

BUDGET CHOICES IN A TIME OF PANDEMIC: ADVANCING GENDER EQUALITY OR HOLDING IT BACK?

COUNTRY REPORT FOR NORTH MACEDONIA



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC



Шведска
Sverige



BUDGET CHOICES IN A TIME OF PANDEMIC: ADVANCING GENDER EQUALITY OR HOLDING IT BACK?

COUNTRY REPORT FOR NORTH MACEDONIA



UN Women
January 2021

This report is supported in the framework of the UN Women project “Promoting Gender Responsive Policies and Budgets: Towards Transparent, Inclusive and Accountable Governance in the Republic of North Macedonia”, funded by the Swiss Agency for Development and Cooperation and the Swedish International Development Cooperation Agency – Sida.

The views expressed in this report are those of the authors and do not necessarily represent the views of UN Women, the United Nations or any of its affiliated organizations.

Author: Prof. Nikica Mojsoska Blazeovski, country expert for UN Women



TABLE OF CONTENTS

TABLE OF CONTENTS	3
LIST OF ABBREVIATIONS	5
LIST OF FIGURES	6
LIST OF TABLES	7
ACKNOWLEDGMENTS	8
1. INTRODUCTION	
Economic development prior to and during the COVID-19 pandemic	9
1.1 The impact of the recession	10
2. LITERATURE REVIEW	12
3. GOVERNMENT RESPONSE TO COVID-19	18
4. BUDGET REBALANCING AND A MAPPING OF BUDGET CUTS AND REALLOCATIONS UNDERTAKEN BY THE GOVERNMENT OF NORTH MACEDONIA IN RESPONSE TO COVID-19	22
4.1 Comparison of the pre-crisis budget and the revised budget in response to COVID-19	23
4.2 Budget revisions in response to COVID-19 with focus on selected budget users	26
Government of the Republic of North Macedonia	26
Ministry of Agriculture, Forestry and Water Economy	27
Agency for Financial Support of Agriculture and Rural Development	27
The Ministry of Labour and Social Policy	27
The Ministry of Education and Science	28
The Ministry of Culture	29
Funding of culture activities	29
5. BUDGET CUTS AND REALLOCATIONS IN SECTORS OF HIGH IMPORTANCE IN TERMS OF GENDER EQUALITY	30
5.1 Labour market, unemployment benefit and active programmes	31
General overview of the labour market from the gender perspective	31
Budgetary support for retaining jobs and for those who lost their job	33
Summary	36

5.2 Support for female entrepreneurship during the COVID-19 pandemic	36
General overview of female entrepreneurship	36
Budgetary support for female entrepreneurship	38
Summary	40
5.3 Agriculture	40
General overview: Size and characteristics of the agriculture sector	40
Budgetary support for agriculture during the pandemic	42
Summary	44
5.4 Social assistance and child benefit	45
General overview of the system	45
Budgetary support for social assistance	46
Summary	47
<hr/>	
6. CONCLUSIONS	48
General findings and recommendations	49
Specific sectorial recommendations	50
The labour market	50
Female entrepreneurship	51
Agriculture	51
Social assistance and child benefit	51
<hr/>	
7. REFERENCES	52
<hr/>	

ACRONYMS AND ABBREVIATIONS

AFSARD	Agency for Financial Support in Agriculture and Rural Development
ALMPs	Active labour market policies
AROPE	At risk of poverty or social exclusion
COFOG	Classification of the Functions of Government
DBNM	Development Bank of North Macedonia
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GEM	Global Entrepreneurship Monitor
GMI	Guaranteed minimum income
GRB	Gender responsive budgeting
ILO	International Labour Organization
LFS	Labour Force Survey
LFS	Life in Transition Survey
LITS	Local self government
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MES	Ministry of Education and Science
MKD	Macedonian Denar
MSMEs	Micro and small and medium sized enterprises
MLSP	Ministry of Labour and Social Policy

LIST OF FIGURES

Figure	Title	
1	Real GDP growth rate from Q1 2019 to Q3 in 2020	11
2	Employment men vs. women Q1 of 2019 - Q3 of 2020 (age 15-64)	13
3	Unemployment rates men vs. women Q1 of 2019 - Q3 of 2020 (age 15-64)	14
4	Monthly data on registered unemployed and outflows from employment to unemployment (according to gender)	14
5	Changes in working hours during the COVID-19 pandemic (according to gender)	15
6	Budget users most affected by the fiscal measures (difference in millions of Denars)	25
7	Reallocation of expenditure by function (billion Denars)	25
8	Active versus passive jobseekers cumulative monthly difference (February 2020=0)	32
9	Male versus female active jobseekers cumulative monthly difference (February 2020=0)	32
10	Inflow into the unemployment register according to gender and different basis (in thousands per month)	33
11	Number of users of unemployment benefit according to gender	34
12	Share of women in relation to total wage subsidies over the period April-June 2020	35
13	Active labour market policies and support for start-ups provided by the Agency for Employment in 2019 and 2020	39
14	Household members in agricultural entities according to gender	42
15	Number of beneficiaries of Guaranteed Minimum Income according to gender	47

LIST OF TABLES

Table	Title	
1	Projected budget revenue and expenditure (billion Denars)	24
2	Initial and revised funds for government programmes (million Denars)	26
3	Employed according to gender in the agriculture sector in 2019 and 2020 (in thousands, age 15+)	27
4	Ministry of Labour and Social Policy expenditure per programme (million Denars)	28
5	Ministry of Education and Science expenditure per programme (million Denars)	29
6	Funding of culture activities according to programmes (million Denars)	29
7	Wage subsidies as a share of the overall wage bill for Q2 of 2020	35
8	Self-employment according to gender in Q2 of 2020 (in thousands and percentage)	36
9	Measure: Financial support for Female entrepreneurship 2012–2020	38
10	Employed in the agriculture sector according to gender in 2019 and 2020 (aged 15+ in thousands)	41
11	Structure of household members engaged in individual agricultural holdings according to gender	42
12	Initial budget for 2020 and reallocations within the Programme for support for Agriculture	43
13	Agriculture measures from the third package of COVID-19 measures	44
14	Poverty rate by gender and economic status in 2019	45

ACKNOWLEDGMENTS

This report was produced within the framework of the UN Women project 'Promoting Gender Responsive Policies and Budgets: Towards Transparent, Inclusive and Accountable Governance in the Republic of North Macedonia', funded by the Swiss Agency for Development and Cooperation and the Swedish International Development Cooperation Agency (Sida).

The report is a product of research done by the PFM expert, Prof. Nikica Mojsoska Blazhevski with support and inputs provided by the UN Women GRB team, which included Ermira Lubani, Ivona Paunovich Bishevac, Ivan Vchkov and Kristina Plechikj Bekjarova.

UN Women North Macedonia is grateful to the Ministry of Finance, the Ministry of Labour and Social Policy, the Ministry of Economy and the Ministry of Agriculture, Forestry and Water Economy for their collaborative partnership in relation to both the quantitative and qualitative data and their feedback on the report.

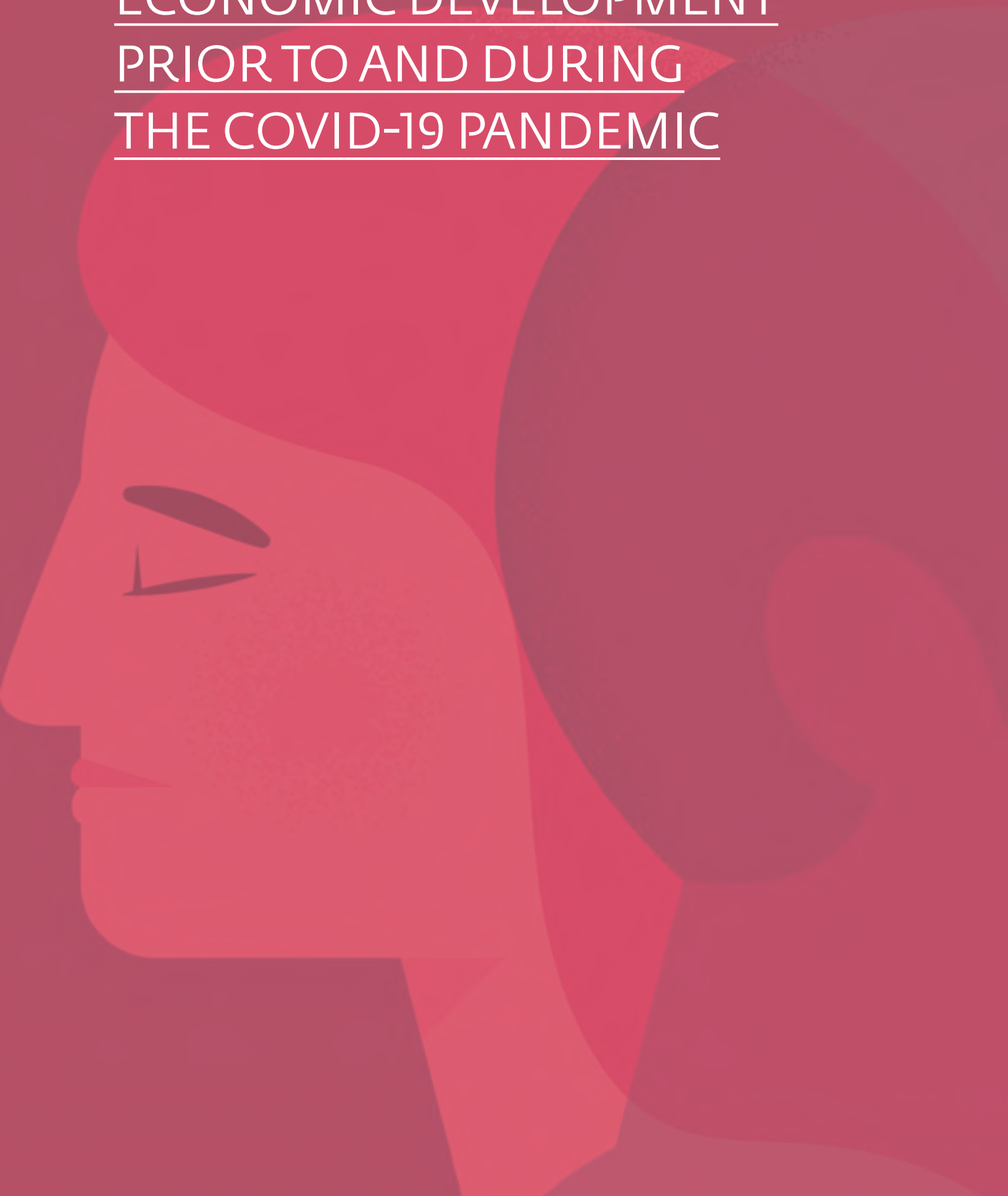
The views expressed in this publication are those of the author and do not necessarily represent the views of UN Women, the United Nations or any of its affiliated organisations.

© UN Women 2021

Published January 2021

INTRODUCTION

ECONOMIC DEVELOPMENT PRIOR TO AND DURING THE COVID-19 PANDEMIC



1. Introduction

Economic development prior to and during the COVID-19 pandemic

The COVID-19 pandemic hit North Macedonia during a period of economic upturn when there had been constant, albeit moderate, growth in real GDP since 2013. In 2019, growth accelerated to 3.6 per cent up from 2.7 per cent in 2018. The main contributors to this were the wholesale and retail trade and construction and real estate services, which together added 2.05 percentage points to growth.

On the demand side, private consumption has been the main driver of growth in recent years and the trend was projected to continue. The sharp deterioration in the economic outlook of North Macedonia's major export markets combined with supply chain disruption caused by the COVID-19 pandemic triggered a significant decline in net export volume in 2020. The second quarter of 2020 saw a major decline in exports of 35.7 per cent and a 33 per cent decline in imports. The trade deficit declined to 15.8 per cent.

Over the past decade, labour market trends in North Macedonia have been positive overall. In 2019, the economy added almost 40,000 jobs, bringing the overall employment rate for the working age population (15–64 years of age) to 54.7 per cent. This marked a profound shift compared to the previous decade (2009–18) when 14,600 jobs were added on average per year. Between 2018 and 2019, most new jobs were created in manufacturing, support services, the arts and recreation, transport and trade; however, around 8,000 jobs were lost in agriculture. Nevertheless, the employment rate (54.7%) and the labour force participation rate (66.3%) remained below those recorded in the EU27 (68.4% and 73.4%, respectively) in 2019. The low participation rates can be attributed mainly to the low activity rates for women (54.8% compared with 77.3% for men) and young people in the age group 15–24 years of age (32.2%) due to school attendance and among persons over 50 years of age (35.8% compared with 38.6% in the EU27).

Yet despite positive growth rates and improvements in the labour market, poverty and social exclusion remained persistently high. In 2019, 8.8 per cent of workers were living in poverty (according to the Survey of Income and Living Standard – Laeken indicators)¹ and the At Risk of Poverty or Social Exclusion composite indicator stood at 41.6 per cent

up from 40.8 per cent in 2018. Social transfers and pensions brought the poverty level down to 21.9 per cent, with poverty affecting women slightly more than men (22.5% vs. 21.4%). Among the different groups of individuals according to economic status, in relation to inactive men only inactive women were more likely to be poorer. Section 6.4 provides a more detailed gender analysis of poverty.

Unemployment benefit provided only a limited safeguard for those who lost their jobs. This related mainly to three factors: i) the long-term nature of unemployment where the majority of unemployed had exhausted their right to benefit, ii) the high number of first-time jobseekers without previous work experience and iii) eligibility restrictions that left those who were fired from their jobs, those whose temporary contract had expired and those who had left their job at their own will or through mutual agreement with their employer outside of the system. In 2017, North Macedonia introduced a youth guarantee scheme to tackle the high or growing number of young people not in employment, education or training (NEET). Relative to young men young women were more likely to fall into the NEET category (21.9% compared to 31.7%, respectively in 2019). The youth guarantee policy strengthened youth participation in the labour market but it at the same time increased the number (share) of young jobseekers ineligible for unemployment benefit (because of their lack of work experience). In addition, there is some anecdotal evidence² of the termination of work contracts through “mutual agreement” even when the decision on termination was de facto taken unilaterally by the employer. In such cases, the employee does not have access to unemployment benefit.

1.1 The impact of the recession

As elsewhere, the health crisis along with the measures to protect the health of people led to a decline in economic activity in North Macedonia. The initial response by the Government (and society) was already by late March focused on protecting health and preventing the spread of the virus. This

¹ Data from the State Statistical office. Available from www.stat.gov.mk/PrikaziSooopstanie.aspx?rbrtxt=115.

² ILO (2020). COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm. [Accessed June 10, 2020].

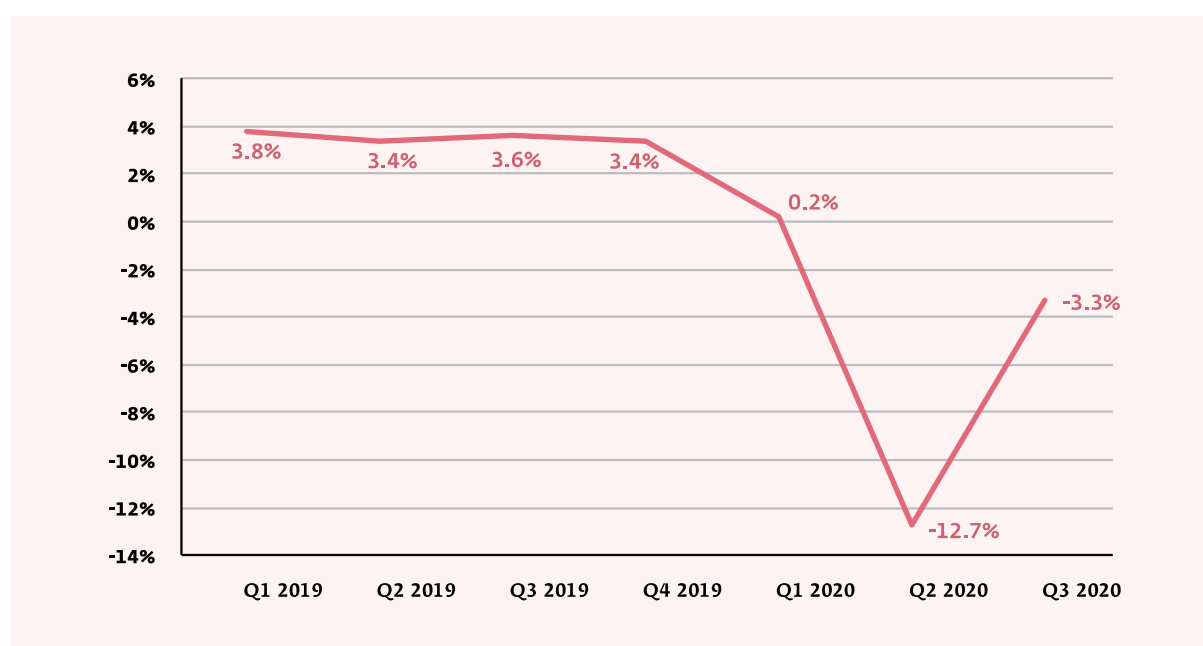
required some rigid measures such as closing land borders, closure of airports, restrictions on public events, closure of restaurants and coffee bars, closure of schools and the imposition of curfews. Then, in May, the emphasis shifted to recovery and preserving economic activity by softening the restrictive measures.

GDP growth in the first three quarters of the year was negative at 5.4 per cent. The economy stagnated in the first quarter of 2020 (0.2% growth) as the crises

and the restrictive measures came into effect in mid-March. As expected, economic activity shrank by 12.7 per cent in the second quarter. The economic situation improved slightly in Q3 with negative GDP growth of 3.3 per cent (Figure 1). Within the budget for 2021, the Ministry of Finance projects that the decline in GDP in 2020 will be 4.4 per cent (up from the earlier projection of -3.4%) with a fast recovery in 2021 of 4.1 per cent whereas recent projections of the National Bank anticipate a decline in GDP of 4.9 per cent in 2020.

FIGURE 1.

Real GDP growth rate from Q1 2019 to Q3 in 2020



Source: State Statistical Office.

