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# **The Cost of Parliamentary Politics in The Republic of Macedonia**

**Gordan Georgiev**

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## Introduction

It is not a surprise that the cost of entering and dealing with politics has reached the ceiling for what has been traditionally called a typical political party electoral campaign. In a world in which the media plays a crucial role in the promotion and vilification of politicians and political parties, the so-called 'incestuous' link between politics and the media has nurtured many hidden and semi-disclosed expenses. On the other hand, efforts have been made to strengthen the control of money spending and other types of corruptible and clientelistic behaviour by political parties. But the success, in terms of reining in the unlawful or semi-lawful behaviour, has been modest, to say the least.

Political parties invent various forms of legal (or at least, not illegal) financing of their campaigns, or simply do not get sanctioned for their seemingly unlawful financial activities. The legislative framework has been improved, but it does not entirely solve the problem. Political culture and political and electoral systems play a significant role in disguising the non-transparent financial activities of political parties. The level of democratic development, freedom of speech and freedom of media are also part of the mosaic. Democracies in tatters struggle more to control political parties' expenditures than the more developed liberal democracies.

As political campaigns have grown more and more competitive, there is a substantial amount of evidence that, in countries with weak institutions and flawed checks and balances, state resources are being diverted to fund incumbent candidates and that potential new candidates or smaller parties are being excluded from the electoral process. On the other hand, political parties remain highly centralised institutions in which selection processes are dominated by a small entrenched elite. This ensures that all party processes and nominations remain excessively monopolised by the parties' patrons. Furthermore, studies show that, across Europe, a large majority of citizens believe that their political parties are corrupt or extremely corrupt.<sup>1</sup>

These tendencies might lead us to the unknown and slippery field of murky politics, barriers to entry for new political parties and movements, and excessiveness in money spending that, in the end, deviate from the basic principles of democratic representation.

## Methodology

This analysis focuses on both tangible and intangible aspects of the cost of politics. It is often (rightly) assumed that the intangible aspects (such as illegal financing, media control, lack of institutional response) are more prone to corruption or other legal wrongdoings. This report explores the legal framework and its changes over the past years, the political and party culture, business-party interests, the role of the political elites in preserving the system, ethnic cleavages and the role played by the political and electoral system. A dozen interviews were held with former and current MPs, unsuccessful candidates, smaller party representatives, non-governmental organisation (NGO) representatives dealing with political campaign financing and individuals working in the media.

Most of the interviewees insisted on remaining anonymous, another indication of the secretive nature of the cost of politics. Virtually all the research and analyses done by relevant domestic and international NGOs, albeit few in number, unequivocally state major difficulties in finding interlocutors for topics such as political party financing, electoral financing and public and official (state) scrutiny. These impediments stem precisely from political corruption, the elevated cost of politics and the inability of new or small political actors to present themselves in the controlled media.<sup>2</sup> In that context, this is a ground-breaking study that tackles 'grey' zones in politics such as the unequal access of political actors and institutional and subjective barriers to that access.

There are several limitations of this study. Political financing is the least transparent and the least controlled area of the political landscape in the Republic of Macedonia. The recently developed regulatory framework has not been effectively implemented and there are not many official reports from the controlling bodies. Apart from some pioneering research from Transparency International Macedonia based on media reports and field monitoring, there is no other preceding research on the financing of political campaigns. In addition, there is limited public awareness of the issue, and the secondary data and expertise available in the country remain scarce.

## I. Historical context

Since the breakup of Yugoslavia that led to Macedonia gaining its independence in 1991, the country's political map has undergone significant changes. The newly introduced multi-party system has led to an inflation of new political parties with more than 70 registered and 33 operating in the current system. However, this number is volatile due to the difficulties of smaller political parties having to re-register themselves once every four years.

Since the adoption of the Constitution in 1991, eight parliamentary, six local and five presidential elections have been held. The legal framework that regulates election campaign funding is well developed, albeit with shortcomings in the controlling mechanism. The main law regulating polls is the Electoral Code, adopted in 2006 and last amended in December 2015. According to the law, the organisers of the election campaign are obliged to submit three financial reports on their election campaigns to ensure that the principles of transparency and accountability are upheld. However, the law does not require that donors submit reports of their financial contributions to political parties. This is a deficiency of the law; without reporting from donors, illicit money is not prevented from circulating in politics.

The Republic of Macedonia has a uni-cameral parliament, the Sobranie, composed of 123 members elected for a four-year term by universal and direct vote, following a model of proportional representation. Any registered political party or coalition of parties, as well as any group of citizens (independent candidates or civic initiatives) submitting at least 1,000 registered voters has the right to propose a list of candidates to the parliament. For the purposes of the parliamentary elections, the territory of the country is divided into six electoral districts, from each of which 20 members of the parliament are elected. The remaining three members of the parliament represent Macedonian citizens living abroad and are elected by proportional representation: one from each of the three areas of Europe and Africa; North and South America; and Australia and Asia. Local elections are held every four years and follow a majority electoral mode.

Modestly in the early stages of its independence, and more robustly after the ethnic conflict in 2001, the Republic of Macedonia became a country with significant consensual elements in government. These consensual provisions were legally elaborated in the Ohrid Framework Agreement<sup>3</sup> and subsequently enshrined in the Constitution. Apart from the obvious benefits provided for the minorities, particularly the large ethnic Albanian minority, in terms of education, decentralisation, language use and inclusion in the public administration, these provisions, translated onto the ground of political reality, also secured predominant positions and a role for political parties' elites.<sup>4</sup> Thus, the political system slowly became a reflection of the party system, namely a highly centralised organisation of the political process, which in turn controls most of the societal processes.

Since the introduction of free and multi-party elections in 1990 the Macedonian parliamentary democracy has tested three types of electoral models. In the 1990 and 1994 parliamentary elections the main political parties agreed to adopt a first-past-the-post, two-round system. There were 120 electoral districts for the election of 120 MPs. But the 1998 parliamentary elections were held in accordance with a new, mixed electoral model. Out of 120 MPs, 85 were elected in accordance with the same majority model, while 35 MPs were elected using a proportional model, by which the country represented a single electoral district. The distribution of mandates was secured through the d'Hondt formula, with a 5% electoral threshold. Finally, the Electoral Code adopted in 2002 introduced a pure proportional electoral model, with six electoral districts, each electing 20 members to the parliament. The main electoral organs are the State Electoral Commission (SEC), six regional electoral commissions, and numerous municipal electoral commissions.

