North Macedonia economy briefing:


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Experience from past electoral cycles suggests that electoral programmes more often than not fail to translate into economic policy making which has concrete and tangible deliverables. Nonetheless, programmes present one indicator of the predominant party-political ideologies, and point to the general directions that are likely to be taken by future Governments. This report looks at the economic programmes of the six political parties or coalitions (SDSM, VMRO, DUI, ASA, Levica, and DPA)¹ which have secured at least one MP mandate in the 2020 Parliamentary Elections held on July 15th.

**SDSM-led coalition: “We Can” - 46 MPs**

Although the SDSM defines itself as a center-left party with a social-democratic ideology, its economic policies are better described as neoliberal. In the early nineties, the structural adjustment policies of the IMF and the World Bank had started to be implemented under the government of the SDSM. The state transferred factories and public companies to private ownership, consolidating much of the public wealth in the hands of a small capitalist class, at the same time creating a politics-business fusion and planting the seeds for the country’s current inequality. The SDSM-led coalition in the period 2017-2020 remained on the neoliberal track. The electoral programme for 2020 highlights as its key achievement “the GDP growth rate of 3.6% in 2019” and “the opening of 60,000 new jobs”. It also states that the SDSM have “managed to secure FDIs to the value of 950 million euros.” Furthermore, it lists as party-political achievements the three economic packages that were implemented in response to the Covid 19 pandemic.² With regards to the coming period (2020-2024), the party pledges to secure a GDP growth of 4%, increase the minimum wage by 40%, and pensions by 21%. 600€ million are envisioned to support small businesses. Moreover, it states that by 2024, 1 billion euros in FDIs will enter the country, in addition to the 2,2 billion euros in state-funded investments:

¹ The electoral programme for DUI, DPA and the ASA have been published in Albanian language only, illustrating that all three Parties aim to appeal only to the ethnic-Albanian electorate.
“We will strengthen our capacity to realise capital investments, which will be the main generator of public investment spending, to allow us to focus on the great potential of domestic spending and investments”.

There are no proposals to modify the current tax model to offset the high fiscal expenditure implied by such an expensive economic programme. It proposes the capital gains and income tax to remain flat at 10%. Throughout the programme a continuous attempt is made to link the economy to the party’s Euro-Atlantic agenda. Both are consistently presented as the preconditions for economic development and the access to new funds. For instance the programme states that 80% of all EU accession negotiation chapters will be opened in the next 4 years, allowing access to EU funds to the value of 2,5 billion euros.

**VMRO-led coalition: “Renewal” - 44 MPs**

VMRO-DPMNE defines itself as a centre-right people’s party rooted in the Christian-Democratic ideology. Its economic ideology is also on the right, as evidenced in the economic policies implemented during its period in government from 2006-2015, when the flagship “Invest in Macedonia” project was launched. Aimed at attracting FDIs it included measures such as changes to the regulatory frameworks, introduction of low and flat taxes and free industrial zones with pre-prepared construction sites with additional tax relief for foreign businesses. Its electoral programme for 2020, which is described as “focused on the economy, entrepreneurship and support for business” displays a continuation with the economic thinking characteristic for the 2006-2015 period. The party pledged to deliver GDP growth of 5% within the next 4 years:

“We will work on stimulating economic growth by building strong institutions, through high capital investments, stronger investment activity in the private sector, as well as new FDIs and the promotion of exports”.

Similarly to the SDSM, VMRO’s economic programme also implies high fiscal costs, and is not accompanied by a strategy on how this would be funded. For instance, it proposes a 25% increase of public sector salaries, whilst maintaining low taxes and proposing further reductions to the capital gains tax to 8%. VMRO pledges to spend 4% of GDP on Capital

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3 https://mozeme.mk/mk-restart/
4 http://obnova.mk/index.php/programa
Investments. Its programme is also heavily focused on attracting FDIs, considering both NATO and EU membership as conducive to economic growth.

