

## Program of activities

### 2014

This document presents the program of activities of the Association for economic research, advocacy and policymaking “Finance Think” Skopje for the calendar year 2014. The plan is structured around four pillars of Association’s work: **research, analytics, advocacy and communication; and capacity building and networking.**

#### 1. RESEARCH

Research activities for 2014 have been planned as follows.

1. EdPlaCo-MK: A tool for greater gender wage equality in Macedonia, with reference to workers’ characteristics and selectivity bias into employment (ongoing project supported by GDN and the Government of Japan)

Macedonian labor market is characterized by relatively large gender employment inequality, coupled with considerable gender pay inequality. These inequalities are magnified at lower education levels. The objective of this research is to investigate if gender employment gap can shed some light on the gender wage gap. In particular, low-to-medium skilled women in Macedonia may be affecting the gender wage gap due to their labor inactivity owing to child-raising, being unpaid family worker, high reservation wage and remittance receiving from the male migrant. We propose to explore this view by estimating selection-corrected and adjusted-for-characteristics gender wage gaps for different skill levels in Macedonia. The empirical approach will recuperate the counterfactual wage distribution that would prevail had the selection into work been fully random. As an innovative approach to this issue, we will use alternative imputation techniques which do not require assumptions on the actual level of missing wages, as typically required in the matching approach, nor they require arbitrary exclusion restrictions raised in two-stage Heckman sample-selection models. At the policy level, the issue gained importance and the government responded with establishing Equal Opportunities Committees both at national and local level, but the problem of gender (wage and employment) discrimination has not been resolved. Our investigation may shed new light on the issue and help in i) devising fuller Strategy for equal employment opportunities; and, more importantly, ii) establishing the EdPlaCo-MK as a web-tool serving as a standard helping employers (public and private) to develop best practice for fair employment and compensation.

2. Mind the gaps between the budget lines and the National Program for Poverty Reduction (ongoing project supported by FOOM and USAID);

The project aims to increase the effectiveness and usage of poverty-reduction programs by increasing the transparency of the associated budget lines and informing the citizens about them. Short-term goals of the project are: Identification and mapping of the weak links between the budget lines and the poverty-reduction programs; Increasing citizens' awareness of the programs for poverty reduction they can be eligible for; Increasing the awareness of the civil and research sector of the effectiveness of poverty-reduction programs' implementation (budget expenditure).

3. Youth self-employment in households receiving remittances in Macedonia (ongoing project supported by the International Development Research Center)

Low job creation and high unemployment are the most important problems of Macedonia. The youth unemployment rate of 55% remains persistently high. On the other hand, Macedonia receives remittances of outward migration in the amount of above 20% of GDP annually. Their usage, however, remains largely unknown. This proposed research aims to explore if remittances may be used to support the entrepreneurial activities of unemployed youth in households receiving remittances, in an environment of global economic crisis, tightened credit conditions, lack of venture capital financing and the malfunctioning labor market. We will use the Remittances Survey conducted in September/October 2012 to explore the probability that a young person will enter self-employment if his/her household receives remittance. We propose two techniques: i) propensity score matching, so as to find similar, in characteristics, non-receiving households, as those receiving remittance; and ii) instrumental variables approach, so as to account for the potential endogeneity of remittances with respect to the decision to establish own firm. We expect that our findings would enable us to propose policy recommendations in the fiscal, social, and labor-market sphere, aimed at channeling the large amount of remittances in Macedonia into generating jobs for youth.

4. 'Dutch disease' in Latin America: De-industrialization concerns and crisis

The objective of this project is to investigate if and how different episodes of large net inflows – export boom, remittances, FDIs, or aid – caused Dutch disease in Latin America and Caribbean (LAC) countries. We investigate this disease – i.e. the decline of manufacturing output – with special reference to the channels through which it works and to the crisis period for LAC. The project will bring a couple of novelties compared to the existing literature. First, to our knowledge, the project will be first empirical effort to investigate the different types of capital inflows – export, FDIs, aid and remittances – in the context of Dutch disease. Second, the project will define periods when the distinct capital inflows boomed, as periods when the observations exceeded a linear trend. While paralleling linear trend may seem naïve, it may actually reveal a capital boom other than the capital inflow developments determined by the long-run economic setting or fundamentals. Finally, the project will put those issues in the context of the recent crisis, hence offering evidence if and how these relationships have been affected by the crisis.