Albeit constituted as a parliamentary democracy, the political history of the Republic of Macedonia shows an overwhelmingly predominant role for the government in devising and shaping the political and legislature environment. The country, in its relatively short democratic experience, has failed to make the parliament a cornerstone of the democratic processes. On the contrary, one could say that its function has gradually diminished and become almost completely subservient to the political will of the government. The apex of this persistent parliamentary crisis came on 24 December 2014, when all opposition MPs, during the adoption of the annual budget, were brutally removed from the parliamentary session by an intervention of secret police and special police forces. This context could presuppose a sort of illiberal democracy with weak checks

and balances. The President of the Republic, although elected by direct vote, is destitute of real powers and is perceived as a sidelined figure in Macedonian politics.

## **Government control**

The predominant role of the government is tightly related to the cost of politics. With most of the power concentrated in the hands of the government and the Prime Minister, the potential entry points for one to engage into politics could be directly related and depend on the decisions made by the Prime Minister along with a small group of executives and high-ranking party officials. As in many post-communist countries, the transition period and the process of privatisation has witnessed the emergence of business oligarchs who are able to control large portions of financial flows in the country, thus securing a privileged position in the distribution of political influence. These business oligarchs are crucial in giving or not giving their support to the political elites. Whenever there has been a change in the political elites in the government, the largest companies, almost by default, align with the (new) government.

Since 2006, when the Internal Macedonian Revolutionary Organization - Democratic Party for Macedonian National Unity (VMRO-DPMNE) took power, the country has witnessed a nearly total encroachment of the government into the business sector. The government and the pro-government businesses are the biggest employers in the country and the ones who control virtually every segment of the economy. Consequently, opposition parties struggle with finances and donations because most of the donors and businesses are reluctant or are afraid to donate funds, fearful of government retaliation. Smaller parties have an even starker choice: side with the ruling coalition or perish from the political scene.

## **Internal party procedures**

This type of political system is again tightly connected to the types and practices of political parties in the country. Macedonian political parties show strong autocratic tendencies, in which the leader and the highest ranked party clique firmly control the circulation of party elites. The party system is extremely fragmented. As of 2008, there were 83 registered political parties.<sup>5</sup> Most of these political parties have never been represented in the parliament, and many of them were established as offspring of bigger political parties. A study conducted in 2007 on the level of internal party democracy of political parties in south-eastern Europe demonstrates that the internal party procedures, the loyalty of the party members and the business-political party nexus are the most resilient elements that prevent parties liberalising, and increase the barriers to entry into politics as well as the emergence of other relevant political actors.

The index shown below calculates a sum of six individual components based on which a scale from 6 to 18 can be constructed, where the higher level indicates a higher degree of internal party democracy.<sup>6</sup>

### **1. Rights of party members.**

The score indices given for this component have the following meaning: 1 = party members are excluded for opinions differing from the official party positions, 2 = right to free expression of opinions, which are not subject to any sanctioning whatsoever, 3 = the functioning of party factions is officially permitted.

### **2. Nominations of candidates for public offices.**

This component aims at establishing the level of control which a party exercises over this process. The indices assigned along the scale from 1 to 3 depend on the party authority which nominates and determines the candidates for members of parliament in principle: 1 = by the national party leadership, 2 = by a regional party forum, 3 = at primaries conducted by the political leadership of the party.

### **3. Way of electing the party leader.**

1 = by the political leadership, 2 = at the representative party forum, 3 = at primaries held by the political leadership.

### **4. Autonomy of the local party bodies.**

1 = local leadership is nominated by the national party leadership, 2 = the local party bodies have limited political and organisational autonomy, 3 = the local party bodies have a substantial degree of political and organisational autonomy.

5. **Opportunity for the party members to take part in the formation of the party policy.**

1 = the party policy is formulated by the central leadership and the higher party elite (1 = the lowest degree of participation), 2 = the policy of the party is subject to broad discussions in all party structures, 3 = the policy of the party is shaped from the bottom up (3 = the highest degree of participation).

6. **Horizontal structures, which assist the functioning of the party and its activities.**

1 = lack of autonomous horizontal structures, 2 = autonomous horizontal structures exist only superficially and they have no significant impact on the party activities, 3 = the horizontal structures play a large role in the activities of the party and help it shape up its policy.

**Full titles of Macedonian political parties represented in Table 1:**

VMRO-DPMNE: Internal Macedonian Revolutionary Organization - Democratic Party for Macedonian National Unity

SDSM: Social Democratic Union of Macedonia

BDI/DUI: Democratic Union for Integration

DPA: Democratic Party of Albanians

NSDP: New Social Democratic Party

VMRO-NP: Internal Macedonian Revolutionary Organization - People's Party

**Table 1: Degrees of internal party democracy for political parties in the Republic of Macedonia**

IPD parameters	VMRO-DPMNE	SDSM	BDI/DUI	DPA	NSDP	VMRO-NP
Party members' rights	1	2	2	2	3	2
Nomination of candidates for public offices	1	2	1	1	2	1
Way of electing the party leader	2	2	1	1	2	1
Autonomy of the local party structures	1	3	2	2	2	1
Formation of the party policy	1	2	2	2	2	1
Role of horizontal structures	2	2	2	2	2	1
<b>Total</b>	<b>8</b>	<b>13</b>	<b>10</b>	<b>10</b>	<b>13</b>	<b>7</b>

The results show that the process of selecting party and government officials is highly centralised and localised party structures and members have little influence over the process. The feature that is not shown in the table is the non-negotiable role of big business interests in influencing political parties' policies and decisions.

