

SOCIAL RESPONSIVENESS AND SERVICE PERFORMANCE OF LOCAL GOVERNMENT: THE CASE OF MACEDONIA

Aleksandra Maksimovska, PhD

Associate Professor of Law, Ss. Cyril and Methodius University, Iustinianus Primus Law Faculty, Goce Delcev 9, 1000 Skopje, Macedonia. Email: aleksandra.maksimovska@yahoo.com. Cell phone: +38970677137.

Aleksandar Stojkov, PhD

Associate Professor of Economics, Ss. Cyril and Methodius University, Iustinianus Primus Law Faculty, Goce Delcev 9, 1000 Skopje, Macedonia. Email: A.Stojkov@staffs.ac.uk. Cell phone: +38970401065.

Abstract

During the last decade, Macedonia joined the intensive decentralization reforms that took part in the region of South Eastern Europe. Today in the post-decentralization decade, there is a need to evaluate the decentralization benefits and outcomes over the last ten years, in the context of improved local government responsiveness and effectiveness in service delivery.

The latter requires to be explored from the aspect of how the different needs are being satisfied, and if some remodeling the scope and scheme of local government responsibilities is required. Main attention is given to the social responsiveness of local governments, aiming to explore and explain the openness of the local governments to the needs of diverse social groups, more particularly to different ethnicities.

1. Introduction

At the dawn of the twenty first century, decentralization was pressured to be implemented as one of the key results of the Ohrid Framework Agreement, which ended the civil conflict in Macedonia. It took some time to enter into the right speed, both for state and municipal authorities for making local self-government functional. Today, after 15 years of being decentralized, it is important to assess the decentralization benefits and to anticipate potentially new schemes for remodeling the decentralization scene.

Local governments are established primarily for making services closer to the citizens. Being aware that there are various social groups with diverse needs, the main research question is whether the local authorities are responsive and open to all those needs equally and uniformly, or they spent the budget just to accomplish their responsibilities set by the Law. How can we assess or even measure that responsiveness and service performance of local governments in different local sectors?

This study aims to explain the assigned local responsibilities and to assess the improvement of local service performance in Macedonia, seen through the lenses of different social groups across different local public services. The main query is to evaluate the degree of local government social responsiveness in the provision of local services in the basic sectors (communal services, education and social services, culture, and economic development).

The remainder of the paper is organized as follows. In the second section, we critically review the relevant theoretical and empirical literature according responsiveness. The third section analyzes the relevance of the social responsiveness of local authorities as a broader concept of the traditional perspective on local government responsiveness. The emphasis is on the ethnically diverse municipalities in order to depict the Macedonian landscape. The fourth section analyzes the most recent indicators of local service performance in Macedonia. The assessment of local government responsiveness is conveyed in the fifth section. The nexus between local service performance and local responsiveness in the main sectors (communal services, education and social services, culture and local economic development) is elaborated in the sixth section. The conclusion summarizes both theoretical and practical findings on local social responsiveness based on the case study of Macedonia.

2. Literature Survey

2.1. The Traditional Concept of Government Responsiveness

Can local governments be responsive? Theoretical and empirical work on local government responsiveness can be divided into two broad strands. The first strand – studies by Wallis and Oates (1988), Ostrom et al. (1993), Putnam (1993) and World Bank (1994) – argue that local governments by increasing citizen participation inspire even the central state to be more responsive. The second strand of the literature is much more pessimistic about the benefits of local government responsiveness. These scholars argue that local governments lack technical, human, and financial resources to provide a heterogeneous range of public services (e.g., Smith 1985; Samoff 1990; Prud'homme 1995; Tanzi 1995). But neither side has been able to win over the other with convincing empirical evidence.

