



ORIGINAL PAPER

**Municipal Management under Challenge in
Macedonia: Bringing Empirical Data on the Public
Service Approach to Local Orientation and
Instruments**

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Abstract

The signing of the Ohrid Frame Work Agreement (2001) was the turning point in the process of decentralization of power, as the Republic of Macedonia was recognized as a centralized place. One of the prerequisites of decentralization is a clear definition of responsibilities and funding in relation to the municipalities and the central government. From the current process it can be concluded that there has been an increase in public spending and a wider range of public services to citizens. Can we conclude that the process of decentralization has increased the efficiency and quality of public services to citizens and can it be used as recommendation to transfer other powers and responsibilities in municipalities? The managers of institutions should pay attention to politics, leadership and relationships with constituents for their work. Managers together with the employees should form partnerships in the management of their municipalities, they both share responsibility for many aspects of municipal administration, to increase the effectiveness and efficiency and to meet the demands of citizens. Decision makers can assess the responsibilities and achieving results as well as predict the effects of decisions taken. The increase of quality services by municipalities inhibit various factors and in particular the corruption where the citizens and function holders are better known among themselves and it can be misused for private interests. The increase in the quality of services is hindered by insufficient level of involvement of citizens in decision-making processes. The methodology used in this study is designed to provide information on internal evaluations of the situation by relevant institutions addressing and reflecting the facts and elements in the decentralization process comparable to the perception of decentralization by citizens.

Keywords: *management, decentralization, services, efficiency, municipalities, Republic of Macedonia*

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Introduction

The reform of public administration is a high priority for the institutions of Republic of Macedonia. The people of the Republic of Macedonia deserve an efficient and transparent public administration at national and local level. In addition, the government in Skopje has certain commitments concerning de-centralisation of public administration as outlined in the 2001 Ohrid Framework Agreement. The EU – through the Agency-managed CARDS programme – supports the implementation of the public administration reform agenda of the government. In close coordination with other international agencies, the EU focuses its support on decentralisation, public finance, the implementation of the Ohrid Framework Agreement and harmonisation of the administrative structure with the EU *acquis communautaire*. Improving the quality of services and increasing the engagement and citizen satisfaction with these services is a key priority for municipalities in the Republic of Macedonia. Administration bodies in relation to citizens should ensure the highest standards creating correct, fair and impartial reports. To create right relationships with citizens means to develop procedures within deadlines and with no unreasonable delay in accordance with legal provisions and good ethics of public servants. Public administration can be defined as the practice of public services by government and this implied public service activities in daily processes and policy making.

Special attention should be paid to legal aid, providing clear and precise information, deadlines in administrative procedures, respect for the feelings of the parties and respecting their privacy. Administration bodies in the process of providing services to citizens and all parties must behave in the right way by respecting the principle of equality and objectivity. The system of efficient services to citizens should be carried out in accordance with the law, should create harmonious relationships in horizontal and vertical lines and, in this context, should create legal mechanisms of administrative control. These control mechanisms will enable more efficient functioning of administrative bodies and provide legal mechanisms to citizens in cases when they are not pleased with administrative decisions.

Public institutions are faced with increasing demands for better quality of public services despite the lower financial resources. Therefore public institutions should work together with citizens and concerned parties to find better solutions and to become more effective in dealing with the complex challenges. For many institutions the greatest challenge is to provide better services to citizens using scarce resources compared to demands. The new challenges of society and democracy require new energy that the public sector should be transformed and modernized. Opening the government, transparency of institutions requires close cooperation of public institutions and citizens which will create a new culture of debate and active participation of citizens in public policy making. Social networks or other social media which enhance communication and cooperation have the potential to impact significantly on the ability of government to coordinate and offer effective public services along with citizens.

Management within local institutions

The public service presents an activity exercised in the general interest, and for its implementation or control engages the public institution subject to special legal regime, i.e. administrative law. The entire state is an entirety of public services (Duguit, 1927: 59). That means that it treats three elements of public service: general interest activities, public institutions which perform activities and special legal regime. Public services are of vital

importance for citizens and they are distinguished by private interests. Maurice Orju, considers the public service as provision of general interest and public power tool, while Lobader defines public service according to purpose, which intends to achieve with it (general interest), but did not consider the means, Duguit “*strength of those who rule, or rule*” and Orju “*public power* (Zendeli, 2014: 61). The Court of Justice of the EU developed the concept of public services for the EU, which in functional terms means service which directly or indirectly affects the exercise of power under public law and the duty of protecting the interests of the state or other public interests. In public services, in industry and commerce, more and more apply the rules of private law and, in that way, they transform into separate legal categories of public enterprises. In addition to special bodies that exercise public service, there are mixed enterprises, respectively mixed, whose shareholders are private capitalists on the one side, while on the other hand, the state, municipalities, or public legal persons.