5. Financial fragility in Southeast Europe – devising an index for financial stability for a group of countries; devising a model to predict conditions of financial fragility; forecasting.

The objective of this research is to analyse the sources of financial fragility and present a model for predicting financial fragility in Central and Southeast European countries. Firstly we will create a Financial Stress index, which will disentangle between financially stable and fragile periods. Variables used in the index will reflect the fragility and risks of the bank sectors and are: Gross non-performing loans (NPL)/Total loans; Net NPL/Equity; Return on Assets (ROA); Return on Equity; Liquid assets/Total assets; Capital Adequacy Ratio; Net Interest Margin - combined in five sub-indexes: bank capital, liquidity risk, interest risk, assets quality and bank profitability. Second, from the wider set of macro financial indicators as potential sources of risk accumulation we will identify which of them possess predicting power over the identified Financial Stress index. Finally we will develop a model to assess the probability of falling into financial fragility. Important policy recommendations are expected to stem out from this analysis for the Monetary policy and Macro prudential policy.

6. Empowering women in Krushevo through mini clustering for production, sales and promotion of traditional products

The main objective of the project is to improve the living standards and social inclusion and to reduce poverty in Krusevo, through association (mini-clustering) of women for production and sale of local, domestic, traditional and ecological, home-made products. Short-term goals: i) Prompting social inclusion and interaction through association of individual producers, unemployed housewives; ii) Promoting awareness for investing in their skills for pull out from poverty and improvement of their life; iii) Establishing system for production and promotion of local home-made products, in order to encourage and increase the production, sales and promotion; and iv) Strengthening the awareness among policy makers for the need of mini-clustering of the individual producers of traditional food, as a tool to promote local economic growth and improvement of socio-economic conditions.

7. Simulation of a voucher system for social protection of the individual socially-vulnerable remittance receivers in Macedonia

The purpose of the study is to develop a simulation of potential voucher system for social protection of individual members of the households receiving remittances in Macedonia.

Specific objectives:

- To conduct analysis for Macedonia at the individual level (using the DotM Remittance Survey 2008)
- To develop a MIMIC (multiple indicators, multiple causes) model;
- To simulate the effects of potential voucher for protection of socially vulnerable individual recipients of remittances by simulating the effects on the health indicator of the recipient.

8. Migration as social protection: Analysis of Macedonian, Albanian and Serbian remittance-receiving households

The objective of the proposed research is to investigate if remittances sent to Macedonia, Albania and Serbia serve an informal social protection for household members left behind and to suggest potential

instruments/policies for transforming them into a formal social protection. In particular, we will analyse if and how remittances determine/influence social condition (stability or vulnerability) of the household, the latter being described through an index composition of the income level, employment status, nourishment, health and housing conditions. For the purpose of the study, we aim at defining social stability/vulnerability not in traditional terms - only as "dollar a day" - but rather in terms of household's ability to meet their basic needs: nutrition, health services, housing, leisure and the like. This touches upon Green's (2014) recent note that "being poor and sick is very different from being poor and healthy" and defines social stability in this multidimensional framework.

Macedonia and Albania receive about 10% of the GDP in remittances (almost half of the total amount of private transfers per year), while in Serbia they amount to 7% of the GDP. While unemployment, poverty and social vulnerability remain high, and the formal social assistance exerts limited effect on poverty reduction, the question is if remittances prevent social unrest, i.e. informally socially protect vulnerable poor people. The literature has been rich in investigating the standard social protection schemes, but very scarce in tackling how informal protection mechanisms, like remittances, may alleviate households' social strains. We propose to address this gap in the literature. We will use the Remittances Survey 2012 for Macedonia – a nationally wide and rich dataset on migration and remittances. For Albania, the last wave of the Living Standard Measurement Survey, 2008, will be used. For Serbia we will use the newly established, nationally representative Survey on Income and Living Conditions 2013.

