



# THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

## BACKGROUND

The former Yugoslav Republic of Macedonia has enjoyed relatively steady economic growth since weathering the 1998 financial crisis. Although still the poorest of the Yugoslav successor states, it qualifies as an upper-middle-income country, with GNI per head hitting US\$5,140 in 2015.<sup>1</sup> GDP grew by 3.7 percent in 2015 and, although a dip to 2 per-

cent is now forecast for 2016, growth rates are expected to surpass 3 percent in 2017 and 2018.<sup>2</sup> Assiduous efforts have been made to court foreign investment, including through the creation of special economic zones, and the country traditionally ranks highly in ease of doing business.<sup>3</sup> However, economic growth is currently driven more by state-funded investment in infrastructure and

<sup>1</sup> The World Bank, "Gross national income per capita 2015, Atlas method and PPP", 11 October 2016. Available from <http://databank.worldbank.org/data/download/GNIIPC.pdf>

<sup>2</sup> The World Bank, "Employment Increases in Southeast Europe with Increase in Growth", 27 September 2016. Available from <http://www.worldbank.org/en/news/press-release/2016/09/27/southeast-europe-growth-macedonia>

<sup>3</sup> The country ranked 12th among 189 countries. The World Bank, "Doing Business 2016", 27 October 2015. Available from <http://www.doingbusiness.org/-/media/giawb/doing%20business/documents/profiles/country/MKD.pdf>. However, for a powerful methodological critique of this index, see [http://www.esiweb.org/index.php?lang=en&id=67&newsletter\\_ID=85](http://www.esiweb.org/index.php?lang=en&id=67&newsletter_ID=85) and [http://www.esiweb.org/index.php?lang=en&id=156&document\\_ID=152](http://www.esiweb.org/index.php?lang=en&id=156&document_ID=152), both from the European Stability Initiative.

other public-sector spending than it is by foreign investment.

Indicators of social well-being continued to show gradual improvement. Unemployment, though still high, declined to 28 percent in 2014 and 26.1 percent in 2015. However, some of this decline stemmed from discouraged job-seekers dropping out or emigrating; youth unemployment rose in 2015 to 50 percent. The share of the population at risk of poverty, defined in line with EU standards, continued to fall, from 26.2 percent in 2012, to 24.2 percent in 2013, and to 22.1 percent in 2014.<sup>4</sup> The 2015 Human Development Report put the country in the high human development category, with a human development index of 0.747.<sup>5</sup>

The country's political environment remained fraught. Having boycotted the Parliament since the 2014 early parliamentary elections, the main opposition party in early 2015 made public dozens of wiretapped conversations that implicated leading government officials in corruption, electoral fraud, surveillance and intimidation of political opponents, and direct meddling in the judiciary, police and media. These revelations inspired widespread indignation and a wave of protests. Visiting the country in May 2015, UN Assistant Secretary General for Human Rights Ivan Simonovic voiced "deep concern" at "serious challenges to the rule of law and the shrinking of the democratic space."<sup>6</sup> Similar concerns brought the intervention of the EU and the US, which oversaw difficult negotiations among the four main political parties. These yielded an agreement June and July 2015 designed to re-direct political conflict into ap-

propriate institutional channels. The terms of the 'Przino Agreement,'<sup>7</sup> included sweeping reforms (particularly in the rule of law and media), the creation of a Special Prosecutor's Office (SPO) to investigate the wiretaps, the return of the opposition to the Parliament and the resignation of long-serving Prime Minister Nikola Gruevski ahead of early elections.<sup>8</sup>

Adherence to the Przino Agreement was at best partial, and its implementation was a source of contention into 2016, particularly owing to the exclusion of civil society from the process. Early elections were scheduled twice only to be cancelled, and 11 December 2016 was only agreed as the final date under renewed international pressure. Without a greater commitment to reform, however, elections alone are unlikely to end the protracted crisis. Przino's most important achievement has been the creation of the SPO. Although it faces widespread resistance, it has opened cases against many high-ranking officials, and a 2016 poll shows its chief to be the country's most-trusted figure.<sup>9</sup>

Political tensions were heightened in May, when an "anti-terrorist" action launched by police in the multi-ethnic city of Kumanovo resulted in the deaths of eight elite security troops and ten ethnic Albanian gunmen. The exact circumstances of the incident remain unknown, but it served as a reminder of what the European Commission has called the "fragile"<sup>10</sup> state of inter-ethnic relations.

