Review scientific paper DOI: 10.56461/iup_rlrc.2026.7.ch2

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ADVANTAGES AND RISKS OF ARTIFICIAL INTELLIGENCE AND AUTOMATED DECISION-MAKING IN ADMINISTRATIVE LAW

States are rapidly digitalizing public administration, using digital public services to reduce the administrative burden on businesses and citizens by making public services and interactions more efficient, cheaper, transparent and faster. The digitalization of public administration and the increasing use of artificial intelligence (AI) are profoundly transforming the functioning of modern states and the relationship between public authorities and citizens. This increased transformation raises significant questions regarding the compatibility of algorithmic governance with the rule of law, fundamental rights, and core principles of administrative law.

This paper examines the legal implications of integrating digital technologies and AI-based systems into public administration, with a particular focus on fundamental principles of administrative law. As automated decision-making by public authorities in their dealings with individuals is increasing, traditional legal principles such as transparency, accountability, proportionality and privacy, face new challenges. The analysis considers relevant EU and CoE instruments and standards, with particular attention to the principles of legality, transparency, non-discrimination, accountability, personal data protection and the right to good administration in the context of AI-based systems in public administration and automated administrative decision-making.

Governments differ significantly in their readiness to implement AI in the delivery of public services, reflecting varying levels of digital transformation and preparedness for the use of AI systems. In this respect, countries in the Western Balkan region continue to demonstrate limited institutional capacity and uneven levels of digital maturity, despite ongoing efforts undertaken within the framework of the European integration process.

Keywords: administrative law, public administration, artificial intelligence, automated decision-making.

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1. INTRODUCTION

Today it is obvious that automation offers clear benefits: it increases speed, efficiency, and decision-making quality. It enhances accuracy and precision, supports better outcomes, and creates a strong foundation for adopting AI and advancing 'digital-era governance' in the public sector (Sheehy & Ng, 2024, p. 671). Digital government offers significant potential to generate efficiency gains in the administration of public services. States are rapidly digitalizing public administration, using digital public services to reduce administrative burdens for businesses and citizens by making public services and interactions more efficient, cost-effective, transparent and faster. Additionally, automated decision-making in public services may also be perceived as fairer and less prone to human error or corruption. The digitalization of public administration and the increasing use of AI are profoundly transforming the functioning of modern states and the relationship between public authorities and citizens. It also raises significant questions regarding the compatibility of algorithmic governance with the rule of law, fundamental rights, and core principles of administrative law (OECD, 2025a, p. 17).

Governments are seeking to use AI to increase productivity, responsiveness, and accountability. Although there is tremendous, untapped potential for governments to use today's AI technologies, a vision of a future where governments successfully develop and adopt trustworthy AI is beginning to emerge. In this regard, AI should be viewed not merely as an opportunity to automate the public sector but to reimagine it (OECD, 2025a, p. 43). In automated administration, the relationship between public authority and an individual is mediated, if not constituted, through digital interfaces, and the information systems that enable them. In effect, public law becomes reimagined through horizontal technology regulation, which then is applicable in public administration in addition to traditional public law rules and principles (Koivisto, Koulu & Larsson, 2024).

While automation and digital public services offer clear benefits, the introduction of AI in administrative procedures raises important questions regarding it challenges, limitations and implications. Addressing these is crucial for governments and other AI actors to seize AI's benefits while mitigating its risks.

Using descriptive, normative and doctrinal research methods, the paper combines legal analysis, literature review and comparative assessment in order to examine how artificial intelligence and automated decision-making in public administration relate to the selected key principles of administrative law, for the purpose of providing extensive evaluation of the topic.

