

# IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT AS A SIGNIFICANT PRECONDITION FOR APPROACHING EUROPEAN UNION – THE CASE OF THE REPUBLIC OF MACEDONIA –

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*Abstract. The continued transition and the exhausting passage to a new economic system in Macedonia, represent a serious reason for forgetting the issue of both endangered environment and complying with the principles of sustainable development. From theoretical perspective, the continuous growth of the influence the uncertainties and the scientific controversies have regarding the field of long-term development models, assumes having a complex and strategic approach to this issue.*

*The basic framework for implementing sustainable development within EU is its Sustainable Development Strategy. Making sustainable development a focal point in all the policies of the European Union, contributes to increasing the level of integration within the Union itself and also to a higher cost-effectiveness in the decision-making.*

*To create policies in Macedonian circumstances where sustainable development is to be given an adequate position is not an easy task to do. If this is supplemented by the fact that this process is at the same time an assumption for expected membership in EU, then it is easier to grasp the complexity of the task. However, using the experience of others appears to be of great importance, and this experience helps a country avoid the mistakes made on the behalf of the other countries.*

*Key words: sustainable development, European Union, strategy, Macedonia.*

## INTRODUCTION

The continued transition and the exhausting passage to a new economic system in Macedonia, represent a serious reason for forgetting the issue of both endangered environment and complying with the principles of sustainable development. The fact that the rates of Macedonian economy's development are still low, the actual imbalance between labour and capital (the high rate of unemployment) as well as structural disbalances, all of these being enhanced under the conditions of existing world recession, additionally defocused the interest of expert public in Macedonia from the issue related with sustainable development and its being considered as a whole.<sup>1</sup> However, it seems that regarding the case of Macedonia, the persistent presence of the 'critical mass' of environmental pollution as well as the institutionalized orientation towards EU resulted in having a key feedback which did not allow its being fully ephemeral, and due to this it becomes obvious that the necessity for resolving this problem appears to be a significant precondition for the future development of the country. In fact, due to the influence of the two above mentioned factors, what was imposed was the need for sustainable profiling of the country's future development. If this does not happen i.e. if the current problems become too much of a burden, driven by the intention to possibly 'reserve' the resolution of the sustainability related issue for some future and better times, then it is inevitable that the possibility for achieving appropriately acceptable civilization trend is to be missed.<sup>2</sup> In that case, it is impossible to avoid the continuous exploitation of natural resources under their positive price, with irreversible consequences. Neglecting the dimension of sustainability, in this case becomes more than obvious and it appears with all its intensity: having a poor society with degraded environment.

It is interesting that this issue becomes actual not only in Macedonia (as an example of a developing country) but in the developed countries also. Sufficient indicator for this is the more present so called 'principle of realism' i.e. the opportunity and the capability of understanding (la possibilité de concevoir) that there is a need for having such a policy that will in certain moment of time deal primarily with the tasks of a higher priority (such as unemployment and inflation), at the expense of resolving the sustainable development issue. Nevertheless, there is no such a country that can remain at defensive and retarded positions regarding this

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<sup>1</sup> Sustainable development integrates the short-term and the long-term goals. In fact, it consists of three inseparable and interdependent components: the economic, social and the environmental issues.

<sup>2</sup> The approach towards the sustainable development issue, which has as its reference the decrease in the macroeconomic aggregate magnitudes (industrial output primarily) as a basis for passive relation, consists numerous threats. The existence of contraction limits with each national economy requires a continuously active relation to the three components of the sustainable development.

issue. Changes of an economy in this direction (for example, changes within the EU Member countries) are an impulse that corresponding changes also happen with the 'clients' at the world market. All this is being expressed by integrating the sustainable development concept into the overall image of the country.

## **STRATEGIC APPROACH AS STARTING ASSUMPTION**

The continuous growth in the influence the uncertainties have, as well as the scientific controversies that appear to be more typical for the long-term development models, represent a complex and strategic approach towards this issue. Because of the greater interconnectedness of economic, social and environmental issues, nowadays it is almost impossible to have an approach that is solely based on standard cost-benefit analysis. In fact, "...the social optimum cannot be simply reduced to an economic optimum. In the sphere of ecology, as well as in the other aspects of social life, choices are not dictated exclusively by the economic calculus, the cost-benefit analysis." [Montbrial Thierry, red., 1990, p. 341].

