



Western Balkan cities

Pressure with no release



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Executive summary

The immediate consequences of extreme events caused by climate change are much harsher in cities due to the high density of populations, structures and services. Urban planning and investment in urban infrastructure play a major role in climate change adaptation and mitigation. Good urban governance has significant potential to divert development towards more sustainable models through the use of policy instruments and best practices in urban planning, coupled with substantial investments in urban infrastructure.

Socially responsible investing, based on sustainable resource use and inclusive planning, is the shared responsibility of national and local governments, as well as multilateral development banks that provide climate finance.

Research on the state of governance in Western Balkan countries reveals low levels of trust in institutions at both national and local governance levels, the widespread occurrence and acceptance of corruption, and considerable dissatisfaction with public services, including in capital cities.

Poor governance, a lack of democratic decision-making, and inconsistent policy implementation leave cities exposed to unsustainable profit-driven development that is ultimately impossible to rectify. Additionally, it is often difficult to assess funding sufficiency and spending efficiency due to capacity issues and unclear responsibilities across various levels of governance.

The deregulation of urban development in the Western Balkans has created a scenario lacking strategic approach or meaningful public participation. This has resulted in major ad hoc spatial interventions – horizontal and vertical – which have reduced the availability of public and green spaces and reliable public services, contributing to high levels of air pollution and associated health implications. This approach amplifies existing climate risks resulting from rising temperatures, extended droughts and destructive storms.

Enhancing governance at the local level is essential for addressing environmental and socio-economic challenges and strengthening climate resilience. Cities must adopt transparent, inclusive decision-making processes, promote public participation, and implement robust accountability mechanisms to ensure sustainable growth, improve standards of living, and build resilience to external pressures.

Through development funds and dedicated programmes, multilateral development banks and agencies have an opportunity to improve governance while enhancing sustainability and resilience in Western Balkan cities. Only by working together with local governments to address governance issues that often significantly reduce the quality and effectiveness of their investments, they can meet their objectives and deliver tangible benefits to the citizens they have committed to serve.



Belgrade skyline pierced by a district heating plant (source: private archive)

Introduction

The decisive role of cities in achieving the United Nations Sustainable Development Goals (SDGs) is widely acknowledged. This shared responsibility is becoming even more significant as the world's urban population expands. Projections indicate that two-thirds of the global population will live in cities by 2050, a staggering 7 billion people. The living conditions of these individuals, particularly the most vulnerable, will mirror the collective health of the entire planet.

According to the World Resources Institute, these conditions are far from ideal: 'Globally, one in three city dwellers — totaling over 1.2 billion people — do not have reliable, safe or affordable access to basic everyday services like running water and sanitation, electricity, decent housing and transport to work and school'.¹

This figure not only includes those who live in poverty, but also the millions of middle-class households that are affected by service gaps and remain dependent on time-consuming and polluting alternatives. These gaps, which continue to widen, have tangible implications for individuals, communities, and entire economies.²

Most cities today are undergoing extensive transformation, driven not only by population growth but also by the market and the potential for making profit from valuable urban land. This has a whole array of spatial, functional and social implications, typically with little consideration for the changing climate and growing demands on infrastructure.

Although cities are places of shared activity, they are not always places of common values, especially when it comes to the use of space. In the Western Balkans, the prioritisation of private interests, corruption, and trading in influence are widely present amidst the deteriorating rule of law and human rights violations.³

¹ World Resources Institute, [World Resources Report: Towards a More Equal City](#), *World Resources Institute*, accessed 24 September 2024.

² Ibid.

³ BiEPAG, [Policy Paper: The Crisis of Democracy in the Western Balkans. Authoritarianism and EU Stabilitocracy](#), *BiEPAG*, 1 March 2017.

While not exclusive to urban areas, these issues accumulate in cities due to their economic dynamics and potential, exacerbating economic inequality and widening the social gap.

All of this is playing out in parallel with the accelerating climate crisis. The Regional Cooperation Council⁴ identifies the Western Balkans as a climate change hotspot. Their findings reveal an alarming increase in temperature across the region, with a projected rise of 1.2 degrees Celsius in the near future. This is expected to further increase by 1.7 to 4.0 degrees Celsius by the end of the century, depending on global efforts to reduce greenhouse gas emissions.⁵ The consequences of warming are already visible: more extreme and irregular rainfall has led to floods, directly affecting two million people in the Western Balkans over the past decade, while over 1,500 wildfires were recorded in 2021, representing a 21 per cent increase over the last 10 years.⁶

Although data on the effects of climate change in Western Balkan cities remains limited, it can be observed that the immediate consequences of extreme weather events in cities are much harsher due to the high density of populations, structures and services. For instance, the urban heat island effect, where heat is trapped by dense buildings and further absorbed by extensive paved surfaces, is exacerbated by other heat-emitting activities such as transport, industry and air conditioning.⁷ In its regular economic report, the World Bank warns of an increase in both the intensity and regularity of extreme heat events in Western Balkan cities, where the frequency of heatwaves skyrocketed from fewer than three days a year in the 1990s to over 40 days annually between 2011 and 2020.⁸

A World Bank report analysing the need for Serbia to unlock the transformational potential of its cities and accelerate the green transition⁹ also highlights a significant flood risk in Serbian cities. This threat stems from inadequate risk-informed spatial and urban planning, reflected in the limited capacity of drainage systems and a lack of adequate green space, which increases both flood risk and heatwaves. Over a third of Belgrade's built-up areas are at risk of flooding,¹⁰ while the urban heat island effect has resulted in record-high temperatures. In July of this year, Belgrade was the hottest city in the country, recording 20 tropical nights (where temperatures did not drop below 20 degrees Celsius) and an average minimum air temperature of 21.4 degrees Celsius.¹¹

⁴ Ana Vuković, Mirjam Vujadinović Mandić, [Study on climate change in the Western Balkans region](#), *Regional Cooperation Council*, 2018.

⁵ By the end of the century (2081–2100), even if global greenhouse gas emissions stabilise, the mean annual temperature will continue to rise by an additional 0.5 to 1 °C compared to the mid-century period, resulting in a total increase of 2 to 3 °C relative to the current climate. However, if global greenhouse gas emissions continue to rise, temperatures will increase by 4 to 5 °C across the entire region compared to today's climate. In that scenario, summer temperatures (June to August) will exceed a 5 °C increase by the end of the century compared to the present.

⁶ World Bank Group, [Western Balkan Economies Need to Strengthen Climate Resilience to Protect People and Boost Growth: WBG Report](#), *World Bank Group*, 17 July 2024.

⁷ Dimitar Trajanov, [Urban Heat Islands in Skopje: Analysis and Action Plan](#), *United Nations Development Programme*, December 2018.

⁸ The World Bank, [Western Balkans Regular Economic Report: Invigorating Growth](#), *International Bank for Reconstruction and Development / The World Bank*, 2024.

⁹ The World Bank, [Sustainable Cities Serbia: Unlocking the transformational potential of cities for the green transition](#), *The World Bank*, June 2023.

¹⁰ *Ibid.*, 21.

¹¹ Odeljenje za monitoring klime i klimatske prognoze Sektor Nacionalnog centra za klimatske promene, razvoj klimatskih modela i ocenu rizika elementarnih nepogoda, [Mesečni bilten za Srbiju: Jul 2024. godine](#), *Republički hidrometeorološki zavod Srbije*, 5 August 2024.

Spatial planning and investment in urban infrastructure play a major role in curbing these negative trends. Additionally, the overarching concept of good governance is essential for ensuring the effectiveness, efficiency and inclusiveness of climate action.

This report investigates how the local governments of Western Balkan cities are addressing global and local pressures through the lens of governance (chapter 1). It examines current urban development planning and investment practices using case studies from Belgrade, Sarajevo and Skopje (chapter 2).

This is followed by an explanation of the implications of these practices, which include gentrification, urban sprawl and unsustainable transport, and an exploration of the challenges arising from the poorly executed privatisation of public services and a failure to capitalise on rising land values (chapter 3).

The report concludes by drawing lessons from these case studies and provides recommendations for decision makers, with a focus on adopting good governance principles and tools, such as participatory planning and needs-based public investment.



Western Balkan cities suffer from some of the highest levels of air pollution in the world (source: private archive)

1. State of governance in the Western Balkans

1.1. Role of governance in addressing climate and socio-economic challenges in cities

While most sustainability theories rest on three pillars – social development (people), economic development (profit), and environmental management (the planet) – a growing number of urban specialists, researchers, and institutions recognise urban governance as the fourth pillar of sustainable urban development.¹²

Under this pillar of urban governance, increasing the role of subnational governments through decentralisation is important for achieving, tracking, and measuring progress in pursuit of the Sustainable Development Goals. It also places significant pressure and emphasis on local planning and policymaking, facilitating a shift towards more sustainable lifestyles and a long-term reduction in the ecological footprint left by cities.¹³

Urban governance has significant potential to divert development towards more sustainable models through the use of policy instruments and best practices in urban planning. When coupled with substantial financial resources, these measures have an even greater positive effect. However, without good governance, no amount of funding can successfully tackle climate change.

Public investments in municipal infrastructure, combined with effective policy measures, offer an opportunity to reduce poverty and inequality while ensuring sustainable urban development. By providing accessible and affordable services suited to the needs of different categories of residents, particularly vulnerable groups, cities can reduce disparities.

¹² Alex Julca, Willem van der Geest, [UN-DESA Policy Brief No. 40: An Integrated Strategy for Sustainable Cities](#), United Nations Department of Economic and Social Affairs, 9 June 2013.

¹³ Strahinja Trpevski, Žaklina Angelovska, [Sustainable Development and Regenerative Sustainability in the Legal Urban Framework of the Republic of North Macedonia – Challenge or Utopia](#), UBT International Conference, 367, 31 October 2020.

The authors of a study on planning and financing urban development in the context of the climate crisis note that ‘rising levels of urban poverty and inequality pose an immense challenge to planners, financiers and public administrators’. They also stress the need to take ‘more inclusive and equitable approaches to spatial planning, land governance, municipal finance and infrastructure investment’ to ‘meet the needs of existing and future urban populations’.¹⁴

Socially responsible investing, based on sustainable resource use and inclusive planning, is the shared responsibility of national and local governments, as well as multilateral development banks that provide climate finance.

In a 2017 policymakers’ summary on financing the urban transition, the Coalition for Urban Transitions cautions that, ‘to capture the productivity benefits of urban growth while minimising the costs, cities will need to shift to a more economically and environmentally sustainable pattern of growth’. To effect this shift, urbanisation will need to be managed to avoid inefficiencies in urban design, infrastructure, governance, financing mechanisms, and institutional capacity.¹⁵

The Coalition also suggests moving to a ‘3C urban infrastructure model’ based on ‘compact urban growth, connected infrastructure and coordinated governance’.¹⁶ Smarter planning and better allocated investments are essential for achieving more just and inclusive development while using fewer resources. For this to happen, good governance must be at the forefront of urban climate action.

1.2. Defining and measuring governance

Governance is the process of leading an entity with the aim of ensuring its well-being and prosperity. Since that entity can vary in size, governance operates at different levels, from international (global governance) to organisational (corporate governance).

The term is also widely used in relation to specific economic sectors and aspects of public life, resulting in categories such as environmental governance, e-governance, and participatory or democratic governance. A large number of definitions for state governance have been offered by various scholars and institutions.¹⁷ The World Bank provides the following definition:

Governance can be broadly defined as the set of traditions and institutions by which authority in a country is exercised. This includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.¹⁸

¹⁴ Sarah Colenbrander, Aliyu Barau, ‘[Planning and financing urban development in the context of the climate crisis](#)’, *International Journal of Urban Sustainable Development* 11 (3), 237-244, 23 October 2019.

¹⁵ Graham Floater, et al., [Financing the Urban Transition: Policymakers’ Summary](#), *Coalition for Urban Transitions*, 6, October 2017.

¹⁶ *Ibid.*, 6-7.

¹⁷ Urvashi Pareek, Nagendra Ambedkar Sole, [Governance in India: Fresh Perspectives. ‘Governance: Concept, Meaning and Dimensions’](#), *Segment Books*, 8-27, 2020.

¹⁸ The World Bank, [Worldwide Governance Indicators](#), *The World Bank*, accessed 20 October 2024.

In simpler terms, the UN defines governance as ‘the process of decision-making and the process by which decisions are implemented’.¹⁹ In both political science and practice, the frequency of the term governance coincided with the rising need to distinguish between the government as the holder of power – that is, one that makes decisions and implements actions to ensure the proper functioning and development of an entity such as a state, region or city – and the government as a facilitator of those processes.

The concept of good governance is based on the principles of transparency, participation, accountability, responsiveness, consensus, the rule of law, equity and inclusiveness, efficiency and effectiveness.²⁰ These principles underpin most of the methodologies used to measure and evaluate good governance.

