



**DO LOCAL  
SELF-GOVERNMENT  
UNITS COMPLY WITH  
GOOD GOVERNANCE  
STANDARDS?**



This project is supported  
by the European Union





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# DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

## Project

Monitoring principles of public administration  
in preserving good governance values



This project is supported  
by the European Union



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# INTRODUCTION

In the process of decentralization of power, local self-government units transferred a large number of core competences for more efficient, more economical and democratic management of public affairs in local communities in the areas of urban planning, issuance of building permits facilities, regulation of space and regulation of land for construction, protection of the environment and nature, social protection and protection of children, education, protection and rescue of citizens and material goods, fire brigade, and other duties stipulated by law<sup>1</sup>.

The Municipality performs its competencies through the municipal administration or through the establishment of local public enterprises and public institutions, while it may delegate the performance of certain works through other legal or natural persons, on the basis of an agreement for the performance of works of public interest, in accordance with the law.

In accordance with the Law on Territorial Organization of Local Self-Government, the local government in the country by territory is organized in 80 municipalities and the City of Skopje as a separate unit of local self-government. Forty-three local self-government units, including ten in the City of Skopje, are headquartered in the city, while 37 in the village.

The system of local self-government in the Republic of Macedonia is built on the principles of the European Charter for Local Government, ratified by the Parliament of the Republic of Macedonia in 1997 and good practices in the countries, members of the European Union.

The right of local government is a constitutionally guaranteed right, and the system according to the norms is regulated by the Constitution of the Republic of Macedonia, the Law on Local Self-Government, the Law on Territorial Organization of Local Self-Government, the Law on Financing of Local Self-Government Units and 40 other sectoral laws.

By respecting the principle of subsidiarity, the aim is citizens to participate in decision-making on core issues through elected representatives in municipal councils and directly through their involvement and through the use of legally-regulated mechanisms - referendum, civic initiative, citizens' gatherings, submissions and proposals, while their impact can be realized through the use of the right to free access to public information.

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<sup>1</sup> Article 22 of the Law on Local Self-Government (Official Gazette of RM No. 5/2002)

## DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

The project Monitoring principles of public administration in preserving good governance values aims to establish standards for good governance in the local self-governing units, as well as conducting research on how many municipalities meet these standards. For this purpose, within the framework of the project, 14 local civic organizations<sup>2</sup> were involved, which monitored the municipalities in all planning regions in the Republic of Macedonia, respectively in the Northeast, East, South, Southeast, Pelagonia, Pollog, Vardar and Skopje. The observation of the municipalities was conducted in five quarterly research in various fields of standards for good governance, in the period from August 2017 until November 2018. The research was carried out through multiple data collection mechanisms: sending a request for free access to public information, analysis of municipal websites, field analysis, analysis of documentation, interviews and public opinion polls.

This document presents a summary report from the observation of local self-government units in meeting standards for good governance, presenting findings based on topics defined by standards.

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<sup>2</sup> The list of organizations is presented in Annex 1.

# STANDARDS FOR GOOD GOVERNANCE

SIGMA, which is a joint initiative of the OECD and the European Union in order to strengthen good governance in the public sector, in 2014 has set directives for candidate countries for European Union (EU) membership in public administration reforms. The directives are clearly defined in the Principles of Public Administration prepared by SIGMA, which includes six key areas, namely:

- ✓ Strategic Reform Framework for Public Administration
- ✓ Development and coordination of policies
- ✓ Public service and human resource management
- ✓ Accountability
- ✓ Provision of services
- ✓ Public finance management

Principles prepared by SIGMA also envisage monitoring methodologies according to which SIGMA monitors the reform process in the public administration of candidate countries for EU membership, also referred to in the EU's progress report on countries in the Euro-integration process.

Since Principles of Public Administration presents the directions for institutions on a central level in the process of public administration reform but not specifically for the municipalities, within the project were developed the standards for good governance for the local self-government units<sup>3</sup>, in accordance with the SIGMA directives, but also with the context of the work performed by the municipalities in the Republic of Macedonia.

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<sup>3</sup> Good governance standards, Center for Change Management, 2017



## STRATEGIC PLANNING FOR BETTER FINANCIAL MANAGEMENT

Strategic planning of the measures and activities, while adequately with the necessary financial, human and technical resources, is the basis for budget preparation and adoption, which will provide a realistic financial framework for the performance of competencies in order to fit with the real financial and other capacities available to the municipality.

Unlike the state administration bodies, municipalities generally prepare a three year strategic planning document, which will determine and orient all local public policies. Only 11% of municipalities have adopted strategic plans, which is valid in the research period. Despite of this, municipalities as a key strategic document have the Strategy for Local Economic Development, setting this document as a basis for planning of measures and development activities. The survey showed that 31% of municipalities have valid Local Economic Development Strategies, of which 26% have expired, while 43% have not yet adopted one. Other planning documents most important for the municipality are the urban planning program, the municipal program and the program for sport and recreation.

In an ideal context, strategic planning should be implemented by a special organizational unit whose main purpose is to set municipal priorities for all competencies that are regulated by the Law on Local Self-Government, and in cooperation with the relevant sectors and the governing structure of the municipality. This organizational unit should also be committed to observing the implementation of planning documents and compiling the results reports.

In general, municipalities do not have separate organizational units for strategic planning: 88% do not have organizational units for strategic planning. However, considering the various size and capacities of municipalities, it can not be expected that all municipalities have separate organizational units, but it would be good at least to designate and train a person who will be in charge.

On the other hand, almost all municipalities that have the highest percentage of planned budget execution (Kocani, Zrnovci, Jegunovce, Centar Zupa, Vinica, Prilep, Struga, Deber, Rosoman) have not at all adopted the Strategic Plan, or the Strategy for Local Economic Development. Also, these municipalities have a low percentage of approved planning documents.

Research shows that there is a budget planning practice without an adequate strategic framework, which is linked to the State Audit Office's 2017 report on the work of municipalities in the period from 2012 to 2016, where it is concluded that municipalities unrealistically plan budgets that result in huge debts.

