



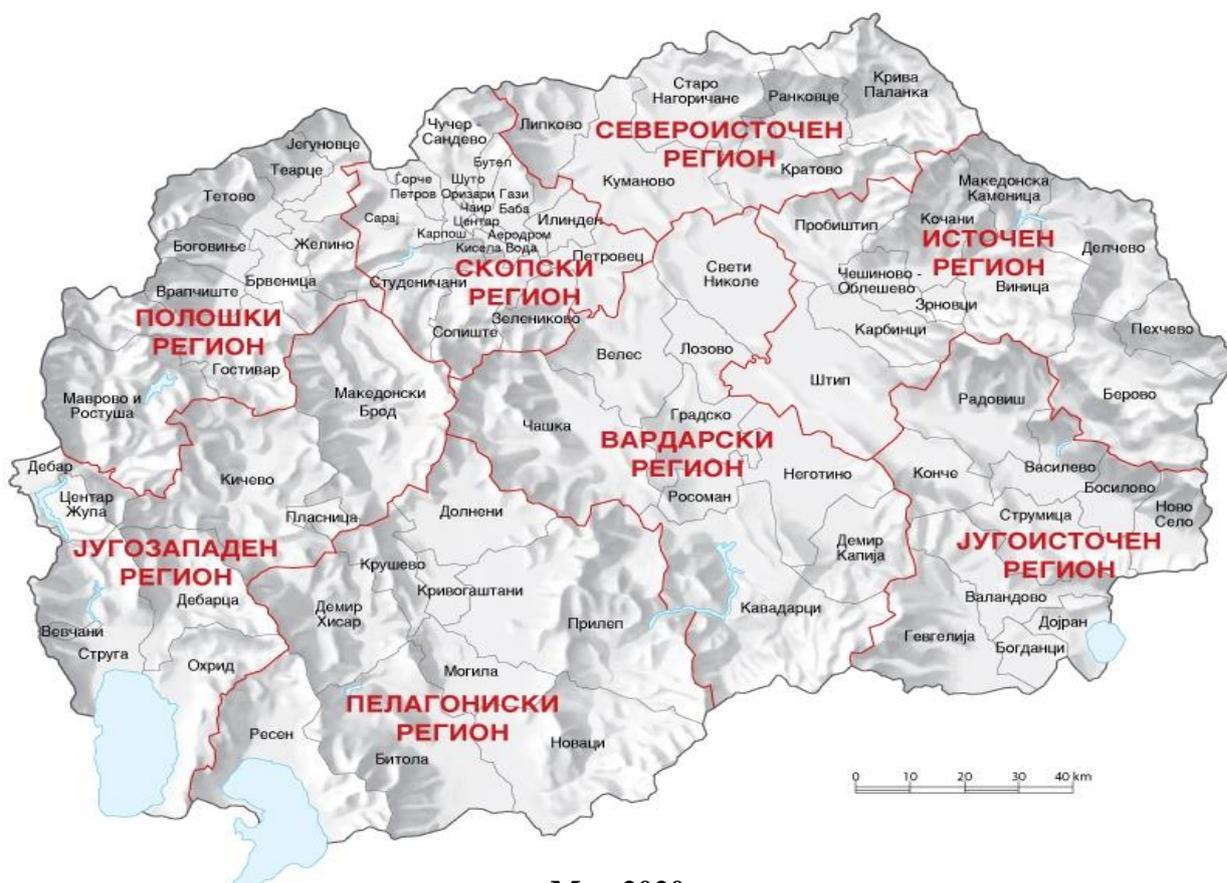
**EUROPEAN CENTER FOR PEACE AND DEVELOPMENT (ECPD)
UNIVERSITY FOR PEACE ESTABLISHED BY UNITED NATIONS**

With Consortium Partners

**ECPD Regional Institute for
Development Studies
Skopje**

**International Institute for Sustainable
Development, Urban Planning and
Environmental Studies, Ljubljana**

**ECPD PROJECT
FINAL EVALUATION
OF THE REGIONAL DEVELOPMENT
STRATEGY 2009 – 2019 AND OF THE
PROGRAMMES
IN THE PLANNING REGIONS**



May 2020

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**ECPD Regional Institute for
Development Studies**

Naum Naumovski Borce 50
1000 Skopje, Republic of North Macedonia

**Represented by the President RIRS
Academician prof. Dr Vlado Kambovski**

**International Institute for Sustainable
Development, Urban Planning and
Environmental Studies**

Dunajska 104, Ljubljana, Republic of Slovenia

**Represented by the Director
Dr Janez Podobnik**

In the Project, the following experts have collaborated, as core team

(in alphabetic order)

*Prof. Dr. Arthur Dahl, Prof. Dr. Jonathan Bradley, Prof. Dr Nigel Carter,
Prof. Dr. Boris Cizelj, Prof. Dr. Branislav Đorđević, Prof. Dr. Nađa Kurtović Folić,
Dr. Venera Gudachi, Prof. Dr. Vjollca Visoka Hasani, Prof. Dr. Miodrag Ivanović,
Prof. Dr. Milutin Lješević, Academician Prof. Dr. Vlado Kambovski,
Prof. Dr. Miroljub Kojović, Mitre Koliševski, Prof. Dr. Jovan Manasijevski,
Prof. Dr. Dr.h.c. Negoslav Ostojić, Prof. Dr. Richard Pagett, Dr. Janez Podobnik,
Prof. Dr. Nikola Popovski, Prof. Dr. Miloš Hadži Vidaković,
Dr. Pavle Trpevski, Prof. Dr. Nano Ružin*

*Prof. Dr. Arthur Dahl and Prof. Dr. Jovan Manasijevski have edited the English
and Macedonian versions of the Study.*

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Project Director

Prof. Dr. Boris Cizelj

EXECUTIVE SUMMARY

The purpose of this study is to evaluate the success of the Regional Development Strategy 2009 – 2019, adopted by the Parliament with the **objective to reduce regional economic disparities**. The study should serve the process of assessment of achievements and identification of problems, as part of preparations of the next Strategy, covering the period of 2020-2030. Therefore the study is expected to provide answers and clarifications primarily to the following questions:

1. **How successful was the Regional Development Strategy 2009-2019** in reducing regional economic disparities, and facilitating the implementation of the regional development priorities?
2. What are the **key conclusions and relevant lessons from this experience** in terms of: (a) positioning the issue among key national priorities, (b) creating suitable institutional infrastructure for this domain, (c) developing appropriate policy instruments, (d) securing sufficient public funding, (e) training of operational personnel, (f) establishing an effective and transparent information & communication system, and (g) creating supportive public opinion?
3. What are the **specific recommendations for the Strategy of Balanced Regional Development 2020-2030?**

Given the **time frame**, the **limited budget**, and primarily **serious lack of data** (in spite of all the efforts, most line ministries did not supply all the requested information – while they manage the majority, i.e. over 2/3 of projects, as well as the bulk of public funding), the methodology of the study has focused on **desk research, discussions with relevant institutions**, and an online **survey among 156 respondents** (the results being somewhat biased due to 40% of respondents concentrated in the Skopje region, and almost 60% from public servants and employees of public enterprises).

There are however some interesting results to be summarized here (detailed statistics presented in Annex). On the question of the main reasons for lack of regional balance (among 8 options) most respondents ranked highest: “The ineffective development

strategies and plans”, followed by “Quality of infrastructure”, and “Conflicts and differences between political parties and absence of national interest.” Among the priority expectations from cohesion policy the respondents selected: “Stable growth and socio-economic development”, “Better standard of living”, and “Better education, health and other services”. As there were rather small differences in most frequent answers among regions, age groups and ethnic background, messages from the survey should be considered as important.

Here is the summary of the findings and corresponding recommendations from the study:

Ad 1: Success of regional development 2009 – 2019

According to the statistics presented in Chapter 1, the **regional differences** in North Macedonia **have been reduced, which is a positive and undeniable fact**: the ratio between the richest and the poorest region have shrunk during 2009-2017 in terms of GDP per capita from **3.6** to at least **2.9** – in some calculations even to **2.4**. This is better than **2.5**, which was set in the original Strategy, and rather close to the new target set at **2.2** in the Strategy Update, adopted in 2014. It is important to mention that back in 2007 the average coefficient for 7 regions compared to Skopje was **2.4** (with 4 regions being between 1.6 and 1.8) and came down in 2018 **to 1.9** which is certainly **impressive and very encouraging**.

These results should be compared with the state of affairs among **NUTS3 regions in EU** member states, which is currently at **2.3**, but – contrary to Macedonian achievement – EU NUTS3 regional disparities (in spite of big Cohesion support) **increased during 2000-2016 by 13%**.

One could comment that it is easier to reduce the disparities at a lower GDP level, but this would be a somewhat simplified conclusion, since challenges are not the same at various levels of development. NUTS-2 level they shrank at NUTS-3 level. This being a well recognised problem, the EU has made its **Cohesion policy** the area where about **35% of its total budget**

Though GDP is important, the **Development Index** tells us much more about the **shrinking regional disparities**. Between the periods 2008-2012 and 2013-2017 the following 3 regions (East, Pelagonia, Polog) have improved their index versus Skopje by 17, 11, and 9 points – coming to indices 63, 60 and 54 points (check Table 3, page 18 in the Study). During the same period Skopje has advanced by only 2 points.

Public funding of individual projects is undertaken by: line ministries, Ministry of Local Self-Government through the regional Development Centers, international donors, respective municipalities, and others (like NGOs). According to data the research team was able to receive from the Government, over the period of 2009-2019 the total of **2,247 projects** were funded with the total amount of **373.8 mil €**, which means on average an amount of **166,355 € per project**. This figure speaks for itself, implying that **most of the projects are rather small**, though there are also bigger infrastructure projects whose budgets go into tens of millions – meaning that most of the remaining projects were below 100,000 €. By referring to the average value of projects receiving public funding in the planning regions, the importance and potential impact of these project for the local population is not to be underestimated, particularly as they normally respond to some locally recognised elementary needs and challenges. At the same time, this implies that there was **limited potential of these projects** to actually either reduce the regional economic disparities, or importantly enhance regions' competitiveness. The latter was the key priority set by the investors primarily for the projects funded by the Ministry of Local Self-Government (check Chapter III of the Study).

The evaluation of the regional balanced development strategy cannot be done without taking into account the **very limited volume of public resources managed by the Ministry for Local Self-Government**. During the period 2009-2019 that is in total **only 21 mil.€** – supporting **755 projects**. The line ministries have in the same period invested **351 mil. € into 1,562 projects**. So if we combine the two amounts and divide the total by 11 years, we get the **annual average of only 33.9 mil.€** -- which is rather modest, specially taking into account that a part of this money is actually spent for the personnel and functioning of the Ministry, the Council, and the Bureaus at national and regional level. This level of public spending on regional development is also way below the Government's legal commitment to reducing regional disparities at the level of 1% of national GDP. This is something like **2 ½ to 3 times less than it should have been** invested, had the law been fully implemented.

Particularly on this basis, the reduction of the disparities achieved in North Macedonia **really cannot be underestimated**, although the process could not prevent the poorer regions from suffering **lost of human capital through emigration**, which also contributed statistically to shrinking of disparities. Similar problems have characterised the experience of most of the Southern European countries (from Portugal, Spain, Italy, Greece, and

Turkey), as well as all other ex-Yugoslav republics. The same could be said for all of these countries for the **impact of the grey economy** (representing in North Macedonia an estimated 20% - 40% of GDP).

When evaluating the results of the Strategy it is not enough to **look only at the GDP**, but also at several other indices and rankings, such as: Development Index, Competitiveness, Ease of Making Business, Human Development Index, and others, showing to what extent poorer regions have actually become better in terms of productivity, employment, quality of life, education levels, and value added per employee.

All these indicators provide a **deeper qualitative perspective** of the life and work conditions in countries and regions concerned. The study presents the position of North Macedonia according to some of these rankings, and most of them are **relatively favourable**. Though to various degrees, all of these indicators and rankings actually have an impact also upon the prospects for reducing regional disparities.

Looking at **wages**, the difference is **even smaller than the GDP gap**: in 2016 the level of 7 regions was between **63% and 81%** of the Skopje regional level. The gap is however much **bigger in per capita investment into fixed assets**, where the ratio between Skopje and North Eastern region grew during 2010 – 2017 from **5.3 to 8.2**.

Regional disparities are expressed very reliably through the **Development Index, DI**. When comparing the DI rating between Skopje and North Eastern Region over the period 2008-2012 and 2013-2017 the gap has shrunk from **2.6 to 2.4**. What is equally, if not even more important, is that during this period the DI rating had **improved for all planning regions** (between 1% and 17 %-tage points), including Skopje which also experienced a 2%-tage points improvement. These enviable achievements certainly cannot be explained only by the modest funding of 370 mil.€ over the period 2009 – 2019, although they are distributed to individual regions in reverse proportion of the regions' ratings by GDP per capita levels. This means that the North Eastern region has received 19.2%, and Skopje 8.2% of total public funding. In 2019 something exceptional happened since Skopje received for five projects 56 mil MKD and the other seven planning regions only 1.3 mil.MKD for 2 project each.

These achievements should be placed into the broader European context. Generally, the economically more **advanced countries tend to prevent regional disparities** to grow excessively, and in EU at the NUTS-2 level they shrank during 2000-2016 by 7%, but

increased at NUTS-3 level. This being a well recognised problem, the EU has made its **Cohesion policy** the area where about **35% of its total budget** (that means annually about **60 bn €**) is being spent. The fact that greater economic cohesion helps countries to grow successfully is proven by the fact that over the period 2000 – 2016 the inter-country disparities among member states have shrunk even by 30%. However, the Commission is aware that the **citizens are not sufficiently involved** in the design and implementation of the Cohesion policy in their own environment. According to April 2019 Eurobarometer, even 77% of survey respondents consider that social accountability in their country can be improved. Several questions in our Survey indicate that public opinion in North Macedonia would be similar. This is obviously a challenge and an important opportunity for the regional development policy of the country for the next decade!

From our econometric research it has been calculated that **coefficient of correlation between GDP growth and volume of public investment** in North Macedonia during the past decade remained very modest at **0.05**, meaning the impact was only at the order of **5%**. This is surprisingly low, but should not be interpreted that it did not matter, because of these investments' secondary and tertiary impacts. Undoubtedly, these investments did contribute to better living and working conditions in the respective regions, increasing the index of quality of living conditions, which certainly increases the motivation of people concerned to contribute to the progress of their community and thereby of their region. Looking at the lists of projects this becomes quite apparent, but the point being made is – had the level of investment been closer to the legal commitment of 1% GDP – also other projects would have been implemented, and they would certainly have had a bigger impact upon economic growth, employment, competitiveness, and socio-economic development.

The fight for higher regional cohesion in Europe is still far from being successfully completed: even 27% of the EU population still lives below 75% of EU average GDP per capita. **The EU Territorial Agenda 2020** focuses on **4 priorities**: (a) promoting polycentric and balanced territorial development, (b) integration of cities, rural and areas with specific needs, (c) global competitiveness, and (d) improved connectivity for individuals, communities and enterprises. Though not even an associated member, the government of North Macedonia tries as much as possible to follow the European approach, and **linking the regional development with emphasis on sustainability**. This is manifested also in the selection of development priorities – presented below. North Macedonia and all transition countries (except Bulgaria) have been successful in reducing

their gap versus EU average: North Macedonia started 10 years ago at **29%** of EU average, and now reaching **40%** (the target was 42%). It can expect further progress, as it has already achieved solid success in reducing interregional discrepancies, without being formally associated to EU and benefitting from its elaborate Cohesion funding support – except from IPA and CBC programmes.

However, in this framework North Macedonia still has **two important issues to address**: (a) reducing the **unbalanced dominance of Skopje region** (over 30% of population, 43% of BDP, 55% of fixed capital investment, 56% of exports, and 70% of investment), and (b) **preventing or at least reducing emigration and brain drain**, affecting particularly the poorer regions of Vardar, Pelagonia, South East, and South West.

Table 1: Regional development: some indicators 2007 - 2018

Planning Region	GDP 2017 per capita in €	Coefficient BDP pc poorest : richest region 2007 - 2017		Gross value added mil.€ 2016	Gross monthly wage/ employee 2016 in €	% share of public investment 2008-2018
Skopje	6,728	1	1	3,550	617	8.5
Vardar	4,789	1.6	1.4	640	414	13.2
Pelagonia	4,649	1.7	1.4	902	485	11.5
South Eastern	5,612	1.8	1.2	822	410	14.2
South Western	3,945	1.8	1.7	676	470	10.5
Eastern	4,662	2.3	1.4	651	390	12.9
North Eastern	2,789	3.4	2.4	411	397	16.1
Polog	2,246	3.6	2.9	589	504	13.3
Average of 7 regions				670	438	13.1
Rep. North Macedonia	4,763			8,240	525	100
Coeff. Skopje vs. average of other 7 regions		2.4	1.9	5.3	1.4	

Sources: Own calculations from »Regions of the Rep. of North Macedonia 2019« and Website of the Statistical Office of Rep. of North Macedonia, accessed 17 March 2020.

When looking at how the Strategy has contributed to **stronger focus on strategic priorities**, one has to distinguish between »the priorities« set in the regional 5-year programmes, and the really selective priorities, which would have structurally changed the economic outlook of the planning regions, and indirectly, indeed the national economy. Given the very limited volume of public funds committed for the Regional Development Strategy (instead of 1% of BDP as envisaged by the law), it is logical that regional actors, primarily the mayors and leaders of Regional Development Councils have been forced to support the **projects addressing the basic needs of their local population**

– in terms of elementary infrastructure (clean water, waste management, education, communal services, etc.).

When speaking of priorities followed by the regional development policy, it should be highlighted that there are **2 categories** and **14 specific areas of priorities**:

I – Competitive planning regions characterised by dynamic and sustainable development, with the following priority areas.

- 1 Promoting economic growth in the planning regions;
- 2 Developing contemporary and modern infrastructure;
- 3 Recognising and utilising potential for innovation and raising technological foundation of most significant industries;
- 4 Raising quality of human capital;
- 5 Creating competitive advantage for the planning regions;
- 6 Optimal utilisation and valorisation of natural resources and potentials for energy generation; and
- 7 Environmental protection.

II – Greater demographic, economic, social and spatial cohesion between and within the planning regions, with the following priority areas:

- 2.1. Demographic revitalisation and balanced population distribution between and within regions;
- 2.2. Building functional spatial structures for better integration of urban and rural areas;
- 2.3. Increase and a more balanced distribution of investment and employment between and within the region;
- 2.4. Raising the level of social development;
- 2.5. Support for areas with specific development needs;
- 2.6. Developing cross-border cooperation and cooperation between regions;
- 2.7. Improving capacities for development planning and realization in the planning regions.

Strictly speaking **only the second category of priorities is actually addressing explicitly the issue of cohesion** – in other words, tackling the challenge of reducing economic and other disparities among planning regions. However, it should not be neglected that economic and social cohesion can be supported also by projects following the first category of priorities. As already mentioned, the Ministry for Local Self-Government is specifically responsible for this domain and consequently for the implementation of the Strategy of balanced regional development: by direct activities and by servicing the **Ministerial Council for Balanced Development**, chaired by the Vice Prime Minister, responsible for the Economy.

Looking at the period 2009-2018 among the **1,562 projects funded by line ministries**, 80% of them were in the following three priorities categories: **1.7 environment (37%)**, **1.5 creating competitive advantage (26%)**, and **1.4 raising quality of human capital (16%)**. From the second category the funded projects followed only two priority areas: **2.2 integration of urban and rural areas (50%)**, and **2.4 raising level of social development (50%)**.

This gives a general picture, and indicates where the actual priorities were positioned. There was not a single project in priority 1.1 (Promoting economic growth), and the smallest number (only 20 projects) in 1.2 (Developing contemporary and modern infrastructure). It is true that most of the **priority areas are labelled rather generally**, so there is an element of arbitrariness, under which area an individual project has been classified.

The **Ministry of Local Self-Government** has funded in the same period **682 projects**, but of a different nature: over 60% of projects were in the priority 1.2 - **Infrastructure**, and 20% in priority 1.1 - **Promoting economic growth**.

The system of reporting and evaluation of the projects and their grading by efficiency allowed very **formalistic documentation**, from which it is **virtually impossible to produce a credible final evaluation** – particularly as the team was supplied only with some documentation, and much of it was far from complete. **Half of line ministries did not supply the Ministry for Local Self-Government with documentation requested when the study has started**. Also, in most reports actually submitted to the project team, the space for the **grading of project success (5, 3, or 1 point) remained empty**. Needless

to emphasize that the scope of the study did not allow the team to make its own evaluation of each project from the total of 2.247 projects!

As the two tables demonstrate – with information submitted by half of line ministries and the Ministry of Local Self-Government (covering the total of 968 projects – 41% of all projects funded in the period) -- among the 7 priority areas in first category the planning regions submitted for funding over **54%** in the two domains: 2.1 - the domain of **infrastructure (32%)** and 1.7 – the domain of **environment (22%)**.

In the second category of priority areas, the picture was even more differentiated: from the 63 projects the regions submitted for funding even 54 of them were in priority 2.2 - **building spatial structures**, and only 8 in priority 2.4 - **raising level of social development**.

Table 2: Overview of projects funded by line ministries and Ministry for Local Self-Government - by priority areas 1.1 to 1.7, period 2009 – 2018

Region/Priority	Pr 1.1	Pr 1.2	Pr 1.3	Pr 1.4	Pr 1.5	Pr 1.6	Pr 1.7	Total
Skopje	2	38	5	9	14	10	23	101
South East	5	37	5	9	15	2	26	99
Pelagonia	22	28	7	9	18	9	30	123
South West	17	38	6	9	17	5	27	119
Polog	7	44	5	9	15	7	21	108
Vardar	11	28	5	9	23	12	29	117
East	5	47	6	9	21	1	22	111
North East	18	32	5	9	16	22	25	127
Total	87	292	44	72	139	68	203	905

Source: Calculations from Table 17.

Table 3: Overview of projects funded by line ministries and Ministry for Local Self-Government by priority areas 2.1 to 2.4, period 2009 – 2018

Region/priority	Pr 2.1	Pr 2.2	Pr 2.3	Pr 2.4	Total
Skopje		5		1	6
South East		5		1	6
Pelagonia		7		1	8
South West		4		1	5
Polog		12		1	13
Vardar		6	1	1	9
East		10			10
North East		5		1	6
Total		54	1	8	63

Source: Op.cit., Table 44, p.159.

Having analysed 495 projects funded by the Ministry of Local Self-Government during the period of 2009 – 2018 and dividing them into »Competitiveness« and »Cohesion« projects it was established that in terms of numbers an overwhelming majority, even 444 projects could be classified into the first category, while only 51 projects have actually and directly addressed the cohesion objective.

This is not to say that only 1.7% of projects were concerned with and impacted the cohesion issue. Namely, it should be admitted that competitiveness projects undoubtedly also contribute to some reduction of regional disparities – but could sometimes in effect also have opposite effects.

Ad 2: Conclusions and Lessons learnt

Following the findings of the conducted desk research, and taking into account the results of the survey, as well as discussions in relevant institutions, the project team has come to the **following conclusions and lessons learnt:**

- As emphasized in the **Introductory chapter**, this evaluation has been done in a period when Europe is becoming increasingly aware of the **importance of regional cohesion**, not just as a matter of social justice, but also as a factor leading to optimal mobilisation and utilisation of all resources, including human capital. Particularly in a period when successful countries are moving towards an **innovation-driven growth model**, **human capital** is recognised as the **critical development factor**, and can achieve maximal results only within a **well functioning innovation ecosystem**. Many countries around Europe, particularly **all transition countries, including North Macedonia, have not yet fully adopted this new approach**, and consequently did not established such an effective ecosystem.
- Though regional economic disparities are recognised as an important issue by the government and the public, for various reasons and in spite of adopted Strategy, the needed legislation, and relevant institutions, the **political will** of the Government or its **actual strength**, has not been sufficient to secure the fulfillment of the 1% of BDP commitment to address the issue. This speaks for itself, and deserves **more attention and higher priority at the national agenda** – to be followed by all relevant stakeholders: from political parties, the government and parliament, to civil society actors, as well as professional public and the media.

- Related to the above – understandable in the context of party politics, and partly also due to insufficient understanding or appreciation of the distinction between regional development and reduction of regional disparities – the **Ministry of Local Self-Government** has been **left with a marginal share (about 10%) of public funding of regional development projects**. While line ministries naturally follow their own **sectorial logic and legitimate priorities in the context of national economy**, these priorities **do not necessarily and directly contribute to the objectives of balanced regional development**. Therefore, there is a need for a **balanced compromise between the two approaches**, which has not necessarily been the case in the past decade.
- Regional Development Strategy with accompanying government documents has not been organically **integrated into the national Development Strategy** (which also **lacks clear development priorities**, linked to the areas of development potential (such as: agriculture, tourism, etc.).
- This country's development potential can be fully utilised under the condition that **protection of environment** comes to be treated not only as a **political priority and obligation vis-a-vis the future generations**, but equally as an important **element of international competitiveness of North Macedonia's economy** – particularly in the domains of tourism and agriculture.

In terms of funding priority the sector of environment has actually received funding for **20%** of all projects financed by the Ministry of Local Self-Management, and **22%** of all projects financed by the line ministries.

- The **sector of infrastructure** has been declared as an important priority for connecting the planning regions and communities, and construction of highways and modern roads have actually contributed to the positive changes in the country over the last decade. This was manifested also by the large share of those projects (from the total of over 300) being accepted for funding by the IPA and CBC programmes with the total of about 650 mil.€.

This sector has actually represented 60% of all projects being funded by the Ministry of Local Self-Government, and 32% of projects funded by line ministries. Together with environment these two sectors actually were recognised as **leading priorities for all public funding of projects in 8 planning regions**. Namely, although they are only two

among the seven priority areas, projects for infrastructure and for environment represented even **54%** of all projects funded by the Ministry of Local Self-Government and the line ministries.

- As everywhere in multicultural communities **regional disparities unavoidably also have an ethnic dimension**. Instead of treating the issue in an open and transparent fashion, it seems that – obviously for short-term political reasons – the issue is **often intentionally avoided**, which can **undoubtedly be even counterproductive**. Such approaches give room to negative, maybe even destructive motives, and **reduce mutual trust between the two ethnic communities in North Macedonia**. Projects which have the potential to contribute to better integration among the two communities could expect support also from international sources. The praiseworthy support of Switzerland and Germany is already an indication in this direction.
- As a consequence of **insufficient government funding**, the well-designed institutions (National and Regional Councils, and Bureaus) **could not develop their full potential** for initiating, developing and managing projects to address regional disparities, let alone to propose and coordinate **more inter-regional projects**. This is unfortunate, because for such projects the funding potential – domestic and international – is obviously far greater than for local projects. Also inter-regional projects can importantly contribute not only to greater competitiveness of respective regions and the whole national economy, but also to regional cohesion.
- It seems that the issues of shrinking regional disparities are not properly **communicated to the public, neither to the political actors** at national and regional level. Had this been the case, the government would find it easier to fulfill the 1% BDP commitment. In reality it is exactly the opposite: when the public is not properly informed it could react negatively (not understanding the benefits for all), and consequently even the existing communication messages do not receive proper attention.

Such a situation could be addressed with **a good communication policy and its subsequent effective implementation**. As important tax-payers money is being spent on appropriate projects to help the less developed regions to catch-up with the more developed ones, the general public, as well various structures (political actors, business community, professional public, civil society organisations, and the media) should be

systematically informed. It is essential that political parties put it into their programmes, that the Government prepares well documented proposals for the new Strategy and accompanying acts, and that the less developed regions present at the national level the important projects – **demonstrating how these investment will benefit not only the respective regions, but indirectly and undoubtedly the whole country. This should be done with proper economic data, presented in a popular, understandable style.**

- Due to the serious **problem with information on programmed and implemented projects** being publicly funded, it was impossible to assess the quality, impact and efficiency of government regional development strategy based on statistics and reports on individual projects. Therefore the team had to evaluate the results of the strategy on the basis of selected macroeconomic indicators – which point to the final impact at national and regional level. Since more than half of line ministries did not provide the data on funded projects, it was **impossible for the project team to evaluate the degree to which the declared priorities were actually met and fulfilled.**
- While the government remains responsible for preparing the new Regional Development Strategy in **closer harmony with priorities** to be even more strongly articulated also in the **National Development Strategy**, and inspired by criteria of sustainability, it has to make every possible effort to **involve all social and political stakeholders** in reviewing, discussing, and adopting these priorities. This is necessary for reasons of the broadest possible **Strategy acceptance and ownership**, as well as for the rigorous **verification** of the proposed priorities by all concerned. Therefore this should be an **inclusive, interactive process**, yet the **initiative and responsibility of the Government** in recognising and determining priority areas (such as, for example some sectors of agriculture and tourism) is **critical and unavoidable.**
- In the previous decade the **Ministry for Local Self-Government did not receive the position it should** in order to be able to coordinate and manage such an important national priority as reduction of regional economic disparities. This is best documented by the fact that it has managed only about 10-20% of the actual budgetary disbursements for project funding, compared to other line ministries.
- **The whole institutional structure** (national and regional Councils, the national Bureau and regional Bureaus) seems quite **appropriate**, and with elevated funding it should become more productive, it will facilitate more interaction with the private

sector, civil society organisations, and international donors. More **cooperation at inter-regional level** should also be encouraged in order to develop larger projects.

- The **reporting system** between the Regional bureaus, the Councils and the Ministry for Local Self-Government is suffering of **excessive formalism**, with **very little if any analysis and evaluation of the completed projects**. Finally, until an effective information system (like the SIRERA project) has been established, neither the Government, nor anyone else can obtain a complete picture of what is being done and being accomplished in the regional development domain. Evaluation of the funded projects should be part of the **mandatory reporting system as determined by article 23, paragraph 5, and article 29 second paragraph of the Law on Balanced Regional Development. It is not clear why the Bureau for Regional development failed to act according to these regulatory provisions**. Without it the effectiveness of the balanced regional development policy **cannot be evaluated**, neither by the stakeholders themselves, the Government and its bodies, nor by any independent expert.
- The Government has to develop various **economic and other instruments**, such as tax system, support to entrepreneurship and innovation, R&D funding, support to education and training, etc., which will encourage investment and smooth functioning of projects in the planning regions – **on top and above a healthy business environment. This is essential for a successful regional development process, and it cannot be over emphasized. It seems that in North Macedonia the issue of regional economic cohesion is observed in a somewhat narrow perspective, as if almost everything depends on project funding, and – in spite of it – unfortunately the 1% GDP target is not being respected.**
- The study is reminding policy makers that analytical tools, such as **SWOT** and **PESTLE**, are available and often being used not only at national and regional level, but even in the corporate world, for properly conceptualising the background and developing strategies, facilitating decision makers to take properly into account all relevant elements. It is recommended that government takes advantage of these tools in preparation of the next Regional Development Strategy. This is particularly important to create a **stronger consistency between National Development Strategy, and the Regional Development Strategies.**

- More than even before, **international competitiveness** can be reached only through **global excellence**, and that requires **full utilisation of a country's natural advantages and other resources**, including geographical position, climatic conditions, existing infrastructure, and human capital with its competencies, skills and traditional qualities. All countries which succeeded to transform themselves and revived their economies over the last 20-30 years, have done exactly this type of exercise and their achievements speak loud and clear (eg: Singapore, South Korea, Estonia, Czech republic). **Why not North Macedonia?** It has many preconditions, but much depends on the wisdom, courage and determination of the leadership – which is not contradicting full respect of democracy. Effective democratic leadership requires strategic choices to be selected and offered to the citizens, accompanied with responsibility linked to the articulation of these choices and their effective implementation.

Ad3. Recommendations

After evaluating the experience from the first decade 2009-2019 in balanced regional development and addressing regional disparities in North Macedonia, the project team has come up with the following **recommendations for the next decade, 2020-2030:**

(A) General Recommendations

- The government, all political parties, professional public and civil organisations should make the issue of regional cohesion an **important agenda item**, and contribute to building general awareness, creating national consensus, and strengthen the political will to address the issue more efficiently than in the past. It is essential that benefits of a more inclusive, regionally balanced development are understood as an avenue towards **stronger economic, social, political and even ethic cohesion** in the country, bringing **benefits to all members of the society** and bringing to the country more stability, international prestige and economic competitiveness.
- One of the key preconditions for enhanced success is to **reinforce and fully implement the 1% BDP commitment**, which will enable the proposed **Ministry for Balanced Regional Development and Public Works** (suggested change of the name should convey clearly the focus and its function) to take **full responsibility for design, implementation and coordination of efforts** in the domain of regional

development and reducing regional disparities. The upgraded Ministry should receive **new and stronger responsibilities** in order to manage the whole system of balanced regional economic development and reduction of regional disparities. This would require that it should **directly manage at least 0.5% of BDP** – equally to the line ministries, who should also pay more attention to regional disparities.

- **With adequate financial means** all the existing bodies at national and regional level, the **Councils, and the Bureaus, will be invigorated**, and better equipped for their responsibilities, including proactive involvement of all public and private investors at local, municipal and regional level. Particularly the Regional Bureaus will need **adequately trained and competent project designers and managers**, and the Government should support an intensive training programme to fill this gap. There is little doubt that also foreign donors will support this effort.
- The Government should develop an **adequate national development strategy**, taking into account the relevant regional and global trends, and focusing on priorities with the greatest potential (such as agriculture, tourism, etc.) – where also the less developed planning regions should **identify possible projects**, for which they should be able to attract all potential domestic, as well as foreign investors. The Regional Bureaus should be able to **build a stock of attractive, fully developed »bankable« projects**, to be offered proactively at suitable occasions. Under these conditions also the EU will be increasingly ready to support the regional development of North Macedonia – directed towards higher economic and social cohesion of a stronger future member state.
- It would be advisable to confirm the **polycentric orientation of the government** to consider **locating some of the ministries and agencies outside Skopje**. Experiences from some countries manifest that such arrangements carry more than only a symbolic meaning.
- The Government should carefully develop various **economic and other instruments**, such as tax system, support to entrepreneurship and innovation, R&R funding, support to education and training, licensing and regulatory income schemes, etc., which will encourage investment and smooth functioning of projects in the planning regions – additionally to **a transparent business environment. This is absolutely essential for a successful regionally balanced development process.**

- The Government should establish a **mandatory information system for all publicly funded projects** (based on **SIRERA Project**) in order to create a **transparent and reliable data base** for various purposes, including securing an insight into projects proposed, being funded and implemented. This should facilitate participation of potential local investors, particularly for inter-regional projects, as well as the involvement of international donors.

(B) Sectorial Recommendations

By its very nature the balanced regional development policy is linked to practically all policy domains, and according to the terms of reference of the project, the team had to cover – besides socio-economic aspects, which are extensively covered in the first section of the Summary -- the following sectors: environment, infrastructure, and spatial planning. Here is a summary of the recommendations for these 3 sectorial domains:

1. The Environment

Environment remains **one of the bigger challenges for North Macedonia**, and there is a need for greater **devolution of responsibility** for its protection within ministries. **A wider understanding of and appreciation for the environment** is needed on a broader basis than provided solely by the technical experts.

However, the number of projects addressing environment issues, being funded by line ministries (22% of the total in 2009-2018), indicates that **regions are increasingly aware** of this important priority. The Government should take advantage of that awareness, and keep environment prominently on national agenda.

As most of these projects require considerable investments to be made, **funding is critical** to stabilising the decline in protection both for public health and biodiversity.

A mechanism for supporting Councils for Regional Development must be found to assist them in developing their understanding of the environment, the need for its protection and the creation of projects which have, at their heart, key actions to preserve and protect the environment.

2. The infrastructure

Although most of the projects funded by line ministries (54%) were in the priority areas of infrastructure (32%) and environment (22%) – due to lack of any evaluation of the quality of execution and expected impact - it is **virtually impossible to qualify the Regional**

Development Strategy as the critical instrument for addressing the respective urgent needs of the planning regions in the domain of infrastructure development. This statement comes only from statistical comparison of all public funding of projects in the planning regions, while any **qualitative analysis and assessment could not be made** due to absence of relevant evaluation documentation.

A strong indication of the need to maintain in the next Strategy a strong emphasis and priority treatment of infrastructure development comes also from the Survey results: namely more than half of respondents (59%) considered prioritisation of regional development areas [infrastructure development and introduction of modern technology] to be very important.

Accordingly, it is recommended that both the regional decision-makers and stakeholders, as well as all the ministries, **continue giving high priority to the development of infrastructure**, being an essential determinant of the expected intensive economic development in the regions, and particularly as a factor in addressing regional disparities, and making the national economy more competitive.

It is recommended that those who are responsible and accountable for the delivery of the Strategy should have the benefit of **specific training on how to manage donor-funded projects implementation** in order to demonstrate appropriate benefits of the use of such funds.

For instance, it is necessary to be able to demonstrate (through the production of data) the consistency of the Strategy with the policies of the beneficiary partner and donor, the value and usefulness of the Strategy, as perceived by the key stakeholders, the extent to which the “response” of the Strategy is technically adequate to meet those needs and priorities, and the extent to which the Strategy is a response to a real need of the beneficiaries.

3. The Spatial Planning

By fully implementing the Spatial plan of Republic of North Macedonia, the Government should make sure that the regional development planning, and spatial planning become **two fully harmonised and mutually supportive processes**. This is, however no easy task for a young country with 8 regions, over 80 municipalities, about 1,700 settlements, and a **5-step urban planning system**.

Challenges are to be addressed with the **books of titles, transparency of procedures and speeding up the permit delivery procedures** - presently often slowing down the project

implementation. By making spatial planning **an active ingredient of the regional development process**, important synergic effects will be created and enhancing the reduction of regional differences.

Perhaps an alternative model of macro regionalisation could be considered (perhaps with just three macro regions) – at least for spatial planning purposes. This would enhance the potential for optimal use of the available resources, including physical environment, but equally human capital and infrastructure.

A model of contemporary **ecological spatial and urban planning is proposed** (under the name of »Ecological Community 21«) – benefitting from the latest knowhow of urbanism and inspired by experiences from an Israeli Kibbutz and a Swedish industrial village. Undoubtedly, this cannot be a »copy – paste« exercise, but should take into account local settlement traditions, values and customs.

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As a result of this study the project team has come to believe that North Macedonia is increasingly aware that regional disparities, and particularly the **imbalanced domination of its capital Skopje** – notwithstanding important results achieved with the first Strategy of Regional Development 2009-2019 – **remain one of the key challenges for the future**.

The lessons learned have to be taken seriously by the next government, accepting both successes and shortcomings, and making an effort to design the next Strategy in such a way that in 2029 North Macedonia will be an EU member state with very good record in social- economic, spatial and demographic cohesion. This will not only make it a multicultural community with citizens, living together happily, but also representing a successful and highly competitive economy, taking full advantage of its natural assets and being specialised accordingly.

With successful regional development North Macedonia can become a country without emigration, with human capital being appreciated, informal economy marginalised, and where relations between Macedonians and Albanians are in full harmony. It could be an inspiration and model to other multicultural countries in the region. For this to happen the leadership will have to introduce a very **inclusive political environment**, encouraging to lead the process of identifying national development priorities, linked to the great natural assets for agriculture and tourism. Contrary to some outdated economic concepts –

incompatible with the post-industrial age - **these are areas with great value added potential**, since people around the globe are increasingly interested in ecologically sound agricultural products, and wish to travel to places where they have never been before, receive good service and enjoy excellent food and wine.

There are basically **five conditions** to be fulfilled for North Macedonia to benefit from a stable and balanced socio-economic development – possibly with average annual GDP growth around 4% in the next decade:

- (a) **Building human capital** and selecting leadership at all levels fit for the 21st century knowledge economy, by modernising the education and training system and shifting emphasis from conventional knowledge to modern skills and competencies;
- (b) Making **innovation and entrepreneurship the key values and pillars of society**, by creating a business friendly environment, and developing an effective innovation ecosystem (reaching gross expenditure for R&D of 1.5% by 2029);
- (c) Encourage **specialisation of the economy** in modern priorities, self-imposing in the country being richly endowed for agriculture and tourism, remain open for foreign investors – but preventing foreign investors to take excessive advantage of inferior salary levels;
- (d) Insist on the **rule of law, fight corruption and pay politicians and civil servant decently, and insist on their accountability**;
- (e) Maintain a **transparent, constructive and fair inter-ethnic environment**.

The new government has a **historic opportunity** to adopt such an **ambitious national program**, which will meet lots of approval also in the EU, and will encourage it, as well as other international donors, to financially support such an effort – actually without many precedents in Europe. Even more, North Macedonia – located in the center of the region of South-Eastern Europe -- will immediately become an interesting partner for other countries around the world, such as: China, as well as Australia, Canada and US – the latter thanks to large Macedonian communities in these countries. Undoubtedly, this will expedite also the **entry of North Macedonia into the EU**, which should happen during the implementation of the next Regional Development Strategy.

I. FOREWORD: SCOPE, TARGETS AND LIMITATIONS OF THE PROJECT

Prof. Dr. Boris Cizelj, Prof. Dr. Miodrag Ivanović

The Project commissioned to ECPD by the Ministry of Local Self-government, and supported by the Swiss Government, is covering the national, and the level of 8 planning regions for the period 2009 – 2019.

The objective of the Project is to evaluate the experience of the first 10-year Strategy of Regional Development in North Macedonia during the long-term period to serve in preparations of the second 10-year strategy, covering the period 2020 – 2029.

The project has **two primary targets**:

- (1) Evaluation of the adopted Strategy: feasibility and consistency of its goals and policy objectives, effectiveness of instruments applied, coherence with the country general and sectorial development strategies, as well as more generally with the EU Cohesion policy, and with the UN Sustainable Development Strategy;
- (2) Evaluation of the degree of fulfillment of the adopted goals and priorities, with assessment of the macroeconomic impact in 4 designated areas: socio/economic development, environment, technical infrastructure, and spatial planning. Major achievements, as well as bottlenecks and weaknesses are to be identified and analysed.

On this basis some recommendations are to be offered with the view to improve the efficiency of the regional development policy, intended to reduce socio-economic disparities among the 8 planning regions.

The final evaluation for the national level (**Phase I** of the Project) has been performed through the following **methodology**:

- Desk research based on all relevant official documents and periodical reports, as well as research papers and statistics;
- Exchanges and consultations with representatives of the Ministry of Local Self-government, Bureau for Regional Development, and others;
- Collecting views and opinions of at least 150 stakeholders through an online Survey.

Evaluation of the Development Programmes of the 8 Planning Regions (**Phase II** of the Project) will follow basically a similar methodology, but with a strong emphasis on all aspects of implementation of projects, and their impact on the respective regions towards reducing socio-economic disparities.

It was, however, rather difficult to implement consistently in the Project the above-listed and appropriate methodology for the following reasons:

1. The main problem for the Team was **access to data**, and the dilemma **which documents and official reports to use**. Namely, the Ministry for Local Self-government, as well as the Bureau for Regional Development have their own reports. These reports do not include regional projects funded by the line ministries, which makes about 90% of all public investment, but there is no distinction between regional development and other publicly funded projects. Lack of official data is generally a challenge in North Macedonia, e.g. the last census was conducted in 1981, and about a quarter of the population lives permanently abroad and are still being counted as residents.
2. In November 2019, when the research started, it was **difficult to obtain a complete list of regional projects** with total investment per region. The official report on regional development for 2018 was waiting for an approval of the Government until December 2019. Thanks to persistent efforts of the Ministry for Local Self-Government, we received in January some figures, though still encountering **four serious challenges**:
 - **first**, some line Ministries (Ministry of Labor and Social Policy; Ministry of Health; Ministry of Education and Science; Ministry of Culture; (Youth and Sports Agency; Fund for Innovation and Technological Development, and Directorate for Technological Industrial Development Zones) did **not respond at all**;
 - **second**, some of the completed reports which were sent by the following line Ministries (Ministry of Finance; Ministry of Transport and Communications; Ministry of Agriculture, Forestry and Water Management; Ministry of Economy; Ministry of Environment and Spatial Planning; Agency for Financial Support for Agriculture and Rural Development; Tourism Support Agency; Enterprise Support Agency; Public Road Enterprise and Central Bureau of Statistics) do **not include all required information**;

- **third**, some figures are **not allocated to regions**; and
 - **fourth**, information about the projects **did not include any assessment or evaluation**.
3. Implementation of the strategic objectives, priorities and projects are measured by **more than 150 indicators**. This was a confusing and impossible situation from which to check, control, assess, analyse and evaluate strategy implementation. Probably, this was a reason that strategic objectives and priorities and indicators were changed already in 2014. The official yearly reports for regional development methodology, overview and assessment were changed three times: namely in 2010, 2014, and in 2016. It was very difficult to obtain any standardised database that would help us assess, analyse and evaluate the results of the regional development policies and their implementation.
 4. **The indicators** which were used to classify the planning regions, such as **Development Index, Socio-economic Index and Demographic Index, were also not available**, neither in the Yearly Statistical Book 2019, nor in the regional yearbook, Regions in the Republic of North Macedonia 2019.
 5. An assessment of the Strategy is **based on the Rule Book** which was developed and adopted by the Government to assess projects' success.
 6. Technical aspects for the ongoing assessment of the planning documents were published in the Official Gazette - Služben Vesnik, of 31 January 2012, No. 13, p.113. Unfortunately, none of the **Official Reports for regional development were assessed on the basis of this document**. The ongoing assessment should take into consideration the following elements: (1) development area (Razvojna oblast), (2) strategic objective (Strateški cel), (3) Priority (Prioritet) and (4) Measure (Merka). This approach was taken to evaluate the Strategy for Regional Development 2009 – 2019, which is not in line with final evaluation which was defined in the same document.
 7. The main challenge was how to assess the results and impact of regional development strategy. We have faced **two solutions, first** to assess the strategy through assessment of the projects using specific measure (merka), and the **second**, ours, to evaluate the strategy using macro-economic indicators combined with monitoring and observation,

completed interviews and analysis of survey data. The next step was to complete SWOT and PESTLE analytical matrices for each segment which should be evaluated.

8. A Survey questionnaire was designed to obtain opinion from targeted samples of business persons, entrepreneurs, employees who work in the public sector and, especially, people who are living in the different regions. There was **lack of interest for the survey** and to reach the target of about 150 completed surveys became a daunting task. With additional efforts and the support of the Bureau for Regional Development, the figure of **156 respondents** have finally been achieved, but structurally biased (over 40% from Skopje Region, 2/3 of respondents being government officials or public sector employees, 95% with at least university degree).

Irrespective of the bottleneck presented by incompleteness of information on projects, the data collected by the Survey have still, at least partially compensated the mentioned difficulty (detailed results are presented in the Annex II).

9. In order to meet the expectations of the Government of the Republic of North Macedonia, as well as regional authorities, and other interested stakeholders, the project team was looking for the answers to the following questions and relevant issues:
 - a) As excessive regional disparities are an important socio-economic, ethno-demographic and political issue, is this sufficiently **recognised by the political class and is it translated into priorities** of the government and into national legislation of North Macedonia? If not, what are the main causes and how these could be overcome?
 - b) Is the task of **reducing regional disparities generally accepted as a key priority** of the country, and is it understood that they play a negative role in mobilising the development potential of the entire national economy?
 - c) Is there a **general awareness that regional disparities could encourage some distrust** and potential tension along ethnic groups, particularly between Macedonians and Albanians?
 - d) Has the country created an **effective system for addressing regional differences** in an optimal way, fully utilising all available resources (financial, human, institutional) - taking into account the specific domestic circumstances, and learning from experiences of other countries?

- e) Are the institutional arrangements at national and regional level, responsible for regional development, endowed with **necessary human, financial and infrastructural resources**? If not, what is missing and who and how could change that?
- f) Is the **Ministry of Local Self-Government strong enough** to represent the interest of regional cohesion at the government level? Given the 1% legal commitment for reducing regional disparities how is it perceived that the Ministry is left to manage only 10% of respective resources, while other line ministries manage even 90% of public investment?
- g) Is it generally expected that **joining the EU will essentially facilitate the reduction in regional economic disparities**?
- h) Has the adopted Strategy of regional development created the necessary conditions to make its implementation an **organic part of the national economic development strategy**, serving at the same time the less developed regions, as well as the more advanced ones, like Skopje?
- i) Which are the **key factors causing regional economic disparities**, and are they being successfully addressed by policy measures at national and regional level?
- j) How strongly is the **migration of population** – particularly into the capital – affecting regional economic disparities?
- k) Are issues of regional disparities and government efforts to reduce them **properly communicated to the public** by the government and other entities?
- l) How influential in public debates on regional development issues are various societal stakeholders (research institutes, universities, business associations, NGOs, media, etc.)?
- m) Which of the available **support instruments is considered to make the biggest contribution** to accelerate the development of less developed regions?
- n) What is the **verdict of the public about the success of the Regional development Strategy 2009-2019**? Which are the **strongest successes** and the **worst failures**: and is there a major discrepancy in judgement between the Government and the general public?

- o) Are there **underutilised social groups and political stakeholders**, who should be more involved in the public debate on regional socio-economic disparities, which are they, and why are they inactive?
 - p) Have relevant **experiences of other countries and of the EU regional cohesion policies** been properly taken into account in designing and implementing Macedonian cohesion policies?
 - q) What are the **key improvements to be made in the Strategy 2020-2030?**
10. It is up to the users of the Evaluation project output to judge the usefulness and applicability of the results of our analysis. The Team has made its best possible effort to answer the task, fighting the odds of the existing and above listed limitations, and sincerely hopes that a contribution has been made to deepen the insights into the complex problems of regional development and addressing economic disparities in North Macedonia.

II. INTRODUCTION: PROBLEMS OF REGIONALISM AND POLICIES OF REDUCING DISPARITIES

Prof. Dr. Boris Cizelj, Prof. Dr. Arthur Dahl

1. Defining the Problem and Sources of Regional Disparities

Regional disparity means **divergence or inequality** of characteristics, phenomena or processes having specific territorial allocation and occurring at least in two entities of a territorial structure. It refers primarily to **differences in economic performance and welfare between regions**, as well as to unbalanced spatial structures within a country/region or between countries and individual regions. Regional disparities are manifested in different conditions of life, as well as in unequal economic and development potential. While disparity is often measured with economic and social statistics that describe a reality, they **do not always point to the causal factors**, which can be geographic, resource limitations, lack of infrastructure, or social or cultural limitations. Corrective measures will thus vary widely and need to be adapted to local conditions, and implemented in the appropriate order.

A good example of spatial disparity is the **contrast between urban and rural areas**. The World Bank estimates that economic concentration/urbanization reflects a built-in feature of human settlement development, and is even an important driver of growth. But, the other side of the coin is the fact that **over two billion people live in lagging areas**.

There are **various reasons for regional disparity**. Certain areas are more endowed than others in terms of natural resources; these cover everything from minerals to cultivable land and river systems. Geographic barriers, distance or poor infrastructure may cut a region off from markets and increase costs. Energy supplies and communications networks may be inadequate. Some regions get ignored, missing the chance of optimal development, while others are well connected. Some regions have been neglected historically, may contain marginalized populations, or perhaps vote for the wrong party. It may be necessary to remove physical limitations that block economic advancement before addressing social factors or providing economic incentives. However, historical reasons for disparities may no longer be so relevant today. Information and communications technologies can enable regions to leapfrog into a connected world, and can be a rapid and cost-effective way to

overcome some traditional barriers and to provide better access to education and information.

Government policies also play an important role. The government sometimes focuses on few key regions and the others are left in a state of utter neglect¹. **The key element** behind regional differences, once physical limitations are addressed, is however the **availability of quality human capital**. Unfortunately, depressed regions are as a rule additionally affected also by losing their precious human capital via brain drain. This has recently hit very badly the European transition countries, particularly most of those of former Yugoslavia – including North Macedonia.

In the literature there are **more differences than common views on cohesion policies, their actual impact and even relevance** (check **Table 1** in the Annex – which is perhaps giving even an excessively negative interpretation of the possible impact of cohesion policies). In any case, specialists are warning against common simplification according to which development performance in a poorer region is interpreted primarily as a result of policy measures applied in favour of such a region. Ignoring or underestimating all other factors (private investment, development effort of the respective region, numerous external influences) may lead to false conclusions, and it should therefore be avoided. In contemporary conditions **external (i.e. extra-regional) support** can undoubtedly make a huge difference, provided it is performed appropriately – meaning it is addressing **underlying causes** and not just **symptoms**. It is however of primary importance that the necessary **local conditions** are created (rule of law and effective regional government, zero tolerance for corruption, strategic priorities with transparent programming, investment project support environment, favourable attitude towards public-private partnerships, efficient local capital market and availability of risk capital, as well as skilful, entrepreneurial project leaders). Under such conditions external support is not perceived as “a financial gift”, but as enhanced opportunities to implement some well-verified projects which will create benefits for the respective community.

The EU has recognized only recently (more than ever before) that an important condition for a successful cohesion effort is the ability and determination of local authorities and business & academic communities to advance the region into a knowledge economy. That is possible only if and when an **efficient innovation ecosystem** has been established, and

¹ <https://www.quora.com/What-is-regional-disparity-1>.

when the innovation process is understood beyond the classical linear innovation paradigm (holding that most of public support should go into basic science, which will gradually develop relevant applied research, to be followed by R&D activities, which will finally create new products and services. Thanks to their competitive quality these will be successfully launched at domestic and foreign markets, and will generate new jobs and sources of revenue. Many countries have not yet fully understood the **radically changed nature of the innovation process**, which is much more complex, flexible, unpredictable, and involves all societal actors: from entrepreneurs, researchers and inventors – to governments, civil society, and even media.

According to the analysis why South-East European, transition economies are struggling in competition with economies of the Nordic countries, The Economist Intelligence Unit report concludes that the CEE policymakers will have to move to **a new, innovation-driven growth model**. In order to create well-performing innovation ecosystems, countries will have to look at a number of policy options. Governments will need to make their countries more **attractive to talent** in order to reverse the brain drain into brain circulation and hopefully achieve at least some brain gain. This can be achieved through return of some migrants, as well as by foreign experts settling in a respective country, and finding work in newly established companies as a result of domestic and foreign investment. Moreover, **continued reform of the regulatory framework**, coupled with **higher policy stability and future orientation**, will be crucial. The experience of the Nordic countries provides opportunities to learn from best practice how to create vibrant innovation ecosystems that contribute to an equitable society, consensual democracy, and a competitive economy.

The **example of Taiwan** also shows **how an innovation economy can be created**. Starting out as a poor tropical island with no resources, the government decided in the early 1970s to focus future development on information technologies. They created an **Institute of the Information Industry** of the best experts as a quasi-governmental think tank, to both advise government and assist the private sector. It led in research with many patents, and trained thousands of technicians for industry. A science park was created to copy Silicon Valley, with government-financed infrastructure of modular buildings to encourage start-ups, venture capital and legal advice, and branches of government departments facilitating responses to administrative request in 3-5 days. Government investment in the park was returned many times over. Taiwanese who had left during the

brain drain were attracted back with high salaries and business opportunities. Many new universities were created, staffed by returning experts. The focus was on small and medium enterprises able to change their product lines every six months to keep up with evolving technologies. Major investments were made in factories on the Chinese mainland, while encouraging companies to locate their headquarters and research centres in beautiful green Taiwan. High-speed trains and excellent Internet connectivity united the whole country in the economic transformation. This close collaboration of government and the private sector transformed the economy in a few decades.²

Throughout history there were regional disparities, based on **natural resources, favourable location, and quality of education**. In modern times regional disparities are not perceived only as an **economic feature**, but equally as a **political liability of a country** – making authorities responsible for not doing enough to reduce them to an acceptable level. For example, during 1998-2003 regional disparities increased in **10** out of **22** OECD member countries, and **9** out of these **10** regions are **predominantly rural**.

The EU Territorial Agenda 2020 focuses, among other things, on the following priorities: (1) promoting polycentric and balanced territorial development, (2) encouraging integrated development in cities, rural and specific regions, (3) ensuring global competitiveness in regions based on strong local economies, and (4) improving territorial connectivity for individuals, communities and enterprises.

Economic gaps among regions are nothing new, and both theory and policy engagement to reduce them, have a long history. However, the **achievements are rather mixed**: some countries have managed to reduce them to a sustainable level, in others the gaps between the richest and poorest regions have grown into major economic, as well as political problems. Leading regions in European countries have, on average, 2.3 times the GDP per capita of the poorest regions in their respective countries. During 2000-2016 the inter-country disparities in Europe have shrunk by 30 percentage points, among NUTS-2 regions only by 7%, while within NUTS-3 regions they increased by 13 percentage points (check Figure 3 in the Annex). Although increasing cohesion has been a strategic objective since the start of the EU, the results achieved are important, but **far from completely satisfactory**.

² Dahl, Arthur Lyon, and Augusto Lopez-Claros. 2006c. **The Impact of Information and Communication Technologies on the Economic Competitiveness and Social Development of Taiwan**, p. 107-118, in Soumitra Dutta, Augusto Lopez-Claros and Irene Mia (eds.) *The Global Information Technology Report 2005-2006: Leveraging ICT for Development*. INSEAD/World Economic Forum. Hampshire: Palgrave Macmillan.

2. Regional Development Gaps around the Globe³

Regional economic and consequently social gaps reduce development potential and create social and finally serious political problems in the countries concerned. Only some countries have realised that in good time, and managed to prevent an internal “North-South” polarisation. These are for example: New Zealand, Finland, and Switzerland, and they are now enjoying the benefits of sustainable socio-economic development, and knowledge-based competitiveness. According to 0-1 of the **Theil Index** (Figure 2), the smallest regional disparities are recorded in US, Australia, Canada, Austria, Holland, Korea and Sweden, while the biggest are in Thailand, India, Ecuador, Guatemala, and the Philippines.

In Europe, Italy continues to struggle in reducing the gap between the advanced North and the much poorer South – the notorious “**Mezzogiorno**”. Countries which neglected the problem and allowed it to aggravate are facing severe consequences: reducing the gap is becoming ever more expensive, not only in financial terms, but also in maintaining political cohesion and preventing destabilising political forces to utilise this problem for their own political interests.

Therefore, it is highly advisable for any national and regional government to treat the territorially based economic and social differentiation as a major priority. Prevention is always easier than introducing corrective measures, since **reversing regional disparities has proved to be a complex, long-term and often quite difficult process.**

The level of economic differentiation at country level is well represented by the **Gini Index**. In Europe it has ranged back in 2003 between the most differentiated country Turkey with **0.27**, and the least

differentiated country Sweden with **0.05**. If GDP per capita by poorest and richest regions of OECD countries is compared with the national averages, the UK comes out rather unfavourably: 60% vs. 445%, followed by the US with 65% vs. 332%, France with 77% vs. 316%, and Austria with 62% vs. 154% (further details in Figure No.1 in the Annex).

OECD Regions at a Glance 2016 finds most countries are closing the gap between regions in education and Internet access, but disparities in GDP per head, disposable income, safety and air pollution are widening in many countries. The disposable income per capita gap between the richest and poorest parts of OECD countries **grew 1.5% a year**

³ <https://www.oecd.org/regional/regional-inequalities-worsening-in-many-countries.htm>.

on average over 2000-2013, with the biggest increases in the **Slovakia, Australia, Czech Republic and Canada**.

The report, which examines local-level indicators in 34 OECD countries, plus Brazil, China, Colombia, India, Latvia, Lithuania, Peru, Russia and South Africa, shows many regions are struggling to increase the productivity of firms and people and restore employment. **Italy, Spain and Turkey** all show a 20-percentage point gap between highest and lowest regional unemployment rates, the same difference as between the national unemployment rates of **Greece and Norway**.

It is accompanied by the OECD's **Regional Well-being website**, which shows how 395 sub-national regions in the 34 OECD countries perform in **11 areas: income, jobs, education, health, safety, environment, housing, life satisfaction, civic engagement, community and access to services**. It gives them a relative score out of 10 for each well-being dimension.

The following are findings from the regional data:

- Swiss regions score highest for **life satisfaction**. Hungarian regions score lowest. **Life satisfaction** scores vary from 4.4 out of 10 in Eastern Turkey, to 8.6 in Campeche, Mexico.
- Italy, Turkey and Belgium show the biggest regional disparities in **employment rates**.
- Turkey, Mexico and Israel have the highest **income inequality** of OECD countries.
- The US, Estonia and Mexico show the biggest regional gaps in **health**, as measured by mortality rate and **life expectancy**. At city level, different neighbourhoods of London show a 20-year gap in **life expectancy**, more than twice the 8-year gap between national life expectancies in OECD countries.
- In 55% of OECD regions, **life expectancy** at birth now exceeds 80 years. In every OECD region a woman can expect to live almost six years longer than a man.
- **Labour productivity** is often higher in cities than in rural areas. The productivity gap, measured as the difference in GDP per worker, between urban regions and other areas was 30% in 2013 in OECD countries, with a higher gap in North America and Europe than in Asia.

- Wales scores highest of the UK's regions on **safety** and Greater London lowest. In terms of **a sense of community**, Scotland scores highest and North East England lowest. Northern Ireland scores lowest on **income and education**.
- Mexico has the highest regional variation in **homicide rates**, ranging from 2.4 murders per 100,000 people in the Yucatan region, to almost 65 per 100,000 in Guerrero state.
- The **elderly population** in OECD countries has increased more than five times as much as the rest of the population in the past 15 years. In 26 of 33 OECD countries, the elderly dependency ratio is higher in rural than urban regions.

3. How can countries address the division between the leading and lagging regions?⁴

Especially outside the economic centers that concentrate production, there are “lagging areas” with persistent disparities in living standards, and a lack of access to basic services and economic opportunities. Today, worldwide **over two billion people** live in such lagging areas. **Over one billion people** live in underserved urban slums with many disparities from the rest of the city in terms of access to infrastructure and services, tenure security, and vulnerability to disaster risk. A further **one billion people** live in underdeveloped rural areas with few job opportunities and public services. There are thus disparities between rich and poor as well as between urban and rural areas that rank differently in the indicators and require distinct approaches.

Looking at cohesion policy in the EU, one has to identify basically **two conceptual approaches**: in the early years of European Community (in the 1960-ies) the emphasis was on **human capital** – training and education, as well as mobility. Twenty years later (in the 1980-ies), as several new members with much lower GDP per capita entered the grouping, the emphasis shifted to developing **key infrastructure**.

As discussed at the **Ninth Session of the World Urban Forum** (WUF9) in Kuala Lumpur, Malaysia, the **World Bank Group** was taking an integrated territorial approach through a “spatially aware” lens to tackle the land, social, and economic challenges altogether. Essentially, the territorial development approach spans “**3 I's and 1P**” – **Institutions, Infrastructure, Interventions** (the three pillars of the World Development Report of 2009: Reshaping Economic Geography), and **People**.

⁴ <https://blogs.worldbank.org/sustainablecities/spatially-awhere-bridging-gap-between-leading-and-lagging-regions>.

- a) **Institutions:** The territorial development policies should start with conducive institutions that expand basic services to all, and enable economic agglomeration and spatial mobility of labor. This requires institutional devolution from central to local levels and institutional integration across sectors at all scales.
- b) **Infrastructure:** Territorial development provides a more coordinated and “spatially aware” approach to prioritizing and planning infrastructure investments. Strategic infrastructure projects that connect lagging regions to economic centers can be prioritized to enable access to markets and opportunities. Within the lagging regions, other infrastructure investments need to be prioritized to provide basic services and equalize living standards across territories. Strategically, infrastructure planning is also necessary to foster economic production.
- c) **Interventions:** Spatially targeted and coordinated interventions can provide tailored solutions to lagging areas for economic growth and improved living standards. Such interventions need to be strategically selected by examining the territory as a whole and applying an integrated, cross-sectoral approach to planning and financing.
- d) **People:** People are the foundation and key beneficiaries of economic development. Policies and investments in institutions, infrastructure, and interventions should go hand-in-hand with developing human capital. Human capital has become the most important component of global wealth and accounts for 70% of the wealth in high-income countries. Building human capital through systematic investments in education, skills, health, and social protection is critical to preparing people for more active economic participation – and in the longer term – alleviate poverty and stimulate prosperity.

Leaving no one behind does not mean doing the same everywhere. **When it comes to bridging the gap between leading and lagging regions, integration is key.** Countries must improve the economic integration of **all territories** to spread the benefits of economic growth and improve living standards for all. **Such an integrated territorial approach can help national and local governments prioritize and plan investments, and ultimately build inclusive, resilient, and sustainable communities for all.**

4. The Worst and Best Cases: Practice and Policies

New Zealand has the lowest regional disparities among 30 OECD countries with comparable data, when the richest and poorest regions representing at least 20% of the population are taken into account. With a productivity growth of +1.5% per year over the period 2010-2016, the Tasman-Nelson-Marlborough region had the highest productivity growth and converged towards the productivity level of Taranaki region, the national frontier in terms of labour productivity. Youth unemployment is lower in New Zealand than the OECD average, although regional disparities are large. Northland region has the highest youth unemployment rate (23.1% in 2016), which was almost three times as high as in Canterbury. This may be due to a larger immigrant population of Pacific Islanders with distinct education and health issues.

New Zealand is the OECD country with the highest regional scores in environment, with all its fourteen regions among the top 20% of OECD regions. In general, regions in New Zealand perform relatively favourably in all well-being dimensions, although large disparities are observed in some of them (health, jobs, and safety). Regional disparities in health outcomes in New Zealand are the second largest among OECD countries, with Auckland ranking in the top 20% of OECD regions and Gisborne in the bottom 20%. The low performing regions in New Zealand fare better than the OECD median region in 6 out of the 13 well-being indicators, but fall below the median in life expectancy, mortality rate, unemployment rate, homicide rate, disposable income per capita, broadband access and share of labour force with at least a secondary degree.

Finland has managed to keep the regional gap in GDP per capita stable over the last sixteen years. They have the 2nd smallest regional economic disparities among OECD countries with comparable data, with the capital region having 60% higher GDP than the Eastern and Northern region. Productivity has grown at a pace 0.6% per year over the period 2000-2016, with regional rates of growth ranging from 0.7% per year in Åland to 0.4% per year in the South region. Since 2013, the youth unemployment rate has become more homogenous across regions, although it is significantly above the OECD average.

In five out of the eleven well-being dimensions, at least one Finnish region ranks in the top 20% of the OECD regions. Finland has large regional disparities in civic engagement and jobs. For example, Åland ranks in the top 5% of the OECD regions in terms of jobs outcomes (employment and unemployment rates), while the remote East and North regions

rank in the bottom third of OECD regions. Åland outperforms the other Finnish regions in five well-being dimensions, although it ranks last in terms of civic engagement, education and health compared to the rest of the country. The top performing Finnish regions fare better than the OECD median region for all the well-being indicators, except for unemployment rate and voter turnout.

Switzerland succeeded to slightly decrease regional disparities in terms of GDP per capita over the last sixteen years, with Eastern Switzerland having a GDP per capita equivalent to 72% of Zurich in 2015. Regional economic disparities in Switzerland are among the lowest among OECD countries. With a productivity growth of 1.7% per year over the period 2008-2014, Ticino not only had the highest level of productivity in 2014 but also recorded the largest growth among all Swiss regions. Following a significantly lower productivity growth (0.1% per year), Zurich was replaced by Ticino as the frontier region in terms of productivity in Switzerland in 2010. With a youth unemployment of 15.6% in 2017 that was similar to the OECD average, Lake Geneva had the highest youth unemployment in the country. Youth unemployment in Central Switzerland only amounted to 4.1%, 11.5 percentage points below the youth unemployment rate in Lake Geneva.

All seven Swiss regions rank among the top 20% of OECD regions in health, and among the bottom 20% for civic engagement (voter turnout). The largest regional disparities are found in the well-being dimensions community, jobs and environment. The best performing Swiss regions fare better than the OECD median region in all 13 well-being indicators except for air pollution and voter turnout. The life expectancy at birth is 83 years in the low performing Swiss regions, almost three years higher than the OECD median.

Italy experienced a further increase of the already large regional economic disparities over the last sixteen years. In the northern province of Bolzano-Bozen the level of GDP per capita was two and a half times higher than in Calabria in the south in 2016. With a productivity growth of 0.2% per year over the period 2000-2016, Bolzano-Bozen experienced the highest productivity growth among Italian regions, although much below the OECD average of 1.1% in the same period. With a negative productivity growth of -1% per year in Molise, the gap with Bolzano-Bozen has widened further, especially since 2010. Notwithstanding a small improvement in recent years, youth unemployment rate in Calabria is still among the highest in the OECD area, with over 55% of youths unemployed. Youth unemployment rates above 50% are also observed in Apulia,

Campania and Sicily, while the province of Bolzano-Bozen shows the lowest rate in the country (10% in 2017).

Italy has the largest regional disparities among OECD countries in terms of unemployment rate and the second largest in terms of safety (homicide rates). While Aosta Valley ranks among the safest 1% of OECD regions, Sicily ranks among the bottom 10%. With respect to other OECD regions, all Italian regions have improved their relative ranking in health (life expectancy) since 2000 and are now in the top 20% healthiest OECD regions, with the exception of Campania and Sicily. The top performing Italian regions fare better than the OECD median region in most well-being indicators, except for unemployment rate, air pollution, self-evaluation of life satisfaction, and the share of labour force with at least a secondary degree.

Turkey has a higher youth unemployment than the OECD average in 17 out of 26 Turkish regions. While youth unemployment has on average decreased in OECD countries since the economic crisis, it has increased in most Turkish regions. South East Anatolia had the highest youth unemployment rate at 40% in 2017, almost four times as high as the rate observed in West Black Sea - Middle East. Regional disparities in terms of GDP per capita have slightly decreased in Turkey over the last ten years. With a growth of GDP per capita of 5.4% per year over the period 2004-2014, Eastern Anatolia has been catching up with Istanbul, the richest Turkish region in terms of GDP per capita, which grew by 3.6% per year over the same period. Turkey has the highest regional disparity among 30 OECD countries with comparable data, when the richest and poorest regions - representing at least 20% of the population - are taken into account.

All Turkish regions rank in the top 40% of OECD regions in terms of civic engagement, due to a compulsory voting system. In eight out of the eleven well-being dimensions, Turkey has at least one region that ranks in the bottom 5% of the OECD regional ranking: in housing, environment, community, life satisfaction, jobs, education, access to services and income. Apart from voter turnout, the high performing Turkish regions fare worse than the OECD median region in all well-being dimensions. In the high performing regions, 54% of the labour force has at least a secondary degree, 27%-age points below the OECD median region.

5. For whom Disparities in EU are shrinking?

The European Union has defined cohesion policy (through its 3 instruments: **ERDF**, **ESF** and **Cohesion Fund**), as one of its priorities, for which **355 billion €** were earmarked in EU budget for the period 2014-2020. This should contribute in EU-13 countries an estimated 2.8 % to their respective GDP. Undoubtedly, there are rather impressive results in reducing the gap between European North and South, as well as within member states and their regions. However, 27% of EU-28 population still lives in NUTS 2 regions where GDP per capita is below 75% of EU average.

When comparing regional disparities within the EU, after the 11 post-socialist countries from Eastern and SE Europe joined the Union, we can observe that in percentage of EU-15 average, during the period 1989 – 2015, these countries experienced the following **positive changes** (with the only unfavourable exception of Bulgaria), which has decreased their gap behind the EU-28 average GDP per capita in PPP as demonstrated at the table below:

Table 1: GDP p.c. percentage gap of post-socialist countries versus EU-28, 1989 – 2015

Country	1989	2008	2015	Difference in %-points 1989-2015
Poland	38.2	49.0	63.7	+25.5
Romania	34.0	43.6	51.6	+17.6
Bulgaria	46.6	40.2	43.3	-3.3
Croatia	50.8	56.9	54.1	+5.3
Latvia	52.3	53.9	59.2	+6.9
Estonia	54.2	61.3	70.1	+15.9
Lithuania	55.3	56.4	69.9	+14.6
Hungary	55.8	56.9	63.7	+12.8
Slovakia	59.2	64.2	72.0	+15.8
Slovenia	74.0	80.4	76.4	+2.4
Czech Republic	75.2	73.5	79.6	+4.4

Source: Poland Competitiveness Report 2016, p. 38; For 1992, Poland Competitiveness Report 2006, p. 20; quoted in Prof. Yoji Koyama's presentation at ECPD Conference, Belgrade, 25 Oct. 2019.

The five richest among the new EU members (**Czech Rep.**, **Slovenia**, **Slovakia**, **Estonia** and **Lithuania**) have improved on weighted average their GDP pc (in PPP) by over 10 percentage points. Though at a lower level, **Poland** and **Romania** have achieved the biggest reduction of the gap with EU-28 average, while only **Bulgaria** actually increased the gap remaining in 2015 at the level of 43.3% of the EU-28 average.

These are the results under conditions of cohesion investment which represented on average in EU-28 about 8,5% of public capital investment, and in EU-13 countries even

41% of public capital investment. This is the average, but the differences between countries are large: **from 84% in Portugal, 80% in Croatia, 60% in Poland, 41% in Czech Republic and only 29% in Slovenia**. Not unrelated, Slovenia – second highest in the group, with 76.4% of EU-28 average -- made a very modest improvement of only 2.4 percentage points.

6. Reducing regional economic disparities in North Macedonia

For the purposes of regional development policy the government has decided to create **8 Planning Regions** (following the NUTS3 concept) – and elaborated ambitious targets by the Law on balanced regional development (Official Gazette of the Republic of Macedonia, no. 63/07). The government department responsible for balanced regional development is the **Ministry of Local Self-Government** and the **Bureau for regional development** which operates within the Ministry.

Generally speaking, how successful has the regional development policy been? The answer depends of course on the method of measurement and time period, but disparities measured in GDP variation coefficient across the 8 Planning Regions are not diminishing as expected – actually even growing in the recent years. Among the key reasons one cannot disregard non-implementation of the Law on budget planning requesting that **1 % of GDP** should be devoted to **balanced regional development**, while in reality the Bureau for Regional Development and the Centers for Balanced Regional Development in 8 Planning Regions manage resources for the regional capital projects amounting on average to less than **0.2% of GDP**, and the realization of the projects planned by the Bureau was rather low in the past few years.

The first long-term Strategy to address regional disparities in the country has covered the period 2009-2019. In **Table No.2** the changes achieved in development indices during the periods 2008-2012 and 2013-2017. The average for all 8 Planning Regions grew from **0.81** to **0.92**. In terms of regional disparities, the least developed North East region had improved its development indice vis-a-vis the most advanced region – Skopje from **0.38%** to **0.42%**. This is positive, but it still implies that **Skopje Region** is in **2.4 times more favourable** position than **North East Region**.

Table 2: Development indices 2008-2012 and 2013-2017

Region	Development indices 2008-2012	Development indices 2013 - 2017
Skopje	1.48	1.51
South East	0.89	0.97
Pelagonia	0.73	0.91
South West	0.72	0.81
Vardar	0.72	0.74
East	0.69	0.96
Polog	0.67	0.82
North East	0.56	0.63

Source: *Rocheska Slavica, Angelski Marjan, Milevska Marijana, Kostovska Olivera "Territorial cohesion and regional development in the context of EU integration – the case of Macedonia, Eastern Journal of European Studies, Vol.5, Issue1, June 2014, p. 73.*

Let us see the relative progress achieved in this period measured in changes of the Development index between each of the seven planning regions vis-à-vis the development index of the richest region of Skopje. Here is the table No.3:

Table 3: Relative gain of regions in development index compared to Skopje, 2008-2012 and 2013-2017

Region	%-tage of Region's index of Skopje index 2008-2012	%-tage of Region's index of Skopje index 2013-2017	Gain in %-tage points
Skopje	100	100	2*
East	46	63	17
Pelagonia	49	60	11
Polog	45	54	9
South West	48	53	5
North East	38	42	4
South East	60	64	4
Vardar	48	49	1

Source: *Authors' calculation based on data from the above quoted article* Skopje's own gain in the period.*

Very clearly the **Eastern region, Pelagonia** and **Polog region** have made more relative progress than other regions – though they are ranked Nos. 3-5 among the 8 regions by their Development Index scores, so they are neither the richest, nor the poorest among 8 planning regions.

Leaving aside the efficiency of the overall conditions created and maintained by national government, as well as regional and local authorities, one of the central questions is whether funding provided on the basis of the Law on Regional Development was sufficient to reduce the disparities more than was actually achieved. **Table 4** below shows us the total funds invested per region, and the change in Development Index.

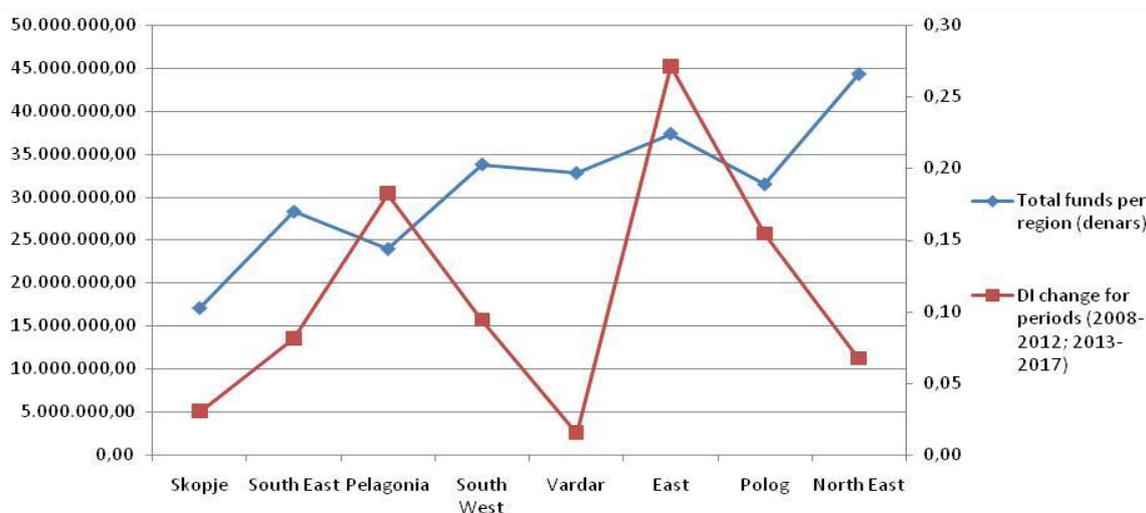
Table 4: Total funds vs. DI change, periods 2008-2012 to 2013-2017

Planning Region	Total funds per region (denars)	DI change for periods (2008-2012; 2013-2017)
Skopje	17.085.164,00	0.03
South East	28.299.817,00	0.08
Pelagonia	23.966.480,00	0.18
South West	33.800.888,00	0.09
Vardar	32.810.919,00	0.02
East	37.372.843,00	0.27
Polog	31.492.906,00	0.15
North East	44.316.750,00	0.07

Source: *Ibidem*, p.74

The **Figure1** below present also graphically the relationship between funds invested and the change in Development Indices, and it is obvious that inter-regional differences in improved Development Indices were much bigger than in funds invested. This implies that the factors influencing development in individual regions go well beyond the amount of investment provided by government funding.

Figure 1: Total funds vs. Dev.Indices change, periods 2008-2012 to 2013-2017



Source: *Ibidem*, p.74.

It is obvious that the volume of public investment received by individual Planning Regions was in opposite proportion to the development level of the particular Region: therefore, Skopje has received almost 3 times fewer public funds than North Eastern region. The story of private investment (domestic as well as foreign) has most probably been quite different, and so the government's policy should be blamed for it, since policy of regional development cannot be reduced just to differentiated public investment, but should include a whole variety of instruments supporting dynamic socio-economic development and investment in less developed regions. This includes preferential tax instruments, bonuses

for experts moving to work in less developed regions, and for companies opening their new jobs, etc.

If reducing regional disparities could be successful just through public investment, it would be difficult to explain why the two lines in the Figure 1 are not running in a more parallel fashion. Actually, two out of 8 regions (East and Pelagonia) performed very favourably and better than expected only from the inflow of public funds. In three regions (South East, South West, and Polog) the performance was relatively inferior compared to funds received, while the last three regions (Skopje, Vardar and North East) performed even more poorly – while the negative discrepancy between DI change and funds received was much less in Skopje Region than the other two regions.

Conclusions

Undoubtedly, regional disparities - generally at all levels, but particularly within national economies - **deserve more attention**. Science should produce a **clearer conceptual framework** and some **background for policies** to address them effectively. This is expected to be achieved by an interdisciplinary approach, as the classical economic theory does not offer satisfactory answers to several crucial questions as to why disparities tend to persist even when all major conditions for accelerated development are provided. In interaction with experienced practitioners, and in consultation with those directly concerned at the local level, researchers should be able to elaborate **proposals for policy and regulatory environments** conducive to reducing regional economic disparities. But a third element is **political will and priority** given by government to address the disparities, combined with relevant knowledge, skills and experience of the civil service.

In discussing regional disparities, the key methodological challenge is to determine the **focus and level of comparison**. This is particularly relevant when highly developed urban regions are to be compared with the underdeveloped, remote rural areas. The **OECD** has developed a **regional index of wellbeing**, based on the following **11 indicators**: housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety, and work-life balance.⁵ These may help to point to causal factors that could be addressed through practical actions.

⁵ »Mapping patterns of regional inequalities and change in Europe: The evolution of regional inequalities in Europe« RELOCAL, Deliverable D2.1, Nordregio, Ref.Ares (2018) 4999014 – 29/09/2018, p.8.

The World Bank reports that during 2005-2015 countries of Europe had a 2.1% average annual growth, the South had no real growth, while the East was growing 4.6%. This has contributed to some diminishing of economic disparities at the continent level. But as Graph 1 shows, during 1995-2014, among 12 selected countries, 7 experienced an increase and 5 a reduction of disparities - measured in **Gini coefficient**. Looking at small regions (Graph 2) in 29 countries during 2000-2016 13 of them increased disparities, while 16 reduced them. Map No.1 shows the tendency for bigger disparities in less developed countries, compared to more developed ones. Map No.2 shows at EU level the huge differences among NUTS 3 regions, and Map No.4 shows the gap between development potential and actual economic performance in these regions. This calls for **better development policies at national and regional level**, as well as the need for further efforts in European cohesion policy.

An increase in disparities could be due to a much **more rapid rate of development in urban areas than in peripheral regions**, or to a decline in regions with **uncompetitive industries** or **failing agriculture**. A boost due to the availability of cheaper labour, as in Eastern Europe, may be only temporary as disparities decline. In the years ahead, new disparities may contrast a wealthy ageing population cohort against shrinking employment opportunities for the young, and regions heavily impacted by the costs of the climate crisis falling behind others that are geographically more protected.

