



ANALYTICAL REPORT ON THE DECENTRALIZATION PROCESS



Organization for Security and
Co-operation in Europe
Mission to Skopje

Analytical Report on the Decentralization Process

Acknowledgements

The OSCE Mission to Skopje would like to extend its gratitude to all the municipal administrations and municipal councils that completed the survey questionnaires and provided their valuable inputs to this report. Special gratitude is extended to the representatives of the selected municipalities that gave valuable written and oral feedback at the field visits organized by the Democratic Governance Unit staff and to the participants at the regional roundtable workshops organized to collect additional opinion on decentralization related issues treated in this report in order to provide the reader with more comprehensive insight into the decentralization process development.

Finally, the Democratic Governance Unit expresses its gratitude to all of their colleagues who contributed to the publishing of this report.

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September, 2014

Introduction

Decentralization is one of the main pillars of the Ohrid Framework Agreement. Monitoring and assessment of the developments in the decentralization area remain at the core of the OSCE Mission to Skopje's mandate. Starting from 2006, the Mission has been conducting assessments of the process, providing specific recommendations and suggestions for local and central government stakeholders.

The Analytical Report on the Implementation of the Decentralization Process is the result of a field research and desk analysis which were conducted by the Democratic Governance Unit of the OSCE Mission to Skopje during the period July 2012 and July 2013. It grounds its findings on a survey questionnaire (field research) in selected municipalities, a desk review completed on the basis of written materials collected at central government institutions, legal analysis and roundtable discussions with relevant stakeholders. The aim of the Report is to assess the progress made in decentralization process implementation in specific key reform areas related to the Ohrid Framework Agreement.

The underlying structure of the survey is the following:

1. General Status of the Decentralization Process
2. Analysis of the Human Resources Management in the Decentralization Process
3. Status of the Fiscal Decentralization
4. Functioning of the Municipal Council
5. Citizens' Participation at Local Level
6. Functioning of the Committees for Inter-Community Relations

The Report portrays the perceptions of municipal leadership and administration on a range of key aspects of the decentralization process. It also assesses progress made in the implementation of key decentralized competences and identifies challenges affecting the effective delivery of public services locally.

Municipalities included in the field research were carefully selected depending on the thematic area and may vary for each of the above-listed areas. They constitute a representative sample for the elaborated topics in the report. The findings are combined with the legal analysis and desk research and information from respective central government institutions.

Conclusions and recommendations, which follow at the end of each chapter, give general policy directions for central and local decentralization stakeholders. We believe that this Report provides them with a valuable opportunity to assess the achievements and possible future course of action. As the decentralization reform continues to its mature phase of implementation, this will be of crucial importance. This report should contribute to strengthening the democracy and good governance in the country and the OSCE invites all the stakeholders to make the best use of its findings.

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I. GENERAL STATUS OF THE DECENTRALIZATION PROCESS

Introduction and Legal Background

The process of decentralization has been in the focus of interest of the OSCE Mission to Skopje since 2005. Within this period the Mission's Democratic Governance Unit (DGU) has produced six assessment reports including a comparative one, covering the whole period of decentralization from 2006-2011.

As the process has entered the second phase that is more focused on capacity development of the municipalities, the Mission has adjusted its approach accordingly. In this regard, instead of traditionally surveying all aspects of decentralization process, in 2012, the Mission focused its efforts in selected areas, which are in line with the latest triennial Programme for Implementation of the Process of Decentralization to produce analytical reviews of the status in those areas.

Namely, as part of the 2012 and 2013 projects, the Public Administration Reform team of the DGU envisaged to develop in-depth reviews and analysis on key challenges in the decentralization.

The report encloses findings of desk review of the legislation and current practices, analysis of the data gathered through a questionnaire answered by a representative number of municipalities and the opinion poll¹ on the perceptions of the citizens as well as conclusions and recommendations. The questionnaires were developed by the Mission DGU, while the Institute for Democracy Societas Civilis, Skopje (IDSCS) prepared database for the preliminary analysis.

The questionnaire for municipalities regarding the general status was sent to 28 selected municipalities out of which 23 submitted their answers. The selection was based on the geographical distribution, ethnic composition, rural/urban character and size of population, with particular attention to cover all eight statistical regions in the country. The list of municipalities included in the research is enclosed in Annex 1 of this report.

With its independence in 1991, the country inherited one of the most decentralized systems in Europe with 34 municipalities. Albeit introduced a new territorial organization with 124 local self-government units, instead of advancing the decentralization process, the Law on Local Self-Government from 1995 was a significant step backwards. This new system left the municipalities with only restricted competences in few areas.

¹ Opinion poll was conducted from 8-12 September 2012, by IDSCS

Ratification of the European Charter of Local Self-Government, in 1997, reiterated the need for transfer of competences from central to local government, which was further supported when the Government adopted its first Strategy on Reform of the System of Local Self-Government in 1999.

However, the process was put on the priority agenda with the signing of the Ohrid Framework Agreement (OFA) in 2001, followed by the adoption of the Constitutional amendments that were necessary to achieve the objectives defined in the Strategy.

The next milestone was the new Law on Local Self-Government adopted in 2002 that amplified the authority of elected local officials and largely increased municipal competences. The law was followed by the adoption of an Operational Programme for Decentralization of Powers 2003-2004 that defined the timing for adoption of required legislation, including the three crucial laws adopted in 2004 that furthered the development of the decentralized system:

- Law on Financing of the Local Self-government;
- Law on Territorial Organization of Local Self-Government (trimmed down the number of municipalities from 124 to 85, including the City of Skopje with its 10 units of LSG);
- Law on the City of Skopje.

Three triennial Programs followed the first Operational Programme for Implementation of the Process of Decentralization (2004-2007, 2008-2010 and 2012-2014) and the Detailed Plan for Transfer of Competences and Resources in the Process of Decentralization (2005). All these policy papers envisaged adjustment of legislation required for smooth transfer of competences, funds, facilities and personnel from central to local level that begun on 1 July 2005. Ever since, decentralization is on the top of the priority agendas of the country. The latest Programme is focussing on several areas including:

- Efficient and effective continuation of the decentralization as a key principle of the Ohrid Framework Agreement;
- Fiscal decentralization of the remaining municipalities in the first phase;
- Further strengthening of the capacities of the local governments for exercising their responsibilities;
- Ensuring proactive access to public information and increased level of transparency and accountability;
- Increased inclusion of the citizens in the processes of policy development and decision-making at the local level.

In order to have a comprehensive picture of the general status of the process of decentralization, of fundamental importance is to analyse and compare the perceptions

of both citizens and municipal administrations. The former are end users of municipal services, while the latter are providers or managers of those services.

The citizens` opinion poll focused on several areas regarded as key for establishing the general status of decentralization, namely:

- The impact of the decentralization in improving life in the municipalities;
- Extent of satisfaction about the quality of municipal services;
- Degree of politicization in the municipal administration;
- The main challenges of the municipal administration.

On the other side, the questionnaire for municipal administration included the following areas:

- Level of the progress in the areas of competences of the municipalities;
- Level of cooperation with the central government institutions;
- Level of satisfaction of the quality of municipal services;
- Degree of politicization in the municipal administration.

Decentralization Progress in the Areas of Competences of the Municipalities

Municipalities consulted with a survey questionnaire were as follows:

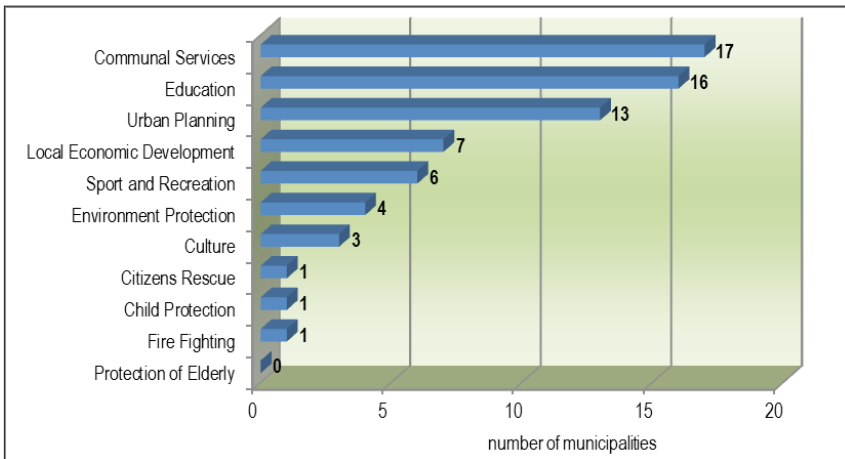
REGION	MUNICIPALITY
VARDAR	Kavadartsi
	Rosoman
EAST	Zrnovtsi
	Kochani
	Pehchevo
SOUTHWEST	Debartsa
	Oslomej
	Ohrid
	Centar Zhupa
SOUTHEAST	Gevgelija
	Dojran
PELAGONIA	Krushevo*
	Novatsi
	Prilep*
POLOG	Bogovinje
	Vrapchishte*
	Gostivar
	Mavrovo and Rostusha*
NORTHEAST	Kriva Palanka
	Staro Nagorichane
SKOPJE	Aerodrom
	Arachinovo
	Butel
	Karposh
	Sopishte
	Chair
	Chucher-Sandevo
	Skopje City*

**These municipalities did not reply to the survey questionnaire.*

The first question for municipalities was - *In your opinion which are the 3 (three) competences of your municipality with biggest improvement achieved as of 30 June 2012?*

As expected, most of the municipalities still perceive communal services, education and urban planning as the top three most progressive areas of their competences. The latest survey revealed that 65.4% of municipalities included in the sample perceived communal services as most progressive area, followed by education with 61.5% and urban planning with 50.0%. This is very important finding as it indicates that the situation in these areas is gradually improving and municipalities can dedicate more attention to other areas of importance for improving the services for their citizens.

Chart 1. *Municipal competences with biggest improvement as of 30 June 2012*

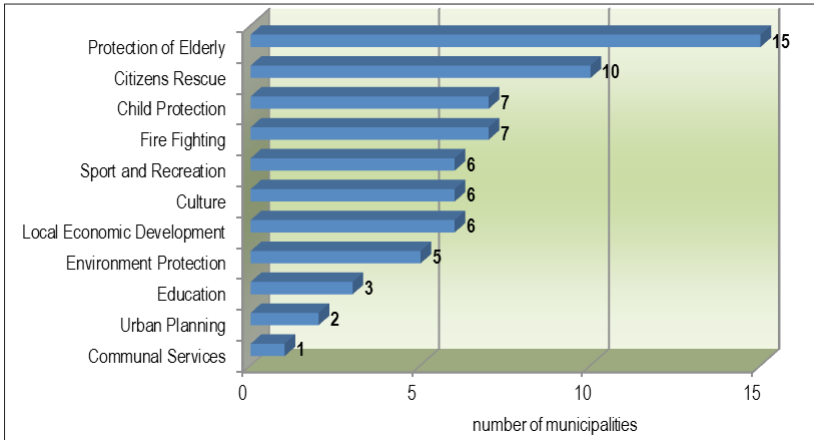


Second question was the opposite – *In your opinion which are the 3 (three) competences of your municipality with least progress achieved as of 30 June 2012?*

Again, the responses have shown that municipalities are still having most difficulties with the provision of their services in the areas of fire-fighting, child protection, elderly protection and citizens rescue. Worrying fact is that 57.7% of the municipalities perceived elderly protection as the least satisfactory one, which is confirming the increasing trend for the low progress in this area. In fact, this is the highest percentage recorded in the Mission supported surveys since the beginning of decentralization in 2005. ‘Rescue of the citizens’ is seen as least progressing competence by 38.5% of the municipalities, while 26.9% perceive such situation in both areas of fire- fighting and child protection.

On the other hand, very few municipalities deem that urban planning and environment are among the areas with least progress, and this is a first time since 2005 that these two areas are not considered as such. This confirms that the situation in urban planning is gradually improved.

Chart 2. *Municipal competences with least progress as of 30 June 2012*



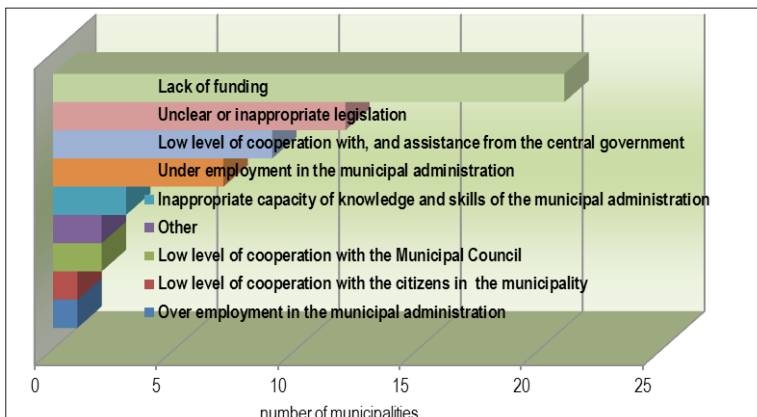
Third question was also one of the standard survey questions whose aim was to establish the reasons for having satisfactory/poor progress in carrying out the competences – In your opinion which are the 3(three) biggest problems in performing competences of your municipality as of 30 June 2012?

The biggest problems of the decentralization since 2005 continue to be the same three: lack of funding (80.8% of municipalities), unclear or inappropriate legislation (46.2%), and low level of cooperation with, and assistance from the central government (36.4%).

Although expected that by inertia lack of funding will still be highly positioned on the list of problems, the problem at present is predominantly resulting from the inappropriate block donations from the central budget that are earmarked for school’s heating and students’ transportation.

This might be also the reason for increased dissatisfaction of the municipalities with the quality of legislation and the level of cooperation with the central government institutions, which certainly is a signal for increased wariness.

Chart 3. *Biggest problems in performing municipal competences as of 30 June 2012*

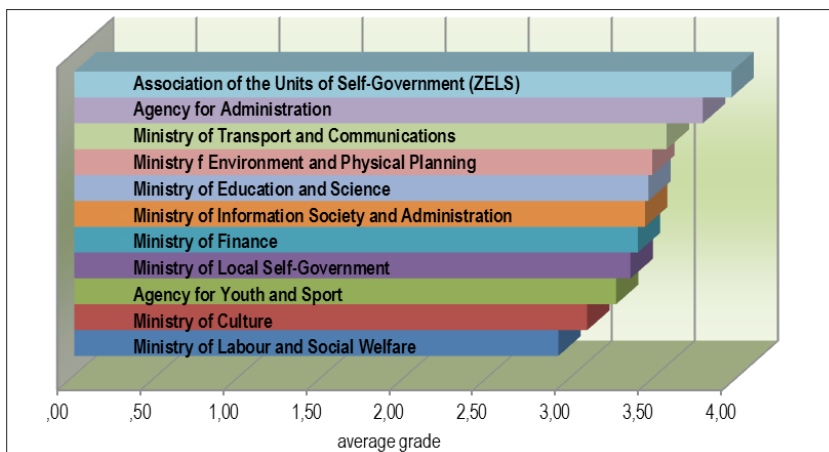


Cooperation with the Central Government Institutions

Next two questions were intended to establish the reasons for the good/poor cooperation with the central institutions - *In your opinion, how would you evaluate your cooperation with the institutions listed below?*

The responses, however, are still showing reluctance of the municipalities to be more open, as the average grade of satisfaction is 3.42, which is not corresponding with their perception of cooperation with central institutions as one of the biggest problems in decentralization. Yet if one compares the result of last year survey, than it is obvious that the level of cooperation is decreased with 0.5 points.

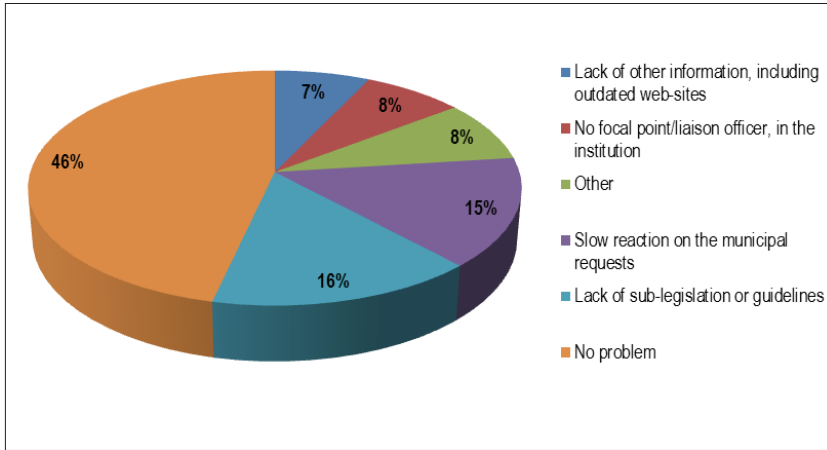
Chart 4. Level of cooperation with the relevant institutions



As expected, ZELS continues to be the institution that is considered to be most cooperative with the municipalities with an average grade of 3.95, while cooperation with the Ministry of Local Self-Government, MLSG (3.35) is still very low comparing with other institutions. Surprisingly Ministry of Culture, MC (3.09) and Ministry of Labour and Social Policy, MLSP (2.91) that were at the top of the list last year, this year are at the bottom of the line. This situation needs further research and analyses to establish the reasons for such dramatic swing.

When going in-depth to establish the reason for the lack of cooperation – *In your opinion, which is the biggest problem in cooperation with the institutions listed below?* – The situation becomes even more complicated. Namely, overall responses suggest that municipalities have “No problem” in 46.6% of cases. However, 16% of responses indicating “Lack of sub-legislation or guidelines” and 15% “Slow reaction on the municipal requests” outline the biggest problems in decentralization for the municipalities.

Chart 5. Biggest problem in cooperation with the relevant institutions

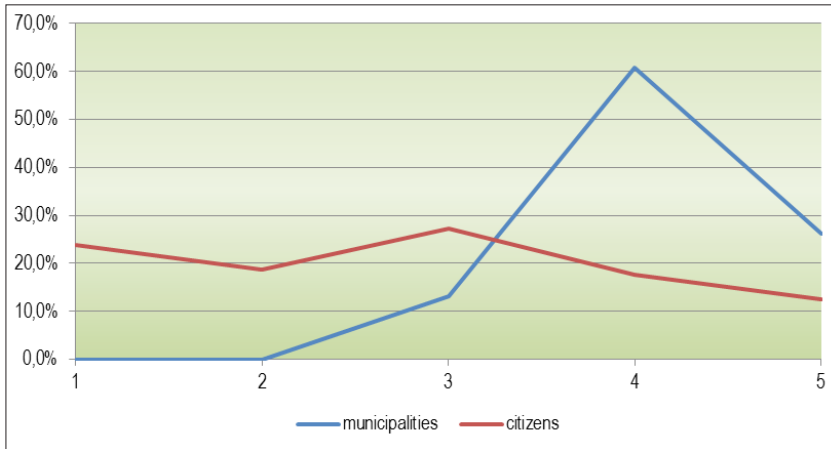


Satisfaction with the Quality of Municipal Services

The decentralization process is about bringing the provision of services closest to the citizens, therefore in order to determine the level of success in this regard, the survey requested the municipalities to assess –to what extent the citizens in your municipality are satisfied with the quality of the services provided by the municipality.

Logically it was expected that the lowest grades would not be the choice of the municipalities. The overall average of municipal perception for citizens' satisfaction was 4.1 with 60.9% of the municipalities evaluating the level of satisfaction with mark 4. To establish the real level of satisfaction, it is necessary to learn about the views of the end-users i.e. citizens. The responses obtained with the citizens' poll have shown that the average grade given by the citizens is 2.8 and is far lower than the one perceived by the municipalities 4.1. Citizens were also more critical in their evaluation with nearly a quarter of all respondents (23.8%) stating being not satisfied with the quality of services provided by the municipalities and additional 18.7% merely satisfied (grade 2).

Chart 6. Citizens satisfaction with the quality of the services provided by the municipality



Comparison of the two findings leads to conclusion that the quality of services provided by municipalities is at satisfactory level, yet there is still great margin for improvement.

