

3rd INTERNATIONAL SYMPOSIUM FOR AGRICULTURE AND FOOD – ISAF 2017**INDICATORS OF RURAL POVERTY IN THE REPUBLIC OF MACEDONIA
- MULTIDIMENSIONAL POVERTY ANALYSIS****Tuna Emelj¹, Petrovska Mitrevska Biljana², Azderski Jovan¹**¹Faculty of Agricultural Sciences and Food-Skopje, Ss. Cyril and Methodius University in Skopje,
Republic of Macedonia²FFRM - Federation of Farmers of the Republic of MacedoniaCorresponding author: emelj.tuna@fzhn.ukim.edu.mk**Abstract**

Rural poverty presents an escalating problem for post-communist countries struggling with perpetual transition towards market economy. As a country deriving from such economic background, Republic of Macedonia is classified as one of the poorest countries in Europe. The rural population in the country is faced with different obstacles such as: limited access to institutions, infrastructure, finances, and other aspects which not only impede these population's living conditions but also obstruct the development and growth of the rural areas. In order to provide detailed description of the rural poverty situation as well as to identify the vulnerable and deprived group in the rural areas in the Republic of Macedonia, this paper represents an initial record of the poverty conditions in the rural areas. The poverty features are presented through the multi-dimensional poverty analytical tool and the indicators and dimensions of poverty on micro and macro (country) level in order to describe the socio-economic, environmental, political and institutional context. The comprehensive multi-dimensional analysis of the poverty dimensions in the Republic of Macedonia gives overview of the rural poverty situation and highlights several groups, suffering from multiple deprivations such as rural woman and agriculture households, which are part of an extremely vulnerable group, with the highest risk of going under the poverty base lines.

Keywords: agriculture, deprivation, post-communist, socio-economic aspects, vulnerable groups.**Introduction**

"Most people in the world are poor" (Schultz, 1980), therefore it is essential that economists understand the socio-economic aspects that affect poverty. Furthermore, "most of the world's poor people earn their living from agriculture" (Schultz, 1980), so discovering the economics behind the agricultural production is believed to provide a comprehensive picture of poverty in the rural areas. However, economists often tend to use narrow and strict economic models in determining who is poor, with a proxy such as income as a dominantly accepted welfare measure (Barrett, 2004). Nevertheless, the concept of poverty is complex and as such requires inter-disciplinary multidimensional measurement approach (Bourguignon and Chakravarty, 2002; Duclos et al., 2006). The concept is even more complex when we consider rural poverty. The problems faced by the rural population are diverse and include a wide range of supplementary issues that affect rural poverty such as climate, culture, markets and such (Mahmood, 2001).

The poorest countries of Europe are usually those that were severely affected by the collapse of the socialistic economic systems. Coming from such system, Macedonia is one of the poorest countries in Europe (World atlas, 2017). Since its independence in 1991, the country has undergone dramatic socio-economic reforms. The country has gradually improved its economy over the years with successful implemented policies. However, in spite of the reforms and development, the country has a high unemployment rate (27.3% in 2015) high poverty rates and a large 72% of the people have reported living in challenging living standards. Approximately 45% of R. Macedonia's population live in the rural parts of R. Macedonia and the rural areas take about 87% of the country's total area. The

inhabitants of the rural areas in Macedonia are the most deprived groups that lack access to institutions, infrastructure, access to adequate inputs and markets, lack of financial resources for investment and improvement of their incomes and living conditions. This is especially evident for the inhabitants of the hilly-mountainous areas where 43% of the people are facing difficulties of providing resources for food (IFAD, 2017).

This paper derives from the “Multidimensional poverty analysis Republic of Macedonia” (Tuna and Petrovska-Mitrevska, 2017) report and the aim is to sublimate the data on rural poverty, by representing the general rural poverty situation, as well as identifying the vulnerable and deprived groups of people living in the rural areas. This records may serve as a base for creation of effective and targeted policies in order to deal with rural poverty which is an important for the economy and the society as a whole. Identifying the micro and aspects of rural poverty would provide a base in constructing effective strategies and policy recommendations for poverty reduction, which is a central premise for the rural development in the country, but also a key component of the Europe 2020 strategy (Eurostat, 2017). The paper includes brief description of the general macro-economic indicators and conditions in the rural areas in the Republic of Macedonia, short description of the analytical tool and approach, as well as the poverty indicators on macro and rural level.