It seems safe to conclude that many European countries have realised that **excessive regional disparities impact them harmfully**, should therefore be prevented, and gradually reduced to a tolerable level (how remains a difficult question). The realisation how much that contributes to social cohesion, to mobilise all resources and contribute to successfully building knowledge economy, is however still a process in the making. Nobody can advise about what exactly is an acceptable level of socio-economic divergence, primarily since it implies some serious ethical, as well as social and economic issues. Figure 1 shows the disparities among NUTS 3 regions in Europe, where UK, Slovakia, Romania, France, Ireland, Belgium and Czech Republic stand out with big, and Estonia, Greece, Austria, and the Netherlands experience the smallest regional disparities.

If based on acceptable criteria of objective differences in performance and contribution of people to value generation in a society, the differentiation remains socially and morally

acceptable, and has even a motivating impact – encouraging people to work more, give their best and behave entrepreneurially, as well as taking reasonable entrepreneurial risks in order to succeed. When, however individuals gain access to disproportionate “share of the cake” based on power and privilege, than the gap becomes illegitimate, and starts to demotivate people.

Consequently, productivity starts falling, **value generation is affected negatively**, and **social cohesion** is replaced by **social tensions**, which tend to gradually grow into **potential social conflicts – unless being timely and properly addressed**. And, as history teaches us, smart societies seem to have the ability to prevent conflictual resolutions of social tensions, as they do not allow the problems to boil up to the point when violent confrontations come to be perceived as the only way to resolve accumulated problems. Usually, only then do the powerful elites realize that it wasn't worth protecting all of their privileges and advantages, which have been taken away at a very high social cost. But then the opportunity to work out socially acceptable solutions has been wasted, and the price for realising this tends to be very high. Actually, much higher than it would have been if the rich had agreed to settle the conflict in a constructive peaceful manner.

The message from historical experience could not be any simpler – but so far only very few societies have managed to take this road. **Knowledge societies are based on broad societal consensus**, and that means that the powerful and rich elites willingly accept democratic dialogue and fair play with the rest of society.

During the transition in post-socialist countries – practically without exception -- a rather small elite has taken advantage of the transformation of economic and political system, by appropriating privatised assets. Not unexpectedly they tend to control an over-proportionate share of political power, through which they protect their economic interests, which are normally linked to the capital and major cities. Therefore, reduction of regional disparities is not very high on the list of their priority interests.

The World Bank's »**Rethinking Lagging Regions**« argues for a strongly region-centered cohesion policy that adopts a dual objective: (1) maximizing regional potential, measured not simply by output per capita, but also by the enhanced capacity to generate quality (productive) jobs; and (2) ensuring equality of opportunity for individuals to achieve their potential.

Many international organisations (the World Bank, OECD, regional development banks) are paying increasing attention to this issue and offer all kinds of assistance to countries concerned, alerting them to do more in addressing the problem efficiently and in good time.

Countries such as North Macedonia, being a very young independent country in transition, ought to focus even stronger on the issue of regional disparities – and additionally as in this case there are important ethnic, and therefore also political dimensions of the problem.

The European union is expected to and should play a **more proactive role in supporting its future members in reducing regional disparities**, firstly to give North Macedonia, as well as Albania, the candidate status. This is actually also in the strategic interest of Europe, and one can only hope that EU leaders will soon understand this in the context of the global challenges the Old Continent is facing in the 21st century.

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ANNEX

Table No. 1: Major Theoretical Approaches to Cohesion Policy
Summary of selected empirical research on the impact of cohesion policy

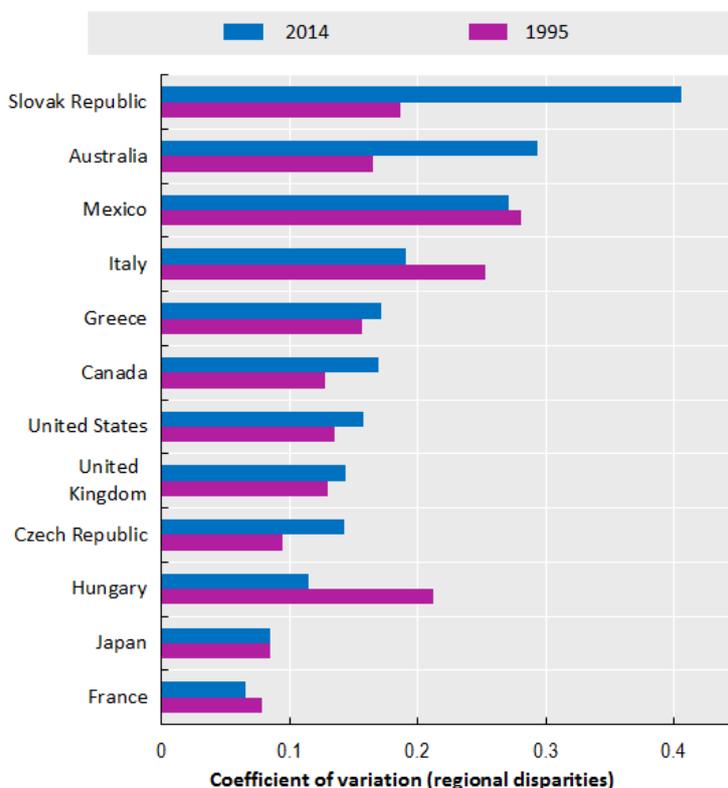
PUBLICATION	IMPACT FOUND	METHOD USED	CONCLUSION
Boldrin and Canova (2001): Inequality and convergence in Europe's regions: reconsidering European regional policies	No convergence nor divergence found. Exception made for a couple of miracles and a few disasters; most regions are growing at a fairly uniform rate, irrespective of their initial conditions.	Kolmogorov-Smirnov test	If the true objective of regional economic policies is to foster economic growth in the poorer regions and promote convergence, then the policies adopted by the Community are not justifiable in the light of current economic knowledge and hard statistical evidence.
Beugelsdijk and Eijffinger (2005): The effectiveness of structural policy in the European Union: An empirical analysis for the EU-15 in 1995–2001.	Positive	GMM (Gaussian Mixture Model)	Structural funds may indeed have had a positive impact, and poorer countries (like Greece) seem to have caught up with the richer countries.
Ezcurra and Rapún (2006): Manuel Regional Disparities and National Development Revisited: The Case of Western Europe	Positive beyond a threshold of GDP per capita	Semi-parametric technique based on the kernel regression estimator implemented by Robinson (1988).	Public policies aimed at promoting overall growth in the economy as a whole will contribute to neither increasing nor decreasing territorial imbalances within the various countries considered.
Lopez-Rodriguez and Faina (2006): Objective 1 regions versus non-objective 1 regions. What does the Theil Index tell us?	Does not mention precisely EUCP. Convergence after 1987.	Generalized entropy index such as the Theil index	The results show that between 1982 and 1987 the income disparities between objective 1 regions and non-objective 1 regions have increased, while from 1987 onwards objective 1 regions catch up with the non-objective 1 regions.
Ederveen and al (2006): Fertile soil for structural funds? A panel data analysis of the conditional effectiveness of	None	Three evaluation methods are used: model simulation, case studies and econometric evaluation.	Building on a standard neoclassical growth framework, the authors find that European support as such did not improve the countries' growth performance. However, the

PUBLICATION	IMPACT FOUND	METHOD USED	CONCLUSION
European cohesion policy			authors find evidence that it enhances growth in countries with the 'right' institutions.
Becker, Egger, & Von Ehrlich (2013): Too much of a good thing? On the growth effects of the EU's regional policy	EU transfers enable faster growth in the recipient regions as intended, but the authors estimate that in 36% of the recipient regions the transfer intensity exceeds the aggregate efficiency maximizing level and in 18% of the regions a reduction of transfers would not even reduce their growth.	Generalized propensity score estimation	The authors conclude that some reallocation of the funds across target regions would lead to higher aggregate growth in the EU and could generate even faster convergence than the current scheme does.
Fratesi and Perucca (2014) Territorial capital and the effectiveness of cohesion policies: an assessment for CEE regions	Regional policy is not so much effective per se but its impact depends on the type and amount of territorial capital possessed by the region. Regions more endowed with territorial capital appear to be more able to take advantage from the policy support of structural funds.	Cross-section regressions using NUTS-3 level data	Agglomeration economies play a role in some infrastructural policies; It is not the largest urban areas that take advantage from these investments but the intermediate ones; Rural areas, also don't take advantage of the hard investments, which questions the whole role of Structural Funds since these regions tend to be the poorest and less developed ones.
Crescenzi and Giua (2016): The EU cohesion policy in context: Does a bottom-up approach work in all regions?	Positive, but stronger in richer regions (not really convergence then). EUCP interacts with CAP and other non-geographically targeted policies.	A policy augmented model of regional growth	Bottom-up approaches are not sufficient, and must be complemented by top-down approach.
Percoco (2016): The impact of European cohesion policy in urban and rural regions	The impact of cohesion policy depends on the economic structure of regions.	Regression discontinuity design with heterogeneous treatment	The higher the share of service sector activity, the lower the detected impact of

PUBLICATION	IMPACT FOUND	METHOD USED	CONCLUSION
			policy investing heavily in this sector
Surubaru (2016): Administrative capacity or quality of political governance? EU cohesion policy in the new Europe, 2007–2013	Governance and domestic political factors may mediate the effects of redistributive policies, such as European cohesion policy	The paper relies on qualitative interviews and quantitative questionnaires with selected stakeholders	Taking stock of domestic political governance is essential to explaining the ability of new member states to manage European Union regional and cohesion policy.
Gagliardi and Percoco (2016): The impact of European Cohesion policy in urban and rural regions	Cohesion policy enhances regional growth overall, but does so more significantly in the case of rural regions close to a city.	Regression discontinuity design	Geographical characteristics influence the impact of Cohesion policy
Becker, Egger and von Ehrlich (2018): Effects of EU Regional Policy: 1989–2013	The effects of losing Objective 1 status on economic growth are negative, and the earlier positive effects on growth in the period(s) of Objective 1 treatment more or less undone.	Fuzzy regression discontinuity design (RDD) in a two-stage least-squares approach	Regional policy has a positive, but short-lived, effect on growth; the loss of eligibility in fact comes with a negative effect that offsets previous positive effects.

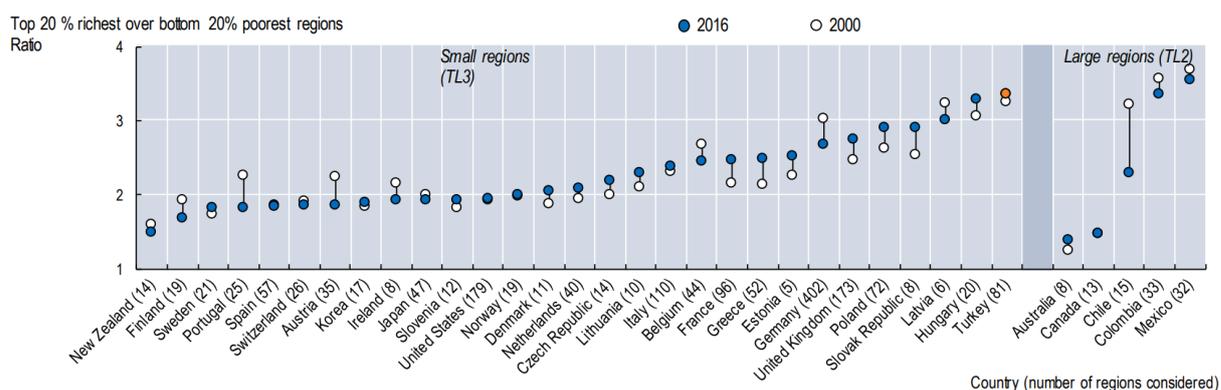
Source: *Effectiveness of cohesion policy: Learning from the project characteristics that produce the best results, European Parliament, PE 636.469, 17 April 2019, Annex A1, pp.81-83.*

**Graph 1: Regional disparities in household disposable income
(coefficient of variation for regional disparities) – 12 selected countries**



Source: <https://www.oecd.org/regional/regional-inequalities-worsening-in-many-countries.htm>

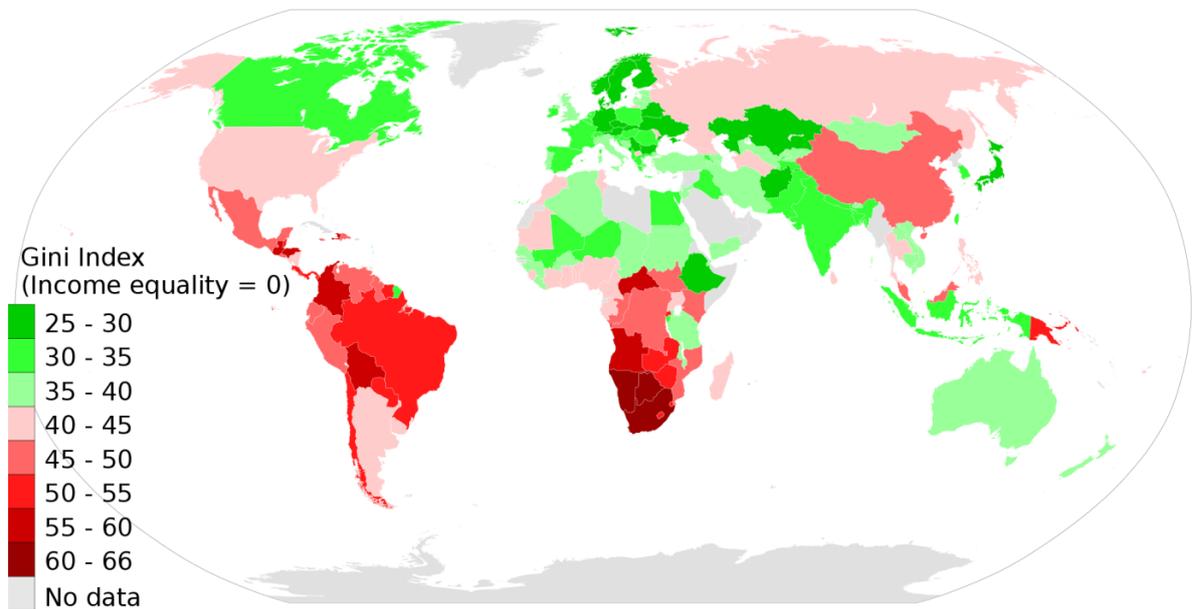
Graph 2: Index of regional disparity in GDP per capita, 2016



Source: <https://www.oecd.org/cfe/TURKEY-Regions-and-Cities-2018.pdf>

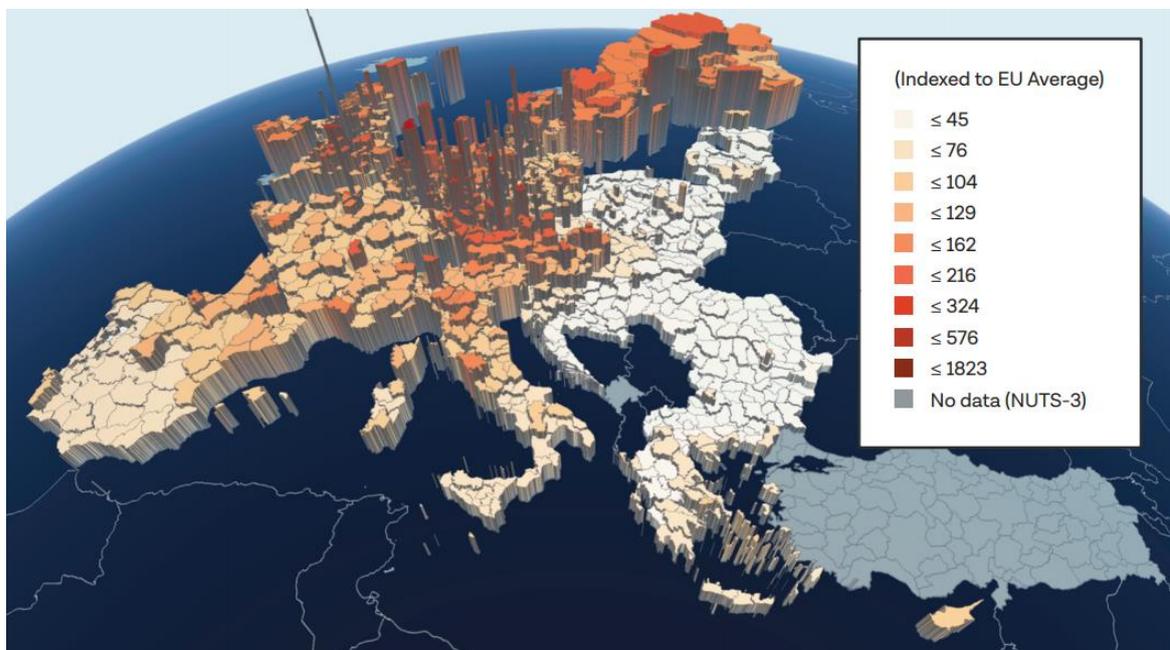
Map 1: Countries' income inequality

According to their most recently reported Gini index values (often 10+ years old) as of 2014: red = high, green = low inequality



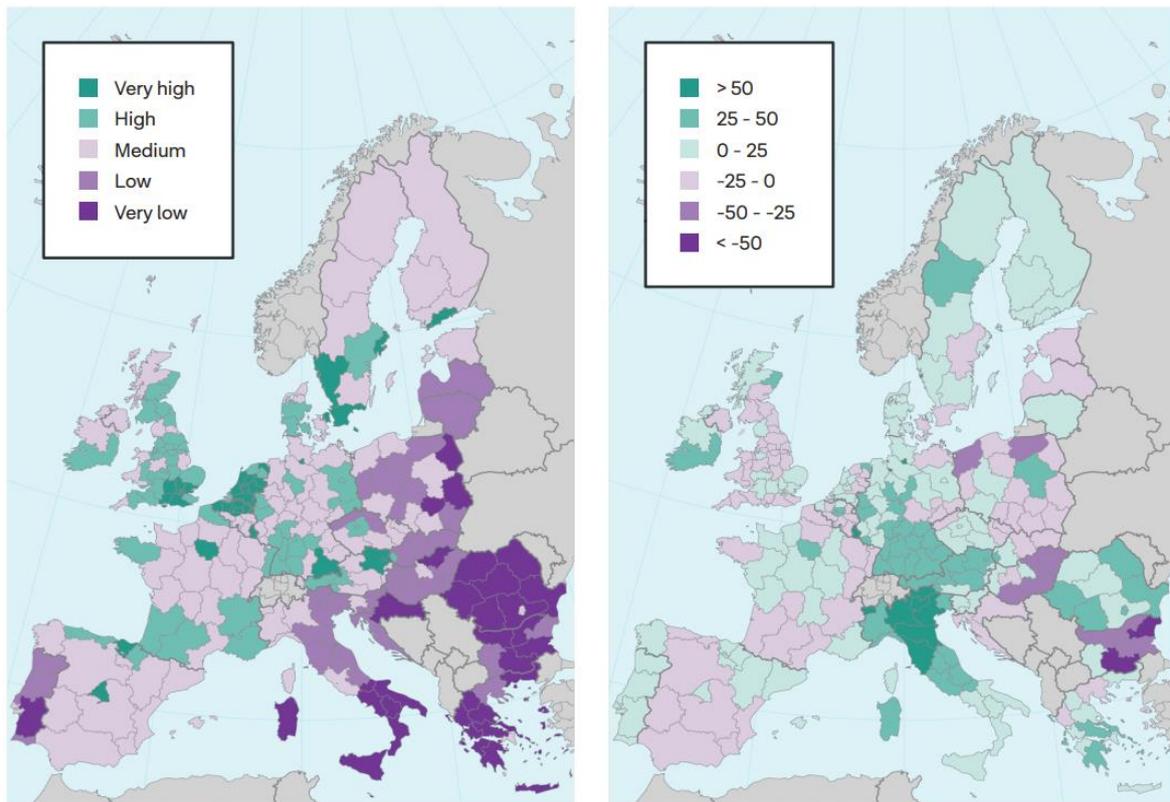
Source: https://en.wikipedia.org/wiki/Gini_coefficient

Map 2: Distribution of GDP per capita (PPS) across the EU at NUTS-3 level



Source: [Rethinking the Lagging Regions – Using Cohesion Policy to deliver on the Potential of Europe's Regions](#)

Map 3: Map of European regions on economic potential (left) and actual GDP per capita relative to predicted economic potential (right)



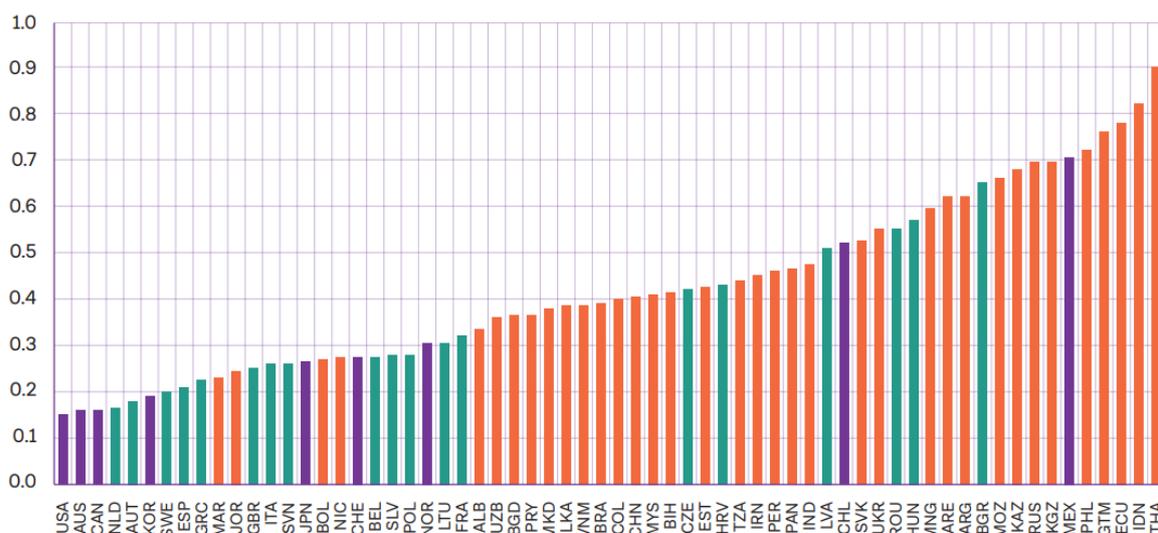
Source: [Rethinking the Lagging Regions – Using Cohesion Policy to deliver on the Potential of Europe’s Regions](#)

Figure 1: Distribution of GDP per capita (PPS) across regions within EU countries, 2015



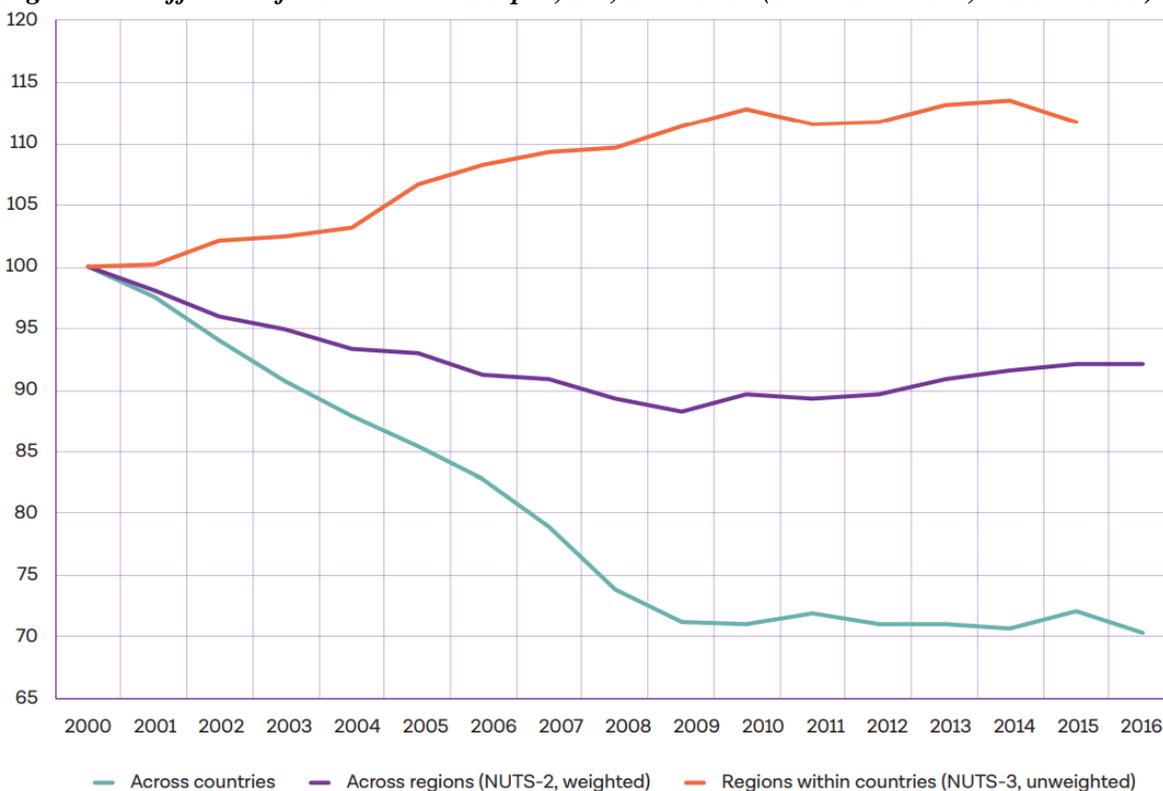
Source: [Rethinking the Lagging Regions – Using Cohesion Policy to deliver on the Potential of Europe’s Regions](#)

Figure 2: Index of regional inequality across the world (Second Theil Index)



Source: [Rethinking the Lagging Regions – Using Cohesion Policy to deliver on the Potential of Europe’s Regions](#)

Figure 3: Coefficient of variation in GDP p.c., EU, 2000-2016 (Index 2000=100, GDP in PPP)



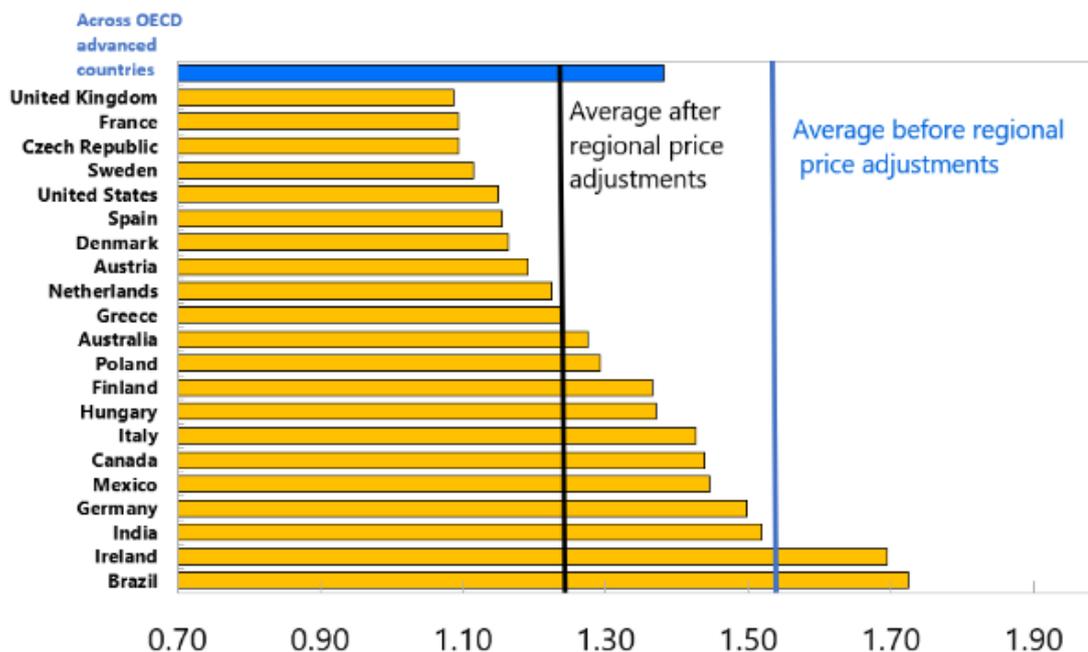
Source: [Rethinking the Lagging Regions – Using Cohesion Policy to deliver on the Potential of Europe’s Regions](#)

Figure 4: Regional disparities among OECD countries, 2012

Regional inequalities across countries

Large income differences between regions is a problem in many countries.

(ratio of per-capita GDP for richest to poorest regions)



Sources: OECD Regional Database and Gennaioli and others (2014).

III. EVALUATION OF THE REGIONAL DEVELOPMENT STRATEGY AND ITS IMPLEMENTATION, 2009 – 2019

(A) SOCIO-ECONOMIC DEVELOPMENT

Prof. Dr. Miodrag Ivanović

1. Measuring the results of regional development policy

1.1 PESTLE ANALYSIS of the Regional Development of Republic North Macedonia

The PESTLE framework provides a comprehensive list of influences on the possible success or failure of projects or strategies. PESTLE stands for Political, Economic, Social, Technological, Environmental and Legal factors which can strategically and operationally influence an organisation, region, sector or whole country.

Political factors highlight the role of the government and its role to provide stability, framework for development and prosperity of the society and citizens. The main Political factors are government stability, law regulation, criminal law, regulations of the prison services, taxation policy, foreign trade regulations, social welfare policies, etc.

Economic factors are business cycle, GDP trends, interest rates, money supply, inflation, unemployment, disposable income, poverty and distribution of income, regional and national development, black market, transition effects, privatisation process and criminal consequences, etc.

Socio-cultural factors are population demographics, income distribution, social mobility, lifestyles changes, attitudes to work and leisure, consumerism, levels of education, fashion, cultural trends, social networking, etc.

Technological factors are government spending on research and development, the internet and fraud, ICT, new discoveries and developments, new communication means, media channels, new equipment etc.

Legal factors are competition law, employment law, employment and minimum wage, health and safety, product safety, service regulations, etc.,

Environmental factors are environmental protection law, green issues, carbon dioxide regulation, waste disposal, energy savings, etc.,

All the above factors must be taken into consideration using Input-output model to understand influence and how they will influence regional development. The impact of PESTLE factors on regional development and requires careful consideration of how each external factor influences and affects the regional strategic objectives and especially project implementation as a whole or indeed a particular element of the project, such as people, resources, innovation, operations and finance.

In the column ‘How does it influence your project?’ it is important to identify the strategic position, policy and procedure, abilities, strengths, and weaknesses, towards an external influences and policies.

Once this has been done the potential impact must be measured as either having a High (H), Medium (M), Low (L) or Undetermined (U). By grading the impact of each factor, the Ministry for regional development and local communities will be better placed and prepared to tackle the influence of that factor on regional development. If the potential impact is graded as H, then it will take priority over a potential impact measured as L, and so on.

It is also important to define the likely time frame of that potential impact. Is it a short-term, mid-term or long-term impact? If the impact is long-term (3+ years) then this may have an impact on regional development as whole or on specific regions. In these situations, the Ministry for local development and local communities together with all other stakeholders should take effective and efficient measures to minimise potential impact that the factor may have on regional development or implementation of the project.

PESTLE analysis and impact on future regional development strategy

PESTLE factors	How does it influence regional development?	Potential Impact					Implications and importance									Assessment				
		H	M	L	U	U	Time frame (Year)			Type			Impact			Relative importance			Demand	Capacity
							0-1	1-3	3+	+	-	+/-	I	U	D	C	I	N		
Political & institutional environment																				
Instability & lack of transparency and corruption	Delay, obstacles and disruption.	H					3+		-			U		C			Strong & legal framework	Limited		
Political influences, political party preferences and power struggle between main stakeholders, especially line Ministries,	Regional and local priorities and projects driven by selfish and unjust interest, Delay, increased cost and inefficiencies,	H					3+		-			I		C			Public transparency, Clear and SMART objectives, goals and indicators,	Limited		
Ineffective enforcement of laws,	Conflict, injustice, dissatisfaction and delay.	H					1-3		-			I		C			Transparency & strong legal team	Limited		
Weak national and regional strategy,	Longer preparation of the projects, weak and ineffective realisation, delay and cost increases.	H					0-1		-			U		C			Planning in advance	Limited		
Economy and economic environment																				
Low growth & recession risk	Cost increase, delay & lack of investment,	M					3+		-			I		C			Strong, stable economy growth	Limited		
Absence of integrated & sustainable strategies	Ineffective solutions, less favourable smart results, lower level of sustainability.	H					0-1		-			I		C			Strong, strict and Government control	Limited		
Low living standard	Emigration, lack of interest, lack of talents and lack of initiatives,	H					3+		-			I		I			Strong economy, effective economic and social policies and role of the Government	Limited		
High inflation	Lack of investment, higher cost and uncertainty,	M					1-3		-			I		C			Stable and growth economy with effective fiscal and monetary policies			
Socio-cultural environment																				
Lack of tolerance, fairness and collaboration,	Difficult to form alliances, lack of effective supply chains, unstable and weak cooperative & social enterprising,	M					3+		-			I		C			Stable, fair society and equal opportunities for all,	High		
Social exclusion	More time to establish community, respect & tolerance, Lack of energy, support and perspectives, Aging population, Mass departure, especially young and talented people,	M					3+		-			I		I			Stable, fair society and equal opportunities for all,	High		

Loss of perspectives	Dissatisfaction, anxiety & disconnection.	H	3+	-	I	I	Strict rules, police and guidance.	Limited
Income inequalities, low living standards & low purchasing power	Lack of strong and vibrant villages, weak SMEs, lack of entrepreneurships and increase level of poverty,	H	3+	-	I	I	Effective social policies and pension system,	Limited
Technological & environment								
Lack of Quality standards	Compromise the standard, lower quality, weak specification and higher costs,	H	3+	-	I	C	Effective projects planning, Strict and independent control	High
Lack of ICT, the internet and E – Business and E – Commerce opportunities,	Lower growth, Lost opportunities, Weak competitiveness, Weak export, and isolated local and regional economies.	M	3+	-	I	I	Long term perspective and wise use of EU, WB, IMF and EBRD funds,	Limited
Promote sustainable and greener technologies,	Increase competitiveness, attract a new investment, excellent opportunities for international cooperation and base for SMEs in newly and attractive technologies,	H	3+	-	I	I	Long term national strategy, clear vision and effective policies,	Limited

Potential impact is measured by H – High, M – Medium, L- Low and U – Undetermined;

Type of implications is measured by + (Positive), - (Negative) and +/- (Unknown); Impact under the implications and importance is measured by I (Increasing), U (Unchanged) and D (Decreasing);

Relative importance is measured as C (Critical), I (Important), N (Not important) and U (Unknown).

See more, Ivanovic. M (2018) Guidebook for Strategic planning, available at <http://www.miodragivanovic.com/downloads/strategic-planning-guidebook/>

The implication that a factor has, can either be **positive** (+), **negative** (-), or **unknown** (-/+). In order to be effectively tackled the impact must be graded. If the factor has a positive implication then this can feed into a regional development's strengths, however if it has a negative impact then this must be addressed.

The impact a factor has on the regional development can either be: **increasing** (I), **unchanged** (U) or **decreasing** (D). If the impact is negative but decreasing, then it is not necessarily important. Indeed, the relative importance of each impact is also measured as: **critical** (C), **important** (I), **not important** (N) and **unknown** (U). In determining which measurement should be used the Ministry or other stakeholders should endeavour to use some evidence in support of this, such as evidence-based records, experience or official conclusion of a team discussion.

The last column, entitled 'Assessment', focuses on assessing the level of demand to act or to adopt towards external influences. If the demand to act or adapt to external influences is high, then quite clearly this will be of critical importance to the project. In order to respond

effectively to demand it is important to determine whether it has capacity to deal with the impact. If the impact is negative and critical, demand to act and adapt to adequate policy or behaviour is high but capacity is low then clearly the organisation will face a challenge to deal with that impact. However, the very fact that such a problem has been identified is also the first step in resolving it.

PESTLE analysis show **how many relevant and valid factors should be wisely assessed with potential impact and relevance for regional development.** The main drivers for regional development should come from the political and institutional environment. As all factors which were assessed show high negative impact and increased critical importance. The Government must improve and create strong and legal framework to support regional development with public transparency, clear vision, smart objectives and measurable goals.

In this process the Government should have central role to support strong and stable growth, effective economic and social policies, effective fiscal and monetary policies, and especially to create an environment for stable, fair and equal opportunities for all. It is important to remember that neoliberal concept with market dominance of supply and demand cannot excel opportunities in promoting ICT, use of the Internet, E-Business, E – Commerce, digital economy and to promote sustainable and greener technologies.

1.2 SWOT Analysis of Regional development strategy 2009 – 2019

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a regional development strategies and initiatives. The SWOT analysis can be a particularly powerful snap-shot tool because it can help Government and Ministries to uncover opportunities and eliminate weaknesses and threats.

SWOT analysis of the Regional development strategy 2009 – 2019:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • International support and project funds from EU, WB, IMF, EBRD and other funds, • Identified needs for balanced regional developments, • Implemented Regional strategy for 2009 – 2019, institutional framework is defined, and stakeholders are recognised, • National economic strategies and industry strategies including strategic mapping were completed, though not sufficiently articulated in terms of development priorities. • Assessment, monitoring and some effective measurement of regional activities are defined, • Some positive impacts on regional development, improved SMEs, entrepreneurship health and population. • Desire to improve and manage regional development within Ministry for regional development, Bureau for regional development and other institutions are strong and convincing. 	<ul style="list-style-type: none"> • The regional strategy' vision and mission are missing any sense of branding, recognition and attractiveness, • Insufficient resources actually committed by successive governments for reducing regional disparities – far from 1% legal target (which corresponds to 90 mil.€ - actually invested is only about 35 mil.€ annually), • Lack of clarity in defining policy of regional development as an instrument of reducing regional economic disparities • Regional developments and initiatives are not based on balanced and cooperative arrangement between state institutions and free market. Neoliberal concept of 'invisible hands' is dominant approach, • Weak and ineffective persistence and utilisation of achieved EU, WB, IMF and EBRD projects and objectives, • The regional strategy did not define options for the regions or industry sectors throughout new Information and communications technologies (the internet, E – economy, E – Commerce. digital technologies), • The regional strategy did not analyse and assess an environment requirements and dynamic complexity, • The regional strategy is shaped and defined without any assessment or and analysis of the business environment in which the regions operate, • Monitoring, observation and regional data base for regional projects are weak and ineffective, • Legal framework is weak, ineffective and politically biased to support effectively and efficiently regional new ventures with the best chances to succeed, • Management framework and operational processes for regional development and especially for Lines Ministries were not clearly defined, • The main regional players have no clear administrative, operational, functional, managerial lines of responsibilities. The lines of flow of information, documents with lines of responsibility and decision-making process were not defined, • Unstable business environments - low growth, risk & instability, unrest, political conflicts, • Stakeholder analysis is not defined, especially function, responsibilities and situation are Central Government support is not clear • The main disparity factors in the adopted 2009 – 2019 strategy (geographic, resource limitations, lack of infrastructure, or social or cultural limitations) were not identified, assessed or evaluated in previous regional strategy,

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Define inspirational vision and mission of the national and regional strategies based on the Macedonian values, culture and traditions, • Identify, assess and evaluate the complexity of the regional development which reflects the inter-reliance of economic, demographic, social, spatial, cultural and many other development aspects, • Identify, assess and evaluate importance of the necessary regional and local conditions which exist or need to be created (rule of law and effective regional government, zero tolerance for corruption, strategic priorities with transparent programming, investment project support environment, favourable attitude towards public-private partnerships, efficient local capital market and availability of risk capital, as well as skill full, entrepreneurial project leaders), • Promote and build a national and regional success stories to promote excellence, cooperation and inclusiveness of all people within the regions, • Use national and region strategies to promote the most known towns, lakes, mountains, rivers or names based on historical documents. The most known tourist attractions in the world, such as Ohrid, Mavrova National park, Bitola, Kratovo, Pelister National park, and the Struga, and Prespa lakes should be taken as inspirational brand and a conclusive part of regional activities, • Promote and excel smart growth, including a new knowledge, innovation and creation of key drivers for regional development on national and regional level, • Start to promote sustainable growth with greater efficiency of resources, greener and more competitive local economy. • Start to develop some elements of inclusive growth, including start-up of SMEs in new technologies, support higher employment, and integrated local economic, social and territorial cohesion, • Increase productivity by increased efficiency in the use of energy and other resources, especially to promote sustainable and greener technologies, • Excel innovation by the creation, accessing, absorption and application of a new knowledge, technology that leads to new or significantly improved cooperation, collaboration and mutual respect between people and better quality of life, • Further development or use of so-called green or clean technologies, 	<ul style="list-style-type: none"> • Believe that market forces, supply and demand and SMEs without Government support and strong institutional help can resolve regional and local disparities, • Political instability, weak and unstable political alliances and regional tension and conflicts, • Political instability, frequent national and regional elections and rejection of adopted and good national and regional strategies, • Absence of Central and Local government support and especially struggle for the political influence and budget power between line Ministries, • Political and economic crisis including low growth, recession, further budget deficit and people unrest, • Shortage of buying power due to an economic crisis, instability and insecurity, • Social exclusion, aging population, poverty, inequalities and abandoned villages,

Source: Ivanović M. (2018) *Guidebook for Strategic planning*, available at <http://www.miodragivanovic.com/downloads/strategic-planning-guidebook/>

Drawing from the SWOT analysis one should conclude that - irrespective of the rhetorics - all governments in the period covered by the Evaluation failed to invest enough efforts, financial resources and available knowledge to address the issue of regional economic disparities more successfully. Consequently, this **remains a political liability and a challenge for future governments, as well as all other societal actors**. Also, the very **approach** to addressing regional disparities **will have to be broadened**, in order to cover all relevant instruments impacting the local, regional and national regulatory environment, which – equally, if not even more importantly than public investment – affect the mobilisation of the development potential and the performance of poorer regions in their effort to catch up with the more prosperous ones.

By analysing the external environment (threats and opportunities), and its internal environment (weaknesses and strengths), the national and regional institutions can use these techniques to define valid and relevant national and regional strategies. The SWOT – TOWS matrix can be used to define all strategic options.

2. Socio-Economic Development Measured by Global Rankings

North Macedonia in the past ten years shows a **moderate but not always steady progress in economic and social development**. GDP per capita in PPP for 2018 was **38 % of EU-28**. Progress is being made but performance is still below the average index of 40 for the EU28 countries. The **GINI index** for North Macedonia was **36.1 %** in 2018. The latest figures show a **slight increase in income inequality in North Macedonia**. This indicator is one of the best measures for regional development success and more equal distribution of income. Yet, in 2017, even 41.1 percent of total population was still at risk of poverty and social exclusion. The overall rank for HDI (human development index) is 80. The value for 2017 was 0.757. Average annual HDI growth for period 2000 – 2010 was 0.94 and for 2010 -2017 was only 0.42 percent. This is a huge decline since 2010.

North Macedonia, in the table Ease of Doing Business rankings took 17th place with a total score of 80.7. Greater ease of doing business is associated with improved institutional frameworks, easier to start start-ups and higher levels of entrepreneurship.

2.1. Competitiveness

The World Economic Forum (2019) report shows that North Macedonia is the 82nd most competitive nation in the world out of 141 countries ranked in the 2019 edition of the

Global Competitiveness Report. The Competitiveness Rank in Macedonia averaged 78.38 from 2007 until 2019, from a low ranking of 94 in 2008 to a record high of 60 in 2016, declining again in the last three years. See more: World Economic Forum, Competitiveness Reports available at <https://www.weforum.org/reports> [Accessed: 4 December 2019]

2.2. Business confidence

Trading economics (2019) reports that Business Confidence in Macedonia increased to **32.80 Index Points** in October from 32.20 Index Points in September of 2019. Business Confidence in Macedonia averaged 7.53 Index Points from 2001 until 2019, reaching an all-time high of 32.80 Index Points in June of 2019 and a record low of 35.80 Index Points in August of 2001. Still, it is evident moderate fluctuation of business confidence from month to month. See more: <https://tradingeconomics.com/macedonia/business-confidence> [Accessed: 4 December 2019]

2.3. GDP per capita in PPP

Eurostat (2019) reports that GDP per capita in Purchasing Power Standards - PPS index (EU28 = 100) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. In comparison to the average of EU-28, North Macedonia's index was for the following years: 2009, 2010, 2011 and 2012 was 34. For 2013 it was 35; 2014 and 2015 were 36; 2016 was 37; 2017 was 36 and for 2018 was **38**. See, DGP per capita, available at https://ec.europa.eu/eurostat/statistics-explained/index.php/GDP_per_capita,_consumption_per_capita_and_price_level_indices [Accessed: 4 December 2019]

2.4 Gross domestic expenditure on R&D

Eurostat (2019) reports that Gross Domestic Expenditure on R&D as % of GDP for North Macedonia were for 2015 and 2016 only **0.44 %** and fell to **0.36 %** in 2017. This is definitely not sufficient. EU 28 average expenditure for R & D is 2.03 %. See more, R&D expenditure in the EU, available at <https://ec.europa.eu/eurostat/documents/2995521/8493770/9-01122017-AP-EN.pdf/94cc03d5-693b-4c1d-b5ca-8d32703591e7> [5 December 2019]

2.5 People at risk of poverty

People at risk of poverty or social inclusion calculated as a cumulative difference from 2008, in thousands, in North Macedonia, according to the Eurostat (2019) report for 2011 is 66 000; 2012 is the same; 2013 was 21 000, and for the following years was always negative as 2014 (-78 000); 2015 (-111 000); 2016 (-120 000) and for 2017 (-110 000). See more: <https://www.eui.eu/Research/Library/ResearchGuides/Economics/Statistics/DataPortal/EDD> [Accessed: 26 October 2019] Still, in 2017, **41.1% of total population is at risk of poverty and social exclusion**. See more, Eurostat, available at <https://ec.europa.eu/eurostat/statistics-explained/index.php/>

People_at_risk_of_poverty_or_social_exclusion [5 December 2019]

2.6 Corruption Perceptions Index

Transparency International (2018) reports that Corruption Perceptions Index – CPI for North Macedonia's score is 37 of total 100 points. This is **93rd rank of total 180 countries** observed. It is important to underline that North Macedonia's CPI is below global CPI which was 43/100 for 2018. See more: <https://www.transparency.org/country/MKD#> [Accessed: 4 December 2019]

2.7 GINI index and distribution of income

World data atlas (2019) defines Gini index as measures of the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. The value for GINI index (World Bank estimate) in Macedonia was 42.80 in 2010 and 35.60 in 2015, and it was 36.1 % in 2018. The latest figures show **slight increased income inequality** in North Macedonia. This indicator is one of the best measures for regional development success and equal distribution of income. See more: <https://knoema.com/atlas/North-Macedonia/GINI-index> [Accessed: 4 December 2019]

2.8 Human development index

UNDP (2019) defines the Human Development Index as a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. North Macedonia overall rank is classified for human development with **80th place** and score for 2017 was 0.757. Average

annual HDI growth for period 2000 – 2010 was 0.94 and for 2010 -2017 only 0.42 percent. This is a **huge decline since 2010**. See <http://hdr.undp.org/en/composite/trends> [Accessed: 26 November 2019].

3. Evaluation of Socio-economic and Regional Development

Table 1 shows moderate and cyclical economic growth with low inflation and very high levels of unemployment. It is obvious that the primary goal of economic development and especially balanced regional development is to increase employment especially for young and educated people. The next and huge challenge is to balanced export and import figure and at the same time to attract foreign direct investment, especially after disappointing results in 2017. See table 2.

Table 1: *The main economic indicators for the period 2013 – 2017*

Real sector Indicator	Year				
	2013	2014	2015	2016	2017
Nominal GDP (EUR million)	8150	8562	9072	9732	10.066
GDP per capita (EUR)	3930	4126	4374	4755	
Annual real GDP growth (%)	2,9	3,6	3,9	2,9	0,2
CPI inflation (annual average %)	2,8	0,3	0,3	0,2	1,4
Average monthly wages, net (EUR)	344	348	356	363	373
Unemployment rate (annual average %)	29,0	28,0	26,1	23,8	22,5

Source: OEC Macedonia, <https://oec.world/en/profile/country/mkd/> [Accessed: 27 October 2019]

Table 2: *The main foreign sector indicators for the period 2013 – 2017*

Foreign sector Indicator	Year				
	2013	2014	2015	2016	2017
Current account deficit (% of GDP)	1,6	0,5	2,0	2,7	1,3
Exports (EUR million)	2375	2784	3047	3471	3803
Imports (EUR million)	4238	4640	4870	5279	5674
Net direct investments (EUR million)	252	205	217	338	227
Direct investments (%) (GDP)	3,10	2,40	2,30	3,50	2,30

Source: OEC Macedonia, <https://oec.world/en/profile/country/mkd/> [Accessed: 27 October 2019]

When comparing the average annual inflow of **FDI** (2013-2017 it was **246 mil. €**) with the public investment undertaken by the government to address regional economic disparities (averaging about **35 mil. € annually**) one can realize that the effort in terms of public investment is simply far too modest. If the governments had respected the 1% commitment, that figure should have been about 3 times bigger.

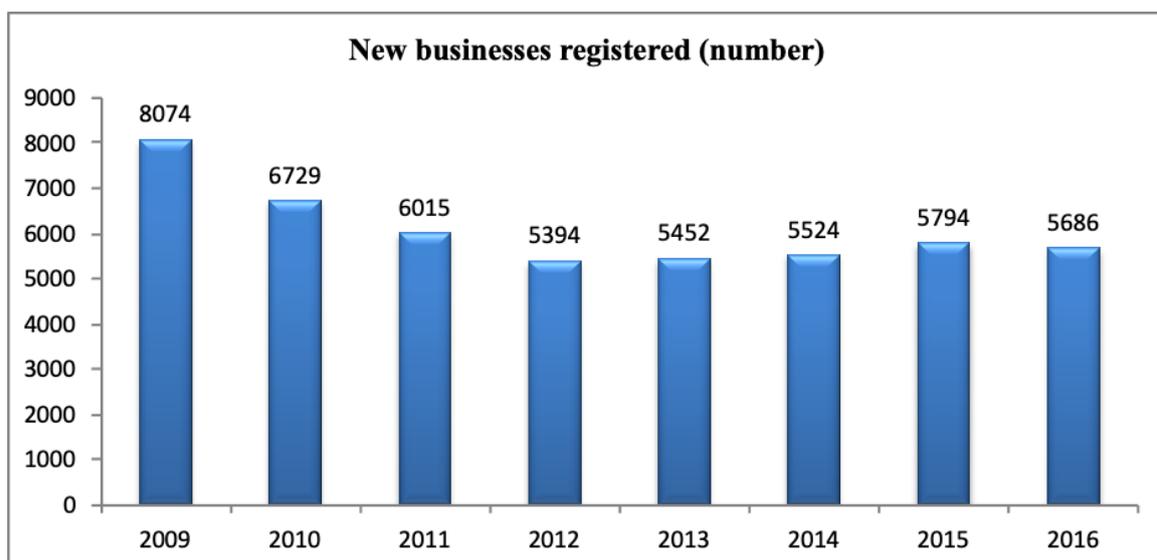
World Bank Report: Doing Business 2020 (2019) reports that North Macedonia, in the table Ease of Doing Business took **17th place** with a total score of 80.7. Greater ease of doing business is associated with higher levels of entrepreneurship. The **good entrepreneurial climate** shows the number of newly registered businesses with steady growth since 2012. See table 3 and graphs 1, 2 and 3.

**Table 3: The main indicators based on World Bank report
– Doing business 2020 for North Macedonia**

Indicator Name	North Macedonia										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New businesses registered (number)	8074	6729	6015	5394	5452	5524	5794	5686	-	-	-
Ease of doing business score (0 = lowest performance to 100 = best performance)	-	-	-	-	-	-	77,918	80,587	80,3	80,7	80,7
Business extent of disclosure index (0=less disclosure to 10=more disclosure)	7	7	7	7	7	8	10	10	10	10	10

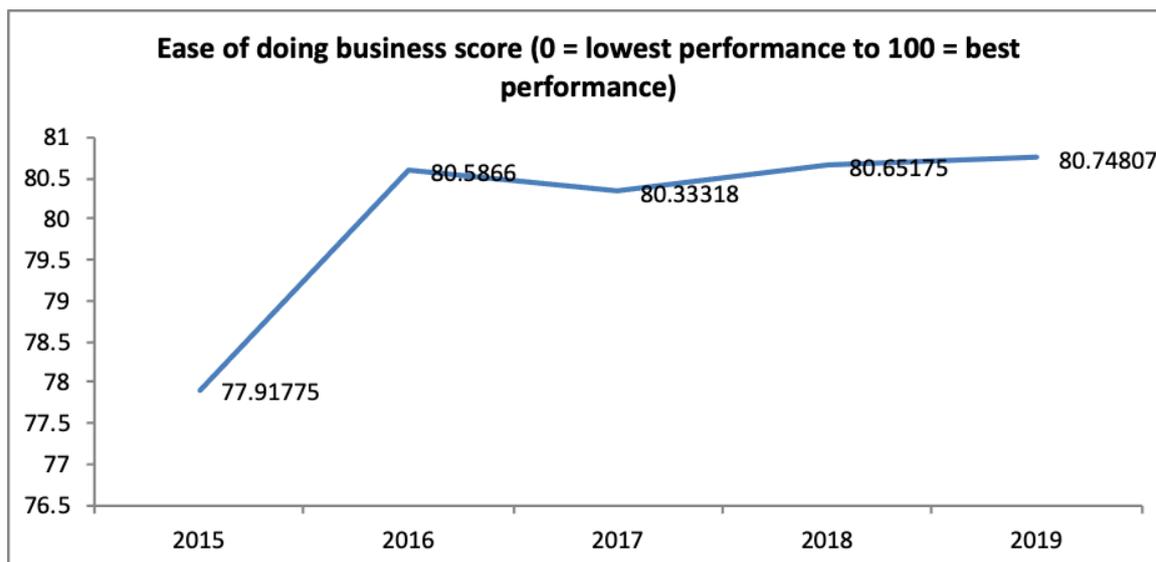
Source: Doing business 2020 – Sustaining the pace of reforms, available at <https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms> [Accessed, 26 November 2019]

Graph 1: Total number of new businesses registered



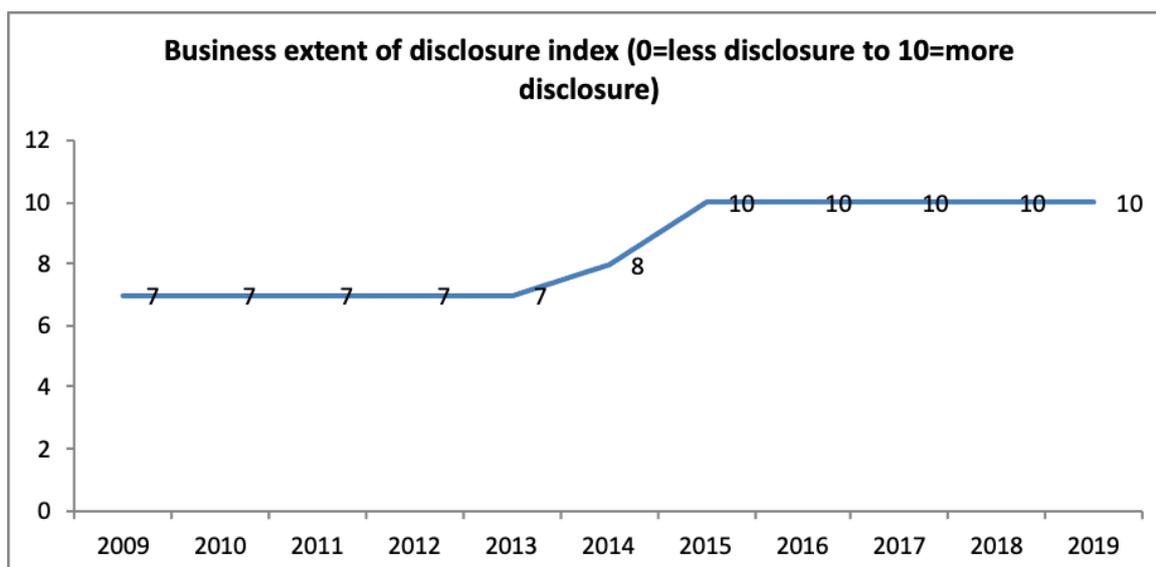
Source: Doing business 2020 – Sustaining the pace of reforms, available at <https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms> [Accessed, 26 November 2019]

Graph 2: World Bank report: Ease of doing business ranking



Source: *Doing business 2020 – Sustaining the pace of reforms*, available at <https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms> [Accessed, 26 November 2019]

Graph 3: Business extent of disclosure

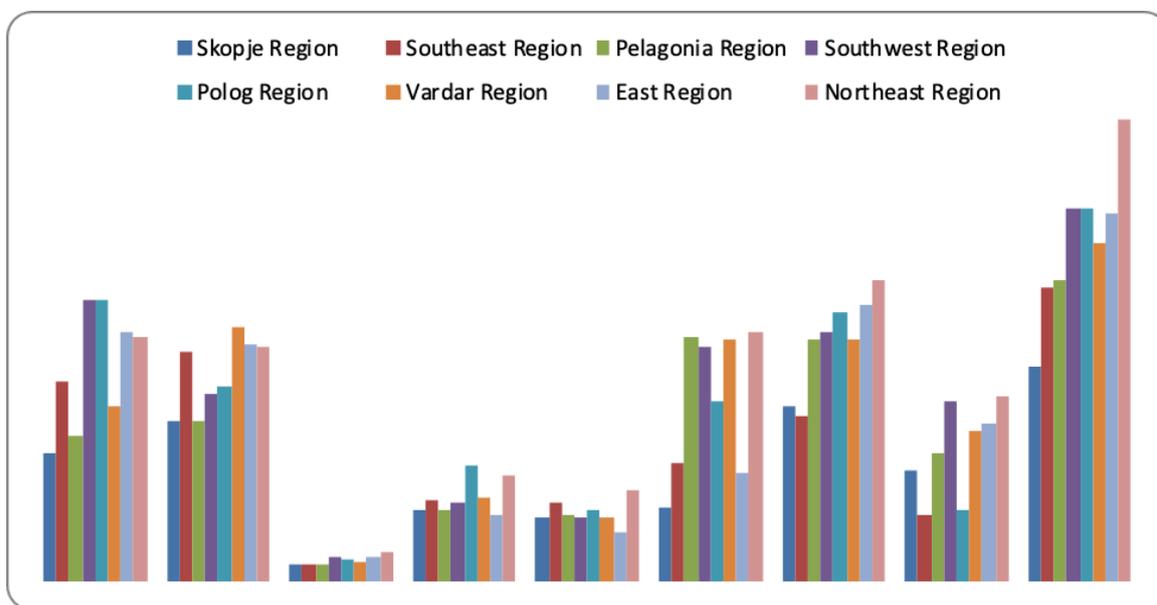


Source: *Doing business 2020 – Sustaining the pace of reforms*, available at <https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms> [Accessed, 26 November 2019]

Eurostat (2019) shows that employment and activity by sex and age from 20 to 64 years measured as percentage of total population has steadily increased from 47.9 to 51.3 percent. Still long way to go to achieve EU 28 average of 69.2 percent of employed population for this age group. There are no relationships between total investment per regions and employment rate.

Graphs 4, 5, 6 and 7 clearly demonstrate that in almost every year, the largest investments were in the Northeast, Vardar and Southwest regions. And the unemployment rate was highest in Notheast and Southwest regions. Skopje alone is estimated to attract about 70% of private investment.

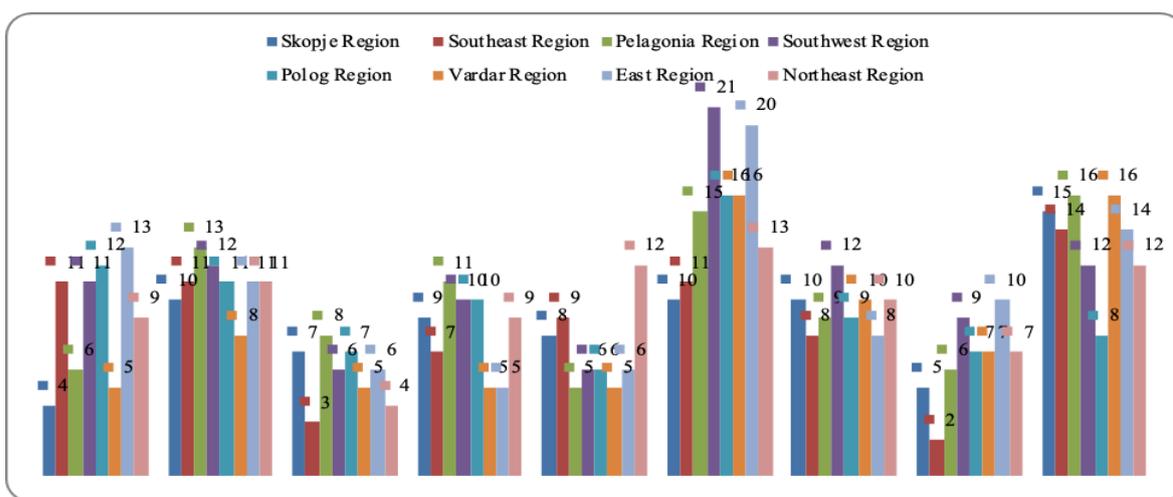
Graph 4: Total public investment per regions 2009-2018 (2010 not included)



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

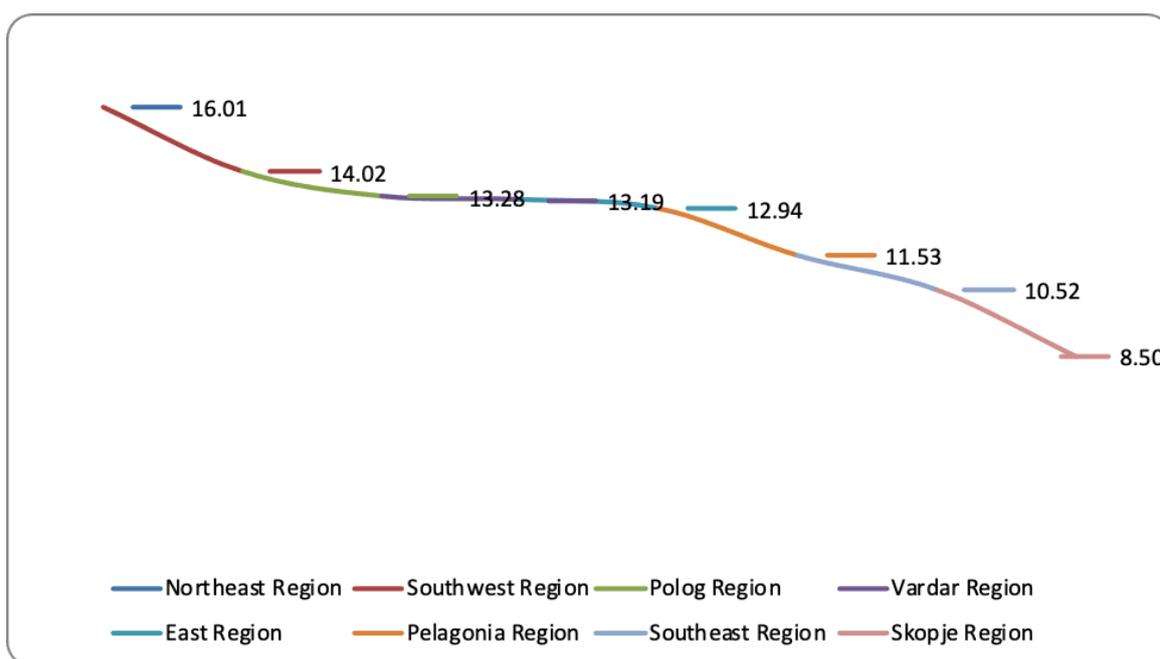
Total investment was highest in the following years: 2011, 2015, 2016 and 2018. The highest percentage was invested in Northeastern, Southwest, Polog and Vardar regions. Other relevant and valid details can be seen in graphs 5, 6, and table 4.

Graph 5: Total number of projects per regions



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

Graph 6: Average share of annual public investment per region -- 2009-2018 (in %)



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

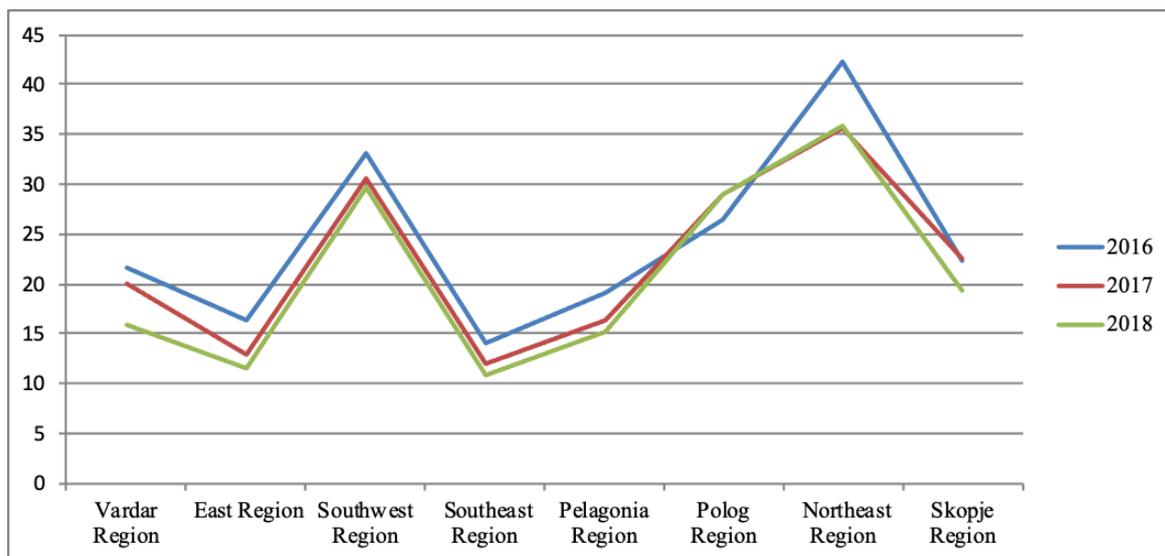
Table 4: Shares of public investment by regions - 2009 – 2018 (in %)

Regions	2009	2011	2012	2013	2014	2015	2016	2017	2018	Average
Northeast Region	14,40	14,13	17,17	15,86	16,55	17,21	15,67	17,67	16,98	16,14
Southwest Region	16,55	11,34	13,40	11,56	11,56	16,15	12,97	17,04	13,67	13,64
Vardar region	10,22	15,40	11,54	12,46	11,54	16,65	12,64	14,33	12,42	12,88
Polog Region	16,57	11,73	13,03	17,09	13,06	12,45	14,05	6,82	13,69	12,80
East Region	14,60	14,25	14,54	9,70	9,16	7,54	14,44	15,10	13,52	12,20
Pelagonia Region	8,47	9,65	10,28	10,45	11,91	16,81	12,58	12,26	11,04	11,29
Southeast Region	11,73	13,82	10,10	12,20	14,59	8,15	8,61	6,28	10,80	10,37
Skopje Region	7,46	9,68	9,93%	10,68	11,63	5,04	9,05	10,51	7,87	8,86

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

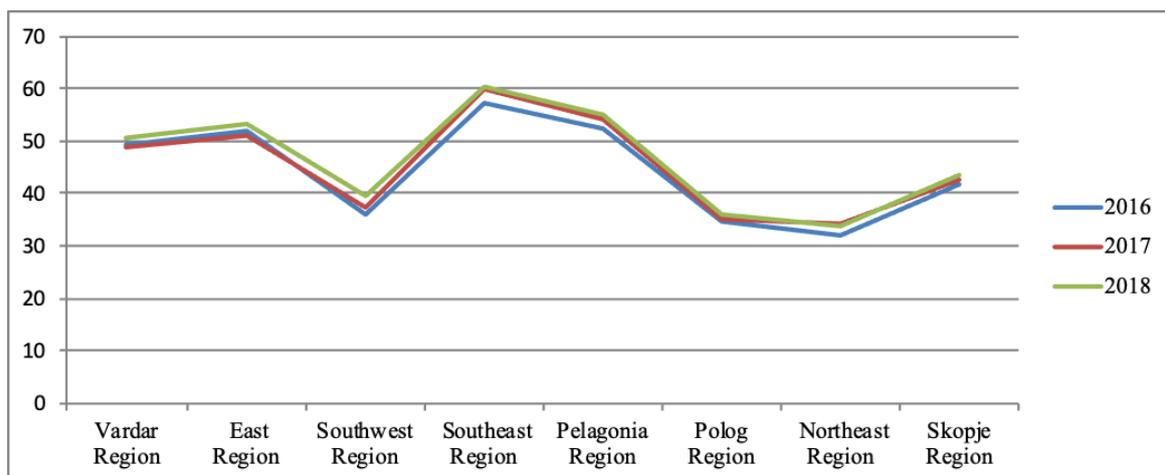
Unemployment rates per regions are high, constant and even in the regions with lower level of unemployment are higher than 10 percent.

Graph 7: Unemployment rate per regions



Source: Author calculations based on Regionite vo RSM, 2019, available at <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

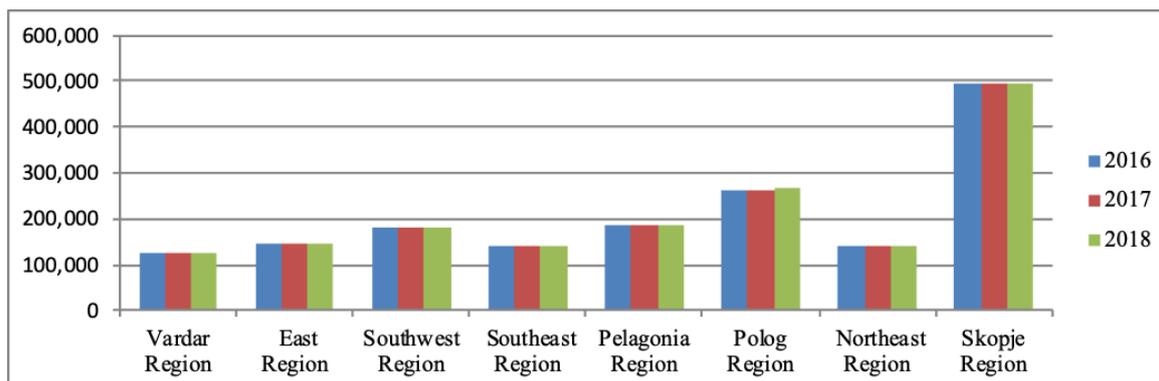
Graph 8: Employment rate per region



Source: Author calculations based on Regionite vo RSM, 2019, available at <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

If the indicator of working age population is taken into consideration than Skopje and Polog regions require further investment and developing entrepreneurial skills especially of the young people. See, graph 9.

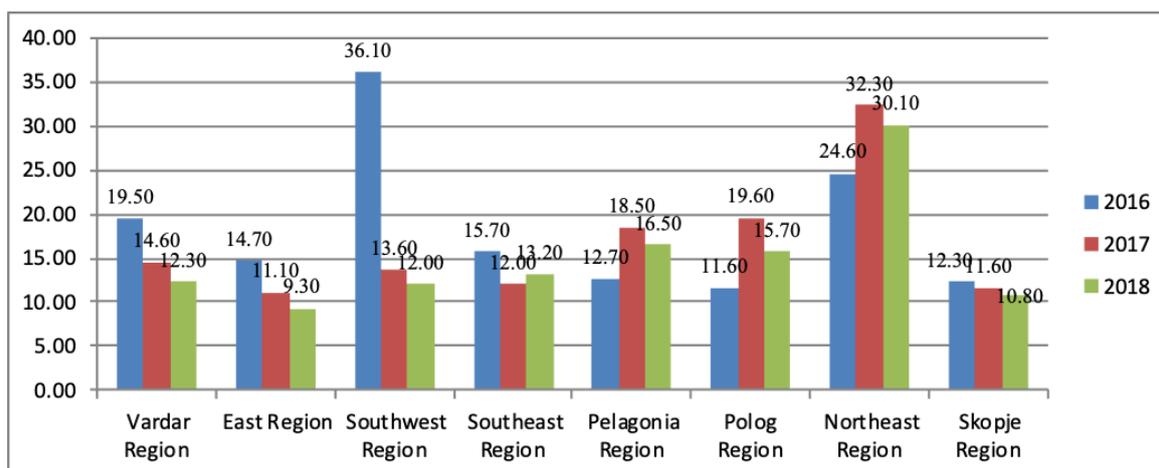
Graph 9: Working age population (persons)



Source: Author calculations based on Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

Graph 10 shows households as recipients of social financial benefits for aged 18 plus. Since 2016 the largest number of recipients are based in Northeast regions.

Graph 10: Shares of recipients of social financial benefits aged 18+ per region and per 1000 population

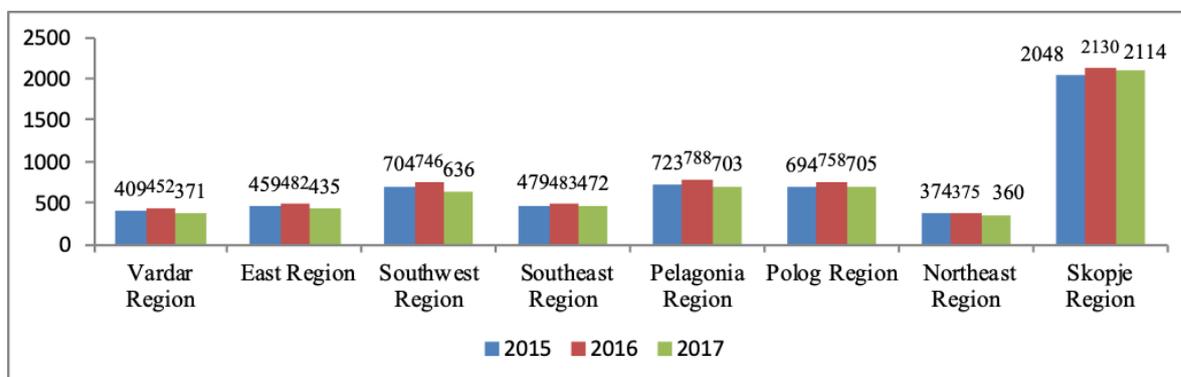


Source: Author's calculations based on Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

The average percentage of people above 18 years receiving social assistance for 2016 was 18.40, for 2017 16.60 and for 2018, 14.99 percent. The average percentage of social assistance for period 2016-2018 is 16.6 percent. The **highest average percentage is for the Northeast Region 28.81 and Southwest Region 18.06**. All other regions are at the level of 12.00 to 15.00 percent. It is important to underline that some regions, such as Vardar region, East region, Southwest region and Skopje region show a decline in receiving social assistance. On the other hand, Pelagonia region, Polog region and Northeast region show steady increase in social assistance. Thus, these trends must be taken into consideration to answer - how and in which way balanced regional development can eliminate growing poverty in some regions.

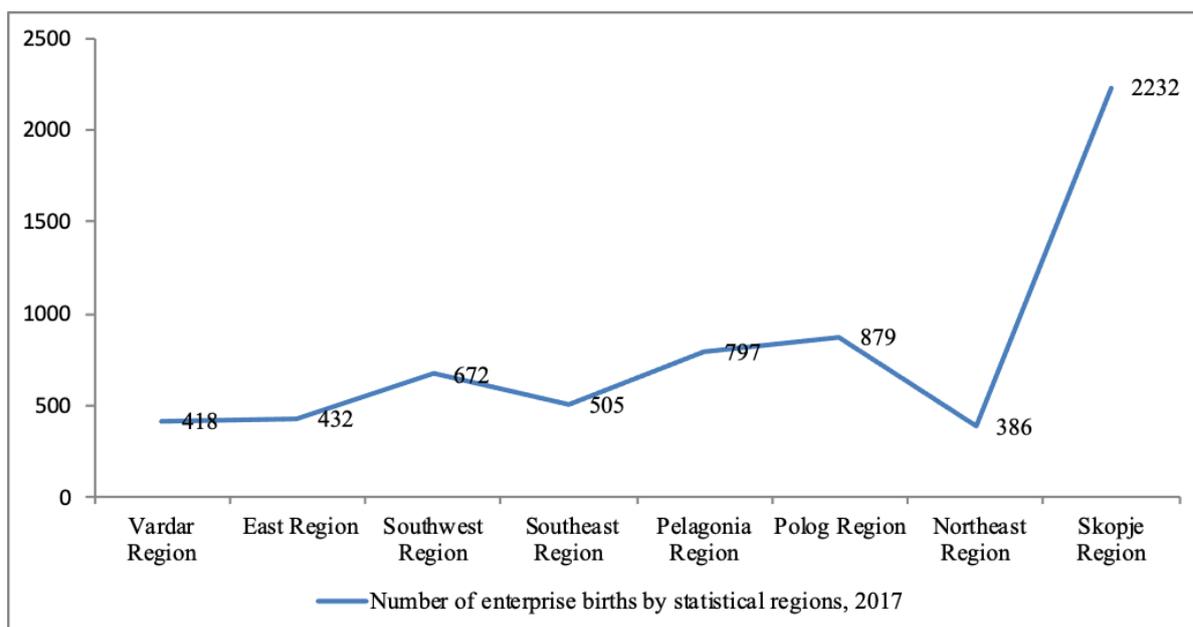
As graph 12 and 13 are showing, the **largest number of starts-ups and failures** are happening in **Skopje region**. It is evident that Skopje region, especially SMEs community should have leading role in the promotion for start-ups and specially to increase the survival rate.

Graph 11: Number of enterprise failures by statistical regions



Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

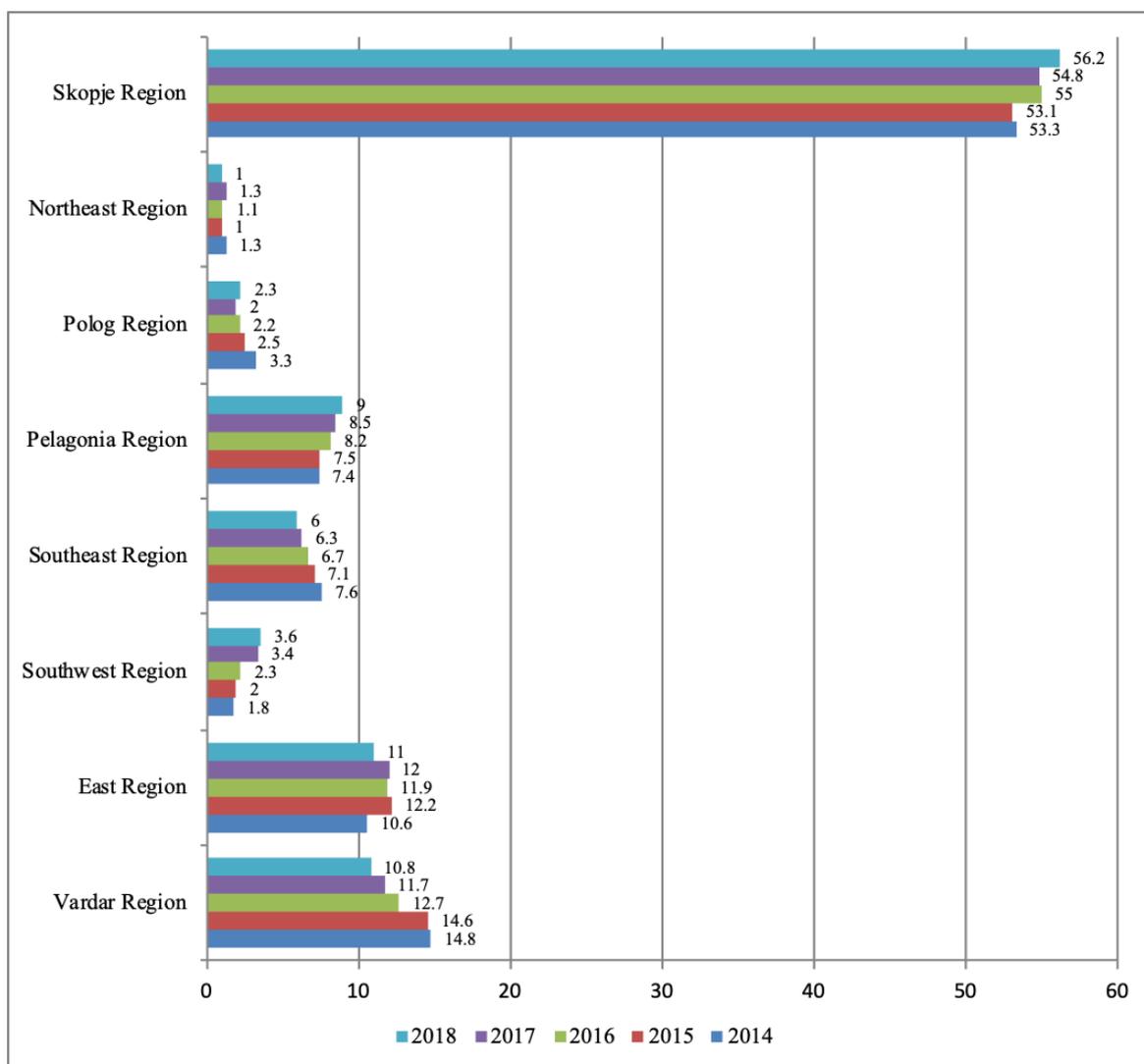
Graph 12: Number of enterprise births by statistical regions, 2017



Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

Skopje, East and Vardar regions are leading exporters and importers. There is an evident deficit in exports versus imports. These facts must be taken into consideration for future regional development, especially to promote exports and minimize imports by local companies.

