

LOCAL GOVERNMENT IN MACEDONIA: ON THE EMERGENCE AND SIGNIFICANCE OF LOCAL ECONOMIC DEVELOPMENT STRATEGIES

LOKALNA SAMOUPRAVA U MAKEDONIJI: NASTANAK I ZNAČAJ STRATEGIJA LOKALNOG EKONOMSKOG RAZVOJA

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Abstract: *The purpose of this paper, is to strengthen and broaden research on the strategic planning process for Local Economic Development in Macedonia(LED), particularly to identify and address the key issues and major difficulties in the preparation of strategic plans for LED and their role in the achievement of the their priority outcomes. The evaluation aims to explain LED plans efficiency from a municipality perspective and to gather relevant information for the local government priorities in the area of Local Economic Development. The paper also attempts to identify areas for concern in the implementation of the overall strategic plans and to provide policy recommendations on how the strategic planning process can improve the achievement of its main outcomes.*

Key words: *Local Economic Development (LED), strategic planning, municipality*

Sadržaj: *Cilj ovog rada je širenje znanja i dodatno istraživanje procesa strategijskog planiranja lokalnog ekonomskog razvoja u Makedoniji (LED), posebno da bi se identifikovali i adresirali ključni problemi i glavne poteškoće tokom priprema strateških planova za LED i njihove uloge u dostizanju njihovih prioritetnih outputa. Istraživanje teži da objasni efikasnost planova LED-a iz perspektive opštine i sakupi relevantne informacije za prioritete lokalne uprave u oblasti lokalnog ekonomskog razvoja. Rad, takođe, nastoji da identifikuje oblasti u kojima bi trebalo implementirati sveukupne strategijske planove i obezbediti preporuke kako strategijski proces planiranja može unaprediti dostizanje svojih glavnih ciljeva.*

Ključne reči: *Lokalni ekonomski razvoj (LED), strateško planiranje, opština*

I-Introduction

One key component of restructuring for globalization has been a shift in the burden of responsibility for economic development from national to local government level and of the promotion of Local Economic Development (LED) across. Thus, LED strategies, structures, and policies are becoming a formidable governance challenge today. In this paper, we explore to what extent LED strategies are becoming a viable policy that Macedonian localities are employing as a response to process of decentralization and encouraging economic development and also we try to identify the key concepts, core values, and principles that inspire this strategic approach to development.

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II- Local Economic Development Strategic Planning in Macedonia – Qualitative Assessment

The Strategic Plan of LED is a dynamic and key activity of the local government in Macedonia. Simultaneously, the strategic plan is a legal obligation of the local government, as from 2008 onwards Macedonian municipalities are required to submit three-year strategic plans to the national Government. Also, the leading coordinating and promotional role in the preparation of the strategic plan for LED belongs to the local government. In this process must never be neglected the participation in the approach that determines participation of various stakeholders in its preparation as members of the council, the business community, citizens, NGOs, etc.

Some relevant studies (OSCE, 2011; UNDP, 2011; FIIOM, 2011) that explore the current status of the overall decentralization conclude that in comparing it with some other authorities, LED still does not show very successful performance. One positive note, however, is that 2011, in comparison to previous years, did show a positive trend. It is also evident that problems exist in areas that are crucial for the smooth functioning of municipalities in the implementation of the LED. Some of those problems are: securing increased revenue, reducing state debt, the ability to independently manage land and land projects, and the need for accelerated implementation of plans for balanced regional growth. The role of the government, both in terms of monitoring the situation and in terms of transferring appropriate experience to the areas that are demonstrating a need for competency (providing policy to support the development of small and medium enterprises) has been evaluated as insufficient. Therefore, it appears that in order to solve the problems of LED there is a need for more dynamic and effective dialogue and cooperation between central and local governments.

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In order to analyze and understand the context in which strategic planning process takes place as well as to determine whether the prepared strategic plans had the desired effects on municipality, we use current LED strategic plans of sixteen Macedonian municipalities³¹ offering descriptive or explanatory information (methodology, characteristics and specifics). The strategic plans of the municipalities are referring to the period from 2006-2011, and the chosen municipalities represent diversity on several criteria, i.e. their size, the belonging to the region and urban / rural municipalities.