The key tasks, hence include:

- developing a literature overview linking remittances to social protection and social vulnerability;
- devising an indicator of social vulnerability (discrete composite index comprising conditions as: income, employment, health, nourishment, housing and other material conditions);
- econometric investigation of the causal links between remittances and social vulnerability;
- deeper qualitative investigation through interviews of the linkages between and contexts of the two phenomena (remittances and social vulnerability);
- devising policy proposals and policy instruments of converting remittances into a more formal social protection;
- wide communication with the policymakers and the public.

**Table presenting stages and deadlines**

<b>Activity</b>	<b>Stage</b>	<b>Planned tasks</b>	<b>Deadline</b>
1. Mind the gaps	Study partially conducted  Interviews partially conducted	Investigating the research and civil-society sector (March 2014)  Interviews with vulnerable groups (March 2014)  Round table (June 2014)	June 2014
2. Dutch disease in LAC	Analysis commenced in October 2013	Conduct the econometric analysis (January 2014)	June 2014

		Write up (April 2014)	
3. Self-employment - remittance	The descriptive and econometric analysis conducted	Final report to be delivered (March 2014) Submission to a journal (Jun 2014) National policy conference (September 2014)	September 2014
4. Financial fragility in SEE	Not started yet	Devise the index by April 2014 Conduct econometric analysis and write up by the end of 2014	December 2014
5. EdPlaCo-Mk	Preliminary analysis conducted (October 2013)	Conduct the econometric analysis (January 2014) Write up (April 2014) Setting up the web page (September 2014) Marketing and campaign to use the tool (March 2015)	June 2015
6. Empowering women	Not started yet	Activities for embedding skills for production and sales of ecological products Training Fair	August 2015
7. Simulation of a voucher	Not started yet	Devising a voucher Simulation of its effects Writing up a study	September 2015
8. Migration as social protection	Not started yet	Setting an index of social vulnerability Writing up a literature review Conduct of econometric analysis Interviews Writing up Advocacy and communication	September 2016

## 2. ANALYTICS

The following analytical activities have been planned for 2014:

1. Delivering at least 5 issues of Graphometrix – the observer of the national, regional and global economy through graphs;
2. Delivering 4 issues of the Macro-monitor – the macro-observer of the national economy with a forward looking elements;
3. Improving the contents of the current Macro monitor, by adding an entire section on the Budget, aiming to increase the transparency in the utilization of the government funds; spreading the reach of the ‘Index of future economic activity’;
4. Delivering at least 3 FT Comments – a commentary of important national and international documents, reports, strategies and so on, concerning Macedonia;
5. Devising an ‘Index of financial stability’ to inform policymakers in the financial areas (mainly central-bank policymakers) and the wider public, herewith understood as being financial analysts and employed in banks, pension funds, insurance system; economic faculties and research centers; financial managers in the corporate sector; other civil organizations; savers;
6. Devising a quarterly newsletter “@Finance”, to inform and educate other NGOs, media and the wider public, herewith understood as the general audience, on the importance of recent developments related to economic policy and reform, financial indicators and (new) economic/financial regulation in Macedonia;
7. Improving the economic datasets to be available for analysis purposes by the other NGOs and other interested parties, and presenting those data in an easily understandable format for non-economists;

**Table presenting stages and deadlines**

Activity	Stage	Planned tasks	Deadline
1. Graphometrix	Ongoing	Devising at least 5 issues	Continuously over 2014
2. Macro-monitor	Ongoing	Devising 4 issues	Continuously over 2014
3. Improving macro-monitor	Not started yet	Adding a section on budget	December 2014
4. FT Comment	Ongoing	Devising at least 3 issues	Continuously over 2014
5. Index of financial stability	Not started yet	Devising and publishing the index	December 2014
6. @Finance	Not started yet	Devising 4 issues per year	December 2014
7. Improving data-sets	Ongoing	Improving the datasets	Continuously over 2014

