1. Introduction

The regional policy of the EU, since its beginnings in 1958, represents one of the most valuable instruments of the Union itself. All EU documents indicate the great importance of politics in the equal regional development. The Preamble of the Treaty of Rome (1958) stipulates the following:

“Member States of the European Community will strive to provide an equal development through decreasing the differences in the level of progress in certain regions as well as the slow development of the less privileged regions.”

In later documents, the European Community only deepens the already defined goals and objectives.\(^1\)

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\(^1\) In order to promote equal development, the European Community will develop and perform activities which will lead to the strengthening of its economic and social cohesion. The Community will especially strive towards lowering the differences between the regions as well as stimulating the low development of the less privileged
Fifty years later, the focus of the EU remains directed on the regional inequalities. This is very clear, given the fact that the variation in the gross-domestic product (GDP) and unemployment remain very high (EC, Working for the Regions, pg. 6). Following the enlargement of the EU, this gap has become even wider (Kazlauskiene, 2008).

One of the greatest dangers acknowledged since the very beginning of the European integrations, are the regional disproportions, which can endanger its entire structure.

2. A Perspective on the EU Regional Policy

The development of special regional policy on the EU level is very important due to the following reasons:

1) Firstly, the developed countries have an interest in improving the economic position of the less developed Member States. The integration of the EU economy, especially within the EU-15\(^2\) is increasing every day. The so-called spill over effect is becoming more evident. On the other hand, one can be certain that the weak economic contribution from one state will have a negative influence on the EU common market. From that aspect, the regional policy of the EU could be defined as a type of mechanism allowing for one Member State to stimulate the economic activities of another Member State. If the regional inequalities were smaller, all results and effects of the integration would be distributed rightfully and equally between the regions and the Member States. At the same time, by increasing their efficiency the poorer Member States could, through the instrument of taxation, contribute more to the EU Budget. Their improved economic results would also lower the overall level of inflation, mitigating the urbanistic and population problems in large EU cities, usually caused by migration. Therefore, the end results would be beneficial to all EU citizens.

2) The second reason in favour of the existence of a regional policy is mainly economical. In the first instance, we need to consider the fact that all Member States (as well as their regions) differ in their economic growth. The countries (such as Greece, Portugal or most of the new member states) that are considered to be economically less developed countries within the EU have a much larger number of poor and underdeveloped regions, compared

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regions, including the rural areas.” (Article130a, from the Single European Act, 1986).

\(^2\) EU-15 signifies the first fifteen Member States of the European Union, whereas EU-27 includes all Member States of the EU, following its last enlargement.
to the other Member States (such as Denmark and the Netherlands, for example), which have significantly less problems regarding the development of their regions. These countries would find it very difficult to finance their poor regions by themselves, especially if there is a need for rigorous control over their public finances, as required by the Convergence Criteria of the European Monetary Union (EMU). The necessary resources are gathered from the richer regions of some Member States (such as Germany and France) and then distributed to the least developed regions within the EU.

3) The third reason is that joint regional policy promotes stronger political cohesion as well as a “spirit of unity of the community”. In this way, the poor countries do not feel like they had been neglected and abandoned. This is very important because, even though the reasons for the underdevelopment are different in each individual country, there exists a well-distinguished “center-periphery” gap between the rich and the poor regions. Most of the underdeveloped regions are located in the peripheral areas.

The regional policy of the EU functions as an important instrument when there are problems caused by the common market and the integration process as a whole (for example, bigger standards regarding environmental protection, communications, the emergence of depressed regions due to the disappearance of the borders, i.e. loss of border trade, etc.). As the supranational coordinator, the EU tries to simultaneously connect:

1. The regional policy with the other policies of the EU (Common Agricultural Policy (CAP), social and environmental policies),
2. The goals of the regional policy of the EU within a Member State with the regional policy of the National Government,
3. The goals of regional policies of Member States, especially in cases when Member States are neighbouring countries,
4. The regional policy of the EU, the regional policies of Member States and the initiatives governed by the regional and local organizations and government authorities.

