

REGIONAL POLICY IN REPUBLIC OF MACEDONIA IN CONTEXT OF EU INTEGRATION POLICIES

Marija Karaeva

Republic of Macedonia, karaevamarija@gmail.com

Savo Ashtalkoski

FON University, Skopje, Republic of Macedonia, savo.ashtalkoski@fon.edu.mk,

Slavcho Chungurski

FON University, Skopje, Republic of Macedonia, s.chungurski@utms.edu.mk

Abstract: As one of the priorities of the European Union, regional policy provides a platform for the regions to be proactive in realizing the benefits of integration and due to the additional fact that Republic of Macedonia aims towards EU integration, the goal of this paper is to provide an answer of the question, whether regional policy in Republic of Macedonia is on the right track and if there is a need for certain interventions and changes in the existing legal framework. Within the frame of this paper the problems in the field of regional development the Republic of Macedonia which are the basis for the establishment of regional policy, will be discussed. After short description of the state of the art of the regional policy in Republic of Macedonia, special attention in the paper will be given to the sources of financing of the regional policy in RM. At the end the focus will be put possible software solution for improving the coordination between regional policy with other sectorial policies.

Keywords: Regional policy, EU integration, Financing, Distribution of funds, budget data modelling

1. EU COHESION POLICY 2014 - 2020

Cohesion Policy is the EU's main investment policy. It aims to reduce the disparities that exist between EU regions, promoting a balanced and sustainable pattern of territorial development, by supporting job creation, business competitiveness, economic growth, sustainable development, and an overall improvement in the quality of life. It is also an expression of solidarity, focusing support on the less developed regions in order to help them to catch-up and to reduce the economic, social and territorial disparities that exist across the EU. (European Union, 2018, p.17)

The Cohesion policy has 'cemented' the Internal Market and is a factor in the stability of monetary union and it also has an important 'learning effect': the funds provide a framework for exchange of experience, mutual learning and lesson-drawing on regional development practices across countries and regions. (Bachtler, Gorzelak, 2007, p.318).

The investments help to deliver many other EU policy objectives. It complements EU policies such as those dealing with education, employment, energy, the environment, the single market, research and innovation.

By 2020 the EU aims to meet five concrete objectives – on employment, innovation, education, social inclusion, and climate/energy. Each Member State has adopted its own national targets in these areas.

In order to reach these goals and address the diverse development needs in all EU regions, EUR 351.8 billion – almost a third of the total EU budget – has been set aside for Cohesion Policy for 2014-2020. (European Commission, 2014, p.2)

The level of investment reflects the development needs of the Member States. Regions are categorized according to their Gross Domestic Product (GDP) as more developed, transition or less developed. Depending on this, the Funds can provide between 50 % and 85 % of the total financing of a project. The remaining financing can come from public (national or regional) or private sources. The overarching aim of the Policy is to make Europe's regions and cities more competitive, fostering growth and creating jobs.

Priority for cohesion policy funding is given to regions whose development is lagging behind the EU average, with more than half (EUR 181 billion) of the total allocation set aside for less developed regions whose GDP per inhabitant is lower than 75 % of the EU average. Statistics on regional accounts are used to classify regions for the allocation of structural and investment funds, with the NUTS classification providing the basis for regional boundaries and geographic eligibility. (European Union, 2018, p.19)

2. REGIONAL POLICY IN RM TOWARDS EU INTEGRATION POLICY

2.1. General information - country context

Regional economic development is a key objective of the Government of Macedonia. It is a precondition for enhancing the social and economic development of a region. In combination with the approach of smart specialization, regional economic development fosters the exploitation of inherent potentials.

Regional economic development is a crucial element in the integration processes into the European Union and an important prerequisite for balanced and sustainable development of the country. Since 2007, when the first efforts were initiated, significant progress in development of the legal and institutional framework for regional development has been made. Moreover institutions were established, on both national and regional levels, to implement the regional development policy and funds.

The regional development is a long-term complex process the main goal of which is reducing the development disparities among and within the planning regions. The complexity of the regional development rests on its multidimensionality, or rather on the intertwining of the economic, demographic, social, spatial, cultural and many other development aspects. Therefore, the successful implementation of the regional development policy hinges on the wider understanding of the regional development concept, the efficient connection of the regional development policy to the sectoral policies and the provision of the necessary support on by the relevant institutions. In that sense, the regional development is a continuous state financial support and at the same time a high level of coordination among the ministries, donors and the parties concerned, on both regional and local level.

The legal framework and institutional structure that was established as a result of the enactment of the Law for balanced regional development is the main factor that supports the successful implementation of regional development policy in Macedonia. The current institutional arrangements include to a certain degree well defined responsibilities of the key institutions in charge of the regional development, the processes and sources of their financing, their mutual rights and obligations, as well as methods and channels of inter-institutional communication. Such well- placed structure is particularly important in a situation when the country has only two administrative levels and the newly established regional institutions have only development competences.

The Law established eight planning regions (following the NUTS III level) and defines the following policy stakeholders:

1. Council for Balanced Regional Development of the Republic of Macedonia;
2. Ministry of Local Self-Government;
3. Councils for Development of the Planning Regions

and the following operational stakeholders in the regional development:

4. Bureau for Regional Development;
5. Centres for Development of the Planning Regions, and
6. Units of the Local Self-Government. (Министерство за локална самоуправа, 2007, член 15)

The Council for Balanced Regional Development is the main integrative body on a national level, ensuring harmonization of the balanced regional development policy with sector policies and the macro-economic policy of the Republic of Macedonia. It is composed of 18 members; 9 of them from the central government (the Vice President of the Government of the Republic of Macedonia in charge of economic affairs; as well as Ministers in charge of the Ministries for: Local Self-Government, Finance, Economy, Transport and Communications, Labour and Social Policy, Culture, Environment and Spatial Planning, and Agriculture, Forestry and Water Management), together with 9 members from the regions/local self-governments: the Presidents of the Regional Development Councils (8 of them) and the President of ZELS (the Macedonian Association of the municipalities).

The Ministry of Local Self-Government is authorized to create and carry out the national Policy for Balanced Regional Development. In cooperation with the other line Ministries that allocate funds for stimulation of regional development, it is responsible for defining and implementation of the national policy in accordance with other national strategic documents. As a separate entity within the Ministry, the Bureau for Regional Development is responsible for management of the national policy of regional development. It acts as a main operational unit in the implementation of the policy: distribution of the funds and main support to the Centres for Development in the regions.

Councils for Development of the Planning Regions are established for each planning region and constitute of the Mayors of the municipalities from the respective region. They are responsible for the development policy within the own region by: formally adopting the regional development documents, coordination of the diverse regional stakeholders in the development area, identifying the areas with special development needs in the region and promoting cross-border cooperation with regions from other countries.

The Centres for Development of the Planning Regions (established by the municipalities from each region) are the main bodies for implementation of the activities for regional development and are responsible for the preparation of regional development documents. At the same time, they are the main regional driver for utilization of the national funding for development dedicated to their region by preparation and implementation of development projects.

Despite the achieved progress, the national and regional partner institutions are not yet able to fully implement the policy for Balanced Regional Development (BRD) in line with EU requirements. The main challenge which still

remains is the distribution and implementation of the budget for BRD. Moreover, horizontal and vertical coordination in the area of BRD is still not efficient. There is a lack of inter-institutional coordination during processes for preparation and implementation of national support programmes. Proper mechanisms identifying, monitoring and evaluating the financial allocations and other support measures for regional projects in different planning regions are also missing.