LITERATURE REVIEW



2. Literature review

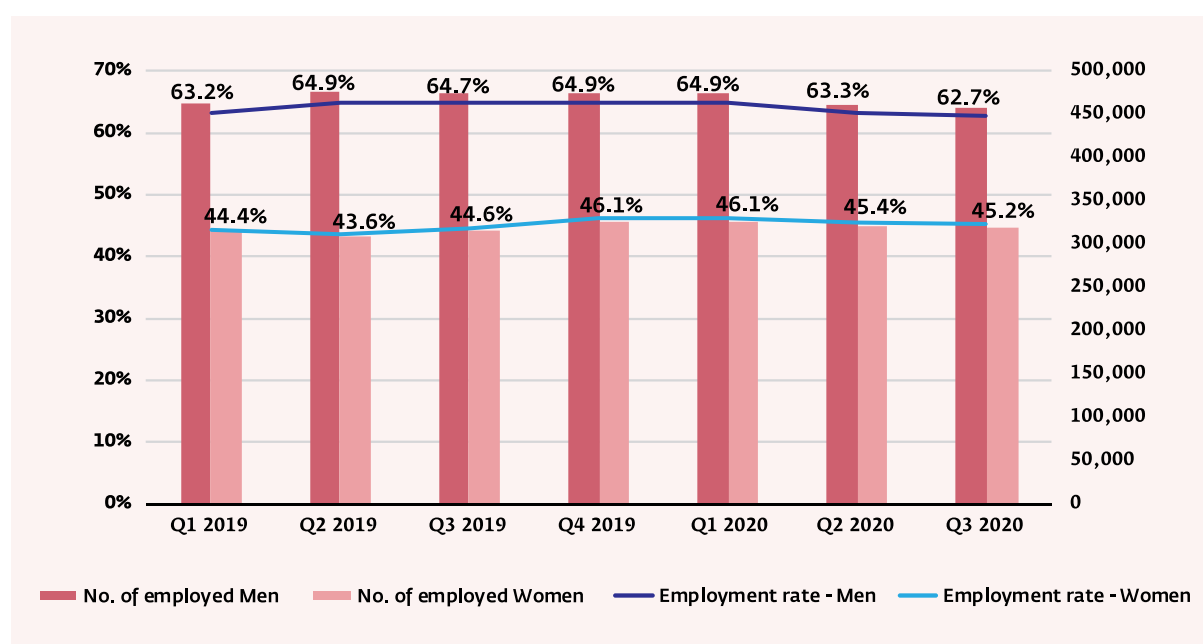
Sharp reductions in economic activity caused by the Corona virus and the subsequent restrictive measures also impacted the labour market both in terms of the number of jobs and aggregate hours of work. Economic activity across whole sectors was severely limited, leading to a steep decline in revenue streams for many businesses. The pandemic caused major disruption in the labour market of North Macedonia. Whereas 2019 was recognised as a year of record high job growth with just over 40,000 jobs being created, the ILO 'nowcasting' model, which tracks declines in working hours resulting from both lay-offs and other temporary reductions on working time, shows that working hours in the Western Balkans declined by an estimated 11.6 per cent during the second quarter of 2020.³ Applying this ratio to the total number of jobs in North Macedonia implies a loss of approximately 85,000 full-time jobs. However, actual data for Q3 of 2020 shows much

lower job losses (Figure 2). This suggests that the government support measures provided meaningful support to companies in overcoming the difficulties during this time and that firing workers was not an alternative widely used by employers in a quest to reduce the costs of operation and survival.

Labour Force Survey (LFS) data showed some positive development for women in the labour market. More specifically, the number of jobs of women in Q3 of 2020 increased by around 3,300 compared to the same quarter in 2019. On the other hand, the number of male jobs decreased by 17,000. Hence, the female employment rate in Q3 of 2020 was higher than the previous year whereas the employment rate for men declined (see Figure 2). Overall, 13,800 jobs were lost on a yearly level in Q3 of 2020 or around 1.7 per cent of total employment in Q3 of 2019.

FIGURE 2.

Employment men vs. women Q1 of 2019 - Q3 of 2020 (age 15-64)



Source: State Statistical Office, LFS.

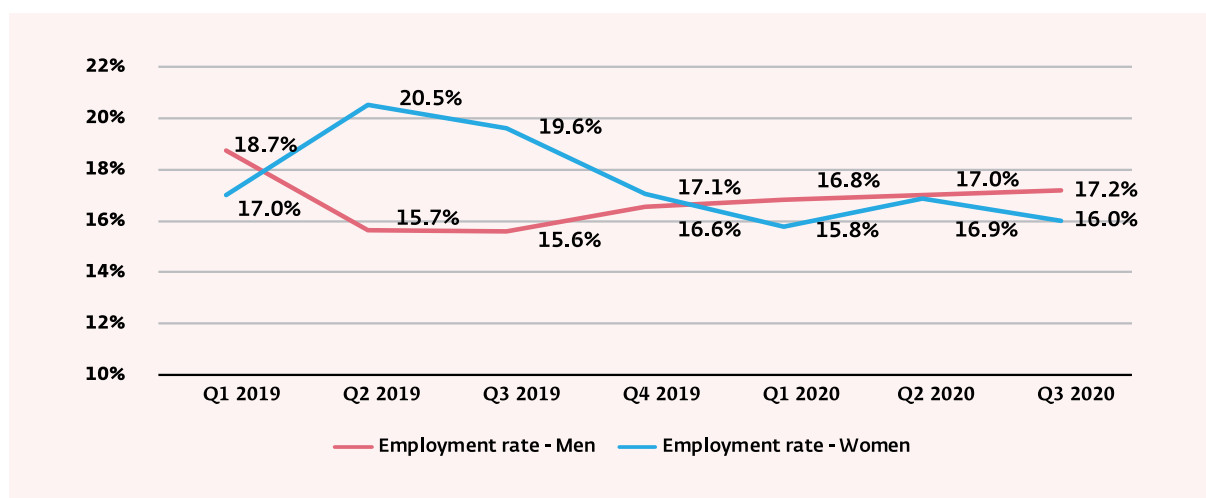
Unemployment data based on the LFS (Figure 3) shows that the trend of declining unemployment continued in the first quarter of 2020. The negative development hit in Q3 of 2020. Yet at the annual level

(i.e. compared to Q3 of 2019), the unemployment rate of women declined to 16 per cent down from 19.6 per cent in Q3 of 2019 whereas for men it increased to 17.2 per cent up from 15.6 per cent.

³ ILO (2020). COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm. [Accessed June 10, 2020].

FIGURE 3.

Unemployment rates men vs. women Q1 of 2019 - Q3 of 2020 (age 15-64)



Source: State Statistical Office LFS.

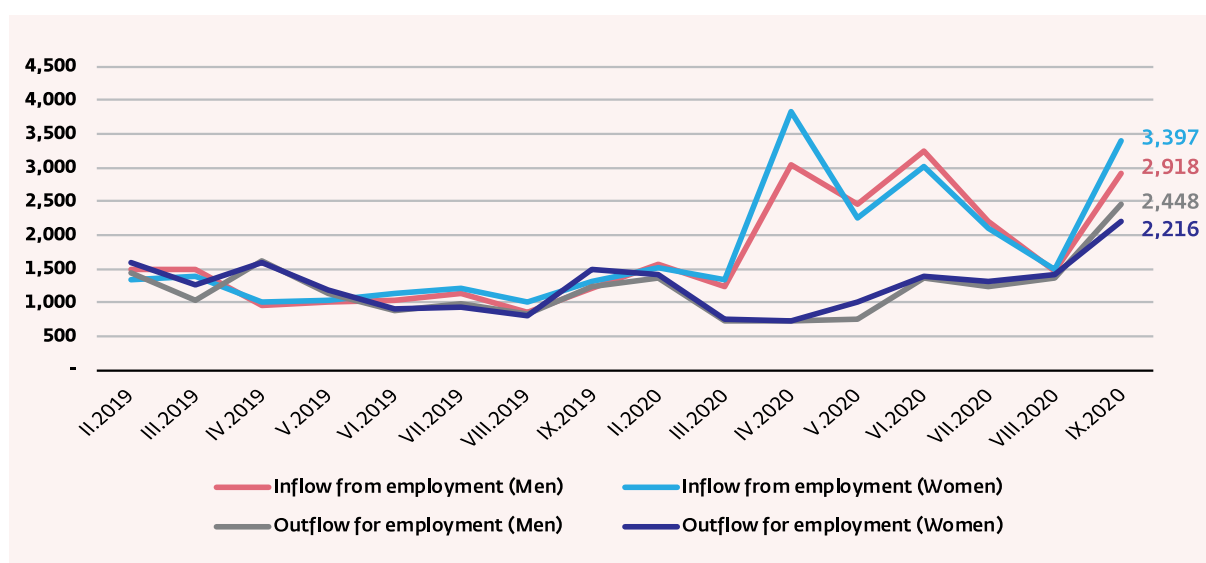
The data from the LFS shows that the relative position of women in the labour market in terms of both employment and unemployment experienced a larger decline in activity rates compared to those for men and yet the activity rate for women in Q3 of 2020 declined by 0.8 percentage points down to 54.7 per cent compared to the previous year. The activity rate for men also declined by 0.5 percentage points down to 76.2 per cent.

The data on registered unemployment shows that the recession was harder on women. In April

2020, 3,855 women lost their jobs compared to approximately 3,033 men. Another spike in job losses appeared in June, which can be attributed to the expiration of the initial wage subsidies scheme that was applicable to wages in April and May (paid in May and June). The outflow from unemployment in these months remained fairly stable up until September when there were both high job losses and high outflows from employment, which can be explained by the introduction of the fourth package of measures (which also included wage support).

FIGURE 4.

Monthly data on registered unemployed and outflows from employment to unemployment (according to gender)



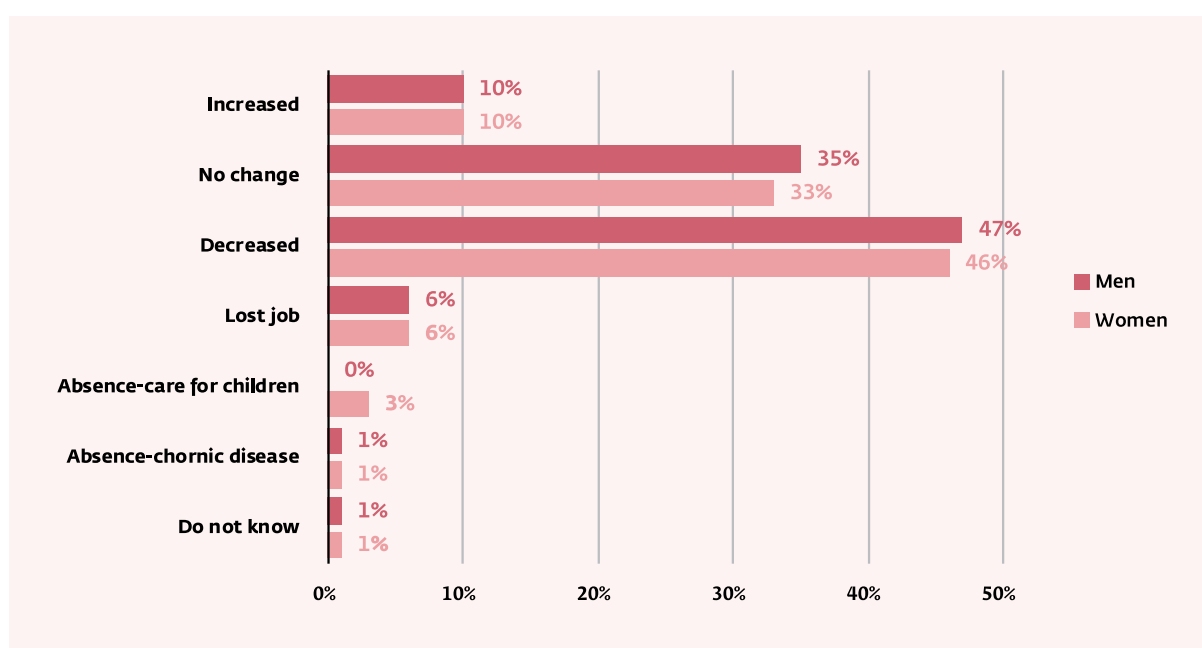
Source: The Agency for Employment of North Macedonia.

The enterprise survey conducted in North Macedonia by the employers' organisations in collaboration with the ILO and the European Bank for Reconstruction and Development (EBRD) shows that employers mainly reverted to shorter working hours, paid annual leave and 'urgency leave' in accordance with the general collective agreement rather than lay-offs.⁴ More specifically, the most widespread adjustment measures to the reduced economic activity were a reduction in working hours (69% of surveyed employers), provision of paid annual leave to employees (43%), changes to the organisation of

work (28%) and access arrangements for customers and/or suppliers (28%). In spite of all measures taken to preserve the workforce, some 9 per cent of the surveyed enterprises had to lay-off some workers.⁵ These results were confirmed by the study of UN Women⁶ that found that the main change for the majority of surveyed employed individuals during the pandemic was a reduction in their working hours, i.e. adjustment at the intensive margin. This was the case for 46 per cent of female workers and 47 per cent of male workers. Figure 5 below shows that an equal share of women and men (6%) lost their jobs.⁷

FIGURE 5.

Changes in working hours during the COVID-19 pandemic (according to gender)



Source: Adapted from a UN Women study conducted in 2020.

⁴ Macedonia2025 (2020). The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia. Available from <https://socijalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-COVID-19-FINAL-rev-4-17-8-20.pdf>. [Accessed October 15, 2020].

⁵ There was no available data on lay-offs according to gender. The new survey currently being implemented incorporates gender and will provide more insight into the relative position of female workers during the pandemic.

⁶ UN Women (2020). Rapid Gender Assessment: The impact of COVID-19 on women and men in North Macedonia. Available from <https://bit.ly/3sUNJ2F>. [Accessed November 1 2020].

⁷ The survey was conducted in May and there may have been certain changes to the adjustment methods of employers in order to cope with COVID-19 in terms of greater use of redundancy (extensive margin).

The pandemic has certainly brought about a large change in the working mode with many employers and workers switching to teleworking (working from home), depending on the nature of their work. It can be expected that administrative workers, clerical workers, public administration and the more educated are more likely to switch to teleworking as their work generally allows for working remotely (in contrast to, for example, sales workers, manufacturing workers, etc.). Given that on average employed women in North Macedonia are better educated relative to employed men, it is reasonable to assume that more female workers are able to switch to teleworking. Moreover, one can expect higher incidence of teleworking among women because of the government measure allowing parents of small children to stay at home given the traditional division of labour in typical Macedonian households.⁸

Indeed, data from the UN Women study conducted in 2020 shows that women are more likely to switch to working from home.⁹ This was the case with 35 per cent of the employed women surveyed relative to 23 per cent of the men. According to the UN Women study from 2020, this was due at least partly to the segregation of women into sectors and occupations, such as education, social work and public administration, where remote work is more applicable.

While working from home adds flexibility to the labour market and may help women to achieve a better balance between their work and private life teleworking during the pandemic it could also place a larger burden on women as they have to balance their job requirements, home school their children and complete other household activities. Indeed, the UN Women study from 2020 found that during the pandemic there has been a large increase in the amount of time women spend on unpaid domestic and care work. For instance, women spent 44 per cent more time on cleaning and maintaining their own dwelling and surroundings during the pandemic and 40 per cent more time on cooking and serving meals and on household management. Only one category, buying groceries, showed an increase in the amount of time men spent completing this task relative to women (37% more time for men compared to 35% for women). This implies an increase in the already existing gender inequalities in terms of the time spent by spouses or partners on unpaid domestic work.^{10 11}

The pandemic has placed the additional burden of caring for children, often performed by older household members (extended family), on parents as most families are trying to protect the elderly from infection. On the positive side, 45 per cent of the surveyed women reported that their spouse or partner helped them more with their household responsibilities during the pandemic.

The closure of schools had the largest effect on the lifestyle of citizens. School closure changed the daily dynamics of 20 per cent of the respondents in the UN Women study from 2020 with more time devoted to supporting children in education. The respondents (18%) also reported increased stress and anxiety (21% of women and 15% of men); the study was implemented in the first months of the pandemic.

Certain population groups are highly vulnerable to the overall economic crisis but there are also less visible groups. These include formerly non-poor informal workers left without basic security and who have lost any possibility to earn but do not meet the criteria for the Guaranteed Minimum Income. The beneficiaries of the Guaranteed Minimum Income include those who used to augment their income through occasional work, the long-term unemployed, seasonal workers, casual and temporary workers and internal and especially external migrants.

The containment measures introduced in some of the countries that usually receive seasonal workers from North Macedonia, such as Italy, Croatia, Greece and Montenegro, had a harsh impact on the labour market and this was also felt by Macedonian workers engaged mainly in agriculture, construction and hospitality. Although there is no official data on the size of the emigrant worker population, migrant workers and their families would certainly have been affected in terms of loss of income. The following section (section 3) shows that the Government of North Macedonia did implement some anti-crisis measures aimed at these groups of citizens.

The study conducted by UN Women in 2020 provides some evidence of decreased income during the pandemic. More specifically, the findings show that 8 per cent of workers engaged in paid work experienced a decline in income along with 3 per cent of those who earn income from agricultural activities and 3 per cent of business owners and freelancers. Men were more likely to face a decrease in their income (22%) relative to women (15%). This is to be expected given the number of paid jobs held by men (461,000 in Q2

⁸ Mojsoska-Blazevski, N. Petreski M. and Stojanova, D., (2019). Female`s labour-market inactivity in a traditional society: Should we change the culture?, Cambridge University Press, Ch. 5 in "Social Exclusion in the Western Balkans".

⁹ UN Women (2020). Rapid Gender Assessment: The impact of COVID-19 on women and men in North Macedonia. Available from <https://bit.ly/3sUNJ2F>. [Accessed November 1 2020].

¹⁰ Ibid.

¹¹ Mojsoska-Blazevski, N. Petreski M. and Stojanova, D., (2019). Female`s labour-market inactivity in a traditional society: Should we change the culture?, Cambridge University Press, Ch. 5 in "Social Exclusion in the Western Balkans".

of 2020) compared to those of women (321,000). Women experienced a greater decline in income from pensions, social payments, remittances and family and government support compared to men. This can be explained by the higher likelihood of women to be inactive in the labour market relative to men which makes them more dependent on these types of support. The decline in income from remittances most affected women in rural areas.

The COVID-19 crisis has had a significant effect on Macedonian companies. According to the enterprise survey conducted in 2020¹², 82 per cent of the surveyed enterprises reported a significant impact on their business caused by the COVID-19 crisis. The majority (43%) reported a reduction in revenue of 50 per cent and more and 11 per cent had been forced to close down temporarily their company. Micro companies were hardest hit by the crisis. The ILO Rapid Assessment study conducted in 2020 identified the most vulnerable sectors of the economy and mapped the aggregate labour vulnerabilities in 39 sectors of the economy, representing around 92 per cent of the workforce.¹³

¹⁴ The analysis showed that 13 sectors had medium to high vulnerability, representing 48 per cent of total employment. When gender-related vulnerabilities were taken into consideration, the number of vulnerable sectors increased to 15 and

covered 49 per cent of total employment. Overall, employment in highly vulnerable sectors was 12.2 per cent (an additional 35.6% had medium vulnerability) whereas 41.6 per cent of total female employment was in high vulnerability sectors (with 7.4% in medium vulnerability sectors).

According to the ILO 2020 study¹⁵, this large difference in vulnerability can be attributed to the high level of women employed in the health and care sectors (77%) that was at the forefront of the crisis and the fact that women are also overrepresented in labour intensive manufacturing (such as the textile industry) and in retail. On the other hand, men dominate in the other sectors found to be highly vulnerable during the pandemic: food and beverage services, retail, transport, warehousing, personal services, construction and related specialised activities and services for buildings. The ILO argues that without adequate measures to support these workers and enterprises the employment rate in North Macedonia could immediately fall by around 5 percentage points.¹⁶ However, by the Q3 of 2020 the actual LFS data showed that the negative effect of the pandemic on the labour market was smaller than that predicted by the ILO. While this could be attributed to timely and effective government measures, there is no available data to support such an assumption.