2. AI, AUTOMATED DECISION-MAKING AND ADMINISTRATIVE LAW

While there is no universal definition of artificial intelligence (AI) systems, the following definition provides a broad understanding, distinguishing AI from other types of simpler traditional software systems based on the rules defined solely by natural persons to automatically execute operations. Namely, "artificial intelligence system" means a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations or decisions that may influence physical or virtual environments. Different artificial intelligence systems vary

in their levels of autonomy and adaptiveness after deployment.[1] This is a simplified and updated definition of an artificial intelligence system in the OECD Recommendation on Artificial Intelligence and the Explanatory Memorandum. The Framework Convention, as the first international legally binding treaty in this field in Council of Europe, establishes principles and obligations to ensure that AI systems are fully consistent with human rights, democracy, and the rule of law throughout their lifecycle while being conducive to technological progress and innovation.[2] In the EU, AI systems are defined in a similar manner in the AI Act,[3] with the first comprehensive framework for AI regulation in EU. The regulation establishes a risk-based AI classification system. Namely, AI systems used across various applications are analysed and classified based on the level of risk they pose to users and determine the extent of compliance requirements.

Automated decision-making systems are attracting regulatory attention in the EU. *Inter alia*, Article 22 of the General Data Protection Regulation (GDPR)[4] on decisions based solely on automated processing, including profiling, has long been the centrepiece of the EU's legal approach to ADM and embodies its main policy goals (Rodríguez de las Heras Ballell, 2022, p. 7). Based on the key elements provided in the definition of 'AI systems', Rodríguez de las Heras Ballell (2022, p. 8) proposes a definition of ADM as "a (computational) process, including AI techniques and approaches, that, fed by inputs and data received or collected from the environment, can generate, given a set of pre-defined objectives, outputs in a wide variety of forms (content, ratings, recommendations, decisions, predictions, etc.)". Thus, this concept of ADM includes algorithmic decision-making as well as AI-driven decision-making. A key distinction exists between two types of ADM outputs based on their impact on the "affected person." The first type (ratings, rankings, predictions, etc.) does not directly affect the person's rights or status. The second type involves decisions adopted through ADM that produce legal effects or significantly influence the person's rights, legal, or contractual status. However, the intensity of the legal effects in the second category of ADM requires closer scrutiny and greater legal control (Rodríguez de las Heras Ballell, 2022, p. 9).

The definitions above go beyond mere description and serve as a basis for analysing how AI systems interact with administrative law and its fundamental principles. Turning to the administrative law aspect, when AI systems are applied in the context of administrative decision-making, AI enters the realm of administrative law (COE, 2022, p. 9). The central question is which administrative law rules and principles are impacted by AI and ADM, and which are particularly relevant to their use. It is therefore essential to assess whether AI decision-making aligns with the fundamental principles of administrative law.

With regard to the principle of legality, algorithmic data processing must be based on rules of law and not be arbitrary. This means that the use of algorithm must be grounded in and governed by applicable law. When it comes to the question whether we can control the process and outcome of the design and implementation of automated systems in order

[1] Council of Europe. 2024. Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law, Art. 2.

[2] COE, Framework Convention, Art. 1 (1)),

[3] EU AI Act. 2024. *Official Journal (OJ) of the European Union* 12 July 2024, Art. 3.

[4] GDPR. (General Data Protection Regulation). Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC/.

