

Analysis of the Regions in Terms of Promoting Regional Development of Republic of Macedonia

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Abstract

The regional development is complex and long-term process, which main objective is decreasing differences in development within the planning regions. The complexity of the regional development is based on its multidimensionality, which implies presence of multiple elements, including: economic, social, spacious, cultural and many other elements of the development. Therefore, the successful implementation of the strategies and policies for regional development is in direct dependence on overall awareness of the concept of regional development, efficient connection of the regional development policy with the sectoral policies, and providing the necessary support by the relevant institutions.

The main objective of this thesis is to indicate the disparities between regions in direction of encouraging and developing balanced regional development of the Republic of Macedonia.

For the purpose of this research comparative analysis of the condition of the economic development of Local Government Units of Republic of Macedonia is being conducted.

Keywords: regional development, economic development, budget, planning

1. Introduction

The procedure for sample selection was based on principle for making regional representative sample, which will define the region in accordance to its definition by the State Statistical office of the Republic of Macedonia. (Note 1) According to data base, which is made on basis of the following indicators: GDP per capita at municipal level, number of citizens in the municipality, size of the territory of the municipality and number of settlements that gravitate towards the municipality, there are 22 municipalities (Note 2) in the realized total sample, from each planning region in the country, representing 30% of the municipalities from each planning region.

For the purpose of the reasearch comparative analysis of the conditions in the Local Government Unitsis being conducted. The analysis of the indicators that refer to economic–social index (total incomes in terms of GDP, total expenses in terms of GDP), analysis of financial capacity of municipalities in Republic of Macedonia (capacity and structure of original incomes, capacity and structure of budget transfers and donations, participation of municipalities' original incomes in the total budget revenue) shall be presented in this thesis, and a matrix of indicators for incomes and expenses per planning region will be presented.

Criteria for determining municipalities which represent the sample for examining the fiscal indicators and indicators for expenses were created for processing of data that are necessary for measuring the unevenness in the development of planning regions. The criteria that are the base of the research and data processing from all 84 municipalities in the Republic of Macedonia are following:

1). Number of citizens in the municipality:

- Large municipalities (over 50.000 citizens);
- Middle municipalities (10.000 – 50.000 citizens);
- Small municipalities (below 10,000 citizens).

2). Number of settlements that gravitate towards the municipality:

- Large municipalities (over 50 settlements);
- Middle municipalities (10 – 50 settlements);
- Small municipalities (less than 10 settlements).

3). Size of the territory of the municipality:

- Large municipalities (above 780 km²);
- Middle municipalities (390 – 780 km²);
- Small municipalities (below 390 km²).

4). Level of gross domestic product per capita in the municipality:

- Large municipalities (35060,30 – 51405,80 MKD per capita);
- Middle municipalities (18714,70 – 35060,29 MKD per capita);
- Small municipalities (2369,00 – 18714,69 MKD per capita).

5). At least one Local Government Unit from each planning region must be rural municipality.

According to presented data from the detail review, in the representative sample there are 30 % from total number of municipalities that meet the criteria, separately from each planning region. Vardar planning region—three from nine municipalities, Eastern planning region—3 from 11 municipalities, Southwestern planning region—3 from 11 municipalities, Southeastern planning region—3 from 9 municipalities, Pelagonija planning region—3 from nine municipalities, Polog planning region—2 from 8 municipalities, Northeastern planning region—2 from 7 municipalities and Skopje planning region—3 from 11 municipalities.

Mostly half of the selected municipalities from the researched Local Government Units will be rural municipalities. The municipalities, which are subject of the research, are presented in the next chart 2.

2. Analysis of Total Budget Revenue and Expenses in Terms of Gross Domestic Product per Purchasing Power Parity in Local Government Units

The basic two indicators in all Local Government Units in the Republic of Macedonia are incomes and expenses. These two indicators are broken down into a number of sub-indicators, according to the official classification of revenue and expense items of Local Government in Republic of Macedonia.

One of the most commonly used and recognizable methods for determining the level of fiscal decentralization in almost every developed country is participation of total incomes and expenses of Local Government Units in the gross domestic product of each country. The total incomes and expenses from all Local Government Units of Republic of Macedonia, processed from LGU's concluding sheets, i.e. their percentage share in GDP per PPP of municipality in MKD.

