

The Impact of Territorial Re-Organisational Policy Interventions in the Republic of Macedonia

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ABSTRACT *This paper attempts to analyse territorial reorganisation policy interventions in Macedonia, first in 1995 and again in 2004, which overreached their aims and objectives; and where economic viability and institutional reform were trumped by ethnic factors in defining local government boundaries. The core argument is that through territorial reorganisation, opportunities are provided to major ethnic political parties, both Macedonian and Albanian, in order to exercise more power by increasing their 'market share' in local governments. This paper argues that this political approach adds to a higher level of segregation among ethnic communities. Further, this paper clearly explains how balancing political, economical and institutional qualifications for the two territorial policy interventions posed challenges in Macedonia due to its citizens perceptions and demographic profile.*

In understanding the need for territorial re-organisations in Macedonia, one must not ignore historical legacy and developments around the region in the last decade. Immediately after Macedonia became a sovereign and independent state in September 1991, the new Macedonian constitution was drawn up and later adopted in November 1991. This revealed tensions between two major ethnic groups over constitutional nationalism and the principle of democracy. It was not until 2001 when the Ohrid Framework Agreement was signed through mediation of the international community that the country's political leadership recognised the need for a new political discourse in order to bring more social and economic progress to the country.

KEY WORDS: Territorial reorganisation, decentralisation, municipality, territorial consolidation, local self-government reform

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Introduction

Every territorial reorganisation effort could be qualified as politically necessary, economically viable and institutionally a pressing need. In the case of Macedonia's two territorial policy interventions in 1995 and 2004, all three main qualifications were present though very much affected by pure political calculations by various involved groups, which at the time of the policy interventions proved to have clashing views on the future of the country.

Balancing all three components has been a clear challenge for many advanced states, let alone for a state with a lack of governing capacity due to its recent independence and the political turmoil in the region that began with the disintegration of the Former Yugoslavia. Additionally, these three components are all the more complex, given that the perceptions of the country's citizens are diametrically divided. Moreover, if the country's demographic profile is concentrated in one place or the legacy of history is still alive, every policy intervention in territorial reorganisation can generate elevated national feelings among citizens with different ethnic backgrounds. It is important to mention that such high national feelings potentially present conflicting expectations from territorially based organisations.

Very often political interpretations of such expectations are far from forming a common interest for all. Not being willing or able to 'politically sell' territorial reorganisation as 'good for all citizens', decision-makers have consciously or unconsciously contributed greatly to the stagnation of the country's economic development. Consequently, where territorial reorganisation could have been seen as a policy intervention affecting multiple stakeholders in the society and this opportunity used to foster economic development, territorial reorganisations in Macedonia have been the subject of political bargaining among the main political parties representing the country's two major ethnic groups – ethnic Macedonians and ethnic Albanians.¹ A dislocation of the proposed solution from the wider policy considerations, in order to narrow political bargaining, set forth the first building blocks for a political environment in which critical policy decisions were to be solved through political bargaining among top political leaders of major ethnic political parties.

Within this system of decision-making, political bargaining on nationally sensitive issues negatively contributed to the establishment of a common national interest. For this reason, the country's political environment is such that any demand coming from the minority would, first and foremost, be interpreted according to how it affects the majority position, or vice versa. In our view, such ethno-political justifications present the most fundamental deficiency in politics, in that they contribute greatly to postponing the solutions to such problems. This in turn brings a new approach to problem solving at higher levels of government. Interdependence is not much of a consideration in countries where fundamental reforms such as territorial reorganisation are taking place. Taking positional advantage is what counts.

In this paper we attempt to analyse territorial reorganisation policy interventions, first in 1995 and again in 2004, which overreached their aims and objectives, and where economic viability and institutional reform were trumped by ethnic factors in defining local government boundaries. The core argument is that through territorial reorganisation opportunities are provided to ethnic political parties, both Macedonian and Albanian, in order to exercise more power by increasing their ‘market share’ in local governments. Consequently, this political approach increases the level of segregation among ethnic communities.

Political-Constitutional Movements after Independence

Historical Legacy

After the disintegration of the Former Yugoslavia, Macedonia declared its independence on 8 September 1991.² Unlike Slovenia, Croatia, and, most tragically of all, Bosnia-Herzegovina, the Republic of Macedonia emerged peacefully from the collapse of the former Yugoslavia. Immediately after Macedonia became a sovereign and independent state, the new Macedonian constitution was drawn up and later adopted in November 1991. This revealed tensions between two opposing principles: the principle of constitutional nationalism, according to which the dominant *nation* in the state is sovereign and members of that *nation* are privileged over others, on the one hand; and the principle of democracy, according to which all are citizens of the state, regardless of their nationality (*nation*), are sovereign, on the other.³ In fact, this was a major point of contention during the parliamentary debates that took place while the Macedonian constitution was being drawn up. Would the Republic of Macedonia be a ‘national state’, or a ‘state of the Macedonian *nation*’? Would it be a ‘state of equal citizens’?