to ensure that the tools respect the principle of legality achieving this objective requires that the algorithm is published (Panagopoulou, 2024, p. 3). So, principle of law-compliant ADM means that an operator that decides to use ADM for a particular purpose shall ensure that the design and the operation of the ADM are compliant with the laws applicable to an equivalent non-automated decision-making system (Rodríguez de las Heras Ballell, 2022, p. 10). Related to the principles of equality and non-discrimination, first as a general rule, ADM shall not be denied legal effect, validity or enforceability solely on the grounds that it is automated. The principle of non-discrimination supports the use of legally compliant ADM, allowing automation to reach its full potential without compromising protection of the rights and liberties. This does not preclude the adoption of rules specific to algorithms. Certain rules, such as those providing for duties of transparency, explainability or human review, are indeed technology dependent (Rodríguez de las Heras Ballell, 2022, p. 10). In algorithmic decision-making, treating people differently under the same circumstances violates the principle of equality. Properly used, algorithms can reduce discrimination and human bias in sensitive areas. Accordingly, AI depending on its use, can either lead to a violation of the principle of equality or its promotion (Panagopoulou, 2024, p. 4). The principle of objectivity and impartiality requires that ADM systems operate accurately and minimize errors in the algorithm despite the risk of bias in ADM (COE, 2022, p. 9). So, algorithmic decision-making also raises the issues related to the principle of good administration because of the questions posed on the objectivity of the judgement of the algorithm. It is a fact that any algorithm bias is rooted in human partiality, since people design the systems and determine the data on which they rely. The advantage in this regard lies in the rapid and efficient processing of large volumes of data, which can enhance the efficiency of the administrative work (Panagopoulou, 2024, p. 3). Regarding the principle of proportionality, the key question is whether the use of ADM and AI in particular is appropriate and balanced. This principle also applies when evaluating the necessity of specific ADM forms, e.g. whether some form of augmented decision making is preferable to fully automated decisions without human involvement (COE, 2022, p. 12). As Williams has put forward there may also be a 'fair balance' issue, going to the final aspect of proportionality. This would require an examination of the benefits of the ADM when set against its impacts and potential disadvantages, such as the potential lack of transparency or its potentially detrimental effect on minority classes of people (Williams, 2022, p. 492). Regarding transparency and reason-giving requirements, administrative law is highly relevant to ADM. An added complexity is that some ADM systems are developed by private companies that may withhold their software code to protect intellectual property. Transparency is also linked to the right to be heard. Here, more concern exists regarding fully automated decision-making system, as it seems to deny individuals their right to a hearing. When it comes to the principle of right to appeal, it can be said that transparency is also relevant here, as courts need to be able to review both the ADM system and the decisions it produces (COE, 2022, p. 14). Privacy and personal data protection frequently serve as the starting point for legal analyses of ADM regulation. Thus, European literature (Brkan, 2019; Malgieri, 2019) often focuses on the EU's GDPR, which includes two key aspects particularly relevant to ADM and, consequently for AI systems. First, it prohibits certain applications of ADM: the data subject has the right not to be subject to a decision based solely on automated processing (including profiling), which produces legal effects concerning him or her or similarly significantly

affects him or her.[5] Next, the data subject has the right to access information concerning the existence of ADM, including profiling, and, at least in those cases, meaningful information about the logic involved, as well as the significance and the envisaged consequences of such processing for the data subject (GDPR, Art. 13, 14, 15). This principle is the only principle that already refers to ADM, as it mentions explicitly the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data,[6] and the Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data.[7]

The starting point is that operators should strive to use responsible ADM systems, but several accountability aspects are particularly relevant for AI decision-making. The first is the subject of responsibility: who is accountable for AI decisions? The second concerns the ability of individuals harmed by government actions to seek legal redress. The third is ensuring independent monitoring and oversight of government AI decisions. In administrative law, decisions are traditionally made by humans, who can be held responsible, allowing affected individuals to seek legal protection. Similarly, AI-based government decisions should be subject to independent oversight, monitoring and external audits to ensure accountability (Sheehy & Ng, 2024, p. 679).

3. ADVANTAGES, BENEFITS AND RISKS OF AI USE IN PUBLIC ADMINISTRATION

Governments are generally perceived as AI regulators or investors, but they can also play a key role as AI developers and users, with the potential to transform service delivery, policymaking, and internal operations. Unlike private companies focused on efficiency or profit, governments are expected to minimize harm with due regard for the public good, to act transparently and prioritize public well-being of individuals. In response to rapid AI advances, they aim to harness AI for innovation and modernisation of public administration, while managing and mitigating the associated risks (OECD, 2025a, p. 22).

The integration of AI into the design and delivery of public services can improve efficiency and service quality, enhance service delivery, and optimise resource allocation through automation and advanced data-processing capabilities. The adoption of AI in the public sector promises long-term cost savings. In this regard, Tveita & Hustad (2025, p. 226) point out that it is crucial to invest in the future and recognize that the adoption and implementation of AI systems will require time, but the long-term benefits should be prioritized.