¹² Macedonia2025 (2020). The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia. Available from <https://socijalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-COVID-19-FINAL-rev-4-17-8-20.pdf>. [Accessed October 15, 2020].

¹³ ILO (2020). COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm. [Accessed June 10, 2020].

¹⁴ Vulnerability was assessed according to several factors: the incidence of self-employment, informal employment, the precarious nature of contracts (with special consideration for temporary and part-time workers), wage levels and the presence of micro-enterprises (up to 10 employees). The estimation of a sector's aggregate labour vulnerability was done using a five-point granularity: low, low to medium, medium, medium to high and high.

¹⁵ ILO (2020). COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm. [Accessed June 10, 2020].

¹⁶ Ibid.

GOVERNMENT RESPONSE TO COVID-19



3. Government response to COVID-19

This current health and economic crisis was unimagined in terms of its severity. It affects supply and demand simultaneously and thus demanded a strong government response in a wide array of areas and target groups. In North Macedonia, as elsewhere, the public health protection measures were the first immediate response to the COVID-19 pandemic. The extent of the measures adopted to protect lives was unprecedented, with limitation of movement, curfews, the closure of schools and companies and the state borders.

Until mid-December 2020, the Government of North Macedonia adopted and implemented four anti-crisis packages containing 70 measures.¹⁷ The total value of the packages was EUR 1 billion or 9.2 per cent of GDP in 2020.¹⁸ At the outbreak of the health crises, North Macedonia was in a specific position in terms of the political environment. More specifically, a technical government comprised of ministers from the major and opposition political parties was established on 3 January 2020 with the main goal to ensure fair and democratic parliamentary elections on 12 April 2020. The mandate of the previous parliament ended on 16 February 2020, which meant that the country was in effect left without legislative power. The pandemic caused the parliamentary elections to be postponed until July 2020, which implies that the economic and health related measures were designed and adopted at a very difficult time from the political and policymaking perspective. On March 18, the President of North Macedonia proclaimed a state of emergency in order to circumvent this standstill. This gave the technical government the mandate to enact decrees with the power of law.¹⁹ This ensured a rapid response to the situation (even faster than the regular process of regular parliamentary procedure).

The economic emergency packages generally focused on the following areas: i) macroeconomic measures to support the economy and prevent a major decline in economic activity (through fiscal and monetary policy), ii) support to businesses to overcome this period and preserve jobs (especially those that were immediately and severally impacted by the pandemic), iii) extension of social

protection to the most vulnerable citizens (through social assistance, unemployment benefits, etc.) that included informally employed workers, iv) stimulation of domestic consumption and of domestic products through one-off payments to poor citizens, v) preserving the health and safety of workers and the health of the overall population and vi) to promote the competitiveness of companies and support investment.

The Law on Equal Opportunities for Women and Men stipulates that the gender perspective should be incorporated in policymaking at all times and in all instances, which also includes cases of emergency. However, according to the UN WOMEN study in 2020, there is no indication that any gender assessments or analyses were conducted within the planning and design of the anti-crisis measures.

The first two packages were already adopted by 10 March²⁰ in the form of rapid intervention measures such as lockdown, mandatory quarantine, travel restrictions, school closures and the closure of the borders. The first sets of measures aimed at helping businesses and vulnerable citizens to overcome the difficulties imposed during this difficult time were adopted on 18 and 31 March 2020. The main business support measures were the following: intensified safety measures at the workplace, subsidies for wages and/or social contributions to the level of the minimum wage (MKD 14,500 per employee), temporary income support measures (i.e. payment of the minimum wage for athletes, artists and other self-employed persons (sole proprietors) and craftspeople and farmers, the deferral of the payment of tax advances and no-interest schemes or low-interest loans through the Development Bank of North Macedonia (DBNM), etc.²¹

Wage support was provided for two months, April and May, meaning that the first wage support for companies was paid in May for April wages, but this was later extended to June. Regarding the subsidy for wages/social contributions, companies were subject to the binary eligibility criterion of whether they suffered a reduction in turnover of 30 per cent or more in April 2020 compared with the

¹⁷ At the time of finalising this report, the Government had announced a fifth package of measures to fight the negative impact of the COVID-19 pandemic. At that time, the fifth package was under preparation and discussions were being held with social partners and business associations.

¹⁸ The Government opened a dedicated website for the COVID-10 vaccine as well as for economic measures related to COVID-19. All measures are explained here <https://vlada.mk/ekonomski-merki-COVID19>.

¹⁹ A list of all government decisions related to the pandemic is available from <https://vlada.mk/COVID19#measures>.

²⁰ This link provides access to the measures in English language: <https://vlada.mk/node/20488?n=en-gb>.

²¹ Farmers registered under the Law on Pension and Disability Insurance were exempt from this measure.

average in the previous year. An additional eligibility criterion was that companies must retain their current level of employment until July and August 2020, respectively. Namely, they must refrain from firing employees with the only acceptable way to reduce employment being through retirement or termination of the contract by the employee or through mutual agreement, court decision or because of permanent incapacity to work. Although the employment retention measures appear generous, the ILO study in 2020 argues that the share of subsidies of the total formal wage bill (a useful measure for cross country comparison) at between 4 and 6 per cent was very small. Section 5 shows that the wage subsidies programme has so far affected 6 per cent of the wage bill.

In addition, a government decision allowed parents of children below the age of ten to stay at home to care for them (one of the working parent) and allowed for extended paid leave for pregnancy, childbirth and parenting. In this regard, the Government instructed employers in the public sector and recommended to private sector employers (for employees who have a minor child up to ten years of age for whom home care is necessary) that one parent be released from work and that their absence during that period should be recorded as a justified absence by the employer, while pregnant women and the chronically ill should be released temporarily from work and work activities (that is, not to go to work and remain at home).²² Yet the employers did not receive any financial compensation for the loss of working hours when their employees had to focus on their family responsibilities. This put considerable pressure on working mothers who had to balance working from home with the additional part-time role of educator for their younger children.

Three specific measures were introduced to protect the income of the most vulnerable: i) expansion of the social protection tools (Minimum Guaranteed Income) for persons and households that did not qualify for job retention measures or unemployment benefit, ii) fast track processing of unemployment benefit for those that lost their job during the pandemic and iii) one-off support for low-paid workers, the unemployed and students on a range from 3,000 to 9,000 MKD. On two occasions (2 and 24 April), the Government relaxed the eligibility rules for the main instrument providing a social protection

floor, namely the Minimum Guaranteed Income. This was to ensure that those who lost income could immediately enter the scheme. In normal times the period for income testing is three months prior to application; however, this was reduced to one month and the property ownership criteria relaxed. This could also have accommodated some informal workers. The initial data showed the low effect that the relaxed criteria had on applications and approved cases. The number of beneficiaries of Minimum Guaranteed Income (households) increased by 4,033 or 14 per cent between March and July 2020 and then declined slightly by the end of the year.²³

Unemployment benefit is the only systemic compensation instrument to protect the income of those who lost the income from their work but who remain ineligible for Minimum Guaranteed Income. While in theory it should work as a powerful automatic stabiliser (provide income support and smooth the consumption for those that lost their job during the crisis) it is not an effective policy tool in North Macedonia as very few of the unemployed meet the previous work experience requirement. Coverage through unemployment benefit accounted for just 4.6 per cent of the unemployed in October 2020 or 7,018 unemployed. According to the ILO study²⁴, most workers that lost their job during this crisis belonged to the second-tier of the labour market (atypical employment contracts) and/or the third tier (informal labour market) and had little or no access to unemployment benefits. The Government later relaxed the criteria for unemployment benefit in order to allow all workers who lost their job during March and April to become eligible for a maximum of two months benefit, irrespective of the grounds for losing their job (except in the case of termination due to the expiry of the contract). Between March and October 2020, the number of beneficiaries of unemployment benefit increased by 49 per cent.²⁵ In October 2020, women comprised 56 per cent of those who used this benefit.

The third package of measures (worth EUR 355 million in case of full implementation and take-up) focused mainly on providing additional income support for poorer citizens.²⁶ Some of the announced measures included consumption vouchers for Macedonian products for the unemployed and low income earners (aged 16+), support for students and

²² There was no data on how many workers and companies used this possibility.

²³ Internal data from the Ministry of Labour and Social Policy.

²⁴ ILO (2020). COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm. [Accessed June 10, 2020].

²⁵ Employment Agency of North Macedonia. Available from <https://bit.ly/3i5RSKX>. [Accessed 2 November 2020].

²⁶ Government of North Macedonia, Statement of the advisor of the Prime minister, Mr. Bytyqi: The third package of economic measures. Available at <https://vlada.mk/node/21431>.

young people in the form of training grants, VAT-free weekend to stimulate consumption,²⁷ support for micro and small and medium sized enterprises in the agriculture sector for ramping up production and the export of products, land consolidation grants, etc. This package introduced specific measures for women, such as interest-free loans and partial grants (30% grants) for micro and small enterprises managed or established by women. The third package also included some measures to support farmers and agricultural production, such as the possibility to modernise agricultural production through a loan from the World Bank amounting to EUR 50 million, support for start-up agricultural family businesses and the possibility to expand the use of farmland, subsidies for the cost of agricultural production, etc.

Early analysis of the effect of the Government's anti-crisis measures showed low outreach. The UN Women study in 2020 implemented from 8 to 20 May 2020 found that 99 per cent of respondents had not received any form of support from the government, while less than 2 per cent had received non-monetary support from civil society or non profit organisations.²⁸ On the other hand, the most recent public poll conducted in June and July showed that about 40 per cent of the respondents stated that at least one family member had received fiscal stimulus from the government.²⁹ Furthermore, more than half of the respondents (53%) held the opinion that the government measures were beneficial or greatly beneficial whereas 27 per cent had a neutral view.

In general, the effect of the economic measures was smaller than intended. For instance, the Government measure for wage subsidies for April involved 127,426 employees rather than the expected and announced 250,000 employees. Similarly, 53,000 employees were expected to benefit from the subsidy covering 50 per cent of the mandatory social contributions but the data show that only 12,200 employees per month benefited from that measure of which slightly less than 50 per cent were women.³⁰ Yet there were measures that were exhausted even in the first month of implementation such as the funds amounting to approximately EUR 5.5 million available for interest-free loans via the public call 'COVID1' (implemented by the DBNM) that were fully exhausted already by 6 April.³¹ Hence, an additional credit line worth EUR 8 million was opened.

Certain categories of women in particular seem to have been left out of the emergency measures. While working women with regular work contracts, some self-employed women, self-employed women artists and craft workers were covered by the measures, unpaid family workers in agriculture, informally employed women, single mothers, manufacturing workers and workers in those sectors that face the largest risk of infection (production as well as shop and healthcare workers, etc.) were not covered.³²

In October 2020, the Government adopted a second supplementary budget that took into account the fourth package of economic measures for mitigating the negative effects of COVID-19. The fourth set included 31 measures grouped into four categories. The categories were as follows: measures for direct financial support to companies, measures for financial support to citizens and tax relief and measures pertaining to systemic solutions. Under the Supplementary Budget, EUR 160 million budget funds were designated for financial support for paying wages, financial support for vulnerable categories, support for producers, manufacturers and exporters of grapes and wine, support for tourist guides, a tourist tax refund for 2019 for realised overnight stays, a VAT refund from the VAT-free weekend, a state loan guarantee and a customs bank guarantee through the DBNM and similar. Most of the measures from this package required some amendments to the legislation, which implies that the implementation of some of the measures will only start in 2021. On the other hand, some measures such as the wage subsidy, starting with October wages, have already been implemented. Within this package, new categories of vulnerable and low-income citizens were included and one-off financial support of MKD 6,000 (approximately EUR 98) will be provided to them. These involve single parent families, passive job seekers and retirees with a monthly pension of up to MKD 15,000 (EUR 244).

Measures supporting digitalisation, such as the e-invoicing platform that is important from the aspect of supporting digital payments, were introduced. A specific measure will be implemented to protect the income of local self-governments in 2021 by changing the calculation for the basis for their financing or allocation of funds. The formula will take into account the average VAT collection for the previous three years rather than of the previous year alone.

²⁷ Government of North Macedonia, Presentation of the third package of measures. Available from <https://bit.ly/3i9wrtr>.

²⁸ This study was implemented after the first two anti-crisis packages. It was the third package that included large financial support for vulnerable and poor citizens as well as young individuals.

²⁹ UNDP (2020). Socioeconomic Assessment of the COVID-19's Impact in North Macedonia. Skopje: UNDP.

³⁰ Ibid.

³¹ This line was intended for the transport, tourism and catering sectors.

³² UN Women (2020). Rapid Gender Assessment: The impact of COVID-19 on women and men in North Macedonia. Available from <https://bit.ly/3sUNJ2F>. [Accessed November 1 2020].

BUDGET REBALANCING
AND A MAPPING OF BUDGET
CUTS AND REALLOCATIONS
UNDERTAKEN BY
THE GOVERNMENT OF
NORTH MACEDONIA IN
RESPONSE TO COVID-19



4. Budget rebalancing and a mapping of budget cuts and reallocations undertaken by the Government of North Macedonia in response to COVID-19

This section provides detailed analysis of the budget rebalancing in response to COVID-19. It looks at the exploratory analysis that was aimed at identifying the gender perspective of the budget reallocations and making the choice on the three specific sectors to be the subject of deeper analysis and at the policy recommendations for mainstreaming gender into budget preparation and rebalancing. More specifically, in sub-section 4.1 an analysis is presented on the budget reallocations based on different classifications of the budget and then in section 4.2 special attention is given to some specific institutions whose budgets have i) been changed significantly within the budget revision and ii) how the measures and programmes implemented are expected to affect women more profoundly. This two-step methodology allowed us to make a more informed choice when selecting the specific sectors/policies of interest.

4.1 Comparison of the pre-crisis budget and the revised budget in response to COVID-19³³

The Government of North Macedonia undertook four sets of economic measures to deal with the adverse impact of the pandemic. Part of these discretionary measures affected the collection of tax and part of them implied an increase in budget expenditure. Both leading to a higher budget deficit (-8.5% of GDP) compared to what was initially planned (-2.3% of GDP).

Several observations emerged when comparing the second revised budget that incorporates the four sets of measures with the initial budget that did not envisage any fiscal costs related to the pandemic. These key observations presented below are structured in accordance with different types of budget classifications.

Economic Classification (see Table 1)

- Total revenue in the second revised budget was lower by 11.7 per cent, mostly because of the 16 per cent decline in the tax revenue. This was partly a result of the economic cycle, namely the decrease in economic activity, and reflected to some extent the government measures in the form of personal (PIT) and corporate income tax (CIT) deferrals intended to ease the COVID-19 shock.
- Total expenditure was higher by 5.5 per cent, with current expenditure revised upwards and capital expenses cut. The increase in current spending stemmed chiefly from the doubling of the amount of subsidies and transfers, which largely reflects the fiscal cost of the undertaken government measures. On the other hand, spending on wages, goods and services was reduced.
- Spending on social benefits was increased substantially in order to cushion the impact of the crisis on households. Social transfers accounted for 46.9 per cent of the overall revised budget expenditure. This category was high even before the pandemic and it has been increased by 2.2 per cent.
- The largest cuts within the category of capital expenditure apply to expenditure within the civil engineering segment (e.g. the construction of roads) and on the procurement of machinery and equipment where the cut was most extensive.

³³ There were two budget revisions in 2020. Data from the second budget revision was used for the purpose of comparison because it included the first three packages of measures.

TABLE 1.

Projected budget revenue and expenditure (billion Denars)

	Budget	Revised budget (2 nd)	Abs.change	%change	Structure (% rev.budget)
TOTAL REVENUE	222.3	196.3	-26.0	-11.7	100.0
Taxes and contributions	197.2	174.3	-22.9	-11.6	88.8
Tax revenue	130.1	109.2	-20.9	-16.1	55.6
Social contributions	67.0	65.1	-2.0	-3.0	33.1
Non-tax revenue	17.3	15.1	-2.2	-12.7	7.7
Capital revenue	2.2	2.1	0.0	-2.0	1.1
Foreign donations	5.6	4.8	-0.8	-14.7	2.4
TOTAL EXPENDITURE	239.7	252.8	13.1	5.5	100.0
Current expenditure	215.9	233.8	17.9	8.3	92.5
Wages and allowances	30.6	30.1	-0.5	-1.5	11.9
Goods and services	20.6	18.0	-2.6	-12.5	7.1
Transfers to LSG	21.4	21.4	0.1	0.3	8.5
Subsidies and transfers	19.0	37.3	18.3	96.0	14.8
Social transfers	116.0	118.6	2.5	2.2	46.9
Interest payments	8.3	8.3	0.0	0.3	3.3
Capital expenditure	23.8	19.1	-4.7	-19.8	7.5
BUDGETBALANCE	-17.4	-56.5	-39.1	225.0	100.0

Source: Ministry of Finance and own calculations.

Organisational classification

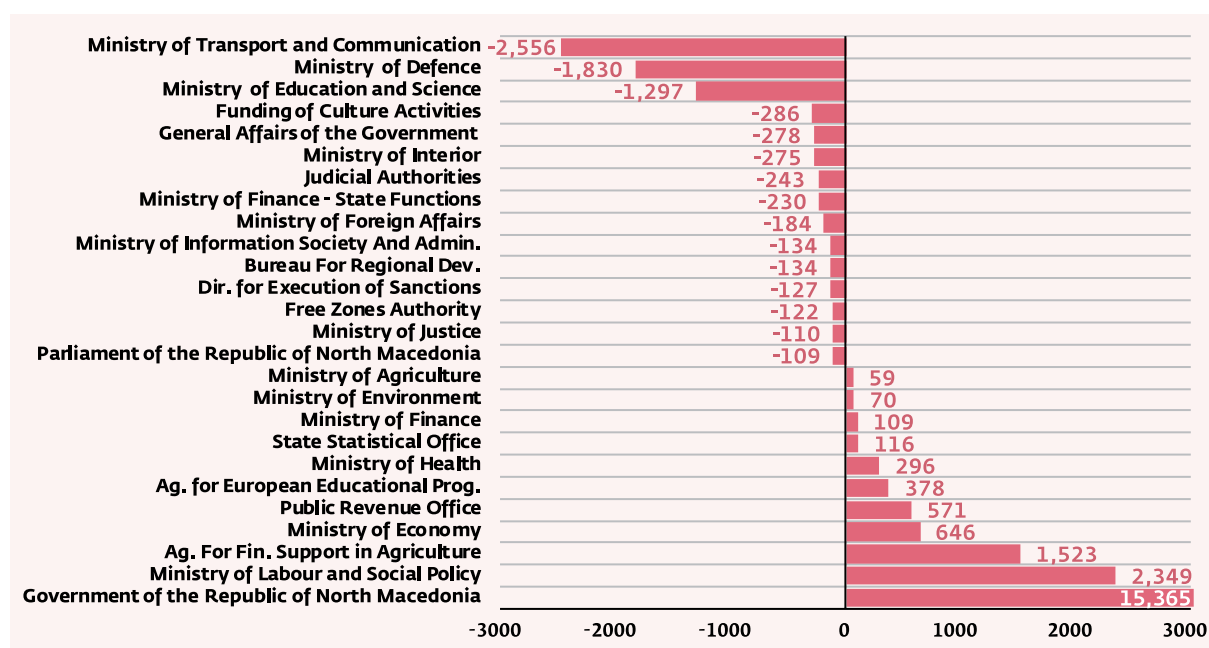
The analysis of expenditure by budget user suggests that they have increased the most for the government at 4.5 times the initial budget. Most of the anti-crisis measures were channelled and implemented through the government (as an organisational unit). The Ministry of Labour and Social Policy implements the second largest set of anti-crisis measures (Figure 6), followed by

the Agency for Financial Support in Agriculture and Rural Development, the Ministry of Economy and the Ministry of Health including the Health Insurance Fund, etc.