In principle, the development strategy represents a vision about the desires and possible economic and social reality. It should also consist in itself the aspect that deals with the relationship among the economic development, the social component and the environmental protection. This special segment of the development strategy itself is in fact a sum of the criteria and standards, measures and regulations that serve for the purpose of protecting the natural and artificial environment. This segment provides the necessary profile of the overall strategy, at the same time accepting the basic premises it lies on.

The market economy requires that it is obligatory to respect economic entity's autonomy as a conceptual paradigm of development. Under such conditions, the establishment of connection between the autonomous economic entity, driven by the function of profit maximization, and the goals set in the development strategy, is possible to be done only if principles of mediation and neutrality are being respected. The role of Government in this case would be to identify the strategic criteria in which common elements will be outlined. It is expected that these criteria will prevent any arbitration based on ultimate visions i.e. prevention of prejudiced, additional directions. Therefore, basic lever in the realization of this approach remain to be the strategic criteria in a form of governing information intended for the economic entity, which will further be considered on the economic entity's behalf when organizing its operation.

The compromised defining of the sustainable development concept, according to which the maximization of net-benefits from the economic development is conditioned with the maintenance of the scope and quality of the environment's economic functions, in time, imposes the difficulties when it comes to separating the core, but yet abstract principles related to running an appropriate economic policy. The inevitable entropic nature of using energy and natural resources, on its part imposes the principle of sufficiency as an exceptionally important moment that should constantly be taken into account. Namely, "... the saturation is needed as a supplement to the efficiency increased for the purpose of creating sustainable society in the long run. The required reduction of the material inputs is so big that it is impossible to be achieved only with increase in the efficiency." [Spangenberg et al., 1995, p. 17].

Bearing in mind that sustainable development is in its nature a dynamic category which does not mean having a state of balance, but a continuous process of changes in the exploitation of natural resources, in the investment choice, in the technological progress orientation etc., it appears that the key issue here is related to the convergence of the separate anticipations.<sup>3</sup> The market left on its own, with its flaws, can only give suboptimal effects. The external determination of certain directions, rules and initiating mechanisms on the part of the state, which will be realized through the market, represents the only alternative for directing the individual anticipations. On the other hand, of course, considering the disadvantages of the Government itself remains the potential danger of crippling the 'long-term visions.'<sup>4</sup> Holding to the scientific information,

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<sup>3</sup> This refers primarily to the physical aspects of the concept i.e. sustainable development is perceived as a kind of Dailey's 'dynamic stable condition', where thanks to the technological progress, under conditions of identical flow of materials and energy, it becomes possible to have the support of larger material reserves of society and thus overcome the so called sustainability gap.

<sup>4</sup> As a response to the criticism about the impossibility for practical implementation of this concept, its orthodox followers state the necessity for having increased Government intervention as means to meet the strict requirements for protecting environment quality and its economic functions. Moreover, it is obvious that there is a certain flaw regarding Pareto-optimality in terms of the sustainability of the energetic and material flow through the economic sphere.

with certain consideration of short-term efficiency may constitute an adequate regime of economic measures and instruments. Of course, the reduction of negative external effects of the economic processes on all the 'damaged' parties (the society, the environment and the future generations) remains major precondition for providing harmonious relations. Therefore, no matter how big is the probability that in the case with the environment what appears to be absent as a natural capital is the Giffen paradox, "the real shadow price of environmental goods will continue to rise in accordance with the economic growth and due to this the market price of pollution will rise accordingly. Therefore the issue of sustainability is in fact significantly related to the treatment of externalities." [Nicolaisen et al, 1991, p. 16 ]. In this way, the sustainable development concept gets its real dimension i.e. it becomes a source of benefits both for the actual and the future generations. However, the sustainability issue does not only refer to "... the time trade-off and the intergeneration transfers. It is more an issue about the sources and the ways, the costs and efficiency, rather than being an issue about the rate and the speed of growth. [Panayotou Theodore, 1992, p. 356].

