

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

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Abstract

The global economic crisis, accompanying recession and prolonged transitional process caused serious pressures on the national finances in the Western Balkans Region and the social programs available for the vulnerable groups are usually the first to be contracted. The first part of this study presents the process of transmission of the global economic crisis in the Republic of Macedonia and the impact on the government's budget. In the second part is a detailed analysis of the impact of the global economic crisis on the social programs for the vulnerable groups in the Republic of Macedonia (refugees, at-risk children, people with disabilities, those living below the poverty line, unemployed, and the elderly), and the extent to which individuals in the country have been made newly vulnerable.

Key words: economic crisis, vulnerable groups, social policies.

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OVERVIEW OF THE ECONOMIC CRISIS IN MACEDONIA

The Macedonian economy has not remained immune to the spill over effects from the deepest post-war world economic recession. The Macedonian economy, due to the limited capital account openness (Nikolov 2007), was shielded from the first wave of the global economic turmoil. The deepening global downturn was transmitted through the trade channel, i.e. the external sector of the export-oriented economy (See graph 1). Initially driven by a drop in world demand for metals, export fell by 20% (yoy) in November 2008 after five years of almost uninterrupted growth. Then, a fall in external demand for textiles, shoes and ores led to the slump in export by 43% (Source: SSO) in the first quarter of 2009. A negative trend was present until October 2009, with a slump of 24,5% (yoy), and from November a positive growth of 4,4% (yoy) (Source: SSO) was noticed and continued to grow in the first and second quarter of 2010. As a result of the decline in the growth, the industrial production declined by 8% in the last quarter of 2008, 10% in the first quarter of 2009¹ and 9,1% (yoy) in the first quarter of 2010 (See graph 2). Because of the declines in the industrial production and export sector some facilities were temporally closed, wages were decreased, workers were forced to leave jobs for some period and the number of layoffs increased in these sectors. As a result unemployment started to grow from 31,7% to 32,4% in the fourth quarter of 2009 and to 33,5% in the first quarter of 2010 (See graph 3).

In line with these developments, GDP growth rate in 2008 was very high at 4,8% (yoy), but for the first three quarters of 2009 Macedonia had negative GDP growth (See graph 4). In the first quarter it was -0,9, in the second quarter -1,4 and in the third quarter it fell by 1,8 percentage points (yoy). According the estimated data by the State Statistical Office, the growth rate of GDP in the fourth quarter of 2009 was 1,2% (yoy), in the first quarter of 2010 again GDP growth was negative - 0,9% (yoy) and in the second quarter very low positive growth of 0,4% (yoy). For 2010 the Ministry of Finance forecasts a 2% growth rate, the NBRM (Macedonian National Bank) revised its forecasts to 0,6% GDP growth (yoy), and the IMF projected 2% growth.

¹ The decline of IPI in May 2009 compared to May 2008 was 15.3%.

To mitigate the consequences of the global economic crisis, the Macedonian Government implemented countercyclical fiscal policies by increasing the budget deficit (See chart 5). In the fourth quarter of 2008, the budget deficit was highest in the past several years, -29,1%, for 2009 the deficit was targeted to be 2,8% of GDP and for 2010 to be 2,5% of GDP. These policies had the goal of stimulating demand and spending to keep growth positive while mitigating the negative effects of the crisis.

Social transfers from the national budget in Macedonia for the period 2006 to 2010 have an increasing trend (See graph 6). From around 27% in 2009 social transfers grew to 30,17% of the national budget in 2010. Because of the decreased revenues in the national budget in 2009 two rebalances were made. In the first rebalance transfers for the following stay almost the same as they were planned for previously: pensions, social contributions, contributions for unemployment, health care etc. In the supplementary budget, social transfers again were kept at the same level as were planned. Within the second supplementary budget the biggest cuts were made in reducing the costs from goods and services, 16% in the first and 1% in the second rebalance, and reducing the expenditures for salaries and allowances of national budget users by 7% (4% in the first and 3% in the second rebalance) compared with the initial projections of the budget. With the supplementary budget in 2010 transfers for health care, social protection, and grants for education for the Local-Self government were increased by 2% from previously planned.

First package of anti-crisis measures

At the end of December 2008, the Macedonian Government decided to undertake the first package of measures that would protect the real economy from the economic and financial crisis already spread all over the world. The banking sector of Macedonia is recognized to be a solid and a well capitalized sector (according NBRM, at the end of 2008 the capital adequacy ratio of the banking system equaled 16.2%). The Macedonian banks are not relying on foreign credit needs, and therefore they are not largely exposed to the foreign financial markets. As all institutions agreed that the crisis would have greater implications on the real sector, and it was decided to implement 10 measures that would have an impact on the real economy by aiding the economic entities to get over the widely spread economic crisis.

