

PEP impact brief

Macedonia

Impact of a remittance voucher policy on household welfare in Macedonia

2014-2015

Project milestones

- April 2014 Initial consultation between the research team and a senior advisor to the Ministry of Labor and Social Policy
- May 2014 Selection of project for PEP support under the PAGE initiative
- Sept 2014 Consultation with the Ministry of Finance to discuss how findings may feed policy making
- Fall 2014 Advocacy meeting with the Department for Social Protection of the Ministry of Labor and Social Policy
- Feb 2015 Follow-up meeting with key policy actors to present preliminary findings and recommendations
- Jan 2016 Eligibility rules for formal social assistance are changed in line with the recommendations
- Feb 2016 Team organizes PEP national policy conference in Skopje
- Spring 2016 Team leader discusses implementation of policy recommendations with Minister of Labor and Social Policy

Context

The Macedonian economy currently faces critical challenges in terms of socioeconomic development, sustainability and welfare, including an unemployment rate of 29% in 2014. Despite this figure, only 9% of households receive formal government social assistance, and this in turn has only reduced poverty by 3%. A recent study (Mojsoska et al., 2013) suggests that this kind of social assistance may even trigger inactivity in recipient households.

Macedonia receives at least 4% - and potentially up to 10% - of its annual GDP in private cash remittances sent from family members abroad to help poor households. However, there is currently no government policy to channel this potential into productive use and the poverty rate remains high at 27%. Unfortunately, remittances are not taken into account in the standard national surveys and policies, particularly because at least half of these remittances are sent through unofficial and/or unregistered channels (Petreski and Jovnanovic, 2013).



Local research team

Blagica Petreski, project leader - Finance Think,
Economic Policy & Research Institute (EPRI)
Darko Tumanoski - Finance Think EPRI
Despina Tumanoska - Finance Think EPRI
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PEP mentor

Jorge Davalos

PEP publications

Working paper 2016-15
Policy brief 129



Creating a new form of social protection for Macedonia's most vulnerable populations

A remittance-voucher policy can formalize remittances as a source of social protection leading to increased social inclusion and increased health among Macedonia's poor

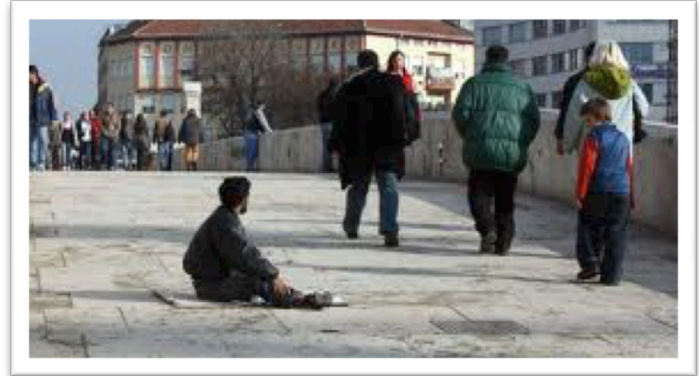
Considering the uncharted potential for these contributions to support living conditions, this study aims to investigate the extent to which remittances may serve as informal social protection for left-behind households. In particular, this study sets out to investigate if and to what extent remittances improve individual social indicators; and to simulate the effects of a specific policy instrument, the Remittance Voucher (RV) Policy, that would convert remittances into a formal mechanism for social protection.

Key findings...

Results of the analysis indeed confirm the team's initial assumption that remittances serve as an informal source of social protection in Macedonia.

- For each denar (Macedonian currency) received in remittances, individual health consumption increases by 20%, and general consumption (excluding health) increases by 60%.
- Furthermore, each additional denar spent on health reduces the probability of "bad health" by 0.17%. This means that an increase in remittances of 2,000 denari increases health spending by 370 denari, in turn reducing the probability of bad health by a sizeable 63%.

The findings also indicate that the RV Policy has social effects on the remittance recipients in terms of improving health and reducing poverty, particularly amongst the most vulnerable population groups. However, there is no significant impact on housing conditions or material deprivation.



The study was conducted using data from the (2008) DotM Remittance Survey of over 4000 individuals across 1,211 households and fully representing the country's regions, as well as gender and ethnicity.

Using a conditional mixed process estimator to analyse the data, the team was able to determine the consumption and health of an individual in relation to remittances received. An ex-ante simulator allowed the team to assess the effects of the Remittance Voucher Policy.

...and conclusions

This study's findings demonstrate that the RV Policy can, and should, be used as a means of formalising remittances as a source or mechanism for social protection.

For the recipients, formalised social protection, particularly in terms of health and pensions, can improve their social inclusion and, potentially, their life expectancy.