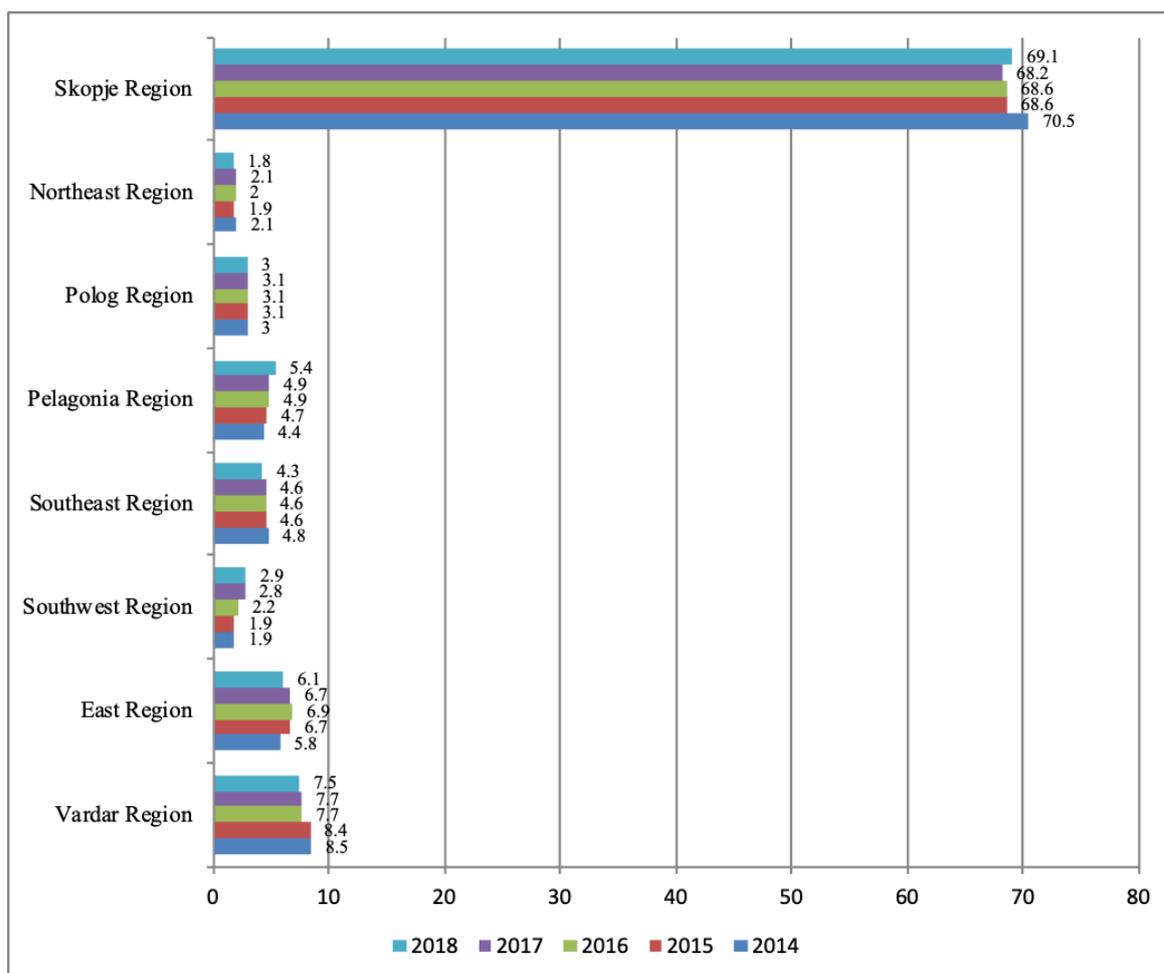
Graph 13: Total export per regions (%)



Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>.
[Accessed: 27 October 2019]

The top export destinations for Macedonia are: Germany (\$2.7B), Serbia (\$415M), Bulgaria (\$365M), the Czech Republic (\$268M) and Greece (\$245M).

Graph 14: Total import per regions (%)



Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

The top import sources are Germany (\$960M), the United Kingdom (\$795M), Greece (\$627M), Serbia (\$578M) and China (\$434M). Table 4 and 5 and graph 18 show that regional development measured by the most important micro-economic indicators did not have any significant correlation either to total investment or to total number of all projects.

The figures in table 4, 5 and 6 are significant. The findings must be taken into consideration for both the future strategy and the roles of the main stakeholders for regional development.

Table 5: Regional development and correlation with total public investment and number of projects

Year	Total investment 2009-2019 (MKD)	Total number of projects per region	Gross domestic product in current prices (bn USD)	Gross domestic product per capita in current prices \$	Unemployment rate	Average consumer prices inflation rate	Annual real GDP growth (%)
2009	1.418.619.906	79	9,4	4579	32,2	-0,7	-0,4
2010*	2.269.740.320	20*	9,42	4576	32,1	1,5	3,5
2011	597.925.279	92	10,66	5175	31,4	3,9	2,3
2012	124.787.709	48	9,75	4728	31	3,3	-0,5
2013	3.998.081.798	466	10,82	5240	29	2,8	2,9
2014	3.450.022.823	203	11,38	5499	28	-0,3	3,6
2015	3.441.115.842	480	10,07	4860	26,1	-0,3	3,9
2016	4.499.553.087	199	10,69	5153	23,8	-0,2	2,8
2017	382.948.171	198	11,31	5449	22,4	1,4	0,2
2018	3.115.737.224	443	12,67	6100	20,7	1,5	
2019	65.700.000	19					
Correlation with total investments		Correl	0,27	0,27	-0,34	-0,48	0,75
		Interpretation	None	None	None	Very weak	Moderate
Correlation with the total number of projects		Correl	0,55	0,54	-0,59	-0,14	0,48
		Interpretation	Weak	Weak	Weak	None	Very weak

Source: Author calculations based on Knonema, <https://knoema.com/atlas/North-Macedonia/Real-GDP-growth>, [Accessed: 27 October 2019] and The Reports for 2008- 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018. *) Correlation coefficient values can be completely changed when the table is fully completed.
*) In the Report for 2010 there are no numbers for projects.

Table 6: Regional development and correlation with total investment and total number of projects

Year	Total investment 2009-2019 (MKD)	Total number of projects per region	Exports (MKD)	Imports (MKD)	Current account deficit (% of GDP)	Net direct investments (EUR million)	Direct investments (%) (GDP)
2009	1.418.619.906	79	136.019.349.989	225.436.002.141			
2010*	2.269.740.320	20*	173.999.336.603	254.031.101.794			
2011	597.925.279	92	218.744.827.592	306.676.895.846			
2012	124.787.709	48	211.764.150.508	311.947.420.429			
2013	3.998.081.798	466	217.802.766.806	308.465.936.137	1,6	252	3,1
2014	3.450.022.823	203	251.484.099.767	342.301.475.040	0,5	205	2,4
2015	3.441.115.842	480	272.423.193.119	363.099.290.255	2	217	2,3
2016	4.499.553.087	199	301.346.110.927	389.719.876.067	2,7	338	3,5
2017	382.948.171	198	341.597.104.208	426.519.237.899	1,3	227	2,3
2018	3.115.737.224	443					
2019	65.700.000	19					
Correlation with total investments		Correl	0,17	0,16	0,40	0,47	0,66
		Interpretation	None	None	Very weak	Very weak	Moderate
Correlation with the total number of projects		Correl	0,39	0,41	0,20	-0,24	-0,05
		Interpretation	None	Very weak	None	None	None

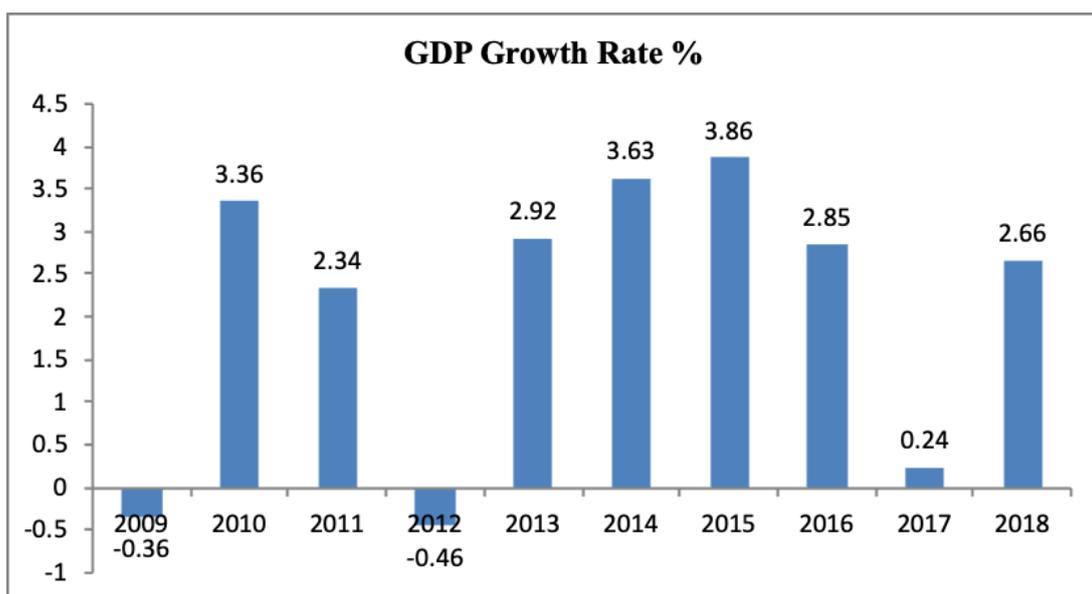
Source: Author calculations based on OEC Macedonia, <https://oec.world/en/profile/country/mkd/>, [Accessed: 27 October 2019], Knonema, <https://knoema.com/atlas/North-Macedonia/Real-GDP-growth>, [Accessed: 27 Januar 2020]

*) There are no data on projects in 2010 Report.

Tables 5 and 6 show that correlation between the total investment in the region and the main macroeconomic indicators (Gross domestic product per capita, Unemployment, Inflation, Exports, Imports and Net direct investments) as dependent variables are weak or nonexistent, Only GDP growth and Direct investment correlations are moderate.

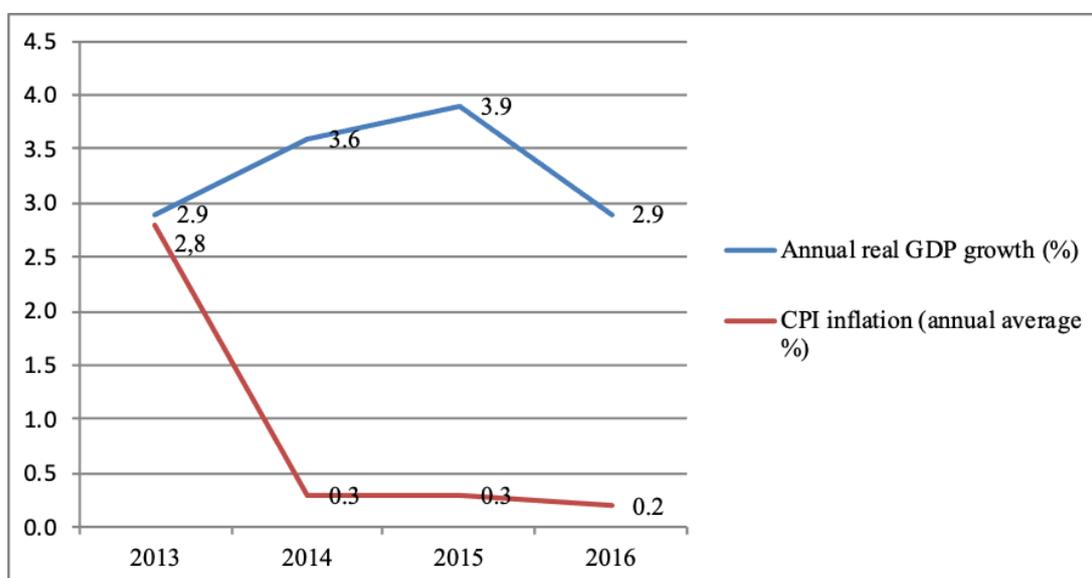
Overall economic development measured by real GDP growth was below the potential of the country with a very high-level of fluctuation. The growth declined in 2017 to only 0.24 percent. Level of inflation shown in graph 17 was low and stable measured by CPI.

Graph 15: Annual real GDP growth (%) for period 2009 – 2018



Source: Author calculations based on <https://www.macrotrends.net/countries/MKD/north-macedonia/gdp-growth-rate>, [Accessed: 27 October 2019]

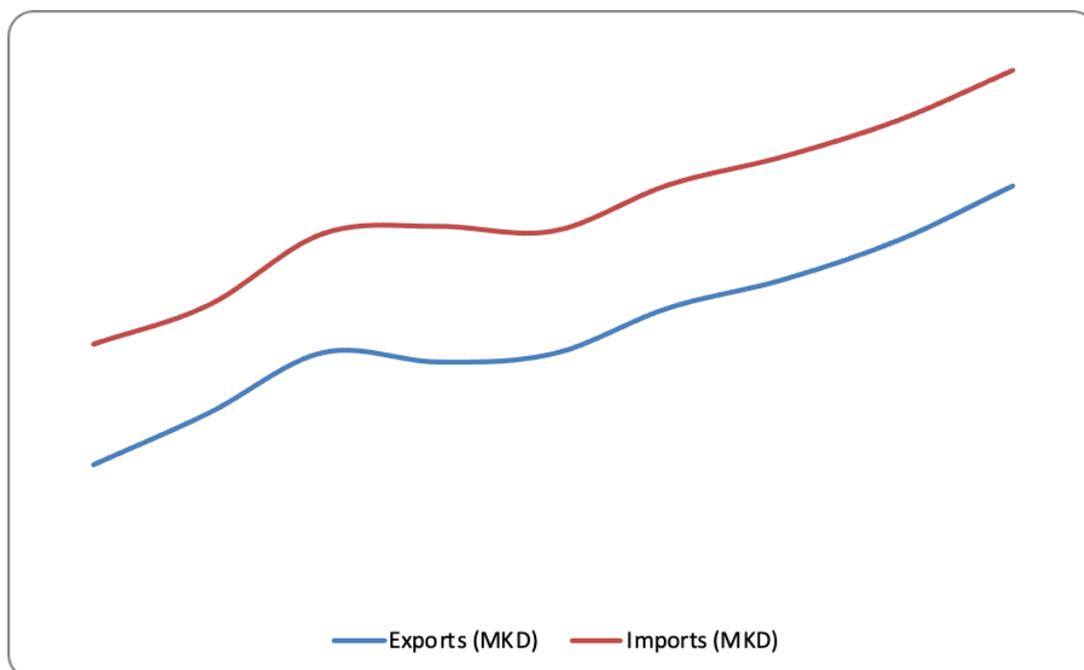
Graph 16: Annual real GDP growth (%) and CPI inflation (annual average)



Source: Author calculations based on OEC Macedonia, <https://oec.world/en/profile/country/mkd/>, [Accessed: 27 October 2019]

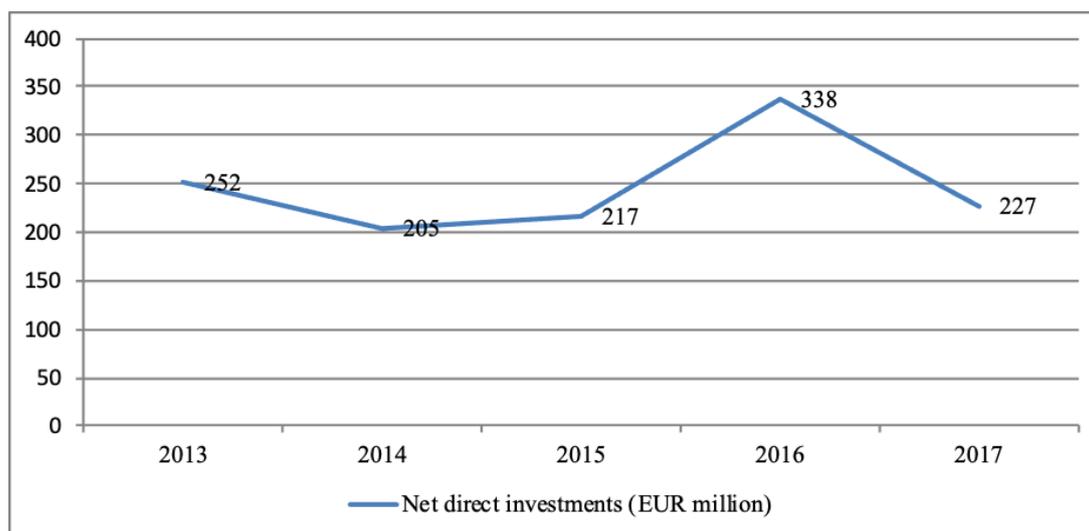
Both export and import table show moderate growth, but with a growing trade deficit. Relatively high net direct investment did not contribute to economic growth due to inefficiency, low level of productivity and structural imbalances. See graphs 18 and 19.

Graph 17: Export and import for period 2009 – 2017 (MKD)



Source: Author calculations based on Knonema, <https://knoema.com/atlas/North-Macedonia/Real-GDP-growth>, [Accessed: 27 Januar 2020]

Graph 18: Net direct investments (EUR million)



Source: Author's calculations based on OEC Macedonia, <https://oec.world/en/profile/country/mkd/>, [Accessed: 27 October 2019]

The overall impact of regional development on the two most important economic indicators was moderately positive. Growth of the economy measured by GDP per capita and GDP growth rate was weak. See table below:

Table 7: GDP per capita and GDP Growth for period 2000 – 2018

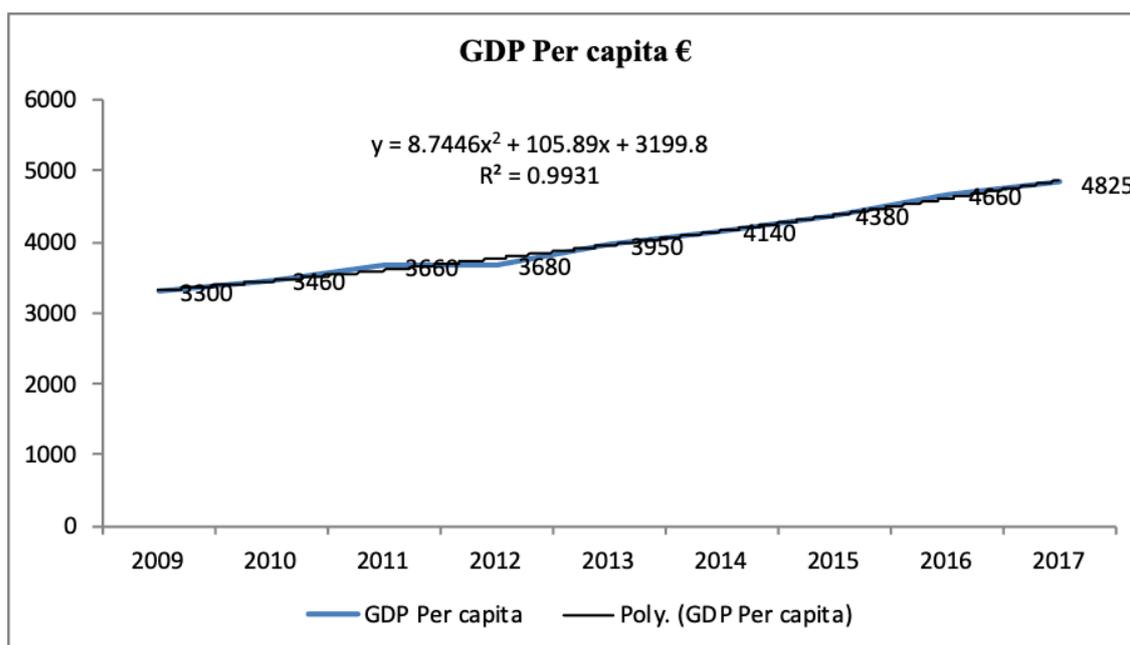
Year	GDP per capita (€)	GDP Growth Rate %
2000	2000	4,55
2001	2000	-3,07
2002	2100	1,49
2003	2200	2,22
2004	2300	4,67
2005	2500	4,72
2006	2700	5,14
2007	3000	6,47
2008	3300	5,47
2009	3300	-0,36
2010	3460	3,36
2011	3660	2,34
2012	3680	-0,46
2013	3950	2,92
2014	4140	3,63
2015	4380	3,86
2016	4660	2,85
2017	4825	0,24
2018		2,66

Source: <https://www.macrotrends.net/countries/MKD/north-macedonia/gdp-growth-rate> [Accessed: 27 October 2019]

The average annual GDP growth rate was 3.48% for period 2000 and 2008, and for period 2009 and 2018 it was 2.091%. However, if we look at the period 2009-2014, the average annual GDP growth rate was 1.89%. For the period 2015-2018 it was 2.39%. It is important to remember with all these efforts of regional and balanced development that for period 2009 – 2018 growth rate was lower than for period 2000 – 2008.

GDP per capita follows a polynomial (parabolic) trend and is expected to grow. The trend line is given in the Graph 20.

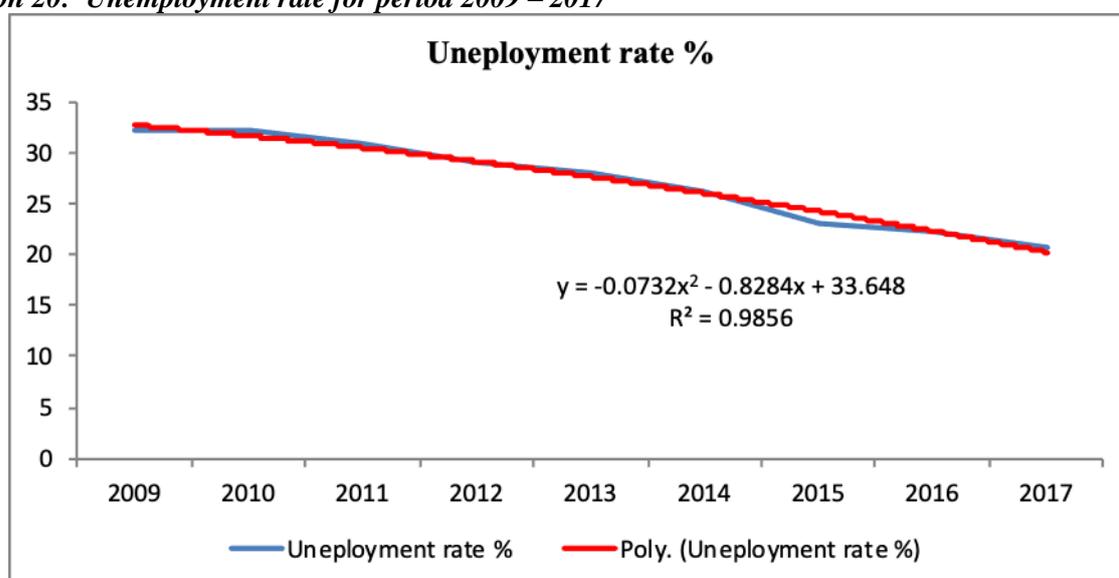
Graph 19: Growth of GDP per capita for period 2009 – 2017



Source: Author calculations based on <https://www.macrotrends.net/countries/MKD/north-macedonia/gdp-growth-rate>, [Accessed: 27 October 2019] [27 October 2019]

Average unemployment rate for the period 2009-2017 was 27.12%. In the period 2009-2014 it was 29.71%, while in 2015-2017 it was 22.09%. The rate has a polynomial trend with the equation, and a coefficient of determination which means that the trend line is very representative. See graph 21.

Graph 20: Unemployment rate for period 2009 – 2017



Source: Author calculations based on <https://assets.kpmg/content/dam/kpmg/mk/pdf/KPMG-Investment-in-Macedonia-2018.pdf> [Accessed: 27 October 2019]

4. Analysis of the Development Index for 2009-2017

For the period 2009 – 2017 the coefficient of variation for development index is 1.28%. With a 95% probability, the Development Index is moving at an interval (0.73725 - 0.75186). There is a statistically significant difference in the Development Index before 2009 and after 2009. It is evident that something has changed for the better, Sig. = 0.039 <0.05.

These are the correlation coefficient values (measures of relationship of connection):

1. Total investment per region and Development Index is -0.54, which means that the connection is inverse and moderate. Thus, a decrease in the Development Index leads to a moderate increase in investment. It is important to observe the Development Index in order to decide how much to invest in a particular region.
2. Total investment per region and Socio-economic index is -0.28. The connection is very weak.
3. Total investment per region and Demographic Index is -0.63, which means that the connection is inverse and moderate, i.e. a decrease in the Demographic Index leads to a moderate increase in investment;
4. Correlations between number of village population and investment to villages per region is -0.08. Thus, no connection at all.

There is at least some moderate correlation in 2011, unlike in later years, where the correlation is very weak everywhere. It seems that only at the beginning of the new strategy were regional development plan, economic reasons and regional policies were considered.

5. Education and Human Resource Development programs

The Employment Agency of RNM was involved in the implementation of the Multiannual Operational Program for Human Resources Development 2007 - 2013 (Instrument for Pre-Accession Assistance - IPA Component 4). The purpose of the human resources development component is to assist the country in developing and strengthening the administrative capacity to manage, implement, monitor and control the European Social Fund (ESF) funds. See more: Projects, available at <http://av.gov.mk/proekti.nsp> [22 November 2019]

Some of the Projects that the Employment Agency has implemented in the past years are the following:

1. Further modernization of the Employment Agency - Service Contract
2. Strengthening capacities for the purpose of effective implementation of EU legislation in the field of free movement of workers - Twinning project
3. Support to the Employment Agency for the implementation of active labor market measures and services - Twinning project
4. Support for employment of young people, long-term unemployed and women - Direct Grant Contract
5. Support for employment of young people, long-term unemployed and women II
6. Direct Grant Contract - Support for youth employment - Direct Grant Contract
7. Direct Grant Contract - Support for youth employment - Direct Grant Contract
8. ESASI Capacity Building Agreement - Supply Contract
9. Strengthen the Employment Agency's financial management and internal control system - Framework Contract
10. Works Contract in Support of the Employment Agency Performance Improvement Process and Services - Works Contract.

Currently, the Ministry of Labour and Social Policy is carrying out the following projects: 1. Self-Employment Lending Project: 2. Self-Employment Lending Project for young people up to 29 years. See more: Lending Self-Employment Project, available at <http://www.mtsp.gov.mk/proekt-za-samovrabotuvanje-so-kreditiranje.nsp>[23 November 2019]

Huge numbers of training courses were taken in 2016, 2017 and 2018. Apart from the tables with the list of courses and programmes, it was difficult, almost impossible to trace any relevant and valid analysis or evaluation. Thus, these areas are the most important for regional, balanced and sustainable regional development and must be monitored and constantly assessed in terms of cost & benefit, achieved learning and teaching objectives and efficiency to support SMEs. See more in the reports available at <http://www.yes.org.mk/YES/BulletinsBoard.aspx?r=6&l=63&c=22> [5 December 2019]

Training and project activities in 2016, 2017 and 2018 were relevant and valid for SMEs and local community support. During 2016, YES supported ICT skills training (Graphic Design, Word and Excel and Android) as well as the creative industries. It is evident an effort has been made to improve entrepreneurial knowledge and skills across different regions and especially in

cross border cooperation. It was difficult to assess and evaluate the courses due to lack of information. In the future, every course should be analyzed and evaluated by relevant and valid indicators, such as quality of providers, candidates' satisfaction, practical impact on current and further businesses and improved level of innovation or inventions.

6. GDP per capita analysis for the county and regions

Table 7 show that the average annual growth rate of GDP of North Macedonia is 4.97% per annum with a coefficient of variation of 13.50%; On average, population growth increases by 0.1% (the change in population is negligible);

Table 7: Average growth rates of GDP per capita and population -- 2009-2017

Area	GDP per capita growth rate	Population growth rate	z-score (against NM average) – 2009*	z-score (against NM average) – 2017
North Macedonia	4,97	0,10		
Vardar Region	6,59	-2,43	-1,85	1,86
East Region	6,36	0,36	-2,08	-1,31
Southwest Region	6,73	-0,01	-3,15	-0,23
Southeast Region	7,53	-0,04	-1,53	3,1
Pelagonia Region	3,67	-0,39	-0,9	1,27
Polog Region	4,07	0,20	-4,34	-3,18
Northeast Region	5,55	0,01	-4,01	-2,17
Skopje Region	3,92	0,53	1,92	5,28
Macedonia GDP per capita 2009-2017	average	246.692		
	Stat.deviation	33.297		
	Coef. var.	13,50%		

**Z-score is a numerical measurement used in statistics of a value's relationship to the mean (average) of a group of values, measured in terms of standard deviations from the mean. If a z-score is 0, it indicates that the data point's score is identical to the mean score. If a z-score is equal to +1, it is 1 Standard Deviation above the mean. If a z-score is equal to +2, it is 2 Standard Deviations above the mean.*

Table 7 shows that GDP per capita growth does not follow population growth and there is no correlation between these macroeconomic indicators. The most important conclusion is that Skopje region increase its regional advantage over other regions.

Table 8. Total public investment per region for 2009– 2018. (without year 2010)

Region	Total investment 2009-2018. (MKD)	Total number of projects per region	Percentage share in investment by regions 2009-2018.	GDP per capita growth rate	Population growth rate
Northeast Region	210.145.104	87	16,01	5,55	0,01
Southwest Region	184.084.800	99	14,02	6,73	-0,01
Polog Region	174.352.252	86	13,28	4,07	0,2
Vardar Region	173.115.686	77	13,19	5,69	-2,43
East Region	169.797.687	93	12,94	6,36	0,36
Pelagonia Region	151.364.528	89	11,53	3,67	-0,39
Southeast Region	138.091.037	76	10,52	7,53	-0,04
Skopje Region	111.626.323	78	8,5	3,92	0,53
Total	1.312.577.417	685			
Average	164.072.177	86			
StDev	30.072.621	8			
Coef. Variation	18,33%	9,59%			

Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018

The table above shows that there is no correlation between GDP growth per capita and investment to region (correlation coefficient 0.24). The highest investment was in the Northeast Region, while its GDP per capita growth rate was among of slowest. It is interesting that the demographic inflow into the Skopje region has an insignificant increase of 0.53%. The coefficient of variation for total investment was 18.33%, which indicates that the data in the series are homogeneous.

When the investments of the line ministries added to the investments in the previous table the following results emerge.

Table 8a: Total public investment per region in 2009-2019

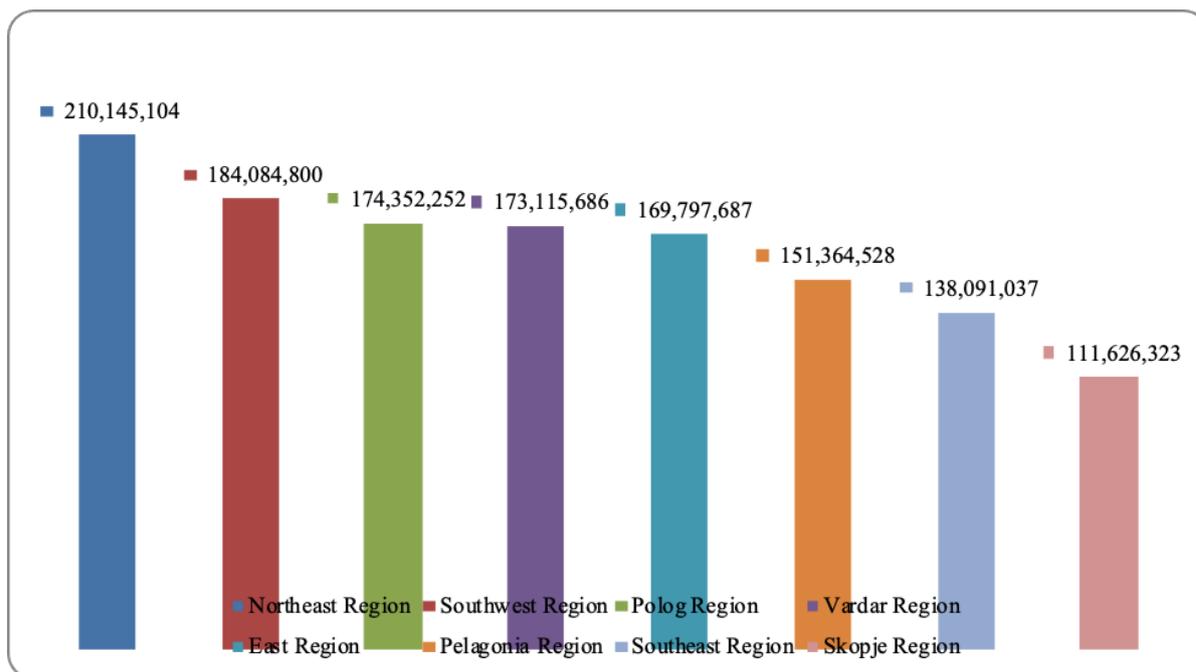
Region	Total investment 2009-2019 (MKD)*	Total number of projects per region 2009-2019	Percentage share in investment by regions 2009-2019	Percentage of projects per region 2009-2019	GDP per capita growth	Population growth rate
Vardar Region	4.982.150.708	290	21,42%	12,91%	5,55	0,01
East Region	1.804.161.909	294	7,76%	13,08%	6,73	-0,01
Southwest Region	1.571.337.384	280	6,76%	12,46%	4,07	0,20
Southeast Region	1.809.271.164	289	7,78%	12,86%	5,69	-2,43
Pelagonia Region	3.519.107.697	309	15,13%	13,75%	6,36	0,36
Polog Region	3.169.721.098	259	13,63%	11,53%	3,67	-0,39
Northeast Region	4.467.265.102	247	19,21%	10,99%	7,53	-0,04
Skopje Region	1.933.560.088	279	8,31%	12,42%	3,92	0,53
Total	23.256.575.149	2.247				
Average	2.907.071.894	281				
StDev	1.327.576.533	20				
Coef. Variation	45,67%	7,05%				

*Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, And Infrastrukturni objekti – spisak za podršku regionalnom razvoju; Izgradba na socijalni stanovi – spisak za podršku regionalnom razvoju; Pešački pateki i plazi – spisak za podršku regionalnom razvoju; Turistički razvojni zoni – spisak za podršku regionalnom razvoju; Urbanistički planovi – spisak za podršku regionalnom razvoju; Vodovod i kanlizacija – spisak za podršku regionalnom razvoju; Agencije za promociju turizma; Ministarstvo za transport i veze; Opštini – izveštaji za 2013, 2015, 2018. godinu; Gasifikacija – spisak za podršku regionalnom razvoju; Spisak na proekti APP. *) For 2010, only total figure. No allocation of investment per regions.*

The table above shows that the total investment and GDP growth rate has weak correlation ($r = 0.39$ connections is weak). It was the same with the population growth which shows also very weak correlation ($r = 0.23$) with the total investments in the region. The coefficient of variation is 45.67% indicating that the data in the series are not homogeneous.

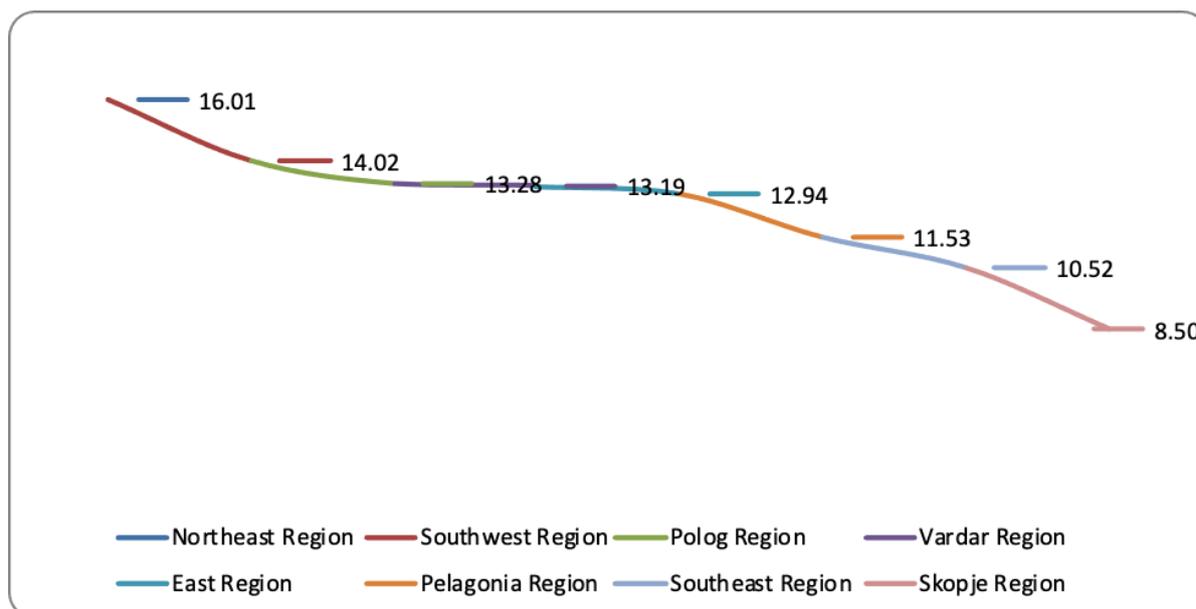
The biggest investments were in the Vardar region and the Northeast region (due to the Railway and Gasification capital projects). When these investments are taken out it shows that Skopje region attracts a high level of investment which generatse an even greater difference in development compared to other regions.

Graph 22: Total public investment 2009-2018 per region



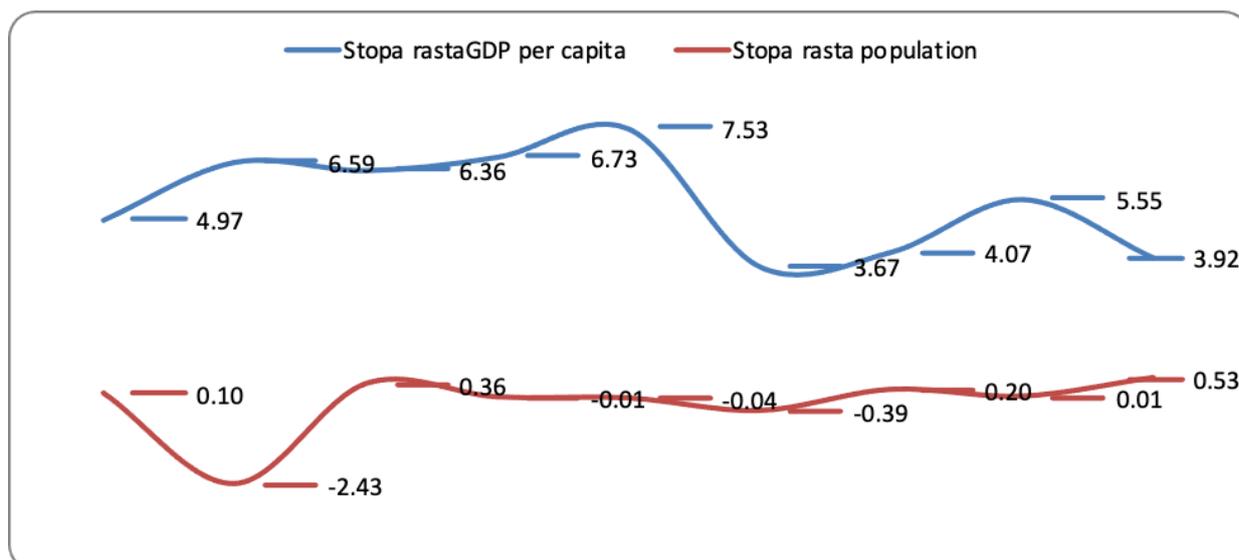
Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018

Graph 23: Percentage shares in public investment by regions -- 2009-2018

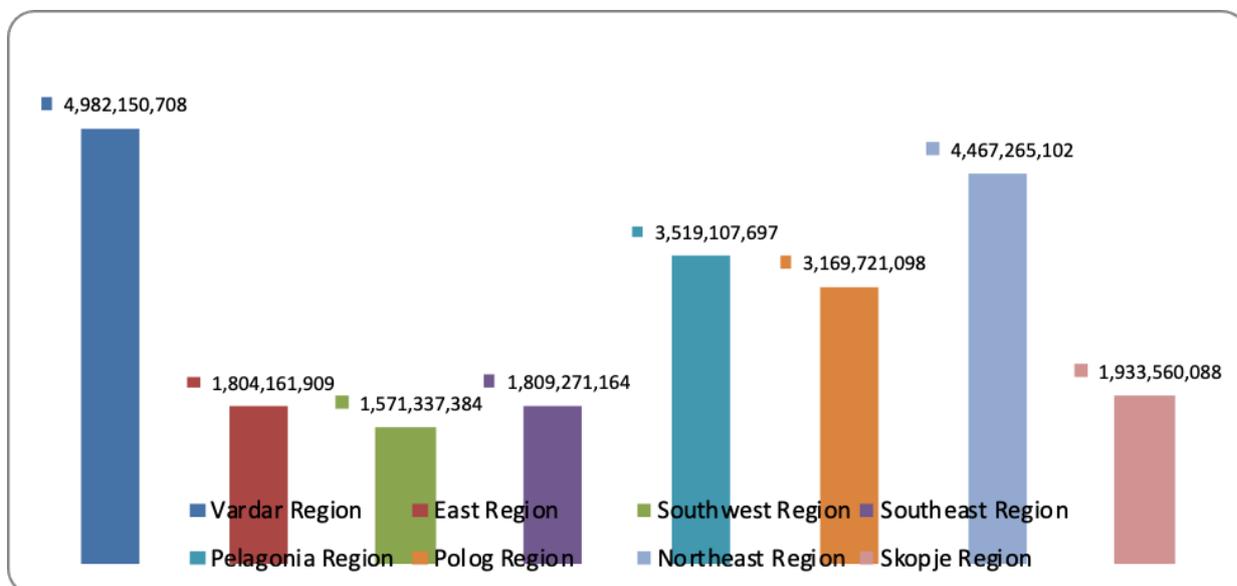


Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018

Graph 24: Average GDP per capita and population growth rates -- 2009-2017

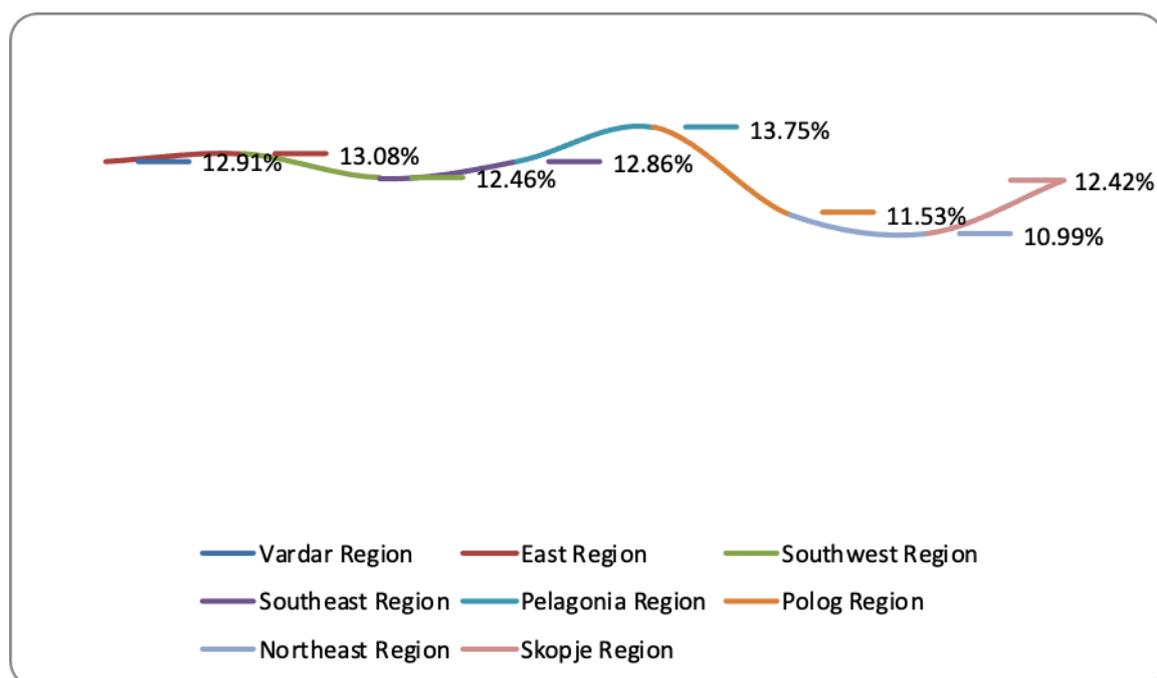


Graph 25. Total public investment by regions in 2009-2019



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, And Infrastrukturni objekti – spisak za podršku regionalnom razvoju; Izgradba na socijalni stanovi – spisak za podršku regionalnom razvoju; Pešački pateki i plazi – spisak za podršku regionalnom razvoju; Turistički razvojni zoni – spisak za podršku regionalnom razvoju; Urbanistički planovi – spisak za podršku regionalnom razvoju; Vodovod i kanlizacija – spisak za podršku regionalnom razvoju; Agencije za promociju turizma; Ministarstvo za transport i veze; Opštini – izveštaji za 2013, 2015, 2018. godinu; Gasifikacija – spisak za podršku regionalnom razvoju; Spisak na projekti APP

Graph 26: Percentage shares in public investment by regions -- 2009-2019



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, And *Infrastrukturni objekti – spisak za podršku regionalnom razvoju; Izgradba na socijalni stanovi – spisak za podršku regionalnom razvoju; Pešački pateki i plazi – spisak za podršku regionalnom razvoju; Turistički razvojni zoni – spisak za podršku regionalnom razvoju; Urbanistički planovi – spisak za podršku regionalnom razvoju; Vodovod i kanlizacija – spisak za podršku regionalnom razvoju; Agencije za promociju turizma; Ministarstvo za transport i veze; Opštini – izveštaji za 2013, 2015, 2018. godinu; Gasifikacija – spisak za podršku regionalnom razvoju; Spisak na proekti APP*

7. Regional development Programmes in the Planning Regions 2009-2019: Implementation, Assessment and Evaluation

Introduction

In accordance with the Official Gazette No. 15, of 31 January 2012, the evaluation is to be made in two parts: (1) Evaluation of completed priorities of the Strategy; and (2) Evaluation of impacts resulting from the implementation of the Strategy. The first part of the evaluation is presented in Part One of the project, while the second part evaluates the implementation of programmes in the planning regions

Various documents were requested after the Initial Meeting in Skopje and various reports and information have been provided namely:

- (1) Ministry of Local Self-government's Reports for regional development 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, 2018 and 2019.

- (2) Bureau for Regional Development's Reports for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, and 2018.
- (3) Centers for development of the planning region's Yearly reports 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, 2018 and 2019.
- (4) Centers for development of the planning region's Programs for development 2010 – 2015 for all eight regions.
- (5) Centers for development of the planning region's Programs for development 2015 – 2019 for all eight regions.
- (6) Completed reports which were sent by the following line Ministries (Ministry of Finance; Ministry of Transport and Communications; Ministry of Agriculture, Forestry and Water Management; Ministry of Economy; Ministry of Environment and Spatial Planning; Agency for Financial Support for Agriculture and Rural Development; Tourism Support Agency; Enterprise Support Agency; Public Road Enterprise and Central Bureau of Statistics) do not include all required information;
- (7) Some line Ministries (Ministry of Labor and Social Policy; Ministry of Health; Ministry of Education and Science; Ministry of Culture; Youth and Sports Agency; Fund for Innovation and Technological Development, and Directorate for Technological Industrial Development Zones) did not respond at all.
- (8) The survey questionnaire was designed to obtain an opinion from targeted samples of businesspersons, entrepreneurs, employees who work in the public sector and, especially, people who is living in different regions? There was a lack of interest in the survey and to reach the target of about 200 completed surveys became a daunting task. With additional efforts and the support of the Bureau for Regional Development, the figure of 156 respondents have finally been achieved, but structurally biased (over 40% from Skopje Region, 2/3 of respondents being government officials or public sector employees, 95% with at least university degree).

The above documents, despite all difficulties, provide some basis to assess, analyze and evaluate regional socio-economic development for the whole country and per each planning region. **It was very difficult to obtain and maintain consistent and logical database because of the range of issues, such as:** (1) lack of relevant and valid information about total investment or investment per region; (2) lack of information about the start and completion of the projects; (3) inconsistency of use 'merka' and indicators; (4) constant change of allocation of figures on

regional, municipality level or villages; (5) the figures and information were often different for region, municipalities or the projects from different reports; (6) none of the above reports follow evaluation rules set up by the Official Gazette No. 15, 31 January 2012; (7) some figures are not allocated to regions; and (8) information about the projects did not include any assessment or evaluation.

Conclusions and evaluation of regional investment, investment volume, number of projects, investment efficiency are assessed by the **following indicators**:

1. Strategic objectives in promoting socio-economic growth in the planning regions;
2. Correlation coefficient as a measure of correlation between two phenomena;
3. Rates of change (rise / fall); Chain Index (Growth Rate) = Current / Previous x 100;
4. Z-score as a measure of deviation, and
5. Analysis of the survey - what the citizens said.

For all the previous values, there are intervals in mathematics that something is interpreted for a value that belongs to a certain interval, and they are not subjective estimates. If the figures show that there is no connection between GDP and total investment, total investment and rural development, number of the projects per region and growth rate, or anything else we cannot change these facts in any way. Evaluations and gradings are based on evidence, official and the Government reports, and Survey results.

Based on the above, it was very difficult to make valid and relevant analysis and evaluation due to lack of consistent, updated and completed database on regional projects either on regional, municipality or village level. The biggest obstacle was the absolute lack of any assessment, recommendations for the past, present or learning points for the future. None of the strategic, tactical or operation documents or national, regional, or local level has any elements of analysis or evaluation. This is the most urgent issue which must be tackled and improved.

A shift has been made to eliminate inequalities between regions. However, there was no significant harmonisation of the region. Some regions are shifting (they have moved from negative deviations to positive ones), but there are still major differences. Skopje, meanwhile, has developed even more.

The Survey shows that the respondents have a clear point of view as to who is responsible: the strategy and institutions (services) are not always doing their job well.

8. Comparative analysis of regional development between North Macedonia and individual planning regions

It is very interesting and important to compare regional development in the country and each region by calculating GDP per capita by the z-score method. Z-score is a numerical measurement used in statistics of a value's relationship to the mean (average) of a group of values, measured in terms of standard deviations from the mean. If a z-score is 0, it indicates that the data point's score is identical to the mean score. If a z-score is equal to +1, it is 1 Standard Deviation above the mean. If a z-score is equal to +2, it is 2 Standard Deviations above the mean. The calculations clearly show that some regions were constantly in minus and this means that these regions were always lower than the average of the country. At the same time, calculations clearly show that Skopje has made an even bigger difference than other regions. See calculations and z- score in table 9.

Table 9: Comparison between North Macedonia and Vardar region

Year	North Macedonia				Vardar region				
	GDP per capita (denars)	GDP per capita*)	Total population of the RNM at 31.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita*)	Total population	Population growth	z-score (vs. RNM average)
2009	202.188				185.196				-1,85
2010	212.795	105,25			203.102	109,67			-1,31
2011	225.493	105,97			220.590	108,61			-0,78
2012	226.440	100,42			236.025	107,00			-0,32
2013	243.161	107,38			268.819	113,89			0,66
2014	255.206	104,95			274.404	102,08			0,83
2015	269.996	105,80	2.071.278		291.516	106,24	159.917		1,35
2016	286.995	106,30	2.073.702	100,12	302.286	103,69	152.571	95,41	1,67
2017	297.954	103,82	2.075.301	100,08	308.493	102,05	152.249	99,79	1,86
Average	246.692	104,97	2.073.427	100,10	254.492	106,59	154.912	97,57	
Standard deviation	33.297				44.869				
Coefficient of variation	13,50				17,63				

Source: *Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.*

*) *The chain index is the quotient of the current value and the previous value multiplied by 100. EUROSTAT (2020) defines chain index as “ an index number in which the value of any given period is related to the value of its immediately preceding period (resulting in an index for the given period expressed against the preceding period = 100); this is distinct from the fixed-base index, where the value of every period in a time series is directly related to the same value of one fixed base period. This index type is called a chain index because individual indices with previous period = 100 can be chained together by multiplying (and dividing by 100) all consecutive indices, thus converting them into a series of indices with the first reference period = 100. This way, the consecutive values of the index numbers form a chain, as it were, from the first (reference) to the last period.”*

Table 1 shows that firstly, the average annual GDP per capita growth rate of the Vardar Region is 6.59%, with a standard deviation of 17.63%; secondly, on average, the population in this region decreased by 2.43% per year; and thirdly, the Vardar region is in second place in terms of investment volume (based on data from annual Reports 2009- 2018). In the last year, the GDP per capita has increased by 1.8 standard deviations compared to Macedonian average. Z-score shows that the Vardar region makes the progress and decrease disparity from -1,85 in 2009 to 1,86 in 2017.

Table 10: . Comparison between North Macedonia and East region

Year	North Macedonia				East region				
	GDP per capita (denars)	GDP per capita*)	Total population of the RNM at 31.12. per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita*)	Total population	Population growth	z-score (vs.RNM average)
2009	202.188				177.297				-2,08
2010	212.795	105,25			210.546	118,75			-1,09
2011	225.493	105,97			224.455	106,61			-0,67
2012	226.440	100,42			215.627	96,07			-0,93
2013	243.161	107,38			226.898	105,23			-0,59
2014	255.206	104,95			244.272	107,66			-0,07
2015	269.996	105,80	2.071.278		253.656	103,84	176.877		0,21
2016	286.995	106,30	2.073.702	100,12	266.047	104,88	176.262	99,65	0,58
2017	297.954	103,82	2.075.301	100,08	290.385	109,15	175.616	99,63	1,31
Average	246.692	104,97	2.073.427	100,10	234.354	106,36	176.252	99,64	
Standard deviation	33.297				33.432				
Coefficient of variation	13,50				14,27				

Source: Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.

*) The chain index is the quotient of the current value and the previous value multiplied by 100.

Table 2 shows firstly that the average annual GDP per capita growth rate is 6.36%, with a coefficient of variation of 14.27%; secondly, the population is declining insignificantly, and thirdly, the region's position is improving since 2015. Z-score shows that the East region makes the progress and decrease disparity since 2015 onwards.

Table 11: Comparison between North Macedonia and Southwest region

Year	North Macedonia				Southwest region				
	GDP per capita (denars)	GDP per capita ^{*)}	Total population of the RNM at 31.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita ^{*)}	Total population	Population growth	Z-score (vs. RNM average)
2009	202.188				141.930				-3,15
2010	212.795	105,25			161.492	113,78			-2,56
2011	225.493	105,97			174.509	108,06			-2,17
2012	226.440	100,42			170.493	97,70			-2,29
2013	243.161	107,38			178.726	104,83			-2,04
2014	255.206	104,95			189.109	105,81			-1,73
2015	269.996	105,80	2.071.278		212.913	112,59	219.718		-1,01
2016	286.995	106,30	2.073.702	100,12	222.133	104,33	219.740	100,01	-0,74
2017	297.954	103,82	2.075.301	100,08	238.895	107,55	219.663	99,96	-0,23
Average	246.692	104,97	2.073.427	100,10	187.800	106,73	219.707	99,99	
Standard deviation	33.297				31.178				
Coefficient of variation	13,50				16,60				

Source: Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.

^{*)} The chain index is the quotient of the current value and the previous value multiplied by 100.

Table 3 shows firstly that the average annual GDP growth rate was 6.73; secondly, in terms of z -score, the situation is much better in 2017 compared to 2009, but it is still negative. Z-score shows that the Southwest region makes the progress and decrease disparity from -3,85 in 2009 to - 0, 23 in 2017.

Table 12: Comparison between North Macedonia and Southeast region

Year	North Macedonia				Southeast region				
	GDP per capita (denars)	GDP per capita	Total population of the RNM at 31.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita	Total population	Population growth	Z-score (vs. RNM average))
2009	202.188				195.767				-1,53
2010	212.795	105,25			226.550	115,72			-0,60
2011	225.493	105,97			251.471	111,00			0,14
2012	226.440	100,42			252.278	100,32			0,17
2013	243.161	107,38			266.524	105,65			0,60
2014	255.206	104,95			304.140	114,11			1,73
2015	269.996	105,80	2.071.278		315.717	103,81	173.552		2,07
2016	286.995	106,30	2.073.702	100,12	341.870	108,28	173.545	100,00	2,86
2017	297.954	103,82	2.075.301	100,08	349.905	102,35	173.405	99,92	3,10
Average	246.692	104,97	2.073.427	100,10	278.247	107,53	173.501	99,96	
Standard deviation	33.297				52.751				
Coefficient of variation	13,50				18,96				

Source: Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.

Table 4 shows firstly that average GDP growth rate is 7.53% and secondly, average situation of the region was improved. Z-score shows that the Southeast region makes the progress and decrease disparity from -1, 53 in 2009 to, 103 in 2017.

Table 13: Comparison between North Macedonia and Pelagonia region

Year	North Macedonia				Pelagonia region				
	GDP per capita (denars)	GDP per capita	Total population of the RNM at 3.1.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita	Total population	Population growth	z-score (vs. RNM average)
2009	202.188				216.609				-0,90
2010	212.795	105,25			226.036	104,35			-0,62
2011	225.493	105,97			224.485	99,31			-0,67
2012	226.440	100,42			218.463	97,32			-0,85
2013	243.161	107,38			243.279	111,36			-0,10
2014	255.206	104,95			251.988	103,58			0,16
2015	269.996	105,80	2.071.278		260.855	103,52	230.771		0,43
2016	286.995	106,30	2.073.702	100,12	282.381	108,25	230.004	99,67	1,07
2017	297.954	103,82	2.075.301	100,08	289.105	102,38	228.977	99,55	1,27
Average	246.692	104,97	2.073.427	100,10	245.911	103,67	229.917	99,61	
Standard deviation	33.297				27.224				
Coefficient of variation	13,50				11,07				

Source: *Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.*

Table 5 show that firstly, average GDP growth rate is 3.67%; secondly, average situation of the region was improved, especially since 2016.

Table 14: Comparison between North Macedonia and Polog region

Year	North Macedonia				Polog region				
	GDP per capita (denars)	GDP per capita	Total population of the RNM at 3.1.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita	Total population	Population growth	z-score (vs. RNM average)
2009	202.188				102.233				-4,34
2010	212.795	105,25			107.074	104,74			-4,19
2011	225.493	105,97			114.113	106,57			-3,98
2012	226.440	100,42			107.394	94,11			-4,18
2013	243.161	107,38			118.672	110,50			-3,84
2014	255.206	104,95			117.284	98,83			-3,89
2015	269.996	105,80	2.071.278		121.824	103,87	320.299		-3,75
2016	286.995	106,30	2.073.702	100,12	132.538	108,79	320.826	100,16	-3,43
2017	297.954	103,82	2.075.301	100,08	140.683	106,15	321.573	100,23	-3,18
Average	246.692	104,97	2.073.427	100,10	117.979	104,07	320.899	100,20	
Standard deviation	33.297				12.435				
Coefficient of variation	13,50				10,54				

Source: Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.

Table 6 shows that regional development is critical, and the z-score is lower than the national average all the time. The situation in 2017 is better by about 1 standard deviation compared to 2009. Z-score shows that the Polog region makes the progress and decrease disparity from -4,34 in 2009 to -3, 18 in 2017. The Polog region is below average of the national measured by GDP per capita.

Table 15: Comparison between North Macedonia and Northeast region

Year	North Macedonia				Northeast region				
	GDP per capita (denars)	GDP per capita	Total population of the RNM at 3.1.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita	Total population	Population growth	z-score (vs. RNM average)
2009	202.188				113.181				-4,01
2010	212.795	105,25			118.092	104,34			-3,86
2011	225.493	105,97			146.047	123,67			-3,02
2012	226.440	100,42			147.095	100,72			-2,99
2013	243.161	107,38			151.462	102,97			-2,86
2014	255.206	104,95			148.745	98,21			-2,94
2015	269.996	105,80	2.071.278		164.161	110,36	176.231		-2,48
2016	286.995	106,30	2.073.702	100,12	168.301	102,52	176.169	99,96	-2,35
2017	297.954	103,82	2.075.301	100,08	174.329	103,58	176.260	100,05	-2,17
Average	246.692	104,97	2.073.427	100,10	147.935	105,55	176.220	100,01	
Standard deviation	33.297				20.888				
Coefficient of Variation	13,50				14,12				

Source: *Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.*

Table 7 shows that firstly, the Northeast Region is the region with the highest investment, accounting for 16.28% of total investment (based on data from Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018), with an absolute difference from the next, i.e. the Vardar region of 2. 6%; secondly, this region, same as Polog and Southwest, constantly has a negative z-score, i.e. its GDP per capita has never been higher than the national average, and thirdly, GDP per capita has a growth rate of 5.55% and no changes in population.

Table 16: Comparison between North Macedonia and Skopje region

Year	North Macedonia				Skopje region				
	GDP per capita (denars)	GDP per capita	Total population of the RNM at 3.1.12 per statistical regions	Population growth rate	GDP per capita (denars)	GDP per capita	Total population	Population growth	Z-score (vs. RNM average)
2009	202.188				310.769				1,92
2010	212.795	105,25			308.467	99,26			1,86
2011	225.493	105,97			319.717	103,65			2,19
2012	226.440	100,42			327.989	102,59			2,44
2013	243.161	107,38			348.915	106,38			3,07
2014	255.206	104,95			366.482	105,03			3,60
2015	269.996	105,80	2.071.278		386.876	105,56	620.913		4,21
2016	286.995	106,30	2.073.702	100,12	411.575	106,38	624.585	100,59	4,95
2017	297.954	103,82	2.075.301	100,08	422.571	102,67	627.558	100,48	5,28
Average	246.692	104,97	2.073.427	100,10	355.929	103,92	624.352	100,53	
Standard deviation	33.297				43.359				
Coefficient of variation	13,50				12,18				

Source: Regions in the Republic of North Macedonia, 2019, p. 48. Regional yearbook. Skopje.

The table above shows that Skopje region is gaining more, and regional disparity is widening in comparison to other regions. In 2017, the z-score for the region was + 5,28.

Ministry of Regional Development and Local Self-Government reports show slow, unequal and unstable improvements. The regions of Skopje, Southeast and Southeast regions are above average and the rest of the regions, especially Northeast and Polog were improving, but remain significantly behind the national average.

The Z-score (vs. RNM average) in the above tables show that regional disparities are decreased in all region from 2009 to 2017. The summary in regional disparities **measured by z-score** shows the following:

1. *Vardar region increased disparities from - 1,85 in 2009 to 1,86 in 2017,*
2. *East region decreased disparities from - 2, 08 in 2009 to 1,31 in 2017,*
3. *Southwest decreased disparities from - 3, 15 in 2009 to - 0,23 in 2017,*
4. *Southeast region decreased disparities from - 1,53 in 2009 to 3.10 in 2017,*
5. *Pelagonia region decreased disparities from - 0,90 in 2009 to – 1,27 in 2017,*
6. *Polog region decreased disparities from - 4.34 in 2009 to – 3, 18 in 20017,*
7. *Northeast region decreased disparities from – 4, 01 in 2009 to -2,17 in 2017, and*
8. *Skopje region increased regional advantages further from 1,92 in 2009 to 5,28 in 2017.*

As can be seen the best regional development was succeeded in the Southeast and Skopje region.

The table bellow shows that 61,26 % of the projects were allocated for strategic priority 1.2 - developing contemporary and modern infrastructure in the planning regions. The highest number of projects were allocated to the Southwest region and lowest to the Skopje region with 10, 85%. The average percentage of the investment and number of the projects were evenly allocated. The next strategic priority was 1.1 promoting economic growth in the planning regions with 19, 59 % of the projects.

Table 17: Overview of the Ministry of Local Self-Government's number of the projects per strategic objectives and priorities for 2009 – 2018

Region	Number of projects												Total No. of projects	Total No. of projects in (%)	No. of projects without descriptions*)	Total	Total (%)	
	1. Competitive planning regions characterised by dynamic and sustainable development							Total	2. Greater demographic, economic, social and spatial cohesion between and within the planning regions in the Republic of Macedonia									Total
	1.1	1.2	1.3	1.4	1.5	1.6	1.7		2.1	2.2	2.3	2.4						
Skopje Region	2	36			1	10	3	52		4			4	56	11,31%	18	74	10,85%
Southeast Region	5	33			1	1	5	45		4	1		5	50	10,10%	25	75	11,00%
Pelagonia Region	22	26	1		3	1	9	62		6			6	68	13,74%	23	91	13,34%
Southwest Region	17	37	1		1	5	7	68		3	1		4	72	14,55%	28	100	14,66%
Polog Region	7	42					1	50		11			11	61	12,32%	24	85	12,46%
Vardar Region	11	23			8	2	8	52		5	1	1	7	59	11,92%	18	77	11,29%
East Region	5	45			6		1	57		9			9	66	13,33%	27	93	13,64%
Northeast Region	18	30			3	2	5	58	1	4			5	63	12,73%	24	87	12,76%
Total	87	272	2	0	23	21	39	444	1	46	3	1	51	495	100%	187	682	100%
Total projects in (%) per strategic objective and priority	19,59%	61,26%	0,45%	0,00%	5,18%	4,73%	8,78%		1,96%	90,20%	5,88%	1,96%						

Source: Author calculations based on the Ministry of Local Self-Government's Reports (2009, 2011, 2012, 2013, and 2014, 2015, 2016, 2017, 2018). Skopje. For 2010 there are no data on the number of projects by region. *) For 2009, 2011 I some projects from 2012 and 2015.

None of the projects were allocated to address strategic priority 1.4 recognising raising the quality of human capital in the planning regions. The relatively small number of the projects, between 5 and 9 %, were allocated into 1.5 Creating competitive advantages for the planning regions, 1.6 Optimal utilisation and valorisation of natural resources and potentials for energy generation in the planning regions, and 1.7 Environmental protection in the planning regions.

The 2.2 Building functional spatial structures for better integration of urban and rural areas in the planning regions were addressed by 90.20 % number of the projects. The other strategic priority for the second strategic objective 2. Greater demographic, economic, social and spatial cohesion between and within the planning regions in the Republic of Macedonia was addressed by only 9.8 % of the projects.

From the table above was very difficult to make any relevant and valid evaluation of the effectiveness and efficiency of the projects. The official reports from the councils for development of the planning regions record the implementation and delivery of the projects by three and all different approaches. **The first approach** records the projects by the following elements: (1) medium-term objective, (2) 'merka', (3) type of activities and (4) Number of activities. **The second approach** records the projects by the following elements: (1) medium-term objective; (2) 'merka'; (3) indicator; (4) output results and **the third approach** records the projects by the following elements: (1) Priority; (2) 'merka'; (3) project; (4) the main partner, (5) budget, and (6) result.

The councils for development of the planning region's report do not have unified, complete and standardised information about key partners, relevant and valid indicators, locations, finance and results. The most significant and critical is that these reports do not have any analysis, evaluation, or judgement for future improvements.

9. Planning Regions' Socio-economic Development evaluated by years

9.1. Socio-economic development for 2009

The table below shows summary of investment and projects per region for 2009. An average investment was 23.495.156 MKD with standard deviation of 6.681.998 MKD. The variation coefficient was relatively high of 28.44%. The highest investment per regions and number of the projects are shown in table 10 and graphs 1 and 2.

Table 18: Summary of investments and projects per region for 2009

Regions	% share in investment	No of projects	Value of projects (MKD)	Projects for development of areas with specific development needs	No. of projects	Village Development Projects	No. of projects	Total investment per regions (MKD)	Total no. of projects per region
Skopje Region	7,46%	1	9.523.616	2.144.360	1	2.353.750	2	14.021.726	4
Southeast Region	11,73%	4	15.776.004	3.918.742	5	2.353.750	2	22.048.496	11
Pelagonia Region	8,47%	1	9.538.650	4.358.750	3	2.015.000	2	15.912.400	6
Southwest Region	16,55%	2	18.441.494	10.316.977	6	2.353.750	3	31.112.221	11
Polog Region	16,57%	7	16.133.512	12.660.077	4	2.353.750	1	31.147.339	12
Vardar region	10,22%	2	16.860.780			2.353.750	3	19.214.530	5
East Region	14,60%	9	20.831.958	4.261.094	3	2.353.750	1	27.446.802	13
Northeast Region	14,40%	6	24.703.986			2.353.750	3	27.057.736	9
Total		32	131.810.000	37.660.000	22	18.491.250	17	187.961.250	71

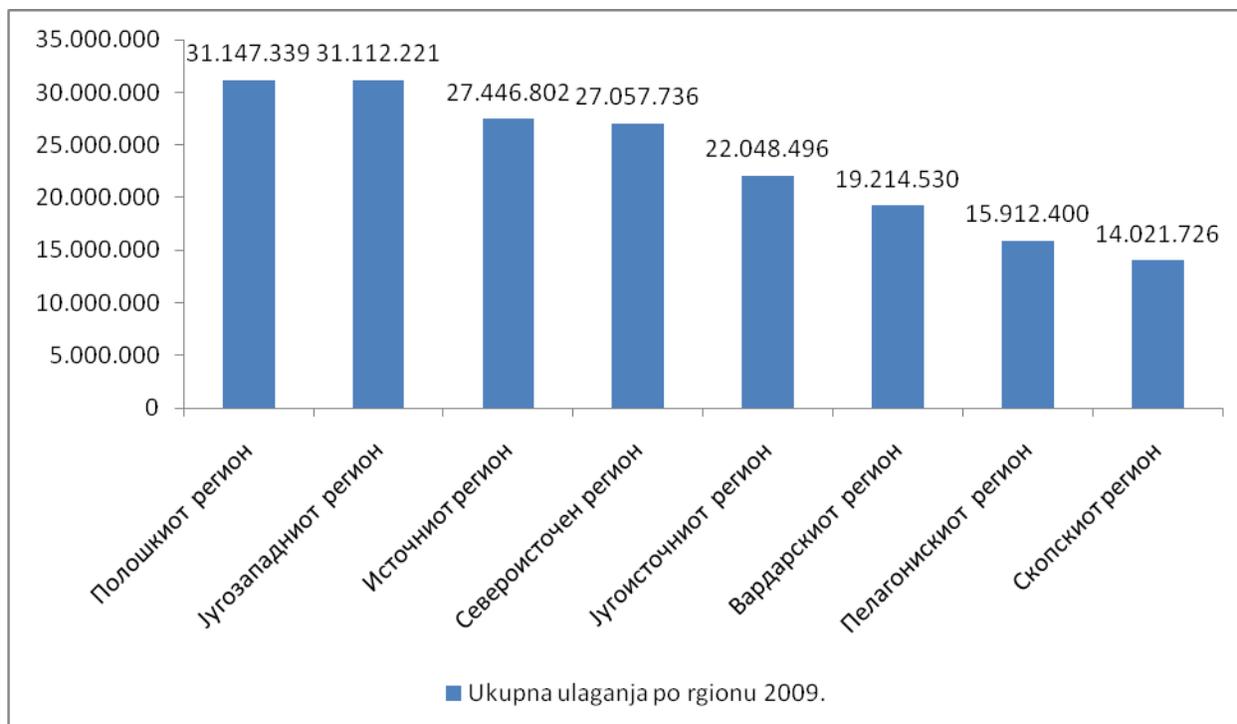
Source: Author calculations based on Извештај за спроведување на политиката за рамномерен регионален развој на Република Македонија 2008 - 2010

Table 18a: Overview investments per region for 2009

2009.		
Region	Total investment (MKD)	Total number of projects per region
Polog Region	31.147.339	12
Southwest Region	31.112.221	11
East Region	27.446.802	13
Northeast Region	27.057.736	9
Southeast Region	22.048.496	11
Vardar region	19.214.530	5
Pelagonia Region	15.912.400	6
Skopje Region	14.021.726	4
Total	187.961.250	
Average	23.495.156	
Standard deviation	6.681.998	
Coefficient of variation	28,44%	

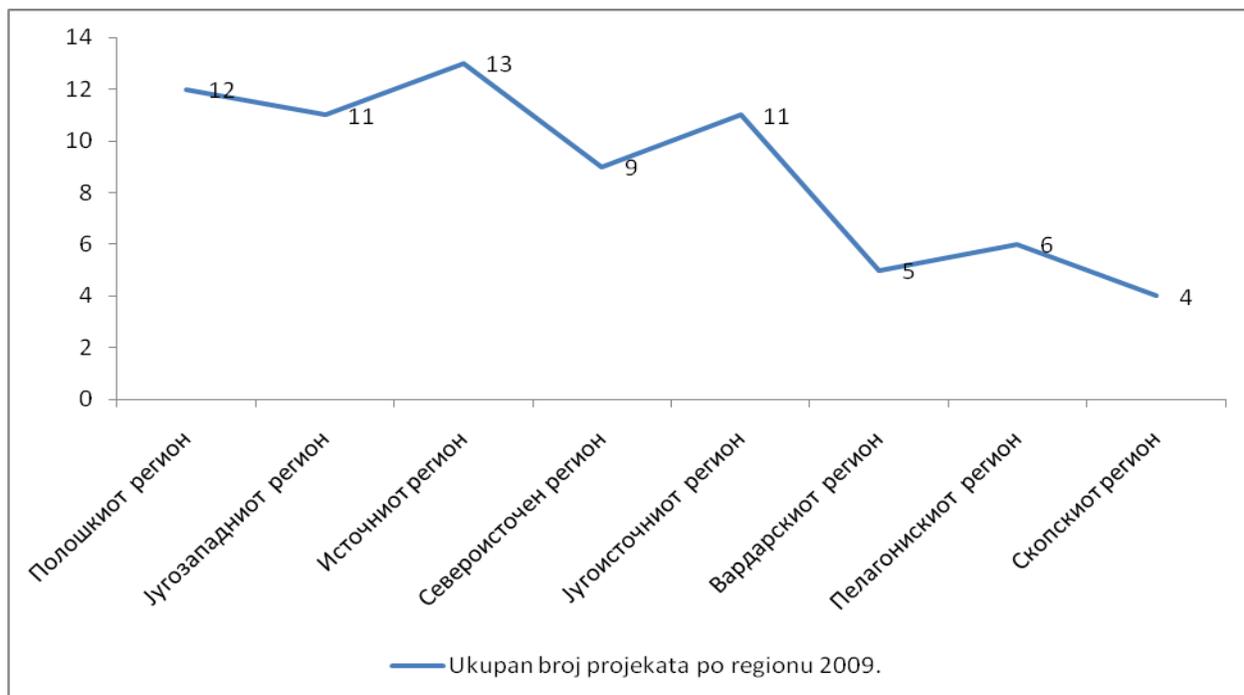
Source: Author calculations based on the Ministry of Local Self-Government's Reports (2009). Skopje.

Graph 27: Investments by region in 2009



Source: Author calculations based on the Ministry of Local Self-Government's Reports (2009). Skopje.

Graph 28.: Number of projects in the region in 2009



Source: Author calculations based on the Ministry of Local Self-Government's Reports (2009). Skopje.

The above tables and graphs show that the highest investment and number of the projects were allocated in the following regions: Polog, Southwest, East region and Northeastregion. The smallest number of projects were allocated in Pelagonia and Skopje region. Coefficient of variation of the total investment was huge, namely 28.44%.

9.2 Socio-economic development for 2010

The same situation is for evaluation of socio-economic development for 2010. A lot of figures were missed in table 19. It was difficult to identify projects for areas with specific needs and projects which were allocated for villages.

Table 19: Summary of investments and projects per region for 2010

Regions	% share in investment	No of projects for development of planning regions	Value of projects for development of planning regions	Projects for development of areas with specific development needs	No. of projects	Village Development Projects	No. of projects	Total investment per regions (MKD)	Total no. of projects per region
Skopje Region			9.526.616						
Southeast Region			17.188.436						
Pelagonia Region			10.498.650						
Southwest Region			3.231.760						
Polog Region			5.707.674						
Vardar region			3.038.440						
East Region			3.600.000						
Northeast Region			7.878.000						
Total*			60.669.576	33.760.000		16.880.000		111.309.576	
			118.160.000						

Source: Author calculations based on Извештај за спроведување на политиката за рамномерен регионален развој на Република Македонија 2008 – 2010. *) There are some inconsistencies with total figures in the report for 2010.

9.3 Socio-economic development for 2011

Table 20: Summary of investments and projects per region for 2011

Regions	% share in investment	No of projects for development of planning regions	Value of projects for development of planning regions	Projects for development of areas with specific development needs	No. of projects	Village Development Projects	No. of projects	Total investment per region (MKD)	Total No. of projects per region	Population per region	% of village population	% share in finance for villages
Skopje Region	9,7	7	12.610.796	3.442.549	2	1.644.032	1	17.697.377,00	10	590455	28,2	0,09
Southeast Region	13,8	5	19.815.553	3.791.698	3	1.644.032	3	25.251.283,00	11	171972	54,7	0,07
Pelagonia Region	9,7	7	13.577.475	2.413.792	3	1.644.032	3	17.635.299,00	13	236088	32,4	0,09
Southwest Region	11,3	6	12.074.294	7.002.417	4	1.644.032	2	20.720.743,00	12	222385	63,9	0,08
Polog Region	11,7	8	15.374.641	4.413.221	2	1.644.032	1	21.431.894,00	11	310178	70,8	0,08
Vardar region	15,4	5	25.129.191	1.374.967	1	1.644.032	2	28.148.190,00	8	154230	31,3	0,06
East Region	14,3	5	18.912.430	5.488.496	4	1.644.032	2	26.044.958,00	11	180938	33,7	0,06
Northeast Region	14,1%	8	20.027.032	4.146.027	2	1.644.032	1	25.817.091,00	11	173982	43,4	0,06
Total		51	137.521.412	32.073.166	21	13.152.256	15	182.746.835	87	2040228		

Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019], Министерство за локална самоуправа, Izveštaj za realizirani Aktivnosti za poddrška na ramnoerniot regionalen razvoj finansirani od Bužetot na Republika Makedonija vo 2011.

As can be seen in table 13 it is evident that almost everywhere, we have the same or very similar percentage of investments in the regions.

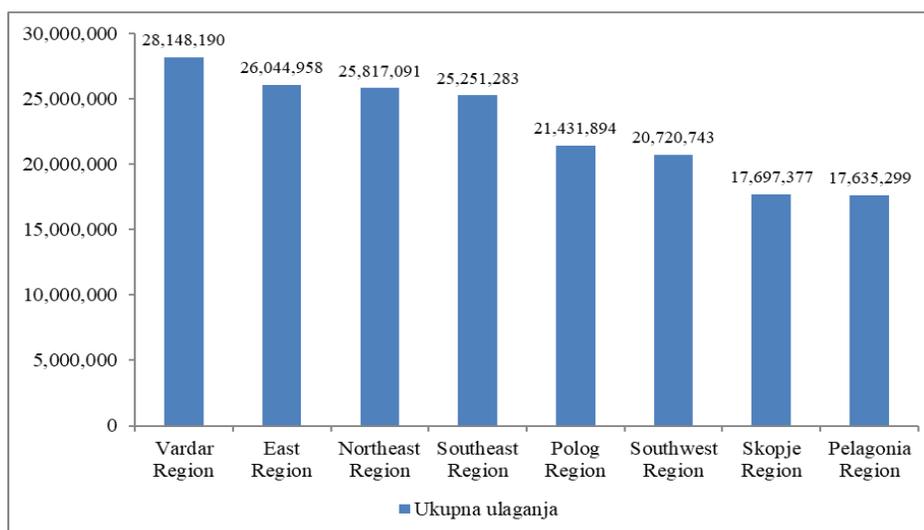
Table 21: Overview of investments per region for 2011

2011		
Region	Total investment (MKD)	Total number of projects per region
Vardar Region	28.148.190	8
East Region	26.044.958	11
Northeast Region	25.817.091	11
Southeast Region	25.251.283	11
Polog Region	21.431.894	11
Southwest Region	20.720.743	12
Skopje Region	17.697.377	10
Pelagonia Region	17.635.299	13
Total	182.746.835	87
Average	22.843.354	11
Standard deviation	4.020.224	1,46
Coefficient of variation	17,60%	13,40%

Source: Author calculations based on the Ministry of Local Self-Government's Reports (2011). Skopje.

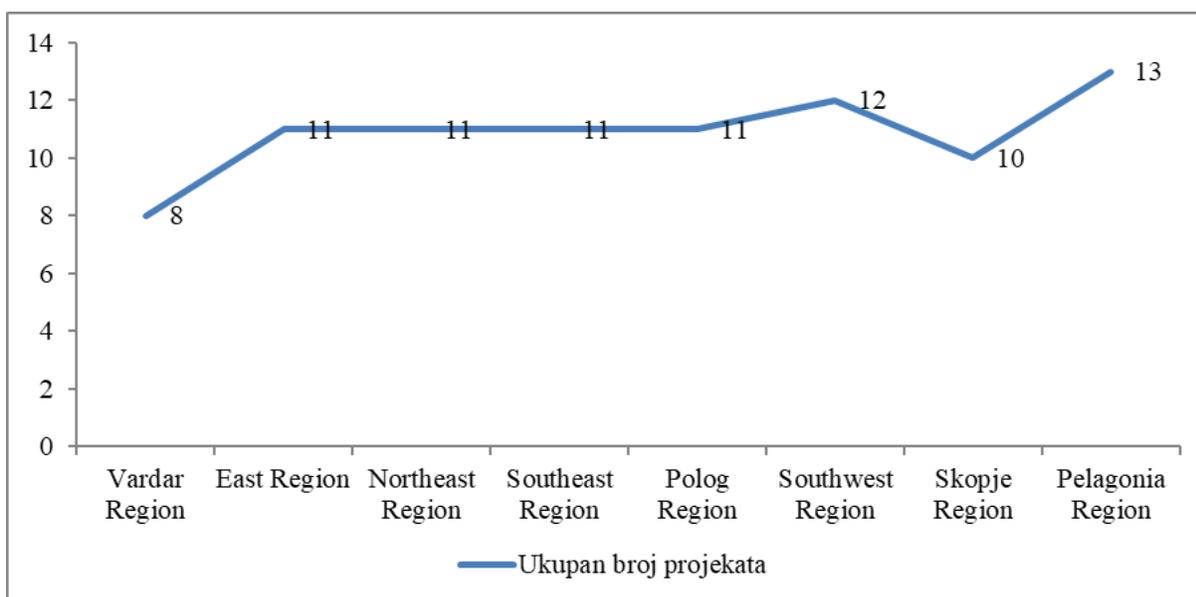
The average investment per region was 22,843,835 MKD, with a standard deviation of 4,020,224 MKD. As the coefficient of variation was 13.40%, this means that the data in the series are homogeneous. Graph 3 shows highest and lowest level of investment. Graph 4 shows the number of projects.

