



EUROSAI

Task Force
Municipality Audit



JOINT REPORT



**Municipalities' own revenues
for providing quality services
to the citizens during pandemic**



June 2023

Prepared by
State Audit Office of North Macedonia



Summarize letter

The joint report of the first cooperative TFMA audit „Municipalities` own revenues for providing quality services to the citizens during pandemic“ is a result of international cooperation and EUROSAl TFMA activities with seven member countries – the supreme audit institutions of Albania, Montenegro, Poland, Romania, Slovakia, Türkiye and the Republic of North Macedonia as coordinator. The supreme audit institutions have assessed the impact of the pandemic on local government with focus on key risks in terms of ensuring financial stability, quality services to citizens and post-crisis recovery. Cooperative audits should be priority for continuous strengthening of audit skills and improvement of quality of performance audits. The cooperative audit was designed in such way to provide analysis, comparison and evaluation of findings in order to identify weaknesses on one hand and good practice on the other. This cooperative audit is once again proof that institutions attach great importance to international comparison and cooperation. I am convinced that the results of this cooperative audit, the main messages, recommendations and good practices will contribute to improving the role of LSGUs and their post-Covid recovery. We are sincerely grateful to EUROSAl TFMA and all supreme audit institutions for their cooperation and positive feedback during this cooperative audit.

Maksim Acevski, MSc
Auditor General of the Republic of North Macedonia



Summarize letter

The activities of the Task Force on Municipality Audit (TFMA) focus on the most pressing issues and problems in local government. The COVID-19 pandemic, which created challenges both at local and global level, was of particular relevance for municipal budgets and providing quality services to the citizens. It is very gratifying to see that seven member countries – the Supreme Audit Institutions of Albania, Montenegro, North Macedonia, Poland, Romania, Slovak Republic and Türkiye – have joined the first cooperative TFMA audit, which is also an excellent form of cooperation for the participating countries to exchange experience, share ideas, audit methods and other useful information. I strongly believe that the implementation and results of this activity will contribute significantly to TFMA vision to create relevant improvements to municipal audit systems and will be of benefit to each TFMA member, external stakeholders working with municipalities as well as to the quality of life of the citizens. I would like to thank my colleagues from the State Audit Office of the Republic of North Macedonia for the excellent initiative and for taking on the responsibility to coordinate this activity. We can only hope that this cooperative TFMA audit will be a solid foundation for other new initiatives on relevant topics.

Mindaugas Macijauskas
Auditor General of the Republic of Lithuania
Chairman of the EUROSAl TFMA



Summary

Since 2020, the coronavirus (COVID-19) pandemic has made a significant impact on every aspect of our lives, and municipal governments are no exception. Days of the pandemic saw sweeping changes in the way the governments on national and local level conducted their responsibilities as emergencies were declared and in-person meetings gave way to virtual ones. COVID-19 pandemic rapidly changed the economic situation.

Local authorities have made a major contribution to the national response to the pandemic by working to protect local communities and businesses while continuing to deliver regular services.

Scope of the joint audit

Supreme audit institutions (SAIs) play an important role in contributing to efficient and cost-effective policy implementation by conducting independent audits of government activities.

In order to address shortcomings and challenges faced by the municipalities during the pandemic for collecting own revenues and providing quality services to the citizens, SAIs of Albania, Montenegro, North Macedonia, Poland, Romania, Slovakia and Türkiye, through EUROSAI TFMA performed a cooperative audit.

This joint report is a comprehensive summary of seven national audits. To collect and assess comparable information on national local government actions, the seven SAIs prepared a common audit framework containing the main audit question, the audit topics and the corresponding secondary questions to be addressed by the national audits.

The main audit question was “Are the municipalities' own revenues sufficient to provide quality services to citizens in conditions of a pandemic?”

The SAIs identified four major issues as being relevant to local government actions during the pandemic: system for managing the crisis, financing of municipalities, delivering services and post-crisis recovery.

The aim of the audit was to examine how policies and actions of municipalities for ensuring sufficient own revenues for providing quality services were implemented and to generate joint conclusions and recommendations. Additionally, we hope that the joint audit will inspire SAIs by sharing good practices and passing on knowledge.

Findings

During the COVID-19 pandemic, central governments were the ones responsible for managing the crisis, while municipal governments were responsible for implementing day-to-day containment measures.

The pandemic has in turn placed significant pressure on local authorities' finances. In most of the countries, the municipalities' own revenues were not enough to provide quality service to the citizens during the pandemic. The municipalities' own revenues for participating countries in the pandemic year 2020 decreased by 10% in total, compared to the previous year 2019.

Municipalities have faced numbers of challenges due to the rapid and unpredictable development of the pandemic. Most of them provided adjustments to their program activities and made appropriate decisions to implement measures to protect citizens and prevent the spread of COVID-19 pandemic according to the decreased revenues. They have allocated insignificant funds from their own revenues for education, health care and social protection, except Romania.

In order to overcome the negative effects of the pandemic and to achieve efficient and effective recovery, the municipalities have not adopted a recovery plan, but in the process of preparing their budgets, they follow the guidelines of the central government.

We based this main message on the following overall conclusions

- 1) In the crisis management system, local governments had a role of implementers of the decisions from the central government and not often made independent decisions adapted to their needs and conditions;
- 2) There was a significant pressure on local authorities' finances to keep the balance between expenditures and reduced revenues.
- 3) 'Funding gap' was substantial for some authorities.
- 4) Municipal budgets that had a greater share of the municipalities' own revenues were more affected by the pandemic than those that were more dependent on central transfers.
- 5) Municipalities were faced with administrative and organizational challenges: limited administrative capacities and inability to respond to their operational services.
- 6) Municipalities provided the same or similar measures but in fact they have allocated insignificant funds.
- 7) In most countries, municipalities have not adopted strategic and planning documents for recovery.

Based on our main message and conclusions, we make the following overall recommendations:

- ✚ Prepare Crisis Management Strategy at local level.
- ✚ Clearly defined responsibilities and competencies between central and local authorities for crisis management and civil protection.
- ✚ Take measures to set a balanced budget and financial sustainability.
- ✚ Strength municipal administrative/technical capacity.
- ✚ Increase municipality competences in health care and rescue.
- ✚ Continuously measure citizens' satisfaction with the provided municipal services.
- ✚ Assess the impacts of crises, design and adopt operational post-crisis recovery plans

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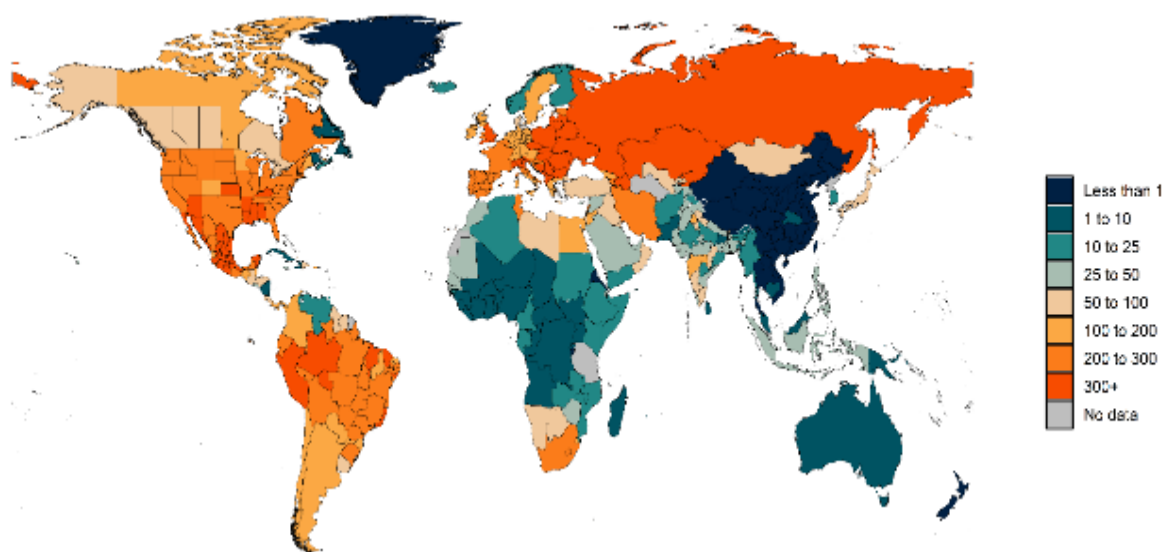
1. BACKGROUND

1.1. Global impact of the coronavirus pandemic (COVID-19)

COVID-19 pandemic was a consequence of the emergence of a virus (SARS-CoV-2), that first appeared in December 2019. By mid-March 2020, 167.000 cases of infected people had been confirmed in more than 140 countries and territories worldwide. Even prior to the declaration of a pandemic by the World Health Organization (WHO) on 11 March 2020, countries around the world started to put in place an unprecedented set of containment measures in order to “flatten the curve” of COVID-19 infections. This was done to avoid a collapse of the health care systems and ultimately contain the number of fatalities.

COVID-19 pandemic has resulted in over 4.3 million confirmed cases and over 290,000 deaths globally. It has also sparked fears of an impending economic crisis and recession. Social distancing, self-isolation and travel restrictions have led to a reduced workforce across all economic sectors and caused many jobs to be lost. Schools were closed down, and the need for commodities and manufactured products was decreased. In contrast, the need for medical supplies has significantly increased. The food sector was also facing increased demand due to panic buying and stockpiling of food products.

Cumulative total COVID-19 death rate by May 3, 2021



COVID-19 outbreak affects all segments of the population and was particularly detrimental to members of social groups in the most vulnerable situations and that continues to affect populations, including people living in poverty, older persons, and persons with disabilities. Early evidence indicates that poor people have disproportionately felt the health and economic impacts of the virus. For example, homeless, because they do not have safe place to shelter, are highly exposed to the danger of the virus. People without access to running water, refugees, migrants, or displaced persons also stand to suffer disproportionately both from the pandemic and its aftermath – whether due to limited movement, fewer employment opportunities, increased xenophobia etc.

If not properly addressed through policy the social crisis created by the COVID-19 pandemic may also increase inequality, exclusion, discrimination and global unemployment in the medium and long term. Comprehensive, universal social protection systems, when in place, play a much durable role in protecting workers and in reducing the prevalence of poverty, since they act as automatic stabilizers. Specifically, they provide basic income security at all times, thereby enhancing people's capacity to manage and overcome shocks.

In order to prevent an increase in the number of infections and reduce the negative effects of the pandemic, which had a socio-economic aspect in addition to health, all countries took actions and a number of measures aimed at protecting the health and well-being of citizens. In other words, all governments on central, regional and local level should have implemented an effective policy to tackle this problem, to improve their citizens' health and quality of life.

1.2. Cooperative audit

Supreme Audit Institutions (SAIs) are public oversight institutions, responsible for the audit of government's use of public funds. By scrutinizing public financial management and reporting, they provide assurance that resources are used as prescribed.

Most SAIs derive their mandate from the constitution and/or legislation.

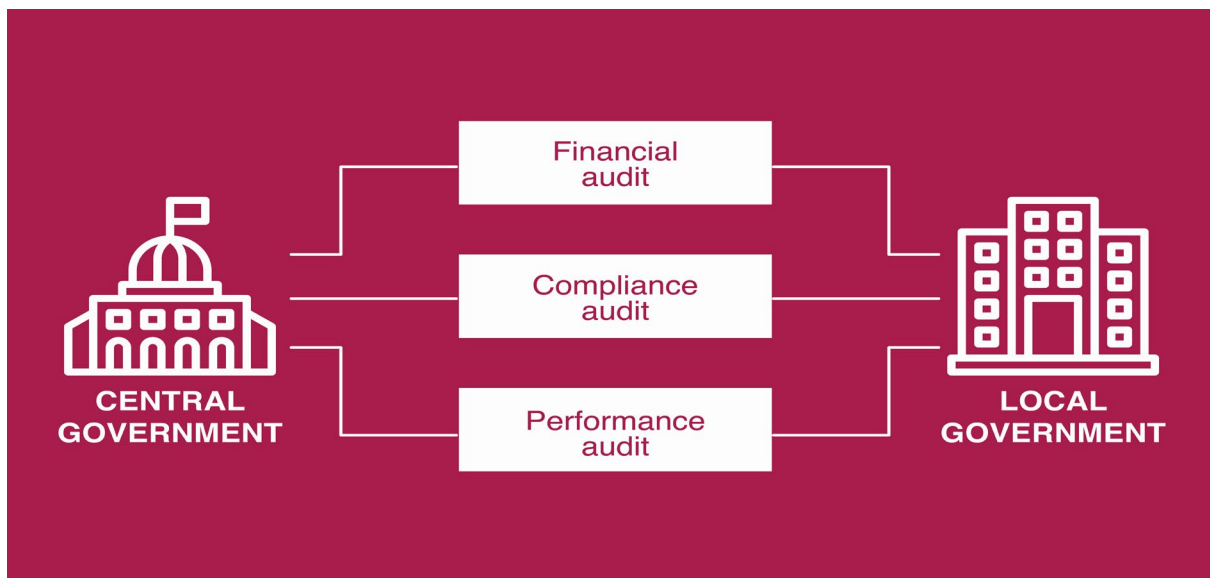
The three main types of public-sector audit are defined as follows¹:

Financial audit focuses on determining whether entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. This is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement due to fraud or error.

Performance audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance is examined against suitable criteria, and the causes of deviations from those criteria or other problems are analysed. The aim is to answer key audit questions and to provide recommendations for improvement.

Compliance audit focuses on whether a particular subject matter is in compliance with authorities identified as criteria. Compliance auditing is performed by assessing whether activities, financial transactions and information are, in all material respects, in compliance with the authorities, which govern the audited entity. These authorities may include rules, laws and regulations, budgetary resolutions, policy, established codes, agreed terms or the general principles governing sound public sector financial management and the conduct of public officials.

¹ International Standards of Supreme Audit Institutions (ISSAI) 100/22



SAIs are competent to give an opinion on whether government systems were sound and prepared to face a crisis, whether their responsible were reasonable, and how they can make improvements in the future. They can play an important role during crisis.

In 2015, for example, South Korea's Board of Inspection and Audit (BAI) conducted an audit of the government's response to the outbreak of MERS (Middle East Respiratory Syndrome). This audit found weaknesses in the response, including lack of transparency and training on early detection, as well as inadequate coordination and communication among authorities. The government and parliament acted quickly to address these weaknesses so that the country would be much better prepared for future pandemics.

Already in the midst of COVID-19, the Kuwait State Audit Bureau has been performing a real-time audit, as part of its ex-ante audit mandate. They have audited over \$650 million worth of pandemic-related contracts so far and saved approximately \$7 million.

These examples demonstrate how Supreme Audit Institutions can contribute, whether by performing a real-time audit to minimize fraud and corruption or post-crisis audits when countries face economic recessions.

Local Governments (LGs) have been at the frontline of COVID-19 response and recovery efforts, but they have faced multiple challenges in finding adequate financial resources to meet citizen needs. Improving LGs' financial capacity and ensuring adequate financial resources for efficient response to COVID-19 has been identified as one of the SAI's priorities to COVID-19.

INTOSAI is a voluntary, non-political organization that works to promote auditing standards, good governance of SAIs, and SAI independence, among other work. INTOSAI has numerous committees and working groups, which examine issues of particular relevance to SAIs, such as developing professional standards for public sector auditing, knowledge sharing, and capacity building.

EUROSAI - European Organization of Supreme Audit Institutions – is one of the seven regional working groups of the International Organization of Supreme Audit Institutions (INTOSAI).

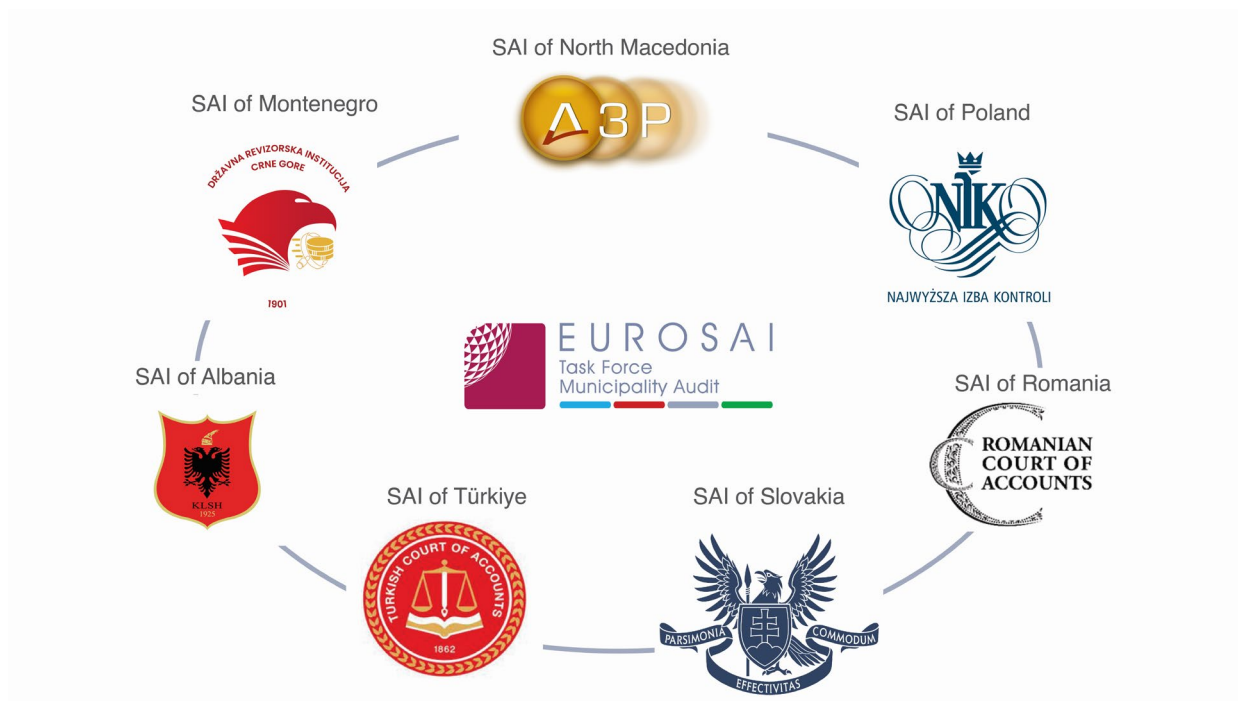
EUROSAI currently has three Working Groups, one Task Force and one Network: Working Group on Information Technologies (ITWG), Working Group on Environmental Auditing (WGEA), EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes, EUROSAI Network for Ethics (N.ET) and Task Force on Municipality Audit (TFMA).

EUROSAI TFMA (Task Force on Municipality Audit) create relevant improvements to municipality audit systems in EUROSAI countries through an open platform for sharing the best practice and experience. One of the strategic goals of this working group is **„Encouraging cooperative audits“**. At the TFMA 3rd Annual Meeting in Lisbon in October 2019, the SAIs representatives agreed that the municipalities' revenues, being an important source of funding, offer a good platform for deepening the cooperation and exchange of experience between the TFMA members in a form of cooperative audit.

At the 4th TFMA Annual Meeting held in November 2020, considering the circumstances caused by the COVID-19 pandemic, at local and global level, representatives agreed that the cooperative audit should focus on the issue of providing quality services to the citizens during pandemic.

The meeting adopted a topic of cooperative audit **„Municipalities' own revenues for providing quality services to the citizens during pandemic“**.

In order to address the situations and challenges faced by the municipalities during the pandemic for collecting their own revenues and providing quality services to the citizens, **7 SAIs of: Albania, Montenegro, North Macedonia, Poland, Romania, Slovakia and Türkiye**, members of EUROSAI TFMA joined forces in performing this cooperative audit. SAI of North Macedonia, in line with the INTOSAI Framework of Professional Pronouncements GUID 9000 Cooperative Audits between SAIs, coordinated the audit.