Table 1. Budget revenue in terms of GDP per planning regions for 2010, 2011 and 2012

REALIZATION PER YEAR	2010	2011	2012
<i>Vardar region</i>			
Veles	1,10%	3,20%	4,40%
Kavadarci	4,30%	4,60%	6,00%
Caska	1,40%	3,90%	4,60%
<i>Eastern region</i>			
Stip	1,30%	3,90%	5,80%
Probistip	1,80%	3,40%	6,30%
Berovo	4,70%	4,20%	4,80%
<i>Southwestern region</i>			
Kicevo	3,60%	4,30%	5,90%
Makedonskibrod	2,20%	4,90%	13,60%
Oslomej	2,90%	3,00%	3,50%
<i>Southeastern region</i>			
Strumica	5,60%	4,80%	6,30%
Valandovo	4,60%	3,90%	3,60%
Dojran	6,20%	6,20%	11,50%

<i>Pelagonija region</i>			
Bitola	4,00%	4,00%	4,80%
Prilep	3,70%	3,90%	4,70%
DemirHisar	3,60%	3,80%	4,60%
<i>Polog region</i>			
Gostivar	0,90%	3,50%	4,20%
Bogovinje	1,60%	1,90%	1,80%
<i>Northeastern region</i>			
Kumanovo	3,80%	3,90%	4,00%
Kratovo	2,30%	3,60%	6,10%
<i>Skopje region</i>			
Centar	7,80%	11,30%	19,40%
KiselaVoda	3,10%	3,40%	5,20%
Saraj	2,40%	0,60%	1,30%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

Table 2. Budget expenses in terms of GDP, per planning regions for 2010, 2011 and 2012

REALIZATION PER YEAR	2010	2011	2012
<i>Vardar region</i>			
Veles	1,00%	3,20%	4,40%
Kavadarci	4,00%	4,50%	6,00%
Caska	1,30%	3,90%	4,60%
<i>Eastern region</i>			
Stip	1,20%	3,90%	5,80%
Probistip	1,70%	3,40%	6,30%
Berovo	4,40%	4,20%	4,80%
<i>Southwestern region</i>			
Kicevo	3,50%	4,30%	5,90%
Makedonskibrod	2,20%	4,90%	13,60%
Oslomej	2,70%	3,00%	3,50%
<i>Southeastern region</i>			
Strumica	5,50%	4,80%	6,30%
Valandovo	4,00%	3,80%	3,60%
Dojran	5,40%	5,80%	11,50%
<i>Pelagonija region</i>			
Bitola	3,70%	3,90%	4,80%
Prilep	1,20%	3,80%	4,70%
DemirHisar	3,50%	3,70%	4,60%
<i>Polog region</i>			
Gostivar	0,90%	3,30%	1,40%
Bogovinje	1,80%	1,70%	1,10%
<i>Northeastern region</i>			
Kumanovo	3,70%	3,80%	3,90%
Kratovo	2,30%	3,60%	6,10%
<i>Skopje region</i>			
Centar	6,60%	9,90%	19,10%
KiselaVoda	2,00%	3,20%	5,70%
Saraj	2,30%	0,60%	1,30%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

From the analysis, it can be ascertained that in the analyzed period, there is an increase of local incomes and expenses in Republic of Macedonia. This is a result of increasing the tax base and improving the municipality

tax payment (total incomes), that is the increase of competences from central to local level, without appropriate level of transfers for their financing (total expenses).

3. Analysis of Indicators of Incomes and Indicators of Expenses per Planning Regions

The presented analysis of the characteristics for development of planning regions provides insight in the existing condition into a number of segments significant for regional development. Starting from the big disparities between the planning regions development, the focus in the analysis is put on interregional differences. The identification of disparities and wherever possible - the reasons for their occurrence, is made in order to obtain solid base for planning the regional development.

3.1 Vardar Planning Region

According to previously determined criteria for research realization, the municipalities Veles, Kavadarci and Caska were subject of research in Vardar planning region.

