



NEWSLETTER 2020



...We are making a difference!
January 2021

Dear reader,

The year 2020 was a challenging year, not only due to the pandemic, but also due to the years-long political crisis, that required efforts for restoration of democratic standards and values in North Macedonia. The outbreak of the Covid-19 pandemic poses a serious threat not only from a health point of view but also from an economic point of view due to the negative worrying effects on the global economy. The European Union (EU), its member states, but also candidate countries such as the Republic of North Macedonia are looking for ways to mitigate the negative economic effects through ambitious fiscal packages and state aid measures. This situation creates, in addition to fiscal challenges a worrying public debt expansion.

Our work at the Center for Economic Analysis - CEA is to thoroughly inform the public about the risks that exist in the Macedonian economy. We are particularly focused on the risks to public finances, whose intensity and likelihood of occurrence are enhanced over a long period of time covering the rule of several Macedonian governments. Through its engagement, CEA worked on increasing awareness for the need of public participation, improved efficiency of the public sector, and contributed toward a more competent and credible civil society and more competitive business environment.

In the coming 2021 CEA will continue to question government policies and inform debates through rigorous research and analysis on important developmental issues, with a strong emphasis on the socio-economic problems and more efficient and effective public finance. Please look through the palette of our work in the past year on the following pages.

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

CEA Team

Achievements and challenges in 2020:

- ⇒ Initiating dialogue on key economic topics and policies;
- ⇒ Fighting against the lack of fiscal transparency and accountability on national and local level and actively participating in its improvement.
- ⇒ Monitoring and thoroughly informing the public about the risks that exist in the Macedonian economy;
- ⇒ Providing quality analyses and recommendations relevant for improved public policies;
- ⇒ Building capacities of different stakeholders and target groups.

Highlights from 2020:

- ⇒ Scrutinizing public policies, and the lack of responsibility of the institutions, emphasizing the need to restore and increase trust in key state institutions.
- ⇒ Increasing awareness about the public debt sustainability in the country and further streamlining efficient public spending.
- ⇒ Social inclusion and employment are facing a serious challenge with continuous high rates of long-term unemployed, youth unemployment, lack of properly designed social care and low PISA testing results.
- ⇒ Urging for increased budget and fiscal transparency, accountability and public participation.
- ⇒ Emphasizing the need for change of the political economy paradigm toward more strategic long term planning and closing the gap between the goals and the public finances for more efficient realization of the central and local budgets to the needs of the taxpayers.

⇒ Good Governance and public finance

Tax responsibility Project – Towards civic responsibility and responsible tax

The project funded by the European Union through the European Instrument for Democracy and Human Rights, aims to tackle and contribute to the challenge of increasing the social responsibility specifically tailored to Republic of North Macedonia approaching from both sides, the civic responsibility through evidence based research and awareness raising to boost tax morale and as well as the governments' responsibility through increased transparency and accountability.

With this action we intend to pilot an innovative approach of behavioral economics in order to inform policy and improve public service and deliver positive results for people and communities on the issues of increasing tax morale and tax compliance.

Thus, the goal is to contribute to advancement of civic responsibility in North Macedonia through tax responsibility because building the tax citizenship requires inductively motivating and promoting active and responsible citizenship involved and aware of the social relevance of taxes and on the other hand the transparency and efficiency of any government expenditure to enable human development and social cohesion.

The project until its end should determine the driving factors for the tax morale among citizens in North Macedonia by practical piloting of behavioral insight techniques – evidence based innovative research; enhance the civic responsibility and tax compliance among the citizens of North Macedonia through promotion – behavioral insight; Increase the tax compliance in North Macedonia among the citizens – tax responsibility; Increase the transparency, accountability and responsibility of the tax authorities for the citizens' money; increase the active engagement of the citizen in decision making.

The detailed analysis, and activities within the project can be found [here](#).



