

**ROMA IN THE WESTERN BALKANS**

# **THE CASE FOR INVESTMENT IN RECOVERY AND TRANSITION**

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## EXECUTIVE SUMMARY

**Roma exclusion hurts economies in the region, and this will only get worse due to the pandemic and demographic trends. Governments have opportunities to reverse this trajectory.**

However, a new approach is crucial, one that is based on a simple principle: investment. Governments in the region can pursue a variety of investments in Roma communities by taking the five following steps:

1. Prioritize vaccination among the most vulnerable Roma.
2. Invest in recovery of the jobs Roma had before COVID-19, especially in waste management and circular economy.
3. Invest in the transition of Roma towards formal economy.
4. Invest in Roma education and vocational training for the burgeoning green and digital markets.
5. Undercut the development of extreme-right movements and anti-Roma disinformation campaigns.

**Government in the Western Balkan have a choice to make. They may continue with their old practices of treating Roma population as a problem. This would not only ring hypocritical in the light of the pledges they made at the Poznan summit in 2019 but would derail them from their own priorities for economic development. Or they can treat Roma as an asset for the economic development of the region and support their economic empowerment.**

## THREE FACTS WE KNOW

### **Roma Exclusion Hurts Economies**

The fiscal and economic costs of Roma exclusion are well documented. For example, if Roma could find work in the formal economy in Serbia—the biggest economy in the region—the gains from increased productivity would range from €314 million to €1.28 billion per year, or between 0.9 and 3.5 percent of the Serbian gross domestic product, as estimated by the World Bank for 2017. Second, the fiscal benefits from increased taxes and lower social assistance would range from €78.1 million to €317.0 million, or between 0.5 and 2.1 percent of government expenditures in 2017.

For the smaller economies in the region, it is even more important to realize gains and avoid losses, especially after the COVID-19 recession. Overall economic activity in the region contracted by 3.4 percent in 2020, the worst downturn on record according to the World Bank. Based on official statistics, 139,000 jobs were lost because of the pandemic, and between 165,000 and 336,000 people in the region were pushed into poverty. General government debt further increased because of economic relief packages, higher government spending, and plunging revenues. Deficits were 6 to 8 percent of GDP for most of the countries and 11 percent for Montenegro.

### **Demographically, Roma Offer Hope for the Region**

Looking at the region's aging population and massive emigration, the demographic potential of the Roma is immense. Across all countries, the Roma population is significantly younger than the total population. This is true even in countries with younger populations, such as Albania and Kosovo. The percentage of Roma under 30 years old in North Macedonia, for example, is almost double that of the majority population, while in Serbia 14 to 29 percent of all new labor market entrants will be Roma by 2035. It is crucial, therefore, to invest in the Roma and prepare them for jobs in sectors that will face labor shortages or drive the economy.

### **But the Situation of the Roma Is Getting Worse**

Roma are the most vulnerable population in the region, suffering from high unemployment and the lack of prospects for progress. Two-thirds of Roma cannot afford prescribed medication or pay for COVID-19 testing, two-thirds live in overcrowded conditions, almost a third live without adequate sewage and potable water, and 82 percent do not have savings to cover more than a month's expenses. As a result, the crisis has affected the Roma disproportionately, and they are at higher risk of infection and death than any other group.

Remote schooling is worsening the already poor educational options for Roma, and Roma who earn a living in the informal economy—38 percent of Roma employed in North Macedonia and an even higher proportion in the rest of the region—are the biggest ethnic group in the sectors with the greatest job losses in the past year. Recovery funds and opportunities—something all poor and suffering members of the population need—have, nonetheless, been unavailable or denied to Roma communities devastated by the pandemic.

## WHAT REALLY MATTERS FOR THE REGION?

In a region torn by animosities past and present, the visions of the leaders are quite closely aligned. In his New Year's speech, President Vucic of Serbia pointed to three priorities for 2021: protecting peace and stability, defeating the pandemic and improving the health system, and improving living standards for all citizens in terms of earnings, clean air, transport and energy. Similarly, Prime Minister Zaev of North Macedonia promised that 2021 would be a year of full vaccination, fighting disinformation, judicial reform and the fight against corruption, environmental protection, energy transformation, economic recovery, educational reform, and the census. In March, after the snap election in Kosovo, Prime Minister Kurti said the fight against corruption and the creation of jobs would be the main priorities. Last month, Prime Minister Rama, after winning a new term, declared that he wanted to make Albania the Balkan champion in tourism, energy, agriculture, and fast, secure digital services.

