



Local budgets and procurements: Qualitative insights from the municipalities of Prilep, Krushevo and Krivogashtani



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- Author: Despina Tumanoska
- Reviewer: Marjan Petreski
- Cover Design: Milosh Gjuroski

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Introduction

The municipal budget represents an annual plan of revenues and expenditure that finances the work and investments of the municipality. The person responsible for the preparation and communication of the municipal budget with the municipal council is the mayor. The process of budgeting follows the rules prescribed in the budget circular, which is prepared by the Ministry of Finance and is disseminated to the local units. Other than the mayor, the other key participants in this process include the municipal council, the budget users, citizens, the civil sector, the business sector, and the municipal administration. Therefore, the process of local budgeting is comprehensive in and of itself due to the numerous stakeholders who participate in it. This kind of budgeting, with extensive involvement of all the stakeholders, is known as participative budgeting.

This study has a threefold objective. Firstly, it examines the process of budgeting and the involvement of local stakeholders from three chosen municipalities: Prilep, Krushevo and Krivogashtani. The methodology used is qualitative research, where the findings were found through interviews with representatives from each municipality and focus group with local citizens.

Secondly, the structure of the local budgets is analyzed. How do the local governments generate revenues to finance local expenditures and is local money spent for current needs, or is it invested in long-term capital projects? Desktop research of the financial reports and documents provides answers on these questions.

Finally, the study examines the process of conducting public procurements at the local level and provides detailed information on the process of preparing procurements and conduct regarding them. Insights into this issue are collected from the representatives of municipalities who work in the public procurement departments during workshops on public procurements.

The analysis is organized as follows: The first part describes the methodology utilized and the underlying data. The second presents the findings for the three aspects under scrutiny: the process of budgeting and the involvement of the citizens in this process, budget structure, and public procurements. The last part concludes the analysis and gives recommendations to local policymakers.

Methodology and data

Each aspect of the study is based on different methodology. In order to achieve the first objective, the process of creating local budgets and the inclusion of the citizens in this process, interviews and focus groups that provide descriptive and detailed opinions of the participants were conducted. The aim of the interviews was to collect qualitative information from representatives of the municipalities that mainly work in the budget departments. Two face-to-face interviews were conducted in the municipalities of Krushevo and Krivogastani on 22 September 2017, and a phone interview with a representative from the Municipality of Prilep was conducted on 30 March 2018.

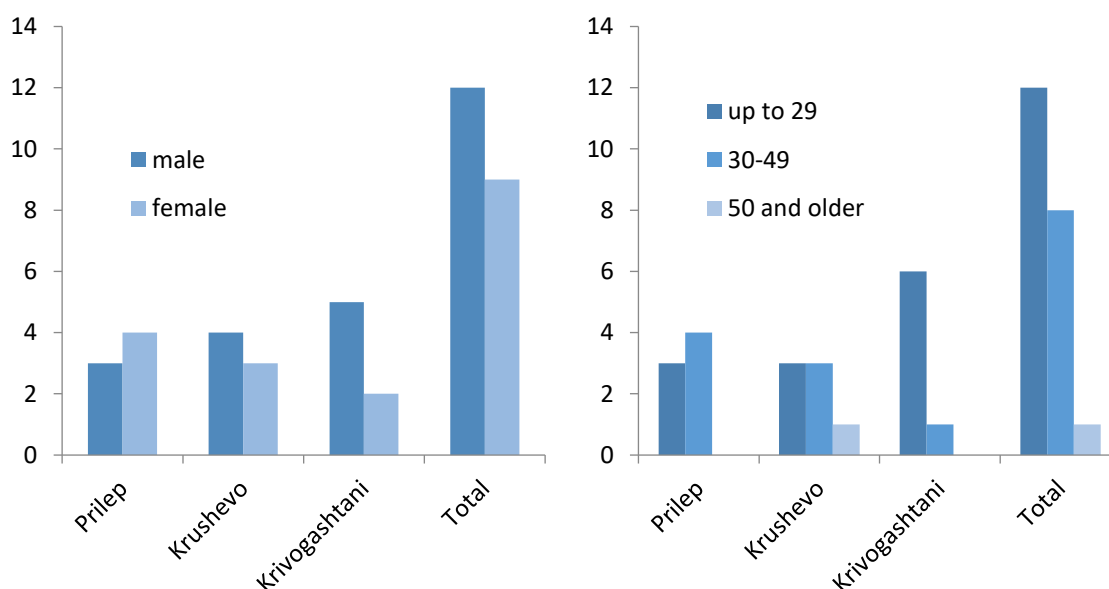
A semi-structured questionnaire was prepared, consisting of two main concepts: preparing local budgets and participative budgeting. The first section of the interview addressed questions about the preparation of the local budgets in order to gain insight into the way the Municipality works in the domain of budgeting. The following questions were asked to the interviewees:

- • What is the process of budgeting (from planning to adoption);
- • Who is involved in this process;
- • How is the process monitored; and
- • Who is involved in the execution of the budget?

The second part of the interview was aimed to obtain qualitative information regarding the manner, extent of and future possibilities for cooperation between the Municipality and the local population in the process of municipal budget preparation.

In order to understand the opinions of the local citizens, the other key stakeholder in the process, three focus groups were organized. One focus group was held in each municipality with participation of a total of 21 people, predominantly males of up to 29 years old (see Figure 1).