Table 3. Indicators of incomes and indicators of expenses, Vardar planning region, 2010, 2011 and 2012

REGION		VARDAR REGION								
CITY		VELES			KAVADARCI			CASKA		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	16,30%	17,80%	22,70%	18,70%	21,50%	21,30%	27,60%	10,30%	12,70%
	Donations/ total incomes	0,00%	0,00%	0,00%	0,50%	0,00%	0,00%	0,00%	0,00%	0,00%
	Tax incomes / other personal incomes	85,00%	70,90%	65,50%	58,70%	55,90%	47,50%	78,50%	53,30%	51,50%
Indicators of expenses	Current operating balance/current operating expenses	-63,80%	-73,20%	-57,30%	-59,20%	-50,90%	-33,60%	-58,70%	-82,60%	-77,30%
	Capital expenses / current operating expenses	16,40%	6,20%	23,60%	19,50%	26,7%	48,30%	21,10%	4,90%	6,50%
	Capital expenses / total budget expenses	9,00%	5,80%	19,00%	16,30%	21,10%	32,50%	17,00%	4,60%	6,00%
	LGU capital expenses per capita /capital expenses of central budget per capita	36,10%	18,20%	55,80%	80,20%	94,20%	130,10%	28,20%	18,10%	18,40%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is a small increase in participation of tax incomes in total incomes, excluding rural municipalities (Caska), which indicates the fact that urban municipalities from Vardar planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses negative values are noted, which represents absence of credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Excluding rural municipalities, Vardar planning region also notes increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates high level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of Vardar planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of municipalities from this region is relatively stable. This condition is a result of increased budget expenses in the analyzed period.

3.2 Eastern Planning Region

According to previously determined criteria for research realization, the municipalities Stip, Probistip and Berovo were subject of research in Eastern planning region.

Table 4. Fiscal indicators and indicators of expenses, Eastern planning region, 2010, 2011 and 2012

	REGION			EASTERN REGION						
	CITY	STIP			PROBISTIP			BEROVO		
	REALIZATION PER YEAR	2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	24,1%	26,30%	29,11%	23,10%	12,90%	12,80%	11,30%	10,80%	11,50%
	Donations/ total incomes	0%	1,4%	2,10%	5,90%	0,00%	4,10%	7,20%	5,00%	6,60%
	Tax incomes / other personal incomes	87,40%	78,60%	73,60%	50,10%	39,70%	26,60%	72,90%	67,50%	57,40%
Indicators of expenses	Current operating balance / current operating expenses	-59,50%	-63,30%	-46,00%	-35,50%	-64,60%	-26,60%	-79,50%	-81,20%	-76,20%
	Capital expenses / current operating expenses	7,80%	9,10%	27,00%	31,40%	16,40%	35,70%	19,00%	15,60%	16,00%
	Capital expenses / total budget expenses	11,5%	10,00%	37,10%	45,70%	19,60%	55,70%	23,50%	18,50%	19,10%
	LGU capital expenses per capita / capital expenses of central budget per capita	34,10%	34,60%	105,20%	66,40%	54,30%	151,40%	101,10%	64,20%	51,60%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

Regarding the tax incomes in terms of total incomes, certain flexibility of this trend is noticed. This indicates the fact that bigger Local Government Units from Eastern planning region are in condition to generate stable level of tax incomes, which is a result of increased tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses negative values are noted, which represents absence of credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Eastern planning region also notes increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates high level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of Vardar planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of municipalities from this region is relatively stable. This condition is a result of increased budget expenses in the analyzed period.

According to previously determined criteria for research realization, the municipalities Kicevo, Makedonski Brod and Oslomej were subject of research in Southwestern planning region.

3.3 Southwestern Planning Region

In the analyzed period, there is a small increase in participation of tax incomes in total incomes (at bigger municipalities), which indicates the fact that urban municipalities from Southwestern planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses negative values are noted, which represents absence of credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Excluding rural municipalities, Southwestern planning region also notes increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates high level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of Southwestern planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that they are increased, which indicates increase of the level of investing activity of municipalities from this region. This

condition is a result of increased budget expenses in the analyzed period.