Each one of these principles or thematic areas requires a set of qualitative or quantitative indicators that measures inputs, outputs, processes, outcomes and impacts. Most assessments use a combination of different indicator categories. As explained in the users’ guide to measuring local governance compiled by the United Nations Development Programme (UNDP), a critical step in developing an assessment is to transform value-based principles into actual measurable indicators and operational questions.²¹

The UNDP recognises that the ‘detailed and context-specific nature of local governance assessments provide a mechanism for identifying the obstacles that hinder the economic, political, social and cultural advancement of the poor, women and other vulnerable groups’. In this context, its governance assessment includes the principles of democratic governance, such as transparency, accountability, and participation, while prioritising the rights, needs, and interests of these groups.²²

1.2.1. Assessing governance quality in Western Balkan countries (WGI methodology)

The Worldwide Governance Indicators measure the quality of governance in over 200 countries and regions around the world.²³ Compiled by the World Bank since 1996, the indicators cover six dimensions of governance:

- voice and accountability;
- political stability and absence of violence or terrorism;
- government effectiveness;
- regulatory quality;
- rule of law; and

¹⁹ United Nations Economic and Social Commission for Asia and the Pacific, [What is Good Governance?](#), *United Nations Economic and Social Commission for Asia and the Pacific*, accessed 20 October 2024.

²⁰ Ibid.

²¹ Alexandra Wilde, Shipra Narang, Marie Leberge, Luisa Moretto, [A Users’ Guide to Measuring Local Governance](#), *United Nations Development Programme Oslo Governance Centre*, 12 November 2015.

²² Ibid., 10.

²³ The World Bank, [Worldwide Governance Indicators: Home](#), *The World Bank*, accessed 20 October 2024.

- control of corruption.²⁴

The indicators gather and summarise global information on governance quality from over 30 existing data sources. These sources detail the views and experiences of citizens, entrepreneurs, and experts from the public and private sectors as well as non-governmental organisations. Data is first assigned to one of the six dimensions, refitted to a scale of 0 to 1. A statistical tool is then used to create a weighted average of the individual indicators for each source.²⁵

Fig. 1 illustrates governance performance in Bosnia and Herzegovina, North Macedonia, and Serbia for the years 2012 and 2022 using four of the six aggregate indicators: voice and accountability, government effectiveness, rule of law, and control of corruption.

Fig. 1. State of governance in Western Balkan countries in 2012 and 2022



Source: Daniel Kaufmann, Aart Kraay, [Worldwide Governance Indicators: Interactive Data Access](#), *The World Bank*, accessed on 20 October 2024.

²⁴ While the six composite measures are useful for broad cross-country comparisons and for evaluating broad trends over time, they are not sophisticated enough for use in formulating specific governance reforms within individual country contexts. As the World Bank advises, ‘such reforms, and evaluation of their progress, need to be informed by much more detailed and country-specific diagnostic data that can identify the relevant constraints on governance in particular country circumstances’.

²⁵ The World Bank, [Worldwide Governance Indicators: Documentation](#), *The World Bank*, accessed 20 October 2024.

As shown above, North Macedonia made progress in three of the four dimensions between 2012 and 2022. Serbia also improved in ‘government effectiveness’ and ‘rule of law’, but regressed significantly in the area of ‘voice and accountability’. ‘Control of corruption’ proved the biggest challenge, declining in each of the three countries. Compared to its counterparts, Bosnia and Herzegovina seemed to struggle the most, registering a decline in each dimension, with governance effectiveness at an alarmingly low level.

1.3. State capture

Elaborating on the state of governance in the Western Balkans inevitably leads to the issue of ‘state capture’. This term is used to describe the abuse of good governance and power, usually by groups that use political and economic power to control and direct the functioning of state institutions and representatives while maintaining the superficial appearance of a democratic system. State capture impacts policymaking, lawmaking, and implementation processes, resulting in benefits and rewards for a small number of ‘captors’ within business and politics.²⁶

This problem has been extensively reported by international organisations,^{27,28} including Transparency International,²⁹ particularly in relation to the slow European Union (EU) accession progress of Western Balkan countries. The European Commission’s 2018 enlargement strategy for the Western Balkans explicitly highlights ‘clear elements of state capture’, ‘links with organized crime and corruption at all levels of government and administration’, and control of the media.³⁰

According to the European Policy Centre, an independent think tank based in Brussels, the European Commission’s 2021 Western Balkan country reports highlight ‘persistent and serious problems with the rule of law, the independence of the judiciary, media freedom, and the fight against organized crime and corruption throughout the region’.³¹

Illustrating the mechanisms and effects of state capture in Serbia, a 2020 policy brief by the Netherlands Institute of International Relations argues that state capture is damaging not only for the countries themselves, ‘but also for the effectiveness of EU conditionality’ and ‘the credibility of the EU enlargement process’.³²

In 2020, the Southeast European Leadership for Development and Integrity (SELDI) coalition developed the State Capture Assessment Diagnostics (SCAD) tool, a comprehensive methodology for measuring and monitoring state capture in the Western Balkans. Further, in its 2020 regional anticorruption report, SELDI

²⁶ Sonja Stojanović Gajić, Dušan Pavlović, ‘[State Capture, Hybrid Regimes, and Security Sector Reform](#)’, *Journal of Regional Security* 16(2): 89-126, *Belgrade Centre for Security Policy*, 2 December 2021.

²⁷ BiEPAG, [Policy Paper: The Crisis of Democracy in the Western Balkans. Authoritarianism and EU Stabilitocracy](#), BiEPAG, 1 March 2017.

²⁸ Southeast European Leadership for Development and Integrity, [State Capture Assessment Diagnostics in the Western Balkans 2020: Risks and Policy Options](#), SELDI.net, July 2020.

²⁹ Nieves Zuniga, [Examining State Capture: Undue Influence on Law-Making and the Judiciary in the Western Balkans and Turkey](#), *Transparency International*, 2020.

³⁰ Velina Lilyanova, [Western Balkans: Enlargement Strategy 2018](#), *Members’ Research Service*, March 2018.

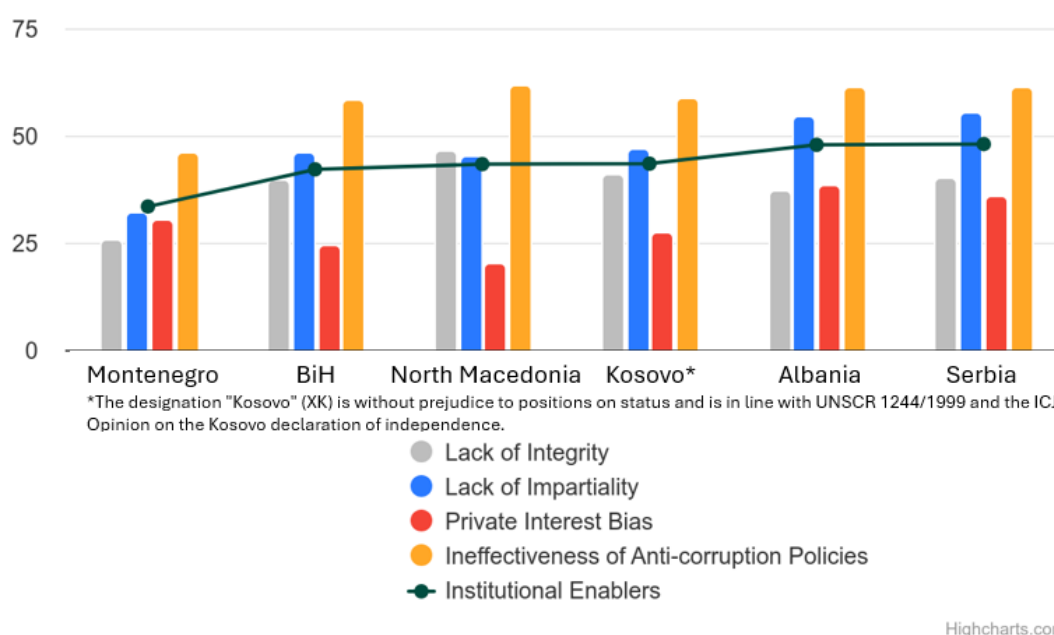
³¹ Corina Stratulat, [EU enlargement to the Western Balkans- Three observations](#), *European Policy Centre*, 8 November 2021.

³² Maarten Lemstra, [The destructive effects of state capture in the Western Balkans: EU enlargement undermined](#), *Clingendael*, September 2020.

differentiates between two types of corruption: ‘administrative corruption (bribery), which affects individuals and businesses, and state capture (grand corruption) affecting the functioning of democratic institutions and government decision-making’.³³

SELDI identifies media control, corruption in the judiciary, lack of integrity within public organisations, lack of impartiality, and inadequate anticorruption procedures as key enablers of state capture in the Western Balkans. Albania and Serbia demonstrate the worst performance overall across all indicators of state capture, including private interest bias, whereby public entities fall under the influence of private interests in subversion of the public good (Fig. 2).³⁴

Fig. 2. Institutional enablers of state capture in Western Balkan countries



Source: Southeast European Leadership for Development and Integrity, [SELDI SCAD, 2020](#), [SELDI.net](#), accessed 20 October 2024.

1.3.1. Local state capture

When state capture occurs at the national level, as is the case in the Western Balkans, it also invariably infects lower levels of governance. The occurrence of state capture at the local level is known as the ‘captivity of local governance’.

In its opinion on local democracy challenges in the Western Balkans, adopted during a plenary session in October 2020, the European Committee of the Regions ‘notes with regret that the European Commission has not generally tended to pay sufficient attention to local democracy, the rule of law and good governance at [the] local level in its relations with the Western Balkan partner countries’ and ‘stresses in particular the emergence of ‘local state capture’ [...] which is understood as a local governance system that

³³ Southeast European Leadership for Development and Integrity, [Western Balkans 2020: State-capture risks and policy reforms](#), Southeast European Leadership for Development and Integrity, 2020.

³⁴ Southeast European Leadership for Development and Integrity, [SELDI SCAD, 2020](#), [SELDI.net](#), accessed 20 October 2024.

is fully or partially usurped by powerful individuals or groups to the benefit of their own particular interests'.³⁵

The Committee also offers an extensive, though not exhaustive, list of activities related to local state capture, which include:

manipulated and sometimes illegal public procurement; undeserved appointments, recruitment and promotion of civil servants, as well as of managers and employees of public-sector companies, pressure on the judiciary; non-transparent support from local authorities to civil society organisations; non-transparent activities by local authorities and public administration, which often go hand in hand with control of local media through ownership and advertising; and misuse of political parties for personal enrichment and keeping local communities and authorities in a state of 'capture' by building and maintaining patronage networks.³⁶

In its recommendations for action, the Committee calls on the European Commission to address shortcomings in the Western Balkans by 'thoroughly examining cases of local state capture, monitoring implementation of legislative and institutional solutions for limiting politicians' discretionary powers over financial and human resources, and promoting media freedom'.

The Committee also recommends that more attention be paid to 'verifying the real state of local democracy, the rule of law and good governance in the Western Balkans, including via direct contacts with local and regional authorities, and members of the political opposition, the business world, academia and civil society, as well as by structuring and supporting dialogue with members of the public'.³⁷

1.4. Public perception of governance in the Western Balkans

Public opinion surveys on governance across the Western Balkans inevitably mirror the reality of captured states. They reveal low levels of trust in institutions at both national and local governance levels, the widespread occurrence and acceptance of corruption, and considerable dissatisfaction with public services in these countries, including their capital cities.

A 2020 report by the Organisation for Economic Co-operation and Development (OECD) on public governance in the Western Balkans highlights a shift in the approach to the assessment criteria applied to democratic governance in the region:

So-called political criteria for democratic governance focussed on issues such as having free elections with secret ballots, the right to establish political parties, etc. The new 2018 EU Enlargement strategy and the 2020 Communication signal for the first time in concrete terms that the functioning of democratic institutions go beyond the rule of law and fundamental rights. Since there is no set of

³⁵ The European Committee of the Regions, '[Opinion of the European Committee of the Regions – Local democracy challenges in the Western Balkans](#)', *Official Journal of the European Union C 440/66*, 14 October 2020.

³⁶ *Ibid.*, 5.

³⁷ *Ibid.*, 5.

established standard indicators in this area, trust in democratic institutions seems to be an appropriate proxy for their legitimacy and efficacy.³⁸

The report also presents data from the Regional Cooperation Council showing that, in 2019, an average of just 35 per cent of Western Balkan citizens had trust in their national governments, compared to a 45 per cent average in countries that are members of both the OECD and the EU. Trust in parliaments was slightly higher at 40 per cent.

