

**Regional Development in the Republic of Macedonia in  
accordance with the Law on Balanced Regional Development**

**Abstract:**

Regional development is a contemporary issue not only for the Republic of Macedonia, but also for the European Union. This problem has just started to attract attention in the Republic of Macedonia. Europe urges for and favours the idea that the development should not be addressed only locally, within the municipality, but should also get attention from another, higher, level, that is, regionally. Nowadays, the European Union spends a substantial part of its Budget on the Regional Policy and Cohesion Policy of its member states. In each European country individually, depending on the state system and the level of development, the policy on regional development is implemented differently and is implemented by different bodies. The modest beginnings and the level at which the Republic of Macedonia is now should not hinder or obstruct the efforts for supporting and further developing the regions by national and local authorities. Without strong regional policy, Macedonia will not accede to EU. In this context, institutions must be harmonized with EU requirements. Therefore, the aim of this paper is to explain the institution in charge of the implementation of the regional policy of the Republic of Macedonia, the Bureau for Regional Development, and its current position in the system, and to give recommend that the Bureau change its status, and become an agency for regional development, assuming all the powers which would belong to it, if the example of certain European states is to be followed.

***1. Regional development***

Regional development is a contemporary issue not only for the Republic of Macedonia, but also for the European Union. This problem has just started to attract the necessary attention in the Republic of Macedonia. Since long ago, the European Union has been divided in “Europe in Regions”. Europe urges and favours the idea that development should not be addressed only locally, within the municipality, but from another, higher, level, that is, regionally. Despite the fact that Europe is one of the richest places in the world, there is still huge inequality among different regions

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<sup>1</sup> Bureau for Regional Development, Skopje, Republic of Macedonia.

therein. It can be said that there is unequal development of the regions within one country.

The unequal development, that is, inequality of the regions in Europe is a consequence of several factors such as the geographic location, or any social or economic change, or a combination of the two. "In order to overpass the consequences of the Second World War, throughout Europe, as from 1982, the first development agencies that aimed at renewal of the local economic development and acceleration of the investments in the regions started to be established".<sup>2</sup> In any case, these development agencies had different roles depending on the needs and possibilities of the cities, and the regions where they were established.

Nowadays, the European Union spends a substantial part of its Budget on the Regional Policy and Cohesion Policy of its member states. "The biggest part of the regional spending is reserved for the regions with GDP under 75% of the Union's average, in order to improve their infrastructure and the development of the human and economic potential".<sup>3</sup> Innovation and research, as well as sustainable development and training at work in less developed regions, are funded in all EU member states. A small part of these funds is allocated to cross-border cooperation and interregional cooperation projects.

## ***2. Regional Development in the Republic of Macedonia***

After becoming independent in 1991, the Republic of Macedonia underwent a series of reforms in various fields. As a country in transition, Macedonia assumed the obligation guaranteed in the Constitution of the RM for faster development of the less developed regions. As a former Yugoslav Republic, Macedonia was one of the least developed countries in the Balkans, with a very weak economy. One of the basic weaknesses was the high level of economic disproportion among different parts of the country. The entire economy was concentrated in and around the city of Skopje. This resulted in unfavourable polarized development, by favouring the development of the cities to the detriment of the villages, and this achieved a monocentric development, with the biggest concentration of economic activities in the capital city.<sup>4</sup> In order to follow the European trends of division of territory into regions, and their equal economic development, the Republic of Macedonia had to undertake important measures for amending its legislation.

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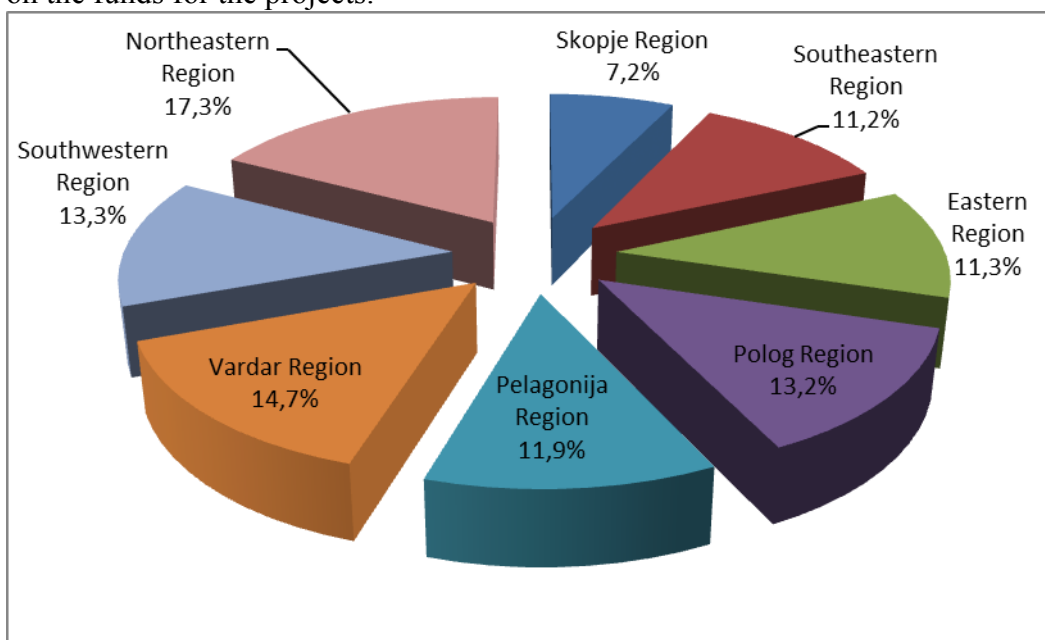
<sup>2</sup> Clark Gerg, Huxley Joe, Mountford Debra, *Organising Local Economic Development – The Role of Development Agencies and Companies*, OECD, 2010 p. 3

