

## PERFORMANCES OF MUNICIPAL MANAGEMENT AND INCREASE OF PUBLIC SERVICES IN REPUBLIC OF MACEDONIA

### PERFORMANSE MENADŽMENTA OPŠTINA I POVEĆANJE JAVNIH USLUGA U REPUBLICI MAKEDONIJI

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**Abstract:** *The signing of the Ohrid Frame Work Agreement (2001) was the turning point in the process of decentralization of power, as the Republic of Macedonia was recognized as a centralized place. Ohrid Frame Work Agreement is a solid basis of political stability and a fundamental precondition of economic stability including fiscal decentralization which influences in economic relations of the country.*

*One of the prerequisites of decentralization is a clear definition of responsibilities and funding in relation to the municipalities and the central government. From the current process can be concluded that there has been an increase in public spending and a wider range of public services to the citizens.*

*Managers of institutions should pay attention to politics, leadership and relationships with constituents for their work. Managers together with the employees should form partnership in the management of their municipalities, they both share responsibility for many aspects of municipal administration, to increase the effectiveness and efficiency and to meet the demands of citizens. The increase of the quality of services is hindered by insufficient level of involvement of citizens in decision making processes.*

*In this paper we wish to highlight the problems facing the fiscal decentralization, providing public services to the citizens in general.*

*The methodology used in this study is designed to provide information on internal evaluations of the situation by relevant institutions addressing and reflect the facts and elements in the decentralization process comparable to the perception of decentralization by citizens.*

**Keywords:** *management, fiscal decentralization, services, efficiency*

**Sadržaj:** *Potpisivanje Ohridskog sporazuma (2001) bila je prekretnica u procesu decentralizacije vlasti, obzirom da je Republika Makedonija verifikovana kao centralizovana. Ohridski sporazum je solidna osnova političke stabilnosti i osnovni preduslov ekonomske stabilnosti, uključujući fiskalnu decentralizaciju koja utiče na ekonomske odnose u zemlji.*

*Jedan od preduslova decentralizacije jeste jasno definisanje odgovornosti i finansiranja u odnosu na opštine i centralne vlasti. Iz sadašnjeg procesa može se zaključiti da je došlo do povećanja javne potrošnje i šireg spektra javnih usluga građanima.*

*Rukovodioci institucija treba da obrate pažnju na politiku, liderstvo i odnose sa biračima za njihov rad. Menadžeri zajedno sa zaposlenima bi trebalo da formiraju partnerstvo u upravljanju njihovim opštinama, pošto dele odgovornost za mnoge aspekte opštinske uprave, da se poveća efektivnost i efikasnost i da ispune zahtevi građana. Povećanje kvaliteta usluga ometa nedovoljno uključenosti građana u proces donošenja odluka.*

*U ovom radu želimo da ukažemo na probleme suočavanja sa fiskalnom decentralizacijom u,*

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pružanju javnih usluga građanima uopšte.

Metodologija korišćena u ovoj studiji je dizajnirana da pruži informacije o unutrašnjim procenama situacije od strane relevantnih institucija koje se bave i odražavaju činjenice i elemente u procesu decentralizacije uporedive sa percepcijom decentralizacije od strane građana.

**Ključne reči:** menadžment, fiskalna decentralizacija, usluge, efikasnost

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## INTRODUCTION

The countries of South-East Europe are all aiming to join the European Union (EU). At local level, municipalities often lack the expertise and technology required in order to implement the EU's rigorous standards and, as a result, to improve the quality of their municipal services.

Local self-government is still a new topic in South-East Europe. As the Western Balkan states move towards decentralisation, they face common challenges in strengthening local democracy and satisfying the requirements for bringing them closer to the EU. The challenges exist at various levels: making local authorities more responsive to the needs of citizens, improving the municipalities' legal competencies and financial resources, and building capacities in the local government associations so that they can offer their members tailored advice and promote their interests when dealing with central government.

Improving the quality of services and increase of engagement and citizen satisfaction with these services is a key priority for municipalities in RM. Administration bodies in relation to citizens should ensure the highest standards creating reports correct, fair and impartial. To create right relationships with citizens means to develop procedures within deadlines and unreasonable delay in accordance with legal provisions and good ethics of public servants.

Public administration can be defined as the practice of public services by government and this implied public service activities in daily processes and policy making. [1]

The system of efficient services to citizens should be carried out in accordance with the law, should create harmonious relationship in horizontal and vertical lines and in this context should create legal mechanisms of administrative control. These control mechanisms will



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*Subjects:*

*Administrative Law,*

*Administrative procedure,*

*Local Self - Government*

enable more efficient functioning of administrative bodies and provides legal mechanisms to citizens in cases when they are not pleased with administrative decisions.

