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Founders: Dr. Gjorge Ivanov, Andreas Klein M.A.

Address:
KONRAD-ADENAUER-STIFTUNG
ul. Risto Ravanovski 8 MK - 1000 Skopje
Phone: 02 3217 075; Fax: 02 3217 076 ;
E-mail: Skopje@kas.de; Internet: www.kas.de

INSTITUTE FOR DEMOCRACY “SOCIETAS CIVILIS” SKOPJE
Mitropolit Teodosij Gologanov 42A/3 MK - 1000 Skopje;
Phone/ Fax: 02 30 94 760; E-mail: contact@idscs.org.mk;
Internet: www.idscs.org.mk
E-mail: map@yahoogroups.com

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Short Biographys

Rizankoska Josipa holds a Ph.D. in Comparative and European Politics from Siena University (CIRCaP), in the field of ethno-regionalist parties in Europe. In the fall semester of 2013/2014 she was a visiting doctoral student in the Autonomous University of Barcelona, Spain. She holds an MA degree from Bologna University, from the MIREES program at the Faculty of Political Science 'Roberto Rufilli', Forli Campus. From 2007 to 2012 she worked as a Researcher and a Project Manager at the Institute for Democracy 'SocietasCivilis'- Skopje. Since August 2016 she is the President of the Center for Deliberative Democracy DIALOGUE-Prilep, Macedonia.
E-mail: josipa.rizankoska@gmail.com

Trajkoska Jasmina is an Associate Professor at FON University in Skopje, in the field of political system, political parties and interest groups, and political participation. She ended her Ph.D. studies in 2016 at the Ss. Cyril and Methodius University, Law Faculty, on topic 'Inter-ethnic conflicts in the EU and their economic consequences'. Since 2010, she holds an MA degree from FON University-Skopje on topic 'The diplomatic methods in inter-ethnic conflicts reconciliation in the Former Yugoslav Federation.' Since 2016 she is the Vice-president of the Macedonian Political Science Association and she is a co-founder of the Center for Deliberative Democracy DIALOGUE-Prilep.
E-mail: jasmina.trajkoska@fon.edu.mk

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Josipa Rizankoska
Jasmina Trajkoska

THE "COLORFUL REVOLUTION" AND THE MOVEMENT "FOR A SHARED MACEDONIA" - SYMBOLS OF AN AWAKENING PARTICIPATORY CIVIC CULTURE OR INDICATORS OF DEEP PARTY DIVISIONS IN MACEDONIAN SOCIETY? A CASE STUDY - PRILEP

INTRODUCTION

Numerous civic organizations and initiatives that have emerged in Macedonia in the last few years, striving to act as a counterpart or corrective to the power of political parties, have made pioneering steps in developing civic participatory awareness shaped according to global democratic trends. However, many of them were mainly organized by political parties, and the raimaining ones soon affiliated themselves with (or ,were appropriated by') the parties in order to gain political points. The legislative terms of the VMRO-DPMNE and DUI coalition government (2008-2017) are characterized by an abundance of civic initiatives, strikes, protests, and counter-protests that culminated in the resistance movement "I Protest - Civil Movement for Freedom, Justice and Democratization of the Institutions", more commonly known as the "Colorful Revolution". However, in the process of government change in 2017, the initiative "For a Shared Macedonia - Citizens for a Shared Macedonia, Citizens for Justice in Macedonia, Citizens Striving to Normalize Life in This Abnormal Time", opposed the previous opposition that strived to establish the new government.

These public manifestations are the two most massive civic movements that have emerged since the Republic of Macedonia became independent in 1991. These movements proclaimed themselves as civic initiatives that do not favor any party symbols (i.e. are above party lines), with the citizen him- /herself as an icon of initiative and fighting spirit for the set goals, and by doing so defined themselves as inclusive with respect to ethnic, gender, party, and social affiliation. The two movements resemble eachother in the way they conduct their campaigns, in their repertoire, and WUNC (worthiness, unity, numbers and commitment),[1] although the second movement can be considered a reaction to the results of the first.

For two and a half decades, the civil sector (organizations and initiatives) has been concentrated mostly in the capital, despite efforts of decentralization and attempts at improving the capacities of local organizations. This general situation is reflected in the organization of „I Protest“ and „For a Shared Macedonia“, especially when it comes to the continuity and strength of the protest initiatives at local level. Both movements showed almost the same time frame and continuity, with the main campaigns of both of them taking place in the capital, whereas the protests were organized in more than thirty cities (continuously in some, irregularly in others).

The campaigns in Skopje often depended directly on the local initiatives. Namely, specific campaigns (on certain days) called for greater participation and aimed at wider geographical coverage of protests in Skopje, so activists from all over the country were mobilized. Local initiatives, on the other hand, had their own course, structure, repertoire and number. Although the main initiative and force of local movements was assumed to come from the center (Skopje), the activists in these protests were mostly residents of the cities in which they protested. Thus, they often added issues of importance to their respective local environment to the campaign created in Skopje.

Although significantly fewer in number, many local initiatives of both movements managed to keep up with the pace and continuity of manifestations in the

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1 Tilly and Wood define the three main elements of social movements: campaign, repertoire and WUNC (worthiness, unity, numbers and commitment), whereas Tilly and Tarrow add the network and organization of the movements. Tilly, C. and Wood, L.J., (2013) Social Movements 1768-2012 3rd ed. London and New York: Routledge. 1-16; Tilly, C., and Tarrow S. (2015) Contentious Politics. 2nd ed. Oxford University Press, pp. 3-22.

center, which makes these movements particularly interesting for research. This paper concentrates on a case study of the protests in Prilep, one of the cities where both movements continuously organized events. The analysis covers the perceptions of participants in the two aforementioned protest movements with the aim of determining the movements’ structure and analyzing the differences in the participants´ positions on the issues that were the subject of their campaigns. We expect thus to obtain a general picture of the level of awareness about the importance of political participation when it comes to demanding responsibility and accountability from local representatives. This study applies an empirical method (field survey) to analyze protests in Prilep at a micro-level. The unit of analysis is the citizen as part of a protest initiative, and a total of 229 protesters from both movements were interviewed.

In this paper, we argue that participants in the movements show readiness to participate in protests, which attests to awakened civic (political) engagement, although this is not a direct indicator for a participatory culture outside party mobilization. Party activism is still the main driver of political activity in Macedonia, which, in the long run, prevents democratization of the state. Being aware of the importance not to generalize these results for the national level (because of the higher level of civil sector development in Skopje), we still believe that the image we present here is largely representative of Macedonia`s local milieu.

RESEARCH QUESTIONS AND HYPOTHESES

Independent of particular social movements’ campaigns and brief protest initiatives, it seems that civic culture in Macedonia is slowly waking up and that citizens are increasingly prepared to use certain models of direct democracy in order to influence the authorities. While contentious politics is possible in all types of regimes (from high-capacity non-democratic to high-capacity democratic), social movements are more likely to emerge in already democratized than in authoritarian societies.[2] However, this does not mean that all social movements need to promote democracy,[3] since they usually arise from specific interests and demands rather than appealing for democratization as such. Thus, social movements initiate democratization only under certain

2 Tilly, C. (2004 a) Contention and Democracy in Europe 1650–2000. Cambridge: Cambridge University Press; Tilly, C. (2004 b) Social Movements 1768–2004. Boulder, CO: Paradigm; Tilly, C. and Wood, L.J., (2013) Social Movements 1768-2012 3rd ed. London and New York: Routledge, pp.126; Tilly, C., and Tarrow S. (2015) Contentious Politics. 2nd ed. Oxford University Press, pp.49-73.

3 Kitschelt, H. (1993) Social Movements, Political Parties, and Democratic Theory. The Annals of the AAPSS, 528, 13–29. Sandoval, S. A. M. (1998) Social Movements and Democratization. The Case of Brasil and the Latin Countries. In Giugni, M., McAdam, D., and Tilly, C. (eds.) From Contention to Democracy. Lanham, MD: Rowman and Littlefield, 169–201.

circumstances;[4] only those social movements that explicitly demand increased equality and protection of minorities promote democratic development.[5]

Around twenty “colored” revolutions have occurred since the Portuguese Carnation Revolution in 1974 . Although all these movements have a specific object of resistance, there is a certain continuity in their tactics, which defines them as social movements.[6] However, each of these movements was in some way part of the globalization or trans-nationalization of resistance movements,[7] given that each new movement learned from its predecessors. Such was the case with the Rose Revolution in Georgia in 2003, when opposition leader Mikhail Saakashvili was trained in Serbia by participants of the “Otpor” resistance movement against Slobodan Milošević. Although the transnationalization of social movements, to a certain extent, brought about the internationalization of issues such as human rights, women‘s rights, and environmental protection, the other side of the coin is international terrorism.[8] This globalization and transnationalization of the conflict was not excluded in the latest movements in Macedonia where the international community was a watchful and active component in the mediation of the political crisis, and where many of the methods used by the protesters had already been seen in previous resistance movements in the world .

The “I Protest” movement, better known as the “Colorful Revolution” (CR), primarily demanded the then government to take resposibility for alleged corruption and abuse of office, but also advocated the demolition of an authoritarian regime and active participation of the civil sector in resolving the political crisis. The then VMRO-DPMNE government, on the other hand, argued that the CR is a work of foreign services; with George Soros, predominantly, financing and logistically supporting it through his Foundation Open Society-Macedonia. Gruevski accused the CR of following the so-called „Ukrainian Scenario“ as an attempt by foreign services to remove a legally elected government from power. The same rhetoric was used by the movement “For a Shared Macedonia”, opposing the platform of Albanian political parties, a bilingual Macedonia and eventual federalization of the country as a direct foreign interference in Macedonia‘s domestic politics.

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4 Tarrow, S. (1995) The Europeanization of Conflict: Reflections from a Social Movement Perspective. West European Politics, 18, 223–51; della Porta, D. and Diani, M. (2006) Social Movements: An Introduction. 2nd edition. USA and UK: Blackwell Publishing, pp. 246.

5 The Arab Spring is an example of resistance movement where, even though certain demands for democracy existed in their campaigns, the final result is not directly positive, on the contrary, the movement ended where it started, without a measurable democratic process. Most of the region remained under authoritarian control and, moreover, the region was subject to violence and chaos. Even though this movement spread in several countries, and despite the involvement of the West with armed forces and human resources (education), it ended with one of the most fierce civil wars to date, the War in Syria. Tilly, C., and Tarrow S. (2015) Contentious Politics. 2nd ed. Oxford University Press.

6 Tilly, C. and Wood, L.J., (2013) Social Movements 1768-2012 3rded. London and New York: Routledge, pp. 4.

7 della Porta, Donatella and Tarrow, Sidney (eds.) (2005) Transnational Protest and Global Activism. Lanham, MD: Rowman & Littlefield.

8 Tarrow, S. (2005) The New Transnational Contention. New York/Cambridge: Cambridge University Press; Tarrow, S., and McAdam, D. (2005) Scale Shift in Transnational Contention. In della Porta, S. and Tarrow, S. (eds.), Transnational Protest and Global Activism. Lanham, MD: Rowman and Littlefield, 121–49.

With one movement advocating democratization of the state, while the other „condemned“ it as a negative example of social movements` transnationalization (foreign interference in domestic politics), members were confronted with the main political issues at the time they were active. The general research question in the case of our two local movements is, to what extent they can be considred a sign of raised participatory awareness among the Macedonian citizens, or whether they should still be mostly regarded as tools of the parties in order to come to power. Should we view these civic initiatives as a sign of the rise of a participative political culture in Macedonia, or rather as an indicator for the deep party gap reflected in the division of Macedonian society along political lines? We wonder, to what extent do the participants in these movements see them as an appropriate way of influencing authorities in the decision-making process, and of requesting transparency and accountability from the authorities in the short or long run? We also addressed the identification of citizens with the initiative they joined and the methods they used to inform themselves and become active in the protests. Finally, what are the fears of the participants regarding the political crisis in Macedonia, as two conflicting initiatives emerged from the political and social crisis of the recent years?

METHODOLOGY

This study is based on a micro-level analysis. We used an innovative and long-neglected method in the field of social movements research: interviewing participants during a protest. In order to contribute to those studies that started the “end of the strange lacuna”,[9] this analysis is based on primary empirical data exploring the individual level of socialization, structural availability and cognitive frameworks inside the social movements. Therefore, instead of interviews or life histories, this analysis aims at generalizing empirical findings (with a special emphasis on the local level). The first reason to resort to such a methodology is the very name of the first social movement, the “Colorful Revolution“, implying a colorful or diverse internal structure in terms of its participants` social characteristics, organization, network of actions and expectations of the „revolution“ itself. In order to compare the two movements that endured on the streets in the capital and several towns for an almost equal period of time, the same methodology is also applied to the analysis of “For a Shared Macedonia” (FSM). Two separate field surveys were conducted in Prilep, the first from 13 to 17 of May, 2016, and the second from 17 to 27 of April, 2017. A total of 141

9 Adretta, M. and della Porta, D. (2014) Surveying Protestors. Why and How. In. della Porta, D. (ed) Methodological Practices in Social Movement Research. Oxford University Press, pp. 309; della Porta, D. (2014) Social Movement Studies and Methodological Pluralism: An Introduction. In della Porta (ed.) Methodological Practices in Social Movement Research. Oxford University Press.

respondents from the CR and 89 respondents from the FSM were surveyed during the protests.[10]

The initial analysis of the movements familiarized us with the context of the protests and habits (repertoire) of the demonstrators, the time and place of occurrence and the protest protocol; for this purpose we used secondary literature. This preliminary research was done with the intention of determining the sample strategy and the survey method, but primarily to establish the theoretical basis for the analysis. Unable to use the quota sampling strategy due to the specificity of the survey (it was conducted in the field at all stages of the protest, including in motion), we succeeded in covering the movement using the probabilistic sampling method for number, demographic composition, and field concentration during protests. The selection of respondents was random, with particular emphasis on field coverage and concentration of groups during protests, which was made possible by the duration of the survey from 7 to 10 days.

The respondents were initially approached directly, and interviewers recorded the results. At the request of some respondents, they were provided with a copy of the survey with full instructions on how to complete the questionnaire, and the respondents filled them under surveillance and with the help of the interviewers. The surveys were anonymous.[11]

Due to the uncertainty regarding the duration of the protests, and taking into account that data collection would become impossible in case the protests ended, a pre-field test was made in quasi-laboratory conditions with experts and targeted respondents who supported the protests. On top of that, the first thirty CR and the first twenty FSM field surveys were conducted in a semi-open manner in order to immediately correct possible omissions in the composition of the questions. Participants from both movements showed major interest in participating in the survey, with only a small percentage of distributed questionnaires returned unanswered (2% of the CR and 6% of the FSM).

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10 We had reasons to use the field survey method instead of a general survey at national level. Firstly, according to Andretta and Della Porta (2014 pp. 309), general surveys are limited in the number of interviewees that really go in the field (they are involved in unconventional forms of political participation) even though they declare themselves as supporters of a certain movement. They most frequently form a subsample that enables further internal-group analysis of the variations. Secondly, with this analysis, we wanted to avoid generalization of the questions we would have to ask if the survey were general. Namely, we wanted to avoid having to ask questions that individuals have no special interest in or have insufficient information to answer. Instead, approaching them directly in the field, at the place of mobilization, we could ensure that our target group is well informed about the context and reasons for it, and are at the same time more motivated to be surveyed than the random interviewees at national level. Finally, with this approach, we could get to know better the context and structure of the protests and thus contextualize the end results, and most importantly, ensure a high quality of the latter.

11 Additionally, for those activists who were interested but due to specific activities during the protests were prevented from filling in the survey, we provided an internet version of the survey. Nevertheless, this version cannot be considered as a method in itself, but as an extra means for those respondents.

CONTEXT OF THE MOVEMENTS "I PROTEST" AND "FOR A SHARED MACEDONIA"

The citizens' movement "I Protest" started protests on April 12, 2016, immediately after the decision of the President of the Republic of Macedonia, Gjorgje Ivanov, to pass a general act on termination of all criminal proceedings against persons from the government, as well as the opposition, related to suspicions arising from the "tapping" materials (in order to preserve the national and state interests of the Republic of Macedonia and as a basis for ending the political crisis).[12] The movement started off with the demolition of the President's office in the center of Skopje, but in the following days quickly took an organized form of non-violent protest with the slogan „No Justice - No Peace". Due to the recognizable instrument for expressing dissatisfaction with the government, coloring main state institutions and monuments of the Skopje 2014 project, and the diverse composition of the organization (social, cultural and ethnic inclusiveness), the movement became more commonly known as the "Colorful Revolution" and the participants were called "Shareni" ("The Colorfuls") (by the critics pejoratively, and affirmatively by the supporters).

The main reason for the initiation of these protests was the struggle to change the governing structure, as well as the desire for fundamental institutional changes in the country, based on justice, peace, solidarity, responsibility and multiculturalism. The CR came forward with a range of demands:[13] immediate withdrawal of the amnesty for all those being investigated and indicted by the Special Public Prosecutor's Office; Gjorgje Ivanov's immediate and irrevocable resignation from the office of President of Republic of Macedonia; the Constitutional Court issuing an opinion on the constitutionality of the Special Public Prosecutor's Office (SPPO); establishment of a special department at the Criminal Court responsible for cases under the jurisdiction of the SPPO; immediate withdrawal of the decision to hold parliamentary elections on June 5; mandatory involvement and presence of independent civil society representatives in the process of resolving the crisis; the process of resolving the crisis to take place on the territory of the Republic of Macedonia; establishment of a temporary government that would fully implement the urgent reform priorities stated in the Priebe report,[14] etc.

The CR also had international support, and diaspora protests were organized in Belgrade, Sarajevo, Ljubljana, London, Amsterdam and Zagreb.[15] This movement

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12 "Ivanov issued a decision to stop all procedures against politicians" accessed in: http://vesti.mk/read/news/8694913/3144749/ivanov-do-nese-odluka-za-prekinuvanje-na-site-postapki-protiv-politichari , 02.08.2017

13 "Demands of "I Protest" accessible at :http://protestiram.info/wp-content/uploads/2016/05/baranja4.png , 02.08.2017

14 "What does the Priebe report contain (full text)" accessible at:http://telma.mk/vesti/shto-sodrzhi-izveshtajot-na-pribe-celosen-tekst , 02.08.2017

15 "Protests in Macedonia 2015/2016, International support" accessible at: http://protestiram.info/?page_id=292 , 02.08.2017 is characterized by multicultural messages, the absence of party symbols and, above all, a call for the rule of law.

The “I Protest” movement does not stand only behind CR’s protests. The protest organized on May 5, 2015, a result of wiretapped conversations revealing new information about Martin Neshkovski’s murder at the VMRO-DPMNE celebration after the 2011 parliamentary elections, is considered as the starting point of the protests against the previous regime. Furthermore, protests of high school pupils, students and professors who later endorsed the CR demands, happened before the CR appeared.

Soon after the capital, protests were organized in Bitola and Prilep, and later in Strumica, Kavadarci, Kumanovo, Ohrid, Sveti Nikole, Resen, Gostivar, Tetovo, Stip etc. The armed clash on May 9th in Kumanovo changed the form of the next protest that took place in front of the government, starting with a minute of silence. In the next few days, the first demands from „I Protest“ were published, concerning the immediate resignation and responsibility of the government, the immediate release of the detained activists, and the formation of a government for the democratization of the institutions.

On May 17, 2015, the most massive opposition protest took place, also attended by the largest opposition party, SDSM, and supported by a large number of civil society organizations and other political parties of the opposition. Many opposition politicians were present in the streets, and in their statements to the media, they claimed they were protesting as citizens of the Republic of Macedonia, and not as party members. The protests of the CR ended on June 20, with the signing of the Pržino 2 agreement.[16] One more protest was held on September 26, 2016, in support of the SPPO. The main messages found on the banners of the CR participants were: “I’ve had it with sandwiches!”, “We are a colorful star of the EU”, “I love my country, I am ashamed of the government”, “We are not afraid of you”, “Fascism never again”, “You will not get away with it”, “You spend on chocolates, we do not have enough for bread “, etc.

The CR in Prilep, apart from these messages, became famous for the slogan “You will do time”, alluding to the possible criminal responsibility of local (and national) authorities for corruption, abuse of office, unethical and uneconomical activities. Although the main campaign against the Skopje 2014 project took place in Skopje, the local campaigns called especially on this project as evidence for the neglect of the rest of the country by the central government and a concentration of capital in Skopje, which also served as an explanation for the significant outflow of Macedonia’s youth, especially from the regions.

16 “An Agreement has been reached for election day to be August 31”, accessible at: https://mk.voanews.com/a/macedonia-political-parties-/3428624.html, 05.08.2017

Even though the Citizens’ Movement for the Defense of Macedonia (GDOM) and, later on, the Stop Operation Soros (SOS) initiative mobilized citizens for direct counter-protests to the Colorful Revolution, their activity did not have sufficient continuity and geographical coverage to enable parallel research on their motives and composition. However, the most seriously organized protests which showed striking similarity to the CR regarding methods of mobilization and communication with target groups were organized by the „For a Shared Macedonia” initiative, which had emerged from the Macedonian Patriotic Association „Tvrdokorni“ („The Adamantine“).[17] The first march organized by „Tvrdokorni“[18] took place on February 24, 2017,[19] with the reason for the protests being the formation of a new government.[20] A few days later, on February 27, 2017, the official civic initiative „For a Shared Macedonia” was formed.