What determinates local government responsiveness? Part of the relevant literature examines the determinants of local government responsiveness. For instance, Faguet (2009) derives a model of local government responsiveness as the product of political openness and political competition. He develops a dynamic model that explores how voting, lobbying, and civic organizations' activities interact over time to produce government decision-making that is responsive and accountable to voters. The main explanatory variables used include the number of firms and non-governmental organizations registered in a municipality.

Besley and Burgess (2002) assess the determinants of sub-national government responsiveness to the citizens of India. In particular, they analyze the role of the economic, media, and political determinants of government activism. Their main assumption is that richer sub-national governments have more developed response mechanisms. They measure the capacity of sub-national governments to respond by using variables, such as state income per capita, urbanization ratio, total population, population density, and revenue from the center. The results by Besley and Burgess (2002) are surprising, as they conclude that economic factors have a limited influence on local government responsiveness. Sub-national government units with higher levels of media development are found to be more active in protecting vulnerable citizens. This is consistent with the theoretical idea that this is due to improvements in political accountability. Furthermore, the role of political factors must not be downplayed. Greater

electoral turnout can serve as a proxy for the general level of political activism and hence the likelihood that voters will reward incumbents who perform well.

Mitlin (2000) argues that participatory local governments are likely to be responsive governments as well. She cites a number of cases of participatory programs at the local level in which citizen voice was produced from all parts of the local community.

2.2. Social Responsiveness- The New Concept of Responsiveness

Social responsiveness is relatively a new term based on adherence to rules of social behavior and principles of responsibility to diverse groups and needs. From a local government perspective, being responsive and reactive to various social needs in the municipality implies that the authorities need to follow the concept of local government social responsiveness. Therefore, this paper will prefer the new, theoretically sounder concept of "social responsiveness".

Second, to assess the responsiveness of a local authority requires creation of concrete schemes of actions and procedures. Therefore, the paper will explore the local government performance according to the main areas of public service delivery, communal services, education, culture, and economic development.

The design of adequate mechanisms for assessment of social responsiveness is novelty in local government theory, and generally in the public finance literature. The main inquiry is to give an answer to the question: are the local governments in the Republic of Macedonia responsive and open to diverse social needs, and if so, can we assess this responsiveness (activity through control mechanisms. In particular, we examine the nexus between the local social responsiveness and local service performance. The accomplishment of those activities will have multiple impacts on local government's strengthening of capacities and further development, especially in municipalities with diverse social groups and ethnicities. Accordingly, we have divided the paper in separate sections following the scheme of local government assigned services, with an eye on local performance and responsiveness.

As a result this paper is theoretically insightful, but largely based on practical concerns and conditions in Macedonia.

3. Why Social Responsiveness Matters?

To be responsible as local authority means to carry out duties and assigned competences. To be responsive implies to act quickly and openly to essential needs. To be socially responsive requires being more than just open, it implies to address minor as well as major needs in order to keep the citizens satisfied in wide spectrum of public services at local level.

How have we linked social responsiveness with local governments? Local government is seen as a place where democracy is most easily practiced and reached by the citizens, consequently as an accurate place where we should look for a social responsiveness to be implemented.

Couples of questions arise. What is social responsiveness by definition? Is it accustomed in municipalities with ethnic diversity? Does it have any impact on overall service performance by municipalities?

In the classic theory, social responsiveness is primarily related to the term social responsibility of legal entities. The social responsibility here is a framework which suggests that a legal entity, be it profit – or non-profit oriented, has an obligation to act for the benefit of society at large. This concept seems to be borrowed from the corporate governance concept. But, when applying this conception local governance grounds, we can find justification of the term social responsiveness of local authorities. The latter can be conceptualized as a way of acting of the local authorities, where they quickly respond to the needs of the citizens in various social circumstances and contextual factors. For example, one municipality can have ethnic diversity, but similar social needs of the youth, or the elder population, no matter the ethnical background. On the other hand, in a municipality where the key problem is the high rate of unemployment, the local authorities should not overlook the needs of the elderly. Therefore, if a local authority aspires to be counted as a socially responsive, it should take care of diverse social needs of the citizens.