The ten governmental measures from the first anti-crisis package for protection of the real sector against the implications from the global crisis were:

1. Writing-off the outstanding current liabilities for health insurance, if in the next four years the companies regularly and on time pay the employees' health insurance benefits.
2. Writing-off all accumulated interest payables on the liabilities for social care insurance benefits if the company pays the principal debt.
3. Writing-off all the accumulated interest payables on the unpaid tax liabilities if the company pays the principal debt (VAT, Income tax, Property tax, PIT).
4. Opportunity for the company for postponed payment to the main tax liability if the company secures the debt with banking a guarantee of 100% or if the company offers mortgages with a value of 250% of the main liability.
5. Discharging of the companies from the obligation of income tax payment if the total annual profit is retained within the companies (if no dividends are paid).
6. Reduction of the custom taxes (for 498 items)
7. Lower personal income taxation rates for individual farmers.
8. Postponing of the payment operations law for a period of one year, for the companies which have blocked accounts.
9. Transformation of the tax receivables of the government into a permanent share in some companies where the government is already the major shareholder/owner.
10. Reduction of Governmental New Year's spending (2008).

The total package of the measures is estimated to have a value of around 330 million Euros, however it should be stressed that there is no specific information regarding each single measure's value and the effects on the 2009 national budget. 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. According to a CEA review, 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. This program anticipates projects for road and railway infrastructure, the energy sector, housing construction, the environment, sport infrastructure and other capital projects. 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. Until now realized investments have only been in the area of water supply and sewage systems, sports facilities and playgrounds. The cancellation of tenders and the procurement process in general are the biggest reasons for the delay of the construction of large capital energy projects, and the biggest road and railway investments, corridor 8 and 10, are still in the stage of studies preparation. 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.

Third package of anti-crisis measures

In April 2009 the third package of 70 governmental anti-crisis measures was introduced to mitigate the effects on the Macedonian economy from the global economic crisis. These measures relate to the supplementary budget, credit support for the business through a credit line from the EIB (European Investment Bank) of 100 million Euros and other measures for the easing of countries' export, improving liquidity and reducing business costs. With the rebalance, expenditures from the national budget were reduced 9%, or around 173 million Euros, 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 the loan from the EIB was used and an additional 50-100 million Euros were envisaged from the Macedonian commercial banks. This package includes programs for co-financing, guarantees for long-term

investment loans, current assets loans and subsidized interest rates. The first piece of this program in the business sector arrived in the beginning of 2010 and by the end of August 2010 only 40 million Euros were used for 115 projects, mostly in the construction, textile and food industry. 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 as a result of the day to day operations of the government and are without any risk and/or crisis component.

Fourth package of anti-crisis measures

In March 2010 GoM (Government of Macedonia) introduced the fourth package of 24 anti-crisis measures. With this package companies will be able to buy 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. The maximum amounts which companies can borrow from the EIB's credit line are increased and trading companies are included in this program. Interest rates for the first year are limited to 6% and for the second to 7,5%. 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, by which is created a legal frame for adding the responsibilities of promotion of Macedonian products in foreign markets. Again, this package was also seen as without any risk and/or crisis component. The biggest problem is that there is no follow up and/or evaluation on what has been achieved with the measures so far.

IMPACT OF THE ECONOMIC CRISIS ON THE VULNERABLE GROUPS

IN THE REPUBLIC OF MACEDONIA

Within the second part of the paper are presented the effects of the economic crisis on the governmental policies, programs and measures for the major vulnerable groups in the country. The

programs and available funds are compared in detail, from 2008, before the impact of the economic crisis in Macedonia, and 2009, when the biggest hit was experienced, and programs in 2010, when the recovery starts.

- **Refugees**

In 2009 in Macedonia there were 1.672 refugees residing in the country and an additional 1.051 stateless persons. The number of refugees originating from Macedonia was 8.605, of whom 7.521 are refugees and 1.084 stateless persons (See more Table 1). According to the numbers Macedonia is a source of refugees and a small number of people are coming to the country as refugees. With the visa liberalization more than 400 Macedonians as economic refugees were trying to obtain economic asylum in Belgium and emigrate there, but all of them were unsuccessful.

With the Strategy for refugees and foreigners 2008 and 2015, integration of the refugees is present in one national document. The following issues regarding the integration of the refugees are anticipated in the strategy: housing, education and training, employment, health care, social care and protection, involvement in the community, and development. This strategy includes recommendations for these areas which need to be implemented according to the action plan for the strategy.

For now there is no available information as to the successfulness of the implementation of the strategy and its effectiveness. The amount of money envisaged for the protection of refugees and asylum seekers in 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.

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

In Macedonia the number of street children is increasing and most of them (58%) are Roma children between 7-14 years old. 58,5% of the street children are manifesting socially unexpected behavior, and only 11,5% are exhibiting tolerant behavior. There is not a concrete program to solve this problem in Macedonia. Street children are taken to reception centers for a short term, where they can have meals, clothes and informal education. In most of the cases these children are back on the streets after a few weeks.

Social care for orphans in Macedonia is implemented through two public dormitories and one private institution. Orphans between three years until they are ready for independent life, but

maximum 6 months after finishing secondary school, are housed at the Home for Children without Parents and Parental Care “11 Oktomvri” in Skopje. Newborns until the age of three are placed at the home for infants and small children in Bitola. The third place is SOS Children's Village, which is a private institution for the care of children without parents and parental care.

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; the budget presents an aggregate amount of 16,3 million Euros for child protection, which before the rebalance was 11,4 million Euros. Here it should be stressed that the amount for subsidies of employment for children without parents was decreased in 2009 to 17.500 Euros from 110.000 Euros in 2008 and increased to 33.000 Euros in 2010.

- **Child and adult victims of human trafficking**

According to the latest research of the Macedonian NGO “Otvorena porta” and “Ter De Zom”, an NGO from Switzerland, the 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”.