Although AI has vast potential to transform society, its use by government is still relatively limited. OECD has identified three principal areas in which governments can benefit from the use of AI: productivity, responsiveness, and accountability. These benefits are not mutually exclusive and can be categorized into four broad areas: automated, streamlined and tailored processes and services, better decision-making, sense-making and forecasting,

[5] GDPR, Art. 22.

[6] Council of Europe. 1981. Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data No. 108. Strasbourg, 28.01.1981.

[7] Council of Europe. 2018. Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data Strasbourg. No. 223. 10.X.2018, p. 13.

enhanced accountability and anomaly detection and unlocking opportunities for external stakeholders (OECD, 2025a, p. 16).

AI has the potential to help government offices deal with extensive documentation, thereby reducing the workload of civil servants. It can also help optimize communications for availability, improving access to information for both citizens and civil servants. By using existing administrative data, AI can streamline processes by pre-filling forms and make interactions with public services simpler and more user-friendly. Examples of this benefit in action include a wide range of chatbots and virtual assistants that can respond to unique requests from citizens with tailored information (OECD, 2025a, p. 27).

Despite its considerable potential and numerous benefits, AI decision-making also entails significant risks and challenges. Some of the risks associated with the technology are, for example, that it may have inherent biases or be prone to developing certain biases, if AI systems are underpinned by inadequate or distorted data; if AI systems lack sufficient transparency and explanation, if they raise concerns about data protection, privacy and surveillance (OECD, 2025a, p. 32).

Ethical risks include AI uses that undermine the free exercise of human rights and freedoms, including privacy, potentially infringing on human-centred values. One of the ethical risks is inadequate or distorted data in AI systems, which have the potential to perpetuate or generate negative or harmful outcomes, stemming from incomplete or inadequate data. The misuse or questionable application of AI in government can result in surveillance and privacy issues, which are detrimental to the free exercise of individual freedoms and rights. A major concern is the use of AI in the provision of public safety and security services, where it enables efficient identification and tracking through biometric data and real-time tracking. While these tools can be useful for law enforcement and crime prevention, they also raise concerns about data privacy, as well as surveillance and social control by public administrations (OECD, 2025a, p. 36). The lack of transparency and explainability creates challenges in determining responsibility when issues arise. The first is AI decision-making invisibility as citizens often do not realize they are interacting with the technology and generally know little about the programs used to make decisions for them. One of the main challenges in the implementation and adoption of AI decision-making is the "black box" problem. This may be technical, due to the complexity of the systems, or legal, arising from difficulties in explaining how decisions are made. From an administrative law perspective, it is essential to understand the reasons behind a decision and assess their legal relevance. If this is not possible, then the individuals affected will not be able to file a request for a review of the decision, thus undermining the fundamental principle of government accountability (Sheehy & Ng, 2024, p. 672). As noted by Professor Marion, "Artificial Intelligence, like all apparatuses of the state whether human or non-human, must be able to account to the citizenry for decisions and actions, and make restitution for harms suffered. These principles form the foundations of accountability" (Sheehy & Ng, 2024, p. 679).

Operational risks include technical and operational failures that can impact data privacy, the quality of AI outputs, and internal government operations due to cyber threats, unintended consequences, hallucinations, systematic errors, and overreliance on AI systems. "Automated bias" or overreliance on AI in government occurs when public organizations or civil servants rely too heavily on AI systems for decision-making or perform tasks. As a result, mistakes are not recognized and incorrect results are accepted (OECD, 2025a, p.

37). One factor contributing to such issues, leading to incorrect decisions is hallucinations, which occur when generative AI systems fabricate facts in a credible manner, often when the correct answer is not found in the training data. A related concern is risk aversion. Namely, civil servants may be afraid to take personal responsibility for decisions for fear of getting into trouble later (OECD, 2025a, p. 38).

