



Parliament of the Republic of Macedonia

**Law on
Balanced Regional Development**

Skopje, May 2007

LAW ON BALANCED REGIONAL DEVELOPMENT

I. GENERAL PROVISIONS

Content of the Law

Article 1

- (1) This Law regulates the goals and principles and stakeholders of the policy for stimulation of balanced regional development; regional development planning; financing and allocation of funds for stimulation of balanced regional development;; monitoring and evaluation of the implementation of planning documents and projects and other issues related to regional development.

Definitions

Article 2

- (1) Specific terms used in this Law have the following meaning:
1. **Regional development** is a process of identification, stimulation, management and utilization of the development potentials of the planning regions in the areas with specific development needs;
 2. **Policy for stimulation of balanced regional development** is a system of goals, instruments and measures aimed at lowering regional disparities, and achievement of balanced and sustainable development in the Republic of Macedonia.
 3. **Planning region** is a functional-territorial unit established for the purposes of planning the development and implementation of the policy for stimulation of balanced regional development. .
 4. **Planning of the regional development** is a process of identification of real and coherent goals, priorities and measures for stimulation of development.
 5. **Strategy for the Regional Development of the Republic of Macedonia** is a long-term planning document determining the principles, goals and priorities of regional development in the Republic of Macedonia, and defines the measures, instruments and financial and other means for their implementation.

6. **Program for development of the planning region** is a mid-term planning document which establishes the development goals of the planning region, as well as measures instruments and financial and other means for their implementation.
7. **Action Plan** is a short-term operational document which determines stakeholders, funds and time frame for implementation of projects;
8. **Council for balanced regional development of the Republic of Macedonia** is a body for harmonization and coordination of the policy for stimulation of balanced regional development;
9. **Council for development of the planning region** is a body for harmonization and implementation of the development policy of the planning region.

II. GOALS AND PRINCIPLES OF THE POLICY FOR STIMULATION OF BALANCED REGIONAL DEVELOPMENT

Goals

Article 3

(1) Goals of the policy for stimulation of balanced regional development are:

- Balanced and sustainable development of the whole territory of the Republic of Macedonia based on the model of polycentric development;
- Lowered disparities between and within the planning regions and improved quality of life of all citizens;
- Increased competitiveness of the planning regions through the strengthening of their innovation capacity, optimal utilization and valorization of natural resources, human resources and economic specifics of the different regions;
- Preservation and development of the specific identity of the individual planning regions, as well as their affirmation and development;
- Revitalization of villages and development of the areas with specific development needs; and
- Support of the inter-municipal and cross-border cooperation of the units of local self-government for the purpose of stimulating balanced regional development.

Principles

Article 4.

(1) The principles of the regional development policy are:

- Principle of programming- creation of multi-year system of programming and implementation of the policy for stimulation of balanced regional development including the identification of the priorities and measures of the policy, their financing, management and control.
- Principle of partnership - cooperation in the preparation, implementation, monitoring and evaluation of the regional development planning documents between the central government bodies and the units of local self-government, economic and social partners and other relevant representatives of the civic society,.
- Principle of reconciliation – goals, priorities and measures in regional development planning document are adjusted with the goals, priorities and measures in the programming documents for integration of the Republic of Macedonia in the European Union
- Principle of co-financing – co-financing of measures of the policy for stimulation of balanced regional development from the Budget of the Republic of Macedonia, the budgets of the units of the local self-government, funds of the European Union and other international sources, as well as financial means from domestic and international legal entities and natural persons.
- Principle of transparency – regular, timely and objective information of the public about the measures of the policy for stimulation of balanced regional development , as well as enabling free access to information to all interested parties
- Principle of subsidiarity – preparation, implementation, control and evaluation of the programs and measures for stimulation of balanced regional development are done by the planning regions and the units of local self-government, except if they are excluded from their competences or are not under the competence of the state bodies.
- Principle of sustainability – respecting the economic, social and ecological components of development during the design of the policy for stimulation of balanced regional development.

III. REGIONAL DEVELOPMENT PLANNING

Planning regions

Article 5

- (1) For the purposes of regional development planning and implementation of measures and instruments for stimulation of balanced regional development, planning regions are established.
- (2) The planning regions from Paragraph 1 of this Article are the units on NUTS III level established by the Act of the Government of the Republic of Macedonia for regulating the nomenclature for territorial units for statistical purposes-NUTS

Areas with specific development needs

Article 6

- (1) For the purposes of regional development planning and the implementation of specific measures and instruments for stimulation of balanced regional development, areas with specific development needs are defined.
- (2) Areas with specific development needs in the sense of Paragraph 1 of this Article are
 - Border, rural, hilly-mountainous and other areas lagging in development;
 - Areas with natural resources and cultural heritage that are protected by law;and
 - Other areas with specific development needs defined by law.
- (3) An area with specific development needs could encompass the territory from one or more units of local self-government in one or more planning regions.
- (4) The Government of the Republic of Macedonia establishes a list of areas with specific development needs, **based on the proposal from the Council for balanced regional development.**
- (5) The list of the areas with specific development needs is revised every fifth year.