FSM declared itself defender of the Macedonian Constitution and of Macedonia in the existing borders, and against the separatist policies of the neighbors and the interference of the international organizations and forces in the internal politics of the Republic of Macedonia. The slogan of this initiative was “Shared Macedonia.” The demands of FSM state that no agreement contrary to the Constitution and the laws of the Republic of Macedonia should be concluded between the new coalition partners, and they strongly oppose any kind of separatist policies. In their announcement, they state that participants in the protest should dress in black and carry Macedonian flags, but that there should be no party symbols or markings. As a response to the CR, FSM started to call themselves ‘two-colored’, alluding to the colors of the Macedonian flag.

Even though the protest initiative started off with “Tvrdokorni”, FSM later stood out as a separate one.[21] The FSM distances itself from the strong nationalist charge of the “Tvrdokorni“ campaign, although the respective demonstrators are still called „Tvrdokorni“.

The main demands of FSM were: all political parties, together with the citizens, should develop a platform „For a Shared Macedonia” in the capital of the Republic of Macedonia, and reject platforms formed in other countries; the political parties must not consider adopting a government program that would not be voted on by citizens in the elections; the parties, and especially

17 This movement is basically nationalist. The demands of the “Tvrdokorni” are mainly directed against the Albanian political elites who were previously part of the ANA paramilitary formations, and at the abolition of the rule on double winners at elections, by which the Albanian and Macedonian ethnic parties form the government, as well as the abolition of the Badinter majority and the cancellation of the Ohrid Framework Agreement. Furthermore, this association advocates special treatment for the families of members of the armed forces who were wounded or killed during the 2001 conflict, granting citizenship to Macedonians by descent and to all Christian refugees from hot spots in the world that are persecuted and want to stay in Macedonia, etc..

18 “Season of Protests: from “Tvrdokorni” to “For a Shared Macedonia”. Accessible at: http://p.dw.com/p/2Zs5k - 02.08.2017

19 “Season of Protests: from “Tvrdokorni” to “For a Shared Macedonia”. Accessible at: http://p.dw.com/p/2Zs5k - 2002.08.2017

20 “Macedonian Patriotic Association “Tvrdokorni” will march tomorrow in relation to the establishment of the government” accessible at:http://www.biznisvesti.mk/makedonskoto-patriotsko-zdruzhenie-tvrdokorni-utre-ke-marshira-vo-vrska-sozdavaneto-na-vlada/, 03.08.2017

21 “For a Shared Macedonia” with a message to “Tvrdokorni” accessible at: http://www.press24.mk/za-zaednichka-makedonija-so-pora-ka-do-tvrdokorni, 03.08.2017

VMRO-DPMNE and SDSM, must not allow the adoption of a Law on a bilingual Macedonia in the Assembly because that would be a gateway to redefining the essence of Macedonia; the President of the Republic of Macedonia, Gjorgje Ivanov, should respect the Constitution and not grant a mandate to form a government after the expiry of the deadline, since giving the mandate for a foreign country platform would make him an accomplice in the dissolution of the Republic of Macedonia.

The activities of this civic initiative were also conducted in other cities besides Skopje, namely in Demir Kapija, Bitola, Prilep, Kicevo, Ohrid, Kavadarci, Strumica, Stip and others. The structure is similar to that of the CR, and the movement had its own facebook page where they published information on the organization of the protest, the demands and announcements on a daily basis. Unlike "I Protest", FSM do not have their own website (while the „Tvrdokorni" have one).

In their protests, there was frequent participation by actors, artists and professors who addressed the participants.[22] The messages on the banners read „Macedonia is our red line!", „European Union, show respect!", „We will not allow you to divide us!", „I want one language, not three, nor two!", "My country is Macedonia and my language is Macedonian! "," Our tribe is Piraeus! "," Never give up - Macedonia forever!".

On April 27, 2017, the day when the new President of the Assembly was voted, the participants in the FSM protests violently entered the Assembly of the Republic of Macedonia. Members of the opposition parties were physically attacked, and material damage was caused. On April 28, 2017, in spite of the incident in the Parliament, FSM protests were held in front of the European Union Office in Skopje, where they emphasized that the movement is against violence, but also against the violation of the Macedonian Constitution and laws. With this action, however, they did not manage to distance completely from the violence in the Assembly, organized by members of their movement. On May 3, 2017, one of the main leaders of FSM protests, Igor Durlovski, stressed that he would step back due to the violence. On May 6, the FSM initiative held a panel discussion on the developments in the Assembly on April 27. Furthermore, they announced that demands and activities would continue to be realized with other methods (mainly legalistic), yet there upon, they died off.

In Prilep, the FSM movement existed almost in parallel with that in Skopje. One of the major rallies was the one led by professors of Macedonian language and literature, and even though nationalist rhetoric was not necessarily present, the movement abounded with a patriotic campaign and demands for the preservation of the Macedonian language and tradition.

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22 Main organizers, leaders of the movement and protests "For a Shared Macedonia" are Boris Damovski (artist/director), Igor Durlovski (opera singer – director of the Macedonian Opera and Ballet) and Bogdan Ilievski (blogger).

Although in the case of both „Colored Revolution“ and „For a Shared Macedonia“ in Prilep, the number of participants was considerably smaller and fluctuated much more than in Skopje, the continuity of the movements enabled the collection of primary field information for comparative analysis. The results provided here show to what extent these two local parts of the movements can be considered as precursors of a rise of awareness on political participation and civic activism at a local level.

RESULTS

The results presented in this section are an attempt to address the main research questions by describing the database obtained in the field by directly interviewing the participants in the protest movements.

Of the total sample of 229 respondents in this study, covering the two protest movements, 60% are men while 40% are women. 99% declared as ethnic Macedonians; 45% are employed, 27% are unemployed and 20% are retired. 48% of the respondents have completed secondary education, and 28% higher education. 80% of the overall sample are regular voters for one party, and 13% are regular voters with variable voting, the rest either does not vote or did not yet have the right to vote.

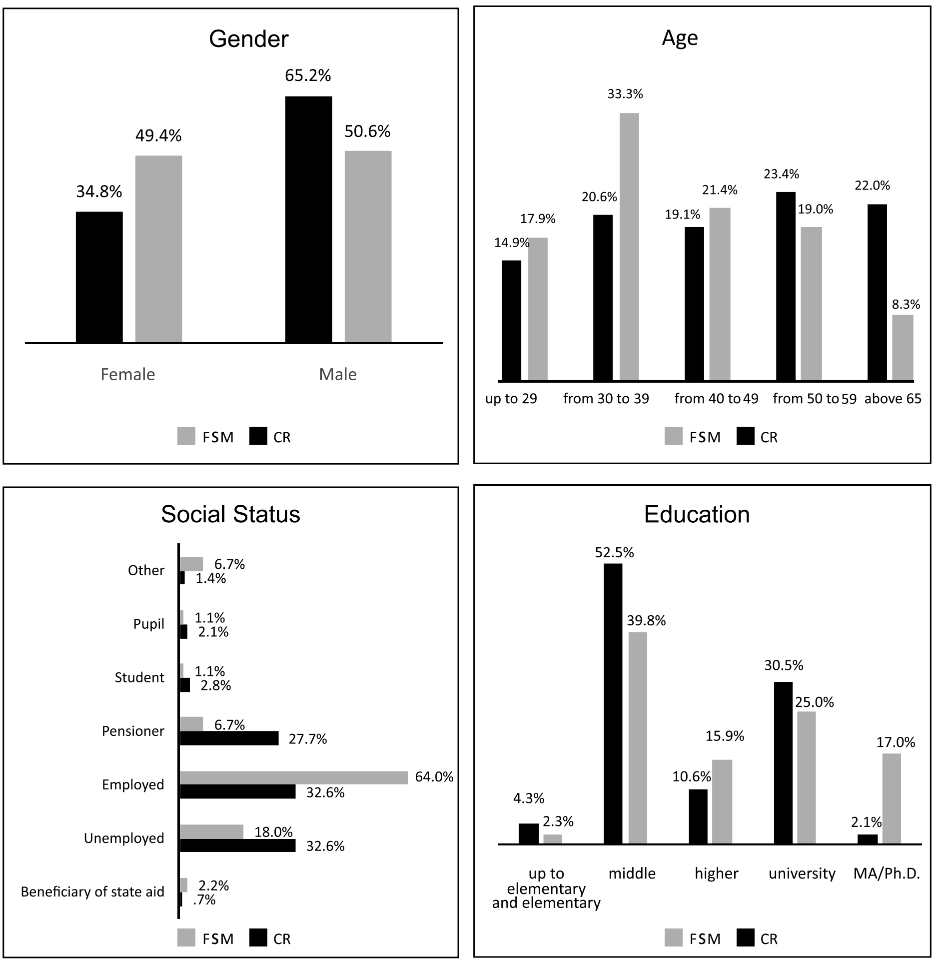
Despite the initial intention to achieve demographical balance in data, the composition of the analyzed target group did not allow a complete equilibrium of the groups. Consequently, from the sample of the „Colorful Revolution“ in Prilep, 65% are men and 35% are women, while at the protests of “For a Shared Macedonia”, 51% are men and 49% are women. (Chart 1.a.) 100% of participants in the FSM protests declared they were ethnic Macedonians. 98% of the CR participants odeclared themselves as ethnic Macedonians, and 2% ticked the box “other ethnic belonging”.

Participants of the CR were on average 5 years older than participants in the protests of the FSM (47 versus 42 years on average). The most represented age group in the CR was from 50 to 64 years (23.4%), in the FSM the highest percentage was for the group from 30 to 39 years (33.3%). (Chart 1.b.)

32.6% of the participants in the “Colorful Revolution” were employed, while of the FSM, 64% were employed, with 48.3% of them employed in the public sector. In the CR, on the other hand, there were many more pensioners (27.7%) than in the FSM protests (6.7%), as well as many more unemployed (32.6% in the CR versus 18% in the FSM). (Chart 1.c.)

Although demonstrators with secondary education are the most represented educational group in both protest movements, the CR has more with secondary education (52.5%) than FSM (39.8%). Also, in Prilep, the CR has a higher degree of protestors with higher education (30.5% versus 25%), but there are more MScs and PhDs among the participants in the FSM protests (17% versus 2.1%). (Chart 1.d.)

Chart 1. Demography



In order to get closer to the general research question to what extent these movements indicate a rise of participatory awareness among Macedonian citizens on the one hand, and a deep party gap in the Macedonian society on the other, we will first look at the following subjquestions: "with which movement do the participants in these protest initiatives identify, how are they informed about the protests, and how do they become active? "

In order to determine whether there is a sense of identification of individuals involved in civic movements with the initiatives themselves, the protesters were asked to identify the organizer of the protest they participate in. 95% of the “Colorful” pointed out the “I Protest” movement as organizer, while 86.4% of the “Tvrdokorni” identified themselves with the initiative “For a Shared Macedonia”. The remaining options for the “Colorful” to choose from were: foreign actors (USA, EU, or Soros), political parties (SDSM, Levica) or the new left-wing forces in Macedonia, which together received less than 5%. The “Tvrdokorni” could, besides from FSM, choose between VMRO-DPMNE, SOS (Stop Soros Operation), GDOM (Citizens Movement for Defense of Macedonia), and foreign actors, of which GDOM received 6% and VMRO-DPMNE 3.4%.

In general, we can observe that the participants of the two protest initiatives showed a high level of identification with the organization that officially stood behind them. This does not say anything about who financially or logistically supported the movements, which is not a research question here (i.e., it does not seek to answer the dissenting theses present in the media and the political debates about who really stands behind these movements), but shows the degree of group awareness for belonging to the respective initiative.[23] Another indicator for the feeling of belonging to specific initiatives is the high percentage of participants who protested regularly: 90% of the CR and 89% of FSM participants.

Furthermore, the way in which the protesters were informed about the activities speaks about the core of the initiatives and about the identification of the participants with the protest activity itself. Namely, 52% of all respondents were informed through social networks (56% of CR and 44.3% of FSM), which puts these movements among the so-called “twitter” or “facebook” revolutions, which indirectly speaks of the transnationalization of social movements, at least concerning the way they communicate with their target groups and activists. 28.4% of FSM and 25.5% of CR participants were informed via TV. Although this percentage should not be neglected, with this figure we can argue that it also shows (apart from the globalization and the predominance of the modern over the classic media) the mistrust of Macedonians regarding professionalism and independence in the media. 8.5% of CR and 3.4% of FSM participants were informed by a party, whereas 8% of FSM and 2.1% of CR participants were informed by the civil society organization they were members of. Although, due to the nature of “I Protest”, one would expect mobilization for the protests to come from civic organizational units, in the case of Prilep, we notice that the civil sector was a weaker mobilizer than the party opposition, which obviously managed to better channel its opposition energy into protest. (Table 1.)

23 Diani, M., and McAdams,D.., (eds.) (2003) Social Movements and Networks: Relational Aproaches to Collective Action. New York: Oxford University Press.

These results would be significantly different in the capital due to the fragile situation of the civil sector at local level and their even greater dependence on the local and central authorities, which in turn makes the civic organizations prone to submission rather than critique of the government.

Finally, 88.4% of the participants in FSM regularly vote for one and the same party, compared to 73.7% of the CR. The CR had 15% regular voters with variable voting whereas FSM had 10.5%. Herein, we see a confirmation of our previous consideration regarding the high level of involvement of opposition parties in the mobilization of resistance during the "I Protest" movement. However, the percentage of regular one-party voters was 14% higher in the FSM movement, which testifies to an extremely high degree of party involvement in both civic movements in Prilep. Although identification with a particular political party does not automatically lead to being a participant or a sympathizer of the civic movements, we can conclude that the reverse line of causality is more probable. Participants in both movements were mainly voters for political parties who expressed support for them at public appearances (CR for SDSM, Levica, etc., and FSM for VMRO-DPMNE).

Table 1.
How are you most frequently informed about the activities of the protests?

How are you most frequently informed about the activities of the protests		Protest movement		Total
		CR	FSM	
By television	Number	36	25	61
	% of protest movement	25.5%	28.4%	26.6%
	% of total	15.7%	10.9%	26.6%
By social media	Number	80	39	119
	% of protest movement	56.7%	44.3%	52.0%
	% of total	34.9%	17.0%	52.0%
Through contact with friends	Number	10	14	24
	% of protest movement	7.1%	15.9%	10.5%
	% of total	4.4%	6.1%	10.5%
Through civic organization I am member of	Number	3	7	10
	% of protest movement	2.1%	8.0%	4.4%
	% of total	1.3%	3.1%	4.4%
Through the political party I am member of	Number	12	3	15
	% of protest movement	8.5%	3.4%	6.6%
	% of total	5.2%	1.3%	6.6%
Total	Number	141	88	229
	% of protest movement	100.0%	100.0%	100.0%
	% of total	61.6%	38.4%	100.0%

But here we come to the essence of the research puzzle: to what extent are these movements a basis for the development of participatory citizen awareness in Macedonia (in our case in Prilep)? Or do we face just another helpful party method for winning votes? We wonder, to what extent do the participants in these movements see them as an appropriate way of influencing authorities in the decision-making process, and of requesting transparency and accountability from them in the short or long run? 93.4% of the respondents thought that this kind of political participation (protests) can have an influence on the increase of accountability of political representatives. In the short term, the two initiatives had quite different if not conflicting demands.

Of the seven main official demands of “I Protest”, the three most important for the protesters from Prilep were: Withdrawal of President Ivanov’s decision for abolition and his resignation (89.4%), immediate resignation as well as political and legal responsibility of the entire Gruevski Government (81.6%), and enabling smooth work of the SPPO (80.9%). Dealing with corruption and abuse of official duty, as well as political and legal responsibility for it, seems to have been the leitmotif of “I Protest’s” demands.

Out of the four official FSM demands, the most urgent for the participants of the protests was for “all political parties, together with the citizens, to create a platform “For a Shared Macedonia” in Skopje and reject platforms formed in foreign countries (65.2%)“. „In the negotiations, the political parties should not even think about adopting a government program that would not be voted on by the citizens in the elections“ and „President Ivanov should respect the Constitution of the Republic of Macedonia and not grant a mandate to form a government after the expiry of the deadline, since giving the mandate for a foreign country platform would make him an accomplice in the dissolution of the Republic of Macedonia” were the next important demands, each of them with 32.6%.

It is important to note that the demands „formation of a government for democratization of institutions and enabling fair and democratic elections“ (19.9%), „mandatory involvement of independent civil society representatives in the process of resolving the crisis“ (5.7%) and „urgent release of all activists detained since May 5th “(3.5%) obtained a drastically smaller percentage than those demands that were directly aimed at pushing Gruevski and his government out of power and sanctioning them for their allegedly criminal governance. Also, the option “the parties, and especially the VMRO-DPMNE and SDSM, must not allow the adoption of the Law on a bilingual Macedonia in the Assembly because it would be a gateway to redefining the essence of Macedonia“ (20.2% of CR) was the least voted by the participants in the protests “For a Shared Macedonian”, although their Macedonian-nationalist and largely (unofficially) anti-Albanian campaign was the main motive for the protests, especially initiated by the SDSM election promises for bilingualism in Macedonia.

Asked about the reasons for the non-participation in the "Colorful Revolution" by other citizens, the CR participants said this was most often due to fear of the government (66%) or the submissive, servile culture and mentality of the citizens (23.4%). At the same time, though, the demands for participation of the civil sector in solving the crisis and the release of the detained protest participants turned out to have least priority for the movement as such. An additional indicator for this is the fact that the percentage of participants advocating direct civil sector involvement in decisionmaking is greater with FSM than with the CR. We can see this from the answers to the question about their expectations from the protests in the long run. 16.9% of FSM participants responded that they expect improvement of citizens' participation in Macedonia, whereas only 1.4% of the CR participants expect this.[24] 62.9% of FSM participants demanded that "politicians learn accountability and responsibility vis-à-vis their voters", compared to 7.1% CR participants.

However, this should not be seen as an indisputable indicator for CR`s alleged lack of interest to improve civic participation in Macedonia, but as indicative of the priorities in the short and long term. Namely, in the long run, most CR participants expect „never again to have a type of governance like Gruevski`s" (53.9%), which might explain why a small percentage of protesters chose the previously mentioned options, having in mind that the main rhetoric of the CR was concentrated on the struggle for freedom from the "authoritarian regime" or "captured state".

Eradication of the current practice of party pressure on voters was wanted by 31.9% CR and only 2.2% FSM participants; a departization of the state institutions (total democratic restart) was expected by 3.5% of the CR and 1.1% of the FSM participants. This data is another indicator for the high level of clientelism and partization in Macedonian politics, since the protesters who advocated pro government policies, the majority being employed (mostly in the state administration sector), did not see the need for departization and did not speak about party pressure on the electorate.

The curious thing about a strongly nationalist (or, at the very least, ethnocentric) campaign like that of FSM is that 15% of the respondents from this movement, in the long run, expected an improvement of the interethnic relations in Macedonia. With this statement, we already embark on the answers to the questions about fears and attitudes of the protesters from both movements regarding the political crisis in Macedonia, as two opposing initiatives emerged

24 Additionally, students and pupils are among those who expect improvement of civic participation. (20% with 25%). The largest number of those who expect this are MScs and PhDs (16.7%).

from the political and social crisis of the recent years. The questions were drawn from the media discourse regarding the securitization of the CR in 2016, and they were used for the FSM movement because of their pronounced “anti-color” rhetoric. From Table 2 we can see that most of the participants in the CR do not fear a civil war outburst (51.1%), whereas most of the FSM participants do (61.4%). 13.5% of CR and 61.4% of FSM participants are afraid of a new interethnic conflict; 10.6% of CR and 66% of FSM participants are afraid of federalization of Macedonia. Finally, 9.9% of the participants in the CR fear the destabilization of Macedonia’s security after the migrant influx in Europe, compared to 63% participants in the FSM initiative.

In general, the securitization of CR’s opposition protests is reflected in the expressed concern about internal security, both at an inter-ethnic and intra-ethnic level. This greater fear in FSM participants can be explained, besides their slightly higher exposure to television channels (the securitized CR discourse was much more present in pro-government than in other media), as well as with the fact that the respondents of FSM answered these questions one year after the CR participants, when Macedonia had not yet managed to overcome the political crisis, and the deep division of the Macedonian society was increasingly visible.

Considering that the survey on FSM was conducted during the week FSM’s protesters intruded into the Parliament, a few additional questions will be elaborated on. 70% of the participants in the FSM initiative believed that for the future of Macedonia, it is important to enable the formation of a government that will democratize the state institutions, and 94.3% thought that new elections were needed. 84% thought it was important for the international community to withdraw from the political crisis resolution process in Macedonia, and 90% thought that Macedonia needs to be “de-Soros-oized“. The animosity of FSM towards the international community is reflected in those 54.5% of respondents who do not consider it important to enable Macedonia’s integration into the EU, and the rather low 62.9% who consider it important to resolve the name dispute with Greece.