One of the key risks concerns privacy and data governance tensions throughout the AI lifecycle. Namely, in the training phase of artificial intelligence, data from publicly available sources are used, which may intentionally or unintentionally include personal data or information that is the subject of intellectual property rights. However, their accessibility on the Internet does not automatically mean that they are free to be collected and used for training artificial intelligence models or that people have shared their personal data with consent for other uses. According to the OECD Recommendation Concerning Guidelines Governing the Protection of Privacy and Transborder Flows of Personal Data (OECD Privacy Guidelines, 1980) it is required that personal data be obtained through lawful and fair means, with the knowledge of the data subject, and that any further uses of the data are not incompatible with the original purposes (OECD, 2025a, p. 39).

Exclusion risks relate to gaps that arise when citizens without access to technology or digital literacy can be left behind and unable to benefit from AI advancements in public services. Individuals without internet access are often absent from the data used to develop algorithms (OECD, 2025a, p. 40).

Further, public resistance risks include public resistance to government use of AI as a result of distrust in government AI systems or processes, or by the spread of false or misleading information about how AI is implemented in public administrations and its potential impacts. While some government officials may be able to adapt to AI and even improve their work, others, such as older and low-skilled workers who perform tasks that are easily automated, face significant risks. For example, the growing use of chatbots to provide information and answer routine queries may reduce the need for public officials to perform certain service-related tasks (OECD, 2025a, p. 42). In this respect, organizational culture presents a significant challenge to the implementation of AI in the public sector, particularly due to employee resistance to change. Therefore, addressing cultural challenges is paramount for the successful adoption of AI, necessitating a well-considered implementation strategy (Tveita & Hustad, 2025, p. 227).

Human-AI interactions are also increasingly seen as a key challenge for public administration, with significant implications for trust and legitimacy. Namely, the risk that AI-informed outcomes may be selectively accepted and not always perceived as fair and legitimate exists. There is often a lack of knowledge and understanding among the public regarding AI in general, which may lead to misconceptions and fears about its capabilities and whether governments are using it in a trustworthy manner. This may also lead to inaccurate assumptions regarding how decisions are made, the fairness of outcomes, and the ability to hold such systems accountable because of the limited transparency on how public authorities are using AI (OECD, 2025a, p. 42). Therefore, it is considered that trust is a crucial factor in AI adoption within the public sector. Schmager *et al.* found that the attitudes of citizens toward AI adoption correlate with trust in government, with cultural identity influencing trust levels (Tveita & Hustad, 2025, p. 227).

As previously noted, the EU AI Act establishes obligations for AI based on its potential risks and level of impact. In fact, the Act identifies four different levels of risks that are

relevant for governments' use of AI. Unacceptable risk - AI uses under this category are prohibited. However, some exceptions apply, such as use cases concerned with national security and those remaining subject to judicial oversight. High-risk AI uses are allowed but regulated due to their significant potential harm to health, safety, fundamental rights, environment, democracy and the rule of law. Limited risk AI might include systems intended to communicate with individuals, such as chatbots, as well as systems that generate content such as text and images. Minimal risk AI systems are unregulated, but a code of conduct is suggested. Examples include video games and spam filters (OECD, 2025a, p. 33).

Considering the enormous development and use of artificial intelligence a vision of a future is where governments successfully develop and adopt trustworthy AI for systematic transformation of government processes and services is beginning to emerge (OECD, 2025a, p. 16). For that reason, it is of paramount importance that governments effectively manage the risks associated with the use of AI: ethical risks, operational risks, exclusion risks, public resistance risks and risks of inaction.