Also planning the fiscal framework of planning documents is inadequate (or does not exist), and the same is not related to the overall financial plan of the municipality. This may be related to other information obtained from the analysis of more than 100 planning documents obtained from municipalities, which is that 60% of municipalities make incomplete financial assessments without a clear picture of the resources needed for the planned and without mention of the source of funding.

In this context, it is important to ask whether municipalities that have a high degree of budget execution, while lacking adequate strategic planning, have a satisfactory degree of achievement of priorities that are important to citizens. This is especially important, as during budget planning, municipalities should be guided by the vision and goals set out in the strategic plans and planning documents, which reflect the needs of the citizens, but also the real possibilities and capacities of the municipalities.

In addition to financial aspects, if not strategically planned and lacking adequate vision of how to implement local policies, adequate human resources can not be adequately planned.

## IS CIVIC PARTICIPATION ACTIVE IN DECISION-MAKING ON A LOCAL LEVEL?

Citizen participation in decision-making on a local level is the base for building trust between citizens and local government to ensure the legitimacy of adopted decisions, which significantly facilitates their implementation, to improve services in a way that is more appropriate to the needs of citizens, as well as planning local development in terms of improving the quality of life of all citizens in the local community.

Inclusion, transparency and accountability in public policy planning and implementation promotes civic participation and contributes significantly to the building of democratic values in the local community.

From the planning documents prepared by the municipalities (for those for which data was submitted), 28% of them have been consulted with the affected parties during their preparation. The planning documents that are most often consulted with citizens are the Local Economic Development Strategy, Urban Planning Plans and the Municipal Budget.

The foreseen forms of civic participation in the creation of local public policies, as defined by the Law on Local Self-Government, are generally poorly utilized and at the same time show a general downtrend, with the exception of referendums on the issue of mining construction in the territory of some municipalities.

- ✓ The number of proposed citizens' initiatives in 2015 was 137, in 2016 there were 115, while in 2017 there were 86;
- ✓ The number of realized civic gatherings in 2015 was 137, in 2016 there were 136, while in 2017 there were 114;
- ✓ Referendums were organized only in 2017 - 8 referendums: Bogdanci, Bosilovo, Valandovo, Gevgelija, Debarca, Dojran, Novo Selo and Stip;
- ✓ Number of complaints and proposals submitted by citizens or groups of citizens in 2015 was 410, in 2016 there were 396, while in 2017 there were 223;
- ✓ The number of petitions filed by citizens in 2015 was 23, in 2016 it was 23, while in 2017 there were 24;

- ✓ The number of public hearings, surveys and proposals by citizens during the preparation of municipal regulations in 2015 was 231, in 2016 there were 152, in 2017 there were 178.

The data show that citizens' interest in participating in the process of creating and monitoring public policies is minimal and unsatisfactory. At first glance, it seems that citizens are uninterested in taking part in processes that are of general interest to the local community. In fact, this might be a consequence of the fact that they think their participation will not contribute to change, or improve public policy, or simply are not sufficiently informed about the opportunity to participate in these processes.

# DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

## DO MUNICIPALITIES OFFER QUALITY SERVICES?

In accordance with the Law on Local Self-Government, municipalities are responsible for providing services in areas that crucially determine the quality of life of citizens.

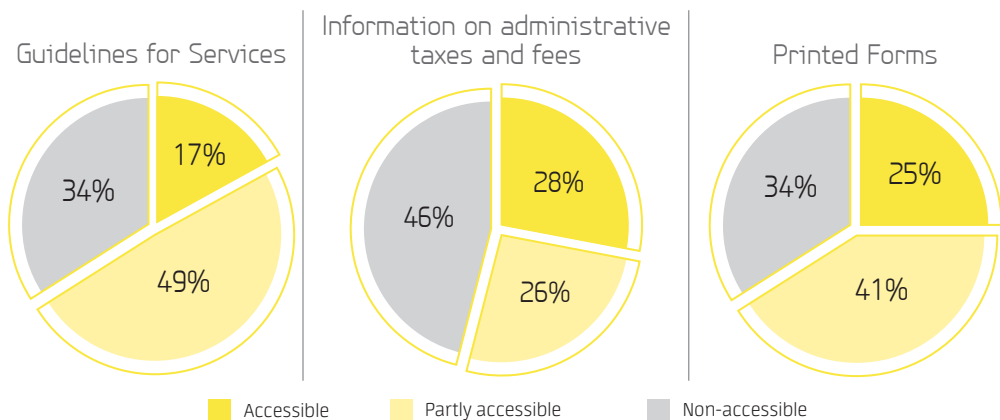
From here, citizens build an assessment of how much the municipality performs quality work through the services it provides for them.

Citizens' perception is built since the first contact in the municipality.

First and foremost, citizens need information on where and how they can provide the service they are directed to in the municipality. This will not be simple since:

- ✓ Guidelines on how to provide services are published in 17% of the municipalities;
- ✓ Information on how to pay administrative fees and compensation for services are published in 28% of municipalities;
- ✓ There are printed forms in 25% of municipalities.

Figure 1



Municipalities that published the most information on the services in the proper premises of the municipality itself (including instructions, information on administrative fees and compensation, and forms) are: Bitola, Veles, Gevgelija, Debarca, Dojran, Sveti Nikole, Struga, Gazi Baba and Ilinden.

If the citizen wishes to be informed directly by the responsible person, it won't be easy, as although 64% of the municipalities have set up counters, where information can be obtained, however some of them are not functional and have not set official person at the counter.

People in municipalities who work directly with parties, such as desk workers, are one of the most important segments in building citizen perceptions about the quality of services. From the survey conducted with citizens, only 13% of respondents are satisfied with the report of municipal officials. This may be related to the information that only half of the municipalities (53%) have organized training for employees who are in direct contact with the parties.

Most often, municipalities do not keep track of the number of services they provide to citizens. These data would help improve the service delivery process, as with their resources they could better guide the needs of citizens. At the same time, it can be concluded that the construction of citizen-oriented services policies can be questioned if there is no correlation of planning with the real needs of the citizens and the capacities and resources available to the municipality.

The main focus of the municipal websites should be the information that is most important to the citizens, and this is the services they can provide, the way, the time and the contact of the responsible person in the appropriate organizational unit.