After long discussions that were held as part of an effort to gain legitimacy and recognition from the United Nations, European Community, and other international organisations, the former President Kiro Gligorov hoped to demonstrate his commitment to democracy, pluralism and the protection of minority rights.⁴ A compromise to the demands of the two major opposing political forces at the time – the party for the Internal Macedonian Revolutionary Organisation-Democratic Party for Macedonian National Unity (VMRO-DPMNE) and the party for the Democratic Prosperity (PDP) – was found and the preamble of Macedonian constitution defined the republic of as ‘the national state of the Macedonian people (ethnic group), in which full equality of as citizens and permanent coexistence with the Macedonian people is provided for Albanians, Turks, Vlachs, Romanies and other nationalities living in the Republic of Macedonia’. This compromise failed to please either the leaders of VMRO-DPMNE (who had argued that the Republic of Macedonia should be defined as ‘the national state of the Macedonian people and all citizens living in it’) or the leaders of PDP (who

argued that the Albanians should be referred to as 'one of the two constitutive nations of the Macedonian state').⁵

The Ohrid Framework Agreement (OFA)⁶ appears to be a result of unfinished debates in 1991 on the preamble and the constitution of the Republic of Macedonia. The OFA brought many constitutional amendments, including rewriting the preamble, legislation modifications, and implementation of confidence building measures. The rewritten preamble emphasises 'the citizens of the Republic of Macedonia, taking over responsibility for present and future of their fatherland'⁷ as well as explicitly stating Macedonia's sovereignty and territorial integrity, and the unitary character of the State as inviolable which must be preserved.

Future Prospects

During the period of struggle with internal problems in Macedonia, two critical developments were happening in immediate neighbouring countries and greater Europe. The war in Bosnia and Herzegovina, which was ended by the Dayton Agreement in 1995, had formed a very complex structure for the newly formed state.⁸ The result of the four-year war did not bring an ultimate winner. Rather it created a state with more than one entity within the same surface. Later, this was followed by the Kosovo crisis, which was ended by 53 days of NATO bombing of strategic targets in Serbia and Kosovo. While this was happening in immediately neighbouring countries, in Europe political unity was established through the European Union signed into existence by the Treaty of Maastricht in November 1993, replacing the European Economic Community, promoting economic and social progress among the peoples of Europe by creating an area without internal frontiers. The latter development in Europe was contrary to the aspirations of political leadership that were developed or affected by developments in Macedonia's immediate neighbours. A failure to recognise the need for a shift in strategic priorities led to slower implementation of reforms in social, economic and political areas. Therefore, Macedonia was not granted candidate status for EU membership until November 2005.

Change in Political Discourse

It was not until 2001 that the country's political leadership recognised the need for a new political discourse in order to bring more social and economic progress to the country. Challenges faced after the independence were not merely political; therefore, political solutions did not adequately respond to the expectations of all ethnic groups. Neither had they proved to be politically attainable. Soon it was realised that Macedonia's path to becoming a modern democratic state would be through recognising the multiethnic character of the society and encouraging the participation of all citizens in democratic life. For this reason, the development of local self-government was essential for

establishing strong relations between all the country's citizens. Clearly, with the decentralisation process aiming at giving more functional powers to local authorities, not only has Macedonia's road to democratisation been strengthened but also the state's unitary character has been consolidated.

Overview of the Decentralisation Process and its Importance for Political Objectives of the Territorial Reform

Decentralisation and the Framework Agreement

The Ohrid Framework Agreement (OFA) adopted in 2001 marked the beginning of a new phase in the recent history of Macedonian independence. The signing of the OFA came after extensive political negotiations among local political actors, with powerful international pressure for reaching a compromised solution. The OFA is an 'agreed framework for securing the future of Macedonia's democracy and permitting the development of closer and more integrated relations between the Republic of Macedonia and the Euro-Atlantic community. This Framework will promote the peaceful and harmonious development of civil society while respecting the ethnic identity and the interests of all Macedonian citizens'.⁹ With an end of ethnic incidents that symbolised the 2001 crises in Macedonia, a new political environment was gradually becoming more evident. OFA implementation became a major political opportunity for both Macedonian and Albanian political leadership, which later would prove to have some political limitations as well.

Under the OFA provisions, a census was carried out in 2002, after which a new territorial division was determined, and a new Law on Local Self-Government was enacted.¹⁰ As mentioned in the above sections, the rationale behind the new territorial division was to make local governments sustainable and more effective.¹¹ In practice, with the strong criticism of opposition parties, the proposal of territorial division created an ambivalent political environment, which reached its peak with the referendum organised for 7 November 2004. This referendum seriously affected the ongoing decentralisation progress in Macedonia, leaving lasting unwarranted perceptions on decentralisation of the general state of affairs as well as inflaming ethnic tensions once again.

Obviously, the road to the November 2004 referendum, among other things, came as part of the strong reaction to the new territorial reorganisation law. This strong reaction did not hide the frustrations among Macedonian opposition political parties to the new laws of decentralisation. Although the decentralisation process heats up as major provisions emerge from the OFA, discussions on issues on federalisation and the potential threat the state's unitary character.¹² In fact, it was the OFA that guaranteed the unitary character of the state.¹³ Yet in our interviews with high-level political figures and experts they strongly agreed that negotiations on the territorial reorganisation law in 2004 resulted in compromise with an emphasis on ethnic

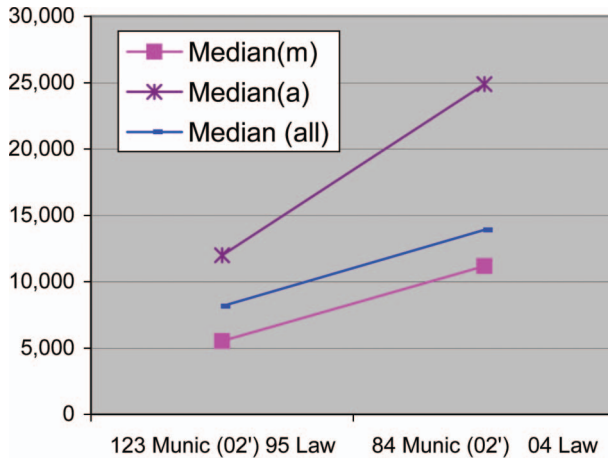


Figure 1. Median population size of cities with majority ethnic Macedonian (m) and majority ethnic Albanian (a) population, before and after the second 2004 territorial reform organisation.

