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**DIVERSITY AND LOCAL DEMOCRACY  
- THE CASE OF REPUBLIC OF MACEDONIA-**

**IMPLICATIONS OF ETHNIC DIVERSITY ON MUNICIPAL  
DECISION MAKING AND ORGANIZATIONAL PERFORMANCE**

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## **ABSTRACT**

### **JOINT PHD PROGRAMME IN DIVERSITY MANAGEMENT AND GOVERNANCE**

#### **DIVERSITY AND LOCAL DEMOCRACY - THE CASE OF REPUBLIC OF MACEDONIA-**

#### **IMPLICATIONS OF ETHNIC DIVERSITY ON MUNICIPAL DECISION MAKING AND ORGANIZATIONAL PERFORMANCE**

**VESNA ATANASOVA**

Dissertation under the direction of Professor Stefano Bianchini

This research seeks to review the level of knowledge achieved in interpreting the relationship between the ethnic diversity at the workplace in the public sector and the organizational performance; as well as seeks to contribute in understanding the implications of this relationship. The study commenced with investigating the academic research in the relevant area addressing the following research questions: (a) How are diversity management and organizational performance conceptualized? (b) What are the existing findings of research concerning diversity at the workplace in the public organizations and organizational performance? (c) What factors intervene the relationship between the diversity and organizational performance? Based on the findings from the review of the academic research, this study seeks to contribute in understanding the ethnic diversity – performance relationship and its implications at the local level in the Macedonian context. The reform process in Macedonia as a multicultural society, where for many years, inter-ethnic relations have been one of the most sensitive political issues, affecting both the stability of the country and the progress, focused mainly on the implementation of the decentralization and inclusion of ethnic minorities in the decision making process. With the implementation of the Ohrid Framework Agreement workforce at the units of local self-government in Republic of Macedonia is becoming more balanced with respect to ethnic minorities, with more workforce participation than ever by Albanians, Turks, Roma and other minorities. As public organizations at local level become more diverse along ethnic lines, it makes sense to pay more attention to how different ethnic groups interact with one another at work. Thus it gives additional importance on the research question addressed in the study and gives significance of the research in a broader scope.

Approved \_\_\_\_\_ Date \_\_\_\_\_

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13	Are the authorities relating to procurement clearly delegated to the entities carrying out the process?	
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14	Public procurement of energy for schools in 2011 was realized through	
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16	Criteria for selection of the offer for procurement of energy for schools in 2011	
17	Received appeals after the award of the contract	
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21	Public procuremet is closely integrated with broader government objectives beyond value for money or cost optimization	
22	Politicians in local government see public procurement as increasingly important	
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## **LIST OF ABBREVIATIONS**

<b>CoE</b>	Council of Europe
<b>ESPP</b>	Electronic System of Public Procurement
<b>EU</b>	European Union
<b>CICR</b>	Committees for Intercommunity Relations
<b>MoLG</b>	Ministry of Local Self-Government
<b>NATO</b>	North Atlantic Treaty Organization
<b>OFA</b>	Ohrid Framework Agreement
<b>ZELS</b>	Association of Units of Local Self-Governments
<b>AA</b>	Affirmative Action
<b>EEO</b>	Equal Employment Opportunity
<b>KSAOs</b>	Knowledge, skills, abilities, experiences, entrepreneurial orientation
<b>PDP</b>	Party for Democratic Prosperity
<b>AFO</b>	Association of Finance Officers

## **CHAPTER I – Introduction**

With the implementation of the Ohrid Framework Agreement workforce at the units of local self-government in Republic of Macedonia is becoming more balanced with respect to ethnic minorities, with more workforce participation than ever by Albanians, Turks, Roma and other minorities. As public organizations at local level become more diverse along ethnic lines, it makes sense to pay more attention to how different ethnic groups interact with one another at work. Increased emphasis on diversity and its management has been a key theme in the public administration research literature of the past twenty years; indeed, the field has seen analysis dedicated to diversity management programs. This research seeks to fill this gap by studying the effects of the ethnic diversity of local government work-force on work-related outcomes. The research is geographically limited to the territory of Republic of Macedonia and is observing the outcomes of the decision making process in the area of public procurement in municipalities.

The review of literature on diversity effects indicates that it is challenging to formulate credible hypotheses relating ethnic diversity to performance outcomes. Two streams of theory suggest diversity will damage organizations, while a third suggests it will create added value. The empirical research shows both positive and negative interactions. If the decision making process requires employees to work to a great extent with one another, then it is perhaps more likely that it will create a negative effect; while if a decision making process requires employees to work relatively independently, then it is more likely to bring a positive effect. Following this conclusion from the literature review this

study examines how ethnic diversity affects two different types of decision making process and performance in the units of local governments (1) when the decision process requires significant coordination and cooperation, and (2) when the decision making process does not requires significant coordination and cooperation.

A questionnaire containing five sections and including 54 questions has been distributed to 40 pilot municipalities. The Association of Finance Officers in Republic of Macedonia (AFO) contributed in sending the questionnaire to the Mayors and inviting them to appoint a person responsible to fill the questionnaire. Additionally, AFO assisted in collection of the questionnaires from the respective municipalities. Research was carried out in December 2012 and feedback has been received from 24 municipalities. The survey carried out in the selected pilot municipalities has been paired with a qualitative study that included information direct from municipal staff about their experiences with diversity in the procurement decision making.

Data obtained to test the hypothesis showed that there are no significant evidences which demonstrate neither positive nor negative relationship between the ethnic variable and the organizational performance. The study referred to the difficulty in drawing lessons due to the lack of replication and methodological problems in the relatively small body of research, similar as challenges faced in many other studies in this area. It offered descriptive analysis, evidently based on casual observation, and offered little to no analysis of the quality or impact of ethnicity to the organizational performance.

Considering the limitations and challenges confronted during the process, it was very complex to draw generalizable conclusions; however, many useful lessons could be

drawn for local public managers and policy makers in local government. As local elected and appointed officials want to integrate managing diversity approach into their organizations, they could seek for lessons from the research literature including this study.

This study also tackled an issue which not only in Macedonia but broader in the region of South East Europe is considered as a highly sensitive issue. Ethnic disagreements and ethnic conflicts in this part of Europe were reasons for wars and sufferings in recent history, and individuals and/or organizations are often reluctant to participate or to be involved in any study which addresses the issue of ethnicity. Therefore, the efforts of this study to contribute to the understanding of the impact of ethnic diversity on organizational performance in the public sector at the local level could serve as a basis for other researchers to study more profound this issue. Also, it could serve to the local government practitioners, both elected and appointed to draw further lessons based on the findings in this research.

## **CHAPTER II – Theoretical Background of Diversity and Performance**

### **2.1 Introduction**

This research seeks to review the level of knowledge achieved in interpreting the relationship between the diversity at the workplace in the public sector and the organizational performance. Based on analysis of academic research in the relevant area, it addresses the following research questions: (a) How are diversity management and organizational performance conceptualized? (b) What are the existing findings of research concerning diversity at the workplace in the public organizations and organizational performance? (c) What factors intervene the relationship between the diversity and organizational performance? Based on the findings from the review of the academic research, this chapter seeks to offer a model to explain the diversity – performance relationship, and to understand its implications. These attempts are based primarily on searches of published literature on diversity management, as well as an exploration of materials on the World Wide Web. Most of the literature was American, with other sources coming from Europe, New Zealand, Australia, South Africa, and Canada. There was no attempt to provide representative overview or summary of literature in diversity management. Where possible, use has been made of already existing surveys and overview of practices and literature relating to diversity management. Thus, this chapter attempts to provide an original analysis of existing sources of information in order to clarify the issues for further research related on implications of diversity on decision making.

### 2.1.1. Review of diversity management and organizational performance

Diversity management is the latest development in a series of strategies which have aimed at better representing the excluded minorities in the employment. Its rationale is primarily one of improving the organizational competitiveness and efficiency, driven by business purpose and market advantage. The concept emphasizes the necessity of recognizing cultural differences between groups of employees, and allowances for such differences in organizational policies.<sup>1</sup> The idea is that encouraging an environment of cultural diversity where peoples' differences are valued, enables people to work to their full potential in a richer, more creative and more productive work environment. Diversity management is not seen as a policy solely directed towards the interests of excluded or under-represented minorities, but it is seen as an inclusive policy, one which encompasses the interest of all employees, including white males. In the European context, the term "diversity policy" is in some cases simply engaged to already existing practices of combating discrimination in the organization, that is policy of employment of immigrants and minorities.<sup>2</sup> Some authors argue that diversity policy must contain much more elements, and to be much more than equal access to employment opportunity. It should refer to particular techniques of actively managing the diverse mix of people within the organization in ways to contribute to organizational efficiency or business advantage. Since diversity management originated in the private sector, where the arguments for diversity were mainly economic, research on "managing for diversity" did not appear in the area of public management

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<sup>1</sup> Wrench, J., Diversity Management, Discrimination and Ethnic Minorities in Europe: Clarifications, Critiques and Research Agendas, 2002, Center for Ethnic and Urban Studies, Sweden,  
[http://www.isv.liu.se/remeso/publikationer/themes/themes\\_arkiv/1.160397/THEMES192002.pdf](http://www.isv.liu.se/remeso/publikationer/themes/themes_arkiv/1.160397/THEMES192002.pdf)

<sup>2</sup> Ibid, p. 5

until the late 1980' s and early 1990's. During that period, two extensive demands happened to influence public service in particular. On one hand there was the demand for increased performance, where diversity became a performance requirement; the other demand was a legitimization demand, where diversity stemmed from political and ethical mandates for representative bureaucracy in a democratic context.<sup>3</sup> These two demands produced a strong incentive to engage in diversity and to manage it effectively. Public sector organizations have recognized that a diverse workplace is a critical component for continued success. Both, practitioners and researchers agree that managing diversity in private and public organizations is a complex and challenging task which has an effect on the overall organizational performance. Diversity is frequently seen as a potential source of different types of conflicts, such as misunderstanding, discriminating behaviors or antisocial behavior, which inevitably lead to the negative consequences on the overall performance. On the other hand, much of the work on diversity stems from a normative view that any diversity leads to positive consequences. Empirical research studies of the effects of diversity in the workplace has often resulted with conflicting and ambiguous findings. They have generally referred to the difficulty in drawing lessons due to the lack of replication and methodological problems in the relatively small body of research and, more importantly, there is inconsistency in findings among studies linking different types of diversity to specific work outcomes.<sup>4</sup> Articles on diversity management that appear in the core journals of the field are mostly descriptive, apparently based on casual observation, and offer little to no analysis of the quality or impact of the program.

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<sup>3</sup> Pitts, David W., Diversity, Representation and Performance: Evidence about Race and Ethnicity in Public Organizations, Paper presented at the National Public Management Research Conference, October 9-11, 2003, Washington, D.C., <http://www.pmrnet.org/conferences/georgetownpapers/Pitts.pdf>

<sup>4</sup> Wise, Louis R. & Tschirhart, M., Examining Empirical Evidence on Diversity Effects: How Useful Is Diversity Research for Public-Sector Managers?, *Public Administration Review*, (2002, Volume 60, Issue 5, P.386-394

Practically, no empirical research has been conducted on the effectiveness of diversity management policies in the public sector.<sup>5</sup> Most articles on diversity that appear in the public management journals are case studies of diversity programs, statistical analyses of workforce trends, or “best practices” type studies. In such circumstances it is very complex to draw generalizable conclusions. While case studies can be valuable tools through which to build theory, they should be supplemented by quantitative research. However, many useful lessons for managing diversity practices have been drawn from case study research which could be valuable for managers and policy makers. On the other hand whether diversity among public sector employees results in increased organizational performance is an empirical question yet to be tested in public administration literature.<sup>6</sup> Recruiting and retaining more diverse employees is a legitimate normative goal for government organization, but is nevertheless necessary to understand the impact of increased diversity in order to develop and to implement adequate management strategies. A meta analysis of 106 empirical research studies of the effects of diversity in the workplace, provided findings that may be equally valuable to those hoping to gain the advantages of a diverse work and reduce the difficulties related to workplace heterogeneity.<sup>7</sup>

## **2.2. Conceptualizing diversity and “managing for diversity”**

Although the word “diversity” can refer to a great number of meaning, in recent years in the field of public administration, diversity refers to the inclusion and management of

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<sup>5</sup> Pitts, David W., Implementation of Diversity Management Programs in Public Organizations: Lessons from Policy Implementation Research, Department of Public Administration and Urban Studies and Fiscal Research Center, 2006, Working Paper 06-17, <http://aysps.gsu.edu/publications/2006/index.htm>

<sup>6</sup> Pitts, p. 7

<sup>7</sup> Wise, Louis R. & Tschirhart, M., Managing for Diversity Research: What We Know from Empirical Research about the Consequences of Heterogeneity in the Workplace, Paper presented at the Metropolis Conference, November 27-30, 2001, Rotterdam [http://international.metropolis.net/events/rotterdam/papers/9\\_Wise.htm](http://international.metropolis.net/events/rotterdam/papers/9_Wise.htm)



people at the workplace who traditionally been marginalized because of their gender, race, ethnicity, gender, age, sexual orientation and/or disability.<sup>8</sup> These attributes are considered as a primary dimension of diversity and they represent individual characteristics or factors that cannot be changed. These core characteristics of diversity considerably affect the attitudes and behaviors of individuals and groups in the society and affect how we perceive and respond to those who do not share our own individual characteristics. The *secondary* dimension of diversity is defined as compliant factors such as educational background, geographic location, income, marital status, parental status and religion. These attributes can also influence our attitudes and behaviors towards others. Wrench warns that although practitioners mainly think of human diversity in terms of primary dimensions of race, gender and ethnicity, it should be noted that in the scholarly literature, heterogeneity and diversity often embrace a very broad spectrum of individual differences. Many of the academic studies about the effects of human diversity on team and organizational performance have used the broad secondary dimensions of diversity, and it should be recognized that many key assumptions about diversity in the workplace are drawn from research where diversity is broadly defined. Gagnon and Cornelius<sup>9</sup> provide a review of the three main traditions regarding how people and equity issues within organizations have been conceptualized. In the liberal tradition the central is the principle of equal opportunity in order to eliminate disadvantage, and for some provide support through positive encouragement. Methods employed include policies, recruitment procedures, monitoring of activity and training. Activities for eliminating discrimination

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<sup>8</sup> Scheepers, S., Discourses on Diversity in the Belgian and Flemish Public Sector, 2007, p. 3, [Public Management Institute, Leuven, www.ipa.udel.edu/3tad/papers/workshop2/Scheepers.pdf](http://www.ipa.udel.edu/3tad/papers/workshop2/Scheepers.pdf)

<sup>9</sup> Gagnon, S. and Cornelius, N., "Re-examining workplace equality: the capabilities approach", *Human Resource Management Journal*, (2000), 10:4, p. 68-87

consequently centers on the use of procedures which formalize methods of access to jobs and encourage employers to assess applicants on their merits and to exclude considerations of other aspects. Radical tradition is based on the principle of positive discrimination/affirmative action, to secure equality of outcome. Methods employed include preferential selection processes and the use of quotas. Managing diversity is based on the principle of maximizing individual potential so that recognizing and using this diversity adds value to the workplace experience and profits. Methods used include visions statements, audits, accountability processes, and cultural change. Thus, diversity management is linked to the competency management. For example, “cultural diversity management competency” was ranked sixth highest in importance among 19 competencies by 500 American city managers and human resource directors.<sup>10</sup> Diversity as a concept has traditionally been used in both narrow and broad contexts. While narrow definitions of diversity focus on restraining discriminatory practices based on personal characteristics, a broad view of diversity includes also the implications from the general organizational culture. A broad understanding of diversity thus affects all levels of the organization, while narrow definitions appear to be of similar orientation as Affirmative Action (AA) and Equal Employment Opportunity (EEO) initiatives. Various distinctions have been made between Equal Employment Opportunity, Affirmative Action and diversity. EEO has been defined as “giving people a fair chance to succeed without discrimination based on unrelated job factors such as age, race, sex, or nationality”<sup>11</sup>. AA refers to “programs that require organizations to make special efforts to recruit, hire, and promote women and

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<sup>10</sup> Wrench, J., p. 6

<sup>11</sup> Erwee, R.& Steger, M., Managing Diversity in Public Sector: A Case Study of a Small City Council, *International Journal of Organizational Behaviour*, 2001, Volume 4, number 1, p.78

members of minority groups”<sup>12</sup>. Diversity management goes beyond an accommodation of individual difference, to a situation where organizational culture is reformed to value and respect it. Diversity is able to address a wider section of the working population than the more specific EEO and AA targets. Furthermore while EEO and AA requirements are covered by legislation, ensuring a truly diverse workforce requires management initiation. Thus, although Equal Employment Opportunity and Affirmative Actions initiatives have been important phases in the evolution of diversity management, they are only narrow aspects of its current existence. Riccucci<sup>13</sup> identifies number of strategies that government employers may consider in their attempts to manage diversity, but it is essential to set up preliminary steps to encourage changing of the existing organizational culture. Also, traditions and policy instruments depend on the legal and organizational context, and on the target groups to which they are directed. Different strategies are chosen to address the race or ethnic or age diversity in a organization. It can be assumed that diversity seems to be more about ethnocentrism or viewing one’s own group as better; prejudice and stereotyping, rather than it is about discrimination.<sup>14</sup> The diversity deals with assumptions, feelings, perceptions and beliefs about others, while discrimination is about actions, behaviors or performance. Effective diversity management is based on the recognition of commonalities and awareness of differences. Since diversity management has been considered as a function of human resource management, policies and programs vary significantly between organizations, including mentoring opportunities, training programs, family-friendly policies, and advocacy groups. This increase the difficulty to conduct empirical research, thus little published research has considered the link between diversity

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<sup>12</sup> Ibid, p.78

<sup>13</sup> Riccucci, N. M., *Managing Diversity in Public Sector Workforces* (Oxford: Westview Press, 2002), p.44

<sup>14</sup> Scheepers. S., p.9

management processes and performance in public sector organizations. Pitts points out several potential reasons for this lack of research.<sup>15</sup> Namely, there are no comprehensive theoretical models for understanding organizational diversity which makes any work on this issue exploratory, and the generalizability of any findings would be suspect. Further, there are normative and political aspects to diversity management that affect its assessment. The normative aspect is explained in a way that researchers assume that anything toward more harmonious relations among diverse employees is a step in a positive direction, and no one wants to critically evaluate a program with such good intentions. The political aspect lies in the fact that organizations do not want to let researchers to discover that the diversity program is not successful, certainly if the organization is under strong pressure to address the diversity problem. The American author Kersten summarizes four main aspects as core features which make diversity management different and distinctive compared to previous approaches of Equal Employment Opportunity and Affirmative Action.<sup>16</sup> Firstly, diversity management promotes a systematic transformation of the organization as opposed to the other approaches that put emphasis on recruitment and selection of personnel. Thus, it aims at changing the organizational culture in a such a way that it becomes an open, welcome and supportive environment for all employees. Secondly, diversity is not presented as a negative, external mandate but as a positive and voluntary effort on the part of the organization. The third difference is that diversity efforts are justified with economic rather than legal instruments. As such, it is not seen as a goal in and of itself, but as an goal which will increase the overall effectiveness of the organization itself. Finally, diversity

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<sup>15</sup> Pitts, David W., Modelling the Impact of Diversity Management, The Social Science Research Network Electronic Paper Collection, *Working Paper* 06-18, 2005, p.9

<sup>16</sup> Wrench, J., p.16

management approaches use an inclusive definition of diversity in which any and all kind of difference are considered as part of diversity project. Many other authors make also distinctions between diversity management and other two approaches, but this distinction relate mainly to differences in theory, whereas in practice there is a significant convergence between the types. In practice, it is not always clear to make difference between the diversity management, Equal Employment Opportunity and Affirmative Action.<sup>17</sup>

### **2.2.1 Critical analysis of diversity management**

The aim of the critical observation of diversity management in this context is to bring to the surface all unseen meanings, interests and power relationships which lie under the apparently neutral terminology. Wrench had carried out comprehensive analysis of the existing critical literature on diversity management deriving from a wide range of academic and political positions, and then constructed classification of critiques under number of different headings.<sup>18</sup> The first category of critiques are classified as “non-fundamental”. There are arguments in this category which do not reject diversity management as a principle, but ask for a more realistic approach of diversity management without over-exaggeration of its benefits. These are the examples of critiques that demonstrate that we should not simply accept the diversity management concept as face value or as a neutral management practice, but we should look more critically in its origins, philosophy or claims, and study it as something which has developed in order to

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<sup>17</sup> Wrench, J., p.20

<sup>18</sup> Ibid., p.107

serve sectional interest of one particular occupational group. A criticism is also concerned about the assumption that diversity in a workforce is beneficial for all organizations in all contexts, and thus benefits are over-generalized and over-optimistic. Finally, Wrench identified number of sources with evidences of bad practices that have taken place in organizations under the name of diversity management. The second category of critiques is classified as “equal opportunity critiques”, and this group of critics asks more serious questions about the essential nature of diversity management, particularly in comparison with earlier employment quality approaches. They stem from people who are sympathetic to approaches of equal employment opportunities or to the affirmative actions, but who have particular criticism of aspects which are fundamental to the diversity management approach. Here, diversity management is seen as discouraging previous approaches to combating discrimination and racism. One rather profound criticism is that diversity management has moved the equal opportunities away from a moral and ethical issue and turned it to a business strategy, in the context of the push by management consultants to reconstitute equal opportunities in the management language. The third more radical and often political critiques are classified as “fundamental”, and they question the basic elements of the whole diversity management approach, identifying the development of this organizational practice as a negative or retrograde step. Other critiques in this category are “political”, coming from both a Right and a Left perspective. The apparently progressive aspects of diversity management are seen as a cover which helps to maintain status quo.<sup>19</sup>

This classification exercise is useful to clarify the critiques, which sometimes come from very different and sometimes quite incompatible standpoints, and it also helps to understand the nature of diversity management.

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<sup>19</sup> Wrench, J., P.130

### **2.3. Conceptualizing organizational performance**

When conceptualizing performance, there is a trend in academic research to look beyond financial dimension of performance. Other performance metrics have been taken into consideration when measuring the organizational outcomes, such as quality of results, social integration, decision making, creativity and problem solving, as well as categories as knowledge, skills, abilities, experiences, task and relationship conflict. Therefore, the concepts of both workplace diversity and organizational performance are complemented with new meaning and significance, and they should be observed in its broader connotation.

#### **2.3.1. Diversity versus organizational performance - relationship and consequences**

Very limited research in public administration has aimed at understanding the impact of personnel diversity on organizational performance.<sup>20</sup> On contrary, research in business management, psychology, and social psychology has attempted to assess this relationship. Studies examining the benefits of diversity management in private sector organizations claim higher productivity, better creativity and innovation, better understanding of customers, improved recruitment opportunities, lower costs, more positive morale, and higher employee retention.<sup>21</sup> Diverse workforces, by improving communication, teamwork, and employee utilization, lead to higher productivity, with innovative and creative solutions arising due to a broader range of perspectives and experiences being

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<sup>20</sup> Pitts, David W., Modelling the Impact of Diversity Management, The Social Science Research Network Electronic Paper Collection, *Working Paper* 06-18, 2005, p.6

<sup>21</sup> Erwee, p.78

incorporated and considered. Diversity awareness allows for a better understanding of global customers' needs, and provides access to greater labor pools. However, criticism of this phenomena has also been presented in a number of studies pointing out that diverse work groups may experience greater communication difficulty and decision complexity than homogenous groups<sup>22</sup>. Another negative element of diversity theory is that there is currently very limited research available to either support or contest the arguments. Research in this area reflects on the impact of a number of types of diversity on organizational outcomes, including disability, education, race, gender, functional background, and others. The most leading type of diversity studied is race/ ethnicity – performance relationship. Some studies show a positive relationship between racial diversity and outcomes, while other studies come to the contradictory findings. A series of studies found that ethnic diversity was unrelated to performance, or related in a negative direction. Other types of diversity show stronger relationships. For example, age diversity guides to a lower levels of social integration, bad communication, and turnover.<sup>23</sup> Gender diversity is frequently related to performance in a positive manner, results for diversity of functional background are split between positive and negative, while some researches show no consistent relationship between diversity and outcomes.<sup>24</sup> Since it is very questionable if these research findings from business context can be applied to public organizations, it creates a need to better test diversity effects using information from public organizations. From the review of empirical studies on personnel diversity and organizational performance during the period 2000 – 2009, McMahon concluded that task-related and cognitive diversity are more important criteria that need to be considered when

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<sup>22</sup> Ibid, p.79

<sup>23</sup> Ibid., p. 7

<sup>24</sup> Ibid., p. 7



attempting to understand personnel diversity and its true implications for organizational performance.<sup>25</sup> Therefore, task related dimensions such as, functional background, organizational tenure, experience, social psychological characteristics (agreeableness, openness to experience, contact and cognitions, feelings and behaviour) and team interaction abilities (attitudes towards others, acceptance of differences, etc) are equally if not more relevant to assess personnel diversity and to explain its influence on the organizational performance. Thus, contemporary research gives more importance to the secondary rather to the primary dimension of the diversity on the performance outcomes. In its richer connotation, the impact of personnel diversity on organizational performance is no longer considered as linear but curvilinear, and mixed results of empirical studies recognize that relationship is neither direct nor definitive. Certain aspect of organization such as resources, capabilities, and core competencies are more likely to account for performance outcomes. Thus, the mediating factors identified by researchers in the area of diversity-performance include KSAOs - knowledge, skills, abilities, experiences, entrepreneurial orientation, reputation, innovation, knowledge sharing, etc.<sup>26</sup> Diversity research has also recognized the importance of organizational culture in enabling firm performance. The implications of personnel diversity are no doubt important to organizations, and therefore it is inevitable that they address it adequately. Different approaches are recognized in managing diversity: reactive approaches deal with the phenomenon of diversity, while proactive approaches deals with leveraging diversity to achieve superior organizational performance. In either case, an organization needs to

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<sup>25</sup> Mc.Mahon, Anne M., Does Workplace Diversity Matter? A Survey Of Empirical Studies on Diversity And Firm Performance, 2000-09, *Journal of Diversity Management*, Second Quarter 2010, Volume 5, Number 2, p.43

<sup>26</sup> Mc.Mahon, Anne M., page:44

understand how its diversity is affecting performance in order to develop practices and policies that maintain the positive impact of the diversity, or to develop and implement policies to diminish the negative impact of diversity. Wise and Tschirhart searched for general patterns in hypothesis, study methods and results regarding the consequences of heterogeneity in the workplace.<sup>27</sup> In a research using meta-analysis of 106 empirical research studies of the effects of diversity in the workplace, a total of 272 different findings are extracted. Findings are then grouped in three categories according to the units of analysis i.e. individual, group, and organizational outcomes' findings. There are 113 findings for individual outcomes, 105 findings for group or team outcomes, and 54 findings are identified for organizational outcomes. The biggest number of findings (82) relate to gender diversity, 58 findings relate to ethnicity and race diversity, and the dimension with the third highest frequency of findings is age (38). Based on the empirical scholarly literature, Wise drawn eight generalizations about personnel diversity in organizations (1) the effects of diversity mature over time; (2) the nature of the task diversity affects the potential gain from diversity; (3) inconsistent work process reduced the potential gain from diversity; (4) the core diversity is contextual; (5) the core diversity is perceptual; (6) findings from one diverse group are not necessarily generalizable to another diverse group; (7) specific types of diversity have different effects on different organizational outcomes; (8) diversity increase organizational turnover.<sup>28</sup> Further elaboration of the above stated findings can valuable for managers in public organizations in creating the organization's development strategy. Thus, this paper gives further attention to the analysis of the above stated eight generalized findings. Empirical studies

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<sup>27</sup> Wise.L.R., p.7

<sup>28</sup> Ibid, p.12

attempting to assess the consequences of diversity over time indicate that initial observations differ significantly from those taken later on in time. This may lead to the conclusion that process of mutual accommodation and integration occur within the members in a diverse group, and more positive relationships among diverse group members are achieved. That means that effective diversity management takes time to develop. Over time, stereotypes and prejudices about different individuals are replaced by a deeper understanding. Homogenous groups may seem to work together more efficiently and with less conflict in early observations than mixed groups, but subsequent observations often show that there are no differences between homogeneous and heterogeneous groups at later stages of group development. The second generalized finding from Wise's meta analysis study refer to the relationship between the type of a task, its level of difficulty, in a diverse group. Namely, when the task is categorized as creative and requires problem solving and co-ordination, it appears that differences in performance are related to the group heterogeneity. Some reports showed that if a group is consisted of members from different nationalities and different countries, this multinational group has the biggest challenge in achieving the task. Although such groups may have a richer diversity in a knowledge related to the task and problem that needs to be solved, diversity overall functions as a disadvantage in efforts to develop effective interaction. At the same time, multinational diversity had no effect on groups performing more restricted, computing tasks where the number of correct solutions is limited. Third generalized finding claims that ineffective and inefficient work processes decrease the potential contribution of a diverse work group. Gains that might be expected may be lost in the processes involved in getting the job done. If tasks require substantial coordination

and communication among members, the communication patterns, policies and procedures affect the performance of diverse members in the work group. This effect appears to be present within the gender and racially diverse groups. Fourth finding asserts that the organizational context influence the extent to which diverse or homogeneous groups produce better quality decisions. Number of studies demonstrate systematic differences in the management styles of managers, and those differences in their attitudes and behaviors are associated with the their cultural background. Findings obtained for top managers in an individualist society like U.S. were not repeated among executives in collectivist societies. Wise refers to the findings of Wiersema and Bird, 1993, that heterogeneity in age, team tenure, and educational background was found to have a substantially stronger effect on top management team tenure among Japanese than among Americans. In this case one possible explanatory variable is the cultural value of collectivism. Members of collective societies may focus less on interpersonal differences within the group and more on member/non member differences than members of individualistic societies. Similarly, even within one country, presence of ethnic minorities with collectivist or individualistic orientations may have effects to the extent to which diverse or non-diverse teams produce better quality decisions. Fifth Wise's generalized finding asserts that diversity is perceptual, that is, it may exist in a group or work organization but have no significant effects on organizational outcomes since the members do not perceive it. Some studies indicate that members of diverse groups perceive group performance as lower than do members of homogeneous groups, but many empirical studies find no significant effects related to diversity on organizational outcomes. While gender and race dimensions are very often associated with performance indicators at the individual, group, or

organizational level, many studies report that these diversity dimensions had no effect on performance. This finding may be due to the fact that people are not sensitive to or aware of the diversity that exists. If diversity is not physically obvious, group members may be unaware of the diversity unless it is brought forward by some event or disclosure. Even if a particular type of diversity is evident, it may not be important to group members. Religious diversity, for example, may be highly important among members of some work groups and irrelevant in other contexts where religious affiliation is not an important personal characteristic. Despite religious differences members may not perceive others as different from themselves. Similarly, the perceived significance of ethnic diversity may vary in different contexts and over time. Whether actual diversity matters or not, may be a function of the extent to which members are open to different types of diversity. Sixth Wise's finding claims that findings from one diverse group are not necessarily generalizable to another diverse group since not all dimensions of diversity appear to have the same effects. Much of the research regarding diversity relate to heterogeneity with regard to gender or personality type, and findings from this kind of research are often not replicated when applied to culturally diverse groups, or to groups based on racial differences. Similarly, while gender is frequently associated with adverse effects on communication, age and educational diversity do not disclose the same pattern of effect on communication. Seventh finding argues that specific types of diversity have different effects on different organizational outcomes. For example, diversity in age and organizational tenure generally is found to be positively related to turnover and negatively related to group cohesion and communication. Similarly, studies report that multinational diversity reduces performance in coordinated tasks, but demonstrate greater creativity by

drawing on their wide range of values and cognitions. The diversity dimensions of education, age, and to a lesser extent experience were most often positively associated with performance outcomes. Moreover, diversity dimensions were more likely to be positively associated with qualitative indicators of performance than with quantitative indicators. The last generalizable finding argues that diversity increases organizational turnover. A large share of the empirical research focuses on the consequences of diversity for organizational or team turnover. Compositional differences in age have also been associated with higher organizational turnover. Individual's tendency to leave the organization is also related to increased diversity in age, education and race/ethnicity, experience and team tenure. Those eight identified points, that is, generalizable conclusions about the consequences of diversity offer guidelines to managers both to private and public organizations on how to develop and implement successful diversity practices in order to increase the organizational performance.

#### **2.4. Conclusions from the literature review**

The concept and philosophy of diversity management is slowly but steadily gaining recognition in public sector organizations. Beside the fact that research focused on the effects of heterogeneity on the performance in workplaces show very different results, elected and appointed officials who want to integrate managing diversity approach into their organizations seek for lessons from the research literature that can be reliably applied to specific situations at the workplace.

In the Wise and Tschirhart research using meta-analysis of 106 empirical research studies of the effects of diversity, the eight generalizable findings about the consequences of diversity offer some very useful guidelines to the managers and officials in the public sector. More specifically, for example, conclusion that the effects of diversity mature over time suggests that managers need to treat the diversity that exists differently at different stages of group development. The conclusion on the effects on communication shall encourage managers to provide the additional time, opportunity, and appropriate instruments for effective communication in diverse groups in order to increase the organizational performance. The conclusion that diversity is perceptual would mean that training and capacity building in valuing diversity would be an important element for establishing a workplace embracing the heterogeneity and preparing the ground for a managing for diversity approach. If findings from one diverse group are not necessarily generalizable to another, managers must be careful not to treat all diverse groups and minority groups at the same manner, but they have to be aware of the differences in values and norms among members of different social groups. Some research indicates that culturally diverse groups that improve their group process performance will improve their task performance and exceed the performance of homogeneous groups. A proactive management approach to teams would ensure that team members get sufficient feedback, set ground rules and focus on behaviors affecting process performance. Despite the potential benefits, the practice shows that diversity initiatives applied primarily in large public sector organizations are largely driven by legal requirements. The greatest impetus for diversity management initiatives should come from internal policy documents, as benefits attributed to diversity management will not be achieved by compliance with

legislative requirements. As such, organizational policy plays an important role in capitalizing upon diversity in the workforce. According to Prasad and Mills (1997) the incentive for managing diversity is entirely voluntaristic. Because of the voluntaristic nature of diversity management, the emphasis should not simply be on compliance with relevant legislation, but should be focused on the extension of these principles. The competitive advantage from a diverse work force does not come from achieving a certain statistical distribution of minorities and women but from the different ways of thinking, life experiences, different preferences that these individuals can bring into an organization. Organizational structures that do not provide an opportunity for these insights and experiences risk to see little gain from efforts in managing diversity. Thus, organizations need both a vision and a plan for how they will implement diversity. If diversity policies are based on the idea that creating a high-performance organization is not possible without leveraging the world's diverse cultures and rich human diversity, then diversity programs must both involve and empower employees from all levels of an organization. Thus, the conclusion to draw from this review of the literature on the implications of personnel diversity on the organizational performance in public sector organizations is that elected and appointed officials must take responsibility to ensure that diversity is managed proactively and strategically. But it's also important to consider the positive and negative impacts that can arise. It's the ability to manage diversity that makes the difference – not just diversity itself. Academic evidence only highlights areas in which diversity has an impact, and it is up to the organisations and managers to customise initiatives and interventions to manage diversity in ways that contribute to the organisation objectives and increase organizational performance.



## **CHAPTER III – The notion of ethnic diversity in Local Self-Government in Republic of Macedonia**

*"In this part of the world it is difficult to find the true path between reason and emotion, myth and reality. This is the burden of the Balkans, which prevents us from becoming truly European."*

Kiro Gligorov (1917-2012), First President of the Republic of Macedonia

### **3.1. Historical perspective of Local Government Reform in Macedonia - general state of affairs in the process of decentralization**

As this research is geographically limited to the implications of ethnic diversity on decision making process in the units of local self-governments in Macedonia, brief historical overview of the developments in the local government in the last two decades is essential. Chronologically we can differentiate three main periods and systems of local government; the one inherited from Yugoslavia when Macedonia declared its independence in 1991, transitional reforms period (1991-2001), and period after the signature of the Ohrid Framework Agreement in 2002. As the local government system under Yugoslavia time is not a focus of this research, analysis of the decentralization process starts from 1991 when Macedonia declared its sovereignty on 8 September following referendum endorsing independence from Yugoslavia. Adoption of the 1991 Constitution marked the beginning of the transitional reforms of the local self-government system. The inherited model of local self-government proved to be inadequate and

restrictive in terms of development of the country. Only one third of the municipalities were developed, while fewer than 30 percent were partially developed and 30 percent were underdeveloped municipalities<sup>29</sup>. Obstacles for development of underdeveloped municipalities were various, even contrary to each other in some cases. The underdeveloped municipalities were mainly rural agricultural areas with insufficiently industrialized and under-urbanized districts. Some features that existed in the period of socialism and that were typical for modern democratic local self-government were retained. These were, for instance, the differentiation between the scope of activities of municipalities that had existed since 1941; the local referendum that was known as a form of direct participation since 1952; and the form of one-tier local self-government present since 1974. The 1991 Constitution guarantees the right to local self-government and includes it as one of the constitutional foundations of the country. It is single tier system with municipalities as units of local self-government, while the City of Skopje has been defined as a separate unit of local self-government. Provisions have also been made for the establishment of neighborhood units within the municipalities as narrow forms of citizen self-organization. Municipalities have their autonomy guaranteed in the performance of competencies as specified in the Constitution and the law, while the central government only oversees their compliance in terms of their operations. Guarantees are also made as to the financial autonomy of the local self-government, since municipalities are financed by their own revenues, forming the major proportion of the budget. Compared with the previous socialist Constitution, the 1991 Constitution reduced the powers of the

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<sup>29</sup> *National Human Development Report*; 2004, FYR Macedonia, Decentralization for human development; [http://planipolis.iiep.unesco.org/upload/The%20former%20Yugoslav%20Republic%20of%20Macedonia/FYR\\_Macedonia\\_NHDR\\_2004.pdf](http://planipolis.iiep.unesco.org/upload/The%20former%20Yugoslav%20Republic%20of%20Macedonia/FYR_Macedonia_NHDR_2004.pdf)

municipalities. However, the trend of legislative changes concerning the local self-government continued after 1991, and two local self-government laws have been passed until nowadays; one in 1995 and one in 2002. The map of the territory of municipalities was also changed twice, once in 1996, and again the new reform of territorial organization occurred in 2004. The Ohrid Framework Agreement that put an end to the armed interethnic conflict in the country in 2001 provided for significant reforms to improve the rights of the ethnic Albanians while maintaining the state's unity. These include constitutional amendments to promote the concept of equal citizenship, provisions on language, proportional representation in public administration and state institutions, protection mechanisms for minorities in parliament, and decentralization. The Ohrid Framework Agreement stipulates that the development of decentralized governance is one of the key priorities with respect to reforming the political system. Therefore, some of the constitutional provisions regarding local self-government were modified with the constitutional amendments passed in 2001 and more competencies were returned back to the municipalities. The first step for the implementation of the commitments made in Ohrid was the adoption of the new Law on Local Self-Government in January 2002, which created new legal framework for the transfer of competencies and internal functioning of municipalities. At this point, the major set of laws for implementation of the system set up with the Law on Local Self-Government has been adopted. This includes: a new Law on Territorial Organization of the Local Self-government (the number decreased from 123 to 84 municipalities), a Law on the City of Skopje (the capital, which has a treatment of a special unit of local self-government), a Law on Municipal Financing, and around 40 laws related to the transfer of competencies or the instruments of local governance. In July 2005

the Country began formally implementing an extensive decentralisation process with active participation of the central and local government. As in many other countries, one main goal being pursued with the decentralisation process was to improve the overall efficiency of the public sector and to increase the quality and quantity of local services so to improve the lives of all citizens. Despite the considerable progress made to date in many areas, practitioners and experts in the field consider that the decentralization process in Macedonia still faces substantial challenges. Due to a lack of a unified and coordinated reform strategy the reform appeared to proceed gradually, partly due to the fragmentation in the assignment of responsibility for decentralization reform among various stakeholders. There was no single body providing a comprehensive vision and guidance for the involved working groups, task forces and other committees, and there was no clear “reform champion” at the highest level of government.<sup>30</sup> The lack of concrete vision on how Macedonia’s decentralized system should be implemented properly and what would be the right sequence of reforms is still ongoing challenge for all the actors involved .

### **3.2 Local self-government in the commencement of the transition (1991 to 2002)**

The process of transition in Macedonia during the first 10 years of its independence was marked by several major structural and political processes like sovereignty and state-building; nation-building and the societal integration of ethnic minorities; international recognition and integration; transformation of the social capital through privatization and liberalization of the economy; and democratization of the political system. After the

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<sup>30</sup> Nicoletta Feruglio, Jorge Martinez-Vazquez, Andrej Timofeev, An Assesment of Fiscal Decentralization in Macedonia” *International Studies Programme*, Working Paper 08-14; (2008)

declaration of independence, Macedonia's new democratic pluralist political system had to be established. It was essential for future stability that representatives of all ethnic communities participated in laying out the constitutional foundations of the new democratic state. But in the succession confusion of the dissolution of Yugoslavia, fear and suspicion dominated the behaviour of the representatives of the parties as representatives of their respective ethnic groups.<sup>31</sup> The Constitutional system, written and voted by ethnic Macedonians in parliament, did not have protective mechanisms for minorities as collectives, so politics could not have absorbed their requests and translate them into the state policy. In such conditions, nationalism prevailed over democracy, with antagonism and mutual intolerance growing by the day<sup>32</sup>. Dissatisfaction of Albanians with their social status and the inability of the existing political structures to carry out economic and democratic reforms through a process of peaceful dialogue with the Albanian ethnic group became generators of conflict. As Macedonia was regarded as one of the most centralized countries in Europe through the 1990s, the government's efforts to keep centralized control on the municipalities added additional tensions on the existing complex political and economic situation. There were 134 small municipalities, with no essential prerogatives and no intermediary level between them and the central government. In practice the central government had little or no control over the territories populated with ethnic Albanians. As a result of centralized governance, the local authorities were with limited capacity to address the social, economic, and infrastructure needs of local communities. Although the development of local self-government has been on the agenda of government since 1998, virtually no actions to support the decentralization were taken

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<sup>31</sup> Maleska, Mirjana and Maleski, Denko: Macedonia's Road to the European Union, *University for peace, Peace and conflict*, [http://www.monitor.upeace.org/archive.cfm?id\\_article=409](http://www.monitor.upeace.org/archive.cfm?id_article=409)

forward until the beginning of 2002, when a new Law on Local Self-Government was enacted. Reforms of the system of local self-government that started in 1999 were a necessity for the further development of democracy in the country and an integral part of the overall process of public administration reform. According to the Constitution of the Republic of Macedonia (enacted in 1991) the right of citizens to local government is guaranteed. In units of local government, citizens participate directly and through representatives in decision-making on issues of local relevance. The local self-government system is based on the principle of “subsidiarity”<sup>33</sup>, and the country is a member of the European Charter of Local Self-government of the Council of Europe since 1997<sup>34</sup>. The territorial division of the Republic and the area administered by each municipality were defined by the Law on Territorial Division of the Republic of Macedonia and Demarcation of the Municipal Boundaries<sup>35</sup> passed in 1996. Local government competencies were very narrow to meet the requirements of the local population. Local government had almost full competencies in local infrastructure (streets construction and maintenance, water supply etc) but very limited in the field of education, health, social protection, culture, local economic development, etc. Such distribution of competencies caused two main problems: central authorities or ministries for education, health, culture, etc, were involved in operative local activities, while neglecting their strategic and conceptual tasks. On the other hand, the system made both local authorities and citizens relatively inactive and reluctant to participation in local affairs knowing that all decisions in the former fields will be made by the central authorities. These competencies stated in the Local Government

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<sup>33</sup> “Subsidiarity” is a principle in social organization: functions which subordinate or local organizations perform effectively belong more properly to them than to a dominant central organization

<sup>34</sup> Republic of Macedonia became the 38th member State of the Council of Europe on 9 November 1995, and ratified the European Charter of Local Self-Governance in 1997

<sup>35</sup> Macedonian Official Gazette, Skopje, 49/1996

Act were not in conformity with the Constitution's ones, because the former did not include citizens' decision-making in any other area but infrastructure, public transport and secondary vocational schools<sup>36</sup>.