The overall conclusion is that strategically planned LED is increasingly being used by Macedonian local communities to strengthen the local economic capacity, improve the investment climate, and to increase the productivity and competitiveness of local businesses. The main problem that these municipalities are facing is the inability to fully implement the

³¹ Bitola, Mogila, Veles, Ilinden, Stip, Ohrid, Kumanovo, Strumica, Bosilevo, Karbinci, Zrnovci, Karpos Gevgelija, Sveti Nikole, Gostivar, Prilep

activities and projects that are planned in the strategic documents. This means that the available LED strategies are often not compatible with the LED needs of the municipalities. They are not usually based on the actual needs and opportunities of the municipality, nor are they based on the way they perform the prioritization of activities. The results of the survey indicate the most common problems that prevent the municipalities from effectively implementing their plans for LED. These include: lack of financial resources, which was cited as the main reason, lack of support from government departments, and a low level of planning on the part of the government.

The review of strategic plans has confirmed that even though there were some minor differences, they were usually a result of the participatory process led by local authorities. This included a wide range of stakeholders that had the following order: 1) identifying the strengths, weaknesses, opportunities and threats (SWOT analysis), 2) formulation of a collective vision and statement of purpose (mission), 3) identifying specific goals and creating strategy 4) prioritized tasks and activities (projects or other measurements) for realization of the goals 5) evaluation of the strategy. In the first step, which is actually an analysis of the local economy, the following information is conventionally presented: current business activities and trends, inventory of economic activities, physical infrastructure, natural resources, local geography, attributes of community, business culture, local development and capacity management, staff and capacity, availability of funds, local research and development, local content training capacity of local government and other local conditions that affect performance. It is noteworthy to see that the components like vision, long-term goals, short term goals, programs, projects and action plans, improvement of local infrastructure, promotional activities and standardization of administrative procedures are esteemed in the strategic plans. There is also a particular emphasis placed on the use of public-private partnerships, regional economic networks and reducing the taxation for local businesses of legal persons. The municipal LED plans are usually prepared in a timeframe of 4 to 5 years, but there are examples of municipalities that have developed long-term plans for LED (for example, sample, Veles planned LED 2020).

In all municipalities, which were a part of this research, a key objectives or priorities can be divided into several categories:

- Enhancing economic competitiveness on the local level by intensifying the amount of investments, support the SMEs growth of entrepreneurship and improving the business environment.
- Improving the infrastructure to support the economic growth and improve competition.
- Improving the quality of human resources in such a way as to effectively respond to the demands of the labor market, with an emphasis on the requirements of a knowledge-based economy.
- Creating conditions for better usage of the agricultural potential of the municipality through better management of the land and building institutional capacity of the sector by strengthening the rural development, and by establishing conditions for safe food production and trade.

A positive aspect is that municipalities recognize the importance of strategically planned LED as a way to better enforcement of all delegated authorities. It is also showed that all municipalities of the sample follow the recommendations and instructions of the given methodologies. These were about organizing the processes and increasing the transparency of operations. Gaps are noticeable, especially in the context of the unified approach which is

applied in most of the municipalities. In other words, the strategic plans are prepared based on a standardized methodology and there is a lack of a profound and dynamic approach in their preparation. In fact, this contradicts the basic assumption about economic development in the local community, which is that each municipality has its own uniqueness. Obviously the concern is more being whether or not, and not to what degree the plans are based on the real needs and opportunities of the municipality. Furthermore, the underlying data in the analysis of the local economy in large section is not related to the recent official statistical information. There are also cases when they are prescribed from one municipality to another, and most of the key data which is presented in the SWOT analysis is based on the same model, and they are almost identical between the municipalities. These remarks were particularly striking in the strategic plans of the towns and rural communities, where its content was pure reflection of the plans of neighboring municipalities or the larger region.

