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# Local Europe in North Macedonia

The impact of EU accession on municipalities with a focus on environment

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## List of abbreviations

|        |                                                                                      |
|--------|--------------------------------------------------------------------------------------|
| CERV   | Citizens, Equality, Rights and Values (EU programme)                                 |
| CJEU   | Court of Justice of the European Union                                               |
| CSO    | Civil Society Organisation                                                           |
| DSIP   | Directive-Specific Implementation Plan                                               |
| EBRD   | European Bank for Reconstruction and Development                                     |
| EC     | European Communities                                                                 |
| EIA    | Environmental Impact Assessment                                                      |
| EIB    | European Investment Bank                                                             |
| EPR    | Extended producer responsibility                                                     |
| GDP    | Gross domestic product                                                               |
| GWP    | Groundwater Management, Use, and Protection Programme                                |
| IPA    | Instrument for Pre-accession Assistance                                              |
| JCC    | Joint Consultative Committee                                                         |
| LAG    | Local Action Group                                                                   |
| LEADER | Links between the rural economy and development actions (in French)                  |
| LGA    | Local government association                                                         |
| LIFE   | Programme for the Environment and Climate Action                                     |
| MEA    | Ministry of European Affairs                                                         |
| MLS    | Ministry of Local Self-Government                                                    |
| MoEPP  | Ministry of Environmental Protection and Physical Planning                           |
| NALAS  | Network of Local Authority Associations of South-East Europe                         |
| NGO    | Non-governmental organisation                                                        |
| NPAA   | National Programme for Adoption of the EU Acquis                                     |
| PFAS   | Per- and polyfluoroalkyl substances                                                  |
| PM     | Particulate matter                                                                   |
| PRAG   | Practical guide on contract procedures for EU external action                        |
| PUC    | Public utility company                                                               |
| SALAR  | Swedish Association of Local Authorities and Regions                                 |
| SCTM   | Standing Conference of Towns and Municipalities (Serbia)                             |
| SDC    | Swiss Agency for Development and Cooperation                                         |
| SEA    | Strategic Environmental Assessment                                                   |
| SEI    | State Environmental Inspectorate                                                     |
| SEPA   | Swedish Environmental Protection Agency                                              |
| UNDP   | United Nations Development Programme                                                 |
| WBIF   | Western Balkans Investment Framework                                                 |
| ZELS   | Association of the Units of Local Self-government of the Republic of North Macedonia |

## Executive summary

This report considers how the EU accession process is likely to affect municipalities in North Macedonia. After an overview of the impact of accession on local authorities elsewhere, it focuses on the area of environment (air quality, waste management and water protection among other sectors). Environment is one of the most significant chapters of the EU lawbook for municipalities, and an area where the local government association, ZELS, has been invited to contribute to preparation of the accession negotiations.

While this is not a fully-fledged impact assessment (it does not cover all environmental sectors, and fieldwork in municipalities would be needed to produce more detailed indicators of potential impact), it suggests several general conclusions:

- First, there is no doubt that EU accession in general has a profound impact on local governments, who are responsible for implementing large parts of EU standards, may benefit from EU funding opportunities, and are an important link with citizens.
- In the environmental field, North Macedonian legislation is largely aligned with EU legislation, with a roadmap almost in place to complete the accession negotiations by around 2029.
- However, capacity to implement and enforce legislation is in short supply at all levels of government, and there is a substantial implementation gap at local level.
- While EU accession is still expected to be overwhelmingly positive in this area, with a step change in environmental standards and an influx of funding to upgrade local infrastructure and services, the impact risks being sub-optimal for local governments.
- Unexpected administrative costs, legal challenges due to lack of compliance, potential disruption of local services, failure to make best use of EU funds, and pressure for re-centralisation if local authorities cannot meet EU commitments – these are some of the potential problems that better preparation could help to avoid.

To give a few examples of the implementation gap: municipalities lack the capacity to carry out environmental impact assessments; they spend very little on measures to implement air quality plans; two-thirds are unable to submit data on household waste collection, while only a few provide dedicated locations for construction waste; only around 20 have developed flood protection plans. Meanwhile, net recruitment of municipal employees and authorised inspectors in the environmental field stands at zero. The precarious financial situation of many municipal-owned public utility companies also raises concerns, since subsidies and cross-subsidies will have to be dealt with more transparently under EU rules.

There are also good examples of municipalities taking innovative steps towards meeting EU standards, often through EU or other donor-funded projects. Many of the pre-conditions are also in place for local representatives to play a constructive role in the accession process. For instance, the government recognises the significance of the local level and already provides some financial support for municipal participation in EU-funded projects, while ZELS is consulted on alignment with EU legislation and has networks of local officials responsible for European Affairs and Funds and for Environment Protection.

However, more could be done, and one question that arises is whether the need for increased capacity to meet EU standards is being employed effectively as an argument for greater decentralisation and better access to EU funding opportunities.

The final section outlines possible guidelines with a timeframe of around four years after the next local elections (October 2025), including concrete steps that individual municipalities and ZELS could take to strengthen local engagement in the accession process. These include (for example): nominating experts to represent local authorities and ensure meaningful participation in working groups preparing the accession negotiations and programming of EU funding; responding to consultations on alignment with EU legislation with a unified position of local self-government; and taking advantage of training opportunities for municipalities on management of EU funds and implementation of EU standards.

# 1. Overview of the impact of EU accession on local authorities

## 1.1. What is meant by the ‘impact’ of EU accession?

Joining the EU means transferring decision-making in many areas from the national level to the EU level. Once a member, a country has direct influence (through representatives in the Council and the Parliament) over new laws, but accession means taking on a large and essentially non-negotiable body of treaties, legislation, case law, etc. known as the EU ‘acquis’.<sup>1</sup>

Broadly speaking, the acquis covers most things that might affect free movement (of goods, services, capital and people) between member states. It includes standards in areas such as environment, consumer protection or food safety, partly to ensure free and fair trade but partly also to guarantee minimum conditions for EU citizens. Accession also means paying in to the EU budget and receiving financial support for areas including agriculture and regional development. For most countries that have joined since 2004, this has meant substantial net receipts, which can help to fund upgraded standards.

Local authorities must comply with and are responsible for implementing significant parts of the acquis. Some laws apply directly (e.g. the General Data Protection Regulation), some through national legislation that implements EU directives (e.g. the Energy Efficiency Directive). It is up to each country to decide how much responsibility to place on local governments (the Treaty on European Union, Art 4, states that the Union ‘shall respect [Member States’] national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government’). But the ‘competent authorities’ mentioned in EU laws often are local authorities, depending on the country and the policy area (e.g. issuing licences or permits under the Services Directive, or registering food providers under food safety regulations).

The principle of subsidiarity is sometimes mentioned in this context, but the EU’s version of subsidiarity concerns whether to act at EU level or at Member State level (whether central, regional or local). The EU will not adjudicate on the division of responsibilities within Member States. During the accession process, the EU’s main interlocutor is the candidate country’s national administration, and the extent to which sub-national governments are engaged in the process is also largely up to central government. Nevertheless, in decentralised systems, where sub-national governments will be ‘competent authorities’ in many areas, their capacity to implement the acquis is a relevant issue for the accession negotiations.

Historically, the impact of accession at the local level has not been a priority for national negotiators, which is perhaps understandable given the intensity of the process and the lack of bandwidth to address problems raised by other stakeholders. Equally, accession may seem a distant and uncertain prospect for individual mayors. The **role of the local government association (LGA)** is therefore crucial, both in advocacy vis-à-vis central government and in helping members to prepare. The LGA needs to impress on central government that accession concerns municipalities as **a level of public authority**, not just another stakeholder or a

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<sup>1</sup> From the French *acquis communautaire*, meaning that which has been acquired by the Communities, now Union.

complement to central government, and on members that if they wait until a date for accession is known, it may be too late to influence the process and to prepare effectively.

For local authorities in acceding countries, taking on the EU acquis will mean new obligations, new ways of doing certain things, and most likely a new culture of implementation. Some implications are transparent – for example, North Macedonia will sign up to a target date for preparing at least 65 per cent of municipal waste for re-use or recycling. Others may be less so – for example, municipalities that have hitherto hired local companies for certain services (e.g. school transport) without a formal tender process may find that the rules on public procurement and state aids are more strictly enforced post-accession, both by national courts (which must take EU law into consideration) and by the EU institutions.

### **Indicators of overall impact**

The EU's Committee of the Regions (which comprises local and regional representatives and gives opinions on draft legislation) has long held that 'the local and regional level is responsible for implementing more than 70 % of EU legislative acts', a figure that is regularly cited by representatives of EU institutions.<sup>2</sup>

Studies of local council agendas in Member States typically show that around half the agenda items are influenced by EU legislation and policy.<sup>3</sup> Some of this is 'hard' law (e.g. the rules on public procurement or working time for employees). Some is 'soft', i.e. non-binding, but may still influence local decision-making (e.g. country-specific recommendations under the European Semester process).

A further indicator, which underlines the importance of preparing local authorities to access EU-funded programmes, is that in Croatia in the early years after accession, EU funds accounted for nearly 80 per cent of local public investment.<sup>4</sup> This is not surprising given that the EU may finance up to 85 per cent of cohesion policy programmes, and that a large part of available domestic funds will be needed for local and/or national co-financing. Nor does it mean that all the projects in question must be managed by local authorities; infrastructure upgrades for local public utilities, for example, generally go through national line ministries or agencies. Nevertheless, both local and national authorities must anticipate that, even for smaller local projects, for example in the social sphere, public investment will be heavily geared towards co-financing EU funds, and that local authorities should be engaged as partners in preparing, managing and monitoring operational programmes.

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<sup>2</sup> Committee of the Regions (2006), Opinion of the Committee of the Regions on Guidelines for the application and monitoring of the subsidiarity and proportionality principles (2006/C 115/08).

<sup>3</sup> See e.g. SALAR, The EU in Local Politics: A Study of Agendas from Municipalities, County Councils and Regions (2020) for one such study and references to others.

<sup>4</sup> Marko Ercegović, 'Experience from Croatia,' ch. 7 in A. Duman et al., The impact of EU accession on local authorities in Bosnia and Herzegovina (draft report for SALAR International, 2019).

## Types of impact

Looking at the experience of previous accessions, we may observe several different types of impact on local authorities (or on local authorities' ability to serve their citizens), including:

- Direct financial benefits from EU-funded projects.
- Quality-of-life benefits from upgraded (e.g. environmental) standards.
- Potential cost reductions through larger market access or increased transparency in use of public funds.
- Greater openness to international contacts and partnerships.
- Substantial investment costs to upgrade infrastructure and services.
- Compliance costs (and administrative challenges) of meeting new requirements.
- Legal problems (ultimately fines) in case of compliance failures (usually for the Member State in case of infringement proceedings, though local authorities or related bodies may be subject to damages and/or sanctions in some areas).
- Potential delays and/or disruption of services (e.g. where illegal state aid granted or where tender procedures appealed against).

The examples in the next section will illustrate most of these impacts. A broader question is **how EU accession might affect local autonomy**. In some policy areas, accession means more control from Brussels, Strasbourg and Luxembourg, and less from Skopje. If EU institutions are less sensitive to local circumstances than the national authorities, municipalities may feel more restricted, and there are certainly examples of this.

On the other hand, it is also possible for accession to increase local democratic ownership of certain policies. Take the example of a city suffering from air pollution where national requirements before accession were undemanding and resources to address the problem insufficient. Accession will bring stricter standards and a more enforceable requirement to develop an air quality plan. But it will also bring additional resources, and the measures in the plan will be locally decided. It is perhaps partly a matter of perception, but some local representatives might see this as an effective increase in local autonomy to address an issue of concern to voters.

Local representatives must also be alert to the **risk that accession may lead to regionalisation or even re-centralisation in some areas**, in particular where local authorities are seen as lacking capacity to implement EU standards. Examples include centralised procurement and regionalisation of utility services such as waste management. Such developments are not necessarily negative in themselves as long as there is informed consent and municipalities retain sufficient influence to exercise their competences according to the law. The example of waste management will be discussed further in section 2.

It will be clear from all the above that it would be near-impossible to measure the impact of accession in monetary terms or as a percentage of GDP. Besides, the aim of an *ex ante* impact assessment is not so much to predict the impact as to highlight issues that need to be addressed to ensure a more favourable impact.

Engagement of local authorities in the accession process may also have benefits for the process itself. One aspect of this is **citizen engagement** – as the level of public authority that is closest

to the citizens, municipalities can help to explain to the population at large what accession means (both benefits and obligations) and perhaps to counter false narratives.

Could problems at local level **slow down the accession process**? In theory, a negative assessment from the Congress of Local and Regional Authorities on the application of the European Charter of Local Self-Government might raise questions under functioning of democratic institutions, though this seems unlikely in practice.<sup>5</sup>

More likely is that issues with local implementation might impede the fulfilment of opening or closing benchmarks. These are the requirements set by the EU to open or close negotiation chapters. For example, for Montenegro the closing benchmark for chapter 5 on public procurement includes ‘measures/actions related to the prevention of and fight against corruption and conflict of interest in the area of public procurement at both central and local level’.

## 1.2. Concrete examples from different areas of the EU acquis

First, a disclaimer: this section will focus mostly on problems, since avoiding potential problems is one of the main ways to maximise the net benefits of accession. This should not be taken to mean that EU accession will be negative for municipalities. Moreover, some of the problems outlined here are not due to the EU rules as such but rather to member states’ application (or over-application) of them, and most could have been easily avoided with better preparation.

Figure 1 shows the chapters of the EU acquis and a broad indication of the importance attached to them by LGAs in the candidate countries. For entries shaded in blue (orange, red), at least one (two, three) LGAs have conducted an impact assessment or taken part in working groups underlying the accession negotiations (more on these in section 1.4).

A further disclaimer: there are local government issues in most chapters, and depending on local competences in each country, there may be important issues in some chapters generally seen by LGAs as lower priority. For example, some local and regional governments have taken issue with EU free trade agreements on the grounds that these could open up local services to competition from multinational companies.<sup>6</sup> Or discussions under chapter 17 on economic and monetary policy might well concern public deficit and debt rules with implications for local budgets.

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<sup>5</sup> The latest monitoring report from the Congress from 2021, while it raises some concerns over lack of clarity on the division of competences and lack of adequate financial resources at local level, is broadly positive in tone. CLRA, Monitoring of the application of the European Charter of Local Self-Government in North Macedonia, CPL(2021)41-02final, 22 September.

<sup>6</sup> See e.g. Oliver Prausmüller, The impact of free trade agreements on water services, in T. Prorok, A. Schantl & M. Šošić (eds), The future of Europe – built on strong municipalities: Impact of the European Union on local authorities (NWV Verlag: 2017).

**Figure 1: Chapters of the EU acquis**

|                                                                        |
|------------------------------------------------------------------------|
| Chapter 1: Free movement of goods                                      |
| Chapter 2: Freedom of movement for workers                             |
| Chapter 3: Right of establishment and freedom to provide services      |
| Chapter 4: Free movement of capital                                    |
| Chapter 5: Public procurement                                          |
| Chapter 6: Company law                                                 |
| Chapter 7: Intellectual property law                                   |
| Chapter 8: Competition policy                                          |
| Chapter 9: Financial services                                          |
| Chapter 10: Information society and media                              |
| Chapter 11: Agriculture and rural development                          |
| Chapter 12: Food safety, veterinary and phytosanitary policy           |
| Chapter 13: Fisheries                                                  |
| Chapter 14: Transport policy                                           |
| Chapter 15: Energy                                                     |
| Chapter 16: Taxation                                                   |
| Chapter 17: Economic and monetary policy                               |
| Chapter 18: Statistics                                                 |
| Chapter 19: Social policy and employment                               |
| Chapter 20: Enterprise and industrial policy                           |
| Chapter 21: Trans-European networks                                    |
| Chapter 22: Regional policy and coordination of structural instruments |
| Chapter 23: Judiciary and fundamental rights                           |
| Chapter 24: Justice, freedom and security                              |
| Chapter 25: Science and research                                       |
| Chapter 26: Education and culture                                      |
| Chapter 27: Environment                                                |
| Chapter 28: Consumer and health protection                             |
| Chapter 29: Customs union                                              |
| Chapter 30: External relations                                         |
| Chapter 31: Foreign, security and defence policy                       |
| Chapter 32: Financial control                                          |
| Chapter 33: Financial and budgetary provisions                         |
| Chapter 34 - Institutions                                              |
| Chapter 35 - Other issues                                              |

*Source:* Questionnaire responses from LGAs from 7 out of 9 candidate countries for posters displayed at Platforma 'EU-EaP Local Leaders Seminar: Strengthening Local Government Capacities for EU Engagement in the EaP Region', Brussels, November 2024.

### **Sweden (and Finland) – bathing water**

In 2000, Sweden (which joined the EU in 1995) found itself before the Court of Justice of the European Union (CJEU) for failure to properly implement the Bathing Water Quality Directive (76/160/EEC).<sup>7</sup> It is far from the only country to face problems in this area, but the aspect to

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<sup>7</sup> Case number C/368-00 Commission v Sweden.

highlight here concerns sampling of bathing water quality, which had long been a municipal responsibility in Sweden.

In essence, the directive was not well-adapted to Nordic conditions, with many small bathing waters, a shorter bathing season, and absence (or a natural surplus) of some of the substances to be measured.<sup>8</sup> Many municipalities were unable (in some cases unwilling) to take samples at the required frequency of every two weeks. A rainy summer in 1998 (which causes temporary pollution from soil run-off and thus delays sampling) did not help. The government opted not to propose a new law but charged the Swedish Environmental Protection Agency (SEPA) with issuing implementing regulations, which municipalities found difficult to interpret – for example, the term ‘bathing place’ was loosely defined, which led to more bathing places than necessary being notified to the EU Commission. Further, municipalities did not receive additional resources from the state, despite significant additional costs.<sup>9</sup>

Another interesting aspect of this case is that Finland raised similar issues with the bathing water directive during the accession negotiations. No additional derogations were granted, but the Commission was able to explain that it was up to the Member State to decide how many bathing places to notify, and that the directive already contained provisions on some of the problematic substances (specifically for excluding chlorophenol from measurements if the soil contained more phenol than usual). The Finnish Ministry of Environment was satisfied with these explanations and withdrew its requests.<sup>10</sup> The significance of this should not be overstated, since the Commission also opened infringement proceedings against Finland in 2000 for similar reasons (although the case did not go as far as the CJEU). But it illustrates how raising municipal issues (albeit by the Ministry rather than the municipal association in this case) might help to improve preparations.

