

# **CENTER FOR ECONOMIC ANALYSES**

## **References and track record**

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**Center for Economic Analyses (CEA)**

**January 2010, Skopje**

## **COVER LETTER**

To:

SUBJECT:

DATE:

Dear Sir/Madam

The Center for Economic Analyses - CEA, since its foundation, is committed to using its capacities, intellectual and other, to support those working for an enabling environment for higher investment, accelerated development and growth of Macedonian economy and strengthening civil society, social capital and trust. We believe that the capacity of CEA members for quantitative analyses and professional practice results in a professional institution that will strengthen public policy discussions and that can market appropriate and widely demanded products and services.

CEA has already been contracted by the Government, as well, to provide support in key areas, including fiscal decentralization, economic analysis, and assistance in filling out the EU questionnaire, and CEA has established a solid and respected presence in Macedonian media outlets. More you can find in the enclosed material.

We sincerely hope that CEA will meet our client's expectations and lead to successful implementation of the projects that we will conduct in Macedonian society. My associates and I strongly believe that our researchers will deliver timely, high-quality, policy-relevant analyses.

CEA's efforts with regard to design, development, and implementation of the municipality fiscal capacity, will contribute to sustainable municipality capacity building in order to increase the competencies and accountability of municipal administration, increase the participation of citizens in decision-making and ultimately, enhance empowerment at the local level.

We believe we are the right team to achieve this goal and help not only the Government of Macedonia because our experience and present occupation have been and it is heavily focused on this actual topic but also the donor and business community as well.

We would be pleased to provide at your convenience further information to clarify or deepen the scope of our work.

Sincerely,

Marjan Nikolov

President of CEA

# **1. General information about CEA**

**a) Logo:**



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# **1. 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.

CEA has been established in March 2003.

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.

## **2. Ongoing and completed projects** **(In inverse chronological order)**

In a relatively short period, CEA has managed to acquire and successfully finish the following projects.

### **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 2005-2008.

CEA was successful in its mission and thus, now benefits a follow up USAID grant for the period 2009-2011. Responsible AOTR at USAID Macedonia is Ms Vesna Stevkovska: [vstevkovska@usaid.gov](mailto:vstevkovska@usaid.gov).

In connection to this project CEA have developed so far 6 special reports to USAID, quarterly and monthly monitoring of the Macedonian Economy and will continue to do so in future. Also, with the follow up grant CEA develops new products as well.

#### **Project team**

President Marjan Nikolov, CEA team.

### **OSI Think tank fund Budapest support to USAID**

#### **Short description of the project**

CEA has proposed an unsolicited proposal to the OSI Think tank fund for institutional and program support. The negotiation was ended by signing a contract with the OSI think tank fund representative Mr. Goran Buldioski: [gbuldioski@osi.hu](mailto:gbuldioski@osi.hu) and Mr. Marjan Nikolov as President of CEA for a three year grant 2009-2011. In connection to this project CEA will develop a numerous of products and will strengthen its institutional status.

#### **Project team**

President Marjan Nikolov  
Borce Trenovski, Hristijan Risteski, CEA team.

### **Competition for best paper for students in the field of economy**

#### **Short description of the project**

CEA organized competition for best paper for undergraduate students from the private and public universities in Macedonia in the field of economics and business administration.

**Project team**

President Marjan Nikolov  
Hristijan Risteski, Borce Trenovski, CEA team.

**Strategy for Rural Development of Municipality of Gazi Baba**

**Short description of the project**

CEA is preparing Strategy for Rural Development as a part of the Strategy for Local Economic Development of Municipality of Gazi Baba.

**Project team**

President Marjan Nikolov  
Vesna Garvanlieva, Hristijan Risteski.

**Professional training for analytical skills in the corporate sector**

**Short description of the project**

Macedonian biggest telecommunication company T-Home, approached CEA for conducting professional training for analytical skills. Training was comprised of two parts: statistical analyses of data and econometrics.

**Project team**

President Marjan Nikolov

**Analysis of the status and structure of the consumption of students and pensioners in Macedonia**

**Short description of the project**

The study covers a sensitive topics concerning the living standards and quality of life of two social groups – pensioners and students.

**Project team**

Borce Trenovski

**Challenges for improvement of the competitiveness of the private sector in Macedonia**

**Short description of the project**

The CEA's assignment refers to conducting a workshop with key representatives from the private sector, chambers of commerce, industry associations, relevant government institutions and donors.