### 3. ADVOCACY AND COMMUNICATION

The following advocacy and communication activities have been planned for 2014:

1. Continuous publication of research results and findings in the form of articles in international peer-reviewed journals; monographs; chapters in books and so on;
2. Devising at least three policy briefs on issues pertinent to the economic development in Macedonia and stemming out of current research – so as to advocate for innovative solutions and to educate citizens on their potential contribution in solving the problems;
3. Web platform with programs for socially vulnerable groups;
4. Issuing and dissemination of Guidelines and leaflet for matching the programs for socially vulnerable groups and budget lines for poverty reduction;
5. Advocating (“fighting for”) for more space for economic news in the media by stronger links with them, through publishing the ‘Index of financial stability’ in ‘Kapital’ (the other prominent economic medium in the country, despite ‘Economics and Business’ where we publish the ‘Index of future activity’).
6. Organizing a round table in June on issues pertinent to poverty and inequality;
7. Organizing a round table in August/September on the Milton Friedman’s contribution to monetary economics;
8. Organization of a conference in December that will bring the government and citizens together to talk at a hot issue;

**Table presenting stages and deadlines**

Activity	Stage	Planned tasks	Deadline
1. International publications	Ongoing	Articles, monographs, chapters in books	Continuously over 2014
2. Policy briefs	Ongoing	Devising at least 3 issues	Continuously over 2014
3. Web for socially vulnerable people	Not started yet	Devising a web to match programs	April 2014
4. Guidelines and leaflet for socially vulnerable groups	Not started yet	Devising Guidelines and leaflet to match programs	April 2014
5. Media	Ongoing	Increasing the presence in media	Continuously over 2014
6. Round table – socially vulnerable groups	Not started yet	Conduct of a round table on the topic	June 2014
7. Round table –	Not started yet	Conduct of a round table on	August/September 2014

Friedman		the topic	
8. Conference – hot topic	Not started yet	Conduct of a conference on the topic	December 2014



#### 4. CAPACITY BUILDING AND NETWORKING

The following capacity building activities have been planned for 2014:

1. Conducting a research stay in the United Kingdom (Staffordshire University) by the Chief economist of the Association;
2. Participation in at least two international conferences to present results of ongoing projects and/or to build network with international researchers;
3. Participation at domestic conference, round tables, forums and other similar events, so as to present ongoing research and build networks with domestic researchers, other NGOs, government representatives and media;
4. Initiating cooperation (leading to Memos of understanding) with reputable domestic institutions (like the central bank or a university) and other NGOs conducting similar or complementary activities;
5. Equipping the think tank with the necessary software for economic analyses (E-views and Stata);
6. Participation at seminars for equipping with advocacy skills (organized by USAID) and research methods (preferably those organized by the IMF);
7. Securing interns to develop a comprehensive datasets for the Macedonian economy which will be publicly available, but will serve the think tank the objective for analyses and research;
8. Securing a referent literature, mainly research methods and econometrics.

**Table presenting stages and deadlines**

Activity	Stage	Planned tasks	Deadline
1. UK Research stay	Not started yet	Conduct a research stay	July 2014
2. International conference participation	Not started yet	Participate on at least two conferences	Continuously over 2014
3. Domestic conference / round table participation	Not started yet	Participate on at least three events	Continuously over 2014
4. MoUs	Not started yet	Sign a MoU with at least one institution/organization	September 2014
5. Software	Not started yet	Purchase of a software for econometric analysis	February 2014
6. Trainings	Not started yet	Attend seminars for advocacy and research skills	Continuously over 2014
7. Interns	Not started yet	Securing interns for ongoing needs	Continuously over 2014
8. Literature	Ongoing	Securing relevant literature	Continuously over 2014