## The electoral model

The electoral model in Macedonia indirectly strengthens the tendencies towards monopolisation of the political process by the four biggest political parties in the country. After couple of electoral 'experiments' throughout the 1990s, the country's electoral model seems to be stabilised into a pure proportional model, with six districts and no threshold. Apart from its political imperatives - better representation of the minorities, better access into politics for small ethnic-based and/or issue-based parties - the proportional electoral system brought some unexpected consequences, some of them directly related to the cost of politics. On the other hand, the electoral model Macedonia employs is also deeply related to the previous description of the political system.

Electoral systems are the sets of rules that specify the types of votes that citizens may cast and how those votes are translated into seats for legislative candidates. The main consequences of electoral systems can be divided into two types: inter-party and intra-party. The inter-party consequences of electoral systems include the proportionality of election results and the degree to which elections promote bipartisanship or fragmentation in the party system. Because the stability of legislative majorities and the ability of electorates to hold legislative majorities accountable for their performance tend to be inversely related to fragmentation in the legislature, these inter-party consequences entail a trade-off, with legislative representativeness set against stable and accountable majorities. Generally, it is assumed that the majority electoral model (first-past-the-post) produces a bipartisan political system while the proportional model induces a more fragmented system in which small parties gain parliamentary seats more easily.

Therefore, it might be surprising that the Macedonian case deviates from the common understanding of the fragmentation of the party system. The persistence of bipartisan politics throughout the years, and through different electoral models, guides us to search elsewhere for the origins of this 'deviation'. The somewhat peculiar six-districts pure proportional model - devised to satisfy ethnic minorities' demands - on one hand simulates a quasi-majority model by indirectly raising the threshold for elected MPs but, on the other hand, still ensures the predominance of the party elite in the electoral lists as in a typical proportional system. This model has helped the preservation of bipartisan politics and constituted a barrier for smaller parties to act independently and present their own lists. Small parties are now forced to join big coalitions and bargain with the big parties if they want to make it to the parliament.

To put in the words of an MP and leader of a small political party:

'Small issue-based parties have no chance to get any MP under this electoral model. The big four made a conscious deal to prevent any other party to claim parliamentary seats unless they join the pre-electoral coalitions. And joining such a coalition entails big sacrifices for us, either in programmatic or financial terms.'<sup>7</sup>

It is therefore not a surprise that 'third way' initiatives, notwithstanding initial success, quickly turned into failures. Leading politicians and business owners control national TV stations - SITEL and KANAL 5 for example - and this raises their value in the political market. In exchange for these politicians and business owners getting seats in parliament, the big parties who put them there get to influence their TV stations' outputs. This clearly represents a source of corrupt practices. A member of Transparency International Macedonia puts this in a succinct way:

'Owners of big private TV stations understood that, through their political activities, they can have the mercy of the governing officials, and even get richer through large government advertising activities. Ruling parties know perfectly well that these businessmen's political parties do not contribute with votes at all, but the gain from their TVs' political influence is enormous. It's a perfect trade-off for both sides.'<sup>8</sup>

By contrast, the intra-party consequences of electoral systems involve the degree to which rules foster intra-party electoral competition (in general elections) and lead candidates to devote more energy to developing ties with their electorates instead of their party leadership, or vice versa. These consequences originate from the importance of parties or candidates in a voter's decision of how to vote. In party-promoting systems, voters are empowered to select between, but not within, lists of candidates fielded by parties. Here, the voting decision has little to do with the individual candidates who make up the party lists and much more to do with the differences between party platforms. A telling indicator of this is the pervasiveness of the actual lists with candidates' names: they seldom appear on voters' ballots and they are not widely advertised or circulated before the election in Macedonia. Contrast this with more 'candidate-centred' systems, where voters are not only empowered to select from among individual candidates, but they often can select from among candidates of the same political party. This, of course, makes the voting decision much more about the reputations, accomplishments, and personalities of individual candidates.

One of the intra-party consequences to result from this party-versus-candidate distinction is party cohesiveness: more candidate-centredness means less party cohesiveness, and leads to a diminishment in the utility of party labels and the ability of voters to hold parties collectively accountable. Further afield, the distinction affects policymaking and the nature of the activities that legislators will pursue to seek re-election. For example, candidate-centredness motivates particularistic and pork-laden policies because these allow legislators to claim credit for local goods. As a result, we may see more particularism and fewer public goods the more the electoral system promotes candidate-centred polls. The Macedonian political elite across the board consensually chose to adopt the party-centred model, giving the parties' leaders and parties' headquarters a decisive role in shaping the electoral lists and leaving little space for intra-party democracy.

'People in small towns and villages do not care who is the candidate, what are his/her accomplishments, moral or ideological virtues. They only care what is the party label behind the candidate, since people's local connections and expectations (obtaining a job, better position in the local administration or local business improvement) are directly related to which party will be the overall winner, and not which candidate will get parliamentary seat.'<sup>9</sup>

The intra-party implications of electoral rules extend to matters of political finance. Although there is no credible academic evidence on this correlation nor any comparative analysis, information gathered from practitioners and current and former politicians throughout the interviews gives a glimpse of the topic. More specifically, electoral systems affect campaign finance regulations, campaign fundraising and expenditure and the effects of campaign spending on electoral results. In a centrally planned electoral list and centrally organised electoral media campaign, most of the donations are directed towards the parties, who then chose how to disperse them. Testimonies from the interviewees suggest that local candidates do not operate with financial arrangements or the percentage related to the total figure they receive is negligible. Finally, centralised campaign spending can affect the electoral results, in terms of directing and re-directing funds and people to electoral districts in which the party estimates it could maximise the electoral results.

### **The 'no threshold' rule**

In Macedonia, a clear pattern can be established in the sense of circumventing the benefits of the proportional system - large coalitions, more small parties, ideological diversification - by forging big pre-electoral coalitions in which small parties have little say and little prospect of voicing out their concerns. The result is that smaller parties rarely leave the coalition and most regularly abide by the decisions of the senior political party.

Another feature of the Macedonian electoral model is the negligible importance of the no-threshold rule. It is expected that no-threshold systems encourage small parties to contest alone in the elections. In fact, assuming the six-district model, the 'real' threshold in Macedonian elections is around 7,000-8,000 votes per district in order for a candidate to become an MP. For example, in the 2011 parliamentary elections, VMRO NP (a small right-wing party) got 30,000 votes countrywide but no MP was successfully elected since the votes were spread all over the country and not concentrated in one or two districts. Had it been a pure proportional, no-threshold

single electoral district, VMRO NP would have gained three or four MPs. Macedonia's system discourages small parties from going it alone in the elections, and rather encourages them to be in a coalition having one or two guaranteed seats.

The establishment of the current proportional model was a political decision to soothe the demands of the ethnic Albanian community and it is commonly used in consensual democracies. The political rationale behind the proportional model is that the MPs are accountable to the whole (or a large part of the) electorate and not only to their constituencies. Proportional systems should therefore maximise the political inclusiveness of the system, which may be a stabilising factor, in that it will keep diverse sets of actors satisfied that they have a fair chance to compete. And although its deficiencies are obvious, it is unlikely that this model will change in near future.

All the same, the evidence from Macedonia suggests that cohesive ethnic parties can mobilise support through either electoral mechanism. In as much as their support is geographically concentrated, they ought to be able to win approximately the same proportion of single-member seats in parliament as their share of the population. For them, the majority system functions in much the same way as the proportional system, so long as they are not affected on the list vote by high threshold requirements. In Macedonia, minorities make up a large enough share of the population that this does not constitute a problem.

## **II. Current drivers of the cost of parliamentary politics**

Electoral processes can be unduly influenced when sizeable and undisclosed amounts of money are provided to political parties and candidates by individuals and organisations with their own political agendas. Political parties and candidates may distort the electoral process by resorting to buying votes rather than focusing on the quality of their campaign messages. The quality of government is seriously compromised when decisions made by elected politicians benefit those who funded their ascent to power and not the broader public interest.

Despite the legal emphasis on transparency, the general perception of the public is that in a country where the cash economy still plays an important role, transparency is generally low in practice; and that political parties and candidates for elections receive and spend much more money than they officially record in their financial reports. Greater transparency in political financing is needed to ensure that elected officials and parties are accountable for their finances and aid in monitoring their integrity.

In Macedonia, although much of the public discourse goes on about politics and political parties, there is hardly any public debate about the specific topic of political financing. This may be due the fact that political influence is widespread, and it controls every segment such as the economy, employment policies, legislature and the media.

### **Entry barriers**

Currently, an individual seeking to enter politics in the Macedonian political system faces several institutional impediments. Formally, it is virtually impossible for an individual, or a small issue-based political party to access parliament without being attached to one of the four biggest political parties or coalitions.

The Macedonian political system became a graveyard of failed attempts by smaller political parties to be represented in the Parliament. In the 2008 parliamentary elections, the Liberal Democrats, nominally the third biggest party in the ethnic Macedonian campus, stepped out of the coalition and presented alone at the elections. They won no seats and subsequently returned to the left-wing coalition. A set of smaller right-wing smaller parties presented themselves independently during the 2011 elections. None of them got any MPs, which led to their further marginalisation. Moreover, the leader of United for Macedonia (DOM), Ljube Boskovski, was arrested one day after the elections on charges of laundering money for his political campaign.<sup>10</sup> The nature of the Macedonian proportional electoral model means that only large parties and coalitions are able to mobilise large number of voters and political 'infrastructure' to be able to present themselves successfully at the elections.

The case of a newly established radical left party, Levica, is also revealing. They struggled for months to register the party citing serious institutional obstacles. They complained that gathering 1,000 signatures for registering a party is an extremely costly endeavour and that bureaucratic obstacles make it almost impossible for a group of citizens to establish a political party. After long procedures and eventual successful registration of the party, Levica decided not to present itself at the elections, stating that such a closed party-political system does not give them any chance of success.

A law on Party Research-Analytical Centres was passed in 2013, allowing parties to establish such centres in their structure; to enable 'the building of a platform based on structured and qualified debate over political processes in the Republic of Macedonia'. The budget provides 280,000 euros for the centres' support. These funds are allocated to the first four political parties having the largest number of elected MPs at the last parliamentary elections, with 60% of the total funds equally distributed between them. The remaining 40% of the total funds are distributed to the four most represented political parties - 35% to the first, 30% to the second, 20% to the third, and 15% to the fourth largest political party in the parliament. Although this law seems to contribute to the strengthening of party capacities and intensify communication channels with the public, it retains discriminatory aspects towards smaller parties. Namely, the additional funds provided by the budget put larger political parties in a more favourable position, since they already have developed capacities. Transparency Macedonia research in 2012 showed that smaller parties face serious financial challenges and the impossibility of reaching this 'pool' would reduce their chances in future political battles.<sup>11</sup> Unsurprisingly, most of the smaller parliamentary parties did not vote in favour of this law.

Another important trend in the country and in the region is the use of electoral rules to limit the new political inflows. Establishing criteria in providing thousands of preliminary signatures or signatures in more than one electoral district, the obligation to collect signatures in every electoral process, or the support for a high electoral threshold, are some of the real obstacles to the liberalisation of political competition in this region. Innovations, such as the success of third and new political forces in Slovenia, Croatia, Bulgaria, Serbia, Kosovo and Albania, show that voters are seeking new political mechanisms to express their political views. In the future, this tendency is expected to intensify, and countries are expected to be under pressure to review the rapport between citizen demand for more representative democracy and the traditional interests of political parties in maintaining the status quo.

## **Campaign costs**

### *Legal framework*

Legally, political parties in Macedonia are financed from two types of sources, public and private donations. Public sources represent 0.06% of the total annual source revenues of the budget of the Republic of Macedonia. 30% of these funds are allocated equally to all political parties that won at least 1% of the votes during parliamentary elections, regardless of whether they won seats in the parliament. The remaining 70% is allocated to political parties whose candidates have been elected as MPs and is proportional to the number of MPs. In cases where the MP is elected as a candidate of a coalition of parties, the funds are equally allocated among the parties that are members of the coalition, unless they agree on a different distribution.

Permitted private sources of financing can be monetary or non-monetary: membership fees, donations (money, material means or services), gifts, contributions, subsidies, sponsorships, legacies and sale of promotional and propaganda materials. These different private sources are subject to regulation, and the size of each of them is legally limited. The annual membership fee for one member of a party cannot be higher than the average salary for the previous year. This is around 23,000 Macedonian denar (380 euros). The size of a donation is limited depending on whether it comes from an individual or legal entity. The total amount of an individual donation must not exceed 150 average salaries for the legal entities and 75 average salaries for an individual and this amount cannot be donated more than once a year.

This framework also encompasses non-monetary donations such as free services and services paid for by a third party. The provider of the service is obliged to inform the political party about the value of the provided service that would be calculated in the legal limitation of the amount of the donations annually. The same

applies to selling goods and providing services to political parties for prices below the market ones. The difference between the market value and the invoiced price is considered a donation. The 2012 amendments introduced an obligation for the donor to send the invoice to the party. The political party is obliged to give back to the donor the amount that goes beyond the established donation limitation. The law explicitly forbids political parties from accepting donations from anonymous or unidentified sources and stipulates an obligation for the party that receives money from an unidentified donor to immediately transfer it to the state budget.

The Electoral Code also stipulates compensation for election expenditures. Campaign organisers whose candidates are elected get a compensation of 15 Macedonian denar per vote (0.25 euros). However, compensation of 15 Macedonian denar per vote is also provided to those campaign organisers whose candidates who did not win seats, if they won at least 1.5 % of the total number of votes cast. These funds are paid from the budget of the Republic of Macedonia, the budget of municipalities and the City of Skopje within three months of the submission of the financial report on the election campaign and based on the report of the State Election Commission. This compensation for the campaign organisers can be stopped if the State Audit Office finds irregularities and initiates proceedings against them before competent courts.

Serious violations of the electoral process are regulated by the Criminal Code. Among other crimes related to elections is the 'abuse of funds for election campaign financing'. A campaign organiser who does not report the source of funds, prevents supervision of fund expenditure, fails to submit a financial report, oversteps legal limitations on the amount of funds, or uses unlawful means shall be sentenced to at least five years' imprisonment. The same penalty is prescribed for the person in charge of the legal entity (the donor) who does not report donations, provides unlawful funds or exceeds the allowed limit, does not submit a report, or provides false or incomplete information on donations, or prevents supervision over campaign financing. A three-year prison sentence is stipulated for anyone who secretly donates for somebody else's election campaign, or a campaign for elections where she or he takes part, with an amount surpassing the legal maximum. The law envisions fines for the same abuses perpetrated by legal entities. These abuses can also lead to a ban to execute a profession, activity or duty, as well as a ban on the use of means for financing of political parties.

Although all the changes in the Law on Financing over the past decade have resulted in a relatively coherent and comprehensive legal framework, they still have not secured greater exposure of political financing to public scrutiny. One of the greatest obstacles in this analysis was the inability to approach political parties. Most of the interlocutors were unwilling to talk about party financing, stating simply that none of the political parties breached the law. Such a situation requires urgent change in the Law on Political Parties, resulting in the requirement of more detailed contact information for political parties and more frequent updating of the relevant data. This should also involve mandatory development and updating of a website, which does not represent a financial burden for political parties, but at the same time represents a key element in the achievement of transparency in accordance with the legal requirements.

Disclosure is a necessary component in any system of public control of political finance and a prerequisite for the enforcement of expenditure ceilings and contribution limits, and also for the allocation of public subsidies. Disclosure requirements are part of a broad set of regulations governing election law in general, but they have a particularly significant meaning when political finance is concerned. In order to be effective, disclosure needs enforcement agencies, administrative capabilities, sufficient budgets and educated human resources. Political parties or individual candidates may be tempted to avoid transparency or report a distorted picture of their financial activity for several reasons. One reason for a lack of reporting or misreporting may be the receipt of larger donations in cash. In addition, experience in the so-called new democracies has shown that donors may be excessively concerned with preserving their privacy and require that non-reporting is a precondition for a contribution. In short, while disclosure is an important element of a fair electoral process, its significance is reduced in the absence of effective audit mechanisms. Disclosure of reliable reports on political party financing is the most important way to prevent irregularities.

But, in the case of Macedonia, and probably in other dysfunctional democracies, the principle of disclosure could have somewhat unexpected ramifications. In a political context in which the winner takes all, including the 'right' to punish and persecute the political opponent that lost the elections, very few donors would

accept being publicly exposed. In these cases, the safety of donors and political freedoms may seem to be a prudent strategy. It is possible that parties may be at a disadvantage since potential donors may be subjected to threats or retaliation; be that from the government, other donors and businesses, or even from a powerful opposition, if such information is made public. Such exceptional situations must be clearly specified and explained in the law if they are to be effectively implemented.

### *Mediatization of politics and corruption*

Important, if not crucial parts in modern election campaigns are the media and the ability of political actors to take advantage of them. Mediatization of politics is the single most important factor for raising the cost of politics in modern electoral campaigns. Macedonia provides one of the most notorious examples of buying political influence with public money, especially since the ruling coalition VMRO DPMNE - DUI came into power a decade ago. Since then the boundaries between electoral and non-electoral campaigning have become blurred. It is a common saying in the country that the electoral campaign continues 365 days a year. Many media, especially commercial TV channels with national coverage, are beneficiaries of the state advertising funds which means they run content on behalf of the government, the ministries, public enterprises and agencies, as well as the local self-governments. Since 2014, the government introduced subsidies for the production of domestic films and documentary programmes by commercial and public service broadcasters. At the same time, the public service broadcaster Macedonian Radio Television (MRT) obtains revenues from the state budget. The circulation of pro-government newspapers is artificially increasing, inter alia, owing to their distribution to public and state institutions.<sup>12</sup> Several cases were disclosed in 2014 wherein media outlets received funds directly from the government.

By providing such financial benefits, the government creates a network of servile media outlets that report in its favour. The media market is so weak that the existence of some media outlets depends on government funds. The corruption of media with public money has become so widespread that young journalists attending a training course identified government advertising as 'the most important component for the development and growth of a media outlet'.<sup>13</sup>

There are no clear and precise criteria on the distribution of government advertising to the media, partly because of the inadequate and perplexing legislation. The share of the central and local authorities as well as of the public institutions, agencies and enterprises which are part of the advertising media market through government advertising has been one of the best kept state secrets in recent years. The journalists who investigated the subject were given the response that it was a matter of 'classified information' for which they needed security clearance.<sup>14</sup> Although the regulatory body, within its regular analyses, recently estimated the share of the government in the advertising market, accurate figures are known only to the government.

In 2014, the government released information on its campaign expenditures of 18 million euros covering a period of two and a half years, but failed to provide details on the amounts allocated to particular media and the criteria used for distribution of the funds. In July 2015, faced with strong diplomatic pressure, the government declared a moratorium on government advertising; however, campaigns continued to be broadcasted on MRT, free of charge and in significant numbers.

Macedonia's case shows that there are three key financial mechanisms through which the government supports the media: state advertising, subsidies for production of film and documentary programmes and assistance that MRT receives from the national budget.

From 2008 to 2013, the government was among the top five advertisers, except for 2010, when it ranked 18th. The ruling party, VMRO-DPMNE, also appears on the list of the 50 most generous media advertisers. In 2013 the government and VMRO-DPMNE had a 7.8% share in the total number of advertisements. According to some estimates, the total of the budget funds spent on advertising by the government and the ruling party, and those of the public enterprises, agencies and local authorities, makes the government the largest advertiser in the television market in Macedonia. It controls 15-20% of the total advertising revenue of the media.

The allocation of the government advertising campaigns to the media cannot be explained by any economic rationale, but it rather serves as a financial injection for eligible media. Few are convinced by the government's claims that the campaigns are conducted according to a media plan proposed by the marketing agencies, based on the criteria of viewership and ratings, while also taking into consideration the structure of the viewers, readers, target groups and forms of advertising.<sup>15</sup> Rather, marketing agencies seem to play a pivotal role in serving as a link between the government and the media. According to a well-informed interviewee, the agencies usually propose a media plan with a tested combination of media that are known as pro-government. Such practices are a form of self-censorship by the marketing agencies. Furthermore, there have been cases when the media plan was returned to the marketing agencies with names of media outlets added or crossed out. There are also claims that the government first negotiates with the media and agrees on the discounts, and then formally selects the marketing agencies through public bidding, as required by the Law on Public Procurement.

Around 40 regional and local broadcasters appeared as major contributors to the election campaign of the ruling party VMRO-DPMNE during the 2014 early parliamentary elections. Donations take the form of a service or a discount on the price for broadcasting political advertisements. According to the available sources, three major pro-government privately owned TV stations - Alfa, KANAL 5 and SITEL - donated services valued at between 77,000-161,000 euros.<sup>16</sup> At the same time a company that owns three newspapers - Dnevnik, Utrinski Vesnik and Vest - donated around 250,000 euros. Only six media outlets gave discounts to the opposition Social Democratic Union of Macedonia (SDSM) campaign, and the amounts were significantly less, ranging from 4,200-8,500 euros.

As a result of this malpractice, in 2014, amendments to the law were adopted to limit the media donations to political campaigns to a maximum of 50,000 euros, while in 2015, media donations to election campaigns of political parties were completely banned.

### **'In office' demands**

The proportional electoral model traditionally leaves a 'communication' gap between the elected MP and voters. The electoral lists, predominantly prepared in parties' headquarters, put the elected MPs in a position to draw their loyalty to the party's president rather than to the voters. This system, translated into reality, binds MPs to follow party orders once in office. Moreover, Macedonia's case seems to be even more elaborated. Namely, strong allegations were made regarding the existence of the so-called 'loyalty bonds' signed by some of the MPs from the ruling political VMRO-DPMNE party. These allegations stated that each potential MP, before being nominated to the electoral list, must sign an official bond with the party secretary in which he or she obliges him or herself to obediently follow the party line and always vote according to the party's decisions. Conversely, if a MP does not obey, or switches political sides once he or she is in parliament, the bond can be activated and he or she will need to pay a large amount of money.<sup>17</sup> However, these allegations have never been proven, despite public statements by Pavle Trajanov, head of Demokratski Sojuz, a minor coalition partner of VMRO-DPMNE, that they were true.

In March 2016, an informal faction inside VMRO-DPMNE published a communiqué stating that they have evidence that these 'loyalty bonds' actually exist, and that the legal cover-up was obtained under the guise of 'covering the costs of the pre-electoral campaign'. During the interviews, some of the interlocutors mentioned that MPs did not oppose this practice since the salaries, overhead expenses and travel expenses match the amount stated in the loyalty bonds. Certainly, this practice shows the low level of political culture in the country, the unprecedented and illegal forms for obtaining loyalty of party members and the whole context of corruptive mentality on the Macedonian political scene.

There were no such cases or allegations related to other political parties in the country. However, the proportional electoral model, unlike the majoritarian one, gives other possibilities for possible distortions of the democratic mirror. It is a well-known 'secret' that big party backers can 'choose' their MP on the party's electoral list. Also, local and regional business owners can often obtain higher positions on the party list based on their formal or informal donations and their clientelistic local approach with voters. Although this localism seems to be more related to the majority electoral model, the Macedonian six-district proportional model makes the districts smaller and more prone to voters' corruption.

As mentioned before, the largest bulk of finances and donations for election campaigns are transferred to the party's headquarters, thus allowing the party elite to control the process of MP nomination. In an inverse logic, the party headquarters is in a way 'buying' the loyalty of its MPs by financing the whole election campaign. Therefore, MPs rarely spend sizeable funds during the campaign, unless they are themselves donors. Even in the latter case, these donor-MPs give their donations directly to the HQ rather than spending them on their constituents.

