**Macedonian local government and regional aspects**

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**Background**

Macedonia gained its independence from the former Yugoslav federation in 1991. The political system was a mono-party and coupled with poorly defined property rights and with the redistribution, through soft budget constraints. This soft budget constraint included the interregional redistribution from more developed regions (MDRs) to less developed regions (LDRs).

Within the former Yugoslavia, Macedonia was part of the LDRs benefiting from the subsidies from the MDRs[[1]](#footnote-1). An interesting analysis of the origins of the lesser development in some regions of Yugoslavia is presented in Uzunov (1966)[[2]](#footnote-2). Uzunov’s main thesis is that being a LDR is actually inherited from the past out of the difference between the two feudal states of the Austro-Hungarian and the Ottoman empires. The capitalist breakthrough made them different. Namely, Yugoslav people were exploited in both empires but the growth of production forces was higher under the Austro-Hungarian than the Ottoman rule, thus growing infrastructure and the capital stock, while at the same time production forces and capitalism as such were not developed in the Ottoman Empire. In these different socio-economic situations, the tax system was also different. While in the Austro-Hungarian Empire it was new value and profit that was taxed, in the Ottoman Empire the tax system was based on taxing property and forcing redistribution rather than producing new value. Thus, the differences between these regions actually grew further when the first Yugoslav state was established in 1918 as foreign capital was invested in more competitive regions where infrastructure was present and some form of capitalism and market economy was already operating.

The World Bank (1993)[[3]](#footnote-3) stated that Yugoslavia was continually plagued by macroeconomic instability, in part because of the subsidisation of LDRs, poorly performing enterprises and the tolerance of disintegrative tendencies. Yet Yugoslavia did not succeed in eliminating or diminishing regional differences (Table 1).

Table 1. Main indicators of Yugoslavia and its republics

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Year** | **Yugoslavia** | **B&H** | **Montenegro** | **Croatia** | **Macedonia** | **Slovenia** | **Serbia** |
| Population (%) | 1953 | 100 | 16.7 | 2.5 | 23.2 | 7.7 | 8.8 | 41.1 |
| Population (%) | 1989 | 100 | 18.9 | 2.7 | 19.8 | 8.9 | 8.2 | 41.5 |
| GNP per capita (Yugoslavia=100) | 1955 | 100 | 80 | 80 | 120 | 60 | 160 | 80 |
| GNP per capita (Yugoslavia=100) | 1988 | 100 | 65 | 71 | 129 | 65 | 200 | 88 |
| Unemployment rate | 1989 | 11.6 | 16.2 | 19.2 | 6.6 | 17.4 | 2.8 | NA |

Source: World Bank, *The costs and benefits of Slovenian independence*, 1993

Out of all LDRs, only Macedonia shows some improvement measured as GNP per capita and converging with Yugoslavia’s average from 60% in 1955 to 65% in 1988 (having the highest population growth rate of 10%, second to Kosovo of 23%). The highest improvement in GNP per capita was enjoyed by Slovenia (in 1988 accounting for twice the Yugoslav average). It is also noted that Macedonia started the transition with a relatively high unemployment rate of 17.4%. The highest unemployment rate was in Montenegro (19.2%) and the lowest in Slovenia (2.8%).

**Territorial and administrative organization in Macedonia**

**Local government in Macedonia**

Macedonia has one tier local self-government. In the period from 1991 and until 1996, Macedonia inherited the territorial organisation from the former socialist system of 34 municipalities. The new Law on Territorial Organisation (Official Gazette of the Republic of Macedonia, no. 49/96) was adopted in 1996 and introduced 123 municipalities, of which 52 municipalities (42%) had fewer than 6,000 inhabitants and 46 (38%) had fewer than 5,000 inhabitants.

With the new Law on Territorial Organisation (Official Gazette of the Republic of Macedonia, no. 55/04) adopted in 2004, local governments in Macedonia were restructured into 84 municipalities (15 of which have fewer than 5,000 inhabitants), with the city of Skopje as a special unit comprising 10 municipalities in accordance with a separate Law on the City of Skopje (Official Gazette of the Republic of Macedonia, no. 55/04). In 2013 one urban municipality (Kicevo) merged with four rural municipalities (Zajas, Oslomej, Vranestica, and Drugovo) due to an ethno-political agreement taking root in the Ohrid Framework Agreement thus, since 2013, Macedonia has 80 municipalities and the capital City of Skopje.