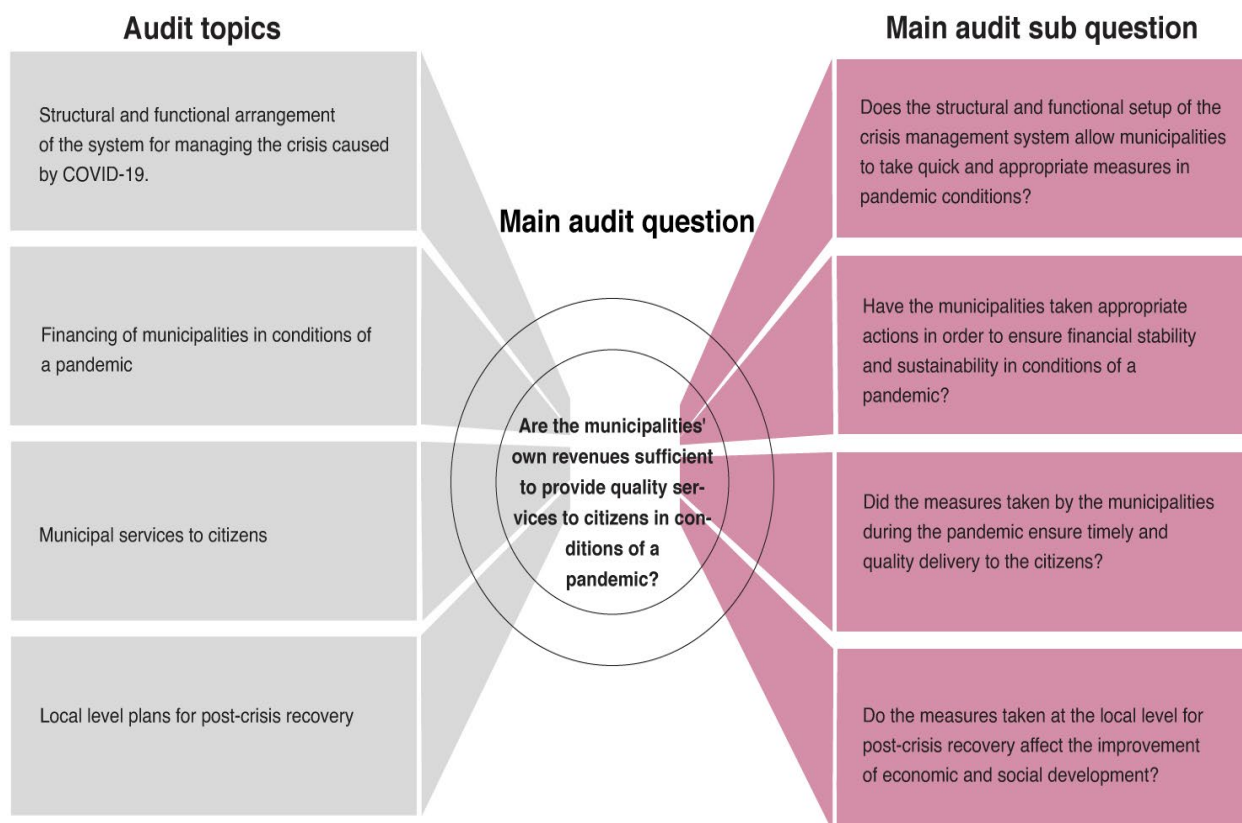


1.3. Scope of cooperative audit

SAIs participants agreed to carry out an audit of municipalities' own revenues in order to determine whether their own revenues are sufficient to provide quality services to the citizens during pandemic. The audit involved selected measures to promote quality services to citizens using public funds, but its scope vary depending on the mandate of individual SAI.

The aim of this cooperative audit is to broaden knowledge of how policies and actions of municipalities for ensuring sufficient own revenues for providing quality services to the citizens are implemented and to generate joint conclusions and recommendations. In order to collect and assess comparable information, SAIs prepared a **common audit framework**.

This **joint report** is based on analyses made by SAI of North Macedonia as a coordinator of the cooperative audit and seven national reports.



Because the national audits could not address all the issues covered by the all audit questions, the individual SAIs answered those questions that were relevant to their own national context. This means that each individual SAI decided to audit a selection of questions. Therefore, some of the data and findings reported in this joint report, do not represent all the seven participating countries.

The audit examined the pandemic year 2020 and data for 2019 are used for comparative analyses, trends of municipalities operations (revenues, expenditures, their structure, capital investments, support from the central government, etc.) before the pandemic.

1.4. Methodology

The audit was conducted in line with INTOSAI Framework of Professional Pronouncements, in particular:

- INTOSAI Guidance, GUID 9000 Cooperative Audits between SAIs,
- ISSAI 300 - Basic principles applicable to performance audit;
- ISSAI 3000 - Standards for performance audit, and
- National standards or guidelines for audits.

1.5. Organization of the cooperative audit

The audit formally started with a kick-off meeting, following the time schedule defined in Common position on cooperation. The steps are presented in the following figure.



1.6. National audits

The national audit approaches, including audit criteria, methodology, quality control and publication of findings, were in line with the standard procedures used by the SAIs.

The audit criteria applied in the national audits were based on national criteria and on the relevant rules and legislation on local self-government. Standard audit techniques were used such as interviews, document analysis, spot checks and questionnaires.

1.7. Joint report

The overall findings, conclusions and recommendations, as well as the 'highlights' are based on an analysis of SAIs' answers to the audit questions in the summaries of the national audits, which are presented in Appendix 2.

2. UNDERSTANDING LOCAL GOVERNMENT

2.1. Local Government Organization

Local government organization is defined by national legal framework. Local government may be organized in one or more tiers that are political - administrative levels of a territorial division of country (such as municipalities, districts, regions, etc.) with the legislative, executive and financial authority to make binding decisions in some local policy areas. The organization of local government by tiers involves a hierarchical territorial (geographical) division of the country – for example, a region may comprise several municipalities, and each municipality may contain several municipal districts. However, this hierarchical territorial division does not necessarily imply a hierarchy of powers between the different tiers of local government.

Referring to the variation of the number of local government tiers within a country, the number of local government tiers may differ between:

- rural versus urban areas,
- densely populated areas of metropolises versus low-density areas and
- the different states or provinces of the same country.

Each tier and type of local government has one or more local government units. A local government unit includes:

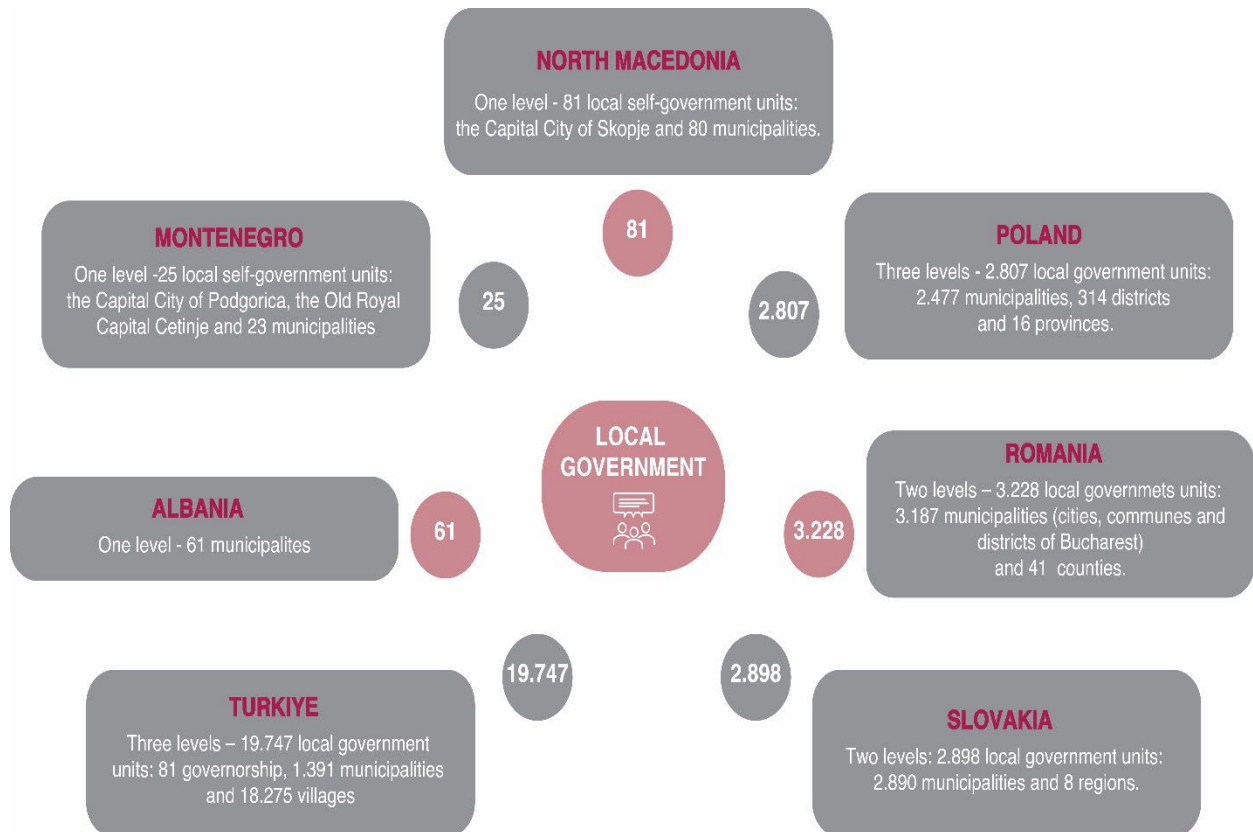
- (1) a deliberative body (council/ assembly), usually elected by universal suffrage, that has decision-making power, including the ability to issue by-laws, on a range of local aspects of public affairs;
- (2) an executive body, elected, appointed or nominated, such as an executive committee or a mayor that prepares and executes decisions made by the deliberative body. The members of these two bodies are referred to as local government authorities.

A distinct category from local government authorities is the **public administration staff**. Public administration staff are government employees that support the implementation of the local decisions and the provision of government services at the local level.

In **Albania, Montenegro and North Macedonia**, there is a **one-tier model** of local government organization and municipalities are the basic units of local self-government, while the **two-tier model** is represented in **Romania in Slovakia**, and the **three - tier model** in **Poland and Türkiye**.

The basic units of local self-government are **municipalities**, independent in the performance of its competences. Constitution and national laws regulate the territorial organization of the local self-government, competences and sources of funds and guarantee its independence and rights.

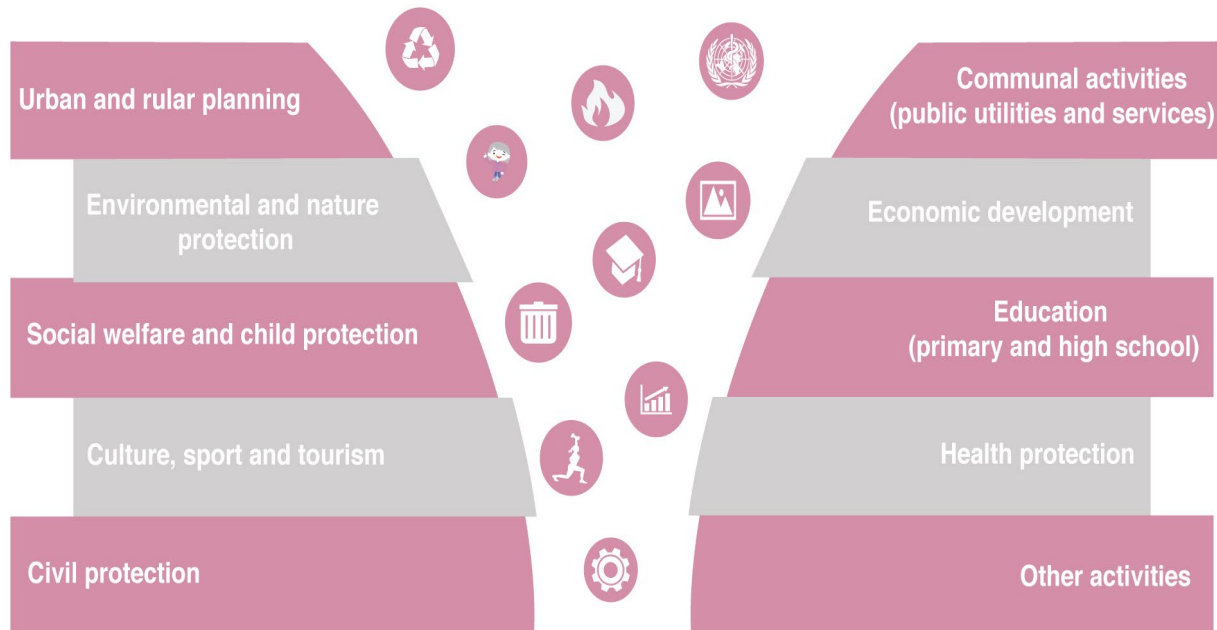
The figure below shows the organizational set up and total number of local self-government units by country.



2.2. Roles & Responsibilities of Municipality

Millions of people across the globe depend on their local governments for essential, often lifesaving services. Local government services are wide-ranging, encompassing everything from trash collection, permit approvals, providing clean water, and paving roads. Local governments ensure the smooth functioning of our societies and livelihoods. In fact, they are responsible for providing many of the services within their local boundaries that citizens rely on daily.

Key Municipal Services Offered by Most Local Governments



2.3. Local Government Finances

Municipal finance is about the revenue and expenditure decisions of municipal governments, and covers the sources of revenue that are used by municipal governments – taxes (property, income, sales, and excise taxes), user fees, and intergovernmental transfers. It includes ways of financing infrastructure with operating revenues and borrowing as well as charges on developers and public-private partnerships.

The main **revenue sources** for local governments are the following:

- Local taxes** are in principle the main source of revenue for local governments, with the choice about tax rates to fund local services being the key annual decision made by local elected representatives. There are many types of local taxes, of which property tax is the most common internationally.
- Charges for services provided**, where a service is provided directly and exclusively to the payer; charges are normally related to the cost of providing the service.

c) Fees for permits and licences, where the prime purpose is to regulate an activity, rather than to raise revenue; the costs are normally (but not always) limited to the cost of administration/enforcement.

d) **Profits from local enterprises** – where the local government owns an enterprise, any profits from that enterprise would accrue to the local government (but so would any losses). This is still a significant revenue source for local governments in China but not in many other countries, although local governments in many countries, such as Pakistan and Uganda, own markets that are operated as commercial enterprises, and some countries also have municipal water enterprises.

e) **Central government revenue sharing** – shares of taxes (and other revenues) collected by central government and allocated (partly or wholly) to local government, based either on their origin (where they were collected) or by formula.






f) Intergovernmental grants of various types to finance some of the costs of local government services, as well as equalising (to some extent) resources between local governments.

g) **Borrowing** to finance capital expenditure, from various sources – banks, government, donors, bonds, etc. However, strictly speaking, borrowing is not a revenue source but a financing mechanism, since the money has to be repaid.

Purpose of management of own source revenues in municipalities is to provide better services for citizen, in return for their payment. Municipal revenues contribute in filling of the budget of a municipality and as such, they constitute one of main sources of municipal revenues. Municipal own source revenues are financial funds which are collected by municipality on behalf of services provided for citizens, which should be based on regulations approved by the Municipal Council/ Assembly.

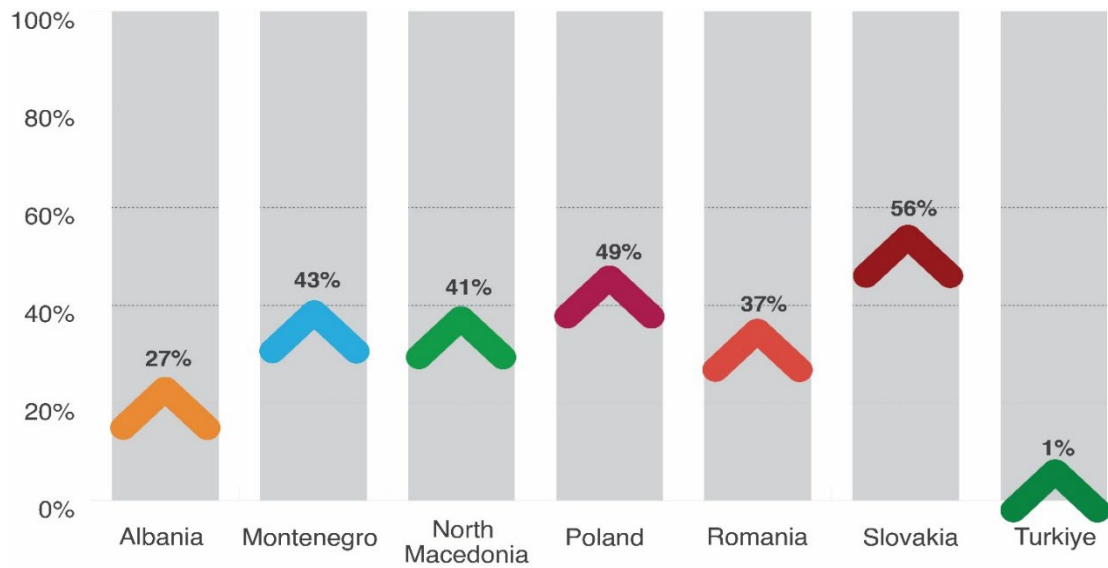
Locally generated resources are very essential. The principal justifications for decentralisation is that the decisions made about local services will reflect the needs, priorities and willingness to pay of local citizens. Decisions about how much to tax local citizens, and how to use those tax revenues to provide services, are core elements of local democracy and critical to local accountability. This requires that local governments have under their control a range of local taxes and charges, borne by residents of the jurisdiction, to fund at least part of the cost of services, which benefit those residents. It also requires that local decision-makers have a degree of discretion about the level of taxation. However, the reality in most countries is that local revenue sources meet only part – sometimes quite a small part – of local expenditure needs.

Illustration below presents own source revenues at local level:

	Local taxes
	Local fees and charges
	Property income
	Shared taxes and donations
	Other revenues

The share of own revenues in total revenues in 2020, in participating countries ranges from 27% in **Albania** to 56% in **Slovakia**, with the exception of **Türkiye** where own revenues participate with 1%. (See chart 1)

Chart 1. Share of own revenues in total revenues in 2020

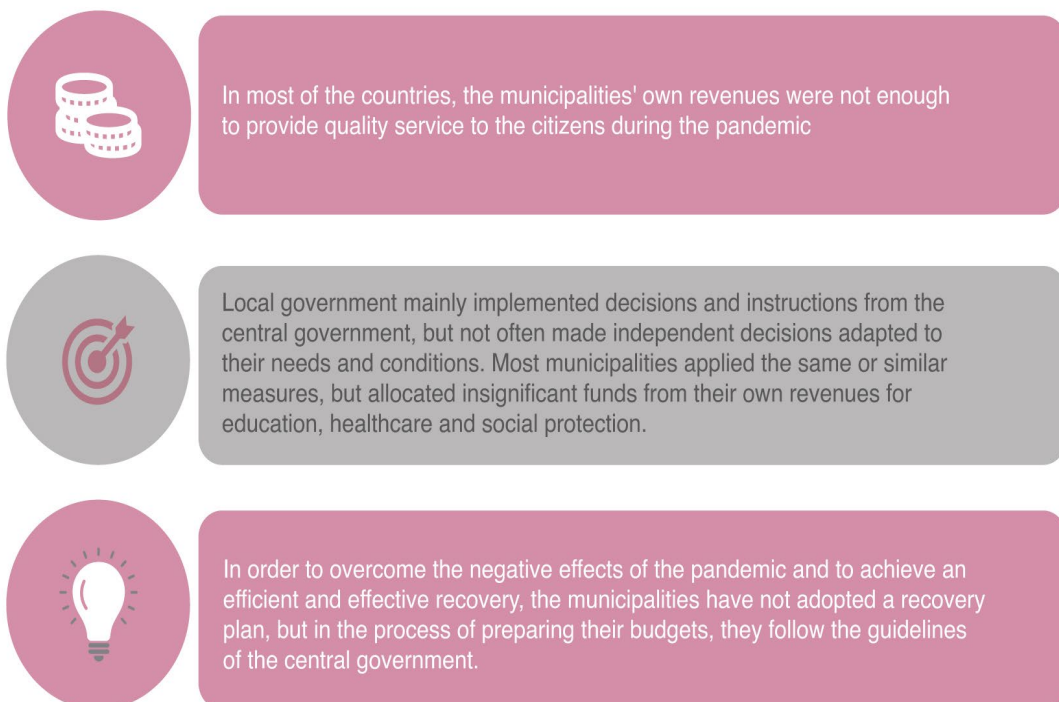


3. SHARED CONCLUSION AND RECOMMENDATIONS

3.1. CONCLUSION

Municipalities are the first administrative service for citizens. Their role is to ensure urban and socioeconomic development and to create conditions for a quality life for their population. In the social and economic context affected by the COVID-19 pandemic, municipalities have faced certain functional and financial imbalances under the pressure of quick actions, as they strive to achieve their purpose and exercise their main duties with limited resources and in a social, economic and legislative field with frequent changes. The pandemic affected the realization of the planned municipalities revenues and expenditures. In order to prevent the spread of the virus and to protect the population, there were restrictions and reduction of the volume of activity in many sectors. Economic measures that refer to extension/postponement of deadlines for the payment of taxes and local taxes, the exemption from taxes, respectively the reduction of certain taxes and cancellation of some local charges have had an impact on the realized revenues of the municipalities. The ban on carrying out certain activities, the number of sick people and people in isolation led to the postponement of the implementation of certain program activities, including of new ones and affected the amount of expenses incurred.