The report supplements these findings on the general low level of trust among citizens in democratic institutions with expert assessments from the 2018 Global State of Democracy indices, conducted by the International Institute for Democracy and Electoral Assistance:

On a scale of 0-1 where 1 is the best, Western Balkan countries on average earned a score of 0.60 in “clean elections” compared to 0.84 and 0.85 for OECD and OECD-EU countries. For “subnational elections” the Western Balkan region stood at 0.52 and OECD and OECD-EU at 0.76 and 0.78, respectively. Similar size gaps are found in areas such as “effective parliaments”, “media integrity”, and “civil society participation”.³⁹

The latest Balkan Barometer survey for 2023,⁴⁰ conducted by the Regional Cooperation Council, highlights alarming public perceptions of public institutions and services in Bosnia and Herzegovina, North Macedonia and Serbia:

- When asked about the performance of the judiciary system, a staggering 81 per cent of respondents in North Macedonia, 77 per cent in Bosnia and Herzegovina, and 60 per cent in Serbia either totally disagreed or tended to disagree that the law is applied equally to all. Similarly, confidence in the independence of the judiciary was low, with only 17 per cent of respondents in North Macedonia and 41 per cent in Serbia believing that law enforcement is free from political influence.
- However, trust in judicial institutions was not the lowest among state institutions. In all three countries, parliaments had the least trust, followed by national and local governments (Table 1). A comparison of the three countries reveals an alarmingly low level of satisfaction in governance in North Macedonia, with Serbia ranking the highest across all analysed categories, except for trust in the media. Given the media’s strong influence in shaping public opinion, this discrepancy in media trust raises questions about governance perception results in Serbia.

³⁸ Organisation for Economic Co-operation and Development, [Government at a Glance: Western Balkans](#), *Organisation for Economic Co-operation and Development*, 28, 7 July 2020.

³⁹ *Ibid.*, 29.

⁴⁰ Regional Cooperation Council, [Balkan Public Barometer](#), *Regional Cooperation Council*, accessed 20 October 2024.

Table 1. Citizens’ trust in public institutions according to the 2023 Balkan Barometer survey.

Trust* in:	Bosnia and Herzegovina	North Macedonia	Serbia	Total
Judiciary	33%	15%	54%	102
Parliament	21%	18%	41%	80
Government	21%	19%	46%	86
Local authorities	20%	29%	37%	86
Ombudsman	39%	24%	46%	109
Police	40%	35%	62%	137
Media	32%	33%	30%	95
Civil society	38%	36%	40%	114

*Totally trust or tend to trust

Modified from: Regional Cooperation Council, [Balkan Public Barometer](#), *Regional Cooperation Council*, accessed 20 October 2024.

In terms of satisfaction with public services, opinions differ: In North Macedonia, 39 per cent of respondents were completely or mostly dissatisfied, 26 per cent were either completely or mostly satisfied, and 34 per cent were neutral (neither satisfied or dissatisfied); in Bosnia and Herzegovina, 48 per cent expressed dissatisfaction, 29 per cent had a neutral stance, and only 22 per cent reported satisfaction with public services; in Serbia, the situation proved better, with 46 per cent of respondents claiming to be satisfied, 30 per cent neutral, and 23 per cent dissatisfied.

While the average satisfaction with public services in the Western Balkans has remained at around 30 per cent for years, satisfaction in the EU, despite a decline in recent years, floats above 70 per cent.⁴¹

1.4.1. Competences and performance of local governance

The opportunities and challenges for local governments depend on the competences assigned to them by higher levels of government. The United Nations Human Settlements Programme recommends that ‘authority and resources should be at the government level that is closest to the people to ensure effective, appropriate, and cost-effective delivery of services’.⁴² Yet while in theory local authorities are expected to perform a wide variety of functions, including those that have an impact on climate change mitigation and adaptation, the practical application of this principle can often prove challenging.

⁴¹ Rory Elliott Armstrong, [How satisfied are Europeans with their public services?](#), *Euronews*, 9 April 2024.

⁴² Rashid Abubakar, [Multi-level Governance for Effective Urban Climate Action in the Global South](#), *United Nations Human Settlements Programme*, 2022.

A 2023 study on subnational government in the Western Balkans conducted by the Support for Improvement in Governance and Management (SIGMA) programme, a joint initiative of the OECD and the EU, identifies a trend towards decentralisation in the region:

The range of competences of local governments in the Western Balkans is comparable to those found in EU countries. Most governments have relatively wide responsibilities across land use, environmental protection, social services, early school education and health.⁴³

According to the report, local governments in all Western Balkan economies hold exclusive authority in areas such as local economic development, urban and spatial planning, and environmental protection. In most of these economies, local governments are responsible for maintaining the local technical infrastructure, including water supply, sewage, waste disposal and local roads. In Albania, the Federation of Bosnia and Herzegovina, North Macedonia and Serbia, municipalities are also tasked with overseeing local public transport.⁴⁴

However, SIGMA also cautions that the effectiveness of decentralisation depends on more than just legal delegation:

When determining the degree of decentralisation, a substantial gap between legally assigned competences and the local governments' actual regulative powers and financial resources can very often be detected. The delegation of competences towards the local governments is therefore not always linked to greater autonomy. Sometimes, the provision of competences is hindered due to these discrepancies between legal duties and actual financial resources and regulative powers.⁴⁵

These realities are compounded by the low revenue-raising capabilities of local governments, which explains why subnational public investment in Western Balkan countries – ranging from only 16.1 per cent in Serbia to 44.9 per cent in North Macedonia – is significantly lower than the OECD average of 55 per cent.⁴⁶

Complicating matters further, the scattered and often ambiguous delegation of competences across various ministries makes it difficult to assess funding sufficiency and spending efficiency. These overlapping responsibilities often lead to issues with the delivery and quality of public services, which can in turn undermine transparency, accountability and public participation across different levels of governance.

A 2023 report on the quality of life in European cities, conducted by the global market research company Ipsos on behalf of the European Commission,⁴⁷ surveyed the residents of 83 European cities of different sizes, including the Western Balkan cities of Belgrade, Podgorica, Skopje and Tirana. The report provides valuable insights into how the residents of these four cities perceive their quality of life compared to their counterparts in the EU, the UK, the European Free Trade Association (EFTA), and Türkiye. Here are the most notable takeaways from the report:

⁴³ Support for Improvement in Governance and Management - SIGMA, [Subnational government in the Western Balkans](#), *Organisation for Economic Co-operation and Development*, 10, 8 March 2023.

⁴⁴ *Ibid.*, 43.

⁴⁵ *Ibid.*, 44.

⁴⁶ *Ibid.*, 50.

⁴⁷ Laura de Dominicis et al., [Report on the quality of life in European cities. 2023](#), *The European Union*, 2023.

- Satisfaction with living in one’s neighbourhood was higher in cities in the EU (86 per cent), the EFTA and the UK (90 per cent) than in cities in Türkiye and the Western Balkans at 80 and 76 per cent, respectively).
- The level of trust in other people was the lowest in Western Balkan cities at 38 per cent, compared to 54 per cent in Türkiye and 75 per cent in EFTA and UK cities, with a wide divergence across EU cities.
- Both Skopje and Belgrade ranked in the bottom 10 of the 83 cities surveyed for household financial satisfaction at 51 and 54 per cent, respectively. However, affordable housing was considered much more accessible in Skopje (65 per cent) than in Belgrade (30 per cent).
- Only 51 per cent of Skopje residents and 60 per cent of Belgrade residents expressed confidence that they would receive financial help from the state in times of need, compared to 82 per cent in northern EU Member States.
- Satisfaction with public services was very low in the Western Balkan cities. For example, Skopje and Belgrade were among the bottom 10 cities for public transport satisfaction (Table 2). However, 54 per cent of Belgrade residents claimed to use public transport on a daily basis compared to less than 30 per cent in Skopje, likely due to the size difference between the cities.

Table 2. People satisfied with public transport in their city (top and bottom 10 scores shown).

Top 10 (highest score first)		Bottom 10 (lowest score first)	
City	Score	City	Score
Zürich (CH)	95 %	Palermo (IT)	22 %
Vienna (AT)	91 %	Rome (IT)	29 %
Rotterdam (NL)	89 %	Tirana (AL)	29 %
Helsinki (FI)	89 %	Naples (IT)	30 %
Oslo (NO)	88 %	Podgorica (ME)	37 %
Prague (CZ)	88 %	Belgrade (RS)	44 %
Geneva (CH)	88 %	Nicosia (CY)	44 %
Strasbourg (FR)	87 %	Skopje (MK)	47 %
Hamburg (DE)	87 %	Miskolc (HU)	53 %
Rostock (DE)	87 %	Bucharest (RO)	54 %

Source: Laura de Dominicis, et al., [Report on the quality of life in European cities, 2023](#), The European Union, 2023.

Dissatisfaction with the quality of public services and spaces in the Western Balkans extends across various aspects of city life. Skopje ranks among the bottom 10 cities for culture, squares, parks, and healthcare. It also scored the lowest for satisfaction with healthcare services (27 per cent satisfied), with Belgrade close behind at 41 per cent (also in the bottom 10).



Newly reconstructed public square in Sarajevo (source: private archive)

2. Spatial planning and investment practices: Case studies from Western Balkan cities

Spatial planning and public investment are valuable tools for enabling good governance and mitigating climate risks in urban areas. On the flip side, poor urban governance, as reflected in weak spatial planning practices and the inconsistent implementation of plans, results in misjudged public investments and false, unsustainable solutions.

In the absence of good governance and integrated planning practices, individual projects that may yield certain decarbonisation results invariably fail to build long-term urban sustainability and resilience. To maximise public benefit, governance tools must work in synergy and be guided by democratic decision-making rooted in institutional and professional integrity and accountability.

Research shows that urban planning and finance are closely linked and interdependent.⁴⁸ In this context, they need to be considered in conjunction to unlock potential synergies and mutual benefits. This also necessitates that both disciplines be substantially reviewed and readjusted to meet the challenges imposed by climate change. At the 2018 Cities and Climate Change Science Conference, the Intergovernmental Panel on Climate Change (IPCC) identified ‘urban planning and design’ and ‘finance’ as two of the six areas where more research is needed to inform climate action in cities. Both of these areas are considered ‘critical to sustainable development, climate mitigation and adaptation in urban areas’.⁴⁹

An absence of climate-informed spatial planning blindfolds those in charge of local public finances and may even do more harm than good to the sustainable development of cities. Participatory and science-based

⁴⁸ Sarah Colenbrander, Aliyu Barau, '[Planning and financing urban development in the context of the climate crisis](#)', *International Journal of Urban Sustainable Development* 11 (3): 237-244, Informa UK Limited, 23 October 2019.

⁴⁹ Ibid.

spatial planning is not only the foundation for equal and sustainable economic development, but also a precondition for inclusive, just and resilient cities.

2.1. Implications of neoliberal urban planning

The implementation of urban plans in Bosnia and Herzegovina, North Macedonia and Serbia began crumbling because of the unstable political and economic situation in the 1990s, during and after the breakdown of the Yugoslav Federation, leading to an expansion in illegal construction.

The collapse of socialist planning practices coincided with the transition of ex-socialist countries to market economies – flying on the wings of privatised state-owned assets and companies – and the need to deregulate, decentralise and democratise the planning process. However, adjustments to the new political and economic reality eventually led to the dominance of a controversial practice known as neoliberal planning – a type of planning practice that provides favourable conditions for private capital. The Routledge Handbook of Planning Theory defines it as ‘a restructuring of the relationship between private capital owners and the state, which rationalises and promotes a growth-first approach to urban development’.⁵⁰

In developing countries, as well as in economies in transition, neoliberal planning flourishes in the presence of the following three mechanisms: deregulation, authoritarian state intervention, and public–private partnerships (or full privatisation of public assets and services).⁵¹ Research shows that, even in democratic systems, ‘more private sector funding and management of urban development means contraction of the political sphere’, as ‘private operators and investors are less vulnerable to political criticism’.⁵²

The adverse effects of such planning practices on urban development have been widely researched and documented.^{53,54} Some of the general unfavourable socio-economic features of neoliberal urban planning and development include poor public participation, lack of meaningful inclusion of citizens, lack of consideration of the public interest, alongside the widening of socio-economic gaps, inequalities and socio-economic exclusion.

Research shows that people on low incomes are not well served when a programme’s success is measured in terms of a ‘willingness’ to pay for its products on the market.⁵⁵ On the other hand, the spatial consequences of neoliberal planning are far-reaching and highly context-dependent. Some of the consequences observed in Western Balkan cities extend to gentrification, urban sprawl, the commercialisation of publicly owned land, diminishing green areas, and weak protection over cultural and natural goods.

⁵⁰ Guy Baeten, '[Neoliberal Planning](#)', *The Routledge Handbook of Planning Theory*, Routledge, 2017.