<sup>3</sup> the same

<sup>4</sup> Slaveska Tatjana, *Regional Development Policy of the European Union and the Republic of Macedonia*, Economy Press, Skopje, 2000, p. 159

The Law on the Republic Fund for Promotion of Faster Development of the Economically Less Developed Areas was in force in the period from 1974 to 1994. The institution responsible for distribution of funds – the Republic Fund for Promotion of Faster Development of the Economically Less Developed Areas was established in this period. The Fund, from 01.01.1994, was replaced by the Agency for Economically Less Developed Areas, which in 2000 changed its name to the Bureau for Economically Less Developed Areas, and as of 01. 01. 2008, its legal successor is the Bureau for Regional Development.

The Republic of Macedonia is divided into eight regions, with different levels of development. The funds are allocated to the regions on the basis of a Decision<sup>5</sup> of the Government of the Republic of Macedonia on classification of the planning regions, according to the level of development. In accordance with the old practice, that is, in accordance with the old Law, beneficiaries of the funds may be legal entities and natural persons. The only requirement necessary to be fulfilled was that the projects that request financial support be implemented within the prescribed settlements that are less economically developed. The director of the Bureau, until 2002, had a discretionary right, through a decision, to approve funds for the projects. In May 2003, this discretionary right was abolished and a Commission for Approval of Funds was been established in the Government of the RM, which was given the task of giving opinions (positive or negative) on the funds for the projects.



<sup>5</sup> Decision on Classification of the Planning Regions According to the Level of Development for the Period 2008 – 2012, Official Gazette of RM, no. 63/07

Source: Decision on Classification of the Planning Regions According to the Level of Development for the Period 2013 – 2017, Official Gazette of RM, (2013), no. 88/2013

The Law on Balanced Regional Development<sup>6</sup> was adopted on 22.05.2007. This Law regulates the aims, the principles and the bodies in charge of the policy for promotion of equal regional development, the planning of regional development, the financing and the distribution of the funds for promotion of the equal regional development, the monitoring and the assessment of the implementation of the planning documents and projects, and other issues in relation to the regional development.<sup>7</sup> According to the Law, regional development is a process of identification, promotion, management and use of development potentials of the planning regions and the areas with specific development needs. The policy for regional development, on the other hand, is a system of goals, instruments and measures directed towards a decrease of regional disparities, and the achievement of equal and sustainable development in the Republic of Macedonia.

According to the Law, bodies<sup>8</sup> in charge of the policy on promotion of the equal regional development are:

- the Government of the Republic of Macedonia
- the Council for Equal Regional Development of the Republic of Macedonia
- the Ministry of Local Self-government
- the Council for Development of the Planning Region

The Bureau for Regional Development and the centres for development of the planning regions participate in the planning of the regional development, and the implementation of the regional development planning documents.

Relevant institutions for promotion of balanced regional development:

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#### **Policy makers**

<b>Council for Balanced Regional Development of the Republic of Macedonia</b>	National level
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<b>Ministry of Local Government</b>	National level
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<b>Council for Planned Regional Development</b>	Regional level
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#### **Operational institutions**

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<sup>6</sup> Law on Equal Regional Development, Official Gazette of RM, no. 07-2195/1, 2007.

<sup>7</sup> The same, Article 1

<sup>8</sup> the same Article 15

<b>Bureau for Regional Development</b>	National level
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<b>Centers for Development of planning regions</b>	Regional level
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Source: The Law on Balanced Regional Development (Off. Gazzete No 63//07)

The Ministry of Local Self-government is competent for the adoption and creation of the policy on regional development. The Ministry, in cooperation with other ministries that undertake measures for regional development, defines and implements the policy on promotion of the equal regional development, in accordance with the aims of the policy of the Government and with the program documents for integration of the Republic of Macedonia into the European Union.

