

# THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA: EMPLOYMENT GENERATION FOR THE SOCIALLY EXCLUDED AND WOMEN

United Nations Development Programme  
United Nations Capital Development Fund

POVERTY REDUCTION AND MDG ACHIEVEMENT



## Background

The former Yugoslav Republic of Macedonia has made significant progress in its transition to democracy and to a functional market economy since gaining independence in 1991. In 2008, the country achieved a respectable 5% GDP growth, which, however, slowed in 2009 as a result of the global economic downturn. The informal economy is large and is estimated to account for 40% of GDP and 60% of total employment. GDP per capita is at US\$ 9,096 (PPP) and its 2009 Human Development Index (HDI) rank is 72nd of 182 countries. According to the 2009 MDG Progress Report, 29.4% (31% in rural areas) of the population lives under the national poverty line, and the latest data indicates 32.2% unemployment.

Despite several shocks, including the inter-ethnic armed conflict in 2001, the country maintained high political and macroeconomic stability. In 2005, the country was granted EU candidate status; the negotiations for its accession and the EU agenda enjoy wide support among the general population, a sentiment that is also a uniting factor. However, poverty affects some groups particularly harshly. The Roma face limited economic opportunities and institutional obstacles to employment and basic services. Growing inequalities and lack of attention to pockets of poverty and exclusion are persistent challenges to pursuing the MDGs and the country's efforts to comply with EU social and economic standards. Structural disparities, especially those related to geographical regions, gender and marginalized segments, and climate change are major challenges confronting the country.

## MDG Localization and Local Development Programmes

UNDP Country Office has been supporting the integration of MDGs into the planning, implementation, and monitoring of local, regional and national development. The policy initiative on fiscal decentralization, implemented in close cooperation with the Ministry of Finance and the Association of Local Self-Government Units, addresses the national priority of redefining the system of inter-governmental transfers to respond to the new responsibilities of the local governments while addressing disparities and inequalities. In addition, the formulation of local development strategies was supported in 27 municipalities that adopted gender-sensitive and human rights-based approaches for local planning. With UNDP support, 60 gender action plans and baseline assessments were produced, covering 71% of the municipalities in the country.

The work on inter-municipal cooperation (IMC) has tangibly benefited local administrations and citizens by providing improved information technology-based services for tax collection, urban planning, financial management, and better administrative organization. Thus far, the IMC has been implemented in 34 municipalities, reaching out to 570,000 people and 170,000 households that otherwise had limited or no services. Finally, UNDP has been supporting national institutions in developing and implementing Active Labour Market Measures (ALMMs) and self-employment programmes since 2007. The activities targeted the most vulnerable in society: the long-term unemployed

(over 2 years), the Roma, and women who are victims of domestic violence. 3,070 small businesses have been established, ensuring that households can now live above the poverty line with access to stable incomes and pursue priorities such as sending their children to school.

## Opportunities for Scaling Up

Human resource development, employment generation and environmental protection remain as key pillars in the new country programmes of UN Country Team (UNCT) and UNDP. Extensive experience and lessons learned from the MDG interventions to date allow for seizing the new opportunities. Therefore, the approach taken in the new UNDP Country Programme (2010-2015) is to scale up the successful experiences from the earlier decentralization support initiatives, including the pilot employment generation programme. Specific emphasis will be on creating social and public-private partnerships, particularly in service provision and job creation.

Priority support will be provided to (a) further strengthening of local reforms in policy and regulation for provision of key MDG-related services: identification of remaining challenges in policy and data gaps relevant for achieving the targets for MDG 1; (b) support for the application of pro-poor fiscal models, expanding the fiscal space for lo-



## THE ROLE OF LOCAL GOVERNMENTS IN ACHIEVING THE MDGS:

The former Yugoslav Republic of Macedonia has one of the most active decentralization reform agendas of the post-communist transition countries of Europe. Consistent with the provisions of the Ohrid Framework Agreement for peace, decentralization is viewed as an important vehicle for the long-term building of inter-ethnic confidence. The process is also important for harmonization with the standards and legislation of EU Accession. Currently, there are two government levels: central and local governments with 84 municipalities and the capital city of Skopje.

Local governments have been assigned new service delivery responsibilities such as primary and secondary education, public health care, social protection, environment protection as well as local economic development. In order to prevent the potential mismanagement of resources at the local level, a number of stringent conditions were established before individual local authorities could assume their new responsibilities. The Law on the Financing of Local Self Governments (2005) provided new revenue assignments, including the property tax, as well as a rule-based system of transfers, sectoral grants and equalization grants. The main challenges and risks for successful implementation of the reforms are: establishment of clear horizontal and vertical accountability mechanisms, lack of skills and competences to discharge the mandates, and systems to address the fiscal imbalance affecting the successful delivery of the devolved competencies.

cal authorities to allocate resources for MDG-relevant services and investments at local level; and (c) alleviation of poverty at the local level through innovative employment generation with a focus on creation of 'green jobs' that would promote climate resilience and low carbon development, particularly in areas of poverty and exclusion.

The scaling up of the self-employment programme will focus on Roma and women in the most depressed peri-urban areas and will provide comprehensive business development support. The opportunities for employment are expected to promote lagging MDG targets (particularly MDG 1, also in employment opportunities for women, relevant to MDG 3), but can also benefit environment and energy (MDG 7). The interventions will also further promote formalization of informal businesses and increase the amount of the small capital grants. Special attention will be given to the Roma population by providing more detailed explanations, informative meetings and extra guidance and support in the processes encompassed under the UNDP self-employment project interventions.

The positive experience of the pilot phases and legislative developments have created excellent opportunities to extend the benefits of IMC and public-private partnerships (PPPs). The scaled up interventions will focus on the areas of social services and local economic development seen as critical areas for achievement of the MDGs (particularly MDG 1) at the local level. At least 30 IMC arrangements will be created in pockets of poverty, bringing tangible service benefits to approximately 500,000 people and 130,000 households. With the scaling up of interventions, therefore, the total IMC will impact more than one million people and 300,000 households.

Investments of US\$ 10 million during 2011-2015 will allow: (a) implementation of innovative employment generation schemes to create 1,800 jobs in 25 municipalities, with 15 municipalities targeting Roma and the remaining 10 targeting women; (b) 30 IMC arrangements (including nine PPPs) for improving the quality of public services in the pockets of poverty; and (c) continuous support to regulation of key MDG-services and a functional inter-governmental transfer system.