



**European Committee  
of the Regions**

**Commission for  
Citizenship, Governance,  
Institutional and External Affairs**

**CIVEX**

# **The local and regional dimension of the Reform and Growth Facility for the Western Balkans**



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## Abbreviations

<b>CDI</b>	Cooperation and Development Institute
<b>CEMR</b>	Council of European Municipalities and Regions
<b>CEP</b>	European Policy Centre
<b>CoR</b>	European Committee of the Regions
<b>CRM</b>	Common Regional Market
<b>CSOs</b>	Civil Society Organisations
<b>EC</b>	European Commission
<b>EIP</b>	EU Economic and Investment Plan
<b>EP</b>	European Parliament
<b>EPI</b>	European Policy Institute
<b>EU</b>	European Union
<b>GDP</b>	Gross domestic product
<b>IFIs</b>	International financial institutions
<b>IPA</b>	Instrument for the Pre-Accession
<b>LRAs</b>	Local and regional authorities
<b>MEPs</b>	Members of the European Parliament
<b>MFF</b>	Multiannual Financial Framework
<b>NALAS</b>	Network of Associations of Local Authorities of South-East Europe
<b>NECP</b>	National Energy and Climate Plan
<b>NIPACs</b>	National IPA Coordinators
<b>OSF</b>	Open Society Foundations
<b>RGF</b>	Reform and Growth Facility
<b>RRF</b>	Recovery and Resilience Facility
<b>SCTM</b>	Standing Conference of Towns and Municipalities of Serbia
<b>SMEs</b>	Small and medium-sized enterprises
<b>SPPs</b>	Single Project Pipelines
<b>UF</b>	Ukraine Facility
<b>UN</b>	United Nations
<b>WB</b>	Western Balkans
<b>WBIF</b>	Western Balkans Investment Framework

## Executive summary

This report, commissioned by the European Committee of the Regions (CoR), provides an early-stage assessment of the territorial dimension of the EU's Reform and Growth Facility (RGF) for the Western Balkans (2024–2027). It examines how local and regional authorities (LRAs) can be involved more systematically in the design, governance, implementation and monitoring of the RGF, and what lessons can be learned for the next Multiannual Financial Framework (MFF) for the period 2028–2034.

The RGF (Regulation (EU) 2024/1449) provides €6 billion in the form of grants and concessional loans and takes a performance-based approach: funding is released twice yearly based on verified reform milestones in national Reform Agendas. At least half of the funding is channelled through the Western Balkans Investment Framework (WBIF) for investment purposes, while the remainder supports national budgets. While stakeholders perceive the RGF as a politically and strategically significant enlargement tool, its local effects are largely indirect and mediated through central governments.

Methodologically, the report combines desk research with semi-structured interviews with representatives from LRA associations, EU institutions and EU delegations, national governments, civil society, academia, international financial institutions (IFIs), and a development organisation.

The findings indicate a consistent gap between the partnership ambition of the Regulation and early practice. LRAs were generally not meaningfully consulted during the drafting of the Reform Agendas, largely due to compressed timelines and centralised agenda-setting. Local involvement tends to occur later and is driven by the need for implementation (e.g. planning, permitting, expropriation and service delivery), rather than through formal, multi-level governance roles. Municipal associations are often absent from national monitoring structures.

LRAs have no direct access to RGF funding. Resources flow via national budgets and WBIF pipelines, and projects are usually nominated by national coordinators and line ministries. Municipalities are mainly involved at the implementation stage. There are limited examples that demonstrate the possibility of local access, but this depends on national design choices rather than the RGF architecture. Furthermore, the RGF lacks a dedicated LRA capacity-building pillar, with relevant support largely delivered through parallel IPA programmes and other initiatives. This could potentially contribute to an uneven readiness across municipalities to benefit from the cohesion funds in the future.

Comparative insights from IPA III and the Ukraine Facility underline key lessons for the next MFF: preserve performance-based logic while reducing the mismatch between reform delivery timelines and the predictability of investment financing, which can delay investment planning; clarify “who does what” through minimum

functional governance requirements (without one-size-fits-all models); build consultation into realistic timelines; strengthen project pipeline governance as a main territorial entry point; improve transparency by publishing implementation reports and evidence behind payment decisions; and clarify domestic accountability pathways for budget-support flows. The report also highlights the European Parliament's potential to strengthen accountability and learning through more frequent and structured dialogue with the Commission.

Overall, the RGF is a major step towards results-based enlargement financing, but its territorial impact will remain uneven unless multi-level governance, transparency and implementation support, especially for weaker municipalities, are deliberately designed into future instruments.

## Part 1: Introduction and methodology

### 1.1 Purpose and scope of the study

This report was prepared as a part of a study entitled “**The local and regional dimension of the Reform and Growth Facility for the Western Balkans**”, commissioned by the CoR under the specific contract No CDR.23407 implementing multiple framework contract for Studies in the field of external relations, CDR/2022/B3/1/1-CIVEX-RELEX.

The study builds on the CoR’s opinion on the 2024 Enlargement Package for the Western Balkans and Türkiye<sup>1</sup>, which emphasised the importance of involving LRAs more in EU enlargement instruments. The opinion emphasised the vital role of LRAs in implementing reforms and utilising EU support effectively, particularly in critical areas such as public administration and the rule of law.

This study aims to assess **ways in which LRAs can be more systematically and meaningfully incorporated into the design, governance and implementation of the RGF**. To this end, it examines the facility’s formal provisions and early implementation practices to identify structural constraints, emerging patterns, and opportunities to strengthen the territorial dimension of the instrument. The analysis is guided by the following research questions:

- What is the purpose and strategic relevance of the facility for supporting decentralisation and regional development in the Western Balkans, particularly in the context of EU accession?
- How is the facility structured, and what are its main objectives in relation to local and regional development?
- How are the facility’s resources programmed and implemented at national, regional and local levels, and what is the actual amount allocated to LRAs?
- To what extent are LRAs consulted and involved in planning, implementing and monitoring initiatives funded by the facility?
- What mechanisms are in place for facility oversight and transparency, and how will the European Parliament monitor its implementation?
- How does the facility support and promote local and regional investments and growth?
- Which programmes under the facility aim to strengthen LRAs’ administrative and financial capacities to absorb EU funds?
- How can LRAs access funding through the facility, and is direct application by local authorities possible?

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<sup>1</sup> CoR’s opinion on the Enlargement Package 2024 – Western Balkans and Türkiye, <https://cor.europa.eu/en/our-work/opinions/cdr-0264-2025>.

- What lessons can be drawn from the Ukraine Facility and the Instrument for Pre-accession Assistance (IPA III) regarding local-level programming and funding, and how can these inform the design of the next multiannual financial framework (MFF) (2028–2034)?

**The findings of this study directly inform the ongoing reflections of the CoR on EU enlargement**, providing an evidence-based assessment of the territorial dimension of the RGF in the Western Balkans. Beyond their immediate analytical value, the results aim to inform the development of future CoR opinions and support more structured interinstitutional dialogue with EU institutions and regional stakeholders. Thus, the study paves the way for more systematic cooperation with Western Balkan partners and clearer articulation of the role of LRAs in the enlargement process.

An important note must be made here. **As the RGF is a recently established instrument that remains at an early stage of implementation, this study provides a preliminary assessment of the involvement of LRAs in its design, governance and delivery.** Rather than offering definitive conclusions, the analysis captures the initial practices and stakeholder perceptions that are shaping the facility’s territorial impact. This perspective enables the study to identify initial gaps, risks and opportunities relating to multi-level governance, capacity building and territorial ownership, while acknowledging that the implementation arrangements are still evolving and may change over time.

## 1.2 Overview of the RGF and its relevance for LRAs

**The Reform and Growth Facility for the Western Balkans is the EU’s central financial and policy instrument for the region’s Growth Plan for the period 2024–2027<sup>2</sup>.** Established by Regulation (EU) 2024/1449<sup>3</sup>, the facility will mobilise €6 billion in EU support in the form of grants and concessional loans

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<sup>2</sup> For more information on the Growth Plan for the Western Balkans, please check: [https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans\\_en](https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en). For a critical analysis of the Growth Plan for the Western Balkans consult, for example: V. Zeneli, R. Grieveson, I. Ioannides, D. Bechev, *The European Union Growth Plan for the Western Balkans: A reality test for EU enlargement*, Atlantic Council, 2025, <https://www.atlanticcouncil.org/wp-content/uploads/2025/05/Zeneli-et-al-Growth-Plan-for-the-Western-Balkans-H.pdf>; M. Uvalic, *The Potential of the New Growth Plan for the Western Balkans*, EPI, 2024, <https://osfwb.org/publication/the-potential-of-the-new-growth-plan-for-the-western-balkans/>; B. Jovanović, *New Growth Plan for the Western Balkans: Solid Foundations, Shaky Extensions*, EPI, 2024, <https://osfwb.org/publication/new-growth-plan-for-the-western-balkans-solid-foundations-shaky-extensions/>; A. Loxha Stublla, *The New Growth Plan for the Western Balkans: A look into the framework and promises*, Group for Legal and Policy Studies, July 2024, <https://legalpoliticalstudies.org/wp-content/uploads/2024/07/GLPS-PA06-The-New-Growth-Plan-for-the-Western-Balkans.pdf>; S. Zeneli, *The EU Growth Plan for the Western Balkans: One year after*, Cooperation and Development Institute, 2024, [https://cdinstitute.eu/wp-content/uploads/2024/11/Insight-paper\\_EU-GP-for-WBs.pdf](https://cdinstitute.eu/wp-content/uploads/2024/11/Insight-paper_EU-GP-for-WBs.pdf).

<sup>3</sup> The full text of the Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans can be found at: <https://eur-lex.europa.eu/eli/reg/2024/1449/oj/eng>.

to accelerate socio-economic convergence with the European Union and deliver selected benefits of EU membership prior to accession. Significantly, the RGF evolves the EU's enlargement toolbox by explicitly linking financial disbursements to the implementation of reform milestones<sup>4</sup>, thereby strengthening conditionality and performance orientation.

Interviews conducted for this study with regional stakeholders<sup>5</sup> suggest that **the RGF is widely regarded as a strategically significant signal within the enlargement process**. As well as having a financial aspect, the facility also conveys the political message that the EU is committed to integrating the Western Balkans. The size of its financial package is also generally considered to be appropriate for the region's economic size and development needs. However, **the facility's primary strategic relevance lies less in its immediate territorial effects and more in its role as a credible commitment device**, bringing forward selected benefits of integration while conditioning access on the delivery of concrete reforms. This creates an incentive structure that, in principle, can strengthen domestic reform coalitions and accelerate administrative alignment with EU standards.

The facility operates through national Reform Agendas, which define time-bound, quantitative and qualitative reform steps agreed between each beneficiary country and the European Commission and endorsed by the Council. Disbursements are made twice yearly, provided that pre-conditions (including respect for democratic principles), general conditions (such as sound public financial management) and reform-specific payment conditions are met. At least 50% of the facility's resources are channelled through the Western Balkans Investment Framework (WBIF) for investment projects, while the remaining loan component supports national budgets. This structure positions the RGF as a **reform-driven and investment-oriented instrument**.