The experience of the EU demonstrates a consistency in the disparity of the GDP per capita, between separate Member States as well as in-

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3 On January 1st 1999, the Euro was adopted as the single currency in 11 Member states of the EU (back then the EU consisted of 15 Member States, while the Eurozone did not include Denmark, Sweden, Great Britain and Greece). In 2001 Greece, followed by Slovenia in 2007, implemented the Euro as the official currency in their countries. Among other conditions the countries were required to fulfill in order to enter the Eurozone were the following: their national budgetary deficit not to be more than 3% of the GDP, while the public debt must not have exceeded 60% of the GDP of the Member State.
side their regions, even though the regional policy of the EU has achieved several results, such as motivating the developing process, i.e. bringing those countries closer to the average standards. Through the implementation of the regional policy instruments, several countries have joined the single monetary system; something which would not have been possible in any other way because such countries would not be able to meet the required criteria as well as increase the macro-economic stability within their boundaries. Besides this, the executed transfers had a significant role in the overall development process.

In the forthcoming period, one can expect that a large number of regions whose development was supported, as well as the countries users of the Cohesion Fund, having benefited from EU’s assistance, will see their status lost as a result of the EU enlargement process and the decisions to limit funding for the Structural funds and the Cohesion Fund. With the EU accession of the South Eastern European countries in transition, with much lower GDPs per capita, the average value of this macroeconomic aggregate on the EU level will decrease.

The Regional Policy creators and the implementing EU institutions are already facing the challenges related to the existing problems within the transitional EU candidate countries. Given the wide gap in their development, current programs earmark around 10% of the Structural/Cohesion Fund resources for interventions outside the EU Member States.

This can be regarded as a relatively small amount, taking into consideration the existing disparities. The larger part of these funds is committed to the direct financing of investment projects, while a lesser part is planned for institutional and staffing arrangements, as well as for internalizing the mechanisms of communication with the respective EU institutions. Regarding the new Member States and candidate-countries, it is certain that the experiences of structural financing of the cohesion countries will be applied. On the other hand, the new Member States and candidate-countries must understand the existing gap, tackle it and actively formulate their own national strategies for development, in which the regional aspect will be properly considered in a manner compatible with the EU Regional Policy. This should achieve a better utilization of the structural funds, and would enable the preparedness of other member states to dedicate funds for inter-regional distribution, as a mechanism for decreasing the differences and a more comprehensive use of the development potentials that arise with the EU accession.
3. The EU Regional Development Funds

The EU Regional Policy is based on the financial solidarity of all its members, contributing to a balanced and harmonized development of the community through their contributions to the joint budget allocated for the development of the less developed regions. The main objective and purpose of the EU regional economic policy is achieving sustainable and balanced development in all of its regions. The biggest contribution to the budget is provided by the most developed countries in the EU.

3.1. Structural Funds

The European solidarity amongst its Member States is mainly articulated through the two structural funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Each of these funds encompasses its own specific area, although they function as a whole.

Their mutual goal is to provide support for the social and economic development in different regions of the EU. These funds are not used to finance individual projects, but multiyear regional development programs, prepared by the regions, Member States and the European Commission, taking into consideration the recommendations given by the Commission, which refer to the EU as a whole. The importance of these Structural funds within the EU Cohesion policy can be seen in the fact that most of the EU funds for this purpose are channelled through them (Mrak and Uzunov 2005).

a) The European Social Fund (ESF) was established in 1958 as the first structural fund. Its purpose was to assist the expansion of the common market, through improving the possibilities for employment (EC Cohesion Policy, pg. 112). Today, its main function is to provide assistance to the unemployed and other groups at social risk. The ESF is the main EU financial tool for employment. The programs of this fund are included in the five priority areas:

- Development of the active employment policy,
- Encouraging equality between all participants in the labour market,
- Life long learning,
- Encouraging the adaptability and entrepreneurship,
- Developing the active labor market policy.

4 Besides for these two funds, in the period between 2000 and 2006, two additional structural funds had been established: the Financial Instruments for Fisheries Guidance (FIFG), for the modernization of the fishery and the fish industry, which is now known as the European Fisheries Fund (EFF), and the European Agricultural Guidance and Guarantee Fund (EAGGF) for financing the EU Common Agricultural Policy, as well as the measures for development of rural areas. This fund was replaced by the European Agricultural Fund for Rural Development (EAFRD). EFF and EAFRD are no longer included in the EU Cohesion Policy.
- Encouraging measures for the employment of women, which is part of the efforts to implement the policies intended to provide equal opportunities for employment of both genders.