The policy also provides a means to support the most vulnerable population groups and may therefore reduce pressure on other social items in the national budget.

Furthermore, increased social inclusion and savings allow for increased investments, entrepreneurship and self-sufficiency.



Strengthening local expertise for policy analysis in Macedonia

In order to produce such high quality research and findings, the junior researchers first acquired training in cutting-edge statistics and data analysis techniques specific to the methodology of the study. The lead researcher, Blagica Petreski, benefitted from this training when she participated in the 2014 PEP Annual Conference, in Bolivia. The same opportunity was then provided to other researchers via Finance Think, a leading economics think tank in Macedonia, led by Petreski.

Thanks to the expertise built and promoted during this project, the team members were invited to collaborate on and/or participate in a number of further studies, including projects with the British Embassy in Skopje, the European Fund for the Balkans, and the Global Development Network.

In addition to funding, all PEP-supported research project teams benefit from intensive training activities (at the onset of the project), access to related resources (recommended readings, training materials, software tools, etc.), a unique international peer-review experience, as well as ongoing mentoring and technical support provided by PEP mentors (world leading experts in relevant research methods/areas) all throughout the project lifecycle.

The research team was also invited to present their paper at the DIAL Development Conference in Paris, July 2014. This led to non-PEP funding being secured for five further projects, looking particularly at remittances, labour-market policies, and the gender wage gap.

"Policymakers are interested in innovative measures based on credible and convincing research but that is not sufficient to be heard. Our training in advocacy and our dissemination activities have supported our research-based recommendations and provided strength in negotiation with policy-makers."

- Blagica Petreski

Furthermore, Petreski received the 2014 award for the best researcher in the field of risk management in the insurance sector in Macedonia, and was twice (2015, 2016) nominated by the US Embassy in Macedonia to be a youth leader in the Young Transatlantic Innovation Leadership Initiative. In 2016 she was also invited to attend that year's Global Entrepreneurship Summit in the USA.

As a networking effect of their participation in the PEP annual conferences, two Memorandums of Understanding were signed between Finance Think, the research team's institution, and research centers in Argentina (CITRADIS) and Bolivia (Bayes Research Group). Furthermore, the team leader collaborated with other PEP researchers from Bolivia and Nigeria to submit a project proposal to the Global Development Network.

Engaging with key policy makers, advisors and stakeholders

The PEP research team's findings and advocacy help to change social assistance rulebook

While scientific analysis remains at the heart of their work, the research team recognized the necessity for advocacy and outreach if their results were to make a real difference to both policy and to remittance recipients in Macedonia. The team underwent advocacy training and the junior researchers also benefitted from outreach strategy training led by the team's senior researchers.

That training was put to good use as, from the outset of the project, the research team consulted with several key policy actors and stakeholders, particularly representatives of the Ministries of Labour and Social Policy, and of Finance, to ensure interest and solicit advice for the project.

The most significant meetings took place from the fall of 2014 when the team members began advocating for a specific change in policy based on their findings. Team leader, Blagica Petreski, and researcher Despina Tumanoska, met both the Deputy and the Head of the Department for Social Protection (Ministry of Labour and Social Policy) to discuss the importance of remittances as a source of social protection for vulnerable populations, and to advocate that remittance recipients be eligible for formal social protection.

In February 2015, Petreski met with a senior advisor in charge of active labour market policies at the Ministry of Labour and Social Policy, where she introduced the idea of a voucher system for the vulnerable remittance recipients and presented the team's findings. The Ministry advisor confirmed that the voucher system would be considered during the drafting of the next National Strategy for Poverty Reduction and the associated action plans.

The proposals were thus positively received by the Ministry and, in line with the team's findings, the rulebook on the procedures that determine household revenues, property rights, and set out the eligibility requirements for social assistance was changed in January 2016. Remittances are no longer considered as revenue, meaning that vulnerable remittance recipients are now eligible for formal social assistance (an average of €60 per month, per household) and can benefit from improved social stability.

Finally, while the direct successes of the research project are significant, the knowledge, networking and ideas demonstrated during the national conference, organized by the team in early 2016, helped to establish Finance Think as a leading economics think tank in Macedonia. Both the findings and issues raised in the during this project benefitted from broad national media coverage (TV, radio, newspapers), with countless news reports and interviews, and Finance Think has since implemented more than ten new projects - either related to the original PEP project or replicating the PEP mentorship concept and outreach strategy.



September 2014 – February 2015
Consultation and advocacy meetings between research team and policy actors



January 2015
Vulnerable remittance recipients become eligible for formal social protection



February 2016
Team organizes a national policy conference in Skopje, triggering various policy responses



March 2016
Team leader is a guest speaker on national "Economic Magazine" TV show