### 3.2.1 Situation of Ethnic Minorities

The local government units in which the population of other nationalities (ethnic Albanians, ethnic Turks, ethnic Serbs and all other but ethnic Macedonians) exceeded 50 % of the total number of population according to the census from 1994, were considered local government units with a majority of other nationalities. The local government units in which the population of other nationalities (ethnic Albanians, ethnic Turks, ethnic Serbs and all other but ethnic Macedonians) exceeded 20% of the total number of population according to the census from 1994, were considered local government units with a considerable number of other nationalities. At the sessions of the councils and other municipal bodies in the local governments with a majority or considerable number of other nationalities, their languages and alphabets were also in the official use, in addition to the Macedonian language and its Cyrillic alphabet. The statute, decisions and other general acts were written and officially published both in Macedonian language and its Cyrillic alphabet and the languages and alphabets of the nationalities which form a majority or considerable number in particular local government unit. The same applied to the official use of the languages in the public services, public institutions and public enterprises established in such local government units. In a local government

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<sup>36</sup> Todorovski, Ilija, "Legal and Constitutional Basis: *Brief History of Local Self-government From 1974 to 1991*", [lgi.osi.hu/publications/2001/81/Stab-Macedonia.pdf](http://lgi.osi.hu/publications/2001/81/Stab-Macedonia.pdf)

unit with the majority of the inhabitants belonging to other nationality, the signs of the settlements, public services, institutions and enterprises established by the local government unit were written both in Macedonian language and Cyrillic alphabet and the language and alphabet of the nationality. The same referred in a unit of local government with a considerable number of inhabitants belonging to another nationality if the Council of the local government unit decided so. The signs with the names of the cultural and educational institutions which served to promote and develop the cultural identity and education of the nationalities were written both in Macedonian language and alphabet and the language and alphabet of the nationality even if they were in areas where there was a small number of inhabitants of the respective nationality.<sup>37</sup> The Local Government Act also regulated proportional representation of the national minorities in the elections and their appointment in the bodies of the local government units with mixed ethnic population. The law provided that in the municipalities with a mixed population, more precisely where all other nationalities but ethnic Macedonians represented the majority or considerable number of the total population, a Commission for Inter-Ethnic Relations should be established, including representatives of all nationalities living there. The statutes of these local government units had to operationalize this legal provision in respect of the composition and election of committee members, etc. In spite of these provisions, relations between ethnic Macedonians and ethnic Albanians in the western part of Macedonia were tense. The reasons for these tensions were due to the dissatisfaction of ethnic Albanians by their social status, their lack of job opportunities in government and public sector institutions, difficulties in enrollment in the secondary and tertiary schools (faculties), etc. Their dissatisfaction was also due to the disproportional representation in the fields of state

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<sup>37</sup> Local Government Act, art. 88-90.



administration, police, army, economy, education, etc. mainly the fields in which the local authorities had no real impact.<sup>38</sup>

### **3.2.2 General conclusions of the decentralization in 90'es**

Local government units from 1991 to 1995 experienced a period of interregnum, since former laws were abolished and new ones had not yet been adopted. The process of codification started in 1995 with the Local Government Act and subsequently continued with the adoption of several other laws addressing electoral system, new territorial division, fiscal competencies, etc. Main features of the trends and developments in the local government system in the first decade of Macedonian independence can be summarized as follows: (1) Decrease of local government competencies. Most significantly, economic obligations were eliminated, as well as the territorial component of national defense. According to the new Constitution, local government competencies included urban planning, communal activities, culture, sport, social security and childcare, preschool education and other fields determined by law. (2) Greater financial dependence of municipalities on central authorities. As stipulated by the constitution and the Local Government Act, the state now coordinated local government development more efficiently and provided financial support for the most underdeveloped areas, regardless of their location. (3) Significant decrease of size and population of municipalities through redefinition of territorial boundaries. In an effort to imitate the model of “social communities,” smaller units were created in which common interests were identified more

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<sup>38</sup> Todorovski, Ilija, “*Local self-government and decentralization in the Republic of Macedonia*” – Introductory note; [www.fes.hr/E-books/pdf/Local%20Self%20Government/08.pdf](http://www.fes.hr/E-books/pdf/Local%20Self%20Government/08.pdf)

easily, resulting in better problem resolution and public involvement. As a result of the new territorial division, Macedonia had 123 municipalities instead of the thirty-four that existed prior to 1996. (4) More streamlined organizational structure designed to reflect the reduction in both territorial size and competencies of local governments. Collective executive body was replaced by the office of the mayor, and the three chambers of the municipal assembly with between sixty to one hundred twenty delegates) were collapsed into one legislative body—the council—with no more than twenty-five councilors. The underlying goal was to make the system simpler and lines of responsibility to be defined more clearly. (5) Introduction of a proportional voting system for local representatives. The former majority electoral system was replaced in 1996, and councilors were elected by proportional voting, while Mayors were elected by majority vote. (6) Clarification of the division of power between the legislative and executive bodies to achieve stronger political competition at the local level. Both the council and mayor depended on popular vote, and a strict separation of functions ensures adequate independence. (7) Guarantee of minority representation in local government. Minority nationalities consisted one third of the population in Macedonia, therefore, interethnic relations were extremely important. Efforts to ensure sound interethnic relations in territories with mixed ethnic populations included three lines: (a) proportional representation of the different nationalities in the local government administration; (b) establishment of multiethnic commission, as provided in the Local Government Act; and (c) use of minority languages and alphabets in addition to Macedonian. (8) Promotion of urban planning through the new institution of chief municipal architect. Due to the low level of urbanization in Macedonia, the chief architect was responsible for planning and design of urban and architectural development.

(9) General conclusion from the analysis of the local government development trends in the 1990's is that the system was characterized by strong centralization which caused mainly negative effects in the respective fields. In spite of the adoption of few political achievements at local level, the local government system can not be defined as an effective one, mainly as a result of the very narrow competencies and lack of real financial autonomy. In addition to this, the local government system as a part of the entire social system was affected by unfavorable trends. The overall negative situation of the Macedonian economy reduced significantly opportunities for implementation of an effective local government system mainly because in spite of all reforms, local units had poor financial sources. Additionally, low level of citizens' awareness pertaining local competencies and situation led to their passiveness and abstinence of political participation. However, the issue of decentralization received new impetus when it became a key element of the Ohrid Framework Agreement which added a new political dimension to the process and speed up the pace of reforms significantly.

### **3.3 Process of restructuring initiated by the Ohrid Framework Agreement (2001 – 2012)**

After the break-up of the Yugoslav federation, the last republic to face civil conflict was Macedonia, which only experienced limited fighting and civil strife. The ethnic and religious tensions focused on ethnic Albanians became a source of unrest that remained unresolved during the decade until 2001. This seemed to be, as Jackson and Lyon stated<sup>39</sup>, a “quiet riot” concerning the social isolation of certain groups in society, developing

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<sup>39</sup> Jackson and Lyon, op. cit., p. 576.

pockets of poverty, high-crime areas, peaceful protesting of government reform, and economic flight. The quotas and disproportional representation of minorities in the state administration in the ex-Yugoslavia had become more acute in the decade following the creation of an independent Macedonia. In 2001, Macedonia's fragile interethnic balance collapsed and fighting between the Macedonian armed forces and the Albanian National Liberation Army (NLA) erupted. However, the International Community resolved the conflict before it spread widely and immediately after that launched activities to accelerate the joining of Macedonia to European Union (EU). The first step for the implementation of the commitments made in Ohrid was the adoption of the new Law on Local Self-Government in January 2002, which created the new legal framework for the transfer of competencies and internal functioning of municipalities. At this point, the major set of the laws for implementation of the system set up with the Law on Local Self-Government, was at that stage already adopted. That included: a new Law on Territorial Organization of the Local Self-government (the number decreased from 123 to 84 municipalities), a Law on the City of Skopje (the capital, which has a treatment of a special unit of local self-government), a Law on Municipal Financing, and around 40 laws related to the transfer of competencies or the instruments of local governance. In July 2005 the Country began formally implementing an extensive decentralisation process with active participation of the central and local government. As in many other countries, one main goal being pursued with the decentralisation process was to improve the overall efficiency of the public sector and to increase the quality and quantity of local services so to improve the lives of all citizens. The reforms were spearheaded by the Ministry of Local Self-Government with responsibility for the overall co-ordination and monitoring of the

implementation of competency transfer to the municipalities, and the Ministry of Finance with responsibility for revenue assignment issues and the intergovernmental transfer system. Several intergovernmental bodies with representation from central government agencies and the Association of Local Self-Governments (ZELS) were charged with the actual planning and implementation of the decentralisation process. These included: (1) The Decentralisation Working Group, composed of civil servants from line ministries and ZELS. They prepared analysis, plans and other documents for practical implementation of the process including sectoral developments in ten sectoral subcommittees.; (2) Commission for Monitoring the Development of the System of Municipal Financing, composed of five representatives from ZELS and four from the Government; and (3) Trilateral Committee for Training (Ministry of Local Self-Government, ZELS and the Agency for Civil Servants). Despite the progress made to date in many areas, the decentralisation process and the local democracy in “the former Yugoslav Republic of Macedonia” still faces considerable challenges. Macedonian candidacy for the EU underscores the need for further efforts and full collaboration, horizontal and vertical, across all units of government. According to the recent European Commission Country Progress Report<sup>40</sup>, the Country had been making progress in meeting the Copenhagen political criteria, which required stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Nevertheless, continuous efforts are needed in development the democracy and democratic institutions in the country.

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<sup>40</sup> 2012 “the former Yugoslav Republic of Macedonia” Progress Report issued on 10 October 2009

### **3.3.1 Basic principles of the Ohrid Framework Agreement**

The Ohrid Framework Agreement (OFA) was adopted in 2001, following extensive political and inter-ethnic negotiations in the Republic of Macedonia as well as powerful international pressure on the local actors. The Agreement was aimed at providing political and institutional solutions to the ethnic Albanians' armed rebellion and to resolving the problem of the perceived relative deprivation of the Albanian minority since the establishment of sovereign Macedonia in 1991. Under international pressure and with the help of NATO and the EU, the military conflict was brought to an end, and Macedonia was forced to abandon the constitutional settings from 1991. According to the Secretariat for the Implementation of the Ohrid Framework Agreement - its basic goal was to promote peaceful and harmonic development of the civil society, while respecting both the ethnic identity and the interest of the all citizens of Republic of Macedonia. OFA is comprised from ten parts: Basic Principles; Cessation of Hostilities; Development of the Decentralized Government; Non-Discrimination and Equitable Representation; Special Parliamentary Procedures; Education and Use of Languages; Expression of Identity; Implementation; Annexes; and Final Provisions. The 3 annexes in this agreement are related to the Constitutional Amendments, changes in the legislation, the implementation and in the measures for confidence building. The Ohrid Framework Agreement transformed Macedonia from a self-defined nation state with an informal grand coalition arrangement into a state spanning between nation state, civic state and bi-national state with a formal power-sharing structure. Consensual democracy laid in the foundation of the new strategy, in the shape of a combination of political liberalism, was based on the

individual rights and the collective rights of the nations. The Ohrid Peace Agreement was a compromise and Macedonia remained a unitary state but power was shared with ethnic Albanians through several mechanisms: a proportional electoral model that enhanced Albanian representation in parliament (27 of 120 MP); a new decentralized local-self government and the creation of municipalities where they are in majority; a right of veto in Parliament over several important issues; Albanian language as a second official language; equitable representation of the minorities in public administration, the police, the army and the judiciary; and the creation of two Albanian universities. The Ohrid Framework Agreement and the subsequent constitutional changes had a significant impact on the development of the political identity of the country. The changes of the constitution moved forward a political identity of the country best described as ‘millet’ or ‘ethnic’ Macedonia<sup>41</sup>. Compared to a liberal theoretical framework, the constitutional amendments envisioned by the Ohrid Agreement did not fully comply with a liberal understanding of the Macedonian political nation and the equality of all the citizens. The problems present in the proposed amendments of articles 19 and 78 as given in the Framework Agreement were fundamental, as they did not provide for an equal treatment of all citizens. Instead, the emphasis was put on the worth of individuals based on ethnic criteria whereby certain ethnic groups were to be put in more privileged positions than others. Additionally, the Ohrid Framework Agreement envisioned a number of changes to the constitution that were to introduce consociationalist arrangements into the Macedonian political structure. Consociational theory, too, emphasizes the importance of ethnic belonging in designing and maintaining the political system. In general, the new amendments highlight the

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<sup>41</sup> Daskalovski, Zhidas, Language and Identity: The Ohrid Framework Agreement and Liberal Notions of Citizenship and Nationality in Macedonia; *Central European University, Budapest, Hungary*; Issue 1/2002, JEMIE

collective worth of the individual citizens, but their rights and responsibilities are not solely considered within a liberal framework of constitutional democracy. The subsequent adoption of amendments to the constitution from those proposed by the Framework Agreement additionally burdened the basic Macedonian legal document with a character which concentrates on the rights of individuals as members of groups rather than as individuals. The change of the Ohrid text of the Preamble as well as the amendment to article 19 reflects this additional “ethnification” of the Macedonian Constitution. Such development of the legal system in Macedonia did not support just solutions to problems in multiethnic societies. The implementation of the Ohrid Framework Agreement has been a difficult process, since the majority was inevitably the one that would have to give up some privileges in a very difficult time. With record unemployment, Macedonia became the European “leader” with almost 40% of its people jobless and a very low level of investments, growing poverty, a weak service in the public sphere (especially in health protection), an inefficient judiciary system, corruption, an underdeveloped system of protection of human rights, and a deficit in the democratic capacity of the state to deal with the problems. The intensity of these serious problems and their continuation made for the lack of ability of the institutions to establish conditions for the rule of law, which erodes the legitimacy of political authority. Under such circumstances, the problem of political confidence between ethnic groups has become even sharper. In the last ten years, the key demands of the Macedonian Albanians which became a bone of contention with the central government were: reform of the constitution, greater representation of Macedonian Albanians in the civil service sector, provision of university education in the Albanian language, and decentralization of state power. Certainly, reforms were enacted and



improvements were made as the participation of the Macedonian Albanians in the civic sector has risen in the last years. Similarly, a law was passed allowing private education in other languages than Macedonian while a European financed trilingual university (Albanian, English, Macedonian) was opened in 2001. On the other hand the constitution remained unchanged, although the controversy revolved around the Preamble. The Preamble of the Macedonian constitution declared that “Macedonia is established as a national state of the Macedonian people, in which full equality as citizens and permanent co-existence with the Macedonian people is provided for Albanians, Turks, Vlachs, Romanies, and other nationalities living in the Republic of Macedonia.”<sup>42</sup> The Preamble of the Macedonian Constitution explicitly recognizes the role of the national minorities in the country. Unlike some other states in Eastern Europe which have in the Preambles of their new constitutions unambiguously declared their countries to ‘belong’ to the majority nation (see, for example, the constitutions of Romania, Albania, Croatia or Estonia) and ‘the other minority groups’, Macedonia specifically mentions its minorities in the Constitution.<sup>43</sup> However, the naming of the peoples within the Preamble is a highly problematic exercise since on a symbolic level it recognizes the primacy of the Macedonian nation over the other minority nations which are only guaranteed ‘full equality as citizens’. Symbolically we have a classification of peoples into three categories, the Macedonians as the primary bearers of the right to the state, the members of the four mentioned minorities as peoples with equal rights but not being the primary claimants to the right to the state, and the members of the nations not even mentioned in the Preamble specified as “others”. The Preamble as cited above, gave reasons for complaints from all

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<sup>42</sup> Preamble of the Constitution of the Republic of Macedonia, promulgated 6 January 1992 at: [www.soros.org.mk/mk/en/const/htm](http://www.soros.org.mk/mk/en/const/htm)

<sup>43</sup> Ibid.p.9

citizens of non-Macedonian background because they were not equally valued as the majority nation. Even further, Macedonian Serbs or Macedonian Bosnians could have complained that their symbolic worth is not only unequal in comparison with the majority Macedonians, but also in contrast to the Macedonian Albanians, Turks, Roma, and Vlachs. As a consequence, the Preamble of the Macedonian constitution violated the principles of liberal equality and was a cause for great resentment among the national minorities in Macedonia. Political parties representing the interests of the largest minority in Macedonia, the Macedonian Albanians, were particularly vocal in showing their dissatisfaction with the Preamble of the Constitution of Macedonia. At the session when the new constitution was promulgated on 6 January 1992, the members of the Party for Democratic Prosperity (PDP), a party concerned with the well-being of the Macedonian Albanians, did not vote in favour of boycotting the event. Ever since, this and other parties of Macedonian Albanians have urged for constitutional reforms that would change the wording of the Preamble. The treaty envisioned a series of political and constitutional reforms designed to address ethnic Albanian demands for equal standing and representation. The major provisions include: amending the Preamble to the Constitution, instituting double-majority voting in parliament, increasing the representation of ethnic Albanians in the police force, and stipulating the use of the Albanian language in official proceedings.

### **3.3.2 Decentralized decision-making**

The political framework “The Ohrid Framework Agreement” became a symbol of change and a basis for wider reforms in the country, stressing the decentralization process and the

empowerment of local-self government as a fundamental part of the inclusion policy<sup>44</sup>. Therefore, the main aspect of the OFA was to establish a strategy on how to proceed with the process of decentralization as one of the major democratic challenges in the country, based on the principle of participation of minorities in the decision-making process on the national and on local level. The decentralization aims to enable the citizens, either directly or indirectly, to be more involved in the decision making process in a wider number of areas such as education, urban and rural planning, health, culture, and local economic development. The implementation of the reforms regarding decentralization process is essentially changing the basic social relations and the place of the citizen in the governing of the community. The change of the authority and the competences in the local communities assumes a change of the relations between the citizens and the local authorities. This especially regards the issues concerning the satisfaction of the social needs of the citizens and resolving the social problems which are present in the communities. The basis of the decentralization process can be recognized in the transfer of the decision-making from the higher to the lower level in the society. The process of decentralization itself represents the level of modernization the state has reached through its development. That level of modernization usually refers to empowerment of the political and financial autonomy of the local authorities, empowerment of the citizen's participation in the social and political processes, ensuring higher level of services for the citizens, and establishing collaboration between the local and the state authorities, but also between the local authorities and the civil organizations.

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<sup>44</sup> Bojanovska, Jovana and Stojmenov, Stiv: *The Western Balkans Policy Review* Volume 1, Issue 122 1, January/June 2010

The Republic of Macedonia has an emphasized state-focused tradition, which implies a long-term domination of the state in many areas of the societal life. The political and the cultural legacy brings additional obstacle in proceeding the decentralization, due to the over-dimensioned activity of the state on one hand, and the passivism of the civil society and the expectance for the state and the politicians to resolve the problems. As a consequence we have a demobilization of many democratic resources of the local communities. The local democracy regarding the decentralization consists of informing the citizens of the new competencies and the functional structure of the municipalities.

The issue of the local democracy has an essential significance in developing the goals of decentralization as the level of knowledge and awareness for participation in the local self-government is very low. According to the European Charter of Local Self-Government of the Council of Europe, the local authorities are one of the main foundations of any democratic regime. Local self-government contributes to improved inter-ethnic relations and fosters inter-ethnic cooperation. Developing decentralized governance is a process of transferring the decision-making power concerning local issues to the local authorities. The process gives minorities on a national level, in cases when they constitute a significant majority at the local level, the right to decide on their priorities at local level. That way community identity is protected. The battle for political stability, economic progress, democratic reform and interethnic cooperation is not yet won. In order to build a solid ground for achieving a sustainable development, in accordance with the aspirations for European integration, there is a need to implement the principles of multiculturalism and multi-ethnicity in every field of the social and the political life. Yet the successful implementation of the decentralization process to a large extent depends on the level of

developed communication with all stakeholders. Therefore, the participation of all concerned subjects should present an essential part of every implemented reform.

### **3.3.3 Fiscal decentralization**

In the last decade the phenomenon of the fiscal decentralization became highly important and challenging. Reforms were aimed mainly by some economic reasons (achievement of efficiency in the local governance, higher quality services), administrative reasons (moving the governance towards closer level to individuals, facilitating the work of the central government) and legal reasons (respect of constitutional provisions and making use of ratified international agreements)<sup>45</sup>. With an analyses in various countries, such as those that already have implemented the fiscal decentralization and at this point are modifying the relations between central and local authorities, and those where this process is starting, a common conclusion is that in the last ten years new reasons for decentralization have appeared on a world level<sup>46</sup>. These are purely political reasons that could be explained with the need for resolving different ethnical tensions in fragmented societies. In this respect, it could be seen that in a global context the tendencies of the separatists in the particular parts of one territory might be prevented through improvement of the intensity of decentralization and with expansion of competences and responsibilities concerning local fiscal matters. The fiscal devolution as the highest stage of decentralization is generally used for resolving these and similar problems or conflicts and at the same time presents a part of the global public sector reform. In this respect, fiscal decentralization

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<sup>45</sup> Veljanovski, Maksimovska Aleksandra, “*The model of the asymmetric fiscal decentralization in the theory and the case of Republic of Macedonia*”; [www.law-review.mk/pdf/01/Aleksandra %20 Maksimovska%20...](http://www.law-review.mk/pdf/01/Aleksandra%20Maksimovska%20...)

<sup>46</sup> Ibid

contains new qualitative elements, determining it differently in comparison with a fiscal decentralization taking place 30-40 years ago. This refers both to post socialistic regimes and to countries with powerful economies and highly developed local democracies. As always, the choice of the model of fiscal decentralization is followed by many dilemmas: Which competences should be decentralized; which degree of local fiscal autonomy should be obtained; is the principle of symmetry and equality between different local unites obligatory; what kind of local fiscal accountability should be obtained. When the decentralization reform process in Macedonia commenced in 2005, not all units of the local self-government had capacities to deliver a broad range of public services. As a result, the decentralization process was implemented in two different phases, allowing for an asymmetric allocation of fiscal powers<sup>47</sup>. During the first phase (2005–2007), all local governments were assigned the responsibility to deliver only a few, mainly communal local government functions. The Government established full set of criteria to be met by municipalities in order to be allowed to take on their broader functional responsibilities. As of January 1, 2011, 73 of Macedonia's 85 jurisdictions (including the City of Skopje) had entered the second phase of decentralization and assumed responsibility for major social sector functions, most importantly primary and secondary education, social welfare (kindergartens and homes for the elderly), and culture (libraries, museums, and theaters). They also assumed responsibility for fire protection. Under the second phase of decentralization, local governments that met specific conditions become responsible not just for maintaining these facilities, but for paying the wages of the people who worked in

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<sup>47</sup> Levitas, Tony, "Local Government Finances and the Status of Fiscal Decentralization in Macedonia: A Statistical Review, 2008–2011"; IDG Working Paper No. 2011-02; *Urban Institute Centre for International Development and Governance*

them. At this point, earmarked grants were transformed into sectoral block grants, meaning that local governments were free to spend. This has had profound consequences on the total amount of money flowing to local governments. However it will take many years for Macedonia to begin to provide local governments with equitable funding for decentralized social sector functions simply because the national government does not have the funds to provide local governments that currently lack the associated institutions with money to create them. It will also take many years for local governments to become active managers of both these institutions and the functions that they really serve. At the moment, however, there seems to be no plan for how to ensure that this process moves forward in an orderly way, and that the existing differences in public services across municipalities does not worsen over time.

### **3.4 The challenge of ethnic diversity**

Republic of Macedonia is a multiethnic country, and its population of 2.2 million inhabitants is composed of a variety of national and ethnic groups, the most numerous being Macedonians, Albanians, Turks, Roma, Serbs and Vlachs. All citizens of Macedonia are equal under the law. The constitution and its accompanying laws provide for the protection of the ethnic, cultural, linguistic and religious identities of minority groups. This includes state support for education in minority languages, the official use of ethnic minority languages in areas where ethnic minorities are a majority of the population, support for minority media and so on. Ethnic tensions are present in Macedonian society, despite its constitutional framework, which guarantees equality to all national groups, and

despite the fact that the government is committed to a policy of the peaceful integration of all ethnic groups into society. The principal source of these tensions can be identified as a heritage of mutual distrust and prejudice among ethnic groups. The tensions are evident between the Macedonian majority and minorities, as well as between the minorities themselves. Representatives of the ethnic Albanian community, by far the largest minority group (23% of the population according to the most recent government statistics of 1994), are the most vocal in charging discrimination. The tension is especially evident in western Macedonia, where an extremely critical issue involved the addition of Albanian-language university education. After years of dangerous unrest, tension was recently alleviated due to the efforts of both Macedonian and Albanian political parties. Ethnic Turks make up about 4% of the population. The Turks also complain of governmental, social and cultural discrimination. Their complaints center on Turkish-language education and media. Education in Turkish has become very popular since 1998; subsequently, the lack of educational courses and institutions in Turkish began to be especially criticized. Ethnic Serbs, who comprise 2% of the total population, also complain of discrimination. In terms of Serbian-language education, there are classes for Serbian children in their mother tongue. However, in the last five years this kind of education for Serbs has declined in popularity, except in villages around Skopje and Kumanovo. There are also a number of Macedonian Muslims (Torbesh) and Bosnian Muslims (Bosniaks) in the country. Bosniaks are a minority group in Macedonia. Their native land is Bosnia-Herzegovina and their native language is Bosnian. In 1998 a group of Bosniaks established a political party to address Bosniak interests in Macedonia. However, Bosniaks do not yet have a political voice.



### 3.4.1 Small(er) Ethnic Communities

Power sharing arrangements developed after the 2001 conflict, through the legal and policy reform processes induced by the Ohrid Framework Agreement (OFA), did very little in respect of the small(er) ethnic communities. The power was *de facto* shared between the two biggest ethnic groups, ethnic Macedonians and ethnic Albanians, excluding the small(er) ethnic communities from the political process<sup>48</sup>. In the context of the right to political participation, international human rights standards suggest that political participation which is the access to, and the full participation of minorities in decision-making, is a key element for the protection of rights of the members of minorities, as well as for the preservation of their distinct cultural and/or any other identity. The most commonly cited basis of exclusion, and therefore indirect discrimination, is the 20% threshold as a minimum precondition for the ethnic communities' entitlement to some of its key provisions leading to effective participation - the use of language, the right to higher education in mother tongue, or simply the inclusion in various forms of consultation processes. Small(er) ethnic communities was a term imprinted in the legislation of the country following the legal and political reforms resulting from the signing of the OFA. The term is used to refer to communities which are numerically below 20% of the total population of the country. According to the census of 2002, besides the two large ethnic communities, the Macedonians and Albanians, there are five (5) more small(er) ethnic groups and "others", and namely Turks (3.85%), Roma

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<sup>48</sup> Maleska, Mirjana. Analiza na sostojbata i perspektivite na meguetnickite odnosi vo Makedonija. In "*Balkanskite nacionalizmi vo procesite na evropskata integracija*". Odbor na konferencijata : D-r Anton Prvanov, D-r Marija Bakalova i D-r Bojko Vlcev

(2.66%), Serbs (1.78%), Bosniaks (0.84%), Vlachs (0.48%) and 1.04% in the category “other”. Amending the Constitution of the country and its laws secure the implementation of the provisions of OFA which introduce special rights for the ethnic and linguistic minorities exceeding 20% of the population of the country at the central and local level, and include specific provisions that regulate the rights of minorities making less than 20% of the population of the country or of the respective municipality. The core pillars of the international standards for protection of minority groups are the principle of non-discrimination and the principle of protection and promotion of the separate identity of the minority groups. The right to participation is a relatively new legal and political category which has an emphasis on effective political participation, i.e. participation that makes an influence on the outcomes of the decision-making process. The concept is stipulated in the public international affairs in the 1990ies, and includes not only representation in the legislative bodies, but also participation in public affairs. As quoted in the UN Declaration on the Rights of Persons Belonging to National or Ethnic, Religious, and Linguistic Minorities [Article 2(2) and 3], the Framework Convention for the Protection of National Minorities (Article 15), and the CSCE Copenhagen Document (para 35), is to provide access for the minority groups to political decision-making of all forms, at all levels of governance, without discrimination. Thus, the right to political participation of minorities has as an end goal to protect, affirm and promote minority identity, and the principle of non-discrimination is a key principle for universal human rights safeguards degree. The Advisory Committee of the Framework Convention for Protection of the National Minorities indicates major differences between, on the one hand, the Albanian community, who take a central position in the public life of the country and have a significant role in

the process of decision-making, and, on the other hand, the small(er) ethnic groups, who have limited mechanisms for access in the decision-making process, creating among them a feeling of exclusion both from public life, but also from the OFA and the process of its implementation. Overall, foreign experts suggest that the government needs to increase its efforts in order to ensure equitable representation of the small(er) ethnic communities in the public sphere and especially in the public administration. The OFA in fact offers a very liberal and civil framework, providing possibilities for inclusive decision-making process through its individual approach, as right holders are citizens, and therefore citizens belonging to ethnic communities cannot be excluded from the decision-making process. However, the threshold of 20%, by some is considered as affecting the full realization of the rights of the ethnic communities to participate effectively in the governance. At the local level of self-government, most of the studies carried out found out that state failed in the implementation of the OFA provisions related to minority rights<sup>49</sup>. Some of the local governance administration show even resistance to the explicit mention of minority right. The proportional representation mechanism was of a crucial importance during the OFA negotiations. It is a key measure not only for small(er) ethnic communities adequate representation, but also generally as a measure for prevention from discrimination. However, evidences show<sup>50</sup> inconsistent application of the principle mostly in the case of the small(er) ethnic communities, and usually supported with the argument of inadequate professional background of the representatives employed. OFA stipulates that the provision for proportional representation and sovereignty over issues directly affecting the

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<sup>49</sup> Kotevska, Biljana and Novakova, Kumjana; "Effective Political Participation of the Small(er) Ethnic Communities in the Local Self-Government in in Macedonia after the Ohrid Framework"; *Centre for Regional Policy Research and Cooperation "Studiorum", Skopje* (2011)

<sup>50</sup> Ibid

groups are to be achieved through decentralization, or through higher competencies of the local level governance mechanisms. As a result, the laws adopted as part of the OFA required transfer of competencies pertaining to the fundamental character of the municipality and those affecting the communities, such as culture, use of languages, coat of arms and flag require a double majority of the majority councillors and those representing the small(er) communities together. This type of regulation secures both small(er) ethnic groups, and Macedonian population if in a minority position in a certain local unit, the possibility to veto certain decisions.

### **3.5 Changes in the legal framework imposed by the Ohrid Framework Agreement**

To share the concept of being a modern society means to create a society where cultural pluralism has dominance and where there is coexistence of many different cultures without any dominating culture. The national or ethnic minorities are traditionally considered as a difficulty, or as a potential opportunity for creating a problem in many of the countries in the Balkan region. Their existence implies a necessity of legal assurance of a list of rights and freedoms which have been implemented in the international documents for protection of the rights of minorities. Ensuring those rights to minorities, in order to improve their position in the society, is usually a high cost process, especially for relatively poor countries.

The reform process in Macedonia as a multicultural society, where for many years, inter-ethnic relations have been one of the most sensitive political issues, affecting both the stability of the country and the progress, focused mainly on the implementation of the

decentralization and the local policies, especially those concerning the social inclusion process of the ethnic minorities<sup>51</sup>. After the war conflict in 2001, Republic of Macedonia gained a political framework which consists all of the most important institutes of the so called consensual democracy or division of authority. This political framework “The Ohrid Framework Agreement”, became a symbol of change and a basis for wider reforms in the country, stressing the decentralization process and the empowerment of local self-government as a fundamental part of the inclusion policy. Therefore, the main aspect of the OFA is establishing a strategy on how to proceed with the process of decentralization as one of the major democratic challenges in the country, based on the principle of participation of minorities in the decision-making process on the national and on local level.

The Framework Agreement is a “harmonized framework which ensures democratic future of Macedonia”, and “promotes peaceful and harmonic development of the civic society, respecting simultaneously the ethnic identity and the interests of all citizens”<sup>52</sup>. The main objective of this political agreement was to put an end on the conflict. Consequently to the above stated, the Ohrid Agreement can also be considered as a Peace Accord. Seeing that its purpose represents a normative guarantee for political rights of all citizens, there should be no dilemmas on the fact that it also a political agreement.

The Ohrid Agreement is a unique model of building a political consensus which stretches between the principles of consociation and unitary order of the state. It is an “awkward attempt to combine the civic approach and equal rights for all citizens with elements of

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<sup>51</sup> Bojanovska, Jovana and Stojmenov, Stiv: Implementing Multiculturalism: Social Inclusion of Minorities through Decentralization Reforms in Macedonia, *The Western Balkans Policy Review Volume 1, Issue 122 1*, January/June 2010

<sup>52</sup> Preamble of the Framework Agreement, Constitution of the Republic of Macedonia (2002), PE Official Gazette of the Republic of Macedonia

consensus democracy”<sup>53</sup>. According to Maleska, the Framework Agreement represents a model of power-sharing which “in post-conflict environments has been widely utilized by the international community, as the optimum solution to demands for secession or the right to self-determination”<sup>54</sup>. According to Bieber, this agreement is a mechanism for the institutionalization of ethnicity.<sup>55</sup> The provisions of the Framework Agreement are generally based upon the elements of consensual democracy as devised by Lijphart: government comprised of multi-ethnic coalition (although this is not explicitly anticipated with the Framework, it does function as a tradition since the early 1990s); obligation to provide equal representation in the state institutions for the minority communities; special parliamentary procedures (the right to a veto) and devolution of power via decentralization. Instead of the decentralization model implemented in Macedonia, Lijphart’s model anticipates substantial non- territorial autonomy or autonomy along ethno-territorial lines. However, during the negotiations in Ohrid, this model was abandoned because of the intention to preserve the unitary character of the state.

### **3.5.1 Equal representation of ethnic minorities in public administration**

A key concern addressed in the Ohrid Agreement has been the under-representation of Albanians in the public administration (and state-run enterprises). As the record prior to

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<sup>53</sup> Farimah Daftary, “Conflict Resolution in FYR Macedonia: Power-sharing or the ‘civic approach’,” *Helsinki Monitor*, Vol. 12, No. 4 (2001), pp. 291-312

<sup>54</sup> Mirjana Maleska, “What Kind of a Political System did Macedonia gain after the Ohrid Peace Agreement.” *New Balkan Politics*, Vol. 9, No. 5 (2006).

<sup>55</sup> Florian Bieber, “Institutionalizing Ethnicity in the Western Balkans: Managing Change in Deeply Divided Societies,” ECMI Working Paper, 2004.

2001 had demonstrated, participation in government did not translate into more greater inclusion of Albanians in the public administration. In particular, in sensitive areas of public administration, such as the police, the number of Albanians had been low throughout the 1990s. The reform of public administration was thus crucial in order to enhance a sense of co-ownership of the state for the Albanian community. The reform has, however, been burdened with general and universal difficulties inherent with preferential treatment of group members and the general need to reduce, not increase the public administration. The Article 8, Amendment VI of the Constitution relate to the appropriate and fair representation of the citizens from all communities in the bodies of the state government and other public institutions at all levels. Article 3, paragraph 4 of the Law on Civil Servants further clarifies the principle of equitable representation as a basic principle for the employment of civil servants while at the same time taking in consider the expertise and competencies of the recruited persons. This principle seeks to correct the existing imbalances in the composition of the public administration, in particular through the recruitment of members of under-represented communities. Prior to the Ohrid Agreement, Albanians only filled some 7 percent of positions in the public, mixed and cooperative employment sector. Similarly, most other minorities, in particular Turks and Roma, have also been under-represented in this sector. In contrast, Albanians and other communities have been overrepresented in private businesses, in part as a response to the low employment rate in the public sectors. The causes for this development have been manifold and cannot be reduced to discrimination alone. A number of confrontations between members of the Albanian community and authorities had alienated the state from the community. The 'ownership' of the state and its

administration by the majority made employment in the public administration unattractive to Albanians, who also had to fear being disliked by their community.

As a consequence, Albanians primarily sought employment in the private sectors.

Consequently, a key aspect of the Framework Agreement has been the requirement “to ensure equitable representation of communities”<sup>56</sup>. A particular focus was on recruiting Albanians and other communities in the police force with the goal of making the police force “generally reflect the composition and distribution of the population of Macedonia” by 2004<sup>57</sup>. Accomplishing equitable representation constitutes, together with the decentralization, the most costly aspect of the Ohrid reforms (Report on the Costing 2002: 14-16). The accomplishment of the equitable representation project has been much in dispute with Albanian opposition parties arguing that the increase has been insufficient and the exclusion of Albanians from decision making processes, especially in the security forces. Equitable representation has become an apparently key reform instituted at Ohrid. However, the goals and means of accomplishing this policy are rarely disaggregated. Prior to the reforms, public administration in Macedonia was both a) unrepresentative of, and b) unresponsive to minorities. The policy of equitable representation was adopted to accommodate both aspects, which meant that the goal has been not just country-wide equitable representation, but rather at the municipal level to ensure that citizens from minority communities are able to interact with civil servants from their community.

Other legal changes derived from the OFA include the Law on the use of the flags of the communities in Republic of Macedonia, which is anticipated in the part 7 of the Ohrid Framework Agreement. With this law the rights and the manners of the use of the flags,

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<sup>56</sup> Ohrid Framework Agreement, 13.8.2001, Annex B, Art. 5

<sup>57</sup> Ohrid Framework Agreement, 13.8.2001, Annex C, Art. 5.2.



with which the members of the communities in the Republic of Macedonia are expressing their identities and diversities, are being regulated. Thus, in front of the objects and buildings of the Local Self Government units where the citizens that are members of certain community live, the flags of Republic of Macedonia and of the respective community are being placed, in accordance with the regulations of this law and the decisions of the Constitutional Law of Republic of Macedonia.

### **3.5.2 Implementation of the “Badinter rule” or “double majority” in decision making in multiethnic municipalities**

To protect minority rights, Article 69, Amendment X of the Constitution introduced the Badinter rule which reads: “For laws that directly affect culture, use of language, education, personal documentation, and use of symbols, the Assembly makes decisions by a majority vote of the representatives attending, within which there must be a majority of the votes of representatives attending who belong to communities not in the majority.” The double majority voting applies not only to the parliament but also to municipal councils. This system encourages consensus building among community representatives. In order to ensure that minorities can use their language at the local level, the amendment V of the Constitution reads the following: “Any person living in a unit of local self-government in which at least 20% of the population speaks an official language other than Macedonian may use any official language to communicate with the regional office of the central government; such an office will reply in that language in addition to Macedonian. Any person may use any official language to communicate with main office

of the central government, which will reply in that language in addition to Macedonian”. In the same context, was passed the Law on use of the language spoken at least by 20% of the citizens in Republic of Macedonia and use of the language in the units of Local Self Government. Apart the use of the Macedonian Language, this law also regulates the use of the languages that are spoken by at least 20% of the citizens in the Republic of Macedonia and the use of languages in the units of the Local Self Government. These languages are being used in the Assembly of the Republic of Macedonia; in communication between the citizens and the Ministries; lawsuit actions; administrative actions; execution of the sanction measures; Public Attorney; in the electoral processes; in cases of referendum; while issuing personal documents to the citizens; in managing registry evidence and records; implementation of the police authorities; in the radio diffusion; infrastructural objects; local self government; finances; economy; education and science; culture and in other areas of public life as well as in other institutions regulated with this law.

### **3.5.3 Commissions for inter-ethnic relations in municipalities as an innovative mechanism for inclusive decision making**

In order to reinforce interethnic dialogue on the local level, the Law on Local Self-government prescribes the establishment of municipal Committees for Intercommunity Relations<sup>58</sup> (CICR). These committees represent institutional forums for interethnic dialogue in which the different communities can present their interests and opinions to municipal decision makers. In total, 22 ethnically mixed municipalities are obliged to

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<sup>58</sup> Law on Local Self Government (2002) Article 55

establish these committees in accordance with the rule that municipalities with non-majority populations that total more than 20% of the local population<sup>59</sup> establish them.

The Law identifies the following competencies of the CICR: to review issues that refer to the relations among the communities represented in the municipality, to provide opinions and to propose solutions to resolve issues. On the other hand, the Law stipulates the responsibility to the municipal council to review the opinions and proposals from the Committee to make decisions on the opinions and proposals. The municipal council is obliged to obtain an opinion from the CICR prior to discussing topics related to “culture, use of the languages and alphabets spoken by less than 20 percent of the citizens in the municipality, determining and use of the coat of arms and flag of the municipality”<sup>60</sup> and naming streets and other infrastructure objects in the municipality. The municipal councils can only decide on these matters with a double majority. Therefore, it is of major importance that CICRs are composed of equal numbers of representatives from all communities in the municipality. Until 2006 most CICRs existed only formally, that is, some municipalities claimed they had formed a committee, but these councils never actually convened or only met for their first constitutional session. At the time, committees that had at least one meeting and discussed issues relevant to improving interethnic relations in the municipality were considered “active”. These CICRs mostly discussed issues related to existing conflicts in the municipality. According the Law on Local Self-government and the spirit of the CICR concept, each community must be equally represented on the committees, regardless of the percentage of population they represent. In effect, this means that each community should have an equal number of

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<sup>59</sup> Several municipalities that do not apply to this requirement have also established CICRs by self initiative

<sup>60</sup> Article 41 of LSG Law

representatives. At the time, the prevailing understanding of the role of the CICR among the municipal decision makers was that, although CICRs were needed and active during the conflict in 2001, they were no longer needed. In 2007, more than half of the CICRs held regular meetings during which committee members discussed issues of significance to the municipality. Taking into consideration that healthy dialogue and mutual understanding was crucial for sustainable and peaceful development of ethnically mixed communities (municipalities), CICRs, if engaged properly, offered capacities to improve the interethnic relations and to facilitate this interethnic dialogue. They also offered underrepresented ethnic groups the possibility to express their opinions in front of municipal decision makers and to contribute towards efficient consensus-building and harmonious development. It is important that the people elected as CICR members are respected and influential representatives of their communities. In addition to the establishment, CICRs require continuous support and consideration from the municipality, i.e. providing administrative and technical support to their work. However, it should be noted that support provided by national and international stakeholders contributed to the evident progress in the work of CICRs. Administrative support by the municipality is essential for the efficient work of the CICR. CICRs, if engaged wisely and properly, could serve as an excellent mechanism to buffer interethnic tensions and to prevent misunderstandings. The work of the municipal council could become more efficient if interethnic issues are discussed by the CICR first. Promotion of the role of CICRs in the public is the crucial challenge and in order to be efficient, the CICR must be recognized in the public. Regular communication between the CICR and the citizens is crucial to gaining a true understanding of community views and to gain citizens' trust.

### **3.5.3.1 Preconditions of functioning of the Commission for Intercommunity Relation**

In conformity with the Law on Local Self Government, municipal commissions should meet certain conditions in order to function better. These are general guidelines prescribed in the municipal statutes regulating the work of commissions. However, there is no precise guidance when it comes to the establishment and functioning of municipal CICRs. (1) The book of rules explains technical and organizational issues and supports the work of the commission. The main advantage of this document is that it defines procedures and rules and gives this body and its members a feeling of importance in their work. However, there is no legal guidance on this document. (2) A room for CICR meetings should be available for every meeting. The room should be properly equipped and provide working conditions. This includes all necessary office materials. (3) Support from the administration is also one of the preconditions for successful work. This is a more technical function, and extends to sending invitations, setting rooms, and taking notes from the meetings. (5) The budget is crucial for the functioning of the CICR and expenses of the members should be covered when they meet. It is supposed to have a budget that would cover activities of CICR when needed.

### **3.6 General conclusions on local democracy in Republic of Macedonia in two time intervals – before 2001 and after**

In order to assess if and to what extent a consociational democracy is present in Republic of Macedonia, the term “consociational democracy” shall be defined. Consociational

democracy is a type of democracy that varies from the liberal democracy and the majoritarian democracy, and it is applied in segmented societies and multi-ethnic states. This theory is linked to the Dutch political scientist Arent Lijphart in response to the failure of the Anglo-Saxon, majoritarian type of democracy in the new, post-colonial states in Africa and Asia. Lijphart explained the failure by the lack of suitability of liberal democracy to deeply divided societies. Instead, he proposed a consociational democracy based on four main characteristics: (1) a government based on a broad coalition of parties of the most significant segments of a given plural society; (2) mutual veto rights and protection of the vital minority interests; (3) proportionality as a basic measure in determining the political representation and allocation of funds; (4) high level of autonomy of the segments while solving internal issues<sup>61</sup>. In order to obtain such type of democracy in practice, some preconditions have to be met: (1) first, there is a need for a multiple power balance. The equilibrium includes two elements: equilibrium or approximate equilibrium among the segments, and existence of at least three segments. This implies that all segments are minorities. Multiple equilibrium is more favorable than double equilibrium of power or a hegemony of one segment. When one segment is dominant, the leaders will try to dominate over the minorities. If the segments are divided in smaller components, they will try to take over the majority and not negotiate or cooperate with them. (2) Second precondition is the small size of the country in question; (3) third, a separation of the segments; (4) fourth, the existence of tradition of mutual agreements among the segments, and (5) fifth, existence of cross-cutting divisions<sup>62</sup>. On the basis of these features and preconditions, we can assess the local democracy in Republic of

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<sup>61</sup> Klimovski, Savo, *Politics and the institutions* (Skopje: Prosvetno Delo, 2000), pp. 231-233

<sup>62</sup> Lijphart, Arent, *Democracy in plural societies* (Skopje, 1994), pp. 59-101.

Macedonia in two time intervals – before 2001 and after. The elements of the consociational democracy are dynamic and they shall be defined separately in the two time intervals mentioned above. As far as the first condition is concerned, i.e., multiple balances of the segments, the conclusions are as follows<sup>63</sup>: referring to the national composition, the Republic of Macedonia is a multi-ethnic, multi-confessional and multi-lingual state. The communities live in a largely national homogenous environment. There is also fragmentation based upon economical development, urbanization, education, and demographics. Upon detailed analysis of statistical data, the following correlation is noted: the ratio Macedonians vs. Albanians is 2.5:1, the ratio Albanians vs. other communities is 2.3:1, while the ratio Macedonians vs. other communities is 1.8:1. This correlation allows for categorization of different communities in three groups: the first group encompasses Macedonians, the second - Albanians and the third group - representatives of other communities. Such a ratio is very close to the ratio of the German- French- and Italian-speaking groups in Switzerland<sup>64</sup>. The second precondition, i.e. a multiparty system is met since 1990. Every community has its own political party. Macedonians and Albanians have up to three or more political parties in the Parliament, while the other communities have up to two. It is only the Vlachs, who are not represented with their own party in the Parliament, but via representatives in other parties. The third precondition, i.e. the small territory of the country refers to the fact that the Republic of Macedonia with its 25.717 km<sup>2</sup> is among the smallest countries in Europe. Political leaders have the opportunity to communicate frequently, while some of them are personal acquaintances from the political sphere. The fourth precondition refers to separation of the segments. National

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<sup>63</sup> Sulejmani, Rizvan, *Consensus Democracy and Power-Sharing in Macedonia* [www.fes.org.mk/pdf/OFA\\_english.pdf](http://www.fes.org.mk/pdf/OFA_english.pdf) pp.131-136

<sup>64</sup> Altermatt, Urs, *Etnonacionalimi në Europë* (Tirana: Phoenix, 1994), p.148.

homogeneity varies in different parts of the country. In certain parts or regions, the communities, i.e. the segments are over 95% homogenous in the regions in which they are concentrated. On the other hand, in some parts there is a mixed population, as well. Considering the numerical data, it is almost the same number of Albanians and Macedonians that live as minorities at municipal level (92,466 Macedonians and 92,763 Albanians). In percentages, that means that 7.12% of the total numbers of Macedonians live as minorities at municipal level in comparison with the 18.22% of Albanians that live as minorities at municipal level. But this is not what Lijphart refers to. When he talks about separation of the segments, he means that they are geographically separated, which facilitates the ability to have an autonomy. These data can lead to the conclusion that the Republic of Macedonia fully met some preconditions to be considered as a country with consensual democracy, while some preconditions are met only partially.