⁵¹ Xing Su, '[Building new cities in the Global South: Neoliberal planning and its adverse consequences](#)', *Urban Governance* 3(1): 67-75, Elsevier B.V., 2023.

⁵² Tore Sager, '[Neo-liberal urban planning policies: A literature survey 1990–2010](#)', *Progress in planning* 76(4): 147-199, Elsevier B.V., 2011.

⁵³ Neil Brenner, Nik Theodore, '[Spaces of Neoliberalism: Urban Restructuring in North America and Western Europe](#)', Blackwell Publishers Ltd, 13 December 2002.

⁵⁴ Neil Brenner, Nik Theodore, '[Neoliberalism and the urban condition](#)', *City* 9(1), Informa UK Limited, 21 October 2010.

⁵⁵ Tore Sager, '[Neo-liberal urban planning policies: A literature survey 1990–2010](#)', *Progress in planning* 76(4): 147-199, Elsevier B.V., 2011.

Unfortunately, the processes enabled by neoliberal urban planning are often indirectly complemented by purportedly ‘green public investments’ in urban infrastructure, which in many cases turn out to be more beneficial for private investors, than those who need them most. Project social impacts, spatial distribution and cohesion potential are therefore important factors to consider when assessing the social sustainability of public investments.

It cannot be considered justified or satisfactory to provide financial support to a project simply because it contributes to decarbonisation efforts. In other words, it is crucial to support projects with the highest combined environmental, economic and social potential first. Even though public investment plans usually rank projects by priority, Bankwatch’s experience from the Western Balkans shows that priorities are not followed up on during the implementation stage.

Another aspect also hampers implementation, which is that investment plans often reference outdated or insufficient strategic and planning documents. This is particularly the case with general urban plans – long-term (often over 10 years), comprehensive and multidisciplinary local-level plans required by law in Western Balkan countries.

General urban plans

General urban plans are strategic development plans that contain general elements of spatial development for a populated area defined as a city.⁵⁶ Many authors and researchers emphasise the role of general urban plans in preserving and articulating public interest in urban development. Climate challenges necessitate additional considerations and provisions for climate mitigation and climate adaptation measures across all national and local strategic documents, including general urban plans.

It is therefore very concerning that none of the three cities this paper focuses on have created new general urban plans, which were due in 2015 in Sarajevo, 2021 in Belgrade and 2022 in Skopje. All three cities currently make decisions based on expired plans, some of which were developed and adopted almost 40 years ago. For instance, the last general urban plan for Sarajevo (1986–2015) was developed during the former Yugoslav Federation.

General urban plans are complex documents that need to be developed through an extensive consultation process, ensuring informed participation of citizens and other relevant stakeholders. The decision on initiating the development of the new general urban plan for Belgrade was adopted back in 2019. However, the current status of the document remains unclear. Early public consultation on the draft was organised in June 2022, but without presenting and explaining the content of the document to the public, obviously lacking intention to generate wide public participation and translate citizens’ inputs into upgrades of the draft plan.⁵⁷ The next step, a 30-day consultation period on the draft that addresses comments submitted during the early public consultation, has yet to take place.

⁵⁶ Branka Tošić, Zora Živanović, [Comparative analysis of spatial planning systems and policies: Case study of Montenegro, Republic of North Macedonia and Republic of Serbia](#), CEON/CEES, 20 July 2019.

⁵⁷ Ljubica Slavković, Jasmina Đokić, Ksenija Radovanović, Ana Graovac, [Rani javni uvid u Generalni urbanistički plan Beograda 2041 GUP 2041](#), *Nova planska praksa*, 2022.

2.1.1. Case studies: New city symbols or monuments to unsustainable development?

The deregulation of urban development in the Western Balkans is characterised by the absence of a strategic approach and meaningful public participation. This model of unsustainable development also results in major ad hoc spatial interventions – horizontal and vertical – which reduce the availability of public and green spaces, contributing to high levels of air pollution and associated health implications. In addition, this approach amplifies existing climate risks resulting from rising temperatures, extended droughts and destructive storms.

The socio-economic consequences include housing deprivation, fewer local small businesses, and increased transportation and logistical costs. The scale and pace of the major spatial interventions described below – greenlit without environmental and socio-economic analyses and enabled by ad-hoc legislation – have long-term consequences and jeopardise the prospect of the three cities building resilience and meeting their climate goals.

Belgrade Waterfront

This commercial development, declared a project of ‘national interest’ by the Serbian government, has resulted in the removal of critical transport infrastructure and hubs without providing replacements or viable alternatives.⁵⁸ The dismantling of the existing urban infrastructure is set to continue with a 327-hectare expansion, including the area occupied by the Belgrade Fair complex, announced in April 2024.⁵⁹

At present, Belgrade’s transport infrastructure is inadequate and faces numerous challenges. The central train station remains unfinished and lacks proper links to other transport modes. The central bus station and terminal is only operating on a temporary basis,⁶⁰ and the city has no metro network despite decades-long planning and construction announcements. The rail freight bypass is incomplete, while sections of cycling lanes along the rivers are overcrowded and unsafe.

These problems are all connected in some way to the Belgrade Waterfront development. A recent collision between a passenger and a freight train in a tunnel below the city centre is a consequence of the delays in implementing strategically important public investments in transport infrastructure and the government’s insistence on prioritising and providing favourable conditions for private developments.⁶¹

⁵⁸ Ana Vilenica, [Beograd na vodi: Život kao privilegija](#), *Mašina.rs*, 21 July 2014.

⁵⁹ Marko Stojanović, [Na horizontu širenje Beograda na vodi i aktiviranje Čukarice](#), *Gradnja.rs*, 22 April 2024.

⁶⁰ During preparation of this report, the central bus station has been moved to a new location, even though the construction of the new terminal building hasn’t even started yet.

⁶¹ Dejan Aleksić, [Pruga u istoriju, opasne materije kroz tunele](#), *Politika online*, 4 July 2018.



Belgrade Waterfront development (source: private archive)

Skopje 2014

The project was developed according to the urban plan for Skopje city centre (Small ring), adopted in 2012 under suspicious circumstances following legislative changes aimed at removing obstacles to its implementation. Between 2007 and 2012, the Skopje 2014 plan underwent a total of 9 modifications and adaptations, as part of a completely non-transparent process under the authorisation of the government and in collaboration with local institutions and municipalities.⁶²



Skopje city centre (source: private archive)

⁶² Jana Brsakoska, ['Public space transformation in the case of „Skopje 2014“'](#), *Urbana 22: 1-20, Urbana: Urban Affairs and Public Policy*, 27 November 2021.

Skopje 2014 Undercover – a digital database managed by the Balkan Investigative Reporting Network – provides a comprehensive list of the project’s ‘accomplishments’: 28 new buildings, 6 multi-story garages, 34 monuments, 5 squares, 6 facade covers, 1 panoramic wheel, 4 bridges, 39 sculptures, 1 triumph arch and many more structures belonging to other categories. All of these interventions were financed by public funds amounting to over EUR 684 million.⁶³

This emergence of over 130 newly built neoclassical structures and redesigned socialist-era buildings has completely transformed a relatively small area of the city centre over the course of approximately 10 years. The new buildings, which now occupy what was once public green spaces featuring pedestrian paths, have dramatically curtailed walking zones and free circulation through the city centre. The numerous changes, which have occurred within a very short period, do not meet the needs of the city’s social, economic and urban segments, and artificially impose the neoclassical style as a representation of the historical and national values of the people of North Macedonia.⁶⁴

Sarajevo ventilation corridors

Sarajevo’s concerning air quality situation is largely linked to its location in a valley surrounded by high mountains. The importance of maintaining ventilation corridors throughout the city was first formally recognised and regulated back in the 1990s with a ban on high-rise buildings blocking air flow. The city’s 1986–2015 general urban plan,⁶⁵ still valid and yet to be updated, emphasises that the maintenance of ventilation corridors should be prioritised over the vertical expansion of the city.

Despite these regulations, numerous high-rise structures have been constructed since 2000. These include the 142-metre Avaz Twist Tower (2008), the 118-metre Bosmal City Centre residential building (2007), the 82-metre Blok S2 Novo Sarajevo development (2015), the 74-metre Sarajevo City Centre business complex and shopping centre (2014), and the 66-metre Capital Tower (2010). Indeed, the dominance and self-sufficiency of the property market show no signs of slowing down, with many new high-rise developments recently announced, including the 156-metre R Tower.

The Bosnian environmental organisation Eko akcija has consistently highlighted governance issues contributing to these continued breaches of legislation. Their criticism extends beyond the height of these buildings to the sheer volume of construction. According to Bosnia and Herzegovina’s 2013 census, one in four apartments in Sarajevo was unoccupied, underscoring the disconnect between supply and demand.⁶⁶

⁶³ Prizma, Balkan Investigative Reporting Network, [Skopje 2014 uncovered](#), *Prizma*, last updated 5 January 2018, accessed 20 October 2024.

⁶⁴ Jana Brsakoska, [‘Public space transformation in the case of „Skopje 2014“](#), *Urbana 22: 1-20, Urbana: Urban Affairs and Public Policy*, 27 November 2021.

⁶⁵ Grad Sarajevo, [Urbanistički plan grada Sarajeva za urbano područje Sarajeva za period od 1986. do 2015. godine](#), *Službene novine grada Sarajeva*, 15 March 1990.

⁶⁶ Abraš Media, [Sarajevo Canton Government offensive on clean air and free spaces in Sarajevo](#), *Media Centar Abrašević*, 17 May 2021.



High-rise buildings in Sarajevo (source: private archive)

Technical assistance provided by the European Bank for Reconstruction and Development (EBRD) under the Green Cities Programme was used to fund a 2019 study on urban ventilation corridors in Sarajevo. The aim of the study was to propose new ventilation corridors as a means of establishing areas where new high-rise construction should not be permitted. After adopting the document in February 2020, the Government of the Canton of Sarajevo instructed its competent ministry to incorporate the recommendations of the study into a previous decision on protecting and improving air quality in the canton that would render the changes legally binding. However, the proposed amendments were never discussed or adopted at Sarajevo Canton Assembly. On the other hand, a 2020 decision on temporary measures for protecting ventilation corridors was annulled in 2021.⁶⁷

In 2022 the cantonal government has called into question the results of the study, claiming them to be based on historical data rather than actual measurements, and has requested additional studies to inform decisions on air quality regulations. The then-minister also stated that the implementation of the 2019 study could not be discussed by the Assembly on the grounds that it had yet to undergo a public hearing.⁶⁸ Since then, all progress on the matter seems to be completely blocked while the uncontrolled construction continues.

⁶⁷ [Odluka o stavljanju van snage Odluke o privremenim mjerama zaštite ventilacionih koridora utvrđenih u "Studiji o urbanim ventilacionim koridorima i uticaju visokih zgrada" u skladu sa Zaključkom Vlade Kantona Sarajevo broj 02-04-2751-17/20 od 06.02.2020. godine i Zaključkom Skupštine Kantona Sarajevo broj 01-04-3436-6/20 od 25.02.2020. godine \("Službene novine Kantona Sarajevo " broj 24/20\), Službene novine Kantona Sarajevo broj 21/21, 27 May 2021.](#)

⁶⁸ Raport, [Hadžiahmetović: Ventilacioni koridori su važni, ali ne smiju biti ograničavajući za buduće planiranje i izgradnju objekata](#), *Raport*, 17 July 2022.

2.2. Climate investment in cities by multilateral development banks

The potential for cities to accelerate progress towards realising the Sustainable Development Goals and the 2030 Agenda for Sustainable Development has been widely recognised. However, cities often struggle to manage the financial and human resources needed to improve the availability of infrastructure and the provision of services, while addressing climate challenges in a just and equitable way.

Barriers restricting the access of cities to financing include limited or restricted regulations on cities doing business with the private sector, low or no credit ratings, a limited capacity to structure bankable climate-smart projects, and a lack of consistency on policy resulting from changing mayoral election cycles.⁶⁹

Municipalities depend on higher levels of government to create a fiscal environment that strengthens their capacity to raise revenue and access the external funds needed for large projects. Many argue that in cases where national governments are unwilling or unable to support cities in developing creditworthy projects, multilateral development banks should intervene.⁷⁰ In its recent report on accelerating urban climate finance, the Cities Climate Finance Leadership Alliance states that multilateral development banks ‘must work more closely and effectively with cities, which are at the forefront of the battle against the climate crisis’.⁷¹

Several technical assistance and project preparation facilities, such as the City Climate Finance Gap Fund, help cities develop ‘bankable’ projects and access the climate financing needed to implement these projects. The Fund, created in 2020 to help the cities of developing countries ‘turn climate-focused ideas into concrete urban project proposals’, is jointly facilitated by the World Bank and the European Investment Bank (EIB) in partnership with Gesellschaft für Internationale Zusammenarbeit (GIZ) and several other partners.⁷²

Table 3 provides an overview of similar initiatives and project preparation facilities offered by the most active multilateral development banks in the Western Balkan region, namely the EBRD, EIB and the World Bank. Initiatives outside the banking sphere include the UN Habitat Cities Investment Facility and the C40 City Finance Facility (CFF).