Public sector reform is influenced by the following critical factors: changing functions of the modern state; structural and institutional conditions of reforms; emerging market environments and decentralization. In transition countries, the creation of elected local governments has been critical for improving service management. Beyond its political significance, decentralization is a major step in reforming public service management. It is a move from sectoral dependence because it destroys bureaucratic control and the centralized allocation of public funds. As a result of this decentralization, local and regional authorities can gradually build capacity and public trust, elements that were missing under the previous centralized systems (Péteri, 2009: 7). After the the dissolution of the former Yugoslav Federation, even in the Republic of Macedonia as well as in other former federal units with the new constitutional system and legislation, reaffirmed public institutions and services in various forms prescribed by the Constitution and law.

According to the legislation in the Republic of Macedonia (Law of Entities, 2005), entities are forms of organization exercising public service activities which are not commercial activities prescribed by law (non-economic activities) and which may be defined by law as activities of public interest. Public entities can be established as: public (Republic of Macedonia, municipalities and the city of Skopje), private (natural persons, country citizens or foreign citizens) and mixed (public bodies along with natural persons with private ownership, country citizens or foreign citizens). Public entity was established to exercise the activity in the field of education, science, culture, health, social protection, child protection, and protection of persons with intellectual disabilities, as well as activities that are legally defined as public services. In several member states of OECD delivery of public services to users is often activity of local or regional authorities instead of the central government. For example, in Nordic States and the United Kingdom, education, health and many other social services are covered by the local authorities. Service standards in these cases can highlight questions about the relationship between national and local authorities and create tensions between longstanding traditions of the unitary authority of a country on the one hand and local autonomy on the other.

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

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

The key features of good governance include: required activities, direct participation of citizens, effective administration and services to meet the needs of citizens, participation of citizens and their contribution to the improvement of resources (in economic terms); through transparent governance local authorities increase accountability for their actions and decisions. One of the ways of providing administrative services is the one-stop system administration as a relatively new concept and is now mostly used in research and reform of public administration. The concept refers to the integration and rationalization of public services from the perspective of citizens where all user requirements can be processed with a contact person, whether it is through direct contact, phone, fax, internet or other means. The one-stop system is useful, accessible and personal, in other words, the key idea behind the one-stop system is an amalgamation of all the services in order to reduce the costs of providing and enable people to get all the services in one place.

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

Local government is one of the fundamental values of the constitutional order of the Republic of Macedonia (Constitution of 1991). The Constitution contains a set of provisions that define the concept of local government, ensure the independence of the municipalities in the exercise of their powers, as well as the specific status of the City of Skopje as the capital city of the state. The Republic of Macedonia has started a measured process of decentralising competencies to the local government level. It was partly response to the more rigid centralist planning approach adopted after gaining its independence in 1992, and partly to prepare the country to join the European Union.

The process has similarities to that of other former entities in the Yugoslav Republic, but with specific local features; only in 2001 the conflict between segments of the Albanian and Macedonian speaking population was settled by the Ohrid Framework Agreement. The Republic of Macedonia has a single level of local government (Law on territorial organization, 2004). Macedonia is territorially organized in 80 municipalities and the City of Skopje as a separate unit of local government, arising from the character of the City of Skopje as the capital of the Republic of Macedonia. 34 units of local government are based in the city, and the remaining 46 are based in the village. Almost all municipalities are based on the area of more settlements. Municipalities perform their competences through bodies elected directly by the citizens for a period of four years. The bodies of the municipality are the council and the mayor.

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

The services which should be provided are determined by the existing legal framework that transferred powers from central to local level. According to Article 20 of the Law on Local Self-Government (Official Gazette no. 5/2002), municipalities have general responsibility for all local issues. They have the right to carry out local activities in their own territory, which are not excluded from municipal competences, but, at the same time, do not belong to any state competences. The list of possible municipal competences referred to in Article 22 includes: social protection, children protection, education, healthcare, urban and rural planning, utilities (water, sanitation, public hygiene, waste management, public transportation, construction and maintaining local roads) and sports and recreation.