#### **CHAPTER IV – Research Question and Problem Statement**

As this research aims to recognize the implications of ethnic diversity on decision making process at the local level, fully understanding of the organizational structure and operation of the local administration is required. The following chapter attempt to explain the process of division of the executive and legislative power in the local governments, based on the legal norms and standards. Furthermore, the description goes beyond the general structure and operation of local administration, and observes the legal framework of the public procurement process in municipalities. Understanding the decision making process in local governments and defining the main theories on diversity and its effects



on decision making in general, provide a good basis to identify the problem statement and clearly define the hypotheses of this research.

## **4.1. Structure and operation of local administration**

### **4.1.1 Legislative bodies**

The contemporary local government is based upon three pillars - considerable number of competencies, financial autonomy, and autonomous and effective local bodies.

Their structure and mutual relations are the subject of analysis in the following text. The representative body in the municipality is the Municipal Council. The Council adopts the Statute of the municipality and Rules of Procedure of the Council; adopts the budget and the annual balance of accounts; adopts working programmes and plans in conformity with law; makes decisions to implement the local government competencies; establishes public institutions and public enterprises and supervises their work in conformity with law; appoints and dismisses managers of the public services, institutions and enterprises; on proposal of the Mayor the Council establishes municipal administrative bodies and inspections for issues within the competence of the local government unit; determines sanctions applicable when municipal regulation is violated; supervises the work of the municipal organs; establish Commission for appointment and dismissal of municipal administrative officers; appoints and relieves of duty its President and secretary; and carry out other work determined by law. The Council works in sessions, which are convened by the President and must be attended by a majority of the total number of. The

Council makes decisions by a majority vote of the attending unless it is determined otherwise by law and the Statute. The Council has an extensive array of competencies, covering a wide-ranging selection of areas of local significance. This broad jurisdiction imposes the need for establishing various permanent and ad hoc Commissions as executing bodies of the Council. The focus and number of established Commissions is dependent upon its own decisions, as incorporated in the Municipal Statute. Usually, Commissions are constituted to look at a certain focus area or a number of related focus areas. In appointing the members of each Commission, it is important to take into account the fact that each nominee should be acquainted with the focus area in question. Upon the proposal of the Mayor, the Council passes the Municipal Budget and the annual account of the municipality. If a programme for maintaining the cleanliness of public places were on the agenda of the Council, a Commission for Communal Activities could be established by the Council to review that programme and to make appropriate proposals to the Council<sup>65</sup>. The Commission might propose solutions different to those prescribed in the programme or it might propose that the programme is redrafted. Similarly, if an Urban Plan was being drafted, a Commission on Urban Planning and Construction could submit its own expert opinion to the Council on how the plan might best serve the needs of the municipality. Given that the Council is composed of members from different political parties, the appointments process for Commissions should consider the need for equal representation of all parties on these Commissions. Public institutions that are established by the Council to perform duties under municipal competencies provide a service to citizens. The Public Waste Disposal Enterprise, for instance, is tasked with the

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<sup>65</sup> Todorovski, Ilija, *“Structure and relations between the executive and legislative bodies at local level in the Republic of Macedonia”* [www.unpan1.un.org/intradoc/.../UNPAN013821.pdf](http://www.unpan1.un.org/intradoc/.../UNPAN013821.pdf)

disposal of waste - its consumers are legal entities and citizens. The Consumer Rights Protection Commission should therefore be composed of representatives of legal entities and citizens. The Commission would be charged with assessing the quality of services provided in order to make suggestions on ways in which services could be improved. For instance, it might recommend that street waste disposal is conducted more than once a week so as to prevent a build-up of waste on the streets. The Customer Rights Protection Commission could rather suggest that waste be collected and disposed of twice a week, or it might propose another more preferable solution. Council sessions are conducted in public. This ensures that the citizens have the opportunity to stay informed about work of the municipality and the decisions that the Council reaches. This is in line with the principle of providing citizens with their right to local self-government. There are certain circumstances in which the Council may exclude participation of public. In order not to abuse this right, the Municipal Statute should incorporate provisions and justifications that regulate these circumstances. Besides the statutory provisions referring to holding sessions which exclude the participation of the public, the Council may at times decide to exclude the public from sessions at which special motions are to be brought. The decision to exclude the public from these sessions must be approved by a two-thirds majority of votes. Notwithstanding, the public should not be excluded if the session is to discuss and decide upon the Municipal Budget, the annual accounts or urban planning. On the contrary, as much public representation as is possible should be encouraged at these sessions, so that citizens can be made aware of how their taxes and revenues are spent. As far as urban planning is concerned, councils are legally bound to include the public in decision-making processes.

#### **4.1.2. Executive bodies**

Mayor is the representative and executive body in the local government unit. The Mayor represents the municipality; takes care of and secure the implementation of the decisions of the council; takes care of the implementation of the work entrusted to the local government unit by the central authorities; proposes to the council adoption of decisions and other general acts within its competence; publishes the acts and decisions passed by the Council of the local government unit in the municipal official gazette; issues individual acts if specially entitled to do so in conformity with law and the Statute of the local government unit; manages the municipal administration; manages the municipal property in conformity with law and the Statute of the local government unit; appoints and dismisses the main architect (in urban municipalities); appoints and dismisses the heads of the municipal administrative departments; appoints and dismisses members of the Town (City) Council for Architecture; leads the sessions of the council; hires and dismisses the officers in the municipal administration after acquiring the opinion of a special commission of the local council; carries out other work determined by law and by the statute of the local government unit. The Mayor is obliged to call the Council's attention to an act or decision, which is not in compliance with the Constitution or particular law. The Council is obliged to review that act or decision within 15 days, and if the Council fails to conform that act with the Constitution or laws, then the Mayor is obliged to inform the Government of the Republic of Macedonia. A vote of no confidence may be initiated by at least 20% of the total number of voters and will be

adopted by a majority vote (51%) of all voters in the local government unit<sup>66</sup>. The Mayoral office will be terminated in case of his/her resignation, death, and disease longer than a year, absence longer than six months without a justifiable reason or conviction for criminal charges. It is the Government of the Republic of Macedonia, which will establish the reason for the Mayor's termination and take his/her mandate out.

### **4.1.3 Municipal administration**

Municipal Administration is tasked with performing local self-government duties. Given the fact that municipalities differ from one another in terms of the number of their citizens, the size of their territory and their level of economic development, in some instances municipalities may be justified in establishing or dismissing a joint administrative body. A decision to establish a joint administrative body is considered to be adopted if approved by two-thirds of the votes of Councilors. On the basis of such a decision, the municipalities concerned should sign a mutual agreement that would regulate the following issues: the location of the administrative body; the duties it should perform; the ways in which these duties should be performed; its usage of facilities; financing; and, dismissal and supervision procedures. The Municipal Administration is charged with the responsibility to: draft decisions for the Council and the Mayor; prepare Council sessions and temporary or ad hoc Commission sessions; provide expert advice for the Council and the Mayor; keep the accounting records for the municipality; monitor all matters of municipal jurisdiction, perform analyses and provide suggestions for the

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<sup>66</sup> Todorovski, Ilija, "Structure and relations between the executive and legislative bodies at local level in the Republic of Macedonia" [www.unpan1.un.org/intradoc/.../UNPAN013821.pdf](http://www.unpan1.un.org/intradoc/.../UNPAN013821.pdf)

solution of various problems; provide interested and eligible organs with information and data on all municipal activities; handle and archive municipal documents, taking care of their storage until their date for expiration, or until such time that they are handed to the Main Archive of the Republic of Macedonia; and perform other duties, as determined by the Council or the Mayor.

#### **4.1.4 Organisation of the Municipal Administration**

The structural organisation, management, and scope of responsibilities of the Municipal Administration are regulated by a decision of the Council, based upon a Mayoral proposal. The Municipal Administration should normally be structured into sectors and units. When structuring these sectors, the size, the overall level of development of the municipality, and the scope of municipal competencies should be taken into consideration. The Municipal Administration may not contain less than two sectors. Units exist below the sector level, the number of which depends upon the size of the municipality, its overall level of development and its scope of competencies. Each sector should contain at least two units. The specific number of officials employed to execute municipal policies, and their conditions of work, should be determined by job descriptions approved by the Mayor, in accordance with the Decree on the Description of Workplaces and Job Classifications based on the Law on Civil Servants. The Municipal Administration is organised to execute the competencies of the municipality and Mayor. The effectiveness of municipal bodies and local public services is to a large extent dependent upon the

efficiency of the Municipal Administration<sup>67</sup>. Aware of this fact, this section briefly refers to the status of municipal employees, recruitment processes, the rights and duties of officials, their salaries and benefits, promotion processes, and mechanisms for evaluation and accountability.

#### **4.1.5 The Status of Municipal Employees**

Employees of the Municipal Administration provide expertise and perform executive and administrative duties, and so enjoy the status of public servants. As public servants, employees' rights and duties, recruitment processes, salary and benefits systems, mechanisms for accountability, promotion processes, and procedures for the evaluation and cessation of working relationships are determined by the Law on Public Servants.

Each Municipal Administration employee who performs his or her duties enjoys the status of a public servant. Those Municipal Administration employees who only perform technical or auxiliary duties do not enjoy the status of public servants. So, not all Municipal Administration employees enjoy the status of public servants. The regulations concerning the rights and duties, responsibilities, employment processes and evaluation procedures for public servants are prescribed by a special law, which delineates the specific tasks which differ from those performed by other employees. By affirming the principles of a professional, depoliticized, efficient and accountable Municipal Administration, high-quality and punctual public services may be delivered to citizens.

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<sup>67</sup> Dimeski, Branko, Municipal Public Administration In Macedonia: Some Empirical Evidence, *International Journal of Multidisciplinary Research* Vol.1 Issue 7, November 2011, ISSN 2231 5780

This legal solution provides for all possibilities for making the Municipal Administration of real value to citizens.

#### **4.1.6 Citizens' Participation in Local Self-Government decision-making**

Citizens have the right to watch over the work of the municipal administration and to correct the behavior of municipal authorities. Participation in local self-government units is undertaken by citizens themselves, whom also take part in all forms of decision-making. Citizens express their right to local self-government in two basic forms: directly or indirectly, through their representatives in local self-government bodies. Citizens participate, directly or through their representatives, in decision-making processes within the different tiers of local self-government on all issues of local concern, but particularly regarding issues of: public services provision; urban and rural planning; environmental protection; local economic development and local financing; communal activities, culture, and sports; social and child welfare; education and healthcare; and, other areas as determined by law. Citizens are able to indirectly influence the municipal decision-making through their democratically elected local self-government representatives. Direct participation by citizens on issues of local concern can be achieved through citizens' initiatives, citizens' gatherings, referenda and various other tools provided for in the law. The implementation of municipal policies and the direction of municipal activities is influenced, indirectly, by citizens through the electoral process. Hereby, local elections allow for the selection of the populace's representatives to the municipal halls of political power. Each election represents a complex process of melding together the inter-relating



and oft competing interests of different social groups and communities. Elections embody the most significant political activity that citizens can engage with, by which existing political institutions are reconfigured and the democratic foundations of society are reaffirmed. In addition to choosing a political party on the basis of its campaign platform, citizens also choose to elect individuals whom they feel they can trust. In this way, citizens feel dignified because by taking part in the electoral process, they participate in the establishment of authority. Periodical elections allow a dialogue to take place between ordinary individuals and politicians and enable an exchange of political influence between public officials. As such, in participating in elections, electors choose either to support the current local municipal government, or to offer their votes to opposition candidates. Local elections, as a form of citizens' indirect participation in local self-government decision-making, are characterized by several features: (1) transferred sovereignty, meaning that sovereignty is transferred from the people to their elected representatives; (2) free and fair - elections should be general, free, direct, and conducted by secret ballot; (3) legitimizing power - through their election, the political mandates of politicians are legitimized<sup>68</sup>. During free and general elections, conducted by secret ballot, citizens elect Municipal Council members, Mayors, Members of Parliament, and the President of the Republic of Macedonia. The members of Municipal Councils are elected by the principle of proportionality, while the President of the Republic of Macedonia and the representatives of the Assembly of the Republic of Macedonia are elected by the majority principle. No one may hold the voter responsible for the way in

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<sup>68</sup> In the Republic of Macedonia, citizens' participation during local elections is regulated by a legislative framework which includes: the Law on Local Elections; the Law on the Election of Representatives to the Assembly of the Republic of Macedonia; the Law on the Election of the President of the Republic of Macedonia; the Law on Electoral Units for Electing Representatives of the Assembly of the Republic of Macedonia; and the Law on the Electoral List.

which he or she voted, and, as such, no-one may ask the voter to reveal his or her vote. Every citizen over the age of eighteen is legally entitled to vote. Any citizen of the Republic of Macedonia has the right to stand for election if, in addition to being over eighteen years of age, he or she possesses the legal capability to conduct the responsibilities of office, and if he or she is not also currently serving a custodial sentence for a criminal offence. The lists of candidatures, for instance for the position of Mayor, should be proposed by registered political parties or groups of voters. In cases when a group of voters proposes a list of candidates' names, then all their signatures should be presented on a form prescribed by the State Electoral Commission.

The other form of citizen participation – direct participation allows citizens to actively engage in political processes and in policy-making at the local level. These forms embody an opportunity, a right even, for citizens to act should the municipality ignore their needs or should the municipality fail to take a decision that they feel should be taken. The forms of direct participation, or direct democracy, in fact represent legal opportunities for citizens to compel the municipality and its bodies to undertake certain activities, approve decisions or documents, or to resolve a particular issue which the municipality is deemed to be failing to respond to. According to the legislation of the Republic of Macedonia, citizens have the following forms of direct local participation available to them<sup>69</sup>: (a) Citizens' Initiatives = according to the Law on Local Self-Government, one of the forms of direct participation in decision-making processes for local level issues is the Citizens' Initiative. Hereby, citizens are entitled to propose that the Municipal Council passes a certain regulation or decides upon a certain issue within

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<sup>69</sup> Handbook for Mayors and Municipal Council members of the Republic of Macedonia, - Skopje : *Association of the units of local self-government of the Republic of Macedonia* - ZELS, 2005.

its jurisdiction. The Council is legally bound to discuss the citizens' proposal if supported by at least 10 percent of the local electorate. If this precondition is fulfilled, the Council is obliged to schedule the discussion within ninety days of the initiative being submitted. The Council is also obliged to inform the citizens on its decision. (2) Citizens' Gatherings. In broad terms, a Citizens' Gathering, as a form of direct participation, is an organized meeting of a group of citizens whom have permanent residence within a given municipality. These gatherings may be called either by the local Mayor on his own initiative, on the request of the Municipal Council, or on the request of at least 10 percent of the local electorate. The Mayor, or other representatives of the municipality or local self-government unit, are obliged to inform citizens about the gathering. Citizens have the right to participate equally in all discussions occurring at the gathering, and may vote on or propose specific resolutions, etc. Based upon the gathering's discussions of the issue at stake, citizens are entitled to adopt general directions and conclusions by a majority voting principle. Thereafter, municipality bodies are obliged, within a ninety day period, to review all of the directions and conclusions agreed upon at the gathering. Municipal bodies are further obliged to take into consideration these directions and conclusions when deciding upon issues of local concern, and to therein inform citizens of their own considered decisions. (c) Referenda. Within units of local self-government, referenda may be initiated on those issues of local concern which are within the scope of municipal responsibility. The right to organize a referendum is regulated by the statute of the local self-government unit. A referendum is a very important means by which citizens may express their views and so directly participate in the local decision-making process. As an instrument which allows for the free and complete expression of the true opinion of

citizens, it in many respects is more significant and carries greater weight than a citizens' gathering. This makes the referendum an instrument which encompasses the principles of pluralist local democracy. A referendum also serves to harmonize direct and representational methods of arriving at decisions within local self-government. It is an important part of local self-government for municipalities and the city of Skopje alike. A positive result in a referendum acts as a guarantee that a municipal decision can be approved and coherently implemented. Referenda may be initiated on the decision of the Municipal Council for issues related to its own competencies. Alternatively, if 20 percent of the electorate call for a referendum, the Municipal Council is compelled to organize one. Conducted by secret ballot, all whom enjoy the right to vote in elections are also entitled to vote in the referendum. Voting on the issue in question is expressed by choosing between either "yes" or "no" on the voting ballot. The referendum is deemed successful if a majority of citizens vote in its favor, and if over one half of the total number of registered voters take part. The Municipal Council is bound to abide by the result of a referendum. Should a proposal of the Council not be supported by the referendum vote, the Council is obliged to not act in any way, or approve any decision, contrary to that vote. Only after a reasonable period of time has passed may the Council put forward their proposal again and so initiate another referendum. By statute and in accordance with the law, local self-government is responsible for regulating the procedure by which a referendum is proposed. There are also other forms of citizen participation (a) Complaints and Proposals. Every citizen of the Republic of Macedonia is entitled to submit a complaint or proposal, individually or as a group, to their representatives in the Municipal Council, the Municipal Administration or the Mayor.

The Mayor as such is obliged to establish clear procedures through which all complaints and proposals may easily be submitted, and to respond in writing to citizens within a sixty-day time frame. If complaints or proposals are not related to the competencies of the municipality, the Mayor is obliged to forward them to the relevant body, and to inform citizens thereof of this action.

(b) Public forums, surveys and proposals. While preparing municipal regulations, the Council or the Mayor may choose to organize public forums, conduct surveys, or ask citizens to submit their own proposals on proposed regulations.

(c) Participation in the Executive Boards of Municipal Communal Enterprises. In accordance with the Law on Public Enterprises, one of the central bodies of a municipal public enterprise is its Executive Board, which should be comprised of at least five and not more than fifteen members. The founding entity of the enterprise is tasked with nominating and dismissing experts of various fields as representatives to the board, alongside representatives of its employees upon a proposal from the board of employees. The number of enterprise employees entitled to sit on the board is one third of the total number of members of the Executive Board. The Executive Board is charged with responsibility over: drafting the statute of the enterprise and deciding upon any necessary statutory changes; establishing other companies, in accordance with the law; approving the work and development programme for the enterprise; deciding upon its business plan; drafting the annual budget; deciding upon investments and debt management; determining a price regime for the enterprise's products and services; deciding upon the internal structure and organization of the enterprise; and, other matters regulated by the statute of the public enterprise. Through a liberal interpretation of the aforementioned law, especially the sub-section referring to the nomination of board

members, it is very often the case that representatives of political parties engaged in the Municipal Council may propose themselves to become members of an Executive Board for reasons of either political or personal interest. This creates fewer opportunities to involve ordinary citizens in the Executive Boards of public enterprises functioning within their municipalities. (d) Participation in the boards of primary and secondary schools The Law on Primary and Secondary School Education provides for the direct participation of citizens in the management of primary and secondary school boards, in addition to the schools' so-called Councils of Parents. Primary school boards are composed of eleven members; four of which should be teachers or educational experts, three being parents of the children attending the school, and two of which should be representatives of the founder of the school (which for the time being may only be the central government); in addition to two representatives from the local municipality. The representatives of the municipal government are nominated and dismissed by the local self-government, while the parental representatives should be nominated and dismissed by the Council of Parents. Secondary school boards consist of nine members; two are representatives of its founder (which may for the time being only be the government); three are parents; and four of the members are teachers. This membership demonstrates that the municipality cannot nominate its own representatives to these boards. The school board decides upon the annual work plan of the school, determines its financial plan and is responsible for school accounts. It is also in charge of drafting the school statute, publishing vacancy announcements for the position of school principal, and must deal with complaints regarding students' grades, in addition to other matters. It is worthwhile to mention here the possibilities that the two aforementioned laws provide for citizens' participation in the

management of schools, namely, through the Council of Parents. This Council is comprised wholly of those students' parents whom are not already employed by the school. The Council monitors the school's educational work, and so arrives at its own opinions and proposals. The scope of work, membership numbers and organization of the Council of Parents is regulated by school statute. The right of citizens to local self-government was first added the country's statute books by the 1963 Constitution of the Socialist Republic of Macedonia. Under this legal framework, municipal government was introduced as the primary form of local self-government and as the means by which citizens might achieve political participation. Today, the neighborhood self-government unit is a territorial unit which deals with 'real life issues' common for communities, villages, settlements or suburban areas. The neighborhood self-government unit is neither a miniaturized municipality nor is it a sector or section of the local self-government. By its function and structure, the neighborhood self-government unit is territorially organized and represents a primary form of citizens' organisation for determining and resolving the range of common needs and problems that citizens face. The neighborhood self-government unit embodies the citizens' right to self-determination, allowing citizens to stand before the municipality in an organised fashion in accordance with the municipal statute, the Law on Local Self-Government, and the Constitution. The 1991 Constitution of the Republic of Macedonia provides that neighborhood self-government may be established within municipalities. Local self-government is regulated by the aforementioned Law on Local Self-Government adopted in 2002. According to its provisions, two forms of local self-government may be organised within a municipality: urban communities within cities and neighborhood self-government units in rural areas.

The areas in which urban communities are established are determined in accordance with municipalities, as are their borders determined in accordance with the Urban Plans of the city. The statute of a municipality regulates the forms of neighborhood self-government which may be established within the area of that municipality; namely, urban self-government units within cities, and neighborhood self-government units in other areas. The statute also regulates the relations between urban and neighborhood self-government units within municipal bodies, the competencies of the Mayor which may be delegated to the president of the council of the neighborhood self-government unit, and the financing of these delegated competencies, in addition to other matters of significance to the neighborhood self-government unit. The citizens of urban and neighborhood self-government units decide on issues of mutual interest at citizens' gatherings, at which they are entitled to voice their opinions and prepare policy proposals. The councils of the urban and neighborhood self-government units are elected at citizens' gatherings in accordance with a procedure regulated by the statute of the municipality. The council of the urban or neighbourhood self-government unit elects a president from among its members, who serves a mandate of four years. Until the time that a president is elected, the council is chaired by its oldest member. The president is deemed elected if he or she receives a majority of votes from the total number of members on the council. If the turnout is less than is required in the first round of elections, a second round of voting takes place. During the second round, members vote for the two candidates whom received the most first round votes; the candidate in receipt of the majority of council votes is elected as its president. The president calls and holds council meetings and is in charge of the overall work of the council. He or she also signs all documents and acts



adopted by the council and is obliged, within three days of their signature, to submit them to the Mayor of the municipality. The Mayor then publishes the documents in the official gazette of the municipality. The Mayor may delegate certain matters to the president of the council of the urban or neighborhood self-government unit. Usually these would be matters of direct, day-to-day relevance to the inhabitants of the particular urban or neighborhood self-government unit. The procedure by which delegation may occur is regulated by the statute of the municipality. By the act of delegating duties to the president of the council of the neighborhood self-government unit, the Mayor determines the resources needed for the performance of these specific duties and the procedures by which the municipality will supervise the work of the president of the neighborhood self-government unit.

#### **4.2. Decision making in the public procurement in municipalities – an overview**

The activities that the municipality undertakes with regard to purchasing goods and services, procuring construction companies, or other services that should be obtained from Budget finances, are known as public procurement. The legal framework for the rights and obligations of participants involved in a process of public procurement is drawn up by the Law on Public Procurements. Under the conditions of market economy, there must be healthy and free competition, transparency, efficiency, and a decrease in public expenditures. All activities to the contrary undermine overall social economical circumstances and sow the seeds for corruption and other unsuitable practices. In order to prevent corruption or bribery amongst decision-makers during public procurements, and

to prevent the funding of political parties through public procurements, laws must be strictly obeyed. For instance, equal competition in the process of public purchasing, in circumstances with clearly defined rules and procedures for transparency, should place all corruptive practices at a minimal level. The resultant effect would be highly positive for municipalities because high quality services could be obtained for relatively low prices.

The municipality is obliged to provide all bidders with an equal and non-discriminatory position in public procurement processes, with fair competition, transparency and exposure to public scrutiny. All negotiations between the municipality and bidders are forbidden whether in open or restrictive announcement procurement procedures. Explanations may be required, but there can be no possibility of making changes whatsoever. It is also forbidden to divide the public procurement into different components in order to avoid a certain procedure required by law. The procedure for public procurements may be initiated only for services that have already been planned, and only for matters for which finances from the Budget have already been obtained.

On the basis of the aforementioned documents, by the end of January, the Mayor must draft a plan for the overall public procurement needs of the municipality, dividing that plan in accordance with affirmed procedures and the finalization of the procurement procedure. Afterwards, the Mayor approves a decision on each procurement procedure and determines the quantity of procurements required, the funds required, and the sources for financing the transaction. The municipality is obliged to keep all documents pertaining to public procurements and to maintain a public procurements register. The Mayor should establish a permanent committee for public procurements to continue the purchasing procedure. This committee should be composed of municipality employees

selected for a mandate of two years, and with the right to be selected for one additional mandate thereafter. In order to provide all interested candidates with equal access to the public procurement announcement, this announcement must be published in the Official Gazette of the Republic Macedonia, in daily newspapers, or in an official paper of the European Union, depending upon the type of procurement required. The municipality prepares the tender documentation in accordance with its needs and in keeping with the standards applicable to the particular procurement. The documents should be made available to all interested bidders and, in turn, bidders need to present supporting documents to prove their own financial capabilities and their economical and technical preparedness for winning the tender. In accordance with previously agreed criteria, bids are reviewed and a final decision is made for the best offer. All interested candidates are informed of the municipality's final decision.

#### **4.2.1 Legal framework and development of public procurement system based on rationality, efficiency and transparency**

The Law on Public Procurement regulates the manner and the procedure for awarding public contracts, set the competences of the Public Procurement Bureau, establishes and defines the competences of the State Appeals Commission and review procedures. This Law ensures the competition among economic operators; equal treatment and non-discrimination of economic operators; transparency and integrity in awarding public contracts; and rational and efficient utilisation of funds in the contract award procedures.

The Law also defines the state and local government authorities and the City of Skopje as contracting authorities. The tasks related to the development of the public procurement system, as well as the provision of rationality, efficiency and transparency in the procurement processes are carried out by the Public Procurement Bureau as a government administration body within the Ministry of Finance. The Bureau gives proposals to the Minister of Finance for adopting legal and other acts in the field of public procurement; monitors and analyzes the enforcement of the laws and other public procurement regulations; provides opinions regarding the provisions and the enforcement of this Law; advise and assist contracting authorities and economic operators; prepares standard tender documentation and standard model forms for the contract award procedures; keeps and updates records of the public contracts awarded, and makes them available on its website; collects, processes and analyzes public procurement data and draft statistical reports; informs the contracting authorities, and if necessary, the competent authorities concerned upon detecting irregularities from the notices received; determines minimum requirements for professional qualifications for the persons performing professional activities in the field of public procurement; organises and conducts training for civil servants and other competent persons with respect to public procurement; submit annual report to the Government regarding the functioning of the public procurement system; and performs other tasks prescribed by the Law. Public contracts may be: public supply contracts, public service contracts or public works contracts. Subject to public supply contracts is the procurement of one or more products through purchase, hire purchase, or lease, with or without option to buy the products. Subject to public service contracts is the delivery of one or more services, such as maintenance and repair services, land or air

transport services, research and development services, market research and public opinion survey, cleaning services, property management services, insurance, banking and investment, telecommunications, IT, accounting, auditing, bookkeeping, consultant, architectural, engineering, advertising, publishing, printing and sanitation services; and other services. Subject to public works contracts are performance of construction activities or execution of a work. Common provisions applicable to contract award procedures are also set up with the Law on Public Procurement. The contracting authority shall award public contracts by applying open or restricted procedure, and it shall organise design contest when it acquires a plan or a project, mainly in the area of spatial or urban planning, architecture and civil engineering or data processing, selected by a jury after being put out to competition. The contracting authority may carry out open and restricted procedures by electronic means using the electronic system of public procurement - ESPP. Joint contract award procedure shall be carried out through coordination, through one contracting authority on behalf of a group of contracting authorities that need the same type of contract, upon prior concluded agreement for carrying out joint contract award procedure. The agreement for carrying out joint contract award procedure defines all rights and obligations of the contracting authorities with regard to the economic operator who will be awarded the public contract. On the basis of determined financing sources, the contracting authority adopts a procurement plan covering its procurement needs for the current year by types of supplies, services and works, setting the time it expects to initiate the procedure, the estimated value of the contracts and the type of procedure to be used for each contract. It also decides on the need for awarding a public contract, and sets up quantities required, the amount and

source of funds required to execute the contract, the manner and the procedure for awarding the public contract and appoints the chairman and members of the procurement commission, their number and deputies, as well as possible external experts to be hired, if necessary. The decision also states the reasons and justification for carrying out negotiated procedure or competitive dialogue, if such procedures are used by the contracting authority, as well as the reasons of urgency or reducing the time limits laid down in the Law. The commission, depending on the contract award procedure used, shall perform the following tasks: opening of bids; keeping minutes; evaluating the qualifications of economic operators; determining the selected candidates; checking the technical proposals of tenderers regarding the conditions and requirements set in the technical specifications or the descriptive documentation; checking the financial proposals of tenderers regarding the price, financial and other conditions set in the tender documentation; determining unacceptable tenders, as well as the reasons why they are unacceptable; determining acceptable tenders; proposing the winning tender; preparing a procedure outcome report; notifying participating economic operators about the outcome of the procedure; and other performs other tasks prescribed by the Law. During evaluation, the commission is obliged to keep secret the contents of tenders and any other information sent by the tenderers or the candidates. The contracting authority shall state within the tender documentation any request, rules, criteria, and other necessary information, so as to ensure that the economic operator complete, just and precise information regarding the way of conducting the contract award procedure. The tender documentation shall contain the following as a minimum: general information regarding the contracting authority, instructions regarding the mandatory time limits and the

conditions required for participating in the contract award procedure; the minimum qualification requirements and documents for determining the compliance with the criteria; technical specifications or, in case of competitive dialogue and negotiated procedure, descriptive documentation; instructions regarding the elaboration and submission of the technical and financial proposal; detailed and complete information regarding the contract award criteria; instructions regarding the review procedures; and information regarding the compulsory clauses of the contract. The contracting authority, in this case, the local government unit, shall make the tender documentation available to any interested economic operator by using electronic means for the purpose of providing direct and full access to the tender documentation. Any economic operator shall have the right to participate in the contract award procedure, individually or as a member in a group of economic operators. The local government unit shall provide transparency when awarding public contracts, organizing design contests or concluding framework agreements, by publishing prior information notice, contract notice, contract award notice and/or notice on cancellation of the contract award procedure. It shall publish a contract notice when launches an open procedure, a restricted procedure, a competitive dialogue or a negotiated procedure with prior publication of a contract notice. There are several types of contract award procedures; (1) open procedure which shall be carried out in one phase; (2) restricted procedure which shall be carried out in two phases: pre-selection phase and second phase, where the contracting authority evaluates tenders of selected candidates, on the basis of the contract award criteria; (3) competitive dialogue procedure if the respective public contract is considered to be particularly complex; and if the

application of the open or restricted procedure would not allow awarding the public contract; (4) negotiated procedure without prior publication of a contract notice.

#### **4.2.2 Awarding the public contract**

Opening of tenders in the open procedure, the second phase of restricted procedure and when submitting tenders in competitive dialogue shall be public, and the opening of tenders shall commence on the place and at the time specified in the tender documentation as the time limit for submitting the tenders. The commission shall commence the public opening even if only one tender was received, and shall keep records of the authorised representatives of tenderers who participated in the public opening of tenders. The commission shall take minutes of the public opening of tenders, which shall contain the contracting authority; the place and time of public opening of tenders; the reference number of the contract notice; the names of the commission members; the number of tenders received the name of the tenderers, and other information deemed as useful. Copy of the minutes of the public opening of tenders shall be sent to all tenderers which requested so and the tenders of which have been opened on the public opening. The commission, after evaluation, shall rank the tenders and propose the selection of the winning tender. Commission members who do not agree with the proposal for selection of the winning tender shall state their opinion in writing attached to the procedure outcome report. In open procedure, restricted procedure, negotiated procedure and competitive dialogue, the commission shall draw up written procedure outcome report, containing the names of selected candidates or tenderers and the reasons



for their selection, and the names of candidates or tenderers which are rejected and the reasons for their rejection. The local government unit is obliged to specify in the contract notice the contract award criterion, which once established, shall not be changed during the contract award procedure. The contract award criterion may be economically most advantageous tender; or the lowest price only. The contracting authority shall select the winning tender by making a formal decision, on the basis of the contract award criteria set in the contract notice and in the tender documentation, provided that the tenderer the winning tenderer of which meets the stipulated selection criteria.

#### **4.2.3 Review and appealing procedure**

The State Appeals Commission is competent to resolve appeals in the contract award procedures prescribed by the Law on Public Procurement. The Appeals Commission decides on the legality of procedures, actions and failures to undertake actions, as well as the formal decisions made in the procedures; and on other issues pursuant to this Law.

The Appeals Commission is independent in its operations and has status of a legal entity. It is composed of chairman and four members, who professionally carry out their function. The Parliament of the Republic of Macedonia appoints, by using public call for competition, and dismisses the chairman and the members of the Appeals Commission upon proposal by the Election and Appointments Commission within the Parliament of the Republic of Macedonia. The Rules of Procedure regulate the manner of operations and the decision-making process of the Appeals Commission. The Appeals Commission submits an annual report about its activities to the Parliament of the Republic of

Macedonia by the end of March in the current year for the previous year. The annual report contains in particular: number of cases received; number of cases resolved (rejected and accepted appeals); number of annulled contract award procedures; number of unresolved cases; number of cases disputed to the Administrative Court (rejected and accepted cases); statistical analysis of the appeals procedures and evaluation of the legal remedies system and the public procurement system as a whole. Any economic operator having legal interest in the contract award procedure, and which has suffered or could suffer damage by an alleged infringement of the provisions of this Law, may initiate an appeals procedure against the decisions, actions and failures to undertake actions by the contracting authority during the contract award procedure. In the course of the appeals procedure, the parties are obliged to present all facts used as grounds for their requests, as well as the actions or failures to undertake actions by the contracting authority in the contract award procedure, and to provide respective evidence thereof. The following is considered as major infringements of the Law in the contract award procedures: (1) the contract award procedure was carried out without making an initial procurement decision; (2) the tender documentation for the contract award procedure was not prepared pursuant to the Law, which have led to discrimination of economic operators or limitation of competition; (3) major infringements were made with reference to the public opening of tenders; (4) major infringements were made with reference to the evaluation of tenders; (5) the winning tender was not the most favorable one; or (6) the winning tender was not acceptable. In the course of the appeals procedure, the Appeals Commission acts within the alleged infringements reported in the appeal, and ex-officio with reference to the major infringements of the Law. The appeals procedure is initiated by submitting the

appeal, i.e. by submitting the request to the Appeals Commission for annulling the contract award procedure. The lodged appeal suspends the signing of the public contract and its execution, until the decision on the appeal by the Appeals Commission becomes final. In the appeals procedure, the Appeals Commission may stop the procedure due to withdrawal of the appeal; reject the appeal because the Appeals Commission is not competent, the appeal is not allowed, complete, timely or is lodged by unauthorised persons, or if the requirement of the Law is not fulfilled; reject the appeal because it is unfounded; revoke the decision, procedures or the actions found to be illegal; annul the decision in case when the irregularity made in the contract award procedure is considered a reason for annulment according to the provisions of the Law and the laws regulating the administrative procedure; decide on the requests for compensation of procedural costs; or decide on the proposals for continuation of the contract award procedure.

### **4.3 Assessing ethnic diversity implications on decision making process**

With the implementation of the Ohrid Framework Agreement workforce at the units of local self-government in Republic of Macedonia is becoming more balanced with respect to ethnic minorities, with more workforce participation than ever by Albanians, Turks, Roma and other minorities. As public organizations at local level become more diverse along ethnic lines, it makes sense to pay more attention to how different ethnic groups interact with one another at work. Increased emphasis on diversity and its management has been a key theme in the public administration research literature of the past twenty years; indeed, the field has seen analysis dedicated to diversity management programs

(Kellough & Naff, 2004; Naff & Kellough, 2003), the impact of diversity on performance outcomes (Pitts, 2005; Wise & Tschirhart, 2000), the status of different minority groups in public employment (Lewis, 1998; Lewis & Nice, 1994), and the role of diversity in public administration education (Pitts & Wise, 2004). However, as Wise & Tschirhart<sup>70</sup> (2000) point out in their meta-analysis of diversity research, there is very little to go on when it comes to understanding the actual impact of ethnic diversity on performance outcomes in the public sector.

This research seeks to fill this gap by studying the effects of the ethnic diversity of local government work-force on work-related outcomes. The research is geographically limited to the territory of Republic of Macedonia and is observing the outcomes of the decision making process in the area of public procurement in municipalities. It will examine how ethnic diversity affects two different types of decision making process and performance (1) when the decision process requires significant coordination and cooperation, and (2) when the decision making process does not requires significant coordination and cooperation. In order to define the research question, the analysis will begin by defining diversity and reviewing the literature linking ethnic diversity to performance in public organizations, then will formulate the hypotheses and will explain the data and methods. It will then review the results and close with implications and directions for future research.

### 4.3.1 Theories of Diversity

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<sup>70</sup> Wise, Louis R & Tschirhart, M. Examining Empirical Evidence on Diversity Effects: How Useful Is Diversity Research for Public-Sector Managers?, *Public Administration Review*, 2002, Volume 60, Issue 5, p.386-394

The three general sets or clusters of theory (1) social identification and categorization theory (2) similarity/attraction theory, and (3) information and decision-making theory are almost always used as basis for research attempting to link ethnic diversity with organizational performance. Unfortunately, these theories do not line up consistently with each other on one hypothesis. Social identification and categorization theory, and similarity/attraction theory expect that ethnic diversity will have a negative impact on outcomes, while the third theory (information and decision-making) predicts a positive correlation. Examining the basic beliefs of each theory would be helpful in developing the hypothesis later in the process. (1) Social identification & categorization theory<sup>71</sup> predicts a negative relationship between diversity and performance assessing that when the group becomes more and more diverse it led to breakdowns in communication, coordination and cohesion, and it is more difficult for members to work together effectively. Social identification begins with the assumption that each individual wishes to maximize his or her self-esteem. In order to ensure high self-esteem, individuals engage in a series of social comparisons with others. These self-comparisons involve individuals placing themselves, and others, into a series of categories along organizational, religious, gender, ethnic, and socioeconomic lines, among others. This process leads each individual to establish his or her social identity, with that identity defined as one's membership in a given group of different categories. Empirical research has shown that individuals often (falsely) attribute negative characteristics to out-group members as part of this process, believing the out-group to be comprised of individuals

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<sup>71</sup> Social Identity Theory was developed by Tajfel and Turner in 1979. The theory was originally developed to understand the psychological basis of intergroup discrimination. Tajfel et al (1971) attempted to identify the *minimal* conditions that would lead members of one group to discriminate in favour of the in-group to which they belonged and against another out-group.

who are less trustworthy, honest, cooperative, or intelligent<sup>72</sup>. The process of categorization often involves physical traits such as gender, ethnicity, and age<sup>73</sup>. Social identification and categorization theory, then, assumes that individuals quickly stereotype and make judgments about those from other groups. In a diverse work team or organization, there are many more out-groups than in-groups, a pattern which is expected to cause sensitive relations with trust, communication, and cooperation. As a result, work processes will be made much more difficult, thus causing the final product, idea, or solution to be weaker. This theory, then, suggests a negative relationship between organizational diversity and work-related outcomes. (2) The similarity/attraction theory is based on the notion that similarity in attributes, particularly demographic variables, increases interpersonal attraction and liking<sup>74</sup>. Similarity allows one to have his or her values and ideas reinforced, while dissimilarity causes one to question his or her values and ideas, a process that is likely to be disturbing. Research has shown that in a situation where an individual has the opportunity to interact with one of a number of different people, he or she is most likely to select a person who is similar<sup>75</sup>. As with social identification and categorization theory, similarity/attraction research would predict that high levels of diversity in an organization or in a work group are likely to lead to contradictory work processes. These incoherent work processes will, in turn, lead to weaker performance. (3) Information & decision-making theory is based on the notion that the composition of the work group will affect how the group processes information,

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<sup>72</sup> Brewer, M., and Kramer, R. M., The Psychology of Intergroup Attitudes and Behavior, *Annual Review of Psychology*, Vol. 36: 219-243, February 1985

<sup>73</sup> Messick David, M., and Mackie, Diane, M., Intergroup Relations, *Annual Reviews Psychol.* 1989. 40:45-81

<sup>74</sup> One of the empirical regularities in personality and social psychology is the relationship between attitudinal similarity and interpersonal attraction. It has repeatedly been demonstrated that people like those who hold similar attitudes and opinions (e.g., Byrne, 1961, 1971; Byrne & Griffitt, 1966; Byrne & Nelson, 1965; Clore & Baldridge, 1968; Condon & Crano, 1988; Singh, 1974; Tesser, 1993). Most textbooks of social psychology include a discussion on this similarity-attraction link.

<sup>75</sup> Burt & Regans, 1997; Lincoln & Miller, 1979

communicates, and makes decisions.<sup>76</sup> Unlikely the first two theories of group interaction, this theory would not predict a negative relationship between diversity and outcomes. The literature on information and decision-making in groups tends to show that, for these two specific functions (producing information and making decisions), the contradictory processes that result from high levels of heterogeneity are overcome by benefits gained from more creativity, a larger number of ideas, and a larger pool of knowledge.<sup>77</sup> The idea that diversity brings a number of new perspectives to the table, making it possible for an organization to be more effective, has served as the basis for a number of claims that diversity is a strength and resource for.<sup>78</sup> The theory is not quite so simple, however, and it is important to consider the type of task when determining whether one might rely on information and decision-making research to predict a positive relationship between diversity and outcomes. In fact there is very little work that uses information and decision-making theory to produce a positive hypothesis for ethnic diversity and performance. Cox et al. (1991) use the individualism/collectivism value divide to suggest that ethnic diversity creates a variety of perspectives that will benefit organizations and produce synergies. A handful of other studies use the same framework – differences in values that run along ethnic lines – to test hypotheses related to information and decision-making, but the literature is not so rich in this area (McLeod & Lobel, 1992; Watson et al., 1993).

### 4.3.2 Empirical Research on Diversity Effects

<sup>76</sup> Gruenfeld, H. Deborah, Martorana, V Paul V., and Fan, T. Elliott, What Do Groups Learn from Their Worldliest Members? Direct and Indirect Influence in Dynamic Teams, *Organizational Behavior and Human Decision Processes*, Vol. 82, No. 1, May, pp. 45–59, 2000

<sup>77</sup> Tziner, Aharon, (1999) "Teams: Structure, Process, Culture and Politics", *International Journal of Manpower*, Vol. 20 Iss: 5, pp.4 - 5

<sup>78</sup> see, e.g., Adler, 2003; Dobbs, 1998; Thomas, 1990

More recent research on diversity effects has found mixed results – some studies show a positive relationship between ethnic diversity and performance, while others show a negative relationship. Studies showing a positive relationship have come from both laboratory and field experiments<sup>79</sup>. Among them are studies from McLeod and Lobel (1992) ; Mullen & Cooper (1994); O’Reilley et al. (1997). Other studies have shown a negative relationship between diversity and performance (Greenhaus et al., 1990; Lefkowitz, 1994; Sackett et al., 1991)<sup>80</sup>. Pelled et al. (1997) provided evidence that high levels of ethnic diversity are related to more emotional conflict in work teams. Riordan & Shore (1997) found that, in diverse work groups, employees are less likely to be committed or to perceive that they are likely to advance in the organization. Studies showing a negative relationship between ethnic diversity and performance seem to be slightly more prevalent than those showing a positive relationship, causing the literature to branch out in two different directions and making it difficult to articulate hypotheses.

### 4.3.3 Hypotheses

Considering the above review of literature on diversity effects, it is difficult to formulate credible hypotheses relating ethnic diversity to performance outcomes. Two streams of theory suggest diversity will damage organizations, while a third suggests it will create added value. The empirical research shows both positive and negative interactions. The

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<sup>79</sup> For example, Watson et al. (1993) created 36 groups of students in a management course and asked them to engage in a series of case studies. Groups with high levels of diversity tended to consider a wider range of perspectives and alternatives than groups that were relatively homogeneous.