Key points to underline from this example are that **it is the Member State which ends up in court**, even where municipalities are (at least partly) to blame for infringements. (The judgement makes no mention of municipalities.) There were no material consequences for Sweden (besides court costs), but the case was embarrassing for the government. It also generated substantial negative publicity (of the sort ‘EU imposes inflexible rules’) when a large part of the problem was failure to prepare effectively at both national and local level. Potentially, greater involvement of SALAR in the screening and negotiation process might have led to better implementation of the EU rules.

## Romania – landfills

In December 2023, Romania was fined €1.5 million plus €600 per day for each of 31 unauthorised municipal landfills that it had failed to close, despite an earlier CJEU judgement.<sup>11</sup>

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<sup>8</sup> The directive was undergoing revision at the time, and a new version (more flexible in some respects) was adopted in 2006. SEPA produced an action plan based partly on the new provisions, but the Commission rejected this as a justification for not complying with the existing rules.

<sup>9</sup> See Stina Friberg and Monica Koel Östbye, ‘Sverige och implementering av EU-direktiv En fallstudie av badvattendirektivet och arbetstidsdirektivet’ (2006) for a good summary. <https://www.diva-portal.org/smash/get/diva2:16457/FULLTEXT01.pdf>

<sup>10</sup> Antti Kuosmanen, *Finland’s Journey to the European Union* (European Institute of Public Administration, 2001), pp. 93, 95.

<sup>11</sup> Case C-109/22 Commission v Romania.

As part of the accession negotiations, Romania (which joined the EU in 2007) received a derogation from parts of the Landfill Directive (1999/31/EC) for 101 existing landfills until July 2017. It thus had over a decade with substantial EU financial support to upgrade the waste management system so that waste previously dumped in non-compliant sites could be treated in environmentally less damaging ways.

Romania developed a national waste management strategy and plan in 2004 and regional plans in 2006. The stated aim in these was to close all non-compliant landfills by 2013 and to construct 65 new landfills and transfer stations as part of an integrated waste management system.<sup>12</sup> Evidently, this target was missed by some distance. Among the (many and complex) reasons for this were lack of administrative capacity, delays in procurement procedures, and the need to establish intercommunity development associations (Romania has many very small municipalities) to improve public services and access EU funding.<sup>13</sup>

Inefficient use of EU funding is part of the story here – Romania had the lowest absorption rate in the EU in the 2007–13 period and lost almost €1.8 billion in funding.<sup>14</sup>

While the legal consequences were (again) for central government, this example also shows how compliance failures can lead to centralising pressures. An early warning report from the EU Commission in 2023 noted that Romania (along with several other countries) is a long way from meeting the 2035 target for no more than 10 per cent of municipal waste to be landfilled (the rate in 2020 was 74.3 per cent).<sup>15</sup> Part of the challenge is said to be ‘limited tools to implement central government policy at local level because of [*inter alia*] extensive local autonomy’. Among recommended actions are stricter national service standards for separate waste collection, and financial rewards or penalties for municipalities according to their performance in organising separate collection and recycling.

On the other hand, the report also cites municipal cooperation through intercommunity development associations as a good practice, including by promoting investment of EU funds in large-scale waste infrastructure. It also highlights the important role of municipalities, for example in promoting a pay-as-you-throw system.

A key point to stress from this example is that **non-compliance can ultimately lead to significant financial penalties**, even if this is rare and may take several years. It is also a clear case of an **implementation gap**, where legislation was aligned and strategic documents deemed sufficient to close the accession negotiations, but institutions – including local and regional authorities – were not ready to put these plans into practice. Thus, citizens in many

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<sup>12</sup> European Environment Agency, *Municipal Waste Management in Romania* (February 2013). <https://www.eea.europa.eu/en/analysis/publications/managing-municipal-solid-waste/romania-municipal-waste-management/>

<sup>13</sup> For a brief overview, see Instytut Spraw Obywatelskich, *How waste management works in Romania* (2023). <https://instytutsprawobywatelskich.pl/how-waste-management-works-in-romania/>

<sup>14</sup> See European Court of Auditors, *Commission’s and Member States’ actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results*, Special Report No. 17 (2018), Fig 6, p. 26.

<sup>15</sup> Report from the Commission identifying Member States at risk of not meeting the 2025 preparing for re-use and recycling target for municipal waste, the 2025 recycling target for packaging waste and the 2035 municipal waste landfilling reduction target (COM(2023 304 final), and Commission Staff Working Document: *The early warning report for Romania* (SWD(2023) 199 final).

municipalities have had to live with potential pollution of water sources, landfill gas emissions, and other harmful effects of non-rehabilitated landfills for many more years than expected. The question for local authorities in candidate countries is how to ensure credible plans for implementing the commitments that national negotiators will make, including effective use of EU funds.

### Croatia – rural development

Usually, at least 5 per cent of EU rural development funds must be spent on LEADER<sup>16</sup> – an approach that allows local stakeholders (business groups, civil society associations and public authorities) to form local action groups (LAGs) for local development. Municipalities can act as catalysts in forming LAGs and in drawing up local development strategies according to the priorities of the area (which may span more than one municipality and may include rural parts of urban municipalities). Strategies may cover (for example) environmental, social and cultural projects as well as agriculture-related ones.

In Croatia's accession treaty (Annex VI), this amount was reduced for the 2014–20 period to 'at least half of the percentage of the budget that shall be applicable to the other Member States', or a minimum of 2.5 per cent. The reason for this was that not enough LAGs were ready to implement the LEADER approach, and there was thus a risk that Croatia would not be able to spend 5 per cent of the c. EUR 2 billion available.

This is a **rare example of a derogation that came about through the accession negotiations**. Generally, the EU Commission is extremely reluctant to consider exceptions to the rules in place for current members, often the result of hard-won compromises. In this case, the countries that joined the EU in 2004 had received similar special treatment for the 2007–13 period when the Regulation on rural development support was agreed in 2005, so the exception for Croatia is less unusual in this light. It is nevertheless a concrete example of how **lack of preparation may reduce local access to EU funding** in the early years of membership.

#### Local access to EU funds

During 2021–27, North Macedonia benefits from the Instrument for Pre-accession Assistance (IPA), with a total of around EUR 15 billion (current prices) for all beneficiaries (Western Balkans plus Turkey) over the seven-year period. There are no longer country allocations for IPA, but if we look at the amounts programmed so far (including actions adopted in 2024 for 2024–27), the total for North Macedonia is EUR 461.6 million, or around EUR 36 per capita per year. (This excludes multi-country and cross-border programmes – see below.)

In addition, in 2024 the EU adopted the Reform and Growth Facility for the Western Balkans, with an additional EUR 2 billion in non-repayable funding and EUR 4 billion in loans. The indicative allocation for North Macedonia is EUR 750.4 million for 2025–27 (or around EUR 137 per capita per year). At least half of this is for **investment projects** through the Western Balkans Investment Framework (a mix of loans and grants through EBRD, EIB and other development banks), while the rest (after provisioning for bad loans) takes the form of loans

<sup>16</sup> From the French 'Liaison Entre Actions de Développement de l'Économie Rurale', meaning links between activities for the development of the rural economy.

(long-term and on favourable terms, but repayable) for **national budget support**. These payments are conditional on progress with an agreed Reform Agenda.<sup>17</sup>

How much could North Macedonia expect to receive in cohesion funding post-accession? This depends on the scenario for enlargement, since the EU will need to adjust its budget to accommodate new members. But for the 2021–27 period, annual transfers for cohesion policy were capped at 2.3 per cent of GDP, which for North Macedonia would mean around EUR 184 per capita (based on 2023 GDP estimates). (On top of this amount comes agriculture and rural development, research, loan-financed instruments like Next Generation EU, etc.)

Therefore, it is important to use the pre-accession period to prepare for the significantly larger influx of structural and cohesion funds. But what does this mean in practical terms, and how can municipalities play their part in improving absorption capacity? There are several different issues to consider here.

- For a country of North Macedonia's size, the bulk of EU funds would usually be channelled through national ministries or agencies, and managing larger projects such as upgrades to waste and water treatment infrastructure is likely to be more efficient at this level. (The question is whether it is better to do this through one ministry or agency rather than separate line ministries for transport, environment, etc.) But municipal representatives should be involved in programming and monitoring, for example to ensure sufficient prioritisation of local-level actions (e.g. engagement with citizens on waste separation and recycling) or to expedite local decisions (e.g. on spatial planning or construction permits) that could help to advance investment projects.
- Some smaller IPA-funded projects can be prepared and managed by municipal administrations. Cross-border, trans-national and inter-regional cooperation projects, although they account for only around 3 per cent of the IPA budget, can help to fund smaller local projects and infrastructure. IPA also pays the 'entry ticket' for programmes managed from Brussels, such as Citizens, Equality, Rights and Values (CERV) or the Programme for the Environment and Climate Action (LIFE). Taking advantage of these opportunities requires skilled staff to draft high-quality project proposals and ensure compliance with rules on (e.g.) public procurement and eligible expenditure.
- Within the larger bilateral IPA actions, there are also opportunities for municipalities to benefit. There may be an 'EU for Municipalities' action, as there has been in North Macedonia until recently. Other actions (e.g. on public administration reform or EU integration) may also provide capacity-building for municipalities or even grants for smaller-scale local projects. Again, the extent of such opportunities depends on municipal influence over the programming of these actions, which is agreed between the national authorities and the EU delegation.
- Financial obstacles are a common issue. At least 15 per cent domestic co-financing is usually required, while local budgets must temporarily cover project costs pending final reimbursement from the EU. National funds to help with co-financing (such as Croatia's Programme for Co-financing the Implementation of EU Projects at the Regional and Local Level), or even with cashflow (such as Montenegro's Revolving Fund for Municipalities), can help to increase local participation.

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<sup>17</sup> For indicative amounts and the expected disbursement schedule, see: [https://enlargement.ec.europa.eu/document/download/5b511ed0-b2ba-41c3-905c-74b95ae52c37\\_en?filename=1.%20ANNEX%20I.pdf](https://enlargement.ec.europa.eu/document/download/5b511ed0-b2ba-41c3-905c-74b95ae52c37_en?filename=1.%20ANNEX%20I.pdf) (p. 67).

- National authorities can also support project preparation and implementation, including methodological advice on aspects such as procurement and public-private partnerships. Lithuania's Central Project Management Agency, established in 2003, is one example.

The Growth Plan for the Western Balkans (including the above-mentioned Reform and Growth Facility) raises further issues. This was agreed very rapidly in 2024, and consultation of local authorities on Reform Agendas and lists of priority projects was extremely limited, in North Macedonia and elsewhere. North Macedonia's Reform Agenda mentions municipalities in several contexts, including climate and energy policies, education reform and public investment management. A key question for the local level in the context of decentralisation is, if the state receives budget support in return for progress with this agenda, what are the arrangements for distributing part of that support to municipalities?

**Partnership**, meaning close cooperation with local authorities (among others) in preparing, implementing, monitoring and evaluating EU-funded programmes, has always been one of the key principles of EU cohesion policy. The requirement is less strict for pre-accession funding, but local representatives should advocate for this partnership to be well-established before the country joins. Such advocacy is particularly timely as discussions on the next EU long-term budget (post-2027) intensify. In other words, the arrangements for whatever replaces IPA III will be in place long before programmes start in 2028, so the time to insist on partnership – in what might, after all, be North Macedonia's final pre-accession phase – is now.

### Austria – municipal tax on alcoholic beverages

This example serves as a reminder that issues may arise for municipalities in unexpected areas of the EU acquis. Strictly speaking it is not an accession issue, since the tax in question – a municipal tax on beverages and ice cream – was discussed during the accession negotiations and thought to be compatible with the EU acquis. However, shortly after Austria joined, two taxpayers (a hospital cafeteria and a wine-trading company) challenged the tax in court, and the Austrian court referred the case to the CJEU for a preliminary ruling.<sup>18</sup>

The CJEU ruled that, as regards alcoholic beverages, the tax was not compatible with directive 92/12/EEC on excise duty. Without going into lengthy details, the outcome might have been different if the tax had had a specific purpose, such as health protection. Providing revenue for municipalities was not deemed sufficient. Thus, the tax had to be abolished, and municipalities were compensated with a higher share of state sales tax revenues, in agreement with the associations of municipalities and cities. Still, this constitutes a non-trivial impact on local autonomy, since a shared tax is not the same as an own tax for which local authorities set the rate.

This case also illustrates an important principle that applies in many other areas: EU law has '**direct effect**', meaning that individuals can appeal on EU legal grounds in the national courts. Thus, even if national authorities do not rigorously implement EU legislation, it may still be (and often is) enforced by the judiciary.

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<sup>18</sup> Case C-437/97 EKW and Wein & Co.

## Sweden – public procurement

The EU directives on public procurement (purchases of goods, services and works by public authorities) are part of ensuring fair competition within the single market. For procurements above a certain value, specific procedural rules apply and calls for tender must be published EU-wide. Below these thresholds, national rules apply, although procurement must still respect treaty principles such as non-discrimination and transparency.

Before Sweden joined the EU, there were around 50 appeals per year against procurement decisions, of which around 20 concerned local and regional purchases. Ten years later in 2005 the number was over 1,700, and by the mid-2010s it had climbed to over 4,000 per year.<sup>19</sup> The reasons for this explosion are complex, but one factor cited by municipal experts is that Sweden opted to apply essentially the same approach to procurement above and below the EU thresholds.<sup>20</sup> The Swedish laws did have separate chapters on procurement outside the scope of the EU directives. But while these offered somewhat simplified procedures, on other aspects including appeals they referenced other chapters in the law and made less use than in many other member states of the flexibility allowed to treat lower-value purchases and social services differently.<sup>21</sup>

Costs for municipalities include the administrative costs of preparing more complex tender specifications and, in the case of appeals, delays (with potential implications for local services), damages (if the complainant wins the appeal), and legal costs. A less innovative approach to procurement (if, for example, using a simple lowest price criterion is seen as reducing the risk of appeals) is another possible effect. There are also benefits in terms of transparency in the use of public funds and cost savings through a more competitive process, although these are difficult to measure, and municipalities point out that their calls seldom attract bidders from abroad.

This example illustrates the risk of **‘gold-plating’ of EU standards**, i.e. making national rules more stringent than the EU requires. It also shows how the **impact of accession may be underestimated**. In its 1992 impact analysis, the municipal association was aware that the number of appeals would increase, though they did not know then that essentially the same rules would apply to below-threshold procurements.<sup>22</sup> A government enquiry in 1994 also recognised the significance for local authorities of new rules on procurement (which came into force already in 1994 with Sweden’s membership of the European Economic Area), noting that aggrieved suppliers (instead of municipal residents as before) would be able to appeal against decisions, but claiming that additional costs would be outweighed by savings from increased competition. Few if any anticipated the scale of the impact.

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<sup>19</sup> Upphandlingsmyndigheten, Kartläggning och analys av mål om överprövning, Rapport 2017:7. The figures here refer to cases; sometimes the same procurement may have more than one case number (e.g. if there are several complaints). The source for the figure of around 20 prior to EU entry is interviews with SALAR experts.

<sup>20</sup> ‘Over-interpretation’ (övertolkning) was the term used by the municipal and county associations in their review *Six years in the EU: Consequences for Sweden’s municipalities, counties and regions* (2000).

<sup>21</sup> See e.g. Kerstin Ahlberg och Niklas Bruun, *Upphandling och arbete i EU* (Sieps 2010:3).

<sup>22</sup> See the bibliography for references to impact assessments.

Yet how much of this impact can truly be ascribed to EU accession, when Sweden opted for national rules going beyond EU minimum standards? (In 2022, amendments came into force to further simplify the rules for below-threshold contracts and to speed up the appeals process.) In any event, this example also shows the need for **capacity-building of procurement officers at local level** to avoid common pitfalls such as unauthorised direct procurement or poorly formulated tender specifications and evaluation criteria. **Joint procurement** (provided since the mid-2000s by Adda, formerly SKL Kommentus, a daughter-company of SALAR) is another possible approach.

### **Slovenia – state aids**

In April 2016, two private marina operators complained to the EU Commission that Komunala Izola d.o.o., a municipal company operating the local harbour, was receiving unfair advantages from the municipality (including favourable tax treatment, a free concession for harbour space, and free infrastructure and services, e.g. parking and waste collection). This seemed to meet most of the criteria for illegal state aid – non-notified selective advantages from a public body that were likely to distort competition (see the box in section 2.1 for more on state aid). The case turned on whether there was an impact on trade between member states. In July 2017, the Commission ruled that the services in question were of purely local interest, with negligible impact on cross-border investments or establishment, and that the aid in question was thus not state aid in the sense of the Treaty.

However, if the decision had gone the other way, Komunala Izola would have had to repay (with interest) the value of all aid received, even if that meant bankruptcy. While there are a few other examples of ‘purely local impact’ (e.g. in local health care, cultural events or sports facilities), the criteria are vague and the exception seems unlikely to apply to services where there is clear cross-border interest (e.g. transport, waste collection).<sup>23</sup> Thus, although this decision went in the municipality’s favour, the message here is that local authorities would be well-advised to clarify in advance that their relations with local public utility companies are compatible with the state aid (and public procurement) rules, and avoid the uncertainty faced by Komunala Izola (the Commission’s investigation in this case took 15 months but investigations sometimes last several years).

