

# EFFECTS OF THE GLOBAL ECONOMIC CRISIS ON THE VULNERABLE GROUPS IN THE REPUBLIC OF MACEDONIA

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# OVERVIEW OF THE ECONOMIC CRISIS IN MACEDONIA

1. Global downturn was **transmitted through the trade channel**, i.e. the external sector of the export-oriented economy
2. Initially driven by a **drop in world demand for metals**, export fell by 20% (yoy) in November 2008
3. **Fall in external demand** for textiles, shoes and ores led to the slump in export by 43%
4. As a result of the decline in the growth, the industrial production declined by 8% in the last quarter of 2008
5. **Unemployment started to grow** from 31,7% to 32,4% and more
6. **Negative GDP growth** for the first three quarters of 2009
7. **Countercyclical fiscal policies** by increasing the budget deficit
8. **Increased social transfers** from the national budget

# First package of anti-crisis measures

These measures are based on writing off liabilities and tax reduction rather than assistance through injection of money within the economy or relief measures for loans with better or subsidized interest rates in order to initiate spending by the population and the operations of the businesses which are the main generator for GDP growth.

Measures undertaken by the Macedonian Government in the first anti-crisis package had an impact only on companies which were already in trouble regardless of the ongoing financial crisis and would have a negative impact on the other companies which have been regularly paying their liabilities and benefits for the employees.

There is a feeling of dissatisfaction and discrimination as they feel punished for paying their obligations (a typical moral hazard problem)

## Second package of anti-crisis measures

The second package of anti-crisis measures is an **eight-year capital investment program** adopted by the Macedonian Government for the realization of projects **in the country's infrastructure** for an amount of approximately **eight billion Euros**.

Within this program in the short-term are plans for support **for economic growth amid the crisis**, and in the long-run are plans to increase the **competitiveness** of the Macedonian economy.

Apart from the announcement **little has been achieved so far** from this second package reflecting the **poor realization of the capital expenditures** of the central budget, **cancellation of tenders** etc.

## Third package of anti-crisis measures

With the rebalance, **expenditures** from the national budget were reduced by 9%, and the budget deficit kept on the projection of 2,8 percent of GDP in order to **maintain macroeconomic stability and the exchange rate** of the Macedonian Denar.

For **direct credit support** of the small and medium enterprises was used the loan from the EIB.

54 measures were for the **simplification of the custom procedures** and fastening the flow of goods at the borders.

These third package measures were seen by the **public as measures that should be introduced anyway.**

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## Fourth package of anti-crisis measures

Construction land for **30% cheaper**, and the **validity of approvals and authorizations for construction is extended for two years**, and the procedure for changes in the Detail Urban Plan is simplified and easier.

A new credit line of **15 million Euros from the Macedonian Bank for Development Promotion** was introduced.

In the tax sphere, collection of the **VAT is postponed until the 25th** of the month, instead of the 15th, and registration of companies is easier.

For the agricultural sector, **criteria for the IPARD** (EU Instruments for Pre Accession Rural Development) program are decreased.

The Agency for Foreign Investments will be changed to the Agency for Foreign Investments and **Promotion of the Export**.

## **IMPACT OF THE ECONOMIC CRISIS ON THE VULNERABLE GROUPS IN THE REPUBLIC OF MACEDONIA**

- **Refuges**
- **At-risk children (including orphans and street children)**
- **Child and adult victims of human trafficking**
- **People with disabilities**
- **Poverty**
- **Unemployment**
- **Elderly**

- ✓ **Macedonia is a source of refugees** and a small number of people are coming to the country as refugees.
- ✓ With the visa liberalization lot of Macedonians as economic refugees were **trying to obtain economic asylum in EU countries** and emigrate there, but all of them where unsuccessful.
- ✓ **Strategy for refugees and foreigners 2008 and 2015**, anticipate: housing, education and training, employment, health care, social care and protection, involvement in the community and development.
- ✓ 2008 was 1,28 million Euros, in 2009 this amount was increased to 1,33 million Euros and in 2010 was slightly decreased to 1,3 million Euros.
- ✓ **Evaluations** for the performance, realization and results are missing.



## • **At-risk children** (including orphans and street children)

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- ✓ In Macedonia the number of **street children is increasing**
- ✓ most of them are children between 7-14 years old, and Roma
- ✓ 58,5% of the street children are manifesting **socially unexpected behavior**, and only 11,5% are exhibiting tolerant behavior
- ✓ Social care for orphans in Macedonia is implemented through **two public dormitories and one private institution**
- ✓ The total amount of **money for at risk children from the central budget was increased** during the economic crisis. In 2008 were envisaged 2,7 million Euros and for 2009 2,9 million Euros. In 2010, the amount in the central budget is presented differently.

# Child and adult victims of human trafficking

Number of **cases of human trafficking decreased** in 2009 to seven cases compared with 2008 when there were 10 cases of human trafficking. But there are concerns that all cases in 2009 involved children between 14 and 17 years of age. The deception is made by false promises, marriages of minors and in some communities the idea of “bride by order”.

**“Program for resocialization and reintegration of children victims of human traffic”** in order to support agencies working on anti-trafficking measures, and to increase their efficiency and professional competencies.

The implementation period of this program is from 3 to 12 months and **funding is not defined**. In 2010, 50.000 Euros are envisaged from the Central Budget for combating human trafficking and illegal migration. In 2008 and 2009 there was no separate item in the Central budget for this issue.

# People with disabilities

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According to the Employment Service Agency of the Republic of Macedonia in 2010 there are **2085 unemployed people with disabilities**, more than 706 of whom are women. 68,2% of these people are without education or have incomplete primary education, 10,5% have finished secondary education and only 0,8% have finished university

**Law for employment of this group**, where the conditions and rights for employment and working of this group are regulated for: part time and full time employment, training, adaptation of the working place, tax benefits, benefits for the social contributions and other financial support.

The amount of available funds for subsidizing the employment of this category of people **has increased from year to year**.

The funds for social care for persons who are unable to perform their own basic life needs without assistance from another person **were also increased**

# Poverty - I

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According to the State Statistical Office in 2009 in Macedonia **31,1%** of the population were living below the poverty line and the poverty gap index was **10,1%**.

25,8% of the poor are living in households with **four members** and 53,7% of the poor are living in households with **five or more members**

40,5% of all poor people are **unemployed**. 32,5% of the households with **one employed** member are living below the poverty line, and 21% of the households with **two or more employed** members are also poor.

54,2% of the households where the head of the family is without an **education** are living in poverty

The poverty index in **Skopje** was 24,5%, % in the other **urban places** was 26,8 and 39,1% in the **rural places**

# Poverty - II

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## The main government programs:

- ✓ Permanent financial aid (increased)
- ✓ Social financial aid (decreased)
- ✓ For the people living below the poverty line GoM is providing free health care (increased)
- ✓ Energy poverty

As a result of the economic crisis the number of people living below the poverty line in Macedonia **increased by about 35.000 people.**

# Unemployment

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During the crisis period in Macedonia **employment rate was increased and the unemployment rate decreased.**

Around 20% of them declare that they are registered **only for the usage of the right for free health care** and they are not looking for a job

Around half of the unemployed are people with **low qualifications and have low education** or are without primary education.

To improve this situation it is necessary **to simplify the procedures for registering the unemployed people and removing from that list anyone who is employed.**

According to surveys undertaken by UNDP, the **unemployment rate in Macedonia is around 20%**, which is still a high level of unemployment.

According to the projections from the State Statistical Office in 2008 the elderly comprised **16,6% of the population**.

The Government of Macedonia in July 2010 adopted the **Strategy for Older People 2010-2020**.

The amount from the Central Budget for different programs for elderly in 2009 was **almost doubled** compared with 2008, from 1,4 million Euros in 2008 to 2,6 million Euros in 2009.

Subsidies for employment of older people (from 55 to 64 years) were **five times higher in 2009** (1,4 million Euros) compared with 2008. In 2010 **the amount for the same program sharply decreased to 625.000 Euros**.

For the first time in 2010 the GoM implemented a program for a **one week paid vacation in baths and hotel resorts in the country for 10.000 pensioners** with the lowest pensions.

# CONCLUSION

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The scope and funds for some policies were increased and for others were decreased, but in general **there were no big changes.**

The most affected vulnerable groups with the economic crisis are the **unemployed and those living below the poverty line.**

The high level of poverty in the country increased by around **35.000 new poor people** in 2009 compared with 2008.

The Republic of Macedonia also has the largest unemployment rate in Europe with 33,6% unemployed in the first quarter of 2010, and the situation is even more **desperate for youth as 50%** of them are unsuccessfully looking for a job.

**In Macedonia are missing evaluations** for the performance of the implemented governmental policies, strategies, programs and projects, from the time of independence until now.



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# Thank you for the attention

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