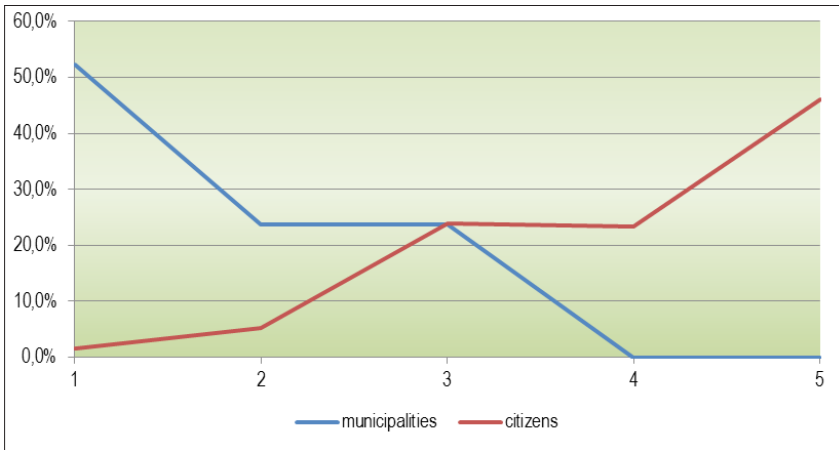
Politicization in the Municipal Administration

One of the issues which are constantly in the focus of various analyses, forums, and public discussions in the country, relates to politicization. In this sense, the survey looked at how the level of politicization may or may not affect the decentralization. Both municipalities and citizens were asked – ... *how would you evaluate the level of the politicization of municipal administration?*

Logically it was expected that the municipalities would provide more “politicized” responses given the fact that the mayor (political representative) was asked to endorse the answers of the questionnaire. Therefore, the citizens were asked the same question in order to provide a more realistic picture. 60.2% of the citizens believe there is politicization while 46% of those gave the highest grade – *very strong influence*, with an average grade of 4.1, which indicates an overall perception of high impact of politicization in the municipal administration.

On the other side, 52.4% of the municipalities consider there is “*no politicization*” in their administration, and additional 47.6% that the level of politicization is modest (grade 2 and 3). As expected, the chart below is showing opposite views, yet it shows an obvious high level of influence of political parties in the work of municipal administration.

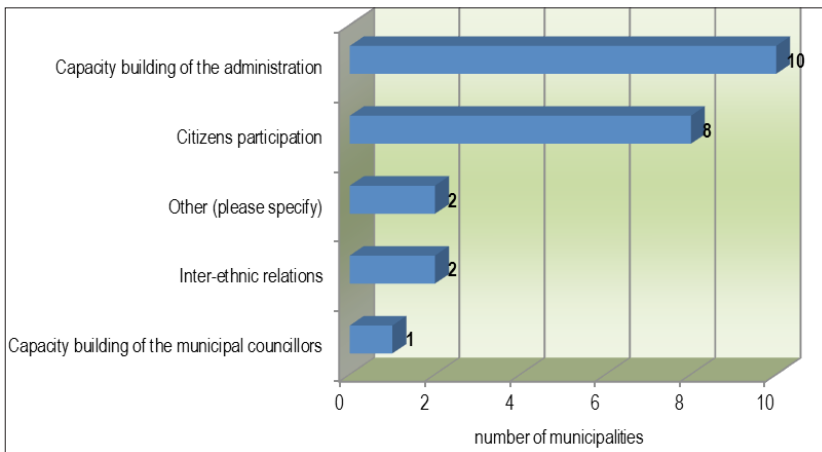
Chart 7. Level of the politicization of municipal administration



OSCE Role in the Process of Decentralization

The questionnaire included one question that was intended to help the OSCE Mission to Skopje better suit the needs for assistance of the municipalities. The responses clearly indicate that municipal administration would like to see OSCE working in the areas of “Capacity building of the administration” and “Citizens participation”, 40.9% and 36.4% respectively.

Chart 8. Areas of activities in which the OSCE Mission to Skopje shall focus in the implementation of the process of decentralization and the Ohrid Framework Agreement



Recommendations

As the survey results have indicated, in order to advance their efforts in the process of decentralization, municipalities need to shift their focus from “traditional” areas of their responsibility to those that are falling within the area of social welfare of the citizens. This would also require extending and strengthening their capacities in terms of human resources, but also in terms of funding.

They would need to work out new mechanisms for approaching the central institutions in order to boost the cooperation with them. In this respect, the OSCE Mission to Skopje may consider further analysing why municipalities, after six years of intensive decentralization, still perceive low level of cooperation and assistance from the central institutions.

Apparently, municipalities need to approach respective central authorities in order to urge them to improve the state of the sub-legislation or fill the gaps where existing.

Although the level of satisfaction of the citizens is at a satisfactory level, still municipalities may consider improving it. One of the aspects that may help this is by intensifying the citizens’ participation in decision making, which is recognized as an area where OSCE Mission to Skopje can also assist in the future.

Last but not least, the upcoming Local Elections in March 2013 may be a great opportunity for municipalities to show progress in the area of de-politicization of their administration and remove this tremendous obstacle in their performance. Municipalities, and in particular their elected officials, should understand that the merit must remain the only criteria for selection of the administration staff.

II. ANALYSIS OF THE HUMAN RESOURCES MANAGEMENT IN THE DECENTRALIZATION PROCESS

Introduction and Legal Background

This component of the report refers to Human Resources Management and the questionnaire for municipal administration in 28 municipalities focused on the following areas:

- Organization of the human resource management function in the municipalities
- Quantitative and qualitative capacity of the HRM units
- Training of the local employees

Human Resource Management (HRM) in public administration was initially considered by the first Strategy for Public Administration Reform². As there is no regulation specifically designed for the municipal administration, the Civil Service Law³ (CSL) and the Law on Local Self-Government⁴ are providing the legal framework for this function of the management. Both pieces of legislation gave the Mayor the right to manage the local administration and make decisions related to the human resource management.

Later on in 2005 with the amendments of the CSL⁵ responsibilities were given to the Secretary of the municipality. However, the implementation of this provision was not properly realized as most of the municipalities never filled the position of the Secretary. Also, sometimes the mayors were reluctant to give-up their responsibilities.

Anyhow, until 2005, municipalities were unfamiliar with the HRM function, or the existence of organizational units to deal with it. This changed in 2007, when the Government adopted a new regulation⁶ that explicitly requested establishment of the independent HRM Units.

In such context, in March 2009, the Civil Servants Agency (CSA) established the Network of HRM Units with an objective to set up standards for human resource management and development and to increase the efficiency and quality of work. In addition, the CSA formulated guidelines for structuring the HRM Units including standardized job descriptions for the posts. In September 2009, the Government

² Strategy for Public Administration Reform, 1999

³ Official gazette 59/2000

⁴ Official gazette 5/2002

⁵ Official gazette 81/2005

⁶ Decree on the principles for internal organization of the bodies of the state administration (Official gazette 105/2007)

adopted the Standards for HRM in public administration and recommended to the institutions to utilize them as much as possible, though they were not mandatory.

The training of the civil servants at local level initiated the development of the overall national system. Namely, in October 2003, the MLSG, CSA and the Association of the Units of Local Self-Government (ZELS) signed a Memorandum of Understanding aimed at strengthening the capacity of the local governments. The vehicle behind this instrument was the Trilateral Coordination Committee that served as a model for setting up of the national system for training coordination. As a result of this cooperation, in March 2006, the partner institutions adopted the first Strategy for Training of the Local Self-Government that targeted both civil servants and local elected officials.

In May 2006, the CSA developed a 'Manual for conducting Training Needs Analysis and preparation of Annual Training Programme in Local Self-Government Units' that beside Guidelines for training needs assessment, provided also information on the HRM in the local government, and Guidelines for preparation of the Annual Training Programmes in the local governments as a legal requirement.

In 2007, the MLSG adopted the "Action Plan for the Implementation of the Program of Decentralization 2008-2012" called for institutionalization of the Training Support Facility for local governments, but unfortunately this was not achieved. However, ZELS formally established its Training Centre in November 2011 with facilities introduced in 2012.

In 2010, the Government adopted the new Strategy for PAR⁷ that introduced new setup of the public administration reflected in the legislation with major amendment⁸ of the CSL and creating the Ministry of Information Society and Administration (MISA). Following these interventions, at the beginning of 2011, MISA assumed most of the responsibilities from CSA, in particularly those related to the HRM, including training of the civil servants.

⁷ http://mioa.gov.mk/files/pdf/en/Strategija_za_RJA_en.pdf

⁸ Official gazette 167/2010

Size of the Administration

Following municipalities were consulted with a survey questionnaire:

REGION	MUNICIPALITY
VARDAR	1. Kavadarci
	2. Rosoman
EAST	3. Zrnovtsi
	4. Kochani
	5. Pehchevo
SOUTHWEST	6. Debartsa
	7. Oslomej
	8. Ohrid
	9. Centar Zhupa
SOUTHEAST	10. Gevgelija
	11. Dojran
PELAGONIA	12. Krushevo
	13. Novatsi
	14. Prilep
POLOG	15. Bogovinje
	16. Vrapchishte*
	17. Gostivar
	18. Mavrovo and Rostushe*
NORTHEAST	19. Kriva Palanka
	20. Staro Nagorichane
SKOPJE	21. Aerodrom
	22. Arachinovo
	23. Butel
	24. Karposh
	25. Sopishte
	26. Chair
	27. Chucher-Sandevo
	28. Skopje City

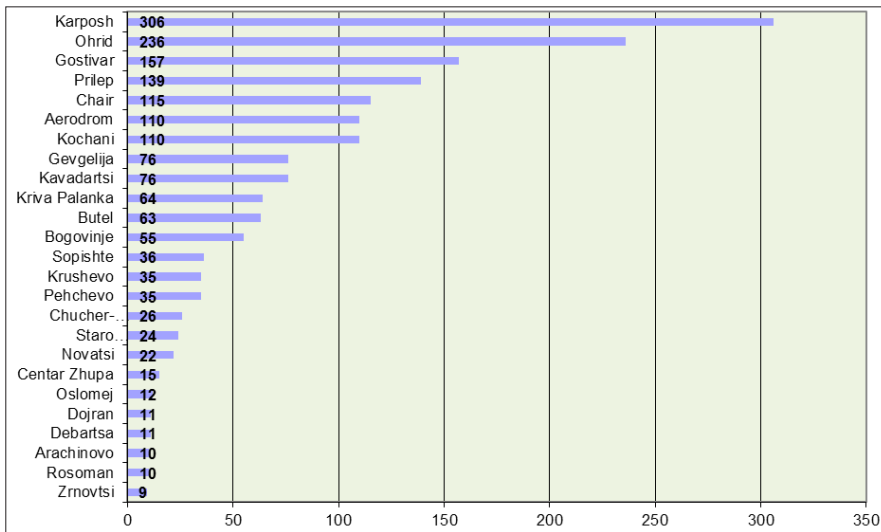
**These municipalities did not reply to the survey questionnaire.*

The Register of civil and public servants, maintained by MISA should provide data on the number of municipal employees, yet its Annual Report is only reflecting aggregated data of one-dimensional or multi-dimensional character. Therefore, the OSCE Mission to Skopje supported survey requested municipalities to provide data on the number, gender, and type of contract of their employees. The information received is very useful as these may indicate the approximate size and capacities of the local government to deal with their responsibilities.

The data, as presented in Chart 9, shows that the number of employees is ranging from only nine employees in the municipality of Zrnovci to 306 employees in the municipality of Karposh. The number of employees in the City of Skopje administration, that is having a special status of local governance, is reaching 703.

What are these numbers showing? Are municipal administrations small or big? Even though in the academic literature there are methodologies to measure the optimal size of the administration⁹, in principle there is no right size and it is primarily driven by the needs of the (local) government. In the case of the municipalities in the host country, this is apparent with the process of decentralization and the transfer of the responsibilities from the central government when the number of municipal employees has significantly increased. This tendency will continue as municipalities are still largely delivering public services directly which can be observed in the number of employees that are not having the status of civil servants.

Chart 9. Number of municipal employees



Namely, as shown in Chart 10, roughly 40% of the total number of the municipal employees in the 26 municipalities that are included in this survey, are employed following the rules of the temporary employment or general labor provisions. This is a clear indication that the municipalities are still opting to deliver the services directly.

⁹ An Empirical Approach to the Optimal Size of the Civil Service, Indira Rajaraman and Debdatta Saha, Public Admin. Dev. 28, 223–233 (2008), Published online in Wiley InterScience (www.interscience.wiley.com)

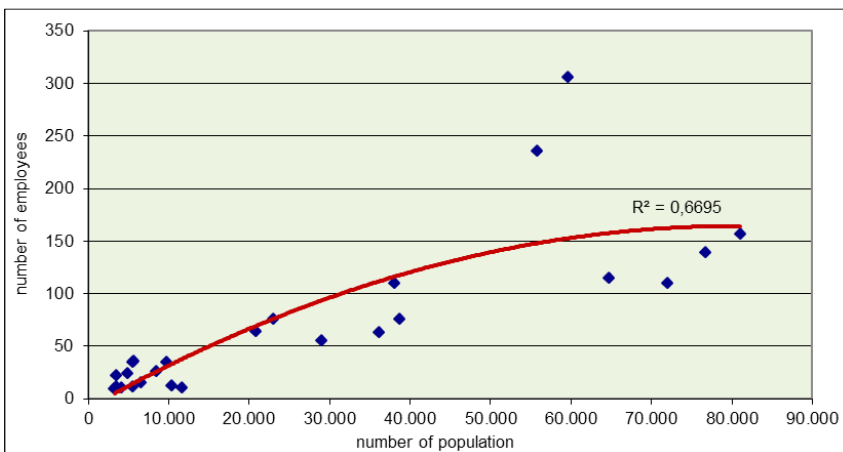
Chart 10. Number of Municipal Employees by Status

	Status of employee (legal ground for employment)	Female	Male	Total
1	Civil Servant (Civil Servants Law)	710	726	1436
2	Public Servant (Public Servants Law)	9	9	18
3	Employee by Contract for Temporary Engagement (Law on Agencies for Temporary Employment)	110	245	355
4	Employee by Contract for Volunteer (Law on Volunteers)	15	17	32
5	Other Employees (General Labour Law)	72	553	625
	Total	916	1550	2466

However, this increasing trend cannot continue for long and will reverse, as the reform process at central level will eventually affect the local governments too. That would require local governments to reshape themselves and to start delivering services in different ways, primarily by outsourcing and delivering through others.

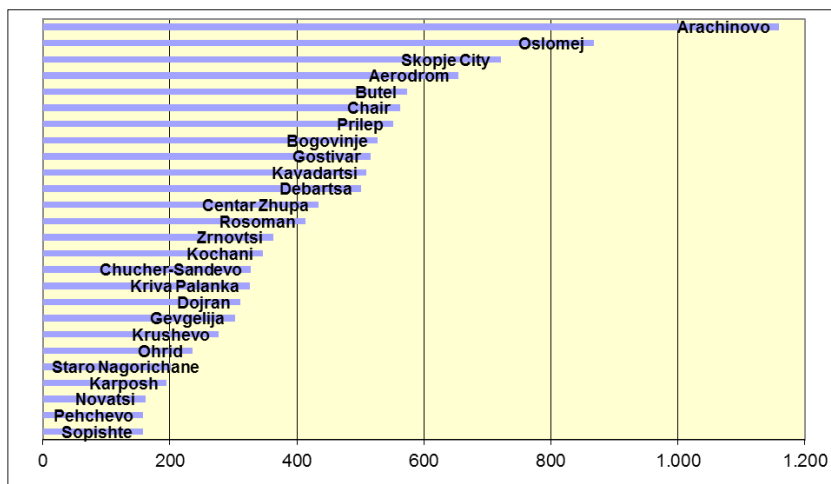
Yet to have an idea of the size of municipal administration in the host country, besides the needs of the local government, one shall bear in mind the economic and financial capacities of the respective local government unit, the number of population, employment and unemployment rates, volume of work etc. In this respect, one very useful indicator is the size of the municipal workforce as a function of the population. Chart 11 is showing that there is correlation between the size of population and the size of workforce that can allow certain predictability of the size of municipal administration; however, it also shows that the size of the municipal administration does not solely depend on the population size.

Chart 11. Ratio of number of municipal employees with the size of population



Another indicator of the size of administration is the average number of population served by a single administrator. Obviously it cannot be equal across the board since for example, the volume of work is different in rural and urban municipalities, which is partially resulting from different cultural specifics, way of life etc. As shown in Chart 12, this average is ranging from 158 citizens per employee in the municipality of Pehchevo to 1.160 citizens per employee in the municipality of Arachinovo. This does not mean that those municipalities that are having a lower number of employees are necessary having better service provision and vice versa.

Chart 12. Number of Citizens per Municipal Employee



Human Resource Management Units

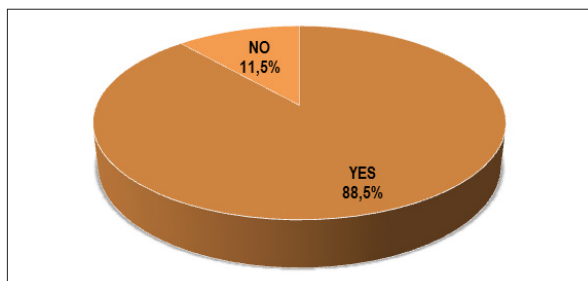
There is no legal requirement for the municipalities to develop a strategy for human resource management (HRM). However, establishment of such strategy represents basis for contemporary management with the most important assets of an organization – people. In this respect to comprehend the extent to which municipalities have developed their understanding of the importance of the issue, the OSCE Mission survey asked them if they have developed HRM Strategy. Regrettably, only one municipality out of 25 that submitted their questionnaires has given positive answer. Namely, the municipality of Centar Zhupa has developed such paper back in 2010. Therefore, it would be of utmost importance for the municipalities in the next period to initiate the processes for development of their strategies for HRM.

Even though municipalities do not need to develop a HRM Strategy, establishment of an independent unit for HRM directly supervised by the secretary of the municipality, is a legal requirement¹⁰. The survey looked into the present situation and revealed, as shown on Chart 11 that three municipalities (12%) have not complied with the

¹⁰ Article 9 of the Decree on the principles for internal organization of the bodies of the state administration (Official Gazette 105/2007)

legal requirement yet. However, this is showing progress comparing to the findings of the Civil Servants Agency from 2009¹¹, when the percentage of the municipalities with HRM units was 76%. Nevertheless, all municipalities must comply with the law eventually, and the smallest municipalities where this problem is most common should explore the possibilities for inter-municipal cooperation.

Chart 13. Municipalities with human resource management units

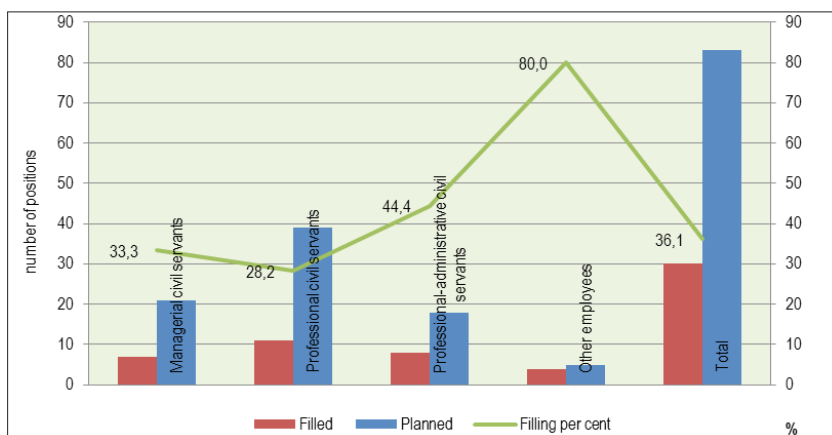


The importance of HRM does not end with the presence of the organizational unit in the systematization of the municipality. This unit should have people to perform the tasks and responsibilities. The Decree on the principles for internal organization does not set any limits on the number of civil servants in these units, however the logical minimum is two – one head of the unit and one professional/administrative officer. The survey revealed that the average number of planned positions in the HRM Units in the municipalities is roughly 4, however the average number of filled positions is only 1.4. In other words 36.1% of the positions are actually occupied, but if the non-civil servants posts are excluded from the analysis, then the percentage falls to 33.3% and is equal to the level in 2009. In addition, 38.1% of the municipalities are having only ‘virtual’ HRM Units, that exist in their systematization but all positions are vacant.

The Chart 14 below is showing the situation per group of titles for civil servants. Apparently the core professional positions are in the worst situation as those are the posts that are least occupied, with only 28.2%. Professional-administrative posts are 44.4% filled, which can be an indicator of the level of education of the available workforce at local level, but also a common practice to have HRM Unit pro-forma.

¹¹ Analysis of the organizational units for human resource management in the bodies of the civil service, 18 May 2009

Chart 14. Working posts in the human resource management units, per group of titles



Obviously, the legislator did not require municipalities to have HRM Unit pro forma, but to perform the tasks associated with this important function for any organization. As one of the focuses of the OSCE survey was put on the training, municipalities were asked to provide information on the type of activities of the HRM Units in the area of training. This area was selected particularly to check the progress comparing to the CSA 2009 Analysis when the training related activities of the HRM Units were in the terms of references in less than 40% of the municipalities. In this respect, during the survey, municipalities were offered to select all activities that apply and results are presented in the Chart 15 below.

