

NATIONAL HUMAN DEVELOPMENT REPORT

MACEDONIA 1999

CIVIL SOCIETY IN TRANSITION



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FOREWORD

The critical role of civil society in facilitating the development process in transitional economies and in post conflict situations is now well recognized. While Macedonia has not suffered from the direct ravages of the devastating war in the region, its juxtaposition to the ongoing political and social crisis in neighbouring states and the continuing economic malaise that affects the region has impacted adversely on Macedonian society. The recent massive influx of refugees from the conflict in Kosovo was a severe test of the capacity and humanity of the Macedonian government and civil society. In both instances the capacity to cope was due to close cooperation between the government and civil society. However, in common with other countries in the region and elsewhere, the state has been gradually weakened as a partner in development in a number of ways over the past decade and its traditional role as a source of economic and social public goods has been severely eroded. Under such circumstances, civil society organizations assume special significance in helping the population at large to cope with these changes.

This National Human Development Report represents the first detailed investigation of the role of civil society organizations in Macedonia and the extent to which they make a meaningful contribution to cushioning the worst effects of the painful transition to a market economy. The Report tracks the emergence of voluntary associations and citizens organizations in the socialist era and their progressive demise over the transition period after the break-up of the former Yugoslavia. Citizens' organizations have been influential in many areas and notably in the promotion of local culture and arts, sports and economic activities. In the rural areas an important local political role was played by the voluntary firemen organizations in the socialist era. Significantly the politically connected organizations have in most cases failed to adapt to the change in the role of the state in society and their role and status over time has diminished considerably. In their place a myriad of small and often informal organizations have developed in answer to the social and economic strains imposed by the transition process. Many of these bodies are not officially recorded or sanctioned but nevertheless constitute the foundations for what is commonly understood as social capital and social networks which play an increasingly important role in maintaining the social fabric of society as the power, influence and resources of the government has declined. The NHRD illustrates clearly the pivotal role such bodies can play at the local level in helping to build local social values and community support systems.

The Macedonian NHDR was prepared by a national team of experts led by Professor Ilo Trajkovski under the joint leadership of the Ministry of Development and UNDP strong backstopping from substantive editing and research from Ana Androsik and Vesna Dzuteska Biseva, and technical support by the United Nations Department of Economic and Social Affairs (UNDESA). Drawing on national expertise and encouraging partnerships, UNDP seek to promote a policy dialogue among a wide range of stakeholders in each country where the NHDR is produced. UNDP shall continue to support this process in Macedonia, and hope to play its catalytic role in bridging the local voices with the shaping of the global vision.

Raquel V. Ragragio
Resident Representative



BASIC DATA ABOUT MACEDONIA

Geographic position:	The country is located in the central part of the Balkan Peninsula, South East Europe.
Neighbouring countries:	Bulgaria to the East, Republic of Greece to the South, Republic of Albania to the west, and FR Yugoslavia to the North.
Territory:	It occupies an area of 25,713 sq.km. It is land-locked country, predominantly mountainous with striking massifs, as well as ravines and planes.
Climate:	Influenced by two major climate zones – Mediterranean and Continental – with variations
Estimated Population (in 000): (30.06.1997)	1,997
Social – political system:	Parliamentary Republic
Administrative structure:	There are 123 municipalities and one city community
Capital:	Skopje with 545,228 inhabitants (according to the 1994 Census)
Life expectancy:	70.29 for man and 74.54 for women in 1995/1997
Economically active population (in 000):	823.8 inhabitants (According to Labour Force Survey, 1998)
National currency:	Denar, market determined exchange rate depending on supply and demand
GDP 1998, per capita:	2.9%
HDI 1998:	0.793
Language:	The official language is Macedonian and Cyrillic alphabet
Religion:	Eastern Orthodox 67%, Moslem 30%, other 3%



CHAPTER ONE

HISTORIC AND CULTURAL BACKGROUND

HISTORICAL OVERVIEW OF CIVIL SOCIETY IN MACEDONIA FROM 1945-1990

Contrary to common perceptions that civil society appeared only once Macedonia gained its independence, we will argue that civil organisations and associations in Macedonia were established prior to the period of transition. While the transition process did not actually create civil society, it rather encouraged changes in its function and in the role civil society institutions can play. It is affected by the trends that were driving the development of civil society before World War II and throughout the period from 1945 until 1989. Civil society has gradually developed by undergoing several distinct stages before and during the socialist era.

In order to understand current trends in the formation of civil society in the transition to a democratic governance and to a market free economy, it is important to offer a short overview of the history of civil society and its inherited political culture in Macedonia.

In the period before the World War II, a number of voluntary associations including, *drugarstva*- comradeships publishing their own magazines, clubs and other forms of autonomous citizens' associations were already in existence in Macedonia. They were the seeds for Macedonians' aspiration to national independence, and in the post-war period, certain laws that regulated the activities of citizens' associations and organizations (CAOs) were already in place.

The establishment, functioning and the role of citizens' organizations varied considerably depending on the stage of the development of the Macedonian society. Unlike Western European countries, the number of religious CAOs was rather small. Such civil society organizations and other forms of associations have started forming during the last few years.

The modernization of society during 1945-1990 provided the grounds for the emergence and development of CAOs mainly in the areas of culture and arts, sports, and economic activities. However, the cultural and particularly the educational needs of citizens were greater than the capabilities and the desire of the state to incorporate them in the national policies. In order to satisfy their needs, the citizens took their own initiatives. Sometimes they were mobilised by the ruling political organisations to establish a number of cultural-artistic and cultural-educational societies. For the same purpose, numerous sports associations and clubs were established and kept operational. In the period from 1950-1990, an important role, particularly in the rural areas, was played by the voluntary firemen organisations: besides their nominal role, they also helped to legitimise the political system.

Figure 1.1: The growth of Citizens' Associations and Social Organizations in the Period 1954-1990



Table 1.1: The growth of Citizens' Associations and Social Organizations in the Period 1954-1990

Year	Newly established	Total
1954	92	1004
1962	124	1138
1971	305	1535
1980	266	3077
1990	218	4203

During the time of socialism (after 1945), certain associations were expressing professional interests within the social division of labour in society. For instance, trade unions and a number of other professional associations were established and played an important role at the time. The development of citizens' associations and organisations in the socialist period is illustrated by the data (although incomplete), on the registered CAOs in the period 1954-1990 (see Table 1.1).

The level of development of the CAOs from 1954-1990 was already high and the number of organizations was quite substantial. Based on this social capital, Macedonian citizens entered into the economic, social and political transition in 1989. In addition, there were a number of local community organizations and also numerous informal networks and gatherings of citizens that were not reflected by the official statistics.

The assessment of the scope of civil society before the period of transition is for the most part positive. Civil society organisations covered relevant areas of social activities of citizens. From the institutional point of view, some of them were very well organised. Moreover, some women's, veterans' and youth organizations and associations had capacities to mobilise citizens for action. However, the economic and social transition was a test for the existing citizens' organizations.

From 1945 to 1990, CAOs operated under the control of the communist party. As a result, certain groups of population were prohibited to express their needs and interests. Also, the monopolistic position of the State in the economy affected citizens' associations: financial resources were distributed in accordance with "legitimate" interests and needs to ideologically reliable associations and organisations. They operated as "conveyor belts." Thus the role of the entities of civil society was diminished to the function of "social organizations". Their actual role was "quasi-non-governmental", since they basically promoted the state policy defined by the League of Communists. The control over the work of various social organizations was regulated by various mechanisms. Among the strongest controlling mechanisms was the "personal union" between the League of Communists and various social organizations, such as the veterans' union, women's and youth organizations, trade unions, sports associations etc.

After the transition started, the role and structure of inherited CAOs was questioned by the society. It was not clear whether the needs of people in a new democratic society could be addressed by the old CAOs structures.

INHERITED POLITICAL CULTURE OR LEGACY OF THE STATE/CIVIL SOCIETY RELATIONSHIP

Relevant literature dealing with the models of liberal democracy in Western countries and transition toward this kind of democracy mentions four levels of consolidation of democracy: ideology, institutions, civil society and culture. The main difficulties Macedonia is currently facing are between the third and the fourth level.

The prolonged period of political and cultural subordination both before and after World War II contributed to the formation of the public opinion that rejected any kind of authorities. Autocratic rulers before 1945 were non-Macedonians and moreover, represented "alien cultural circles." During communist times, authorities were lacking democratic legitimacy.

The way Macedonians perceive the word "authority" is different from the Western understanding of this word. It suggests a ruler that has unlimited control over the subjects. Thus, the inherited attitude of citizens toward the "authority" is a negative one. The main characteristics of it are lack of loyalty, difficulties in acceptance of state decisions, and limited participation in the policy making process. It is rather a constant attempt to avoid contact with the state, or, if possible, to cheat it¹.

Currently the affiliation of the population with the state is weakening due to the process of partitioning of the society. On the contrary, the primary social relations, especially within extended family or ethnic groups are getting stronger (especially among the ethnic Albanian population).

Despite all this, difficulties that the citizens face in everyday life in the past created a need for members of different ethnic and religious groups to cooperate and co-exist. This tradition of co-existence, *sozitelstvo*, of citizens has survived for centuries and has been reflected in many oral and written works. It is defined as in the Preamble to the Constitution of the Republic of Macedonia of 1991. It has been expressed by such civil society "institutions" as "village pubs" and public gatherings - *sredselo* - in the villages, and meetings in the restaurants and "tea shops" and promenades - *korzo* - in the cities. Also, celebration of family saints and other religious holidays; different kinds of fairs and volunteer activities in agriculture. This traditional "civil society" is disappearing slowly but surely due to modernization and the new trend of ethnicization that started with the transition.

Cultural diversity of the Macedonian population is expressed through the use of different languages (Macedonian, Albanian, Turkish, Vlach, Roma and Serbian), and through different religious affiliations. The East-Central part is mainly dominated by Eastern Orthodox tradition. In the Western part, Islam plays an important role.

The aforementioned traditions are of much greater significance than similar traditions in some other countries in Europe, because of the fact that enlightenment had a very weak influence in present-day Macedonia. Thus, the homogenizing effect of the enlightenment that brought radical criticism to the pre-enlightenment traditions, was absent. Consequences of the lack of this enlightened political and collective consciousness are felt in the current political life.

Legacy of the Communist regime made a substantial impact on the mentality of the population recognized in the form of communist culture syndrome. For instance, enforced atheism encouraged moral cynicism. Widespread lawlessness

¹ There is a characteristic phenomenon of avoidance of using the term "authority" in Macedonia lately. Politicians, journalists and intellectuals do not use terms like authority or government but the nebulous formulations like "position" etc.

and social inequality resulted in widespread application of egoistic social practices best expressed by the slogan “every man for himself”. Patterns of thoughts and behavior associated with this slogan are incompatible with the mechanism of regulating social relations by the principles of the rule of law, rationality and effectiveness. The imposed collectivism in the form of massive organizations gave birth to conformity, which reduces creativity and willingness to undertake individual action and risk.

The aforementioned aspects of political culture of Macedonian citizens remained almost unchanged until present. Recent findings indicate on one hand, strong enthusiasm of the people for subjugation to charismatic leaders and, on the other hand, overall intolerance for diversity in everyday life. If this pattern continues, totalitarianism may re-appear. However, it would not be imposed by the state or “from the top”. Rather it would come from the people, from below.

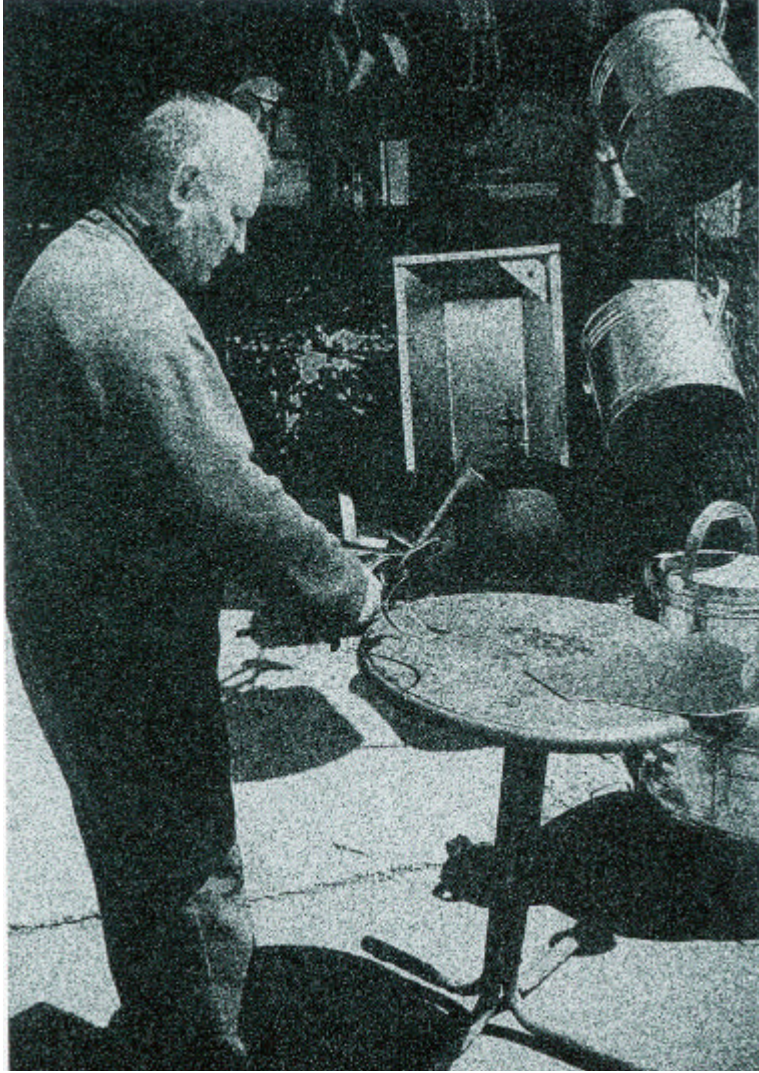
ETHNOCENTRISM AND CIVIC IDENTITY

Various forms of nationalism present in Macedonia today, indicate not only that affiliation with the “ethno-nation” is pre-determined (when the identity of an individual is determined by his destiny), but also that the idealized “ethno-national identity” is fledged by the society with extraordinary qualities. These perceptions, on one hand, make the discrimination of others easier, and on the other hand, it diminishes the likelihood that the “sovereign state” of the “people” (“nation” in the political sense) would become a modern state guaranteeing human rights and equality of all citizens under the law.

Experiences gained so far indicate that civic identity is still not as strong as ethnic identity. The code of ethnicity is incorporated into people’s everyday life contrary to the code of civic identity. Politically significant segments of the population think that the state does not represent their aspirations, and perceive it as alien. It is being perceived that the most efficient way to consolidate relations between the individual and the state is to ethnicize it, i.e. turn it into an ethno-national state. This is currently an ongoing process.

When a political community mobilizes around ethnicity, there is a great danger of creating a political system with totalitarian tendencies. Namely, ethnicization re-establishes supremacy of the political sphere above all others; all political programs are directed toward the ethnic or ethnicized nation, instead of concentrating on building civic identity. All ideas, aspirations, goals and future events are analyzed and explained in accordance with the imperatives of ethnicity. When this occurs, the population opens itself to manipulation through the appeal of collective emotions (enemies are sought, conspiracies are uncovered).

Ethno-national self-affirmation and the replacement of class-based ideology with ethno-national consensus turned out to be the only link among the various coalitions that arose in the political transition and processes of emancipation. Politicians in Macedonia increasingly take advantage of the social and political inexperience of the population. They profit politically from this situation, making it even more complicated. In accordance with some political science theories, it is known that when ethnicization escalates, then it is very hard to stop. Demobilization takes a long time. In this context, CAOs lose the ability to define their interests according to material and civic criteria.



CHAPTER TWO

development of civil society after 1990

TRANSITIONAL FACTORS

Institutional mechanisms of civil society, that existed before 1990, continues to adapt to the needs of transition. The following transitional factors have supported the continues development of a civil society during this period:

First is a **normative or political factor**. Civil society is institutionalized in accordance with the new Constitution of Macedonia, as one of the three fundamental sectors (apart from the State, and the economy) of the new social system. Moreover, the public considers civil society to be an agent of democratization of the State and a modifier of market distortions. However, in order to be able to play this role, civil society requires a strong State.

In the first years after it gained independence, Macedonian society faced serious problems related to its statehood. They influenced democratic transformation within the State and also effected the development of civil society. For instance, one of the major challenges for most of the CAOs (the same challenges that were faced by the State) was to be incorporated into the international system. For the State it meant to be integrated into the inter-state structures, and for the citizens' associations-to be linked to the global civil society.

At the same time, problems with the statehood and identity of the nation contributed to the development of a suspicion of the majority of the entities of civil society towards the authorities. Civil society organizations also faced criticism of political parties because of the cleavages connected to the international policy of the country. They were labelled as either pro-Government or pseudo-State ones. This generated a range of problems related to definitions and functions of CAOs.

Second, symbolic factor. In its efforts to overcome the pseudo-state character of the former social organizations, on one hand, and reaching compatibility with the western model, on the other, Macedonian public reduced the perception of civil society to the concept of "non-governmental organizations" (NGOs). Without having an adequate understanding of the meaning of this imported "symbol," (NGO), and its place in the concept of civil society, the total number of CAOs was reduced to approximately 600 NGOs. By doing so, more than 4,000 registered and active CAOs were excluded from the "actual civil society."

The tag "non-governmental" became a trademark of these organizations and agents of civil society that, in the period of transition, succeeded in establishing co-operation with foreign governmental and non-governmental organiza-

tions. The acceptance of the label “non-governmental”, implying an anti-governmental attitude, was the price, which some organizations, especially women’s and ecological, were voluntarily paying for co-operating with the international donor community.

Similarly, but with less symbolic power, two other imported labels have been used: “non-political” and “non-profit” organizations. The term “non-political” appeared as an intention to distance the CAOs from already stigmatised State and party politics. The second term stresses the voluntarism, inspiration, solidarity and enthusiasm of civil society organizations in contrast with the (necessary) egoism of the economic relations or economic exchange between people.

Since 1990 symbols “non-governmental organizations” and “non-profit organizations” are used to designate the civil society and its elitist character. They do not reach ordinary people (to whom these terms actually refer) and are not composite parts of their social discourse. They are frequently used by the elite as manipulative ideas in the mutual political struggle whereas they use yet other collective symbols for mobilization of the citizens. Such place and function are expressed by such concepts as nation, Europe, NATO, the Europe-Atlantic Alliance and the like, which are all primarily, political concepts. There is a residual ideological reservation among the elite regarding the idea of citizenship and civicness.

In the first years of transition, it was difficult for the “reformed” communists to praise the civil society which, not so long ago was criticized and stigmatized as bourgeois, capitalistic and, as such, regressive. By attempting to avoid its “capitalist” meaning “civil”, and yet not to give up totally the term itself due to its international acceptance, they re-defined it. Within this discourse, the civil society became the contra-force of the ethno-nation. Such an ideological-political operation irritated the Ethno-national elite in the country. Being essentially anti-Communist, they saw civic-mindedness and citizenship as a threat (reformed “worker’s internationalism”), and even a betrayal of their projected national interests of the ethno-nation constructed by themselves.

Such symbolic attitude toward the norms and institutions of civil society and toward the civil society in general, has its impact on the general public’s and politician’s attitude toward anything, an action or organization, related to the term “civil”. As a result, the civil society entities remained outside the public politics, particularly outside the politics related to the distribution of the State budget (See Table 2.4.).

Third, macro socio-economic factor. Apart from the aforementioned ideological and political factors, the macro-economic environment in the period from 1990 to 1998 had impact on civil society. Civil society developed in parallel with the establishment of middle classes.

As previous two national human development reports have shown, there were obstacles to the formation of the desired social-stratification structure in Macedonia after 1990. As a result, the middle class shrank, while the lower and the lowest stratas (establishment of an underclass) of the stratification hierarchy expanded. Without a strong and stable middle class, the society cannot create the social basis for the encouragement of sharing, charity, and philanthropy. These are values and patterns of social behaviour on which the civil society organizations are based. Under present conditions, the financial support for civil society in Macedonia is coming from foreign organizations and it is also based on the modest leftovers of the domestic impoverished entities.