Source: Figure produced by the authors using data from the Macedonian Office of Statistics.

Notes: X-axis: Size of cities (median) with majority ethnic Macedonian (m) and majority ethnic Albanian (a) before and after 2004 territorial reorganization.

politics, and were not driven by the rationale of decreasing the number of local governments by creating bigger and more efficient municipalities. Although the law, as is demonstrated in Figure 1, created more Albanian-dominated municipalities with higher populations, it did not decrease the total number of municipalities overall as proposed by professionals. The mean population size per municipality increased after second territorial reorganisation policy intervention in 2004.

One other, less noticeable, result of the 2004 territorial reorganisation is the increase in the number of municipalities that are dominated by a single ethnic group. There are two important aspects of municipalities that are dominated by a single ethnic group. First, prior to the second policy intervention for territorial reorganisation in 2004, areas densely populated by Albanian ethnic groups (e.g., the western region, including major cities such as Skopje, Tetovo, Gostivar, Debar, areas of Kumanovo, and around Kicevo) the new territorial reorganisation created frustration because of OFA provisions on the empowerment of the local self governments substantially enlarging the breadth of powers wielded by elected officials in local self governments.¹⁴ Because such expanded powers among local officials are likely to fall to the dominant ethnic group within a given municipality, this trend has contributed significantly to negative perceptions of territorial reorganisation. Second, the OFA provision on the use of languages at local government units dictates that languages spoken by at least 20 per cent of population within boundaries of a municipality are also

considered to be 'official' languages in those municipalities. The use of languages other than Macedonian as a second official language when communicating between local and central government authorities has created tensions that have put additional pressure on widespread perceptions of these reforms. It is for these reasons that discussions relating to territorial organisation tend to revolve around issues of relative levels of ethnic dominance.

Local Self-Government Territorial Division in Macedonia (1995 and 2002)

In the sections below we analyse population size characteristics of local governments in Macedonia from the time of Macedonia's independence to the present. We also analyse this through an examination of how European values are associated with decentralisation. In addition we offer quantitative analyses of such variables as median population change within each of the local governments. We also compare the proportions of ethnic Macedonians, ethnic Albanians, and other ethnic groups living as majority or minority in local government units.

Macedonia and the European Experience

During each of the two territorial organisation reforms, experts proposed that the number of local governments should be smaller than the number of local governments approved in Macedonia's Parliament. The resulting number of local governments is a result of the political bargaining process taking place therein. During the first territorial reorganisation, about 80 local governments were initially proposed. After the political bargaining process, the reform was adopted with 123 local governments. In the second instance, the proposed number of local governments was set at 50, and the reform outcome was 84 local governments. By comparing the Macedonian case with European experience in local government, we can see that the case of Macedonia is not an outlier, especially with regard to the second effort at reform. One can say that Macedonia's territorial reform has been driven by a combination of a European-style pattern and other internal characteristics that are mostly based on political economies of ethnically mixed regions as well as local patriotism in regions of the country that are not ethnically mixed. Northern European countries are characterised by smaller numbers of local governments, relative to population size; southern European countries are characterised by larger numbers of local governments, relative to the size of the country's overall population. Whereas Great Britain has 540 local governments, France, with a similar population, has 36,000 local government entities. There is a lot of variation in average populations in Europe. France, for example, has on average very small municipalities, with 1,500 inhabitants. On the other hand, Great Britain's average local government/municipality has a

population of about 120,000. Macedonia in this context has characteristics that are more similar to those found in northern Europe countries. If we view these two processes as part of a traditional framework of the European values ascertained with decentralisation three major natural traditions of territorial reform prevail:¹⁵

- Liberty (autonomy): the existence of local government counteracts the over-concentration of political power and allows diverse political choices in different localities;
- Participation (democracy): the existence of local governments encourages the inclusion of citizens in governance;
- Effectiveness: local governments are efficient structures for the delivery of services tailored to the varying needs of different localities.

In relation to the motives for the size, liberty (autonomy) and participation (democracy), European values are tied to decentralisation. Such so-called natural traditions prevailed in the first territorial reform whereas effectiveness, so-called functional traditions, prevailed in the second territorial reform. Given that the first territorial reform was the first step towards decentralisation in the country, it increased the number of local governments from 30 to 123. At that point, the goal was to bring the government, and thus local policies, closer to average citizen. Later, the need for second territorial reform emerged in line with the country's further efforts to decentralise. The plan was to carry out territorial consolidation in order to have bigger local governments (as shown in Table 1 below) capable of coping with their new functions.

Ethnic Political Economy of Territorial Reform

The decentralisation process after the OFA (2001) required substantial increases in budget competencies (expenditure and revenues), and consolidation in territorial reform. Revenue assignments were accompanied by

Table 1. Number of local governments with population size groups before and after second (2004) territorial organisation reform

	Before 2004 reform (2002 data)	After 2004 reform (based on 2002 data)
Up to 1,000	5	0
1–5,000	42	16
5–10,000	24	16
10–20,000	26	21
20–50,000	15	17
50–100,000	9	13
Over 100,000	2	1

the empowerment of local governments to set the tax base within the range of their own source of revenues. In addition to this, local governments were granted the opportunity to collect their own funds. Planned increases in the scope of local government powers therefore became a prerequisite for consolidation process.

The judgment was that not all – then 123 – local governments were able to cope with additional new responsibilities. The government therefore formed working groups for decentralisation out of the representatives from different central government agencies, alongside representatives of the Association of

Table 2. Consolidated table with statistical measures of population

Total Population	Average (m)	Median (m)	Average (a)	Median (a)	% of Pop (m)	% of Pop (a)
30 Munic	60,980	25,287	84,288	62,679	78.34%	21.66%
123 Munic (94') 95 Law	16,399	5,589	15,546	11,746	77.53%	19.97%
123 Munic (02') 95 Law	16,676	5,517	16,426	11,992	76.68%	21.93%
84 Munic (02') 04 Law	22,339	11,179	34,109	24,895	70.70%	26.99%

Notes: Average (m)/Median (m) Average/Median population of municipalities with majority ethnic Macedonians. Average (a)/Median (a) Average/Median population of municipalities with majority ethnic Albanians. Pop (m) % of population living in municipalities with majority ethnic Macedonians. Pop (a) % of population living in municipalities with majority ethnic Albanians.

As Majority	Average (m)	Median (m)	Average (a)	Median (a)	% of Pop (m)	% of Pop (a)
30 Munic	47,433	24,387	52,542	28,351	91.50%	59.56%
123 Munic (94') 95 Law	13,408	4,739	12,097	9,765	95.18%	69.09%
123 Munic (02') 95 Law	13,370	4,482	13,066	10,879	95.80%	69.30%
84 Munic (02') 04 Law	18,788	9,894	25,241	22,648	92.64%	79.33%

Notes: Average (m)/Median (m) Average/Median number of ethnic Macedonians in municipalities with majority ethnic Macedonians. Average (a)/Median (a) Average/Median number of ethnic Albanians in municipalities with majority ethnic Albanians. Pop (m) % of ethnic Macedonians living as majority at local level of all ethnic Macedonians in national level. Pop (a) % of ethnic Albanians living as majority at local level of all ethnic Albanians in national level.

As Minority	Average (m)	Median (m)	Average (a)	Median (a)	% of Pop (m)	% of Pop (a)
30 Munic	22,030	21,025	7,136	26	8.50%	40.44%
123 Munic (94') 95 Law	2,013	241	1,381	7	4.82%	30.91%
123 Munic (02') 95 Law	1,818	224	1,628	6	4.20%	30.70%
84 Munic (02') 04 Law	4,779	1,209	1,548	22	7.36%	20.67%

Notes: Average (m)/Median (m): Average/Median number of ethnic Macedonians in municipalities living as minority. Average (a)/Median (a): Average/Median number of ethnic Albanians in municipalities living as minority. Pop (m) % of ethnic Macedonians living as minority in local level of all ethnic Macedonians in national level. Pop (a) % of ethnic Albanians living as minority in local level of all ethnic Albanians in national level.

Units of Local Self-Government and other organisational experts. The task of the working group was also to develop a plan for improved territorial organisation.

In addition to this, the government hired a technical group of experts, which proffered the recommendation of territorial reorganisation into 50 local government units. In developing their criteria, experts took into consideration proposed territories of local governments, whether localities are functionally connected with local government centre, whether the local government territory would represent a cohesive territory, as well as geography and economic potentials.¹⁶ While there was a public debate organised for the 2nd Law on Local Self-Government and later for the Law on Local Government Finance,¹⁷ there was no public debate for the Territorial Organisation Law that was adopted in 2004. This is indeed in contrary to the European Charter of Local Self Government,¹⁸ ratified by the Parliament of the Republic of Macedonia in 1997. Although technical experts presented a clear proposal and the decentralisation working group developed criteria for territorial organisation, the final proposal resulted only from direct negotiations between coalition partners that were in power at the time, the dominant ethnic Macedonian party and their ethnic Albanian partner. This is reflected in the size patterns of local governments, which depend on whether the majority population of a local government is ethnic Macedonian or ethnic Albanian.

The patterns in population size and ethnic proportions in each local government tend to favour ethnic Macedonians in ethnic Macedonian majority areas and ethnic Albanians in areas with an ethnic Albanian majority. As shown in Figure 2 the difference between median population size for local governments with majority of ethnic Macedonians or ethnic Albanians is a legacy issue. The relative differences in size existed in the past. This difference was retained after the first territorial organisation policy intervention.

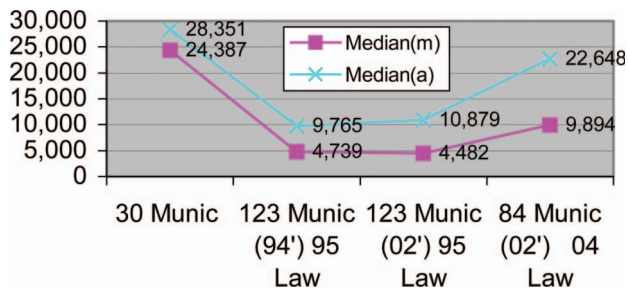


Figure 2. Median size of municipalities with majority ethnic Macedonians and ethnic Albanians. *Source:* Figure produced by the authors using data from the Macedonian Office of Statistics. (m) Municipalities with majority ethnic Macedonian population; (a) Municipalities with majority ethnic Albanian population.

With the territorial consolidation process, the second territorial reform policy intervention, such difference became larger. The results of the second policy intervention, in terms of the ethnic populations of local governments are presented in Figure 3. This is a result of the political bargaining that created such divisions. Political parties representing ethnic Albanian constituencies tended to favour consolidations meant to increase the number of local governments with ethnic Albanian majorities. Similarly, political parties representing ethnic Macedonian constituencies favoured consolidations that increased the number of local governments with Macedonian majorities. Interviews with key policymakers involved in the decentralisation process and experts involved in supporting the decentralisation process supported the above conclusions. The same also applies for proportions of both ethnic groups previously living as local majorities and minorities, as they consolidated into mono-ethnic groups when represented at the national level. The proportion of ethnic Macedonians living as majorities at the local government level to all ethnic Macedonians in Macedonia is higher than the proportion of ethnic Albanians living as majority groups at the local level to all ethnic Albanians in Macedonia.

Statistical measures such as the average of the total population size of local governments, median of the total population size controlled for ethnic Macedonian and ethnic Albanian groups, including percentages of both ethnic groups living as majority and minority at the local level out of their total number at the national level are presented in sections A, B and C of Tables 3, 4 and 5 in detail. We have also taken into consideration local governments where other ethnic groups constitute majority populations.¹⁹

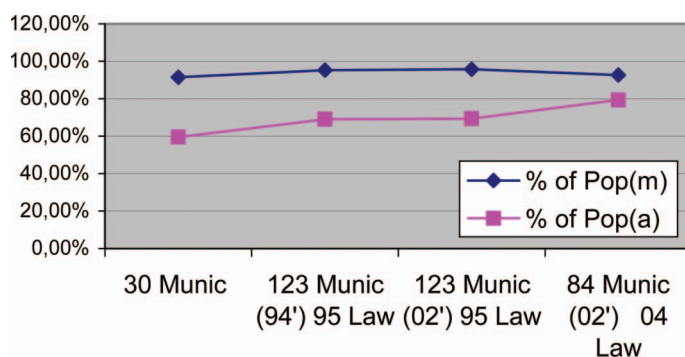


Figure 3. Percentage of ethnic Macedonians and Albanians as majority in respective municipalities relative to the national population.

Source: Figure produced by the authors using data from the Macedonian Office of Statistics. 30 Municipalities 1990–1995; 123 Munic (94') 95 Law – 123 Municipalities 1995–2004 Census 1994. 123 Munic by 1995 Law; Census 1994 and 123 Munic by 1995 Law; Census 2002. 84 Munic by 2004 Law; Census 2002. Pop(m): Proportion of ethnic Macedonians living as majority at local level; Pop(a): Proportion of ethnic Albanians living as majority at local level.

Table 3. 123 Local Governments Census 1994 (after first intervention)

123 Municipalities after 1994 Law (1995 Census)					
3-A Total population measures					
Municipalities with majority ethnic Macedonian population		Municipalities with majority ethnic Albanian population		Municipalities with majority Population other than ethnic Albanians or Macedonians	
Average	16,399	Average	15,546	Average	8096.5
Median	5,589	Median	11,746	Median	7756
StDev	23,787	StDev	13,589	StDev	3980.202
Min	456	Min	2,116	Min	3951
Max	118,079	Max	65,318	Max	14301
# Municip	92		25		6
% of Muni Population	74.80%		20.33%		0.04878
% of Pop	77.53%		19.97%		0.024964
3-B Ethnic group measures					
Ethnic Macedonians living as majority at local level		Ethnic Albanians living as majority at local level		Others living as majority at local level	
Average	13,408	Average	12,097	Average	5,639
Median	4,739	Median	9,765	Median	4,519
StDev	19,149	StDev	8,345	StDev	3,057
Min	456	Min	1,054	Min	3,368
Max	105,394	Max	38,765	Max	11,587
Population	1,233,556		302,433		33,835
% proportion	95.18%		69.09%		15.94%
3-C Ethnic group measures					
Ethnic Macedonians living as minority at local level		Ethnic Albanians living as minority at local level		Others living as minority at local level	
Average	2,013	Average	1,381	Average	1,525
Median	241	Median	7	Median	441
StDev	4,370	StDev	4,093	StDev	2,648
Min	0	Min	0	Min	0
Max	20,733	Max	23,526	Max	14,262
Population	62,408	Population	135,303	Population	178,419
%of Population	4.82%	% of population	30.91%	% Population	84.06%
Over 20%	5	Over 20%	13	Over 20%	11
Pop over 20%	46,989	Pop over 20%	99,066	Pop over 20%	24,805
	3.63%		22.63%		11.69%

In three of four snapshots that represent actual territorial organisations before and after both interventions, the median size of local governments with majority populations of ethnic Albanians is about twice that of local governments with ethnic Macedonian majorities. Around 20 per cent of local governments have ethnic Albanians in all four snapshots. The percentage of ethnic Albanians living as majority in local level increases after the first and second intervention, respectively. The percentage increased from 59.56 per cent to 69.09 per cent in the first policy

Table 4. 123 Local Governments Census 2002 (after first intervention)