Finally, we come to the direct opposition of the two movements considering their ideas and expectations for Macedonia. Namely, 88.8% of FSM participants considered it important to punish corruption, and yet 87.2% of them did not consider it important to enable smooth work at the SPPO (whereas CR respondents placed this issue in their top three demands with 80.9%). Swords were crossed regarding the way in which politicians are to be held accountable, and corruption and abuse of authority should be investigated. “I Protest” demanded direct resignation of the executive branch and emergency reforms to democratize the government with SPPO as its pillar. FSM called on the people, demanding direct participation of the citizens in resolving the dispute, and did not see the solution in the SPPO, but in the existing institutions. The FSM protest participants` trust in the existing institutions can again be backed up by the low 2.2% of FSM respondents seeking to eradicate the current practice of party pressure on voters, and only 3.5% in favor of a departization of state institutions.

Chart 2. Political participation

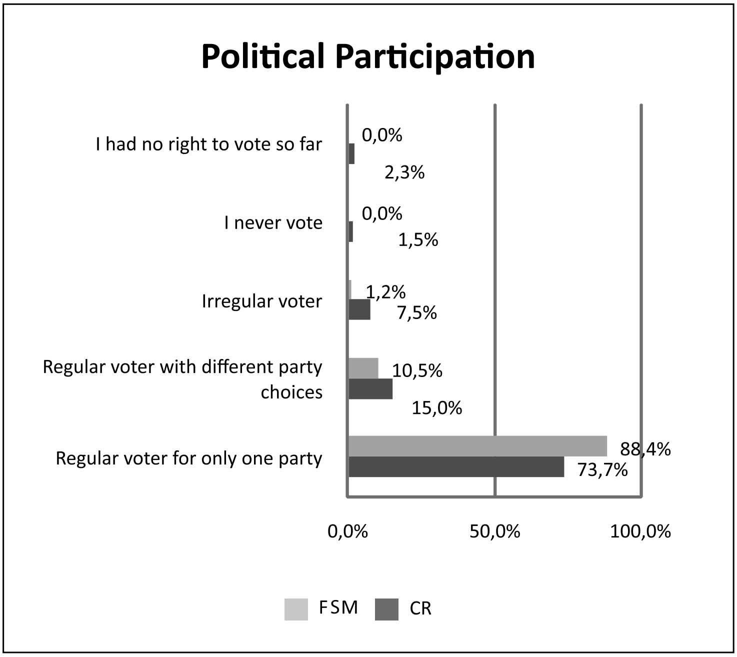


Table 2. Does the current political and social crisis cause in you of fear of:YES

Is the current political and social crisis in your country a source of fear of:		Protest movement		
		CR	FSM	Total
Civil war	**YES**	48.90%	61.40%	53.70%
New inter ethnic conflict		13.50%	61.40%	31.90%
Federalization of Macedonia		10.60%	65.90%	31.90%
Threat to the security of Macedonia after the migrant inflow in Europe		9.90%	62.90%	30.40%

CONCLUSION

Unlike previous protests, strikes, and riots influenced by political parties, the two civil movements, „ I Protest" and "For a Shared Macedonia" show a significantly higher level of civic awareness. However, in this paper, we demonstrate that even though participants in the movements show readiness to participate in protests, indicating a rise in civic (political) activity, this cannot be seen as a direct indicator for a participatory culture outside party mobilization.

High collective awareness or identification with movements in the context of a high degree of sympathy (voting habits) for a particular party can also be interpreted in the opposite direction: political parties are still the main driver of political activity in the city, preventing cross-party civic activity, and thus slowing down the democratization of the institutions in the long run. We still discern a deep party division in civic activism, especially in Prilep, where there is a continuously high level of unemployment and where the civil sector is still a weak driver of political change.

Even if, with these results, we do not pretend to deduce conclusions at national level, we nevertheless expect that the general picture of civic activism at a local level largely corresponds with the picture presented in this paper.

The main differences are perceived in the organizations' demands and their channeling to the target groups through their respective rhetorics. The specific of the two civic initiatives is that they both refer to multiculturalism in Macedonia, the rule of law, democratization, and dealing with corruption, but the way they perceive these goals should be achieved is diametrically opposed. The CR demonstrated a strong resistance towards the then government for which they used expressions like "authoritarian", "fascist", and similar, whereas FSM showed the same strong resistance towards changes put forth by the opposition, recognizing in them the threat of Macedonia's "dissolution" by "domestic and foreign traitors".

The totally opposing views of the two movements are expressed in the fears of civil conflict, federalization, interethnic conflict or security threat due to the migrant crisis, whereas the CR participants, in general, did not fear the possibility of them happening, while a high percentage of FSM respondents was concerned about their likelihood.

The question of corruption and dealing with it is perhaps the main issue on which the two movements had opposing stands, the CR with a particular sympathy and the FSM with a particular animosity towards the SPPO, although both agreed that corruption should be punished.

Finally, the two movements assess in different ways the role of the international community in the political and social crisis. While the main aspirations of the CR, with the demands for punishing corruption, for accountability, transparency, democratization reforms, aspirations to multiethnic coexistence and social justice, were aimed at a faster integration of Macedonia into the EU, FSM saw the danger of external interference in domestic affairs and showed a high degree of Euroscepticism.

Although the main benefit from both movements for Macedonia can be considered to be the aroused trust in political participation as a method for influencing the increase in responsibility among politicians, the results presented in this paper testify to the great need to strengthen the civil society sector at a local level, in order for it to be a constructive party in the creation of public policies, instead of being an extended arm of political parties.

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Short Biography

Agon Demjaha holds an MA with distinction in International Relations and European Studies and PhD in Political Sciences. He has more than three decades of experience in the field of education and research with different governmental institutions and non-governmental organisations. During 2006-2010, he has served as the Ambassador of the Republic of Macedonia to the Kingdom of Sweden, while also covering the Kingdom of Norway and Republic of Finland as anon-resident Ambassador. Mr. Demjaha has also been engaged as an advisor to the Minister of Foreign Affairs and the Minister for Economic Development of the Republic of Kosovo. Currently, Mr.Demjaha works as an Assistant Professor of Political Sciences and International Relations at the Tetovo State University. He also teaches and is a member of the South East European University's Board. Mr. Demjaha has published a number of articles in the field of political sciences in the international journals and is also author of several chapters in edited books published by renowned press houses such as United Nations University Press and Imperial College Press. His main interests include ethnic relations, conflict prevention and resolution, diplomacy and regional cooperation.

E-mail: agond@yahoo.com

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Agon Demjaha

INTER-ETHNIC RELATIONS IN CROATIA

INTRODUCTION

Despite the presence of other minorities in the country, inter-ethnic relations in Croatia were and continue to be mainly defined by relations between ethnic Croats and ethnic Serbs. Relations between these two major ethnic groups go back deep into history. Both Croats and Serbs are nations belonging to South Slavic ethnic group that have lived for centuries in neighbouring territories. However, historically both nations have undergone different paths. Croats are predominantly Roman Catholics, while Serbs are mainly Orthodox Christians. For a long period of time, majority of Croats have lived under the Austro-Hungarian Empire, while Serbs have predominantly been under the Ottoman Empire. After the First World War, with dissolution of both empires, driven mainly by the Pan-Slavic ideology, they founded the joint state of the Kingdom of Serbs, Croats and Slovenes, that later changed to the "Kingdom of Yugoslavia."[1] However, relations

1 For more details about this topic see Hudson, Kate. Breaking the Slav Dream: The Rise and Fall of Yugoslavia. London: Pluto Press, 2002, 8-25.

between Serbs and Croats had bitterly deteriorated in the period of the Second World War. During this time, the Independent State of Croatia (NDH)[2] sided with fascist Germany and Italy, while Serbs living there were victims of persecutions, expulsion and even mass execution.[3] Consequently, relations between the Croatian majority and the local Serbs in Croatia had been marked by mutual fear and suspicion since the very creation of socialist Yugoslavia. In principle, the relations were marked by a conflict over territory, since from the creation until the dissolution of Former Yugoslavia, ethnic Serbs in Croatia have continuously insisted on territorial autonomy of Serbian dominated territories in Croatia or their full secession. On the one hand, Croats feared Serbian domination, while Serbs, on the other hand, were anxious about eventual repetition of 1941 and looked on socialist Yugoslavia as the guarantor of their personal and national security. Namely, immediately after the war, ethnic Serbs have demanded a Serbian autonomous province within Croatia. While their request was rejected, in 1971 such claims have re-emerged again during the so-called Croatian Spring. Clearly, although Serbs constituted only 12.6 per cent of the total population in Croatia, they were obviously a potent, political factor living in concentrated areas that had to be taken seriously.[4] Mutual distrust and suspicion resurfaced after the dissolution of Former Yugoslavia, when inter-ethnic tensions between the two major ethnicities led to a full-scale armed conflict.

The main aim of this paper is to analyse the state of inter-ethnic relations in Croatia between ethnic Croats and ethnic Serbs, with special focus on the war period 1991-1995 until the present day. The paper has a structure consisting of four sections altogether, including introduction and conclusion. After the introduction, the second section provides an overview of the overall inter-ethnic relations between Croats and Serbs in Croatia after the dissolution of Former Yugoslavia and subsequent war in Croatia. The third section offers an analysis of the state of inter-ethnic relations between these two major ethnic groups in Croatia after the end of war in 1995 until today, and also tries to identify key factors that contribute to inter-ethnic tensions in the country. In this section, special attention was also given to overall relations between Croatia and Serbia since in the Western Balkans, inter-ethnic and interstate relations are basically the components of the same equation. The paper ends with a concluding chapter that provides a summary of the main findings of our analysis.

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2 The Independent State of Croatia (Nezavisna Država Hrvatska - NDH) was founded in April 1941 as a World War II puppet state of fascist Germany and Italy. For more details see Ognyanova, Irina. "Nationalism and National Policy in Independent State of Croatia (1941–1945)." In Topics in Feminism, History and Philosophy, edited by Dorothy Rogers, Joshua Wheeler, Marína Zavacká, and Shawna Casebier. IWM Junior Visiting Fellows Conferences, Vol. 6. Vienna: IWM 2000.

3 Because of this period, every call by Croats for increased national rights in Croatia within socialist Yugoslavia was branded as "nationalistic" and "extremist," while often labelling Croats as Ustashes; see Bjelajac, Mile and Žunec, Ozren. "The War in Croatia, 1991-1995." Round table Scholars Initiative report, Zagreb, October 20, 2007, 9.

4 Huszka, Beáta. Secessionist movements and ethnic conflict: debate-framing and rhetoric in independence campaigns. New York: Routledge, 2014, 76.

DISSOLUTION OF FORMER YUGOSLAVIA AND THE WAR IN CROATIA

The beginning of the dissolution of Former Yugoslavia and Croatia's wish for independence has again revived the claims of Serbs in Croatia for territorial autonomy. Serbian proposals for autonomy have ranged from very limited cultural autonomy to extensive territorial and political autonomy for extensive parts of Croatia. On the other hand, the most radical Serbian forces have consistently regarded autonomy within an independent Croatian state as completely unacceptable.[5] It should be mentioned that Serbia supported territorial self-determination in Croatia, and Milošević knew that such solution would have to be imposed to Croatia. Such position has in turn undoubtedly encouraged hardline Serb nationalists in Croatia, thus further worsening prospects for a negotiated solution.[6] Consequently, a day before the ratification of the constitution of Croatia, the Community of Municipalities opted for a territorial autonomy within Croatia by proclaiming a Serb Autonomous Region (SAO) of Krajina.[7] A day later, on 25 June 1991, Croatia declared its independence and guaranteed the Serbs in Croatia respect for all human and civil rights. Afterwards, in order to satisfy the requirements for international recognition, the Croatian parliament passed the *Constitutional Law on Human Rights and Freedoms* and granted an autonomous status to the regions of Knin and Glina.[8] Nevertheless, frightened by nationalist policies of Tudjman on the one hand, and encouraged by political and military support from Serbia on the other, Serbs in Croatia further radicalized their demands. As a result, on 18 March 1991, the Municipal Assembly of Knin adopted the decision to separate SAO Krajina from Croatia, thus leading to an inter-ethnic war between Croats on one side, and ethnic Serbian insurgents and Serb-controlled Yugoslav People's Army (JNA), on the other.[9]

Encouraged by initial war advances, on 19 December 1991, the parliament of SAO Krajina consequently proclaimed the Republic of Serb Krajina (RSK), which was later joined by SAO of Slavonia, Baranja and Western Srem and SAO of Western Slavonia.[10] To prevent further casualties and atrocities, in January 1992 ceasefire was agreed and the United Nations Protection Force (UNPROFOR) was deployed. Since then, the front lines were effectively frozen and until 1995 fighting became largely sporadic. Nevertheless, it should be mentioned that

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5 Caspersen, Nina. "The Thorny Issue of Ethnic Autonomy in Croatia: Serb Leaders and Proposals for Autonomy." Journal on Ethnopolitics and Minority Issues in Europe, 3 (2003): 1.

6 Hayball, Harry Jack. "Serbia and the Serbian Rebellion in Croatia (1990-1991)." PhD diss., University of London, 2015, 348.

7 Territorial autonomy was given its first form when The Community of (Serb) Municipalities of Northern Dalmatia and Lika was founded in late April 1990, though then the leader of Serbs in Croatia Rašković denied that this Community was an expression of territorial autonomy, and argued instead that it could form the basis for cultural autonomy; see Rašković, J. Luda Zemlja. Belgrade: Akvarijus, 1990, 311.

8 Caspersen, "Ethnic Autonomy in Croatia," 11.

9 For a detailed discussion on the war in Croatia 1991-1995, see Bjelajac and Žunec, 2007.

10 Petricusic, Antonija. "Nation-Building in Croatia and the Treatment of Minorities: Rights and Wrongs." L'Europe en Formation, Journal of Studies on European Integration and Federalism, 3 (2008): 136.

during this period Serb's controlled territories comprised some 30 percent of territory of Croatia.[11] Meanwhile, as an attempt to end the war, Serbs were offered a large autonomy under the so-called Z4 Plan drawn up by the so-called "Mini-Contact Group".[12] The plan proposed extensive autonomy for areas with a Serb majority in accordance with the 1991 census. In addition, Serbs were promised separate currency, their own parliament, police force, fiscal policy, and links with Serbia. Though Eastern Slavonia was not covered by the arrangement of this far-reaching autonomy, it was planned that international forces would be deployed in the region for a period of five years.[13] Despite Belgrade's readiness to accept this proposal, radical Serbs in Croatia rejected it with the hope of full secession from Croatia. In response, in May 1995 Croatian troops successfully launched military operation Flash and took control over Western Slavonia. In an act of desperation, in June 1995 the RSK Parliament unanimously voted to form a union with the Bosnian Serbs despite Belgrade's opposition. However, on 14th of August, Croatia responded with operation Storm swiftly retaking Krajina in just several days and causing massive exodus of Serbs out of Croatia into Bosnia and Serbia.[14] The remnant of RS Krajina, the Eastern Slavonia, as the only territory under Serb control was put under the transitional administration of the UN (UNTAES), and transferred back to the administration of Croatia in January 1998.

Nevertheless, the consequences of the four-year war were catastrophic; Over one-third of economic infrastructure in Croatia was destroyed or damaged and some 100,000 houses and apartments were demolished. In addition, only until the end 1991, the war has caused 18,000 confirmed deaths, some 14,000 went missing, while the number of refugees and internally displaced persons reached 703,000.[15] According to other sources, the total number of deaths from the war is around 20,000, of which Croatia suffered 12,000 killed or missing, including 6,788 soldiers and 4,508 civilians.[16] On the other hand, according to Serbian sources, in 1996 Serbia had some 300,000 registered refugees from Croatia. While the number has later decreased due to return to the country of origin, resettlement to a third country and integration in Serbia, in 2008, there were still some 70,000 refugees from Croatia in Serbia.[17] Most importantly, the war left bitter memories, deep animosity and serious rift between Croats and Serbs that will certainly take a long time to overcome.

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11 Hudson, Kate, Breaking the South Slav Dream, 90.

12 US, Russia, EU and UN representatives from the Peace Conference on the Former Yugoslavia.

13 Caspersen, "Ethnic Autonomy in Croatia," 13.

14 Tens of thousands of Serbs have fled immediately after the defeat of the RSK army, while it is estimated that 300,000 to 350,000 Serbs left Croatia during the war; for a detailed account about the operations Flash and Storm see Žunec, Ozren. "Operations Flash and Storm." In The War in Croatia and Bosnia-Herzegovina 1991-1995, edited by Branka Magaš and Ivo Žanić. New York: Frank Cass Publishers, 2001, 71.

15 Cigar, Norman. "The Serbo-Croatian War, 1991." In Genocide After Emotion: The Post-emotional Balkan War, edited by Stjepan G. Meštrović, 51-90. London ; New York : Routledge, 1996.

16 "Martic Witness Details Croatian War Casualties." Institute for War & Peace Reporting, TU No 448, April 13, 2006. Accessed July 21, 2017. https://iwpr.net/global-voices/martic-witness-details-croatian-war-casualties.

17 "Serb Refugees: Forgotten by Croatia?." European Council on Refugees and Exiles, Brussels, 2010.

INTER-ETHNIC RELATIONS IN CROATIA AFTER THE WAR

After the end of the war, inter-ethnic relations between Croats and Serbs were transformed from a conflict over territory to a conflict about minority rights. After retaking control over Serb controlled territories, the Croatian government started undercutting the autonomy and political representation provided to Serbs in the 1991 Constitutional Law. Consequently, the provisions for proportional representation and special status of certain districts were suspended until the next census.[18] Moreover, intolerant and jingoist policies towards national minorities (especially the Serbian one) as well as numerous forms of discrimination were pursued throughout this period.[19] As reported by Human Rights Watch in 1999, as a result of discriminatory policies and discriminatory practices, Serbs remained second class citizens in Croatia after the war.[20] On the other hand, aware about the newly created reality, the Serb National Council (SNV) founded as an umbrella association of Serb associations and political representatives in July 1997, acknowledged that territorial autonomy was neither feasible nor possible, and therefore it clarified that Council's main objective was personal autonomy along with the mechanism of municipal councils.[21]

As a consequence of the war, the number of Serbs living in Croatia has been dramatically reduced, while the remaining ones were basically scattered throughout the country. According to the last census in 2011, percentage of Serbs has decreased from 12.6 percent to 4.36 percent. It should be mentioned though, that the war has also drastically altered the overall structure of the Croatian population: overall population has decreased from 4,784,265 in 1991 to 4,456,096 in 2011. The percentage of minorities in the country has also decreased, and according to the last census except Serbs, all other 21 minorities living in Croatia constitute less than 1 percent of the overall population.[22] As expected, due to considerable decrease of the minority population and on-going migration of Croats from other parts of Former Yugoslavia into Croatia, the overall number of Croats has significantly increased from 78.1 percent in 1991 to 90.42 percent in 2011.[23] Nevertheless, it is obvious that the Serbian minority has immensely shrunk numerically, while its position is much weaker than in 1990. Undoubtedly, such substantial decrease is a consequence of the war: most Serbs were expelled or have fled the country, only few have returned after the war, while others were eventually assimilated. In addition, since military victories in

18 See for instance, Trifunovska, Snezana. "Minority Rights in Croatia." International Journal of Minority and Group Rights 6/4 (1999): 474-75.

19 Tatalović, Sinisa. "National Minorities and Croatian Democracy." Politička Misao, 43/5 (2006): 46.

20 Human Rights Watch, Croatia: Second Class Citizens - The Serbs of Croatia, March 1, 1999, 3. Accessed July 17, 2017. http://www.hrw.org/reports/1999/03/01/second-class-citizens.

21 Caspersen, "Ethnic Autonomy in Croatia," 18.

22 It is important to mention that minority ethnic communities made up almost 17 percent of population in 1991 when Croatia proclaimed independence. See Petričušić, Antonija. "Wind of Change: The Croatian Government's Turn towards a Policy of Ethnic Reconciliation." European Diversity and Autonomy Papers, EDAP 6/2004, 5.

23 See Croatian Bureau of Statistics. Accessed July 17, 2017. http://www.dzs.hr/default_e.htm.

1995 and peaceful reintegration of Eastern Slavonia and Baranya in 1998, the Croatian government has re-established full control of the whole territory in the country, while Serbs were under constant international pressure and without support from Belgrade.[24]

Still, after the change of the party in power in 2000 Croatia moved towards real political transition that also created a momentum for the protection of the rights of national minorities. In addition, the legislative regulation and the practical fulfilment of the rights of national minorities became one of the political pre-conditions for Croatia's integration in the EU and NATO.[25] Altogether, this led to the creation and the implementation of the minority policies aiming at integration of the national minorities into the Croatian society as well as the preservation of their national identities.[26] As a result, the "Law on the Use of Language and Script of National Minorities in the Republic of Croatia" was adopted in May 2001, while the long-awaited "Constitutional Law on the Rights of National Minorities" (CLNM) was passed in December 2002, thus creating a comprehensive normative framework for the exercise of national minority rights in the country.[27] In addition, members of national communities in Croatia were guaranteed the right to representation in the Croatian parliament, the right to representation in the representative bodies of local self-government units and in the representative bodies of regional self-government units.[28]

Currently, Serbs in Croatia are guaranteed cultural autonomy, proportional representation and a very limited form of territorial autonomy. While this is similar to some of the demands made by Serbs in early 1990, it is by far less than their maximalist demands made during different stages of the conflict. [29] Main dissatisfaction among Serbian political representatives in Croatia refers to the fact that Serbs have lost the constitutional status they previously held in the Socialist Federal Republic of Yugoslavia until 1990. While during Former Yugoslavia, the constitution of the Republic of Croatia defined it as the national state of the Croatian people, the state of the Serbian people and the state of other peoples and nationalities that live in it, the new Constitution of Croatia deprived Serbs from their status as constituent peoples.[30] In addition, Serbs also complain that due to lack of political will, the implementation of the CLNM has mostly remained a dead letter. Expectations were especially met in regard to the Councils of National Minorities at the local and regional level, since local and regional authorities did not consider them as serious partners.[31] In addition,

24 "Croatia Country Report," Bertelsmann Stiftung's Transformation Index (BTI), 2014, 6.