Public institutions are faced with increasing demands for better quality of public services despite the lower financial resources. Therefore public institutions should work together with citizens and concerned parties to find better solutions and to become more effective in dealing with the complex challenges. For many institutions the greatest challenge is to provide better services to citizens using scarce resources compared to demands.

The new challenges of society and democracy require new energy that the public sector should be transformed and modernized. Opening of the government, transparency of institutions requires close cooperation of public institutions and citizens which will create a new culture of debate and active participation of citizens in public policy making. Social networks or other social media which enhance communication and cooperation, have the potential to impact significantly on the ability of government to coordinate and offer effective public services along with citizens.

## **PERFORMANCE OF LOCAL GOVERNENCE**

After the dissolution of the former Yugoslav Federation, even in the Republic of Macedonia as well as in other former federal units with the new constitutional system and legislation, reaffirmed public institutions and services in various forms prescribed by the Constitution and law.

Successful implementation of the principles of the Charter for Local Self - Government gives rise to the functional role of the municipality, while reducing the regulatory authority of the state to the local level. In this way it successfully exceeds the gap between central and local government. While reducing the vacuum between the citizen and the state, and certainly exceeds the danger of the local environment, inefficient and inadequate to meet the needs and interests of citizens.

Modern local government of European type requires dexterity and competence management in municipalities. Introducing genuine decentralization is necessary to successfully address the challenges of organizational changes in municipalities. The foreground becomes inclusion of the human factor, but also the creation of prerequisites for successful and efficient operation of the new local government system in the republic of Macedonia. The establishment and acceptance of positive values and standards, the new organizational culture, acquiring a new knowledge, skills and ability for real change, flexible and pragmatic tool to introducing and successfully practice in developed local government.

Court of Justice (Court of Justice of the EU) developed the concept of public services for the EU, which in functional terms means service which directly or indirectly affects the exercise of power under public law and the duty of protecting the interests of the state or other public interests. In public services in industry and commerce, more and more are applied the rules of private law and in that way they transform into separate legal category of public enterprises. In addition to special bodies that exercise public service, there are mixed enterprises, respectively mixed, whose shareholders are private capitalists on one side, while on the other hand are the state, municipalities, or public legal persons.

Public sector reform is influenced by the following critical factors: changing functions of the modern state; structural and institutional conditions of reforms; emerging market

environments and decentralization. In transition countries, the creation of elected local governments has been critical for improving service management. Beyond its political significance, decentralization is a major step in reforming public service management. It is a move from sectoral dependence because it destroys bureaucratic control and the centralized allocation of public funds. As a result of this decentralization, local and regional authorities can gradually build capacity and public trust, elements that were missing under the previous centralized systems.[2]

According to the legislation in the Republic of Macedonia [3], entities are forms of organization exercising public service activities which are not commercial activities prescribed by law (non-economic activities) and which may be defined by law as activities of public interest. Public entities can be established as: public (RM, municipalities and the city of Skopje), private (natural persons with country citizens or foreign citizens) and mixed (public bodies along with natural persons with private ownership, country citizens or foreign citizens).

Public entity was established to exercise the activity in the field of education, science, culture, health, social protection, child protection, and protection of persons with intellectual disabilities, as well as activities that are legally defined as public services.

In several member states of OECD delivery of public services to users is often activity of local or regional authorities instead of the central government. For example, in Nordic States and the United Kingdom, education, health and many other social services are covered by the local authorities. Service standards in these cases can highlight questions about the relationship between national and local authorities and create tensions between longstanding traditions of the unitary authority of a country on one hand and local autonomy on the other.

Governance at the local level is a system of values, policies and institutions through which the municipality manages its political and social issues within the civil society and the private sector. It is the way how the municipality organizes itself for making and implementing decisions - achieving mutual understanding, agreement and action. It includes mechanisms and procedures for citizens and groups to view their interests, mediates during harmonization of their differences and enforcement of their legal rights and obligations.

Governance, including the social, political and economic dimensions, operates at every level, whether it comes to household, village, municipality, etc. Good governance, among other things, should be participatory, transparent and responsibly. At the same time should be effective and fair and to promote the rule of law. Good governance ensures that political, social and economic priorities are based on an extensive consensus in society and that the poorest and most vulnerable members of society are heard in decision-making through the allocation of development resources.

*The key features of good governance include:*

- Required activities "GOOD GOVERNANCE"
- Direct participation of citizens
- Effective administration and services to meet the needs of citizens.
- Participation of citizens and their contribution to the improvement of resources (in economic terms).
- Through transparent governance local authorities increase accountability for their actions and decisions.

