

Dear Colleagues,

On behalf of the Economic Research and Financial Stability Department (ERFSD) of the Czech National Bank (CNB), I would like to announce a **Call for Research Projects 2010**. The Call aims to focus the CNB's economic research on priority topics, to coordinate the research efforts of internal as well as external experts, and to select high-quality proposals effectively. I hope that the following information on priority topics, the requirements for proposals, and the evaluation process will be helpful to you.

The priority topics

We encourage researchers to propose projects that focus on the 2010 priority topics listed in the Appendix. These are topics that have been formulated by the research coordinators for each research area (see Table 1) after consultations with the CNB management. The topics reflect the priorities announced by the CNB for 2007–2012 (http://www.cnb.cz/cs/vyzkum/vyzkum_uvod/ekon_vyzkum_2007-2012.html). They also reflect which priorities have already been covered by the projects currently running or recently finished (see http://www.cnb.cz/en/research/research_projects).

Table 1

	Research Area	Coordinator	Contact
A	Monetary policy	Martin Cincibuch	martin.cincibuch@cnb.cz
B	Macroeconomic modelling and forecasting	Juraj Antal	juraj.antal@cnb.cz
C	Financial stability	Michal Hlaváček	michal.hlavacek@cnb.cz
D	Real sector and fiscal policy	Kamil Galuščák	kamil.galuscak@cnb.cz

The requirements for proposals

We are searching for research proposals that are related to the research priority topics specified above. The proposals are expected to be well-structured, including a literature and empirical evidence survey describing the current knowledge, then clearly stating the research hypotheses and outlining the models and other relevant technical means to be applied. Researchers are requested to include previously published CNB WPs and RPNs in their surveys if they cover similar research topics, and to state the differences between their planned work and the work already published. Also, differences vis-à-vis the running projects must be clearly stated. The researchers are also requested to state exactly what data and SW is necessary for successful project completion as well as what potential difficulties they will face in obtaining them.

Researchers are advised to **contact the coordinator of the research area of interest as soon as possible with their suggested project**. Research coordinators can help interpret priority topics, reduce the risk of overlapping projects, and complete the form effectively.

We encourage researchers to form teams across CNB departments and/or with external researchers, who can participate in the Call. However, **each research team must include at least one CNB expert** in order to facilitate the transfer of research outcomes and the know-how obtained into the daily work of the CNB.

Please note that **only fully completed proposals will be considered**. Without an adequate literature survey, methodology and data description, the proposal is not fully completed. Please carefully follow the instructions given on the project proposal form.

Regarding the budget, **researchers are requested to be as specific as possible when applying for funding** for their data, SW, literature and travel costs. For your information, the budgets for these items approved in recent calls for projects have ranged mostly between CZK 0 and CZK 150, 000 (the average being CZK 35,000). Where funding is requested without sufficient details, the corresponding items will be deleted from the budget.

The research team may also propose an **external consultant** for their project. This person must have an excellent publishing record in a field exactly relevant to the project so that he or she can advise the research team effectively. If the research team is interested in proposing a consultant, it should state clearly in the proposal form who should be considered for this role and what exactly the subject of consultation will be. Please note that the consultant will be approved by the CNB Board in exceptional cases where the high relevance and quality of the proposal ensure the effective use of resources.

Conditional on successful completion of the project (publication of a WP or RPN) and timely delivery of the research output, each co-author of the final publication receives a financial award. The award depends on the size of the research team. For your information, the financial award for successful authors has ranged typically between CZK 25,000 and CZK 40,000 per person in recent years.¹

The **deadline for submitting project proposals is 15 August 2009. Proposals must be submitted to research.call@cnb.cz**. The deadline will be strictly adhered to. Later submissions will not be considered. Submissions to other e-mail addresses (or in non-electronic form) will also not be considered.

What happens after a project proposal is submitted?

All project proposals undergo an **evaluation procedure**. The research coordinators, the Research Advisory Committee (RAC) and the CNB Board subsequently judge the relevance, quality and cost-effectiveness of the proposals. The coordinators make their

¹ Please note that this award is not part of the project budget. It is subject to the director's approval. The award will not be paid if the project has been delayed by more than 6 months and the director has not approved this delay. Such approval may be obtained only if researchers have relevant reasons and if they communicate with the coordinator well in advance about potential delays. Delays longer than two years will not be approved under any circumstances.

pre-selection in August.² In order to speed up the evaluation procedure, there is no in-between stage (e.g. no correction of English grammar and no advice from coordinators on how to improve proposals) and the proposals are sent directly to the RAC.³ The RAC evaluates the pre-selected proposals in September. After this meeting, the evaluations and suggestions of the RAC are sent to the authors. The authors – if they wish to improve the support of their project by the RAC – have the option of redrafting their proposal accordingly. Afterwards, the proposals, together with the RAC's final voting, are submitted to the CNB Board.⁴ The Board makes the final decision in November. At each stage, the authors of rejected proposals are informed by the coordinators.

Only those proposals which meet the required standards will be approved by the CNB Board, after consideration of the CNB's capacity constraints, and will become part of the CNB Research Programme. Authors will then proceed according to the approved research plan and budget in cooperation with the assigned project coordinator, who should always be consulted if a serious deviation from the plan arises. The intermediate results of the project are presented at an interim seminar. The final outcome is subject to a standard refereeing procedure that also includes presentation of the results at a seminar.