⁶⁹ Priscilla Negreiros, et al., [The State of Cities Climate Finance Part 1: The Landscape of Urban Climate Finance](#), *Climate Policy Initiative*, June 2021.

⁷⁰ Julia Gaus, [Financing Urban Transformation: Don't Leave It Up to Cities Alone](#), *Urban Shift*, 11 July 2022.

⁷¹ Priscilla Negreiros, et al., [Accelerating Urban Climate Finance in Low- and Middle- Income Countries: An important strategic dimension of MDB reform](#), *Climate Policy Initiative*, November 2023.

⁷² European Investment Bank, [City Climate Finance Gap Fund: About](#), *European Investment Bank*, accessed on 20 October 2024.

Table 3. Examples of technical assistance provided to cities by multilateral development banks.

MDB	Technical assistance initiatives for cities
EIB	City Climate Gap Fund, FELICITY, Urban Projects Finance Initiative (UPFI), Greening Financial Systems Technical Assistance Programme
EBRD	Green Cities
WORLD BANK GROUP	City Climate Gap Fund, Global Infrastructure Facility, City Resilience Program, IFC Advanced Practices for Environmental Excellence (APEX) tool, Global Facility for Disaster Risk Reduction, City Creditworthiness Initiative

Modified from: Priscilla Negreiros, et al., [Accelerating Urban Climate Finance in Low- and Middle- Income Countries: An important strategic dimension of MDB reform](#), *Climate Policy Initiative*, November 2023.

Western Balkan cities have further opportunities to receive technical assistance for accessing climate finance through various country-specific and sectoral programmes. These initiatives are aimed at building capacity, developing policies and streamlining municipal investment in sustainable urban development and urban resilience. One such example is the World Bank’s Green, Livable, Resilient Cities in Serbia programme, a four-year venture focused on strengthening sustainable and resilient urban development in various cities in the country.⁷³

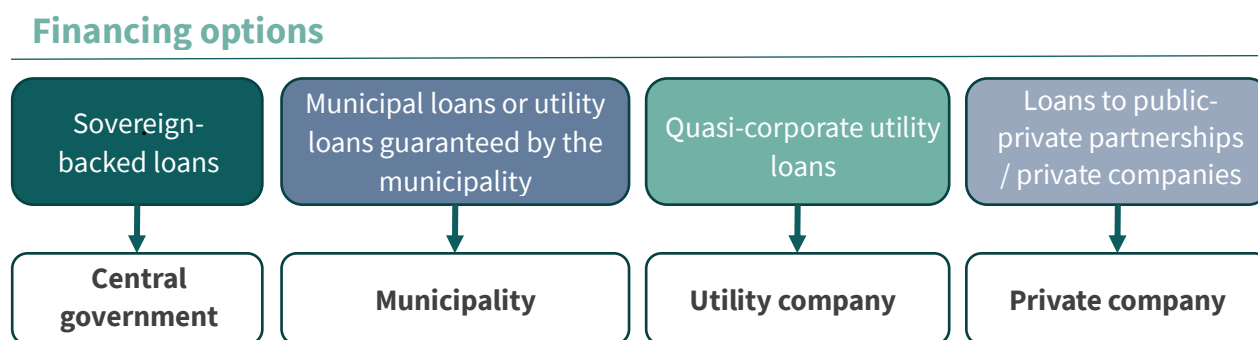
Compared to other multilateral development banks, the EBRD is unique in that it predominantly focuses on non-sovereign operations.⁷⁴ The bank’s experience in working directly with local governments and utility companies has evolved from financing individual urban infrastructure projects to developing a comprehensive initiative aimed at accelerating climate action in cities.

The Green Cities Programme, promoted by the EBRD as a pioneering initiative for addressing climate change through investments in urban infrastructure and services, is designed as a one-stop service for cities in the EBRD’s countries of operations, including the Western Balkans. The programme integrates technical support for the development and implementation of a guiding proprietary planning document called the Green City Action Plan, along with a range of project financing options (Fig. 3) and grants for project-related technical assistance.

⁷³ The World Bank, [Green, Livable, Resilient Cities in Serbia Program](#), *The World Bank*, 13 January 2022.

⁷⁴ Priscilla Negreiros, et al., [Accelerating Urban Climate Finance in Low- and Middle- Income Countries: An important strategic dimension of MDB reform](#), *Climate Policy Initiative*, November 2023.

Fig. 3. Range of EBRD financing options available for cities



Source: European Bank for Reconstruction and Development, [EBRD Green Cities Framework](#), *European Bank for Reconstruction and Development*, June 2017.

In conclusion, there is a growing opportunity for multilateral development banks and agencies to contribute to strengthening good governance while improving sustainability performance and resilience in Western Balkan cities. Only by cooperating on addressing governance issues that tend to significantly reduce the quality and effectiveness of investments, banks and cities can meet their objectives and deliver tangible benefits to the citizens they have committed to serve.

In its 2024 regular economic report, the World Bank emphasises that ‘the structural reform agenda remains critical in order to invigorate growth in the Western Balkans toward faster and more sustainable improvements in living standards’.⁷⁵ To this end, demonstrating the improved governance capacity and performance of local authorities should serve as a benchmark for shaping future cooperation and increasing the financing provided by multilateral development banks.

2.2.1. Case study: EBRD’s Green Cities Programme

Western Balkan cities were among the early adopters of the EBRD’s Green Cities Programme. Belgrade, Serbia’s capital and largest city, became the eighth city to join the programme in August 2018, followed by Novi Sad, Serbia’s second largest city, in 2019. The Bosnian cities of Sarajevo, Zenica and Banja Luka joined in 2018, followed by Brčko and Mostar in 2022. Skopje, which joined in 2019, remains the only city in North Macedonia to join the programme.

The development of Green City Action Plans in Belgrade, Sarajevo and Skopje was relatively efficient, led by international consultants experienced in implementing the methodology. However, the quality of stakeholder engagement varied significantly depending on local circumstances.

⁷⁵ The World Bank, [Western Balkans Regular Economic Report: Invigorating Growth](#), *International Bank for Reconstruction and Development, The World Bank*, 2024.

In Skopje, for instance, Bankwatch found the process to be extremely limited and skewed towards the city’s development as envisioned by the public sector.⁷⁶ Although overcoming operational issues and building the capacity of public servants is undoubtedly crucial for the successful implementation of the programme, the buy-in of citizens, the key factor in making urban investments and initiatives truly transformational, was overlooked.

While the Green City Action Plans were finalised within the expected timeframe, the time needed for the adoption of the plans by the city councils – a crucial step for ensuring greater ownership of the plans – varied significantly. For instance, Belgrade’s Green City Action Plan was adopted in June 2021, almost three years after the city joined the programme, while Novi Sad didn’t develop its Green City Action Plan to date.

More concerning, however, is the limited number and slow progress of follow-on investments, despite the deteriorating state of urban infrastructure and its negative impacts on public health, safety and overall living conditions. Table 4 provides an overview of the projects signed under the Green Cities framework across the three cities.

Table 4. EBRD Green Cities projects in Sarajevo, Skopje and Belgrade.

SIGNED GrCF PROJECTS		YEAR	STATUS	TYPE	EUR (up to)
GrCF2	Skopje Bus Rapid Transit Project	2020	signed	sovereign loan	70 M
GrCF W2	Skopje Wastewater Project	2019	disbursing	sovereign loan	60 M
GrCF	Skopje Bus Project	2018	repaying	sovereign loan	10 M
GrCF2 W2	Belgrade Water Phase 2	2022	signed	senior loan	13 M
GrCF2 W2	Belgrade Public Buildings	2021	disbursing	N/A	5 M
GrCF	Belgrade Green Boulevard	2017	repaying	senior loan	20 M
GrCF2 W2	Sarajevo Public Transport e-Mobility	2021	disbursing	sovereign loan	7 M
GrCF2 W2	Sarajevo Public Transport	2020	N/A	sovereign loan	15 M
GrCF2 W2	Sarajevo Public Transport Part 2	2020	N/A	sovereign loan	20 M
GrCF2 W2	Sarajevo Public Transport Part 3	2020	repaying	sovereign loan	10 M
GrCF2 W2	Sarajevo Public Buildings	2020	N/A	sovereign loan	8 M
GrCF	Sarajevo Water	2017	repaying	sovereign loan	20 M

Modified from: EBRD Evaluation Department, [The EBRD Green Cities Programme interim evaluation \(2016-21\)](#), *European Bank for Reconstruction and Development*, May 2023.

⁷⁶ Davor Pehchevski, [The Skopje Green City Action Plan - developing a city for citizens or for decision makers?](#), *CEE Bankwatch Network*, 29 July 2019.



Sarajevo is a Western Balkan capital city with the highest level of investment in public transport financed by the multilateral development banks (source: Michaela Kozminova)

The Canton of Sarajevo is one of the programme’s top performers, alongside Tbilisi, which boasts the highest number of signed follow-on investments. Belgrade, on the other hand, has underperformed, with no project loans signed between 2017 and 2021 and the smallest cumulative value of signed operations among the three cities. Additionally, the sustainability and impact of one of the three projects developed in Belgrade, the Belgrade Green Boulevard, have been problematic, as previously reported by Bankwatch.⁷⁷

A common deficiency shared by the three cities in implementing their Green City Action Plans is the limited funding for policy actions, an issue highlighted in an EBRD interim independent evaluation of the Green Cities Programme: ‘The EBRD implementation of GCAPs is centred on investments; the intention is to implement GCAP policy action as well, but the funding sources for non-transactional policy work are limited’.⁷⁸ For example, the Green Action Plan for the Canton of Sarajevo identifies 15 actions for the sustainable transport sector in Sarajevo. However, the five selected as priority actions pertain exclusively to investments in infrastructure and none to policy improvements.

Air quality has been identified as the most concerning environmental problem in the Green City Action Plans of the three cities. Yet, their approaches and levels of ambition in dealing with the issue have differed considerably. Whereas the Canton of Sarajevo has actively pursued improvements in public transport, Skopje’s Bus Rapid Transit project was suspended following changes to the city administration.⁷⁹ The new

⁷⁷ Pippa Galop, Emily Gray, [A walk on the wild side](#), CEE Bankwatch Network, 18 November 2019.

⁷⁸ EBRD Evaluation Department, [The EBRD Green Cities Programme interim evaluation \(2016-21\)](#), European Bank for Reconstruction and Development, May 2023.

⁷⁹ Meta, [Skopje City Hall rejects the Bus Rapid Transit System, but with the budget rebalance, money were withdrawn for new public transport solution](#), Novinska agencija “Meta.mk”, 5 August 2022.

mayor decided to abandon the project despite mounting problems with the city's public transport system, which has resulted in occasional service disruptions.⁸⁰ In Belgrade, overall investment in public transport falls far short of the city's needs, as evidenced by an increasing number of incidents and accidents involving ageing public transport vehicles.⁸¹⁻⁸³

Bankwatch's experience monitoring the Green Cities Programme over the past seven years shows that, while the programme is welcomed as a source of direct financing for municipalities, its impact on advancing people's access to safe and reliable services (even in the case of significant investment) has been very limited, particularly when governance issues are not tackled at the same time.

For instance, as illustrated in the case of Sarajevo's public transport system,⁸⁴ which received over EUR 150 million in combined financing from the EBRD and the EIB, infrastructural improvements only marginally contribute to overall safety and reliability of public transport if they are not accompanied by improved access, connectivity, availability, and improved operational management across the entire network.

Governance issues in the city administrations of Sarajevo, Skopje and Belgrade are mirrored on an even larger scale across all public service and utility companies. This is reflected not only in delayed, untransparent and poorly executed projects, but also in poor data collection, administration and information provision. Currently, these problems are hindering both the progress and impact of the Green Cities programme in all three cities, and result in inconsistent programme reporting and monitoring.

The lack of availability⁸⁵ of Green City Action Plan progress and impact reports – an integral part of the monitoring framework established by the Green City Action Plan methodology – indicates that the cities view the Green Cities Programme merely as a source of financing as opposed to a framework for guiding systemic climate action through green investments and policy action.

⁸⁰ Free Press, [Skopje in 2022: A year of chaos in public transport](#), *Free Press*, accessed on 20 October 2024.

⁸¹ Nova.rs, [Zapalio se autobus na liniji Beograd-Lazarevac: Crni dim kulja iz vozila VIDEO](#), *United Media*, 9 April 2024.