ПРОЕКТ ЗА ДАНОЧНА ОДГОВОРНОСТ
кон граѓанска одговорност и одговорни даноци
Tax Responsibility Project – Towards Civic Responsibility and Responsible Tax

ЕУ ТЕБЕ

Европски инструмент за демократија и човекови права (EIDHR)

ОПШТИНИТЕ И ПРИХОДИТЕ ОД ЛОКАЛНИ ДАНОЦИ

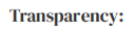
КАКО ДО ПОГОЛЕМА ДОВЕРБА:

- намалена политичка корупција
- транспарентност
- резултати
- комуникација
- третман на граѓаните како партнери

КАКО СЕ ТРОШАТ НАРОДНИТЕ ПАРИ?

65%





41 /100

(Open Budget Index score)

Public availability of budget documents in Macedonia

How has the transparency score for Macedonia changed over time?



Fiscal transparency in developing countries could make civil society groups more efficient and bring positive development results. Budgets are the most powerful tool to meet the needs and priorities of the state and its citizens. The transparency of the budget is prerequisite for the participation of the citizens in making decisions on spending public funds and accountability of the authorities.

CEA continues to be a partner with the world renowned International Budget Partnership-IBP in the process of implementing the Open Budget Survey for Macedonia. In that line, CEA monitored the government openness for the period 2017-2019.

According to the results of the survey, North Macedonia has made improvements in publishing key information that can help the public understand budget policies, decisions, and outcomes, according to the new report. In comparison, worldwide, one-third of the eight key budget documents that governments should publish are not available to the public. See the results [here](#).

The International Budget Partnership (IBP) for the first time launched in 2019 the health and education sector fiscal transparency pilot module. Findings from the related research on North Macedonia's public budgeting show that the government can do better in prioritizing education funding. Education sector in Macedonia in great deal is funded from the central budget. The presentation of this sector is presented in the central budget in the economic, functional, administrative and program budgeting classification and its fiscal transparency mirrors the overall OBS fiscal transparency measurement facts.

Findings from piloting the education sector fiscal transparency module in North Macedonia

Fiscal transparency on a local level is as important as it is at the national level. From this aspect, CEA measured the index of budget transparency on a local level. The general information is that the LSGU notice an improvement on the index of availability of budget documents in 2019-2020 compared to other fiscal years (2014-2015, 2016-2017, 2017-2018). In an era of digitalization and openness as well as the opportunities offered by modern technology, the availability of documents including budget information needs to be easy and timely, in order to fulfill the right of citizens to receive relevant information. So one of the most relevant indicators of fiscal transparency of municipalities is the availability of budget documents on their official websites as platforms that are available

See the total scores [here](#) and [here](#).

⇒ *Good Governance and public finance*

Transparency of the State Audit Office

As continuation of the project "Strengthening Fiscal Accountability and Transparency in Macedonia", CEA conducted a monitoring on the transparency of the State Audit Office (SAO). After the change of government, and with the election of the new Auditor General, we aimed to see if there is a change in the transparency of the supreme institution, more precisely in the scope of information that is made available to the public.

Thus, through a simplified and adapted methodology, we reviewed the work of the SAO in the period 01/01/2020-30/04/2020, and the conclusions are highlighted in this Report. See the full report [here](#).

SAO, after years of proposing from CEA, introduced finally a tool for anyone interested to propose audit to do it easily from the official [web site](#) of the SAO.



State Aid Transparency in the EU and North Macedonia during the Covid-19 Situation

The outbreak of the Covid-19 pandemic poses a serious threat not only from a health point of view but also from an economic point of view due to the negative worrying effects on the global economy.

The Covid-19 pandemic not only poses health challenges, but also carries risks to the global economy. Countries are looking for ways and means to mitigate the economic shock effects through significant and ambitious policies and packages of fiscal state aid measures.

This creates challenges for the proper and transparent application of state aid control rules in line with EU rules.

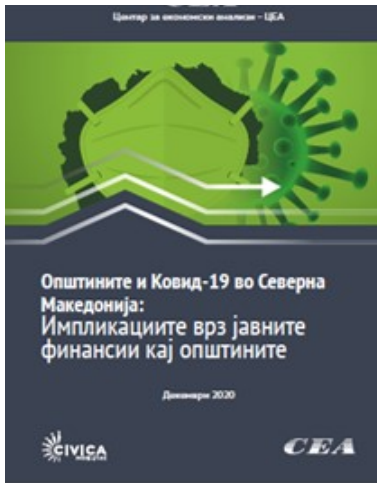
Faced with the challenge and the need for a rapid response that should enable the reduction and/or elimination of the phases of the routine state aid control process, which is not allowed under "normal" circumstances, the EC has adopted a set of rules in the regulation exclusively concerning state aid that is aimed at tackling the crisis caused by Covid-19, valid for application by the candidate states as well.