Table 5. Fiscal indicators and indicators of expenses, Southwestern planning region, 2010, 2011 and 2012

REGION		SOUTHWESTERN PLANNING REGION								
CITY		KICEVO			MAKEDONSKI BROD			OSLOMEJ		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	21,10%	24,90%	20,20%	20,60%	10,00%	6,30%	7,50%	8,40%	10,70%
	Donations/ total incomes	0%	0,40%	0,20%	0,00%	0,00%	27,50%	0,00%	0,00%	0,00%
	Tax incomes / other personal incomes	63,90%	77,10%	76,50%	41,50%	52,70%	27,40%	52,90%	52,60%	58,30%
Indicators of expenses	Current operating balance/current operating expenses	-61,50%	-61,10%	-66,40%	-26,20%	-79,30%	-46,10%	-83,20%	-79,90%	-76,80%
	Capital expenses / current operating expenses	13,60%	16,30%	22,70%	30,40%	8,10%	58,30%	12,30%	19,90%	22,30%
	Capital expenses / total budget expenses	15,70%	19,50%	29,70%	43,70%	8,80%	139,90%	14,10%	24,90%	28,90%
	LGU capital expenses per capita/capital expenses of central budget per capita	58,30%	69,60%	89,80%	79,40%	38,80%	532,40%	40,90%	59,30%	52,00%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

3.4 Southeastern Planning Region

According to previously determined criteria for research realization, the municipalities Strumica, Valandovo and Dojran were subject of research in Southeastern planning region.

Table 6. Fiscal indicators and indicators of expenses, Southeastern planning region, 2010, 2011 and 2012

REGION		SOUTHEASTERN REGION								
CITY		STRUMICA			VALANDOVO			DOJLAN		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	28,10%	27,8%	28,90%	9,40%	14,00%	12,30%	30,80%	31,90%	24,80%
	Donations/ total incomes	0,9%	0,2%	0,60%	2,60%	0,00%	0,30%	0,60%	9,70%	26,70%
	Tax incomes / other personal incomes	58,2%	67,7%	62,20%	42,40%	64,90%	66,80%	83,30%	71,70%	67,60%
Indicators of expenses	Current operating balance / current operating expenses	-26,00%	-46,40%	-29,70%	-71,50%	-76,10%	-78,30%	-40,80%	-29,20%	-38,90%
	Capital expenses / current operating expenses	33,30%	23,50%	34,00%	13,50%	10,00%	15,40%	27,80%	32,50%	40,10%
	Capital expenses / total budget expenses	50,1%	30,7%	51,70%	15,70%	11,10%	18,20%	38,60%	48,10%	67,30%
	LGU capital expenses per capita /capital expenses of central budget per capita	222,50%	110,30%	143,80%	13,70%	7,80%	37,20%	181,30%	186,70%	310,50%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is relatively stable participation of tax incomes in total incomes, excluding rural municipalities, which indicates the fact that urban municipalities from Southeastern planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses negative values are noted, which represents absence of credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Excluding rural municipalities, Southeastern planning region also notes small increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates good level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of this planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of municipalities from this region is relatively stable. This condition is a result of increased budget expenses in the analyzed period.

3.5 Pelagonija Planning Region

According to previously determined criteria for research realization, the municipalities Bitola, Prilep and Demir Hisar were subject of research in Pelagonija planning region.

Table 7. Fiscal indicators and indicators of expenses, Pelagonija planning region, 2010, 2011 and 2012

REGION		PELAGONIJA REGION								
CITY		BITOLA			PRILEP			DEMIR HISAR		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	22,90%	26,10%	32,20%	18,20%	22%	27,50%	9,90%	14,90%	12,30%
	Donations/ total incomes	0,90%	0,70%	1,10%	0,00%	0,00%	0,00%	0,10%	1,60%	0,30%
	Tax incomes / other personal incomes	77,90%	71%	65%	86,90%	69,50%	62,40%	74,10%	75,90%	66,80%
Indicators of expenses	Current operating balance / current operating expenses	-59,70%	-52,40%	-33,60%	38,50%	-59,70%	-41,20%	-76,30%	-79,50%	-78,30%
	Capital expenses / current operating expenses	21,40%	19,70%	27,50%	51,00%	15,80%	25,40%	3,70%	4,10%	15,40%
	Capital expenses / total budget expenses	27,20%	24,60%	37,90%	105,20%	24,20%	34,20%	3,90%	4,30%	18,20%
	LGU capital expenses per capita/capital expenses of central budget per capita	96,60%	75,60%	88,50%	71,60%	72,60%	79,30%	16,00%	15,30%	47,00%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is small increase of participation of tax incomes in total incomes, excluding rural municipalities, which indicates the fact that urban municipalities from Pelagonija planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses negative values are noted, which represents absence of credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Pelagonija planning region also notes small increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates high level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of this planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of municipalities from this region is relatively stable. This condition is a result of increased budget expenses in the analyzed period.