<sup>80</sup> Pitts, David and Jarry Elizabeth, M. Organizational Performance: Assessing Diversity Effects at the Managerial and Street Levels, *Working Paper 06-33*, October 2005



conclusion is that diversity create more difficult environment for people to work effectively together. If the decision making process requires employees to work to a great extent with one another, then it is perhaps more likely that it will create a negative effect. If a decision making process requires employees to work relatively independently, then it is more likely to bring a positive effect. Given the above literature review, one would hypothesize a negative relationship for tasks requiring collaboration and coordination. As mentioned previously, most of the research on information and decision-making theory is based on functional and education diversity, not ethnicity. That makes it a weak theory to rely on in this study, especially given that two other theories (similarity/attraction and social categorization and identification) suggest a different (negative) relationship. Furthermore, it seems that the majority of empirical studies linking ethnic diversity to performance show a negative, not positive relationship. As a result of the research described above, the following hypotheses have been created concerning ethnic diversity to performance:

**H1:** Greater levels of ethnic diversity among public administration at local level will lead to higher organizational performance, when the decision making process does not require significant coordination and cooperation.

**H2:** Greater levels of ethnic diversity among public administration at the local level will lead to lower organizational performance, when the decision making process requires significant coordination and cooperation.

## **CHAPTER V - Research methodology**

### **5.1. Introduction/ research objectives/ independent and dependent variables**

This research aims to understand the relationship between ethnicity and organizational performance in the context of local government units in Republic of Macedonia. Furthermore, it focuses on the decision making process, that is, on the organization performance in the procurement of energy for schools in the year 2011. Diversity variables are easily constructed at the municipality level - ethnic diversity of population in the municipalities, organizational level – ethnic diversity of municipal administration, and group level – ethnic diversity of the commission for public procurement. Performance in the context of local government public procurement is fairly straightforward as well – all municipalities have established committee responsible for public procurement. Performance indicators are set up on the basis how the procurement function is performed (by sector, department or employee); if there is a book of rules and procedures for public procurement committee work; how are the municipal procurement professionals trained; are the applicable procurement procedures clearly defined; if there are internal quality and control mechanisms on place; transparency guidelines and code of ethics for employees; criteria for selection of the offer for procurement precisely set up; etc. Unit of analysis of this research is municipality, which is local government unit, while the population includes all 84 municipalities in Macedonia. Questionnaire is used as a methodological instrument targeted to the selected pilot municipalities. The questionnaire containing five sections and including 54 questions has been distributed to 40 municipalities. The Association of Finance Officers in Republic of Macedonia (AFO)

assisted in sending the questionnaire to the Mayors and inviting him/her to appoint a person responsible to fill the questionnaire. Additionally, AFO assisted in collection of the questionnaires from the respective municipalities. Research was carried out in December 2012 and feedback has been received from 24 municipalities. The survey carried out in the selected pilot municipalities is paired with a qualitative study that included information direct from municipal staff about their experiences with diversity in the procurement decision making.

## **5.2 Design of the questionnaire**

A questionnaire as a research mechanism is designed with the objective to collect information regarding the decision making in the procurement process in municipalities as well as information regarding municipal employees' views and opinions toward the process. Information are collected both in mono-ethnic and multi-ethnic that is diverse environments. The questionnaire contains five sections including 54 questions. Throughout the questionnaire there are a variety of questions requiring different responses including multiple choice, a tick of yes or no, written or numerical data, rank ordering, and Likert scales from strongly disagree to strongly agree.

First section of the questionnaire collects information on the municipal profile, name, size and ethnic composition of population, total number of employees within municipal administration as well as the aggregate number of employees according to the ethnic origin. The purpose of collecting these information is to determine the level of ethnic diversity within the unit of analysis. Second section is focused to the public procurement function and process. Information which are seek to be obtained refer to the module of

arrangements of procurement competence and legal acts which regulate the procurement process. Furthermore, the aim is to gather information on the roles and responsibilities of the public procurement committee, rules and procedures for its work, aggregate number of the members of public procurement committee according to their ethnic origin, internal quality and control mechanisms for the work of the committee, and existence of any integrity and transparency guidelines. Section three of the questionnaire aims to collect information on the practice and performance of procurement of energy for schools in the year 2011 in order to assess the decision making process more closely. Data on type of procurement (one general or several procurements), number of bids received per procurement, criteria for selection of the offer, number of contracts awarded, and appeals submitted are also questions which this section addresses. Section four tents to evaluate municipal employees' views and opinions toward the process, politics and Government objectives, while the last section seeks to evaluate municipal employees' views on the policy, performance measurement, innovation and capacity of municipality toward procurement.

This questionnaire is paired with a semi-structured questionnaire for interviews with representatives from selected municipalities and representative from the main stakeholders in this process that is Ministry of Local self-Government, State Bureau for Public Procurement, State Audit Office, State Inspectorate for Local Self-Government, and other experts and practitioners in the field.

### 5.3 Design and selection of the sample and selection criteria

With purpose to create representative sample that contains all relevant variables of the population, sample of the research is intentional sample. Relevant variables of this population are: size of the municipality, ethnical composition of the population, urbanization level, and political affiliation of the municipal executive body as well as the geographic location of the local government unit. Furthermore, three municipalities were randomly selected. According to these criteria, this sample contains 24 municipalities from which:

- 3 small (up to 10 000 inhabitants), 16 medium (from 10 000 to 30 000 inhabitants) and 5 large municipalities (over 30,000 inhabitants);
- 15 mono-ethnic and 9 multi-ethnic municipalities (criteria for defining multi-ethnic population is case where over 20% of other ethnic groups are represented);
- 13 rural municipalities and 11 urban municipalities;
- Municipalities in the sample cover all regions of the Republic Macedonia;
- Municipalities with Mayors from the ruling party and from the opposition.

Tabular and graphical display of the municipalities which have been selected according to the different selection criteria are listed below.





### 5.3.3 Urban and rural municipality

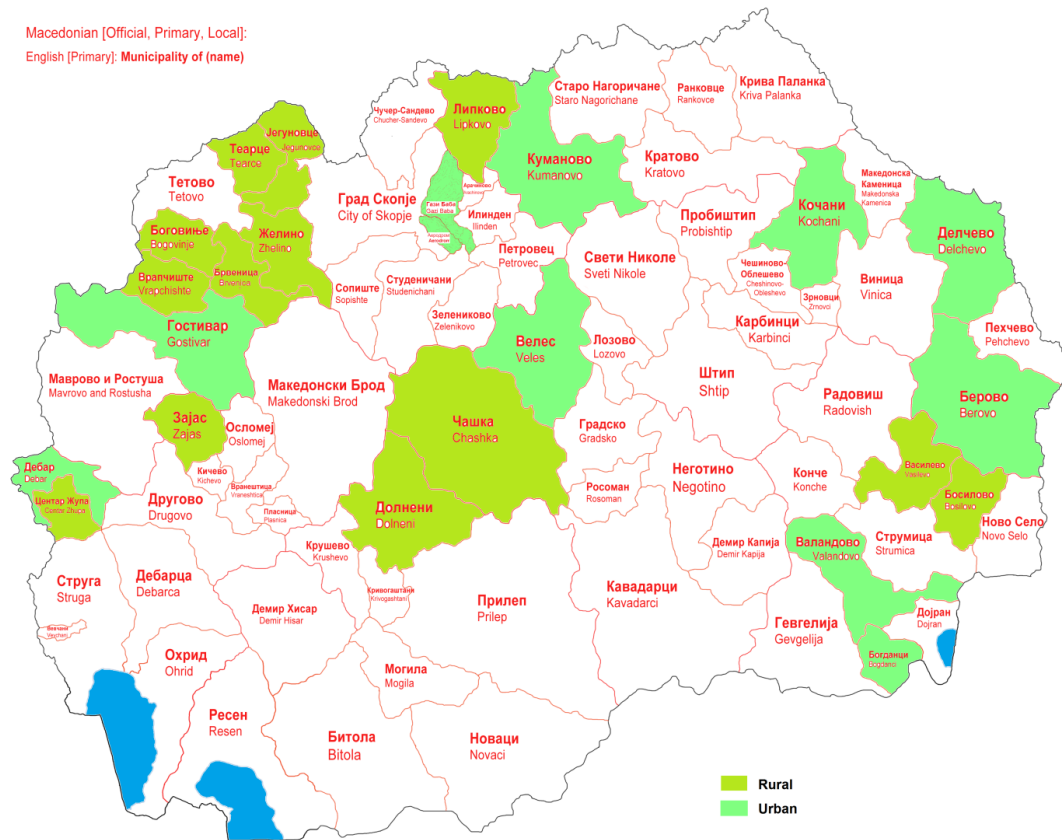


Figure 3 – Selected municipalities per criteria urban/rural municipality

### 5.3.4. Geographic location

As it is obvious from the previous figures on maps of Macedonia, there is an adequate geographical distribution among the selected pilot municipalities.



### 5.3.5. Political affiliation

Although the attempt of the researcher was to include in the sample proportional representation of municipalities with Mayors from the ruling party and Mayors from the opposition, the majority of the municipalities in opposition did not respond to the request to fill the questionnaire.

## CHAPTER VI – Research findings

### 6.1. Primary data analysis

Questionnaires with valid responses were received from twenty four units of local-self-governments in Macedonia, but not all 54 questions were answered in all cases. 12% of responders are small size municipalities, 67% are medium size municipalities and 21% are large municipalities with over 30.000 inhabitants.

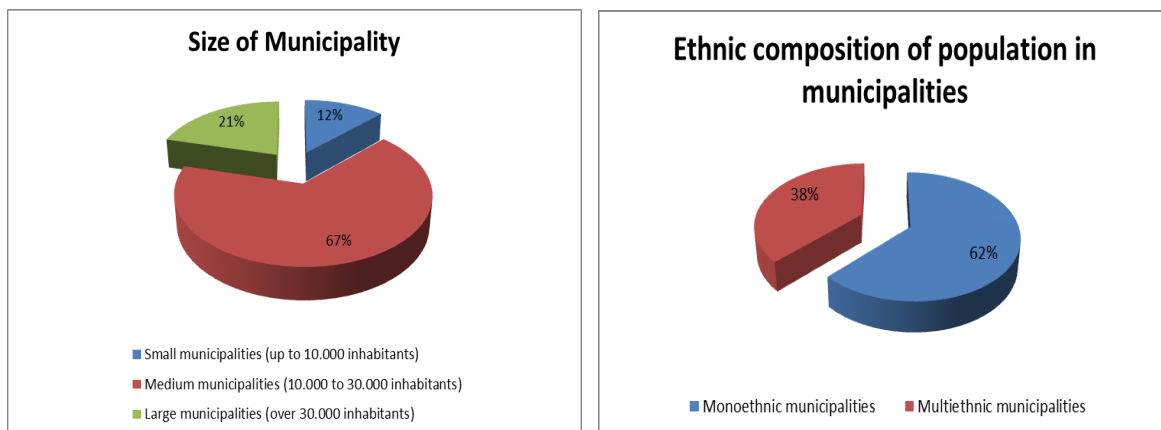


Figure 4 – Size of municipality and ethnic composition of population in municipality

Researcher' established criteria of defining mono-ethnic and multi-ethnic unit of analysis is representation of under/over 20% of other ethnic groups. According to this criterion 62% of the responders are mono-ethnic or homogeneous municipalities while 38% are multi-ethnic or diverse municipalities.

**Table 1 – Size of municipalities**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Small up to 10.000 inhabitants	1	2
Medium 10.000 to 30.000 inhabitants	11	5
Over 30.000 inhabitants	3	2

In the survey, 50% of the questionnaires were completed by the Presidents of the Committee for Public Procurement, 25% of the questionnaires were responded by a member of the Commission for Public Procurement, while in the other 25% of the cases the questionnaires were responded by other municipal officials. This fact leads to the conclusions that 75% of the responders are directly involved in the decision making process, and researcher expectations are that replies are based on their own experience which increase data validity.

Different sets of questions aiming to collect data to observe the dependent variable – decision making process are grouped in several categories. First category includes data which contribute to assess the preconditions for decision making which consequently affect the organizational performance. On the question related on how the units of analysis arrange internally the public procurement competence, 75% of the responders, both mono-ethnic and multiethnic municipalities, referred to the existing general legal framework

while only 13 % of municipalities introduced internal procedures and arrangements to regulate the procurement functions. Moreover, it is difficult to make observation if the ethnicity as a factor has an effect on the institutional setting concerning the procurement function. On an open ended question on which legal or municipal act regulates the role and responsibilities of the public procurement committee, the responses collected provide data from which it is difficult to assess the effect of the ethnicity variable.

**Table 2 – Legal and municipal acts which regulate procurement**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Decision for forming Public procurement commission	1	0
Law for Prevention of Conflict of Interests	1	1
Public procurement law	7	6
Statement that regulate the work and responsibility of each member of the Public procurement commission	1	1
Code of ethics when carrying out public procurement procedures	3	0
Rulebook on job organization for the municipal administration	1	0
Statute of the municipality	2	0
Rulebook on the content of the tender documentation	2	0
Rulebook on the Procedure Outcome Report	1	0
Rulebook on the form and content of the notice, the notice of cancellation of the procedure and form of the records of the	1	0

proceedings with a request for bids		
Rulebook /regulations for the form and content for the reports of candidates	1	0
Decision for the need for public procurement	0	1
Decision from the Mayor for Public procurement commission	0	1
Statement of no conflict of interest, accordance to the Public procurement law	1	1
Procedure on conducting public procurement as a contracting authority	1	1
No answer	0	1

Similar data are obtained regarding the organizational arrangement of the procurement function. On the question which sector, department or employee is competent for public procurement in the municipality, there are no significant differences between the mono-ethnic and multi-ethnic units.

**Table 3 – Competent body**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Sector for finance and budget	1	2
Department for finance and budget	1	4
Sector for legal affairs	0	1
Department for legal affairs	4	2
Other sector (specify)	0	0
Special organizational body for public	7	11

procurement (article 29a from Law for public procurement)		
Other department (specify)	2	0
Employee (specify job title)	3	1

67% of the responders both mono and multi-ethnic units have book of rules and procedures for public procurement committee work, with no significant distribution of replies between the mono-ethnic and multi-ethnic units of analysis.

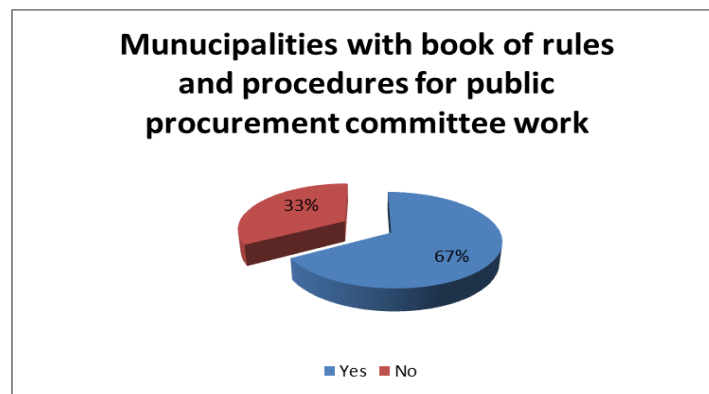


Figure 5 – Municipalities with book of rules and public procurement committee work

**Table 4 - If there is a book of rules and procedures for public procurement committee work?**

Mono-ethnic	Yes	9
	No	6
Multi-ethnic	Yes	7
	No	2

In 83% of the municipalities, the members of the public procurement committee are appointed by the Mayor, while in 17% they are appointed by the director or the person responsible for the public procurement function. In regard to the ethnicity again, there is no significant difference among the mono-ethnic and multi-ethnic municipalities in the way the members of the public procurement committee are nominated, which could be seen from the table below.

**Table 5 – Who appoints the members?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Responsible person (director and responsible person for public procurement)	2	2
Mayor	13	7

The responders were asked to describe the human resource requirements for the members of the procurement committee and 59% of the municipalities stated that the relevant education is the major criteria and requirement, while 13% of municipalities introduced the system of passing the exam as a precondition for serving as a member at the procurement committee. In 6% of the municipalities the expertise is the major criteria, while 9% of municipalities give priority to the candidate relevant experience. 13 % of municipalities did not provide an answer of this question.

The variations between the mono-ethnic and multi-ethnic municipalities in regard to the human resource requirements for serving as a member of the procurement committee can be seen from the table below. Mono-ethnic municipalities put bigger emphasize on the education factor than the multi-ethnic municipalities.

**Table 6 – Human Resource requirements for the procurement committee members**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Education	12	7
Exam for public procurement	2	2
Expertise	2	0
Experience	2	1
Not answer	3	1

In order to assess the level of competence of the decision makers i.e. members of the procurement committee, the question of the education and training has been observed. 92% of the responders confirmed that there is a national structured education and training programme for procurement professionals, from which 14 responders being mono-ethnic and 8 responders being multi-ethnic unit of analysis.

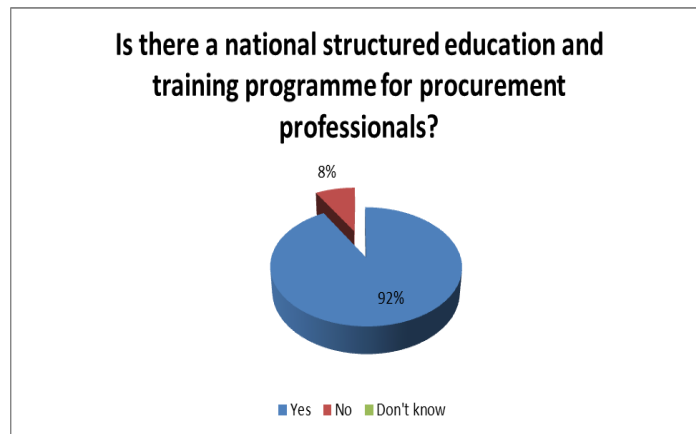


Figure 6 – Is there a national structured education and training programme for procurement professionals?

**Table 7 – Is there a national structured education and training program for procurement professionals**

	Yes	No	Don't Know
<b>Mono-ethnic</b>	14	1	0
<b>Multi-ethnic</b>	8	1	0

The education and training programme in 71% of municipalities (from which 13 municipalities are mono-ethnic and 7 municipalities are multi-ethnic) is being provided by the Bureau for Public Procurement which is a professional body. In 11% of units of analysis it is the municipality itself which provides training for the members of the procurement committee.

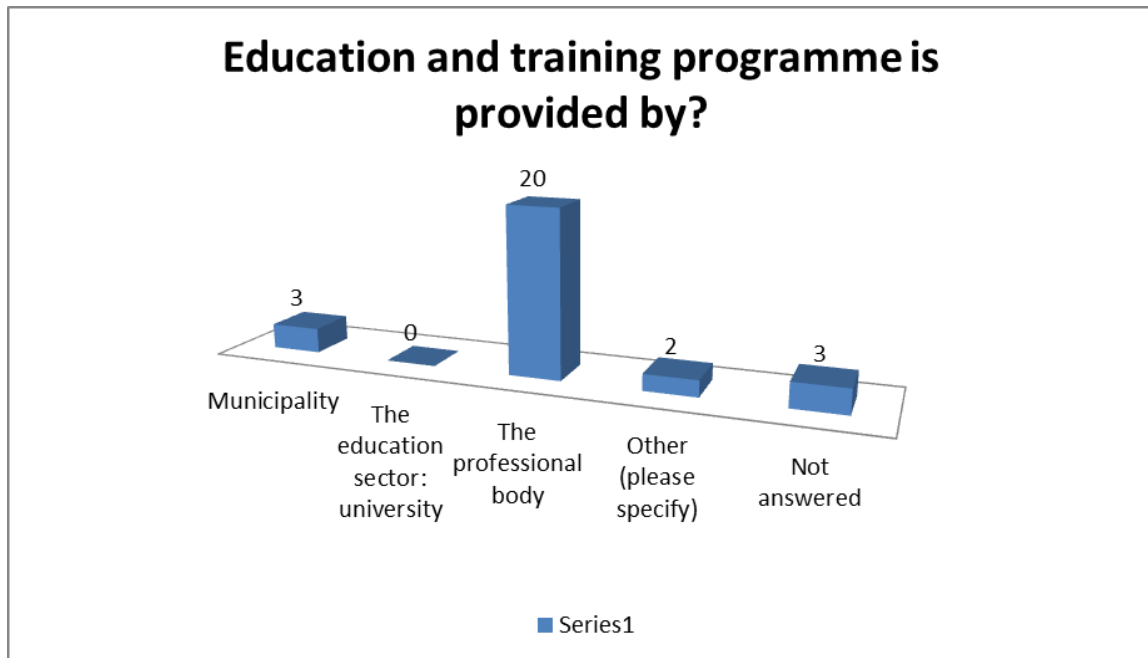


Figure 7 – Education and training programme is provided by?



**Table 8 – Education and training programme is provided by?**

	Municipality	The education sector: university	The professional body/ Bureau for public procurement	Other (please specify)*	Not answered
<b>Mono-ethnic</b>	2	0	13	1	1
<b>Multi-ethnic</b>	1	0	7	1	2

As other bodies which provide training for the members of the public procurement committee, responders pointed out the Association of the units of local self-government of the Republic of Macedonia (ZELS) and Association of Finance Officers (AFO).

In most cases (76% of the responders) the public procurement committee is appointed ad hoc for each evaluation while 8% of municipalities confirmed that although the procurement committee is appointed ad hoc for each evaluation, the members of the commission in practice are the same. Only 4% of municipalities both mono-ethnic and multi-ethnic make new decision for every new procurement concerning the composition of the committee. The President and one member stay unchanged while the second member of the committee is chosen depending on the subject of public procurement. Observation is that ad hoc commissions for public procurement are established more frequently within the mono-ethnic municipalities (14 responders) than in the multi-ethnic municipalities (8 responders).

**Table 9 – Are public procurement committee appointed ad hoc for each evaluation?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Ad hoc commission, but in practice members of the commission are the same	1	1
Commission for public procurement is with mandate of 2 years	0	1
Ad hoc commission	14	5
Don't have ad hoc commission	0	1
For every new purchase there is a new decision on the composition of the committee. The President and one member stay unchanged, and the second member of the committee is chosen depending on the subject of public procurement.	0	1
No answer	1	0

In cases where the procurement committee is a permanent body, the term of office of the members differs from 2 to 4 years. 51% of municipalities responded that the committee is not a permanent body and observation is that this situation – having no permanent body for public procurement is a more frequent state within the mono-ethnic municipalities.

**Table 10 – In case the public procurement committee is a permanent body, what is the term of office of its members?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
2 years with possibility of re-election	0	1
Indefinite mandate	1	0
Mandate of 4 years	2	0
Mandate is according the law	1	1
There is no permanent body	9	4
No answer	3	2

Nine out of twenty four units of analysis perceive the public procurement as an administrative function with aim to deliver compliance with legal regulations, five out of twenty four responded that its role is to deliver value for money, while four out of twenty four considered that beside to deliver value for money its function is to be an integral part of government’s capability to deliver its policies. Observing and comparing the perceptions of mono-ethnic and multi-ethnic municipalities towards the role of the public procurement function in the municipality, leads to the conclusion that ethnicity variable does not affect the perception since there is no significant difference in their responses, which can be see form the table below.

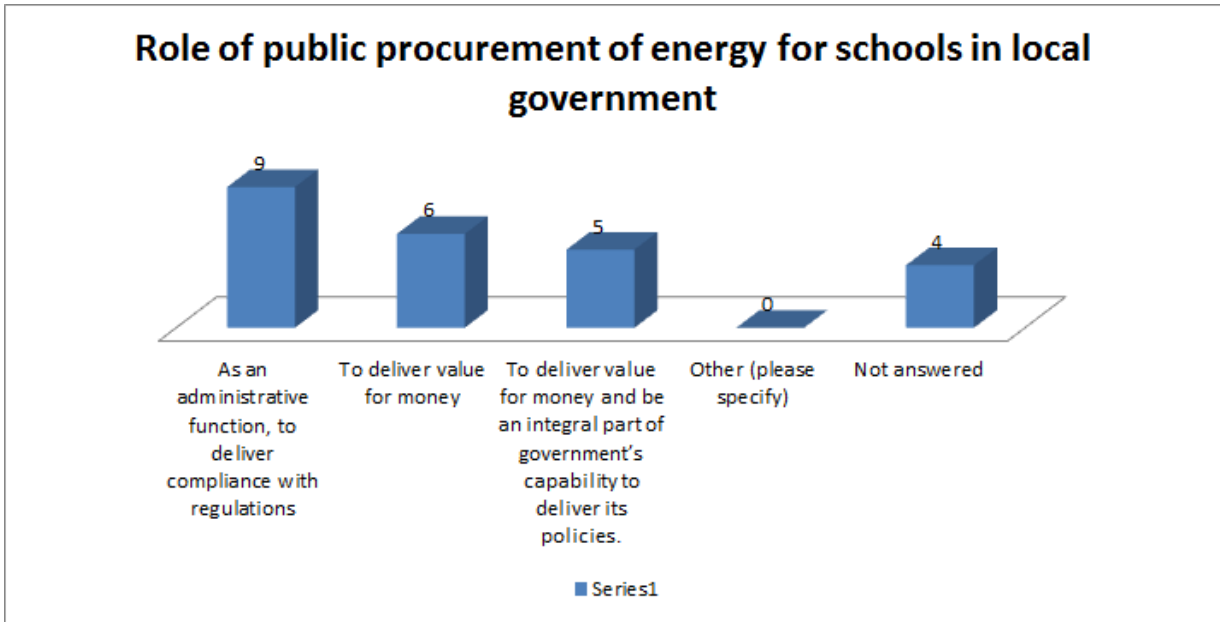


Figure 8 – Role of public procurement of energy for schools in local government

Table 11 – Which of the following best describes the role of public procurement of energy for schools in local government?

	Mono-ethnic	Multi-ethnic
As an administrative function, to deliver compliance with regulations	5	4
To deliver value for money	4	2
To deliver value for money and be an integral part of government's capability to deliver its policies.	4	1
Other (please specify)	0	0
Not answer	2	2

In order to understand closer the decision making process in procurement, the municipalities were asked to describe if they are involved in local or national collaborative procurement. 71% of them do not participate in collaborative procurement, while the other 29% explained that each municipality that is involved in local or national collaborative procurement has to sign individual contracts with all the primary and secondary schools in the municipality, which make the procurement process more complex.

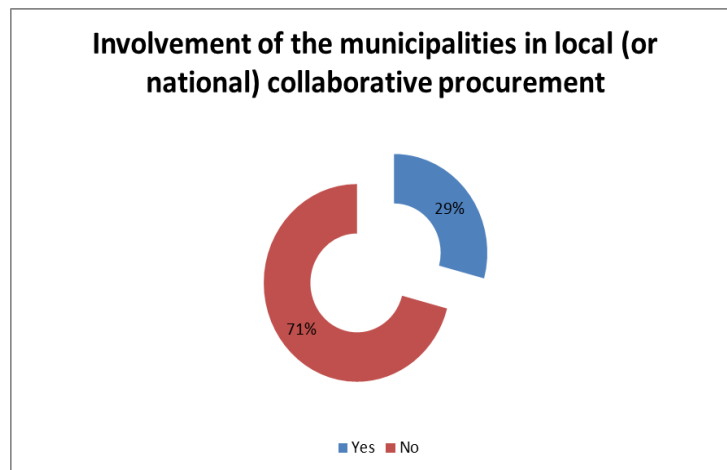


Figure 9 – Involvement of the municipalities in local (or national) collaborative procurement

On an open ended question related to the delegation of authorities to the entities carrying out the process, 21 % of the responders answered positively that there is a clear delegation of authorities among the entities involved in the procurement process, while 34% of the responders referred to the Law on Public Procurement and respective bylaws. Responders noted that the legal framework provide clear distribution of competencies

and authorities for all actors involved in the public procurement process, while 10% pointed out that there is a clear delegation of authorities in the preparation of the tender documentation in the procurement process.

**Table 12 – Are the authorities relating to procurement clearly delegated to the entities carrying out the process?**

	Nb.	%
Instructions for the bidders	1	3
Technical specifications of the bid	1	3
Methodology of expressing the criteria in points	1	3
Public procurement law and bylaws	10	34
Laws that arrange type of procurement	1	3
Ministry for finance	1	3
Yes	6	21
Lowest price and the most economically offer	1	3
Tender documentation	3	10
Not answer	4	14

Frequency of answers do not vary much among the mono-ethnic and multi-ethnic municipalities, both mono-ethnic and multi-ethnic units of analysis provide similar replies toward the clear delegation of competencies, clear instructions for bidders, technical specifications of the bids, and clear methodology of expressing the criteria in points. Both mono-ethnic and multi-ethnic units of analysis refer to the regulatory

framework stating that the Law on Public Procurement and bylaws provide well defined delegation of competencies among the different actors in the procurement process.

**Table 13 – Are the authorities relating to procurement clearly delegated to the entities carrying out the process?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Instructions for the bidders	0	1
Technical specifications of the bid	0	1
Methodology of expressing the criteria in points	0	1
Public procurement law and bylaws	5	5
Laws that arrange type of procurement	1	0
Ministry for finance	0	1
Yes	4	2
Lowest price and the most economically offer	0	1
Tender documentation	2	1
Not answer	4	0

87% of responders confirmed that the applicable procedures in the public procurement process are clearly defined, from which 12 mono-ethnic and 9 multi-ethnic units of analysis.

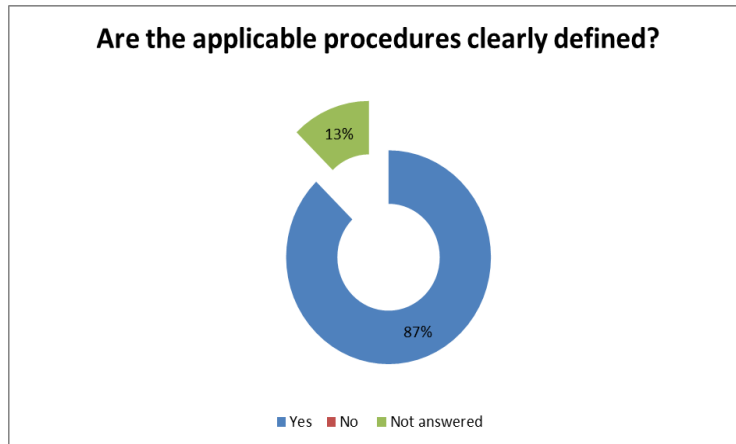


Figure 10 – Are the applicable procedure clearly defined?

Set of few questions were designed with aim to investigate the quality of decision made and existence of internal control mechanisms such as quality control and auditing, guidelines for integrity, transparency and code of ethics for employees working in the public procurement. 83% of municipalities, from which 12 or 60% mono-ethnic and 8 or 40% multi-ethnic, replied that the procurement decisions made on local level are not overridden by higher governmental agencies. This data led to the conclusion that decisions made on the first instance, that is the level of local government, are of high quality and do not provide elements to be overridden by a higher authority. It is interesting to be noted that no one municipality confirmed that decisions are overridden by higher authorities, but at the same time 17% of respondent did not reply to this question, which might be perceived as a positive answer.



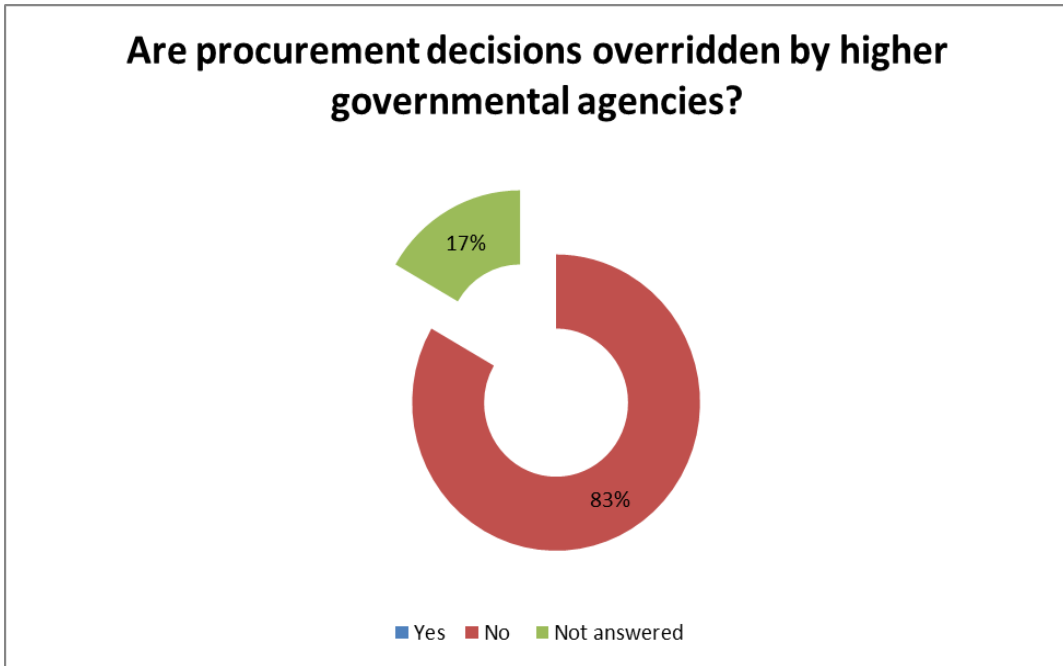
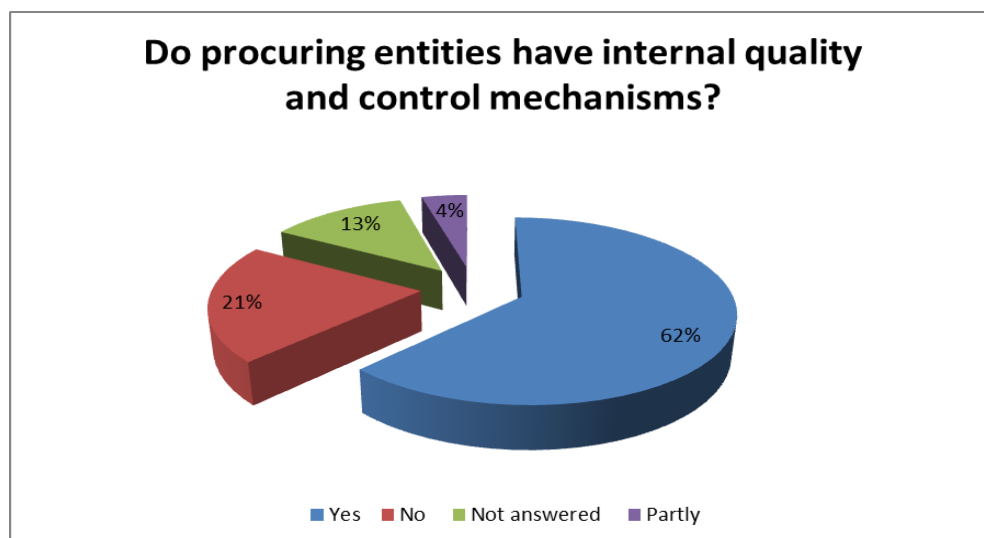


Figure 11 - Are procurement decisions overridden by higher governmental agencies?

**Table 14 – Are procurement decisions overridden by higher governmental agencies?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Yes	0	0
No	12 (60%)	8 (40%)
Not answer	3	1

Concerning the existence of internal quality and control mechanisms, 62% of municipalities confirmed existence of such mechanisms, 4% stated that partly there are some mechanisms, 13% did not provide an answer while 13% stated that there no internal quality and control mechanisms in their municipalities.



Figures 12 – Do procuring entities have internal quality and control mechanisms?

Here there is a significant difference in replies between the mono-ethnic and multi-ethnic municipalities. 80% of those which have internal quality mechanism are mono-ethnic municipalities and only 20% are multi-ethnic units.

**Table 15 – Do procuring entities have internal quality and control mechanisms?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Yes	12 (80%)	3 (20%)
No	1	4
Not answer	2	1
Partly	0	1

31% of municipalities which confirmed existence of internal quality and control mechanisms explained that the procurement is audited on annual basis from auditors from

the Internal Audit Department within the municipality. 7% of responders noted that audit is performed by the State Audit Office every 4 years and 18% of municipalities did not provide reply/description on the question.

**Table 16 – Are they regularly audited? If so, describe scope, frequency, who carries them out, etc.**

	Nb.	%
Each year from the internal auditors form the Internal audit department	6	31
Person responsible for supervision	1	4
An every two years form the State Audit Office	2	7
Yes	3	11
An every four years form the State Audit Office	2	7
No	4	14
By the selected bidder for performing an expert supervision of quality and quantity of public procurement contracts	1	4
State audit office	2	8
Department of financial control from MIA	1	4
Procedure for public procurement, also can be used a fallowing documents: <ul style="list-style-type: none"> <li>- Performance guarantee</li> <li>- Warranty guarantee</li> <li>- Statement of seriousness</li> <li>- Negative references</li> </ul>	1	4
Not answered	5	18

Both mono-ethnic and multi-ethnic municipalities referred to the internal auditor from the Audit Department and to the external audit from the State Audit Office. There are no significant discrepancies in the replies between the mono-ethnic and multi-ethnic units of analysis.

**Table 17 - Are they regularly audited? If so, describe scope, frequency, who carries them out, etc.**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Each year from the internal auditors form the Internal audit department	3	3
Person responsible for supervision	1	0
An every two years form the State Audit Office	1	1
Yes	3	0
An every four years form the State Audit Office	2	0
No	0	4
By the selected bidder for performing an expert supervision of quality and quantity of public procurement contracts	0	1
State audit office	2	0
Department of financial control from MIA	1	0
Procedure for public procurement, also can be used a fallowing documents:	0	1

- Performance guarantee		
- Warranty guarantee		
- Statement of seriousness		
- Negative references		
Not answered	5	0

Concerning the integrity and transparency guidelines or code of ethics for employees, 68% of municipalities responded positively and confirmed existence of guidelines, from which 69% mono-ethnic and 31% multi-ethnic municipalities. 24% replied that there is no code of ethics and transparency guidelines in their municipalities, while 8% provided no answer which also might be perceived as a non-existence of such documents.



Figure 13 - Are there any integrity and transparency guidelines or code of ethics for employees working with PP?

**Table 18 – Are there any integrity and transparency guidelines or code of ethics for employees working with PP?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Yes	11 (69%)	5 (31%)
No	2	3
Not answer	2	1

Municipalities listed variety of guidelines and practices that ensure integrity and transparency of the public procurement process. Frequency of replies can be seen from the table below:

**Table 19 – What guidelines ensure integrity and transparency in public procurement?**

	<b>Nb.</b>	<b>%</b>
Code of ethics when carrying out public procurement procedures	3	9
Code of ethics on the state servants	3	9
Statement of conflict of interest which shall be signed by the members of the committees	1	3
announcement of each procedure on the official web page of the Bureau of Public Procurement and municipalities web pages	9	26
possibility of the presence on interested parties at the bid opening regardless if they submitted an offer or not	1	3
The procedure itself	1	3

Official gazette of the municipality	1	3
Official Gazette of Republic of Macedonia	1	3
Public procurement law – article	4	11
Rules of procedure	1	3
Positive norms	1	3
Transparency law	1	3
Absence of conflict of interest law	1	3
Public procurement plan	1	3
Not answered	6	17

Concerning the distribution of replies between the mono-ethnic and multi-ethnic municipalities, the observation is that there are no bigger discrepancies in the replies except for the announcement of each procedure on the official web page of the Bureau of Public Procurement. Regarding these transparency guidelines 7 replies came from mono-ethnic while only 2 from multi-ethnic municipalities. Nevertheless, this is not evidence upon which the conclusion can be made on the ethnic variable implicating the decision making process..

**Table 20 – What guidelines ensure integrity and transparency in public procurement?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Code of ethics when carrying out public procurement procedures	2	1
Code of ethics on the state servants	2	1
Statement of conflict of interest which shall be signed by the members of the committees	1	0
announcement of each procedure on the official web page of the Bureau of Public Procurement and municipalities web pages	7	2
possibility of the presence on interested parties at the bid opening regardless if the submitted an offer or not	1	0
the procedure itself	1	0
Official gazette of the municipality	1	0
Official Gazette of Republic of Macedonia	1	0
Public procurement law – article	2	2
Rules of procedure	1	0
Positive norms	1	0
Transparency law	1	0
Absence of conflict of interest law	1	0
Public procurement plan	0	1
Not answered	3	3



## 6.2. Summary and conclusions

These sets of questions were designed with aim to obtain enough evidences which will assist in testing the first hypothesis, which is as follows:

**H1:** Greater levels of ethnic diversity among public administration at local level will lead to higher organizational performance, when the decision making process does not require significant coordination and cooperation.

Responders were divided into two categories: mono-ethnic and multi-ethnic units of analysis. Researcher defined criteria of belonging to one or another category, which is having representation of minimum 20% of two or more ethnic groups in the municipality' population. In the research sample included are 15 or 62% mono-ethnic and 9 or 38% multi-ethnic units of analysis, out of 84 existing municipalities in Macedonia.

The assumption is that the dependent variable which is the organizational performance is a direct outcome of the decision making process. The higher quality decision making process leads to a sounder, more rational and more effective decision made, which consequently leads to a higher organizational performance. In order to enable measurement of the dependent variable, set of tangible indicators were defined. As the first hypothesis assumes that the decision making process does not require significant coordination and cooperation, the sets of indicators were defined to enable measurement of the decision making and organizational performance, and consequently comparison between the decision making in the mono-ethnic and in the multi-ethnic units of analysis. Performance indicators for testing this hypothesis are more related to the institutional

settings and decisions which are made with higher level of independence and which do not require significant cooperation and coordination among the administration personnel (both appointed and elected). Set of performance indicators beside others observe and assess the institutional arrangements each unit of analysis constructed for its procurement function; municipal acts adopted by the unit of analyses related to the procurement functions; existence of book of rules and procedures for public procurement committee work, the way the public procurement is established and the way its roles and responsibilities are defined within the unit of analysis, the qualifications required for the members of the procurement committee, education and training programmes for the members, existence of the procedures for integrity, transparency and code of ethics, and existence of guidelines for internal quality and control mechanisms.

Analysis of primary data allows observation that in general there are units of analysis with established institutional settings which enable higher quality decision making and consequently will lead to the higher organizational performance. Unlikely there are no significant evidences which show any (positive or negative) relationship between the ethnic variable and the organizational performance. In the replies given by the municipalities, the most common type of answers are short answers where responders refer to the Law for local self-government or they give explanation on procedures that are indeed legal procedures. If we take into consideration the fact that the questions that were part of the research are regulated by laws and regulations, and that the methodology does not guarantee total anonymity, there is a relative fear of the responders of an objective reply. From here we can derive the conclusion that hypothetically if in case the real answer to a certain question is not in line with the regulation, there is a strong motivation on

behalf of the municipalities to omit the case/answer fearing from possible sanctions. Furthermore, the motivation for giving sincere answers can also be questioned because of the tendency of the municipalities to answer that they work according the law.

The research continues with analysing and interpreting data concerning the second hypothesis.

### **6.3 . Data findings to test the hypothesis H2**

The second hypothesis assumes that greater levels of ethnic diversity among public administration at the local level will lead to lower organizational performance when the decision making process requires significant coordination and cooperation. In this regards, the whole section in the questionnaire was designed with purpose to obtain reliable data to access the relationship between the ethnic diversity independent variable and the decision making process as a dependent variable. The questions are focused more deeply to the procurement process itself since it requires significant cooperation among the decisions makers, which are the members of the procurement committee. Therefore, the procurement decision making has been limited both in time frame perspective (procurement within the year 2011) and in the thematic perspective (procurement of energy for schools) aiming at obtaining reliable data concerning the practice and performance in the procurement process.

In year 2011- 46% of the local governments units performed one general procurement, 33% made several procurements (number of procurement differs from two to twelve procurements) while 21% of respondents did not provide an answer.

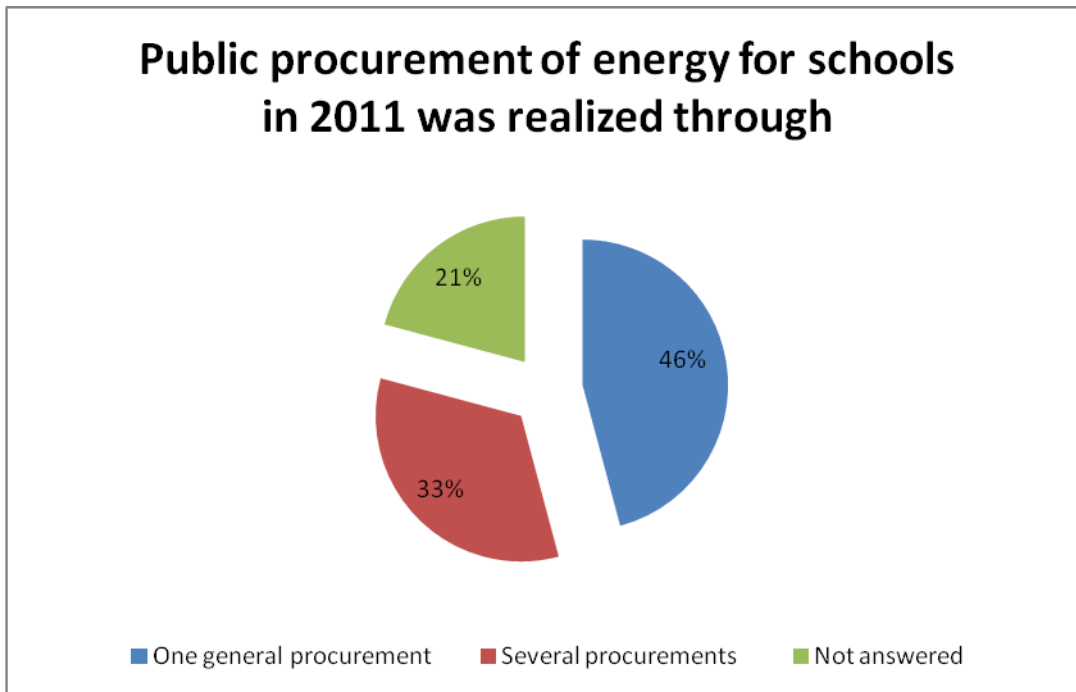


Figure 13 – Public procurement of energy for schools in 2011 was realized through?