The Ministry for Labor and Social Policies of Macedonia has developed the “Program for re-socialization 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. They are working to connect and create a network of professional workers (social protection, health, education, police, judiciary and NGOs) and at the same time apply a single model of institutional intervention through: cooperation, coordination and continuity. 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**

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. Because of this, this group is not easily trained for the needs of employers.

To improve the situation of the people with disabilities and their integration into society there is a 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, i.e. in 2007 were envisaged around 1.163.000 Euros, in 2008 1.185.000 Euros, in 2009 this amount was increased to 2.700.000 Euros and the amount for 2010 is the same as 2009, 2,7 million Euros. This amount is for 200 people each 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 from around 13,9 million Euros in 2008 to 15,2 million Euros in 2009 and 15,9 million Euros in 2010. This is for about 20.000 people. Despite the crisis situation in 2009 and beginning of 2010, the GoM didn't change the funds for those requiring help and care from another person but the care for people with general disabilities was increased.

- **Poverty**

To define poverty in Macedonia the definition of EUROSTAT is used: poor people, households and groups of people whose resources (material, cultural and social) are on a level which is not providing them with the minimum living conditions in the country where they live. 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% (See more Graph 7). Despite the growth of GDP and decrease in the unemployment rate from 2000 to 2008 the poverty index to 2003 grew to 30,2%

and slightly decreased to 28,7% in 2008, which means around 1/3 of the population in Macedonia are living below the poverty line.

By analyzing the profiles it can be seen that the most vulnerable are households with more members; 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. Also, the poverty gap is higher for the larger households, i.e. for household with five members it is 12%, and with six or more members it is 14,9%. The average poverty gap index for 2008 was 9,2% and grew almost one percent in 2009 to 10,1% (See more Table 2).

Unemployment and poverty are very connected and dependent; 40,5% of all poor people are unemployed. In Macedonia exists an unfortunate situation where 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. This is a result of very small salaries, predominantly in the textile industry, where people can't afford a decent life even if they have a full time job (See more Table 3).

Education is a critical factor in decreasing poverty. 54,2% of the households where the head of the family is without an education are living in poverty. By increasing the level of education of the head of the family the index of poverty and poverty gap index are decreasing. In the families where the head has a university education the index of poverty and poverty gap are smallest, at 11,7% and 3,2% respectively. However, from 2005 to 2009 there was an increasing trend in the number of people with university education living below the poverty line, from 7,3% in 2005 to 11,7% in 2009. At the same time the poverty gap increased as well from 1,7% to 3,2%, (See more Table 4). This is a very interesting situation regarding the education, unemployment, poverty etc for future research and analyses.

The number of people living below the poverty line and poverty index in Macedonia varies by where they live. The poverty gap is almost double in rural places compared with the capital Skopje. In 2009 in Skopje the gap was 7,3% and in rural areas it was 13,1%, In other urban places the rate was in the middle at 8,7%. The poverty index in Skopje was 24,5%, which is a large number of poor people for the capital of an EU membership candidate state. The index was 26,8% in the other urban places and 39,1% in the rural places. From 2003 to 2008 the poverty rate was significantly reduced in

Skopje, from 33,6% in 2003 to 21,2% in 2008, with growth in 2009 to 24,5%. In the other urban places for the same period poverty slightly decreased, from 29,1% in 2003 to 27,2% in 2008, and 26,7% in 2009. In opposition to the previous two situations, in the rural places poverty increased during that period, from 29% in 2003 to 34% in 2008 and 39,1 in 2009 (See more Table 5).

Analyses of the poverty for the period from 2003 to 2009 shows that the average number of people who are living below the poverty line is 29,8%. Considering that the population of Macedonia is around two million citizens, it is estimated that around 600.000 people are poor.

The main government programs for this vulnerable group are the following: permanent financial aid, social financial aid, and transfers to the Health Fund for providing the right for health care for beneficiaries of social protection. **Permanent financial aid** is paid to people who are unable to work, are not having resources for living and can't provide basic income for living under other provisions. The amount of permanent financial assistance is determined as a percentage of the average monthly net salary² per employee in the Republic of Macedonia from the previous year. A single person receives 20%, a beneficiary plus one member receives 28%, and a beneficiary plus two members receives 40% from the average monthly net salary. In 2008 and 2009 for this purpose were envisaged 3,25 million Euros, and in 2010 that was increased to 3,58 million Euros for 5.500 envisaged users. **Social financial aid** is paid to households whose members are able to work, but do not have a sufficient level of resources for living. The amount of financial aid is determined as a percentage of the monthly net salary from the previous year. For a single household this is 13,5%, a household with two members is 17,46%, a household with 3 members is 22,23%, a household with 4 members is 28,58 % and a household with 5 or more members is 33,34. The amount of financial aid is also determined by the time of usage. In the first two year beneficiaris are getting the full amount, in the third, fourth and fifth they are getting 70 % from the estimated amount and after the fifth year 50% from the estimated amount. In 2008 were envisaged 28,3 million Euros, in 2009 the amount was decreased to 26,6 million Euros and in 2010 it was again decreased to 25,4 million Euros for around 53.000 households. There were some protests recently for increasing the amount for social financial aid in some parts of the country. For the people living below the poverty line GoM is providing free

² Average monthly net salary in Macedonia for 2009 was around 330 Euros.

health care. In 2008 813.000 Euros were transferred to the Health Fund for this purpose. In 2009 this amount was increased to 895.000 Euros and in 2010 1.3 million Euros is envisaged to be transferred to the Fund.