Figure 1. Focus group participants – gender and age



The focus groups were publicized beforehand by an advertisement on social media with a description of the focus group's aim. More than a hundred people applied to take part in the focus group, and from these one hundred the 21 participants were selected to secure geographical, age, and gender heterogeneity. The discourse of the focus group was directed by a moderator, according to a semi-structured questionnaire, divided into two key themes: citizens' involvement in the process of creating local budgets and their experience in monitoring the use of those budgets.

The second main portion of the study, which analyzes the budget structure, was conducted through desktop research of select local documents, including: budgets, annual financial reports, and final bills. Most of these documents were available publicly on the municipal web sites, while the unavailable documents were provided through the utilization of the right to obtain public information.

Finally, insights on the process of local public procurements were collected during two workshops on public procurements: 1) The first workshop for conducting public procurements was held on 31 November 2017, where 17 representatives of the municipalities of Prilep, Krushevo and Krivogashtani took part, as well as representatives of the public enterprises from these municipalities, who work in the domain of procurements; and 2) The second workshop for conducting and monitoring local public procurements was held on 12 December 2017, with 19 participants which included representatives of local NGOs, local media, and interested citizens.

Findings

Process of budgeting and citizens' involvement

The preparation, adoption, and execution of the government budget are regulated by the Budget Law of the Republic of Macedonia. According to this law, the budget constitutes "an act by which annual revenues and other inflows are planned, and includes the central budget and the budgets of the funds" (page 1). The same law regulates the preparation, adoption, and execution of the budgets of local self-government units (municipalities) and the city of Skopje. According to the law, the person responsible for the preparation and communication of the municipal budget with the municipal council is the mayor. The other main participants in this process are the Ministry of Finance, the municipal council, the budget users, citizens, the civil sector, and the municipal administration.

The annual process of budgeting commences on the basis of Article 1 of the Law on Budgets, where the Ministry of Finance, by September 30th of each year at the latest, is obliged to submit the "budget circular" to the mayor of the municipality. The budget circular contains guidelines for the preparation of the budgets of the local government for the next fiscal year and information on funds to be granted from the central national budget to the local government units. The budget circular includes both specific information on the budgeting process, as well as information on the form and content of the budget, i.e. the planning of expenditures by programs and subprograms in accordance with the source and transferred competencies. The budget circular for the preparation of the municipal budget contains information on the estimated revenues for the planned budget year and for the next two budget years, and data on the revenues distributed among the central budget and the budgets of the municipalities. Also, the budget circular provides information on the strategic priorities of the government for the upcoming period, provides explanations for the distribution of VAT revenues, as well as nominal amounts that will be allocated to the municipalities on this basis. Finally, the budget circular provides directions and the nominal amounts for earmarked block grants and other types of grants for the municipalities, as determined by law. Earmarked or block grants with respective exact amounts are specified in the budget circular for each group of individual users, and separately specified are the amounts for the individual users, kindergartens, primary and secondary educational institutions, and the part that belongs to earmarked grants for territorial firefighting units.

After obtaining the budget circular, the mayor submits a draft budget calendar to the council, which contains the entire procedure in the budget adoption, separated according to activity, and including possible dates wherein to carry out those activities. After the adoption of the budget calendar, the mayor starts the preparation of the municipal budget circular and it is then delivered to the budget spending units.

"In particular, the budget is prepared on the basis of the circular, which is delivered by the Ministry of Finance at the end of September or beginning of October, with directions for the preparation of the budget for the next fiscal year. It contains guidelines on the basis of which the budget should be prepared and we apply them"



Representative from the Municipality of Krushevo

The mayor and the services of the municipality, in coordination with the budget users, determine the priorities and define the necessary funds that must be planned in the draft budget. According to the Law on Budgets, the mayor of the municipality then prepares a draft plan and development programs in accordance with the guidelines stipulated in the budget circular, which the mayor then submits to the council for consideration no later than October 20th of that year. Then, new requests and proposals arise from the discussion in the bodies of the municipality and the council, after which the municipal services prepare and submit a draft budget to the mayor, which the mayor considers and approves. The mayor then submits the draft budget for consideration to the municipal council, which is then published and sent for consideration/review to all interested parties. At this stage, public debates, meetings with citizens, meetings with representatives of urban communities, foundations, associations, and so on, are organized. All suggestions, opinions, or remarks that emerge from these meetings will be reconsidered by the mayor and the municipal services, after and on the basis of which a final draft budget will be submitted to the council.

Interviewees from all three municipalities confirmed that the process of budgeting follows the directions provided in the budget circular, but only up until the moment when the draft budget should be published for public debate. The findings suggest that direct meetings between the local government and the stakeholders, for sharing ideas, suggestions and opinions for improving the budget structure, are considerably lacking in all three municipalities. This finding was also confirmed by the focus group participants from the municipality of Prilep, whose experience shows that this circular provision is respected de jure, but de facto it does not exist:

"The process (of budget preparation) begins with the arrival of a circular letter by the Ministry of Finance, where a budget calendar with dates is delivered. A draft budget is adopted for consideration at a session of the Council, then it is considered; by December 25th, the Budget is adopted, according to the needs and assumptions, where we would have revenues, where we would spend those revenues and so on."



Representative from the Municipality of Krivogashtani

"We do not meet with the citizens directly. They could participate in the process of budgeting only through the municipal Council members"



Representative from the Municipality of Krushevo

"Each year, the Mayor organizes a meeting with the local NGOs in order to present the budget for the coming year. But, the budget is already prepared and there is no space for our ideas and proposals."