⁸² RTS, [Kontrola ispravnosti vozila u javnom prevozu – zašto se često dešava da se autobusi u Beogradu zapale](#), *RTS*, 29 February 2024.

⁸³ Blic, [Ko nas vozi? Otkrivamo sve detalje o situaciji u javnom gradskom prevozu u Beogradu \(video\)](#), *Ringier Serbia d.o.o.*, 4 October 2021.

⁸⁴ Amina Dizdar, Dajana Bakić, Emina Bošnjak, [Gender-related issues in the urban mobility sector in the Canton of Sarajevo](#), *CEE Bankwatch Network*, December 2023.

⁸⁵ Bankwatch requested these reports from the city administrations of the three cities; however, no response was received from Sarajevo or Skopje. The City of Belgrade responded on 2 February 2023, stating that no reports had been developed.



Cyclists against the backdrop of Skopje 2014 project site (source: Michaela Kozminova)

3. Consequences of poor urban governance

The vulnerability of cities to climate change and social decline is often exacerbated by costly yet ineffective solutions that limit or even negatively impact their liveability. These false solutions are the result of flawed or inconsistent planning practices and implementation, as well as misplaced and badly managed investments that fail to meet people's needs.

Due to the complexity of planning, the need for integration with other systems, sensitivity to climate change, and extensive social impacts, infrastructure projects require the participation and cooperation of a large number of stakeholders, including financiers, experts, service providers and service users. Unfortunately, participatory practices in Western Balkan countries are hindered by a lack of transparency, low levels of trust in public institutions and governments, and the absence of effective mechanisms to inform and engage citizens.⁸⁶

Poor governance, a lack of democratic decision-making, and inconsistent policy implementation leave cities exposed to unsustainable profit-driven development that is ultimately impossible to rectify. According to the New Climate Economy, 'urban infrastructure investments are typically in the range of 30 to 100 years, and the path dependencies created by urban form are sustained over centuries'.⁸⁷

Past policy decisions significantly influence the urban form, transport systems, and energy efficiencies, resulting in long-lasting and widespread impacts due to cities' high resource consumption. While well-suited, well-planned and well-executed urban infrastructure requires a substantial outlay, unfit infrastructure and its associated consequences cost even more in the long run.

⁸⁶ Emily Gray, [The EBRD and EIB's Sustainable Municipal Infrastructure Investments in the Western Balkans and Eastern Neighbourhood](#), CEE Bankwatch Network, June 2020.

⁸⁷ Graham Floater, Philipp Rode, [Cities and the new climate economy: The transformative role of global urban growth](#), *The New Climate Economy*, November 2014.

According to a policymakers' summary on financing the urban transition by the Coalition for Urban Transitions, urban growth and associated infrastructure deployment that exclusively prioritises market-based outcomes culminates in market failures, which in turn hinder the productivity and economic performance of cities:

Among these market failures are urban sprawl, congestion and longer travel times, negative externalities of pollution and carbon emissions, network externalities, reduced agglomeration effects on innovation and skills matching, and imperfect and asymmetric information.⁸⁸

3.3.1. Forced gentrification increasing vulnerability to climate change

The unsustainable overproduction of fast-selling real estate – which often comes at the expense of green spaces, and sometimes even cultural and architectural heritage – without increasing capacity or modernising existing infrastructure has consequences for entire cities. However, in Western Balkan cities, the pressure on central areas is particularly intense. Hunger for profit and growth, enabled by neoliberal planning, has dramatically transformed the capitals of the region to the extent that they have become unrecognisable within the last decade (Fig. 4).

Fig. 4. Planned extension of the Belgrade Waterfront, a commercial development in a built-up area on the banks of the Sava in Belgrade



Source: Nova planska praksa, [Hoćemo li zazidati Savsko priobalje?](#), *Interaktivni urbanizam*, 14 July 2024.

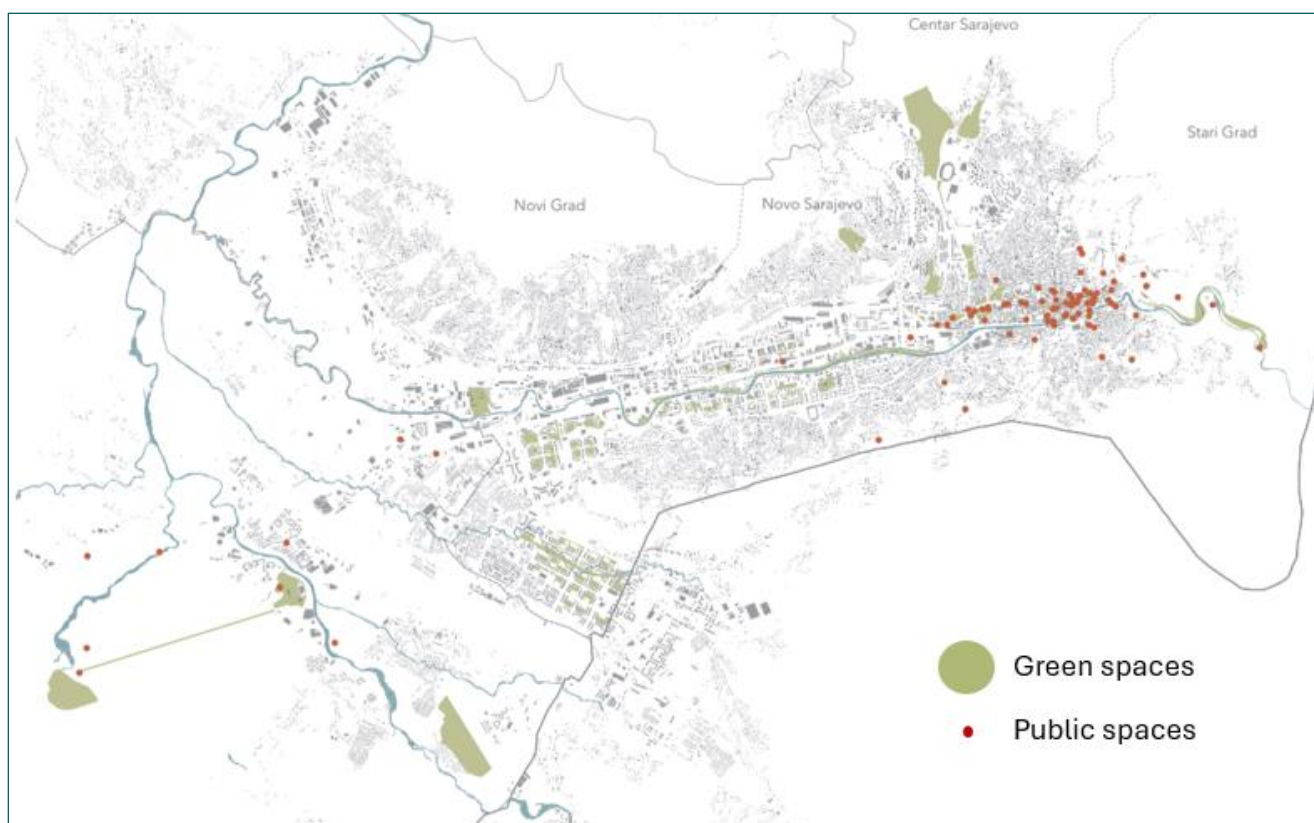
⁸⁸ Graham Floater, et al., [Financing the Urban Transition: Policymakers' Summary](#), *Coalition for Urban Transitions*, October 2017.

Competition for well-located urban land leads to the displacement of low-income urban residents – either rapidly through forced evictions or gradually through gentrification.⁸⁹ But while gentrification is a global phenomenon, its effects are specific to the region in which it occurs.

In the Western Balkan cities, gentrification has reduced green and public spaces, increased traffic, exacerbated air pollution, and heightened the urban heat island effect and exposure to flooding. Paradoxically, in this region the development of new higher-value neighbourhoods actually increased environmental risks. Therefore, planning for compact urban design and higher urban density must meet stringent environmental and social criteria.

The map of Sarajevo in Fig. 5 illustrates the distribution of green and public spaces in the city, showing an obvious scarcity of green areas in the city centre, where the majority of public spaces are concentrated. A similar pattern can be observed in Belgrade and Skopje. However, rather than increasing density in central urban areas, monocentric cities like Belgrade, Sarajevo and Skopje have the opportunity to adopt a more sustainable growth model.

Fig. 5. Distribution of green and public spaces in Sarajevo



Modified from: Angela Djuric, Henry Fletcher, Christoph Hinterreiter, et al., [Brownfield Development in Sarajevo: Sarajevo Brownfield Urban Regeneration Project](#), University of Sarajevo, Faculty of Architecture, 46, 2023.

⁸⁹ Sarah Colenbrander, Aliyu Barau, '[Planning and financing urban development in the context of the climate crisis](#)', *International Journal of Urban Sustainable Development* 11 (3): 237-244, Informa UK Limited, 23 October 2019.

A 2023 study⁹⁰ funded by the EBRD and published by the University of Sarajevo, proposes a polycentric model for the long-term development of Sarajevo by examining the potential for regenerating two brownfield sites in the city. It recommends transforming the selected sites into mixed-use neighbourhoods, serving as new secondary and tertiary city centres.

The study notes that previous planning documents had designated specific areas for important urban functions and secondary centralities. However, a lack of political will and on-site inspections led to the irreversible loss of these areas, with planning efforts ultimately compromised by political pressures and investor interests. This resulted in overdevelopment, inadequate infrastructure and insufficient public space'.⁹¹

Potential investment in urban reconstruction by multilateral development banks in the Western Balkans remains a novelty. Until now, with the exception of Skopje 2014, where the government actively promoted gentrification as a tool for nation-building and city branding,⁹² the lack of public investment in urban regeneration has allowed private investors to recreate the major cities of the Western Balkans in their image.

Regrettably, this has resulted in the commodification of public spaces and a rapid decline in the number of public open and green areas. In Belgrade, for example, existing green spaces are treated as unbuilt areas, while very few new projects incorporate green infrastructure. Due to poor governance and the lack of binding policies on green areas, opportunities to use private capital to halt and reverse the deterioration of urban green infrastructure have been missed.⁹³

Interestingly, the gentrification underway in Belgrade, Sarajevo and Skopje is not driven by population growth. In fact, the populations of some of the largest cities in the region have remained relatively stable due to the balance between people migrating from rural to urban areas and those emigrating from Western Balkan countries to more developed countries.

According to Serbia's 2011 census, a total of 1,659,440 permanent residents lived in Belgrade's metropolitan area, while in 2022 that number reached 1,685,563 – an increase of only 26,123 people over 10 years.⁹⁴ The number of dwellings, however, increased by over 130,000, a figure four times greater than the demand reflected in the actual population growth.⁹⁵

Ironically, this overproduction of residential units has not alleviated, but rather amplified, the housing crisis. Of course, this phenomenon is not restricted to the Western Balkans. It is rather a global problem invariably

⁹⁰ Angela Djuric, Henry Fletcher, Christoph Hinterreiter, et al., [Brownfield Development in Sarajevo: Sarajevo Brownfield Urban Regeneration Project](#), University of Sarajevo, Faculty of Architecture, 2023.

⁹¹ Ibid., 36.

⁹² Chiara De Cesari, Rosita Dimova, *International Journal of Heritage Studies* 25(9), 'Heritage, gentrification, participation: remaking urban landscapes in the name of culture and historic preservation', Informa UK Limited, 14 September 2018.

⁹³ Ministarstvo prostora, [More than 10% of greenery disappeared in Belgrade in 20 years](#), Ministarstvo prostora, accessed on 20 October 2024.

⁹⁴ Statistical Office of the Republic of Serbia, [Statistical Release: First results of the 2022 Census of Population, Households and Dwellings](#), Statistical Office of the Republic of Serbia, 21 December 2022.

⁹⁵ Statistical Office of the Republic of Serbia, [Number of total dwellings](#), Statistical Office of the Republic of Serbia, updated on 12 February 2024, accessed on 20 October 2024.

exacerbated by poor governance and the failure of national and local governments to adopt effective solutions.⁹⁶

According to the latest data from the Statistical Office of the Republic of Serbia (for the year 2022),⁹⁷ 49.7 per cent of households in Serbia are under a heavy financial burden due to total housing costs, 45.5 per cent are under a slight burden, and only 4.8 per cent are under no housing cost burden.⁹⁸ While official statistical data for Western Balkan cities is not available, Eurostat’s data for the EU show that the housing cost overburden is prevalent in cities.⁹⁹ In 2021, 10.4 per cent of the EU’s urban population was overburdened by housing costs compared to 6.2 per cent in rural areas.

Considering the lower standard of living and higher risk of poverty in the Western Balkans compared to the EU, it can be assumed that the housing overburden in Western Balkan cities is significantly higher than in EU cities. Fig. 6 ranks Sarajevo, Belgrade and Skopje on a list of 120 European cities based on mid-2024 data on house price-to-income ratio.¹⁰⁰ Lisbon is the only EU-27 capital on the list with a less favourable house price-to-income ratio than Belgrade.

