

NALAS Position Paper:

Western Balkans in the loop, Local Governments and their Associations as key stakeholders in the EU Integration process

1. Refocusing on the Western Balkans

The celebration of the 60th anniversary of the Treaties of Rome, establishing the European Economic Community and paving the way for what today is known as the EU since the Lisbon Treaty, is a good opportunity to direct the EU's attention to a neighbouring region which seemed to have lost the priority on the EU agenda. The fact that the Western Balkans shared a post-war experience like the six signatory countries of the Rome Treaty and by taking into consideration the crucial role of the region for the preservation of peace throughout Europe, led the EU from 2000 until 2008 to launch activities to enhance stability, mutual understanding, peaceful coexistence and economic growth through trade embedded into a perspective of future EU integration. Dynamics, reform willingness, enthusiasm, hope and motivation generated since then have been fading gradually and gave way to apathy, reform stalemate, impatience and rising scepticism regarding EU membership.

At present tensions in the Western Balkans are rising. Social protests in the whole region are piling up reflecting the political and socio-economic standstill and increasing instability. These protests are met with mounting geopolitical pressure to destabilise the region and draw countries away from EU accession and NATO membership.

In the light of these events, witnessed by EU foreign affairs chief Federica Mogherini during her trip to several Western Balkan countries in March 2017, EU leaders have expressed alarm at the problems and reaffirmed their commitment to support stability and to deepen political and economic ties with and within the region. In fact, the EU Council Summit conclusions of 9 March 2017 refer to the situation in the Western Balkans as "*fragile*" stressing the importance of reforms, good neighbourly relations and reaffirm its "*unequivocal support for the European perspective of the Western Balkans*". It was made clear that **the EU remains committed and engaged at all levels** to support the countries of the region in conducting EU oriented reforms and projects.

In this context, the Network of Associations of Local Authorities of South-East Europe (NALAS) offers its institutional support and cooperation as an important stakeholder to work together with EU institutions in a Partnership for stability and growth to promote democratic reforms, good governance, the rule of law and sustainable development at local level in the Western Balkans.

NALAS has been committed since its creation in 2001 to the promotion of local democracy under the auspices of the Stability Pact and the Council of Europe, to contribute to the reconciliation and stabilisation process in the region and henceforth subscribes to the process of the European integration of the whole region in a bottom-up approach.¹ We strongly believe that change processes can only be sustainable and generate the desired impact if they are supported from the local level upwards by convinced, pro-active and committed citizens in a strategic alliance with public administration and authorities sharing the same vision. Decentralisation as a pillar of the democratic reform process is crucial for social cohesion, stability and peace in the Western Balkan countries and for the future of Europe. If Europe wants to be close to its future citizens, then it has to go local. The EU is about people, for people and around people. The location where people live, act, meet and liaise directly with government and public administration is the local level! **A functional bottom-up approach** depends on an effective coordination and cooperation between local and central government level to be successful.

The following proposals aim to strengthen dialogue facilities between the EU and the local level. They are conceived as a contribution to adapt EU support instruments to better correspond to the needs of local authorities in preparing for EU accession and the adoption of standards by local public administrations. Furthermore, a brief analysis of the most pressing issues within the region should stress the importance to conceive LGAs and LGs as crucial stakeholders and strategic partners in the EU integration and reform process in strengthening local democracy.

¹ See position paper of the Standing Conference of Towns and Municipalities, the National Association of Local Authorities of Serbia, a NALAS member association, on "The impact of EU accession on local authorities in Serbia", Belgrade, December 2013

2. **Proposals for dialogue facilitation**

EU institutions should bear in mind the specificities of local and regional authorities as one tier of government and engage with local authorities in multi-stakeholder dialogues on issues related to EU integration and reform processes. It should be stressed that local and regional governments are both policy makers and service providers according to rights and obligations embedded in their national legislations. EU programming should recognise this fact by simplifying e.g. financial rules and allowing support to local government civil servant staff via its instruments and facilities honouring the principle of subsidiarity and acknowledging the importance of Associations of Local Authorities as stakeholder and interlocutor.

It is therefore necessary to implement a more inclusive consultation processes at all stages of planning, programming and decision-making on all issues affecting local government taking into account specific role, competences, tasks and responsibilities of local governments which are different from other local actors (i.e. private and civil sector). NALAS strongly advocates to include the local government dimension in strategic and operational planning for EU enlargement.