3.1. Social Responsiveness and Ethnically Diverse Municipalities

Being locally responsive to the often conflicting needs of ethnic majority and minority is much more complicated issue.

Ethnic identity unfortunately remains one of the central animating forces in politics of the Central and South East Europe, including Macedonia. The intractability of ethnic conflict—both

violent and peaceful—finds its expression in numerous claims for realigning political allegiances and borders. It is also reflected in the scholarly literature exploring the linkages between ethnic identity, ethnic conflict, and decentralization of the local government, pressure for assignment of local services, etc. The questions asked by scholars are both descriptive and prescriptive: what paths have been chosen as social responses to the problem of inter-ethnic tensions at the local level, and to what extent do those tools succeed? In particular, to what extent does local government emerge as a structural foundation for a stable political settlement, where the local authorities can act responsively and be responsible to assignments.

3.2. Multi-Ethnic Policies vis-à-vis Social Responsiveness in Macedonia

Ethnic diversity plays a significant role in the Macedonian society. The decentralization reforms were pressured under the Ohrid Framework Agreement in August 2001, which paved the way for newly established local governments in 2004 to play vital role in the democratic processes in the country. The local governments were also expected to be highly responsive to different needs of ethnic groups. Since there are various social needs within the ethnic groups, the term social responsiveness also endorses the openness of local authorities to diverse social needs.

The present lower level of political culture in Macedonia frustrates the hope that decentralization of services through local government performance can mitigate inter-ethnic tensions on local level in medium term. In the case of assignment of more services in particular, it implies that any expansion of fiscal resources may be directed in line with ethnic – rather than civic (municipal) – preferences. This is real problem that questions the entire local government stability, responsibility of local authorities to provide equal treatment of citizens and social responsiveness to local needs.

In Macedonia, there is relevant imbalance in regional development, and asymmetrical municipal capacities. Therefore, the requirements to be equally responsive to all needs are much stronger pressure to poor and undeveloped municipalities, due to the reduced fiscal resources. For example, a rural municipality as Kriva Palanka has very limited local budget sources to act responsive to all citizens' needs, let's say to the student' social needs, because the unemployment and poverty are major concern. As a result, the problem of youth migration after graduation

occurs in Kriva Palanka, which even more exacerbates the constraints to other local processes, such as local economic development. A possible solution can be found in creation of local schemes for responding to the questions that are delivered by the disadvantaged groups (the students), but still very important to the majority of population.

Similar problems occur in the majority of rural or financially weaker municipalities in Macedonia. Therefore, the question of local social responsiveness is differently treated and has various concerns in different local surroundings. Most often, only the wealthier municipalities have sufficient revenue to support additional local projects, organize public works and improve community services besides the accomplishment of basic local services. Greater social responsiveness can support grassroots-based governance-building from below, increase the capacity of local government officials to develop local plans and budgets in a participatory manner, and build support for programs that enhance partnerships between local government and civil society. Therefore, the process of becoming more socially responsive should be target of the local authorities. They should be open and reactive to all citizen's needs, not just responding to the majority. This may not be surprising as many ethnic Macedonians feel threatened, especially in municipalities with ethnic Albanian majority, and vice versa.

4. Local Services Performance

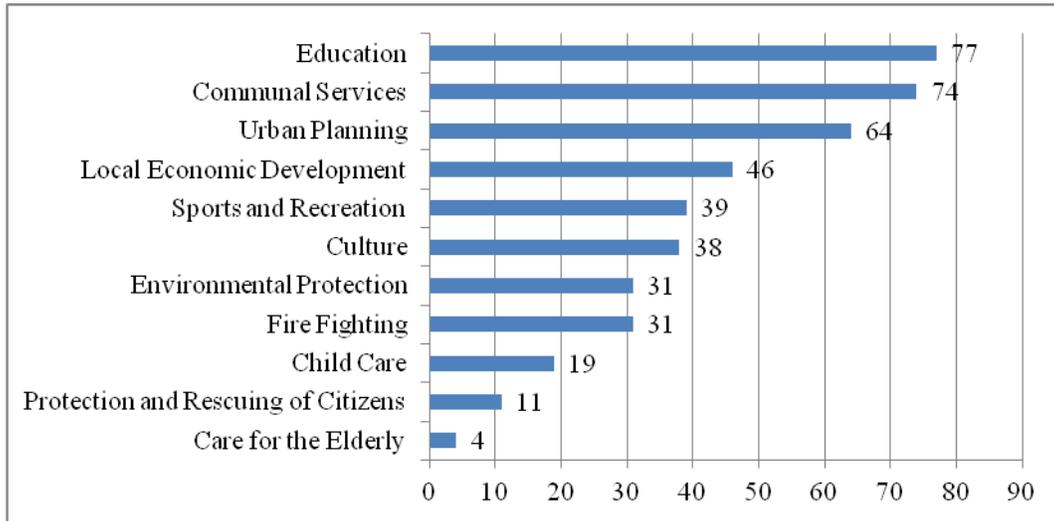
In 2015, Macedonia is territorially organized in 80 municipalities and the City of Skopje as an independent unit of local self-government. All local self-government units are responsible for implementing the following 12 competences, as presented in Table 1.

Table 1: Competences of local governments in Macedonia

Areas	Communal services	Education	Culture and other competences	Economic development and fiscal assignments
Activity	Water supply, sewerage, public hygiene, waste management, public transportation, construction and maintaining local roads	Management of primary and secondary schools	Management of cultural objects	Local economic development
	Urban and rural planning	Social welfare and child protection	Sport and recreation	Supervision over the performance of municipal competencies
	Protection of the environment		Healthcare and activities for the protection and rescuing of citizens and goods *	
			Fire-fighting	

The progress in local service performance in Macedonia can be assessed using a survey based on answered questionnaires by the municipal administration. Responses within 2014 Survey on Decentralization (OSCE) suggest the local officials believe that most significant progress has been achieved in the service delivery in the areas of *primary and secondary education* (Figure 1). This was confirmed by 57 out of the 74 municipalities (77%) that responded to the survey. The second most significant achievement has been identified in the delivery of *communal services*, such as water and waste management, as confirmed by 55 municipalities (74% of respondents). A majority of municipalities (64% of respondents) also consider progress has been made in the local performance of *urban planning*, whilst far fewer municipalities consider achievements have been met in the delivery of *childcare*, care for the elderly, and citizens' protection. The latter refers to the most urban local areas, mainly larger cities and the City of Skopje.

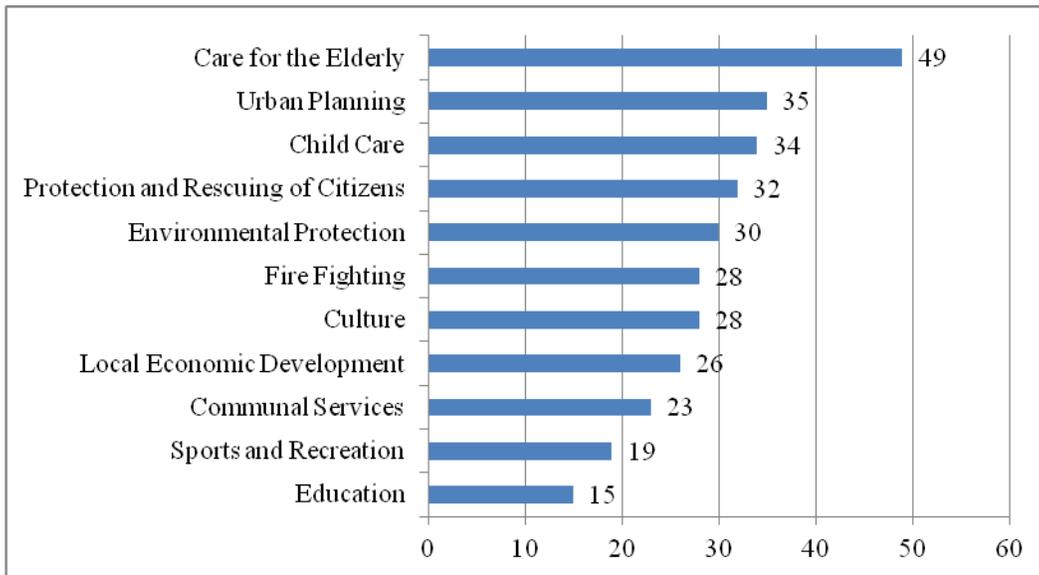
FIGURE 1. Assessed progress by local governments in their transferred competences



Notes: 0=none of the respondents stated there is a progress; 100=all respondents stated there is a progress. Source: Responses to the 2014 Survey on Decentralization.

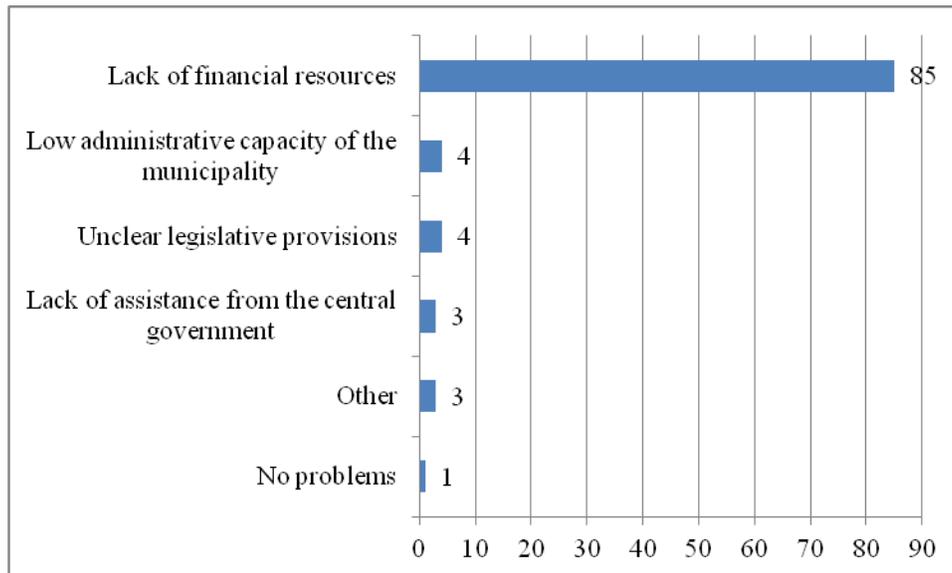
We ordered the local government competences according to the difficulty of their execution by the local officials (Figure 2). Nearly half of the respondents (49%) accentuate that the most serious impediments are present in the *care for the elderly*, followed by *urban and rural planning* (35%) and *child care* (34%). On the other hand, unsurprisingly large number of respondents (85%) indicates that the lack of financial resources is the most serious impediment for executing the transferred competences (Figure 3).

FIGURE 2. Transferred competences executed with most serious impediments



Notes: 0=percentage of respondents indicating there are no impediments; 100=percentage of respondents indicating areas with most significant impediments. Source: Responses to the 2014 Survey on Decentralization.

FIGURE 3. Local officials' perceptions on the most serious impediments



Notes: 0=no problems indicated; 100=percentage of respondents indicating the area as the most significant problem. Source: Responses to the 2014 Survey on Decentralization.

5. Assessment of Local Government Responsiveness -A Survey-Based Analysis

What does a “good "local government look like? What factors should one consider when evaluating local governments in service performance? Is responsiveness an impact factor on local government performance assessment?

The literature shows that local government responsiveness is eroded by a high level of political influence from the central government on the decisions of the local government about service provision. On the other hand, local government responsiveness can be well-built by frequent meetings of the local authorities and various social and ethnic groups. The process of building responsive local government involves both citizens and authorities.

Municipal authorities should involve citizens at the early stage of setting local priorities, when adopting municipal development plans and budgets. Following this approach, the citizens will be more realistic on the feasible targets, given the local government budget constraints. This also mitigates the confronting views and needs of the various social groups, requiring pragmatic municipal responses. Through this approach, there will be increased transparency and accountability of the local decision making, whereas the better service performance will foster responsiveness at local level as well. The service delivery by the local governments will be more efficient and effective, while having the citizens' support.

According to the OSCE Survey (2014), in Macedonia in 2008, 89% of the municipalities reported they included citizens in setting local priorities as part of the process of being open, responsive and transparent in decision making - also known as participatory budgeting. The limitation of this survey is that it only takes into account the views by the municipal authorities. In 2010, the majority of survey respondents (29 municipalities) confirmed they had organized up to five meetings with citizens annually, although the number dropped slightly to 23 municipalities in 2011. Fewer municipalities reported organizing between six and ten meetings annually with citizens, although the meeting frequency remained almost constant. In contrast, the proportion of municipalities declaring they had arranged more than ten meetings with citizens rose significantly from seven in 2011 to 13 in 2012.

Therefore, the municipalities must continue and increase communication and citizens' gatherings, thematic forums, etc., which will improve transparency and responsiveness. This would also result in an enhanced commitment from citizens in paying local duties, thereby investing in the future of their local communities.

6. The Nexus between Service Performance and Social Responsiveness

The central government influence was found obstructive to building local authorities responsiveness to citizens' needs. Therefore, central authorities should stay distant from policy making and influence on the local decisions concerning locally assigned competences, because otherwise it will constrain their independence and local autonomy. However, being independent does not imply having no inter-governmental communication. The government institutions responsible for training and development of the civil servants should provide opportunities for a continuous capacity-building of municipal administrations, with the aim of investing in further improvement of effectiveness and efficiency of service delivery. This would significantly improve inter-institutional communication and coordination, thereby identifying and addressing the main challenges.

To ensure sustainable progress in enhancing the social responsiveness of local governments, human resource capacities for both administrative and elected staff should be further strengthened especially in the areas where significant challenges or limited progress have been identified. For an example, most municipalities suggested that the lack of adequate human resources is a key barrier to the realization of their local economic development action plans.

According to the local service performance assessment, there are areas that need more emphasis by the authorities. We systematize the findings according to the group/area of services where more responsiveness is needed.

Communal services

The sewerage, public hygiene and waste management appear to be the most vulnerable competences, where the citizens have witnessed most unfulfilled expectations towards local authorities. Therefore the local authorities should primarily ensure higher portion of the budget

expenditures for realization of communal project that are equally important to all social groups in one local unit.

Secondly, relatively high percentage of the local population is satisfied by the efficiency in service delivery in the area of *urban and rural planning*, while confusion is made by the argument that latter area is mostly contaminated with no transparency in decision making and low level of citizens' participation in designing municipal priorities. For example, in one relatively ethnically heterogeneous municipality, urban planning decisions (building a church or a historic monument) could create tensions between different ethnical groups, while reconstructing the road or waste management infrastructural investment can be equally valued as favorable by the different social groups. Therefore, the social responsiveness of the local authorities should be more focused on projects that are of common social interest in the local unit.

Education

Education is assessed as highly successful decentralized assignment, where the citizens found highest social responsiveness by their local authorities. However, some difficulties are recognized within the management of primary education, mostly in ethnically diverse municipalities, where the number of students and financial resources could not meet the principles of economy of scale, and different ethnical students are forced to learn on other language, because of lack of teachers or finances. Here we find that the local authorities should be more responsive and respond to the different preferences of the ethnic groups.

