

REVIEW

by Assoc. Prof. Mihail Simeonov Chipriyanov, PhD

of a dissertation thesis entitled **THE ROLE OF THE FISCAL STRATEGY OF THE
REPUBLIC OF NORTH MACEDONIA FOR ACHIEVING SUSTAINABLE
DEVELOPMENT OF THE NATIONAL ECONOMY,**
submitted for defense by **Vesna Stoyan Korunovska**

I. General characteristics of the dissertation thesis

The aim of the dissertation thesis THE ROLE OF THE FISCAL STRATEGY OF THE REPUBLIC OF NORTH MACEDONIA FOR ACHIEVING SUSTAINABLE DEVELOPMENT OF THE NATIONAL ECONOMY is to apply econometric models to investigate the effects on fiscal policy on the macroeconomic development of RNM and to determine the fiscal effects in terms of intensity, direction and time lag of changes and their interdependence with GDP. By achieving this goal, the author aims to determine the main parameters for conducting a reasonable fiscal policy and formulate a model for analysis and evaluation of the country's previous and future fiscal strategies.

The dissertation thesis comprises a total of 254 pages, of which 214 pages of body text, 9 pages of references and 30 pages of exhibits. Structurally, it consists of an introduction, three chapters, a conclusion, a list of references and exhibits. The text is illustrated with 65 figures and 4 tables. The three chapters and commensurable in volume.

The subject of the dissertation thesis, its volume and structure as well as the studied and cited literary sources comply with the established standards for a dissertation thesis submitted for acquisition of the educational and scientific degree of Doctor of Philosophy in the doctoral programme in Planning.

II. Evaluation of the format and contents of the dissertation thesis

Structurally, the dissertation is optimal and includes an introduction, three chapters and a conclusion, which provide the logical construction of the thesis. The high scientific style is impressive.

The introduction is thorough and contains the main elements for scientific research - justification of relevance, object, subject, purpose, thesis, tasks, methodology, etc.

The subject of research in the dissertation is the effects of the fiscal policy of the RNM on macroeconomic development and public debt. The object of research are the policies, strategies and instruments of fiscal policy with the aim of ensuring sustainable development, as well as methods for evaluating the short- and medium-term effects of fiscal policy on the country's GDP and public debt.

The main hypothesis is that vector autoregression models accurately determine the impact of fiscal policy on macroeconomic trends and public debt, which contributes to the continuous improvement of the fiscal strategy and allows for the justified implementation of a relevant fiscal policy aiming to achieving sustainable development of the national economy.

Chapter One addresses the modern theoretical concepts of the impact of fiscal policy on economic development.

The second chapter presents the empirical study on the effects of fiscal policy on RNM's economy. The methodology of the statistical research and the obtained results are presented in detail.

Chapter Three focuses on strategic guidelines for good management of public finances.

The conclusion summarizes the main results and findings made in the separate chapters of the dissertation and logically binds them to support the main research hypothesis formulated by the author. Possible directions for future research are also highlighted.

The overviews/discussions in the second and third chapters make a positive impression. They provide additional clarity and information on the interpreted topic, supplementing the author's findings and defined statements.

The above considerations give me the grounds to come to the conclusion that the main hypothesis of the work has been confirmed through the content of the dissertation thesis.

The main recommendation to the economic policy makers in the Republic of North Macedonia is to implement an intelligent system in the management of public finances - SMART finances. This system is based on a clear strategy, sustainability, accountability,

orientation to reforms, and transparency as its acronym itself suggests (S-strategic, M-sustainable, A-accountable, R-reform-oriented, T-transparent).

No deviations from the main research field, repetitions, or logical contradictions are found in the dissertation thesis.

The dissertation thesis complies with the rules of scientific ethics.

The author's summary summarizes the dissertation thesis in clear detail. It is written in compliance with the requirements and includes the required elements and gives a complete overview of the conducted scientific research. It is a concise description of the main research issues and clarifies the scientific and applied merits of the achieved results within the context of research hypothesis defended by the author.

The list of publications shows that the doctoral student's number of publications on the topic exceeds by far the minimum requirements for acquisition of the educational and scientific degree of Doctor of Philosophy.

III. Evaluation of the scientific and applied contributions of the dissertation

The theoretical and practical significance of the thesis and its main contributions can be summarized as follows:

1. A critical overview of the modern scientific concepts regarding the effects of fiscal policy on economic development.
2. Classification of the main empirical studies in the field of fiscal policy in terms of the alternative approaches used to identify fiscal shocks. The author has arrived at the conclusion that, in terms of the study of the macroeconomic effects of fiscal policy, empirical literature is dominated by the VAR-models.
3. An analysis of the fiscal policy of RNM in the period 2000 – 2018 in terms of GDP growth, dynamics of general public income, fiscal revenues, current spending, and budget deficits. The analysis concludes with a discussion of the results and conclusions.
4. The effects of fiscal instruments on the real sector in RNM in terms of their impact on GDP were investigated by means of a regression analysis, i.e. linear regression model. The regression showed that GDP in one period affects the level of GDP in another period and that economic variables and instruments of monetary and fiscal policy tend to have a "time lag". As a result of the analysis, the author concludes that regression models can be used to determine the existence of a correlation between GDP and public consumption, but there are limitations to their application, which necessitates the use of vector autoregression models.

5. An analysis of the effects of public consumption on GDP in RNM using the VAR (p) model. The VAR model is used as the basis for estimating Impulse Response Functions, which actually show how one variable can respond to sudden changes in the other variable, in this case – GDP and public (budget) consumption. The results show that RNM's GDP reacts to changes (shocks) in public consumption after two lags, while public (budget) consumption reacts to changes in GDP after 4 lags.

6. An assessment of the quality of budget expenditures and their impact on the country's economic growth was made by testing for Granger causality in the VAR environment of capital expenditures, as a part of the state budget on GDP. It proves that capital expenditure, which is the main tool for GDP growth and economic growth as well as the most frequently used tool for countercyclical economic policy, did not affect GDP over the analyzed period 2006-2019, i.e. GDP cannot be predicted with certainty based on a certain level of capital spending.

7. Recommendations for enforcing an Organic Budget Law, which will actually support the SMART finances system as a transition from the traditional incremental budgeting to results-oriented budgeting and establishment of a Fiscal Council for implementation of an Integrated Financial Management Information System (IFMIS), etc.

I accept the above results as contributions of the author to the scientific research in this field.

IV. Critical notes, questions, and recommendations

As a member of the PhD student's department and internal reviewer, I directly observed Vesna Korunovska's progress of in the development of her dissertation thesis by consistently addressing all suggestions and ideas made within this process. I have no critical notes or questions to the author.

V. General conclusion and opinion

The scientific analysis of the dissertation thesis entitled THE ROLE OF THE FISCAL STRATEGY OF THE REPUBLIC OF NORTH MACEDONIA FOR ACHIEVING SUSTAINABLE DEVELOPMENT OF THE NATIONAL ECONOMY gives me the grounds to consider that it is the author's own scientific and applied research on a topical and significant issue. I believe that the dissertation thesis makes scientific and applied contributions and fully complies with the requirements for acquisition of the educational and

scientific degree of Doctor of Philosophy according to Law on the Development of the Academic Staff of the Republic of Bulgaria, the regulations for its implementation. This provides me with the grounds to propose to the Scientific Panel to confer to Vesna Stoyan Korunovska the educational and scientific degree of Doctor of Philosophy in Professional Field 3.8. Economics and scientific speciality of Planning.

Date: 03 Dec. 2023

Reviewer: ..

(Assoc. Prof. M. Chipriyanov, PhD)