



**THE PROCESS OF DECENTRALIZATION IN MACEDONIA:
PROSPECTS FOR ETHNIC CONFLICT MITIGATION, ENHANCED REPRESENTATION,
INSTITUTIONAL EFFICIENCY AND ACCOUNTABILITY**

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
RATIONALE NOTES	6
NOTES ON METHODOLOGY	7
INTRODUCTION	9
CHALLENGES TO THE NEW LOCAL AUTHORITIES	11
THE POTENTIAL OF NEW MUNICIPALITIES TO DELIVER	16
DECENTRALIZATION, POLITICS AND ELITES	21
DECENTRALIZATION, PUBLIC OPINION AND FUTURE DEVELOPMENTS	24
THE EXTERNAL FACTOR: CONDITIONALITY AND LOCAL POLITICS	27
POLICY RECOMMENDATIONS	29
APPENDIX	36

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EXECUTIVE SUMMARY

The process of decentralization in the Republic of Macedonia is being carried out as one of the major provisions of the Ohrid Framework Agreement (OFA), adopted in 2001, to provide political and institutional solutions to the ethnic conflict in the country. After 2001, the Macedonian Parliament developed and adopted a set of constitutional amendments and laws on decentralization starting the process effectively in 2005, preceded by a new territorial division of the country. Currently, the new administrative and political reality coexists with the challenges of reforms and the hopes for a European future.

The report developed by the Institute for Regional and International Studies - Bulgaria, Institute for Democracy "Societas Civilis" Skopje - Macedonia, and Freedom House - Europe, brings together empirical data and analytical assessment of the process of decentralization in Macedonia, and forwards policy recommendations to specific sectors of the target audience.

The research within the project identified a number of concerns regarding the decentralization process:

- The decentralization process since its very onset has been met with suspicion or outright hostility mainly because the political decisions and related legislative acts have been adopted without prior consultations with the public. The general public thus perceived these reforms very much in terms of secret political bargaining that collided with the public interest.
- As the cleavages in Macedonia run along political (left-right) as well as ethnic (ethnic Macedonian - ethnic Albanian) lines, the legitimacy of the decentralization has been undermined across these divides.
- Ethnic Macedonians fear that the ethnic Albanian dominated municipalities will eventually unite in one form or another, leading to federalization of the state – equated with secession and collapse of the state.
- The appointments of civil servants are very much along ethnic and political lines. This, along with the inequality of representation, is an obvious invitation to nepotism rather than professional competency.

With all the critical notes on decentralization, however, the Macedonian citizens have positive expectations from the decentralization process:

Macedonians in general demonstrate a positive attitude towards decentralization and the rationale behind it. A majority of respondents on local level (39,2%) say that decentralization is aimed at more successful local governance. Second comes the necessity to meet the requirements for EU membership – 28,4%, and then the need to fulfill the Ohrid Framework Agreement.

Points of departure for designing recommendations:

Analysis of the legal base of the decentralization process demonstrates that it corresponds to the European best practices. The major flaws in decentralization then will stem from inconsistent implementation, where good governance principles give way to: 1)

partisan attitudes; 2) ethnic preferences; 3) corrupt behavior – or their combination in most cases leading to: a) poor delivery to the citizens; b) failure of reform; c) low legitimacy of the democratic governance process.

A success in the process of buttressing institutions locally may be further made possible through mobilizing public and political actors along non-ethnic lines, thereby allowing the functioning of local institutions as geared towards service and benefit delivery rather than strengthening of their respective, exclusive political standing.

Another assumption of this report is that local politics could be the breeding ground of a new type of politicians, being closer to the people, and therefore more responsive and more accountable to their constituencies. They would come to power in legitimate, bottom-up manner.

Recommendations to improve the process of decentralization include:

- Define precisely the usage of “Badinter” majority on local level. The full implementation of the double majority voting on local level is necessary to ensure representation and guarantee the rights of the minorities, including cases, when the majority on national level is a minority on local level. Special care should be made to balance ethnic representation with relevant professional competencies.
- Prepare and launch information campaign. Previous attempts did not seem successful. The shortage of knowledge on decentralization is a major handicap of the reform. Furthermore, the non-transparent way of decision-making is badly hurting the legitimacy of decentralization.
- Institutionalize consultation mechanisms with the broader civil society, especially local civil organizations. Establish civil society as the major ground for inter-ethnic understanding and involvement of citizens in the local decision-making process.
- Establish public-private partnerships with local governments to help funding, training, budget allocation, and the protection of local community rights vis-à-vis the central government.
- Assist local authorities with recruitment and training of staff – a key moment as new functions will place unprecedented burden on the local administrative and political elites.
- Assert on every occasion the European perspective of the country as this is a main source of mobilization across ethnic and political lines.
- The EU and other international actors should continue stimulating municipal and cross-border regional cooperation through both political and financial support mechanisms which encourage regional interaction.

RATIONALE NOTES

This report compiles the analytical and empirical research conducted on the process of decentralization in Macedonia. The research topic evolved around the prospects for ethnic conflict mitigation, enhanced representation, institutional efficiency and accountability.

Seeking the answers, the report posited three main questions at its core. First, it explores whether ethnically mixed municipalities are going to survive after the full implementation of the Ohrid Agreement and the set of related legislative provisions, i.e. the validity of the assumption that decentralization can be sustainable. Second, the report examines if the process of decentralization will be sufficient enough to provide mechanisms to counteract the traditional politics of political elites. The third point of reference of this report is the availability of adequate potential – administrative, political, personnel or financial – for the new municipalities to function properly.

The report developed by the Institute for Regional and International Studies, Bulgaria in cooperation with Institute for Democracy “Societas Civilis” Skopje - Macedonia, with support from FH-Eu, brings together empirical data and analytical assessment of the process of decentralization in Macedonia, and forwards policy recommendations to specific sectors of the target audience, which includes Macedonian politicians and policy-makers, expert community and the media, international institutions, international policy community.

The report has been prepared following research and data analysis in the period 2005 and early 2006.

NOTES ON METHODOLOGY

In terms of methodology, the report contains two distinctive components: a descriptive component – describing the state of affairs; and a prescriptive component – advocating particular policy recommendations.

The report structure and development was informed and preceded by two brainstorming sessions, collection of data through in-depth interviews, opinion polling (a set of questions attached to a regular poll), analyses of secondary data (political and legislative documents, media reports, etc.) and generation of policy recommendations.

- Brainstorming sessions. Two rounds of brainstorming sessions were conducted, convening experts, NGO activists and opinion-leaders in Macedonia.

The first round of brainstorming sessions was held with the purpose of: 1) framing the problem area, 2) providing feedback information, 3) contributing to developing questionnaires and identifying respondents for the interviews.

The second round was organized to review the results of the interviews and analyses as well as to provide opinion on the recommended policy options.

- In-depth interviews. After the first brainstorming session, questionnaires for the in-depth interviews were developed and the interviews were conducted in the following locations in Macedonia: Skopje, Struga, Kichevo, Tetovo and Kumanovo. The main instrument for data collection, the in-depth interviews on a quota basis were held with: mayors (deputy-mayors); municipal councilors; municipal administrators; local politicians; local journalists; leaders of ethnic communities; local NGO activists; local entrepreneurs and businessmen. There were seventy-four interviews in total, an estimate of fifteen respondents per location.
- Analyses prepared by the Institute for Regional and International Studies and the Institute for Democracy “Societas Civilis” Skopje, included: analyses of secondary sources, data processing, assessment of relevant research, opinion polls, the respective part of the Ohrid Agreement, legislation and the political process.

REPORTS

This report was preceded by an interim report drafted after the end of the interviews and it included the results from the first brainstorming session, the interviews and the analyses. The interim report was then submitted and discussed at the second brainstorming session. The final report presented hereby incorporates all previous stages of research, in-depth interviews, brainstorming sessions, opinion poll and analyses.

LOCATIONS

The report focuses on several locations in Macedonia, where the newly formed municipalities have mixed ethnic composition, and ethnic tensions exist or are expected to emerge. The locations include: Skopje, Struga, Kichevo, Tetovo and Kumanovo.

INTRODUCTION

The Ohrid Framework Agreement (OFA) was adopted in 2001, following extensive political and inter-ethnic negotiations in the Republic of Macedonia as well as powerful international pressure on the local actors. The Agreement was aimed at providing political and institutional solutions to the ethnic Albanians' armed rebellion and to resolving the problem of the perceived relative deprivation of the Albanian minority since the establishment of sovereign Macedonia in 1991.

One of the major, key elements of the Ohrid Agreement is the process of decentralization. Through the 1990s, national governments have tried to keep – at least formally – firm, centralized control on the municipalities. There were more than 130 small municipalities, with no essential prerogatives and no intermediary level between them and the central government.

In practice, the central government exercised little or no control over territories populated by ethnic Albanians, or where such a control existed it was applied by the dominant ethnic Albanian party, not by the government *per se*. Also, as a result of centralized governance, the local authorities proved inefficient and with extremely limited capacity to address the needs of local communities – not only in terms of ethnic grievances, but also in terms of local social, economic or infrastructure development.

After 2001, the Macedonian Parliament developed and adopted a set of constitutional amendments and laws on decentralization. As stipulated in the OFA, the new laws transposed a wide range of competences to the local level, including the management of primary and secondary education, medical and social services and all cultural institutions and activities. Also under the Ohrid Agreement provisions, a census was carried out in 2002, after which a new territorial division of the country was determined and a new law for local government was enacted.¹ The rationale behind the new territorial re-organization was to pull the resources of the existing 134 municipalities into new 84 plus the Capital Skopje (but no intermediary level was introduced). Apparently, the new territorial organization had to make the municipalities sustainable and more effective. In practice, this step nearly undermined the legitimacy of the whole decentralization process, as some of the re-organizations were a result of political bargains between the ruling ethnic Macedonian SDSM (Socialist Democratic Union of Macedonia) and the minority DUI (Democratic Union for Integration), and not on rational social, economic or administrative grounds.²

Ethnic Macedonian opposition parties and nationalist groups seized the momentum to deliver a blow to the governing SDSM-DUI coalition by calling for a referendum against the new decentralization and territorial re-organization plans.

¹ Law for Local Government, Official Gazette of the Republic of Macedonia, No 5/2002, Skopje, January 2002.

² The re-organization essentially attached Albanian-populated municipalities to some ethnic Macedonian ones, thus changing the interethnic balance in favor of the Albanians.

Although domestic and external actors warned that the referendum could undermine the achievements – actually the truce - of Ohrid, the referendum took place on November 7, 2004. The referendum failed to turn back the clock, and the laws were enacted. However, this backlash demonstrated the fragility of political equilibrium and ethnic coexistence in the country.

Hence, the success of the decentralization process in Macedonia is a function not only of good-governance techniques but also of the peculiarities of the political system in Macedonia.

Through the 1990s, the political system constituted basically a twinning process of representation and governance across ethnic lines. Both of the largest Macedonian parties – the SDSM and VMRO-DPMNE – had twinned for consecutive governments with both of the strongest Albanian parties – the PDP and the DPA – constricting political and ideological competition to within the ethnic communities. This guaranteed an ethnic balance in the national institutions. However, the system failed in 2001 when a new Albanian player – the National Liberation Army – transformed later into the Democratic Union for Integration (DUI) and bypassed the twinning arrangement to claim control over the Albanian community through a revolt against the existing political status quo.

This is why, the Ohrid Agreement had to involve inner communal guarantees of institutional stability, apart from the inter-communal framework – replacing or reproducing the twinning mechanism. Thus, with Ohrid the consensual democracy pattern of representation and political interaction was introduced along with the twinning mechanism described above. But coexistence of the two patterns suggests the potential for crisis developments at any time when important decisions have to be made across ethnic lines – in meeting the requirements of the Ohrid agreement, or for another purpose.

In the spring of 2005 local elections in Macedonia took place and July 1, 2005 marked the beginning of the decentralization process. Currently, the new administrative and political reality coexists with the challenges of reforms and the hopes for a European future.

Taking the above mentioned considerations as a point of departure, the report will address the following questions:

- Are ethnically mixed municipalities viable (is decentralization sustainable), after the full implementation of the Ohrid Agreement and the set of related legislative provisions?
- Is there adequate capacity – administrative, political, personnel, etc. – for the new municipalities to function properly?
- Will the process of decentralization be sufficient enough to provide mechanisms to counteract the traditional politics of the political elites?

A key dilemma, which remains of central importance, is related to the linkage between territorial division and ethnic clustering. In other words, are local units/territories constructed in ways which overlap with ethnic concentration of one group or another? This problem has been high on the agenda in the post-Ohrid period but the decentralization process now provides some important tools for containing and overcoming any lingering discontent.

The research suggests that with decentralization and the accompanying territorial re-organization several sets of grave concerns arise:

- The fear of decentralization as a precursor of federalization on behalf of the ethnic Macedonians;
- Dissatisfaction on both sides of the ethnic divide;
- Creation of pockets of “new” minorities on local level;
- Sidelining of smaller minorities, squeezed between ethnic Albanians and ethnic Macedonians.

FEDERALIZATION?

The major risk, identified by the respondents in the in-depth interviews (15,9% of ethnic Macedonians and 12,5% of ethnic Albanians), which would result from the decentralization process is the “enclavization” of municipalities. Ethnic Macedonians fear that decentralization effectively helps the creation of ethnic enclaves as a first step towards autonomy of the Albanian populated municipalities from the state. They fear that the Albanian dominated municipalities will eventually unite in one form or another, leading to federalization of the state. One respondents stated that the “Albanians through war (in 2001) gained their right over Western Macedonia”. Even though to the outside observer “federalization” is not especially damaging, to the ethnic Macedonian this is not only a matter of territory or more abstract constitutional arrangements. The unitary state established after the break of SFR Yugoslavia is at the core of the very identity of the Macedonian nation and is perceived as the major guarantee for its survival. Namely, the fear of autonomy in Albanian populated areas has prevented a deeper and meaningful decentralization throughout the entire period since the establishment of the republic.

The fear of federalization or regionalization would complicate further developments in the sphere of decentralization. This is the establishment of an intermediary administrative level between the central government and the municipalities – regions – which might have an authentic bottom-up drive or be necessitated by the EU accession process. An ethnic Macedonian from Kumanovo claims that the existing provision for regional association of municipalities should be abolished, as this right might be “misused” in Western Macedonia. Another citizen

from Tetovo raised a concern that a possible regionalization is a precursor to federalization.

IS DECENTRALIZATION ACCEPTED BY EVERYONE?

Many ethnic Macedonians think the ethnic Albanians are the “winners” of decentralization as this gives them more rights, and conventional thinking would suggest that the ethnic Albanians are satisfied with the process. However, this is not always the case and obviously these voices of concern additionally undermine the legitimacy of the process. In Tetovo, ethnic Albanians claim that decentralization is not what they have expected and about 33% of ethnic Albanian respondents do not accept wholeheartedly the decentralization process. The rejection is along two major lines. First, this is a political party divide, as many see the process as benefiting only the members of Albanian party in the ruling coalition. The second line of rejection is on a more radical note. One opinion claims that the Macedonian state does not allow a real, full-fledged decentralization, cripples the autonomous functioning of local communities thereby keeping centralized control over the municipalities. In this case, the opinion goes, the territorial re-organization worsened the situation by establishing unsustainable, non-viable entities. Interestingly enough, the latter statement is shared not only by “radical” ethnic Albanians, but also by “radically-minded” ethnic Macedonians.

NEW “MINORITIES”

Decentralization is a highly contested issue especially in areas where the new territorial division attached Albanian villages to ethnic Macedonian towns, making ethnic Albanians the dominant ethnic group with control over the power and resources of the municipality. This created a pattern in which the majority on state level became a minority on local level, with all the associated sensitivities and challenges that it posits to the reform process. Reportedly done as a political favor of SDSM towards DUI in exchange for support to Branko Crvenkovski in his bid for the presidential post, this action still reverberates within the public. In areas such as Struga this triggered public protest, which lessened in the aftermath of the referendum, but such displays suggests the discontent is lingering. The citizens of Struga emphasize the centrality of interethnic problems in comparison to the other four cities, where interviews were conducted. One third (33,3%) of the interviewed there point out that this is a major problem of the state in general, and about 67% percent say decentralization-related reforms brought about deterioration in ethnic relations in their own municipality.