One of the ways of providing administrative services is the one stop system administration as a relatively new concept and is now mostly used in research and reform of public administration. The concept refers to the integration and rationalization of public services from the perspective of citizens where all user requirements can be processed with a contact person, whether it is through direct contact, phone, fax, internet or other means.

The one-stop system is useful, accessible and personal, in other words, the key idea behind the one-stop system is an amalgamation of all the services in order to reduce the costs of providing and enable people to get all the services in one place.

After independence in 1992 the new government reduced the role of municipalities. Major changes were reduction in local government competencies, greater financial dependence of municipalities upon central authorities, and a reduction in the size of municipalities. Local offices of central government ministries undertook many functions; for instance, the Ministry of Finance collected locally taxes and fees on behalf of the local government units (except for the municipal construction land fee). Citizen participation in decision making was arranged through citizens' initiatives, gatherings and referendums: If at least ten percent of the registered voters supported a particular proposal, it had to be discussed in the council.

Local government is one of the fundamental values of the constitutional order of the Republic of Macedonia (1991). Constitution contains a set of provisions that define the concept of local government, ensure the independence of the municipalities in the exercise of their powers, as well as the specific status of the City of Skopje is the capital city of the state.

The Republic of Macedonia has started a measured process of decentralising competencies to the local government level. It was partly a response to the more rigid centralist planning approach adopted after gaining its independence in 1992, and partly to prepare the country to join the European Union.

The Republic of Macedonia has a single level local government [4]. Macedonia is territorially organized in 80 municipalities and the City of Skopje as a separate unit of local government, arising from the character of the City of Skopje as the capital of the Republic of Macedonia. 34 units of local government are based in the city, and the remaining 46 are based in the village. All municipalities, except a few, are based on the area of more settlements. Municipalities perform their competences through bodies elected directly by the citizens for a period of four years. The bodies of the municipality are the council and the mayor. The municipality may establish forms of local government, such as: in cities - urban communities; in villages - local communities.

According to the assessment of the population (State Statistical Office in 2013), the total population is 2,064,032 residents. Demographics show significant differences which suggest disparities in the territorial distribution of the population. 57.8% of the population lives in cities, with the largest concentration in the City of Skopje and 13 cities across the country, inhabited by more than 50,000 people. Much of rural settlements have distinctively small population and soon, because of their unfavorable age structure (old age), is likely to remain without a single resident.

The services which should be provided are determined by the existing legal framework that transferred powers from central to local level 39. According to Article 20 of the Law on Local

Self-Government [5], municipalities have general responsibility for all local issues. They have the right to carry out local activities in their own territory, which are not excluded from municipal competences, but at the same time do not belong in any state competences.

The list of possible municipal competences referred to in Article 22 include: social protection, children protecting, education, healthcare, urban and rural planning, utilities (water, sanitation, public hygiene, waste management, public transportation, construction and maintaining local roads), sports and recreation. Municipal services are not provided to the entire population in the Republic of Macedonia.

Municipal public utility companies mainly operate in urban areas, not in rural ones. This is due partly to the fact that villages lack a lot of infrastructure facilities (about 40 % of the villages in Macedonia lack water pipes and about 95 % of the villages lack a sewerage system) and partly to unsolved problems about the price of service provision in rural areas (especially in the case of garbage collection). In addition, there are some minor parts of towns that are not covered by water supply services and much larger areas that are not covered by the sewerage system. Some of the areas uncovered by these services are illegal settlements built at the outskirts of cities and towns.

According to a study by the Economics Institute of Skopje is as follows: a) 65% of the population is provided by water from the public utility companies; b) 45% of the population is provided by sewerage (including water drainage) services; c) the rest of the services (the maintenance of parks and greenery, communal hygiene services, etc.) are provided for 20-30% of the population; d) steam heating is provided in the central area of the City of Skopje, covering about 10% of the population in Macedonia.[6]

Communal services (water, waste collection, electricity, maintenance of parks, etc.) can be provided by public companies through concessions and permits. Thus, private individuals or legal entities, as well as public companies can provide communal services. Public enterprises may be established by the state or municipalities as limited liability companies or joint stock companies with other companies or private investors. That is, the government takes the responsibility of providing public functions, but the actual delivery of the service is done by municipality and private organizations. There are various schemes for how private organizations might participate in public services. The best examples are from the public utility sector, but many communal and human services are also run by private or non-profit organizations.