Article 7

- (1) The basic criteria for determining areas with specific development needs are the level of economic development, the demographic index, the geographic location, the level of construction of technical and social infrastructure and the value of natural wealth and cultural heritage.

- (2) The more specific criteria and indicators for determining areas with specific development needs are prescribed by the Government of the Republic of Macedonia.

Planning Documents

Article 8

- (1) Regional development planning is conducted with planning documents.
- (2) The planning documents are harmonized with the Spatial Plan of the Republic of Macedonia, the strategic development documents on the national level, as well as with the programming documents for integration of Macedonia in the EU.

Article 9

- (1) The planning documents for regional development are:
 - Strategy for Regional Development of the Republic of Macedonia;
 - Program for development of the planning region;
- (2) For the purpose of implementation of the planning documents from Paragraph 1 of this Article, action plans are adopted.
- (3) The planning documents from Paragraph 1 of this Article are prepared on the basis of the Methodology for preparation of planning documents.
- (4) The Methodology from Paragraph 3 of this Article is prescribed by the Minister of Local Self-Government..
- (5) During the preparation of planning documents for regional development it is **mandatory** to consult all involved parties on the national and local level.

Strategy for Regional Development of the Republic of Macedonia

Article 10

- (1) The Strategy for Regional Development of the Republic of Macedonia (hereinafter referred to as Strategy) is adopted for a period of ten years.
- (2) **The Strategy is adopted by the Parliament of the Republic of Macedonia, based on the proposal from the Government of the Republic of Macedonia.**
- (3) The Strategy for the following planning period is to be adopted at least 12 months before the expiration of the ongoing planning period.
- (4) A three year action plan is adopted for the purpose of implementation of the Strategy.

- (5) The action plan from Paragraph 4 of this Article is adopted by the Government of the Republic of Macedonia
- (6) The action plan from Paragraph 4 of this Article for the following planning period is adopted not later than six months before the expiration of the current planning **period**.

Article 11

- (1) The Strategy defines:
 - The concept, priorities and strategic goals of the policy for stimulation of balanced regional development;
 - The measures and instruments for stimulation of development of the planning regions and the areas with specific development needs; and
 - The financing arrangement, institutions and mechanisms for implementation of the measures of the policy for stimulation of balanced regional development.
- (2) The Strategy represents the basis for the preparation of the programs for development of planning regions.

The Program for development of the planning region

Article 12

- (1) The Program for development of the planning region is adopted for a period of 5 years.
- (2) The Program for development of the planning region is prepared individually for each planning region, in accordance with the Strategy and the programming documents for integration of Macedonia into the EU.
- (3) The Program for development of the planning region is prepared by the Center for development of the planning region, in accordance with the Methodology for preparation of planning documents;
- (4) The Program for development of the planning region is adopted by the Council for development of the planning region, following a prior approval by the Council for balanced regional development of the Republic of Macedonia;
- (5) The Program for development of the planning region is adopted not later than six months before the expiration of the ongoing planning period.

Article 13

- (1) Annual action plans are adopted for the purposes of implementation of the Program for development of the planning region.
- (2) The annual action plans for the following year are adopted by the end of the third quarter of the ongoing year.

Article 14

- (1) The Program for development of the planning region defines:
 - Goals for the development of the planning region
 - Measures and instruments for stimulation of development of the planning region;
 - Measures and instruments for stimulation of development of areas with specific development needs, if such are identified in the region; and
 - Financing sources, time frames and indicators for implementation of the measures for stimulation of development
- (2) The Program defines the priorities for the development of the region and the priorities for the development of areas with specific development needs, if such are identified in the region.
- (3) The Program for development of the planning region serves as the basis for the preparation of the plans of the units of local self-government related to their economic, social, urban, environmental, cultural and other development.

V. STAKEHOLDERS OF THE POLICY FOR STIMULATION OF BALANCED REGIONAL DEVELOPMENT

Article 15

- (1) Stakeholders of the policy for stimulation of balanced regional development are:
 - Government of the Republic of Macedonia
 - Council for balanced regional development of the Republic of Macedonia;
 - Ministry of Local Self-Government;
 - Council for development of the planning region.
- (2) The Bureau for regional development and the Centers for development of planning regions also take part in the regional development planning and implementation of regional development planning documents.

Council for balanced regional development of the Republic of Macedonia

Article 16

- (1) The Government of the Republic of Macedonia forms a Council for balanced regional development of the Republic of Macedonia. (hereinafter referred to as Council for balanced regional development).
- (2) The Council for balanced regional development has the following members
 - Vice President of the Government of the Republic of Macedonia, in charge of economic affairs;
 - Ministers in charge of the Ministries for: Local self-government, Finance, Economy, Transport and Communications, Labor and Social Policy, Culture, Environment and Spatial Planning, and Agriculture, Forestry and Water Management; and
 - Presidents of the Councils of the planning regions.
 - **President of the Union of the Units of Local Self-Government**
- (3) The Council for balanced regional development can also include as part of its work science and expert representatives working in the area of regional development
- (4) The Council for balanced regional development is presided over by the Vice President of the Government of the Republic of Macedonia in charge of economic affairs.
- (5) The manner of operation of the Council for balanced regional development is regulated by a Rule-book.
- (6) Expert and administrative and technical support of the work of the Council for balanced regional development is provided by the Ministry of Local Self-Government.

