suggest that the proposed reforms respond to lessons derived from comparative experience as well as to needs recognized by practitioners directly involved in Montenegro's current IPA management system.

The principal advantage of this option lies in its comprehensive nature. Unlike the previous options, it simultaneously addresses the three strategic challenges identified throughout the analysis: institutional stability, administrative capacity, and project readiness. By combining institutional reform with long-term capacity development and structured investment planning, it creates conditions for stronger administrative performance, greater institutional continuity, and improved absorption capacity. Furthermore, the proposed approach builds upon existing preparations under Chapter 22 rather than replacing them, thereby ensuring continuity while strengthening the overall governance framework.

This option represents the most ambitious reform alternative. Successful implementation would require strong political commitment, legislative amendments, additional financial resources, and a carefully phased implementation process. Particular attention would be required to ensure a clear allocation of responsibilities between ministries, future managing authorities, and the autonomous agency, avoiding duplication of functions while maintaining effective coordination across the management and control system. Additional investment would also be necessary to recruit and retain specialized staff, develop operational procedures, and establish governance arrangements capable of supporting the agency's long-term functioning.

By combining institutional reform with sustained investment in administrative capacity and structured project preparation, this option establishes the foundations for a resilient management system capable of supporting the effective implementation and absorption of EU Structural and Cohesion Funds following Montenegro's accession to the EU.



4.5 EVALUATION OF POLICY OPTIONS

The comparative assessment evaluates the three policy options against the established evaluation criteria. As shown in Tables 1 and 2, each policy option addresses different aspects of Montenegro's preparedness for managing EU Structural and Cohesion Funds and reflects a different level of institutional ambition.

Table 1: Evaluation of policy options against the evaluation criteria

Evaluation Criteria	Option 1: Maintaining the Existing Institutional Framework (Status Quo)	Option 2: Strengthening Administrative Capacity within Existing Structures	Option 3: Establishing an Autonomous Contracting Agency and a Single Project Pipeline
Institutional stability and continuity	Low: Existing fragmentation and exposure to organizational changes remain	Moderate: Improved internal capacities, but institutional vulnerabilities persist	Strong: A dedicated autonomous structure provides continuity, stability, and the preservation of institutional knowledge
Alignment with EU Cohesion Policy requirements	Moderate: The current system remains aligned with IPA requirements but may face challenges under Cohesion Policy	Strong: Further alignment is achieved through targeted reforms and capacity development	Very strong: The institutional model closely reflects practices applied in several Member States managing Cohesion Funds
Administrative effectiveness	Low to Moderate: Existing capacity constraints and workload pressures remain	Strong: Additional recruitment, training, and coordination mechanisms improve performance	Very strong: A specialized institution concentrates expertise and strengthens operational efficiency
Project preparation and readiness	Low: Project preparation remains fragmented and largely reactive	Moderate: Improved capacities may support project preparation, but no dedicated mechanism is established	Strong: A structured Single Project Pipeline enables systematic identification and preparation of mature projects
Accountability and transparency	Moderate: Existing control mechanisms remain in place but institutional complexity may reduce transparency	Strong: Enhanced procedures and capacity building improve accountability	Strong: Clear institutional responsibilities and specialized procedures support transparency and oversight
Financial and administrative implications	Low cost: No significant additional resources required	Moderate cost: Requires recruitment, training, and organizational adjustments	Moderate cost: Requires the establishment of a new institution and additional financial resources
Political and institutional feasibility	Strong: Requires no institutional reform	Strong: Limited institutional changes are required	Moderate: Requires political commitment and legislative changes
Sustainability	Low: Does not adequately address long-term challenges related to Cohesion Policy implementation	Moderate to strong: Improves existing capacities but remains dependent on current institutional arrangements	Strong: Provides a long-term institutional framework capable of supporting the management of EU Structural and Cohesion Funds

Table 2: Comparative scoring of policy options against the evaluation criteria

Criteria	01	02	03
Institutional stability	2	3	5
EU alignment	3	4	5
Administrative effectiveness	2	4	5
Project readiness	2	3	5
Accountability & transparency	3	4	5
Financial and administrative implications	5	4	2
Political and institutional feasibility	5	4	2
Sustainability	2	4	5
TOTAL	24	30	34

Note: Scores range from 1 (least favorable) to 5 (most favorable).

Policy Option 1 represents the least disruptive and least resource-intensive approach. By maintaining the existing institutional framework, it allows Montenegro to continue preparations under Chapter 22 while avoiding significant organizational or legislative changes. However, the analysis presented throughout this paper indicates that the current system was primarily developed for the management of IPA assistance and is unlikely to fully meet the substantially greater administrative and operational demands associated with EU Structural and Cohesion Funds. Consequently, while this option provides short-term stability, it does not adequately address the structural challenges related to institutional continuity, staff retention, or project readiness.

Policy Option 2 represents an incremental reform approach focused on strengthening the performance of existing institutions through investment in human resources, specialized competencies, and organizational development. Compared with the status quo, this option would substantially improve administrative capacity while preserving the institutional knowledge accumulated through IPA implementation. It also represents a comparatively feasible and cost-effective approach, requiring limited organizational change. Nevertheless, because it does not fundamentally modify the existing governance framework, challenges related to institutional fragmentation, continuity, and strategic project preparation would remain only partially addressed.

Policy Option 3 provides the most comprehensive response to the challenges identified throughout the analysis. Unlike the previous options, it combines institutional reform with continued investment in administrative capacity and the establishment of a national Single Project Pipeline. This integrated approach simultaneously addresses the three key dimensions examined in this paper: institutional stability, administrative capacity, and project readiness. Although implementation would require greater political commitment, legislative amendments, and additional financial resources, these requirements should be viewed as long-term investments in Montenegro's capacity to manage significantly larger volumes of EU funding following accession.

Finally, the evaluation suggests that no single measure is sufficient to ensure Montenegro's preparedness for Cohesion Policy implementation. While Policy Option 2 contains several important measures that should be implemented regardless of the institutional model ultimately selected, Policy Option 3 provides the strongest strategic framework because it combines structural reform with continued administrative capacity development and systematic project preparation. Rather than replacing the measures proposed under Policy Option 2, it builds upon them and integrates them into a more resilient and sustainable institutional model.



MY NOTES

5 RECOMMENDED POLICY OPTION – OPTION 3

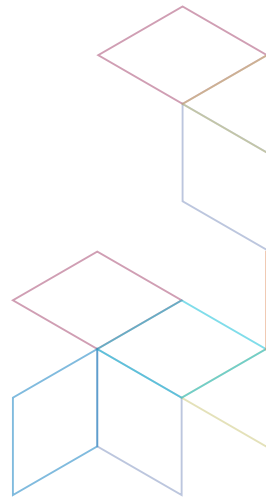
Based on the analytical assessment, comparative review of EU Member States, and findings of the capacity-mapping questionnaire and internal survey, this paper recommends Policy Option 3 as the most appropriate institutional model for preparing Montenegro to manage EU Structural and Cohesion Funds. The recommended approach combines three mutually reinforcing components: (i) the establishment of an autonomous contracting agency responsible for the operational implementation of EU-funded programs; (ii) a comprehensive framework for strengthening administrative capacity through recruitment, professional development, and staff retention; and (iii) the establishment of a national Single Project Pipeline to ensure the systematic preparation of mature investment projects. Together, these reforms provide the most comprehensive response to the institutional, administrative, and project preparation challenges identified throughout this analysis.

The recommendation is based on the finding that, although Montenegro has established a functional management system for IPA assistance, the management of EU Structural and Cohesion Funds will require substantially greater institutional continuity, specialized administrative expertise, and project readiness than the current framework was designed to provide. Comparative experience from Croatia, Lithuania, and Poland demonstrates that successful absorption depends not only on compliance with EU regulatory requirements but also on stable institutional arrangements, professional human resources, and a continuous pipeline of mature investment projects.

The proposed autonomous contracting agency would assume responsibility for contracting, financial management, and implementation support of EU-funded programs and projects. Its primary purpose would not be to create an additional administrative layer but to provide operational continuity, preserve institutional knowledge, and concentrate specialized expertise within a professional implementation structure capable of functioning independently of frequent organizational changes. Strategic planning, programming, and policy coordination would remain within the competent ministries and future managing authorities, while operational implementation functions would be entrusted to the agency, ensuring a clearer division of responsibilities and greater institutional resilience.

Importantly, discussions on the possible establishment of such an agency have already been initiated within the framework of Montenegro's preparations for Chapter 22 – Coordination of Structural Instruments. This demonstrates that the proposed reform builds upon ongoing institutional developments rather than introducing an entirely new reform agenda. Should the establishment of the agency be formally initiated, particular attention should be given to ensuring a gradual transfer of responsibilities, the preservation of institutional memory, and the uninterrupted implementation of ongoing IPA programs.

Institutional reform should be accompanied by a comprehensive human resource development framework covering all institutions involved in EU funds management. The findings of the capacity-mapping questionnaire clearly indicate that staff turnover, insufficient staffing levels, and the loss of institutional knowledge represent some of the most significant risks for Cohesion Policy implementation. Given the expected increase in administrative complexity and the opening of the EU labor market following accession, retaining experienced staff should become a strategic priority. The proposed framework should therefore include targeted recruitment, structured career development, competency frameworks, continuous professional development, performance-based incentives, and remuneration mechanisms reflecting the complexity and responsibility associated with managing EU funds. Together, these measures would strengthen institutional continuity, improve administrative performance, and preserve specialized expertise across successive programming periods.



Continuous investment in professional development should complement these measures. A structured training and certification program should be introduced for officials involved in the management, implementation, financial control, and audit of EU-funded programs. The program should combine introductory training for newly recruited staff with continuous professional development for experienced officials and include specialized modules covering program management, financial management, public procurement, state aid, monitoring and evaluation, and audit and control systems. Practical learning, mentoring arrangements, and exchanges with EU Member States should form an integral part of this approach.

The third component of the recommended reform is the establishment of a national Single Project Pipeline. Strong institutions and qualified administrative staff alone cannot ensure successful absorption of EU Structural and Cohesion Funds unless they are supported by a continuous portfolio of mature investment projects. International experience consistently demonstrates that countries with structured project preparation systems achieve higher absorption rates, reduce implementation delays, and are better positioned to respond to funding opportunities throughout the programming period.

The national Single Project Pipeline should therefore function as a strategic governance instrument rather than merely a database of projects. It should provide a systematic mechanism for identifying, assessing, prioritizing, and monitoring strategic investment projects aligned with national development priorities and Cohesion Policy objectives. Building upon the ongoing preparation of the SPD and the NRPP for 2028–2034, the pipeline should ensure that strategic priorities are translated into technically mature, financially viable, and implementation-ready projects before funding opportunities become available.

Particular attention should be devoted to ensuring that projects included in the pipeline are supported by adequate technical documentation, feasibility studies, cost-benefit analyses, environmental assessments, land ownership documentation, procurement planning, and financial sustainability assessments. Such an approach would significantly reduce implementation delays, improve project quality, and strengthen Montenegro's long-term absorption capacity.

The 2028–2034 MFF further reinforces the importance of early project preparation. As EU funding is programmed within multiannual financial cycles, countries must possess mature investment projects well before financial resources become available. In this context, the preparation of the SPD and the NRPP should be viewed not only as obligations arising from Chapter 22 preparations but also as strategic instruments for positioning Montenegro to maximize Cohesion Policy funding. Stronger links should therefore be established between strategic planning, public investment management, and medium-term budget planning to ensure that national development priorities are systematically translated into mature projects and adequately financed.

Implementation of the proposed reform should build upon existing institutional structures, technical assistance projects, and preparatory activities already underway within the Chapter 22 process. A phased approach would allow Montenegro to gradually establish the legal and institutional framework for the autonomous agency, strengthen administrative capacity, develop the national Single Project Pipeline, and progressively transfer operational responsibilities prior to accession, thereby minimizing implementation risks and ensuring continuity of ongoing IPA programs.

Ultimately, the recommended reform should be understood as an investment in Montenegro's long-term administrative capacity rather than merely an institutional reorganization. By combining institutional continuity, professional administrative expertise, and systematic project preparation

within a single integrated framework, Montenegro would significantly strengthen its ability to effectively manage and absorb EU Structural and Cohesion Funds. Successful implementation of this reform would reduce the risks associated with institutional fragmentation, staff turnover, and insufficient project maturity while creating the conditions necessary for the transparent, efficient, and strategic use of EU resources, thereby supporting Montenegro's long-term economic and social development following accession to the EU.

5.1 FINANCIAL IMPLICATIONS OF THE RECOMMENDED REFORM

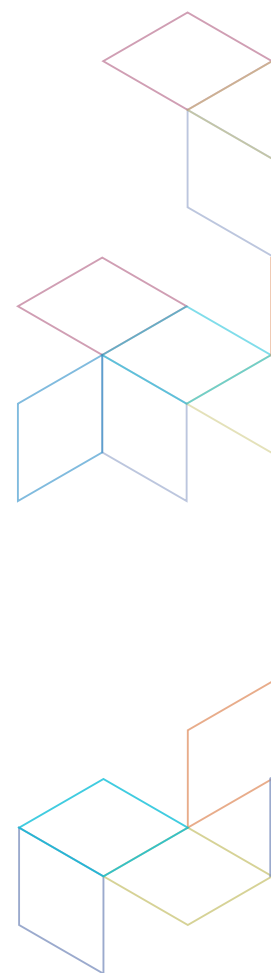
The financial implications of the three policy options differ significantly. Option 1 would require minimal additional expenditure, as it relies on the continuation of existing institutional arrangements, ongoing training activities, and technical assistance already planned under IPA and Chapter 22 support, with no need for new institutional structures or additional operating costs. Option 2 would require moderate additional investment, mainly related to the recruitment of additional staff, increases in staff remuneration to improve retention and reduce turnover, specialized training, mentoring and peer learning activities, human resource development measures, and the introduction of knowledge management tools. Based on indicative assumptions, the annual cost of Option 2 is estimated at approximately €0.7–0.9 million, depending on the scale of capacity building activities and staffing increases.

Option 3 would require the highest level of financial investment, as it combines the establishment of an autonomous contracting agency with the development of a national Single Project Pipeline. Based on preliminary budget estimates for the proposed agency, annual operating costs are expected to range between approximately €1.77 million and €1.91 million, primarily driven by staff remuneration (including competitive salary levels to attract and retain specialized personnel), office accommodation, IT systems, training and professional development, and other operational expenditures required for effective implementation of EU-funded programs.²⁸ In addition, Option 3 entails one-off and system-related costs associated with the legal and organizational establishment of the agency and the design and implementation of the Single Project Pipeline, including the development of its methodological framework and supporting tools. While these costs cannot be precisely quantified at this stage, they represent a necessary investment in building a structured and pipeline-based approach to project preparation.

Importantly, a significant share of the costs across all three options could be cofinanced through existing EU support instruments, including IPA III technical assistance, sectoral programs, and other EU-funded capacity building initiatives available during the pre-accession period. This applies in particular to training activities, institutional development, system design, and parts of the preparatory work for the Single Project Pipeline.

Although Option 3 is the most resource-intensive alternative, these costs should be assessed in relation to its structural advantages and long-term benefits. In particular, the proposed model addresses two key constraints identified in this analysis: the fragmentation of implementation functions and the absence of a systematic mechanism for developing mature investment projects. When compared with the scale of EU Cohesion Policy funding expected after accession, even the higher administrative investment remains proportionally limited and is likely to significantly reduce the risks of weak absorption, implementation delays, and financial corrections. From this perspective, Option 3 represents the most cost-effective solution in terms of overall system performance rather than simply the least costly institutional arrangement.

²⁸ The cost estimates presented are the author's own indicative estimates.



5.2 IMPLEMENTATION OF THE PROPOSED REFORM

The recommended reform is intended to be implemented through a phased approach, as outlined in Table 3.

Table 3: Indicative implementation roadmap for the proposed reform

Period	Key Activities
2026 Strategic and Institutional Preparation	Finalize the Strategic Planning Document and advance preparation of the National Regional Partnership Plan for 2028–2034. Prepare the legal and institutional concept for establishing the autonomous contracting agency, including functional analysis, governance arrangements, and the allocation of responsibilities. Develop the methodology for the national Single Project Pipeline (SPP), including project selection criteria, project maturity assessment, and prioritization methodology. Complete organizational development plans and human resource needs assessments for institutions involved in EU funds management.
2027 Establishment of the Institutional Framework	Adopt the legal framework establishing the autonomous contracting agency and define its relationship with the managing authorities and other institutions. Establish the organizational structure of the agency and recruit key management and technical staff. Introduce a comprehensive human resource development framework, including retention measures, competency frameworks, career development pathways, and remuneration mechanisms. Launch a structured training and certification program covering Cohesion Policy, financial management, procurement, state aid, monitoring and evaluation, and audit and control systems. Operationalize the national Single Project Pipeline and begin the systematic identification and prioritization of strategic investment projects.
2027–2028 Operational Transition and Capacity Building	Gradually transfer operational functions related to contracting, financial management, and implementation support to the autonomous agency while ensuring the uninterrupted implementation of ongoing IPA programs. Expand the recruitment of specialized staff and continue advanced professional development through mentoring, peer learning, and exchanges with EU Member States. Populate the national Single Project Pipeline with mature projects supported by feasibility studies, cost-benefit analyses, environmental assessments, technical documentation, and financial planning. Strengthen coordination between strategic planning, public investment management, and medium-term budget planning to ensure alignment between national priorities and Cohesion Policy investments.
By accession (2028)	Achieve a fully operational institutional framework for the management of EU Structural and Cohesion Funds, including a functioning autonomous contracting agency, trained and certified administrative staff, an operational national Single Project Pipeline, and clearly defined governance arrangements. Ensure that the project portfolio is sufficiently mature to support the immediate programming and implementation of Cohesion Policy resources. Establish effective coordination between strategic planning, budgeting, and investment management systems, creating the conditions for the efficient absorption of EU funds from the first years of membership.