Table 21 – Public procurement of energy for schools in 2011 was realized through

	Nb.	%
one general procurement	11	46
several procurements*	8	33
no answer	5	21

\* Exact number of procurement of energy for schools in 2011:

- 2 municipalities with 2 procurements

- 2 municipalities with 5 procurements
- 1 municipality with 12 procurements
- 3 municipalities didn't provide an answer

Data processing according to the ethnic variable show similar representation of mono-ethnic and multi-ethnic units of analysis in the frequency of the procurements in 2011, that is 6 mono-ethnic and 5 multi-ethnic municipalities realized one general procurement in 2011, while 5 mono-ethnic and 3 multi-ethnic municipalities realized several procurements of energy for schools in 2011.

**Table 22 – Public procurement of energy for schools in 2011 was realized through**

	Mono-ethnic	Multi-ethnic
one general procurement	6	5
several procurements*	5	3
No answer	4	1

\* Exact number of procurement of energy for schools in 2011 multi-ethnic:

- 1 municipality with 2 procurements
- 1 municipality with 5 procurements
- 1 municipality didn't provide an answer

\* Exact number of procurement of energy for schools in 2011 mono-ethnic:

- 1 municipality with 2 procurements
- 1 municipality with 5 procurements
- 1 municipality with 12 procurements
- 2 municipalities didn't wrote right number

In case where it was one general procurement of energy for schools in 2011, 22% of municipalities led the process, while in 17% units of analysis it was the school which led the process. Significant number of respondents did not provide answer to this question, even 57%.

**Table 23 - If it was one general procurement, who led the procurement process?**

	Nb.	%
Municipality	5	22
School	4	17
Other	1	4
Not answered	13	57

In similar almost equal frequencies, the procurement process is led by the mono and multi ethnic municipalities and by the schools, while 8 mono-ethnic and 5 multi-ethnic municipalities did not provide answer to this question.

**Table 24 – If it was one general procurement, who led the procurement process?**

	Mono-ethnic	Multi-ethnic
Municipality	3	2
School	2	2
Other	1	0
Not answered	8	5

Since 17 % of procurements of energy for schools in 2011 were led by the schools, researcher proceeded with interviews with representatives from municipalities and from schools to understand and to observe closer the decision making process in these cases.

Both municipalities and schools made procurement for different types of energy such as electricity, fuel, gas, wood, and gas. Different types of energy procured in 2011 can be observed from the graphical display below.

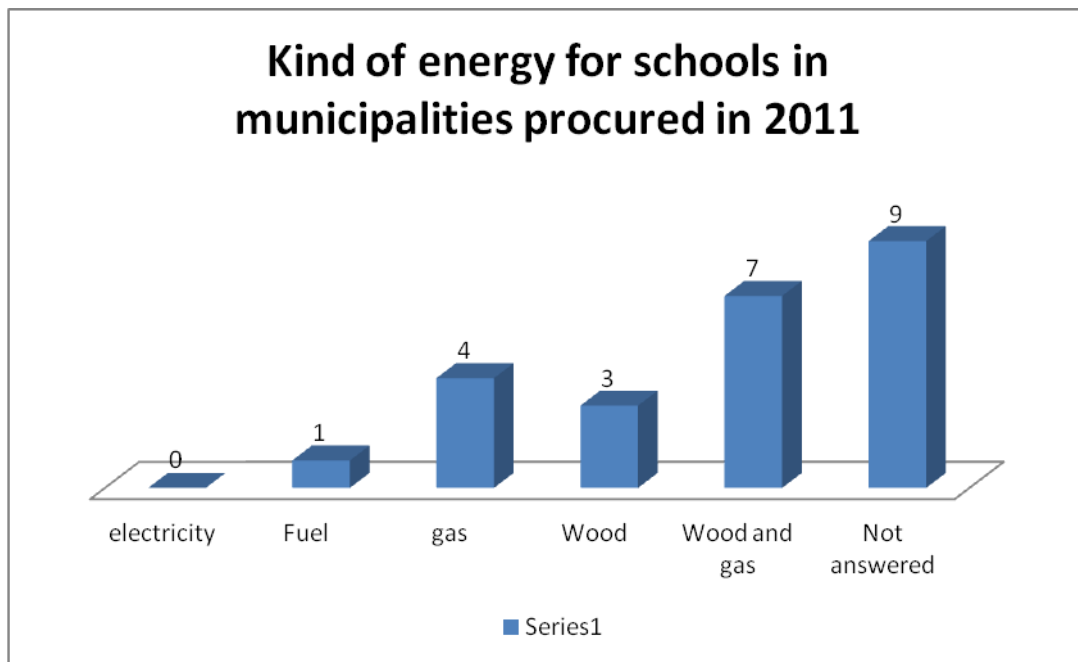


Figure 15 – Kind of energy for schools in municipalities procured in 2011

Frequency of bids received in all procurements of energy for schools realized in 2011 are distributed as follows: 18% of respondents received 1 bid; 13 % of respondents received 2 bids, 8% of respondents received 3 bids, 13% of respondents received 4 bids, 8% of respondents received 5 bids, 4% of respondents received 6 bids, 4% of respondents

received 9 bids, 4% of respondents received 18 bids, 8% of respondent did know the number of bids, and 25% of respondents did not replied to this question.

**Table 25 - How many bids did you receive? In case you had several procurements, state the total number of bids received**

	Nb.	%		Nb.	%
1 bids	3	13	6 bids	1	4
2 bids	3	13	9 bids	1	4
3 bids	2	8	18 bids	1	4
4 bids	3	13	Don't know	2	8
5 bids	2	8	No answer	6	25

Frequency of replies is similar or equal in mono-ethnic and multi-ethnic municipalities, and it can be seen from the table below.

**Table 26 – How many bids did you receive? In case you had several procurements, state the total number of bids received**

	Mono-ethnic	Multi-ethnic
1 bids	2	1
2 bids	2	1
3 bids	1	1
4 bids	1	2
5 bids	0	2
6 bids	0	1



9 bids	1	0
18 bids	1	0
Don't know	2	0
Not answered	5	1

With purpose to obtain more reliable data on the quality of the decision made for selecting the best offer, respondents were asked to list the criteria on which the selection is based. 32% of the municipalities stated that the crucial criteria is the price of the offer, 19% indicated that it is the term of payment which is decisive while for 15% of municipalities it is the delivery time which is vital. Other criteria can be seen from the chart below:

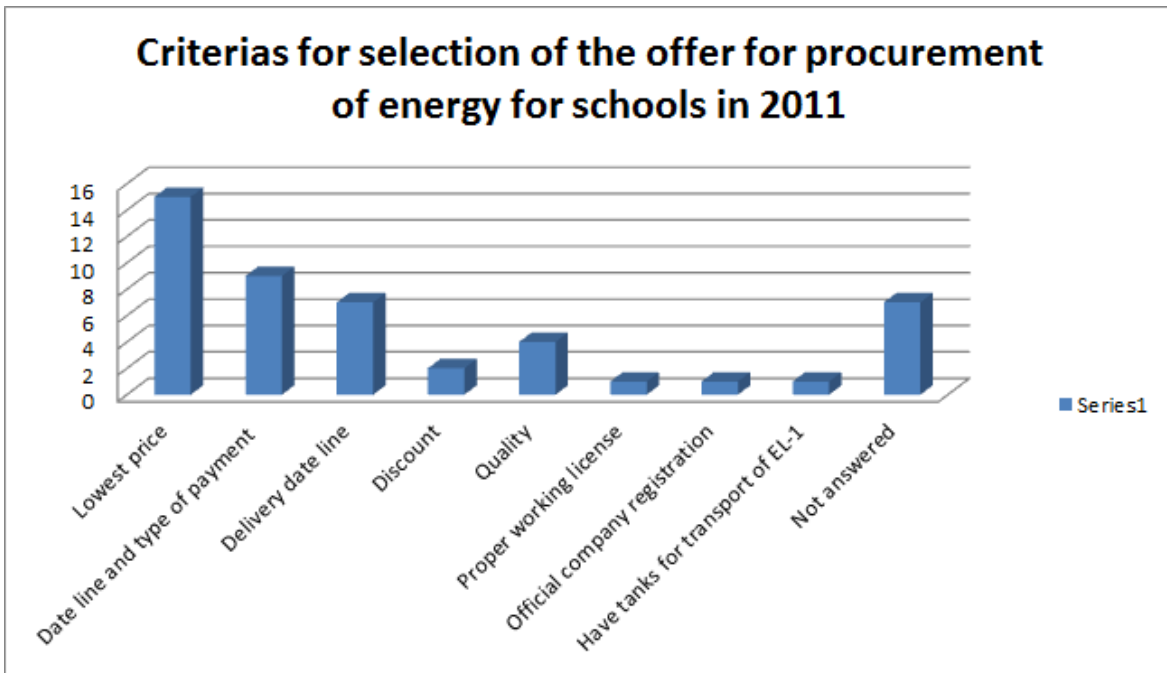


Figure 16 – Criteria for selection of the offer for procurement of energy for schools in

2011

Both mono-ethnic (eight) and multi-ethnic (seven) municipalities give priority to the price as major criteria for selecting the best offer; on the second place are the criteria of terms of payment, delivery time, discount, quality of the offer, proper license, etc. Observation is that both types of municipalities listed the same criteria for selecting the offer in the procurement process.

**Table 27 – Criteria for selection of the offer for procurement of energy for schools in 2011**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Lowest price	8	7
Terms of payment	3	6
Delivery time	2	5
Discount	1	1
Quality	1	3
Have appropriate license for this area	1	0
To be registered company	1	0
Have tanks for transportation EL-1	1	0
Not answered	6	1

In total, 57 contracts were awarded in 2011 by the 20 pilot municipalities, while four municipalities did not provide an answer. Mono-ethnic municipalities awarded 35

contracts while multi-ethnic municipalities awarded 22 contracts. This difference in contracts awarded might be due to the different factors, so it is very difficult to draw assumption that the ethnic variable plays role in the number of contract awarded.

**Table 28 – How many contracts were awarded for procurement of energy for schools in 2011?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
1 contract	7	3
2 contract	1	4
3 contract	0	1
8 contract	1	1
6 contract	1	0
12 contract	1	0
Not answered	4	0
<b>Total</b>	<b>35 contracts</b>	<b>22 contracts</b>

The next question refers to the number of appeals received by the municipalities after the procurement committee awards a contract to the selected bidder. The assumption is that if the decision made is an objective decision, no appeals shall be expected by the bidders. 67% of the respondents did not receive appeals, from which 37% being mono-ethnic and 29% being multi-ethnic municipalities.

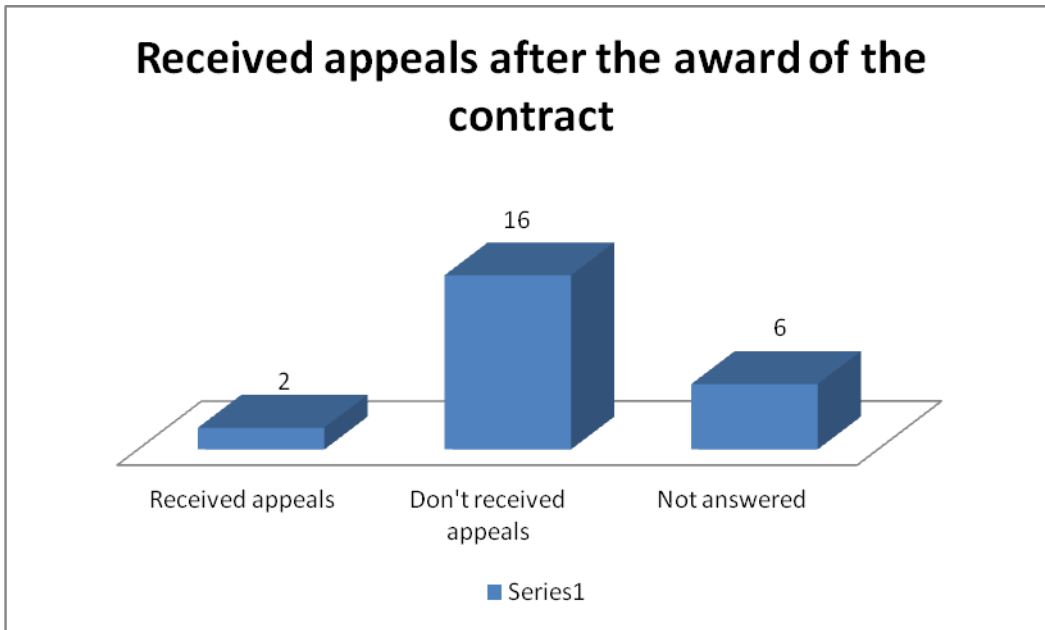


Figure 17 – Received appeals after the award of the contract

Again, there is very slight difference in the appeals received between the mono-ethnic and multi-ethnic municipalities. In both cases when appeals have been received they were rejected from the upper authority.

**Table 29 – Received appeals after the award of the contract**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Not received appeals	9	7
Received appeals*	1	1
Not answered	5	1

\*Received appeals were rejected

With purpose to obtain data on the transparency of the decision making process, municipalities were asked to explain if all information about procurement are published. 67% of the respondents replied positively, 29 % did not provide an answer, while 4% replied that data are not published.

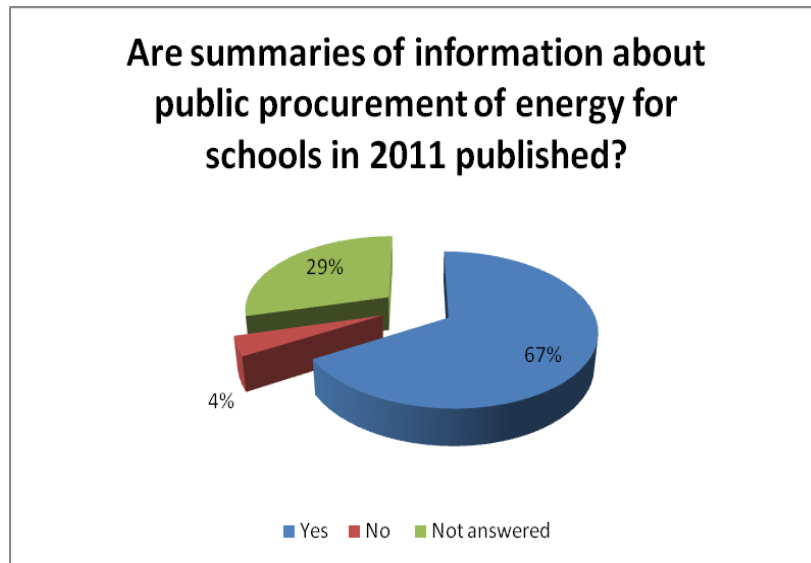


Figure 18 – Are summaries of information about public procurement of energy for schools in 2011 published?

Same numbers of positive replies were received from of mono-ethnic and multi-ethnic municipalities.

**Table 30 - Are summaries of information about public procurement of energy for schools in 2011 published?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Yes	8	8
No	1	0
Not answered	6	1

Furthermore, 46% of the municipalities replied that there is comprehensive data available on all procurements regarding the energy for schools, again with very slight difference in frequency of replies between the mono-ethnic and multi-ethnic units of analysis.

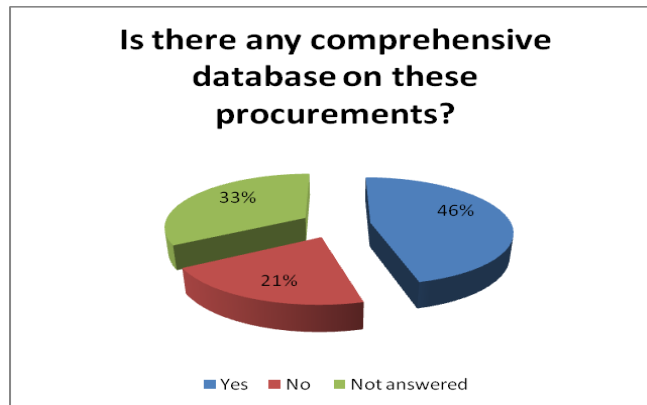


Figure 19 – Is there any comprehensive database on these procurements?

**Table 31 – Is there any comprehensive database on these procurements?**

	<b>Mono-ethnic</b>	<b>Multi-ethnic</b>
Yes	6	5
No	2	3
Not answered	7	1

From the graph below it can be see what kind of data are publicly available.

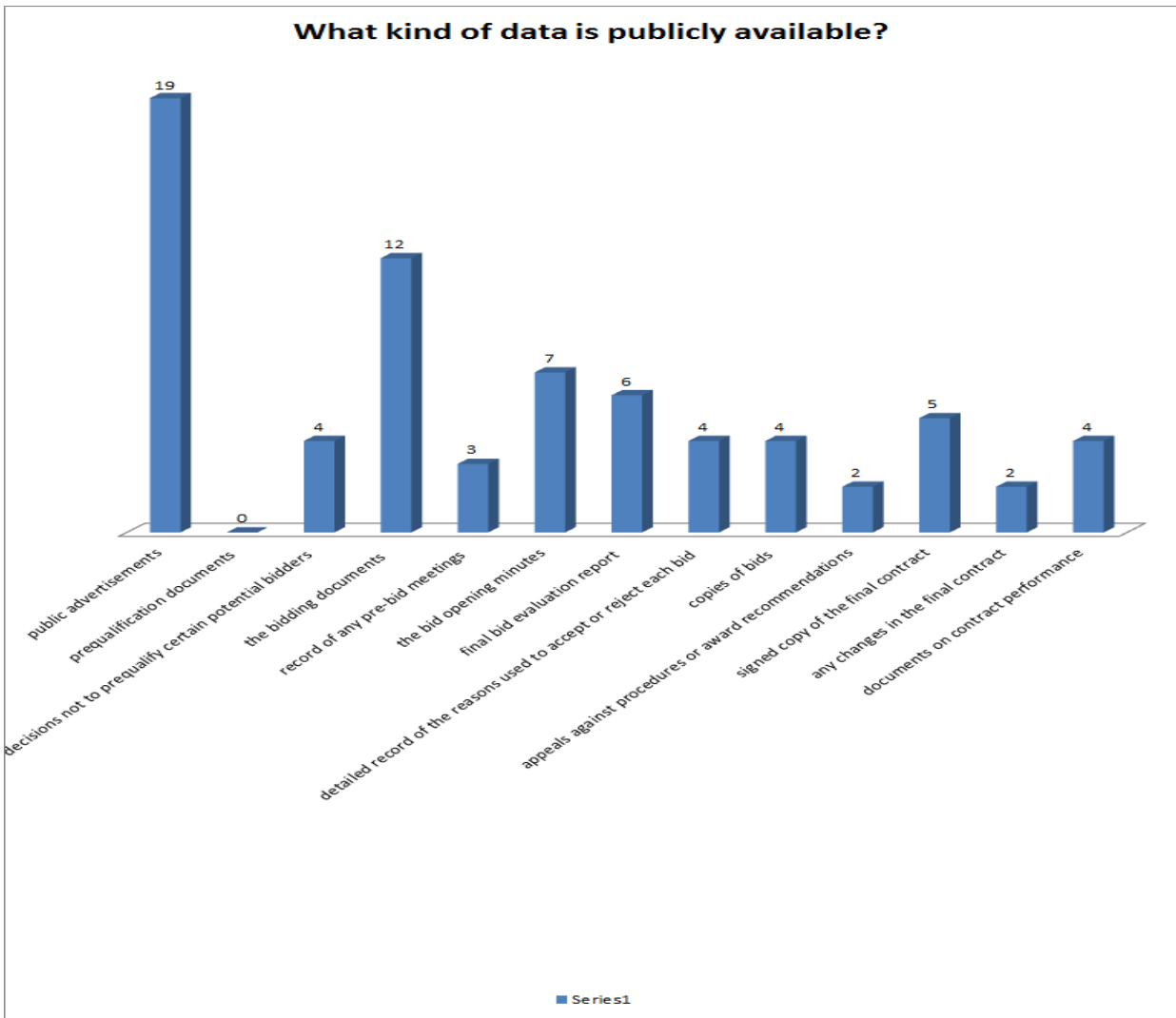


Figure 20 – What kind of data is publicly available

#### 6.4 Summary and conclusions

From the data obtained from both mono-ethnic and multi-ethnic municipalities regarding the decision making process in public procurement of energy for schools, it is not possible to access the relationship between the ethnicity as a variable and the organizational performance. The hypothesis assumes that greater levels of ethnic diversity among public

administration at the local level will lead to lower organizational performance when the decision making process requires significant coordination and cooperation. In this regards, the data obtained show no relationship between the two variables.

Such situations in researches are known when the research topic is very sensitive and the responders tend to give answers that are socially acceptable. In addition to the social context in which the research is conducted, the ethnic differences are also a sensitive topic. In order to test this assumption, a qualitative research it is recommended in which the people included in decision making processes will be questioned more thoroughly in order their experience to be presented.

In further attempts to determine the relationship between mono-ethnic and multi-ethnic municipalities in terms of several variables, three statistical procedures: x-squared, Prirsonov coefficient and t-test have been used. Test findings are listed below.

The first test was designed to determine whether there is a statistically significant difference between the multi-ethnic and mono-ethnic municipality in terms of deciding on the compositions of the public procurement committee members. After completed testing it was determined that there is a statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of deciding on the public procurement committee members, or ( $X^2(1; N=24)=0.577$   $p<,005$  ).



**Table 31 – Chi-Square test for testing difference between the multi-ethnic and mono-ethnic municipality in terms of deciding on the compositions of the public procurement committee members**

	Value	df	Asymp. Sig. (2- sided)	Exact Sig. (2- sided)	Exact Sig. (1- sided)
Pearson Chi-Square	8.000 <sup>a</sup>	1	.005		
Continuity Correction <sup>b</sup>	5.120	1	.024		
Likelihood Ratio	9.262	1	.002		
Fisher's Exact Test				.012	.012
Linear-by-Linear Association	7.667	1	.006		
N of Valid Cases	24				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.50.

b. Computed only for a 2x2 table

The second test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of involvement in local (or national) collaborative procurement. After completed testing it was determined that there is NOT a statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of involvement in local (or national) collaborative procurement, or ( $X^2(1; N=24)=0.497$   $p>0,005$  )

**Table 32 – Chi-Square test for testing difference between the multiethnic and mono-ethnic municipality in terms of involvement in local collaborative procurement**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.929 <sup>a</sup>	1	.015		
Continuity Correction <sup>b</sup>	3.886	1	.049		
Likelihood Ratio	8.247	1	.004		
Fisher's Exact Test				.022	.019
Linear-by-Linear Association	5.682	1	.017		
N of Valid Cases	24				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 2.63.

b. Computed only for a 2x2 table

The third test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of realizing public procurement of energy for schools in 2011. After completed testing it was determined that there is NOT a statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of realizing public procurement of energy for schools in 2011, or ( $\chi^2(1; N=24)=0.606 p>0,005$ )

**Table 33 – Chi square test for testing difference between the multiethnic and mono-ethnic municipality in terms of realizing public procurement of energy for schools in 2011**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.967 <sup>a</sup>	1	.008		
Continuity Correction <sup>b</sup>	4.283	1	.038		
Likelihood Ratio	8.466	1	.004		
Fisher's Exact Test				.018	.018
Linear-by-Linear Association	6.600	1	.010		
N of Valid Cases	19				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.68.

b. Computed only for a 2x2 table

The fourth test was designed to determine whether there is a statistically significant difference between the multi-ethnic and mono-ethnic municipality in terms of receiving energy with the decision from the Government of the Republic of Macedonian. After completed testing it was determined that there is NOT a statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of receiving energy with the decision from the Government of the Republic of Macedonian, or ( $X^2$  (1; N=24)=0.258 p>0,005 )

**Table 34 – Chi square test for testing difference between the multi-ethnic and mono-ethnic municipality in terms of receiving energy with the decision from the Government of the Republic of Macedonian**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.400 <sup>a</sup>	1	.237		
Continuity Correction <sup>b</sup>	.243	1	.622		
Likelihood Ratio	2.213	1	.137		
Fisher's Exact Test				.526	.342
Linear-by-Linear Association	1.333	1	.248		
N of Valid Cases	21				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .86.

b. Computed only for a 2x2 table

With the increase of the number of Macedonian nationality employees in the municipality, there is an increasing of the members of Macedonian ethnicity in the procurement committee. The correlation between the two variables is  $r = 0,513$  and it is significant at 0,05 ( $p < 0,05$ ).

**Table 35 – Descriptive Statistics off Municipality employees and Committee members**

	Mean	Std. Deviation	N
Municipality employees	20.58	27.802	24
Committee members	1.92	2.083	24

**Table 36 – Test for correlation between the number of employed persons of Macedonian nationality in the municipalities and the number of members of the committee on public procurement from Macedonian nationality**

		Municipality employees	Committee members
Municipality employees	Pearson Correlation	1.000	.513*
	Sig. (2-tailed)		.010
	N	24.000	24
Committee members	Pearson Correlation	.513*	1.000
	Sig. (2-tailed)	.010	
	N	24	24.000

\*. Correlation is significant at the 0.05 level (2-tailed).

There is no statistically significant correlation between the number of employed persons of Albanian nationality in the municipalities and the number of members of the committee on public procurement from Albanian nationality. ( $r = 0.371$   $p > 0,05$ )

This result can be taken with caution if we take into account the small number of municipalities, participants of this study who employ persons of Albanian nationality.

**Table 37 – Descriptive Statistics**

	Mean	Std. Deviation	N
Municipality employees	11.88	19.550	24
Committee members	1.21	1.719	24

**Table 38 – Test for correlation between the number of employed persons of Albanian nationality in the municipalities and the number of members of the committee on public procurement from Albanian nationality**

		Municipality employees	Committee members
Municipality employees	Pearson Correlation	1.000	.371
	Sig. (2-tailed)		.074
	N	24.000	24

Committee members Pearson Correlation	.371	1.000
Sig. (2-tailed)	.074	
N	24	24.000

### 6.5. Data interpreting of responders perceptions

In further attempts to analyze the relationship between the ethnic variable and decision making in the procurement process at the local level, the focus was directed at the perceptions toward the decision making in procurement. The last section of the questionnaire included set of questions using the Likert items, and the respondent was asked to evaluate according to any kind of subjective or objective criteria, the level of agreement or disagreement.

On the statement that public procurement is closely integrated with broader government objectives beyond value for money or cost minimization, 25% (highest %) of respondents disagreed slightly.

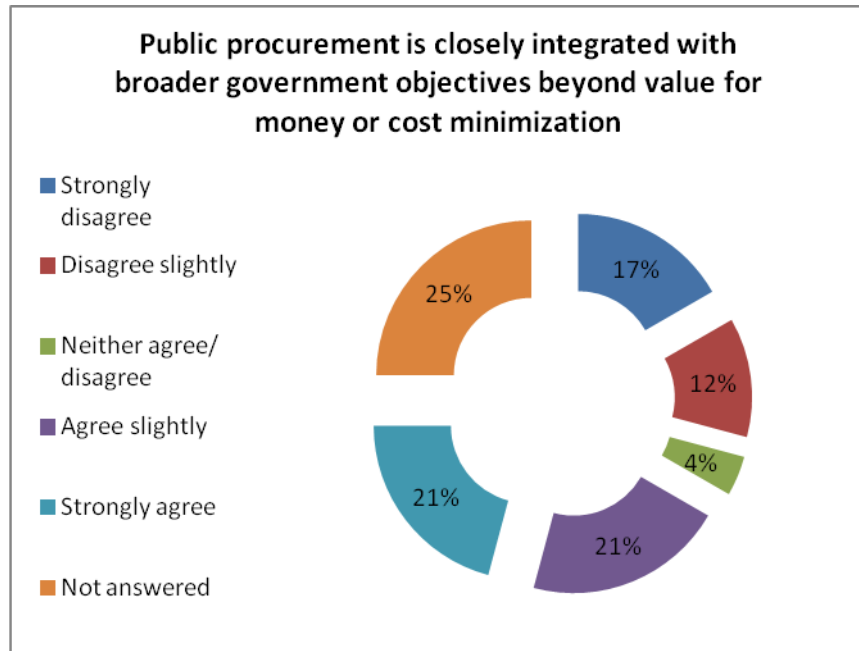


Figure 21 – Public procurement is closely integrated with broader government objectives beyond value for money or cost optimization

Frequency of responses according to the respondents' ethnic origin is as follows:

**Table 39 - Public procurement is closely integrated with broader government objectives beyond value for money or cost optimization**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	2	1	0	4	3	5
Multi-ethnic	2	2	1	1	2	1



50% of the respondents from which 8 mono-ethnic and 4 multi-ethnic units of analysis strongly agree that politicians in local government see public procurement as increasingly important. Even 21% did not respond to the question.

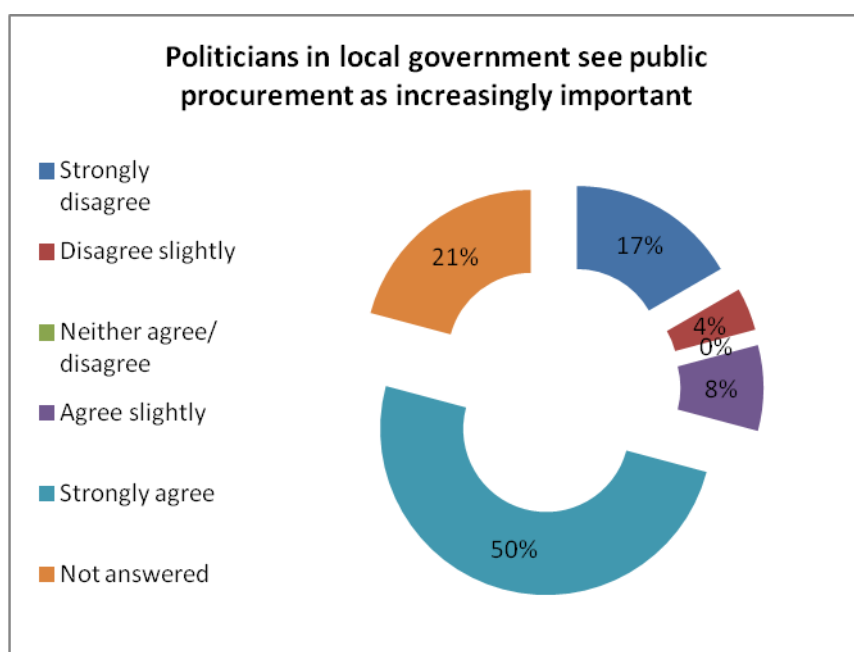


Figure 22 – Politicians in local government see public procurement as increasingly important

**Table 40 – Politicians in local government see public procurement as increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered

Mono-ethnic	3	0	0	0	8	4
Multi-ethnic	1	1	0	2	4	1

63% or 11 of respondents from which 5 mono-ethnic and 6 multi-ethnic units of analysis strongly agree that transparency in public procurement in the local government is increasingly important.

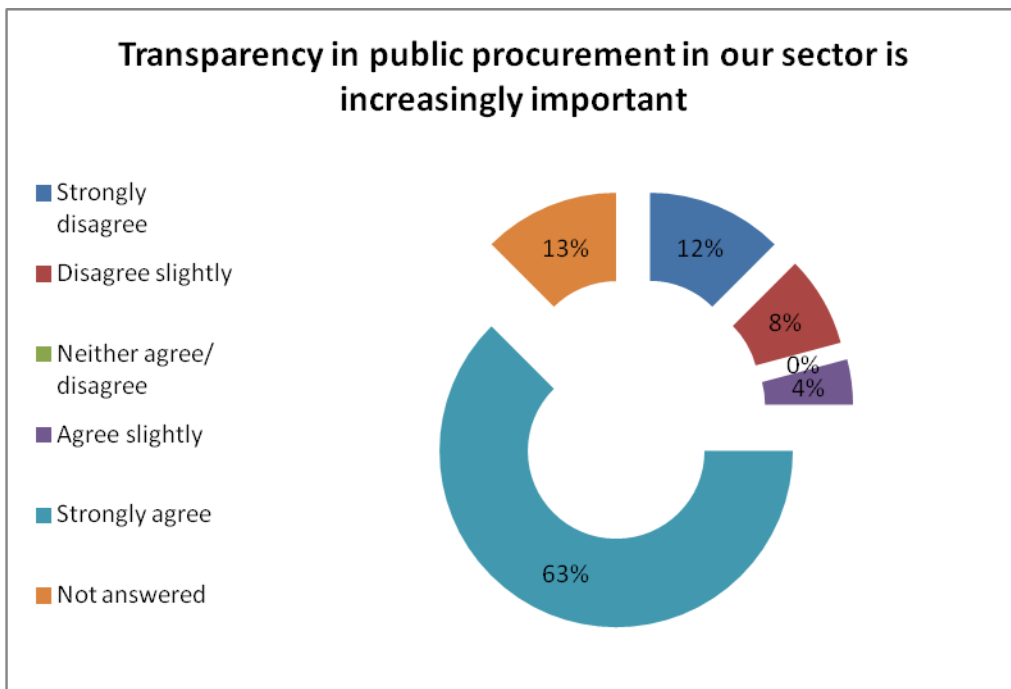


Figure 23 – Transparency in public procurement in our sector is increasingly important

**Table 41 – Transparency in public procurement in our sector is increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	1	1	0	1	5	3
Multi-ethnic	2	1	0	0	6	0

21% of the respondents (3 mono-ethnic and 2 multi-ethnic) strongly agree that ethnic issues in public procurement in local government are increasingly important.

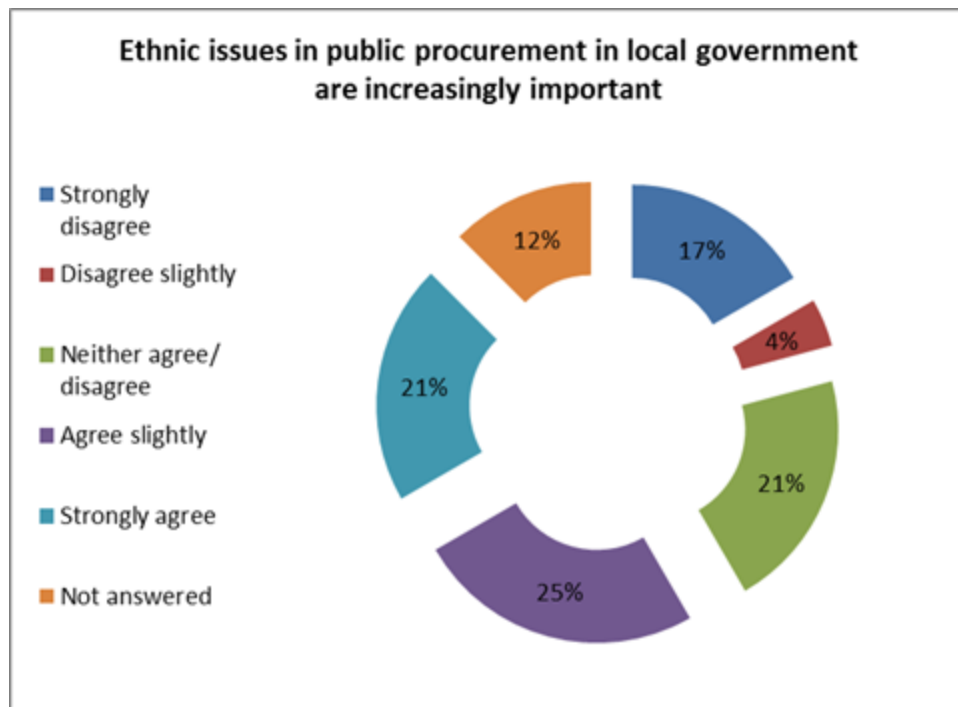


Figure 24 – Ethnic issues in public procurement in local government are increasingly important

**Table 43 – Ethnic issues in public procurement in local government are increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	4	0	2	3	3	3
Multi-ethnic	0	1	3	3	2	0

Even 17 % of the respondents did not provide any reply on the statement that the adequate representation of all ethnic groups in the procurement process is very important. This fact indicates the sensitivity of the ethnic issue and uneasiness of respondents to express any statements related to this topic.

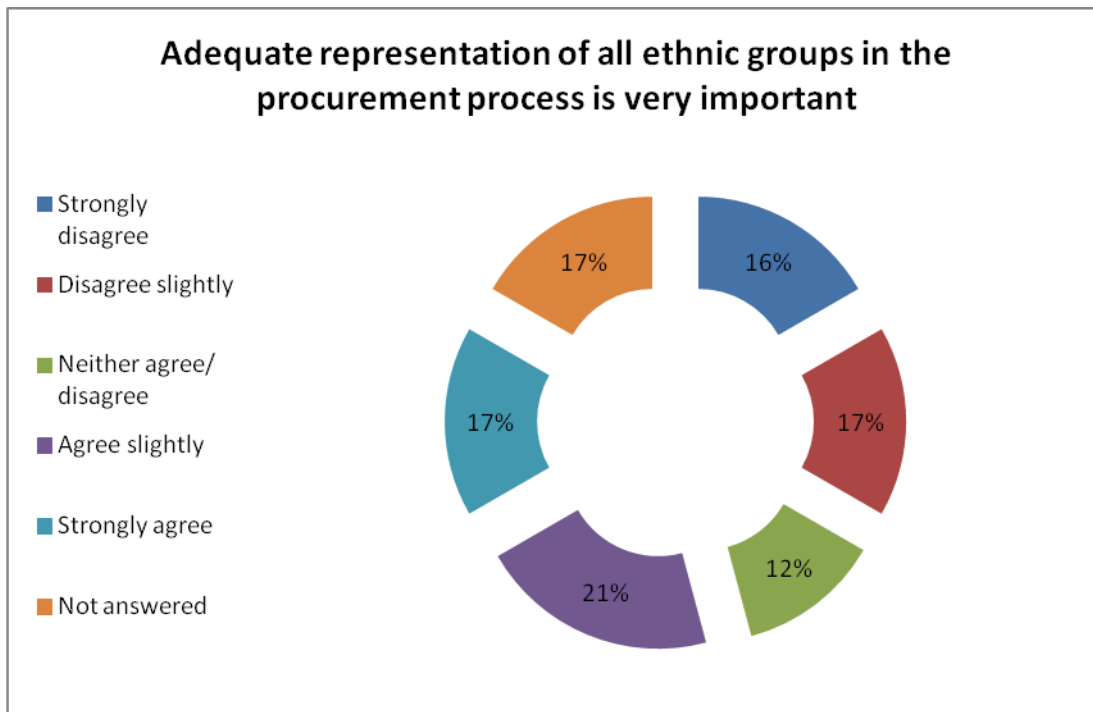


Figure 25 – Adequate representation of all ethnic groups in the procurement process is very important

**Table 44 - Adequate representation of all ethnic groups in the procurement process is very important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	4	0	1	3	3	4
Multi-ethnic	0	4	2	2	1	0

46% of the respondents strongly (7 mono-ethnic and 4 multi-ethnic) agree that sustainability in public procurement in local government sector is increasingly important.

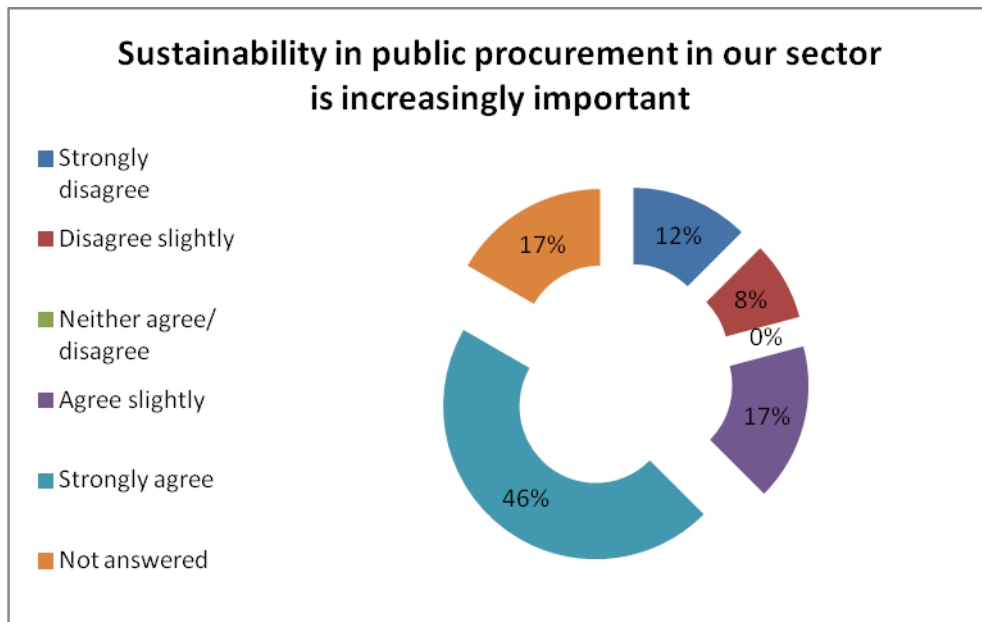


Figure 26 – Sustainability in public procurement in our sector is increasingly important

**Table 45 – Sustainability in public procurement in our sector is increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Multi-ethnic	2	0	0	2	7	4
Mono-ethnic	1	2	0	2	4	0

Further to above qualitative data interpretation, with aim to analyse deeper the difference in perceptions among the multi-ethnic and mono-ethnic units of analysis, the t-test was carried out. The results showed that there is no statistically significant difference in the opinion of the representatives of the municipality in terms of procurement policies provided on behalf of the government. ( $t(22)=0,21$   $p>0,05$ ). As indicators for measuring the opinion of the employees of municipalities for procurement policies have been taken:

- Integration of procurement technologies or technologies generally into the public service in local government.
- Short-term savings and long-term improvement measures

- Sustainability in public procurement
- Adequate representation of all ethnic groups in the procurement
- Ethnic issues in public procurement in local government
- Transparency in public procurement
- Perception of the politicians in local government for public procurement
- Public procurement as broader government objectives

**Table 46 – Group Statistics**

Ethnicity		N	Mean	Std. Deviation	Std. Error Mean
Opinion for the policy for public procurement	Mono ethnical	15	22.67	13.048	3.369
	multiethnic	9	22.56	12.471	4.157

**Table 47 – Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Differenc e	Std. Error Differenc e	95% Confidence Interval of the Difference	
									Lower	Upper
Opinion for the policy for public procurement	Equal variances assumed	.070	.793	.021	22	.984	.111	5.414	-11.117	11.339
	Equal variances not assumed			.021	17.617	.984	.111	5.351	-11.148	11.370

In addition to the questions to measure respondents' perception toward the procurement process the following two results were obtained.

33% agree slightly that short-term savings still dominate performance measurement rather than long-term improvement measures.

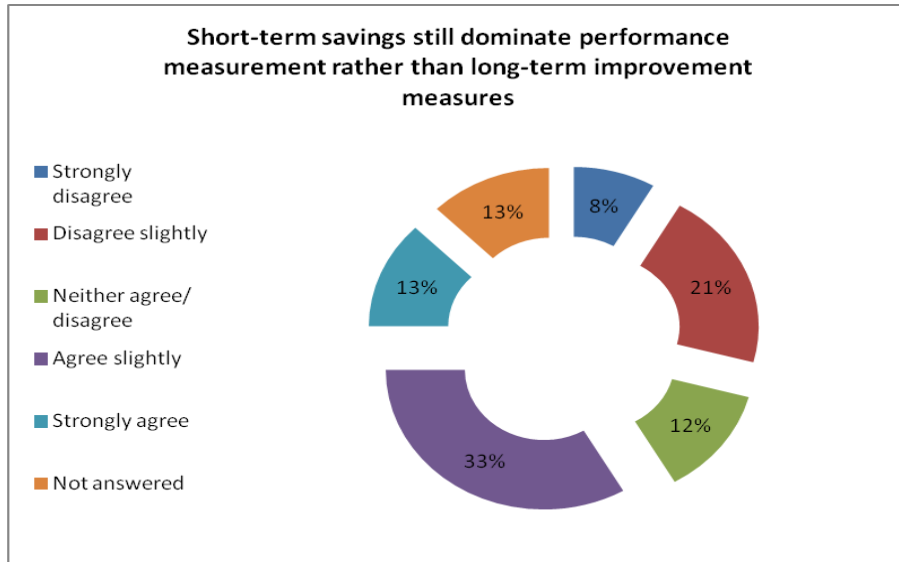


Figure 27 – Short-term savings still dominate performance measurement rather than long-term improvement measures

Short-term savings still dominate performance measurement rather than long-term improvement measures

**Table 48 – Short-term savings still dominate performance measurement rather than long-term improvement measures**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	1	2	1	5	3	3



Multi-ethnic	1	3	2	3	0	0
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33% slightly agree that the procurement processes inhibit the integration of procurement technologies or technologies generally into the public service in local government.

