CENTER FOR DEVELOPMENT POLICIES
IDEAS DEPO

ANNUAL REPORT 2024

Skopje, February 2025

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Introduction

In 2024, IDEAS DePo remained committed to strengthening decentralization and regional economic integration in North Macedonia. Our work was anchored in two key USAID-funded projects:

1. **Strengthening Resource Mobilization Activity (SRMA)** – Implemented in collaboration with DT Global, supporting decentralization processes under Objective 4.
2. **Partnerships for Economic Growth (P4EG)** – Partnered with Palladium to enhance regional economic integration under Objective 4.

These efforts reinforced our role as a key partner in improving fiscal decentralization and trade facilitation while strengthening institutional capacities. Throughout the year, we engaged in legislative advancements, capacity-building initiatives, and strategic policy support to enhance local governance, fiscal management, and trade compliance.

I. Strengthening Resource Mobilization Activity (SRMA Project)

Under Objective 4: **Decentralization Process Enhanced**, IDEAS DePo played a pivotal role in advancing fiscal decentralization and local governance reforms in North Macedonia. We focused on strengthening local government institutions, improving policy frameworks, and providing municipalities with the necessary tools to increase financial sustainability.

Key Activities

1. **Policy and Legislative Development:**

    a. Conducted consultations with the Ministry of Local Self-Government (MLSG) and Ministry of Finance (MoF) to refine decentralization policies and strategies.

    b. Developed scenarios for restructuring the Bureau for Regional Development, culminating in its transformation into an Agency for Regional and Local Development to improve municipal access to EU funds.

    c. Drafted amendments to the Law on Property Taxes to modernize and streamline municipal tax collection processes, ensuring increased local revenue generation.

d. Developed a comprehensive draft Law on Municipal Debt Management to enhance financial predictability, promote fiscal discipline, and improve municipalities' creditworthiness.

2. **Capacity Building and Technical Assistance:**

    a. Conducted over **140** specialized training sessions and mentoring programs, benefiting more than **500 municipal employees** across the country.
    b. Provided hands-on training on **budget planning, execution, and fiscal transparency**, equipping municipal financial officers with practical skills to improve governance.
    c. Offered tailored technical assistance to municipalities on absorbing and managing external funds, ensuring they can successfully apply for and execute development projects.
    d. Facilitated peer-to-peer exchanges between municipalities, fostering a collaborative environment where best practices in fiscal management could be shared and implemented.

3. **Data-Driven Recommendations and Research:**

    a. Developed evidence-based action plans for improving fiscal decentralization, aligning with national strategies for economic growth and governance.
    b. Conducted in-depth assessments of municipal financial management structures, identifying inefficiencies and proposing actionable reforms.
    c. Published reports that informed policymakers and stakeholders about the challenges and opportunities in decentralization efforts.

Key Results

- **Legislative Progress:** The draft Law on Municipal Debt Management was presented to key stakeholders and is expected to significantly improve financial discipline and stability in municipalities.
- **Enhanced Municipal Capacities:** Over **500 municipal employees** received targeted training, leading to more efficient and accountable local governance structures.
- **Improved Institutional Coordination:** Strengthened collaboration between municipalities and central government agencies, fostering a more cohesive approach to decentralization and local governance.

II. Partnerships for Economic Growth (P4EG Project)

Under Objective 4: **Improved Regional Economic Integration**, IDEAS DePo worked on facilitating trade, ensuring compliance with EU trade and environmental policies, and strengthening North Macedonia's role in the regional economy. Our efforts focused on advancing the implementation of the EU Carbon Border Adjustment Mechanism (CBAM) and enhancing trade facilitation mechanisms.

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Key Activities

1. **Support for EU Carbon Border Adjustment Mechanism (CBAM) Implementation:**

    a. Organized high-level discussions on CBAM's implications for Macedonian industries, helping businesses prepare for regulatory changes.
    b. Facilitated **six training workshops** for companies, focusing on the **reporting requirements and compliance measures** necessary to meet CBAM obligations.
    c. Provided technical assistance to the Ministry of Finance and the Ministry of Environment, supporting the development of policies for monitoring carbon emissions and implementing taxation structures that align with EU standards.
    d. Launched a co-financing opportunity for MSMEs to develop **decarbonization plans**, ensuring long-term sustainability in their operations.

2. **Trade Facilitation Reforms:**

    a. Conducted **training sessions for 79 customs officials** on financial solvency assessments of companies engaging in cross-border trade, enhancing risk management and trade efficiency.
    b. Published **Guidelines on the Implementation of the Revised PEM Convention on Rules of Origin**, helping North Macedonia align with EU and CEFTA trade policies.
    c. Assisted **over 11 MSMEs** in preparing compliance reports for CBAM, ensuring they could continue exporting to the EU without disruptions.

3. **Institutional Strengthening and Policy Support:**

    a. Conducted an **in-depth assessment of CBAM's impact** on North Macedonia's economy, trade relations, and policy framework, providing recommendations for the government and private sector.
    b. Collaborated with the Ministry of European Affairs to develop an **inter-institutional working group** focused on climate-related trade policies and CBAM implementation.
    c. Supported public sector agencies in implementing **monitoring, reporting, verification, and accreditation (MRVA) systems** for greenhouse gas emissions to ensure compliance with EU climate regulations.

Key Results

- **Increased Awareness and Readiness:** Over **150 representatives** from government institutions, private sector businesses, and NGOs participated in CBAM-focused training and policy discussions.
- **Enhanced Trade Facilitation:** Strengthened customs capacity for financial solvency assessment, leading to a more transparent and efficient trade environment.
- **Strategic Policy Advancements:** Provided policy recommendations and institutional support to align North Macedonia's trade policies with EU regulations, ensuring smoother integration into regional and global markets.

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Conclusion

IDEAS DePo's contributions in 2024 under the two ongoing projects reflect our ongoing commitment to fostering decentralization and regional economic integration in North Macedonia. Through legislative advancements, targeted capacity-building initiatives, and strategic policy interventions, we have strengthened institutional frameworks, enhanced municipal governance, and supported businesses in adapting to evolving trade regulations.

Looking ahead to 2025, IDEAS DePo remains dedicated to expanding these efforts by deepening collaboration with government agencies, municipalities, and private sector stakeholders. Our goal is to further enhance fiscal decentralization, optimize local financial management, and facilitate North Macedonia’s seamless integration into EU and regional trade mechanisms.

We extend our gratitude to our partners, including USAID, DT Global, Palladium, and various government institutions, such as Ministry of Local Self-Government, Ministry of Finance, Ministry of Environment, ZELS, Customs Administration and others, for their continued support and collaboration in driving sustainable economic growth and governance improvements.

For the year 2024, I also submit the IDEAS DePo Annual Financial Statement for 2024, pursuant to the IDEAS DePo Charter, for review and approval by the relevant IDEAS DePo managing and supervision bodies.

Executive Director,

Aleksandar Shahov

Skopje, February 2025