From the perspective of LRAs, the facility is highly relevant, although its territorial dimension is only partially explicit. The Regulation recognises LRAs as stakeholders who should be permitted to “participate in shaping the design and the implementation of activities eligible for funding under the Facility and in the related monitoring, scrutiny and evaluation processes, as relevant”<sup>6</sup>. In practice, however, **programming authority remains largely centralised**, with national governments acting as the primary interlocutors with the Commission. Consequently, if the LRA is involved, it is often through national ministries,

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<sup>4</sup> See: [https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans_en).

<sup>5</sup> For more information see the “Methodology” sub-section of this Part of the report.

<sup>6</sup> See point 8 of Article 4 General principles of the Regulation, <https://eur-lex.europa.eu/eli/reg/2024/1449/oj/eng>.

agencies or investment frameworks, rather than through direct access to facility resources.

Given the design of the RGF, **the most plausible entry points for LRAs are reforms and investments that intersect with their existing territorial responsibilities.** Across the Western Balkans, these responsibilities are concentrated primarily in technical infrastructure and communal services – such as waste management, water provision, wastewater treatment, municipal transport and local public infrastructure – as well as, to varying degrees, social care and pre-school education<sup>7</sup>. In this context, areas such as municipal energy efficiency and building renovation, elements of the just transition in coal-dependent regions and selected social and digital services constitute the most realistic channels for local engagement. By contrast, expectations of extensive local involvement in education, healthcare or broader human capital reforms need to be calibrated to national governance arrangements, as municipalities in countries such as Montenegro, Serbia and Albania have limited roles in these sectors, while North Macedonia represents a partial exception due to its more decentralised education system<sup>8</sup>. The uneven distribution of competences, further complicated by entity-based governance in Bosnia and Herzegovina and sector-specific arrangements in Kosovo<sup>9</sup>, means that **the RGF’s potential to support place-based development is highly context-dependent.** Where local responsibilities are clearly defined and aligned with reform priorities, the facility has the potential to reinforce territorial ownership and implementation capacity. Where they are not, meaningful local involvement will depend less on formal mandates and more on access to information, administrative capacity, and institutionalised channels that allow municipalities to contribute to implementation and monitoring despite constrained policy discretion.

Finally, from the perspective of LRAs, the RGF can be understood as **both an enlargement instrument and an early rehearsal for the governance, administrative and strategic demands of future participation in EU cohesion policy.** While LRAs are not direct beneficiaries of the facility, how reforms are designed, implemented and monitored under the RGF will influence the institutional environment in which cohesion policy will operate following accession. Notably, the RGF introduces performance-based logic, structured monitoring and reform conditionality, which mirror key features of future EU funding instruments. Early involvement for LRAs, whether through consultation, implementation roles or monitoring, can help build familiarity with result-

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<sup>7</sup> *Implementation and challenges of multi-level governance in the Western Balkans*, SIGMA Paper No. 75, OECD 2025, <https://doi.org/10.1787/20786581>, p. 27–32. Please check Annex 1 for an overview of LRAs responsibilities in the Western Balkans.

<sup>8</sup> *Ibidem.*

<sup>9</sup> *Ibidem.*

oriented programming, evidence-based reporting and coordination across levels of government. These are core competencies for future managing authorities, intermediate bodies, and project beneficiaries under cohesion policy. Conversely, limited LRA engagement at this stage could leave municipalities and regions unprepared for the operational complexity of cohesion funds and exacerbate existing capacity gaps at the territorial level.

### 1.3 Methodology

This report is based on a **mixed-methods research approach combining desk research and targeted semi-structured interviews**. This methodology was designed to capture both the formal architecture of the RGF and the early dynamics of its implementation. Due to the facility's recent launch and the limited availability of territorial-level evidence, emphasis was placed on triangulating documentary analysis with stakeholder perspectives to provide a balanced and credible assessment at this early stage.

The analytical backbone of the study was desk research, which included a review of key EU-level documents such as the RGF Regulation, European Commission communications and guidance, implementing decisions, monitoring frameworks and institutional updates. In parallel, the analysis drew on public communications from EU institutions to identify emerging policy interpretations, political debates, and implementation signals. This material was supplemented with secondary sources, including research produced by European and regional think tanks, as well as media reports. Together, these sources enable the study to contextualise the initial rollout of the facility within broader debates on EU enlargement, decentralisation and the development of EU financial instruments.

Due to the limited availability of publicly accessible information on the involvement of LRAs in implementing the RGF, **qualitative interviews form a key part of this study's evidence base**. Eighteen semi-structured interviews were conducted with representatives from LRA associations, EU institutions and delegations, national governments, civil society, academia, IFIs and a development organisation; one written contribution was also received from a LRA association. These interviews provided valuable insights into how the facility operates in practice, particularly regarding consultation practices, multi-level governance arrangements and the *de facto* role of LRAs, none of which are currently documented systematically in publicly available sources. The interviews also helped to corroborate documentary evidence by clarifying how the formal provisions of the RGF Regulation are interpreted and applied by the various parties involved in its implementation. Furthermore, interviewing a diverse range of individuals enabled us to compare perspectives across governance levels and identify converging and diverging interpretations of the facility's territorial

dimension. This qualitative evidence sheds light on both formal participation mechanisms and informal coordination dynamics and practical bottlenecks affecting local involvement.

## Part 2: Structure, programming and local participation

### 2.1 Structure and objectives of the facility

#### Background

On 8 November 2023, the European Commission adopted the **Growth Plan for the Western Balkans**<sup>10</sup>, which establishes a structured approach to accelerating the region's economic convergence with the European Union. The plan's primary goal is to facilitate the partial and progressive integration of Western Balkan partners into the EU Single Market before accession, provided that reforms are verified. The plan also aims to strengthen regional economic cooperation, promote EU-related reforms and enhance the scope and consistency of pre-accession support<sup>11</sup>.

Within this framework, the RGF for the period 2024–2027 is the plan's main financial and policy tool<sup>12</sup>. The facility will allocate €6 billion in grants and loans to incentivise and sequence reforms that are considered essential for economic integration, as well as for alignment with the EU's *acquis* and standards. The RGF operates on a performance-based model: partners develop detailed reform agendas covering over 600 specific measures, and disbursements are directly linked to measurable progress in their implementation. This conditionality is designed to mitigate reform inertia, enhance credibility and establish a transparent link between domestic policy efforts and financial benefits.

The RGF performs three functions. Firstly, it **internalises some of the benefits of EU membership in advance**, thereby reducing the temporal gap between reform costs and long-term accession gains. Secondly, it **targets structural reforms**, particularly within the fundamentals cluster<sup>13</sup>, which are necessary to foster sustainable growth, improve the investment climate and strengthen governance and stability. Thirdly, it **provides financial assistance on a scale intended to generate macroeconomic impact**.

The broader Growth Plan is based on four interdependent pillars:

1. facilitating access to the EU Single Market,
2. deepening regional integration through the Common Regional Market (CRM),

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<sup>10</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, New growth plan for the Western Balkans, COM(2023) 691 final, [https://enlargement.ec.europa.eu/2023-communication-new-growth-plan-western-balkans\\_en](https://enlargement.ec.europa.eu/2023-communication-new-growth-plan-western-balkans_en).

<sup>11</sup> More information: [https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans\\_en](https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en).

<sup>12</sup> Regulation (EU) 2024/1449, *op. cit.*

<sup>13</sup> For more information on the EU accession process, check: [https://enlargement.ec.europa.eu/system/files/2022-10/eu\\_accession\\_process\\_clusters%20%28oct%202022%29.pdf](https://enlargement.ec.europa.eu/system/files/2022-10/eu_accession_process_clusters%20%28oct%202022%29.pdf).

3. accelerating the implementation of fundamental reforms linked to the accession process, and
4. increasing EU financial support to foster economic convergence.

The RGF is the operational mechanism through which these pillars are translated into actionable commitments, reform sequencing and targeted investment. Specific priorities of the facility include the green and digital transitions, sustainable connectivity and transport, energy and decarbonisation, education and skills (with a strong youth focus), innovation and SME development, and inclusive social and employment policies. The Regulation explicitly identifies these sectors as areas of high-multiplier investment for long-term development<sup>14</sup>. In its communication on the Growth Plan, the European Commission stated that the initiative could significantly improve the Western Balkans' economic performance and increase the region's economies by 10%<sup>15</sup>. Claims have been made that it could double the size of regional economies over the next decade<sup>16</sup>. However, available analytical benchmarks suggest that such an outcome would require growth rates that are far higher than those historically experienced by the region and those projected in the future<sup>17</sup>. Although regulatory convergence, market integration and the development of the Common Regional Market are expected to have a positive economic impact, the expectation of a doubling of economic size seems overly optimistic.

In this context, **the facility's contribution to local and regional development should be understood as instrumental** rather than strategic: decentralisation and territorial development are not objectives of the facility in their own right but arise insofar as they support the achievement of reform benchmarks and investment objectives defined at the national level. The facility does not aim to strengthen territorial governance per se; rather, LRAs become relevant where their competences and capacities are necessary for the implementation of specific reforms and investments.

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<sup>14</sup> See point 8 of the Preamble to the Regulation (EU) 2024/1449, *op. cit.*

<sup>15</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, New growth plan for the Western Balkans, Brussels, 8.11.2023, COM(2023) 691 final, [https://enlargement.ec.europa.eu/2023-communication-new-growth-plan-western-balkans\\_en](https://enlargement.ec.europa.eu/2023-communication-new-growth-plan-western-balkans_en), p. 2.

<sup>16</sup> *Commission presents a new Growth Plan for the Western Balkans including €6 billion in grants and loans to accelerate economic convergence with the EU*, 8 November 2023, [https://enlargement.ec.europa.eu/news/commission-presents-new-growth-plan-western-balkans-including-eu6-billion-grants-and-loans-2023-11-08\\_en](https://enlargement.ec.europa.eu/news/commission-presents-new-growth-plan-western-balkans-including-eu6-billion-grants-and-loans-2023-11-08_en).

<sup>17</sup> For example, forecasts from the World Bank indicate expected annual growth rates of Western Balkan economies of between 3.1% and 3.6% until 2027, highlighting that regional growth is moderate and limited by structural factors (*World Bank sees better growth for Western Balkans but more work needed on jobs*, Reuters, 7 October 2025, <https://www.reuters.com/world/world-bank-sees-better-growth-western-balkans-more-work-needed-jobs-2025-10-07/>). To hit the target set by the Commission, growth of around 7% would be required each year.

## Financial and governance structure

The RGF operates as a strictly conditional, performance-based instrument that links EU financial assistance to verifiable progress on reforms in each Western Balkan beneficiary country. Each government must prepare a **Reform Agenda**, which is **assessed by the European Commission and approved by the Council**. Funding can only begin once this approval has been granted.

**Financial structure.** At least half of the €6 billion fund, comprising grants and loans, is allocated to investment projects through the WBIF<sup>18</sup>. The remaining loan component is transferred directly to national treasuries. The distribution of funds among beneficiaries is predefined in the Regulation's annex, ensuring proportionality and predictability<sup>19</sup>.

**Conditionality.** Disbursement is contingent on a **three-tiered set of conditions**:

1. **preconditions**, which require adherence to democratic standards and, in the case of Serbia and Kosovo, constructive engagement in the normalisation process,
2. **general conditions**, which include macro-financial stability, sound public financial management and transparency,
3. **payment conditions**, which are defined in the Reform Agendas and structured into quantitative and qualitative milestones with specific timelines.