At first glance it appears that this way of thinking directs the risk and measures assessment, solely towards the issue of environment protection, by neglecting the economic and social issues. It seems as if this is a rational relation 'reserved' only for the highly developed economy in which the society, through certain mechanisms directs a portion of the profit mass towards environment protection. However, the truth is that this approach may be unreal only in a social community that buys its social rest at the expense of destroying 'its own' environment.

## **INTEGRATING SUSTAINABLE DEVELOPMENT INTO THE EU POLICIES**

Having the Treaty of Lisbon coming into force in 2009, was something that in the European Union was perceived as an event of great importance, because it is believed that with its assistance the efficiency and democratic legitimacy of the Union will get strengthened and coherence of its activities will increase.<sup>5</sup> According to the optimistic perceptions, the Treaty of Lisbon does not change the basic nature of EU; however it bears significant changes and improvements. In addition, this Treaty enhances and gives a better definition of the idea and the concept of sustainable development, and the most important is that it sets sustainable development as one of the major objectives of the Union itself. "For the European Economic and Social Committee, sustainability represents a prospective widened and proactive development of market economy, which takes care of the environment and other considerations also, such as the intergenerational and distributive justice." [Commission of the European Communities, 2005, p. 5].

The new understanding of this concept built-in the Treaty of Lisbon, starts from the statement that the Government bears primary responsibility for making this concept enliven. When it comes to the appropriate policies run by Brussels on the behalf of the Union, the Treaty gives basis for higher level of coherence during the process of their preparation and implementation. However, the Government is not the only one responsible for sustainable development. Namely, besides the government policies, sustainability can and should be realized as a leading principle of the choices made on the behalf of each individual, on everyday basis. This certainly means having changes in the way of thinking, in the economic and social structures as well as in the ways (paradigms) of production and consumption. Perceived as such, sustainable development will not represent an obstacle but a momentum for the growth and the competitiveness, even in modern circumstances of global financial crisis. Therefore, "it is very important that the measures which support the real sector and which help social influences over the current crisis decrease, to be compatible with the long-term sustainability goals." [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions, 2009, p. 2. ].

Basic framework for implementing sustainable development within the frameworks of EU represents its Sustainable Development Strategy.<sup>6</sup> Through this Strategy sustainable development is set as a precondition for integrated approach to modeling all the policies run at the Union level, as well as at the level of certain

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<sup>5</sup> The Treaty of Lisbon was signed in 2007, but it was followed by an exhausting period of 2 years for its ratification. EU kept to its usual practice i.e. the Treaty of Lisbon was also built through the upgrades of the previous Treaties: The Single European Act and the Treaties of Maastricht, Amsterdam and Nice.

<sup>6</sup> Although sustainable development had been set as one of the fundamental goals of the Union even with the Treaty of Amsterdam (1997), the first EU Sustainable Development Strategy was launched at the Gothenburg Summit (2001). It was five years after that this Strategy was revised and in 2006 the latest EU Sustainable Development Strategy was adopted.

member countries.<sup>7</sup> In fact, over the last few years, EU has put sustainable development in the core of a wide range of policies (more precisely in each of its policies). Starting from the three dimensions of sustainable development, efforts are made to reform the economy of the Union into one economy that will be efficient in using its resources, all this based on knowledge and the low level of usage of coal as fossil fuel.<sup>8</sup>

Giving to the sustainable development the central position in the policies of the Union, contributes to the increase in the level of integration of the Union itself, and also to a higher cost-effectiveness during the decision-making. This was additionally supported with the partial simplification of the legislation, as well as with the reduction of the administrative burden. Inevitable is the role of the process of impact assessment of certain policies and their measures. In fact, the impact assessment system applied by the Commission, significantly contributes to the sustainable development because it estimates the impact of the new legislation or the suggested policy in the sphere of economy, the social sphere or the environment protection, through a thorough approach.<sup>9</sup>

When it comes to the environment protection component, the Union emphasizes the need that market prices should represent the real costs of economic activities, because this is a precondition for having changes in the manner of production and consumption that are to be boosted. Therefore, the role and the necessity for giving priority regarding the usage of market-based instruments (such as taxes, deposit refund schemes, tradable permits, and even subsidies) are being accentuated once more.

