

## Macedonia: Micro-credit, Poverty and Returning Ethnic Minorities

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Street scenes in Macedonia Photo: ADI

### Introduction

The Republic of Macedonia has a population of just over 2 million people, with a land area of 26,000 km<sup>2</sup> in the heart of the Balkans, neighbouring Albania, Bulgaria, the Federal Republic of Yugoslavia (FRY), Greece and Kosovo/a.

In 1991 Macedonia gained its independence from Yugoslavia and throughout its short existence, Macedonia has been surrounded by ethnic tensions, political instability and conflict. Initially there was a major political conflict with Greece over the name of the state (with an unsatisfactory compromise of a name – the Former Yugoslav Republic of Macedonia – FYRoM). Tensions grew internally as the government adopted nationalist policies favouring the majority ethnic Macedonian community. These tensions grew with the war in Kosovo/a in 1999 and the large flow of refugees. The violent inter-ethnic conflict of 2001 between Macedonians and Albanians is well known, however, the economic crisis is little known outside the region.

This paper highlights the issues that have forced migrant workers wishing to return to Macedonia to remain in Germany. This is despite a well-funded German government micro-credit programme, which aims to provide small business loans to the returnees. Most of the migrants are from ethnic minority communities.

### Ethnic composition of Macedonia

Macedonia is ethnically diverse and according to the government census of 1994, its population consists of: 66.5 per cent Macedonians; 22.9 per cent Albanians; 4.0 per cent

Turks; 2.0 per cent Roma; and 4.6 per cent Serbs, Vlachs and others. Most non-Macedonian ethnic communities question this data. A census organized by two Albanian political parties in 1993, found that ethnic Albanians in Macedonia constitute 35 per cent, while the political representatives of the Turkish and Roma communities claim that their communities constitute 8 and 10 per cent of the general population respectively.

Most of the Albanians live in western Macedonia (including Debar, Gostivar, Kicevo, Resen, Struga and Tetovo) where they are a numerical majority; and more than 20 per cent of the population of the capital Skopje is Albanian. In eastern Macedonia, there are few Albanians, but significant numbers of Roma and Turks.

Previously, Albanians suffered widespread discrimination in Yugoslavia, and this continued with the establishment of an independent Macedonian state. Albanians' language and culture continued to be marginalized and discrimination continued in education; their employment and participation was also limited. Much of the Macedonian nationalism and discriminatory policies were directed against ethnic Albanians, who were seen as a threat by many ethnic Macedonians. Roma, Turks and smaller minority communities also suffered discrimination.

Many ethnic Albanians migrated to Germany and Western Europe for work. They had hoped to return to their families but were discouraged by the Macedonian nationalism and the lack of work for ethnic Albanians.

## Economic crises

Macedonia has faced economic crises since it became independent in 1991. These have fuelled instability and inter-ethnic tensions. Following independence, Macedonia was eager to be recognized by the international community and to attract international investment. Consequently, Macedonia followed the structural adjustment policies that were then favoured by the International Monetary Fund (IMF), the World Bank and many international aid donors. These policies led to the privatization of nationalized industries as a prelude to the emergence of a market economy. The situation was already acute as Macedonia had lost its markets in Yugoslavia, and its neighbours had severe economic difficulties during the region's conflicts. These conflicts also discouraged investment.

By 1998 there were only 315,800 people registered as employed, with a further 152,000 believed to be unregistered but employed; 95 per cent of the latter were in the private sector and almost two-thirds were men.<sup>1</sup> The level of unemployment had grown by more than 130 per cent since 1991, standing at 361,300. In 1997 public opinion polls showed that most people felt that their situation had deteriorated since independence. By 1998 it was calculated that over 25 per cent of those living in rural areas were in poverty, with an income of less than US \$2.5 a day.<sup>2</sup>

Poverty hit all of the communities, although it affected them in different ways, and a link was established between poverty and poor education. Consequently Albanian women in rural areas, who usually have no more than primary schooling, tend to be severely affected. As few Albanians were employed in the state industries, they were far less affected by their closure. However, unlike many ethnic Macedonians, Albanians were not able to benefit from the privatization of the more successful state enterprises as these were sold to the employees at low cost.