Article 17

- (1) The Council for balanced regional development:
 - ensures harmonization of the policy for stimulation of balanced regional development with sectoral policies and the macro-economic policy of the Republic of Macedonia ;
 - drafts the Proposal-Strategy for regional development;
 - provides prior approval of programs for development of planning regions;
 - **drafts the proposal for more specific criteria and indicators from Article 7 Paragraph 2 and Article 30 Paragraph 3 of this Law.**
 - drafts the Proposal-List of areas with specific development needs;
 - drafts the Proposal –Decision for classification of the units of local self-government and the planning region according to their level of development;
 - drafts a proposal for financing specific projects from the funds of the Budget of the Republic of Macedonia, aimed at development of the planning regions, the areas with specific development needs and the villages;
 - provides opinions regarding reports on the implementation of regional development planning documents;

- initiates review of regional development related issues requiring coordination between the Government of the Republic of Macedonia, the units of local self-government and other involved parties; and
- reviews other issues related to the area of balanced regional development.

Ministry of Local Self-Government

Article 18

- (1) The Ministry of Local Self-Government is authorized to carry out the policy for stimulation of balanced regional development.
- (2) The Ministry of Local Self-Government, in cooperation with the other Ministries which undertake measures for stimulation of development, defines and implements the policy for stimulation of balanced regional development, in accordance with the economic policy goals of the Government of the Republic of Macedonia and the program documents for integration of the Republic of Macedonia in the EU.
- (3) The Ministry of Local Self-Government performs the following functions:
 - organizes and coordinates the preparation of national strategic-planning documents for regional development
 - ensures accordance of the Strategy with the program documents for integration of the Republic of Macedonia in the EU;
 - prepares and submits to the Government of the Republic of Macedonia reports on the implementation of regional development planning documents;
 - organizes and coordinates the activities for monitoring and evaluation of the implementation of the regional development planning documents;
 - performs other activities aimed at **stimulation** of balanced regional development which are stipulated by law.

Council for development of the planning region

Article 19

- (1) A Council for development of the planning region is established for each planning region.
- (2) The constitutive session of the Council for development of the planning region is convened by the Mayor of the unit of local self-government with the largest population in the planning region.
- (3) Members of the Council for development of the planning region are the Mayors of the units of local self-government which are part of the planning region.

- (4) Members of the Council for development of the planning region which encompasses the City of Skopje are the Mayors the units of local self-government which are part of the planning region and the Mayor of the City of Skopje
- (5) The President of the Council for development of the planning region is elected from the ranks of the members of the Council for a two year mandate with the right to be re-elected.
- (6) The work of the Council for development of the planning region can also involve professionals working in the area of regional development, representatives of economic chambers, trade unions, civic associations and other relevant partners from the private and civil sector.

Article 20

(1) The Council for development of the planning region performs the following functions:

- organizes and coordinates the activities for monitoring and evaluation of the implementation of regional development planning documents
- adopts a Program for development of the planning region, based on the previously received approval of the Council for balanced regional development;
- adopts an annual action plan for the implementation of the Program for development of the planning region;
- drafts an annual list of project proposals for development of the planning region;
- submits proposals to the Bureau for balanced regional development identifying areas with specific development needs within the planning region, in accordance with the criteria from Article 7 of this Law;
- ensures the coordination of the activities of the units of local self-government, civic associations, state agencies and institutions within the region which work in the field of regional development;
- initiates reviews of issues related to regional development which require coordination between the units of local self-government and partners from the private and civic sector;
- promotes cross-border cooperation with regions from other countries based on mutual interests; and
- performs other activities in the area of regional development stipulated by law.

(2) The Council for development of the planning region adopts an annual report regarding the implementation of the Program for development of the planning region..

Article 21

- (1) The functioning of the Council for development of the planning region is regulated with a Rule-book.
- (2) The Council for development of the planning region decides with a 2/3 majority of the overall number of Council members.
- (3) The Council for development of the planning region as a rule holds its sessions in the seat of the unit of local self-government with the largest population in the planning region.
- (4) Professional and administrative-technical activities for the benefit of the Council for development of the planning region are carried out by the Center for development of the planning region.

Bureau for regional development

Article 22

- (1) The Bureau for regional development (hereinafter referred to as Bureau) is a body within the Ministry of Local Self-Government, with the status of a legal entity.
- (2) The Director of the Bureau is appointed and dismissed by the Government of the Republic of Macedonia.