One third (33,3%) of the interviewed in Struga point out that interethnic issues are a major problem of the state in general, and about 67% percent say decentralization-related reforms brought about deterioration in ethnic relations in their own municipality.

Ethnic Macedonians of Struga claim that there is an ethnic dominance of the ethnic Albanians, which is causing the marginalization of the ethnic Macedonians and even their migration from the city. One says: “young Macedonians cannot accept being second-rate citizens in their own state”. According to many ethnic Macedonians, a silent process of ethnic cleansing is on the ethnic Albanians agenda to secure ethnically clean territories.

Obviously, there is a serious gap in the normative expectation that the decentralization process will bring about a fairer political representation. Underrepresentation is a serious problem not only in Struga. Both Albanians and ethnic Macedonians in Tetovo (where Albanians are a majority) concede that the ethnic Macedonians are underrepresented in the system of local governance there, with equal number of Albanians and Macedonians - 46,7% and 46,7% - saying that decentralization has not brought about better representation.

This set of issues is related to the broader dilemma of whether the decentralization process will be conducive to a more civic mode of political behavior or whether it will actually strengthen the ethnic component and boundaries. The general opinion is equally divided between the two options – 40,5% think it will lead to de-ethnization of the political system and 39,2% consider that the ethnic component will be strengthened. Not surprisingly, the opinion that the role of the ethnic component will increase is only 6,7% in the relatively homogeneous Kumanovo, and runs as high as 40,0% in Kichevo, 42,9% in Skopje, 46,7% in Struga, and 60% in Tetovo.

OTHER MINORITIES

The perception of unfair treatment can be traced especially among representatives of smaller minorities like Roma, which feel squeezed between the Macedonian and Albanian minority. Even in Shuto Orizare, with a majority of Roma population, the respondents express concerns that Albanians are over-represented in their municipality, and 33,3% of Roma respondents do not believe decentralization will provide them with more opportunities for a real political representation. Hence, while the topical issues of Macedonia concern mostly the relations between ethnic Macedonians and Albanians, minorities such as Roma, Turks, Bosniaks and Vlachs should not be forgotten in the process.

WHAT CAN BE DONE

The decentralization process since its very onset has been met with suspicion or outright hostility mainly because of two reasons. First, the political decisions and related legislative acts were adopted without prior consultations with the public. Similarly, the accompanying process of territorial re-organization also was conducted without public debate. Second, some of the provisions of the

decentralization and re-organization acts, though formally conforming to European standards, have been made in disregard to territorial, geographic, human and infrastructural practicalities. The general public thus perceived these reforms very much in terms of secret political bargaining that collided with the public interest. As the cleavages in Macedonia run along political (left-right) as well as ethnic (ethnic Macedonian-ethnic Albanian) lines, the legitimacy of the decentralization has been undermined across these divides.

The alternative proposals to remedy the shortages of the current process of decentralizations vary significantly. One possible solution that has been floating around for years (promoted by the center-right) is the cantonization of the country, thereby putting clear-cut ethnic boundaries within administrative entities on local level. The ethnic groups would preserve the ethnic peace through institutionalizing the parallel life of the communities. However, an obvious solution to some of the Macedonian citizens, cantonization is perceived as a grave threat by a substantial portion of the ethnic Macedonians (this argument has been substantiated also through the in-depth interviews), equal to that of federalization. Moreover, it is rather late to deliberate on such a proposal as an overall answer to Macedonia's ethnic tensions.

The obvious solution then is to look at the current situation and propose more feasible and immediate alternative remedies. As the issue of local governance is a function of political and ethnic representation, ensuring equal rights and access is essential. While this is a basic understanding and should be taken for granted in a democratic society, the Macedonian case necessitates special arrangements to ensure the representation of minorities (including where the majority on national level is a minority on local level) in local governance. This representation is definitely a key shortage in the implementation of decentralization process, as evidenced by the statements in-depth interviews.

“THE BADINTER MAJORITY:” Another mechanism, specific to Macedonia for ensuring the interests of minorities, is the decision-making mechanism institutionalized through the “Badinter majority” voting. On the central level (Parliament), the double majority voting on matters concerning rights of minorities means that a proposal can be accepted only if a majority of all members of the Parliament votes for it, as well as a majority of the representatives of the ethnic minorities in the Parliament. This voting pattern has also been adopted as a rule in new municipal councils. In practice, however, the “Badinter majority” is rarely respected on the local level, and this shortage needs to be dealt with as soon as possible. As mentioned above, this shortage is felt especially acutely in newly “reorganized” towns such as Struga and Tetovo, where minority ethnic Macedonians feel sidelined in the decision-making process.

ETHNIC DISTANCE: The effective functioning of mechanisms that guarantee minority rights, representation and participation in the decision-making process is imperative. The research on ethnic “distance” (attitudes towards other ethnic groups) within the project, demonstrate that the majority of Macedonian citizens,

would accept a mayor, to have a physician, teacher, local police chief from other ethnic groups (with the important note that the person should be competent and not corrupt). Though the ethnic distance is significant (ethnicity and religion play a huge role in closer relations such as marriage preferences), the ethnic communities do not need to actually love one another in order to live peacefully. Decent governance, carried out regardless of ethnic affiliation, is the key to convince citizens that decentralization is not a zero sum game. The ethnic Macedonian side would be convinced that decentralization carries no secret separatist agenda. In a similar vein, the Albanians of Macedonia will be given a higher level of ownership in the policies that affect them and develop a greater affinity and responsibility to the state.

Decent governance, carried out regardless of ethnic affiliation, is the key to convince citizens that decentralization is not a zero sum game.

ETHNIC VS TERRITORIAL COMMUNITIES: Territory and its structuring and perceptions represent a crucial dimension of the process of decentralization in Macedonia. While focus on governmental capacity at local level is instrumental to success, due attention should be given to the issue of handling perceptions and histories of territory. Building capacity and delivering tangible benefits to local communities across Macedonia will make a decisive contribution to the relegation of issues of territorial legacies and heritages. A success in the process of buttressing institutions locally is going to create better conditions for the perception of citizens vis-à-vis their community as a territorial unit quite independent of its past. This may further make possible the mobilization of public and political actors along non-ethnic lines, thereby allowing the functioning of local institutions as geared towards service and benefit delivery rather than strengthening of their respective, exclusive political standing. A case in point may be the town of Kichevo, where the respondents underlined the already feasible outcomes of the new local government – street reconstructions and sanitation, etc. – claiming that the new mayor wants to “prove himself”.

An offshoot of such an approach will be the policy of public administration that “focuses on safe issues” such as child care, infrastructure, the environment, etc. Achieving success in these areas will create an important base of legitimacy with potential positive spillover effects in the process of democracy-building in the country. Furthermore, such an approach will set a standard of political and public behavior, which ought to be reflected across the country. Again, if successful, this approach will go some way towards the constitution of current territorial communities as natural settings of public interaction and government. Such a process will have crucial implications for the Ohrid arrangements and the establishment of a vibrant, stable democracy in Macedonia.

The departing point for designing policy proposals aimed at ensuring the sustainability of the decentralization process is prioritization of the territorial community rather than the ethnic community. In other words, the efficiency of decentralization depends on the viability of the territorial community and only then

administrative measures can facilitate the process. Thus, a pattern of interactive policy making will be created both in terms of an environment and a procedural framework.

As a matter of fact, a majority of Macedonian citizens interviewed accept the process of decentralization (although many share serious reservations), saying that in the longer term it will benefit their municipalities, by providing more possibilities for civic participation, greater transparency and accountability, fairer allocation of local budgets, and in general in line with the European perspective of the country. In a similar manner, an overwhelming majority of the respondents, ethnic affiliation notwithstanding, declare that the most serious problems of the country as a whole and their municipality are unemployment (an estimate of 66%) and the poor economic situation (an estimate of 46,5%). Furthermore, all ethnic groups outline common municipal problems with local infrastructure, sanitation, local administration, and the environment. Thus, the shared problems and shared expectations could be the common ground for shaping policies across ethnic lines.

THE POTENTIAL OF NEW MUNICIPALITIES TO DELIVER

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Main disapproval ensues from the actual mode of implementation of the process. In short, citizens expect that the legal provisions in place should be duly implemented in practice.

In order for the decentralization to take hold, it is essential that all legislative provisions, which indeed are up to the European standards, are effectively implemented in practice. Besides the ethno-political considerations, there are other, more technical, factors with the potential to undermine the process. Clearly, in the initial process of devolution of powers from central to local government all sorts of resources – financial, organizational and human – will be insufficient.

COORDINATION OF EFFORTS BETWEEN CENTRAL AND LOCAL GOVERNMENT

Given the scarcity of resources in the country, this transition period of transferring responsibilities will depend very much on the coordination of efforts first, of the central government to delegate authority and resources and second, of the local government to efficiently make use of these new possibilities.

Here, only a minority of the citizens blames their municipalities for their problems. Rather the central government is held responsible. This suggests that the citizens put a high degree of expectation on the fact that local governments could manage to deal with the residue problems if central government carried out its duties.

The Association of Local Self-governing Entities could be utilized more effectively since it is the main bridge of communication between the two levels of government. Bringing together the mayors of all municipalities in an umbrella organization, this association holds regular meetings for coordination and exchange of information with members of the central government.

A key concern of central-local government relations is the partisan parceling of the decentralization process. There is also an opinion in Macedonia that municipalities are intentionally maintained in vulnerable positions so that the central government could control them again. A majority of Macedonian experts and citizens expect that the level of cooperation will depend very much on the party affiliation of the mayor. In other words, municipalities, where the mayor is from the ruling coalition will receive the lion share of attention and resources and “opposition” mayors will be neglected. This pattern has been substantiated by the in-depth interviews. For example, the citizens of Skopje (which is governed by an “oppositional” mayor) claim (50% vs. 20 % in other towns) that the relations between the central and local government are not good. Therefore, the central power should adopt a mode of behavior, which treats municipalities equally regardless of local political and ethnic make-up. Municipalities should be provided with sufficient financial resources to conduct the process of decentralization in a manner, which allows them to perform their legal responsibilities without undue central intervention.

Within the context of central-local government relations and the partisan nature of decentralization, the survey has also identified further problems of a more practical nature but with potential political and policy impact. The citizens at large consider the process of decentralization politicized. They think that only people from the proper party are being appointed at the administration. Also, in some municipalities, there is already a process of “mayorization”, which refers to the concentration of resources and powers at the executive core of the municipality. This has the potential to introduce new divisions within the municipality but also frustrate citizens’ expectations.

The question of balance of powers and independence of local authorities in particular has other serious ramifications. In case there are not adequate central-government checks, a local community and the municipality might be hijacked by a criminal clan or similar shadowy interests – through formally democratic means - and turned into a fiefdom. In the context of a fragile democratic system, still developing civic culture and low level of law and order this scenario might easily become a reality.

THE ISSUE OF TERRITORIAL RE-ORGANIZATION

According to Macedonian experts and citizens, one of the main factors that contribute to the vulnerability of municipalities is the territorial re-organization, and the fear of regionalization mentioned previously. The formal, and quite reasonable, rationale behind the territorial re-organization is to unify the large number of small municipalities and make them sustainable. However, citizens and experts often disagree and put forward three reasons as a basis for this action. The first one is incompetence, the second one (mostly on the ethnic Macedonian side) is political deals between the ruling ethnic Macedonian SDSM and ethnic Albanian DUI, and third (mostly on the ethnic Albanian side) is the plan of central government to leave municipalities weak and controllable. The claims go on to say that the re-organization process has been done without considering inherent geographic, human, infrastructural and other practical factors. A related, more specific critique is that the merger of urban and rural municipalities creates imbalances, thereby the more successful urban ones will be pulled back by the poorer rural ones, with clear asymmetry of contribution and expenditures, creating a faultline over the municipal budget allocation along the center-periphery line.

One of the main factors that contribute to the vulnerability of municipalities is the territorial re-organization, and the fear of regionalization.

As well, the ruling coalition has used the opportunity of decentralization for gerrymandering, which will have serious effects on Macedonian national and local politics for years to come.

LACK OF RESOURCES

The overall conclusion of the collected information is that there is a clear and significant lack of all types of resources required to make decentralization a success. Without wishing to introduce an order of priority, the following matters will need to be closely analyzed and addressed. The findings of the project suggest that there is still a general lack of administrative and governmental capacity at local level. Most interviewees confirm that up to 90% of municipalities lack sufficient human capacity. This combined with the lack of financial resources creates general difficulty in the implementation of reforms. Moreover, despite legislative change, most municipalities still struggle to come up with alternative sources of financing, which would permit them to develop local government and begin to improve service delivery. The four-year transition period of decentralization reform would not allow full financial independence of municipalities, but the time is enough to indicate which practices could take root in Macedonia. This is a crucial issue to follow and analyze as the failure to create sustainable and independent revenue based at the local level would surely frustrate any effort to take decentralization forward.

Further problems have arisen in the area of local finance and budgeting. The key issue seems to be that decentralization of responsibilities has not been performed hand in hand with the actual budgeting for activities. Thus, while local budget lines may have been defined, there has not been a parallel process of actually allocating financial resources to these budget lines. As a consequence,

municipalities are not able to provide certain services defined by law and are forced to re-balance their budgets and urgently seek alternative sources of financing. Funding for primary and secondary education is, at present, a particular challenge. Many municipalities are simply short of cash and are forced to search for additional funding despite legal prohibition to raising funds. Training of municipal finance department staff is another priority identified by the research conducted so far.

As far as citizens' expectations and recommendations for the local government are concerned, an equal number of respondents (34,2% and 32,9% respectively) want to see a substantial increase in the financial resources as well as in the quality of human resources that provide services. About 15% of the respondents would like to see efforts vested into the organization of service delivery.

PUBLIC SERVICE APPOINTMENTS

There are also important concerns relating to the appointment of civil servants at the local level. The "principle of equitable representation" for new public administration positions is an essential element of the Ohrid Framework Agreement to be applied for public employments on all levels. The principle is to ensure the reflection of the social landscape in the public institutions, and should not, at least according to the legislation, interfere with the principle of competence.

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However, the research indicates that on the onset of reform the appointments of civil servants are very much along ethnic and political lines – especially in sensitive places such as Struga and Tetovo, where the partisan element is exacerbated by ethnic considerations. This, along with the obvious inequality of representation, is an invitation for nepotism and incompetence. This is a well-known problem in Macedonian politics and governance, but new decentralization reform should be used as a fresh start to break away from these practices.

The additional responsibilities of local governance will necessitate the enlargement of the local civil service structure and these positions will need to be created in the short to medium term. Introducing and implementing procedures for apolitical, unbiased filling of these positions is a crucial precondition for success as institutions seek to find their role and begin to work in accordance with the new expectations of citizens.

Hence, no politicization of the recruitment process ought to be allowed if local public appointees are to be constituted as an expertise-based, non-partisan structure. Anything else will open the door to further ethnicization of politics and will, ultimately, endanger the process of establishing a strong structure of local governance. A problem pointed out during the focus groups and indepth interviews relates to the fact that many of the current public servants have extremely conservative mindsets and behaviors which are in the way of energizing local

government. This is an important dimension to the process, but it must not be allowed to provide a justification for political intervention in the processes of recruitment and management.

POLITICAL AGENDA

The above mentioned considerations are of central importance to the progress of reform. Yet, avoiding politicization and ethicization of governance does not provide the ultimate recipe for success. What will be sorely needed is political consensus on the importance of development (regional and economic) at the local and central level.

The political agenda of creating working, democratic institutions across municipalities in Macedonia is decisive for the future of the country, yet, without a sustained political and policy efforts of all parties to reform and reinvigorate local economies any success in the political fields will be short lived. A developmental agenda focusing on business environment reform, investment in infrastructure, education, social services, etc. will go a long way towards creating an environment in which individuals and communities prosper regardless of ethnic and group histories and politics.