In 2010 is envisaged the first plan for subsidizing electricity or other kind of energy for the poorest households. Starting in October 2010 53.000 households will get around 10 Euros each month to pay the bill for electricity, heating or other kind of spent energy. The main goal of this program is to decrease the energy poverty in Macedonia and for this purpose are envisaged 1,3 million Euros for 2010.

As a result of the economic crisis the number of people living below the poverty line in Macedonia increased by about 35.000 people. This is a very large number having in mind that the population of Macedonia is only two million people. There has been no significant increase of the funds or programs from the GoM to support the increased number of poor people. Having this in mind, there are a few opportunities for decreasing the poverty rate in the near future.

- **Unemployment**

Unemployment has been one of the biggest problems in Macedonia from its independence to now. From 1997 to 2009 the average rate of unemployment was 34,3%. Despite all programs, measures and projects the unemployment rate never went below 30% (See more Graph 8). During the crisis period in Macedonia an interesting situation with the unemployment developed. Industrial production (See Graph 2) and exports (See Graph 1) decreased, GDP had negative growth and the economy was in recession. At the same time employment increased and the unemployment rate decreased. This is an interesting case for further analyses and research.

According to the State Statistical Office in the first quarter of 2010 the active population was 925.613 people, from whom 615.962 people or 66,5% were employed and 309.651 people or 33,5% were unemployed. Compared with the same period of 2009, the number of unemployed increased by 2,9%. It must be mentioned that there were positive trends in decreasing unemployment from 37,2% in 2004 to 32,4% in 2009, although this is still a very high percentage for a country candidate for joining the European Union.

In the third quarter of 2009 the number of employed increased by 2%, and in total was 44,1%. According to the analyses of the Macedonian Government, new jobs were created in the private sector, where the number of employed increased by 7,2%. On the other hand, in the public sector employment decreased by 4,6%, and productivity in 2009 had negative growth of 4,8%. Unemployment for the third quarter of 2009 was 31,7% (See more Graph 8), and was at the lowest level in the last seven years. This is a result of the implementation of the following reforms: implementation of the concept for Gross Salary and decreasing the social contributions which were implemented in 2009.

In the Employment Service Agency of the Republic of Macedonia in 2009, 341.295 unemployed people were registered. 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 (See more Table 6). Around half of the unemployed are people with low qualifications and have low education or are without primary education (See more Table 7). Looking at nationality, around 2/3 or 213.280 of unemployed people are Macedonians, 1/4 or 84.747 are Albanians and around 5% are participating Roma (See more Table 8). In the past the number of women in the active population was from 20 to 25 index points smaller compared to men. For the unemployment rate differences are smaller from 0,6 to 5 index points. The number of women who are looking for a job is smaller by 50-60.000 compared with the men, but the number of employed woman is smaller by around 130.000 compared with the men.

There are some opinions that the number of the unemployed people is not as high as is presented by the officials (Employment Service Agency and State Statistical Office). According to surveys undertaken by UNDP, the unemployment rate in Macedonia is around 20%, which is still a high level of unemployment. The statistic doesn't include people who are on temporary work abroad as seasonal workers or users of social financial aid who are doing some temporary work (handicraft sector, agriculture etc). 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. This means that if someone finds a job (whether it is temporary, full time, part time etc) it would be easy and fast to be removed from the list of unemployed, and the opposite as well - if someone loses a job it should be very fast and easy to be registered as unemployed and to be able to use the benefits provided to

such persons. For now, being deleted from the list of unemployed means losing revenues for a certain period, and because of this they are working unregistered (“on black”).

The main government programs and the available funds for decreasing unemployment during the economic crisis from 2008 to 2009 were increased by almost double. In 2008 were envisaged 4,6 million Euros and in 2009 this amount was increased to 8,6 million Euros. In 2010 this amount decreased to 8,2 million Euros. The number of unemployed anticipated to take part in government programs aimed at reducing unemployment were as follows: 2008 – 7.165, 2009 – 9.573, and 2010 – 6.947. Due to the small percentage of unemployed involved in the programs and measures (only 2,3% in 2009 and 3,1% in 2010) for combating the unemployment and small rates of GDP growth, unemployment won't be dramatically decreased in the near future.

- **Elderly**

According to the census from 2002 in The Republic of Macedonia 15% of the population were elderly (those aged 60+), and according to the projections from the State Statistical Office in 2008 the elderly will comprise 16,6% of the population. According to the estimates from the UN in 2050, 20% of the population in Macedonia will be elderly. The Government of Macedonia in July 2010 adopted the Strategy for Older People 2010-2020, with the main objectives of improving the quality of life, social and health care, and integration of the elderly in the society.

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. For 2010 the central budget does not separate the amount - it is aggregated together with Child protection, without an explanation as for how much each group will receive. Subsidies for employment of older people (from 55 to 64 years) were five times higher in 2009 (1,4 million Euros) compared with 2008 (263.000 Euros). In 2010 the amount for the same program sharply decreased to 625.000 Euros. From this we can conclude that consistency is missing in the policy for subsidizing the employment of elderly, part of which can be explained by the economic and financial crisis.