State aid is a complex subject with different rules for different sectors, many exemptions, and evolving case law. Local authorities often face problems in this area (numerous examples with less favourable outcomes could be cited). Often this is due to lack of awareness, since it is usually possible to redesign measures so that state aid is ruled out or falls under a general exemption, or failing that, at least to notify the aid in advance and avoid the worst-case scenario of an investigation into non-notified aid. Another way to avoid the risk of state aid may be to openly procure the services in question, or to ensure that the conditions for in-house procurement are satisfied – we will return to this subject in the context of environmental services in section 2.1.

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<sup>23</sup> See ‘Commission notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union, *Official Journal of the EU*, 2016/C 262/01, especially paras 196–97. See also [https://ec.europa.eu/commission/presscorner/detail/el/ip\\_15\\_4889](https://ec.europa.eu/commission/presscorner/detail/el/ip_15_4889) for some case summaries.

This example illustrates **some sensitivity to local circumstances on the part of the EU institutions**. However, it also illustrates the **high risk that comes with lack of awareness or neglect of the EU rules**. This is also a further example of a ‘day 1’ impact that does not depend on the national authorities’ attitude to enforcement, since interested parties may complain directly to the EU Commission.

### 1.3. Methodology for evaluating impact

Methods employed by local government associations to date to evaluate the impact of EU accession at local level may be characterised as follows.<sup>24</sup>

1. Based on known issues and/or experience from previous accessions, select thematic areas (usually chapters of the acquis) to focus on. (More chapters may be added later.)
2. For each area, outline the key aspects (directives, regulations, Treaty articles, case law, etc.) of the acquis with relevance for local competences. The aim has generally not been to produce an exhaustive account (which for some areas would lead to unmanageably long reports) but to focus on the most important areas.
3. Outline the extent to which national legislation and policy is already aligned with the relevant acquis, highlighting significant remaining gaps.
4. Assess the extent to which the legislation and policy in place is effectively implemented and enforced, again highlighting significant remaining gaps. This step is dependent on local knowledge and often involves municipal surveys and/or fieldwork in selected municipalities. The ‘implementation gap’ is also important conceptually, since enforcement may be more lenient pre-accession under national authorities, becoming stricter upon accession under the EU Commission and the courts.
5. Infer from the above what remains to be implemented, and the implications for municipalities of doing so (or of failing to do so). The focus here is on capacities and resources (institutional, human, technical, financial) that municipalities will need for compliance.
6. Provide qualitative and quantitative indicators (where possible) of the potential impact. Measurement is more difficult for some types of impact (e.g. potential disruption of services or effects on local autonomy) than others (e.g. compliance costs or financial benefits from EU-funded programmes).
7. Identify measures (e.g. influence on the negotiations, legislative alignment at national level, capacity-building at local level) that could ameliorate the impact.

Generally, these assessments do not purport to predict impact, though a range of scenarios might be outlined depending on mitigating measures taken. The resulting reports vary in depth (from around 15 pages per acquis chapter to over 100 in a few cases), but rather than scientific exercises, such assessments are mostly intended as tools for advocacy and awareness-raising. They can, for example, be useful for attracting the attention of national authorities, for providing LGA representatives with analytical material, and for highlighting the need for additional resources, capacity building and implementing measures at local level.

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<sup>24</sup> See the bibliography for references to impact assessments.

Some of the impact will already have occurred, since the process of aligning national legislation and policy with the EU acquis starts with the Stabilisation and Association Agreement long before accession negotiations begin. Equally, as section 2 will show, the EU acquis is a moving target, so that impact assessments should ideally consider proposals in the pipeline as well as legislation in force.

#### 1.4. What can local representatives do to improve the impact?

The box below outlines the types of measures undertaken by LGAs in candidate countries to date. Foresight is an important aspect of the LGA's role, since many of the costs and benefits outlined above transpire only after accession and may therefore be beyond the political horizon of the current local administration. On the other hand, if local authorities wait until a date for accession is known, it may be too late to influence the alignment of legislation or the design of mechanisms for distributing EU funding.

One topic of interest to current mayors is access to EU funds. Since most EU pre-accession funding has the explicit aim of helping the country to prepare for membership, access to funding is likely to be improved if requests can be linked with the need to build capacity to implement the EU acquis. This suggests that a strategy for engaging local authorities in EU integration should make access to EU-funded projects a central focus, while also linking this to advocacy and alignment with the EU acquis.

##### **Overview of measures taken by LGAs to promote local engagement in EU integration**

- Conduct own impact assessments of how accession will affect local authorities.
- Take part in consultations on legislative amendments arising from approximation with EU acquis.
- Participate in working groups underlying the accession negotiations.
- Create networks of designated EU officers in municipalities to share experience. (But also 'mainstream' EU questions in other technical networks, e.g. on environment.)
- Provide training in specific areas (e.g. public procurement, data protection) and advocate for national institutions to include the local level in their training programmes.
- General awareness-raising (brochures, newsletters, videos, media articles, etc.).
- Various measures to improve access to EU-funded projects:
  - Information to members on available funds, upcoming calls, etc.
  - Coaching/advice on project applications.
  - Participate in sector working groups, monitoring committees, etc. with a bearing on programming.
  - Advocate for (centrally funded) financial mechanisms to facilitate pre-financing and/or co-financing of EU-funded projects.

In the current candidate countries, some of these measures have been supported by donor projects. Even so, such activities place **heavy demands on the capacity of LGAs**.

### **Negotiation working groups**

Participating in negotiation working groups, for example, is easy to recommend, but meaningful participation involves a commitment of time and resources. The aim here, it should be said, is not to negotiate exceptions to the EU rules, for which there is very little scope, although local information might in some cases strengthen arguments for transition periods. The aim is more to be plugged into discussions on alignment of legislation, action plans, etc. so that local interests are reflected and current information can be brought back to members. Municipal experts who are part of technical networks, rather than association staff, might be the best people to participate in some cases. (In some candidate countries, after negotiating teams changed with changes in government, local representatives found themselves the longest-serving and perhaps best-informed members of some groups.)

Besides working groups (or sub-groups) for each acquis chapter, there are also working groups on the economic criteria, functioning of democratic institutions, and public administration reform. The group on Public Administration Reform in particular discusses many issues relevant to local authorities (e.g. digitalisation, public financial management, civil service reform), although local representatives in candidate countries have generally not been included in this.

### **EU networks and committees**

EU committees (of elected representatives) or networks (usually of municipal practitioners) are another tool commonly used by LGAs in candidate countries to raise awareness and engagement among members. One question that arises here is whether it is better to focus the EU network on project and funding opportunities, while leaving questions of advocacy and alignment with the EU acquis to technical networks in various thematic areas (e.g. environmental services, energy efficiency, public procurement).

This has been the approach pursued, for example, in Montenegro. It reflects the insight, on the one hand, that it is scarcely possible for any one individual to follow alignment with the EU acquis in multiple areas at a level that would enable meaningful input to policy discussions. On the other hand, it is important to mobilise technical expertise in the municipalities on EU-related questions, since most associations in the candidate countries do not have enough staff members to fulfil this function at association level.

## **2. Focus on environment and related areas in North Macedonia**

### **2.1. Overview of the EU acquis on environment and related areas**

The EU acquis on environment comprises hundreds of acts, usually structured by sector: horizontal legislation; air quality; waste management; water protection; nature protection;

industrial pollution control and risk management; chemicals; and noise.<sup>25</sup> In addition, climate change and civil protection fall under chapter 27.<sup>26</sup>

What follows is a necessarily selective overview (in the space available) of key aspects for local governments, with a focus on the ‘investment-heavy’ areas of water, waste and air quality. The aim is not to be exhaustive, but rather to illustrate the types of issues that arise, and corresponding needs for advocacy and capacity building.

As the overview will illustrate, besides being vast, the environmental acquis is also dynamic, with significant amendments in the last few years in most of the sectors covered, and more changes in the pipeline.

### Horizontal legislation

The horizontal legislation on environment aims in essence to improve decision-making in areas with environmental consequences.

The **Environmental Impact Assessment (EIA) Directive** requires an environmental assessment to be carried out for projects which are likely to have significant effects on the environment by virtue (among other things) of their nature, size or location.<sup>27</sup> The annexes to the directive list types of project for which an assessment is compulsory (such as large waste or water treatment plants), and others where it is up to member states to decide after a screening process. The assessment must be conducted before consent for development is given and must identify the direct and indirect effects on factors such as human beings, fauna, flora, soil, water, air, climate, landscape, material assets and cultural heritage.

In some countries, municipalities are the competent authority responsible for carrying out EIAs, at least for smaller projects. In other cases, they must be consulted as one of the ‘authorities likely to be concerned by the project by reason of their specific environmental responsibilities or local and regional competences.’ They may also be in charge of the project in question, since the directive applies to public as well as private projects.

The **Strategic Environmental Assessment (SEA) Directive** establishes a framework for assessing the effects of certain plans and programmes on the environment.<sup>28</sup> This includes (for example) town and country planning and plans or programmes for energy, forestry, transport, waste/water management and tourism, and is thus directly relevant to municipalities.

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<sup>25</sup> At the time of writing, the EUR-Lex directory (<https://eur-lex.europa.eu/browse/directories/legislation.html>) counts 1,179 acts in force under ‘Environment’, though far from all of these are relevant for the accession negotiations. For a more comprehensive (though still not exhaustive) overview aimed partly at local government representatives, the semi-official *Handbook on the Implementation of EU Environmental Legislation* (2016) – which runs to some 1,600 pages – covers 53 acts from the eight environmental sectors listed above. <http://www.ecranetwork.org/Horizontal-Activities/Handbook-EU-Environmental-Acquis>

<sup>26</sup> These are handled in the EU Commission by Directorate-General (DG) Climate Action and DG Civil Protection and Humanitarian Aid respectively, whereas DG Environment is the lead on the other sectors. DG Health and Food Safety is the lead DG for genetically modified organisms, which now fall under chapter 12 of the acquis.

<sup>27</sup> Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (as amended by Directive 2014/52/EU).

<sup>28</sup> Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment.

Municipalities should also be consulted on higher-level plans and programmes that affect their territory.

The directive aims for a ‘high level of protection of the environment’ and requires prior assessment of the environmental consequences of plans and programmes that are ‘likely’ to have significant environmental effects. An SEA takes place early in the decision-making process and allows for the identification and possible prevention of adverse environmental impacts at the planning stage, long before EIAs for particular projects are required. For example, the impact of a transport plan on road use may be scrutinised long before projects to build new roads are launched.

The environmental assessment as well as information received during mandatory consultations with relevant environmental authorities and the public must be duly considered before a plan or programme is allowed to proceed. The public must also be informed about how the decision was made. If there are transboundary effects (on another member state), these must be taken into account, and the affected member state and its inhabitants informed, before a decision is made.

The **directive on public access to environmental information** aims to guarantee the right of access to environmental information held by or for public authorities and ensure the dissemination of environmental information, thus promoting greater awareness of environmental matters and public participation in environmental decision-making.<sup>29</sup>

Member states must ensure that environmental information is systematically available and distributed to the public, and that public authorities (including municipalities) make environmental information held by or for them available to any applicant on request.

In practice, this means that local authorities must organise their information services (staffing, databases, reporting facilities, etc.) to ensure an acceptable level of service to those wishing to access information or data (in particular monitoring data). They may also be expected to produce reports on the state of the local environment. There is a natural link here with ongoing projects on digitalisation of local public administrations.

## **Air quality**

EU legislation on air quality requires member states to divide their territory into a number of zones and agglomerations, in which they should assess levels of air pollution using measurements, modelling and other empirical techniques. Where levels are above emission limit values, they should prepare an air quality plan or programme to bring pollution below these thresholds. Towns with more than 35,000 inhabitants are obliged to develop such plans regardless of pollution concentrations. In addition, information on air quality should be made available to the public, especially when pollution levels are above the limit values.

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<sup>29</sup> Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003 on public access to environmental information and repealing Council Directive 90/313/EEC. This, along with Directive 2003/35/EC providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment, gives effect to the EU and Member States’ commitments under the UN Economic Commission for Europe 1998 Aarhus Convention on access to information, public participation and access to justice in environmental matters.

The key measure relating to the roles and responsibilities of local authorities is the recently recast **Ambient Air Quality Directive**.<sup>30</sup> The directive sets out and interim air quality standards for 2030 and a ‘zero pollution’ vision for 2050, where air pollution is no longer considered harmful to human health or natural eco-systems. Among the novelties are reduced allowable levels for pollutants including particulate matter (PM2.5 and PM10), nitrogen dioxide and nitrogen oxides, sulphur dioxide, ozone, carbon monoxide, benzene, benzo(a)pyrene, arsenic, cadmium, nickel, and lead.

Local authorities, particularly in cities, are often responsible for measuring air quality. In some countries, they also have supervisory responsibilities over major pollution sources, such as industrial facilities. They may themselves be responsible for pollution sources such as heating plants or waste incinerators. And they usually have powers that can help to address the problem, whether through incentives, regulations, or planning measures.

Annex VIII of the recast directive includes a detailed list of information to be included in air quality plans and roadmaps, including air pollution abatement measures that may be considered by local, regional and national authorities. These include (to give a few examples) low emission zones, expanding space for cyclists and pedestrians, electrifying public transport, and planning for compact cities.

## Waste management

Two directives are of special relevance to local authorities in the area of waste management: the **Waste Framework Directive** and the **Landfill Directive**.<sup>31</sup>

To summarise briefly, the legislation aims to prevent the generation of waste and reduce its harmfulness. Where unavoidable, waste should be reused, recycled, recovered or used to generate energy. Abandonment, dumping and uncontrolled disposal is prohibited. Disposal in landfills is a last resort, in which case waste must first be safely treated, and hazardous waste assigned to special landfills. Landfill charges must cover the full costs, in line with the polluter pays principle.

The stakes for local authorities are clear, since they usually bear some or all of the responsibility for:

- approving and monitoring sites for waste infrastructure
- constructing infrastructure (often at the inter-municipal or regional level when economies of scale are present)
- providing services (collection, transport, treatment, recovery, disposal)
- adopting local regulations (for example on collection times, sorting, charges, etc.)

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<sup>30</sup> Directive (EU) 2024/2881 of the European Parliament And Of The Council of 23 October 2024 on ambient air quality and cleaner air for Europe. This repeals (from 12 December 2026) the earlier air quality (2008/50/EC) and heavy metals (2004/107/EC) directives.

<sup>31</sup> Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives, as amended notably by Directive (EU) 2018/851; Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste, as amended notably by Directive (EU) 2018/850. Several other specific pieces of waste legislation may also be relevant – for example on incineration, electric and electronic waste, batteries, and industrial emissions, to name just a few.

- influencing public attitudes (for example to waste sorting, recycling, and willingness to pay for higher standards).

Amendments in 2018 introduced several additional requirements of direct relevance for municipalities. Of special note are:

- binding targets for the share of municipal waste to be prepared for re-use and recycling (55% by 2025, 60% by 2030, 65% by 2035, with a five-year extension for some countries)
- separate collections of textiles and hazardous waste for households by 2025, and separate collection or recycling at source of biowaste by 2023
- specific targets for recycling of different packaging materials
- a near-ban on landfilling of waste suitable for recycling or recovery, in particular municipal waste, from 2030
- minimum requirements for extended producer responsibility schemes (EPR, whereby producers must cover the costs of separate collection, transport and treatment – which is positive in principle for local authorities, since producers must contribute financially), and mandatory schemes for packaging waste.

Further amendments were proposed in July 2023 to set binding targets for reducing food waste by 2030 and to introduce EPR schemes for textiles.<sup>32</sup> Thus, municipalities planning infrastructure or service delivery upgrades need to look beyond the *acquis* currently in force.

In addition, the new **Packaging and Packaging Waste Regulation** (replacing an earlier directive) will (once phased in) require almost all packaging placed on the EU market to be recyclable and mandate EPR schemes to shift the costs of managing packaging waste on to producers.<sup>33</sup> Correct operation of these schemes is a significant local interest, since costs may otherwise fall on municipalities.

## Water protection

Water is one of the most comprehensively regulated areas in the EU environmental *acquis*. Among many other measures, four directives are particularly relevant to the roles and responsibilities of local authorities.

The **Water Framework Directive** has among its main aims to:

- develop an integrated EU policy on the long-term sustainable use of water and apply this in accordance with the principle of subsidiarity
- expand the scope of water protection to all waters, both surface (including coastal waters) and groundwater
- achieve 'good status' for all waters by given deadlines, and preserve such status where it already exists
- manage river basins with a 'combined approach' of emission limits and quality standards, with appropriate co-ordination provisions for international river basin districts

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<sup>32</sup> Proposal for a Directive of the European Parliament and of the Council amending Directive 2008/98/EC on waste (COM/2023/420 final). This is close to adoption, with provisional agreement between the Parliament and the Council reached in February 2025.

<sup>33</sup> Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904, and repealing Directive 94/62/EC.

- set prices for water use in accordance with the principles of cost recovery and polluter pays
- involve citizens more closely.<sup>34</sup>

The EU Commission proposed revisions to this directive in late 2022, adding further substances to those subject to EU-level controls and an obligation for competent authorities to alert each other in case of exceptional events (e.g. extreme floods or pollution incidents) that may affect waters downstream.<sup>35</sup> These revisions are still in legislative procedure.

The **Floods Directive** establishes a common framework for assessing and reducing the risk posed by floods to human health, the environment, property and economic activity.<sup>36</sup> It covers all types of floods, both along rivers and in coastal areas, as well as urban and sewer floods. Preventive measures – such as mapping of risk zones and flood risk management plans – are organised by river basin districts (as established by the Water Framework Directive).

The **Urban Waste Water Treatment Directive** concerns the collection, treatment and discharge of urban waste water from agglomerations and of biodegradable waste water from certain industrial sectors.<sup>37</sup> It establishes standards and compliance mechanisms regarding domestic sewage, industrial waste water and urban surface run-off. The resulting sludge must be disposed of safely in an environmentally acceptable manner.