**Orderer:**

USAID

**Project team**

Risto Ivanov

Shenay Hadzimustafa

Aleksandar Kostadinov

Hristijan Risteski

**Global financial crisis impact on Macedonian economy**

**Short description of the project**

Study on Macedonian economy in time of global financial crisis. The study was presented during the International conference in Yerevan, Armenia.

**Project team**

Marjan Nikolov

**Comparative study on labor market policies in Macedonia**

**Short description of the project**

Comparative study that analyses active and passive labour market policies in Macedonia compared to Western Balkan countries.

**Project team**

Aleksandar Kostadinov

**Training for the Macedonian Parliament representatives and administration**

**Short description of the project**

The Westminster Foundation for Democracy Limited and the UK Embassy approached CEA to take part in this project together with National Audit Office of UK.

**Project team**

Marjan Nikolov, Shenaj Hadzimustafa, Hristijan Risteski and other experts from CEA.

**Developing on line inflation calculator in Macedonia**

**Short description of the project**

With a support of LGI OSI CEA has developed the first on line customized personal inflation calculator.

**Project team**

Marjan Nikolov, Borce Trenovski, Aleksandar Kostadinov, Hristijan Risteski and other CEA experts.

**Assessing the handicraft share in Macedonian economy**

**Short description of the project**

Non registered economy in Macedonia is assessed at around 40-50% of the GDP. CEA is interested to assess the handicraft share of this in Macedonian economy.

**Project team**

Hristijan Risteski.

**Cost benefit analysis of easing importation of vehicles in Macedonia**

**Short description of the project**

Eco-initiatives study in the light of importation of new vehicles.

**Project team**

Marjan Nikolov, Miso Nikolov, Aleksandar Kostadinov and other CEA experts.

**PPP needs assessment and feasibility study on LED at LSG Gorce Petrov**

**Short description of the project**

With a support of USAID BEA CEA will prepare a feasibility study for one municipality in Macedonia.

**Project team**

Marjan Nikolov and other experts from CEA.

**Estimation of the discount rate by sector for Macedonia**

**Short description of the project**

CEA fills the gap for discount rates information in need for public sector, local governments, private investors for capital investment projects.

**Project team**

Vlado Andonov and Vesna Garvanlieva.

**Assessing the 10 measures of the GoM to fight the impact from the global crisis**

**Short description of the project**

CEA makes assessment about the government measures to fight global crisis impact in Macedonia.

**Project team**

Vlado Andonov and Vesna Garvanlieva.

**Assessing the Macedonian Budget process**

**Short description of the project**

OSI Macedonia asked Marjan Nikolov to take part in a project on monitoring the Macedonian 2009 budget. CEA prepared evaluation of the Macedonian budget process in accordance with the IMF Manual on fiscal transparency and the GFOA recommendations on best budget practices.

**Project team**

Marjan Nikolov.

**Cooperation with EVN**

**Short description of the project**

CEA signed a one year contract with the EVN to provide a forecasting of main macroeconomic variables.

**Project team**

CEA team.

**Research on the flat tax policy assessment in Macedonia**

**Short description of the project**

The Government of Macedonia introduced a number of supply-side policy measures at the end of 2006 aiming to reduce the tax burden and improve the business environment. The main pillars of the tax system reform were the elimination of the progressive system of personal income tax, the reduction and unification of the statutory rates for the personal income and corporate taxes, and introduction of zero tax rate on reinvested profits. The so called flat tax refers to personal income and corporate profits being taxed at one marginal rate (12% in 2007 and 10% in 2008 onwards). That version of the report was further developed by Mr. Aleksandar Stojkov, Mr. Marjan Nikolov and Mr. Borce Smilevski, all from CEA.

**Research**

IDSCS a partner company conducted the survey Marjan Nikolov  
Aleksandar Stojkov  
Borce Smilevski

**Project period**

January - September 2008

## **Developing LED strategy and promotion of PPP at subnational level**

### **Short description of the project**

The municipality of Gazi Baba approached CEA to develop LED strategy and to identify projects where PPP can be used as an instrument.

### **Project team**

President Marjan Nikolov  
CEA team.