Fourth, micro-social factor. The macro-economic transition and its social implications during the time of structural reforms contributed to many social and economic inequalities in Macedonian society. On the one hand, the resolution of social, economic and political problems is largely the exclusive authority of the State and governing political parties. On the other hand, these inequalities were, to a great extent, generated by the state-led transition policies in the spheres of economy, politics and social welfare. As a result, citizens do not trust societal institutions and do not believe in their abilities to

solve the problems.

Possible State or public support for the activities initiated by some of the civil society organizations, is not conditioned by the assessment of needs and programmes, but by the assessment of whether the organisation or its leadership belongs to "Our", or "Their" camp. In addition, an important factor of state support for the CAOs is personal friendship, familiarity or connections of the CAO leadership with the Government officials or senior officers in the authorised state bodies.

CLIENTALISM AND CIVIL SOCIETY

The lack of public trust in the State institutions, including judiciary and economic ones, have created a specific moral which can be called "clientalism" or "patronage". Based on inherited from the socialist period patterns in dealing with institutions, this clientalism and patronage finds its additional mobilization mechanisms in the transitional economic phenomena such as the "black economy", "smuggling economy" and "family businesses." Clientalism and patronage have become important strategies for social exchange among people from different sectors.

Because of badly functioning banking system, some people, in order to solve their financial problems, are forced to resort to familiar, informal ways of mutual assistance, meaning, for instance, interest-free borrowing money. The same is true when the people help their friends to get materials for building a house, harvest crops, etc. This undermines the already fragile roots of individualism and individualization and brings people back to their communities - ethnic, tribal, family, and religious.

INCREASE IN THE NUMBER OF CITIZENS ASSOCIATIONS AND ORGANISATIONS

Misunderstanding of the term "civil society" reveals not only the academic and political controversy over the definition, but also shows the multifaceted nature of civil society.

There are limitations to the analysis of the scope and the number of citizens' organizations in Macedonia². It is mainly due to the fact the determination of the number of organizations and their activities is most frequently done on the basis of available information in public registries and statistics. Obviously, they do not adequately reflect the reality. Also, the sector itself is very dynamic and often its entities fail to submit necessary information for the official data base.

For the purposes of this report, the main source for determining the scope of civil society activities are official registries for CAOs³. According to these sources, until the adoption of the new Law on Citizens' Associations and Foundations, there were 6,526 entities (as of July 1998). Considering this high figure, we can conclude that civil society is in the process of development in Macedonia. In comparison, we can say that there are 9,800 registered CAOs in Slovakia, which has a

² For an illustration see, Les E., "Voluntary Sector in Post-Communist East Central Europe: From Small Circles of Freedom to Civil Society", page 195-237, in *Citizens: Strengthening Global Civil Society*, Washington DC: CIVICUS, 1994: 206

³ They were taken care of by the Ministry of Interior until the adoption of the Law on Citizens' Associations and Foundations (1998)

longer tradition in this area and twice the population of Macedonia.

As compared to 1990 (4,203 registered), the figure provided above shows an increase in the variety of civil society organizations by 55, 3 per cent. This increase is a result of two opposing trends: the trend of registering new and the trend of closure (de-registration) of the old associations and organizations (from 1990 to 1998, 3,295 new associations were registered or old were re-registered (see Table 2.1).

Figure 2.1: The growth of Citizens' Associations and Organizations 1990-1998

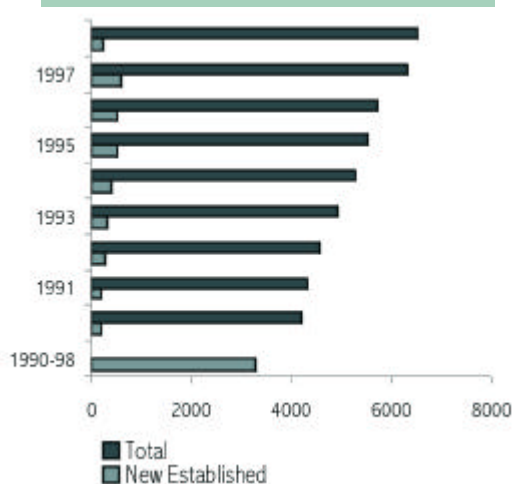


Table 2.1: The growth of Citizens' Associations and Organizations 1990-1998

	1990-98	1990	1991	1992	1993	1994	1995	1996	1997	1998*
New Established	3295	218	218	263	311	381	512	537	607	248
Total	4203	4316	4566	4930	5277	5514	5733	6330	6526	

If we add the number of registered and active "local communities" (some 351) to the total number of registered CAOs, then we can conclude that Macedonian civil society is large in scope and active. This means that transition has not undermined the capacity and the willingness of the people to form or join associations and other forms of civil society organisations. However, the quality of their activities and their power are still questionable.

CIVIL SOCIETY STRUCTURES

The influence of transition process on civil society can be analysed by observing its structure, including activities and "areas of coverage." The result of such analysis undermines the importance of an increase in the number of CAOs.

First, we would offer an overview of the level of activities. If we take financial performance as an indicator for the level of activity, we can conclude that the number of active CAOs is smaller than the total number of registered ones. The data in the form of annual financial statements to the Bureau for Payment Turnover indicates that in 1998 only 25% of the total number of registered associations and organizations were active.

Second is the territorial distribution of CAOs in the country. The majority (62 per cent) are registered and located in urban centers (32 per cent in Skopje and 30 per cent in other major cities: Bitola, Tetovo, Kumanovo, and Prilep.). The number of CAOs active in rural areas is rather small. In the rural areas, there are traditional informal ways of associational life (for instance, village boards meetings). Also, Voluntary Firemen Associations are active in supporting the rural population. However, the data (see Table 2.2.) indicates that their share in the total number of registered CAOs has decreased. Out of 55.6 per cent of such associations in 1954, to 14.6 per cent in 1990, and nowadays it is 5.9 per cent. This trend could be an indication of a decrease in the social capital of the rural population in their capacity to cope with transition problems and economic and financial deterioration.

This has a negative impact on the human development in villages. It encourages already intensive migration processes from the village to the city. The absorptive capacities of the cities are weak and they are not able to cope with such a migration flow.

One of the measures to prevent these processes from happening is to strengthen units of local self-government in rural areas, which were established with the latest territorial division of the Republic. The first step therefore would be to utilize experiences of local communities. Neighborhood communities are traditional forms of citizens' associational life in rural areas. Their revival would create a strong mechanism for civil society and will enable it to grow in the municipalities, and to eventually become a part of the social and political system of the country.

Third important factor to consider would be "the area" that CAOs cover (an area of intervention). If activities of civil society reflect the real needs and problems of the people, it is logical to expect a modification in the structure of CAOs and change in the areas they cover. The problems and needs of the people in the period of transition are considerably different from the ones they faced during socialism.

Table 2.2. shows that the transition was able to generate certain changes in the structure of CAOs. It is in accordance with issues and problems that CAOs have to deal with.

Table 2.2: Citizens' Associations and Organizations by Type of Activity

Year	Total	% in total number				
		Culture/ Art Education	Sport/ recreation	Professional	VFA*	Others
1954	1004	10.3	27.6	3.7	55.6	2.2
1962	1138	11.4	28.1	7.3	41	12.3
1971	1535	8.4	30.9	6.6	45.3	8.8
1980	3077	9.1	39.9	9.2	23.7	17.8
1990	4203	11.1	41.3	11.8	14.6	21.1
1997	6330	12.8	44	10.6	6.1	26.4
1998	6526	13.1	43.6	10.4	5.9	26.8

Source: Annual Reports of the Ministry of Internal Affairs
(VFA = Voluntary Fireman Associations)

Nevertheless, the level of changes still does not reflect current situation and does not correspond to the needs of the people. It is surprising that many CAOs are active in the field of folklore, culture and sport, while the unemployment rate is over 35 per cent, more than 60,000 families receive social assistance and there are serious problems in the field of education, health, politics, inter-ethnic relations, and increasing of various crime phenomena. In 1998, cultural, arts and sports associations or clubs included 56.7 per cent of the total number of registered entities of the civil society.

The phenomenon of “music and dance” in civil society organizations can be explained as an institutional residual of the “old system.” Citizens were brought together through arts and sports. It was important to distract them from their real problems and to let them to express their needs.

However, the data also shows that some CAOs started dealing with problems and needs of the people in the period of transition. These changes (See Annex I.1) are highlighted in the column “other” of the applied classification of associations and organizations. Although in this table it is not a reflection of official statistics, this classification was also applied in the official data processing to provide information for this sector. It corresponded to the structure of activities of the civil society until the 80ies. Associations and organizations that could not be classified in the traditional framework of cultural, sports, professional, scholarly and technical, were placed under the category “other.” The number of “others” had also increased over time.

In the current table that we provide (Table 2.2.), we placed all associations and organisations whose activities are concentrating on helping the people to overcome various problems related to the transition in category of “others”. For instance, there are numerous associations such as dealing with “laid-off” workers, self-supporting mothers, as well as with ecological, humanitarian, and educational issues.

Having in mind the importance of the new type of associations and organisations in the transition period, there is a need to develop and establish a more analytical official classification. This will allow monitoring new trends in the area. This will also be a valid contribution to the public identification and recognition of new entities of civil society.

As indicated in the table, the increase in number and shift in activities of professional associations and organisations is significant. It is a positive result of the democratisation of politics and an indication of movement to the capitalist economic system. In order to strengthen the influence of professional associations in their advancement of human development, it is necessary to include the voices of these associations in the process of creation of public policies. It would be a step forward in the development of an “inclusive democracy”, a democracy that goes beyond the Party/State and the “egoism” of the private sector economy. It would allow reintegrating individual concerns into various spheres of society life.

THE POWER OF CIVIL STRUCTURES IN SOCIETY

Expected political, social and economic impacts of civil society organisations and associations are determined by several factors, including the following:

1. Political system, primarily the level of its democracy and the degree of (de)centralisation;
2. The nature of political regimes, that is, the stability of Government and the attitude of authorities toward citizens' initiatives;
3. The substance of problems whose resolution is advocated by agents of civil society;
4. The level of organisation, cohesion, number, staffing and mobilisation capacities of the CAOs;
5. The level of autonomy in respect to political and economic centres of power in society; and particularly the strategy and tactics of CAOs.

An assessment of the current situation is difficult due to the absence and low quality of relevant data from official sources. But this is not only specific for Macedonia. There are limitations to the research on civil society, or, as it is called, research on the third, non-governmental, non-profit or voluntary sector in the western countries as well. However, in Macedonia this is not the only problem...

THE ECONOMIC STATUS OF CIVIL SOCIETY ORGANISATIONS

The analysis of main economic parameters related to the civil society indicates that this is just the beginners stage of its development. CAOs are not yet able to produce substantial human development results. The data on the participation of this sector in the societal reproduction of human individual and social life speaks in favour of this conclusion.

As an example, the total income of over 3,500 legal entities which the *Bureau for Payment Turnover* classifies as "other" or "remaining" (and which are essentially non-governmental and non-profit organisations and associations), recorded a total income of 2.6 billion Denars in 1998 (which equals some US\$41 million) with an index of 113,4, as compared to the previous year. Since most of resources for this sector should come from the budget of the State, it is useful to compare the total income in the civil sector with the total expenditure in the economy as well as with the Republic's budget in 1998 (see Annex I.2).

The comparison shows that the total income of the civil sector represents 0.6 per cent of total expenditures in the economy in 1998 and 5.5 per cent of the Republic's budget for the same year. Apparently, this relatively sizeable income could not originate fully from the economy, or from the State budget. This would imply that the non-profit and non-governmental sector either produces solid economic results, or an important portion of them are financed from foreign sources. Due to the lack of interest on the part of the State, except for the cases when it comes to certain illegal activities, official statistics is confined to elementary and ad hoc monitoring and evaluation of the sector. For instance, the category "remaining" (see Annex VII.2) includes organisations with significant economic power (such as the Automobile alliances), which has a kind of para-State legal status. Also Centres for Foreign Languages operate as market entities in the sphere of education outside the State educational system. Thus many different types of organisations are clustered together under the classification "others" or "remaining."

SOURCES OF FINANCES

The analysis of the income of the CAOs shows that it comes from three major sources: (a) income from membership fees, gifts, donations and other sources; (b) income from selling of own products, goods and services; and (c) own income. Over 83 per cent of the total income of 1998 was generated by these three sources

Figure 2.3: Sources of Revenues of CAOs 1997-1998

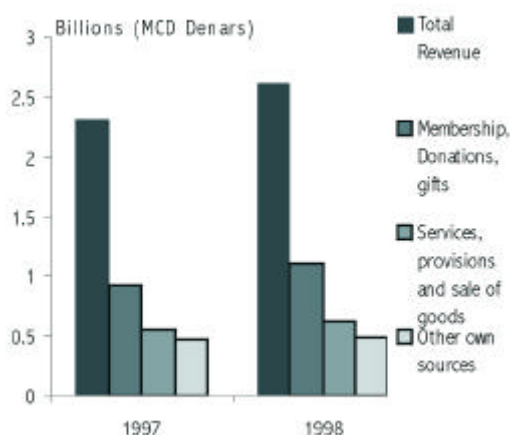


Figure 2.4: Proportion of Allocated Funds from Central Budget to CAO

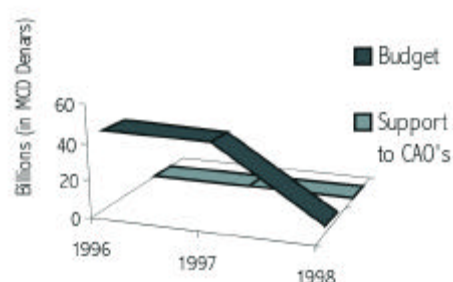


Table 2.3: Sources of Revenues of CAOs 1997-1998

Year	Source of Revenue in MCD Denars			
	Total Revenue	Membership, Donations, gifts	Services provision and sale of goods	Other own sources
1997	2.307.219.000	923.193.000	554.923.000	468.970.000
1998	2.616.674.000	1.100.142.000	622.821.000	493.797.000
Index	113.4	119.2	112.2	105.2

The most important source of income is the membership fees, gifts and donations. Some 42 per cent of the total income originate from that source. Despite the lack of stimulating taxation policy in this area, the strongest supporters of civil society are domestic economic enterprises and foreign organisations. The share of the State in the financing of the activities of the CAOs is very small.

Table 2.4: Proportion of Allocated Funds from Central Budget to CAO

Year	in MCD Denars		
	Budget (Annual Financial Statement)	Support to CAOs	Percent of Central Budget
1996	42.723.195.286	25.130.000	0.06
1997	41.393.297.320	21.050.000	0.05
1998	42.622.958.920	18.350.000	0.04

Even though the assistance that comes from the budget is small, the struggle for the pieces creates tensions not only between the Government and unsatisfied CAOs, but also among CAOs themselves. It happens because there is no institutionalised criteria for funds allocation from the modest state budget for the distribution to CAOs. Because of that, the micro-social factors play an important role and provide the explanation for the privileged position of some CAOs, which, during the past five years constantly received budget resources⁴. This Governmental practice has provoked a negative reaction among less privileged CAOs.

⁴ According to the research undertaken by the Macedonian Centre for International Cooperation (MCIC) in the period from 1994 to 1998, only 114 organizations and associations got resources from the Republic budget. "The Report on utilization of the budget resources for associations and organizations," MCIC, 1999.

There is also a general lack of a tradition of individual giving for the public good. Only three foundations based on individual gifts and donations emerged during the recent years. For instance, in the USA the individual donations represented 86.5 per cent of the total income of civil society organisations in 1996.⁵

Relative economic under-development of the country, the weak middle class, lack of taxation subsidies for donors, gifts and inheritance, and particularly the lack of religiously inspired benefaction are the obstacles to the development of the trend for giving. In that regard Macedonia is just undertaking first steps in this direction trying to get rid of the influences of former political ideology. This year, religious voluntary and humanitarian organisations, most frequently inspired and supported by foreign organisations, have played a very important role in accepting and giving shelter to the great influx of over 360,000 refugees from the Yugoslav province of Kosovo to the Republic of Macedonia.

EMPLOYMENT

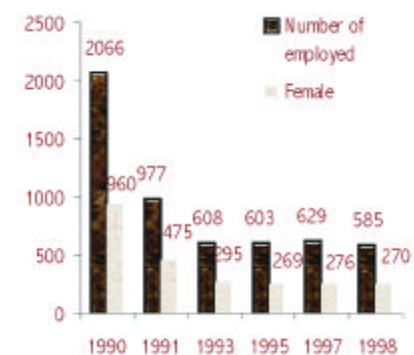
The number of employees (permanently or temporarily employed) is an important indicator of the social power of the civil society and its contribution to the process of human development. The share of this sector in the total number of employees is rather small. According to the official data, the number of permanently employed by so-called "social-political and social organisations" from 1990-1998 has been constantly decreasing. However, it maintains a female gender structure of the employees.

Table 2.5: Female employment in Socio-Political and Social Organisations 1990-1998

Employed	1990		1991		1993		1995		1997		1998	
	Total	% F	Total	% F	Total	% F	Total	% F	Total	% F	Total	% F
	2066	46.5	977	48.7	608	48.5	603	44.6	629	43.9	585	46.2

The table above is not complete and, therefore, one cannot see the share of the CAOs employed in the total number of employed people in the country. Official statistics, for instance, still classifies employees in this sec-

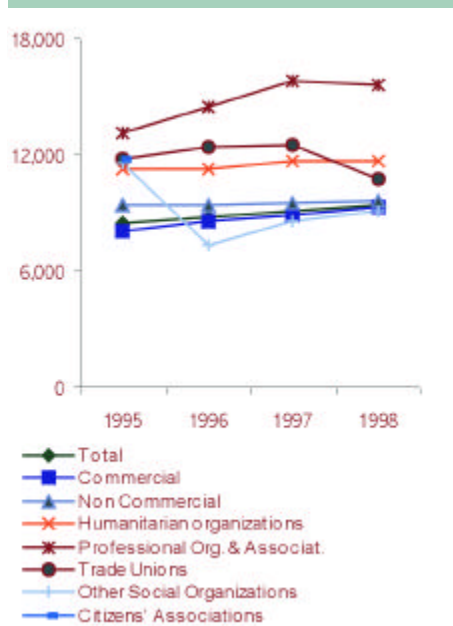
Figure 2.5: Female employment in Socio-Political and Social Organisations 1990-1998



⁵ Civil Society in the United States, <http://solar.rtd.utk.edu/~ccsi/~csintro2.htm>

tor under the general category of “employed by organs of state administration, local administration, political parties, social organisations and associations.” The assessment shows that the CAOs employment is estimated in the range from 0,2 to 0,6 per cent of the total number of employees in the country. In contrast, this figure is over 6 per cent in Western countries.

Figure 2.6: Average Net Salary by Sectors in 1998



SALARIES

The employees in the civil society sector earn good salaries as compared to the average salary in the country (see Table 2.6 or Annex I.3 for more information).

The better payment of employees in this sector can be explained by the weaker financial control by the state bodies. Also, the representatives of the *State Statistical Bureau* for the purposes of this Report shared their empirical generalisation that entities of the civil society sector are the least respondent to their regular survey studies.

One of the problems is that many of the international NGOs that are active in the country hire people on contractual basis and pay them in gross. The employees themselves are expected to pay their personal tax, as well as the health insurance and other fees, which are deducted from the salaries of all employed in the domestic companies and organisations. It seems that by doing so, international NGOs support the non-formal economy in the country. This destabilises the labour market.

Table 2.6: Average Net Salary by Sectors in 1998

in MCD Denars	
Sector	1998
Total	9,394
Commercial	9,288
Non Commercial	9,623
Humanitarian organizations	11,716
Professional Associations / Organizations	15,585
Trade Unions	10,744
Other Social Organizations	9,120
Citizens' Associations	

Source: Statistical Office of Macedonia, Internal Document

THE STATE / GOVERNMENT AND CIVIL SOCIETY RELATIONSHIP

The relations between the CAOs and the State are quite ambivalent. Both sides are aware that they need each other, but they still refrain from entering into real partnership.

It is obvious that there are mutual reservations and a certain degree of mistrust on both sides. The State, both as a political regime and as the public administration, looks down with suspicion on the activities of the CAOs, especially the ones supported by foreign organisations.

This attitude of the State can be observed in its taxation policy in regards to the civil society. The possibilities for tax exemption of the CAOs are minimal. The donations by the economic enterprises are not liable to taxation revenues. The most frequently used argument in favour of such policy is the fear from “money laundering”.

This phenomenon really exists. Certain number of civil society entities really behave in conformity with the principles of the so-called “NGO-business” and “fishing in troubled waters”. However, solutions should be sought in other directions, and not in de-stimulating the donations, wills etc. Tax exemption is particularly necessary for the associations and organisations whose activities are of public good, and not simply of interest to their members.

Some CAOs, by following the “suggestions” of their donors often operate as satellites to certain interest groups and political parties. In doing so, they try and justify such approach using an old-fashioned ideological political doctrine that the civil society is, by definition, opposite to the State, that is, the Government.

Despite already mentioned problems related to the State-civil society relationship, there are examples of successful co-operation and mutual complementarity in work. For instance, in the *National Committee for Gender Equality*, Government officials and representatives of the women’s organisations have a very successful co-operation. In the *National Strategy for European Integration of Macedonia*, non-governmental organisations and citizens’ associations are given adequate emphasis. Certain Ministries, and particularly the Ministry of Labour and Social policy, Youth and Sports, Environment, Immigration, Local Self-government are required to co-operate with CAOs. One can argue that co-operation among CAOs themselves is worse than their co-operation with the State. It is indeed one of the key organisational weaknesses of the civil society in Macedonia.

INTERNAL RESOURCES AND PROBLEMS

Apart from external factors, relations between the civil society and both the State and the economy as well as its social power is to a large extent determined by its internal organization, human resources and access to communication technologies. According to the empirical evidence, the civil society sector has a limited access to information, it is unable to communicate effectively and its technical and human capacity is limited. Just like in the entire society, there is a small number of organizations in this sector, which owns telephones, computers, and has an access to the Internet.

Despite significant positive changes in terms of its growing number, the civil society has not yet developed its own identity. It is internally fragmented, uncoordinated and ethno-centric. Organisations and associations are trying to find their ways in a close space from others. The competition and the tensions among them are greater than between them and the State and economy.

It is the fact that there is no forum, or any other body in the country to represent the civil society to the State. The linkages between the State and the civil society are established in a form of single-interested citizens’ alliances (for instance, by some sports, recreation and women’s, environmental, and youth organisations).

There is no comprehensive directory of organisations of this sector. Mutual information sharing is rather low. Consequently, there is overlapping of programs under conditions of limited resources. The public does not have a complete picture about this sector. It perceives it as a bulk of organisations and associations, which co-exist and operate chaotically.

ically, while protecting their particular interests or needs.

By analysing the experiences of the civil society organisations, we can claim that there is no clear understanding of the advantages of networking among CAOs. There is also no desire to do so, with only few exceptions. In the past several years, two CAOs have been active in networking and information sharing. Such activities are supported by the Macedonian Centre for International Co-operation and the Resource Centre for Civil Society of the Open Society Institute-Macedonia. However, there are no substantive achievements. For a greater success, it is necessary to initiate a process of self-identification and self-projection of the civil society, as well as to encourage information sharing.

Human resources in the sector are also limited. The membership in a civil society association or organisation is not perceived as a valuable form of social capital. Due to the inherited fear that the public problems should be for the State to resolve them and also due to the serious existential problems ("struggle for bare existence"), people have demonstrated a low level of readiness to be voluntarily engaged and to participate non-politically and non-economically. This leads to a negative selection of the membership, and particularly the leadership of the CAOs. The skilfulness and professionalism of the active staff members of CAOs, and particularly of their leadership are very low. Taking this into consideration, the civil society in the country is represented by a small number of well-informed grant seekers with easily recognisable pro-profit motivation as a payback for their involvement in the CAO activities.

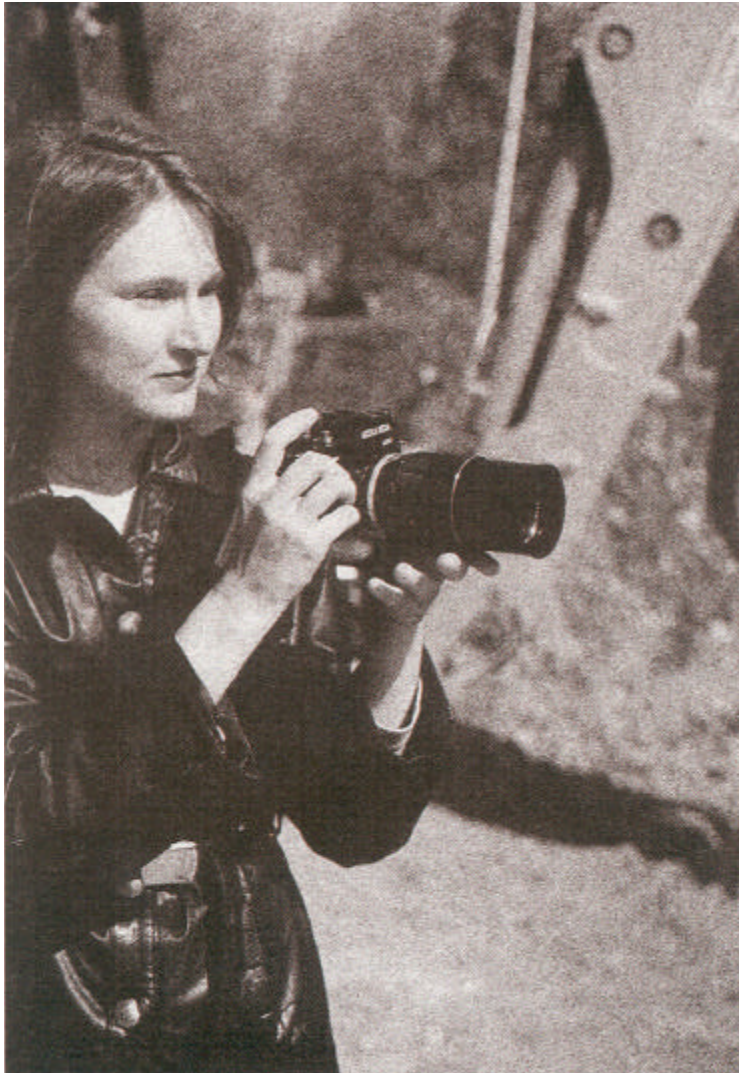
In that respect, the desired process of self-identification and self-projection should be directed toward overcoming the brokerage, lack of professionalism, and segregation of the civil society. In order to accomplish this, it is necessary to conduct a research based on lessons learned from the recent experience. It is also important to come up with a strategy that will integrate CAOs in the overall development of society.

"...most of the associations do not have basic conditions for work such as premises, telephones, and computers. Although "concerned democrats" from "Europe" send some equipment, it often ends up with the "pro-Government favourites" that at the same time get a portion of the State budget." ⁶

NGOs have not managed to gain trust within their community... NGOs are still perceived by an average Macedonian as a way to travel internationally, and also as a possibility to have more contacts with internationals within Macedonia.⁷

⁶ In 1997 the author conducted the survey among 1000 associations within his project, Citizen's Associations in Macedonia. The reference could be found at Soros' Reference Center for Civil Society in Skopje

⁷ Needs Assessment Document, UNDP, 1999



CHAPTER THREE

THE TRANSITIONAL LEGAL, POLITICAL AND ECONOMIC ENVIRONMENT OF THE DEVELOPMENT OF CIVIL SOCIETY

THE STATE AND CIVIL SOCIETY AS PARTNERS?

After Macedonia gained its independence in 1991, it entered into a difficult period of its history: there was a dispute between Greece and Macedonia about the name Macedonia and also Bulgaria refused to recognise Macedonian nationality and the language of the new country. The environment, in regards to the external relationships with the neighboring countries, was also problematic at the time. There were sanctions imposed on the Federal Republic of Yugoslavia by the international community, and Albania was in self-imposed isolation. Moreover, the Yugoslav National Army was still present on the territory and Macedonian citizens were forced to be Yugoslav Army officers and soldiers during armed conflicts in Slovenia and Croatia.

This contributed to the creation of a new kind of social structure that could be defined as civil society. Lobbying for international recognition of Macedonia inspired many non-governmental entities, individuals, enthusiasts, and émigrés⁸. Mothers of soldiers whose children were in the Yugoslav Army organized massive protests for their children to be released from the areas of conflict in Slovenia and Croatia (these protests were the inspiration for the Movement for Pan-Macedonian Action MAAK to issue its "Manifesto for Demilitarisation of Macedonia" on September 29th 1991).⁹

Basically, it was a massive movement of many organisations, institutions and individuals operating beyond the centralised state. A wide network of non-government agents was created: individuals felt the need for their voices to be heard. The weakening of the centralised state and the appearance of a niche in the state- society relationship enabled citizens to be engaged in a collective action and to gain a perspective into the future development of a more democratic society. The citizens were able to form a so-called collective identity¹⁰. That was the time when spontaneously created social structures were able to break away from the state and the roots for new political institutions were established.

⁸ The international Macedonian lobby was established by John Bitov in Toronto, Canada. Later, Bitov and the Macedonian Human Rights Committee of Australia established a Macedonian World Congress, which enjoyed the full support of President Gligorov and the Government Cabinet of the Republic of Macedonia. This organization was later opposed by the other Macedonian World Congress, established by people aided by the VMRO-DPMNE political party. Also, the establishment of the Macedonian Information and Liaison Service (MILS) in Brussels and later in Skopje, and the Macedonian Information Center (MIC) also played significant roles. Both news agencies sent daily news through the MAK-NEWS Internet mailing list. More on this in Lauren M. Danfort, *Makedonskiot Konflikt, Makedonska Kniga*, Skopje 1996, p.156. At the time, there was an Internet "war" for international recognition of Macedonia (alt.news.macedonia). More detail on this are available at <http://www.makedonskosonce.com/sonce238/text19.htm> and <http://metalab.unc.edu/usenet/groups-html/bit.listserv.makedon.html>

⁹ These protests intensified after May 6 1991, when the Macedonian soldier Saso Gesovski was killed in Split, Croatia.

¹⁰ Reference is made to political parties, independent labor unions, ethnic associations, associations and friendships with citizens of other countries etc.

We can also observe a balance of power in the state and society relationship: when the state was weaker, the society was stronger. Several years after the transition, when the state got stronger, the newly formed civil society structures weakened, some even disappeared. Also, once Macedonia gained international recognition and was accepted by United Nations (April 8, 1993), the enthusiasm of civil society organizations disappeared. The consequences of weakening of civil society were the following: political parties became basic agents in the establishment of a democracy in Macedonia. This led to the phenomenon called “partocracy”, or “partition of society”¹¹.

The civil society that was created almost without the support of the state. However, at certain stages there was a minor assistance from the state because it needed help in lobbying for wider international recognition¹². In the meantime, numerous foreign foundations, missions, observers and non-governmental organisations started operating in the country, in particular assisting in the development of civil society. However, instead of supporting the established network of citizens associations, international organisations started creating or even imposing a “new concept” of civil society in Macedonia and revitalising already “dead” civic associations inherited from the era of socialism¹³.

Some of this “newly created” civil society became a free rider in the sense that it could not function without assistance from the government or various international organisations and foundations. Also, some local organisations profited financially while representing, without understanding the concept of NGO, their organisations and activities as non-government structures.

In other words, the pre-condition to democracy in Macedonia (creating non-governmental channels of control coming from the citizens and the ability to influence their political representatives in the decision-making process in mid-term between elections) was absent¹⁴. The failure of civil society to fill this gap led the state to subordinate the entire society to it.

LEGAL PROVISIONS AND CONCEPTS

Equality and non-discrimination play a key role in the institutionalisation of the legal and political aspects of civil society and its development. Inequality and discrimination upset the balance that exists between the capacities of an individual and the opportunities provided by society. The main function of the principles of equality and non-discrimination as factors of human development could be justified as the elimination of constraints to opportunities for the most vulnerable groups of citizens in a society.

Principles of equality and non-discrimination play a key role in the constitutional concept of fundamental rights and

¹¹ Presidents of sports federations, management boards, supervisory boards etc are exclusively “party people” or affiliates of political parties. Even some members of Parliamentary commissions are excluded. There is no transparency of government decisions, and consequently no influence of civil society on state decisions.

¹² See the Agenda of the Government Cabinet of the Republic of Macedonia of June 20 1991, pages 9 and 12 and transcripts of Parliament sessions where the Prime Minister reported on the process of international recognition of the Republic of Macedonia.

¹³ Social organizations and civic associations from the era of socialism were not autonomous forms of association and they cannot fall under the liberal concept of civil society. They were established, financed and controlled by the state-party and coordinated by its satellites (SSRN – Socialist Federation of the Working People) in order to mobilize the population and legitimize the totalitarian order. Gjorgje Ivanov, *Civilno Opstestvo*, Step, Skopje 1994; John Keane: *Civil Society and the State, New European Perspectives*, Verso, London 1987

¹⁴ The only massive civic initiative for gathering 150,000 signatures for referendum on early parliamentary elections (initiated and implemented by the political parties DP and VMRO-DPMNE on March 24 1996) did not pass in Parliament.

freedoms. The function of these principles is to ensure, by legal means, the essence of human existence – individuality and uniqueness of every human being and the right to freedom of expression, a basic principle of pluralistic democracy.

The transition of a contemporary Macedonian society toward a Western-style democracy removed, at least formally, the large gap in the treatment of human rights and democracy in legal terms. The concept of the state being above and dominating an individual was replaced by the concept of individual freedom (a basic of Western liberal thought where human dignity is a priority in a society).

EQUALITY UNDER THE LAW

Article 9, Paragraph 1 of the Constitution of Macedonia states that all citizens, regardless of sex, race, colour of skin, national or social origin, political and religious beliefs and social or economic status, are equal in expressing their rights and freedoms. Paragraph 2 of the same article states that the citizens are equal under the Constitution and the laws.

The function of equality under the law is consummated by securing identical legal treatment for members of legally recognised groups of citizens, not equality of citizens in general. The value of this principle is that citizens start having confidence in their law. Equal application of the law emphasises the objectivity of legal rule in the country.

PROHIBITION OF DISCRIMINATION

The Constitutional article described earlier refers to the principle of equality as the prohibition of discrimination on the basis of gender, race, color of skin or national origin, economic status, and political or religious beliefs. Similar to the concept of equality under the law, this concept is limited because it does not refer to equality in general. It just eliminates a specific type of inequality, discrimination. Nevertheless, this dimension of the principle of equality is a big gain of civilisation. It means abandonment of the crudest and most inhumane forms of discrimination of people for which there is no longer any moral justification in the contemporary world.

In the legal system of Macedonia, Constitutional norms are the highest in the hierarchy of legal order. They become the number one criteria that allow for exercising the principle of equality. The main feature of these criteria is its pluralism. Criteria for equality applies to different areas of the law, its norms and regulations. These norms and regulations supplement each other.

EQUALITY AND NON-DISCRIMINATION IN THE AREA OF ECONOMIC RELATIONS – CONCEPT OF EQUAL OPPORTUNITY

Economic relations are traditionally an area characterised by competition. However, equality and non-discrimination do not become obstacles for people with different “market values” to express different opinions within the society. In economic relations, the principle of equality and non-discrimination has the only goal of preventing any factor other than individual abilities, qualities and values from influencing the results of such competition. It ensures equal opportunity for all, but does not guarantee that the opportunities given will be identical. Its role is to prescribe equitable conditions for acquiring a certain status, but does not guarantee actual acquisition of such status by all citizens. Actual results depend on the presence or absence of individual abilities.

Social and economic rights and freedoms reflected in the Constitution are to create an environment for maintenance of a minimum desired social and economic welfare of people in society. In this respect, the state assumes a positive obligation to maintain and improve the minimum standard of living and to ensure that social and economic needs of the people are met.

Among the social-economic rights and freedoms, the principle of equality is expressed as a positive discrimination in favour of those members of the community who lack the ability to exercise their rights and further their interests. Its essence is unequal distribution of equities to those members of the community who satisfy their basic material and spiritual needs at a lower level than the average. The reason for this inequitable treatment is to be able to improve the quality of life for those members of society who are at the lowest level of their economic and cultural development.

FORMS OF INEQUALITY AND DISCRIMINATION

There are no established indicators for identifying “risk” groups of people, the ones to suffer partial or total exclusion and are not able to enjoy their legal rights. There are almost no answers to the following questions: “Which particular groups of people are subject to exclusion?” and “Who are these people?”

In the following section the examples of inequality and discrimination, as factors affecting civil society and human development, are analysed while referring to the fields of educational and judiciary systems.

INEQUALITY AND DISCRIMINATION IN THE HIGHER EDUCATION SYSTEM

Legal regulations hardly apply when it comes to the implementation level. The procedures for acceptance into university are being established partly by the Government, and partly through the admission practices of the university. The university, in terms, differentiate their applicants based on quotas. The economic level of the student and his or her family becomes a factor that determines the future ability to undertake higher education.

The example provided below is based on the data obtained while observing the competition for enrolling students at the University “Sts. Cyril and Methodius” in Skopje for the academic year 1999/2000. The quota for students whose studies are fully financed by the state is strictly limited to a certain number of seats in each department, faculty. Students partially financed by the state and partially from their own resources constitute 15%. The quota of students fully financing their education is limited to 50% of the total number of full-time and part-time students defined by each faculty. During the time when students were competing for the university seats, the Ministry of Education passed a regulation to allow the faculties to enrol an unlimited number of students who can cover their own university costs. In view of the difficult economic situation in the country, the amount that was suggested as a university fee becomes a huge financial burden to the average family budget. Some of the families can not afford it.

The classification of students into three different quotas indicates that two different and mutually opposed models of implementation of the principle of equality and non-discrimination are being applied, within the same framework. This means that for one group of citizens, the model of free competition is fully applied because the only factor influencing the

chances of a candidate to become a university student is individual merit reflected in high school grades and results obtained during college entry exam. At the same time, for another group of citizens participating in the same competition for college seats, there is another factor that makes their acceptance easier-availability of money for investment in one's education.

DISCRIMINATION IN ACCESS TO THE JUDICIAL SYSTEM

Protection of basic human rights depends on citizens' access to the law enforcing instruments. In the case of Macedonia, it is also dependent on the economic status of people. The legal system in Macedonia, like anywhere in the world, is growing increasingly complex. It is very difficult or impossible to protect one's rights or legally-based interests in the courts without professional legal assistance. However, legal representation is becoming increasingly commercialized, changing from a public service into an expensive business.

The availability of money is becoming an increasingly important factor in legal disputes. In most cases, lack of money either completely de-motivates the victims to seek legal protection or imposes limitations in initiating action in court. Money is also a factor influencing the quality of attorney representation, which raises the issue of equality of the parties in dispute, since better representation suggests better chances for success.

There is an established system for providing free legal representation to parties who cannot afford to pay for legal services. In reality, it is extremely inefficient. First, free legal assistance can be provided only to a person indicted in criminal procedure, under precisely defined (restrictive) conditions, but not in civil procedure. Second, appointed public defenders are unmotivated and uninterested in quality of legal representation because the fees they receive from the court hearing are minimal.

The solution to this problem is in the complete reform of the system to one of free legal assistance. It could be accomplished by provision of free representation in cases referring to the basic human rights, regardless of whether they are raised in criminal or civil procedure. Moreover, it is necessary to enable courts to be able to extend free legal assistance in case one of the parties lack adequate or equal (or complete lack) legal representation. Finally, it is necessary to stimulate pro bono activities of attorneys, through bar associations or non-governmental organisations dealing with the protection of human rights.

DISCRIMINATION ON THE BASIS OF GENDER

Despite the fact that discrimination on the basis of gender, along with other biological and social characteristics, is prohibited, it is still practised. In the area of gender relations, it is the discrepancy between normative acceptance of standards imposed by international human rights instruments and still the desire to maintain old cultural clichés in practice. There are many reasons for this inconsistency. Mainly it is due to the cultural traditions of the country.

The main problems related to the position of women in society are as follows: underestimation of women's capacities and a lack of recognition of women's labor, particularly household labor (regardless of whether it is performed by employed women or housewives). Moreover, limited participation of women in political life is quite indicative. In the present composition of the Assembly, there are only eight women out of 120 deputies in the parliament and there is no woman in charge of a Parliamentary group or a President of a working body of the Assembly.

However, the main problem is to find a way to bridge together the family and professional life of women. Inconsistencies exist in current legal regulations that do not allow men and women to balance their professional and personal life. Labor legislation is one of the instruments that can control gender discrimination. According to the Macedonian labor law regulating occupational safety, only the mother has the right to paid leave from work during pregnancy, birth and nursing. The father can acquire these rights only in extraordinary circumstances (in case of the death of the mother, abandonment of the child by the mother or if the mother is prevented from exercising these rights for the reasons that she has to justify legally). Another example of the labor law is as follows: only women (and not men) with small children are protected from the requirement of working night shifts.

However, in the examples described above, special regulations directed towards women employees can not be compared with male employees. These regulations are derived from biological differences between women or mothers and men, and not from an awareness of gender differences. For example regarding gender discrimination, special protection of women in the workplace is more directed towards children and motherhood than to privileges related to either a man or a woman. It is important to re-examine the possibility of changing the roles of men and women both in the family and at the workplace by encouraging the division of responsibilities between men and women in private life. This will allow for the gender equality reflected in the Constitution to be enforced on the family and the professional level.

THE IMPACT OF ECONOMIC TRANSITION ON CIVIL SOCIETY

Together with political changes, the country faced a challenge of abandoning the old and creating a new economic and social system that should correspond to the needs of a market economy. This process started without a clear understanding of the concept and of the steps to be taken in order to deal with the consequences of the changes. Unregulated capitalism replaced recently abandoned "Communist/Socialist" ideology. The transformation of companies with so-called "social capital" was under the guidance of the "visible hand" of international financial institutions. Macedonia paid for the transition in terms of economic and social costs without any visible gains, because it respected all the recommendations coming from the international financial and political organisations. Those organisations mainly conveyed large promises. The latest one, as well as the largest and most appealing so far, is the Balkans Stability Pact. The consequences of this approach are mostly negative.

The reports of the international financial institutions have followed the "success" of Macedonia's transition by measuring the technical and financial performance of the system. The indicators included the number and valuation of privatised enterprises, the dynamics of prices, the level of trade, financial liberalisation, and the volume of direct investments. There has been a lack of in depth analysis of social and human consequences, which was in compliance with the methodology of the transition itself.

The experience of Macedonia has parallels to the other transition economies. The table below demonstrates that there has been a massive fall in social product during the transition period. Namely, in 1997, no country except Poland, has reached the level of GDP per capita before the commencement of the transition process (see Table 3.1). In Macedonia, the situation is even more unfavourable. The transition changes, in combination with other external shocks, led to 44 per cent fall in GDP. The average growth rate was (-8 per cent) during that period. The rapid GDP drop limited the potential of the Macedonian society and the body politique to carry out all the institutional reforms which should have represented the basis for the emergence of a new type of society.

Table 3.1: GDP level as of 1997 (1989=100%)

Country	1997
Central and Eastern European and Baltic States	96
Macedonia (minimum in the group)	56
Poland (maximum in the group)	112
Commonwealth of Independent States and former Soviet republics	57
Central and Eastern European Countries, Baltic States and CIS	73

Source: Transition Report, EBRD 1998

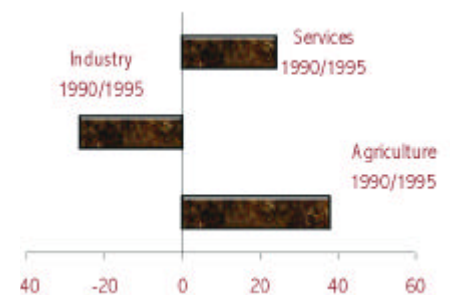
Some interesting consequences of transition can be observed in the changing structure of the Macedonian economy.

Table 3.2: Distribution of GDP by Sectors (%) - Macedonia

Country	Agriculture	Industry	Services
	1990-1995	1990-1995	1990-1995
Albania	50,8	-59,9	37,3
Belarus	-37	-31,4	77,6
Bulgaria	-32,2	-35,7	77,4
Croatia	34,8	-14,7	1,4
Czech Republic	-17,8	-19,3	23,9
Estonia	-54,5	-46,8	80,9
Macedonia	37,8	-25,9	23,9
Hungary	-49,6	-8,0	19,7
Latvia	-52,6	-27,7	75,5
Lithuania	-67,8	-34,2	122
Moldova	14	-44,3	42
Poland	-18	-23,1	10,9
Romania	11,5	-41,9	84,6
Slovakia	-24,3	-43,8	82,4
Slovenia	-9,4	-2,8	2,9
Ukraine	-32,1	-7,8	43

Source: The World Bank, 1998, Washington

Figure 3.2: Distribution of GDP by Sectors (%) - Macedonia



Industry. The table 3.3 shows that there has been a process of de-industrialisation, with an orientation towards lower phases of industrial development (extractive industry) and exploitation of the work force through labour-intensive forms of activities (loan production). The growth of the service sectors is evident in other transition countries (trade, catering, transport) and cannot be considered an evolution of the economic structures because it comes simultaneously with the decrease in performance of the industrial sector. Such changes are indicators or main features of a "consumer society".

Labour market/Unemployment. Speaking about the strategic goal of the transition economies, J. Shtigleits stresses that "it is most important to keep the social product closer to full employment." If we evaluate the transition looking mainly at employment, we can come to the conclusion that the biggest transition shock was on the labour market in Macedonia. The average annual drop in employment was -6.5 per cent and the average annual rise in unemployment rate was 8.8 per cent (1990-1998). Although this tendency of the labour market is similar to other transition economies, Macedonia has an unemployment rate which is 36 per cent and among the highest (see Table 3.4). The high unemployment rate is becoming economically and socially difficult to bear; it is a form of degradation of the individual in the society, and it is perhaps the most striking example of the marginalization of human resources in society.

In the period of transition, Macedonia has lost a basic fundamental requirement for stable socio-economic development, that is, full employment. Taking into account that the world standard for full employment is 400 employed per 1000 citizens, Macedonia had only half that level in 1989 (260 employed per 1000 citizens), whereas in 1998 the figure had dropped to only 1/3 (135 per 1000 citizens). The majority of unemployed in the last decade are relatively young and educated people. Less than 1/3 of unemployed are under the age of 30. Half of the work force constitutes of qualified and highly trained workers, and 14 per cent have college and university degrees. The unemployment problem has been largely generated by inadequate macro-economic policy. People were considered not important for the system which was supposed to be developed mainly for the welfare of the people.

Investments. With respect to investment, which is essential for job creation, the empirical evidence tells us that high investment is followed by high employment growth. Investment as a percentage of GDP in all transition economies has decreased on average from 30 % to 20 % and less. In Macedonia, the average level of gross investment has been only 16 % in recent years (see ANNEX I.4.).

The net effect of this fall in investment is even greater since in some years the rate of investments was lower (in 1989-1992, it was 7 % in average) than the rate of amortisation (14 per cent), representing a net loss in investment of -7%. The existing level of investment was followed by an unfavourable economic and technical structure of investments since more than half of all investment was going to infrastructure (telecommunications, transport, energy). Regarding the employment sector, the income output and the effect on the balance of payments was of marginal importance.

Among the transition economies, Macedonia is second from last in the foreign direct investments table with a total of US\$194 million (1989-1998) or, US\$10 per capita annually. These economic indicators directly or indirectly affected people's daily lives and their participation in the formation of the civil society.

Table 3.3: Share of the industry in the total GDP (%)

Country	1991	1992	1993	1994	1995	1996	1997
Poland	40.2	34	32.9	32.2	29.2	27.1	n.a.
Czech Republic	n.a.	40.2	34.9	33.6	34.1	33.8	35
Slovakia	n.a.	37.9	35.4	30.6	32.2	30	28.2
Hungary	25.1	23.4	22.5	22.1	23.5	-	-
Romania	37.9	38.3	33.8	35.6	34.6	36	35.6
Albania	32.1	16.9	13.9	12.4	11.5	12.2	-
Bulgaria	37.4	40.5	35.5	32.1	32.7	30.2	29.4
Macedonia	n.a.	29.4	25.1	19.3	19.2	19.5	19

Source: EBRD, London 1998

Figure 3.3: Share of the industry in the total GDP (%) - Macedonia

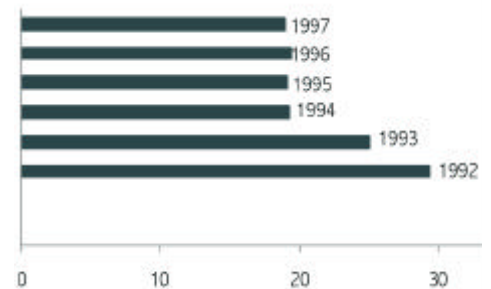
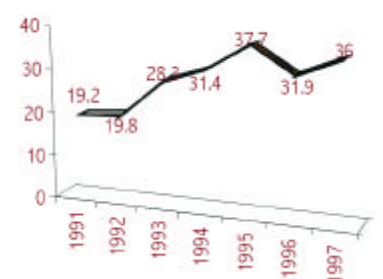


Table 3.4: Unemployment rate 1991-1997

Country	1991	1992	1993	1994	1995	1996	1997
Poland	11.8	13.6	16.4	16	14.9	13.2	10.5
Czech Republic	4.1	2.6	3.5	3.2	2.9	3.5	5.2
Slovakia	n.a.	n.a.	12.2	13.7	13.1	11.1	11.6
Hungary	7.4	12.3	12.1	10.4	10.4	10.5	10.4
Romania	3	8.2	10.4	10.9	9.5	6.6	8.8
Albania	8.3	27.9	29	19.6	16.9	12.4	n.a.
Bulgaria	11.1	15.3	16.4	12.8	11.1	12.5	13.7
Macedonia	19.2	19.8	28.3	31.4	37.7	31.9	36

Source EBRD, London, 1998

Figure 3.4: Unemployment rate 1991-1997 - Macedonia



De-industrialisation, particularly the closing of many textile factories, directly affected women. Limited opportunities for employment turned women to the traditional housewife's roles. Some of them started making hand-crafted products and other goods domestically, which they offer in the "informal" market. Opening small businesses with materials and funds at hand is another way of coping with challenges in the development during the transition. Many garages, basements, even apartments, are being converted into retail shops, counters or workshops. That is the conception of "mom-and-pop" capitalism in Macedonia.

The outburst of financial speculation gave rise to pyramid-scheme savings. Distrust in formerly state-owned banks on one hand, and the naive belief in promises of a possibility to become rich fast, created a fertile ground for this phenomenon. After the failure of pyramid-scheme savings houses, many associations of ripped-off depositors were established in reaction to the loss of money. Some of these associations are the roots of civic organisation of the population.

TRANSITION TOWARDS THE MARKET ECONOMY

The transition from the centrally-planned to the market economies was justified for many former socialist countries on the basis of neo-classical economic theories. Socialist exploitation, which included an overall system of human manipulation and injustice had to be eliminated by a system of measures for prompt conversion of the socialist states into market economies (a shock therapy).

However, instead of the affirmation of the value of the market as a liberating force, the process of transition led to an increase of the state arbitration in regulating the socio-economic streams. The final result of those processes, at least so far, has been even greater marginalization and pauperisation of humans in the society and their suffering from economic degradation which was instigated by the transition process. As for the transition strategy, the value categories were a priori determined, so that the entire project was reduced to determining the means and the measures without taking into account any human implications.

The unbalanced trade and financial liberalisation, as a form of globalisation, are the main features of transitional economies. It is generally an attempt to join the world market system. The place of the weak socialist economies in the world market did not stimulate their competitiveness and productivity. On the contrary, it led to the destruction and subordination of domestic production and re-structuring of the economy as a provider of basic resources to the world market.

Economic reform for the sake of just reforming the economy, without taking into consideration the human capital of the country, does not have any chances to succeed.

APPLIED STABILISATION POLICIES

Stabilisation policy has focused on restriction of demand. Restrictive monetary and credit policy derived from the price stabilisation method, has resulted in the accumulation of internal and external debt. The consequences had very concrete manifestations in the following segments: establishment of a new structure of the economy through diminishing the role of the export-oriented sector (tradable goods), and expanding the domestic sector (non-tradable goods). The pathology of decay of the export-oriented sector was accompanied by a growing deficit in the trade balance and the current account balance (see Table 3.5.). The current account balance became a measure of substitution and marginalization of domestic production resources.

The atrophy of domestic industrial output resulted from two basic factors of the stabilisation program.

Table 3.5: Current Account Balance in the Republic of Macedonia (1994-1998)

	1994	1995	1996	1997	1998
Current account deficit (millions USD)	-158	-221	-228	-276	-281
% of GDP	-4.7	-5	-6.5	-7.4	-7.9

Source: Annual Statistic Yearbook of the R. Macedonia (internal materials) 1998

One of the main reforms in Macedonian economy was liberalization of foreign trade. Liberalization occurred quite aggressively (on shock principles), so 98.17% of imports were placed under a free trade regime, and tariffs were reduced almost to OECD levels (real tariff protection is 6.7%). This hasty liberalization happened in contradiction to the fact that a national economy cannot become part of the world economy without the main postulate of stability (GDP and full employment) and only by ad hoc removal of tariff barriers. However it can be achieved through adjusting the economy in order to face competition with the global economy.

The applied stabilisation policies turned to be the main reason for Macedonia's difficult economic position in the transition period and its increasing distance from the assigned goal of economic progress and improving the welfare of people.

STRUCTURAL AND INSTITUTIONAL REFORMS; FAILURES OF PRIVATISATION

The main directions of structural-institutional reforms in countries in transition refer to: a) privatisation; b) restructuring; c), financial consolidation of the banks.

The process of structural and institutional changes in Macedonia stopped with privatisation. Privatisation was channelled according to the standards of international financial institutions, which quantified the formula "privatise as much as you can" through the number of privatised companies as one of the conditions for obtaining loans from the FESAC arrangement (Financial and enterprise structural adjustment credit). Thus, during the race for privatisation from 1990 to 1998, 1,434 companies (85.4% of the GDP) went into private hands (see Table 3.6.).

Figure 3.5: Current Account Balance in the Republic of Macedonia (1994-1998)



Table 3.6: Privatization 1990-1998

Sector	Privatised			In procedure			Remaining		
	1	2	3	1	2	3	1	2	3
Industry	442	130129	2,668	56	13249	210	-	5796	-
Agriculture	323	14732	260	41	7851	104	-	-	-
Construction	109	31383	197	11	977	46	46	1139	-
Trade	316	17925	484	23	2121	42	-	727	-
Transport	47	7099	66	7	994	10	9	3987	56
Finance	98	5814	144	14	370	14	8	-	-
Crafts	51	2299	31	1	75	-	6	643	-
Tourism	48	3483	137	12	1529	58	10	878	24
Total	1434	212864	3,987	165	27166	484	79	13170	80

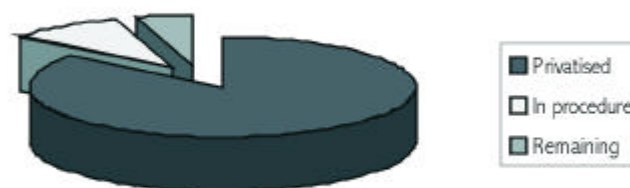
1. Number of companies

2. Number of employees

3. Value in DEM (000.000)

Source: Report on Privatization, Agency of the R. Macedonia for Transformation of Companies with Socially-owned Capital, November 1998

**Figure 3.6: Privatization 1990-1998
Number of Companies**



METHOD OF PRIVATISATION

The dominant method of privatisation in Macedonia was a take-over by management. It was considered “normal” because the model was best suited to the economic and political oligarchy. Concessions were normatively determined, so large and mid-sized companies were sold with a 30% and 20% down payment, respectively, and with a possibility to take the majority of the shares in five years. During the process, the “entrepreneurial” concessions were created. As time went on and the pressure to privatise grew the method of privatisation evolved in a direction of favouring massive employee buyouts with large concessions (discounted prices, five-year payment plans, and two-year grace periods).

However, privatisation remained in the framework of an insider model. There were institutional barriers to inflow of capital (domestic and foreign) from the outside. As the agony of decay of economic entities in the system grew more severe, economic and social potency for executing the process of privatisation within the established rules of the game

diminished. The impotence and cash starvation of the economic system finally breached economic barriers. Thus, lately the privatisation process has been open to foreign capital. The downside of this policy is that the inflow is tied to the ad hoc short-term beneficial position (after the war in Serbia), and the conditions of sale of shares are very unfavourable for Macedonia.

In this case, the post-privatisation burden opens two conflicts in the context of the need to define the ownership structure.

1. Agency (state) against companies (debtors)
2. Managers against insiders (employees)

The first problem is the insolvency of buyers with regard to fulfilling contractual financial obligations. The one comes from the character of employee shareholding. In a situation when shares are paper derivatives whose value is not institutionally established, i.e. there are no legal regulations regarding securities, employee shareholders inside the company are subject to strong pressure for reassignment of the subsidised shares. Thus, a process of further re-grouping of the ownership structure favouring the state and managers is in the making. Privatisation in Macedonia is therefore a formally solved problem. It has not a defined ownership structure (about 50% of capital is in fact still state-owned).

THE ECONOMIC CONSEQUENCES OF THE WAR IN YUGOSLAVIA

The transition process and the subsequent challenges in Macedonia parallel even the most difficult scenarios of economies in transition in Eastern Europe. Many external shocks including the loss of the former Yugoslav market, inability to trade with the world because of war in the region, the two-year embargo from Greece at the time when the country was enforcing UN sanctions against FR Yugoslavia, imposed severe limitations. In an economy of a landlocked country with a population of only 2,000,000, survival was a feat in itself. Nonetheless, the biggest challenge was to deal with the large number of refugees from Kosovo over a 3-4 months period in 1999, whose magnitude reached 14% of the domestic population. Maintaining political, security, economic and monetary stability in these circumstances was a miracle. The people of Macedonia managed to overcome this situation with dignity. Today there are realistic expectations of economic revitalisation.

In the framework of long-term negative tendencies of macroeconomic policy that erodes the accumulative basis of the economy over a period of a decade, the Macedonian economy has experienced cyclical disturbances, i.e. external shocks with dramatic direct influence of disturbing economic flows.

Table 3.7: GDP Contraction as a Consequence of the War in Yugoslavia.

	GDP growth (percent)				GDP (million USD)			
	1999				1999			
	1998	earlier ^{a)}	current situation ^{b)}	Diff.	1998	earlier ^{a)}	current situation ^{b)}	Diff.
Macedonia	2,9	3,0	-15	-18	3597	3653	3015	-638

a) Forecasts before the war in Yugoslavia

b) Forecasts for 1999 taking the war into account

Source: Economies in Transition Report EIU 1999

The short-term and long-term consequences of the war are influenced by:

- The disintegration of the Yugoslav market that fundamentally changed economic conditions of the Macedonian economy, because the FR Yugoslavia was the most significant trading partner. The qualitative features of trade with the FR Yugoslavia were the high proportion of exports (18% in 1998) particularly finished goods, while raw materials dominated imports (12%). Lately, there is expansion in the production of some product lines (construction, metallurgy, agriculture) because of an ongoing reconstruction of Kosovo, but these tendencies have a weak compensatory effect compared to the long-term disturbance in the trade relations with large partners in Serbia whose facilities have been destroyed.
- The disturbances in business relations are also observable with the second largest trading partner - Germany, because of the fact that the Macedonian Denar is pegged to the German Mark.
- The destruction of the transportation infrastructure in Serbia forced the country to seek other transport routes, so the increase of the transportation input was a blow to the competitiveness of Macedonian products in the domestic and foreign markets. Alternative transport routes, the extended transport cycle, additional loading and unloading costs and more customs inspections increased transportation costs by approximately 20%.
- The prolonged effect of destabilisation of the economic system of the state will be manifested in the weakened credibility and position of the economy for higher forms of international co-operation portfolio and direct investments), i.e. occasional tendencies for such co-operation will occur under extremely unfavourable long - term conditions for Macedonia. Institutionalisation of bilateral and multilateral relations (membership in the WTO, free trade zones) will slow down because of internal economic conditions and external political-strategic conditions.

The stabilised budget will also be disturbed (the deficit will increase) because the negative input of additional unanticipated factors, such as social expenditures associated with the refugees (partially paid by Macedonia), and increased expenditures for internal and external security. In the context of existing zones of instability (internal and external debt), the budget deficit will be an additional factor upsetting the stability of the system.

In fact, the direct destructive consequences of war actions in Yugoslavia will be reflected in expansion of dubious financial operations and an aggravation of internal liquidity of the system. This situation will come at a social price of increasing unemployment and unpaid wages in the economy. Generally speaking, an external shock of this magnitude will slow down structural and institutional changes in the system (privatisation, solving the problem with loss-making companies, infusion of capital into the banking system, institutional reforms of the state).

Macedonia has been unfairly neglected and inadequately supported in the development of its economic and social potential. Although the country responded to all initiatives of the international community (for legal and democratic reform, peace and development of minority rights), it has been placed in the group of the Former Yugoslav countries (excluding Slovenia and Albania). The message sent to all countries in this "basket" is that membership in the European Community will not be open to them for another 20 years, constituting a significant exclusion of rights and opportunities for many generations of Macedonians.

TRANSITIONAL CHALLENGES FOR CIVIL SOCIETY ACTION

Internal problems in Macedonia come from the inherited economic structure on one hand, and the established business culture on the other. The economic potential of Macedonia is mostly dependent on imports.

Another problem of transformation is a shortage of managerial skills among the domestic business class that was managing the economic entities. The supply of business techniques, expertise, and skills from educational institutions (University, Faculties, Institutes) for re-training of managers is very low.

Bribery and corruption in all structures at all levels can be singled out as a problem in decision-making, particularly in public services. This places citizens in an unequal position and radically alters the opportunities for equality and choice related to any type of activity. Empirical studies indicate that 60 to 70 % of Macedonian citizens have been required to pay bribes for state or public services. One of the negative phenomena that accompany the former is nepotism. In view of the size of the country, the procedures for employment in public administration or public procurement must be transparent.

Macedonia has close to 100,000 employees in the sector of public administration representing one person in twenty of the total population. The public administration has committed itself to halving this number in two years, but it is clearly overly ambitious. However, there is a need for the reform in order to change the institutional framework and legal infrastructure for the new socio-economic order. One of the key problems in transition is law-making. Whereas the enactment of laws is quite easy, their enforcement and implementation is a problem. Instead of relying on laws and institutions, the individual has to rely on the government bureaucracy, becoming dependent on its decisions. Thus, respect of the laws and their implementation, not only enactment of laws, should be the measure of success in a process of building a modern and democratic society.

The **banking system** is not adjusted to the needs of a new economic system. Although globalisation processes encompass the banking sector, as indicated by the fact that the foreign share of the banking sector in Central and Eastern Europe has grown from 4% to 25% between 1994 and 1997 (EBRD Transition Report 1998), the lack of confidence in domestic banking institutions is amplified by their inability to collect the billion-USD debt to domestic depositors and the failure of several local private savings houses in the past few years. Creating institutional arrangements appropriate for an economy dominated by private property is not finalised yet.

ASSOCIATION OF DEPOSITORS OF „TAT “ - BITOLA: THREE YEARS OF RELENTLESS ACTION

This association was established more than three years ago, after the failure of “TAT” savings house of Bitola. The establishment of this savings house was supported by the top government officials – including the President of the Republic (who promoted the “TAT” owner, previously convicted for fraud, as “entrepreneur of the year”), Cabinet Ministers (with their “privileged” accounts at the savings house), and by the top officials of the National Bank.

After the failure of this savings house, the depositors (mainly pensioners, students and unemployed) established a civic association. Their actions uncovered (although did not resolve the issue) one of the biggest financial scandals in the country. Under the influence of these associations the Parliament and the Government Cabinet were forced to recognise the existence of organised crime in the country.

The association has organized over three hundred protests, demonstrations and other civic actions, and has initiated several court actions. The association also proposed legislation for compensation of the depositors. Since the scandal broke out, the association is in constant communication with the most relevant political parties in this country. Right before parliamentary elections in 1998, they made a deal with the strongest opposition party, trading the votes of their members for a promise of legislation to be compensated for their losses.

Personal Interview of Ilo Trajkovski, the Coordinator of NHDR'99 with the President of the Association of Depositors, “TAT”, Mr. Mende Petkovski.

The **youth** is particularly affected by the transition. The latest emigration from Macedonia started in 1989. Unlike previous migratory waves, when mostly rural uneducated population was migrating, the latest wave composed of young and highly educated people. This process results in multiple losses to the economic and social development of the Republic of Macedonia.

The **grey economy** is a sort of social safety net in the face of diminishing economic activity, declining employment and other economic indicators. This sector is quite “lively” and attempts to overcome the most severe economic and social crisis Macedonia has suffered. A study by a group of independent economic experts, the National Bank of Macedonia and the National Statistical Office, estimates that the grey economy constitutes 30% of Gross Domestic Product (GDP) (Human Development Report for Europe and the CIS).

The **purchasing power** of the population is in constant decline, as a result of the decline in GDP, which is half of what it used to be in 1989. From 1990 to 1995, real net wages dropped by 7% every year. It is possible that the grey economy and barter transactions have alleviated the situation, but the purchasing power has diminished significantly (Table 4.1.). In the process of liberalisation of foreign trade, all sorts of things are imported without proper control. Consumer protection organisations in Macedonia are not powerful and are limited in their ability to influence policies for the protection of consumers.

THE OVERVIEW OF THE ENVIRONMENTAL SITUATION

The environmental situation in Macedonia is not much different from other former socialist states. There is a high degree of threat to the environment, particularly in industrially developed regions. There is a high degree of pollution of air, water and soil, particularly in large cities and industrial centers. The empirical evidence indicates that many of industrial plants contributing to the general pollution are not operating. The assumption is that this could lead to a dramatic reduction in pollution. However, even a smaller number of active industrial lines is sufficient to cause environmental accidents. Also there are other polluting agents, such as traffic and the households. Although there is no systematic monitoring of the quality of air, soil and water, some regions (and cities), such as Veles, Skopje and Bitola, are reported to be very polluted.

Rivers are also polluted in Macedonia. Most of them have been turned into industrial and household wastewater drainage canals. Analyses conducted in the past few years have revealed that the main pollutants in rivers are heavy metals (a severe health hazard for people's health). There is no system in place for purification of city and industrial wastewater.

The condition of soil is similar to the one of water and air. There is no systematic monitoring of the use of chemicals in farming. There is also no information regarding the use of these chemicals, as well as regarding soil degradation in areas close to large polluters and at the same time close to farming regions. A significant share of the farm land is being re-zoned for construction of residential buildings, and in most food-producing regions (such as the Skopje, Veles and Resen) the water used for irrigation comes from significantly polluted surface and underground sources.

While discussing the relationship between the environment and the health of the population, it is important to note that there are no established indicators for monitoring of the effects of environmental pollution on the health of the population and no system of monitoring and control of the quality of food.

ECONOMY AND ENVIRONMENT

Economic reform in the process of moving toward the market free economy, including privatisation, was supposed to contribute to the establishment of a strategy that would ensure a better environmental protection. Unfortunately, at the end of 1999, we still cannot point to any significant changes in the relationship between economic and ecological sectors. There is no single sign that economic or political entities started taking environmental concerns into consideration or that the state institutions react to threats to the environment. There is no doubt that an appropriate relationship between economy and ecology will be established in due time, following the example of developed countries, but one should not naively believe that this will happen by itself.

Analyses of the relationship between the economics and the environment during past few years was based on the experience from developed Western European societies¹⁵; Various solutions were offered. However, they were not always appropriate for Macedonia.

It is hardly possible to include the environmental protection issue in the overall economic development strategy, while the economy has been unstable for an extended period of time. The profit-driven market economy is just being established; thus, environmental protection gets a lower priority, despite the will of the majority. The state is obviously not interested in shutting down the large polluters when they are successful, i.e. when investment in filtration systems would reduce the profits from production.

ENVIRONMENTAL POLICY

The environmental protection issue has been seriously considered in the past few years by a dozen of scientific and government institutions (faculties, institutes, government agencies, ministries) in the framework of the National Environment Action Plan (NEAP) of Macedonia (Report I, II, 1996). An environmental protection strategy has been developed and basic legislation has been enacted. It seems that a step forward has been made in finalizing of a realistic strategy for the environmental protection. However, changes on the level of institutions have not started, and the legislative reform is not fully implemented as a coherent set of regulations compatible with European Union legislation and environmental quality standards.

Currently some of the activities of the government are directed towards environmental protection. We will try to provide an insight on some changes that were made in terms of the environmental protection policy after the enactment of the Environment Protection and Improvement Act (1996)¹⁶ and to analyze whether they are made in the right direction.

First, the process of democratization only formally changed an attitude towards environmental protection. There is no political will or proper legislation that could be used to encourage the processes of environmental protection in practice.

Second, the issue of environmental protection did not receive adequate attention during the process of privatization. While there is no legislation, monitoring, or consistent inspection services, economic entities (the new owners) are not required to include environment protection expenses in their programs. It is true for the enterprise level as well as for the

¹⁵ Central and Eastern Europe Environmental Action Plan, Lucerne, March 31 1994

¹⁶ Environmental Protection and Improvement Act, Official Gazette of the Republic of Macedonia no. 69, December 23 1996

national and local ones. Macedonia is just starting to establish a modern environmental policy, particularly on the level of local government.

Third, the success of environmental protection activities depends on legal regulations, clear jurisdiction and competence of appropriate government bodies, specialized protection agencies, as well as mass media and non-governmental environmental organizations. The information on pollution is available to a few selected officials in the government.

The general impression, in view of the institutional and legislative reform, is that Macedonia is still at the beginning of drafting and enacting the required legislation (guided by EU standards) and thorough re-examination of institutional arrangements for environmental protection at all levels.

Fourth, establishment and initiation of an environment protection system is only possible if a strong environmental movement – a mass mobilization of citizens for a cleaner environment, is present in the country. If one agrees that institutional mechanisms (state organs) do not function properly in regards to environment, then their role should be played by NGOs and environmental associations. If well organized and ready for action, they can mobilize the public.



CHAPTER FOUR

CIVIL SOCIETY RESPONSES TO CHANGES IN ECONOMIC AND SOCIAL REALITIES

VOICES FROM VILLAGES

Transition caught Macedonian rural communities in a quite disadvantageous social position. They are limited in their social, political and economic capacities to cope with the challenges of transition on their own. This can be partially explained by the fact that villages lost its human and other resources as a result of migrations. Another important factor to consider is the loss of the Yugoslav market for agricultural products. This diminishes the economic potential of Macedonian villages and farming.

Nonetheless, significant initiatives for coping with the new social and economic realities were developing in Macedonian villages in the past few years. Some of them were autonomous civic initiatives, although most of them were supported by international governmental and non-governmental organizations, as well as by the Republic of Macedonia itself.

MIGRATIONS AND CHANGES IN THE RURAL COMMUNITY

In certain periods, the severity of the rural/urban migration could be described as a real exodus of the rural population. In the period between 1948 and 1994 the total natural growth and in addition 4.4% of the existing rural population migrated to the cities or abroad¹⁷.

Migration provoked changes in the social structure of the rural areas. The most significant trends are described below:

Deagrarization. As a result of it, the agricultural production is not any more the dominant activity of the Macedonian rural society. Instead, the largest socio-professional category of people in the villages are the “peasant-industrial” workers.

Aging of rural population, declining of its vital characteristics is visible manifestation of these process. It has series of other substantive implications on the biological and social life of the rural population.

The **homogamy** i.e. gender imbalance is another actual social consequence of migrations. Today, at the end of nineties, the most of female population tries to leave their villages. Very often women use marriage as an opportunity to

¹⁷ *Nacionalen izvestaj za covekoviot razvitok 1997*, UNDP, Skopje, 1997: 52

„Eko gradinar“: Agricultural production up to European environmental standards

Vegetable gardeners in the Strumica region established the “Eko Gradinar” association, headquartered in the village of Dobrejci, in order to comply with environmental standards for quality of vegetables and to jointly offer their products to the selected countries of the European market.

In a span of two years, the association has implemented four projects. Three of them are in cooperation with foreign partners (two with the Dutch Government, one with the World Bank, and the fourth one with a German's farmers association).

Activities organized within the framework of these projects include procurement of machinery for the association, installment of drip irrigation, computer regulation of plant feeding and protection from disease, construction of greenhouses, disinfecting of the soil, procurement of seeds, establishment of a regional mini - exchange of vegetables, and an organization of scientific-educational workshops.

It shows that the producers of vegetables are able to cope with some of the serious problems they face, such as lack of access to funds and expert advice, irregularities in procurement of seeds, and the speculative power of resellers ²¹.

escape from the village. As a result, increased number of single men at the age of 25-45 might be found in many rural areas ¹⁸.

The voices of the villagers have been heard by the public and by politicians. On the basis of individual initiatives of young citizens from the villages, Macedonian national TV broadcasted special program about the phenomenon of homogamy. Because the media impact was strong, the problem was seriously considered by some of the political parties during the last parliamentary election campaign.

AGENTS OF HUMAN DEVELOPMENT IN RURAL AREAS

The individual agricultural household economy is the symbol of the economic independence and freedom of villagers ¹⁹. The transition and the privatization process did not have a serious impact on their status and they succeeded to keep relatively stable status-quo. However, there are many initiatives for coping with the new realities in the agricultural market. The individual agricultural producers during the transition period, have been preoccupied with such issues as economic specialization, technological modernization, ecological production and business entrepreneurship.

The state occasionally marginalized peasants, but it never ignored their interests. In the past, it has mobilized funds and established social policies directed at the development and improvement of agricultural sector. With the enactment of the Stimulation of Development of Economically Underdeveloped Areas Act ²⁰, funds from the national Budget were allocated for the support of investment projects in the underdeveloped rural areas. On this legal side, the Agency for Economically Underdeveloped Areas was established as a part of the Ministry of Development. It has a status of a legal entity, and it is financed mainly from the national Budget.

The villagers, in order to utilize available resources, have to articulate their interests in promoting human development in the rural areas. The funds secured by the Agency are distributed as grants for partial support of the economic infrastructure (water pipe systems, local roads,

¹⁸ In Vevcani, a village near Struga, with total population of 2,548, has even 132 bachelors at the age of 25-45. Drenovo, a village near Zletovo with population of 3,000, has 25 bachelors at the same age i.e. 25-45 (Spase Kocoski, „Lokalnata samouprava vo opština Vevcani“ (diplomska rabota), Institut za sociologija, Filozofski fakultet, Skopje 1999.

¹⁹ Hristo Kartalov, Sociologija na seloto, Filozofski fakultet, Skopje, 1996, 212.

²⁰ Zakon za pottiknuvanje na razvojt na stopanski nedovolno razvienite podracja, Official Gazzette, br. 2, od 1994, Skopje.

²¹ „Proizvodstvo po evropski eko-standardi“ Utrinski vesnik, vtornik, 9 noemvri, 1999, Skopje.

access roads, electricity, etc), as a subsidy for interest payments on loans for investment projects in the industry, partial financing of investment projects, grants for scientific projects and development programs, and support for training.

The relevant data shows that villagers show an initiative. On their requests, from 1994 until 1998, the Agency has invested about 164 million DM in the public utility infrastructure (see Table 4.1).

Table 4.1: Overview of the Approved Requests in the Period 1994-1997 and 1998 by Purpose

Purpose	Number of applications			Share of the Agency in the calculated value		
	1994-1997	1998	Total	1994-1997	1998	Total
Water supply	242	37	279	54.35	43.77	53.44
Local roads	367	70	437	66.64	56.56	65.41
Access roads	18	1	19	43.73	26.85	43.11
Electrification	95	15	110	40.31	32.47	39.42
Watering holes	21		21	25.96		
Schools	115	21	136	67.56	62.52	66.51
Health stations	86	4	90	49.2	39.12	48.54
Discount on the interest	44	19	63	100	100	100
Other	16		16	-	-	-
Total	1004	167	1171	59.93	57.27	59.64

Source: Agency for Economically Underdeveloped Areas, Skopje 1999

The International Community : The World Bank provided credit lines for support of individual farming, through the Rural Area Support Project. The Japanese Government provided 2 million USD in aid for upgrading and purchase of the new equipment. FAO sponsors a project for food supply in the post-transitional period. The IFAD loan from the World Bank stimulates development of individual livestock farming and broiler production in mountain and border regions in the south-eastern part of the country.

THE AGRICULTURAL COOPERATIVES

In the period of transition the Agricultural Cooperatives (ACs) were caught up in an unfavorable position and they have to deal with numerous problems. During the process of privatization, they needed to prove their claim of ownership and determine the share of each individual founder in the cooperative. Lately many ACs disappeared from the social map of the rural society.

In the eighties, there were 203 cooperatives, including 35,000 founding farmers associated with status of employees and full pension/disability benefits, and another 100,000 farmers were involved in business and technical cooperation. At the moment, there are 96 agricultural cooperatives in Macedonia, 68 of which have gone through the phase of transformation of equity in terms of establishing a title (ownership). 10 are in receivership and the others are still being appraised. Out of the 96 ACs, 40 own land and livestock, while the remaining 56 specialize in trade, services and processing sectors. It is estimated that today there are about 3,250 founders with full time employment status and benefits.

Some of current problems that cooperatives face, include the lack of methodology for internal distribution of shares, problem with inheritance, ownership of agricultural land, and investment of foreign capital.

PROFESSIONAL AND CITIZENS' ASSOCIATIONS

Free entrepreneurship and democratic processes in Macedonia enabled the peasantry to seek new ways for their development. Peasants and farmers established their professional non-partisan non-governmental associations (such as the Tobacco Producers Association, the Association of Sheep Farmers, Alliance of Bee Farmers, Association of Vine Farmers etc) for better networking and articulating of their professional and economic interests.

With the exception of the Tobacco Producers Association, which traditionally had a large and well-organized membership (80,000 to 100,000 tobacco farmers), other associations are still handling major problems of securing basic funding and formulating their mission.

In addition, non-governmental credit organizations developed in rural areas and areas of farm production. Micro-loans in amounts of 1,000-3,000 DEM have been awarded individually in the "informal" sectors of production and services. One such organization is "Moznosti", which lent 50,000 DEM in micro-loans in this period of its operation, and whose assets total 5.5 million DEM. With the assistance of the Netherlands, credit lines have been started through intermediaries – the Bitola Dairy Company extends loans to dairy farms in amounts of 40,00-100,000 DEM.

Also notable are initiatives for rural development of various organizations such as Land O' Lakes, VOCA, the World Bank and the Dutch initiative for 4-5 agrarian irrigation areas, where village communities organize to improve the irrigation system.

COPING WITH UNEMPLOYMENT AND POVERTY

All research studies and statistical indicators (the few that are available) indicate that unemployment and poverty of the population are social problems. They are of the greatest severity in Macedonia. Initial results of an extensive research conducted by the Institute of Sociology at the Faculty of Philosophy indicate about 40% of citizens of Macedonia consider themselves being poor or very poor ²².

According to the insights of the Office of Statistics of Macedonia, "there is a strong correlation between the posi-

²² Changes in the Social Structure in the Republic of Macedonia (1999). Unpublished project of the Institute of Sociology, Skopje. (Georgievski P. – editor).

tion of an individual on the labor market and poverty.” The most vulnerable groups are the unemployed, self-employed farmers, employees of companies that delay payment of wages and whose future is uncertain, households with no employed members and residents of rural parts of the country ²³. The poor population is constantly growing, amounting to 18.26% in 1996, with an upward trend ²⁴. The poverty gap index shows that the minimal amount of income that should be transferred to the poor in order to eliminate poverty has increased for all households from 1.88% to 4.38% of the established poverty line (60% of median consumption) between 1994 and 1996. The situation is most severe in large families, families with members aged 40 to 59, families whose members are unemployed, and families in rural areas and farmers households ²⁵.