With the Data Envelopment Analysis-Variable Returns to Scale (DEA-VRS) and the Stochastic Frontier Analysis (SFA) we find a robust estimate that the most efficient municipalities in Macedonia are the ones with around 10,000 inhabitants (Nikolov 2013)[[4]](#footnote-4). Those municipalities that have lower numbers of inhabitants (less than 10,000) exercise increasing returns to scale and lower pure technical efficiencies because they need to provide the same amount of services as per the law for a smaller number of inhabitants compared to more populated municipalities (i.e. due to the influence of fixed costs on current expenditures). On the other hand, those municipalities that have higher numbers of inhabitants (more than 10,000) exercise decreasing returns to scale and higher pure technical efficiencies (operating closer to the frontier) because of possible agglomeration externalities.

**Regions in Macedonia**

The regional organization in Macedonia is in accordance with the NUTS III level as the NUTS I and NUTS II is the Republic of Macedonia. In Macedonia the 8 statistical regions are only statistical and administrative and proper regulation for the regions is the Law on balanced regional development (Official Gazette of the Republic of Macedonia, no. 63/07). Line ministry responsible for balanced regional development is the Ministry of local government and the Bureau for regional development operates within the ministry.

Local governments grouped at NUTS III regions in Macedonia are illustrated in the next table.

**Table 2. Grouping of Macedonian municipalities in NUTS III regions**

|  |  |  |  |
| --- | --- | --- | --- |
| **NUTS III regions** | **LSGs** | **NUTS III regions** | **LSGs** |
| Vardar |  | Pelagonia |  |
|  | Veles |  | Bitola |
|  | Gradsko |  | Demir Hisar |
|  | Demir Kapija |  | Dolneni |
|  | Kavadarci |  | Krivogastani |
|  | Lozovo |  | Krusevo |
|  | Negotino |  | Mogila |
|  | Rosoman |  | Novaci |
|  | Sveti Nikole |  | Prilep |
|  | Chashka |  | Resen |
| East |  | Polog |  |
|  | Berovo |  | Bogovinje |
|  | Vinica |  | Brvenica |
|  | Delchevo |  | Vrapciste |
|  | Zrnovci |  | Gostivar |
|  | Karbinci |  | Zelino |
|  | Kochani |  | Jegunovce |
|  | Makedonska Kamenica |  | Mavrovo and Rostusa |
|  | Pehcevo |  | Tearce |
|  | Probistip |  | Tetovo |
|  | Oblesevo-Cesinovo | Northeast |  |
|  | Stip |  | Kratovo |
| Southwest |  |  | Kriva Palanka |
|  | Vevcani |  | Kumanovo |
|  | Vranestica\* |  | Lipkovo |
|  | Debar |  | Rankovce |
|  | Debarca |  | Staro Nagoricane |
|  | Drugovo\* | Skopje |  |
|  | Zajas\* |  | Aerodrom |
|  | Kicevo\* |  | Aracinovo |
|  | Makedonski Brod |  | Butel |
|  | Oslomej\* |  | Gazi Baba |
|  | Ohrid |  | Gorce Petrov |
|  | Plasnica |  | Zelenikovo |
|  | Struga |  | Ilinden |
|  | Centar Zupa |  | Karpos |
| Southeast |  |  | Kisela Voda |
|  | Bogdanci |  | Petrovec |
|  | Bosilovo |  | Saraj |
|  | Valandovo |  | Sopiste |
|  | Vasilevo |  | Studenicani |
|  | Gevgelija |  | Centar |
|  | Dojran |  | Cair |
|  | Konce |  | Cucer Sandevo |
|  | Novo Selo |  | Suto Orizari |
|  | Radovis |  |  |
|  | Strumica |  |  |

\*In 2014 Kicevo municipality merged with the surrounding rural municipalities (Zajas, Oslomej, Vranestica and Drugovo) into one bigger Kicevo municipality.

Demographic and economic snapshot of Macedonian NUTS III regions is illustrated in the next table.