The Bureau for Regional Development<sup>9</sup> is a body in the Ministry of Local Self-government, having the status of a legal entity. The director is appointed and dismissed by the Government of the Republic of Macedonia. On the basis of the new Law, it is obvious that the Bureau is deprived of many activities that it should encompass as a genuine implementation body, with only the technical activities remaining. The Bureau has proven that, as an institution, it is sufficiently capable of undertaking other additional activities that naturally should be delegated to it, no matter whether they are activities that are currently carried out by the Ministry of Local Self-government, or any other ministry or agency. Thus, the work would be facilitated, and situations where institutions declare themselves as incompetent to act in the cases of unclear and insufficiently regulated provisions in the Law would be avoided.

The Bureau for Regional Development announces a public invitation for draft proposals for financing of areas with specific development needs, for villages, and for regional projects. The units of local self-government and the legal entities that implement projects in the region can apply for these projects. The centres for regional development can also submit projects of regional importance. These funds are awarded from the Budget of the RM in the amount of 1% of the GDP<sup>10</sup> (which has not happened till now, usually remaining at only 0.04% of the GDP ) in accordance with three programs:

- 70% for development of planning regions, allocated according to their level of development. The councils for planning regions apply for these funds.

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<sup>9</sup> the same Articles 22 and 23

<sup>10</sup> the same Article 27

- 20% for financing projects for development of areas with specific development needs.
- 10% for financing projects for village development. The funds are awarded to the local self-government units where areas with specific development needs are identified, after they are granted consent of the regional councils.<sup>11</sup>

The projects that are eligible are infrastructure projects, technical (regional and local roads, water supply and alike), social infrastructure (schools and health institutions) and projects for development of tourism in the regions.

The problem is that the competencies are not clearly delegated to particular ministries and agencies, and there is an overlap of competencies and funds intended for the same purpose. There are programs or funds intended for a particular component of the regional development. The coordination and communication among the ministries is weak and not efficient and there is ineffective operation and duplication of the funds for same projects.

### ***3. Analysis of the situation starting from 2009 up to today***

For the regional development policy to develop in the right direction, in line with EU requirements, the Republic of Macedonia has started the necessary process by passing the Law on Balanced Regional Development in 2007, which has served as the basis for the adoption of the Strategy for Regional Development of the Republic of Macedonia 2009 -2019. Two additional Action Plans from 2010-2012 and 2013-2015 were adopted for the implementation of the Strategy. During the following years all regulations necessary were passed to implement the policy, such as the Decision to classify regions according to their level of development, the Decision on determination of areas with specific development needs (at national level), programs for development planning regions (at regional level) and local development strategies (at local level). This largely opened the door for the process of legislation in line with the European standards. Based on the Law, at end of 2008 and beginning of 2009 the Centres for Regional Development were established, with a main task of participating in the development of the region by finding and applying for funding projects to boost economic growth and development of the region, as well as highlighting its competitive value. This set up a network of institutions in charge of this policy. The results of these newly established institutions can be seen only in the last 2 years, with the application of mature regional projects to the Regional

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<sup>11</sup> the same Article 29

Development Bureau and through the use of the EU funds. The whole system that was set up with the Law and a new strategy was new for all parties involved, and quite a lot of time was lost in the process of adequate staffing of the centres and the national institutions as well. The problem arises in that the regional policy is a complex field and multi-sectoral policy. In a way, there is a gap between policy and the system that runs the Ministry of Local Government, and the policies of other ministries. The Funds from the Ministry of Local Government and Regional Development Bureau are divided in accordance with the Decision for classification of regions according to the degree of development of the regions (the old decision was valid until 2012 and for the period from 2013 to 2017a new one was made), while other ministries are shared according to their own criteria without paying attention to balanced development. Centres for regional development programs in almost all the ministries are not recognized as institutions which can apply for projects. In the period 2009 to 2012, the Bureau for Regional Development announced 3 public calls for proposals in which the Centres could participate with their own projects on the development of regions and local government development in areas, with specific development needs and development of the villages. In 2010 there was no public call, because the projects from 2009 were still being paid and implemented. During these 3 public calls a total of 187 projects were funded to promote balanced regional development. The law established the right of use of funds as 1% of GDP. In the past five years (2008-2012) of the implementation of the Law on Balanced Regional Development, the Ministry of Local Government and Regional Development Bureau accounted only 0.04% of GDP. In 2009 major funding 0.06% or 243 million MKD was provided, but with the passing of time the percentage of the funds was reduced in 2012, and only 0.02% of GDP was allocated.<sup>12</sup> According to the statistics of the Government, in accordance with the programs of the ministries and other state institutions, for the year of 2012 the allocated funds directly or indirectly provide promotion of regional development, and they amount to 1.5% of the GDP. Taking into consideration the abovementioned, we arrive at the conclusion that despite the priorities and objectives of the Strategy for a balanced and polycentric development, the funds are not being spent in a unified way. Macedonia faces the problem of ineffective coordination between nonlinear ministries and the overlapping of responsibilities. The justifications by linear ministries for not using the degree of development of the regions refer to the specific area