As EU experience shows, besides the considerable efforts made at the Union level regarding the integration of sustainable development in all its policies, yet there are still trends that have opposite features (unsustainability). However, the moral is that the timely undertaking of appropriate operations could result later on in gaining considerable benefits at lower price.

## **THE MACEDONIAN EXAMPLE – NEEDS AND POSSIBILITIES FOR IMPLEMENTING THE SUSTAINABLE DEVELOPMENT CONCEPT**

The conventional macroeconomic policy in the period of transition, that the former socialist countries had undergone, faced with many serious problems. The transition towards market economy required that it changed its actual postulates i.e. required acceptance and respect of market principles and business autonomy of the economic entity. Under such conditions, the question was whether it is acceptable that in that context was placed the necessary orientation towards sustainable development, which appeared to be an imperative. It is also a case with our country, in which the intensive transitional issues imposed themselves with their problematic competitiveness, additionally neglecting the already marginalized issue of sustainable development. Due to this, finding adequate solutions does not appear to be an easy task at all.

What could be taken as a milestone of course is the experience of the highly developed market economies, primarily of those which are EU member countries. This is also important especially if one takes into consideration that the EU membership is a target for definite completion of the transitional process in the largest part of post-socialist countries. It is more than certain that this is fully relevant for Macedonia also. “The final goal in the process of transition in the Republic of Macedonia is to develop a modern, democratic society based on market economy, which takes care of important social and environmental issues. Having in mind that EU is funded exactly on these values and standards, the EU membership is actually perceived as a final confirmation that the transition process has been rounded up or is in a very advanced phase.” [Ministry of Finance, 2009, *Accessing European Union: Challenges and Opportunities*, p. 22].

The issue regarding the implementation of sustainable development concept, at first glance, might seem far away at this moment. However, very often while resolving large number of issues in contemporary Macedonian circumstances, there is a need to get away from the current events and accept a dynamic

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<sup>7</sup> The latest EU Sustainable Development Strategy has instrumental role in preparation and adoption of certain sustainable development strategies in almost all of the member countries.

<sup>8</sup> Emphasizing the low level of coal usage as fuel, results from the Union’s intention to take the leading position at global level in the field of fight against climate changes.

<sup>9</sup> This is especially important if one takes into consideration that the economic theory as a possible source of negative externality also points at the Government which generates weak or inadequate legislation or policy.

approach. Typical is the example with the climate changes, where according to its potential, Macedonia does not represent a relevant source of green-house gas emissions. “At the moment, as a country that is not in Annex I, Macedonia does not have any quantified obligations to reduce the green-house gas emissions. Being an EU candidate country (with a perspective of becoming a member), Macedonia will have to get itself included in the joint European efforts and goals related to climate changes. It can be expected that the specific obligations would be in a form of limiting the increase in green-house gas emissions... In the mean time, Macedonia should prepare itself institutionally, legally and technically. In that sense, it is of utmost importance to having undertaken pilot preparatory projects for the purpose of realizing the Emission Trade Scheme – ETS in Macedonian circumstances, by establishing national registers and national plan for allocation of permits for emission among the polluters.” [Ministry of Economy, 2010, p. 152].

It is obvious that the implementation of the sustainable development concept in practice is exceptionally complex and multidimensional process. What underlies this process is the acceptance of the principle of good rule and the advanced manner of creating policies. “The development and policy creation in the Republic of Macedonia on the grounds of the sustainable development principles is one of the preconditions for the Republic of Macedonia to become EU member for a shorter period of time. This precondition is part of the National Strategy for Sustainable Development in the Republic of Macedonia.” [Ministry of Environment and Physical Planning, 2010, p. 13. ].<sup>10</sup>

The need to respect the principle of good rule is to a greater extent present in the countries with lower capacities in policy creation (as Macedonia). Under our circumstances we face with inappropriate cooperation among the policy makers from different sectors and the usage of the top-down instead of the bottom-up approach. All this causes difficulties regarding the incorporation of the sustainable development concept in the sectoral policies. In fact, while creating the economic, social and environmental policies, the carriers of the process i.e. the policy makers do not provide the necessary cohesion of the three types of policies from the aspect of sustainable development.