Citizen from the municipality of Prilep

The tool that determines the deadlines for planning and preparing of the budget of the municipality for the next fiscal year is the budget calendar. It provides budget process activities that take place year - round and is adopted by the municipal council. Picture 1 presents a detailed budget calendar.

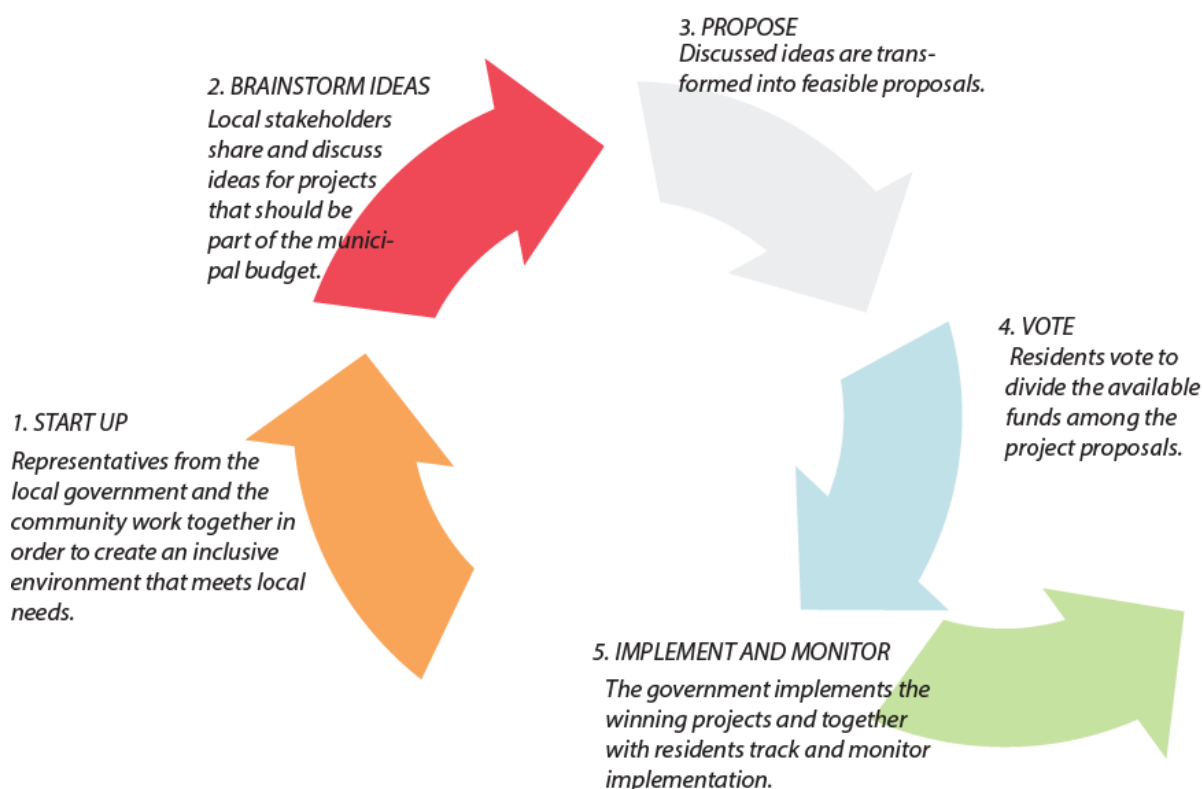
Picture 1: Municipal budget calendar

December – March	Municipal council adopt the budget calendar
Up to 15 April	The government adopts the strategic objectives for the next fiscal year
Up to 31 May	The government adopts the Fiscal Strategy
April – May	The municipal council considers the development plan of the municipality
May – June	The budget sector provides announcement to the budgetary users to deliver the draft calculations for the next fiscal year
June – August	The budget sector analyzes the submitted draft calculations and sets the priorities for the submitted requirements
Up to 30 September	The minister of finance provides budget circular
Up to 20 October	a. Draft programs have been prepared and the mayor submits them to the Council b. The council adopts them c. Public hearings are held d. The content of the draft programs is published
Up to 15 November	The council adopts the draft programs
15 to 25 November	Public debates, presentation of the budget to the media and gathering other proposals from business community, NGOs, citizens, etc.
Up to 1 December	The mayor submits the draft budget to the council
December	A hearing is held in the bodies of the council of the municipality
At the end of December	The council of the municipality adopts the budget for the next year
January	A new budget year starts



According to the calendar, 10 days in November are reserved for “public debates, the presentation of the budget to the media and gathering other proposals from the business community, NGOs, citizens, etc.” The process of inclusion of all these stakeholders in the process of budgeting is known as participative budgeting and is defined as “process under which those people impacted by a budget are actively involved in the budget creation process.” It includes the following five steps:

Picture 2. Process of participative budgeting



Civic participation in policymaking in Macedonia is guaranteed and regulated by the Constitution of the country. According to Article 115, “in the units of local self-government, citizens directly and through representatives participate in decision-making on issues of local significance, and especially in the areas of urbanism, communal activities, culture, sports, social and children's pre-school education, primary education, basic health care protection, and in other areas determined by law”. The data collected through the interviews and focus groups suggest that currently, initiatives, events, and processes that involve the citizens and local stakeholders in the process of creating local budgets are lacking. Local stakeholders rarely participate in the local budgeting process. On one hand, this is because of their low awareness and interest in how this activity may be to their own benefit; on the other, it is because local self-governments continue to behave self-sufficiently in the budgeting process and prioritize spending based on their own beliefs rather than on estimates of actual needs and effectiveness. The focus groups confirmed that the low awareness of the citizens about these issues is the key reason for their non-participation in the budgeting process, complemented with the notion that they have never been invited to take part in the process:

