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**KEY PRINCIPLES OF GOOD GOVERNANCE WITH PUBLIC
FINANCES OF THE LOCAL GOVERNMENT IN THE REPUBLIC
OF NORTH MACEDONIA**

Abstract: Establishing a transparent, responsible, competing and service-oriented local self-government that is guided in its work according to the principles of good governance is a strategic priority for each country. Good governance is an appropriate, competent management of the municipality's resources, which should provide open access, accountability, transparency, an equal and responsive way of working to meet the needs of citizens. Hence, the main aim of this paper is to define the key principles of good governance of local self-government units in the Republic of North Macedonia, while serving as a basis for future detailed research on the issue. This paper insists to motivate the local self-government units to be more transparent, responsible, accountable and thus take a well-deserved place in the process of reforming local public policies. The legal framework establishes an obligation for local self-government units to apply the key principles of good governance: transparency, accountability, participation and direct communication with citizens. Although good governance as an ideal is very difficult to achieve, it is still necessary to take steps from the local government to bring our municipalities closer to this ideal.

Keywords: good governance, local self-government units, transparency, accountability, responsibility

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Introduction

As in other countries in the world in our country as well, local self-government units have their own administrative tradition and culture that adapts to democratic changes in the society, guided by the principles of good governance. The employees in the public sector at the local level are part of the public administration in the country, which means that they should adhere to the general regulatory framework established in the state, and then apply the principles of accountability, transparency, equal treatment, efficiency, ethics and to act in the best interests of the citizens.

Establishing a transparent, responsible, competing and service-oriented local self-government that is guided in its work according to the principles of good governance is a strategic priority for each country. In general, the principles insist on the existence of municipalities that will help implement public policies at the local level and will have the capacity to meet the needs of citizens in a volume arising from the competences of the local self-government units, through transparent and accountable work, with the involvement of citizens.

Hence the main objective of this work is to define the key principles of good governance of local self-government units in the Republic of North Macedonia. The second goal of this work is to serve as a basis for future detailed research that will motivate local self-government units to be more transparent, responsible, accountable and thus take a well-deserved place in the process of reforming local public policies.

This paper is structured in several parts. The first part elaborates on the legal framework under which local self-government units operate and exercise their rights, responsibilities and obligations towards citizens. The second part defines the concept of good governance at the local level and sets out the key principles that this concept encompasses, while the third part elaborates the key four principles of good governance with public finances, which are: rule of law, transparency, accountability and participation. The latest part of this work gives conclusions regarding the concept of good governance of local self-government units in the Republic of North Macedonia.

1. LEGAL FRAMEWORK FOR THE LOCAL SELF-GOVERNMENT UNITS IN THE REPUBLIC OF NORTH MACEDONIA

This part of the work presents key legal acts that directly define the institutional framework under which the local self-government units operate in the Republic of North Macedonia and define their competences and obligations. Parts of this legal framework directly or indirectly relate to the grounds of good governance, taking into account the main principles of accountability, transparency and participation of citizens and the public in the budgeting processes and in the public financial management of the municipalities.

The Budget Law (Official Gazette of the Republic of North Macedonia No. 64/2005, 04/2008, 103/2008, 156/2009, 95/10, 180/11, 171/12, and 192/15) providing a detailed framework for the budgetary process, i.e. this law regulates the procedure for the preparation, adoption, management and implementation of the Budget of the Republic of North Macedonia as well as the budgets of local self-government units (municipalities) and the city of Skopje.

The Law on Local Self-Government ("Official newspaper of the Republic of North Macedonia" No. 5 of 29 January 2002) governing: the competences of the municipalities, the immediate participation of citizens in the decision-making process, organization and work of the municipal authorities, municipal administration, acts of authorities, property rights of the municipalities, supervision of the work of the municipal authorities, dissolution of the municipal council, mechanisms of co-operation between municipalities and the Government of the Republic of North Macedonia, local self-government units, protection of local self-government, establishment of official languages in municipalities and other issues of importance for the local self-government units in the Republic of North Macedonia.

Law on Financing of Local Self-Government Units (Official Gazette of the Republic of North Macedonia No. 61/2004, 96/2004, 67/2007, 156/2009 and 47/11, 192/15, 209/18, 244/19, 53/21, 77/21, 173/22) governing the financing of local self-government units, namely: determination and collection of municipalities' revenues, debt of municipalities, budget of municipalities, adoption, public management, reporting, accounting records, control and audit.