Within the framework of the project Putting People First, funded by the European Union, and implemented by the Center for Change Management and the Center for Sustainable Development Alka, in the period from 2016 to 2017 e-transparency standards in the local self-governments were developed<sup>4</sup>, by defining which information and data should be published by the municipalities and in which frequency. Through the project, a template website for municipalities was developed in accordance with the guidelines for e-transparency standards, as well as the needs for easier navigation and website structure.

The unified website is located at the link: <http://web.opstina.mk>. It can be noticed that the dominant part of the website are services.

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<sup>4</sup> Standards for e-transparency in local self-government units, Center for Change Management, 2017

# DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

## Photography 1 Template website (<http://web.opstina.mk>)

ОПШТИНА  
ИМЕ

Македонски Пребарај...

За општината Финансии Проекти Услуги Информации по области Отворени податоци Контакт

УСЛУГИ ВО ЛОКАЛНАТА САМОУПРАВЉА

ДАНОК НА ИМОТ

ДАНОК НА ПРОМЕТ И НЕДВИЖНОСТИ

ОБЕЗБЕДУВАЊЕ НА ПРАВО НА ЕДНОКРАТНА ПОМОШ

ЛИЦЕНЦА И ИЗВОД ОД ЛИЦЕНЦА ЗА ВРШЕЊЕ АВТО-ТАКСИ ПРЕВОЗ

ДОЗВОЛА ЗА ПОСЕБЕН ЛИНСКИ ПРЕВОЗ

КОМУНАЛНА ТАКСА ЗА ФИРМА

Б-ИНТЕГРИРАНА ЕКОЛОШКА ДОЗВОЛА

Новости во нашата општина 1  
Најново во нашата општина е користењето на нови елементи и алатки во работата на општината. Тука стојат четири вести, последни новитети од дадената општина.

Имате прашања?  
Напиши порака овде

СОВЕТ И АДМИНИСТРАЦИЈА

ФИНАНСИИ

ПРОЕКТИ

УСЛУГИ

ОБРАЗОВАНИЕ

КУЛТУРА

СПОРТ

ЖИВОТНА СРЕДИНА

УРБАНИЗАМ

ЛОКАЛЕН ЕКОНОМСКИ РАЗВОЈ

КОМУНАЛНИ ДЕЈНОСТИ

СОЦИЈАЛНА ЗАШТИТА

ДЕТСКИ ГРАДИНКИ И ДОМОВИ ЗА СТАРИ ЛИЦА

ГРАЃАНСКИ ОРГАНИЗАЦИИ

Although in accordance with the Law on General Administrative Procedure, institutions (including municipalities) are obliged to provide data and documents from other institutions through official duty on behalf of a citizen, with a view to providing full service coverage, however, this does not happen in practice, while citizens are instructed by an institution to another institution to complete the necessary documentation. From the research it is concluded that only 15% of the municipalities provide documents through official duty, these are the municipalities that have established the service center and the administrative facilities to which the regional units of other institutions are located.

The challenge in realizing the one-stop-shop system is, nevertheless, the mutual communication of the institutions at the central and local level, as for the complete deployment of the one-stop-shop system, an advanced exchange of documents and information between institution is needed.. Exchanging paper documents is complex, long and costly, while actual impact can be made during the automated electronic exchange of information between institutions. However, for the advanced electronic exchange of information, adequate capacities and resources of the municipality are also needed.

The impossibility of achieving the overall linkage with municipalities will create challenges for institutions at central level in providing one-stop-shop services as municipalities have extensive competencies in a large number of areas and generate broad spectrum data, which may also be needed for institutions at the central level.

Few municipalities have developed electronic services independently. The most functional and most used services are those organized by state institutions and which are unique to all municipalities, such as electronic construction permits by the Ministry of Transport and Communications, electronic system for issuing integrated B-permits and electronic system for public procurement. From the contacts with municipalities and civic organizations during the implementation of the project, it was concluded that electronic services that have been developed once, while funded through donor assistance, are not sustainable in the long term as municipalities do not have the capacity to maintain them. It can be concluded that unification of services and maintenance of common systems is needed, due to resource rationalization and greater system sustainability.

It is unavoidable to conclude that small municipalities face major challenges in providing the necessary resources to provide all functions legally established. In this regard, it is necessary to seek ways of providing services in the context of resource rationalization, and at the same time improving services.



## LOCAL ADMINISTRATION

Municipal functions are provided by the local administration, which is subject to the same legislation at central and local level. Officials in the municipality have the status of administrative servants, just like employees employed in state administration bodies.

In the absence of standards, municipalities in the Republic of Macedonia have different number of employees, which is related to their different size, as well as the differences in relation to the number of inhabitants. The data show that on average municipalities in the country have 3 employees per 1,000 inhabitants.

This statistic is distinguished from the data presented in the annual reports of the public sector employees' register, which is published by the Ministry of Information Society and Administration, because the temporary employments are also included, while for the number of inhabitants, data from the State Statistical Office are used in relation to the estimated number of inhabitants per municipality (which is different from the data from the last population census).

Starting from the average, the comparisons made between municipalities show significant differences in the number of employees and the number of citizens serving. There are municipalities with 12 employees per 1,000 inhabitants, while there are municipalities with almost 1 employee per 1,000 inhabitants. This difference shows that there are no standards in terms of how much capacity of human resources should a municipality have. However, compared to this report, in the most unenviable situation are the smaller municipalities because they should provide all the functions defined by the Law on Local Self-Government, adequately as well as large municipalities.