“Citizens from Krivogashtani are not interested in participating in creating local budgets. They prefer to sit and drink coffee, rather than to stir a change”



Citizen from the Municipality of Krivogashtani

"So far, I have never been involved in the process of budgeting. Nobody listens to our opinion"; "In Krushevo, there is no participative budgeting, mainly because citizens are not informed about their rights, neither are they interested to be involved in this process"



Citizen from
the Municipality of Krushevo

Several participants in the focus groups confirmed that citizens' involvement in the budgeting process is not completely absent, although their opportunities for direct meetings with local policymakers have been rare. Participants shared limited experiences of their attempts to be part of the process by using tools other than direct meeting to bring their suggestions and ideas in front of the local policymakers: through local organizations, petitions, official requests, or local communities:

"I am a part of the Youth Council of the Municipality of Krushevo that advocates the ideas and requests of the youth in front of the municipal Council. Generally, we are a mediator between youth and the local government. Youth from Krushevo can share their proposals and suggestions with us, which we then share with the local authorities. And, each year, we receive minimal funds from the budget, in order to implement some proposal from our fellows."



Citizen from
the Municipality of Krushevo

"Last year, I sent an official request to the Municipality, for arranging the local lake. I got a positive answer, but unfortunately, up to date, nothing has been done regarding my request"



Citizen from
the Municipality of Krushevo

"Our street was damaged during bad weather. We've gathered signatures from around fifty families living on the street and we sent an official request to the authorities to repair the street. 'This is not our priority' was the answer we received when we submitted the request. We had to repair the street with our personal funds."



Citizen from the
Municipality of Krivogashtani

"In our neighborhood there is a strong local community. We have regular meetings where we express our ideas, and the President shares them with the municipal Council. Several proposals have been already implemented."



Citizen from the
Municipality of Prilep

The experience in the local participative budgeting mainly derives from the "Community Forums" program, which was started in 2006 by the Swiss- Development Agency and Co-operation (SDC) as a tool for the active inclusion of citizens in the process of decision making at the municipal level. The model offered a platform through which citizens could improve their lives through their own ideas and participation, while at the same time the local administration would practice inclusive, accountable, and local management that builds trust. Since 2006, 59 municipalities have participated in the program, including all three of the municipalities studied in this analysis. (ZELS, 2017). The municipality of Prilep was selected as a pilot municipality in the program, and was also a part of the program in the period 2012-2014. The meeting within the forums followed the steps described in Picture 2, and the following projects were selected by the citizens and implemented by the local government: 1) Reconstruction of the "Mogila" sports-recreational and historical complex, 2) Arrangement of the "Varosh" monumental complex and 3) Reconstruction of the "Nasha Idnina" kindergarten .

"We were working in groups according to the topic of our interests. I was a part of the group that advocated for the cultural development of Prilep through the reconstruction of the Mogila complex. And, in the end, we succeeded. Our project was the winning one, and now, this complex has been renovated and our fellow citizens enjoy it"



Citizen from the
Municipality of Prilep

In 2009-2011, the municipality of Krushevo was selected to be a part of the program, and around 50 citizens who took part in the budget sessions selected the City Market (its covering and interior arrangement) as the priority project that should be implemented through the municipal budget.

SDC selected the municipality of Krivogashtani to be a part of their project twice, once in 2012 and once in 2015. According to a representative of the Municipality *"citizens were highly interested to be a part of the forums and around 150 people participated during each session"*. The priorities that were chosen to be financed within the program were related to infrastructure, like building roads, the sewage system, and cleaning of the irrigation channels.

"The idea of implementing these community forums was a real success. Literally, there were representatives from each community of the town, with different issues that were spoken about publicly. At these events, we [the Municipality, n.b.] were closest to the citizens. It will be very good if it continues as a practice"



"I was attending all the forums organized in Krivogastani. We have been targeting some priorities and parts of them are already completed. The cleaning of riverbeds, cleaning of channels, street asphaltting ... projects that were easier for realization. We also had some bigger requirements for which we need both time and money"



The two municipalities did not continue with the organization of this type of forums after the end of the project, mainly due to lack of municipal money and limited space for conducting that kind of activity. Starting from the end of 2017, the Municipality of Prilep organized a Civic parliament as a meeting between the mayor and local stakeholders, where ideas and proposals for better running of the local policies will be shared.

"A lot of representatives of NGOs, business sector, civic initiatives, informal groups and interested citizens participated in the parliament. However, this is still an informal meeting because it is not included in the Statute of the Municipality"



In summary, the process of budgeting is conducted following the legal provisions and directions provided in the formal documents from the Ministry of Finance. However, the process is fairly non-inclusive, given that citizens' involvement in the process is missing to a large extent. The low awareness and information attainment of the local population about their right to be a part of the process is the main reason for their non-participation, although authorities have undertaken no action to include them in the budgeting process so as to create municipal budgets according to citizens' needs.