6 CONCLUSION

This policy paper demonstrates that Montenegro has established an important institutional foundation for managing EU financial assistance through more than two decades of IPA implementation. Existing institutions have accumulated valuable practical experience in programming, contracting, financial management, monitoring, and control, while the ongoing preparations under Chapter 22 – Regional Policy and Coordination of Structural Instruments provide a solid basis for the transition to EU Cohesion Policy. However, the analysis also demonstrates that the current management system was designed primarily to administer pre-accession assistance and is not yet fully equipped to respond to the significantly greater scale, complexity, and long-term requirements associated with the management of EU Structural and Cohesion Funds.

The analysis identified three interrelated challenges that will determine Montenegro's future absorption capacity. The first relates to institutional stability. Frequent organizational restructuring, the redistribution of responsibilities, and changes in governance arrangements weaken institutional continuity, disrupt administrative processes, and reduce the ability of institutions to accumulate and preserve specialized expertise. While such challenges have remained manageable under the IPA framework, they will become substantially more significant under Cohesion Policy, where implementation extends over successive multiannual programming periods and requires stable institutional arrangements capable of ensuring continuity regardless of political or organizational changes.

The second challenge concerns administrative capacity. The management of EU Structural and Cohesion Funds requires highly specialized knowledge, experienced personnel, and strong organizational learning. Although Montenegro has developed a competent administrative base through IPA implementation, survey findings and institutional assessments indicate that staffing levels, staff turnover, and the preservation of institutional knowledge remain among the most significant risks for Cohesion Policy implementation. Strengthening administrative capacity should therefore extend beyond recruitment and training to include long-term career development, professionalization, knowledge management, and staff retention mechanisms capable of preserving expertise throughout successive programming periods.

The third challenge relates to project readiness. Strong institutions and qualified administrative staff alone cannot ensure effective absorption of EU funds without a continuous portfolio of mature investment projects. The analysis demonstrates that Montenegro's current project preparation system remains fragmented and largely driven by individual funding opportunities rather than systematic strategic investment planning. Comparative experience from EU Member States consistently shows that countries with structured project preparation mechanisms and mature project pipelines achieve higher absorption rates, reduce implementation delays, and are better positioned to use available EU resources from the beginning of each programming period.

These findings are reinforced by the comparative analysis of Croatia, Lithuania, and Poland, despite their different institutional arrangements for managing Cohesion Policy. Although these countries adopted different governance models, they share several common characteristics: stable institutional responsibilities, continuous investment in administrative capacity, clearly defined coordination mechanisms, and systematic approaches to project preparation. The capacity-mapping questionnaire conducted among institutions involved in IPA management further confirms these conclusions. Respondents consistently identified institutional continuity, administrative capacity, and project maturity as the principal factors influencing Montenegro's readiness for Cohesion Policy implementation, while expressing broad support for strengthening institutional autonomy and establishing more structured mechanisms for project preparation.



Based on this analysis, the paper concludes that Policy Option 3 provides the most comprehensive and sustainable response to the challenges identified. The recommended approach combines three mutually reinforcing components. First, the establishment of an autonomous contracting agency would strengthen institutional continuity, preserve specialized expertise, and provide a stable operational environment for the implementation of EU-funded programs. Second, a comprehensive human resource development framework would strengthen recruitment, professional development, knowledge management, and staff retention across institutions responsible for EU funds management. Third, the establishment of a national Single Project Pipeline would introduce a structured mechanism for identifying, prioritizing, and preparing mature investment projects aligned with national development priorities and Cohesion Policy objectives. Together, these measures address the three fundamental dimensions of preparedness identified throughout the paper: institutional stability, administrative capacity, and project readiness.

Importantly, the recommended reform should not be understood as the creation of new institutions for their own sake. Rather, it represents a strategic investment in Montenegro's long-term administrative capacity to manage increasingly complex EU development policies. The proposed institutional model builds upon reforms already underway through the Chapter 22 preparation process, including the preparation of the Strategic Planning Document, the National Regional Partnership Plan, and organizational development planning. It therefore complements ongoing accession preparations while providing a coherent institutional framework capable of supporting the implementation of Cohesion Policy following EU membership.

Successful implementation of the proposed reform will require strong political commitment, effective interinstitutional coordination, and sustained investment in administrative capacity over the coming years. The implementation roadmap presented in this paper demonstrates that these reforms can be introduced gradually, allowing sufficient time to establish the legal and institutional framework, strengthen professional capacities, and develop a portfolio of mature investment projects before accession. Such a phased approach would minimize implementation risks while preserving the continuity of ongoing IPA programs and existing institutional knowledge.

Ultimately, Montenegro's readiness for EU Cohesion Policy will not be determined solely by the formal transposition of the EU acquis or the fulfillment of accession benchmarks. It will depend on the country's ability to build stable institutions, retain specialized administrative expertise, and systematically prepare strategic investments capable of delivering tangible development results. Strengthening these foundations is essential for ensuring the effective absorption of EU Structural and Cohesion Funds as well as for maximizing the long-term economic, social, and territorial benefits of EU membership.

Montenegro still has a unique window of opportunity before accession to establish the institutional architecture required for effective Cohesion Policy implementation. The reforms proposed in this paper should therefore be viewed not merely as preparations for accession but as a long-term investment in the quality, resilience, and effectiveness of Montenegro's public administration and its capacity to translate EU financial support into sustainable national development.

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MY NOTES

REDUCING YOUTH EMIGRATION IN THE EASTERN REGION OF NORTH MACEDONIA THROUGH EU-ALIGNED MEASURES

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She is a certified workplace coach and co-author of several ISBN-registered publications in the field of public sector capacity development.

INTRODUCTION

North Macedonia continues to face significant demographic and socioeconomic challenges as it advances along its path toward EU integration. Among the most pressing of these is the sustained emigration of young and highly educated citizens, particularly from less economically developed regions of the country. Youth emigration has evolved into a structural issue with profound implications for economic development, labor market sustainability, and the overall capacity of the state to implement reforms aligned with EU standards. The Eastern Region of North Macedonia represents one of the country's most severely affected areas, experiencing rapid population decline, labor shortages, and a weakening local economy.

The departure of young professionals and skilled workers from the Eastern Region is driven by a complex combination of economic, institutional, and social factors. Limited employment opportunities, insufficient support for entrepreneurship, skills mismatches between education systems and labor market needs, and perceptions of weak governance and limited career prospects all contribute to the decision of young people to seek opportunities abroad. While remittances from emigrants provide short-term financial relief to households, they cannot compensate for the long-term loss of human capital, innovation potential, and entrepreneurial capacity that emigration generates.

The consequences of this trend are particularly visible in the Eastern Region. A shrinking working-age population has already begun to undermine the capacity of the local economy to attract investment, sustain public services, and maintain economic growth. Businesses report difficulties in finding qualified workers, while the education system faces declining enrollment and the closure or consolidation of schools in smaller municipalities. At the same time, an aging population and depopulated rural settlements further exacerbate regional disparities and weaken the social and economic fabric of local communities. These developments create a self-reinforcing cycle in which economic stagnation and limited opportunities accelerate further emigration.

Beyond its regional economic implications, youth emigration also has important consequences for North Macedonia's broader process of EU integration. The EU places strong emphasis on balanced regional development, social cohesion, and the capacity of candidate countries to maintain a competitive and innovative economy. Persistent demographic decline, particularly in peripheral regions, reduces the human capital that is needed to implement reforms, absorb EU funds, and sustain long-term economic convergence with EU Member States. Addressing demographic challenges and strengthening regional development frameworks is therefore not only a national socioeconomic priority but also an important component of the country's accession trajectory.

Against this backdrop, this policy paper examines the drivers and consequences of youth emigration from the Eastern Region of North Macedonia and explores policy options aimed at reversing or mitigating this trend. The analysis focuses on several key structural factors contributing to emigration, including weaknesses in the business environment, labor market inefficiencies, governance challenges, and gaps in the education system. These factors are evaluated through a policy framework designed to assess how different interventions could improve employment prospects, strengthen local institutions, and enhance the overall attractiveness of the region for young professionals.

Building on comparative experiences from other Western Balkan countries and relevant EU policy frameworks, the paper proposes a set of targeted and realistic policy measures that can contribute to retaining young talent and revitalizing regional economic development.

This policy paper draws extensively on statistical data, documentary sources, and information obtained through interviews. The artificial intelligence (AI) tool was used for language editing and reformulation.

1 PROBLEM DESCRIPTION

North Macedonia is facing a critical outflow of young and early-career individuals, with an increasing number of citizens aged 15 to 35 emigrating in pursuit of better employment prospects, higher living standards, and more transparent governance. This trend has become one of the most pressing socioeconomic challenges for the country, leading to a shrinking labor force, loss of skilled professionals, and weak capacity for innovation.

Brain drain not only deepens existing gaps in public services, healthcare, education, and the private sector, but also undermines the country's long-term competitiveness and resilience. Sustainable development, institutional capacity, and alignment with EU standards all depend heavily on the retention of educated, engaged, and capable youth. A continued failure to address youth emigration weakens the country's ability to meet EU benchmarks, implement reforms, and demonstrate readiness for integration. As such, retaining young talent through a coherent, EU-aligned youth and innovation policy is a national priority as well as a strategic imperative for advancing toward EU membership.

Therefore, the central policy question addressed in this paper is: What policy interventions are required to reverse the persistent emigration of skilled youth from North Macedonia's Eastern Region and address its negative impact on the economy and the EU integration process?

1.1 LOCATING THE PROBLEM – EASTERN REGION OF NORTH MACEDONIA

The Eastern Region covers the basin of the Bregalnica River, accounting for approximately 14% of the country's territory, with an area of 3,537 km². This statistical region comprises 11 municipalities: Berovo, Vinica, Delchevo, Zrnovci, Karbinci, Kochani, Makedonska Kamenica, Pehchevo, Probištip, Cheshinovo-Obleshevo, and Štip. It has 217 populated areas, 209 of which are rural settlements. The region borders Bulgaria to the east, with a border crossing at Delchevo. There are also plans to open border crossings at Klepalo, Ajdutchka Cheshma, and Crna Skala; yet this is a slow process which hinders the potential for cross-border economic cooperation. With 181,858 inhabitants, the region is losing population four times faster than North Macedonia as a whole (Center for Development of the Eastern Planning Region, 2024). The Center for Development of the Eastern Planning Region (CDEPR) is the institution responsible for coordinating and promoting the region's development. The region's population density is 51 residents per km². Because of ongoing emigration, villages are emptying. Many have shrunk to fewer than 100 inhabitants and have a rapidly aging population.

This is not happening only in the villages – the problem has become so serious that it is also affecting towns in the Eastern Region. Between the censuses of 2001 and 2021, the CDEPR identified a population decline of more than 30% in some municipalities, such as the city of Pehchevo. As a result, the region is facing a shortage of qualified personnel needed in everyday life, including medical staff, craftsmen, IT specialists, economists, and lawyers.

All of this negatively affects the local economy, as new factories and companies are not being opened due to the lack of skilled workers. Hospitals are facing serious challenges in hiring and retaining medical staff, which further undermines the country's long-term competitiveness and resilience. This leads to lower competitiveness in the labor market, which is one of the main reasons why young people choose to seek their future elsewhere. Most often, they migrate to foreign countries, where their work is more valued and where there are greater opportunities for professional advancement.

The emigration of young people from the Eastern Region of North Macedonia has significant economic consequences, particularly through labor shortages that constrain business growth and competitiveness. In the long term, these trends contribute to an aging population and reduced attractiveness for investment, reinforcing economic stagnation.

This dynamic also affects the country's EU integration process, as demographic decline makes it more difficult to meet key requirements related to regional development, labor market sustainability, and social cohesion – essential conditions for building a competitive and inclusive economy aligned with EU standards.

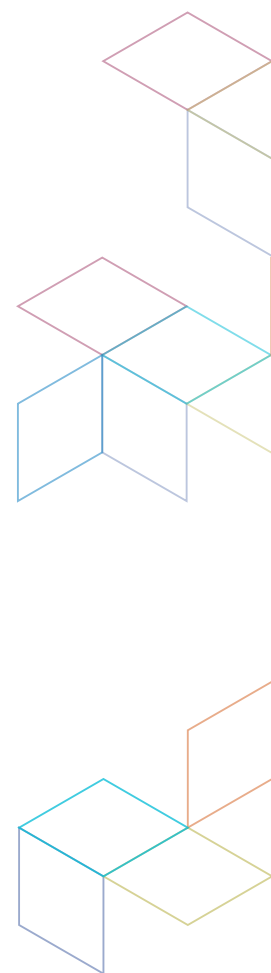
Significant parameters reflecting the demographic situation in the Eastern Region include (Center for Development of the Eastern Planning Region, 2024):

- It is one of the country's most sparsely populated regions, with an average population density of 42.2 inhabitants per km².
- The average household size is 3.1 members, which is the lowest among all regions.
- The population has decreased from 176,877 in 2016 to 150,234 in 2024, representing a significant decline of 15.06%. During the same period, the share of the region's population in the total state population fell from 8.54% to 8.18%.
- The percentage of the population aged 0–19 years is 18.75%, which is significantly lower than the national average of 20.3% (2021).
- The percentage of the population aged over 65 years is 21.02%, which is significantly higher than the national average of 17.75% (2021).
- The average age of the population is 41.7 years (2021), compared to the national average of 40.08 years.

Emigration from the region is primarily driven by limited economic opportunities, underdeveloped infrastructure, and disparities in quality of life. According to the Director of the CDEPR, Mr. Trajce Zdravkov, a dedicated anti-emigration plan does not currently exist. Strategic initiatives within the region are designed to indirectly curb emigration by improving the local socioeconomic environment.

The CDEPR has developed several strategic plans aimed at promoting regional development. While these plans do not directly focus on halting emigration, they aim to improve economic conditions, infrastructure, and quality of life, which can indirectly reduce the push factors leading to migration. Some of the key strategies are:

- Tourism Development Strategy (2016–2025)
- Programs for Development of the East Planning Region (2015–2019), which addresses the improvement of infrastructure and public services
- Promotion of sustainable agriculture and rural development
- Feasibility studies for local development projects, including the development of tourism and the utilization of local natural resources for energy production



1.2 NATIONAL AND WESTERN BALKAN PERSPECTIVES

High emigration rates are a challenge across North Macedonia and the Western Balkans. They lead to shortages of skilled labor and affect firm creation, capital formation, and economic growth.

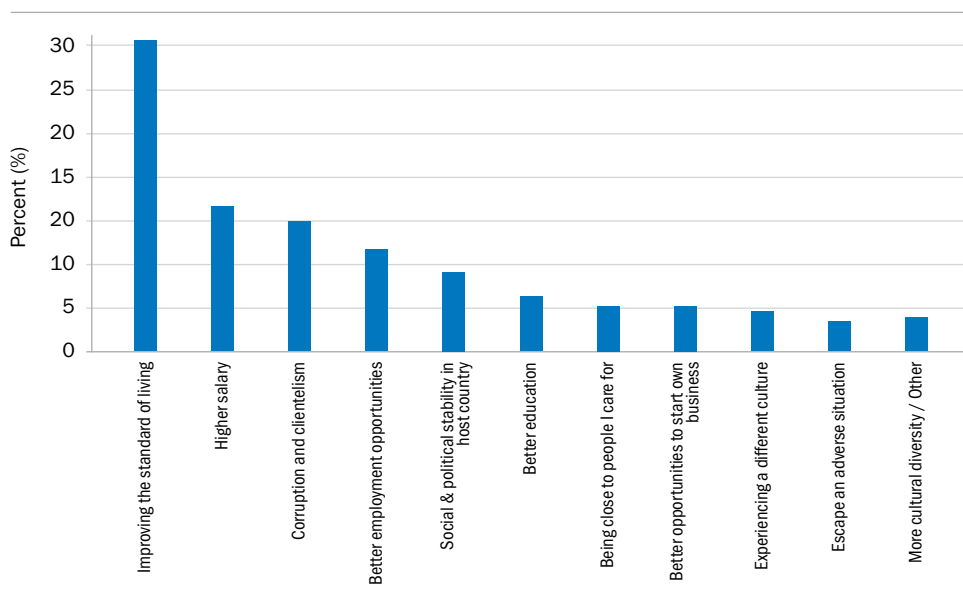
In a February 2025 survey of North Macedonia, the Institute for Political Research reports that 35.2% of the total population is considering emigration.

The data indicates that the highest interest in leaving is among those aged 30 to 50 with some level of higher education. Among this group, nearly every second respondent is considering seeking opportunities abroad.

Research also highlights concerning migration trends, with 10% of citizens certain that they will move abroad within the next five years. Overall, 64.9% have close relatives or friends who have already emigrated, and 70% believe emigration has increased compared to five years ago.

The factors identified in relation to the Eastern Region have also been pointed out by other studies, such as the Study on Youth by the Friedrich-Ebert-Stiftung (FES; 2004), which showed that an improved standard of living was the single most important reason for the emigration of young people. The study also confirmed that factors connected to good governance and economic development opportunities were highly important. The findings of this study are illustrated in Figure 1.