25 Petričušić, "Wind of Change," 9.

26 Tatalović, "National Minorities," 46.

27 Ibid., 49.

28 Constitutional Law on the Rights of National Minorities, Official Gazette, 155/2002, Zagreb, December 13, 2002, Article 19 and 20.

29 Caspersen, "Ethnic Autonomy in Croatia," 20.

30 See Constitution of the Republic of Croatia, December 22, 1990. Accessed July 18, 2017. http://www.refworld.org/docid/ 3ae6b551c.html.

31 Minority Rights Group International, World Directory of Minorities and Indigenous Peoples - Croatia: Overview, 2008. Accessed July 19, 2017. http://www.refworld.org/docid/4954ce1ec.html.

Serbian minority is also affected by the delays and problems with enforceability in relation to property rights. Namely, pursuant to the "Act on the Temporary Takeover and Administration of Property", "all movable and immovable property in the formerly occupied territory of the Republic of Croatia was put under the temporary administration of the State, and the citizens whose property had been taken in such a way, were given a statutory period of 8 days to lodge appeals against such decisions." Such absurdly short deadline for appeal, made it impossible for Serb refugees living outside the country to claim their properties. In turn, this has considerably affected the overall process of the return of Serb refugees into their homes.[32] Though the Croatian government claims that 96,500 Serbs have returned by November 2002, it is clear that this figure overrates the actual number of returnees, since many of them have after a short stay again left to Bosnia, Serbia or Montenegro.[33] According to Minority Rights Group International, in 2006, 85,000 ethnic Serbs remained displaced and officially registered as such in neighbouring countries.[34]

Political representation represents another aspect of minority rights that Serbs complain about. Croatian citizens belonging to ethnic minorities have the right to choose whether to vote for an electoral list in the electoral district in accordance to their place of residence, or vote for candidates of ethnic minorities in the special 12th constituency. According to the Constitutional Law, minorities whose number exceeds 8 percent of total Croatian population are guaranteed proportional representation in the Croatian National Parliament, Government of Republic of Croatia and judicial authority bodies. On the other hand, "Members of ethnic and national communities or minorities whose share in the population of the Republic of Croatia is below 8% shall be entitled to elect at least five and maximum seven representatives to the Croatian National Parliament, under the Law on the Election of Representatives to the Croatian National Parliament."[35] Significant decrease of the Serb population well below of the 8 percent threshold has made the first provision inapplicable. On the other hand, despite the clarity of the second provision, during the 2000-2004 mandate, there was only one reserved seat for Serb minority in the Croatian Parliament.[36] Nevertheless, the situation regarding political representation of Serbs has gradually improved, with Serbs having three guaranteed seats in the parliament since parliamentary elections in December 2011. In addition, there are also ethnic Serb politicians who run for the parliament as members of mainstream political parties in Croatia.

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32 "The Position of National Minorities in the Republic of Croatia - Legislation and Practice," Ombudsman Report, Republic of Croatia, Zagreb, April 2008, 6-7.

33 Caspersen, "Ethnic Autonomy in Croatia," 15.

34 Minority Rights Group International.

35 Constitutional Law on Human Freedoms and Rights and Rights of Ethnic and National Minorities, 2000, Article 17.

36 Djuric, Ivana. "Local Governance, Integration and Participation of Croatian Serbs: In search of a prosperous model." Paper presented at the NISPAcee Annual 10th Conference "Delivering Public Services in CEE Countries, Trends and Developments," Krakow, Poland, April 2002, 2.

It should be mentioned that after the death of President Tudjman in 1999, Croatia made serious progress in protecting national minority rights as part of its path towards NATO and the European Union (EU). Nowadays, as the only member of the European Union from the Western Balkans, Croatia has incorporated protection of national minorities into its legal and legislative framework, while at the same time attempting to give maximum consideration to the views of national minorities.[37] Still, every now and then ghosts of the past are awaken and ethnic tensions between Croats and Serbs re-surface. Such case was recently witnessed regarding the official use of the Serbian national minority language and script in the city of Vukovar. On the basis of a minimum one-third share of persons belonging to national minorities in the local population, the city of Vukovar is obliged by law to stipulate equal official use of the Serbian national minority language and script. However, contrary to legal provisions, the government of the City of Vukovar has in November 2013 adopted amendments to its charter which exempt it from the obligation to secure equal official use of the Serbian language and the Cyrillic script.[38] Swift reaction of the Ministry of Public Administration that suspended enforcement of these provisions triggered massive protest throughout the country led by war veterans. When local authorities eventually began installing bilingual signs on public administration buildings in Vukovar, tensions increased additionally. Despite firm position of the central government regarding this issue, the veterans have launched campaigns demanding that minority language rights should apply only in places where at least half of the population was from an ethnic minority, while at the same time continued to tear down the bilingual signs whenever they were reinstalled.[39] Although in August 2014, the Constitutional Court of Croatia rejected demands for referendum to tightened restrictions on the use of Cyrillic language signs in areas of Croatia populated by the Serb minority,[40] such incidents are a stark reminder how fragile are inter-ethnic relations between Croats and Serbs in the country.

Obviously, the violent disintegration of Former Yugoslavia has in the newly created states that emerged out of it left a legacy of deep mistrust and animosity between majority and minority ethnicities. Generally, inter-ethnic and interstate relations in the Western Balkans are basically the components of the same equation. Accordingly, the inter-ethnic relations between Croats and Serbs in Croatia are often held hostage by inter-state relations between Croatia and Serbia. Consequently, improvements or deteriorations of relations between

37 For details see "Third Opinion on Croatia," ACFC/OP/III005, Advisory Committee on the Framework Convention for the Protection of National Minorities, 6 December 2010; see also "Fourth Report of the Republic of Croatia on the Implementation of the Framework Convention for the Protection of National Minorities," ACFC/SR/IV(2014)012, Government of the Republic of Croatia, July 2014.

38 "Fourth Report of the Republic of Croatia," 65.

39 Pavelic, Boro, "Croatia: Serbian Language Dispute Creates Discord," Balkan Insight, December 26, 2013. Accessed July 20, 2017.http://www.balkaninsight.com/en/article/croatia-serbian-language-dispute-sparks-discord.

40 Ilic, Igor, "Croatia rejects demand for referendum to restrict Cyrillic signs," Reuters, August 12, 2014. Accessed July 20, 2017.http://news.yahoo.com/croatia-rejects-demand-referendum-restrict-cyrillic-signs-160846457.html.

Croatia and Serbia have a direct impact on inter-ethnic relations between the two major ethnicities in the country. During the war and for several years after its end, the relations between the two countries were characterized by hostility, tensions and mutual allegations. However, in recent years, we have witnessed a number of initiatives and acts aiming at improvement of overall relations between the two states. In 2010, a series of high-level meetings between representatives of two countries took place. Among others, the presidents of Croatia and Serbia met for the first time after several years. The respective presidents, Ivo Josipović and Boris Tadić, declared their will to improve relations between the two countries and to resolve disputes from the last war between the two countries bilaterally.[41]

Relations between the two states have received further boost towards normalization when Croatian Prime Minister Zoran Milanović visited Belgrade in March 2013. Furthermore, in mid-2016 when the Croatian President Kolinda Grabar-Kitarovic met with the Serbian Prime Minister Aleksandar Vucic, a declaration to improve relations and address unresolved issues between the two countries was signed in Subotica. Among others, the declaration called for "improving the protection of the respective minorities, dealing with the issue of missing persons from the 1990s war, settling border disputes, addressing succession-related issues, combating terrorism and the migrant crisis, and joint development and cross-border projects of the EU."[42] Still, such positive examples represent only episodic efforts for improvement of overall relations between two countries. Very often positive initiatives are overshadowed by nationalist rhetoric in which both countries claim their kinships are subject to discrimination in areas such as employment and housing, while at the same time hardly benefiting from the full range of collective rights.[43] For inter-state relations between Croatia and Serbia to have a long-lasting impact on the improvement of minority rights in both countries, there is a need for genuine commitment and continuous efforts by both sides in this direction.

Once Croatia joined the EU on July 1st, 2013, improvement of relations with Croatia became additionally important for Serbia, since such relations now also represented relations with the EU.[44] Most importantly Serbia has now become dependent on Croatia's goodwill and support since Croatia is now a veto

41 Until then, the disputes between the two countries were being resolved by the International Court of Justice (ICJ). Croatia has in 1999 filed a lawsuit against Serbia with the ICJ for ethnic cleansing in Croatia during the war by armed forces controlled by Belgrade. On the other hand, Serbia has accused Croatia for crimes against the Serbian people in Croatia during 1991-1995 as well as for preventing return of war refugees and their properties. See Żornaczuk, Tomasz. "Improvement in Croatian-Serbian Relations: Implications for the Region." Polish Institute of International Affairs 61/137 (2010): 260.

42 "Grabar-Kitarovic expects Croatia-Serbia relations to improve after Serbian elections," EBL News, 15 February 2017. Accessed August 26, 2017. https://eblnews.com/news/croatia/grabar-kitarovic-expects-croatia-serbia-relations-improve-after-serbian-elections-56321.

43 Bugajski, Janusz. "Croatia-Serbia conflict revived." Center for European Policy Analysis, 29 August 2016. Accessed August 26, 2017. http://cepa.org/Croatia-Serbia-conflict-revived.

44 Weber, Bodo and Bassuener, Kurt. "Serbia – Croatia – What awaits us after Croatia's entry into the EU? Challenges for the Republic of Serbia's regional policy." Proceedings of a policy roundtable organized by the Heinrich Böll Foundation Serbia, the European Movement Serbia and the Democratization Policy Council Belgrade, June 19, 2013, 1.

player and could basically block Serbia`s accession negotiations as well as its full membership to the EU. Croatia itself has faced certain obstacles due to the bilateral Slovenian-Croatian border dispute. Such EU policy of not confronting bilateral issues has pushed forward some of the disputes between Croatia and Serbia towards the end of Croatia's accession process.[45] Croatia has from the beginning announced that it will support and assist countries of the region of the Western Balkans in their efforts to integrate into Euro-Atlantic structures. Nevertheless, it remains to be seen how its position towards Serbia will evolve having in mind numerous bilateral disputes between two countries. Despite certain improvements in the overall relations, often, ghosts of the past surface and relations between the two countries at least temporarily deteriorate again.

CONCLUSION

Despite the presence of other minorities in the country, inter-ethnic relations in Croatia were and continue to be mainly defined by relations between ethnic Croats and ethnic Serbs. Relations between these two major ethnic groups go back deep into history. During the Second World War, Serbs in Croatia were victims of persecutions, expulsion and even mass execution. Consequently, relations between the Croatian majority and the local Serbs in Croatia had been marked by mutual fear and suspicion since the very creation of socialist Yugoslavia. Nevertheless, such relations were basically marked by a conflict over territory, since from the creation until the dissolution of Former-Yugoslavia, ethnic Serbs in Croatia have continuously insisted on territorial autonomy of Serbian dominated territories in Croatia or their full secession. The disintegration of Former Yugoslavia and Croatia's declaration of independence resulted into a full-scale war between Croats and Serb minority in the country. Being heavily supported by Serb-controlled Yugoslav People's Army and encouraged by initial war advances, Serbs in Croatia came through with rather radical demands. Moreover, they have constantly rejected different proposals of the Croatian side for territorial autonomy of Serb majority populated areas. However, in 1995, after more than four years of war, Croatian troops launched two major offensives known as "Operation Flash" and "Operation Storm," thus effectively ending the war in its favour.

Immediately after the war, the Croatian government started undercutting the autonomy and political representation provided to Serbs in the 1991 Constitutional Law. Not only were the provisions for proportional representation and special status of certain districts suspended, but numerous forms of discrimination towards Serb minority were pursued throughout this period. Moreover, after the war the percentage of Serbs living in Croatia has

45 Ibid., 6.

tremendously decreased from 12.6 percent to 4.36 percent. Since 1999, after the death of President Tudjman, Croatia has made serious progress in protecting national minority rights as part of its path towards NATO and the EU. After joining the EU, protection of national minorities in Croatia has been incorporated into the legal and legislative framework of the country. Still, as in the case regarding the official use of the Serbian national minority language and script in the city of Vukovar, sometimes ghosts of the past are awaken and ethnic tensions between Croats and Serbs re-surface. It might be concluded that while overall inter-ethnic relations between Croats and Serbs in the country have seriously improved during the recent years, occasional incidents remain a stark reminder of how fragile such relations between the two ethnicities remain.

Nevertheless, as in other countries that emerged out of it, the violent disintegration of Former Yugoslavia has in Croatia a legacy of deep mistrust and animosity between majority and minority ethnicities. Throughout Western Balkans, inter-ethnic and interstate relations are basically the components of the same equation. Accordingly, the overall inter-ethnic relations between Croats and Serbs in Croatia heavily depend on inter-state relations between Croatia and Serbia. Consequently, improvements or deteriorations of relations between Croatia and Serbia have a direct impact on inter-ethnic relations between the two major ethnicities in the country. Though recently we have witnessed a number of initiatives and acts aiming at improvement of relations between the two countries, overall relations between Croatia and Serbia remain rather tense and are still burdened by deep mutual fear, mistrust and animosities. It may be concluded that overall relations between Croatia and Serbia could ultimately contribute to the relaxation of inter-ethnic relations between Croats and Serbs in Croatia only if both countries show genuine commitment and continuous efforts in this direction.

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Short Biography

Trenovski Borce was born in Berovo on 23 July 1981. He graduated with distinction in 2004 on the Faculty of Economics at the University of “Ss. Cyril and Methodius”- Skopje. In June 2009 he completed postgraduate studies at the Faculty of Economics in Skopje in the field of Monetary Economics, and in September 2013 Trenovski completed Ph.D. studies at the same faculty (Ph.D. dissertation: “The key macroeconomic policies in terms of the contemporary economic crisis”). After graduation (2004 - 2006) he was working at the National Bank of the Republic of Macedonia, and since June 2006, Borce is working as Assistant Professor at the Faculty of Economics at the University of “Ss. Cyril and Methodius”- Skopje in the Department of Economics. Scientific/research field of interest: contemporary macroeconomic theories, economic policy, public finances, public sector economics, public financial management, fiscal transparency and accountability etc. In this area of interest Trenovski has implemented over 35 scientific/research projects, published over 50 publications and was part of many training and seminars. Since 2007 Borce also is member (Senior Economist) at the Center for Economic Analysis (CEA) and other professional organizations.

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Trenovski Borce

PUBLIC FINANCES AND FISCAL POLICY AT A CROSSROAD – WHAT IS NEXT?

"What can be added to the happiness of a man who is in health, out of debt, and has a clear conscience?"
Adam Smith

Owing to the global economic crisis and the European debt crisis, the necessity of sustainable public finances and the need for creating a balance between short-term stabilization objectives and long-term fiscal sustainability have become urgent issues. In such a situation when public debts increase rapidly, economic growth is uncertain and confidence in the international financial markets is still shaken, questions related to public finances and fiscal sustainability have become significant, and are hence the subject of numerous analyses, studies and books. This is a particularly important issue for the EU member states and, all the more, for the countries planning to integrate into the EU, since it has shown that in case of global economic disruptions, the fiscal policy is the first "stumbling block" to sustainable macroeconomic stability of the EU. Regarding this global trend, the Republic of Macedonia, a small and open economy, has not been left aside. The strong fiscal expansion in the country in the last several years has put its fiscal sustainability to a test, considering the fast increase of indebtedness. Taking into consideration the great significance of fiscal sustainability for the macroeconomic stability of the country, this paper focuses on the public finances, fiscal policy and fiscal sustainability of Macedonia, given the latest economic disturbances: the global crisis and the following period. Public finances and the direction of fiscal policy will be analyzed by elaborating the trends in the main fiscal variables and the previous empiric research in order to demonstrate the need for adjustment, change of course and increased efficiency of fiscal policy. This is particularly important in view of the pace of the debt increase, its structure, as well as fiscal policy efficiency which are among the main indicators for assessment of Macedonia`s stability on the path to the EU.

1. THE RESPONSE OF MACEDONIA`S FISCAL POLICY TO THE GLOBAL ECONOMIC CRISIS

Fiscal policy has assumed greater importance in the last three or four decades, facing the global economic crisis. It has shown to be still a significant force for stabilization, and in particular, for boosting or recovering global economies. Macedonia was not an exception to the global trends in this regard, although a fiscal policy in support (tax reforms, reduction in social contributions and introduction of flat tax) of the economy had been launched as early as the pre-crisis period. A solid basis for dealing with the global crisis in Macedonia by means of fiscal policy was the relatively good fiscal position of the domestic economy in the pre-crisis period with low deficits and low public debts (which had been considerably decreased before the crisis). The beginning of the crisis induced intensified fiscal activity in the domestic economy. In the following analysis, the then introduced policy will be scrutinized by varying the fiscal positions (deficits, public expenditures and their structure, etc.) that were directly oriented towards reducing the effects of the global economic crisis on the domestic economy.

The good fiscal position of Macedonia in the initial phase of the crisis contributed to broader possibilities for fiscal policy actions as well as better results in easing the crisis (according to a research conducted in developing countries and countries in transition that showed that the decline of economic activity was less considerable in countries with a more expansive fiscal policy). The analysis of Macedonia`s budget deficits in the period before the crisis shows that they are rather low, starting from 2003 up to 2007/2008 (see Chart 1 below)[1]. Public debt is another important fiscal component which affects the fiscal response

1 Macedonia pursued prudent fiscal policy in the pre-crisis period (in 2007, a surplus of 0.59% of GDP, whereas in 2008, a deficit of only 0.92%).

in conditions of crisis. Macedonia reduced the public debt level to only 20.6% of GDP in 2008, compared to 2005, when it was 39.5% of GDP (see Chart 2). The decision of the fiscal authorities to borrow from the global capital markets under favourable conditions (i.e. before they deteriorated) was particularly significant for reducing public debt and expanding fiscal space. This decision lead to the issuance of the first Macedonian Eurobond in 2005.[2] The funds from the Eurobond were used for substantial repayment of the external debt principal. The debt to the London Club of Creditors was redeemed in the first half of 2006, the debt to the Paris Club of Creditors was serviced on a regular basis, and the domestic debts were also regularly repaid, which in conditions of a moderate domestic and foreign indebtedness contributed to a significant public debt reduction.

It is especially worth mentioning that Macedonia´s fiscal policy immediately before the crisis (starting from 2007) aimed at stimulating the aggregate supply and demand.The reforms for stimulating aggregate demand and creating a transparent and efficient tax system started as early as in 2006, after which, in 2007, the main legislative reforms introducing flat tax were adopted, personal income tax rates of 15%, 18% and 24% were replaced with a sole rate of 12% (as of 2008, it is 10%), the profit tax rate was reduced from 15% to 12% (as of 2008, it is 10%) and tax exemption in the amount of the re-invested profit was introduced. During the same year, changes to the VAT were brought about, introducing a preferential tax rate of 5% for pharmaceuticals, software and computers, components for public transport and for thermal and solar systems. Also, salaries in the public administration were increased. In order to reduce the burden on the economy, in July 2008, the Government adopted a reduction of social contributions by 10%, (from 32% to 22%) for the period 2009-2001. These reforms and measures implemented in the pre-crisis period were a significant support both for the fiscal position and for the fiscal policy which followed during the crisis.[3]

Based on the analysis of the available information and data, Macedonia`s fiscal policy response to the global crisis and the extended European debt crisis can be summed up as follows[4]:

The good fiscal position of Macedonia in the initial phase of the crisis contributed to broader possibilities for fiscal policy actions as well as to better results in easing the crisis.

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2 On 2.12.2005, the first Macedonian Eurobonds were issued at the London Stock Exchange in the amount of 150 million Euros with a ten year maturity period and a coupon interest rate of 4.625% (a favorable interest rate compared with the bonds that had been issued by the countries in the region: Croatia, Bulgaria and Romania).