Payments from the Pension Fund are relatively stable. In 2009 it was slightly decreased to 606 million Euros compared with 616 million Euros on 2008, and in 2010 were increased to 617 million Euros. For the first time in 2010 the GoM implemented a program for a one week paid

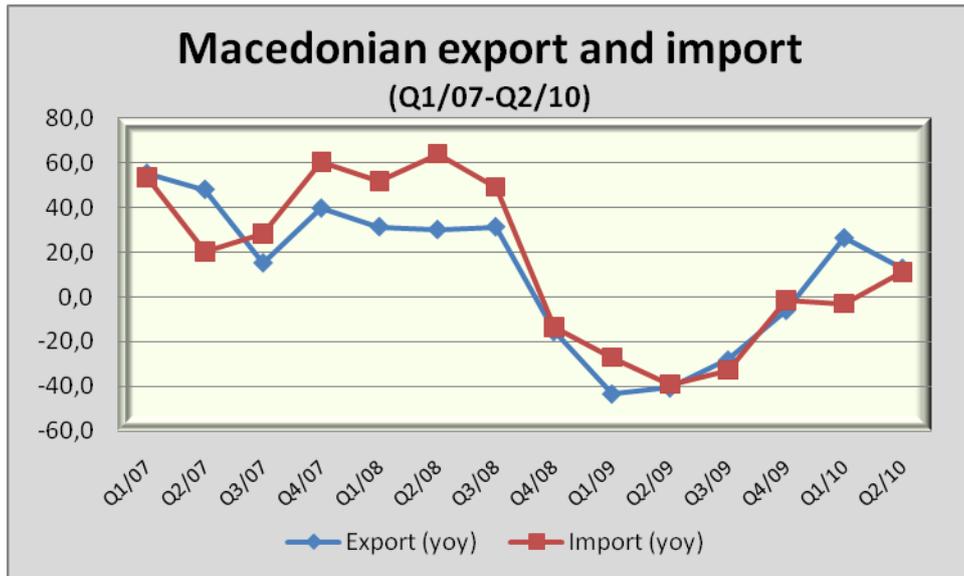
vacation in baths and hotel resorts in the country for 10.000 pensioners with the lowest pensions. The whole project cost the GoM 1,5 million Euros.

CONCLUSION

The economic crisis didn't have any negative impact on the government policies toward the vulnerable groups in Macedonia. 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. This given that the number of people living below the poverty line are around 620.000 people (31,1%) in one of the poorest (or maybe the poorest) country in Europe, with only two million inhabitants. 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. The situation with the unemployment and poverty in the Republic of Macedonia is alarming and is not characteristic for a country which pretends to become a member state of the European Union. Recently, Eurostat had difficulties in which group to put Macedonia regarding the rate of unemployment, and they must come up with a category only for Macedonia. For almost 20 years one of the main priorities for each political elite was decreasing the unemployment, but it has not yet happened and there are no positive trends or signs that it will happen in the short term. The social inclusion for the one third of the Macedonian population is a very large challenge, and will have very negative consequences in the future growth and development of the country.

Here it must be stressed that in Macedonia evaluations for the performance of the implemented governmental policies, strategies, programs and projects, from the time of independence until now, are missing, which would provide information and data for high quality analyses and recommendations for improvements. For example, the Ministry for Labor and Social Policies is evaluating only how much of the envisaged money are spent without paying any attention to the achieved results with those resources. Comparing and evaluating only the number of programs and available funds cannot provide a very clear picture for the impact of the policies and achieved results.

Graph 1



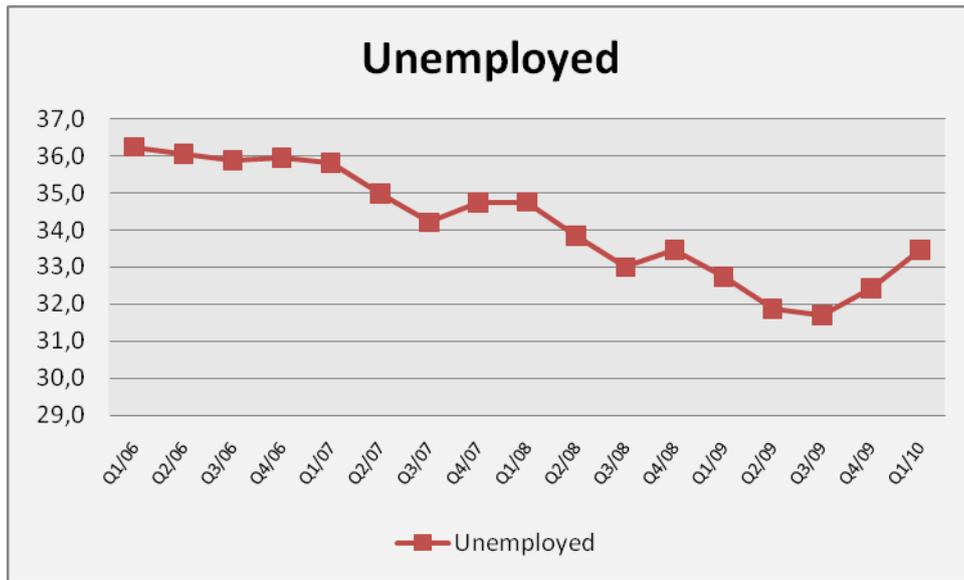
Source: SSO, External trade scope of the Republic of Macedonia - releases - preliminary data