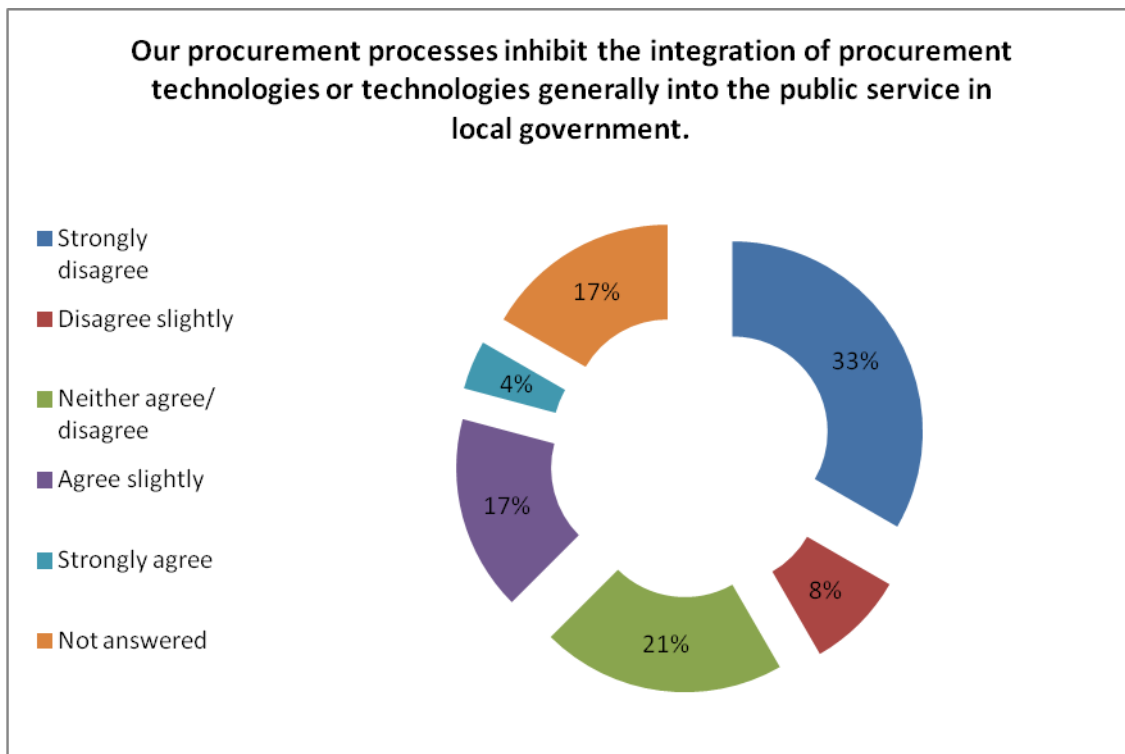


Figure 28 – Our procurement processes inhibit the integration of procurement technologies or technologies generally into public services in local government

**Table 49 – Our procurement processes inhibit the integration of procurement technologies or technologies generally into public services in local government**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Mono-ethnic	7	0	3	1	1	3
Multi-ethnic	1	2	2	3	0	1

The following results were obtained regarding the principles upon which the procurement policy is based

**Table 50 – Principles upon which the procurement policy is based**

Principle	Average score	Average score
	Multi-ethnic	Mono-ethnic
Value for money	3,67	4,10
Open and effective competition	3,88	2,6
Ethical supply	5,50	6,2
Accountability and reporting	4,89	5,33
Fair dealing with all suppliers	6,00	4,11
Sustainable supply	4,00	3,9
Transparency to the public	4,11	3,8
Use of enabling technology	7,25	7,9
Support of local economy	6,33	6,3
Others (please add):	0	0

The following results were obtained regarding the principles upon which the procurement performance measurement is based.

**Table 51 – Principles upon which the procurement performance measurement is based**

Principle	Average score	Average score
	Multi-ethnic	Mono-ethnic
Value for money	4,71	3,1
Open and effective competition	4,00	2,5
Ethical supply	7,50	6,44
Accountability and reporting	4,71	5,7
Fair dealing with all suppliers	5,57	5,7
Sustainable supply	2,67	4,1
Transparency to the public	3,57	3,89
Use of enabling technology	7,33	6,7
Support of local economy	5,71	6,4
Others (please add):		<b>0</b>

#### **6.6. Secondary data findings on relationship among different ethnic groups in the decision making process at local level**

Davitkovska Elena and Stefanovski Ivan in their research identified some positive examples of good cooperation among different ethnicities in the decision making process

at the local level. They have recognized good practices in Municipality of Gostivar where Albanian ethnic minority forms a vast majority in the Municipal Council (21 out of 31 councilors)<sup>81</sup>. The decisions are brought primarily in agreement with the political views and party programs and not according to the nationality of the councilors<sup>82</sup>. This conclusion has been accessed after a thorough analysis of minutes from the Municipal Council sessions (Minute No. 17 from 10.03.2011 and Minute No. 18 from 09.05.2011). Another positive example which was recognized in their study is the introduction of the Turkish language as the third official language in this municipality, although the Turkish minority is represented only by 9,8 % out of the total population in the municipality. A good communication and cooperation among the councilors in making decisions concerning issues like decreasing the communal taxes, urbanism, and education have been also identified. Another good example for interethnic cooperation in decision making process at the local level is the Municipality of Butel, where there is a mixed ethnic structure of the councilors, but the Council made decisions without major problems. Analyzing excerpt from the minutes (Minute No. 25 from 27.01.2011) it can be concluded that consensus can be reached for important issues in the area of urbanism, primary and secondary education, infrastructure etc, that is, issues which are of common interest for all ethnic groups and issues of concerns of all citizens. The work of the Struga Council (Minute from the ad hoc session on 05.01.2011, Minute No. 20 from 03.02.2011, Minute No. 21 from 25.03.2011, Minute No. 22 from 20.04.2011 and Minute No. 23 from 09.05.2011), shows that the councilors regularly reach consensus on the decisions

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<sup>81</sup> <http://mojotsovetnik.org.mk/index.php/mk/2010-09-20-14-40-20>

<sup>82</sup> Davitkovska, Elena and Stefanovski, Ivan, "The future of good governance in ethnically mixed municipalities in the Republic of Macedonia", <http://www.law-review.mk/pdf/04/Elena%20Davitkovska,%20Ivan%20Stefanovski.pdf>

concerning communal activities, local economic development and cultural activities. Also, it is evident from the sessions minutes that the Council takes in consideration celebrations of the minority groups, without favoring a particular minority or group. The Municipality of Brvenica is small rural municipality, and although it is one of the regions which was involved in the conflict in 2001. The municipal minutes (Minute No. 24 from 18.01.2011 and Minute No. 25 from 28.02.2011) show extremely good cooperation between the municipal councilors in the fields of education, sports and urbanism. The councilors are able to reach consensus concerning questions which are vital for the local development of the municipality, such as primary and secondary education, local economic development, gender equality, tourism, urbanism, anniversaries, inter-municipal cooperation etc.

Another interesting small and rural community is the Municipality of Dolneni, which is extremely mixed ethnically. There, 36,57 % of the inhabitants are Macedonian, 26,37 % are Albanian, 18,94 % are Turkish and 17,36 % are Bosnian<sup>83</sup>. Analysis of the four municipal minutes (Minute No. 23 from 20.01.2011, Minute No. 24 from 17.02.2011, Minute No. 25 from 14.03.2011 and Minute No. 26 from 07.04.2011) show close cooperation among the councilor in the fields of local economic development (more specifically growing, producing and selling of tobacco), urbanism and communal activities.

It can be concluded that evidences of positive relationship between the decision making process and the ethnically mixed councilors have been documented in the areas of urbanism, education, local economic development and cultural and sports activities, that

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<sup>83</sup> <http://www.opstinadolneni.gov.mk/mk/opshtiinformacii-new>

is, issues which are of common interest for all ethnic groups and issues of concerns of all citizens.

## **CHAPTER VII – Conclusions and recommendations**

### **7.1 General conclusions**

After conducting the primary data analysis and taking into consideration the secondary data findings the following general conclusions may be drawn.

The first hypothesis assumes that greater levels of ethnic diversity among public administration at local level leads to a higher organizational performance, when the decision making process does not require significant coordination and cooperation. Data obtained to test the hypothesis shows that there are no significant evidences which demonstrate any positive nor negative relationship between the ethnic variable and the organizational performance.

It is challenging to draw conclusions about any positive or negative relationship since data obtained are in most cases short answers where respondents refer to the existing legislation or they give explanation on procedures that are indeed legal procedures. If we take into consideration the fact that the questions that were part of the research are regulated by laws and regulations, and that the methodology does not guarantee total anonymity, there is a relative fear of the respondents of an objective reply. From here we can derive the conclusion that hypothetically if in case the real answer to a certain question is not in line with the regulation, there is a strong motivation on behalf of the

municipalities to omit the case/answer fearing from possible sanctions. Furthermore, the motivation for giving sincere answers can also be questioned because of the tendency of the municipalities to answer that they work according the law. In all situations where it is required from the respondents to explain the decision making process itself in order to assess the influence and implications of diverse ethnic decisions makers, the respondent tried to avoid the reply and referred to the legal regulative. Consequently, that led to an inability to draw conclusion of possible positive or negative relationship of the ethnic component and the decision making process.

The second hypothesis assumes that greater levels of ethnic diversity among public administration at the local level will lead to lower organizational performance when the decision making process requires significant coordination and cooperation. In this regards, the whole section in the questionnaire was designed with purpose to obtain reliable data to access the relationship between the ethnic diversity independent variable and the decision making process as a dependent variable. The questions focused more deeply to the procurement process itself and the procurement decision making has been limited both in time frame perspective (procurement within the year 2011) and in the thematic perspective (procurement of energy for schools) aiming at obtaining reliable data concerning the practice and performance in the procurement process.

From the data obtained from both mono-ethnic and multi-ethnic municipalities regarding the decision making process in public procurement of energy for schools, it is not likely to access the relationship between the ethnicity as a variable and the organizational performance. In this regards, the data obtained show no relationship between the two variables. The researcher assumption is that this is due to the fact that the research topic is

very sensitive and the responders tend to give answers that are socially acceptable. In addition to the social context in which the research is conducted, the ethnic differences are also a sensitive topic. In order to test this assumption, a further qualitative research is recommended in which the respondents included in decision making processes will be questioned more thoroughly in order their experience to be presented in details.

In a further attempt to determine the relationship between mono-ethnic and multi-ethnic municipalities in terms of several variables, statistical procedures: x-squared, Prirsonov coefficient and t-test have been used. Only few questions were tested by these procedures since the data obtained did not meet the methodological requirements. Procedure for calculation differences between frequencies (hi square) demands that each cell in the optional answers must have at least 5 frequencies. If there are less than 5 frequencies in any of the given cells it won't be possible to calculate the difference between two nominal variables. Unfortunately, on many closed questions municipalities provided very identical or slightly different responses, and from such type of results there was no basis to calculate difference between mono-ethnic and multi-ethnic municipalities. Therefore empirical evidences of the relationship between the variables are obtained only in four questions. After completed testing it was determined that (1) there is a statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of deciding on the public procurement committee members; (2) there is no statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of involvement in local (or national) collaborative procurement; (3) there is no statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of realizing public procurement of energy for schools in 2011; and (4) there is no



statistically significant difference between mono-ethnic and multi-ethnic municipalities in terms of receiving energy with the decision from the Government of the Republic of Macedonia. These four conclusions do not provide enough evidence to make generalized conclusions.

In further attempts to analyze the relationship between the ethnic variable and decision making in the procurement process at the local level, the focus was directed at the perceptions toward the decision making in procurement. The last section of the questionnaire included set of questions using the Likert items, and the respondent was asked to evaluate according to any kind of subjective or objective criteria, the level of agreement or disagreement. Qualitative data interpretation does not offer conclusions of any kind of relationship between the ethnic groups perceptions concerning the procurement decision making process. Further to above, with aim to analyse deeper the difference in perceptions among the multi-ethnic and mono-ethnic units of analysis, the t-test was carried out and the results showed that there is no statistically significant difference in the opinion of the representatives of the municipality in terms of procurement policies provided on behalf of the government.

## **7.2 Challenges and limitations**

Several challenges and limitations were faced during the research process. The data acquired from the survey mainly allow descriptive and qualitative analysis while the use of the quantitative statistical methods is very limited. There are several reasons for this lack of ability; mainly this is due to the fact that the majority of the questions in the

questionnaire are open-ended questions and the replies from those questions can be interpreted only with descriptive and qualitative analysis. Other reason is that on many closed questions municipalities provided very identical or slightly different responses, and from such type of results there is no basis to calculate difference between mono-ethnic and multi-ethnic municipalities. As their replies are identical there is no difference. Procedure for calculation differences between frequencies (chi square) demands that each cell in the optional answers must have at least 5 frequencies. If there are less than 5 frequencies in any of the given cells it won't be possible to calculate the difference between two nominal variables. Therefore empirical evidences of the relationship between the variables are obtained only in a very few questions which does not offer a solid basis for developing generalizable conclusions.

The other constraint for use of quantitative statistical methods is the limited number of units of analysis in the sample. The researcher intention was to create representative sample that contains all relevant variables of the population such as size of the municipality, ethnical composition of the population, urbanization level, and political affiliation of the municipal executive body as well as the geographic location of the local government unit. Furthermore, three municipalities were randomly selected. According to these criteria the questionnaire was sent to 40 municipalities out of 84 units of local government in Macedonia anticipating to obtain the representative sample. With many efforts and assistance from the Association of Finance Officers in disseminating and obtaining the questionnaires replies were finally received from 24 municipalities. The reasons for this limited feedback are multifaceted. The upcoming local elections scheduled for March 2013 is one of the reason Municipalities referred to. In the

subsequent contacts with the respective local officials, in many cases they pointed out that due to the local elections activities they were not able to respond the questionnaire. The letter accompanying the questionnaire had been sent to all Mayors with brief explanation of the purpose of the research and with kind request to agree and to provide the information required. As the persons responsible for filling the questionnaire were Presidents or members of the Procurement Committee, the Researcher does not see the connection between the local elections activities and the inability to fill the questionnaire. The second reason the municipalities referred to is the period of the research. Namely the research was conducted in December 2012 and municipalities were given one month period to fill the questionnaire. Nevertheless, in the subsequent follow up calls they stated that due to the final financial statements developments and other activities before the end of the year, the staff was too busy to respond the questionnaire. Again, the Researcher does not see the connection between the time period and the inability to fill the questionnaire as the persons responsible for filling the questionnaire were presidents or members of the Procurement Committee, not the accountants or finance officers. Evermore procurements in general are not scheduled or performed around the New Year holidays.

The personal impression of the researcher is that many municipalities were reluctant to participate in the survey given the sensitivity of the ethnic issue in Macedonia. Beside the all efforts during the last decade for ethnic reconciliation and creation of multiethnic society in Macedonia, the word “ethnic” still creates immediate cautiousness and reluctance. This personal conclusion is supported with the fact that most of the questions in the questionnaire which referred to the ethnic background/component were left empty

or the answer was very general. Furthermore, specific answers were intentionally avoided and connection was made to the existing laws and regulations. In many cases where the explanation or description was requested in the questionnaire in connection to the ethnicity dimension in the decision making process or ethnicity to the organizational performance, the reply was brief and stated according to the Law provisions. In the further additional attempts to obtain more qualitative data, the researcher proceeded with conducting direct interview with members from the procurement committees in the pilot municipalities. The reaction was in most cases the same and the interviewees' first concern was the anonymity of the interview replies. In almost all multi-ethnic units of analysis, the respondents themselves emphasized the sensitivity of the ethnic issue and they tended to provide answers which are socially acceptable. These challenges added considerable complexity in the phase of data collection and data analysis and provided no significant evidences for generalizable conclusions and statements regarding the relationship between the ethnic dimension of the human resources and the organizational performance in the public sector organizations at the local level in the Macedonian context.

### **7.3 Contribution and significance of the study**

Very limited research in public administration has aimed at understanding the impact of personnel diversity on organizational performance unlikely research efforts in business management, psychology, and social psychology which has attempted to assess this relationship<sup>84</sup>. Research in this area reflects on the impact of a number of types of

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<sup>84</sup> Pitts, David W., Modelling the Impact of Diversity Management, The Social Science Research Network Electronic Paper Collection, *Working Paper* 06-18, 2005, p.6

diversity on organizational outcomes, including disability, education, race, gender, functional background, and others. The most leading type of diversity studied is race/ethnicity – performance relationship and some studies show a positive relationship between ethnic diversity and outcomes, while other studies come to the contradictory findings. Furthermore, a series of studies found that ethnic diversity was unrelated to performance, or related in a negative direction. Empirical research studies of the effects of diversity in the workplace have often resulted with conflicting and ambiguous findings. They have generally referred to the difficulty in drawing lessons due to the lack of replication and methodological problems in the relatively small body of research and, more importantly, there is inconsistency in findings among studies linking different types of diversity to specific work outcomes.<sup>85</sup> Articles on diversity management that appear in academic journals of the field are mostly descriptive, apparently based on casual observation, and offer little to no analysis of the quality or impact of the program. Most articles on diversity that appear in the public management journals are case studies of diversity programs, statistical analyses of workforce trends, or “best practices” type studies. In such circumstances it is very complex to draw generalizable conclusions. However, many useful lessons for managing diversity practices have been drawn from case study research which could be valuable for managers and policy makers. On the other hand whether diversity among public sector employees results in increased organizational performance is an empirical question yet to be tested in public administration literature.<sup>86</sup> Recruiting and retaining more diverse employees is a

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<sup>85</sup> Wise, Louis R. & Tschirhart, M., Examining Empirical Evidence on Diversity Effects: How Useful Is Diversity Research for Public-Sector Managers?, *Public Administration Review*, (2002, Volume 60, Issue 5, P.386-394

<sup>86</sup> Pitts, p. 7

legitimate normative goal for government organization, but is nevertheless necessary to understand the impact of increased diversity in order to develop and to implement adequate management strategies.

This research aimed at contributing to the understanding of the impact of personnel diversity on organizational performance in the public sector at the local level in Macedonian context. It studied the ethnicity – performance relationship and found that ethnic diversity was unrelated to performance in the local government units in Macedonia. The study referred to the difficulty in drawing lessons due to the lack of replication and methodological problems in the relatively small body of research, similar as challenges faced in many other studies in this area. It offered descriptive analysis, evidently based on casual observation, and offered little to no analysis of the quality or impact of ethnicity to the organizational performance. Considering the earlier mentioned limitations and challenges confronted during the process, it was very complex to draw generalizable conclusions; however, many useful lessons could be drawn for local public managers and policy makers in local government. As local elected and appointed officials want to integrate managing diversity approach into their organizations, they could seek for lessons from the research literature including this study.

This study also tackled an issue which not only in Macedonia but broader in the region of South East Europe is considered as a highly sensitive issue. Ethnic disagreements and ethnic conflicts in this part of Europe were reasons for wars and sufferings in recent history, and individuals and/or organizations are often reluctant to participate or to be involved in any study which addresses the issue of ethnicity. Therefore, the efforts of this

study to contribute to the understanding of the impact of ethnic diversity on organizational performance in the public sector at the local level could serve as a basis for other researchers to study more profound this issue. Also, it could serve to the local government practitioners, both elected and appointed to draw further lessons based on the findings in this research.

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## APPENDIX I

### Questionnaire Public Procurement of Energy for Schools in Municipalities

Please complete this questionnaire and return to \*\*\*\*\* by \*\*\*\*\*

This questionnaire is part of the PhD dissertation project. The research aims to determine whether the human resources ethnic diversity causes or effects the decision making process in public procurement in municipalities. The research is limited to the public procurement of energy for schools in the time period of the year 2011. Forty Macedonian local governments units are included in this research.

Throughout the questionnaire there are a variety of questions requiring different responses including multiple choice, a tick of yes or no, written or numerical data, rank ordering, and Likert scales from strongly disagree to strongly agree. I have endeavored to make the response required clear for each question.

#### Section 1: Background/ Municipal profile

1.1 Name of Municipality	
--------------------------	--

1.2 Size of Municipality	Small up to 10.000 inhabitants	Medium 10.000 to 30.000 inhabitants	Over 30.000 inhabitants

1.3 Ethnic composition of population in your municipality					
Macedonians	Albanians	Serbs	Turks	Roma	Others (specify)
%	%	%	%	%	1. %
					2. %

					3.	%
					4.	%

1.4 Job Title	Please indicate your position within the commission for public procurement	
	President of the commission	Member of the commission

1.5 Total number of employees within your municipality?	
---------------------------------------------------------	--

1.6 The aggregate number of employees according to the ethnic origin is:					
Macedonians	Albanians	Serbs	Turks	Roma	Others (specify)

## Section 2: Public Procurement on Local Level

2.1 How your municipality arrange the public procurement competence? Please describe briefly
----------------------------------------------------------------------------------------------

2.2 Which legal and municipal acts regulate public procurement in your municipality?
--------------------------------------------------------------------------------------



2.3 Which sector, department or employee is competent for public procurement in your municipality?

Sector for finance and budget	
Department for finance and budget	
Sector for legal affairs	
Department for legal affairs	
Other sector (specify)	
Other department (specify)	
Employee (specify job title)	

2.4 Which legal or municipal act regulate the role and responsibilities of the public procurement committee?

2.5 If there is a book of rules and procedures for public procurement committee work?

yes	No

2.6 Who appoints the members of the public procurement committee?

2.7 What are the HR requirements – e. g. education, experience)? Please describe

2.8 How are public procurement employees trained? Is there a national structured education and training programme for procurement professionals

Yes	No	Don't Know

2.9 If yes, is the education and training programme provided by:

Municipality	the education sector: university	the professional body	other (please specify)

2.10 Are public procurement committee appointed ad hoc for each evaluation? Please describe

2.11 In case the public procurement committee is a permanent body, what is the term of office of its members?

2.12 The aggregate number of the members of public procurement committee according to their ethnic origin is:

Macedonians	Albanians	Serbs	Turks	Roma	Others (specify)

2.13 Which of the following best describes the role of public procurement of energy for schools in local government? (Please tick).

a) As an administrative function, to deliver compliance with regulations	
b) To deliver value for money	
c) To deliver value for money and be an integral part of government's capability to deliver its policies.	
d) Other (please specify)	

2.14 We are involved in local (or national) collaborative procurement	Yes	No
-----------------------------------------------------------------------	-----	----

2.15 If yes, please provide details of a typical local or national collaborative procurement of energy for schools in 2011

2.16 Are the authorities relating to procurement clearly delegated to the entities carrying out the process? Please describe

--

2. 17 Are the applicable procedures clearly defined?	Yes	No
------------------------------------------------------	-----	----

2. 18 Are procurement decisions overridden by higher governmental agencies?	Yes	No
-----------------------------------------------------------------------------	-----	----

2. 19 If so, by whom?
-----------------------

2.20 Do procuring entities have internal quality and control mechanisms? (Y/N)	
--------------------------------------------------------------------------------	--

2.21 Are they regularly audited? If so, describe scope, frequency, who carries them out, etc.
-----------------------------------------------------------------------------------------------

2.22 Are there any integrity and transparency guidelines or code of ethics for employees working with PP?	Yes	No
-----------------------------------------------------------------------------------------------------------	-----	----

2.23 What guidelines ensure integrity and transparency in PP? Please describe briefly
---------------------------------------------------------------------------------------

**Section 3: Practice and performance of procurement of energy for schools in the year 2011**

3.1 Public procurement of energy for schools in 2011 was realized through:	
one general procurement	several procurements (state the exact number)

3. 2 If it was one general procurement , who led the procurement process?

3.3 What kind of energy for schools your municipality procured in 2011?
-------------------------------------------------------------------------

Type of energy	quantity	Total value in denars
electricity		
Fuel		
gas		
Other (specify)		

3.4 How many bids did you receive? In case you had several procurements, state the total number of bids received

3.5 List the names of successful/loosing bidders

3.6 List precisely criteria for selection of the offer for procurement of energy for schools in 2011

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

3.7 How many contracts were awarded for procurement of energy for schools in 2011?

3.8 Did you received appeals after the award of the contract? If yes, please describe how many appeals did you receive, and what was the outcome.

3.9 From the total funds required for procurement of energy for schools, how much was provided:

a) by the municipality with a block donation	
б) by the municipality from own resources	
B) from the budget users - schools	

3.10 How much from the procured energy for the municipality are transferred to the budget users ?

3.11 Within 2011 have you received energy with the decision from the Government of the Republic of Macedonian, or by decision of the other competent body? Yes/No

3.12 If the answer is YES, please state the quantity and value

3.13 Are summaries of information about public procurement of energy for schools in 2011 published? (Y/N)

3.14 Is there any comprehensive database on these procurements? (Y/N)

3.15 What kind of data is publicly available? Specify the format and link	
• public advertisements	
• prequalification documents	
• the prequalification evaluation report documenting any decisions not to prequalify certain potential bidders	
• the bidding documents	
• record of any pre-bid meetings	
• the bid opening minutes	
• final bid evaluation report	
• detailed record of the reasons used to accept or reject each bid	
• copies of bids	
• appeals against procedures or award recommendations	
• signed copy of the final contract	
• any changes in the final contract	
• documents on contract performance	

#### **Section 4: Politics, Government Objectives and Public Involvement**

4.1 Public procurement is closely integrated with broader government objectives beyond value for money or cost minimization

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

4.2 Politicians in local government see public procurement as increasingly important

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

4.3 Transparency in public procurement in our sector is increasingly important

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

4.4 Ethnic issues in public procurement in local government are increasingly important

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

4.5 Adequate representation of all ethnic groups in the procurement process is very important

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

4.6 Sustainability in public procurement in our sector is increasingly important

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

## Section 5: Policy, Performance measurement, Innovation and Capacity

5.1 Our procurement **policy** is based on the following principles (please rank from 1-8, 1 being the most important)

<b>Principle</b>	<b>Please rank</b>
Value for money	
Open and effective competition	
Ethical supply	
Accountability and reporting	
Fair dealing with all suppliers	
Sustainable supply	
Transparency to the public	
Use of enabling technology	
Support of local economy	
Others (please add):	

5.2 Our procurement performance measures are based on the following principles (please rank from 1-8, 1 being the most important)

<b>Principle</b>	<b>Please rank</b>
Value for money	
Open and effective competition	
Ethical supply	
Accountability and reporting	
Fair dealing with all suppliers	
Sustainable supply	
Transparency to the public	
Use of enabling technology	
Support of local economy	
Others (please add):	

5.3 Short-term savings still dominate performance measurement rather than long-term improvement measures

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

5.4 Our procurement processes inhibit the integration of procurement technologies or technologies generally into the public service in local government.

Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree

## APPENDIX II

До Градоначалникот на општина \_\_\_\_\_

Стразбур, 10 декември 2012

Почитуван Гн Градоначалник,

Се обракам до Вас со молба за соработка и спремност Вие и вашата општина да дадете придонес во мојата научно истражувачка работа која е во тек. Моето име е Весна Атанасова, од 2007 година работам во Советот на Европа во Стразбур, во директоратот за демократија, а со претходно долгогодишно искуство во доменот на локалната самоуправа како дел од тимот на УСАИД проектите за реформа во локалната самоуправа во Република Македонија.

Од 2009 година следам настава по докторски студии на Универзитетот во Болоња, Италија, на Факултетот за политички науки. Во моменот сум во фаза на подготвување на мојата докторската дисертација на тема **„Импликации од разноликоста во етничката димензија врз процесот на донесување одлуки на локално ниво“ - студија на случај Република Македонија**. За таа цел одбрав 40 пилот општини меѓу кои и Вашата, во која ќе го истражувам донесувањето одлуки во процесот на јавни набавки за стоки (енерџенси) за затоплување на училишта во општините во 2011 година.

Методологијата на истражувањето се состои од прибирање податоци по пат на прашалници до надлежните лица за јавна набавка во ЕЛС, како и разговори со одговорни вработени во општините. Вашата спремност за соработка е од клучно значење за мојот проект затоа Ве молам прашалникот во прилог да биде пополнет од страна на лицето во вашата општина кое е надлежно за јавни набавки.

Здружението на финансиски работници на Република Македонија и нејзините вработени ми излегоа во пресрет и понудија своја подршка во мојот истражувачки проект преку помош во доставувањето на прашалниците како и прибирањето податоци.

Во очекување на позитивен одговор и Ваша спремност да ми излезете во пресрет, срдечно ве поздравувам,

Со почит,  
Весна Атанасова

Democracy, Institution-Building and Governance  
Department  
Directorate General of Democracy  
Council of Europe  
Strasbourg, France  
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PhD student on Diversity Management and Good Governance  
Faculty of Political Studies  
University of Bologna



ALMA MATER STUDIORUM  
UNIVERSITA' DI BOLOGNA



## APPENDIX III

Semi structured questionnaire for interview with representatives from pilot municipalities and experts in order to gain deeper knowledge about the public procurement process.

1. What institutions have the power of supervision and control in the public procurement system? Name the key authorities, describe their rights and duties. Distinguish between internal management control and external audit.
2. Is a timeline follow up of a tender possible? Does a tender have a specific ID from the beginning to the end?
3. Describe the access rules. Indicate if there are legal restrictions on the public availability of these data. Are data easily available to the general public?
4. Describe forms of publication (printed, electronic), scope and frequency. Does the Municipality has a bulletin (or other similar publication) published in a timely fashion?
5. Who handles public procurement data?
6. Is procurement monitoring and administration computerized? Are completion of contracts adequately monitored?
7. How frequently are contracts not completed on schedule? What is the major cause for slippage? Which sectors and which particular kinds of contracts are effected? Specify.
8. How frequently are contracts not completed within the originally approved contract price? How frequently are clauses of the contract (quality/quantity of goods, services, work) modified? What is the major cause for modification? Which sectors and which particular kinds of contracts are affected? Specify.

9. Do Instructions to Bidders (ITBs) contain all information necessary to prepare responsive bids and clearly understand evaluation criteria and their method of application? Are time limits for the receipt of tenders fairly prescribed and sufficient for the preparation of bids?

10. What kind of information do bid evaluation reports contain? (i.e. a clear and complete description of the evaluation process, including the reasons for rejecting any bid as non-responsive, how the stated evaluation criteria were applied, and how the successful bidder's qualifications were verified) Describe.

11. Are contracts required to be awarded to the lowest evaluated responsive bidder who has been determined to be qualified to perform the contract satisfactorily?

12. Are additional Government approvals required before contracts can be made effective?

### Descriptive analysis

**Descriptive measures:**

f – Number of municipalities

p – Percent of municipalities

		f	p
<b>1.2</b> <b>Size of municipalities</b>	Small up to 10.000 inhabitants	3	12
	Medium 10.000 to 30.000 inhabitants	16	67
	Over 30.000 inhabitants	5	21

		f	p
<b>1.3</b> <b>Ethnic composition of population in municipalities</b>	Mono-ethnic	15	62
	Multiethnic	9	38

		f	p
<b>1.4</b> <b>Job Title of the person who fills out the survey</b>	President of the commission	12	50
	Member of the commission	6	25
	Not answer	3	12.5
	Not even president of the commission, not even member of the commission	3	12.5

		f	p
<b>1.4</b> <b>Job Title of the person who fills out the survey</b>	Work in Sector for Low and General affairs	6	25
	Junior Associate for Financial Affairs	1	4
	Environmental inspector	1	4
	Associate for conducting public procurement	1	4
	Manager of the inspector body	1	4
	Not answer	14	59

## Section 2: Public Procurement on Local Level

2.1 How your municipalities arrange the public procurement competence? Please describe briefly		f	p
	Law on Public Procurement	18	75
	Law on Public Procurement Internal Regulations	3	13
	Other procedure	2	8
	Not answer	1	4

\*Description of the other procedures:

- In the new Rulebook for job organization is planned things for public procurement to organize by special section – Procurement department. Department is not in function yet. In matters of public procurement in municipality there is a Commission for Public Procurement
- Other municipality says is transparent in the public procurement, because all announcements are published at the website of the Bureau of Public procurement. Municipality has appointed a responsible person for public procurement and e-auctions. At the beginning of 2013 there will be a Commission for Public Procurement. All sign contracts with the economical providers are published at the website of the Bureau of Public procurement

### 2.2 Which legal and municipal acts regulate public procurement in your municipality?

Municipalities are using these legal and municipal acts for regulation of public procurement:

#### 1. Laws:

- Public procurement law– all municipalities
- Law on Personal data protection – 1 municipality
- Law for Prevention of conflict of interest- 1 municipality
- Law for Local Self – Government – 1 municipality

#### 2. Bylaws

- Rulebook on the contents of the annual plan for public procurement – 6 municipalities
- Rules for the implementation of public procurement – 2 municipalities
- Decree on the services subject to public contracts – 1 municipality
- Methodology for expressing contract award criteria into points – 5 municipalities
- Rulebook on the content of the tender documentation – 3 municipalities
- Rules for using the electronic system for public procurement – 3 municipalities
- Rulebook on the Opening of Tenders and on the Form of Minutes from the Tender Opening Session – 3 municipalities
- Rules for form and content of the report for the procedure – 3 municipalities
- Rulebook on the Manner of Utilization of the Electronic System for Public Procurement – 1 municipality
- Rulebook for the form and content of the announcement for the candidates – 1 municipality
- Public procurement decision – 1 municipality
- Decree on the Types of Construction Activities Subject to Public Works Contracts – 2 municipalities
- Decree for the services that are subject of the contracts for public procurement of services – 3 municipalities
- Procedure on conducting public procurement as a contracting authority -1 municipality

### 3. Internal procedures

- Internal procedures for conducting public procurement procedures – 2 municipalities
- Manual for how to use the Electronic system for public procurement - 2 municipalities
- Statute of the municipality - 1 municipality

Not answered – 2 municipalities

<b>2.3 Which sector, department or employee is competent for public procurement in your municipality?</b>		f	p
	Sector for finance and budget	3	12
	Department for finance and budget	5	20
	Sector for legal affairs	1	4
	Department for legal affairs	6	24
	Other sector (specify)	0	0
	Special organizational body for public procurement (article 29a from Law for public procurement)	4	16
	Other department (specify)*	2	8
	Employee (specify job title)**	4	16

\*Other departments:

- The members of the Procurement commission
- Department of Public Procurement

\*\*Employee (specify job title):

- Fellow of normative-legal work and advocacy municipality
- Jurist
- Person responsible for the conducting of the Public Procurement
- Manager of department

<b>2.4 Which legal or municipal act regulates the role and responsibilities of the public procurement committee?</b>		f	p
	Decision for forming Public procurement commission	1	3
	Law for Prevention of Conflict of Interests	2	6
	Public procurement law	13	36
	Statement that regulate the work and responsibility of each member of the Public procurement commission	2	6
	Code of ethics when carrying out public procurement procedures	3	8
	Rulebook on job organization for the municipal administration	1	3
	Statute of the municipality	2	6
	Rulebook on the content of the tender documentation	2	6
	<i>Rulebook on the Procedure Outcome Report</i>	1	3
	Rulebook on the form and content of the notice, the notice of cancellation of the procedure and form of the records of the proceedings with a request for bids	1	3
	Rulebook /regulations for the form and content for the reports of candidates	1	3
	Decision for the need for public procurement	1	3
Decision from the Mayor for Public procurement commission	1	3	
Statement of no conflict of interest, accordance to the Public	1	3	

	procurement law		
	Procedure on conducting public procurement as a contracting authority	1	3
	Not answer	3	8

<b>2.5</b> If there is a book of rules and procedures for public procurement committee work?		f	p
	Yes	16	67
	No	8	33

<b>2.6</b> Who appoints the members of the public procurement committee?		f	p
	Responsible person (director and responsible person for public procurement)	4	17
	Mayor	20	83

<b>2.7</b> What are the HR requirements – e. g. education, experience)? Please describe		f	p
	Education	19	59
	Exam for public procurement	4	13
	Expertise	2	6
	Experience	3	9
	Not answer	4	13

	<b>2.8 How is public procurement employees trained? Is there a national structured education and training program for procurement professionals</b>		
	Yes	No	Don't Know
f	22	2	0
p	92	8	0

**2.9 If yes, is the education and training program provided by:**

	Municipality	The education sector: university	The professional body/ Bureau for public procurement	Other (please specify)*	Not answered
<b>f</b>	<b>3</b>	<b>0</b>	<b>20</b>	<b>2</b>	<b>3</b>
<b>p</b>	<b>11</b>	<b>0</b>	<b>71</b>	<b>7</b>	<b>11</b>

\* Other:

- Association of the units of local self -government of the Republic of Macedonia - ZELS
- Finance Association

<b>2.10</b> Are public procurement committee appointed ad hoc for each evaluation? Please describe		f	p
	Ad hoc commission, but in practice members of the commission are the same	2	8
	Commission for public procurement is with mandate of 2 years	1	4
	Ad hoc commission	19	76
	Don't have ad hoc commission	1	4
	For every new purchase there is a new decision on the composition of the committee. The President and one	1	4

	member stay unchanged, and the second member of the committee is choosing depending on the subject of public procurement.		
	Not answer	1	4

<b>2.11 In case the public procurement committee is a permanent body, what is the term of office of its members?</b>		f	p
	2 years with chance for reelection	1	4
	Indefinite mandate	1	4
	Mandate of 4 years	2	8
	Mandate is according the law	2	8
	There is no permanent body	13	51
	Not answer	5	21

<b>2.13 Which of the following best describes the role of public procurement of energy for schools in local government?</b>		f	p
	a) As an administrative function, to deliver compliance with regulations	9	38
	b) To deliver value for money	6	25
	c) To deliver value for money and be an integral part of government's capability to deliver its policies.	5	21
	d) Other (please specify)	0	0
	Not answer	4	17

<b>2.14 We are involved in local (or national) collaborative procurement</b>		f	p
	Yes	7	29
	No	17	71

**2.15 If yes, please provide details of a typical local or national collaborative procurement of energy for schools in 2011**

Every municipality that is in involved in local or national collaborative procurement is signing contracts with all the primary and secondary schools in the municipality.

Not answered – 15 municipalities

<b>2.16 Are the authorities relating to procurement clearly delegated to the entities carrying out the process?</b>		f	p
	Instructions for the bidders	1	3
	Technical specifications of the bid	1	3
	Methodology of expressing the criteria in points	1	3
	Public procurement law and bylaws	10	34
	Laws that arrange type of procurement	1	3
	Ministry for finance	1	3
	Yes	6	21
	Lowest price and the most economically offer	1	3

	Tender documentation	3	10
	Not answer	4	14

<b>2. 17</b> <b>Are the applicable procedures clearly defined?</b>		f	p
	Yes	21	87
	No	0	0
	Not answer	3	13

<b>2. 18</b> <b>Are procurement decisions overridden by higher governmental agencies?</b>		f	p
	Yes	0	0
	No	20	83
	Not answer	4	17

**2. 19 If so, by whom?**

Nobody answered this question

<b>2.20</b> <b>Do procuring entities have internal quality and control mechanisms? (Y/N)</b>		f	p
	Yes	15	62
	No	5	21
	Not answer	3	13
	partly	1	4

<b>2.21 Are they regularly audited? If so, describe scope, frequency, who carries them out, etc.</b>		f	p
	Each year from the internal auditors form the Internal audit department	6	31
	Person responsible for supervision	1	4
	An every two years form the State Audit Office	2	7
	Yes	3	11
	An every four years form the State Audit Office	2	7
	No	4	14
	By the selected bidder for performing an expert supervision of quality and quantity of public procurement contracts	1	4
	State audit office	2	8
	Department of financial control from MIA	1	4
	Procedure for public procurement, also can be used a fallowing documents: - Performance guarantee - Warranty guarantee - Statement of seriousness - Negative references	1	4
	Not answered	5	18

<b>2.22</b> <b>Are there any integrity and transparency guidelines or code of ethics for employees working with PP?</b>		f	p
	Yes	17	68
	No	6	24
	Not answer	5	8



<b>2.23</b> <b>What guidelines ensure integrity and transparency in PP?</b>		f	p
	Code of ethics when carrying out public procurement procedures	3	9
	Code of ethics on the state servants	3	9
	Statement of conflict of interest which shall be signed by the members of the committees	1	3
	Announcement of each procedure on the official web page of the Bureau of Public Procurement and municipalities web pages	9	26
	possibility of the presence on interested parties at the bid opening regardless if the submitted an offer or not	1	3
	The procedure it's self	1	3
	Official gazette of the municipality	1	3
	Official Gazette of Republic of Macedonia	1	3
	Public procurement law – article	4	11
	Rules of procedure	1	3
	Positive norms	1	3
	Transparency law	1	3
	Absence of conflict of interest law	1	3
Public procurement plan	1	3	
Not answered	6	17	

### Section 3: Practice and performance of procurement of energy for schools in the year 2011

<b>3.1</b> <b>Public procurement of energy for schools in 2011 was realized through:</b>		f	p
	one general procurement	11	46
	several procurements*	8	33
	Not answer	5	21

\* Exact number of procurement of energy for schools in 2011:

- 2 municipalities with 2 procurements
- 2 municipalities with 5 procurements
- 1 municipality with 12 procurements
- 3 municipalities didn't wrote right number

<b>3.2</b> <b>If it was one general procurement, who led the procurement process?</b>		f	p
	Municipality	5	22
	School	4	17
	Other	1	4
	Not answered	13	57

<b>3.3</b> <b>What kind of energy for schools your municipality procured in 2011?</b>	Type of energy	f	p
	Electricity	0	0
	Fuel	1	4
	Gas	4	17

	Wood	3	13
	Gas and wood	7	29
	Not answered	9	38

<b>3.4</b> <b>How many bids did you receive? In case you had several procurements, state the total number of bids received</b>		f	p
	1 bids	3	13
	2 bids	3	13
	3 bids	2	8
	4 bids	3	13
	5 bids	2	8
	6 bids	1	4
	9 bids	1	4
	18 bids	1	4
	Don't know	2	8
	Not answered	6	25

<b>3.6</b> <b>List precisely criteria for selection of the offer for procurement of energy for schools in 2011</b>		f	p
	Lowest price	15	32
	Rock and way of payment	9	19
	Delivery time	7	15
	Discount	2	4
	Quality	4	9
	Have appropriate license for this area	1	2
	To be registered company	1	2
	Have tanks for transportation EL-1	1	2
	Not answered	7	15

<b>3.7</b> <b>How many contracts were awarded for procurement of energy for schools in 2011?</b>		f	p
	1 contract	10	42
	2 contract	5	21
	3 contract	1	4
	8 contract	2	8
	6 contract	1	4
	12 contract	1	4
	Not answered	4	17

<b>3.8</b> <b>Did you receive appeals after the award of the contract? If yes, please describe how many appeals did you receive, and what was the outcome.</b>		f	p
	Not received appeals	16	67
	Received appeals*	2	8
	Not answered	6	25

\*Both received appeals were rejected

<b>3.9</b> <b>From the total funds required for procurement of energy for schools, how much was provided</b>		f	p
	a) by the municipality with a block donation	15	56
	б) by the municipality from own resources	3	11
	в) from the budget users - schools	2	7

	Not answered	7	26
--	--------------	---	----

<b>3.10</b> <b>How much from the procured energy for the municipality are transferred to the budget users?</b>		f	p
	No	5	21
	Not answer	16	67
	Everything	1	4
	Depends from requirements from the users	1	4
	From the budget of the municipality - block donation	1	4

<b>3.11</b> <b>Within 2011 have you received energy with the decision from the Government of the Republic of Macedonian, or by decision of the other competent body?</b>		f	p
	Yes	3	12
	No	18	75
	Not answered	3	13

### 3.12 If the answer is YES, please state the quantity and value

This question answered 3 municipalities:

- 19.000 liters of oil fuel as a compensation for setting the riverbeds
- 20.000 liters from the Government of Macedonia
- 20 tones oil from the state reserves for primary and secondary schools in the municipality

<b>3.13</b> <b>Are summaries of information about public procurement of energy for schools in 2011 published?</b>		f	p
	Yes	16	67
	No	1	4
	Not answered	7	29

<b>3.14</b> <b>Is there any comprehensive database on these procurements?</b>		f	p
	Yes	11	46
	No	5	21
	Not answered	8	33

<b>3.15 What kind of data is publicly available? Specify the format and link</b>		f	p
	public advertisements	19	25
	prequalification documents	0	0
	the prequalification evaluation report documenting any decisions not to prequalify certain potential bidders	4	5
	the bidding documents	12	16
	record of any pre-bid meetings	3	4
	the bid opening minutes	7	9
	final bid evaluation report	6	8
	detailed record of the reasons used to accept or reject each bid	4	5
	copies of bids	4	5
	appeals against procedures or award recommendations	2	3
	signed copy of the final contract	5	6
any changes in the final contract	2	3	

	documents on contract performance	4	5
	Not answer	5	6

#### Section 4: Politics, Government Objectives and Public Involvement

##### 4.1 Public procurement is closely integrated with broader government objectives beyond value for money or cost minimization

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	4	3	1	5	5	6
p	17	12	4	21	21	25

##### 4.2 Politicians in local government see public procurement as increasingly important

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	4	1	0	2	12	5
p	17	4	0	8	50	21

##### 4.3 Transparency in public procurement in our sector is increasingly important

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	3	2	0	1	15	3
p	12	8	0	4	63	13

##### 4.4 Ethnic issues in public procurement in local government are increasingly important

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	4	1	5	6	5	3
P	17	4	21	25	21	12

##### 4.5 Adequate representation of all ethnic groups in the procurement process is very important

	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	4	4	3	5	4	4
P	16	17	12	21	17	17

#### 4.6 Sustainability in public procurement in our sector is increasingly important

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
f	3	2	0	4	11	4
p	12	8	0	17	46	17

### Section 5: Policy, Performance measurement, Innovation and Capacity

#### 5.1 Our procurement policy is based on the following principles (please rank from 1-8, 1 being the most important)

Principle	Average score
Value for money	3,89
Open and effective competition	3,17
Ethical supply	5,58
Accountability and reporting	5,11
Fair dealing with all suppliers	5,06
Sustainable supply	4,44
Transparency to the public	3,95
Use of enabling technology	7,61
Support of local economy	6,17
Others (please add):	0