## **Cooperation with SSK (Association of Macedonian Chamber of Commerce)**

### **Short description of the project**

CEA signed a one year contract with the SSK for advocacy and preparation of policy briefs for the SSK.

### **Project team**

Miso 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**

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 subnational 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**

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 MDW project.

### **Research**

Marjan Nikolov

### **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

**Cardiology clinic business plan**

**Short description of the project**

CEA is asked to develop a business plan for Cardiology clinic. Project not finished.

**Research**

Marjan Nikolov  
CEA Team

**Project period**

November - January 2006

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

**Short description of the project**

The MTC each year allocates funds to the LGU for communal activities. CEA will develop the system for transparent allocation of the finds to the LGU.

**Research**

Marjan Nikolov

**Project period**

November - January 2006

**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 2006 for Macedonia.

**Research**

Marjan Nikolov  
Senaj Daut  
Bogov Dimitar

**Project period**

November - December 2006

### **Preparing economic analyses for electronic media in Macedonia**

#### **Short description of the project**

Center for media development-Macedonia approached CEA to help in developing strategy for the electronic media in Macedonia.

#### **Research**

Marjan Nikolov  
Miso Nikolov  
Bardarov Dimitar

#### **Project period**

August 2006 - September 2006

### **Preparation of comments to the new 2006 EBRD strategy for Macedonia**

#### **Short description of the project**

The EBRD has prepared a strategy for the Republic of Macedonia for 2006. CEA comments are available at: [www.cea.org.mk](http://www.cea.org.mk).

#### **Research, survey and field visits**

Marjan Nikolov, Malgorzata Markiewicz

#### **Project period**

September 2006

### **Monitoring of transparency in the privatization process of the electric power company of Macedonia**

#### **Short description of the project**

Transparency International Macedonia asked Marjan Nikolov to be Editor in Chief of the publication and to participate in the organization of the debates upon monitoring the transparency of the privatization process of the ESM.

#### **Research, survey and field visits**

Marjan Nikolov

#### **Project period**

May 2005 - May 2006

### **Preparation of comments to the new EBRD strategy based on the 2004 strategy**

#### **Short description of the project**

The EBRD has started work on the revision of its strategy for the Republic of Macedonia. Comments are invited by EBRD to help them in revising the strategy. The

current Strategy for Macedonia, which has been available on the EBRD web site since August 2004, is a basis on which CEA gave its comments.

**Research, survey and field visits**

Marjan Nikolov, Malgorzata Markiewicz

**Project period**

May 2006

**Identification and measuring transaction costs in the Macedonian economy**

**Short description of the project**

OSI asked Marjan Nikolov to participate in a project for identification and measurement of transaction costs in the Macedonian economy. Marjan Nikolov have prepared practical measurement on the basis of the WB's Doing Business in 2005.

**Research, survey and field visits**

Marjan Nikolov

**Project period**

December 2004 - May 2006

**Credit expansion in the region**

**Short description of the project**

FREN, a Serbian research think tank, and CEA are cooperating in a regional project on doing research on credit expansion in the region (Serbia, Macedonia, Monte Negro, Bosnia and Herzegovina, Croatia, Bulgaria and Romania).

**Research, survey and field visits**

CEA team

**Project period**

April - June 2006

**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. Three issues are published so far.

**Research, survey and field visits**

CEA team

**Project period**

Ongoing

**Local Government Borrowing, supported by the LGI/OSI Budapest**

**Short description of the project**

CEA submitted unsolicited proposal to LGI/OSI Budapest for a project on local government borrowing. The main objective of the project is to study the cases of Bulgaria and Romania and draw the lessons learned for Macedonia.

**Research, survey and field visits**

CEA team

**Project period**

May-December 2006

**Forum/Workshop on improving the management of municipality budget organized by CEA and supported by OSI-Skopje office**

**Short description of the project**

The OSI office in Skopje has asked CEA to help in organizing two economic forums. The second forum was on municipality budget management improving in Macedonia.

**Organization, Presentation and moderation of the workshop**

CEA team

**Project period**

November 2005

**Creditworthiness of municipalities**

**Short description of the project**

CEA has initiated in front of the USAID a training program on municipality to be organized. This is of special importance in Macedonia taking into account the fiscal decentralization process that is ongoing. FSVC facilitated further the training program.