Article 23

- (1) The Bureau performs the following functions:
 - prepares the analytical and documentational basis for the drafting of the strategic and operative planning documents for regional development;
 - develops the Proposal-Methodology for preparation of planning documents;
 - prepares annual reports on the implementation of the Action plan of the Strategy;
 - drafts the Proposal-Decision on the criteria and indicators for identification of areas with specific development needs;
 - prepares the Proposal- List of areas with specific development needs;
 - prepares the proposal-criteria for the level of development of the units of local self-government and the regions;
 - prepares the proposal-act for the classification of the units of local self-government and the planning regions according to their level of development;
 - provides professional assistance to the Centers for development of the planning regions with regards to the design of the plans for development of the planning regions and carrying out other regional development-related activities;
 - disseminates information on the type and scope of the funds and on the instruments for stimulation of regional development to all involved parties;
 - establishes and maintains a regional development information system in collaboration with the State Statistical Bureau; and
 - performs other activities in the area of regional development stipulated by law

Center for development of the planning region

Article 24

- (1) For the purposes of carrying out professional tasks relevant for the development of the planning region, a Center for development of the planning region is established..
- (2) A Center for development of the planning region is established for each planning region.
- (3) The Center for development of the planning region is established by the units of local self-government which are an integral part of the planning region.
- (4) The foundation act of the Center for development of the planning region regulates its organization, work and financing.
- (5) The Center for development of the planning region has the status of a legal entity.
- (6) The seat of the Center for development of the planning region is located in the unit of local self-government with the largest population in the planning region.

Article 25

- (1) The Center for development of the planning region has a Head selected through a public competition.
- (2) The Head of the Center is appointed by the Council for the development of the planning region for a period of four years.
- (3) The operation of the Center for development of the planning region is financed from the budgets of the units of local self-government which are part of the planning region

Article 26

- (1) The Center for development of the planning region performs the following functions:
 - prepares a Proposal-Program for development of the planning region;
 - prepares a proposal-action plan for the implementation of the Program for development of the planning region;
 - prepares project proposals for the development of the planning region and for the areas with specific development needs;
 - coordinates activities related to the implementation of the Program for development of the planning region and carries out planning region development projects;
 - **prepares an annual report on the implementation of the Program for development of the planning region;**

- provides information to all interested parties regarding the course of the implementation of Program for development of the planning region and other regional development-related issues;
 - provides professional and technical assistance to the units of local self-government with regards to the preparation of their development programs;
 - provides professional services to civic associations and other interested parties for the preparation of regional development-related projects;
 - encourages inter-municipal cooperation related to planning development;
 - carries out projects for stimulation of the development of the planning region funded by EU funds and from other international sources;
 - promotes the development opportunities of the planning region; and
 - performs other administrative-professional functions for the benefit of the Council for development of the planning region.
- (2) The Center for development of the planning region submits an annual work report to the Council for development of the planning region and the Councils of the units of the local self-government.

V. REGIONAL DEVELOPMENT FINANCING

Regional development sources of financing

Article 27

- (1) Regional development sources of financing are:
- Budget of the Republic of Macedonia;
 - The budgets of the units of local self-government;
 - European Union Funds;
 - Other international sources;
 - Donations and sponsorships from natural persons and legal entities;
 - Other funds stipulated by law.
- (2) For the purposes of stimulation of balanced regional development, funds are allocated annually from the Budget of the Republic of Macedonia in the amount of at least 1% of GDP.
- (3) For the purposes of stimulation of balanced regional development, the units of local self-government can also utilize resources from European Union Funds.
- (4) The utilization of resources from the European Union Funds is regulated with an act of the Government of the Republic of Macedonia.

Instruments for stimulation of balanced regional development

Article 28

(1) Instruments for stimulation of balanced regional development are:

- Capital investments;
 - Non-repayable grants;
 - Financing and co-financing of preparation of analyses, studies, planning documents and action plans; and
 - Financing regional development-related institutional capacity building in the Republic of Macedonia
- (2) For the purposes of stimulation of balanced regional development, state aid can also be awarded in the form of favorable loans; loan insurance; tax facilities; subsidies and other instruments in accordance with the law.

V. ALLOCATION AND GRANTING OF FUNDS FOR STIMULATION OF BALANCED REGIONAL DEVELOPMENT

Allocation of funds for stimulation of balanced regional development

Article 29

- (1) The funds from Article 27 Paragraph 2 of this Law for stimulation of balanced regional development are allocated by the Government of the Republic of Macedonia.
- (2) The funds from Paragraph 1 of this Article are allocated in the following manner:
- 70% for financing projects for development of the planning regions,
 - 20% for financing projects for development of areas with specific development needs,
 - 10% for financing projects for development of villages.

Article 30

- (1) The funds from Article 29 Paragraph 1, indent 1 of this Law, for financing projects for development of planning regions, are to be allocated according to planning regions, pursuant to the classification of planning regions based on their level of development.
- (2) The basis for determining the level of development of the planning regions are the economic development index and the demographic index.
- (3) More specific criteria and indicators for determination of the level of development are established by an act of the Government of the Republic of Macedonia.
- (4) The classification of planning regions according to their level of development is established by an act of the Government of the Republic of Macedonia for a period of five years

Article 31

- (1) The funds from Article 29, Paragraph 2, indent 2 of this Law for financing projects for development of areas with specific development needs are granted to units of local self-government with identified areas with specific development needs.

Article 32

- (1) The funds from Article 29, Paragraph 2, indent 2 of this Law for financing projects for development of villages are allocated according to regions, whereas each region receives an equal share.

Article 33

- (1) The funds from Article 29, Paragraph 2 are transferred to the account of the Bureau for regional development, which then executes the decision for their allocation.