The question is whether the municipalities with a large number of employees in 1,000 inhabitants will provide better services to their residents. Following are some examples of municipalities with a large number of employees compared to the number of residents (Staro Nagoricani, Pehcevo, Makedonska Kamenica and Debarca), as well as municipalities with a small proportion of the number of employees compared to the number of inhabitants (Lipkovo, Bitola and Veles). The indicator comparing to these municipalities is the degree of citizen satisfaction from the service of the employees, as evidenced by the survey conducted in municipalities:

- ✓ **Staro Nagoricani** – 43% of respondents are completely satisfied or satisfied to a certain extent by the service of the employees in the municipality;
- ✓ **Pehcevo** – 39.13% of respondents are satisfied to a certain degree by the service of the employees in the municipality;

- ✓ **Makedonska Kamenica** – 82% of respondents are completely satisfied or satisfied to a certain degree by the service of the employees in the municipality;
- ✓ **Debarce** – 74% of respondents are completely satisfied or satisfied to a certain degree by the service of the employees in the municipality;
- ✓ **Lipkovo** – 80% of respondents are completely satisfied or satisfied to a certain extent by the service of the employees in the municipality;
- ✓ **Bitola** – 24% of respondents are completely satisfied or satisfied to a certain degree by the service of the employees in the municipality;
- ✓ **Veles** – 41% of respondents are completely satisfied or satisfied to a certain degree by the service of the employees in the municipality.

In addition it can be concluded that no direct correlation can be made between the number of employees and the degree of satisfaction of residents by the service of employees as an important segment of the quality of service provision.

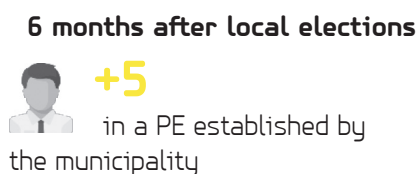
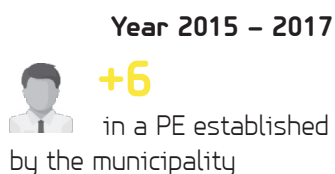
## PUBLIC ENTERPRISES ESTABLISHED BY MUNICIPALITIES – GRAY AREAS

Municipalities can establish public enterprises and institutions through which public services and activities of public interest are provided. Public enterprises established by the municipalities are very little a topic of research, although they have a significant impact on the quality of public services provided locally, but also as factors for possible politicization in the human resources management process.

Out of 65 public companies analyzed, established by the municipality, it was found that in the period 2015-2017 the total number of employees has increased for 376 persons. In addition, this number is related to the positive (net) increase, as a difference between the persons employed and those who have left, including those with temporary engagement. The largest increase in employment occurred in 2015.

Six months after the organization of the recent local elections in 2017, 67 public enterprises established by the municipalities for which data have been obtained have increased for a total of 359 employees (505 have left, while 864 employees have been employed).

These statistics show that in the period from 2015 to 2017, public enterprises established by municipalities have grown on average for almost 6 people in a public enterprise, while 6 months after the last local elections for 5 people.

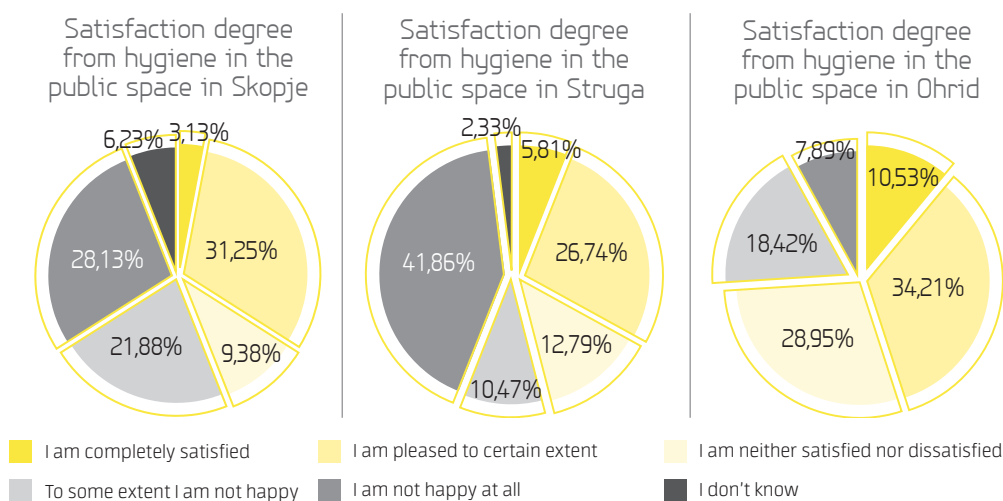


It is interesting to analyze the data for public enterprises that record a higher increase in the number of employees in the period from 2015 to 2017, in relation to the results from the degree of citizen satisfaction from municipal services in the municipality.

In this period, there were employment in the Municipal Public Hygiene Skopje (161), PE Public Hygiene Struga (80) and Municipal Public Hygiene Ohrid (50). On the other hand, the degree of satisfaction of hygiene maintenance in the public space is relatively low.

- ✓ In Skopje 50% of respondents are somehow dissatisfied or not at all satisfied with hygiene;
- ✓ In Struga, 52% of respondents are somewhat dissatisfied or are not satisfied with hygiene (42% are not satisfied);
- ✓ In Ohrid, 26% of respondents are somehow dissatisfied or not satisfied with hygiene. The degree of hygiene in public space in Ohrid is the highest in comparison to these three municipalities.

Figure 2



In the period from 2015 to 2017, 19 publicly-owned enterprises established by the municipalities (from the responses obtained from 61 public enterprises) have awarded cash bonuses to their employees. The total amount of bonuses given for this period is MKD 9,113,188.00 (or about EUR 148,200) or an average of MKD 479,641.00 (or around EUR 7,800) for a public company.

Most rewards in this period have been provided by:









- ✓ PE Water Supply and Sewerage Skopje, value of 4,688,511.00 denars (about EUR 76,200)
- ✓ PE Parking Skopje, the value of 951,043.00 denars (about 15,500 EUR)
- ✓ PME Derven Veles, Derven Veles, worth 736,522,00 denars (about 12,000 EUR)
- ✓ PE Market Kumanovo, value of 642,224,00 denars (about 10,400 EUR)
- ✓ PE Bregalnica Delcevo, worth 486,000.00 denars (about 7,900 EUR).