3.6 Polog Planning Region

According to previously determined criteria for research realization, the municipalities Gostivar and Bogovinje were subject of research in Polog planning region.

Table 8. Fiscal indicators and indicators of expenses, Polog planning region, 2010, 2011 and 2012

REGION		POLOG REGION					
CITY		GOSTIVAR			BOGOVINJE		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	21,80%	23,80%	29,10%	1,60%	1,90%	2,00%
	Donations/ total incomes	0%	0,90%	1,50%	0,00%	0,00%	0,00%
	Tax incomes / other personal incomes	88,00%	87,90%	90,30%	44,00%	54,70%	66,90%
Indicators of expenses	Current operating balance/current operating expenses	66,50%	-66,90%	68,80%	-80,90%	-67,70%	-62,40%
	Capital expenses / current operating expenses	43,20%	13,60%	38,90%	9,80%	7,20%	15,30%
	Capital expenses / total budget expenses	76,50%	15,80%	67,60%	15,70%	11,20%	18,20%
	LGU capital expenses per capita/capital expenses of central budget per capita	47,30%	44,30%	35,60%	20,70%	11,80%	11,30%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is a small increase in participation of tax incomes in total incomes, which indicates the fact that urban municipalities from Polog planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses an increase is noted, which represents good credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings).

Polog planning region notes flexibility of capital expenses in terms of level of accomplishment of current operating expenses. This indicates good level of realization of financial resources intended for capital projects. This indicator indicates same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of this planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of municipalities from this region is relatively stable. This condition is a result of increased budget expenses in the analyzed period.

3.7 Northeastern Planning Region

According to previously determined criteria for research realization, the municipalities Kumanovo and Kratovo were subject of research in Northeastern planning region.

Table 9. Fiscal indicators and indicators of expenses, Northeast planning region, 2010, 2011 and 2012

REGION		NORTHEAST REGION					
CITY		KUMANOVO			KRATOVO		
REALIZATION PER YEAR		2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	22,10%	23,90%	44,50%	13,50%	8,80%	5,30%
	Donations/ total incomes	0%	0,10%	0,00%	0,00%	0,30%	2,30%
	Tax incomes / other personal incomes	78,20%	80,20%	74,80%	72,60%	63,20%	48,10%
Indicators of expenses	Current operating balance / current operating expenses	-66,30%	-64,20%	-7,30%	-38,50%	-85,60%	-82,00%
	Capital expenses / current operating expenses	14,30%	15,90%	40,80%	69,50%	5,00%	39,90%
	Capital expenses / total budget expenses	16,70%	18,90%	72,10%	229,30%	5,30%	66,70%
	LGU capital expenses per capita /capital expenses of central budget per capita	63,20%	60,20%	88,00%	193,70%	17,60%	162,30%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is an increase in participation of tax incomes in total incomes, excluding rural municipalities, which indicates the fact that urban municipalities from Northeastern planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

In the balance of current operating activities in terms of current operating expenses, except at bigger municipality centers, an upward trend is noted, which represents good credit potential of Local Government Units from this planning region for taking credit liabilities (borrowings), while in rural municipalities this indicator notes downward trend, which indicates absence of credit potential. Northeastern planning region notes flexibility of capital expenses in terms of level of accomplishment of current operating expenses. This indicates good level of realization of financial resources intended for capital projects. This indicator indicates same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of this planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity of bigger municipalities is relatively stable, while at smaller municipalities this indicator indicates decrease of investing activity.

3.8 Skopje Planning Region

According to previously determined criteria for research realization, the municipalities Centar, Kisela Voda and Saraj were subject of research in Skopje planning region.

Table 10. Fiscal indicators and indicators of expenses, Skopje planning region, 2010, 2011 and 2012