**Payment cycle.** Beneficiaries may request disbursements twice a year, provided they can demonstrate that they have fulfilled the relevant milestones. The Commission verifies compliance with all conditions prior to each payment. Non-compliance results in suspension or proportional deduction of funds. Limited pre-financing of up to 7% of each country's total allocation is available once the facility and loan agreements that the Commission concludes with each beneficiary enter into force.

## The RGF's rollout

The facility proceeded through a **phased rollout**. In October 2024, the Reform Agendas of five beneficiary countries – Albania, Kosovo, Montenegro, North Macedonia and Serbia – were approved by the Commission<sup>20</sup>, marking the formal

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<sup>18</sup> See: <https://www.wbif.eu>.

<sup>19</sup> Annex to Regulation (EU) 2024/1449 outlines the methodology for allocating the facility's global resources to beneficiaries. These allocations are calculated based on a composite key that combines demographic and economic criteria. This key gives a weighting of 60% to population size and 40% to GDP per capita (with the weighting decreasing as income levels increase). The methodology uses a reference year and applies a uniform formula to all beneficiaries in the Western Balkans.

<sup>20</sup> *Commission approves Reform Agendas of Albania, Kosovo, Montenegro, North Macedonia and Serbia, paving way for payments under the Reform and Growth Facility*, 23 October 2024, European Commission, [https://enlargement.ec.europa.eu/news/commission-approves-reform-agendas-albania-kosovo-montenegro-north-macedonia-and-serbia-paving-way-2024-10-23\\_en](https://enlargement.ec.europa.eu/news/commission-approves-reform-agendas-albania-kosovo-montenegro-north-macedonia-and-serbia-paving-way-2024-10-23_en).

start of implementation planning at a national level. The **first disbursements were made from mid-2025 onwards**, with Albania, Montenegro and North Macedonia among the first to receive funding under the new instrument<sup>21</sup>. In November 2025, Bosnia and Herzegovina's Reform Agenda – the last to be finalised – was incorporated into the facility<sup>22</sup>, enabling the country to join the programme once the necessary preconditions had been met. In January 2026, the Commission approved the first release of funds to Serbia<sup>23</sup>.

By late 2025, the European Commission and Western Balkan governments had already held the **first joint review meetings to assess progress**, address initial implementation challenges, and evaluate compliance with general and reform-specific conditions<sup>24</sup>. By that point, the implementation of the endorsed Reform Agendas was well underway, with progress having been made on around 85% of the reforms scheduled for 2025<sup>25</sup>. The total amount of disbursed funds had reached €414 million; Albania received €164 million, Montenegro €45 million, and North Macedonia €76 million, while Serbia's pre-financing tranche of €111 million was released, and the Commission was assessing two subsequent payment requests<sup>26</sup>. Kosovo and Bosnia and Herzegovina had not yet received funding: Kosovo still had to ratify the facility and loan agreements, and Bosnia and Herzegovina's Reform Agenda was being endorsed by the Commission. These milestones mark the operationalisation of the RGF as the central mechanism for delivering the Growth Plan's reform-investment model.

In parallel, think tanks, international organisations and civil society networks across the region began to systematically monitor the implementation of the facility. Platforms such as the **WB Reform and Growth Monitor** implemented

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<sup>21</sup> See: Commission implementing decision of 30.7.2025 approving the first release of funds to Montenegro under the Reform and Growth Facility for the Western Balkans, [https://enlargement.ec.europa.eu/commission-implementing-decision-3072025-approving-first-release-funds-montenegro-under-reform-and\\_en](https://enlargement.ec.europa.eu/commission-implementing-decision-3072025-approving-first-release-funds-montenegro-under-reform-and_en); Commission implementing decision of 30.7.2025 approving the first release of funds to North Macedonia under the Reform and Growth Facility for the Western Balkans, [https://enlargement.ec.europa.eu/commission-implementing-decision-3072025-approving-first-release-funds-north-macedonia-under-reform\\_en](https://enlargement.ec.europa.eu/commission-implementing-decision-3072025-approving-first-release-funds-north-macedonia-under-reform_en); Commission implementing decision of 8.10.2025 on approving the second release of funds to Albania, Montenegro and North Macedonia under the Growth Facility for the Western Balkans, [https://enlargement.ec.europa.eu/commission-implementing-decision-8102025-approving-second-release-funds-albania-montenegro-and-north\\_en](https://enlargement.ec.europa.eu/commission-implementing-decision-8102025-approving-second-release-funds-albania-montenegro-and-north_en).

<sup>22</sup> CID amending Implementing Decision C(2024) 7375 as regards the addition of the Reform Agenda for Bosnia and Herzegovina and the adjustment to multiannual work programme under the Reform and Growth Facility for the Western Balkans, [https://enlargement.ec.europa.eu/cid-amending-implementing-decision-c2024-7375-regards-addition-reform-agenda-bosnia-and-herzegovina\\_en](https://enlargement.ec.europa.eu/cid-amending-implementing-decision-c2024-7375-regards-addition-reform-agenda-bosnia-and-herzegovina_en).

<sup>23</sup> Commission implementing decision of 12.01.2026 on approving the first release of funds to Serbia under the Reform and Growth Facility for the Western Balkans, [https://enlargement.ec.europa.eu/commission-implementing-decision-12012026-approving-first-release-funds-serbia-under-reform-and\\_en](https://enlargement.ec.europa.eu/commission-implementing-decision-12012026-approving-first-release-funds-serbia-under-reform-and_en).

<sup>24</sup> *Western Balkans Leaders' meeting in Tirana takes stock of EU Growth Plan progress two years after its adoption*, 21 November 2025, European Commission, [https://enlargement.ec.europa.eu/news/western-balkans-leaders-meeting-tirana-takes-stock-eu-growth-plan-progress-two-years-after-its-2025-11-21\\_en](https://enlargement.ec.europa.eu/news/western-balkans-leaders-meeting-tirana-takes-stock-eu-growth-plan-progress-two-years-after-its-2025-11-21_en).

<sup>25</sup> *Ibidem*.

<sup>26</sup> *Ibidem*.

by the Think for Europe Network<sup>27</sup>, national level “Reform Agenda monitors”, and analyses from independent organisations (including reports co-financed by the OSF Western Balkans Network and authored by the European Policy Institute (EPI)<sup>28</sup> and the European Policy Centre (CEP)<sup>29</sup>, as well as the Cooperation and Development Institute’s (CDI) targeted project<sup>30</sup>) have started to document initial trends in programming, transparency, public participation, and the territorial focus of reforms. These emerging assessments suggest that, although the facility has progressed more quickly than previous pre-accession instruments, the practical implementation of reforms, including those with local dimensions, is still in its infancy.

Overall, **by the end of 2025, the facility had transitioned from the design phase to the initial operationalisation stage.** Key governance structures were in place, initial funds had been disbursed, and monitoring systems and platforms had been established. However, significant aspects of programming, coordination and local-level engagement are still evolving.

## 2.2 Oversight and monitoring mechanisms, including the role of the European Parliament

The facility incorporates robust monitoring, reporting and accountability mechanisms<sup>31</sup>. Beneficiaries are required to set up monitoring systems and submit regular reports on their progress with reforms. At the heart of the facility’s governance lies a **performance-based reporting and disbursement system.** Beneficiary governments are required to submit regular progress reports to the European Commission, typically every six months, documenting the completion of agreed reform steps. The Commission assesses these reports and makes decisions on the release of funds. These decisions, together with annexes explaining which steps were considered fulfilled, partially fulfilled, or not fulfilled, are published, providing transparency regarding the link between reform delivery and financial flows. Furthermore, the Commission publishes an **online Facility Scoreboard**<sup>32</sup> which displays the progress in the implementation of the RGF, including the steps fulfilled and the amounts disbursed, and submits annual

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<sup>27</sup> <https://reform-monitor.org>.

<sup>28</sup> See: F. Tair-Selmani, *Reform Agenda Monitor North Macedonia*, EPI, February 2025, <https://osfwb.org/publication/reform-agenda-monitor-north-macedonia/>.

<sup>29</sup> See: M. Todorović, S. Mitrović, *Behind the Curtain: Examining the Adoption and Content of Serbia’s Reform Agenda*, CEP, February 2025, <https://osfwb.org/wp-content/uploads/2025/10/Desing2-Serbia.pdf>.

<sup>30</sup> Check the Institute’s project on enhancing stakeholders’ engagement and ownership in the implementation of the Reform and Growth Facility, <https://cdinstitute.eu/research-topics/growth-plan/enhancing-stakeholders-engagement-and-ownership-in-the-implementation-of-the-reform-and-growth-facility/>.

<sup>31</sup> See Chapter V Monitoring, reporting and evaluation of the Regulation (EU) 2024/1449, *op. cit.*

<sup>32</sup> Available at: [https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans_en).

implementation reports to the European Parliament and the Council. The European Parliament is formally involved through a dedicated RGF dialogue<sup>33</sup>, thereby strengthening democratic oversight.

From a territorial perspective, it is important to note that **the Regulation is based on the principle of inclusive partnership**. This requires relevant stakeholders, such as LRAs, parliaments, social partners and civil society, to be consulted during the design, implementation and monitoring of Reform Agendas<sup>34</sup>. Even though the facility is primarily programmed at a national level, the principle of inclusive partnership enables LRAs to become genuinely and significantly involved and establishes sub-national authorities as key players in delivering reforms and investments.

Interview evidence from across the region indicates that **the facility's result-based logic is widely perceived as one of its key innovations**, particularly in comparison with earlier EU funding instruments. Publicly available Commission decisions, scoreboards and country comparisons enable stakeholders to track relative progress across the Western Balkans, creating mild competitive pressure between governments. In some countries, this has also fostered internal learning, with administrations gradually aligning their self-assessments with the Commission's more rigorous evaluations.

However, **several transparency gaps were identified**. While headline information, such as Reform Agendas, allocations, approval decisions and disbursement amounts, is publicly accessible, **detailed national implementation reports submitted by governments are not systematically published**. Consequently, external stakeholders, including parliaments, LRAs and civil society, often lack insight into how governments justify progress, how evidence is interpreted and why specific payments are approved or withheld. This **limits accountability and weakens public understanding of conditionality**, particularly in politically sensitive contexts where funding reductions are perceived domestically as losses imposed by the EU rather than as the result of unmet commitments.

**Monitoring arrangements remain predominantly centralised**. Although the Regulation provides for reporting and oversight mechanisms, LRAs are rarely positioned as monitoring actors in their own right. Where monitoring committees or coordination bodies have been set up, local government representation through

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<sup>33</sup> Article 29 of Regulation (EU) 2024/1449 establishes the Reform and Growth Facility for the Western Balkans Dialogue, which is a structured mechanism for parliamentary oversight. The European Commission is required to hold at least two annual exchanges with the relevant European Parliament committees and to provide written information on the progress of implementation, assessments of Reform Agendas, monitoring reports and payment-related decisions. The dialogue may be organised jointly with the IPA III High-Level Geopolitical Dialogue, and the Commission is expected to take into account the European Parliament's views expressed within this framework.

<sup>34</sup> Point 16 of the Preamble to the Regulation (EU) 2024/1449, *op. cit.*

national municipal associations is lacking. This suggests that municipal associations, despite their role as the natural interlocutors for local authorities at a national level, are not systematically included in monitoring structures related to the facility's implementation.

**The absence of publicly accessible implementation reports further constrains meaningful scrutiny by local actors.** A number of interviewees emphasised that, without transparent and timely information on the progress of reforms and decisions on disbursements, stakeholders are unable to evaluate how national commitments are translated into territorial outcomes or hold central authorities accountable.

Within this framework, **the EP is regarded as a potentially crucial corrective and accountability body, despite its limited formal enforcement powers.** Rather than direct intervention in the delivery of country-level reform, the EP primarily exercises its role through budgetary authority, scrutiny of the Commission's implementation of the facility, hearings, missions, resolutions and political signalling. Interviewees consistently identified three areas in which parliamentary involvement adds value:

1. **Scrutiny of the Commission's assessments.** Rather than monitoring individual reforms on the ground, the EP is expected to assess whether the Commission applies conditionality consistently, rigorously and transparently. Several interviewees perceived parliamentary scrutiny as complementing the Commission's assessment role, noting that parliamentary debates may allow concerns about implementation to be articulated more openly. In this view, parliamentary oversight can help ensure that performance-based decision-making remains credible and transparent.
2. **Democratic visibility and political signalling.** In many Western Balkan countries, the EP is one of the most visible EU institutions at a domestic level. Visits by parliamentarians, debates and public statements receive significant media attention and can strongly influence public and elite perceptions of EU engagement. This visibility enhances the EP's ability to reinforce reform incentives, clarify expectations ("deliver X to obtain Y") and counter narratives that portray the facility as arbitrary or purely symbolic.
3. **Forward-looking influence on future instruments.** Interviewees emphasised that the EP's most substantial impact may lie in shaping the design of the next MFF. By learning from the facility's implementation, particularly regarding transparency, territorial governance and capacity gaps, the Parliament can advocate for changes that will strengthen multi-level governance, technical assistance and accountability in future enlargement-related instruments.

Despite this potential, several constraints were identified. For example, **parliamentary oversight tends to focus more on control, audit and financial management systems** than on the territorial or social effects of reforms. This reflects both the novelty of the facility and the significant responsibility that has been transferred to national authorities. Furthermore, **the EP's influence is indirect**; it cannot force governments to engage with LRAs more systematically or publish additional information. There are also **political risks**. Some statements by individual MEPs can complicate domestic debates and, in fragile contexts, undermine trust in EU neutrality. Nevertheless, interviewees generally considered these risks to be outweighed by the benefits of stronger parliamentary scrutiny, particularly when led by well-informed rapporteurs and committee members with sectoral expertise.

### **2.3 Consultations with LRAs and their involvement in planning, implementation and monitoring**

Although the Regulation emphasises inclusive partnerships, transparency and stakeholder consultation, the findings suggest a significant discrepancy between the formal design and practical implementation of these principles. The evidence indicates that **LRAs and other stakeholders were systematically under-involved and unevenly involved in all phases of the RGF**. Participation was particularly weak or absent at the planning stage. A more pragmatic, *ad hoc* approach was adopted during implementation, but only in certain cases. Although some national contexts have formal references to consultation, the prevailing pattern is centralised agenda-setting combined with functional local involvement rather than genuine multi-level governance.

**Across countries, LRAs were not meaningfully consulted during the drafting of Reform Agendas.** Interviewees consistently attributed this to the tight schedule under which the facility was designed and negotiated. The rapid progression of the instrument through EU institutions, coupled with the pressure on national administrations to submit Reform Agendas, left little room for structured consultations with LRAs and their associations, as well as other stakeholders. In several cases, consultations with non-state actors were described as merely procedural, taking place late in the process with no real opportunity to influence priorities, sequencing or reform design<sup>35</sup>.

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<sup>35</sup> For example, in the case of North Macedonia, consultations included CSOs, trade unions, chambers of commerce and academia (see: F. Tair-Selmani, *op. cit.*, p. 7–8). In Serbia, consultations arguably served a largely formalistic role, enabling the government to disseminate predetermined information with limited opportunity for influencing the content of the Reform Agenda (M. Todorović, S. Mitrović, *op. cit.*, p. 7–8). In Montenegro, non-state actors were given only ten days to review the measures and key steps included in the draft

**Structural factors further constrained LRA participation.** In unitary states without regional tiers, the absence of intermediary governance levels limits the channels through which territorial perspectives can be articulated. In highly fragmented systems, notably Bosnia and Herzegovina, the institutional division between the two entities has limited their effective participation in reform planning and engagement with EU programmes, despite the existence of formal inclusion mechanisms. Instead, the process of developing the Reform Agenda was often paralysed by decision-making based on unanimity and political vetoes, reducing local and regional involvement to a mere formality rather than a meaningful contribution.

**The involvement of LRAs increases during implementation, but largely out of necessity rather than by design.** Municipalities become operationally relevant when reforms or investments intersect with their statutory responsibilities. In these cases, local authorities act as implementers, facilitators or service providers within centrally defined frameworks. However, **they are not responsible for achieving reform milestones, nor are they direct recipients of facility funding.** It is thus impossible to quantify the amount allocated to LRAs under the facility. There is no systematic territorial breakdown, and no country has conducted an ex-ante or ex post assessment of differentiated local impacts. Any attempt to calculate LRA shares would have to rely on assumptions and proxies rather than formal data.

### **Box 1. Indirect local government involvement in the implementation of the Reform Agenda in Serbia**

The Standing Conference of Towns and Municipalities of Serbia (SCTM) provided **examples of indirect local-level involvement in activities related to the Reform Agenda in Serbia**, even where municipalities were not explicitly identified as stakeholders in the Reform Agenda itself. One example concerns the ongoing amendments to the Government Rulebook that regulate public consultations and debates. This activity is linked to Reform Agenda commitments to improve the investment climate, transparency and conduct of public authorities. A national working group has been set up to review the broader legal framework governing consultation processes, which currently spans several legal acts and by-laws. The SCTM was invited to participate in this working group. Although the reform step was not explicitly formulated as a measure for local government, the association considers the process important for clarifying minimum consultation standards and providing guidance to municipalities. Building on earlier methodological work, including guidance materials developed in 2018, the

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Reform Agenda, and to submit their comments (see: I. Božović, J. Radulović, B. Pravičević, M. Sočić, *Ten Days to Comment: Montenegro's Reform Agenda and the Limits of Public Participation*, Institute Alternative, 2025, <https://osfwb.org/wp-content/uploads/2025/10/Design2-Montenegro.pdf>, p. 6).

association plans to update practical tools for local authorities once the revised framework has been adopted.

A second example relates to the planned revision of the decree on the management of capital projects. Although no formal working group has yet been established, the relevant ministry began developing a policy concept outlining possible changes in 2025. The SCTM reported close cooperation with the ministry throughout this process, providing input based on its previous work testing capital investment management procedures at a local level. Simultaneously, the association has been developing manuals, workshops and information-sharing activities for municipalities, with the aim of strengthening their understanding of capital project management requirements. According to the interviewees, however, such contributions remain largely invisible in the Reform Agenda documentation, which does not explicitly identify local governments as actors in these reforms.

**The extent of LRA involvement varies significantly by sector and country.** In targeted contexts, such as, for example, measures to facilitate a just transition in coal-dependent areas, municipalities may be formally identified as responsible actors and participate in dedicated coordination bodies. Elsewhere, engagement is informal and uneven, shaped by existing administrative practices, political relationships, and local capacity.

**Implementation at the local level is therefore best described as selective, indirect and function driven.** The role of municipalities is usually supportive, involving issuing permits, providing land, facilitating local coordination or delivering services within centrally defined frameworks. In some cases (e.g. just transition in coal regions), municipalities may play a more visible operational role, but even then, funding and strategic control remain centralised.

**Awareness of the facility among LRAs is patchy and often limited.** Evidence suggests that many municipalities only have a partial awareness of the facility, engaging instead with specific reforms or projects without understanding the instrument's broader logic or conditionality; associations of municipalities are better informed. Conversely, think tanks and civil society organisations that focus on EU integration and economic governance tend to be more informed about the facility's objectives and structure. However, their insights tend to focus on national-level reforms and political dynamics rather than the operational realities of local implementation. The dominant narrative surrounding the facility is shaped by central governments and EU institutions.

The consultation gaps identified during the initial implementation of the RGF prompted the development of the LORAI programme, which is designed to reinforce multi-level governance and enhance local participation. The programme is described in the box below.

### **Box 2. Addressing consultation gaps: the LORAI programme**

In March 2026, the European Union and the Congress of Local and Regional Authorities of the Council of Europe signed an agreement to implement a joint programme “**Establishing the local observatory on Reform Agendas implementation (LORAI) to support reform implementation in the Western Balkans and acceleration of the EU accession**” to address the limited involvement of local and regional authorities in the RGF, particularly with regard to the implementation and monitoring of Reform Agendas. This initiative responds to evidence from stakeholder consultations indicating that municipalities and their national associations were largely absent from programming processes and only marginally represented in national monitoring arrangements. The programme therefore aims to strengthen multi-level governance in the implementation of the facility, as well as preparing local authorities for future reform cycles and EU funding frameworks.

The planned activities focus on two complementary areas. The first involves developing a monitoring dashboard to capture feedback from municipalities on the local impact of reform implementation. This will draw on existing RGF indicators and data collected through national local government associations. The second strand will improve cooperation between levels of government by holding dialogue-building workshops, focus groups, ensuring consultation with central authorities, and peer-learning exchanges within the Western Balkans and with EU Member States. The programme will adopt a country-specific approach, focusing on policy areas where reforms most clearly intersect with local competencies.

The initiative – implemented in partnership with NALAS, the Council of European Municipalities and Regions (CEMR), and the associations of local governments in each beneficiary, as well as in consultation with central authorities – is expected to produce analytical outputs and policy recommendations to inform the implementation of the RGF and discussions on future EU programming, including the next Multiannual Financial Framework. The programme will run for two years, with the possibility of an extension. It is jointly funded by the EU, to the tune of around €2 million, and the Council of Europe.

## Part 3: Local impact, access and capacity building

### 3.1 Support to decentralisation and regional development

The RGF's relevance for decentralisation and regional development is nuanced. The prevailing assessment is that the facility is not a dedicated decentralisation instrument and that **its contribution to territorial governance will be indirect, uneven and highly country specific**. Reform Agendas were negotiated under compressed timelines and follow an approach in which reform ownership and accountability are concentrated at the central level. Consequently, **any effects relating to decentralisation or regional development tend to emerge through implementation spillovers**, where reforms and investments intersect with municipal competencies, rather than through an explicit territorial strategy.

**The facility's capacity to promote decentralisation hinges significantly on the institutional architecture of each beneficiary.** Kosovo could be an illustrative case: as a state with no legally recognised regional tier, it lacks the administrative structure through which EU-style cohesion policies could operate. From this perspective, the facility's immediate impact on territorial governance is therefore structurally limited; even when the Reform Agenda refers to "local" or "regional" matters, these terms often relate to the domestic economy or Western Balkan regional cooperation rather than subnational governance. Therefore, the strategic relevance for regional development in Kosovo lies less in decentralisation per se and more in identifying a potential future bottleneck: without regionalisation or credible territorial planning structures, Kosovo may encounter challenges when transitioning to funding modalities associated with cohesion policies.