In accordance with the data published in the Law on Financial Support to Local Self-Government Units and User Units established by Local Self-Government Units for

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Financing, of obligations achieved but not paid at the end of September 2018, the same municipalities have large public debt (some of them even are the largest debtors):

- ✓ Kumanovo, in the amount of 233.130.023,00 denars (about 3.790.700 EUR)
- ✓ Veles, in the amount of 91.355.625,00 denars (about 1.485.500 EUR)
- ✓ Delchevo, in the amount of 57.375.797 denars (about 932.900 EUR)
- ✓ City of Skopje, in the amount of 30.387.447,00 denars (about 494.100 EUR)

	REWARD		PUBLIC DEBT
	<b>PE Water Supply and Sewerage Skopje</b> , value of 4,688,511.00 denars (about EUR 76,200) <b>PE Parking Skopje</b> , the value of 951,043.00 denars (about 15,500 EUR)		<b>City of Skopje</b> , worth 30,387.447,00 denars (about 494.100 EUR)
	<b>EMP Derven Veles</b> , worth 736,522,00 denars (about 12.000 EUR)		<b>Veles</b> , the value of 91,355,625 denars (about 1,485,500 EUR)
	<b>PE Kumanovo Market</b> , the value of 642,224.00 denars (about EUR 10,400)		<b>Kumanovo</b> , worth 233.130.023,00 denars (about 3.790.700 EUR)
	<b>PE Bregalnica Delcevo</b> , worth 486,000.00 denars (about EUR 7,900)		<b>Delcevo</b> , amounting to 57,375,797 denars (about 932,900 EUR)

Pursuant to Article 5 of the Law on Public Enterprises, public enterprise is obliged to submit quarterly reports to the founder (in this case the municipality) with the financial performance indicators. Although data shows that public enterprises regularly submit these reports to municipalities, however, only 20% of municipalities publish financial reports of public enterprises on their websites.

Municipalities do not at all publish detailed information on the management structure of publicly-owned enterprises established by them on their websites, including the members of the management and supervisory boards of public enterprises.

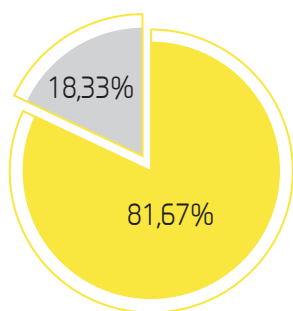
# TEMPORARY EMPLOYMENTS IN MUNICIPALITIES – WHETHER OR NOT NEEDED?

Municipalities hire persons with temporary employment relationships, in accordance with the Law on Labor Relations, respectively outside the Law on Administrative Servants. Even though temporary employees should be engaged in exceptional cases, however, this number is still significant in relation to the total number of employees in the municipalities.

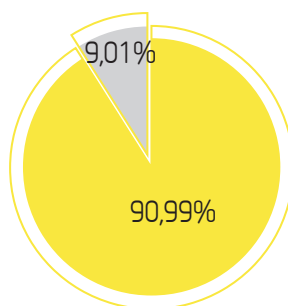
In 2018, the number of temporary employees in municipalities (data obtained from 55 municipalities) is 18.33% of the total number of employees, while in public enterprises established by municipalities (data obtained from 62 public enterprises) this percentage is 9.01%.

Figure 3

Percentage of permanent and temporary employments in municipalities



Percentage of permanent and temporary employment in public enterprises established by municipalities



■ Permanent employment

■ Temporary employment

In the period from 2015 to 2017, the number of temporary employees has increased<sup>5</sup>. This can be ascertained if the fluctuation of temporary employees in the municipalities

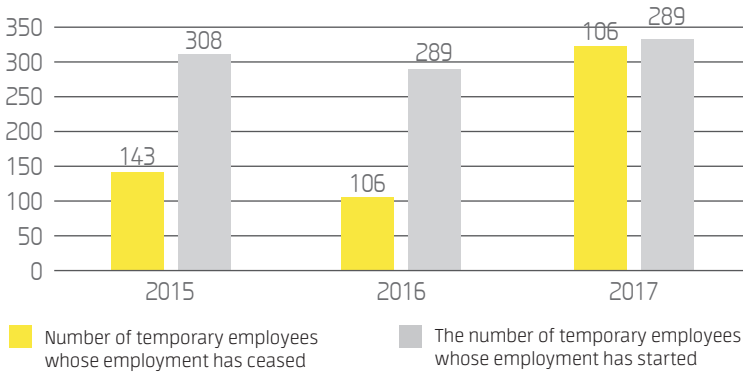
<sup>5</sup> According to obtained data from 54 municipalities

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is followed during this period, ie the difference between the number of temporary employees whose work relationship has started and the number of temporary employees whose employment relationship has ceased.

Figure 4

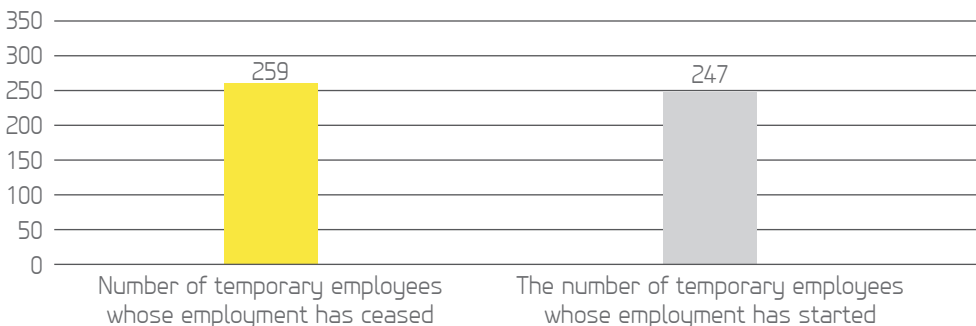
Fluctuation of Temporary Employees in Municipalities in the period 2015 - 2017



Six months after the local elections held in 2017, the number of temporary employees has decreased significantly: 259 temporary employees have ceased working relationship, while 247 persons have been granted temporary employment contract. Eventhough initially it can be concluded that the number of temporary employees has decreased, on the other hand this can speak about other negative phenomena. Practically, this can be considered from the aspect that after the local elections has terminated the employment of a category of persons, while the latter has been replaced with other categories of persons, in the context of political processes in municipalities.