Expenditure did not change a lot for a certain number of budget users, while the most affected were the Ministry of Transport and Communication, where expenditure was cut by 44 per cent, followed by the Ministry of Defence, the Ministry of Education and Science, funding of culture activities, etc. (Figure 6).

FIGURE 6.

Budget users most affected by the fiscal measures (difference in millions of Denars)



Source: Own calculations based on Ministry of Finance data.

Functional Classification (COFOG)

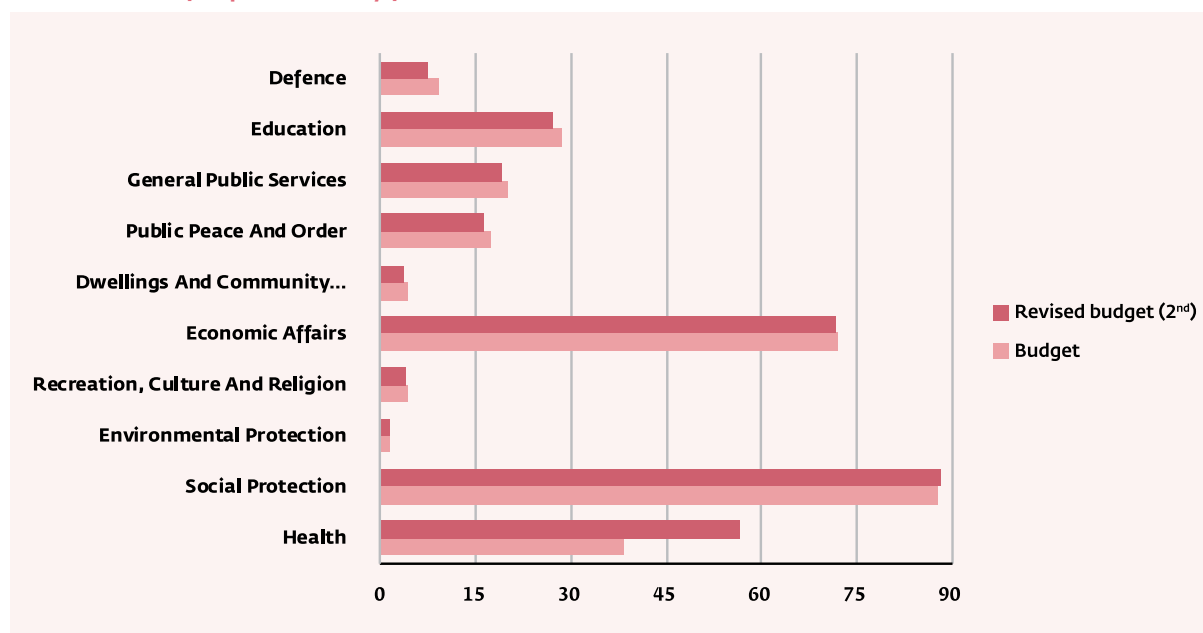
The data shows that compared to the initial budget expenditure on health has been increased the most in absolute terms by 47 per cent, which is a result of the need to deal with the impact of COVID-19 on human lives. (Figure 7). An increase in budgeted expenditure was also seen in social protection

whereas funds for the other categories were mainly cut with defence losing 17 per cent, followed by expenditure on education.

Although lower when compared to the initial budget, mostly as a result of spending cuts on transport, expenditure on economic affairs increased for agriculture and related activities.

FIGURE 7.

Reallocation of expenditure by function (billion Denars)



Source: Own calculations based on Ministry of Finance data.

Expenditure by government programme

A review of budget expenditure per programme showed that a new programme titled 'Measures to deal with the COVID-19 Crisis' was created within the first revised budget. Funds to the amount of almost EUR 200,000 were allocated for this programme, which increased to around EUR 300,000 in the second revised budget (Table 2).

TABLE 2.

Initial and revised funds for government programmes (million Denars)

	Budget	Revised budget	Abs. change	% change	Structure (rev. budget)
EU Integration	4,677.0	2,951.8	-1,725.2	-36.9	5.4
Economic development	6,014.5	4,454.0	-1,560.5	-25.9	8.2
Promotion of defence and security	1,845.7	835.7	-1,009.9	-54.7	1.5
Measures to reduce poverty	3,830.0	3,327.9	-502.1	-13.1	6.1
Investment in education	821.6	585.1	-236.5	-28.8	1.1
Regional development	561.7	426.6	-135.1	-24.1	0.8
Information and communication technology	1,309.7	1,222.4	-87.3	-6.7	2.2
Public administration reform	603.9	548.2	-55.7	-9.2	1.0
Improving the environment	315.4	270.1	-45.3	-14.4	0.5
Strengthening the rule of law	1.6	1.2	-0.4	-22.2	0.0
Decentralisation	21,374.6	21,440.1	65.5	0.3	39.3
Measures to deal with the COVID-19 crisis	0.0	18,541.7	18,541.7		34.0

Source: Ministry of Finance and own calculations.

On the other hand, programmes such as EU integration, promotion of defence and security, investment in education and the programme for economic development and measures to reduce poverty suffered the most. Budget cuts to these programmes were driven by the reduction in funds for IPA-2, NATO integration, construction and reconstruction of student dorms and construction of school gyms in primary schools, investment in the railway infrastructure, promotion of local and regional competition in the field of tourism, technological industrial development zones, social contributions subsidies to support salaries, etc.

The findings on the budget cuts for budget users per economic classification and budget programme showed that the increased budget expenditure of the Government related to the introduction of the new programme the so-called 'Measures to deal with the COVID-19 Crisis'. Support to the economy was provided in the form of wage subsidies to employers and payment cards (one-off support) for low-income workers, the unemployed, youths, etc. More funds were budgeted for financial support of investment and for attracting foreign direct investment. By economic category, an increase in expenditure was observed for transfers and capital expenditure whereas cuts were made in terms of wages, goods and services and for contractual services in particular.

4.2

Budget revisions in response to COVID-19 with focus on selected budget users

Based on the previous analysis and taking into account the objective of this report, the analysis below focuses on several budget users that implement programmes that are of interest to the current report from the gender perspective. This was used as an additional second step in the background analysis to inform the researchers on the choice of the three sectors or measures for further analysis and to explore the gender dimension of budget rebalancing during the COVID-19 pandemic.

Government of the Republic of North Macedonia

The analysis of expenditure per budget user suggests that the largest surge in expenditure applied to the government: MKD 15.4 billion representing an increase of 4.5 times compared to the initial budget. As explained earlier, this is attributable to the introduction of the new programme the so-called 'Measures to deal with the COVID-19 Crisis'. This programme provides support to the economy in the form of wage subsidies to employers and payment cards for low income workers, retirees with low pensions, the unemployed, single-parent families, youth, etc.³⁴ More funds were budgeted for financial support for investment and for attracting foreign direct investment. By economic category, an increase in expenditure was observed for transfers and capital expenditure whereas cuts were made to wages, goods and services and contractual services in particular.

³⁴ Some of these measures, such as the one-off income support for single-parent families, have yet to be implemented.

Ministry of Agriculture, Forestry and Water Economy

Budget expenditure for the Ministry has increased by almost MKD 60 million or 4.3 per cent compared to the pre-crisis budget, mostly as a result of increased capital expenditure on, for example, the purchase of equipment and machinery that is reflected in the expenditure on the hydro system Zletovica. At the same time, expenditure cuts were made mostly to services and in particular to contractual services. Because of the pandemic, savings were also made through lower expenditure on utilities such as heating and on communication and transport. The analysis of expenditure per budget programme showed that expenditure was cut mostly for byproduct management, water management and for the programme for the irrigation of the southern valley of Vardar. In respect to gender, this did not give us a lead for further investigating of whether and to what extent the budget reallocation has affected women and men.

Agency for Financial Support of Agriculture and Rural Development

While the Ministry of Agriculture, Forestry and Water Economy sets policy in the area of agriculture and rural development and design measures and programmes, the Agency for Financial Support of Agriculture and Rural Development (AFSARD) is the main implementing body for the financial support. Expenditure for this budget user increased by around MKD 1.5 billion or 20.4 per cent compared to the initial budget. This increase reflects the increased level of financial support (subsidies and capital grants) for agriculture and for rural development, accounting for around 55 per cent and 46 per cent respectively of the total increased spending.

One way to look at the increased distribution of expenditure in terms of gender is to analyse the employment data in the agriculture sector according to gender (Table 3). The agriculture sector employs around 12 per cent of all employed individuals in North Macedonia but there is also a high number of

household members who contribute to agricultural production. While men dominate employment in agriculture, this sector is important to gender equality because many working women are engaged as contributing family workers or 4.5 per cent of total female employment (meaning informally and without a direct income for their work). Hence, it is worthwhile to explore in more detail how the increased funding for agriculture and rural development was utilised and whether the budget reallocations reflect the relative position of women in this sector. This is indeed a subject for the analysis in section 5.

The Ministry of Labour and Social Policy

Budget expenditure for the Ministry has increased by MKD 2.35 billion or 4.8 per cent compared to the pre-crisis budget. The increased budget expenditure relates mostly to the introduction of the programme 'Measures to deal with the COVID-19 Crisis' through which support for the most vulnerable groups is provided, accounting for around two-thirds of the total increase (Table 4). More funds were budgeted for supporting the social funds, mainly through transfers to cover the deficit in the Pension and Disability Fund.

Cuts were made mostly to measures to reduce poverty and in particular to social contribution subsidies for wage increases (planned at the beginning of the year), reflecting the deteriorated economic environment through the reduced capacity of employers to raise wages during the crisis. Expenditure on, among others, the programme for improving the social sector and pension system, deinstitutionalisation, social services, construction, equipment and maintenance of facilities for child protection was also cut.

Social contribution subsidies for wage increases as an anti-crisis measure was used by almost 23,000 companies per month on average since March, supporting an increase in wages for around 114,500 employees per month on average through the monthly budget support of EUR 2.8 million.

TABLE 3.

Employed according to gender in the agriculture sector in 2019 and 2020 (in thousands, age 15+)

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2
Total	110.6	113.3	116.2	104.1	99.1	96.4
Men	68.2	69.0	72.9	66.7	60.9	59.4
Women	42.4	44.4	43.3	37.4	38.2	37.0
Share of women in the total	38.3	39.2	37.3	35.9	38.5	38.4

Source: Eurostat.³⁵

³⁵ Available at: https://ec.europa.eu/eurostat/databrowser/view/lfsq_egan2/default/table?lang=en.

TABLE 4.

Ministry of Labour and Social Policy expenditure per programme (million Denars)

	Budget	Revised budget (2 nd)	Abs. change	% change	Structure (% rev. budget)
Administration	3,143	3,432	289	9.2	6.7
Child protection	115	92	-23	-20.1	0.2
Social protection	1,581	1,484	-97	-6.1	2.9
Fees and social rights	11,147	11,131	-16	-0.1	21.7
Support of social funds	28,375	29,495	1,120	3.9	57.4
Gender equality	11	10	-1	-8.9	0.0
Decentralisation	2,150	2,147	-3	-0.1	4.2
Measures to reduce poverty	2,519	2,017	-502	-19.9	3.9
EU integration	9	8	-1	-10.9	0.0
Measures to deal with COVID-19	/	1,583	1,583	/	3.1

Source: Ministry of Finance and own calculations.

The Ministry of Labour and Social Policy has several programmes and policies that merit closer inspection from the gender perspective. The first is the labour market policy. The analysis in section 2 showed that the effect of the pandemic on the position of women in the Macedonian labour market was ambiguous. LFS data recorded some improvement in the main labour market indicators for women (increased employment rate and lower unemployment rate) but also revealed a declining participation rate. Administrative data from the Agency for Employment showed that women were more likely to be fired (or lose their job) during the crisis. This data should be analysed along with the data on the beneficiaries of unemployment benefit according to gender (changes and share during the pandemic) together with the data on their participation in active labour market programmes in 2020 so as to be able to assess whether the relative position of women improved or deteriorated during the crisis and ascertain the effect of the budget cuts.

Another programme that could be of interest and merit more profound analysis is the Guaranteed Minimum Income scheme. Formal and informal job losses caused the income of both men and women

(and families) to decline. As explained in section 3, some relaxation to the eligibility criteria for Guaranteed Minimum Income was made in order to allow for faster inclusion in social assistance for those who lost their job but were ineligible for unemployment benefit (terminated temporary work contracts, lost informal jobs, etc.).

The Ministry of Education and Science

The Ministry saw a reduction in budget expenditure of MKD 1.3 billion or 4.8 per cent compared to the pre-crisis budget. This was because of expenditure cuts for goods, services, wages and investment such as spending on all levels of education and in particular projects in primary and secondary education and almost all university education institutions as well as overall capital investment in education. This is a clear reflection of the implications of the pandemic.

At the same time, more funds were budgeted for university students' standard, the transfer of competencies to local government units and for the introduced programme 'Measures to deal with the COVID-19 Crisis' (Table 5).

TABLE 5.

Ministry of Education and Science expenditure per programme (million Denars)

	Budget	Revised budget (2 nd)	Abs. change	% change	Structure (% rev. budget)
Administration	329	279	-50	-15.3	1.1
Primary education	997	534	-463	-46.5	2.1
Secondary education	903	667	-236	-26.2	2.6
University education	6,181	5,473	-708	-11.4	21.5
Secondary students' standard	237	250	13	5.3	1.0
University students' standard	590	843	253	42.8	3.3
Science	343	351	8	2.2	1.4
Decentralisation	16,182	16,225	43	0.3	63.6
EU integration	203	225	22	10.7	0.9
Investment in education	822	585	-237	-28.8	2.3
Measures to deal with COVID-19	/	60	60	/	0.2

Source: Ministry of Finance and own calculations.

The Ministry of Culture

The Ministry of Culture Funds saw cuts of almost MKD 34 million or around 10 per cent compared to the initial budget. This was mostly due to reduced capital expenditure, transfers and travel expenses, while budget programmes funds were cut mostly for the Administration for the Protection of Cultural Heritage.

Funding of culture activities

Budget expenditure on funding culture activities was reduced by MKD 286 million or around 8 per cent compared to the initial budget. This was mostly due to reduced transfers and capital expenditure. When analysed by budget programme, less funds were budgeted for film activities, museum activities and the maintenance of facilities and equipment in the field of culture.

TABLE 6.

Funding of culture activities according to programmes (million Denars)

	Budget	Revised budget (2 nd)	Abs. change	% change	Structure (% rev. budget)
Publishing activity	121	137	16	13.2	4.2
Library activity	126	136	10	7.9	4.2
Film activity	337	191	-146	-43.3	5.9
Music and theatre	1,435	1,461	26	1.8	45.1
Protection of cultural heritage	338	280	-58	-17.2	8.6
Art and galleries	41	31	-10	-24.4	0.9
Cultural events	148	127	-21	-14.2	3.9
Museum activities	557	472	-85	-15.3	14.6
International cooperation	128	80	-48	-37.5	2.5
Decentralisation	297	324	27	9.1	10.0
Measures to deal with COVID-19	/	4	4	/	0.1

Source: Ministry of Finance and own calculations.

BUDGET CUTS AND
REALLOCATIONS IN SECTORS
OF HIGH IMPORTANCE IN
TERMS OF GENDER EQUALITY



5. Budget cuts and reallocations in sectors of high importance in terms of gender equality

This section provides an in-depth analysis of the sectors/policies that were identified as sectors of high importance to gender equality. This is based on the two-step analysis performed in section 4 and following a consultative process involving the key informed persons in the area of gender budgeting. The latter included UN Women staff in North Macedonia and the national gender expert working with several government institutions on implementing gender-responsive budgeting at the central level. The sectors were i) the labour market (in its entirety, including employment policy and unemployment benefits), ii) female entrepreneurship, iii) poverty and the social assistance programmes, particularly the Guaranteed Minimum Income scheme, and iv) the agriculture sector and agricultural and rural development policy.

5.1 Labour market, unemployment benefit and active programmes

General overview of the labour market from the gender perspective

Section 2 provides a more detailed analysis of labour market developments during the COVID-19 pandemic. The LFS data shows a somewhat positive development for women in the labour market in the first three quarters of the year. In particular, the number of jobs of women in Q3 of 2020 was higher by approximately 3,300 compared to the same quarter in 2019 whereas men lost 17,000 jobs. In addition, the unemployment rate for women declined whereas the rate for men increased. Yet the inactivity rate for women also increased. In Q3, increasing the gender activity gap to 21.5 percentage points up from 21.2 in the previous year. Similarly, administrative data from the Agency for

Employment shows that women are more likely to lose their job during the pandemic. Hence, the present study provides deeper analysis of the labour market based mainly on administrative data. As more women lost their job, the study provides an analysis of whether the labour market policies (mainly the unemployment benefit and the active labour market policies) were used to accommodate the negative consequences for women who lost their job and of unemployed women in general.

The administrative data showed that between January 2020 and October 2020 a total of 18,432 jobs were lost on a net basis,³⁶ which represented 18 per cent of the total number of unemployed in January 2020 (prior to the recession). This compares to approximately 2,066 jobs being lost on a net basis over the same period in 2019. Of this, women lost 9,231 jobs in net terms (18% of unemployment women in January 2020) and men 9,201 (17% of unemployment men overall). Hence, the total number of registered unemployed has increased continuously since the outbreak of COVID-19 in Northern Macedonia. It was higher in October by around 25 per cent compared to February. Two opposite trends were observed during that period: an upward trend in active jobseekers and a decrease in passive jobseekers,³⁷ with the exception of July and October (Figure 8). There was a significant jump in the number of passive jobseekers in October of around 36 per cent in the total number of unemployed. This most likely relates to the Government's announcement on the provision of payment cards for this category of unemployed, which was not the case in the previous measure of one-off financial support for low-income citizens. In October, the distribution of passive jobseekers (and beneficiaries) by gender was even.

