



CENTER FOR ECONOMIC ANALYSES (CEA)

Skopje, Macedonia

ANNUAL REPORT 2007

Center for Economic Analyses (CEA)

**Skopje
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Annual Report 2007

February, 2008

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General information about CEA

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Foreword

CEA conducted a number of projects in 2007 with a serious impact to the donor community, GoM and abroad. In 2007 CEA developed the ranking of NUTS 3 regions in Macedonia for the GoM, it developed credit rating model for LSGUs in Macedonia and its products were used as reference in Macedonia by donors, academia as well as abroad; for example for a textbook from a University in India.

The CEA's members' comments and presence in the electronic and public media continues. CEA members are widely present in Government working groups as experts for preparation of legal framework, one member become minister, another vice governor which on one side is a recognition of its capacity but on the other side it depletes its capacity. CEA continues to widely publish and distribute materials: bulletins, journal, project's materials. CEA was initiating the formal networking of similar think tanks in Macedonia to protect common interest. Thus, CEA attracted attention and companies from abroad are regularly asking CEA to be their partners in donor projects in Macedonia. CEA members are frequently asked to meet experts from UNDP, WB, IMF, EC.

Still, it requires raising awareness from the Government about the need for CEA products as so far the Government use analyses made from CEA but paid through donors. The shift for the Government to plan funds for outsourcing consultancy services is difficult to achieve. Similar holds for the business sector. Interesting tough, is that the GoM and business sector are welcoming the products that CEA develops but would like the donors to pay for it.

The instable environment for conducting activity of a highly specialized research think tank producing public goods, as CEA is, is a risk for its sustainability. The Government should take the lead in demanding the products that CEA can provide. There is certain progress in that regards but still it is unstable and covered by the donors mostly. The business area is not easy to gain as a partner as CEA provides services that have elements of a public good mostly. However, CEA stays active in the market to face the challenge of the environment where it operates.

I wish all CEA members a success in the upcoming 2008.

Cordially,

Marjan Nikolov

President of CEA

CEA Organizational Setup

Executive Board:

Marjan Nikolov, President
Bryan Roberts, Vice President
Dimitar Bogov
Aleksandar Stojkov
Riste Naumov
Senaj Daut
Miso Nikolov

Assembly:

Borce Smilevski, President of the Assembly

Management council:

King Banaian, Prof. St. Cloud State University
Alex Mourmouras, IMF Institute

Team Leaders:

Jadranka Kungulovska for Local Governance Department
Marjan Nikolov for Fiscal Decentralization Department
Filip Blazeski for Microeconomy and Business Department
Miso Nikolov for Real and External sector
Trajce Mitev for Environmental Management

Economist:

Anita Popovska/Aleksandra Gorgevska

IT:

Mile Naskovski

PR:

Vesna Garvanlieva

Mission statements, objectives, goals of CEA

The Mission of CEA is to continuously research economic development and public policy in the Republic of Macedonia and to offer recommendations, suggestions and measures to the government and non-governmental institutions.

CEA members share a common vision of the Republic of Macedonia as a new emerging economy integrated with regional and world markets. They devote their time, efforts and knowledge to help make this vision become a reality.

Goals of CEA:

1. To provide quality policy analyses;
2. To support viable economic policy in Macedonia;
3. To help foster an environment that brings about higher investment, accelerated development and growth of the Macedonian economy, and EU accession;
4. To achieve financial sustainability;
5. To encourage regional cooperation and collaboration in the Balkans;
6. To strengthen civil society, social capital and trust.

These goals will be achieved through:

1. Building the capacities of CEA's members to do quantitative analyses and conduct themselves professionally so that an institution with widely demanded products and services results;
2. Transitioning to complete reliance on non-donor revenues as quickly as possible;
3. Active identification and recruitment of candidates for CEA's consultant pool;
4. Development of a network of relationships with think-tanks in the Balkans, EU countries, and the US.

Specific actions to be undertaken:

1. Public promotion of CEA and its mission to the market;
2. Construction, maintenance, and further development of economic models;
3. Development of unbiased and consistent analyses relying primarily on quantitative information;
4. Regular monitoring of the economic situation of the country;
5. Development of recommendations on key policy issues facing the Macedonian economy;
6. Building links with think tanks and institutes in other Balkan countries, transition countries of central and eastern Europe, and western countries;
7. Close cooperation with international donors and financial institutions;
8. Enhancing of public relations via publishing reports, analyses and other working papers

Outputs:

1. Working Papers
2. Columns and articles in media
3. Databases
4. Economic and financial models
5. Seminars, workshops and training courses given

Outcomes:

1. A sustainable think tank
2. Significantly improved capacities in using economic models and conducting policy analysis
3. Demand from Government agencies, international organizations and donors, and the business community for CEA products

Achievements/Projects in 2007

Toward sustainable think tank

Short description of the project

CEA has proposed an unsolicited project to the USAID for a development of a sustainability of its mission and goals. The negotiation was ended by signing a contract with the USAID office and Marjan Nikolov as President of CEA for a three year grant. Responsible officer at USAID Macedonia is Meri Cuculoska: mcuculoska@usaid.gov.