Graph 29: Overview of highest to lowest investments per region for 2011



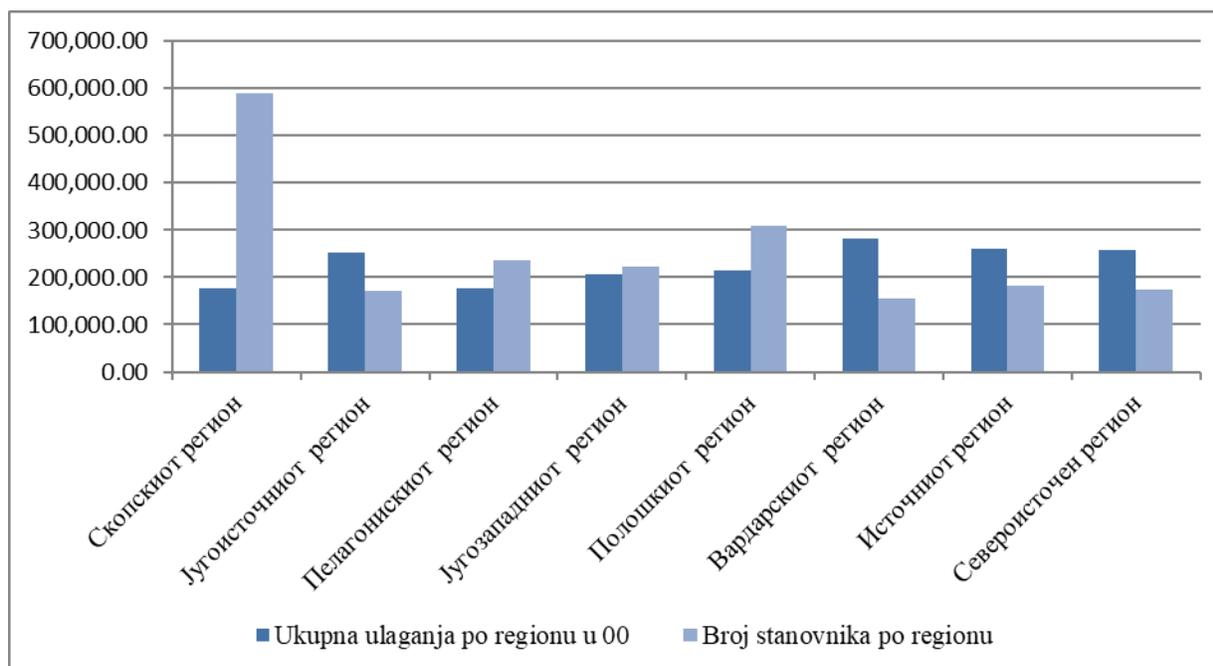
Source: Author calculations based on the Ministry of Local Self-Government's Reports (2011). Skopje.

Graph 30: Total number of projects per region for 2011



Source: Author calculations based on the Ministry of Local Self-Government's Reports (2011). Skopje.

Graph 31: Total investments in the region in 000 denars and population in the region



Source: Autor na osnovi Министерство за локална самоуправа, Извештај за реализирани Активности за поддршка на рамномерниот регионален развој финансирани од Буџетот на Република Македонија во 2011

Graph 31 shows that investment in the regions were similar and there are no logical relationships between investment and population per region.

Graph 32: Percentage of investments per region, 2011



Source: Author calculations based on the Ministry of Local Self-Government's (2011). Report on Implemented Activities for Supporting Regional Development Funded by the Budget of the Republic of Macedonia.

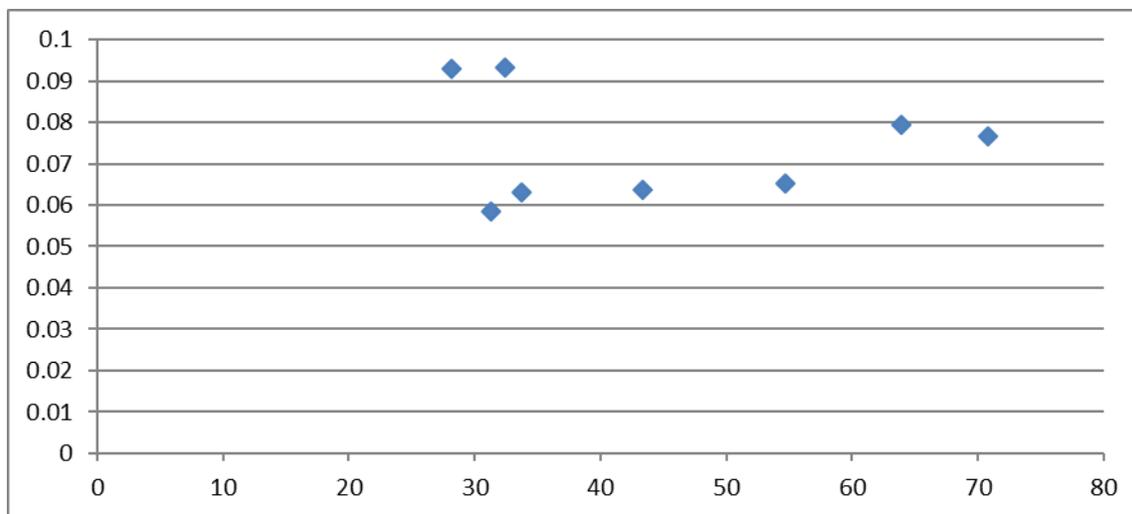
Graph 33: Total number of projects per region, 2011



Source: Author calculations based on the Ministry of Local Self-Government's (2011). Report on Implemented Activities for Supporting Regional Development Funded by the Budget of the Republic of Macedonia.

As can be seen in Graph 8, the evaluators used the scatter plot to evaluate the cause and effect relationship. The assumption is that the independent variable causes the dependent variable to change. The correlation coefficient measures the relationship between two quantitative variables. If greater than 0 the link is direct (increasing or decreasing the independent variable causes the dependent variable to increase or decrease), if less than 0 the link is inverse (increasing or decreasing the independent variable causes the dependent variable to decrease or increase). Thus, the scatter plot is a graph in which the values of two variables are plotted along two axes, the pattern of the resulting points revealing any correlation present.

Graph 34: *Scatter plot for Rural Investments in Villages/Percentage of Rural Population by Region*



Source: *Author calculations based on the Ministry of Local Self-Government's (2011). Report on Implemented Activities for Supporting Regional Development Funded by the Budget of the Republic of Macedonia.*

Regional development for year 2011 demonstrate political correctness in allocation of investment and number of projects. See, graph 6 and 7. Scatter plot in graph 34 shows that there is no correlation between Rural Investment in Villages and Percentage of Rural Population by Region. The main principles of balanced regional development are not followed.

9.4 Socio-economic development for 2012

Table 22: Summary of investments and projects per region for 2012

Regions	% share in investment	No of projects for development of planning regions	Value of projects for development of planning regions	Projects for development of areas with specific development needs	No. of projects	Village Development Projects	No. of projects	Total investment per regions (MKD)	Total No. of projects per region	Population per region	% of village population
Skopje Region	9,9	4	852.676	799.615	2	237.875	1	1.890.166	7	0,13	28,2
Southeast Region	10,1	1	1.412.230	272.660	1	237.875	1	1.922.765	3	0,12	54,7
Pelagonia Region	10,3	6	1.718.657	0	0	237.875	2	1.956.532	8	0,12	32,4
Southwest Region	13,4	4	1.731.980	581.085	1	237.875	1	2.550.940	6	0,09	63,9
Polog Region	13,0	5	1.731.980	510.560	1	237.875	1	2.480.415	7	0,10	70,8
Vardar region	11,5	3	1.798.595	160.160	1	237.875	1	2.196.630	5	0,11	31,3
East Region	14,5	2	1.865.209	664.420	3	237.875	1	2.767.504	6	0,09	33,7
Northeast Region	17,2	2	2.211.598	818.050	1	237.875	1	3.267.523	4	0,07	43,4
Ukupno	100,0%	27	13.322.925	3.806.550	10	1.903.000	9	19.032.475	46		

Izvor: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019].

Министерство за локална самоуправа, Извештај за реализирани активности за спроведување на Акциониот план во 2012

The average investment per region was 2.379.059 MKD, with a standard deviation of 483.898 MKD. As the coefficient of variation was 20.34% and 29.03% this means that the data in the series are not homogeneous. The situation with the coefficient of variation was changed, so we have an increasingly uneven total investment and especially different number of projects per region.

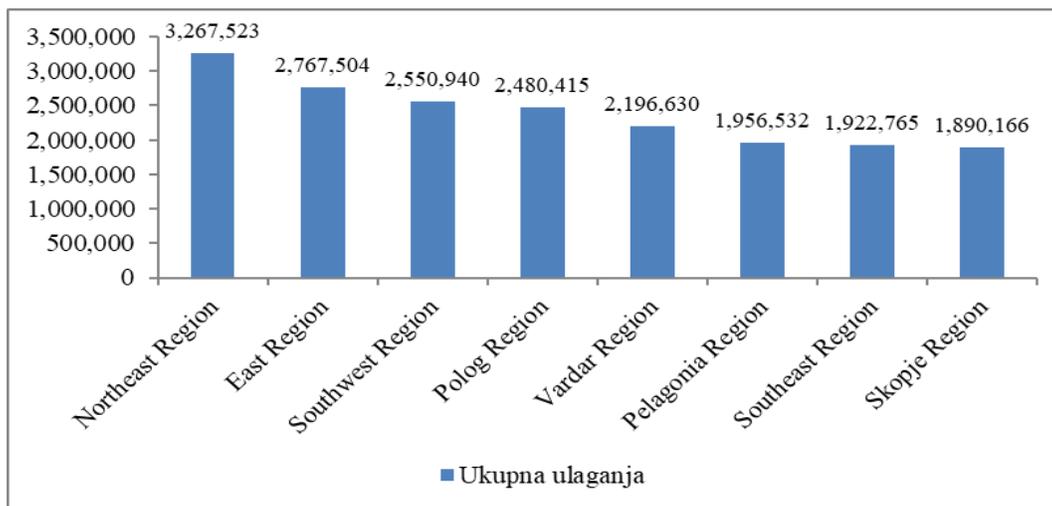
Table 23: Overview of investments and projects for 2012

2012		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	3.267.523	4
East Region	2.767.504	6
Southwest Region	2.550.940	6
Polog Region	2.480.415	7
Vardar Region	2.196.630	5
Pelagonia Region	1.956.532	8
Southeast Region	1.922.765	3
Skopje Region	1.890.166	7
Total	19.032.475	46
Average	2.379.059	6
Standard deviation	483.898	2
Coefficient of variation	20,34%	29,03%

Source: Author calculations based on Reports 2012

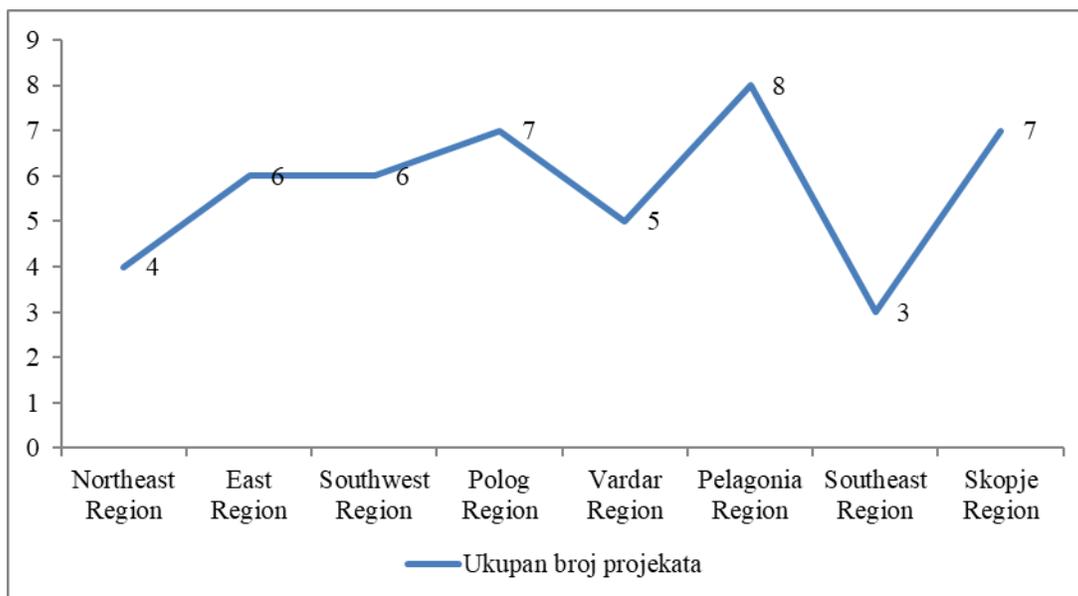
Graph 9 shows the highest and the lowest level of investment per region. Graph 10 shows the number of the projects per region. The highest investment was allocated in the following regions – Northeast, East, Southwest and Polog region. The highest number of projects were invested in Pelagonia (8), Skopje (7) and Polog (7) regions.

Graph 35: Overview of highest to lowest investments per region for 2012 in MKD



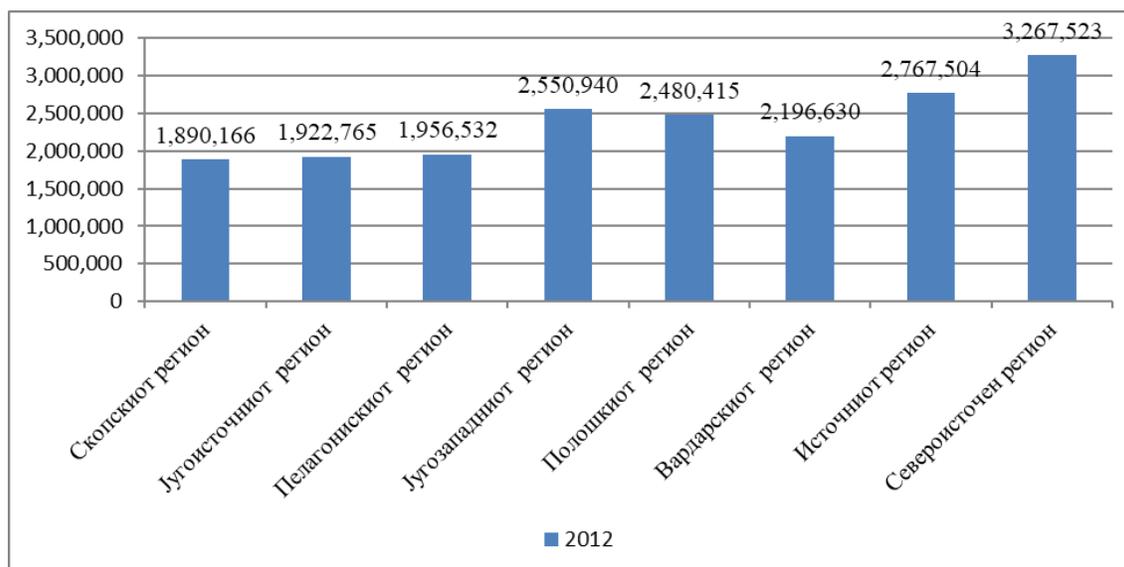
Source: Author calculations based on the Ministry of Local Self-Government's Report (2012).

Graph 36: Total number of projects per region for 2012



Source: Author calculations based on the Ministry of Local Self-Government's Report (2012).

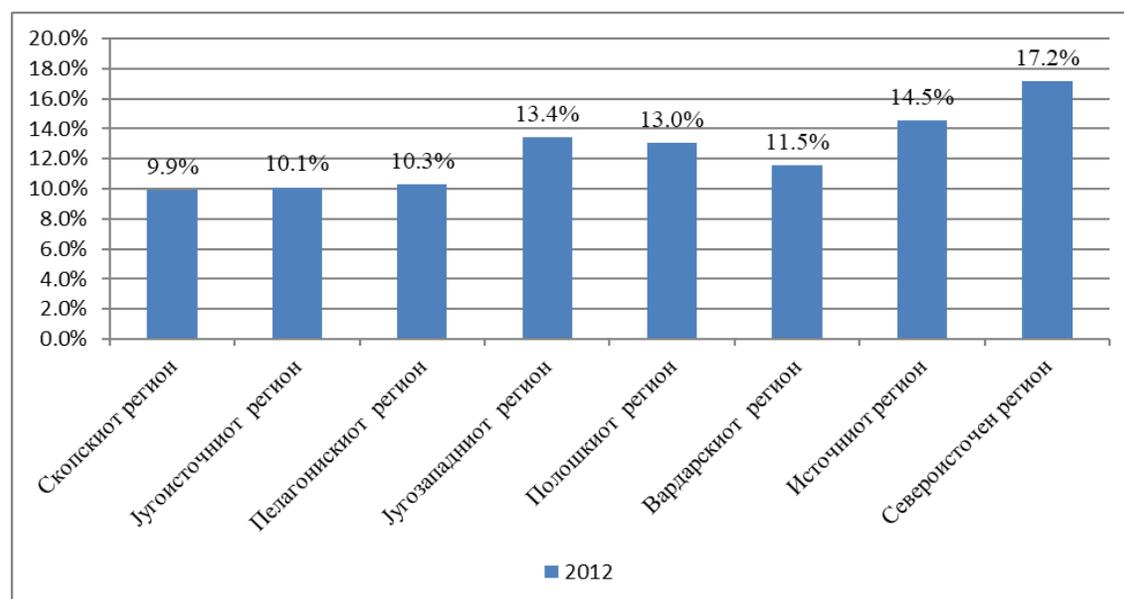
Graph 37: Total investments per region in MKD, 2012



Source: Author calculations based on the Ministry of Local Self-Government's Report on implemented activities for the implementation of the Action Plan in 2012.

The total investment in 2012 show that the highest investment is allocated either in the Northeast or in the East region.

Graph 38: Average investments per region, 2012



Source: Author calculations based on the Ministry of Local Self-Government's Report on implemented activities for the implementation of the Action Plan in 2012.

Here is the correlation coefficient (relationship / dependency) between:

1. The share of investment in villages and the participation of rural population is - 0.27, which means that the connection is very weak.
2. Total investment per region and population per region is - 0.41, which means that the connection is weak.
3. The total number of projects per region and the number of inhabitants per region is - 0.51, which means that the connection is moderate but inverse, i.e. investments are inversely proportional to the population of the region.

9.5 Socio-economic development for 2013

Table 24: Summary of investments and projects per region for 2013

Regions	% share in investment	Priority	No of projects for development of planning regions	Value of projects for development of planning regions	Projects for development of areas with specific development needs	Priority	No. of projects	Village Development Projects	Priority	No. of projects	Total Investment (MKD)	Total No. of projects per region	% sharing in finance for villages
Skopje Region	10,7	1.2=4; 1.6	5	3.460.500	3.449.318	1.2=3	3	1.018.017	1.2	1	7.927.835	9	0,13
Southeast Region	12,2	1.1=3	3	5.875.163	2.165.136	1.2=2	2	1.018.017	1.2=2	2	9.058.316	7	0,11
Pelagonia Region	10,4	1.1=7; 1.2; 1.3	9	6.298.598	436.825	1.1	1	1.018.017	1.2	1	7.753.440	11	0,13
Southwest Region	11,6	1.1=4; 1.2; 1.3; 1.6	7	7.039.610	521.543	1.2	1	1.018.017	1.2=2	2	8.579.170	10	0,12
Polog Region	17,1	1.2=4; 2.2=2	6	6.986.681	4.776.901	1.2=3	3	921.000	2.2	1	12.684.582	10	0,07
Vardar region	12,5	1.1=3	3	7.161.700	1.693.457	1.2	1	393.764	1.2	1	9.248.921	5	0,04
East Region	9,7	1.1; 1.2	2	5.981.022	202.332	1.2	1	1.018.017	1.2=2	2	7.201.371	5	0,14
Northeast Region	15,9	1.1=2; 1.2=2	4	9.156.786	1.600.220	1.1; 1.2	2	1.018.017	1.2=3	3	11.775.023	9	0,09
Total *			39	51.960.060	14.845.732		14	7.422.866		13	74.228.658	66	

Izvor: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019], Република Македонија Министерство за локална самоуправа, Биро за регионален развој, Извештај за реализирани активности за спроведување на Акциониот план во 2013.
*) One project is missing.

Table 25: Overview of investments and projects for 2013

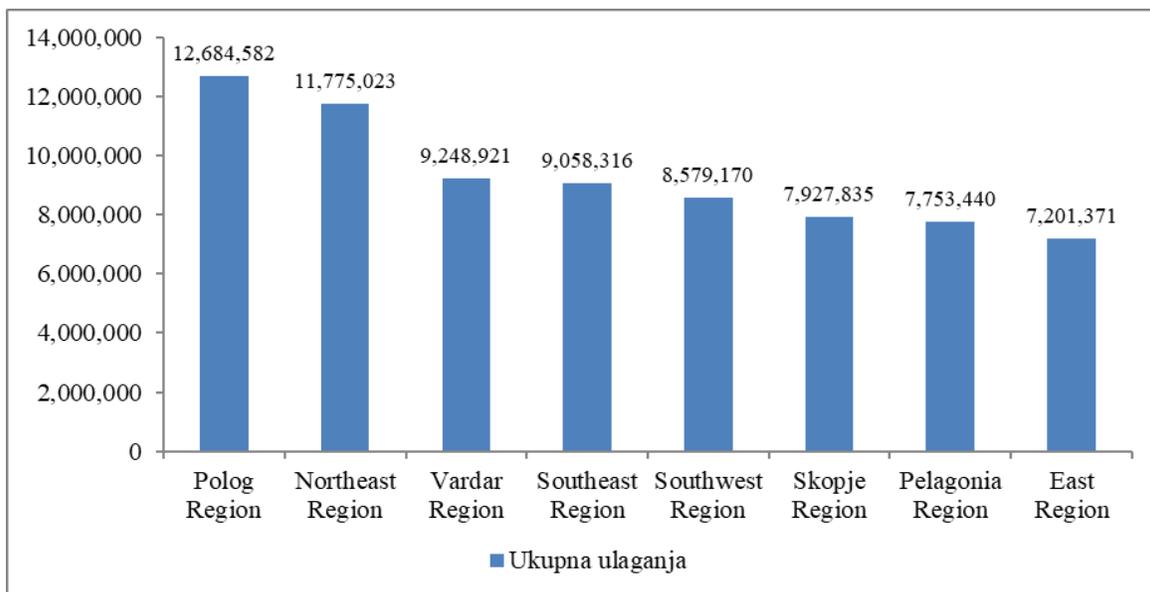
2013		
Region	Total investment (MKD)	Total number of projects per region
Polog Region	12.684.582	10
Northeast Region	11.775.023	9
Vardar Region	9.248.921	5
Southeast Region	9.058.316	7
Southwest Region	8.579.170	10
Skopje Region	7.927.835	9
Pelagonia Region	7.753.440	11
East Region	7.201.371	5
Total	74.228.658	66
Average	9.278.582	8
Standard deviation	1.958.024	2
Coefficient of variance	21,10%	28,06%

Source: Author's calculations based on the Ministry of Local Self-Government's Report (2013).

The average investment per region was 2,379,059 MKD, with a standard deviation of 1,958,024 MKD. As the coefficient of variation was 21.10% and 28.06% this means that the data in the series are not homogeneous. The situation with the coefficient of variation is high, so it was an increasingly uneven total investment and especially different number of projects per region.

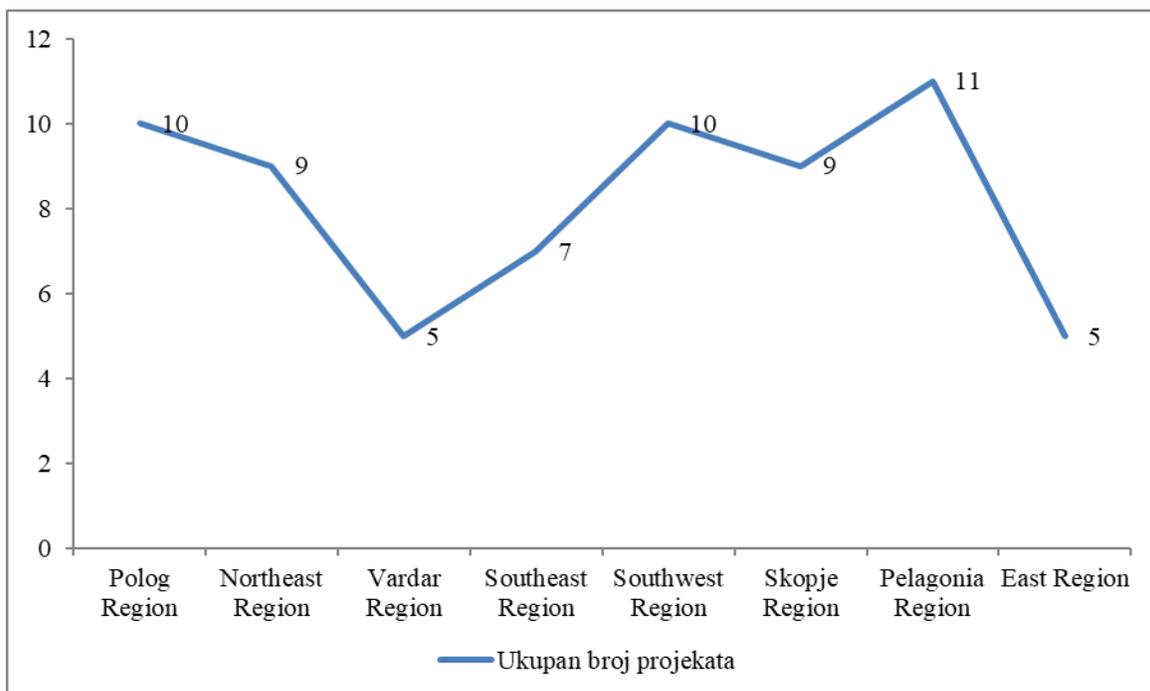
Graph 13 shows the highest and lowest level of investment per region. Graph 14 shows the number of the projects per region. The situation is very clear with the majority of investment ranging around 8 mil. MKD, while Polog and North East reached 11.7 and 12.5 mil.MKD levels.

Graph 39: Overview of highest to lowest investments per region for 2013



Source: Author calculations based on the Ministry of Local Self-Government's Report (2013).

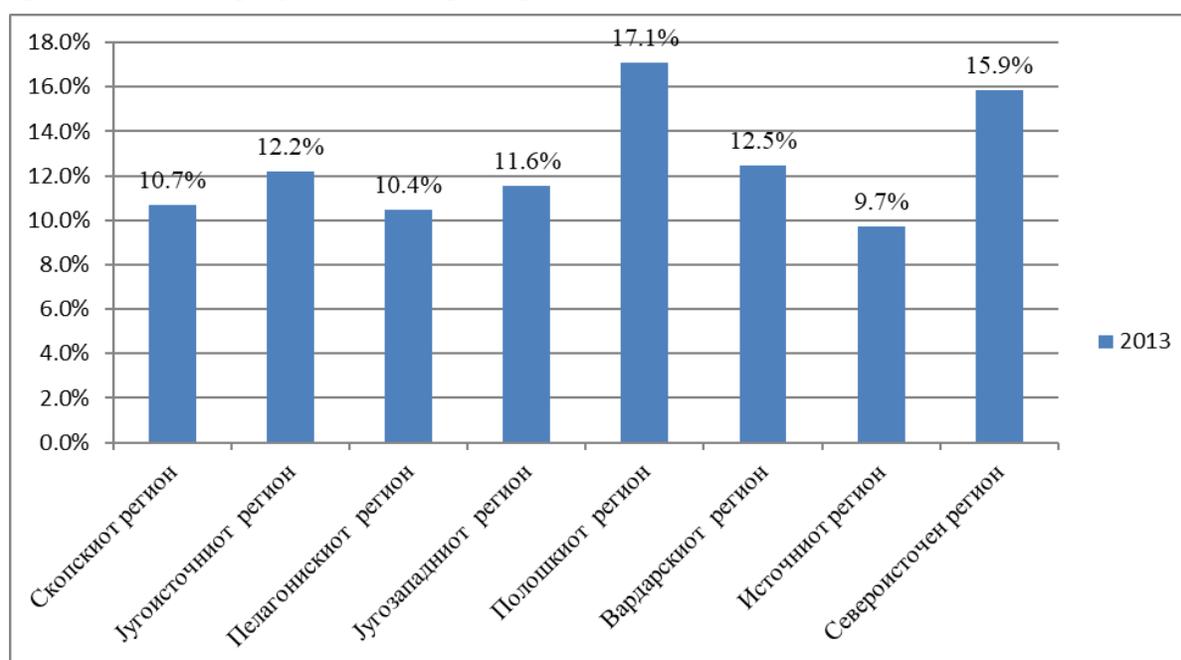
Graph 40: Total number of projects per region for 2013



Source: Author calculations based on the Ministry of Local Self-Government's Report (2013).

The graph 15 below shows more clearly percentage of investment per region in 2013.

Graph 41: Percentage of investments per region in 2013



Source: Author calculations based on the Ministry of Local Self-Government's Report Republic of Macedonia Ministry of Local Self-Government, Regional Development Bureau, Report on Implemented Activities for Implementation of the 2013 Action Plan.

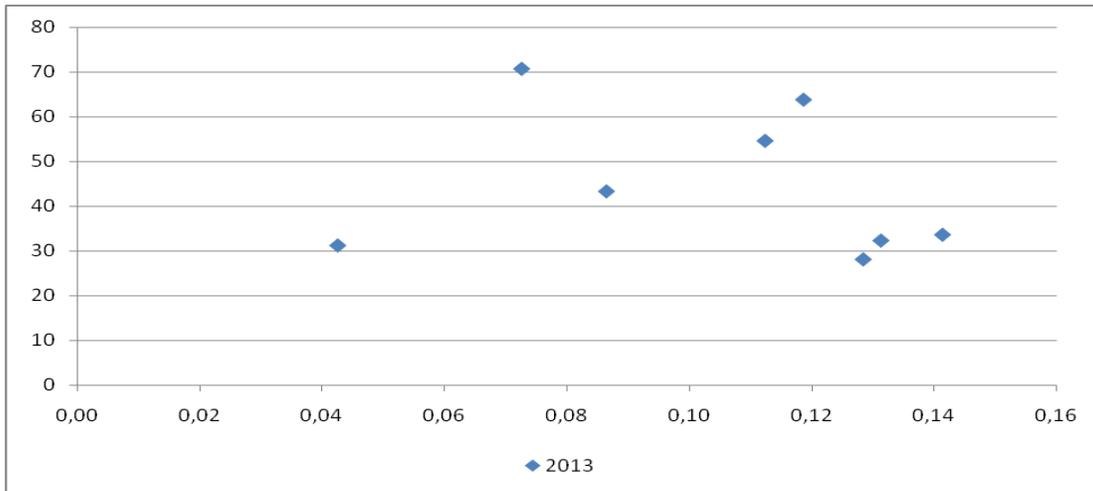
Table 26: Poverty and social exclusion indicators

Indicators	2013
At-risk-of-poverty rate, % of population	24,2
Number of persons below at-risk-of-poverty threshold, in thousand persons	500,4
At-risk-of-poverty threshold of single-person household - annual equivalent income in denars	70 275
At-risk-of-poverty threshold of four-person household (2 adults and 2 children aged less than 14) - annual equivalent income in denars	147 578
At-risk-of-poverty rate before social transfers and before pensions, % of population	41,0
Inequality of income distribution S80/S20	8,4
Inequality of income distribution, Gini coefficient	37,0

Source: Autor na osnovi Anketa za prihodi i uslovi za ziveenje, 2014, http://www.stat.gov.mk/PrikaziPublikacija_1.aspx?rbr=622, [Accessed: 27 October 2019]

Table 26 show high percent of people at the risk of poverty with increasing level inequality. The highest level of investment was in Polog, Northeastern and Vardar region.

Graph 42: Scatter plot for rural population participation and rural investments participation



Source: Author calculations based on the Ministry of Local Self-Government's Report Republic of Macedonia Ministry of Local Self-Government, Regional Development Bureau, Report on Implemented Activities for Implementation of the 2013 Action Plan.

The correlation coefficient for the participation of rural population by region and the share of investment in villages is -0.19 and there is no dependence. Due to constant change in data base creation, there is no chance to calculate any other reasonable indicator.

9.6 Socio-economic development for 2014

Table 27: Summary of investments and projects per region for 2014

Regions	% sharing in finance	No of projects for development of planning	Value of projects for development of planning regions	Projects for development of areas with specific development needs	No. of projects	Village Development Projects	No. of projects	Total Investment per region (MKD)	Total No. of projects per region	GDP per capita (MKD)	% share in finance for villages	Rural Unemployment /2016	Export
Skopje Region	11,6	3	3.030.878	3.212.000	3	751.706	2	6.994.584	8	366.482	0,11	26,9	53,3
Southeast Region	14,6	4	4.672.604	3.351.000	3	751.706	2	8.775.310	9	304.140	0,09	11,3	7,6
Pelagonia Region	11,9	2	5.009.368	1.400.000	1	751.706	2	7.161.074	5	251.988	0,10	10,5	7,4
Southwest Region	11,6	4	5.598.706	600.000	1	751.706	1	6.950.412	6	189.109	0,11	31,3	1,8
Polog Region	13,1	1	5.556.610	1.543.495	2	751.706	3	7.851.811	6	117.284	0,10	26,9	3,3
Vardar region	11,5	4	6.188.043	0	0	751.706	1	6.939.749	5	274.404	0,11	21,9	14,8
East Region	9,2	2	4.756.795	0	0	751.706	4	5.508.501	6	244.272	0,14	13	10,6
Northeast Region	16,6	6	7.282.527	1.920.800	3	751.706	3	9.955.033	12	148.745	0,08	49,9	1,3
Total		26	42.095.531	12.027.295	13	6.013.648	18	60.136.474	57				

Source: Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019], Република Македонија Министерство за локална самоуправа, Биро за регионален развој, Извештај за реализирани активности за спроведување на Акциониот план во 2014

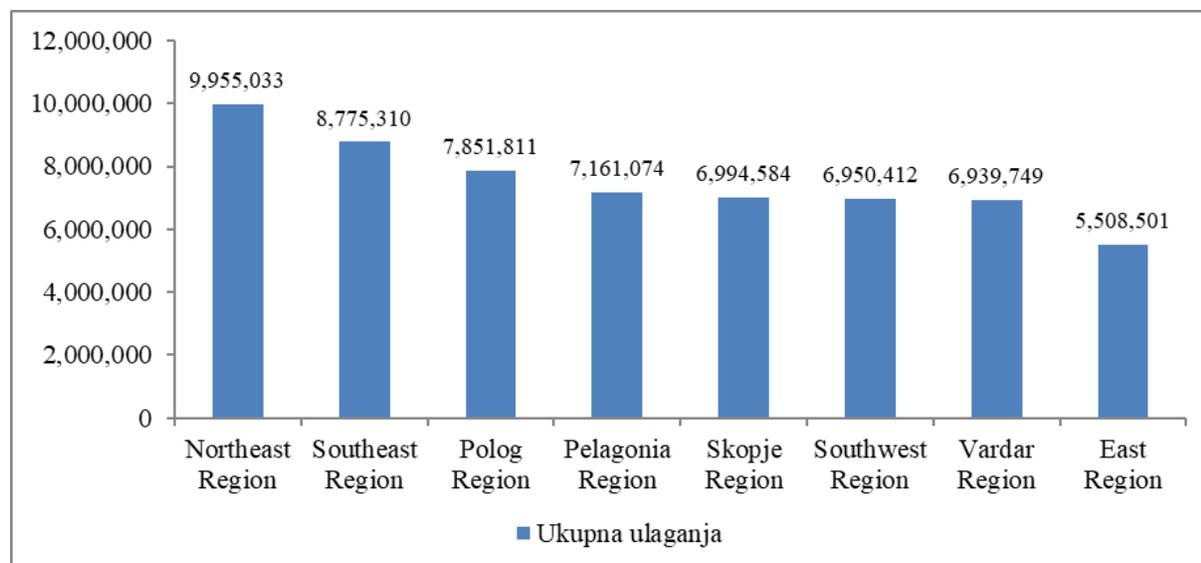
Table 28: Overview of investments and projects for 2014

2014		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	9.955.033	12
Southeast Region	8.775.310	9
Polog Region	7.851.811	6
Pelagonia Region	7.161.074	5
Skopje Region	6.994.584	8
Southwest Region	6.950.412	6
Vardar Region	6.939.749	5
East Region	5.508.501	6
Total	60.136.474	57
Average	7.517.059	7
Standard deviation	1.348.404	2
Coefficient of variation	17,94%	33,92%

Source: Author calculations based on the Ministry of Local Self-Government's Report (2014).

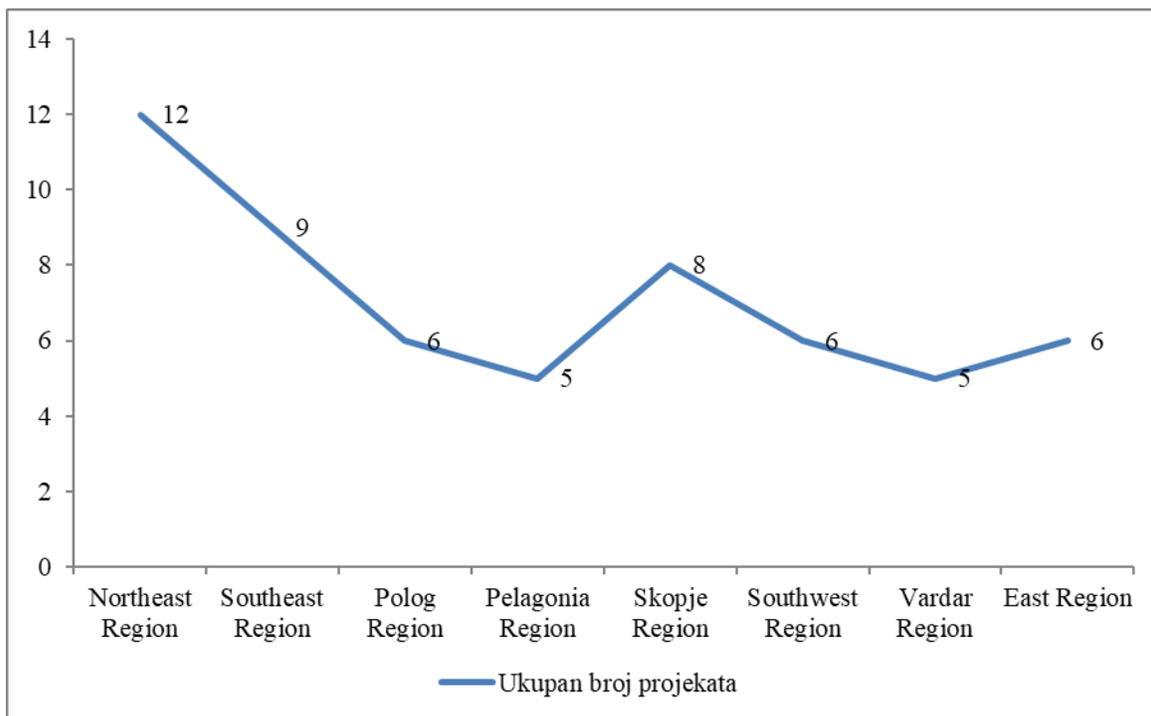
Table 20 show that as far as the number of project data is not homogeneous, the coefficient of variation is 33.92%. Variation coefficient for investment is lower in comparison to previous year.

Graph 43: Overview of highest to lowest investments per region for 2014



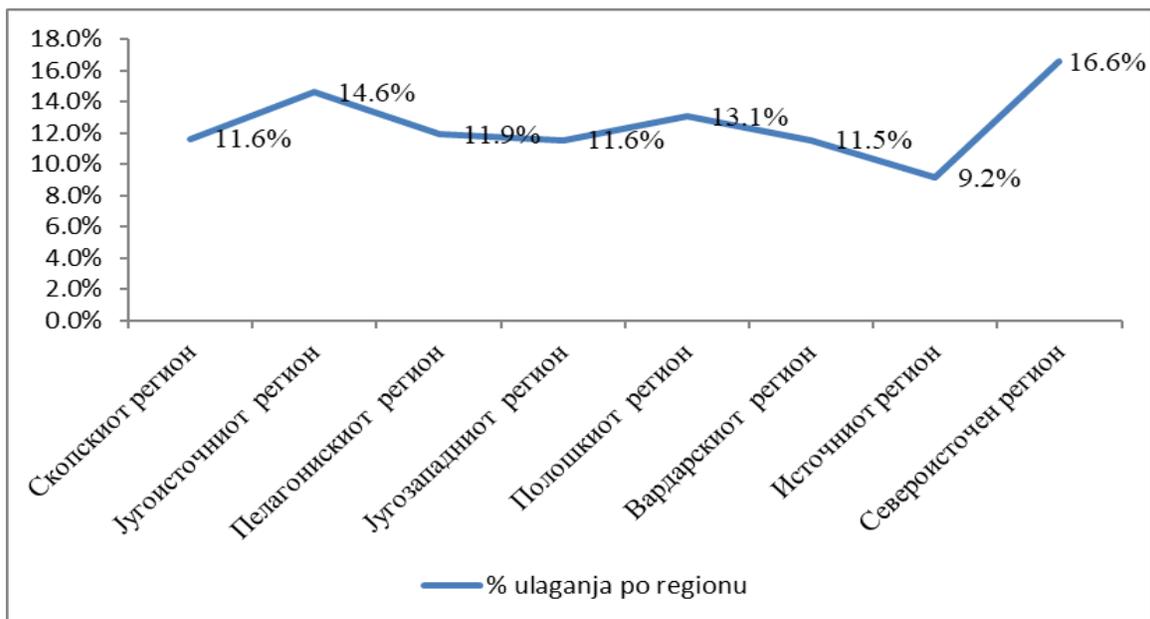
Source: Author calculations based on the Ministry of Local Self-Government's Report (2014).

Graph 44: Total number of projects per region for 2014



Source: Author calculations based on the Ministry of Local Self-Government's Report (2014).

Graph 45: Investments per regions in %-tage shares, 2014



Source: Author calculations based on of the Republic of Macedonia Ministry of Local Self-Government, Bureau of Regional Development, Report on Implemented Activities for Implementation of the 2014 Action Plan.

The correlation coefficient for Total Investment by Region and Population by Region is - 0.17. The connection is very weak and inverse, which means that the investments decrease a little as the population increases.

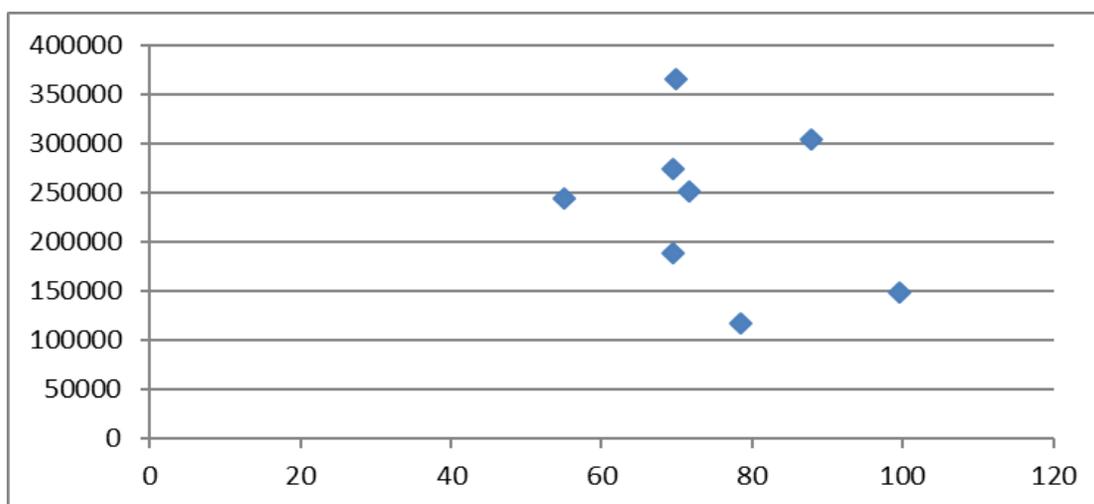
Correlation coefficient for the main macro-economic indicators for 2014 were the following:

1. Gross domestic product, per capita and total investment per region is - 0.33. The correlation is inverse (smaller GDP has higher investments) and it is very weak.
2. Gross domestic product, per capita and total number of projects per region is - 0.09. The correlation is inverse and very weak, almost non-existent.
3. Correlation between export and total Investment per region is - 0.29. Correlation is inverse and very weak.
4. Correlation between export and total number of projects per region is 0.01. Correlation does not exist.
5. Correlations between investment for villages as a part of the total investment and rural unemployment for 2014 cannot be calculated due to lack of data base. But, for 2016 it was - 0, 52. Correlation is inverse. The relationships should be positive: the higher the unemployment, the greater the investment.
6. Correlation between the total number of projects per region and Rural Unemployment / 2016 is - 0.69. Correlation is inverse. The relationships should be positive, the higher the unemployment, the greater number of the projects should be implemented.
7. Correlation between involvement of rural population and investment for villages as a part of total investment is - 0.37. Correlation is inverse. The relationships should be positive, the higher rural participations the higher investment should be made.

A correlation coefficient is a statistical measure of the degree to which changes to the value of one variable predict changes to the value of another variable. A coefficient of -1 indicates a perfect negative correlation: A change in the value of one variable predicts a change in the opposite direction in the second variable.

Graph 20 clearly shows that there are no relationships between Gross domestic product per capita and total investment by region.

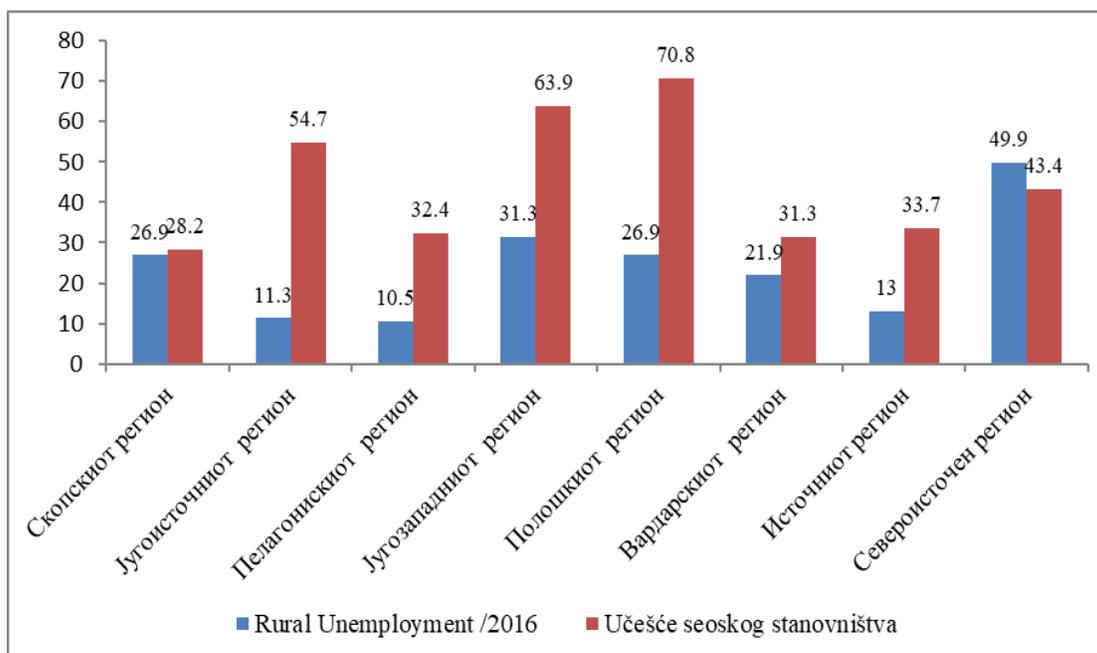
Graph 46: Scatter plot for Gross domestic product, per capita and total investments by region 2014



Source: Autori na osnovu Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019], Република Македонија Министерство за локална самоуправа, Биро за регионален развој, Извештај за реализирани активности за спроведување на Акциониот план во 2014.

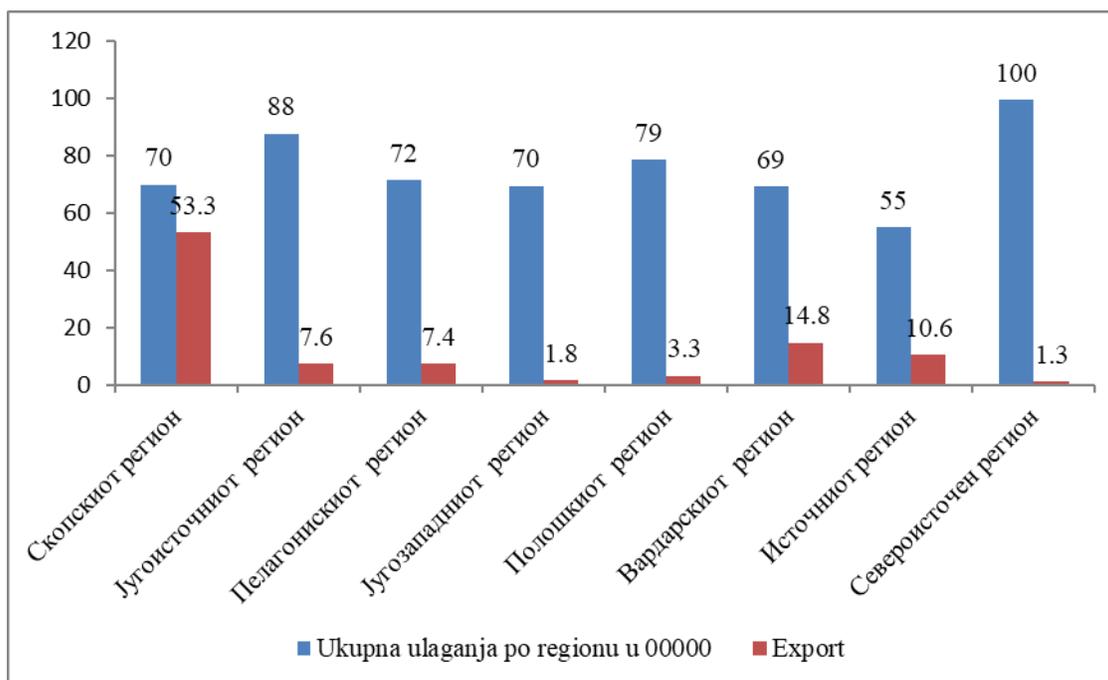
Scatter plot clearly shows that no correlation between Gross domestic product, per capita and total investment by region, which says a lot about the nature and size of investment made – serving local population basic needs, with no impact on GDP growth.

Graph 47: Percentage of Rural Unemployment and Rural Population per Region



Source: Autori na osnovu Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

Graph 48: Total investments per region in 00000 and export per region



Source: Autori na osnovu Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019], Republic of Macedonia Ministry of Local Self-Government, Bureau for Regional Development, Report on Implemented Activities for Implementation of the Action Plan in 2014

Graph 48 shows clearly the weak impact of the total investment on an export result. Weakest links were shown in Northeast, Southeast, Southwest and Polog region. The very good impact of investment to export was shown in the Skopje region.

Table 29: Average Gross Value Added for 2014.

Indicator	Vardar Region	East Region	Southwest Region	Southeast Region	Pelagonia Region	Polog Region	Northeast Region	Skopje Region
Average Gross value added	6.643	6.853	6.572	8.332	9.221	5.906	4.133	35.636
Standard deviation	3.699	3.438	3.217	5.017	4.757	2.860	2.083	12.014
Coefficient of variation	55,68%	50,16%	48,96%	60,21%	51,59%	48,43%	50,39%	33,71%

Source: Autori na osnovu Regionite vo RSM, 2019, <http://www.stat.gov.mk/publikacii/2019/RegioniteVoRM.2019.pdf>, [Accessed: 27 October 2019]

As can be seen from table 29 the coefficient of variation in each region is greater than 30%, which means that the data in the series are not homogeneous, which means that the gross value added, by sector of activity, is unevenly distributed. The difference between Skopje and Northeast region was 1 to 8,6.

If we calculate the correlation coefficient for the average Gross value added, by sector of activity and Total Investments by Region, the correlation coefficient is - 0.21. The relationship is very weak and inverse. Also, for the correlation coefficient for the average Gross value added, by sector of activity and the number of projects is 0.07, there is no relation at all.

9.7 Socio-economic development for 2015

Table 30: Summary of investments and projects per region for 2015

Regions	% share in finance	Priority	No of projects	Value of projects	Ministry budget	No. of projects	Projects for development of areas with specific development	Priority	No. of projects	Village Development Projects	Priority	No. of projects	Total Investment (MKD)	No. of projects
Skopje Region	5,0	2.2=2; 1.6	3	3.443.200	3.443.200	4	500.000	1.2=1	1	669.252	1.2=2	2	8.055.652	10
Southeast Region	8,1	1.2=2	2	4.495.500	4.496.500	2	2.584.179	1.2=3;	3	1.439.377	1.2=3;2.2	4	13.015.556	11
Pelagonia Region	16,8	1.1=2; 1.2=2	4	11.023.567	11.023.567	4	3.185.671	1.1=2;1.2=2	4	1.630.038	1.2=2; 2.2	3	26.862.843	15
Southwest Region	16,1	1.1=3; 1.2; 2.2	5	9.396.672	9.396.672	5	5.362.177	1.1=3;2.2=11.2=3	7	1.649.113	1.1; 1.2=3	4	25.804.634	21
Polog Region	12,4	1.1; 1.2=2	3	7.488.240	2.770.000	1	7.898.856	1.2=7;2.2=1	8	1.733.722	1.1=2; 1.2=2	4	19.890.818	16
Vardar region	16,6	1.1=2, 1.2=2	4	11.590.661	11.590.661	5	2.084.970	1.2=1;2.2	2	1.334.938	1.1=2; 1.2=2; 2.2	5	26.601.230	16
East Region	7,5	1.1=2; 1.2=3	5	6.228.678	2.373.000	2	1.796.286	1.2=1;2.2=3	4	1.653.253	1.1; 1.2=3; 2.2=5	9	12.051.217	20
Northeast Region	17,2	1.1=3; 1.2	4	11.783.216	11.783.216	4	2.291.381	1.1=1;2.2=1	2	1.649.113	1.2=3	3	27.506.926	13
Total			30	65.449.734	56.876.816	27	25.703.520		31	11.758.806		34	159.788.876	122

Source: Author's calculations based on: ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2015 ГОДИНА and additionally acquired data.

Table 30 shows that the main priority for the Skopje and Southwest regions were 2.2 Building functional spatial structures for better integration of urban and rural areas, and 1.6 Optimal utilisation and valorisation of natural resources and potentials for energy generation in the planning regions. Priority for the Southeast region was 1.2 Developing contemporary and modern infrastructure. Other regions priorities were 1.1 Promoting economic growth, and 1.2 Developing contemporary and modern infrastructure. Most projects for the development of areas with specific development needs were allocated to priority 1.1 Promoting economic growth and 1.2. Developing contemporary and modern infrastructure.

Table 31: Overview of investments and projects for 2015

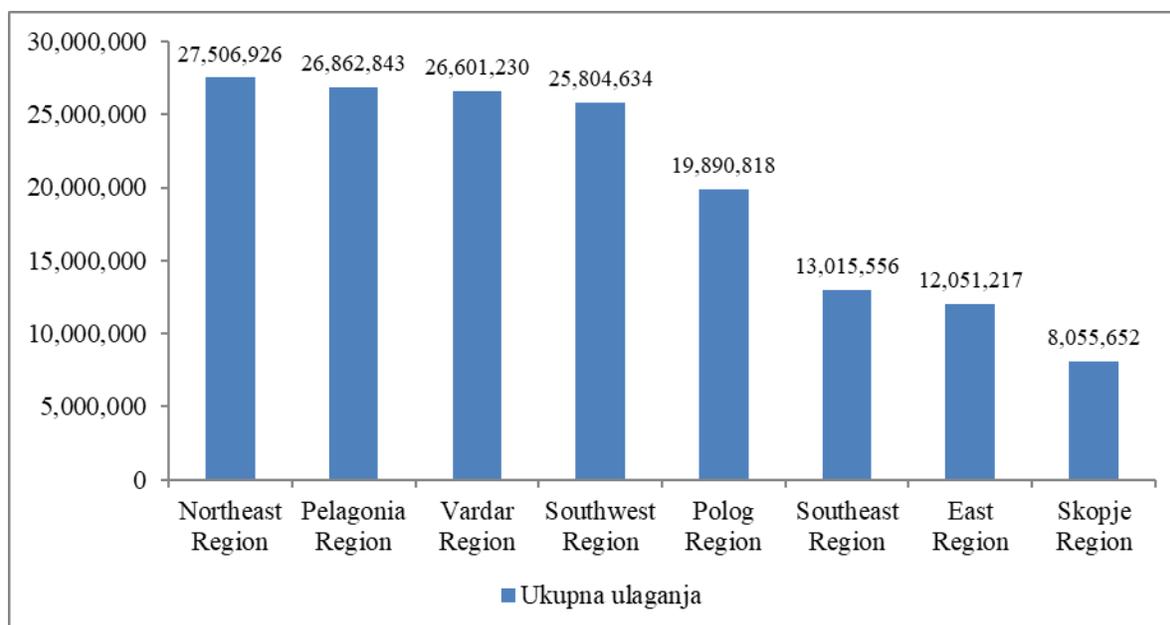
2015		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	27.506.926	13
Pelagonia Region	26.862.843	15
Vardar Region	26.601.230	16
Southwest Region	25.804.634	21
Polog Region	19.890.818	16
Southeast Region	13.015.556	11
East Region	12.051.217	20
Skopje Region	8.055.652	10
Total	159.788.876	122
Average	19.973.610	15
Standard deviation	7.886.353	4
Coefficient of variance	39,48%	25,70%

Source: Author calculations based on the Ministry of Local Self-Government's Report (2015).

The investment per region was 159,788,876 MKD, with a standard deviation of 7,886,353 MKD. As the coefficient of variation was 39.48% and 25.70% this means that the data in the series are not homogeneous. The situation with the coefficient of variation is high, so it was an increasingly uneven total investment and especially different number of projects per region.

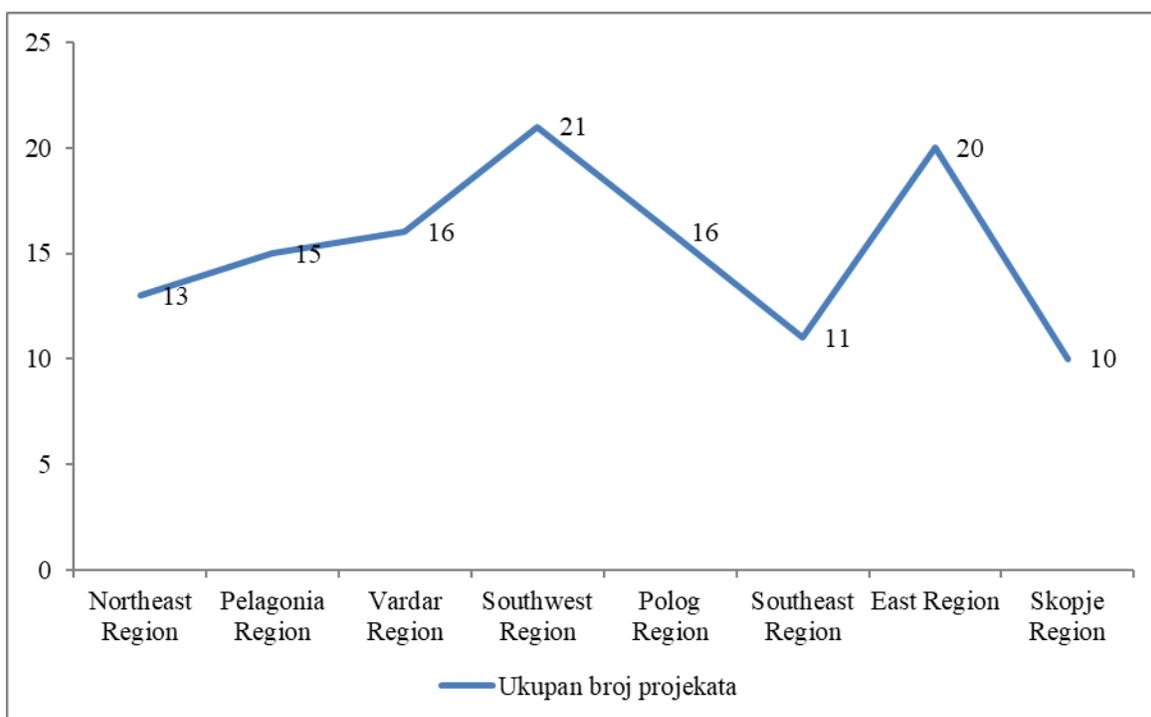
Graph 49 shows highest and lowest level of investment per region. Graph 50 shows the number of the projects per region. The situation is very clear as to where the majority of investment was made.

Graph 49: Overview of highest to lowest investments per region for 2015



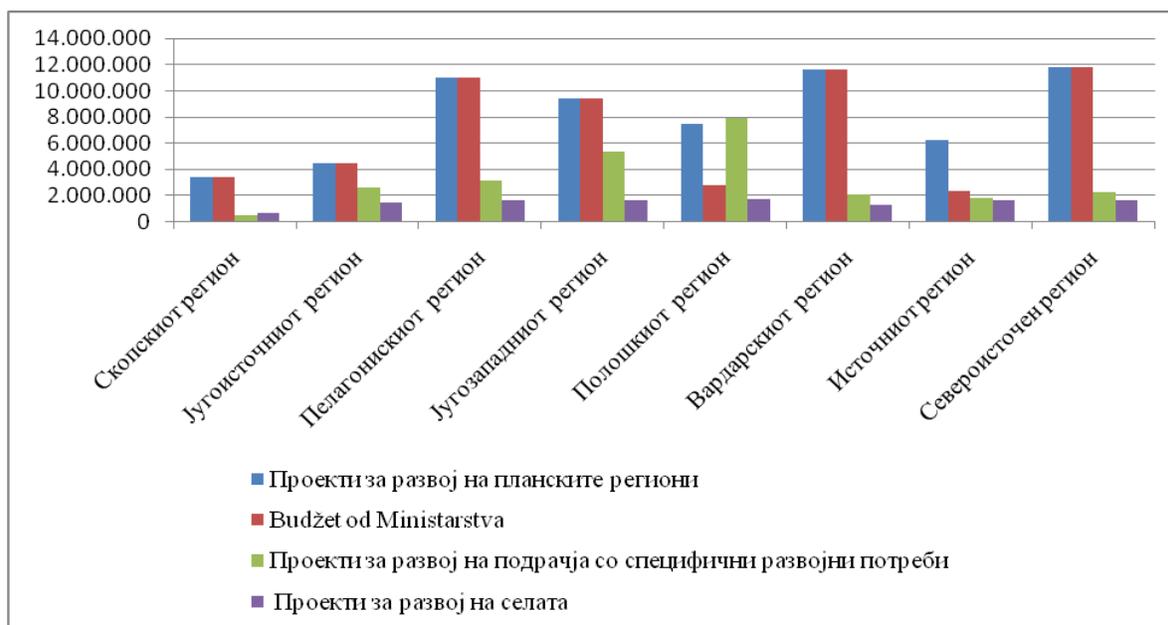
Source: Author calculations based on the Ministry of Local Self-Government's Report (2015).

Graph 50: Total number projects per region for 2015*)



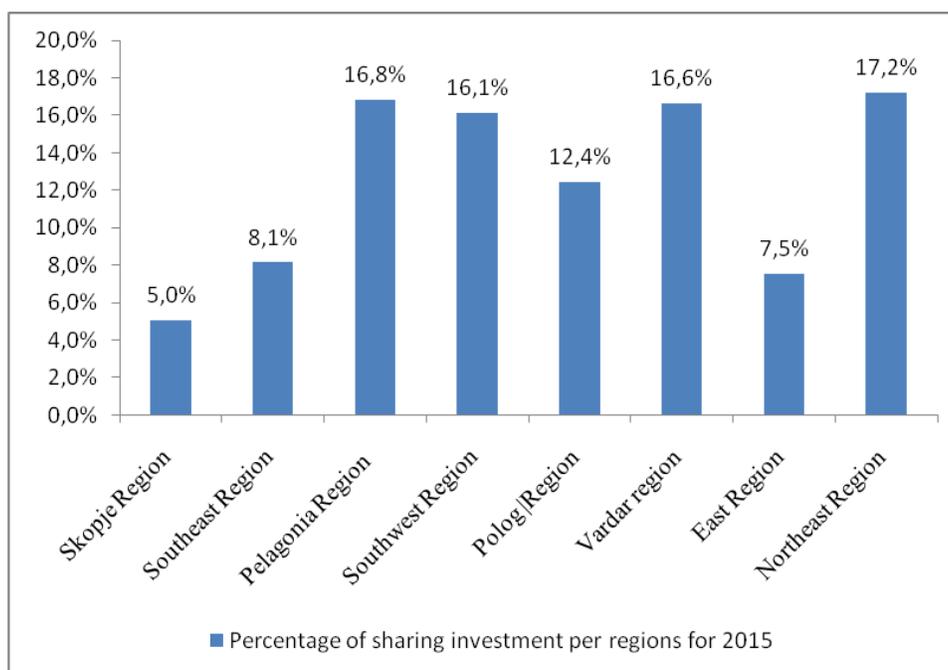
Source: Author calculations based on the Ministry of Local Self-Government's Report (2015). *) One report shows 22 and the second report shows 95 projects. Total number of 27 projects are not allocated by area and by money.

Graph 51: Priority investments per region for 2015



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2015).

Graph 52: Structure of investments per regions in 2015



Source: Author calculations based on the Ministry of Local Self-Government's Report (2015).

Up to the Report for 2015 all projects are presented per regions. For this year the projects for development of areas with specific development needs are given per municipalities. The biggest investment was in the Northeast and Pelagonia and Vardar region.

Table 32: Summary of the project for planning regions and specific needs allocated by strategic priorities

2015	Planning regions		Areas with specific development needs		Investment into Villages		Total value	Total projects
	Value	No.	Value	No.	Value	No.		
1.1	34.340.066	14	4.827.665	5	1.183.076	6	40.350.807	25
1.2	24.242.725	12	16.058.002	18	8.928.653	20	49.229.380	50
1.6	727.200	1					727.200	1
2.2	6.140.744	4	3.031.569	7	1.647.077	8	10.819.390	19
Total	65.450.735	31	23.917.236	30	11.758.806	34	101.126.777	95

Source: Author's calculations based on: ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2015 ГОДИНА.

Table 24 shows that for 2015 the only priorities where investment were made have been in 1.1, 1.2, 1.6 and 2.2. These priorities, per percentages, are:

1.1 Promoting economic growth in the planning regions: 39.90%,

1.2 Developing contemporary and modern infrastructure in the planning regions: 48.68%,

1.6 Optimal utilisation and valorisation of neutral resources and potentials for energy generation in the planning regions: 0.72% and

2.2 Building functional spatial structures for better integration of urban and rural areas in the planning regions 10.70%.

Graph 52 shows priority investment per region for 2015. As can be seen the highest investment was allocated to Northeastern, Vardar and Pelagonia region.

Probably the above priorities were the most urgent and needed. However, there is no project in priority 1.3. Recognising and utilising the potential for innovation and raising the technical and technological foundation of the most significant industries. It was a missed chance to raise the added value in the production processes or help to improve strategic innovation capabilities of the SMEs. Neglected priority 1.4. Raising the quality of human capital and priority 1.5. Creating competitive advantages in planning regions, meant also missed chances to increase productivity, efficiency and export opportunities for the regions and the whole country.

9.8. Socio-economic development in 2016

Table 32: Summary of investments and projects per region for 2016

Regions	% share of investment	Priority	No of projects for development of planning	Value of projects for development of planning regions	Projects for development of areas with specific development needs	Priority	No. of projects	Village Development Projects	Priority	No. of projects	Total Investment (MKD)	No. of projects
Skopje Region	9,1	1.5=1,1.2=4	5	11.024.294	4.961.756	1.2=1,1.7=2	3	3.202.063	1.1; 1.2	2	19.188.113	10
Southeast Region	8,6	1.2=2	2	13.335.189	1.718.801	1.2=2	2	3.202.063	1.2=3; 1,7	4	18.256.053	8
Pelagonia Region	12,6	1.1=4,1.2=1	5	19.461.997	3.998.380	1.1=1,1.2=1	2	3.202.063	1.2=2	2	26.662.440	9
Southwest Region	13,0	1.2=1,1.6=1	2	16.690.831	7.595.327	1.1=1,1.2=2,1.7=1	4	3.202.063	1.2=6	6	27.488.221	12
Polog Region	14,0	1.2=4	4	17.584.561	9.000.000	1.2=3	3	3.202.063	1.1; 1.2	2	29.786.624	9
Vardar region	12,6	1.1=,1.2=2,1.5=1	5	20.598.590	3.000.000	1.5	1	3.202.063	1.1; 1.2=2; 1,5	4	26.800.653	10
East Region	14,4	1.5=1,1.2=1	2	20.245.390	7.165.666	1.2=3	3	3.202.063	1.2=3	3	30.613.119	8
Northeast Region	15,7	1.1=4	4	26.014.660	4.000.000	1.1=1,1.2=1	2	3.202.063	1.2=3; 1,5	4	33.216.723	10
Total			29	144.955.512	41.439.930		20	25.616.504		27	212.011.946	76

Source: Autor's calculation from ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2016 ГОДИНА and new data.

The main priorities were: 1.2 Developing contemporary and modern infrastructure and priority 1.1. Promoting economic growth in the planning regions. Apart from these priorities only 3 projects were allocated to 1.5 Creating competitive advantages for the planning regions and one project for 1.6. Optimal utilisation and valorisation of natural resources and potentials for energy generation in the planning regions.

Table 33: Overview of investments and projects in 2016

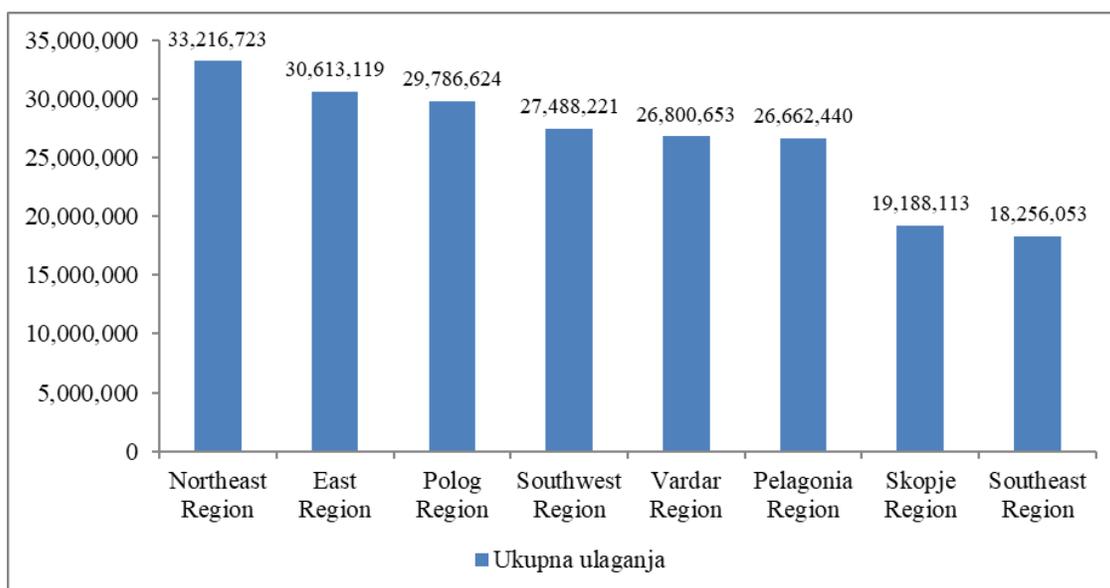
2016		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	33.216.723	10
East Region	30.613.119	8
Polog Region	29.786.624	9
Southwest Region	27.488.221	12
Vardar Region	26.800.653	10
Pelagonia Region	26.662.440	9
Skopje Region	19.188.113	10
Southeast Region	18.256.053	8
Total	212.011.946	76
Average	26.501.493	10
Standard deviation TDEV	5.282.771	1
Coefficient of variation	19,93%	13,78%

Source: Author calculations based on the Ministry of Local Self-Government's Report (2016).

The investment per region was 212,011,946 MKD, with standard deviation of 26,501,493 MKD. As the coefficient of variation was 19.93% and 13.78% this means that the data in the series are homogeneous and much better than in previous year. Total investment and number of projects was not ideal, but it was more balanced.

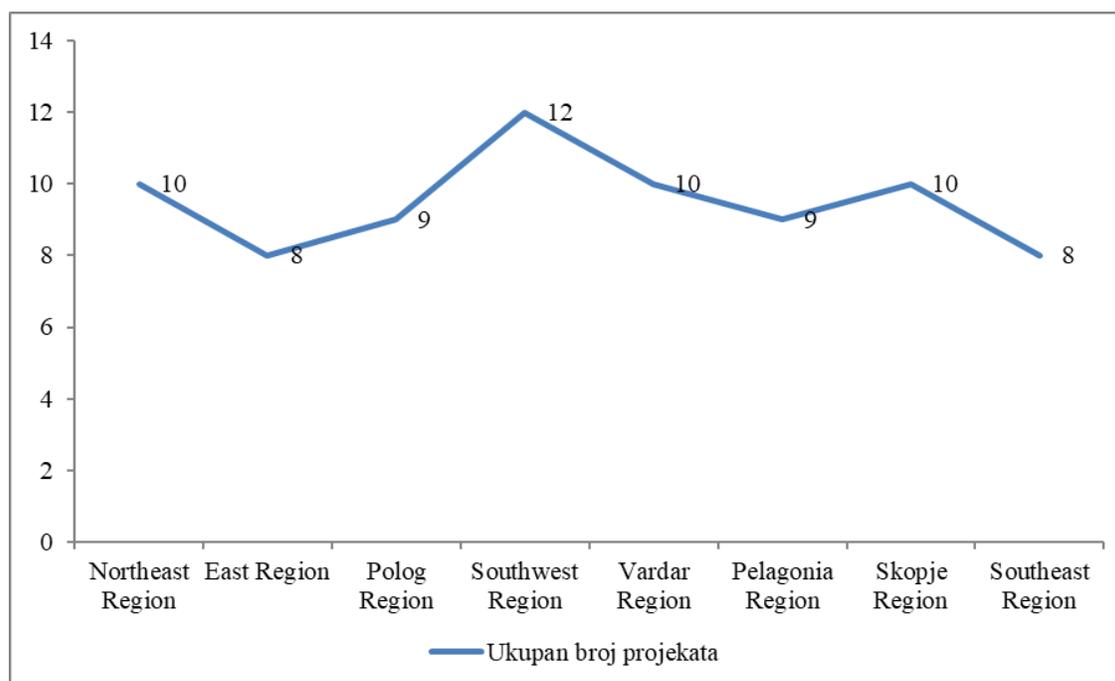
Graph 53 shows the highest and lowest level of investment per region. Graph 54 shows the number of projects per region. The situation is very clear and indicating where the investment went.

Graph 53: Overview of highest to lowest investments per region for 2016



Source: Author calculations based on the Ministry of Local Self-Government's Report (2016).

Graph 54: Total number of projects for 2016



Source: Author calculations based on the Ministry of Local Self-Government's Report (2016).

Up to the Report for 2015 all projects are presented per regions. For this year the projects for development of areas with specific development needs are given per municipalities. The biggest investment was in the Northeast, East and Poloski region.

Table 34: Summary of the project for planning regions and specific needs allocated by strategic priorities

2016 Priorities	Planning regions		Areas with specific development needs		Investment into Villages		Total value	Total projects
	Values	No.	Value	No.	Value	No.		
1.1	53.065.349	7	8998380	3	638550	2	62.702.279	12
1.2	55.695.979	11	25517349	13	20151844	22	101.365.172	46
1.6	21.489.087	4	6924201	4	2412702	3	30.825.990	11
Total	130.250.415	22	41.439.930	20	23.203.096	27	194.893.441	69

Source: Autor's calculations from ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2016 ГОДИНА.

Table 34 shows that for 2016 the only priorities where investments were made are 1.1, 1.2 and 1.6. These priorities, per percentages, are:

1.1 Promoting economic growth in the planning regions: 32.1%,

1.2 Developing contemporary and modern infrastructure in the planning regions: 52.01%,

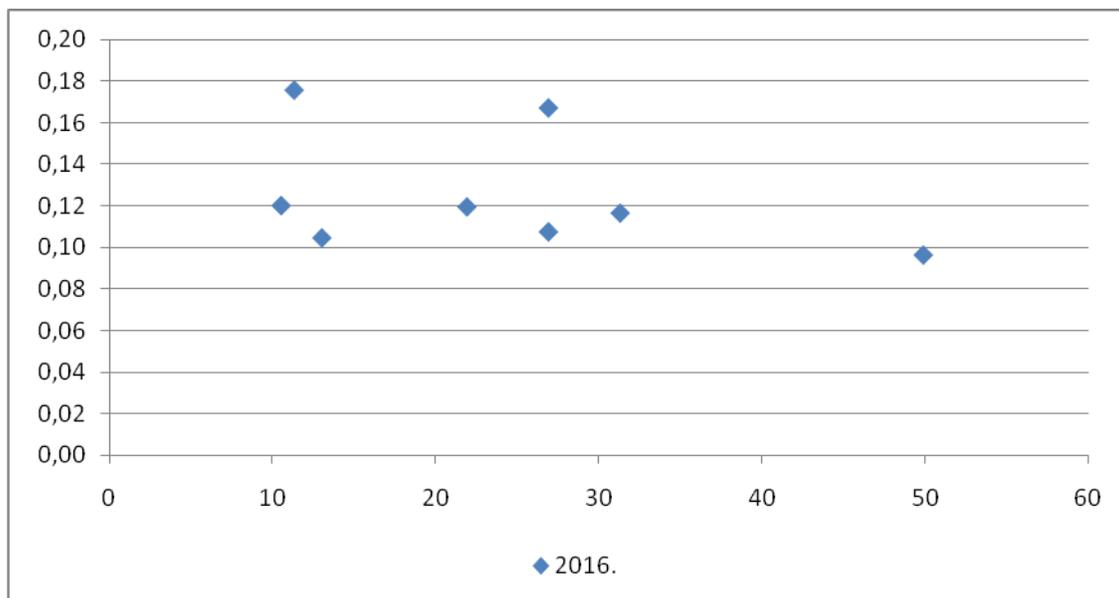
1.6 Optimal utilization and valorization of neutral resources and potentials for energy generation in the planning regions: 15.82%.

Table 35: Rural unemployment and sharing investment for villages (%)

Region	Rural Unemployment /2016	Share of investment in villages
Skopje Region	26,9	0,17
Southeast Region	11,3	0,18
Pelagonia Region	10,5	0,12
Southwest Region	31,3	0,12
Polog Region	26,9	0,11
Vardar region	21,9	0,12
East Region	13	0,10
Northeast Region	49,9	0,10

Source: Author calculations based on the Ministry of Local Self-Government's Report (2016).

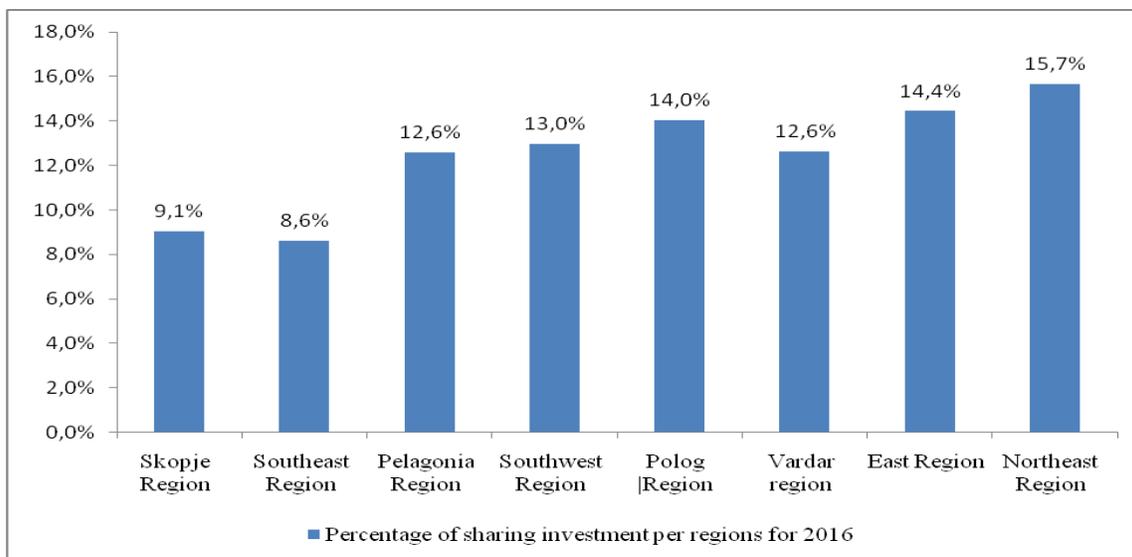
Graph 55: . Scatter plot for Rural Unemployment /2016 and sharing investment in villages



Source: Author calculations based on the Ministry of Local Self-Government's Report (2016).

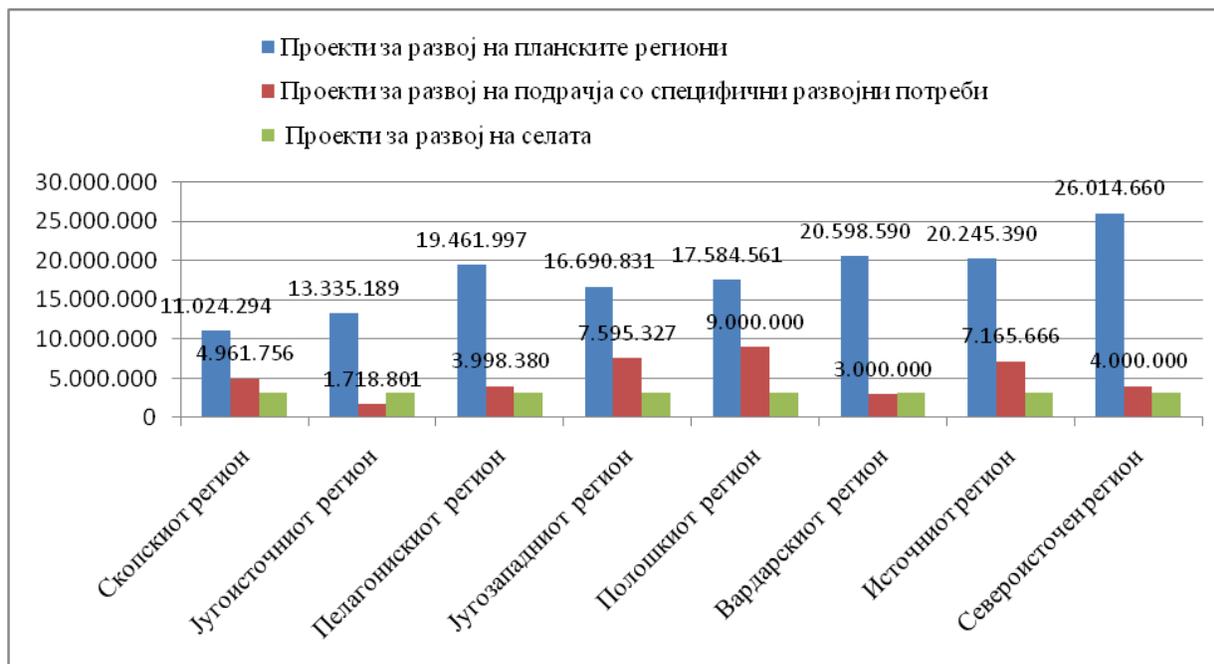
Graph 55 shows that there was no correlation in 2016 between Rural Unemployment and Rural Investment Share. The correlation coefficient is - 0.39. Thus, rural unemployment was not reduced by total investment.