Material and methods

Since this is the first attempt to depict this important issue in Macedonia, the analysis is based on official data sources such as the State statistical office (reports, censuses and other indigenous resources), World Bank, EU Commission Reports, Reports from: Freedom House, Transparency International, UNDP, Surveys of the Center for research and policy making, NGO “Solidarnost”, NGO “Macedonian Platform Against Poverty”, “NGO Federation of farmers in Republic of Macedonia”; as well as other literature and strategic documents in relation to the topic in the country and the Western Balkan region.

In order to be construct detailed understanding of the poverty conditions in the rural areas, we first need to emphasize that “poverty” is a complex concept which generate different overlapping repercussions on the poor, such as: isolation, disability, vulnerability and powerlessness (Figure 1). This is the so called “Magic circle of poverty” or the poverty syndrome/trap. Poverty is the powerful determinant that that triggers this vicious circle and contributes to malnutrition, fragile health, lack of power and voice, decreased productivity and exclusion from the labor market, reduced earnings, lack of adequate education and distance from the educational, health and other important institutions, as well as other types of exclusions and isolations which puts this individuals in a degraded situation (Chambers, 2012).

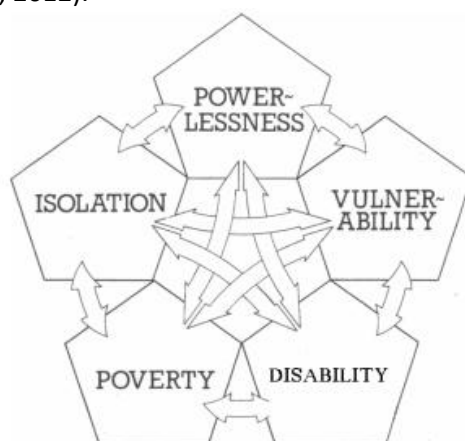


Figure 3. The poverty trap (Chambers, 2012)

To comprehend the complexity of the poverty concept, the methodological tool applied in the structure of this paper includes a multidimensional poverty model developed by the Swedish International Development Agency (SIDA, 2017). It is a model that reflects on the poverty from a

micro and a macro (institutional) perspective and provides a comprehensive description and identification of the poor individuals, deprived groups, as well as the wider causes that affect their position, such as the economic and social context, the political and institutional context, the conflict/peaceful context, and the environmental context (Figure 2). The main idea supporting this multi-purpose tool is that poverty is a complex concept and state, depicting not only the lack of material resources, but also involving series of other interlinked dimensions of poverty. More specifically, the primary objective of this tool is to identify “WHO” lacks: resources, opportunities, power and voice or human security and “WHY” (SIDA, 2017):

1. **RESOURCES** - not having access to or power over resources that can be used to sustain a decent living standard and improve one’s life. Resources can be both material and non-material – e.g. a decent income, capital, being educated or trained, professional skills, being healthy, time and spare time, social and family networks, marital status, etc.
2. **OPPORTUNITIES and CHOICE** – the possibility to develop and/or use your resources so as to move out of poverty. Access to e.g. social services (including accessibility to services), to infrastructure, to capital, to land, social status, or to natural resources affects the opportunities and choices.
3. **POWER AND VOICE** - the ability of people to express their concerns, needs and rights in an informed way, and to take part in decision-making that relate to these concerns. Power is a relational concept that allows us to better understand socio-cultural hierarchies and relations of which gender is one, others include for example age, caste, class, religion, ethnicity, race/skin colour, ability/disability and sexual identity. Reinforcing forms of discrimination based on such economic and socio-cultural relations may increase an individual’s poverty in this sense.
4. **HUMAN SECURITY** - violence and insecurity are constraints to different groups’ and individuals’ possibilities to exercise their human rights and to find paths out of poverty.