123 Municipalities after 1994 Law (2002 census)					
4-A Total population measures					
Municipalities with majority ethnic Macedonian population		Municipalities with majority ethnic Albanian population		Municipalities with majority population other than ethnic Albanians or Macedonians	
Average	16,676	Average	16,426	Average	9,400
Median	5,517	Median	11,992	Median	6,299
StDev	24,797	StDev	14,405	StDev	6,946
Min	316	Min	2,128	Min	4,545
Max	125,379	Max	70,841	Max	17,357
# Municip	93		27		3
% of Muni	75.61%		21.95%		2.44%
Population	1,550,852		443,494		28,201
% of Pop	76.68%		21.93%		1.39%
4-B Measure by ethnic group					
Ethnic Macedonians living as majority at local level		Ethnic Albanians living as majority at local level		Others living as majority at local level	
Average	13,370	Average	13,066	Average	7,780
Median	4,482	Median	10,879	Median	5,048
StDev	19,702	StDev	9,579	StDev	4,369
Min	314	Min	1,158	Min	4,491
Max	113,057	Max	45,316	Max	13,801
Population	1,243,432		352,781		23,340
% proportion	95.80%		69.30%		10.83%
4-C Measures by ethnic group					
Ethnic Macedonians living as minority at local level		Ethnic Albanians living as minority at local level		Others living as minority at local level	
Average	1,818	Average	1,628	Average	1,601
Median	224	Median	6	Median	406
StDev	4,280	StDev	5,014	StDev	2,662
Min	2	Min	0	Min	2
Max	19,956	Max	27,290	Max	14,420
Population	54,549	Population	156,302	Population	192,143
% population	4.20%	% population	30.70%	% population	89.17%
Over 20%	3	Over 20%	16	Over 20%	15
Pop over 20%	13,323	Pop over 20%	121,509	Pop over 20%	34,945
	1.03%		23.87%		16.22%

intervention and further increased in the second intervention from 69.3 per cent to 79.33 per cent. On the other hand, 91.50 per cent of all ethnic Macedonians at the national level lived in local government areas where they represented the majority of the population, and later after the slight increase to 95.18 per cent the number fell from 95.8 per cent to 92.64 per cent. Figure 4 presents the percentages of both ethnic groups living as minority in local level. We see that the percentage of ethnic Albanians relative to the total number of ethnic Albanians at the national level drops.

Table 5. 84 Local Governments Census 2002 (after second intervention)**84 Municipalities (2002 census)**

5-A Total population measures

Municipalities with majority ethnic Macedonian population		Municipalities with majority ethnic Albanian population		Municipalities with majority Population other than ethnic Albanians or Macedonians	
Average	22,339	Average	34,109	Average	11,662
Median	11,179	Median	24,895	Median	10,044
StDev	24,541	StDev	25,220	StDev	7,915
Min	1,322	Min	10,420	Min	4,545
Max	105,484	Max	86,580	Max	22,017
# Municipalities	64		16		4
% of Municipalities	76.19%		19.05%		4.76%
Population	1,429,706		545,742		46,649
% of Pop	70.70%		26.99%		2.31%

5-B Measures by ethnic group

Ethnic Macedonians living as majority at local level		Ethnic Albanians living as majority at local level		Others living as majority at local level	
Average	18,788	Average	25,241	Average	7,182
Median	9,894	Median	22,648	Median	5,166
StDev	20,300	StDev	15,720	StDev	4,493
Min	1,033	Min	9,770	Min	4,491
Max	84,616	Max	60,886	Max	13,904
Population	1,202,410		403,852		28,727
% proportion	92.64%		79.33%		13.33%

5-C Measures by ethnic group

Ethnic Macedonians living as minority at local level		Ethnic Albanians living as minority at local level		Others living as minority at local level	
Average	4,779	Average	1,548	Average	2,329
Median	1,209	Median	22	Median	817
StDev	7,047	StDev	3,968	StDev	2,964
Min	34	Min	0	Min	11
Max	20,336	Max	27,290	Max	14,448
Population	95,571	Population	105,231	Population	186,306
% of population	7.36%	% of population	20.67%	% of population	86.46%
Over 20%	6	Over 20%	12	Over 20%	8
Pop over 20%	70,748	Pop over 20%	72,277	Pop over 20%	18,725
	5.45%		14.20%		8.69%

Given that the variables for ethnic Albanian and ethnic Macedonians vary according to whether local governments with majority of ethnic Albanians live in larger local government areas supports the belief that the opposing strategies of political parties representing each ethnic community were based on a strategy of consolidation among ethnic Albanians and fragmentation for ethnic Macedonians. This is primarily attributable to regions with ethnically mixed populations. Of course, there are cases of opposition to consolidation in regions with mostly mono-ethnic representation.

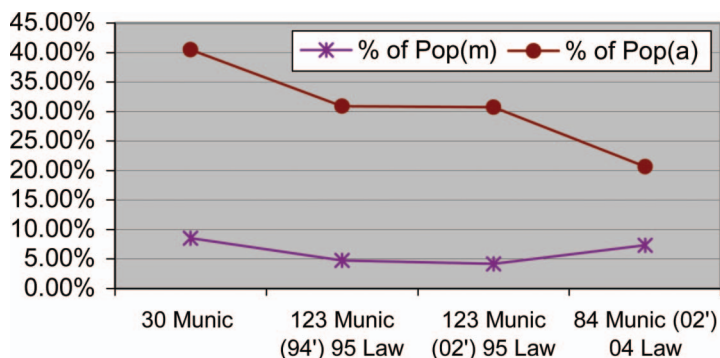


Figure 4. Percentage of Macedonians and Albanians living as a minority.

Source: Figure produced by the authors using data from the Macedonian Office of Statistics. 30 Municipalities 1990–1995; 123 Munic (94') 95 Law – 123 Municipalities 1995–2004 Census 1994. 123 Munic by 1995 Law; Census 1994 and 123 Munic by 1995 Law; Census 2002. 84 Munic by 2004 Law; Census 2002. Pop (m): – Proportion of ethnic Macedonians living as minority at local level; Pop (a) – Proportion of ethnic Albanians living as minority at local level.