Graph 56: Investment shares per regions in 2016



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2016).

Graph 57: Priority total investments per regions for 2016



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2016).

Table 36 below shows total number of projects invested by Ministries and state authorities. Total number of projects was 70 with total investment of 15.523.170.092 MKD. The biggest investors were Ministry for Transport and Communications, Ministries of Culture and Ministry of Education and Science.

Table 36: Ministry and state authority investments' total number of projects and value

No.	Ministry or state authority	Total no. of projects	Investment per projects, MKD
1.	Ministry of Economy	4	25.256.996
2.	Ministry of Transport	13	2.476.081.875
3.	Directorate of Technology and Industrial Zones	1	278.714.867
4.	Agency for Funding Agriculture and Rural development	2	1.496.460.709
5.	Ministry of Culture	4	179.061.013
6.	Financing of Cultural Activities	10	2.003.758.450
7.	Ministry of Local Self-Government	3	326.205.424
8.	Министерство за труд и социјална политика	3	524.041.902
9.	Agency for Sport and Youth	1	397.210.936
10.	Agency for Promotion and Support for Tourism	1	39.564.463
11.	Ministry of Environment and Spatial Planning	6	211.463.379
12.	Ministry of Education and Science	10	745.031.328
13.	Ministry of Financial Operations of the State	5	5.161.017.158
14.	Ministry of Finance	1	652.168.070
15.	Ministry of Health	5	886.059.579
16.	Ministry of Agriculture, Forestry and Water Management	3	123.220.943
Total		70	15.523.170.092

Source: ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2016 ГОДИНА.

9.9. Socio-economic development for 2017

Table 37: Summary of investment and projects per region for 2017

Region	% share of investment	Priority	No of projects for development of planning	Value of projects for development of planning regions	Projects for development of areas with specific development needs	Priority	No. of projects	Village Development Projects	Priority	No. of projects	Total Investment (MKD)	No. of projects
Skopje Region	10,5	1.2=2	2	7.510.771	3.238.426	1.2=2	2	1.437.427	1.2=1	1	12.186.624	5
Southeast Region	6,3	1.2=1	1	6.007.290	1.270.050	1.2=1	1				7.277.340	2
Pelagonia Region	12,3	1.1=1;1.5=2	3	11.384.873	1.820.705	1.2=1	1	1.011.447	1.2=2	2	14.217.025	6
Southwest Region	17,0	1.2=1;1.6=1	2	12.341.220	5.842.334	1.2=3;1.5=1	4	1.572.723	1.2=2;1.6=1	3	19.756.277	9
Polog Region	6,8	1.2	2	2.430.057	3.775.865	1.2=3	3	1.699.855	1.2=2	2	7.905.777	7
Vardar region	14,3	1.2=1;1.5=2	3	12.099.781	3.103.225	1.2=2	2	1.417.858	1.5=1;1.2=1	2	16.620.864	7
East Region	15,1	1.5=3	3	9.488.733	7.431.000	1.2=4	4	585.672	1.2=3	3	17.505.405	10
Northeast Region	17,7	1.1	4	16.319.355	1.998.525	1.2=1	1	2.165.697	1.2=2	2	20.483.577	7
Total			20	58.832.668	28.480.130		18	9.890.679		15	115.952.889	53

Source: Autor's calculation based on ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2017 ГОДИНА and new reports.

Table 38: Overview of highest to lowest investments per region for 2017

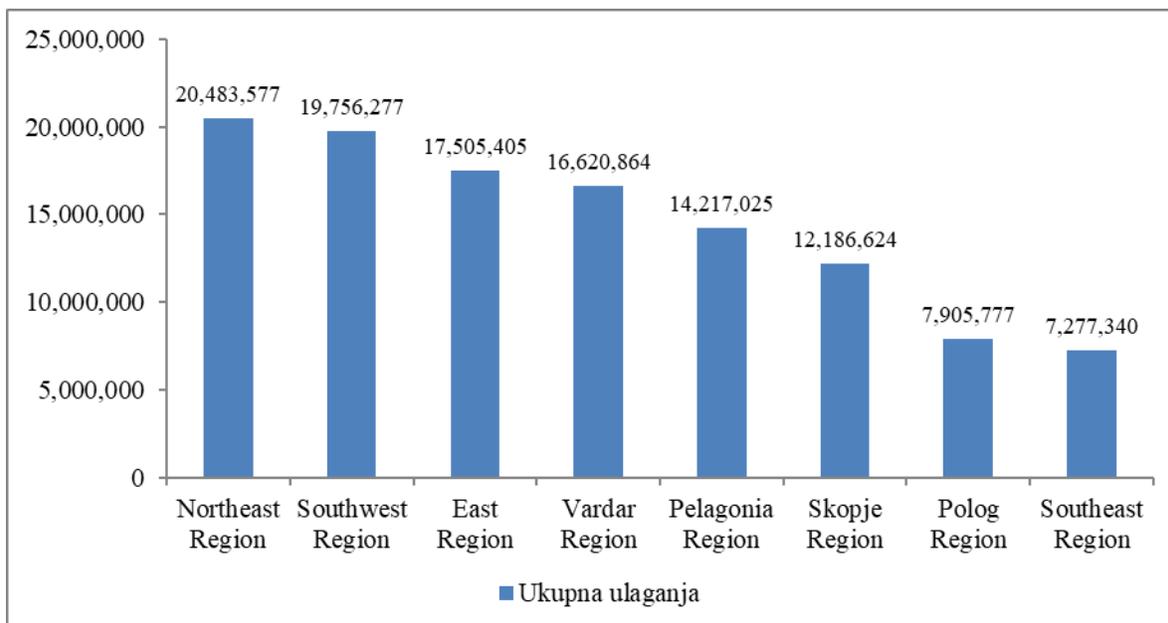
2017		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	20.483.577	7
Southwest Region	19.756.277	9
East Region	17.505.405	10
Vardar Region	16.620.864	7
Pelagonia Region	14.217.025	6
Skopje Region	12.186.624	5
Polog Region	7.905.777	7
Southeast Region	7.277.340	2
Total	115.952.889	53
Average	14.494.111	7
Standard deviation	5.043.302	2
Coefficient of variation	34,80%	36,92%

Source: Author's calculations based on the Ministry of Local Self-Government's Report (2017).

The total investment in regions was 115.952.889 MKD, with a standard deviation of 5.043.302 MKD. As the coefficient of variation was 34,80% and 36, 92% this means that the data in the series are not homogeneous neither for investment nor for the number pf the projects. Again, this is much worse than in previous year. Total investment and number of projects once again are not balanced.

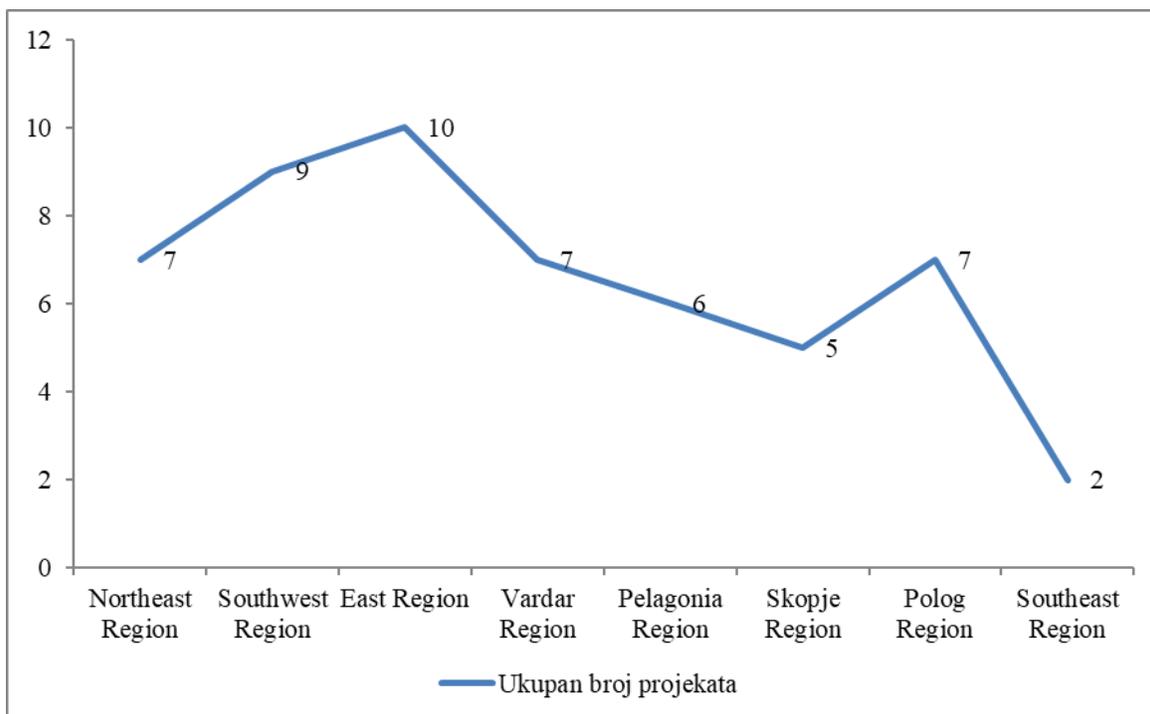
Graph 58 shows highest and lowest level of investment per region. Graph 59 shows the number of projects per region. The situation is very clear that most of the investment allocated to the Northeast, Southwest and East, Vardar region and so on.

Graph 58: Overview of highest and lowest level of investments per region for 2017



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2017).

Graph 59: . Total number of projects in 2017



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2017).

The biggest investment were located in the Northeast, Southwest and Eastern planning region.

Table 39: Summary of the project for planning regions and specific needs allocated by strategic priorities

2017	Planning regions		Areas with specific development needs		Investment into Villages		Total value	Total projects
	Priorities	Values	No.	Value	No.	Value		
1.1	22.785.878	3	*)				22.785.878	3
1.2	18.370.087	6	26.480.130	17	9.575.268	13	54.425.485	36
1.5	25.408.147	6	2.000.000	1	213.462	1	27.621.609	8
1.6	11.017.968	1			101.949	1	11.119.917	2
Total	77.582.080	16	28.480.130	18	9.890.679	15	115.952.889	49

*Source: Author's calculations based on: ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2017 ГОДИНА. *) There are 4 projects that could not be allocated. There is difference in number of projects.*

Table 39 shows that for 2017 the only priorities with investment were 1.1, 1.2: 1.5 and 1.6.

These priorities, per percentages, were:

1.1 Promoting economic growth in the planning regions: 19,65%,

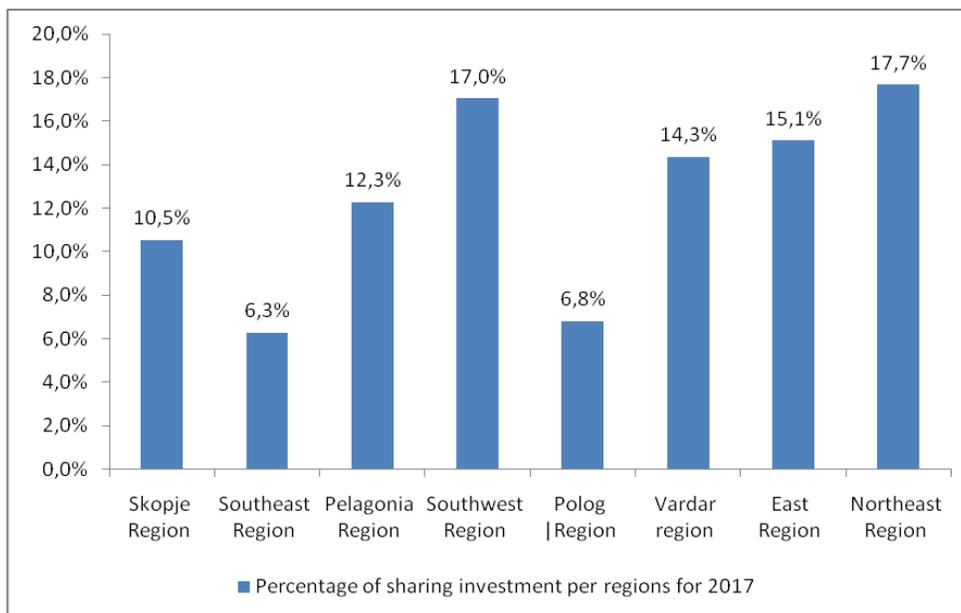
1.2 Developing contemporary and modern infrastructure in the planning regions: 46,94%,

1.5 Creating competitive advantages for the planning regions – 23,82% and

1.6 Optimal utilization and valorization of natural resources and potential for energy generation in the planning regions: 9,59%.

To be able to evaluate the justification of investments by any element or by region, such as the Development index we would need a completed data base.

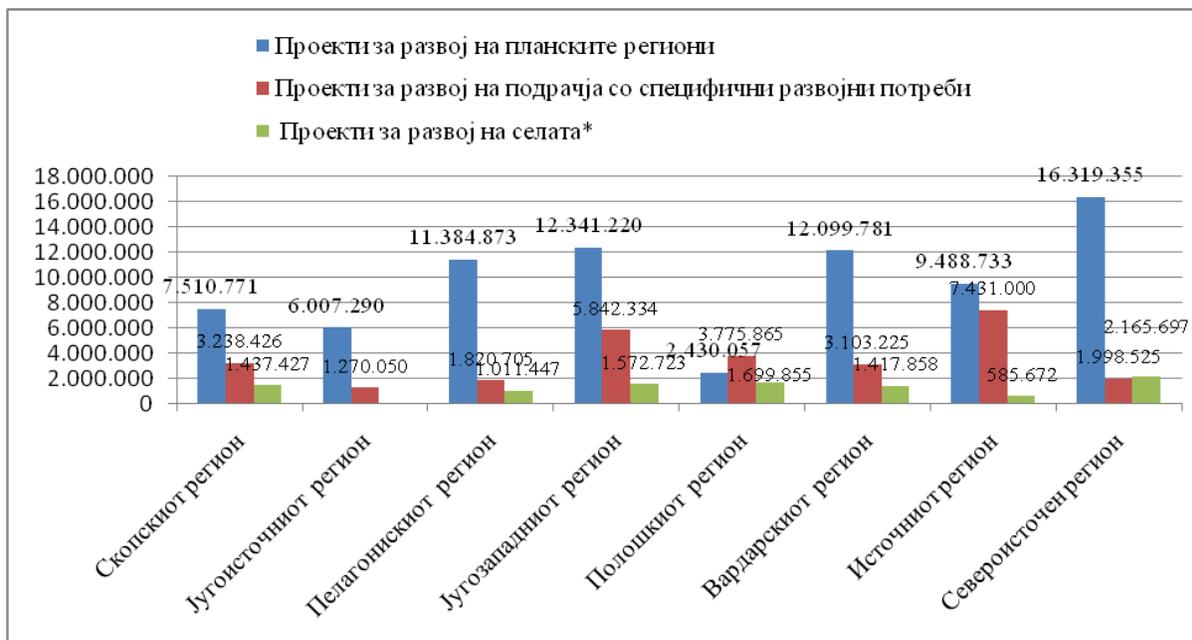
Graph 60: Shares in investments for villages per regions in 2017



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2017).

The correlation coefficient for Shares of Rural Investment and Rural Participation is 0.36, which means that there is no correlation.

Graph 61: Priority total investments per regions in 2017



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2017).

Table 40: Ministry and state authority investment's total number of projects and value, 2017

No.	Ministry or state authority	Total no. of projects	Investment per projects МК денари
1.	Ministry of Economy	4	83.033.210
2.	Ministry of Transport and Communication	8	3.425.673.853
3.	Directorate of Technology and Industrial Zones	1	186.556.310
4.	Agency for Funding Agriculture and Rural Development	2	6.661.285.086
5.	Ministry of Culture	4	157.166.825
6.	Financing of Cultural Activities	7	3.401.539.979
7.	Ministry of Local self-Government	3	378.973.525
8.	Ministry of Labour and Social Affairs	3	44.427.103
9.	Agency for Sport and Youth	1	137.214.753
10.	Agency for Promotion and Support to Tourism	1	55.326.571
11.	Ministry of Environment and Spatial Planning	5	275.173.590
12.	Ministry of Education and Science	9	528.876.431
13.	Ministry of Financial Function of the State	5	9.076.440.324
14.	Ministry of Finance	1	836.750.423
15.	Ministry of Health	5	1.044.601.025
16.	Ministry of Agriculture, Forestry and Water Management	3	80.425.197
Total		62	26.375.464.204

Source: ГОДИШЕН ИЗВЕШТАЈ ЗА СПРОВЕДУВАЊЕТО НА АКЦИОНИОТ ПЛАН ЗА СПРОВЕДУВАЊЕ НА СТРАТЕГИЈАТА ЗА РЕГИОНАЛЕН РАЗВОЈ НА РЕПУБЛИКА МАКЕДОНИЈА ЗА 2017 ГОДИНА

Table 40 shows some elements of inconsistency. Previous tables show that Ministry for local self-governance and Biro for regional development had 17 projects but in table 34 shows only 3 projects. The report for 2017 shows that a total number of projects was 62 with total investment of 26.375.464.204. The biggest investors were Ministry of Education and Science, Ministry for Transport and Communications and Health Ministry.

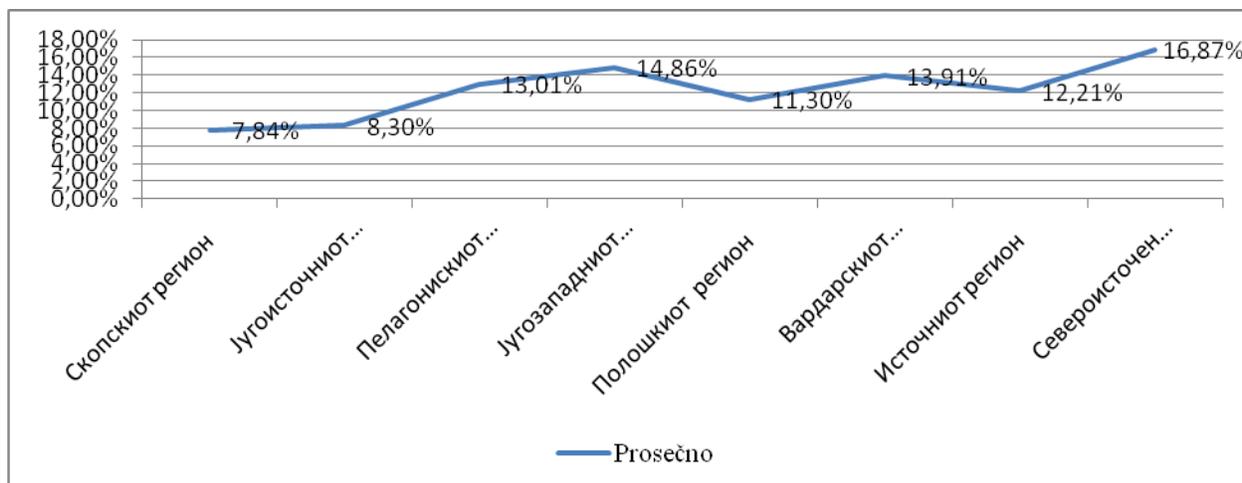
Table 41: Structure of investments per region for period 2015-2018 (in %)

Region	2015	2016	2017	2018	Average
Skopje Region	5,04	9,05	10,51	7,87	7,84
Southeast Region	8,15	8,61	6,28	10,80	8,30
Pelagonia Region	16,81	12,58	12,26	11,04	13,01
Southwest Region	16,15	12,97	17,04	13,67	14,86
Polog Region	12,45	14,05	6,82	13,69	11,30
Vardar region	16,65	12,64	14,33	12,42	13,91
East Region	7,54	14,44	15,10	13,52	12,21
Northeast Region	17,21	15,67	17,67	16,98	16,87

Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

Table 41 shows that the highest investment per year and by average were made in the Northeastern region. The lowest level was invested to Skopje and Southeastern region. Graph 36 shows average investment per region for period 2015 – 2018.

Graph 62: Average investment per region for period 2015-2018



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

9.10 Socio-economic development in 2018

Table 42: Summary of investment and projects per region in 2018

Region	% share in investment	Priority	No of projects for development of planning	Value of projects for development of planning regions	Projects for development of areas with specific development needs	Priority	No. of projects	Village Development Projects	Priority	No. of projects	Total Investment (MKD)	No. of projects
Skopje Region	7,9	1.2=3,1.7=2	5	13.332.777	7.419.160	1.2=3,1.2,1.7	6	2.912.309	1.7=3,1.2	4	23.664.246	15
Southeast Region	10,8	1.2=3,1.5	4	19.925.561	7.543.285	1.7=3,2.2=2,1.2	6	5.017.072	1.2=2,2.2,1.7	4	32.485.918	14
Pelagonia Region	11,0	1.7=3,1.2=3	6	22.575.653	8.158.482	1.2=2,1.7=4,2.2=3	8	2.469.340	2.2,1.7	2	33.203.475	16
Southwest Region	13,7	1.2=3,1.7	4	31.824.229	6.762.763	1.2=3,1.7,2.2	5	2.535.190	1.7=2,1.2	3	41.122.182	12
Polog Region	13,7	1.2=2,1.7	3	33.681.322	4.000.000	2.2=2	2	3.491.670	1.2,2.2,1.7	3	41.172.992	8
Vardar region	12,4	1.2=3,1.5,1.7=3	7	30.866.711	2.343.168	1.2=2	2	4.135.040	2.2=2,1.7=5	7	37.344.919	16
East Region	13,5	1.2=3,1.5	4	28.126.721	9.179.080	1.2=7	7	3.353.009	1.2=2,1.7	3	40.658.810	14
Northeast Region	17,0	1.5=2,1.7	3	40.127.650	7.719.580	1.2=4,1.7	5	3.218.242	1.7,2.2=3	4	51.065.472	12
Total			36	220.460.624	53.125.518		41	27.131.872		30	300.718.014	107

Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

The main regional development was priority 1.2. Developing contemporary and modern infrastructure and more than 60 per cent of investments were allocated there. The next priority is 1.7. Environmental protection in the planning regions and priority 1.5. Creating competitive advantages for the planning regions.

The existence of contemporary and modern traffic, transport and utility infrastructure is a basic prerequisite for development promotion in the planning regions. However, it is very important at the same time to invest in other strategic priorities to make balanced and the most effective support for each region due to competitive advantages and priority industry and service sector.

Table 43: Overview of highest to lowest investments per region, 2018

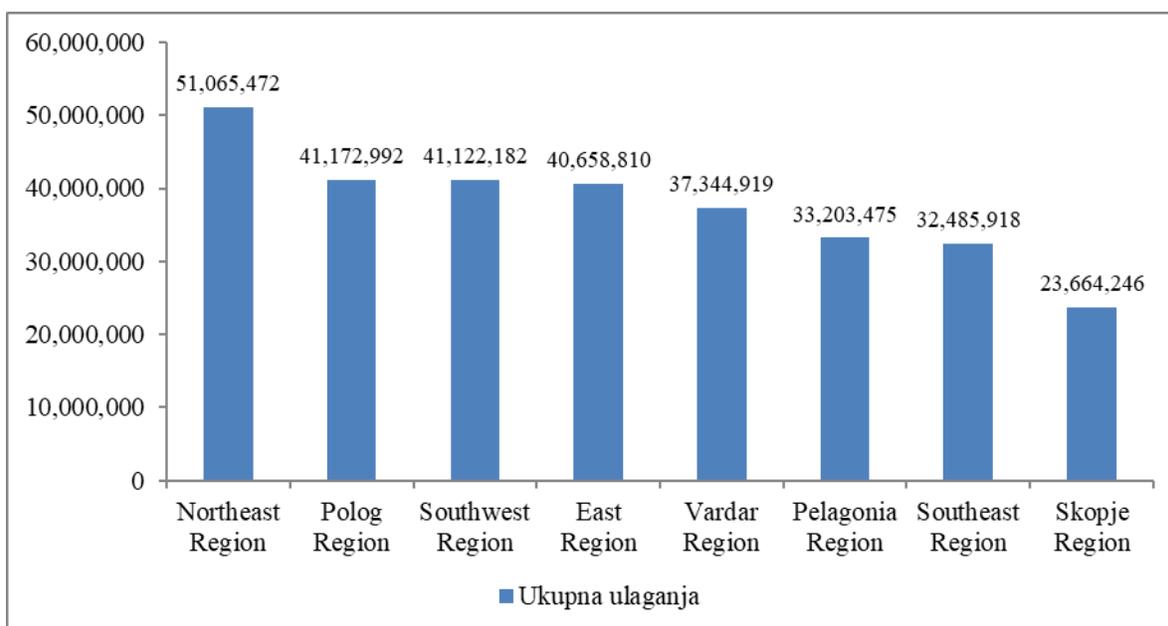
2018		
Region	Total investment (MKD)	Total number of projects per region
Northeast Region	51.065.472	12
Polog Region	41.172.992	8
Southwest Region	41.122.182	12
East Region	40.658.810	14
Vardar Region	37.344.919	16
Pelagonia Region	33.203.475	16
Southeast Region	32.485.918	14
Skopje Region	23.664.246	15
Total	300.718.014	107
Average	37.589.752	13
Standard deviation	8.067.572	3
Coefficient of variation	21,46%	19,96%

Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

The investment per region was 300.718.014 MKD, with a standard deviation of 37.589.752 MKD. As the coefficient of variation was 21.46% and 19.96% which means that the data in the series are more homogeneous for investment and for the number of the projects. Again, this is better than for previous year. Total investment and number of projects are little bit more balanced.

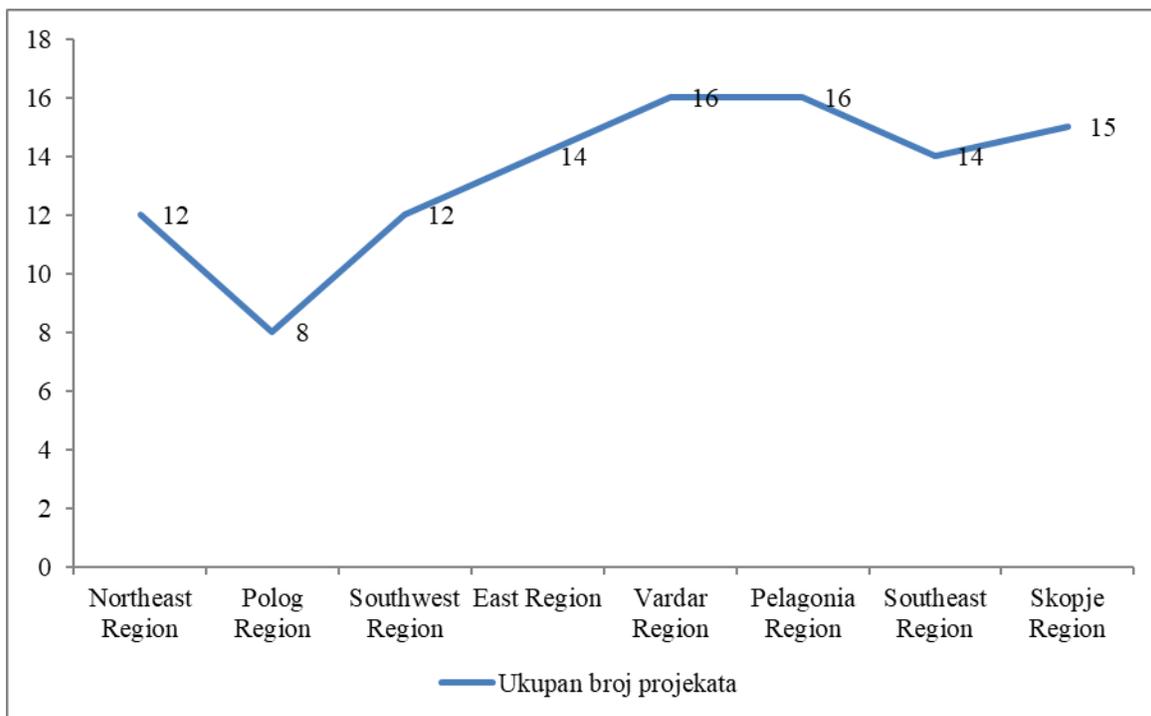
Graph 63 shows the highest and lowest levels of investment per region. Graph 66 shows the shares of investment for villages per regions in 2018. The highest share of investment was in Northeast (17.0%), Polog and Southwest (13.7%), East region (13,4 %) and so on.

Graph 63: Overview of highest and lowest level of investments per region, 2018



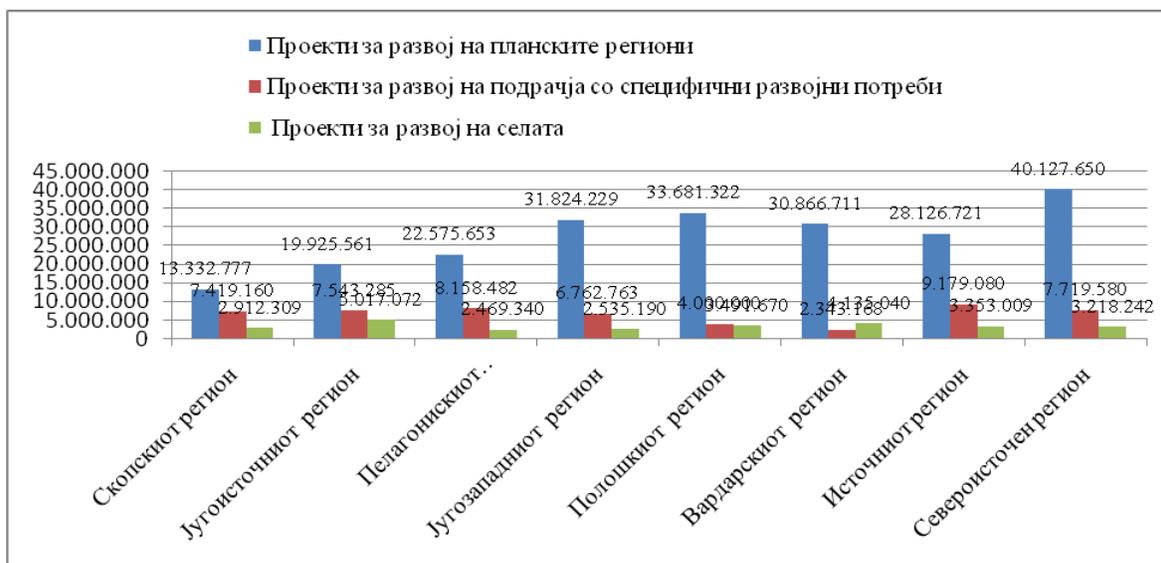
Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

Graph 64: Total number of projects for 2018



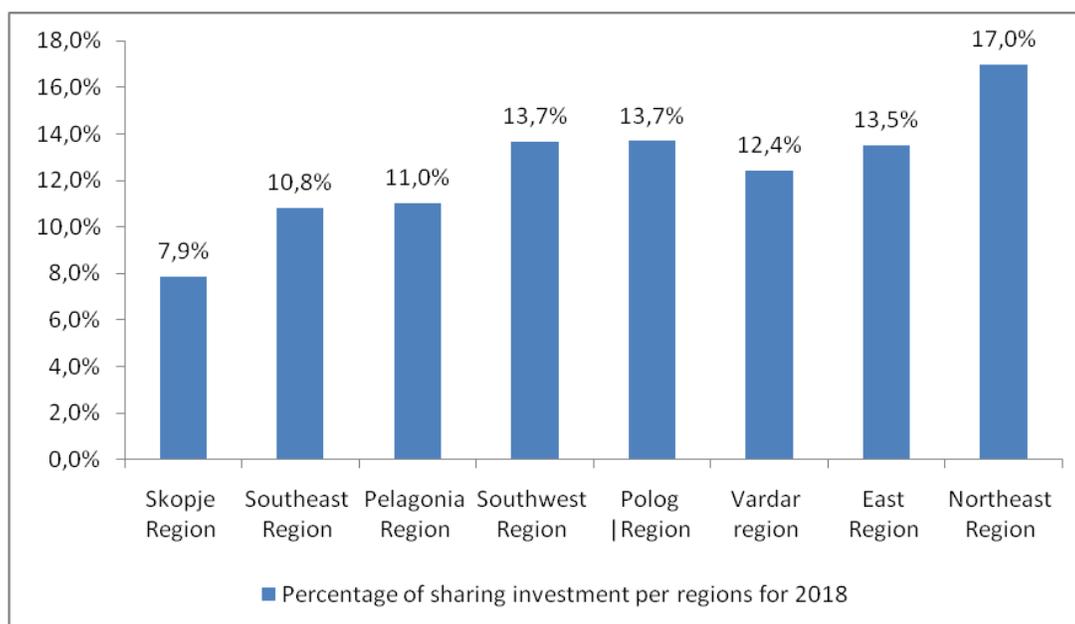
Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

Graph 65: Structure of priority investments per regions, 2018



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

Graph 66: Shares of investment for villages per regions in 2018



Source: Author's calculations based on the Ministry of Local Self-Government's Report (2018).

The highest percentage of investment were invested in Northeastern region. Still, there are no relationships between rural population and investment into villages. Coefficient of relationship was $-0,14$.

10. Regional and Socio-Economic Development and Investment by line Ministries

The number of projects in *Table 44* does not include the line ministries which did not submit the list of the projects. The following ministries did not respond to the request about the complete implemented projects: Ministry of Labor and Social Policy; Ministry of Health; Ministry of Education and Science; Ministry of Culture; as well as Youth and Sports Agency; Fund for Innovation and Technological Development, and Directorate for Technological & Industrial Development Zones.

Table 44: Overview of line ministries' number of projects per strategic objectives and priorities for 2009 – 2018

Region	Number of projects												Total	Projects marked with 'merka'	Total	Total No. of projects	Total No. of projects in (%)	No. of projects without descriptions*	Total	Total (%)	
	1. Competitive planning regions characterised by dynamic and sustainable development							Total	2. Greater demographic, economic, social and spatial cohesion between and within the planning regions in the Republic of Macedonia												Total
	1.1	1.2	1.3	1.4	1.5	1.6	1.7		2.1	2.2	2.3	2.4									
Skopje Region		2	5	9	13		20	49		1		1	2	54	54	105	13,01%	96	201	12,87	
Southeast Region		4	5	9	14	1	21	54		1		1	2	50	50	106	13,14%	107	213	13,64	
Pelagonia Region		2	6	9	15	8	21	61		1		1	2	44	44	107	13,26%	113	220	14,08	
Southwest Region		1	5	9	16		20	51		1		1	2	42	42	95	11,77%	86	181	11,59	
Polog Region		2	5	9	15	7	20	58		1		1	2	34	34	94	11,65%	79	173	11,08	
Vardar region		5	5	9	13	10	21	63		1		1	2	43	43	108	13,38%	105	213	13,64	
East Region		2	6	9	15	1	21	54		1		1	2	52	52	108	13,38%	93	201	12,87	
Northeast Region		2	5	9	13	2	20	51		1		1	2	31	31	84	10,41%	76	160	10,24	
Total	0	20	42	72	114	29	164	441	0	8	0	8	16		350	807		755	1562		
Total projects in (%) per strategic objective	0,00	4,54	9,52	16,33	25,85	6,58	37,19		0,0	50,00	0,00	50,00									

Source: Author calculations for 2009 – 20119 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku. Some line Ministries (Ministry of Labor and Social Policy; Ministry of Health; Ministry of Education and Science; Ministry of Culture; (Youth and Sports Agency; Fund for Innovation and Technological Development, and Directorate for Technological Industrial Development Zones) did not respond at all.

The interpretation of investment by line Ministries makes full sense from the beginning of 2013. The main reason is that at the beginning of regional strategy implementation in 2009 it was either the same number of investments in all regions or as in one of the regions but again the same amount of money. The total number of the projects were allocated evenly across the regions from highest number of 14.08% to Pelagonia region and the smallest of 10.24% to the Northeast region.

The strategic objective 1. Competitive planning regions characterised by dynamic and sustainable development was mostly implemented by the number of projects into priority 1.5 Creating competitive advantages for the planning regions by 25.85 % and 1.4 Raising the quality of human capital in the planning regions by 16.33%.

The strategic objective 2. Greater demographic, economic, social and spatial cohesion between and within the planning regions in the Republic of Macedonia was implementing only priority 2.2 Building functional spatial structures for better integration of urban and rural areas in the planning regions and 2.4 Raising the level of social development in the planning regions by an equal number of projects of 50 %. For all the above strategic objectives and priorities, the Strategy for regional development of the Republic of North Macedonia the indicators were clearly defined and listed. These indicators were not used to assess the efficiency or effectiveness of the projects. The 'merka' was not used either.

10.1. The report for 2009

Table 45: Total investment per region in 2009

Region	Total investment 2009 (MKD)	Total number of projects per region
Vardar Region	153.832.332	1
East Region	153.832.332	1
Southwest Region	153.832.332	1
Southeast Region	153.832.332	1
Pelagonia Region	153.832.332	1
Polog Region	153.832.332	1
Northeast Region	153.832.332	1
Skopje Region	153.832.332	1
Total	1.230.658.656	8

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimaštva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

10.2. The Report for 2010

Table 46: Total investment per region in 2010

Region	Total investment 2010 (MKD)	Total number of projects per region
Vardar Region	280.072.573	3
East Region	280.072.573	3
Southwest Region	260.448.254	2
Southeast Region	280.072.573	3
Pelagonia Region	280.072.573	3
Polog Region	260.448.254	2
Northeast Region	260.448.254	2
Skopje Region	260.448.254	2
Total	2.162.083.310	20

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimaštva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

10.3. The Report for 2011

Table 47: Total investments per region in 2011

Region	Total investment 2011 (MKD)	Total number of projects per region
Vardar Region	83.035.689	1
East Region	83.035.689	1
Southwest Region		
Southeast Region	83.035.689	1
Pelagonia Region	83.035.689	1
Polog Region	83.035.689	1
Northeast Region		
Skopje Region		
Total	415.178.444	5

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planiranje (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

10.4 The Report for 2012

Table 48: Total investments per region in 2012

Region	Total investment 2012 (MKD)	Total number of projects per region
Vardar Region		
East Region		
Southwest Region	97.364.700	1
Southeast Region		
Pelagonia Region		
Polog Region		
Northeast Region		
Skopje Region	8.390.534	1
Total	105.755.234	2

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

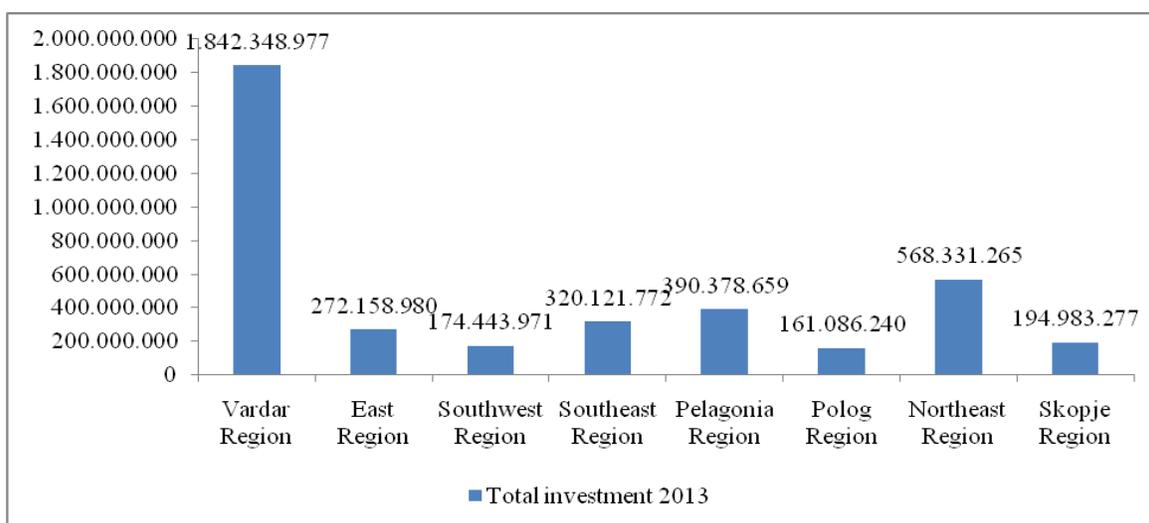
10.5. The Report for 2013

Table 49: Total investments per region in 2013

Region	Total investment 2013 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	1.842.348.977	70	46,95	17,50
East Region	272.158.980	54	6,94	13,50
Southwest Region	174.443.971	39	4,45	9,75
Southeast Region	320.121.772	65	8,16	16,2
Pelagonia Region	390.378.659	60	9,95	15,0
Polog Region	161.086.240	35	4,11	8,75
Northeast Region	568.331.265	37	14,48	9,25
Skopje Region	194.983.277	40	4,97	10,00
Total	3.923.853.140	400		
Average	490.481.642			
Standard deviation	562.648.604			
Coefficient of variation	114,71%			

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

Graph 67: Overview of investments by region in 2013



Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

The graph above show that highest investment was in the Vardar Region (Railway Infrastructure Project) in the amount of MKD 1,671,843,254. But if this project was excluded the largest investment was in the Northeast Planning Region. The coefficient of variation is high because of the value of a large project. If they were excluded from the analysis of the Vardar region, the coefficient of variation is again large and amounts to 51%.

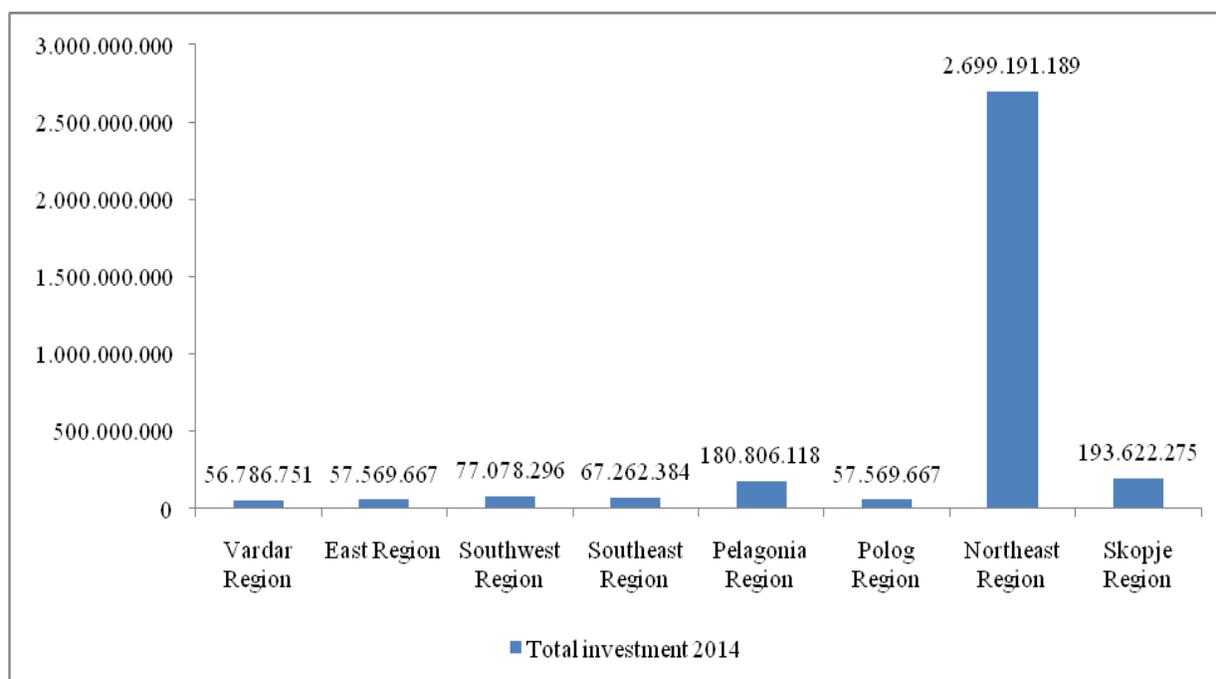
10.6. The report for 2014

Table 50: Total investments per region in 2014

Region	Total investment 2014 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	56.786.751	15	1,68	10,27
East Region	57.569.667	16	1,70	10,96
Southwest Region	77.078.296	20	2,27	13,70
Southeast Region	67.262.384	17	1,98	11,64
Pelagonia Region	180.806.118	24	5,33	16,44
Polog Region	57.569.667	16	1,70	10,96
Northeast Region	2.699.191.189	17	79,62	11,64
Skopje Region	193.622.275	21	5,71	14,38
Total	3.389.886.349	146		
Average	423.735.794			
Standard deviation	921.157.338			
Coefficient of variation	217,39%			

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

Graph 68: Overview of investments by region in 2014



Source: Author calculations for 2009 – 2019 based on *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP)*; *Agencija za finansijsku podršku poljoprivrede i ruralni razvoj*; *Agencija za podršku turizma RSM*; *Agencija za podršku preduzimatstva u RSM (APPRSM)*; *Javno poduzeće za državne puteve (JPDP)*; *Državni zavod za statistiku*.

The graph above shows that the highest investment were made in the Northeast Region (Railway Infrastructure Project) in the amount of MKD 2.642.404.438. But if this project was excluded, the largest investment was in the Skopje and Pelagonia region. The coefficient of variation is high because of the value of a large project. If they were excluded from the analysis of the Northeast region, the coefficient of variation is again large and amounts to 63%.

10.7 The report for 2015

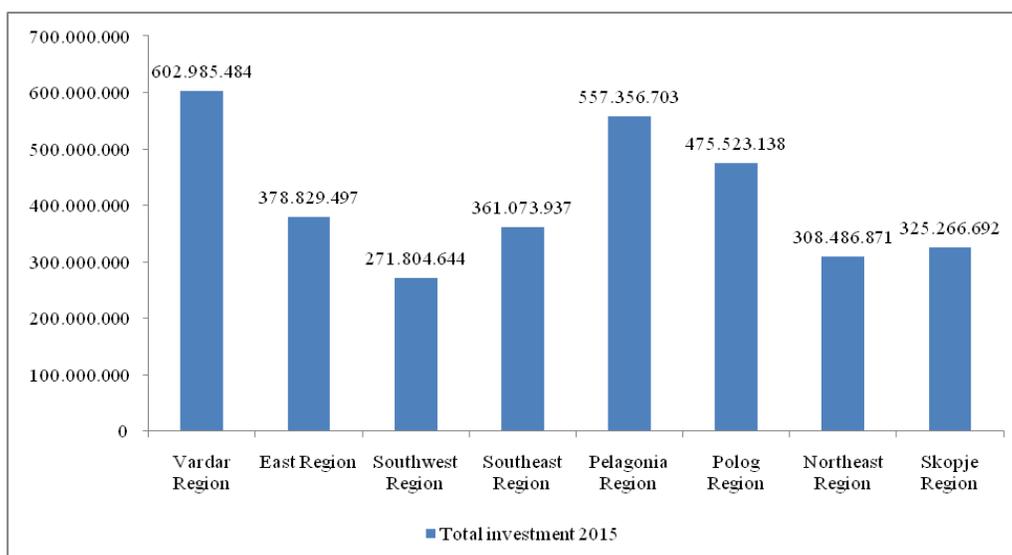
Table 51: Total investments per region in 2015

Region	Total investment 2015 (MKD)	Total number of projects per region	Sharing percentage in investment regions	Percentage of projects per region
Vardar Region	602.985.484	46	18,38	12,85
East Region	378.829.497	50	11,55	13,97
Southwest Region	271.804.644	42	8,28	11,73
Southeast Region	361.073.937	48	11,00	13,41
Pelagonia Region	557.356.703	50	16,99	13,97
Polog Region	475.523.138	39	14,49	10,89
Northeast Region	308.486.871	39	9,40	10,89
Skopje Region	325.266.692	44	9,91	12,29
Total	3.281.326.966	358		
Average	410.165.871			
Standard Deviation	121.419.239			
Variation Coefficient	29,60%			

Source: Author calculations based on *Infrastrukturni objekti – spisak za podršku regionalnom razvoju; Izgradba na socijalni stanovi – spisak za podršku regionalnom razvoju; Pešački pateki i plazi – spisak za podršku regionalnom razvoju; Turistički razvojni zoni – spisak za podršku regionalnom razvoju; Urbanistički planovi – spisak za podršku regionalnom razvoju; Vodovod i kanlizacija – spisak za podršku regionalnom razvoju; Agencije za promociju turizma; Ministarstvo za transport i veze; Opštini – izveštaji za 2013, 2015, 2018. godinu; Gasifikacija – spisak za podršku regionalnom razvoju; Spisak na proekti APP.*

The Table 51 shows that the situation was managed with a more moderate and equal approach, and the coefficient of variation was 29.60%.

Graph 69: Overview of investments by region in 2015



Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimastva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku.

10.8 The report for 2016

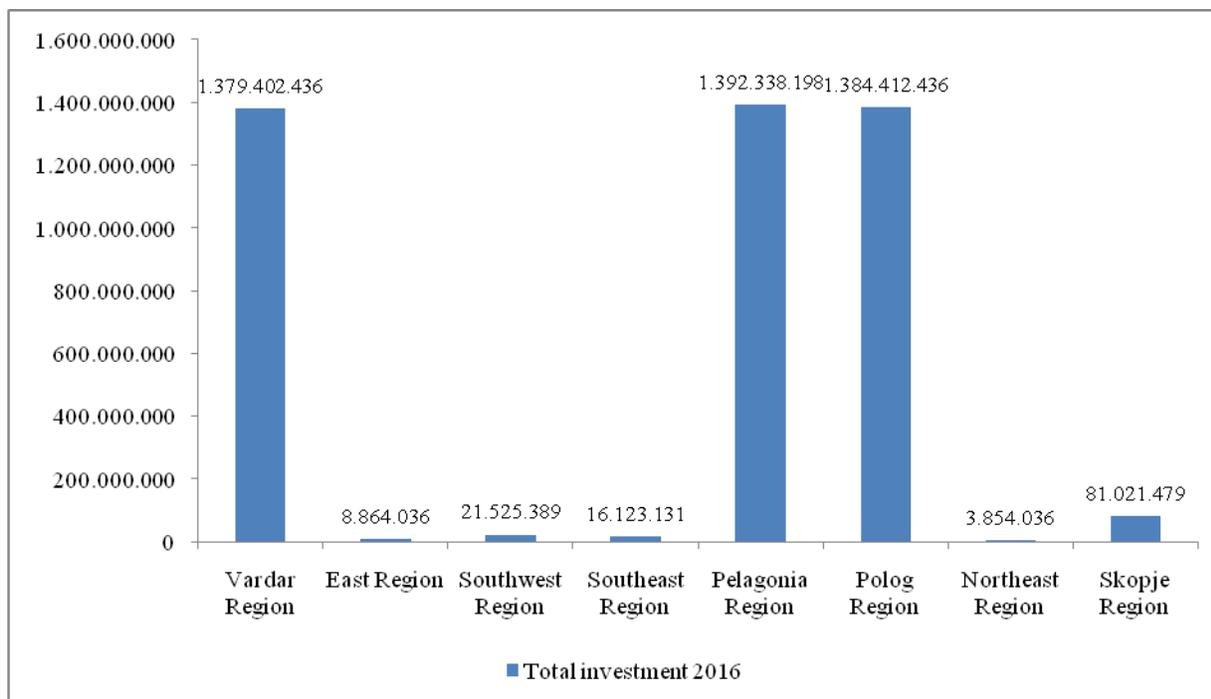
Table 52: Total investments per region in 2016

Region	Total investment 2016 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	1.379.402.436	15	32,17	12,20
East Region	8.864.036	13	0,21	10,57
Southwest Region	21.525.389	16	0,50	13,01
Southeast Region	16.123.131	13	0,38	10,57
Pelagonia Region	1.392.338.198	17	32,47	13,82
Polog Region	1.384.412.436	17	32,29	13,82
Northeast Region	3.854.036	12	0,09	9,76
Skopje Region	81.021.479	20	1,89	16,26
Total	4.287.541.141*)	123		
Average	535.942.643			
Standard Deviation	703.812.029			
Variation Coefficient	131,32%			

*Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimastva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku. *) Total amount of 250.000 and 333.333. not included. The report describes these investments as PPR (Pelagonia or Polog region).*

The table above shows that about 30% of investments went to the Pelagonia, Polog and Vardar regions, while investments in other regions were negligible. The coefficient of variation was 131%. Of the remaining investments, the most went in the Skopje region around 2%. The highest number of projects went in the Skopje region, around 16.26%.

Graph 70: Overview of investments by region in 2016



Source: Author calculations for 2009 – 2019 based on *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP)*; *Agencija za finansisku podrsku poljoprivrede i ruralni razvoj*; *Agencija za podrsku turizma RSM*; *Agencija za podrsku preduzimatstva u RSM (APPRSM)*; *Javno poduzece za drzavne puteve (JPDP)*; *Drzavni zavod za statistiku*.

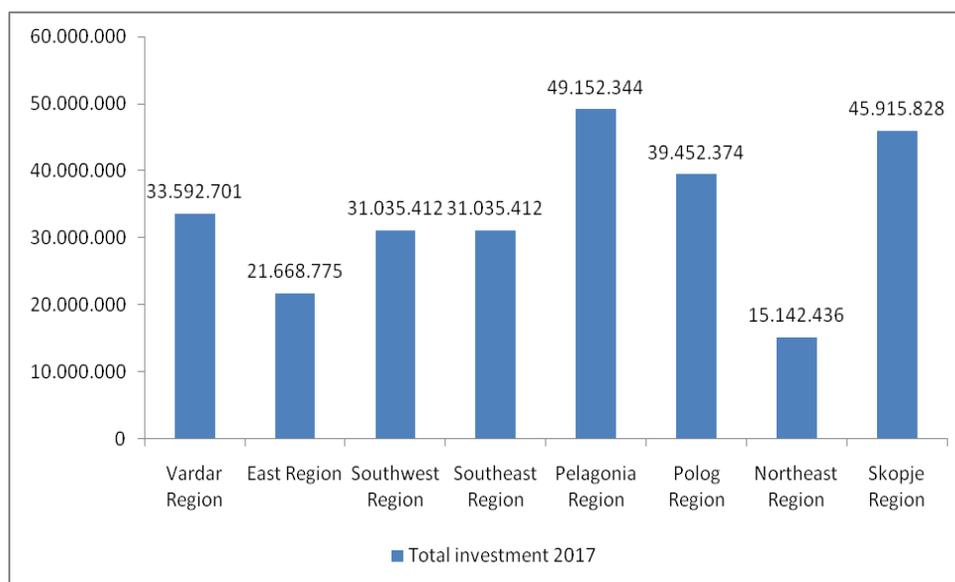
10.9 The report for 2017

Table 53: Total investments per region in 2017

Region	Total investment 2017 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	33.592.701	18	12,58	12,41
East Region	21.668.775	18	8,12	12,41
Southwest Region	31.035.412	18	11,62	12,41
Southeast Region	31.035.412	18	11,62	12,41
Pelagonia Region	49.152.344	19	18,41	13,10
Polog Region	39.452.374	19	14,78	13,10
Northeast Region	15.142.436	16	5,67	11,03
Skopje Region	45.915.828	19	17,20	13,10
Total	266.995.282*)	145		
Average	33.374.410			
Standard deviation	11.486.565			
Coefficient of variation	34,42%			

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku. *) Total amount of 1.000.000 not included. The report describes these investments as PPR (Pelagonia or Polog region).

Graph 71: Overview of investments by region in 2017



Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

10.10 The report for 2018

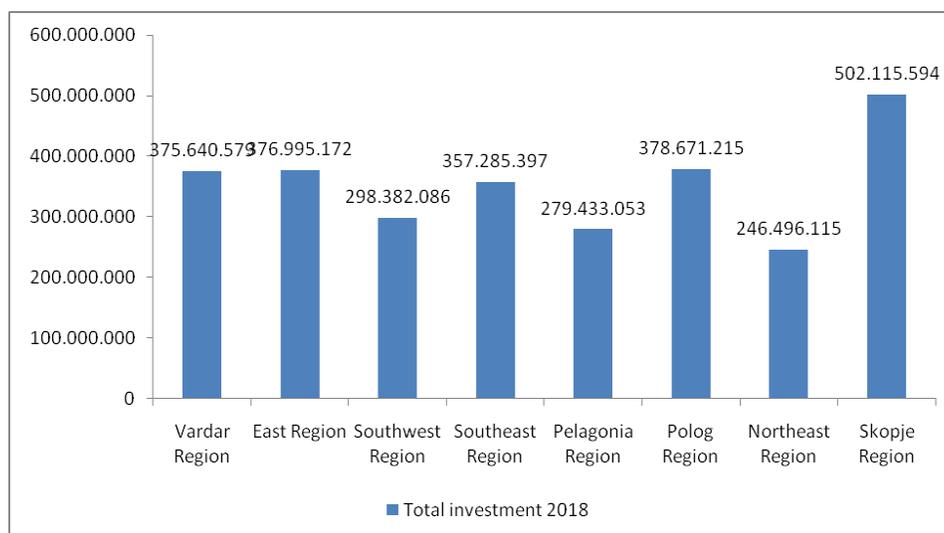
Table 54: Total investments per region in 2018

Region	Total investment 2018 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	375.640.579	42	13,34	12,50
East Region	376.995.172	43	13,39	12,80
Southwest Region	298.382.086	40	10,60	11,90
Southeast Region	357.285.397	45	12,69%	13,39
Pelagonia Region	279.433.053	43	9,93	12,80
Polog Region	378.671.215	41	13,45	12,20
Northeast Region	246.496.115	34	8,76	10,12
Skopje Region	502.115.594	48	17,84	14,29
Total	2.815.019.210	336		
Average	351.877.401			
Standard deviation	79.038.335			
Coefficient of variation	22,46%			

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP); Agencija za finansijsku podršku poljoprivrede i ruralni razvoj; Agencija za podršku turizma RSM; Agencija za podršku preduzimatstva u RSM (APPRSM); Javno poduzeće za državne puteve (JPDP); Državni zavod za statistiku.

The table above shows balanced investment across the regions. Variation coefficient was 22.4%. But, the highest investment, as well as the largest number of projects were allocated in the Skopje Planning Region. Contrary to the main strategic objectives to eliminate regional disparities the highest investment went to the most developed region.

Graph 72: Overview of investments by region in 2018



Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP); Agencija za finansijsku podršku poljoprivrede i ruralni razvoj; Agencija za podršku turizma RSM; Agencija za podršku preduzimatstva u RSM (APPRSM); Javno poduzeće za državne puteve (JPDP); Državni zavod za statistiku.

10.11 The report for 2019

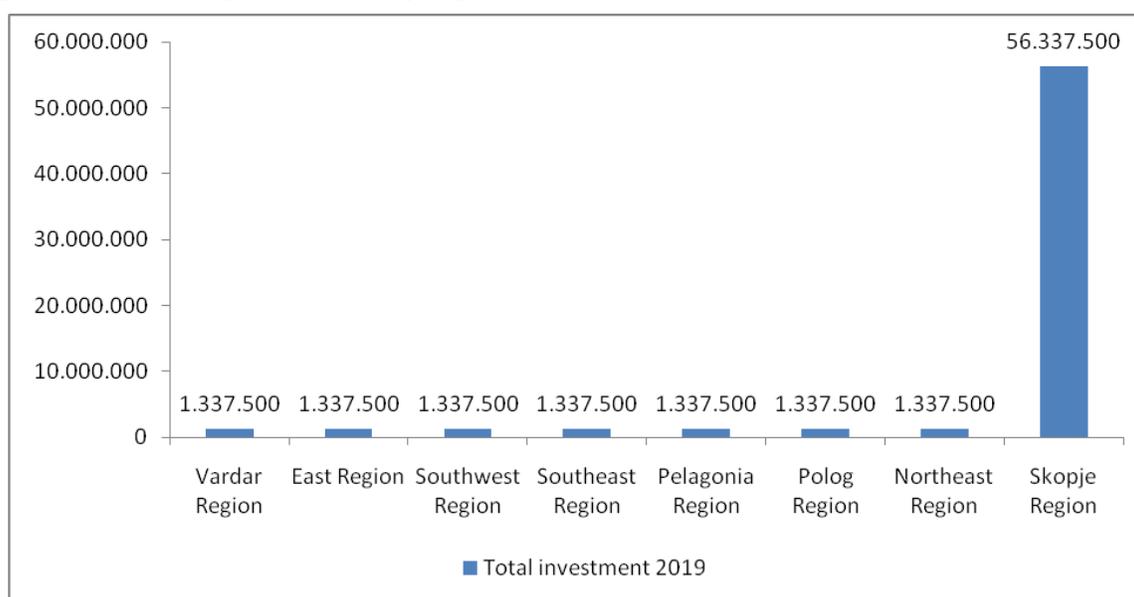
Table 55: Total investments per region in 2019

Region	Total investment 2019 (MKD)	Total number of projects per region	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	1.337.500	2	2,04	10,53
East Region	1.337.500	2	2,04	10,53
Southwest Region	1.337.500	2	2,04	10,53
Southeast Region	1.337.500	2	2,04	10,53
Pelagonia Region	1.337.500	2	2,04	10,53
Polog Region	1.337.500	2	2,04	10,53
Northeast Region	1.337.500	2	2,04	10,53
Skopje Region	56.337.500	5	85,75	26,32
Total	65.700.000	19		
Average	8.212.500			
Standard deviation	19.445.436			
Coefficient of variation	236,78%			

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planiranje (MZSPP); Agencija za finansijsku podršku poljoprivrede i ruralni razvoj; Agencija za podršku turizma RSM; Agencija za podršku preduzimatstva u RSM (APPRSM); Javno poduzeće za državne puteve (JPDP); Državni zavod za statistiku.

The line Ministries, again, like in 2018, allocated the largest investments as high as 85.6% of the total, in the Skopje region, as well as the largest number of projects representing 23.32% of the total. The coefficient variation was 236.78%.

Graph 73: Overview of investments by region in 2019



Source: *Ibidem*

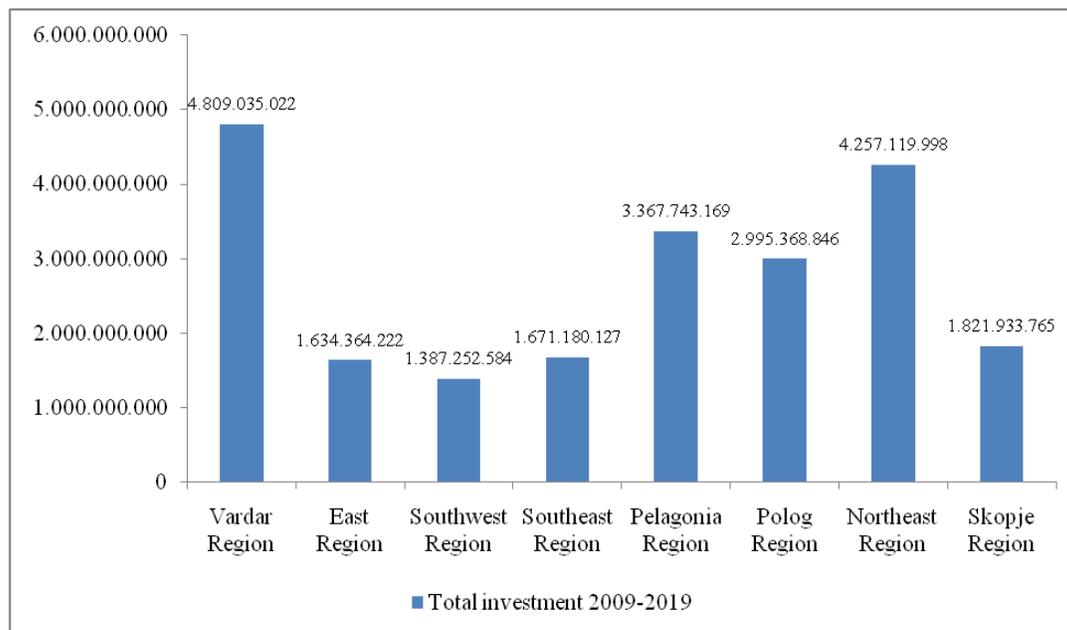
11. Total investments by Ministries for the period 2009 – 2019

Table 56: Total investment per region for 2009-2019

Region	Total investment 2009-2019 (MKD)	Total number of projects per region 2009-2019	Percentage shares in investment by regions	Percentage of projects per region
Vardar Region	4.809.035.022	213	22	14
East Region	1.634.364.222	201	7	13
Southwest Region	1.387.252.584	181	6	12
Southeast Region	1.671.180.127	213	8	14
Pelagonia Region	3.367.743.169	220	15	14
Polog Region	2.995.368.846	173	14	11
Northeast Region	4.257.119.998	160	19	10
Skopje Region	1.821.933.765	201	8	13
Total	21.943.997.732	1.562		
Average	2.742.999.716	195		
Standard deviation	1.313.628.526	22		
Coefficient of variance	47,89%	11,03%		

Source: Author calculations for 2009 – 2019 based on Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planiranje (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

Graph 74: Total investments by region in 2009-2019



Source: Author calculations for 2009 – 2019 based on *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za zivotnu sredinu i prostorno planiranje (MZSPP)*; *Agencija za finansisku podrsku poljoprivrede i ruralni razvoj*; *Agencija za podrsku turizma RSM*; *Agencija za podrsku preduzimatstva u RSM (APPRSM)*; *Javno poduzece za drzavne puteve (JPDP)*; *Drzavni zavod za statistiku*.

The largest investments for period 2009 – 2019 were made in the Vardar region, accounting for 22% of total investments, followed by Northeast by 19%. The correlation coefficient between total investment and GDP growth rate per region is 0.49. The relationship is weak. The determination coefficient is 24%, which means that GDP varies 24% when it varies investments, and 76% are some other factors that influence the GDP changes. There is no relationship between total investments and population growth.

12. Analysis and impact on regional development of the total investments of the Ministry of regional development and the lines Ministry

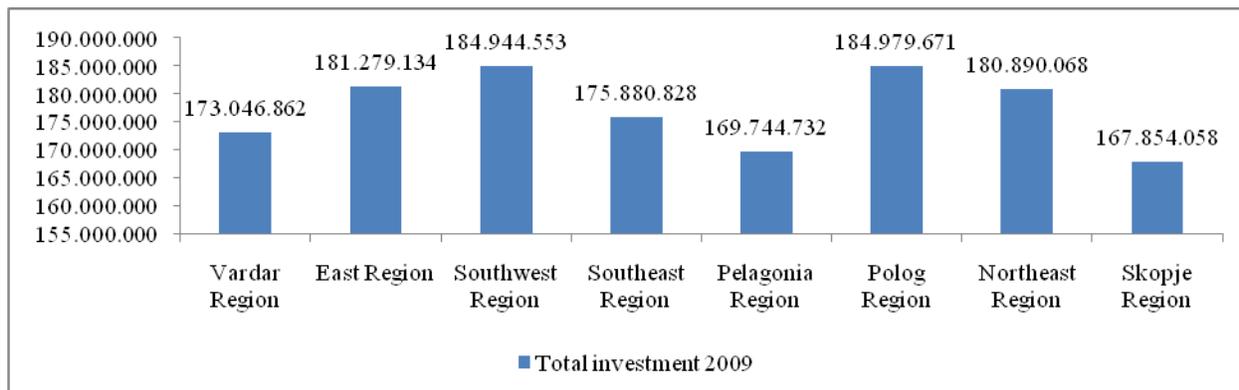
12.1 Total investments in 2009

Table 57: Total investments per region in 2009

Region	Total investments 2009 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	173.046.862	5	12,20	6,33
East Region	181.279.134	12	12,78	15,19
Southwest Region	184.944.553	7	13,04	8,86
Southeast Region	175.880.828	12	12,40	15,19
Pelagonia Region	169.744.732	13	11,97	16,46
Polog Region	184.979.671	6	13,04	7,59
Northeast Region	180.890.068	14	12,75	17,72
Skopje Region	167.854.058	10	11,83	12,66
Total	1.418.619.906	79		
Average	177.327.488	10		
StDev	6.681.998	3		
Kef. Varijacije	3,77%	34,84%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku

Graph 75: Overview of investments by region in 2009



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku

12.2. Total investments in 2010

For the year 2010, the total of Budget investments in all regions were 107,657,012 denars. At the same time, the investments of the Line Ministries were the same per each region. The total amount of money invested was 280,072,573. We could not find any reasonable and specific explanation for this decision, and any analysis is not possible.

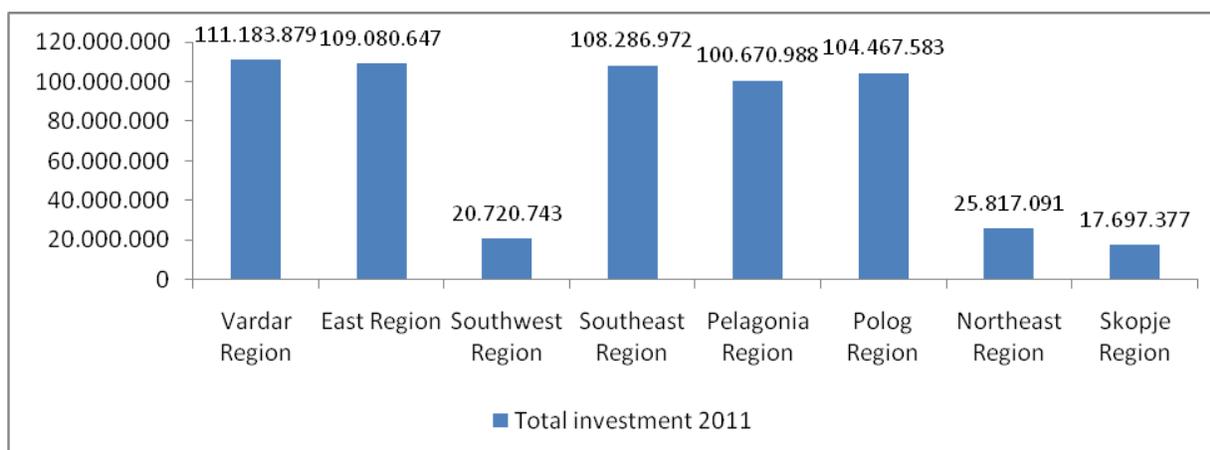
12.3. Total investments for 2011

Table 58: Total investment per region in 2011

Region	Total investments 2011 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	111.183.879	9	18,59	9,78
East Region	109.080.647	12	18,24	13,04
Southwest Region	20.720.743	12	3,47	13,04
Southeast Region	108.286.972	12	18,11	13,04
Pelagonia Region	100.670.988	14	16,84	15,22
Polog Region	104.467.583	12	17,47	13,04
Northeast Region	25.817.091	11	4,32	11,96
Skopje Region	17.697.377	10	2,96	10,87
Total	597.925.279	92		
Average	74.740.660	12		
Standard deviation	44.327.310	2		
Coefficient of variation	59,31%	13,15%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku

Graph 76: Overview of investments by region in 2011



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku

12.4 Total investment in 2012

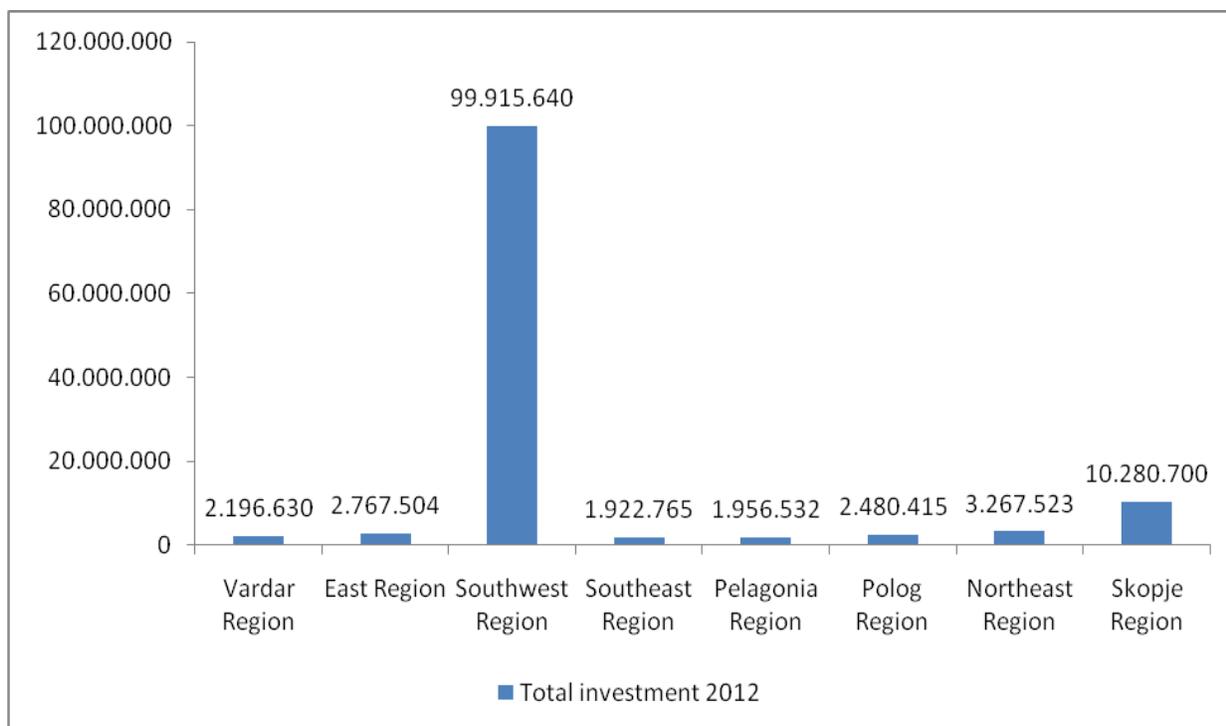
Table 59: Total investments per region in 2012

Region	Total investment 2012 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	2.196.630	5	1,76	10,42
East Region	2.767.504	6	2,22	12,50
Southwest Region	99.915.640	7	80,07	14,58
Southeast Region	1.922.765	3	1,54	6,25
Pelagonia Region	1.956.532	8	1,57	16,67
Polog Region	2.480.415	7	1,99	14,58
Northeast Region	3.267.523	4	2,62	8,33
Skopje Region	10.280.700	8	8,24	16,67
Total	124.787.709	48		
Average	15.598.464	6		
Standard deviation	34.182.639	2		
Coefficient of variation	219,14%	30,86%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku

The above table shows that the highest investment was in Southwest Region, especially in tourism development projects. If these projects were excluded than the biggest investment would be in the Northeast Region.

Graph 77: Overview of investments per region in 2012



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

12.5 Total investment in 2013

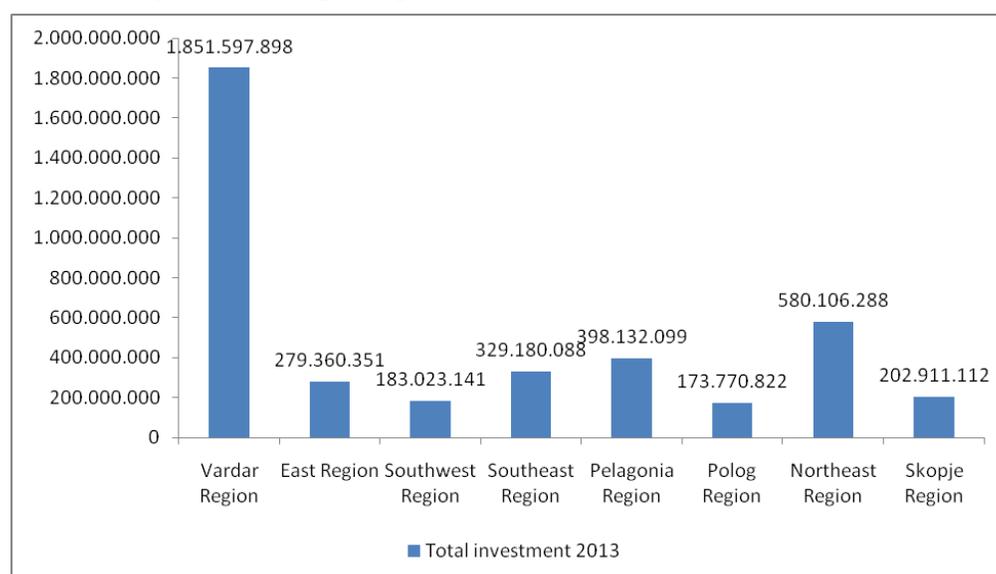
Table 60: Total investments per region in 2013

Region	Total investments 2013 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	1.851.597.898	75	46,31	16,09
East Region	279.360.351	59	6,99	12,66
Southwest Region	183.023.141	49	4,58	10,52
Southeast Region	329.180.088	72	8,23	15,45
Pelagonia Region	398.132.099	71	9,96	15,24
Polog Region	173.770.822	45	4,35	9,66
Northeast Region	580.106.288	46	14,51	9,87
Skopje Region	202.911.112	49	5,08	10,52
Total	3.998.081.798	466		
Average	499.760.225	58		
Standard Deviation	562.727.213	13		
Coefficient of variation	112,60%	21,81%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP); Agencija za finansijsku podršku poljoprivrede i ruralni razvoj; Agencija za podršku turizma RSM; Agencija za podršku preduzimaštva u RSM (APPRSM); Javno poduzeće za državne puteve (JPDP); Državni zavod za statistiku.

The above table 60 and graph 78 show that the highest investment was in the Vardar region (the Railway projects). If this project were excluded, then as in the previous years, the largest investment would be in the Northeast region.

Graph 78: Overview of investments per region in 2013



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF);* *Ministarstvo za transport i komunikacije (MTC);* *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV);* *Ministarstvo za ekonomiju (ME);* *Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP);* *Agencija za finansijsku podršku poljoprivrede i ruralni razvoj;* *Agencija za podršku turizma RSM;* *Agencija za podršku preduzimatstva u RSM (APPRSM);* *Javno poduzeće za državne puteve(JPDP);* *Državni zavod za statistiku.*

12.6. Total investments in 2014

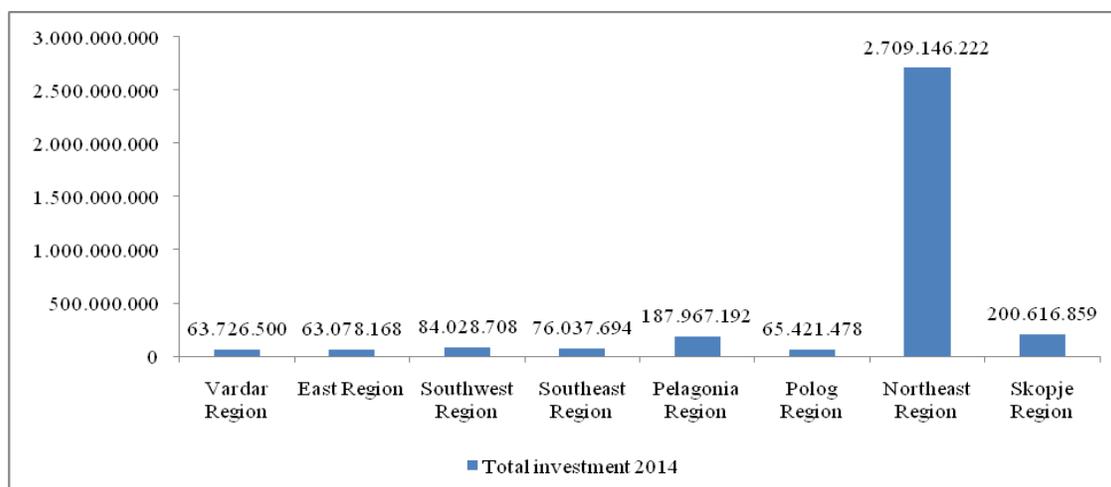
Table 61: Total investments per region in 2014

Region	Total investments 2014 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	63.726.500	20	1,85	9,85
East Region	63.078.168	22	1,83	10,84
Southwest Region	84.028.708	26	2,44	12,81
Southeast Region	76.037.694	26	2,20	12,81
Pelagonia Region	187.967.192	29	5,45	14,29
Polog Region	65.421.478	22	1,90	10,84
Northeast Region	2.709.146.222	29	78,53	14,29
Skopje Region	200.616.859	29	5,81	14,29
Total	3.450.022.823	203		
Average	431.252.853	25		
Standard Deviation	922.138.997	4		
Coefficient of variation	213,83%	14,28%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF);* *Ministarstvo za transport i komunikacije (MTC);* *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV);* *Ministarstvo za ekonomiju (ME);* *Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP);* *Agencija za finansijsku podršku poljoprivrede i ruralni razvoj;* *Agencija za podršku turizma RSM;* *Agencija za podršku preduzimatstva u RSM (APPRSM);* *Javno poduzeće za državne puteve(JPDP);* *Državni zavod za statistiku.*

The table above and graph 81 show that the highest investment was in the Northeast region. It is evident that 78,53% was invested in that region. Variation coefficient was 213, 83%. It is very hard to explain how and in which way this allocation can help reduce regional inequalities.

Graph 79: Overview of investments by regions in 2014



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasstva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku.

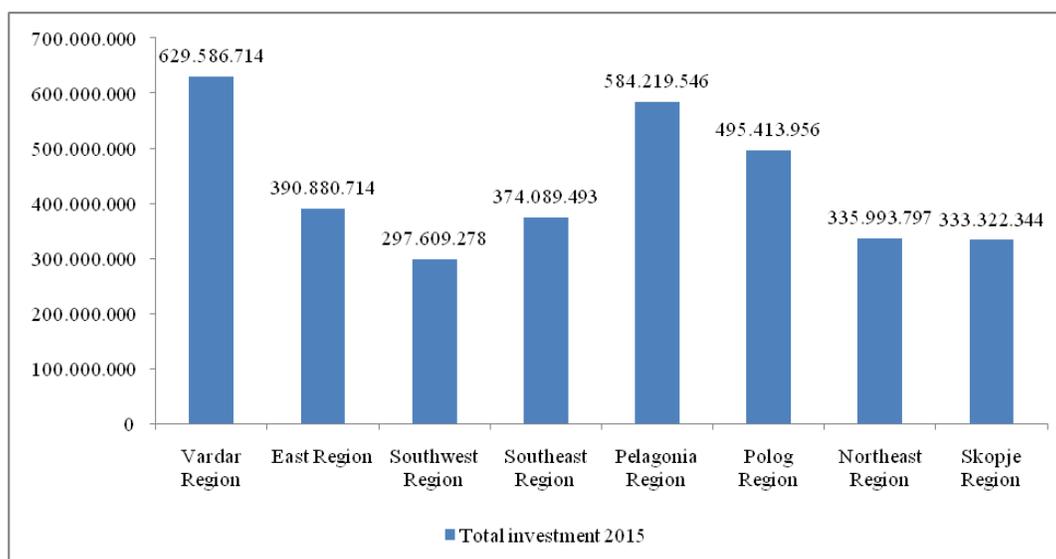
12.7 Total investments in 2015

Table 62: Total investments per region in 2015

Region	Total investments 2015 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	629.586.714	62	18,30	12,92
East Region	390.880.714	70	11,36	14,58
Southwest Region	297.609.278	63	8,65	13,13
Southeast Region	374.089.493	59	10,87	12,29
Pelagonia Region	584.219.546	65	16,98	13,54
Polog Region	495.413.956	55	14,40	11,46
Northeast Region	335.993.797	52	9,76	10,83
Skopje Region	333.322.344	54	9,69	11,25
Total	3.441.115.842	480		
Average	430.139.480	60		
Standard Deviation	124.363.923	6		
Coefficient of variation	28,91%	10,24%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasstva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku.