The situation in families where unemployment is connected to other social problems (which are frequently consequences of unemployment) is also quite disconcerting. The unemployment percentage is high (36%) compared to world standards, and it is far above the average among the young people. An increase in the time needed to find employment is also observed. The length of unemployment is 4 years or more among most (55.4%) of the unemployed ²⁶.

Although information from the Ministry of Labor and Social Policy makes references to a special governmental welfare program, which included 66,803 families in April of 1999, the main entities responsible for welfare benefits – state social security institutions – are not sufficiently prepared to cope with the increasingly frequent negative phenomena. According to regulations, the social assistance is distributed at the level of 57% of the established poverty line (3,000 Denars) for a single-member of the family. Families of five and more members receive the highest amount of aid – 4,200 Denars per month. It is estimated that the aid is distributed to 11-12% of the total population in the country.

Although there are legal regulations for employees who have lost their jobs or whose employment contracts have expired, the benefits are very low and insufficient for a minimal living standard. Further, there has been a rapid decrease in benefits for persons protected under the Social Security Act. For example, one-time aid payments awarded to families that benefit from the aforementioned Act has decreased by two-thirds for adults and by more than a half for minors. The same indicators apply to other forms of social assistance provided under the Act: aid for education, food/material aid, and assistance with employment and finding jobs in social workshops ²⁷.

The analysis of some of the groups at risks, such as single parents eligible for financial aid, reveals that their number has increased significantly (particularly among single parents aged 16 to 36). This group mainly consists of persons without education at all, or with incomplete primary education, unmarried, Roma ethnic affiliation and the ones that do not own their housing.

Research conducted among Roma women and children indicates that 97.7% have no regular jobs. The authors of the report say “the lack of regular or even temporary employment is the main handicap to the status of women and the future of their children” ²⁸.

²³ Novkovska B. (1999) The Labor Market and Poverty in the Republic of Macedonia. Paper submitted at the Convention on Human Development in the Republic of Macedonia, Skopje.

²⁴ Ibidem.

²⁵ Office of Statistics of the Republic of Macedonia (Poverty Gap Index).

²⁶ Office of Statistics of the Republic of Macedonia (1998), Labour Force Survey in April.

²⁷ Comparisons of statistical bulletins, data on welfare and social programs (1999)

²⁸ Alovi L, Petrovska – Beska V, Najcevska M., (1999) Analysis of the Situation of Roma Women and Children – UNICEF, Skopje.

The research conducted for the International Federation of the Red Cross and Red Crescent in Geneva indicates that there are 1.48% in need of social assistance in mountain rural regions in Macedonia. They do not receive any financial aid ²⁹.

The vulnerability of children is of a particular concern. The survey conducted in randomly selected families in Kavadarci and Skopje has shown that all families are at the critical stage and being concerned about the bio-psycho-social development of their children ³⁰. At the same time, the largest number of divorces in Macedonia occurs in the first 14 years of marriage, creating a group of single-parent families with children aged 1 to 14.

VARIOUS “FORMS” OF EMPLOYMENT

Informal Employment. The most common form of informal employment is seasonal, temporary or occasional jobs.

Seasonal employment mostly applies to young people, such as waiters, bartenders, pool lifeguards, taxi drivers, newspaper vendors etc. Their daily income varies between 100 and 300 Denars. Men with less education usually perform hard physical work such as painting, masonry or farming activities. Wages for such work are fairly low, 100 to 400 Denars per day. Children are employed as newspaper vendors, bus token vendors, or car washers (or they work with their parents).

Poor peasants and urban residents harvest moss, mushrooms, herbs and plants during the summer vacation period. It is a seasonal work that usually lasts up to 2 months. Some of the families, particularly in smaller cities, use leased land (1,500-3,000 Denars per decare) to plant vegetables and cereals for their own needs and to sell the surplus. Poor rural families grow vegetables for their needs only, as the purchase prices are low and the crop farming costs are high.

In rural areas, people work as labourers on someone else's land (digging, sowing, and livestock herding). The usual wages are 300 to 400 Denars for 12 hours of work. Lately, people have been working for 100 Denars and 2 meals per day. The most common form of employment for women is sewing (up to 10 hours per day). Monthly wages vary – the lowest is about 3,000 Denars. In cities, particularly in Skopje, women work as cleaners in apartments and buildings (many of them are Roma) or baby-sitters, earning 3,000 to 6,000 Denars. In rural areas, they plant tobacco, usually on the leased land, and spend their incomes to purchase only the necessities.

Conditions for seeking informal employment are not uniform. It is easier to find employment in Skopje. Some estimates show that the illegal sector employs 25% to 40% of the population, while some legally employed people work in this sector after official business hours.

One of the most common ways to make money is illegal or semi-legal retail of agricultural, textile and food products. The goods are usually sold in offices or marketplaces. This activity includes people of all nationalities, usually young men and women, most of them being previously employed in defunct state-owned retail stores.

²⁹ Study and definition of the living conditions of unregistered welfare cases in the Republic of Macedonia (1994), International Federation of the Red Cross and Red Crescent, Skopje.

³⁰ Donevska M., Atanasova T., (1996) Measurement of the Threats to Bio-psycho-cultural Development of Children from Low-Income Families, Prosvetno Delo no. 4, Skopje.

Employment on occasion pertains to preparation of food for large family festivities, collection of old/worn items, packaging, and sale of waste. It was also observed, particularly in Skopje, that some people move from their residence to the residence of their parents or relatives in order to rent their apartment and earn a solid income.

Prostitution as a way of making money, includes women from different strata of the society, and various geographic areas, age groups and nationalities. With regard to poor women, it is noticeable that prostitution is a phenomenon present even among single mothers. They perform their services outside their place of residence because of the fear of being recognised and stigmatised.

Emigration and work abroad. In the period between 1990 and 1998, 21.3% of the people aged 18 and over who have emigrated from Macedonia were previously employed, 72.4% were unemployed and 4.6% were inactive. Out of the total number of persons who have emigrated, 45% are young, aged 18-25 ³¹. One of the main motives for emigration is the need for employment or for a better income. In addition to regular emigration, there is a number of emigrants that stay illegally abroad for a certain period of time to earn money (5-6 months in Italy, Switzerland or Slovenia) and, afterwards they return home. There are also specialised agencies employing students from Macedonia in the USA for short periods of time.

CHANGE IN THE STRUCTURE OF HOUSEHOLDS EXPENDITURES

Many households in the country are limited in their consumption. They purchase food products with *deferment*, in some cases up to a year. Some households deliberately overdraw their checking accounts. Frequently, more money is spent than is available.

The household budget is protected by refraining from purchasing of clothes or shoes, usually for the oldest family members, by not going on vacations or not attending cultural events. There is also a drop in the quality of nutrition. Families with several members spend over 3,000 Denars per month on bread alone. In poor families, bread is prepared at home instead of purchasing it at the store. One can say that, in general, there is less meat, milk and dairy products in the people's diet ³². Winter food supplies are usually prepared. However, very poor families stock less food for winter in comparison to previous years. Many families are late in paying utility bills. Sales of home furnishings, used appliances and clothing are more and more frequent.

A common instance of resourcefulness is borrowing money. Extensive research conducted in Macedonia indicates that 17.7 percent of the people borrow from relatives, 13.5% from friends, and 11.2% deliberately overdraw their checking accounts ³³. Poorer families borrow smaller amounts (up to 1,000 Denars), so they are able to pay them back. Also, worn clothes from relatives are used, and older clothes are repaired. Many people get their basic food products from friends living in rural and suburban areas or from their own yards.

³¹ Novkovska B., op. cit.

³² Qualitative Analysis of the Living Standard, op. cit.

³³ Changes in the Social Structure in the Republic of Macedonia, op. cit.

ASSISTANCE FROM THE NON-GOVERNMENT SECTOR AND HUMANITARIAN ORGANISATIONS

Many non-governmental organisations (NGO) are engaged in social welfare programs for their members and for the population at large. This is an indirect policy of coping with poverty and unemployment at the local level through various social programs. These programs include Roma education program, allocating funds for education of ethnic Roma and ethnic Albanian citizens sponsored by the Open Society Institute, programs for summer vacations for children from poor families, and purchasing textbooks for poor students, program for the street children, working with mothers whose children abuse drugs, and special programs providing care for abused mothers and children. Organisations that are already well established have the strongest social and welfare programs. These include the Macedonian Center for international Cooperation, the Union of Women's Organisations of Macedonia, and El Hilal.

Examples of Assistance

- Packages with humanitarian aid are distributed to people from various categories: unemployed registered with the Employment Office, clients of centers for social work, former employees of the companies that went bankrupt, etc (the humanitarian assistance is coming with the support of such foreign organizations as KRIK, Caritas, International Rescue Committee (IRC), and Catholic relief Services (CRS)).
- Continuous care for welfare families (for example, El Hilal provides aid to 8500 families).
- Donations from charity events are distributed as welfare directly to people and through institutions responsible for providing welfare.
- Financial, health and education assistance is provided to families who hosted refugees during the Kosovo crisis.
- A cleaning service "ZENA" has been established in Skopje, employing 10 women. The Association of Women Entrepreneurs has been recently established.
- Courses are being run for re-training of ethnic Roma (NGO "Daja" in Kumanovo), and for tailoring and sewing (NGO "Mesechina" in Debar). There are attempts to employ persons with impeded psychological development and to establish of a job counselling service for disabled persons.

LOCAL INITIATIVES

There are 32 non-governmental organizations of the ethnic Roma and organizations of other minority groups (Egyptians, Vlachs) assisting their members through distributing food, clothing, hygiene products, school supplies, assistance in supplying medicines for the poor and persons with difficulties in psycho-physical development (250 people in the last year). In total, these organizations assisted over 4000 families ³⁴.

The Red Cross of Macedonia plays a significant role in alleviating poverty. Lately, the following activities have taken place:

- Two soup kitchens in the municipalities of Chair and Shuto-Orizari in Skopje served over 250 meals over a period of 6 months. They are financed by the German Red Cross and a French NGO.
- A cleaning service employs unemployed women in Kisela Voda municipality.
- The latest programs of the International federation of the Red Cross in collaboration with the Italian organization Eco-Intersos, the German Red Cross, the French Red Cross, Catholic Relief Service (CRS) and Mercy Corps International targeted 71,510 families from all over Macedonia. The assistance, mainly consisting of packages with food, flour, beans, cooking oil, salt and hygiene products, is being distributed in cooperation with the Centers for Social Work to families with unemployed members, families receiving regular social assistance benefits, families on other types of welfare, pensioners and other groups at risk.
- Food was delivered to families living in inaccessible terrain in the country (Mariovo region) by helicopters with the assistance of the Army of Macedonia.

Caritas Macedonia, assists the poor by distributing food packages and providing training for the poorest members of the population.

Mother Theresa, Order of Sisters of Mercy ³⁵ are also involved in assisting the poor.

FOREIGN INITIATIVES

Business incubators, a project of the World Bank, contribute to the attempts to cope with the shortage of funds among the poor, particularly among former employees of bankrupt companies, the unemployed and disabled persons. There are 3 incubators established in Macedonia (Tutel in Shtip, Biljana in Prilep and Sasa in Makedonska Kamenica and another two are being established in Skopje and Delchevo). Another initiative that deserves attention is an opening of a business incubator with the NGO Society for Mentally Disabled Persons in Bitola – Poraka.

Moznosti, a project financed by the United States Agency for International Development and by Opportunity International, targets beginner levels businesspeople and small enterprise start-ups. About 900 projects for basic and operating capital have been supported so far. The sub-project "group loans" is particularly interesting. It awards loans to a group 5-7 people who are the beginners in a certain business activity. The capital is 1500 to 3000 DEM. Moznosti also maintains its own Business Center.

NEPA, the National Agency for Development of Small and Medium-sized Enterprises is a project of PHARE (EU). It provides micro-loans and technical assistance. About 100 loans have been awarded so far and 5 regional centers have been established.

Micro-loans for people living in underdeveloped municipalities will be provided by the MOSAIC Foundation with the support of the Danish government and PHARE.

United States Agency for International Development (USAID) and the World Council on Credit Unions (WOCCU) finance a project of the citizen's association "Financial Services to the People in Macedonia." The goal of the project is the establishment of rural financial institutions. Beneficiaries of the project will mobilize funds at the local level and re-invest in productive loans to farmers and small businesspeople in rural areas.

A Savings House has been opened in Skopje, and two branch offices are to open in Murtino (Strumica vicinity) and Nereshte.

³⁴ Support of Social and Legal Initiatives of Minority Organizations (1999), Caritas office in Skopje (The European Union, PHARE and Tacis Democracy Program).

³⁵ Statistical data on activities of NGOs come from reports and interviews of their representatives.

COMMUNITY INITIATIVES - SOCIAL NETWORKS AND SOCIAL CAPITAL

In addition to the natural, physical or produced and human capital, there is another form of capital which is called social capital. The World Bank experts declared that it the “missing link” in the process of development. This insight is confirmed by research on various social, political, and economic issues ³⁶.

Social capital, whose basic elements are trust and cooperation, is reflected in social networks through which individuals and groups achieve and satisfy their goals, interests and needs.

Both academic and popular literature defines social capital as a phenomenon with exclusively positive effects on development of people, communities and states. However, it has its negative effects on the human development. According to A. Portes ³⁷, the negative effects of social capital are as follows: exclusion of outsiders, non-members of a given social network, and imposing limitations on the individual freedom of the members of the network.

There are two basic types of social capital:

- bonding, which links together individuals and groups who are already familiar with each other and are members of the same social network, and
- bridging, which connects individuals and groups already that have not been previously acquainted and are members of different social networks.

In this report, special attention is given to two of the many issues related to social capital. First, the relationship between social capital and the state, i.e. the role of the state in creation and/or suppression of the social capital in local communities. Second, the report will consider the forms of social capital present in the local communities⁴ and its characteristics and specific features.

THE SYSTEM OF LOCAL GOVERNMENT AND SOCIAL CAPITAL

The enactment of the Local Government Act in 1995, which establishes the legal framework for the system of local government, the Territorial Division Act and the City of Skopje Act of 1996, accordingly divide the country into 123 local government units – municipalities (“opshtina”, pl. “opshtini”).

The newly established local government units were expected not only to relieve some of the burdens from the state administration to encourage the process of decentralization, but also to launch some “positive energy”, i.e. “become the

³⁶ See Robert Putnam. 1994. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press, Princeton, New Jersey; R. Putnam. 1993. *The Prosperous Community: Social Capital and Public Life*. *The American Prospect* 13: 35-42; R. Putnam. 1995. *Bowling Alone: America's Declining Social Capital*. *Journal of Democracy*, Vol. 6, No. 1; World Bank. 1997. *The State in a Changing World*. New York: Oxford University Press for the World Bank; Deepa Narayan, L. Pritchett. 1997. *Cents and Sociability: Household Income and Social Capital in Rural Tanzania*. Environmental Department and Policy research Department. Washington DC: The World Bank; Melania Portilla Rodriguez. 1997. *Social Capital in Developing Societies: Reconsidering the Links Between Civil Agency, Economy and the State in Development Process*. Working Papers, Institute of Social Studies, The Hague, The Netherlands itn.

³⁷ Ajeandro Portes. 1998. *Social Capital: Its Origins and Applications in Modern Sociology*. *Annual Review of Sociology*, 24:1-24.

main generator for the articulation and realization of the needs of the local population in order to stimulate the development of local communities... " ³⁸.

The Local Government Act ³⁹ defines the local community (municipality) as a social entity where citizens exercise their rights to local government (Article 2) directly or through elected representatives (Article 3). On the empirical side, there are mixed opinions about the quality of the legislation. The prevailing opinion is that the legislation is not completely appropriate to the reality of local communities in Macedonia ⁴⁰. Analysis of the situation so far indicates that the local government system does not perform as it should. One of the reasons is that the actual jurisdiction is not given to local communities. Also a great deal of jurisdiction is concentrated in the state and its institutions, which minimize the importance of local government units.

This is particularly obvious regarding funds allocation to the local government. For example, the Limitation on Fiscal Revenues Act directly intrudes to the financial autonomy of local government units. Sources of revenue for local communities include property taxes, inheritance and gift taxes, real estate sales taxes and utility taxes. The Act stipulates that if the municipality has revenues over an amount set in advance by the national government, the surplus is transferred to a special national government account, and the national government decides how to distribute these funds.

However, the national government should not always be blamed because citizens still expect the state to resolve most of their problems.

Local Community Actions

The Local Government Act and Territorial Division Act were perceived by local communities as a way out. Many citizens were engaged in a process of territorial division, proposing numerous options for the layout of new municipalities, thus manifesting a high degree of civic engagement. The mayor of Vevcani (a municipality in the southeastern part of Macedonia) puts it this way: "Vevcani had no way of influencing the most important decisions concerning a community, such as development and construction of infrastructure and urbanization. Thus, the survival of Vevcani as a developed and culturally and economically active community was endangered. Although the new municipal government structure has been in place for a short time, we already see some significant results. 150,000 DEM have been invested in the road network, and 40,000 in the sewage system. Vevcani did not lose by becoming a municipality. Quite the contrary, it gained from it: we became autonomous and we shape our own future. Now we won't blame others for our failures, and we will take the credit for what we do " ⁴¹

³⁸ For more on this, see Vlado Popovski. 1998. Pandora's Box Remained Closed. Forum Analytic, Skopje, page 94.

³⁹ Local Government Act, Official Gazette of the Republic of Macedonia no. 52, 01/11/1995, Skopje.

⁴⁰ In absence of results of empirical research of local government in Macedonia, this assessment is based on interviews with experts in this field, some mayors and articles in the press.

⁴¹ The Mayor of Vevcani municipality was interviewed by Spase Kocovski, sociologist. The quote is taken from Kocovski's graduation thesis.

SOCIAL CAPITAL IN LOCAL COMMUNITIES

Forms of Bonding Social Capital

Two terms are included in the concept of the Social Bonding Capital. For the purpose of this report, we think that it is useful to list them as follows:

Help, assistance is a form of social capital mainly concentrated in rural communities (members of community assist others and provide help without any financial compensation).

Loan is another form of social capital originated in the past. It is a mutual assistance with a strong emphasis of reciprocity norms: the objects being borrowed are various goods, services (one day of work on the farm, for example), and money (for instance, interest-free loan for an urgent need).

Cooperation and Trust – Elements of Social Capital

...whenever I would pass through Resen, I would hear about people helping each other. Different ethnicity was not a barrier for assistance. If people trusted each other, they were ready to help. The civil society, as an intellectual concept, is deeply rooted in basic trust among people... My experience in Resen... proved that the feeling of trust was present in many multi-ethnic communities..

Jonathan Matthew Schwartz. 1996. Pieces of Mosaic. An Essay on the Making of Macedonia. Intervention Press.

FORMS OF BRIDGING SOCIAL CAPITAL

There are also forms of Social Bridging Capital:

"Connections," as a term, refers to providing a "favor" and possibly seeking a return favor.

Civic action is a concept that contradicts the wrong perception that citizens of former Communist States are passive and they are unable to organize and themselves and wait for the state or government to solve their problems. That is correct in some respects, but the generalization that the citizens are passive is unacceptable.

The social capital, social networks and the refugee influx

A good illustration of the fact that civic actions or "social capital" is present in local communities was the period prior to the escalation of Kosovo crisis. Before the war in Kosovo broke down, many residents of Kosovo started leaving their homes, to avoid possible tragic consequences. Many of them came to Macedonia. Before the escalation of the refugee flow, which resulted in construction of camps, the refugees were accommodated in host families. We don't know exact numbers, but the figure of 161,000 refugees, accepted at the peak of the crisis, is truly impressive⁴².

The fact the refugees were accepted and accommodated in families tells a lot about the ability of a local community to mobilize. Before the state provided organized transport, the residents of local communities, ethnic Albanians, went to the legal and illegal border crossings with vehicles to accept refugees. This was organized not only by political parties, but also by leaders of municipalities and "micro-communities."