On rare occasions, MPs are expected to give a monthly donation to the party's HQ. Some of the interviewees noted that this amount does not exceed 100 euros, or around 8% of an MP's monthly salary. An official report of the Democratic Union for Integration, a junior partner in the government, shows the practice, on the Macedonian political scene, of abiding by an unwritten or written rule for donations of political party members who are appointed or elected officials or employees in public institutions. The report lists individuals from 15 institutions, including the parliament, who have donated funds to the party.<sup>18</sup>

But some of the wrongdoings done by the political parties have started to emerge recently. A May 2016 report shows that more than 1,000 individuals regularly donated sums of between 1,000-5,000 euros to the ruling VMRO-DPMNE party.<sup>19</sup> The data in the report was taken from the official database of the State Audit Office. Some of these individuals are well known to the public, such as current and former MPs, directors of cultural institutions or public clinics or other public enterprises. Others are relatively anonymous but almost all of them are members of the ruling VMRO-DPMNE party.

Most of the individual donors are people employed in local administration, schools or public administration. The average monthly salary of these people does not exceed 300-400 euros, but they nonetheless donated sums up to ten times their monthly salary. Further investigation showed that these people donated the respective sums on the very same date and found that some of them denied their own donations.

For example, current MP Andon Chibishev stated that the last time he donated money to the party was in 2011, and the data for his donations shows he also donated in 2015. Another example is a surgeon close to the governing party who said: 'this is a lot of money, I don't remember donating such a large sum. I even checked my bank transactions and I can tell you there weren't any transactions to the party from my account'. Furthermore, Ms. Arna Shijac, an actor, had a surprising story to tell. She figures in the report as giving a 1,000 euro donation but claims that: 'I am not a member of any political party and I've never donated a cent'. A final example is the case of Samoil Malcevski, a former student leader and official in the government. His name and the names of his family members appeared in the list of donors with sums of more than 10,000 euros. He said publicly that his name and his family were abused by the party headquarters and that they have never donated, nor disposed of such large sums of money.

The allegation is that these funds are 'donated' by the party - which is illegal - but laundered through individual donations of party members. It could be assumed that most of these people never donated any funds, but the party 'donated' these funds for the party, according to Mr Malcevski. Another implication would be that the party HQ misused personal data and even forged signatures of these 'donors'. Despite the rumours and evidence of these alleged financial malpractices emerging a couple of years ago, controlling state bodies have remained silent on the matter.

### **III. Outlook**

The cost of politics in Macedonia seems to have reached its ceiling. This came with other, more disturbing, costs that entail media corruption, cronyism, entrenched political elites, barriers to entry for smaller political initiatives and subservient MPs in the parliament. The result is a deficient democracy. But there are some positive prospects that, despite the current deep political crisis, some of the deficiencies mentioned can be addressed.

The current proportional six district no-threshold electoral model remains an obstacle to small political parties entering the political scene efficiently and independently. It has proved unable to engender the so-called 'third option' in the country that would break the double-duopoly - two major ethnic Macedonian and two

major ethnic Albanian parties - that persists in Macedonian politics. During last year's major political crisis, which occurred after the disclosure of the illegally wire tapped conversations, the opposition parties led by SDSM officially proposed that the country changes its electoral model into a single district pure proportional no-threshold model. On that occasion, the SDSM leader stated that despite the anticipated relative loss of MPs for the opposition as well, he was prepared to support this model for the sake of democratisation in the country.

The idea behind the proposal was to encourage smaller ethnic and issue-based political parties to refrain from the temptation to enter big pre-electoral coalitions to secure their parliamentary mandates. The proposal was greeted positively by most of the small parties but was opposed by the dominant parties. Some of our interlocutors during the interviews stated that the SDSM's proposal was not a sincere one but a mere 'bargaining chip' during the inter-party negotiations, knowing that no other party from the big four would accept the proposal. The suspicious silence on this topic afterwards seems to support this hypothesis. In sum, it is obvious that the big parties are not willing to efficiently challenge the current electoral model of which they are the biggest beneficiaries.

In the media sector, we can expect some minor improvements for the small parties and some amendments in the direction of more balanced presentation. But it is a far-fetched hope that things will improve dramatically soon. Although the ban on donations on behalf of media outlets is a good step forward and it will surely lower the cost of politics in general, and hopefully diminish the propaganda war in the media.

As for the institutional impediments for party registration, the costs remain high and often unattainable. Furthermore, the obligation to re-register every four years is a huge financial and logistical burden for smaller parties. Interviews suggest that bigger parties often help the smaller parties to gather the necessary signatures, but this ensures the clientelistic nexus remain strong and reduces the smaller party's independence to devise policies.

Finally, the current legal framework restrains the illegal or semi-legal flow of finances to the political parties, but weak and corrupted auditing bodies prevent its implementation in practice. If institutions such as the State Audit Office, the State Commission for Preventing Corruption and the State Election Commission are doing their job thoroughly then it should be easier to detect misconduct and unreported financial sources. Moreover, detailed disclosure of the donors who fund election campaigns is necessary to stop money from illicit sources circulating in politics.

Political parties or individual candidates may be tempted to avoid transparency or report a distorted picture of their financial activity for several reasons. One reason for a lack of reporting, or for misreporting, may be the receipt of larger donations in cash. In addition, experience in the so-called new democracies has shown that donors may be excessively concerned with preserving their privacy and require that non-reporting is a precondition for a financial contribution. In short, while disclosure is an important element of a fair electoral process, its significance is reduced in the absence of effective audit mechanisms. Disclosure of reliable reports on political party financing is the most important way to prevent irregularities. To have effective disclosure, it is necessary to ensure that the necessary administrative, budgetary and personnel resources are in place.

In sum, the general trend in the cost of politics remains static, with strong prospects of a downward tendency. This will depend on how the the political crisis is resolved and the willingness of the new government to seriously tackle the reforms. In this direction, any new democratically elected government will meet strong pressure from civil society and the international community. If the current government remains in power, it is not an exaggeration to state that Macedonia is turning itself into an increasingly authoritarian regime.