3 See: Pre- accession Economic Program 2009-2011, Ministry of Finance of the Republic of Macedonia, available at: http://www.finance.gov.mk/files/u9/Final_PEP_2009-2011_mak_za_web.pdf

4 See also: Trenovski, B., (2013), "Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis", Center for Economic Analyses–CEA, Skopje, pp, 165

Macedonia had low budget deficits in the period before the crisis, (from 2003 until 2007/2008) compared with other countries from the region;

Macedonia reduced the public debt level to only 20.6% of GDP in 2006, compared to 39.5% in 2005, and up to date it has remained the country with the lowest indebtedness compared with the countries from the region and with the Eurozone;

Macedonia borrowed from the global capital markets under favorable conditions (before their deterioration) with the issuance of the first Macedonian Eurobond in 2005. A new Eurobond was issued in 2009, but this time under much more unfavorable conditions: its interest rate was almost twice as high as the one in 2005 (9.875% annually);

The fiscal policy activity in the country before the crisis (starting in 2007) was especially significant: the main legislative reforms introducing flat tax were adopted in 2007; tax exemption in the amount of the re-invested profit and preferential VAT rate for some products were introduced; in 2008 social contributions for the period 2009-2011 were reduced from 32% to 22%;

The need for funds in 2009 contributed to a substantial increase in the interest rate of the three-month treasury bills in June 2009, when it reached a level of 9.35%;

As a reaction to the global economic crisis, the trend of low budget deficits has changed and deficits have increased from 0.9% in 2008 to 2.5% in 2009 and to 4.2% today;

Foreign loans have become a significant source of funds for covering public expenditures, compared with domestic borrowing: funds borrowed from abroad have increased almost ten times, from 1.1% of total revenues in 2004 to 10.2% in 2013;

The share of the capital expenditures in the total budget expenditures as a developmental component was increased from 2.6% in 2006 to 6.3% in 2012;

The fiscal policy was supported by the arrangement for financial support signed with the IMF in January 2011 in the form of the new IMF instrument, the Precautionary Credit Line (PCL);

The Government of the Republic of Macedonia adopted five anti-crisis packages with the aim to mitigate the effects of the crisis, increase the growth potential of the economy, improve the standard of living and protect vulnerable groups of the population.

Macedonia followed the majority of the global economies which, in conditions of global economic crisis, changed their course towards a more expansive fiscal policy and reforms supporting the economy. However, the fiscal space reached its limits relatively soon (taking into consideration that Macedonia is a small and open economy), which resulted in a public debt increase and greater vulnerability of the economy to future shocks. Although five anti-crisis packages were adopted in order to deal with the effects of the global crisis, neither their implementation nor the analysis of their effects and efficiency was systematically conducted. The measures were directed at companies with deteriorated activity, towards smaller changes in the structure of key economic policies and at providing support to vulnerable groups. However, their effects on the growth potential of the Macedonian economy were modest.

2. CHARACTERISTICS OF THE PUBLIC FINANCES AND FISCAL POLICY IN MACEDONIA: FISCAL POLICY TREND CHANGE

In any case, Macedonia was not left unaffected by the crisis. As a small and open economy, it is especially vulnerable to external shocks from economic activity changes in the neighbouring countries, especially in the EU member states, its main trading partners. Due to the insufficient development of the financial markets in the region and in Macedonia, the crisis was spilled over into Macedonia primarily through the real sector, as a result of the reduced demand for export.[5]

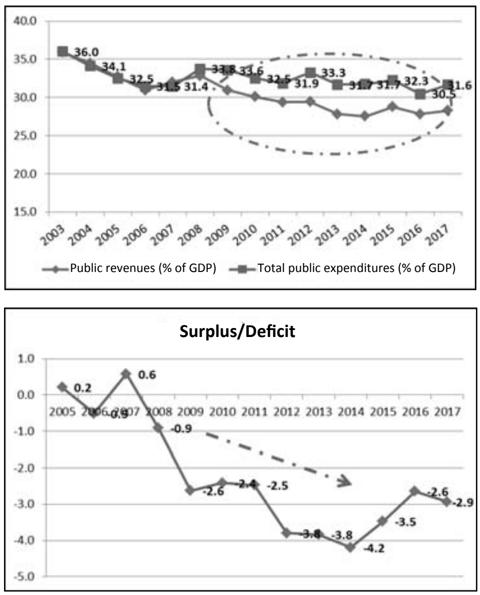
The economic downturn in the country was first reflected in budget revenues reduction, whereas the surplus of 2007 (0.6% of GDP) was turned into a deficit of -0.9% of GDP in 2008 and a primary deficit of -0.3% of GDP. The fiscal impulse was around 3% of GDP. While the expansive discretionary fiscal policy the Government started to implement in 2009 (anti-crisis packages for mitigating the effects of the crisis, increasing the economy growth potential, improving the standard of living and protecting vulnerable groups) contributed to limiting the economic decline to only 0.4% in 2009, it resulted in deepening the budget deficit to a level of - 2.7% of GDP in 2009. It is quite logical to implement fiscal stimuli in conditions of economic downturn, especially when instruments of monetary policy cannot be used as in Macedonia, owing to the fixed exchange rate. Monetary policy, on the other hand, was tightened so that the pressure on the foreign exchange reserves was reduced. It is typical for the fiscal and monetary policy to act in opposite directions, as strategic substitutes, which

5 For the transmission of the crisis to Macedonia, see : *Fiti, T. and Tashevska, B.* (2013) "The European debt crisis and its implications on the Macedonian economy", *CEA Journal of Economics*, Vol. 8, No. 1, pp. 25-42; Trenovski, B.,(2013) "Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis", Center for Economic Analyses–CEA, Skopje, pp, 165

is especially noticeable in cases of expansive fiscal policy, when the restrictive monetary policy neutralizes a part of the stimulative effects.[6]

Chart 1

Budget revenues, budget expenditures and budget balance of the RM (% of GDP)



Source: Ministry of Finance of the Republic of Macedonia

Regarding the trends in the public revenues and expenditures in the Republic of Macedonia, the former follow a downward trend and are among the lowest ones in Europe in terms of GDP. They were decreased from 33.8% of GDP in 2007 to around 29% in 2017, among the lowest in region, because of the reduced profit tax,the personal income tax and social insurance contributions. The relaxation of the fiscal policy and fiscal stimuli increased public expenditures to 34.1% in 2008 and 31.8% in 2014 (32.5% in 2017). While the public expenditure level is satisfactory, the structure of the expenditures is not conducive to growth. Current expenditures account for around 90% of the total budget expenditures. Social benefits were increased as a percentage of the GDP.

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6 See - *Беџети, А.* (2010). Како до поадекватна фискална политика наспроти кризата во Република Македонија. Економски систем, економска политика и развој (стр. 199-216). Скопје: МАНУ;
-*Trenovksi, B. and Tashevska, B.* (2015) **"**Fiscal or monetary dominance in a small, open economy with fixed exchange rate – the case of the Republic of Macedonia", *Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business*, Volume 33, no.1, pp.125-145;
-Trenovski, B., (2013), "Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis", Center for Economic Analyses–CEA, Skopje, pp, 165

The increase in pensions, together with the effects of the aging population and the outflow of young educated professionals will cause further budget pressures. Several research studies[7] have demonstrated the low efficiency of the public expenditures and low, in certain periods even negative, fiscal multipliers, which is an indicator of inefficiency and modest influence of fiscal on economic activity. While the share of capital investments in the total budget expenditures was increased to 10.1% in 2014 (it has been maintained above 10% in the last years), those investments contain both unproductive and current expenditures, and due to the dependency on export, a large part of the public stimulus ends up abroad, which reduces the multiplication effect on the domestic economy. Moreover, the expenditures for research, development and education, which stimulate growth, have a particularly low share in the total budget expenditures.

3. PUBLIC DEBT

The period 2000-2008 was characterized by a continuous reduction of the public debt from 47.9% of GDP to 23% of GDP in 2008. The general government debt in 2008 was 20.5% (Chart 3). However, as of 2008, the debt started to increase as a result of the deteriorated economic conditions and the expansive fiscal policy pursued by the Government. Loans, especially foreign loans, have become a significant source of funds for covering public expenditures: They increased from 1.1% in 2004 to 10.2% in 2013. In 2016, it they a level of 47.8%, whereas at the moment (first quarter of 2017), public debt is around 46% (see chart below). It is characteristic that the public debt has increasingly become different from the central government debt because some capital expenses have been transferred from the budget to the account of public enterprises (for example, the government shifted a large part of the road infrastructure projects off the budget by transforming the former Road Fund into a Public Enterprise for State Roads). The public debt of the state-owned enterprises increased from 2.6% of GDP in 2009 to 7.7% in 2014. The guaranteed debt of the public enterprises and state-owned shareholding companies was drastically increased from 114 million euros in 2002 to as much as 851 million euros in 2017 (see Chart 3).

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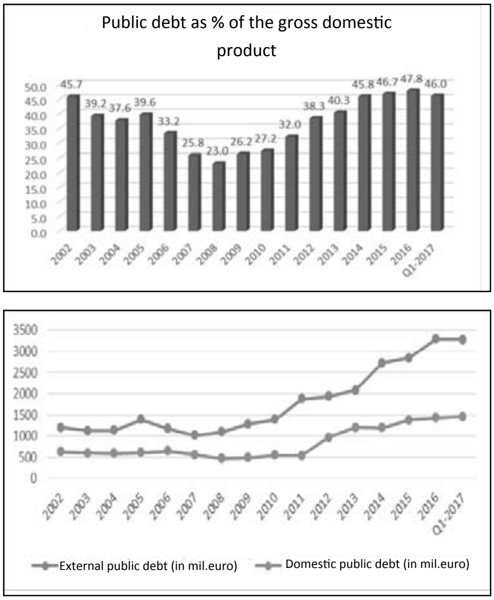
7 See- Trenovski, B., (2013), "Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis", Center for Economic Analyses–CEA, Skopje, pp, 165
-Filipovski, V., Fiti, T. and Trenovski, B., (2016) "Efficiency of the fiscal policy and the fiscal multipliers – the case of the Republic of Macedonia", Economic Studies, Issue 1, 2015, Economic Research Institute at the Bulgarian Academy of Sciences

Chart 2 Total public debt of the RM, External/domestic public debt

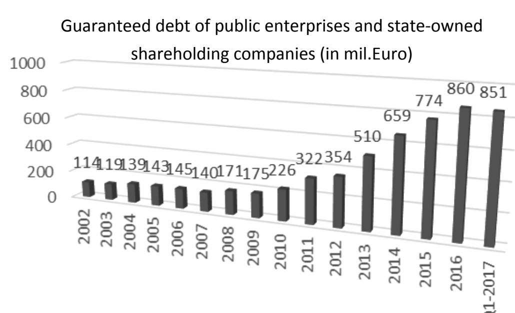


Source: Ministry of Finance of the Republic of Macedonia

Although the public debt was increased, it is nevertheless among the lowest ones in Europe, and it is significantly lower than 60% of GDP, the level set by the Maastricht criterion. Still, the accelerated dynamics of its growth at the beginning of the crisis (the debt was doubled in the period 2008-2017) is a reason for concern and creates a need for great caution in the further management of public finances so as not to jeopardize their sustainability (both IMF and the World Bank have warned about this). This is especially due to the fact that in countries with lower incomes, the negative implications of the public debt - consequences on the macroeconomic stability, reduced capital inflows and financial limitations of the private sector - occur when the indebtedness level is lower.

Chart 3

Guaranteed public debt of public enterprises



Source: Ministry of Finance

4. TRANSMISSION AND EFFICIENCY OF PUBLIC FINANCES IN MACEDONIA - EMPIRICAL ANALYSES

There are few empirical analyses that address the issue of fiscal sustainability of the Republic of Macedonia. These include Tashevska (2015), Trenovski and Tashveska (2015), Trenovski (2013), Filipovski, Fiti and Trenovski (2016), Doemeland et al., IMF reports on Macedonia, etc. Below, we will sum up the main results of the empirical analyses (mostly conducted by the author of this paper) which refer to the efficiency and sustainability of the fiscal policy in Macedonia. Taking into consideration the extensiveness of each of the empirical analyses and the limited space, this paper will not present each methodology and specific features of each research separately[8]:

Reaction of cyclically adjusted budget balance to the debt increase.[9] The cyclically adjusted budget balance does not react significantly to shocks from the public debt/GDP, and the inverse link is also insignificant. Accordingly, based on the applied test/model (VAR), we conclude that in the analyzed period (2000 – 2013), when defining the current discretionary fiscal policy, scant attention is paid to the level of public liabilities, which indicates a fiscally dominant regime.

What do the fiscal authorities take into consideration when they define the fiscal policy and its function?[10] Public expenditures were significantly increased in the first two years as a reaction to the shock in the production gap, which indicates a pro-cyclical expansive fiscal policy. This trend towards increasing is also apparent as a reaction to the public debt shock, which shows that the fiscal authorities are not concerned by the public debt increase when they determine public expenditures. The Central Bank of the Republic of Macedonia`s (NBRM) reference interest rate shock also caused a massive increase in public expenditures which lasted for almost a year (taking into account the position of the monetary policy when defining the fiscal position).

What happens when there is a public debt increase (shock)?[11] In the medium and long run, a public debt increase (shock) leads to an increase in public spending. Furthermore, # public borrowings are mainly covered by foreign loans l, whichresults in a slight increase in the foreign exchange reserves. This, in the medium term, leads to an increase in the inflation rate and a significant reaction of the monetary policy, which, by ”crowding out” and other effects, results in a reduction of economic activity in the short to medium term.

8 Additional information and data with regard to the conducted research are available from the authors at request.

9 See - *Trenovksi, B. and Tashevska, B.* (2015) “Fiscal or monetary dominance in a small, open economy with fixed exchange rate – the case of the Republic of Macedonia”, *Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business*, Volume 33, no.1, pp.125-145

10 Trenovski, B., (2013), “Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis”, Center for Economic Analyses– CEA, Skopje, pp, 165; Trenovski, B., (2013)“The Key Macroeconomic Policies In Terms Of The Global Economic Crisis”, Center for Economic Analyses – CEA, Skopje, pp. 296

11 Trenovski, B., (2013), “Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis”, Center for Economic Analyses– CEA, Skopje, pp, 165

Fiscal multipliers.[12] The increase in public expenditures resulted in a remarkably negative deepening of the production gap, which was stabilized after the first year but still remained in the negative zone. This points to a negative multiplier of the increase in public expenditures on economic activity (the medium-term multiplier at the end of the second and third year stabilized at - 0.23). The increase in public expenditures (because of the various structural changes and tax reforms) has an impact on thepositive expansion of the production gapand on greater reduction of the public debt (as compared to the increase in public expenditures; the medium- term multiplier at the end of the second year was 0.24, whereas at the end of the third year it was 0.2).

5. CONCLUSIONS AND RECOMMENDATIONS

Based on our research and presentation of the situation of the public finances in Macedonia, we can map out: a) challenges with respect to the efficiency and structure of the public finances which Macedonia, a small and open economy, is faced with, b) recommendations for a more efficient fiscal policy in the framework of the macroeconomic environment and economic relations in Macedonia.

Challenges, risks andv ulnerability of the Macedonian economy in the context of public finances:

- Concentration of the Macedonian exports on certain products and countries;
- Import dependency and openness of the country;
- Domestic GDP growth largely determined by the foreign effective demand;
- Sensitivity of capital inflows and outflows (mainly FDI, concentration of FDI);
- Significant public debt increase abroad, especially in the recent years (specific feature of the developing countries);
- Unfavorable structure of public expenditures (almost 90% of the budget consists of current and fixed expenditures);
- Ambitious policies with respect to infrastructural projects;
- Efficiency of public finance management (prioritization, efficiency and assessment of public policy influences);
- Rigidity of budget expenditures related to pensions, subsidies and social transfers;
- Limited possibilities for growth stimulation by adjusting public revenues (tax reduction, etc.);

12 See- Trenovski, B., (2013), "Optimal Macroeconomic Policy In Macedonia – in terms of the global economic crisis", Center for Economic Analyses–CEA, Skopje, pp, 165
Filipovski, V., Fiti, T. and Trenovski, B., (2016) "Efficiency of the fiscal policy and the fiscal multipliers – the case of the Republic of Macedonia", Economic Studies, Issue 1, 2015, Economic Research Institute at the Bulgarian Academy of Sciences

- Unforeseen events in the domestic economy and in the region (political crisis in Macedonia, Greek debt crisis).

Recommendations for public finances and fiscal policy in the framework of the macroeconomic environment and economic relations in Macedonia:

- It is necessary to undertake measures of gradual fiscal consolidation, aimed at creating fiscal space. The primary deficit should be gradually reduced in order for the debt to be stabilized and then for fiscal buffers to be built;
- This consolidation should be realized by cutting current expenditures which have less multiplication effects and less negative effect on economic growth;
- Regarding capital expenditures, priorities should be determined anda nanalysis of their influence on the public finances should be conducted. Public investments should be directed at the major infrastructural facilities;
- Increase in budget revenues can be achieved by expanding the tax basis and its scope, improving the efficiency of tax collection, gray economy reduction, i.e, bycreating fiscal policies towards structural and tax reforms;
- Better coordination between fiscal and monetary policy is required;
- Reforms for export stimulation and diversification are necessary since those are key factors for growth dynamics improvement and inflow of foreign exchange;
- Pension system reforms are needed in the medium term, as the main challenge of the fiscal sustainability in the medium and long term;
- Reforms for increasing the efficiency of public financial management should be implemented (project prioritization, efficiency in implementation, etc.);
- Expectations of the economic entities should be taken into account;
- Fiscal rules should be followed (budget deficit ceiling of 3% of GDP and public debt ceiling at a level of 60% of GDP);

A sustainable debt level depends on the successful implementation of more efficient structural reforms which stimulate economic growth, greater fiscal transparency and good public debt management – in short, on a prudent fiscal policy.

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Short Biography

Ljubinka Andonovska is a Ph.D. Candidate in Communication Sciences at the Ss. Cyris and Methodius University in Skopje. She has a Master's Degree in Public Relations Measurement from the Faculty of Law "Iustinianus Primus" and a B.A. in Strategic Media and Public Relations from the Walter Cronkite School of Journalism and Mass Communication at Arizona State University. Her primary research interests include the application of behavioral insights to communication and public policy, i.e. affecting behavior change without changing people's opinions and attitudes. Additionally, Andonovska has over 10 years' experience as a public relations practitioner both in the private and public sector.

Прегледна научна статија
УДК: 316.454.3

Ljubinka Andonovska

COMMUNICATION ASPECTS OF BEHAVIORAL PRINCIPLES IN POLICY MAKING

Behavioral sciences seek to improve the well-being of citizens and consumers through creating policies and regulations on the basis of empirical results that have been obtained using reliable experimental methods that focus on the actual behavior of people. This approach is opposed to normative postulates for maximizing the usefulness of decision-making in a consumer context. Behavioral principles combine traditional economic strategies with psychology, cognitive science and other social sciences, in order to discover the numerous "irrational" factors that influence decision-making.[1] After having gone through a phase of initial discovery and methodological curiosity for the application of these findings in a multidisciplinary approach, attention now focuses on issues related to incorporating behavioral principles into different phases of the policy creation cycle.

Several EU member states, such as Britain, the Netherlands, Germany, France and Denmark, have already established teams for the application of behavioral principles, and some, including Finland and Austria, are in the process of establishing them. The World Bank and the OECD have published reports that

1 OECD (2017), Behavioural Insights and Public Policy: Lessons from Around the World, OECD Publishing,Paris. http://dx.doi.org/10.1787/9789264270480-en).

emphasize the importance of identifying and applying behavioral elements in policy-making, and in September 2015, the then President of the United States Barack Obama explicitly urged government agencies to increase the use of behavioral principles. As a result, examples of behavioral interventions can be found in many policy areas, including employment, consumer policy, health, taxation, the environment and transport and traffic.[2]

This paper analyzes some of the disadvantages of routinized human cognition and how these findings can be incorporated into creating targeted policies with greater effect for intended goals.This paper presents the results obtained from randomized controlled trials indicating prominent systemic influence of cognitive propensity on human cognition, as well as guidelines for increasing the effectiveness of public policies. The hypothesis of the research is that changes in people's behavior in the desired direction can be effectively achieved even without previous change of their opinions, attitudes and convictions, as indicated by classical communological theories.

THEORETICAL FRAMEWORK

The two most important concessions of the behavioral paradigm in relation to standard economic models, in terms of policy-making, refer to the following:

- People often process only the information that is most prominent to them, which can lead to missing important information and overlooking key consequences.
- There is a discrepancy between the intentions and the behavior of people. Even in circumstances where people fully understand the consequences of their actions, they make decisions that do not correspond to their plans and goals and are not in their interest.