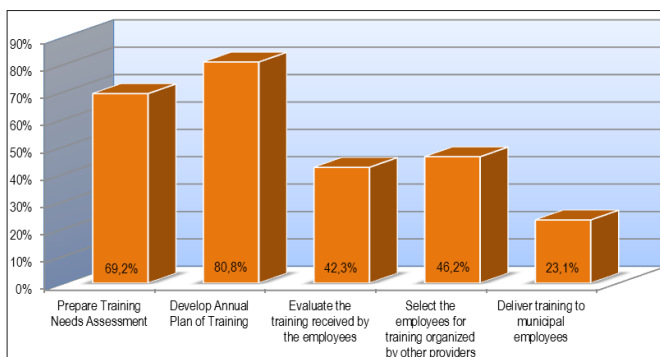
Evidently, most of the municipalities have tasked their HRM Units to perform the legal requirement to develop Annual Training Plan (80.8%), for which they also need to conduct a training needs analysis (69.2%). In fact, the Annual Training Plan is developed outside these units, only in those municipalities where HRM Units are fully vacant. Having in mind the organization of the system for training coordination¹², the percentage of those HRM Units that deliver training to municipal employees (23.1%) is satisfactory.

However, in the future, these units have to pay more attention to the training evaluation and selection of the trainees. The results from the survey are indicating that, in particular the latter task is still performed outside the HRM Units, in most cases within the cabinets of the mayors. This confirms the validity of the identified problems in the national system¹³ that ‘Selection for training is frequently based on factors different from the need or providing of training as a “reward”’.

¹² National system for coordination of the professional development and training of the civil servants, MISA, March 2011, Skopje

¹³ *ibid*

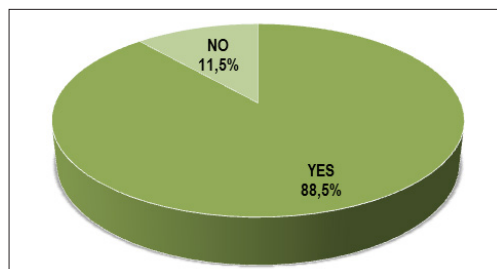
Chart 15. Activities of the HRM Units in the area of training



Training of the Municipal Administration

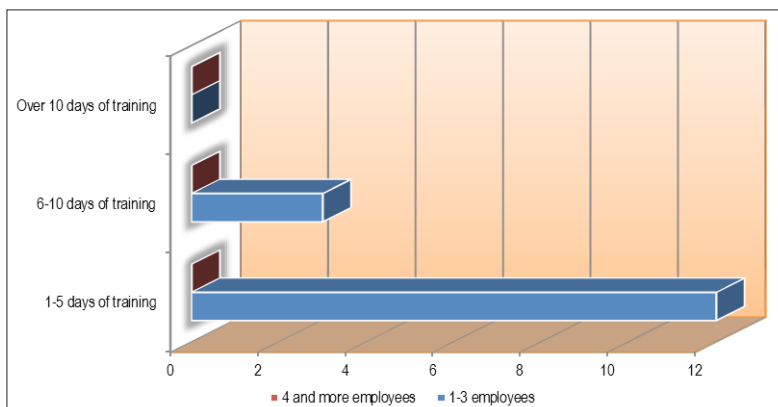
According to the survey, the majority of HRM Units that are dealing with the development of the Annual Training Plan have produced it in 2012, and only 11.5% of the municipalities failed to comply with their legal duties. These plans are expected to provide information on the training needs as well as to indicate who should deliver the training.

Chart 16. Municipalities that developed an Annual Training Plan for 2012



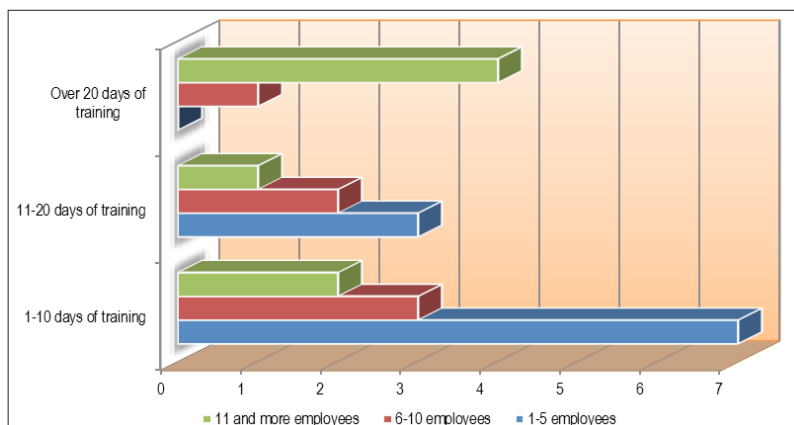
In this respect, civil servants working in the municipal HRM Units are having possibilities to receive training related to the HRM function through the Annual Training Programme provided by MISA, training provided by ZELS or training provided through various projects. The OSCE survey revealed that HRM employees in 57.7% of the municipalities attended such training. In most cases, 1-3 employees did this for 1-5 days per year. Although this percentage is still not satisfactory, it shows progress comparing to CSA 2009 Analysis when only 40% of the HRM employees attended training events.

Chart 17. Days of training of the HR employees in the area of HRM in the period July 2011 – July 2012



The situation with the training of the whole municipal administration is much better as the survey showed that only one municipality (Zrnovtsi) did not send any of their employees for training in the period July 2011 – July 2012. In two cases municipalities failed to submit data on the training of their staff, but overall it may be concluded that local government employees benefited of training.

Chart 18. Days of training of the municipal administration in the period July 2011 – July 2012



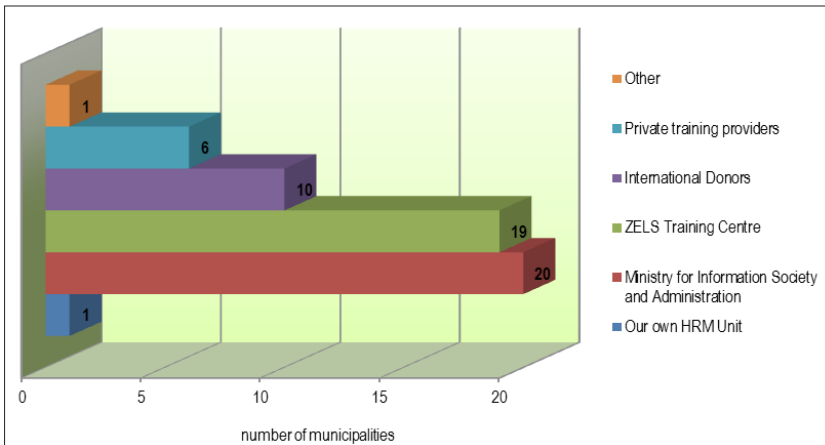
The employees of the rest of 23 municipalities participated in various trainings, as it can be seen in Chart 18. Although the survey is not giving precise numbers it can be assumed that municipalities have received in total between 1.400 and more than 3.000 training days within the specified period. Such number would mean that in average every employee of the municipality has received between 0.5 and 1 day of training. This of course is not sufficient and still far from the targeted 5 days/year, that MISA set in the national system for training.

Various providers delivered these trainings; actually, the variety of the service providers is fully in line with the policies of MISA for diversification of the funding and provision of the training for the civil service. Chart 19 below is showing that although MISA is entrusted with the coordination of the training policy, in reality it is also the main provider of training for 77% of the municipalities, followed by ZELS, which delivered training in 73% of the municipalities, while international donors through various projects have delivered training in 38% of the municipalities.

The survey revealed very interesting fact that almost ¼ of the municipalities have engaged private sector to deliver training to their employees. Although this was original policy of the former CSA, in practice due to lack of funding municipalities rarely utilized private sector providers for their training needs. Therefore, this finding is highly important as an indicator of the increased awareness of the municipalities for the importance of the training and identifying funds to engage diverse service providers.

Another positive development is the fact that one municipality (Karposh) managed to deliver training to its employees with its own capacities; this example could be followed in the future by more and more municipalities.

Chart 19. Training providers for the municipal employees



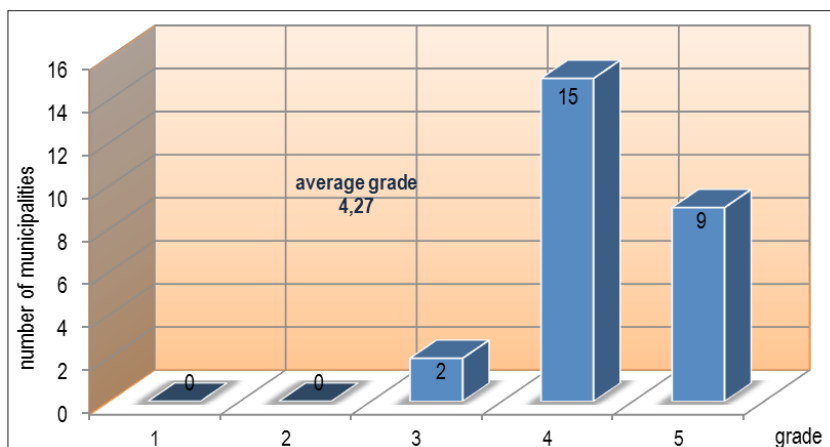
With the establishment of the ZELS Training Centre in 2011, and especially with the introduction of their own facilities for training delivery in 2012, the training of the municipal employees is expected to improve considerably over the next period.

The National system for training coordination identified that *impact of the training is rarely measured systematically*, and *it is still difficult to show the relationship between training and contribution of it for the performance of the civil servants*.

In this sense, the survey requested municipalities to evaluate the worthiness of the

received training on the scale of 1 – 5 where 1 is ‘Not useful’ and 5 is ‘Very useful’. All 26 municipalities answered the question with an average grade of 4.27 (Chart 20). Although this estimation cannot be considered ‘systematic’, it still gives clear indication that municipalities highly appreciate the value of the training for their employees.

Chart 20. Relevance/usefulness of the training received by the municipal administration

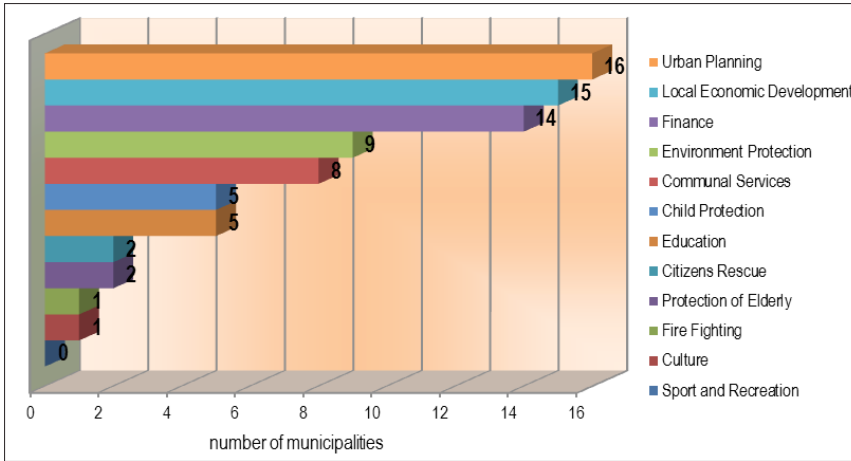


MISA is in charge of drafting the annual programme for generic training of the civil servants that includes training priorities based on strategic goals of the Government, successfulness of the previous year programmes and the training needs as presented in the annual programmes of municipalities (and other state bodies).

One of the objectives of the survey was to contribute to the identification of the training needs priorities in the area of generic and specialized training for the municipal employees, following the definitions used in the Register of Civil Servants. The outcomes of this ‘mini’ training needs assessment will help not only the municipalities and MISA in their future programming of the training but will also enable other donors, including the OSCE Mission to Skopje, to better shape their assistance in this regard.

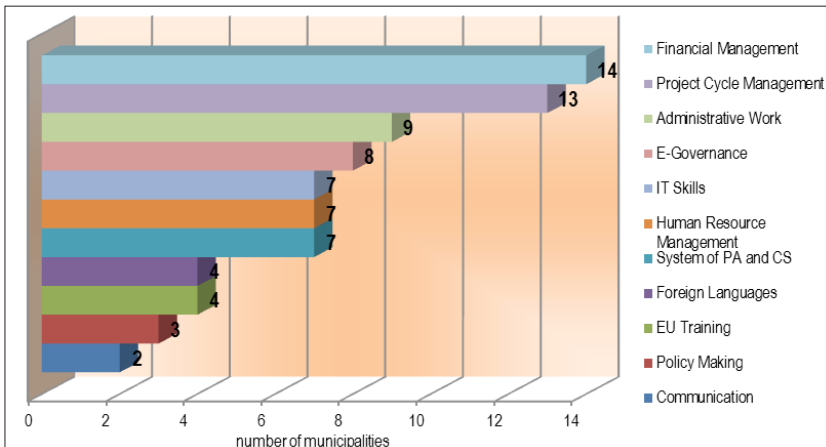
Municipal competences in terms of training are defined as areas of specialized training. More than 50% of the municipalities considered that their top priority areas for training of their staff are urban planning, local economic development and finance. These results are somehow peculiar. While it is understandable that finance is an area of priority for training due to the intensification of the fiscal decentralization, it remains unclear why the area of urban planning is at the top of the priority list, having in mind that municipalities have made the highest progress in the process of decentralization in this area. In the same time, municipalities do not see the need for training of their staff in the areas where least progress is made in the decentralization process, as shown in Chart 21.

Chart 21. Priority training needs in areas of municipal competences



The Register of Civil Servants does not make difference between central and local level when it comes to the areas of generic training. Not surprisingly, more than 50% of the municipalities are listing financial management and project cycle management as the top areas of generic training. The former is fully in line with the overall priority of fiscal decentralization, while the latter is following the local economic development that is established as a priority in the areas of specialized training. However, it seems strange that improving of communication skills is at the bottom of the priority list having in mind that the municipalities are the level of governance that is closest to the citizens and direct communication with the beneficiaries is of utmost importance.

Chart 22. Priority training needs in generic areas

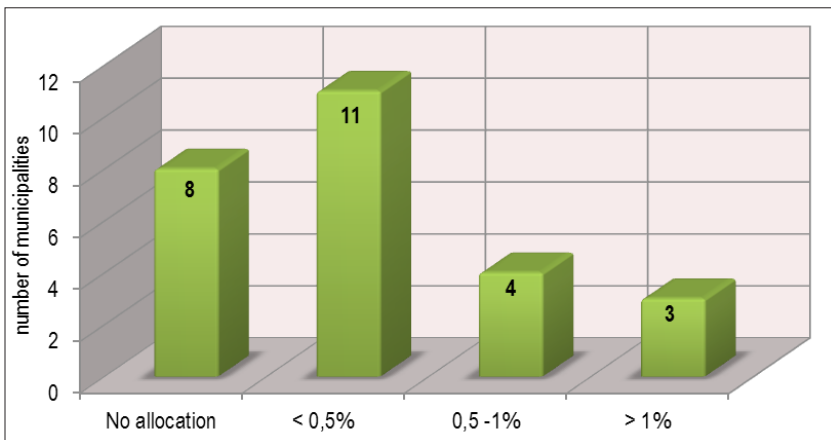


Funding of the training is another very important aspect and the National system for training coordination is proposing an amount equal to minimum 0.5% of the total salary budget in each institution of the civil service (that include municipalities) to

be earmarked for funding of the annual programmes for specialized training and professional development. After the first year of implementation of the national system, MISA may consider undertaking a review of this amount in order to determine if it is appropriate and realistic.

Anyhow, the survey revealed that 73% of the municipalities have allocated resources in their 2012 budget, earmarked for training of the employees. This is an excellent level of compliance with the recommendation included in the national system. However, roughly 1/3 of them have followed the recommended minimum allocating more than 0.5% of the salary budget for this purpose while 42.3% have allocated less than the minimum. The question remains how these allocations have been spent having in mind that around 30% of the municipalities indicated that they used their internal capacities or private providers that are assumed to have been paid. Further research is needed to reveal whether these allocations were used for training or were reallocated at certain point for other purpose as it is usually happening with the central government budget. Namely, the practice in the past was to first cut these allocations whenever budget was revised.

Chart 23. Amount of allocated resources in 2012 Budget, earmarked for employees' training



Recommendations

In order to streamline their efforts in the area of human resources management, of utmost importance for the municipalities is to initiate the processes for development of specific (local) strategies for HRM. The process of development of such strategy can be stand-alone or can be incorporated in the process of developing the overall strategic plan of the municipalities.

Municipalities that have not yet complied with the law need to establish HRM Units as soon as possible. More important, they should make every effort to fill the established positions. Those that are facing financial or human resources obstacles could explore the possibilities for inter-municipal cooperation. This option may be particularly interesting for the smallest municipalities where this problem is most common.

HRM Units would need to pay more attention to the selection of the employees for training and to the evaluation of the impact of the received training. In addition, HRM staff would benefit of increased knowledge and skills for proper management of the training for the municipal administration. Where possible, efforts to build their own training capacities in the municipalities may be undertaken.

As opportunities for funding of the training through donor assistance will be less available in the future, municipalities may consider paying more attention in allocating funds for such purpose in their own budgets.

III. STATUS OF THE FISCAL DECENTRALIZATION

Introduction and Legal Background

On 13 August 2001, the leading political stakeholders in the country signed the Ohrid Framework Agreement (OFA), which served as a framework for securing the future of building the country's democratic society. In this respect, one of the basic principles of the OFA was that development of local self-government was essential for encouraging the participation of citizens in democratic life and article 3 focused on the issues of developing a decentralized government.

In 2002 the new Law on Local Self-Government was adopted. The law increased the powers of elected local officials and expanded the list of municipal competences in conformity with the European Charter on Local Self-Government, which the Parliament ratified in 1997. In addition, a new Law on Financing the Local Self-Government Units was adopted in 2004 to correspond to the needs of the local self-government units resulting from the newly acquired competences, with an aim to ensure an adequate system of financing. Respecting the provisions of the European Charter of Local Self-Government in the area of financing, municipalities should be entitled to adequate financial resources of their own and to dispose of them freely. Also, financial resources should be commensurate with the responsibilities delegated to the local self-government units. The legislative package regarding the financing of the local self-government units was supposed to respect the differences in fiscal capacity of the municipalities, and protect financially weaker local authorities through financial equalisation schemes.

Fiscal decentralization in the country started on 1 July 2005, when the package of laws regarding the financing of the local self-government units entered into force. With the start of the new system, municipalities were entitled to the following sources of municipal revenues represented in three groups:

- Own revenues (local taxes, local fees, local charges, share of the personal income tax) and others;
- Transfers from the central budget (share of the value added tax, earmarked grants, block grants, capital grants, grants from a delegated competence); and
- Borrowing.

The law prescribed phased approach in the implementation of the fiscal decentralization; first and second phase. The conditions that the local self-government units had to fulfil in the first phase were the following:

- to prepare a plan for resolution of the debt accumulated by 31 December 2001; and
- 90% of the total number of municipalities in which at least 90% of the total population in the country lived to have at least two persons in the budget and three persons in the tax administration departments.

In order to proceed to the second phase, local self-government units had to meet the following conditions:

- Complete fulfilment of the conditions from the first phase of the fiscal decentralization;
- Have the adequate staff for a proper financial management;
- Demonstrate good financial results in the period of at least 24 months;
- Regularly report about the financial results to the Ministry of Finance;
- No arrears towards suppliers in delay of the contracted terms of payment.

In January 2007, the Government established the Committee for Assessing the Fulfilment of the Conditions for Accessing into the Second Phase.¹⁴ In September 2007, the Committee approved 42 municipalities to enter the second phase of the fiscal reform process– which represented 49.41% of the total number of local self-government units in the country. As of 2013, only one municipality (Municipality of Plasnica) was left out of the second phase of the fiscal decentralization due to significant indebtedness on one hand, and on the other, low fiscal capacity to raise sufficient own revenues for a normal functioning of the municipality.

What did the start of the second phase of the fiscal decentralization mean for the municipalities? The responsibilities of the municipalities in the budgeting area increased, since instead of the earmarked grants received for selected competences in the first phase (culture, primary and secondary education, child protection and care for the elderly, and health care) containing the amount of funds necessary to cover the current operating costs and maintenance, municipalities started to receive block grants, which included salaries for the staff working in the public institutions in the mentioned areas. During the second phase, the total amounts (in the form of block grants) are transferred to the municipal budgets to be then further on transferred to the accounts of the budget users on the municipal territory.