4. COMPARATIVE PERSPECTIVE

Some countries have adopted strategies such as self-binding policies on how to use ADM, for example Türkiye and Ukraine have adopted some form of a national AI strategy, while others report on the adoption of self-binding policies by administrative authorities in particular domains (Norway, Hungary) or on the adoption of more general guidelines. Another important issue concerns the approaches adopted to reconcile ADM with the legal notion of administrative discretion. One recurring topic is the need to preserve some level of human intervention or oversight in order to ensure administrative discretion in the decision-making process. This is made explicit in the legislation of some member States (Germany, Norway), thereby excluding fully ADM. Certain jurisdictions have adopted specific solutions when it comes to fully ADM. In Latvia, for example, only the minimum fine provided for in legislation can be imposed for an administrative offence if that offence has been recorded by technical means. AI applications are most commonly used in the fields of policing, taxation, traffic (automatic number plate recognition) and border control through face recognition processes (COE, 2022, p. 20).

Countries across the EU, and more broadly in Europe, are at different stages of digital transformation, which directly affects their capacity to implement artificial intelligence in decision-making by public administration. This is evident from the data in the 'eGovernment Benchmark' which monitors the digitalisation of public services in Europe and assesses the digital transformation but also reflects on broader trends observed over the years. The overall eGovernment Benchmark scores are based on four key dimensions: User Centricity, Transparency, Key Enablers and Cross-Border Services. Data show that in the countries outside the EU which are situated in the Western Balkans region, only Serbia is showing improvements in some areas (Insight report eGovernment Benchmark, 2024).

Since 2021, assessments of the Western Balkan economies have indicated significant progress in digital transformation and digital infrastructure. With broader Internet access and enhanced electronic government services, they have made some progress in digitalisation in recent years and are slowly converging towards European Union levels (OECD, 2024a).

When it comes to the Western Balkan countries the reports show that among others, digital government is at the forefront of the Western Balkans region's PAR agenda. However, the regional differences noted in the past remain valid. With regard to digitalization in these countries as one of the principles of Public Administration that together with service delivery is assessed from OECD/SIGMA, (on a scale of 0 (lowest) to 100 (highest), the OECD/SIGMA assessment shows that the average score for digital government in the Western Balkans is 42 out of 100. Albania and Serbia performed well and exceeded the regional average, while North Macedonia and Montenegro and, to a greater extent, Bosnia and Herzegovina, performed below the regional average. Namely, Albania has score of 64, Serbia has 60, North Macedonia has 32, Montenegro 31 and Bosnia and Hercegovina have 18 (OECD, 2025b, p. 43).

Assessments for Republic of Serbia show that digital transformation is well under way and digital government services are well developed, already reaching the EU average in many dimensions. The recommendation for Serbia is to further align the legislation with the EU regulatory framework, including the Artificial Intelligence Act (European Commission, Report Serbia, 2025). In this area Serbia has adopted the Artificial Intelligence Development Strategy for the period 2025–2030, as a second strategy in this field after the first Strategy in 2019. Also, in the previous period, Ethical Guidelines for the Development, Implementation and Use of Trustworthy and Responsible Artificial Intelligence were adopted. From an organizational perspective, an Institute for Artificial Intelligence has been established with a large number of researchers working in the field at all levels. The Republic of Serbia was the first in the region to establish a National Platform for Artificial Intelligence (supercomputer), but there is a need for its further expansion and improvement. In 2024, by decision of the Government, the Artificial Intelligence Council was established with the task of harmonizing and coordinating activities to implement the strategic framework in the field of artificial intelligence development, monitoring the implementation of planned measures and activities, and monitoring the status, needs and standards of development and application of artificial intelligence in the Republic of Serbia and the world. The National Platform for Artificial Intelligence is used for the development and application of artificial intelligence in the implementation of business bodies, public administration, research work in the academic community and its institutions, the economy, as well as to help startup companies in the development of artificial intelligence solutions. This platform was selected among the 10 best innovative projects in the public sector by the Organization for Economic Co-operation and Development (OECD) in 2023 (Vlada Republike Srbije, Strategija razvoja veštačke inteligencije u Republici Srbiji za period 2025–2030, pp. 19, 21).