In this context, the question before political leaders is what to do about the situation of Roma. Generally, they have three choices:

1. **Do less.** Roma policies have never been popular and supporting them can have political costs, so politicians have an incentive to do less. The pandemic has been worsening an already bad situation and giving rise to the politics of hate. In addition to the growing costs of exclusion mentioned above, this can only support extreme-right nationalist movements in the Western Balkans, such as Leviathan in Serbia, in increasing their electoral potential as some of their peers across Europe have done thanks to campaigns attacking the Roma—Jobbik in Hungary, People's Party Our Slovakia, or Lega Nord in Italy.
2. **Do the same.** Governments could choose to continue the approaches of the last 20 years that have not provided results. If Roma continue to be treated as a problem and a public cost, they will continue to be low-skilled and they will be unable to recover from the pandemic and respond to the labor market's demands.
3. **Take a new approach** centered on investment in the Roma, Europe's most demographically vibrant community but also its most marginalized. It is a community on the verge of a humanitarian catastrophe. In the short-term, this approach is politically challenging and requires strategic public communication but, investing in Roma is the only choice for undercutting the extreme right and producing economic returns.

## OPPORTUNITIES FOR A NEW APPROACH

**Funding is available.** The new economic and investment plan for the region is an unprecedented opportunity, but only if governments spend the money wisely. Until now, only a fraction of the funding has targeted Roma, using the old approaches, while mainstream programs and investments either do not cater to Roma or directly exclude them. For example, sewage and road upgrades do not reach Roma settlements, and transportation reforms do not connect Roma neighborhoods. The fact that most Roma settlements are informal is blocking large-scale investments.

**Roma already have experience with the circular economy and the recycling market, which are crucial for the green transition.** The collection and processing of electric and electronic waste in Serbia, for example, tripled in 2012–2018 from 11 kilotons to 33 kilotons of waste recycled. This electric waste sector formally employs only 500 people, but there are between 5,000 and 6,000 individual collectors, mostly Roma, who work informally. The development of the circular economy, according to the German Agency for International Development, would create an additional 1,200 formal jobs in the sector by 2030 and up to €160 million of gross added value. Roma possess skills that could be upgraded to help develop this sector quickly. Furthermore, significant numbers of Roma in all six countries of the region are seasonal workers in agriculture and tourism, key sectors for development of the region.

**The return on investment in education for Roma is very high.** The World Bank shows that the return on investment in secondary and vocational education for Roma is about 330 percent, and investment in digital skills could outperform this estimate. The EU's new digital agenda targets Roma specifically and provides a framework for building important human capital for the future.

**There is capacity among the Roma to support the new approach.** Unlike a decade ago, today governments in the region have Roma-led partners in this endeavor. The Open Society Foundations, among others, have invested in building institutions that can support governments in piloting new initiatives, learning from them, and scaling them up. Governments can dare to be ambitious because the Roma Education Fund, the Roma Entrepreneurship Development Initiative, the European Roma Institute for Arts and Culture, and the Regional Cooperation Council's Roma Action Team are ready to engage and support them.

**CRITICAL STEPS  
THAT ARE  
POSSIBLE**

1. **Prioritize vaccination among the most vulnerable Roma.** The Roma population in the Western Balkans is too big to remain at risk of infection, and most jobs held by Roma do not allow them to work from home, socially isolate, or be less active. Vaccination programs must include outreach efforts, as distrust of institutions among Roma is high and Roma have also been victims of disinformation campaigns about COVID-19.
2. **Invest in recovery of the jobs Roma had before COVID-19, especially in waste management and circular economy.** In Serbia alone, between 40,000 and 60,000 Roma work as waste collectors, and this work provides income for significant numbers of Roma in Albania, Kosovo, and North Macedonia. One positive example is the case of North Macedonia which provided a grant to a Roma-owned recycling company, providing Roma waste collectors formal employment but also training Roma to repair and up-cycle, rather than just recycle. Another positive example is the recently launched initiative of the Serbian government to provide dedicated loan scheme for Roma entrepreneurs.
3. **Invest in the transition towards formal economy.** The region's recession could have been deeper if not for timely and sizeable government stimulus packages and forthcoming EU Recovery and Resilience Funds. However, these only targeted the formal economy, leaving the large informal sectors in all six Western Balkan countries unprotected and vulnerable to economic shocks. The informal sector contributes between 25 and 35 percent of both GDP and jobs in the region. If left unsupported, it will drag the region into a fresh crisis. Governments should establish dedicated funding schemes to support the informal sector and provide a just transition toward formal employment, especially in the green sectors.
4. **Invest in Roma education and vocational training for the burgeoning green and digital markets.** Governments can already invest in interventions that have proven to be effective: eliminate co-payments for preschool education, establish scholarship schemes for students, support the training of Roma teachers and prioritize the employment of Roma in the education sector. Provide retraining programs for Roma who are not in education, employment, or training.
5. **Undercut the development of extreme-right movements and anti-Roma disinformation campaigns.** Far-right ideas and politics pose a serious threat to the stability of the region, delegitimizing democratic institutions and undermining regional cooperation. The far right has

considered regional cooperation initiatives as a betrayal of national interests and has taken advantage of existing prejudice to conduct anti-Roma disinformation campaigns. Governments should invest in long-term programs—for example through public funds and incentives for media production—that include Roma as positive contributors and planners, highlight their contribution to the region's history, culture, and state building, and monitor Roma representation in media.



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