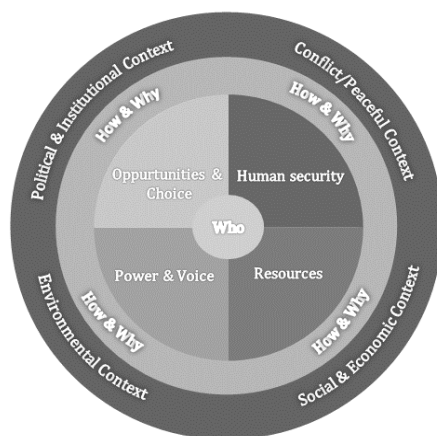


Figure 2. Multi-Dimensional Poverty analytical tool – four dimensions of poverty (We Effect programme instructions 2018-2021)

Results and discussion

Macro perspectives of poverty in R. Macedonia - people living in poverty are particularly exposed to risks related to climate change and environment degradation as well as conflict and tensions adding to their vulnerability. This section includes analysis of the development context or the: political and institutional context, economic and social context, environmental context, conflict and peaceful context (SIDA, 2017).

Environmental context – The impact environmental factors, in particular climate change on poverty are large, mostly because poor people are exposed to hazards more often, lose more of their possessing when affected, and receive less support from family and friends, financial systems, and governments (World Bank, 2012). In fact, disasters can push people into poverty, and so disaster risk management can be considered as a poverty reduction policy. Since poverty reduction policies

reduce people's vulnerability, they can be considered part of the disaster risk management toolbox. "Agricultural production is inseparably tied to the climate conditions" (World Bank, 2012: 10), making agriculture one of the most climate-sensitive of all economic sectors. In countries such as Republic of Macedonia, the risks of climate change for the agricultural sector are a particularly immediate and important problem because the majority of the rural population depends directly or indirectly on agricultural incomes for their sustainability and have a relatively lower ability to adapt. In R. Macedonia, certain crops are more vulnerable than others, including: wheat, as the most important cereal crop, grape, tomatoes, alfalfa and apples (Cukaliev, 2014).

Conflict/Peaceful context – The country was faced with series of difficult political crisis since 2001. According to the EU Report on the Republic of Macedonia democracy and rule of law have been constantly challenged, in particular due to state capture affecting the functioning of democratic institutions and key areas of society. "The country suffers from a divisive political culture and a lack of capacity for compromise" (CSWD, 2016).

Political and Institutional context – Concerning the institutional context, Macedonia has a legal framework against discrimination and protection of human rights, however reality shows a serious lack of implementation in the part of equality and non – discrimination. Nevertheless, corruption remains prevalent in many areas and continues to be a serious problem in the Republic of Macedonia and freedom of expression and the situation of the media remain a serious challenge in the current political climate (CSWD, 2016). The National Strategy for Poverty and Social Exclusion Reduction in the Republic of Macedonia was adopted in 2010, and is one of the key strategic policy documents that should contribute to poverty reduction and social inclusion in the country. The strategy also mentions the agriculture in development programs for economic empowerment of young women farmers, for education of women and for improving the position of certain minorities – underage marriages, families with many children and people, who live at a greater physical distance from larger settlements in the municipality. An additional problem is transmission of poverty and exclusion. Series of strategic documents defining the objectives of the development of social protection were recently adopted or are in the process of adoption in the country, including the National Employment Strategy 2016-2020, the National Strategy for Deinstitutionalization 2008-2018, the Program for Social Inclusion, the National Housing Strategy and the National Strategy for Reduction of Poverty and Social Exclusion. What is positive is that the state financial program in the country is targeting greater participation of women. Yet, the most traditional social norms are visible in the rural areas, and the rural women, who have a difficult life living in poor conditions, limited offer in terms of public services and are likely to leave the village, unless they are offered new economic opportunities and possibilities for employment.

