



The World Bank Group

FYR Macedonia Country Brief

Europe and Central Asia Region



About FYR Macedonia

Population: 2 million
 Population per sq. km: 79.4
 Population growth: 0.6%
 Life expectancy: 73 years
 Population below national poverty line : 22.3%
 GDP per capita (current
 US\$) (2001): 1,678
 GDP (current US\$) (2001): 3,426
 million
 GDP Growth (2001): -4.6%
 Sources: National Statistical Offices, IMF,
 IFS, WDI 2002 and Staff estimates



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Macedonia Country Brief.pdf

Overview

The breakup of Yugoslavia in 1991, and the conflicts that followed, resulted in the loss of a large and protected market for the former Yugoslav Republic of Macedonia (FYR Macedonia). This led to a period of economic decline with high inflation, large fiscal deficits, and almost no foreign investment.

At the end of 1994, the Government initiated and successfully implemented a stabilization program, with the assistance of international donors including the World Bank and the International Monetary Fund. As a result, by end 2000 macroeconomic stability was established, the fiscal balance registered a substantial surplus for the first time, and inflation remained modest.

However, despite these gains and five years of consecutive growth, new jobs were not created. Production levels in 2000 fell below the 1990 levels by around 20 percent, unemployment rose to over 30 percent, and the number of people living below the official poverty line grew to over 22 percent.

Positive economic trends at the close of 2000 came to an abrupt end with the armed conflict of 2001. GDP declined by more than 4 percent, the fiscal balance and the balance of payments deteriorated severely, and reforms were stalled.

Although industrial production has improved over the first half of 2002, it remains below the pre-conflict levels. Exports remain depressed, the high levels of risk discourage foreign investors, and tax revenues are low, whereas expenditure remains high. Economic growth of 4 percent is projected for 2002, with moderate inflation of 2.5 percent and a fiscal deficit of 3.5 percent. The positive trends in industrial production are expected to continue with the support of higher production in agriculture and construction.

Focus of World Bank Assistance

FYR Macedonia joined the World Bank and the International Development Association (IDA) in 1993. Since then, the Bank has been assisting the Government to promote productive private sector development, support structural reforms through analytical inputs and adjustment lending, strengthen the social safety net and improve infrastructure. Between 1998 and 2000, World Bank assistance to FYR Macedonia, guided by the Country Assistance Strategy, helped promote private sector growth, create jobs, enhance the efficiency of the state, alleviate poverty, and develop human capital.

On account of the events of 2001, the Bank prepared a one-year Transitional Support Strategy (TSS) for FYR Macedonia. In addition to the priorities already identified in the Country Assistance Strategy for 1998-2000, the TSS provided a framework for rapid Bank intervention in the post-conflict period.

Although FYR Macedonia was to graduate from IDA financing in 2001, on account of the conflict and its consequences, the Board of Directors of the World Bank agreed to an additional exceptional access to IDA funds for FY02 as well. With the country's foreign exchange reserves drained by the conflict, the World Bank provided US\$15 million in emergency economic assistance to finance critical imports for the private sector, being among the first international agencies to do so.

In addition, the Bank helped the country mobilize resources from other international donors by organizing, together with the European Commission, a Consultative Group Meeting at Brussels in March 2002. Donors pledged a total of US\$275 million for balance of payments support, implementation of the Framework Agreement, and reconstruction of damaged infrastructure. Moreover, donors declared their willingness to provide an additional US\$244 million in development assistance.

The World Bank is also active in supporting reforms in public administration, financial and enterprise reform, and supporting investment as well as policy advice in the health, education, social policy, energy, infrastructure, and agriculture sectors.

For further details, please refer to the World Bank's [Country Assistance Strategy](#) for FYR Macedonia for 1998-2000, the [Country Assistance Strategy Progress Report of 2000](#), and the [Transitional Support Strategy of 2001](#).