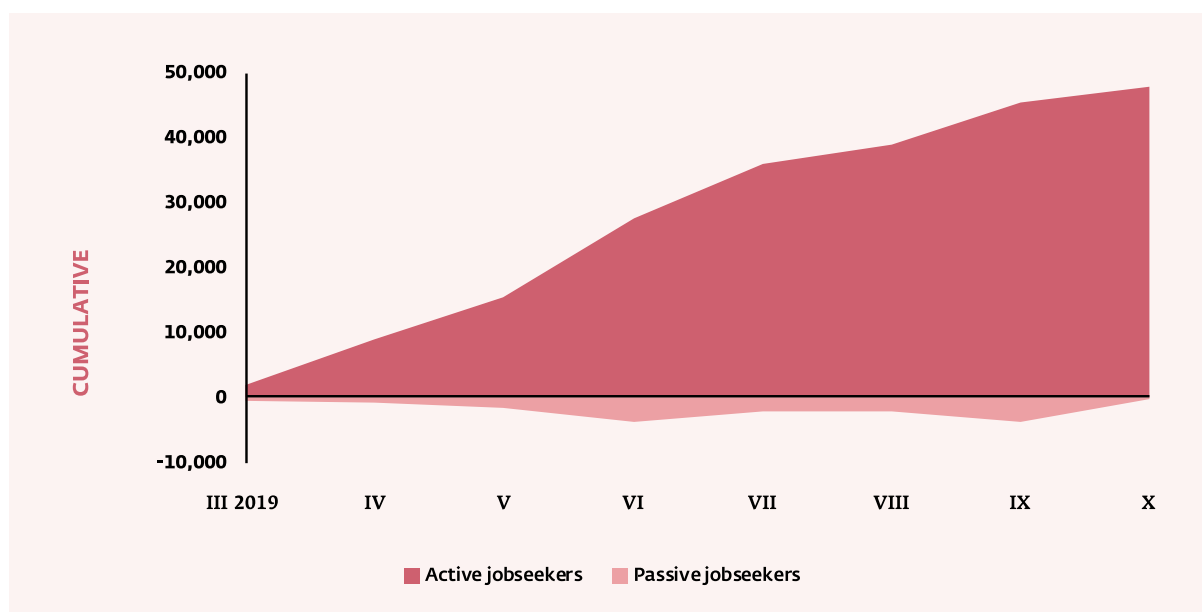
The share of women in terms of total unemployment (active jobseekers) increased from 48.5 per cent in February 2020 to 50 per cent in October due to higher inflows of previously employed women into unemployment. The number of unemployed women increased by 50 per cent between February and October 2020 whereas the same increase for men was 41 per cent over that period (Figure 9). In June, out of the total number of unemployed, 49 per cent were women (around 65,000) eligible for payment card support.

³⁶ Calculated as an outflow from the unemployment register to a job minus the inflow to the register from employment.

³⁷ Registered unemployed self-report whether they are active or passive jobseekers. Active jobseekers have access to more services (mainly ALMPs), but at the same time have more obligations (regular reporting on their status). Jobseekers can easily switch between these two categories.

FIGURE 8.

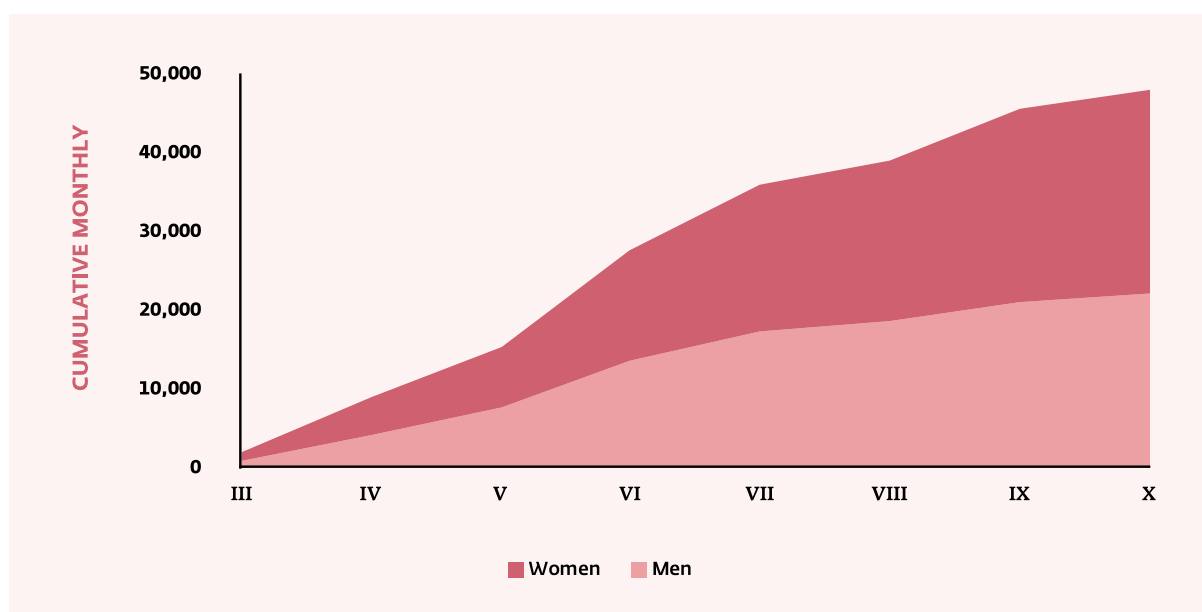
Active versus passive jobseekers, cumulative monthly difference (February 2020=0)



Source: Employment Service Agency.

FIGURE 9.

Male versus female active jobseekers, cumulative monthly difference (February 2020=0)



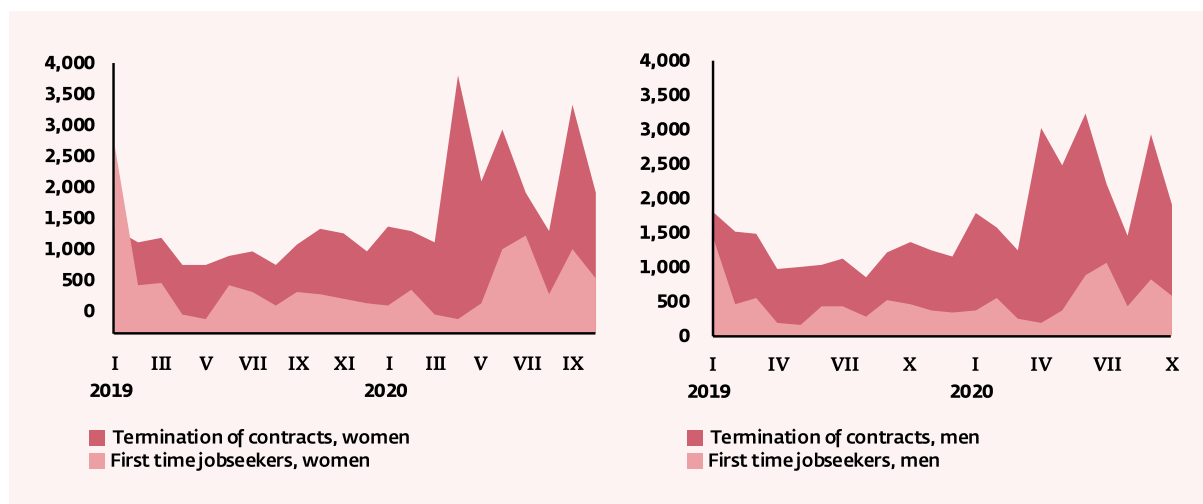
Source: Employment Service Agency.

The increase in the number of unemployed (active jobseekers) during the pandemic relates mostly to increased inflow on the grounds of termination of contract, for both women and men. During the crisis period (March through October), the inflow on average per month on this basis was up by nearly 90 per cent compared to the monthly average in the

previous year. This increase in inflow from employment was slightly higher for women (92%) relative to men (87%). The situation with first-time jobseekers was the opposite with men registering growth of about 21 per cent during the crisis period compared to the same period in the previous year whereas female first-time jobseekers increased by just 8 per cent (Figure 10).

FIGURE 10.

**Inflow into the unemployment register according to gender and different basis
(in thousands per month)**



Source: Employment Service Agency.

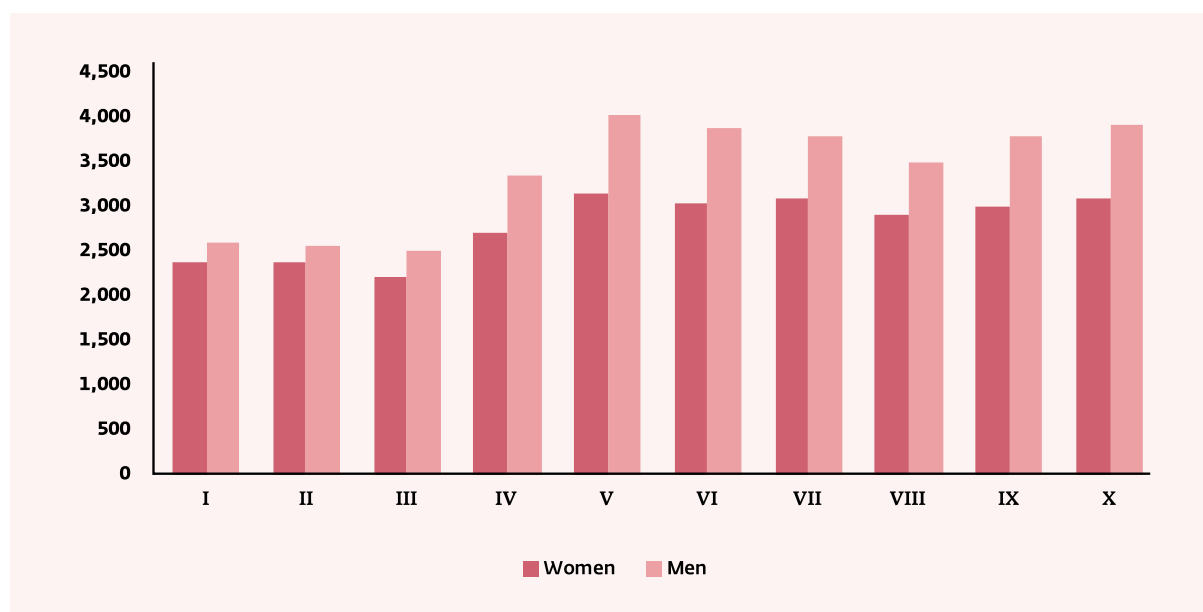
Budgetary support for retaining jobs and for those who lost their job

Generally, there were four types of measures aimed at those **who lost their job** during the pandemic that should have covered both formal and informal workers: unemployment benefit, one-off financial support, Guaranteed Minimum Income and active labour market programmes. In the case of formal workers, the income support came through a relaxation of the eligibility criteria for unemployment benefit as well as through one-off income support through the payment cards. When it came to informal workers who had lost their job the support was provided through changes to the eligibility criteria for Guaranteed Minimum Income aimed at ensuring faster and easier entry into the system. Section 4 provides a detailed explanation of the changes made to the criteria for unemployment benefit and Guaranteed Minimum Income.

The number of beneficiaries of unemployment benefit increased during 2020. This can be attributed to some extent to the temporary relaxation of the criteria by the government in response to the crisis and the deterioration of labour market conditions. The increase in support provided through unemployment benefit followed the general trend of increased unemployment and job losses according to gender (Figure 11). The number of beneficiaries increased by approximately 49 per cent in October compared to March, with women registering growth of 57 per cent and men almost 41 per cent. Therefore, the ratio of female to male beneficiaries was closer to 56 per cent in October up from around 53 per cent in March. While no specific new gender sensitive policy was in place, the relaxed eligibility criteria for unemployment benefit helped women more as they were overrepresented among those who lost their job. Yet very few jobseekers (4.6% in October 2020) were entitled to unemployment benefit meaning that this programme does not provide a large safety net for those individuals and their households.

FIGURE 11.

Number of users of unemployment benefit according to gender



Source: Employment Service Agency.

The data on active labour market policies shows an increasing number of participants up from 7,598 in 2019 to 10,632 by end November 2020. Women constituted more than half (52.5%) of the total number of participants in active labour market policies in 2019; however, the number of female participants as an absolute value increased in 2020 from 3,991 to 4,655 but declined in terms of the share of women down to 43.8 per cent as a result of the much more pronounced increase in male participants up from 3,607 in 2019 to almost 6,000 in 2020.

In order to support low income workers directly and to registered unemployed jobseekers as well as spur domestic production, the government provided payment cards worth about EUR 22 million (0.2% of GDP) for use during the third quarter of 2020. In the fourth package, this measure was extended to include passive jobseekers.

Therefore, payment cards were provided to the following:

- a) 113,000 registered unemployed jobseekers (MKD 9,000, worth around EUR 16.5 million);
- b) 111,000 low income workers (MKD 3,000, worth around EUR 5.4 million);
- c) around 85,000 passive jobseekers (MKD 6,000, worth EUR 8.3 million).

Section 4.4 below analyses the expansion of the Guaranteed Minimum Income scheme in 2020 through a gender lens.

Furthermore, tourism vouchers to the amount of MKD 6,000 were provided to low income workers in order to support domestic tourism whereby 117,000 citizens received vouchers worth EUR 12 million in total or 0.11 per cent of GDP. The tourism sector also receives help through a set of measures such as wage subsidy for tour guides, tourist tax refund and support for travel agencies, which amounts in total to MKD 10.6 million or 0.1 per cent of GDP.

The measures to **preserve employment** focused mainly on wage subsidies. Wage subsidies were one of the measures with the largest fiscal cost and impact on the labour market. Initially, for April and May, the wage subsidy for the private sector was at the level of MKD 14,500 (minimum wage level), but was extended through June. It is intended for companies and self-employed that suffered at least a 30 per cent decline in revenue.

In total, EUR 84 million (0.8% of GDP) was spent on this measure. This was utilised by the following:

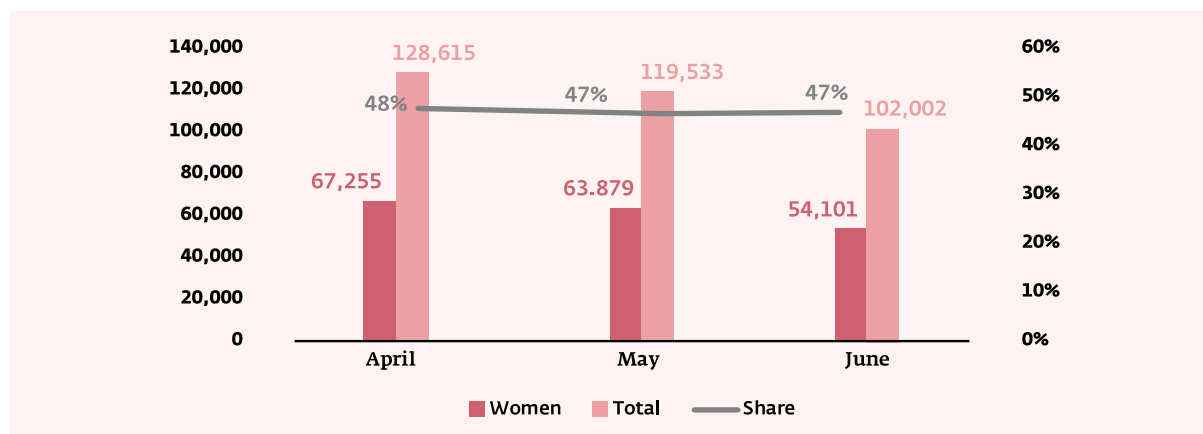
- 19,300 companies supporting around 117,000 jobs/workers on average per month or around 18 per cent of the total number of employees;
- 5,900 self-employed per month, accounting for almost 8 per cent of the total number of self-employed.

On average, women used 47 per cent of the total wage subsidies for workers over the period April-June (Figure 12). The total number of jobs in the economy held by women (320,000 in Q2 of 2020) was far less when compared to those held by men (461,000). This data suggests that the wage subsidy programme was more skewed toward women. In May 2020, for

instance, subsidies 'covered' 17.4 per cent of the total number of employed women compared to 14 per cent of male employment. However, it also shows another important finding, the pandemic hit jobs held by women harder (demonstrating their higher vulnerability) and the subsidies prevented more potential job losses among women than men.

FIGURE 12.

Share of women in relation to total wage subsidies over the period April-June 2020



Source: The Ministry of Finance and the Public Revenue Office.

The above data suggests the relatively large scope of the wage subsidy programme. Yet additional calculations showed that wage subsidies were of the amount of around 6 per cent of the overall wage bill in the country, which is relatively small (although still higher than the ILO projection for 2020 of 4% of the wage bill). Using this methodology showed that the wage subsidy rate was higher for women (7%) than for men (6%), assuming no gender wage gap.

TABLE 7.

Wage subsidies as a share of the overall wage bill for Q2 of 2020

Q2 2020	Wage earners	Own account workers	Total
Persons	641,587	83,770	725,357
Average gross wage	118,072	118,072	118,072
Wage bill (in MKD millions)	75,753	9,891	85,644
Wage subsidy (in MKD millions)	4,889	256	5,146
Wage subsidy rate	6.5	2.6	6.0

Source: Own calculations based on LFS data, data on wages from the State Statistical Office and data on paid subsidies.

Implementation of this measure continued in the fourth quarter, although somewhat modified with the subsidy ranging between MKD 14,500 and MKD 21,776 depending on the level of decline in revenue. The data for October showed that EUR 15.5 million was spent supporting almost 61,000 jobs in around 12,500 companies, while a further EUR 5.4 million was spent supporting around 4,300 self-employed. The support provided to both categories covered around 9 per cent of the total number of workers and self-employed. There was no data available on the wage subsidies from October according to gender.

Additional support to companies was provided in the form of interest-free credit lines funded by the DBNM and intended for the transport and tourism sectors and catering activities aimed at liquidity purposes.³⁸ The two interest-free credit lines supported companies employing 17,800 workers or 2.8 per cent of the total number of workers. While not intended to preserve employment directly this measure certainly helped companies to retain their workforce. There was no available data for this measure according to gender.

³⁸ An additional EU funded interest-free loan to the amount of EUR 31 million with a grant component (30%) is envisaged for supporting women, youth and the digitalisation of business.

Summary

The pandemic has brought an increase in the number of registered unemployed and has affected women specifically in terms of job losses. Yet data from the LFS shows that some labour market indicators (the employment and unemployment rates) for women improved during the pandemic, although their level of activity declined. Analysis shows that the employment policy adapted quickly to the new environment and that relatively effective changes were made to the employment policy and social assistance in order to preserve the income and living standard of those that lost their job (both formal and informal workers) and to help employers retain their workforce. The data on unemployment benefit showed a larger increase in the number of female beneficiaries than male, which is in line with the worsening position of women in the labour market (registered unemployment). Although the Government decision to change the criteria for eligibility for unemployment benefit did not take into account the gender perspective, it resulted in relatively good income protection for women. The effect of the wage subsidy programme can be considered balanced in terms of protecting the jobs of both women and men who might otherwise have been lost. However, the active labour market policies whose main goal is to bring unemployed into employment or to preserve employment were skewed toward greater support for men than for women.