Fig. 6. House price-to-income ratio in Belgrade, Sarajevo and Skopje (lower ratio indicating better affordability)

Rank*	City	Price-to-income ratio
5	Belgrade	18.8
30	Sarajevo	14.2
33	Skopje	13.8

* among 120 European cities

Modified from: Numbeo, [Europe: Property Prices Index by City 2024 Mid-Year](#), Numbeo, accessed on 11 October 2024.

3.3.2. Urban sprawl increasing infrastructure gap

Despite the pressures of gentrification, urban sprawl continues to be a significant issue in Sarajevo, Belgrade and Skopje. Driven by economic and political crises, this sprawl started decades ago with illegal construction, a trend exacerbated by rising property prices and the cost of living in central areas.

⁹⁶ Edo Omic, Cecilia Handeland, [The intersection of housing and inequalities in the Western Balkans](#), Council of Europe Development Bank, April 2022.

⁹⁷ Statistical Office of the Republic of Serbia, [Statistical Release: Poverty and Social Inequality, 2022](#), Statistical Office of the Republic of Serbia, 16 October 2023.

⁹⁸ The financial burden of total housing costs refers to a household’s subjective assessment of how much strain these expenses place on their finances. These costs include mortgage or rent payments, utility bills, and other housing-related expenditures.

⁹⁹ Eurostat, [Housing cost overburden more prevalent in cities](#), The European Union, 2 February 2023.

¹⁰⁰ The house price-to-income ratio is a key indicator of apartment purchase affordability, with a lower ratio indicating better affordability. It is typically calculated by dividing the median apartment prices by the median disposable income of households, expressed in terms of years of income. However, variations of this calculation can be used in other contexts.

The World Bank has criticised the region's urban planning and land management systems, noting that urban sprawl in a context of population decline indicates the shortcomings of the current urban planning and land management system.¹⁰¹ In its 2023 report on sustainable cities in Serbia, the bank observed that large tracts of land are currently being zoned for urban development in an attempt to legitimise informal construction. Based on general urban plans, the per capita area of zoned construction land in Serbian cities is among the highest in Europe.¹⁰²

Urban sprawl has numerous negative consequences across all urban sectors. In addition to the inevitable increase in transport costs for the public sector, businesses and citizens, expenses related to the delivery of other services also rise. A study of 50 cities worldwide estimated that almost 60 per cent of projected energy consumption growth is directly attributable to urban sprawl, exceeding that caused by increases in gross domestic product and demographic changes.¹⁰³

On an aesthetic level, the face of urban sprawl is far from attractive. On the outskirts of the three cities, semi-legal or completely illegal buildings are springing up in chaotic arrangements, often without proper infrastructure or sanitation. These informal neighbourhoods, ranging from slums to dwellings compliant with building codes and standards, share the common problem of poor access to services.

Belgrade's sewage problems are not limited to informal settlements, but this is where they are most obvious, as can be illustrated by the case of neighbourhoods in Palilula municipality where wastewater from homes and businesses flows through drainage channels once used for irrigating agricultural land.¹⁰⁴

The neighbourhoods of Ovča, Borča and Krnjača, home to around 80,000 people, are situated on the left bank of the Danube within Palilula municipality. Collectively known as the 'Third Belgrade', this area derives its name from its physical and infrastructural detachment from Old Belgrade, which developed around the historical core, and New Belgrade, its counterpart on the opposite bank of the Sava, the Danube's longest tributary.

While the initial development of Third Belgrade was planned, the subsequent major expansion in area and population that began in the 1980s was largely illegal. As a result, most households still lack a sewage system. Although various commercial services have come on stream over time in what remains a largely residential area, its infrastructure has not kept pace.

In 2018, the Economic and Investment Plan for the Western Balkans, a project co-funded by the EU and the EIB, advanced a proposal to invest in the sewage system on the left bank of the Danube, including a

¹⁰¹ The World Bank, [Sustainable Cities Serbia: Unlocking the potential of cities for the green transition](#), *The World Bank*, 24, June 2023.

¹⁰² *Ibid.*, 35.

¹⁰³ Loeiz Bourdic, Serge Salat, Caroline Nowacki, *Building Research and Information* 40(5):1-14, '[Assessing cities: A new system of cross-scale spatial indicators](#)', *ResearchGate GmbH*, October 2012.

¹⁰⁴ Katarina Baletic, '[Pure Sewage: Tackling Belgrade's Wastewater Woes](#)', *Balkan Investigative Reporting Network*, 13 June 2024.

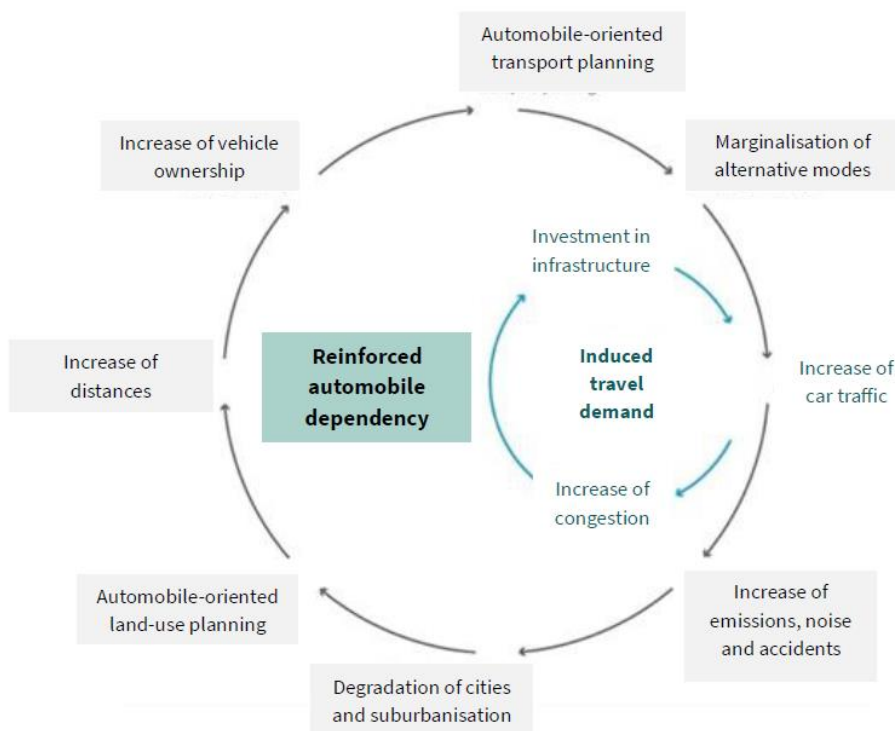
wastewater treatment facility in Krnjača. But although the project received EIB financing approval in 2019,¹⁰⁵ the tendering procedure for the design and construction of the system only commenced in 2021.¹⁰⁶

As of writing, the results of the tender remain unknown and construction has yet to begin. Residents have protested against the glacially slow progress of the project. Meanwhile, this decades-long issue continues to negatively impact the health and well-being of a large number of people.¹⁰⁷ They report that the water channels built over the last century are now polluted, aquatic life in them has diminished, and the smell is unbearable. The whole area is also at high risk of flooding, which could easily lead to wastewater spillover, causing even greater health and environmental damage.

3.3.3. Motorised connectivity increasing car dependence

The overbuilding of city centres, combined with peripheral urban sprawl, places a heavy burden on urban systems, complicates operations, and reduces the quality of services, the state of the environment, and the quality of city life. Across the Western Balkans, populations are migrating to the outskirts of cities with limited access to public services, causing used-car ownership increase. This has created a vicious cycle of car dependence characterised by a deterioration in the quality of public transport services and additional car traffic (Fig. 7).

Fig. 7. The vicious cycle of car dependence



Source: Transformative Urban Mobility Initiative, [Vicious cycle of automobile dependency](#), Transformative Urban Mobility Initiative, September 2021.

¹⁰⁵ European Investment Bank, [Belgrade Palilula Sewerage System](#), European Investment Bank, accessed on 20 October 2024.

¹⁰⁶ eKapija, [Tendering Procedure for Designing and Construction of Sewer System on Danube Left Coast Worth EUR 53.2 Million to Open on October 1](#), eKapija, 22 July 2021.

¹⁰⁷ Insajder, [Izgradnja kanalizacije i fabrike za prečišćavanje otpadnih voda u Knjači - na čekanju \(video\)](#), Insajder, 28 June 2023.

Nevertheless, traffic congestion and car dependence are not solely the result of unfavourable spatial development at the local level. National investments and policies also have a decisive role to play. For years – decades in some cases – road transport investments have dominated the portfolios of all the major multilateral development banks operating in the region.^{108,109}

However, connections between new cross-country road and rail infrastructure and modes of sustainable urban mobility remain weak. This also applies to investments in cleaner last-mile solutions and active mobility in densely populated central urban zones.

The Ipsos report on the quality of life in European cities ranks Skopje among the top 10 cities based on car usage, with 64 per cent reporting to be daily car users¹¹⁰ compared to around 46 per cent for Belgrade and only 28 per cent in a top-performing city of Stockholm.¹¹¹ Car usage in Skopje grew from 50 per cent in 2019, which represents a significant increase of 14 per cent, and only dropped marginally in Belgrade. Unsurprisingly, then, the percentage of residents that walk or cycle is very low. Only 20 (Skopje) and 21 per cent (Belgrade) of respondents said they walked on a regular basis, with the share of cyclists even lower at 12 per cent in Skopje and only 6 per cent in Belgrade (the second lowest score among the 83 cities).

Skopje's annual mean levels of particulate matter with a diameter of 2.5 micrometres or smaller (PM 2.5) are 4.5 times higher than the recommended safe level set by the World Health Organization, while Sarajevo's are three times higher. These cities, along with Belgrade and Pristina, are among the most polluted capitals in Europe.¹¹² Despite the fact that the residents of most Western Balkan cities are exposed to chronically harmful levels of air pollution, largely due to the effects of road transport, there is an undeniable lack of political will to address the problem.

The national governments in the Western Balkans continue to ignore the alarming statistical and research data urging them to strengthen legislation restricting the import of polluting, substandard vehicles from the EU.^{113,114} Despite some efforts to decarbonise different sectors, the policy and investment decisions that support the affordability and convenience of car usage, coupled with underperforming public transport, perpetuate the ever-worsening air quality in these cities.

¹⁰⁸ Western Balkans Investment Framework, [Economic and Investment Plan: Endorsed Flagship Investments 2020-2024](#), *Western Balkans Investment Framework*, July 2024.

¹⁰⁹ Western Balkans Investment Framework, [2015 and 2016 connectivity agenda projects: Progress to date \(January 2022\)](#), *Western Balkans Investment Framework*, updated on 6 January 2022, accessed on 20 October 2024.

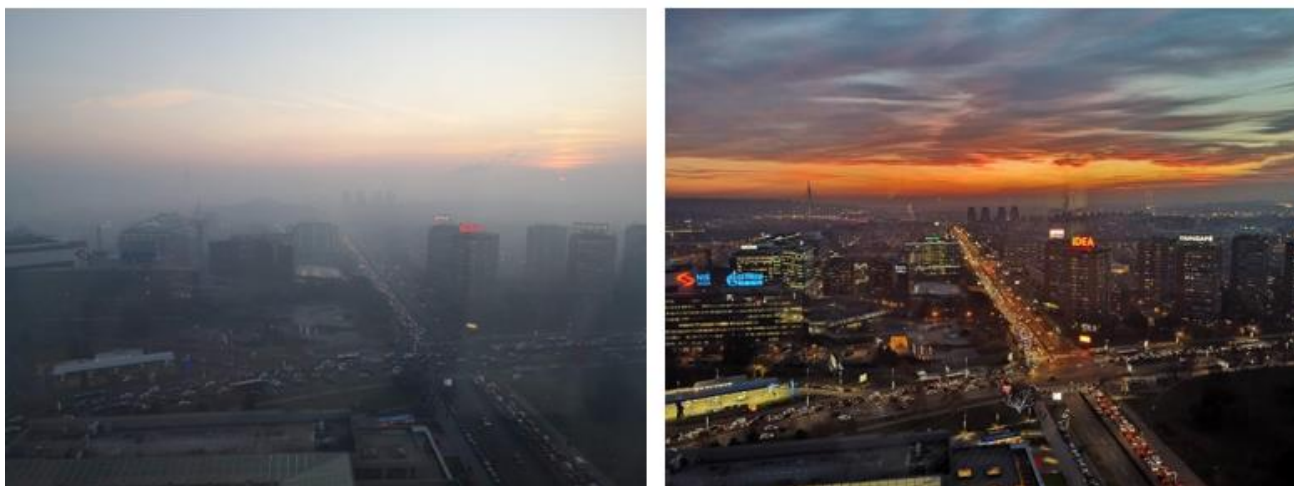
¹¹⁰ Laura de Dominicis, et al., [Report on the quality of life in European cities, 2023](#), *The European Union*, 2023.