Project team

President Marjan Nikolov
CEA team.

Seminar for civil society organizations organized by the IMF at the JVI in cooperation with the Stability Pact for South Eastern Europe

Short description of the project

The seminar was organized on the bases of the constant effort of IMF to introduce as much as possible transparency into its work with the wider sector of the civil society. The Civil Society Organizations (CSOs) are in the core and in fact shape the civil society. Thus, it is a perfect target group for transmission of the already achieved, the present engagements and the future projects and intentions of IMF.

Project team

Mico Apostolov

Research on the determinants of raising capital through credit and/or equity in Macedonia

Short description of the project

Skopje, Macedonia

In Macedonia generating capital for the firms is mostly through loans. USAID BEA asked CEA to conduct a study on the determinants of the decision making at firm level on raising capital.

Research

IDSCS a partner company conducted the survey and statistics analyses

Marjan Nikolov

Vesna Garvanlieva

External experts: Vlado Andonov and Saso Arsov

Project period

September - November 2007

Upgrade of the CEA Macro model with sub-national data level and simulating macroeconomic stability

Short description of the project

Further operationalization of the FPM Macro model for Macedonia. Integrating the local level fiscal data and public debt at local level data to the model. Simulations done by using financial and fiscal data from the strategic documents of the LSG in Macedonia

Research

Marjan Nikolov

Aleksandar Stojkov

Project period

September - November 2007

Update of the CEA Macro model

Short description of the project

Operationalization of the FPM Macro model for Macedonia. A study tour to The Nederland and the MMC organization. USAID BEA sponsored.

Developing and integrating a LSG module in the model.

Research

Marjan Nikolov

Aleksandar Stojkov

Project period

August - December 2007

System engineering in the area of financial management and tax administration at LGU level

Short description of the project

Skopje, Macedonia

An UNDP sponsored project conducted by Urban Rural Consulting. CEA conducts system engineering of the financial management – tax administration.

Research

Marjan Nikolov

Project period

July - September 2007

Evaluation of the process of decentralization and financial analysis of the LSG financial statements

Short description of the project

An OSCE sponsored project conducted by Urban Rural Consulting. CEA developed methodology for evaluation, was involved in survey preparation, field and desk research.

Research

Marjan Nikolov

Project period

June - September 2007

A study on remittances in Macedonia

Short description of the project

The main objective of this project is to better understand and quantify as much as possible the following: sources of remittances in Macedonia, main determinants for sending remittances, channels through which remittances are transferred, methodology of calculation of official statistics on remittances. The beneficiary is the National Bank of Macedonia and the sponsor is the USAID BEA project.

Research

Marjan Nikolov
Aleksandar Stojkov

Project period

May - December 2007

Methodology for economic development ranking of Macedonian LGU for the Law on balanced regional development

Short description of the project

The main objective of this project is to develop a tool for ranking the Macedonian LGU in accordance with the requirements of the Law on balanced regional development. The beneficiary is the Ministry of local self government.

Research

Marjan Nikolov

Project period

March 2006 – September 2007

Preparing criteria for distribution of capital fund from the Ministry of transportation and communication

Short description of the project

The main objective of this project is to develop a tool for distributing the capital grants to the local level from the central budget. The beneficiary is the Ministry of transportation and communications.

Research

Marjan Nikolov

Project period

December 2006 – June 2007

Preparation of methodology for assessing creditworthiness in Macedonian LGU

Short description of the project

The objective of the assignment is to develop a methodology for assessing a creditworthiness of the Macedonian LGU. The first step was to assess the fiscal capacity of identified sample of Macedonian LGU. Donor is USAID BEA and CEA and USAID MDW project.

Research

Marjan Nikolov
Gorgi Josifov

Project period

February - August 2007

Measuring fiscal capacity at 15 Macedonian LGU

Short description of the project

Measuring the fiscal capacity of identified sample of Macedonian LGU. Donor is USAID MDW project.