Procedure for gathering and evaluating project proposals

Article 34

(1) For the purpose of utilization of the funds intended for financing projects for development of the planning regions, The Council of the planning regions defines a list of project proposals for the development of the region, in accordance with the priorities of the Program for the development of the planning region.

(2) The project proposals for which funding is required for the following year are prepared by the Center for development of the planning region which submits them to the Bureau for regional development no latest than December 15th of the ongoing year.

(3) The planning regions which do not submit project proposals within the deadline stipulated in Paragraph 1 of this Article will lose the right to utilize funds allocated for financing projects for the development of the planning region in the following year.

(4) The planning regions which submit project proposals with overall financial value which is lower than the overall amount of funds allocated to the planning region for the following year, will lose the right to utilize funds for which they did not submit project proposals.

(5) The planning regions, with regards to submitted project proposals for which is decided not to be financed due to non-compliance with prescribed terms and conditions, will lose the right to utilize those related funds.

(6) The funds which are not to be utilized on the basis of Paragraph 3, 4 and 5 of this Article, will be allocated by the Government of the Republic of Macedonia for financing of projects from other planning regions, in accordance with Article 30 Paragraph 1.

Article 35

- (1) For the purposes of granting the funds from Article 29, Paragraph 2, indent 2 of this Law for financing projects for development of areas with specific development needs. the Bureau for regional development publishes a public invitation for gathering project proposals.
- (2) The invitation will cite the total amount of funds allocated for financing projects for development of areas with specific development needs.
- (3) The right to submit project proposals will have the units of local self-government with identified areas with specific development needs on their territories.

Article 36

- (1) For the purposes of granting the funds from Article 29, Paragraph 2, indent 3 of this Law for financing projects for development of villages, the Bureau for regional development publishes a public invitation for gathering project proposals.
- (2) The invitation will cite the total amount of funds allocated for financing projects for development of villages, individually for each region.
- (3) The right to submit project proposals will have the units of local self-government which belong to the planning region.
- (4) The units of local self-government with an urban seat, which submit projects for development of villages which are located on their territory, are obliged to provide co-financing of the project in the amount of 50% of the value of the project.
- (5) Co-financing of projects can be provided from own sources of income and from other domestic and international sources of financing.
- (6) Units of local self-government with rural seats are not obliged to provide co-financing of the projects.

Article 37

- (1) Project proposals for the development of the planning regions, the areas with specific development needs and the villages which are submitted for co-financing to the Bureau for regional development, must contain the following mandatory elements:
 - project title;
 - name of the planning region;
 - project implementator;
 - project goals;
 - expected project results;
 - financial construction of the project;
 - duration and timeline of the implementation of the project;
 - other elements depending on the specifics of the project.
 -
- (2) The project proposals for development of planning regions and areas with specific development needs should mandatorily indicate the linkage of the project to the priorities of the Program for development of the planning region.**

Article 38

- (1) The submitted project proposals for development of planning regions, areas with specific development needs and villages are reviewed and evaluated by the Committee for evaluation of project proposals.
- (2) The Committee is formed by the Minister of Local self-Government and is comprised of a President and 6 members.
- (3) The President of the Committee is appointed from the ranks of the management civil servants from the Ministry of Local Self-Government.
- (4) One member of the Committee is appointed from the ranks of the management civil servants from the Ministry of Local Self-Government.
- (5) Two members of the Committee are appointed from the ranks of the civil servants from the Bureau for regional development.
- (6) Three members are appointed from the ranks of professionals working in the area of regional development.

Article 39

- (1) The project proposals for development of planning regions and project proposals for development of areas with specific development needs should be derived from the priorities defined in the Program for development of the planning region.
- (2) The project proposals from Paragraph 1 of this Article which do not comply with this condition will not be taken into consideration.
- (3) The procedure and methodology for evaluation of project proposals are regulated by the Rule-book adopted by the Minister of Local Self-Government.

Granting of funds for stimulation of balanced regional development

Article 40

- (1) Following the evaluation of the projects, the Committee prepares a proposal list for financing of:
 - projects for development of planning regions;
 - projects for development of areas with specific development needs; and
 - projects for development of villages.
- (2) The proposal lists from indents 1 and 3 from Paragraph 1 of this Article are prepared separately for each region.
- (3) The proposal lists are submitted to the Council for balanced regional development.

Article 41

- (1) The Council for balanced regional development, on the basis of the proposal lists, drafts a proposal for financing specific projects for development of planning regions, areas with specific development needs and villages.
- (2) During the drafting of the proposal for financing specific projects for development of planning regions and development of villages, the Council for balanced regional development has to ensure equal representation in the granting of funds to all municipalities which are part of the planning region.

Article 42

- (1) The Government of the Republic of Macedonia on the basis of the proposal from Article 41 Paragraph 1 of this Law adopts a decision for granting funds for financing projects for development of planning regions, areas with specific development needs and villages.

Article 43

- (1) On the basis of the Decision for granting funds, the Bureau for regional development concludes agreements for implementation of the projects.