2.2. Financing of regional policy in RM

According to the Law for Balanced regional development, the main sources for financing the regional policy in Republic of Macedonia are:

- Budget of the Republic of Macedonia;
- The budgets of the units of local self-government;
- European Union Funds;
- Other international sources;
- Donations and sponsorships from natural persons and legal entities;
- Other funds stipulated by law.

The funds for BRD are allocated by the Government of the Republic of Macedonia in the following manner:

- 70% for financing projects for development of the planning regions,
- 20% for financing projects for development of areas with specific development needs,
- 10% for financing projects for development of villages. (Министерство за локална самоуправа, 2007, член 27 - 30)

The funds for financing projects for development of planning regions, are to be allocated according to planning regions, pursuant to the classification of planning regions based on their level of development. The basis for determining the level of development of the planning regions are the economic development index and the demographic index. More specific criteria and indicators for determination of the level of development are established by an act of the Government of the Republic of Macedonia. (Службен весник бр.162/2008, декември 2008)

The law provides an annual appropriation of funds from the state budget in the amount of at least 1 % of GDP to encourage balanced regional development, but in the years since the adoption of the Law the amount of funds that are being implemented through the Ministry of Local Self Government and Bureau for Regional Development is far lower than the amount of the obligation.

Taking into consideration the fact that regional policy means: strengthening the economy; business support; the knowledge society and promotion of research and innovation; human resources, employment and social cohesion; modernizing environment, transport and energy infrastructure; developing sustainable communities etc., it is obvious that also the budgets from other line ministries should be taken into consideration.

However, if the funds allocated in the line ministries for investments in the regions are considered, the total budget allocated on national level (outside of MLS and BfRD) for support of regional development will be more than 1%. This would indicate that the Law on balanced regional development is nearly fully followed (1% from GDP for regional development), but it must be noted that the funds from the other ministries are not distributed based on the level of development of the planning regions, they do not involve the regional structures in the phase of programming and implementation nor do they match the identified needs and priorities in the RD programmes of the regions.

To date, only three programmes have been distributed according to the level of development of the planning region with total budget of 15.395.665 EUR., which represents around 0.2% of GDP. (Table no.1). (<https://www.finance.gov.mk/mk/node/4105>)

Table 1 – Distribution of funds according to the level of development of the regions

Institution responsible for programming	Institution responsible for implementation	Name of a legal document	Budget program	Name of the budget program	Budget 2016	Budget 2018
Ministry of Local Self-Government	Ministry of Local Self-Government	Programme for balanced regional development in 2016 (2/16)	OA	Balanced regional development	150,000,000	211,373,000
Ministry of Local Self-Government	Bureau for Regional Development	Programme for balanced regional development in 2016 (2/16)	OA	Balanced regional development	139,300,000	117,000,000
Ministry of Transport and Communications	Ministry of Transport and Communications	Law on Borrowing a Loan by the Republic of Macedonia from European Investment Bank under the Loan Agreement for the Project "Water Supply and Waste Water Treatment" (83/10)	3G	Project for water supply and waste water treatment	438,740,000	620,000,000
TOTAL MKD					728,040,000.00	948,373,000.00
TOTAL EUR					11,818,831.17	15,395,665.58

Sources: Службен весник бр.113/2015, бр.17/2018 (Министерство за локална самоуправа), бр. 17/2018 (Биро за регионален развој).

Based of the Analysis of the annual programs of other line ministries it can be concluded that the Centres for development of the planning regions (CRDs) have little access to the programs from the line ministries. They are clearly defined as potential beneficiaries in only 4 programs (including the Programmes funded by MLS and BfRD):