	REGION	SKOPJE REGION								
	CITY	CENTAR			KISELA VODA			SARAJ		
	REALIZATION PER YEAR	2010	2011	2012	2010	2011	2012	2010	2011	2012
Indicators of incomes	Tax incomes / total incomes	25,70%	27,20%	18,40%	28,60%	35,50%	49,90%	9,60%	49,60%	54,90%
	Donations/ total incomes	0%	0,00%	0,00%	0,00%	0,20%	0,00%	2,80%	1,20%	0,00%
	Tax incomes / other personal incomes	74,60%	87,70%	61,20%	72,80%	76,60%	74,80%	90,10%	88,20%	87,60%
Indicators of expenses	Current operating balance / current operating expenses	180,30%	164,10%	12,20%	-12,50%	-34,90%	-8,30%	-87,80%	19,90%	38,90%
	Capital expenses / current operating expenses	52,80%	86,60%	77,90%	29,50%	24,40%	41,60%	11,50%	51,10%	53,90%
	Capital expenses / total budget expenses	431,60%	652,80%	355,10%	42,00%	32,40%	72,10%	13,10%	108,10%	123,50%
	LGU capital expenses per capita /capital expenses of central budget per capita	651,60%	850,20%	998,40%	70,70%	76,70%	159,10%	31,70%	28,40%	46,40%

Source: Own processing based on official data from the State Statistical Office of Republic of Macedonia and Finance Departments in all Local Government Units in Republic of Macedonia.

In the analyzed period, there is flexibility in participation of tax incomes in total incomes, excluding rural municipalities, which indicates the fact that urban municipalities from Skopje planning region are in condition to generate increased level of tax incomes, which is a result of increasing the range of tax base, as well as the influence of increased fiscal effort due to transfer of competences from local to central level.

Skopje planning region also notes increase of capital expenses in terms of level of accomplishment of current operating expenses. This indicates high level of realization of financial resources intended for capital projects. This indicator indicates nearly same engagement of financial resources for current operating purposes, as for realization of capital projects. This is sufficient ascertainment for the commitment of this planning region in the realization of capital projects.

Analyzing the balance of capital expenses in terms of total budget expenses, an increase can be ascertained, which indicates increase of investing activity level of municipalities in this region. This condition is a result of increased budget expenses in the analyzed period.

4. Matrix of Indicators of Incomes and Expenses per Planning Regions

According to previously made analysis of indicators of incomes and expenses at Local Government Units from the planning regions, it can be ascertained that at bigger municipalities there is increase of tax incomes in each planning regions, total incomes of municipalities, which is a result of increased range of tax base, thus charging the tax incomes.

According to the analysis, there is absence of credit potential in large part of the regions, considering the ascertained negative values of the indicator current operative balance on current operating activities, excluding Skopje planning region, wherein upward trends of this indicator are noted.

The municipalities from the planning regions, also note increase of capital expenses in terms of the level of accomplishment of current operating expenses. That indicates the fact that there is high level of realization of financial assets intended for capital projects. This is the case in larger municipalities from the planning regions.

From the analysis of the balance of capital expenses in terms of total budget expenses, it can be ascertained that the level of investing activity in bigger municipalities from the planning regions is relatively stable.

5. Results

The regional policy has special place in the development of national economies and economic integrations. The implementation of this policy contributes to economic and social cohesion of the regions, i.e. members in the economic integrations.

The regional development is of particular importance for Republic of Macedonia. This is because of inherited problems related to uneven regional development which has limiting effect on the rational use of available production resources and on the development not only of the regions, but the whole country. Considering the significance of the regional development policy, a particular attention should be paid to the creation and accomplishment of macroeconomic policy and development policy.

The research analysis show that without efficient regional policy, and in that context without support of economically underdeveloped areas, Republic of Macedonia will not be able to accomplish the transitional period successfully, and include in the globalization of the world economy. What is missed in this area should by compensated as fast as possible.

There are really big differences between the municipalities (regions) in Republic of Macedonia regarding their size, according to the number of citizens, regarding their area, rural, i.e. urban character, population density, economic characteristics, field configuration—mountainous or flat etc. According to this, the monotypic character of the municipalities should be left behind, and a polytypic character of them should be implemented, and according to that different kinds of municipalities would have different types of competences.

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Notes

Note 1. NUTS 3–Republic of Macedonia is divided in eight planning regions: Vardar, Eastern, Southwestern, Southeastern, Pelagonija, Polog, Northeastern and Skopje planning region

Note 2. Vardar region (Veles, Kavadarci and Caska), Eastern region (Stip, Probistip and Berovo), Southwestern region (Kicevo, Makedonski Brod and Oslomej), Southeastern region (Stumica, Valandovo and Dojran), Pelagonija region (Bitola, Prilep and DemirHisar), Polog region (Gostivar and Bogovinje), Northeastern region (Kumanovo and Kratovo) and Skopje region (Centar, Kisela Voda and Saraj).

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