Collection systems must be provided for all agglomerations with a population equivalent (p.e.) of 1,000 or more (reduced from 2,000 in the 2024 recast of the directive).<sup>38</sup> These must utilise 'best technical knowledge not entailing excessive costs' when it comes to preventing leaks and pollution of receiving waters due to storm water overflows. It must be possible to take samples of both incoming waste water and treated effluent. Sufficient performance must be assured under all normal climatic conditions, and points of discharge must be chosen to minimise the effects on receiving water.

Secondary treatment (generally involving biological methods to further reduce dissolved and suspended organic material) is the general rule, while more stringent tertiary treatment (mainly to remove nutrients such as nitrates and phosphates) will be required in larger areas and/or those sensitive to eutrophication. For larger plants (above 150,000 p.e.), quaternary treatment to remove micro-pollutants will be mandatory by 2045, financed (80%) by the pharmaceuticals and cosmetics industries through EPR.

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<sup>34</sup> Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for Community action in the field of water policy, as amended notably by Directive 2013/39/EU, which revised environmental quality standards and added new substances to be monitored.

<sup>35</sup> Proposal for a Directive of the European Parliament and of the Council amending Directive 2000/60/EC establishing a framework for Community action in the field of water policy, Directive 2006/118/EC on the protection of groundwater against pollution and deterioration and Directive 2008/105/EC on environmental quality standards in the field of water policy, COM(2022) 540 final.

<sup>36</sup> Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks.

<sup>37</sup> Directive (EU) 2024/3019 of the European Parliament and of the Council of 27 November 2024 concerning urban wastewater treatment (recast). The previous urban wastewater treatment directive (91/271/EEC) is repealed from 2027, though some transitional provisions will continue to apply.

<sup>38</sup> One population equivalent (p.e.) is 'the organic biodegradable load having a five-day biochemical oxygen demand of 60 g of oxygen per day.'

The **Drinking Water Directive** aims to ensure that water intended for human consumption can be consumed safely on a life-long basis, in particular through:

- standards based on the latest scientific evidence
- efficient and effective monitoring, assessment and enforcement of drinking water quality
- adequate, timely and appropriate information to consumers
- contribution to broader EU water and health policies.<sup>39</sup>

Changes in 2020 added new and emerging substances (such as endocrine disruptors, PFAS, and microplastics) to the list of criteria determining water safety and included measures to improve access to water for vulnerable and marginalised groups and to encourage the use of tap water instead of bottled water.

As the example in section 1.2 showed, municipalities in some countries are responsible for quality control of bathing water under the **Bathing Water Directive**, which may lead to additional costs, and legal consequences if the required standards or frequency of monitoring are not fulfilled.<sup>40</sup>

The stakes for municipalities in the water sector are high since they are usually responsible (whether directly or through utilities that they own or control) for local water and sewage infrastructure and services. Compliance with the urban waste water directive in particular is one of the most challenging and expensive tasks for new member states. Careful technical and financial assessment is necessary when it comes to putting in place the necessary infrastructure (sewage networks, treatment plants) and services.

The principles of cost recovery and polluter pays may also have implications for water pricing and for municipalities' scope to subsidise services (see also the box below). In Croatia, for example, a new national law on water required the establishment of separate water utility companies and introduced national minimum pricing regulations, partly to put an end to the practice of cross-subsidising water services with revenues from other municipal utilities.

#### **Public utility companies and EU rules on public procurement and state aids**

While not part of the chapter 27 acquis, the EU's rules on state aids and public procurement are highly relevant to the provision of environmental services at municipal level. One question that arises is whether municipalities can continue to provide waste, water and other services through public utility companies (PUCs) which they own or control, and whether they can continue (if desired) to subsidise some of these services.

The short answer to this question is yes (although as noted above, water services should be priced for cost recovery). The longer answer is more complex, and careful examination of relations with PUCs is advisable well before accession to ensure compliance and avoid the risk of disruption to services.

<sup>39</sup> Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption (recast).

<sup>40</sup> Directive 2006/7/EC of the European Parliament and of the Council of 15 February 2006 concerning the management of bathing water quality and repealing Directive 76/160/EEC.

The EU directives on **public procurement** explicitly address contracts with (e.g.) a utility company controlled by the municipality. Such contracts fall outside the scope of the EU rules if the following conditions (slightly simplified) are met:

- the municipality exercises control similar to that which it exercises over its own departments
- more than 80 % of the company's activities relate to the performance of tasks entrusted to it by the municipality
- there is no direct private capital participation in the company (with limited exceptions).

Thus, it may seem at first sight that municipalities are free to continue awarding direct contracts (without a call for tender) to their PUCs. However, there are important caveats. To begin with, one or more of these conditions is often not satisfied. Municipalities do not always exercise full control, some utility companies have other major clients, and there may be a desire to bring in private shareholders in future if they are not already present.

Furthermore, a competitive tender may still be advisable to avoid contravening the **state aid rules**. State aid means any selective advantage (subsidies, tax breaks, paying above the market price for services, etc.) granted by a public body (including municipalities) to any undertaking (including public companies) engaged in an economic activity (in essence anything offered on a market) that is liable to distort competition and affect trade between member states. In general, **state aid is prohibited** (Arts 107–9, Treaty on the Functioning of the EU).

State aid is a complex and ever-evolving field, and legal advice on each case is indispensable. This said, there are several ways in which state aid may be avoided or exempted from the general prohibition.

Funding for a natural monopoly (such as a water network) which faces no direct competition, is not privately financed and provides benefits for society is unlikely to distort competition. The same may apply to a legal monopoly, for example where a PUC is given exclusive responsibility for local waste management. In such cases, state aid may be excluded under certain conditions, including absence of competition for the market (as well as on the market), and no cross-subsidisation of other activities that are open to competition.

Another way to avoid state aid is to ensure that the operator (or concessionaire) of infrastructure is selected according to the **market economy operator principle**. This can be done through an open, transparent and non-discriminatory tender. It may also be possible to establish that the fees paid are in line with normal market conditions through benchmarking or another generally accepted methodology.

Public funding of **services of general economic interest** (such as universal water or waste management services to households and businesses) is another possible way to rule out state aid if the following requirements are met (also known as the Altmark criteria from the EU Court case of that name):

- public service obligations are clearly defined
- parameters used to calculate the compensation are established in an objective and transparent manner
- compensation for the public service merely covers costs and a reasonable profit

- the undertaking is chosen by a public procurement procedure, or the compensation is determined on the basis of an analysis of the costs of an average 'well-run' undertaking in the sector concerned.

Limited amounts of aid for certain purposes (including, for example, investment aid for waste recycling or for local infrastructure) may be allowable under the **General Block Exemption Regulation** (Commission Regulation 651/2014), though again under strict conditions. To benefit from block exemption, aid must be transparent (i.e. expressible as a grant equivalent), it must give rise to an incentive effect (e.g. there must be a written application from the beneficiary before the project starts) and it must not exceed certain thresholds (e.g. for local infrastructure, € 10 million in aid for projects costing € 20 million or less). In addition, there are sector-specific conditions. For investment in local infrastructure, charges for sale or use of the infrastructure must correspond to the market price, and any concession or other entrustment to a third party to operate the infrastructure must be assigned 'on an open, transparent and non-discriminatory basis, having due regard to the applicable procurement rules.'

In other cases, aid may still be allowable, but must as a general rule be pre-notified by the national government to the EU Commission. This involves careful preparation and a likely delay of at least 6 to 9 months (longer in less straightforward cases). However, granting illegal aid (which includes non-notified aid even if subsequently approved) may result in recovery of the amounts paid, with potentially devastating consequences for the PUC concerned.

It must also be emphasised that, even if procurement and state aid concerns can be ruled out for part of a PUC's infrastructure and operations, this may not apply to all its activities. For example, waste collection and transport are clearly economic activities for which a market exists, where subsidies etc. would be liable to distort competition and trade.

There are other possible exclusions and exemptions (the example of 'purely local interest' was also given in section 1.2), and many more details than can be covered here. The upshot is that EU integration in itself is unlikely to prevent municipalities from granting exclusive rights and subsidies for public services. But to avoid unpleasant surprises, they should carefully review arrangements with PUCs and address the issues outlined when designing new arrangements, including public-private partnerships. It may be necessary, for instance, to explicitly define public service obligations, to ensure transparency of any subsidies or cross-subsidies in financial accounting, and to consider open competitive tenders for at least some services.

## Other sectors

Several other sectors under chapter 27 are relevant to local authorities. For example, municipalities often have responsibility for issuing environmental permits for industrial operators and carrying out inspections under the **Industrial Emissions Directive**.<sup>41</sup> Generally, the state (or its regional branches, or the courts in some countries) issue permits for 'A activities' with significant environmental impact, such as paper industries, large energy plants or oil refineries. In some countries, municipalities are responsible for 'B activities' such as sewage treatment plants, animal farming and many industrial facilities.

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<sup>41</sup> Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial and livestock rearing emissions (integrated pollution prevention and control), most recently amended in 2024.

Another example is **noise protection**, where municipalities often share responsibility with the state (or its branches) for noise monitoring and action plans to prevent or reduce noise. Under the **Environmental Noise Directive**, noise maps and action plans are mandatory for agglomerations with over 100,000 inhabitants as well as for major roads, railways and airports.<sup>42</sup>

Many other acts in the areas of nature protection, climate change and civil protection (and indeed further acts in the sectors outlined above) could be mentioned, with more in the pipeline. For example, aspects of **forestry** have been added under nature protection in recent years,<sup>43</sup> and a new directive on **soil monitoring and resilience** was proposed in 2023.<sup>44</sup> If adopted, this will require member states to divide their territory into soil districts and appoint authorities tasked with soil monitoring, notification of contaminated sites, etc. Local authorities may also have responsibility for creation and accessibility of **spatial data** to support environmental policies and spatial planning.<sup>45</sup>

## 2.2. Alignment with the environmental acquis in North Macedonia

Chapter 27 represents one of the most complex and resource-intensive chapters in the EU accession negotiations, demanding substantial legislative alignment, robust administrative capacities, and significant investments. North Macedonia's progress in this area is crucial for its overall European integration trajectory, directly impacting the quality of life for its citizens and ensuring environmental sustainability.

Effective implementation of the environmental acquis requires not only the transposition of legal texts but also the establishment of strong administrative structures, robust monitoring systems, and adequate financial resources. North Macedonia's journey in this chapter is characterized by ongoing efforts to bridge the gap between its current state and the demanding EU standards.

This sub-section focuses on transposition and local implementation of the EU acts outlined in the previous sub-section.<sup>46</sup> We will return to the question of administrative capacity in section 2.3.

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<sup>42</sup> Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise.

<sup>43</sup> Regulation (EU) 2023/1115 on the making available on the EU market and the export from the EU of certain commodities and products associated with deforestation and forest degradation; and Communication from the Commission, New EU Forest Strategy for 2030, COM/2021/572 final.

<sup>44</sup> Proposal for a Directive of the European Parliament and of the Council on Soil Monitoring and Resilience (Soil Monitoring Law), COM/2023/416 final.

<sup>45</sup> Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community (INSPIRE).

<sup>46</sup> Information on transposition is based partly on the government's available information on the state of play as of April/May, to be updated in September (before the final EU Commission 2025 report on North Macedonia is due). Information on local implementation is based partly on Platform 27, Shadow Report on Chapter 27 (Skopje, 2024) and on the forthcoming 2025 report. See <https://ckp.org.mk/публикации-2/>

## Horizontal legislation

Full alignment in this area is a prerequisite for accession since, while transition periods may be granted in some sectors, they are generally not granted for horizontal legislation. **Transposition** of horizontal legislation in North Macedonia is largely complete.

Amendments to harmonize the Law on Environment with the **EIA Directive** have been initiated. A draft version of the law has been published on the ENER platform (the electronic public consultation system), indicating a commitment to transparency and public participation in the legislative process. The **SEA Directive** is reported to be fully transposed into national legislation.

North Macedonia has taken steps to ensure **public access to environmental information** and participation in decision-making, in line with the Aarhus Convention and the directives on Public Access to Environmental Information and Public Participation in Environmental Decision-Making. The Law on Free Access to Public Information (Official Gazette No. 101 of 22.05.2019) requires public institutions to provide environmental information upon request and proactively disclose such information. The law mandates all public information holders to prepare annual reports summarizing the number of requests received, responses provided, and complaints submitted.

The Aarhus Centre, established in August 2019, plays a vital role in assisting with the implementation of the three pillars of the Convention (access to information, public participation in decision-making, and access to justice in environmental matters) and preparing annual reports. Within the Ministry of Environmental Protection and Physical Planning (MoEPP), the Macedonian Information Centre and the Public Communication Department directly implement the Aarhus Convention. Furthermore, improvements are being made to the Pollutant Release and Transfer Register system within the framework of the project ‘Development of National Environmental Information System.’ which concluded in May 2023. A well-functioning register is crucial for transparency regarding industrial emissions and transfers.

Also of note in the horizontal sector is a new, more comprehensive **National Strategy on Environment** and associated Action Plan to cover the implementation period up to 2035. This crucial strategic document will be prepared under the IPA III ‘Environmental Standards and Clean Air’ project under the direct management of the EU Delegation, which is expected to start towards the end of 2025. The delay in the preparation and adoption of the new strategy (which was due for 2021–27) shows that administrative capacity for law preparation and implementation remains a significant, overarching obstacle.

When it comes to **implementation**, a number of persistent challenges may be observed, not least at local level.

For the **EIA Directive** these include:

- Lack of timely publication: Notices of intention to implement a project are still not systematically published on the homepage of municipalities, nor is there a clearly indicated publication date. This severely restricts timely public participation, which is a core requirement under the directive.

- Lack of compliance with Rulebook: Article 2 of the Rulebook on the content and manner of public announcements clearly outlines what information must be provided in notices of intention (e.g. project description, location, responsible authority, method of public consultation). In practice, this information is often either missing or inconsistently published, particularly on local government websites.
- Procedural gaps at the local level: Municipalities, which are frequently the first point of interaction for project proponents, lack the capacity or oversight mechanisms to ensure the correct implementation of the EIA procedure. There is also minimal enforcement to ensure that public consultations occur meaningfully and early in the process.

Likewise, for the **SEA Directive**:

- Irregular publication of decisions: Article 65 of the Law on Environment obliges the body preparing a planning document – typically local authorities or ministries – to decide whether to undertake an SEA and to publish this decision within 15 days. This publication is often delayed, incomplete, or entirely omitted.
- Limited transparency and public participation: The draft SEA Report, along with the planning document, should be made publicly available for 30 days. However, in practice, the draft report is not always published, or is released without the necessary accompanying materials or advance notice. Further, public announcements on hearings or consultation periods are often issued just 1–2 days before the event, undermining the public’s ability to prepare and engage effectively. In several cases, public consultations are rushed, and the minimum 30-day review period is not respected.
- Lack of consultation reports: Very few authorities responsible for SEA implementation publish public consultation reports summarizing stakeholder feedback and how it has been addressed, despite this being a core element of participatory planning.
- Incomplete implementation by local authorities due to lack of capacity: Municipalities are among the key actors required to prepare planning documents, yet many lack the technical capacity and institutional commitment to fully implement SEA procedures. This results in inconsistent practices, procedural shortcuts, and frequent legal ambiguities in the decision-making process.

As regards **environmental information**, the volume of requests is growing, due both to increased public awareness and to heightened environmental concerns, such as worsening air and water quality and unregulated development. Despite these developments, significant gaps persist in the practical application of the right to access information. Public institutions, particularly at the local level, often lack the capacity or willingness to respond adequately to requests. In some cases, requested information is withheld, delayed, or incomplete. Furthermore, annual reports are not always made publicly available or are presented in non-standardized formats that make comparison and analysis difficult.

As regards **public participation in environmental decision-making**, the Decree on public participation in the preparation of regulations, plans, and programs in the environmental field defines how the public should be informed (e.g., public notices, deadlines, contact information, availability of documents) and mandates at least one public hearing. It further stipulates that the interested public be identified using economic, social, and environmental criteria, and that stakeholders should be able to review and comment on draft documents with sufficient notice and access to background materials.

In practice, however, public participation is often superficial or bypassed altogether:

- Authorities fail to engage the public at the earliest stage of drafting environmental plans or regulations, which undermines the effectiveness of the participation process.
- Public hearings are sometimes announced with very short notice, often one or two days prior, providing insufficient time for stakeholders to prepare or mobilize.
- In many cases, while hearings may be organized and comments collected, there is no evidence that public input is considered, and no consultation reports are published, which contradicts both the spirit and the letter of the Convention.
- Local authorities frequently lack experience, resources, or political will to implement participatory procedures in a meaningful way. This is especially problematic when it comes to controversial projects that have strong environmental or social implications.

## Air quality

Air quality remains one of the most pressing environmental challenges in North Macedonia, particularly in urban areas. **Transposition** of the key EU requirements relevant to local authorities is well-advanced (significant gaps remain in related areas such as national emissions ceilings, volatile organic compounds and petrol vapour recovery, though these are mainly relevant to the national level).

The earlier directives on **ambient air quality** were transposed into the Law on Ambient Air Quality and secondary legislation. Work on amendments from 2015 is in progress under an IPA II project ‘Support for the implementation of the Air Quality Directives’, which commenced in November 2024. This project will also analyse the requirements of the 2024 recast of the Ambient Air Quality Directive (which entered into force in April 2024 with certain provisions applicable from December 2026) and prepare a transposition plan.

Air quality monitoring is provided by the State Ambient Air Quality Monitoring System, although its operation is dependent on the availability of spare parts and consumables, which can be a limiting factor. Recent developments include the procurement of instruments for measuring aromatic hydrocarbons to be installed at measuring points in Skopje (Karposh and Centar) and Tetovo. Procurement and site preparation are also under way for a new monitoring station in the municipality of Shtip, including micro-location determination and project documentation preparation. Technical specifications for procurement and site preparation are underway. For 2025, the Environmental Investment Program has allocated 7,855,000 denars (approximately EUR 127,000) under the Air Quality subprogram for monitoring system improvements, indicating a continued financial commitment.