The obvious differences in size where there are no additional factors other than the ethnicity of the majority population, and the trend of increasing percentages living as majority ethnic groups at the local level, combined with the fact that ethnic Albanians tend to live in more densely populated areas, support the contention that the ethno-political economy played an important role in both territorial organisation policy interventions.²⁰ This contention was further supported by the interviews done for the purpose of this research. On the other hand, trends that show increased percentages of ethnic Albanians majority municipalities is not solely the result of the territorial reform policy interventions. This is due to demography movements as well. People decide to live in local governments where their ethnic group is a majority.

Did the Consolidation Bring Efficiency?

As stated in the beginning of this chapter, the efficiency and effectiveness of the second territorial reform are difficult to prove because this reform was concurrent with the devolution of powers and revenues. Revenue assignments were also accompanied by the authority of local governments to collect their own revenues. Before the decentralisation process became effective, local government revenues were collected by the central government. Although property tax collection increased threefold from 2004 to 2006²¹ it is difficult to attribute to what extent this is based on territorial consolidation. However it is likely that increases in collected revenues is largely attributable to the incentives of local governments to collect their own resources.

Comparisons of expenditure and revenue data per capita in 2006 and 2004²² support contentions regarding the necessity of the second territorial organisation and consolidation. With the new expenditure assignments, the size of local governments has come to matter much more than it did before decentralisation. The correlation coefficients between population size of a locally governed area and tax revenues per capita, non-tax revenues per capita and transfers per capita after the 2004 territorial consolidation – including new assignments – for 2006 are 0.326, 0.494, and -0.46 respectively.²³ Correlations for the same variables under the earlier 123 local governments, before the new expenditure and revenue assignments, were 0.074, -0.086 , and -0.297 . The data show that there is much larger association between population size and the tax, non-tax and transfer revenues per capita for consolidated and decentralised environment in 2006 in comparison to the fragmented and more centralised environment of 2004. This is also supported when we compare mean values of tax revenues per capita, non-tax revenues per capita, and transfers per capita before and after consolidation. Mean values per capita after consolidation are higher than the values before the consolidation. This figure leads us to believe that the decentralisation process, combined with consolidation, was positive in respect to revenue efficiency in average. However, the difficulty here is the concurrency between territorial reform, territorial consolidation and the fiscal decentralisation reform which brought more revenue to the municipalities.

As for expenditures, the same difficulties would apply because expenditure assignments after the territorial organisation were much greater for local governments. The average share of administration expenditures²⁴ to total expenditures before and after territorial reform are: 24.07% (median 23.98%, st. dev. 11.6) and 23.4% (median 23.76%, st. dev. 8.51) respectively. The share remains the same. Correlations between population size in local governments and the share of administration to total administration, administration expenditures per capita and total expenditures per capita are -0.533 (the share of administration to total population is associated negatively with size of population), 0.0480 (no association between total expenditures per capita and population, because of transfers), and -0.448 (the administration expenditures per capita are negatively associated with population size) respectively for 2006 actual budgets.

For the actual year 2004, before the policy intervention and less expenditure assignments, correlations between size of population in local governments and share of administration to total expenditures, administration expenditures per capita and total expenditures per capita are -0.299 (less association than after the policy intervention) and -0.145 (weaker association), respectively. Accordingly, in both cases, share of the administration expenditures to total expenditures tends to be smaller in larger municipalities, though after territorial consolidation the association between these two parameters is moderate; and before the territorial

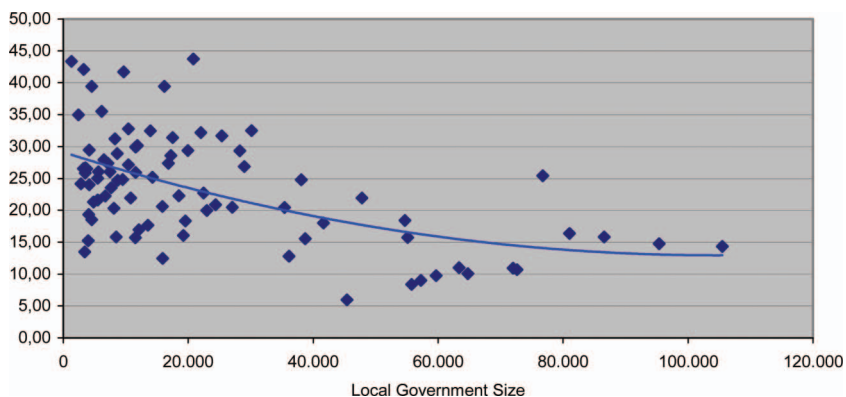


Figure 5. Salaries as percentage of total municipal expenditures (2006).

Source: Figure produced by the authors using data from the Macedonian Office of Statistics.

consolidation there is weaker association. The smaller municipality the larger expenditures per capita and this association is stronger after the consolidation reform. Again, by looking to the expenditure side we can see that there is a stronger negative association between local population size and administration expenditures, and between local population size and total expenditures after the decentralisation with consolidated territorial arrangement in comparison to the more fragmented environment that existed before decentralisation.

Comparison of correlation coefficients demonstrates that population size matters much more after the territorial reform policy intervention. There are much stronger associations between population size and efficiency in revenue collection as well as population size and expenditures for administration or share of administration to total expenditures. These parameters cannot be compared before and after territorial reforms because, parallel to territorial reform, municipalities received additional competencies such as fiscal and administrative functions. In this situation, as in the example of Macedonia where consolidation coincided with the devolution of powers, the main issue is that of establishing balance and clarity of objectives, be they politically or efficiency-related. However, whether or not the consolidation was enough, one should probably analyse expenditures to make further comparisons between large and small local governments in Macedonia, once a period of stabilisation in the devolution of powers has been established.