A project is successfully completed if the publication of a CNB WP or a CNB RPN is approved by the referee committee.

If outputs from the project are published/presented elsewhere, **the authors are requested to inform the coordinators and include an acknowledgment of the CNB's support.**⁵ The CNB refers to papers that are published in academic journals on its website (http://www.cnb.cz/en/research/research_publications) and the list of academic publications is also included in the CNB Economic Research Bulletin, which is distributed internationally.

Good luck with your proposals!

15 April 2009

Kateřina Šmídková
Executive Director
Economic Research and Financial Stability Department
Czech National Bank

² The pre-selection is done on a yes/no basis only, with all incomplete proposals and proposals of obviously low relevance (e.g. with a topic unrelated to the activities of the central bank) or low quality (e.g. with no literature survey or no research hypothesis) being rejected.

³ That is why interested research teams are strongly encouraged to communicate with the coordinators early on after this Call is announced to minimise all potential difficulties in good time.

⁴ The RAC votes on each proposal separately (three options are available to each member: yes/no/revise and resubmit).

⁵ Example footnote: The authors acknowledge the support of the Czech National Bank. The paper was produced with the help of CNB Research Project A1/10.

Appendix: Priority topics 2010

A. Monetary policy

- Investigation of the process and consequences of euro adoption. How will macroeconomic policies be affected by ERM II entry and what is the expected impact of euro adoption on macroeconomic performance? The financial crisis and euro adoption.
- Empirical investigation of the role of monetary and credit aggregates in monetary policy and in the determination of asset prices. How has the financial crisis changed this role and what are the implications of quantitative easing for price stability.
- Monetary policy strategy. The impact of the financial crisis on its design. Would alternative specifications of the inflation target (e.g. index composition) or policy rules (e.g. asset prices) have more stabilising effects?
- Studies of monetary policy transmission. For example, the implications of subsidised savings in building societies, direct retail distribution of government bonds and different types of hedging behaviour for transmission, and the implications of the financial crisis for the yield curve. Inflation-indexed contracts, their potential for market completion and their disciplining and information role.
- Issues of central bank foreign reserve and asset management in the wake of the global financial crisis.

B. Macroeconomic modelling and forecasting

- Development of a satellite macroeconomic model focusing on the financial sector to improve the CNB forecasting process. The relationships between the financial sector, macroeconomic developments and monetary policy should be captured.
- Development of a satellite model addressing the fiscal sector. This structural model is expected to investigate the transmission of fiscal policy to the economy in order to improve the forecasting process.
- Development of empirical tools and methods to extend the CNB's current near-term forecasting methodology and/or communication of uncertainty. Factor models or Bayesian estimation. Usefulness of real-time data (vintage models) for forecasting the Czech economy.
- Studies supporting the further development of the CNB's "g3" core forecasting model. Modelling of regulated and oil prices, credit rationing and investment accumulation in DSGE models.
- Development of a two-country, euro-area-wide model to incorporate the endogenous development of foreign variables in the forecasting process. The model should address euro-area-wide issues relevant to the Czech economy on the way to euro adoption.

C. Financial stability

- Analysis of the macroeconomic causes, transmission channels and implications of the financial crisis for the European financial system, with a special focus on CEECs. Analysis of the pro-cyclicality of financial intermediation. Updating of cross-border contagion analysis for large complex financial groups under conditions of financial turbulence.
- Development of models and tools to integrate feedback effects between the real and financial sectors. Dynamic stress-testing models, models of the financial cycle, approaches detecting risks connected with macroeconomic developments and internal and external imbalances.
- Analysis of the non-banking sectors of the Czech financial system assessing sector-specific risks and developments. Efficiency of the capital market under financial turbulence, contagion across

different financial sector segments, efficiency and competitiveness in non-banking financial institutions, financial disintermediation.

- Assessment of new challenges for risk management models in banks. Further development of methodologies for measuring other types of financial risk than credit risk, such as liquidity risk or operational risk, and their application to the Czech data. Methods of internalisation of macro and systemic risks into risk models of individual institutions. Stress testing for the different types of risks in individual financial institutions.
- Analysis of the efficiency of different supervisory and regulatory structures in the financial crisis. Pros and cons of integration of financial regulators on both the national and international level (home-host issues, burden sharing). Survey and evaluation of the reactions of supervisory bodies to the crisis. Estimation of the impacts of pro-cyclicality in the regulatory framework and in ratings.

D. Real sector and fiscal policy

- Research of the main economic rigidities and persistencies in the EU, particularly on the labour market. Do labour markets operate differently in times of financial crisis?
- Estimates of the fiscal impulse in the Czech economy and robustness analysis of the estimates with the aim of developing a tool for assessing the impact of fiscal measures on the economy.
- The current financial crisis, fiscal packages and implications for fiscal sustainability and financial stability in Europe. The role of fiscal policy in the run-up to the crisis. Implications of market reactions to the crisis and to fiscal packages for fiscal sustainability.
- Analysis of economic growth and supply-side performance, particularly the life-cycle of foreign direct investment, with the aim of improving balance-of-payments forecasting.
- Studies addressing possible biases in the measurement of inflation, inflation expectations and GDP which take into account quality changes, differences between official and perceived inflation, and asset price swings. Real-time data models for GDP.