LACK OF KNOWLEDGE

A number of municipalities are still not in position to utilize the new prerogatives and to face the daunting task of quickly having to strengthen their structures. A great number of municipality officials and political figures are not well acquainted with the new, decentralized system and local powers and responsibilities. Lack of knowledge and capacity seems to be particularly acute in the area of local finances, where the local administration faces a shortage of resources and tools of effective government. There is very little clarity on the precise modus operandi between local and central powers in the area of finance. At the same time, the process of decentralization suffers from under- regulation in important areas of government. The shift of responsibilities performed at the level of primary legislation needs to be complemented by adequate regulation at the lower level of legality. This is happening slowly and still rather sporadically. Thus, for instance, there is currently some uncertainty as to which authority issues permits for construction, which structure is responsible for handling the sale of properties, who and how collects the relevant fees, etc. An indication of positive developments in this realm comes from some initiatives launched to overcome the deficits in question, e.g. programs and training seminars sponsored by USAID (Make Decentralization Work - MDW), or by UNDP, SOROS, SIDA etc.

The current political system of Macedonia employs components of the “twinning” and the “consociational” principles, where the development of parties is both on ethnic (ethnic Macedonian and ethnic Albanian) and ideological (left-right) lines. Since the independence of the country in 1991, SDSM, successor of the League of Communists in Macedonia, has been governing the country in coalition with one ethnic Albanian party – with the PDP until 1998 and since 2002 with DUI. For a brief period, the ethnic Macedonian, reformist VMRO-DPMNE ruled in coalition with the Albanian DPA.

In the ethnic “Albanian sector” of Macedonian politics, the rotation of parties has followed a pattern where the most radical party has gathered the bulk of the Albanian ethnic votes. In this manner in 1998 the moderate PDP was replaced by the more radical and nationalist DPA of Arben Xhaferi. In its turn, at the 2002 elections the DPA which has so far been in the governing coalition lost the vote to DUI – the political successor of the rebel NLA (National Liberation Army). NLA took the radical positions beyond the political domain and started outright armed activities in a bid to “play the trump card”. The inclusion of the extremist DUI in the governing coalition from 2002 until now had both positive and negative effects. The positive aspect was that the conflict was institutionalized – and largely mitigated – by the inclusion of the DUI in the legitimate political process. The negative aspect, however, is that this process has legitimized a pattern, whereby radicalization is the way to win the Albanian community vote.

In the ethnic “Macedonian” political sector, there has been two major players – the SDSM – successor of the communists and the center-right and nationalist VMRO-DPMNE. SDMS has been governing the country since its independence with the exception of 1998-2002, when it was replaced by the VMRO-DPMNE. When the VMRO-DPMNE lost the elections in 2002 it disintegrated very quickly into several splinter groups, with the VMRO-DMPNE and VMRO-People’s party of the former leader and prime-minister Ljupco Georgievski. The left’s position has not been very contested, with the only exception of the splinter group of Tito Petkovski of the New Social Democratic Party. Hence, the change of elites in the “ethnic Macedonian” sector of politics, was not as abrupt or surprising as within the ethnic Albanian community.

There is one notable exception though – the new mayor of Skopje. When speaking about the potential of local politics to give birth to new politicians it is impossible to overlook the election of Mr. Trifun Kostovski in the capital of Skopje in 2005. Prior to the elections Mr. Kostovski gathered a group of Macedonian intellectuals into a Civic Movement of Macedonia, which became the most serious opponent of the decentralization reform. They were the block that added weight to

the anti-decentralization referendum in late 2004. With the new Movement, Mr. Kostovski's bid for mayor was successful.³

Is this really an example that outsiders can contest the field of traditional politicians? Trifun Kostovski's background is not suggestive that he is a new face – he is one of Macedonia's richest tycoons, connected to the communist party in Yugoslavia and the successor SDSM. His growing political ambitions led him to conflict with the SDSM, but he won on a ticket of “uniting Macedonians” from left and right against the ethnic Albanians. The behavior and delivery of his administration does not suggest that this is a raw model to be replicated throughout the country.

The assumption of this report is that local politics could be the breeding ground of a new type of politicians, being closer to people, and therefore more responsive and more accountable to their constituencies. They would come to power in a legitimate, bottom-up manner. While it is too early to assess the impact of the political cycle, some preliminary observations can be made.

The assumption of this report is that local politics could be the breeding ground of a new type of politicians, being closer to people, and therefore more responsive and more accountable to their constituencies.

Firstly it is important to distinguish between decentralization a) as a process of transferring competencies and b) as a process of autonomous initiative and participation in the decision-making process on behalf of local communities themselves. An important dimension of the analysis of the current situation in Macedonia is related to the issue of the potential emergence of political realities capable of forging a new, local politics, which would counter the “traditional” politics of the Macedonian elites. The conditions under which such a process would evolve require much in-depth analysis and the current effort aims to make a start. It is important, at the outset, to state that the introduction of the set of decentralization measures creates new political space in the country. This, in itself, presents opportunities for elaborating and implementing a new set of political approaches. In this sense, decentralization extends and widens political space in the country. Yet, this, by virtue of its appearance, does not guarantee that the new political space will not be “colonized” by traditional political behavior. Moreover, the reinvigorated local level of government opens up opportunities for the emergence of new political elites, which could help transform the still tense atmosphere of Macedonian politics. Strengthened local politics can only help improve the Macedonian political system if it ensures sufficient responsibilities and resources to complement the reforms. This will be examined further in the next

³ However, for the local elections in Skopje Mr. Kostovski had open and full support of a coalition of right parties lead by VMRO-DPMNE. In this regard VMRO-DPMNE did not have its own candidate for the capital, letting the public regard Trifun Kostovski as being its candidate. Kostovski did not object to the support of one of the biggest political parties in Macedonia, more over he requested and received public support from VMRO-DPMNE. This decision brought many votes to Kostovski but incurred political costs to DPMNE. Two senior party officials, Ganka Samoilova and Sasko Kedev, VMRO-DPMNE's presidential candidate in 2004, froze their party activities because they did not agree with the decision to support Kostovski.

section and will require further field work and a more longitudinal approach. The issue of the potential emergence of politics of countering traditional politics may be tackled at three levels.

The *first* level is one at which we would seek to gauge the extent to which the traditional mould of politics of centralization could be disturbed, thereby opening avenues for more decentralized politics, closer to citizens and their communities. At the level of responsibilities we, clearly, have a shift towards greater powers and shifting expectations. Much here will depend on the actual process of “putting muscle to the bone”, in other words, the transformation of legal possibility into administrative, political reality. In short, the performance of local politicians turned mayors or councilors and their ability to deliver to citizens will be essential for promoting alternative policies.

The *second* level would aim to examine the possible breakdown of traditional politics of ethnicization by means of creation of alternative sites of local politics, which could permit a non-ethnic mode of politics. The focus is on the actual functioning and ability of local governments to run the public institutions effectively, efficiently and accountably. The emergence of such sites need not be confined to local government. It would focus on the possible development of more active civic and business communities, strengthened local media, etc. Given that idiosyncrasy of the Macedonian politics and inter-ethnic relations currently rule out the emergence of major ethnically-mixed parties, the inter-ethnic action can be performed on the level of civil society.

Therefore, sufficient attention ought to be given to the problem of public participation in the work of municipalities, as current legislation does not provide enough legal and institutional guarantees for the participation of non-state actors in the work of local government. Greater responsibilities must mean greater consultation and civic and political interaction. Greater responsibilities must mean greater public interest, hence, greater involvement. Proximity to decision making ought to be translated into a more varied, plural, wider social and political setting. The evidence collected thus far seems to suggest that it is too early to expect such effects of decentralization to take place. Yet, a more sustained examination of social, institutional and political change in local communities should provide sufficient indicators of the creation of such features as described above. Citizens' attitudes are permissive to the possibility of being governed by a representative of another ethnic group, in case he/she is competent and integral person (an estimate of 75,6% of the respondents).

A *third* level would be the emergence of a process of elite replacement as local, reinvigorated politics begin to establish new political power bases for appearing elites. Again, this will be difficult to observe in the short term. Yet, it is possible to imagine a potential scenario under which local politics and government begins to generate success stories in terms of development and inter-ethnic cooperation. Should such instances begin to occur, the cooperative political game will start to accumulate legitimacy helping local elites establish themselves a bit more firmly within political parties. Exactly how such a process could lead to elite replacement at local level would require much speculation. Yet, it might be sufficient for new, successful local elites to begin to change perceptions and practices of

ethnicized politics. This would introduce an important new dynamic into party politics in Macedonia. In turn, should such political strategies prove successful at the policy and management levels, this will help establish or strengthen a base of public acceptance and support. Then, new, emerging elites can use this option to begin to induce change in their political structures and cultures.

In the context of the process of decentralization and the opportunities for appearance of new elites, a particular danger ought to be considered. The enhancement of responsibilities at the local level provides new possibilities for institutional and political advancement. Yet, the gap between transfer of powers and actual regulatory and administrative readiness to perform threatens to undermine the entire process. Clearly, new expectations have been created and any political and institutional inability to meet these in the medium – term is going to have negative impact on the political elites in the country. A related problem might arise if traditional elites perceive sufficient interest in holding on to power at local level, thereby, blocking the way of new elites to emerge at the local scene. Should such a situation arise, potential new elites will need to rely on persistent public demand for new politics and new effectiveness to sideline “the old guard” within the established parties. An auxiliary process would be one, whereby international donors and external actors such as the EU inject an element of conditionality in involving the NGO sector and the civic community in the process of local government decision-making. This will not only increase the quality of the decision-making and government process, but it will also create new avenues for the establishment and strengthening of newer elites. Such a two-tier approach has the potential to introduce a new political dynamic more favorable to further democratic development.

DECENTRALIZATION, PUBLIC OPINION AND FUTURE DEVELOPMENTS

The linkage between the public and the process deserves particular attention as public opinion shifts represent a decisive source of public energy, which can swing developments either way. The general lack of knowledge among Macedonian citizens about decentralization is a major and very disturbing fact. Both experts and citizens interviewed in the course of the project point out that the government is providing very limited information to the public. Initial findings suggest that the population in the country has little knowledge of what decentralization actually means for them and their communities. Again, this will be corrected over time, but public campaigns explaining the new prerogatives of local government will go some way towards creating a more vibrant and successful local civil society.

Macedonians in general demonstrate a positive attitude towards decentralization and the rationale behind it. A majority of respondents on the local level (39,2%) say that decentralization is aimed at more successful local governance. Second comes the necessity to meet the requirements for EU membership – 28,4%, and then the need to fulfill the Ohrid Framework Agreement.

The normative aspect of decentralization is also well-received by Macedonian citizens. The majority (41,9%) says decentralization will provide citizens with the right to govern their affairs and resources, a process that will transform functions, relationships, property (29,7) for an independent local authority (20,3%).

While Macedonian citizens expect that this reform will bring them positive outcomes and there are no risks associated with it (30,6%), there is also a considerable percentage of voices that caution against the negative side effects of decentralization:

- “Enclavization” of municipalities, expected by 14,5%;
- Too hasty withdrawal of the state that would create a vacuum, expected by 6,5% of the respondents;
- Incitement of interethnic tensions, expected by 6,5%;
- Collapse of municipalities, due to bad financial situation, expected by 4,8%;
- Threats, emerging from the enhanced competences of mayors (4,8%)

The overall feeling of Macedonian citizens is that decentralization will bring benefits to the country (90,1%), with 39,4% expecting negative effects too. The sociological survey included also a number of questions, examining expectations and effects of decentralization in particular areas. A majority of Macedonian citizens consider there should be an improvement in: the political situation, interethnic relations, relationship between citizens and authorities, possibilities of the citizens to take part in shaping local policies, quality of services, provided by municipalities, resources of the municipalities, relations between local and central authorities, and the local economy.

These positive answers, however, puzzle the informed observer as they contradict the in-depth and well-developed arguments that call for caution. In other words, it seems that Macedonian citizens accept very well the formal and normative aspect of decentralization, hoping that the practice will meet their needs as failure is not an option for them.

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An insight of citizen's expectations is provided by their responses to the question: "What would you change to make decentralization work, minimize risks and maximize the benefits?"

- It should not be changed, it just has to be consistently implemented – 27%
- Cannot recommend anything, as not aware of the legislation – 23%
- A greater financial independence – 12,2%
- Change the legislation, concerning the regional association of municipalities – 9,5%
- Define precisely the legislation, concerning the appointment of municipal administration – 8,1%
- Define precisely the usage of "Badinter" majority – 5,4%
- Accelerate the process of decentralization – 5,4%
- Improve the secondary legislation, related to decentralization – 4,1%
- Change the law on insolvency and its implementation – 4,1%
- Change the law on usage of languages and symbols – 2,7%
- Inclusion of other minorities (Roma) – 1,4%
- Leave competencies – such as appointment of police chiefs – to the central authorities – 1,4%
- Cantonization – 1,4%
- Elaborate law on affirming the status of Macedonian language as official language – 1,4%
- Elaborate law on promoting local business – 1,4%

Most of the observations recorded during this research phase point to a state of affairs, which is simply too close to the actual adoption of the legal documents introducing decentralization to reach preliminary conclusions on implementation.

The entire analysis proposed here is underpinned by the presumption of continued external interest and involvement in the process of further democratization of Macedonia. Given this political context, the role of the “external factor” does deserve particular attention.

The external EU and NATO conditionality, in some interpretations, constitutes the decisive legitimizing instrument, which permitted events to proceed in the first place.

The elite acceptance of external EU and NATO conditionality has been quite marked during the whole process of decentralization. Indeed, in some interpretations, it constitutes the decisive legitimizing instrument, which permitted events to proceed in the first place. In such readings, the force of the Ohrid Agreement provisions would not have been sufficient to take forward decentralization. A number of important considerations ought to be examined in the context of the current overview. Without assuming an order of priority, the nature and depth of conditionality

reach will continue to exert crucial influence on the decentralization process and the development of Macedonian politics. The “European perspective” for Macedonia is well anchored in a number of important official documents of the European Union. Yet, the continuing uncertainty over the next financial framework of the organization does not bode well for the pace of the next enlargement. It is not so much the fact of a delay, which causes a concern here. Rather, we are witnessing the first tangible consequences of the much debated enlargement fatigue. Further, while member state elites appear aware of the benefits of enlargement, they are under a set of pressures to contain financial expenditure. Most seem willing to go even further as the current budget proposals suggest. Not only are many member states ready to contain expenditure, but they also wish to retract and decrease the amount of their national contributions. On some calculations, the 2007-2013 framework will be based on GDP contributions under 1%. This raises fundamental questions about the meaning and scope of solidarity in an enlarged and enlarging EU. It poses serious questions about the ambitions that the Union could reasonably have given its limited resources. Such events not only transform the political climate of the next EU enlargement, but also undercut an important perception in the candidate countries. Conditionality works as it transforms and drives a polity toward a membership, which brings serious financial and institutional benefits. A weakened solidarity dimension within the EU itself will take away some of the attraction of membership. This will have consequences for the reach and dynamic of conditionality not just in Macedonia but also throughout the remainder of South East Europe.

The impact of conditionality will also be determined by the nature and pace of the accession negotiations process. The published negotiation frameworks for Croatia and Turkey already provide some important indicators for the dominant mode of thinking in Brussels and the member state capitals. It would be reasonable to say, even at this point, that the sixth enlargement will be conducted over a longer

time frame with crucial new introductions in the very negotiation process. The explicit language on suspension of chapter negotiations upon non-compliance or lack of harmonization is noteworthy. Furthermore, chapters will be more difficult to open and to close. There, the shift is from the presentation of a convincing plan of transposition and implementation of the EU *acquis* to a system of intense verification of contractual obligations, collection of evidence of track records, etc. The introduction of benchmarks within each chapter will also make the process of negotiation more difficult and time consuming. The language on the open ended nature of the process further complicates the situation for the next enlargement. These are some of the new elements worthy of attention. They are sufficient to allow us to identify a very different picture of EU politics, one in which conditionality is developed, extended and reinforced while the temporal frame of the process remains uncertain and the very attractiveness of membership, while preserved, is somewhat undermined by an increasingly reluctant Union less ambitious in its goals and less certain of its direction. This new context is of considerable importance as it challenges the logic of successful, conditionality – induced reform evidenced in the fifth enlargement. Should the identified features evolve in a negative direction, the whole context underpinning the process of decentralization and political reform would be under strain with numerous possible consequences.