Figure 1: Main reasons for youth emigration in North Macedonia (FES Youth Study, 2024)



The challenges posed by emigration are not unique to the Eastern Region or to North Macedonia. Other Western Balkan countries face similar pressures, where declining school enrollment mirrors large-scale youth emigration. In Albania and Bosnia and Herzegovina, shrinking class sizes have already led to the closure of schools in smaller municipalities, while in Montenegro and Serbia, education authorities report persistent teacher shortages in certain areas despite falling student numbers (OECD, 2020; Vijesti, 2023; Radio ZOS, 2024; Balkan Web, 2025). This trend underscores a shared regional reality: as young families leave, education systems contract, local labor markets weaken, and long-term human capital development is undermined.

When comparing all Western Balkan countries that aspire to become EU members, it becomes evident that they all share the challenge of substantial emigration, particularly among young and highly skilled populations. This results in significant demographic pressures, population decline, accelerated aging, and the depopulation of rural and semi-urban areas.

Yet, the intensity of the challenge varies by country. Albania and Bosnia and Herzegovina face some of the highest rates of population loss, with more than one-third of their citizens living abroad. North Macedonia has also experienced a significant decline, particularly evident in rural and eastern regions, where depopulation exceeds 50 percent in some municipalities. Montenegro and Serbia, although less severely affected, still face pronounced skill shortages in the healthcare, engineering, and digital sectors. Kosovo experiences particularly high youth emigration, reflecting both economic push factors and limited domestic opportunities.

1.3 PRACTICES FROM OTHER WESTERN BALKAN COUNTRIES

Western Balkan countries offer several useful examples of good practice that can guide policy development for the Eastern Region of North Macedonia. Collectively, these examples illustrate that the most successful reforms in the region combine digitalization, transparency, and skills development aligned with labor market needs.

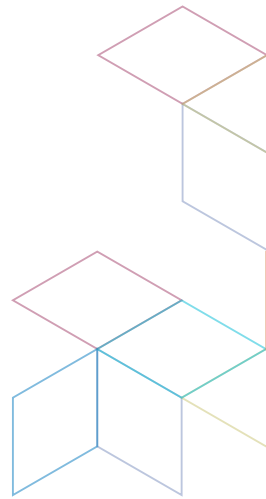
Albania and Serbia have shown that digitalizing business services, such as e-permitting, e-tax filing, and online company registration, reduces bureaucracy, decreases corruption, and improves the business climate.

In labor market reforms, Montenegro's implementation of the EU-style Youth Guarantee and Serbia's dual education model demonstrate how linking education with real employment opportunities can reduce youth unemployment. The EU Youth Guarantee is an active labor market framework ensuring that young people under 30 receive a quality offer of employment, education, an apprenticeship, or a traineeship within four months of becoming unemployed or leaving school. Its core strength lies in early intervention and individualized support through public employment services, combined with strong cooperation among educational institutions, employers, and social partners. Serbia's dual education system integrates vocational schooling with structured, paid work-based learning in companies. Students alternate between classroom instruction and on-the-job training, gaining practical skills aligned with labor market demand. Employers are directly involved in curriculum design and training delivery, ensuring relevance and responsiveness to skills shortages.

This model reduces the gap between graduation and employment, improves job readiness, and increases the likelihood of employment with training firms. It has been particularly effective in technical and vocational sectors.

Bosnia and Herzegovina and Kosovo provide examples of transparent, participatory governance through open-data portals and citizen-engagement platforms, strengthening accountability and trust in public institutions. In anti-corruption practices, Serbia's strong whistleblower protection and North Macedonia's open procurement portals highlight the value of transparency in public spending. Finally, Kosovo's digital skills academies show how investing in modern, market-relevant education can reduce youth emigration.

In this context, addressing emigration is not only a social and economic priority but also an essential condition for advancing EU integration. Coordinated measures to retain and attract talent, strengthen education-to-employment pathways, and engage the diaspora in development efforts are therefore critical across the entire Western Balkan region.



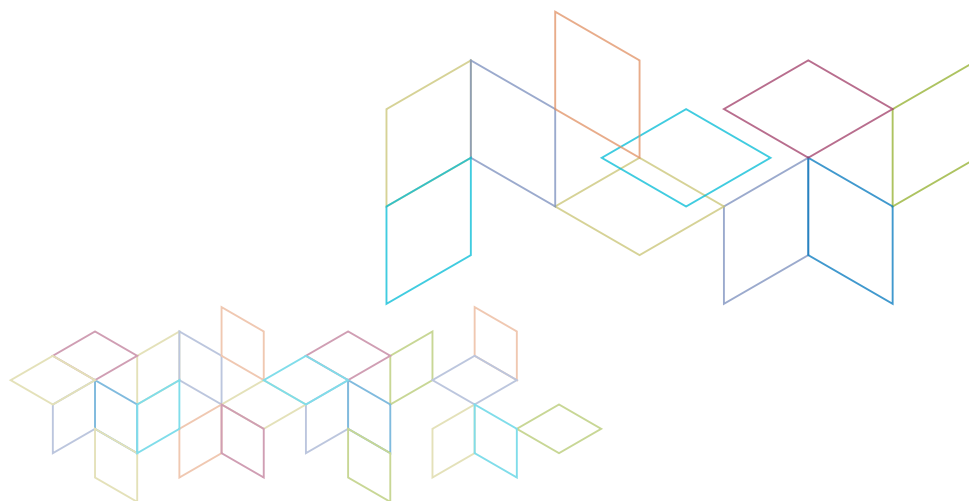
1.4 EU PERSPECTIVE ON THE PROBLEM

Through various mechanisms, the EU evaluates the efforts of candidate countries in terms of their ability to meet the membership criteria, including their capacity to reduce regional disparities and ensure balanced socioeconomic development, as set out under the EU acquis Chapter 22: Regional policy and coordination of structural instruments. Demographic challenges, such as emigration and population aging, are key factors that may limit North Macedonia's capacity to implement the necessary reforms and comply with the EU's economic and social standards. These demographic trends reduce the available workforce, constrain the country's potential for innovation and entrepreneurship, and place additional pressure on social and public services. Persistent population outflows, particularly from less developed regions, further weaken human capital and exacerbate regional inequalities.

As a result, the EU emphasizes that addressing demographic decline and strengthening regional development frameworks are essential for ensuring sustainable economic growth, social cohesion, institutional effectiveness, and progress in the accession process (IMF, 2025).

The capacity to cope with competitive pressure and market forces within the EU depends on adequate human and physical capital, innovative and well-structured sectors, and a business environment that supports entrepreneurship. It also requires integrated infrastructure that efficiently connects the national market internally and with the EU, enabling competitive trade, investment flows, and regional economic integration. In general, the more integrated an economy is with the EU before accession, the better positioned it will be able to assume the obligations of membership.

The impact of emigration extends directly to the EU accession process. The outflow of skilled professionals reduces the administrative and institutional capacity needed to implement the acquis communautaire, manage EU funds effectively, and deliver public services in line with EU standards. Consequently, the EU underlines that strengthening regional development capacity and addressing demographic imbalances are critical prerequisites for effective alignment with Chapter 22 and for successful participation in EU cohesion policy after accession.



2 ANALYTICAL FRAMEWORK AND ANALYSIS

In this chapter, the paper defines the policy criteria for addressing the problem, which will also be used to evaluate the three policy options presented in the following chapter. Each criterion reflects a key structural driver of youth emigration identified in the problem analysis. A policy option is considered effective to the extent that it positively addresses the following five criteria:

1. **Business environment** – The business environment is an analytical criterion because it determines investment, firm growth, and job creation. This paper evaluates whether and how each policy option improves conditions for firm creation, investment, and job growth in the Eastern Region. In economic terms, weaker business conditions limit productivity and high-quality employment, increasing incentives for workers to seek opportunities abroad. This criterion therefore assesses whether policies improve economic dynamism and domestic job prospects. A policy option scores well on this criterion if it tangibly addresses these aspects.
2. **Labor market** – Labor market performance is central to migration decisions, as wage levels, unemployment, and skills matching directly influence individual choices. When labor markets fail to provide adequate returns to skills, emigration becomes more likely. This paper evaluates whether and how each policy option improves employment outcomes and reduces skills mismatches in the Eastern Region. This criterion assesses whether policies improve employment outcomes and reduce migration-related push factors.
3. **Rule of law and persistent corruption** – The way a country upholds the rule of law and deals with corruption shapes economic certainty and perceptions of fairness. Weak legal systems and high levels of corruption increase costs, reduce merit-based opportunities, and discourage investment, all of which can drive emigration. This paper evaluates the extent to which each policy option strengthens institutional trust, legal predictability, and the fairness of merit-based opportunities.
4. **Governance inefficiencies** – Effective governance is essential for economic performance and service delivery. Inefficiencies lead to poor resource allocation, lower growth, and reduced public trust, which can motivate individuals to leave. A policy option scores well on this criterion if it improves institutional capacity and strengthens the link between young citizens and the decision-making processes that affect their future.
5. **Education system** – Education influences human capital and employability. When education systems fail to provide relevant skills or adequate returns, individuals, especially the young, are more likely to emigrate. This paper evaluates whether each policy option improves the alignment between education and labor market needs, and increases the employability of young people in the Eastern Region. A policy option scores well on this criterion if it reduces skills mismatches and strengthens school-to-work transitions within the region.

Figure 2: Distribution of FES Youth Study results across the five policy criteria

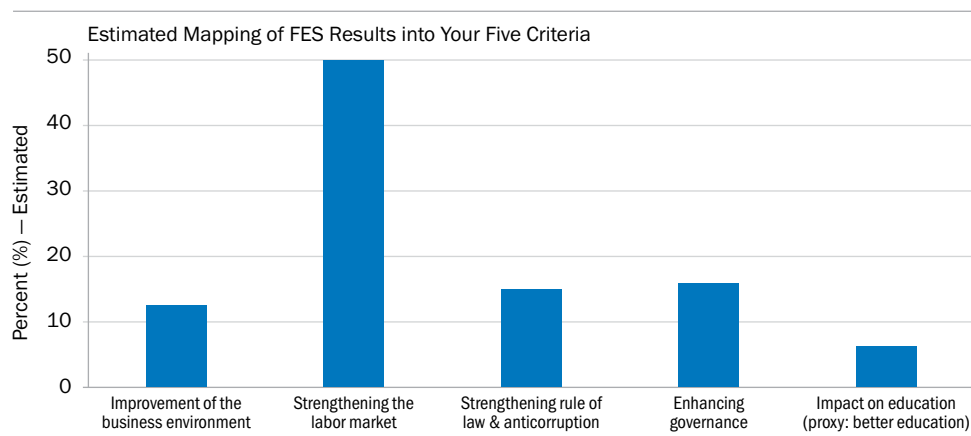


Figure 2 provides a visual approximation of how the identified FES findings are distributed across the five policy criteria, highlighting their relative weight and importance. It shows that challenges in the labor market dominate, followed by governance, rule of law, and business environment issues, while education appears as a smaller, but still relevant, contributing factor. Its purpose is not to present a precise measurement, but to reinforce the problem diagnosis by the extent to which each area features in the overall analysis, thereby justifying the selection of these five criteria as the basis for assessing policy effectiveness.

These criteria are derived from the key factors contributing to the problem (IMF, 2025). The analysis of each criterion is elaborated below.

2.1 BUSINESS ENVIRONMENT

From an economic perspective, a weak business environment – marked by limited job opportunities, low firm dynamism, and inadequate support for entrepreneurship – pushes young people to emigrate, as they seek better career prospects and greater rewards for their talents.

The business environment in North Macedonia's Eastern Region is a primary driver of youth emigration, creating a self-perpetuating cycle of economic decline. The core issue stems from limited job prospects and weak support for entrepreneurship, which are root causes pushing young people to leave. This exodus of skilled labor – including craftsmen, IT specialists, economists, and lawyers – creates a critical shortage of qualified personnel. The resulting loss of labor, knowledge, and entrepreneurial spirit directly reduces the economy's potential output.

Research quantifies this impact, showing that a one-percentage point increase in the emigration rate leads to a 2.91% decrease in the number of firms, particularly affecting micro and small businesses, which are vital for local economies. The Eastern Region, along with many of North Macedonia's non-urban areas, is characterized by out-migration and a shrinking labor force. Nationally, youth unemployment (ages 15–24) remains very high, at approximately 30.3% in 2024 (World Bank, 2024). Moreover, long-term spells of youth unemployment have significant “scarring” effects on lifetime earnings and employability. Although the overall national unemployment rate fell to around 11.5% in Q2 2025, the youth unemployment rate remains four to five times higher than in many EU countries.

Sectoral structure and firm dynamics

Small and medium-sized enterprises (SMEs) dominate North Macedonia's economy. They represent roughly 99.7% of enterprises and account for about 73% of employment in the non-financial business economy (European Commission, 2021). Yet productivity remains low: value added per person employed among SMEs was only around €10,900 in 2019, about one-quarter of the EU average of €42,600 (European Commission, 2021). For the Eastern Region, the challenge is intensified by limited diversification beyond textiles and basic agro-processing, which constrains upward mobility into higher-value-added segments. Established textile clusters around Štip provide a strong base, but many firms operate in commodity segments characterized by limited product innovation and low profit margins.

Access to finance and business services

Access to finance for SMEs is a persistent bottleneck. According to the OECD Competitiveness Outlook, in 2022 SME loans accounted for only 28.0% of total outstanding bank loans in North Macedonia, compared with 39.0% for the Western Balkans region, indicating a clear financing gap (OECD, 2024). Micro and small enterprises in rural municipalities face particular difficulties related to collateral requirements, credit history, and banking relationships, and are thus often excluded from new growth opportunities.

Governance, infrastructure and digital connectivity

While North Macedonia has made progress in areas such as trade facilitation and digital regulation, the business environment remains uneven, particularly at the local level. The Eastern Region features a mix of municipalities with widely varying institutional capacities to provide business support and investment promotion. Moreover, industrial zones in key municipalities are under-served, while rural feeder roads, logistics consolidation points, and digital connectivity lag behind good practices.

2.2 LABOR MARKET

From an economic perspective, labor market conditions are a primary driver of migration decisions, as differences in wages, employment opportunities, and returns to skills create strong incentives for workers to move across borders. This is a core proposition of migration theory, which identifies unemployment, skills mismatches, and low-quality jobs as key push factors for emigration.

The labor market in North Macedonia's Eastern Region, as depicted in the Problem Description section, is fundamentally weakened by a vicious cycle of emigration and skills shortages. A central paradox defines the market: despite high unemployment rates, businesses still struggle to fill vacant positions. This disconnect is fueled by two primary factors: a mismatch between the skills possessed by job seekers and those required by employers, and the ongoing emigration of qualified workers. The result is a shrinking labor force that lacks both skilled and unskilled workers, limiting business growth and deterring new investment.

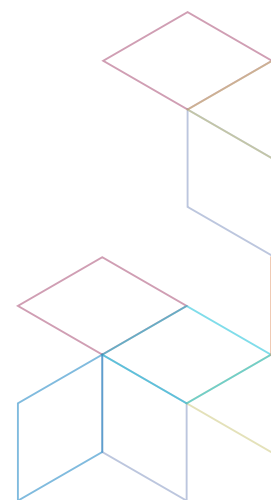
The consequences are tangible, with shortages of essential professionals, such as medical staff, craftsmen, and IT specialists, undermining public services and the private sector alike. This erosion of human capital not only weakens the current labor market but also jeopardizes future development by affecting the education system, as declining student enrollment leads to school closures and a diminished pipeline of future talent.

Unemployment and skills mismatches

In 2024, the region's unemployment rate was estimated at around 11.5%, while youth unemployment remained significantly higher at approximately 30% according to World Bank data. Surveys indicate significant mismatches between available jobs and workforce skills, particularly in technical, digital, and managerial roles (OECD, 2024). Many firms report difficulty finding qualified workers in manufacturing, logistics, and IT-enabled services, while formal vocational and tertiary education curricula remain partially misaligned with labor market needs.

Informal employment

Informal employment remains a notable challenge. Approximately **20–25% of workers** operate outside formal contracts, which limits social protection coverage and reduces contributions to public finances (ILO, 2014).



Migration and retention

The out-migration of young professionals and skilled workers continues to undermine the regional labor supply. Between 2019 and 2024, an estimated 5–7% of young people aged 20–29 migrated abroad annually for employment or education, primarily to EU countries (State Statistical Office, 2023). This exodus strains the local labor supply, depresses wages for retained workers, and hampers industrial and service sector growth.

Digitalization and the future of work

Digital skills gaps constrain labor market participation in high-value-added sectors. Only **27% of workers in the region** have intermediate or advanced digital skills, which limits the adoption of modern manufacturing, information and communication technology (ICT), and e-commerce solutions (OECD, 2024). Automation and digital transformation therefore require targeted upskilling measures to ensure that the workforce remains employable and competitive.

2.3 RULE OF LAW, CORRUPTION AND GOVERNANCE INEFFICIENCIES

From an economic perspective, the rule of law and control of corruption are key determinants of migration, as they shape economic certainty, the protection of property rights, and the fairness of returns to skills. Weak institutions increase uncertainty and reduce merit-based opportunities, thereby encouraging emigration.

Young people's decisions to emigrate from North Macedonia are strongly influenced by the perceived weakness of institutions, the quality of governance, and the effectiveness of the rule of law. The Problem Description section highlights dissatisfaction with transparency, accountability, and institutional responsiveness as key push factors, while restoring public trust in institutions is a central objective for retaining young people. This reflects a deep-seated frustration with the governance environment, which many young professionals perceive as unpredictable, exclusionary, and resistant to change.

Historically, North Macedonia has performed less favorably than many destination countries on key governance indicators, including political stability, control of corruption, and the rule of law. Although some indicators have shown gradual improvement over the past decade, perceptions of institutional weakness remain widespread. In particular, progress in combating corruption has been limited, especially with regard to the investigation and prosecution of high-profile cases. Judicial delays, weak enforcement, and limited accountability continue to undermine confidence in the legal system and reduce the deterrent effect of existing legislation.