<sup>4</sup> State Statistical Office, "News Release – Laeken poverty indicators in 2014", 25 December 2015.

Available from <http://www.stat.gov.mk/pdf/2015/4.1.15.100.pdf>

<sup>5</sup> UNDP, "Human Development Report Explanatory Note", 2015.

Available from [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/MKD.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MKD.pdf)

<sup>6</sup> UNDP, "Human Development Report Explanatory Note", 2015.

Available from [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/MKD.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MKD.pdf)

<sup>7</sup> The agreement consists of three documents: 1) [http://ec.europa.eu/enlargement/news\\_corner/news/news-files/20150619\\_agreement.pdf](http://ec.europa.eu/enlargement/news_corner/news/news-files/20150619_agreement.pdf); 2) [http://ec.europa.eu/enlargement/news\\_corner/news/news-files/20150619\\_annex\\_to\\_the\\_agreement.pdf](http://ec.europa.eu/enlargement/news_corner/news/news-files/20150619_annex_to_the_agreement.pdf); and 3) [http://ec.europa.eu/commission/2014-2019/hahn/announcements/agreement-skopje-overcome-political-crisis\\_en](http://ec.europa.eu/commission/2014-2019/hahn/announcements/agreement-skopje-overcome-political-crisis_en). The agreement also encompasses two expert documents: [http://ec.europa.eu/enlargement/news\\_corner/news/news-files/20150619\\_urgent\\_reform\\_priorities.pdf](http://ec.europa.eu/enlargement/news_corner/news/news-files/20150619_urgent_reform_priorities.pdf) and [http://ec.europa.eu/enlargement/news\\_corner/news/news-files/20150619\\_recommendations\\_of\\_the\\_senior\\_experts\\_group.pdf](http://ec.europa.eu/enlargement/news_corner/news/news-files/20150619_recommendations_of_the_senior_experts_group.pdf)

<sup>8</sup> Gruevski resigned on 15 January 2015. Balkan Insight, "Macedonian Prime Minister Confirms His Resignation", 14 January 2016.

Available from <http://www.balkaninsight.com/en/article/macedonian-prime-minister-resigns-01-14-2016>

<sup>9</sup> International Republican Institute, "Survey of Macedonian Public Opinion | April 19-25 2016", 8 June 2016.

Available from [http://www.iri.org/sites/default/files/wysiwyg/iri\\_macedonia\\_survey\\_april\\_2016\\_0.pdf](http://www.iri.org/sites/default/files/wysiwyg/iri_macedonia_survey_april_2016_0.pdf)

<sup>10</sup> European Commission, "The Former Yugoslav Republic of Macedonia Report 2015", 10 November 2015. Available from [http://ec.europa.eu/enlargement/pdf/key\\_documents/2015/20151110\\_report\\_the\\_former\\_yugoslav\\_republic\\_of\\_macedonia.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_report_the_former_yugoslav_republic_of_macedonia.pdf) (see page 4)

Youths working with UNDP and the Government to prepare the new National Youth Strategy



Photo by: UNDP the former Yugoslav Republic of Macedonia

The country also faced a potent humanitarian challenge in 2015, in the form of an estimated 900,000 refugees and migrants – most of them fleeing conflict in Syria, Iraq and Afghanistan – who crossed the country on their journey to wealthier EU countries in the north. State institutions were initially slow to react, but transit centres were eventually established at southern and northern borders, registration procedures were adopted and vulnerable groups provided with assistance. Host communities in Gevgelija and Kumanovo faced a particular burden in serving the transit centres while at the same time maintaining an adequate level of public services to local residents. The crisis eased with the full closure of irregular borders in March 2016, though the treatment of the small numbers of refugees who remain in the country continues to raise human rights concerns.<sup>11</sup>

Two natural disasters also struck in 2015. February floods in the Pelagonija and Southeast regions caused an estimated US\$35.7 million in damage, and flash floods and landslides in the Polog region in August 2015 cost six lives and caused US\$21.5 million in damage in Tetovo and nearby villages.