The Government of the Republic of Macedonia has unlimited rights and opportunities to establish public enterprises (or public utility companies) providing all kinds of services. This means that in addition to enterprises that are within the scope of the central competencies, such as energy provision, railroad traffic, air traffic, telecommunications and posts, the government can establish the same type of enterprises as the municipalities can do, like those dealing with water supply, sewerage, etc.[7]

Local government units (municipalities and the City of Skopje) that are in charge of carrying out public services through municipal enterprises have the following rights and duties:

The Council (as a representative/legislative body) shall:

- Establish public utility companies with in the local government competencies
- Appoint the members of their management boards
- Adopt and finance programs for their work and financial plans

The Mayor (as an executive body) shall:

- Appoint a general manager (director) of the public utility company.

Most enterprises are traditional budgetary institutions, which mean that the relationship between them and the municipalities will remain unchanged. There are a few exceptions among the newly established municipalities which hire private enterprises under contracts of work.

According to the Law of Local Self-government, public services including public utility companies and public institutions are non-profit organizations for performance of public services; it means activities of public interest to local relevance.

Local government has the right to improve conditions in social areas that currently are jurisdiction of the central government. Thus, in the field of education, local government should provide more funding for kindergartens, primary and secondary schools (which are otherwise financed by the Ministry of Education and its local authorities) so schools can provide training for students, to organize the transport of students from distant villages, to renovate school buildings and conduct what is not included in the annual budget of the Ministry of Education and Science. The same opportunities exist in the field of health care where the municipality can invest in medical equipment and medicines. In the field of sport and culture municipalities may provide additional funding for libraries, sports associations, etc.

The process of decentralization has transferred many of the responsibilities for the delivery of public services to local levels, but it has not transferred funds for its development. This will remain one of the biggest problems in the region until local governments manage to find ways to finance their own public service delivery. [8]

## **FISCAL DECENTRALIZATION**

Republic of Macedonia for a long period has been implementing reforms in local government. Fiscal decentralization is one of the priorities arising from the Accession Partnership of the Republic of Macedonia with the EU and is closely related intergovernmental transfers because the government opted for a cautious and phased approach to its implementation.

The main principle of the phased approach is a gradual transfer of responsibilities in accordance with the increase of the capacity of local authorities to take these responsibilities with secure equitable and appropriate transfer of funds. By the end of 2011, all municipalities moved into the second phase of fiscal decentralization i.e. perform the duties administration and financing of decentralized functions in culture, education, child and social protection.

As a result, Macedonian municipalities have progressively assumed responsibility for the maintenance and improvement of local infrastructure, water and wastewater treatment, public hygiene, public lighting, local public transport, fire protection, preschool, primary and secondary education, local cultural institutions (Cultural Houses, libraries, and museums) and care of the elderly.

Table 2, presents an overview of which social sector functions have been assigned to local governments in South East Europe. As can be seen from the Table, Romania, Kosovo, Macedonia, Bulgaria and Moldova are fully responsible for all the costs of pretertiary

education, including the cost of teacher's wages. In Kosovo local governments also maintain primary health care clinics and pay the wages of the doctors and nurses who work in them, while in Romania local governments are responsible for the non-wage costs of primary and secondary health care. By all rights, local governments that have been assigned these social sector functions should have significantly higher revenues both as a share of GDP and as of total public revenues, than other members of the group.

**TABLE 2** Social Sector Functions of Local Governments

	Preschools		Primary Schools		Secondary Schools		Primary Health		Secondary Health	
	Buildings	Wages	Buildings	Wages	Buildings	Wages	Buildings	Wages	Buildings	Wages
KOSOVO	○	○	○	○	○	○	○	○		
ROMANIA	○	○	○	○	○	○	○		○	
MACEDONIA	○	○	○	○	○	○				
BULGARIA	○	○	○	○	○	○				
MOLDOVA	○	○	○	○	○	○				
SERBIA	○	○	○		○		○			
SLOVENIA	○	○	○				○			
CROATIA	○	○								
ALBANIA	○		○		○		○			
FBIH (BIH)	○		○							
RS (BIH)							○			
MONTENEGRO										
TURKEY										

Source: Report - Fiscal Decentralization Indicators: South-East Europe (NALAS) Network of Associations of Local Authorities of South East Europe.

At the other end of the spectrum, local governments in Albania, FBiH (of BiH), RS (of BiH), Montenegro and Turkey do not pay the wage costs of any social sector employees. Indeed, in Montenegro and Turkey they have no responsibilities in either health or education. So by all rights, local government revenues as both a share of GDP and of total public revenues should be lower here than elsewhere.[9]

Since 2011, they have also assumed responsibility for managing state land. In accordance with the Law on Local Government Finance, local governments derive revenues from:

- Own Revenues, including the Property Tax, other local fees, charges and taxes, asset income and in-come from fines, penalties and donations;
- Shared Taxes, in particular a share of the income tax coming from artists;  
A General Grant defined as a percentage of the national yield of the Value Added Tax and allocated by formula;
- Block Grants from the national budget for primary and secondary education, culture and social welfare;
- Earmarked grants for special programs or specific investments;
- Debt Finance and donations.