At the regional and local levels, governance challenges are particularly pronounced. Municipalities in the Eastern Region display significant variation in institutional capacity, administrative professionalism, and strategic planning. While national legislation largely aligns with EU standards in the areas of anti-corruption, judicial reform, and public administration, implementation at the local level remains uneven. Inconsistent enforcement of regulations, delays in administrative procedures, and discretionary decision-making in licensing, permitting, and procurement processes reduce predictability and discourage both domestic and foreign investment.

Public perception of corruption in municipal services remains high, particularly in areas involving direct interaction with local authorities. Citizens and businesses report experiences of bribery or informal payments in a notable share of cases related to permits, licenses, and public procurement. This persistent perception of corruption erodes public trust, lowers compliance with regulations, and discourages participation in public initiatives and local development programs.

Governance inefficiencies further exacerbate these challenges. Many young people feel excluded from decision-making processes that directly affect their future, as citizen participation mechanisms are weak and access to public information is uneven. Engagement in consultations and local governance processes remains limited, reducing the effectiveness of policies and reinforcing perceptions of institutional distance and unresponsiveness. At the same time, coordination between national and local authorities, as well as among municipalities, is often fragmented. Ad hoc cooperation, duplicated efforts, and inconsistent data collection hinder evidence-based policymaking and reduce overall administrative efficiency.

Together, fragile rule of law, persistent corruption, and governance inefficiencies create an environment in which young people perceive limited opportunities for fairness, merit-based advancement, and meaningful participation. This weakens trust in public institutions, undermines long-term commitment to the country, and reinforces emigration as a rational response to structural governance shortcomings.

2.4 EDUCATION SYSTEM

From an economic perspective, the quality and relevance of the education system strongly influence migration. When domestic schools fail to provide adequate quality or clear paths to employment, individuals are more likely to seek better opportunities abroad.

Emigration is primarily driven by differences in income and employment opportunities. It is also influenced by variations in institutional quality, as well as the performance of health and education systems. More fundamentally, emigration reflects differences in perceived future prospects and long-term economic security. These dynamics are increasingly reflected in the education sector, where declining enrollments directly mirror broader demographic change. Across the Eastern Region, schools are seeing a steady drop in the number of students. Hence, the education system is being forced to downsize: teaching positions are being cut, classes are being merged or cancelled, and, in some cases, entire satellite schools have been closed due to an insufficient number of students – or the absence of any students at all. This not only disrupts educational provision but also leaves teachers without employment, further affecting the local economy.

In Štip, for example, the number of first-grade pupils has fallen by around 100 compared to the previous year, when enrollments exceeded 400. Although many of these children are registered in civil records, they are not attending local schools, suggesting that their families have emigrated. A similar situation is evident across other municipalities: Kočani has recorded a 20% decline in first-graders compared to a decade ago; Berovo registered 20 fewer pupils this year; Delčevo saw a decrease of 13 pupils; while Vinica remained unchanged. By contrast, some rural areas in the Eastern Region report a slight increase in first-grade enrollments, offering limited but important grounds for optimism (State Statistical Office, 2025).

Although legislation provides penalties for parents who do not enroll their children in first grade, in practice many children begin their schooling abroad. This illustrates how outward migration directly erodes the sustainability of the education system at home.

3 POLICY OPTIONS

This chapter moves from identifying and understanding the core challenges to exploring potential solutions. It presents and evaluates three distinct policy options that address the underlying drivers of the problem, including youth emigration, labor market mismatches, weak business conditions, and governance inefficiencies. Each option is assessed in terms of its feasibility, expected impact, and capacity to produce sustainable, long-term improvements. By comparing these alternatives, the chapter aims to provide a structured basis for identifying the most effective and realistic policy response.

3.1 POLICY OPTION 1: MAINTAINING THE STATUS QUO

This option implies no major policy change and the continuation of existing practices in the areas of economic development, education, governance, and anti-corruption. Current reforms would proceed at their present pace, relying primarily on existing strategies, donor programs, and institutional arrangements, without introducing significant new measures or reallocating resources.

Maintaining the status quo minimizes political and administrative disruption, avoids additional fiscal costs, and preserves existing institutional balances. It may be considered a low-risk option in the short term. However, while this option avoids immediate costs and resistance, it is unlikely to address significantly the structural drivers of the problem, including weak business conditions, labor market mismatches, governance inefficiencies, and persistent corruption. As a result, underlying challenges, including youth emigration and low public trust, are likely to persist or worsen over time.

The absence of meaningful reform may deepen institutional stagnation and widen the gap between public expectations and state performance. This can further erode trust in public institutions, reinforce incentives for emigration, and reduce the country's competitiveness in attracting investment and retaining skilled labor.

3.2 POLICY OPTION 2: YOUTH MICRO-GRANT PROGRAM FOR STARTUPS

This option focuses on strengthening the domestic business environment as a factor that can stimulate economic growth and job creation, focusing on creating opportunities for young people. Key measures include simplifying business registration and licensing procedures, reducing administrative and regulatory burdens, providing financial and technical support for startups and SMEs, and facilitating access to credit and investment programs for young entrepreneurs. By creating a more dynamic and competitive private sector, this approach aims to generate meaningful employment opportunities that retain skilled youth and discourage emigration.

The Serbian One Stop Portal for business registration (the “e-Startup system”) can serve as an example of a platform supporting the startup ecosystem that simplifies business registration and reduces bureaucracy. Through this system, entrepreneurs can access all necessary information and services related to company registration, licensing, and tax compliance in one place, thereby streamlining administrative procedures and reducing regulatory burdens.

A nationwide Youth Micro-Grant Program would aim to support young entrepreneurs between 18 and 35 years of age. The program would provide micro-grants ranging from €2,000 to €10,000 per startup, targeting pre-startup ventures or businesses in their first two years. Priority would be given to innovative ideas in technology, creative industries, the green economy, and social

entrepreneurship. Beyond funding, the program would provide comprehensive support services, including mentoring, training workshops, networking opportunities with incubators and investors, and regular monitoring of progress. Grants would be disbursed in two phases – 50% upfront and 50% upon achieving specific milestones, such as developing a prototype, generating initial sales, or completing training.

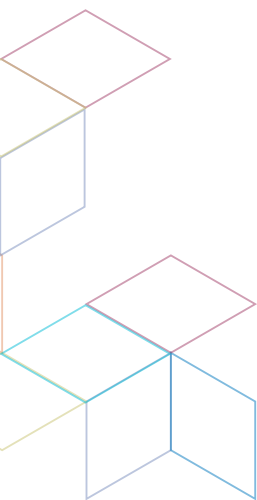
The program would be administered by the Ministry of Finance in partnership with the Agency for Entrepreneurship Support, ensuring transparent and competitive selection processes based on the quality, feasibility, and potential impact of submitted business plans. Strategic partnerships with banks, incubators, universities, and international organizations would allow access to cofinancing opportunities, low-interest loans, and EU programs for scaling high-potential ventures. Special attention would be given to youth from rural and underdeveloped regions, as well as marginalized groups, to ensure inclusive participation and address regional inequalities.

The expected outcomes include increased numbers of youth-led startups, higher employment among young people, and a stronger national innovation ecosystem. By providing accessible seed funding and structured support, the program would reduce youth out-migration, stimulate regional economic activity, and create a pipeline of viable, innovative enterprises. An estimated budget of €2–5 million per year could support 200–500 grants annually, leveraging national government resources, EU funds, international donor contributions, and private partnerships. Over time, this initiative would serve as a cornerstone for youth entrepreneurship in North Macedonia, demonstrating the value of targeted financial support combined with mentoring, training, and ecosystem integration.

3.3 POLICY OPTION 3: MODERNIZING EDUCATION AND ALIGNING SKILLS WITH INDUSTRY NEEDS

This policy option focuses on the comprehensive modernization of the education system at the secondary, vocational, and tertiary levels in order to ensure closer alignment with labor market demand and long-term economic development needs. Central to this approach is the systematic expansion of work-based learning, including apprenticeships, internships, and dual education models developed in close cooperation with the private sector. Building on successful EU practices, such as the EU Youth Guarantee and dual education models implemented across the region, students would gain early exposure to real work environments, develop job-relevant skills, and transition more smoothly from education into employment.

At the national level, the government would play a central role in establishing the strategic, legal, and institutional framework necessary for effective implementation. This includes adopting a national skills development and work-based learning strategy aligned with labor market forecasting and EU policy priorities, as well as updating legislation governing secondary, vocational, and higher education to regulate formally apprenticeships, dual education schemes, and employer participation. National authorities should define quality standards for work-based learning, ensure the certification and recognition of acquired qualifications, and strengthen coordination among the ministries responsible for education, labor, finance, and regional development. In parallel, the government should modernize national curricula through regular consultation with employers and sectoral representatives, with a strong focus on digital skills, STEM (science, technology, engineering, and mathematics) education, green technologies, entrepreneurship, and transferable skills, such as problem-solving and teamwork. Adequate national funding and an improved capacity to absorb EU funds, including IPA III and Erasmus+, are essential to support these reforms.



At the regional level, implementation should focus on adapting education and training systems to the specific economic profiles and development needs of each region. Regional authorities should facilitate structured cooperation between vocational schools, universities, employers, chambers of commerce, and public employment services to better align training provision with regional labor market demand. This includes identifying skills shortages, supporting region-specific training programs, and investing in shared training infrastructure, such as regional vocational training centers, innovation hubs, and digital learning platforms. Special attention should be given to underdeveloped regions to prevent demographic decline and skills shortages from further widening regional disparities and reinforcing outward migration.

At the municipal level, local governments play a key role in operationalizing education-labor market linkages. Municipalities should support direct partnerships between schools and local employers to deliver apprenticeships, paid internships, and structured on-the-job training opportunities. Investments at this level should focus on modernizing school facilities and equipment, improving access to training centers, and supporting local career guidance services within secondary schools. Municipal authorities can further strengthen local labor market integration by organizing career fairs, employer-engagement events, and community-based programs that promote youth entrepreneurship and local innovation aligned with municipal development priorities.

Strengthening cooperation between tertiary education institutions and industry is a critical component of this policy option. Universities should be encouraged to collaborate with the private sector on applied research, innovation projects, and student placements, ensuring that academic programs remain relevant to labor market needs. Internship requirements, joint study programs, and the involvement of industry professionals as guest lecturers should become standard practice in relevant fields, while universities should play a more active role in regional innovation ecosystems and technology transfer.

In parallel, career guidance and labor market information systems should be enhanced across all levels of education. Career counseling services in secondary schools and universities should be expanded and systematically linked to labor market forecasting tools, enabling students to make informed education and career choices based on realistic employment prospects and regional economic trends.

By aligning education systems more closely with labor market needs through coordinated action at the national, regional, and municipal levels, this policy option aims to reduce skills mismatches, improve youth employability, and increase overall productivity. Over time, it can contribute to retaining young talent, reducing outward migration, supporting balanced regional development, and strengthening the country's competitiveness and readiness for integration into the EU market.

Table 1: Comparative evaluation of policy options

Evaluation Criteria	Option 1: Maintaining Status Quo	Option 2: Youth Micro-Grant Program for Startups	Option 3: Modernizing Education and Aligning Skills with Industry Needs
Alignment with EU standards	Weak – Limited alignment with EU priorities on youth employment and innovation	Moderate to strong – Aligned with EU youth entrepreneurship, SME support, and inclusive growth agendas	Strong – Closely aligned with the EU Youth Guarantee, the EU Skills Agenda, dual education, and labor market improvements
Effectiveness and timeliness	Low – Fails to address structural problems or respond to urgent youth unemployment and migration pressures	High (short-term) – Can deliver relatively quick employment and entrepreneurship outcomes for beneficiaries	Moderate to high (medium-to-long-term) – Structural reforms take time but yield lasting labor market improvements
Efficiency (cost effectiveness)	Low – Existing spending delivers limited measurable impact	High – Relatively low fiscal cost, with visible and targeted outcomes for beneficiaries	Moderate – Requires higher upfront investment but improves system-wide efficiency over time
Sustainability	Low – Does not address root causes of youth unemployment or skills mismatch	Moderate – Sustainable if combined with mentoring, follow-up financing, and ecosystem support	High – Builds long-term human capital and reduces future skills mismatches and unemployment
Stakeholder engagement	Low – Limited involvement of employers, youth, or private sector actors	Moderate – Engages youth, incubators, mentors, and financial institutions	High – Strong involvement of employers, schools, universities, chambers of commerce, and public institutions

Overall, the comparative assessment indicates that Option 3 performs most strongly against long-term strategic criteria for the Eastern Region, particularly in terms of sustainability, alignment with EU standards, and its potential to address structural weaknesses in local skills development. By modernizing education and strengthening links between schools, vocational institutions, and employers, this option can reduce skills mismatches that currently limit employment opportunities in the region and push young people to seek work in Skopje or abroad. However, the effects of such reforms are expected to materialize only gradually.

In contrast, Option 2 offers clear short-term advantages for the Eastern Region by providing immediate support for youth entrepreneurship and self-employment, particularly in areas with limited private-sector activity. By enabling young people to start businesses locally and generate income within their communities, this option can produce faster retention effects and help slow outward migration in the near term. Taken together, the analysis suggests that a combined and complementary implementation of both options would have the greatest impact on reducing emigration from the Eastern Region by creating immediate local economic opportunities while simultaneously addressing the structural factors that drive youth and skilled workers' out-migration over the medium to long term.

4 RECOMMENDED POLICY OPTION

Considering the persistent challenges of youth unemployment, skills mismatches, and sustained out-migration from the Eastern Region, the recommended course of action is the implementation of Policy Option 3: Modernizing Education and Aligning Skills with Industry Needs, combined with targeted elements of Policy Option 2. This approach offers a strategic balance between long-term structural reform and short-term retention effects, addressing both the root causes and the immediate drivers of youth emigration.

In contrast to the status quo (Option 1), which has proven insufficient to reverse labor market fragmentation and outward migration, and to Policy Option 2 when implemented in isolation, which primarily delivers short-term employment effects, Policy Option 3 directly tackles the structural weaknesses of the education–labor market nexus in the Eastern Region. By modernizing curricula, expanding work-based learning, and strengthening cooperation between educational institutions and employers, this option improves the relevance of skills acquired locally and enhances the employability of young people within the regional economy. Over time, this reduces one of the key push factors behind emigration: the lack of adequate and stable employment opportunities aligned with educational qualifications.

The expansion of dual education, apprenticeships, and structured internships, developed in partnership with local businesses and sectoral stakeholders, would allow students to gain early exposure to real work environments within the region. This not only facilitates smoother school-to-work transitions but also strengthens employers' confidence in local graduates, increasing the likelihood that young people remain employed locally rather than seek opportunities in Skopje or abroad.

Complementary measures to modernize curricula through regular labor market consultation – particularly in STEM fields, digital skills, green technologies, and transferable skills – would ensure that education provision evolves in line with regional and national development priorities.

At the tertiary level, strengthened cooperation between universities and industry through applied research, student placements, and joint study programs would further anchor skilled graduates in the domestic labor market. Enhanced career guidance and labor market information systems would support informed educational and career choices, reducing mismatches that often result in unemployment or emigration shortly after graduation. Targeted investments in vocational schools and training centers in the Eastern Region would also help prevent education-driven inequalities from reinforcing existing regional disparities.

To reinforce the medium- and long-term effects of education reform, selected instruments from Policy Option 2, such as micro-grants, mentoring, and startup support for young people, should be deployed in parallel. These measures can generate immediate local income opportunities, particularly in municipalities with limited private-sector activity. They can provide short-term incentives for young people to remain in the region while broader education reforms take effect.

Implementation of this combined approach should be phased and realistic. In the short term, partnerships with employers, pilot dual education programs, and targeted youth entrepreneurship support can be launched with modest financial requirements. Over the medium term, curriculum reform, institutionalized labor market consultation, and expanded career guidance systems can be embedded into existing education and employment frameworks. In the longer term, these reforms would contribute to a more resilient regional labor market, better aligned with EU standards and capable of retaining skilled human capital.

Overall, this combined policy option represents the most effective and sustainable response to youth emigration from the Eastern Region. By delivering immediate retention effects while simultaneously addressing the structural determinants of outward migration, it supports inclusive regional development, strengthens human capital, and enhances North Macedonia's long-term competitiveness and readiness for deeper integration into the EU labor market.

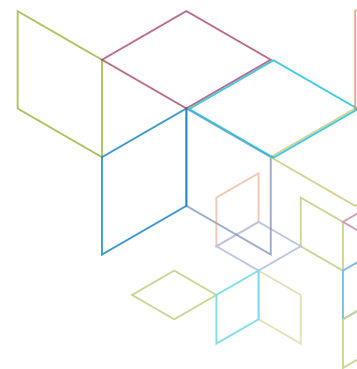
For this solution, the author consulted a representative from the Ministry of Education – the Director of the Pedagogical Service. His endorsement is included in Annex 1 of this document.

Despite the analysis and the author's confidence that this is the best option, it is important to acknowledge the challenges and obstacles that may arise and potentially hinder or delay its implementation.

Supporting the implementation of this option is the new Law on Education adopted by the relevant ministry in spring 2026. This creates opportunities that will help pave the way for the implementation of the measures proposed in this paper.

The greatest challenge is initiating and establishing horizontal and vertical cooperation among the relevant institutions. The solution requires a multisectoral approach that should be driven by a sufficiently strong stakeholder. In the author's view, this role should be assumed by the CDEPR and the largest municipality in the region, the Municipality of Štip.