CEA prepared a report on the transparency of the state aid granted under Covid-19, drawing a parallel with the EU.

The main conclusion is that transparency of planned and allocated state aid in the RNM needs to be improved following the rules and the good practices of the EU member states.

See the results [here](#).





COVID-19 and the municipalities in North Macedonia: Will the municipalities ask for another central government financing through debt?

The small project is implemented by CEA and financially supported by CIVICA MOBILITAS program.

The project aims to contribute to the debate on the local effects of the COVID-19 crisis and the impact on local public finance with focus of the municipal revenues. It aims to provide as well insight to policy makers toward more resilient regions.

More about the project see [here](#).

COVID - 19: CEA and Vizija supported the socially disadvantaged families from Kavadarci

CEA in partnership with CSO Vizija from Kavadarci supported by the Regional Program for Local Democracy in the Western Balkans (ReLOaD), Municipality of Kavadarci and the United Nations Development Program - UNDP joined the action to support tackling the crisis in which the whole world is due to the pandemic with the COVID-19 virus.

Within the project: Increasing employability and improving the women's economic condition in the society, a part of the project funds were used to support socially disadvantaged families in Kavadarci in order to deal with the pandemic KOVID-19 and reduce the degree of negative consequences.

In coordination with the Municipality of Kavadarci, a list of families who are socially endangered and need help was prepared. The project distributed food and hygiene packages to a total of 20 families in the municipality of Kavadarci. Within the project, protective masks for multipurpose use were made, which are distributed to socially disadvantaged families, and the participants in the preparation were given support by applying their acquired sewing skills during the implementation of a series of workshops.



⇒ Good Governance



Competition and State Aid Policy Monitor: 8 Matters!

CEA is implementing the project “Monitoring of competition policy and state aid control: 8 Matters!”, financially supported by the Swedish International Development Agency (Sida) through the “Nordic Support for Progress of North Macedonia” Project implemented by the United Nations Office for Project Services (UNOPS).

Despite the positive assessment of the degree of compliance of national legislation with the EU acquis in the part of competition policy, it is necessary to comply with new EU legal acts and policies. Key remarks of the EC, over the past number of years, focus on the absence of progress in the area as well as the necessary need for a strengthened portfolio of application legislation especially in the area of anti-trust.

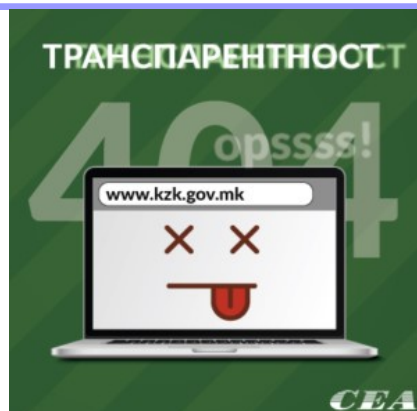
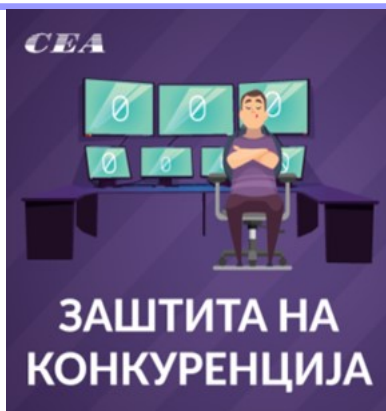
That’s why CEA started implementing a project that aims to contribute to an increased level of state aid and competition policy enforcement activities, enhanced transparency and increased awareness of the importance of these policies through monitoring and advocacy (areas covered in the EU negotiation chapter 8).

The project identified obstacles for effective implementation of the state aid control and competition policy, worked on regular monitoring of the state aid and competition policy, and to increase public awareness of the importance and the role of competition policy.