The following figure shows the joint answer to the main audit question "Are the municipalities' own revenues sufficient to provide quality services to citizens in the context of a pandemic?"



In all countries, the response to the pandemic was centralized or coordinated by the central government.

The legal framework for dealing with crises in the participating countries regulates the participation of municipalities in the crisis management system. However, in this well-defined system, the central authorities are the ones who manage it and make the decisions, and the municipalities, as participants in the system, have the task of implementing them. The system set up in this way does not allow the municipalities to take quick and concrete steps and independently deal with the challenges of this crisis caused by the pandemic.

In some countries the coordination between the authorities and the bodies involved in the crisis management system worked well, while in others the municipalities did not have enough information and data as a result of inadequate communication with the central authorities.

In general, municipalities respect the principles of transparency, accountability and participatory decision-making and supervision, but some of them have not established strategic priorities and goals and have not adequately adapted to the pandemic circumstances.

The pandemic affected the municipalities own revenues in the participating countries. In 2020, there is a decline in revenues of 10%, compared to the previous year 2019.

The emergence of COVID-19 caused significant changes in the work of the municipality, which affected the routine of employees and their performance. Some of the municipalities were faced with limited administrative capacities and the inability to respond to the operational services of the municipalities.

Local government mainly implemented decisions and instructions from the central government, and not often made independent decisions adapted to their needs and conditions. Most municipalities applied the same or similar measures such as disinfection of public areas, provision of transport services, organization of distance education, open lines for citizens, delivery of food and medicine to vulnerable categories of people and those suffering from the corona virus or persons in isolation, distribution of masks and disinfectants, etc. Moreover, municipalities allocated insignificant funds from their own revenues for education, healthcare and social protection.

The pandemic caused by Covid-19 had a negative impact on all economies. All countries implemented emergency economic measures to strengthen their health systems and ease economic turbulence. In most countries, municipalities have not adopted strategic and planning documents for recovery. Municipalities are following the national plans and guidelines in order to correct the negative effects of the pandemic and to achieve an efficient and effective recovery.

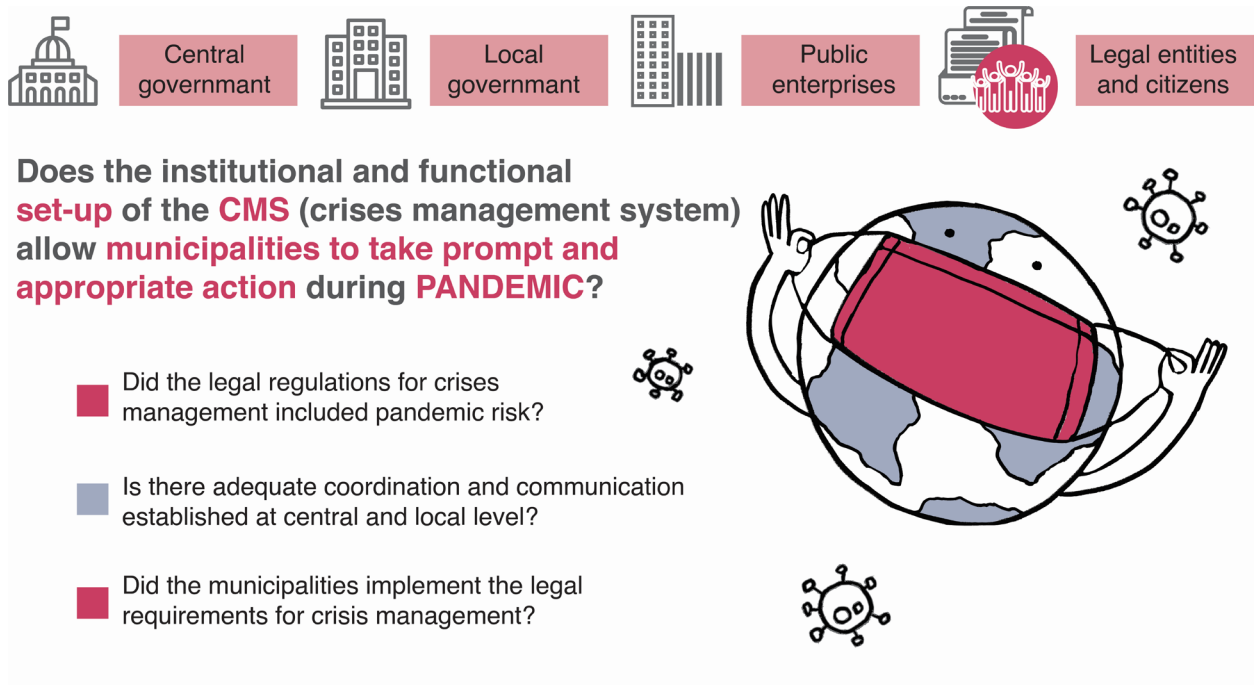
3.2. RECOMMENDATIONS

- ✓ National governments to adopt the National Strategy for Disaster Risk Reduction.
- ✓ Municipalities should adopt a Crisis Management Strategy, which will define the challenges, strategic and specific goals, municipalities' activities, in order to increase the operational capacity and capacity for crisis response.
- ✓ In the legal framework, competences and responsibilities of the municipalities and other authorities for crisis management and civil protection should be clearly defined and delimited.
- ✓ Municipalities should take measures to set a balanced budget and sustain its financial stability.
- ✓ Strengthening municipal administrative/technical capacity to collect their own revenues.
- ✓ Municipalities should continue to familiarize citizens with the advantages of digitalization of services and their use, and to provide digital training programs for employees.
- ✓ Municipalities should continuously measure citizens' satisfaction with the provided municipal services.
- ✓ Municipalities should assess the impacts of crises, design and adopt operational post-crisis recovery plans that would serve as a valid basis for crisis response and ensure stability and business continuity in future crises.

4. MAIN FINDINGS

The following sections set out the findings for each set of secondary audit questions and sub questions. As we already mentioned in chapter 1, this audit was performed with the **aid of a buffet model**. This means that, although the various national audits may have differed from each other in terms of scope, all the SAIs made a selection from the same audit questions in the Audit Framework. The conclusions and recommendations are summarized in chapter 3 of this report. We used a series of **highlights** to present a selection of findings from the individual audits. Summaries of all seven audit reports are attached as annexes to this report.

4.1. Institutional and functional set-up of the CMS



Central government Local government Public enterprises Legal entities and citizens

Does the institutional and functional set-up of the CMS (crises management system) allow municipalities to take prompt and appropriate action during PANDEMIC?

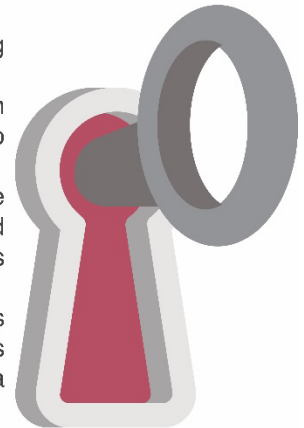
- Did the legal regulations for crises management include pandemic risk?
- Is there adequate coordination and communication established at central and local level?
- Did the municipalities implement the legal requirements for crisis management?



In all countries, the handling of the pandemic was centralized or coordinated by the central government. The legal framework for dealing with crises in participating countries regulates the participation competences of municipalities in the crisis management system. But in this well-defined system, the central governments are the ones who manage it and make the decisions, and the municipalities, as participants in the system, have the task of implementing them. The system set up in this way, did not allow municipalities to take quick and concrete steps and independently deal with the challenges of this crisis situation caused by the pandemic.



In some countries, the coordination between the authorities and bodies involved in the crisis management system worked well, while in others the municipalities did not have a sufficient information's and data as a result of inadequate communication with the central institutions.







The pandemic caused by COVID-19 showed the importance of having a system in place to reduce risks and build resilience to disasters. For that reason, it is an obligation of each country to set up and develop the systems and standards for preventing and reducing the consequences of disasters. These obligations especially are arising from international resolutions and directives of the EU regarding civil protection. Strategic documents should be related to the modern framework for managing disaster risk reduction, sustainable development and climate change. Priorities in national strategic documents should be complied with the UN's Hyogo Framework for Action and Sandai Framework for Action.

Highlights

In Table No.1, we would like to highlight the findings identified in each country concerning the crisis management system. According to the audit sub questions, we refer to the normative arrangement, the established cooperation between the involved parties and the role of the municipalities in quick and timely action in crisis conditions.

Table No.1 Established crises management system for dealing with pandemic

Country / Sub audit questions	Did the legal regulations for crises management included pandemic risk?	Is there adequate coordination and communication established at central and local level	Did the municipalities implement the legal requirements for crisis management?
Albania	Highlight 1	Highlight 2	Highlight 3
Montenegro	Highlight 1	Highlight 2	Highlight 3
North Macedonia	Highlight 1	Highlight 2	Highlight 3
Poland	X	X	X
Romania	Highlight 1	Highlight 2	Highlight 3
Slovakia	Highlight 1	Highlight 2	Highlight 3
Turkiye	Highlight 1	Highlight 1	Highlight 1

	Proper legal regulations and ensured coordination / municipalities fulfil the legal requirements
	Need of specifying by-laws, instructions and procedures for responsibilities and coordination of the involved parties / municipalities have problems for implementing all legal requirements
	Lack of legal regulations and unsecured coordination / municipalities had not fulfilled the legal requirements
	X Sub-audit question not in the audit scope

Highlight 1

In Albania, the regulatory framework, although it includes the concept of pandemic risk, lacks by-laws, manuals or instructions on the measures that must be taken for risk reduction, prevention, response and recovery in the event of a pandemic disaster at the local level. Specifically, two essential documents that are crucial for the civil emergencies, pandemics and any natural disaster management have not been approved yet, such as the new National Plan for Civil Emergencies (the current national plan was approved in 2004) and The National Strategy for Disaster Risk Reduction.

Montenegro has not yet adopted Law on crisis management that would provide complete and singular normative regulation of this area, and this procedure is ongoing. In accordance with the Law on the Protection of the Population from Infectious Diseases, it is established that, in addition to other state bodies, local government bodies participate in the provision and implementation of the protection of the population from infectious diseases. Considering that healthcare is

centralized at the state level, the primary role, in the case of a pandemic have, Ministry of Health, Public Health Institute, and National Coordination Body, which were adopting measures in order to prevent the spread of COVID – 19 virus contagion.

North Macedonia has established **National Platform for Risk and Disaster Reduction** as uniform system for crisis management, protection and rescue, which should integrate all available capacities and resources of all administrative levels, with a clear hierarchy and a single command – coordinating headquarters, as well as clear responsibilities for actors at regional and local level. National strategy for dealing with disaster risks, including pandemic, is not adopted.

In Romania, the crisis management system (CMS) is regulated by a series of normative acts and involves close collaboration between different state institutions with the involvement of the public and private sector, civil society and last but not least the citizens whose living conditions and work aims to protect them. In normative acts applicable to the field of crisis management, pandemic risk was not identified as a separate risk from the epidemic risk, given that the pandemic in fact is epidemic that extends over a very large territory. At the municipal level, no written planning documents (strategies, plans, etc.) have been developed and approved regarding the management of crises generated by pandemics. However, the local public authorities have undertaken a series of operative measures in order to reduce and eliminate the consequences of the epidemiological situation determined by the spread of the coronavirus SARS-CoV-2. Decisions adopted in this regard being consistent with the directions of action and activities provided for in the Crisis Management System and harmonized with internal regulations.

In **Slovakia**, the conditions for effective protection of life, health and property against the consequences of emergencies, the competence of public authorities in managing the state crisis situations except times of war and state of war, and the measures of state administrative bodies in the field of public health in the event of threats to public health are the subject of several legal provisions. In August 2020 was adopted Plan for the event of a pandemic in the Slovak Republic. Its aim was to ensure the preparedness of the Slovak Republic for a pandemic of acute respiratory diseases, to eliminate the health and economic burden on the population, the economy and public life, to determine the tasks of state administration bodies, local government bodies and professional bodies that manage, ensure and perform activities related to ensuring the protection of public health in preparation for a pandemic and at the time of a declared pandemic.

Türkiye has a central Disaster and Emergency Management Presidency (AFAD), which ensures cooperation among all national institutions for the planning, steering, supporting, coordination and effective implementation of the activities required to prevent disasters and mitigate their damages, to respond to disasters and to complete post-disaster recovery works rapidly. In addition, AFAD is a multi-faceted, multi-actor, business-oriented, flexible, and dynamic institution that focuses on the rational use of resources in this field and is based on interdisciplinary work in its activities. Although there is already an institution such as AFAD, in Türkiye decisions were taken at the highest level considering the risks that Covid-19 would pose. AFAD coordinated the implementation of these decisions. The metropolitan municipalities were able to take action quickly within the framework of decisions taken from the centre.

Highlight 2

In **Albania** for the management of civil emergencies, municipalities are mainly involved in dealing with civil emergencies such as fires and floods. Although, the civil defence law provides that the management of a crisis initially should be by the local government, the pandemic showed that the risk from the pandemic is managed from top to bottom, i.e. by the central health institutions, while the role of the municipality remains in the form of a logistical supporter. In the case of the pandemic, which requires specific units and expertise in the health area, including funds, a pandemic management at the local level cannot be fully exercised without decentralization.

In **North Macedonia**, according to the national legislation, healthcare is centralized at state level and local government participate in the implementation of the measures to protect citizens from infectious diseases. In the conditions of a declared pandemic, the Minister of Health established a Commission for Infectious Diseases, which proposed to the Government measures to deal with the pandemic, and the Government made the final decision. The municipalities were obliged to implement the decisions of the Government.

In **Romania**, the vertical and horizontal coordination and communication mechanisms between the central and local levels established by the normative acts implemented starting from the month of 2020 (during the COVID crisis), have been harmonized in order to include in the strategies adopted at the central level the priorities from local level. It should be emphasized the essential role of the local administration in the operative taking of the measures ordered by the central authorities.

In **Slovakia**, municipalities are one of the crisis management bodies and establish a municipality crisis staff. In accordance with the legislation in force, measures to deal with the crisis during the pandemic of Covid-19 were taken at the national level. Municipalities ensured their implementation at a local level. In the first pandemic year, coordination of implementation adopted measures encountered some problems. The absence of a clear definition of competences and responsibilities between the state and the municipalities meant that information about the measures taken to deal with the pandemic situation was not delivered to the municipalities in a timely manner. The adopted measures were often inadequate, ambiguous, extensive and frequently changed, which made it difficult for municipalities to implement them. This required further informal communication with crisis management authorities and other relevant bodies to clarify their implementation, but they were often unable to advise the municipalities, as they also did not have timely and sufficient information to implement the measures taken.

Highlight 3

In **Albania**, local plans for civil emergencies have not been approved because the national plan for civil protection is not updated. The preliminary drafts of these documents, related to the risk of pandemics, have not defined the roles, structures and logistical and financial capacities. During the pandemic, no specific plan was drawn up for the management of the pandemic and local units were limited in implementing the instructions issued by the Central Institutions. In addition, these draft plans did not have a financial analysis on the possible costs that a pandemic crisis creates.

Except the Municipality of Tirana (the capital city) and the Municipality of Shkodër, all the other audited municipalities, did not have a complete structure related to civil emergencies at the directorate level, which should include different sectors for risk analysis, damage assessment, managers of operations in the municipality, etc. The central government has not allocated to the municipalities the minimum fund of 4 % of their total annual budget as a fund for civil protection, which is provided through the conditional funds. The investments made by the municipalities related to the Covid-19 pandemic include some expenditures for disinfection and food packages, but not investments that bring added value.

In **Montenegro and North Macedonia**, the role of municipalities in the area of crisis management within emergencies in the area of public health is not primary and is largely dependent on the hierarchy/orders coming from the central level. During 2020, municipalities, through their protection and rescue teams, had continuous activities through monitoring, organizing, and taking measures to prevent the spread of the coronavirus, following the orders and measures adopted by the Ministry of Health based on the proposals of the National Coordination Body and Public Health Institute.

In **Romania**, the advantages of the regulatory framework at the central level also brought a series of difficulties in the local implementation of certain legislative requirements regarding urgent, exceptional measures that had to be taken.

In **Slovakia**, municipalities were generally not sufficiently prepared for crises. Preparedness at the level of municipalities includes, inter alia, the development of a civil protection plan, the storage, care and provision of civil protection material to civil protection units established by the municipality and individual protection equipment to the municipal population, and the establishment of civil protection units and their training. The above activities are among the obligations of municipalities laid down by the Civil Protection Act. Audited municipalities did not ensure their full implementation. The preparedness of municipalities for crises was lagging behind especially in the area of personnel, material security and preparation. This was also due to insufficient state funding. Not all audited municipalities identified infectious diseases of persons and the emergence of possible epidemics or pandemics as one of the sources of threat and risk of emergencies on their territory in their population protection plans, even after the experience of a pandemic.

We would like to point out that **SAI of Poland** in agreement with the International Audit Coordinator refrained from examining the effectiveness of the crisis management system in Poland. This system is well developed in Poland and operates based on well-established legal provisions and comprehensive cooperation at all levels of administration.

Good practice in Romania

National Agency of Civil Servants (ANFP) developed the Best Practices Guide for the management of pandemic situations, in which are identified the best measures taken by municipalities regarding the management of emergency situations and not only.



The municipality of Cluj-Napoca is the winner of the 13th edition of the Competition of the best practices in the public administration in Romania - section Digitization - integrated solutions for an intelligent administration, held within ANFP, 2021.



In 2020 the city of Cluj-Napoca is in the top of the most innovative cities in the European Union, a distinction obtained within the iCapital competition - an annual recognition award given to the European cities that best promote innovation within the community, organized by the Council European for Innovation within the European Commission.



Good practice in Montenegro

Municipality of Tuzi, during the pandemic in 2020, due to the occurrence of a large number of infected persons, was in complete isolation in the period 24.03-14.04.2020.

The municipality faced the great challenge of organizing daily life and needs for over 15,000 inhabitants. The need for the citizens of Tuzi to stay at home was explained through social media and public broadcasters, both local and national and in the interest of communication, the contact numbers of the Municipal Headquarters for emergency situations were published.



The municipal headquarters established intensive communication with institutions at the national level and other municipalities. The municipality appointed two coordinators for each local community and 163 volunteers from all local communities engaged in the distribution of the necessary supplies to the citizens. All supplies from donations were published on the Facebook page of the municipality and delivered to the municipal building and assigned warehouses, from where the volunteers distributed it to houses. Hiring volunteers was a complete success because, in addition to the self-sacrifice shown in their work, they also knew the location of each household, which ensured that the necessary supplies reach the citizens the fastest way.



The municipality received recognition for public administration for the Western Balkans in 2020 Western Balkans Public Administration Awards 2020. The awards were given in several areas relating to the response of institutions to the crisis caused by COVID-19.



Good practice in Slovakia

During pandemic, municipalities were also assisted by their professional associations in implementing the measures and specifying the procedures for implementing the measures adopted.



They have made up-to-date summary information available to municipalities, together with an overview of changes in the measures in place during the pandemic.