Law on Public Internal Financial Control (“Official newspaper of the Republic of North Macedonia” No. 90/09, 12/11, 188/13, 192/15) governing the system of public internal financial control in the Republic of North Macedonia, financial management and control, internal audit and harmonization.

Law on Accounting for Budgets and Budget Beneficiaries (Official Gazette of the Republic of North Macedonia No. 61/2002, 98/2002, 82/2005, 24/11 and 145/15) governing accounting, business books, accounting documents and data processing, recognition of revenues and expenditures , assessment of balance sheet positions, revaluation, financial reports, the submission of financial reports and other issues relating to the accounting of budgets of budget beneficiaries, including the budgets of local self-government units.

The Law on Free Access to Public Information ("Official Newspaper of the Republic of North Macedonia" No. 13/2006, 86/2008, 6/10, 42/14 and 148/15) provides a legal framework through which citizens' rights for free access to public information are regulated. This law regulates the conditions, the manner and the procedures for exercising the right of free access to public information at the disposal of state authorities and other institutions established by law, the authorities of municipalities, the city of Skopje and the municipalities in the city of Skopje, public institutions and services, public enterprises, legal entities exercising public power and activities of public interest.

This law ensures publicity and openness in the operations of the holders of public information and enables individuals and legal entities to exercise the right to free access to public information.

2. CONCEPT OF GOOD GOVERNANCE AT THE LOCAL LEVEL

Good governance is nothing but proper and competent management of the municipality's resources, which should provide open access, accountability, transparency, an equal and responsive way of working to meet the needs of the citizens. With this, public institutions (municipalities) carry out public affairs, manage public resources and ensure the exercise of human rights. Basically, as well as defining good governance, it must necessarily rely on several elements, transparency in decision-making, participation, accountability, rule of law and predictability.

Municipalities perform a series of public functions relating to the collection, allocation and spending of common financial resources, in order to achieve common economic goals and satisfy the social needs.

There are different aspects, different academic definitions of the principles of good governance, but there are certain key principles in good management with public finances that are most often promoted and implemented.

The following basic principles of good governance with public finances are elaborated by the academy, researchers and practitioners: stability and long-term sustainability of budgets, fiscal transparency, effective financial control, reporting and monitoring, effective and fair inter-budgetary relations, integrated budget and budgetary process, medium-term financial planning and results-oriented budgeting.

Given the knowledge of work, the needs of the austerity and the basic principles of good governance with public finances, the key four principles that are of particular importance to local self-government units are elaborated in the following parts of this paper.

3. KEY PRINCIPLES OF GOOD GOVERNANCE WITH PUBLIC FINANCES OF LOCAL SELF-GOVERNMENT UNITS

3.1 Rule of law as a basis for good governance with public finances

The rule of law is related to the legal framework under which the municipalities must operate. In the context of good governance, the rule of law includes clearly defined rights and obligations, mechanisms for their implementation, resolution of disputes by an independent judiciary and a legal framework for the protection of human rights.

The councillors are representatives of the local community, community leaders representing citizens in front of other local authorities. As council members, councillors also contribute to the local public policies, including the municipality's budget policies. In parallel, councillors also have the role of overseeing the work of other local government bodies in the process of implementing public policies and exercising the municipal budgets.

Councillors are a link between the community and the council. In this regard, it is of utmost importance for a councillor to take care of the problems

of the local community, inform the council about citizens' problems, have the capacity and skills to work with the local community, the business sector and the local communities and to defend the community's interests in front of the public.

The council is the legislature at the local level. Taking this into account, the councillor, through his engagement, influences the development of the community through the decisions related to the local planning and budgeting. In this regard, the active role of the councillor in the council is of particular importance.

In parallel with the two abovementioned functions, the councillor also has the role of policy supervision, service delivery and administration work. In other words, the councillor has the function of protecting one of the most important principles of good governance, the principle of rule of law.

Councillors are mediators between citizens and the municipality because:

- Present the proposals and the opinions of the citizens who are part of the municipality;
- Give initiatives for the adoption of regulations under the council's jurisdiction;
- Propose a search of issues relating to the Mayor's work;
- They have the right to ask the Mayor to inform the Council of his work;
- Propose a search of issues relating to the exercise of supervision of the performance of the work under the jurisdiction of the municipality;
- Propose a search of issues relating the activities for which the Municipality established public services, institutions and companies, as well as issues relating to the exercise of supervision of their work;

Implementation of the principles of good governance at the local level requires a councillor that has the capacity to perform the three functions: decision-making, representation and supervision of the work of the local self-government.