The provision of the necessary cohesion can be achieved with an integral approach towards policy creation. This approach means having adequate regulation (which is in compliance with the one of the Union), and building-in the dimension of sustainable development during the process of policy creation at all levels. In this sense, the suggested solutions of all the institutions that participate in the policy creation process should be previously subjected to impact assessment which will assess the economic, social and environmental dimension of sustainable development. This assessment will cover the external dimension of sustainable development and the costs incurred due to the absence of any undertaken operations.

The coordination and harmonization of Macedonian legislation with the EU Acquis Communautaire has not been completed yet. The situation appears to be exceptionally critical with the economic and the social component. This fact becomes even more important considering that “the areas in EU which appeared to be the most demanding ones, in the sense of them being transferred to the national legislation, are the agriculture, including the legislation on veterinary, phito-sanitary and environmental protection.” [Ministry of Finance, 2009, *Accessing European Union: Challenges and Opportunities*, p. 27.]. Completing the harmonization process will provide additional impulse for an integral approach during policy creation.

Finally, not less important factor for appropriate implementation of this concept in the process of policy creation is the awareness and the understanding of the concept by the policy decision-makers. Actually, “basic precondition for changing a country and a society in the direction of sustainable development is without a doubt that the politicians, public and private decision makers, and the wider public is aware of, understands and accepts the concepts and principles of sustainable development. Looking at the Republic of Macedonia, there seems to be limited awareness, understandings and accept of the concepts and principles of sustainable development in the wider public and amongst local and regional politicians and decision makers – with a few significant exceptions.” [Trpevski, 2008, p. 58].

It seems that the last few years brought certain turnover in this area. For example, in the starting assumptions

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<sup>10</sup> This Strategy is prepared with the financial assistance of the Swedish International Development Cooperation Agency (Sida), in the period from 2006 to 2009, and it was adopted by the Government of the Republic of Macedonia in January 2010.

and goals of the macroeconomic policy for year 2010, the Government points out sustainable development as one of its major goals i.e. “the provision of conditions for sustainable development. In year 2010 there is going to be enabled balance of social, economic and environmental protection factors. Economic development of the Republic of Macedonia will be based on the rational usage of natural resources and the efficient usage of energy, which will further decrease the burden and the environmental pollution.” [Government of the R. of Macedonia, 2009, p. 1]. This turnover becomes even more important if one takes into consideration the world economic crisis which causes discontinuity in the satisfactory growth rates in Macedonia realized in years 2007 and 2008. The crisis “in the first half of year 2009 reached its peak intensity. It is because of the expansion and the deepening of the economic crisis in EU and USA that the growth potential of Macedonian economy was significantly limited.” [Government of the R. of Macedonia, p. 2].

## CONCLUDING REMARKS

Policy creation in Macedonian circumstances in which the sustainable development concept should get an adequate place does not appear to be an easy task at all. If this is related with the fact that this process is at the same time an assumption for the expected EU membership, then the complexity of the task becomes obvious.

Of course, using other experience is of precious importance especially for the purpose of preventing oneself from making the mistakes other countries had made. In fact, “the new member countries used a wide range of macroeconomic policies in order to get themselves in a position to be ready for accessing the Union. The key moral here is that neither monetary nor fiscal policy (not even the environmental protection policies – note P.N.) have not shown to be as effective as expected.” [Ministry of Finance, 2009, *Accessing European Union: Challenges and Opportunities*, p. 47].

When it comes to our case, the search for a greater effectiveness in policy creation with an integrated sustainable development concept should make its start from its economic dimension. Having into consideration the huge gap regarding stage of development between Macedonia-EU, it seems completely logical to start exactly from this component. “For the purpose of formulating more effective policies, it is necessary that a research is made on both the total factor productivity in Macedonia as well as the low investments of enterprises.” [Ministry of Finance, 2009, *ibid.* p. 38]. This seems to be also logical especially when considering that “the economic growth of the country is moved by the total factor productivity, contributing with 58.2%... This notifies that there is a relatively low level of investments over the past period of time... The contribution of labour to economic growth is relatively high in the Republic of Macedonia, 22.3%, unlike the new EU member countries which experienced minor or negative contribution to the economic growth.” [Ministry of Finance, 2009, *Annual Economic Report of the Republic of Macedonia for year 2008*, p. 38].

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