MoEPP is also actively improving public access to information on air quality. The Ministry's website (<http://air.moepp.gov.mk>) is continuously updated with air quality legislation, reports, strategic documents, and news. Crucially, it provides daily warnings and recommendations regarding air pollution, alongside information on how citizens can contribute to air quality protection. The implementation of this air quality portal is noted to have raised citizens' awareness. In a forward-looking step, the MoEPP has prepared technical specifications for the development of a new air quality web portal and a mobile application for displaying measured values from the State Automatic Monitoring System, which would significantly enhance real-time public access to data.

When it comes to **local implementation**, municipalities where pollution thresholds were exceeded during the previous year must develop a plan for ambient air quality aiming to reach the target emission limit values. Plans must be developed for a period of five years for every municipality with more than 35,000 inhabitants. Municipalities that are in same zone or agglomeration can develop a joint plan.

In addition, each municipality in a zone or agglomeration at risk of exceeding emission limit values is required to develop short-term air quality action plans including measures to reduce the risk or duration of such exceedances. Such plans must be developed within three months of the date when the Ministry publishes the list of municipalities where emission limits or alarm thresholds have been reached.

At present, five-year Air Quality Plans are prepared for the following municipalities: Kumanovo, Strumica, Struga, Kavadarci, Gostivar, Gevgelija, Veles, Prilep, Kicevo, Ohrid, Stip and Kochani (although adoption by municipal councils is still pending in some cases). Implementation and regular reporting (on a yearly basis according the law) remain a substantial burden. At the same time, municipalities allocate very little funding for this and few if any have the capacity to work regularly on implementation of the plans.

The UNDP ‘Addressing Air Pollution’ project is currently updating the air quality plans for Kumanovo, Struga, Kavadarci and Gostivar and preparing a new one for Strumica, focusing on tailor-made measures to reduce air pollution in these municipalities. In addition, the support involves implementation of the most preferable actions from each municipality such as changing facades of municipal buildings (schools), supply of equipment for street cleaning, increasing greenery and introducing new parks in the urban areas, heat pump installation at kindergartens, renovating obsolete buildings, installing solar power on public building rooftops, renovating Vardar Bay (Gostivar), and insulation of public buildings. For these five municipalities, source apportionment studies are also being developed to determine the pollution sources of PM 2.5 suspended particles.

Research from 2023, including a survey of selected municipalities, revealed considerable gaps in local compliance with the regulatory framework on air quality.<sup>47</sup> While there are good examples of innovative measures being taken at local level, few municipalities have a dedicated air quality strategy, and implementation of air quality measures in wider environmental strategies or action plans is often sporadic. Stronger enforcement may be needed to eradicate a culture of non-compliance, but so too is better guidance from national authorities, greater public engagement and increased human and financial resources at local level, including a substantial increase in the number of trained environmental inspectors.

## **Waste management**

Waste management is another complex area requiring significant investment and systemic reform, moving from a fragmented approach to integrated regional systems. North Macedonia

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<sup>47</sup> Emil Angelov, National study on local government obligations and national level guidance to local governments in air quality management in the Western Balkans: North Macedonia, Draft report for NALAS, May 2023.

faces major challenges in managing municipal, industrial, and hazardous wastes, necessitating a combination of strategic investments, robust enforcement, and public awareness.

**Transposition** of EU legislation in this area is progressing well, and the government has taken pro-active steps towards compliance with the recent changes outlined in the previous section.<sup>48</sup> The **Waste Framework Directive** is largely implemented through the Law on Waste Management (Official Gazette of Republic of North Macedonia no. 216/2021) and secondary legislation, with further draft sub-laws to reflect recent amendments sent for intersectoral discussion and expected to be adopted by the end of June 2025. This is a critical step towards establishing a modern, comprehensive waste management framework.

North Macedonia is largely aligned with the **Landfill Directive**. Relevant authorities and responsibilities, including inspections, are in place at national and municipal levels. However, over 40 existing non-standard landfills need to be closed, and further funding is required. The estimated costs for closing non-standard landfills should be calculated and the necessary funds secured. A technical assessment for all non-standard landfills is expected by the end of 2026.

The earlier directive on **Packaging and Packaging Waste** was transposed into the Law on Packaging and Packaging Waste Management ("Official Gazette" No. 215/2021), with further bylaws prepared and expected to be adopted in 2025. The challenge will be to swiftly align with the new, more stringent EU Regulation. Secondary legislation has been drafted and submitted for intersectoral consultation on this (and other new Regulations on batteries and waste shipments).

The national strategic framework for waste management is largely in place, centred on the new **Waste Management Strategy of the Republic of North Macedonia 2024–2036**. This, along with a SEA, is being prepared under an IPA project and is expected to be submitted to the Government for adoption by the end of June 2025. There is also a National Waste Management Plan 2021–31, a National Waste Prevention Plan (2022–28), and six Regional Waste Management Plans (Skopje, Polog, South-Western, Pelagonija, Vardar, and Southeast region). The regional plans and the national waste prevention plan have also been (or are being) revised under IPA projects.

The strategic plans primarily focus on establishing **regional waste management systems**, with substantial international financial support:

- The East and North-east regions are financed with direct EU IPA support grants.
- For the Vardar, Southeast, Southwest, Pelagonija, and Polog regions, the system is financed through a loan from the EBRD of 55 million euros. Crucially, 22.5 million euros of this loan are provided by the Western Balkans Investment Framework (WBIF) as a grant, highlighting the significant role of the WBIF in de-risking and enabling these large-scale investments. Additionally, the Swiss State Secretariat for Economic Affairs is co-financing project activities for the Polog region with a grant of up to 6 million euros within the framework of this EBRD loan.

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<sup>48</sup> As noted in the previous section, the focus here is on the most important EU measures for local authorities, but there are several other acts of relevance such as directives on sewage sludge, end-of-life vehicles and waste electrical and electronic equipment, and regulations on batteries and waste shipments.

- A notable gap remains for the Skopje region, for which there is still no defined financing framework for system construction, despite IPA support funds having been secured for the preparation of the technical and tender documentation. This represents a significant challenge given Skopje's size and waste generation.

Currently, five regional landfills are planned: in Drisla for the Skopje region (only reconstruction of the existing landfill is envisaged here), in Rusino for the Polog region, in Sveti Nikole for Eastern and Northeastern regions, in Vasilevo for the Vardar and Southeast regions and in Novaci for the Pelagonia and Southwest regions.

While transposition of EU measures is well-advanced, **implementation at the local level** is lagging significantly behind. Around 30 per cent of the population is still not covered by communal services and waste collection. Selection of packaging waste (mainly plastic) is done only in a few municipalities (mainly on a pilot basis, not covering the whole population) and other waste streams (glass, paper, metal, electrical and electronic equipment, textiles, batteries) remain an obligation of the collective operators, which remain insufficiently developed to fulfil this task.

Municipalities are responsible for organizing the collection, transport, and disposal of municipal waste, a service typically delegated to PUCs owned by the municipalities. **Tariffs for waste management** are set by municipal councils based on proposals from the PUCs. Generally, the tariff structure distinguishes between two client categories: individuals (households) and legal entities (businesses and public institutions).

The basis for charging varies across municipalities. In urban areas, households are usually charged 1 denar per square meter of living space, while some municipalities charge based on the number of household members. In rural areas, households pay a flat monthly fee. Legal entities are generally charged per square meter of premises, though some pay based on the volume of waste collected.

However, this tariff system does not align with legal objectives or the 'polluter pays' principle. Although there is an official methodology for calculating waste management service costs (Official Gazette No. 30/13), it is not being applied by municipalities, nor is there a mechanism to enforce its use.

The new Law on Waste Management introduces progress by assigning responsibility for setting tariffs to the Energy and Water Services Regulatory Commission, which is expected to adopt a Rulebook on Waste Tariffs (Article 107). This change is anticipated to enhance implementation of the 'polluter pays' principle, encourage waste separation and recycling, and reduce overall waste generation.

A major problem for all municipalities and PUCs is **inadequate data collection and reporting** on collected and transported waste. Waste is measured by the number and volume of trucks unloading waste at the municipal landfill. Such records are inadequate and do not provide accurate data on the quantities of waste that have been collected, and thus the data on generated waste cannot be calculated. Reporting on the collected quantities at the local level is not carried out regularly, so even those municipalities that have annual data do not always submit it in a timely manner (if at all) to the Macedonian Environmental Information Centre at the MoEPP.

This is shown by the annual environmental report, where only one-third of municipalities had submitted data for the waste collected on their territory.

Most existing **municipal landfills** do not meet minimum technical requirements. Apart from the Drisla Landfill in Skopje, no other landfill is fenced and there are no scales for measuring waste. As noted, data collection on the volume of waste at most of these facilities is inadequate.

The management of **construction waste** is a municipal responsibility, i.e. mayors shall dedicate appropriate locations where the private sector and individuals may dispose of their waste. To date, with exception of several municipalities (e.g. Ohrid, the Mautcker landfill), most municipalities do not dedicate a location for construction waste. The construction waste is officially landfilled at the municipal landfill and very often ends up in the riverbeds or in the valleys.

It remains to be seen how establishment of the regional waste management system will be squared with local responsibilities in the sector. The Law on Waste Management specifies many tasks for municipalities, including mandatory cooperation to establish the regional system and adoption of regional waste management plans, but also local measures to regulate the prevention, reduction, selection, collection and transportation of municipal waste and commercial waste. The Law also explicitly provides (Art 129) for **competences to be revoked** in case of failure to perform.

## **Water protection**

Water quality management, encompassing wastewater treatment and drinking water quality, is one of the most capital-intensive and institutionally demanding areas of the environmental acquis. It requires major investment programs, meticulous planning, and a robust institutional setup. **Transposition** of EU measures is broadly on schedule for 2027, though transition periods will be needed (as part of the accession negotiations) for full implementation of some of the more demanding requirements.

The **Water Framework Directive** has been partially transposed into the Law on Waters and corresponding bylaws. Further transposition is planned within the framework of the Groundwater Management, Use, and Protection Programme in North Macedonia (GWP Programme), funded by the Government of Switzerland, with completion anticipated by 2027.

Transposing the requirements of this directive, particularly Article 8 and Annex V (monitoring) and Article 5 and Annex II (groundwater bodies delineation), is a complex, multi-faceted process. Among recent activities supported by the GWP Programme are:

- Preparation of a Strategy for upgrading overall water monitoring and analytical capacity on surface and groundwater, aiming to establish a monitoring system on the Vardar River watershed.
- Development of guidelines and methodologies for the delineation of groundwater bodies, expected to lead to amendments of subsidiary legislation by 2027.
- Launch of the process for developing and implementing a system for delineation, classification, and establishment of Reference Conditions for surface water bodies in the Vardar River Basin.

- Development of a Chemical Status Classification System for the Vardar River Basin Groundwater Bodies, involving characterization of chemical composition, identification of pollutants, and derivation of groundwater quality classifications.
- Further alignment of Article 14 of the directive (public consultations) by drafting internal Instructions for the implementation of Article 67 of the Law on Waters and specific decisions for public consultation on the Vardar River Basin Management Plan.

The earlier **Urban Wastewater Treatment Directive** was fully transposed into the Law on Waters, and efforts will now turn to the changes introduced in the 2024 recast. However, the full implementation of this directive, which requires extensive infrastructure development (sewerage networks, wastewater treatment plants), is expected to be completed only by 2042 according to the Directive-Specific Implementation Plan (DSIP). This exceptionally long implementation timeline underscores the massive investment and logistical challenges involved.

The earlier **Drinking Water Directive** was fully transposed into the Law on Waters and the Rulebook on Requirements for Safety and Quality of Drinking Water. The GWP Programme will support activities to fully transpose the requirements of the 2020 recast and to complement EU standards with long-term water governance and public health policies under the Protocol for Water and Health by 2027.

The **Bathing Water Directive** has been partially transposed into the Law on Water and bylaws. Further transposition is planned within the GWP Programme, in cooperation with the Ministry of Health, to be completed by 2027.

When it comes to **local implementation**, the main local responsibilities in this sector concern development of water supply systems, infrastructure for collection of treatment of urban waste water and planning of protection from floods.

The coverage of **water supply** in the country varies significantly – from 59 to 100 per cent, depending on the region. In 2022, the percentage of water supply service coverage increased in the Vardar, Southwest, Pelagonia, and Northeast regions, while in the other regions it either slightly decreased or remained the same.

**Non-revenue water**, meaning water loss from public supply systems, is becoming increasingly important in the context of natural resource protection, and water utilities across the country are facing significant losses. According to the annual report of the Energy and Water Services Regulatory Commission of North Macedonia, the percentage of non-revenue water increased from 60.46% in 2021 to 62.42% in 2022 (measured as a share of total water production). Regional analysis shows a significant deterioration in water losses in the Southwest and Pelagonia regions, with increases of 9–12% within just one year. However, the Northeast region recorded major improvements, reducing losses from 74% to 21%, indicating that effective measures were taken by the responsible institutions. The low level of non-revenue water in the Northeast region aligns with the European Union average (23%), demonstrating good practices in implementing the Drinking Water Directive – practices that should be replicated in other regions of the country.

Coverage of **waste water** collection and removal varies significantly by region, from just under 60% in the Northeastern region to almost 95% in Skopje (with an average of 79% for the

country as a whole). A significant improvement in access to the wastewater collection and disposal service in 2022 has been achieved in the Southeastern and Skopje region, whereas the rest of the regions see a decline in this trend.

Among other local responsibilities according to the Law on Waters, municipalities may suggest determination of **protective zones** and **bathing zones** and may adopt operational plans for **protection from floods**. However, only around 20 municipalities have developed such a plan, and information on the implementation of these plans is lacking.

### Public utility companies in North Macedonia

In North Macedonia, local public utility companies (PUCs) play a crucial role in delivering basic services such as water supply, wastewater treatment, waste collection and disposal, public hygiene, and urban greenery. These companies are typically municipal-owned enterprises, operating under the oversight of local self-government units in accordance with the Law on Local Self-Government and other relevant sectoral legislation. In some municipalities (mainly those with over 50,000 inhabitants), water supply and sewage services are provided separately from waste collection and public hygiene by two different PUCs.

Most PUCs are owned by municipalities and operate as separate legal entities. Their boards and management are usually appointed by municipal councils or mayors. For various reasons including inconsistencies in local governance, incomplete decentralization and a high level of corruption, many PUCs face continuous operational and financial challenges related to:

- Outdated infrastructure
- High levels of non-revenue water
- Low collection rates for service fees
- Insufficient capacity to comply with EU environmental and performance standards.

The Energy and Water Services Regulatory Commission regulates tariffs for water services but for waste collection services and public hygiene the responsibility for setting the tariff remains with municipalities based on the Methodology prescribed by MoEPP.

Many PUCs responsible for waste services operate at a financial loss and rely heavily on subsidies from municipal budgets. User service charges are often too low to cover operational costs (salaries, fuel, equipment maintenance and infrastructure upkeep), let alone capital investments.

Among the factors placing a strain on financial stability are political and social pressure to keep tariffs low, inadequate billing systems and enforcement mechanisms, and a lack of economies of scale in small municipalities. Accumulated debt repayments are another factor, with many PUCs consistently ranked among the largest debtors on the Ministry of Finance's 'debtor list'.

Besides subsidies from local budgets, in 2023, public communal enterprises received a subsidy from the Government, but this was mainly as a response to the energy crisis and long-term accumulated debts. Subsidies from municipal budgets remain essential for the survival of many PUCs, whose chronic financial instability places a heavy burden on the public sector, limiting the capacity for investment in modernisation and operational efficiency and thus the development of more sustainable and economically viable models for managing public services.

## Other sectors

While this section has focused on local services and the ‘investment-heavy’ areas of water, waste and air quality, it should be underlined that local authorities are affected by and may contribute to alignment with the EU acquis under other chapter 27 sectors, including nature protection, climate change and civil protection. Two further areas worth noting briefly are **industrial emissions and pollution control** and **noise protection**.

Municipalities in North Macedonia are responsible for issuing B integrated environmental permits under parts of the Law on Environment which implement the EU **Industrial Emissions Directive**. The Environmental Administration within MoEPP is responsible for issuing A permits and compliance permits, as well as B permits for installations located in protected areas declared under the Law on Nature Protection.

Operators must pay fees (when permits are issued and annually thereafter), determined by the Environmental Administration or the municipality based on several criteria: the number of emission points from the installation, the number of mandatory conditions and measures specified in the permit, the type and magnitude of environmental emissions, and the surface area occupied by the installation. The funds collected from the fee for B permits are revenue for the municipal budget, used to cover the costs related to the issuance, transfer, modification, and monitoring of the installation and the B permit.

For issuance of B permits, municipalities are required to designate at least one person within the local administration who has a high level of professional qualification in the fields of natural or technical sciences. Typically, one designated municipal employee is responsible for processing B permits, while an authorized municipal environmental inspector carries out inspections in accordance with the annual inspection plan or in response to complaints. However, some municipalities have limited capacity for issuance of B permits and for inspections.

The 2022 Environmental Inspection Supervision Act and associated bylaws (some still planned under a new EU twinning project) provides the legal basis for inspection activities. Based on the ‘unsatisfactory results of the implementation of environmental legislation at the local level in the past 20 years since devolution began,’ the State Environmental Inspectorate has proposed a single environmental inspection system. This proposal, also stated in the Macedonian Government's Programme for 2024–2028, aims to strengthen inspection oversight by fusing inspectors at the central and local levels. This centralized approach, if successfully implemented, could significantly improve the consistency and effectiveness of environmental enforcement across the country, addressing a long-standing weakness.