Budget structure

The municipal budget represents an annual plan of revenues and expenditures that finances the work of the municipality. The municipalities finance their work from several sources:

- Their own revenues
- Grants from the Budget of the Republic of Macedonia
- Donations received from the country and abroad
- Loans from the Budget of the Republic of Macedonia and abroad

The municipalities' own sources are the revenues that the local government independently determines and charges. The municipalities' own revenues of the municipality :

A) Local Taxes: property tax, the inheritance and endowment tax, tax on real estate and rights transactions

B) Local fees: communal fees, administrative fees

C) Local fees for: arranging construction land, communal activity, spatial and urban plans

D) Revenues from property: rental income, interest income, income from the sale of property, income from fines, and income from the personal income tax collected during a given year.

A grant is a transfer from the Budget of the Republic of Macedonia and the budgets of the funds to the municipal budget. With these grants, additional funding is provided for the work of the municipality. The following types of grants are distributed:

- income from VAT
- dedicated grant
- capital grant
- grant for delegated jurisdiction
- block grant

The type, amount, and distribution of grants are an integral part of the budget of the Republic of Macedonia and of the budgets of the funds. The respective ministries and the funds are obligated by law to publish the established criteria, procedures and deadlines for allocation of the grants no later than the 30th of April regarding the funds to be provided for that fiscal year. Grants most often allocated by the government or ministries are according to institutional development programs and plans.

The analysis of the revenues side shows that the municipality of Prilep, which according to the number of citizens is six times bigger than the municipalities of both Krushevo and Krivogashtani, has the largest amount of revenue at 1.066 million MKD, to be compared to 237 million MKD and 195 million MKD in Krushevo and Krivogashtani, respectively. Most of them, 84% in Krushevo and Krivogashtani, and 65% in Prilep, were acquired through transfers and donations from the central budget, while the rest was collected from their own sources.

"We are a really small municipality and therefore only few funds are collected from our own sources. Mainly, our budget is financed through donations and transfers from the central budget"



*Representative from
the Municipality of Krushevo*

"How many funds can be collected from only a few local companies and 1500 citizens of Krivogashtani? Too few"

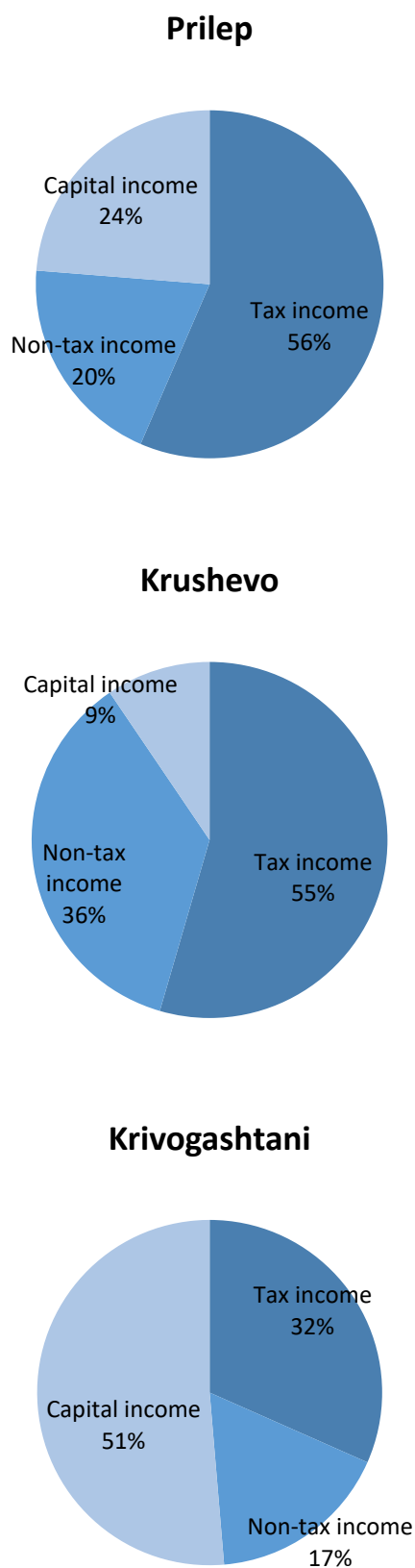


*Representative from the
Municipality of Krivogashtani*

In Prilep and Krushevo, around 55% and in Krivogashtani, around 32% and of the revenues from the municipalities' own sources are collected through taxes, including income tax, capital gains tax, property tax, taxes on goods and services (VAT, excises, fees), specific tax revenues (communal taxes, fees from permits for the use or performance of activities, and taxes on motor vehicles). Non-tax revenues, which include entrepreneurial income and property income, fines, court and administrative fees, fees and charges, other government revenues and other non-tax revenues, made up 17-36% of the revenues from the municipalities' own sources, although their share in the total revenue is only 6%. Capital revenues composed of sales of capital assets, sales of goods, sales of land and intangible investments, capital transfers from non-governmental sources and interest, are the largest in Krivogashtani where they make up 51% of the revenues from the municipality's own sources, while in Prilep and Krusevo they are much lower. The high amount of capital revenues in Krivogashtani is mainly due to the sale of municipal

property in the amount of around 10 million MKD. Figure 1 provides the composition of the revenues from the municipalities' own sources.