¹⁴ Official Gazette no.7/2007

STATE OF AFFAIRS IN THE FISCAL DECENTRALIZATION

Legislative amendments

By 2012, the process of fiscal decentralization has taken a slow pace with reference to the adoption of new laws and implementation of the existing legislative package.

In 2012, the share of the Value Added Tax (VAT) transferred to the local self-government units was further increased from 3% to 4%, in accordance with the legally set dynamics. The gradual increase continued in 2013 to the level of 4.5% which is the maximum stipulated with the legislative changes of the Law on financing the local self-government units from December 2009.

Starting 2013, it was envisaged that the local self-government units receive additional revenues from the charges related to issuing concession to use water resources for the production of electricity in a proportion of 75% for the central budget and 25% for the municipality on whose territory the natural resources are located. Starting 2016 the division will be done half-half - for the central budget and the budget of the respective local self-government units.

With the start of the fiscal decentralization, municipalities obtained the right to administer their own taxes, fees and other financial revenues. The amendments to the Law on Property Taxes enacted in July 2012 prescribed that municipalities, as of 1 January 2013, should have a certified person – assessor for determining the market value of the real estate. This person could either be employed by the municipality or services should be outsourced.

In order to improve the conditions for a better financial wellbeing of the local self-government units, the Law on financing prescribed the establishment of a Commission for Monitoring the Development of the System of Financing. The Commission is comprised of representatives from the Ministry of Local Self-Government, Ministry of Education and Science, Ministry of Labour and Social Policy, ZELS and Ministry of Finance. In accordance with the Law, the Commission is obliged to monitor the implementation of the criteria in transfers and grants distribution, propose measures for improvement of the grants system, as well as prepare semi-annual and annual reports with the key findings regarding the development of the system of financing and recommendations for its development. There are no reports from the sessions of the Commission published on the official web site of the Ministry of Finance.

According to the system in place, municipalities cannot meet bankruptcy. The latest legislative changes regulated the situation of financial instability in the municipalities in a different way. With the latest amendments, only two conditions could lead to announcing a situation of financial instability, such as:

- Blocked account for a period longer than six months, and
- Indebtedness level at the end of every month within a six months period of more than 80% of the realized revenues.

The decision of the State Auditor determining significant irregularities in the work and due payment for a period longer than 90 days from the maturity date are no longer conditions for announcing financial instability. In order to overcome the situation, the Mayor should make a decision within five days from the day this situation is determined and inform the respective Municipal Council, the Ministry of Finance, Ministry of Local Self-Government and ZELS about the existence of the conditions for initiating financial instability. Then, the Ministry of Finance should establish a Coordinative Body in the attempt to overcome the financial instability. According to the latest changes, representatives of the State Audit Office, Municipal Council and the Mayor are no longer members of this body. The responsibility is given to two members from the Ministry of Finance, two members from ZELS and one member from the Ministry of Local Self-Government to take care about resolving the situation of financial instability. The Mayor shall develop a plan of proposed measures to overcome the financial instability within 15 days from the establishment of the Coordinative Body.

With an Information Letter dated 27 July 2012, the Ministry of Finance informed that records about municipal debts could not be announced.¹⁵ Therefore, there is no available information whether there is a legal ground for declaring financial instability in some of the municipalities, which have been facing financial problems in the previous period.

MUNICIPAL FINANCIAL MANAGEMENT

Collection of Municipal Revenues

With the start of the fiscal decentralization, the municipalities obtained the legal right to administer their own revenues. The main advantage of the fiscal decentralization was that the local authorities were given the opportunity to significantly increase the collection of their own revenues, compared to the period before the reform, when the central government bodies were authorized to collect and then transfer the revenues to the municipal accounts. However, the fiscal effort was significantly lower – since it could not be expected that central government body would try to increase the collection of revenues that are transferred further on to the local self-government units. Currently, municipalities are responsible for the timely preparation and distribution of the property tax as well as the communal tax bills. These constitute the group of revenues over which they have autonomy to set the tax rate and the level of administrative and communal fees, within the legally prescribed limits.

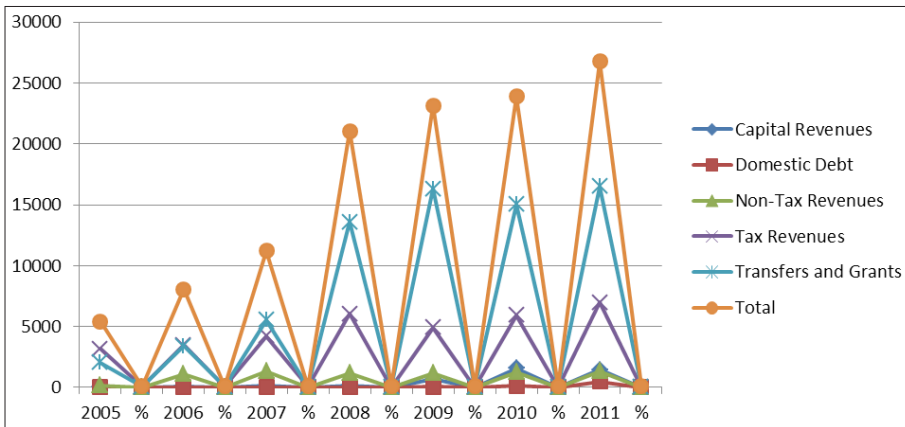
In order to increase collection of own revenues, local self-government units have the obligation to update the taxpayers' databases of both physical and legal entities, in order to be able to realistically assess the revenue base and program the expenditure needs. In addition to this updating, the municipal administration was supposed to form working groups for reassessing the market value of the property subject to

¹⁵ The letter was sent by the Minister of Finance and addressed to the OSCE Mission to Skopje as a reply to a prior Mission request dated 20 June 2012

taxation. Many of the municipalities finalized these processes within the first years of the fiscal decentralization, while others – primarily small and rural municipalities lacking the financial resources, are still in the middle of its completion. Municipalities that updated their databases managed to increase the collected amount of tax and non-tax revenues by manifold.

In 2005, the total amount of local government revenues amounted to 5,414 million denars. By 2011, the total municipal revenues increased almost five times, amounting to 26,745 million. The trend of the different revenue categories is presented in the chart below.

Chart 24. Trend of local government revenues 2005 - 2011



Source: Ministry of Finance Information letters 2005 - 2011

The official figures show that there has been a significant increase in all revenue amounts, in each of the categories when comparing 2011 to 2005. The biggest increase is registered in the capital revenues, followed by the non-tax revenues and the domestic debt. Next largest increase is in the category transfers and grants and this is mainly due to the second phase of the fiscal decentralization when municipalities started receiving the block grants for financing the selected competences. As a result of the increase of the transfers and grants, the share of tax and non-tax revenues in the total structure declined; however, in absolute figures both categories have a significant increase in the collected amounts throughout the years.

The absolute figures of different municipal revenues broken down into main categories of revenues are presented in the following tables.

Table 1. Local Governments Revenues 2005-2008 (in million Denars)

	2005	%	2006	%	2007	%	2008	%
Capital Revenues	4.30	0.08	85.00	1.06	120.80	1.08	175.00	0.8
Domestic Debt	13.60	0.25	0.00	0	0.00	0	30.40	0.14
Non-Tax Revenues	188.30	3.48	1,116.50	13.89	1,322.20	11.81	1,200.60	5.71
Tax Revenues	3,169.60	58.55	3,462.70	43.09	4,230.00	37.78	6,055.70	28.79
Transfers and Grants	2,038.20	37.65	3,380.70	42.07	5,523.00	49.33	13,575.3	64.53
Total	5,414.00	100.01	8,044.90	100.11	11,196.0	100.00	21,037.0	99.97

Source: Ministry of Finance Information letters 2005 - 2008

Table 2. Local Governments Revenues 2009-2011 (in million Denars)

	2009	%	2010	%	2011	%
Capital Revenues	696.10	3.01	1,570.00	6.57	1,437	5.37
Domestic Debt	37.10	0.16	117.00	0.49	476	1.78
Non-Tax Revenues	1,192.70	5.15	1,261.00	5.28	1,353	5.06
Tax Revenues	4,914.20	21.24	5,918.00	24.8	6,989	24.8
Transfers and Grants	16,299.1	70.44	15,029.0	62.9	16,490	61.66
Total	23,139.2	100.00	23,895.0	100.04	26,745	100.00

Source: Ministry of Finance Information letters 2009 - 2011

As mentioned before, municipalities collect revenues from own sources as well as revenues from the central budget in the forms of transfers and grants. In order to ensure a proper fiscal reform, the system needs to take into consideration the existence of both horizontal and vertical fiscal gaps and provide for legal solutions to mitigate them. Currently, revenues that municipalities receive as a portion from the collected value added tax (VAT) at central level are transferred in a form of general grant and serve the equalisation purpose in the country.

Municipalities receive different forms of current transfers from the central budget. These transfers are the following:

1. Grants from VAT
2. Grants for cultural activities
3. Educational grants

4. Earmarked grants
5. Grants for social welfare
6. Grants for firefighting activities

At present, the general grant from the VAT revenues is distributed to the local self-government units based on a formula taking into account different criteria i.e. number of inhabitants, number of settlements, and the size of the territory municipality. What is important in the equalisation model is to set the right limit that the grant transferred from the central budget objectively equalizes the natural deficiency of weaker municipalities in the collection of own revenues, but in the same time not discouraging the fiscal effort of the local administration for an increase of the collection of own revenues. Even though, the VAT distribution formula in the country incorporates different criteria, it is interesting to see the amount of revenues from VAT municipalities received per capita in 2011. These figures are presented in the following table.

Table 3. Value added tax (VAT) revenues per municipality and per capita in 2011

	Municipality	Number of inhabitants	Revenues from VAT in 2011(in Denars)	Per Capita (in Denars)
1	Vranestica	1322	4779676	3615.49
2	Novaci	3549	12415733	3498.38
3	Sopiste	5656	14897498	2633.93
4	Drugovo	3249	8445965	2599.56
5	Lozovo	2858	5686428	1989.65
6	Caska	7673	14501597	1889.95
7	Makedonska Kamenica	8110	15290836	1885.43
8	Konce	3536	6646013	1879.53
9	Karbinci	4012	7355579	1833.39
10	Gradsko	3760	6829614	1816.39
11	Debarca	5507	9698601	1761.14
12	Rankovce	4144	7081943	1708.96
13	Demir Kapija	4545	7748037	1704.74
14	Dojran	3426	5624278	1641.65
15	Vevcani	2433	3849890	1582.36

16	Mavrovo i Rostusa	8618	13412190	1556.3
17	Zelenikovo	4077	6325726	1551.56
18	Staro Nagoricane	4840	7252641	1498.48
19	Rosoman	4141	5794778	1399.37
20	Zrnovci	3264	4518404	1384.31
21	Demir Hisar	9497	12017654	1265.42
22	Pehcevo	5517	6848248	1241.3
23	Mogila	6710	8309554	1238.38
24	Plasnica	4545	4993868	1098.76
25	Makedonski Brod	7141	7672984	1074.5
26	Centar Zupa	6519	6892644	1057.32
27	Kratovo	10441	11015015	1054.98
28	Krivogastani	6150	6257086	1017.41
29	Cucer Sandevo	8493	8380537	986.76
30	Petrovec	8255	8096385	980.79
31	Berovo	13941	13428657	963.25
32	Cesinovo	7490	7117165	950.22
33	Dolneni	13568	12678633	934.45
34	Valandovo	11890	11046871	929.09
35	Resen	16825	15347904	912.21
36	Krusevo	9684	8610426	889.14
37	Novo Selo	11567	9585895	828.73
38	Jegunovce	10790	8797349	815.32
39	Vasilevo	12122	9789582	807.59
40	Bogdanci	8707	7001951	804.17
41	Probistip	16193	12772166	788.75
42	Oslomej	10420	8121344	779.4
43	Delcevo	17505	13578774	775.71
44	Zajas	11605	8786591	757.14

45	Kriva Palanka	20820	15732475	755.64
46	Negotino	19212	14100603	733.95
47	Vinica	19938	14297437	717.09
48	Studenicani	17246	12043229	698.32
49	Kavadarci	38741	26907892	694.56
50	Gevgelija	22988	15868292	690.29
51	Bosilovo	14260	9841733	690.16
52	Radovis	28244	18567362	657.39
53	Brvenica	15855	10193656	642.93
54	Aracinovo	11597	7259648	625.99
55	Ilinden	15894	9671805	608.52
56	Debar	19542	11624415	594.84
57	Lipkovo	27058	15527369	573.86
58	Zelino	24390	13830355	567.05
59	Prilep	76768	42823704	557.83
60	Stip	47796	26518448	554.83
61	Tearce	22454	12372932	551.03
62	Vrapciste	25399	13678434	538.54
63	Kocani	38092	20472705	537.45
64	Sveti Nikole	18497	9881069	534.2
65	Bogovinje	28997	14755125	508.85
66	Struga	63376	31344874	494.59
67	Veles	55108	27096135	491.69
68	Ohrid	55749	26979964	483.95
69	Bitola	95385	45931105	481.53
70	Strumica	54676	25827934	472.38
71	Kicevo	30138	14047022	466.09
72	Gostivar	81042	37213473	459.19
73	Kumanovo	105484	46257035	438.52

74	Saraj	35408	15308788	432.35
75	Tetovo	86580	36297723	419.24
76	Suto Orizari	20800	4981009	239.47
77	Gjorce Petrov	41634	9063010	217.68
78	Butel	37371	8001928	214.12
79	Gazi Baba	72617	13836229	190.54
80	Kisela Voda	57236	8956266	156.48
81	Centar	45362	6991842	154.13
82	Karpos	59666	9195692	154.12
83	Aerodrom	72009	9730006	135.12
84	Cair	64823	8425230	129.97
85	Skopje	506926	47410000	93.52

Source: Ministry of Finance Information Letter 2013

As it can be seen from the figures of the VAT transfers per capita, municipalities with objectively lower fiscal capacity are among the first ones on the list. For them, the VAT transfer compensates the lower amounts of revenues that can be collected through own sources. The fiscal capacity is defined as potential revenue that a local government can collect proportional to its tax base (taxable property on its territory). Currently, the VAT distribution formula does not take into consideration the differences in the fiscal capacity of the municipalities.

The transfer of VAT revenues from the central budget to the municipal budgets should be conducted in at least 12 instalments, as per the Law on Financing the Units of Local Self-Government. The transfers should be executed by the last day of the month. However, the report of the State Audit Office for the conducted audit of the general budget of the country revealed that in 2011 the Ministry of Finance did not transfer the last VAT instalment to the municipalities.¹⁶ This represented a serious violation of the Law on Financing the Units of Local Self-Government as outlined by the State Auditor. This violation caused serious financial problems in the functioning of the municipalities, especially those that are weaker in financial terms and more dependent on the general funds received from central budget through the VAT transfers.

In 2009 the OSCE Mission to Skopje conducted an analysis of the property tax collection in all 85 local self-government units in the country. It is interesting to compare those data for the year 2008 and the data received from the last survey for 2010 and 2011. The Property tax planned amounts in the 2008 municipal budgets and the actual realization according to the annual accounts are presented in the following table.

¹⁶http://www.dzr.gov.mk/Uploads/1_Osnoven_budzet_na_Republika_Makedonija.pdf, p.17

Table 4. Collection Rate of Property Tax Revenues

Municipality	2008 Budgeted Amount	2008 Actual Collection	Collection Rate
Centar	26000000	34917439	134.30%
Vinica	3200000	2667008	83.34%
Kicevo	4500000	3104887	69.00%
Caska	1150000	674748	58.67%
Bosilovo	1785100	1246822	69.85%
Stip	7500000	7248893	96.65%
Sara	4000000	486954	12.17%
Plasnica	1238000	274895	22.20%
City of Skopje	150000000	123537187	82.36%
Tetovo	*	*	*
Ohrid	22500000	32676788	145.23%
Veles	16107500	9725088	60.38%
Strumica	10500000	7469375	71.14%
Vasilevo	1642443	1149290	69.97%

Source: OSCE Fiscal Decentralization Background Report 2009

* Missing fields for the municipalities that did not submit data

When comparing the figures for the property tax collection from 2008 to those in 2010 and 2011, it can be concluded that the collection rate increased in all but two of the surveyed municipalities – Ohrid and Stip. These two municipalities belong to the group of 34 urban municipalities which existed back in the times of the socialist system and were created with the Law on Territorial Organization of January 1965. Therefore, one could expect that the long-term experience of the local administration would result in better financial results unlike the current situation on the field. All other municipalities from the surveyed sample succeeded to increase their tax revenue collection, which demonstrates a solid administrative capacity of the staff both for planning the revenue amounts in the municipal budgets realistically, as well as of the tax administration officers for the actual collection of the revenues. Therefore, one may conclude that since the start of the fiscal decentralization, the capacity of the finance administration at local level has significantly increased and achieved one of the biggest challenges of the fiscal decentralization – better collection of municipal own revenues.

Despite the collection rate, it is equally important to see the collected revenues per capita in order to get information about the amounts of revenues that municipalities dispose of for funding municipal services. From the data received from the ten municipalities out of the 14 surveyed, it can be concluded that the discrepancies are still significant among municipalities. If one divides the collected property tax revenue with the number of inhabitants in the municipality in order to get the per capita indicator, the following situation can be observed.

Table 5. Property tax revenues per capita in 2010

Municipality	Budgeted	Actual	Inhabitants	Per capita (in Denars)
Centar	*	*	45412	*
Vinica	*	*	19938	*
Kicevo	8000000.00	6000000.00	30138	199
Caska	1281100.00	*	7673	
Bosilovo	3800000.00	4379273.00	14260	307
Stip	16000000.00	20586089.00	47796	431
Saraj	8125123.00	1543245.00	35408	44
Plasnica	911102.00	*	4545	
City of Skopje	110000000.00	117074740.00	506926	231
Tetovo	23460000.00	20870000.00	86580	241
Ohrid	40000000.00	40000000.00	55749	718
Veles	17300000.00	15799918.00	55108	287
Strumica	12000000.00	13431821.00	54676	246
Vasilevo	1678629.00	2823172.00	12122	233

** Missing fields for the municipalities that did not submit data*

Based on the information received from the local self-government units in 2011, it can be concluded that for the same scope of competences, different municipalities dispose of different amounts of own revenues. Their assessment and analysis should be the starting point for resolving problems with the fiscal imbalances.

In 2012, as part of the surveyed sample, the OSCE Mission to Skopje visited 13 municipalities and the City of Skopje. Municipal administrations provided answer to a list of questions aimed at assessing the main achievements and challenges in the implementation of the fiscal decentralization so far. If one compares the data of the planned amounts of revenues from the property taxes from physical entities to the

actual amounts realized, it can be concluded that municipalities have invested different efforts in collection of their own sources of funding. For example, with a population of 35,408 inhabitants, the Municipality of Saraj in 2010 managed to collect only 18.99% of the property tax revenues from physical entities in 2010 and only 19.60% in 2011. On the other hand the Municipality of Vasilevo, with a population of 12,122 inhabitants succeeded to realize 168.18% of these revenues in 2010 and 206.79% in 2011. The data of the other municipalities included in the researched sample are presented in the following table.

Table 6. Collection Rate of Property Tax Revenues from Physical Entities

Municipality	Inhabitants	Collected in a regular procedure	Compulsory payment	Collection rate 2010	Collected in a regular procedure	Compulsory payment	Collection rate 2011
Centar	45362	*	*		*	*	
Vinica	19938	*	*		*	*	
Kicevo	30138	*	*	75.00%	*	*	85.71%
Caska	7673	*	*	62.77%	*	*	75.43%
Bosilovo	14260	*	*	115.24%	85.42%	14.58%	109.77%
Stip	47796	99.65%	0.35%	128.66%	*	*	95.76%
Saraj	35408	*	*	18.99%	*	*	19.60%
Plasnica	4545	*	*	24.31%	*	*	31.79%
City of Skopje	506926	*	*	106.43%	*	*	102.31%
Tetovo	86580	*	*	88.96%	*	*	61.94%
Ohrid	55749	*	*	100.00%	*	*	125.00%
Veles	55108	*	*	91.33%	*	*	86.75%
Strumica	54676	*	*	111.93%	*	*	95.63%
Vasilevo	12122	77.93%	22.39%	168.18%	93.02%	6.98%	206.79%

* Missing fields for the municipalities that did not submit data

Part of the surveyed municipalities submitted data for the collection of property tax revenues from legal entities. These data are important to see the effort invested in collecting this type of own revenue as well. The liability to tax administrative premises was introduced in 2008, but still the collection of this revenue is unsatisfactory. The table with the received data from the surveyed municipalities is presented as follows.

