



Key Recommendations of the

Thematic Working Group on Climate and Green Agenda

#CSFTirana2023

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About the process

This Policy Paper is prepared by the Institute for Good Governance and Policies in Environment and Climate Change (IPECC) as the leader of the Thematic Working Group (TWG) on Climate and Green Agenda of the 2023 Civil Society and Think Tank Forum (CSF2023) of the Berlin Process. The views outlined in the Policy Paper were shaped through a comprehensive consultation process, involving representatives from the CSOs, members of the TWG on Climate and Green Agenda and stakeholders from the WB6, and prominent experts from the WB6 and the European Union (EU), as well as through desk research presented in Introduction Papers and insights gained through advocacy visits. The process involved three consultation meetings with 266 stakeholders and a public hybrid conference attended by 102 participants. These recommendations are a result of targeted and comprehensive efforts of the Thematic Working Group on Climate and Green Agenda.

This year's consultations were focused on the topic of "Green Infrastructure Investments", highlighting the importance of: "Good Governance in the Environment" and "Biodiversity and Protection of Natural Resources." In this document, "Green Infrastructure Investment" encompasses investments in projects aimed at reducing pollution, including, but not limited to, wastewater treatment, waste management, sustainable transportation and enhancement of natural-based solutions.¹ Main challenges and needs for actions in the six Western Balkan countries (WN6) were jointly mapped, analysed and linked with recommendations so as to address them efficiently and effectively. These recommendations will be presented to the leaders of the European Union (EU) and the WB6 during the 2023 Berlin Process Summit scheduled to take place in October 2023 in Tirana.

¹ As defined by EC Communication 52013DC0249
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52013DC0249>

THE EU AND WESTERN BALKANS CLIMATE AND GREEN AGENDA POLICY CONTEXT

Formulated recommendations are closely linked with, and contribute to achieving, the key goals of the Green Agenda for the Western Balkans, which relies on regulatory reforms in the region to align them with the objectives of the European Green Deal, as well as relevant investments as part of the Economic and Investment Plan for the Western Balkans (EIP), implemented through the mechanism of the Western Balkans Investment Framework (WBIF). The Green Agenda for WB6 is considered a key driver of the transition to a modern, carbon-neutral, climate-resilient and resource-efficient economies of the WB countries and the region.

During the preparation of the Policy Paper and its associated recommendations, insights from the regular Annual Reports published by the European Commission on the progress of the Western Balkan countries in their EU accession process were thoroughly examined, as the key tool for monitoring the alignment of the candidate countries with the with EU standards and values. The new methodology for the accession negotiations, launched in 2020, was also considered, putting the focus on the relevant negotiating chapters: Chapter 22 – Regional Policy and Coordination of Structural Instruments in Cluster 5 – Resources, Agriculture and Cohesion, and Chapter 27 – Environment and Climate Change in Cluster 4 – Green Agenda and Sustainable Connectivity.

Recent European Commission Reports for all WB6 countries noted that, as regards Chapter 27, Albania, Montenegro, North Macedonia and Serbia have some level of preparation, while Bosnia and Herzegovina (BiH) and Kosovo are at an early stage of preparation. On the other hand, with respect to Chapter 22, Albania, Montenegro, North Macedonia, and Serbia are moderately prepared, while BiH and Kosovo are at an early stage of preparation.

MEETING THE GREEN AGENDA RELATED ACQUIS

The Green Agenda is a fundamental pillar in the EU's engagement with the Western Balkan countries, especially as it navigates the complex process of EU integration. It is reflected in the EU negotiation clusters of chapters, which cover Transport Policy (Chapter 14), Energy (Chapter 15), Trans-European Networks (Chapter 21) and Environment and Climate Change (Chapter 27). Experience of some of the most recent EU Member Countries has proven that negotiating Chapter 27 is widely regarded as one of the most financially demanding aspects of the accession process; meeting the requirements from this segment of the Acquis requires substantial funding for developing a critical infrastructure, particularly in the areas of water and waste management. Moreover, meeting climate neutrality requires additional financing in the private sector which will need to incorporate Environmental, Social and Governance (ESG) principles in their corporate policies and practices and decrease their emissions. Investments in biodiversity are crucial to meet climate neutrality; thus, EU Ministers called for a significant proportion, 30% of the EU Budget and Next Generation EU expenditures allocated to addressing climate action, to be invested in biodiversity and nature-based solutions promoting biodiversity.²

