

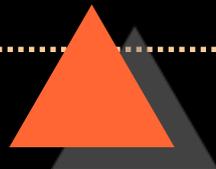
REBUILDING SOCIETY POST- CONFLICT:

THE CASE OF MACEDONIA



Key highlights of the presentation

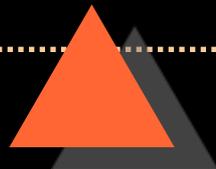
- Macedonia as a successful story of the Western Balkans
- Socio-economic problems endanger ethnic relations: Macedonia at a turning point, EU attention needed?





INTRODUCING MACEDONIA

- Glorious past in the time of Alexander the Great;
- Since 168 A.D. ruled by various empires: the Roman, Serbian, Bulgarian, Ottoman;
- Achieved independence in 1944 joining Federal Yugoslavia under Tito
- Disassociates from Federal Yugoslavia in 1991
- November 17th, 1991, Constitution was adopted
- April 26th, 1992, monetary independence and introduction of new national currency - Denar
- April 8th, 1993, Macedonia became the 181st member of the UN
- April 1993, Macedonia became a member of the World Bank and the IMF



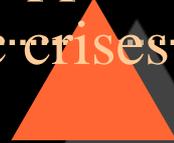
Multiethnic Macedonia:

a success story

- Unlike other republics peacefully disassociates from Federal Yugoslavia in 1991 despite Serbian nationalism
- Withholds Greek pressure and embargos and reaches an interim agreement normalizing the relations (1991-1995)
- Tackles interethnic relations through the institutions of the system thus moderating Albanian and Macedonian nationalism; e.g. multiethnic government coalition a feature of the political system
- Manages well the Kosovo refugee crises in 1999 despite tensions and inadequate international response
- 2001 crises spilled over from Kosovo results with low intensity conflict ending with the Ohrid Framework Agreement (hereinafter OFA); majority of the population dismisses nationalist rhetoric, remains calm throughout
- New government coalition harmonizes ethnic relations through the implementation of OFA and works on the EU integration, but problems remain



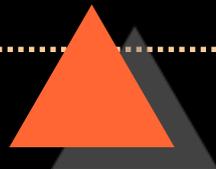
Continuum of difficulties since 1991: socio-economic problems at the fore