A second challenge would be redirecting already allocated existing startup grants by negotiating the incorporation of the objectives of this policy paper into those grant schemes.



5 INDICATIVE IMPLEMENTATION TIMELINE

To operationalize the recommended policy option in the Eastern Region, a phased and realistic implementation approach is required. Table 2 outlines key actions, sequencing, and responsible institutions needed to modernize education and skills development, strengthen school-to-work transitions, and introduce complementary youth entrepreneurship measures. Together, these steps aim to improve local employment prospects and reduce the structural drivers of youth emigration.

Table 2: Policy option implementation timeline

Phase	Key steps – Education and skills alignment	Key steps – Youth employment and entrepreneurship support	Responsible institutions
0–6 months	Conduct regional skills-needs assessments in cooperation with employers; map skills gaps and emigration trends; initiate a review of VET and secondary school curricula; establish a regional coordination working group	Design a targeted youth micro-grant and mentoring scheme for the Eastern Region; define eligibility criteria linked to local economic sectors; secure budgetary and donor support	MoES, MSPDY, municipalities in the Eastern Region, chambers of commerce, East Planning Region
6–12 months	Pilot curriculum updates in selected VET and secondary schools; launch employer consultations for dual education and internships; strengthen career guidance services	Launch the first call for youth micro-grants; provide basic entrepreneurship training and mentoring; link beneficiaries to local business networks	MoES (lead), VET schools, Employment Service Agency, municipalities
1–2 years	Expand dual education, apprenticeships, and structured internships across the region; formalize cooperation agreements between schools and employers; integrate a labor market feedback mechanism	Evaluate the first grant cycle; adjust support instruments, scale up mentoring and business-development services; promote successful local role models	MoES, MSPDY, ESA, business associations, local development agencies
2–3 years	Institutionalize regular curriculum reviews aligned with regional labor market needs; strengthen cooperation between industry and tertiary education; embed career guidance as a standard service	Integrate youth entrepreneurship support into regional development programs; expand access to finance and incubation for high-potential initiatives	MoES, MSPDY, Ministry of Finance, regional authorities
3–5 years	Assess long-term employment and emigration impacts; align programs with EU standards and funding instruments; ensure sustainability through national and regional policies	Mainstream youth entrepreneurship and self-employment measures; link successful initiatives to national and EU funding opportunities	Line ministries, regional councils, donor partners

The abbreviations used in the indicative timetable are explained in full in Annex 2.

6 CONCLUSION

Youth emigration represents one of the most significant structural challenges confronting North Macedonia today, with particularly acute consequences for the Eastern Region. The continuous outflow of young and educated individuals not only reduces the available workforce but also weakens the foundations for long-term economic development, innovation, and institutional capacity. As the analysis in this paper has demonstrated, the drivers of this phenomenon are multifaceted and deeply interconnected, encompassing weaknesses in the business environment, persistent labor market mismatches, governance challenges, and gaps within the education system.

The policy analysis conducted for this paper evaluated three main policy options for addressing youth emigration. Maintaining the status quo was identified as the least effective option, as it would allow existing structural weaknesses to persist. The second policy option, the introduction of a Youth Micro-Grant Program for Startups, offers a more proactive approach aimed at strengthening entrepreneurship and creating new employment opportunities for young people.

However, while entrepreneurship support can provide important short-term retention effects, it does not fully address the deeper structural causes of youth emigration. For this reason, the analysis identified the modernization of the education system and the alignment of skills development with labor market needs as the most effective long-term policy approach.

The recommended policy approach combines elements of the second and third options. Modernizing education and strengthening the education–labor market nexus should serve as the core long-term reform, with particular focus on dual education, apprenticeships, and structured internships developed in partnership with employers in the Eastern Region. This structural reform should be complemented by targeted youth micro-grants and startup support, which can generate immediate local income opportunities, especially in municipalities where private-sector activity remains limited. This combined strategy offers a balanced policy response capable of delivering both immediate and structural benefits. Entrepreneurship programs can create short-term employment opportunities and stimulate innovation, while education reforms gradually transform the labor market by producing a more skilled, adaptable, and competitive workforce.

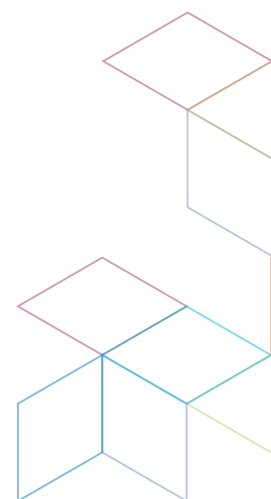
Successful implementation of this policy approach will require coordinated action across multiple levels of government and strong collaboration with the private sector, educational institutions, and civil society. At the national level, the recently adopted Law on Education in spring 2026 creates a legislative opening that should be used to regulate formally work-based learning, apprenticeships, and employer participation in curriculum design. At the regional level, the CDEPR (Center for Development of the Eastern Planning Region) and the Municipality of Štip are best positioned to drive horizontal coordination among schools, employers, and public employment services. Partnerships with businesses, universities, and international organizations – including through IPA III and Erasmus+ – will be essential for sustaining reforms beyond initial pilot phases.

In the longer term, the success of these policies will depend not only on economic outcomes but also on the ability of institutions to rebuild trust among young citizens. The presented analysis shows that governance quality and perceptions of fairness are among the most significant push factors for emigration, comparable to the importance of wages and employment prospects. Transparent governance, merit-based opportunities, improved public services, and youth-inclusive decision-making processes can strengthen confidence in domestic opportunities and reduce the perception that success is achievable only abroad. By fostering an environment in which young people feel valued, supported, and able to pursue their ambitions within their own communities and municipalities, the Eastern Planning Region can begin to reverse its negative demographic trends.



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ANNEX 1

Having carefully reviewed the policy paper, I find that it offers a well-structured, analytically grounded, and policy-relevant examination of youth emigration from the Eastern Region of North Macedonia. The paper demonstrates a clear understanding of the interrelated demographic, educational, labor market, and regional development challenges that contribute to outward migration among young people. In my professional opinion, the document is both substantively sound and practically applicable, particularly in its treatment of Policy Option 3: Modernizing Education and Aligning Skills with Industry Needs. Furthermore, Policy Option 3 is especially convincing because it addresses the structural causes of youth emigration rather than merely its immediate effects. The paper correctly identifies the persistent mismatch between educational outcomes and labor market demand as a central driver of youth unemployment, underemployment, and eventual migration. In this regard, the proposed emphasis on curriculum modernization, work-based learning, apprenticeships, internships, dual education models, and stronger institutional cooperation between education providers and employers represents an appropriate and credible policy direction.

A notable strength of this option is its multi-level governance approach. The paper does not treat education reform as an isolated national process, but rather as a coordinated intervention requiring action at national, regional, and municipal levels. At the national level, the proposal includes legislative reform, strategic planning, quality standards, and interministerial coordination. At the regional level, it foresees alignment between training provision and regional economic needs, including cooperation among schools, universities, employers, chambers of commerce, and employment services. At the municipal level, the policy is translated into concrete mechanisms such as school-employer partnerships, career guidance, local training opportunities, and investment in school infrastructure. This comprehensive framework significantly enhances the applicability of the proposed policy.

The policy option is further strengthened by its alignment with broader EU approaches to education, employability, and regional competitiveness. The references to dual education, the EU Youth Guarantee, digital and STEM skills, green technologies, and labor market forecasting indicate that the proposal is consistent with contemporary EU policy trends and therefore compatible with North Macedonia's strategic objective of deeper EU integration. In this sense, Policy Option 3 is not only relevant to the domestic context but is also normatively and institutionally aligned with wider EU standards.

Equally important is the fact that the paper presents this policy option in realistic and implementable terms. It recognizes that the results of education reform are gradual and materialize over the medium to long term, yet it also proposes phased implementation through partnerships with employers, pilot dual education programs, curriculum reform, strengthened career guidance, and targeted investments in vocational and training infrastructure. Such sequencing reflects a mature understanding of policy implementation and contributes to the credibility of the recommendation.

Overall, I assess the paper positively. It is coherent, evidence-based in its reasoning, and institutionally relevant. Most importantly, Policy Option 3 is clearly applicable, as it offers a sustainable and strategically appropriate response to the underlying causes of youth emigration in the Eastern Region. By strengthening the connection between education and employment, and by improving the capacity of institutions to prepare young people for meaningful participation in the domestic labor market, this option has strong potential to contribute to regional development, human capital retention, and long-term social and economic resilience.

Respectfully submitted,

Robert Adzipetrov, MA
Director, Pedagogical Service, Ministry of Education and Science

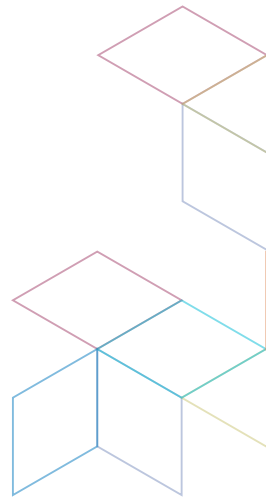
ANNEX 2

Table of abbreviations used in the indicative timetable

1.	MoES	Ministry of Education and Science
2.	MSPDY	Ministry of Social Policy, Demography and Youth
3.	VET	Vocational Education and Training
4.	ESA	Employment Service Agency



MY NOTES





MY NOTES

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NEW MOMENTUM IN ENLARGEMENT: LEVERAGING THE EU GROWTH PLAN FOR SERBIA'S INTEGRATION INTO THE SINGLE MARKET

STRENGTHENING STATE AID CONTROL,
TRANSPARENCY, AND INSTITUTIONAL CAPACITY

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BELGRADE, SERBIA, 2026





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Since 2019, Aleksandar has held several positions in the Serbian public administration, including roles in the cabinets of ministers responsible for labor and international economic cooperation.

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EXECUTIVE SUMMARY

The EU Growth Plan for the Western Balkans marks a decisive shift in enlargement policy by linking financial support and gradual access to the EU single market with verified reform implementation. Within this framework, state aid control has become a key determinant of Serbia's progress toward economic integration, competition policy alignment, and EU accession.

This policy paper assesses whether Serbia's state aid control system can meet these requirements. While Serbia has achieved a notable degree of formal alignment with EU competition rules, the analysis identifies a persistent gap between regulatory compliance and effective implementation. Limited transparency, weak verifiability, and insufficient institutional capacity continue to constrain reform credibility and the predictability of performance-based financial disbursements.

This gap is reflected in fragmented responsibilities, limited public availability of data, and weak mechanisms for independent verification. Recent reform steps, including the inventory of state aid schemes and the Action Plan for alignment with the EU acquis, illustrate these constraints, as their implementation remains difficult to assess independently due to the absence of publicly available documentation and formal confirmation of compliance.

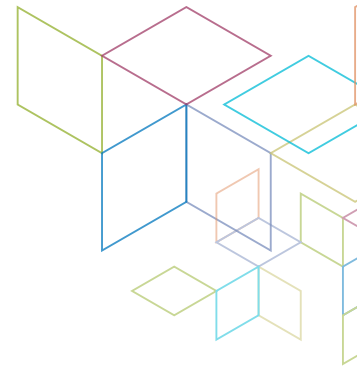
Comparative insights from North Macedonia, Montenegro, and Albania confirm that progress in state aid control depends less on formal legal alignment alone and more on the transparency, consistency, and verifiability of implementation. They also show that institutional capacity, operational independence, and enforcement practice directly affect reform credibility.

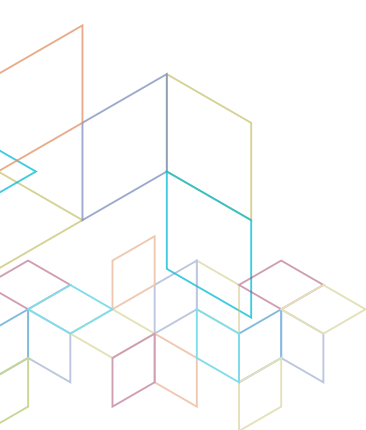
The paper evaluates three policy options: maintaining the current approach based on formal compliance, introducing incremental reforms, and pursuing comprehensive structural reform. The first option offers limited improvement, while the second provides only partial gains. Structural reform is identified as the only option capable of ensuring credible, measurable, and externally verifiable outcomes in line with the EU Growth Plan.

The recommended policy option is therefore a phased structural reform of Serbia's state aid control system. It should focus on systematic data publication, a centralized digital register, clearly defined institutional responsibilities, stronger analytical capacity, and regular monitoring.

In the short term, priority actions should include publishing the final inventory of state aid schemes, establishing a basic digital register, formalizing interinstitutional coordination, and introducing regular public reporting. These measures can deliver immediate credibility gains while laying the foundation for broader institutional reform.

Strengthening state aid control is not merely a matter of regulatory alignment but a core component of economic governance and EU integration. By ensuring transparent, verifiable, and institutionally robust implementation, Serbia can strengthen the credibility of its reform process and its position within the EU's performance-based enlargement framework.





1 INTRODUCTION AND CONTEXT

The EU Growth for the Western Balkans represents a major shift in enlargement policy, shaped by broader geopolitical developments and shifting strategic priorities within Europe. In the aftermath of Russia's invasion of Ukraine, the EU has placed renewed emphasis on strengthening political stability, economic resilience, and strategic cohesion across its neighborhood. Enlargement policy has consequently moved beyond its traditional framework, incorporating elements of phased integration and performance-based conditionality as tools to accelerate convergence while maintaining reform incentives. This shift reflects a broader strategic objective to reduce vulnerabilities in the EU's neighborhood by accelerating economic convergence and regulatory alignment with candidate countries (European Commission, 2024).

Within this context, the EU Growth introduces a new model of integration in which access to financial support, investment opportunities, and selected segments of the internal market is conditional upon the measurable and verified implementation of reforms. This approach reflects a shift toward a more dynamic and incentive-driven enlargement process, directly linking reform performance with access to tangible economic and financial benefits (European Commission, 2024; Uvalić, 2024; Center for European Policy, 2025).

At the regional level, the EU Growth establishes a structured reform framework based on four interconnected policy areas: rule of law and fundamental rights, green transition and digital transformation, human capital development, and the improvement of the business environment, including the control of state aid (European Commission, 2024). Among these, the regulation and use of state aid play a particularly important role, as they directly affect market functioning, competitiveness, and the development of the private sector. Effective state aid control is therefore a key component of aligning candidate countries with the economic governance standards of the EU and enabling their gradual integration into the single market, particularly in the area of competition policy. These areas collectively serve as benchmarks through which the EU assesses reform credibility, implementation capacity, and alignment with EU standards. Across the Western Balkans, countries exhibit varying levels of progress in these areas, reflecting differences in institutional capacity and reform implementation (Ognjanoska, 2022; European Commission, 2025c).

For Serbia, these dynamics are closely linked to its EU accession process, particularly within the framework of Chapter 8 on competition policy. In recent years, the country has made notable progress in aligning its legal and institutional framework with EU requirements, including the establishment of procedures for the ex ante assessment of aid measures and the preparation of a comprehensive inventory of state aid schemes (European Commission, 2025c). However, as the reform process advances from formal alignment toward implementation, questions related to transparency, institutional capacity, and the verifiability of reform implementation have become central to assessing overall reform credibility.

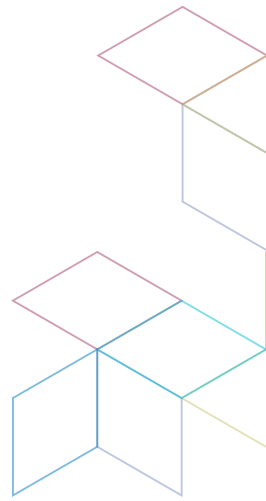
In this context, the notion of "control of state aid" refers to a set of regulatory, administrative, and analytical processes through which public support measures are assessed for their compatibility with competition rules. This includes ex ante notification and approval of aid schemes, monitoring of their implementation and, where applicable, corrective measures. More broadly, it also relates to how the use of state aid as a policy instrument is strategically governed, including the degree to which allocation decisions are transparent, predictable, and aligned with market-based principles. In this sense, effective control of state aid is both a regulatory requirement and a key determinant of investor confidence and market predictability.

The objective of this paper is to provide a structured assessment of the current state of state aid control in Serbia within the framework of the EU Growth Plan and to identify key challenges affecting the credibility and effectiveness of reform implementation. The analysis is based on a triangulated combination of primary and secondary sources, including interviews with relevant stakeholders such as the State Aid Control Commission, the Ministry for European Integration, independent policy organizations, and civil society representatives, as well as an examination of official documents, European Commission reports, and independent monitoring analyses (author's interviews, 2026).

The paper is structured as follows. The next section outlines the key features of the problem, followed by the analytical framework, policy options, and recommended measures. The concluding section summarizes the main findings and their implications for Serbia's EU integration trajectory.



MY NOTES



2 PROBLEM DESCRIPTION

The reform of state aid control in Serbia represents a central component of the country's broader alignment with the EU acquis under Chapter 8 on competition policy and the implementation of the EU Growth Plan. In recent years, Serbia has made measurable progress in formal alignment, including the adoption of the Law on State Aid Control, the establishment of the State Aid Control Commission, and the development of procedures for the ex ante assessment of aid measures (Komisija za kontrolu državne pomoći Republike Srbije, 2019; European Commission, 2025c). In addition, the preparation of a comprehensive inventory of state aid schemes is an important step toward systematizing existing measures and aligning them with EU requirements. Within the framework of the EU Growth Plan, where financial disbursements are explicitly linked to the verified implementation of reform steps, these developments acquire additional significance.