Economic development and fiscal assignments

This area has most recently been subject of decentralization in Macedonia, where the newly established local authorities faced completely new system of local financial management, became accountable of local (own-source) revenue collection and budget executions.

Local economic development was dependent upon many external factors, such as macroeconomic and fiscal policy, foreign investment policy, and unbalanced regional development. In order to foster the local economic development and to respect the acknowledged decentralization's principles, *the free disposal with construction land* was among the most recently assigned competences for the municipalities. The latter has been a central government

response to the continuous complaints by the local authorities. Therefore, we expect improved performance of municipalities in usage of the construction land in the next years.

Concerning the fiscal assignments, the municipalities have shown significant progress, especially in the budget autonomy and own revenues collection. However, the internal audits are identified as weak points in several (25 %) municipalities.

The nexus between social responsiveness and local economic development (and fiscal assignments) is even stronger than in the previous areas. For example, in one municipality with high rate of unemployment, the main public attention is on the job creation, local public investment and local economic development. Here the ethnical needs play minor role. But the local authorities faced with fiscal constraints (budget deficit caused by the high tax evasion, tax base erosion because of the substantial incidence of poverty) are seriously limited in being open and responsive to citizens' needs. Additionally, the limited disposal of construction land (in case of possible foreign investment) is constraining the efficiency of the authorities. Therefore, in cases where the citizens of the municipality face major existential problems, the local authorities should pay attention to latter, no matter inter-ethnic confrontations.

Social responsiveness in the area of local economic development is of higher priority, because its benefits have multiplicative (domino) effects on the local unit as a whole.

7. Conclusions

1. Recent academic inquiries bring ample empirical evidence on the importance of local government responsiveness. Yet, local governments nowadays are not only expected to act quickly and openly to essential needs, but also to address the needs of major and minor social groups in order to keep the citizens satisfied in a wide spectrum of public services at local level. Therefore, this study argues that the concept of “social responsiveness of local governments” is theoretically sounder than the traditional concept of local government responsiveness. It emphasizes not only the obligation and accountability to society, but also the action and activity of local governments to address the preferences of diverse social groups. To be socially responsive requires being more than just open; it implies to address minor as well as major needs.

2. In ethnically diverse societies, such as Macedonia, local governments are expected to focus more on common pressing needs (job creation and poverty alleviation) rather than on ethno-centric agendas. Yet, socially responsive local governments must strengthen their financial and administrative resources, technical and managerial skills that would enable higher quality in the provision of local services. It appears that in ethnically fragmented societies with economic hardship, being socially responsive implies additional and much more complex challenge for the local authorities.

3. Improved public participation is likely to create more quality assurance in service performance at local level. Being socially responsive government therefore requires more efforts in improving the dialogue with the civil society, business sector and citizens in the decision making process and in the implementation of public policies. The municipalities should use various participatory methods and tools in a more active manner and on regular basis thereby contributing also to increasing their transparency, openness and accountability.

4. The decentralization process positively influences the practice of social responsiveness, but still, there are problematic areas in the local service performance. Mainly, the weaker social responsiveness is found in the lower income municipalities and conversely. Social responsiveness in the area of local economic development is of higher priority, because its

benefits have multiplicative (domino) effects on the local unit as a whole. In cases where the citizens of the municipality face major existential problems, the local authorities should pay attention to latter, no matter inter-ethnic confrontations.

5. The process of building efficient and effective, responsible and responsive local government in Macedonia is now entering a new chapter in which new challenges will overshadow the existing ones.

Still, the concept of social responsiveness is in early stage of acceptance by the local authorities, due to their main focus on fiscal challenges. Future academic and feasibility research is needed in order to explore more deeply the bidirectional causality between the improved local service performance and social responsiveness to all citizens' needs.

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