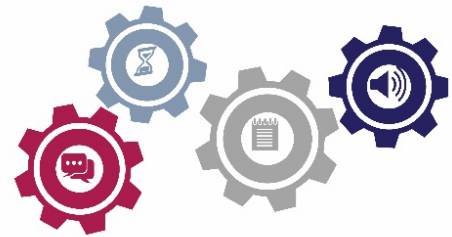
Professional associations have provided the guidance needed to ensure that the measures adopted for the different areas are implemented in one place.



4.2. Financing of municipalities during the pandemic

Did municipalities undertake appropriate activities in order to ensure financial stability and sustainability during pandemic?

- Did municipalities respect the principles of transparency and accountability for proper budget planning?
- Did municipalities during their work, establish strategic and programming goals and priorities?
- Did the pandemic affect the budget implementation and liquidity of the municipalities?



During the COVID-19 pandemic, municipalities have faced certain functional and financial imbalances under the pressure of quick actions, while striving to achieve their purpose and main duties with limited resources and frequent changes in a social, economic and legislative field. In general, municipalities respected the principles of transparency, accountability and participative decision-making and oversight, but part of them have not established strategic priorities and goals, and adapted accordingly to pandemic circumstances. The municipalities' own revenues for participating countries in the pandemic year 2020 decreased by 10% in total, compared to the previous year 2019. All participating countries recorded a decline except Romania, where own revenues in 2020 recorded a growth of 7%. The pandemic did affect municipal budgets and their liquidity, although all participating countries confirm that the municipalities took a series of measures to mitigate the impact. Municipal budgets that had a greater share of the municipalities' own revenues were more affected by the pandemic than those that were more dependent on central transfers.

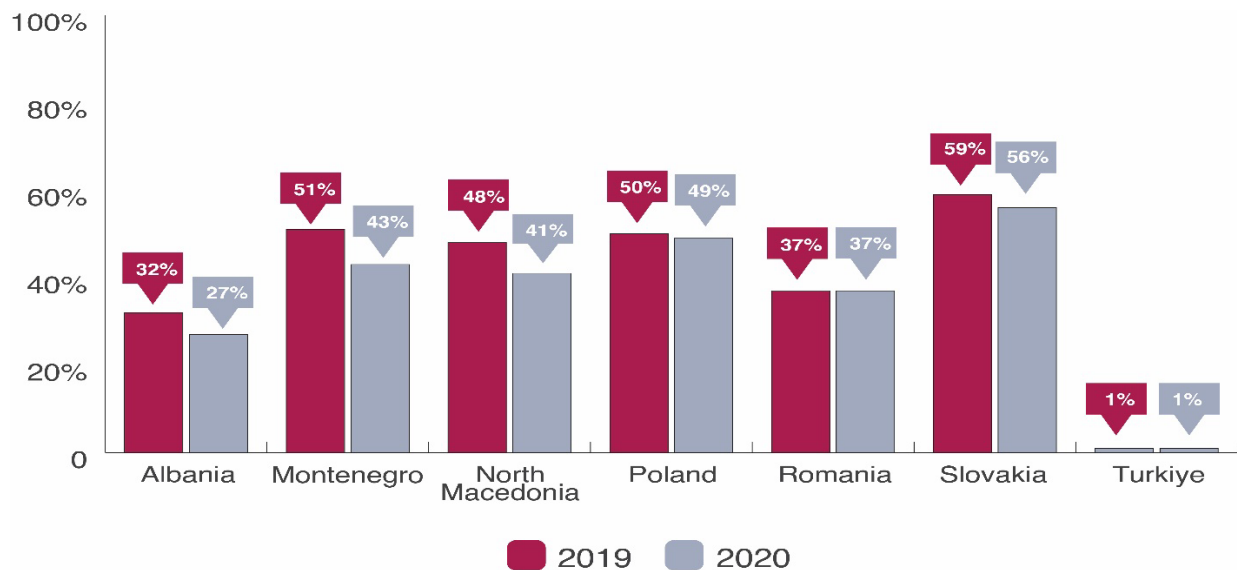
In general, municipalities complied with the principles of transparency, accountability and participative decision-making and oversight (see table No.2).

Table No.2 Transparency in preparing strategic and annual programs incorporated in annual budget

Country Sub audit questions	Are citizens involved in the process of preparing:			Are citizens informed about the adoption of:			Are citizens informed about the realization of:		
	Budget	Strategical Documents	Annual programs	Budget	Strategical Documents	Annual programs	Budget	Strategical Documents	Annual programs
Montenegro	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
North Macedonia	No	No	Yes	Yes	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
Poland	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Romania	Yes			Yes	Yes	Yes	Yes	Yes	Yes
Slovakia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes/No	Yes
Türkiye	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes

The share of municipalities' own revenues in their budgets, ranges from 32% to 60% on average, with the exception of Türkiye, where own revenues are insignificant and the local government is highly dependent on transfers from the central government.

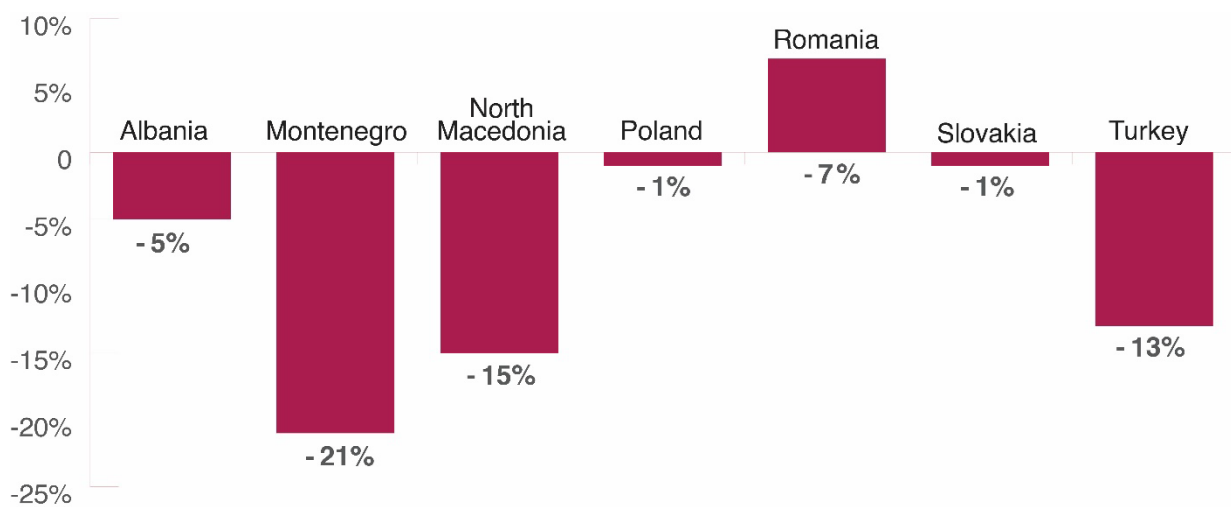
Chart 2. Share of Municipalities' own revenues in total budget



The local self-government units conditioned by the new reality faced huge operational challenges that required preventing the spread of the virus and protecting the well-being of the population, through the uninterrupted delivery of local services, in conditions of limited municipal budgets and human resources.

Municipalities' own revenues for participating countries in the pandemic year 2020 recorded a decrease of 14,455 million euros or 10% in total compared to the previous year 2019. The most affected were Montenegro with 21% decrease of municipalities' own revenues, North Macedonia with 15%, Türkiye with 13%, while Poland and Slovakia had a slight decrease of 1%. Just Romania recorded a 7% increase of municipalities' own revenues in 2020 compared to 2019 (see chart 3).

Chart 3. Municipalities' own revenues 2020 / 2019






Highlights

Table No.3 presents highlights related to the financing of municipalities in pandemic conditions, from the perspective of the principles of transparency and responsibility for appropriate budget planning, strategic and program goals and priorities, and the impact of the pandemic on the implementation of municipal budgets and municipal liquidity.

Table No3. The impact of pandemic on budget implementation and municipal liquidity by country

Country	Sub audit questions	Did municipalites respect the principles of transparency and accountability for proper budget planning?	Did municipalites during their work, establish strategic and programming goals and priorities?	Did the pandemic affect the budget implementation and liquidity of the municipalities?
Albania			Highlight 5	Highlight 6
Montenegro		Highlight 4	Highlight 5	Highlight 6
North Macedonia		Highlight 4	Highlight 5	Highlight 6
Poland				Highlight 6
Romania				Highlight 6
Slovakia				Highlight 6
Turkiye				Highlight 6

	Transparency and accountability are ensured / strategic and program activities are established / no negative effects of pandemic on the liquidity of the municipalities
	Transparency and accountability are ensured in part of the budget process / part of the strategic and program documents are not prepared / the pandemic has an insignificant effect on the liquidity of the municipalities
	Transparency and accountability are not ensured / strategic and program activities are not established / pandemic had negative effects on the liquidity of the municipalities

Highlight 4

Montenegro - Municipalities respected the principles of transparency and responsibility in the adoption of municipal budgets: public discussion was enabled, and projects of local budgets, redirections and rebalancing were mostly published on the websites of municipalities (77%). For the Year 2020, 2 municipalities (out of 24) did not publish the mentioned data, while they did so in the following years.

North Macedonia - Transparency and participation in budget process were not on a satisfactory level to insure a civil budget and include the interests, and needs of stakeholders. The adopted budgets, financial reports, programs and other documents were published on the website of the municipalities, except of budget proposal. For the budget proposal, municipalities received ideas and suggestions through surveys and meetings with citizens, but they did not always documented and evaluated according to priorities and available resources.

An unsatisfactory level of transparency is also indicated by the **Survey of public opinion on the citizens' perception of the transparency of the municipalities**. During the preparation

of budgets and programs, citizens have an insignificant participation of 5%, while 39% believe that the municipal budget does not include the needs of the municipality's citizens. In general, citizens are not satisfied with the information about the municipal operations, and average score of the urban municipalities is 2.4, while for rural municipalities is 2.06 (on a scale from 1 to 5).

Highlight 5

In Albania, funding sources of local government units were mostly insufficient, therefore, the financial resources available to the municipalities were not proportional to the tasks they have to perform. Even though, local governments have approved some decisions for economic assistance for the vulnerable groups as well as for the purchase of materials, there has not been a well-argued process for dealing with the pandemic situation.

In Montenegro, strategic and program's objectives and priorities have been established in 18 municipalities (75%), while six municipalities (25%) have not had them for several years.

In North Macedonia, there is lack of strategic planning, priorities and strategic goals in more than half of the municipalities as a base for creating programs aimed at municipality development and citizen's needs.

Highlight 6

In Albania, due to the pandemic, municipalities had difficulties in budget implementation, which in 2020 is about 75%. One of the reasons was an unrealistic planning of budgets for 2020, which were higher by 19.3% compared to 2018 and 15.6% compared to 2019. In addition, municipalities had weak financial autonomy, because most of the funds come from transfers, while revenues from taxes and local fees were insufficient and often lower realized. During the pandemic, municipalities have taken measures to delay the deadline for paying local taxes and fees for businesses in the period in which they closed their business. During 2020, municipalities achieved minimum expenditures to combat the pandemic, insignificant 2% of total budget expenditures.

In Montenegro, the pandemic did affect the budget implementation and the liquidity of the municipalities. The decrease in revenue is a direct consequence of the COVID-19 pandemic and the decline in economic activities, which is why the municipalities adopted a set of measures to postpone and release obligations payments to the municipalities for legal and natural persons. Due to lower realized revenues, 14 out of 24 municipalities (58.33%) adopted budget rebalancing. Despite the decline in the realization of tax revenues, providing support to citizens and business entities that operate at the local level had a crucial role in maintaining economic balance and ensuring stability and predictability of income sources. The stable functioning of city services was ensured, support provided to public companies, support provided to small and medium-sized businesses, program activities realized in reduced number, and the realization of capital projects continued in a reduced number and amount.

In North Macedonia, the pandemic has significantly affected municipal budgets. Municipalities achieved 70% of the planned revenues in 2020, and their own revenues decreased by 15.2% compared to 2019. Inadequate/untimely alignment of revenues in the budget with real opportunities creates liabilities and risk for their payment. The total liabilities of the municipalities in 2020 recorded an increase of 7% compared to 2019. Municipalities (29) borrowing the total

amount of 15.7 million euros. This situation indicates that about 35% of municipalities in the Republic of North Macedonia did not generate enough own revenues and therefore provided funds through long-term borrowing in order to more adequately fulfil their obligations to the needs of citizens. Increased liabilities and borrowing, in conditions of a prolonged health and economic crisis, did not guarantee the financial stability and sustainability of municipalities, while reduced revenues limited the ability of municipalities to provide adequate services to citizens.

In Poland, the effects of pandemic did not significantly affect the revenues obtained in 2020-2021 by municipalities. Municipalities' own revenues, as a rule, did not decrease and from 2018, it gradually increased. Due to the pandemic, some municipalities have introduced optional reliefs, tax exemptions and local fees. As a result of the reliefs, deferrals, redemptions and rescheduling in 2020 due to the COVID-19 epidemic, the largest loss of revenues is recorded in relation to: other proceeds (53% of the total); proceeds from the property (17%) and receipts from local fees (8%).

In Romania, municipality's liquidity was most affected by the collection of tax revenues below the amount planned for realization. Budget revenues were reduced due to restrictions on the volume of activities in most sectors, as a result of administrative measures adopted by the Government to limit the consequences of the COVID-19 pandemic. The legal framework made it possible to grant relief at the local level (taxes on buildings, 50% reduction in the parking tariff for tourist accommodation units, suspension of the hotel tax, and extension of deadlines for payment of taxes on means of transport), etc. The implementation of these measures needed financial resources necessary for the continuity of activities and the creation of the framework and mechanisms necessary to ensure the stability and predictability of revenues, sources, prioritization of measures that lead to the correlation of public expenditures with financial resources with an emphasis on quality and the effectiveness of the adopted measures.

In Slovakia, the Covid-19 pandemic has affected the municipal budgets, both on the revenue and expenditure side. Municipalities adjusted their budgets during 2020 in order to ensure the financing of their tasks, the provision of services to citizens and the implementation of anti-pandemic measures. On the revenue side, there was a year-on-year slowdown in total revenue growth. Due the Covid-19 pandemic municipalities received a lower amount of personal income tax shares and experienced a decrease in non-tax revenue. To cover shortfalls in personal income tax shares, interest-free repayable financial assistance was granted to municipalities. The repayable financial assistance was used by 71 % of the audited municipalities. The Covid-19 pandemic had a rather dampening effect on municipal spending, with the lowest year-on-year growth in 2020 during 2018-2021. This means that municipalities spent more restrainedly during the pandemic, or were unable to spend sufficiently due to the measures put in place, e.g. in the case of capital expenditure.

In Türkiye - Municipal own revenues significantly decreased, during the pandemic period. Although the own revenues of metropolitan municipalities decreased, the total revenues did not decrease; on the contrary, they increased. This is because the insignificant share of own revenues in total revenues. As transportation has one of the highest shares in metropolitan municipalities, transportation revenue did not cover the expenditure even before the pandemic because of the subsidies for students and the elderly in transportation. With the pandemic, this gap widened. In this period, public transportation vehicles operated at 50 percent capacity while the number of trips remained the same. Thus, while expenditure remained the same, revenue started to decrease. In addition, health workers and disaster relief workers benefited from free public transportation during this period and subsidies increased.

Good practice in Romania

Government funds allocated to local administrations – e.g. financing through AFM, which contributes to a green transition (photovoltaic panels, electric charging stations for vehicles, etc.).

Subsidies

A financing instrument designed to ensure Romania's development, by supporting the level of adaptation to crisis situations, in the context of recovery after the COVID-19 crisis. The design of the PNRR was based on the capacity of central and local authorities to undertake ambitious reforms to facilitate the green and digital transition and lead to a high level of resilience. In the spirit of this principle, the implementation of the PNRR will aim to get closer to citizens and beneficiaries, thus providing a response to the subsidiary challenges of the communities

The Romanian national resilience and recovery plan

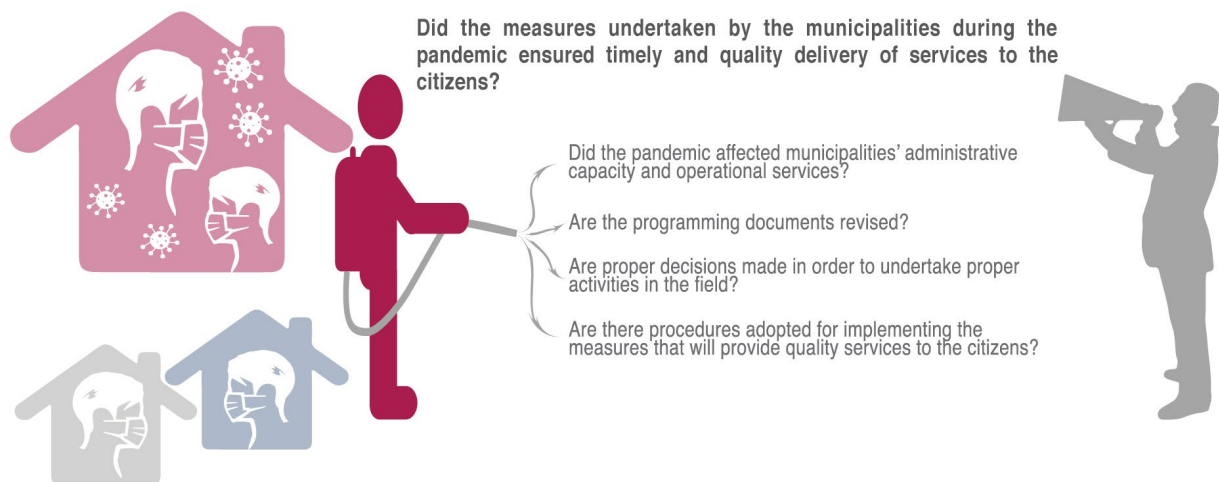
Government fund, which supports local authorities for the financing of water and sewage infrastructure projects, road infrastructure etc.

The PNI ANGHEL SALIGNY program

The operational financing programs related to the financial framework 2021-2027, carried out through the Regional Development Agencies (ADR), of the relevant ministries (Ministry of Investments and European Projects, Ministry of Education, Ministry of Environment and Water, etc.). Through these programs, the Government allocates non-reimbursable external funds for the development of projects in conjunction with strategic development priorities.

Financial framework 2021-2027

4.3. Municipalities' services to citizens during the pandemic



HOW TO PREVENT AN OUTBREAK



COVID-19 outbreak has implied significant changes in the way municipality work, affecting employees' routine and activities that affected employees' performance. Some of the municipalities were faced with limited administrative capacities and the inability to respond to their responsibilities. Local government, mainly implemented decisions and instructions by the central government, but not often have made independent decisions adapted to their needs and conditions. Most municipalities applied the same or similar measures starting from disinfection of public areas, provision of transport services, organization of distance education, open lines for citizens, delivery of food and medicine to vulnerable categories of people and people sick with corona virus or people in isolation, distribution of masks and disinfectants, etc. The municipalities in participating countries have allocated insignificant funds from their own revenues for education, health care and social protection, except Romania and Slovakia.

In all countries, the administration has switched to digital services, organized work from home, remote work, shift work or rotations. These measures affected a slowdown in the performance of employees and certain municipalities faced reduced administrative capacities and the inability to respond to the operational services of the municipalities.

Although schools, theatres and other institutions were lock down, municipalities did not adjust their programs and did not divert funds to other needs of citizens.

Some municipalities had made programs adjustments and in general used the funds within the competences for which they were provided. For example, funds for education programs were used to purchase distance-learning equipment and funds from utility programs were used to disinfect public areas, etc.

Local government mainly implemented decisions, guidelines and instructions by the central government, but they not often had made independent decisions or decisions adapted to their needs and conditions. Although there is a disparity between urban and rural municipalities, they all generally applied the same measures and activities.