Another area where municipalities share responsibility for implementation with state bodies is noise protection. The Law on Noise Protection, which implements the **Environmental Noise Directive**, requires MoEPP to adopt strategy noise maps for all agglomerations and for main roads, railways and airports. Noise maps for other populated areas and areas of special interests may be prepared if the legal entity managing the area so decides. Based on the noise maps, action plans including an analysis of the noise situation and measures to prevent and reduce noise are drawn up.

Municipalities are among the bodies that may be obliged to carry out measures including appropriate noise monitoring, limitation or prohibition of noise emissions. They may establish local noise monitoring networks after receiving the opinion of the competent state authorities, in which case they should adopt an annual programme for the activities of the network. However, no municipalities have yet adopted such a programme or established local monitoring networks. Some envisage such activities within their annual programmes for environment but usually no funds are allocated for this purpose.

### 2.3. Implications for local government

The above overview, while not covering all environmental sectors, nevertheless suggests several general conclusions:

- First, national legislation and strategies are already quite well-aligned with the EU environmental acquis, and the government has taken pro-active steps to align rapidly with recent changes.
- Secondly, however, capacity to implement the EU-aligned legislation and strategies remains an enormous challenge at all levels of government. This concerns not only financial resources but also administrative capacity (see the box below).
- Thirdly, at local level there is a substantial implementation gap. Local governments lack the capacity to implement requirements stemming from the EU acquis, and many of these tasks are being fulfilled by a limited number of municipalities or in some cases not at all.

#### **Administrative Capacity: The Backbone of Implementation**

The strength of a country's administrative capacity is a fundamental determinant of its ability to effectively transpose, implement, and enforce the complex environmental acquis. While North Macedonia has made good progress in recent years, the persistent need for more trained staff and better inter-institutional cooperation remains a critical challenge, and progress at the local level is uneven.

**MoEPP** serves as the central pillar for environmental policy and implementation. It currently has 202 full-time employees. Recruitment plans for 2024 were interrupted by elections and a negative opinion from the Ministry of Finance on the necessary resources. Nevertheless, if the employment plan for 2025 is realised, the number of employees is expected to reach 210 by the end of the year.

There are still notable gaps, however, including no dedicated full-time employees in the Project Unit responsible for IPA projects, which could compromise the efficient absorption and management of crucial EU funds earmarked for environmental infrastructure. MoEPP does have 15 employees working on IPA-related matters in other units, and plans to strengthen this crucial sector in 2025, recognizing the need for dedicated expertise on a growing portfolio of EU-funded projects.

Complementing MoEPP at state level, the **Environmental Administration** has 88 employees while the **Spatial Information System** has a very limited staff of 2 employees. These bodies are vital for data management, monitoring, and spatial planning, which are integral to environmental governance. The low staffing in the Spatial Information System might hinder

the development and utilization of comprehensive environmental data, a cornerstone of evidence-based policymaking and reporting to the EU.

In addition, the **State Environmental Inspectorate (SEI)** has 26 employees, of whom 22 are inspectors. This number of inspectors appears critically low for comprehensive environmental oversight and enforcement of legislation across all sectors and regions. Here too, new hires were not approved by the Ministry of Finance, again underscoring financial bottlenecks.

A significant structural reform is anticipated for 2025. Following amendments to the Law on Inspection Supervision, all state inspectorates, including the SEI, will continue to operate within their respective ministries, losing their previous legal subjectivity and independent first-line budget. This change aims to centralize control and potentially streamline operations, but it also raises questions about the operational autonomy and flexibility of the inspectorates. In line with these amendments, MoEPP plans for 13 new recruitments and 5 promotions within the SEI, which would be a welcome, albeit still modest, boost to capacity.

Furthermore, the Government Programme for 2024–2028 includes the establishment of a new **central body for the implementation of environmental legislation**. Fulfilling the functions of environment agencies and similar bodies in EU member states, this body is envisioned to integrate state and local inspectors, water management inspectors, and nature protection inspectors under the umbrella of the SEI. Such consolidation could significantly enhance coordination, standardize inspection practices, and optimize resource allocation across different environmental domains. A Twinning Project, set to continue from May 2025, is designed to further support for these reforms.

### Local Level Capacities

As the previous sub-section has shown, while national capacities are vital, the practical implementation of environmental legislation often falls to local self-governments. Data from January–October 2024 indicate a concerning trend: **no new employees were hired in local self-government bodies responsible for environmental activities, nor were there any new authorized environmental inspectors**. This stagnation at the local level is a significant impediment.

Currently, municipalities, including the City of Skopje and its constituent municipalities, have filled 122 positions for civil servants responsible for environmental activities and 57 positions for authorized environmental inspectors. While these numbers represent existing capacity, the lack of new recruitment suggests that municipalities are struggling to expand their environmental departments to meet growing demands.

Positive developments at the local level include ongoing monitoring efforts: out of 11 municipalities included in MoEPP's 2024 Monitoring Plan, monitoring has been conducted in 6 so far. Furthermore, 3 out of 5 planned training sessions for local government representatives have been completed, with 2 more in organization. This indicates a commitment to upskilling existing staff. Encouragingly, 17 agreements for inter-municipal cooperation in the field of environment have been signed, suggesting a recognition of shared challenges and a willingness to pool resources and expertise at the regional level.

A further general conclusion is that the risk of re-centralisation in the absence of local capacity to implement the EU acquis (as noted in section 1.1) appears to be more than a theoretical

concern. This can be seen in the provisions of the Law on Waste Management, which may transfer decision-making to central government in cases of indecisiveness or incapacity of local authorities. Plans to bring local environmental inspectors under the control of the SEI offer a further example.

While this report does not look in depth at areas outside the environmental acquis, a further note of concern is the financial instability of local PUCs and heavy dependence on subsidies from the municipal budget. Sooner or later, this is likely to raise issues that need to be addressed to assure compliance with the EU rules on public procurement and state aids.

Within the timeframe of completing accession negotiations by around 2029, and based on current trends, there is thus a clear risk that the impact of EU accession on local government in the environmental field will be sub-optimal in several respects.

- Most obviously, the implementation gap observed means that local citizens are missing out on some of the quality-of-life benefits that should come with the accession process.
- Besides the investment costs of upgrading infrastructure and services (to which the local level will be expected to contribute, directly and/or through higher service tariffs), the compliance costs and administrative challenges of meeting new requirements will be substantial. On current indications, some of these costs may be unanticipated in some municipalities.
- With no increase in the numbers of local environmental staff and inspectors over the past year, capacity development appears not to be on a path that will allow requirements to be met in time (including requirements for which no transition periods will be negotiable).
- This means that compliance problems are likely. In extreme cases, this could be an obstacle to meeting benchmarks in the accession negotiations. But even if not, municipalities are likely to face legal challenges in the early years of membership once enforcement is stepped up (with the involvement of the EU institutions but also citizens and NGOs through the national courts, which must take EU law into account).
- Compliance failures at local level may lead to infringement proceedings (and ultimately fines) against North Macedonia as well as legal and financial sanctions (and damages in some cases) against municipalities.
- Disruption or delays to some local projects and services cannot be ruled out due to lack of capacity to carry out procedures such as EIAs and given the precarious situation of many local PUCs with respect to the EU rules on public procurement and state aids.
- There is a clear risk that lack of capacity at local level will result in some local competences being transferred, whether by law or in fact, to the regional level (with potential dilution of local democratic oversight) or to central government.

It should be stressed at this point that the impact of EU accession on environmental protection and environmental services at the local level is still likely to be overwhelmingly positive, with a step change in standards and a substantial influx of EU funding to pay for upgrades. Moreover, none of the sub-optimal impacts outlined above are inevitable – all could be avoided with better preparation, and there is still time to build capacity and increase the engagement of local representatives in the accession process.

## **2.4. What can local government representatives do to improve the impact?**

The obvious response to the issues outlined in previous sub-sections is that additional capacity is needed at all levels of government, though of course this is easier said than done. At the central level, improvement plans are structured across short-term and mid-term horizons:

- Short-term: Focus on immediate needs such as targeted training for existing staff, improving technical equipment (e.g. for monitoring), and facilitating better operational cooperation between national and local institutions.
- Mid-term: Aim for more systemic changes, including the digitalization of environmental processes, the development of more robust and integrated environmental databases, and a clearer, more efficient distribution of responsibilities across all levels of governance.

At local level, the question is two-fold: what more could be done to build capacity within existing resources, and how could additional resources be secured.

Among the concrete steps that local representatives might consider (cf. also section 1.4 for a general overview of measures taken by LGAs):

- Participate in working groups underlying the accession negotiations on chapter 27 (considered in more detail under the heading below).
- Raise awareness among mayors and local executives of the implementation gap in environment and the potential consequences for municipalities.
- Address alignment with and local implementation of the acquis within committees of mayors/deputies responsible for environment and communal activities and networks of technical experts responsible for environment protection and services.
- Take part in consultations on legislative amendments arising from approximation with the EU acquis, using this as an opportunity to highlight the need for capacity-building at local level.
- Advocate for local representatives to be included in training and capacity-building provided by MoEPP and other state bodies, including the soon-to-be established central body for the implementation of environmental legislation.
- Review EU (and other donor) funding opportunities for scope to improve local implementation of the environmental acquis. This includes small projects (e.g. cross-border and transnational, LIFE) that are manageable at local level but still offer potential to support actions such as air quality measures, flood protection plans or data collection and reporting on municipal waste (to give just a few examples highlighted in section 2.2).
- Participate in sector working groups, monitoring committees etc. with specific relevance to pre-accession assistance on environment.
- Consider undertaking a more comprehensive impact assessment of how implementation of the environmental acquis will affect local authorities, covering additional sectors and some of the details omitted in section 2 above, and perhaps including fieldwork in selected municipalities and estimates of compliance costs in selected areas.
- Examine in more depth the implications of EU rules on procurement and state aid for relations between municipalities and their PUCs.
- Use the implementation gap and the need for capacity building in the context of EU accession to strengthen arguments for effective fiscal decentralisation.

## Negotiation working groups

In the government decision on organisation of the working groups for the EU accession negotiations, ZELS was included in 10 sub-groups under chapter 27 (Environment and Climate Change): horizontal legislation, air quality, waste management, water quality, nature protection, control of industrial pollution and risks, chemicals, noise, forestry, and climate change.<sup>49</sup> These (with the exception of chemicals, which comes under the Ministry of Health) are chaired by MoEPP. At the time of writing, the Ministry of European Affairs (MEA) is working to finalise another decision on working groups under the new version of the National Programme for Adoption of the EU Acquis (NPAA), organised by clusters, areas and chapters. These will review the results of the screening process and assist in the preparation of North Macedonia's negotiating position.

Participation in these working groups stands out as a useful step that could be taken in the near future to strengthen local engagement in the accession process, both to advocate for local interests and to increase municipalities' understanding of and preparedness for the process. Meaningful participation will itself place significant demands on the capacity of ZELS and/or municipal representatives who may be nominated – this is further considered in section 4. Thus, participation is not an end in itself, and should ideally come in addition to constructive relations with MEA and MoEPP more generally (including responses to consultations on legislation, assistance in outreach to municipalities, etc.).

One positive example in this area is the involvement of the Standing Conference of Towns and Municipalities (SCTM) in comparable working groups in Serbia. According to SCTM representatives, 60 per cent of the association's suggestions were taken up in Serbia's negotiating position for chapter 27. While the lines between working group discussions and more general advocacy may be blurred, SCTM representatives consider that this participation has had a positive impact on local capacity to implement the EU acquis.

- For example, there were inconsistencies in the definition of hazardous waste between the newly amended Law on Waste Management and the Law on Communal Activities. This led to a lack of clarity over responsibilities and a situation where waste operators were requesting permits from municipalities to deal with hazardous waste. After SCTM raised the problem, the Ministry of Environmental Protection was able to convince the responsible ministry (Construction, Transport and Infrastructure) to propose suitable amendments to the Law on Communal Activities.
- For an example of useful information that an LGA can provide in this context, SCTM was asked by the Ministry of Public Affairs and Local Self-Government to evaluate the Law on Communal Activities, and was able to suggest amendments (now adopted) based on local experience. This led (among other changes) to the introduction of a methodology for pricing communal services (factoring in three-year plans for the development and maintenance of infrastructure), and greater scope for municipalities to delegate specific communal services to another municipality or public utility company.

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<sup>49</sup> ОДЛУКА ЗА ОПРЕДЕЛУВАЊЕ НА ИНСТИТУЦИИТЕ ЧИИ ПРЕТСТАВНИЦИ СЕ ДЕЛ ОД РАБОТНИТЕ ГРУПИ ЗА ПОДГОТОВКА НА ПРЕГОВАРАЧКИТЕ ПОЗИЦИИ ЗА ПРЕГОВОРИ ЗА ПРИСТАПУВАЊЕ НА РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА ВО ЕВРОПСКАТА УНИЈА, Official Gazette of RNM, No. 224, 20.10.2022.

These may not seem like major changes in themselves, and many challenges no doubt remain for Serbian municipalities in the environmental field, but they are clearly in a much stronger position than their counterparts in recently acceded EU member states at this stage of the accession process.

### 3. Indicators of municipal preparedness

#### 3.1. General indicators

Table 1 below outlines some general indicators of the scope for municipalities to prepare effectively for EU accession, drawing partly on experience from other candidate countries and recently acceded member states. Evaluations here are based on documentation and on impressions gained during a field visit to North Macedonia in February 2025 and in follow-up contacts.

The intention here is not to suggest that all boxes should be ticked, but rather to suggest options to be weighed against competing claims on capacity and resources. Local government associations in the other candidate countries have focused their efforts in different ways. In Montenegro, for example, local representatives participated in negotiation working groups on 11 acquis chapters, whereas in Serbia, the Standing Conference of Towns and Municipalities conducted 21 impact analyses covering various chapters of the acquis (see Bibliography).

**Table 1: General indicators relating to local engagement in the EU accession process**

| Indicator                                                                                                    | Evaluation for North Macedonia                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Do local representatives participate in consultations on alignment of legislation/policy with the EU acquis? | Yes, ZELS is often consulted and forwards consultations to members. Municipalities had good input into the revision of the national strategy on waste management, for example. However, sometimes multiple responses are returned to ministries without compiling a common position.                                                                                                                                                                                                                                                               |
| Are local representatives included in high-level dialogue on the accession process?                          | To some extent. E.g. ZELS has a representative in the Parliamentary National European Integration Council.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Do local representatives participate in accession negotiation working groups?                                | Pending. ZELS is included in 10 sub-groups under chapter 27 (though not under other key chapters, e.g. chapter 22 on regional policy). However, the request to nominate representatives was forwarded to municipalities, many of whom responded individually. The groups have not yet been active, but soon will be. The government decision establishing the negotiating structure states that membership of working groups may include representatives of local self-government units, and ZELS could be invited to participate in other groups. |
| Are there EU officers in municipalities and/or an EU-related network of municipal staff?                     | ZELS has a professional Network for European Affairs and Funds. While this has not met recently, ZELS staff do forward information to members, and many members are also in other ZELS networks where related topics arise (e.g. local economic development, environment, finance, gender).                                                                                                                                                                                                                                                        |
| Are there technical networks (e.g. on environment) that deal with EU-related aspects?                        | Yes. Committee on Environment and Communal Activities (mayors/deputies), and Network of Persons Responsible for Environmental Protection (officials). Several other technical                                                                                                                                                                                                                                                                                                                                                                      |

|                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                    | networks of relevance (as noted above). Members of the network for environmental issues, climate action and energy efficiency attended a three-day workshop in May 2025 on 'Planning and monitoring for energy efficiency and climate action' which touched on many EU-related aspects.                                                                                        |
| Does the local government association arrange training for members on EU-related matters?                          | Training e.g. on 'Project Management for EU Funds' has been offered in the past (c. 2016). More recently, EU-related training on gender equality and local waste management planning provided as part of projects.                                                                                                                                                             |
| Are there any impact assessments or screenings of how EU accession will affect local government?                   | None by ZELS or central government that we are aware of.                                                                                                                                                                                                                                                                                                                       |
| Does central government recognise the importance of engaging the local level in the accession process?             | Yes, various strategic documents note local role in attaining EU standards and utilising EU funds. Interviews with MEA, the Ministry of Local Self-Government (MLS), MoEPP confirm awareness.                                                                                                                                                                                  |
| Do central government institutions involve municipalities in capacity-building efforts?                            | Yes. While ministries themselves have limited capacity, the National Programme for Adoption of the EU Acquis often mentions training etc. for municipalities. The Bureau for Public Procurement provides training, and will take over training on EU PRAG procurement from the EU4 Municipalities project. MoEPP also provides environmental training for municipal employees. |
| Do local representatives participate in programming and monitoring of EU funds?                                    | Yes, to some extent. ZELS is in the sector working group for local and regional development, though not (e.g.) the monitoring committees for cross-border programmes with Greece and Bulgaria.                                                                                                                                                                                 |
| Do municipalities participate in cross-border, transnational and inter-regional cooperation projects?              | Yes, especially the ones with Greece and Bulgaria, although budgets perceived to favour EU partners. Less participation in the Albania, Kosovo and Serbia programmes, and some indications of difficulties in using available funds.                                                                                                                                           |
| Are there other EU-funded projects helping with municipal-level preparations for accession?                        | Yes, in particular the 'EU 4 Municipalities' action (IPA II 2020, with €6m of EU funding). However, there are no plans for a similar action for the 2021–27 period.                                                                                                                                                                                                            |
| Are there funds or mechanisms to help municipalities with pre-financing and/or co-financing of EU-funded projects? | MLS has provided co-financing (up to 15 per cent, part-financed by SDC) for some projects (e.g. cross-border cooperation with Albania, EU 4 Municipalities). There may still be a case for a more systematic mechanism.                                                                                                                                                        |
| Are local representatives involved in discussions on future EU funding mechanisms?                                 | To some extent. Consultations on the Reform and Growth Facility were opened for wider civil society organisations, including ZELS and some mayors. New Communication and Visibility Plan includes annual briefings with ZELS. However, earlier involvement would be desirable given that the Reform Agenda includes actions with municipal relevance.                          |
| Are local representatives engaged in dialogue etc. with EU institutions?                                           | To some extent. North Macedonia has a Joint Consultative Committee (JCC) with the EU Committee of the Regions (CoR), although mayors have not been able to attend recent meetings in Brussels due to lack of budget. Contacts with the EU Delegation in Skopje seem somewhat dependent on individual relations.                                                                |

On the whole, pre-conditions for effective local engagement in the EU accession process in North Macedonia appear relatively favourable. Local associations in some of the other candidate countries have had to struggle to gain recognition from central government of the significance of the local level, or to be invited to participate in the structures underlying the accession negotiations. Availability of national co-financing for municipal participation in EU-funded projects is another positive factor.