A further issue, worthy of attention is the potential linkage between progress on EU integration and the political and administrative structure of the country. A possible scenario could be that as the country advances on the accession path, there would be increasing pressures to constitute an intermediary level of government, namely, regions. The experience of the new EU member states and the current accession countries suggests that such regional, administrative layers of government remain essentially levers of central executive power and that their constitution does not reflect a deeper level of identify, which is then institutionalized. In an EU accession context, such regional structures are little more than disbursement agencies carrying little relevance for the overall political and government fields. Yet, in Macedonia such structures might renew the debate on the appropriate units of representation and their ethnic structure. If this were to happen earlier rather than later, i.e. before the full potential of decentralization has been exhausted, it might create a political dynamic, which could undermine possible emerging strategies for the establishment of effective, accountable and democratic local governance. In order to prevent such a scenario, it would be worthwhile for the EU to structure the content of its dialogue with Macedonia in a manner, which does not unduly emphasize the importance of regional governance for the accession process.

POLICY RECOMMENDATIONS

There are several important considerations that have been only marginally touched upon by Macedonian respondents within the research phase of the project. Some of these issues – e.g. “regionalization” - are perceived very much in negative terms in fear that it might be a precursor of federalization or secession. Others – e.g. non-ethnic minorities – are being overshadowed by the ethnic minority demands and concerns. These considerations are important, however, in achieving sustainable, effective and representative local governance.

First, the mission in political perspective is to broaden the base of local politics through focusing on issues, concerning the common conditions of life (in general) such as environment/ecology, urban development, education, culture, etc. and test where the ethnic dimension will appear as a barrier to resolving a problem. In relation to ethnic tensions, the conflicts should be institutionalized, not sidestepped, in order to start producing norms.

Second, to counteract the disruption of the communities as a result of the administrative reorganizations (not only the recent one) an intermediate level could be created through the establishment of alternative channels of interaction, e.g. associations of municipalities and other local actors, which share common problems, profiles and structures. These intermediary forms might also help counteract nationalist aspirations or vested interests. At this stage of development this form of intermediary level between the municipal and central authorities should be more successful than the establishment of an intermediary administrative level (districts), functioning as parallel spaces of dialogue on the intermediate level between local actors.

Third, the sustainability of the process of decentralization will also largely depend on the adopted political strategies of the key actors in the country and the degree of success in management and government of local institutional infrastructure. Yet, sustainability will come only if a range of institutions approaches the process in a positive manner. The appearance and operation of independent local media is going to play a very important role. Media intent on furthering the process of decentralization provide crucial channels of communication with local populations. They are very helpful measurement tools for the levels of acceptance of policies and success of various decisions. Local media will provide useful channels for increasing the level of information and understanding of decentralization as well as for voicing concerns and grievances emerging along the way. Ideally, local media will not be exclusively concerned with playing the role of buttressing political positions of various actors. A degree of distance and objectivity when presenting and analyzing local affairs is a precondition for the successful inclusion of media in the project of successful decentralization. Tracking these processes in the area of media development is another feature of important future research.

Fourth, part of the decentralization process touches on the issue of non-ethnic minorities. The initial findings show that there is potential for over-emphasis of

ethnic politics at the local level. If unchecked, this could lead to the sidelining of other minorities such as women, handicapped, etc. Given the magnitude of the political and governmental agenda, this may not seem a very important matter. Yet, given the intensity of expectations created by the decentralization process, the elaboration of good and inclusive policies vis-à-vis the other minorities may provide an unexpected pool of legitimacy to decentralization. In any case, this consideration is part of a more developmental agenda, the implementation of which will have decisive relevance for overall success.

An analysis of the legal base of the decentralization process demonstrates that it corresponds to the European best practices. The major flaws in decentralization then will stem from inconsistent implementation, where good governance principles give way to: a) partisan attitudes; b) ethnic preferences; c) corrupt behavior – or their combination in most cases leading to: a) poor delivery to the citizens; b) failure of reform; c) low legitimacy of the democratic governance process.

TO THE CENTRAL GOVERNMENT AND PARLIAMENT

Define precisely the usage of “Badinter” majority on local level. The full implementation of the double majority voting on local level is necessary to ensure representation and guarantee the rights of minorities, including cases, when the majority on national level is a minority on local level. Special care should be made to balance ethnic representation with relevant professional competencies.

Elaborate law on promoting local business. Assistance and partnership with local business is essential for the sustainability of municipalities. It could be achieved through enacting new legislation regulating public-private partnership (PPP).

Improve the secondary legislation, related to decentralization. Oversee its quick and effective application. It is the task of municipalities and local administration that have strong and wide competences in many areas, to enact new legal acts and further implement the decentralization.

Prepare and launch information campaign. The shortage of knowledge on decentralization is a major handicap of the reform. Actually a campaign was launched prior to the decentralization implementation by the Ministry of Local Self-Government supported by UNDP and OSI. However it was ceased once the decentralization started to be implemented. The information campaign has to be continued and the Association of Local Self-governing Entities needs to be involved in it as well, since it is the organization where all municipalities come together. Furthermore, the non-transparent way of decision-making is badly hurting the legitimacy of decentralization. Hence:

Institutionalize consultation mechanisms with the broader civil society, especially local civil organizations. Influential NGOs in the capital are well aware of the process and/or are well connected to political parties. There are also plenty of NGOs on local level that might contribute to the process. This recommendation is also valid for local governments.

Elaborate the property relations and especially urban planning. This is a major prerequisite for the sustainability of municipalities.

Elaborate the law, clearly defining the criteria for appointing local administration. A major concern of the citizens is that partisan relationships rather than professionalism define appointments.

Oversee equal and fair representation of ethnic and non-ethnic minorities in local governance. Decentralization in the Republic of Macedonia, besides the necessity of good governance, is also a process of ethnic-conflict resolution through the process of democratic representation.

Limit effectively partisan considerations in central-local government relations. In Macedonia, partisan relationships are often considered a greater challenge than even inter-ethnic “strategies.” As in many countries with a “southern” political culture this might be taken for granted but it should not be the rule.

Avoiding substantial disparities across the country (bringing about “ghetto municipalities”) as the transfer of responsibilities and resources runs the risk of amplifying an already present pattern of uneven political and administrative capacity, social and economic development. This is especially evident in Macedonia across the “east-west” divide.

Explore the possibility for establishing a fund for municipal development. At first it could be used for servicing debts and later for local development projects. At present, there is a Bureau for Underdeveloped Regions. But all municipalities face extraordinary debts, some 2-3 times the size of their annual budget, and the Bureau fails to address the real needs of all of the municipalities.

The Government should propose amendments to the Parliament of the decentralization legislation that would **check the powers of mayors and introduce stronger financial control over municipal spending.** Present legislation gives a wide array of executive power to the mayors and possibilities for deciding about employment in the local administration. In this respect, the ambiguity and contradictions in the legislation set the mayor above the local councils and State Agency for Public Administration. Regarding the financial control, it is mostly

conducted by local administration and reports are submitted to the national administration. The current biggest penalty for financial misuse is 50.000 denars (approximately 820 euro).

Assist local authorities with recruitment and training of staff. This is a key moment as new functions will place unprecedented burden on the local administrative and political elites. Accordingly, reinvigoration of state-wide efforts of recruitment and training of effective and competent politicians and policy-makers at local level as well as clearer legal definitions of the status of local authority employees and the separation between political and administrative responsibility are essential.

To LOCAL AUTHORITIES

Define precisely the usage of “Badinter” majority on local level. The full implementation of the double majority voting on local level is necessary to ensure representation and guarantee the rights of the minorities, including cases, when the majority on national level is a minority on local level. Special care should be made to balance ethnic representation with relevant professional competencies.

Ensure the inclusion of minorities, including cases where the majority on national level is a minority on local level. The representation of minorities should encompass three dimensions:

- Elected posts and bodies (mayors and councils);
- Appointed local administration;
- Public-private partnerships, e.g. partnerships and consultations of municipalities with civic associations.

Energize inter-ethnic commissions. Though they are in existence for quite a time, they do not really perform well. The model of the Northern Irish community forums might be useful here.

Launch information campaigns. Misunderstanding and misconceptions give birth to animosity and conspiracy theories, hurting badly the legitimacy of decentralization. The information campaign should be implemented in cooperation with the central government, local civil society organizations and local media.

Promote internet as an interface between local governments and citizens. Though this might seem exotic in smaller and poorer communities, the access and possibilities of this interface should be fully employed.

Recruit and train local staff. This is a key moment as new functions will place unprecedented burden on the local administrative and political elites. Clearer legal definitions of the status of local authority employees and the separation between political and administrative responsibility are essential.

Create associations of local actors (such as municipalities) as an intermediary level between the central and local authorities (besides deliberations of establishing administrative districts/regions). Carving associations of ethnically-mixed municipalities will help alleviate the fear of federalization/secession.

There is also an array of **good-governance techniques** that would be useful to the municipalities of Macedonia. Some of these steps have been considered, some have been already undertaken as pilot projects and the experience could be further replicated country-wide after a more thorough study:

- regular reporting and scrutiny of economic and business activities of municipalities;
- greater use of target-setting and reporting from central authorities;
- introduction of general minimum criteria for accountability of local authorities;
- newsletters;
- information policy vis-à-vis local media;
- regular open days;
- considering the institution of the Ombudsman;
- greater use of the Internet for filing of documents, responding to queries, etc.;
- systematic consultation with business and non-governmental communities at local level;
- Introduction of general minimum criteria for human resources, recruitment and management policy;
- introduction of “one-stop shops” for all local services;
- improvement of policy-making capacity of local authorities;
- systematic introduction of standard management techniques across all local authority administrations;
- clarifying of internal, intra-administrative mechanisms of movement of documentation, deadlines, etc.;

- greater investment in office infrastructure and training of staff; introduction of a systematic human resources policy, ensuring open competition for all;
- clarifying promotion paths, performance criteria. etc.;
- strengthening of internal and external audit of local authorities;

TO CIVIL SOCIETY ORGANIZATIONS

Establish civil society as the **major ground for inter-ethnic understanding and involvement of citizens in local decision-making process**. Promoting greater interest and involvement of citizens, civic associations and business communities in the activities of local governments, either through pressure and watchdog activities or through the establishment of private-public partnerships to articulate needs and solutions;

Establish public-private partnerships with local governments to help funding, training, budget allocation, and protection of local community rights vis-à-vis the central government. Establishing PPP, however, should be first addressed by central authorities through enacting proper legislation, and also addressed by the local governments by implementing the law and practicing interaction with business enterprises in their municipality. NGOs can only be an intermediate actor in the process and facilitate the beginning of communication and cooperation.

Raising the awareness (e.g. through “mapping of power” techniques) of the new separation and re-distribution of competencies, so that citizens can identify the level of governance, responsible for resolving their problem;

Local political actors should seek **inter-ethnic consultations** and where applicable party coalitions.

Involve **local media in the process**, exploring also the possibilities for "community media" projects, focused on local reporting.

Focus special attention **to the youth**, especially in the sphere of education and other formats such as inter-ethnic youth clubs and summer camps.

Organize **multiethnic cultural events** and facilitate dialogue and negotiation events in local multiethnic communities

TO THE EUROPEAN UNION AND THE INTERNATIONAL COMMUNITY

Assert on every occasion the **European perspective** of the country as this is a main source of mobilization across ethnic and political lines.

Apply robustly the **conditionality** principle to ensure good governance.

Assist Macedonian government, local authorities and NGOs in carrying out an information campaign.

Encourage **inter-ethnic initiatives and organizations on local level**.

The EU should present **models for local economic development of ethnically mixed regions** from its own experience. The case of South Tyrol region should in particular be presented and explored.

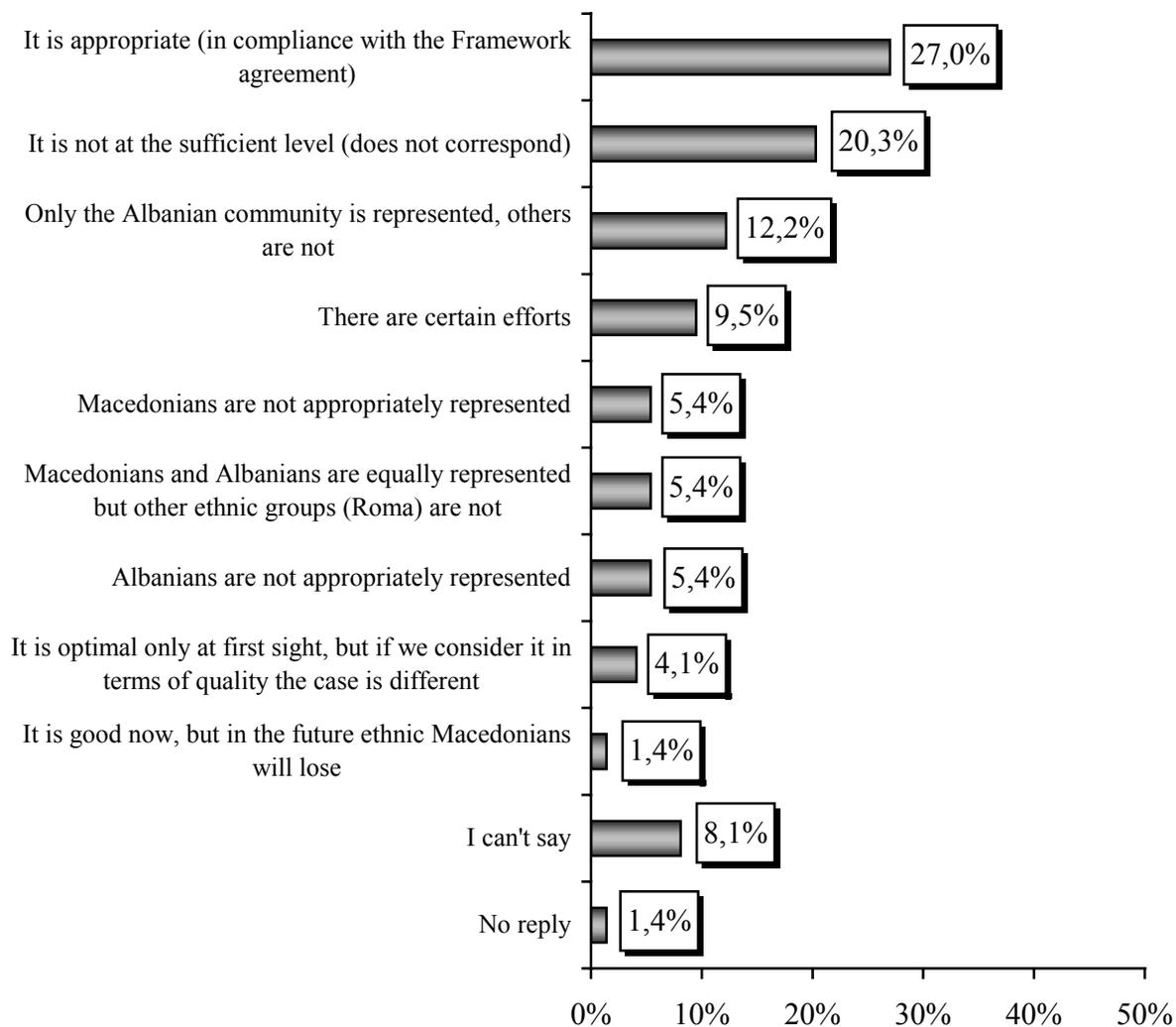
The EU and other international actors should continue stimulating **municipal and cross-border regional cooperation**. From 2007, the Republic of Macedonia will have two EU member states as neighbours (Greece already and Bulgaria by the latest in 2008). Access to INTERREG III program is a feasible contribution for the country's EU accession.

As an added value, promote **the lessons learned and best practices of the Ohrid Framework Agreement** and decentralization in the Republic of Macedonia to similar cases in the region.

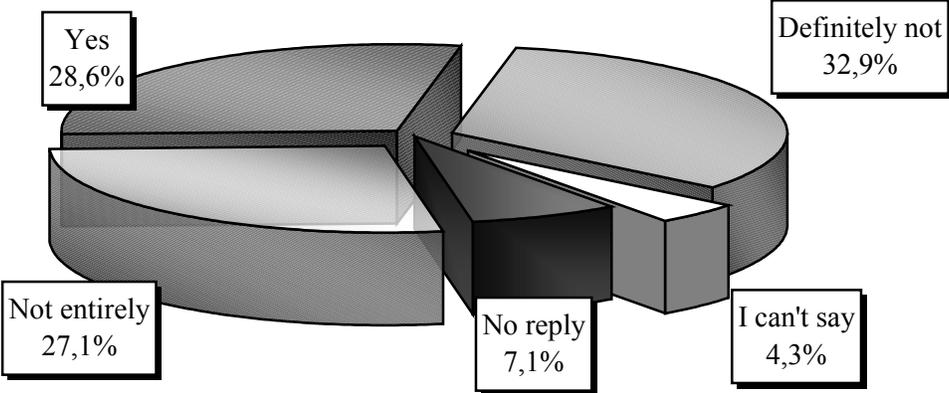
APPENDIX

Below are the results from the in-depth interviews, conducted with selected respondents in Skopje, Struga, Kichevo, Tetovo and Kumanovo. A main instrument for data collection, the in-depth interviews on a quota basis were held with: mayors (deputy-mayors); municipal councilors; municipal administrators; local politicians; local journalists; leaders of ethnic communities; local NGO activists; local entrepreneurs and businessmen. There were seventy-four interviews in total, an estimate of fifteen respondents per location.

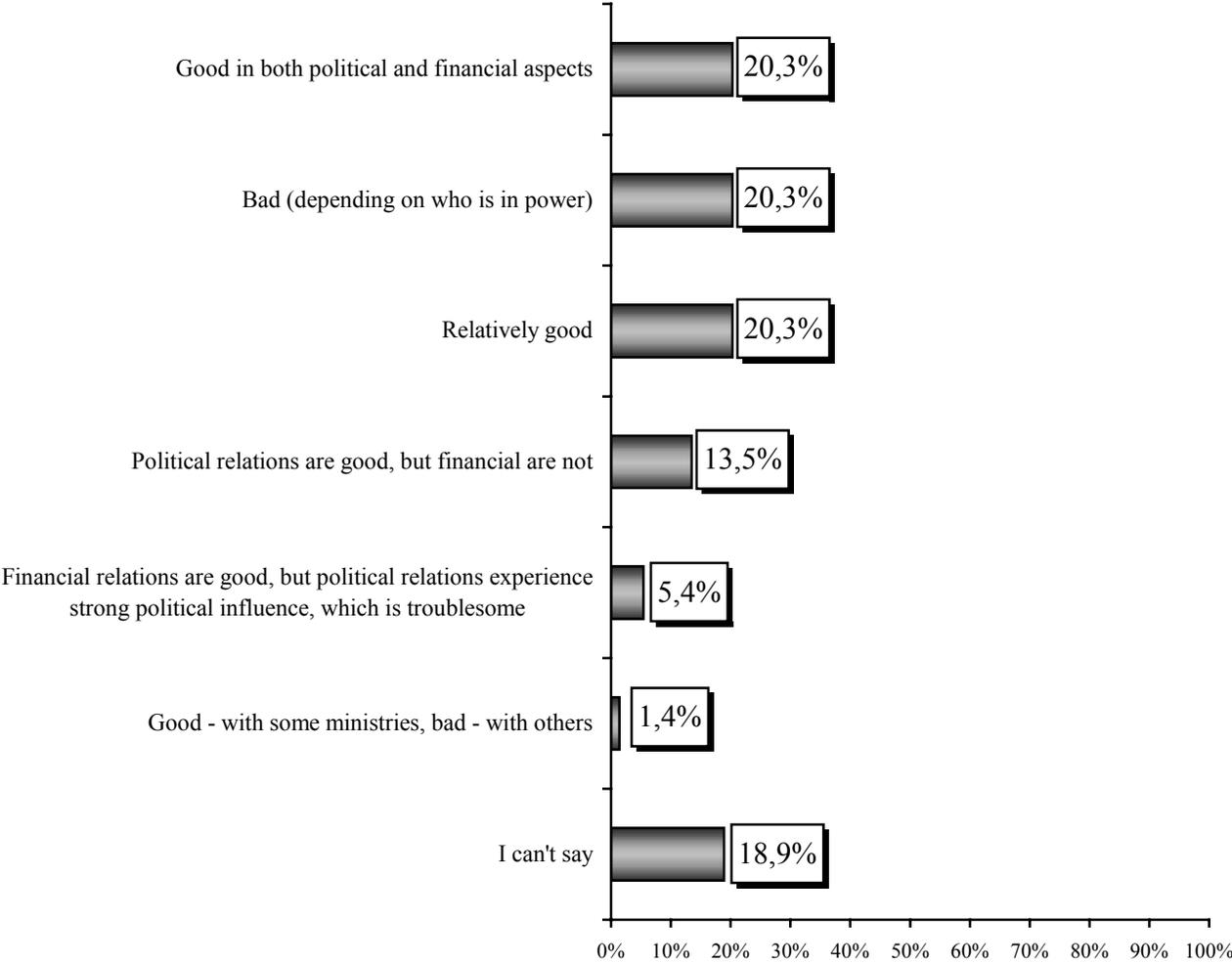
What is the ratio in your municipal administration of the representatives of different ethnic groups?



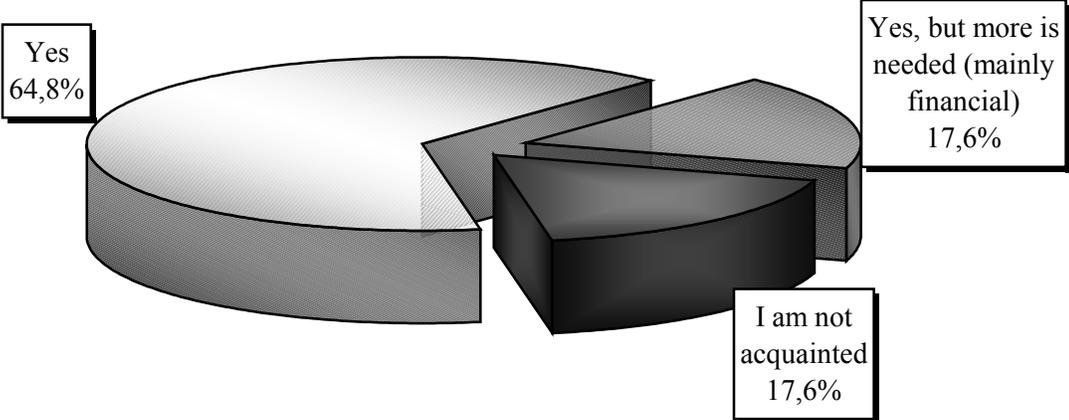
Does this ratio correspond to the ethnic composition of the population in the municipality?



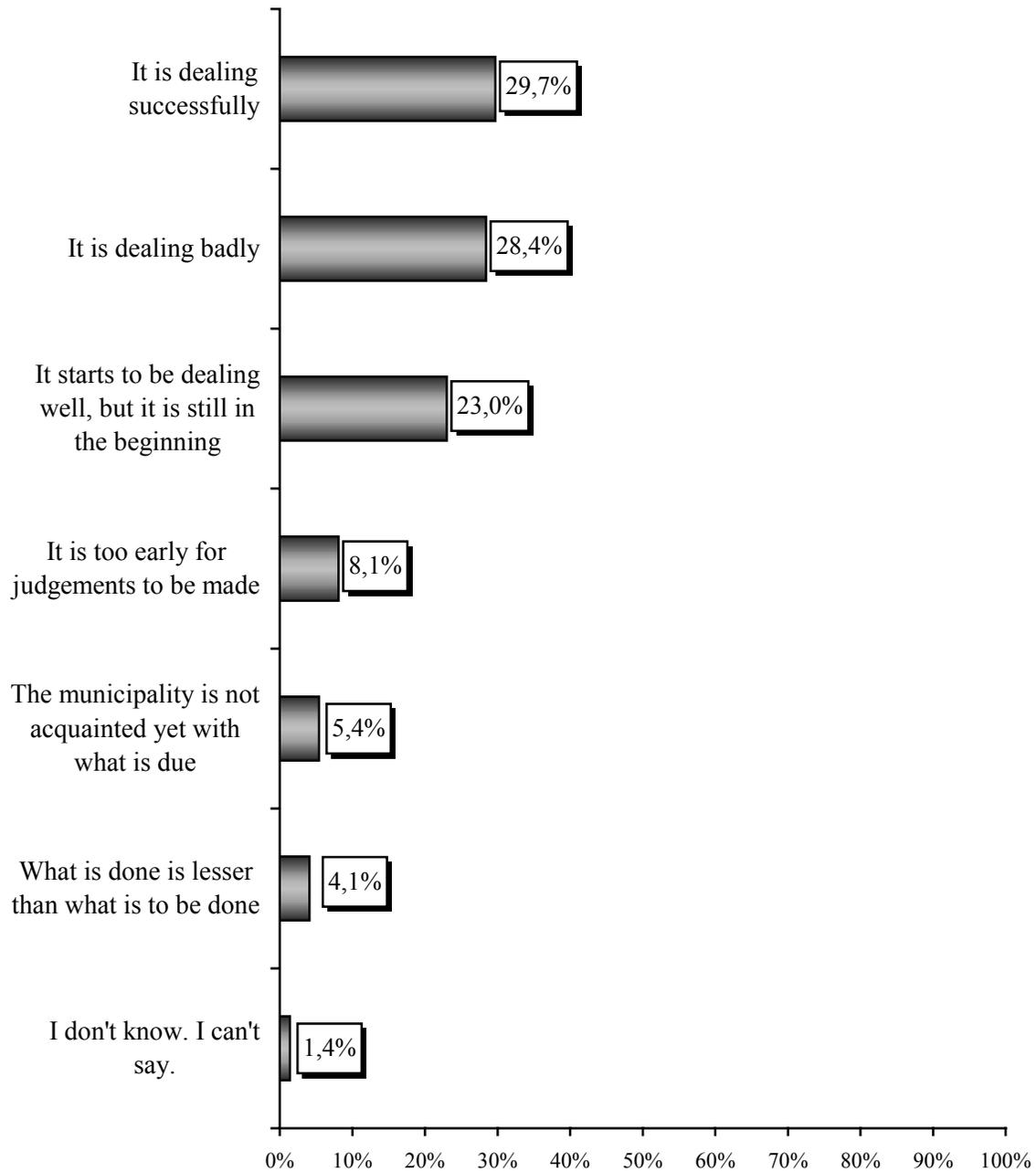
**What are the relations between the central government and your municipality
(in political and financial aspect)?**



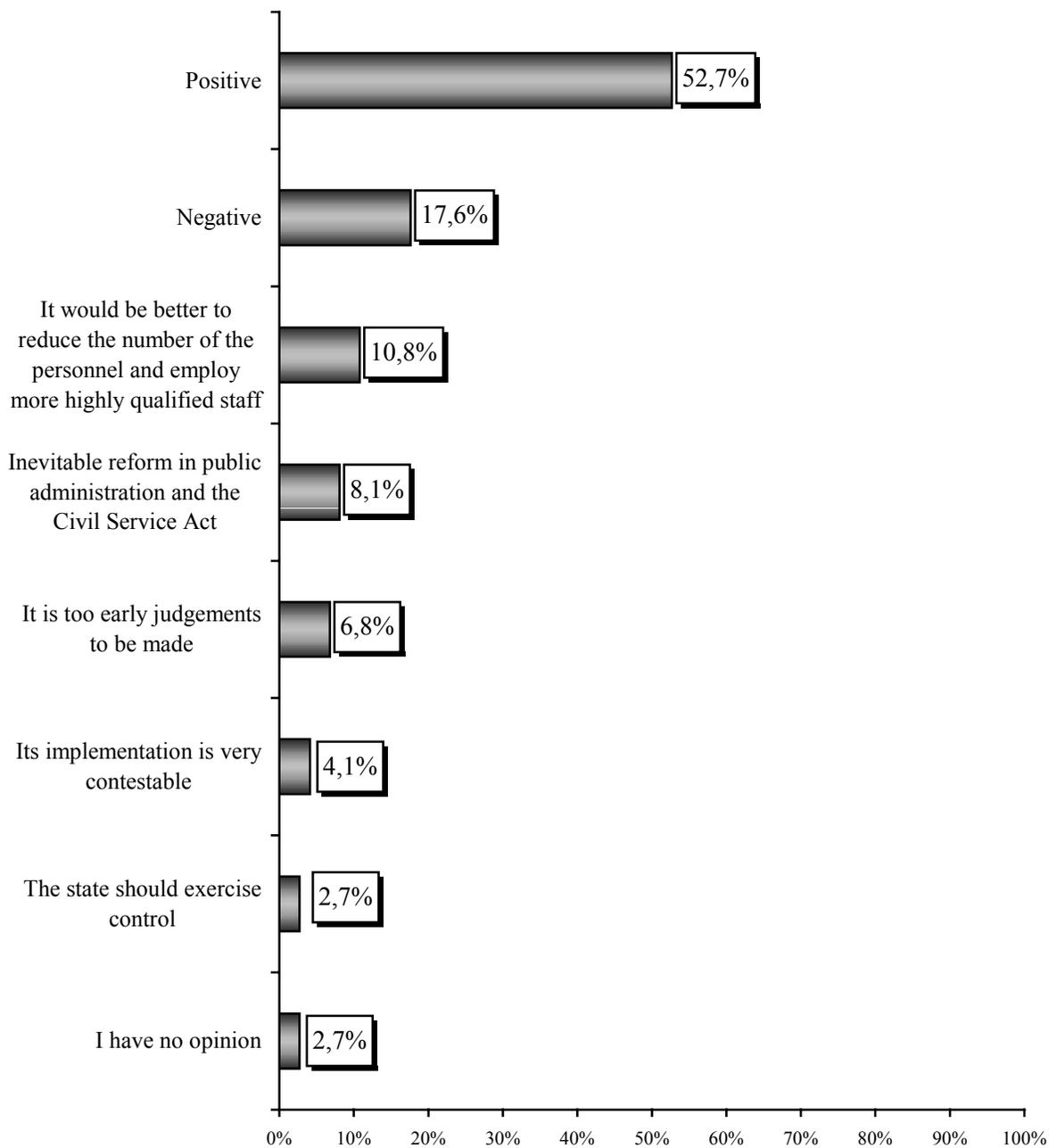
Has your municipality ever received assistance (financial, know how, training, etc.) from international sources?



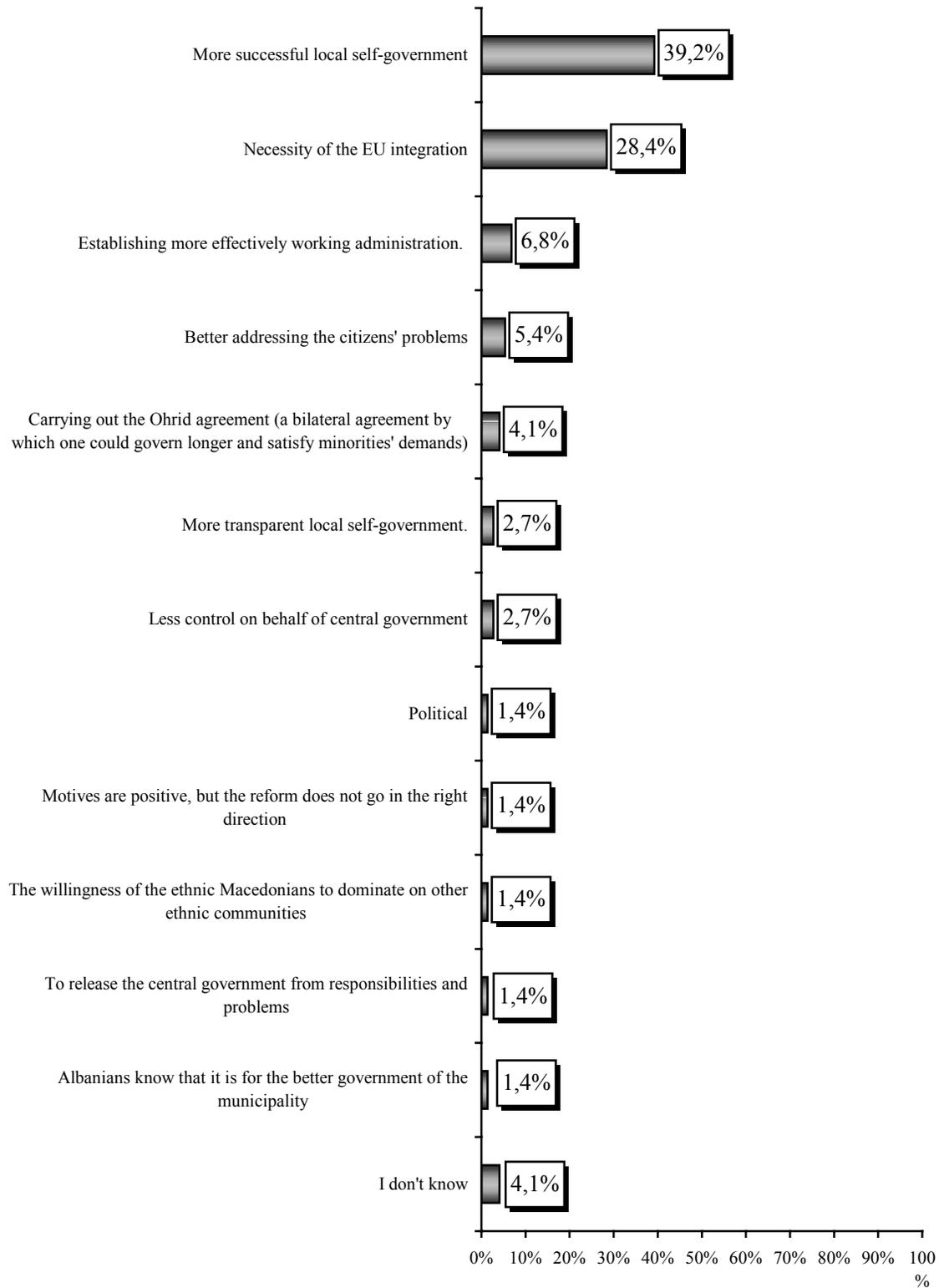
If you have to assess the way local governance is dealing with its responsibilities, what would it be?



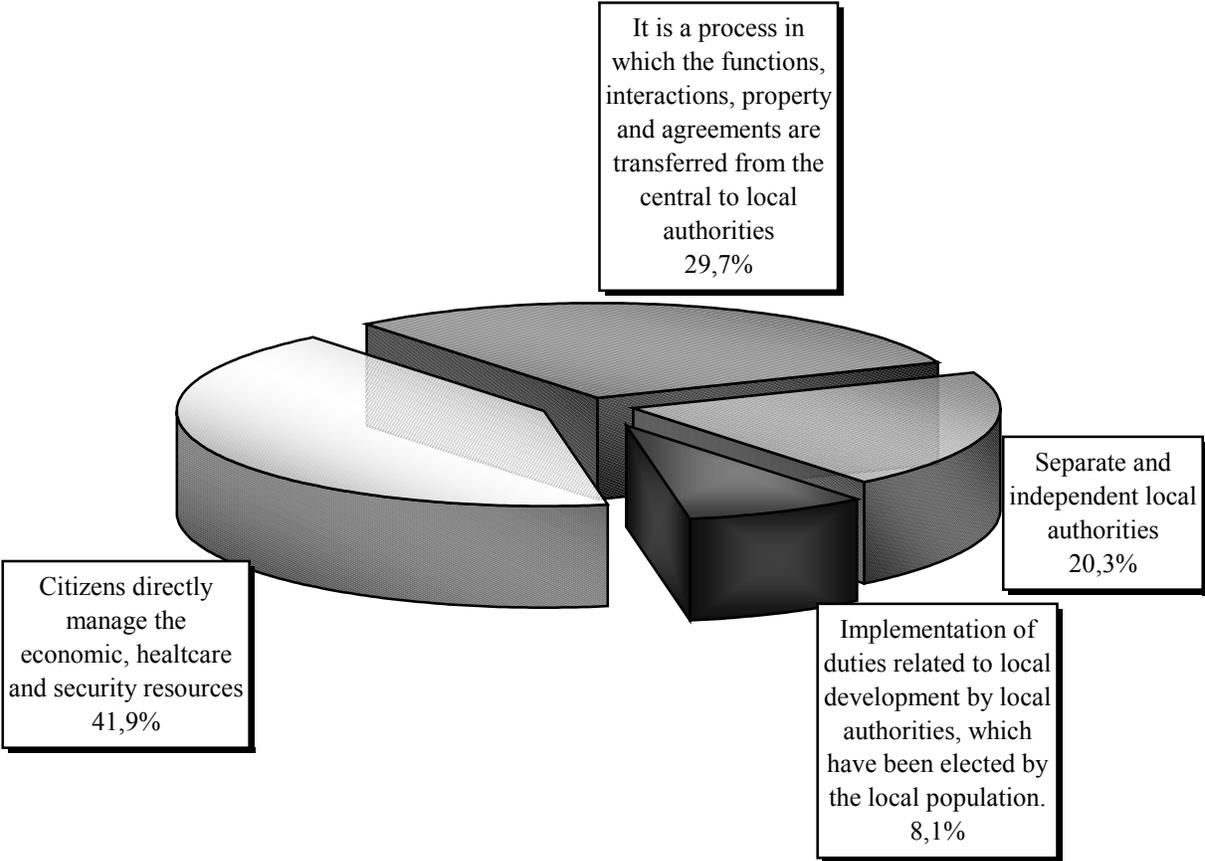
What is your attitude towards the administrative reform, which is being carried out under the idea of “decentralization”? Why do you think so?



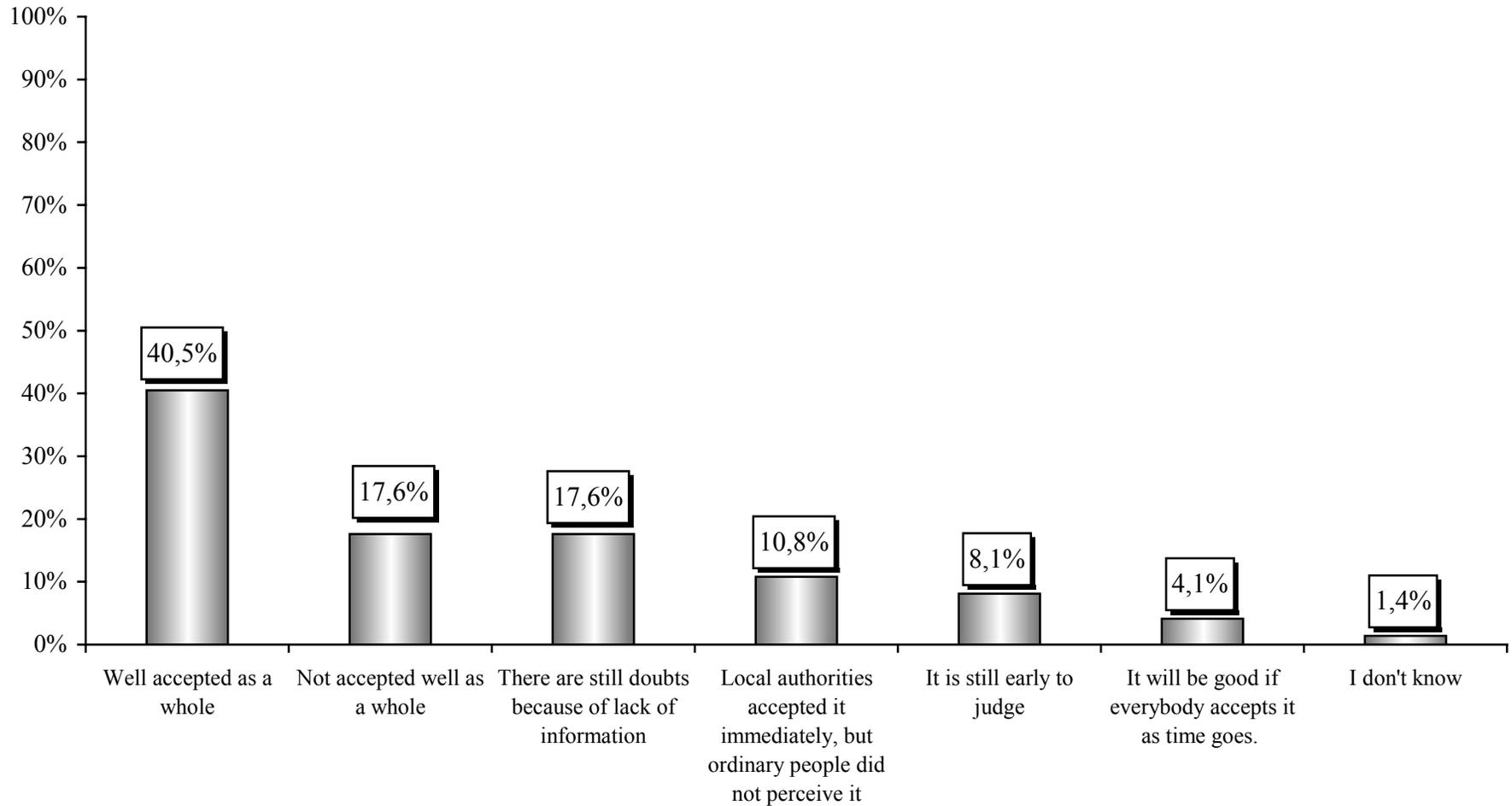
According to you, which are the motives behind this reform?



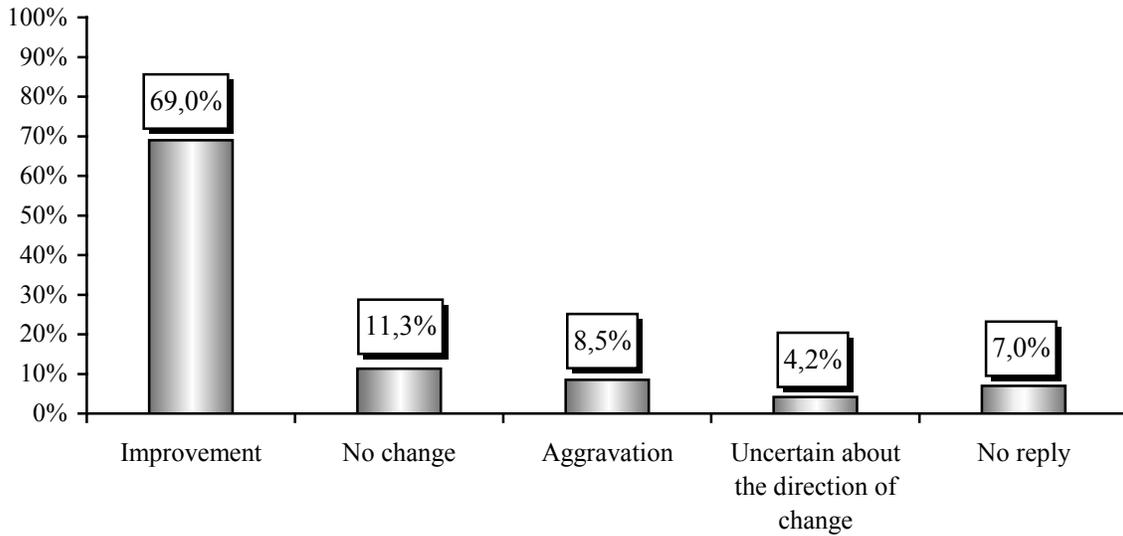
What do you personally understand by “decentralization of local governance”?



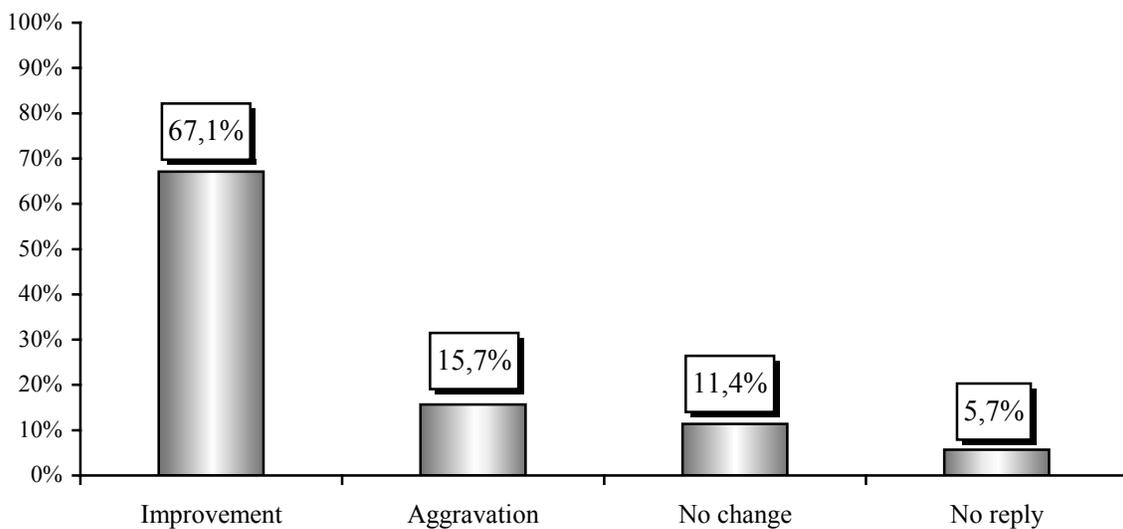
According to you, do people in the municipality accept decentralization well?