Research

Marjan Nikolov

Project period

February - August 2007

Study on bonds; legal and institutional framework in Macedonia

Short description of the project

The objective of the assignment is to screen the legal and institutional framework in

Macedonia for establishing bonds as an instrument for financing the operations of MCIC and MEDF.

Research

Maja Parnardzieva
Borko Handziski
Miso Nikolov

Project period

January 2007

Preparing competitiveness report for Macedonia; client: NCEC

Short description of the project

National Council of Entrepreneurship and Competitiveness-NCEC Macedonia approached CEA to help in developing competitiveness report for 2007 for Macedonia.

Research

Marjan Nikolov
Senaj Daut
Bogov Dimitar

Project period

November – February 2007/2008

Publishing a Journal of Economics

Short description of the project

With this product (electronic and printed version) CEA expects to enrich the economic problems faced by Macedonia by providing a forum where economists can practice technical quantitative analyses of economic problems.

Research, survey and field visits

CEA team

Project period

Ongoing

Publishing a Bulletin: Decentralization our goal

Short description of the project

CEA continues to prepare and publish the bulletin.

Research,

Marjan Nikolov

Project period

Ongoing

CEA and its members were also involved in:

(A). Doing One-Off Projects on Specific Topics

(B). Participation in Government Working Groups and Councils

(C). Developing Government Capacities through Contract Work and Independent Ongoing Analysis

I. Local Self Government as a client

II. Macedonian Private Sector as CEA client

III. The International Community as CEA Client

IV. Media activities, conferences, roundtables and forums

Outputs

As project deliverables, CEA has to date produced the following reports specifically for USAID:

- Labor market study
- Building leading indicators in Macedonia
- Social Capital and its impact on the economic growth
- Migration and Remittances
- Capital Market Analysis
- Report on the process of decentralization in Macedonia
- The new face of the IMF

In addition, CEA has published quarterly and monthly economic monitoring on the Macedonian economy regularly and prepared and delivered a plethora of various reports and analyses:

- Methodology for economic development ranking of Macedonian LGU for the Law on balanced regional development;
- Measuring fiscal capacity at 15 Macedonian LGU;
- Preparation of a study on bonds; Legal and institutional framework in Macedonia
- Preparing criteria for distribution of capital fund from the Ministry of transportation and communication;
- Preparing economic analyses for electronic media in Macedonia;
- Preparing competitiveness report for Macedonia; client: NCEC.
- Monitoring of transparency in the privatization process of the electric power company of Macedonia;
- Preparation of comments to the new EBRD strategy based on the 2004 strategy;
- Preparation of comments to the new EBRD strategy based on the 2006 strategy;

- Identification and measuring transaction costs in the Macedonian economy;
- Credit expansion in the region;
- Continue with publishing a Journal of Economics;
- Continue with publishing Bulletin Decentralization our goal
- Local Government Borrowing, supported by the LGI/OSI Budapest;
- Forum/Workshop on improving the management of municipality budget organized by CEA and supported by OSI-Skopje office;
- Creditworthiness of municipalities;
- Developing indicators for regional development in accordance with the EU methodology;
- Measures for improving exports and fighting trade deficit.

Also, CEA is working extensively with the GoM, USAID MDW and USAID BEA project and other donors. CEA is expanding its cooperation with the NCEC as well.

Impact

The various analyses, reports and publications by CEA have had a significant effect upon the general public, but more specifically on the professionals and GoM officials.

The Measures for improving the export and fight trade deficit become a policy recommendations of the Chamber of commerce in front of the government. Many suggested measures in that policy document are implemented by the Government or are part of their program.

Some findings from the Labor market study were used by USAID to prepare the ToR for the BEA project.

The Capital market analysis and the Report on the process of decentralization were used by the USAID BEA project by the BAH experts in their work.

The comments to the EBRD have impact to this IFI to improve their strategy development for Macedonia.

The Journal of economics has impact on setting some discipline in the debate on economic issues in Macedonia.

The remittances and migration report to USAID was used as a reference to a textbook developed by ICFAI University – India.

The IMF report to USAID was used by the Munich Personal RePEc Archive:
<http://mpra.ub.uni-muenchen.de/6545/>

CEA continue to be a leader in specific issues related to decentralization process. It finished successfully its pioneering work on LGU borrowing which was a regional project and has had an impact to the Ministry of Finance and the Debt Management Department to start to prepare for the borrowing possibility of the LGU. The involved mayors in the



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project also expanded their perception of what generating debt means for capital investment planning. CEA also, developed the first Credit rating model for LSGUs in Macedonia.

NOTE: