

North Macedonia 2014



Total: 72.72

Quick facts

Population:	2.07 million
Unemployment rate:	28.45 %
GDP:	11.34 billion \$
GDP growth rate:	3.77 %
GDP per capita:	5480 \$

Political Freedom

Free and Fair Elections : 6.79

The former Yugoslav Republic of Macedonia is a parliamentary republic whose 123-seat unicameral parliament is elected through general elections for a term of four years. A few ethnically based political parties strive for better political representation of the ethnic Albanians, who account for 25 per cent of country's population.

In April 2014 the second round of country's Presidential elections was held together with the early parliamentary elections, which were called after the ruling conservative-nationalist VMRO-DPNE party stepped down. The large number of international experts observing the elections, however, could not guarantee for a trustful election environment. The campaigns for both types of elections were marked by standing accusations against VMRO-DPMNE, coming from the opposition, for attempted election frauds, which undermined the public trust in the overall electoral process.

The election results ensured almost full parliamentary majority for VMRO-DPMNE, which together with the largest party of the ethnic Albanians, their previous coalitional partner, the Democratic Union for Integration, gained in total 80 seats in the Parliament. The opposition parties refused to accept the results and take up their seats, accusing VMRO-DPMN of using the entire state apparatus to help winning the elections. The allegations were manifold, and referred to reports of voter intimidation, vote buying, inaccuracy of the voter register, control over the election administration, and unequal access to state-owned media.

Absence of Unconstitutional Veto Players : 5.83

The leader of the VMRO-DPMNE Nikola Gruevski has been the Prime Minister of Macedonia since 2006, upon having won four consecutive elections. Throughout this period he managed to concentrate all state resources in his hands and to effectively use them in favour of his own party ambitions. The public sector has been put under strict control of the government.

Freedom of Press : 4.3

Despite the fact that the constitution of the country provides for basic protections of the media freedom and the freedom of expression, the press in Macedonia is only partly free, as described by the Freedom House. On the other hand, the “Press Freedom Index”, provided by “Reporters without Borders” puts the country to the 123rd place out of the 180 countries worldwide. The state of the press freedom has worsened during the last years, especially during election campaigns, as due to the non-transparent media ownership and financing and to the discrimination-enabling regulation in the sector. As a result, the major TV outlets and a part of the printed press have been allegedly tied with political and business interests with a strong influence on their agenda. The state-owned media is vast, and includes a large number of TV and radio broadcasters and print outlets, which report in favour of the government. This media environment hampers independent journalism. Apart from editorial censorship, journalists often struggle with threats or ungrounded prosecution against them or their work.

Rule of Law

Independence of the Judiciary : 3.92

Judiciary - together with political parties - is on the top of the list of corrupt state institutions, as perceived by citizens (GCB 2013). But with “only” 68% blaming them, they are still better than their colleagues in several other Balkan countries. That might be due to reforms that Macedonia had thoroughly implemented between 2004-2010, at times when she was the leading EU aspirant in Western Balkans. Professionalism of judges was carefully maintained, with the Academy for Judges and Prosecutors becoming not least the entry point into those professions but their life-long training center and resource institution. Efficiency has improved significantly, so that the backlog became bearable. Judges are disciplined or even dismissed on the ground of poor performance (primarily measured through quantity and not quality of work). Such approach by the Judicial Council, which included relatively easy and frequent dismissals, was criticized by the EU, whereby the EC claimed that such policy might endanger security of tenure, thus also independence of judges. To it, imprecise and catch-all reasons to evaluate judicial performance as “unprofessional and un-conscientious” and dismiss (or fail to promote) them on such grounds encourage formalistic rather than problem-solving approach to judicial work. One could add that such policy of evaluating judges and prosecutors might be misused for political or other illicit influence. In reality it sometimes is. Thus the legislation on dismissals (and promotions) needs to be amended and rules further clarified.

Corruption : 4.4

Corruption remains prevalent and a serious problem in many areas. Judiciary, followed by political parties and public administration, are perceived by citizens as the most corrupt (due to the GCB 2013). Even though extensive, the post-2006 economic liberalization was inconsistent. It was uncoupled from political opening, media freedom and building of strong independent institutions as protectors of the rule of law. Employment in public sector, both on central and local level, depends on political affiliation. Thereby, a Macedonia specific is that “party-state” penetrates even the purely private companies (especially if heavily dependent on the benevolence of local governments or administration). All those enable large scale cronyism, nepotism and corruption. On the other hand, deterrence is insufficient. Implementation of the existing legislation and performance of numerous state anti-corruption institutions (such as State Commission for the Prevention of Corruption) have yet to improve and produce concrete impact. Among reassuring developments, the Criminal Code was amended, the number of corruption-related disciplinary proceedings against public officers increased, while a track record of criminal investigations, prosecutions and convictions by law enforcement and courts was developed. Better access to information was provided to the citizens. In 2013, with its CPI at 44 (against 43 in 2012), Macedonia ranked, together with Montenegro, as 67th of 177 countries.

Protection of Human Rights : 5.36

Since Macedonia's accession process is stalled because of the name dispute, EU has got somewhat less leverage to influence reforms. Fortunately, that has, so far, negatively affected just some aspects of the human right situation, itself being better than one might thereafter expect. Among top achievements, demilitarization of childhood and marginalizing of the disappearance risks lead the way. Unlawful killings, or violence against human rights defenders, are relatively rare (the latter, alas, worse than last year). Results of the struggle against human trafficking are some. On the other hand, even though a quasi-consociation system has been built since 2001, minority rights are in bad shape, especially of those particular local communities which are too small to qualify for special privileges guaranteed by OFA. Women and girls' rights are also poorly protected. Gender equality is lacking in many fields, often in spite of existing non-discriminatory legislation. Incidence of child labor is not too high, but that of beating under-15s is (70%). Ill treatment in custody is also quite common. Discrimination upon various grounds affects employment (such as when it is politically motivated, both in public and in private sector) but also safety and security (when it comes to violent homophobia such as during the Skopje Pride Week 2013).

Economic Freedom

Security of Property Rights : 5.47

Private property rights are not suitably protected in Macedonia. The main reasons for this are low scores from Economic Freedom of the World in *Judicial independence* and *Impartial courts* – judiciary in the country is still affected by illegal influence of politics, resulting in high levels of corruption. Furthermore, judicial processes are costly, slow and ineffective. Strong points in the

Macedonian judiciary system are scarce restrictions on real property sales and low business costs of crime.

Size of Government: Expenditures, Taxes, and Enterprises : 8.11

The size of government is considerably smaller in Macedonia than in most other countries in the region, especially when taking into account only ex-Yugoslavia. Government expenditure remained unchanged during the economic crisis, on considerably lower level than in most European countries, at 33.7% of GDP. The reasonable deficit of 3.9% of GDP in 2013 seems sustainable due to almost equal economic growth of 3.1%.

Low government spending resulted in a relatively lower tax burden – VAT stood at 5% and 18% while top marginal tax rate stood at only 10%. Taxation of work is also modest, due to lower social contributions which are 27% of gross salary. On the other side, government subsidies are still high due to inefficiency of publicly owned enterprises, which are poorly managed and bear the cost of social policy through low prices of goods. The main improvements in this area should be expected in regards of public companies restructuring (possibly even privatisation of some sectors) and price policy which are a prerequisite for subsidy cutting.

Regulation of Credit, Labour, and Business : 7.33

The regulatory environment is favourable to private enterprises in Macedonia. This is depicted also through high ranking of Macedonia in the Doing Business Report, where it was ranked 25th – the highest rank compared to other countries from the region. Financial institutions are well integrated with the international financial market without any major restrictions, but major benefits are accrued in the field of labour regulation, where Macedonia stands out with high sub-score point in most areas. Hiring and dismissal of workers is easy and cheap, and collective bargaining does not incur high costs to businesses. Minimum wage still is relatively high compared to the average monthly salary.

Freedom to Trade Internationally : 8.59

Freedom of international trade is at high levels in Macedonia, as in the whole region. Macedonia's main trade partners are EU countries (Germany, Italy, Greece, Bulgaria) and countries from the region, (most notably Serbia and Kosovo), which emphasises the importance of Stability and Accession Agreement with the EU and CEFTA for the integration of the Macedonian economy in the world. Still, there are some restrictions and controls of migrant workers. Further integration into the EU common market (Macedonia's EU membership application is on hold due to political frictions with Greece), will inevitably take place in the future, so further integration with EU countries through trade is to be expected, as well as rising freedom index in this field.