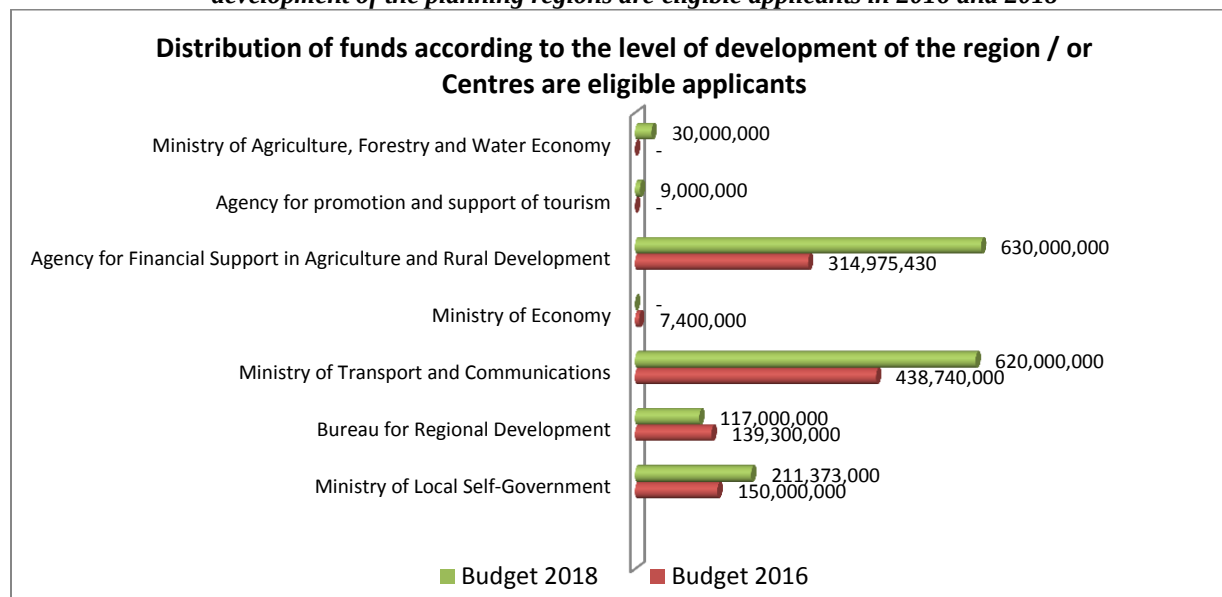
In 2018, Centres for development of the planning regions are eligible applicants in the following programmes from other line ministries)

- Part of the Programme for financial support for rural development for 2018 – Agency for rural development
 - Centres for development of the planning regions are eligible applicants for the measures: 321,322 and 323 from the Programme for financial support for rural development. Each Center was allowed to apply with the project up to 20.000.0000 MKD per each of above mentioned measures. (Службен весник бр.16/2018, Програма за финансиска поддршка на руралниот развој за 2018 година, јануари 2018)
- Programme for capital subvention for development of the planning regions in the area of agriculture and rural development – Ministry of Agriculture, Forestry and Water Economy (Службен

весник бр. 114 /2018, Програма за капитални субвенции за развој на плански региони во областа на земјоделството и руралниот развој, јуни 2018)

The total budget of the above mentioned Programmes where CRDs are eligible applicants / regional policy is taken into consideration in 2018 is 10.878. 048 EUR.

Graphic 3 – Distribution of funds according to the level of development of the regions / or Centres for development of the planning regions are eligible applicants in 2016 and 2018



Some of the reasons for not allocating 1% of GDP according to the level of development from other ministries are:

- The horizontal and vertical coordination in the area of BRD is still not efficient. This points out to the lack of coordination between the sectorial programs of the line ministries, the policy of balanced regional development and additional policies to support the development funded by the EU through programs of pre-accession funds. All mentioned programs are conducted independently of each other, without visible effort for their coordination for achieving better results by focusing on the activities and by pulling resources. Hence, one of the weakest points in the implementation of the policy for the balanced regional development, since the low level of coordination among the relevant stakeholders disables high positive effects and visible improvements in the regions.
- Lack of coordination of the policies for distribution of funds from other ministries based on the level of development of the planning regions
- Lack of capacities within the institutions, which are part of the system, for initiation of balanced regional development in combination with the low level of inner communication process and communication ties between these institutions
- Insufficient amount of fund allocated for RD through MLS (Капаева, 2012, стр. 210 – 212)