**Project team**

President Marjan Nikolov

**Developing an indicators for regional development in accordance with the EU methodology**

**Short description of the project**

The Sector for EU integration of the Macedonian Government has invited CEA in a

competitive bid for NGOs to help in setting up methodology and construct indices for measuring regional development in accordance to EU methodology.

**Project team**

Dimitar Bogov  
Aleksandar Stojkov  
Riste Naumov  
Marjan Nikolov

**Measures for improving the export and fight trade deficit**

**Short description of the project**

The Chamber of Commerce has requested CEA to help in setting up measures and analyze them quantitatively to fight the trade deficit in Macedonia.

**Project team**

Miso Nikolov  
Marjan Nikolov  
Dimitar Bogov

**Data gathering and processing and methodology set up for competitiveness study of the Macedonian economy**

*Short description of the project*

Booz Allen Hamilton Inc. has requested CEA to help in setting up methodology for data gathering and processing of information for certain indicators for the Macedonia Competitiveness Activity - an USAID project. These data will be used for estimating the competitiveness of the Macedonian economy regionally and between the EU-15.

**Project team**

Dimitar Bogov  
Marjan Nikolov  
Jordan Trajkovski

**Project period**

November 2004 - January 2005

**Conference on FDI organized by UNDP and the Ministry of Economy**

**Short description of the project**

UNDP Project office in Skopje has requested an expert opinion on the conference on FDI related to the Republic of Macedonia that should be held 21<sup>st</sup> of December 2004. CEA team has been contracted by the UNDP related to this conference.

*Organization, Presentation and moderation of the Conference*

CEA team

*Project period*

November 2004 -January 2005

**Forum/Workshop on measuring fiscal capacity of the LSG organized by CEA and supported by OSI-Skopje office**

*Short description of the project*

The OSI office in Skopje has asked CEA to help in organizing two economic forums within the next calendar year. The first forum was on measuring fiscal capacity of the LSG in Macedonia.

*Organization, Presentation and moderation of the workshop*

CEA team

*Project period*

November 2004 - March 2005

**Workshop on Intergovernmental Fiscal Relations organized by the World Bank Institute held in Sarajevo**

*Short description of the project*

Mr. Serdar Yilmaz, Senior Policy Analyst from the World Bank Institute, have invited CEA to give presentation on the recent developments in the area of fiscal decentralization. Marjan Nikolov has prepared and presented a working paper that is available on the CEA web site as well.

*Presenter and moderator at the workshop*

Marjan Nikolov

*Project period*

21-23 October 2004

**Database development for Local Self Government in the Republic of Macedonia**

*Short description of the project*

This project is sponsored by the World Learning's small grants program. With implementation of this project we will contribute to better and faster implementation of the process of decentralization as very important for the future of our country and the implementation of Framework agreement. Fiscal decentralization is crucial for the stability of the country and for the EU and NATO integration. In the moment our country lacks publicly available data about the local self-government and we will do our best to provide the public and governmental agencies with quality data. There will be data available on several indices developed by CEA. The indices will be on poverty by

LSG, administrative efficiency by LSG, CEA MCI (Municipality Composite Indicator) and other relevant data. The database will have a data and links on the proper legislation and other information.

**Project team**

Mile Janakievski  
Jovce Plastinovski  
Marjan Nikolov

**Consultancy services for assisting in framing responses to the EU questionnaire in the economic sphere**

**Short description of the project**

Through this engagement CEA will provide support to the Government in the preparation of the answers related to the development of the Macedonian economy and the conditions of all industrial sectors. CEA will make an effort to encompass relevant statistical indicators from the Macedonian statistical information system, assess the degree of harmonization of the methodology and present the requested answers along with relevant tables and comments.

**Orderer**

Ministry of Economy  
Sector for EU Integration

**Project team**

Marjan Nikolov, MSc  
Dimitar Bogov  
Jovce Plastinovski  
JordanTrajkovski  
Risto Naumov  
Mile Janakieski

**Project period**

August-October 2004

**Analysis of the Industrial Production Decline**

**Short description of the project**

The recent sharp decline of the industrial production index has caused serious concerns among relevant ministries in the Government of Macedonia (most notably, the Ministry of Economy and the Ministry of Finance). Since the drop in industrial activity was anomalous in light of other macroeconomic indicators (rise in exports, electricity consumption, excellent collection of VAT revenues etc), the Ministry of Economy has asked the Government Cabinet for external expert opinion. In accordance with a Government Decision, the Ministry of Economy was allowed to hire the CEA to conduct a thorough macroeconomic analysis based on econometric and statistical techniques.