3.2 Fiscal transparency

Fiscal transparency is a key element for effective management with public finances, the determination of fiscal risks, rational financial decision-making, increasing accountability of policymakers and better fiscal policy-making. Fiscal transparency ensures that governments and municipal

authorities are open to the public about the structure and the functions of the state, fiscal positions, potential risks, benefits versus the costs of financial decisions and projections.

The reasons for the need of constant monitoring, and at the same time increasing fiscal transparency at the local level, can generally cease as follows:

- Monitors local government practices, which are particularly important for resource allocation and service provision.
- Reveals gaps in public financial management at the local level and has the potential to reduce corruption and governance errors.
- Monitors financial flows from source to place of use, answers ex-post questions about execution, implementation and procurement.
- Increases public accountability on issues of public interest (schools, infrastructure, etc.).
- Stimulates and increases civic activity and public debate.
- Provides monitoring and assistance in controlling local borrowing.
- Allows comparison at national level and encourages competition at interlocal level.

Respecting world, regional and domestic experiences, as well as good practices, we can say that the general domains in which it can be used in order to improve the level of transparency of local government are as follows:

- Providing fully transparent and comprehensive information to the public, in terms of budgeted and factual revenues and expenditures at all stages of the budgeting process.
- Local authorities should be controlled internally and externally and audit reports should be made available to the public.
- The possibility for the local council and citizens to give their input at several stages of the budget process.
- The budget adopted at central and local level should contain detailed information (quantitative and qualitative) on transfers from other levels of power.
- The budget should contain narrative and quantitative information on the need/demand for services in relation to how the funds are distributed.

- The budget proposal and other budgeting documents which are publicly available should contain narrative information about the responsibilities of each level of power in terms of providing decentralized services.

3.3 Accountability - financial control, reporting and monitoring at the local level

Accountability is one of the most important elements of good governance of local self-government units, given the basic function of local public financial management in an efficient and effective way to provide the necessary public services to the citizens of the municipality in a timely manner. Citizens provide public revenues (fill the municipality's budget) and hence the report to be given by the local government to citizens about the activities implemented and the public services provided is the basis of good governance. It is very important to note that reporting management is not possible without transparent presentation of the overall work of local self-government units.

The accountability of the local government should be considered from several general aspects:

- From the point view of established accountability mechanisms, including the preparation of key budget documents (municipal budget, annual report, final account, quarterly reports, monthly reports, etc.) that introduce citizens and the public to the work of the ELS.
- From the point view of the mechanisms that allow citizens to view the effects of certain municipal programs, projects, activities and plans on all parties concerned and analyzed from several aspects.
- From the point view of advanced potential mechanisms that can further strengthen accountability in the operation of the ELS in the future. This will increase all citizens' awareness of the importance of certain financial indicators and the way in which budgeting will clearly allow monitoring of the results and outlets of each municipality program.

3.4 Openness and inclusion of affected parties in public financial management

Communication with citizens and the media is the basis for transparency and accountability in the operation of local self-government units, so it is very important to have successful methods and tools to establish that communication, while being successful and mutual.

The types of instruments available to municipalities for better and more successful public relations are: annual reports, open sessions of the municipal council, open reception day, web – portal of the municipality, communication with the media, press conferences, radio and television broadcasts with open telephone lines, newsletters.

In the context of local self-government units, communication and building relations with citizens and parties concerned raises the level of transparency and at the same time improves the level of understanding of the needs of the community. Communication encourages a culture of community participation and improves the image of the Council in the community. Municipal councils have a legal and political obligation to communicate with the local community.

Conclusion

Not always the effective management of the local self-government units ensures that all citizens will receive equal and fair treatment or that the municipality's resources will be managed sustainably and allocated towards improving the quality of life of the citizens. Therefore, it is necessary to implement the principles of "good governance", which will ensure equal and transparent access. Good governance implies managing the municipality's economic and social resources in such a way as to take into account the needs and problems of various parties concerned.

The legal framework establishes an obligation for the local self-government units to apply the key principles of good governance: transparency, accountability, participation and direct communication with citizens. Although good governance as an ideal is very difficult to be achieved, it is still necessary to take steps from the local self-government to bring our municipalities closer to this ideal.

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