Graph 2



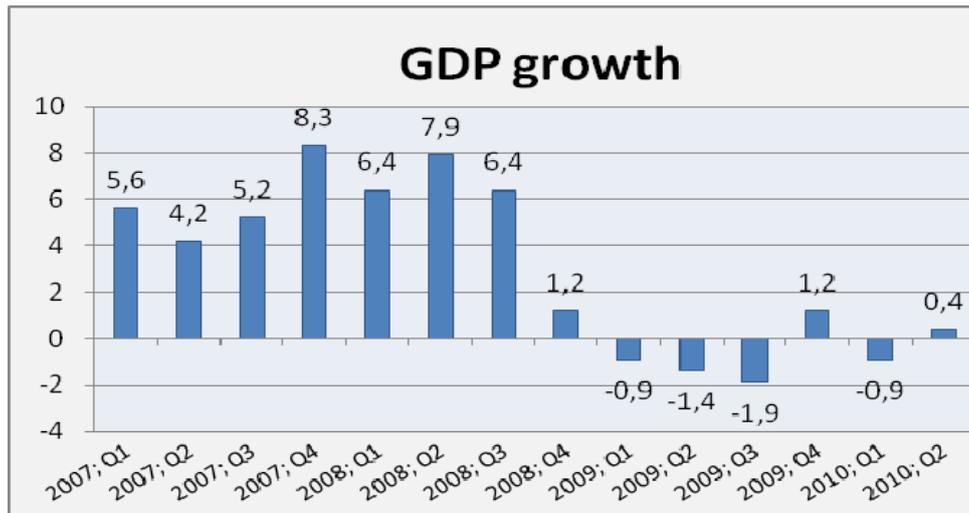
Source: SSO, Production volume indices by activities

Graph 3



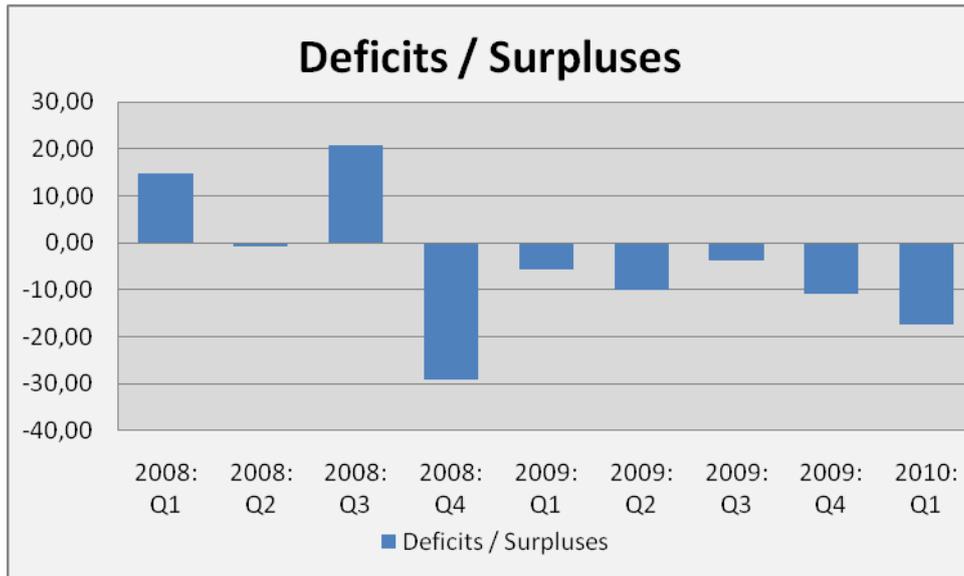
Source: SSO, Active Population

Graph 4



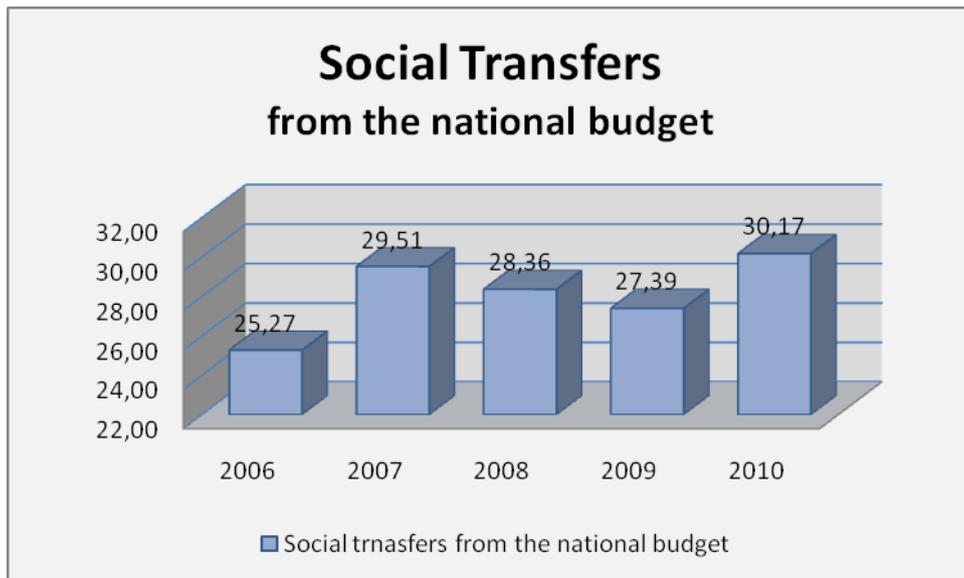
Source: SSO, Gross Domestic Product (preliminary data)

Graph 5



Source: Ministry of Finance, Bulletins

Graph 6



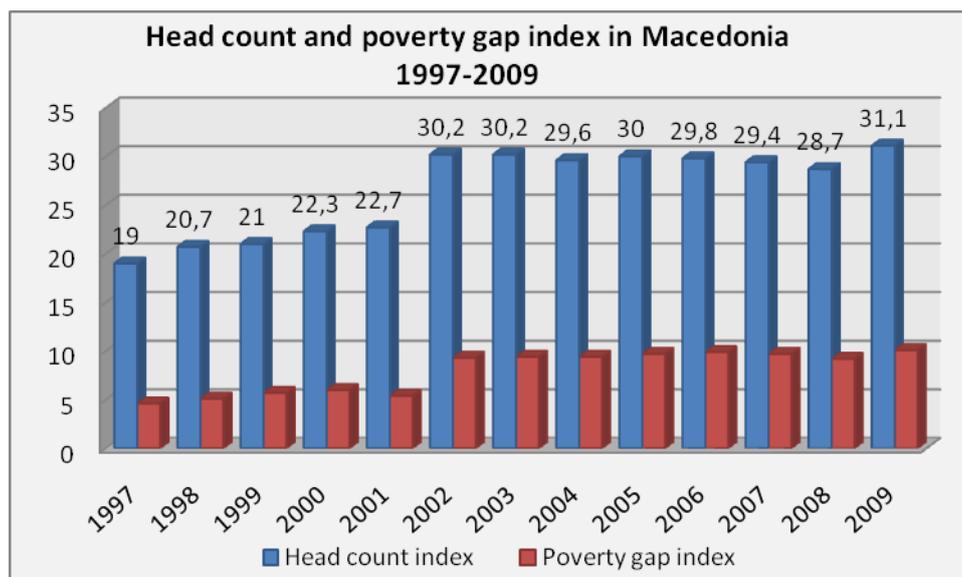
Source: Ministry of Finance of the Republic of Macedonia, Budget of RoM.

Table: 1

Residing in The former Yugoslav Republic of Macedonia (January 2009)	
Refugees	1,672
Asylum Seekers	100
Returned Refugees	0
Internally Displaced Persons (IDPs)	0
Returned IDPs	0
Stateless Persons	1,051
Various	0
Total Population of Concern	2,823
Originating from The former Yugoslav Republic of Macedonia (January 2009)	
Refugees	7,521
Asylum Seekers	1,084
Returned Refugees	0
Internally Displaced Persons (IDPS)	0
Returned IDPs	0
Various	0
Total Population of Concern	8605

Source: UNCHR in Macedonia

Graph 7



Source: SSO, Poverty in the Republic of Macedonia

Table 2 Head count and Poverty gap index by the members of the households

	2003		2004		2005		2006		2007		2008		2009	
	Head count Index	Poverty gap Index												
Total	30.2	9.4	29.6	9.4	30.0	9.7	29.8	9.9	29.4	9.7	28.7	9.2	31.1	10.1
1 person	25.2	7.5	20.2	6.8	19.6	4.5	24.3	5.8	26.9	7.9	25.3	8.1	26.9	7.9
2 persons	20.6	5.3	16.5	4.8	20.8	6.2	23.9	6.0	24.2	7.3	21.2	6.7	24.2	7.3
3 persons	22.9	6.7	22.5	6.3	21.6	6.0	17.4	4.9	18.8	5.7	19.0	5.9	18.8	5.7
4 persons	28.6	8.6	23.5	6.5	22.1	6.2	21.4	6.0	25.6	8.2	24.4	7.7	25.6	8.2
5 persons	35.5	11.2	29.5	9.1	31.0	10.2	29.9	9.6	30.6	9.8	33.2	11.2	30.6	9.8
6 persons and more	43.6	15.4	42.5	15.2	37.5	13.0	38.8	14.3	37.5	13.2	37.6	12.0	37.5	13.2

Source: SSO, Poverty in the Republic of Macedonia

Table 3: Head count and Poverty gap index by employment of the household members

	2003		2004		2005		2006		2007		2008		2009	
	Head count Index	Poverty gap Index												
Total	30.2	9.4	29.6	9.4	30.0	9.7	29.8	9.9	29.4	9.7	28.7	9.2	31.1	10.1
Unemployed	36.1	12.1	39.0	13.8	41.5	14.9	40.9	14.6	39.1	14.1	38.4	13.8	40.5	13.7
1 worker	29.3	8.6	27.8	8.0	28.2	8.3	28.1	8.9	30.7	9.7	30.6	9.1	32.5	10.4
2 workers and over	18.9	5.1	18.1	4.9	16.8	4.6	18.5	5.4	17.2	4.8	17.9	5.1	21.0	6.4

Source: SSO, Poverty in the Republic of Macedonia

Table 4: Head count and Poverty gap index according to the education of the “head” of the household

	2003		2004		2005		2006		2007		2008		2009	
	Head count	Poverty gap Index												
Total	30.2	9.4	29.6	9.4	30.0	9.7	28.7	9.2	29.8	9.9	29.4	9.7	31.1	10.1
Without education	51.4	16.6	57.9	17.1	46.8	17.7	53.2	19.4	53.9	21.0	53.7	23.5	54.2	22.7
Uncompleted primary	32.8	10.2	32.8	11.7	39.9	13.0	39.1	14.6	37.6	13.6	37.7	13.3	43.4	14.3
Primary	37.6	12.3	38.4	12.7	38.2	13.0	35.4	11.6	39.8	14.1	37.4	12.7	42.6	14.3
Secondary	24.4	7.4	22.9	6.7	23.4	7.1	23.4	6.8	22.8	6.7	23.6	7.0	25.7	8.0
Higher	19.0	5.3	17.4	4.6	17.6	4.9	21.5	5.8	17.4	4.6	17.4	5.1	13.0	3.5
University	12.1	3.0	9.1	2.1	7.3	1.7	13.8	4.8	8.9	2.3	11.0	3.1	11.7	3.2

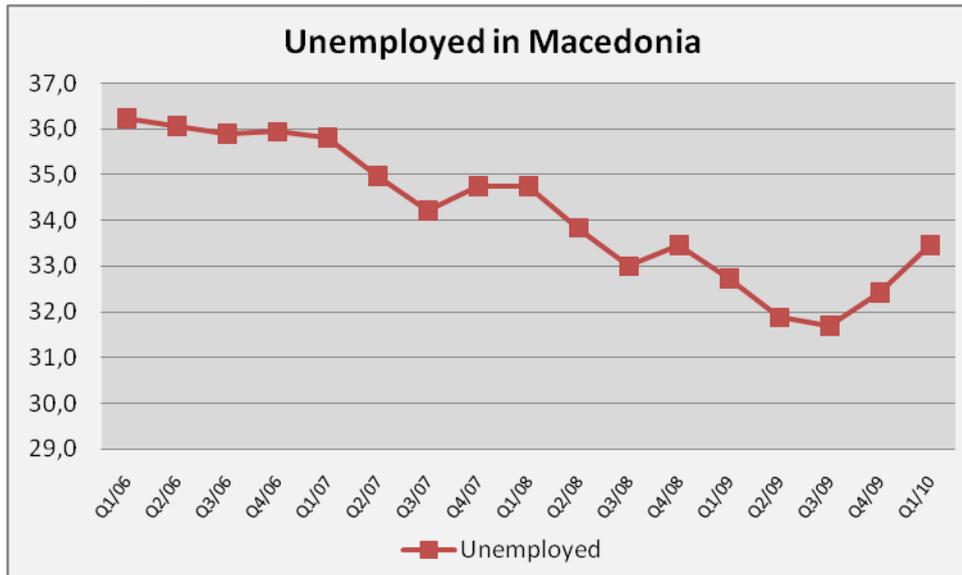
Source: SSO, Poverty in the Republic of Macedonia

Table 5: Head count and Poverty gap index by living place

	2003		2004		2005		2006		2007		2008		2009	
	Head count	Poverty gap Index												
Total	30.2	9.4	29.6	9.4	30.0	9.7	28.7	9.2	29.8	9.9	29.4	9.7	31.1	10.1
Skopje	33.6	10.9	32.4	10.3	30.9	10.2	21.2	6.0	30.4	10.6	28.4	8.7	24.5	7.3
Other urban	29.1	9.3	28.4	9.6	29.0	10.0	27.2	8.8	29.0	9.8	28.7	9.9	26.8	8.7
Rural	29.0	8.5	28.6	8.4	30.5	9.1	34.0	11.2	30.3	9.5	31.0	10.1	39.1	13.1

Source: SSO, Poverty in the Republic of Macedonia

Graph 8



Source: SSO, Active population

Table 6

Unemployed people according the Employment Service Agency
of the Republic of Macedonia

Months	2009		
	Registered unemployed people		
	Total registered unemployed people	Those who declare that are registered only for the right for free health care	Actively looking for job
1	2	3	4
January	348369	71595	276774
February	351115	71536	279579
March	351278	71421	279857
April	349879	71235	278644
May	349063	70924	278139 ³
June	347622		
July	340776		
August	342518		
September	341893		
October	342313		
November	341325		
December	341295		

Source: Employment Service Agency of the Republic of Macedonia

³ From June 2009 responsibilities for registering the unemployed and providing free health care are transferred to the Found for Health Care

Table 7

Level of education	Number of Unemployed
Total	341 295
Without Education	167 858
Incomplete primary and lower Secondary education	11 825
Primary and lower secondary education	53 541
Secondary education	81 904
Higher education	5 314
University level education	20 614
Master	229
PhD	10

Source: Employment Service Agency of the Republic of Macedonia

Table 8

Nationality	Number
Macedonians	213 280
Albanians	84 747
Turks	13 655
Roma	17 981
Serbs	2 783
Vlachs	365
Bosniaks	437
Others	8 047

Source: Employment Service Agency of the Republic of Macedonia

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