In judging and making decisions, people simplify problems. According to the findings of the behavioral sciences of the last three decades, there is a broad consensus that people use two ways of thinking.[3] In some cases, they think with intent, put forth effort and perceive all sides of the problem. This way of thinking is difficult, cognitively cumbersome and exhausting, and the human capacity for such thinking is limited. For the most part, man uses another mode of thinking, whereupon the human mind reasons automatically. This way of thinking is fast, does not require effort, and, to a large extent, is beyond our voluntary control. In literature, this way of thinking is termed System 1, whereas intentional thinking is termed System 2.[4]

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2 Lourenço, Joana Sousa, and Ciriolo, Emanuele and Almeida, Sara Rafael, and Troussard, Xavier; *Behavioural insights applied to policy: European Report 2016*. EUR 27726 EN; doi:10.2760/903938

3 Kahneman, Daniel (2003) Maps of Bounded Rationality: Psychology for Behavioral Economics, *The American Economic Review*, 93(5), 1449-1475

4 Stanovich, Keith E. and West, Richard F. (2000) "Individual Differences in Reasoning: Implications for the Rationality Debate?" *Behavioral and Brain Sciences*, 23(5), 645–65

System 1	**System 2**
Takes into consideration what automatically comes to mind (narrow frame)	Takes into consideration a wider set of relevant factors (wide frame)
Does not require effort	Requires effort
Associative	Based on reasoning and judgment
Intuitive	Reflexive

(Kahneman, 2003)

Psychologists Daniel Kahneman and Amos Tversky (1979) found that when making decisions, people tend to rely on the automatic system. People quickly evaluate the alternatives and rarely, almost never, take into account all possible alternatives. Although they are often perfectly capable of more careful analysis, people are firmly inclined to use only a small amount of information when making decisions and conclusions. The second system of thinking is more difficult to activate when individuals experience cognitive fatigue, which can be caused, i.a., by poverty and lack of financial resources, as well as time pressure.[5]

The perceptions that triggered the emergence of rational economic theories relate to the fact that consumers are rational in principle, but irrational in practice. Their tendency for irrational behavior is intensified by marketing and organized, targeted communication campaigns. Taking into account the latest findings in behavioral psychology and behavioral economics, some skeptics even define marketing as an art of exploiting human cognitive preferences.

Since man relies on the automatic thinking system in decision-making, providing information in itself has very limited power to influence decision-making.
The tendency of people to automatically interpret new information so that it supports previously acquired convictions can also cause cognitive errors when collecting new information, which again strengthens this cognitive inclination. Within the framework of awareness-raising campains, the process of convincing and educating must be targeted at the automated system in order to overcome the aversion to new points of view to problems.

For the most part, human cognition is in “auto-pilot” mode with the human mind relying on cognitive signals and abbreviations. Thinking can be slow and conscious, but it is mostly fast and loose. The tools on which we rely in rapid thinking are called cognitive heuristics. Generally, heuristics are extremely useful, because with their help people come to conclusions that are “good enough” in most of the situations.

However, when these heuristics are not simple, useful shortcuts for making “good enough” decisions, but elementary errors and anomalies in our thinking

5 World Bank Group. 2015. World Development Report 2015 : Mind, Society, and Behavior. Washington, DC https://openknowledge.worldbank.org/handle/10986/20597

that lead us to wrong conclusions, they are called *cognivite biases*, that is, defects of the routinized human cognition.[6] What gives them key importance in the context of decision making is that human cognition is under their prominent systematic influence. Hereinafter, four of the most prominent cognitive inclinations, as well as their impact and application are elaborated.

ANCHORING

If humans were perfectly rational, they would consistently incorporate information into decision-making processes in an objective way, and in order to improve the quality of their decisions, they would continuously gather information and update their views and beliefs. However, numerous psychological and economic research shows that humans are particularly incapable of dealing with information. Hence, one prominent anomaly in human thinking in this sense is the propensity for anchoring: a tendency to attach greater importance to initial information in relation to what follows. This initial information serves as a reference value on the basis of which we rate all subsequent information, although the initial information may not be very well-founded or objectively useful.

In an experimental survey of decisions on prison sentences involving experienced legal experts, the judges or lawyers were given a description of a crime that was punishable with a prison sentence of up to one year.[7] They were subsequently asked what punishment they would determine, given the facts of the case. The version given to the first group included a sentence stating that the media speculated the sentence would be set at three months, while members of the second group were told that the sentence would be set at nine months. Those lawyers who were exposed to the higher anchor, i.e. benchmark, gave significantly higher penalties than those who were exposed to the lower anchor.

The importance of the impact of the anchor is also shown in the next classic experiment. The participants were asked to calculate, within five seconds, the product of the numbers from 1 to 8, whereas the task for one task group was expressed as 1 x 2 x 3 x 4 x 5 x 6 x 7 x 8, and for the other Group as 8 x 7 x 6 x 5 x 4 x 3 x 2 x 1.[8] Given that the respondents did not have time to find the right result, they had to respond with their best guess. When the task begins with the smaller number, the median assessment of the score is 512. In cases where the first is the highest number, the median assessment of the score is 2,250. (The

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6 Kovic, Marko and Nathalie Laissue (2016): "Consuming rationally: How marketing is exploiting our cognitive biases, and what we can do about it." Swiss Skeptics Discussion Paper Series 1(3): 1-29.

7 Englich, B., Mussweiler, T., & Strack, F. (2006). Playing dice with criminal sentences: The influence of irrelevant anchors on experts' judicial decision making. Personality and Social Psychology Bulletin, 32, 188 –200

8 Montier, James. (2007)*Applied Behavioural Finance*. Chichester, England: Wiley exact result is 40,320). Accordingly, people jump to conclusions based on a very partial perception of the problem and on particularly useless signals.

The power of the impact of the anchors is also perceived in the design and analysis of survey research. An earlier question may affect information that the automated thinking system will recall from memory and, subsequently, influence the answers to the questions that follow. For illustration, one survey questionnaire contained the following two questions related to personal happiness, in a different order: A) How happy are you in your life? and B) How often do you usually go on dates?[9] When the question about dating was set first, the answers to both questions showed a high degree of correlation, but when it was set second, they showed none. Obviously, the first question was an anchor for the answer to the second question. The anchor automatically caused thoughts that had an impact on the individual's assessment of whether dates were associated with happiness.

THE INCLINATION TO MAINTAIN THE STATUS QUO

From the perspective of pure rational choice, one should be perfectly open to all possible alternatives a priori. Our preferences should be strictly determined only by the final usefulness of the available options. However, in reality, wedo not assess the available alternatives solely on the basis of their usefulness - in fact, there is a strong, irrational tendency to prefer things as they are at the moment.

The inclination to maintain a status quo is a complex phenomenon which numerous mental heuristics contribute to. For example, people ares not capable of rational risk management and are therefore prone to avoiding risk. Additionally, there are situations in which we develop a preference for things just because we own them, not because they are objectively useful to us. We also tend to continue to engage inactivities we have been doing for a long time because we believe, irrationally, that the greater the losses (the sunk costs) fromprevious engagement in the activity, the greater the need for its continuation, although this leads to greater expense.

This cognitive inclination is of exceptional significance in terms of people's behavior, especially in cases when they enter into contractual relationships of any kind. From a purely rational point of view, consumers should change and adjust contracts according to their preferences, whenever they have the opportunity to do so. However, in reality, consumers largely prefer the *standard option* in the contracts. For example, when the standard, predetermined option in the agreements is to discard any proposed option, to opt out, that is, agree to a certain provision by default, then more people choose that option, compared

9 Schwarz, N., Strack, F., and Mai, H. I. (1991). Assimilation and contrast effects in part-whole questions sequences: A conversational logic analysis. Public Opinion Qtrarterly, 55, 3-23

to cases when the standard design of the choice is to “opt in”, that is, when a consumer rejects a provision by default and needs to take some action to accept it (for example, organ donation, use of personal data for promotional purposes, subscription to a magazine).

Well-designed standard options are of potential benefit for both companies and consumers, since they simplify the decision-making process, boost customer satisfaction, reduce risk and encourage profitable spending. Wrongly set standard options, that no one has thought through can cause negative reactions from consumers, put consumers in risky circumstances, or even trigger lawsuits.

For example, in 2007, Facebook launched an application that, by default, included a public display of network members`purchases, unless they actively canceled that option. Suddenly, people’s purchases, including clothing, movie tickets, and even an engagement ring meant as a surprise, were shared with all friends. Network users quickly and strongly reacted to this privacy violation by hostile comments on the blogosphere, followed by a joint lawsuit. Nine days after the launch, Facebook changed the default option so that users had to actively choose to participate in this application, and issued a public apology.[10]

A major European rail transport company included an automatic seat reservation option along with a ticket purchase on their website, at an additional cost of one to two euros, which the buyer could deactivate by simply ticking a box on the electronic booking form.[11] Prior to the introduction of this option, only 9 percent of the purchased tickets were accompanied by a seat reservation, while the percentage increased to 47 after the introduction of the option, resulting in an increase in revenues of approximately 40 million euros annually. This significant revenue increase was achieved with minimal fixed programming and IT infrastructure costs, without any change to the offer itself.

From a taxonomic point of view, standard options can be general or customized. Mass standard options apply to all consumers and do not take into account individual characteristics or preferences of individual customers. For example, most online stores offer normal delivery as a standard option, and if someone wants fast delivery, they should actively change the default option. Under conditions where the company does not have enough information about the consumer profile, setting up general standard options may be the only possibility. These so-called best possible assumptions are also called benign standard options. For example, the seat belts of children’s car seats from the company “Maxi-Cosi” can be adjusted through two sets of openings - one lower, for smaller children, and one higher for larger children. Assuming that this

10 Goldstein, Daniel G., and Johnson, Eric J., and Hermann, Andreas, and Heitmann, Mark (2008).Nudge Your Customers Toward Better Choices. *Harvard Business Review*.86 (12), 99-105

11 Ibid.

purchase is made by consumers in the period when they first need a children's car seat, and considering that the damage from loose belts is greater than the inconvenience that could be caused by too tight straps, "Maxi-cosi" adjusts the belts in those openings that are more suitable for younger children.[12]

Experimental evidence on the impact of standard options has also been gathered from choosing features when buying a car.[13] Presenting a car with a high level of additional equipment as a standard model and given that consumers could discard additional equipment and thus reduce the final price, resulted in an increase in the cost per car by USD 1,500, without reducing consumer satisfaction, compared to initially presenting a cheaper version of the car, with fewer additional equipment and the possibility for consumers to include further items.

Customized standard options, on the other hand, reflect individual differences and can be adjusted in order to better meet consumer needs. There are three kinds of customized default options: smart standard options, persistent standard options and customizable standard options. The so-called smart standard options use what is known about individual consumers or consumer segments for adjusting the settings in a way that would be ideal for that consumer, or at least better than the general standard option. Persistent default options use previous behaviors, i.e. previous choices or decisions made, as tools for predicting future preferences. For example, if a passenger in a previous purchase of a plane ticket has chosen a window seat, the airline will offer him the same seat at the next booking. Also, hotels offer smoker friendly rooms as a standard option for clients who have booked such rooms in the past. Applying persistent standard options is a simple but powerful way to boost customer satisfaction and loyalty. The possibility of changing preferences can be met by introducing a simple and transparent option to change the default option. Online, when consumers make several choices consecutively, the so-called customizable standard options can be of great benefit, with initially made decisions affecting the architecture of the choice at later stages. For example, in the online configuration of car settings, those who initially specify that they want a stronger engine might prefer a higher level of additional equipment. Several car manufacturers, for example, start by asking the potential customer to determine whether they would like sports, family or business configuration, and determine the standard options in the subsequent choices accordingly. In such cases, customizable standard options have an advisory role, helping consumers identify the features they would most likely want, based on the preferences of other consumers in the company database.

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12 Ibid.

13 Johnson, Eric, and Shu, Suzanne, and Dellaert, Benedict, and Fox, Craig, and Goldstein, Daniel, and Häubl, Gerald, and Larrick, Richard, and Payne, John, and Peters, Ellen, and Schkade, David, and Wansink, Brian and Weber, Elke (2012) Marketing Letters, 23(2) 487-504

The application of standard options is not only used in business, but, also has an exceptional influence in the field of public policies. The example of the influence of standard options in the case of donating organs is a classic - a decision that is considered important and extremely personal. It has been proven in numerous experiments, that is, randomized controlled trials, that people often do not decide to donate organs actively. In Germany, for example, no one is an organ donor by default, but citizens must actively make a choice, with only 12 percent of Germans having declared to be donors. In neighboring Austria, where everyone is automatically considered organ donor unless they explicitly reject it, 99.98 per cent are donors, and only 0.02 per cent have opted out.[14] Similar results are also obtained by comparing other culturally similar countries. Accordingly, it seems that neither national nor individual views have such a powerful influence on the decision to donate organs as the policy of offering a standard option.

Another example for the impact of standard options are retirement savings in the United States of America. Namely, until ten years ago, the standard contribution from the salary to the pension plans at company level was 0. Many Americans accepted this option and did not save at all. Changing the default option to a minimum contribution of several percent resulted in a dramatic impact on retirement savings. In a case where a standard option changed from 0 to 3 percent savings, the number of new employees who saved at least some amount increased from 37 percent to 86 percent.[15] Compared to many other saving strategies, including educational awareness raising campaigns and tax incentives, changing standard options is an effective and cheap way to improve decisions for all stakeholders.

Richard Thaler and Cass Suntstein promoted the idea of an architecture of choice, which means designing the circumstances in which a decision to choose between several alternatives is made, and the introduction of standard options lies at the core of this architecture.[16] Understanding the value, but also the limitations of the standard options can help companies deliver better service to a wide range of client types: those who want to actively make decisions, those who want to rely on the company's expertise in choosing and those who are not interested in choosing at all.

14 Thaler, Richard H., and Cass R. Sunstein. 2009. Nudge: improving decisions about health, wealth, and happiness. New Heaven: Yale University Press.

15 Thaler, Richard, and Cass R. Sunstein (2003), "Libertarian Paternalism," American Economic Review Papers and Proceedings 93(2), 175-179.

16 Thaler, Richard & Sunstein, C & P Balz, John. (2012). Choice Architecture.во *The Behavioral Foundations of Public Policy*. Princeton, New Jersey: Princeton University Press. pp. 428–39.

AVERSION TO LOSS

In classical theory of consumer behavior, preferences in relation to different packages of goods are regarded as immutable in relation to what a person currently possesses or consumes. However, contrary to this neoclassical assumption, various types of evidence indicate the dependence of preferences on existing available goods. In particular, it seems that people do not want to lose what they already have to a much higher degree compared to their desire to obtain other goods.[17]

A classic experiment pointing to aversion to loss was carried out by Knecht, when a group of scientists randomly assigned to one part of the participants a cup, and to the othera pen.[18] Both groups were allowed to exchange their cups and pens. If the preferences were really independent of the accidental possession of the good, the sum of the percentage of people who would like to replace the cup with the pen and the percentage of people who would like to exchange the pen for the cup should be approximately 1. However, in the experiment, a total of no more than 22 percent of the participants decided to make the exchange. The fact that such a small percentage opted for exchange indicates an excessive preference for the good in possession, that is, resistance to the loss of what they have.

Kahneman and others have also proven the effect of aversion to loss in an experiment where half of the participants are given coffee cups.[19] Those who received cups were required to indicate the lowest amount they would sell the cup for, and those who did not receive a cup were to indicate the highest amount they would pay for the cup. According to classical economic theory, these price points should be approximately the same. However, the median average selling price was USD 5.79, and the median average purchase price was USD 2.25 - a ratio of more than 2 to 1.

In general, people make decisions taking into account the changes in value relative to a reference point, rather than on the basis of absolute values. The reference point is a sort of determinant, or an anchor. When people judge whether they like something or not, they implicitly ask themselves: compared to what? According to the findings, when people see something as a loss, they generally value the difference more than they would value the same amount if it was a profit of a similar dimension. From a rational point of view, losing a certain amount of money should have a negative effect that is equal to the positive

17 Camerer, Colin F., Loewenstein, George, & Rabin, Matthew(2004).Advances in Behavioral Economics**.***Princeton University Press***,** Princeton.

18 Kahneman, D., and Knetsch, J.L., 1992, Valuing public goods: The purchase of moral satisfaction: *Journal of Environmental Economics and Management*, v. 22.

19 Kahneman, Daniel, and Knetsch, Jack L., and Thaler, Richard H. (1990). Experiemental Tests of the Endowment Effect and the Coase Theorem. *Journal of Political Economy*. Vol. 98 No. 6, December 1990, pp. 1325-1348 effect of receiving the same amount of money. But on a subjective level, losing something hurts more than getting something cheers up.

In marketing, the aversion to loss as an inherent mental inclination is exploited in the form of highlighting the limited availability of a good or service, whereas the consumer is made to believe that he / she will miss / lose the opportunity to acquire it or to purchase it at a discounted price (also used online, stating the number of remaining products / airfares ...). However, the mental inclination to avoid losses can also be exploited in other subtle ways of influencing behavior as is the case with many important social problems. In a field experiment in Chicago, at the start of the year, a group of teachers was given a bonus that they could lose at the end of the year if their students did not reach a certain level of success.[20] These teachers made significantly more efforts compared to teachers who were promised to receive a bonus in the same amount at the end of the year if their students would achieve the same level of success. The potential loss of the bonus was greater motivation than the potential gain of the bonus. Additionally, in this case, the loss is likely to be perceived as a punishment for failing to achieve some norm of success, and the gain as a reward for the success achieved.

ORDINARY EXPOSURE

From a rational point of view, the exposure of information should be a simple phenomenon: a person is looking for information for rational judgment of the alternatives in a decision-making situation. The very fact that a person has been exposed to information should not, in itself, influence their views on the alternatives they want to assess. However, reality has it that through simple exposure to something, we develop preferences to the same.

A classic experiment that pointed to the existence and elements of this effect was carried out by the famous psychologist Robert Zajonc, who devoted most of his career to the relationship between the repetition of an arbitrary stimulus and the mild inclination that people develop towards it. As part of the experiment, on the cover page of the student bulletins at the University of Michigan and the State University of Michigan something like an advertisement in a square shape was published for a period of several weeks, containing one of the following Turkish words (or words that seemed Turkish): kadirga, saricik, biwonjni, nansoma, and iktitaf.[21] The frequency of the words appearing in the experimental period varied: one of the words appeared only once, and the others appeared two, five, ten, or 25 times without any explanation. When the mysterious series of announcements ceased to appear, scientists sent questionnaires to

20 Fryer, Roland G., and Levitt, Steven D., and List, John and Sadoff, Sally. (2012) Enhancing The Efficacy Of Teacher Incentives Through Loss Aversion: A Field Experiment. *NBER Working Paper 18237* http://www.nber.org/papers/w18237

21 Zajonc, Robert B. (1968) Attitudinal Effects Of Mere Exposure. Journal of Personality and Social Psychology. 9: 1-27. DOI: 10.1037/h0025848.

students whereh they should indicate for each of the words whether they think it is something good or something bad. The results were spectacular: those words that were presented more often ranked much more favorably than those that were published only once or twice. This experiment was replicated and confirmed many times, including Chinese symbols, faces and irregular polygons.

The effect of ordinary exposure does not depend on the conscious experience of recognition. In fact, the effect does not depend on consciousness at all, which is obvious when it can be noticed and also when words or images appear and repeat so fast that observers are not even aware that they have ever seen them at all. In the end, they again denote a greater affection for those words or images they have seen more often. Accordingly, System 1 of thinking can respond to impressions about some events that System 2 is not aware of at all. In addition, it has been confirmed that the effect of ordinary exposure is, in fact, greater for the sensations that the individual does not consciously perceive.[22]

Zajonc argued that the effect repetition has on benevolence is deeply rooted in evolutionary biology. In order to survive in a dangerous world, man had to cautiously react to new stimuli. However, initial caution faded in cases where the stimulus was actually safe, to the extent that the stimulus turns into a safety signal.

CONCLUSION

From all of the above, concerning the reliance of man on the automatic thinking system in decision-making, it can be concluded that the provision of information in itself has very limited power to influence decision-making The tendency of people to automatically interpret new information so that it supports previously acquired convictions also affects cognitive errors in the collection of new information, which again strengthens this cognitive inclination. People often do not recognize that they do not actually know what they think they know and can not learn from new information. Within the framework of awareness-raising campains, the process of convincing and educating must be targeted at the automated system in order to overcome the aversion to new points of view to problems. The most important implication for integrated communication applied in business as well as in formulating and promoting effective public policies is that changing people’s behavior in a desired direction can be achieved without even addressing their attitudes and beliefs, but only exploiting their inherent cognitive inclinations. From a theoretical point of view, it is necessary to integrate the theories of persuasion that are central to communology, such as the theory of social reasoning and the probability model for development, with the theory of prospects. Such refinement would provide a number of useful

22 Kahneman, Daniel. *Thinking, Fast and Slow.* Macmillan, 2011.

guidelines for further development of the communication sciences, as well as knowledge for increasing the effectiveness of communication in attempts to influence the behavior of target audiences.