Assessments of the Republic of North Macedonia indicate that the country remains moderately prepared in the area of digital transformation although some progress was made in the e-government area. The recommendation is to ensure full implementation of the Law on general administrative procedures by completing the digitalisation of institutional registers and data exchange and simplifying electronic procedures. Also, North Macedonia should fully align with the EU's AI Act, ensuring the necessary enforcement structures (European Commission, Report North Macedonia, 2025). In North Macedonia, from a legislative and institutional perspective, limited legislative and institutional activity relating to AI can be observed. However, ICT Development Strategy SMART/MK 2030, Cybersecurity strategy And National operational broadband plan are adopted. The ICT Development

Strategy SMART/MK 2030 is based on the following pillars: ICT infrastructure and connectivity; Digital competences and inclusiveness; Management and delivery of public services (Pillar: E-Governance); and Business, innovation, new technologies and artificial intelligence. This suggests a fragmented and still insufficiently developed approach to AI governance. North Macedonia has an integrated National Portal for e-services (uslugi.gov.mk) through which citizens can gain access to all electronic services through the National Portal for electronic services, including those offered by Open Balkan and vice versa (Thijs, Lauk & Díaz Pulido, 2025, p. 40).

Assessments for Republic of Albania is between a moderate and a good level of preparation in the field of digital transformation while limited progress in reporting period was made. The recommendations are to improve access to the use of e-services, build this capacity and step up the collection of statistical data on digital performance and digital competitiveness. Also, Albania should fully align with the EU AI Act, ensuring the necessary enforcement structures (European Commission, Report Albania, 2025). However, in Albania Cybersecurity Strategy 2025-2030 and its Action Plan for 2025-2027 have been adopted. The Digital Agenda of Albania 2022–2026 is a strategic plan designed to accelerate the country's transformation into a digitally advanced society. The government portal "e-Albania" that acts as a single access point of public service delivery, now offers over 95% of government services online, and service requests through the portal increased by 40% between 2023 and 2025 (World Bank Group, 2025).

As for Montenegro the country is at a good level of preparation in the area of digital transformation. Regarding the strategic activities Digital Transformation Strategy 2022-2026 was adopted. Additional, recommendation is to continue implementing digital public services for the public and businesses and prioritize the development and implementation of an interactive e-government platform for transactional electronic services. Montenegro is not yet aligned with the e-Privacy Directive. Montenegro presented the AI Landscape Assessment and should start working towards aligning with the AI Act, ensuring necessary enforcement structures (European Commission, Report, Montenegro, 2025, pp. 81, 82). Montenegro has one of the lowest numbers of interconnected registries in the Western Balkan region, which also hinders the design and provision of simplified and user-friendly administrative services. Even the base registries are not connected. The Montenegro Digital Transformation Strategy 2022–2026 sets an objective to improve capacities and capabilities for the digital transformation of Montenegro (Thijs, Lauk & Díaz Pulido, 2025, p. 39).

Bosnia and Herzegovina remains the least advanced in terms of digitalisation, with fragmented institutional structures and limited coordination. The assessment shows that Bosnia and Herzegovina is at an early stage of preparation on digital transformation and media with no progress achieved in this area (European Commission, Report Bosnia and Herzegovina, 2025, p. 13). Also, regarding the degree of digitalisation of government services the country remains relatively low. Namely, on digital services, Bosnia and Herzegovina made no progress in adopting a countrywide strategy and action plan for the development of an information society. Bosnia and Herzegovina took no action to develop an open data policy. The country is invited to fully align with the EU's Digital Services Act (DSA), the Digital Markets Act (DMA), the Artificial Intelligence Act, the European interoperability framework and the Interoperable Europe Act (European Commission, Report Bosnia and Herzegovina, 2025, p. 73).