Conclusions

The pattern of the specific sizes of local governments in post-independence Macedonia tends to follow the assigned set of functions within local

governments. One could argue that the average size of local governments has followed the level of decentralisation and thereby the first territorial organisation reform mostly followed 'natural'²⁵ traditions of European local governments in respect to role and origin. Natural traditions argue that the existence of local government is 'natural' for communities. The basic role of local government is to express diverse identities of local communities. This is reflected in the substantial increase in the number of local governments. The second territorial reform organisation occurred as a consequence of additional expenditure assignments to local governments. Arguments for 'functional' traditions of European local governments' roles and origins were presented in support of its usefulness in delivering public functions more efficiently.

The second territorial organisation reform was part of an overall decentralisation process, which in itself had its impetus in the Ohrid Framework Agreement. This might support the argument of the majority ethnic group, ethnic Macedonians, who that perceive the decentralisation process as undermining the unitary character of the state and favouring the ethnic Albanian community. In both territorial reforms it is difficult not to notice the role of ethnic politics in defining municipal boundaries. The most disparate interests in the territorial organisation reform process were found in the regions populated by the two largest ethnic communities, ethnic Macedonians and ethnic Albanians.

It is also worth mentioning that during the territorial reform process the views of experts were more closely aligned with the efficiency and effectiveness criteria, focusing more on financially sustainable local governments, whereas the interests of the leaders of political parties, depending on their ethnic constituencies, were reflected in their calculations, which in turn were based on win-lose zero-sum criteria. Factors such as the self-identity of local communities appear to have a greater influence on determining a win or loss in a municipality.

Finally, efficiency or effectiveness arguments are usually used to initiate a territorial reform such as consolidation. Other arguments, such as bringing the governments closer to the 'median citizen', are used to initiate territorial reforms leading to more fragmentation. In both cases, be it in consolidation or fragmentation, defining municipal boundaries in ethnically fragmented societies determinants such as functional traditions tend to yield to ethnic criterion.

Notes

1 See Table 2 for detailed information.

2 Two important aspects of the referendum held on 8 September 1991 are: first, Albanians boycotted this referendum, expressing dissatisfaction with their minority status in a variety of ways; and second, the extension of the right to vote, meaning that voting included all people who identified themselves as Macedonians regardless of where they were born, where they lived, or what states they were citizens of.

- 3 Danforth (1995).
- 4 Ibid: 144.
- 5 Ibid: 145.
- 6 The Ohrid Framework Agreement was signed on 13 August 2001 in Ohrid, through the mediation of international community. Available at: http://www.coe.int/t/e/legal_affairs/legal_co-operation/police_and_internal_security/OHRI-D%20Agreement%2013August2001.asp
- 7 For full modifications see OFA constitutional amendments; *ibid*.
- 8 For more detailed information, see discussions on Dayton Peace Agreement. Available at: http://www.pbs.org/newshour/bb/bosnia/dayton_peace.html
- 9 The Ohrid Framework Agreement (see note 7).
- 10 The Law on Local Self Government, *Official Gazette of Republic of Macedonia*, No. 5 (January 2002).
- 11 *Ibid*.
- 12 See Friedman (2003), OSCE (2007), and Analytica (2006).
- 13 See OFA, 1.2: 'Macedonia's sovereignty and territorial integrity, and the unitary character of the State are inviolable and must be preserved. There are no territorial solutions to ethnic issues.'
- 14 Based on OFA provisions on the development of decentralised government, the competencies of elected officials were expanded to the areas of public services, local economic development, urban and rural planning, environmental protection, culture, local finance, education, social welfare, and health care.
- 15 Cited in Swianiewicz (2003).
- 16 Authors were not able to find written documents. Private conversation with key political figures during the time of discussion for territorial organization.
- 17 The Law on Local Government was adopted in 2002 and the Law on Local Government Finance in 2004. The form of public debate was through public workshops in city halls in biggest cities in Macedonia and expert seminars organised in Skopje. The debate was mostly supported and financed by the international community, e.g., USAID, the United Nations Development Program, the Organization for Security and Co-operation in Europe.
- 18 This is clearly stated under European Charter of Local-Self Government, Article 5, Protection of Local Authority Boundaries, 'Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.'
- 19 Variables are calculated based on the census data for 1994 and 2002.
- 20 Given the policy framework objectives both in the first intervention and the second intervention, ethnic politics had a key role. Namely, ethnic Albanian political parties tried to increase the number of municipalities dominated by Albanian population which in turn will have an Albanian mayor whereas, ethnic Macedonian political parties tried to maintain the number of municipalities dominated by the Macedonian population. In some cases the key role of local government was to keep number of ethnic Albanians below 20 per cent – attempted by ethnic Macedonian political parties – or to get the number of ethnic Albanians above 20 per cent – attempted by ethnic Albanian political parties.
- 21 USAID-funded project, USAID Assistance Doubles Tax collection. Available at: http://www.mlga.com.mk/success_stories_more.php?id=56
- 22 We did not take into consideration the 2005 actuals because the revenue assignments become effective in 1 July 2005, the mid-fiscal year for Macedonia.
- 23 See Tables 2, 4 and 5 for correlation data.
- 24 By administration expenditures we mean salaries. These expenditures are coded as 40 in the expenditures classification.
- 25 See detail explanation in Sharpe (1973).

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