## ASSISTANCE AND IMPACT

UNDP adapted its program to help the country address these multiple challenges.

As the UN humanitarian actors mobilized to address the refugee crisis, UNDP crafted a

development-oriented response to support its traditional partners at the local level, in the two most-affected host municipalities. Here waste management and water supply quickly emerged as the most urgent challenges, in which the refugee crisis exacerbated existing shortcomings in public services.

In the early days, UNDP provided new garbage trucks, containers and other waste-management equipment to Gevgelija and Kumanovo. Then, with US\$2.3 million in funding from the Government of Japan, UNDP developed plans to double the drinking water supply for Gevgelija by repairing a local well and to relocate the municipal landfill from the banks of the Vardar River to a more ecologically suitable location. In the north, in Kumanovo, UNDP undertook to repair a local road damaged by the heavy equipment needed to service the transit centre in Tabanovce, and to refurbish a multi-ethnic primary school. UNDP also provided assistance to the Crisis Management Centre (CMC) to improve emergency response.

These efforts built on UNDP's long-standing efforts to improve governance at the local level, particularly supporting completion of the decentralization process, which in the country is dedicated not only to bringing local institutions closer to the public but also to promoting inter-ethnic cohesion.

*“Decentralization has been and still is the main priority of our country due to its complexity and impact over the relations between all stakeholders at horizontal and vertical level.”*

– **Mr. Lirim Shabani**, Minister of Local Self-government, opening of the Fiscal Decentralization Conference

<sup>11</sup> See the statement from the UN High Commissioner on Human Rights of 23 September 2016: <http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=20567&LangID=E>.

To this end, UNDP supported the Ministry of Local Self-Government to prepare a new Programme and Action Plan for Sustainable Local Development and Decentralization for the 2015-2020 period. This was noted as one of few areas of progress in the European Commission's 2015 report on EU accession. The policy process was enriched by data from a UNDP-led survey on citizens' satisfaction with local government services, disaggregated data from planning regions and a study on local e-services.

UNDP Resident Representative Louisa Vinton visits the Vinojug transit camp in Gevgelija to meet with refugees

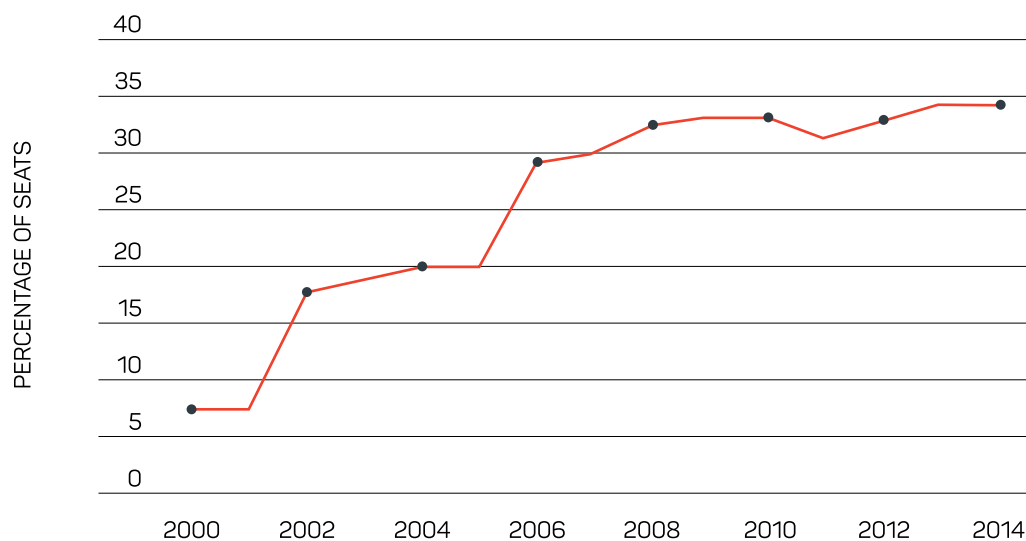


Photo by: Ivan Zverzhanovski

At the regional level, with funding from the Ministry of Local Self-Government, UNDP helped to replicate models for alternative service provision that were pioneered in the Vardar

Planning Region. To boost local development and help mitigate the effects of multiple crises, new centres to support private business were established in five planning regions and a centre for rural development was created in the Northeast Planning Region. At local level, UNDP aided municipalities in addressing the needs of vulnerable groups and people with disabilities. To help address high rates of youth unemployment and emigration, UNDP worked in 2015 with the Agency of Youth and Sport to prepare a new National Youth Strategy for 2016-2025. UNDP's role was to ensure the process was fully participatory; the strategy preparation involved more than 65 workshops, public debates and local meetings, engaging more than 95 youth organizations and informal groups. UNDP also worked to encourage social cohesion, focusing on the local youth councils in Kumanovo and Gostivar. 30 workshops, trainings, street art performances and debates were organized to raise awareness of the councils and bring youth from different communities together.

Increasing the participation of women in public life was another priority. Although mandatory quotas have secured 34 percent of the seats in the Parliament for women, currently only two of 25 cabinet ministers, and only four of 81 municipal mayors are women. Thanks to good timing, cooperation with civil society and oth-



Source: World Development Indicators, The World Bank<sup>12</sup>

<sup>12</sup> The World Bank, "Proportion of seats held by women in national parliaments (%)". Available from <http://data.worldbank.org/indicator/SG.GEN.PARL.ZS?locations=MK> (accessed 1 September 2016)

er UN agencies and support from women politicians from both ruling and opposition parties, the quota for “the less represented sex” was increased from 30 percent to 40 percent. As a result, the country is likely to have one of the highest shares of female parliamentary representation in the world in 2017.

## CHALLENGES, LESSONS LEARNED AND THE WAY FORWARD

Looking ahead, many of the challenges that arose in 2015 appear unlikely to be resolved in the near future. The result of the elections in December 2016 has done little to resolve the political crisis, and it is unclear whether any of the major parties have a serious commitment to the broad reform agenda mandated by the Prizino Agreement. Even if the European Commission grants the country a (conditional) seventh recommendation to open accession talks, the magnetic force of the EU will continue to wane. The dispute over the country’s name will block progress and the EU will itself suffer deep divisions over major issues. The country’s position as “gatekeeper” to the Western Balkans migration route will keep it at centre stage in migration discussions and continue to raise human rights concerns.

UNDP governance work will continue to focus on the local level, while also addressing democratic deficits and rule-of-law challenges pertinent to the EU accession agenda and the relevant UN conventions. Following an in-depth preparatory phase, a US\$3.3 million Swiss Agency for Development and Cooperation (SDC)-funded four-year project is in

place to help municipal councils strengthen their oversight and outreach functions, particularly on budget, gender and inter-ethnic issues.

Building on a long tradition of inter-municipal co-operation, UNDP will also continue assisting regional development centres in extending services to people with disabilities and in building regional competitiveness, including through mapping of rural tourism potential. Past work in innovating tools for transparency, accountability and integrity will be integrated into these efforts.

In addition, UNDP will continue to forge partnerships with civil society and institutional actors to promote the open governance agenda, and explore its connections with the SDGs.

UNDP governance work will continue to complement the humanitarian response to the refugee crisis with a sustainable local-level development response. The efforts will aim to help the municipalities of Gevgelija and Kumanovo build resilience for potential future crises while improving the delivery of utilities and other public services to local residents. UNDP will also continue supporting the CMC, municipalities and other institutions to build crisis-response capabilities, with a focus on updating the online crisis management system.

In the area of social cohesion and youth, UNDP will launch an initiative to promote social cohesion in ethnically diverse Kumanovo. This project will create youth-friendly spaces for inclusive dialogue and serve as a platform for youth-driven activities that will meet local needs, address the migrant crisis, and bring the community together.

## Key results



*30 workshops, trainings, performances and debates held for youths to strengthen social cohesion in multi-ethnic Kumanovo and Gostivar*



*Increase in the candidate list quotas for women from 30 percent to 40 percent*



*Water supply and waste management priorities identified and constructed in migrant-affected municipalities*