Regarding AI readiness of the countries the Government AI Readiness Index shows that in the 2023 edition 193 countries were covered, and the index consists of 39 indicators across 10 dimensions, which make up three pillars: Government, Technology Sector, and Data & Infrastructure. The scores of the Western Balkans countries in 2023 are broadly comparable to those recorded in 2024: Serbia positions the highest (55.57), North Macedonia (45.40), Montenegro (47.15), Albania (43.26) and Bosnia and Herzegovina (36.49) (Oxford Insights, Government AI Readiness Index, 2023). In its 2024 edition it covered 188 countries. The index explores 40 indicators across three core pillars: Government, Technology Sector, and Data & Infrastructure. Based on the three pillars the total score of the Western Balkans countries in 2024 is following: Serbia achieved the highest (58.49), North Macedonia (45.12), Montenegro (47.43), Albania (45.47) and Bosnia and Herzegovina (37.02) (Oxford Insights, Government AI Readiness Index, 2024).

5. CONCLUSIONS

The benefits of AI automation include direct automation of existing processes and services, which contributes to a complete rethinking of the way governments work. These benefits make governments more efficient, effective and responsive.

Public authorities increasingly recognize the potential of AI systems for conducting decision-making processes in smooth, easy and accurate way. At the same time, the expansion of AI raises important legal questions, particularly whether existing principles of administrative law remain sufficiently robust, adaptive, and future-proof to govern this emerging form of decision-making effectively, especially in light of concerns related to privacy, personal data protection, discrimination, proportionality, and due process. It is important to keep in mind that the impact of ADM systems on principles of administrative law, partially depends on the characteristics of the AI system in use. Thus, the differences between AI systems, next to the purposes for which the ADM systems are used and their impact on fundamental rights should be taken into account when regulating AI systems from the perspective of administrative law (COE, 2022, p. 6). Furthermore, it is obvious that traditional principles of administrative law are capable of setting the limits of algorithmic decision-making, which means that the algorithm must be based on law, pursue the public interest, serve good administration, be impartial, be able to explain the reasons for its actions, respect the principle of proportionality. Although there is no comprehensive regulation of administrative law specifically relating to the use of ADM systems and AI systems in particular, according to administrative law, every case of administrative decision-making should be in accordance with certain general principles of administrative law, regardless they are made with ADM. In any case, the dominant role of data protection regulation in regulating ADM is obvious. However, in order to be able to cope with the requirements of new technologies the administrative law that is currently applicable needs to evolve and be modernized.

Although is essential to take advantage of the benefits offered by AI decision-making, also is important to manage its risks. For example, AI may be prone to developing certain biases. When AI systems are underpinned by inadequate or distorted data about certain groups and individuals, there is a risk of possible negative outcomes for them. Ethical risks, which can exist through biased algorithms and unethical behaviour, the lack of transparency and explanation, create challenges in determining responsibility when problems arise.

One of the biggest challenges for the implementation and adoption of AI decision-making concerns its invisibility and the other is the "black box" problem. Furthermore, AI systems that lack sufficient transparency and explanation erode accountability while certain uses raise concerns about data protection, privacy and surveillance. In addition, artificial intelligence can facilitate increasingly sophisticated cyber threats as well as the occurrence of minor to major incidents and disasters in critical systems. Finally, it must be taken into account that it can contribute to disruptions in the labour market, including for civil servants in public bodies. Actually, managing AI's risks can have an impact on its adoption and the realization of its benefits. Therefore, consideration of issues of trust, fairness, privacy, security, transparency and accountability are essential for its correct and successful use.

Research findings show that the readiness of governments to implement AI in the delivery of public services to their citizens is on a different level, which among other things is a result of the fact that countries are at different levels of digital transformation and preparation for the use of AI systems. In this regard, countries in the Western Balkan region, have made some progress in digitalisation in recent years and are slowly converging towards European Union levels, but within the framework of the European integration processes among other things, are showing limited institutional capacity and uneven digital maturity.

In order to take advantage of the benefits of AI, while managing the risks, it is necessary to have a strategic vision for its application in the work of the public sector and in AI decision-making. It is crucial governments to be capable and equipped to use digital technologies and data in order to increase productivity and resilience in their public administrations and enhance the quality of public services (OECD, 2025, p. 17). To this end, adoption of effective and robust regulation is essential to ensure that such systems operate in the public interest.

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