Municipal services are not provided to the entire population in the Republic of Macedonia. Municipal public utility companies mainly operate in urban areas, not in rural ones. This is due partly to the fact that villages lack a lot of infrastructure facilities (about 40 % of the villages in Macedonia lack water pipes and about 95 % of the villages lack a sewerage system) and partly to unsolved problems about the price of service provision in rural areas (especially in the case of garbage collection). In addition, there are some minor parts of towns that are not covered by water supply services and much larger areas that are not covered by the sewerage system. Some of the areas uncovered by these services are illegal settlements built at the outskirts of cities and towns (Todorovski, 2003a: 81). According to a study by the Economics Institute of Skopje is as follows: a) 65% of the population is provided by water from the public utility companies; b) 45% of the population is provided by sewerage (including water drainage) services; c) the rest of the services (the maintenance of parks and greenery, communal hygiene services, etc.) are provided for 20-30% of the population; d) steam heating is provided in the central area of the City of Skopje, covering about 10% of the population in Macedonia. Communal services (water, waste collection, electricity, maintenance of parks, etc.) can be provided by public companies through concessions and permits. Thus, private individuals or legal entities, as well as public companies can provide communal services. Public enterprises may be established by the state or municipalities as limited liability companies or joint stock companies with other companies or private investors. That is, the government takes the responsibility of providing public functions, but the actual delivery of the service is done by municipality and private organizations.

There are various schemes for how private organizations might participate in public services. The best examples are from the public utility sector, but many communal and human services are also run by private or non-profit organizations. The Government of the Republic of Macedonia has unlimited rights and opportunities to establish public enterprises (or public utility companies) providing all kinds of services. This means that in addition to enterprises that are within the scope of the central competencies, such as energy provision, railroad traffic, air traffic, telecommunications and posts, the

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government can establish the same type of enterprises as the municipalities can do, like those dealing with water supply, sewerage (Law on Public Enterprises, 1996).

Local government units (municipalities and the City of Skopje) that are in charge of carrying out public services through municipal enterprises have several rights and duties. The Council (as a representative/legislative body) shall establish public utility companies within the local government competencies, appoint the members of their management boards and adopt and finance programs for their work and financial plans. The Mayor (as an executive body) shall appoint a general manager (director) of the public utility company (Todorovski, 2003b: 81). Most enterprises are traditional budgetary institutions which means that the relationship between them and the municipalities will remain unchanged. There are a few exceptions among the newly established municipalities which hire private enterprises under contracts of work. According to the *Law on local self-government* from 2002 public services including public utility companies and public institutions are non-profit organizations for performance of public services; it means activities of public interest to local relevance. Local government has the right to improve conditions in social areas that currently are jurisdiction of the central government. Thus, in the field of education, local government should provide more funding for kindergartens, primary and secondary schools (which are otherwise financed by the Ministry of Education and its local authorities) so schools can provide training for students, to organize the transport of students from distant villages, to renovate school buildings and conduct what is not included in the annual budget of the Ministry of Education and Science. The same opportunities exist in the field of health care where the municipality can invest in medical equipment and medicines. In the field of sport and culture municipalities may provide additional funding for libraries, sports associations, etc. The process of decentralization has transferred many of the responsibilities for the delivery of public services to local levels, but it has not transferred funds for its development. This will remain one of the biggest problems in the region until local governments manage to find ways to finance their own public service delivery (Briški, 2003: 93). However, in the majority of West Balkans countries, legislation enabling municipalities to undertake these alternative forms of service delivery, along with operational guidelines to support them, is largely absent.

Macedonia is a notable exception where, in 2007, the Government prepared a draft Law on Inter-Municipal Cooperation. Additionally, in Macedonia, the MoU in the Area of Inter-Municipal Cooperation between the Ministry of Local Self-Government and the LGA was signed and a joint Commission for Inter-Municipal Cooperation was established with the purpose of coordinating activities related to inter-municipal cooperation in Macedonia (UNDP Europe and the CIS SNV Netherlands Development Organisation, 2009: 31).

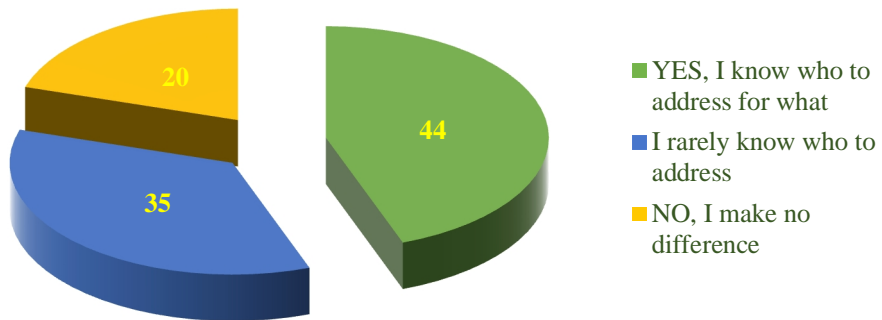
Local sustainable development in function of public services