5.2

Support for female entrepreneurship during the COVID-19 pandemic

General overview of female entrepreneurship

Compared to men, women in North Macedonia are far less likely to run a business (Table 8). While 18 per cent of men were self-employed, just 8 per cent of women were self-employed. Of the 31,700 employers (self-employed persons with employees) 25,400 (80%) were male and only 6,300 female employers. An additional gender difference favouring men was that among self-employed men there was a higher share of employers (meaning they had employees) relative to the share of employers among self-employed women. More specifically, 30.4 per cent of self-employed men were employers and the remaining 69.6 per cent were own-account workers (self-employed persons without employees). Mojsoska-Blazevski (2018) shows that the impediments to entrepreneurship (and employment) are particularly strong for women who live in rural areas, are from ethnic minorities, less educated and those engaged in agriculture.

It is also important to determine whether the self-employment is a result of a lack of alternatives or is opportunity driven (solid business rationale). While there was no hard data available to distinguish between these two types of entrepreneurship a very approximate way to consider this is to ascertain whether the own-account workers are self-employed in order to 'survive', namely as a second best alternative to finding a regular job. Along this line of reasoning, women are slightly more likely to enter into entrepreneurship because of an inability to find a job in the labour market.

TABLE 8.

Self-employment according to gender in Q2 of 2020 (in thousands and percentage)

	Employed persons	Self-employed persons	Share of self-employed in the total	Employers	Share of total self-employed	Own-account workers	Share of total self-employed
Total	782.1	109.3	14.0%	31.7	29.0%	77.5	70.9%
Men	461.3	83.6	18.1%	25.4	30.4%	58.2	69.6%
Women	320.8	25.7	8.0%	6.3	24.5%	19.3	75.1%

Source: Eurostat.³⁹

³⁹ Available at: <https://bit.ly/2LMkZrx>.

According to the Ministry of Economy, 29.4 per cent of the total number of active enterprises were owned or co-owned by at least one woman (an ownership share of at least 50 per cent) in 2017.⁴⁰ However, those enterprises employed just 13 per cent of total number of employees in the country. Most of the female owned enterprises were micro (78%) or small (21.3%), although this structure is very similar to the overall structure of enterprises based on size. Moreover, the data shows that the businesses owned by women were very small and the average number of employees was two. Most of those enterprises were in the trade sector, followed by manufacturing, and professional and technical activities.

Data contained in the EBRD Life in Transition Survey for 2016 (the most recent available) showed that only 10.3 per cent of adults in North Macedonia had attempted to set up a business, which was lower than the average share in the low-performing transition countries: the average in Bulgaria, Croatia, Latvia, Lithuania, Romania and Slovakia was 12.1%.⁴¹ Women were far less likely than men to have started an entrepreneurial activity (6.6% compared to 14%). Of those persons who did try to start a business, 70.5 per cent succeeded (a success rate comparable to regional figures for the Western Balkans). The data also shows that compared to men when setting up their own business women in North Macedonia were at least as likely to succeed.

Data from the 2016 Life in Transition Survey also shows that 44 per cent of respondents in the Western Balkans region who were not successful in starting a business reported lack of capital as the main problem, although the data shows that access to capital was more problematic among men than among women. Global financial inclusion data from the Global Findex shows that financial inclusion in North Macedonia is relatively high compared to the region and the level of development.⁴² In 2017, for instance, 77 per cent of the population of the country aged 15 or above had a transaction account with a bank, which is a comparatively high level for middle-income countries and the region. One of the factors that contributed to this high level of 'banked' population is the legislation that requires that, for instance, even social assistance be transferred through a bank account. However, compared to men, women were less likely to have a financial ac-

count: women 73 per cent compared to 80 per cent of men. There was also gender difference in terms of borrowing money whereby 36.2 per cent of women borrowed money, which is below the national average of 40 per cent.

Property ownership can also present a constraint to accessing financial markets, if it means that there is no collateral to obtain a loan to start a business. Women in North Macedonia have a very small share of overall property ownership and men own the majority of property (83.4%).⁴³ Although there is legislation that protects the right of women to own property, customs and traditional social norms generally and especially in rural areas prevent more women from owning property. Women (especially low educated women in rural areas) also lack information on their rights in this respect.

The Strategy for Female Entrepreneurship 2019–2023 of the Ministry of Economy (2018) identifies several key constraints to female entrepreneurship, which include the following:

- The prevalent culture in the country results in the traditional division of gender roles within the household, in the labour market and in education. This causes women to lack self-confidence and fear failure and this limits their willingness to start a business. Female entrepreneurs also find it very difficult to create a balance between their work at home and their employment or business activities.
- Women suffer from limited access to finance, especially given their low level of property ownership. However, the strategy argues that women are less inclined (less willing) to obtain loans to start up a business and instead prefer to rely on their own savings or to borrow from family or friends. Female entrepreneurs rarely seek loans and grants or other types of financial support (as well as expert support).
- The segregation of women in education into social sciences and education also contributes to the low share of women that start their own business.

The above shows that supporting female entrepreneurship requires significant intervention on several different fronts/sectors. The analysis below focuses mainly on the financial support allocated for female entrepreneurship within the government budget.

⁴⁰ Data from the Central Registry.

⁴¹ The data is available from www.ebrd.com/what-we-do/economic-research-and-data/data/lits.html.

⁴² See https://globalfindex.worldbank.org/#data_sec_focus.

⁴³ World Bank and FAO (2014). Land and Gender: Improving data availability and use in the Western Balkans. FAO, World Bank.

Budgetary support for female entrepreneurship

The major strategic document related to female entrepreneurship is the Strategy for Female Entrepreneurship 2019–2023 alongside the Government programme 2020–2024. The explicit goals of the strategy are to improve access to finance for female entrepreneurs and to increase the employment rate for women to 55 per cent.

In general, female entrepreneurship is supported in a number of different ways:

- Public spending and programmes target female entrepreneurship through cofinancing grants for existing MSMEs owned/managed by women. These grants are administered through the Ministry of Economy.
- General indirect support (not specifically targeted at female entrepreneurs) is provided through the Agency for Employment in the form of grants for starting up a business and through innovation grants via the Fund for Innovation and Technology Development.
- Skills enhancement support for entrepreneurs is confined to small-scale training offered by the Agency for Support of Entrepreneurship and by the Employment Agency (for the unemployed) and do not specifically targeting women. No changes were observed in this area in 2020.

The third package of anti-crisis measures included specific financial support for female entrepreneurs in the form of an EU funded interest-free loan with a

grant component (30%) to be administered through the DBNM. However, it was too early to assess this measure because its implementation had yet to begin.

Support to entrepreneurship from the Ministry of Economy is organised within the Programme for Competitiveness, Innovation and Entrepreneurship. The Programme for 2020 was adopted at end of 2019 (published in the 'Official Gazette of North Macedonia', No. 277/2019). The total amount dedicated to the programme was MKD 47.9 million (EUR 780,000) of which EUR 565,000 was budgeted within the budgetary programme Direct Government support for the Development of Small and Medium Enterprises and EUR 117,000 through the budget sub-programme Industrial Policy.

The Programme for Competitiveness, Innovation and Entrepreneurship contains one **specific measure that targets female entrepreneurs exclusively** titled 'Financial Support for Female Entrepreneurship'. Yet the funds allocated each year for this measure are quite small. The planned amount for 2020 was MKD 1.5 million or EUR 24,400.

Table 9 below shows the allocated funds, the number of enterprises that received this support and the average size of the support. According to the criteria, enterprises can use this measure when a woman owns at least 50 per cent or the enterprise is managed by a woman. This support is provided in the form of cofinancing of 50 per cent of the cost of new equipment, upgrade of the office space or deployment of new software solutions up to MKD 120,000 (around EUR 1,950).

TABLE 9.

Measure: Financial support for female entrepreneurship 2012–2020

	Allocated funds (MKD)	Realised (MKD)	# of applications	# of subsidised companies	Average grant per user
2012	29,593	27,108	78	18	1,506
2013	21,626	20,864	30	18	1,159
2014	22,764	18,009	26	12	1,501
2015	29,268	17,080	18	15	1,139
2016	32,520	32,373	39	23	1,408
2017	39,024	28,127	36	18	1,563
2018	32,520	32,416	46	16	2,026
2019	40,650	37,518	38	21	1,787
2020 (end October)	24,390	17,369	23	11	1,579

Source: Internal data from the Ministry of Economy.⁴⁴

⁴⁴ We were unable to collect data on a monthly basis for 2019 and were therefore unable to compare the number of applications and funds for the same period in 2019 and 2020.

Female entrepreneurs are able to participate in the other measures of the programme, but only this one specifically targets women. As the data above shows, a large drop was planned in the financing of this measure in the initial budget for 2020; however, some positive practices were observed during 2020 after the rebalancing of the budget.

First, in June 2020, a change made to the overall Programme for Competitiveness, Innovation and Entrepreneurship ('Official Gazette of North Macedonia' No. 153/2020) meant that funds allocated for the programme were cut significantly, reduced by 42 per cent down to EUR 451,000. Some of the planned measures were suspended whereas others resulted in a reduction in funds. The support to female entrepreneurship was the single measure for which the financial allocation remained unaffected.

Second, at the same time, a new criterion was added to the remaining measures that stimulates (i.e. prioritises) applicant enterprises owned/managed by a woman. A representative from the Ministry of Economy stated in an interview that the decreasing number of applicants for support for female entrepreneurship in 2020 (Table 9) can be explained by the increased number of applications by female entrepreneurs to other measures such as 'Financial support for MSMEs'. This programme is larger (planned EUR 228,000) and the maximum amount that can be awarded is also greater at EUR 4,900; therefore, it is more attractive to female entrepreneurs. In 2019, out of a total of 190 entrepreneurs/companies benefitted from this

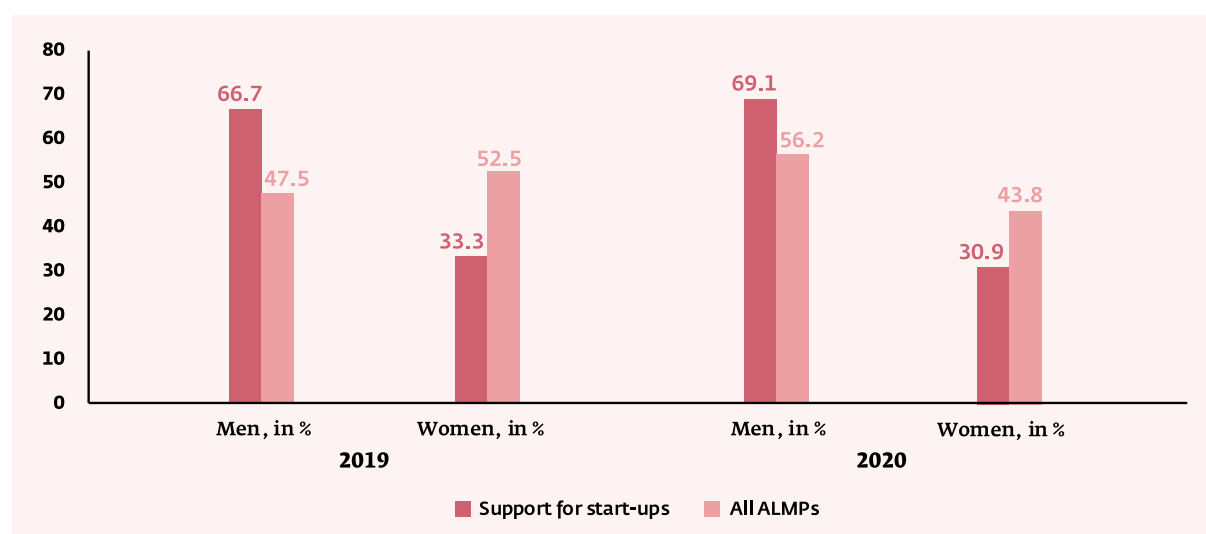
budget support 49 were women (26%). In terms of the allocated funds, women received 21 per cent of the total support. While this shows that women continue to be underrepresented among entrepreneurs that receive some form of budget support it also reflects the overall gender structure of entrepreneurs presented in Table 8.⁴⁵

In regard to **general support for setting up a business** provided through the Agency for Employment, the available data shows that the initial size of the programme for self-employment was 1,468 unemployed individuals. Yet this only covers around 14 per cent of the overall number of participants in active labour market policies (10,632) planned for 2020. Generally, the programme appears to be skewed toward men. A comparison between 2019 and 2020 showed a slightly negative development. The data on the share of women that received the support for self-employment in 2020 (30.9%) was lower than the year before (33.3%). This decline follows the overall decline in the participation of women in active labour market policies down from 52.5 per cent in 2019 to 43.8 per cent in 2020.

As a positive development, the Government decided to expand the programme for start-ups by an additional 500 available grants (an increase of 34%) in September 2020. This could allow for some additional criteria aimed at increasing the share of female beneficiaries (similar to the financial support for MSMEs provided by the Ministry of Economy).

FIGURE 13.

Active labour market policies and support for start-ups provided by the Agency for Employment in 2019 and 2020



Source: Own calculations based on data obtained from the Agency for Employment of North Macedonia.

⁴⁵ Data provided by the Ministry of Economy.

Summary

Entrepreneurial activity among women in North Macedonia was significantly lower than among men, although there was no gender difference in the success of the businesses created. Women were far less likely to start a business and when they did so their businesses were quite small and usually the reason for their creation was based on a lack of alternatives rather than opportunity driven. Women also face the problem of having low access to the kinds of assets and productive input needed to start a business. The available studies show that compared to men women were less willing to finance their business through loans and even grants (preferring to use their savings and/or borrow from family and friends).

The budget rebalancing of 2020 initiated by the COVID-19 pandemic did contain certain aspects of the gender perspective. This was evident in the case of the financial support for female entrepreneurs through the Ministry of Economy within the Programme for Competitiveness, Innovation and Entrepreneurship. While there was a significant reduction (by 34%) in the amount of funds allocated for entrepreneurship the funds available for women were left unchanged. Moreover, a special provision was added that gave preferable treatment to female applicants for the other programmes/measures within the Programme for Competitiveness, Innovation and Entrepreneurship. Yet their level of participation remained very small with only 11 female run enterprises financed by the end October 2020 and in terms of the amount (maximum of EUR 1,950) this was largely reduced between 2019 and 2020.

On the other hand, the financial support from the Agency for Employment (grants for start-ups) increased in 2020 relative to 2019, although the share of female beneficiaries declined. In September 2020, the Government decided to expand this programme and this decision offered an opportunity to boost the number of female beneficiaries by the end of 2020.

5.3

Agriculture

The choice of the agriculture sector for the present analysis derived from several characteristics of this sector and the budget revisions implemented in 2020 in that sector. First, the labour market and agricultural data highlighted the vulnerability of women within agriculture (as either employees or household members who help in agriculture). Second, agriculture is one of the few sectors for which the budget increased through the budget revisions, which related mainly to payment of subsidies and transfers.

General overview: Size and characteristics of the agriculture sector

In 2019, total agricultural production (agriculture, forestry and fishing) in North Macedonia amounted to approximately EUR 900 million (under current prices) and accounted for 8 per cent of total GDP. The share of agriculture in GDP declined slightly down from 8.5 per cent in 2018. Total trade in food and beverages (including tobacco) in 2019 amounted to EUR 1.34 million, which represents a 19.6 per cent increase relative to 2018.⁴⁶ In 2019, North Macedonia exported food and beverages to the amount of EUR 586.4 million (9.1% of total exports) whereas imports amounted to EUR 754 million (8.9% of total imports). The trade deficit in 2019 was EUR 167.5 million, which represents a 24.4 per cent increase relative to 2018.

One of the main challenges in the agriculture sector is the small size of agricultural entities (farms) with 49.6 per cent of all agricultural entities being of very small size and with an annual turnover of less than EUR 2,000 and an additional 45.3 per cent with a turnover of between EUR 2,000 and EUR 15,000.

Data from the LFS shows that in Q3 of 2020 around 93 thousand individuals were employed in the agriculture sector in North Macedonia, which represented 12 per cent of total employment. In Q2 of 2020, 37,000 women were employed in the agriculture sector accounting for a 38.4 per cent share of total employment in the agriculture sector (Table 10).⁴⁷

Out of the total number of employed women 11.4 per cent worked in agriculture. Men were slightly more likely to work in agriculture, accounting for 12.7 per cent of total male employment. In the observed period, employment in agriculture declined for both genders.

⁴⁶ Data on international trade from the Central Bank. Available from <https://bit.ly/3sgYdsL>.

⁴⁷ The released National Labour Force Survey data contained some basic data including employment in agriculture. However, there was no gender disaggregation for most of the data, including the data on employment by sector and gender and by professional status and gender.

TABLE 10.

Employed in the agriculture sector according to gender in 2019 and 2020 (aged 15+ in thousands)

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2
Total employment	789.4	794.3	799.5	807.3	811.1	793.4
Employment in agriculture	110.6	113.3	116.2	104.1	99.1	96.4
Employment in agriculture share of total employment	14.0	14.3	14.5	12.9	12.2	12.2
Men	68.2	69.0	72.9	66.7	60.9	59.4
Women	42.4	44.4	43.3	37.4	38.2	37.0
Percentage of women in total employment in agriculture	38.3	39.2	37.3	35.9	38.5	38.4
Percentage of women in agriculture as a % of total female employment	13.3	14.2	13.6	11.4	11.6	11.4
Men in agriculture as a % of total male employment	14.5	14.3	15.2	13.9	12.6	12.7

Source: Eurostat.⁴⁸

Much of the total employment in agriculture is in the form of contributing family workers. The LFS data shows that in Q2 of 2020 35,700 employed individuals in North Macedonia worked as contributing family workers (as a professional status), which accounted for 4.5 per cent of total employment. Women were overrepresented among such workers: 6 out of every 10 contributing family workers were women. Moreover, the share of contributing family workers in total female employment was 6.7 per cent whereas this share was much lower for men (3%). This data underlines the vulnerability of women engaged in agriculture (and in general) given that contributing family workers are usually engaged informally and do not receive an income.

In 2018, total subsidies for agriculture equalled (in current prices) approximately EUR 103 million. There was an upward trend in agricultural subsidies but the effect of these subsidies on production was ambiguous. Overall, agricultural production and employment varies from year to year as does the exports whereas the trade deficit in food increases.