Graph 80: Overview of investments by region in 2015



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku.

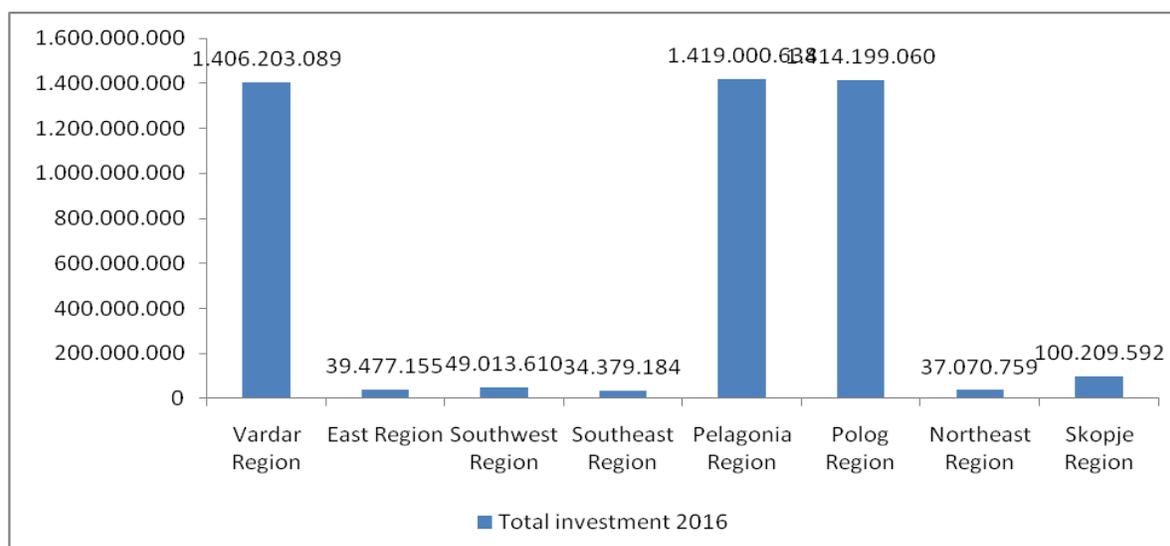
12.8. Total investments in 2016

Table 62: Total investments per region in 2016

Region	Total investments 2016 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	1.406.203.089	25	31,25	12,56
East Region	39.477.155	21	0,88	10,55
Southwest Region	49.013.610	28	1,09	14,07
Southeast Region	34.379.184	21	0,76	10,55
Pelagonia Region	1.419.000.638	26	31,54	13,07
Polog Region	1.414.199.060	26	31,43	13,07
Northeast Region	37.070.759	22	0,82	11,06
Skopje Region	100.209.592	30	2,23	15,08
Total	4.499.553.087*)	199		
Average	562.444.136	25		
Standard Deviation	704.753.309	3		
Coefficient of variation	125,30%	13,32%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu(MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve(JPDP); Drzavni zavod za statistiku.
*) Total amount of 250.000 and 333.333. not included. The report describes these investments as PPR (Pelagonia or Polog region).

Graph 81: Overview of investments by region in 2016



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.

Table 62 and graph 81 shows that Vardar, Pelagonia and Polog region received 38,7 % of the total investment. Variation coefficient was 125,30%.

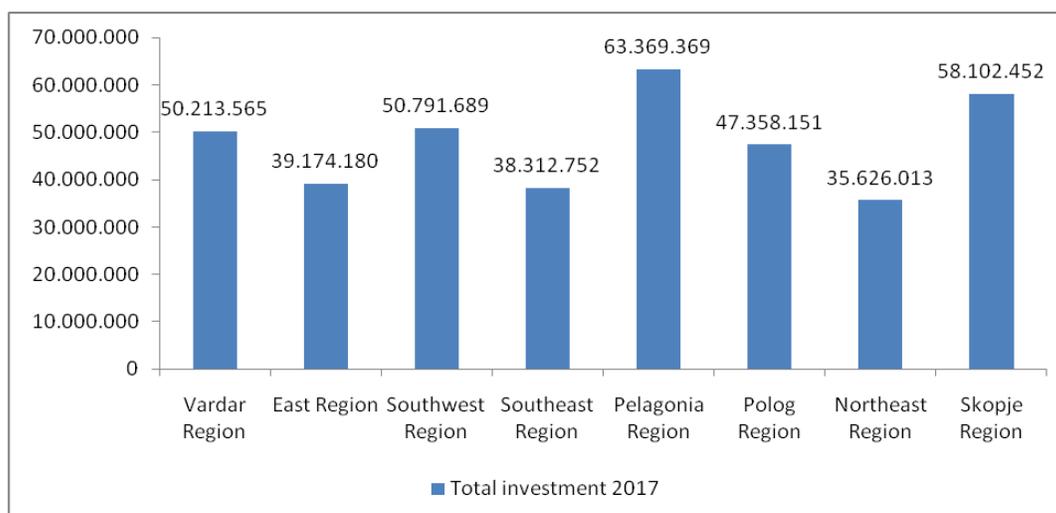
12.9 Total investments in 2017

Table 63: Total investments per region in 2017

Region	Total investments 2017 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	50.213.565	25	13,11	12,63
East Region	39.174.180	28	10,23	14,14
Southwest Region	50.791.689	27	13,26	13,64
Southeast Region	38.312.752	20	10,00	10,10
Pelagonia Region	63.369.369	25	16,55	12,63
Polog Region	47.358.151	26	12,37	13,13
Northeast Region	35.626.013	23	9,30	11,62
Skopje Region	58.102.452	24	15,17	12,12
Total	382.948.171*)	198		
Average	47.868.521	25		
Standard Deviation	9.827.785	2		
Variation Coefficient	20,53%	10,07%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimasva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.
*) Total amount of 1.000.000 not included. The report describes these investments as PPR (Pelagonia or Polog region).

Graph 82: Overview of investments by region in 2017



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP)*; *Agencija za finansijsku podršku poljoprivrede i ruralni razvoj*; *Agencija za podršku turizma RSM*; *Agencija za podršku preduzimatstva u RSM (APPRSM)*; *Javno poduzeće za državne puteve (JPDP)*; *Državni zavod za statistiku*.

The situation in 20017 was totally different and it shows more balanced approach to regional development. Still, the high level of investment went to Skopje region. Instead to eliminate disparities or balanced the regional development again some regions were enjoying advantageous position. Variation coefficient was 20,53%.

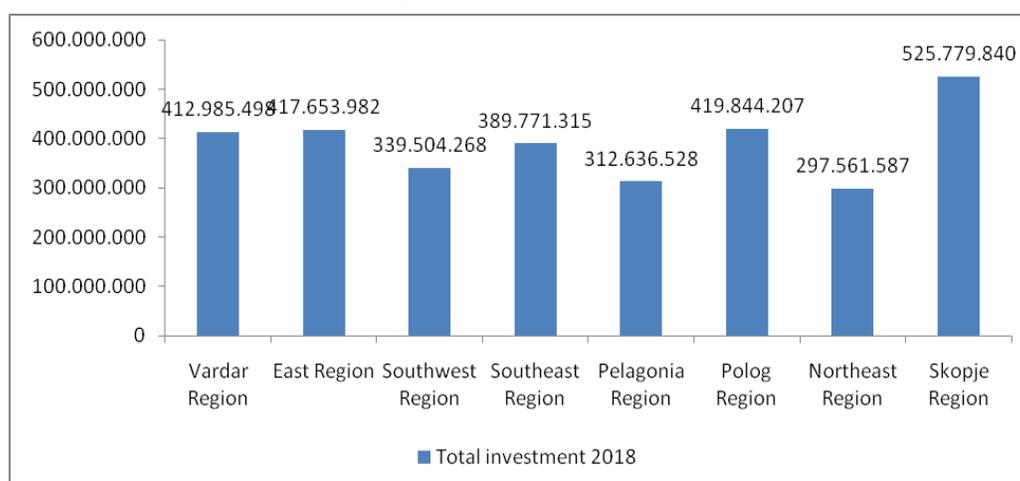
12.10 Total investments in 2018

Table 64: Total investment per region in 2018

Region	Total investments 2018 (MKD)	Total number of projects per region	Percentage shares in investments by regions	Percentage of projects per region
Vardar Region	412.985.498	58	13,25	13,09
East Region	417.653.982	57	13,40	12,87
Southwest Region	339.504.268	52	10,90	11,74
Southeast Region	389.771.315	59	12,51	13,32
Pelagonia Region	312.636.528	59	10,03	13,32
Polog Region	419.844.207	49	13,47	11,06
Northeast Region	297.561.587	46	9,55	10,38
Skopje Region	525.779.840	63	16,87	14,22
Total	3.115.737.224	443		
Average	389.467.153	55		
Standard Deviation	73.384.977	6		
Coefficient of variation	18,84%	10,44%		

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za životnu sredinu i prostorno planiranje (MZSPP)*; *Agencija za finansijsku podršku poljoprivrede i ruralni razvoj*; *Agencija za podršku turizma RSM*; *Agencija za podršku preduzimatstva u RSM (APPRSM)*; *Javno poduzeće za državne puteve (JPDP)*; *Državni zavod za statistiku*.

Graph 83: Overview of investments by region in 2018



Source: *Ibidem*.

Again, as the above table show, in 2018 the highest investments were made in the Skopje region. This fact contradicts any rational and logical effort of the Government to eradicate regional disparities.

12.11 Total investments for the period 2009-2019

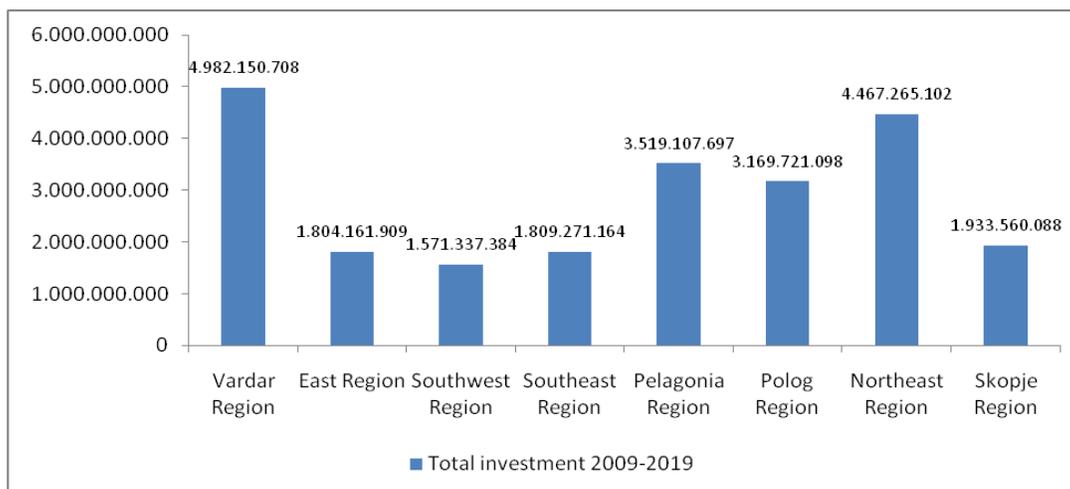
Table 65: Total investments per region, 2009-2019

Region	Total investments 2009-2019 (MKD)	Total number of projects per region 2009-2019	Percentage shares in investment by regions 2009-2019	Percentage shares in investments by regions 2009-2019	GDP growth per capita	Population growth rate
Vardar Region	4.982.150.708	290	21,42	12,91	5,55	0,01
East Region	1.804.161.909	294	7,76	13,08	6,73	-0,01
Southwest Region	1.571.337.384	280	6,76	12,46	4,07	0,20
Southeast Region	1.809.271.164	289	7,78	12,86	5,69	-2,43
Pelagonia Region	3.519.107.697	309	15,13	13,75	6,36	0,36
Polog Region	3.169.721.098	259	13,63	11,53	3,67	-0,39
Northeast Region	4.467.265.102	247	19,21	10,99	7,53	-0,04
Skopje Region	1.933.560.088	279	8,31	12,42	3,92	0,53
Total	23.256.575.149*	2.247			0,39	0,23
Average	2.907.071.894	281				
Standard Deviation	1.327.576.533	20				
Coefficient of variation	45,67%	7,05%				

Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, Ministarstvo za finansije (MF); Ministarstvo za transport i komunikacije (MTC); Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV); Ministarstvo za ekonomiju (ME); Ministarstvo za zivotnu sredinu i prostorno planiranje (MZSP); Agencija za finansisku podrsku poljoprivrede i ruralni razvoj; Agencija za podrsku turizma RSM; Agencija za podrsku preduzimatstva u RSM (APPRSM); Javno poduzece za drzavne puteve (JPDP); Drzavni zavod za statistiku.
*) No figures about the investment per region for 2010.

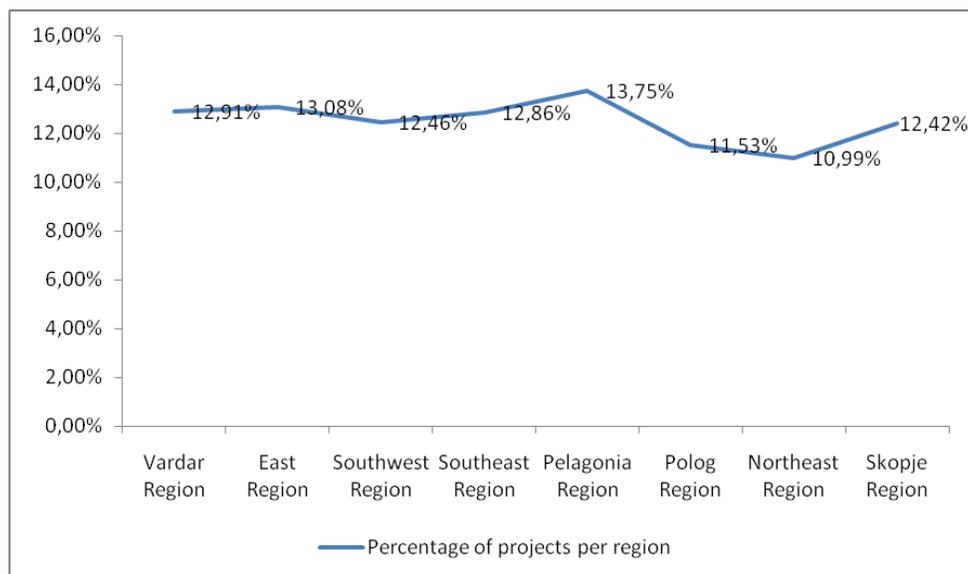
The total investment for period 2009 – 2019 were allocated in the Vardar region and the Northeast region (due to the Railway and Gasification capital projects). If the investment for these projects are taken out, then a substantial level of investment was allocated in the Skopje region. The consequences are obvious, and the Skopje region would gain further advantages in comparison to other regions.

Graph 83: Total investments by region in 2009-2019



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP)*; *Agencija za finansijsku podrsku poljoprivrede i ruralni razvoj*; *Agencija za podrsku turizma RSM*; *Agencija za podrsku preduzimasva u RSM (APPRSM)*; *Javno poduzece za drzavne puteve (JPDP)*; *Drzavni zavod za statistiku*.

Graph 84: Percentage shares in investments by region, 2009-2019



Source: Author calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 And 2018, *Ministarstvo za finansije (MF)*; *Ministarstvo za transport i komunikacije (MTC)*; *Ministarstvo za poljoprivredu, sumarstvo i vodoprivredu (MZSV)*; *Ministarstvo za ekonomiju (ME)*; *Ministarstvo za zivotnu sredinu i prostorno planirawe (MZSPP)*; *Agencija za finansijsku podrsku poljoprivrede i ruralni razvoj*; *Agencija za podrsku turizma RSM*; *Agencija za podrsku preduzimasva u RSM (APPRSM)*; *Javno poduzece za drzavne puteve (JPDP)*; *Drzavni zavod za statistiku*.

13. Evaluation of socio-economic development for period 2009 – 2018

Table 66 shows that total investments for the period 2009 to 2018 were distributed across the regions. Thus, the largest percentage of investments was allocated to the Northeast region with 16.01%. The lowest percentage was allocated to Skopje region (11.39%).

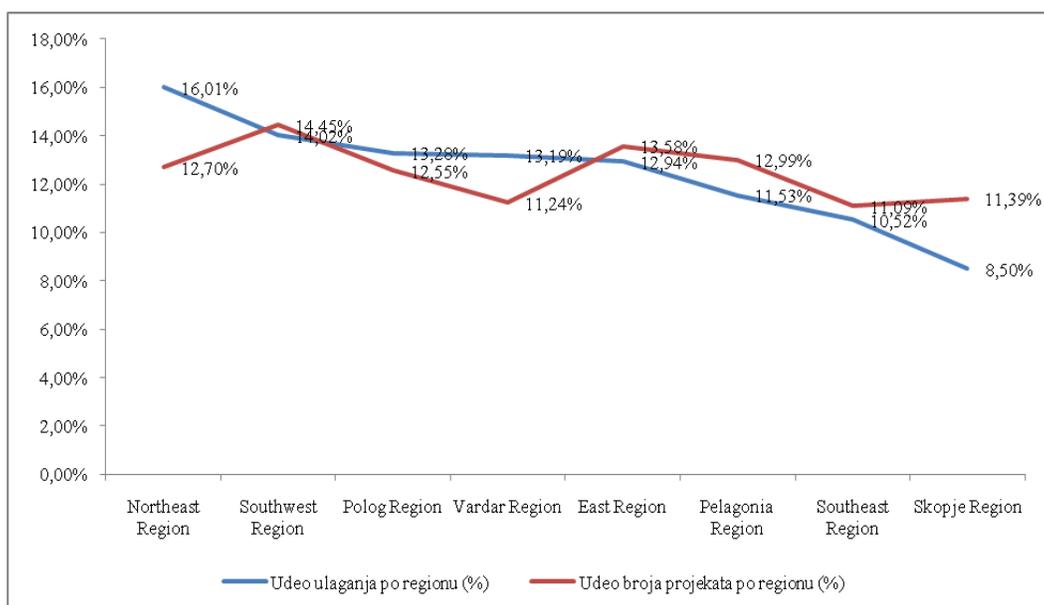
Table 66: Overview of total investments per regions for 2009– 2018

Region	Total investment 2009-2018.	Percentage of investments in the region	Total no. of projects	Percentage of projects in total number of projects	Average investments in the region	GDP per capita	Population growth rate
Northeast Region	210.145.104	16,01	87	12,70	42.029.021	5,55	0,01
Southwest Region	184.084.800	14,02	99	14,45	36.816.960	6,73	-0,01
Polog Region	174.352.252	13,28	86	12,55	34.870.450	4,07	0,20
Vardar Region	173.115.686	13,19	77	11,24	34.623.137	5,69	-2,43
East Region	169.797.687	12,94	93	13,58	33.959.537	6,36	0,36
Pelagonia Region	151.364.528	11,53	89	12,99	30.272.906	3,67	-0,39
Southeast Region	138.091.037	10,52	76	11,09	27.618.207	7,53	-0,04
Skopje Region	111.626.323	8,50	78	11,39	22.325.265	3,92	0,53
Total	1.312.577.417		685				
Average	164.072.177						
Standard deviation	30.072.621						
Coefficient of variation	18,33%						

Source: Author calculations based on the Ministry for Local Self-governance's Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018.

Coefficient of correlation between GDP per capita and Total Investment for period 2009 - 2018. is 0.24. This means a very weak or no relationships. The coefficient of determination is 0.05. It means that 5% of the GDP growth depends on investing and 95% is connected to some other factors. Graph 85 shows percentages of investment and number of the projects per region.

Graph 85: Overview of investments and number of projects per region for 2009-2018 in %



Source: Author's calculations based on the Ministry for Local Self-governance's Reports 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

The planning regions saw understandably their own regional development as the main priority. There are, however, benefits for all involved to increase synergy, promote interdependence and generate mutual benefits across regions. For example, the Development Program for the Skopje Planning Region 2015 – 2019 based on period 2008-2012, states on page 9, that the regional strategy was good. If the strategy was as good, than regional disparities should be more reduced – possibly in all aspects. Instead, the Skopje region, contributed 44.15% to the total GDP. The contribution was decreased from 45.56 % in 2008 to 42.37 % in 2011.

According to the final data of the State Statistical Office, the Skopje Region had the biggest share (42.8%) in the gross domestic product of the Republic of North Macedonia in 2017, while the Northeast Region had the smallest share (5.0%).

A higher gross domestic product per capita compared to the average of the Republic of North Macedonia was recorded in the Skopje Region, with an index of 141.8, Southeast Region with an index of 117.4 and Vardar Region with an index of 103.5. All other regions had gross domestic product per capita below the average of the Republic of North Macedonia. This report confirms our conclusion that Skopje is still the most developed region and that many differences have not narrowed.

In the same report, the section 1.4 Social Development, table 10, page 15 states, that the number of beneficiaries in both Macedonia and Skopje increases by the same percent for children who benefit from social assistance. This statement contradicts the previous claim that GDP in that period has increased or is it primarily an issue of insufficient social cohesion?

Annual regional reports from 2009 – 2018 and programs for development for both periods: 2009 – 2015 and 2015 – 2019 were written with different approach, changed methodologies and they do not have any evaluation for the previous and current years. There is no reporting methodology that monitors what happened after the achievement of a specific goal of the project. Most reports simply record what happened: cooperation with other ministries is clearly insufficient.

14. Findings and summary evaluation

For the overall evaluation all six OECD-DAC criteria have been included. The DAC Network on Development Evaluation contributes to better development results using evaluation to build a strong evidence base for policy making and for learning. See more: Evaluation of development programmes available at: <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

The tables below are used to consolidate the overall findings. Assumed understanding of the criterion is clarified with a brief definition. Each criterion was graded, though it should be recognised that scores might lead to an over-simplification of a complex reality, and with complex problems related to a given context.

The overall evaluation of impact resulting from the implementation of the North Macedonia Regional Strategy 2009 – 2019 in socioeconomic development is made using the OECD/DAC methodology.

1. The grading used is as follows:

Score	Qualitative	Interpretation
A	Very Good	Highly satisfactory, largely above average potentially a reference for good practice
B	Good	Satisfactory, with room for improvement
C	Problems	Issues to be addressed, otherwise overall performance of the Strategy may be negatively affected. Does not require major revision of the Strategy
D	Serious Deficiencies	Issues so serious that if not addressed, they could lead to failure of the Strategy. Major adjustments of the Strategy are necessary

1.1 RELEVANCE: IS THE INTERVENTION DOING THE RIGHT THINGS?

RELEVANCE: <i>The extent to which the intervention objectives and design respond to beneficiaries', global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.</i>				
Clarification: <p>“Respond to” means that the objectives and design of the intervention are sensitive to the economic, environmental, equity, social, political economy, and capacity conditions in which it takes place. “Partner/institution” includes government (national, regional, local), civil society organisations, private entities and international bodies involved in funding, implementing and/or overseeing the intervention. Relevance assessment involves looking at differences and trade-offs between different priorities or needs. It requires analysing any changes in the context to assess the extent to which the intervention can be (or has been) adapted to remain relevant.</p>				
Overall Assessment	A	B	C	D
		□		
<p>1. The Law established eight planning regions and defines the following policy stakeholders (Council for balanced regional development of the Republic of North Macedonia. Ministry of Local Self-Government; Councils for development of the planning regions) and operational stakeholders (Bureau for Regional Development; Centres for development of the planning regions, and Units of local self-government).</p> <p>2. The legal framework and institutional structure that was established as a result of the enactment of the Law (and which would have not existed without the Law) is the main</p>				

<p>factor that supports the successful implementation of regional development policy in Macedonia.</p> <p>3. Regional strategy for regional development 2009 – 2019 adopted.</p> <p>4. Feedback from visit and interviews: Willingness to work hard to improve practices and awareness of the need for change.</p> <p>5. The regional strategy’ vision and mission are missing a clear sense of branding, recognition, attractiveness or national and regional identification to promote economic and social stability, growth, prosperity, respect, togetherness and the well-being of the people.</p> <p>6. The strategy did not define strategy options for the nation’s economy, the regions or industry sectors.</p> <p>7. Strategic mapping was not used to identify the most important natural, cultural, historical heritage and economic potentials for the nation and for each region.</p> <p>8. It was a surprise to find that the names of the regions are neither logical, recognisable nor attractive. Thus, the regions were named using two criteria geographic identity (Northeast, East, Southeast and Southeast) and well recognised names (Skopje, Vardar, Polog and Pelagonia).</p> <p>9. The strategy priorities are defined in a very old and traditional approach without any connection to a new and environmental trend, digital economy (E-Commerce, E – Business, mobile technologies, digital marketing) or Artificial Intelligence. Regional priorities are rather general, and seem to be based on coal mining, mineral sources and primary sector industries.</p> <p>Based on the above, the implementation of the regional strategy was valid and relevant and marking grade is B.</p>
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1.2 COHERENCE: HOW WELL DOES THE INTERVENTION FIT?

COHERENCE: <i>The compatibility of the intervention with other interventions in a country, sector or institution.</i>				
<p>Clarification: The extent to which other interventions (particularly policies) support or undermine the intervention, and vice versa. Includes internal coherence and external coherence: Internal coherence addresses the synergies and interlinkages between the intervention and other interventions carried out by the same institution/government, as well as the consistency of the intervention with the relevant international norms and standards to which that institution/government adheres. External coherence considers the consistency of the intervention with other actors’ interventions in the same context. This includes complementarity, harmonisation and co-ordination with others, and the extent to which the intervention is adding value while avoiding duplication of effort.</p>				
Overall Assessment	A	B	C	D
			□	

1. 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 MLS and BfRD is far lower than the amount of the obligation. In the period between 2008 – 2013, MLS and BfRD have disbursed less than 0,04% from GDP to the regions. Since Percentage of GDP for regional development is decreasing to 0.03%.
2. Technical aspects for the ongoing assessment of planning documents were published in the Služben Vesnik, 31 January 2012, No. 13, p.113. Unfortunately, none of the Official Reports for regional development were assessed based on this document. Ongoing assessment should take into consideration the following elements (1) development area (Razvojna oblast), (2) strategic objective (Strateski cilj), (3) Priority (Prioritet) and (4) Measure (Merka). This approach was taken to evaluate the Strategy for Regional Development 2009 – 2019, which is not in line with final evaluation which was defined in the same document.
3. No Stakeholder's analysis was completed. It was a missed opportunity to clearly define the power and interest of the main players at national, regional and local level. Thus, it was not currently clear what the function and role of the line Ministries is in the allocation of investment for regional development.
4. Regional and operational pyramid or an organisational structure of the main players were not identified and legally defined. Still, the main regional players have no clear administrative, operational, functional, managerial line of responsibilities. The lines of flow of information, documents with lines of responsibility and decision-making process were not defined.
5. The Communication Plan was not written with clear objectives, content, responsibilities and timing.
6. Strategic mapping was not used to identify the most important natural, cultural, historical heritage and economic potentials for the nation and for each region.
7. Absence of basic data, and
8. Absence of annual indicator rankings.

Based on the above, the implementation of the regional strategy was not coherent and grading mark is C.

1.3 EFFECTIVENESS: IS THE INTERVENTION ACHIEVING ITS OBJECTIVES?

EFFECTIVENESS: <i>The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.</i>				
Clarification: Analysis of effectiveness involves taking account of the relative importance of the objectives or results.				
Overall Assessment	A	B	C	D
<ul style="list-style-type: none"> ▪ An assessment of the strategy implementation is not based on the Rule Book which was written to assess project success. Technical aspects for the ongoing assessment of planning documents were published in the Sluzben Vesnik, 31 January 2012, No. 13, p.113. ▪ Unfortunately, none of the Official Reports for regional development were assessed on the the Rule Book. Ongoing assessment should take into consideration the following elements (1) development area (Razvojna oblast), (2) strategic objective (Strateski cel), (3) Priority (Prioritet) and (4) Measure (Merka). Absence of consistent, logical and basic data per and for a whole country. ▪ Some regions are using SWOT analysis. Unfortunately, the main points are often generic, subjective and descriptive. Even, these findings were not used to define future regional strategies. Lack of knowledge to use models, techniques and tools for effective strategic planning. ▪ Absence of annual indicator results. ▪ Across all regional indicators and the output results are generic, descriptive and without any SMART indicators. ▪ Analysis and evaluation of the following documents: Ministry of Local Self-government's Reports for regional development 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, 2018 and 2019; Bureau for Regional Development's Reports for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, and 2018; Centres for development of the planning region's Yearly reports 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2017, 2018 and 2019; Centres for development of the planning region's Programs for development 2010 – 2015 for all eight regions, and Centres for development of the planning region's Programs for development 2015 – 2019 for all eight regions, shows, (1) that the above documents did not have any form of assessment, analysis or evaluation, and (2) there are no any critical observation, or recommendations for the future about resources, projects, investment and implementations. <p>Based on the above, the implementation of the regional strategy was not effective and grading marks is D.</p>				

1.4 EFFICIENCY: HOW WELL ARE RESOURCES BEING USED?

EFFICIENCY: <i>The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.</i>				
Clarification: “Economic” is the conversion of inputs (funds, expertise, natural resources, time, etc.) into outputs, outcomes and impacts, in the most cost-effective way possible, as compared to feasible alternatives in the context. “Timely” delivery is within the intended timeframe, or a timeframe reasonably adjusted to the demands of the evolving context. This may include assessing operational efficiency (how well the intervention was managed).				
Overall Assessment	A	B	C	D
				□
<ol style="list-style-type: none"> 1. Ministry of Regional Development and Local Self-Government reports show slow, unequal and unstable improvements. The regions of Skopje, Southeast and Vardar regions are above average and the rest of the regions, especially Southwest, Northeast and Polog were improving but still significantly behind the average. 2. Allocation of the investment in the regions were similar and there is no logical relationships between investment and population per region. 3. The correlation coefficient for the average Gross value-added, by sector of activity and Total Investments by Regions, the correlation coefficient is -0.21. The relationship is very weak and inverse. Also, for the correlation coefficient for the average Gross value-added, by sector of activity and the number of projects is 0.07, there is no relation at all. In economics, gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. Our analysis shows that neither total investments nor the number of the projects increased proportionally the value of goods and services produced in an area, industry or sector of the regional economy. 4. The scatter plot as a graph shows the values of two variables are plotted along two axes, the pattern of the resulting points revealing any correlation present. The assumption is that the independent variable causes the dependent variable to change. None of the calculated scatter plot shows any correlations between analysed indicators of regional development. 5. Some Regional reports shows pattern in presenting project implementation in form: Middle term goal – Priority – Merka (measurement) – Activities – Finance source – Time – Indicators Main goal and that is fine. Unfortunately, in both Yearly reports and Programmes for future development there are no any real and measurable indicator for the project, output results, partners or citizens satisfaction. 6. It is the evident and staggering absence of basic data on indicators, analysis and evaluation or any relevant and valid recommendation in any of the Reports for further improvements. 7. Absence of annual and middle- term indicator rankings. 				
Based on the above, implementation of the regional strategy was not efficient and grading mark is D.				

1.5 IMPACT: WHAT DIFFERENCE DOES THE INTERVENTION MAKE?

IMPACT: <i>The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.</i>				
<p>Clarification:</p> <p>Impact addresses the ultimate significance and potentially transformative effects of the intervention. It seeks to identify social, environmental and economic effects of the intervention that are longer term or broader in scope than those already captured under the effectiveness criterion. Beyond the immediate results, this criterion seeks to capture the indirect, secondary and potential consequences of the intervention. It does so by examining the holistic and enduring changes in systems or norms, and potential effects on people’s well-being, human rights, gender equality, and the environment.</p>				
Overall Assessment	A	B	C	D
				□
<ol style="list-style-type: none"> 1. The impact of the regional policy on GDP is weak or non-existent. None of the GDP elements were affected including – Consumption, Investment, Government investment, or Export and Import. 2. Coefficient of correlation between GDP per capita and Total Investment for period 2009 - 2018. is 0.24. This means a very weak or no relationships. The coefficient of determination is 0.05. It means that 5% of the GDP growth depends on investing and 95% is connected to some other factor. 3. Lack of recommendations for improvement, innovation and improvement are critical. 4. Impact of funded projects are not measured, assessed, analysed or evaluated. 5. Impact could not be measured without rigorous and effective data base. 6. Absence of annual indicator rankings to assess, analyse and evaluate impact of regional strategic, tactical and operational activities. <p>Based on the above, implementation of the regional strategy impact was a weak or non-existent and grading mark is D.</p>				

1.6 SUSTAINABILITY: WILL THE BENEFITS LAST?

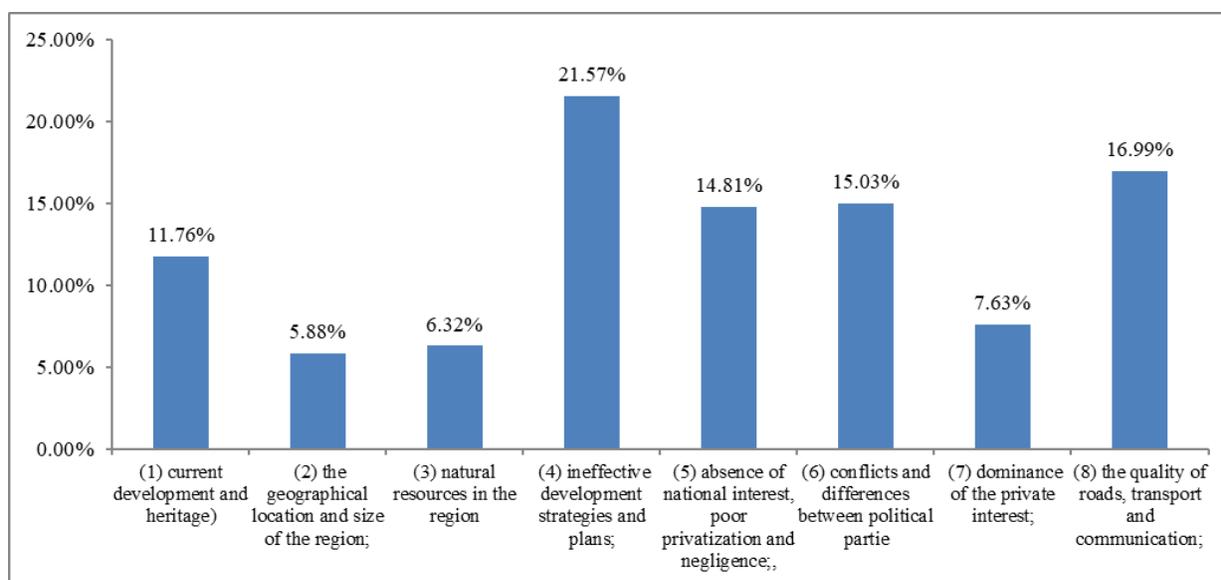
SUSTAINABILITY: <i>The extent to which the net benefits of the intervention continue or are likely to continue.</i>				
Clarification: Includes an examination of the financial, economic, social, environmental, and institutional capacities of the systems needed to sustain net benefits over time. Involves analyses of resilience, risks and potential trade-offs. Depending on the timing of the evaluation, this may involve analysing the actual flow of net benefits or estimating the likelihood of net benefits continuing over the medium and long-term.				
Overall Assessment	A	B	C	D
				□
<ol style="list-style-type: none"> 1. Coordination and overlapping between political, social, environmental system and strategic needs of the country is not strong and coherent. 2. The main stakeholders and especially the line ministries are not directed towards strategic common goals and strong regional development mission and vision. 3. Strategic and operational responsibilities and objectives are not clearly assigned so that the main stakeholders understand their roles within the strategy and can take responsibility for or ownership of specific strategic tasks and outcomes. 4. Effective people management is a critical issue in the successful implementation of the strategy. The work of the main regional policy and operational stakeholders need to be aligned with the strategy implementation so that their efforts contribute to the achievement of regional objectives. 5. Cross-regional and cross-border coordination and cooperation in regional implementation exists, but official reports did not measure the effects in terms of suggested indicators. 6. Awareness on sustainability and environmental issue must be radically improved and get support from international organisations. 				
Based on the above, implementation of the regional strategy sustainability is weak and grading mark is D.				

15. Evaluation of Survey Results

The main survey findings on the reasons identified by respondents for regional disparities are the following: (1) ineffective development strategies and plans; (2) the quality of roads, transport and communication; and (3) conflicts and differences between political parties and lack of national interest, poor privatization and negligence.

On the highest expectations and benefits from the stable and balanced regional development, the most frequent replies were given in the following options: (1) stable growth and development of society and economy; (2) a better standard of living; (5) more efficient and better education, health and other public sector services and (3) increase in employment.

Summary of the answer on the question about the main reasons for the disproportion and inequality in the development among the regions is presented below in the graph .



The largest share of selected reasons for the disproportionate development of the regions are: ineffective development strategies and plans; the quality of roads, transport and communication; conflicts and differences between political parties and lack of national interest, poor privatization and negligence.

The summary of the views on the main reasons for the regional disparity per region are given in the table below:

Region	(1) current development and heritage	(2) the geographical location and size of the region;	(3) natural resources in the region	(4) ineffective development strategies and plans;	(5) absence of national interest, poor privatization and negligence;	(6) conflicts and differences between political parties	(7) dominance of the private interest;	(8) the quality of roads, transport and communication;
Skopje	10,40%	6,93%	4,46%	21,29%	15,35%	17,33%	8,42%	15,84%
Polog	10,87%	6,52%	15,22%	19,57%	15,22%	10,87%	4,35%	17,39%
Northeast	8,70%	0,00%	4,35%	21,74%	10,87%	15,22%	13,04%	26,09%
Vardar	19,05%	0,00%	0,00%	33,33%	19,05%	14,29%	0,00%	14,29%
East Region	15,79%	7,89%	7,89%	23,68%	5,26%	10,53%	7,89%	21,05%
Pelagonia	16,67%	4,17%	8,33%	12,50%	12,50%	20,83%	16,67%	8,33%
Southeast	19,05%	4,76%	11,90%	16,67%	16,67%	7,14%	4,76%	19,05%
Southwest	5,00%	10,00%	2,50%	27,50%	22,50%	17,50%	2,50%	12,50%

If we consider respondents' answers by region for reasons of disproportionate regional development, respondents from 5 regions see ineffective development strategies and plans as the main reason. As the most common reasons, besides ineffective development strategies and plans, respondents state: conflicts and differences between political parties and the quality of roads, transportation and communication, absence of national interest, poor privatization and negligence.

The most important reasons for regional disparities are identified by individual regions as follows:

Skopje: (4) ineffective development strategies and plans; (6) conflicts and differences between political parties; (8) the quality of roads, transport and communication; (5) absence of national interest, poor privatization and negligence.

Polog: (4) ineffective development strategies and plans; (8) the quality of roads, transport and communication; (3) natural resources in the region; (5) absence of national interest, poor privatization and negligence.

Northeast: (8) the quality of roads, transport and communication; (4) ineffective development strategies and plans; (6) conflicts and differences between political parties; (7) dominance of the private interest.

Vardar Region: (4) ineffective development strategies and plans; (1) current development and heritage; (5) absence of national interest, poor privatization and negligence; (6) conflicts and differences between political parties; (8) the quality of roads, transport and communication.

East Region: (4) ineffective development strategies and plans; (8) the quality of roads, transport and communication; (1) current development and heritage; (6) conflicts and differences between political parties.

Pelagonia: (6) conflicts and differences between political parties; (1) current development and heritage; (7) dominance of the private interest; (4) ineffective development strategies and plans.

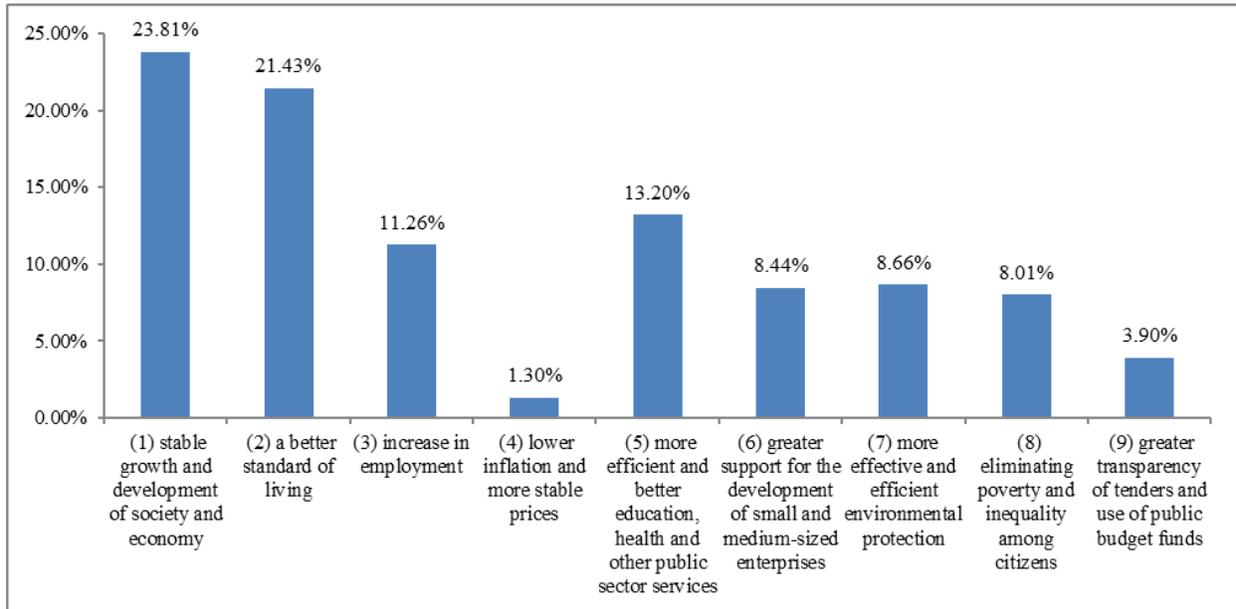
Southeast: (1) current development and heritage; (8) the quality of roads, transport and communication; (4) ineffective development strategies and plans; (5) absence of national interest, poor privatization and negligence.

Southwest: (4) ineffective development strategies and plans; (5) absence of national interest, poor privatization and negligence; (6) conflicts and differences between political parties; (8) the quality of roads, transport and communication.

If they were to be divided by ethnicity (only Macedonian and Albanian entities were observed) for both entities, the reasons for disproportion are almost the same, and the most important two reasons are: (4) ineffective development strategies and plans; (8) the quality of roads, transport and communication.

Regarding gender responses for men, there are two main reasons: (8) the quality of roads, transportation and communication and (4) ineffective development strategies and plans, while for women, there are the following two most important reasons: (4) ineffective development strategies and plans and (6) conflicts and differences between political parties.

Summary of the answers on the question - What are your personal priorities, expectations and benefits of a stable, balanced and sustainable development of the region? are presented below in the graph.



From the above graph we can see that the highest expectations and benefits in the opinion of the respondents are: (1) stable growth and development of society and economy; (2) a better standard of living; (5) more efficient and better education, health and other public sector services and (3) increase in employment.

The structure of expectations by regions can be seen in the table below:

Region	(1) stable growth and development of society and economy	(2) a better standard of living	(3) increase in employment	(4) lower inflation and more stable prices	(5) more efficient and better education, health and other public sector services	(6) greater support for the development of small and medium-sized enterprises	(7) more effective and efficient environmental protection	(8) eliminating poverty and inequality among citizens	(9) greater transparency of tenders and use of public budget funds
Skopje region	22,11%	19,60%	14,57%	2,51%	13,57%	7,54%	8,04%	8,04%	4,02%
Polog region	27,08%	31,25%	2,08%	0,00%	8,33%	8,33%	8,33%	14,58%	0,00%
Northeast region	18,75%	20,83%	6,25%	2,08%	16,67%	6,25%	12,50%	10,42%	6,25%
Vardar region	28,57%	4,76%	4,76%	0,00%	28,57%	14,29%	9,52%	0,00%	9,52%
East region	28,21%	28,21%	10,26%	0,00%	15,38%	7,69%	5,13%	2,56%	2,56%
Pelagonia region	30,43%	13,04%	26,09%	0,00%	4,35%	17,39%	8,70%	0,00%	0,00%
Southeast region	23,81%	19,05%	14,29%	0,00%	11,90%	9,52%	9,52%	7,14%	4,76%
Southwest region	23,81%	28,57%	4,76%	0,00%	9,52%	7,14%	9,52%	11,90%	4,76%

The table shows that respondents' expectations differ by region, so we have the following structure of expectations by region:

Skopje region: (1) stable growth and development of society and economy; (2) a better standard of living; (3) increase in employment; (5) more efficient and better education, health and other public sector services.

Polog region: (2) a better standard of living; (1) stable growth and development of society and economy; (8) eliminating poverty and inequality among citizens.

Northeast region: (2) a better standard of living; (1) stable growth and development of society and economy; (5) more efficient and better education, health and other public sector services; (7) more effective and efficient environmental protection.

Vardar region: (1) stable growth and development of society and economy; (5) more efficient and better education, health and other public sector services; (6) greater support for the development of small and medium-sized enterprises.

East region: (1) stable growth and development of society and economy; (2) a better standard of living; (5) more efficient and better education, health and other public sector services.

Pelagonia region: (1) stable growth and development of society and economy; (3) increase in employment; (6) greater support for the development of small and medium-sized enterprises.

Southeast region: (1) stable growth and development of society and economy; (2) a better standard of living; (3) increase in employment; (5) more efficient and better education, health and other public sector services.

Southwest region: (2) a better standard of living; (1) stable growth and development of society and economy; (8) eliminating poverty and inequality among citizens.

If we divide the base by gender, we find that there is no difference in expectations between men and women.

The survey results actually confirm the reports' findings and evaluations.

16. Summary Evaluation

- (1) When evaluated by the criteria of the OECD/DAC Quality Standards and Development Evaluation, the overall performance of the system of resolving economic disparities in North Macedonia cannot be graded particularly favourably – in spite of positive results in several domains.
- (2) Coefficient of correlation between GDP per capita and Total public regional development Investment for period 2009 – 2018 is only 0.24. This means a very weak or no relationship. The coefficient of determination is 0.05, which means that 5% of the GDP growth depends on investing and 95% of it is connected to some other factors.
- (3) A correlation between the total investment in the region and the main macroeconomic indicators (Gross domestic product per capita, Unemployment, Inflation, Exports, Imports and Net direct investments) as dependent variables, are weak or nonexistent. Only GDP growth and Direct investment has moderate correlations. The figures show that in almost every year, the largest investments were in the Northeast, Vardar and Southwest regions.
- (4) North Macedonia needs to define, brand and promote effective, logical regional development in the best interest of all people the country. It could be inspired by Wellbeing models like in **Scotland** (https://nationalperformance.gov.scot/sites/default/files/documents/NPF_Scotland%27s_Wellbeing_May2019.pdf) or **Sweden** (<https://www.weforum.org/agenda/2019/05/sweden-is-a-top-performer-on-well-being-here-s-why/> [Accessed: 06 March 2020]). These systems are able to motivate and engage the whole nation to work hard towards better and more prosperous future, and create more balanced conditions in their regions.
- (5) The existing macro-economic regional indicators are of limited value, as they are difficult to be related to the projects. Thus, it is important that the Government redefines and accepts the **OECD Regional Well-Being Indicators** where each region will be measured in eleven topics important for well-being. The values of the indicators are expressed as a score between 0 and 10. A high score indicates better performance relative to the other regions. The OECD indicators assess: **(1) Quality of life** by following indicators: Health status; Work-life balance; Education & skills; Civic engagement and governance; Environment quality, Personal security and Subjective well-being, and **(2)**

Material conditions by following indicators: Income and wealth; Jobs and earning, and Housing. See more: <https://www.oecd.org/statistics/measuring-well-being-and-progress.htm>

- (6) The set of existing regional macro-economic indicators should be aligned with the EU and OECD economic and social indicators. The **OECD economic indicators** are: (1) Balance of payments; (2) Business tendency and consumer opinion surveys; (3) Composite leading indicators; (4) Financial statistics (exchange rates, interest rates, monetary aggregates); (5) Industry (orders, production, sales, work started); (6) International trade (imports, exports, trade balance); (7) Labor market statistics (unemployment rate, employment, active population by age); (8) Consumer price indices (inflation rate); (9) Producer price indices; (10) Purchasing power parities (PPP); (11) Comparative price level (updated once a month); (12) Quarterly national accounts (GDP, GDP growth rates, GDP per capita).
- (7) And the **OECD Social Indicators** are: (1) Poverty rate; (2) Inequality rate; (3) Educational attainment; (4) Life expectancy; (5) Employment and unemployment rates; (5) Obesity rate; (6) Fertility rate, and (7) Health expenditure. See more: **Society at a Glance 2019**, available at <http://www.oecd.org/social/society-at-a-glance-19991290.htm> and Social indicators, available at <https://unstats.un.org/unsd/demographic/products/socind/>
- (8) Relevant and valid national reports and programs did not have **any form of assessment, analysis or evaluation**, and there is no critical observation, or sufficiently elaborated recommendations for the future about resources, projects, investments and implementation. This is the most critical, urgent and important issue that must be addressed and improved by the Government of the Republic of North Macedonia together with the Ministry of Local Self-Government, as soon as possible.

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(B) EVALUATION OF ENVIRONMENTAL ASPECTS

Prof. Dr. Nigel Carter

Context

It is important that, before reading the observations from the evaluation, the ambitions outlined in the original *Regional Development Plan 2009-2019*, are highlighted.

The first reference to **Environment** occurs in the *Introduction*, when environmental protection is referred to as a component of the *Principle of Sustainability* (p8) and responsibility for the collation of relevant environmental data is allocated to the State Statistical Office (p9), suggesting that this was a topic for special attention.

The *Introduction* (p12) to *Part 1, Development Features of the Planning Region, Section 1*, then refers to *basic features of the planning regions and some aspects in terms of environmental protection*. In the subsequent section, specifically dedicated to commentary on *Environmental Protection* (p16), *limited identifiable data on a regional basis prevented the performance of a detailed analysis* provokes anxiety as to extent to which improvement in environmental indicators is likely to be achieved. The subsequent headlines, based then on the Spatial Plan of the Republic of Macedonia, identify largely generic issues around soil quality particularly, air quality and, in specific locations, the threat from untreated wastewater. The need (p17) is then discussed for *more detailed studies conducted on a solid statistical basis*.

It is page 50 before the strategy document then discusses in any detail shortcomings in the availability of fresh water – satisfactory except for significant ‘hotspots’ of shortage - and the significant inconsistency even paucity of wastewater treatment. The subsequent statements concerning waste management and landfill availability suggest that water and waste management represent key priorities for action but which is unspecified.

It is in *Section 3, Strategic Objectives and Priorities, Priority 1.2 Developing Modern and Contemporary Infrastructure* (p 61) that unspecified objectives are set for wastewater treatment and waste management. Coincidentally, while discussing the latter, the text refers to *standards*, but does not reference the standard which are to apply.

Priority 1.7, Environmental Protection in the Planning Regions again makes reference to *implementing standards and securing mechanisms* to support environmental protective measures and improvements but fails to discuss what, typically, standards and mechanisms may be appropriate.

Finally, *Annex 1 (p 86)* identifies the *List of Indicators for Monitoring of Strategic Objectives and Priorities* in which four vague indicators are identified.

The outstanding conclusion in regard to environmental improvement and protection is that the references to this are conditional or equivocal and lacking in specificity which suggests a lack of commitment or, perhaps more particularly, a lack of understanding of the contribution that active ambition in the discipline can bring to community well-being, population retention and the essential adaptation to the growing threat from climate change.

This is most immediately confirmed in the report *Analysis 2014*, which identifies in the *Mid-Term Evaluation (p 11)*, an extremely modest *average index of impact of the implementation* at 0.10!⁶

There follows immediately a statement to the effect that *the low level of implementation of the programs is due to several reasons. On the one hand, it is the lack of system for better coordination between all stakeholders in the planning process and the process of allocation of funds for regional development, which prevents their distribution following the development levels of the planning regions. On the other hand, the low level of funding of the balanced regional development allocated in the budgets of MLS and BfRD does not enable serious progress and full implementation of the Programs.*

Further fragility in the Ministry's approach comes a few paragraphs later (p 12) with a statement suggesting another structural problem in agreeing objectives, stating that the *non-existence of a system for improvement of the coordination between all ministries in the process of planning of the funds for balanced regional development and their distribution according to the level of development of the planning regions on one side and low amount of funds for balanced regional development though the MLS and BfRD.*

⁶ Possible index values are between -2 equalling high negative impact; and 2 equalling high positive impact

More weakness in the process is identified in chapter 4.2 *Tasks of Centers for Regional Development*, where it states that *for each of the CRDs, the strategic plans include a listing of what they are currently doing and what they are not doing but they should.*

The concluding section, 4.7.2 *Recommendations*, addresses proposals for structural and bureaucratic improvement but nothing in this document provides statistical or anecdotal evidence of specific environmental performance improvement projects nor any specific recommendations as to how environmental protection might be reinforced.

Executive Summary

- There is a need for greater devolution of responsibility for environmental protection within ministries. A wider understanding of and appreciation for the environment is needed outwith the technical experts.
- Funding is critical to stabilising the decline in protection both for public health and biodiversity.
- A mechanism for supporting Councils for Regional Development must be found to assist them in developing their understanding of the environment, the need for its protection and the creation of projects which have, at their heart, key actions to preserve and protect the environment.
- A need for acceptance of communities' perception of environmental protection as a key priority throughout the regions

Narrative

The absence from ministry sources of both statistical and anecdotal evidence on which to base comment provides difficulties. The following commentary is, therefore, based primarily on statements from both the July 2014 document *Analysis of the experiences of implementation of the policy for balanced regional development in Macedonia (a two way perspective - national and regional)* and the February 2019 UNECE document *Environmental Performance Reviews, North Macedonia (3rd Review) (EPRNM)*.

Critical to the success of environmental protection is the policy and regulatory context in which work is undertaken. **EPRNM**, in *Part 1.1, Environmental Governance and Financing*, highlights a suite of laws providing the regulatory context for the management of climate change, water and wastewater management, waste and waste management, air quality, dangerous chemical, industrial effluents, noise, biodiversity, environmental crime and so on. Many of these are understandably modelled on current European Community regulations and directives and contain appropriate proposals for action to be taken to fulfil obligations. The most recent evidence discussed in **EPRNM** suggests that these ambitions have not been fulfilled because of the absence of baseline data, the incompleteness of essential studies such as Strategic Environmental Assessments and the lack of cohesion between ministries and in trans-boundary issues.

An example of the effectiveness of regulation is the case precedent set in the event of prosecution. Neither **EPRNM** nor the **2014 Analysis** identify any events for which prosecution has been pursued. Notwithstanding the responsibility of the Ministry of Environment and Spatial Planning for environmental protection, the 2014 separation of the Strategic Environmental Inspectorate has not, on the evidence given in the **EPRNM**, brought forward more in the way of objective management and performance improvement. Figure 1.1 (p27) in the **EPRNM** identifies the Ministry's structure, which offers portfolios appropriate to the management of key environmental issues but the subsequent text (p28) identifies a lack of awareness (of Sustainable Development Goals) - <https://www.un.org/sustainabledevelopment/sustainable-development-goals/> - and a lack of both financial and (competent) human resources with which to both build capacity and understanding of environmental issues and manage implementation of good practice and monitor performance.

The National Environmental Investment Strategy 2009-2013 (NEIS) provided some critical insights into the need for investment, whether directly funded or support by external grants and loans and key locations in which investment was to be made. The strategy made several key commitments, including:

- i. In regard to communal services, it was proposed that EUR 25 million from World Bank funding was to be shared among the municipalities for the *improvement of water supply*

systems, sewerage systems, waste systems, street lighting and the cleaning of parks and streets.(p32)

- ii. in regard to waste management, *support for the municipalities by providing technical assistance (quality management approach) to assist in the process of establishing municipal waste management (p36)*
- iii. in regard to institutional strengthening, a need was identified for additional staff and their training (p 51).

No evidence is offered to suggest the scale of delivery or success of these initiatives in circumstances where the project survey results suggest they would have been well-received within the regions.

Water

The ***Regional Development Strategy 2009-2019*** identifies in Table 2 (p14) access to water available to all regions, although no indication is given as to capacities or rates of/potential for replenishment. It does, however, point (p17) to existing threats to the quality of water in a significant number of key sources, e.g. Vardar, Crna Reka, Bregalnica Strumica, Pcinja, Crn Drin and Treska, citing industrial pollution and the *absence/obsolescence/misuse of communal and industrial waste water treatment systems* as key sources of threat. While the country overall has reasonable high levels of access to clean water, a number of communities rely on imported water and waste and leakage characterise significant elements of the supply system. Thus, ***Priority 1.2*** (p60) of the ***Regional Development Strategy 2009-2019*** identifies the *reconstruction, modernisation and expansion of water supply systems* as a key objective. ***Priority 1.7 Environmental Protection in the Planning Regions*** (pp66-67) then identifies the adoption of (unspecified) standards by industry as a key to the prevention of further degradation in groundwater and surface water quality.

While no statistical information is available, the 2014 ***Analysis*** states only that *To date, only funds from the support programme in the MLS and the BfRD, together with the Programme for water supply and waste water collection systems (financed from the loan from EIB and managed by the Ministry for Transport and Communications) are distributed according to the level of*

development of the planning regions. However, the **EPRNM** is more specific in its Executive Summary where, under ***Greening the Economy*** (page xxviii), it *regrets the absence of cost-reflective tariffs* which would enable water companies to recover more fairly the cost of repair and maintenance of existing supply facilities and in the development of additional and more modern ones. Meanwhile (page xxix), the review laments the decline in the effectiveness of the monitoring networks for ground and surface-water and the fact these ***do not meet the requirements of national water-related legislation***⁷. In discussing water management generally (page xxxiv), the review identifies the threat of decreasing supplies of clean water in the country.

EPRNM Chapter 9, Water Management provides a comprehensive insight into water availability, quality and monitoring and the impacts of key commercial sectors such as mining and **agriculture**.

Wastewater

The **2009-2019 Regional Development Strategy**, in discussing ***Environmental Protection (p16)***, identifies the unfavourable quality of wastewater in eight major cities and the permanent deterioration of water quality in several significant water courses. Much of this is attributable to contaminated water run-off from mining, agriculture and associated industrial activities, as well as the absence of or poorly maintained industrial and community waste-water treatment facilities.

More detailed discussion (p 50) on ***Waste-water canalisation and treatment*** highlights further the significant absence of waste-water treatment in most rural communities and the general extent to which untreated wastewater is *released directly into the recipient, undergoing no treatment whatsoever*.

Priority 1.2 Delivering contemporary and modern infrastructure in the planning regions (p 61) discusses non-specific ambitions for the construction and modernisation of systems for waste-water collection and treatment across the planning regions. This is re-emphasised (p 66) when discussing measures for environmental protection.

⁷ EPRNM cites (p 122) *At November 2018, only 65 (out of 110 surface monitoring) stations are still in operation. Barely one third of ground water monitoring stations is operational (p 124)*

It is unfortunate that, in the *Analysis 2014 (p 9)*, a fragility in the ambition is revealed when the report states *only funds from the support programme in the MLS and the BfRD, together with the Programme for water supply and waste water collection systems (financed from the loan from EIB and managed by the Ministry for Transport and Communications) are distributed according to the level of development of the planning regions*. This suggests some exclusivity in the availability of funds while not necessarily targeting locations of greatest need or where the greatest value from the investment might be obtained.

In **EPRNM, Chapter 2, Regulatory and Compliance Assurance Mechanisms (p 43)**, the issue of waste water discharge permits, a vital part of the control of discharges and the notification of emission limit values (ELVs), is discussed. The statement indicates the increase in number of the permits issued but, notwithstanding their validity – 2-10 years or even longer -- it is not clear whether these are new or re-newed permits. It is important that successive permits bring with them the expectation of reduced discharges of contaminating material or, indeed, the expectation of industrial action to install water treatment facilities offering the recovery and treatment of such contaminating materials. The subsequent discussion – **Chapter 3, Greening the Economy (p 59)** – identifies the charging regime for permits but is unclear as to whether the polluter genuinely pays the true cost and that fees recovered genuinely contribute to a pool of funding for the improvement of wastewater treatment. Confirmation comes (p63) later that the modernisation and development of wastewater treatment is a high priority – that the national coverage for wastewater treatment is identified as 12.5% (p49) would merely confirm this.

In the subsequent *2014 Analysis*, mention is briefly made that *To date, only funds from the support programme in the MLS and the BfRD, together with the Programme for water supply and waste water collection systems (financed from the loan from EIB and managed by the Ministry for Transport and Communications) are distributed according to the level of development of the planning regions*.

Notwithstanding the generally disappointing national performance, the Government of North Macedonia has engaged a EUR60 million loan facility from the European Bank for Reconstruction and Development (EBRD) (<https://www.ebrd.com/work-with-us/projects/psd/grcf2-w2-skopje-wastewater-project.html> - November 2019) for the development of a waste water treatment plant with the objective of *helping to reduce environmental pollution*

in the Vardar River and the surrounding areas, linked to the current lack of wastewater treatment. As such, the Project is of unique national, regional and environmental importance for North Macedonia. This would, according to **the National Environmental Investment Strategy (2009-13)**, bring in the project some seven years after it was projected and at a significantly higher cost than envisaged.

Solid Waste and Solid Waste Management

Prior to the publication of the **2009-19 Regional Development Strategy**, the ***National Waste Management Plan (2009-15) (NWMP)*** (p 6) identified the *national* waste management system as *sub-standard, inefficient and hampered by serious organisational and technical deficiencies*...and identified ten priorities intended to improve human behaviours and funding streams and deal with key behaviours currently resulting in pollution and risks to health. The principle objective was to establish a *sustainable, functioning waste management structure* and the document identified potential financial needs of nearly Euros (€)200 million. Paragraph 2.1.3 (p24) provides a hierarchical schematic of the European Union's Framework Legislation to which the **NWMP** identifies the national aspirations.

Table 1 (p28) in the **NWMP** gives estimates of the categories of waste potentially identifiable for the year 2005. Of the 26,200,000 tonnes of waste, less than 1 million tonnes was identified as mainstream waste from residential properties. By far the biggest element of waste was the 17.7 million tonnes from extractive industries. The implications for the mass of industrial waste disposed of in unprotected landfill and water ways is indicative of the seriousness of the problems of polluted waterways and, in the longer term, polluted land and danger to biodiversity. Section 2.5(pp 28-34) then catalogues the principal waste streams and the potential for recovery and treatment of these. In section 2.8 (p40), there is, perhaps, the most damning of statements about the *status quo* more than ten years ago - *An analysis of these problem areas shows that the present waste management situation in Macedonia can be characterised as sub-standard regarding human and financial resources, insufficient and inefficient regarding cost recovery and investments; there is also present the lack of the common national model for determination of the waste cost-tariff, cost monitoring and enforcement. Many initiatives and actions seem to be hampered by serious political and social lackings (like execution of enforcement, stakeholders*

consultations, public awareness) resulting in various dysfunctional systems in society and in many related negative effects on the environment and public health.

Section 3.2, tables, 6,7 and 8 (pp 46-48) do give some very clear, six-year objectives for improving the circumstance and table 14 (p76) proposes a structure for waste management responsibilities – vested largely in relevant ministries with some delegated responsibility to the municipalities and regions – and the relevant resources required. Table 15 of the **NWMP** (pp 89-101) identified a six-year action plan with identified responsibilities and potential costs. No mention is made of the Ministry for Local Self Government and, in its 2019 publication, chapter 1 (p18) of the **EPRNM** confirms that no evaluation of this action plan has been undertaken.

Confirmation of many of the problems is acknowledged in the **2009-19 Regional Development Strategy** (p 50), which identifies *52 landfills or so-called municipal landfills*, of which one is acknowledged as having anything approaching modern design characteristics. Subsequently, **Priority 1.2 (p 59) Developing contemporary and modern infrastructure in the planning regions** identifies the absence of modern landfill facilities as a major concern. However, **Analysis 2014** observed that *The CRD as a regional body represents an optimal entity for coordination of various initiatives that require regional operations such as regional waste management*. However, there is little evidence to suggest that any CRD undertook waste management as a potential challenge.

Climate Change

North Macedonia is a signatory to the Kyoto Protocol and maintains a reporting regime. However, **EPRNM** notes (p xxxi) an absence of appropriate tools with which to combat the effects of climate change.

The Regional Development Strategy 2009-19 makes no overt reference to the challenges of climate change however, in *Part 1 Environmental finance and governance*, the **EPRNM (p10)** notes limited legislation on climate change, discussing the now obsolete Clean Development Mechanism (CDM), some planning documentation and preparations for a national inventory of Greenhouse Gases. Reference was made to a 2018 EU review, in which more progress was sought on emissions monitoring and reporting, with weak capacity for implementation

mentioned. This is illustrated by reference to the late adoption (2018) of the *2014-20 Strategy on Environment and Climate Change* which, while identifying key issues and objectives, fails to allocate responsibility for the relevant action.

Chapter 7, Climate Change of the EPRNM provides a comprehensive analysis of North Macedonia's understanding of and achievements in addressing climate change, highlights of which could be the *Resilient Skopje* initiative and the USAID-financed *Municipal Climate Change Strategies* project being undertaken in eight municipalities. **EPRNM** summarises the status in addressing climate change by saying (p167) *Currently, North Macedonia does not have a national strategy on climate change adaptation and mitigation. Climate change concerns are at least nominally included in most important national policies and plans.*

Biodiversity

The Regional Development Strategy 2009-19 discusses in only generic terms its *natural resources* with little specific comment about 'species, flora, fauna, wildlife or animal life' and refers to this in the context of its several national parks and, particularly Lake Ohrid. The term *biodiversity* appears to have been used only once – *Priority 1.7 Environmental protection in the planning regions (p67)* - where reference to *biodiversity protection (all planning regions)* can be found. **Analysis 2014** makes no mention of the topic at all.

EPRNM provides a more detailed review of the national approach to biodiversity but concludes that the existence of the National Biodiversity Strategy and Action Plan, insufficient resources are deployed to monitor performance and behaviours and, as a result, biodiversity is being lost both to anthropogenic behaviour and the advancing impacts of climate change.

Conclusion

Analysis of national documents reveals no lack of technical awareness in regard to environmental protection nor, indeed, the relevant administrative skills in developing the appropriate policies and legislation. However, little connection is made in bringing this knowledge and policy in environmental protection into the specific roles and responsibilities of

the Ministry for Local Self Government or, indeed, promoting influence with Councils for Regional Development.

In discussing the need for investment in environmental protection, **EPRNM** in para 3.4 (p 69) states that *The National Strategy for Environmental Investment 2009-2013* concluded that *by far the largest investments were needed in the areas of IPPC, wastewater treatment and waste management*. This document provides a comprehensive set of aspirations for expenditure on environmental protection and provides financial tables identifying potential sources of funding, both capital – government and donors - and revenue, including income from permitting, inspection and regulatory schemes and enhanced community payments for services. Ironically, although a representative of the Ministry of Local Self Government (MLSG) contributed to the compilation of the document, no role or responsibility was allocated to MLSG or the Councils for Regional Development. This is illustrative of the lack of co-ordination in sourcing data, building capacity and understanding in the regions and implementing projects, even at a low level of investment in skills or technology, to enhance environmental protection. The concept of balanced regional development does not thus embrace the idea even of basic capacity building in environmental knowledge and skills nor the execution of projects which could provide an enhanced quality of living for communities or the essential improvements to environmental protection in the country. It was a remarkable element of the survey undertaken in support of this study which confirmed that, in discussing the transfers of skills and resources to the regions, respondents felt that these were not coming forward in a balanced and equitable way and that the burden of administration interfered with this progress.

Sources

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(C) **ROLE OF INFRASTRUCTURE**

Prof. Dr. Richard Pagett

Introduction

1. The Regional Development Strategy of the Republic of Macedonia (Strategy) is one of the main strategic documents for development planning, in addition to the National Development Plan and the Spatial Plan of the Republic of Macedonia.
2. The Law on Balanced Regional Development (Official Gazette of the Republic of Macedonia No. 63/2007) lays down the basic framework for leading a balanced regional development policy in the country and at the same time prescribes the planning documents for achieving that policy. The Law (Art. 5) prescribes the establishment of planning regions in the Republic of Macedonia as functional territorial units for the purposes of development planning and the measures and instruments required to stimulate development. The planning regions overlay the statistical regions defined in the Nomenclature of Territorial Units for Statistics, NUTS-3 (Official Gazette of the Republic of Macedonia no. 158/2007), in order to obtain statistical basis for regional development planning.
3. The Republic of Macedonia has eight planning regions: The Vardar, Eastern, Southwestern, Southeastern, Pelagonia, Polog, Northeastern and the Skopje planning region. In line with the legal framework, the planning regions represent basic units for development planning in the Strategy.
4. Regional development is a long-term complex process, the main goal of which is to reduce the development disparities between and within the planning regions. The complexity of the regional development reflects the inter-reliance of 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 requires both continual State financial

support and at the same time a high level of coordination among the ministries, donors and the parties concerned, at both regional and local level.

5. The basic principles on which the regional development policy rests are defined in the Law (Art. 4), and they are aligned with the basic goals of EU Regional Development Policy. The Law on Regional Development (Art. 3) also provides for the objectives of the regional development policy in the Republic of Macedonia. Based on these objectives, the Strategy defines the strategic objectives and the priorities for encouraging balanced regional development of the Republic of Macedonia for the period 2009-2019. So, there has been an attempt for to harmonise, as far as possible, the strategic objectives of the Regional Development Strategy with the priorities of the EU policy on socio-economic cohesion and the priorities identified within the EU Lisbon Strategy.
6. This harmonisation is intended to energise the development of the planning regions according to the direction set by the EU and to act in terms of capacity building for the planning regions and the Units of Local Self-Government regarding the use of proper components from the available IPA funds of the EU.
7. The Strategy consists of three parts:
 - (a) Development features of the planning regions;
 - (b) Vision, strategic objectives and priorities for regional development; and
 1. (c) Implementation of the Strategy.
8. The Strategy also includes an Annex (1) List of indicators for monitoring the achievement of the strategic objectives and priorities.
9. Section 8 of PART I of the Strategy (Development Features of the Planning Regions) describes the current status of the infrastructure types.

1. STRATEGIC OBJECTIVES AND PRIORITIES FOR INFRASTRUCTURE

(a) The strategic objectives and priorities for infrastructure are described in Section 3 of PART II Vision, Strategic Objectives and Priorities.

(b) There are two priorities governing Infrastructure:

Priority 1.2 *Developing contemporary and modern infrastructure in the planning regions describes the intended measures (Table 1).*

Table 1: Transport and Communal Infrastructure Priorities

Infrastructure Type	Strategy Priorities
Transport infrastructure	
<ul style="list-style-type: none"> Roads 	<ul style="list-style-type: none"> Modernisation of existing national roads Construction of new national roads Modernisation of existing regional roads Construction of new regional roads Modernisation of existing local roads Construction of new local roads
<ul style="list-style-type: none"> Railways 	<ul style="list-style-type: none"> Reconstruction and modernisation of existing railway infrastructure Construction of new railway line for the purpose of integrating the railway system with those of neighbouring countries Improving the coverage of the regions with railway services Construction of multimodal transport junctions
<ul style="list-style-type: none"> Air transport 	<ul style="list-style-type: none"> Modernisation of existing infrastructure for air traffic Expansion of air traffic infrastructure
Communal infrastructure	
<ul style="list-style-type: none"> Water supply 	<ul style="list-style-type: none"> Reconstruction, modernisation and expansion of water supply systems
<ul style="list-style-type: none"> Wastewater collection and treatment 	<ul style="list-style-type: none"> Reconstruction and modernisation of systems for wastewater collection and treatment
<ul style="list-style-type: none"> Solid waste 	<ul style="list-style-type: none"> Improving solid waste management

Priority 1.6. *Optimal utilisation and valorisation of natural resources and potential for energy generation in the planning regions (Table 2).*

Table 2: Energy Infrastructure Priorities

Infrastructure Type	Strategy Priorities
Energy infrastructure	
<ul style="list-style-type: none"> • Generation and distribution of electricity 	<ul style="list-style-type: none"> • Creating the prerequisites for an optimal utilisation of coal deposits for electricity generation • Creating the prerequisites for a higher utilisation of potential for generation of hydroelectricity • Promoting the use of solar power • Promoting the use of biomass for energy generation • Promoting the use of wind energy • Using the energy from geothermal springs for economic purposes • Creating the prerequisites for better utilisation of natural gas
<ul style="list-style-type: none"> • Electricity consumption 	None
<ul style="list-style-type: none"> • Other energy systems 	None

Referring to Annex 1, this provides a list of indicators for monitoring the achievement of the strategic objectives and priorities (Table 3).

Table 3: Infrastructure Indicators

Infrastructure Type	Indicators*
Transport infrastructure	
Roads <ul style="list-style-type: none"> • Modernisation of existing national roads • Construction of new national roads • Modernisation of existing regional roads • Construction of new regional roads • Modernisation of existing local road • Construction of new local roads 	<i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i> <i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i> <i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i>
Railways <ul style="list-style-type: none"> • Reconstruction and modernisation of existing railway infrastructure • Construction of new railway line for the purpose of integrating the railway system with 	<i>1.2.3 Length in km</i> <i>1.2.4 Length in km</i>

<p>those of neighbouring countries</p> <ul style="list-style-type: none"> Improving the coverage of the regions with railway services Construction of multimodal transport junctions 	<p><i>1.2.5 Number of passengers using railway transport</i></p> <p><i>No indicator</i></p>
<p>Air transport</p> <ul style="list-style-type: none"> Modernisation of existing infrastructure for air traffic Expansion of air traffic infrastructure 	<p><i>1.2.6 Number of passengers in existing airports</i></p> <p><i>1.2.7 Number of built and operational freight airports</i></p>
Communal infrastructure	
<p>Water supply</p> <ul style="list-style-type: none"> Reconstruction, modernisation and expansion of water supply systems 	<p><i>1.2.8 Population coverage with drinking water (% of total)</i></p>
<p>Wastewater collection and treatment</p> <ul style="list-style-type: none"> Reconstruction and modernisation of systems for wastewater collection and treatment 	<p><i>1.2.9 Number of wastewater treatment plants</i></p>
<p>Solid waste</p> <ul style="list-style-type: none"> Improving solid waste management 	<p><i>1.2.10 Number of landfill sites</i></p>

* All indicators should be annual and calculated nationally and for each planning region separately.

2 EVALUATION APPROACH

2.1 In accordance with the Official Gazette No. 15, 31 January 2012, the evaluation is in two parts:

- Evaluation of completed priorities of the Strategy; and
- Evaluation of impacts resulting from the implementation of the Strategy.

a. Evaluation of completion of priorities

i. Baseline description prior to the initiation of the implementation of the RDS

2.2 Various documents were requested, after the Initial Meeting in Skopje:

- Reports from any other ongoing evaluations;
- Annual reports for implementation of the action plan of the Strategy (from the line ministries); and
- Any other available planning documents.

2.3 Various information has been provided namely:

- Public Enterprise for State Roads Independent Auditor’s Reports and Financial Statements for the years ending 31 December 2013, 2014, 2015, 2016, 2017, and 2018. None of these contained any information relevant to this evaluation;
- Strategic Plan for the work of the Agency for Real Estate Cadastre for the period 2018 – 2020. Although two priorities of this Agency is to participate in projects by which they are directly affected, and to provide technical and expert assistance in the preparation of technical specifications for the survey of infrastructure facilities owned by the municipality, there was no information relevant to this evaluation;
- Some project data from the Ministry of Economy 2013-2019 concerning Industrial Policy was, similarly of little relevance to this evaluation; and
- The Network Statement which is a detailed overview of available railway infrastructure for potential customers and contains general rules, deadlines, processes, and criteria related to the charging for track access and criteria for capacities allocation as well as information about infrastructure access requirements. There was no information relevant to this evaluation.

2.4 Information was provided from an unnamed source concerning infrastructure related to the railways, consisting of improvements and rehabilitation (Table 4).

Table 4: Infrastructure Improvements and Rehabilitation (Railways)

Year	Infrastructure	Region
2013	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2014	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2014	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2015	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2015	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2016	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2016	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern

2017	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2017	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2018	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2018	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2019	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2019	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern

2.5 No indicator information is provided so this is simply a list of projects and does not assist the evaluation.

2.6 Similarly a list of road projects was provided without indicator information and, again, does not assist the evaluation. There were no lists related to Air transport, Water supply, Wastewater collection and treatment, or Solid waste.

2.7 The statistical compilations Regions in the Republic of North Macedonia 2019 has the following data sets:

- Water supply, use and protection against pollution in industry and mining;
- Collected and generated municipal waste;
- Active landfills, 2018;
- Number of completed and uncompleted constructions, according to their type, built by business entities;
- Number of completed and uncompleted constructions, according to their type, built by private owners;
- Number of constructions, built by private owners, 2018;
- Local road network; and
- Local roads, 2018.

2.8 Whilst of anecdotal interest, none of these sets relate explicitly to priorities expressed within the Strategy. The Local Road Network tabulates numbers of kilometres by region and by 2016, 2017 and 2018. It is not clear if this is existing roads or new roads, or some combination. What is of modest interest is that the number of kilometres across the Republic decreased from 2016 to

2017 by 16 km and then increased the following year by 129 km (across a network of less than 9,900km).

Description of the difference between planned priorities and priorities achieved

2.9 Currently, a gap analysis, and therefore a description of the difference between planned priorities and priorities achieved, is not possible due to lack of information, specifically related to the indicator information.

Description of the completed priorities

2.10 A description is not possible due to lack of relevant information as described in 3.1.2.

Evaluation of impacts resulting from the Strategy

2.11 In accordance with the Official Gazette No. 15, 31 January 2012, the degree of impact that the Strategy has had is to be determined regarding:

- Socio-economic Conditions; and
- Environment

2.12 No specific guidance in the Official Gazette is provided concerning the evaluation of the degree of impact that the Strategy has had on Infrastructure. In the absence of such guidance, the OECD-DAC evaluation guidelines⁸ have been adopted as a basis, and adapted accordingly.

3. STRATEGIC OBJECTIVES AND PRIORITIES FOR INFRASTRUCTURE

(a) The strategic objectives and priorities for infrastructure are described in Section 3 of PART II Vision, Strategic Objectives and Priorities.

(b) There are two priorities governing Infrastructure:

Priority 1.2 *Developing contemporary and modern infrastructure in the planning regions describes the intended measures (Table 5).*

⁸ <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

Table 5: Transport and Communal Infrastructure Priorities

Infrastructure Type	Strategy Priorities
Transport infrastructure	
<ul style="list-style-type: none"> Roads 	<ul style="list-style-type: none"> Modernisation of existing national roads Construction of new national roads Modernisation of existing regional roads Construction of new regional roads Modernisation of existing local roads Construction of new local roads
<ul style="list-style-type: none"> Railways 	<ul style="list-style-type: none"> Reconstruction and modernisation of existing railway infrastructure Construction of new railway line for the purpose of integrating the railway system with those of neighbouring countries Improving the coverage of the regions with railway services Construction of multimodal transport junctions
<ul style="list-style-type: none"> Air transport 	<ul style="list-style-type: none"> Modernisation of existing infrastructure for air traffic Expansion of air traffic infrastructure
Communal infrastructure	
<ul style="list-style-type: none"> Water supply 	<ul style="list-style-type: none"> Reconstruction, modernisation and expansion of water supply systems
<ul style="list-style-type: none"> Wastewater collection and treatment 	<ul style="list-style-type: none"> Reconstruction and modernisation of systems for wastewater collection and treatment
<ul style="list-style-type: none"> Solid waste 	<ul style="list-style-type: none"> Improving solid waste management

Priority 1.6. *Optimal utilisation and valorisation of natural resources and potential for energy generation in the planning regions (Table 2).*

Table 6: Energy Infrastructure Priorities

Infrastructure Type	Strategy Priorities
Energy infrastructure	
<ul style="list-style-type: none"> Generation and distribution of electricity 	<ul style="list-style-type: none"> Creating the prerequisites for an optimal utilisation of coal deposits for electricity generation Creating the prerequisites for a higher utilisation of potential for generation of hydroelectricity Promoting the use of solar power Promoting the use of biomass for energy generation Promoting the use of wind energy Using the energy from geothermal springs for economic purposes Creating the prerequisites for better utilisation of natural gas
<ul style="list-style-type: none"> Electricity consumption 	None
<ul style="list-style-type: none"> Other energy systems 	None

Referring to Annex 1, this provides a list of indicators for monitoring the achievement of the strategic objectives and priorities (Table 3).

Table 7: Infrastructure Indicators

Infrastructure Type	Indicators*
Transport infrastructure	
Roads <ul style="list-style-type: none"> • Modernisation of existing national roads • Construction of new national roads • Modernisation of existing regional roads • Construction of new regional roads • Modernisation of existing local road • Construction of new local roads 	<i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i> <i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i> <i>1.2.1 Length in km</i> <i>1.2.2 Length in km</i>
Railways <ul style="list-style-type: none"> • Reconstruction and modernisation of existing railway infrastructure • Construction of new railway line for the purpose of integrating the railway system with those of neighbouring countries • Improving the coverage of the regions with railway services • Construction of multimodal transport junctions 	<i>1.2.3 Length in km</i> <i>1.2.4 Length in km</i> <i>1.2.5 Number of passengers using railway transport</i> <i>No indicator</i>
Air transport <ul style="list-style-type: none"> • Modernisation of existing infrastructure for air traffic • Expansion of air traffic infrastructure 	<i>1.2.6 Number of passengers in existing airports</i> <i>1.2.7 Number of built and operational freight airports</i>
Communal infrastructure	
Water supply <ul style="list-style-type: none"> • Reconstruction, modernisation and expansion of water supply systems 	<i>2.2.8 Population coverage with drinking water (% of total)</i>
Wastewater collection and treatment <ul style="list-style-type: none"> • Reconstruction and modernisation of systems for wastewater collection and treatment 	<i>2.2.9 Number of wastewater treatment plants</i>
Solid waste <ul style="list-style-type: none"> • Improving solid waste management 	<i>2.2.10 Number of landfill sites</i>

**All indicators should be annual and calculated nationally and for each planning region separately*

4. EVALUATION APPROACH

In accordance with the Official Gazette No. 15, 31 January 2012, the evaluation is in two parts:

- Evaluation of completed priorities of the Strategy; and
- Evaluation of impacts resulting from the implementation of the Strategy.