⁴² The figure comes from the office of the International Federation of the Red Cross in Skopje and is just an estimate, not an exact number of such cases, based on the number of those who have sought and obtained such help.

Contributions – is another form of social capital: individuals that are not necessarily familiar with each other, but live in the same neighborhood, organize themselves with the assistance of local government.

Many infrastructure facilities in Macedonia, such as those in the village of Kondovo near Skopje, Radovish, Vevcani etc, have been partially or fully constructed with the help of this “social capital,” when citizens agreed by referendum to set aside a portion of their income in order to satisfy a common need.

Micro-Communities’ definition for the purpose of this report is different from the definition provided by the Local Government Act. Micro-communities do not represent a form of bonding social capital, but the fact that they are able to function is an indicator that civic initiatives are present in some areas. Since the enactment of the Local Government Act in 1996, 193 micro-communities have been financial active. The number of micro-communities might be even larger, because the official registration process does not capture the full picture.

NGOs are somewhere between the grassroots level and the state. They have a mediation role of bridging the inter-sectorial forms of social capital. 638 NGOs operate in Macedonia both on the national and local level, covering various sectors of society ⁴³.

CIVIL SOCIETY IN ACTION FOR ENVIRONMENTAL PROTECTION

ENVIRONMENTALIST MOVEMENT

The environmentalist movement in Macedonia coincided with growing democratization of the society. One may claim that the democratization in Macedonia begun, among other things, with the expression of concerns regarding the environmental protection. The environmental movement of Macedonia played a significant role in the environmentalization of minds and behavior of people. However, in the past few years the environmental movement gradually turned into a “club for discussions and debates.” The data regarding the environmental situation is available only for the leadership of environmental associations and the Environmentalist Movement of

⁴³ There are about 6,000 NGOs registered in this country, but most of them show no activity or are unavailable at their published addresses. The address book of non-government organizations of Macedonia from the Macedonian Center for International Cooperation lists 638 NGOs as active.

NGO and Social Capital

NGO Activity on the Local Community Level

The Program for Water Supplying of Villages, implemented by the Macedonian Center for International Cooperation is an excellent example of NGO activity at the local community level. The goal of the program is improvement of the water supply for the rural population. Its purpose is also to stimulate local initiatives for the improvement of a supply of quality drinking water and establishment of local “water supplying associations”.

The program is implemented through the following activities: financial support for the construction of water supplying systems; training for water supply operations – institution building for water pipe system management, maintenance of water pipe systems and optimal use of water; education and information – strengthening public awareness through publishing educational and policy documents, cooperation and exchange of experiences with NGOs and clients from other communities; advocacy and lobbying.

Source: multiple materials obtained from the Macedonian Center for International Cooperation, Skopje.

Macedonia. They “constantly” participate in seminars, symposia and discussions, which, unfortunately, have little or no value in terms of inclusion of the general population.

The public opinion survey among youth on environmental problems raised the following questions:

- is the general population aware of environmental problems?
- what is the attitude toward environmental problems in terms of readiness for environmental action?

Perceptions of Environment

Approximately 2.3 of the urban population think that the environment is in danger. Citizens think that the main threats are coming from the industry, households, traffic and also as a result of inadequate performance of public utility companies.

The citizens concerns about the contamination (litter, pollution of any kind), dirty residential areas and proximity of industrial plants. These factors make a living environment rather unpleasant.

Only about 1.5 of the respondents thought they live in a clean, tidy environment. Most respondents saw inadequate “zoning” of the country to be a reason for contamination, urban decay and environmental degradation. Even elementary environmental considerations are absent from zoning plans. 40% of respondents participate in environmental action (for instance planting trees). However, they do this rarely.

The fact that 80% of the respondents feel that their place of residence needs more environmental action, speaks about the low level of organization and mobilization on behalf of environmental associations. It was also noted that almost 2/3 of the respondents (from Skopje and other cities) think that they would improve the environment by personal action ⁴⁴.

The environmentalist movement is not absorbing experiences of NGOs from developed countries. Since its appearance, it started a cooperation with government structures, which resulted in the “death” of the movement, mass exodus of the leadership in state government structures and ruining of its credibility as of a “non-government, non-partisan non-profit association”.

Environmental associations are unable to defend the interests of the public. The associations appeal to the government and as a result, the government makes some promises that it is unable to keep.

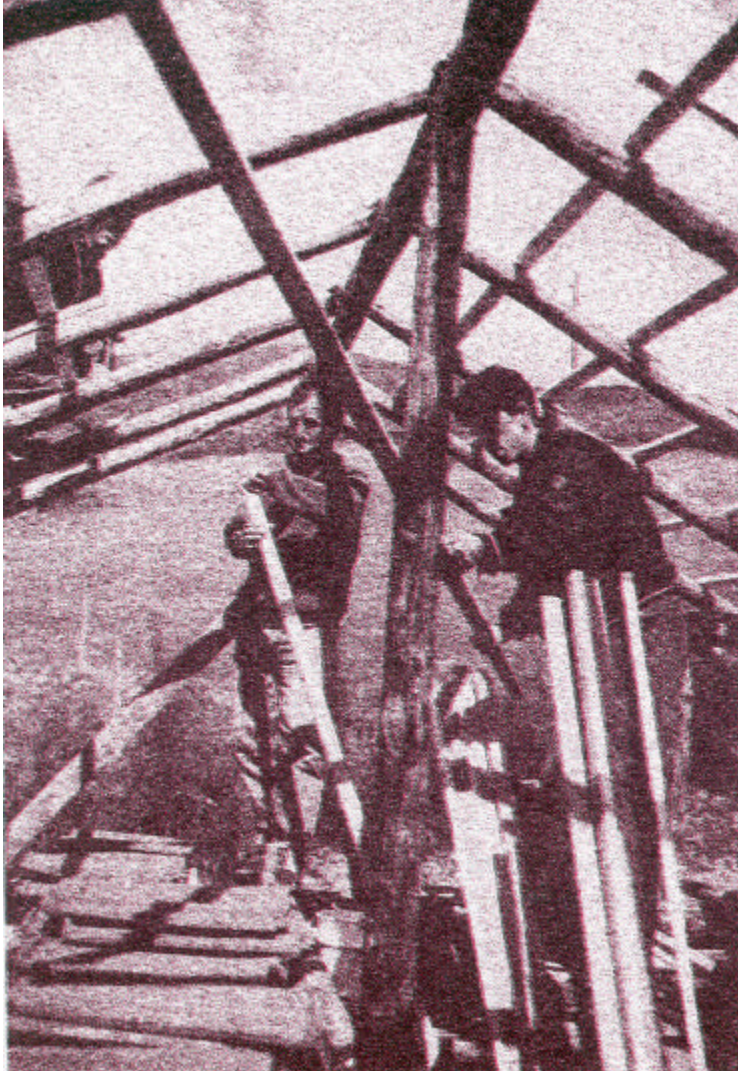
Previously active members are abandoning the movement. The leadership structure is engaged in preparing various projects sponsored by foreign agencies and associations. No one seems to consider the fact that there could be other types of activities for the environmentalist movement.

⁴⁴ Environmental Problems in the Skopje Region, Situation and Solutions, “Opstanok” environmental society.

LOCAL COMMUNITIES IN ENVIRONMENTAL PROTECTION

If legal institutions will start to function on the implementation level, then there will be a chance for organized environmentalist movement to survive. This is particularly obvious at the local government level. The links between the environmental, political and economic systems do not exist: there is no connection between economic development and environmental protection. The evidence from economic and legal research mainly draws from established mechanisms of highly developed countries. It is unclear whether these mechanisms will have the desired effect on Macedonia, when the per capita national income is 1,000 or 3,000-4,000 USD.

Partnering with the government in an attempt to solve environmental problems will be productive only if legal institutions will function on the implementation level. The reasons for the inefficiency of the activities of NGOs (environmentalist movement and environmentalist associations) are in taking inadequate forms of action. They are reduced to organizing roundtable discussions, symposia and seminars, attended mostly by the leadership of the associations – people who speak at length to each other about the necessity for taking an action that will result in a higher degree of protection.



CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

CIVIL SOCIETY UNDER POST-COMMUNIST TRANSITION: THE CIVIL SOCIETY UTOPIA?

The pace and the shape of the constitutional, political, economic, and social reforms since 1989 have considerably affected the concept, the place and the role of civil society in Macedonia.

At the first level, it can be concluded that the post-communist transition “swallowed” and “digested” the normative concept of civil society developed during the 1980s and in particular just before 1989. In that period the civil society was promoted with the idea of constructing a new social space which was good in itself. It was expected that within such space self-management and democracy would work out independently from the state and the economy.

Today, after almost one decade of transition in Macedonia, as elsewhere in the Central-Eastern Europe, the political and scientific, as well as the popular perception of civil society is quite different. The data presented in the previous chapters support the conclusion that under the burdens of the transitional experience of the people the concept of civil society has been instrumentalised. Unfortunately civil society has not been turned into an instrument for the development of liberal democracy and market economy. Instead, it has been derogated to a weak citizens tool used as a shelter from the threats that are coming from either the over-centralized, authoritarian and in fact illiberal state or from the ‘crony capitalism’.

At the second level this report shows that Macedonia has certain organizational and associational traditions and infrastructures. The number of CSOs is satisfactory. The area they cover closely responds to the people’s needs. International links are already in place. Yet it has played a very limited role in social and human development during the transition.

At the third level, the data on the realities of civil society shows that its actions are focused neither on the state nor on the market economy. There is no institutional framework that would enable the creation of the state-civil society structure. The above is also true for the economy-civil society interactions. The state, the party system, the economy and the civil society function as four parallel spheres.

After the enthusiasm of the first two-three years of the transition, today civil society organizations and associations look like small and isolated islands of similitude and homogeneity rather than ones of pluralism. When, from time to time, they undertake political or economic actions, they do not see its purpose in influencing and democratizing the state or in making the business agents more socially responsible. They conduct such actions in order to heal partly the wounds made by the state, the political or the business agents. This is explained with the fact that civil society in Macedonia is lacking pluralist political, economic and organizational culture. How can the present situation be overcome?

RECOMMENDATIONS: CIVIL SOCIETY AS A LIBERAL PROJECT

Civil society should not be taken for granted. It should be looked upon in perspective, and function as an encouragement for social and human development at any given moment. It might be useful to project civil society, as a supportive mechanism, for establishing and consolidating liberal democracy and the market economy. For this purpose, the following general recommendations and concrete prescriptions are developed:

1. Civil society, since it is neither liberal nor democratic in itself, in order to flourish, requires a sovereign, stable and internationally and internally recognized state.
2. Civil society, or its social ethos of pragmatism, cooperation, tolerance and compromise, implies a certain level of economic development and in connection with it, an existence of social stratification with dominant middle classes.
3. The principles and norms of the civil society are not given to the people by birth. They have to be thought, learned and practiced in real life.

The overall development of the country, its stability, integration, particularly the human development necessitate an establishment of a dynamic balance between the three equally fundamental sectors of the contemporary society: the State, the economy and civil society. From that point of view, it is necessary to re-define the old classical and liberal image of the political State, market economy and the civil society, as opponents and even enemies. In contemporary western societies, they, both normatively and empirically, develop as partners, which mutually complement each other.

The international community and donor organizations should redefine their strategic management models for civil society development in the countries under transition to the liberal democracy and market economy. The states, as well as the economy, shall not be forgotten. By their residual authority and power they wield a much stronger influence over the shape civil society has, than the domestic and international proponents together. There are several steps that could be taken and supported towards the desired model of state-civil society and economy-civil society relations:

- Incorporation of the civil society into the mid-term and long-term development strategies of the country;
- Projecting the role and place of the civil sector in the national strategy for reforms of the public (State) services, particularly in the areas of education, health, environment, and social policy. The actualisation of the civil sector might help to resolve some of the serious challenges facing the reform of public services, aimed at reaching social welfare of the people;
- Preparation of a Governmental strategy for co-operation and interaction with domestic and foreign CAOs;
- Establishment of a national body (centre) for the development of civil society. The first step in that direction could be to organize the first national conference on CAOs;
- Encouragement of the process of self-identification and self-projection of civil society, increased participation of CAOs in preparation of public policies;
- Institutionalisation of the relations between the business sector and the CAOs through elaborated policy on tax exemption, donations, sponsorships, gifts and inheritance, for public good CAOs.
- Improve the capacities of CAOs in fund raising and other kinds of support.
- Inclusion into the national curricula of the notion of civil society in order to understand its role in human development.

Besides these strategic recommendations, the Report provides several area- specific strategies.

With regard to developing mechanisms for unemployment and poverty, there is a consensus between the government on the importance and significance of the pro-local option and local social policy. Nevertheless, having in mind the rate and the sources of unemployment and poverty, the local policy seems rather ineffective. On those grounds the following is proposed:

- Establishment of horizontal networking among all institutions at the local level. Regarding local community work, the approach of social empowerment of existing social forces, existing networks and positive experience should be prioritised over poorly developed social planning actions.
- Interventions in these areas should be immediate, because research indicates that the best opportunities for getting out of poverty exist in the initial period, right after the problem arises.
- It is necessary to properly estimate the real living conditions in families, particularly their income, in order to build an effective system of social assistance to the poor.
- A way out of the crisis should be sought in the following directions: creating new jobs, re-training and additional training, opening small businesses, informing the citizens about their rights and opportunities, involving social aid recipients in work activities, developing small family-business projects aided by loans, and awarding micro-loans.
- Special programs should be developed for children.

Mobilisation and development of the social capital and social networks prescribes structuring a synergetic relationship with the state. The relationship should include a combination of strong public institutions, organized communities, bilateral communication and cooperation among them. Following this direction, the stronger activation of the social capital of citizens is to be achieved. In order to accomplish this, it is necessary to undertake activities along the following lines:

- Decentralization of the power of the state. Some of its current functions should be assigned to the local self-government units. This will enable them to operate autonomously, without substantial dependence on the state budget. The local communities would therefore be able to activate the social capital they hold.
- Support the establishment and activities of CAOs whose mission is above the power game played among the self-interested power brokers, and which are able to respond to other people's concerns.

ANNEXIES

TECHNICAL NOTE

HUMAN DEVELOPMENT INDICATORS

Perhaps the most complete definition of human development was given in the UNDP (United Nations Development Programme) Global Human Development Report for 1990, where human development is defined as a process of expanding the range of choices available to people. From this perspective, human development can be seen as a more complex process where economic development (income, wealth) does not cover all desires, interests and qualities of life. Hence, the Human Development Index (HDI), as the most aggregate measurement of human development, is a composite of three elements:

- 1) GDP per capita and Purchasing Power Parity as an indicator of the living standard
- 2) Life Expectancy
- 3) Literacy rate of the population

The Human Development Index reports indicate that the HDI for Macedonia was at 0.748 in 1997. The expansion of the definition in 1994 in the direction of "sustainable human development" biases the criteria even more towards distribution of equality among people, care for the environment, empowerment and expanding the range of choices available to them...

One of the characteristic conclusions of UNDP Reports is that income disparity among countries is larger than the disparity in human development. Macedonia is good example. The reason may lie in strong family relationships inherited through the dominant social and business culture which allows stronger, particular human relations. The size of the country also provides for a different kind of dynamics and cohesion of social life. Ties between cities and villages are maintained. Land and ties with parents and relatives enable some to use the resources they have at their disposal. This expands the barter (but not gray) economy, achieving qualitatively new social relations. This only improves the traditional social integration, which helps deal with the difficulties of this transition crisis.

Following the new definition of the Human Development Index of 1994 (World Report 1994), introducing a method of calculation different from previous years, three components are key.

Maximum and minimum values used for Human Development Index calculations (applying to all countries, including the

Republic of Macedonia, as international standards) are fixed for the following basic variables:

First component

K1: - Life expectancy (85-25 years);

Second Component

K2/1: - Literacy rate among adults (100% - 0%)

K2/2: - Average number of years of education (15 – 0 years)

Third component:

K3: GDP and income (40\$ - 200\$). For income, the start value is taken from the global average value per capita, \$1579 in 1996, according to the PARE method.

In view of the fact that a different methodology for calculating the Gross Domestic Product had been in use in the past decade, there are very dissonant indicators that vary widely from year to year. The PPP method of calculating Gross Domestic Product, was used for calculating GDP for 1996.

CALCULATIONS

of the human development index of the Republic of Macedonia
(according to data of 1997)

First component

K1- Life expectancy (85-25 years)

Second component

K2/1- Literacy rate of adults (100%-0%)

K2/2: Average years of education (15-0)

Third component

1K3: GDP and income (\$40-\$200). The initial income value is taken from the global average value per capita from PPP \$5120.

First component:

K1: life expectancy (1995) 72.16

$K1 = 72,16 - 25 = 47,16 : 82 - 25 = 60$ $47,16 : 60 = 0,786$

Second component

K2/1: Literacy rate (1994 Census) 94,6

$K2/1 \ 94.6 - 0 = 94.6 : 100 = 0,946$

**K2/2: Average number of education years
(1994 Census)⁴⁵** 8.9

$$K2/2=8,9-0=8,9 \quad 15-0=15 \quad 8,9:15=0,593$$

$$K2= 0.828$$

K3: GDP 1997 \$1593

$$K3=1593-200=1393 \quad 5385-200=5185 \quad 1393 : 5185=0.268$$

$$HDI= K1 + K2 + K3=0.786+0.828+0.268=1.8819 \quad 1.8819 : 3= 0.627$$

$$HDI=0.627$$

CALCULATIONS

of the human development index of the Republic of Macedonia
(according to data of 1998)

First component

K1: - Life expectancy (85-25 years);

Second component

K2/1: - Literacy rate among adults (100%-0%);

K2/2: - Average years of education (15-0 years);

Third component

K3: GDP and income (\$40-\$200). The initial income value is taken from the global average value per capita from PPP \$5120.

First component

K1: Life expectancy (1995/1997) 72,38

$$K1= 72,138-25 =47.38 : 60(85-20) = 0,789$$

Second component

K2/1: Literacy rate (1994 Census) 94,6

$$K2/1 \quad 94.6-0=94.6 : 100=0,946$$

K2/2: Average number of years of education (1994 Census) 8.9

$$K2/2=8,9-0=8,9 \quad 15-0=15 \quad 8,9 : 15=0,593$$

$$K2= 0.828$$

⁴⁵ In view of the fact that the regular census in 1991 was boycotted by the Albanian minority, this was an additional census

K3: GDP 1996	4163\$
K3=4163-200=3963 5385-200=5185 3963 : 5185=	0.764
HDI=K1=K2+K3=0.789+0.828+0.764=2.3809 : 3=	0.793
HDI=0.793	

SOME FURTHER EXPLANATIONS

The calculation of the social product according to the method of purchasing power parity (PPP) is justified since the calculated gross domestic products cannot be realistically compared with the official currency of the American dollar. Namely, the official currency is not always the most reliable indicator of the purchasing power of the national currencies at the domestic market. For that reason, an International Comparison Programme (ICP) was established and was joined by the Republic of Macedonia in 1996 by calculating the costs/expenses of 1,000 products and services, some 700 products from the investment equipment and machines as well as 12 projects in the construction area. The purchasing power parity reflects the relative prices of the goods and services relating to the personal consumption, public consumption and investments. All those are expressed through the currencies of every country participating in the International Programme for Comparison. The social product of the Republic of Macedonia was for the first time calculated in this manner in 1998. That is the reason why there is a difference in the amount of the increased social product in dollars which, in turn, changed the entry value of the calculation of the human development index which can be seen in the report for HDI of 1998. Despite the fact that according to this method, our social product has absolutely increased, yet our relative place in comparison with the other national economies has not changed considerably. In fact, this project compares Austria, as point of departure (100%), with the other countries in regard to prices and purchasing power of the domestic currency at the national markets. The gross domestic product per capita in the Republic of Macedonia in 1996 amounting to 88,978 denars equaled 56,617 Austrian shillings or US\$4163 according to purchasing power parity (see Table '1996 Real GDP Per Capita According PPP' in Annexies). With this method, the factor of purchasing power parity is calculated as deflator, the GDP in Macedonia is 18.8% of the Austrian GDP. (State Statistical Office of Macedonia - Developmental and Methodological Issues, studies and documents, February 1999).