The Albanian community had long been dependent on remittances sent back from those who had migrated to Germany in the 1960s and 1970s. Unofficial figures estimate that there were 150,000 Macedonians in Germany of whom around 120,000 were ethnic Albanians.<sup>3</sup> Their modest individual remittances provided a significant injection of cash into the local economy, funding the development of small and medium sized enterprises (SMEs) in Macedonia in the late 1970s and 1980s. According to official statistics in western Macedonia there are 12,800 small businesses and craft enterprises, most of which were funded by these migrant workers.<sup>4</sup> This income benefited the whole community and brought a degree of self-sufficiency, independent of the state. Today the remittances have fallen by 60 per cent, and ethnic Albanians who return to Macedonia usually add to the number of unemployed.<sup>5</sup>

## Banking in Macedonia

There are few opportunities for ethnic Albanians to borrow funds to start small family businesses. Many of the banks in Macedonia are weak due to a low level of economic activity and the major loss of funds that followed the break with



Albanian men outside a cafe in Tetovo Photo: Melanie Friend/Format Photographers

Yugoslavia. In 1999 there were 22 legally licenced banks. New independent enterprises find it very difficult to attract support from the banks, and allegations of corruption in the banking system abound. Many of the privatized banks' shareholders are reported to have close links to government officials, while the paucity of Albanians among the senior management does little to increase the confidence of some Albanians in the banks.

The five commercial banks that operate in western Macedonia rarely give loans to ethnic Albanians. For example, a study by the Enterprise Support Agency in Gostivar showed that in western Macedonia only 6 per cent of bank loans went to ethnic Albanians.<sup>6</sup>

## Migrant workers returning from Germany

Although Yugoslavia had a healthy economy, ethnic Albanians were usually underemployed and often unemployed. Migration for work to West Germany was formalized in a bilateral agreement and organized through the State Bureau of Employment in Macedonia. Their labour was important to the growing West German economy, while their remittances were helpful to the Yugoslav economy, and crucial to relieving the poverty of the families left behind.

However with the new challenges of a united Germany, and German politicians concerned about the number of asylum seekers and migrant workers, the German and Macedonian governments launched a programme in 1996 to provide loans for migrant workers to return to Macedonia. A total fund of DM 20 million was established, to which the German government contributed 50 per cent. This fund was to provide credit to migrant workers in Germany to return to Macedonia and to establish and support newly-formed SMEs.

Ethnic Albanians and other minorities strongly welcomed the scheme. Many wanted to return to Macedonia after years away from their families. At last there seemed to be the prospect of self-employment without the institutional discrimination of the Yugoslavian state, and the value of promoting small enterprises had already been recognized by many important donors. SME consultation centres were set up and non-governmental organizations (NGOs) were funded to help support individuals applying for business

grants. The German Association for Investments (DEG) and the German Association for Technical Cooperation (GTZ) were asked to implement the programme in partnership with the Macedonian ALMAKO bank, and then, after its collapse, with the Macedonian Bank for Development Support.

## Banking discrimination

DEG established an office in Skopje to act as a bridge between the bank and people who might value a loan. They were to bring in expertise in evaluating proposals and in advising returning migrants who wanted to set up SMEs.

The programme was open to all citizens of Macedonia who had returned after 1991 or who planned to return in the future. Applicants needed to have worked legally in Germany for over two years and had to show that they: had a concrete idea for an activity they would develop, possessed a professional and commercial qualification, and would work exclusively in the enterprise they developed.

In addition to providing loans for the establishment of new SMEs, the programme could give loans to enterprises formed in the previous three years. Loans could also buy existing companies or invest in a partnership.

Many ethnic Albanians in Germany hoped to return home and set up small family businesses. They hoped these would employ themselves and one or two other family members – in agriculture, construction, production, or other services – with the aim of bringing dignity, income and unity to their families. The programme appeared to be culturally sensitive, as many ethnic Albanian men, and lesser numbers of women, would be enabled to run their own businesses.

The programme began very slowly, in June 1996, and in the first two years no loans were made but business training was offered to a wide group of individuals in Macedonia. It was intended that these individuals would encourage applications for loans. However, there was concern among ethnic Albanians that their applications were being delayed; it was alleged by applicants that they had to give ‘incentives’ to speed up the process to loan officers.<sup>7</sup> Further, DEG

research shows that there were only 68 applicants for loans, 41 per cent from ethnic Macedonians, 25 per cent from ethnic Albanians, with the remaining 34 per cent from other ethnic groups.<sup>8</sup> This was surprising as most migrant workers from Macedonia were ethnic Albanians.