4.1 Evaluation of completion of priorities

4.1.1. *Baseline description prior to the initiation of the implementation of the RDS*

(1) Various documents were requested, after the Initial Meeting in Skopje:

- Reports from any other ongoing evaluations;
- Annual reports for implementation of the action plan of the Strategy (from the line ministries); and
- Any other available planning documents.

(2) Various information has been provided namely:

- Public Enterprise for State Roads Independent Auditor's Reports and Financial Statements for the years ending 31 December 2013, 2014, 2015, 2016, 2017, and 2018. None of these contained any information relevant to this evaluation;
- Strategic Plan for the work of the Agency for Real Estate Cadastre for the period 2018 – 2020. Although two priorities of this Agency is to participate in projects by which they are directly affected, and to provide technical and expert assistance in the preparation of technical specifications for the survey of infrastructure facilities owned by the municipality, there was no information relevant to this evaluation;
- Some project data from the Ministry of Economy 2013-2019 concerning Industrial Policy was, similarly of little relevance to this evaluation; and
- The Network Statement which is a detailed overview of available railway infrastructure for potential customers and contains general rules, deadlines, processes, and criteria related to the charging for track access and criteria for capacities allocation as well as information about infrastructure access requirements. There was no information relevant to this evaluation.

- (3) Information was provided from an unnamed source concerning infrastructure related to the railways, consisting of improvements and rehabilitation (Table 4).

Table 8: Infrastructure Improvements and Rehabilitation (Railways)

Year	Infrastructure	Region
2013	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2014	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2014	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2015	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2-15	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2016	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2016	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2017	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2017	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2018	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2018	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern
2019	Improvement of railroad corridor 10, Nogaevci- Negotino section (L=30km)	Vardar
2019	Rehabilitation of eastern section of corridor 8 railroad, phase 1, Kumanovo-Benjakovce section (L=30km)	North-eastern

- (4) No indicator information is provided so this is simply a list of projects and does not assist the evaluation.
- (5) Similarly a list of road projects was provided without indicator information and, again, does not assist the evaluation. There were no lists related to Air transport, Water supply, Wastewater collection and treatment, or Solid waste.

4.1.2. Description of the difference between planned priorities and priorities achieved

- (1) Currently, a gap analysis, and therefore a description of the difference between planned priorities and priorities achieved, is not possible due to lack of information, specifically related to the indicator information.

4.1.3. Description of the completed priorities

A description is not possible due to lack of relevant information as described in 3.1.3.

4.2 Evaluation of impacts resulting from the Strategy

(1) In accordance with the Official Gazette No. 15, 31 January 2012, the degree of impact that the Strategy has had is to be determined regarding:

- Socio-economic Conditions; and
- Environment

(2) No specific guidance in the Official Gazette is provided concerning the evaluation of the degree of impact that the Strategy has had on Infrastructure. In the absence of such guidance, the OECD-DAC evaluation guidelines⁹ have been adopted as a basis, and adapted accordingly.

5. FINDINGS

All five criteria OECD-DAC criteria have been included. A typical cross-cutting theme e.g. gender has also been added to align with international norms which are subscribed to by the Swiss Development Cooperation.

The tables below are used to consolidate overall findings. Assumed understanding of the criterion is clarified with a brief definition. Each criterion was graded, though it should be recognised that scores might lead to an over-simplification of a complex reality, and with complex problems related to a given context.

NOTE: *Reference to the Strategy implies reference to the Infrastructure component of the Strategy.*

⁹ <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

The grading used is as follows:

Score	Qualitative	Interpretation
A	Very Good	Highly satisfactory, largely above average potentially a reference for good practice
B	Good	Satisfactory, with room for improvement
C	Problems	Issues to be addressed, otherwise overall performance of the Strategy may be negatively affected. Does not require major revision of the Strategy
D	Serious Deficiencies	Issues so serious that if not addressed, they could lead to failure of the Strategy. Major adjustments of the Strategy are necessary

5.1 Relevance

RELEVANCE: <i>The extent to which the Strategy conforms to the needs and priorities of target groups and the policies of the Government and of the development partner</i>				
Clarification:				
<p>Relevance addresses the needs of the Strategy. It analyses the Strategy in relation to the problems and needs of the beneficiaries, and their priorities. Furthermore, relevance analyses the consistency of the Strategy with the policies of the beneficiary partner and donor. Relevance appreciates the value and usefulness of the Strategy, as perceived by the key stakeholders, the extent to which the “response” of the Strategy is technically adequate to meet those needs and priorities, and the extent to which the Strategy is a response to a real need of the beneficiaries.</p>				
Overall Assessment	A	B	C	D
	✓			
<p>The Strategic Objectives of the Strategy in relation to Infrastructure were to improve:</p> <p>Access to:</p> <ul style="list-style-type: none"> ▪ Roads ▪ Railways ▪ Air transport ▪ Water supply ▪ Wastewater collection and treatment ▪ Solid waste management ▪ Electricity <p>Management of:</p> <ul style="list-style-type: none"> ▪ Electricity consumption ▪ Other energy systems <p>These Objectives are <u>highly relevant</u></p>				

5.2 Effectiveness

EFFECTIVENESS: <i>The extent to which the Strategy objectives were achieved, or are expected to be achieved, taking into account their relative importance</i>				
<p>Clarification: Effectiveness looks at the use of outputs and the likely achievement of the Strategy’s outcome (s). It considers not only the achievement of the outcome, but also reviews the relevance of the outputs: are outputs (products and services) being used as planned? Are they contributing to the achievement of the outcome as planned in the intervention strategy (is the intervention delivering the right outputs?)</p>				
Overall Assessment	A	B	C	D
				✓
<ul style="list-style-type: none"> ▪ Absence of basic data ▪ Absence of annual indicator results <p>Based on the above, the Strategy cannot be assumed to be effective</p>				

5.3 Efficiency

EFFICIENCY: <i>Efficiency measures the results - qualitative and quantitative – in relation to the inputs. It is an economic term which is used to assess the extent to which the Strategy uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted</i>				
<p>Clarification: Efficiency looks at the transformation efficiency of the Strategy: how are inputs transformed into outputs (delivery of goods and services). Efficiency looks at this ratio as compared to alternatives: with the output as a given, where there alternative approaches that would have required fewer resources without reducing the quality and quantity of the results? Could more of the same result have been produced with the same resources by using an alternative approach? Efficiency also looks at the ‘on time’ implementation of activities: (Inputs on time?) where activities implemented as planned (on time) and consequently, outputs delivered on time? Efficiency also looks at the delivery and quality of products and services and any partner contribution/involvement.</p>				
Overall Assessment	A	B	C	D
				✓
<ul style="list-style-type: none"> ▪ Absence of basic data ▪ Absence of annual indicator results <p>Based on the above, the Strategy cannot be assumed to be efficient</p>				

5.4 Impact

IMPACT: <i>Positive and negative, primary and secondary long-term effects produced by the Strategy, directly or indirectly, intended or unintended</i>				
Clarification: Impact focuses on whether the Strategy contributes to the strategic result the State intends to achieve. It addresses the link between the outcome and impact level of the results framework. Also, it needs to address the entire range of effects brought about through by the Strategy that occur in the longer term. These effects could be foreseen and unforeseen, and might affect people, organisations, societies and the physical environment outside the initially-intended group of people or organisations.				
Overall Assessment	A	B	C	D
				✓
<ul style="list-style-type: none"> ▪ Absence of basic data ▪ Absence of annual indicator results 				
Based on the above, the Strategy cannot be assumed to have had any impact				

5.5 Sustainability

SUSTAINABILITY: <i>The continuation of benefits from a Strategy after the Strategy has been implemented. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time</i>				
Clarification: Sustainability is the likelihood that the results and benefits of the Strategy will be maintained at appropriate level and during a reasonable time after the closure of the Strategy. It is the potential for being sustainable that is assessed, and thus the likelihood that the impact will be lasting. Different factors are related to sustainability, such as the embedding of the specific Strategy in the general strategic framework of the country, State ownership and participation in the formulation and implementation, the integration of the Strategy in the institutional and cultural context, the appropriateness of technologies regarding the specificities of the country, the country's capacities to maintain the results financially, the governance of the relevant institutions, the appropriateness of the exit strategy. This list is not exhaustive.				
Overall Assessment	A	B	C	D
				✓
<ul style="list-style-type: none"> ▪ Absence of basic data ▪ Absence of annual indicator results 				
Based on the above, the Strategy cannot be assumed to be sustainable				

5.6 Gender

GENDER: <i>The continuation of gender benefits from a Strategy after implementation has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows to gender over time</i>				
Clarification: Was a diverse group of stakeholders identified from the stakeholder analysis, including women and men, as well as groups who are not directly involved in the Strategy? Were indicators defined which specifically addressed gender? Does the Strategy favour stakeholders' right to participation, including those most vulnerable? Does the Strategy address gender issues?				
Overall Assessment	A	B	C	D
				✓
<ul style="list-style-type: none"> ▪ Absence of basic data ▪ Absence of annual indicator results <p>Based on the above, the Strategy cannot be assumed to have considered gender.</p> <p>In the survey carried out there were slightly more female responses than male responses:</p> <ul style="list-style-type: none"> ▪ Institutions responsible for regional development [Public Enterprises, Institutions and Services] were considered to be moderately responsible in terms of gender (approximately 56% of those polled) ▪ Institutions responsible for regional development [Units of local self-government (municipalities)] were considered to be very responsible (approximately 62%) ▪ Ministry of Local Self-Government was considered to be very responsible (approximately 77%) ▪ Ministry of Transport and Communications] was considered to be very responsible (approximately 47%) 				

6. CONCLUSION

Although relevant, the Strategy cannot be recognised as useful in terms of infrastructure improvement or delivery. There is no evidence that priorities were implemented or completed, and consequently there is no evidence of any impact. Of course, this may simply be a reflection of the absence of relevant documentation. Not surprisingly, more than half of those polled (59%) considered prioritisation of regional development areas [infrastructure development and introduction of modern technology] to be very important.

(D) SPATIAL AND URBAN PLANNING

Prof. Dr. Miroljub Kojović

1. Basic characteristics

Spatial planning in this project appears as one of the 4 identified core areas that deal with the evaluation of the Regional Development Strategy, and the results of its implementation. Unlike the other 3 areas, mainly dealing with the topic of autonomy and interdependence, spatial planning has an integrative and cohesive character. As such it is an instrument of governance, but it is not defined as such, neither actually treated as such.

It is however explicitly recognized in the Regional Development Strategy as **Objective 2**, ie: Cohesion demographic, social, economic and spatial, as well as in the priority objectives:

2.1 Demographic revitalization and more balanced distribution of population,

2.2 Integrative urban and rural environments,

2.5 Support for areas with specific needs, and

2.7 Increasing spatial planning capacity.

The only priority objective in the first group of objectives is the **competitiveness of the region**, identified in **1.3: Finding and utilizing innovative potentials in the planning and construction of human settlements**. It is symptomatic that it does not appear elsewhere, instead of in each of the individual goals of the former, as **an essential dimension of the development process**. In general, we have identified the importance of spatial planning in regionalization, which has been inappropriately addressed, rather than reducing the regional disparities, in fact it has perhaps even intensified them. In our view, this had to be resolved first, and that was the task of spatial planning, respectively of the Strategy, to **verify the conformity of the Strategy and the Spatial Plan** of the Republic of North Macedonia.

The strategy of spatial planning has been found in the concepts of technical and technological modernization of the economy, efficiency of urban development planning, use of space for economic development, rational use of natural resources, protection and quality of the environment. Very little has been applied in the implementation and elaboration of these goals in development programs, except through reference to rural development goals or rural

development in different ways, or by underscoring the importance of supporting areas with specific needs, and it was not done clearly and precisely enough as a goal in its own right. Therefore, here we can talk instead of the topic "**What is well and what is badly done**", about the topic of "**What could and could not have been done**". Before that we must clarify the relationship between the Regional Development Strategy and Spatial Planning, as legal categories and their application in practice, including its shortcomings.

Macedonia's Regional Development Strategy is regulated by the Law as a system, defined comprehensively in terms of substance, organization, and finance, detailed as an activity taking place at three levels:

- *Country*
- *Regions*
- *Municipalities*

At the same time, the focus of activities and the importance of the functioning of the system in terms of reducing regional disparities in the country is set for the regions, less or nothing at the municipal level, nothing or inappropriately at the settlement level. Therefore, the development goals of over 80 municipalities and over 1700 settlements have been generalised, that is, somehow blurred into regional goals. This important goal is not being addressed in the regional development programs, but in the hierarchical system of Spatial Plans, which have remained reduced and incomplete in North Macedonia. This was pointed out at the level of the regional development programs as a shortcoming, but not fully understood and completely left behind in regional and urban planning, as well as in municipal planning, which is unjustifiably lacking.

Spatial planning, which is obligatory under the Law on Regional Development requires Planning Acts (Strategy and Development Programs) to be in accordance with the **Spatial Plan of the Republic**. But actually, it can hardly satisfy these requirements – with the exception of the region of Skopje - and even then not completely, without spatial plans being fully compatible or integrated with the Strategy and Development program of the region. What is missing from the spatial plans and what could be added in the urban plan as well is the legal obligation to be not only coordinated and synchronous, but also connected and integrated. For the simple reason, by regulating regional development and drafting regional development programs, there is an obligation to comply with the Spatial Plan of the Republic, which is not enough. It is necessary

to be in accordance with spatial and urban plans, coordinated and integrated with all plans. What is missing in spatial and urban planning, to supplement the plans, is the issue of raising the capacity for planning and realization of plans in the regions.

The spacial planning system, as it is and should be, is shown in the table below:

Spatial planning	Urban planning
<ul style="list-style-type: none"> - Spatial plan of the Republic of Northern Macedonia, current - Spatial plan of the region - Spatial plan of the municipality - Skopje Spatial Plan, - Special purpose spatial plan 	<ul style="list-style-type: none"> - General plan - Detailed plan - Urban plan - Urban plan outside of populated place - Urban plan of the village

As in neighboring Serbia, the system of spatial plans is a five-stage system of urban plans, partly the same, and partly different. Under the first system, the specific **domination of the Skopje region** is in the terms of population and spatial impairment. It is possible to reduce this disproportion by enlarging the regions, two to three, in order to reduce their imbalance against the population of Skopje. In this sense, perhaps an option could be to consider for spatial planning purposes the creation of three macro regions?

In fact, it would be justified to apply possible enlargement and consequently reduction of the number of regions in order to achieve the greater effect of balancing the regions on the basis of **sub-regionalization within macro-regions**, thus creating the preconditions for harmonizing population and spatial conditions for balanced development planning, which is otherwise inevitable as a limiting factor. There is a similar problem of disproportion in municipalities, which differ in spatial and population terms on more than one occasion, so that more resilient planning is needed to overcome existing differences as much as possible. This would result in the creation of municipal centers and sub-centers. And it would be justified given that the districts have 10 municipalities each, and the municipalities have about 30 settlements, over which control, administration and service systems should be established, which in reality is the most important and most difficult to implement and can always be problematic. The point of these changes being proposed is precisely that of controlling and managing the spatial and sustainable

development of municipalities and settlements, planning systemically and, not randomly or spontaneously.

The planning activity in the regions was mainly focused on the development of urban plans, for urban and rural areas, very unevenly and to the detriment of villages. Out of 600 completed urban plans from 4 categories - general and detailed, outside of populated and rural areas- more than two thirds were detailed, leaving one third, and out of that third of plans (under 200), about half are out of populated areas. There are actually only a few urban and rural settlements (31 and 47). The highest planning activity was in 2 regions of Macedonia, equal 89 and 88, in the Vardar and Skopje regions.

The objectives of the Strategy (14) and the **priorities are not consistent and are in reality firmly adapted to the domestic / local objectives.**

2. Evaluation of the spatial planning system

The system is currently a dual, spatially reduced system, limited to the **Spatial Plan of the Republic** and the **Spatial Plan of Skopje** and urban planning which includes **4 categories of plans**: (a) general and (b) detailed urban plans for cities and urban settlements, (c) urban plans for outside settlements and (d) urban plans of villages. According to a new law proposal from last year, **spatial plans should be extended to regions and municipalities.** Extension of spatial planning was necessary to correspond to the administrative division of Rep. of North Macedonia.

Current spatial planning and a reduced system are part of a legitimate and respected policy at national level. There is a legal obligation to harmonize the Regional Development Strategy and the Spatial Plan of the Republic. To what extent this respected at the regional and municipal level is difficult to evaluate without extensive, specialist field testing. Judging by the Programs for Development of the Planned Regions, however, it is less influential. There is a lack of regional spatial plans to support development programs, and that is noted in some regions. In fact, they would have to act mutually in a **closed regional development management system.**

The impact of regional development policies on spatial planning can only be theoretical, in circumstances where there are no regional spatial plans yet. Only when they become a legal obligation and enter into practice, will it be possible to speak objectively about it. So far, **regional planning and spatial planning are two parallel processes** that need to be integrated,

just as the national development strategy has to be integrated with spatial planning. This separation reflects the earlier existence of social development planning and spatial planning, both separate and competitive. Thus, spatial and urban planning remained two adjacent planning systems.

There are new developments in spatial management, and they are in the fields of environmental protection, in economy, mining, water management, industry, agro-industry, tourism and in other areas. The problem is that these phenomena are managed from one place, in the Government and outside the state administration, by regional development with the help of the Governor General. In fact, **there are multiple systems in place, which should be coordinated and coherent at the top of the government.**

Development policy instruments, including spatial planning, at the level of national, regional and local authorities should be modern and effective. This has not yet been achieved. We estimate that they are only in the **initial stage or at the beginning of synchronized functioning.** This project can be useful in determining further development of the overall planning system, through evaluation of the Regional Development Strategy and lessons learned from its implementation.

The two basic strategic goals, **Regional Competitiveness** and **Cohesion of the Regions**, are broken down into two priority groups of 7 objectives, to be translated into short-term implementation programs and projects. In their acceptance, funding and execution it is manifested that regional development efforts being close to short-term programming and project development, have received priority, and one could not disregard lack of harmony with the national development strategy. It should be emphasized that only the latter can optimally and successfully reduce regional disparities. This can be achieved through balanced sustainable development, nationally and internationally, in terms of raising the quality of life, improving social and health care, and especially raising the quality of human capital, which ultimately depends on everything from economy to culture. The regions have normally focused their attention at solving immediate economic and social problems, particularly addressing challenges in tourism, as well as in agriculture, in peripheral to rural development. However, this was executed more declaratively - less in concrete and real terms. The national and European cohesion goals and strategies of the regions have remained in the background, behind economic development programmes and projects.

The first group of priorities has been dominated by economic and infrastructure development, economically and technologically sustainable development, linked to better use and valorization of natural resources primarily for energy purposes. At the same time, issues of raising human capital and recognizing its innovative potential, inevitable in creating development and competitive advantages of the region, with sustainable environment, have often remained in the second or third position. The priorities to follow should cover the entire spectrum of sustainable, multidimensional development, imposed in the modern world as a condition of eliminating poverty and overcoming inequalities in the eternal confrontation of economic efficiency and social security, against the backdrop of the ecological protection of nature and man. Regarding these development issues, the regions responded in various ways – following primarily their immediate local and partly regional priorities.

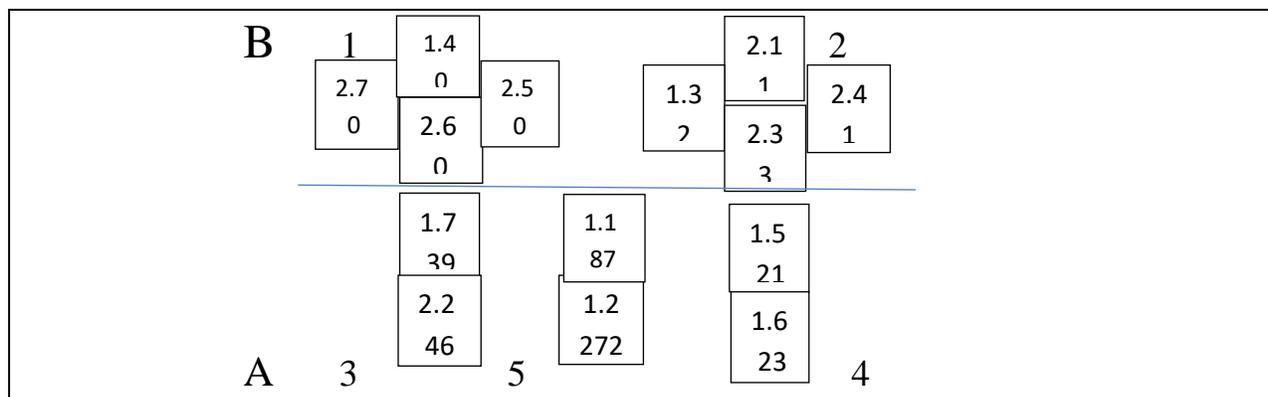
On the other hand, the pro-European orientation of the regional cohesion, expressed with the 7 goals, showed some lack of understanding of the importance of the national and pro-European character of this basic goal. This is however what the EU appreciates as a criterion for accepting new members. It should be recognized that among the 7 regional cohesion goals, one did remain in focus, namely the **Integration of urban and rural areas**. The question though remains about how it was understood in practice, and how it was turned into a regional development goal, rather than being used as the only practical channel for the implementation of development goals, through urban plans in the implementation of investment facilities outside of populated areas.

In any case, analyzing the priorities for both groups of goals in the regions is important as an indicator not only of the importance of local interests, but also of understanding the importance of national goals and the prospects of Euro-integration, for which Macedonia as a state has declared itself. However, the issue remains whether the people have perceived and adopted it in the same way. This is, first of all, an internal picture of perceiving the problems of regional development, also in the broader context of the relationship between North Macedonia and the Balkans region, as well as in the wider European, and global perspective.

3. Development priorities and selection of projects

For purposes of this study all **495 projects** funded by the Ministry of Local Self-Government have been analytically divided into 2 groups by systemic goals : **(A) current economic and technological advancement** (444 projects addressing 5 priorities), and **(B) prospective and more complex projects** addressing also long term economic, social and cultural needs (**51 projects** addressing 8 priorities). This imbalance – expressed numerically with the proportion **488 vs. 7 projects** – clearly has a bearing also on the relationship between National Development Strategy, and Programs of regional development. This imbalance indicates the need for stronger and more sustainable regional development – in terms of regional cohesion, as well as in terms of more stable GDP growth of national economy as a whole.

Graph 1: Systemic goals and project distribution by priority areas: 8 in B, 6 in A (in each square the above figure represents priority, and figures below the number of projects)



Both, A and B schemes illustrate the problematic situation of the regional planning experience, not optimally sustainable.

The **B greater part of strategic goals** (8), mainly cohesion, indicating power and stability of planning regions and the Republic as the whole, attracted only zero and minor projects, **7 (1.5%)** in total – which raises the question of sustainability.

The **A smaller part of strategic goals** (6), mainly competitive, addressing current economic and technological challenges, attracted the remaining **488 projects (98.5%)**.

The qualitative analysis of the entire group of project reveals some unfavourable effects of regional programs, in terms of contribution to the implementation of the national Development Strategy.

1. Zero group of projects (0) and systemic goals (4)

- 1.4 Human capital – educated population, employment, partners in private sector investment, different aspects of development;
- 2.5 Areas with specific needs – underdeveloped areas, areas with natural resources, cultural heritage protected by law;
- 2.6 Cross border and mutual cooperation;
- 2.7 Planning and realization capacity.

2. Minor project group (7), systemic goals (4)

- 1.3 Use of innovation potential in industry, in the regions;
- 2.1 Demographic revitalization and population distribution;
- 2.3 Balanced dispersion of investment into new working places;
- 2.4 Advanced social development – wider scale of needs.

3. Low frequency projects (21, 23), systemic goals (2)

- 1.5 Competitiveness of regions - advancing the market concept;
- 1.6 Use of natural resources and energy potential.

4. Mid frequency project (39, 46), systemic goals (2)

- 1.7 Protection of environment;
- 2.2 Integration of urban and rural environment.

5. High and very high frequency projects (87, 272), systemic goals (2)

- 1.1 Economic development;
- 1.2 Modern infrastructure.

Interestingly enough, the **first two priority goals** (1.1, and 1.2) attracted even **72.5%** of all projects, barely sustainable, and raising more questions, and in search of answers one could be looking primarily to the **following possible reasons:**

- 1. The **lack of coordination** in programing of development between regions and the Republic;
- 2. Insufficient appreciation of the importance of **relation between two basic strategic goals: competitiveness, and regional cohesion**, as well as the systemic relationship and interactions between all priority goals (14) not only two (1.1 and 1.2), or four (1.1, 1.2, 1.5, and 1.7).

3. **Underestimation of the goal 1.4 (human capital)**, receiving no project, instead of being one of the highest importance.
4. The Regional Cohesion Strategy, obviously needs more integrative, less differentiated character, i.e. it should be a **more consistent system, under control, managed, more effectively coordinated at all levels of government**, national, regional and local.

Table 1: Overview of the System of Objectives and the Implementation of Regional Projects

1 Zero, 0 projects

Goal code	Name of goal	Number of projects in the region
1.4	Raising human capital	0
2.5	Raising the level of social development	Projects in all regions
2.6	Development of cross-border and mutual cooperation	
2.7	Increasing planning capacity	

2 Minority projects, 1- 3

Goal code	Name of goal	Number of projects in the region
1.3	Harnessing innovative potential	1 – NE
2.1	Demographic revitalization & distribution of population	1 - VPR
2.3		1 – Pel, 1 - SW
2.5	Consolidate more evenly distributed investments	1-SE, 1-SW, 1-VPR
	Raising the level of social development	

3. Low frequency projects, for two objectively important and necessary priorities, differentiated in the regions, 1-10 projects, a total of 23 and 21 projects

Goal code	Name of goal	Number of projects in the region
1.5	Competitive capacity of the region	S-1, SE-1, Pel-3, SW-1, VAR-8, E-6, NE-3
1.6	Use of natural resources and energy potential	S-10, SE-1, Pel.1, SW.5, VAR-2, NE-2

4. Medium-frequency projects, represented in all regions, 1-11, total 39 and 46 projects

Goal code	Name of goal	Number of projects in the region
1.7	Environmental protection	SK-3, SE-5, Pel-9, SW-7, Pol-1, Var-9, E-1, NE-5
2.2	Integration of urban and rural environment	Sk-4, SE-4, Pel-6, SN-3, Pol-11, Var-5, E-9, SE-4

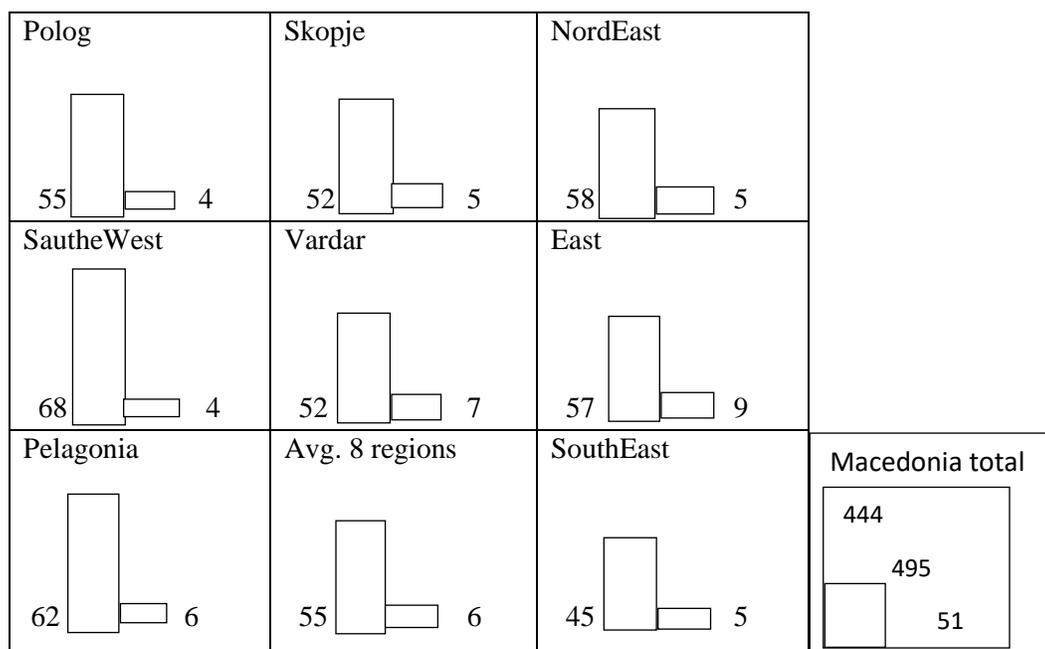
5 High frequency, subjectively overestimated relative to others, represented by 272 projects

Goal code	Name of goal	Number of projects in the region
1.1	Economic, growth, product, investment	Sk-46, SE-33, Pol-26, SW-37, Pel-42, Var-23, E-45, NE-30
1.2	Modern infrastructure	

Source: Table 17, Chapter III (A)

Interestingly enough, the imbalance between the “Competitiveness” vs. “Cohesion” projects has not been experienced only in some of the 8 Planning regions, but as the graph No.2 indicates, in all regions – without exceptions.

Graph 2: Disproportion of Competitiveness vs. Cohesion Projects by Planning Regions



Source: Author's calculations.

When comparing the structure of projects funded by the MLS in the Planning regions, one realizes that all of them – without exception – followed **very strong priority to enhancing competitiveness**, compared to those projects aiming at reducing regional disparities: **on average in relation of 55 vs. 6, or 9 to 1**. It is also true that many competitiveness projects may finally contribute also to reducing regional disparities, as higher competitiveness of a region implies that the particular region may increase its growth rate and at some point consequently reduce its lag behind the more advanced regions in the country. It all depends on the impact of the project on the **efficiency of mobilising all resources in the region**: from upgrading its human capital, increasing employment, improving infrastructure, and generating appropriate revenues – all contributing to the quality of life and happiness of the population, as well as reducing brain drain.

The next observation refers to the selection of projects by the planning regions in response to immediate, vital local needs, which are important to the local population and their quality of life (providing basic services and missing infrastructure). Though not serving explicitly the cohesion purposes – when successfully implemented – the **competitiveness projects also do contribute to reducing regional economic disparities**.

IV. IMPLEMENTATION OF REGIONAL DEVELOPMENT PROGRAMMES IN THE PLANNING REGIONS

Professor Dr Miroljub Kojović

1. Introduction

The regional development strategy of North Macedonia, based on the Law on Even Regional Development and national commitment to European integration, has defined two basic strategic aims in the pro-European spirit: 1. **regional competitiveness** and 2. **regional cohesion**. The latter aim, broken down into demographic, economic, social and spatial regional cohesion, has identified seven priority aims, whereby we have recognized five of which we consider as the essential contents and aims of spatial and urban planning. As important instruments of environmental management, they cover broader natural and man-made rural areas and degraded and lower urban areas:

- 1.3 Using the innovative potential to create a sustainable habitat and environment.
- 2.1 Demographic revitalization and more even population distribution within and between regions;
- 2.2 Building functional spatial structures for the better intergration of urban and rural environments in the regions;
- 2.5 Support for specific needs regions;
- 2.7 Capacity building for planning and realization.

In these themes we have been faced with the crucial existential dimensions: **SPACE, PEOPLE, and PLANS**. In the keynote paper on spatial planning (see the enclosure: Spatial Planning in the Function of Regional Development Strategy and Programme, Final) we have opted for **SPACE AND PEOPLE (Demos)**, as primary cohesion goals, before other ones, as being especially important for regional development. In methodological terms, this has oriented our work towards analyzing the Regional Development Programme. We have made it our primary task to examine the consistency of regional with national strategic aims to see whether a specific degree of cohesion has been achieved. Further, we had to examine the existing spatial and demographic

conditions of regions and, at the end or the beginning, the natural geographic location of a region, its predisposition and, as much as possible, evaluate its development prospects.

As for space and people, we have had to deal, first of all, with the problem of **regionalization** as a factor of unbalanced sustainable development which, with the exception of Skopje, hinders or prevents the development of other regions, municipalities and settlements, and to examine the conditions under which it would be reasonable to carry out a new and more appropriate regionalization, thus ensuring greater regional cohesion. Second, we have pointed to the secondary **urbanization** of rural areas, as a path to the better integration of urban and rural areas, which we have identified as being the crucial aim of the future. Therefore, we have had to point out that demographic revitalization must be given a new and stronger impulse because the Republic of North Macedonia has entered, or will enter a critical depopulation phase being unprepared for change. Third, the demographic imbalance cannot only be overcome by natural population increase. It also requires mechanical population increase by building new settlements or reconstructing the existing housing and utility resources. In that context, planning activity must be not only in the service of the reconstruction and revitalization of both rural areas and lower urban and degraded ones. All this is closely correlated with regional cohesion that is not properly studied in advance, and further monitored, and which forms part of an invisible and intellectual management process. In that sense, planning activity must be better and more adequately supported by urban planning, which are otherwise only partially, or not at all implemented. It is also necessary to introduce spatial planning, which is not carried out in North Macedonia, despite being included into the planning system (regional and municipal spatial plans for special-purpose areas). Those are the **instruments of spatial management**, which are legally binding, but are **not defined and fully implemented in practice**. This is a serious shortcoming of the system of regional development management, stipulated by law, initiated by a strategy, activated by regional programmes, and presented for review based on the final evaluation.

2. Assessment by the Planning Regions

2.1. The Vardar Planning Region

After the introduction, the programme presents the regional characteristics, demographic, economic and social development, tourism, agriculture, infrastructure and energy, as well as the environment, broken down into numerous components and characteristics.

As for the medium-term aims, the programme sets out 6 strategic aims:

1. The improvement of living conditions by protecting the **environment**;
2. The development of contemporary transport and **infrastructure**, roads, railway, energy systems;
3. The development of wine and cultural **tourism**, as well as other forms of tourism;
4. **Regional competitiveness** with the optimal use of potentials and SWOT analysis;
5. **Human capital** development and the improvement of social protection;
6. Regional potentials, **agriculture and rural development**.

In principle, the processing of the development aims follows the procedures and techniques prescribed by the (MSL) Rules and Techniques. Use has also been made of the list of indicators listed in the document entitled “Amendments to the Regional Development Strategy”, which anticipates a hundred indicators for two basic strategic aims, **Regional Competitiveness and Cohesion**, and 14 priorities, free-choice based and somewhat loose, which can formally be considered as necessary, despite being insufficiently strong and reliable instruments. The processors of the regional development programme have been oriented to their own choice of indicators and methodologies. To that end, use has been made of a **SWOT analysis** for the description of positive and negative regional characteristics, indicators to enlighten phenomena, indicative activities for the description of processes and procedures, and the measures for realizing goals and priorities.

The planning activity, including the preparation and updating of urban plans for urban and rural areas, has not been included among the priority goals despite being more advanced than other regions and is placed on the top. It deals mostly with urban problems and to a lesser degree with

rural ones. The preparation of urban and rural plans is in disproportion (70/19), which also applies to the preparation of urban plans outside populated places and villages (15/4). This is illustrated by the following urban planning table.

Table No. 1: Urban plans, prepared and updated, 2009-2012

UP/DP	Macedonia	Vardar	East	South West	South East	Pelagon	Polog	North East	Skopje
GUP	31	7	4	2	4	4	6	4	0
DUP	434	63	55	59	37	54	36	73	57
UPOPP	98	15	13	8	16	19	8	3	16
UPV	47	4	5	2	5	4	9	3	15
Total	610	89	77	71	62	81	59	83	88
%	100	14.5	12.6	11.6	10	13.3	9.5	13.6	14.4

Source: Izveštaj o tekovnoj evaluaciji Strategije regionalnog razvoja, 2009-2019, za period 2008-2012

It has generally been remarked that the strategic aims are mostly based on a problem-related approach, while the selection of the accompanying indicators, which supports analysis, relies mostly on the data of the State Statistical Office, which have not been sufficient for analysis. There has been no field research as analytical support.

The Vardar Region stretches along the Vardar valley, from Ovče Pole in the north to the Greek border in the south, and along the foothills in the east and west of the Vardar River. It covers an area of 4,042 km², which accounts for 17% of the country's total area. It is comprised of 9 municipalities, 4 urban and 5 rural. The region distinguishes itself by a relatively high share of urban population, small urban centres, larger rural centres and the character of urbanization in general. According to its natural conditions, it reminds us of two combined types of climate, Mediterranean in the valley and Alpine in the foothills. The following table illustrates a dispersed urban character of the region. Otherwise, the Vardar Region is pulling ahead of the others, including Skopje with which it has been equalized, with respect to planning activity, 89 prepared urban plans (2009 – 2012) – the largest number of GUPs, large number of DUPs in the cities and outside populated places. However, as far as the preparation of rural development plans is in question, it is on the bottom rung of the ladder. A distinct disproportion in the preparation of urban and rural development plans, 70/4, points to one-sided interest that must be shifted towards rural development plans.

Table No. 2: Basic spatial and demographic characteristics

Municipalities	Area km2	Population	Pop/km2	Settlements/PP /100 km2	Urban population	% share of urban population
Veles	427	55,080	129	29 / 7	46,707	84.8
Demir Kapija	309	4,635	15	15 / 5	3,337	72.1
Kavadarci	992	38,688	39	40 / 4	29,000	75.3
Negotino	478	19,548	41	19 / 4	12,108	69.1
Sv.Nikola	483	19,311	37	33 / 7	14,290	74.3
Grgsko	235	3,525	15	16 / 7		
Lozovo	166	2,656	16	11 / 7		
Rosoman	132	396	31	10 / 8		
Časka	820	8,200	10	42 / 5		
Total	4042	153,596	38	215 / 4	105,442	68.6

Source: *Ibidem*.

The Municipal spatial characteristics are as follows:

Area 130 – 1,000 km², total area 4,042 km², population 396 – 55,000, total number 153,596 with population density 10 – 129, 3 people/km² on **the** average, populated places 10 – 40 totalling 215, urban population 68.6% of the total number.

Conclusions:

The previous table shows that the population statistics lacks synchronization and cohesion, unexamined from the viewpoint of urbanization, that is, being in **a state of information entropy** – unreliable, unprocessed and partly unorganized. It deserves a more thorough analysis and assessment of the situation, so as to conduct a realistic revitalization and settlement development policy. This can also be concluded on the basis of the number of settlements – 215 in 9 municipalities, over 20 on the average; in the most populated municipalities – 40 and 42 settlements; in medium populated – 29 and 33, and in less populated 10 – 16 settlements in 5 municipalities. This is the most serious and most neglected problem relating to the organization of rural areas with numerous dispersed settlements, which are harder to reach and are supplied and served with the greatest difficulty. This especially applies to the settlements with the oldest population. Consequently, this is a strategic problem, urbanization and ruralisation, similar and close, with the same problems, involving transport and supply, as well as the provision of services such as protection, health, social welfare, security, PTT services. These areas, regardless of whether rural or urban municipalities (with the municipal centre as the primary centre) being in question, lack secondary and tertiary centres, which provide transport, supply, services and

security. Therefore, their planning, programming, designing and building are necessary. The Vardar Region lacks secondary and tertiary centres both in rural and semirural areas, some 20 settlements built in the form of sustainable and development settlements, eco-communities in the valleys, connected via transport to form a network of settlements provided with contemporary contents and equipment. It would represent a completely improved network of settlements, multifunctional, sustainable and located 6 in valley belt and about 6 in the hilly parts on each side. Such a **network of settlements** would be consistent and integrated with the existing thinned and uneven pattern of settlements. Consequently, only a new, interpolated, cross-linked, content-filled multifunctional network of sustainable settlements would create conditions for an even and harmonized sustainable development of the region.

Recommendations:

Build six developmental and sustainable settlements in the form of an eco-community for the 21st century in all valley and hilly parts of the Vardar Valley for the purpose of demographic revitalization, more even population distribution, cohesive development conditions (space, demography, economy, social welfare and ecology), creation of the vision of the integrated human settlements of the future, semi-Mediterranean style in the valley and semi-Alpine settlements in the foothills. This would be a full contribution to European-style regional convergence and integration.

2.2. The South-Western Planning Region

The Programme has been prepared by the Centre for South-West Regional Development in cooperation with the relevant Ministry of the Government of North Macedonia with the previous consent of the Council for the South-Western Region for the period 2015-2019. It has been prepared by using a similar method like for other regions. Apart from the basic regional characteristics, the content includes demography, socio-economic development, agriculture, infrastructure and environment, broken out into numerous aspects, protection and use of available resources, pollution, natural and cultural heritage. What follows includes development planning, vision and financing.

The South-Western Region is located in the central part of Eastern Macedonia, between the region of Pelagonia in the south and Polog in the north. It occupies a beautiful natural mountainous-lake-valley area, including Lake Ohrid and Lake Prespa, Jablanica and Galičnica

Mountains, Galičnica national park, new areas proposed for natural protection and identified new areas. The South-Western Region is an extraordinary and memorable area. It represents a very valuable and protected natural resource with very valuable biological and ecological diversity of national and Balkan significance, well-known and recognized in world tourism and world natural heritage. It also represents a great tourist potential which is cherished and improved in accordance with the global trends in sustainable development, integral and multidimensional.

Medium-term planning aims.

1. **Modern economy** based on high technology and knowledge.
2. **Education** adjusted to the requirements of the economy and efficient social protection and health care of the population.
3. **Tourism development** is linked with natural and cultural heritage.
4. **Environmental** quality preservation.

The SW regional programme has some omissions due to the neglect of the following priority strategic aims:

1. Demographic revitalization and even population distribution in the regions (Aim 2.1 of the Regional Development Strategy, 2009-2019);
2. Building of functional spatial structures and integration of urban and rural areas in the regions (Aim 2.2 of the Strategy);
3. Improvement of planning activities in the regions (Aim 2.7 of the Strategy).

Ad 1. Demographic growth in the region is recording a milder decline; over a longer period it could represent a significant population loss at the regional and local levels, which is otherwise one of the national development strategies. During the period 2013-2009, the Region recorded a decrease in the population at the negative rate of 1.7 promille. As for the Republic, it is positive and amounts to 1.2 promille. The rate of natural increase is close to 0. A significant negative migration balance, the second according to the significance of the region (after the East) was recorded. – a total of **551**, (**354** from the towns and **187** from the villages), 100 each year on average. Demographic development joined the process of human capital decrease in the Republic; its preservation being the primary national aim. The problem should not be

underestimated. Although it is not significant, it must be treated as a strategic aim. A negative demographic balance cannot only be offset by natural increase. It also requires migration increase which means the building of settlements and population settlement. A general remark is that the demographic development of the municipalities and rural areas and settlements has been neglected and the integral planning of sustainable regional development is impossible without it.

Ad 2. It anticipates the building of new human, sustainable multifunctional settlements in rural areas in the form of rural community centres in which the secondary urbanization problem is settled, as contrasted with primary urbanization with municipal community centres. This problem was neglected for a long time, although it had to be dealt with as a priority strategic aim. This would be compatible with the current degree of urbanization of 66%, which makes the Region closer to the optimal measure for urban population, but rural population is not to be neglected either. The Region achieved a degree of urbanization (66%) and could be encouraged up to 70% of total population, without implications for spatial land use. In that context, there is a need for greater care about ruralisation and rural development, a decade-long problem that should be dealt with as a priority.

Ad 3. Planning activity in the Region is relatively less developed compared to other regions, which implies the preparation of urban and rural area plans. This refers, above all else, to the preparation of planning documents for urban and rural settlements, both GUP and UPV categories, with 2 each for both categories. The Region holds the lowest position in the Republic and this position must be improved. Consequently, it is the question of planning, building and developing urban and rural areas according to urban plans. Otherwise, the preparation of DUPs is relatively at an adequate medium level of planning preparation (59, or 13.6% of the total in the Republic). In our opinion, the most critical plans for rural areas, which are insufficient and is questionable as to how to treat the rural development problem. This part of the problem relating to the development of rural settlements is dealt with in the Development Programme for the Region within Economic Development as an aspect of agricultural development – rural development, which is not sufficient. The village must be treated in a contemporary and modern way using advanced technologies, as human settlements within the sustainable development of rural-type habitat in quite a different way in comparison with classical development in the function of agriculture. Therefore, it is necessary to build them and develop them in a different way, closer to a city, without severing ties with the village, in the form of a sustainable rural-type

habitat, with the options and advantages of an eco-community for the 21st century, as compared to a classical type of settlements, which we studied during the previous 15-20 years, partly in the ECPD.

Table No. 3: Basic characteristics of the Region

Characteristics	Area, km ²		Population		Municipality		Populated places	
Republic of NM	25,713	100	2,040,228	100	84	100	1,767	100
Region	3344	13	222,385	11	10	11.9	286	16.2

Source: State Statistical Office.

Table No. 4: Basic land use indicators

Character	Density (pop/km ²)	PP/100km ²	Municipalities, km ²	Area ha/inhabitant
Rep. Mac.	79.3	6.8	306	1.26
Region	66.5	8.5	334	1.5

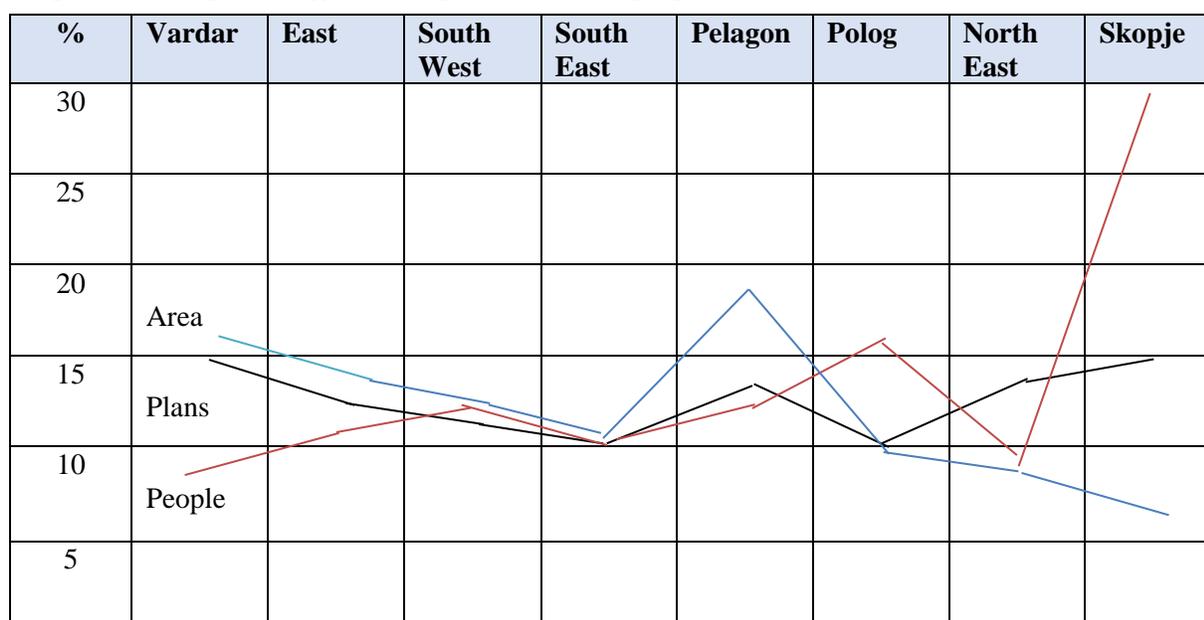
Source: State Statistical Office, calculated by the author.

The first table shows that the basic regional characteristics are not completely cohesive among themselves and relative to the Republic, but only in part: only the share of inhabitants and municipalities is the closest (11 and 12), space/area (13), while the number of populated places is the furthest (16), which shows that in this region the fragmentation and dispersion of settlements is most pronounced (286), which poses the greatest problem in controlling and governing a large number of settlements at the municipal (10) and regional levels due to their fragmentation, dispersion, inferior transport linkages and functioning in general.

The table of the relevant indicators shows that in the case of indicator 3 the region is above the Republic's average, while in the case of indicator 1 it is below the average:

- concentration of settlements in the area (PP/100km²) - 8.5 vs. 6.8, difference: 25%;
- municipal size (334 vs. 305 km²), difference 9%;
- available area per inhabitant (1.5 vs. 1.26 ha/sta), difference 19%;
- population density below the average (66.5 vs. 79.3 inhabitants/ha), difference 12%.

Graph No. 1: Regional differences: plans, area and people



Source: M.Kojovic

The graph shows the greatest regional differences between planning, area and people in 5 regions: Skopje, North East, Pelagonia and Polog, and Vardar. In the remaining 3 regions the compliance is greater in the South West and South East Regions, than in the East Region.

Conclusions:

1. The Region has a relatively **higher development density** (concentration of settlements), but **lower population density**, which enables settlement and densification within specified limits, up to 10-15%. The municipal areas in the Region are larger than the Republican ones by 9% on the average. The available area per inhabitant is higher by 15%. Thus, there is the possibility of decrease in both directions by 5-10%, which can potentially increase the population by 10,000 – 15,000 inhabitants and increase population density up to 70 inhabitants per ha.
2. The Region demonstrates a relatively greater coherence of the parameters such as population and the number of municipalities (11-12%, of the Republic), weaker coherence in the case of area (13), and the weakest in the case of populated places (16). In other words, it shows an increased number of settlements.
3. The land use indicators show a greater disparity relative to the Republic. Namely, the concentration of populated places, size of municipalities and available space have

increased; only population density has been reduced, which is not a deficiency in this case. On the contrary, it is even an advantage.

4. The Region's space has been used below the average. Thus, there is a potential for settlement and an increase in population density. However, this should be done with caution and restraint, bearing in mind the character and value of the Region which is under strict protection.

2.3. The Polog Planning Region

Polog is a region characterized by extremes. In terms of area it is one of the smallest regions, 2,416 km², after the Skopje Region; it has the largest number of inhabitants, 310,000, and is **most densely populated**, 126 inhabitants/ha; it has acquired an urban character (55% of urban population), and has most densely built settlements: 7.6 settlements/100 km², thus preceding the South-Western Region and being above the average (6.9). It is located in the border area of Macedonia, in the north west. It borders to Serbia, while within the Republic, it borders to Skopje and North-Western Regions. It has been stated that it is under pressure from infrastructural and energy facilities and systems.

The Region is characterized by protected areas, which should be joined by other proposed and identified areas, such as the Mavrovo National Park and Šar Mountain, proposed to become a national park. Its nature abounds in biodiversity, including some varieties of international significance. It is **predestined for diversity tourism**.

Table No. 5: Basic characteristics across municipalities

Municipalities	Area, km ²	PP, PP /100 km ²	Population 2002	Density 2002	Population 2013	Density 2013
Tetovo	262	20 7.7	86,658	331	90,948	347
Tearce	136	13 9.5	22,454	164	22,836	167
Brvenica	141	10 7	15,855	97	16,519	101
Bogovino	261	14 5.3	28,997	205	30,579	216
Želino	176	18 10	24,390	121	27,441	137
Jegunivce	613	17 9.6	10,790	61	19,723	61
Gostivar	176	35 19.9	81,042	158	83,239	162
Vrapčiot	513	16 3	25,380	161	27,266	113
Mavrovo	663	42 6.3	8,618	130	8,907	13
Polog Region	2416	184 7.6	304,125	126	318,458	132
N.Macedonia	25.317	1767 6.9	2,022,547	79	2,065,769	80

Source: PRDC, calculations by the author.

The table No.5 shows heterogeneous land use within the regions at the municipal level in terms of human capital, density of populated places and population density, based on the population assessment at the beginning of the previous population census.

The Region is populated at the municipal level with medium-sized urban communities (2 - below 100,000), very large rural communities (6 – between 16,000 to 30,500), and one specific community within the energy complex (below 10,000). In nominal terms, it belongs to the category of less urbanized regions (55% of urban population). In fact, it could conditionally be more urbanized (65%) and highly urbanized region (75%) due to the fact that 4 municipalities have over 20,000 inhabitants, which should be, as a rule, urbanized (55%), both nominally and objectively, and 2 municipalities with less than 20,000 inhabitants, which could reach the semi-urbanization (50%). In other words, the Region has met and exceeded the requirements for higher and high urbanization in its sustainable development from the aspect of spatial and demographic cohesion. This implies defining the strategic aim of “higher and high urbanization“, which is actually not the case.

As a significant land use indicator in the region, the density of populated places, (PP/100 km²) points to **pronounced disparity**. It moves in the range of 3-20 PP/100 km²), down to below 10 in the energy complex, with the median of 6-10 and above the average in the Republic (6.39 / 7.6)

1. Such an Support to and development of **competitiveness** and innovation in the development of small and medium-sized enterprises in the region.
2. Development of contemporary education, development of **human capital** and increasing the level of social development.
3. Sustainable development of sports and recreation centres through the valorization of **natural and cultural values**.

Environmental protection actual situation points to serious difficulties in urban and spatial planning, involving the attenuation and overcoming of the consequences of an **uneven population distribution**, which is one of the basic challenges of development strategy, within and outside the region, but has not taken an important place among the regional priority development aims.

These are the medium-term development aims:

4. use and protection of natural resources.

The list of aims is similar to the list of the aims of the North-Eastern Region, but differs from other lists and the Development Strategy of the Republic. It differs methodologically, formally and substantively. **First**, methodologically It is primarily committed to safeguard regional interests and development aims, and not the international ones in the context of European integration. However, a compromise and unity have been achieved with respect to the first and most important aim – regional competitiveness. **Second**, the Programme has methodologically opted for four basic aims instead of two (Strategy), giving priority to partially the same aims and differing formally from them. The Programme is ramified in four directions, Strategy in two and is strongly committed to 2 x 7 priorities. In that sense, the Programme is more flexible and this is more appropriate and we should support such an orientation. The tangent and overlapping aims are: 1 and 4: regional competitiveness and environmental protection.

As for spatial development, the Programme is not in compliance with the priorities included in the strategy (priorities 2.1, 2.2 , 2.7):

- (2.1) **Demographic revitalization** and more even population distribution.
- (2.2) Building of **functional spatial structures and better integration** of urban and rural environments.
- (2.7) Improving the **capacity potential in the service** of achieving the aims. This primarily refers to the improvement of spatial planning (regional and municipal plans, regulatory plans, urban and rural).

The first two priorities refer to the creation of the programme and implementation of the plans and programmes relating to revitalization and rural areas, which have been insufficiently and inadequately applied within planning activities, and are only partially consistent.

Urban plans for populated places and plans outside populated places

The significance and function of the regional spatial plan (RSP), which has not been defined and regulated, in the function of optimizing the population location and spatial construction and development, have been confirmed.

It has also been confirmed that planning documents **do not cover a good part of rural areas**. It is evident that planning activity in the Polog Region is less intensive relative to other regions because it is at the far end and below the average considering the total number of plans (59 vs. 89 in the Vardar Region). However, the **Region has been more actively involved in the preparation of plans for populated places and plans outside populated areas** (rural), i.e. 17 vs 23 (Pelagonia) and 9 plans for villages, more than others. However, it is a fact that one part of the rural area has remained uncovered and that the realization of plans has been insufficient and inadequate.

It should be noted that urban plans and missing spatial plans are substantive as:

Priority within aim 1 - **Infrastructure**, which is debatable as a shortcoming as to what is primary and what is secondary.

Priority 1.4 **Sustainable agriculture and rural development** – only rural development has been declaratively touched upon.

Planning (spatial-regional and municipal, urban and rural) has not obtained an adequate role and function in the Regional and Municipal Development Strategy as an instrument in drafting legal planning documents, and as a governing instrument in the implementation of regional development strategy.

2.4. The Pelagonia Planning Region

The Pelagonia Region is situated in the south-west of the state. It borders the South-Western Region in the north, Vardar Region in the east and Greece in the south. From a geomorphological viewpoint, it is a mountainous-plain and lake country, with widely varied natural ecological assets which link two values, central Pelagonia and peripheral Prespa. Pelagonia stretches from north to south, all the way to Greece. It abounds in lakes, rivers and spring waters. It is **suitable for various types of agriculture and tourism**. It belongs to medium

developed regions with the prospects for further sustainable and more even development, and complex development targets.

Regional strategic aims and the Strategy of the Republic of North Macedonia

1. Promotion of sustainable and even regional development
2. Development of the competitive tourist destination of the region
3. Improvement of social, health and educational conditions
4. Improvement of mutual relations in the region and neighbourly relations, thus ensuring better life
5. Agricultural and rural development
6. Environmental protection and improvement.

There are no spatial development priorities, identified in the Regional Development Strategy of the Republic (2.2, 2.2, 2.5, 2.7). We recommend that they should be included once again and especially considered, after gaining an insight into the basic spatial characteristics of the region.

Table No. 6: Basic spatial characteristics of the region and municipalities – Pelagonia

Municipality	Population 2002	Population 2013/density		Area km ²	Populated, PP/100 km ²	
Bitola	95,385	92,777	117	787	66	8.3
Demir Hisar	9,497	8,555	18	480	41	8.5
Krivogaštani	6,150	6,701	75	89	13	14
Kruševo	9,684	9,559	50	191	19	10
Mogilan	6,710	6,396	25	255	23	9.2
Prilep	76,768	76,862	64	1199	29	2.4
Resen	16,825	16,346	30	551	44	8
Novaci	3,549	3,246	4	753	41	5.4
Dolneni	13,968	13,962	34	412	37	9
Total	221,367	232,367	56	4117	343	8.3

Source: PelRDC, calculations by the author.

Table No. 7: Population movement and population density, Pelagonia, 2009-2013

Year	2009	2010	2011	2012	2013
Population	234488	234137	233688	232958	232367
Density	56.9	56.9	56.8	56.6	56.4

Source: Ibidem.

Spatial Characteristics

The Region has surpassed the critical threshold of urbanization and joined the ranks of urban, that is, lower-level urbanized regions (55/45) thanks to the cities of Bitola and Prilep, but with the prospects to increase to 65/35, thanks to another 4 more densely populated municipalities (30-75 inhabitants/km²). Restraint on spatial development, urbanization and sustainable habitat is posed by a great number of populated places (343) in relatively smaller municipal communities (3000-10000), with a great number of settlements within it (20-40). The municipality of Novaci is a curiosity – it has the smallest number of inhabitants; it is sparsely populated, yet spatially large above the average (41).

The density of populated places is concentrated in the range of 8 – 14 PP/100 km², - 7 and only 2 in the range of 3-6. The basic problem of the urbanization and sustainable development of rural municipalities is posed by the nonexistence of secondary and tertiary centres, as the focal point of sustainable development. They must be planned and developed according to the principles of sustainable and ecological multifunctional settlements of a semi-urban or urban character, with specific attributes of rural communities about which we have already talked and enclosed a sample of the demo-project.

Strategic Aims of the Region and Strategy of North Macedonia

They are not in full compliance with the Development Strategy. They have been adjusted to the domestic aims, but some important ones have been omitted, neglected or marginalized. This refers to spatial development, which is one of 4 primary facets of sustainable development, included in a number of priority aims, and we have to point to them as omissions after an analysis of the basic spatial development characteristics:

1. **Demographic revitalization** and more even population distribution (Strategy Aim 2.1);
2. **Building of functional spatial structures** and better integration of urban and rural space (Strategy Aim 2.2);
3. **Capacity building** for the planning and realization of population development (Strategy Aim 2.7).

Demographic analyses, inconsistent and unreliable

Demography is a crucial field of knowledge and important as a branch of science, but demographic trend analyses are aggravated and unreliable due to outdatedness and inconsistency in following up the relevant statistics, but are still sufficiently indicative to point to the problems, trends and solution methods. According to the previous tables (2013/2009), the population in the Region decreased from 234,488 to 232,367, by 9 promille, at the negative rate of 1.8 promille, which should not be underestimated. If we also point to a negative natural growth, which varied from -1.5 to -3 promille during the period 2008-2013 and that the migration trends in Pelagonia (excluding Skopje) are positive, it can be concluded that the real and potential population losses in Pelagonia are greater than those shown by the total population increase. Moreover, rural areas are emptying out, while urban ones are being filled with inhabitants. This confirms the problem of interregional unevenness. In other words, demographic revitalization is realistic and valuable, and indispensable as a strategic aim.

On the other hand, urbanization and ruralisation appear as antagonisms and not as complementary processes, i.e. the emptying of villages results in an increase in urban population, instead of rural population remaining in rural regions, but under changed, semiurban and urban conditions. This is secondary urbanization which emerges if there are secondary centres, apart from municipal ones. Those are the centres of rural communities and under the current conditions it is realistic to build new small centres, planned and constructed in the form of sustainable habitat and we deal with his issue and solve the problem in the form of eco-community for the 21st century. This belongs to the sphere of priorities 2.2.

The convergence and integration of urban and rural areas as a long-term, unsolved and neglected problem

The Region is the place in which planning activities are carried out and urban plans are realized. Pelagonia forms part of the Macedonian regions with the above-average preparation of urban plans for cities and villages (81 vs. 76), but with an increased disproportion of the preparation of urban and rural plans (63/23), which are nominally equalized, but are functionally separate and different. In the Pelagonia Region, characterized by a higher level of urbanization (67.5/32.4), the share of preparation of plans is even higher in favour of urban ones (73/27), but should be at least (65/35), or even dramatically increased in favour of rural plans (60/40).

Land Use in the Municipalities and the Region

Table No. 6: Population and development densities in the municipalities and the region

Municipalities	Density/km ²	PP density/100km ²	Area
Bitola	118	8.4	787
Demir Hisar	18	8.5	480
Krivogaštani	75	14.6	89
Kruševo	50	10	191
Mogilan	4	9	255
Prilep	6	3	1,199
Resen	30	8	551
Novaci	4	9.5	753
Dolneni	33	8.8	412
Total	49	7	4,117

Source: Ibidem.

Land use in urban and spatial planning is the essence and the aim, that is, the planning instrument through which realization is controlled and which is seldom or wrongly used, or even ignored. This small analysis shows how much this is important. In this case both indicators show partial consistency as well as great disparity among the municipalities. This analysis also points to the way of reducing this disparity. Population density shows 3 density categories:

- low 4 – 20 inhabitants/km² – 4,

- middle 30- 50 – 3

- up to 120 -1 settlements

As for development density, the situation is different; there are 3 categories:

- lowest: up to 3 settlements per 100 km² - 1

- middle: 8- 10 settlements - 8

- highest: 14 settlements - 1 municipality.

The homogeneous group of middle-high development densities is in correlation with the group of 7 approximate development densities in correlation with the following municipality sizes:

	-1200 km ²	1
7 X 8 – 10	- 400 – 800	5
N/100 km ²	- 90 – 400	3

Conclusion: Demographic development, human potential, preservation, development, more even distribution and urbanization of rural areas are significant for the Regional Development Strategy and must be included once again, because they are missing. By a supplementary analysis we have provided a basis for further action in this respect.

The sustainable development of the Pelagonia Region must be supported, but the treatment of its urban and rural areas must be coordinated, avoiding inertia and the lagging of the rural area. On the contrary: we deal with rural development as a strategic priority, whose development would contribute to the achievement of both strategic aims, the **competitiveness and cohesion** of the Region, but under different conditions of regionalization (balanced macro, as the superstructure of the current unbalanced micro regionalization).

Recommendations:

- Support of the strategic goals: 1) Demographic revitalization and better redistribution of population and 2) Convergence and integration of urban and rural environment, by reconstructing existing settlements or building new human settlements in seven rural municipalities, 3) support the process of urbanization of rural areas.

- Support the sustainable development of rural municipalities, to develop municipality centers, by redeveloping of an existing settlement or building of new human settlement in the modus of Ecologic community 21, we suggested in the previous 1st. book
- Building of the self-developing nuclei in every 7 rural municipalities.

2.5 The North Eastern Planning Region

The North-Eastern Region occupies the north-eastern border area of the Republic of North Macedonia. It borders Serbia and Bulgaria in the north and the Eastern Region and Skopje Region in the south and west. It is one of the smallest regions – its area is 2310 km², thus accounting for only 9% of the area of the Republic. It is comprised of 6 municipalities with a total of 192 populated places 189 of which are rural. Approximately close to the average of 81 inhabitants/km².

The North-Eastern Region is characterized by nature protected areas and ecological corridors through which it is connected with the national network, which interconnects protected areas. It stretches along the rivers Pčinja and Kriva reka. It has geological, hydrological and ecological values that will be protected. Its resources are suitable for development and entry into a competitive race with other regions.

Table No. 7: Basic characteristics of the Region

Municipalities	Area, km²	Pop/km²	Populated places	% urban population
Kratovo	375	20	31	66.3
Kriva reka	480	42	34	69.9
Kumanovo	509	213	46	72.3
Lipicko	273	109	22	0
Rankovci	241	16	18	0
St.Nagiricani	432	10	39	0
Total	2310	76	102	56.6

Population, year	2009	2010	2011	2012	2013
Republ.	2,052.722	2,057.284	2,059.794	2,062.294	2,065.759
Region	174,876	175,211	176,323	175,560	175,863

Year	2009	2010	2011	2012	2013
Republ.	100	100.22	100.34	100.47	100.64
Region	100	100.19	100.26	100.39	100.56

Source: NEPRC

From a demographic viewpoint, the Region is recording a very slow growth rate, similar to that of the Redpublic. According to analysts, it is approaching depopulation, including all negative consequences for development, young and elderly people, and labour force. Both the national and regional demographic strategies will have to take a more resolute stand and anticipate the measures for halting or redirecting that process. As far as we know while dealing with this problem, the situation cannot be improved by relying on natural increase. The problem must be solved by revitalizing complete rural areas. In this case, the problem has been perceived in the context of tourism development and in this respect we are very close to reaching unanimity. However, there remains the problem of rural municipalities, which must be raised to a higher level of spatial and functional organization, in which there are no smaller urban centres in the form of sustainable habitat – the problem we have dealt with for years and have the solutions. The North-Eastern Region is in a relatively more favourable position for solving the problem of rurization, that is, secondary urbanization with small multifunctional development centres, which must be built anew, with the exception of special cases if it is possible to reconstruct and revitalize the existing settlements. This problem cannot be solved without the Regional Spatial Plan, which was not a legal obligation, but had to be.

The Compliance of the Regional Programmes with Strategy Aims:

1. Regional competitiveness and small business
 - 1.4 Infrastructure and information system
 - 1.4.4. Urban plans for populated places and urban plans outside populated places, spatial planning, regional plans
 - 1.5 Special needs areas
 - 1.5.1 Transport linkages in the region
2. Quality of education, social and health protection

3. Healthy environment and proper use and management of natural resources
4. Sustainable rural development, development of competitive regional tourist supply, revitalization of the rural environment.

Full compliance of these documents has not been formally achieved. Just partially. However, compliance is greater informally, but it is not so readily observable due to different methodological approaches and the structuring of approaches and priorities. The programme was guided more by local-regional interests, while the Republic was guided by the interests of European integration. Therefore, the first is more concise and relatively more coherent; it has 4 basic medium-term aims: 1. regional competitiveness; 2. adequate quality of life and social standard; 3. healthy environment and 4. sustainable rural development. The second has two basic aims with 7 priorities each. On what they relatively agree and on what they do not agree? The region agrees on 2 out of 4 basic aims: 1. regional competitiveness and 3. environmental protection. The other 2 aims have been included in the priorities of the Strategy in different ways. From the viewpoint of spatial planning we have already pointed to the formal and informal absence of more aims relating to demographic development and population distribution, land use, planning activities and the like. However, on the other hand, the regional programme contains the aims that are missing or less precisely elaborated. This refers to the regional priorities, which should also be the priorities of the Republic: 1.4.4. urbanism (plans) and spatial planning, 4. sustainable rural development based on competitive regional tourism, not only in the Strategy, as rural development in the service of agriculture, etc. A comparative analysis should be a comprehensive study, for some other occasion. We have also agreed on the aims of developing specific needs areas.

Conclusions:

The Region has acted properly because it has opted for the aims of regional interest and has built on the aims of the Strategy being in accordance with these interests. I especially hold that the demographic aspect of the regional Programme should be emphasized. It is also necessary to fight for rural development, not declaratively, but concretely in any possible way, certainly through tourism, but not only for agricultural production or in some projection of the European perspective. Therefore, this programme formally partially in compliance with the Strategy. However, there is no informal agreement, because the part devoted to rural development has remained only declarative, without further elaboration and concretization.

Recommandations:

- Support further process of urbanization and rurization, in sence of modernization,
- Support sustainable development of two semi urban municipalitie,Kratovo, Krfiva ReKA.
- Support sustainable development of rest municipalities, Lipicko, Rankovci, St. Nagoričano, in the modus of Ecologic community 21.

2.6. The Eastern Planning Region

The Eastern Planning Region occupies the eastern central area. It borders the North-Eastern Region in the north, the South-Eastern Region in the south, the Vardar Region in the west and Bulgaria in the east. This is a mountainous and valley region, characterized by high mountains, Osogovo, Plačkovica, Maleševo and Ogražden in the east, and Konečka in the west. The fields and valleys stretch from north to south: Ovče Pole and Eževo Pole, valleys: Pijanec, Maleševska, Viničko-Kočanska and Berovsko-pehčevsko Pole. The rivers Bregalnica and Strumice flow along them. The Region has an area of 3,537 km² and 178 thousand inhabitants. It is administratively divided into 11 municipalities with an area of about 300 km² each. It has natural and cultural values, and its heritage is protected. Demographic development has not been thoroughly analyzed. According to this Programme, its natural population increase in 2013 was negative (-310), that migration balance was positive (129) and that total population increase was negative (-181), amounting to 1 promille, or 0.1%, which should not be ignored, bearing in mind that this is a trend and long-term phenomenon. However, it has not been studied and is insufficiently known. Other indicators show that the Eastern Region is moderately or sparsely populated, in 11 municipalities – 3 with an urban centre and others with a rural centre, including 217 settlements and 2/3 urban population.

Table No. 8: Basic characteristics of the Eastern Region

<i>Area/character</i>	<i>Area, km²</i>	<i>Population</i>	<i>Population density</i>	<i>Number of municipalities</i>	<i>Mun. centre</i>	<i>Populated places</i>
Republic	25.713	2,065.769	80	81	38	1.767
Region	3.577	177.998	50	11	3	217
Reg/Rep.%	13.76	8.69	62	13.58	7.89	12.28

Source: ERDC

The table shows an interesting information and functional duality. On one side there are the area (14), number of municipalities (14) and number of settlements (12), in mutual compliance with respect to the Republic; on the other side there are population (9), municipalities with the urban centre (8) and population density (reduced to 2/3 R). In other words, the human factor controls the area from the municipalities with the urban centre, which means that the municipalities have the rural centre, or are without it, which is set as a strategic aim (2.2); the convergence and integration of urban and rural areas in this programme have been neglected and underestimated (as the priority aim of the Strategy, 2.2. Building of spatial functional structures and integration of urban and rural areas), which we consider to be a shortcoming.

Table No. 9: Basic characteristics of the municipalities

Municipality	Surface in km ²	Population/ km ²	Populated places	Urban population
1. Berovo	598	22	9	50.2
2. Vinica	438	45	16	54.5
3. Delčevo	422	39	66	65.7
4. Zrnovci	56	55	3	0
5. Karbnici	229	18	35	0
6. Kočani	350	105	28	74.4
7. M. Kamen	190	40	9	63.5
8. Pehčevo	208	24	7	58.7
9. Probistip	326	47	36	66.8
11. Štip	132	58	14	8
	583	83	44	91.3
Total	3.537	50	217	66.3

Source: Ibidem.

The municipalities in the Eastern Region are in greater disparity and the situation is difficult for improvement without radical changes in sustainable spatial development, except through planning and the building of new settlements in the form of sustainable habitat, as well as the reconstruction and improvement of the existing settlements, based not only on the improvement of utility services and building of infrastructure. The programme does not mention planning

activity, including the preparation of planning documents for the construction of facilities and settlements. In that respect, the East is not in a worse position than other regions, with 77 or 12.6 % of all plans prepared in the Republic, i.e. urban plans for the construction and development of urban and rural settlements, so that it is in the middle. As for the structure of plans prepared in the region, most of them are DUPs (55). By contrast, there are only 4 GUPs and 5 UPVs. It should also be noted that urban plans and plans for villages are in the proportion 3:1. It must be noted that the village has been marginalized. It is mentioned in the priority 4: Agricultural and rural development.

Conclusions:

The programme for the Eastern Region has not been consistent in the development of the Republic's global strategy; rather, it has been more priority-oriented. This would not have been disputable had it not ignored the important aims such as:

- 2.1 Demographic revitalization and more even population distribution in the regions.
- 2.2 Building of planning and functional structures and integration of urban and rural areas.
- 2.5 Support to special-needs areas.
- 2.7 Capacity building for regional development planning and realization.

Recommendations:

The development programme for the Eastern Region should be more coordinated with the strategic aims and should include the priority aims given in the previous section.

2.7. The South-Eastern Planning Region

The South-Eastern Region occupies the south-eastern position on the regional map of the of North Macedonia. It borders the East Region in the north, the Vardar Region in the west and Bulgaria in the east. For this analysis we have used also the document entitled "Development Plan for the South-Eastern Planning Region", made in March 2008. It has been prepared in cooperation with the German Organization for International Cooperation GIZ. It is a comprehensive document in terms of the applied methodology and content. It is indispensable for such an analytical work as well as for the planning and programming purposes of regions. It should further be used and improved as an instrument of regional development governance.

Priority development aims:

1. **Production of the branded grapewine**, production and processing for regional and domestic markets, in the South-Eastern Planning Region.
2. **Increase in employment through an increased number of small and medium-sized enterprises**, development of competitiveness and activation of measures for human resource development.
3. **Development of a new infrastructural network** and the expansion of the existing one, including specifically transport and energy infrastructure, supported by economic growth, improvement of competitive ability.
4. **Development of spas and cultural and historical values**, as well as alternative tourism, in cooperation with the neighbouring regions and countries.
5. **Protection and better environment**, use of renewable sources.
6. Promotion of the regions and **attractiveness for investors**.

From the aspect of spatial and demographic sustainable and more even development, the following priority aims of the Strategy are missing:

1. **Demographic revitalization** and more even population distribution (Strategy Aim 2.1);
2. **Building of functional spatial structures**, better integration of urban and rural environments in the region (Strategy Aim 2.2);
3. **Capacity building** for development planning and realization in the regions (Strategy Aim 2.7);

The findings and recommendations for the South-Eastern Region. This is a hilly-mountainous and valley area. It is located in the Djevdjelija-Katlan Plain and surrounded by the mountain range, Pljačkovica in the north, Mileševa, Ogražden and the rivers Vardar, Bregalnica and Struma. In addition, it has the local river Strumica in the Plain axis. It is suitable for agriculture, cattle breeding, fruit growing and versatile tourism. It is a middle-developed region according to its BDP pc.

In a social and economic sense, it is comprised of 9 municipalities, divided into 4 categories according to the size of their population:

- *Over 30 thousand - 2, 20-30 thousand - 2, 10-20 thousand – 4 and below 10 thousand - 1.*
- *Spatial structure of the size of municipalities is a three-part one:*
- *480 – 680 km²– 2, 250-330 km² – 2, 114 – 250 km²ha – 5.*
- *The number of populated places in the municipalities is structured in the following way: (4)- 1, (13 -18)- 6, (25-29)-2.*
- *Population density (inhabitants/km²) ranges widely from the lowest (16 and 19), through medium (45- 55), to the highest (75 and 95).*
- *The available area per populated place ranges (km²/nm) from 11 to 28 km².*

The favourable development conditions are primarily associated with the natural characteristics at the global and regional levels; at the municipal level they are very heterogeneous and inconsistent. In any case, it is the question of a rural area predisposed for agriculture and versatile tourism.

The conditions for sustainable spatial development have not been considered in greater detail.

Table No. 10: Basic demographic and spatial characteristics of the South-Eastern Planning Region

Municipalities	Population 2002	Population 2013	Area km²	Populated places
Bogdanci	8.707	8.329	114.38	4
Bosilovo	14.260	14.115	150.00	16
Valanovo	11.890	11.883	331.40	29
Vasilevo	12.122	12.798	221.00	18
Đevđelija	22.988	22.831	483.43	17
Dojran	3.428	3.344	132.02	13
Konče	3.636	3.596	223.70	14
Novo Selo	11.567	10.957	250.00	16
Strumica	54.676	50.615	321.53	25
Total	171.772	173.472	2.733.62	188

Source: SERDC

Table No. 11: Basic land use indicators

Municipalities	Density (pop/km)	PP/100km ²	Settlement area(km ²)	Area (ha/st).
Bogdanci	36	3.5	28	1.4
Bosilovo	95	1.0	9	1.0
Valanovo	36	8.7	11	2.8
Vasilevo	35	9.1	12	1.8
Đevđelija	47	3.5	28	2.1
Dojran	26	10	10	3.9
Konče	16	6.3	16	6.2
Novo Selo	44	4	15.6	2.3
Strumica	157	6.4	12.8	0.6
Total	63	6.9	14.5	1.5

Source: Ibidem, calculations by the author.

Population density is dispersed and ranges from 16 to 157 inhabitants/km²; in the centre there are two medium-sized groups: 47 -95. (3) and 26-36 (3). Spatial heterogeneity is distinct and the same applies to settlement. The concentration of settlements ranges from 1 to 10, which also points to a distinctly nonhomogeneous spatial settlement.

The size of settlement districts ranges from 9 to 16 km²; it is relatively close to homogeneity with the exception of Djevdjelija with its duplicated size (28).

The available land ranges from 0.6 to 6 ha/inhabitant, tenfold increase, which implies full dispersion and non-homogeneity of the populated area.

Normative global land use indicators to ensure positive effects of sustainable regional and local demographic development (population increase of 20,000), coupled with maintaining the positive characteristics of land protection and use, are shown in the following table.

Table No. 12: Regional demographic characteristics

Year	Density (pop/km ²)	Populated places/100km ²	District size (km ²)	Area, ha/pop
2020	63	6.8	14.5	1.5
2030	70	7.3	13.7	1.4

Source: Ibidem, calculation by the author.

With a minimum increase in settlement density and concentration of populated places, that is, minimized decrease in the size of settlement districts and land availability per inhabitant it is possible to increase the human potential to 20,000 inhabitants and build 10 smaller modern settlements, centres of rural communities, which are essential for the process of urbanization and sustainable development of the environment, which so far has not been clearly articulated and given a change in the Strategy of the Republic and regional and local development programmes.

Conclusions:

Strong entropy (lack of organization) in the area is not unsurmountable and beyond human capacity to changer. What is necessary includes attention, human relationship, systematic and analytical work, as well as continuous work, surmountable in the Regional Spatial Plan and previous study of the urbanization level of rural areas with the centres of rural communities. In the subsequent recommendations we will present the indicative parameters for land use governance, with the improved effects and preserved positive environmental characteristics.

Recommendations:

- Settlement and better and more rational land use.
- Improvement of spatial organization.
- Improvement of spatial content and functionality for the forthcoming 10-year planning period (2020 – 2030).

2.8. The Skopje Planning Region

The Skopje Region is a dominant region in the Republic of North Macedonia in every respect, thanks to its extraordinary development. As one of the Southern Balkan dominants, the extraordinary development of the city of Skopje began after the 1963 earthquake and has not slowed down or stopped up to the present. It is now one of the most attractive metropolitan areas in the Balkans. During its continuous decades-long development, Skopje influenced all development flows (demographic, economic, social, cultural, scientific, etc.). Over time, this has caused a disproportion between the Skopje Region and other regions. However, this disproportion is neither smaller or stagnant; instead, it is leading to further disproportions. Hence, the European Union has intended to support the efforts of the Republic of North Macedonia on its path to European integration to mitigate this trend and, over time, reverse it.

This is also the intention of this Project and our efforts are directed towards finding the way to achieve this aim. This can be found in good measure in the sphere of spatial planning and reassessment of the current regionalization, which has not been adequately carried out. In fact, the effort to address this disproportion actually asserts it and makes it greater. This general strategic aim – to reduce unevenness among the regions – did not receive real support in defining two basic aims: 1. to increase regional competitiveness and 2. to increase demographic, economic, social and spatial cohesion in favour of the regions. Such a strategic orientation implies a direct way of changing the level of disproportion by strengthening all regions and relative stagnation even regression of Skopje, which is unrealistic and impossible. We have studied another approach and an indirect way in aim 2.1. Demographic revitalization and more even population distribution, ranging from the enlargement of the existing regions to balanced macro regions, retaining only three convergent regions instead of eight divergent ones. In our opinion, this should be Skopje's first priority, which has not been set, but certainly is in the interest of the Republic of North Macedonia.

Demographic Development of the Skopje Region

The demographic situation of the Republic of North Macedonia points to a disproportion between the Skopje Region and other regions, which is approximately 600 vs. 1400 thousand inhabitants, whereby other regions oscillate between 150 and 300 thousand. If we also take into account other demographic deficiencies contributing to unevenness, then there is no way to reduce unevenness. First, **natural increase** in the Skopje Region which is the most positive and highest, over 4 promille, with the exception of Polog whose natural increase is similar, is significantly lower or even negative. **Migration** is especially interesting. The total migration balance in North Macedonia was negative: 2,860 persons. This applies to all regions, with the exception of the Skopje Region (2,222) and Pelagonia (244). Most migrants from other regions come to the Skopje Region – 1,244 from cities and 1,515 from villages. It is even theoretically impossible to find the way in which the development of the current regions can enable convergence, let alone equalization with the Skopje Region. It is only possible to have further development divergence. We have seen the solution in different regionalization, that is, spatial organization because the current regionalization is inappropriately fragmented and unsustainable.

Unevenness vs. Balance, and the gravitation of Skopje

The prescribed regionalization caused a greater population unevenness. Spatial unevenness is smaller. One out of 8 regions is dominant. As the central place, Skopje accounts for 29% of 2 million inhabitants; 3 regions account for 11-15% and 4 regions account for 7.5 – 9% of the total population. With such a spatial disposition it is impossible to rectify a population imbalance across the regions, despite all efforts. This characteristic can only be eliminated as a negative or limiting factor for a harmonious regional development with a different spatial organization.

Strategic aims, spatial planning and urbanism

The Skopje Region has opted for the priority aims based on its needs, or how they have been interpreted in the region. As for the basic aims, 1. Regional competitiveness and 2. Cohesion (demographic, economic, social and spatial), the region opted for the following priorities:

1. Regional competitiveness
2. Human capital development
3. Quality of life
4. Natural and cultural heritage in the function of tourism.