In contrast, Bosnia and Herzegovina demonstrates how a highly decentralised and fragmented system can impede effective territorial development when coordination mechanisms are weak. Interview evidence suggests that the facility's preparation process replicated existing coordination challenges, such as multiple tiers with veto power, unanimity requirements and diffuse accountability, turning decentralisation into a channel for political obstruction rather than territorial empowerment. In this context, the RGF's strategic relevance is double-edged. It creates stronger incentives (including visible financial consequences for delays), but it also highlights how institutional fragmentation and weak accountability can prevent the facility from achieving coherent national and regional development outcomes.

Another consistent theme across cases is that **the facility's "territorial" relevance primarily operates through sectoral multipliers that are inherently place-based** (e.g. digitalisation, the energy transition and infrastructure). Even if municipalities were not meaningfully consulted during the design stage, they can

still become indispensable during the delivery stage through spatial planning, permitting, expropriation processes, service provision and local implementation capacity.

Several interviews also highlighted **the structural limitations imposed by the facility's performance-based design**. Since disbursements are made to national budgets as rewards for delivering reforms rather than being earmarked for territorial investments, the link between implementing reforms and achieving local development outcomes is not always clear. In practice, municipalities may experience the consequences of reforms, such as new responsibilities or expectations regarding service delivery, without necessarily being involved in decision-making processes or receiving dedicated financial support. The RGF could potentially risk reinforcing existing central–local asymmetries unless it is complemented by targeted capacity-building initiatives and mechanisms that facilitate local participation in investment planning, particularly in relation to the WBIF project pipeline.

### **3.2 Local and regional investments and growth promotion**

**The RGF is not intended as a territorially targeted investment instrument.** Rather, it is a centrally managed, reform-driven facility whose local and regional effects are largely indirect and mediated through national policy choices. It primarily channels resources as performance-based budget support to central governments or as contributions to investment pipelines prepared at a national level and implemented through the WBIF. Consequently, municipalities and regions do not have direct access to funding and can typically benefit only indirectly from investments defined through national planning processes.

In practice, therefore, **it is expected that the facility will reinforce existing national investment priorities rather than generate a new wave of locally driven development initiatives**. Several interviewees noted that the investment pillar is closely linked to the availability of mature, bankable infrastructure projects – an area in which significant capacity constraints remain across the region. In Montenegro, for instance, a lack of experience in preparing robust technical investment proposals was identified as a major obstacle, making the investment component the most challenging and potentially consequential element of the facility. Similar concerns were raised in North Macedonia, where difficulties in developing a sufficiently mature project pipeline risk delaying access to WBIF-supported investments, despite progress in delivering reforms.

**Where reforms clearly intersect with local competencies, the territorial impact is more visible, albeit still largely mediated by central administrations.** In Montenegro, the just transition in Pljevlja is a rare example of a municipality being explicitly identified as an implementing actor within a

nationally coordinated framework<sup>36</sup> (see Box 3.). In Serbia, certain agricultural and rural development measures include public calls through which municipalities can apply for local infrastructure funding linked to reform steps (for a description see sub-section 3.4 LRAs access to funding). This demonstrates that it is possible to establish more direct local investment channels when they are embedded in national reform agendas. However, these examples remain exceptions and do not fundamentally alter the centralised logic of the instrument.

### **Box 3. Montenegro – Local participation in the just energy transition and building renovation**

Montenegro's Reform 2.2.1 centres on the implementation of key actions outlined in the National Energy and Climate Plan (NECP), the policy framework that establishes how the country will achieve its 2030 climate and energy objectives. Emphasis within this reform is placed on enabling a just transition, paying attention to the socio-economic impacts of decarbonisation in coal-dependent regions. Given the complexity of the transition, implementation requires coordination between the General Secretariat of the Government, relevant ministries and key sectoral entities, such as the Pljevlja Coal Mine and Elektroprivreda Crne Gore AD. Crucially, the reform also involves local-level participation. According to the Reform Agenda, the Municipality of Pljevlja will play an operational role in the just transition process. It will act as both the territorially affected authority and an implementing partner in the Building Renovation Programme. This programme aims to improve the energy efficiency of public and residential buildings.

The Eco Fund's (<https://www.eko-fond.co.me/naslovna>) involvement further supports this initiative by offering financial instruments and technical assistance for energy efficiency investments. The Eco Fund's instruments are accessible to municipalities via regular public calls in support of energy efficiency and building renovation projects. All public calls, guidelines and relevant information are disseminated to municipalities, which actively utilise this support. The Union of Municipalities of Montenegro collaborates closely with the Eco Fund, which provides technical assistance to facilitate municipal participation. Municipalities are considered to have the administrative and technical capacity required to implement energy efficiency and building renovation projects, particularly regarding public buildings. The Union of Municipalities of Montenegro's previous experience of using Eco Fund resources and participating in EU- and nationally funded projects demonstrates the municipalities' ability to plan,

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<sup>36</sup> See Reform 2.2.1 Implementing priority policies and measures from the National Energy and Climate Plan, pages 52–54 of the Reform Agenda of Montenegro, accessible at: [https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans_en).

prepare for and implement such measures. Existing training programmes and technical support further strengthen these capabilities.

Interview evidence also suggests that **the performance-based nature of the facility may introduce additional uncertainty into long-term investment planning**. Since funding for the investment component hinges on the fulfilment of reform milestones, national authorities must strike a balance between short- and medium-term reform delivery and the lengthy preparation cycles required for major infrastructure projects. This can complicate the order in which investments are made and reduce their predictability, particularly for investments that are territorially significant but technically complex.

Overall, **the local growth effects of the facility are expected to be uneven and contingent on domestic governance structures, sectoral competencies, and national investment strategies**. In municipalities with stronger responsibilities in specific areas, the territorial implications of reforms may be more pronounced. In more centralised systems, local effects are likely to be limited to implementation rather than strategy. In this sense, the facility primarily functions as a catalyst for national reform and investment coordination, with territorial development emerging as a secondary outcome rather than a primary objective.

### **3.3 Support to LRAs capacity building to absorb EU funds**

Unlike the IPA, **the RGF does not contain a dedicated, systematic capacity-building pillar targeted at LRAs**. It does not include technical assistance envelopes, institutional twinning mechanisms or structured programmes to support administrative readiness for EU funds. Instead, it largely assumes that reforms will be implemented using existing national and subnational administrative capacities or through complementary support provided by other EU instruments and donors.

Interview evidence suggests that this design choice creates an important gap, particularly given the uneven institutional capacity of municipalities across the Western Balkans. In several countries, municipalities have limited experience in preparing, managing and monitoring EU-funded projects, and uptake of existing opportunities, such as cross-border cooperation programmes, remains relatively low. Where participation does occur, local administrations often rely heavily on external consultants for project preparation and implementation, which limits institutional learning and the development of internal expertise. Consequently, municipalities often emerge from EU-funded projects without durable administrative capacity improvements.

At the same time, **while capacity-building support for LRAs is not entirely absent, it is primarily delivered through parallel initiatives rather than**

**through the facility itself.** Programmes funded by the IPA, cross-border cooperation initiatives and targeted EU-supported projects implemented with municipal associations and international organisations (see Box 4.) continue to play a central role in strengthening local administrative capacity. These initiatives focus on improving the performance of local public administrations, supporting fiscal decentralisation, strengthening local economic development planning and preparing municipalities to manage future cohesion-type funding.

**Box 4. Example of local-level EU integration support: Municipalities4EU (Montenegro)**

The Municipalities4EU – Empowering Local Communities in the EU Integration Process of Montenegro project (M4EU), which is funded by the EU Delegation to Montenegro and implemented in collaboration with the Ministry of Public Administration and the Union of Municipalities of Montenegro, aims to strengthen the role of local governments in the EU accession process. It focuses on **building municipal capacities to implement EU standards, prepare and manage EU-funded projects, and participate more actively in EU integration processes.** Activities include training, mentoring, networking and support for setting up local EU integration units, as well as improving communication on EU policies at the local level.

By supporting the institutional, financial and human resource capacities of municipalities, the initiative seeks to decentralise aspects of EU integration and improve coordination between the central and local levels of government. Expected results include improved municipal absorption capacity for EU funds, increased knowledge of EU policies and programmes, better communication with local communities and contributions to improvements in the local self-government framework.

More information: <https://opstinezaeu.me>

Such capacity-building efforts are essential for improving the implementation of current reforms and preparing municipalities for their eventual participation in cohesion policy after accession.

Capacity-building support relevant to LRAs tends to be:

- **sector-specific and embedded within individual reform measures,**
- **externally provided** through ongoing IPA projects, bilateral donors, international financial institutions or UN agencies, or
- **indirect,** resulting from exposure to EU-style planning, reporting and performance monitoring requirements.

It can be argued that **the facility should be understood as part of a broader ecosystem of EU support instruments rather than as a standalone tool for**

**building territorial administrative capacity.** While the RGF contributes indirectly to capacity development through reforms related to public administration (e.g. digitalisation of public services), these system-level improvements do not automatically result in stronger local administrative capability. Furthermore, while a “learning by doing” approach can lead to gradual improvements, it could put weaker municipalities at a disadvantage, especially small or depopulating ones with limited staff and financial resources. Several interviewees emphasised that the lack of structured technical assistance undermines preparedness for future cohesion policy, in which LRAs are expected to play a more active role in programming and implementation. In future, some local governments may be unable to absorb larger volumes of EU funding without complementary programmes that provide municipalities with the opportunity to prepare and implement projects themselves. Experience from IPA municipal programmes shows that targeted, practice-oriented support combining training, mentoring, peer learning and modest investment funding can quickly improve local absorption capacity when sustained over time.

Overall, the evidence suggests that **the capacity of LRAs in the context of the RGF currently depends largely on external programmes, national initiatives and activities carried out by municipal associations and civil society organisations.** While these efforts partially compensate for the absence of a dedicated capacity-building component within the facility, they remain fragmented and inconsistent across the region. Therefore, strengthening the coherence between reform-driven financing under the RGF and capacity-building support delivered through the IPA and other instruments is crucial to ensuring that local and regional authorities are better prepared for the demands of EU membership and cohesion policy implementation.

### 3.4 LRAs access to funding

**Under the current design, LRAs cannot access funding directly through the RGF,** since the instrument is primarily intended to be a centrally managed, reform-driven budget support mechanism. Financial flows are channelled through national budgets<sup>37</sup> or investment windows linked to the WBIF. National

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<sup>37</sup> When assessing the access of LRAs to financial resources under the RGF, it is important to consider how fiscal decentralisation systems operate in countries undergoing enlargement. Although RGF resources are channelled through central government budgets, increases in national public expenditure linked to the facility may indirectly affect municipal finances through intergovernmental transfer systems. This is particularly true of general or sectoral grants allocated from central to local budgets. In countries where grant allocations are formula-based or linked to overall central government revenue or expenditure ceilings, an expansion of national fiscal space associated with EU budget support could result in increased transfers to municipalities, even in the absence of earmarked local funding streams. Other fiscal decentralisation mechanisms, such as shared taxes (e.g. personal income tax sharing), are less likely to be directly influenced by the RGF since these depend primarily

authorities retain responsibility for project nomination, prioritisation and implementation oversight. Consequently, LRAs usually access RGF-related funding indirectly, via national programmes, infrastructure investments, or sectoral reforms impacting local responsibilities. This reflects the broader architecture of EU pre-accession financing, in which central governments act as the main contractual counterparts of the European Commission. However, according to interviews, this arrangement limits visibility of local-level needs and reduces municipalities' opportunities to influence investment priorities, particularly in policy areas closely linked to local competencies.

In the investment component of the facility, projects are prepared and submitted by National IPA Coordinators (NIPACs) and line ministries. Although municipalities are often consulted during project preparation, particularly when infrastructure investments directly affect their territories, their role is generally operational rather than strategic. **In practice, only a small number of municipalities – typically larger cities with borrowing capacity and stronger administrative resources – can engage directly in the complex process of preparing investments.** Most local governments therefore rely on national authorities to act on their behalf, particularly for large infrastructure projects requiring sovereign guarantees or co-financing arrangements.

According to interviewees from international financial institutions, **technical assistance for project preparation is available, notably through EU-funded project preparation facilities and project implementation units embedded in infrastructure operations.** While these mechanisms are not specifically designed as LRA funding-access instruments, they can indirectly strengthen local administrative capacity. However, uncertainty surrounding the timing of RGF investment funding, which is linked to the release of reform tranches based on performance, has reportedly discouraged early project preparation, further complicating access to investment opportunities at all levels of government.

Although examples of a more direct engagement with local actors remain limited, they illustrate **potential entry points.** For example, in Serbia, a public call inviting municipalities to apply for incentives to support investments in rural infrastructure – such as water supply and local roads – demonstrates how sectoral reforms implemented at a national level can translate into targeted funding opportunities for local governments within a centrally coordinated framework (see Box 5.).

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on tax policy and macroeconomic performance rather than programme-based external financing. Therefore, the extent to which indirect fiscal effects reach municipalities depends on national public finance arrangements, transfer formulas and budgetary decisions. This suggests that this is a potential area for further analysis when evaluating the facility's territorial financial impact.

### **Box 5. Municipal participation in rural infrastructure investment in Serbia**

Serbia's agricultural and rural development reform measures provide an illustrative example of indirect municipal involvement in the RGF<sup>38</sup>. In May 2025, the Ministry of Agriculture, Forestry and Water Management, via the Directorate for Agrarian Payments, issued a public invitation for local self-government units to apply for investment incentives to improve rural public infrastructure.

The call covered investments in water supply systems, local road infrastructure, sewerage networks, public lighting and storage and processing facilities for agricultural products. Eligible projects had to be implemented in rural settlements with fewer than 10,000 inhabitants and comply with local spatial planning regulations. Applications were submitted electronically via the national *eAgrar* platform during the specified application period. Financial support was provided as a percentage of eligible investment costs, with a maximum allocation of 35 million Serbian dinars per beneficiary.

Although the call was implemented under Serbia's agricultural and rural development policy framework, it constituted a specific requirement under the national Reform Agenda. It contributes to the implementation of Reform 6.3.1 Enhance the competitiveness of the agricultural sector, notably step 3, which foresees that at least ten projects financed from the national budget, each not exceeding €299,999, are contracted through public calls aimed at improving rural public infrastructure, including water supply and local road facilities (with milestones set for December 2025, 2026 and 2027). The reform step is scheduled to be implemented repeatedly over the lifetime of the facility, implying that two additional calls of a similar nature are expected in 2025 and 2027.

It is one of the few examples in the region where municipalities can access reform-related investment funding through a competitive process. This initiative shows how centrally coordinated reform measures can provide local authorities with opportunities to participate in investment implementation. However, it also shows that such opportunities depend on national policy design choices rather than being systematically embedded within the RGF architecture itself.

In addition, LRAs can indirectly influence funding by:

- proposing projects for inclusion in national Single Project Pipelines (SPPs) (particularly under the WBIF),
- engaging with line ministries on sectoral needs (e.g. energy efficiency); or

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<sup>38</sup> Sources: *Правилник о подстицајима за инвестиције за унапређење и развој руралне јавне инфраструктуре*, 6 November 2023, <https://uap.gov.rs/pravilnici/mere-ruralnog-razvoja/pravilnik-o-podsticajima-za-investicije-za-unapredjenje-i-razvoj-ruralne-javne-infrastrukture/>; *Расписан Јавни позив за унапређење и развој руралне инфраструктуре*, 12 May 2025, <https://uap.gov.rs/raspisan-javni-poziv-za-unapredjenje-i-razvoj-ruralne-infrastrukture-4/>.

- participating in consultation or monitoring structures through associations of municipalities, where such mechanisms exist.

The interviewees had different opinions on whether direct access for LRAs would be desirable in the future. Some interviewees believed that direct access would strengthen subsidiarity, incentivise local initiative and make EU support more visible to citizens. However, others cautioned that direct funding relationships could weaken state cohesion or exacerbate political tensions.

Overall, LRAs have indirect access to RGF-related resources, which are mediated through central government programmes and investment platforms rather than dedicated local funding windows. This reflects **the facility's primary objective of supporting national-level reforms and strategic infrastructure investments linked to EU integration**. At the same time, however, it highlights the importance of additional measures, particularly in the areas of capacity building and project preparation, to ensure that municipalities can participate effectively in future EU cohesion funding. Without sustained investment in local administrative and technical capacities, disparities between municipalities risk resulting in uneven territorial benefits from EU-supported reforms and investments.

## Part 4: Comparative insights

### 4.1 Parallels with the Ukraine Facility and the IPA III

Evidence suggests that **the RGF is widely perceived as part of a broader shift in EU external financing towards instruments that are results-based and performance-linked**. This trend has been reinforced by debates surrounding the implementation of the Ukraine Facility (UF)<sup>39</sup>. These instruments reflect an emerging EU approach that seeks to link financial support more directly to the delivery of reforms, measurable progress and institutional transformation in partner countries.

Stakeholders frequently drew parallels between the RGF and the UF in terms of their **reliance on reform documents, milestone-based disbursements and structured monitoring processes**. Both instruments emphasise policy conditionality and the periodic assessment of reform implementation as the basis for releasing funding. This model mirrors the logic of the EU's Recovery and Resilience Facility (RRF)<sup>40</sup> to some extent, indicating a convergence between EU internal and external financing tools. At the same time, experiences with both the RGF and the UF highlight **similar implementation challenges**, including administrative capacity constraints, the complexity of monitoring large numbers of reform steps and difficulties in aligning reform timelines with investment planning cycles.

Although not designed as a performance-based facility, **IPA III**<sup>41</sup> was often described by interviewees as a useful point of comparison. Unlike the RGF, it **retains more traditional programming features**, such as clearly defined management structures, technical assistance components and established coordination mechanisms between national authorities, EU delegations and implementing partners. IPA III therefore represents a more familiar and predictable operational framework for many practitioners, particularly regarding project preparation, capacity-building support, and multi-level coordination.

Furthermore, discussions surrounding the UF have emphasised that **performance-based instruments require robust implementation support to function effectively, particularly at the subnational level**. Although conditionality can provide strong political incentives for reform, its effectiveness ultimately hinges on whether governments and implementing bodies, including

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<sup>39</sup> To learn more about the UF, visit: [https://enlargement.ec.europa.eu/funding-technical-assistance/ukraine-facility\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/ukraine-facility_en).

<sup>40</sup> See: [https://reforms-investments.ec.europa.eu/recovery-and-resilience-facility-1\\_en](https://reforms-investments.ec.europa.eu/recovery-and-resilience-facility-1_en).

<sup>41</sup> For more information, please visit: [https://enlargement.ec.europa.eu/funding-technical-assistance/overview-instrument-pre-accession-assistance\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/overview-instrument-pre-accession-assistance_en).

LRAs, have access to adequate technical assistance and administrative support to translate reform commitments into tangible policies, investments, and institutional changes. In this respect, the UF is a useful case in point. Although capacity-building support was not originally intended to be a core part of the instrument, the facility has provided financial support for existing technical assistance and local governance programmes, including initiatives such as U-LEAD with Europe<sup>42</sup> and related projects that support decentralisation and municipal administration. The UF did not create these programmes, nor did it fully fund them. Rather, it complemented ongoing donor-supported efforts by allocating additional resources to reinforce implementation capacity<sup>43</sup>. Notably, this support has generally been channelled through intermediary organisations, such as the development cooperation agencies of EU Member States and international partners, rather than being transferred directly to local authorities.

**The performance-based facilities may need to be accompanied by parallel capacity support mechanisms to help administrations at different governance levels meet reform milestones.** Without such support, there is a risk that performance conditionality will primarily reflect differences in administrative capacity rather than reform commitment. The UF's experience therefore reinforces the broader lesson emerging from the RGF and IPA III: that results-based financing instruments are most effective when combined with structured technical assistance ecosystems capable of supporting reform implementation across multiple levels of government<sup>44</sup>.

Several interviewees emphasised the potential of the EP to promote accountability, transparency, and policy learning in future EU instruments. The EP's added value lies in its ability to provide political visibility, sector expertise, and diverse perspectives in monitoring discussions while ensuring that lessons learned from implementation inform legislative debates for the 2028–2034 programming period. In this context, the dialogue mechanisms established between the European Parliament and the European Commission under performance-based facilities are a useful point of comparison. The Ukraine Facility Dialogue, which was set up under Article 37 of the Ukraine Facility Regulation<sup>45</sup>, involves regular, structured discussions between the Commission and the EP about reform progress, decisions on disbursements and scheduling payments. In practice, these exchanges are expected to take place several times a

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<sup>42</sup> For more information, please visit: <https://u-lead.org.ua/en>.

<sup>43</sup> O. Chmiel, A. Kulesa, A. Robaszewski, K. Sidło, A. Maj, D. Agostinelli, *Capacity building for local and regional authorities in the light of the Ukraine Facility (Pillar III)*, European Committee of the Regions, 2025, [https://op.europa.eu/en/publication-detail/-/publication/eaf4705c-555e-11f0-a9d0-01aa75ed71a1/language-en?WT.mc\\_id=Searchresult&WT.ria\\_c=125603&WT.ria\\_f=8103&WT.ria\\_ev=search&WT.URL=https%3A%2F%2Fcor.europa.eu%2F](https://op.europa.eu/en/publication-detail/-/publication/eaf4705c-555e-11f0-a9d0-01aa75ed71a1/language-en?WT.mc_id=Searchresult&WT.ria_c=125603&WT.ria_f=8103&WT.ria_ev=search&WT.URL=https%3A%2F%2Fcor.europa.eu%2F).

<sup>44</sup> *Ibidem*.

<sup>45</sup> Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility, <https://eur-lex.europa.eu/eli/reg/2024/792/oj/eng>.

year. In contrast, the RGF Dialogue, as set out in Article 29 of the RGF Regulation, is required to take place “at least twice a year”. Although this difference is not significant, the effectiveness of parliamentary engagement hinges more on the quality of information shared and the timing of discussions in relation to disbursement decisions than on the number of formal meetings held. It also depends on the extent to which the outcomes of dialogue feed into implementation monitoring and the design of future instruments. This underlines the importance of ensuring that the mechanisms for parliamentary dialogue under performance-based facilities are sufficiently structured and timely to support transparency, policy learning and institutional accountability.

## 4.2 Lessons learned for the upcoming MFF

These three frameworks – IPA III, the Ukraine Facility and the RGF – differ in terms of their institutional context. However, they offer several similar insights on how to reinforce the territorial dimension of EU support in the next Multiannual Financial Framework (MFF) for the period 2028–2034. These insights are particularly relevant given that the EU’s external investment policy in the Western Balkans is increasingly influenced by several interconnected frameworks, such as the Global Gateway strategy<sup>46</sup> and the EU Economic and Investment Plan (EIP) for the Western Balkans<sup>47</sup>. In this context, the RGF reinforces and complements the EIP’s investment priorities operationally by linking reform delivery to financing for connectivity, energy, digitalisation and sustainable infrastructure. Collectively, these initiatives reflect the EU’s broader evolution in external financing, which now integrates reform incentives, large-scale investment, and regional economic integration.

Firstly, it appears important **to preserve the performance-based logic of the instrument while avoiding the emergence of a “reforms–money” gap**. A recurring observation from stakeholders involved in implementation – particularly international financial institutions and national-level partners – is that the current design of the RGF risks becoming overly binary, with reforms on one side and disbursements on the other, and limited structured support in between. While the principle of linking funding to reform delivery is widely regarded as sound and consistent with broader EU instruments, including the RRF, the operational consequences of this design have proven challenging in practice. In particular, **the strong conditionality between reform progress and the availability of investment financing can complicate planning cycles for large**

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<sup>46</sup> See: [https://international-partnerships.ec.europa.eu/policies/global-gateway\\_en](https://international-partnerships.ec.europa.eu/policies/global-gateway_en).

<sup>47</sup> For more information, please consult: Economic and Investment Plan for the Western Balkans, [https://enlargement.ec.europa.eu/document/download/88af76e6-ab8e-4c96-966e-332528550af5\\_en?filename=EIP-WB-GG-October%202023.pdf](https://enlargement.ec.europa.eu/document/download/88af76e6-ab8e-4c96-966e-332528550af5_en?filename=EIP-WB-GG-October%202023.pdf).

**infrastructure projects.** Investment preparation often requires long lead times and predictable financing envelopes, while reform delivery is subject to political, administrative and sector-specific uncertainties. This creates a “catch-22” situation in which project preparation may be delayed because the availability of investment grants remains uncertain, while delays in investment implementation risk reducing the overall developmental impact of the instrument. Several interviewees suggested that **future instruments could maintain performance conditionality while introducing greater flexibility** – for example, by allowing sector-specific reform progress to unlock funding in the same sector, or by providing more predictable multi-annual investment envelopes.

Another related lesson concerns the **coherence, sequencing and scale of reform commitments**, rather than just their breadth. The wide range of reform steps included in the Reform Agendas reflects the logic of policy changes that reinforce each other across multiple sectors. This is widely recognised as necessary for structural transformation and convergence. As the Commission’s communication on the Growth Plan highlights, the objective is to create “a package of mutually reinforcing measures that will multiply the potential benefit of each measure”. From this perspective, the breadth of reforms can be seen as a strength of the RGF compared to investment-focused frameworks, such as the EIP, which primarily concentrate on infrastructure and connectivity. However, interviews suggest that the administrative capacity required to implement many reforms simultaneously remains a significant constraint across the region. Therefore, the challenge lies less in narrowing the scope of reforms and more in ensuring realistic sequencing and coordination across sectors, as well as providing sufficient implementation support.

At the same time, IPA III is often perceived by practitioners as providing clearer management frameworks, technical assistance arrangements and capacity-building support structures. Unlike the RGF, which assumes that administrations can rely on existing capacities or parallel donor support, IPA instruments typically include dedicated technical assistance components, clearer implementation guidance and established coordination mechanisms. This suggests that **future EU instruments could benefit from combining the RGF’s performance-based incentives with the structured implementation support traditionally provided under IPA programming.** Such a hybrid approach could help to maintain reform momentum while ensuring that administrative systems, including those at local and regional levels, are sufficiently prepared to implement reforms and absorb investment funding effectively. For the next MFF, some interviewees recommended explicitly linking technical assistance to reform measures, particularly those with strong local delivery components.

Secondly, **clarity regarding institutional roles and responsibilities (“who does what”)** is essential for strengthening ownership and ensuring effective

**implementation at all levels of governance.** Stakeholders generally perceive IPA III as providing clearer institutional expectations, including the designation of coordinators, defined management and control structures, anti-fraud arrangements and standardised programming templates. These elements help administrations to understand their respective responsibilities, facilitating coordination between national authorities, implementing bodies and subnational actors. In contrast, several interviewees described the RGF as offering limited operational guidance to beneficiaries regarding governance arrangements, with the RGF often relying on existing national structures (“use your own structures”). While this approach allows for flexibility and national ownership, it can also result in *ad hoc* coordination mechanisms and inconsistent practices across countries. In such contexts, the role of LRAs remains unclear, as the facility does not specify how multi-level governance should be organised in practice. A key lesson for the next MFF is therefore to **define minimum functional requirements for coordination, consultation, monitoring and auditing, while avoiding one-size-fits-all institutional models.** Setting clearer expectations for stakeholder involvement, including local and regional authorities where reforms intersect with their areas of responsibility, could strengthen transparency, predictability and administrative ownership, while preserving national flexibility in implementation arrangements.

Thirdly, **consultation must be built into timelines, not treated as an additional procedural step.** In interviews, the preparation of Reform Agendas was described as rushed and lacking in consultation or involving late or formalistic consultation. This mirrors concerns raised in Ukraine Facility discussions about ensuring that funding does not remain confined to central ministries. IPA-funded projects were cited as a useful contrast in that, where local impact is clear (e.g. through pipelines or project preparation), municipalities are often brought in earlier because it is operationally necessary. The lesson for the next MFF is that **meaningful LRA involvement requires realistic timetables and consultation staged across the drafting process** (early concept, draft review and final validation) rather than one-off stakeholder meetings.

Furthermore, interviewees repeatedly identified **project pipeline mechanisms** – particularly the Single Project Pipeline linked to the WBIF and IPA programming – **as one of the few structured channels through which LRAs can indirectly influence investment priorities.** It is at this stage that territorial needs can be translated into bankable projects and where municipal competencies provide LRAs with practical leverage in project preparation and implementation. At the same time, several challenges limit the effectiveness of this channel. Project pipeline procedures are often technically demanding and resource-intensive, requiring feasibility studies, financial modelling and compliance with complex procurement and environmental standards. In many enlargement countries, only

a small number of municipalities – typically capital cities or larger urban centres – have the administrative capacity, financial autonomy, or borrowing capability to engage directly in such processes. As a result, most projects continue to be prepared and submitted by central ministries through national IPA coordinators, with local authorities involved primarily at later implementation stages. In addition, uncertainty about the timing and volume of available investment funding – particularly under the performance-based disbursement logic of the RGF – can discourage early project preparation and weaken incentives to develop local project pipelines.

For the 2028–2034 programming period, **pipeline governance could be strengthened by introducing greater transparency and predictability**. This could include clearer project selection criteria, publication of pipeline project lists and more systematic consultation with LRA associations (and, equally important, with CSOs) during project identification and prioritisation. Providing complementary technical support for project preparation at the sub-national level could also help to increase participation from smaller municipalities. While such measures would not fundamentally alter the nationally coordinated nature of investment planning, they could improve alignment between large-scale infrastructure investments and local development needs and reinforce multi-level ownership of EU-supported investments.

Next, it is important to **improve transparency beyond headline decisions by publishing implementation reports**. Although the RGF is considered more transparent than its predecessors (due to public Commission decisions and scoreboard comparisons), several interviewees highlighted a significant issue: national implementation reports and Commission assessments are not always readily available in their entirety, which restricts external scrutiny. In IPA contexts, a lack of transparency has historically undermined public understanding and accountability, and interviewees argued that similar weaknesses would erode the legitimacy of performance-based financing. A clear lesson for the next MFF is to institutionalise transparency as standard practice: publish implementation reports, evidence summaries and reasons for partial payments or withheld tranches in accessible formats to enable LRAs and civil society to monitor delivery.

In addition, there is a need **to clarify the territorial logic of funding and avoid “invisible” budget support flows**. A major concern is that budget support tranches can disappear into the national fiscal “mass” with no clear link to the reforms that unlocked them. This weakens the incentives for line ministries. For future instruments, interviewees suggested introducing clearer rules for the distribution of performance-linked funds domestically, for example by requiring governments to outline how resources will support reform delivery across sectors and levels, or by creating mechanisms that allow LRAs to demonstrate their

contribution and negotiate resources transparently. The aim is traceability and accountability, not necessarily earmarking.

Moreover, the interviews emphasise that a “one-size-fits-all” approach to governance arrangements is unrealistic, and that **the governance structures of individual countries should be treated as a variable in the design process rather than as a fixed template**. Administrative systems, territorial organisation, fiscal decentralisation and the strength of intergovernmental coordination vary significantly between enlargement countries, as does the institutional maturity of local governments and their associations. Consequently, implementation arrangements that are effective in one context may be impractical or exclusionary in another. Treating governance structures as a design variable would involve **combining common functional principles with context-specific institutional solutions**. Rather than prescribing uniform organisational models, future instruments could set minimum standards for coordination, consultation, monitoring and reporting, while enabling countries to adapt implementation arrangements according to their administrative traditions and capabilities. This approach could help to ensure that accountability and participation standards are consistent across enlargement countries while allowing for sufficient flexibility to reflect national institutional realities. From a multi-level governance perspective, this would also enable EU instruments to better accommodate differences in levels of decentralisation and administrative capacity across municipalities.

Lastly, there are proposals **to position the European Parliament as a driver of accountability and learning**. The EP should be well placed to improve the quality of governance in future instruments, not through enforcement, but by scrutinising Commission assessments and hearings and shaping future regulations. The EP’s value lies in bringing political visibility, sector expertise and a more diverse range of opinions to monitoring, as well as using its experience of implementation to inform legislative improvements for the period 2028–2034. One practical suggestion is to **formalise feedback loops so that EP scrutiny informs mid-course corrections and the design of successor instruments and is not merely retrospective**.

Taken together, the experiences of IPA III, the Ukraine Facility and the RGF suggest that the next MFF should not abandon results-based financing. Instead, it should be made operationally compatible with territorial implementation and investment delivery.

This would require the following:

- embedding consultation and local partnership requirements within realistic timelines,
- strengthening project pipeline governance as a territorial entry point,
- linking technical assistance to locally delivered reforms,
- improving transparency of implementation reporting; and

- clarifying domestic allocation and accountability pathways for budget support.

The overarching lesson is that **territorial impact does not occur automatically in performance-based external investment instruments**. Rather, it must be deliberately designed through governance arrangements that connect reforms, investments and multi-level implementation, ensuring that local and regional authorities have a voice in programming and practical entry points into implementation.

## Part 5: Policy recommendations and conclusions

### 5.1 Recommendations

The following recommendations are based on an analysis of the RGF's design, early implementation experience, and stakeholder interviews. They aim to strengthen the local and regional dimension of the facility and inform the design of future enlargement instruments under the next MFF. The proposals address three groups of stakeholders: LRAs and their associations; EU institutions and organisations; and the governments of enlargement countries.