Impact on the Ground

A sound financial sector was developed. Reforms in the financial and enterprise sector, extensively supported by the World Bank, have led to the creation of a relatively sound financial sector. Numerous administrative and market obstacles that constrain enterprise development have been removed. The legal framework has been reformed.

Unemployment was reduced. Two projects of US\$10 million, financed by the World Bank, have contributed to the creation of 746 active employment programs, encompassing 51,300 unemployed persons of whom 20,400 have been permanently employed. An independent study estimates that the state has received a return of US\$24 million on this investment.

Perinatal mortality was reduced. Activities under the Health Transition Project have helped decrease the infant mortality rate of babies weighing more than 1000 grams at birth by 36 percent. This translates into 108 babies saved each year. The statistics are based on careful data collection from 16 hospitals where more than 93 percent of births in Macedonia occur.

For details of projects in FYR Macedonia, please click [here](#).

Challenges Ahead

Three priority areas for FYR Macedonia are:

- The country needs to return to positive economic growth;
- Reforms in the public enterprise, financial and public sectors need to continue;
- The Poverty Reduction Strategy needs implementation.

World Bank Partners in FYR Macedonia

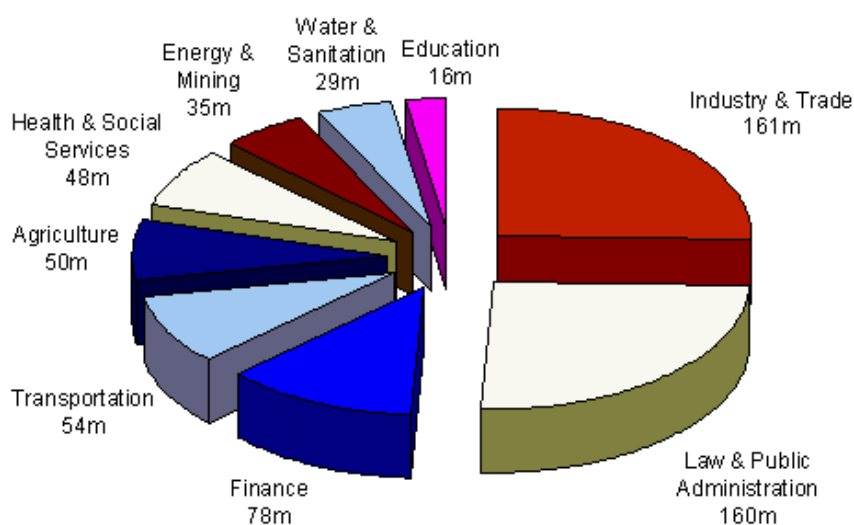
SECTOR	LEAD NATIONAL AGENCY	PARTNERS
Health	Ministry of Health	WHO, UNICEF
Agriculture	Ministry of Agriculture	FAO, GTZ
Financial Sector	Ministry of Finance	IMF
Energy and Infrastructure	Ministry of Transport	Power Distr. Company, Privatization Agency
Social	Ministry of Labor and Social Policy	USAID, DFID, EC
Education	Ministry of Education	SOROS, USAID

World Bank Lending to FYR Macedonia

Total WB / IDA Lending as of July 1, 2002: US\$ 631 million
(in nearest US\$ millions)

	up to 1995	1996	1997	1998	1999	2000	2001	2002	Total
Commitments	203	37	60	78	122	-	96	35	631
Disbursements	107	67	67	31	49	84	29	35	469

Total Commitments by Sector* since 1991
(in nearest US\$ millions)



* A new Bank sector and thematic coding system was introduced in FY02. Under this new system, themes represent the development objectives of the operation, whereas sector codes for investment operations reflect the parts of the economy receiving direct support, and for adjustment operations, the sectors being impacted by the operation's conditionalities. Thus, a given adjustment operation may span a number of sectors depending on the reform measures being implemented by the loan and may, for example, show up in education, health, trade and industry or other categories, even though there may not be a direct investment in that sector.

Fiscal year from July 1-June 30.

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FEEDBACK

SITE MAP

SHOWCASE