However, as the reform process advances from formal alignment toward implementation, several structural challenges have become increasingly evident. A central issue concerns the limited availability of publicly accessible documentation related to key reform steps. While the final inventory of state aid schemes has been submitted in line with the European Commission's feedback, neither the draft nor the final version of the document, nor the European Commission's detailed comments, has been made publicly available. This limits independent assessment of the inventory's completeness, scope, and alignment with EU standards (Pavković, 2025). As a result, although formal progress has been reported, the reform step remains difficult to verify in a comprehensive and systematic manner, limiting independent assessment and undermining broader stakeholder confidence in the reform process.

A similar dynamic can be observed in the preparation of the Action Plan for the alignment of state aid schemes with the EU acquis. According to available evidence, the Action Plan has not yet been formally adopted, despite being referenced in the context of disbursement requests under the EU Growth Plan (European Commission, 2025c; Pavković, 2025). In the absence of a publicly accessible, time-bound, and institutionally confirmed document, it remains challenging to assess the sequencing, coordination, and effectiveness of planned reforms. This creates a divergence between reported progress and verifiable implementation, which has direct implications for the credibility of reform-based disbursement under the EU Growth. This pattern reflects a broader structural issue in which reported reform progress is not consistently matched by publicly verifiable evidence.

Beyond issues of transparency and verifiability, the institutional configuration of state aid control presents additional constraints. The State Aid Control Commission operates within a framework that formally guarantees independence and establishes clear procedures for ex ante control, particularly in ensuring alignment with EU competition rules at the procedural level. At the same time, the European Commission plays an important role in providing guidance to granting authorities and maintaining regulatory consistency. However, its functional scope is mostly limited to regulatory assessment. The European Commission does not allocate state aid, select beneficiaries, conduct inspections, or perform audits of implemented measures, which restricts its role in overseeing the full life cycle of state aid (author's interviews, 2026). Moreover, the system relies to a large extent on the notification and cooperation of granting authorities, which may affect the consistency and coverage of oversight in practice. Earlier analyses of the Serbian state aid control system also emphasized that operational independence, administrative resources, and effective use of control mechanisms have been persistent challenges in this policy area (Krstović et al., 2019).

Institutional capacity also represents an important dimension of the challenge. The Commission operates with limited administrative and analytical capacity relative to the complexity of the system, particularly in the context of increasingly complex and high-value state aid schemes. The Commission currently operates with about 20 staff members out of 27 systematized positions, which limits its capacity to deal with the scope and complexity of state aid control (author's interviews, 2026). At the same time, the effective implementation of reforms requires a high level of coordination among multiple ministries, agencies, and levels of government. Ensuring consistent application of rules, timely notification of aid measures, and comprehensive reporting remains a demanding task in such a multiactor environment.

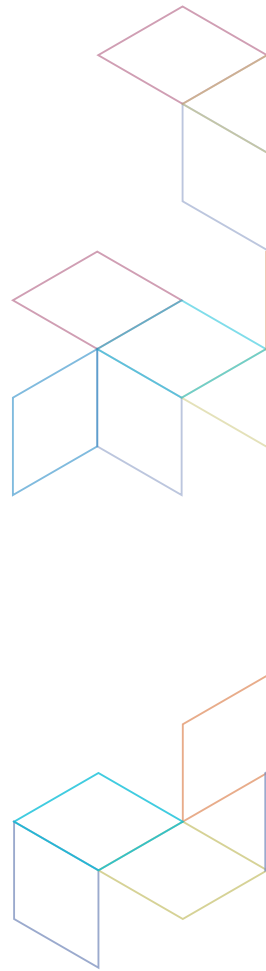
The effectiveness of state aid control also has direct implications for the business environment and private sector development. Predictable and transparent allocation of state aid contributes to a level playing field in the market, reduces regulatory uncertainty, and supports fair competition among firms. Conversely, limited transparency and uneven implementation may create distortions in market conditions, affecting investment decisions and the allocation of resources across sectors (Transparency Serbia, 2015; 2017b). In the context of Serbia's gradual integration into the EU single market, these dynamics become particularly relevant, as alignment with competition rules is closely linked to investor confidence and the functioning of market mechanisms.

At a broader level, the functioning of the state aid system can be understood in the context of its role as an economic policy instrument. State aid is frequently used to support investment, promote regional development, and address structural economic challenges (European Commission, 2024; Transparency Serbia, 2015). At the same time, its allocation involves the management of significant public resources and requires a high degree of transparency, accountability, and analytical rigor. In such contexts, the allocation of state aid may also reflect broader policy and economic priorities, which further underscores the importance of strong transparency and accountability mechanisms.

From an EU perspective, the effectiveness of state aid control represents a key condition for the gradual integration of candidate countries into the single market. The ability to ensure consistent application of competition rules is essential for preventing market distortions and maintaining trust among Member States. Similar implementation challenges can be observed across the Western Balkans, albeit with varying intensity and institutional responses (European Commission, 2025a). In this sense, challenges related to transparency, verifiability, and institutional capacity are factors that shape both domestic policy issues and the pace and scope of economic integration under the EU Growth Plan framework.

These implementation challenges also have broader policy implications in the context of performance-based enlargement. Where reform progress cannot be clearly verified, it becomes more difficult to ensure the effective functioning of incentive mechanisms embedded in the EU Growth Plan. This may affect not only the predictability of financial disbursements but also the overall credibility of the reform process as perceived by both domestic and EU stakeholders.

Taken together, these factors point to a central policy issue: the effectiveness of state aid control in Serbia is increasingly determined not by the existence of formal rules but by the extent to which their implementation is transparent, verifiable, and institutionally robust. Addressing these dimensions is essential for meeting EU requirements under Chapter 8 and for ensuring that the performance-based logic of the EU Growth Plan translates into credible, measurable and externally verifiable, and policy-relevant reform outcomes.



3 ANALYTICAL FRAMEWORK AND COMPARATIVE ANALYSIS

The assessment of state aid control in Serbia requires an analytical approach that goes beyond descriptive evaluation and enables a systematic examination of reform performance. Building on the challenges identified in the previous section, this chapter develops a structured analytical framework designed to capture the key dimensions that determine the effectiveness and credibility of state aid control within the context of the EU Growth Plan and its performance-based conditionality framework.

In parallel, the analysis adopts a targeted comparative perspective by examining selected experiences from across the Western Balkans. Given the shared institutional and regulatory context, these cases provide relevant insights into different approaches to reform implementation, as well as variations in transparency, institutional capacity, and policy credibility. This comparative lens allows for the identification of concrete lessons, as well as transferable practices and lesson-oriented insights that can inform Serbia's reform trajectory. The selected cases also illustrate regional differences in reform progress and institutional responses (Dimitrova, 2020 for North Macedonia; European Commission, 2025b for Montenegro; European Commission, 2025c for Serbia).

By combining clearly defined analytical criteria with targeted regional comparison, this chapter establishes a coherent basis for evaluating alternative policy options. In doing so, it bridges the gap between problem identification and policy design, ensuring that subsequent policy options and recommendations are grounded in both analytical rigor and empirical relevance.

3.1 ANALYTICAL FRAMEWORK

The effectiveness of state aid control in Serbia can be systematically assessed through a set of interrelated analytical criteria derived from both the requirements of the EU acquis and the operational logic of the EU Growth Plan. Building on the challenges identified above, this framework enables a structured and policy-relevant evaluation of the extent to which formal alignment translates into credible, effective, and verifiable implementation.

Given the shift toward performance-based conditionality and phased integration into the EU single market, the evaluation of reform progress increasingly depends less on the existence of formal rules than on their practical application and verifiable outcomes. For the purpose of this analysis, each criterion is assessed through a set of observable indicators, allowing for a structured and comparable assessment of reform performance. Each criterion is applied consistently across policy options in order to assess their relative effectiveness, feasibility, and alignment with EU requirements.

Building on these considerations, this paper applies four core analytical criteria: transparency, verifiability, institutional capacity, and regulatory alignment. Together, these dimensions provide a comprehensive basis for assessing both the current status of state aid control in Serbia and the feasibility of alternative policy options.

Transparency refers to the extent to which information on state aid measures, including their design, allocation, and implementation, is publicly available, timely, consistent, and accessible to relevant stakeholders. This includes the publication of inventories, decisions, and reports related to state aid measures. In the context of state aid control, transparency plays a critical role

in ensuring accountability, enabling external scrutiny, and supporting a level playing field in the market. It also contributes to reducing information asymmetries and strengthening trust among economic actors, including investors and market participants.

Verifiability captures the extent to which reported reform progress can be independently assessed on the basis of publicly available and institutionally confirmed information, thus enabling independent stakeholders, such as civil society organizations and external experts, to evaluate reform outcomes. This includes the existence of clearly defined, measurable, and traceable indicators of reform progress, as well as consistent reporting practices. Within the framework of the EU Growth Plan, this criterion has acquired particular importance, as financial disbursements are linked to the verified implementation of reform steps.

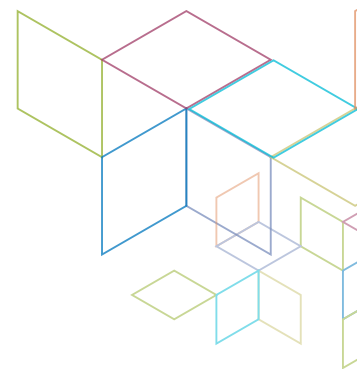
Institutional capacity refers to the ability of relevant institutions to effectively design, implement, monitor, and, where necessary, enforce state aid control measures. This includes administrative resources, analytical expertise, clearly defined institutional responsibilities, and the existence of coordination mechanisms among different levels of government. In complex regulatory environments such as state aid control, institutional capacity is a key determinant of consistent rule application, enforcement effectiveness, and timely decision-making.

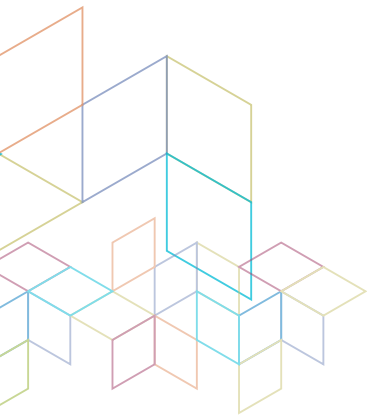
Regulatory alignment reflects the degree to which the legal and procedural framework governing state aid in Serbia corresponds to EU competition rules and standards, including the distinction between *de jure* alignment and *de facto* implementation. This includes both formal transposition of the EU *acquis* and the practical application of rules in line with established EU practices. While regulatory alignment remains a necessary condition for integration, its effectiveness ultimately depends on the extent to which it is supported by transparency, verifiability, and institutional capacity.

These four criteria are analytically distinct but mutually reinforcing. Regulatory alignment without sufficient institutional capacity may lead to gaps in implementation, while transparency without verifiability may limit the ability to assess actual reform outcomes. Similarly, strong institutional structures without transparent procedures may reduce accountability and external trust. For this reason, a balanced approach across all four dimensions is essential for ensuring the overall effectiveness and credibility of the state aid control system.

In addition, these criteria are embedded within a broader cross-cutting dimension of policy credibility, which reflects the extent to which reforms are perceived as consistent, predictable, and effectively implemented over time. This dimension is particularly relevant in the context of performance-based conditionality, where both domestic and EU-level actors rely on credible signals of reform commitment and implementation.

Applied to the case of Serbia, this analytical framework provides a structured basis for examining how similar challenges have been addressed in comparable regional contexts. It therefore serves not only as a diagnostic tool but also as a foundation for the comparative analysis that follows and for deriving policy-relevant lessons, as well as for the structured evaluation of policy options in subsequent sections.





3.2 COMPARATIVE INSIGHTS

A comparative perspective on state aid control across the Western Balkans provides targeted analytical insight into how similar structural challenges are addressed under comparable institutional and regulatory conditions. While all countries in the region operate within the broader framework of EU accession and alignment with competition policy rules, their approaches to implementation differ across the four analytical criteria outlined above. These differences provide a useful empirical benchmark for assessing Serbia's reform trajectory in a regional context (European Commission, 2025a).

In the case of North Macedonia, state aid control is based on a relatively developed legal framework. The 2010 Law on State Aid Control is broadly aligned with Articles 107, 108, and 109 of the Treaty on the Functioning of the EU and with relevant EU secondary legislation, while the Stabilisation and Association Agreement requires the country to comply with EU state aid rules and transparency standards (Dimitrova, 2020; European Commission, n.d.). State aid oversight is entrusted to the Commission for the Protection of Competition, an independent state authority that includes a specialized state aid control unit and reports to the Assembly. This institutional arrangement provides a comparatively clear legal basis for ex ante control, notification procedures, and compatibility assessment. At the same time, the North Macedonian case also illustrates that legal approximation alone does not automatically ensure effective implementation. Research on the country's state aid framework identifies persistent weaknesses in transparency, including the absence of comprehensive online publication of aid measures and incomplete publication of notifications and decisions, as well as capacity constraints within the state aid control function. The same analysis emphasizes the importance of an online state aid registry, greater cooperation between grantors and the Commission, stronger notification discipline, and additional financial and human resources for the competent authority (Dimitrova, 2020). For Serbia, the lesson is twofold: formal legal alignment and an independent regulatory body are necessary, but they must be supported by reliable publication practices, digital transparency tools, and sufficient administrative capacity to produce verifiable reform outcomes.

Montenegro, as the most advanced country in the EU accession process among the Western Balkans, offers a different perspective. Its progress in Chapter 8 has been supported by a relatively stable accession framework, clearer reform sequencing, and the institutional integration of state aid control within the Agency for Protection of Competition. The transfer of state aid control to the competition authority was intended to address earlier concerns regarding the operational independence of the previous state aid control body, which had been linked to the Ministry of Finance (Karanović & Partners, 2018). Regional analysis therefore treats Montenegro as an example of institutional redesign aimed at strengthening independence and aligning the state aid control function more closely with competition policy enforcement (Treska, 2024).

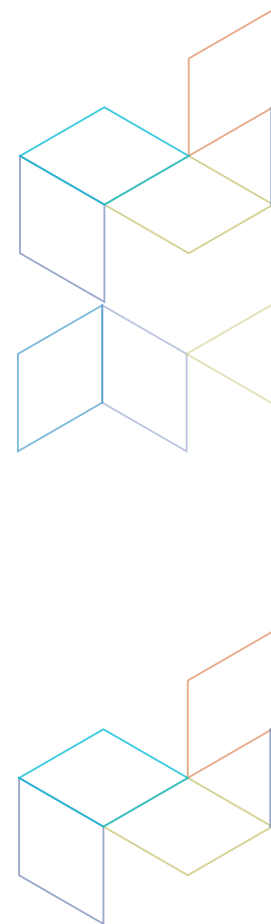
More recent developments further confirm this trajectory. According to the European Commission's Montenegro 2025 Report, the adoption of a new Law on State Aid Control in July 2025 represented an important step toward alignment with the EU acquis, but it must be followed by implementing legislation and further rules to ensure full alignment (European Commission, 2025b). The report also notes that Montenegro remains only moderately prepared in competition policy, with limited progress in building an enforcement track record and strengthening the administrative capacity of the competition agency. In 2024, the Agency adopted decisions and opinions in ex ante and ex post state aid procedures and continued investigations into potential unlawful aid, including cases related to Montenegro Airlines, ToMontenegro, the Bar-Boljare highway, Monteput, and Elektroprivreda Crne Gore (European Commission, 2025b). Recent amendments to Montenegrin state aid regulation also indicate continued efforts to align specific areas, including rescue and restructuring rules and de minimis aid, with evolving EU standards (Drašković Popović & Partners, 2024). These developments show that Montenegro has moved

further than most regional peers in developing an operational enforcement agenda, but also that legislative alignment and institutional redesign must be matched by final outcomes in benchmark investigations, recovery of unlawful aid where required, stronger administrative capacity, and systematic cooperation with aid grantors. For Serbia, Montenegro demonstrates both the value and the limits of institutional consolidation: clearer mandates and a dedicated competition authority can improve coherence, but credible implementation ultimately depends on enforcement results, administrative capacity, and follow-through in complex state aid cases.

The Albanian case provides a particularly relevant cautionary example. While Albania has adopted a legal framework that broadly reflects core EU state aid principles, including elements corresponding to Articles 107 and 108 of the Treaty on the Functioning of the EU, implementation has been constrained by limited operational independence, weak administrative capacity, and an underdeveloped enforcement record. Treska's analysis of state aid governance in Albania shows that the State Aid Commission remains institutionally linked to the ministry responsible for economic affairs, while the Directorate of State Aid operates as an administrative support structure within the same institutional environment (Treska, 2024). This design raises concerns about fiscal and operational independence, particularly because the effectiveness of state aid control depends on the ability of the authority to assess, monitor, and, where necessary, order the recovery of unlawful aid without undue institutional dependence. The same analysis emphasizes the limited enforcement record, the absence of negative or recovery decisions, insufficient staffing, and the recurring need to raise awareness among line ministries, regional and local authorities, and other grantors in order to ensure prior notification of aid measures (Treska, 2024). This illustrates the limitations of formal legal alignment when it is not supported by independent institutions, sufficient administrative resources, effective enforcement mechanisms, and transparent reporting practices.

The comparison with Albania is also relevant for assessing Serbia's position. Unlike Albania, Serbia has already established a formally independent State Aid Control Commission, with a legal framework that provides a stronger basis for institutional autonomy (Komisija za kontrolu državne pomoći Republike Srbije, 2019; European Commission, 2025c). Regional comparative analysis identifies Serbia as having moved toward a more independent model after the adoption of the 2019 Law on State Aid Control (Treska, 2024). However, this does not eliminate implementation risks. Serbia's case demonstrates that formal independence and legal alignment, while necessary, are not sufficient unless accompanied by systematic transparency, reliable public data, consistent notification practices, and externally verifiable implementation. In this sense, the Serbian challenge is less one of basic institutional design and more one of ensuring that formally established mechanisms produce measurable, transparent, and credible outcomes.

Taken together, these comparative insights reinforce the central finding of this analysis: the effectiveness of state aid control is determined less by the existence of formal frameworks than by the conditions under which they are implemented. North Macedonia shows that a relatively advanced legal framework must be complemented by transparent publication practices and sufficient administrative capacity (Dimitrova, 2020). Montenegro shows that institutional consolidation and accession-driven reform sequencing can improve coherence, but only if followed by credible enforcement outcomes and sufficient administrative resources (European Commission, 2025b). Albania shows that formal alignment remains weak where operational independence, staffing, notification discipline, and enforcement are insufficient (Treska, 2024). Across these cases, variations in transparency, verifiability, institutional capacity, operational independence, and enforcement practice directly influence policy credibility and reform effectiveness. These findings provide a structured, lesson-oriented empirical basis for evaluating policy options in Serbia, particularly in identifying which reform pathways are best positioned to deliver credible and measurable outcomes in line with the EU Growth Plan.



4 POLICY OPTIONS AND EVALUATION

Building on the analytical framework and comparative insights from the region, this chapter presents a structured set of policy options aimed at addressing the identified challenges and strengthening the credibility of reform implementation. In the framework of performance-based conditionality, the choice of policy approach directly determines both the effectiveness of state aid control and Serbia's access to EU funding and the overall credibility of its reform trajectory (European Commission, 2024; Uvalić, 2024). These options reflect different levels of ambition in reform design, ranging from the continuation of the current approach to more comprehensive structural changes.

Each policy option is evaluated against the analytical criteria outlined above. This structured approach ensures a consistent comparison of their relative effectiveness, feasibility in light of institutional and political constraints and associated policy trade-offs, and their alignment with the operational logic of the EU Growth Plan. The objective is to assess the strengths and limitations of each option while identifying a policy pathway that is both realistic and capable of delivering measurable and verifiable results. Accordingly, the analysis seeks to bridge the gap between reform commitments and implementation outcomes, providing a basis for actionable, policy-relevant, and decision-oriented recommendations.

4.1 POLICY OPTION 1: STATUS QUO – FORMAL COMPLIANCE

The first policy option is to continue the current approach to state aid control, with a focus on formal alignment with EU requirements, but without introducing new policy instruments or substantial changes to existing institutional arrangements and implementation practices. Under this option, Serbia would maintain its existing legal and procedural framework, including the application of ex ante control mechanisms and ongoing efforts to align state aid schemes with the EU acquis, while avoiding more comprehensive structural reforms (Komisija za kontrolu državne pomoći Republike Srbije, 2019; European Commission, 2025c).

In practical terms, this approach would rely on the gradual implementation of measures that are already underway, such as the alignment of state aid schemes based on the existing inventory and the eventual adoption of the Action Plan. Institutional responsibilities would remain largely unchanged, with the State Aid Control Commission continuing to perform its regulatory and advisory functions within its current mandate, and coordination among relevant authorities remaining predominantly ad hoc and practice-based rather than formally structured. As such, this option largely preserves the current operational logic of the system without addressing its underlying structural limitations (Pavković, 2025).

From the perspective of the analytical criteria outlined above, this option offers inherently limited improvement in overall system effectiveness. While regulatory alignment would likely continue to advance at the formal level, significant challenges related to transparency and verifiability would persist. The limited availability of publicly accessible documentation, including key reform-related documents, would continue to constrain the ability of external stakeholders to assess reform progress. As a result, the credibility of reform implementation and the predictability of disbursements under the EU Growth Plan would remain structurally constrained (Center for European Policy, 2025; Pavković, 2025).

Institutional capacity would also remain largely unchanged. While incremental improvements may occur through ongoing administrative practice and informal learning, no targeted investments in human resources, analytical capacity, or enforcement capabilities would be introduced. In such

a context, the system would continue to rely heavily on the initiative and compliance of granting authorities, potentially leading to uneven application of rules and limited oversight in practice (author's interviews, 2026).

In terms of feasibility, this option presents the lowest level of political and administrative resistance, as well as a high degree of political and institutional comfort, as it does not require significant institutional restructuring or the reallocation of responsibilities. It also minimizes short-term implementation costs. However, this relative ease of implementation comes at the expense of limited effectiveness in addressing the structural challenges identified in the previous sections.

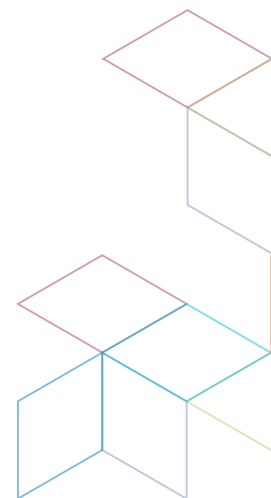
Overall, while the status quo approach may ensure a degree of formal compliance with EU requirements, it is unlikely to deliver the level of transparency, verifiability, and institutional robustness necessary to fully meet the expectations of the EU Growth Plan. More importantly, it risks entrenching the structural gap between formal alignment and effective implementation, thereby limiting both the credibility of reforms and the predictability of performance-based financial disbursements.

4.2 POLICY OPTION 2: INCREMENTAL REFORM AND TARGETED INSTITUTIONAL STRENGTHENING

The second policy option builds on the existing framework of state aid control in Serbia, but introduces a set of targeted and incremental reforms aimed at addressing key implementation gaps without fundamentally altering the overall institutional architecture or introducing full structural reform. Unlike the status quo approach, this option envisages the introduction of specific measures to improve transparency, strengthen institutional capacity, and enhance coordination, while maintaining the core structure of the current system. As such, it represents a pragmatic approach to improving system performance within existing institutional constraints.

In practical terms, this option would focus on the gradual improvement of transparency through the systematic publication of key documents related to state aid control, including the inventory of state aid schemes, selected decisions of the State Aid Control Commission, and periodic summary reports, as well as the development of publicly accessible online registers of state aid measures. These efforts would aim to improve the availability and consistency of information, thereby enhancing the ability of external stakeholders to assess reform progress and increasing the overall predictability of the system. Such measures would also respond to long-standing calls for more transparent publication of state aid information and improved public access to data on the allocation and implementation of state aid measures (Transparency Serbia, 2017b). However, under this option, transparency would primarily improve through administrative practice and selected disclosure measures, rather than through a fully comprehensive, legally enforceable, and system-wide publication framework.

At the institutional level, this option would introduce targeted reinforcement of existing administrative and analytical capacities, particularly within the State Aid Control Commission and relevant line ministries, including the Ministry of Finance and the Ministry for European Integration. This could include the gradual recruitment of specialized staff, the development of analytical tools for assessing the economic impact of aid measures, and the provision of training for granting authorities. In addition, more structured coordination mechanisms could be introduced, such as regular interinstitutional meetings or working groups, in order to improve information exchange and consistency in the application of rules. These measures would be consistent with earlier policy recommendations emphasizing the need to strengthen the operational capacity, analytical functions, and institutional resources of the state aid control system (Krstović et al., 2019). While these steps would strengthen operational capacity, they would not fundamentally alter the distribution of institutional responsibilities.



From the perspective of verifiability, partial improvements would be achieved through the introduction of more consistent reporting practices and the gradual development of measurable indicators of reform progress. However, these measures would remain limited in scope and would not necessarily result in a fully transparent and externally verifiable system. The main limitation of this option is that transparency and reporting would improve primarily as administrative practices, without becoming fully embedded as enforceable system-wide obligations. As a result, while improvements in reform credibility could be expected, they would remain inherently partial, uneven, and dependent on the consistency of implementation across institutions.

In terms of regulatory alignment, this option would support the continued approximation of Serbia's legal framework with EU standards, while placing greater emphasis on practical implementation. Nevertheless, without more comprehensive structural reforms, the divergence between formal alignment and effective enforcement would likely persist, particularly in areas where institutional responsibilities remain fragmented and oversight mechanisms are limited. This means that incremental reform could improve compliance practices, but would not fully address the deeper structural gap between legal alignment, administrative capacity, and verifiable implementation.

From a feasibility perspective, this option represents a balanced approach. It requires a moderate level of political commitment and administrative effort, but does not entail significant institutional restructuring or major redistribution of competencies. As such, it is more demanding than the status quo, but remains politically and administratively feasible in the short to medium term, particularly in a context of incremental reform incentives. Its main advantage lies in the fact that it can generate visible improvements relatively quickly, especially in transparency, reporting, and coordination, without requiring immediate institutional redesign.

Overall, this option represents an intermediate reform pathway, offering a meaningful improvement over the current system, particularly in terms of transparency and institutional capacity. However, its incremental nature limits its ability to fully address structural challenges related to verifiability, enforcement, and policy credibility. While it would contribute to a gradual strengthening of the system, it remains structurally insufficient to fully meet the verification requirements of the EU Growth Plan. Accordingly, Option 2 should be understood as a transitional and politically feasible improvement, rather than a comprehensive solution capable of ensuring fully credible, measurable, and externally verifiable reform outcomes.

4.3 POLICY OPTION 3: STRUCTURAL REFORM AND FULL ALIGNMENT

The third policy option envisages a comprehensive and structural reform of the state aid control system in Serbia, aimed at addressing the core challenges related to transparency, verifiability, and institutional capacity. Unlike the previous options, this approach moves beyond incremental adjustments and introduces a coherent set of coordinated measures designed to ensure that formal alignment with EU rules is consistently matched by transparent, verifiable, and enforceable implementation in practice. As such, it represents the only policy pathway capable of systematically closing the gap between regulatory compliance and effective system performance, rather than merely mitigating its effects.

At the core of this option is the establishment of a fully transparent and externally verifiable system of state aid control. This would include the systematic publication of a comprehensive and regularly updated inventory of all state aid schemes, as well as detailed information on individual aid measures, including beneficiaries, amounts, and objectives. In addition, a centralized and publicly accessible digital register of state aid would be introduced, with standardized data fields such as beneficiary, amount, instrument, objective, and granting

authority, as well as machine-readable formats and regular updates. This would enable continuous and real-time access to key data for both domestic stakeholders and EU institutions. Regular public reporting, based on clearly defined, measurable, and traceable indicators, would further strengthen the traceability and credibility of reform progress and enable consistent external verification. These measures would respond to long-standing concerns regarding the transparency of state aid allocation and the public availability of data on state aid measures (Transparency Serbia, 2017b). In contrast to incremental reforms, which improve transparency selectively, this approach ensures system-wide verifiability as a structural feature of the system.

A second pillar of this option concerns institutional strengthening and the clarification of responsibilities. Effective state aid control requires a clear delineation of roles between key institutions, particularly the State Aid Control Commission, the Ministry of Finance, and the Ministry for European Integration. Under this option, the State Aid Control Commission would be strengthened as an independent regulatory authority responsible not only for *ex ante* assessment but also for systematic monitoring and compliance oversight, including the expanded use of *ex post* controls, recovery procedures for incompatible aid, and the publication of compliance decisions. Earlier policy analyses have also emphasized that operational independence, stronger analytical functions, and more effective use of control mechanisms are essential for improving the performance of Serbia's state aid control system (Krstović et al., 2019). The Ministry of Finance would assume responsibility for fiscal coordination and consolidated reporting on state aid, while the Ministry for European Integration would ensure alignment with EU requirements and maintain structured communication with EU institutions. In parallel, permanent interinstitutional coordination mechanisms and standardized procedures for information exchange and decision-making would be established, reducing fragmentation and improving consistency across the system. Unlike Option 2, which improves coordination without fundamentally altering governance structures, this option establishes a clearly defined and enforceable institutional architecture. This approach improves system performance while reducing the risk of policy reversal by embedding transparency and oversight into the institutional structure itself.

A third component focuses on strengthening institutional capacity through targeted investments in human resources, analytical tools, and digital infrastructure. This would involve the recruitment of specialized staff with expertise in competition economics, the development of advanced analytical methodologies for both *ex ante* and *ex post* assessment of aid measures, and the digitalization of reporting and monitoring systems. Capacity building programs for granting authorities at both central and local levels would be introduced to ensure consistent application of rules and improve understanding of state aid obligations, thereby reducing implementation gaps at the operational level. These measures build on the existing legal framework for state aid control, while addressing the capacity and implementation gaps that continue to limit its effectiveness in practice (Komisija za kontrolu državne pomoći Republike Srbije, 2019; European Commission, 2025c). While incremental reforms improve capacity at the margins, this approach aims to establish a sustainable and system-wide analytical capability.

From the perspective of the analytical criteria, this option delivers the most significant improvements across all dimensions. Transparency would be substantially enhanced through systematic data publication and the introduction of a centralized digital register. Verifiability would be strengthened through the availability of measurable and traceable indicators, consistent reporting practices, and full external accessibility of data. Institutional capacity would be reinforced through targeted investments and clearer allocation of responsibilities, while regulatory alignment would be consolidated through consistent and enforceable implementation of EU rules in practice. Key performance indicators should include the publication rate of state aid decisions, the timeliness of notifications, the share of aid measures subject to *ex post* evaluation, and the degree of public accessibility of state aid data. Crucially, only under these conditions can

reform progress be independently verified in a manner consistent with the requirements of the EU Growth Plan, where financial support is linked to measurable reform implementation (European Commission, 2024; Uvalić, 2024).

In terms of feasibility, this option requires a higher level of political commitment and administrative effort compared to the previous options, as it involves both institutional adjustments and resource allocation. It may also face initial resistance due to increased transparency and stronger oversight mechanisms. However, the implementation timeline, estimated at approximately 12 to 18 months, remains realistic when understood as a phased process building on existing institutional structures and ongoing reform activities. Elements such as the inventory of state aid schemes, the ongoing alignment of aid measures, and existing ex ante control procedures already provide a functional baseline. Initial deliverables, including the publication of existing data, the establishment of a basic digital register, and the formalization of coordination mechanisms, can be achieved within a shorter timeframe, while more advanced components such as full digitalization, expanded ex post controls, and capacity building measures would be implemented progressively. Accordingly, the timeline reflects a sequenced reform approach rather than a simultaneous system-wide transformation.

Importantly, the feasibility of this option must also be assessed in the context of the EU Growth Plan's performance-based conditionality. Without the establishment of a fully verifiable system, reform steps risk being assessed as only partially fulfilled, which may directly delay or reduce disbursements under the EU Growth Plan. As demonstrated by the limited verifiability of the inventory of state aid schemes and the absence of a publicly adopted Action Plan, the current system already faces constraints in meeting these requirements (Pavković, 2025). Structural reform therefore not only entails higher initial costs but also reduces the risk of delayed or contested disbursement decisions at the EU level. In the absence of such structural reforms, the persistence of limited transparency and nonverifiable implementation may continue to undermine reform credibility and constrain Serbia's effective access to performance-based EU support.

Overall, this option represents a transformative reform pathway that directly addresses the structural limitations of the current system. By ensuring that state aid control is transparent, verifiable, and institutionally robust, it creates the necessary conditions for credible and measurable implementation of reforms under the EU Growth Plan. Unlike incremental reform, which remains dependent on the consistency of implementation across institutions, this approach structurally eliminates the conditions that produce uneven and nonverifiable outcomes. Accordingly, structural reform should be understood not as an ambitious alternative but as a necessary condition for ensuring the functional credibility of Serbia's integration pathway under the EU Growth Plan. Moreover, it strengthens Serbia's alignment with EU competition policy, ensures predictable performance-based financial disbursements, supports the country's gradual integration into the EU single market, and reinforces Serbia's credibility as a reliable and accountable partner in the EU accession process.

4.4 EVALUATION OF POLICY OPTIONS

The three policy options outlined above present distinct approaches to addressing the identified challenges in the system of state aid control in Serbia. Their relative merits can be systematically assessed against the analytical criteria defined in Section 2.1, namely transparency, verifiability, institutional capacity, and regulatory alignment. Table 1 provides a structured, at-a-glance comparison across all criteria, enabling a clear and consistent evaluation of effectiveness, feasibility, and alignment with the operational logic of the EU Growth Plan. The table summarizes differences across criteria and highlights their cumulative impact on overall system performance and reform credibility.

As illustrated in Table 1, the alternatives differ not only in their level of ambition but, more importantly, in their ability to deliver credible, measurable, and externally verifiable outcomes. The status quo ensures continuity and formal compliance, yet remains structurally limited in improving transparency and verifiability. The incremental approach introduces targeted improvements and enhances certain aspects of system performance, particularly in terms of transparency and institutional capacity. However, its inherently gradual nature leaves key structural constraints unresolved, especially regarding the consistency and independent verifiability of implementation. By contrast, structural reform delivers comprehensive and systemic improvements across all analytical criteria, ensuring that transparency, verifiability, institutional capacity, and regulatory alignment are reinforced in a mutually consistent and sustainable manner.

From a comparative perspective, the most critical distinction lies in the ability to ensure externally verifiable reform outcomes. While the first two approaches rely, to varying degrees, on internal administrative processes and partial transparency, only structural reform establishes the conditions necessary for full and independent verification of reform progress. This distinction is particularly relevant within the EU Growth Plan, where financial disbursements are explicitly linked to verified implementation. In this context, the difference between incremental and structural reform is not merely one of degree but one of functional adequacy within a performance-based conditionality framework (European Commission, 2024; Uvalić, 2024).