2.1 *EU Commission - Technical or administrative unit for LGAs and LGs to address to*

One of the mayor impediments for LGAs and LGs are the restrictions they face addressing the EU Commission. They are not a stand-alone partner for DG NEAR, but communication and cooperation is realised with the central government. Today there is no technical or administrative unit in DG NEAR dealing separately with LGs in candidate countries.

We strongly recommend to revert this situation and to consider LGAs as a main stakeholder and interlocutor in the EU accession process.

2.2 *European Parliament Working Group*

Working Groups are the backbone of the EP's political work. Here common positions and strategies on major policy areas are summoned and specific recommendations are submitted. The former SEE working Group of the EP was an effective forum to address issues of common interest and played a major role in paving Croatia's accession to the EU.

We recommend that the political parties represented in the EP and interested in EU relations with the Western Balkans consider the reestablishment of the former SEE Working Group or the set-up of a Western Balkans Working Group.

2.3 *Western Balkans Cooperation Days*

The EP organises every year special events focusing on specific geographical areas, like the Mediterranean.

NALAS invites the EP to consider the organization of the Western Balkans Cooperation Days on an annual basis in cooperation with the Committee of the Regions.

3. EU support instruments

3.1 TAIEX – Technical Instrument for IPA countries

By the end of 2015 the EU Commission decided to put to a halt the Local Administration Facility (LAF). When LAF was operational, local governments in the region had a direct access to EU policy makers, using the opportunity to closely familiarise themselves with EU policies and their impact at local level, especially when it comes to environmental protection, agriculture, regional development, sustainable tourism, fiscal decentralisation, financial management, economic and social cohesion.

The cessation of LAF deprives the local government level in the region of a specific support to prepare for future EU integration. Since its interruption, there is actually no single thematic support promoting LGs or LGAs in the EU Commission as compared to the Council of Europe. Furthermore, the privileged direct relation between the EU and the central government level of the IPA countries is reflected within the TAIEX procedures. LGAs and LGs of the accession countries cannot submit technical support request to TAIEX. They need to be addressed and channelled via the respective line ministries of the central governments.

NALAS invites the EU Commission to reconsider LAF or an alternative, which corresponds to LAF's overall objectives and specific purpose to help local governments develop, strengthen their role and contribute to political, economic and institutional stabilisation in our region as the key elements for EU accession.

3.2 Instrument for Pre-Accession - IPA II

The Multi-Country Indicative Strategy (2014-2020) IPA II does not address local authorities as a key layer of governance. The lack of components designed for local development and the specific needs of cities, towns and local government entities bear witness of this omission. Besides, for a majority of municipalities in the accession countries the perception prevails that EU projects/programmes are still too complex to be coped with given the circumstances within local administrations and the diversity of realities they represent. The Commission's efforts/promises to simplify EU Fundraising via project/programme access was largely counteracted by increasingly sophisticated and complex fund control mechanisms. A balance should be struck between feasible auditing/control mechanisms and the capacity on the spot at regional and local level to be able to put them into practice.

NALAS invites the EU Commission to include LGAs to be part of the IPA negotiation, programming, monitoring and evaluation process. This consideration should comprise the regional as well as the national consultation process.

3.3 Civil Society Organisations – Local Authorities (CSO-LA) programme

The CSO-LA programme managed by DG DEVCO as part of the Development Cooperation Instrument DCI, supports civil society organisations and local authorities as drivers of development. It enables beneficiaries to honour their ability to provide help and encourages long-term partnerships linking civil society and local authorities in order to play a bigger role in development strategies.

The lack of access to the DCI CSO/LA programme in the current period (2014-2020) is a big loss for Local Authorities of the IPA II beneficiary countries.

Since there is no similar/comparable programme available in IPA II, NALAS recommends the launch of a CSO-LA programme for the region.

3.4. *Bridge Fund Facility for Local Self-Governments to pre-finance EU funded projects*

A main challenge municipalities face throughout the region is related to pre-financing of EU projects. For the implementation of projects in the frame of Cross-Border, Transnational Cooperation and most of other EU programmes, local governments have to pre-finance in large part up to 90% of the funds. This implies that pre-financing has to be covered by their own resources for project activities until they are refunded by the EU, which in some cases can take up to 12 months. On the other hand, NALAS annual Fiscal Decentralisation Indicators Report² shows that SEE local governments' revenues are far below EU average, competences are decentralised without the adequate resources, local governments are dependent on government transfers which results with low investment capacity. Pre-financing thus represents, especially for smaller municipalities a serious bottleneck and obstacle to participate in EU programmes.