TABLES

Human Development Indicators

Life expectancy at birth 1994/96		Adult literacy rate 1994	Real GDP per capita (\$PPP) 1996	Total real GDP (in million \$PPP) 1996	HDI 1998	Real GDP growth rate (%) ²⁾	
male	female					1997	1998
70.1	74.4	94.6	4163	8255	0.793	1.5	2.9

Demographic Trends

Population growth % 1997 ¹⁾	Population density (per km ²) 1997	Population distribution (%), according to 1994 Census ²⁾		Gender distribution (%), according to 1994 Census ²⁾		Age structure of the population, according to 1994 Census (%) ²⁾		
		urban	other	male	female	under 14	15-64	over 65
1.0	77.7	59.8	40.2	50.1	49.9	24.9	66.5	8.6

Ethnic Distribution

According to 1994 Census ²⁾

Total %	Macedonian %		Albanian %		Turkish %		Roma %		Vlachs %		Serbs %		Other %		Undeclared %
100 1,945,932	66.6	1,295,964	22.7	441,104	4.0	78,019	2.2	43,707	0.4	8,601	2.1	40,228	1.9	36,427	0.1 1,882

1) Preliminary Data

2) In accordance with the Census Act, the total population includes:

1. Persons that have an official (legal) place of residence in the Republic of Macedonia, regardless whether at the time of Census they were present at their official (legal) place of residence or elsewhere in the Republic of Macedonia.
2. Persons who have a residence permit in the Republic of Macedonia and have been temporarily present in the country for at least one year, but have an official (legal) place of residence outside the Republic of Macedonia, with the exception of refugees and people under humanitarian care.
3. Persons who have an official (legal) place of residence in the Republic of Macedonia who at the critical moment of the Census, but for a maximum of one year prior to its conduct live and work abroad, together with members of their families.
4. Persons who have an official (legal) place of residence in the Republic of Macedonia who at the critical moment of the Census work in diplomatic and consular representative offices of the Republic of Macedonia, in UN and its organizations, representative offices or representatives of the Chamber of Commerce abroad, business offices, military personnel, other citizens engaged in international, technical and other kind of cooperation and education and members of their families.

Urban Popultaion

Urban (as % of the total population)			Annual growth rate of the urban population (%)	Number of population in the biggest city (as % of the total urban population)	City with the highest density of population on km ² (Skopje)
1953	1981	1994	1961/91	1994	1994
31.3	55.2	59.8	2.6	38.2	293

Distribution of Natural Resources

Total area of the country (km ²)	Population density (inhabitants per km ²)	Cultivable area (as % of the total areas)		Meadows and pastures (as % of the total area)		Forests and forested areas (as % of the total area)	
		1990	1998	1990	1998	1990	1998
25.713	77.7	23.8	22.6	27.41	27.61	38.46	39.55

Progress in Transition 1998

Central and Eastern Europe	Liberalization of				Calculated Level of Real Effects from Production	
	Trade and Market	Privatization and Restructuring	Financial Institutions	Legal Reforms	Private Sector	1989=100
Hungary	86	85	89	83	89	80
Poland	82	85	81	78	89	65
Czech	80	78	85	67	89	75
Estonia	77	70	85	72	78	70
Slovenia	71	70	78	67	67	55
Lithuania	70	70	70	61	78	70
Slovakia	70	78	81	56	56	75
Croatia	69	67	74	56	78	55
Bulgaria	68	67	63	56	89	50
Latvia	66	70	70	56	61	60
Romania	66	67	59	50	89	60
Macedonia	63	59	67	50	78	55
Albania	54	67	59	30	44	75*
Bosnia	39	44	41	33	33	35

(The Banker – EBRD Transition Report 1998)

Gender Indicators

Average age at first marriage (years)	In Education				In Work Burden		In Political Participation	
	Maternal mortality rate (per 1000 live births)		Female enrollment in higher education (as % of total number of students)		Graduated female in highers schools (as % of total number of students)		Participation of female in labour force (as % of total labour force)	Parliament (% of seats occupied by women)
	1990	1997	1990/91	1998/99	1990/91	1997/98	1998	1994 1998
1997								
23.1	11.3	3.4	51.7	55.1	53.8	58.1	38.5	3.3 7.5

Progress in Survival

Mortality rate (per 1000 inhabitants)		Infant mortality (per 1000 live births)		Average Life Expectancy					
				1993/95		1994/96		1995/97	
1990	1997	1990	1997	male	female	male	female	male	female
6.9	8.3	31.6	15.7	69.16	73.26	70.05	74.36	70.29	74.74

Health Profile

Vascular Disease Deaths (as % of total incidence)		Malignant Neoplasm Deaths (as % of total incidence)		AIDS cases		Alcohol consumption (liters per inhabitants)		Population per physician	Public expenditure for health care (as % of the total public expenditures)		Total health care expenditures (as % of GDP)	
1990	1997	1990	1997	1990	1995	1990	1997	1997	1990	1996	1990	1996
48.6	55.7	15.3	16.8	1	2	23.3	14.6	444.6	29.68	29.41	5.7	5.3

Education Imbalances

Number of enrolled pupils in primary education		Number of enrolled pupils in secondary education (14-21)		Number of graduated students in higher and university education		Number of enrolled students in higher and university education		Number of scientific researchers and technical experts per 1000 inhabitants		Rate of enrolled students at all educational levels (%) at the age of 6 to 23
1990/91	1997/98	1990/91	1997/98	1990/91	1997/98	1990/91	1998/99	1990	1997	1998
266,813	256,275	70,696	84,059	3,384	3,000	26,413	35,141	1.6	1.2	63.8

1996 Real GDP Per Capita According PPP

	in ATS	in US\$	Quantitative indices of GDP per capita Austria=100
Russian Federation	91,552	6,732	30.5
Romania	89,559	6,585	29.8
Belarus	70,150	5,158	23.3
Bulgaria	67,721	4,979	22.5
Croatia	85,307	6,272	28.4
Slovenia	179,338	13,187	59.7
Ukraine	45,146	3,320	15
Moldova	28,519	2,097	9.5
Estonia	90,232	6,635	30
Latvia	68,600	5,044	22.8
Lithuania	78,050	5,740	26
Albania	39,102	2,875	13
Macedonia	56,617	4,163	18.8
Austria	300,487	22,095	100

(The Banker –EBRD Transition Report 1998)

Nominal Value of GDP Per Capita for 1996

GDP per capita calculated with official exchange rate

	in ATS	Austria = 100
Russian Federation	30765	10.2
Romania	16466	5.5
Belarus	13990	4.7
Bulgaria	12661	4.2
Croatia	46450	15.5
Slovenia	100250	33.4
Ukraine	9225	3.1
Moldova	4891	1.6
Estonia	31395	10.4
Latvia	21804	7.3
Lithuania	22498	7.5
Albania	8668	2.9
Macedonia	23547	7.8
Austria	300487	100

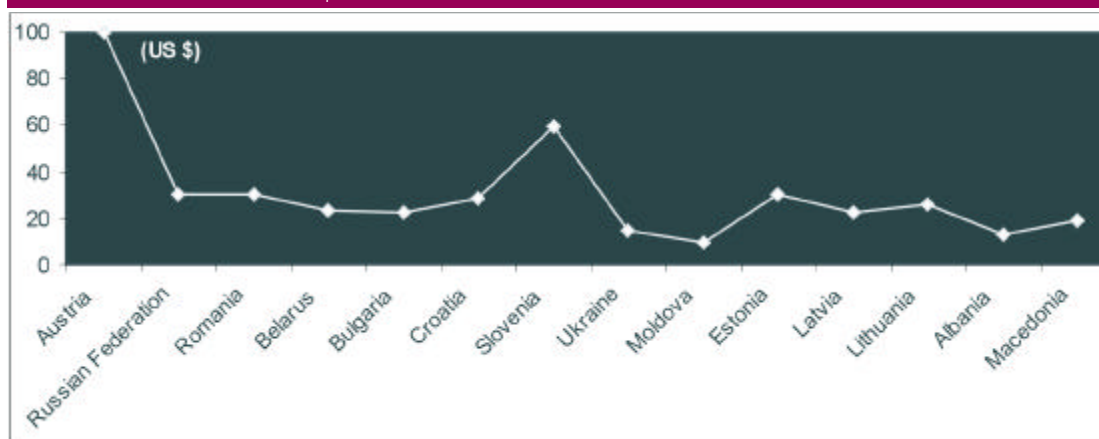
(The Banker –EBRD Transition Report 1998)

Comparative Level of Prices For 1996

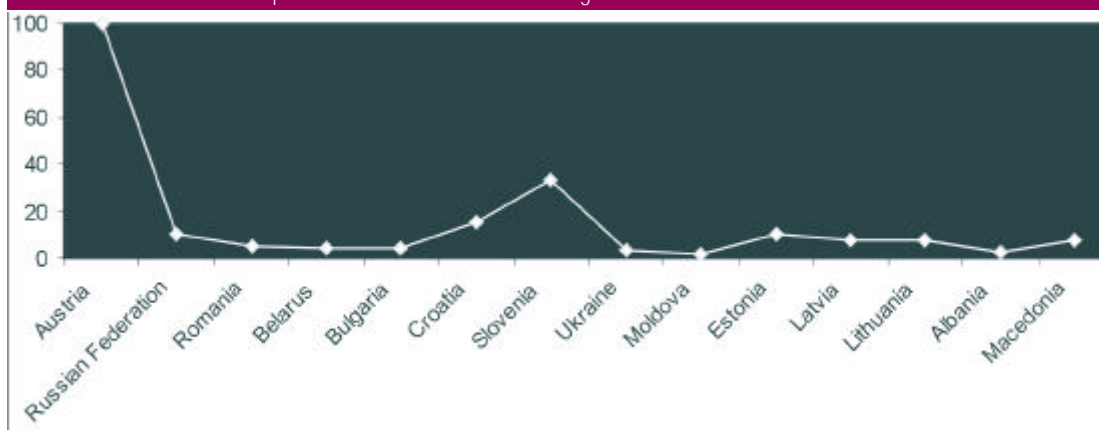
	Purchasing Power Parity National currency for ATS	Official Exchange Rate	Indices of comparative level of prices Austria=100
Russian Federation	162.668	484.0800	33.6
Romania	53.533	291.1700	18.4
Belarus	254.954	1278.4000	19.9
Bulgaria	3.08768	16.5150	18.7
Croatia	0.27977	0.5138	54.5
Slovenia	7.1491	12.7890	55.9
Ukraine	0.035326	0.1729	20.4
Moldova	0.074612	0.4351	17.1
Estonia	0.39566	1.1372	34.8
Latvia	0.0165560	0.0521	31.8
Lithuania	0.109040	0.3783	28.8
Albania	2.18896	9.874	22.2
Macedonia	1.57159	3.7787	41.6

(The Banker –EBRD Transition Report 1998)

Quantitative Indices of GDP Per Capita



Nominal Value of GDP Per Capita Calculated with Official Exchange Rate for 1996



Indices of Comparative level of Prices for 1996



Price Change

Country	1993	1994	1995	1996	1997
Poland	37.6	29.4	21.6	18.5	13.2
Czech Republic	18.2	9.7	7.9	8.6	10
Slovakia	25.1	11.7	7.2	5.4	6.4
Hungary	21.1	21.2	28.3	19.8	18.4
Romania	295.5	61.7	27.8	56.9	151.4
Albania	30.9	15.8	6	17.4	42.1
Bulgaria	63.8	121.9	32.9	310.8	578.5
Macedonia	229.6	55.4	9	-0.6	2.7

Source: Transition Report EBRD 1998

Economic Performance

GDP in billion US\$					GDP annual growth rate					GDP per capita annual rate (%)					Average inflation				
1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
3.4	3.3	3.4	3.4	3.5	-1.8	-1.2	0.8	1.5	2.9	-2.5	-2.2	-0.1	0.8	2.6	121.8	15.9	3	4.4	0.8

Deficits and Debts

Current account deficit (% of GDP)					Foreign exchange reserves (billion US\$)					Foreign debt (billion US\$)				
1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
-4.7	-5	-6.5	-7.4	-8.1	0.16	0.27	0.27	0.28	0.34	1.43	1.17	1.13	1.39	

Resource Use Imbalances

Public Expenditures as % of GDP 1996	Defense	Education	Health	Social Care ⁵⁾
39.3	2.7	4.5	5.3	14.9

5) Including pensions

Macroeconomic Structure

	1994 ¹⁾	1995 ¹⁾	1996 ¹⁾	1997 ²⁾
GDP (in million denars) total	146,409	169,521	176,444	185,023
Agriculture(% of GDP)	11.1	11.2	11.2	11.5
Industry (% of GDP)	20.3	20.1	19.9	20.2
Services (% of GDP)	66.1	52	51.7	52.2
Consumption	94.7	89	90.2	91.9
personal (% of GDP)	75.7	70.4	72.1	74.4
public (% of GDP)	19	18.6	18.1	17.5
Gross fixed capital formation (% of GDP)	15.3	16.5	17.4	17.5
Gross domestic saving (% of GDP)	10.6	15.6	13.9	-
Tax revenues (% of GDP)	24.2	22.8	22.2	20.1
Public expenditures (% of GDP) ³⁾	43.6	38.6	39.3	-
Exports (% of GDP)	38.2	33	28.2	35.8
Imports	48.4	42.8	38.5	50.1

1) Revised data

2) Preliminary data

3) Central budget, local budgets and social funds

Revenues and Expenditures of the Government Sector

	in million denars			as % of GDP		
	1994	1995	1996	1994	1995	1996
Revenues	66,077	67,878	68,628	45.1	40.0	38.9
tax revenues	37,360	39,635	39,547	25.5	23.4	22.4
social security contributins	22,536	23,387	24,482	15.4	13.8	13.9
property income	415	304	156	0.3	0.2	0.1
sales	3,556	3,515	4,184	2.4	2.1	2.4
other transfers	914	961	259	0.6	0.6	0.1
capital income	1,296	76	0	0.9	0.0	0.0
Expenditures	63,867	65,470	69,383	43.6	38.6	39.3
wages and salaries	19,287	21,405	21,901	13.2	12.6	12.4
procurement of goods and services	10,958	12,355	13,007	7.5	7.3	7.4
property income	2,177	405	1,289	1.5	0.2	0.7
subsidies	4,228	3,390	3,190	2.9	2.0	1.8
compensation for social security	22,028	23,147	25,141	15.0	13.7	14.2
other current transfers	402	902	404	0.3	0.5	0.2
capital expenditures	4,787	3,866	4,451	3.3	2.3	2.5
Total health care expenditures GDP	146,409	169,521	176,444			

Indices of Nominal and Real Salaries and Costs of Living

Year	Nominal net salaries	Cost of Living	Indices of real salaries
1990	100	100	100
1991	184.4	210.8	87.5
1992	1984.4	3396.6	58.4
1993	11818.8	15692.4	75.3
1994	24231.3	35825.7	67.6
1995	26815.6	41450.3	64.7
1996	27553.1	42403.7	65
1997	28321.8	43506.2	65.1

Employment by Sector

Agriculture and Fishery (%)	Industry and Mining (%)	Services (%)	Other (%)	Unemployment rate (%)
1998	1998	1998	1998	1998
19	28.3	44.6	8.1	35

Final Data from the Labour Force Survey, 1998

Social Product and National Income

Year	Social Product in 1972 prices	National Income 1972 prices
1990	20.8	18.3
1991	18.73	16.45
1992	16.39	14.38
1993	13.95	12.22
1994	13.72	12.03
1995	13.28	11.61
Indices		
1995/1986	57	56.1
Annual Average Growth rate		
1967/1995	1.2	1.1
1987/1995	-6	-6.2

Review of Industrial Production Growth

Year	Total 1970 =100	Index of industrial production 1990=100	Index of industrial production 1987=100
1991	220		76
1992	186		64
1993	160	60	55
1994	143	54	49
1995	128	48	44
1996	132	49	45
1997	134	50	46

Process of Discipline of the Monetary, Credit and Fiscal Policies

Year	Annual growth rate	Share of domestic money in GDP	Average real active interest rates	Average real passive interest rates	Budget deficit as %GDP
1994	87.9	14	5	-24.4	-2.9
1995	19.3	12	24.8	4.3	-1.2
1996	-3.1	12	18.8	9.3	-1.5
1997		14	16.1	6.9	-1.8
1998		13.6	20.1	10.8	-2.1

Source: National Bank of Macedonia

Crime

Prisoners Total		Juvenile inmates		Adults convicted for homicide		Adults convicted for rape		Adults convicted for illegal production and traffic of drugs	
1990	1998	1990	1998	1990	1998	1990	1998	1990	1998
1,282	963	115	81	58	33	44	28	37	117

Personal Distress

Divorces (as % of marriages)		Illegitimate births (as % of total livebirths)		Suicides (male) per 100,000 inhabitants	
1990	1997	1990	1997	1990	1997
4.8	7.3	7.1	8.9	4.6	5.7

Information Flow

Radio- subscribers (per 100 inhabitants)	TV subscribers (per 100 inhabitants)	Cinema visitors	Museum visitors (per 100 inhabitants)	Registered library users (per 100 inhabitants)	Daily newspapers (copies per 100 inhabitants)	Published book titles (per 100,000 inhabitants)	Letters sent (per capita)	Telephones (per 100 inhabitants)	Motor vehicles (per 100 inhabitants)
1998	1998	1998	1997	1998	1998	1998	1997	1997	1997
26	24	567,670	9	814	1,601	37	6.4	25.3	16.6

ANNEX I.1

Number of Operating Non-Government Organizations by Type of Activity

	Culture	Sport	Micro communes	Handicap, retired, children	Professional	Trade Unions	Women's, graduates and environment' s	Other
Number of organizations								
Total 3501	74	635	408	198	238	1.517	264	167
Percentage in total number								
Total 100	2.1	18.1	11.6	5.6	6.8	43.3	7.4	4.8
Percent in Total Number Excluding Trade Unions								
1984	3.7	32	20.6	9.9	12		13.3	8.4

Source: Office for Payment Operations, Skopje, 1999, internal document

ANNEX I.2

Total Revenues of Non-Governmental Entities Total Expenditures of the Business Sector The Budget of R. Macedonia

In MCD Denars								
Business Sector ¹ Total expenditures			Government ² Central Budget			Non-profit, non-government entities ³ Total Revenues		
1997	1998	index	1997	1998	index	1997	1998	index
363.386.000.000	389.272.000.000	107.1	41.393.297.320	42.622.958.920	102.9	2.307.219.000	2.616.674.000	113.4

Sources:

1. INFORMATION 3294, Skopje: Office of Payment Operations, April 1999

2. Public Management Profiles of Central and Eastern European countries: Former Yugoslav Republic of Macedonia, SIGMA: 1999

3. Office of Payment Operations, Skopje, 1999, internal material

ANNEX I.3

Average Salary by Sector		in MCD Denars			
Sector		1995	1996	1997	1998
Total		8,435	8,817	9,063	9,394
Commercial		8,080	8,569	8,888	9,288
Non Commercial		9,449	9,445	9,469	9,623
	Humanitarian organizations	11,239	11,273	11,679	11,716
	Professional Associations / Organizations	13,097	14,481	15,825	15,585
	Trade Unions	11,814	12,438	12,504	10,744
	Other Social Organizations	11,542	7,371	8,609	9,120
	Citizens' Associations	11,808			

ANNEX I.4

The Share of Investments in Total GDP		
	1989	1994
Poland	38.5	15.9
Czech Republic	26.8	20.5
Slovakia	29.7	17.1
Hungary	26.6	22.2
Romania	26.8	26.9
Bulgaria	33.1	13.1
Macedonia	n.a.	16

Source: Laski K., A. Bhaduri (1998), "Lessons to Be Drawn from Main Mistakes in the Transition Strategy", The Vienna Institute for International Economic Studies, mimeo. Published in S. Zecchini, ed., Lessons from the Economic Transition. Central and Eastern Europe in the 1990s, OECD: Kluwer Academic Publishers.