- (2) The Agreements for implementation of projects for development of the planning regions are concluded with the Centers for development of the planning regions, **which implement the projects in collaboration with the relevant municipalities.**
- (3) The Agreements for **implementation** realization of projects for development of areas with specific development needs and development of villages are concluded with the municipalities which are the implementators of the projects.
- (4) The manner and utilization of funds are stipulated by an **agreement** **the agreement for implementation of the project.**

VII. MONITORING AND EVALUATION OF REGIONAL DEVELOPMENT PLANNING DOCUMENTS AND PROJECTS

Monitoring the implementation of regional development planning documents

Article 44

- (1) Monitoring of the implementation of the Strategy for regional development is performed by the Government of the Republic of Macedonia through the annual report on the implementation of the Action plan of the Strategy.
- (2) The report from Paragraph 1 of this Article is prepared by the Ministry of Local Self-Government which submits it to the Government, after receiving a prior opinion from the Council for balanced regional development.

Article 45

- (1) Monitoring of the implementation of the Program for regional development is performed by the Council for balanced regional development, Council of the planning region and the Councils of the municipalities which are part of the planning region, through the annual report on the implementation of the Program.
- (2) The report from Paragraph 1 of this Article is prepared by the Center for development of the planning region which submits it to the Council of the planning region.
- (3) The report from Paragraph 1 is submitted by the Council of the planning region to the Council for balanced regional development and the Councils of the municipalities which are part of the planning region.

Monitoring of utilization of funds for stimulation of balanced regional development

Article 46

- (1) Monitoring of the utilization of funds for stimulation of balanced regional development is performed by the Bureau for regional development through the reports for the implementation of the projects for which funds have been allocated.
- (2) Implementation reports are prepared for the projects for development of planning regions by the Center for development of the planning region which submits them to the Bureau for regional development, in accordance with the time frame stipulated in the agreement for implementation of the project.
- (3) For the projects for development of areas with specific development needs and for development of villages, implementation reports are prepared by the project implementators which submit them to the Bureau for regional development, in accordance with the time frame stipulated in the agreement for implementation of the project.

Evaluation of regional development planning documents

Article 47

- (1) The Strategy for regional development and the Program for development of the planning region are evaluated through preliminary, ongoing and final evaluation.

Article 48

- (1) Preliminary evaluation of the Strategy for regional development and the Programs for development of the planning regions is performed prior to the beginning of the implementation of the planning documents.
- (2) The preliminary evaluation serves to evaluate the coherency and accordance of the goals, priorities and measures between the Strategy for regional development and the Programs for development of the planning regions, as well as their accordance with the goals, measures and priorities in the strategic development documents on the national level and the program documents for the integration of the Republic of Macedonia in the European Union.

Article 49

- (4) Ongoing evaluation of the Strategy for regional development and the Programs for development of the planning regions is carried out during the middle of the period of implementation of the planning documents.
- (5) The ongoing evaluation serves to evaluate the implementation and the effects of the conducted measures for stimulation of regional development, identified in the Strategy and the Programs for development of the planning regions.

Article 50

- (1) Final evaluation is performed after the completion of the period of implementation of the planning documents.
- (2) The final evaluation serves to evaluate the degree of implementation of the planning document, fulfillment of the priorities and goals of the planning documents, as well as the achieved effects regarding the stimulation of balanced regional development.

Article 51

- (1) Reports are prepared for the performed preliminary, ongoing and final evaluation which serve as basis for changing and amending the planning documents.
- (2) The procedure for selection of evaluators and the evaluation methodology are regulated with a Rule-Book adopted by the Minister for Local Self-Government.

Evaluation of project implementation

Article 52

(1) Evaluation of the implementation of the projects for development of the planning regions, areas with specific development needs and the villages which are funded by the Budget of the Republic of Macedonia for stimulation of balanced regional development, is performed through preliminary, ongoing and final evaluation.

Article 53

(1) Preliminary evaluation is conducted for project proposals submitted for financing from the funds of the Budget of the Republic of Macedonia for stimulation of balanced regional development.

(2) Preliminary evaluation of project proposals serves to evaluate the fulfillment of the prescribed conditions for financing using the funds of the Budget of the Republic of Macedonia for stimulation of balanced regional development.

(2) The preliminary evaluation of project proposals is conducted by the Committee for project evaluation, in accordance with Article 39 of this Law.

Article 54

(1) Ongoing evaluation of projects is carried out during the course of the implementation of the projects.

(2) The ongoing evaluation of projects serves to evaluate the appropriate utilization of the funds, the compliance with the time frame for implementation of planned activities and the effects from their implementation.

Article 55

(1) Final evaluation of projects is conducted after the completion of the projects.

(2) The final evaluation serves to evaluate the general success of the implementation of the project, the appropriate utilization of the funds, fulfillment of defined goals and the achievement of expected results.

Article 56

(1) Reports on the conducted preliminary, ongoing and final evaluation are prepared which serve as basis for changing and amending planning documents.

(2) The selection of evaluators, the procedure and methodology for the ongoing and final evaluation of projects is regulated by a Rule-book adopted by the Minister of Local Self-Government.

VIII. SUPERVISION

Article 57

(1) Supervision over the application of the provisions of this Law is carried out by the Ministry of Local Self-Government.

Article 58

(2) Financial control of the material-financial operation of the Bureau and the Centers for development of the planning regions is carried out by the Ministry of Finance and the State Audit Office.