So too is the existence of a clear local self-governance strategy in the form of the Program for Local Sustainable Development and Decentralisation 2021–26.<sup>50</sup> This and several other strategic documents note the role of local government in attaining EU standards and utilising EU funds.

- The Regional Development Strategy 2021–31 explicitly aims to contribute to the EU accession process and notes challenges in several thematic areas for planning regions and municipalities. It calls for improved use of IPA funds, including capacity-building for stakeholders and a fund to assist local self-government units with EU-funded projects.
- The National Development Strategy 2024–44 notes that one reason for involving stakeholders, including municipalities, in the implementation of the strategy is to create ‘capability to undertake membership obligations, including the capacity for effective implementation of the rules, standards and policies that constitute the body of the EU *acquis*’.
- The NPAA 2021–25 makes frequent mention of local authorities and the need for capacity-building in areas such as social services, digitalisation, consumer protection, transport and environment (waste management, air quality, reform of public utilities, inspections, noise, nature protection, etc.).

There is also room for improvement. For example, the scope for municipal involvement in small EU-funded projects has declined with the end of the EU4 Municipalities project, and the lack of consultation on future EU funding mechanisms is a clear weakness. The absence of central government funding for the CoR JCC means that most of the Macedonian delegation is missing out on opportunities to deepen contacts in Brussels.<sup>51</sup> Informal discussions also suggest that the EU Delegation would benefit from a clearer picture of ZELS’s role in representing the interests of all municipalities, and its potential role in helping members to prepare for implementation of the *acquis*. Section 4 will return to the question of ZELS’s capacity to support members.

Beyond the general indicators in Table 1, future project activities might consider more quantitative and/or survey-based indicators for a more precise snapshot of local engagement in EU integration. Updated information on, for example, how many municipalities have taken part in EU-funded projects, how many staff members participate actively in networks on EU

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<sup>50</sup> MLS (2021), Program for Sustainable Local Development and Decentralization 2021–26 (Ministry of Local Self-Government). [https://mls.gov.mk/images/files/programa\\_2021-2026\\_EN.pdf](https://mls.gov.mk/images/files/programa_2021-2026_EN.pdf)

<sup>51</sup> In 2023, resources were only available for the co-chair to attend the annual ‘Enlargement Day’ meeting in Brussels, though the full delegation took part in the meeting in Skopje.

funding or EU-related technical networks, and how many municipal representatives have attended EU-related training could be helpful in establishing a baseline and indicators.<sup>52</sup>

### 3.2. Specific indicators on environment

Following on from section 2, Table 2 suggests indicators that could be used to track progress towards municipal readiness to implement the EU acquis.

**Table 2: Indicators relating to local-level implementation of the EU environmental acquis**

| Indicator                                                               | Baseline                                                                                                                 | Potential for improvement                                                                                                                                                                                                  |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of local employees responsible for environmental activities      | 122 (further information on territorial distribution would also be desirable)                                            | Significant net increase with all municipalities covered (target of least one employee in all municipalities and at least 3, 5 and 10 in municipalities with 20,000–50,000, 50,000–100,000 and over 100,000 respectively). |
| Authorised local environmental inspectors                               | 57 (further information on territorial distribution would also be desirable)                                             | Significant net increase with all municipalities covered (in some cases through intermunicipal cooperation). Target of 85 (at least one per municipality).                                                                 |
| Availability of announcement for SEA/EIA prior to public hearing        | 1–2 days                                                                                                                 | 10–15 days                                                                                                                                                                                                                 |
| Type of environmental information available from municipalities         | Documents requested (through free access to information of public character) frequently unavailable in consistent format | All municipalities provide complete and consistent environmental information on request                                                                                                                                    |
| Number of air quality plans developed                                   | Current missing for Tetovo and Skopje                                                                                    | Plans developed for all municipalities and updated where applicable                                                                                                                                                        |
| Number of days when PM <sub>10</sub> concentrations exceed limit values | Except for Lazaropole, all other (larger) municipalities have exceedances                                                | Below 35 in all municipalities with an air quality plan                                                                                                                                                                    |
| Funds allocated for implementation of air quality plans                 | Hardly any funds currently allocated                                                                                     | At least 15% of planned measures implemented each year through municipal budget                                                                                                                                            |
| Number of sanitary landfills built                                      | None                                                                                                                     | At least 3 built by 2035                                                                                                                                                                                                   |
| Percentage of selection of waste from packaging                         | Less than 1%                                                                                                             | At least 30% of packaging waste generated at households is selected                                                                                                                                                        |
| Systems for organic waste selection introduced                          | None                                                                                                                     | At least 3 municipalities to pilot selection of organic waste by 2030                                                                                                                                                      |

<sup>52</sup> Earlier examples of (in part) survey-based approaches include a 2013 report from ZELS on municipalities and EU funds (<https://zels.org.mk/Upload/Documents/Opstini%20vo%20RM%20and%20EU%20fondovi%20-%20MK%20verzija.pdf>) and a 2017 study by the European Association for Local Democracy on use of EU funds in North Macedonia (<https://plus.cobiss.net/cobiss/mk/mk/bib/102969354>). Both of these focus on the 2007–13 period.

|                                                                   |                                                                    |                                                                                                                       |
|-------------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Coverage of communal services                                     | 80%                                                                | 100%                                                                                                                  |
| Number of collection centres built                                | 1 in Skopje but not yet functional                                 | At least 3 by 2027                                                                                                    |
| Waste fee changed                                                 | Current fees of 6–8 EUR/household                                  | 10–15 EUR/household with reform of tariff system and payment per kg                                                   |
| Number of locations for proper disposal of construction waste     | 1–2 but not compliant                                              | At least 5 compliant locations by 2030                                                                                |
| Coverage of public water supply                                   | Currently, Northeastern is the only region with full coverage      | 100% coverage in all regions                                                                                          |
| Coverage of waste water treatment                                 | Currently, only 80% of waste water is collected and treated        | 100% collection and treatment (by 2042 according to national plan). Interim targets (starting 2030) to be determined. |
| Percentage of non-revenue water                                   | Currently ranges from c. 23% in Northeast to c. 76% in Polog       | Reduced percentage of non-revenue water                                                                               |
| Number of operational plans for flood protection                  | Only 20 municipalities have developed such plans                   | At least 50 municipalities to have developed such plans                                                               |
| Number of employees working on issuing B permits                  | Usually only 1                                                     | At least 2 in municipalities with over 50,000 inhabitants by 2030                                                     |
| Number of environmental inspectors                                | Usually only 1, but very often the same person that issues permits | Every municipality has a dedicated inspector                                                                          |
| Annual program for the work of the local noise monitoring network | Currently, no municipalities have such a program                   | At least 10% of municipalities to develop and adopt a program by 2027                                                 |

*Source:* As for section 2.2, information is based partly on the government's available information on EU alignment and partly on Platform 27, Shadow Report on Chapter 27.

Further environment-specific indicators could be added to gauge municipal engagement in the accession process. For example, MoEPP has published figures on trainings on the implementation of environmental laws intended for employees in the environmental sector in municipalities, though these do not seem to have been updated since 2022.<sup>53</sup> The number of participants in relevant ZELS networks and committees, and instances of participation in legislative consultations, negotiation working groups or sector working groups would be another option. Survey-based indicators could also be considered, for example to evaluate awareness within local administrations and PUCs of the potential implications of implementing EU requirements on public procurement and state aids.

<sup>53</sup> <https://new.moepp.gov.mk/informacii/nacionalni-izvestai/izvestai-indikatori-zivotna-sredina/mk-ni-087-obuki-oblastite-zivotnata-sredina-vrabotenite-opstinite>

## 4. Capacity of ZELS to support municipalities in the EU accession process

### 4.1. Baseline

A pre-study was conducted from December 2020 to June 2021 to develop the proposal for the current project on sustainable waste management. This considered several thematic options for supporting local governance in North Macedonia, including local government engagement in EU integration. One argument against this was that, while ZELS expressed a clear interest in access to EU funding, there seemed to be less interest (in both strategic documents and interviews) in EU-related advocacy and in preparation of members for implementing aspects of the EU acquis.

This assessment remains valid in essence. In ZELS's Strategic Plan for 2021–25, the statement of values includes application of and respect for European standards and documents for the development of local self-government.<sup>54</sup> However, the strategic directions emphasise 'Support in the use of EU and other international financial programs.' There is no explicit recognition that advocacy for improved capacity to implement the EU acquis might be helpful in improving access to funding. Meetings with ZELS officials in February 2025 tended to confirm this picture.

Nevertheless, as noted in section 3.1, many of the pre-requisites for local engagement in the accession process are in place, and the invitation to participate in negotiation sub-groups under chapter 27 (Environment) represents material progress since 2021.

The memorandum of cooperation and understanding between the government and ZELS, signed in August 2024 by the Prime Minister and the President of ZELS, is another positive step, with a renewed commitment to decentralisation, transfer of resources and consultation on new laws and regulations.<sup>55</sup> Of course, the history of decentralisation since 2005 suggests that actions do not always follow commitments on paper, but this is still significant in the EU context. As noted in section 1.1, the commitment to decentralisation makes local capacity to implement the EU acquis a relevant question for the accession negotiations.

ZELS has 15 staff members of whom perhaps half a dozen could provide the kind of high-level support needed for legislative consultations, advocacy relating to the EU acquis, participation in negotiating working groups, etc. However, even the brief overview of a single chapter of the EU acquis presented in section 2 suggests that it would be scarcely feasible for the association's staff to cover all of this, even if they worked on nothing else. The volume of EU and national legislation and strategies, the number of working groups, committees, etc., and the technical expertise needed for each sector (waste, water, air quality, etc.) leads to the unavoidable conclusion that the role of the association must be partly to mobilise and coordinate input from its members. The existence of the Commission for Environment and Communal Activities and

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<sup>54</sup> ZELS, Стратегиски План На Зелс 2021-2025 Година (2021) [Strategic Plan 2021-25].

[https://zels.org.mk/Upload/Documents/Strateski%20plan%20-%2030.11.2021\\_6.pdf](https://zels.org.mk/Upload/Documents/Strateski%20plan%20-%2030.11.2021_6.pdf)

<sup>55</sup> [https://zels.org.mk/Upload/Documents/MEMORANDUM%20ZELS-VLADA\\_avgust\\_2024.pdf](https://zels.org.mk/Upload/Documents/MEMORANDUM%20ZELS-VLADA_avgust_2024.pdf)

the Network of persons responsible for environmental protection is another positive aspect of the baseline to note.

One concern raised by ZELS officials is the lack of transparency from central government on EU and other funds that might be available to municipalities. The lack of consultation on the Reform and Growth Facility (though North Macedonia is by no means unique here) is a further expression of this, which is also a significant aspect of the baseline to note.

#### **4.2. Scope for development in relation to indicators outlined**

For ZELS's next Strategic Plan (due in 2026), it may be worth considering a shift in emphasis towards not only EU-funded projects but also the EU accession process and municipalities' role in implementing the *acquis*. This could encompass both advocacy vis-à-vis central government (and EU institutions) and a service to help members prepare for new responsibilities.

As a strategic direction, this would be valid in itself to avoid the kinds of surprises that local authorities in some recently acceded Member States have faced. But it could also help in pursuing other goals, in particular increasing access to EU and other funds, and advancing the decentralisation process. In short, the argument 'we need EU funds to implement the EU *acquis*' is stronger than 'we need EU funds'. Furthermore, highlighting the capacities and resources that municipalities need to implement the *acquis* would strengthen the case for the government (perhaps with more encouragement from the EU) to deliver on its renewed commitment to decentralisation.

Environment makes sense as a thematic area to focus on initially, since this is one of the most important chapters of the *acquis* for local authorities, and ZELS already has an 'in' with the invitation to participate in negotiation sub-groups (which, as noted before, associations in other candidate countries have had to struggle for). Possible activities and priorities, some of which donor projects could potentially support, may include:

- Intensifying the work of the Commission on Environment and Communal Activities, the Network of persons responsible for environmental protection, and other relevant networks (perhaps focused on waste management, in view of the SALAR project) in order to provide meaningful input to the chapter 27 sub-groups. Some local representatives in these groups will most likely have to be drawn from this pool.
- Coordination by ZELS of the nomination of representatives for the negotiation working groups, with advance discussion of 'lines to take' where appropriate, and a request for feedback after meetings to ZELS staff and the relevant commissions/networks.
- Compiling common positions on legislative consultations. MoEPP has limited capacity to process multiple responses from municipalities (e.g. on the recent Law on Climate Action), and even though individual municipalities may have slightly different positions, a unified voice of local government will be more effective for advocacy.
- Exchange of experience with local government associations in other candidate countries where local representatives have recently taken part in ch. 27 working groups (e.g. Montenegro, Serbia), and in recently acceded member states where the benefits of such involvement, in hindsight, have become clear (e.g. Bulgaria, Croatia).

- Gathering of relevant data and information that could feed into working group discussions and help in assessing local capacity needs. One example highlighted in section 2 is data on waste collection at local level.
- A project could potentially contribute expert days e.g. for an expert on waste management to assist with legislative consultations, gathering of data etc., and preparation of input into negotiation working groups etc. (although for reasons of confidentiality external experts may not be able to participate in such meetings).

Ideally, ZELS would be invited to nominate representatives for additional working groups, such as the ones under chapter 22 (Regional policy and structural instruments), which will discuss future arrangements for programming and managing EU funds, as well as relevant sector working groups under IPA.

Table 1 and the discussion in section 3 suggest several more general priorities:

- Serving as the ‘collective voice of local authorities’ is one of the basic functions of an association, and there is a perception (heard on several occasions during informal discussions in North Macedonia) that ZELS perhaps fulfils this function to a lesser degree than in the past. Besides the issue of multiple responses to consultations etc., it would be helpful to convey to the EU Delegation the message that ZELS is representative of all municipalities.
- The lack of capacity for the full North Macedonian delegation to participate in Brussels meetings of the CoR JCC seems a missed opportunity for local engagement in the accession process. A small budget for travel and accommodation expenses and secretarial support from ZELS should be a goal for advocacy.<sup>56</sup> MEA might be an ally here.
- Another near-term priority for advocacy would be to obtain more systematic information from central government on EU (and other) funds available to municipalities, and proper consultation on the future arrangements for EU pre-accession funding. Formal proposals for the EU’s next long-term budget (post-2027) were made in July 2025, including ‘revamped’ external action financing.<sup>57</sup> If the shift towards something like the Growth Plan model is confirmed, then access to a share of national budget support and input into the pipeline for investment projects become critical issues for ZELS. Perhaps this discussion can be linked with the government’s renewed commitment to decentralisation.
- At the other end of the scale when it comes to EU funding, making better use of the IPA–IPA cross-border cooperation programmes is one concrete priority. Although these are small in budgetary terms, they can finance useful projects at local level, while unused funds reflect badly on the local government sector and may reduce opportunities for municipalities to benefit directly from other, larger parts of pre-accession funding. Activating the Network on European Affairs and Funds could be one way to address this, with a view to sharing experience from municipalities that have successfully applied. Another method that has been effective in some other candidate countries is to

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<sup>56</sup> The JCC is established under the Stabilisation and Association Council (under the Stabilisation and Association Agreement). The rules of procedure specify that the Government of the partner country shall defray the expenses of its delegates and supporting staff. Members of the Macedonian JCC delegation are officially nominated by the Government based on proposals from ZELS. Once North Macedonia joins the EU, the CoR pays the expenses of delegates, so that the funding requirement is temporary, and part of the accession process.

<sup>57</sup> Links to factsheets and legislative texts, including for the proposed ‘Global Europe’ instrument, can be found on the [Commission's website](#).

organise specific training for eligible municipalities as soon as calls for proposals are launched, along with coaching and support for those interested in applying.

The other main thing that ZELS could do to increase local engagement in the accession process is to reach out to members to raise awareness of what EU accession will mean for them. A more comprehensive impact assessment or screening exercise could be one way to do this, with benefits also for advocacy. ‘Mainstreaming’ of EU integration across all technical networks and policy areas – recognising that no single ZELS staff member or EU officer in a municipality can be an expert on everything EU-related – is another approach to consider. For basic awareness-raising, some local government associations have produced a handbook or guidelines for members on the implications of EU membership, including available funding. The next section will outline possible content for such guidelines.

## 5. Guidelines for municipalities

### 5.1 Preliminaries

The optimal format and scope of guidelines may need further discussion, but the object here is a concise (c. 4,000 words) brochure that does not set out to explain everything but should show clearly why EU accession is important for local authorities and what they (and their association) can do to prepare. Of course, a much longer document could be produced, although that may be less effective in terms of raising basic awareness while still being far from comprehensive.<sup>58</sup>

Such a guide could be issued by ZELS and addressed to its members, ideally with the blessing of MEA and MLS. It is also an opportunity for the association to promote the work it is doing (or intends to do) and the services provided to members in this field. The draft below implicitly suggests a couple of strengthened activities for the association, based on the previous section, should ZELS wish to take additional steps in this area.

As regards timeframe, such guidelines could be issued soon after the local elections due in October 2025 and focused on measures that can be taken during the next four-year mandate. Next steps would include refining the content presented together with ZELS, fleshing this out in appropriate local language and style, then consulting with interested municipalities who already have staff members who are engaged on EU-related topics, as well as MEA and MLS.