In the past year CEA developed series of analyses and activities:

- Detailed comprehensive policy study on the state of chapter 8: [Competition and state aid policy: Key to a market economy](#)
- Policy analysis on the effects of state aid in attracting foreign investments in Western Balkan Region: Attracting foreign investments in the Western Balkans and State Aid: [Race to the Bottom or necessity?](#)
- [Regularly prepared and published quarterly monitoring reports for 2020](#)

All project outputs about the monitoring can be accessed [here](#).



⇒ *Initiating Dialogue - EU Integration and Networking*

Establishing Policy Bridges with EU-CEA

CEA continued the implementation of the 'Europeanization' project supported by OSI, with the goal to enable better and enhanced networking and collaboration between Macedonian think tank CEA and western European think tanks in the process of Europeanization of the sector and the overall country towards EU.

The project activities were challenged by the Covid-19 but we managed to continue to be active founding member of the TG-Web and actively participate in the annual conference on territorial governance; contributed to the Journal of Territorial Governance in the Western Balkans; we established contacts with several European think tanks, we collaborated on several occasions with organizations from the region; took part on the online European Week of Regions and Cities; continued discussions and debates with already established think tanks in Europe on especially burning issues of socio-economic effects of Covid-19, and we significantly improved out communication with the constituents, etc.

Cost-benefit analysis of the social services for deinstitutionalization of persons with disabilities

Funded by UNWOMAN, CEA prepared methodology for estimation of the additional costs of disability for deinstitutionalization of persons with physical disability. CEA implemented several methodologies for evaluation the costs and benefits of the deinstitutionalization of people with disabilities in North Macedonia based on the practices of the already initiated process. Furthermore, the CBA took a special consideration the gender and COVID-19 related issues and effects of the process.

Brain-storming thoughts on the future of Macedonia

Populism and clientelism in the Macedonian political economy

What can North Macedonia do? What can the contours of the New World be?

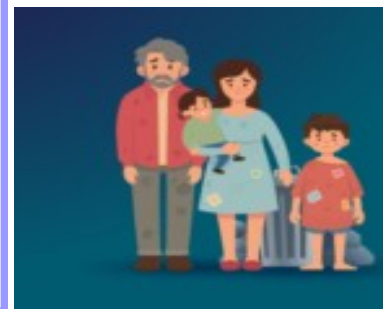
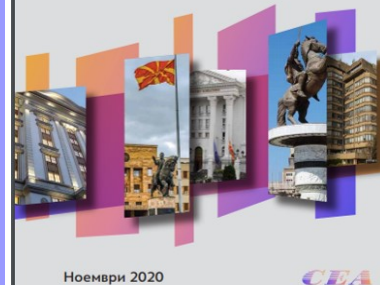
After the financial and economic crisis of 2007, instead of the expected structural reforms and the overflow of money produced in the kitchen of quantitative easing (a beautiful intellectual saying about printing money) to those who need it most - the people (the most vulnerable), that freshly created liquidity was shared between those who led it to that financial and economic crisis of 2007.

Hence the unresolved faults of tectonic conflict now reinforced by the risks of COVID-19 (despite the controversy over whether it was artificially created to exaggerate the global response of global actors to their own interests) lead rise to a new global post-globalization that will be the essential opposite of globalization, which will encourage states to reconsider, introspect and strengthen their national interests (already announced through the rhetoric, decisions, policies of President Donald Trump). " The full column and thoughts on the topic can be found [here](#)

Macedonian public finances are at risk not because of structural reforms in need but from the clientelism and populism that generates societal frictions and inefficiencies. More you can find [here](#).

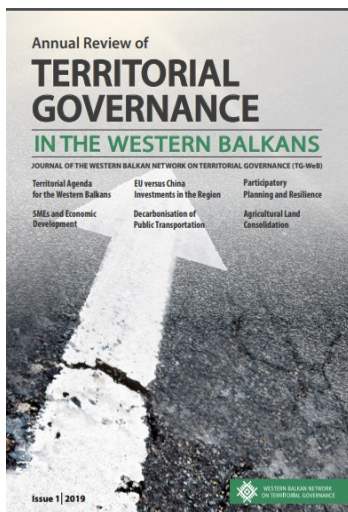
Популизмот и клиентелизмот во политичката економија на Република Северна Македонија

Како до повеќе благосостојба и прогрес за сите граѓани!