The goal of the project was to locate the sources of industrial production index decline. Faced with a serious time constraint, CEA made exceptional efforts to analyze time series of several macroeconomic variables, reviewed the official sample used by the State Statistical Office for calculation of the industrial production index and assessed the methodology and dynamics of sample revisions.

**Orderer**

Ministry of Economy

**Project team**

Bryan Roberts, PhD  
Marjan Nikolov, MSc  
Aleksandar Stojkov, MSc  
Dimitar Bogov

**Project period**

15 July - 31 July 2004

**Design, development and implementation of regional and municipal profiling in the Republic of Macedonia**

**Short description of the project**

The aim of this project was to provide a ranking of Macedonian municipalities and regions according to their socio-economic characteristics. CEA research team has made a selection of 26 appropriate demographic, economic, social and infrastructure indicators and constructed municipal composite indices. According to the values of the municipal composite index for each municipality, a ranking was done for the 123 municipalities, 34 groups of municipalities and 8 regions (in accordance with the NUTS classification of the territorial units in the Republic of Macedonia). As an appendix to the final study, for the first time in the Republic of Macedonia, an experimental calculation was made on the Human Development Index (HDI) according to the UNDP methodology for all Macedonian municipalities and regions.

**Orderer**

Community Development Project (World Bank)

**Project team**

Dimitar Bogov  
Marjan Nikolov, MSc  
Aleksandar Stojkov, MSc

**Project period**

February-May 2004

## **Cost-benefit analysis of proposal for reduction of customs duties on certain inputs**

### **Short description of the project**

The Ministry of Economy has launched a plan for reduction of customs duties on certain inputs (raw materials and repro-materials), which aimed at strengthening the competitiveness of the Macedonian firms. This initiative called for substantial reduction of the fiscal burden of imported raw materials and other inputs in the production in order to reduce companies' costs. Thus, research team of CEA has prepared quantitative analysis of the effects from proposed reduction on the tariff rates of 393 products. The study has quantified the implications of this measure on the budget revenues, firms' costs, their production and exports.

### **Orderer**

Ministry of Economy

### **Project team**

Dimitar Bogov

Marjan Nikolov, MSc

### **Project period**

March 2004

## **"Decentralization - Our Goal"**

### **Short description of the project**

In accordance with its strategic plan, CEA has launched quarterly bulletin (printed as well as electronic version), which covers decentralization topics. This is a joint initiative with the USAID and Bearing Point aimed at animating the general public and public finance experts for the challenges imposed by the ongoing decentralization. The first issue was published in June 2004 and *inter alia*, it encompassed several articles submitted by worldwide-known experts (for instance, prof. Jorge Martinez-Vasquez).

The publishing of the following issues of the bulletin was enabled by the support of OSCE Spillover Monitor Mission to Skopje:

1. The second issue of the newsletter was about: Municipality competencies.
2. The third issue of the newsletter was about: "Measuring fiscal capacity of Macedonian LSG"
3. The fourth issue of the newsletter was about: Training in Local Self Government Credit Rating
4. The fifth issue of the newsletter was about: Cross country study on LGU borrowing: Romania, Bulgaria and Macedonia
5. The sixth issue of the newsletter was about: Measuring the fiscal capacity of selected Macedonian municipalities

### **Project team**

Marjan Nikolov, MSc

Aleksandar Stojkov, MSc

Mile Janakieski

### **Design of horizontal equalization scheme for municipalities**

#### ***Short description of the project***

The aim of this project was to design objective and transparent criteria (formula) for distribution of the equalization grant from the central government to the municipalities. Horizontal equalization scheme was prepared in several alternative scenarios, thus facilitating the decision-making process. The project was upon the request of Budget Department (MoF) as a background analysis during the preparation of the Draft Law on Financing the Local Self-Government.

#### ***Orderer***

Ministry of Finance (Budget Department)

#### ***Project team***

Marjan Nikolov, MSc  
Aleksandar Stojkov, MSc  
Mile Janakieski

#### ***Project period***

August 2004

### **Expert opinion on cost-benefit analysis of proposal for excise duty reduction**

#### ***Short description of the project***

Skopje Brewery (through Bearing Point) has requested an expert opinion on the cost-benefit analysis made by independent research group with regard to the proposal for excise duty reduction on beer. CEA team has reassessed the price and income elasticity of the demand for beer, analyzed the marked shares of the breweries and re-estimated the fiscal implications of this proposal. The client has given compliments for the in-depth analysis and expressed willingness for future cooperation.