D) Next steps

The Cabinet of the Deputy Prime Minister of Economic Affairs, through the project “Sustainable and Inclusive Balanced Regional Development in Macedonia” which is co - financed from the Swiss Agency for Development and Cooperation (SDC) will be especially involved in supporting the Government to allocate and implement funds for balanced regional development in a transparent and predictable manner and according to the level of development of the planning regions. This will be facilitated with the establishment of software system as a technological tool for improving the inter-ministerial coordination in the process of planning, implementation, monitoring and evaluation of the policy for balanced regional development. This software system will be based on comprehensive research on processes and data modelling of the budgeting within target ministries.

The major results of the first phase will provide transparent and structured information on at least 23 programmes relevant for balanced regional development, managed by line ministries, within a proposed sophisticated technical and organizational software system. For each programme, the software will provide information and guidance on the type of investments and budget spent and planned in the regions. It will provide a comprehensive overview and process coordination of the total national resources allocated in the eight regions based on the Law on Balanced Regional Development and will thereby build the basis for successful monitoring and steering by the President of the NCBRD (Deputy Prime Minister responsible for Economic Affairs). Regional Councils will benefit from having improved availability and access to information. This will enhance their efforts to lobby for their interests on a national level. (Project document: Sustainable and Inclusive Balanced Regional Development in Republic of Macedonia, No.:7F-08791.01, 2017)

REFERENCES

- [1] Bachtler, J. and Gorzelak, G, “Reforming EU Cohesion Policy – A reappraisal of the performance of the Structural Funds”, Policy Studies, Volume 28, iss.4, December 2007
- [2] Bachtler, J; Wren, C. Evaluation of European Union Cohesion Policy: Research Questions and Policy Challenges, Regional Studies, Vol. 40.2, April 2006.
- [3] European Commission, An introduction to EU Cohesion Policy 2014-2020, June 2014
- [4] European Union, Cohesion Policy 2014 – 2020, Investing in growth and jobs, Luxembourg: Publications Office of the European Union 2011
- [5] European Union, Eurostat regional yearbook 2018, Luxembourg: Publications Office of the European Union, 2018
- [6] Караева, Марија, докторска дисертација - Регионалната политика на Република Македонија во контекст на евроинтеграционите процеси, декември 2012
- [7] Министерство за локална самоуправа, Закон за рамномерен регионален развој на Р. Македонија, мај 2007.
- [8] Службен весник бр. 114 /2018, Програма за капитални субвенции за развој на плански региони во областа на земјоделството и руралниот развој, јуни 2018
- [9] Службен весник бр.17/2018, Програма за рамномерен регионален развој за 2018 година (Биро за регионален развој), јануари 2018
- [10] Службен весник бр.17/2018, Програма за рамномерен регионален развој за 2018 година (Министерство за локална самоуправа), јануари 2018
- [11] Службен весник бр.16/2018, Програма за финансиска поддршка на руралниот развој за 2018 година, јануари 2018
- [12] Службен весник бр.162/2008, Одлука за поблиски критериуми и индикатори за определување на степенот на развиеност на планските региони, декември 2008.
- [13] Службен весник бр.113/2015, Одлука за распределба на средства согласно Договорот за заем по Проектот “Водоснабдување и одведување на отпадни води“, јули 2015.
- [14] Службен весник бр.138/2014, Стратегија за изменување и дополнување на Стратегијата за регионален развој на Република Македонија 2009 -2019, септември 2014
- [15] <https://www.finance.gov.mk/mk/node/4105>, Буџет на Република Македонија за 2018 година
- [16] Project document: Sustainable and Inclusive Balanced Regional Development in Republic of Macedonia, No.:7F-08791.01, 2017