Social and economic context – The level of absolute poverty regarding the percentage of the population living with daily income below 1.9 USD is quite low, with 1.38% of people belonging to this category of citizens. The average monthly net wage paid per employee recorded in January 2017 in R. Macedonia was 22,750 MKD (close to 370 EUR). Informal work especially affects young workers and the long-term unemployed. According to the most frequent status of economic activity, the rate of poor employed citizens is 8.9%, while the rate of poor pensioners is 7.3%. At the same time the pensions have been rising for the last five years, reaching 30 percent of the overall central government spending's in 2016 (World bank, 2017). Data from the World Bank show steady increase of the Gini index in the Republic of Macedonia from 28.13% in 1998 to 44.05% in 2008. According to the State Statistical Office analysis, the Gini coefficient (a measure of inequality in income distribution) amounted to 33.7% in 2015, marking a slight decrease of the income distribution compared to 2010, when this index was 40.8 (State Statistical Office, Laeken indicators of poverty-2010).

Regarding the primary and secondary education in the country is free and compulsory, however the poor population is the category of population that abandoned further secondary or higher education. In regards to the literacy, even though the official figures indicate that 95% of the Macedonians are literate, less than 25% of the poor have gained education higher than primary

school level. Many have no schooling at all or only incomplete elementary education; there is an over-representation of women in this group: 73% of the illiterates or those without formal schooling are women.

Rural sociology - Approximately 45% of R. Macedonia's population (985,000 inhabitants) lives in the rural parts of R. Macedonia, and this is about 87% of the country's total area. As the state has become increasingly absent in these parts during the last decade, many villages have fallen into decay. The consequences of this neglect are particularly severe for the vulnerable groups living in the hilly and mountain areas. As much as 43% of households in these areas state that they do not have enough resources to provide for food. Due to different socio-economic influences, the migration has a rising trend in the country. The percentage of the population that migrated in the 90's was 11.1%, rising to 16.8% in 2000, and 21.3% in 2010. Some rural areas are experiencing uncontrolled out-migration which has completely emptied villages in a very short time. Already in 1998 it was reported that as many as 121 villages had no longer inhabitants and this trend continues over the years. Close to 21% of the total number of Macedonia's villages have less than 50 inhabitants, and in 104 villages, there are only 10 people or less. Moreover, the number of civil associations and organizations in rural areas are decreasing. A diminishing social capital deprives rural populations of their possibilities to cope with a deteriorating situation, and forces many to move to the cities. Agriculture is the main occupation of the people living in the rural areas, and the share of agriculture, forestry and fishery in the total Gross Value Added is around 10% in the last 10 years. There were 192,675 registered farms in 2007, and this number has decreased to 170,900 agricultural holdings in 2013 (Agricultural Statistics Database, Macedonia 2016). The rural economy in Macedonia is generally represented by small enterprises (including micro enterprises) that focus their economic activity on local and regional markets. These enterprises, which mainly belong to the primary agricultural production, are predominantly located in the rural regions. Low level of vertical integration poses a serious problem for the agricultural production process in Macedonia, which in most cases means complete absence of contractual relations, resulted in uncertainty which prevents long-term planning, and often leads to a disparity of supply and demand and market disorder

The four dimensions of rural poverty are: resources, opportunity and choice, power and voice, human security. Being poor in terms of resources means lack of access or power to resources which can be used to maintain decent living standards and improve one's life. Being poor through lack of power and voice relates to the ability of people to communicate their concerns, needs and rights in an informed way, and to take part in decision-making that relate to these concerns. Being poor in terms of human security implies to the fact that violence and insecurity are constraints to different groups' and individuals' possibilities to exercise their human rights in their struggle with poverty (SIDA, 2017).

Resources – material and non-material – According to the source of household income, poverty is highest among households living on social assistance (90.6%), followed by those with incomes from agriculture (57.4%) and those with incomes from temporary work (57.3%) (SSO, 2015). The largest problem for the poor are paying the household bills including electricity costs and food and they can barely manage to make ends meet. According to a survey by the Center for Research and Policy Making (2011), the average living standards of the rural families was 5,424 MKD/month (88 EUR), compared to 25,771 MKD/month (420 EUR) earned by the population living and working in the cities. The agricultural sector is traditionally characterized by the lowest salaries in the country, which in 2017 amounted to 16,740 MKD (around 270 EUR) (SSO, 2017). The lowest pensions are also typical for the agricultural sector. The minimal pension received by farmers was 3,744 MKD. The changes in the remittances inflow show large fluctuations over the years, however they present a significant part of the GDP (2.8% -2002; 4.2% - 2007; 4.1% - 2012) (World Development Indicators, 2017). Around 12% of the rural population in Macedonia is without any education, over 42% have primary education and only about 38% finished secondary education. In total, 77% of employees in Macedonian agriculture have the economic status known as full or part-time “unpaid family workers”(LFS, 2012).