**DUI - Democratic Union for Integration - 15 MPs**

DUI was established in 2002 and has been part of most Governing coalitions since (with the exception of 2006-8). As in previous elections, DUI’s electoral proposal was again focused on ethnic identity politics (the demand that the PM should be ethnic-Albanian) instead of economics. DUI’s economic programme consists of mostly generic phrases, with no specific economic strategies outlined. The Party calls for an increase in capital investments (transport infrastructure and energy), as well as an overall improvement of the public services. Furthermore, it calls for an increase in the social transfers available for vulnerable social groups. Similarly to both the SDSM and VMRO, the economic programme proposed by DUI is dependent on high fiscal expenditure without a clear indication given on the way in which it is to be funded with the exception of the brief mention of public-private partnerships as a model for funding capital projects.

**Coalition of the Alliance for the Albanians and “Alternative” (ASA) - 12 MPs**

ASA’s electoral programme calls for a more equitable and efficient use of the public funds, as well as an increase in public investments (focused on areas primarily inhabited by an ethnic Albanian population) and support for private businesses (they pledge to create 25,000 new jobs in the public and the private sector). Furthermore, they project GDP growth to 4-5% and a decrease in unemployment by 10% by 2025 as a result of their policies. ASA calls for the restructuring of private and state enterprises, and a reform in the public institutions.

**Levica - “The State for the People” - 2 MPs**

Levica “The Left”, is the only Parliamentary party which opposes the neoliberal consensus, arguing that it has devastated the country in the post-socialist period. Its economic programme is titled “Planned Economy Instead of a Market Anarchy”. It proposes a developmental economic model, calls for the expansion of the welfare state and the public services, and advocates a progressive taxation system (income/capital gains and luxury tax) to tackle the rising inequality. Moreover, Levica proposes a comprehensive programme on capital investments facilitated by the creation of a new “Fund on development and investments”, which

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6 https://levica.mk/parlamentarni-izbori-2020/
would coordinate the realisation of capital investments. It proposes state support for the promotion and development of key strategic sectors (such as IT and agriculture). Finally, it calls for restrictions on the privatisation of public enterprises and natural resources.

**The Democratic Party of the Albanians (DPA) - 1 MP**

DPA identifies as a centre-right party. Economically, it calls for a reduction in unproductive spending (less money for the public sector and more money for businesses), and an increase in capital investments, especially in the energy sector, infrastructure, health and education. They argue that this approach would result in a GDP growth of 7% by 2024. In spite of calling for higher expenditures, the DPA warns against the rising public debt, and doesn’t indicate how (in addition to a more productive use of existing funds) the proposed programme would be financially sustained.⁷

**Conclusion**

There are notable similarities in the economic programmes of 5 of the 6 new Parliamentary parties (VMRO, SDSM, DPA, DUI and ASA). In addition to relying on neoliberal economic logic, all 5 programmes are conditional on increases in public expenditures without offering a credible strategy on how such funding will be sustained (increase in taxes, new investments or rise in public debt). This is particularly evident in the case of the two largest political parties - VMRO and SDSM, whose programmes of which are estimated to cost additional 20 billion euros in the next 4 years.⁸ All 5 parties seem to consider membership in NATO and the EU to be almost automatically linked to improved economic prospects. The Covid 19 pandemic is likely to severely obstruct such optimistic scenarios, and the projections of between 4-7% rise in GDP proposed by the 5 parties, are unlikely to be reached. What is more, the ability of capital investments to trigger dynamic economic activity is likely to remain curtailed by broad institutional incapacity, as well as the absence of long-term strategic economic planning which prevents the translation of capital investments into concrete operational plans for their execution. In light of this, the Macedonian economy is not likely to shift from its neoliberal trajectory in the next period. Nonetheless the entry into Parliament of the anti-neoliberal political party Levica, is likely to introduce into public and political discourse new economic ideas and proposals, which in the long term may contribute towards

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⁸ For illustration purposes it is worth noting that the Macedonian GDP in 2019 was worth 12,69 billion US Dollars
reimagining new possibilities for achieving the long-overdue sustainable economic development of the country.