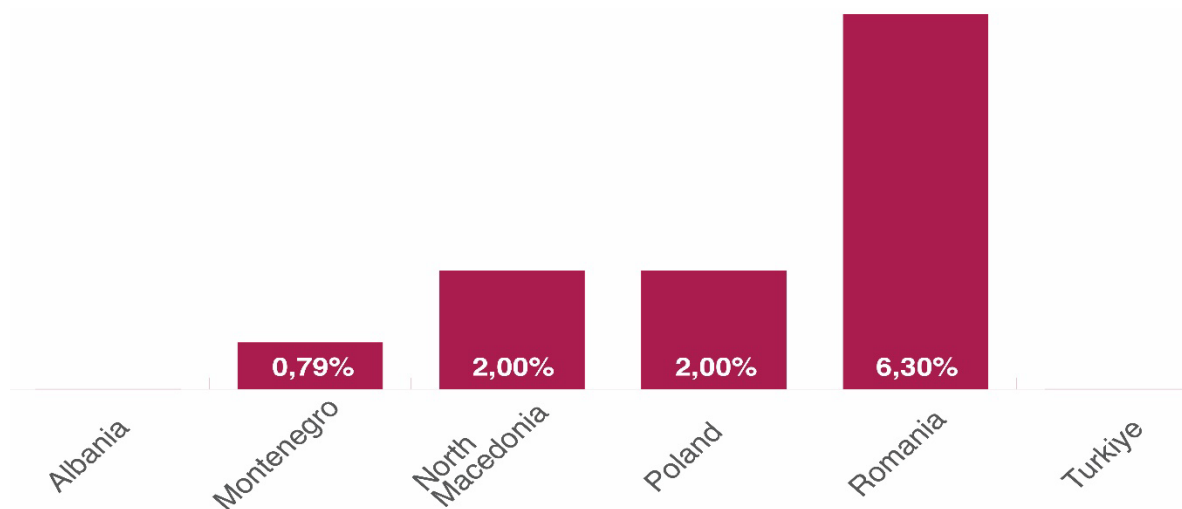
During the pandemic, local governments applied measures to reduce administrative fees and taxes, but this caused a decrease in their own revenues. On the other hand, municipalities had to provide adequate services to the citizens such as health, social protection, education, communal works, culture and sports.

Most municipalities applied the same or similar measures starting from disinfection of public areas, providing transportation services, organizing distance education, open lines for citizens, delivering food and medicine to vulnerable categories of the population and illness or people in isolation, distribution of masks and disinfectants, etc.

The organization of distance learning and summer schools was designated as well organized in all countries.

The allocated funds for education were insignificant compared to the municipalities' own revenues and range from 0.8 to 2%, with the exception of Romania where it was 6.30%. (see chart 4)

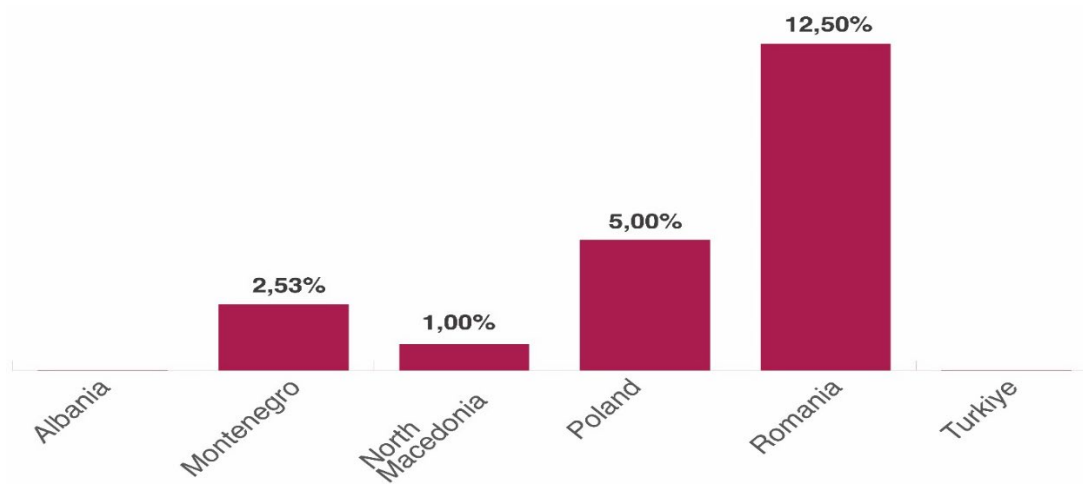
Chart 4. Share of funds from own revenues allocated for education in total own revenues



Although the crisis was health - related, the municipal authorities allocated a very small part of their budgets for health care. Apart from Romania, where municipalities allocated 23% of their own revenues for health care, the other countries allocated an insignificant 0-1% of their own revenues. This is because health care is not fully decentralized and during the pandemic, decisions and investments generally take place at the central level. Municipalities compared to the previous year allocated approximately the same funds for healthcare, even Montenegro significantly reduced them.

Municipalities also allocated insignificant funds for social protection and assistance to vulnerable categories. In general, they cooperated with the Red Cross and other humanitarian organizations with donations and sponsorships, contributed to help the people who needed it the most.

Chart 5. Share of funds from own revenues allocated for social security and protection in total own revenues





Highlights


Table No.4 presents highlights related to the impact of the pandemic on municipal administrative capacities and the ability to provide services, adaptation of program documents to the situation caused by the pandemic, decisions made by local governments in order to undertake proper activities and implementation of measures to ensure quality services to citizens.

Table No.4. The impact of pandemic on administrative capacity and programed activities

Country Sub audit questions	Did the pandemic affected municipalities administrative capacity and operational services?	Are programming documents revised?	Are proper decisions make in order to undertake proper activities in the field?	Are there procedures adopted for implementing the measures that will provide quality services to the citizens?
Albania	Highlight 7		Highlight 9	
Montenegro	Highlight 7	Highlight 8	Highlight 9	
North Macedonia		Highlight 8	Highlight 9	Highlight 10
Poland				Highlight 10
Romania		Highlight 8	Highlight 9	
Slovakia	Highlight 7			Highlight 10
Turkiye				

 The pandemic has not influenced administrative capacity and operational activities/proper decisions were made on adopted procedures

 The pandemic has insignificant impact on administrative capacity and operational activities / proper decisions were made but some of procedures were not adopted

 The pandemic has influenced administrative capacity and operational activities /not proper decisions were made on not adopted procedures

Highlights 7

In Albania, during the first months of the pandemic, over 50% of municipality staff was present in offices. The pandemic situation has directly affected the administrative capacities of local self-government units, which have made additional efforts in fulfilling their tasks and providing timely and quality services to citizens.

In Montenegro, 11 municipalities (from 24) had problems with administrative capacity, which in such conditions also affected their activities. There were not enough employees to perform shifts following the **NKT** measures due to illness of employees or household members, and due to other recommended measures.

In Slovakia, at the beginning of the pandemic and in late 2020, citizens of the audited municipalities had limited access to these services, as municipalities resorted to reduced hours or temporary closure of municipal offices. Services to citizens were provided in all areas, but forms of communication were adapted to the pandemic situation. In dealing with necessary matters and communicating with citizens, municipalities favoured telephone and e-mail communication, cashless payments and electronic mail. During restrictions on the availability of municipal offices, citizens were allowed to meet in urgent cases, respecting the measures. Some of the audited municipalities experienced extended processing times due to the absence of municipal staff, but these did not exceed the statutory time limits.

Highlights 8

In Montenegro, the program documents were revised because due to the epidemiological measures prescribed to prevent the virus, it was necessary to reduce a certain number of activities. In the case of public procurements, pre-qualification procedures for contractors' selection for some of the projects were delayed, work regimes were reduced or suspended on the commenced facilities, and deliveries from suppliers were suspended or delayed. There were also delays in the implementation of capital projects, so nine municipalities had changes in capital expenditures, while the other 15 did not.

Epidemiological measures were especially hard for lovers of cultural manifestations (example: theatre because they prevented play performances and the presence of a large number of spectators, which caused a significant reduction in the number of plays and their performances in 2020. In addition, depending on the epidemiological situation, sports competitions were postponed or held without audience.

In North Macedonia, municipal budgets have a developed character because 61% of total expenditures from own revenues are planned for financing activities aimed to citizen's needs (urbanism, environment and communal activities). Due to incomplete decentralization and inadequate resources, the share of funds from own revenues intended for other programs such as education, social and child protection, health, sports and culture is less than 9%. The pandemic was reflected in the implementation of planned expenditures. Municipalities faced with the challenge of coping with the pandemic made adjustments to their program activities in accordance with the guidelines for the implementation of protection measures from the central government. Some of the planned activities were not realised due to the time limits, absence of employees (sick people and people in isolation), which resulted in 68% realisation of planned expenditures.

In Romania, during the pandemic, the budget planning documents were revised and completed in accordance with the development of the pandemic, with the aim of additional allocations, i.e. redistribution of amounts from the local budget for actions and measures to prevent and limit the spread of the coronavirus. SARS - CoV-2 in the field of education, public order and security, traffic, culture, for the isolation and quarantine of persons from risk areas, as well as those who come into contact with them, procurement and distribution of protective equipment, disinfectants, masks, etc.

Highlights 9

In Albania, the 10 audited municipalities have not approved other specific orders or decisions, which apply with the level of the pandemic spread in their territory. They have followed the rules approved by the central government as for example citizen's movement schedules, suspension of various activities, etc.

At the local level, the most affected services by the pandemic, as well as by the imposition of protective measures by the government, have been the social service, public relations, local taxes and fees, cultural, sports activities, and public transportation.

In Montenegro during 2020, the municipalities strived to adapt their activities to the conditions of the pandemic and to implement the activities foreseen in the budget under the resulting restrictions due to reduced economic activities to the greatest extent possible. Municipalities followed the Government's example and made decisions on economic measures, which, within the limits of their capabilities, helped citizens and business entities from their area to overcome the resulting crisis. All made decisions were published in the Official Gazette of Montenegro - municipal regulations. In cases where the municipal assembly was not in session, the assembly subsequently confirmed the decisions made by the presidents of municipalities.

In Romania, the decisions adopted in the exercise of competences by the town hall, as the authority of the public administration, at the administrative level closest to the citizen, were approved within the working group, made up of experts in the management of emergency situations, in order to set action scenarios, depending on the evolution of the infection, the provision of public services to citizens in safe conditions.

Procedures and instructions were developed for the implementation of measures to prevent and combat the COVID-19 pandemic, both at the level of the town hall and at the level of subordinate entities.

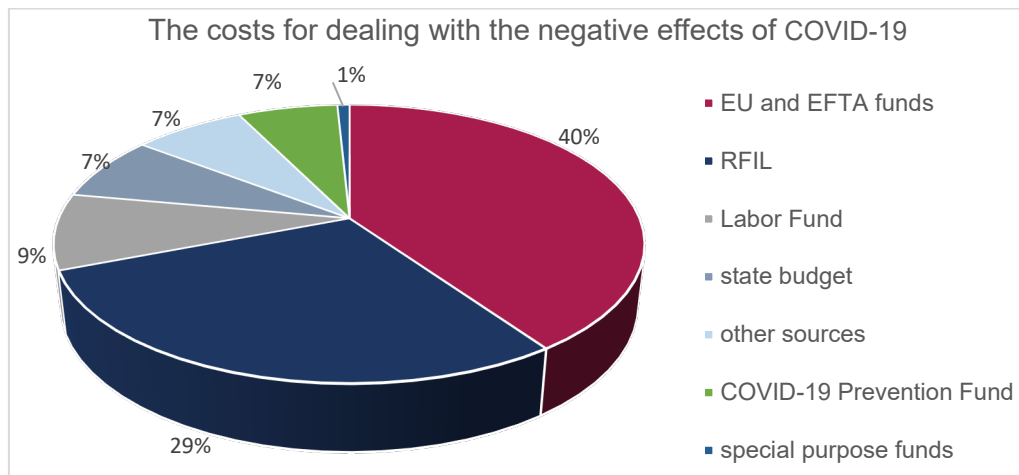
The decisions were taken gradually, depending on the new elements that appeared during the evolution of the pandemic and the guidelines drawn by the central level of coordination, the priority being the continuation of the activity of the local public administration, without neglecting the health of the citizens.

Highlights 10

In North Macedonia, through the regular performance of their responsibilities covered by utility activities, municipalities have ensured fulfilment of the general measures for protection against infectious diseases. Delivery of drinking water, treatment of wastewater and waste, as well as disinfection of public areas were regularly carried out through PUC. Municipalities also provided supervision over the conditions and movement of infectious diseases, health promotion and prevention of infectious diseases in their area with funds from their own revenues. On their web pages and announcements in public places and in the media, they published notices and informed the population about the current situation in the municipality, indicating compliance with personal protection measures. In addition to these activities, from their own funds or from donations from legal entities personal protective equipment for the population (masks, disinfectants, visors, gloves, etc.) have been procured, and distributed to public places of the population. All activities were taken based on decisions made in coordination with the municipal crisis headquarters and approved by the council of the municipality. For evaluation of citizens' satisfaction with the quality of provided services by municipalities during the pandemic, SAI of

North Macedonia hired external experts. The results are presented in Good practice in North Macedonia.

In Poland, the costs of dealing with the negative effects of COVID-19 by local self-government units in 2020 and 2021 of the Opole Voivodeship amounted to 427.6 million (PLN 243.3 million – current expenses, PLN 184.3 million – capital expenditure). All audited municipalities applied in 2020-2021 for external funding to deal with COVID-19, including from the Fund and RFIL and other funding sources. The funding sources were provided by the following funds:



The audited municipalities made investments co-financed by RFIL and thus, within the implementation of grant projects, they acquired 279 laptops and 263 tablets. In addition, as part of the implementation of the Labs of the Future program, equipment and additional equipment was purchased which included, among others: educational robots, computer equipment, 3D printers, VR glasses, cameras, equipment for virtual laboratories and others.

In Slovakia, in addition to routine services, the municipalities had to ensure the implementation of the measures taken at national level to deal with the Covid-19 pandemic. One of these was a plan to address the reduction of the risk of the emergence and spread of Covid-19 among homeless people. Municipalities mainly cared for this population group. In the light of the measures adopted and in the context of reducing the risk of the emergence and spread of Covid-19 among homeless people, quarantine facilities were to be designated according to the current epidemiological situation, in which their isolation would be carried out. Homeless people in the audited municipalities had access to crisis intervention services and the municipalities set up quarantine facilities for them, either directly within the facilities or in other premises. The quarantine facilities set up were also intended to be used for other population groups. In particular, the lack of assistance and support from the state, e.g. in relation to the provision of medical staff in quarantine facilities, was considered by the municipalities to be a shortcoming in this area in terms of managing the pandemic situation.



Good practice
in Romania

**The Vaccination of
Marathon**



Between May 14 – 17 2021, the Vaccination Marathon was organized in Cluj – Napoca, when for three days and night, non – stop, residents of Cluj-Napoca, but also those from other localities, could get vaccinated without an appointment, in a solidarity marathon initiated by the "Iuliu Hațieganu" University of Medicine and Pharmacy in Cluj Napoca, which was joined by the entire Cluj medical community, civil society and local and county public administration.

ANTONIA
Virtual civil servant



In 2018, the first "virtual civil servant" was created in Romania, called ANTONIA, which consists in the introduction of a system for submitting preliminary electronic documents, to be verified, before submitting them in printed form. Thus, the time needed to carry out an administrative operation between the citizen and the town hall is reduced, and during the pandemic, the virtual civil servant Antonia proved to be an essential tool for the online services of the town hall, as citizens did not have to have physical contact with officials.

Blue ticket



In October 2020, Cluj-Napoca City Hall launched the Blue Ticket - a direct communication service, on request, through online scheduling, between the citizen who has a request registered at Cluj-Napoca City Hall and the inspector (executive staff) who took over the request, in order to provide an answer and clarify some aspects regarding the requested administrative service.

Teleworking



Teleworking represented one of the main lessons of the period and generated a series of benefits for employees and, above all, for the institutions that have been prepared for this transition, making efforts to according to the new context. Benefits of telework for employers: reduction of administrative costs, higher productivity, loyal and more engaged employees. Benefits of telework for employees: saving the time needed to travel from home/residence to the workplace and inverse, elimination of travel expenses, personal organization of working time, easier interweaving of work with family responsibilities.

Elderly's home



Identified the needs in real time, emergencies, and following the calls received were revealed the problems faced by the elderly and the importance of social services dedicated to them. In the context of pandemic, have increased the feelings of isolation, impotence or futility. The reasons why most of them called the special line were about how they can get material help such food, medicine, products of hygiene, useful information about public services during the pandemic, shopping delivered to home, care and practical support at home, medical information and psychological counselling by phone. In addition, they required solutions to the various problems they faced during pandemic.

**Oxygen for
Târgu - Mureş
project**



In May 2020, Covid patients were helped with 22 oxygen concentrators, purchased by the association from its own funds and donations, the cost of such a concentrator amounting to 3,500 lei. In addition, 170 pulse oximeters were offered free of charge to patients, the necessary peripherals for administering oxygen, monitoring these patients and administering treatment at home.



Good practice in North Macedonia

Health Protection



General measures to protect the population from infectious diseases refer to provision of drinking water, waste treatment and disinfection of public spaces. Municipalities provided promotion of public health, informed the population about the current situation and indicated compliance with measures for personal protection through websites, published notices and announcements in public places and in the media.

Provided donations and procured goods for personal protection and prevention from the pandemic (masks, suits, shoes and disinfectants) for citizens and institutions exposed to additional risk from the pandemic, procurement of oxygen for the needs of the Covid centres, equipping the vaccination points, setting up the so-called "river beds" at the entrances to the municipality for disinfection.

Education



The municipalities took over activities to help organization and implementation of „learning from distance“.

They provided donation and purchased from their own revenues IT equipment (tablets, computers) for schools and students who had need for that.

Social protection



Opening a free telephone number for citizens who need help with the delivery of food and medicine,

In cooperation with the Red Cross delivery of social packages, provided from donations to vulnerable categories of citizens,

Subsidizing part of the costs of utility services for socially disadvantaged persons, Organizing a way of working in green markets, etc.

External experts



For the purposes of the audit, external experts were hired. Through a telephone CATI survey of 1022 respondents, in the period from July 6 to 12, 2022, they conducted a measurement of public opinion on the citizens' perception of the quality of life, satisfaction with the services provided in the their municipality before and during the pandemic, awareness of the operations and services of the municipality and involvement of citizens in decision-making in the municipality.

The research used a multi-level stratified representative sample of the citizens of the Republic of North Macedonia, aged 18+.

Households are distributed proportionally in urban and rural settlements in all 8 regions of the country. The resultants point out that:

- During the pandemic year, despite the limited administrative capacities due to employee rotations, isolation of the sick and introduced quarantine measures, the municipalities in the Republic of North Macedonia, in the area of respecting the availability of citizens for their needs on a scale from 1 to 5, provided an average grade of 2.9.
- Citizens are the most satisfied with the measures and activities undertaken for the disinfection of public spaces, measures and activities in ensuring conditions for distance learning (internet, computers, tablets, smartphones), timely notification of aid and emergency situations and procurement and distribution of funds for personal protection.
- Average score for the timeliness in the delivery of services from the municipality during the pandemic, on a scale from 1 to 5, is 2.8.
- Overall, average score for satisfaction with the quality of services provided by the municipality during the pandemic is 2.7 and the score for satisfaction with the quality of services provided by the municipality in the absence of the pandemic is almost identical, and it is 2.75 on a scale from 1 to 5.
- 1/3 of the citizens believe that the municipality's budget includes the needs of the municipality's residents, while 39% of the citizens partially or completely disagree with this.



Good practice
in Montenegro



Postponement of obligation payments of legal and natural persons to municipalities (real estate tax, a surtax on income tax of natural persons, fees for communal equipment of construction land, et cetera).



Exemption from the obligations payment of legal and natural persons towards municipalities (local and communal taxes, fees for the use of commercial facilities with access from the road, obligations based on the removal and deposit of municipal waste, rent for business premises and land, exemption from payment of taxi licenses for 2020).



For economic entities that did not perform regular activities due to Government measures: reduction of obligations to legal and natural persons (local communal fees and fees for the time they did not perform the activity).



For economics entities that did not use public areas due of the Government measures subsidies to local utility companies to ensure the performance of public functions (subsidies or co-financing of costs for water consumption, use of sewage and cleaning services for all persons on the Employment Office's records, and beneficiaries of material security of the families).