Figure 1. Revenues from the municipalities' own sources



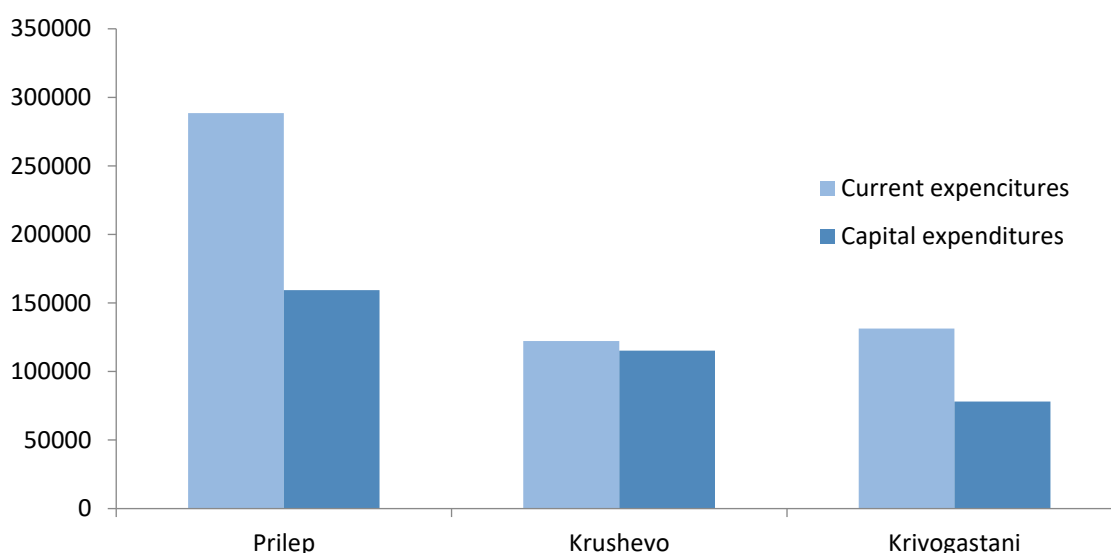
The analysis of the budget expenditures shows how the collected revenues are spent. Figure 2 presents the structure of municipal expenditures and shows that in Prilep and Krivogashtani, current expenditures prevail, given that around 65% of the total expenditures are for current uses. In Krushevo, there is no significant difference between the amount of current and capital expenditures; for both purposes around 120 million denars are provided. Half of the funds provided for capital projects are intended for water supply facility construction and reconstruction. Usually, however, there is a considerable difference between the planned capital investments and those that were actually realized, and many capital projects remain unrealized.

"We did not succeed in implementing many capital projects that were planned in the budget for 2016, because we were unable to obtain funds for their financing. So, many of those projects were transferred to the budget for 2017."



*Representative from
the Municipality of Krushevo*

Figure 2. Expenditure structure (in million MKD)



Source: Budgets for 2017

More than 70% of current expenditures are used for financing the salaries of the local administration and for purchasing goods and services like communal services, heating, communication and transportation, repairs, and ongoing maintenance and contractual services. In the Municipality of Prilep, almost 30% of the budget funds are allocated for subsidies and transfers, mainly for public enterprises and transfers to local NGOs. This particular budget line is insignificant in the other two municipalities, where only 0.8% of the current funds in Krivogashtani and 2.8% in Krushevo are transferred to other local levels.

Capital spending is particularly important because of its long-term effects on the growth and development of each of the municipalities. The categories of capital expenditure include: land and rights to land; buildings (i.e. permanent structures and equipment or furnishings fixed to such structures); infrastructure (streets and roads, bridges and tunnels, storm water facilities, water and sewage and so on); equipment, machinery, and other permanent personal property; and upgrades or renovations of facilities (Vogt, 2007).

In the municipalities under scrutiny, capital expenditures are allocated for preparations of building construction projects, the purchase of telecommunication equipment, the reconstruction of bridges, streets and motorways, building monuments, etc. Only a small amount of funds are spent on financing other capital projects, like purchasing equipment and machines, cars, investments and non-financial assets, etc.

"Capital expenditures are the largest [item] in our budget and relate to the building and reconstruction of sidewalks, streets, the green market, street lightning, the facade of the municipal building, etc."



Representative from the Municipality of Krivogashtani

Budget monitoring by the local citizens is completely lacking. Most of the citizens do not even know if the budget is publicly available, and those who do do not believe in the data presented by the local governments. They believe that most of the budget funds are irrationally spent.

"I think that the funds are spent for parties, dinners in restaurants, fuel for private vehicle[s]. Capital projects are very rare. For example, citizens from Vrbjani (a rural area within the municipality of Krivogashtani) are walking on mud in the 21st century."



Citizen from the Municipality of Krivogashtani

The analysis of the revenue side of the municipal budgets suggests that the municipalities chosen are quite dependent on the central government, given that 84% of their revenues are transfers from the central budget. This means that they are weak in generating revenues from their own sources, in particular the municipalities of Krushevo and Krivogashtani, which are very small in terms of total population. Regarding budget expenditures, most budget funds are spent for current needs, chiefly for salaries for the local administration and goods and services procurement for completing their everyday work. A part of the budget is intended for capital projects, but these projects frequently remain un- or under-realized and hence are subject to cut with the subsequent budget revisions.

Public procurements

In order to complete their programmatic activities and daily obligations, municipalities need different goods and services. For example, clearing the snow from the roads is under the jurisdiction of the municipalities, which do not have the appropriate equipment with which to do so. Therefore, they need to hire a company that will offer this service with compensation from the municipal budget by following a public procurement procedure. In this case, the local government is the contracting authority, while the company is known as an economic operator.

Each procurement of goods and services for the needs of the municipality, in an amount of more than 500 euros without VAT, should follow the legal regulations of the Law on public procurements (Official Gazette 165/2017) according to which, the following principles must be followed:

- Non-discrimination and equal treatment of the economic operators,
- A transparent process of awarding public procurement contracts,
- Rational and efficient utilization of the funds in the procedures for awarding public procurement contracts.