In this regard, support for local governments to access available EU funds and ensure pre-financing of municipal projects through the establishment of a needs-oriented financial instrument would support local governments in preparation and implementation of EU funded projects.

A Bridge Funding mechanism could provide for: i) covering temporary shortage of funds in the process of project implementation and ii) financing of ineligible costs, which are important in order to ensure the sustainability and integrity of a project.

A very successful Bridge Funding instrument exists in Bulgaria denominated Fund for Local Authorities and Governments, known under its abbreviation FLAG.

In order to enhance possibilities of municipalities with insufficient financial resources to participate in EU programmes and access EU funding, NALAS recommends the set-up of a Bridge Funding Facility for Local Governments in the region.

3.5 *EU aid facilities in humanitarian and natural disaster situations to support local governments*³

In 2015, the EU redirected its attention again to the Western Balkans as a result of the migration/refugee crisis with the aim to mitigate its repercussions and implications for Union member countries. Municipalities and not central governments along the so-called Balkan route were the frontrunners to face the migration/refugee crisis providing basic services in this unprecedented man-made disaster. Using its resources and shouldering the main burden municipalities depleted its limited resources and compromised their assets and funds and strained their budgets.

The unique management of local governments in the migration/refugee crisis should be recognised!

Considering the potential risk of renewed migration/refugee movements (returnees and integration) affecting the region, NALAS recommends that adequate support facilities should be provided for local governments in the frame of EU humanitarian and disaster aid facilities.

² http://www.nalas.eu/Publications/Books/2016_FD_Report

³ http://www.nalas.eu/News/Plovdiv_2015_Declaration_on_DRM - NALAS Plovdiv 2015 Declaration on Disaster Risk Management:

4. Regional analysis

In recent times, social protests in the whole region are piling up, reflecting the political and socio-economic standstill and increasing instability. These events suggest that the Western Balkans candidate countries continue to face deep structural problems. The consequences of the global and European economic crisis, which has hit heavily on the Western Balkans, have certainly been a key factor in recent years and had a negative impact on the EU reform efforts throughout the region that continues to have an effect. But it is the tendency towards autocratic leaderships, the shifting of the balance of power-principle versus a dominant executive branch on the expense of the legislative and judiciary, the infringement on fundamental freedoms, widespread corruption and territorial issues that further threaten stability, peace and democracy as a whole in the region.

The crisis reveals an erosion of the covenant between governments, ruling parties and the citizens. This results in a crisis of trust; one no longer relies on the institutions and hardly on the elected politicians. The crisis of trust leads to questioning of hitherto commonly shared values and principles and challenges democracy as a way of life as well as an institutional and structural guideline. And finally, the crisis of the EU model is reflected by increased *EU fatigue*. RCC's SEE Balkan Barometer 2016 shows that Euroscepticism is strong in the region as a whole. Findings show that almost 60% of the survey sample have negative or mixed feelings and are sceptical towards EU membership.

NALAS is convinced that a functional bottom-up approach is best suited to contribute to building a sound and sustainable basis for the regional reform process by strengthening local democracy. Bringing the citizen closer to the EU implies going local! What is required is to revert the unsuccessful triple-down effect carried out by the EU for the past 40 years since the Treaty of Rome. This is where LGAs and LGs together can play a crucial role.

In fact, it is time to (re)discover the local level as the transmission belt to carry the European ideals of a peacefully united continent into the region and to promote it there bindingly. Laying the foundations of an ever-closer union among the peoples of Europe, to ensure economic and social progress and to improve the citizens' living and working conditions, starts by living and experimenting the EU at local level. We therefore urge under the present circumstances EU institutions to consider LGAs and LG as a crucial stakeholder and strategic partner at local level in the context of EU integration process.

We at NALAS advocate as step in the right direction to implement a more inclusive consultation processes at all stages of planning, programming and decision-making on all issues affecting local government by taking into account specific role, tasks and responsibilities of local governments which are different from other local actors (i.e. private and civil sector) and to include the local government dimension in strategic and operational planning for EU enlargement.



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