#### 5.2 Our procurement performance measures are based on the following principles (please rank from 1-8, 1 being the most important)

Principle	Average score
Value for money	3,76
Open and effective competition	3,12
Ethical supply	6,87
Accountability and reporting	5,29
Fair dealing with all suppliers	5,53
Sustainable supply	3,56
Transparency to the public	3,75
Use of enabling technology	6,94
Support of local economy	6,12
Others (please add):	0

#### 5.3 Short-term savings still dominate performance measurement rather than long-term improvement measures

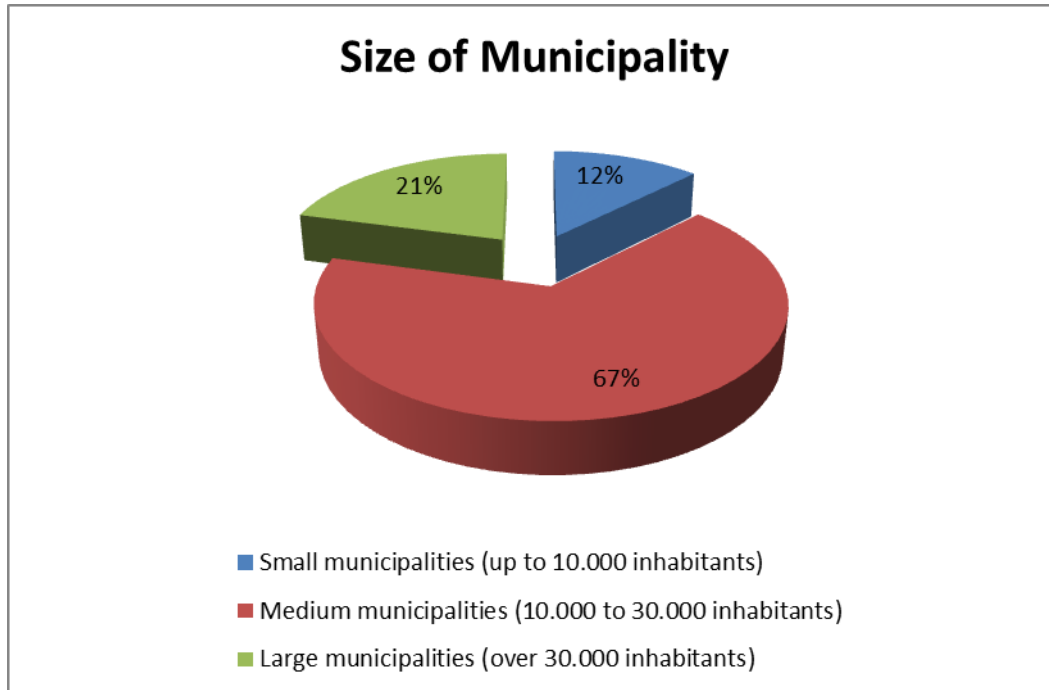
	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	2	5	3	8	3	3
P	8	21	12	33	13	13

**5.4 Our procurement processes inhibit the integration of procurement technologies or technologies generally into the public service in local government.**

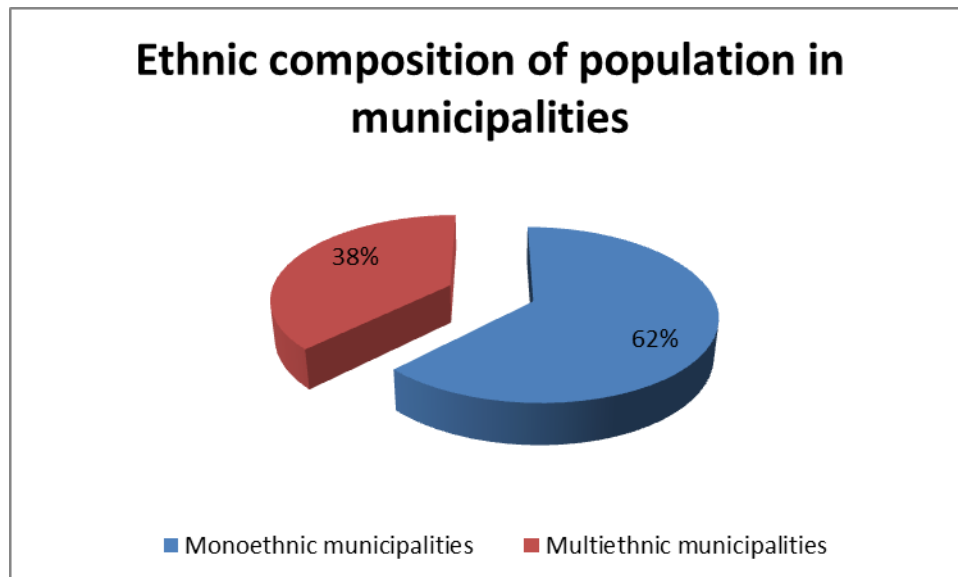
	Strongly disagree	Disagree slightly	Neither agree/ disagree	Agree slightly	Strongly agree	Not answered
f	8	2	5	4	1	4
P	33	8	21	17	4	17

## Graphical display of questionnaire's responses

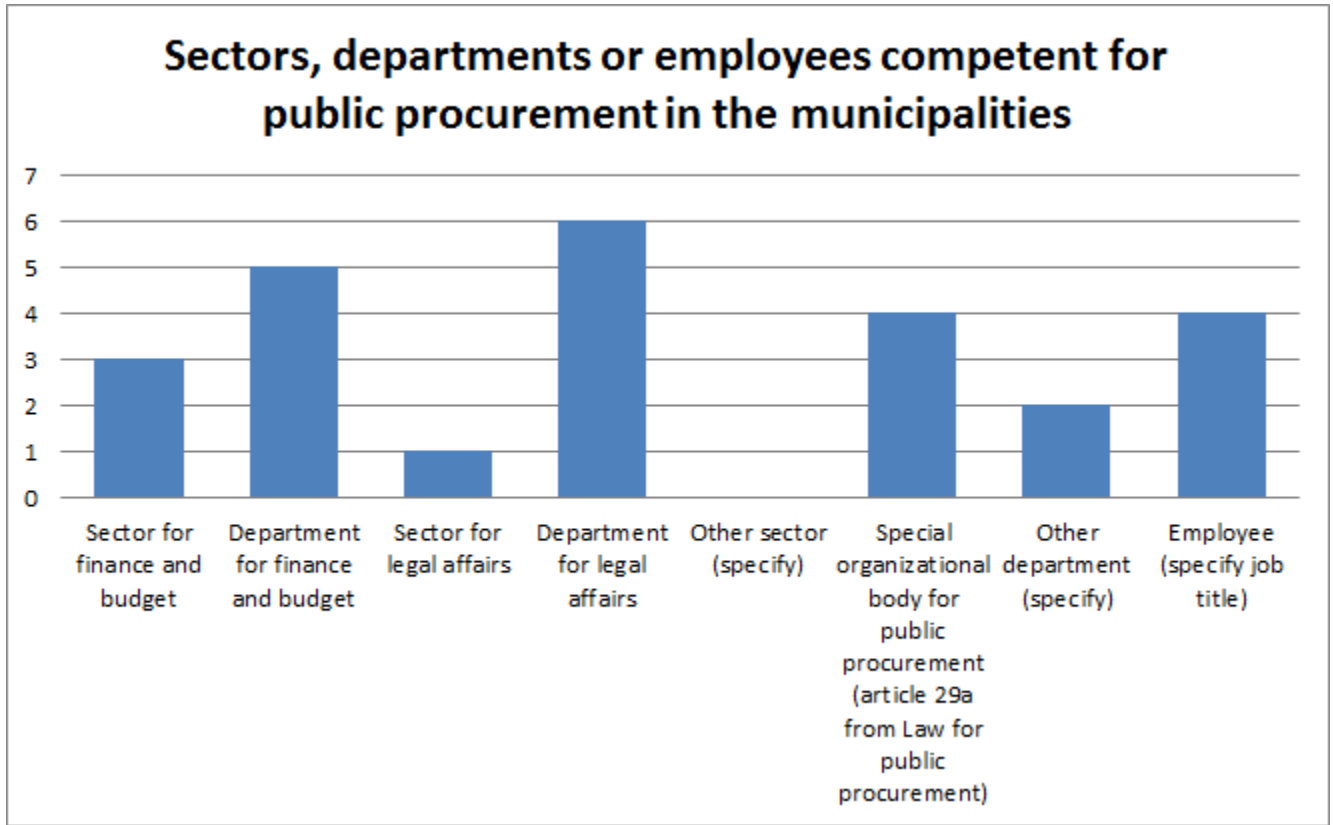
### 1. Size of municipalities



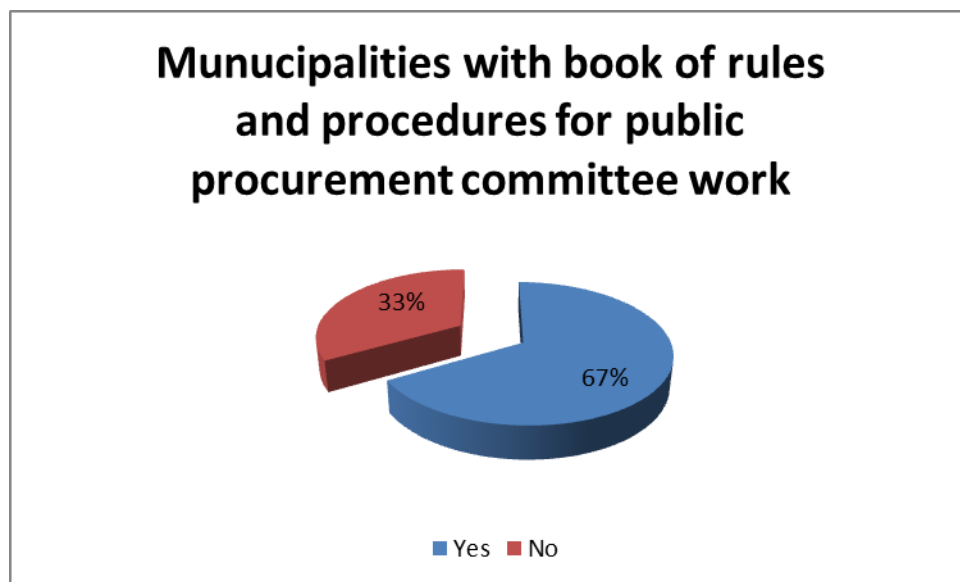
### 2. Ethnic composition of population in municipalities



3. Which sector, department or employee is competent for public procurement in your municipality?

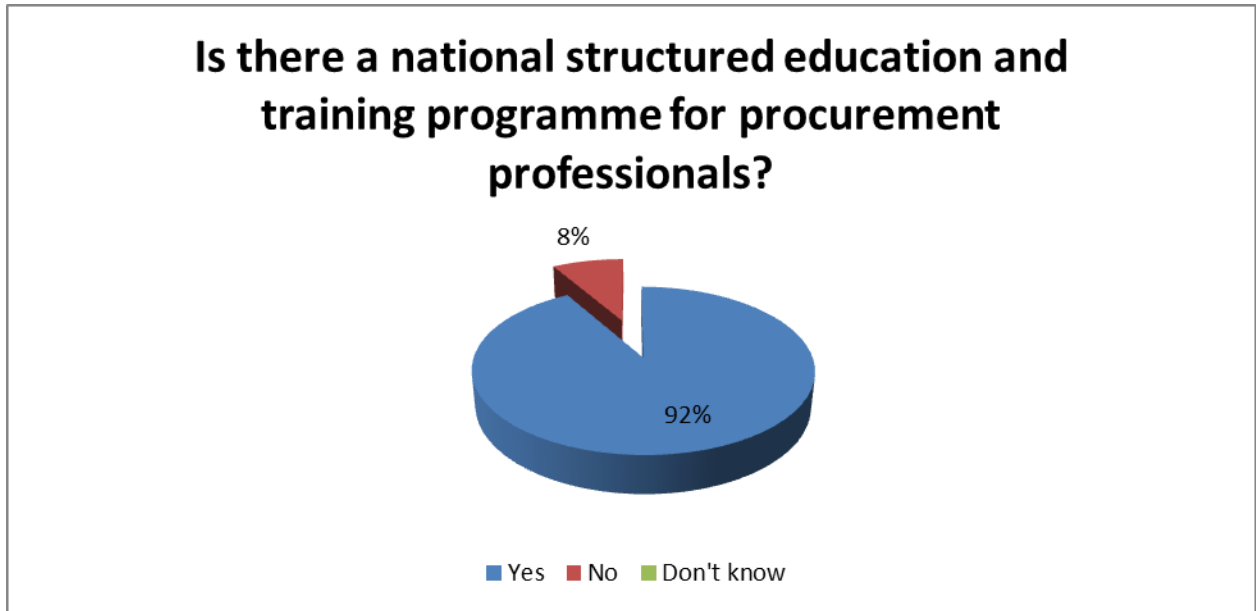


4. If there is a book of rules and procedures for public procurement committee work?

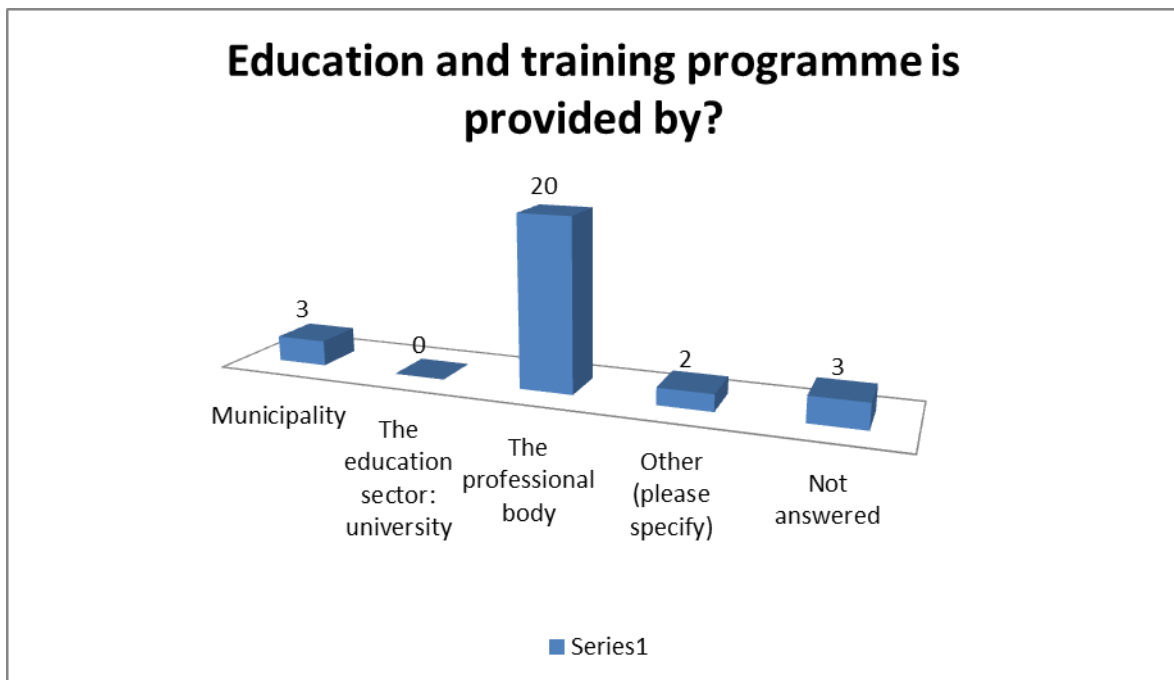




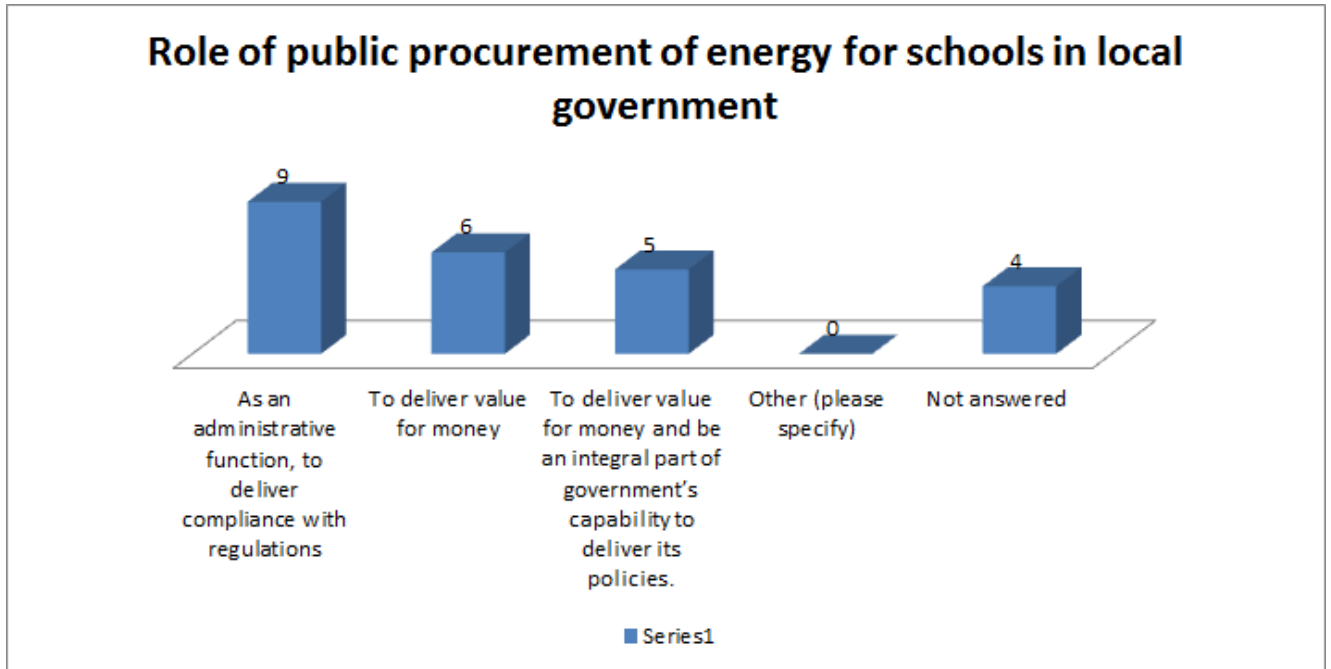
5. How is public procurement employees trained? Is there a national structured education and training program for procurement professionals?



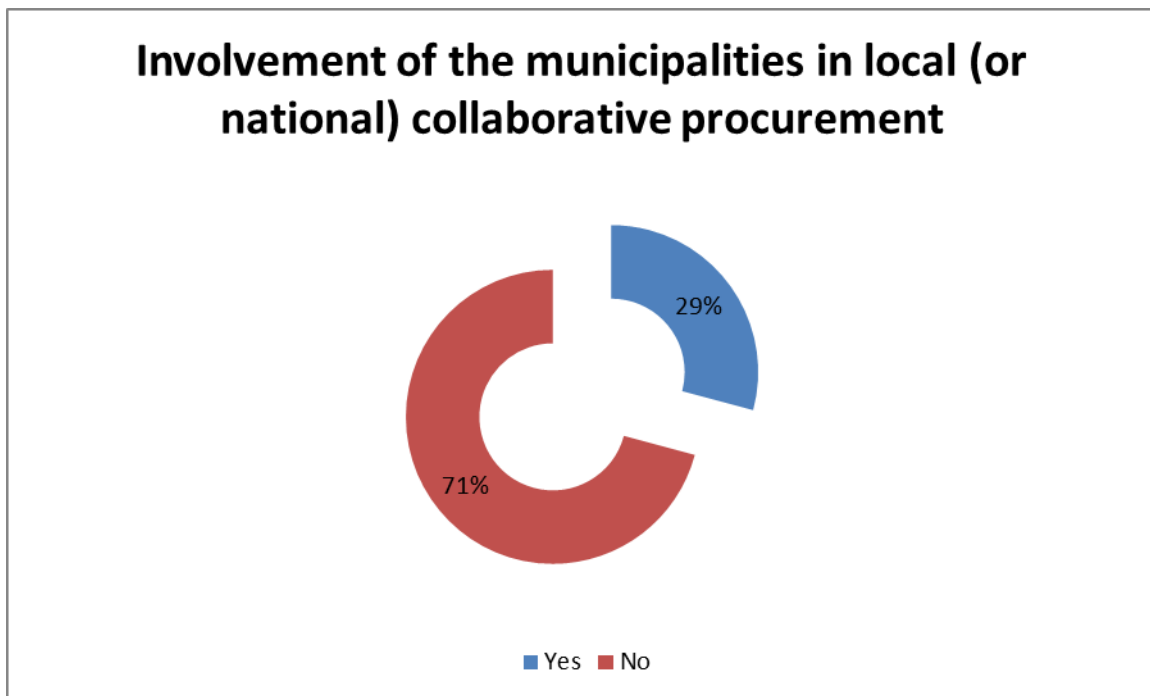
6. If yes, is the education and training program provided by:



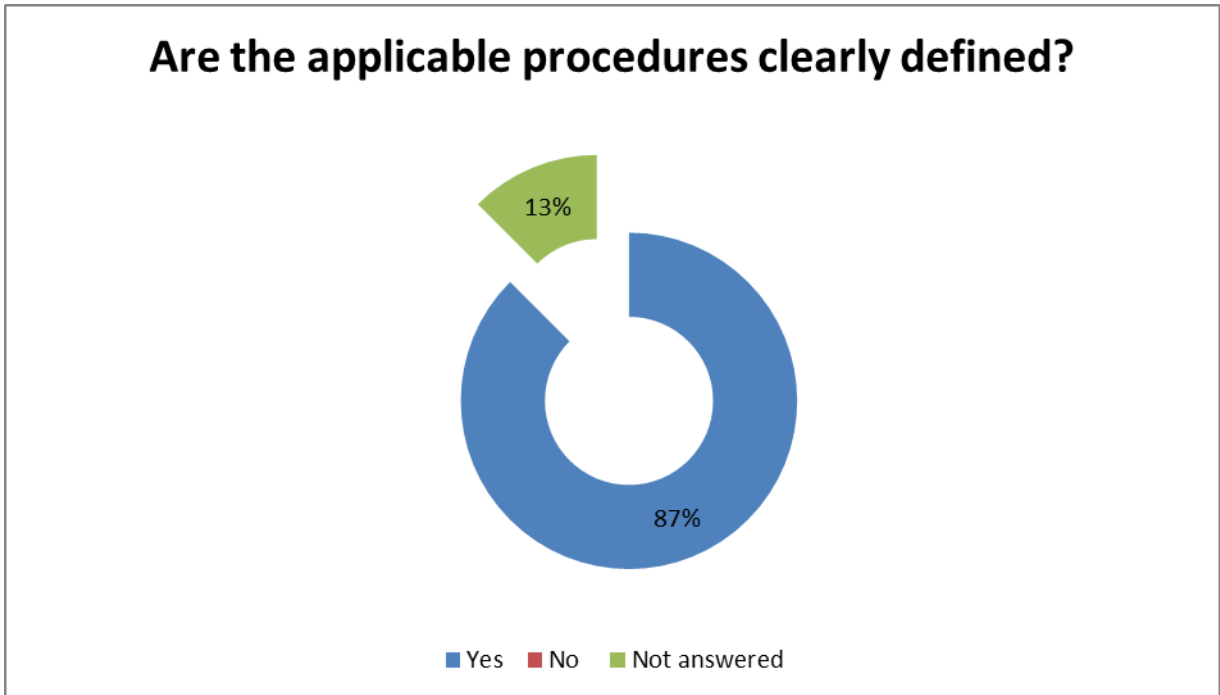
7. Which of the following best describes the role of public procurement of energy for schools in local government?



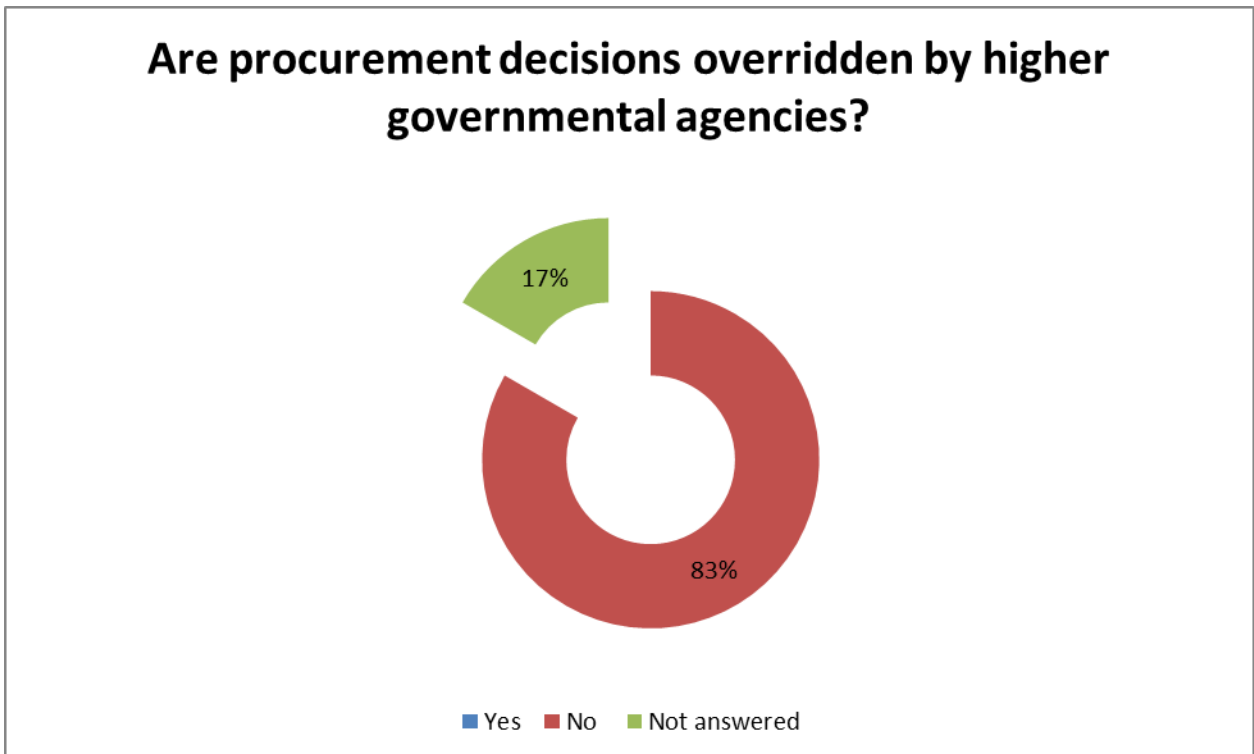
8. We are involved in local (or national) collaborative procurement



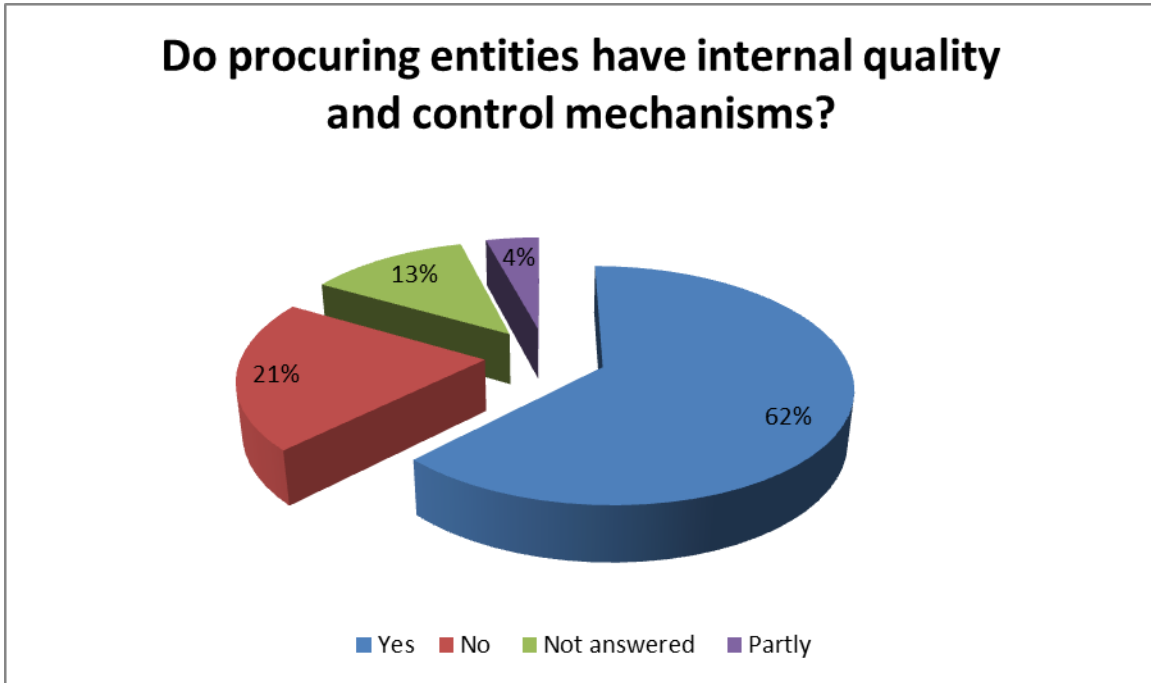
9. Are the applicable procedures clearly defined?



10. Are procurement decisions overridden by higher governmental agencies?



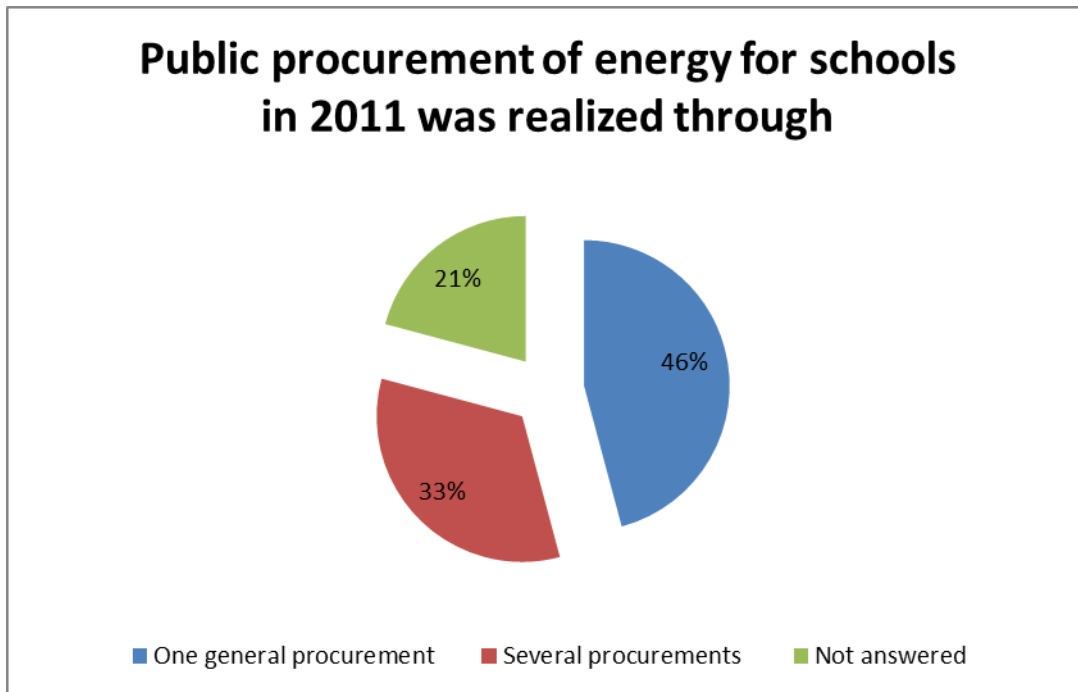
11. Do procuring entities have internal quality and control mechanisms?



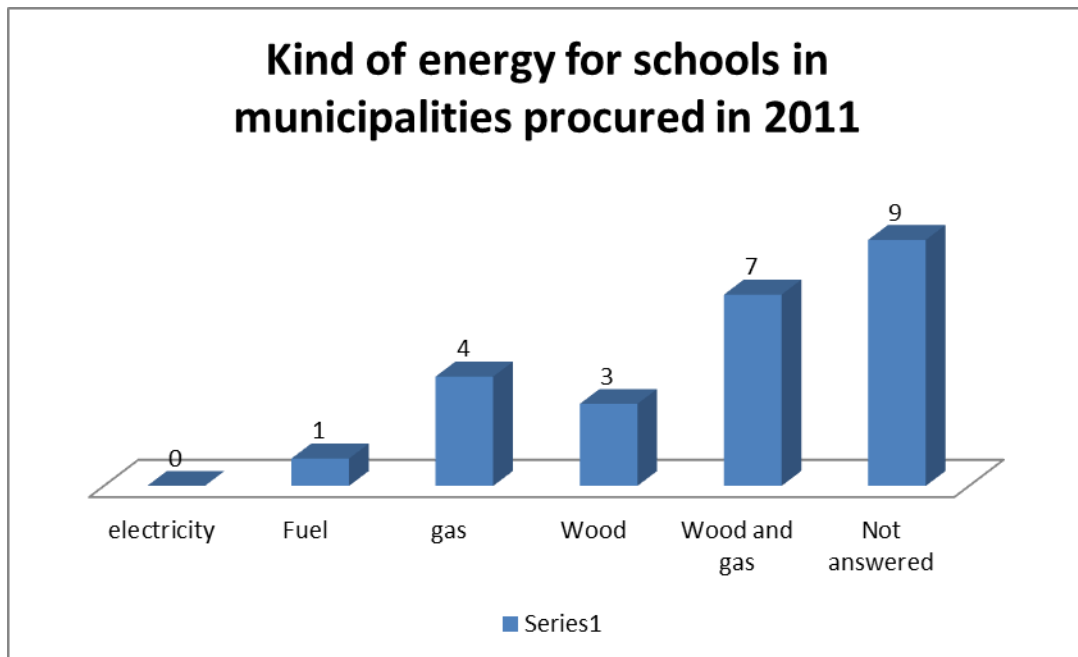
12. Are there any integrity and transparency guidelines or code of ethics for employees working with PP?



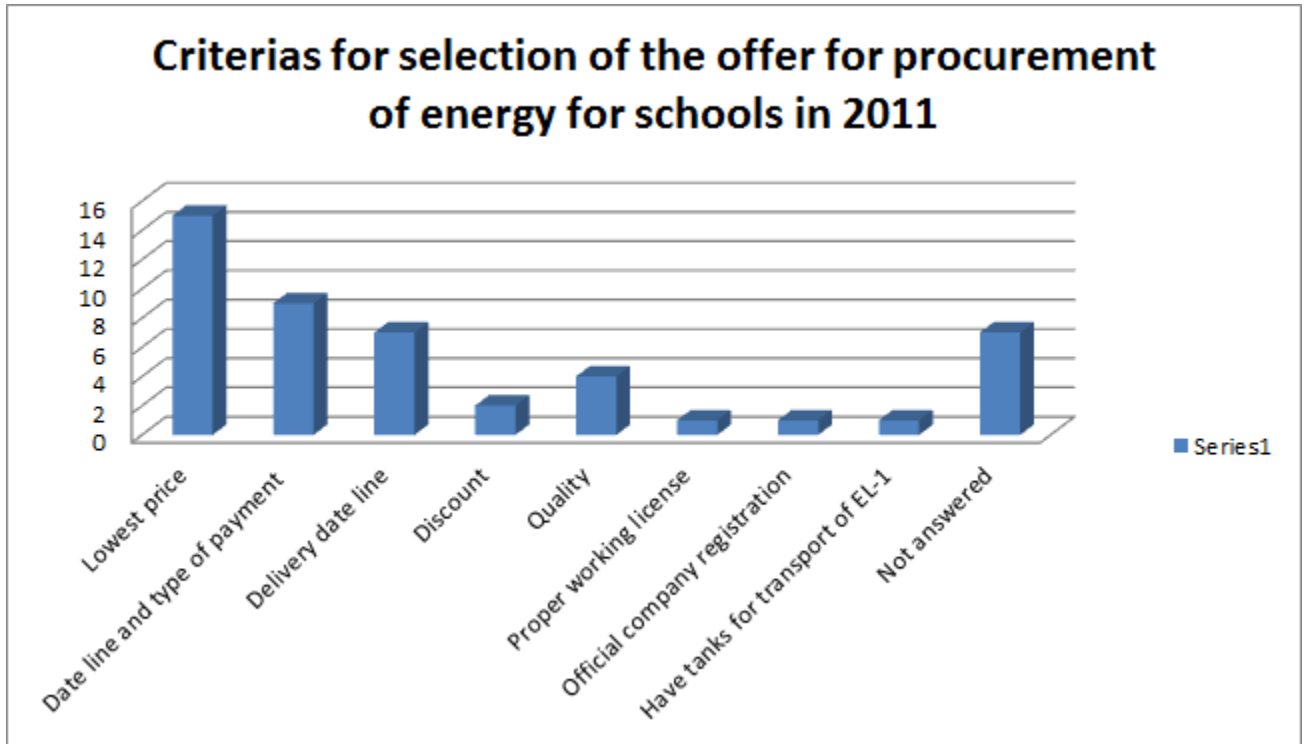
13. Public procurement of energy for schools in 2011 was realized through:



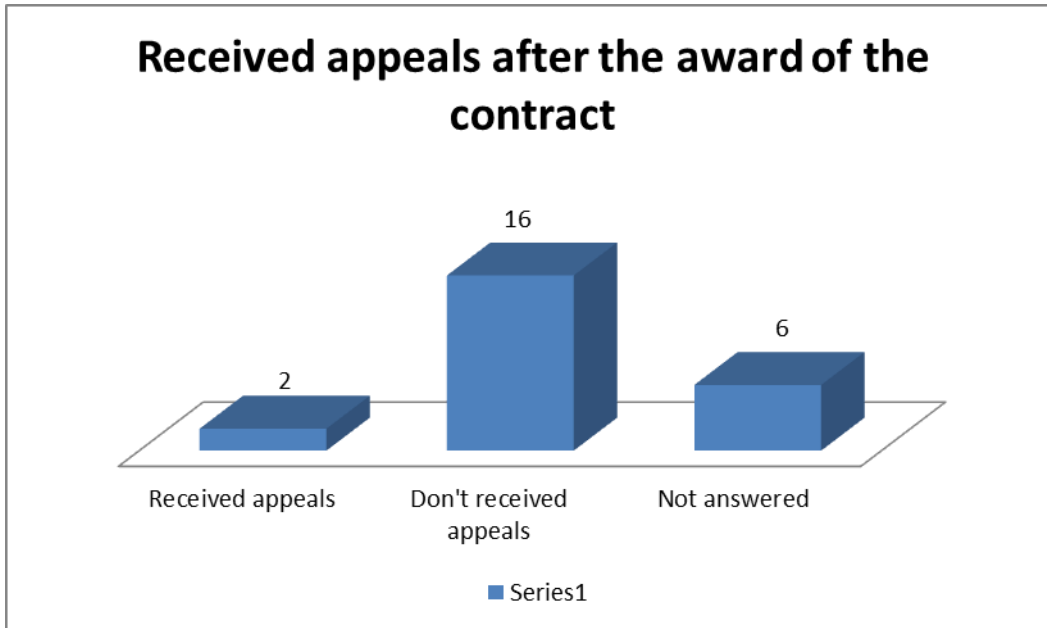
14. If it was one general procurement, who led the procurement process?



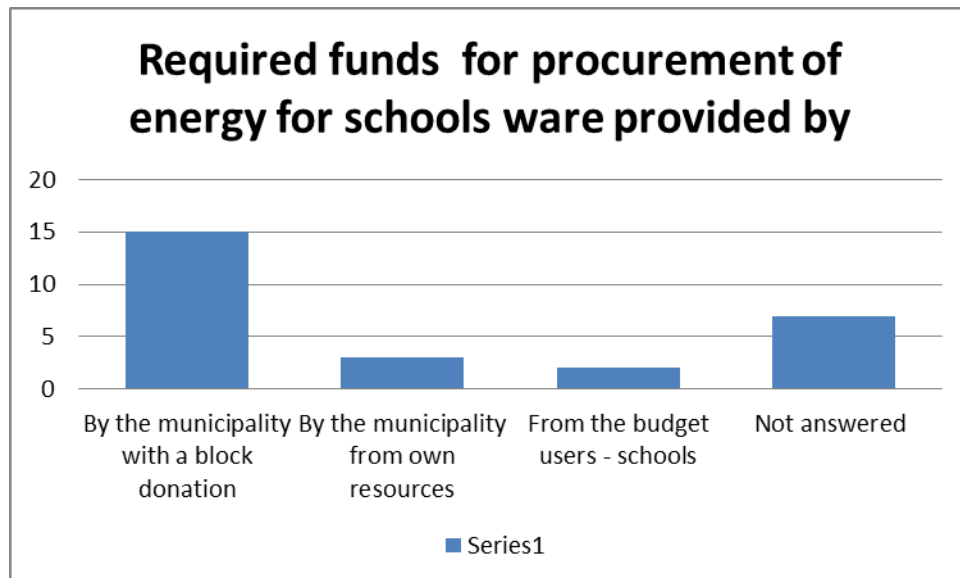
15. List precisely criteria for selection of the offer for procurement of energy for schools in 2011



16. Did you receive appeals after the award of the contract? If yes, please describe how many appeals did you receive, and what was the outcome.

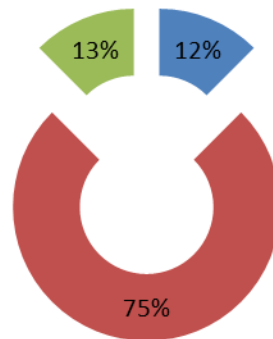


17. From the total funds required for procurement of energy for schools, how much was provided?



18. Within 2011 have you received energy with the decision from the Government of the Republic of Macedonian, or by decision of the other competent body?