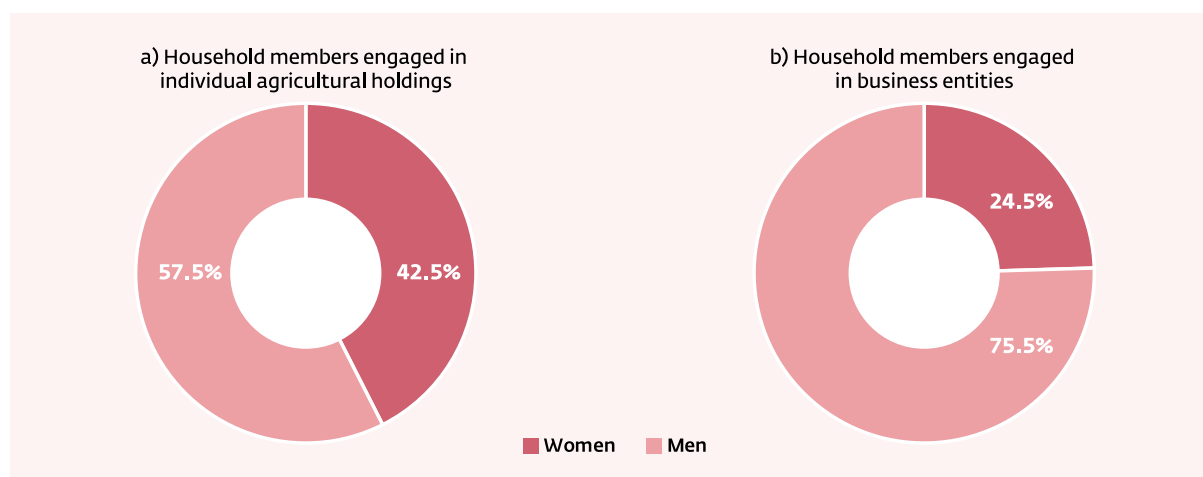
The State Statistical Office provided detailed data on the agriculture sector in terms of employment and the engagement of household members; however, only for 2013 and 2016.⁴⁹ This data showed that in 2016 there were 441,829 individuals engaged in agriculture, which includes employees and household members (for whom this was an additional activity). Of those engaged, 99 per cent were involved in individual agricultural holdings (437,318) and only 1 per cent (4,511) in business entities. Overall, the share of women engaged in agricultural activity was 42.4 per cent. This figure is higher than the LFS data on employment for this sector (Table 11). Women constituted 42.5 per cent of the total number of persons (including household members) engaged in individual agricultural holdings whereas they only accounted for a quarter of the individuals engaged in business entities in agriculture (Figure 14). Given that the latter is a more formal form of agricultural production, it shows that women usually provide additional support for agricultural production.

⁴⁸ Available at: https://ec.europa.eu/eurostat/databrowser/view/lfsa_egan2/default/table?lang=en.

⁴⁹ The data is available in the Makstat database through the following link: <http://bit.ly/2Xun7XE>.

FIGURE 14.

Household members in agricultural entities according to gender



Source: State Statistical Office Statistical Yearbook.

Table 11 below shows the structure of the 437,318 individuals engaged in individual agricultural holdings of which 40 per cent were the holders of individual holdings and 60 per cent were household members. Men dominate among the holders of agricultural holdings at 89.5 per cent whereas women were more likely to be household members of those holdings compared to men.

TABLE 11.

Structure of household members engaged in individual agricultural holdings according to gender

	Holder of the individual holding	Household members
Total	177,845	259,473
Men as a % of the total	89.5%	35.5%
Women as a % of the total	10.5%	64.5%

Source: State Statistical Office Statistical Yearbook.⁵¹

As expected, men also dominated among the managers of agricultural business entities: just over 80 per cent of the managers were men.

Within the Single Agricultural Holdings Register, established and maintained by the Ministry of Agriculture, Forestry and Water Economy, there were 175,088 registered agricultural holdings in 2020, which represents a 1.4 per cent increase compared to 2019. In 22 per cent of those, the

holder was a woman (double the data presented in Table 11). Between 2019 and 2020, the number of female holders increased by 4.5 per cent and that of male holders by 0.6 per cent. The financial support to agriculture and rural development was available mainly to registered farmers.

Budgetary support for agriculture during the pandemic

The data in section 4 points to the increased budget for agricultural subsidies and transfers within the budget rebalancing that was administered through the Agency for Financial Support in Agriculture and Rural Development. Expenditure for this budget user increased by around MKD 1.5 billion or 20.4 per cent compared to the initial budget. This increase reflects the increased financial support (subsidies and capital grants) both in agriculture and in rural development.

Government support to the agriculture sector is set annually in the **Programme for Financial Support of Agriculture**.⁵² The 2020 programme was originally approved in December 2019 but was changed six times during 2020, with most recent changes on 9 December 2020 ('Official Gazette of North Macedonia' No. 292/2020). The programme identifies two types of support: direct payments (subsidies) and additional measures of support for agriculture (state aid). The initial programme amounting to a total of MKD 4.2 billion (around EUR 68 million) provided financial support for agriculture. Of the total amount, 40.6 million (60%) was devoted to subsidies whereas the remaining

⁵⁰ State Statistical Office, Statistical Yearbook, Structure of Agricultural Holdings. Available from <http://bit.ly/2Xwmjlh>.

⁵¹ State Statistical Office, Statistical Yearbook, Structure of Agricultural Holdings. Available from <http://bit.ly/2Xwmjlh>.

⁵² An additional EUR 309,000 was allocated for tobacco.

funds were for state aid measures. However, most of the funds for state aid (as much as EUR 22 million or 32% of the total programme funds) were planned for the payment of arrears from previous years (2012–2019).⁵³ Within the six changes made to the programme, the initial funds allocated to the

programme and the internal distribution of the funds changed significantly (as presented in Table 12). An additional EUR 307,000 was dedicated for support of tobacco production under the Programme for Financing of Tobacco Production ('Official Gazette of North Macedonia', No. 111/2020).

TABLE 12.

Initial budget for 2020 and reallocations within the Programme for support for Agriculture

	Approved end December 2019 (Official Gazette No. 278/2019)	Final changes end of December 2020 (Official Gazette No. 292/2020)
Total funds allocated	MKD 4.2 billion (EUR 68 million)	MKD 4.9 billion (EUR 79.7 million)
Subsidies	MKD 2.5 billion (EUR 40.6 million)	MKD 2,000 (EUR 32)
Subsidies, % of total	60%	0%
State aid	MKD 1.7 billion (EUR 27.4 million)	MKD 233 million (EUR 3.8 million)
State aid, % of total	40%	5%
Payment of arrears	MKD 1.3 billion (EUR 22 million)	MKD 4.68 billion
Arrears, % of total	32%	96%

Source: Own calculations based on the information available on the website of the Agency for Financial Support of Agriculture and Rural development (www.ipardpa.gov.mk/Root/mak/default_mak.asp). **Please Note:** All changes to the programme were made only in words without a tabular presentation, which was provided in the initial programme. Despite closer inspection, the author may have made some unintended errors.

The Programme for Financial Support for Rural Development for 2020 was adopted in December 2019 ('Official Gazette of North Macedonia', No. 278). The total funds allocated to this programme were initially MKD 1 billion (around EUR 17.2 million). It included two broad types of measures: i) the measure for financial support of rural development (EUR 13.8 million or 80% of the total amount) and ii) the measure for technical support of agriculture and rural development (EUR 3.4 million). One specific measure of the programme targets women who contribute as family workers in agriculture. The funds allocated for this measure (titled 'Measure 115') in 2020 amounted to MKD 2 million (EUR 32,500), which was only 0.2 per cent of the total funds. Given the relatively large share of women who contributed to the individual agriculture holdings, this is quite small amount (Table 11). Data on the gender composition of the recipients of the financial support for rural development (this data is planned) is more important from the gender perspective.

While the total funds dedicated to the programme for rural development were initially reduced (in April), they were increased by 70 per cent in November and then in December 2020 reaching EUR 29.5 million. Despite this overall increase, the allocated funds for the support of women contributing to family farms remained unchanged and therefore this share of total funds declined down to 0.1 per cent. Another measure within the programme that may be of

interest from a gender perspective is the support for young farmers starting their own businesses. Initially EUR 488,000 was allocated for this measure; however, the amount was reduced significantly down to EUR 24,400 in December 2020 ('Official Gazette of North Macedonia', No. 292/2020).

There were some elements of gender-sensitive policy design within the Financial Support for Agriculture and Rural Development Programme. The ranking criteria for the rural development support, for instance, included additional points (5% of the overall number of points) if the applicant is a women from a rural area. Similarly, the IPARD programme for support of agriculture also included in the evaluation a provision that awarded more points for women.⁵⁴

In the first two packages of measures, two measures had an effect on agriculture. The first one was important for ensuring continuous agricultural production and allowed farmers to work in the field during the lockdowns and restrictions on movement. The second one, with indirect effect, was the possibility given to farmers registered as own-account workers through the Trade Law to use the wage subsidy programme.

The Government adopted specific measures for the agriculture sector within the third package of anti-crisis measures amounting to a total of EUR 76.1 million (Table 13).

⁵³ Apparently, the Ministry has large arrears pertaining to the payment of subsidies and the other types of agricultural support.

⁵⁴ Agency for Financial Support of Agriculture and Rural Development, User Manual. Available from <https://bit.ly/3sfbfXD>.

TABLE 13.

Agriculture measures from the third package of COVID-19 measures

Measure	Time	Funds	No. of beneficiaries
Support for the agriculture sector through the DBNM (farming, processing and exports)	N/A	EUR 5 million	N/A
Payment cards for subsidising 50 per cent of the cost of green fuel (increased from 30% in the previous year)	2020	4.6 million	50,000 farmers
Incentive for grape processors and wineries to produce byproducts for use in the production of disinfectants	3 years	EUR 3.5 million	N/A
Public-private partnerships in the viticulture and tobacco sectors	Short term	EUR 10,000 (expected total investment)	N/A
Financing for start-up family wineries and farms (micro companies, for equipment and also for advertising)	N/A	EUR 3 million (individual grants of EUR 10,000)	App. 300
Modernisation of the agriculture sector (World Bank loan)	N/A	EUR 50 million	N/A
Long-term lease of pastures in state ownership (a total of 500,000 ha of pasture)	N/A	N/A	N/A
Consolidation of agricultural land for greater competitiveness (greater utilisation of arable land)	3 years	Expected revenue of EUR 250 million	N/A

Source: Statement of the Former Prime Minister, Oliver Spasovski.⁵⁵

In the fourth package of emergency measures, an additional measure was announced on financial support for the purchase of grapes for winery production in 2020 to the amount of EUR 6.7 million. This measure was later transposed into the Law for Financial support for Grape Producers and Wineries ('Official Gazette of North Macedonia', No. 290/2020). The Law contains detailed instruction on the eligibility criteria and maximum payments per beneficiary, but without information on the planned users or allocated funds.

No specific laws or decrees were adopted for the remaining measures of the third package. All of these measures were to be implemented at the start of the next year (through the 2021 budget).

According to a 2019 study by UN Women, the financial support for agriculture and rural development was open to women but male farmers were the most frequent beneficiaries of this support in 2019. As many as 65 per cent of women had never applied for institutional or financial support for their agricultural activities whereas 67 per cent of male farmers had done so. This study by UN Women also finds that the low employment rate and level of participation of women in the management of individual agricultural holdings suggest a low level of involvement of women in the decision-making process. Moreover, the study argues that disempowerment of women in agriculture exists in all domains but is most expressed in terms of ownership of assets, decision-making within the household and control over the use of income. On the other

hand, the factor that contributes most to female empowerment is when women are responsible for farm accountancy. These findings suggest that agriculture and rural development policies can promote higher gender equality by either financially supporting women engaged in agriculture (both as the head of an individual holding or as a contributing family member) directly or by involving women in the application process (either as a co-signee of the documents or the main applicant).

Summary

In Q2 of 2020, 37,000 women were employed in agriculture or around 38.4 per cent of total employment in agriculture (LFS data) with 11.6 per cent of all employed women working in agriculture. Compared to men women were far more likely to work as contributing family workers in agriculture, which reveals their vulnerability and the low quality of their employment in this sector. Out of the 441,829 household members engaged in agriculture (not necessarily employed but as an additional activity) 42.5 per cent were women. There was underrepresentation among women as owners of individual holdings (farms): only 10.5 per cent of all holdings belonged to women whereas women were more likely to be family member engaged on the farm.

The agriculture and rural development policy is generally gender neutral with only one specific measure within the Programme for Financial Support

⁵⁵ Government of North Macedonia, Statement of the former Prime minister, Mr. Spasovski: The third package of economic measures. Available at <https://vlada.mk/node/21431> <https://vlada.mk/node/21424>.

for Rural Development specifically dedicated to women as contributing family members. However, that measure only accounted for 0.1 per cent of overall allocated funds at the end of 2020. There were some elements of gender-sensitive policy design within the Financial Support for Agriculture and Rural Development Programme. However, during the emergency, the budget reallocations and the design of the emergency measures for this sector did not take into account the vulnerable position of women in agriculture. As there is evidence that agriculture and rural development policies can promote greater gender equality, the empowerment of women and can benefit the wellbeing of households, there is a strong case for enhancing the support for women in agriculture during the crisis. This can be done either by financially supporting women engaged in agriculture (as the head of an individual holding or as a contributing family member) directly or by involving women in the application process (as a co-signee of the documents or the main applicant). In the long run, a measure should be designed to increase female ownership or co-ownership of agricultural land.

5.4

Social assistance and child benefit

General overview of the system

The poverty rate in North Macedonia is relatively high. The At Risk of Poverty and Social Exclusion rate was 41.6 per cent in 2019 up from 40.8 per cent in 2018. The poverty rate after social transfers was 21.9 per cent. Social transfers only provide a very small safety net for the poor. More specifically, pensions reduce the At Risk of Poverty and Social Exclusion rate by almost 16 percentage points and social transfers reduce poverty by just 3.8 percentage points.⁵⁶

Women aged 18-64 were slightly more likely to be poor (22%) relative to men (21.1%). However, as Table 14 below shows, within the different categories of citizens only the category of inactive women faced a greater risk of poverty compared to men.

TABLE 14.

Poverty rate by gender and economic status in 2019

	Total	Men	Women
Employed	8.8	10.9	5.6
Unemployed	42.1	48.0	33.2
Pensioners	7.8	11.4	2.2
Others inactive	33.7	32.7	33.9

Source: State Statistical Office, Laeken Indicators.⁵⁷

Single parents with dependent children were at high risk of poverty. In 2019, their poverty rate was 42.8 per cent up from 33.5 per cent in 2018. While the lack of data meant that it was not possible to assess how single parents (and their income) were hit by the COVID-19 pandemic this data clearly supports the government decision to provide special income support (one-off payment) to single parents.

In 2019, the authorities initiated a major reform of the social assistance system including child allowance and educational allowance (to start as of 1 January 2019). The legal basis for the reform was provided by the new Law on Social Protection that was published in the 'Official Gazette of North Macedonia', No. 104 from May 2019 (with amendments in the 'Official Gazette of North Macedonia', nos. 149 and 275/2019) as well as the amendments to the 2013 Law on Child Protection ('Official Gazette of North Macedonia', nos. 104, 149 and 275/2019). The reduction in poverty as a result of the reform was estimated to amount to 8 per cent, which would have reduced the poverty rate to 18.7 per cent in 2019⁵⁸ down from 21.9 per cent in 2018. The key performance indicators for the government on the success of the reform were to reduce the poverty rate to 16 per cent in 2021 and to integrate at least 20 per cent of Guaranteed Minimum Income beneficiaries into the labour market.

The new Law on Social Protection introduced the Guaranteed Minimum Income, which transformed categorised benefits into generic cash benefits and simplified the administrative procedure for obtaining cash benefits. For the first time, Guaranteed Minimum Income beneficiaries became entitled to both child allowance and education allowance (for primary and secondary education) by benefiting from the so-called family package. These changes resulted in more extensive coverage and increased the amount of benefits. Moreover, the reform in the area of child protection improved families' access to child allowance and enabled low-income families to receive support without having to have one employed family member (a condition for entitlement to child allowance in the past).

⁵⁶ Data from the State Statistical Office. Available from www.stat.gov.mk/PrikaziSooopstenie.aspx?rbtxt=115.

⁵⁷ www.stat.gov.mk/PrikaziSooopstenie.aspx?rbtxt=115.

⁵⁸ Gerovska, M., (2018). Tackling Child Poverty through reformed Child support in the Former Yugoslav Republic of Macedonia. European Social Policy Network (ESPN) Flash Report 2018/43.

It has also enabled Guaranteed Minimum Income beneficiaries to become eligible for the child allowance. The data on child allowance payments and beneficiaries showed a three-fold increase after the amendment of the Law on Child Protection in May 2019. In May 2019, there were 11,082 families with children accessing Guaranteed Minimum Income and child allowance compared to 2,956 families in April 2019. The number of children in these families was 20,239 in May 2019 compared to 6,924 children registered in April 2019. The most valuable reform in this area from the gender perspective is the introduction of Guaranteed Minimum Income payments directly to the women, i.e. if the household is eligible for education allowance or child allowance then the Guaranteed Minimum Income benefit is paid to the mother instead of the head of the household (Article 6 of the Law on Social Protection).

Budgetary support for social assistance

As a response to COVID-19, the Government introduced several measures for those that received last resort benefits, i.e. Guaranteed Minimum Income, through a Decree on implementation of the Law on Social Protection during a state of emergency ('Official Gazette of North Macedonia', No. 89 from April 2020) and the Decree on Implementation of the Law on Child Protection during a State of Emergency (Official Gazette of North Macedonia', No. 88 from April 2020). In the second revised budget, the allocation for social assistance programmes (GMI, child and educational allowance) was increased to EUR 52.6 million up from EUR 44.2 million in the initial budget or by 19 per cent. Through these increased budget allocations the share of analysed social assistance programmes in terms of overall budget expenditure increased from 1.1 per cent to 1.3 per cent.

The changes to Guaranteed Minimum Income included a reduction in the three-month rule for income assessment for all new entrants down to one month, waving of the activation requirement and limitation of means testing for income assessment, i.e. property was no longer taken into account. These criteria were to apply until December 2020. In addition, the coverage criteria were modified so that those eligible included unemployed persons whose employment had been terminated through agreement, upon request or through dismissal and

unemployed people registered on an irregular basis with the employment agency.

The assessment of the Ministry of Labour and Social Policy was that the modified criteria for Guaranteed Minimum Income would extend the coverage by 15,500 additional households. The relaxed eligibility rules for those who had lost their job or income during the pandemic resulted in an increase in the number of Guaranteed Minimum Income beneficiaries of 4,033 households in July 2020 compared to March 2020 (Figure 15) or by 14 per cent.⁵⁹ Yet the government intervention was relatively fast and managed to support the incomes of additional households during the pandemic. From the beginning of the introduction of Guaranteed Minimum Income, the share of women who received the benefit (on behalf of the overall household) remained stable at 35 per cent of the total number of households. Despite the increase in the number of beneficiary household during the pandemic, this ratio stayed the same.

The importance of who receives the Guaranteed Minimum Income (as well as other social support) within the household (the head of household, which in most cases is a man) is important because there is some evidence that when women receive the funds within the household there is higher spending on necessary items (such as food or investment in children) and less spending on items such as tobacco and alcohol.^{60 61}

Moreover, the experiment implemented by Armand and Carneiro in 2018 for the Conditional Cash Transfer Programme that later became the educational allowance showed that households where the transfer recipient was the mother spent more money on food and were more likely to own durable goods such as a dishwasher, a video/camera, a motorcycle, etc.