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Short Biography

Daniel Gjokjeski, MA, MSc, is a special adviser for internal affairs of the President of the Republic of Macedonia Dr. Gjorge Ivanov and volunteer as a Coordinator of the International Cooperation Department of the Foundation Alliance of Civilizations in Macedonia. He is focused on developing initiatives for education and mobilization of young people to develop sustainable solutions to local and national challenges in different spheres. His formal education includes BA Degree in Political Science and MA Degree in Political Management from the University St. Cyril and Methodius in Skopje, MSc Degree in Public Policy from the University College London, and Master course in International Development Studies at the University of Oslo. His previous professional engagements were at the Faculty of Law Iustinianus Primus in Skopje, Federation of Farmers in the Republic of Macedonia, and the Parliament of the Republic of Macedonia, and is one of the founders of the Ivanov School for Leaders Alumni Association, the Youth Council of the US Embassy in Macedonia, and the Ideas for Action Lab. He is an active member of several associations such as the European Fund for the Balkan Community, Konrad Adenauer Stiftung, Fondacione CRT Community, and UN Intercultural Leaders. For more info please visit: www.about.me/daniel.gjokjeski

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Daniel Gjokjeski

SOCIAL ENTERPRISES AS AN INSTRUMENT FOR SOCIAL TRANSFORMATION IN DIVIDED SOCIETIES

SHORTCOMINGS OF THE CONSOCIATIONAL THEORY

The consociational theory centers on a normative theory of power sharing models that leads to democratic settlement among ethnically or politically divided groups within societies. According to its founder Arend Lijphart, in consociational democracy the centrifugal tendencies inherent to a plural society are counteracted by the cooperative attitudes and behavior of the leaders of different population segments.[1] This model is widely used, and numerous scholars hold outspoken positions regarding the benefits and shortcomings of it, however this paper will mainly discuss the integrationist critique of the theory,

1 Arend Lijphart, *"Democracy in Plural Societies: A Comparative Exploration"* (London, UK: Yale University Press, 1977); 1.

especially in the fields where social entrepreneurship can contribute more efficiently than the consociational model. The integrationists` main criticism regarding the consociational approach is their rejection of the postulate that ethnic difference should necessarily translate into political difference. Thus, Choudnhry proposes a common public identity, even in the center of extensive ethno-cultural diversity.[2] McGarry argues against the need to recognize pre-existing and durable divisions and the refusal of deconstruction of group ties.[3] Against the background of these main challenges that integrationist authors pose to consociational theory, this paper will point out those shortcomings that can be more efficiently tackled with social entrepreneurship.

WHY WOULD SOCIAL ENTERPRISES MATTER IN THE PROCESS OF SOCIAL TRANSFORMATION?

Kim`s analysis of contemporary postindustrial societies reveals that the power of large and traditional institutions, such as political parties, trade unions and governments, is declining.[4] This observation is confirmed by a ten-year public interest polling project by Cummings which concludes that governmental and media elites are out of touch with the preferences of ordinary citizens, particularly in the areas of health care, environmental protection, campaign-finance reform, governmental accountability, and peaceful approaches to conflict resolution.[5] The increasing tendency towards social diversity undermines any attempts at finding a common interest, a single ideology, or a big agenda for every citizen.[6] Under such changing circumstances, indigenous groups fear that existing social arrangements could have a negative impact on them and therefore feel the need to extend their cultural and social representation. As a consequence, this resistance to the social status quo can lead to social transformation in the long run.[7]

Cummings poses three core questions to social transformation, framed as a fundamental change of values, consciousness and institutions of society: first, which groups exercise institutional power; second, who benefits and who suffers from the institutions; and third, how do those institutions affect the ecological structure on which humans depend.[8] According to the integrationalists, the social

2 Sujit Choudnhry, *"Constitutional Design for Divided Societies: Integration or Accommodation?„*(New York, USA: Oxford University Press, 2008), 27.

3 John McGarry. *„Northern Ireland and the Divided World„* (Oxford Scholarship Online: Nov-03.01), 2.

4 Kim, Young Mie„The shifting sands of citizenship: towards a model of the citizenry in life politics" *The ANNALS of the American Academy of Political and Social Science* (2012):3.

5 Michael S. Cummings, *"Beyond Political Correctness: Social Transformation in the United States„*. (London, UK:: Lynne Reiner Publishers Inc., 2001), 13.

6 Kim, Young Mie„The shifting sands of citizenship: towards a modle of the citizenry in life politics" *The ANNALS of the American Academy of Political and Social Science*(2012):3.

7 Bram Peper, Lesley Mcmillan, and Max Koch, eds.,*Diversity, Standardization and Social Transformation: Gender, Ethnicity and Inequality in Europe.* (Burlington, USA: Ashgate Publishing Company, 2011), 216.

8 Michael S. Cummings, *"Beyond Political Correctness: Social Transformation in the United States„*. (London, UK:: Lynne Reiner Publishers Inc., 2001), 12.

transformation approach is concerned with alleviating conflict by promoting participatory democracy and by challenging ethno-nationalism. This approach seems most likely to promise peaceful change since it is based on actions of inclusive pro-democracy movements in societies that seek to create new ways of social interaction in order to transcend divisive political boundaries.[9]

This paper focuses on four goals of social transformation: capacity-building, group empowerment, relational community-building, and culture-challenge. The same four goals were used by Maton as most important environmental dimensions in his article on social ecology and transformation.[10]

The reason for the focus on social entrepreneurship derives from the definition of social enterprises itself: Quarter, Mook and Ryan state that `social enterprises are established to address social needs and alleviate problems, so it can be concluded that in the broad sense all social enterprises seek to attain social change or social transformation.`[11] Depending on the type of innovation it promotes, Ziegler recognizes that social entrepreneurship can take at least three forms: initiatives focused on disseminating a package of innovations needed to solve common problems; building local capacities or working with marginalized populations to identify capacities for self-help; initiatives focused on mobilizing grassroot groups to form alliances against abusive elites or institutions.[12] The correlation of these three forms of social entrepreneurship, together with the above mentioned four goals of social transformation, will be analyzed below, giving best practice examples of social enterprises` impact on divided societies.

CAPACITY BUILDING

The integrationalist recognition of capacity building as a goal of social transformation relates to the argument of Mason and Meemik that it enhances the peace-building process in a post-violent conflict society by empowering grassroot groups to renew their socioeconomic, cultural, political, and ecological environment for their own well-being and transformation.[13] According to the research on post-conflict development by Junne and Verkoren, capacity building empowers people to rediscover their strengths and develop potentials by building self-respect and confidence, using human and physical resources to increase the quality of life.[14] Consociational democracy in contrast emphasizes on elite cooperation, and so it has been argued that a consociational regime is

9 John McGarry. *„Northern Ireland and the Divided World„* (Oxford Scholarship Online: Nov-03.01), 3.

10 Kenneth I. Maton."Making a Difference: The Social Ecology of Social Transformation *„American Journal of Community Psychology* Vol.28, No.1, (2000), 30.

11 Jack Quarter, Laurine Mook, and Sherida Ryan, *Business with a Difference: Balancing the Social and the Economic*„ (Toronto, Canada: University of Toronto Press, 2012), 226.

12 Rafael Ziegler, *„An Introduction to Social Entrepreneurship"* (Northampton, USA: Edward Elgar Publishing, Inc. 2009), 160.

13 David T. Mason, James D. and Meernik, James,*„Conflict Prevention and Peacebuilding in Post-War Societies„* (London, UK: Routledge, 2006), 21.

14 Gerd Junne and Willemjin Verkoren, *„Postconflict Development: Meeting New Challenges"* (Boulder, CO: Lynne Rienner Publisher, 2005), 32.

compatible with widespread social inequality. Byrnes responds to this weakness by proposing to integrate consotiational and civil society approaches by creating an interactive, interdependent web of activities and relationships among elites and the grassroot groups.[15]

Kaufman points out that social entrepreneurship can have a very broad horizon of impact, from providing necessary material, medical, educational, technological, or other assistance, to easing the economic hardships that can boost ethnic conflicts.[16] The following example, a social enterprise with a grassroot capacity building approach in the Middle East, confirms Kaufman`s statement. It is important to know that in this region, successful mobilization for more social inclusion and more rights has not necessarily come from the state, but from ordinary citizens who have developed creative strategies to defend and improve life chances against rising inequalities in their everyday life.[17] The example introduced here is the social venture AltCity from Lebanon, aimed at expanding access to tools, resources and spaces for independent publishers, activists and technical entrepreneurs. AltCity define themselves as a creative startup community with a bottom-up design, committed to facilitate, mobilize, encourage, and support high impact entrepreneurship and innovation in Lebanon and the region.[18] Their priority is the community element, and they achieve results by bringing together different kinds of stakeholders for formal events, like workshops and conferences, as well as informal activities like cafeteria networking sessions.[19] Among their goals is to support inclusion and collaboration, which they have framed into their „AltStart" program, and to increase awareness of climate change and social issues ("Zero-Waste Challenge"). Co-founder Samer Azar during his speech at the American Middle Eastern Network for Dialogue at Stanford University emphasized that AltCity is becoming a reflection of the local community, and is helping to shape it into communities of practice and support around topics such as media, design technology and their intersection.[20] He pointed out that the Social Entrepreneurship Spring in the Middle East is first and foremost a movement of young people who build enterprises within their communities, keeping the fundamental human components at the core of their existence.

Although this example relates to all of the above goals of social transformation, capacity building can be considered a primary focus that results in the other three. As for the form of the social enterprise, AltCity relates to the third

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15 Stephen Ryan*„The Transformation of Violent Intercommunal Conflict"* (London, UK: Routledge, 2016), 114.

16 Daniel Zachary Kaufman, *„Social Entrepreneurship in the Age of Atrocities: Changing Our World"* (Camberley, UK: Edward Elgar Publishing, 2012), 38.

17 Asef Bayat*„Life as Politics: How Ordinary People Change the Middle East"* (Stanford, CA: Stanford University Press, 2010), 56.

18 AltCity web page: www.altcity.me (accessed 23.03.2014)

19 The Next Web online newspaper: Accelerating Innovation in Lebanon http://thenextweb.com/me/2012/03/10/accelerating-innovation-in-lebanon/#!A1EZB (accessed 23.03.2014)

20 AMENDS Stanford You tube Channel: https://www.youtube.com/watch?v=C5qhDNYdhLc (accessed 24.03.2014) form of the above mentioned social enterprises, since their goal is to create alternatives for resolving policy related issues out of `the complex, frustrating, and debilitating issues of politics in Lebanon`.

GROUP EMPOWERMENT

Within the framework of consociational theory, a crucial role is subscibed to the group. However, there is a confusing duality on the possibilities for a group to be the protagonist of a process: on the one hand, the consociational concept tends to be based on ethnic groups as the main building blocks, and they are often explicitly named in constitutions, other basic laws or pacts as the constituent elements of the power-sharing system, as Crepaz[21] points out. On the other hand, Olzak`s political incorporation argument[22] suggests that formalizing ethnic group identity in party structures increases the potential for ethnic conflict. Since the debate on this topic continues, the remarks below are based on the assumption that there is a benefit from group empowerment within divided societies.

The Egyptian social enterprise GebRaa based in Cairo is a good example of a social enterprise engaged in group empowering, since it works with marginalized groups, promotes cultural identity, and introduces sustainable grassroot development within the community. The enterprise was established to market and export Egyptian handicraft, as a response to the increasing challenges for craftsmen (insecurity of artisan jobs, high taxes, decreased tourism, lower quality competition), and introduced a new way of sustainable development for young people from marginalized rural communities. It is part of an NGO named Karama aiming to maintain Egyptian cultural heritage by training new generations of artisans who are supposed to engage in international cooperation. Their success in obtaining their goals has been acknowledged with awards from the SEED Initiative for Sustainable Development and Green Economy by UNEP, UNDP and IUCN, the Cordes Fellowship for collaboration for poverty alleviation, and the Cartier women initiative award of North Africa.[23]

This example relates to the second form of innovativeness of social enterprises: enhancing opportunities for self-help among marginalized population. However, it also represents an innovation for solving common problems, since its direct purpose is to improve the artisans` position and thus preserve and promote cultural heritage.

Another example of group empowerment is indigenous entrepreneurship. Steyaert states that increasing numbers of indigenous people are engaging in

21 Markus M. Crepaz, Thomas A. Koelble, David Wilsford*„Democracy and Institutions: the life work of ArendLijphart“* (Michigan USA: University of Michigan Press, 2000), 233.

22 Susan Olzak, *„The Global Dynamics of Racial and Ethnic Mobilization“* (California, USA: Stanford University Press, 2006). 21.

23 GebRaa web page: http://www.gebraa.com/ (accessed 24.02.2014) entrepreneurial activities with a social purpose beyond, and often only attainable as a result of, the creation and operation of profitable business enterprises.[24] Wilerman builds on this argument by adding that rural, indigenous, and other communities marginalized for cultural, geographical or linguistic reasons are among those that can benefit most from the implementation of entrepreneurial activities that focus on social outcomes.[25] Social enterprises from this group relate to all three forms of social innovation that is crucial for transformation.

RELATIONAL COMMUNITY-BUILDING

In his philosophical study on the war on terrorism, Presbey states that `the envisioning of a new socio-political reality through the building of a new relationship between the communities is founded on the emergent realization that the quest for human rights must address the transformation of the destructive and abusive relationship which protracted violence always institutionalizes, psychologically, politically and culturally.`[26] All human rights are embedded in a social context and have important social dimensions. Donelly declares that `the very ideas of respecting and violating human rights rest on the idea of the individual as part of a larger social enterprise.`[27] One very important aspect of relationship community building in divided societies is reconciliation. It is important for the context discussed because it conceptualizes reshaping society as a whole rather than focusing on the relationship between enemies as is the case with the consociational model. The latter assumes that a certain level of peace is attained because, according to Daly, everyone understands that each other group has the right to be at the table, but this does not lead to reconciliation because no incentives for coalition building or even intergroup communication are provided, especially in deeply divided societies.[28]

A relevant example of a social enterprise focused on mobilizing groups is the OneVoice Movement which represents an international grassroot movement that amplifies the voice of mainstream Israelis and Palestinians. The movement empowers them to propel their elected representatives toward the two-state solution and thus forge consensus for conflict resolution and build a human infrastructure capable of mobilizing population toward a negotiated, comprehensive, and permanent agreement.[29] OneVoice has launched a campaign designed to reconnect young Israelis to the peace process by

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24 Chris Steyaert and Daniel Hjorth, *"Entrepreneurship as Social Change: A Third New Movements in Entrepreneurship"* (Camberley UK: Edward Elgar Publishing, 2008), 76.

25 Alexander Wiseman, *"International Educational Innovation and Public Sector Entrepreneurship"* (Bingley, UK: Emerald Group Publishing, 2014), 159.

26 Gail M. Presbeyed., *"Philosophical Perspectives on the "War on Terrorism""* (New York, USA: Rodopy 2007), 368.

27 Subrata Sankar Bagchi and Arnab Das, Arnab, *"Human Rights and the Third World: Issues and Discourses"* (Lahman USA: Lexington Books, 2012), 83.

28 Eryn Daly and Jeremy Sarkin, *"Reconciliation in Divided Societies: Funding Common Ground"* (University of Pennsylvania, 2010), 189.

29 OneVoice Movement web page: http://onevoicemovement.org/mission (accessed 30.03.2014) highlighting the concrete improvement inform of an agreement that will bring in the economic issues that matter most to them: the cost of living, affordable housing, and education.[30] Roshan has made an additional contribution to the discussion on the role of social enterprises in peace building, pointing out that their main advantage in this process is the proposal of alternative solutions that will not mitigate or alleviate the violence, but introduce a long-haul change in the system.[31] Therefore, when it comes to building relations among divided communities, social innovation and enterprises contribute to all three forms of social transformation.

CULTURE-CHALLENGE

Across ecological levels, culture limits the 'universe of alternatives' considered when addressing social problems, and thus the potential for substantial progress to be made.[32] It can be extremely difficult to challenge the existing traditional cultural values, especially in regions and countries where the cultural mainstream is deeply rooted in various spheres of the society. In order to introduce change in the basic cells of society, the impact should be on the cultural identity of the communities, because the root of the conflict can very often be found in the cultural history that the different group sclaim for themselves. However, the focus of the consociational model on providing representation of groups in decision-making processes limits the space for cultural change because it assumes given cultural identities for the representation of the population and thus enhances their strengthening.

The importance of a social entrepreneurial approach in conflict resolution by intercultural integration will be shown based on two examples: the Ariane De Rothschild Fellowship (AdR) at Cambridge and the YesTheatre in Palestine. The Fellowship uses social enterprise as a way for bridging the cultural division between Muslim and Jewish fellows. Firoz Ladak of the Edmond de Rothschild Foundation reveals that a lot of work has been done around issues of interfaith dialog, but not necessarily with sustainable results.[33] According to AdR program director Patrice Brodeur, social entrepreneurship can help bridge the Jewish-Muslim divide by fostering new ways of relating shared interest in terms of particular business opportunities that have major social impact on both groups[34]. The Charity Times reported that the fellowship participants are being trained

30 Social Enterprise Live we page:http://www.socialenterpriselive.com/your-blogs/item/vision-cross-sector-peacebuilding-israel-and-palestine (accessed 30.03.2014)

31 Insight conflict web page:http://www.insightonconflict.org/2011/12/what-is-social-entrepreneurship-in-peacebuilding/(accessed 30.04.2014)

32 Kenneth I. Maton, "Making a Difference: The Social Ecology of Social Transformation," *American Journal of Community Psychology* Vol.28, No.1(2000):39.

33 Web page of Ariane De Rothschild Fellowship: http://www.adrfellowship.org/jews-and-muslims-striving-for-challenge-a-cbs-interview-of-firoz-ladak-the-executive-director-of-the-edmond-de-rothschild-foundation/ (visited 25.04.14)

34 Vimeo Channel of Ariane De Rothschild Fellowship: http://vimeo.com/77768497 (visited 25.04.14) to navigate across cultural differences with input from the humanities and experiential dialogue.[35]

The Palestinian YesTheatre promotes the performing arts with a particular interest in how theatre and drama can positively impact children`s and young people`s lives by broadening their understanding and expression of local heritage and culture.[36] There are programs for young people from different ages and a semi-annual newsletter where they can artistically express their experiences and thoughts. It is a voice for the devastated youth, a stage where the forbidden and scary is incorporated into the performance of classical plays or newly developed local stories. Thus, for the first issue of the newsletter YallahMastrah a 14 year old girl stated that before YesTheatre she was going to school and home because of the local tradition, but now she has found a new home where she feels free and respected and learns how to be humble and deal with others. Many other experiences shared in this newsletter trace the cultural change that the community goes through.[37] It is a bottom-up transformation among future leaders and actors that can have a share in promoting intercultural dialog and understanding, owing to the individual transformation in this model, which seems to be much more effective than the introduction of current political actors representing groups.

CONCLUSION

The integrative social transformation of divided societies is one of the ways of regulating post-conflict relations. This approach is basically different, even opposite to consociational democracy. In the introduction to this text, the disadvantages of the consociational model in terms of the development of social cohesion and integration of different identities in the long run were briefly explained. Overall, the top-bottom approach with institutionalization and politicized relationships between entities creates a short-term environment for the acquisition of power sharing relations and recognition, but in the long run it does not necessarily lead to integrative union within the state.

Therefore, and as an alternative, this paper proposes social entrepreneurship as an integrative tool for social transformation. The analyses conducted according to the previously defined three areas of social entrepreneurship and four forms of innovation with social enterprises refer to successful examples. For the first form, capacity building, the emphasis is on shifting the focus from political elites to civil society through this approach, and the reduction of inequality that is caused by the consociational model. The second, group

35 Article by Charity Times: http://www.charitytimes.com/ct/Fellowship_launched_new%20_model_for_conflict_resolution.php (visited 25.04.14)

36 YesTheatre Web page: http://www.yestheatre.org/pages/1 (visited 25.04.14)

37 YallahMastrah Newsletter Issue No.1: http://www.yestheatre.org/posts/7 (visited 25.04.14) empowerment, is a counterweight to the limited way of promotion of various groups in consociational democracy. The examples show an approach that enables a platform through social entrepreneurship for groups to self-organize and advance sustainability as well as social and economic activity. The third, relational community-building, highlights the lack of reconciliation opportunities in the consociational model and offers encouragement for moderation within groups and alliance building across groups. The fourth form, culture-challenge, represents criticism on the conservatism of the consociational model. Social entrepreneurship in this respect offers a cultural change in new and alternative ways to resolve relationships among the group. In many of the divided societies, culture is one of the moments where tension is developed, and although it is probably the most difficult and controversial area, cultural change can cause a positive, long-term perspective for the community, as the examples above show. Additionally, each of the four areas meets at minimum one of the social transformations forms via social enterprise.