Table 7. Collection Rate of Property Tax Revenues from Legal Entities

Municipality	Collection rate 2010	Collection rate 2011
Centar	*	*
Vinica	*	*
Kicevo	*	*
Caska	*	*
Bosilovo	*	57.47%
Stip	91.85%	102.50%
Saraj	62.61%	59.65%
Plasnica	*	*
City of Skopje	105.41%	141.58%
Tetovo	104.46%	55.68%
Ohrid	*	95.00%
Veles	80.77%	79.80%
Strumica	*	*
Vasilevo	*	70.61%

* Missing fields for the municipalities that did not submit data

The group of own revenues include the so-called non-tax revenues as well. This group is comprised of revenues from local charges (for urbanization of construction land, communal activities and production of spatial and urban plans), local fees (communal, administrative and other fees) and revenues from donations, fines, self-contributions and from ownership. These revenues are equally important because municipalities themselves are responsible for their collection and therefore are able to influence its rate of collection through investing higher efforts. The sample of surveyed municipalities provided the following answers regarding the collection of some of the revenues from fees, which are presented in the next table.

Table 8. Collection Rate of Communal Fees in 2010 and 2011

	Displaying Company's Name		Using space in front of the administrative premises		Displaying advertisements		Using public squares	
	2010	2011	2010	2011	2010	2011	2010	2011
Centar	*	*	*	*	*	*	*	*
Vinica	*	*	*	*	*	*	*	*
Kicevo	133.33%	71.43%	*	*	*	*	*	*
Caska	77.12%	43.50%	*	*	*	*	*	*
Bosilovo	108.24%	105.88%	*	*	*	*	*	*
Stip	97.57%	47.25%	30.79%	79.73%	64.04%	40.85%	26.38%	18.23%
Saraj	*	12.53%	*	*	*	*	*	*
Plasnica	20.91%	9.77%	*	*	*	*	*	*
City of Skopje	96.81%	61.94%	74.61%	66.00%	62.43%	153.98%	98.66%	52.92%
Tetovo	100.36%	58.56%	130.11%	87.61%	*	*	960.00%	716.67%
Ohrid	*	140.00%	*	*	*	*	*	*
Veles	93.18%	73.66%	37.15%	44.56%	109.08%	75.00%	*	*
Strumica	84.24%	77.80%	72.09%	158.73%	*	*	53.84%	32.35%
Vasilevo	50.89%	65.00%	*	*	*	*	*	*

Except for the Municipality of Vasilevo, in all the surveyed municipalities there is a decline in the amounts of collected fees in 2011 compared to 2010. The reasons for this situation are to be individually analyzed in each of the local self-government units and measures should be proposed to boost the efforts and increase this type of own revenues in the forthcoming period. This should be the first priority for the responsible staff for financial and tax affairs in the municipal administrations, led by the Mayors who have the prime responsibility for the budget execution in accordance with the Law.

According to the amendments to the Guidelines for Treasury Operations, the Ministry of Finance introduced the obligation for the budget users to report assumed long-term liabilities, which cause payment liability for the following years, within 15 working days. The reporting should be done by submitting copies of the signed contract and the obtained borrowing consent from the Ministry of Finance. This measure introduces stricter control by the central government over the financial management in the municipalities and a greater administrative burden to the municipal administration. It should therefore be assessed to which extend or whether (at all) this stricter control is in line with the decentralization spirit of the reforms.

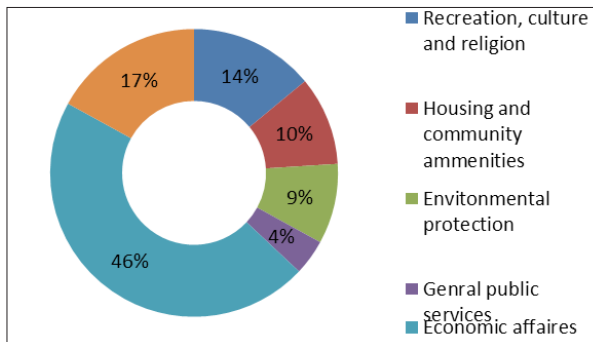
Execution of Municipal Expenditures

The municipal budgets for the following year should be adopted by 31 December of the current year and sent to the Ministry of Finance, where they are electronically read and entered into the central treasury system. In order to enable the execution of the budget, local self-government units submit four quarterly plans throughout the year. Expenditures can only be realized if already planned in the respective quarterly plan – otherwise the treasury system would automatically reject the payment requests submitted by the municipalities.

The execution of expenditures should follow certain dynamics in order to ensure realization of all expenditures as prioritized in the annual budget programs. This should therefore be commensurate to the revenue collection in all periods of the budget year. Usually, bigger inflow of tax revenues is collected at the end of the year, fact which should be taken into consideration by the administration responsible for the financial management of the municipalities.

Municipal budgets are structured in a form of programs, with a clear distinction between operating and capital expenditures under each program. Local governments in the country make up a quarter of the public investments compared to 40% in other upper-middle income countries.¹⁷ The largest share of the local capital expenditures in 2010 was allocated to economic infrastructure – particularly construction of roads.

Chart 25. Composition of local capital expenditures 2010



Source: Dr. M.R.Cyan, Dr. J.Martinez-Vasquez, Dr. A. Timofeev: "Fiscal Decentralization for Local Development" 2012

Most of the local capital expenditures are financed from the 'general purpose' revenues –municipal own sources and VAT.

According to the Law¹⁸ capital grants from relevant line ministries as well as the central funds are used to finance municipal capital projects in accordance with the

¹⁷ Dr. M.R.Cyan, Dr. J.Martinez-Vasquez, Dr. A. Timofeev: "Fiscal Decentralization for Local Development" 2012, p.106

¹⁸ Law on Financing the Units of Local Self Government, article 11

annual plan of the Central Government. In many of the cases, municipalities state that the selection of projects is based on discretionary right of the central government committees and on political criteria. In general, there is lack of transparency about the information on which projects have been submitted for financing and the final decision for distribution of capital funds to fund these projects.

The financial figures regarding the amounts of local-government expenditures broken down by expenditure category for the period 2005 until 2011 are presented in the following tables.

Table 9. Structure of the Local Government Expenditures 2005 - 2008 (in million Denar)

	2005	%	2006	%	2007	%	2008	%
Capital Expenditure	2,446.60	48.89	2,581.60	34.43	2,838.00	28.84	4,053.30	21.68
Goods and Services	1,554.50	31.06	3,443.30	45.92	3,950.00	40.14	4,985.90	26.67
Interest Payments	2,9	0.06	1.6	0.02	0.4	0.004	1.3	0.01
Reserves	23.4	0.47	22.6	0.3	15.4	0.16	33.2	0.18
Social Benefits	6.9	0.14	13.7	0.18	12.4	0.13	14,1	0.08
Wages and Salaries	69.9	13.96	1,193.30	15.92	2,662.40	27.05	8,901.80	47.61
Subsidies Transfers	220.7	4.41	224.8	3	363	3.69	705.9	3.78
Current Transfers to Municipality	19.8	0.4	0.2	0	0	0	0.1	0
Total	5,003.90	100	7,497.80	100	9,841.60	100	18,697.10	100

Table 10. Structure of the Local Government Expenditures 2009 - 2011 (in million Denar)

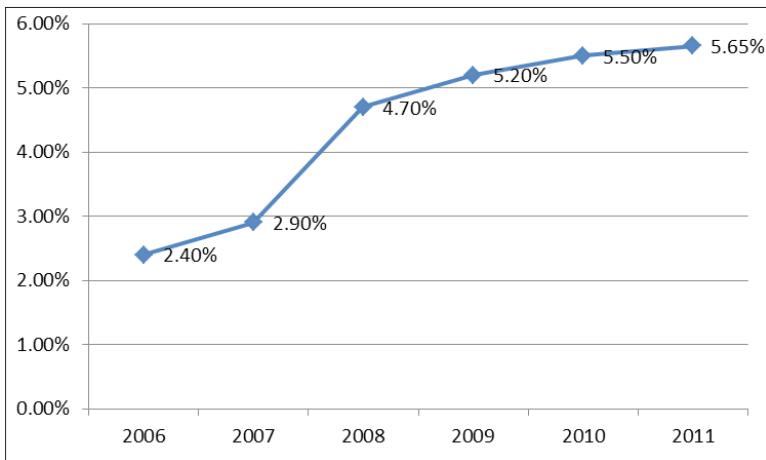
	2009	%	2010	%	2011	%
Capital Expenditure	4,163	19.76	4,839	20.64	6,515	24.87%
Goods and Services	5,687	27	6,067	25.88	6,225	23.77%
Interest Payments	1,824	8.66	1	0	3	0.01%
Reserves	39	0.19	41	0.17	30	0.11%
Social Benefits	21	0.1	22	0.09	25	0.10%
Wages and Salaries	10,478	49.74	11,715	49.98	12,479	47.64%
Subsidies Transfers	669	3.18	750	3.2	905	3.46%
Current Transfers to Municipality	1	0	0	0	10	0.04%
Total	21,064	100	23,441	100	26,192	100.00%

Source: OSCE database of annual accounts of the local self-government units for the years 2005- 2011, based on information received from the Ministry of Finance

With the start of the second phase of the fiscal decentralization, the share of the category “Wages and Salaries” dramatically increased. The reason for that was the transfer of block grants for financing the competences specified in the Law. Namely, block grants included the amounts for the salaries of public servants along with the amounts for operating and maintenance of the buildings, which are transferred as a total grant to the municipal accounts. The municipality should allocate for specific purposes and then transfer these amounts further on to the accounts of the budget users (schools, kindergartens, houses of culture).

One of the indicators to assess the level of decentralization in the country is the share of local expenditures on the Gross Domestic Product (GDP). Before the decentralization reform, the country was considered as one of the most centralized countries in the South-Eastern Europe. The greater the share of local expenditures, the higher is the level of decentralization since local government units spend bigger part of funds locally. Before 2005, the share of local expenditures on GDP amounted to less than 1%. Since 2005, the share of local expenditures on the GDP constantly increased from the level of 2.40% in 2006 to 5.65% in 2011. The trend of increase of the local expenditures share on GDP is presented in the chart below.

Chart 26. Local Government Expenditure According to its Share on GDP (2006-2011)



Source: Ministry of Finance Information Letters 2006-2011

In 2012, in the EU-27 states, total expenditure at general government level was equal to 49.4% of the GDP. Central government in the country accounted for 37.1% of general government total expenditure (TE) or 18.3% of GDP.

State government accounted for 7.7 % of TE or 3.8% of GDP, local government for 23.1 % of TE and 11.4 % of GDP, with social security funds making up the remainder – 32.1% of TE or 15.9% of GDP.¹⁹

Having these in mind, one may note that the share of local expenditures on GDP in the country is still significantly lower than in the EU member states.

Borrowing

With the entering into the second phase of the fiscal decentralization, municipalities that showed positive financial results in the last 24 months fulfilled the legal condition to ask approval to borrow from the Ministry of Finance. Borrowing can be requested in the form of a bank loan or through the issuing of municipal bonds.

With the legislative amendments of December 2009, the municipalities obtained the right to use municipal bonds. However, local self-government units in the country still do not have the necessary experience with this form of borrowing. Municipal bonds represent a form of investment with a lower risk, since the municipality itself should guarantee for the repayment. Issuing of municipal bonds should be connected with financing of investment projects of public interest or meeting current budgeting needs for liquidity. In 2011, the Ministry of Finance published a Guide for the Issuing of Municipal Bonds in order to elaborate on this tool and bring it closer to the local self-government administrations.

With the same legislative changes, the Ministry also increased the indebtedness level for the short-term borrowing from 20% to 30% of the realized total revenues in the operating budget of the previous fiscal year and for the long-term borrowing of the annual repayment from 15% to 30% of the realized total revenues in the operating budget. The Law amendments also specified the grounds for long-term borrowing, such as for capital projects, refinancing of debts from capital investments, obligations from activated state bonds.

According to the Ministry of Finance, in 2012, a total of 11 municipalities (Kicevo, Novaci, Gjorce Petrov, Dolneni, Ilinden, Vevcani, Gradsko, Krusevo, Vasilevo, Stip, Bosilovo) received consent to apply for loans. The Ministry also gave consent for the issuing of guarantees to five municipal public enterprises. According to the information received from the Ministry of Finance, the City of Skopje got the consent for the issuing of municipal bonds in 2012. However, concrete steps towards the realization of the first emission of bonds have not yet been undertaken by the city officials.

¹⁹ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Government_expenditure_by_sub-sector_of_general_government

Internal Control and Internal Audit

Internal control is a management function which measures and corrects the financial operations in order to ensure compliance with the financial plans and goals. The internal control should be performed by all members of the team in one organization, but it is the top management in the local self-government unit – Mayor, Head of Budget and Finance Department and authorized accountant who should have highest responsibility for its proper performance. Financial control encompasses the financial processes of planning, execution, monitoring and reporting about the collected revenues, execution of expenditures and protection of resources recorded in the financial statements.²⁰ Internal control is performed during the year and during the processes of budget execution.

Internal audit should be an independent activity for evaluating information, verifying the accuracy and giving feedback in a form of recommendation to contribute to the improvement of the work of the subjects. Opposite of the internal control, internal audit is performed after the completion of certain operational processes, in order to provide objective assessment and recommend ways to improve the operating and the effectiveness of the internal control system. The units of internal audit should perform the following types of internal audit:

1. Regular audits
2. Audit of the internal control systems (systemic audits)
3. Performance audit, and
4. Financial audits

Fiscal decentralization introduced a solid system of internal control and internal audit in the local self-government units. According to the Law²¹, local self-government units were obliged to establish system and procedures of internal audit. The Municipal Council was the body obliged to appoint internal auditor upon a Proposal submitted by the Mayor. As of 2007, this legislative provision was abolished and the provisions from the Law on Internal Audit in the Public Sector²² entered into force and remained valid until the enacting of the Law on Public Internal Financial Control. According to these amendments, the internal audit units are compulsory in all subjects from the public sector, whose average annual budget in the last three years exceeds the amount of 50 million denars. Currently the situation with the performance of internal audit function at central and local level is presented in the next tables.

²⁰ Law on Public Internal Financial Control, Official Gazette 90/2009, article 5

²¹ Law on Financing the Units of Local self-government, Official Gazette 61/04

²² Law on Internal Audit in the Public Sector, Official Gazette 69/04 and 22/07

Table 11. Internal Audit at Central Level

	2006	2007	2008	2009	2010	2011	2012	01 2013	02 2013	03 2013	04 2013	05 2013	06 2013	07 2013
Established Internal Audit Units	24	35	46	58	64	71	73	74	74	74	74	74	75	75
Internal auditors	52	68	81	90	111	120	133	135	134	134	134	136	135	136
Heads of Internal Audit Units	/	/	27	34	34	35	44	45	45	45	45	46	47	47
Internal Audit reports	142	204	222	252	245									
Recommendations	1472	1502	1262	1672	1688	1534								
Percent of implemented audit recommendations	39	44	47	54	56	53								

Table 12. Internal Audit at Local Level

	2006	2007	2008	2009	2010	2011	2012	01 2013	02 2013	03 2013	04 2013	05 2013	06 2013	07 2013
Established Internal Audit Units	0	17	32	40	49	59	64	64	64	64	64	63	64	64
Internal auditors	15	27	33	35	44	52	60	59	60	60	60	61	63	63
Heads of Internal Audit Units	/	/	15	18	19	18	22	21	21	21	21	21	21	21
Internal Audit reports	88	107	134	132	172	176								
Recommendations	455	626	707	815	1033	1355								
Percent of implemented audit recommendations	60	68	69	58	72	49								

According to the information published by the Ministry of Finance on the official web site²³ a total of 35 local self-government units have internal auditors/ established units of internal audit. The total number of internal auditors in the local self-government units is 52, with additional 11 working in the local public enterprises.

²³ http://www.finance.gov.mk/files/u16/atresni_revizori__konecno-lokalmo-06_08_2013.pdf

The Mayor is obliged to submit annual report about the performed audits in the municipality to the Central Harmonization Unit at the Ministry of Finance by 10 May of the current year for the previous fiscal year.

Despite the progress recorded in the performance of the internal audit function at local level, there is a general impression that the emphasis should be put on increasing the independence of the internal auditors from the management structures in the local self-government units. Also, internal audit units should be strengthened with additional staff on one hand, and the capacity of both current and newly employed internal auditors should be built for a more efficient performing of the function in a professional way and in accordance with the international auditing standards.²⁴

CONCLUSIONS AND RECOMMENDATIONS

Based on the survey findings and desk research of the materials collected for the production of this report, the following conclusions can be drawn which relate to the developments in the fiscal decentralization process in the country.

- The general conclusion for the country is the same as for the countries across Central and Eastern Europe that there is no continuous progress in the fiscal decentralization over the past few years; some reverse trends of re-centralization could be noticed and the usual statements given by central government was that municipalities lack the capacity to implement the fiscal decentralization reform;
- Majority of the local self-government units demonstrated sufficient administrative capacity for local financial management; since 2005 many training programmes have been designed and delivered to the municipal financial and tax administration officers; however, there are differences in the administrative capacity of the municipal staff across the country, which does not necessarily depend on the size of the municipality;
- Not all local self-government units – especially smaller ones – respect the provisions of the Law on Financing the Units of Local Self-Government in the area of valid budget template; some of the rural municipalities do not submit the development part of the budget and do not present a triennial plan for the planned development projects; the main reason being the lack of financial resources to plan development projects;
- Regarding the transfers and grants from the central budget to the local self-government units, the annual report of the State Audit Office shows that the Ministry of Finance violated some of the main provisions in the Law; the Ministry did not transfer the legally stipulated amounts for the VAT to the municipalities which caused serious problems to the normal functioning and service delivery;

²⁴http://www.issai.org/media/12947/issai_200_e.pdf

- Communication of the local self-government units with the respective sectors in the Ministry of Finance in the monitored period proved not to be up to the desired level; many of the municipalities need more intensive consultation process and support of the central government in order to better meet the requirements of the fiscal decentralization reform;
- The Commission for Monitoring the Development of the System of Financing of the Local Self-Government Units has been pretty closed and non-transparent regarding its operation in the past period; the Ministry of Finance does not publish the reports of the sessions of the Commission, so the stakeholders in the implementation of the fiscal decentralization reform have very limited access to the latest developments that affect the process;
- Previously, the trend for significantly greater collection of municipal own revenues (tax and non-tax) in the second half of the fiscal year continued in 2011 and 2012; Municipal Finance Officers should plan the expenditure execution accordingly;
- Since the start of the fiscal decentralization, the capacity of the finance administration at local level has significantly increased and responded to one of the biggest challenges of the fiscal decentralization – better collection of municipal own revenues; many of the local self-government units managed to update the taxpayers databases and re-evaluation of the taxable property;
- The legislative amendments regarding the assessment of the value of the real estate to be performed by the certified assessors is expected to increase the collection rate of the own revenues, which should provide local self-government units with higher amounts of revenues for a better service delivery to citizens.

The conclusions regarding the process of fiscal decentralization lead to the following recommendations that can be used by the policy makers in the country for shaping the future course of the reform.