6) The European Regional Development Fund, (ERDF) was established in 1975 for the purpose of stimulating economic growth in the less developed regions of the EU (EC Cohesion Policy, pg. 98). With the EU enlargement, the ERDF had been transformed into the main instrument for assisting and supporting the equalization of regional disparities and promoting the economic cohesion, as well as the development and convergence of the regions. In order to narrow the development gap between the different regions in the EU, ERDF finances infrastructure, new jobs and local development projects, and provides financial assistance to small enterprises.

These structural funds are focused on certain priorities and goals, such as: the development of the less developed areas and regions within the EU, the development of areas that undergo different types of structural and developing challenges, the modernization of education and the creation of new job opportunities.

The reform principles of the EU Regional Policy are concentrated on assistance to the regions that are less developed and exhibit serious difficulties in areas such as infrastructure, employment and education. The European model of regional development insists on mitigating the contrasts occurring as a result of globalization and an increased competition on the world market, thus trying to accelerate the development of the underdeveloped regions, in order to include them in the system of the global economy. The term undeveloped regions refers to all regions whose GDP per capita does not exceed 75% of the EU standard.

The selected projects for funding by the EU and the structural funds are in many cases financed by the national and private funds. Thus, the EU funding represents an additional funding mechanism for already determined priority development programs in assistance-receiving countries. The implementation of the activities of the structural funds is based on documents that are already signed by each EU Member State. Three main documents define the development program of each Member State:

- The National Development Plan is a plan prepared by each Member State, and has been harmonized and coordinated with its own regional plans. The preparation of these plans involves experts from different areas such as economy, law, environmental protection, representatives from the NGOs, etc.

- The Community Support Framework represents a document in which the proposed funding for the development program exceeds one bil-
lion Euros. After the successful negotiations between the Member State and the European Commission, this document becomes an operative document, based on which the long-term development policy of the country in question is implemented (programs that do not require one billion Euros also represent a unique program document based on which the long-term strategy of the regional development is based).

- The **Operational programs** are programs that represent the development plans for particular sectors, such as tourism, agriculture, social development of particular regions, etc.

The funding proposals for development projects are submitted to the European Commission under a strictly determined order. After the projects have been approved by the Commission, the implementation of the projects is carried out according to EU regulations, publicly and transparently (public tenders for execution of works, tenders for equipment supply, etc.). The deadlines for the completion of all works are usually determined in advance, while the remaining works needed for the completion of the project include monitoring, evaluation and project administration.

### 3.2. The Cohesion Fund

The Cohesion Fund is a special fund intended for financing specific projects related to the environment, transportation and infrastructure, whose final goal is the improvement of the economic and social cohesion, as well as solidarity between the EU Member States. Around 167.2 million EU citizens (or 34.4% of the EU-27 population), live in regions that receive assistance from the Cohesion Fund (EC Cohesion Policy, pg. 122). Unlike the structural funds, the Cohesion Fund finances individual projects, in accordance with the agreement reached between the European Commission and the individual Member State. The right to use this Fund is limited to the Member States whose GDP is less than 90% of the EU average and that have a program adhering to the conditions of economic convergence. If the GDP of the Member State that uses the Cohesion Fund increases to the level of 90%, that state will no longer be eligible for funding of new projects or new project phases (Mrak&Uzunov, pg. 31).

### 3.3. The EU Pre-Accession Funds

In order to simplify the system for foreign assistance, as well as to maximize the results from the usage of financial funds, the European Commission has adopted a decision where all pre-accession funds (PHARE, ISPA, SAPARD and CARDS), are replaced with a single new pre-accession instrument – the IPA (Instrument for Pre-accession Assistance) (EC, Understand-
The IPA was adopted under the European Council Regulation no. 1085/2006 on the 17\textsuperscript{th} of July 2006. The financial amount of the IPA program for the six-year period 2007-2013 is 11,468 billion Euros, whereas the content of the assistance and the criteria for the implementation of the new instrument are based on the experiences from the implementation of the previous assistance programs. For the period 2007-2012, the allocation of IPA funding per country was the following:

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|c|c|c|}
\hline
\hline
Croatia & 141.2 & 146.0 & 151.2 & 154.2 & 157.2 & 160.4 & 910.2 \\
Macedonia & 58.5 & 70.2 & 81.8 & 92.3 & 98.7 & 105.8 & 507.3 \\
Turkey & 497.2 & 538.7 & 566.4 & 653.7 & 781.9 & 899.5 & 3937.4 \\
Albania & 61.0 & 70.7 & 81.2 & 93.2 & 95.0 & 96.9 & 498.0 \\
Bosnia and Herzegovina & 62.1 & 74.8 & 89.1 & 106.0 & 108.1 & 110.2 & 550.3 \\
Kosovo & 68.3 & 184.7 & 106.1 & 67.3 & 68.7 & 70.0 & 565.1 \\
Montenegro & 31.4 & 32.6 & 33.3 & 34.0 & 34.7 & 35.4 & 201.4 \\
Serbia & 189.7 & 190.9 & 194.8 & 198.7 & 202.7 & 206.8 & 1183.6 \\
Multi-country support & 109.0 & 135.7 & 160.0 & 157.7 & 160.8 & 164.2 & 887.4 \\
\textbf{TOTAL} & 1218.4 & 1444.3 & 1463.9 & 1557.1 & 1707.8 & 1849.2 & 9240.7 \\
\hline
\end{tabular}
\caption{Financial Assistance from the EU through IPA, 2007-2012, (in millions of Euros)}
\end{table}


The IPA instrument provides the EU with a greater influence, through its investments in assisting countries on the way to their EU accession. On the administrative level, the IPA offers a coherent frame for the funds management and its subsequent decentralization or delegation to the beneficiary countries. It combines in a single frame the programs and the financial instruments for the pre-accession assistance of the EU and provides a

\footnote{According to the plan for the EU regional economic policy for the 2000-2006 period (Agenda 2000), in regards to assistance provided to the new member states, i.e. countries of Central and Eastern Europe, the model applied had three basic programs: PHARE, SAPARD and ISPA. The PHARE program (Poland and Hungary: Assistance for Restructuring their Economies) was introduced in 1989, its basic purpose being to support the Eastern-European countries in improving the efficiency of their public institutions, legal entities and state administration. The program included smaller projects as well, such as: citizens’ initiatives, various projects in the field of economy, developing assistance to new investments, etc. SAPARD (Special Accession Programme for Agriculture and Rural Development) was also intended for development activities in the area of agriculture and agricultural policy, in countries that have signed the EU Accession Agreement.}
larger flexibility for the beneficiary countries, thus adjusting the assistance to their needs (InfoRegio Panorama, pg. 3). Through this, a powerful connection between the budgetary and the political aspects of the enlargement is ensured. The beneficiary countries receive very clear explanations on what they can expect from the assistance, provided they fulfil the assistance conditions. In this way, the IPA reinforces the guidelines that the EU imposes to the candidate-countries and the potential candidate-countries, in terms of priorities they need to follow. But, above all, the IPA assists these countries in developing their standards and applying the values upon which the EU was built. Therefore, the IPA represents a realistic future investment, both for the beneficiary country and the EU itself. It provides a different emphasis of the EU assistance, focusing it towards the enlargement. The IPA beneficiary countries are divided into two categories:

1) Candidate-countries (Turkey, Croatia, Macedonia and Montenegro),
2) Potential candidate-countries (Serbia, Bosnia and Herzegovina and Albania).

The principal condition for the use of the IPA funding from the five components is that the beneficiary country has a candidate status and a decentralized system for fund management. The priorities for support and the areas of action are determined in a Multi-annual Indicative Financial Framework (MIFF), prepared for each beneficiary country that is eligible for financial support. This document is prepared by the European Commission, based on the priorities for European partnership and the EC Report on Stabilisation and Accession Process (SAP Report), as well as on the national strategic documents of the beneficiary country.