As can be seen, spatial planning has not been explicitly regarded as a priority aim. However, it is implicitly present in some distant perspective, although it is not visible. On the basis of our experience we know that it is certainly present in the aim concerning the quality of life in utility priorities and infrastructure, in aim 4 concerning tourism as a priority and, potentially, in 1. Competitiveness in Any Sphere of Development. Urban planning is also implicitly seen as an auxiliary tool which is irrelevant for development strategy. It is difficult to agree with such an approach. Thus, we have proposed an additional second-order priority task for aim 3 – quality of life.

The urbanization of the Skopje Planning Region was a central priority and not a peripheral problem. One must not lose sight of the fact that the distribution of population, total/urban/rural/relative, is 100/72/28 and 590/425/165 in absolute terms. This means that the rural population in the Skopje Planning Region is larger than that in the entire neighbouring Vardar Planning Region, 154/106/48. It is absurd that 165 thousand inhabitants of the Skopje Planning Region live in the area of about 450 km², while 50 thousand rural inhabitants of the

Vardar Planning Region live in the area of 3,000 km². It is natural that the two neighbouring regions are integrated and reorganized in the rural area of 3,500 km², just as urbanization should be different in the hypothetical model of macro-regionalization. Also, 220 thousand rural inhabitants should be spatially organized in a different way. 210 thousand inhabitants have been distributed in the rural areas in both regions.

Recommendation:

A new objective should be introduced: **Urbanization, ruralisation and integration of urban and rural environments.**

Urbanization and Improvement of the Rural Region

The process of urbanization and ruralisation in the Skopje Planning Region reached its peak with the ratio 72/28, i.e. urban/rural population. However, the process does not seem to be finished.

We hold that it will be finished only when the ratio becomes 7/23, whereby the greatest possible attention must be devoted to the transformation of rural settlements into urban and semi-urban ones. This transformation of rural settlements into semi-urban and urban ones must be especially cautious and be consistent with strategic aim 2.2: Integration of urban and rural environments.

Graph No. 3: Balanced regionalization of inhabitants and spaces, new population distribution and organization

Polog	Skopje 744,000 5,854	North East
South West WEST	Vardar CENTRE	East EAST
Pelagonia 768,000 9,773	mM relation of inhabitants 1:1.45 Space 1: 1.66	South East 527,000 8,186

Calculations by the author. Topical: for population and space, 1:3.83 and 1:2.6.

Table No. 12: Basic Features of the Planning Regions

Region	Area km2	Population *	Population per km2	PP/ 100 km2	Munici= palities	Populated areas	% Urban Population **
N.Macedonia	25,713	2,074,502	80.7	6	84	1,767	56.7
1. Vardar	4,042	152,410	37.7	5	9	215	68.7
2. Eastern	3,537	175,909	49.7	6	11	217	66.3
3. S. West	3,340	219,702	65.8	9	13	286	36.1
4. S.East	2,739	173,476	63.3	7	10	188	45.3
5. Pelagonia	4,717	229,491	48.6	7	9	343	67.6
6. Polog	2,416	321,199	132.9	7	9	7.6	29.2
7. North East	2,310	176,214	76.3	8	6	192	56.6
8. Skopje	1812	626071	345.5	8	17	142	71.8

Source: The State Statistical Office, calculations by the author * = 2017. ** = 2006

3. Final Considerations

Spatial planning in the Regional Development Strategy of North Macedonia, 2009-2019, covers three basic areas related to **Space, People and Plans**, and we have considered and evaluated the Development Programmes for the Planning Regions in this perspective. We have studied the compliance of the Programme with the Strategy, proposed solutions to the problems relating to spatial development, population development and distribution, as well as planning activity in the regions, in accordance with the current legal obligations and realization of eight regions, including the implementation of their Regional Development Strategies, bearing in mind the assumptions and guidelines of the national Regional Development Strategy. Legal obligations relating to the drafting of the Strategy and Programme of Development of Planning Regions, as well as the Rules for the Preparation and Evaluation of the Strategy, have been taken into account as well. This additional research has been necessary not only for the final assessment of the results of the Project, but also for the first phase of the project.

Based on the research undertaken **the following conclusions are offered:**

1. Development programmes for the planning regions, 2009-2020, **have not fully performed the function of implementing the national Development Strategy from the aspect of spatial planning tasks**, with respect to three main factors of sustainable development: Space, People and Plans. This is the case particularly in the context of strategic aim No. 2: Greater

demographic, economic, social and spatial cohesion, as well as in priority aims of spatial planning – particularly in reference to:

- 2.1 Demographic revitalization and more even population distribution between and within the regions.
 - 2.2 Building of functional spatial structures and better integration of urban and rural areas.
 - 2.5 Support to areas with special needs.
 - 2.7 Capacity building for planning and realization in the mountainous regions.
2. **Regions have opted**, first of all, for the first strategic aim – **Regional Competitiveness** and implicitly and unclearly for **Regional Cohesion**, while **neglecting the problems of spatial development and population development and distribution in the regions**. In that context, **demographic revitalization** of rural and less urbanized and degraded and abandoned urban areas, as well as the **integration of urban and rural environments** have not received proper attention. This still remains a distant and not easily achievable aim, which cannot be attained without radical measures and bigger resources, including adequate spatial and urban plans, and their realization. The regional cohesion problems, especially without primary spatial and demographic cohesion, cannot be solved without radical measures, **perhaps even a new regionalization**, which would shift the development process in a more convergent direction. In the current situation they are divergent and cannot be changed by themselves and spontaneously, but only in response to an adequate plan and under strict control of implementation. This can only be realized by a well-organized and **coherent operating system at the state level**, which is now in the initial phase and is **insufficiently developed and not properly decentralized to the regional level**.
3. Planning activities and the realization of plans, as the main instrument of Strategy implementation, have not been adequately and consistently conducted or realized in a controlled way. Firstly, it has been **confined to the field of spatial plans** (national, regional and municipal), omitted, with the exception of the national plan, and maladjusted to changes in the country. Urban plans have been prepared incoherently and insufficiently to cover the area or planning period with two 5-year action plans in continuity with the current 10-year planning period, except for the first one. As for the 600 prepared and updated plans, we had no way to know how many of them have actually been fully

implemented, and how and with what results. Regional development programmes and reports have not provided proper, and in some cases no information about this issue, so that there are many questions remaining unanswered.

4. From the aspect of spatial planning tasks, **all planning regions have not achieved the expected aims of balanced regional development**, since it has not been organized and structured in a sufficiently coherent and sustainable way. In addition, they have not clearly shown the shift of the development trends in the convergent direction during the planning period 2009-2019. However, we have in mind two or more important assumptions which have not been fulfilled:

- The legal obligation concerning the **use of a uniform methodology** in the preparation of the Regional Development Strategy, and preparation of the Development Programme for the Planning Regions, **has not been consistently fulfilled**. It has been replaced by the Rules for the Selection of Appraisers and the Methodology and technique of assessing planning documents, **instead of a compulsory methodology** for the preparation of documents. Therefore it has been left to the Regional Development Centres to use their own methodologies, and consequently **it could not be expected that omissions in terms of spatial planning would be avoided**. In the existing stereotype of the 3D concept of sustainable development (economy, social welfare, ecology), whose multi-dimensional supplementation (4D, 6D, 8D and 10D) has been promoted for more than a decade.¹⁰
- Numerous issues from the theory and practice of spatial and urban planning, as well as economic, social and ecological planning, could not be fully explained under the transition circumstances, and thereby expected that the CRPR would create a perfect Development Programme with its available potential, even with the assistance of foreign donors and consultants.
- By supplementing and improving the results of the Final Assessment phase, we can enable the improvement and cohesion of the System of Managing the Sustainable, Multidimensional and Integral Development of North Macedonia at several levels (national, regional, municipal, settlement) and this would be a normal and necessary further development in the coming period of 5-10 years.

¹⁰ M. Kojović, *Nova teorija ekonomije i održivog razvoja*, ECPD, 2017

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V. THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE, IPA AND REGIONAL DEVELOPMENT

Prof. Dr. Miodrag Ivanović

It is particularly important to make a clear point at the beginning that IPA programmes do not support directly regional development in the 'enlargement countries'. As European Council (2020) explains the Instrument for Pre-accession Assistance (IPA) is a mechanism to build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region. For the period 2007-2013 IPA had a budget of some € 11.5 billion; its successor, IPA II, has built on the results already achieved by dedicating € 11.7 billion for the period 2014-2020. The current beneficiaries are Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia, and Turkey.

IPA helps the beneficiaries to make political and economic reforms, preparing them for the rights and obligations that come with EU membership. Pre-accession assistance implies investment in the following areas: (1) Public administration reform; (2) Rule of law; (3) Sustainable economy; (4) People, and (5) Agriculture and rural development.

IPA (2007-2013) was designed to provide financial assistance through five channels: (1) transition assistance and institution building; (2) cross-border cooperation (CBC); (3) regional development; (4) human resource development and (5) rural development. The IPA I Regulation for the period 2007-2013 expired on 31 December 2013.

Table No. 1: IPA I 2007-2013 indicative allocations

Country	2007	2008	2009	2010	2011	2012	2013
Albania	61.0	70.7	81.2	94.1	94.4	94.5	95.3
Bosnia & Herzegovina	62.1	74.8	89.1	105.3	107.4	107.8	63.6
Croatia	141.2	146.0	151.2	153.5	156.5	156.1	93.5
Iceland	-	-	-	-	12.0	12.0	5.8
Kosovo*	68.3	184.7	106.1	67.3	68.7	68.8	71.4
Montenegro	31.4	32.6	34.5	33.5	34.1	35.0	34.5
North Macedonia	58.5	70.2	81.8	91.6	98.0	101.8	113.2
Serbia	189.7	190.9	194.8	197.9	201.8	202.0	208.3
Turkey	497.2	538.7	566.4	653.7	779.9	860.2	902.9
Multi-Beneficiary Programme	129.5	137.7	188.8	141.7	186.2	176.2	177.2

Source: IPA Regional Development Programmes in Republic of North Macedonia, available at https://ec.europa.eu/regional_policy/en/funding/ipa/fyrom/ [09 May 2020]

Support under the Regional Development Operational Programme concentrates on the transport and environment sectors with a total allocation for the period 2007-2013, as presented below (in €M):

Table 2: IPA I Budget: Operational programme on Regional Development

The 2007-2013 programme budget composition	IPA (EU) contribution:	Total current funding of the programme:	National co-financing	Co-financing rate:
	EUR 192,157.615	EUR 226, 067. 799	EUR 33, 910. 184	85%

Source: IPA Regional Development Programmes in Republic of North Macedonia, available at https://ec.europa.eu/regional_policy/en/funding/ipa/fyrom/ [09 May 2020]

Table No. 3: IPA I - Cross-border and transnational cooperation program

Programme	No. of projects	Share in %
IPA programme for Cross Border Cooperation North Macedonia - Kosovo	6	1,81
IPA programme for Cross Border Cooperation Kosovo – Severna Macedonia	9	2,71
Programme for transnational Cooperation – the Balkans - Mediterranean	22	6,63
IPA programme for Cross Border Cooperation – North Macedonia – Albania	60	18,07
IPA programme for Cross Border Cooperation – Greece - North Macedonia	87	26,20
IPA programme for Cross Border Cooperation – Bulgaria - North Macedonia	148	44,58
Total	332	100 %

Source: ИПА Проекти за прекугранична и трансационална соработка, available at <http://mls.gov.mk/mk/166>
<http://mls.gov.mk/mk/>

Table 3 shows that the largest number of projects was implemented for the IPA Cross-border cooperation programmes between Republic of Bulgaria & Northern Macedonia, with 148 projects or 44.58%, then the IPA cross-border cooperation programmes between Greece & Northern Macedonia with 87 projects, or 26.20 %. IPA Cross-border cooperation programme between the Republic of Northern Macedonia & Republic of Albania was ranked as third with 60 projects or 18.07%. The total number of projects was 332.

Table 4: Projects for a specific region/municipality Total investment per region in EUR

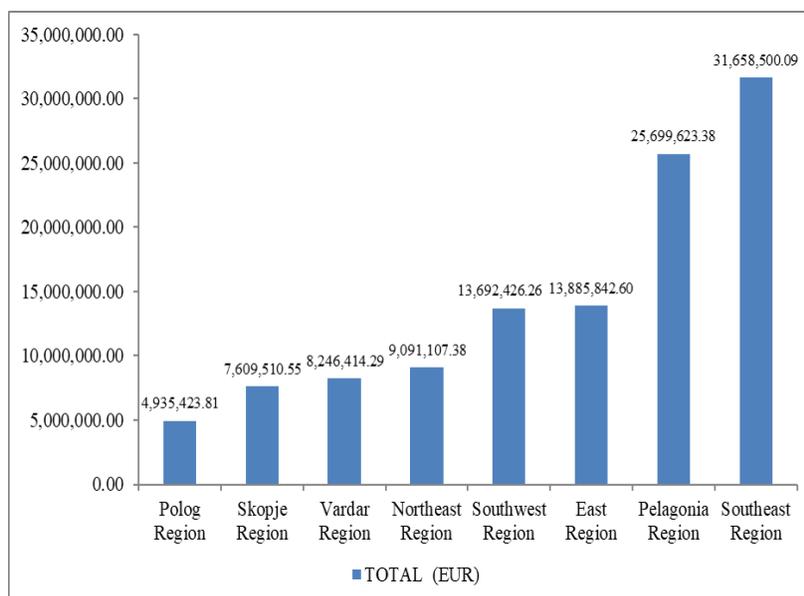
Region	Total (EUR)	%-tage share
Polog Region	4.935.423,81	4,30
Skopje Region	7.609.510,55	6,63
Vardar Region	8.246.414,29	7,18
Northeast Region	9.091.107,38	7,92
Southwest Region	13.692.426,26	11,93
East Region	13.885.842,60	12,09
Pelagonia Region	25.699.623,38	22,38
Southeast Region	31.658.500,09	27,57
Total	114.818.848,36	
Average	14.352.356,05	
Standard Deviation	9.471.944,14	
Coefficient of variation	66,00%	

Source: Ibidem.

*) Some projects have only a total sum with two or more partners. In that case, a total amount is divided equally among the participants.

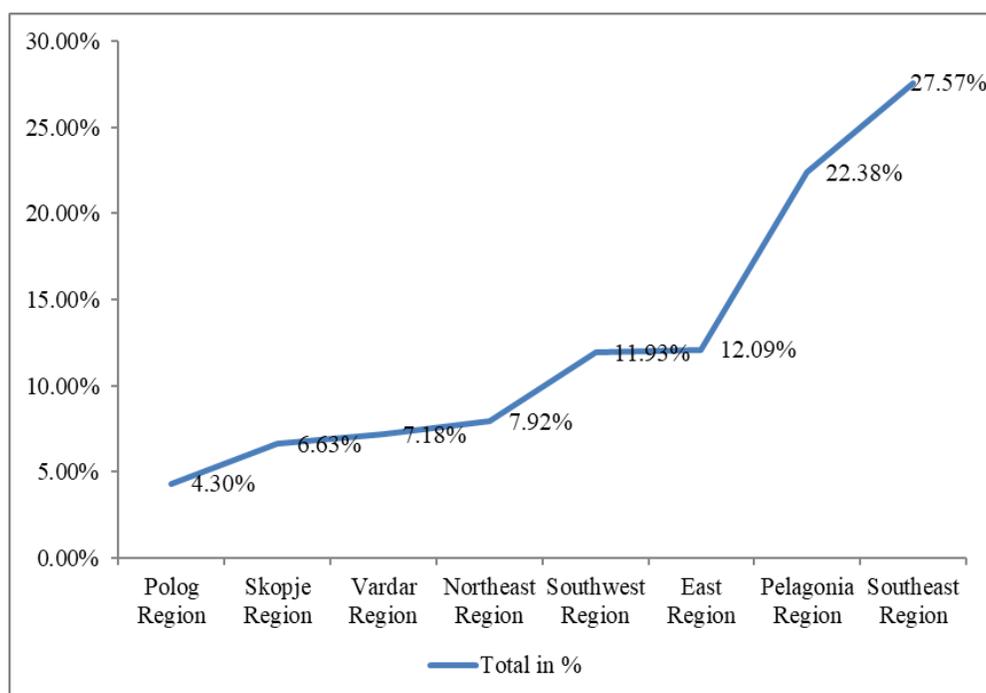
Table 4 shows that the highest IPA investment was in the Southeast region with the share of 27.57%, followed by the Pelagonia Region with 22.28% of total investments. Investments in other regions were significantly lower. There was a significant difference in investment among the regions – the coefficient of variation was 66.00%.

Graph 1: Total investments per planning region in EUR



Source: Ibidem.

Graph 2: Planning Regions' shares in total IPA investment (in %)



Source: Ibidem

It should be emphasized that shares of individual planning regions in the total IPA did follow the accepted logic that the less developed planning regions should have preferential treatment, and have received much more than the more advanced North Macedonia's planning regions. Namely, while Skopje has received only 6.6%, the Southeastern region received 27.5% of the total.

Table No. 5. Projects addressing issues above region/municipality

User	Total in EUR	%
1.Здружение на граѓани - Хендикеп Плус - Група за поддршка на хендикепирани лица - Македонија;	76.726,32	0,41
1.Фондација Евро Центар;	83.295,18	0,45
1.Центар за Меѓукултурен дијалог	94.420,00	0,51
1.Здружение „Евро-визија“;	98.200,37	0,53
1. Македонска академија на науките и уметностите (МАНУ);	107.637,46	0,58
/*)	192.077,27	1,03
1.Центар за одржлив развој на зедницата Деба	214.204,70	1,15
1.Мотоцикличка федерација на Македонија;	289.020,00	1,56

1.НВО ХОПС; 2.НВО ХЕЛП; 3.Асоцијација Пулс; 4.Центар за развој и унапредување на јавниот живот;	426.244,66	2,29
1. "Македонска" - Бугарска стопанска комора;	579.060,07	3,12
1. Бизнис Конфедерација на Македонија;	711.613,62	3,83
1. Гаус Институт -Фондација за нови технологии, иновации и трансфер на знаење;	717.588,50	3,86
1.Национална установа "Музеј на Албанската азбука"; 2.Центар за неформално образование Триаголник;	780.682,03	4,20
1. Центар за промоција на одржливи практики и рурален развој;	816.096,93	4,39
1.Здружение за менаџмент консалтинг МСА2000;	833.110,76	4,49
1. Државен завод за статистика на Република Северна Македонија; 2. Фондација за развој на мали и средни претпријатија-Скопје; 3. Фонд за иновации и технолошки развој;	879.504,18	4,74
1. Фондација за млади претприемачки услуги;	919.644,55	4,95
1.Дирекција за заштита и спасување; 2.Машински факултет - Универзитет "Св. Кирил и Методиј "во Скопје; 3.Градежен Институт Македонија;	946.452,00	5,10
1. А.Б.А.Т Балканика-Балкан асоцијација за алтернативен туризам;	946.772,00	5,10
1.Центар за климатски промени; 2.Министерство за животна средина и просторно планирање;	969.331,00	5,22
1. Македонска Академија за наука и уметност, Истражувачки центар за животна средина и материјали; 2. Државен инспекторат за животна средина	1.159.383,93	6,24
1. Царинска управа на Р.Македонија - Министерство за финансии;	1.193.405,90	6,43
1.Министерство за финансии, Царинска управа; 2.Министерство за внатрешни работи на РСМ;	1.216.567,50	6,55
1. Федерација на Производители на органски производители на Македонија	1.284.723,15	6,92
1. Државен инспекторат за животна средина;	1.417.322,66	7,63
1. Центар за управување со знаење;	1.620.322,15	8,72
Total	18.573.406,89	100%

Source: Ibidem. *) No name of the project given, only figure.

Table 5 shows that many of the projects supported intended to develop basic conditions for successful socio-economic progress in the country, but as the less developed regions were represented stronger than the advanced ones, it is evident that the IPA mechanism contributed to greater economic cohesion in the country.

The next table shows however, that these projects represented only less than 14% of the total value of projects supported by IPA.

Table 6: Total amount of the IPA projects 2007 – 2013.

IPA Projects 2007 – 2013	Total (EUR)
The projects for which the municipality (region) is indicated.	114.818.848,36
The projects for which no municipality is indicated (region)	18.573.406,89
Total	133.392.255,25

Source: Ibidem.

Conclusion

It was a difficult to assess impact of the IPA Cross-border and transnational cooperation program on regional development. Ministry of Local Self-government's data base was poorly structured with lack of information about where projects were implemented and delivered, what was internal rearrangement of the money and role of the partners, missing time framework: start and completion, and again no any indication of contribution, analysis or evaluation.

The highest IPA investment was in the Southeast region in the amount of 27.57%, followed by the Pelagonia Region with 22.28% of total investments. Investments in other regions were significantly lower, especially for Skopje and Polog region. It can be concluded with a high level of certainty that IPA Cross-border projects have had indirect impact on regional development in strengthening the cross border cooperation, the institution building, strengthening the rule of law, supporting sustainable economy and training and development of human capital. This is particularly important for the small-medium enterprise sector – SMEs.

The available documentation prevented the research team to evaluate the current IPA II, covering the period 2014-2020. Provided the approved budget of 608.7 mil.€ certainly indicates a much greater potential to support North Macedonia in many aspects of its preparations for future EU membership, including stronger support to achieving greater socio-economic cohesion. Judging from the indicators showing the actually reduced regional disparities in Macedonia over the period of last 10 years, it seems safe to assume that also IPA projects were among the factors which must have positively contributed to socio-economic cohesion in North Macedonia. Of course, the limitations of this study do not allow us to give a more detailed evaluation in support of this conclusion. As it was stated earlier the whole process of analysis and evaluation of the regional development in North Macedonia must be improved by a more efficient and effective administrative system, addressing issues of details in the projects implementation and evaluation domain.

Sources

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VI. FINAL EVALUATION: CONCLUSIONS AND RECOMMENDATIONS

Prepared by all members of the Research team

The evaluation of the design, effectiveness and impact of the regional development strategy of North Macedonia could be done from various perspectives, emphases and for various time periods. It has been done here primarily from the systemic aspect, with emphasis on macro-economic impact, and for the period of 2009-2019.

The conclusions and recommendations of the study are presented here in two sections: **A - general** and **B - sector-specific**.

A - GENERAL CONCLUSIONS AND RECOMMENDATIONS

Let us summarise the key questions raised in the Foreword:

- 1) Has the Strategy been **adopted as a high priority, programmed policy document**, prepared by the government, and has there been sufficient human, institutional and financial resources set aside for dealing with the issues of regional disparities?
- 2) Have the governments of the day introduced and effectively applied the necessary **regulations**, created suitable **institutional structures**, and applied the optimal **policy instruments** to achieve the objectives of the Strategy?
- 3) Has the Strategy been efficiently implemented, and **how successful was it** in reducing the disparities among the 8 planning regions?
- 4) Has the **level of decentralisation** been sufficiently supportive to the process of balanced regional development in the country?

Ad 1)

Although the country has adopted the strategy and created relevant institutions and bodies to address the issue of regional economic disparities, the **actual attention to this problem is clearly insufficient and to a large extent absorbed by the domain of regional development –**

which is a separate policy issue within the national development strategy. Consequently the Ministry for Local Self-Government – by its very nature – refers to yet another policy area, while in terms of decentralisation the country still has a lot to undertake.

The government has introduced the **Strategy on regional development 2009-2019** with the key objective to address regional economic disparities, and has also put in place and gradually refined the **criteria and methodology for monitoring** the progress achieved. However, the complex information system **SIRERA** is only now being developed, and it is expected to provide **the necessary and transparent information tool**, allowing anyone concerned and interested to follow and analyse the efforts being made to reduce regional disparities. At the moment it is difficult to recognize how effective the implementation of the Strategy has been so far in terms of impact of public investment – and this is currently still a major problem, which has imposed serious limitations and affected negatively also this evaluation study.

With very few exceptions throughout history, the processes of reducing regional disparities tend to take a **longer time** and require consistent, properly **coordinated efforts by all involved** – led by the government.

It has to be taken into account that North Macedonia, as **a newly independent state, has been from the start under triple pressure:** (a) organising itself as an independent state for the first time in history, (b) experiencing the transition from socialism into a multiparty democracy and a market economy, while (c) simultaneously dealing with a rather demanding neighbourhood - particularly the intrasingent resistance to its very name, by the Republic of Greece.

To summarise: though successive governments have recognised that the Strategy is addressing an important political issue, **more political weight could have been thrown on making it an even higher national priority**, and more **effective implementation mechanisms introduced** – including clearer quantitative targets, more financial resources with proper status of the responsible Ministry, and securing the necessary information flows – which would all contribute to **more transparency, and better results.**

The recommendation to the Government would be to sustain and reinforce the position of the regional development policy, clearly targeting the reduction of economic and social disparities among regions, by maintaining a high political profile through the next 10-year Strategy. This should be prepared and adopted by the broadest possible political consensus, being perceived

by all involved as a platform for decisive joint action for effectively addressing the issue in the best interest of all political, social and economic stakeholders of the country.

Additionally, North Macedonia should continue benefitting from international assistance of friendly countries (like Switzerland), and international organisations to deal with this challenge.

Ad 2)

It is estimated that for the more extensive operations of the Ministry for Local Self-Government, as well as those of the Council for Balanced Regional Development, Regional Development Agency, Regional Bureaus and Councils, **more funds** should have been provided in the Government budget.

The **delineation of the responsibilities** of the Ministry of Local Self-Government - responsible for Regional Development, and other line-ministries, has **not been made clear enough**, leaving this Ministry in reality only partially responsible for the reduction of regional economic disparities.

Being treated almost as a »**junior ministry**«, it cannot play a more decisive role in reminding the whole government structure about the regional development policy as an **important national priority**. In terms of institutional backing for the regional development policy, besides the national Agency for Regional Development, respective Offices have been created in the Planning Regions, though again with very limited human and financial resources. Therefore they are busy primarily with the project development, management and reporting.

An important decision has been to create in each Planning Region a **Council for Regional Development**, where representatives of the relevant stakeholders discuss the development programmes for the respective Planning Region. However, the impact of these Councils would have been much stronger, if there were **a more articulate national development strategy, based on clear priorities formulated in modern terms** – into which the individual regions could better fit in. It would be beneficial not only for the regions, but equally for the successful economic development of the country as a whole.

The **conceptual background** for this issue is most probably the **liberal economic doctrine**, which underestimates the broader role of the government in creating the conditions supporting and proactively encouraging accelerated development of depressed areas of the national economy with suitable instruments. For some people, these policies and instruments »affect negatively the functioning of the market mechanism«.

However, if one looks at cases where countries have successfully reduced regional economic disparities, one can find many »good practice cases« which did not undermine market mechanisms, but have effectively mobilised human, natural and financial resources to catch up with the more advanced parts of their economies (for example: Switzerland, Austria, Canada, Holland, South Korea – check Chapter II, section 2). Even among the new EU member states, there are interesting experiences to look at especially in the Baltics – particularly Estonia.

It is recommended that the regional development policy concept be modelled by taking into account the productive experience of countries which are recognised as competitive and efficient market economies, yet remain inspired by policy models following modern versions of the Keynesian approach – which makes sure that the strategic public interest is properly protected and served by effective economic policy and instruments targetted at reducing regional economic disparities.

The Government is advised to do anything possible to empower the Regional Development Councils and Regional Offices and support them in their role as an important catalytic force for mobilising local stakeholders and interested actors to intensify economic development in the regions.

Ad 3)

In the EU the leading regions have on average a GDP per capita about **2.3 times** higher than the least advanced regions within the countries, while in North Macedonia this proportion is **2.4 times** in favour of Skopje region vis-a-vis the North Eastern Region.

As explained in the Introduction Chapter (sections 1, 2, and Fig.3 in Annex) in the EU during the period 2000-2009 coefficients of variation among countries have been rising for about 10%, while they were consistently falling at NUTS-2 and NUTS-3 levels for about 10% and almost

30% respectively. Interestingly enough during 2009-2016 they remained stable at about 10% at inter-country level, slightly rising around 5% level for NUTS-2, and staying a bit over 28% lower at NUTS-3 level – compared to the year 2000.

The funding received by Macedonian planning regions through publicly financed projects during 2008-2017 has been almost exactly in opposite proportion to their level of development: while Skopje received **17** bn. Denars, the North East Region received **44** bn Denars – which is fair, even much more so in per capita terms, due to great difference in size of population.

It is important that the emphasis in measuring the impact of regional development policies is **not reduced only to GDP**, but is focused on **changes in the Development Index**, where Skopje and Vardar Regions had experienced in the period 2008-2017 an improvement of only **0.03** and **0.02 points** – while North Eastern Region experienced improvement of **0.07 points**. However, the biggest improvement in the Development Index was registered by Eastern Region (0.27) and Pelagonia Region (0.18).

Normally, a quantitative target in terms of reducing regional disparities should have been adopted – as it was for North Macedonia's GDP per capita vis-a-vis the EU (to be 40% in 2020). Namely, **every shrinking of the difference** in percentage points achieved by the poorest regions vis-a-vis the richest region can be **recognised as success**. When comparing relative gains in the Development Index in percentage points between periods 2008-2012 and 2013-2017, the **South Eastern region** improved its score as a share of Skopje's index from **38% to 42%** (while Skopje improved its own score by 2 percentage points as well).

The financial resources made available by the Government for the purpose were **inferior to the adopted general target of 1% of GDP**, and it is estimated that the actual financial flows from the budget have so far been much less (the incomplete figures received from part of line ministries indicate between 0.3% and 0.7% of current GDP). While the amount reported by the Ministry of Local Self-Government and 8 line ministries totalled during 2009-2019 **over 380 mil. €** (annual average some **35 mil. €**), while the influx of foreign direct investment only during 2018 amounted to **183 mil. €**. Comparing the poorest North Eastern Region with the richest Skopje, the first had receive **74 mil. € for 289 projects**, and Skopje had received **32 mil. € for 279 projects**. The shares from total regional funding for North Eastern Region were **19.1%** versus **8.3%** for Skopje. This indicates that the political will behind the **solidarity element of**

the Strategy remained rather modest, since over the 11-years the total of 2,247 projects were funded in all 8 Planning regions, and the average investment per project was 173,000 €.

In conclusion, it should be emphasized that – under the overall circumstances in the newly independent country – **the overall achievements are modest, but not to be underestimated**. But, as explained in the Introduction Chapter, and additionally due to lack of data, it is **virtually impossible to determine how much the contribution of government funding of the less developed regions have actually been experienced – in comparison to other factors**, including domestic and foreign private investment, as well as international support programmes.

It is recommended that in the next 10-year Strategy of Regional Development the government makes sure to apply all possible support instruments – together with enhanced project funding – which will help the less developed Planning Regions to accelerate their economic and social development. The general public should be made aware that this investment effort is not only improving living and working conditions of their fellow-citizens in these regions, strengthening the atmosphere of solidarity and cohesion, but also upgrading the growth potential of the whole country and making its economy more competitive. In this context some quantitative targets could be more clearly defined – e.g.: reduction of differences in the Development Index for 2029.

Ad 4)

The strategy for balanced regional development and its implementation should be accompanied by the revitalisation of the decentralisation process. Having been stalled for more than a decade, the decentralisation process in North Macedonia resulted in **competing and sometimes incoherent legislation, overlapping competencies and an unclear set up for multilevel governance in service delivery**. The government should develop a **sound framework for decentralization**, with a clear and consistent distribution of tasks and responsibilities in the various sectors, transparent and adequate rules for fiscal transfers, the mobilization of local resources, and national oversight and accountability systems to ensure the quality of local governance and service delivery.

A good governance framework is expected to include the formal and clear assignment of functions and revenues, as well as systems and processes to support implementation. The processes of decentralization should result in a clear and consistent system which will define the principles and practices for sharing public powers and functions among levels of government, along with the institutions, resources, and procedures that support their implementation to meet public sector goals. These frameworks include administrative, fiscal and political dimensions and specify the relationships among and within different levels of government. The most important risk factor lies in the **lack of coordination with sector policies**, and line ministries responsible for public services. If faced with indifference or lack of competence the line ministries could undermine the decentralization processes.

In its official Program 2017-2020 the last government has declared that **decentralization of power remains its top priority**, and that it will pursue a policy of transferring new powers and more funding to municipalities. Unfortunately, not much of this has actually happened. Especially important is the willingness to proceed with further **fiscal decentralization**. The government admits that the country is one of the most fiscally centralized in Europe, and that most municipalities do not have sufficient financial means for successful completion of their legal competences and delivery of quality services to their citizens. Compared with European and neighboring countries, spending of local governments in North Macedonia is significantly lower. In 2016 local government spending was 4.9% of GDP and 16.1% of general government spending, while in neighboring countries it ranged from 5.4% to 6.9% of GDP and in unitary OECD countries averaged 9.2% of GDP and 28.7% of public expenditure. So, there is a need to introduce bold and substantial goals, and further fiscal decentralization should include strengthening legal frameworks for intergovernmental fiscal relations, improving public financial management at the local level, and establishing transparent fiscal transfer systems.

Furthermore, there is excessive **fragmentation of capital grants**, driven by project application, rather than long terms sustainability and national development policy priorities. There are multiple sources of funding from central government agencies that provide capital grants - according to one recent EU report, municipalities can apply for capital transfers through **18 different programs**. The most appropriate way to address this issue is through **redesign of the Intergovernmental fiscal framework**. The bulk of funds intended for regional development is going through different programs and projects of the line ministries, which are regulated by their

own, different criteria. So, there is a need to integrate them in a single program with a number of subprograms under unified regulation and criteria.

Following favourable experiences of other countries, the government is warmly recommended to introduce higher levels of decentralization, and fiscal reorganisation in order to support regions and municipalities in building a stronger financial base to provide the expected services to the citizens, and being more active in contributing financially and otherwise to project preparations and funding. This will allow regions to play a more prominent role in determining their own priorities and fit better into those from the national development strategy.

B - SECTOR SPECIFIC CONCLUSIONS AND RECOMMENDATIONS

1. Socio-Economic Development

With all efforts for regionally balanced development during 2009 – 2019 the average growth rate was lower than during 2000–2008 (certainly also, but not only due to the global financial crisis). During the past ten years North Macedonia shows a **moderate, but not always steady progress in economic and social development**. The average annual GDP growth rate was 3.48% during 2000-2008, and 2.09% during 2009-2018. GDP per capita in PPP for 2018 was **38%** of EU-28 average. Progress was made, but performance is still below **40%** of EU28.

The GINI index was 36.1 % in 2018. The latest figures show a slight **increase in income inequality**. This indicator is one of the best measures for regional development success and for lack of more equal distribution of income. Yet, in 2017, even 41.1% of the total population was still at risk of poverty and social exclusion. The overall rank for **HDI** (Human development index) was at **80**, while the value for 2017 was 0.75. Average annual HDI growth for period 2000 – 2010 was 0.94 and for 2010 -2017 was only 0.42 percent. This is a huge decline since 2010.

When comparing the average annual inflow of FDI (246 mil. € during 2013-2017) with the public investment (averaging about 35 mil. € annually) it becomes obvious that the effort in terms of **public investment was simply far too modest**. If the government had respected the 1% commitment, that figure should have been about 5 times bigger.

The **largest investments were in the Northeast, Vardar and Southwest regions**, while unemployment rate was highest in Northeast and Southwest regions. The average share of people above 18 years receiving social assistance during 2016-2018 was **16%**, and in Northeast Region and Southwest Region it was **28%** and **18%**. All other regions were at **12%** to **15%**. It is important to underline that some regions, such as Vardar region, East region, Southwest region and Skopje region show a decline in social assistance. On the other hand, Pelagonia region, Polog region and Northeast region show steady increase in social assistance. Thus, these trends must be considered to answer - how and in which way balanced regional development can eliminate growing poverty in some regions.

Correlations between **the total investment** in the region and the main **macroeconomic indicators** (GDP per capita, Unemployment, Inflation, Exports, Imports and Net direct investments) as dependent variables are weak or nonexistent. Only GDP growth and Direct investment correlations are moderate. The total investment and GDP growth rate has weak correlation ($r = 0.39$ connections are weak). It was the same with the population growth which shows also very weak correlation ($r = 0.23$) with the total investment in the region.

The **regional strategy's vision and mission** are missing a clear sense of branding, recognition, attractiveness or national and regional identification to promote economic and social stability, growth, prosperity, respect, togetherness and the well-being of the people. The **lack of regional priorities, measurable objectives and effective institutional support framework** was a critical factor in the modest national and regional socio-economic development in the last ten years.

The **regional strategy did not contribute to better define strategy options for the national economy, the regions or industry sectors**. The regions were not well-defined by inter-relationships between past, present and future. The Strategy **lacked holistic, coherent and logical inter-dependence** between economic, social, demographic, cultural, historical heritage and other relevant factors, which influence and shape the regions through history. The same was missing in defining the future of the Macedonian regions.

It is somewhat strange that the **names of the regions** are neither logical, easily recognisable, nor attractive. Thus, the regions were named using two criteria geographic identity (Northeast, East, Southeast and Southeast), and well recognised names (Skopje, Vardar, Polog and

Pelagonia). The question is why the other regions were not named by regional characteristics – e.g. the most known towns, lakes, mountains, rivers, or names based on history. It is a pity not to use UNESCO world heritage listed national parks, dramatic mountain ranges and the captivating **Lake Ohrid for a regions' name?**

The regional strategy was **not very well sustained by operational and tactical level support and required activities** such as: (1) identification of the main stakeholders with clear role, duties and responsibilities; (2) the function and role of the line Ministries in the allocation of investment for regional development; (3) regional and operational pyramid or an organisational structure of the main players were not legally defined; (4) the main regional players have no clear administrative, operational, functional, managerial line of responsibilities; (5) the flow of information and communications among decision making bodies was not defined; (6) the Communication Plan was not written with clear objectives, content, responsibilities and timing.

The existing **Strategy priorities are defined in a traditional approach**, without proper connection to new environmental trends, digital economy (E-Commerce, E-Business, mobile technologies, digital marketing) or Artificial Intelligence. Regional priorities seem to be limited to conventional sectors, such as mining, and manufacturing – with little emphasis on agriculture and tourism.

The **PESTLE analysis** shows how many relevant and valid factors, with potential impact and relevance for regional development, should be wisely assessed. The main drivers for regional development should come from the political and institutional environment, as they demonstrate high negative impact and increased critical importance (Survey results). The Government must improve and create a strong legal framework to support regional development with public transparency, clear vision, smart objectives and measurable goals. In this process the Government should have the central role to support strong and stable growth, effective economic and social policies, effective fiscal and monetary policies, and especially to create **an environment for stable, fair and equal opportunities for all**. It is important to remember that a neoliberal concept with market dominance of supply and demand cannot advance opportunities to promote ICT, use of the Internet, E-Business, digital economy, and sustainable greener technologies.

The **SWOT analysis** indicates that - irrespective of rhetorics - all governments in the period covered by the Evaluation **failed to invest enough efforts, financial resources and available knowledge** to address the issue of regional economic disparities more successfully. Consequently, this **remains a political liability and a challenge for future governments**. Also, the very approach to addressing regional disparities will have to be broadened, in order to cover all relevant instruments impacting the local, regional and national regulatory environment, which – equally, if not even more importantly than public investment – affect the mobilisation of the development potential and the performance of poorer regions in their effort to catch up with the more prosperous ones.

Most recommendations in this domain have been presented already in Section A, yet here are some additional, specific points:

The next Strategy should take much more into account the features of 21st century economies: innovation-based competitiveness, digitalisation, international clustering, sustainability, the latest technology, including artificial intelligence.

Closer harmonisation should be established between the Regional Development Strategy, and the overall Development strategy of the country.

In preparation of the next Regional Development Strategy, analytical tools such as SWOT and PESTLE should be applied, and – in order to achieve the broadest possible ownership – should the draft Strategy be submitted and discussed to and discussed among all relevant stakeholders in all segments of the society and economy.

2. Environment

More than ever before the concern for sustainable development and environment should be an **obligatory element of the integrated approach** to any development project. That is not always the case in reality – as unfortunately in many countries around the globe. Though references to environmental aspects are to be found in many government, regional, and also local regulation acts, it seems that full understanding of environmental concerns by many stakeholders is still not adequately represented in many government departments and services, and consequently full respect is not always paid to them even with projects funded by the government.

There is a need for **greater devolution of responsibility for environmental protection within ministries**. A wider understanding of and appreciation for the environment and the impact of its neglect is needed, also beyond technical experts.

Funding is critical for preventing the decline in protection both for public health and biodiversity. A mechanism for supporting Councils for Regional Development must be found to assist them in developing their understanding of the environment, the need for its protection, and the creation of projects which have, at their heart, key actions to preserve and protect the environment.

Government, as well as any investor, must pay adequate attention to the environmental impact of projects, preventing less developed regions to become victims of pollution and irresponsible treatment of their environment. Respective regulations should be refined, and responsible inspection services should be very meticulous in initial approvals and occasional check-ups of the ecological functioning of production and servicing facilities.

More systematic environmental awareness-building and specialised training should be organised by various organisations and properly covered in all stages of formal education, including post-graduate level.

3. Infrastructure

It is recommended that those who are responsible and accountable for the delivery of the Infrastructure Development Strategy should have the benefit of specific training on how to develop, present and manage project implementation in order to demonstrate achieved benefits to donors and foreign investors. In this context it is also necessary to be able to demonstrate the consistency of the Strategy with the policies of the beneficiary partner and donor, the value and usefulness of the Strategy, as perceived by the key stakeholders, the extent to which the “response” of the Strategy is technically adequate to meet those needs and priorities, and the extent to which the Strategy is a response to a real need of the beneficiaries.

It is very important that North Macedonia – not being yet a member of OECD – has decided to adopt the **OECD-DAC criteria for monitoring and evaluation of infrastructure**. These criteria are: **relevance, effectiveness, efficiency, impact, sustainability** are indeed very useful in

evaluation of infrastructure. A typical cross-cutting theme, **gender** has also been added by Macedonia in order to align itself with international norms subscribed also by the Swiss Development Cooperation programmes.

Though building of modern infrastructure, from transport, to energy generation and distribution carries high investment, and brings financial benefits usually only at long-term, it is essential for a competitive economy, and contributes essentially to reducing regional economic gaps. Therefore, harmonisation of priorities in national development strategy with the Regional Development Strategy is highly recommended also in this segment.

4. Spatial and Urban Planning

It should be emphasised that in the Regional Development Strategy there is some reference to spacial planning, but the **relationship with the Spacial planning strategy is generally less than satisfactory**. Regionalisation has been set by the creation of 8 Planning Regions, but this did not contribute to a more balanced and integrated spatial development.

The Law on regional development obliges regions and municipalities to develop and adopt spatial plans which will be **harmonised with the Spatial plan of Republic of North Macedonia**. For a young country with 8 regions, over 80 municipalities, about 1,700 settlements, and a 5-step urban planning system, this is no simple task. There are some 600 urban plans in 4 categories (general, detailed, outside settlements, and village plans), and about 400 are properly elaborated – most detailed for the two regions: Skopje and Vardar Region. The space planning has **not yet become an active ingredient of the development planning process** in North Macedonia – and there is huge potential to apply the models and techniques of contemporary regional and urban planning.

The first recommendation is for the Government to make sure that the two processes: regional development planning, and spatial planning, do become two sides of the same coin – fully harmonised and mutually supportive. This will create synergic benefits for all involved, and enhance the efficiency of expected impact of the planning process in terms of more favourable reduction of regional differences.

Perhaps an alternative model of regionalisation could be considered – at least for spatial planning purposes. This would enhance the potential for optimal use of the available resources, including physical environment, but equally human capital and infrastructure.

A model of contemporary ecological spatial and urban planning is proposed (under the name of »Ecological Community 21«) – benefitting from the latest knowhow of urbanism, but inspired by exceptional experiences from an Israeli Kibbutz and a Swedish industrial village.

ANNEXES

Annex 1: Survey Questionnaire

Annex 2: Report on Survey results

Annex 3: Overview of public Investment by regions 2009-2019

Annex 4: Model EC21

Annex 5: Select Bibliography

ANNEX 1: QUESTIONNAIRE FOR THE ONLINE SURVEY

The main objective of the research is to obtain relevant and valid opinion from citizens, institutions, especially public institutions, entrepreneurs and business owners from all eight regions.

The questionnaire is anonymous and the data will be used in the evaluation of the Regional Development Project, in particular to eliminate inequalities in regional development and growth.

(circle appropriate or correspond where indicated)

1. Region: 1) Skopje region; 2) Polog region; 3) Northeast region; 4) Vardar region; 5) East region; 6) Pelagonia region; 7) Southeast region; 8) Southwest region.

2. City: _____.

3. Status: 1) Citizen; 2) Employed in institution; 3) Public sector employee; 4) Entrepreneur or craftsman; 5) Large enterprises from other sectors of industry; 6) unemployed; 7) Student.

4. Gender: 1. male 5. Age: _____ years.

2. female

6. Education:

1. primary education

2. secondary education

3. high education

4. postgraduate / specialist / doctoral studies

7. Ethnicity: 1) Macedonian, 2) Albanian; 3) Bosnian; 4) Turkish; 5) Serbian; 6) Roma; 7) Other.

8. In your opinion, which of these institutions, ministries, councils, or services are most responsible for regional development in the Republic of Northern Macedonia?

(From the offered select 3 and rank

The most responsible 1 2 3 The most irresponsible)

1. Centers for regional development

2. Public Enterprises, Institutions and Services

3. Units of local self-government (municipalities)

4. Ministry of Economy

5. Ministry of Finance

6. Ministry of Culture

7. Ministry of Local Self-Government

8. Ministry of Education and Science

9. Ministry of Labor and Social Policy
 10. Ministry of Transport and Communications
 11. Ministry of Agriculture, Forestry and Water Economy
 12. Bureau for Regional Development
 13. President of the State
 14. Prime Minister
 15. Council for Balanced Regional Development of Northern Macedonia
 16. Council for regional development
9. Pre-selected institution in charge of regional development and their readiness and commitment to a stable, balanced and sustainable development of the region:
- Unprepared and undedicated 1 2 3 4 5 Ready and dedicated
10. Reasons why institutions are not dealing with regional development strategy:
- (Rate, Lowest rating 1 2 3 4 5 Highest rating)
- insufficiently trained and experienced staff;
 - insufficient number of enforcement agents;
 - weak equipment and resources;
 - weak inter-institutional cooperation;
 - inappropriate influence on political structures (clientelism, nepotism, etc.)
 - poorly defined strategies, without effective implementation and control
11. Prioritization of regional development areas:
- Rank by priority (from highest 1 to least 5) the following areas of regional development:
- Physical planning and management of urban land;
 - socio-economic growth and development;
 - infrastructure development and introduction of modern technology;
 - protection and improvement of the environment;
 - stable and sustainable development.
12. Main reasons for disproportion and inequality in the development of the regions (choose 3 for the reasons given):
- 1) current development and heritage;
 - 2) the geographical location and size of the region;
 - 3) natural resources in the region;
 - 4) ineffective development strategies and plans;
 - 5) absence of national interest, poor privatization and negligence;

- 6) conflicts and differences between political parties;
 - 7) dominance of the private interest
 - 8) the quality of roads, transport and communication.
13. What are your personal priorities, expectations and benefits from the stable, balanced and sustainable development of the region (choose 3 from the above):
- 1) stable growth and development of society and economy;
 - 2) a better standard of living;
 - 3) increase in employment;
 - 4) lower inflation and more stable prices;
 - 5) more efficient and better education, health and other public sector services;
 - 6) greater support for the development of small and medium-sized enterprises;
 - 7) more effective and efficient environmental protection;
 - 8) eliminating poverty and inequality among citizens;
 - 9) greater transparency of tenders and use of public budget funds.
14. If you think that we did not ask something what is important for a stable, balanced and sustainable development of the region, please add here:

Thank you for participating in this research, as your opinion is key to further development of stable and balanced regional development in the North Macedonia.

ANNEX 2: REPORT ON SURVEY RESULTS

Irrespective of all efforts to obtain a strong and well-balanced response, unfortunately the sample includes 43% of respondents from Skopje region, and 67% of respondents working for government or in the public sector.

1. Survey

The questionnaire consists of 12 closed and open questions. In the first part, the questions are defined as a general type and in the second part, the questions are designed to check opinion of: (1) citizens, (2) institutions, especially public institutions, (3) entrepreneurs and (4) business owners from all eight regions. See, attached Questionnaire.

The research sample was a sample with a deliberate approach.

2. Data collection

The survey was conducted online using the Google Form, in order to facilitate the collection of data from the field. The survey was completed from 05 November 2019 to 09 January 2020. The total number of completed questionnaires is 156.

All answers are recorded with the following details: number of the answer, time and date when the questionnaire was answered and the email address of the person filling the survey, following the same path in the Excel table (from the Google form) and in the SPSS database. Replies are saved online and printed copies can be found in ECPD office Skopje.

3. Data Processing

The SPSS software package and statistical functions were used for statistical data processing, and because of the types of variables, the χ^2 test of independence (homogeneity) was used for the analysis of quantitative data. This test is based on an analysis of absolute frequencies and answers the question of how much the frequencies obtained by the study (observed or empirical) deviate from the expected (theoretical) frequencies.

Statistical conclusion was based on the sample on which we make certain conclusions about the population itself (statistical set). The test or assumption (hypothesis) is tested by a standard statistical procedure by testing the hypothesis.

4. Statistical conclusion

The statistical conclusions are based on the value of the statistical testing, which if it's in the acceptance range (the principle based on the probability value (p-value) is applied, i.e. the p-value is greater than the significance level), then the null hypothesis will be accepted, otherwise its rejected (the p-value is equal to or less than the level materiality). p - value is defined as the lowest degree of negligence at which the null hypothesis is).¹¹

I. GENERAL DATA

The survey achieved 156 respondents, 43.6% were men and 56.4% were women. Regarding the structure of the respondents by status, it is as follows: Employed in state administration 50.6%, Public sector employee 17.9%, Private sector employee 21.2%, Entrepreneur or craftsman 3.2%, Unemployed 4.5%, Student 2.6%. See Table 1.

Table 1. Survey participants by structure

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Employed in state administration	79	50.6	50.6	50.6
Public sector employee	28	17.9	17.9	68.6
Private sector employee	33	21.2	21.2	89.7
Entrepreneur or craftsman	5	3.2	3.2	92.9
Unemployed	7	4.5	4.5	97.4
Student	4	2.6	2.6	100.0
Total	156	100.0	100.0	

Source: Online Survey 2019

Table 2 shows that the number of respondents from the Skopje region is 43.6%, while from all other regions it is around 10% or less by region. This is the main disadvantage of the survey results.

¹¹ Mann, P., (2010), Introduction to Statistics – Serbian edition *Uvod u statistiku*, Centar za izdavačku delatnost Ekonomskog fakulteta u Beogradu, Publishing Centre of Economic Faculty, Belgrade.

Table 2. Regional representation

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Skopje region	68	43.6	43.6	43.6
Polog region	16	10.3	10.3	53.8
Northeast region	16	10.3	10.3	64.1
Vardar region	7	4.5	4.5	68.6
East region	13	8.3	8.3	76.9
Pelagonia region	8	5.1	5.1	82.1
Southeast region	14	9.0	9.0	91.0
Southwest region	14	9.0	9.0	100.0
Total	156	100.0	100.0	

Source: *Ibidem*

Table 3. Structure of respondents by level of education

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary education	10	6.4	6.4	6.4
High education	85	54.5	54.5	60.9
Postgraduate / specialist / doctoral studies	61	39.1	39.1	100.0
Total	156	100.0	100.0	

Source: *Ibidem*

Regarding the level of education of the respondents, table 3 shows that the highest number of respondents has higher education, 54.5%. All this may indicate that a very relevant picture of attitudes and opinions will not be obtained, since it would be necessary for the participation of each of the groups (classes) formed equally, but some conclusions can still be drawn.

Table 4. Participants by age

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
up to 25 years	10	6.4	6.4	6.4
26 - 40 years	79	50.6	50.6	57.1
41-65 years	66	42.3	42.3	99.4
over 66 years	1	.6	.6	100.0
Total	156	100.0	100.0	

Source: *Ibidem*

Table 4 show that most of the respondents are 26-40 years old (50.6%). The structure of the participants was not representative, and it was not homogeneous.

Table 5. Structure of respondents by ethnicity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Macedonian	105	67.3	67.3	67.3
	Albanian	45	28.8	28.8	96.2
	Bosnian	1	.6	.6	96.8
	Turkish	1	.6	.6	97.4
	Serbian	2	1.3	1.3	98.7
	Roma	1	.6	.6	99.4
	Other	1	.6	.6	100.0
	Total	156	100.0	100.0	

Source: Ibidem

According to Table 5, the ethnic groups are represented in the following way: Macedonians with 67.3%, Albanians with 28.8% and Serbians with 1.3% while the other ethnicities are represented with 0.6%.

QUESTION: Which of the following institutions, ministries, councils, or services, in your opinion, are most responsible for regional development in the Republic of Northern Macedonia?

(From the offered select 3 and rank the most responsible 1 2 3 most responsible)

Table 6 below show that the largest number of respondents think that the 5 most responsible institutions for regional development are: Ministry of Local Self-Government, Centers for Regional Development, Bureau for Regional Development, Units of local self-government (municipalities) and Council for Balanced Regional Development of Northern Macedonia. Interestingly, the typical, most common response to readiness (mode) for each of them is 1 - The most responsible i.e. respondents think that these institutions behave irresponsibly.

The respondents have recognized that the five institutions most responsible for regional development are: the Ministry for Local Self-Government, the Centers for Regional Development, the Bureau for Regional Development, and the Council for Regional Development.

Table 6. Statistics on the question: “Which of the following institutions, ministries, councils, or services, in your opinion, are most responsible for regional development in the Republic of Northern Macedonia?”

	Centers for regional development	Public Enterprise, Institutions and Services	Units of local self-government (municipalities)	Ministry of Economy	Ministry of Finance	Ministry of Culture	Ministry of Local Self-Government	Ministry of Education and Science	Ministry of Labor and Social Policy	Ministry of Transport and Communications	Ministry of Agriculture, Forestry and Water	Bureau for Regional Development	President of the State	Prime Minister	Council for Balanced Regional Development of Northern Macedonia	Council for regional development
N Valid	123	92	115	100	95	86	126	95	90	92	87	116	87	101	109	85
Missing	33	64	41	56	61	70	30	61	66	64	69	40	69	55	47	71
Mean	1.46	2.11	1.44	1.60	1.57	1.97	1.29	1.85	1.77	1.65	1.71	1.55	1.90	1.54	1.43	1.46
Median	1.00	2.00	1.00	2.00	1.00	2.00	1.00	2.00	2.00	2.00	2.00	1.00	2.00	1.00	1.00	1.00
Mode	1	2	1	1	1	2	1	2	2	1	2	1	1	1	1	1
Skewness	.989	-.113	1.100	.627	.750	.042	1.896	.224	.363	.606	.394	.964	.192	.951	1.308	1.242
Std. Error of Skewness	.218	.251	.226	.241	.247	.260	.216	.247	.254	.251	.258	.225	.258	.240	.231	.261
Kurtosis	-.039	-.633	.159	-.589	-.498	-.765	2.431	-1.000	-.920	-.780	-.736	-.595	-1.438	-.479	.359	.097
Std. Error of Kurtosis	.433	.498	.447	.478	.490	.514	.428	.490	.503	.498	.511	.446	.511	.476	.459	.517

Source: *Ibidem*

Expectedly, the highest number of replies went to the Ministry of Local Self-Government (126), followed by Centers for regional development (123), the municipalities (115), and the Council for Balanced Regional Development (109).

QUESTION: In your opinion, from the previously selected institutions dealing with regional development, evaluate their readiness and commitment to the stable, balanced and sustainable development of the region: Unprepared and uninformed 1 2 3 4 5 Ready and dedicated. (Pre-selected institution in charge of regional development and their readiness and commitment to a stable, balanced and sustainable development of the region)

Table7. Statistics for question: “In your opinion, from the previously selected institutions dealing with regional development, evaluate their readiness and commitment to the stable, balanced and sustainable development of the region: Unprepared and uninformed 1 2 3 4 5 Ready and dedicated”

N	Valid	156
	Missing	0
Mean		2.76
Median		3.00
Mode		3
Std. Deviation		1.043
Skewness		.055
Std. Error of Skewness		.194
Kurtosis		-.373
Std. Error of Kurtosis		.386

Source: Ibidem

Of the institutions selected in the previous table 7, referring to those who perform their function well, the average grade is 2.76, the typical grade is 3, which means that 50% of respondents gave a grade less than 3 and 50% higher. It can also be seen from Table 8 that 37.2% of the respondents rated it 2 and below.

Table 8. Statistics for previous question – continuing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	21	13.5	13.5	13.5
	2	37	23.7	23.7	37.2
	3	65	41.7	41.7	78.8
	4	25	16.0	16.0	94.9
	5	8	5.1	5.1	100.0
	Total	156	100.0	100.0	

Source: Ibidem

It is interesting to analyse whether there are significant differences in the readiness of institutions in response rates by region, gender, education level and structure:

1. There is a significant difference (Sig. = 0.021 <0.05) in the respondents' opinion by the region;
2. There are statistically significant differences with respect to respondents' status or position (Sig. = 0.000 <0.05);
3. There are no statistically significant differences with respect to gender (Sig. = 0.424 > 0.05);
4. There are no statistically significant differences with respect to age categories (Sig. = 0.815 > 0.05);
5. There are statistically significant differences in the level of education (Sig. = 0.022 <0.05).

From the above, it can be concluded that the respondents, in relation to their region of origin, differently perceive the readiness of institutions actively participating in regional development in relation to their status and level of education.

QUESTION: If the institutions are not responsible for defining and implementing the strategy of regional development, in your opinion, the reason is: (Lowest rating 1 2 3 4 5 Highest rating)

Table 9. Statistics for the question: “If the institutions are not responsible for defining and implementing the strategy of regional development, in your opinion, the reason is:

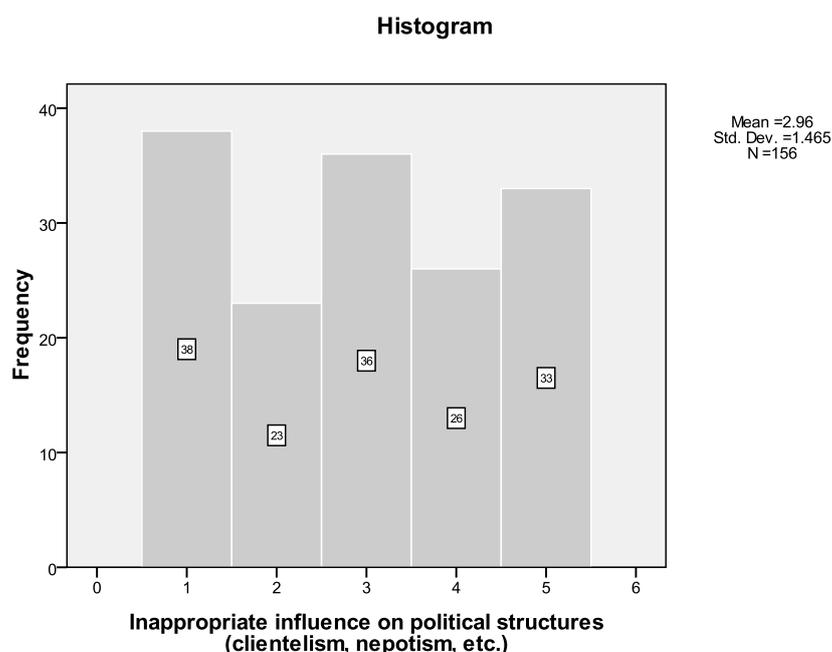
(Lowest rating 1 2 3 4 5 Highest Ocean)”

	Insufficiently trained and experienced staff	Insufficient number of enforcement agents	Weak equipment and resources	Weak inter-institutional cooperation	Inappropriate influence on political structures (clientelism, nepotism, etc.)	Poorly defined strategies, without effective implementation and control
N Valid	156	156	156	156	156	156
Missing	0	0	0	0	0	0
Mean	2.82	2.58	2.74	2.94	2.96	3.07
Median	3.00	3.00	3.00	3.00	3.00	3.00
Mode	3	3	3	3	1	5
Std. Deviation	1.283	1.090	1.142	1.338	1.465	1.424
Skewness	.174	.300	.190	.020	.016	-.044
Std. Error of Skewness	.194	.194	.194	.194	.194	.194
Kurtosis	-.801	-.482	-.530	-1.130	-1.338	-1.298
Std. Error of Kurtosis	.386	.386	.386	.386	.386	.386

Source: *Ibidem*

Table 9 above shows that Inappropriate influence by political structures (clientelism, nepotism, etc.) is typical answer 1, but the average score is high and is 2.96, so it is necessary to look at the others and total response. The respondents identified the most negative factor which have a negative influence on regional strategy as: 1. Inappropriate influence on political structures (clientelism, nepotism, etc.); 2. Insufficient number of enforcement agents; 3. Weak equipment and resources; 4. Insufficiently trained and experienced staff; 5. Weak inter-institutional cooperation; 6. Poorly defined strategies, without effective implementation and control.

Graph 1: Response about inappropriate influence on political structures (clientelism, nepotism, etc.)



etc.)

Source: *Ibidem*

Graph 1, shows that the most common grade is 1, but many respondents give grade 5, so it can be assumed that political and subjective point of view were identified as an issue.

Ranking by priority (from highest – 1, to the least - 5), the listed areas for regional development look like this:

1. *Infrastructure development and introduction of modern technology - statistically significant differences exist only in relation to the status of respondents Sig. = 0.004;*
2. *Protection and improvement of the environment - statistically significant differences exist only with respect to the age category Sig. = 0.024;*
3. *Stable and sustainable development - statistically significant differences exist only with respect to the status of the subjects Sig = 0.012, if and in relation to the age category Sig = 0.004;*
4. *Socio-economic growth and development - statistically significant differences exist only with respect to the status of respondents Sig. = 0.028;*
5. *Physical planning and management of urban land - only in relation to the region there is a statistically significant difference Sig. = 0.020.*

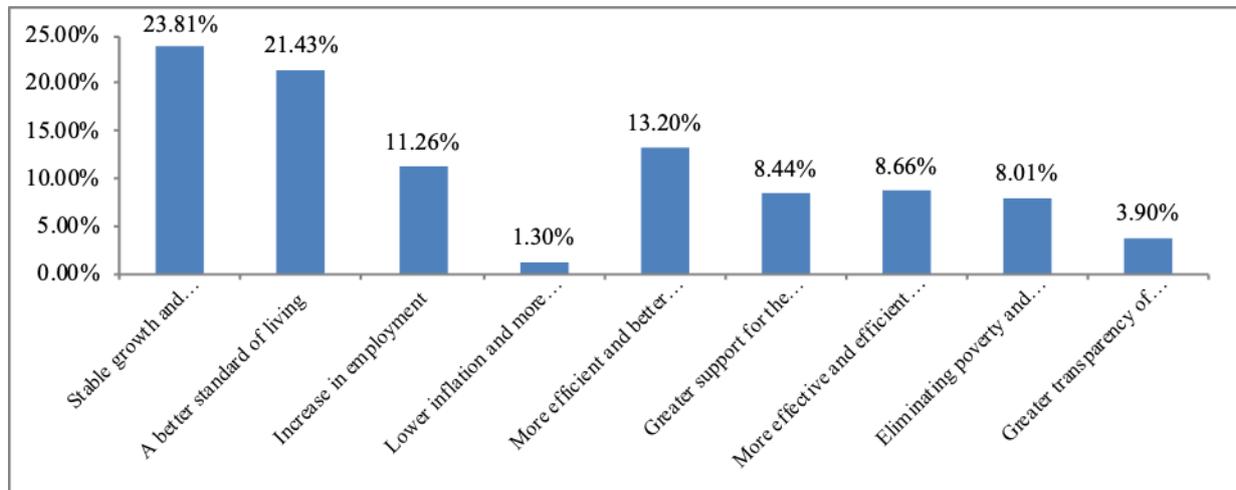
The respondents, clearly stated that the main reasons for the disparities for regional development in order of preference are:

1. *Ineffective development strategies and plans,*
2. *The quality of roads, transportation and communication,*
3. *Absence of national interest, poor privatization and negligence,*
4. *Conflicts and differences between political parties,*
5. *Current development and heritage,*
6. *Dominance of private interest,*
7. *Natural resources in the region, and*
8. *The geographical location and size of the region*

Regarding respondents' personal priority expectations, as well as the benefits of stable regional development, the respondents ranked as follows:

1. *Growth and development of society and economy*
2. *Stable A better standard of living*
3. *More efficient and better education, health and other public sector services*
4. *Increase in employment*
5. *More effective and efficient environmental protection*
6. *Greater support for the development of small and medium-sized enterprises*
7. *Eliminating poverty and inequality among citizens*
8. *Greater transparency of tenders and use of public budget funds*
9. *Lower inflation and more stable prices*

Graph 2. Statistics regarding respondents' personal priority expectations, as well as the benefits of stable regional development



Source: Ibidem

Almost half of respondents (over 45%) expect balanced regional development to contribute to stable growth and development, and better standard of living, while only 1.3% expect it to influence inflation. Greater transparency with public tenders and in use of budget resources achieved 3.9% - a bit higher share went to better education, health, and other services, and the remaining 3 options received highly balanced share of responses (around 8%).

ANNEX 3: OVERVIEW OF PUBLIC INVESTMENT BY PLANNING REGIONS, 2009 – 2018

Table 1. Overview of total public investment per regions for 2009– 2018 (without specifics for 2010)

Region	2009		2010		2011		2012		2013		2014	
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region
Vardar Region	19.214.530	5			28.148.190	8	2.196.630	5	9.248.921	5	6.939.749	5
East Region	27.446.802	13			26.044.958	11	2.767.504	6	7.201.371	5	5.508.501	6
Southwest Region	31.112.221	11			20.720.743	12	2.550.940	6	8.579.170	10	6.950.412	6
Southeast Region	22.048.496	11			25.251.283	11	1.922.765	3	9.058.316	7	8.775.310	9
Pelagonia Region	15.912.400	6			17.635.299	13	1.956.532	8	7.753.440	11	7.161.074	5
Polog Region	31.147.339	12			21.431.894	11	2.480.415	7	12.684.582	10	7.851.811	6
Northeast Region	27.057.736	9			25.817.091	11	3.267.523	4	11.775.023	9	9.955.033	12
Skopje Region	14.021.726	4			17.697.377	10	1.890.166	7	7.927.835	9	6.994.584	8
Total	187.961.250	71	107.657.012		182.746.835	87	19.032.475	46	74.228.658	66	60.136.474	57

FINAL EVALUATION OF THE REGIONAL DEVELOPMENT STRATEGY 2009 – 2019
AND OF THE PROGRAMMES IN THE PLANNING REGIONS

Region	2015		2016		2017		2018		Total investment per region 2009-2018	Total number of projects per region 2009-2018	Sharing in percentage in investment regions
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region			
Vardar Region	26.601.230	16	26.800.653	10	16.620.864	7	37.344.919	16	173.115.686	77	13,19
East Region	12.051.217	20	30.613.119	8	17.505.405	10	40.658.810	14	169.797.687	93	12,94
Southwest Region	25.804.634	21	27.488.221	12	19.756.277	9	41.122.182	12	184.084.800	99	14,02
Southeast Region	13.015.556	11	18.256.053	8	7.277.340	2	32.485.918	14	138.091.037	76	10,52
Pelagonia Region	26.862.843	15	26.662.440	9	14.217.025	6	33.203.475	16	151.364.528	89	11,53
Polog Region	19.890.818	16	29.786.624	9	7.905.777	7	41.172.992	8	174.352.252	86	13,28
Northeast Region	27.506.926	13	33.216.723	10	20.483.577	7	51.065.472	12	210.145.104	87	16,01
Skopje Region	8.055.652	10	19.188.113	10	12.186.624	5	23.664.246	15	111.626.323	78	8,50
Total	159.788.876	122	212.011.946	76	115.952.889	53	300.718.014	107	1.312.577.417	685	100%

Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018, Ministry of finance (MF); Ministry for transport & Communications (MTC); Ministry for agriculture (MZSV); Ministry of Economy (ME); Ministry of environment and spacial planning (MZSPP); Agency for financial support of agriculture and rural development; Agency for tourism RSM; Agency for entrepreneurship (APPRSM); Public company for state roads (JPDP); Government statistical office. **No response:** Ministarstvo za trud i socijalnu politiku (MTSP); Ministarstvo za zdravstvo (MZ); Ministarstvo za obrazovanje i nauku (MON); Ministarstvo za kulturu (MK); Agencija za mlade i sport; Fond za inovacije i tehnoloski razvoj; Direkcija za tehnološke industrijske razvojne zone (TIRZ).

*) For year 2016. missing figure of MD 250.000 and MD 333.333 – report only gives reference in PPR (could be either region of Polog or Pelagonia?)

**) For year 2017 the amount of MD 1.000.000 is missing for the same reason as above.

Table 2. Overview of total public investment per regions by line ministries only, 2009– 2019

Region	2009		2010		2011		2012		2013		2014	
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region
Vardar Region	153.832.332	1	280.072.573	3	83.035.689	1			1.842.348.977	70	56.786.751	15
East Region	153.832.332	1	280.072.573	3	83.035.689	1			272.158.980	54	57.569.667	16
Southwest Region	153.832.332	1	260.448.254	2			97.364.700	1	174.443.971	39	77.078.296	20
Southeast Region	153.832.332	1	280.072.573	3	83.035.689	1			320.121.772	65	67.262.384	17
Pelagonia Region	153.832.332	1	280.072.573	3	83.035.689	1			390.378.659	60	180.806.118	24
Polog Region	153.832.332	1	260.448.254	2	83.035.689	1			161.086.240	35	57.569.667	16
Northeast Region	153.832.332	1	260.448.254	2					568.331.265	37	2.699.191.189	17
Skopje Region	153.832.332	1	260.448.254	2			8.390.534	1	194.983.277	40	193.622.275	21
Total	1.230.658.656	8	2.162.083.308	20	415.178.444	5	105.755.234	2	3.923.853.140	400	3.389.886.349	146

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Region	2015		2016*		2017**		2018		2019		Total investment per region 2009-2019	Total number of projects per region 2009-2019	Percentage shares by planning regions
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region			
Vardar Region	602.985.484	46	1.379.402.436	15	33.592.701	18	375.640.579	42	1.337.500	2	4.809.035.021	213	21,92
East Region	378.829.497	50	8.864.036	13	21.668.775	18	376.995.172	43	1.337.500	2	1.634.364.222	201	7,45
Southwest Region	271.804.644	42	21.525.389	16	31.035.412	18	298.382.086	40	1.337.500	2	1.387.252.584	181	6,32
Southeast Region	361.073.937	48	16.123.131	13	31.035.412	18	357.285.397	45	1.337.500	2	1.671.180.127	213	7,62
Pelagonia Region	557.356.703	50	1.392.338.198	17	49.152.344	19	279.433.053	43	1.337.500	2	3.367.743.168	220	15,35
Polog Region	475.523.138	39	1.384.412.436	17	39.452.374	19	378.671.215	41	1.337.500	2	2.995.368.845	173	13,65
Northeast Region	308.486.871	39	3.854.036	12	15.142.436	16	246.496.115	34	1.337.500	2	4.257.119.998	160	19,40
Skopje Region	325.266.692	44	81.021.479	20	45.915.828	19	502.115.594	48	56.337.500	5	1.821.933.765	201	8,30
Total	3.281.326.966	358	4.287.541.141	123	266.995.282	145	2.815.019.210	336	65.700.000	19	21.943.997.730	1.562	100%

Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018, Ministry of finance (MF); Ministry for transport & Communications (MTC); Ministry for agriculture (MZSV); Ministry of Economy (ME); Ministry of environment and spacial planning (MZSPP); Agency for financial support of agriculture and rural development; Agency for tourism RSM; Agency for entrepreneurship (APPRSM); Public company for state roads (JPDP); Government statistical office. **No response:** Ministarstvo za trud i socijalnu politiku (MTSP); Ministarstvo za zdravstvo (MZ); Ministarstvo za obrazovanje i nauku (MON); Ministarstvo za kulturu (MK); Agencija za mlade i sport; Fond za inovacije i tehnoloski razvoj; Direkcija za tehnoloske industrijske razvojne zone (TIRZ).

*) For year 2016. missing figure of MD 250.000 and MD 333.333 – report only gives reference in PPR (could be either region of Polog or Pelagonia?)

***) For year 2017 the amount of MD 1.000.000 is missing for the same reason as above.

Table 3. Overview of total public investment per regions for 2009 – 2019, MLS + line ministries

Region	2009		2010		2011		2012		2013		2014	
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region
Vardar Region	173.046.862	6	280.072.573	3	111.183.879	9	2.196.630	5	1.851.597.898	75	63.726.500	20
East Region	181.279.134	14	280.072.573	3	109.080.647	12	2.767.504	6	279.360.351	59	63.078.168	22
Southwest Region	184.944.553	12	260.448.254	2	20.720.743	12	99.915.640	7	183.023.141	49	84.028.708	26
Southeast Region	175.880.828	12	280.072.573	3	108.286.972	12	1.922.765	3	329.180.088	72	76.037.694	26
Pelagonia Region	169.744.732	7	280.072.573	3	100.670.988	14	1.956.532	8	398.132.099	71	187.967.192	29
Polog Region	184.979.671	13	260.448.254	2	104.467.583	12	2.480.415	7	173.770.822	45	65.421.478	22
Northeast Region	180.890.068	10	260.448.254	2	25.817.091	11	3.267.523	4	580.106.288	46	2.709.146.222	29
Skopje Region	167.854.058	5	260.448.254	2	17.697.377	10	10.280.700	8	202.911.112	49	200.616.859	29
Total	1.418.619.906	79	2.269.740.320	20	597.925.279	92	124.787.709	48	3.998.081.798	466	3.450.022.823	203

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Region	2015		2016*		2017**		2018		2019		Total investment per region 2009-2019	Total number projects per region 2009-2019	Percentage share by regions
	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region	Total investment	Total number of projects per region			
Vardar Region	629.586.714	62	1.406.203.089	25	50.213.565	25	412.985.498	58	1.337.500	2	4.982.150.707	290	21,32
East Region	390.880.714	70	39.477.155	21	39.174.180	28	417.653.982	57	1.337.500	2	1.804.161.909	294	7,72
Southwest Region	297.609.278	63	49.013.610	28	50.791.689	27	339.504.268	52	1.337.500	2	1.571.337.384	280	6,73
Southeast Region	374.089.493	59	34.379.184	21	38.312.752	20	389.771.315	59	1.337.500	2	1.809.271.164	289	7,74
Pelagonia Region	584.219.546	65	1.419.000.638	26	63.369.369	25	312.636.528	59	1.337.500	2	3.519.107.696	309	15,06
Polog Region	495.413.956	55	1.414.199.060	26	47.358.151	26	419.844.207	49	1.337.500	2	3.169.721.097	259	13,57
Northeast Region	335.993.797	52	37.070.759	22	35.626.013	23	297.561.587	46	1.337.500	2	4.467.265.102	247	19,12
Skopje Region	333.322.344	54	100.209.592	30	58.102.452	24	525.779.840	63	56.337.500	5	1.933.560.088	279	8,28
Total	3.441.115.842	480	4.499.553.087	199	382.948.171	198	3.115.737.224	443	65.700.000	19	23.364.232.159	2.247	100%

Source: Author's calculations based on Reports 2009, 2011, 2012, 2013, 2014, 2016, 2016, 2017 and 2018, Ministry of finance (MF); Ministry for transport & Communications (MTC); Ministry for agriculture (MZSV); Ministry of Economy (ME); Ministry of environment and spacial planning (MZSPP); Agency for financial support of agriculture and rural development; Agency for tourism RSM; Agency for entrepreneurship (APPRSM); Public company for state roads (JPDP); Government statistical office. **No response:** Ministarstvo za trud i socijalnu politiku (MTSP); Ministarstvo za zdravstvo (MZ); Ministarstvo za obrazovanje i nauku (MON); Ministarstvo za kulturu (MK); Agencija za mlade i sport; Fond za inovacije i tehnoloski razvoj; Direkcija za tehnoloske industrijske razvojne zone (TIRZ).

*) For year 2016. missing figure of MD 250.000 and MD 333.333 – report only gives reference in PPR (could be either region of Polog or Pelagonia?)

***) For year 2017 the amount of MD 1.000.000 is missing for the same reason as above.

ANNEX 4: EC21 - ECOLOGICAL COMMUNITY FOR 21ST CENTURY

The heritage of the Balkan environment syndrome has shown for a long time the need for new approaches and concepts for sustainable habitats, as well as solutions for modern human settlement. It should be remarkably different from the present practice of urban planning and design, functionally and structurally. Such a new concept, reminiscent of a Hebrew kibbutz, or Swedish industrial village but essentially different, is presented here. This is a modern concept of habitat environmental structure, of organic, cellular-molecular type. The key structure is self-reproducing nuclei, with multifunctional character of settlement, including: basic production, re-processing, services, utilities, communal infrastructure and objects, with the basic purpose: satisfying each daily live needs and demands of the inhabitants (socio-economic and ecologic). The concept of the Ecological community for the 21st century, offers a fulfilling organization, forming, developing and maintaining this. It is an improvement of social and economic development of the local commune, general and specific, based on some principles of the integral, sustainable development, and particularly focusing on the ecological environment as the most delicate part of integral development.

Problems solved by the proposed Model EC21

1. Sustainable development of rural, semi-urban and urban degraded areas, depressed, underdeveloped, and neglected in terms of contemporary concept of sustainable development of human settlement.
2. Agro-industrial sustainable production and processing in the self-reproducing nuclei, with positive effects of a bio-ecologic, economic, social and technological nature.
3. Ecological process solving every day living and working problems in the mode of Eco-community of the 21st century.
4. Integral sustainable development of local communities in the mode EC21, as multifunctional structures, optimal and opportune, composed of production, processing, communal, technical and other utilities and services, housing, recreation, and other activities and functions (protection, safety, control and management).

5. Anticipatory improvement (based on predictive analytics) of unfavourable demographic structural features, particularly unemployment in depressed, insufficient developed municipalities, specially in cross-border areas.

The EC21 options for sustainable development

1. Revitalization of villages, degraded over decades, should be promoted, renewed in line with the EC21 Model.
2. Building of migrant settlements (in cross-border areas) as a potential answer to the problem of thousands of refugees and immigrants in these strategically important zones.
3. Rural eco-tourism, as a double challenge, for tourism and for the revitalization of villages in the EC21 mode.
4. Human eco-commune for marginal and particularly vulnerable social groups, as defined by EU nomenclature, in wider spectrum (unemployed, refugees, immigrants, handicapped, invalids, elderly, children, women, all vulnerable) in the mode EC21.
5. Health tourism for the people of the third age, of all health status.

The Planning concept of the EC21 and accompanying innovation

1. Habitat of the cellular-molecular type, includes: 1) Cellular nuclei – self-reproducing multi-functional units of various types, expressing the character of the respective habitat (agrarian, agro-industrial, semi-urban, urban area) where integral sustainable development goals could be followed: social, economic, technical, ecological, cultural, safety: 2) Housing – residential zone, typical residential unite (500 – 1000 people, multiplied, it depending on the size of the respective community (2,4, 6 times) with two options - a) actual (reconstructed, rehabilitated , modernized) or b) newly built, modern settlements.
2. Modular planning base: a) basic urban module 25 acres parcel, b) basic building parcel: 100 acres, c) self-reproducing nuclei (50X50m), 1.5 – 2 ha parcel.
3. Multi-functional self-reproducing units include: production (basic, agrarian intensive, processing (secondary and tertiary agro-industrial and manufacturing), services (communal, technical, trade, hospitality, residential, administrative, education, social protection, information, postal, cultural and others).

4. Innovation. Functional integration in the mode of sustainable development: **social** (work, employment, social protection of children, elderly, women, vulnerable persons); **economic** (full employment, particularly of young people, high productivity, supply needs on local level, stable economic growth); **technical** (environmental, processing, communal, information, energy renewal); **ecological** (protection of natural resources, against risk of human neglect, recycling and processing of waste, cleaning air and water, control of food and water quality, and health of people).

General background of the EC21

1. Motivation

- Many human settlements built over centuries are unsustainable and preventing growth, development, and general progress.
- Awareness of the need for sustainable habitat and new settlement concepts is rising.
- UN declarations on sustainable environment (1992), and Habitat II (1996), over past 3 decades did not have expected impact or beneficial outcomes.
- The Eco-community 21, and similar models are offering practical and realistic solutions to achieve the main sustainability goals, at the local, regional, national and global level.

2. Goals

- Renovation and improvement of underdeveloped, depressed, degraded and even empty settlements and areas.
- Encourage sustainable development of agro-industrial production and processing.
- Renovation and rehabilitation of rural areas particularly in the less developed regions.
- Reduction in inequality addressing ethnic issues, sexual bias, unemployment, poverty, crime, and corruption.

3. Options and possible solutions

- development of sustainable rural units and their revitalization.
- development of sustainable rural tourism.
- development of a sustainable agro-industrial sector.

- Protection and improvement of sustainable environment at all levels (from local to national).
- Convergence and harmonization of the quality of life in rural and urban communities.

Overview of the new concept of habitat and options of problem solving

1. Eco-commune of marginal socio groups, refugees, migrants, homeless New concepts, ideas for modular solutions. Structuring: Housing, Self-reproducing nucleus, Techno-park, Social Center, more variance of SRN
2.. Sustainable habitat of low social category of population, homeless – Ideas solution, program, regulation urban plan
3. Settlements for refugees after natural and climate catastrophes, for fast building and solving urgent problems of grate ratio. – ideas plan, program, evaluation, cost-benefit analysis
4. Settlements in special conditions - after the earthquake, river flooding and other elementary catastrophes - ideas for urban planning, cost analysis
5. Settlement for migrants – preparation of a study presenting options for permanent settlement of migrants, in order to avoid unnecessary crises under conditions of larger influx of migrants from Greece, Turkey and Italy.
7. Conceptions and solutions of the human settlement in the mode “Habitat for all” based on the innovative solutions from the ECO21 Model.

Technical systems

1. Techno-innovation park - the key module of Eco-community 21, solving in dependence with environmental and social ambience
2. Recycling of communal solid waste – a study on optimal modalities to be prepared in advance
3. Recycling of auto tyres – feasibility study for a proposed facility
4. Project of dried and frozen fruit and vegetables, feasibility study to be prepared
5. Solar energy – project development of alternative energy, based on American and Chinese experiences (solar batteries and photo-voltaic generators)
6. Preparing of communal water . ideas design of the Co.; Inter-plan;
7. Other environmental technologies, processing, production, preparing – proper research to be conducted

ANNEX 5: BIBLIOGRAPHY ON REGIONAL DEVELOPMENT IN REPUBLIC OF NORTH MACEDONIA

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