- A uniform intergovernmental system for both urban and rural, small and big municipalities may not be the key to an effective fiscal decentralization; a policy revision should be considered to set the frames for the urban local self-government units and allowing the smaller municipalities to develop gradually;
- The Commission for Monitoring the Development of the System of Financing of the Local Self-Government Units should be more transparent in its functioning; decentralization stakeholders should more frequently receive relevant information about the sessions of the Commission, the outcomes of its work and the steps forward in the fiscal decentralization reform;
- The system of fiscal equalization of horizontal and vertical gaps should be revised to include the fiscal capacity as a variable for setting the amounts of transfers (VAT) that should be distributed to local self-government units of different character (urban/rural) and capacity; this would provide for a more equitable service delivery for all citizens in the country;

- Central government should engage in solving the problem with transfer of lower amount of funds in the form of grants (from the VAT and block grants) to the local self-government units; these funds have been planned in the municipalities for financing budget programs and their lacking seriously harm the normal functioning and service delivery at local level; this in turn has an effect on the successful implementation of the fiscal decentralization process;
- Local self-government units should intensify the efforts for the collection of own revenues; it's the portion of the budgets that gives the independence for the municipality to use the funds according to the individual priorities that correspond to the local needs; the increased collection rate should be a joint effort of all the municipal bodies – mayor, administration and the Council;
- In situations when realization of revenues significantly deviates from the plan i.e. the budget, the Ministry of Finance should be more efficient in suggesting to the Government amendments / rebalancing of the current budget, for the purpose of a timely and complete transfer of funds necessary for financing the municipal competences, as provided by the law;
- Not only the Ministry of Finance, but also the other line ministries, such as the Ministry of Economy should intensify communication with the local authorities, more specifically the local self-government units should receive timely information regarding the expected amounts from different types of revenues, such as concessions; these amounts are of highest importance for a more realistic planning of both revenues and expenditures in the municipal budgets; so far this kind of communication and exchange of information has not been in place properly and timely;
- The Law on Budgets should be amended to prevent unrealistic budget planning in the local self-government units and enable appropriate defining of the budget deficit; this approach should be encouraged primarily according to the municipal bodies that propose and execute the budget, such as the mayor and the administration;
- Local self-government units should explore the possibilities of expanding the revenue basis through a better utilization of the legally prescribed revenue sources; the resources could come both from own sources and from the central government budget, but also from the legally permitted forms of borrowing;
- Local self-government units should have an easier access to the loan market and administrative support for the issuing of municipal bonds as a form of financing capital projects or meeting liquidity needs; assistance should primarily come from the Ministry of Finance in order to encourage a diversified source of revenues for financing capital investments at local level;
- The system of internal control and audit in all local self-government units should be strengthened; mayors in particular should understand the role and the importance of creating conditions for an independent internal audit function in their municipalities; the strong internal control and audit would aid

the proper functioning and improve deficiencies which might be a result of the lack of knowledge and information at the municipal administration and in the public enterprises under municipal competence; in this regard, the activities for certification of authorised accountants should continue;


- Finally, both central government authorities and local government stakeholders which are responsible for the implementation of the fiscal decentralization reform should strive to achieve higher levels of transparency and accountability of their work; data about the municipal financial management should be regularly published on the web sides of the Ministry of Finance, ZELS and the municipalities themselves; regular sessions for information sharing regarding the achieved levels of progress in local revenue collection/ expenditure realization/ development planning should be used in direction of stimulating higher levels of success in implementation of the fiscal decentralization reform in the country.

In addition, the following recommendations have been received from the participants at the decentralization roundtables held in November 2013 in Bitola, Tetovo, Strumica and Skopje.²⁵

- The formula for distribution of the VAT revenues to the local self-government units should be redesigned and the percentage should be increased (up to 30% of the total VAT revenues);
- Awareness should be raised among the citizens about their fiscal liability;
- Transparency in distributing the capital grants from the central budget to the local self-government units should be improved;
- Local self-government units should receive support in updating the databases of taxpayers;
- Smaller and financially weaker municipalities should receive preferential treatment regarding the distribution of funds from the central budget;
- Two-tier model of decentralization should be introduced;
- The Law on Balanced Regional Development should be implemented in its full – the percentage of these funds should be transferred directly to the municipalities and not through the enters of the planning regions;
- External monitoring by the citizens regarding the execution of the municipal budget should be encouraged;
- Transparency and qualitative inclusion of citizens in the budget preparation, adoption and execution should be fostered.

These recommendations were provided by different stakeholders at the municipal level such as representatives of the civil society organizations, presidents

²⁵ Representatives from the following municipalities participated at the roundtable debates: Stip, Strumica, Vasilevo, Vinica, Brvenica, Tetovo, Gostivar, Kumanovo, Jegunovce, Bitola, Kicevo, Ohrid, Struga, Centar, Chair, Karposh, Ilinden, Saraj and City of Skopje



of Municipal Councils and municipal administrations and follow the already drafted recommendations based on the research, giving a solid basis for future interventions in the fiscal decentralization process in the country.

IV. FUNCTIONING OF THE MUNICIPAL COUNCIL

Institutional and Legal Background

The Municipal Council is the legislative body at the local self-government in the country. According to the Law on local self-government²⁶, the local self-government units have two organs, the Council and the Mayor. The Council is the representative organ of the citizens. The Electoral Code²⁷ stipulates that the members of Municipal Council shall be elected at general, direct, and free local elections, by secret ballot. Regular local elections in the country are organized each fourth year simultaneously in all municipalities. Early elections for members of Municipal Council can be called and administered in accordance with the provisions of this Code upon the fulfillment of the conditions for termination of the mandate determined by the Law on Local Self-Government, unless less than six months are left until the regular elections.

The number of Council members in a given municipality depends on the number of inhabitants in that municipality. It cannot be less than 9 or more than 33 members, such as the following:

Number of members of Municipal Council per number of inhabitants in the municipality

INHABITANTS IN THE MUNICIPALITY	COUNCIL MEMBERS
Up to 5,000	9
5,001 to 10,000	11
10,001 to 20,000	15
20,001 to 40,000	19
40,001 to 60,000	23
60,001 to 80,000	27
80,001 to 100,000	31
Over 100,000	33

The number of members in the City of Skopje's Council is regulated with the Law on the City of Skopje²⁸. Because of the special status of Skopje as a separate local self-government unit, the Council of the City of Skopje is made of 45 members.

²⁶ Official Gazette No.5/2002

²⁷ Official Gazette No.54/2011

²⁸ Official Gazette No.55/2004

According to the Law and the Parliament and other elected and appointed persons in the country²⁹, the Municipal Council members are entitled to monthly compensation for their presence at the Municipal Council sessions. The compensation is calculated on the basis of the average net monthly salary in the country during the previous year, according to the following scale:

- up to 40% in municipalities with up to 10,000 inhabitants;
- up to 50% in municipalities with 10,001 to 25,000 inhabitants;
- up to 60% in municipalities with 25,001 to 50,000 inhabitants;
- up to 70% in municipalities with more than 50,001 inhabitants; and
- 100% in the City of Skopje.

When the legislative changes on the compensation of Municipal Council members were adopted in 2010, there were big reactions regarding the differentiation of percentages depending on the number of inhabitants. Municipal Council members challenged the constitutionality of this provision, since the competences of the municipalities and the Municipal Council are the same, regardless of the size of the municipality. In addition, the Law on local self-government already takes into consideration the size of the municipality by stipulating different number of Municipal Council members depending on the number of inhabitants in the municipality. Anyway, the Municipal Council members are entitled to the monthly compensation only for regular attendance of the sessions during the month. The sessions of the Council shall be convened according to the need, but not less than once every three months.

The Municipal Council makes decisions within the framework of the competences of the municipality. The Law on local self-government of 2002 provides for an extended list of municipal competences, which have been transferred from central to local level, as part of the decentralization reform in the country. In this regard, the Municipal Council is responsible for the following:

- enacting the statute of the municipality and other regulations;
- adopting the municipal budget and the annual account of the municipality;
- setting the amount of the own sources of revenues for financing the municipality, within the frameworks determined by law;
- establishing public agencies within the competency of the municipality and supervise their work;
- appointing members of the managing boards of the public agencies established by it;
- adopting programs for the work and financial programs for financing of public agencies established by the municipality;

²⁹ Official Gazette No.42/2010

- adopting reports on execution of the budget and the annual balance sheet of the municipality;
- deciding on issuing permits for the performance of an activity of public interest, in accordance with law;
- adopting the reports on the operation and the annual balance sheet of public agencies, established by the municipality;
- disposing of the municipal property;
- electing the head of the regional unit of the Ministry of Internal Affairs in the municipality, in accordance with law;
- reviewing and adopt the annual report on public safety on the territory of the municipality, which is submitted to the Minister of Internal Affairs and the Public Attorney;
- giving necessary recommendations to the head of the regional unit of the Ministry of Internal Affairs in the sphere of public safety and traffic safety.

The work of the Municipal Council is open for public. In exceptional cases, the Municipal Council may exclude public under specific conditions. In order not to abuse this right, the Municipal Statute should incorporate provisions and justifications that stipulate these reasons. The decision to exclude the public from these sessions must be approved by a two-thirds majority of votes. The presence of the public cannot be excluded at the meetings of the municipal council discussing the adoption of the municipal budget, annual account and urban plans.

State of Affairs with the Functioning of Municipal Councils

This survey focused on some of the most important aspects of the functioning of Municipal Council, such as the effectiveness, efficiency, modality of decision-making and capacity building of Municipal Council members. Municipal staff responsible for the work of the Municipal Councils and municipal commissions in 14 municipalities provided the answers to the questions, which were collected in the period October to December 2012. The sample of respondents (local self-government units) was created to represent municipalities of different size/number of inhabitants, political affiliation of the mayor, urban and rural character, ethnically mixed and ethnically homogenous. The sample consisted of the following municipalities:

Table 13. List of Local Self-Government Units included in the OSCE Survey 2012

Local self-government unit	Urban/Rural	Majority political party in the Council	Political affiliation of the Mayor	Population	
Bosilovo	rural	SDSM coalition	VMRO DPMNE coalition	95.72% e/ Macedonian	3.47% e/Turks
Vasilevo	rural	VMRO DPMNE coalition	VMRO DPMNE coalition	82.15% e/ Macedonian	17.28% e/Turks
Veles	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	84.86% e/ Macedonian	4.17% e/Albanian
Vinica	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	91.59% e/ Macedonian	6.17% e/Roma
Kicevo	urban	DUI	VMRO DPMNE coalition	53.55% e/ Macedonian	30.53% e/Albanian
Ohrid	urban	VMRO DPMNE coalition	SDSM coalition	84.92% e/ Macedonian	5.31% e/Albanian
Plasnica	rural	DUI	DUI/ DNET	97.82% e/ Turkish	0.75% e/ Macedonian
Saraj	rural	DUI	DUI	91.53% e/ Albanian	3.89% e/ Macedonian
Strumica	urban	SDSM coalition	SDSM coalition	91.92% e/ Macedonian	6.87% e/Turks
Tetovo	urban	DUI	DPA	70.32% e/ Albanian	23.16% e/ Macedonian
Centar	urban	SDSM coalition	VMRO DPMNE coalition	85.49% e/ Macedonian	4.49% e/Serbs
Caska	rural	VMRO DPMNE coalition	VMRO DPMNE coalition	57.28% e/ Macedonian	35.23% e/Albanian
Stip	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	87.18% e/ Macedonian	4.59% e/Roma
City of Skopje	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	66.75% e/ Macedonian	20.49% e/Albanian

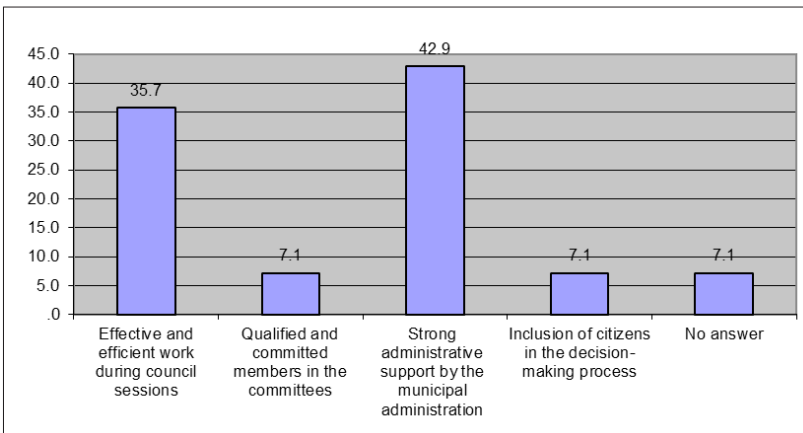
The questionnaire contained four multiple choice questions, which were the following:

- Which are the main strengths in the work of your Municipal Council?
- Which are the main weaknesses in the work of your Municipal Council?
- How often does the Municipal Council take decisions with the use of the Badinter voting procedure?
- Did your municipality allocate resources in the 2012 Budget, earmarked for Municipal Council members' training?

For the purpose of proper functioning of the municipality, members of the Municipal Council should possess adequate capacity to perform the legally prescribed competences. Some of the characteristics of a strong Municipal Council are considered

to be: high level of knowledge and skills of the Municipal Council members, effective work during the sessions, realistic agendas, efficiency in decision-making, leadership skills, team spirit, and respect for the code of ethics. Also important is the support that Municipal Council members receive from the municipal administration, both for the organization and work during the Municipal Council sessions, as well as for receiving additional information from the different organizational units in the municipality, when necessary. A total of 13 municipalities provided answer to this question. The answers are displayed in the following chart.

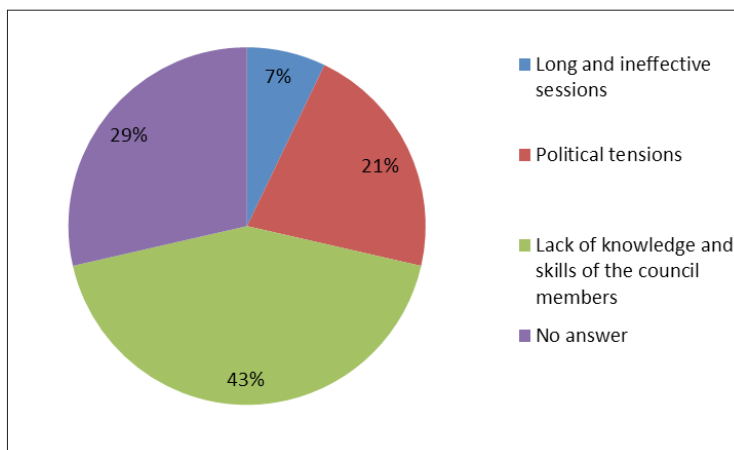
Chart 27. Which are the main Strengths in the Work of the Municipal Council?



The biggest strengths of the Councils in the selected municipalities proved to be the strong administrative support of the municipal administration as well as the effective and efficient work during the Council sessions. When the sessions are scheduled well in advance and the agenda is realistic in terms of number of topics that should be discussed during the session, the Municipal Council members are able to plan proper preparation. This in turn results in more constructive discussion, informed decisions and increased productivity of operating during the session.

However, many of the Municipal Councils do not function efficiently. Sometimes the reason is the extensive agenda, which cannot be exhausted in one day. In other cases, the Municipal Council members do not have necessary knowledge, skills and commitment to make informed decisions following after constructive discussions. The structure of answers regarding the biggest weaknesses of the Municipal Council's functioning are presented in the following chart.

Chart 28. Which are the main weaknesses in the work of your Municipal Council?

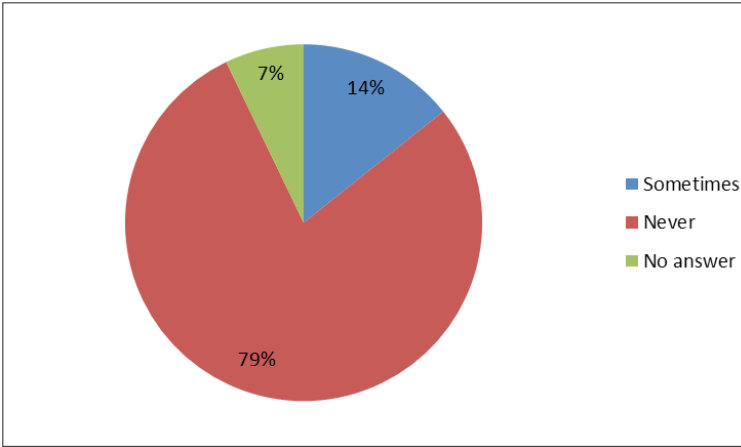


The answers show that 43% of the respondents consider the low capacity – lack of knowledge and skills of the Municipal Council members as the main obstacle for a more efficient functioning of the Municipal Council. This problem is particularly evident in smaller and rural municipalities, with the lower educational level of the Municipal Council members. The lack of knowledge and skills about the areas of municipal competence prevent a deeper analysis of the issues and more constructive discussions. Sometimes it can also be an obstacle for the discussions at the commissions' sessions, where the topics of the agenda are supposed to be reviewed and recommendations given to the rest of the Municipal Council members.

According to Article 41 of the Law on local self-government, the Municipal Council makes decisions with the majority votes by the present members. The Municipal Council can open a session if the majority of the total Municipal Council members are present at the session. The decisions regarding the issues from the area of culture, use of the languages and alphabets spoken by less than 20% of the citizens in the municipality, determining and use of the coat of arms and flag of the municipality shall be made following the Badinter principle. This principle implies that the decision can be adopted only if there is a majority of votes of the present Municipal Council members belonging to the communities which are not the majority of population in the municipality.

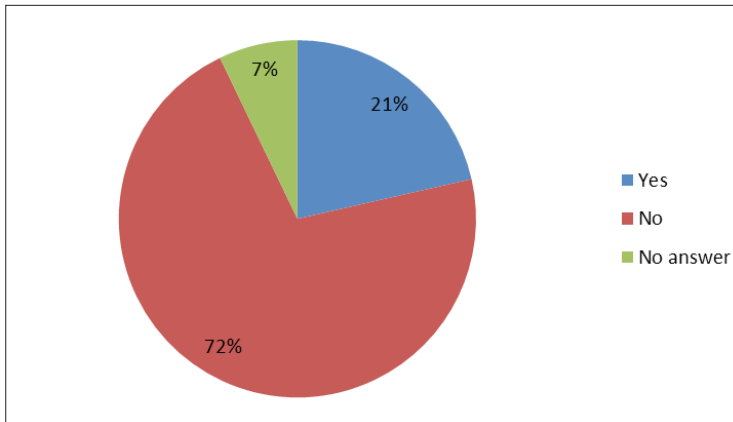
According to the structure of the sample, four local self-government units (Tetovo, Caska, Kicevo and City of Skopje) are obliged to respect the Badinter principle in making the decisions regarding the issues of relevance stipulated by the Law. Out of the four, only two municipalities responded positively to have respected this legal provision.

Chart 29. How often does the Municipal Council take Decisions with the Use of the Badinter Voting Procedure?



The last question referred to the resources that the local self-government units allocate for training of the members of Municipal Council. It is important that local government management invests in increasing the capacity of the municipal bodies. Training is one of the most important tools to increase the efficiency and effectiveness in the work, resulting in improved services to citizens. The responses of the local self-government units to this question are presented in the chart below.

Chart 30. Did your municipality allocate resources in the 2012 Budget earmarked for training of council members?



CONCLUSIONS AND RECOMMENDATIONS

Questionnaires filled out by the municipal staff responsible to support the Municipal Councils provided basis for drawing several conclusions as follows:

- In the majority of the surveyed municipalities, distribution of the materials for the Municipal Council session is done timely, minimum seven days before the Municipal Council session. Only by exception, this legally provided deadline is not respected.
- The consultation with citizens before the Municipal Council sessions in most of the municipalities is not at a desired level. Most of the Municipal Council members consult citizens regarding the topics of the agenda in exceptional cases and in an informal way.
- Municipal Council members in some municipalities (especially in small and rural ones) do not read on regular basis the materials before the session; this leads to voting based on some directions, primarily obtained by the political center of that coordinative group.
- Most of the municipalities, which have a second official language, possess adequate number of staff for interpretation and translation; however, in majority of the cases only minutes of the Municipal Council sessions are translated into the second official language and municipal gazettes are published in Macedonian language.
- Discussions on the topics of the Municipal Council session agenda at the commissions are taken more differently in different municipalities; sometimes the discussion is thorough with concrete recommendations about the decision that should be made at the Municipal Council session, which increases the efficiency of work during the Municipal Council sessions.
- There is a group of municipalities, primarily small and rural, in which discussions at the commissions are only pro forma, with neither commitment by the members of the commission to explore the subject nor to produce recommendations that should ease the decision making at the Municipal Council session.
- In some municipalities there is no (or very rare) presence of citizens at the Municipal Council sessions; however in many of the surveyed municipalities Municipal Council sessions are filmed or go live on the local televisions and many of them archive the recordings on the municipal web sites;
- Municipal Council members in most of the municipalities insufficiently consult the municipal administration before the sessions, in order to obtain additional information for a better quality decision making.
- In almost all municipalities, Municipal Council members participate at the meetings organized by the mayor and municipal administration with the citizens, which increases the transparency of work of the local self-government units.

- Most of the urban municipalities produce municipal newsletter, which the municipality distributes to the citizens for a better transparency and accountability.
- In some municipalities, neighborhood self-government units are very active in submitting proposals for topics on the Municipal Council sessions agenda; Municipal Council members most often propose topics on the agenda verbally at the session and rarely the proposals come in written form or prior to the Municipal Council session.