#### For LRAs and their associations

**Strengthen collective representation.** National associations of municipalities should act as the primary interface with central governments on the implementation and monitoring of the Reform Agenda, ensuring that local perspectives are systematically communicated.

**Develop local reform impact tracking.** Associations could document the impact of national reforms on local governance, services and investment implementation, and provide structured feedback during monitoring cycles, whenever possible.

**Advocate for investment pipelines that are aligned with national, regional and local priorities.** Although the RGF is centrally managed, LRAs can indirectly influence investment programming by advocating for projects in areas such as local infrastructure, public services and environmental investments. These can then be integrated into national project pipelines and subsequently mobilised through the WBIF, IPA or future EU instruments.

**Invest in administrative and project management capacity.** Priority areas include procurement, technical documentation, project preparation, asset management and retaining staff in municipal administrations.

**Promote peer learning across municipalities and across major cities (mayoralties) in different countries.** This could also serve as a means of regional cooperation and CRM development. Exchanges between municipalities with different capabilities could help to disseminate practical knowledge on preparing and implementing EU-funded projects.

## **For EU institutions and organisations**

**Simplify the link between reform and investment in the RGF (EC).** Interviews with IFIs revealed that uncertainty surrounding reform-linked disbursements can delay investment preparation and implementation. Greater predictability in funding availability would improve investment planning.

**Support capacity-building mechanisms alongside reform financing (EC).** Although technical assistance is available through IPA and project-level support, closer integration with reform implementation, especially at the subnational level, would improve delivery.

**Strengthen the evaluation of reform implementation and promote the involvement of LRAs in assessing territorial impacts (EU institutions and candidate countries).** Future enlargement instruments should place greater emphasis on the systematic evaluation of reform implementation, including the interaction and synergy between reforms across sectors and governance levels. As Reform Agendas are designed as packages of mutually reinforcing measures, the evaluation process should evolve from tracking individual milestones to assessing the collective contribution of reforms to economic convergence, institutional development, and territorial outcomes. LRAs could contribute to this process by providing evidence on the impact of reforms on service delivery, infrastructure management and local administrative capacity.

**Strengthen inter-institutional coordination on local governance within the enlargement policy framework.** EU institutions and European organisations working on local democracy and governance in enlargement contexts should enhance their coordination and the exchange of experiences. Closer cooperation between the Congress of Local and Regional Authorities of the Council of Europe (co-implementing the LORAI project – see Box 2.), the CoR, and the European Economic and Social Committee, for example, could help to align project-level activities, analytical work and policy recommendations. This would reinforce the visibility of local government perspectives in EU enlargement instruments.

**Institutionalise consultation mechanisms.** Enlargement countries and EU institutions should ensure that consultation frameworks enable LRAs to meaningfully participate in the design, implementation and monitoring of reforms within their areas of competence. Such arrangements, based on the partnership and consultation practices developed in EU Member States, where local and regional authorities are embedded as partners throughout planning, monitoring and evaluation cycles, would strengthen multi-level governance, clarify

responsibilities across levels of government and improve the feasibility, ownership and sustainability of reform implementation.

### **For governments of enlargement countries**

**Ensure structured, multi-level governance during implementation.** The participation of LRA associations in monitoring or coordination bodies should be systematically encouraged rather than left to national discretion.

**Improve transparency and communication.** Governments should be encouraged to publish regular and accessible information on the implementation of the Reform Agenda, its benchmarks and funding flows.

**Link national investment planning with local responsibilities.** Infrastructure investments implemented at a local level should be accompanied by support for municipal planning and service delivery capacities.

## **5.2 Final reflections and strategic conclusions**

The RGF marks a significant shift towards performance-based enlargement financing, with reform delivery being linked more directly to financial support. This results-based approach is generally considered to be a positive development that strengthens reform incentives and accountability. However, the facility remains primarily a **centrally managed reform instrument**, with local and regional impacts largely mediated through national policy decisions. LRAs are rarely involved in designing Reform Agendas and only indirectly engage in monitoring structures, typically through associations of municipalities rather than through direct participation.

Administrative capacity has been the main constraint at all levels of governance, particularly regarding project preparation, reform implementation and the future absorption of EU structural funds. Although technical assistance mechanisms exist, they are fragmented and not always clearly linked to the needs of reform implementation. From an investment perspective, the strong linkage between reform performance and investment financing introduces planning uncertainty, particularly for large infrastructure projects prepared through the WBIF and IFIs. This may slow project pipelines despite the availability of financing.

**The territorial dimension of the RGF remains indirect and inconsistent.** In most cases, reforms affect local governance through national policy changes rather than dedicated local investment. Where local involvement does occur, it is usually during the implementation stage rather than the design stage.

Looking ahead to the next MFF, the main strategic lesson is **the need to align reform incentives, investment planning and administrative capacity more effectively across governance levels**. To ensure that enlargement-related reforms translate into visible territorial development outcomes, strengthening structured cooperation between EU institutions, national governments, IFIs, and local authorities will be essential. Ultimately, the effectiveness of the RGF will depend on more than just the number of reforms delivered; it will also depend on whether those reforms build durable administrative capacity and produce tangible improvements in public services, infrastructure, and local economic development across the Western Balkans.

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## Annexes

### Annex 1. Responsibilities of local governments in the WB

Service area	WB average	Albania	Bosnia and Herzegovina Federation of Bosnia and Herzegovina	Bosnia and Herzegovina Republika Srpska	Kosovo	Montenegro	Republic of North Macedonia	Serbia
Police, fire and civil protection	..	...	...	...		...	..	.
Public transport (bus, railway, etc.)	..			...		..	...	..
Air pollution, soil and groundwater protection, climate protection	..		.	..		..	....	.
Waste management	...	..	...	...		....	...	...
Water and wastewater management	....	...	...	...		....	....	....
Social housing	...			...	...	....	....	...
Building permits and zoning	....	....	....	....	....		....	...
Urban planning and town development	....	....	...	....	....		....	...
Primary healthcare and hospitals	.			..	...		.	
Cultural and recreational activities	....	....	...	..	...	...	.	...
Pre-school education	..	.	.	..	...		..	...

Primary education	•	•			•••		••	••
Secondary education	•	•			•••		••	
Social care	••	••••	•	•	•		••	•
Social assistance	••	•	•	•	••	•		•

Responsibility level	Description
	no responsibility
•	¼ partial responsibility
••	½ shared responsibility
•••	¾ shared responsibility
••••	full responsibility

Source: *Implementation and challenges of multi-level governance in the Western Balkans*, SIGMA Paper No. 75, OECD 2025, <https://doi.org/10.1787/20786581>, p. 29–30.

## **Annex 2. Leaflet guide**

See the external annex.



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## Reform and Growth Facility: What local and regional authorities in the **Western Balkans** need to know

### Why this leaflet?

The Reform and Growth Facility (RGF) is a new EU instrument that supports reforms and economic convergence in the **Western Balkans**. Although local and regional authorities (LRAs) do not apply directly for funding under the facility, many reforms and investments affect the local and regional levels. This leaflet explains how the RGF works, what it means for LRAs and how they can get involved.

### What is the Reform and Growth Facility?

It is an EU funding instrument that supports Western Balkan countries on their path towards EU accession. Financial support is linked to the delivery of specific reforms agreed between each beneficiary country and the European Commission.

Unlike traditional EU programmes, which are project-based, the facility is performance-based: countries receive funding once agreed reform steps and targets have been fulfilled.

The facility forms part of a broader EU Growth Plan for the Western Balkans, which is aimed at:

Accelerating  
EU-related reforms

Supporting economic growth  
and competitiveness

Strengthening governance  
and public administration

Preparing countries for future  
participation in EU policies and funds

### How does the facility work?

Each beneficiary country has adopted a Reform Agenda setting out:

- priority reform areas (such as public administration, the rule of law, economic governance, human capital, digitalisation and the green transition);
- specific reform steps, milestones, and deadlines.

The European Commission assesses progress twice a year. Once reforms have been implemented, funding is released to the national level. Some of the funding supports investments, which are often channelled through regional investment frameworks and implemented over several years.



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## What is the role of LRAs?

Although LRAs cannot apply for funding directly, they can play an important role in the RGF in several ways:

### Implementing reforms

Many reforms concern areas where LRAs have delegated competencies, such as:

-  education and skills;
-  social services;
-  local infrastructure;
-  environmental protection;
-  agriculture and rural development;
-  digital and administrative services.

In some of the reforms set out in selected National Agendas, such as those relating to local just transition or childcare reform, LRAs are explicitly identified as the implementing authorities or key partners.



### Is it possible for LRAs to apply directly for funding?

Direct applications by LRAs to the RGF are not possible. Funding decisions and allocations are made at a national level.

### Benefiting from investments

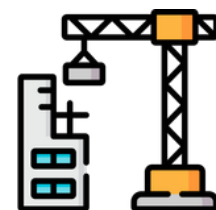
Although investment priorities are defined at national level, many projects funded through the facility:



are implemented locally



improve municipal infrastructure and services



support rural, urban or regional development

In some cases, national authorities may launch calls or schemes that allow municipalities to participate in areas such as agriculture, infrastructure or service delivery.

## How can LRAs engage in practice?

### LRAs are encouraged to:

Follow national Reform Agendas – understand which reforms concern your sector and territory.

Engage with line ministries and clarify roles and responsibilities in reform implementation.

Participate in consultations and monitoring structures. Where monitoring committees or consultation platforms exist and LRAs participate, they can raise local needs and implementation challenges.

Make local investment proposals. LRAs cannot apply directly to the RGF, but they can propose local infrastructure projects to national authorities for inclusion in the national investment pipeline submitted to the Western Balkans Investment Framework (WBIF). RGF-linked funding may then support the implementation of these projects.

## Transparency and accountability

**Information on the facility is publicly available, including:**

- national Reform Agendas;
- Commission assessments of reform progress;
- payment decisions and implementation reports.



**Oversight is ensured through:**

- regular reporting by the European Commission;
- scrutiny by the European Parliament and the Council;
- audits and anti-fraud mechanisms.

LRAs, civil society and citizens can use this information to monitor reform progress and hold the relevant authorities accountable.

## Looking ahead: why LRAs matter

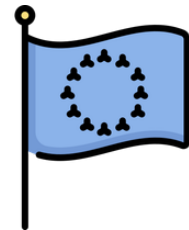
Although the facility is centrally managed, its success depends heavily on local implementation and ownership. Experience from EU Member States shows that capable and well-organised local and regional administrations are crucial for:



effective reform delivery



reducing territorial disparities



absorbing EU funds

The CoR expects the lessons from the RGF to inform discussions on the next EU Multiannual Financial Framework (2028–2034), for which it is advocating a stronger territorial and place-based dimension.

### Key message for LRAs:

Local and Regional Authorities are key actors in the RGF, even without direct funding. By getting involved now, LRAs can strengthen local development, improve service delivery and prepare their territories more effectively for future EU membership.



### Useful links:

Reform and Growth Facility for the Western Balkans:

[https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans\\_en](https://enlargement.ec.europa.eu/funding-technical-assistance/reform-and-growth-facility-western-balkans_en)

The Western Balkans Investment Framework (WBIF): <https://www.wbif.eu>

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Created in 1994, the European Committee of the Regions is the EU's political assembly of 329 regional and local representatives such as regional presidents or city-mayors from all 27 Member States, representing over 446 million Europeans.

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