Opportunities and choice – Inadequate development policies pertaining to sewage systems, clean drinking water, roads and transportation networks together with agricultural production problems of increasing input costs and market uncertainties have resulted in widespread stagnation and caused many young people to abandon farming and move to urban areas. In isolated areas particularly, there is an extremely low availability of health centres, schools, and cultural facilities. Educational standards and institutions are also low in the rural areas. Additionally, most of the illiterate population is located in the rural areas which are also most affected and have the highest degree of poverty.

Agriculture, its income and related processing and service activities are still sustainable source of income for the rural population (17.9% of the total active population in 2015). However, 77% of these employees in agriculture have the economic status known as *full or part-time "unpaid family workers"* (LFS, 2016). In general, labor-intensive, low-earning jobs in sectors such as agriculture are particularly prone to undeclared work. The share of informal employment in agriculture is significant – between 86.1% and 82.4% of all agricultural employment, and therefore were not covered by any social or legal protection (LFS, 2012). At the same time, the efforts to promote entrepreneurship and handy crafts in rural areas are often constrained by the low educational status of the workforce and lack of professional experience. New businesses are constrained by the low income and low purchasing power of rural residents as well as the saturation of activities that require low initial capital (small shops, restaurants, services). Currently the lack of initial capital is a significant barrier to the development of sustainable businesses in rural areas in particular (CRPM, 2012).

The investment or crediting opportunities for the rural population or more specifically the population involved in the agricultural production, are very limited and are mostly provided by commercial banks (30% through trade credits – seeds, fertilizers etc.); the rest 30% belong to governmental support programmes. In addition to the slightly improved rural financial services, the supply of financial assets for financing investments in agriculture does not satisfy the current demand. The financial institutions still consider agriculture as a high-risk sector. On one hand, financial institutions do not have appropriate experience for a proper analysis of the farm financial result, as well as for the risk assessment to repay the investment. On the other hand, they face high administrative costs to process the credit demands which refer to small amounts (CRPM, 2012).

Power and voice – Relations between actors in the market are usually confrontational rather than contracting with disproportionate distribution of the realized value, which is an unfavourable situation for the primary agricultural producers since they are small and isolated and lack bargaining power. This is mostly due to the damaged social capital and the low levels of membership in cooperatives. The reforms of the system after the Macedonian independence in the early 90's, introduced reforms and restructuring in the agricultural cooperatives which were heavily supported by foreign donors and institutions. At the time, the agricultural sector was losing pace and losing its market positions both domestically and regionally and farmers' integration was of great importance. Still, the donor experiences, enhanced by the government efforts through different types of support to strengthen the cooperative movement, failed to deliver the expected results and farmers are still reluctant to the cooperation idea, regardless of their size and unfavourable position in the agricultural value chain, with low power and voice to influence and create policies. The number of registered cooperatives in 2016 is 30 (Kakkamis, 2016), that is much lower than in the late 80s (about 200). As a post-socialist country, Macedonia is not excluded from the pattern of low social capital and negative viewpoint towards cooperatives and cooperation in general. There are around 35 registered agricultural cooperatives in Macedonia in 2017, most of which are in some form operational. All of the cooperatives in Macedonia are of micro-small size, with only one larger cooperative of vegetable producers exceeding 400,000 EUR/year, few exceeding 100,000 EUR/year and the rest are either with very low incomes or are inactive. The average number of members per cooperative is also very small (12 members per cooperative), with an average production capacity of 77 ha arable land per agricultural cooperative, and 6.2 ha per cooperative member. Vegetable production is the sub-sector in which the largest number of cooperatives exist, i.e. 11 cooperatives

with 158 members in total. Wheat, other cereals and fodder constitute the sub-sector where seven agricultural cooperatives (85 members) function (Kakkamis, 2016).