#### ***Project team***

Dimitar Bogov  
Aleksandar Stojkov  
Marjan Nikolov  
Risto Naumov

#### ***Project period***

November 2003

### **Follow up on the USAID's Fiscal Reform Project activities**

The USAID Macedonia Fiscal Reform Project (FRP) was providing assistance to

the Ministry of Finance of Republic of Macedonia in the areas of macroeconomic forecasting. CEA continues some of the major activities of the Fiscal Reform Project in order to continue to build capacity for economic policy analysis in Republic of Macedonia. More specifically, CEA is determined to work in the following areas:

**1. Macro ABC model** - This model was acquired during the Study Tour in Holland. It was created with assistance of MicroMacroConsultants (MMC) from the Netherlands. Since CEA has shareware rights, as soon as possible, CEA intends to prepare the first medium-term model operated by Macedonian economists. Most of the activities of CEA will be directed towards testing of the behavioral equations and preparing a publication in which it will announce the economic forecasting results from this model. Since currently no government or private institution works on macroeconomic forecasting, CEA could use the model to give timely warnings to the policy makers and the public in cases when there is economic downturn in the country. Also, this model can be used to evaluate specific fiscal policies of the Government and their impacts on the GDP growth of the country.

**2. Trade Policy Model** - This model was developed by a BearingPoint expert (Lorris Mizrahi PhD) for the needs of the Ministry of Finance and Ministry of Economy to conduct trade policy analysis. CEA gives high importance to trade policy and was already engaged by the MOE in the analysis for evaluation of specific trade measures. The Trade Model uses general equilibrium framework for simulation of trade measures. CEA may carry out training for its staff in order to acquire experience in general equilibrium modeling. If there is prospect for cooperation, CEA will closely work with MoE and MoF during the training process and the trade policy analysis. CEA has comparative advantage because there are two licenses in Macedonia for using this model. One is transferred to CEA and the other one will most likely be transferred to the ministry of economy. Who ever get the second license will depend on CEA related to training and actual usage of the model.

**3. Fiscal Sustainability Analysis** - A BearingPoint expert, John Anderson PhD, has conducted analysis of the fiscal program of a Government and has looked on the pattern of revenue collection and expenditures for goods and services. Knowing the importance of fiscal sustainability, CEA has capacity to use the same exercise to evaluate the Government fiscal policy on regular time intervals and when major fiscal changes take place. CEA would publish its opinion whether certain fiscal program is sustainable over a long period of time by looking at the level of revenues in relation to the expenditures, and also the debt situation. CEA members have gained additional training at the Center of Excellence in Finance in Ljubljana during the training in Macroeconomic Management and Financial Sector Analyses organized by the IMF. Two CEA members Mr. Marjan Nikolov and Mr. Jordan Trajkovski had presentations at the outset of the training program on fiscal sustainability in which they have presented the upgraded fiscal sustainability model by CEA.

**4. Estimation of municipality fiscal capacity and design of alternative equalization schemes.** The Republic of Macedonia is undergoing a process of decentralization. The

IMF is suggesting a phased approach for decentralization from phase zero to phase three. However, we believe that the process of fiscal decentralization must be followed with the administrative and fiscal capacity of the LSG in place. Whereas during the socialist regime the organizational scheme of local administration was tailored to its function of virtually serving as local offices of central level ministries, the new model municipality should respond to and mirror the new powers and responsibilities of the local authorities. In this perspective, concepts such as civil society, decentralization, social capital, synergy and citizens' participation are becoming centerpieces of contemporary developmental discourses.

### 3. Public relations

In a relatively short period of time, CEA has managed to establish decent relations with media. It edits one page in *Capital*, renowned Macedonian weekly magazine for business and economics. Published articles in *Capital* deal with certain economic policy decisions made by the Government, offer an assessment of the macroeconomic outlook of the country, provide comments on legislation etc. According to the Editor-in-Chief of *Capital*, Mr. Ljupco Zikov, critics are positive and in general, have welcomed CEA ideas and proposals.