¹¹¹ In the 10 cities with the lowest car usage, only 28 to 38 per cent of residents drive a car in a typical day.

¹¹² The World Bank, [Western Balkans Regular Economic Report: Invigorating Growth](#), *International Bank for Reconstruction and Development / The World Bank*, 2024.

¹¹³ European Environmental Agency, [Air quality statistics](#), *European Environmental Agency*, updated on 11 March 2022, accessed on 20 October 2024.

¹¹⁴ Claudio Belis, Djordje Djatkov, Teresa Lettieri, Arwyn Jones et al., [Status of environment and climate in the Western Balkans – Benchmarking the accession process progress on environment](#), *Publications Office of the European Union*, 2022.



The same view of a New Belgrade crossroads at sunset exposing different levels of air pollution (source: private archive)

The Serbian government continues to postpone a ban on the import of high-emission vehicles, making Serbia the only country in the Western Balkans that still allows the import of vehicles compliant with the outdated Euro 3 and 4 emission standards, which are over 15 years old.

Slightly better is the situation in Bosnia and Herzegovina and North Macedonia where imported cars must prove compliance with the Euro 5 standard. At the same time, the EU works to roll out the more stringent Euro 7 standard. However, what is particularly concerning is not only the quality, but also the volume of used car imports. Only 17 per cent of cars sold in Serbia are new. In the first four months of 2024, a total of 43,290 used imported vehicles were sold. More than 65 per cent of these were Euro 3 and 4 vehicles older than 15 years.¹¹⁵

Bosnia and Herzegovina banned the import of cars non-compliant with the Euro 5 standard in 2019. However, the country's emission records are also problematic. In 2023, a total of 57,000 used cars up to 15 years old were sold, far exceeding the number of new cars purchased.¹¹⁶

A 2024 World Bank report highlights the severity of the situation in these cities:¹¹⁷ In Skopje, over 61 per cent of registered vehicles were manufactured over 20 years ago, while in Sarajevo, 53 per cent of vehicles are at or below Euro 4 standard. This issue of outdated, polluting vehicles also extends to the ageing public transportation fleets in these cities.

In Belgrade, the average age of the public transport bus fleet is 10 years, while the tram and trolleybus fleet is even older, with no purchases in the last decade. In Sarajevo, sections of the bus fleet only comply with the Euro 2 standard and are older than 20 years.¹¹⁸ The latest tender for the procurement of new public

¹¹⁵ Serbian Association of Importers of Vehicles and Parts, [The European Union introduces EURO 7 standards, in Serbia it is still allowed to import vehicles with the EURO 3 standard](#), Serbian Association of Importers of Vehicles and Parts, 3 June 2024.

¹¹⁶ Almir Grebović, [Tržište novih automobila u BiH - 2023. godina](#), Pro Auto, 23 January 2024.

¹¹⁷ International Finance Cooperation, The World Bank, [Western Balkans Urban Mobility Initiative: Summary report](#), International Bank for Reconstruction and Development / The World Bank, April 2024.

¹¹⁸ Ibid., 25.

transport vehicles in the Canton of Sarajevo was cancelled after being challenged by one of the potential bidders.¹¹⁹

3.3.4. Unregulated privatisation of public spaces and services

The governance and management problems faced by public transport companies in Western Balkan cities are widely recognised and increasingly debated, with many arguing for operations to be privatised. However, past attempts have exposed weaknesses in local governance.

Previously, lines were awarded to private operators without proper tender procedures and information disclosure in place, a problem made worse by the failure of administrators to ensure adequate oversight. This lack of control was put into tragic focus in March 2024, when a wheel detached from a private bus in Belgrade, killing a pedestrian.¹²⁰

Other issues such as gender-based violence and harassment, unlit public transport stops, unhygienic vehicles, unprofessional driver behaviour, disregard for traffic rules, and deteriorating road conditions significantly affect people's mobility choices, the state of traffic in the city, and overall quality of life.

All publicly owned transport operators in the region are struggling financially, making it difficult to meet basic quality standards. For some, the possibility of ever recovering remains uncertain. For example, Sarajevo's public transport provider – Gradski Saobraćaj Sarajevo (GRAS) – in operation for over 138 years,¹²¹ is now on the brink of collapse.¹²² As it undergoes restructuring, a new public transport company has been established to operate electric transport in the city, while private operators begin to take control of the city's bus and minibus routes.

The EBRD is directly involved in the changes to Sarajevo's public transport system, providing technical assistance accompanied by financial investments. According to EBRD project summary documents and procurement notices, three core processes are now underway: the restructuring of GRAS, the establishment of a new public company to operate electric public transport, and the awarding of additional bus routes to a private operator called Centrotrans. However, citizens in Sarajevo have received hardly any information on any of these developments from their local government and its public enterprises.

3.3.5. Failure to capitalise on increases in land value widening the social gap

It is of major importance for the benefits of public investments to be harvested by the cities for subsequent improvements of public space and services. The reality, however, is that these investments all too often serve the interests of private developers. This dynamic fuels widespread suspicion and scepticism concerning not only the design and implementation of urban infrastructure projects, but also their downstream impacts on citizens.

¹¹⁹ Ministry of Traffic of Canton Sarajevo, [Odluka o poništenju javne nabavke broj 04-11-49257-8/24 BT](#), Ministry of Traffic of Canton Sarajevo, 30 May 2024.

¹²⁰ N1 Belgrade, [Mechanic arrested over bus wheel incident](#), United Media, 19 March 2024.

¹²¹ KJKP GRAS Sarajevo, [Historijat](#), GRAS d.o.o., accessed on 20 October 2024.

¹²² Dino Cviko, [Reforma sarajevskog javnog prijevoza: Još nema najavljenog novog preduzeća. GRAS-u tri godine blokiran račun](#), Centar za razvoj medija i analize, 17 August 2023.

A prime example of this is the abolition of Serbia's land conversion fee in 2023,¹²³ a decision civil society heavily criticised as 'legalising corruption' in urban development by prioritising private interests over public needs. By undermining the intended benefits of public land-use regulations, decisions like these erode public trust in institutions and the fairness of public investments.

The concept of 'land value capture' offers a compelling policy approach that governments can adopt to recover and reinvest increases in land value resulting from public investments. For example, if a metro network extension increases land values in newly connected areas, the government can effectively capture a portion of that increase through development fees or tax revenues.

The captured increase in value can then be used to pay off the initial investment, reinvest in new projects, or mitigate the negative effects of development on communities and the environment. The World Resources Institute explains how land value capture can mitigate the negative effects of gentrification:

Often as a city develops and land prices increase, lower-income residents and small or informal businesses face displacement because the cost of living and doing business becomes unaffordable. Using land value capture, governments can redistribute some of the revenue generated by higher-end developments like expensive apartment buildings and luxury malls to pay for affordable housing and social services that support lower-income residents in the area.¹²⁴

Instead of using this approach and many other fiscal, legislative and planning mechanisms to create equilibrium between private investment and social welfare in the context of urban development, administrations in Western Balkan cities have adopted a completely opposite approach. Not only do they fail to capture increases in urban land value, but they also practically subsidise private investors by giving away public land for free while funding new infrastructure by pocketing the public purse.

Since misappropriated investments in sustainable urban infrastructure can have diverse, even negative effects on the sustainability of urban development and people's livelihoods, future policy directions in this area will be of crucial importance to citizens as well as the providers of green finance.

¹²³ Daniela Ilić Krasić, [Šta je konverzija zemljišta i zašto je ukinuta](#), *United Media*, 8 May 2023.

¹²⁴ Maria Hart, [Developing Cities Need Cash. Land Value Capture Can Help](#), *World Resources Institute*, 18 December 2020.

Conclusion: Facing weaknesses to build resilience

The environmental footprint of urban life is not limited to supplying the city with energy, providing heating and cooling for buildings, or enabling the movement of people and goods. The negative externalities associated with urban activities are exacerbated by poor governance, which is itself reflected in deteriorating planning practices and regulations, the growing misuse of urban space and infrastructure, and malpractice in the distribution and utilisation of public finances.

Continuing to deregulate and transfer key planning responsibilities to the private sector is like putting the fox in charge of the henhouse, an approach that fundamentally undermines the crucial role local governments play in shaping spatial and urban development, while ensuring social justice and cohesion.

Diverting urban development in the Western Balkans towards a more sustainable model goes beyond simply rebuilding independent and trustworthy institutions – it also demands a paradigm shift in the perspectives and criteria that guide investment decisions.

When economic and social potential are given equal weighting, economic interests inevitably prevail due to the way the current system is designed. When it comes to assessing needs, planning projects and allocating funds, there is a skewed tendency to envision urban development from the city centre outwards. In reality, however, there should be more focus on improving life quality on the outskirts of cities, as in many Western Balkan cities these forgotten areas lack adequate lighting, pavements, parks, hospitals, sewage systems, and waste collection services.

A needs-based and climate-informed approach to local development is essential for good governance. While the plans of the EU and multilateral development banks to increase investment in urban climate action in the Western Balkans and beyond are welcome, they must be accompanied by concrete efforts to strengthen urban governance. This includes building the capacity of project implementers while establishing channels and mechanisms to foster long-term meaningful dialogue and collaboration with citizens, civil society, independent experts and think-tanks.

The current narrow focus, which involves supporting climate action through project preparation facilities and dedicated investment programmes, results in a number of crucial elements being overlooked. This long neglected list includes mandatory data collection, proactive information disclosure, pre-implementation and post-implementation surveys, on-site investigations, independent analyses and evaluations, and safe and accessible means of public participation.

Recommendations

National and local governments in the Western Balkans should:

- align local government competences with resources, avoid ambiguous and overlapping responsibilities,
- set goals that are realistic, yet result in tangible improvements and provide opportunities for reconnecting with citizens and regaining public trust;
- develop and deploy good governance competences and mechanisms to support climate-informed and needs-based urban planning and investment;
- use the greater proximity and better understanding that local governments have over the issues hindering sustainable urban development to make sure public funds are properly distributed;
- conduct detailed needs assessments to inform policies, plans and investment decisions, while addressing the challenges faced by the users of public spaces and services;
- establish guidelines, stable and open mechanisms, and a record of informed, meaningful and effective public participation;
- demonstrate coherent and coordinated spatial and investment planning, supplemented by supporting policy measures, and strengthen implementation to ensure balanced, just and inclusive urban development and increased urban resilience;
- strengthen the implementation of urban policies to halt harmful practices that exacerbate climate pressures, air pollution, car dependence and the erosion of green areas;
- make sure that the necessary sustainable transport and air protection measures are in place, alongside incentives and improved conditions for non-motorised mobility;
- never assume that infrastructure improvements alone will drive change - it is the role of governments to provide the conditions necessary to break free from the 'vicious cycles' which burden critical urban sectors;
- reduce deregulation, which leads to uncontrolled gentrification, the perpetuation of illegal construction and urban sprawl;
- adapt housing and public service strategies and policies to reflect the stagnation of urban populations and the projected population decline in the region, while improving quality-of-life indicators through enhanced access to services, a more favourable house price-to-income ratio, and protection from the effects of climate change;
- ensure private capital is deployed to contribute to urban sustainability by creating and utilising socially and environmentally beneficial investment opportunities and by using mechanisms such as land value increase capitalisation;

- introduce urgent measures to halt all harmful activities and practices that pose a serious threat to the health and safety of people in the Western Balkans, regardless of the stated ‘development potential’ of such activities and practices.

Multilateral development banks that finance urban projects in the Western Balkans should:

- devote more assistance funds to building institutional integrity and governance capacity, in addition to building technical and operational capacity;
- ensure good governance is properly implemented in their assessments, including but not limited to country political assessments, client performance assessments, and project assessments;
- make sure social stability and inclusion is not sacrificed on the altar of economic and political stability by ignoring governance issues while maintaining or even increasing investment;
- support transparency and accountability of their clients by setting an example and by taking shared responsibility for project impacts;
- ensure that plans and projects consider the needs of the most vulnerable groups in cities, so project justification and design reflect a robust needs assessment to address infrastructure and service gaps for underserved urban areas;
- conduct participatory monitoring, reporting and verification of impacts of climate action plans and investments, that takes account of citizens’ satisfaction with urban planning, infrastructure and services;
- ensure that clients boast a proven track record of public participation in decision-making, which includes informing the public about the features and aims of planned projects, dedicating enough time for consultations (going beyond the time required by law where needed), handling grievances, and providing records showing they have considered and responded to stakeholder input.