Based on all these conclusions and minutes of the meetings that the OSCE team held with municipal administrations, the following recommendations can be drawn:

- Training for Municipal Council members is the key towards improved efficiency and effectiveness of the Municipal Council; this is the standpoint of the administration in small and big, rural and urban municipalities; training topics should be the process of decentralization, performing of the municipal competences, roles and responsibilities of the municipal bodies.
- Municipal Council members should possess better knowledge regarding the laws regulating the municipal competences, in order to make informed decisions.
- The agenda for Municipal Council sessions should be realistically set; this would in turn prevent lengthy sessions with long and unconstructive discussions.
- To promote among the members of different Municipal Council commissions the importance of having functional commissions for efficiency and effectiveness of the Municipal Council; efforts should be invested to stimulate constructive discussions about the agenda of the Commissions' sessions, even though the participation in the commissions is without compensation;
- Communication between Municipal Council members and citizens should be intensified; citizens should get timely information about the topics at the Municipal Council sessions' agenda, in order to provide their feedback through the elected representatives.
- Information sharing with local media can be improved in order to increase transparency in the work of the Municipal Council and the local government itself; the good practice of some municipalities that share the full material regarding the upcoming Municipal Council session with local media can also be replicated in other municipalities.
- Consultation process between Municipal Council members and the municipal administration should be improved; Municipal Council members should consult more often the municipal professional staff and use the knowledge and information to make better quality decisions, which would lead towards better services to citizens.

The following recommendations have been received from the participants at the decentralization roundtables held in 2013 in Bitola, Tetovo, Strumica and Skopje:

- The sessions of Municipal Councils should be broadcasted live;
- Local self-government units should publish electronic newspapers;
- Forum of civil society organizations should be created in support of the work of Municipal Councils and local self-government units in general;
- Crucial would be to encourage constructive work during Municipal Council sessions and minimize the occurrences of political marketing in the work of the Municipal Council;
- Special training for the Municipal Council Commissions on Urbanism should be designed and delivered, with a focus on legalization of the illegally constructed buildings;
- External experts in different areas related to the municipal competences should attend the sessions of the Municipal Council Commissions;
- Timely delivery of the materials before the Municipal Council sessions;
- Mandatory presence of the Mayors at the Municipal Council sessions;
- Translation of the materials for the Municipal Council sessions in other languages in relevant municipalities as per legal requirements;
- Presence of different stakeholders at the Municipal Council sessions;
- Training of the Municipal Council members on topics related to proper functioning of the Municipal Council;
- Cooperation between local government and citizens should be improved;
- Office space should be provided for the coordinators of the political parties in the Municipal Council, as well as of the Presidents and other members of the Municipal Council;
- Once a month the Presidents of Municipal Councils should have a day dedicated to meeting citizens;
- Municipal Council members should plan regular meetings with the citizens.

V. CITIZEN'S PARTICIPATION AT LOCAL LEVEL

Introduction and legal background

Citizen's participation in local governance decision making is a process that involves ordinary citizens assessing their own needs and participating in local budget / activity planning and monitoring. The involvement of citizens in the political process is an essential part of democracy, with elections being the first step. To ensure strong participation of citizens in local governance, citizens need to understand and want to exercise their right to participate in local political issues and in the same time local government information needs to be transparent and accessible. Engaging citizens in local governance improves accountability and the ability of local authorities to solve problems and creates more inclusive and cohesive communities.

Citizens' participation in decision making at local level implies two-way communication, but one should make a difference between information flow and sharing between both parties - municipal authorities and citizens and actual participation of citizens into the process of decision making.

Host country domestic legislation is pretty scarce with regard to providing citizens participation frameworks. The article 25 of the Law on local self-government lists the following legally recognized direct forms of citizens' participation:

- Civil Initiative
- Citizens' Gatherings
- Referendum

As explained in the law, the *civil initiative* refers to the citizens' rights to "propose to the council to enact a certain act or to decide upon a certain issue within its authority". The act can be the statute, programmes, plans, decisions and other regulations adopted at local level.

Civil initiative cannot be raised for personnel and financial issues. For any other issue, the council is obliged to discuss it and inform back within 90 days "if it is supported by at least 10% of the voters in the municipality that is of the neighborhood self-government to which a certain issue refers".

According to Article 27, *citizens' gathering* may be convened for the territory of the entire municipality or for the territory of the neighbourhood self-government.

Citizens' gathering can be convened:

- At the initiative of the Mayor of the municipality,
- At the request of the Municipal Council or
- At the request of at least 10% of the voters in the municipality that is in the neighborhood self-government that a certain issue relates to.

Regardless of the source of initiating citizens' gathering, the municipal administration is entirely responsible for the facilitation and the logistical organization of the process, including the flow of information between the citizens and the municipal bodies (Mayor and Municipal Council members). Within 90 days the municipal organs are obliged to review the conclusions made at the citizens' gathering and to take them into account when making decisions and to inform the citizens on their decisions

Referendum is the most legitimate direct involvement of citizens into decision making at local level. It covers issues under the local self-government competence, except issues pertaining to:

1. The budget
2. The annual account and
3. The organization of the municipal administration.

Article 28 regulating Referendum at local level, prescribes that:

- The Council shall be obliged to issue a notice of a referendum at the request of at least 20% of the eligible voters of the municipality.
- The Council may issue a notice of a referendum on matters within its authority, at its own initiative.
- The decision adopted on the referendum shall be binding for the Council.

Further on, articles 29 and 30 recognize 1) *Appeals and Proposals* and 2) *Public Hearings, Surveys and Proposals* as additional forms of inclusion of the citizens in the local decision making process. Article 25, paragraph 2 also prescribes that "The expenses for execution of the direct participation of the citizens in the decision-making process shall be covered from the municipal budget".

The article 19 of the Law on Budgets creates only a possibility for implementing the participatory budgeting as a citizens' participation model. It states: "The Mayor of the local self-government unit is responsible for submitting the budget to the Municipal Council for adoption". It is up to the Mayor to develop a process in which his budget proposal will be produced by using the opinion of its citizens. This method is normally implemented in combination with other citizens' participation methods, such as public hearings, advisory groups, public meetings, etc.

Given the very basic contents of the legal prescriptions, the municipalities need to construct their own methods of citizens' participation and develop their own implementation rules and procedures. The successfulness of this very much depends on the state of affairs with regards to the quality of communication links between the municipal officials and the citizens, the existing awareness of the importance of including citizens into the municipal governance processes beyond the local elections and the capacity of the municipality to perform the tasks.

State of Affairs

The currently existent 80 municipalities in the country are divided unevenly in respect to the developed citizens' participation practices. The results of the filed research demonstrate differences among municipalities, outlining the following two groups:

- **Municipalities that have adopted citizens' participation as an integral part of the municipal functioning.** Some good practices in this group are noted in the municipalities of Strumica and Bitola.
- **Municipalities that exercise ad hoc citizens' participation.** Most of the other municipalities included in the field research belong to this group.

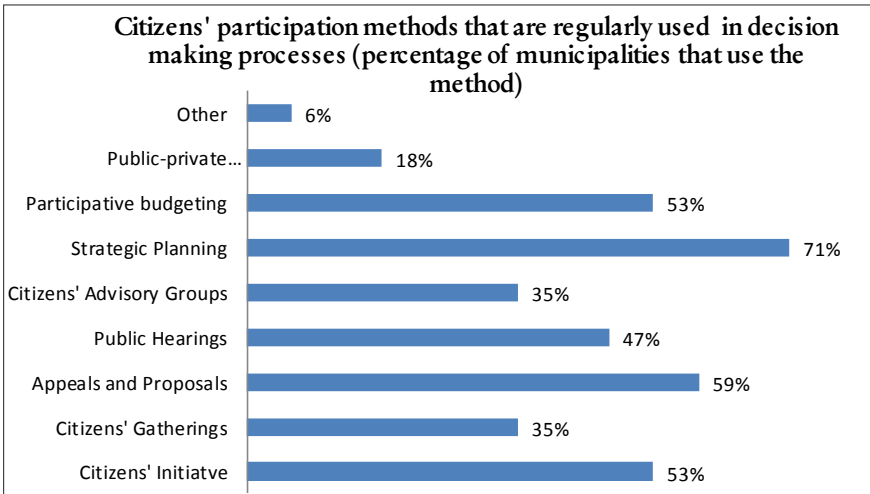
The field research conducted in the period October - December 2012 included a sample of 17 respondents (local self-government units) of different size/number of inhabitants, political affiliation of the mayor, urban and rural character, ethnically mixed and ethnically homogenous. The sample consisted of the following municipalities:

Local self-government unit	Urban/Rural	Political affiliation of the Mayor	Political affiliation of the majority in the Municipal Council	Population	
Aracinovo	rural	DUI	DUI	93.81% e/Albanian	5.14% e/Macedonian
Bitola	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	88.71% e/Macedonian	4.37% e/Albanian
Bogovinje	rural	DUI	DUI	95.23% e/Albanian	0.13% e/Macedonian
Valandovo	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	82.67% e/Macedonian	11.21% e/Turks
Vinica	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	91.59% e/Macedonian	6.17% e/Roma
Gevgelija	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	96.82% e/Macedonian	1.60% e/Serbs
Gostivar	urban	DUI	DUI	66.68% e/Albanian	19.59% e/Macedonian
Dolneni	rural	VMRO DPMNE coalition	VMRO DPMNE coalition	35.90% e/Macedonian	26.65% e/Albanian
Ilinden	rural	VMRO DPMNE coalition	VMRO DPMNE coalition	87.83% e/Macedonian	5.74% e/Serb
Kicevo	urban	DUI	DUI	53.55% e/Macedonian	30.53% e/Albanian

Kratovo	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	97.99% e/Macedonian	1.45% e/Roma
Lipkovo	rural	DUI	DUI and DPA have equal number of MC members	97.42% e/Albanian	1.37% Other
Lozovo	urban	VMRO DPMNE coalition	Independent	86.46% e/Macedonian	5.49% e/Turk
Ohrid	urban	VMRO DPMNE coalition	VMRO DPMNE coalition	84.92% e/Macedonian	5.31% e/Albanian
Saraj	rural	DUI	DUI	91.53% e/Albanian	3.89% e/Macedonian
Strumica	urban	SDSM coalition	SDSM coalition	91.92% e/Macedonian	6.87% e/Turk
Caska	rural	VMRO DPMNE coalition	VMRO DPMNE coalition	57.28% e/Macedonian	35.23% e/Albanian

The local-self-government units are unanimous in the opinion that citizens' participation represents an important tool in the process of local decision making. Almost all of them have consulted their citizens in the process of local decision making. Most common method is the strategic planning, along with the appeals and proposals, citizens' initiative and participatory budgeting. Very few, but not negligible number of municipalities continuously use public-private partnerships (PPPs) as a modern citizens' participation tool. A higher number (64.7%) use PPPs occasionally.

Chart 31. Citizen participation methods in decision making process



Nevertheless, the synergy among citizens, business community and municipal administration pertinent to PPPs is evident only in the planning phases of activities development, but it is lacking in terms of actual implementation. The practice of joining financial resources between municipalities and local businesses is very rare, almost non-existent. This is particularly the case in the rural municipalities, where the flow of information sharing and cooperation in general among municipal administration, citizens and business community is at a much lower level compared to the urban ones.

With respect to the current legislation in place, municipalities are generally satisfied and believe it offers enough instruments for citizens' inclusion at local level. Only 17.6 % qualify the offered models and techniques as limited.

The most common citizens' participation practices fall in the area of municipal budget development, adoption of infrastructural and capital project activities, urban and strategic planning. As to the frequency of exercising citizens' participation techniques, it is very much dependent on the involvement of international or domestic donor that would trigger the process.

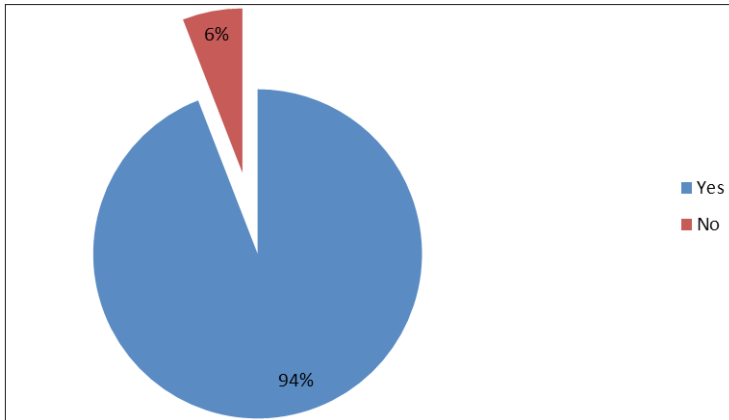
Field data point out to the fact that vast majority of the municipal leaderships and administration do not face any obstacles in implementing the decisions brought with citizens' participation. Those 29.4 % that have faced obstacles mostly refer to the following:

Most common obstacles in implementing local decisions brought with citizens' participation

Legal and property relations and quality of work of the municipal administration
Lack of information among citizens related to specific work related activities
Unsuccessful tendering procedures in public procurements
Construction deadlines not respected by service provides
Necessity of implementing unpredicted additional activities
Needs of the citizens are outside of the municipal competences and budget

Regardless of the success in the implementation, municipal administrations inform their citizens on the results of citizens' participation exercises into local decision making in most of the cases, as exhibited in the next chart.

Chart 32. Do you inform your citizens on the result of their participation in the local decision making?



Conclusions

1. There is a general difference as to exercising citizens' participation at local level:
 - Municipalities that use systematic approach and
 - Municipalities that use ad hoc approach.
2. All municipalities recognize citizens' participation as essential tool in local decision making and have exercised it in practice.
3. Strategic planning was identified as the most frequent citizens' participation technique, whereas public-private-partnership (PPP) is the least understood and implemented as a model of citizens' participation.
4. There is lower awareness among citizens in rural municipalities on the possibilities, importance and usefulness of participation in decision making at local level compared to the urban ones.
5. The communication and flow of information between municipal administration – citizens are very limited in the rural municipalities.
6. The host country legislation prescribes rather limited citizen's participation models and techniques, yet the municipalities are generally satisfied with the portfolio of instruments legally offered.
7. Citizens' participation is generally third party driven and reliant on the involvement of international and domestic donor institutions.
8. In general, obstacles in implementing decisions adopted by participation of citizens are very rare and few.
9. Municipal administrations regularly inform their citizens on the implementation feedback when decisions are adopted by citizens' participation.

Good examples among the field visited municipalities of using systematic approach in citizens' participation in local decision making are the municipalities of Bitola and Strumica.

In Bitola all 84 neighborhood self-government units (NSGU) are included into the budget development process. In October of the current year, Presidents of the NSGUs are requested by the municipality to submit official budget plans for their respective neighborhood. The prioritizing is done internally into the NSGUs and further summarized in written, stamped and submitted to the municipality. All proposed activities must cover the interest of all citizens per NSGU. Once officially endorsed and submitted, the documents become integral part of the budget proposal, adopted by the Municipal Council by the end of the year.

Other good practices were noted in Strumica, where citizen's participation techniques are systematically included into the regular municipal work. It has 30 NSGUs - 8 urban and 22 rural. Upon request of the Mayor, the presidents of all NSGUs regularly, in October of the current year, following a public debate call, organize workshop for their citizens. In each NSGU citizens agree on the most important project ideas that later on are presented to the Mayor by the President of the NSGU. Basically the budget is constructed in a participatory manner and the techniques are included into the system of the functioning of the municipality.

In addition, the Mayor is available to its citizens both personally or through the local TV where once a month he presents his work and is open for direct questions and proposals from citizens. Very often he gives them feedback on issues and queries through personal contact initiated by the mayor himself.

Very interesting information is that on average, around 15 % of the annual budget is for current costs and 85 % are dedicated for capital investments. Strumica is pursuing balanced municipal development, spreading investments all over the municipal territory, even though high 80 % of its revenues come from the municipal sources.

Recommendations

1. Small and rural municipalities need awareness raising on the importance of including citizens into local decision making. This refers to both municipal leadership and administration on one side and citizens on another.
2. Clear distinction needs to be made between information sharing between citizens and municipal administrations and actual involvement of citizens into local decision making.
3. Municipalities need to share good practices on citizens' participation models and techniques implemented. This would raise the awareness and interest of the stakeholders beyond their theoretical knowledge.
4. Municipal leaderships need to ensure budget means for citizens' participation, thereby recognize the importance of such processes. The involvement of citizens shall become a common practice, outside donor's funding.
5. Bigger municipalities shall involve their neighborhood self-governments in a more active and functional manner into local decision making processes. This would provide room for inclusion of the most remote settlements and their citizens and contribute to the quality of the decisions made.

Recommendations from municipalities collected at roundtable discussions:

1. Municipalities need to provide office space for presidents of Municipal Councils and enforce their contacts with citizens.
2. The role of the opposition should be strengthened by enabling them an office space for easier contact with citizens.
3. It is essential to create clusters of NGOs and foster their cooperation with neighborhood and local self-governments.
4. Municipal officials need to encourage the implementation of the *referendum* as a citizen's participation tool.
5. Municipal officials need to allocate adequate municipal budget funds for the work of the local NGOs in accordance with objectively set criteria.
6. Municipal officials need to include the local NGOs into the municipal service delivery by delegation of selected competences.
7. Municipal administrations should implement local public educative campaigns targeted for citizens, particularly focused on distinguishing between rights and responsibilities of municipal officials on one side and citizens on another, for smooth functioning of the democratic processes at local level.
8. The local systems for information sharing with citizens need to be improved and modernized.
9. All municipal decisions and relevant information should be e-published on the official municipal web sites.
10. Municipal administrations should invest bigger efforts in reaching citizens for consultations and decision making to help them overcome their fear of negative reactions and political interferences when they freely express their opinion and beliefs.
11. Municipal officials need to encourage the participation of the most vulnerable citizens' groups in the local decision making.
12. Municipal officials need to promote the gender mainstreaming concept in the local decision making.

VI. FUNCTIONING OF THE COMMITTEES FOR INTER-COMMUNITY RELATIONS

Introduction and legal background

The Committee for Inter-Community Relations (CICR) is the only official mechanism to ensure that the diverse interests, concerns and needs of local communities are included in local decision-making. CICRs, if effectively constituted, can also be seen as a local mechanism for conflict management, which is clearly a concern among all parties in the coming years of transition, as powers and (limited) resources are reallocated among local officials from the central level.

In support of the OSCE Mission to Skopje mandate to promote the implementation of the OFA and the objective of the DGU - Public Administration Reform Team to support decentralization through the development of a viable local government system, the Mission has carried out activities to promote the establishment of municipal CICRs and capacity building activities, as prescribed in the Article 55 of the Law on Local Self-Government³⁰. The CICRs, official advisory bodies of the Municipal Council, are seen as the sole official mechanism of local self-government that can ensure that the relations between ethnic communities are maintained, and that relevant issues are considered and incorporated into municipal decision-making processes. This is particularly important if certain ethnic groups are not represented in the municipal administration or the Municipal Council.

As of 1 July 2005, the decentralization process is underway, meaning that progressively more decision-making authority and influence on local development and community relations is held by local officials in the units of local self-government. Meanwhile, the Law on Local Self-Government requires the creation of specific machinery, including municipal bodies, which can ensure that the particular needs and interests of minorities are highlighted and considered when relevant issues are raised. Among these representative bodies, the CICR, a local reproduction of a similar committee at the Parliamentary level, is charged with resolving conflicts within the local legislature regarding issues of culture, education, use of languages, use of symbols, personal IDs and matters related to the relations between communities, and makes appraisals and proposals for their efficient resolution.

The role of the CICRs is to give opinions and proposals for preventing or resolving conflicts within the local legislature regarding issues of culture, education, use of languages, use of symbols, names of streets and other public infrastructure facilities, and all other issues that refer to the relations between the communities represented

³⁰ In the municipalities where more than 20% of the total number of inhabitants determined at the last census belong to members of a certain community, a Committee for Inter-Community Relations shall be established.

in the municipality. The Municipal Council must review the opinions and proposals of the CICR and take a decision with regard to them. Thus, the CICRs are envisaged to be a stabilizing factor in multi-ethnic environments, tasked to streamline municipal policies in order to ensure that interests and rights of all communities are observed.

The main objectives of the CICRs, in this regard, are to provide all communities with equal opportunities to debate issues of concern, to ensure institutional inter-community dialogue on a local level, and to act as an instrument for participation of all communities in the municipal decision-making process.

The work of the CICRs is regulated by the Law on Local Self-Government, the Municipal Statutes and the Rulebooks on CICRs. The Statute and the Rulebook are the two basic documents which regulate the CICR in detail and are essential for its proper functioning.

In 2006, the Mission in cooperation with the Association of Municipalities (ZELS) and the civil society organizations conducted a series of capacity building activities to enhance the work of CICRs to better utilize and properly organize the work of the committees. To that end, the Mission organized a conference which was attended by central government officials, Mayors, NGOs and the International Organizations in the country.