CEA members are also columnists in the daily newspaper *Vreme*. The editors of this highly competitive newspaper have an excellent opinion on the articles prepared by CEA members. CEA members have been invited at the recently organized forum by the daily newspaper *Vreme* on the fiscal burden and the efficiency of the administration to give presentations. Many journalists from printed media frequently request opinion from CEA members on some economic events or government policies. Most of the articles cite their views and give them publicity in the same manner as the most prominent economists' statements. In addition, several representatives of our think tank were interviewed and their expert opinion was presented on the top news on Macedonian TV stations (National Macedonian Television, A1, Kanal 5 etc) as well as radio stations (Macedonian radio - third program and Radio Free Europe).

From this perspective, CEA has made remarkable progress in obtaining massive media coverage in a less than 6 months. In order to meet the increasing demand for its economic views, it has established ambitious plan for its web site-<http://www.cea.org.mk>. Presently, the reader can download most of the columns and articles of CEA members, certain publications, other relevant economic analyses as well as macroeconomic data, estimates and forecasts.

## 4. Letters of support

### Municipality of Gazi Baba

*“We appreciate very much the dedication of CEA and the final work of developing the LED strategy for our community.”*

*Koce Trajanovski  
Mayor of Gazi Baba*

### NCEC

*“We would like to extend the positive cooperation we had with the CEA. The competitiveness report prepared by CEA was on high quality level as it was expected from them.”*

*Saso Trajkovski  
Executive Director*

### Ministry of Transportation and Communication

*“CEA members have shown high degree of expertise, analytics and professionalism, completing their tasks in timely and precise manner.”*

*Minister of Transportation and Communication  
Mile Janakievski*

### Ministry of Local Self Government

*“The Ministry benefited the expertise of CEA in few projects. We recommend them both for legislation preparation and for analytical work.”*

*Minister of LSG  
Zoran Konjanovski*

### Economic Institute Skopje

*“The Economic Institute Skopje have worked with some of the members of the Center for Economic Analyses as external cooperates on some projects. These young professionals were always fulfilling their tasks in orderly and timely manner. The Economic Institute Skopje supports their initiative for developing an independent think tank in order to enhance the independent thought in the area of economic theory and practice”*

*Antonija Josifovska  
General Manager of the Economic Institute Skopje*

## **The daily newspaper Vreme**

CEA members are columnists in the daily newspaper **Vreme**. The editors of this highly competitive newspaper have an excellent opinion on the articles prepared by CEA members. We hereby present their opinion on CEA:

*"The economy news desk at daily "Vreme" has cooperated with the Center for Economic Analyses (CEA) since the first issue of our newspaper. In the past seven months, the CEA team has enriched our economy section and opinion pages with insightful information and commentaries. The young CEA experts have offered fresh and original initiatives for economic reforms in Macedonia"*

Zoran Andonovski  
Managing Editor "Vreme"

Nikola Stojanov  
Economic journalist in "Vreme"

## **Gazmend Kadriu, General Manager New Bank of Kosovo, Prishtina**

*"Although it is already proverbial to say that economics is not science, too many people in Macedonia (including professional economists) act 100% that way, going into economic issues in a completely undisciplined way, delivering strong opinions and even outright verdicts based on a rule-of-thumb perspective. The intention of these economists to subject economic issues to independent hard thinking and formal deliverables is a long-needed novelty in Macedonia. CEA might not, and probably will not, bring the long-awaited economic surge in Macedonia, as even formal science has its limits. However, CEA can nevertheless bring some discipline to the discussion of economic issues and shed a very welcome light to this discussion, putting quantitative dimension alongside the much used value dimension (which anyway tends to be cheaper than hard analysis). During a decade-long involvement in Macedonian banking (including being Head of Banking Supervision, World Bank consultant, bank auditor, and, still, bank Board Member) the need for such hard analysis was clear just too often. Having recently moved to the position of a General Manager of a Kosovar commercial bank, I see the same need not only in the perspective of another country, but also in the perspective of regional economic cooperation between the countries in this region. It will be interesting to see how CEA will tackle also issues in that dimension. I am confident that their current investment in hard work in Macedonia will open the way for them to engage in cross-border activities, communication and cooperation. In the end, I reaffirm my full support for CEA and wish them many successes in their future work.*