IX. TRANSITIONAL AND FINAL PROVISION

Article 59

- (1) The Councils for development of the planning regions will be constituted within 45 days of the date of the coming into force of this Law.

Article 60

- (1) The Council for regional development will be constituted within 60 days of the date of coming into force of this Law.

Article 61

- (1) The Centers for development of the planning regions will be constituted within nine months of the date of coming into force of this Law.

Article 62

- (1) The operation of the Center for development of the planning region during the first five years is financed from the Budget of the Republic of Macedonia and the budgets of the units of local self-government which are part of the planning region by sharing the cost in the ratio of 50:50
- (2) The Mayors – members of the Council for development of the planning region and the Minister of Local Self-Government conclude an agreement for co-financing the Center for development of the planning region.
- (3) For the purpose of carrying out the agreement from Paragraph 2 of this Article and the transfer of funds from the Budget of the Republic of Macedonia, the Mayors-members of the Council of the planning region are obliged to previously ensure 50% of the funds required for the functioning of the Center from the Budgets of the units of local self-government which are part of the planning region;

Article 63

- (1) The planning documents for regional development stipulated in this Law will be adopted within nine months of the date of coming into force of this Law

Article 64

- (1) The methodology from Article 9 Paragraph 3 of this Law will be adopted by the Minister of Local Self-Government within 6 months of the date of coming into force of this Law.

Article 65

- (1) The Acts from Article 6 Paragraph 4, Article 7 Paragraph 2, and from Article 30 Paragraphs 3 and 4 of this Law will be adopted by the Government of the Republic of Macedonia within 6 months of the date of coming into force of this Law

Article 66

- (1) The Rule-books from Article 39 Paragraph 3, Article 51 Paragraph 2, and Article 56 Paragraph 2 of this Law will be adopted by the Minister of Local Self-Government within 9 months of the date of coming into force of this Law.

Article 67

- (1) The information system for regional development from Article 23 Paragraph 1, indent 10 of this Law will be established within twelve months of the date of coming into force of this Law.

Article 68

- (1) Granting of funds for financing projects for development of the planning region in 2008 will be carried out on the basis of project proposals submitted by the municipalities in the planning region.**
- (2) The project proposals from Paragraph 1 of this Article are submitted by the municipalities after receiving a prior opinion from the Council of the planning region on the significance of the projects for the development of the region.**
- (3) The decision for financing projects in 2008 is made on the basis of the priorities stipulated in the Strategy for regional development.**
- (4) The agreements for implementation of the projects for development of the planning regions in 2008 are concluded with the municipalities which have submitted project proposals**

Article 69

- (1) As of the day of application of this Law, the Bureau for economically underdeveloped regions will continue to function as the Bureau for regional development..

Article 70

- (1) As of the day of application of this Law, the Law on stimulation of the development of economically underdeveloped regions („Official Gazette of RM” No. 2/94 and 39/99) ceases to be in force.

Article 71

- (1) Persons with acquired right to payment of contributions for pension , disability and health insurance in accordance with the Law on stimulation of the development of economically underdeveloped regions („Official Gazette of RM” No. 2/94 and 39/99), will continue to exercise the right to pension in accordance with the law, until the day of the coming into force of this Law.
- (2) The funds required for the accomplishment of the right form Paragraph 1 of this Article are provided from the funds from Article 29 Paragraph 2 indent 1 of this Law.

Article 72

- (1) The payment of the funds for approved rebates on part of the interest on undertaken loans in accordance with the Law on stimulation of the development of economically underdeveloped regions („Official Gazette of RM” No. 2/94 and 39/99) , will continue until the completion of the payment of the loans until the day of the coming into force of this Law

Article 72

- (1) This Law is coming into force on the eighth day from the date of its publication in the ”Official Gazette of the Republic of Macedonia”, and it will be applied starting from 1.1.2008, except the provisions from Chapter III and Chapter IV of this Law

EXPLICATION

REASONS FOR ADOPTION OF THE LAW

Development, enhancement and advancement of regional policy and creation of pre-conditions for balanced regional development are all part of the priorities of the Government, for the purposes of which the initial steps are creation of an appropriate legal and institutional framework which would provide for a balanced regional development of the country, including also the development of adequate capacities for implementation of European regional policy.

To that aim, the Ministry of Local Self-Government has conducted an analysis of the existing legal and institutional framework for allocation of balanced regional development funds, which has indicated the following:

- Relations in the area of regional development in the Republic of Macedonia are not integrally regulated with a law. Certain regional development aspects are regulated to a certain degree only in the Law on stimulation of the development of economically underdeveloped regions („Official Gazette of RM” No. 2/94 and 39/99) which regulates issues related to economically underdeveloped regions.
- There exists an overlapping of competences between various state administration bodies concerning the allocation of balanced regional development funds. This primarily concerns the overlapping of the competences of the Bureau for economically underdeveloped regions with sectors/departments of certain Ministries which are in charge of certain developmental aspects through direct disposal of financing resources.
- There are no unified criteria for the allocation of funds planned and earmarked for regional development in the Budget of the Republic of Macedonia. Only the Government of RM, as stipulated by law, defines the criteria for allocation of funds for underdeveloped regions which are effectuated through the Bureau for economically underdeveloped countries.
- There is a lack of a national strategy or program for unified allocation of funds for stimulation or support of regional development through various bodies/funds and Ministries.
- There is a lack of any kind of mutual program, criteria or IT linkage with regards to allocation of funds between the bodies/funds and Ministries.
- There is no adequate institutional framework in place to serve the purposes of synchronization, harmonization and joint guidance of the activities and funds of the state administration bodies in order to achieve a synergy effect from the investments in the development of regions with special status.