It seems that there is a lack of research approach which means, first making adequate research and identify problems, and then move to the consideration of the feasibility of the measures which are envisaged and prediction of the results of the action. For example, in one of the SWOT analysis was written that "increasing interest in alternative forms of tourism", but there were no arguments led to this conclusion, ie, whether there is any kind of data that could confirm this. Referring to the nature of the goals and priorities, in most of the analyzed strategic plans, these municipalities want to achieve everything. Thus, there are lists of key areas that are on average around five, but there are municipalities that impose even eight.

All this comes from the essence of the strategic planning because the term means making a choice between several alternatives in accordance with the resources and the adopted vision of development. First, none of the municipalities have the necessary resources to invest in multiple areas. Second, the strategic plans are prepared and presented in such a manner as to imply that none of the priority areas should be neglected. This tends to give the impression that the plans are nothing more than a wish list. Municipalities should first strengthen the vital components of the economic development (for example: production of agricultural products), and then to talk about what is adding value of the created basis. In some cases there are also inconsistencies in the strategic plans which seem to imply that they are being purposefully misleading. For example, we have noticed that in one of the municipalities where it was stated that the key area is the development of agriculture, priorities were actually applied to the development of highly-qualified human resources.

In some of the municipalities it was noticed that the LED was planned in a manner that was too general, failing to place emphasis on individual development priorities. For example, only two municipalities had developed strategies for the development of SMEs, and, despite the local environment having comparative advantages for it, only one municipality had a strategy for tourism development. Hence, the need for the development of specific (Nietzsche) strategies in parallel with LED general strategies should be integrated into the preparation of the strategic plans. Additionally, a periodic evaluation or adjustment of the content in a context of some changes taking place within the environment was not noticed in any of the strategic plans. Even the threat of a global economic crisis was not enough of an incentive to monitor and evaluate the activities necessary to implement to prevent the possible consequences of new conditions. In a similar constellation is the question of how much available administration runs the LED, ie, whether the individuals preparing the strategic plans are trained in the preparation of the plans in order to meet certain criteria and standards. Here, the available data that we found in terms of classifying the jobs come from a study by the Open Society Foundation (FIIOM) for developments in LED (2011, p.19), which claims

that despite the projected 51 jobs in Departments of LED their manning is reduced to 50%. The officials working in this area are mostly of different profiles and frames, ie, do not have adequate expertise to deal with the challenges of planning.

Finally, the results have shown that despite the fact that positive trends can be observed in the allocation of municipal budgets for LED, the funds are still relatively small. Research has shown that municipalities are still financially dependent to a large extent on the central government regarding the implementation of LED policies. The municipalities have very little financial resources to deliver their development needs, and most of the budget is spent on meeting the current operational and administrative needs. This proves that LED is still not considered of key importance or focus. One positive sign is to see municipalities in control and making decisions with their own funds in regards to the implementation of LED. This indicates that some progress has been made in improving their financial health.

III- Conclusion

If you consider all these omissions which were identified within the analysis, you can easily conclude that the strategic acts the local government in the context of LED still do not have some added value. Strengthening of the capacities is needed because in a way it represents limiting factor that leads to the question about their successful implementation. It is also evident that there is still no progress in understanding that good design concepts in the politics of LED should be based much more on competitive rather than on comparative advantages. It also seems that the significance of so-called new factors in LED such as human resources, knowledge, quality of physical and social infrastructure, and building and strengthening the institutional capacity, are neither sufficiently understood nor valued.

The essence of an LED strategy should be comprised simultaneously by multiple elements that have great importance for the acceleration of Local Economic Development. Last, but not the least, fiscal and financial aspects of the process of decentralization remain the most important and most complex challenges: improving the financial health of municipalities. This can be accomplished with the inclusion of external funds in local development and by encouraging more evolved and established powers to take a more active role in local economic development, or perhaps fundraising from the private sector for building the public-private partnerships (PPP), which actually represents a largely untapped opportunity to engage in more capital investment within the municipality.

Finally, if the analysts acknowledge the fact of the enormous differences between municipalities in terms of their income, it would imply a variety of different opportunities to stimulate LED. Provision and maintenance of sustainable long-term sources of financing activities in the field of LED is a one of the most important significant challenges for Macedonian local government.

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