- Bad economic policies in socialist times result in a underdeveloped economy; very low base for independent Macedonia
 - Disintegration of Federal Yugoslavia in the 1990's results in the loss of the main market for Macedonian products
 - Greek economic embargo
 - UN sanctions against Serbia and Montenegro main trading partner
 - Moderate level of nomenklatura change; unsound economic policies in the 1990's, slow and ineffective privatization, low level of FDI
 - Burdened by the refugees from the wars in Bosnia and especially Kosovo (appx. 300.000)
 - Domestic crises in 2001
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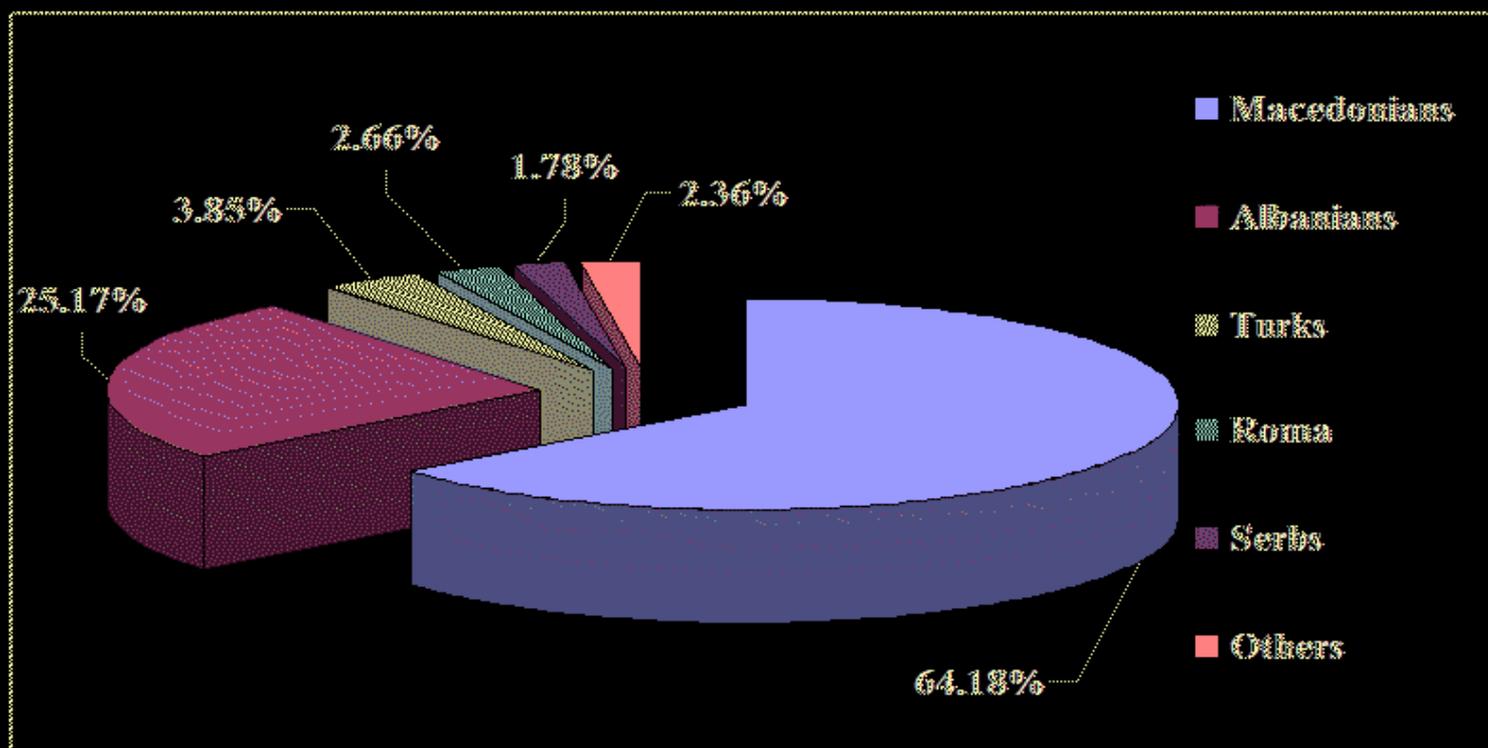


Important data for Macedonia

- Total area: 25,713 square km
- Total population: 2.0 million
- Growth rate: 0.4%
- Rural: 40.2%
- Urban: 59.8%