Figure 5

Fluctuation of temporary employments in municipalities six months after the local elections in 2017



# PROFESSIONAL IMPROVEMENT OF EMPLOYEES IN MUNICIPALITIES

Even though, in accordance to law annual training plans need to be prepared, it can be concluded that professional improvement of municipal employees is not planned and implemented appropriately. The trainings foreseen in the annual trainings plan for municipalities are realized in very small percentage: 17% of the planned trainings have been realized in 2017. This fact shows that either training planning is unrealistic, inadequate to the goals of the municipality, or the municipalities lack the capacity or willingness to carry out training for the employees.

Also, the data show that very few funds are allocated to municipal budgets for the implementation of trainings for employees. In average, municipalities allocate 0.06% of their budgets for trainings.

As an example, 47% of the employees who are in direct contact with the citizens (workers at the counter or other employees who have contact with citizens) did not have any training on the services, communication, etc., which could be related to the information from the public opinion poll conducted within the framework of the project, which shows that only 13% of respondents are completely satisfied with the behavior of workers at the counter.

Electronic trainings, in relation to traditional "direct" trainings, is used very little: 10.56% of administrative employees in municipalities have had the opportunity for electronic training. It is necessary more existing electronic training tools to be used, such as the electronic training system of the Ministry of Information Society and Administration.

Trainings are not the only way for professional improvement of employees. In practice, it is of great importance that if professional improvement through practical work during the mentoring process is performed, and especially for the employees who start the work relationship in municipalities.



## TRANSPARENT – NOT TRANSPARENT MUNICIPALITY

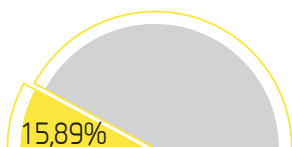
Within the project, focus has been given to the transparency of municipalities practiced through their websites. In this context, the concept of so-called “web transparency” was analyzed, by computing the index composed of 78 individual indicators, namely different groups of information which were analyzed in the sense that they are published on the web pages. The list of information that was observed was formed as a result of the obligations of municipalities to publish public information that comes from their work and their services, which they provide, from the legal obligations set out in certain material laws for maintaining certain data records, and in accordance with the citizen’s specific needs for additional information<sup>6</sup>.

In addition, the survey was carried out with the analysis of the websites of all municipalities, in order to establish the web transparency index for all municipalities. The research showed that in 2018, municipalities had an average web transparency index of 20.47%, respectively published about 1/5 of the information they should collect and publish, as well as those for which citizens think they should be published.

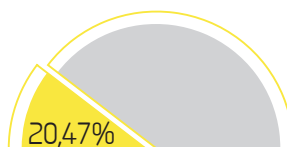
The web transparency index shows a very small increase compared to 2016 when it was 15.89%. This means that new local authorities should invest more in securing transparent work by publishing all relevant information on municipal websites.

Figure 6

Web transparency barometer - 2016



Web transparency barometer - 2018

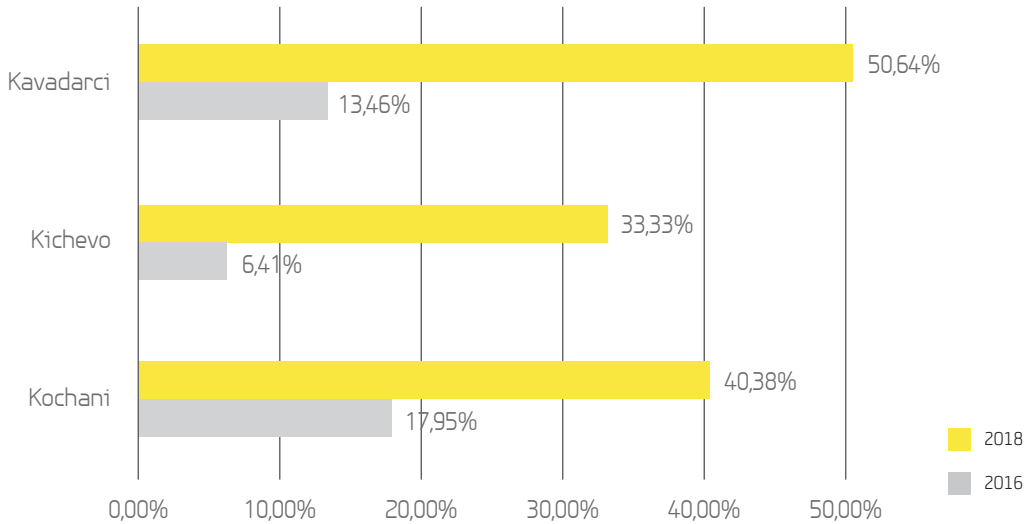


Municipality of Stip (61.54%) has the highest index of web transparency in 2018. The highest growth of the web transparency index from 2016 to 2018 have the municipalities of Kavadarci, Kicevo, Kocani and Sveti Nikole.

<sup>6</sup> The list of information has been defined within a research conducted by the Center for Change Management in the developed “E-Transparency Standards in Local Self-Government units”, as part of the project “Putting People First”, funded by the European Union, and implemented in the period 2016-2017.

Figure 7

The highest increase in the web transparency index



The survey showed that in the largest number of municipalities the final account (76%) is published in the field of finance, while least information is published in the field of environment.

## Answer to requests for free access to public information

Within the project, more requests for free access to public information to all municipalities have been sent. The response rate to requests was on average 70%.

During the research, a request for free access to public information was sent to the Committee for the Protection of the Right to Free Access to Public Information, for obtaining data on the number of applicants who used the right for complaint. The Commission's request twice was rejected on the grounds that the members of the Commission were not yet appointed.

## FINANCING AND SPENDING PRIORITIES OF MUNICIPALITIES

Most municipalities are financed from personal resources of funds and from the budget funds of the Republic of Macedonia through block grants and capital grants, but can also be financed by donations and loans.

**Personal income sources** are revenues that municipalities make from local taxes, taxes and remunerations, as well as income from the realization of personal rights.

- ✓ **Local taxes** are: property tax; inheritance and gift tax, real estate turnover tax and other local taxes set by law.
- ✓ **Local fees** are: municipal taxes, administrative fees and other local taxes set by law.
- ✓ **Local compensation** is: compensation for the designation of construction land, compensation from municipal activity and compensation for spatial and urban plans and other compensation provided by law. The municipality can also generate revenues from: ownership (rent, interest income and proceeds from the sale of property), donations, income from fines with money stipulated by law, income from own contribution and other income determined by law. The municipality has no right to sell property, the alienation of which may impede the performance of public functions and the powers of the municipality.
- ✓ **Ownership revenues** are: rent income, interest income, and property income.