ZELS Instructions - Practical Guide for the work of the CICRs

Since the legal framework establishing the CICRs is too vague and does not provide clear guidelines for the establishment, membership, work and competences of the CICRs, the ZELS, has published a Practical Guide for the work of the CICRs in 2009, which gives instructions for all aspects of CICR functioning in an easy and understandable manner. It is based on the experience and research of ZELS and NGOs with the work of the CICRs, and it involves the best common practices and interpretations of Article 55 of the LLSG. These instructions, however, have only an advisory character.

The Practical Guide of ZELS gives instructions on the following matters:

- a. The Statute of the Municipality
- b. The Rulebook on CICR functioning
- c. Mandate of the CICR
- d. Support from the municipality
- e. Communication with the municipality
- f. Communication with the media
- g. Communication with civil society

The aim of this paper is to analyse the current status of these units and to see to what extent they have harmonised their activities with the recommendations of ZELS.

List of municipalities obliged to establish the CICR and the communities that are represented in the respective municipalities:

	Municipality	Communities in significant number to be represented
1	Brvenica	e/Macedonian, e/Albanian, e/Serbs
2	Vranestica	e/Macedonian, e/Albanian, e/Turks
3	Gostivar	e/Macedonian, e/Albanian, e/Turks
4	Debar	e/Macedonian, e/Albanian, e/Turks, e/Roma
5	Dolneni	e/Macedonian, e/Albanian, e/Turks, Bosniacs
6	Zelenikovo	e/Macedonian, e/Albanian, Roma, Serb, Bosniac
7	Jegunovce	e/Macedonian, e/Albanian, e/Serbian, e/Roma
8	Kichevo	e/Macedonian, e/Albanian, e/Turkish, e/Roma, e/Vlach, e/Serb
9	Krushevo	e/Macedonian, e/Albanian, e/Vlach, e/Turks, e/Bosniac
10	Kumanovo	e/Macedonian, e/Albanian, e/Turks, e/Roma, e/Serb, e/Vlach
11	Mavrovo Rostusa	e/Macedonian, e/Albanian, e/Turks
12	Petrovec	e/Macedonian, e/Albanian, e/Turks, e/Roma, e/Serb, e/Bosniac
13	Sopiste	e/Macedonian, e/Albanian, e/Turks
14	Struga	e/Macedonian, e/Albanian, e/Turks, e/Serb, e/Roma, e/Bosniac
15	Tetovo	e/Macedonian, e/Albanian, e/Turks, Roma, Serb, Bosniac
16	Caska	e/Macedonian, e/Albanian, e/Turks, e/Serb, e/Bosniac
17	Cucer Sandevo	e/Macedonian, e/Serb, e/Albanian
18	Studenicani	e/Macedonian, e/Albanian, e/Turk, e/Bosniac
19	Butel	e/Macedonian, e/Albanian, e/Turk, e/Roma, e/Serb, e/Roma, e/Bosniac
20	Cair	e/Macedonian, e/Albanian, e/Turk, e/Roma, e/Vlah, e/Serb, e/Bosniac
21	Suto Orizari	e/Macedonian, e/Albanian, e/Turk, e/Roma, e/Serb, e/Bosniac
22	City of Skopje	e/Macedonian, e/Albanian, e/Turk, e/Serb, e/Roma, e/Bosniac

State of Affairs

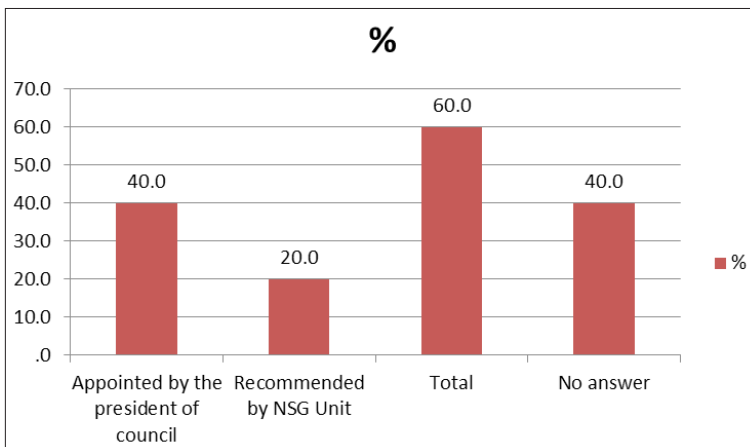
Questionnaires were sent to the respective municipalities and they were filled out by the municipal administration. Based on the responses, CICRs were established in all municipalities as per the Law on Local Self-government. The 2012 survey sought to explore some of the most important aspects of the CICRs, such as their status within the municipality, inclusion of different ethnic groups in respective municipalities, institutional support from the municipality, elections of the CICR members, cooperation

with the Municipal Council and administration, the influence of the political parties in the work of CICRS and the use of languages in the work of these bodies.

All municipalities responded that they established the CICR which is definitely a positive development. It appears that all major ethnic groups are incorporated in the work of the CICRs as per the table shown above.

Earlier reports stated that municipal CICRs were often not established with clear guidelines from the municipality, nor was their work regulated by municipal statutes. Therefore this time the focus of the analysis was to see if municipalities have incorporated their work in the municipal official statute. Based on the feedback of the municipalities, the establishment and the work of the CICRs are regulated in the statute of all municipalities obliged to establish these bodies. This is definitely a very positive development because earlier reports showed that only few of the municipalities regulated the work of the CICRs in accordance with their statutes, and the remaining ones were operating without clear guidance and support by municipal administration or Municipal Council.

Chart 33. What kind of procedure do you apply to elect a CICR Member?



The purpose of this question was to explore the manner in which municipalities elect CICR members, and to see if they apply any of the recommendations released by ZELS related to the procedures for electing the representatives of each community as CICR members.

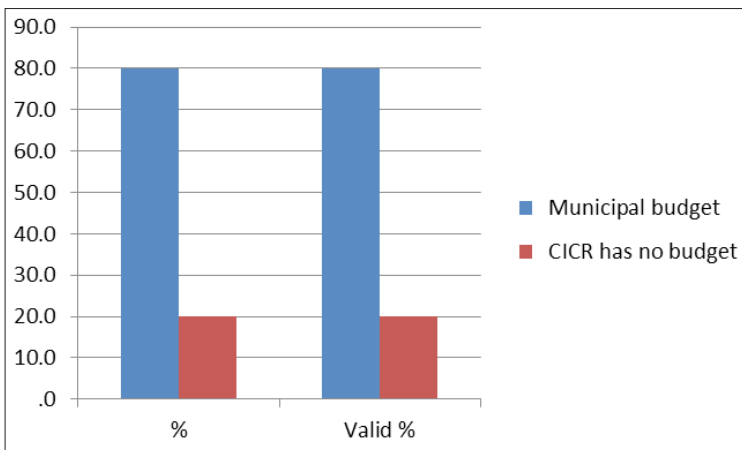
The membership of the CICR mainly consists of members of the Municipal Council and external members. According to the current practice, CICR members can be elected in the following ways:

- Public call for candidates;
- Gathering of citizens of certain community;

- Survey of the opinion of the members of the communities;
- Nomination by the municipal committee on election and nomination;
- Mayor’s proposal.

Based on the questionnaire results, 40% of the respondents stated that the president of the Municipal Council appointed the CICR members. 20% of them said that CICR members were nominated by the village councils, while the remaining 40% said they used other forms without stating which ones, as instructed in the questionnaire. This again is a clear indicator that many municipalities tend to keep these bodies under control and not in compliance with the ZELS recommendations, therefore electing CICR members in non-transparent way.

Chart 34. Which are the sources of financing of the CICR?

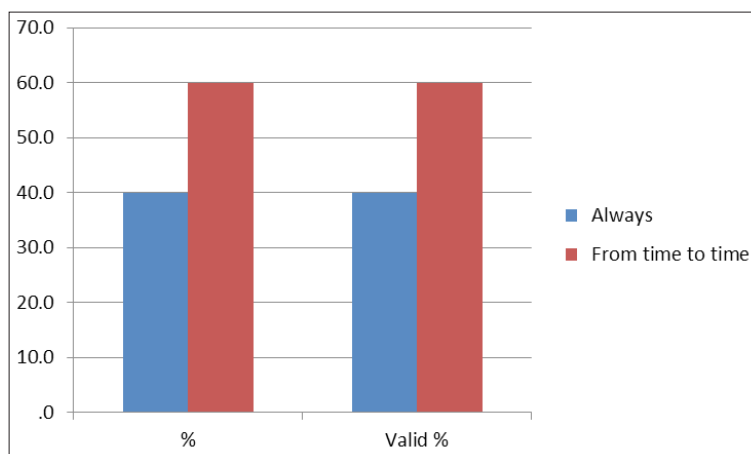


Financial difficulties appear as the most frequent problem in the work of the CICRs, and they are twofold - the first is the lack of financial assets to cover expenses and per diems of CICR meetings, and the second is the lack of financial assets to cover activities that the CICR would like to organize contributing to improving the relations between communities.

The CICRs do not have their own budgets. 80% of them stated that the expenses of CICRs are covered by the municipal budgets while the remaining 20% said that they do not receive any financial support at all. Contradictory replies were received when asked follow up questions e.g. if they pay any compensation to cover their travel or food expenses. Out of those 80% of the municipalities that claimed to give financial support to CICRs, now they stated they do not cover any travel or food expenses for the CICR members. Only 20% stated they fund travel costs to CICR members, the remaining 80% said they did not, whereas none of the CICRs received any expenses for food.

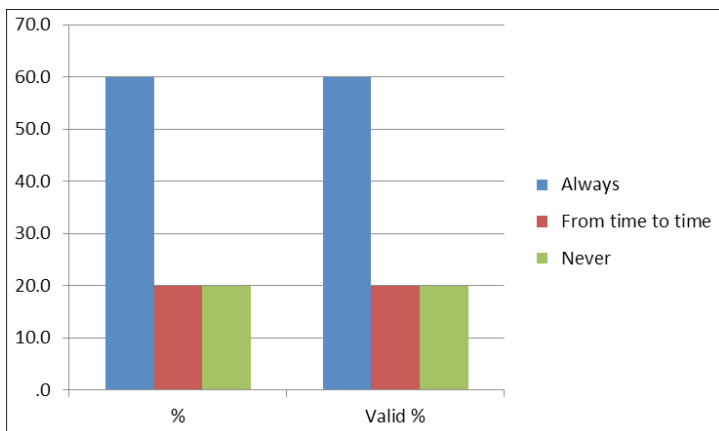
Another aspect of the analyses was to see the cooperation of the Municipal Councils with the CICRs, respectively to see if municipalities and CICRs exchange ideas on matters that are considered important for inter- ethnic relations. The inputs of CICRs are considered essential, not only to fulfill the provisions of the Law on Local Self-Government but also for maintaining and nurturing good inter-ethnic relations in general.

Chart 35. How often does the municipality inform the CICR for matters related to inter-ethnic relations when they are in the agenda of the Municipal Council?



60% of them stated that the Municipal Councils inform the CICR members when they discuss on issues related to inter-ethnic relations, whereas 40% said they inform them ‘sometimes’. Unfortunately this again shows that the municipal authorities do not take the existence and the work of the CICRs seriously. Another negative reply comes from the follow up question which seeks to find out how often the opinion of CICRs is considered when Municipal Councils decide upon issues related to culture. Forty per cent of municipalities replied that they take note on the opinions of the CICRS, while 60% of them replied with ‘sometimes’ which clearly is not in accordance with the Law on Local Self Government.

Chart 36. How often does the municipality provide translated documents in official languages in the municipality for the work during the CICR sessions?

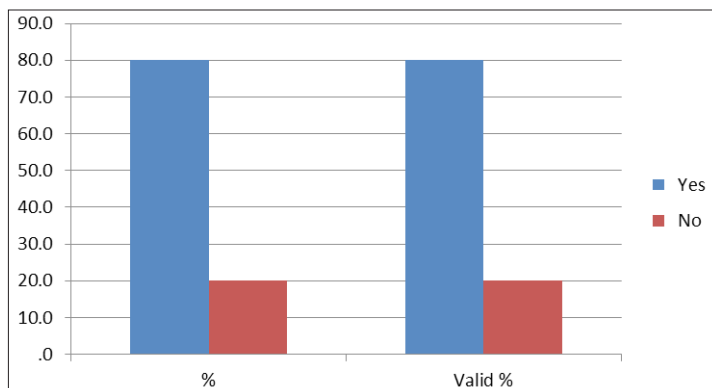


60% of them declared that they regularly provide translation related support to CICR members and the remaining 40% replied that this happens sometimes. As far as the use of languages and the translation of documents for the work of CICR are concerned the situation remains almost the same as with the other services of the municipalities.

The use of languages during Municipal Council sessions

According to the Law on Local Self-Government and the Law on Use of Languages, the language and the alphabet used by at least 20% of the inhabitants of the municipality shall be official language in the municipality. Based on this, the survey also sought to learn about the use of languages in the Municipal Council sessions.

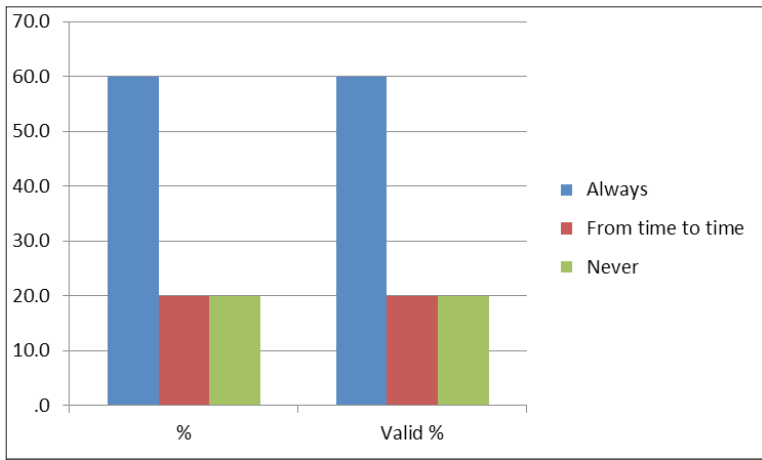
Chart 37. How often does the municipality provide translation of documents necessary for the work of the Municipal Council?



80% of the respondents stated that they regularly provide translation of documents for representatives of communities that use the official language in the Municipal Council, whereas 20% of them said that they provide translated documents from time to time. Almost all bilingual municipalities have employed an official translator that works for the councils.

Furthermore, 60% of the municipalities said that they provide simultaneous translation during the council sessions, 20% said they do that occasionally and remaining 20% did not give an answer.

Chart 38. Does the municipality provide information to the citizens in all official languages in the municipality?



The purpose of this question was to see if municipalities offer translated documents and information not only to their staff and council members but also to their constituency.

60% of them said they always released official documents to their citizens in all official languages in the municipality, 20% said that they do it only sometimes and the remaining 20% said that they never use all municipal official languages when communicating with the citizens.

Conclusions and recommendations

- **The Law on Local Self-Government establishing the CICRs is too vague**

The Law on Local Self Government does not provide clear guidelines for the CICR's establishment, its member selection, functioning and competences. This gives municipal authorities the freedom to regulate pretty much all aspects of CICR work by themselves, which most of the time ends up with the CICRs being not properly functional municipal bodies with politically influenced membership. Most of the CICRs do not function properly and have very little credibility, while others only exist on paper.

- **Lack of an effective mechanism to monitor the functioning of the CICRs**

The current legislation does not foresee an adequate monitoring or control mechanism to assess the efficient functioning of the CICRs. In practice this means that multi-ethnic municipalities can choose to establish a CICR or, as usually is the case, end up having a non-functional CICR and suffer no penalties. In this way, the value of the law is greatly diminished and the CICRs often have little support and are appreciated by neither the municipality nor the local population. The vagueness of the law and the lack of an effective monitoring mechanism for CICR functioning are the main reasons why CICRs do not function properly and leave space for the mentioned issues to arise.

- **Rulebooks on CICR functioning are rarely adopted**

The existing law does not foresee the compulsory adoption of CICR Rulebooks, and since they are not mandatory, they are rarely adopted. Rulebooks cover all organizational and operational aspects of CICR functioning, and are one of the main challenges for having the work of the CICR initiated on solid ground. Due to this, the lack of a Rulebook reduces the capacity of the CICR to function properly. Moreover, some communities have considered the opinions and proposals of the CICR without a Rulebook as invalid, while others have used the lack of it as an excuse not to focus on major issues. The Rulebook is a formal document necessary to ratify all matters necessary for CICR functioning without overburdening the content of the Statute and it should provide ground rules for the organization and operation of the CICRs. Unlike the Statute, the Rulebook is not obligatory, but rather a document which is for internal use of the CICR and therefore it is to be developed and adopted by the CICR itself.

The main benefit of having a Rulebook is that it would make the ground rules for the operation of the CICR equally clear for everyone, would help to create a transparent and well-organized entity, would provide more efficient and effective debates and would help to avoid misinterpretations and arguments over the equal treatment of the various issues by the CICR.

- **The CICR does not always appropriately represent all communities.**

According to Article 55 (2) of the Law on Local Self Government, the CICRs are to be composed of an equal number of representatives of each community represented in the municipality. However, in most CICRs each community is not equally represented – the larger communities usually have more representatives in the committee, leaving the smaller communities underrepresented and outvoted. Smaller ethnic groups often have difficulties in proposing topics, recommending actions or giving opinions on issues that concern their community. Moreover, most CICRs dominated by the ethnic majority either find it unfair that smaller communities have equal representation or do not attach much importance to this principle. However, there are municipalities in which communities providing a considerable percentage of the population do not have representatives in the CICR.

- **Lack of municipal support for the functioning of the CICRs**

To ensure proper functioning of the CICRs, municipalities should provide the following:

- Working space;
- Administrative and logistical support;
- Financial remuneration for CICR members per meeting;
- Budget for CICR activities;

Lack of adequate working space - as one of the main preconditions, the room for meetings still appears to be a problem for certain CICRs (regardless of whether it is only the space or the conditions of the meeting room). The CICRs also need a place where they may keep their documents, files, materials, claims by citizens, etc.

Lack of administrative support - the lack of support by the municipal administration appears to be another major problem for many CICRs. Administrative support is needed for writing minutes of meetings, invitations, information and material distribution, organizing events, internet usage and contact with the other municipal institution. While most administrations claim to be ready to provide this kind of support, it is hardly evident in practice.

- **The Municipal Council rarely asks the CICR for opinions and proposals when adopting legislation related to the relations between communities**

In cooperation with the Municipal Council, the CICRs should initiate activities that will enable cooperation and communication among the communities such as: organization of different gatherings, cultural and sport activities, and other that could contribute to the improvement of the relations between communities.

Of great importance for the functioning of the CICR is the regular monitoring of the agenda of the Municipal Council meetings in order for the CICR to be able to identify

relevant issues that fall under its competences. The same goes for the Municipal Council – it should regularly inform and ask the CICR for opinion whenever a question on the Council’s agenda falls under CICR competences. The appointment of a person by the municipal administration responsible for carrying out administrative work of the Committees can greatly facilitate the work of the CICR on logistical and administrative aspects.

- **Lack of professionalism of CICR members**

As the above mentioned point illustrates, most of the CICR members do not fully understand the role, competences and the responsibilities the CICR. There is low level of involvement and little activity of CICR members in the work of their Committee, as well as lack of initiative for convening CICR sessions when issues within its competences arise or are put on the Council’s agenda. Moreover, there is little or no transparency and information about the work of the CICRs. More attention should be paid to the selection criteria of membership, which again needs to be regulated in the rulebook on the establishment, function and internal organization of each CICR.

- **CICR membership is under great political influence**

According to the Law on Local Self Government, the municipal statutes regulate the procedure for electing the representatives of each community as CICR members. To fill in the legal uncertainty on CICR member election, the ZELS Instructions have given clear guidance on how should this be done in order to ensure that the persons selected truly represent the interests of their communities. However, since municipalities are not obliged to follow the ZELS instructions, CICR members have been selected mainly on a proposal of the Mayor or by nomination of the Municipal Committee on Election and Nomination. In both cases, the role of political parties in the selection of CICR members is very substantial, and the possible political influence and pressure on external CICR members is very high. As shown in chart 1, CICR members elected in this manner are mostly driven by the interest of the political party that nominated them, instead of the interests of the community they represent.

- **Role of CICRs is not well known and/or understood by the municipal population**

The general population seems not to be aware of the benefits of having a well-functioning CICR in their municipality. During the roundtable discussions organized by the OSCE Mission to Skopje, they are seen as weak and inefficient. Due to this, the communities do not benefit much from the Committees for which they are intended. The CICR’s purpose is mainly regarded as a response to incidents or to allocate positions within the municipality according to ethnic representation, and less as a mechanism to assist the municipality in dealing with inter-ethnic issues and to improve inter-community relations.