The results of citizens' satisfaction survey for the services provided by local authorities was conducted in November 2014 (Ministry of Local Self Government and UNDP, 2014). The citizen satisfaction survey regarding local services is an activity conducted by the municipalities and other public institutions. The aim of the survey was to come up with comprehensive information on citizen satisfaction regarding the work of the local self-government system in the country. In general, most of citizens are satisfied with the quality of life in their municipality as a place to live in, to raise their children and an appropriate place for pensioners and vulnerable groups of citizens. Most of the citizens

expressed satisfaction with the security in their community. Almost half of the respondents (44%) stated that they knew whom to address, while others either rarely knew whom to address (35%) or did not make any difference (20%) between the services provided by the central and local authorities, i.e. municipalities. This finding is indicative and points to the need to conduct activities to familiarize citizens with the scope of specific municipal competences.

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

Do you make any difference between services provided by central and local authorities, i.e. municipalities? %



According to the results, 43% of respondents are satisfied with the way their municipality is managed, and about 40% with the way public companies are managed. Somewhat lower levels of satisfaction were observed regarding how much the mayor and councilors take into account citizens' views (37%) and as to whether the municipality has a responsible approach to people with special needs (39% of respondents). Overall, citizen satisfaction with the services provided by municipalities, on a scale of 1 to 5, was rated with an average score of 3.34; only services in the area of primary and secondary education, culture, sports and recreation and firefighting are rated with slightly higher average scores – 3.58 and 3.80.

Table 2. Evaluation of citizens' satisfaction

Please evaluate the extent to which you agree with the following statements and rate (circle) them with the number that is closest to your opinion and your views on a scale of 1 to 5%

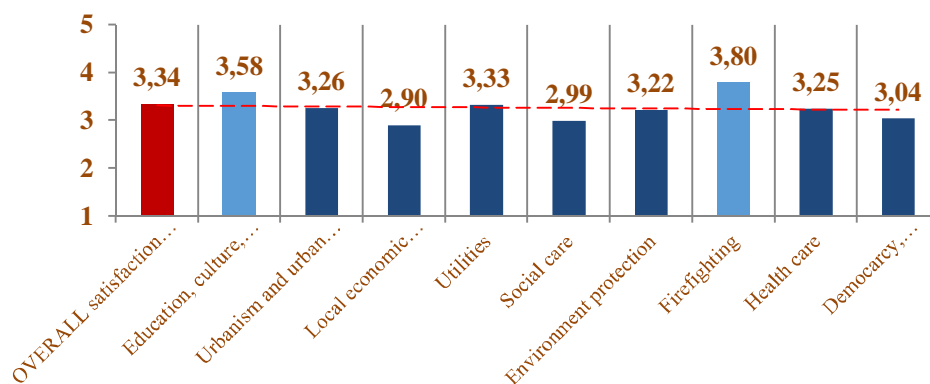


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The highest score is given to firefighting (3.80) and the lowest score to local economic development (2.90) and social care (2.99). Slightly lower average level of satisfaction is observed regarding other assessed areas such as: Urbanism and urban Planning (3.26), Local economic development (2.90), Utilities (3.33), Social care (2.99), Environmental Protection (3.22), Health care (3.25), Democracy, transparency and accountability at work (3.04). According to the findings of the survey most of the surveyed units of local government have not adopted integrated programs and action plans for local development, which is a limiting factor for the future development of local government, its connection to the achievement of macroeconomic targets of the country, and the quality and quantity of local services delivered to citizens.

Table 3. Overall staisfaction

Overall satisfaction with the municipal services and satisfaction by competences. Average score



Only strong and credible local public institutions can contribute to the prosperity of the Republic of Macedonia and integration into the European Union. In this regard, of particular importance are the activities that support the transformation to the local administration oriented toward the citizens and the private sector, which is fully enabled to incorporate into the European Administrative Space. Sustainable local development and growth means sustainable use of local resources for economic purposes and development of energetic and transport infrastructure without compromising the quality of the environment and nature. Basically, it aims at achieving the best possible higher degree of synergy between policies for environmental protection and socio-economic development. The scope of responsibilities of local government in the Republic of Macedoia allows municipalities to improve local transport and water and waste management, but also to implement concrete measures to improve energy efficiency and use of renewable energy, contributing in particular way forpreserving the environment and nature.