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<sup>12</sup> Boris Blazevski, Kiro Leveski, Vladimir Blazevski, "Classification of the Planning Regions According to the Level of Development" (Professional elaboration)(rough translation of the Author)

they cover. Therefore, we can say that the Ministry of Health and its programs for drug delivery and treatment of people with diabetes cannot divide their services by regions according to their level of development, but according to a need therapy for diabetes in a given region or municipality. This is quite true, but there are programs that can include this criterion.

The process of decentralization in the Republic of Macedonia started in 1996 with the adoption of the Law on Local Self-government. Until now, 80 municipalities (units of the local self-government), and the City of Skopje, that have their own scope of authorizations, competences and responsibilities have been established. Thus, the guaranteed constitutional right of the citizens for local self-government is achieved. The new Law on Equal Regional Development is prepared in accordance with the European laws. Unfortunately, as many other things in our country, that are not comprehended in the right way, this Law is non-applicable in many aspects. The Law has been adopted without public debate in a shortened procedure, and the Bureau has not been included in its preparation. Today, we are faced with serious difficulties in its implementation. Hence, it is not sufficient to take a good example of a law and to copy it, but our situation should be reflected in that good law. The regions should also build their own financial power, to be granted funds from international sources for good projects and by building public private partnerships. Regional development is a national priority which will gain even bigger importance with the accession of the Republic of Macedonia into EU. An agency is necessary to be established as a replacement of the Bureau which will be composed of highly trained personnel that is ready to respond to all needs of the municipalities, as well as to the requirements of the European Union. It will deliver trainings in all regions, from different fields of the regional development. It will be a coordinator of the centres for development of the regions which, from their part, will use their experience in the development of their own region. The Ministry is a ponderous body and the agency will be quicker in the carrying out of its activities. Thus, we would have a body that creates the policy – the Ministry, and a body that implements that policy – the agency. Furthermore, the agency shall deliver trainings and shall connect the regions. In any case, it will have the function of a bridge between the local and the central authority. Since it would be familiar with the problems of the local self-government units and of the centres for regional development, it could propose laws and bylaws, which could be applied well in the practise.

As a conclusion to all of this, the following can be stated:



- The legal framework in the country has been fully set out, but it is not fully respected by the linear ministries, which have programs for regional development.
- The institutional framework has strong fundamentals, with an established network of institutions implementing this policy, and leading the policy from the highest national governing units to the units of local government, which should be the main beneficiaries of this policy.
- Since the implementation of the Strategy in 2009, there has been significant progress in the sense of capacity building for the implementation of regional policy and the use of national resources as well as European funds (this would include IPA). Regional development centres are already starting to be recognized as a serious factor in the use of these funds, and the assistance to the local governments for collecting funds for projects.

#### ***4. Conclusion***

Sooner or later, we will have to include all of the above mentioned in our legislation through a recommendation of the European Commission if we wish to become a member of the EU. In order to be able to endure EU membership, it is necessary and it is required, that we create similar and competitive regions even before we become a member state. Our budget is modest and limited regarding the funds for regional development, so we should use the pre-accession funds that offer great opportunities for candidate states for membership into the EU. The joint regional economic policy constitutes one of the pillars for achieving the economic and social cohesion between the constitutive parts of the Union. The modest beginnings and the level at which the Republic of Macedonia is now should not hinder or obstruct the efforts for supporting and further developing the regions by the national and local authorities.

That is why the Bureau for Regional Development, which should become an agency for regional development, in accordance with the EU standards, should be more seriously engaged in assisting regional centres in their endeavours to build themselves as genuine institutions that will bring funds in their regions. Without strong regional policy, Macedonia will not accede into EU, and since the EU states are far ahead in this field, we face hard work and a serious approach in this issue.

I would like to conclude that the Bureau for Regional Development is an institution that has the potential and capacity to carry out its activities, personnel that has been delivered different types of trainings necessary for the performance of the tasks, and has established good relations with the centres for regional development and with the representatives in the municipalities. All of the abovementioned is an excellent basis for the implementation of the regional policy in the right direction, and a continuation of the building of the necessary and capable institutions for the implementation of this policy.

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