The IPA consists of five components. Countries that are potential candidates for EU membership are eligible to use the funds from the first two components, with an open possibility to use the funding for the remaining three components through the funds of the first component. Candidate-countries are eligible for all five components (EC A new focus to EU assistance for enlargement, pg. 8).
Figure 1. The IPA Components

1) Assistance in transition and institution building. This component is the most important for activities related to the institution building and the transition in the potential candidate countries. This component provides support to candidate countries, as well as to potential candidate countries in their efforts to strengthen their democratic institutions and the rule of law, state administration reforms, the human and minority rights, strengthening the society, economic growth, education reform, environmental protection, promoting the regional cooperation for equalized regional development of the beneficiary countries and the Acquis Communautaire.

2) Cross-border cooperation. This component finances projects of cross-border cooperation between institutions from the bordering regions of neighbouring countries (regardless whether both neighbouring countries are EU member states or not) in all areas defined as high priority by both countries. The priorities are defined through multi-annual planning documents (Operational programs).

3) Regional development. The third component is available to the candidate countries to prepare for the implementation and management of the Community’s cohesion policy, especially their adaptation to the European Fund for Regional Development and the Cohesion Fund.

4) Human resources development. The Purpose of this component is to prepare candidate-countries for planning, implementation and management of the European Social Fund, within the European Employment Strategy. This process will take into consideration the goals of the EU in areas such as social inclusion, education and training, as well as gender equality.
5) Rural development. This last component is intended for the candidate countries, in preparing them for the implementation and management of the EU Common Agricultural Policy (CAP).

The implementation of the assistance through this component will contribute to a sustainable development of the agricultural and rural areas as well as to a more successful implementation of the Acquis Communautaire in relation to the CAP.

Besides its requirement for the implementation of appropriate structures for the management of EU funds, this pre-accession instrument also requires the allocation of financial resources from the national budgets to support IPA funded projects. IPA implementation rules prepared by the European Commission, determine the required percentage of co-funding for the IPA funded projects. The determined co-funding amount must be provided from financial resources in the national budget.

The five key intersectoral priorities determined in the document (economic growth/employment/education, state administration reform, environmental protection, development of the infrastructure and rural development) have been adopted by the Development and Humanitarian Aid Coordinating Office. The document is revised annually, in order to determine the national and strategic priorities, and to contribute to the preparation of the national development plans. Taking into consideration the fact that this document identifies the intersectoral priorities, as well as that it will be revised on an annual basis, same as the Multi-annual Indicative Financial Framework, it can be concluded that this document will in the future represent one of the key bases in the process of IPA programming.

4. The Social Development of the Republic of Macedonia and the EU Accession

The integrated strategy of the social development of one country on the path to certain economic reforms depends on the development of its economy, science, technology as well as its historic, cultural, social, political and other characteristics, but also the social values, norms and rules, as well as on the power and influence groups. In order to define a strategy intended to achieve a certain goal, a country must be realistic in understanding its capabilities and existing resources. The integrated strategy must include a certain number of decisions related to the following: goals, policy directions and plans to achieve those goals, approaches to organizing people and other resources in order to achieve those goals, economic and non-economic benefits for the target group – beneficiaries of the project (employees, population, entire society, etc.).
The main political goals of the Republic of Macedonia as a country are: EU accession, NATO membership and the establishment of strategic partnerships with the developed countries.

Macedonia must accept the fact that there is a great necessity for it to manage its economy and improve it to a level where it will be able to secure the achievement of the above-mentioned political goals. If Macedonia is determined to increase its GDP closer to the European average (or at least to the GDP of the new EU Member States), it must undertake all necessary measures in order to provide the conditions for a contemporary paradigm of economic growth, thus providing a steady development of: dynamic entrepreneurship, stable business culture, economic, social and living standards of its citizens, labour competitiveness and productivity.

4.1. Implementing the System of EU Funds Management in the Republic of Macedonia

On the topic of EU accession, the EU has already transferred the management of four out of five IPA components to the Macedonian national authorities, according to the decentralized management system. By taking over a larger part of the authority for funds management, Macedonia has gained an opportunity to establish and practically apply the necessary internal procedures and structures. The process of introducing a decentralized system of implementation is rather lengthy and requires direct participation and consensus of the governing institutions. Therefore, it requires constant supervision of the progress and the process of preparation of the national action plans with clearly defined activities. In this context, it is necessary to emphasize the importance to analyse the capabilities of each institution that would be involved in the implementation of the activities and tasks related to the decentralized implementation system, as well as to identify and provide suitable technical support and funding for the necessary reforms. Therefore, it is of great importance to identify the state authorities responsible for executing the activities of the decentralized funds management system, establish new institutions, determine the essential legislative changes necessary, prepare the training program for administration staff and provide national funding for the successful implementation of the decentralized funds management system.