⇒ Other CEA Activities



A Vision for Territorial Development and Governance in the Western Balkans

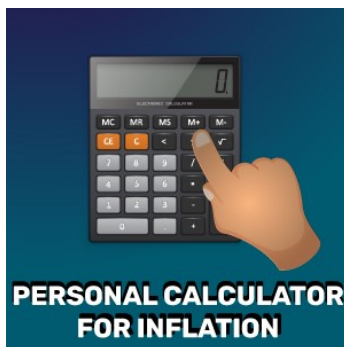
The Western Balkan Network on Territorial Governance (TG-WeB), a group of civil society actors operating in the Western Balkan region supported by European partner organizations, shared “A Vision for Territorial Development and Governance in the Western Balkans”. This vision succeeds the position paper on the “Territorial Governance in the Western Balkans”, a macro-regional perspective in identifying and proposing a number of recommendations as to how territorial governance can play a role in the Western Balkans’ European Union integration process, by addressing development and governance challenges in the region .

The Annual Review of Territorial Governance in the Western Balkans is a periodical publication with selected policy briefs on matters related to territorial governance, sketching the present situation, the Europeanisation process, the policy and the research and development agenda for the near future. The publication targets policy-makers and policy-influencing actors. To read the full publication please click [here](#).



Discussion on the topic: "Property taxes and taxpayer profile: Tax morale in North Macedonia"

Within the regular lectures on the subject Tax Law at the Faculty of Law in Skopje for master studies in finance and financial law, a panel discussion was held on "Taxes on property and profile of the taxpayer: Tax morale and responsibility in North Macedonia" which aimed to introduce students to theoretical aspects and indicators for tax responsibility, experiences from the region and lessons for the Macedonian authorities. This forum was enriched by the discussion of Ms. Vesna G. Andonova from CEA, who presented the results of a social experiment conducted within the broader Tax responsibility Project – Towards civic responsibility and responsible tax.



CEA Journal of Economics

The first CEA Journal was issued in 2006. Starting in 2012 CEA Journal of Economics become international journal, indexed in [EBSCO](#) and [EconLit](#) databases of journals. The journal creates a platform for economic forum where economists practice technical quantitative and qualitative analyses of economic problems and enrich the public debate on economic issues in Macedonia and the region. In 2015, CEA developed a new system for the journal. [Online CEA Journal](#). The last issue is from May 2020 and now the CEA Journal is on-hold .

Web portal: www.mkbudget.org

CEA continuously and promptly updates the open budget platform since 2012. From 2012, CEA designed a platform where all budget information and data are available and open for further data processing.



⇒ *Future activities*

In the forthcoming 2021 CEA will continue towards achieving of its goals for improving the environment and contributing to more efficient economic development in 2021. Following its mission, in the coming period CEA will:

- ⇒ Continue implementing the project Establishing Policy Bridges with EU-CEA (North Macedonia), and building international networks.
- ⇒ Continue with CEA's team capacity building through different activates and projects.
- ⇒ Continue implementing the project "Competition and State Aid Policy Monitor: 8 Matters!" It will include activities for monitoring competition policy and state aid control.
- ⇒ Continue implementing an EU project: "Tax responsibility Project – Towards civic responsibility and responsible tax".
- ⇒ Continue research and analyses on current economic topics.
- ⇒ Continue implementing the project "COVID-19 and the municipalities. Will the municipalities request new financial funds trough borrowing from the Central Government?"

CEA's Internship Program—a rewarding & valuable experience

Three dimensions available:

- ⇒ knowledge building,
- ⇒ policy research and writing and
- ⇒ communication and team work experience.

It offers an incredible amount of knowledge of economics, computer science, political science etc., but it also provides a significant amount of new skills and abilities.



CEA TEAM



*If you share the same goals with CEA
we invite you to be our partner in the coming period.*

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