Other: use of funds from the permanent and current budget reserve for rehabilitation of consequences of the pandemic: for the purchase of disinfectants and other protective equipment, the purchase of medical equipment for the needs of the JZU by the municipalities where the regional centres for Covid-19 were stationed, not undertaking enforce collection measures while Government orders were in effect, financial support to small entrepreneurs who kept the same number of employees, etc.



Good practice in Slovakia



- setting up a workplace for the citizens of the municipality and surrounding villages where they could get information on the current measures, and later on, registration for testing and vaccination for the elderly, the socially disadvantaged and for citizens who did not have access to the internet or a mobile device.
- provision of SOS buttons for the elderly



- provision of a social food dispensary
- provision of vitamins to elderly citizens and delivery of cooked meals



- providing seniors and groups at risk with the intervention of a psychologist online or via telephone contact



- setting up a nursery school - care centre for the children of critical infrastructure employees



- cooperation in caring for the homeless with commercial companies that provided all-day meals, with the church charity that provided clothing, non-perishable foodstuffs and also with volunteers
- the establishment of a crisis contact centre for homeless people, which provided services such as basic hygiene or food distribution, clothing, changing and washing of drapes, basic information, counselling and temperature monitoring and washing of drapes, basic information, counselling and temperature monitoring



Good practice in Poland



- Municipalities carefully and rationally planned budgets for 2021-2022;
- During the epidemic, the implementation of budgets was analysed on an ongoing basis and appropriate changes were made to financial plans;



- In the communes covered by the audit, the performance of investment tasks was not reduced due to the COVID-19 epidemic;
- external funds were obtained to counteract the effects of the epidemic, usually for investment tasks, purchase of equipment and IT equipment for schools and offices, enabling learning and remote work;



- safe and hygienic working conditions and the performance of public services are provided;
- residents of communes were provided with the necessary personal protective equipment (masks, gloves, disinfectants);



- a campaign informing about the threats and the possibilities of obtaining help was carried out;



- social and legal assistance was organized for people most affected by the effects of the epidemic;
- the needs of local communities were identified, in particular with regard to persons requiring social care or otherwise affected by exclusion;



- Transport of residents of communes for vaccination against COVID-19 was organized.

4.4. Local level plans for post-crisis recovery



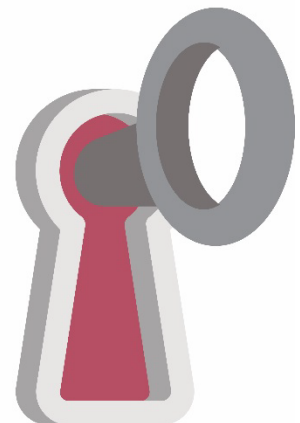
The pandemic caused by Covid-19 has had a negative impact on all economies. All countries implemented emergency economic measures to strengthen their health systems and ease economic turbulence. Countries will need time to recover and overcome the economic, social and health consequences of the pandemic.



Strategic and planning documents for recovery have been adopted in all national economies. Measures and activities for economic action are foreseen. With them, national economies should remedy the negative effects of the pandemic and achieve an efficient and effective recovery.



The realization of these strategic and planning documents implies the coordinated action of public institutions at the central and local level. For those reasons, it is necessary for the activities to be prescribed and clearly defined in order to monitor their effective implementation.



Highlights

In Table No.5, we would like to highlight the conditions identified in each country in the field of post pandemic recovery. According to the audit sub questions, which refer to the adoption of plans and coordination with central and local government for post-crisis recovery.

Table No.5 Measures for post crises recovery

Country / Sub audit questions	Did municipalities adopt a plan for post-crisis recovery?	Is there coordination of the activities with the central government?
Albania	Highlight 12	Highlight 12
Montenegro	Highlight 12	Highlight 12
North Macedonia	Highlight 12	Highlight 12
Poland	Highlight 11	
Romania	Highlight 11	Highlight 11
Slovakia		Highlight 11
Turkiye	Highlight 11	Highlight 11



Analyses are made and key activities are identified / in line with central government



Analyses are made but action plans are not prepared



Analyses are not made / there is no coordination with central government

Highlight 11

In **Poland**, an analysis of needs and activities for economic and social recovery after the crisis caused by the COVID-19 epidemic was carried out in all audited municipalities. Among the main aspects of directing the activities of offices, there were activities involving the intensification of care for seniors and schoolchildren. Attention was drawn to the need to strengthen social ties through the organization of integration, cultural and sports projects addressed to the inhabitants of communes. In most municipalities, no negative effects of the epidemic on economic development were recorded. All communes carried out previous investments and did not give up, due the epidemic, from planned development tasks.

In **Romania** there was a harmonization of joint efforts between the local and central administration, and during the pandemic the Government of Romania allocated subsidies from

the state budget to municipalities for health financing, settlement of expenses for quarantine of people, risk incentives for health personnel, accommodation allowances, etc.

The post-crisis recovery of the municipalities is to be achieved through the granting of financial support by the Government of Romania, through several financial instruments.

In the process of drawing up the recovery plans, at the national level, and based on the strategic documents adopted at the European Union level, the Association of Municipalities in Romania was involved, through consultation sessions with relevant ministries.

Therefore, all financing programs carried out under the coordination of the Government of Romania are developed with the aim of the recovery of local communities, in a sustainable and efficient manner, with the National Recovery and Resilience Plan of Romania having an essential role.

In **Slovakia** at national level, a Recovery and Resilience Plan for the Slovak Republic has been adopted. It's main objective is to support reforms and investments and focuses on five key public policy areas: green economy; education; science, research and innovation; health; efficient public administration and digitalisation. For municipalities, it represents an opportunity, together with other EU resources, for their further development. The willingness of municipalities to engage in the use of funds from the SR Recovery and Resilience Plan, as well as other EU sources, will also be influenced by the level of co-financing of projects or their administrative complexity.

In **Türkiye** on 30.06.2021 was issued a Presidential Circular on austerity measures with purpose to recover the country after the pandemic. With this circular, the central government aims that all public entities in Türkiye including municipalities participate in austerity. Considering that almost 85% of the revenues of the metropolitan municipalities consist of revenues transferred by the central government, it is expected that the decrease in the revenues of the central government for the post-pandemic period will cause a decrease in the revenues of the metropolitan municipalities as well. Therefore, collective savings are planned for the post-pandemic period. Since metropolitan municipalities must also comply with this circular, it is also a joint plan of the central government and municipalities for post-pandemic recovery.

Highlight 12

In **Albania** due to financial impossibility and the insufficient level of the civil defence fund, the municipalities have not drawn up a plan for recovery from Covid-2019, given that the value of rehabilitation or compensatory measures is several times higher than the civil defence fund. Recovery, as the most important link of the civil emergency process, is not identified through a special fund dedicated to this process, but continues to remain an abstract concept for municipal civil emergencies.

The Albanian SAI noted that the recovery plans of the municipalities should not be formal documents of a scholastic nature, but should first guarantee the establishment of responsible structures within the municipalities, with clearly defined tasks and above all, the exercise of the functions within the recovery should be accompanied by budgetary disbursements.

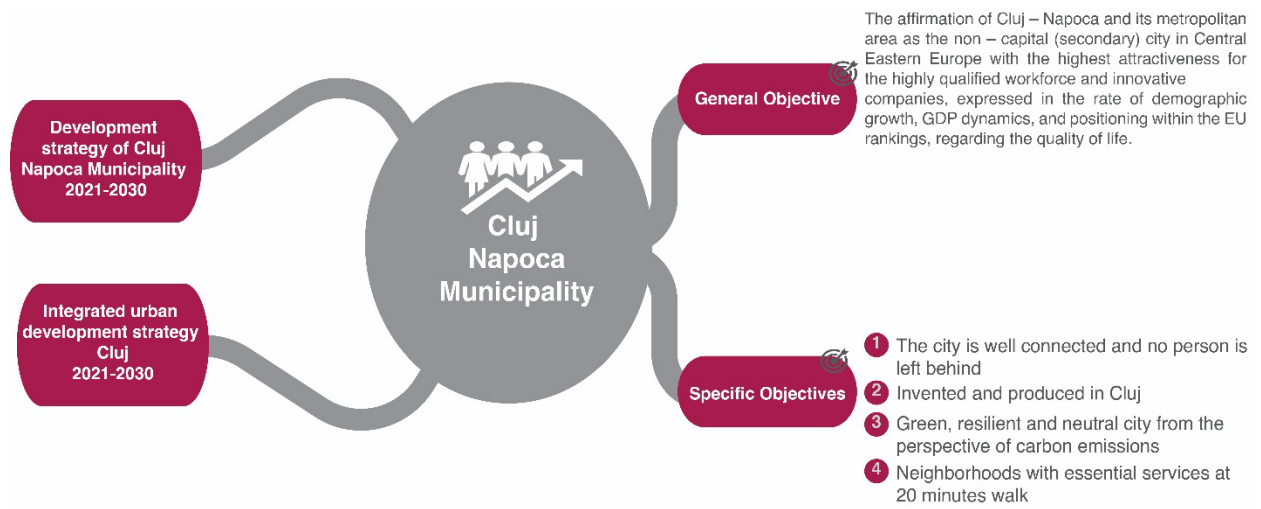
SAI from **Montenegro and North Macedonia** stated that municipalities have not prepared and adopted action plans for post-crisis recovery.

The municipalities in **Montenegro** during the process of adopting the budget for 2021 had to take into account the quality management of resources, which is of crucial importance for the long-term stability of the public finance system, as well as for the overall economic development, availability and quality of public services and thus the overall standard of living. The budget of the municipality should be in accordance with the Guidelines for Macroeconomic and Fiscal Policy of the Government of Montenegro for the period 2020 - 2023 and the professional instructions of the Ministry of Finance for the preparation of the budget of the local self-government units for the next fiscal year. The Government has created Economic Recovery Platform for the period 2022 – 2026, in which, among other things, gathered and elaborated data on the impact of COVID-19 pandemic by regions and municipalities in Montenegro.

Through the annual budget execution reports, the municipalities in **North Macedonia** have an insight into the financial situation and the implemented activities. No action plan has been made for the areas in which additional investment needs have been identified. The needs have been translated into the preparation of the municipal budget for 2021 and 2022. Municipal budgets are prepared in accordance with the Budget Circular prepared by the Ministry of Finance, which contains guidelines for the preparation of the budget. Through this circular, the municipalities are informed about the macroeconomic projections and strategic priorities of the Government. During the process of preparing the Municipal Budget for 2021 and 2022, it was necessary to respect the principle of budget discipline and rational and purposeful spending by reducing unproductive costs and providing more space for development investments and co-financing of projects financed by European funds.

However, based on the gained experience, SAIs of **Montenegro** and **North Macedonia** stated that municipalities should design and make operational plans for post-crisis recovery that would serve as a valid basis for crisis response and ensure stability and business continuity in future crises.

Good practice in Romania



Appendix 1: Audit framework

Main audit question:

Are the municipalities' own revenues sufficient to provide quality services to citizens in conditions of a pandemic?

Audit aspects; secondary audit questions:

1. Does the structural and functional setup of the crisis management system allow municipalities to take quick and appropriate measures in pandemic conditions?
2. Have the municipalities taken appropriate actions in order to ensure financial stability and sustainability in conditions of a pandemic?
3. Did the measures taken by the municipalities during the pandemic ensure timely and quality delivery to the citizens?
4. Do the measures taken at the local level for post-crisis recovery affect the improvement of economic and social development?

Audit sub-questions

- 1.1. Did the legal regulations for crises management included pandemic risk?
- 1.2. Is there adequate coordination and communication established at central and local level?
- 1.3. Did the municipalities implement the legal requirements for crisis management?
- 2.1. Did municipalities respect the principles of transparency and accountability for proper budget planning?
- 2.2. Did municipalities during their work, establish strategic and programming goals and priorities?
- 2.3. Did the pandemic affect the budget implementation and liquidity of the municipalities?
- 3.1. Did the pandemic affected municipalities' administrative capacity and operational services?
- 3.2. Are the programming documents revised?
- 3.3. Are proper decisions made in order to undertake proper activities in the field?
- 3.4. Are there procedures adopted for implementing the measures that will provide quality services to the citizens?
- 4.1. Did municipalities adopt a plan for post-crisis recovery?
- 4.2. Is there coordination of the activities with the central government?

<i>pandemic issues</i>	<p>pandemics and any natural disaster management have not been approved yet, such as:</p> <ul style="list-style-type: none"> • The new National Plan for Civil Emergencies (the current national plan was approved in 2004); • The National Strategy for Disaster Risk Reduction.
<i>Insufficient allocated funds for civil emergency</i>	<p>The central government has not allocated to the municipalities the minimum fund of 4 % of their total annual budget as a fund for civil protection, which is provided through the conditional funds. With the exception of the municipality of Shkodër, which has met the 4% threshold, using its own revenues. Municipalities in general do not manage to fulfill this legal obligation</p>
<i>No risk assessment in local level regarding</i>	<p>Municipalities have not implemented the legal obligation to carry out a risk assessment in their territory within 2 years from the entry into force of the new law on civil protection, by drafting and approving the disaster risk assessment document, due to the lack of national risk assessment strategy.</p>
<i>Lack of local emergency plans.</i>	<p>Local plans for civil emergencies have not been approved because the national plan for civil protection is not updated. The preliminary drafts of these documents, related to the risk of pandemics, have not defined the roles, structures, logistical and financial capacities. During the pandemic, no specific plan was drawn up for the management of the pandemic and local units were limited in implementing the instructions issued by the Central Institutions. Also, these draft plans do not have a financial analysis on the possible costs that a pandemic crisis creates.</p>
<i>Lack of proper organization structure</i>	<p>Except the Municipality of Tirana (the capital city) and the Municipality of Shkodër, all the other audited municipalities, do not have a complete organization structure related to civil emergencies at the directorate level, which should include different sectors for risk analysis, damage assessment, managers of operations in the municipality, etc. In some municipalities civil emergencies are established at the sector level.</p>
<i>Lack of capital investments to mitigate the effects of the pandemic</i>	<p>The investments made by the municipalities related to the Covid-2019 pandemic include some expenditures for disinfection and food packages, but not investments that bring an added value, for example increasing the capacities of primary health centers.</p>
Conclusion	<p>In the management of civil emergencies, municipalities are mainly involved in dealing with civil emergencies such as fires and floods. Although, the civil defense law provides that the management of a crisis initially should be by the local government, the Covid-2019 pandemic showed that the risk from the pandemic is managed from top to bottom, i.e. by the central health institutions, while the role of the municipality remains in the form of a logistical supporter. In the case of the pandemic, which requires specific units and expertise in the health area, including funds, a pandemic management at the local level cannot be fully exercised without decentralization.</p>

Audit Aspect no.2	Did municipalities undertake appropriate activities in order to ensure financial stability and sustainability during pandemic?																																																																																																						
<i>Proper budget planning</i>	<p>The sources of financing for the local units are mostly insufficient, therefore the financial resources available to the municipalities are not proportional to the tasks they have to perform. The audit shows that we have a poor performance on the part of the Local Units in the realization of their own incomes, leading to a failure to realize the annual budgets.</p> <p>As a consequence, the non-realization and frequent changes in the main budget programs result in, planning is not well argued, bearing in mind the correct determination of the cost of products so that the programming of budget expenditures during the coherent year are as realistic as possible and the changes be as small as possible and only for necessary cases.</p>																																																																																																						
<i>Program goals and priorities</i>	<p>The Local Units during the pandemic management phase have approved some decisions for economic assistance for the vulnerable groups as well as for the purchase of materials. From the verification of the planning and realization of the annual budgets, it results that on the part of the Local Units, there has not been a well-argued process for dealing with the pandemic situation.</p>																																																																																																						
<i>Budget implementation and liquidity</i>	<p>Regarding the implementation of the budget as a result of the pandemic, it should be noted that there was a significant impact due to the difficult situation created.</p> <p><i>The budgets realization in 12 municipalities year 2019 – 2020 in 000 euro</i></p> <table border="1" data-bbox="363 1133 1487 1682"> <thead> <tr> <th rowspan="2">No.</th> <th rowspan="2">Municipality</th> <th colspan="3">Budget 2019</th> <th colspan="3">Budget 2020</th> </tr> <tr> <th>Plan</th> <th>Fact</th> <th>%</th> <th>Plan</th> <th>Fact</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tiranë</td> <td>231,475</td> <td>192,475</td> <td>83%</td> <td>300,091</td> <td>216,742</td> <td>72%</td> </tr> <tr> <td>2</td> <td>Durrës</td> <td>29,339</td> <td>25,434</td> <td>87%</td> <td>23,949</td> <td>21,513</td> <td>90%</td> </tr> <tr> <td>3</td> <td>Lezhë</td> <td>12,415</td> <td>11,011</td> <td>89%</td> <td>11,385</td> <td>8,023</td> <td>70%</td> </tr> <tr> <td>4</td> <td>Shkodër</td> <td>32,506</td> <td>32,419</td> <td>100%</td> <td>32,546</td> <td>31,337</td> <td>96%</td> </tr> <tr> <td>5</td> <td>Elbasan</td> <td>24,798</td> <td>17,131</td> <td>69%</td> <td>24,385</td> <td>16,684</td> <td>68%</td> </tr> <tr> <td>6</td> <td>Berat</td> <td>10,33</td> <td>8,508</td> <td>82%</td> <td>10,03</td> <td>8,285</td> <td>83%</td> </tr> <tr> <td>7</td> <td>Gjirokastër</td> <td>7,649</td> <td>6,831</td> <td>89%</td> <td>8,406</td> <td>6,889</td> <td>82%</td> </tr> <tr> <td>8</td> <td>Sarandë</td> <td>10,982</td> <td>8,74</td> <td>80%</td> <td>11,443</td> <td>8,758</td> <td>77%</td> </tr> <tr> <td>9</td> <td>Dibër</td> <td>7,162</td> <td>6,029</td> <td>84%</td> <td>7,56</td> <td>5,91</td> <td>78%</td> </tr> <tr> <td>10</td> <td>Korçë</td> <td>19,647</td> <td>14,572</td> <td>74%</td> <td>16,924</td> <td>11,994</td> <td>71%</td> </tr> <tr> <td colspan="2">Total</td> <td>386,307</td> <td>323,154</td> <td>84%</td> <td>446,723</td> <td>304,801</td> <td>75%</td> </tr> </tbody> </table> <p><i>Source: Data collected from municipalities under audit, processed by the audit team</i></p> <p>The main impact in the non-realization of the 2020 budget was caused by the poor performance of the budget realization by the Municipality of Tirana with 72%, the Municipality of Elbasan with 68%, etc.</p>	No.	Municipality	Budget 2019			Budget 2020			Plan	Fact	%	Plan	Fact	%	1	Tiranë	231,475	192,475	83%	300,091	216,742	72%	2	Durrës	29,339	25,434	87%	23,949	21,513	90%	3	Lezhë	12,415	11,011	89%	11,385	8,023	70%	4	Shkodër	32,506	32,419	100%	32,546	31,337	96%	5	Elbasan	24,798	17,131	69%	24,385	16,684	68%	6	Berat	10,33	8,508	82%	10,03	8,285	83%	7	Gjirokastër	7,649	6,831	89%	8,406	6,889	82%	8	Sarandë	10,982	8,74	80%	11,443	8,758	77%	9	Dibër	7,162	6,029	84%	7,56	5,91	78%	10	Korçë	19,647	14,572	74%	16,924	11,994	71%	Total		386,307	323,154	84%	446,723	304,801	75%
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4	Shkodër	32,506	32,419	100%	32,546	31,337	96%																																																																																																
5	Elbasan	24,798	17,131	69%	24,385	16,684	68%																																																																																																
6	Berat	10,33	8,508	82%	10,03	8,285	83%																																																																																																
7	Gjirokastër	7,649	6,831	89%	8,406	6,889	82%																																																																																																
8	Sarandë	10,982	8,74	80%	11,443	8,758	77%																																																																																																
9	Dibër	7,162	6,029	84%	7,56	5,91	78%																																																																																																
10	Korçë	19,647	14,572	74%	16,924	11,994	71%																																																																																																
Total		386,307	323,154	84%	446,723	304,801	75%																																																																																																

The total expenses of the municipality for the management of the Covid-2019 pandemic and what % of them were covered by their own income

'000 Euro

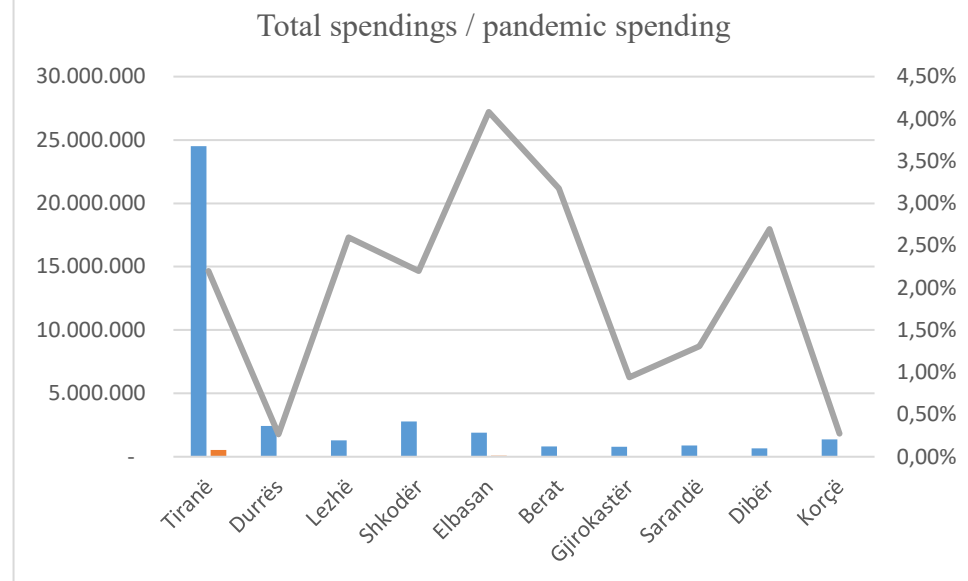
No.	Municipality	Total expenses of municipality 2020	Total Pandemic Spending 2020	Covered by revenues from local taxes and fees	Covered by transfers	Fund for emergency situations
1	Tiranë	216,742	4,769	4,053	715	-
2	Durrës	21,513	57	57	-	-
3	Lezhë	11,385	295	164	6	124
4	Shkodër	24,522	539	148	-	390
5	Elbasan	16,684	681	142	8	530
6	Berat	7,217	229	67	-	161
7	Gjirokastër	6,889	64	40	1	22
8	Sarandë	7,805	102	22	-	79
9	Dibër	5,91	159	-	46	112
10	Korçë	11,994	32	1	23	7
Total		330,666	6,93	4,699	802	1,428

Source: Data collected from municipalities under audit, processed by the audit team

In 2020, for the Covid 19 pandemic situation, the Municipalities have spent 6,930,000 Euro which compared to the total expenses is 2%, it shows that we have very low expenses to cope with the situation.