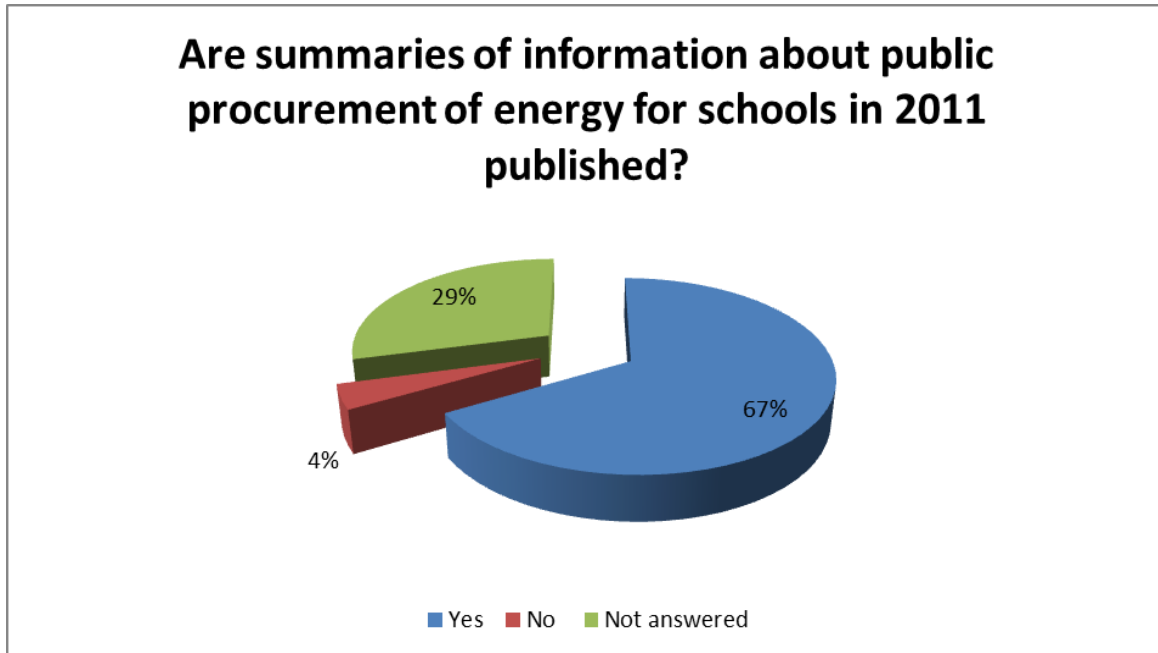
**How many municipalities received energy with the decision from the GoVRM or by decision of the other competent body in 2011?**



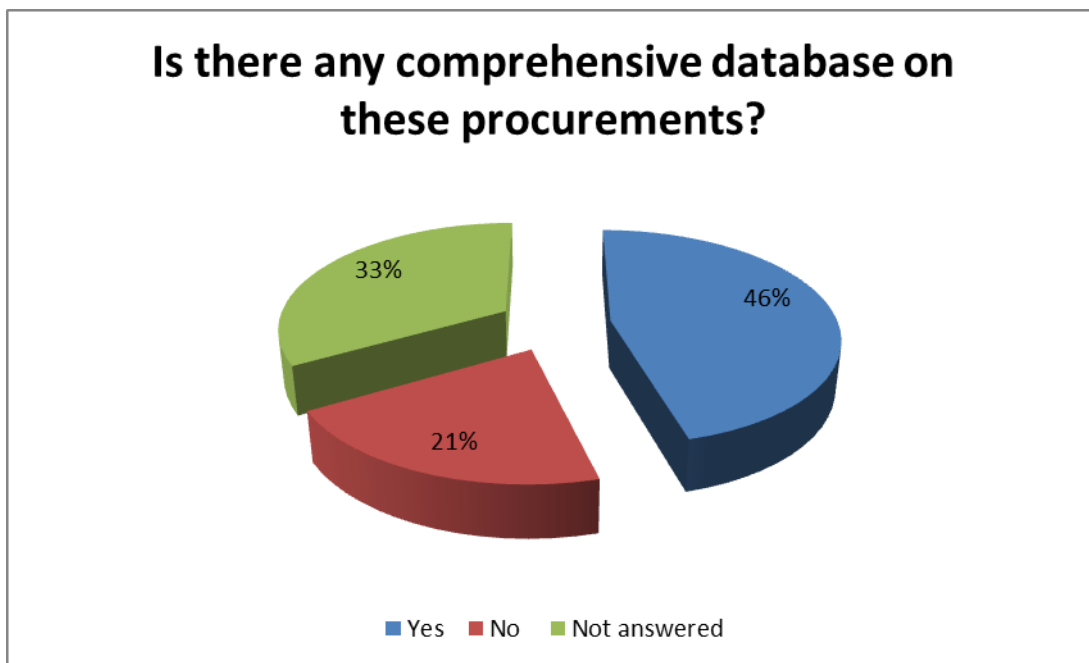
■ Received ■ Not received ■ Not answered



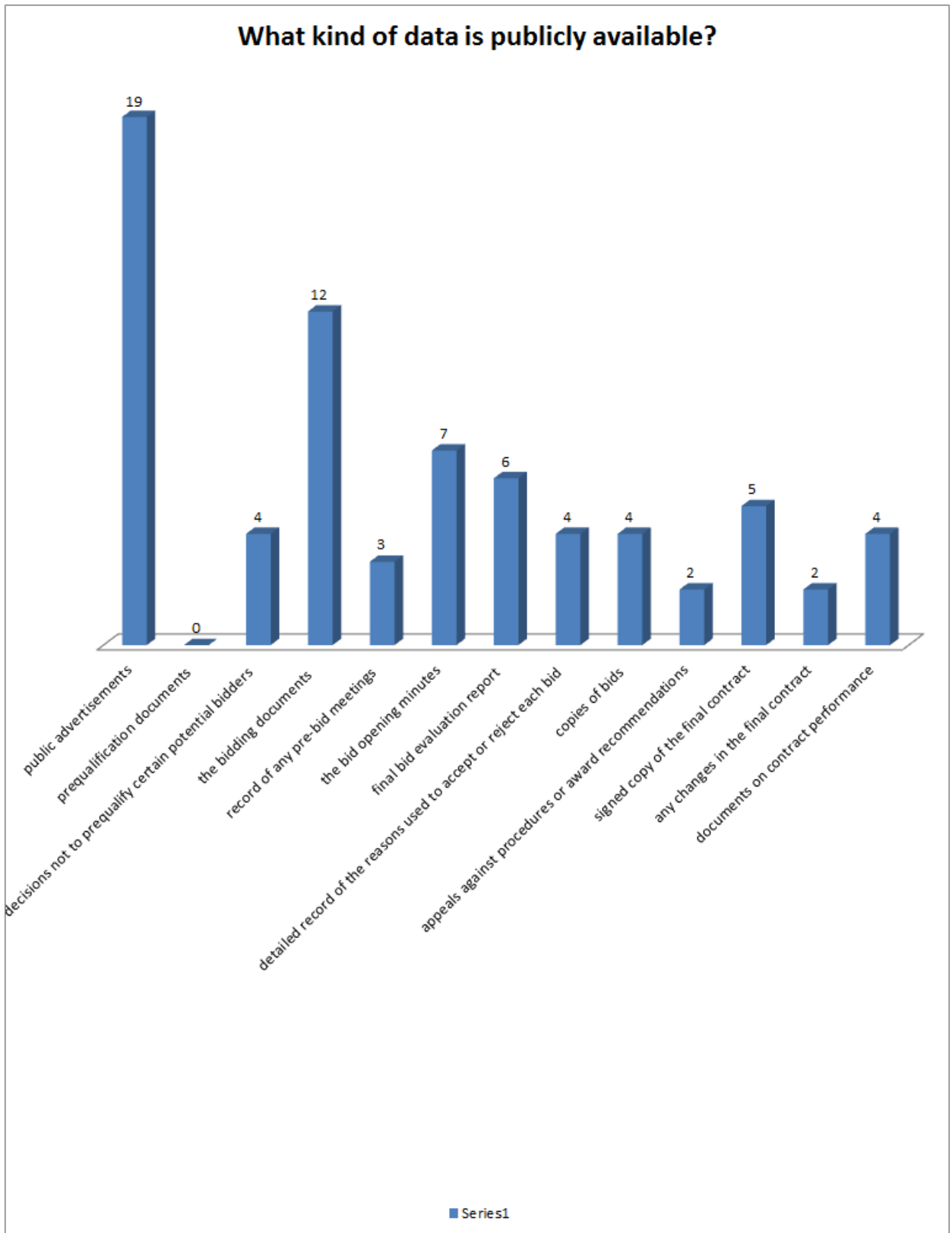
19. Are summaries of information about public procurement of energy for schools in 2011 published?



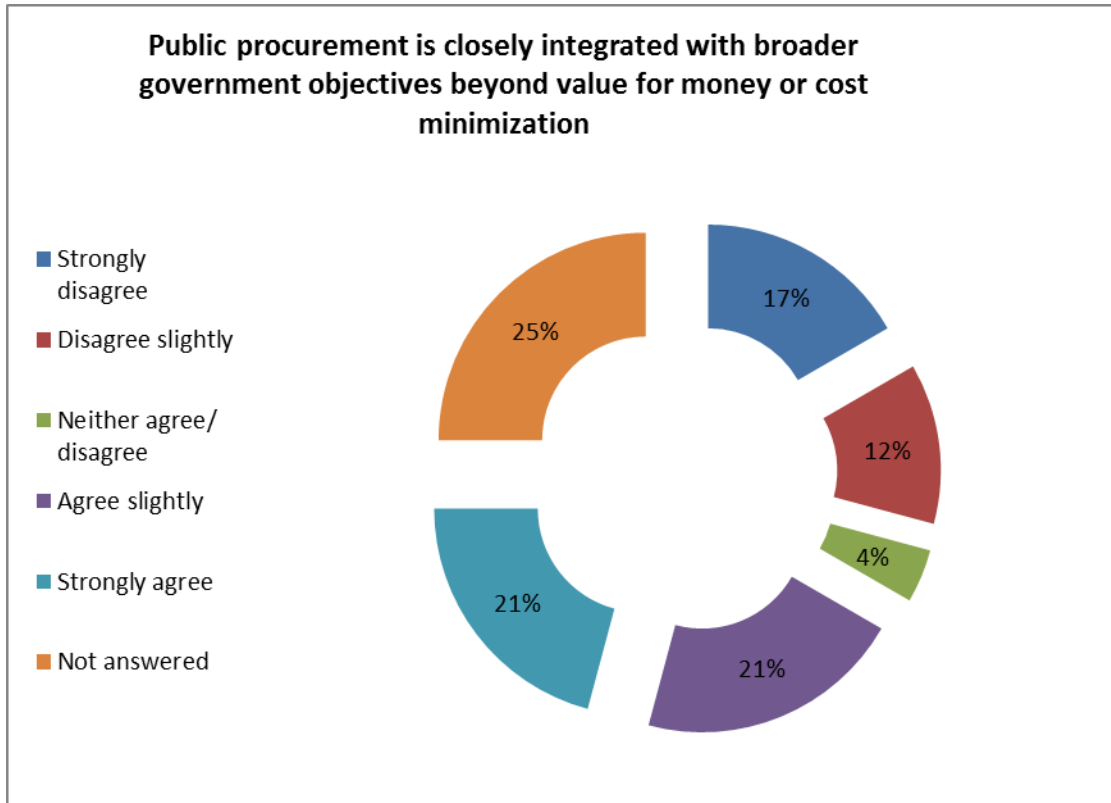
20. Is there any comprehensive database on these procurements?



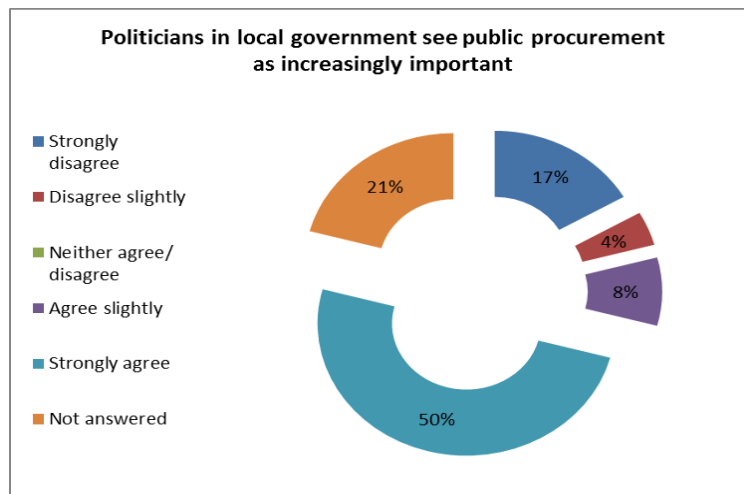
21. What kind of data is publicly available? Specify the format and link



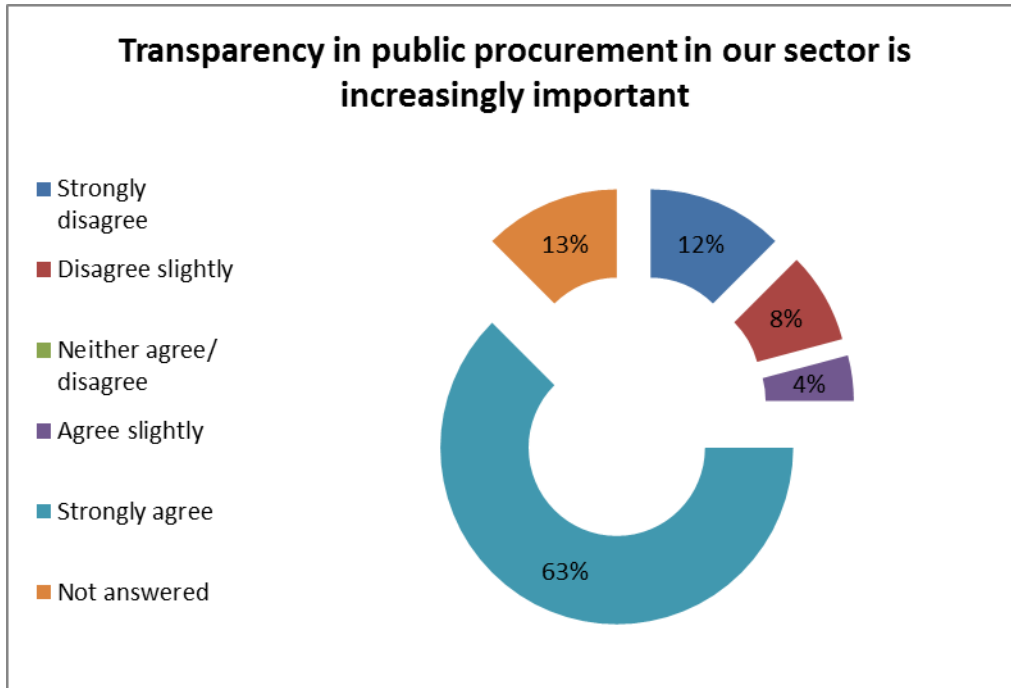
22. Public procurement is closely integrated with broader government objectives beyond value for money or cost minimization



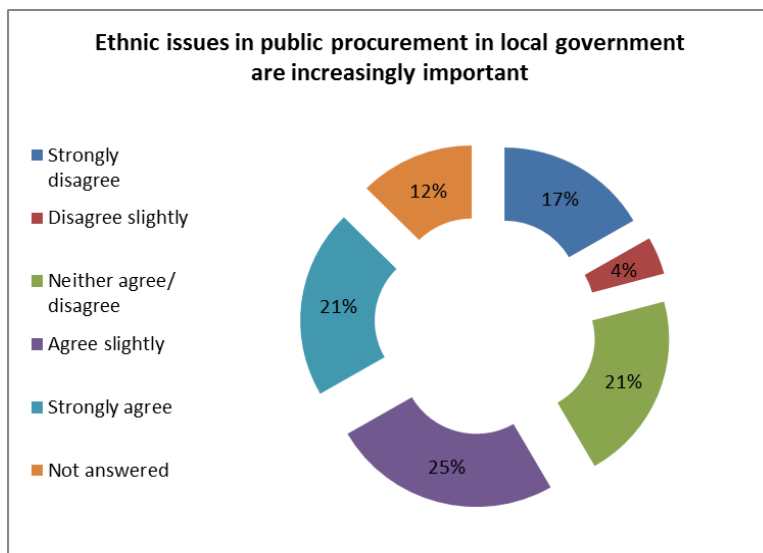
23. Politicians in local government see public procurement as increasingly important



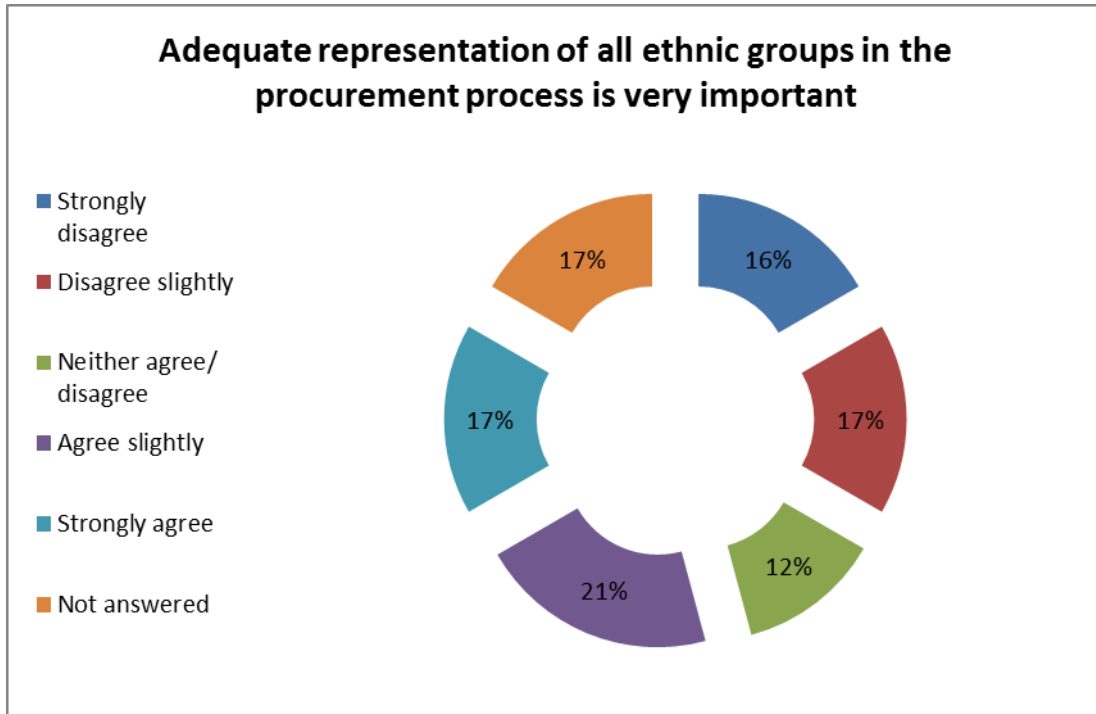
24. Transparency in public procurement in our sector is increasingly important



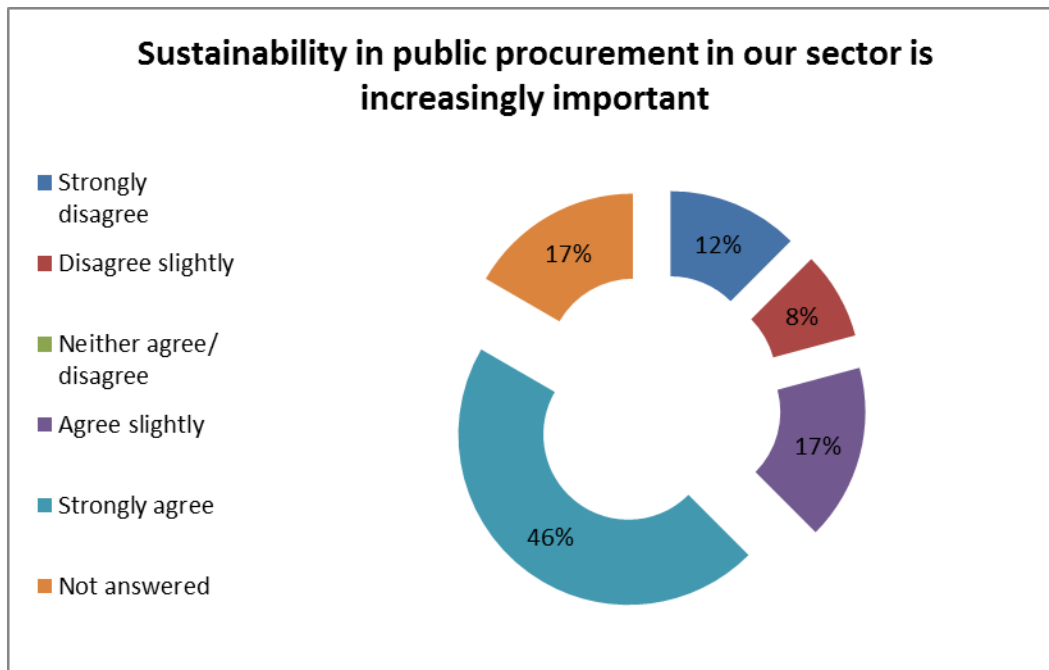
25. Ethnic issues in public procurement in local government are increasingly important



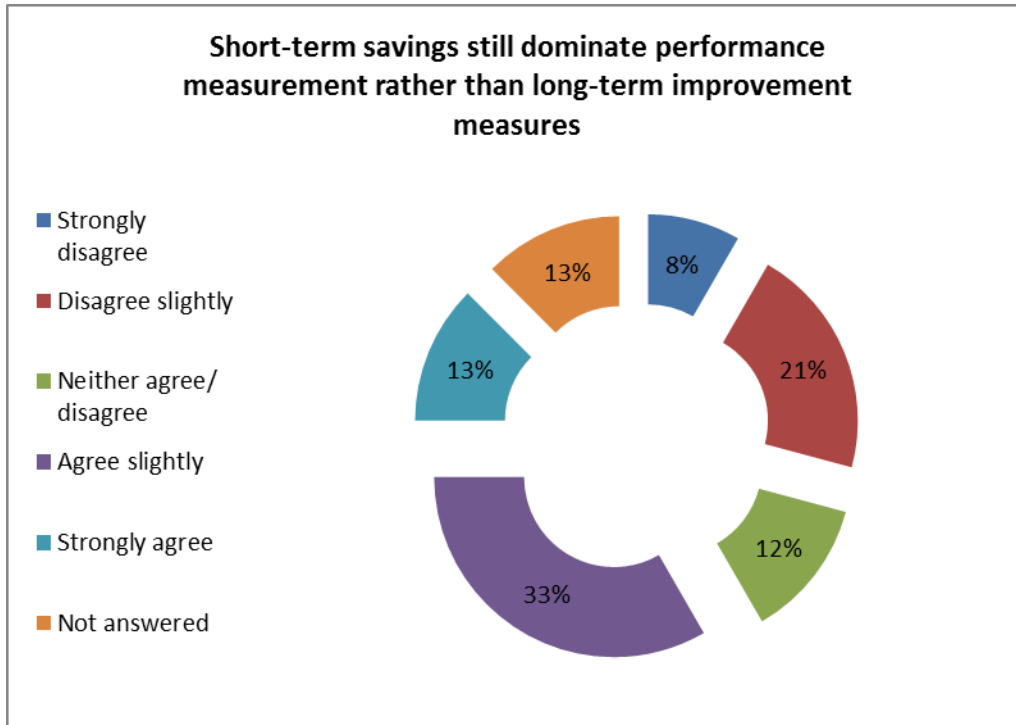
26. Adequate representation of all ethnic groups in the procurement process is very important



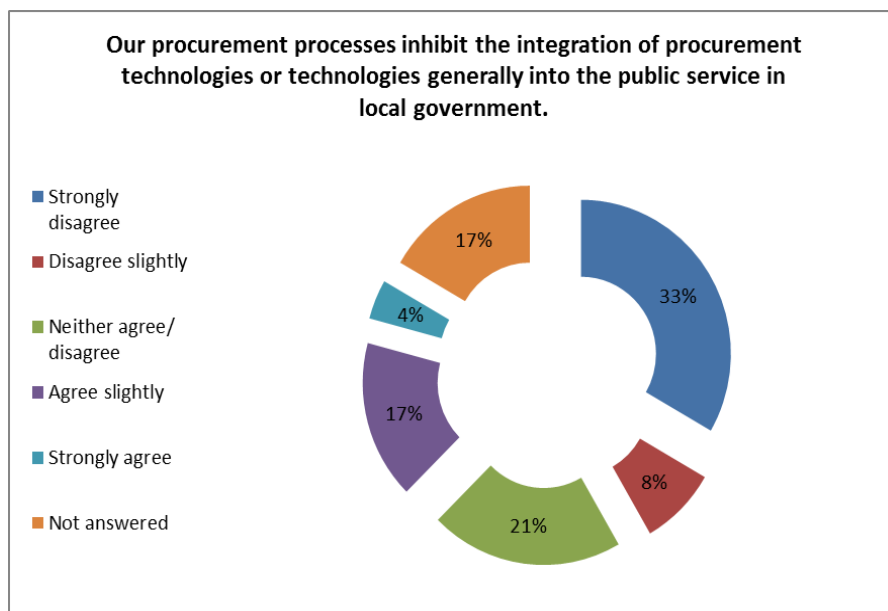
27. Sustainability in public procurement in our sector is increasingly important



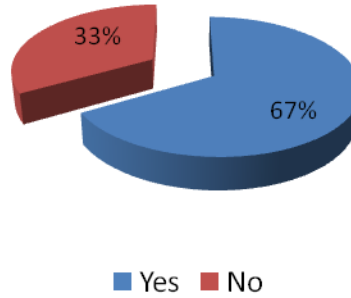
28. Short-term savings still dominate performance measurement rather than long-term improvement measures



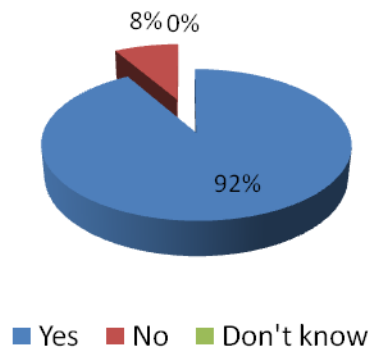
29. Our procurement processes inhibit the integration of procurement technologies or technologies generally into the public service in local government.



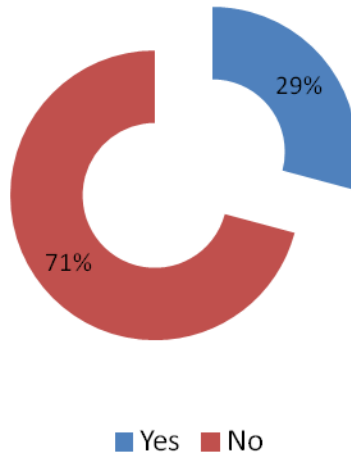
### Municipalities with book of rules and procedures for public procurement committee work



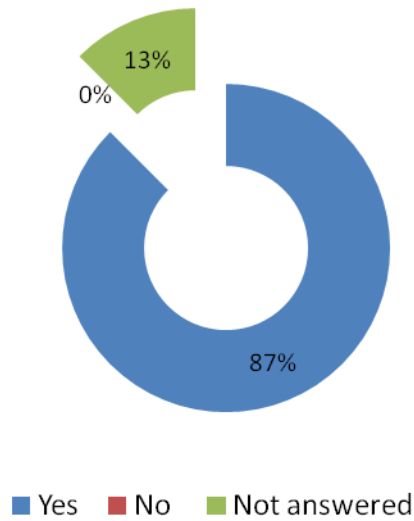
### Is there a national structured education and training programme for procurement professionals?



### Involvement of the municipalities in local (or national) collaborative procurement

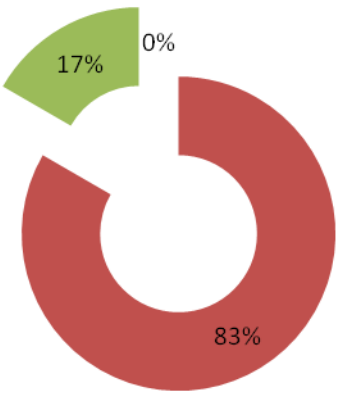


### Are the applicable procedures clearly defined?



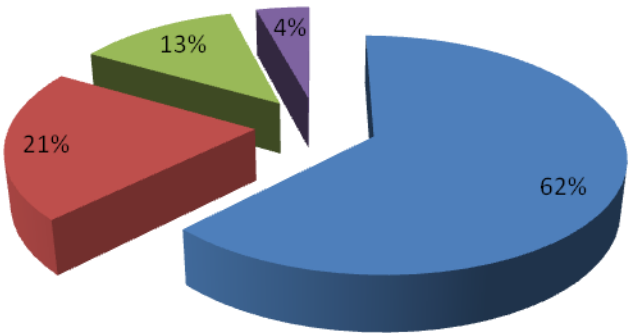


### Are procurement decisions overridden by higher governmental agencies?



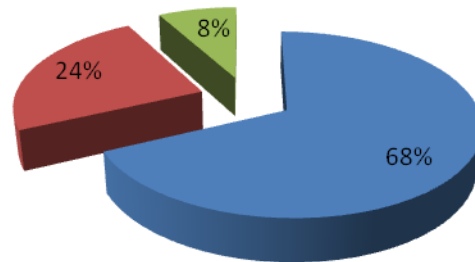
■ Yes ■ No ■ Not answered

### Do procuring entities have internal quality and control mechanisms?



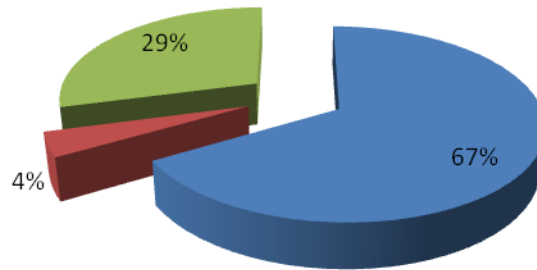
■ Yes ■ No ■ Not answered ■ Partly

**Are there any integrity and transparency guidelines or code of ethics for employees working with PP?**



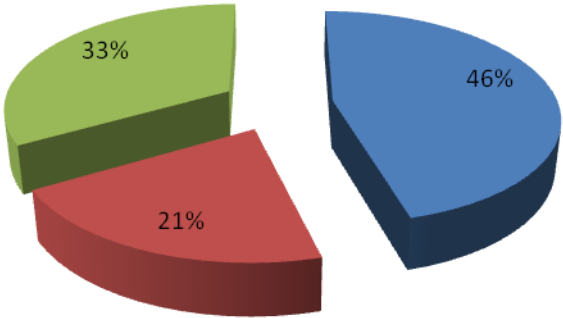
■ Yes ■ No ■ Not answered

**Are summaries of information about public procurement of energy for schools in 2011 published?**



■ Yes ■ No ■ Not answered

**Is there any comprehensive database on these procurements?**



■ Yes ■ No ■ Not answered

## APPENDIX VI

**Table for differences between mono-ethical and multiethnic municipalities**

Table contains frequency of mono-ethical and multiethnic municipalities

<b>Size of municipalities</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Small up to 10.000 inhabitants	1	2
	Medium 10.000 to 30.000 inhabitants	11	5
	Over 30.000 inhabitants	3	2

<b>Job Title of the person who fills out the survey</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	President of the commission	8	4
	Member of the commission	4	2
	Not answer	1	2
	Not even president of the commission, not even member of the commission	2	1

<b>Job Title of the person who fills out the survey</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Work in Sector for Low and General affairs	5	1
	Junior Associate for Financial Affairs	0	1
	Environmental inspector	0	1
	Associate for conducting public procurement	1	0
	Manager of the inspector body	0	1
	Not answer	9	5

<b>How your municipalities arrange</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Law on Public Procurement	12	6
Law on Public Procurement Internal	2	1	

<b>the public procurement competence?</b>	Regulations		
	Other procedure	1	1
	Not answer	0	1

**Which sector, department or employee is competent for public procurement in your municipality?**

	<b>Mono-ethnic</b>	<b>Multiethnic</b>
Sector for finance and budget	1	2
Department for finance and budget	1	4
Sector for legal affairs	0	1
Department for legal affairs	4	2
Other sector (specify)	0	0
Special organizational body for public procurement (article 29a from Law for public procurement)	7	11
Other department (specify)	2	0
Employee (specify job title)	3	1

**Which legal or municipal act regulates the role and responsibilities of the public procurement committee?**

	<b>Mono-ethnic</b>	<b>Multiethnic</b>
Decision for forming Public procurement commission	1	0
Law for Prevention of Conflict of Interests	1	1
Public procurement law	7	6
Statement that regulate the work and responsibility of each member of the Public procurement commission	1	1
Code of ethics when carrying out public procurement procedures	3	0
Rulebook on job organization for the municipal administration	1	0
Statute of the municipality	2	0
Rulebook on the content of the tender documentation	2	0
Rulebook on the Procedure Outcome Report	1	0
Rulebook on the form and content of the notice, the notice of cancellation of the procedure and form of the records of the proceedings with a request for bids	1	0
Rulebook /regulations for the form and content for the reports of candidates	1	0
Decision for the need for public procurement	0	1
Decision from the Mayor for Public procurement commission	0	1
Statement of no conflict of interest, accordance to the Public procurement law	0	1
Procedure on conducting public procurement as a	0	1

contracting authority		
Not answer	2	1

<b>If there is a book of rules and procedures for public procurement committee work?</b>	<b>Mono-ethnic</b>	Yes	9
		No	6
	<b>Multiethnic</b>	Yes	7
		No	2

**Who appoints the members of the public procurement committee?**

	<b>Mono-ethnic</b>	<b>Multiethnic</b>
Responsible person (director and responsible person for public procurement)	2	2
Mayor	13	7

<b>What are the HR requirements – e. g. education, experience)? Please describe</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Education	12	7
	Exam for public procurement	2	2
	Expertise	2	0
	Experience	2	1
	Not answer	3	1

	<b>How is public procurement employees trained? Is there a national structured education and training program for procurement professionals</b>		
	Yes	No	Don't Know
<b>Mono-ethnic</b>	14	1	0
<b>Multiethnic</b>	8	1	0

**If yes, is the education and training program provided by:**

	Municipality	The education sector: university	The professional body/ Bureau for public procurement	Other (please specify)*	Not answered

<b>Mono-ethnic</b>	<b>2</b>	<b>0</b>	<b>13</b>	<b>1</b>	<b>1</b>
<b>Multiethnic</b>	1	0	7	1	2

\* Other:

- Association of the units of local self-government of the Republic of Macedonia – ZELS
- multiethnic
- finance association – mono-ethnic

		<b>Mono-ethnic</b>	<b>Multiethnic</b>
<b>Are public procurement committee appointed ad hoc for each evaluation? Please describe</b>	Ad hoc commission, but in practice members of the commission are the same	1	1
	Commission for public procurement is with mandate of 2 years	0	1
	Ad hoc commission	14	5
	Don't have ad hoc commission	0	1
	For every new purchase there is a new decision on the composition of the committee. The President and one member stay unchanged, and the second member of the committee is choosing depending on the subject of public procurement.	0	1
	Not answer	1	0

		<b>Mono-ethnic</b>	<b>Multiethnic</b>
<b>In case the public procurement committee is a permanent body, what is the term of office of its members?</b>	2 years with chance for reelection	0	1
	Indefinite mandate	1	0
	Mandate of 4 years	2	0
	Mandate is according the law	1	1
	There is no permanent body	9	4
	Not answer	3	2

		<b>Mono-ethnic</b>	<b>Multiethnic</b>
<b>Which of the following best describes the role of public procurement of energy for schools in local government?</b>	As an administrative function, to deliver compliance with regulations	5	4

	To deliver value for money	4	2
	To deliver value for money and be an integral part of government's capability to deliver its policies.	4	1
	Other (please specify)	0	0
	Not answer	2	2

<b>We are involved in local (or national) collaborative procurement</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	3	4
	No	12	5

<b>Are the authorities relating to procurement clearly delegated to the entities carrying out the process?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Instructions for the bidders	0	1
	Technical specifications of the bid	0	1
	Methodology of expressing the criteria in points	0	1
	Public procurement law and bylaws	5	5
	Laws that arrange type of procurement	1	0
	Ministry for finance	0	1
	Yes	4	2
	Lowest price and the most economically offer	0	1
	Tender documentation	2	1
	Not answer	4	0

<b>Are the applicable procedures clearly defined?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	12	9
	No	0	0
	Not answer	3	0

<b>Are procurement decisions overridden by higher governmental agencies?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	0	0
	No	12	8
	Not answer	3	1

<b>Do procuring entities have internal quality and control mechanisms? (Y/N)</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
----------------------------------------------------------------------------------	--	--------------------	--------------------



	Yes	12	3
	No	1	4
	Not answer	2	1
	partly	0	1

		<b>Mono-ethnic</b>	<b>Multiethnic</b>
<b>Are they regularly audited? If so, describe scope, frequency, who carries them out, etc.</b>	Each year from the internal auditors form the Internal audit department	3	3
	Person responsible for supervision	1	0
	An every two years form the State Audit Office	1	1
	Yes	3	0
	An every four years form the State Audit Office	2	0
	No	0	4
	By the selected bidder for performing an expert supervision of quality and quantity of public procurement contracts	0	1
	State audit office	2	0
	Department of financial control from MIA	1	0
	Procedure for public procurement, also can be used a fallowing documents: - Performance guarantee - Warranty guarantee - Statement of seriousness - Negative references	0	1
	Not answered	5	0

		<b>Mono-ethnic</b>	<b>Multiethnic</b>
<b>Are there any integrity and transparency guidelines or code of ethics for employees working with PP?</b>	Yes	11	5
	No	2	3
	Not answer	2	1

### What guidelines ensure integrity and transparency in PP?

	<b>Mono-ethnic</b>	<b>Multiethnic</b>
Code of ethics when carrying out public procurement procedures	2	1
Code of ethics on the state servants	2	1
Statement of conflict of interest which shall be signed by the members of the committees	1	0
Announcement of each procedure on the official web page of the Bureau of Public Procurement and municipalities web pages	7	2
possibility of the presence on interested parties at the bid opening regardless if the submitted an offer or not	1	0
The procedure it's self	1	0
Official gazette of the municipality	1	0
Official Gazette of Republic of Macedonia	1	0
Public procurement law – article	2	2
Rules of procedure	1	0
Positive norms	1	0
Transparency law	1	0
Absence of conflict of interest law	1	0
Public procurement plan	0	1
Not answered	3	3

<b>Public procurement of energy for schools in 2011 was realized through:</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	one general procurement	6	5
	several procurements*	5	3
	Not answer	4	1

\* Exact number of procurement of energy for schools in 2011 – multiethnic:

- 1 municipalities with 2 procurements
- 1 municipalities with 5 procurements
- 1 municipalities didn't wrote right number

\* Exact number of procurement of energy for schools in 2011 – mono-ethnic:

- 1 municipalities with 2 procurements
- 1 municipalities with 5 procurements
- 1 municipalities with 12 procurements
- 2 municipalities didn't wrote right number

<b>If it was one general procurement, who led the procurement process?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Municipality	3	2
	School	2	2
	Other	1	0
	Not answered	8	5

<b>What kind of energy for schools your municipality procured in 2011?</b>	<b>Type of energy</b>	<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Electricity	0	0
	Fuel	0	1
	Gas	4	0
	Wood	2	1
	Gas and wood	3	4
	Not answered	6	3

<b>How many bids did you receive? In case you had several procurements, state the total number of bids received</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	1 bids	2	1
	2 bids	2	1
	3 bids	1	1
	4 bids	1	2
	5 bids	0	2
	6 bids	0	1
	9 bids	1	0
	18 bids	1	0
	Don't know	2	0
	Not answered	5	1

<b>List precisely criteria for selection of the offer for procurement of energy for schools in 2011</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Lowest price	8	7
	Rock and way of payment	3	6
	Delivery time	2	5
	Discount	1	1
	Quality	1	3
	Have appropriate license for this area	1	0
	To be registered company	1	0
	Have tanks for transportation EL-1	1	0
	Not answered	6	1

<b>How many contracts were awarded for procurement of energy for schools in 2011?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	1 contract	7	3
	2 contract	1	4
	3 contract	0	1
	8 contract	1	1
	6 contract	1	0
	12 contract	1	0
	Not answered	4	0

<b>Did you receive appeals after the award of the contract? If yes, please describe how many appeals did you receive, and what was the outcome.</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Not received appeals	9	7
	Received appeals*	1	1
	Not answered	5	1

<b>From the total funds required for procurement of energy for schools, how much was provided</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	by the municipality with a block donation	8	7
	by the municipality from own resources	0	3
	from the budget users - schools	2	0
	Not answered	5	2

<b>How much from the procured energy for the municipality are transferred to the budget users?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	No	12	3
	Not answer	1	6
	Everything	1	0
	Depends from requirements from the users	1	0
	From the budget of the municipality - block donation	1	0

<b>Within 2011 have you received energy with the decision from the Government of the Republic of Macedonian, or by decision of the other competent body?</b>		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	3	0
	No	10	8
	Not answered	2	1

Are summaries of information about public procurement of energy for schools in 2011 published?		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	8	8
	No	1	0
	Not answered	6	1

Is there any comprehensive database on these procurements?		<b>Mono-ethnic</b>	<b>Multiethnic</b>
	Yes	6	5
	No	2	3
	Not answered	7	1

**What kind of data is publicly available? Specify the format and link**

	<b>Mono-ethnic</b>	<b>Multiethnic</b>
public advertisements	10	9
prequalification documents	0	0
the prequalification evaluation report documenting any decisions not to prequalify certain potential bidders	1	3
the bidding documents	8	4
record of any pre-bid meetings	2	1
the bid opening minutes	3	4
final bid evaluation report	3	3
detailed record of the reasons used to accept or reject each bid	3	1
copies of bids	2	2
appeals against procedures or award recommendations	0	2
signed copy of the final contract	2	3
any changes in the final contract	1	1
documents on contract performance	2	2
Not answer	5	0

**Public procurement is closely integrated with broader government objectives beyond value for money or cost minimization**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
<b>Mono-</b>	2	1	0	4	3	5

<b>ethnic</b>						
Multiethnic	2	2	1	1	2	1

**Politicians in local government see public procurement as increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
<b>Mono-ethnic</b>	3	0	0	0	8	4
Multiethnic	1	1	0	2	4	1

**Transparency in public procurement in our sector is increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
<b>Mono-ethnic</b>	1	1	0	1	5	3
Multiethnic	2	1	0	0	6	0

**Ethnic issues in public procurement in local government are increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
<b>Mono-ethnic</b>	4	0	2	3	3	3
Multiethnic	0	1	3	3	2	0

**Adequate representation of all ethnic groups in the procurement process is very important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
<b>Mono-ethnic</b>	4	0	1	3	3	4
Multiethnic	0	4	2	2	1	0

**Sustainability in public procurement in our sector is increasingly important**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Multi-ethnic	2	0	0	2	7	4
Mono-ethical	1	2	0	2	4	0

**Short-term savings still dominate performance measurement rather than long-term improvement measures**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Multi-ethnic	1	2	1	5	3	3
Multiethnic	1	3	2	3	0	0

**Our procurement processes inhibit the integration of procurement technologies or technologies generally into the public service in local government.**

	Strongly disagree	Disagree slightly	Neither agree/disagree	Agree slightly	Strongly agree	Not answered
Multi-ethnic	7	0	3	1	1	3
Multiethnic	1	2	2	3	0	1

**Our procurement policy is based on the following principles**

Principle	Average score Multiethnic	Average score Mono-ethical
Value for money	3,67	4,10
Open and effective competition	3,88	2,6
Ethical supply	5,50	6,2
Accountability and reporting	4,89	5,33
Fair dealing with all suppliers	6,00	4,11
Sustainable supply	4,00	3,9
Transparency to the public	4,11	3,8
Use of enabling technology	7,25	7,9
Support of local economy	6,33	6,3
Others (please add):	0	0

**Our procurement performance measures are based on the following principles**

Principle	Average score Multiethnic	Average score Mono-ethical
Value for money	4,71	3,1
Open and effective competition	4,00	2,5
Ethical supply	7,50	6,44
Accountability and reporting	4,71	5,7

Fair dealing with all suppliers	5,57	5,7
Sustainable supply	2,67	4,1
Transparency to the public	3,57	3,89
Use of enabling technology	7,33	6,7
Support of local economy	5,71	6,4
Others (please add):		<b>0</b>



## APPENDIXVII

### Statistical calculations for differences between mono and multi- ethnic municipalities

In order to determine the differences between mono-ethnic and multiethnic municipalities in terms of several variables it's been used three statistical procedures: x-squared, Prirsonov coefficient and t-test. Test findings are listed below.

The first test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of deciding on the public procurement committee members. After completed testing it was determined that **there is a statistically significant difference between mono-ethnic and multiethnic municipalities in terms of deciding on the public procurement committee members, or ( $X^2(1; N=24)=0.577$   $p<.005$ ).**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	8.000 <sup>a</sup>	1	.005		
Continuity Correction <sup>b</sup>	5.120	1	.024		
Likelihood Ratio	9.262	1	.002		
Fisher's Exact Test				.012	.012
Linear-by-Linear Association	7.667	1	.006		
N of Valid Cases	24				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.50.

b. Computed only for a 2x2 table

### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.577	.005
Cramer's V	.577	.005
N of Valid Cases	24	

The second test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of involvement in local (or national) collaborative procurement. After completed testing it was determined that **there is NOT a statistically significant difference between mono-ethnic and multiethnic municipalities in terms of involvement in local (or national) collaborative procurement, or ( $X^2(1; N=24)=0.497$   $p>0,005$ )**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.929 <sup>a</sup>	1	.015		
Continuity Correction <sup>b</sup>	3.886	1	.049		
Likelihood Ratio	8.247	1	.004		
Fisher's Exact Test				.022	.019
Linear-by-Linear Association	5.682	1	.017		
N of Valid Cases	24				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 2.63.

b. Computed only for a 2x2 table

### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.497	.015
Cramer's V	.497	.015
N of Valid Cases	24	

The third test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of realizing public procurement of energy for schools in 2011. After completed testing it was determined that **there is NOT a statistically significant difference between mono-ethnic and multiethnic municipalities in terms of realizing public procurement of energy for schools in 2011, or ( $X^2(1; N=24)=0.606$   $p>0,005$ )**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.967 <sup>a</sup>	1	.008		
Continuity Correction <sup>b</sup>	4.283	1	.038		
Likelihood Ratio	8.466	1	.004		
Fisher's Exact Test				.018	.018
Linear-by-Linear Association	6.600	1	.010		
N of Valid Cases	19				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.68.

b. Computed only for a 2x2 table

#### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.606	.008
Cramer's V	.606	.008
N of Valid Cases	19	

The fourth test was designed to determine whether there is a statistically significant difference between the multiethnic and mono-ethnic municipality in terms of receiving energy with the decision from the Government of the Republic of Macedonian. After completed testing it was determined that **there is NOT a statistically significant difference between mono-ethnic and multiethnic municipalities in terms of receiving energy with the decision from the Government of the Republic of Macedonian, or** ( $X^2(1; N=24)=0.258$   $p>0,005$ )

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.400 <sup>a</sup>	1	.237		
Continuity Correction <sup>b</sup>	.243	1	.622		

Likelihood Ratio	2.213	1	.137		
Fisher's Exact Test				.526	.342
Linear-by-Linear Association	1.333	1	.248		
N of Valid Cases	21				

- a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .86.  
b. Computed only for a 2x2 table

### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.258	.237
Cramer's V	.258	.237
N of Valid Cases	21	

**With the increase of the number of Macedonian nationality employees in the municipality, there is an increasing of the members of Macedonian ethnicity in the procurement committee.** The correlation between the two variables is  $r = 0,513$  and it is significant at 0,05 ( $p < 0,05$ ).

### Descriptive Statistics

	Mean	Std. Deviation	N
Municipality employees	20.58	27.802	24
Committee members	1.92	2.083	24

### Correlations

		Municipality employees	Committee members
Municipality employees	Pearson Correlation	1.000	.513*
	Sig. (2-tailed)		.010

	N	24.000	24
Committee members	Pearson Correlation	.513*	1.000
	Sig. (2-tailed)	.010	
	N	24	24.000

\*. Correlation is significant at the 0.05 level (2-tailed).

**There is no statistically significant correlation between the number of employed persons of Albanian nationality in the municipalities and the number of members of the committee on public procurement from Albanian nationality. ( $r = 0.371$   $p > 0,05$ )**

This result can be taken with caution if you take into account the small number of municipalities, participants of this study who employ persons of Albanian nationality.

### Descriptive Statistics

	Mean	Std. Deviation	N
Municipality employees	11.88	19.550	24
Committee members	1.21	1.719	24

### Correlations

		Municipality employees	Committee members
Municipality employees	Pearson Correlation	1.000	.371
	Sig. (2-tailed)		.074
	N	24.000	24
Committee members	Pearson Correlation	.371	1.000
	Sig. (2-tailed)	.074	
	N	24	24.000