**Table 3. Macedonian regions demographic and economic data**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Region data from 2015 | Macedonia | Vardar | East | Southwest | Southeast | Pelagonia | Polog | Northeast | Skopje |
|  | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 | 2015 |
| Population | 2,070,226 | 153,094 | 177,145 | 219,891 | 173,560 | 231,137 | 319,916 | 176,204 | 619,279 |
| Male | 1,037,060 | 77,784 | 89,565 | 110,330 | 87,755 | 115,869 | 161,005 | 89,730 | 305,022 |
| Female | 1,033,166 | 75,310 | 87,580 | 109,561 | 85,805 | 115,268 | 158,911 | 86,474 | 314,257 |
| Density per km2 | 83.1 | 37.9 | 50.1 | 65.8 | 63.4 | 49.0 | 132.4 | 76.3 | 341.6 |
| Population age 0-14 (%) | 16.7 | 15.8 | 14.3 | 15.4 | 16.4 | 15.4 | 17.0 | 17.5 | 18.3 |
| Population age more than 65 (%) | 12.8 | 14.7 | 14.5 | 11.3 | 13.2 | 15.7 | 9.0 | 11.9 | 13.7 |
| Working age population | 1,676,659 | 125,279 | 147,425 | 181,293 | 141,025 | 187,900 | 261,113 | 141,719 | 490,906 |
| Activity rate | 57.0 | 60.7 | 62.5 | 54.9 | 68.4 | 66.3 | 47.1 | 54.0 | 54.4 |
| Employment rate | 42.1 | 45.8 | 51.6 | 36.2 | 56.9 | 52.2 | 33.2 | 30.6 | 40.4 |
| Unemployment rate | 26.1 | 24.5 | 17.5 | 33.9 | 16.7 | 21.1 | 29.6 | 43.2 | 25.7 |
| Unemployment rate male | 26.7 | 23.5 | 20.7 | 32.5 | 16.2 | 21.7 | 27.6 | 41.7 | 28.1 |
| Unemployment rate female | 25.1 | 25.9 | 13.4 | 36.5 | 17.4 | 20.5 | 35.6 | 45.7 | 22.1 |
| GDP per capita (2013) in Euro | 3,954 | 4,371 | 3,689 | 2,906 | 4,334 | 3,956 | 1,930 | 2,463 | 5,673 |

Source: State statistical office. Regional data: <http://www.stat.gov.mk/PrikaziPublikacija_1.aspx?rbr=675>.

**Useful links**

Macedonian government: <http://vlada.mk/?language=en-gb>

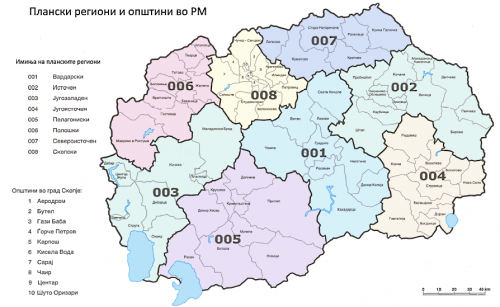
Ministry of local government: <http://mls.gov.mk/>

State statistical office: <http://www.stat.gov.mk/>

Bureau for regional development: <http://brr.gov.mk/mk/%d0%bf%d0%be%d1%87%d0%b5%d1%82%d0%bd%d0%b0/>

Center for economic analyses: <http://cea.org.mk/?lang=en>

**Map of Macedonia and NUTS III regions**



Source: <http://brr.gov.mk/mk/%d0%bf%d0%be%d1%87%d0%b5%d1%82%d0%bd%d0%b0/>

1. Under a federal law from 1965, the LDRs in Yugoslavia included: Bosnia and Herzegovina, Macedonia, Montenegro and Kosovo and Metohija, comprising 40% of the Yugoslav territory and 30% of the Yugoslav population. [↑](#footnote-ref-1)
2. Uzunov, N. (1966). *Ekonomika of Yugoslavia.* Skopje: University of Skopje. [↑](#footnote-ref-2)
3. World Bank. (1993). *The costs and benefits of Slovenian independence.* *World Bank Working Papers WPS 1126* [↑](#footnote-ref-3)
4. Nikolov, M. (2013). *Cost Efficiency of Municipalities in Service Delivery: Does Ethnic Fragmentation Matter?* Lex Localis Ljubljana, Co-publisher's ISBN-13: 978-961-6842-16-7 DOI: 10.4335/978.961.6842.16.7(2013). [↑](#footnote-ref-4)