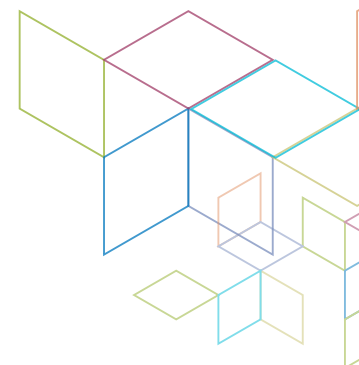


Table 1: Comparative evaluation of policy options

Criteria	Option 1: Status Quo – Formal Compliance	Option 2: Incremental Reform	Option 3: Structural Reform – Full Alignment
Transparency	Low – Limited publication of data and key documents	Medium – Partial improvements through increased reporting and selected disclosures	High – Comprehensive publication and centralized digital register
Verifiability	Low – Limited capacity for independent assessment	Medium – Improved reporting and partial use of measurable indicators	High – Measurable, traceable indicators and full external verifiability
Institutional capacity	Low – No targeted investments or structural changes	Medium – Targeted capacity building and improved coordination	High – Strengthened institutions, clear mandates, and enhanced analytical capacity
Regulatory alignment	Low-medium – Continued formal alignment without effective enforcement	High – Improved implementation of EU rules in practice	High – Full alignment with consistent and enforceable application
Policy Credibility	Low – Persistent gap between formal alignment and implementation	Medium – Partial improvement in credibility	High – Strong credibility through transparent and verifiable implementation
Feasibility	High – Minimal political and administrative effort	Medium – Moderate effort and political commitment	Medium-low – Higher effort, including transitional political and administrative costs
Implementation speed	High – Immediate continuity of existing practices	Medium – Gradual implementation of targeted measures	Medium – Phased implementation over 12–18 months
Impact on EU Growth Plan	Limited – Weak and unreliable link to performance-based disbursement	Moderate – Partial improvement in reform credibility	Strong – Ensures predictable and credible performance-based outcomes

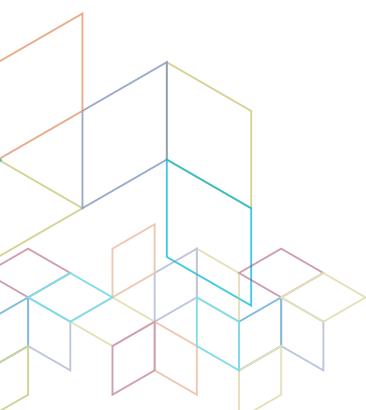
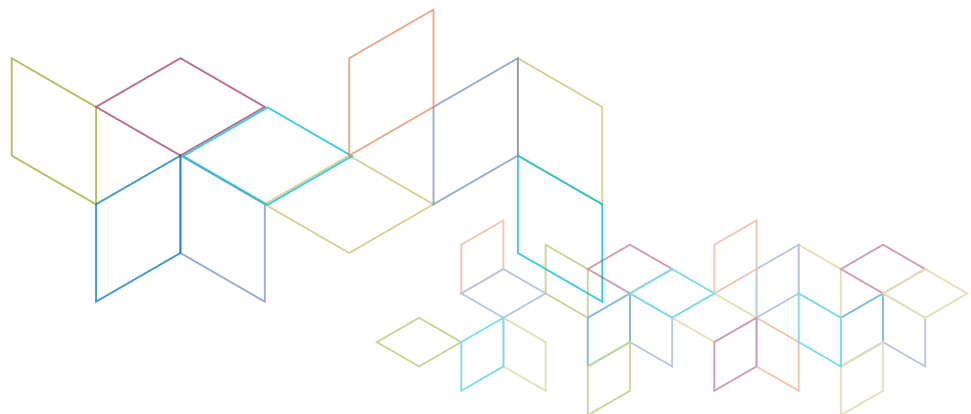


Table 1 further demonstrates that while the incremental approach offers a politically and administratively feasible pathway in the short term, it remains inherently limited in ensuring consistent and system-wide outcomes. Its effectiveness depends on the quality and consistency of implementation across institutions, which may lead to uneven results and continued challenges in independent verification. By contrast, structural reform reduces reliance on discretionary and fragmented practices by embedding transparency, accountability, and coordination directly into the institutional architecture.

From a feasibility perspective, the options differ in terms of required political commitment and administrative effort. While the status quo entails minimal costs but delivers limited impact, and incremental reform offers moderate improvements with manageable requirements, structural reform requires a higher initial investment in institutional restructuring and capacity building. However, these short-term costs must be weighed against the long-term benefits of enhanced policy credibility, system predictability, and alignment with EU standards.

Importantly, the evaluation must also consider implications for Serbia's access to performance-based EU support. Approaches that fail to ensure transparent and verifiable implementation risk delays, partial assessments, or uncertainty in disbursement decisions under the EU Growth Plan. This concern is particularly relevant where reported reform progress cannot be independently assessed through publicly available documentation or institutionally confirmed evidence (Pavković, 2025). In this context, the capacity of structural reform to ensure system-wide verifiability represents both a qualitative improvement and a functional requirement for maintaining credible access to EU funding mechanisms.

Taken together, the comparative assessment demonstrates that while incremental improvements may yield partial gains, they remain insufficient to fully address the structural challenges identified in this analysis. Only a comprehensive structural reform approach can ensure credible, measurable, and externally verifiable outcomes in line with the requirements of the EU Growth Plan. Under these conditions, alternative approaches do not represent suboptimal choices but functionally inadequate responses to the demands of a performance-based enlargement framework. Accordingly, the analysis identifies structural reform as the most effective pathway and establishes it as the only approach capable of aligning reform design with the operational logic of EU conditionality. Prioritizing structural reform is therefore essential both for policy effectiveness and for ensuring the credibility and sustainability of Serbia's integration trajectory.



5 RECOMMENDED POLICY OPTION

Based on the comparative evaluation of policy options, this paper recommends Policy Option 3, which entails a comprehensive structural reform of the state aid control system in Serbia. As demonstrated in the previous section, this approach is the most effective and the only one capable of ensuring that formal alignment with EU rules is consistently translated into transparent, verifiable, and enforceable implementation in practice. In the context of the EU Growth Plan, where financial disbursements are directly linked to verified reform outcomes, structural reform therefore represents a functional requirement rather than a discretionary policy choice (European Commission, 2024; Uvalić, 2024).

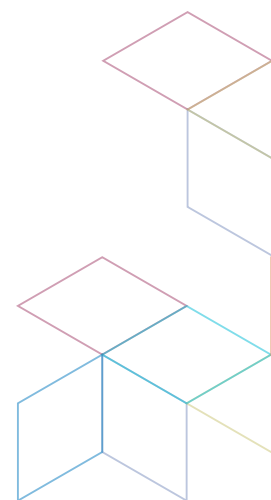
Rather than reiterating the individual components of this reform, this section focuses on its practical implementation. Effective delivery depends on a sequenced and coordinated approach that combines early credibility gains with gradual institutional consolidation. Accordingly, the reform should be implemented in clearly defined phases over a period of 12 to 18 months, building on existing structures while progressively introducing more complex institutional and technical components.

Table 2: Phased implementation roadmap

Phase	Timeline	Key measures	Expected outcomes
Phase 1: Immediate transparency and coordination measures	0 to 3 months	Publication of the final inventory of state aid schemes; establishment of a basic digital register; formalization of interinstitutional coordination; introduction of regular public reporting	Immediate increase in transparency; initial credibility gains; improved communication with EU institutions
Phase 2: Institutional consolidation and system development	3 to 9 months	Adoption of by-laws and procedural guidelines; clarification of institutional mandates; expansion of digital register functionality; introduction of standardized reporting formats	Improved consistency in implementation; enhanced coordination; partial system-wide verifiability
Phase 3: Advanced implementation and capacity building	9 to 18 months	Deployment of full digital infrastructure; introduction of ex post controls and compliance monitoring; recruitment of specialized staff; implementation of training programs	Full operationalization of the system; system-wide verifiability; strengthened institutional capacity

This phased approach reflects both the ambition and the feasibility of the proposed reform. Phase 1 focuses on measures that can be implemented rapidly using existing data and institutional capacities, thereby generating immediate and visible improvements in transparency and credibility. Phase 2 introduces the legal and procedural backbone necessary for consistent system operation, while Phase 3 ensures long-term sustainability through capacity building, digitalization, and enhanced enforcement mechanisms. The sequencing is particularly important because independent monitoring has already identified limited public availability of documentation as a constraint on the verification of key reform steps, including the inventory of state aid schemes and the Action Plan for alignment with the EU acquis (Pavković, 2025).

From a governance perspective, successful implementation requires a clear allocation of responsibilities and sustained political coordination. The State Aid Control Commission should play a central role in monitoring and compliance oversight, while the Ministry of Finance should



ensure fiscal coordination and consolidated reporting. The Ministry for European Integration should maintain alignment with EU requirements and facilitate structured communication with EU institutions. The establishment of permanent interinstitutional coordination mechanisms is essential for ensuring consistency and avoiding fragmentation in implementation. Ensuring effective implementation will also require clear political ownership at the government level, including high-level coordination and sustained commitment to reform priorities. Earlier policy analyses have similarly emphasized that operational independence, stronger analytical capacity, and more effective use of control mechanisms are essential for improving the functioning of Serbia's state aid control system (Krstović et al., 2019).

The implementation process will also require targeted financial and administrative resources. While initial costs are expected to be moderate and largely related to digital infrastructure, staffing, and training, these investments can be supported through a combination of national budget allocations and EU technical assistance instruments, including IPA funds. Accordingly, the reform is aligned with EU requirements and can be partially supported through existing EU funding mechanisms.

Effective implementation should be supported by a monitoring framework based on clear milestones, baseline measurements, and measurable reporting benchmarks. These should include the publication rate of state aid decisions, the timeliness of notifications, the share of aid measures subject to ex post evaluation, and the degree of public accessibility of state aid data. Regular monitoring should be complemented by periodic public reporting and, where appropriate, independent assessments in order to reinforce accountability and external trust. Such an approach would also respond to long-standing recommendations for greater transparency and public accessibility of information related to state aid allocation and implementation (Transparency Serbia, 2017b).

At the same time, several risks and constraints should be taken into account. These include potential resistance to increased transparency, administrative inertia, and capacity limitations at the level of granting authorities. However, these risks can be mitigated through phased implementation, targeted training programs, and strong political backing. Importantly, delaying structural reform carries its own risks, particularly in terms of reduced credibility and uncertainty in EU disbursement decisions.

In this context, the cost of inaction should not be underestimated. Without the establishment of a fully transparent and verifiable system, reform progress may continue to be assessed as only partially fulfilled, thereby affecting both the predictability and the timing of financial support under the EU Growth Plan. Structural reform therefore serves both to improve system performance and to reduce uncertainty and strengthen Serbia's position within the performance-based enlargement framework (European Commission, 2024; Pavković, 2025).

Overall, the recommended policy option provides a clear, actionable, and operationally grounded pathway for strengthening the effectiveness of state aid control in Serbia. By combining immediate measures with medium-term institutional consolidation and long-term capacity building, it ensures both feasibility and sustainability. Accordingly, structural reform should not be seen as a policy preference but as a necessary condition for ensuring the credibility, functionality, and sustainability of Serbia's integration into the EU single market.

6 CONCLUSION

This paper has examined the role of state aid control within the EU Growth Plan as a key determinant of Serbia's reform credibility, economic governance, and gradual integration into the EU single market. The analysis demonstrates that while Serbia has achieved a significant degree of formal alignment with EU competition rules, the central challenge lies in ensuring that this alignment is translated into transparent, verifiable, and consistently enforced practice.

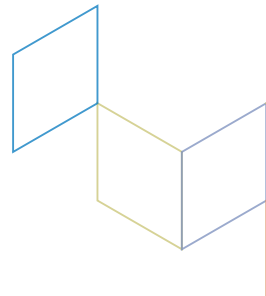
The findings confirm that the effectiveness of state aid control is not determined by regulatory frameworks alone but by the institutional capacity, transparency, and operational conditions under which they are implemented. Persistent limitations in public availability of data, independent verifiability, and interinstitutional coordination continue to constrain both the credibility of reform implementation and the predictability of performance-based financial disbursements under the EU Growth Plan.

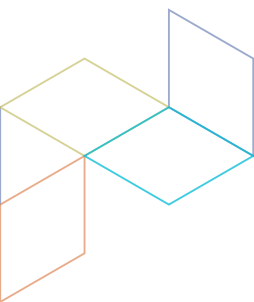
Recent uncertainty surrounding Serbia's access to EU Growth Plan funding further underscores the practical significance of this issue. Reports that EU institutions have considered delaying or suspending payments to Serbia due to concerns over reform credibility and rule-of-law backsliding illustrate that performance-based conditionality is no longer an abstract principle but an operational mechanism with direct financial consequences (Associated Press, 2026; Reuters, 2026). Although these concerns relate primarily to the rule-of-law domain, they reinforce a broader lesson that is equally relevant for state aid control: reforms must be supported by transparent evidence, institutional ownership, and verifiable implementation if they are to generate credible access to EU support.

In this context, incremental improvements, while beneficial, remain insufficient to address the structural nature of the identified challenges. Only a comprehensive and coordinated reform approach, combining enhanced transparency, strengthened institutional capacity, clear political ownership, and enforceable implementation mechanisms, can ensure that state aid control functions as an effective instrument of economic governance and integration.

Ultimately, the credibility of Serbia's reform process will depend less on the extent of formal alignment than on its ability to deliver measurable, verifiable, and consistently applied outcomes. In a performance-based enlargement framework, where financial support and market access are directly linked to implementation results, credibility becomes a strategic asset rather than a formal requirement (Uvalić, 2024).

By decisively moving from formal compliance to effective and transparent implementation, Serbia can meet the expectations of the EU Growth Plan while strengthening its position as a predictable, credible, and competitive partner within the EU single market. Accordingly, strengthening state aid control is not merely a technical reform requirement but a defining test of Serbia's capacity to credibly deliver on its EU integration commitments.





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MY NOTES





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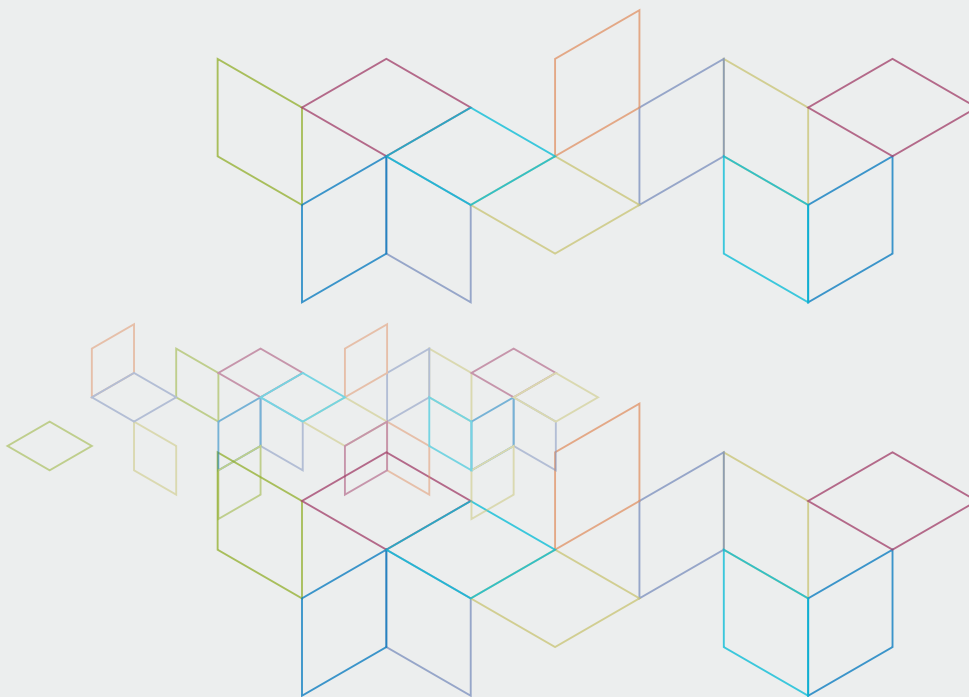
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Communication and Visibility Coordinator







MY NOTES

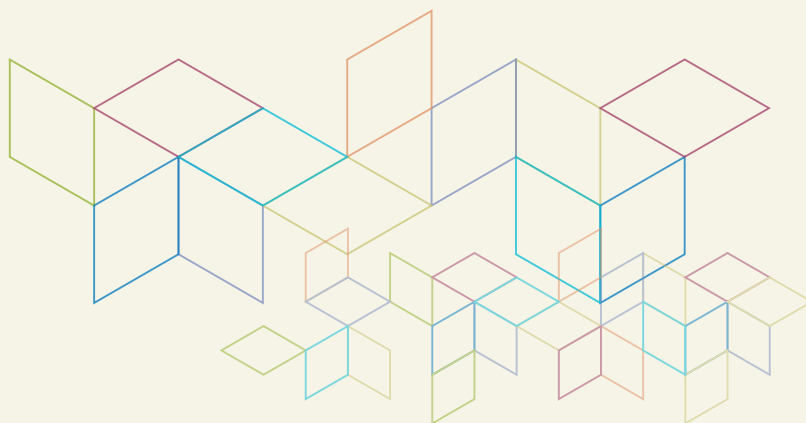
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The »WeLead: EU Scheme for Young Professionals in the Western Balkans« (WeLead) project is a four-year multi-beneficiary capacity development project funded by the European Union. In the period 2023–2026, the WeLead project will contribute to good neighborly relations and the advancement of the EU integration process of the Western Balkans through improved regional cooperation of young people.

Through different project activities, our objective will be i) to improve knowledge and experience of the EU accession process acquired by the next generation of public administrators and policy makers in the Western Balkans, and ii) to enhance a stronger professional network between young public officials and between administrations.



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