From 1997 to 2001, loans were allocated as shown in the table below.<sup>9</sup> There is no evidence to show that Albanians have less need for loans, or less ability to construct a business plan. Further, even plans prepared for ethnic Albanians by specialized agencies such as the Enterprise Support Agency were rejected by the commercial banks.<sup>10</sup> Consequently, it is important to look at other factors. Among some of the concerns raised by ethnic Albanians are:

- That the only DEG office is in Skopje (whereas most Albanians are in western Macedonia).
- That ethnic Albanians or members of other ethnic minorities were under-represented among the DEG programme staff. DEG hired 21 temporary consultants for the preparation of the project, only two of whom were Albanian and there were none from other minorities. The DEG Skopje office hired nine local consultants to attract new clients and they were all from Skopje.
- That no promotional material was prepared or broadcast in any non-Macedonian languages.
- That the two-year business training programme failed to effectively include returnees from Germany.

Many ethnic Albanians who had hoped to benefit from the programme, came home but soon returned to Germany disappointed. They felt that the programme was a false promise, and their families would be in poverty if they left their jobs in Germany to become unemployed back home.

## The future

The programme to provide loans for the return of migrant workers from Germany to Macedonia was created in good faith by the German government and was strongly welcomed by ethnic Albanians. Yet many ethnic Albanians believe the programme has failed. There are many Albanians who remain in Germany who want to return,

### Credit users by ethnic background

Credit users according to their ethnic background	% of credit beneficiaries according to their ethnic background	Personal funds (in DM)	Credits from the Ministry of Development (in DM)	Credits from ALMAKO Bank (in DM)	Total amount of used credits (in DM)
Macedonian	89%	1,063,272,800	5,302,954	2,302,695	7,298,860
Albanian	9%	147,567,300	499,800	184,00	647,834
Macedonian-Muslim	2%	2,700,00	14,000	6,000	20,000
Turkish	0%	0	0	0	0
Others	0%	0	0	0	0
Total	100%	1,213,540,100	5,816,754	2,492,895	7,966,694

(In the second phase of the programme, 14 loans were made: 12 to ethnic Macedonians, one to an ethnic Albanian and one to an ethnic Turk.)

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while the limited funds that have been spent have reached few ethnic Albanians. The programme appears to have lost its direction. The lack of effective participation of ethnic Albanians must be a disappointment to all, including the programme's originators.

In future a different approach must be encouraged. Aid programmes should be transparent at all levels, and have the full participation of all the communities involved. Such programmes should be consistent with the United Nations (UN) Declaration on Minorities, the Council of Europe Framework Convention for the Protection of National Minorities and the International Convention on the Elimination of All Forms of Racial Discrimination.

## Notes

- 1 See IMF and World Bank websites' statistics.
- 2 *Ibid.*
- 3 Enterprise Support Agency (ESA), Gostivar, Macedonia.
- 4 Official figures for businesses during 1993 to 2000, provided by the state statistical office in Skopje, Macedonia.
- 5 ESA, *op. cit.*
- 6 *Ibid.*
- 7 ESA clients have regularly complained of this.
- 8 German Association for Investments figures.
- 9 *Ibid.*
- 10 Many clients have been rejected for a loan, with no explanation.

## Recommendations

1. International donors should review the substance and implementation of aid programmes in Macedonia to ensure that they are inclusive of minorities. Minority communities should be fully involved in the planning and implementation of aid programmes.
2. International donors should examine the impact of discrimination on achieving the objectives of aid programmes, and appropriate responses for overcoming the impact of discrimination should be adopted. These strategies should be elaborated in cooperation with minorities.
3. The German government should review and monitor its micro-credit programme to provide loans for returning migrant workers, to ensure that the programme meets its objectives and includes ethnic Albanians and other minorities among its beneficiaries.

**Minority Rights and Development** is a research and advocacy programme, established by MRG and its partners, to address the development-related exclusion and marginalization of minority and indigenous communities, and to work towards the elimination of poverty.

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