Finally, the consociational model of democracy yields successful examples of implementation and regulation of post-conflict and divided societies. However, in the long run it leads to problems that can be effectively addressed through instruments of bottom-up social transformation, in this case social entrepreneurship. Although the analysis in this paper is limited to a few examples and generalized criticism due to the novelty of the topic and the lack of supporting research in the field, it sets a platform for further analysis based on existing theories and new practical experiences

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Short Biography

Petar Trajkov (1981) graduated in 2006 from the Faculty of Economics, Ss. Cyril and Methodius University in Skopje, and finished his Master studies in 2012 at the department of HR Management at the Institute for Sociological, Political and Judicial research, Ss. Cyril and Methodius University in Skopje, in the field of entrepreneurship. From 2006 he worked atthe Government of the Republic of Macedonia, as part of the Cabinet of the Minister for Foreign Investment, and then as a Project Consultant for Regulatory Reformfunded by the British Embassy at the Ministry for Information Societyand Administration. Since 2013 he is part of the Parliamentary Institute of the Assembly of the Republic of Macedonia.
E-mail: petar.trajkov@gmail.com

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Petar Trajkov

THE ROLE OF THE ASSEMBLY IN STRENGTHENING BUDGET TRANSPARENCY

THROUGH BUDGET TRANSPARENCY TO MORE EFFICIENT PUBLIC SPENDING

The budget is an exceptionally important instrument of a government`s economic and social policy for achieving development and meeting the needs of all citizens. There is a great deal of evidence that the best way to effectively manage public finances is by budgeting systems that are transparent, open to public involvement and that have rigorous supervisory institutions. There is also numerous empirical evidence that clearly shows the interdependence between rising public debt, corruption and the cost of securing capital on the international markets in a country on the one hand, and reducing the transparency and openness of the budget process on the other. Budget transparency is one of the key aspects of modern democratic governance. Transparency in public finances improves efficiency in public spending and makes international lending cheaper, while increased non-transparency reduces fiscal discipline. The budget money is money of the citizens. Accordingly, insight into the planning of public money spending is a fundamental civic right. Based on information on how the executive power will allocate costs, citizens, lawmakers, the professional public, civil society organizations and the business sector will gain a better insight into the political priorities and development policy for the next few years. Starting from this information, these stakeholders can understand and comment on the government`s policy on the basis of tangible data, but also plan their own activities.[1]

The aim of this analysis is to understand the importance of budget transparency, to review current policies regarding budget transparency, and to emphasize the role of the Parliament in strengthening it. To this effect, we will:

- focus on the role of the Assembly of the Republic of Macedonia in the budgeting process, as well as in the oversight and control over the execution of the budget.
- review the role of the State Audit Office as a mechanism of the Assembly in providing supervision over the execution of the Budget of the Republic of Macedonia.

The analysis particularly addresses the challenges and needs of improving the budget process in the Republic of Macedonia and strengthening the budget transparency.

TRANSPARENCY POLICIES AND EVALUATION OF THE BUDGET TRANSPARENCY OF THE REPUBLIC OF MACEDONIA

The key to any democratic governance is what standards and what kind of public policy for transparency and accountability is being implemented. In Macedonia, in a limited segment, measures for sharing information and data with the public are regulated and guaranteed by two laws, the **Law on Free Access to Public Information**[2] adopted in 2006, which provides publicity and openness in the work of information holders, and the **Law on the Use of Public Sector Data** adopted in 2014, which obliges the institutions to publish the data they create on their website in a comprehensible format[3]. The ultimate goal of this novelty is "increased accountability and transparency of the public sector."[4]

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1 Popovic, Misha and Misev, Vladimir. "Budget transparency and accountability in Macedonia - Public Policy Study" Skopje: Institute for Democracy "Societas Civilis" - Skopje (IDSCS) December 2014 p.4

2 Law on Free Access to Information of Public Character ("Official Gazette of the Republic of Macedonia" No. 13/2006, 86/2008, 6/10, 42/14 and 148/15), http://www.komspi.mk/?page_id=6872

3 Popovic, Misha and Vladimir, Misev. 2014, p.7-8

4 Law on the use of public sector data; Official Gazette of the Republic of Macedonia, no. 27 from 05.02.2014

According to the Organization for Economic Cooperation and Development (OECD), budget transparency is defined as "full and timely availability and openness of all relevant fiscal information in a systematic manner"[5]. In the Republic of Macedonia, the Law on Budgets specifically defines **transparency as "the availability of the public in all phases of budget preparation and execution"**[6]. "According to this law, the budgets in Macedonia are executed in accordance with the general principle of comprehensiveness, specificity, economy, efficiency, effectiveness, transparency and sound financial management[7]".Hence, the Ministry of Finance is bound to publish the reports on the execution of the Budget of the Republic of Macedonia on their website on a monthly basis. They are also obliged to publish the semi-annual report on the execution of the budget on their website no later than July 31 of the same year. The report should be accompanied by an update on macroeconomic indicators, projected revenues, commitments and expenditures for the current Budget year.[8]

The Budget Law also implies budget comprehensiveness, which is defined as a budget principle and implies the presentation of all revenues and other inflows, expenditures and other outflows, together with the deadlines for submitting and publishing the above four documents. According to this review of legal obligations, regardless of where the obligation derives from, it can be concluded that state institutions, that is, budget users are obligated to publish the information and data related to their programs, strategies, budgets, spendings etc. and make them available to the public. The budget of a state or public institution, as well as its program, is information that the institution has created or disposes of, and hence it is obliged to publish it and make it available to the public.[9]

INTERNATIONAL ASSESSMENTS OF THE BUDGET TRANSPARENCY OF THE REPUBLIC OF MACEDONIA

Worldwide, the Open Budget Initiative (OBI) [10], through the Budget Openness Index, measures the transparency and openness of governments in terms of their budgets. This global initiative to research and promote budgetary practices, budget transparency, openness to involve the public in the budget process and the capacity of supervisory institutions is of exceptional importance for a small,

5 OECD Best Practices for Budget Transparency, стр.7, Organization for Economic Co-operation and Development.Paris,2002 http://www.oecd.org/governance/budgeting/Best%20Practices%20Budget%20Transparency%20%20complete%20with%20cover%20page.pdf

6 Law on Budgets (Official Gazette of the Republic of Macedonia No. 64/05, 04/08, 103 / 08,156 / 09, 95/10, 180/11 and 171/12)

7 Ibid,

8 Law on Budgets, CHAPTER VII - TRANSPARENCY OF BUDGETS, Article 53 (Official Gazette of the Republic of Macedonia No.64 / 05, 04/08, 103 / 08,156 / 09, 95/10, 180/11 and 171/12)

9 Popovic, Misha and Misev, Vladimir. 2014, p.10

10 International Budget Partnership Web Site.(accesed on 21.06.2017.)
http://www.internationalbudget.org/budget-work-by-country/findgroup/group-data/?country=mk

open, post-transition economy on the way to strengthening its capacities and implementing good practices related to the budget and the budget process. An analysis of the Open Budget Index refers to internationally accepted criteria, and uses 109 indicators to measure budget transparency. These indicators are used to assess whether the central government releases the eight key budget documents to the public in a timely manner and whether the data contained in these documents are comprehensive and useful. [11]

The assessment of Macedonia is 35 out of 100, which is moderately lower than the global average of 45, and it remains unchanged compared to 2012, which would mean that the Government publishes minimal budget information. [12]

Table 1. Availability of budget documents [13]

	2008	2010	2012	2015	2016
Pre-budget statement	Not prepared/prepared with delay	Not prepared/prepared with delay	Not prepared/prepared with delay	Not prepared/prepared with delay	Not prepared/prepared with delay
Draft Budget of the executive power	Published	Published	Published	Published	Published
Enacted budget	Published	Published	Published	Published	Published
Civic Budget	Prepared for internal needs	Not prepared/prepared with delay	Not prepared/prepared with delay	Not prepared/prepared with delay	Not prepared/prepared with delay
Reports throughout the year	Published	Published	Published	Published	Published
Semi-annual report	Published	Published	Not prepared/prepared with delay	Prepared for internal needs	Not prepared/prepared with delay
Annual report	Published	Published	Published	Published	Published
Audit report	Published	Published	Published	Published	Published

Published ● Prepared for internal needs ○ Not prepared/prepared with delay ●

Evidence suggests that transparency alone is not sufficient to improve governance, but that public participation in the budget process can also increase the positive outcomes associated with improving budget transparency. When measuring **public participation**, the Open Budget Survey assesses the extent to which the Government provides opportunities for the public to engage in the budgetary process. Macedonia's score of 6 out of 100 indicates that providing opportunities for the public to get involved in the budgeting process is weak. This score is lower than the global average score of 25.

11 Trenovski, Borche and Tashevska, Biljana. "Performance-based budget: better budget process and increasing transparency and accountability" Skopje: CENTER FOR ECONOMIC ANALYSIS (CEA) Institute for Democracy 2014, p.22

12 International Budget Partnership Web Site, http://www.internationalbudget.org/budget-work-by-country/findgroup/group-data/?country=mk (accessed on 07.07.2017.)

13 Ibid

The Open Budget Survey examines the extent to which the Parliament of the Republic of Macedonia (the legislative power) and the State Audit Office are able to provide effective **budgetary oversight**.

The Assembly of the Republic of Macedonia has limited oversight during the planning phase of the budget cycle and poor supervision in the phase of implementation. There is no pre-budget debate, and according to the law and in practice, the Parliament is neither consulted before the spending of unforeseen revenues nor for the use of contingency funds that are not identified in the adopted Budget.

The State Audit Office (SAO) ensures adequate budgetary supervision.[14]

In accordance with the EU Enlargement Strategy, the Budget in the Republic of Macedonia should be more focused on growth and employment, and its overall design, transparency and implementation should be improved. It is also necessary **to include a systematic parliamentary monitoring of the audit findings of the State Audit Office**. (SAO)[15]

The Progress Report for the year 2016 of the European Commission states that further harmonization with the Budgetary Framework Directive is needed and that the capacity to make credible macroeconomic and budgetary forecasts remains low.

It is noted that in the following years, the country should:

- establish a medium-term budgetary framework and a debt report in order to improve fiscal discipline and transparency;
- Introduce fiscal rules to improve the management of public finances.

Regarding the impact of the audit work, the Report emphasizes that the recommendations of the SAO are often not effectively implemented by the respective bodies. Monitoring the SAO's recommendations requires close parliamentary control. However, in Macedonia, the Parliament still does not open parliamentary debate on the audit reports. Better monitoring of SAO's recommendations by the Parliament can strengthen control over the executive power and provide greater accountability and transparency regarding the use of public funds.[16]

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14 International Budget Partnership Web Site, http://www.internationalbudget.org/budget-work-by-country/findgroup/group-data/?country=mk (accessed on 15.07.2017г.) p..6/8

15 EU Enlargement Strategy; Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions; Brussels, 10.11.2015

16 COMMISSION STAFF WORKING DOCUMENT The former Yugoslav Republic of Macedonia 2016 Report; Chapter 32: Financial control; p. 80; Brussels, 9.11.2016;

THE ROLE OF THE ASSEMBLY IN THE BUDGET PROCESS AND TRANSPARENCY

In a modern public finance system, in addition to the executive power that prepares and executes the budget, the MPs as people's representatives are expected to participate not only in the adoption of a state`s financial plan, but also in the supervision of its execution. The Assembly has, inter alia, the State Audit Office[17] as ex post instrument e for assessing whether the executive power operates in accordance with the laws and regulations and whether it uses the budget for the determined goals and purposes, i.e. whether the citizens of the Republic of Macedonia receive real value for the money spent[18].

The role of the Assembly is to ensure that the budget planning is carried out on the basis of the needs of the citizens. Hence, the Assembly should play a key role during the various phases of the budget process. The key phase of the budget process in Parliament, the adoption phase, begins after the Government has submitted the Draft Budget of the Republic of Macedonia to the Assembly. The Parliamentary Committee on Financing and Budget and the Legislative and Legal Commission are obligated to consider the Draft Budget, but tthe practice has been established that all other committees also review it in relation to their scope of work.[19] The In public debates and through their work in the parliamentary committees, MPs have the opportunity to make suggestions and to propose amendments to the Draft Budget and the Law on Execution of the Budget of the Republic of Macedonia for the respective year. The Assembly has the final say in the adoption of expenditures and revenues, as well as the measures for collecting budget revenues, before they formally become part of the Budget of the Republic of Macedonia for the next year.[20]

Parliaments are often criticized for being at their weakest when it comes to the control and examination of public money. Taxes and customs are collected, and public money is spent with the formal approval of parliaments. Hence, approval is almost always granted for the form and scope proposed by the Government. This seems to be the situation in the Republic of Macedonia as well. Having in mind the complexity and technical terms contained in the financial statements and in government accounts, it is very realistic to expect that the examination by the Parliament is very superficial and relies heavily on the independent audit and the reports of the State Audit Office (SAO). The SAO does actually play

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17 Website of the State Audit Office, Introduction to Audit Reports; http://dzr.mk/Uploads/RIRACNIK_Voved_vo_revizorski_izvestai_MKD.pdf (accessed 07.07.2017)

18 Nikolov, Marjan and Dimovska, Gabriela. "Study on improving the budget process in the Republic of Macedonia", Skopje: Center for Economic Analyzes - CEA, 2014, p.20

19 RULES OF PROCEDURE OF THE ASSEMBLY OF THE REPUBLIC OF MACEDONIA (consolidated text) http://www.sobranie.mk/content/Delovnik%20na%20RM/DelovniknaSRMPrecistentekstAvgust13.pdf

20 Simjanovska, Aleksandra. "Analysis and evaluation of the budget process and reforms in the budgetary policies from the aspect of gender equality" Skopje: Ministry of Labor and Social Policy and UN Women, 2013 p.47 http://www.mtsp.gov.mk/WBStorage/Files/analiza_budxet_mkd.pdf a crucial role in monitoring, but it is necessary that financial information be presented in a clear and understandable format to allow for wider examination. **The control over the spending of public money is directly performed by the State Audit Office** as an independent body that is accountable to **the Assembly by submitting annual reports on the audits performed and on its work** no later than June 30 of the current year for the previous one, after which they are reviewed by the Assembly of the Republic of Macedonia, which then adopts its conclusions[21]**.** It should be noted that the State Audit Office mainly refers to accounting control - that is, to the verification of the truthfulness and objectivity of the budget users` financial statements and to the determination of unassigned expenditures. **The SAO's final reports on the work of certain bodies are not discussed by the Parliament**, although they actually contain the essential information for carrying out the parliamentary control over the spending of public money.[22]

Deputies can use the existing mechanisms when reviewing the SAO's final reports. Thus, they have the possibility to form working bodies that may request data and information from the state administration bodies and other bodies and organizations and to invite scientists and experts for the purpose of delivering opinions. Additionally, if proposed by an MP, the Assembly may review analyses, reports and information delivered by the Government. Hence, MPs have the opportunity to ask the Government to provide information explaining the findings of the SAO in the final reports, and that the reports be reviewed by the Assembly.[23]

The Law and the Rules of Procedure of the Assembly of the Republic of Macedonia offer other mechanisms that would enable increasing transparency and strengthening of political control and oversight of the Government and other holders of public bodies that are responsible to the Assembly.

Such mechanisms are parliamentary inquiries, inquiry commissions, oversight and public hearings, as well as public discussions.

Supervisory discussions as well as public hearings and discussions would also stimulate civic participation in the legislative process.[24]

The Assembly of the Republic of Macedonia, like other parliaments in the region, should affirm the principle of financial publicity and openness. Parliaments often do not satisfy even the minimal international standards of budget transparency

21 Law on State Audit, Official Gazette of RM No. 07-2001/1 from May 6, 2010

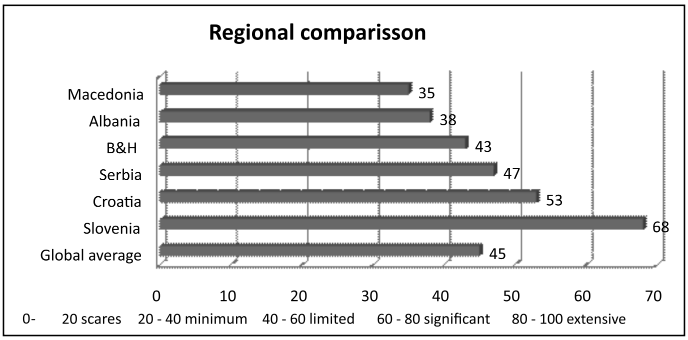
22 Korunovska Avramovska, Neda. "Parliamentary Control over the Government in the Republic of Macedonia, Skopje: Foundation Open Society - Macedonia, November 2012, p. 31-32

23 Ibid, p. 32

24 Law on the Assembly of the Republic of Macedonia Official Gazette of the Republic of Macedonia. No.104 / 2009 http://www.sobranie.mk/zakon-za-sobranieto-na-rm.nspx
Rules of Procedure of the Assembly of the Republic of Macedonia http://www.sobranie.mk/delovnik-na-sobranieto.nspx

that require financial documents to be available to the public. The official websites of most parliaments do not contain budget information for the previous three years. Additionally, many of them do not publish the annual accounts. Parliaments must control public spending throughout the year and publish semi-annual reports on budget spending.[25]

Chart 1. Transparency in the region measured through the Open Budget Index[26]



CHALLENGES AND NEEDS OF IMPROVING THE BUDGET PROCESS IN THE REPUBLIC OF MACEDONIA AND STRENGTHENING BUDGET TRANSPARENCY

A public finance system is expected to have established transparent procedures and rules that regulate the budget process, which would reduce the possibility of discretionary management of the fiscal policy. The biggest challenge in the Republic of Macedonia is the **lack of clear fiscal rules**, above all the possibility of **discretionary management of fiscal policies**. Also, significant challenges the Republic of Macedonia faces are **overwhelming politicization and temporal inconsistency**.

If we analyze the budget process in the Republic of Macedonia through the IMF prism and the budget transparency manual, according to their recommendations, there is room for better definition of what is a fiscal need and what is a clear and transparent allocation of transfers, as well as for the elimination of discretionary allocation. Also, we can identify the need for improving the availability of fiscal statistics as a prerequisite for citizen information, in order to seek accountability from central as well as local authorities. In this regard, it is considered that the **fiscal strategy** is a document that can address these challenges, together with the risks. It is important that this document be a tool for consensus in the

25 Naumovska, Neda and Danilovska, Dance. "Openness of the Assembly in the Region and Macedonia", Skopje: Metamorphosis, April 2017, p.4 http://metamorphosis.org.mk/wp-content/uploads/2017/.pdf

26 *International budget partnership Web Site,* http://www.internationalbudget.org/budget-work-by-country/findgroup/group-data/?country=mk (accessed on 05.07.2017r.) p.1/8 institutional dynamics of budget preparation in Macedonia and it would be necessary **to adopt it in the Assembly**.[27]

In countries such as the Republic of Macedoniawith top-down budget planning, in order to facilitate fiscal consolidation and broad fiscal consensus, the Parliament should consider introducing a **fiscal council** that will serve as **an ex-ante instrument for the assessment of the fiscal policy of the executive power.** It would be of great help to allow lawmakers and the public oversight of the executive branch. This way, a two-step adoption of the budget would be introduced. In the first instance, the Government, through the Minister of Finance, would l defend the Fiscal Strategy in the Parliament and offer a platform for pre-budget debate. Such institutions, according to current practice in some EU countries, are particularly useful.[28]

According to the best practices of the OECD for fiscal transparency, the Republic of Macedonia needs **a pre-budget statement** which would serve to encourage debate on the budget aggregates and their interaction with the economy. It should include government long-term economic and fiscal intentions for the upcoming budget and at least for the next two fiscal years. By adding a **Citizens' Budget**, a simplified version of the state budget, the Republic of Macedonia would improve its transparency and fiscal discipline in the process of budget preparation even more. With the Citizens' Budget, each citizen can be better informed about the sources of funds in the budget, about priorities for spending the money of the citizens and the flow of the budget process in the country. The pre-budget statement and the Citizens` Budget, as separate documents, should be prepared in the Government of the Republic of Macedonia (Ministry of Finance).

It is necessary for the Minister of Finance to defend the pre-budget statement in the Parliament of the Republic of Macedonia early enough before submitting the draft budget for adoption, and it should be publicly available on the ministry's website.

The Citizens` Budget should be prepared at least for the budget plan and be submitted to key target groups of citizens and stakeholders, as well as be published on the website of the Ministry of Finance and/or on the website of the Assembly of the Republic of Macedonia.

International partnerships and initiatives for budget transparency propose that the **Draft budget be submitted to the legislative body at least 3 months before the start of the next fiscal year**. According to the Budget Law of the Republic of Macedonia, this deadline is November 15, which is too late

27 Nikolov Marjan and Dimovska Gabriela, 2014, p.15

28 Ibid, p.15-16

compared to international practices. Such a term does not provide enough time for comprehensive debate and examination in the Parliament, and is even less appropriate if the professional public and stakeholders are to be systematically involved in the future. Another challenge is the **disregard for the budget calendar** in full, which, according to the budget users, does not allow an adequate time frame.[29]

In addition to the aforementioned, it is recommended that the Ministry of Finance also introduce mechanisms (petitions and online requests) through which citizens and other stakeholders can propose the audit of an institution, as well as consultations of the Ministry of Finance with the public and stakeholders in the budget process.[30]

Due to such and similar challenges that relate to the budget process, many of the developed countries have started a process of introducing performance based budgets. **Performance-based budgeting is a concept that connects many parts of the budget process (planning and goals, results/outputs, indicators, budget programs, etc.) during its implementation, which directly affects the elimination or reduction of much of the inconsistencies or omissions in the planning, implementation and monitoring of the state budget.** Such a budget allows for a change in the focus of fiscal management, from controlling the limits of the budget users' funds, to the control of the performance and results achieved by those funds. This most directly means linking the budget resources with the results and performances that are achieved, while enabling evaluation of the performance and work of budget funds managers.[31]

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29 Popovic, Misha and Misev, Vladimir. 2014, p.27

30 Ibid, p.28

31 PhD Trenovski, Borche and MSc Tashevska Biljana. 2014 p.11

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