"For procurements of goods and services in an amount less than 500 Euros without VAT, we can make direct contract with an economic operator, without preparing tender documentation"



Representative from the Municipality of Krushevo

The main body that conducts public procurement within the municipalities is the Public Procurement Unit, which is in charge of:

- monitoring of laws and other regulations in the field of public procurement and their consistent application,
- giving opinions on the acts in the field of public procurement from the aspect of their legitimacy,
- the preparation of the Annual Public Procurement Plan of the municipality,

- coordination with the departments for the preparation of the specifications for the tender procedures,
- conducting public procurement through the collection of tenders,
- preparation of contracts with the bidders,
- keeping a register for public procurements conducted,
- submitting data to the Public Procurement Bureau.

"I am a part of the public procurement unit in the Municipality of Krushevo, in charge of preparation of technical specifications for tender procedures and the collection of tenders. However, the final decision about the selection of the most favorable bid is made by the Mayor."



Representative from
the Municipality of Krushevo

Each municipality has to have at least one person trained for carrying out activities in the field of public procurement in accordance with the Law, where "trained" means that the person has an appropriate certificate for having passed the exam for a Public Procurement Official, who:

- coordinates the preparation of the public procurement plan,
- prepares public procurement decisions,
- publishes announcement for public procurements,
- advises the commission when it carries out the procedure for awarding a public procurement contract,
- compulsorily participates as a member of the public procurement commission in the procedures for awarding a public procurement contract when the contract has an estimated value of over EUR 130,000 for goods and services and over EUR 4,000,000 for works,
- prepares the necessary acts based on the report of the procedure conducted,
- updates the data that are submitted in the electronic system,
- publishes negative references,
- provides directions and instructions to the contracting authority regarding activities related to public procurements.

"I am an authorized person for conducting public procurements for the needs of our municipality. I have a certificate obtained by passing an exam composed of several modules, like: public procurements in the EU, public procurements in Macedonia, conflict of interest, procedures for public procurements, preparing tender documentation, electronic system for public procurement, etc. I attended 70 teaching hours of lectures within the Public Procurement Bureau."



Representative from the
Municipality of Prilep

For each public procurement, the mayor appoints a Commission for public procurements, composed of a president, two members and their deputies, who responsible for preparing the tender documentation with the appropriate requirements, conditions, and criteria, in order to provide the economic operators with complete and accurate information on the goods or services being requested. However, there are cases when the commission does not provide all the necessary information while preparing the tender documentation:

"Usually, the contracting authority (the Municipality, n.b.) is making two mistakes while preparing the specifications for the tender documentation. First, they are using jargon or brand names, instead of generally accepted terms or generic names, like Pelisterka instead of sparkling water, or Paloma instead of paper wipes. Second, I was a witness of incomplete specification that would confuse economic operators. To purchase printing paper, one Municipality specified that it was looking for an offer for printing paper, without mentioning other features of the paper such as format, weight, number of sheets in packaging and the like. Nowadays, there are various types of printing papers on the market...."



A professional from the
Public Procurement Council

As mentioned, one of the duties of the public procurement units is the preparation of the Annual plan for public procurements for its total procurement needs that year by types of goods, services and works, which determines the expected start of the procedure, the estimated value of the contract, and the type of contract award procedure. The plan for that year should be prepared by the end of January in the form and content prescribed by the Ministry of Finance.

"Each December, we are collecting all data for the procurement needs of all departments within the Municipality, and according to the data obtained we prepare the Annual plan during January, for the current year."



Representative from
the Municipality of Prilep

"First of all, we identify the funding sources, and then, cooperating with all units within the Municipality, we prepare the plan. But, if there are differences between the planned and actual funds, we are able to make changes and add supplements to the annual plan."



Representative from
the Municipality of Krushevo

However, the Municipality of Krushevo is the only municipality of the three that publishes its annual procurement plan on its website. The plan for 2018 shows that most of the funds, around 17 million MKD, have been secured for the procurement of works (specifically for street repair and the restoration of the municipal school). Also, this municipality is planning to procure goods worth 4.5 million MKD (building materials, office materials, hygienic means, fuel and food) and services worth 5 million MKD (printing, insurance, surveillance, fumigation, communication, etc). The Municipalities of Prilep and Krivogashtani are not transparent in the field of public procurement, given that their annual plans are not publicly available.

The public procurements of these municipalities could easily be monitored by anyone interested. All procurements, including complete tender documentation, are available from the electronic system for public procurements¹. However, citizens are rarely aware of this opportunity.

"I am only hearing that there is an abuse in the field of public procurements; that the same companies win tenders each year. But I've never monitored this process."



Citizen from the
Municipality of Prilep

"Honestly, I did not even know that this kind of electronic system exists."



Citizen from the
Municipality of Krushevo

To conclude, the process of public procurement at the local level follows the law's stipulations, although the observed Municipalities, with the exception of the Municipality of Krushevo, are considerably non-transparent given that their Annual plans for public procurements are not publicly available. However, it was also found that, citizens are neither accordingly informed nor interested in monitoring the process of municipal procurement of goods and services.