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<sup>58</sup> As an alternative example, see the 144-page guide *Ka Evropskoj Uniji: Vodič za predstavnike jedinica lokalne samouprave* (Towards the European Union: Guide for representatives of local self-government units) produced by SCTM in 2007. This contains parts on the history and institutions of the EU, on the EU integration process and Serbia and on other international and European organisations, in addition to parts on EU legislation of relevance to local authorities and on available EU funds. All of this is useful for, say, an EU officer in a municipality. However, further reading (e.g. SCTM’s subsequent impact assessments) would still be needed to gain a more comprehensive picture of relevant EU legislation and funding opportunities.

## 5.2. Draft outline/content for guidelines

### Why is EU integration important for municipalities?

- EU integration is important for local government for three main reasons. First, local authorities must comply with and are often **responsible for implementing a large body of EU law and standards**. The EU's Committee of the Regions estimates that more than 70 per cent of EU legislative acts are implemented at the local and regional level. Municipalities need to be well prepared and to build capacity to fulfil these responsibilities.
- A second reason is that EU accession brings **significant funding opportunities**. North Macedonia can expect to receive over 2.5 per cent of GDP annually in the early years of membership for regional, social and rural development. Part of these funds should be used to upgrade local infrastructure and services to meet EU standards. But again, municipalities need to build capacity to make the most of these opportunities.
- Thirdly, municipalities are the level of public authority that is **closest to the citizens** and serve as a trusted source of information. Local leaders have an important role in explaining what EU membership will mean, both obligations and opportunities.
- North Macedonia has been an EU candidate country since 2005 and has had to overcome several political obstacles on the path towards accession. So why should mayors and local officials concern themselves today with something that almost certainly will not occur during the current term of office?
- First, alignment with EU standards is **happening now**. North Macedonia began official accession negotiations in 2022. The government recently adopted a road map containing over [# tbc when update published] measures to complete alignment of national legislation and policy with that of the EU by 2029 [ref NPAA update]. Many of these concern local as well as national competences, and if we wait until a date for accession is known, it will be too late to influence this process.
- Secondly, **significant EU funding is already available** in the form of pre-accession assistance, which aims to help candidate countries to meet the criteria for accession. Some of this funding is aimed at local governments and is currently being under-used in North Macedonia. The local level can also help to absorb the EUR 750 million available in 2025–27 as part of the Growth Plan for the Western Balkans. Further, arrangements for the EU's post-2027 budget are already being discussed, and local authorities should ensure their rightful place in the partnership that decides how these funds are spent.
- Thirdly, as part of the accession negotiations, the EU is increasingly insisting that candidate countries demonstrate a **track record** in applying EU standards. Implementation issues that previously affected municipalities only after accession (see the next section) are likely to emerge sooner and might even delay the process.
- EU accession also has the potential to **revitalise decentralisation** in North Macedonia. The EU has been supportive of political commitments in favour of fiscal decentralisation, for example. If local representatives can highlight concrete needs for increased capacity stemming from EU accession, this may help to persuade the national authorities to deliver on those commitments.
- On the other hand, if municipalities lack the capacity to implement EU standards, there is a **risk of recentralisation**. Ultimately, it is up to member states how to organise local self-government, so the EU is unlikely to object if North Macedonia decides that some

local responsibilities (e.g. environmental inspections) can be better fulfilled at regional or national level. Thus, safeguarding local autonomy is another reason for local representatives to be engaged in the EU accession process today.

### **Local authorities need greater capacity to prepare for EU accession**

The EU accession negotiations are organised into 35 chapters and another three areas, and there are issues that concern local authorities in most of these. In a brief guide, we can only scratch the surface, but here are 10 examples of how the move towards EU accession requires capacity-building at local level.

- Cities must draw up **air quality plans** to bring levels of air pollution below EU thresholds. These are designed locally and may include measures such as low emission zones, expanding space for cyclists and pedestrians or electrifying public transport. Many cities already have such plans, but the rules will be more strictly enforced post-accession, with individuals and NGOs able to take municipalities to court if measures are insufficient.
- North Macedonia will sign up to a binding target for 65 per cent of **municipal waste** to be prepared for re-use and recycling. The deadline is 2035 for EU countries, and while an extension is likely to be negotiated for North Macedonia, this remains an ambitious goal. Besides investments in modern waste treatment and collection facilities, this will require working with local citizens to influence attitudes to waste sorting and recycling.
- **Wastewater treatment** for settlements of around 1,000 persons or more is one of the most challenging EU standards, which according to current national plans North Macedonia is not expected to reach until 2042. Municipalities will be expected to contribute to the substantial investment cost of upgrading infrastructure and to ensure that tariffs for water and sanitation services reflect construction and maintenance costs.
- Correct application of the EU rules on **public procurement** (transparent procedures for purchase of goods, services and works by public authorities) entail significant administrative costs for municipalities. Errors increase the risk of appeals, which may result in delays to local service provision as well as legal costs.
- Decision-makers in local administrations and public utility companies need to understand how the EU rules on **state aids** may affect their operations. Any economic advantage (subsidies, tax breaks, preferential terms, etc.) from a public authority to a particular economic operator may, without careful preparation, cause serious consequences for beneficiaries (and risk disrupting local services).
- Many local projects and plans (if they allocate land for development and especially if they cover sensitive environmental areas) will need to be accompanied by **Environmental Impact Assessments** or **Strategic Environmental Assessments**, which require significant administrative resources.
- As part of the accession process, North Macedonia has formed a **Joint Consultative Committee with the EU Committee of the Regions**, in which 13 delegates from each side hold regular discussions on matters of common interest. At present, local representatives must bear the costs of preparing for and attending meetings in Brussels.
- EU rules on **working time** affect local authorities as employers, especially in sectors such as health care and emergency services where long and/or on-call shifts are common.
- EU rules on energy efficiency require municipalities with over 45,000 inhabitants to prepare **local heating and cooling plans**, with technical and financial support from national governments.

- Five per cent of EU **rural development funding** is reserved for the so-called LEADER approach, which entails forming Local Action Groups of public authorities, local businesses and CSOs and drawing up a local development strategy. Municipalities are often the driving force behind LAGs, but only around 1.5 per cent of pre-accession rural development funding in North Macedonia was allocated for this priority in 2021–27.

### How has accession affected local governments in EU countries?

- Based on studies in several EU countries, around **half the items** on the typical council agenda post-accession are influenced one way or another by the EU [add refs to SALAR et al?].
- Some legislation applies directly (e.g. the General Data Protection Regulation or the Treaty rules on state aids). Some is implemented through national legislation (e.g. the Law on Public Procurement or the Law on Waste Management). Besides ‘hard law’, there are also softer policy recommendations which, though non-binding, may still influence local decision-making and tie in with funding opportunities.
- In previous accessions, local representatives have been involved in the process only to a limited extent. As a result, alignment of national legislation has not always been optimal from the local perspective, and municipalities have not been as well prepared to implement EU standards as they might have been. This can lead to problems.
- Lack of local capacity (or willingness) to comply with EU standards may result in the **member state being brought before the EU Court**. Examples include insufficient action to improve air quality, failure to monitor bathing water quality, or failure to close non-compliant waste landfills by agreed deadlines. Prolonged non-compliance can result in substantial fines payable by the member state.
- Municipalities themselves may be subject to **legal and financial sanctions** for failure to comply with EU regulations or provisions of EU directives in national legislation. Examples here include data protection, public procurement and environmental standards.
- Over-implementation or ‘**gold-plating**’ of EU standards at national level sometimes makes things more difficult for municipalities than the EU actually requires. Examples here include energy-saving targets or procurement procedures for lower-value public contracts.
- **Lack of awareness of EU rules** could cause delays and disruption to local services if corrective action is needed. Failure to conduct environmental impact assessments, for example, may delay projects, while granting of unauthorised subsidies or other advantages to local enterprises can lead to a lengthy state aid investigation, with the risk that the beneficiary will have to repay any aid received.
- Local authorities, particularly in the countries that joined the EU since 2004, have naturally benefited from EU funding to upgrade infrastructure and services. In Croatia, for example, EU funds were estimated to account for nearly **80 per cent of local public investments** shortly after the country joined, and the same will likely be true for North Macedonia.
- It is thus essential for municipalities to be familiar with the requirements for preparing and managing EU-funded projects, which are often more demanding than government-

funded ones. Experience here varies between member states, but municipalities, especially smaller ones that may lack human and financial resources for project preparation and co-financing, have often found it **harder than expected to access EU funds**, which are mostly managed at regional or national level.

- The diversity of local and regional government systems within the EU shows that there is room for both stronger and weaker models of decentralisation.
- On average, local government revenues in the EU as a share of GDP are almost double (10.8 per cent) the level for the Western Balkans (5.5%). (According to the latest figures from NALAS, the figure for North Macedonia is 7.0%. By contrast, in highly decentralised EU member states such as Sweden and Denmark, this rises to over 25 per cent. [ref latest fiscal decentralisation report])
- EU accession can be positive for **local autonomy**, especially in areas where EU policy priorities coincide with local goals. In areas like air quality, for example, local leaders may find they have more freedom to act than they did before joining the EU. However, there are also cases of **regionalisation or recentralisation** going hand in hand with accession, for example in waste and water services.
- In the heat and noise of the accession process, the impact at local level has typically not been a priority for national negotiators. But with the benefit of hindsight, engagement of the local level is important not only for municipalities but **for the country as a whole**: local authorities can provide valuable information on the implementation of legislation on the ground, they can help with efficient absorption of EU funding, and they are a vital link with citizens.

### What EU funding opportunities are available for municipalities?

- North Macedonia currently benefits from the **Instrument for Pre-Accession Assistance** (IPA) III, which runs throughout the period 2021–27. Over EUR 14 billion was made available for the six candidate and potential candidate countries in the Western Balkans plus Turkey.
- There are different strands of IPA. One part aimed specifically at local authorities is **territorial cooperation**, which includes cross-border programmes with Bulgaria, Greece, Albania, Kosovo and Serbia (for eligible border regions), the EURO Mediterranean and Adriatic-Ionian transnational programmes, and the Interreg Europe and URBACT inter-regional programmes (36 countries). These account for a small share (c. 3 per cent) of the IPA budget, but projects can fund valuable local-level initiatives and be managed by local administrations.
- The main ‘bilateral’ IPA programmes with each country can also fund local-level initiatives but this is largely up to the national authorities to propose and agree with the EU Delegation in Skopje. North Macedonia has had an ‘EU for Municipalities’ project though this ends in 2025. Local authorities can also propose projects under the ‘EU Integration Facility’.
- IPA also pays the ‘entry ticket’ for EU programmes managed from Brussels. Among those of particular interest to local authorities for which North Macedonia is eligible are: LIFE (environment and climate action), CERV (Citizens, Equality, Rights and Values), Horizon Europe (research and innovation), EaSI (Employment and Social

Innovation), Erasmus+ (education, youth and sports) and Digital Europe. Some of these (e.g. Horizon) are harder to apply for than others (e.g. CERV), but projects are generally on a manageable scale for local administrations.

- Municipalities and local utility companies also benefit from **larger investment projects** in transport, environment, energy, etc. financed through a combination of IPA III grants and grants and loans from the development banks, including through the Western Balkans Investment Framework (WBIF).
  - While these are typically managed at national level, local administrations can help to strengthen absorption capacity by **removing obstacles in the project pipeline**. Resolving issues with land ownership, construction and environmental permits, and environmental and social impact assessments can help projects progress towards maturity.
  - Mayors can also propose (in consultation with the relevant line ministries and the Ministry of Finance) larger projects for inclusion in the **public investment pipeline** (according to the 2025 Decree on Public Investment Management), although this requires significant administrative and financial capacity to prepare concept notes and feasibility studies.
- 
- For 2025–27, the EU’s **Growth Plan for the Western Balkans** makes a further EUR 750 million available to North Macedonia (one-third grants, two-thirds favourable loans). At least half of this (including all the grants) goes towards investments in transport, energy, human capital and digital transition through the WBIF. The remaining loans go to the national treasury, conditional on progress with an agreed Reform Agenda.
  - The Reform Agenda (and the annexed list of priority investment projects) includes items relevant to municipalities (e.g. climate and energy policies, education reform and public investment management). While local representatives were not extensively consulted in drawing up this agenda, municipalities should advocate for a share of the budget support.
  - Discussions have already begun on the EU’s **post-2027 financial framework**.<sup>59</sup> Pre-accession assistance is likely to comprise a similar combination of programmes, budget support and investment projects. Local representatives should be more deeply involved in planning how to make best use of these resources in North Macedonia.
  - According to the latest EU Commission report, North Macedonia failed to use EUR 79 million of EU funds under the 2014–20 IPA II programme [latest figure tbc – will be higher], and the risk of further ‘decommitments’ under IPA III and the Growth Plan remains high. Greater involvement of local authorities could help to improve the country’s absorption capacity.

### **Advice on applying for EU-funded projects**

[First draft – this could be expanded with input from ZELS and EU network members.]

<sup>59</sup> The EU Commission’s [proposals](#) were presented in July 2025.

When it comes to EU-funded projects that municipalities themselves can apply for and manage, while this is not the place for a detailed guide, a few tips may be helpful.

- Projects must fit in with programme priorities, so the first step is to review which programmes a municipality is eligible for, and then to review programme documents to see how far objectives match local priorities.
- Applications are usually made in response to calls for proposals, often with rather short deadlines. It is essential at this stage to tick all boxes in meeting the objectives of the call and eligibility criteria.
- Implementation time is limited, so a project should be ready to launch reasonably soon after approval.
- Project managers need to have a good grasp of the applicable rules on eligible expenditure, accounting and procurement procedures. [ref EU PRAG guide] Many municipalities manage this successfully but there are pitfalls for the unwary, and local leaders must be conscious of the risk that errors may lead to recovery of funds.
- Financial obstacles are a common issue. While the EU pays up to 85 per cent of project costs, the remainder must be co-financed from local or national budgets. The Ministry of Local Self-Government provides co-financing for some projects (e.g. cross-border cooperation). Budget planning also needs to consider cashflow since, while advance payments are usually available, full expenses are reimbursed only after completion of the project and approval of reports.
- English language proficiency is a clear asset. Municipalities should consider how to retain staff who develop skills in project applications and management.
- Project coordinators should share their experience and get advice from colleagues through ZELS's networks. Helping more municipalities to make good use of EU funds is likely to increase funding opportunities for the local level in future.

### **What can my municipality do now?**

- Nominate an EU officer in the local administration with overall responsibility for following the accession process and EU funding opportunities.
- 'Mainstream' EU competence by mandating technical experts in the local administration and utility companies to follow the roadmap for implementing EU standards in their fields (e.g. planning, waste, water, environmental protection, energy, but also legal, finance, human resources).
- Nominate experts to represent local authorities (through ZELS) in working groups and committees responsible for preparing the accession negotiations and programming and monitoring EU funding.
- Encourage local officials to take part in EU-related training opportunities offered by national institutions, ZELS and other partners.
- Respond (via ZELS) to consultations on amendments to national legislation, plans, etc. to align with EU standards.
- Explore the scope for inter-municipal cooperation to fulfil some additional responsibilities (e.g. environmental inspections, joint air quality plans) that arise from alignment with EU legislation.
- Raise awareness among key decision-makers of potential pitfalls (e.g. with the EU rules on state aid or public procurement) that may risk disruption to local services.

- Review which EU funding programmes the municipality is eligible for, obtain further information on objectives and upcoming calls, and apply for projects where these match local priorities. Share experience gained through ZELS's networks.
- Consider serving as a delegate in the Joint Consultative Committee with the EU Committee of the Regions.
- Inform citizens on the opportunities and obligations that will come as the country moves closer to EU membership.

### **What is ZELS doing to support municipalities in this field?**

[First draft with implicit ideas for strengthened activities on a couple of points – for consultation with ZELS.]

- ZELS represents municipalities in high-level discussions on North Macedonia's path towards EU accession, including in the Parliamentary National European Integration Council. We will continue to serve as staunch advocates for engaging the local level in the process.
- We are invited to nominate representatives for working groups preparing the accession negotiations, notably on Environment (including air quality, waste management, water, nature protection, etc.). ZELS will coordinate nominations and seek to ensure appropriate local input on other key topics.
- We are also present in key working groups relating to the programming of EU funds, including the Sector Working Group on Local and Regional Development. ZELS will continue to strive for increased opportunities for municipalities to benefit directly from EU-funded programmes.
- As part of well-established consultation procedures with central government, ZELS is consulted on the adaptation of national legislation to EU standards. We will consolidate members' positions to form a strong, united voice of local self-government on EU-related and other topics.
- ZELS coordinates the professional Network for European Affairs and Funds. We will ensure that members receive timely information on upcoming funding opportunities and facilitate the sharing of information and practical experience with project applications and management.
- Other professional networks (e.g. on environmental protection, energy efficiency and local economic development) will also address EU-related topics. ZELS will aim to compile experience with implementation of EU standards on the ground and feed this into discussions underlying the accession process.
- ZELS, in cooperation with national and EU institutions and international partners, will continue to facilitate training opportunities for members on topics such as project management for EU funds, waste management planning and public procurement.
- ZELS will advocate for a share of the budget support for implementation of the Reform Agenda to be allocated to municipalities for local projects and capacity-building initiatives related to EU accession. We will insist that the local level is properly consulted on future reform agendas, programmes and investment pipelines.

[Other points could include:

- Advocacy for government to cover costs of CoR JCC meetings (maybe too specific)?

- Advocacy for more systematic mechanism to assist with co-financing of EU projects, but also pre-financing (cashflow). (Perhaps don't need to include as long as MLS covers co-financing?)
- One concrete idea (from discussions with MEA) is to make/request a clear presentation of the reform agenda, latest developments with screening reports, new National Program for the Adoption of the EU Acquis, along with EU funding opportunities available to municipalities and what can be done to increase absorption capacity. Probably a half-day event. Could say ZELS will propose this a regular (annual) forum.]

## Bibliography

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