The expenses of the pandemic during 2020 have been covered by municipalities own incomes in the amount of 4, 699,000 Euro or in relation to the total in the amount of 67%, from transfers in the amount of 802,000 Euro or in the amount of 11% and from the fund for emergency situations in the amount of 1,428,000 Euro or 20%.

The ratio of actual 2020 expenses for each municipality compared to the expenses for the pandemic carried out during 2020, is presented as follows:



The municipality of Tirana with the highest specific weight presents expenses for the pandemic in the amount of 2.2%. Almost all the municipalities are at the threshold of 2% of expenses for the pandemic, except for Elbasan Municipality at the rate of 4%.

This situation shows a very low and almost negligible ratio of pandemic expenses on the part of Local Units.

From the data presented, it results that during 2020, the revenue collection by 10 municipalities was 293,072,000 Euro, which compared to the period of 2019, had decreased by 8,751,000 Euro. This decrease in income has come as a result of the difficult situation created by the pandemic.

For the year 2020, the main weight according to income typology is represented by municipalities own incomes from local taxes and fees in the amount of 166,081,000 Euro or in relation to the total in the amount of 56%, as well as income from unconditional transfers in the amount of 117,764,000 Euro or 40%.

What is worth noting is that we have a decrease in the realization of incomes from taxes and local fees by the Municipalities for 2020 compared to the previous period.

The Local Units for the 2020 budget year have planned their revenues in unreal and unsubstantiated values, there is an artificial increase in the income plan, a phenomenon that is also noticed by their realization at not good levels.


Based on this phenomenon, during the planning of the 2020 annual budgets, the Local Units have planned to carry out capital and current expenditures based on the unconditional transfer and unrealistic income plan. As a result, a bad percentage of the realization of the annual budgets is found.


Conclusion

In the 2020 budget year, during the planning phase of annual budgets, turns out to be higher than previous years by 19.3% compared to 2018 and by 15.6% compared to in

	<p>2019, but during the implementation phase of annual budgets for 2020, it turns out that we have a lower realization compared to previous years by not using the available funds for investments or services that were planned at the beginning of the year.</p> <p>As for the financial stability of the Local Units, the audit showed that in most cases the main financing mechanisms are insufficient, as well as the financial resources available are not proportionate to the tasks the municipalities perform. Also, Local Units have a poor financial autonomy because most funds come from unconditional transfers and conditional transfers, while the funds from tax revenues and local fees are insufficient and often have a low level of realization of their own income.</p> <p>During the pandemic management phase, the Local Units have approved rules for postponing the payment deadline for local taxes and fees for businesses in the period in which they have closed their activities.</p> <p>In the implementation phase of the annual budgets of Local Units for 2020, it turns out that we have a 25% non-realization of the budget, a fact that shows that some of the programs and policies planned at the beginning of the year have not been implemented. Also, we have a revenue realization for 2020 that has decreased compared to the previous year 2019 in the amount of 8, 751, 000 euro, affecting the liquidity of the budget of local units. On the part of Local Units, the expenses incurred during 2020 are presented in the amount of 6,930,000 Euro, where compared to the total expenses, they are in the amount of 2%, which shows that we have minimal expenses on their part to cope with the pandemic situation.</p>
<p>Audit Aspect no.3</p>	<p>Did the measures undertaken by the municipalities during the pandemic ensured timely and quality delivery of services to the citizens?</p>
<p><i>Administrative capacity</i></p>	<p>During the pandemic period, especially from March to June 2020, the Local Government Units were organized and adapted to the situation created by the Covid-2019 pandemic. Their administrative capacity and the provision of operational services to citizens has been reorganized in accordance with the rules approved by the central government. The central government at the beginning of the pandemic, but also during the following months, has adopted a series of rules in order that all institutions operate effectively during the pandemic situation. The municipalities have not adopted other rules for the provision of operational services that are specific to the characteristics of each municipality. The instructions issued by the central government regarding the combination of office and online working hours have been followed by all municipalities. The staff faced challenges in fulfilling their operational duties as the employees were not familiar with teleworking and the municipalities did not have the appropriate infrastructure to provide the support they needed. Directorates or sectors whose activity did not necessarily require physical presence in the offices have been organized online, while other units have been present in the workplace. The audit results showed that in the audited municipalities over 50% of the staff were present in the offices during the first months of the pandemic. The pandemic situation has directly affected the</p>

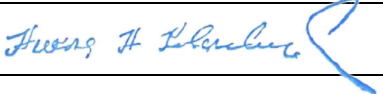
	<p>administrative capacities of the Local Government Units, which have to put extra efforts in fulfilling their duties to provide timely and quality services to citizens.</p>
<p><i>Undertaking proper activities in the field</i></p>	<p>In the year 2020, mainly during the period March-June 2020, the decisions taken by the audited municipalities regarding the proper activities in the field consisted of:</p> <ul style="list-style-type: none"> - approving orders for the establishment of emergency groups; - approving orders for the establishment of working groups or coordinating staffs for taking proper measures to assist at home all vulnerable groups; - approving orders for the staff working hours; - decisions to approve the list of beneficiaries of food packages, etc. <p>The 10 audited municipalities have not approved other specific orders or decisions which apply with the level of the pandemic spread in their territory. They have followed the rules approved by the central government as for example citizen's movement schedules, suspension of various activities, etc.</p> <p>At the local level the most affected services by the pandemic, as well as by the imposition of protective measures by the government, have been the social service, public relations, local taxes and fees, cultural and sports activities and public transportation.</p>
<p>Conclusion</p>	<p>The situation created by the Covid-2019 pandemic has affected the administrative capacities of Local Self-Government Units. Municipalities have had a lack of staff as a result of the infection of the employees themselves or their family members. To cover this lack of employees in the units that were directly related to the provision of operational services, other employees from different units were engaged.</p> <p>Furthermore, for services that had to be offered on the ground, various volunteers who were coordinated by the municipal employees were involved.</p> <p>The field activities undertaken by the local government have been limited and mainly consisted of the distribution of food packages for the vulnerable groups, the delivery of medicines for certain categories of citizens, cleaning, disinfecting, and sanitizing of public spaces and institutions, as well as the marking public institutions and public areas for social distancing.</p> <p>Local Government Units have not fully exercised their powers with reference to the legal framework since the management of the pandemic was done by the central government.</p>
<p>Audit Aspect no.4</p>	<p>Do measures undertaken by the local authorities for post-crisis recovery affect the improvement of their socio-economic development?</p>
<p><i>Lack of recovery plan,</i></p>	<p>Due to financial impossibility and the insufficient level of the civil defense fund, the municipalities have not drawn up a plan for recovery from Covid-2019, given that the value of rehabilitation or compensatory measures is several times higher than the civil</p>


<i>mainly due to lack of funds</i>	defense fund. Recovery, as the most important link of the civil emergency process, is not identified through a special fund dedicated to this process, but continues to remain an abstract concept for municipal civil emergencies.
Conclusions	The recovery plans of the municipalities should not be formal documents of a scholastic nature, but should first guarantee the establishment of responsible structures within the municipalities, with clearly defined tasks and above all, the exercise of the functions within the recovery should be accompanied by budgetary disbursements.
Overall conclusions (from the national report)	
	<p>The recommendations of the audit for the municipalities and the Ministry of Finance and Economy are:</p> <ol style="list-style-type: none"> 1. Better budget planning, based in the incomes; 2. Improve the distribution of budget funds; 3. Draft and approve Local Emergency Plans; 4. Collaborate with the National Civil Protection Agency to draft a document to define the role and the duties of the local government on crisis management during a pandemic; 5. Better coordination and collaboration between the municipalities of the same region; 6. Establish specific units for crises management; 7. Reevaluate the emergency fund allocation formula, determining as a basic criteria the level of risk of natural disasters at the municipal level.
Arben Shehu	
<i>Chairman</i>	
	
/signature /	


 <p>DRŽAVNA REVIZORSKA INSTITUCIJA CRNE GORE 1901</p>	<p>Državna revizorska institucija</p>	<p>SAI of Montenegro</p>
<p>Main audit question:</p> <p>Answer:</p>	<p>Are the municipalities' own revenues sufficient to provide quality services to citizens in pandemic conditions?</p> <p>In the case of majority of municipalities, municipalities' own revenues were not sufficient to provide quality service to citizens during pandemic.</p>	
<p>Main findings in national audit</p> <p>Institutional and functional set-up of the Crises management system</p>	<p>Finding 1: Montenegro has not yet adopted the Law on crisis management that will provide complete and singular normative regulation of this area. In principle, the Government and the responsible entities responded to the need to establish a multi-sector coordination mechanism in response to Covid-19. However, the insufficiently clear legal basis for the formation and competence of the National Coordination Body, and the absence of wider social inclusion and representation in the NKT structure, since the wider inclusion of municipal representatives and civil society was not provided, limited existing control mechanisms' ability to achieve their full function, which ultimately affected the efficiency of the entire process.</p> <p>Finding 2: The audit established that the protection and rescue system in Montenegro, as a less developed country, is vulnerable due to the lack of national resources, both at the state and local level (The facilities of the municipal protection and rescue services in 8 municipalities are inadequate; of the total number 15% of vehicles in municipal protection and rescue services are defective, in 5 municipalities dilapidation of personal protective equipment was recorded, et cetera.</p> <p>It is also worrying that the MUP's Unit for aerial firefighting has 3 (three) firefighting aircraft, of which two were damaged during interventions in November 2020 and June 2021, while the radio communication system in use does not meet the standards required by aviation regulations. Also, in 2020 the budget of the Protection and Rescue Directorate and all of the municipal protection and rescue services was approximately 13€ million at the state level, which was assessed as insufficient. Protection and Rescue Directorate and municipalities established bilateral and regional cooperation through the protection and rescue</p>	


<p>Financing of municipalities</p>	<p>system, and through that cooperation and partnership with regional countries and EU received and provided aid in crisis situations.</p> <p>Finding 3: The pandemic affected the implementation of the budget and the liquidity of the municipalities. The sum of own revenues of local self-governments in 2020 is lower by 37.462.896,22€ compared to 2019 and lower by 39.295.263,65€ compared to 2021. The fact that 19 out of 24 municipalities in Montenegro are below the national development average is worrying, which indicates their poor financial position and required the establishment of financial equalization procedures through the Equalization Fund for 18 municipalities, while up to 1% of the projected current state budget has been allocated for the development of the Old Royal Capital Cetinje. Also worrying is the fact that in the previous period, the Parliament of Montenegro passed regulations related to the decrease in income and increase in expenditures of municipalities (Amendments to the Law on Personal Income Tax, adoption of the Branch Collective Agreement for the Administration and Judiciary) without an adequate assessment of the financial impact, and without a provided statement from the municipalities, which is not in accordance with Art. 13 of the Law on Local Self-Government. In accordance with the same article of the Law, the Municipality can give opinions, initiatives, and proposals to the state authority regarding issues that are within its jurisdiction or are of interest to local self-government.</p>
<p>Municipal services</p>	<p>Finding 4: Most of the municipalities have formed a separate Corona Info segment with the aim of informing the public in a timely manner. Call centers of the Municipal Protection and Rescue Teams were established, with a 24-hour telephone line activated, where citizens could be informed about the epidemiological situation in the municipality and apply for the necessary assistance. Also, by using wireless networks and digital infrastructure, municipalities have managed to reduce the risks of illness and continue working in safe conditions.</p> <p>The Ministry of Education, Science, Culture and Sports, as part of the "Learn at Home" project, recorded lessons classified by education levels, subjects, and grades and broadcast them on television channels. There was also a broadcast for students who follow classes in the Albanian language. The classes aired on TV channels have been uploaded on the Uči Doma YouTube channel and the portal www.ucidoma.me. The classes were broadcast continuously from the beginning of the epidemic in March 2020 until the end of that school year, as well as during the entire school year 2020/2021. The "Learn</p>

<p>Plans for recovery</p>	<p>at Home" project was evaluated as one of the most positive examples of how a crisis is used as an opportunity.</p> <p>Finding 5: Municipalities provided subsidies or co-financing of costs for water consumption, sewage use, and cleaning services for all persons on The Employment office's records and beneficiaries of material security for families, as well as additional assistance to persons in a state of social need. In 2020, from account 4316 - Transfers for one-off social payments, the municipalities provided the fund payments to the most vulnerable category of persons in a state of social need in the amount of 1.381.565,70€ . Although that amount is higher than the sum of payments in 2019 by 11.40%, and in 2021 it was increased by an additional 14.77% to 1.622.839,92€ . Based on submitted documentation and analysis of public opinion polls by an independent agency, the assessment is that this help was not enough.</p> <p>Finding 6: Municipal organizations of the Red Cross, with the help of volunteers, distributed packages with basic food, hygiene, and disinfection products to persons in a state of social need, persons who were unable to move, and others in need. Hiring volunteers was a complete success because, in addition to the self-sacrifice shown in their work, they also knew the location of each household, which ensured that the necessary supplies reach the citizens the fastest way. Voluntary fire brigades with a long tradition operating in Kotor, Tivat, and Herceg Novi, as well as voluntary fire brigades from Nikšić, are part of the protection and rescue system.</p> <p>Finding 7: Municipalities have not prepared and adopted action plans for post-crisis recovery, while the Government created the Economic Recovery Platform of Montenegro for the period 2022 - 2026, in which, among other things, data on the impact of the COVID-19 crisis per regions and municipalities in Montenegro were collected and elaborated.</p>
<p><i>Recommendations:</i></p>	<p>Recommendation U1: Recommendation to the Government and competent institutions is to improve the legal and by-law framework in order to eliminate ambiguities related to the formation and competence of bodies for coordination and management in epidemic conditions and to ensure the compliance of the work of all bodies with regulations, as well as the wider inclusion of all relevant social factors which would insure better coordination and functioning of competent services and reduce the risk of making wrong decisions.</p>

	<p>Recommendation U2: During the preparation of laws and other regulations that may affect the financial position, rights, and obligations of local self-governments, the municipality should act proactively and provide a proposal/opinion to the Assembly before the adoption process regarding all issues that are within municipal jurisdiction or in the interest of the municipality.</p> <p>Recommendation U3: Recommendation to the Government and municipalities is that, in order to strengthen national resources, allocate more funds for the protection and rescue system and through international cooperation and partnership with the countries in the region and the EU, which rests on the principles of solidarity and mutual assistance in crisis situations, provide necessary resources in case of a need for the operational response for all sorts of accidents.</p> <p>Recommendation U4: Municipalities should continue to familiarize citizens with the advantages of digitalization of services and their use, which enables simplification of procedures, lower costs for service users, and business continuity in safe conditions. Also, in order to improve the quality of local government services, municipalities should continue with digital training programs for local officials and employees.</p> <p>Recommendation U5: Municipalities, within their competencies, should continue to lead a responsible social policy towards the most vulnerable categories of the population and focus projects such as free textbooks, child allowance, solving housing needs, and similar measures on socially vulnerable residents in the coming period, with the implementation of the social card.</p> <p>Recommendation U6: Municipalities should continue to strengthen the awareness of all citizens, especially the younger population, about the importance of volunteerism in the protection and rescue system and strengthen the capacity of voluntary societies and organizations of a similar nature.</p> <p>Recommendation U7: Based on the gained experience, municipalities should design and operationalize post-crisis recovery plans that would serve as a valid basis for crisis response and ensure stability and business continuity in future crisis situations.</p>
Signature:	President PhD. Nikola N. Kovačević 

	State Audit Office	SAI of North Macedonia
<p><i>Main audit question:</i></p> <p><i>Answer:</i></p>	<p>"Are the municipalities' own revenues sufficient to provide quality services for citizens in conditions of a pandemic?"</p> <p>The scope and evidence obtained with implementation of audit techniques and methodology provide basis for expressing the following conclusion:</p> <p>Own revenues of municipalities in the pandemic year 2020 recorded a decrease of 15.2% compared to the previous year and their amount of 8.000 denars per capita is not sufficient for creating and implementing efficient policies at local level and for providing quality services for citizens, all the more so that $\frac{1}{3}$ of this amount is used for the needs of the municipal bodies.</p>	
<p><i>Main findings in national audit</i></p>	<p>In the Republic of North Macedonia there is no national strategy for disaster risk reduction with clearly defined priorities and strategic goals at national level, which does not provide solid basis for planning efficient and effective policy for reducing consequences of disasters and strengthening resilience in crisis situations, epidemics, pandemics, etc. Crisis management and protection and rescue is organized through two independent systems of action. The systems' layout and the unimplemented decentralization process in the area of healthcare do not allow municipalities to take quick and independent measures to help and protect the population in conditions of a pandemic.</p> <p>Compliance with the principles of participation and transparency is not ensured in the budget process, which does not provide solid basis for adoption of a civil budget in which the interests and needs of the stakeholders will be included. Only 5% of the citizens were consulted by their municipality when preparing municipal budgets and programs, while 39% believe that the municipal budget does not include the needs of the municipality's residents. The municipalities do not have strategic planning with clearly defined priorities and strategic goals for preparation of annual programs with specific activities aimed at development of the municipality and meeting the needs of the citizens. The unexecuted/untimely rebalancing of budgets, i.e. adjustments of expenditures according to realized revenues, which in 2020 are in the amount of 70% of the planned, result in increased share of liabilities in own revenues by 7% compared to the previous year. The increased liabilities and the rapid increase in borrowing revenues of 85% compared to the previous year, in conditions of prolonged health and economic crisis do not provide assurance for the financial stability and sustainability of the municipalities, while less realized revenues than planned limit municipalities' ability to deliver appropriate services to the citizens.</p>	