¹ www.e-nabavki.gov.mk

Conclusion and recommendations

This analysis provided a detailed picture about two aspects of the local budgeting process: the way the budgets are created and the way they are spent, as well as insights into the process of local public procurements. The analysis of first aspect, the creation of local budgets in the three municipalities analyzed, suggests that local budgets are mainly created “behind closed doors” with little civic participation in the process. This lack of civic participation can generally be attributed to two reasons: on one hand, because of the low awareness and interest on the part of the local citizens on how this activity may be of their own benefit; and on the other because local self-governments continue to behave self-sufficiently in the budgeting process and continue to prioritize spending based on their own beliefs rather than on estimates of the actual needs and the effectiveness of certain measures. . The whole process of local budgeting follows the guidelines which are part of the budget calendar and budget circular, which is provided by the Ministry of Finance. Although all three municipalities have their own websites filled with different content detailing their daily activities, we encountered a problem of incomplete transparency of two of the municipalities: Krushevo and Krivogashtani. The annual financial plans and final accounts are unavailable. In addition, the budget of the municipality of Krivogashtani is unclear and incomplete. This means that the SIGMA principle for public administration, which says that *“the budgets of the units of the local governments are created according to the national legal framework, the budgeting process is inclusive and the budgets are transparent”* remains only partially fulfilled in these three municipalities.

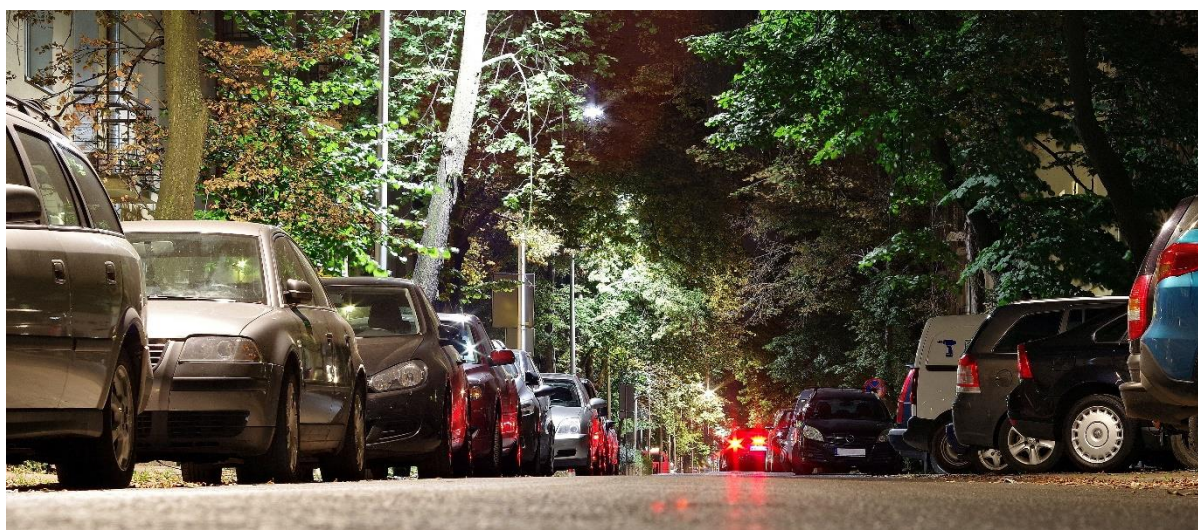
The analysis of the other aspect, namely how the local budgets are spent, suggests that the largest share of the local revenues are obtained by a transfer from the central government, while only a small part is generated through tax collection and capital revenues. Local public procurements are carried out according to the legal provisions, but the municipalities of Prilep and Krivogashtani are considerably non-transparent in this regard, given that their annual plans for public procurements are not publicly available.

The monitoring of all processes, including the creation and execution of the budgets, and procurements is lacking, given the fact that the local population is neither informed nor interested in monitoring these processes. . Their perception regarding both aspects is based on information from the local media rather than on evidence. In addition, they usually have a pessimistic view of the aspects investigated in this study.



This analysis provides the following recommendations to the local policymakers:

- Mayors and councils should devise detailed plans for improving the civic participation in the process of local budgeting. In particular, this applies to the municipalities of Krushevo and Krivogashtani, while Prilep's budget forum, which started at the end of 2017, should be formalized and a specific plan for its work should be established, so as to ensure efficiency and effectiveness;
- Re-establishing community forums as a tool for participatory budgeting, which gave positive results in the past. Doing so may provide the necessary initial impetus for elevating the process of participatory budgeting to the required level;
- Citizens' awareness about their right to participate in the process of local budgeting should be raised significantly through different public campaigns at the local level. Local stakeholders – in particular local NGOs – could significantly facilitate this process;
- The collection of taxes from the municipalities' own sources should be increased and strengthened in order to decrease dependence on the central budget. This could be done, for example, by improving the tax collection and considering increasing the property tax rate within the range allowed by law;
- The increase of the share of capital expenditures in the total budget should be a long-term objective for each mayor and council for greater future economic growth. A large part of citizens' needs will likely fall under capital expenditures, so that strengthening the role of participative budgeting in the municipality's work may actually reinforce the objective for more capital projects;
- The transparency of all municipal aspects should be also one of the key objectives of the mayors and councils. The mayors of the three municipalities under scrutiny should immediately revise the process for future publication of all reports and documents that show how the budgets are spent and how the public procurements are conducted;
- Local citizens' knowledge and understanding of the opportunity to monitor public procurements through the available electronic system should be significantly strengthened, which could be an initial program within the sessions on participative budgeting, while in the medium-term being supported by local campaigns organized by the mayors and councils themselves.



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