## Recommendations

Below are some mechanisms, policies and legal provisions that could help in restraining the role of money in politics in the case of Macedonia:

- **Change of electoral model into a pure proportional, single district no-threshold system.**  
Despite the resistance from the four big political parties, it is conceivable that the country will have its electoral model changed in the near future. The pressure for this change comes from small political parties, but even more importantly, from civil society and the street protests that have been taking place for nearly 50 days. The change of the electoral model will have an immediate effect on the cost of politics, in terms of 'unchaining' small parties from pre-electoral coalitions and removing the 'blackmail mechanism' induced by the senior coalition partners.
- **Introducing an open proportional list** will enable a more candidate-centred approach and at the same time will break the predominance of the party elites in candidates' nominations. However, some regional research show that open lists do not automatically restrain the role of money in politics.
- Securing **larger state donations for political parties**, but only in the direction of balancing the financial gap between big parties and the small ones.
- **Strengthening the capacity of the supervising state bodies.** No one expects that this could be done under the current government, since the overlap of the party and the state institutions has been one of the cornerstones of its times in power. However, this task should be the highest priority of a future government elected in a free and fair process.
- **Further media reforms and stronger regulations on media's fair and balanced presentation.** Restraining the role of public money in private media is an immediate task, but further reforms, including self-regulation and development of journalistic standards, should be a long-term objective for the country.
- **Stronger civil society** and support of the few local organisations dealing with money in politics. Macedonia's civil society is deeply divided along party lines. It will take many years to re-structure and re-position the role of civil society in the country. The spontaneous non-partisan protests that have been held for nearly 50 days are a good starting point.

Finally, the relatively positive, and potentially illusive, outlook in restraining the role of money in politics should be put in the specific Macedonian context. The country is currently undergoing its deepest political crisis since independence. Had this analysis been done one year ago, the prospects would have been much more pessimistic. But, the major political crisis that occurred one year ago forced the political parties and the international community to push strongly for broader reforms which tackle the need for free and fair elections, strengthening the legal provisions related to the financing of political parties and electoral campaigns, as well as media reforms that directly influence the cost of politics. What remains to be seen is whether these reforms will affect the next electoral process. However, when those will be remains unclear. Early parliamentary elections were scheduled for April 2016, then postponed until June 2016 and then again cancelled with no other specific election date.

## IV. Summary

Political parties' financing is a taboo topic in Macedonia. Moreover, it seems that there exists a tacit consent between political parties, especially the big ones, for not exposing to the public the sources of parties' revenues. Only recently, and mostly due to the political crisis, have political parties started to confront each other over the subject of illegal financing. Unfortunately, this tacit consent seems to be spreading all over the societal spectrum including legislative bodies, control bodies and the media. In the civil sector, one can hardly find relevant NGOs that specifically deal with these issues.

The most shocking feature of the Macedonian political and societal system is the corruption of media with public funds. The media landscape has become so distorted that a stranger coming to Macedonia and watching two politically opposed TV channels will not figure out that they broadcast news about the very same country. This distortion has huge ramifications for the cost of politics and gives enormous advantage to the ruling coalitions.

Another disturbing factor is the culture of loyalty and servility to political parties. The country is so deeply divided along party lines that there are virtually no prospects for other political actors to emerge. Also, political parties show strong autocratic tendencies, and reforms in the opposite direction have been very modest.

Finally, the lack of institutional scrutiny and an independent judiciary are also key impediments for curbing the corruption practices in the country and the development of strategies to restrain the role of money in politics.

Recent developments, amid a major political crisis in the country, have shown that strong diplomatic pressure and concerted efforts from members of the international community, along with strong pressure from the protesters in the streets, might be able to move things forward. In an optimistic scenario, first signs of improvement could be expected in no less than three years, provided that a new government will have the capacity and willingness to tackle the serious problems the country is facing.

## Endnotes

1. Organisation for Economic Co-operation and Development (2012). Transparency and Integrity in Political Finance.
2. A large portion of media outlets in Macedonia are directly controlled or influenced by the ruling political parties, or, to a lesser extent, by big opposition parties. The analysis that follows will show that both political actors (ruling parties and large opposition parties) have interest in controlling the media space.
3. Ohrid Framework Agreement. 2001.
4. The indirect consequence of the Ohrid Framework Agreement was the forthcoming predominance of four political parties, VMRO-DPMNE and SDSM from the ethnic Macedonian political campus and DUI and DPA from the ethnic Albanian campus. This peculiar 'ethnic double bipartyism' remains a feature of the Macedonian political scene.
5. The exact number of political parties is not certain, since many of the parties struggle to gather the needed 1,000 signatures for re-registration and the official register of political parties does not always accurately state the number.
6. See Gordan Georgiev (2007) in *Reshaping the broken image of the political parties in SEE*, GorexPress.
7. Interview with Pavle Trajanov, MP and leader of Demokratski Sojuz.
8. Interview with Saso Ordanoski, political analyst.
9. Interview with a local political commentator (anonymous).
10. Subsequent intercepted phone communication between leading government officials gave evidence to suggest that Mr. Boskovski's arrest was an attempt at political revenge by the ruling VMRO-DPMNE.
11. Transparency International Macedonia. (2013). 'Buying Influence: Money and Politics in the Republic of Macedonia'.
12. Information contained in intercepted materials disclosed by the opposition in 2015.
13. Blaževska. (2014). 'Vladinite reklami - alfa za ureduvačkata politika, omega za nezavisnosta', Deutsche Welle, 23 September.
14. Interview with Meri Jordanovska, journalist, BIRN Macedonia.
15. Alsat-M. (2015). 'Sumite dobieni od vladini reklami od desetkratno pomali od oni koi gi navede ZNM', 28 May.
16. Informing Citizens' Matrix data is available at the website of the Government of Macedonia <http://vlada.mk/node/9241>.
17. The speculation about the sums varied between 30,000-80,000 euros, depending on the MP and his or her perceived loyalty.
18. Transparency International Macedonia. (2011). 'Legislation and Practices in the Financing of Political Parties'.
19. Nova TV. 2016. 'Donations to VMRO-DPMNE: Fictitious donors and poor officials'. 23 May. Available at <http://novatv.mk/donatsii-vo-vmro-dpmne-fiktivni-donatori-i-siromashni-sluzhbenitsi>.