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Check against delivery

Debate on Monitoring of the European Charter of Local-Self-government: Cyprus

Date: 27 October 2021, Chamber of Local Authorities, Hemicycle, 09:30-12:00

Dear Representatives of the Congress of Local and Regional Authorities,

Rapporteurs for North Macedonia and

Other participants,

The Council of Europe is the most important international institution, based on which its documents and recommendations have been created and the system of local self-government in North Macedonia is continuously improving.

We are extremely aware of the role of the Congress of local and regional authorities and for us, the reports and recommendations that arise from your work are very important, as a top standard in the self-assessment of how far we are and what we should focus on in the future.

In this context, we appreciate that the current report realistically reflects the functioning of the system of local self-government, based on the European Charter of Local Self-Government, but the weaknesses, which I agree, mainly relate to the financing of municipalities to carry out their extremely numerous important competencies.

The moment in which this session is held coincides with the local elections in North Macedonia, namely the first round for election of mayors and members of municipal councils ended on October 17, and the second round will be held in a few days, on October 31. With the first round, the election of the municipal councils is finalized, because they are elected according to a proportional electoral model. In the second round, voting will be held for mayors in another 46 municipalities, where in the first round none of the mayoral candidates managed to win a majority of votes.

In general, the first round passed in a correct election environment without disturbances in the election process. The characteristic of these elections was that there was a large political offer not only from political parties but also from independent candidates engaged in the civil sector.

Regardless of the local elections, this year and last year the Government, the Ministry of Local Self-Government, and other competent ministries have implemented significant activities in the direction of improving the system of local self-government. These activities that have not yet been finalized are in correlation with the recommendations noted in the last report that we have on the table today.

As noted in the Report, the Assembly of North Macedonia adopted a new Strategy for Regional Development 2021-2031. The document defines new strategic measures to reduce the large disparity between the capital city - Skopje and other parts of the country. The uneven development reflects on the delivery of services and the quality of life in general, which results in the emigration of many young people from the country or from inside the capital city - Skopje, which further increases the pressure and reflects on services. The issue is noted by the Government as a priority, as well as the need for even greater coordination between the competent ministries in creating policies that have an impact on the development. An electronic system for monitoring all allocations from budgets at the central level to the planning regions has been prepared so that policies and concrete measures can be created based on real data.

The second essential document is the new Program for Sustainable Local Development and Decentralization for the period 2021-2026. In this document, the Government translated its political commitment to continue the decentralization process by transferring new competencies to the municipalities, but together with the improvement of the municipal financing system.

Preparations for the transfer of new competencies take several years. During that period, many consultative meetings were organized with the Association of Local Authorities ZELS, with the civil sector, and with all competent institutions. The Government accepted the position of ZELS that first the financial stability of the municipalities should be ensured and then to continue with the transfer of new competencies and only if an appropriate package for their financing is provided.

The fact is that so far the principle of the European Charter of Local Self-Government for adequate transfer of funds in parallel with the transfer of competencies has not been fully complied with. In key areas, in primary and secondary education, kindergartens, local cultural institutions, and fire protection, the central budget provides block grants to each municipality that generally cover the cost of providing these services, but only in municipalities where there is an adequate institution, because the assets are related to the institutions. Our goal was to provide functional decentralization instead of institutional, or for the money to follow the competencies instead of the institutions.

Also in the past period, a huge problem in the functioning of the municipalities is created by the huge debts that are transferred from one term to another starting from the beginning of decentralization in 2005.

The Report of the State Audit Office also concluded that the costs are much higher than the actual budgets, as a result of unrealistic planning and lack of financial discipline. In 2018, the Government tried to restart the municipalities by covering 51% of their debts. The fact is that this act of one-time debt reduction does not solve the problem, but it was mitigated. In that direction, the recommendations in the report for greater and regular supervision over the financial operations of the municipalities are very relevant, as well as a functional internal audit. Despite the existing legal mechanisms, it is a fact that so far they have not been applied in practice by the Ministry of Finance, which probably further encouraged local authorities to implement projects without financial coverage.

It is also recorded in our Reports that the insufficient fiscal discipline contributes to this situation, but also the huge tolerance of the local authorities towards the taxpayers when it comes to the collection of revenues from local taxes and fees.

There must be a balance between the requests for additional funds from the central government and the fulfillment of their own responsibilities through the collection of local taxes and fees for the implementation of local policies.

To improve the financial stability, but also the responsibility of the municipalities, are the latest amendments to the Law on Financing of Local Self-Government Units, which has been adopted by the Government and is waiting for the local elections to be put on the agenda in Parliament.

This legal solution proposes an increase in the VAT rate intended for municipalities from 4.5 to 6%, successively, starting from 2022. The revenues of the municipalities are also increasing from the funds from the personal tax, from which instead of the previous 3%, 6% will now be intended for the municipalities. Two new mechanisms are being established for a fairer distribution of these funds - Equilibration Fund which will help small municipalities that really have limited financial resources and Performance Fund which will reward municipalities that manage good local finances, especially in the collection of local taxes and fees.

The other important segment is the local democracy, which is manifested through the work of the members of the municipal councils as elected representatives of the citizens, as well as through the mechanisms for direct democracy, through the direct involvement of the citizens in decision making.

Although mainly with the support of the donor community, much progress has been made in this area over the years. North Macedonia has ratified the additional protocol for participation at the local level, which means that there is no normative obstacle. The Law on Local Self-Government and the special Law precisely define conventional mechanisms such as a referendum, a citizens' initiative, or a gathering of citizens.

Practice shows that even if there is no real challenge, there is no interest in using these mechanisms because they require a large engagement of a large number of people. However, when the citizens were concerned about whether a mine would be built in their municipality and how much their health could be endangered, they did not remain indifferent. Referendums were organized in all affected municipalities.

The dynamic way of life, in addition to the experience with the coronavirus, does not indicate the need to create innovative, electronic tools for rapid information and consultation of citizens. In that sense, with the support of the donor community, Community Forums are successfully organized as a model for consultation, mainly in the phase of creating municipal budgets. Also currently 35 municipalities publish their financial reports on a special WEB platform, understandably, easily accessible to citizens which provides fast access to information, increased accountability, and opportunity for participation and influence of citizens based on relevant information on spending their money. The goal is for this tool to be implemented by all 80 municipalities and the city of Skopje.

The citizens are more and more aware of what the municipality should deliver for them as a competence determined by law. Their pressure is growing and is channeled through the actions of the civil sector. A good indicator of the created environment is a large number of independent lists of candidates for members of the Municipal Councils. Citizens not only want to be consulted, but they also want to be part of the decision-making council. Perhaps the reason is the lack of trust in terms of how much their demands have a direct impact on the decisions of local authorities, but definitely, the created environment in which their engagement is really visible and their demands can be loud.

To leave room for the other discussants, I will end my presentation here, with information that makes us a little proud. Exactly the mechanism that I mentioned, for financial accountability of the municipalities, by the global initiative Open Government Partnership is assessed as the most successful commitment for good governance at the local level presented by the Ministry of Local Self-Government and will compete with the best in Europe.

I sincerely hope that we will have a good result and secure a high place at both the European and global level at the Open Government Partnership World Summit to be held later this year in South Korea.

I am pleased that we are following the trends and based on your recommendations we are trying to improve the system of local self-government, on which the quality of life of the citizens largely depends.

I hope that by the next reporting period we will not only be better but we will set new goals as a result of the needs and demands of the citizens who are more aware and more sensitive. Personally, it encourages me because as a government it mobilizes and motivates us to seek new, innovative solutions for good governance as an appropriate response to the needs of citizens.