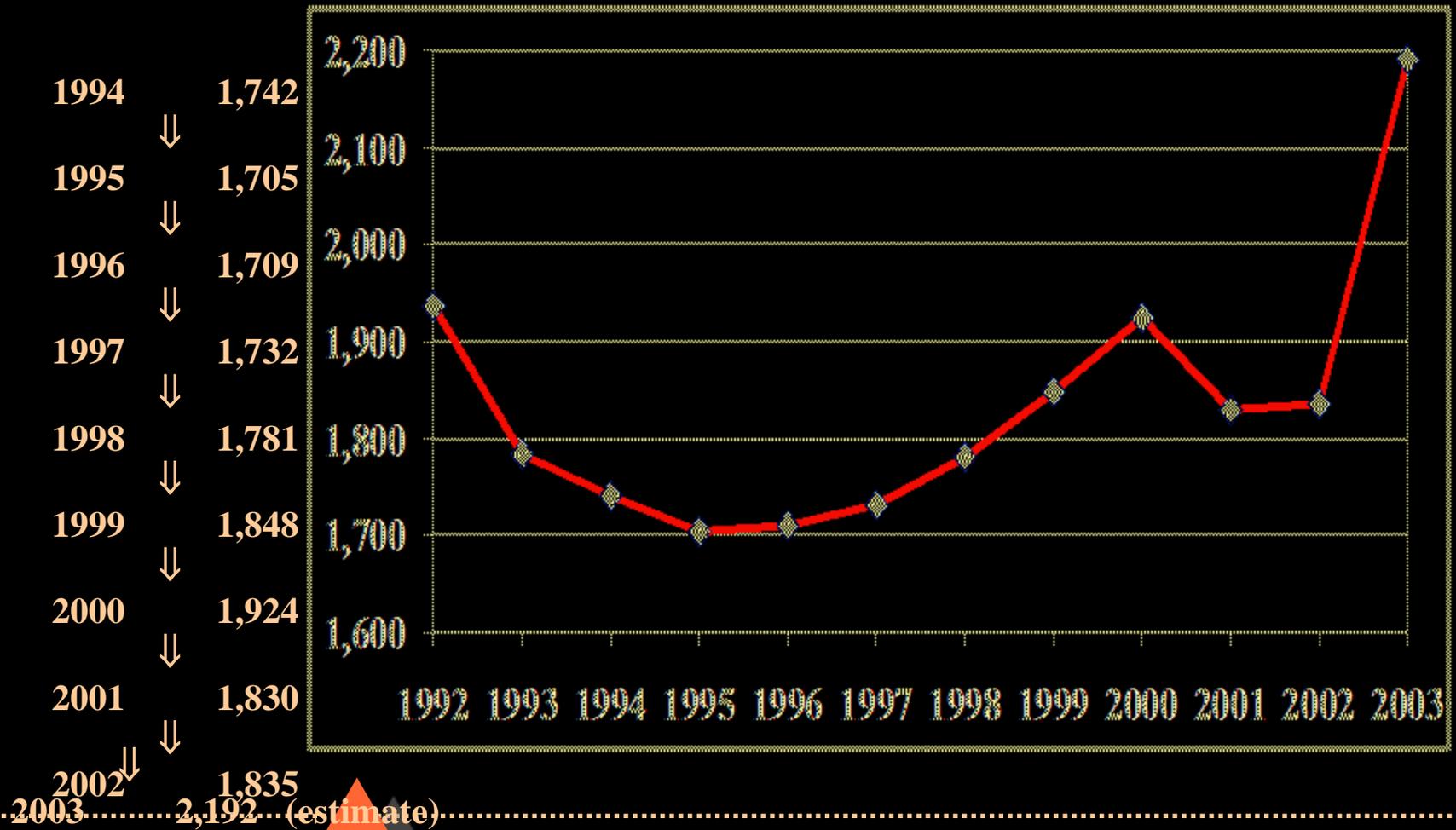


Ethnic composition



Source: Census 2002, Statistical Office of Macedonia

GDP per capita in US\$



Alarming Figures

- The recovery of the Macedonian economy in 2003 stopped in 2004.
- After 2001 decline of 4.5%, the real GDP in 2002 was barely positive at 0.9%. In 2003 real GDP grew by 3.2%. GDP per capita = US\$ 2,192. GDP in Q1 of 2004 fell by 3.6%. Projected real GDP growth for 2004 was 4.0% - unlikely to be met.
- The upward trend of the industrial output since 2002 was halted in 2004. In the period January – May 2004 it dropped by 24.6% relative to the same period of previous year.
- Unemployment rate in 2003: 36.7%; Employment rate in 2003: 34.5%
- Number of employed persons at the end of Q1 2004: 263,0312, down by 5.2% on annual basis.
- Number of unemployed persons at the end of May 2004: 395,693 - up by 3.0%.
- Nominal average net wage per worker in April 2004: Denar 12,551 or 250 US \$ but 23 % of employees have not received wage in April 2004
- 30.2% of the population lived below the poverty line (USD \$75/month) in 2002 - an increase from 22.7% in 2001
- The “gray economy” is estimated to be between 15 and 42% of GDP

Alarming Unemployment Data



Source: Employment Fund of Macedonia



Crucial Challenges

- Decentralization
 - Reverse economic downturn
 - Judiciary reform
 - Public administration reforms
 - Continue battle against corruption, improve governance, reduce “gray economy”
 - Improve legislation, attract FDI
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