The Decree on Implementation of the Law on Child Protection during a State of Emergency included an extension of the duration of expired child protection benefits (i.e. the newborn allowance and parental allowance for a third and fourth child) of up to three months after the end of the state of emergency. The education allowance criteria related to regular school attendance was waived up until the end of the school year.⁶² The number of families in receipt of child allowance increased by 2 per cent (July relative to March 2020) but then declined. In November 2020, the number of beneficiaries was lower by 2 per cent

⁵⁹ July is the month with the highest number of beneficiaries of Guaranteed Minimum Income.

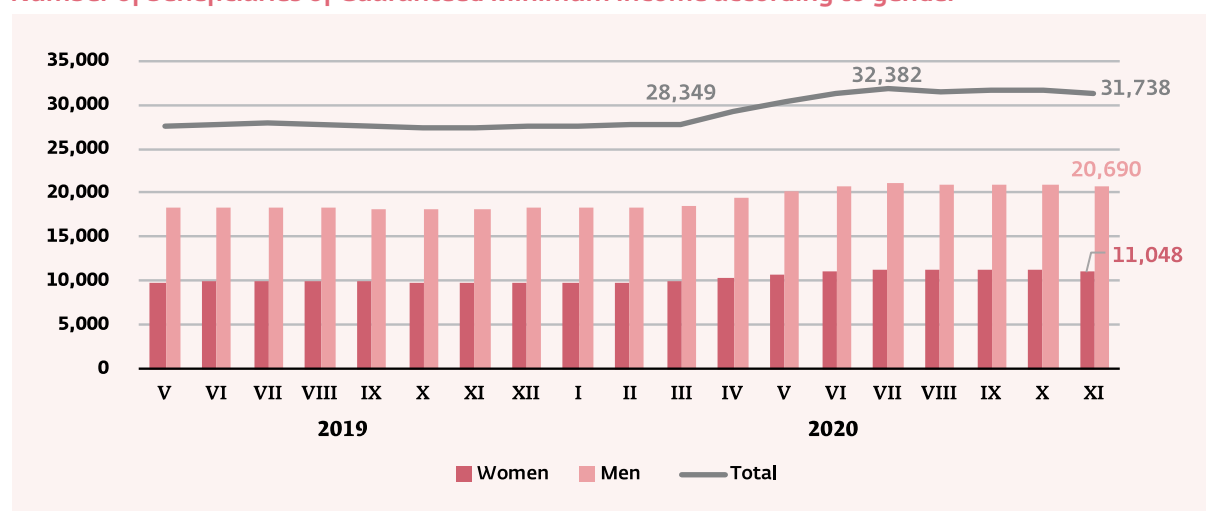
⁶⁰ Armand, A. and Carneiro, P., (2018). Impact Evaluation of the Conditional Cash Transfer Program for Secondary School Attendance in Macedonia. International Initiative for Impact Evaluation: Impact Evaluation Report No. 69. Available from www.3ieimpact.org/sites/default/files/2019-01/IE69-Macedonia-cash-transfers.pdf. [Accessed November 15, 2020].

⁶¹ UN Women (2019). Measuring Women's Empowerment in Agriculture with Survey-Based and Experimental Economics Method. Skopje: UN Women.

⁶² Decree Implementing the Law on Social Protection during a State of Emergency ('Official Gazette of North Macedonia', No. 89/03, dated 04 2020); Decree on Implementing the Law on Child Protection during a State of Emergency (Official Gazette of North Macedonia', No. 88/03, dated 04 2020).

FIGURE 15.

Number of beneficiaries of Guaranteed Minimum Income according to gender



Source: own calculations based on internal data from the Ministry of Labour and Social Policy.

relative to March. Of the total number of beneficiary households, in 76 per cent of cases women received the support on behalf of the household. This share remained stable in 2020 but increased a lot (up from 57% in May 2019) from the beginning of the reform and the introduction of the Guaranteed Minimum Income.

The period for receipt of the energy subsidy of MKD 1,000 (EUR 16) was extended from 6 months (winter months October to March) to 11 months (up to September 2020). As this is a top-up benefit for people receiving the Guaranteed Minimum Income and the social pension, effectively it is an increase in income for those households. The duration of receipt of disability allowance and cash assistance and care allowance were all extended to be maintained up to two months after the end of the state of emergency.

Summary

North Macedonia embarked on a large reform of the social protection system in 2019, which involved the introduction of the Guaranteed Minimum Income scheme. The reform also extended the rights for child and education allowance (for primary and secondary education) benefiting from the so-called family package. The most valuable reform in this area from a gender perspective was the newly introduced rule that Guaranteed Minimum Income

payments should be made directly to women, namely if the household is eligible for education allowance or child allowance then the Guaranteed Minimum Income benefit is paid to the mother instead of the head of household (usually a man).

The pandemic caused an increase in the number of Guaranteed Minimum Income beneficiaries. Although the effect was much smaller than the Government expected, it is important that the government intervention was relatively fast and managed to support the income of additional households during the pandemic. The increase in the number of beneficiary households during the pandemic was distributed equally between the two genders, leading to a stable share of women (35%) who received the entitlement among the total number of beneficiaries.

The process of budget reallocations in the area of social assistance during the COVID-19 emergency was gender blind. Important gains could have been made if certain changes had been made to the eligibility rules for Guaranteed Minimum Income during the emergency (COVID-19). The importance of who receives the Guaranteed Minimum Income (and other social support) within the household (the head of household, which in most cases is a man) is important because there is evidence that shows that the household would be better off⁶³ if the money were transferred to the mother or another woman within the household.^{64 65}

⁶³ Defined as higher expenditure on essentials and durable goods as opposed to alcohol and tobacco.

⁶⁴ Armand, A. and Carneiro, P., (2018). Impact Evaluation of the Conditional Cash Transfer Program for Secondary School Attendance in Macedonia. International Initiative for Impact Evaluation: Impact Evaluation Report No. 69. Available from www.3ieimpact.org/sites/default/files/2019-01/IE69-Macedonia-cash-transfers.pdf. [Accessed November 15, 2020].

⁶⁵ UN Women (2019). Measuring Women's Empowerment in Agriculture with Survey-Based and Experimental Economics Method. Skopje: UN Women.

CONCLUSIONS



5. Conclusions

The macroeconomic environment in the country worsened because of the COVID-19 pandemic. GDP growth in the first three quarters of the year showed a negative of 5.4 per cent. Despite the initial predictions of large scale job losses, the labour market showed some resilience and the number of jobs lost was much smaller than what has been expected: 13,800 jobs were lost on the yearly level in Q3 of 2020 or around 1.7 per cent of total employment in Q3 of 2019. One possible explanation for the better than expected performance of the labour market relates to the implemented government measures and in particular the wage subsidy programme yet there is no strong evidence to support this assumption.

There was an increase in the number of jobs held by women of 3,300 in Q3 of 2020 compared to the previous year as well as an increase in the employment rate. The unemployment rate for women in Q3 of 2020 declined to 16 per cent down from 19.6 per cent in Q3 of 2019 whereas for men it increased to 17.2 per cent up from 15.6 per cent. However, part of this decrease in unemployment was a result of reduced activity among women, which led to an increase in the gender activity gap (up from 21.2 to 21.5 percentage points). Yet the administrative data shows a different perspective whereby women were more likely to lose their job. In April 2020, 3,855 women lost their jobs and approximately 3,033 men. Large job losses were recorded again in June.

The available studies on employers showed that employers mainly reverted to shorter working hours, paid annual leave and 'urgency leave', in accordance with the general collective agreement rather than resort to lay-offs.⁶⁶ Similarly, studies of the general population showed that for the majority of the surveyed employed individuals the main change during the pandemic was a reduction in their working hours. This was the case with 46 per cent of female workers and 47 per cent of male workers.⁶⁷ More women stayed home and experienced a large increase in time spent on household activities, which made it more difficult for them to balance their work and their obligations at home. Men were more likely to suffer decreased income (22%) relative to women (15%). Compared to men, women experienced a greater decline in their income from pensions, social payments, remittances, family support and government support. Women in rural areas were affected most by a decline in income from remittances.

The Government of North Macedonia has so far adopted and implemented four anti-crisis packages containing 70 measures. The total value of the packages is EUR 1 billion (9.2% of 2020 GDP). The measures that formed the first two packages are implemented in full, while some measures from the third and fourth packages are still to be implemented (partly budgeted for in the second revision of the 2020 budget and partly in the budget for 2021). Overall, the support provided to businesses, workers and the most vulnerable citizens was quite comprehensive and included those hit most hard by the crisis. The unemployment system, social assistance system and the general support measures were adjusted relatively quickly to absorb those who lost their job or suffered a large decline in their income (even informal workers who lost their job). The number of recipients of unemployment benefit increased as did the number of social assistance recipients. A more recent public poll, conducted in June and July, shows that about 40 per cent of the respondents stated that at least one family member had received fiscal stimulus from the government.

This study selected four sectors/policies for deeper analysis, although this was somewhat constrained by the lack of gender disaggregated data. A three-step methodology was used to select the sectors. In the first step, an analysis was conducted into the government rebalancing. Different classifications of the budget were used to explore the sectors, programmes and institutions and identify those where the largest cuts and the largest budget increases were made. Then the budgets of specific institutions that could be of interest from the gender perspective were analysed in light of the anti-crisis measures. Four sectors were selected as being of high importance in terms of gender equality: 1) the labour market (in its entirety, including employment policy and unemployment benefit), 2) female entrepreneurship, 3) poverty and the social assistance programmes and in particular the Guaranteed Minimum Income scheme, and 4) the agriculture sector and agricultural and rural development policy.

General findings and recommendations

Unfortunately, it was very difficult to gather gender disaggregated data on the recipients of the government support and in some cases such

⁶⁶ Macedonia2025 (2020). The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia. Available from <https://sociojalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-COVID-19-FINAL-rev-4-17-8-20.pdf>. [Accessed October 15, 2020].

⁶⁷ UN Women (2020). Rapid Gender Assessment: The impact of COVID-19 on women and men in North Macedonia. Available from <https://bit.ly/3sUNJ2F>. [Accessed November 1 2020].

data did not exist as it was not collected from the beneficiaries (such as the COVID-19 credit lines for companies). Hence, it was difficult to assess whether the anti-crisis measures had made an impact on gender equality. What is certain is that the Government's emergency responses and the budget rebalancing were gender-neutral or gender-blind. The gender perspective was not considered in the budget revisions or by the specific budget institutions or the Government. This practice does not conform to the Law on Equal Opportunities for Women and Men wherein it stipulates that the gender perspective should be incorporated in policymaking even in the event of an emergency.

- On a very general level, the provision of the Law on Equal Opportunities for Women and Men that stipulates that the gender perspective should be incorporated into policymaking applies also in cases of emergency. In other words, crisis measures and policies should be gender sensitive. A checklist of steps and procedures should be developed on how each institution should act in order to implement this legal obligation.
- The design of the crisis measures and policies to deal with the COVID-19 pandemic (but also in any case of emergency) should have been based on a gender analysis and assessment of the potential effect of these measures and policies on men and women as well as in terms of improving gender equality. Furthermore, more consideration should have been given to the inter-sectorial approach that allows for the identification of vulnerable groups based on multiple factors such as gender but also encompasses, among others, class, employment status, the rural/urban divide, ethnicity and the size of the household.
- The Government should have introduced gender-responsive budgeting into the planning, designing and budgeting processes as this can contribute toward the advancement of gender equality and the fulfilment of women's rights. While this is the case in 'normal' times, the need for it can be exacerbated in the event of an emergency. Gender-responsive budgeting can help to better identify the needs of women and improve the design of interventions, given that women are affected more than men are, either directly or indirectly, in almost all crises. The promotion of gender equality requires changes in the processes and this cannot be achieved through gender blind policies.
- A prerequisite for the introduction of gender-responsive budgeting and for mainstreaming gender into budget planning (including in an emergency) is the availability of gender-disaggregated data. The Government should have prepared a plan whereby each institution would collect data according to gender in a systematic manner. Institutions should be obliged to collect and publish systematic regular reports and

reviews with key gender-disaggregated data. The provision of timely and accurate gender-disaggregated statistics enables evidence-based policymaking based on analysis and research from a gender perspective. This in turn would ensure the optimal design of policies and policy responses as well as optimal planning of budgetary allocations.

- Crises management institutions and bodies at the national and the local level need to integrate a gender perspective during consultations and decision-making related to crisis measures and policies. The gender equality bodies and institutions, such as the Sector for Equal Opportunities for Women and Men within the Ministry of Labour and Social Policy and the coordinators for equal opportunities in the ministries and municipalities, should be involved in the work of the crisis management institutions/bodies and help in mainstreaming gender into all phases of the design, implementation and evaluation of crisis measures and policies.
- Budget adjustments during times of crisis should be gender-sensitive and based on ex-ante analysis and assessments. This would have helped account for the different needs and challenges of women and men during the pandemic (and during any other crisis). The closure of schools and kindergartens, for instance, has a more adverse impact on women (in terms of employment, household work, etc.) and this should have been considered more carefully when the decisions to close schools/kindergartens were taken and when the accompanying measures were designed and budgeted.

Specific sectorial recommendations

THE LABOUR MARKET

- The Ministry of Labour and Social Policy should report on the gender impact (if any) when making changes or adopting measures or programmes in the event of an emergency. Even if the Ministry were not fully prepared, calculating the impact at the time would raise awareness and help change the way of thinking when designing or changing programmes (including awareness of the need to provide training). This obligation should be introduced for each budget user.
- The Ministry of Labour and Social Policy should prepare a plan to incorporate gender into the information and statistics that they produce for each sector of their operation (employment policy, social assistance and protection, etc.). The Ministry should prepare a plan to ensure the inclusion of gender within three to five years from now.

- Quotas should be introduced (where possible) for certain types of active labour market policies on female participation. This should not be applied in the female gender dominated industries and gender dominated types of programmes but conversely in those where women are underrepresented (such as the self-employment programme). This would gradually help to improve the position of women in the labour market as well as in society.

FEMALE ENTREPRENEURSHIP

- The scale of support for female entrepreneurship provided by the Ministry of Economy should be expanded to other sectors. While the budget revision left the funds for this programme unchanged in 2020, such funds are too small in terms of the total allocation and the maximum amount per participant to make a difference.
- The proposed new anti-crisis measure of the Government that provides for interest-free loans with a grant component (30%) for female entrepreneurship (to be administered by the DBNM) is a step in right direction. The authorities should start this programme as soon as possible.
- Provide support and information at the local level to women on their rights related to family property and amend the relevant legislation and procedures in order to ensure that women are registered as co-owners of matrimonial property.⁶⁸
- Set a gender quota that has to be fulfilled for the self-employment programme of the Agency for Employment. Such a measure should to be combined with measures to increase the motivation, confidence and training of women in business related skills.
- Reduce the qualifying (selection) criteria for self-employment measures by 10 per cent for women (use a multiplication factor for the overall points earned by women in the ranking).

AGRICULTURE

- Oblige the Agency for Financial Support in Agriculture and Rural Development and the Ministry of Agriculture, Forestry and Water Economy to allocate a specific amount of the overall support to women (share of total funds) and to keep that share (or increase it by a certain percentage) in times of emergency.
- As very few women submit requests for financing for agriculture and rural development, which negatively affects their empowerment, the Ministry of Agriculture, Forestry and Water Economy should set a rule that the size of the financial support must be higher by a certain percentage if the applicant is a woman (in cases where there are no legal constraints in relation to the ownership of the land). Such a policy would prove even more important in cases of emergency. Alternatively, male applicants could be asked to co-sign the contract for the financial support with a woman (especially for those programmes where farmers are asked to co-finance the investment).

SOCIAL ASSISTANCE AND CHILD BENEFIT

- A necessary step toward introducing gender mainstreaming would be to collect and use disaggregated data according to gender. The Ministry of Labour and Social Policy should prepare a plan to start to collect data according to gender systematically.
- Introduce gender-based budgeting into the process of planning and designing the measures for income support for poor and vulnerable citizens in the event of an emergency.
- In cases of emergency, as with COVID-19, introduce a rule that ensures that every new entrant household into the Guaranteed Minimum Income scheme must agree that a woman within the household is to be the recipient of the support. This is important as studies show that women are better in allocating the scarce resources within the different types of uses of the household.

⁶⁸ A legal review currently being undertaken by the World Bank points to the amendments that are needed in specific legislation, including the Law on Property, the Law on the Real Estate Cadastre and the Law on Notaries.

6. References

- Armand, A. and Carneiro, P., (2018). Impact Evaluation of the Conditional Cash Transfer Program for Secondary School Attendance in Macedonia. International Initiative for Impact Evaluation: Impact Evaluation Report No. 69. Available from www.3ieimpact.org/sites/default/files/2019-01/IE69-Macedonia-cash-transfers.pdf. [Accessed November 15, 2020].
- Gerovska, M., (2018). *Tackling Child Poverty through reformed Child support in the Former Yugoslav Republic of Macedonia*. European Social Policy Network (ESPN) Flash Report 2018/43.
- ILO (2020). *COVID-19 and the World of Work: Rapid assessment of the employment impacts and policy responses, North Macedonia*. Geneva: International Labour Organization. Available from www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang-en/index.htm. [Accessed June 10, 2020].
- Macedonia2025 (2020). *The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia*. Available from <https://sociojalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-COVID-19-FINAL-rev-4-17-8-20.pdf>. [Accessed October 15, 2020].
- Ministry of Economy (2018). *Strategy for Female Entrepreneurship 2019-2023*. Skopje: Ministry of Economy.
- Mojsoska-Blazevski, N., (2018). *Trends in labor markets in FYR Macedonia: A gender lens*. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/986351530094208973/Trends-in-labor-markets-in-FYR-Macedonia-a-gender-lens>.
- Mojsoska-Blazevski, N. Petreski M. and Stojanova, D., (2019). Female's labour-market inactivity in a traditional society: Should we change the culture?, Cambridge University Press, Ch. 5 in "Social Exclusion in the Western Balkans".
- Petreski, B., Petreski, M., Stojkov, A., Tomovska-Misoska, A., Parnardzieva-Zmejкова, M and Dimkovski, V., (2020). *Bridging Measures to alleviate COVID-19 consequences*. Skopje: UNDP Office Skopje.
- UNDP (2020). *Socioeconomic Assessment of the COVID-19's Impact in North Macedonia*. Skopje: UNDP.
- UN Women (2019). *Measuring Women's Empowerment in Agriculture with Survey-Based and Experimental Economics Method*. Skopje: UN Women.
- UN Women (2020). *Rapid Gender Assessment: The impact of COVID-19 on women and men in North Macedonia*. Available from www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2020/09/rga_the%20impact%20of%20COVID-19_nm_eng_final_2020_09_29-min.pdf?la=en&vs=2420. [Accessed November 1 2020].
- World Bank (2020). *World Bank's Regular Economic Report No. 18: An uncertain recovery*. Fall 2020. Available from <https://openknowledge.worldbank.org/bitstream/handle/10986/34644/153774.pdf>.
- World Bank and FAO (2014). *Land and Gender: Improving data availability and use in the Western Balkans*. FAO, World Bank.



UN Women North Macedonia

Blvd. VMRO 7/10, Skopje, North Macedonia

<http://northmacedonia.unwomen.org>

www.facebook.com/unwomenskopje