Gazmend Kadriu,  
General Manager New Bank of Kosovo, Prishtina

## **MicroMacro Consultants research institution from Holland**

*"We would like to express our support to the Center for Economic Analysis (CEA), a research think tank from Macedonia. We are very happy that we had the chance to work with them during their training on macro modeling at our MMC premises in the Netherlands. See the results on*

<http://users.bart.nl/~mmc/Macedonia/index.htm> The people we met are young professionals from a transition country that in our opinion have the capabilities to conduct sound analyses. Taking into account our experience in working worldwide (The Netherlands, Indonesia, Poland, Ethiopia, Kenya, Curaçao, Suriname) we can recommend support to independent economic research in MK. Developing independent research institution is a benefit to the society and the region that is in the transition”

*Dr. Marein van Schaaijk*

*Director Micromacro Consultants, and*

*President Foundation for stimulating the research of the Economy of Suriname*

### **BearingPoint Consultant Company from USA**

*“Mr. Marjan Nikolov, M. Sc. and Jordan Trajkowski, are the two economists BearingPoint hired as part of the USAID/Macedonia Fiscal Reform Project in 2002 to support the project Macroeconomic Activity. Jordan was trained in the Faculty of Economics in Skopje as was Marjan, but Marjan also has a Masters of Science in Economics from the University of Iceland. They worked directly with Dr. Bryan Roberts and the Ministry of Finance Macroeconomic Unit for 2 and ½ years. Both have demonstrated strengths and have acquired significant analytic skills in this assignment. They have joined with other Macedonian economists, including two former heads of the Macroeconomic Unit, to form the Center for Economic Analysis, a think tank, that operates as a non-governmental organization under Macedonian law. Based on the output of this organization over the past 6 months, and given a small amount of donor support in the future, we believe that these local specialists can achieve significant growth in the organization and can ensure sustainable economic analytic capacity for Macedonia in the years to come.”*

*Mr. Lester Sweeting*

*Chief of Party*

*USAID Fiscal Reform Project*

### **CASE – think tank from Poland**

*“CASE - Center for Social and Economic Research played an important role in the transformation of Polish economy as one of the first think tanks in Poland. Support given to CASE by international donors was crucial in building self-sustainable institution, which contributed to development of independent thinking in the country. In September 2003 CASE was glad to host representatives from CEA and transfer its know-how both in managing think tanks and macro economic modeling. Here at CASE we were impressed by the courage, vision and competence of the young founders of CEA. Having behind us fourteen years of experience we strongly support foundation of the first economic think tank in Macedonia. It is the way how a civil society should develop in a country with an economy in transition. We believe, CEA will play a unique role in the process of integration of the Republic of Macedonia in EU”*

*Ewa Balcerowicz  
President of CASE*

*Artur Radziwill  
Vice President*

### **IMF office Skopje**

*“... We support the overall work of the CEA and in particular, your efforts at improving the quality of the public policy debate in Macedonia. In this regard, I would also like to express my appreciation for CEA work on the recent debate surrounding the reported decline in industrial production. I look forward to seeing the future output of CEA”*

*Kevin Ross  
IMF Resident Representative in Macedonia*

### **ZELS - association of LSG in Macedonia**

*“ZELS have known some of the CEA members and have established cooperation related with their work activities with USAID projects closely connected with the LSG reform process in the Republic of Macedonia. ZELS also welcome the publication of the Bulletin “Decentralization-our goal” as it provides relevant to our field analyses and information from worldwide. ZELS therefore support the work of CEA in their dedication to become independent policy research organization, which will represent important values for local authorities in the Republic of Macedonia”*

*Goran Angelov  
President of ZELS*

### **The Government of the Republic of Macedonia; Ministry of Economy**

*“The Center for Economic Analyses (CEA) has attracted the attention of the Ministry of Economy with its analyses presented in the public in relation to the*

*several current economic issues, which were subject to our current engagement. Believing that CEA personnel could offer fresh ideas and a different point of view based on expertise and analytics, the Ministry of Economy has on two occasions so far, engaged CEA experts. After the realization of the two projects, the CEA members have shown high degree of expertise, analytics and professionalism, completing their tasks in timely and precise manner. Also, the Ministry of Economy is prepared to offer CEA a plan for a long-term cooperation in the realization of the forthcoming projects”*

*Minister of Economy  
Stevco Jakimovski*