The fiscal decentralization process can best be seen through the expansion of local government revenue as percentage of GDP between 2005 and 2012. In 2005, it equaled only 1.9% of the GDP while by 2012 the share had more than tripled to 6.5% of GDP, though it fell back to 5.9% in 2013. Despite this radical increase in revenues, Macedonian

municipalities still face profound financial challenges. In order to strengthen their financial position, the municipal association, ZELS has lobbied the government to make amendments to the local government finance law. This has resulted in the following recent changes.

- The percentage of the national yield of VAT ear-marked for the general grant has been increased from 3% to 4.5%, and will be progressively increased to 6% in accordance with the agreement reached with ZELS;
- The share of income from the sale of state-owned land going to municipalities has been increased to 80%;
- The share of income from minerals concessions going to municipalities was increased to 78%;
- The municipal share of revenue from other concessions (e.g. water) will be increased from 25% to 50% in 2016;
- Revenue from fees for washing and separating gravel are now split 50%/50%;
- Revenues from fees for legalizing illegal structures built on agricultural state land are now split 50%/50%;
- Revenues from fees for legalization will now go entirely to municipalities;
- Starting in 2015, 10% municipalities will receive 10% of concessions on agricultural land, a share that will be increased to 50% by 2018 [10b]

Municipalities receive block grants for primary and secondary education, kindergartens, and culture. For these competencies they receive monthly transfers designed to cover the salaries of employees and other operating costs. The transfers depend on dynamics agreed upon by the Ministry of Education, Ministry of Labor and Social policy, Ministry of Culture with the Ministry of Finance.

Municipalities are notified about the total amount of their block grants through the Budget Circular, a document defined by the Law on the Financing of LSG, and submitted to municipalities every year by the Ministry of Finance. Municipalities are autonomous in managing the funds they receive through the block grants. Based on the criteria determined by municipalities and approved by their City Councils, they allocate these funds to schools and other institutions on a monthly basis.

For schools, the main criteria is enrollment, the number students registered in a school, (or other criteria which are determined by the City Council) the number of employees and the number of children who use free transportation in accordance with amendments for free transportation determined in the changes in the Law's for education in the Republic of Macedonia.

The criteria used to allocate the General Grant have an equalizing effect. The size of the General Grant is anchored by law at 4.5% of the national yield of VAT. The criteria to allocate the grant are defined by an annual ordinance of the government according to the rules.

There are some problems with this type of institutional as opposed to functional decentralization. The state didn't run a particular type of institution in a given municipality prior to decentralization, then the municipality gets no grants for this "institution" (function) after decentralization. Thus, and for example, only half of all Macedonian municipalities had kindergartens prior to decentralization, meaning that after decentralization only half of all municipalities are receiving funding for the function of preschool education. Similarly, only

25 percent of municipalities had libraries or state-run theatres or cinemas prior to decentralization, meaning 75 percent of municipalities are currently receiving no grants for the function of culture.

It is a process of strengthening local government, the local authorities (local democracy), which creates a good basis for long-term planning of the local budget and allows self-management, and above all, self-discrimination of expenditures. So how do we get to a higher degree of fiscal decentralization?

Key exit points for successful fiscal decentralization are: 1) Reallocation of tax sovereignty between the central and local government; 2) Enrichment of the tax structure of local taxes 3) Improving the internal structure of all types of local taxes; 4) Contemporary tax procedural rules in local taxation. However, most important of all is respect for the rights and interests of taxpayers, which recently relentlessly are not taken in consideration.

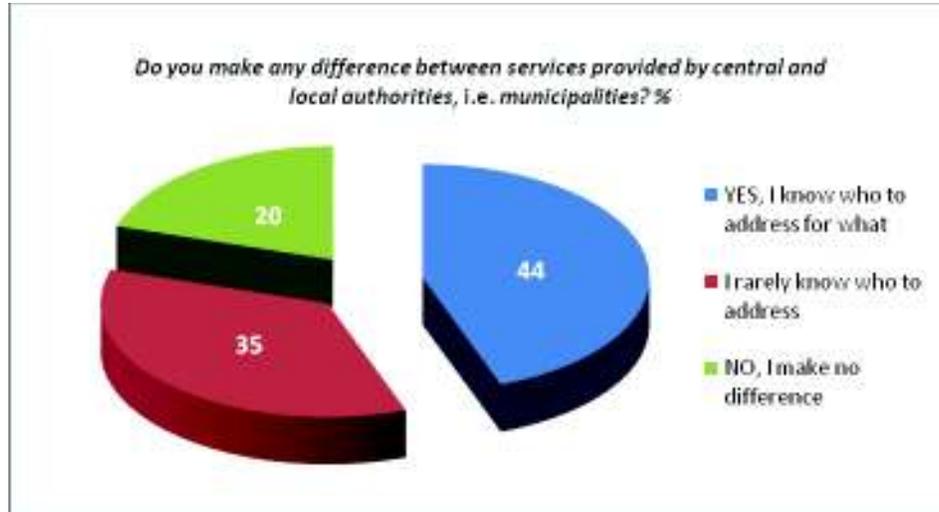
Increased financial and fiscal capacity of municipalities has its impact on the municipal management particularly with the growth of the volume works that self government realizes and local institutions provide services to the citizens. The municipal performance is gradually changing and gains an important role in relation to citizens but also to the central institutions.

#### **LOCAL SUSTAINABLE DEVELOPMENT IN FUNCTION OF PUBLIC SERVICES**

*The results of citizen's satisfaction survey for the services provided by local authorities, conducted in November 2014 by Ministry of Local Self Government and UNDP. [10]* The citizen satisfaction survey regarding local services is an activity conducted by the municipalities and other public institutions. The aim of the survey was to come up with comprehensive information on citizen satisfaction regarding the work of the local self-government system in our country.

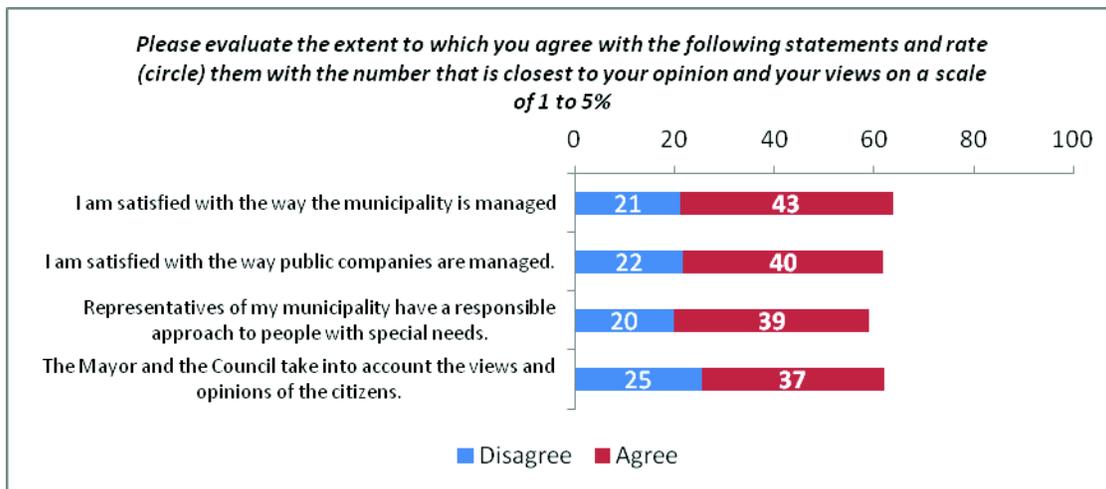
In general, most of citizens are satisfied with the quality of life in their municipality as a place to live in, to raise their children and an appropriate place for pensioners and vulnerable groups of citizens. Most of the citizens expressed satisfaction with the security in their community. Almost half of the respondents (44%) stated that they knew whom to address, while others either rarely knew whom to address (35%) or did not make any difference (20%) between the services provided by the central and local authorities, *i.e.* municipalities. This finding is indicative and points to the need to conduct activities to familiarize citizens with the scope of specific municipal competences.

Table 1. Differences between services provided by central and local authorities



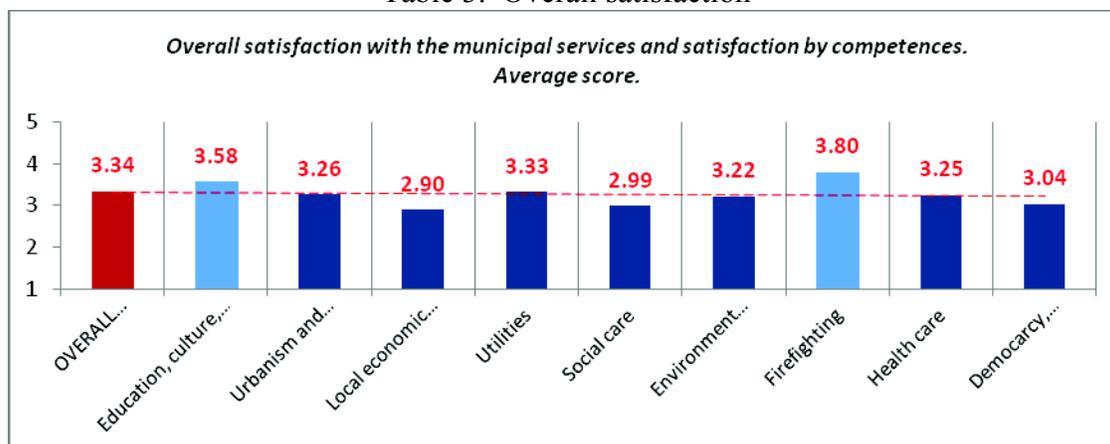
Around 43% of respondents are satisfied with the way their municipality is managed, and about 40% with the way public companies are managed. Somewhat lower levels of satisfaction were observed regarding how much the mayor and councilors take into account citizens' views (37%) and as to whether the municipality has a responsible approach to people with special needs (39% of respondents).

Table 2. Evaluation of citizens satisfaction



Overall, citizen satisfaction with the services provided by municipalities, on a scale of 1 to 5, was rated with an average score of 3.34. Only services in the area of primary and secondary education, culture, sports and recreation and firefighting are rated with slightly higher average scores - 3.58 and 3.80.

Table 3. Overall satisfaction



The highest score is given to firefighting (3.80) and the lowest score to local economic development (2.90) and social care (2.99). Slightly lower average level of satisfaction is observed regarding other assessed areas such as: Urbanism and urban Planning (3.26), Local economic development (2.90), Utilities (3.33), Social care (2.99), Environmental Protection (3.22), Health care (3.25), Democracy, transparency and accountability at work (3.04).

According to the findings of the survey most of the surveyed units of local government have not adopted integrated programs and action plans for local development, which is a limiting factor for the future development of local government, its connection to the achievement of macroeconomic targets of the country, and the quality and quantity of local services delivered to citizens. Only strong and credible local public institutions can contribute to the prosperity of the Republic of Macedonia and integration into the European Union. In this regard, of particular importance are the activities that support the transformation to the local administration oriented toward the citizens and the private sector, which is fully enabled to incorporate into the European Administrative Space.

Sustainable local development and growth means sustainable use of local resources for economic purposes and development of energetic and transport infrastructure without compromising the quality of the environment and nature. Basically, it aims at achieving the best possible higher degree of synergy between policies for environmental protection and socio-economic development.

The scope of responsibilities of local government in the Republic of Macedonia allows municipalities to improve local transport and water and waste management, but also to implement concrete measures to improve energy efficiency and use of renewable energy, contributing in particular way for preserving the environment and nature.

The program for sustainable local development and decentralization in Republic of Macedonia is the main planning document for further development of local self-government in the country in the next five years. Through this, it is operationalized the commitment of Macedonia to continue to foster sustainable local development, good local governance and creating the conditions for a more active, more effective and innovative role of local authorities in achieving the national objectives for growth and development.

In the new (Program for the period 2015-2020), [11] the sustainable development of local

government continues to be a tool for solving the challenges of the local impacts of policies relating to the improvement of quality of life, protection and use of natural and cultural heritage, and the strengthening of economic, social and territorial cohesion. The basic idea is that the best vertical and horizontal coordination of national and local policies and implementation of integrated development projects adapted to local needs and conditions will lead to more balanced, targeted local territorial development.

**Specific objectives:**

- To increase the capacity of local public administration, and to strengthen the rule of law at the local level, including reducing corruption.
- Provide appropriate own revenues of municipalities, together with predictable and adequate grants, consistent with the principles set out in the EU Charter of Local Self-Government.
- To ensure a high degree of respect for the principle of subsidiarity through clearly defining the scope of authority of the various levels of government taking into account the comparative advantages of the municipalities.
- To create strong integration links between key actors of local development and growth, to establish vertical and horizontal synergies and ensure unobstructed data exchange and mutual information.
- In measuring the performance of local service providers to prevail meritocratic criteria and thus to achieve a high degree of professionalism and de-politicization of the local administration, public enterprises and institutions.

The program focuses primarily on support policies of: the development of the local economy based on knowledge, reduce poverty and social exclusion, environmental protection and promoting sustainable local development. In addition it is emphasized the need to further strengthen the capacity of local authorities and institutions, as an important factor in achieving national priorities and objectives and in meeting the standards for EU accession. It will foster and promote the benefits of the implementation of the decentralization process, especially in terms of fostering democratic practices and the maintenance of good relations between communities.

In public service delivery institutions that have the authority to provide public services, must respect the principles that characterize the functioning of public services and are in accordance with the requirements of citizens.

In the relationship arising between institutions that provide public services and service users should be maintained neutrality of institutions and any activity or action should not come to doubt the objectivity of the institution and especially neutrality (e.g neutral political events or personalities regardless of their personal beliefs).

The main question that arises is who determines, what users receive and the processes by which it is accomplished? In determining what users should receive, an important role has the democratic process that includes Parliament and other elected bodies at lower levels of government. The elected representatives, represent in front of the government the needs and interests of users in order to help balance the interests of consumers and taxpayers. Insignia of the participation of users can vary. There is proposed range of five points for possible participation such as: informing, consulting, partnership, delegation and control.

The first one simply provides the user with information for the offering services. The second enables the dialogue between the tenderer and user for decisions and possibilities, even though all the decisions are adopted by the government and the tenderer.

The third enables co-decision. The fourth enables decision-making by the user but in agreed framework at least partly determined by the government or the tenderer. The last point allows users making decisions as it happens in real competitive market. Such as will be discussed below, although there are variations between the different services, most countries operate on the second or third point of the spectrum. The question how really users are consulted will be elaborated in details below.

For municipalities which declare to correspond the needs of citizens, of fundamental importance is to improve the quality of services. Along with other aspects of managing successfully the public enterprises they should actually see the complexity of the installation and use of performance objectives, with particular emphasis on the extent to which and how the users should be consulted. In these efforts must not be neglected the understanding that improving the effectiveness and efficiency, as well as improvement of the standards for the implementation of the services are as important. It is desirable for them to be incorporated in the initiative to improve the effectiveness of services.

The real test of the initiatives on quality of services is that they promote standards for the implementation of services. That shows the concrete proof of the improved performance of the quality of services in public enterprises. Although there are many opinions that improving performance occurred for reasons other than those of the central initiatives, it is known that the reasons are not important, the result is important.

Views of users about whether to improve the quality of services may be different, but they respect the impact of budgetary reasons of reducing services. There is missing a comprehensive evaluation or evidence, but it is an area for further work.

One of the negative phenomena that accompany the performance and efficiency of public services is the corruption in separate segments of public service. The survey of the OSCE since October 2012, corruption is spread more in central administration and next to follow are local administration, education, sports, etc.

As a precondition for its planned accession to the European Union (EU), Macedonia has undertaken to gradually incorporate the full body of European laws into Macedonian legislation and to apply them in accordance with EU rules. By adopting the Law on Balanced Regional Development in 2007, the government laid the foundation for a regional policy in line with EU norms. This policy aims to eliminate the structural inequalities that exist between the country's regions.

The Objective of regional cooperation is used by the providers of municipal services in the countries of South-East Europe as a tool to modernize their inputs – such as technical improvements and more efficient management procedures – so that they are in line with EU standards.

There is also a fund for balanced regional development which allocates money to regions according to a formula contained in the Law on Regional Development. By Law this fund should be equal to 1% of the GDP, but so far this has not been the case.

Due to large differences in level of development between different parts of the country, as well as municipalities, was adopted the Law for Balanced Regional Development and the Strategy for Regional Development, which is observed in eight planning regions and development. Planning of balanced regional development in the country is based on the principle of subsidiary, which means that municipalities inside the planning regions determine priorities with regional importance, in accordance with the national Strategy for regional development.

Regional development Centers should be generators of development in the region, and through the implementation of coordinated policies, all these eight planning regions must be a serious instigator for the development of the country.

The regional structures are able to plan, implement and manage increasingly complex regional development measures and measures with medium-term to long term EU financing competently, transparently and efficiently.

### **CONCLUDING REMARKS**

Macedonia has made progress in the field of decentralization, but not at the same pace in all dimensions. This is a good time to evaluate the entire process and undertake reform steps towards equalizing performances.

The second phase of decentralization in Macedonia has entailed a massive shift in resources to local governments. But this shift has gone less to finance decentralized functions than to provide municipalities with the money necessary to pay for state-run institutions that have been formally transferred to them.

- Greater fiscal autonomy and financial viability of local authorities for the purpose of providing services to citizens.
- Accountable, depoliticized public administration principle of merit and a transparent and participatory manner provides a more efficient and better public services for citizens and businesses.
- Established model of multilevel governance (multilevel governance) as a prerequisite for integrated programming and planning of local growth and development.
- Strengthening the capacity of the municipal administration for better management decision-making and implementation.

It will take many years for Macedonia to begin to provide local governments with equitable funding for decentralized social sector functions simply because the national government does not have the funds to provide local governments that currently lack the associated institutions with money to create them. It will also take many years for local governments to become active managers of both these institutions and the functions that they really serve. At the moment, however, there seems to be no plan for how to ensure that this process moves forward in an orderly way, and that the existing differences in public services across municipalities does not worsen over time.

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