The program for sustainable local development and decentralization in Republic of Macedonia is the main planning document for further development of local self-government in the country in the next five years. Through this, it is operationalized the commitment of Macedonia to continue to foster sustainable local development, good local governance and creating the conditions for a more active, more effective and iinnovative role of local authorities in achieving the national objectives for growth and development. In the new (Program for the period 2015-2020) the sustainable development of local government continues to be a tool for solving the challenges of the local impacts of

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policies relating to the improvement of quality of life, protection and use of natural and cultural heritage, and the strengthening of economic, social and territorial cohesion. The basic idea is that the best vertical and horizontal coordination of national and local policies and implementation of integrated development projects adapted to local needs and conditions will lead to more balanced, targeted local territorial development. Its specific objectives are: to increase the capacity of local public administration, and to strengthen the rule of law at the local level, including reducing corruption, to provide appropriate own revenues of municipalities, together with predictable and adequate grants, consistent with the principles set out in the EU Charter of Local Self-Government, to ensure a high degree of respect for the principle of subsidiarity through clearly defining the scope of authority of the various levels of government taking into account the comparative advantages of the municipalities, to create strong integration links between key actors of local development and growth, to establish vertical and horizontal synergies and ensure unobstructed data exchange and mutual information, in measuring the performance of local service providers to prevail meritocratic criteria and thus to achieve a high degree of professionalism and de-politicization of the local administration, public enterprises and institutions.

The program focuses primarily on support policies of: the development of the local economy based on knowledge, reduce poverty and social exclusion, environmental protection and promoting sustainable local development. In addition it is emphasized the need to further strengthen the capacity of local authorities and institutions, as an important factor in achieving national priorities and objectives and in meeting the standards for EU accession. It will foster and promote the benefits of the implementation of the decentralization process, especially in terms of fostering democratic practices and the maintenance of good relations between communities. In public service delivery institutions that have the authority to provide public services, one must respect the principles that characterize the functioning of public services and are in accordance with the requirements of citizens. In the relationship arising between institutions that provide public services and service users should be maintained neutrality of institutions and any activity or action should not come to doubt the objectivity of the institution and especially neutrality (e.g. neutral political events or personalities regardless of their personal beliefs).

The main question that arises is who determines what users receive and the processes by which it is accomplished. In determining what users should receive, an important role is held by the democratic process that includes Parliament and other elected bodies at lower levels of government. The elected representatives, represent in front of the government the needs and interests of users in order to help balance the interests of consumers and taxpayers. Insignia of the participation of users can vary. A range of five points is proposed for possible participation such as: informing, consulting, partnership, delegation and control. The first one simply provides the user with information for the offering services. The second enables the dialogue between the tenderer and user for decisions and possibilities, even though all the decisions are adopted by the government and the tenderer. The third enables co-decision. The fourth enables decision-making by the user but in agreed framework at least partly determined by the government or the tenderer. The last point allows users making decisions as it happens in real competitive market. Such situations will be discussed below, although there are variations between the different services, most countries operate on the second or third point of the spectrum. The question how really users are consulted will be elaborated in details below.

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For municipalities which declare to correspond the needs of citizens, of fundamental importance is to improve the quality of services. Along with other aspects of managing successfully the public enterprises they should actually see the complexity of the installation and use of performance objectives, with particular emphasis on the extent to which and how the users should be consulted. In these efforts must not be neglected the understanding that improving the effectiveness and efficiency, as well as improvement of the standards for the implementation of the services are as important. It is desirable for them to be incorporated in the initiative to improve the effectiveness of services. The real test of the initiatives on quality of services is that they promote standards for the implementation of services. That shows the concrete proof of the improved performance of the quality of services in public enterprises. Although there are present many opinions that improving performance occurred for reasons other than those of the central initiatives, it is known that the reasons are not important, important is the result. Views of users about whether to improve the quality of services may be different, but they respect the impact of budgetary reasons of reducing services. There is missing a comprehensive evaluation or evidence, but it is an area for further work.

One of the negative phenomena that accompany the performance and efficiency of public services is the corruption in separate segments of public service. The survey of the OSCE since October 2012, corruption is spread more in central administration and next to follow are local administration, education, sports, etc. In conclusion we support an increased coherence between the laws regulating certain sectors with systemic local government law; greater fiscal autonomy and financial viability of local authorities for the purpose of providing services to citizens; accountable, depoliticised public administration principle of merit and a transparent and participatory manner provides a more efficient and better public services for citizens and businesses; established model of multilevel governance (multilevel governance) as a prerequisite for integrated programming and planning of local growth and development; strengthening the capacity of the municipal administration for better management decision-making and implementation.

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