The EU continues to support the reforms in and development of Southeast Europe through the Instrument for Pre-Accession Assistance (IPA). On average, the annual allocation for the Western Balkans in 2007–2011 will be 800 million Euros. This is by far the highest per capita amount provided by the Commission to any region in the world (Olli Rehn, Conference on Civil
Society Development in Southeast Europe, Brussels, 17 April, 2008).

The long list of assistance programs within the IPA in the Republic of Macedonia include public administration reform, judiciary and police reforms, improving the local infrastructure, assistance for harmonization and implementation of EU legislation and standards and preparation of the country to implement EU policies on cohesion and rural development.6

**Conclusion**

The EU Budget is the only centralized instrument for the implementation of the joint EU fiscal policy. Its main functions are the implementation of the fiscal policy and the policy for the transfer of funds between the differently developed regions. The EU Regional Policy and its financial support is not only focused on achieving cohesion, but also on economic and social development. While on the one hand, the EU goal is to promote integration, on the other hand, the implications such integration will have on the country stability must be taken into consideration.

The role of the EU Regional Policy in Macedonia has been operationalized through the Instrument for Pre-Accession Assistance (IPA). Namely, the IPA is only one of the many instruments of the Union, whose main goals include assistance for candidate and potential candidate countries, during their process of harmonization of the legislation and complete implementation of the *Acquis Communautaire*.

In the Republic of Macedonia, progress in the area of regional development and coordination of the structural funds is not yet assessed with very high marks. Therefore, in the future, the following measures must be undertaken: strengthening the administrative capacity for efficient funds management and utilization, coordinated institutional policy on information sharing, and the preparation of a realistic national strategy.

The growth and prosperity of the European economies and those that strive to become one of them, depends on their capability to efficiently manage the challenges and to use the arising opportunities.

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6 The first IPA project in the Republic of Macedonia referred to providing help to develop the police, thus pointing out the significance that the EU gives to the police reforms. Since 2007, the Commission awarded an amount of more than 228 million Euros for the implementation of projects in the country, including the 92 million Euros granted in 2010. These numbers are evidence of the continuous support that our country receives from the EU (European Commission, IPA (Instrument for Pre-Accession Assistance), A new focus to EU assistance for enlargement, Luxembourg: Office for Official Publications of the European Communities, 2009:5:10).
Abstract

The EU regional policy is based on financial solidarity of all its members, through their share in the common Budget. Part of this Budget is intended for less developed regions and it also contributes to the balanced and harmonized development of the community as a whole. The regional policy of the EU is an important tool, especially when problems occur due to the common market and the integration process in general. Namely, the smaller the regional disparities are, the more the effects of the integration will be evenly distributed among regions and Member States. The emphasis of this paper is placed on the regional policy of the EU and its impact on the European aspirations of the Republic of Macedonia as a candidate country for EU membership, operationalized through the Instrument for Pre-Accession.

Резиме

Регионалната политика на ЕУ е базирана на финансиската солидарност на сите нејзини членки преку нивниот удел во заедничкиот буџет. Овој буџет е наменет за развој на помалку развиените региони и придонесува кон врамнотежен и хармонизиран развој на оваа заедница. Регионалната политика на ЕУ е важен инструмент особено кога ќе се поjavат проблеми предизвикани од заедничкиот пазар и од процесот на интеграција во целина. Имено, колку повеќе регионалните нееднаквости се помали, дотолку ефектите од интеграцијата ќе се распределуваат меѓу регионите и државите-членки. Акцентот на овој труд е ставен токму врз регионалната политика на ЕУ и нејзиното влијание врз европските аспирации на Република Македонија како држава кандидат за членство во ЕУ, операционализирана преку Инструментот за претпристапна помош (ИПА).
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