Several Western Balkan countries assessed their investment needs pertaining to Chapter 27, either as a whole or for specific components of the Acquis, revealing considerable costs therefore. Serbia estimated approximately €12 billion (as of 2021)³ needed for meeting Chapter 27 requirements, while Montenegro needs for the implementation of the Action Plan to meet the benchmarks of Chapter 27, covering 2021-2025, are estimated to nearly €483 million.⁴ In 2017, North Macedonia assessed that €1.2 billion would be needed for the implementation of EU Urban Waste Water and Drinking Water Directives.⁵ Financial needs for implementing the same Directives in Albania are estimated to be € 3.5 billion.⁶

Findings in the European Commission 2022 Annual Progress Reports show that the WB6 have weak and limited administrative capacity, moderate level of transposition and are at an early stage of the implementation of the EU environmental acquis. The extensive EU legislation pertaining to environment and climate change, which is further accelerated by the EU Green Deal, additionally increases the backlog of reforms in the Western Balkan countries. Therefore, this intensifies the demand for financial resources to alleviate the increasing fiscal pressures on their national budgets during the accession process. Addressing this disparity requires substantial and swift investments in the environmental and climate change sector.

² <https://data.consilium.europa.eu/doc/document/ST-11829-2020-INIT/en/pdf>

³ Statement by State Secretary of Serbian Ministry of Environmental Protection made during the Leaders' Dialogue Event "Implementing the Green Agenda for Economic and Societal Prosperity in the Western Balkan" held on 6-7 June, 2023 in Tirana

⁴ <https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/Montenegro%20Report%202022.pdf>

⁵ IPA Project: Development of National Water Study, EuropeAid/136505/IH/SER/MK (2017)

⁶ SIDA funded project, Water Negotiations and Investment Planning Support, Albania (2023)

Absence of available funds for financing green infrastructure stands as the key challenge confronting the WB6. The challenge is further intensified by the insufficient and weak administrative capacities to effectively utilise the already provided EU funds, adding a layer of complexity to the existing difficult situation arising from the need for more financial resources.

EU's commitment to the Green Agenda for the Western Balkans and substantial investments through the EIP emphasise the importance of good environmental governance. Simultaneously, it presents a unique opportunity to accelerate the region's transition to greener economies. Chapters 22 and 27 have pivotal roles to play in guiding the Western Balkans' efforts towards sustainable growth. Implementation of these chapters requires significant administrative capacities and strategic planning.

Existing Instrument for Pre-Accession (IPA) framework, although a solid foundation for building the countries' capacity to program and manage EU funds and implement EU Acquis, has demonstrated its limitations in achieving the desired results. Therefore, the Western Balkan countries require, all the more, innovative mechanisms that can be built on solidarity-based approach, incorporating both the logic and the operational framework of Cohesion Funds. It is crucial that both the EU and the Western Balkan countries finally find a way to effectively implement the core principle of the IPA into practice, which aims at equipping the pre-accession countries with the skills to manage EU post-accession funds. Thus, the countries should be given valuable opportunities to accumulate relevant experience along their journey towards EU membership.

The above-mentioned factors underscore the necessity for a paradigm shift, encompassing the design of EU funding support and the reconfiguring of its management structure and operational practices. The change should take into consideration the Western Balkan countries' aspiration to be EU Member States, the need for creating an effective and result-oriented system rather than politically correct one, building on a multi-level governance approach, and ensuring the involvement of regional, local, and other public authorities, including both the civil society and the private sector.

RECOMMENDATIONS

I. Improving the green infrastructure investments in the Western Balkan countries

1. The European Union (EU) should further enhance its support to the Western Balkan countries by establishing a funding mechanism built on solidarity and multi-level governance approach. This mechanism's primary objective should be to address the financial needs of the Western Balkan countries in achieving compliance with the EU Acquis and transitioning towards a carbon-neutral society. While the IPA provides a solid foundation for developing an instrument that closely aligns with the objectives and the operational logic of the EU Cohesion Funds, it has also displayed some limitations in accelerating the integration of the WB6 and meeting the EU standards. The European Commission should initiate legislative measures to further modify and adopt this funding mechanism, ensuring both its alignment with the post-2027 cohesion policy and its effectiveness in the EU's multiannual financial framework from 2028 to 2035. It is also essential for the mechanism to include active participation by the regional and the local public authorities, the civil society and the private sector, thereby ensuring strong stakeholder ownership. Furthermore, **the EU should ensure that the programming and management of the funding mechanism are based on ownership and transparency** throughout the entire lifecycle of the projects, from their initial planning to their implementation. Transparency fosters ownership, enhances accountability and helps mitigate challenges arising from bureaucracy, capacity limitations and potential instances of corruption.

2. The EU, the Western Balkan countries, the international organisations and the financial institutions should all work towards establishing a "WB6 Regional Hub focused on Infrastructure Projects" so as to boost regional cooperation by jointly planning and enhancing implementation of green infrastructure projects and attracting and uniting skilled and experienced professionals from the region possessing the required expertise and capabilities. The expected results would include accelerated mobilisation and absorption of European, bilateral, multilateral and national funds, promoting synergies and avoiding duplication of efforts. Existing capacities, such as those possessed by the Secretariat of the Transport Community, should be leveraged to identify and promote such projects in transport sector, for example, with regional impact.

3. The EU and the Western Balkan countries should ensure sufficient financial and administrative support to the private sector in the region, encouraging them to make sustained efforts towards a blue and green/circular economy. This includes addressing waste management, recycling, sustainable production and efficient resource utilisation and assisting the commercial banking system in the Western Balkan countries to align with EU environmental requirements in their financial services.

II. Strengthening good governance in environment and climate, as an essential element for the implementation of the Green Agenda

4. Prime Ministers, Ministers of Finance and Ministers of Environment in the Western Balkan countries should take swift action to enhance the capacities of national and sub-national authorities entrusted with environment and climate change responsibilities. This action should be accompanied by focused efforts to strengthen the effectiveness of donors' programming and management, specifically emphasising Chapters 22 and 27 and the implementation of the Green Agenda. Simultaneously, robust policies for staff retention need to be formulated and implemented.

5. The process of enhancing administrative capabilities should be expedited, considering the urgency of the matter. By doing so, the Western Balkan countries will be better positioned to navigate the complexities of environmental compliance and reaching climate neutrality, in consonance with the objectives of the EU integration process and the Green Agenda. Both **national and local** administrative structures should be equally addressed with continuous technical and financial support. CSOs can play an important role in addressing certain capacity needs, thereby supporting Western Balkan countries in implementing the EU's environment and climate acquis and achieving climate neutrality.

III. Increasing investments in biodiversity and the protection of natural resources, which are at the heart of climate change mitigation and adaptation

6. Leaders of the Western Balkan countries should take decisive measures in securing sustainable funding dedicated to the preservation and the restoration of the region's invaluable natural resources. Safeguarding biodiversity and ecosystems is essential for reaching climate neutrality of the Western Balkan countries, therefore, the biodiversity protection funding should be incrementally increased to reach 30% of the total national funding related to environment and climate within the next five years. Legislation for climate mainstreaming of the national budgets should be immediately adopted by WB6 countries.

7. Western Balkan countries should proactively align their policies with the "EU's Biodiversity Strategy for 2030 - Bringing Nature Back into Our Lives." At the heart of this alignment lies the implementation of measures to achieve the set objectives of creating a coherent network of well-managed protected areas and protecting minimum of 30% of the land area in the Western Balkans and 30% of their waters (seas), a third of which is/should be strictly protected. This represents 10% of Western Balkans countries' land and 10% of their sea.

8. The EU should ascertain a minimum of 30% of its climate-related funding for the Western Balkan countries to be invested in biodiversity and nature-based solutions. These solutions are essential for nurturing biodiversity and funds should be directed towards enhancing the management effectiveness of protected areas, ensuring compliance with EU strategies and requirements related to Natura 2000, and creating incentives for local authorities and residents to manage rural areas through the implementation of green businesses, with the goal of halting further urbanisation and outmigration from rural areas. Funds should be also allocated for the protection of critically endangered species and the management of transboundary clusters of protected areas and green corridors, ensuring long-term ecological connectivity in the region and establishment of partnerships between different authorities in charge of nature protection and protected areas, scientific institutions and CSOs from the region.