The municipality also generates revenues as a percentage of the personal income tax of natural persons living and staying permanently in the municipality (3%), as well as through grants from the Budget of the Republic of Macedonia and fund budgets, namely:

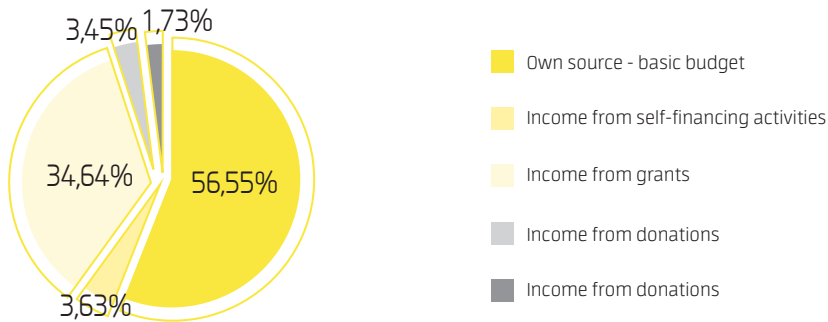
- ✓ **Value added tax revenues** are realized through transfers from the central budget (4.5%).
- ✓ **Dedicated grants** are central budget grants for dedicated purpose.
- ✓ **Block grants** are intended to finance the competences of municipalities designated by law (education, culture, health, social protection).
- ✓ **Capital grants** are grants from the central budget for financing capital investments in municipalities.

✓ **Delegated competencies** are used to finance certain powers of the central government for which it is decided to transfer to the municipality.

In 2018 municipalities were mostly financed through personal resources (56.55%) and dedicated/block grants (34.64%).

**Figure 8**

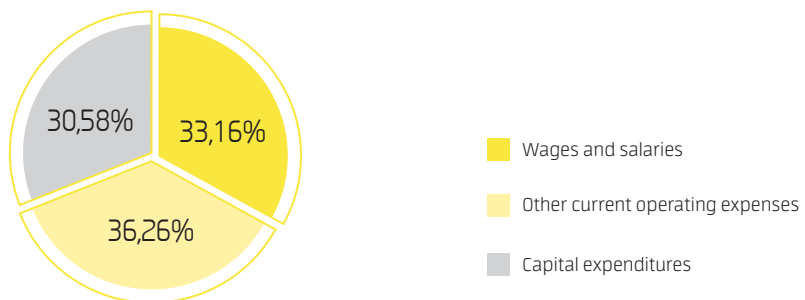
Budget revenue sources in 2018



Municipalities in 2018 have mostly planned targets for current-operational expenditures, of which salaries are of average value of 33.16% of the total budget. Capital expenditures are planned with an average value of 30.58% of the total budget.

**Figure 9**

Planned Expenditures by Budget Item 2018

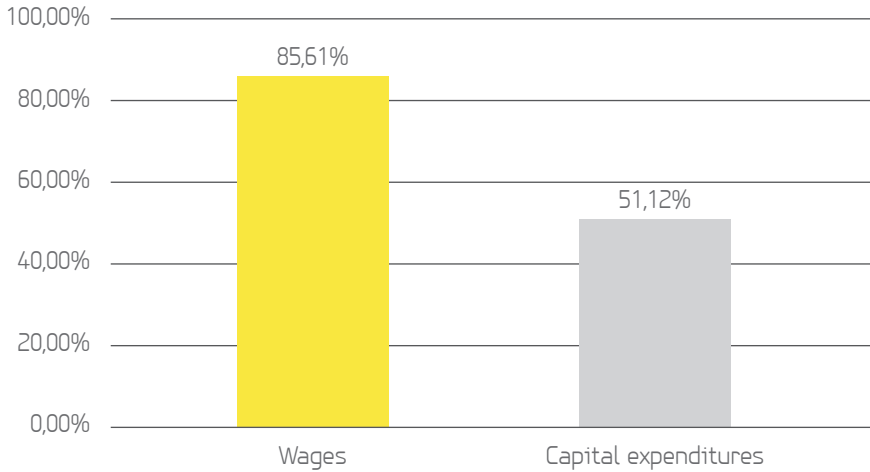


While the percentage of completion of planned expenditures for salaries is relatively high, the percentage of realization of the planned capital expenditure is low. Indeed, according to the data for the realization of the budgets for 2017, 85.61% of planned expenditures for salaries have been realized, while the planned capital expenditures are 51.12%.

# DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

Figure 10

Percentage of realization of planned assets for wages and capital expenditures



With such realization of capital expenditures, it can be concluded that the share of salaries in the overall budget realized is quite high compared to the share of salaries planned in the planned budget.

In general, municipalities are very different in relation to the financial resources they have, especially in relation to personal incomes. Large urban municipalities provide huge assets from property taxes in the commune, because this property also has higher value in the market, from corporate taxes and other taxes, from the regulation and sale of unhedged state land and other resources. Opposite, in rural municipalities, the value of property in the market is low, while these assets accumulate more difficult. They do not even have other major sources of funding, while the main source of revenue are the funds they receive from the central budget as block grants and capital grants and assets from the percentage of VAT value, which are distributed to municipalities according to the assigned methodology.

In conditions of great differences with the financial resources among municipalities, all with the same competencies, there are great differences in relation to the quality of basic services, and thus the quality of life of people, especially in small and rural municipalities.

# CAN MUNICIPALITIES BE FINANCIALLY SUSTAINABLE?

The State Audit Office in 2017 published the report on undertaking liabilities and financial non-stability to local self-government units for the period from 2012 to 2016. In this report the auditor has ascertained that there are deviations from the planned and realized revenues of the municipalities as a result of the unpaid obligations towards suppliers from 2012 to 2016 in relation to the realized revenues, by year moves from 25 to 44 percent, while the debt from long-term loans and credits from 11 to 18 percent.