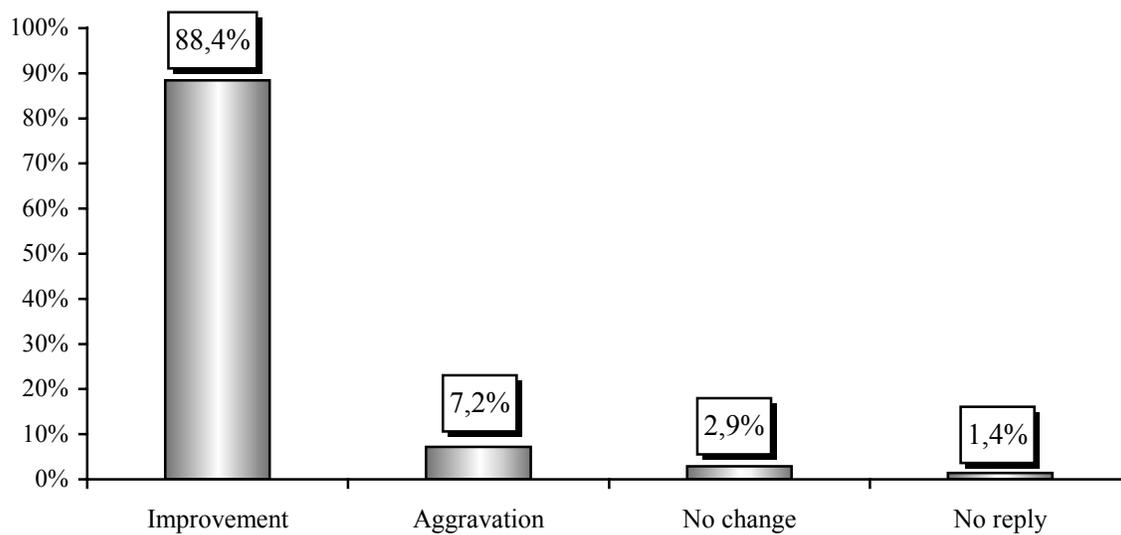
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in the political situation (in the country and the municipality)?**



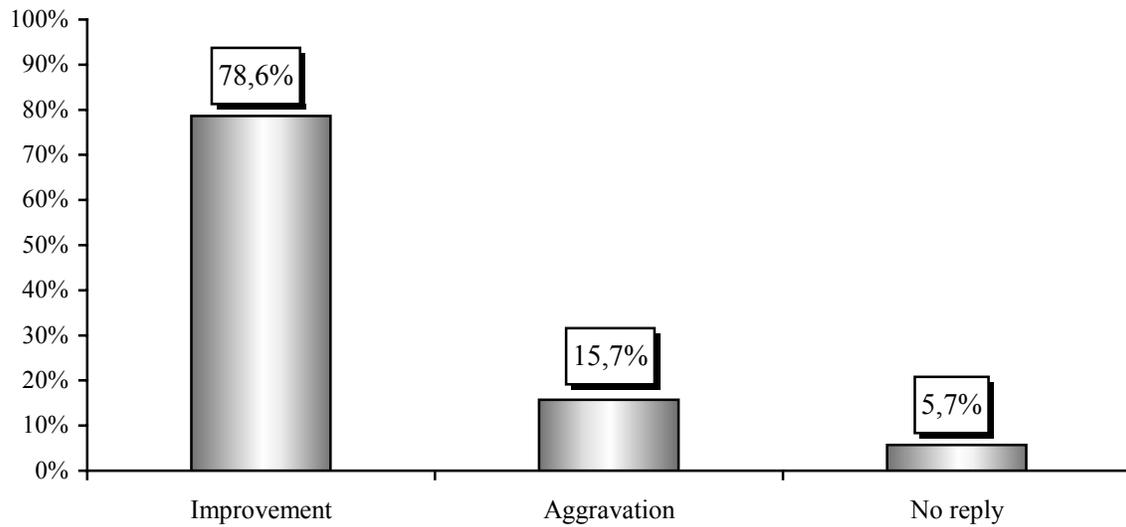
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in interethnic relations (in the country and the municipality)?**



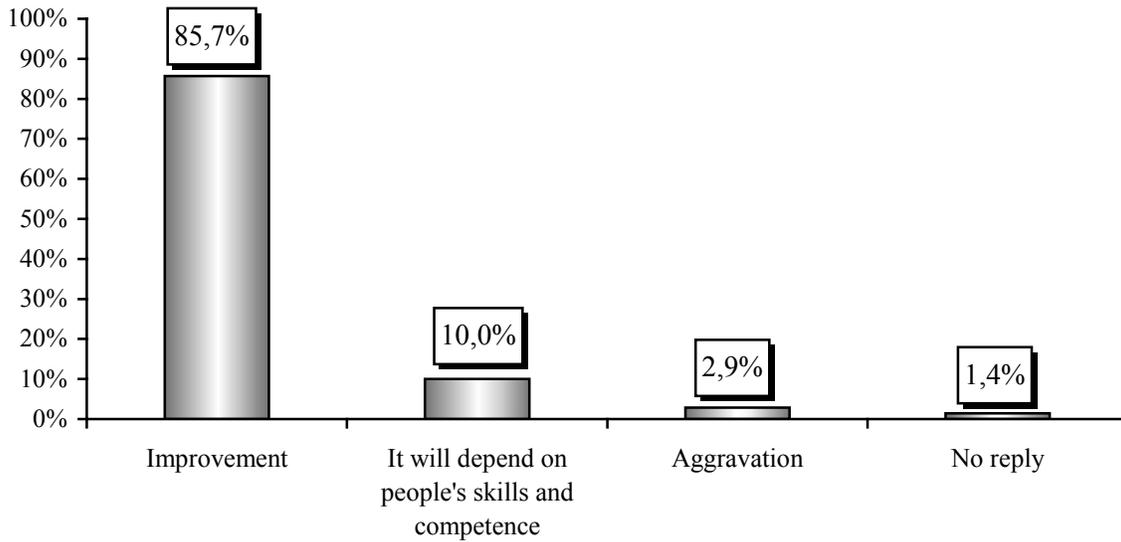
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in interactions between the power (authorities)
and the citizens?**



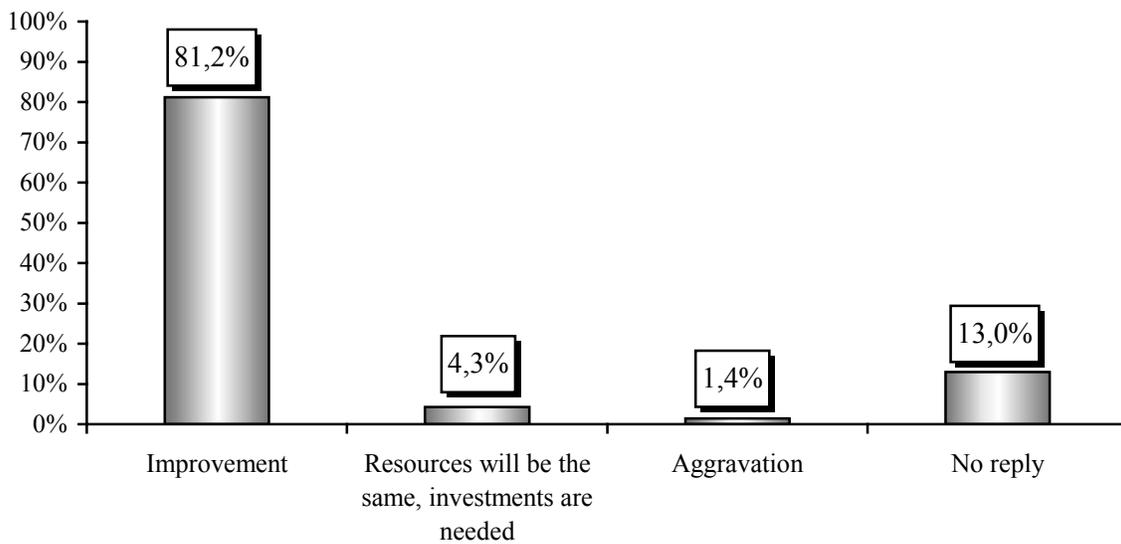
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in the possibility of the citizens to participate in
the formation of local policies?**



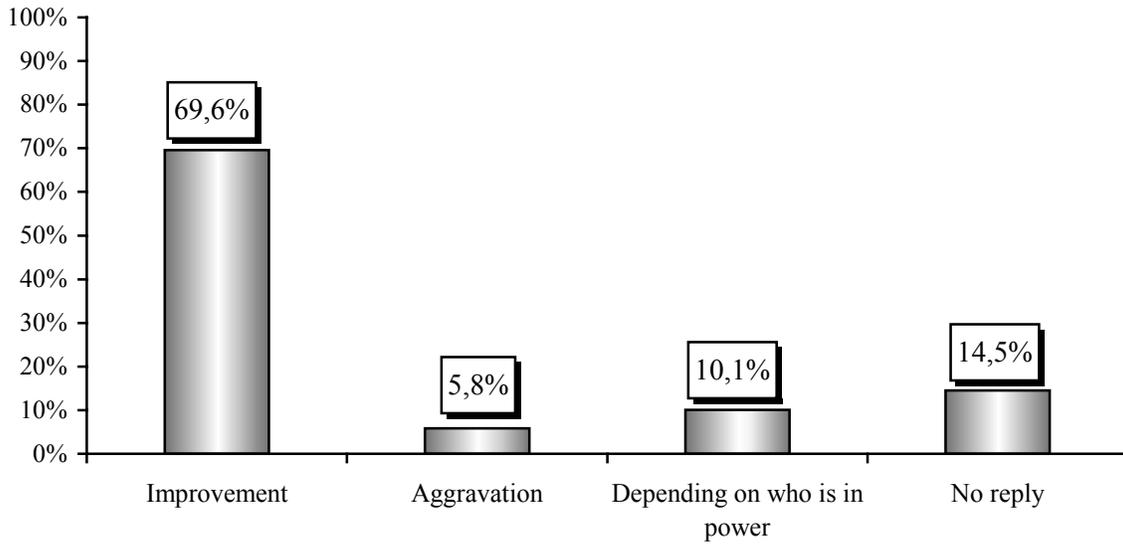
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in the quality of services, which the
municipalities offer to the citizens?**



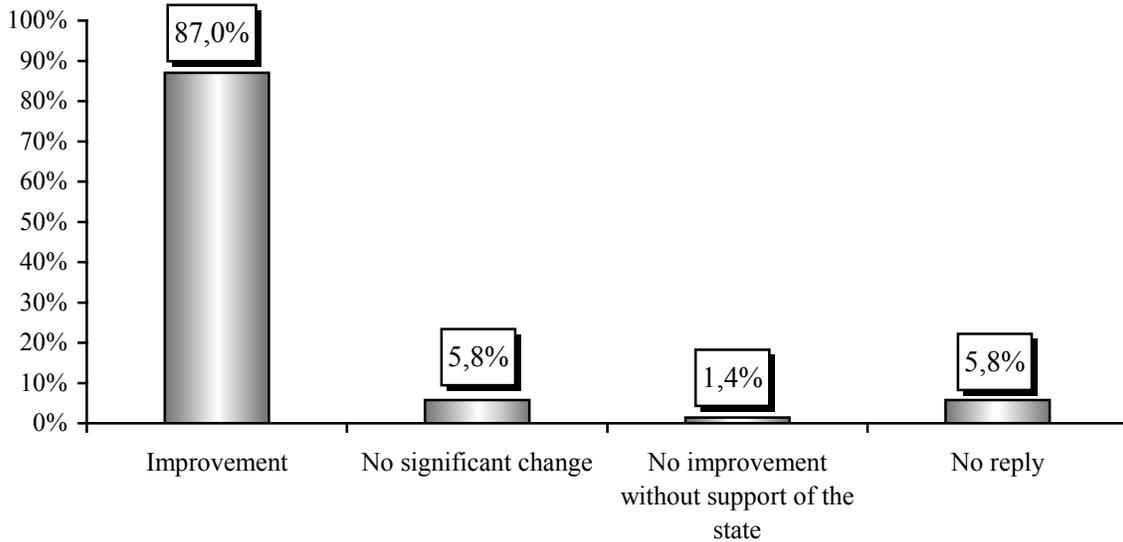
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in the resources of the municipalities?**



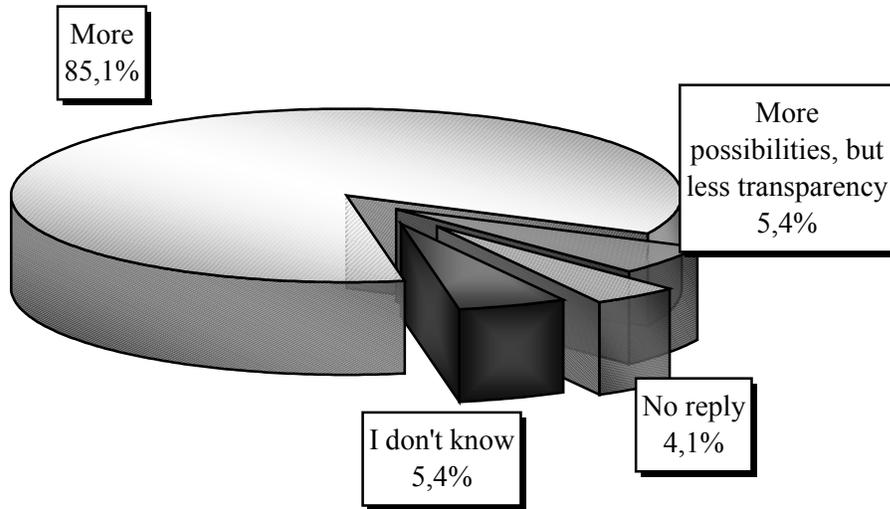
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in the interaction between central and local authorities?**



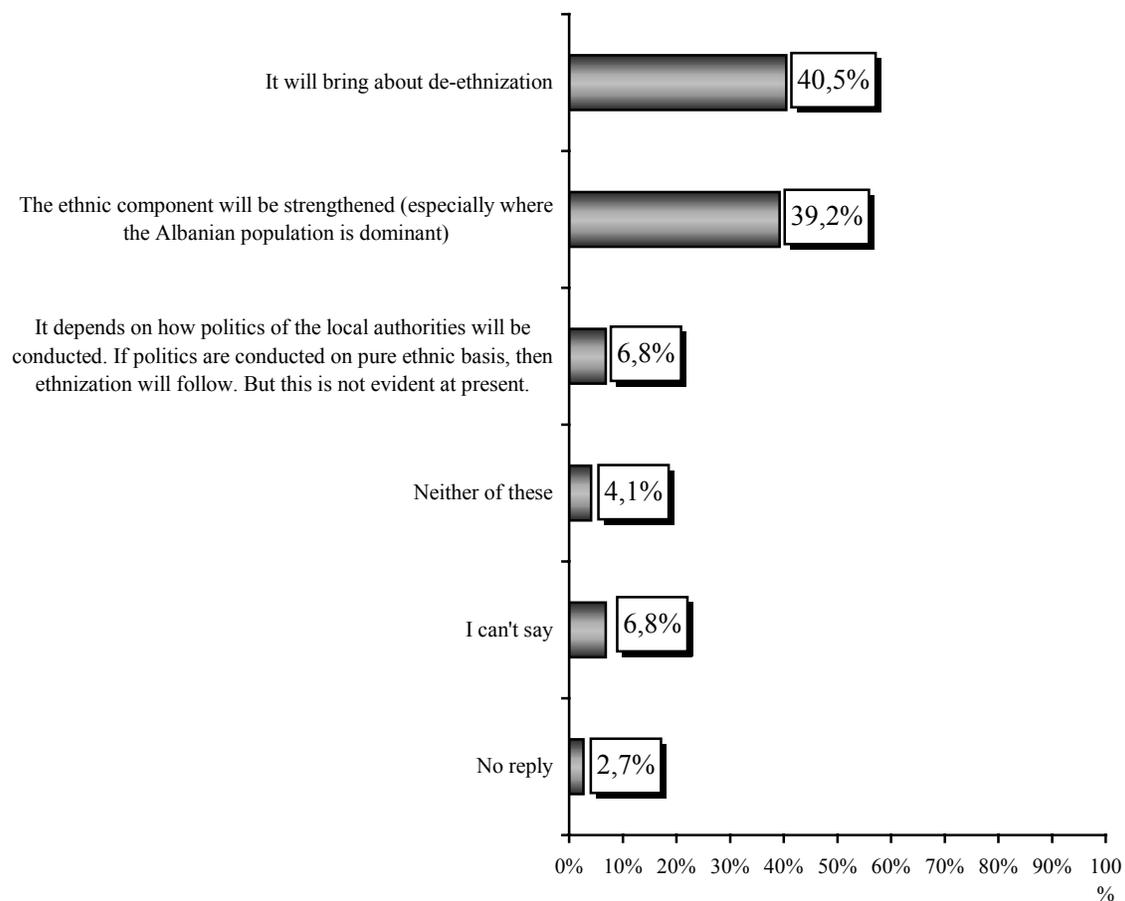
**If the reform is carried out to the end, then what effects do you expect?
How it will change things in local economy?**



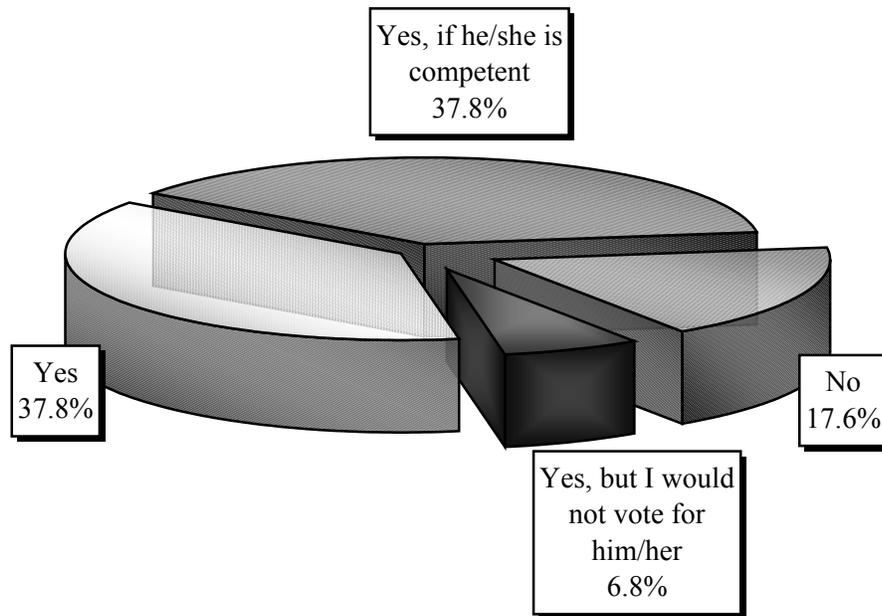
Are there more or less possibilities after the decentralization for effective functioning and accountability of local authorities?