The rural woman is an important and largely deprived group of the population in terms of power and voice. In most instances rural woman is not aware of their rights and do not see anything discriminating in this traditional discrimination. Only 5% of surveyed households reported that a woman has the right of ownership of the house and this percentage was higher than all other types of resources (CRPPRW, 2012). Another important issue which denies woman of power and voice is the discrimination the young rural women on the labor market. Young women in rural areas aged 20-24 years (59%) and 25 – 29 years (43%) are faced with the highest unemployment rate, and 64% of rural women are characterized as “officially inactive”. According to the survey made by Center for research and policy making, the most common reason for rural women inactivity is due to child care and household liabilities (stated by 43% of inactive women in rural areas). However, 47% of women are unemployed and still work on family farms, creating handicraft products, but their work is often unpaid. The level of awareness of gender discrimination is relatively low in rural areas, and this impedes the realization of other activities related to gender equality, such as equal representation in politics, economy and equitable distribution in society and at home. Women in rural areas are rarely referred to regarding public issues.

Human security in the rural areas – A political crisis lasting two years now in Macedonia is causing economy crises, which in turn generates even more poverty. Most of the poor people are either unemployed, or poor people living on social assistance, or are small family enterprises that frequently face problems with the sale and low prices of their agriculture products. The vulnerability is further aggravated by the weak social security system and economic insecurity, especially distinct for the rural population (EU Commission, 2016).

Conclusions

The aim of this paper is to depict the general rural poverty situation and identify the vulnerable and deprived groups of people living in the rural areas. The comprehensive multi-dimensional analysis of the poverty dimensions in the Republic of Macedonia highlighted several vulnerable groups in the rural areas, suffering from multiple deprivations. One way to categorize them is to classify them in the following groups:

- Traditionally poor people, included in this category are: rural and agriculture households, which are the groups with the highest risk to go underline of poverty. The main characteristics of this group are:
 - Low level of education of the household members,
 - Relatively small economic potential because their main source of income comes from agriculture activities.
- Chronicle poor households which are the most vulnerable part of the population and in the rural areas include the agriculture households without permanent income.
- According to the age and gender, the most vulnerable categories among the ones mentioned above include: young people in the urban and rural areas and women in rural areas

The agricultural households are identified as one of the most vulnerable group of households in the rural areas, mostly because agricultural production is the main source of income for the rural population. This type of production is inextricably tied to the climate conditions, thus is one of the most climate-sensitive of all economic sectors. In countries such as R. Macedonia, the risks of climate change for the agricultural sector are a particularly immediate and important problem because the majority of the rural population depends either directly or indirectly on agriculture for their livelihoods. The rural poor will be disproportionately affected because of their greater dependence on agriculture and their disability to adapt and reorient in order to gain different source of income (World Bank, 2012). Farmers’ position and ability to adapt is especially vulnerable because of their small scale, and accordingly lack of voice and power to create or influence the creation of policies, as well to establish favorable position and bargaining power in the agricultural value chains.

In this respect there is an urgent necessity to strengthen and motivate the cooperative movement in the country in order to ease the process of formation of effective agricultural cooperatives as a base for sustainable agriculture and development of the rural areas. Strategies for developing rural areas will not only contribute for reducing rural poverty, but could also contribute in the revival of the rural areas and reduce the significant problem of migration from the rural to the urban areas, and in a more general level, the emigration problem in the country. In order to achieve this, it is primarily important to that access to infrastructure is and public services is facilitated to the rural population. This is especially important for the rural woman which lack access to basic and specialized health service, lack access to education and day-care child services that are basic for strengthening their economic stability and independence. It is an imperative that rural women are actively enabled to express their needs and take active participation in decision making both at the local and central level. Mechanisms for participation at the local level should be particularly strengthened, because not only rural women but also rural men have shown little awareness, and limited confidence that their voices matter and will be heard, much less that they will be taken into account in local planning and when making decisions.

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