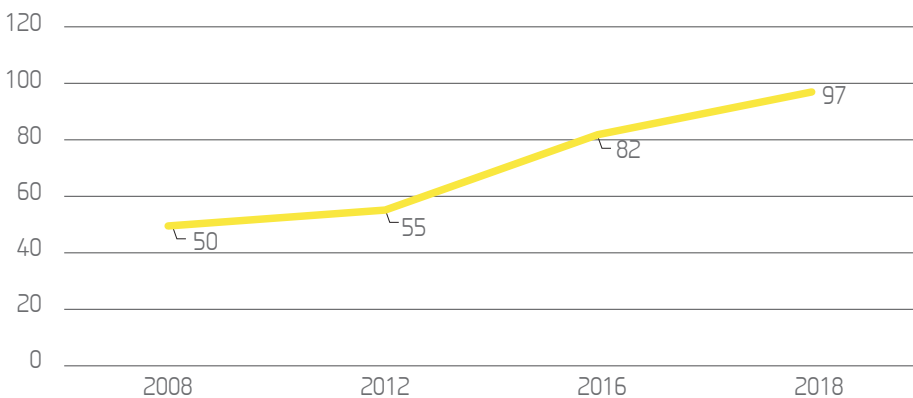
Municipal debt in the last 10 years is steadily increasing, with the general liabilities of municipalities increasing drastically and municipalities can not service it independently.

The State Audit Office has repeatedly stressed that municipalities do not respect the Law on Financial discipline and do not pay their obligations in time to their suppliers.

In 2008, municipal debt was about 50 million euros, in 2012 it was 55 million euros, in 2016 it was 82 million euros and in 2018 almost 97 million euros.

Figure 11

Increase of municipal debt (EUR million)



Debt in some of the municipalities is quite high - over 80% of their budget. With this high percentage of debt, the question arises as to how much they can service their obligations so far and can generally function in the future without the help of the central government.

## DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

In accordance with the data published with the Law on Financial Support to Local Self-Government Units and User Units established by local self-government units on the basis of outstanding and non-settled obligations, the total debt of municipalities, finally by September 2018, has the value of 5.945.849.189,00 denars, or 96.680.475 EUR.

The top 10 debtors are:

- ✓ Municipality of Ohrid 971.132.394,00 denars;
- ✓ Municipality of Tetovo 918.811.611,00 denars;
- ✓ Municipality of Karposh 486.927.773,00 denars;
- ✓ Municipality of Bitola 307.830.474,00 denars;
- ✓ Municipality of Struga 262.203.073,00 denars;
- ✓ Municipality of Kumanovo 233.130.023,00 denars;
- ✓ Municipality of Kicevo 146.371.050,00 denars;
- ✓ Municipality of Gazi Baba 140.344.585,00 denars;
- ✓ Municipality of Cair 138.505.129,00 denars;
- ✓ Municipality of Kisela Voda 127.027.735,00 denars.

The data were recorded in accordance with the Law on Presentation and Evidence of Obligations, adopted in April 2018. This Law regulates the presentation and recording of undertaken, achieved and unpaid obligations, with the purpose of ensuring and maintaining transparency and accountability and strengthening of responsibility when disposed of by public means. Provisions of this law concern the organs of the central government, the units of local self-government, the institutions that carry out activities in the field of culture, education, health, child and social protection, as well as other activities of public interest defined by law, established by the Republic of Macedonia or the local self-government units, as well as public enterprises, trade associations, entities, agencies, funds and other legal persons whose founders are the Republic of Macedonia or the local self-government units.

With the Law for Financial Support to Local Self-Government Units and users established by Local Self-Government Units for financing overdue but unpaid debts, approved in October 2018, it is foreseen that the central government will provide financial support to the municipalities for covering the debts, with a total value of 3.032.383.086,00 denars, or 51% of the total presented value of the municipalities and the utilization units. At the same time, mechanisms for transparent return of the remaining debt are also foreseen, as well as fines for mayors, who will not adhere to the prescribed legal procedure.

A fine of between 1,000 and 2,000 euros in denar counter value will be imposed for the minor offense to the mayor unless he organizes public calls and does not initiate

negotiations with creditors. A fine in the amount of 3,000 to 5,000 euros, in denar equivalent, shall be imposed for the minor offense to the mayor unless he prepares the two foreseen reports, first for the debt contracted in negotiations with the creditors, and the second for the debt paid until November 2019.

With the amendments to the Law on Financing of Local Self-Government Units in Article 2, municipalities are limited to planning their budgets for only 10% more compared to the average of the last 3 years and only if the payment of the debt achieved proven. In this way, municipalities are actually forced to plan their budgets in line with their revenues so that no new debts can be created that can not be serviced.

Ministry of Finance plans to propose new Budget Law, which should improve budget planning. Indeed, the changes relate to the establishment of a medium-term framework in which annual budgets will be planned. The new law should also set conditions for fiscal advice in order to guide sustainable fiscal policy, discipline and better budgetary responsibility.

There is a need for a systematic review of the financing system of local self-government units. In addition to setting measures for greater financial discipline and transparency and greater accountability in public finance management, there is also the need for solutions that will ensure the financial stability and financial sustainability of municipalities, especially those for which it will be ascertained that they do not have sufficient personal funding resources to respond to the needs of citizens within their competences.



DO LOCAL SELF-GOVERNMENT UNITS COMPLY WITH GOOD GOVERNANCE STANDARDS?

ANNEX 1 – Partner organisations- regrantists

Movement for Socio-Economic Development  
Association Global Bitola



Association of Citizens Center for  
Education and Development - Tearce



Association Center for Civic Initiative Prilep



Center of the community  
of Municipality of Struga



The New European Federalists Association -  
Macedonia (JEFMacedonia)



The Association Moves Towards  
Europe Kavadarci



Multiethnic and Non-Governmental  
Association "Linda" Kumanovo



Scout unit "Dimitar Vlahov" Veles



Association NOVUS Strumica



Association INI in Vinica



The NOVUS Strumica Association



Eho Educational-Humanitarian  
Organization - Stip



Center for Sustainable Community  
Development - Debar



Association Drita AGV Gostivar





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