All this has resulted in the overlapping of certain activities and the earmarking of funds for the same purposes, but according to different criteria, leading to unsatisfactory efficiency in utilizing budget funds intended for this purpose.

Based on the aforementioned conclusions, the necessity arises to define a legal and institutional framework for the establishment of a system for the management of a balanced regional development policy, as well as for coordinated and guided utilization of balanced regional development funds.

This legal and institutional framework is also necessary for linking, unification, synchronization and transparent utilization (in line with the criteria and priorities) of regional development funds .

II. RELATIONS REGULATED WITH THIS LAW

The development, enhancement and advancement of the policy for stimulation of balanced regional development is part of Government priorities, for the purpose of which it's initial steps are the creation of an appropriate legal and institutional framework in order to provide for a balanced regional development of the country and creation of conditions for local development.

For the purposes of regional development planning and implementation of measures and instruments for balanced regional development, this Law establishes planning regions.

Planning regions are NUTS 3 level units established with an act of the Government of the Republic of Macedonia for the definition of the nomenclature of territorial units for statistical purposes-NUTS.

Planning regions are not administrative-political, but functional-territorial units for the purposes of planning and implementation of regional development. A defined set of criteria is followed in the defining of the regions. In accordance with the existing nomenclature in the Republic of Macedonia, there are 8 statistical regions which are established as planning regions with the Law.

Areas with specific development needs will be identified within the planning regions according to predefined criteria and indicators.

Regional development planning is proposed to be carried out through two planning documents: the Strategy for regional development and the Program for development of the planning region.

The Law identifies as stakeholders of the policy for stimulation of balanced regional development: the Government of the Republic of Macedonia, the Council for balanced regional development, the Ministry of Local Self-Government and the Councils for development of the planning regions .

For the purpose of stimulation of balanced regional development, an annual earmarking of funds is stipulated from the Budget of the Republic of Macedonia in the amount of at least 1% of the GDP .

The funds are allocated according to region for the financing of specific projects for development of the planning region, for the development of areas with specific development needs and for development of the villages.

The provisions related to management of regional development funds stipulate the manner and procedure of allocation of funds earmarked from the Budget of the Republic of Macedonia. The allocation is based on the level of development of the municipalities and the planning regions which is established with the help of the economic development index and the demographic index. More specific values of the criteria and indicators for the calculation of the level of development of the planning regions will be regulated with by-laws.

III. FUNDING FOR THE APPLICATION OF THE LAW

The application of the Law requires earmarking of funds from the Budget of RM and the budgets of the units of local self-government, as well as provision of funds from other sources (donations, etc.).

The funds are necessary for strengthening /staffing and technical equipping/ of the Ministry of Local Self-Government, for the transformation of the Bureau for economically underdeveloped regions and its subsequent staffing, as well as for the operation of the Councils and Centers for development of the planning regions in accordance with the rights and obligations stipulated in this Law.

Furthermore, funds are also required to carry out intensive training of the stakeholders of balanced regional development on the central and local level..

Funds earmarked from the Budget of the Republic of Macedonia:

a) The Budget of RM would annually earmark funds for balanced development in the amount of at least 1% of the gross domestic product and 7.200.000,00 denars for salaries and contributions for 20 newly employed civil servants in the Ministry of Local Self-Government and the Bureau for balanced regional development.

b) The Budget of RM for 2008 will additionally allocate 8.200.000,00 out of which 7.200.000,00 denars (50% of the total required funds) for salaries and contributions for the employees in the 8 Centers for development of the planning regions and 1.000.000,00 denars (50% of the total required funds) for equipping the Centers.

c) Additionally, the Budgets of RM for 2009, 2010, 2011 and 2012 would each earmark 7.200.000,00 denars (50% of the total required funds) for salaries and contributions for the employees in the Centers for development of the planning regions.

Funds allocated from the budgets of the units of local self-government:

a) The budgets of the units of local self-government would annually earmark funds for balanced development in an amount determined by the unit of local self-government itself and at least 14.400.000,00 denars for salaries and contributions for at least 40 employees in the 8 Centers for development of the planning regions starting from 2013.

b) In 2008 the units of local self-government should allocate 8.200.000,00 denars out of which 7.200.000,00 denars (50% of the total required funds) for salaries and contributions

for the employees in the 8 Centers for development of the planning regions and 1.000.000,00 denars (50% of the total required funds) for equipping the Centers.

c) In 2009, 2010, 2011 and 2012 the units of local self-government should allocate annually 7.200.000,00 denars (50% of the total required funds) for salaries and contributions for the employees in the Centers for development of the planning regions.