	<p>Programming and economic adjustments of the budgets are not aimed at taking additional activities to meet the needs of the citizens, which in the period of the pandemic are mostly in the field of healthcare, education and social protection. The funds spent by municipalities in the field of education of 2%, social protection of 1% and healthcare under 1% are insignificant in relation to the total expenses, as shown by the results of the survey. Thus, the biggest problem for citizens in both rural and urban municipalities during the pandemic were healthcare services, closing of workplaces and the so-called "distance learning", which resulted in citizens' perception of an average score of 2.7 (on a scale of 1 to 5) for the quality of municipal services during pandemic.</p> <p>The municipalities have not undertaken activities to develop plans for post-crisis recovery aimed at overcoming health and socio-economic consequences of the pandemic. This points to a lack of vision for recovery and measures for adjustment, financial stability and building resilience of the municipalities, which should provide sustainable environment for economic investment and development.</p>
<i>Recommendations:</i>	<p>Recommendations have been given to the Government of the Republic of North Macedonia, the Ministry of Local Self-Government and the municipalities. The audit recommendations refer to taking action for:</p> <ul style="list-style-type: none"> - Adopting a National Strategy for reducing disaster risks. - Intensifying activities for setting up an integrated system for crisis management and protection and rescue. - Reviewing competence of municipalities in the area of healthcare and protection and rescue in the Law on Local Self-Government and material laws. - Analysing the capability of municipalities in relation to their legal competences. Based on the analysis to reconsider the model of decentralization in function of adjusting competences according to the potential/resources of the municipalities. - Determining mechanism for inclusion of the local population in the preparation of municipal strategic plans and programs. - Adjusting the budget according to the realized revenue and expenditure in financial plans. - Measuring citizens' satisfaction with the quality of life in the municipality and channelling funds into program activities to meet their needs. - Strengthening municipalities' administrative capacities and operational bases for administration and collection of tax revenues. - Assessing the impact of crises and developing post-crisis recovery plans.
<i>Signature:</i>	<p>Auditor General Maksim Acevski M.Sc. </p>

	Najwyższa Izba Kontroli	SAI of Poland
<p>Ensuring the proper implementation of public services to residents of selected communes of the Opolskie Voivodeship during the COVID-19 pandemic</p>		
<p><i>Main question:</i></p> <p><i>audit</i></p> <p><i>Answer:</i></p>	<p>Were the revenues of the communes sufficient to ensure the proper implementation of public services to the residents of the commune during the COVID-19 pandemic, and were the commune's actions effectively limiting and counteracting its negative effects?</p> <p>The communes where the inspection was carried out obtained income enabling the proper implementation of their own tasks, as well as effectively limited and counteracted the negative effects of the COVID-19 epidemic as part of the implementation of the tasks covered by the inspection.</p>	
<p><i>Main findings in national audit</i></p>	<p>Starting from March 2020, due to the spread of the COVID-19 epidemic, special legislative solutions were adopted regarding the prevention and combating of infections, as well as the financing of such activities.</p> <p>A total of PLN 235.5 billion was allocated to counteract the negative effects of the pandemic in 2020-2021, the vast majority of these funds (PLN 143.4 billion) came from the off-budget Fund. These tasks were carried out by both central and local government administration.</p> <p>In 2021, local government units achieved total revenues of PLN 333.4 billion, i.e. 102% of the annual plan. Compared to 2020, the income of local government units increased by 9.3%, and by 2019 by 19.7%. An increase in total income was recorded in all types of local government. The highest dynamics of generated income was recorded in cities with poviats rights and communes.</p> <p>The communes where the inspection was carried out obtained income enabling the proper implementation of their own tasks, as well as effectively limited and counteracted the negative effects of the COVID-19 epidemic.</p> <p>Despite earlier assumptions, which foresaw a decrease in own income in the initial phase of the epidemic, this income did not decrease. This resulted, among others, from the high growth rate of tax revenues, including mainly shares in corporate and personal income tax and fees for waste management.</p> <p>Municipalities correctly planned budget revenues in order to ensure financial stability and the implementation of their own tasks during the pandemic.</p>	

The effects of the epidemic did not significantly affect the income obtained by the municipalities in 2020-2021. During the epidemic, own income was properly planned. Out of the five communes where the inspection was carried out, only in Brzeg in 2020 revenues slightly decreased (by 13%) compared to 2019, and in 2021 in Opole a decrease in income compared to 2020 was recorded at the level of 4.4%. In other cases, the own income of municipalities has been growing successively since 2018.

In the Communes, the negative effects of the pandemic were effectively limited.

During the epidemic, all offices were available to residents, and only in Olszanka the Mayor decided to temporarily limit the performance of tasks only to those necessary to provide assistance to citizens.

The number of cases dealt with in offices in 2019 and 2021 was at a similar level (respectively: 58,262 and 52,746 cases), and in 2020 it decreased to 43,317 (by 25%). There was a clear increase in the number of cases dealt with using the ePUAP platform and by electronic communication, i.e. by 97% in 2020 and 82% in 2021 compared to 2019.

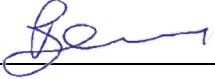
In the years 2020-2021, the executive bodies of municipalities took effective actions to enable the uninterrupted implementation of their own tasks, including, among others, social assistance, education and public transport. These tasks were performed taking into account the need to maintain the necessary restrictions and sanitary requirements.


In all units covered by the inspection, an analysis of the possibility of introducing optional reliefs and exemptions in local taxes and fees was carried out in order to mitigate the negative effects of the epidemic, and solutions limiting the financial burden of selected groups were adopted in three communes residents and entrepreneurs during the epidemic.

Procedures were in place in the offices to ensure the continuity of their operation, based mainly on the system of substituting absent employees. Changes to these procedures introduced during the epidemic in most cases, referred to the rules for remote work and the organization of offices taking into account sanitary restrictions and requirements.


In total, in the years 2020-2021, PLN 83.4 million were spent on combating the effects of the epidemic of local government units where the inspection was carried out. This accounted for 19.5% of funds spent by all LGUs in the Opolskie Voivodeship. These funds came mainly from external sources, in particular from the Fund, including the RFIL, the state budget and the EU.

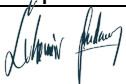
The audited expenditures in the amount of PLN 35.6 million, including those under RFIL, the Remote School, Remote School+ grant projects and the government program Future Laboratories, were made in accordance with the applicable rules.

<i>Recommendations:</i>	Due to the lack of any irregularities, NIK did not formulate conclusions or post-inspection remarks.
<i>Signature:</i>	Mr. Marian Banaś, President 

 <p>ROMANIAN COURT OF ACCOUNTS</p>	ROMANIAN COURT OF ACCOUNTS	SAI of ROMANIA
<p><i>Main audit question:</i></p> <p><i>Answer:</i></p>	<p>Did the municipalities manage to offer citizens quality services in pandemic conditions?</p> <p>The pandemic has demonstrated that preparedness to manage a crisis of this magnitude is not yet sufficient and that concerted efforts are needed to overcome the existing challenges, focused in particular on understanding disaster risks, strengthening governance and coordination between institutions, involving all relevant sectors, of non-governmental organizations as well as citizens.</p>	
<p><i>Main findings in national audit</i></p>	<ul style="list-style-type: none"> ❖ The crisis management systems (CMS) is regulated by a series of normative acts and involves close collaboration between different state institutions with the involvement of the public sector, the private sector, civil society and last but not least the citizens whose living conditions and work aims to protect ❖ The existing legislative framework at the beginning of the pandemic was in permanent harmonization with European regulations and with the evolution of the operational situation. ❖ The institutionalized structure of the system is regulated and establishes the necessary coordination and leadership/subordination relationships between state institutions with decision-making and execution power, thus allowing firm measures to be taken to combat a crisis/pandemic. The allocation of financial resources was realistic, as it took into account the urgent needs of society, especially the needs of the health system. ❖ The principle of transparency and responsibility of municipal budgets was respected, its public debate was ensured on the occasion of its approval, the publication of the local budget project on the municipalities' website, the subsequent rectifications, the municipalities trying to maintain a prudent level of the expenditure balance. ❖ The strategic and programming objectives of the municipalities were established according to the results of the analysis of the situation in a pandemic context, the capacity and availability of its resources, the 	

	<p>mission, the vision and the targets to achieve acceptable results in the management of the COVID-19 crisis.</p> <hr/> <ul style="list-style-type: none"> ❖ The approach of the entity's representatives during the pandemic in terms of strategic and programming objectives and priorities depended on the administrative capacity strictly from the perspective of the availability of its human and financial resources. <hr/> <ul style="list-style-type: none"> ❖ Both revenues and expenses during the pandemic were influenced by the reduction in the volume of activity in most sectors, a consequence of the administrative measures adopted by the Government in order to limit the effects of the health crisis. <hr/> <ul style="list-style-type: none"> ❖ Although there has been a decline in tax revenue collection, the provision of facilities at the local level has played a key role in maintaining economic balances and ensuring the stability and predictability of revenue sources. <hr/> <ul style="list-style-type: none"> ❖ Against the background of the emergency generated by the spread of the COVID-19 virus, the municipalities have aligned themselves with the procedures established at the central and European level, taking sanitary measures aimed at preventing the spread of the epidemic and combating its effects. The operational implementation of the measures was hampered by the vulnerabilities of the medical system, which faced economic, personnel and equipment difficulties in providing prompt and adequate services to citizens. <hr/> <ul style="list-style-type: none"> ❖ Procedures were approved by which clear criteria were established for the exemption of local taxes and fees or their deferred payment, during the pandemic. <hr/> <ul style="list-style-type: none"> ❖ The municipalities have not adopted post-crisis plans, but have issued plans of operative measures in order to reduce and eliminate the consequences of the epidemiological situation, the adopted decisions being consistent with the directions of action provided for in the Crisis Management System and harmonized with internal and European regulations. <hr/> <ul style="list-style-type: none"> ❖ At the local level, there have been a series of initiatives to develop general plans aimed at mitigating the effects of the economic and social crisis generated by COVID-19, but in order to facilitate the adoption of a post-crisis plan, it is imperative to adopt a legislative framework at national level that can provide the necessary leverage for aligning long-term objectives and removing vulnerabilities that prevent the adoption of appropriate decisions. <hr/> <ul style="list-style-type: none"> ❖ Both during the pandemic and post-pandemic period, the approach at the local level consisted in the implementation and taking over at the level of the territorial administrative unit of the policies adopted at the central level, the promoted preventive policies highlighting the increase in the reaction capacity of the local public administration in
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	<p>situations of crisis, as a result of the shortening of the decision-making chain.</p>
<p><i>Recommendations:</i></p>	<ul style="list-style-type: none"> ❖ Elaboration, approval and implementation of a Strategy for the management of crises in the context of a pandemic, at the municipal level, as a strategic document for defining problems, establishing strategic and specific objectives, including the directions of action of the municipalities, covering a varied palette of incident issues in the context of the pandemic, in order to increase the operational and response capacity in crisis, in order to increase the operational and response capacity in crisis situations. <hr/> ❖ Initiation of public information, communication and awareness campaigns for citizens regarding the benefits offered by digitization by simplifying and streamlining interaction with public authorities and, thus, solving issues of interest to citizens become easier, faster and with lower costs. <hr/> ❖ Analysis of the opportunity to conclude some Agreements/Conventions or collaboration partnerships with non-governmental organizations and other relevant institutions in order to support single people, with disabilities, in risk situations, by jointly running some support activities. <hr/> ❖ Initiating steps to ensure the evaluation of the effectiveness of the measures taken in emergency/crisis conditions by establishing result indicators, of immediate achievement/output and impact indicators, to be used for the definition and implementation of mechanisms for the protection and safety of citizens and monitoring their effectiveness from the perspective of achievements. <hr/> ❖ Elaboration of specific legislation in the field of emergency prevention, covering a wide range of situations, development and consolidation of an internal managerial control system in terms of strategic planning activity, establishment of concrete operative measures and monitoring tools, indicators of adequate verification of the reality, effectiveness and efficiency of the results of the measures taken.
<p><i>Signature:</i></p>	<p>President Mr. Mihai Busuioc </p>

	<ul style="list-style-type: none"> ○ The eligibility of expenditure incurred for rescue work related to the Covid-19 pandemic only became known to the municipalities after it had been partially implemented. The reimbursement of these expenditures was delayed. ○ The reason for the non-use of the grants and financial contributions provided for the elimination of the impact of the Covid-19 pandemic by the municipalities was the fragmentation of their providers and the resulting low awareness of this possibility, or capacity reasons on the part of the audited municipalities. ○ During the Covid-19 pandemic, the municipalities ensured the provision of their services and the implementation of measures to prevent the spread of the pandemic and eliminate its impact. However, the impact of the measures taken resulted in a reduction in the provision of some services. ○ In dealing with the crisis situation related to pandemic Covid-19, municipalities have demonstrated the ability to adopt solutions for the benefit of their citizens, taking into account local circumstances, even when no measures have yet been taken by the crisis management authorities or other relevant authorities to deal with it.
<i>Recommendations:</i>	<p>The SAO SR recommends:</p> <ul style="list-style-type: none"> ○ to the Government of the Slovak Republic during a similar crisis situation of a national scale: <ul style="list-style-type: none"> - in the case of financial assistance to municipalities, decide to provide it in the form of a subsidy to all municipalities instead of a repayable financial assistance - adopt a measure to provide information on possible financial support for municipalities in one place ○ to the Committee on Defence and Security of the National Assembly: <ul style="list-style-type: none"> -adopt measures to ensure that municipalities are financially covered for the performance of their tasks in the field of civil protection and crisis management and to create the conditions for their performance in the field of personnel and material security -clearly define in the relevant legislation the mutual competences and obligations of municipalities and other crisis management and civil protection authorities ○ to the Finance and Budget Committee of the National Assembly: <ul style="list-style-type: none"> - to recommend to the Ministry of Finance of the Slovak Republic, in cases where the amount of repayable financial assistance is based on data that may change over time, to determine the value of this assistance according to the updated data at the time of its provision.
<i>Signature:</i>	 Mr. President L. Andrassy



Turkish Court of Accounts

Main audit question:

Are the own revenues of municipalities sufficient to provide quality service to citizens under pandemic conditions?

Answer:

As the world's technology advances, so do the number of natural disasters and disasters that are caused by human activity. These disasters often affect a region at the local level, but they may have global effects, as well. The Covid-19 epidemic was a disaster that affected the whole world in a short time and directly put human life at risk. Countries have to be ready for disasters that increase in this way and affect a wide range of environments.

When the own revenues of the municipalities are evaluated in terms of the provision of quality service to the citizens during the pandemic process, it is clear that they have managed issues like social assistance, mask production and distribution, disinfectant application, transportation service, staff employment thanks to fast decision mechanisms. On the other hand, areas such as strategic planning, program and budget implementation based on this program and drafting a plan for financial recovery following the pandemic are assessed to be open to improvement.


So that they can effectively manage their budgets without compromising service quality in the event of a disaster, metropolitan municipalities should update their current strategic plans as soon as possible and adapt the budgets to these plans. They should also carry out the activities carried out in the event of a disaster in accordance with a plan, and report what has been done and how.

Main findings in national audit

1. Disaster and Emergency Management Presidency (AFAD) is the crisis management centre in Türkiye. The "Integrated Disaster Management System" model, which was developed by AFAD, was used to organize the operations and activities during the pandemic.
2. During the pandemic, AFAD and municipalities took part in the Loyalty Social Support Groups organized by the offices of governors and district governors in order to assist the citizens over the age of 65 and those suffering from chronic diseases.
3. Metropolitan municipalities not only took part in the loyalty support groups but also organized activities on their own. While loyalty support groups focused on helping citizens over the age of 65 and those suffering from chronic diseases, metropolitan municipalities went above and beyond this, expanding their programs to include all age groups and taking on responsibilities within the scope of the activities that should be carried out by local governments.

	<p>Metropolitan municipalities were able to act quickly within the framework of the decisions taken from the centre.</p> <ol style="list-style-type: none"> 4. It is observed that the pandemic has not had a negative impact on the metropolitan municipalities' budgets, and even from the perspective of the budget balance, the pandemic has had a favourable impact. Metropolitan municipalities have increased their spending throughout the pandemic in areas like social assistance, cleanliness, and transportation, and furthermore, had a positive budget balance. 5. Only a few of the Metropolitan Municipalities have made changes in the strategic plan and performance program. In the accountability reports, the deviations in the expenditures of all municipalities from the predetermined goals and targets are explained with reference to covid -19. 6. The percentage of employees working in the field fell up to 42.80% during the time of flexible working in Metropolitan Municipalities. Some units had to work in the field nonstop during this time, while others had more flexibility. 7. Municipalities do not have authority over local tax and duty exemption. The central government has the authority to enact it by law. The receivables related to the rented municipality immovables were postponed by the council decision of the municipalities. 8. Transportation revenues decreased by around 80% in the first period of the pandemic. Despite this, the expenditures did not decrease. As a result, municipalities had to provide funds to transportation services while transferring income to private public buses. 9. It is seen that material needs such as disinfectants, masks and gloves have been met in 2020, and the purchases of these materials have increased by 136%. 10. Metropolitan municipalities were offering various forms of aid to citizens in need even before the pandemic. However, both the extent of the aid and the requirements for receiving social assistance have been expanded in order to more quickly reach the individuals who are in need during the pandemic. 11. Social benefits increased by 50% in 2020, compared to an average annual increase rate of 27—36%. Scholarships and pocket money for students declined by 16 percent as education was suspended and remote education began in 2020, while educational expenses rose by 60 percent as a result of the increasing demand for tablets, computers, and the internet on the part of these students. 12. For temporary housing and other needs for vulnerable populations, particularly the homeless, hotels and dorms were rented throughout the pandemic. First, health checks of these citizens were made, and their needs such as food, personal care and clothing were met. <p>Municipalities provide older residents with nursing home services. In addition to providing for the elderly's basic requirements, such</p>
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	<p>as housing, food, personal care, and clothes, more efforts have been made to improve their quality of life, life vitality, and productivity as well as their integration into society. Municipalities provided home care and health services for bedridden citizens. Municipalities routinely visited the houses of these citizens to offer cleaning and medical services. Additionally, they frequently delivered food to these such houses.</p> <p>13. For recovery after the pandemic, a Presidential circular on austerity measures for public institutions, including municipalities, was issued in Türkiye on 30.06.2021.</p>
<p>Recommendations:</p>	<ol style="list-style-type: none"> 1. Under the presidency of the President, the Council of Ministers met at the highest level in Türkiye to discuss the pandemic, decisions were made about the Covid-19 measures, and the procedure was a success. In spite of this, precautions must be taken in order to avoid future hazards. 2. By creating a system throughout Türkiye, AFAD should coordinate municipalities more effectively. 3. Metropolitan municipalities should take part in the system organized by AFAD. 4. Due to the budgetary structure, metropolitan municipalities receive almost 80% of their revenues through transfers from the central budget. This situation turned out to be advantageous during the pandemic and enabled the municipalities, whose own revenues decreased, to be positively affected by the pandemic. 5. Since municipalities are found inadequate at carrying out their activities based on plans, planning should be given more importance. 6. Human resources management (personnel regime) should be adapted to crisis management, and all units should receive the necessary trainings to contribute to this process. 7. Metropolitan municipalities have successfully managed the activities that should be carried out by local governments. 8. Since local tax and duty exemption is not under the jurisdiction of municipalities, there is no recommendation on this issue. 9. When it comes to transportation, municipalities have handled the process quite well. The development of legislation is advised in order to advance, codify, and create best practices in this area. 10. Municipalities have successfully met needs such as disinfectants, masks and gloves either through production or purchases. The development of legislation is advised in order to advance, codify, and create best practices in this area.

	<p>11. Municipalities have successfully managed social aids. The development of legislation is advised in order to advance, codify, and create best practices in this area.</p> <p>12. One of the weaknesses of municipalities is reporting. Municipalities are required to evaluate and report all their activities during the pandemic and to put forward a forward-looking plan or document.</p>
Signature:	 <p>Ahmet TEZCAN (Deputy President)</p>