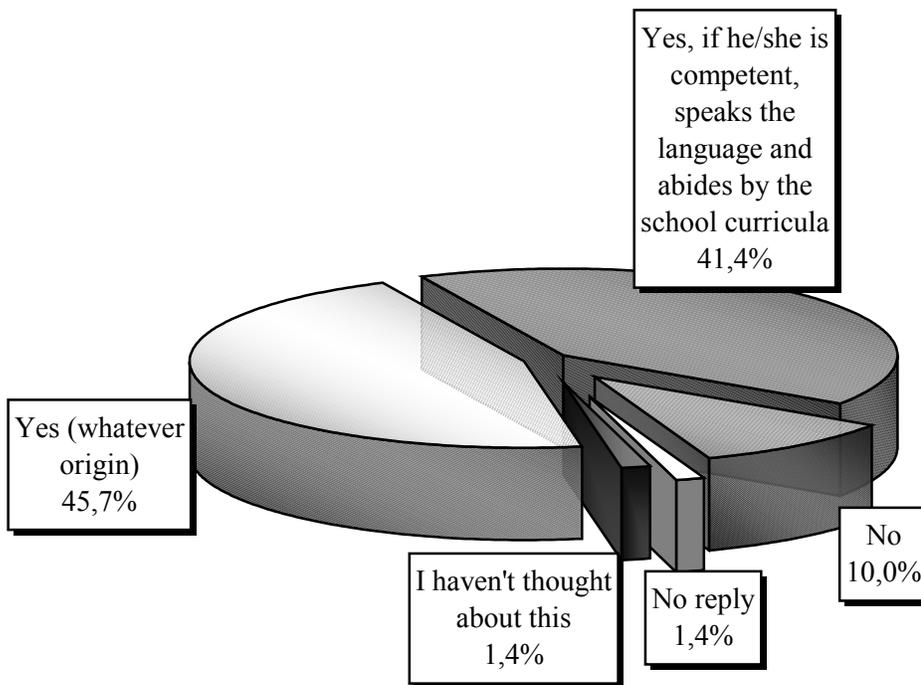
Do you think that the process of decentralization will bring about de-ethnization of the political system, or vice-versa – will strengthen the ethnic component?



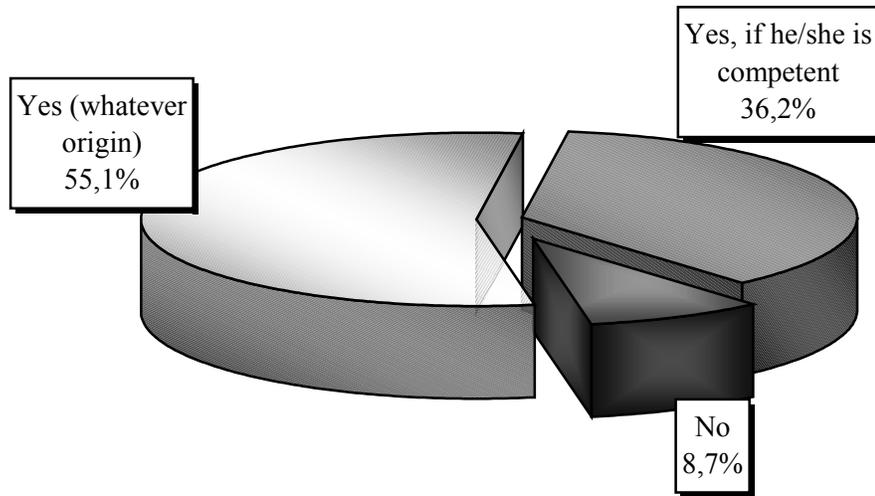
Would you accept to be governed (i.e. at local level) by a representative of another ethnic groups? If yes, would you vote for him/her and why?



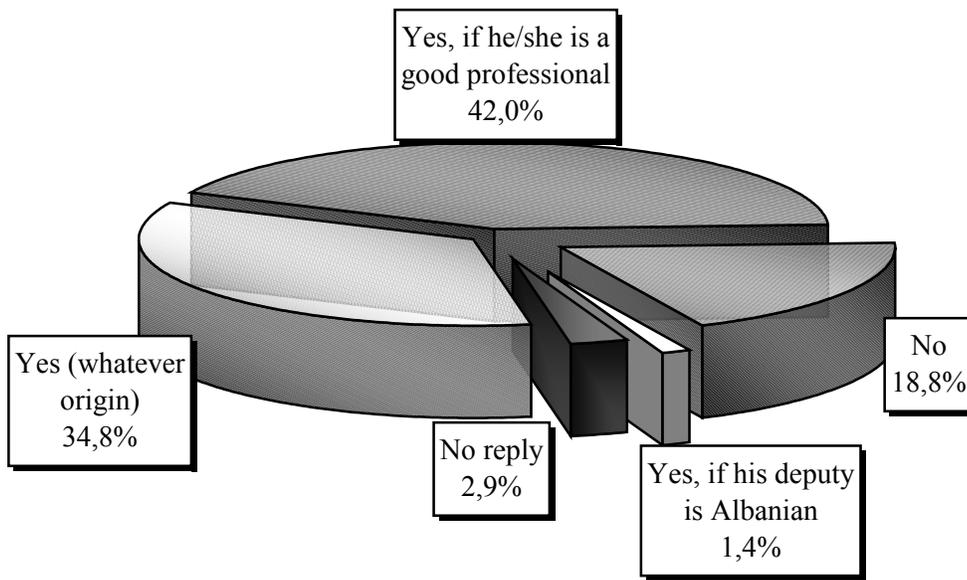
Would you accept the teacher of your child to be of another ethnicity? Representative of which ethnic community would you accept and of which one would not accept?



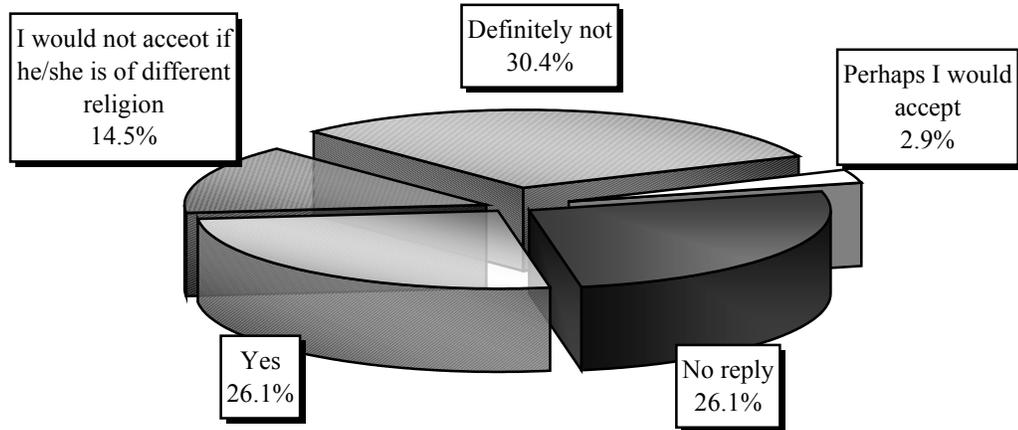
Would you accept your doctor to be of another ethnicity? Representative of which ethnic community would you accept and of which one would not accept?



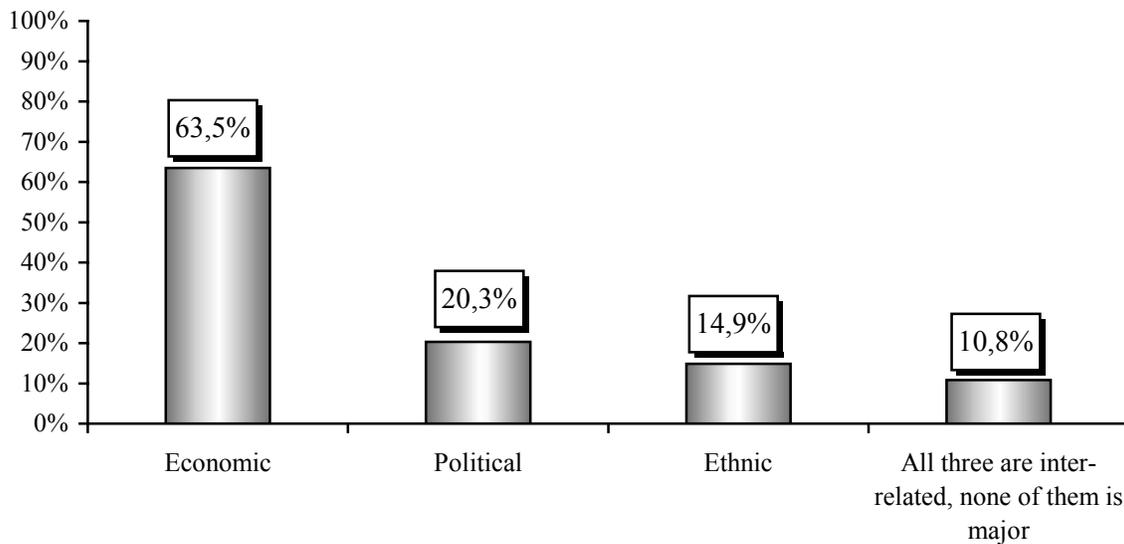
Would you accept the local chief of police to be of another ethnicity? Representative of which ethnic community would you accept and of which one would not accept?



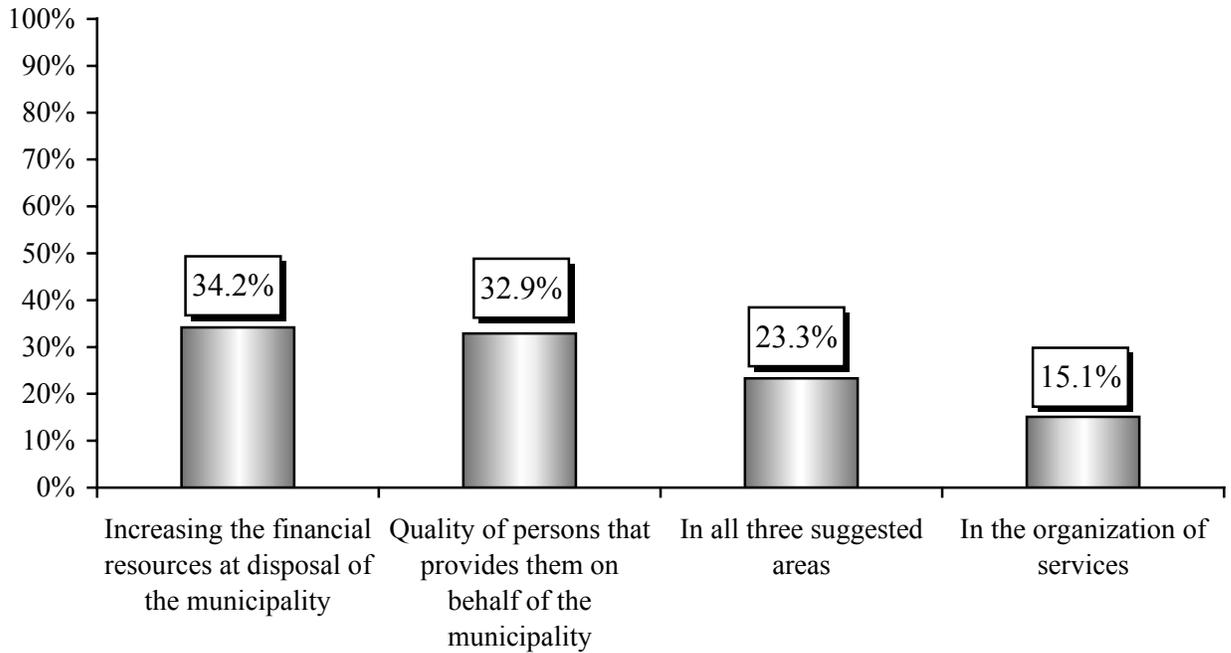
**Would you accept your child to marry a person of another ethnicity?
Representative of which ethnic community would you accept and of
which one would not accept?**



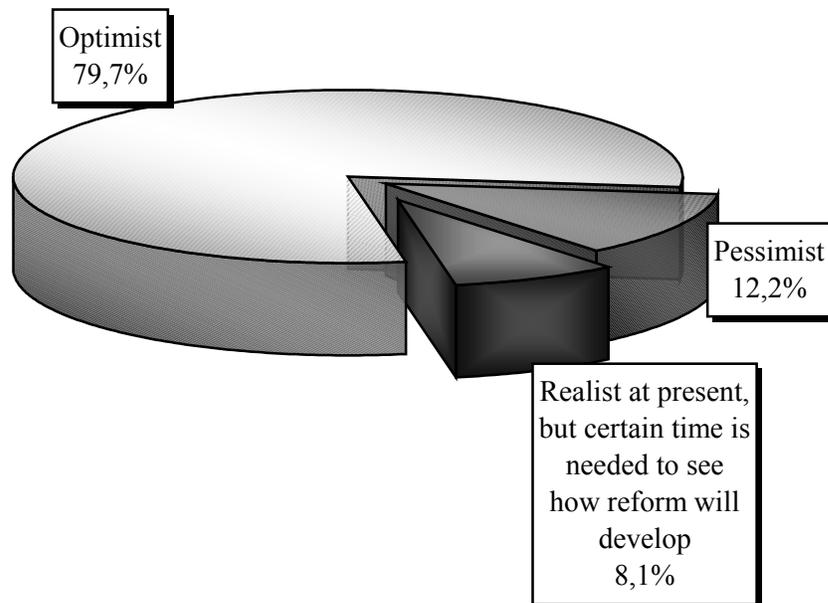
Which of the three factors is the major reason for the existing tensions in Macedonia?



Speaking about quality of municipality services, where should more efforts be invested?



As a whole, are you optimist or pessimist about the future and the results of the reform? Why do you think so?



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THE INSTITUTE FOR REGIONAL AND INTERNATIONAL STUDIES based in Sofia, Bulgaria, is an independent, non-partisan and non-profit think tank. IRIS is dedicated to developing strategies for democratic policy making. The mission of the Institute is to establish a link between academia and policy-making and to stimulate democratic development by generating policy analyses and recommendations. IRIS has established a high profile in Bulgaria, Southeastern Europe and the Black Sea area. IRIS' two programs – International Security and Democratization and Civil Society Development: Research and Training - continuously strive to bring IRIS' mission goals to fruition. In addition to its two operating programs, since 2003 IRIS has launched a new type of international activity through the project "Partners in Peace-building in the Balkans" in cooperation with the University of Maryland, College Park.

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2006